

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LICKING VALLEY RURAL	)	
ELECTRIC COOPERATIVE CORPORATION	)	CASE NO.
FOR AN ADJUSTMENT OF RATES	)	2009-00016

O R D E R

On July 13, 2009, Licking Valley Rural Electric Cooperative Corporation ("Licking Valley") filed an application requesting approval to increase its base rates for electric service to generate an additional \$2,072,665 in annual revenues, an increase of 8.2 percent over its normalized revenues. Licking Valley's application provides that its proposed rates be effective for service rendered on and after August 14, 2009. To determine the reasonableness of Licking Valley's proposal, the Commission suspended the proposed rates, pursuant to KRS 278.190(2), for five months from their effective date, up to and including January 13, 2010. The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), was granted full intervention in this proceeding on August 25, 2009.

Licking Valley is a consumer-owned rural electric cooperative organized pursuant to KRS Chapter 279 and engaged in the distribution and sale of electric energy to approximately 17,469 customers in the Kentucky counties of Breathitt, Elliott, Lee, Magoffin, Menifee, Morgan, Rowan, and Wolfe. It is one of the 16 member distribution cooperatives that own and receive their wholesale power from East Kentucky Power Cooperative, Inc. ("EKPC").

A procedural schedule was issued in this matter which provided for discovery upon Licking Valley, intervenor testimony, discovery upon the intervenor testimony, and a public hearing. Licking Valley responded to three rounds of discovery from Commission Staff ("Staff") and two rounds of discovery from the AG. No intervenor testimony was filed.

On October 27, 2009, Licking Valley filed a Joint Settlement Stipulation and Recommendation ("Settlement") it had reached with the AG.¹ At the AG's request, an informal conference was held on November 10, 2009 to discuss the proposed Settlement. The Commission conducted a public hearing on November 24, 2009 to take testimony concerning the reasonableness of the Settlement.

The Settlement contains the following provisions as agreed to between Licking Valley and the AG:

1. Licking Valley would be granted an increase in its base rate revenues of \$1,940,302.
2. The residential customer charge would be increased from its current level of \$7.65 to \$9.00.
3. The cable television pole attachment charges proposed by Licking Valley in its application would be implemented.
4. The revenue increase would be implemented by an increase to the customer and energy charges for the Farm and Home rate class, an increase in the customer charge and a decrease in the energy charge for the Commercial and Small Power rate class, and an increase in the Security Lights rate class.

¹ A copy of the Settlement is attached to this order as Appendix A.

5. Licking Valley would implement, in conjunction with the effective date of this Order, the depreciation rates that were proposed in the application.

Licking Valley's revised response to item 9 of Staff's third data request indicated that a higher line loss experienced during the 2008 test year/calendar year, compared to the previous year, appeared to be largely responsible for a decline in its gross margins from 2007 to 2008 of roughly \$900,000.² At the hearing, Licking Valley stated that it had investigated numerous items that may have contributed to the higher test-year line loss of 9.63 percent but had been unsuccessful in identifying any specific reasons for the increase.³ Licking Valley also presented testimony showing that higher line losses have continued into 2009. Licking Valley stated that it continues to monitor the line-loss situation and is committed to putting forth the effort required to identify the cause of the higher line loss and to reduce its line-loss percentage.

The Commission agrees that determining the reasons for the increased line loss should be a priority. We find, therefore, that Licking Valley should report to the Commission on its continued investigation into its current line-loss situation. This report shall contain detailed descriptions of the steps taken by Licking Valley to identify the cause or causes of its higher line-loss levels, the corrective actions taken to reduce its line losses, the results of those actions, and a plan of future actions. The report shall also include an update to the post-hearing line-loss analysis provided in response to Staff's request at the hearing by including the period of time elapsed since October 2009 and the filing of the report.

² Licking Valley estimated that the higher 2008 line loss was the cause of more than \$800,000 of this decline.

³ Licking Valley's 2007 line loss was 5.41 percent.

After a careful review of the Settlement, the evidentiary record, and being otherwise sufficiently advised, the Commission finds that the Settlement terms are reasonable, do not violate any generally accepted rate-making standards, are in the public interest, and should be accepted as a resolution of all the issues in this matter. The Commission also finds that the revenue increase contained in the Settlement is reasonable⁴ and should permit Licking Valley a reasonable opportunity to maintain its financial integrity and comply with the requirements of its mortgage agreements. The Commission further finds that the rates contained in the Settlement should become effective for service rendered on and after December 13, 2009. Our approval of the Settlement is based solely on its reasonableness *in toto* and does not constitute approval of any rate-making adjustment.

