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NEWS RELEASE

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PSC Cuts Licking Valley RECC Rate Hike Request

Orders utility to scrutinize employee salaries and benefits

FRANKFORT, Ky. (March 1, 2017) – The Kentucky Public Service Commission (PSC) today granted Licking Valley Rural Electric Cooperative Corp. a rate hike but reduced the amount requested by the electric distribution cooperative.

With the rate increase granted by the PSC, a typical Licking Valley residential customer will see their average monthly electric bill rise by about \$5.66 (5.6 percent), from \$101.47 to \$107.13. That includes a \$4.68 increase in the monthly customer charge, from \$9.32 to \$14. The utility had proposed to increase the monthly residential service charge to \$15.

In an order issued today, the PSC said that Licking Valley should reduce expenses by requiring its employees to pay a share of the costs of employee health insurance and a larger share of the cost of providing coverage for their families.

The PSC also stated that Licking Valley's next rate adjustment application must include a formal study that examines not only compensation within the industry, but also across all business sectors in its service territory.

Licking Valley RECC serves about 17,300 customers in Breathitt, Elliot, Lee, Magoffin, Menifee, Morgan, Rowan and Wolfe counties in eastern Kentucky. It is one of 16 electric distribution cooperatives that together own and purchase power from the East Kentucky Power Cooperative.

In a rate adjustment application filed in August 2016, Licking Valley sought to increase annual revenue by about \$1.56 million, or 5.98 percent. Licking Valley's application stated that the additional revenue was needed in order to cover increasing operational costs and to maintain the utility's financial stability, including its ability to meet the terms of its agreements with its lenders. The PSC approved an increase of \$1.28 million in annual revenues, or 4.92 percent.

The PSC found that the smaller increase it granted would still allow Licking Valley to meet its financial obligations, including satisfying the terms of its loan agreements.

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The PSC conducted a public evidentiary hearing on Licking Valley's application on Jan. 24, 2017. There were no other parties to the case.

Today's order, a video of the evidentiary hearing, and other records in the case are available on the PSC website, psc.ky.gov. The case number is 2016-00174.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 75 employees.

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