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NEWS RELEASE

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PSC Accepts Settlement in Farmers RECC Rate Case *Typical monthly residential bill will increase by about \$11.70*

FRANKFORT, Ky. (June 10, 2009) – The Kentucky Public Service Commission (PSC) has accepted a settlement that permits Farmers Rural Electric Cooperative Corp. to raise its rates in order to increase its annual revenue by \$3.69 million, or about 9.8 percent.

Farmers negotiated the settlement – which gives the rural electric cooperative about \$350,000 less in annual revenue than it requested - with the Office of Attorney General.

Farmers applied to the PSC for the rate increase in January 2009. During the course of the PSC's examination of the application, the utility and the Attorney General began settlement negotiations. The final settlement was submitted to the PSC for review on May 4.

A public hearing on the proposed settlement was held May 21.

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 July 1, 2009.

Farmers has about 24,000 residential and commercial customers in Adair, Barren, Edmonson, Green, Hart, Larue and Metcalfe counties. It is one of 16 distribution cooperatives that both own and purchase power from the East Kentucky Power Cooperative (EKPC).

This is Farmers' first general rate increase since 1984.

In its application, Farmers proposed to alter its residential rate structure. Rather than charging all residential customers a monthly minimum charge that included for the first 50 kilowatt-hours of usage, Farmers proposed to switch to a monthly charge that includes no payment for usage.

The monthly residential 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.

The settlement incorporates the new rate structure.

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

	New rates (settlement)	Applied for rates	Present rates	Change (present to new)
Monthly charge	\$9	\$9 <i>(50 kwh @ 16.05 ¢ per kwh)</i>	\$8.02	\$0.98
Usage (per kilowatt-hour)	8.14 ¢ <i>(all)</i>	8.3 ¢ <i>(all)</i>	7.44 ¢ <i>(above 50 kwh)</i>	0.7 ¢

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 \$11.70, from \$78.70 to \$90.40, an increase of 14.9 percent.

The base monthly rate figure does not include fuel cost adjustments or environmental surcharges, which also are passed on from EKPC.

The rates Farmers sought in its application would have increased the base monthly bill for a typical residential customer to \$92, an increase of 16.9 percent.

The PSC also encouraged Farmers to step up its efforts in the areas of energy efficiency and energy conservation, often referred to as demand-side management, noting that Gov. Steve Beshear’s energy plan calls for an increase in demand-side management by 2025.

“The Commission believes that conservation, energy efficiency and demand-side management will become more important and cost-effective as there will likely be more constraints placed upon utilities whose main source of supply is coal-based generation,” the PSC said in its order. “Although Farmers has a number of demand-side management programs in place, the Commission believes that it is appropriate to encourage Farmers, and all other electric energy providers, to make a greater effort to offer cost-effective demand-side management and other energy efficiency programs.”

The settlement agreement also adopts Farmers’ proposed changes to non-residential rates and to certain miscellaneous charges.

Today’s order and other documents in the case are available on the PSC Web site, psc.ky.gov. The case number is 2008-00030.

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.