Although issues relating to demand-side management and energy efficiency were not raised in this case, in its 2007 annual report to its members, Licking Valley states that it offers a number of programs to reduce energy inefficiencies.⁵ In addition, Licking Valley's General Manager and CEO stated at the public hearing that the cooperative was working with EKPC to develop its Advanced Metering Infrastructure and start on demand-side management. The Commission believes that conservation, energy efficiency and demand-side management will become more important and cost-

⁴ In analyzing the Settlement, the Commission considered what impact reducing the test-year line loss would have on the amount of Licking Valley's revenue increase. Based on making the ratemaking adjustments that we typically permit in electric cooperative rate cases, we concluded that the impact was not large enough to cause us to reject or modify the Settlement.

⁵ Application, Exhibit P, *CO-OP RELIABILITY, THE 2007 ANNUAL REPORT OF LICKING VALLEY RECC*.

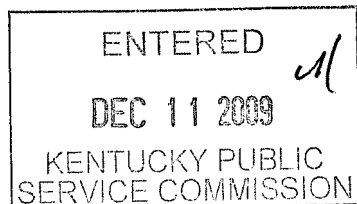
effective as there will likely be more constraints placed upon utilities whose main source of supply is coal-based generation. The Governor's proposed energy plan, *Intelligent Energy Choices for Kentucky's Future, November 2008*, calls for an increase in demand-side management by 2025. In addition, the Commission stated its support for cost-effective demand-side programs in response to several recommendations included in *Electric Utility Regulation and Energy Policy in Kentucky*, the report the Commission submitted in July 2008 to the Kentucky General Assembly pursuant to Section 50 of the 2007 Energy Act. 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.

IT IS THEREFORE ORDERED that:

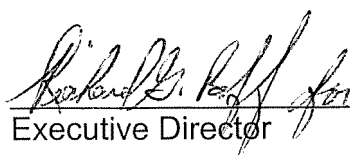
1. The rates and charges proposed by Licking Valley in its application are denied.
2. The Settlement appended hereto as Appendix A is incorporated into this Order as if fully set forth herein.
3. The Settlement is adopted and approved in its entirety.
4. The rates attached hereto as Appendix B are the rates set forth in the Settlement, and those rates are approved for service rendered on and after December 13, 2009.
5. Within 20 days of the date of this Order, Licking Valley shall file new tariff sheets setting forth the rates and charges approved herein and reflecting their effective date and that they were authorized by this Order.

6. Licking Valley shall file with the Commission, 90 days after the date of this order, a report as described herein on its continued investigation into its higher line-loss situation. The report shall be retained in Licking Valley's correspondence file.

By the Commission



ATTEST


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2009-00016 DATED DEC 11 2009

JOINT SETTLEMENT STIPULATION AND RECOMMENDATION

Filed October 27, 2009

Licking Valley Rural Electric Cooperative Corporation

Case No. 2009-00016

RECEIVED

OCT 27 2009

PUBLIC SERVICE
COMMISSION

**Joint Settlement Stipulation
And Recommendation**

Law Offices of
COLLINS & ALLEN
Post Office Box 475
Salyersville, Kentucky 41465-0475

John C. Collins
Gregory D. Allen

Phone (606) 349-1382
Fax (606) 349-1322

RECEIVED

October 26, 2009

OCT 27 2009

PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
Post Office Box 615
Frankfort, Kentucky 40602-0615

RE: Case No. 2009-00016 – Application of Licking Valley Rural Electric
Cooperative Corporation for an Adjustment in Retail Electric Rates

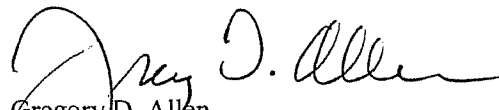
Dear Mr. Derouen:

Attached you will find an original and seven (7) copies of Licking Valley Rural Electric Cooperative Corporation's Settlement Stipulations with the Office of the Attorney General ("OAG") that was reached on October 08, 2009. A copy is also being provided to the Rate Intervention Group of the Office of the Attorney General.

Licking Valley Rural Electric Cooperative Corporation also requests that an informal conference be scheduled so that the Commission Staff, the OAG, and Licking Valley RECC Representatives to discuss the settlement. Licking Valley RECC also requests that the Commission set a date for hearing so that Licking Valley RECC can place appropriate notice of the hearing in the newspapers in the Licking Valley RECC service area.

If you have any questions, please contact me at your convenience.

