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NEWS RELEASE

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PSC Accepts Settlement in Big Sandy RECC Rate Case

Typical monthly residential bill will increase by about \$8.80

FRANKFORT, Ky. (June 3, 2009) – The Kentucky Public Service Commission (PSC) has accepted a settlement that permits Big Sandy Rural Electric Cooperative Corp. to raise its rates in order to increase its annual revenue by \$1.74 million, or about 8 percent.

Big Sandy negotiated the settlement – which gives the rural electric cooperative \$161,500 less than the amount of additional revenue it requested - with the Office of Attorney General.

Big Sandy applied to the PSC for the rate increase in December 2008. During the course of the PSC's examination of the application, the utility and the Attorney General began settlement negotiations. The settlement was submitted to the PSC for review on May 4.

A public hearing on the proposed settlement was held May 12.

In today's order, the PSC said that it had determined that the rates contained in the settlement are fair, just and reasonable. The new rates take effect today.

The new residential rates, the residential rates Big Sandy originally sought and the present residential rates are as follow:

	New rates (settlement)	Applied for rates	Present rates	Change (present to new)
Monthly charge	\$10	\$15	\$7.70	\$2.30
Usage (per kilowatt-hour)	8.13 ¢	7.85 ¢	7.48 ¢	0.65 ¢

For a residential customer using 1,000 kilowatt hours per month (a kilowatt-hour is the amount of electricity used by a 100-watt light bulb in 10 hours), the new rates will increase the base monthly bill by \$8.80, from \$82.50 to \$91.30, an increase of 10.7 percent. That figure does not include fuel cost adjustments or environmental surcharges.

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This is Big Sandy's first general rate increase since 1996.

Big Sandy's application would have increased the base monthly bill for a residential customer using 1,000 kilowatt hours per month to \$93.48, an increase of approximately 13 percent.

The settlement agreement also adopts Big Sandy's proposed changes to non-residential rates and to certain miscellaneous charges.

Big Sandy, headquartered in Paintsville, has about 13,090 residential and commercial customers in Breathitt, Floyd, Johnson, Knott, Lawrence, Magoffin, Martin and Morgan counties. It is one of 16 distribution cooperatives that purchases power from the East Kentucky Power Cooperative, Inc.

Under the settlement, Big Sandy agreed to a lower monthly residential customer charge than originally proposed. The customer charge is the portion of the total rate that is supposed to reflect a utility's fixed costs, such as personnel, meter reading or billing. Fixed costs do not vary with the amount of electricity consumed.

In its application, Big Sandy asked for a monthly charge of \$15, nearly double the current amount. In exchange for a smaller increase in the monthly charge, the settlement gives Big Sandy a higher usage-based residential rate than the utility had requested in its application to the PSC.

Today's order and other documents in the case are available on the PSC Web site, psc.ky.gov. The case number is 2008-00401.

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 100 employees.