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NEWS RELEASE

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PSC Accepts Settlement in Licking Valley RECC Rate Case *Commission also orders report on power losses*

FRANKFORT, Ky. (Dec. 11, 2009) – The Kentucky Public Service Commission (PSC) has accepted a settlement that permits Licking Valley Rural Electric Cooperative Corp. to raise its rates in order to increase its annual revenue by \$1.94 million, or about 7.7 percent.

Monthly bills for a typical residential customer will increase by about \$9.10.

Licking Valley negotiated the settlement – which gives the rural electric cooperative about \$130,000 less in annual revenue than it requested - with the Kentucky Office of Attorney General.

Licking Valley applied to the PSC for the rate increase in July 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 October 27.

A public hearing on the proposed settlement was held November 24.

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 December 13, 2009.

The PSC also ordered Licking Valley to investigate why so much of the electricity it buys never gets to paying customers. A report is due to the PSC in 90 days.

Licking Valley has about 17,500 residential and commercial customers in Breathitt, Elliott, Lee, Magoffin, Menifee, Morgan, Rowan and Wolfe counties. It is one of 16 distribution cooperatives that both own and purchase power from the East Kentucky Power Cooperative (EKPC).

This is Licking Valley's first general rate increase since 1998.

In its application, Licking Valley proposed to increase its annual revenue by \$2.07 million. The cooperative proposed to increase its monthly customer charge for residential customers from \$7.65 to \$10. The usage charge was proposed to increase from 8.92 cents per kilowatt-hour (kwh) to 9.67 cents per kwh.

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The settlement calls for monthly customer charge of \$9 and a usage charge of 9.70 cents per kwh.

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 new residential rates, the residential rates Licking Valley 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	\$10	\$7.65	\$1.35
Usage (per kilowatt-hour)	9.70 ¢	9.66 ¢	8.92 ¢	0.78 ¢

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 \$9.10, from \$96.85 to \$105.95, an increase of 9.4 percent.

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

The rates Licking Valley sought in its application would have increased the base monthly bill for a typical residential customer to \$106.66, an increase of 10.1 percent.

Today's order also directs Licking Valley to report to the PSC in 90 days the results of its investigation into excessive line loss it has experienced recently. Line loss is the difference between the amount of electricity Licking Valley purchases from EKPC and the amount recorded as provided to its customers.

The unusually high line losses – nearly 10 percent in 2008 - came to light during the rate case. Licking Valley was unable to explain the line losses.

The PSC also encouraged Licking Valley 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.

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“Although Licking Valley has a number of energy efficiency programs in place, the Commission believes that it is appropriate to encourage Licking Valley, and all other electric energy providers, to make a greater effort to offer cost-effective demand-side management and other energy efficiency programs,” the PSC said.

The settlement agreement also adopts Licking Valley’ proposed changes to non-residential rates and to cable television attachment charges.

Today’s order and other documents in the case are available on the PSC Web site, psc.ky.gov. The case number is 2009-00016.

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.