Sincerely,



Gregory D. Allen
Attorney for Licking Valley RECC

Enclosures

c: Office of Rate Intervention
Office of the Attorney General

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- 5 Exhibit C – Billing Analysis Settlement Proof of Revenue
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Settlement Proposed Rates
- 7 Exhibit E – Change in Rate Design for Schedule A – Residential Farm and
Home Settlement Agreement

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LICKING VALLEY RURAL)
ELECTRIC COOPERATIVE CORPORATION) CASE NO. 2009-00016
FOR AN ADJUSTMENT OF RATES)

JOINT SETTLEMENT STIPULATION AND RECOMMENDATION

It is the intent and purpose of the parties to this proceeding, being the applicant, Licking Valley RECC ("Licking Valley") and the intervenor, Attorney General of the Commonwealth of Kentucky ("Attorney General") to express their agreement on a mutually satisfactory resolution of all of the issues in the instant proceeding which shall hereafter be referred to as the "Stipulation" and/or the "Recommendation."

It is understood by all parties hereto that this Recommendation is not binding upon the Kentucky Public Service Commission ("Commission"), nor does it represent agreement on any specific theory supporting the appropriateness of any recommended adjustment to Licking Valley's rates. Licking Valley RECC and the Attorney General have expended considerable efforts to reach the stipulation and agreements that form the basis for this Recommendation. The parties, representing diverse interests and divergent viewpoints, agree that this Recommendation, viewed in its entirety, constitutes a reasonable resolution of all issues in this proceeding.

In addition, the adoption of this Recommendation will eliminate the need for the Commission and the parties to expend considerable resources in litigation of this proceeding, and will eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final order herein. Based upon the parties' participation in a settlement conference and the materials on file with the Commission, and upon the belief that these materials adequately support this Stipulation and Recommendation, the parties hereby stipulate and recommend the following:

1. Licking Valley RECC filed an application for a rate adjustment seeking a total increase in base rate revenue in the amount of \$2,072,665 on Licking Valley's normalized test year. The parties agree that Licking Valley RECC should be permitted to adjust its rates to permit a total increase in base rate revenue of only \$1,940,302, being \$132,363 less than sought in the application. All rate schedules have been adjusted to reflect this change in retail rates.

Licking Valley RECC agreed to reduce the customer charge per month for its residential class (Schedule A – Farm & Home) from \$10.00 to \$9.00. The demand charges and customer charges for all other classes remain as contained in the original application. In addition, the Attorney General does not contest the cable television attachment rates proposed by Licking Valley RECC in the application.

2. Licking Valley's proposed tariff revisions are attached in "Exhibit A" and should be adopted and should become effective as of April 1, 2009, or as soon thereafter as ordered by the Commission. Attached as "Exhibit B" is the testimony of James R. Adkins which explains the development of these rates.

3. Additional exhibits to this agreement include a comparative schedule of rates, "Exhibit D" which include the current rates, the rates proposed in the application and the rates that are a result of this agreement. Also attached is "Exhibit E" which provides the basis for the revenue requirements for each rate class as well as the proposed rate design.

4. Licking Valley RECC will implement the proposed depreciation rates included in the depreciation study that accompanied the Application. The depreciation rates will be implemented in conjunction with the effective date of the Commission's Order.

5. It is the purpose and intent of the parties hereto that the revision in rates for Licking Valley RECC result in a 2.0 TIER (times interest earned ratio), and the revision in rates as proposed by this Recommendation and Stipulation will result in such a TIER rating.

6. Licking Valley's Board of Directors has approved the stipulated and amended rate amount of \$1,940,302.

7. Each party hereto waives all cross-examination of the other parties' witnesses except for supporting this Recommendation, unless the Commission disapproves this Recommendation, and each party further stipulates and recommends that the Notice of Intent, Application, testimony, pleadings, and responses to data requests filed in this proceeding be admitted into the record.

8. This Recommendation is submitted for purposes of this case only and is not deemed binding upon the parties hereto in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving Licking Valley RECC or any other utility.

9. If the Commission issues an order adopting this Recommendation in its entirety, each of the parties hereto agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin County Circuit Court with respect to such order.

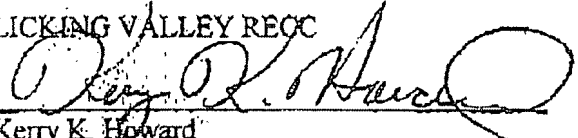
10. If this Recommendation is not adopted in its entirety, each party reserves the right to withdraw from it and require that hearings go forward upon any and all matters involved herein, and that in such event the terms of this Recommendation shall not be deemed binding upon the parties hereto, nor shall such Recommendation be admitted into evidence, or referred to, or relied upon in any manner by any party hereto, the Commission or its Staff in any such hearing.

