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## **NEWS RELEASE**

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### **PSC Grants Rate Increase to Kenergy Corp. *Change will add about \$3.60 per month to average residential bill***

**FRANKFORT, Ky. (Sept. 15, 2016)** – The Kentucky Public Service Commission (PSC) today granted Kenergy Corp. new rates that will increase the electric distribution cooperative's revenue by \$2.36 million (1.8 percent), allowing it to remain in compliance with requirements set by its lenders.

As a result, the average monthly bill for residential customers will increase by about \$3.60, or about 2.3 percent.

Although Kenergy received nearly all of the additional revenue it requested, the PSC expressed concern about the utility's employee compensation and benefits packages.

"Recognizing growing concerns over compensation levels with increasing electric bills, the Commission believes that employee compensation and benefits need to be more sufficiently researched and studied," the PSC said in today's order. "The Commission will begin placing more emphasis on evaluating salary and benefits as they relate to competitiveness in a broad marketplace."

The PSC directed Kenergy to include salary and benefits survey information in future rate applications, including local wage and benefit information for Kenergy's geographic area of operation, as well as available state data. The information must extend beyond electric cooperatives, electric utilities or other regulated utilities.

Kenergy has about 55,800 customers in 14 counties in western Kentucky. It is one of three electric distribution cooperatives that own and purchase power from Big Rivers Electric Corp.

Kenergy had sought a revenue increase of \$2.56 million, or about 1.9 percent. As a non-profit cooperative, Kenergy is required by the Rural Utilities Service – the federal agency that is its primary lender – to meet certain financial criteria.

That requirement was the basis for the PSC's decision to award Kenergy most of the requested increase. The reduction from the requested amount was largely the result of the PSC changing how the utility will recover certain costs associated with the replacement of old meters with new, advanced models.

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Kenergy proposed to increase its monthly residential customer charge by \$2.90 per month, from the current \$15.60 to \$18.50. It proposed to raise the residential consumption charge from 10.1304 cents per kilowatt-hour to 10.2042 cents per kilowatt-hour. (A kilowatt-hour is the amount of energy used by a 100-watt light bulb in 10 hours.)

The PSC set the monthly residential customer charge at \$18.20 and reduced the proposed residential customer charge to 10.2038 cents per kilowatt-hour.

Kenergy, as permitted by state law, put its proposed rates into effect on May 20, six months after the filing date. As a result of today's PSC decision to set lower rates, the company will have to refund the amount it has over-collected, plus interest, to its customers.

In addition to addressing rates, the PSC also examined Kenergy's handling of capital credits, which represent the revenues that Kenergy earns above its operating expenses. Because it is a cooperative, Kenergy's customers are also its owners, and receive refunds of capital credits on a periodic basis.

If a customer has left Kenergy and cannot be located, the unclaimed capital credits are placed into an escrow account. Testimony in the case revealed that Kenergy's escrow account has grown to about \$5 million, including an infusion of \$800,000 in unclaimed capital credits from earlier this year.

Under Kentucky law, credits that go unclaimed for five years may be redistributed to current members. The PSC directed Kenergy to conduct such a redistribution of unclaimed credits that have been held in escrow for more than five years.

The PSC also directed Kenergy to report to the commission on its practices for locating former members, what steps the utility is taking to improve those practices and how it plans to redistribute unclaimed credits.

Other parties to the case included the Kentucky Office of Attorney General and the Kentucky Industrial Utility Customers, Inc., which represents large industrial customers.

The PSC conducted a public evidentiary hearing in the case on May 10. A video of that hearing, today's order and documents filed in the case are available on the PSC website, [psc.ky.gov](http://psc.ky.gov). The case number is 2015-00312.

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 85 employees.

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