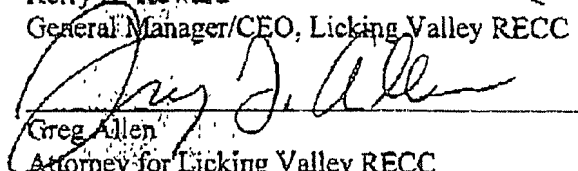
11. Attached as "Exhibit C" is proof of revenue analysis showing that the proposed rate adjustments will generate the proposed revenue reduction to which the parties have agreed in paragraph (1) of this Stipulation.

12. The parties hereto agree that the foregoing Recommendation is reasonable and is in the best interests of all concerned, and urge the Commission to adopt this Recommendation in its entirety.

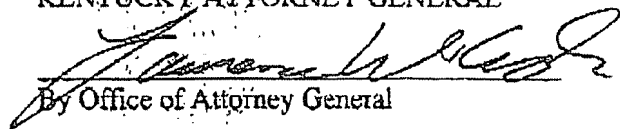
This 15th day of October, 2009.

LICKING VALLEY RECC


Kerry K. Howard
General Manager/CEO, Licking Valley RECC


Greg Allen
Attorney for Licking Valley RECC

KENTUCKY ATTORNEY GENERAL

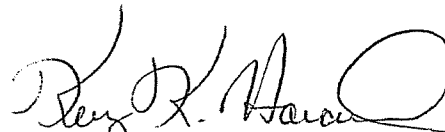

By Office of Attorney General

LICKING VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION
OF
WEST LIBERTY, KENTUCKY 41472

RATES, RULES AND REGULATION FOR FURNISHING ELECTRICITY
AT
BREATHITT, LEE, MAGOFFIN, MENIFEE, MORGAN
AND WOLFE COUNTIES KENTUCKY

FILED WITH THE PUBLIC SERVICE COMMISSION OF KENTUCKY
ISSUED: OCTOBER 20, 2009 EFFECTIVE: DECEMBER 01, 2009

ISSUED BY: LICKING VALLEY RURAL ELECTRIC
COOPERATIVE CORPORATION

A handwritten signature in black ink, appearing to read "Kerry K. Howard", is written over a horizontal line.

KERRY K. HOWARD
GENERAL MANAGER/CEO

Licking Valley Rural Electric
Cooperative Corporation

For All Territory Served
P.S.C. KY NO.
Eighteenth Revised Sheet No. 1
Canceling P.S.C. KY No.
Seventeenth Revised Sheet No. 1

CLASSIFICATION OF SERVICE

SCHEDULE A -- Residential, Farm, Small Community Hall & Church Service	RATE PER UNIT
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APPLICABLE:

All consumers in the territory served (Breathitt, Lee, Magoffin,
Menifee, Morgan, and Wolfe Counties, Kentucky).

AVAILABILITY OF SERVICE:

Available to members of the Cooperative for all residential and farm use, subject
to its established rules and regulations. Available to members of the Cooperative
for all community halls and churches with a transformer size of 25 KVA or less.

TYPE OF SERVICE:

Single-phase, 60 cycle 120/240 volts.

MONTHLY RATE:

Customer charge per delivery point	\$9.00	I
Energy charge per KWH	0.096951	I

DELAYED PAYMENT CHARGE:

The above rates are net, the gross being five percent (5%) higher. In the
event the current monthly bill is not paid by the Tenth (10th) of the
following month from the date of the bill, the gross rates shall apply.

SPECIAL RULES:

Limited to individual motors up to ten horsepower (10 H.P.)

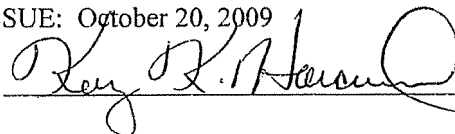
FUEL ADJUSTMENT CLAUSE:

"All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by an
amount per KWH equal to the fuel adjustment amount per KWH
as billed by the Wholesale Power Supplier, plus an allowance for line losses. The allowance for
the line losses will not exceed ten percent (10%) and is based on a
twelve month moving average of such losses. This Fuel Adjustment Clause
is subject to all other applicable provisions as set out in 807 KAR 5:056."

DATE OF ISSUE: October 20, 2009

DATE EFFECTIVE: December 01, 2009

ISSUED BY



, GENERAL MANAGER/CEO, West Liberty, KY

Licking Valley Rural Electric
Cooperative Corporation

For All Territory Served
P.S.C. KY NO.
Eighteenth Revised Sheet No. 2
Canceling P.S.C. KY No.
Seventeenth Revised Sheet No. 2

CLASSIFICATION OF SERVICE

SCHEDULE B – Commercial and Small Power Service	RATE PER UNIT
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APPLICABLE:

All consumers in the territory served (Breathitt, Lee, Magoffin,
Menifee, Morgan, and Wolfe Counties, Kentucky).

AVAILABILITY OF SERVICE:

Available to commercial consumer, small schools, small industrial consumer,
and three-phase farm consumers for all uses including lighting, appliances,
cooking, heating, and motors of 25 KVA or less, all subject to established
rules and regulations of the Cooperative covering this service.

TYPE OF SERVICE:

Single-phase and three-phase where available, 60 cycle 120/240 volts.

MONTHLY RATE:

Customer charge per delivery point	\$20.00	I
Energy charge per KWH	0.08659	I

MINIMUM MONTHLY ENERGY CHARGES:

For consumers requiring more than 10 KVA of transformer capacity, the
minimum monthly charge shall be increased at the rate of 75 cents for each
additional KVA or fraction thereof required.

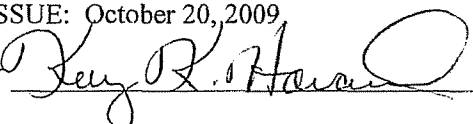
DELAYED PAYMENT CHARGE:

The above rates are net, the gross being five percent (5%) higher. In the
event the current monthly bills are not paid by the Tenth (10th) of the
following month from the date of the bill, the gross rates shall apply.

DATE OF ISSUE: October 20, 2009

DATE EFFECTIVE: December 01, 2009

ISSUED BY

 GENERAL MANAGER/CEO, West Liberty, KY

Licking Valley Rural Electric
Cooperative Corporation

For All Territory Served
P.S.C. KY NO.
Eighteenth Revised Sheet No. 3
Canceling P.S.C. KY No.
Seventeenth Revised Sheet No. 3

CLASSIFICATION OF SERVICE

SCHEDULE FOR LARGE POWER SERVICE – LP

RATE
PER UNIT

APPLICABLE:

All consumers in the territory served (Breathitt, Lee, Magoffin,
Menifee, Morgan, and Wolfe Counties, Kentucky)

AVAILABILITY OF SERVICE:

Available to consumers located on or near the Cooperative's three-phase
lines for all types of usage including churches and community halls in
excess of 25 KVA subject to the established rules and regulation of seller.

MONTHLY RATE:

Customer charge per delivery point	\$49.19
Energy charge per KWH	0.073137

A demand charge of \$7.11 per KW

DETERMINATION OF BILLING DEMAND:

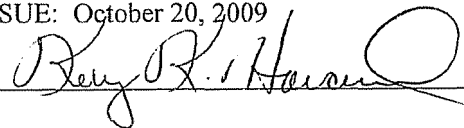
The billing demand shall be the maximum kilowatt demand established
by the consumer for any period of fifteen (15) consecutive minutes
during the month for which the bill is rendered, as indicated or recorded
by a demand meter and adjusted for power factor as following:

POWER FACTOR ADJUSTMENT:

The consumer agrees to maintain unity power factor as nearly as
practicable. Power factor may be measured at any time. Should
such measurements indicate that the power factor at the time of the
maximum demand is less than 90%, the demand for billing purposes
shall be the demand as indicated or recorded by the demand meter
multiplied by 90%, and then divided by the actual power factor percent.

DATE OF ISSUE: October 20, 2009

DATE EFFECTIVE: December 01, 2009

ISSUED BY  GENERAL MANAGER/CEO, West Liberty, KY

Licking Valley Rural Electric
Cooperative Corporation

For All Territory Served
P.S.C. KY NO.
Eighteenth Revised Sheet No. 4
Canceling P.S.C. KY No.
Seventeenth Revised Sheet No. 4

CLASSIFICATION OF SERVICE

SCHEDULE FOR LARGE POWER RATE – LPR

RATE
PER UNIT

APPLICABLE:

All consumers in the territory served (Breathitt, Lee, Magoffin,
Menifee, Morgan, and Wolfe Counties, Kentucky)

AVAILABILITY OF SERVICE:

Available to all industrial users on or near the Cooperative's
lines whose kilowatt demand shall exceed 300 KW for lighting,
heating, and/or power. With the following exceptions: rock quarries,
sawmills, mines and any other service of a fluctuating nature due to
their poor load factor and temporary nature. This schedule and all
of its conditions must be agreed and entered into before the initial
connection.

CONDITIONS:

An "Agreement for Purchase of Power" shall be executed by the
consumer for service under this schedule.

CHARACTER OF SERVICE:

The electric service furnished under this schedule will be 60 cycle,
alternating current at available nominal voltage.

MONTHLY RATE:

Customer charge per delivery point	\$98.39
Energy charge per KWH	0.064979

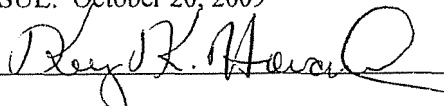
Demand charge of \$6.67 per KW

DETERMINATION OF BILLING DEMAND:

The billing demand shall be the maximum kilowatt demand
established by the consumer for any period of (15) consecutive

DATE OF ISSUE: October 20, 2009

DATE EFFECTIVE: December 01, 2009

ISSUED BY , GENERAL MANAGER/CEO, West Liberty, KY

Licking Valley Rural Electric
Cooperative Corporation

For All Territory Served
P.S.C. KY NO.
Eighteenth Revised Sheet No. 5
Canceling P.S.C. KY No.
Seventeenth Revised Sheet No. 5

CLASSIFICATION OF SERVICE

SCHEDULE SL (Security Lights and/or Rural Lighting)	RATE PER UNIT
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APPLICABLE:

All consumers in the territory served (Breathitt, Lee, Magoffin,
Menifee, Morgan, and Wolfe Counties, Kentucky)

AVAILABILITY OF SERVICE:

The Cooperative will furnish and install a metal halide type light on a
twenty-five (25) foot pole or an existing Cooperative owned pole at a
location suitable to both parties. Location, however, shall be up to
150 feet from an existing Cooperative owned secondary line.

When a pole is nonexistent it will be furnished by the cooperative at the
following rate for overhead service:

25 ft Wood Pole	2.91 per pole per month	I
30 ft Wood Pole	3.37 per pole per month	I

MONTHLY RATE:

Services will be unmetered and will be per light per month as follows:

175 Watt MV	@ 9.88	I
100 Watt Halide	@ 9.88	I
250 Watt Halide	@ 15.41	I
400 Watt Halide	@ 21.37	I

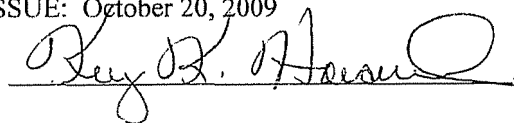
FUEL ADJUSTMENT CLAUSE:

"All rates are applicable to the Fuel Adjustment Clause and may be
increased or decreased by an amount per KWH as billed by the
Wholesale Power Supplier, plus an allowance for line losses.
The allowance for the line losses will not exceed ten percent (10%)
and is based on a twelve month moving average of such losses.
This Fuel Adjustment Clause is subject to all other applicable
provisions as set out in 807 KAR 5:056."

DATE OF ISSUE: October 20, 2009

DATE EFFECTIVE: December 01, 2009

ISSUED BY



GENERAL MANAGER/CEO, West Liberty, KY

For All Territory Served
P.S.C. KY NO.
Fifteenth Revised Sheet No. 6
Canceling P.S.C. KY No.
Fourteenth Revised Sheet No. 6

SCHEDULE CATV – CABLE TELEVISION ATTACHMENT TARIFF	RATE PER UNIT
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The yearly rental charges shall be as follows:

Rental charges shall be billed yearly in advance based on the number of pole attachments. The rental charges are net, the gross being five percent (5%) higher. In the event the current annual bill is not paid within thirty (30) days from the date of the bill, the gross rate shall apply.

ISSUED BY Key R. Haul, GENERAL MANAGER/CEO, West Liberty, KY

LICKING VALLEY RECC
CASE NO. 2009-00016

DIRECT TESTIMONY OF JAMES R. ADKINS

1Q. What is the purpose of your testimony?

1A. The purpose of my testimony is to explain the development of the rates based on the settlement that has been reached with the Office of the Attorney General (“OAG”) and Licking Valley RECC. The OAG has agreed to allow Licking Valley RECC (“Licking Valley”) to increase its rates by the amount of \$1,930,302. This amount is \$132,363 less than the original request. This increase amount is for Licking Valley’s own distribution costs.

2Q. What rates have been changed to accomplish this reduction in the increase amount?

2A. This change has been accomplished by placing the full reduction of the increase amount upon the increase that is being sought for Schedule A – Residential Farm and Home. Licking Valley has reduced its requested customer charge from \$10.00 to \$9.00 as agreed and increased the energy charge slightly to \$0.096951.

3Q. How can we determine that the proposed rate design will provide the amount of revenue agreed to in the settlement?

3A. As a part of this agreement is a billing analysis which develops the amount of revenues that Licking Valley would receive from its current rates applied to the test

year billing units and from its proposed rates applied to the test billing units. The proof of revenues results in an increase of \$1,940,216.

4Q. Will these proposed rates meet the needs of Licking Valley?

4A. The proposed rates as a result of this settlement will provide for the immediate financial needs of Licking Valley and should insure that Licking Valley will meet its mortgage requirements for a few years.

5Q. What documentation is Licking Valley providing in support of this settlement?

5A. The following additional documents are provided as support.

- A comparative schedule of proposed rates and current rates;
- A billing analysis which includes the revenues for the rates in effect at the end of the test year, the current rates, the proposed rates in the application and the proposed rates as a result of this settlement;
- The increase amount for each rate class; and
- The proposed rate design change from the original application.

6Q. Have you made any other changes or corrections that need to be identified and made.

6A. Two corrections need to be identified and clarified. The first one deals with the rate for Envirowatts rate schedule. In the billing analysis in the application, the rate was identified as \$0.02825 per kWh when the proper rate is \$0.02750 per kWh. This rate has been corrected in Exhibit C of this filing and has no impact upon neither revenue requirements nor any part of this settlement. The other item deals with the CATV rates. The current rates listed in the filing for the two party and

three party ground attachments was listed as \$0.27 and \$0.16 and the rates should have been \$0.30 and \$0.19 for two party and three party ground attachments respectively. Licking Valley is not currently billing any customers for two party or three party ground attachments.

7Q. Does this conclude your testimony?

7A. This concludes my testimony.

BILLING ANALYSIS

Rate Schedule	Kwh Usage	Test Year Revenue	Percent of Total	Normalized Case No. 2006-0520	Percent of Total	Normalized Case No. 2008-0419	Percent of Total	Normalized Case No. 2008-0419	Percent of Total	Settlement Proposed Revenue	Percent of Total	Increase Amount	Percent
A - Residential, Farm, Small Co	195,180,670	15,708,048	75%	15,708,048	74.7%	16,754,974	74.7%	18,884,395	74.9%	20,660,852	76.1%	1,776,457	9.41%
B - Commercial and Small Powe	10,383,500	942,445	4%	942,445	4.5%	1,004,712	4.5%	1,117,996	4.4%	1,132,266	4.2%	14,270	1.28%
LP, Large Power Service	26,414,039	2,323,518	11%	2,323,518	11.0%	2,477,980	11.0%	2,766,158	11.0%	2,766,158	10.2%	-	0.00%
LPR, Large Power Rate	19,191,648	1,299,089	6%	1,299,089	6.2%	1,387,629	6.2%	1,597,010	6.3%	1,597,010	5.9%	-	0.00%
SL - Security Lights	6,963,308	753,910	4%	753,910	3.6%	803,838	3.6%	836,777	3.3%	986,561	3.6%	149,784	17.90%
Enviro watts	43,400	1,199	0%	1,194	0.0%	1,194	0.0%	1,194	0.0%	1,194	0.0%	-	0.00%
Rounding differences		276		276		295		295		-		(295)	
Total from base rates	258,176,565	21,028,486	100%	21,028,481	100.0%	22,430,622	100.0%	25,203,824	100.0%	27,144,040	100.0%	1,940,216	7.70%
Fuel adjustment billed		2,318,349											
Environmental surcharge billed		1,066,377											
Increase		24,413,212	(6)			1,402,141		2,773,202		1,940,216			

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BILLING ANALYSIS
SETTLEMENT PROOF OF REVENUE

Schedule A - Residential, Farm, Small Community Hall & Churches

Description	Billing Determinants	Test Year	Normalized Case No. 2006-00520		Normalized Case No. 2008-00419		Normalized Case No. 2008-00532		Proposed		Settlement Proposed	
			Rates	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues
Customer Charge	193,099	\$1,384,520	\$7.17	\$1,384,520	\$7.65	\$1,477,207	\$7.65	\$1,477,207	\$10.00	\$1,930,990	\$ 9.00	\$ 1,737,891
Energy charge per kWh	195,180,670	14,323,529	\$0.073386	14,323,529	\$0.078275	15,277,757	\$0.089185	17,407,188	\$0.096540	18,862,260	0.096951	\$ 18,922,961
Total from base rates		15,708,048		\$15,708,048		\$16,754,974		\$18,884,395		\$20,793,250		\$20,660,852
Fuel adjustment		1,811,139										
Environmental surcharge		1,066,377										
Total revenues		\$18,585,565										
Amount				\$0		\$1,046,926		\$2,129,421		\$1,908,855		\$1,776,457
Percent				0.0%		6.7%		12.7%		10.1%		9.4%
Average monthly bill		\$81.35		\$81.35		\$86.77		\$97.80		\$107.68		\$107.00
Amount				\$0.00		\$5.42		\$11.03		\$9.89		\$9.20
Percent				0.0%		6.7%		12.7%		10.1%		8.5%

BILLING ANALYSIS
SETTLEMENT PROOF OF REVENUE

Schedule B, Commercial and Small Power

Description	Billing Determinants	Test Year	Normalized Case No. 2006-00520		Normalized Case No. 2008-00419		Normalized Case No. 2008-00532		Proposed		Settlement Proposed	
			Rates	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues
Customer Charge	11,660	\$173,268	\$14.86	\$173,268	\$15.85	\$184,811	\$15.85	\$184,811	\$20.00	\$233,200	\$20.00	\$233,200.00
Energy charge	10,383,500	761,308	\$0.073319	761,308	\$0.078204	812,031	\$0.089114	925,315	\$0.086586	899,066	\$0.08659	\$899,065.73
Minimum kva capacity		7,869		7,869		7,869		7,869				
Total from base rates		942,445		\$942,445		\$1,004,712		\$1,117,996		\$1,132,266		\$1,132,265.73
Fuel adjustment		95,255										
Environmental surcharge		0										
Total revenues		\$1,037,700										
Amount				\$0		\$62,267		\$113,284		\$14,270		\$14,270.18
Percent				0.0%		6.6%		11.3%		1.3%		1.3%
Average monthly bill		\$80.83		\$80.83		\$86.17		\$95.88		\$97.11		\$97.11
Amount				\$0.00		\$5.34		\$9.72		\$1.22		\$1.22
Percent				0.0%		6.6%		11.3%		1.3%		1.3%

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BILLING ANALYSIS
 SETTLEMENT PROOF OF REVENUE

Schedule LP, Large Power Service

Description	Billing Determinants	Test Year	Normalized Case No. 2008-00520		Normalized Case No. 2008-00419		Normalized Case No. 2008-00532		Proposed		Settlement Proposed	
			Rates	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues
Customer Charge	2,337	\$107,782	\$46.12	\$107,782	\$49.19	\$114,957	\$49.19	\$114,957	\$49.19	\$114,957	\$49.19	\$114,957.03
Demand Charge	101,400	676,339	\$6.67	676,339	\$7.11	720,955	\$7.11	720,955	\$7.11	720,955	\$7.11	\$720,955.21
Energy charge	26,414,039	1,540,995	\$0.058340	1,540,995	\$0.062227	1,643,666	\$0.073137	1,931,844	\$0.073137	1,931,844	\$0.073137	\$1,931,844
Primary meter discount		(1,598)		(1,598)		(1,598)		(1,598)		(1,598)		(\$1,598)
Total from base rates		2,323,518		\$2,323,518		\$2,477,980		\$2,766,158		\$2,766,158		\$2,766,158
Fuel adjustment		237,020										
Environmental surcharge		0										
Total revenues		\$2,560,538										
Amount				\$0		\$154,462		\$288,177		\$0		\$0
Percent				0.0%		6.6%		11.6%		0.0%		0.0%
Average monthly bill		\$994.23		\$994.23		\$1,050.33		\$1,183.64		\$1,183.64		\$1,184
Amount				\$0.00		\$66.09		\$123.31		\$0.00		\$0
Percent				0.0%		6.6%		11.6%		0.0%		0.0%

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BILLING ANALYSIS
SETTLEMENT PROOF OF REVENUE

Schedule LPR - Large Power Rate

Description	Billing Determinants	Test Year	Normalized Case No. 2006-00520		Normalized Case No. 2008-00419		Normalized Case No. 2008-00532		Proposed		Settlement Proposed	
			Rates	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues
Customer Charge	144	\$13,283	\$92.24	\$13,283	\$98.39	\$14,168	\$98.39	\$14,168	\$98.39	\$14,168	98.39	\$14,168
Demand Charge	54,390.980	339,944	\$6.25	339,944	\$6.67	362,788	\$6.67	362,788	\$6.67	362,788	6.67	\$362,788
Energy charge	19,191,648	972,863	\$0.050692	972,863	\$0.054069	1,037,673	\$0.064979	1,247,054	\$0.064979	1,247,054	0.064979	\$1,247,054
Primary meter discount		(27,000)		(27,000)		(27,000)		(27,000)		(27,000)		(\$27,000)
Total from base rates		1,299,089		\$1,299,089		\$1,387,629		\$1,597,010		\$1,597,010		\$1,597,010
Fuel adjustment		172,599										
Environmental surcharge		0										
Total revenues		\$1,471,688										
Amount		\$0		\$88,540		\$209,381		\$0		\$0		\$0
Percent		0.0%		6.8%		15.1%		0.0%		0.0%		0.0%
Average monthly bill		\$9,021.45		\$9,636.31		\$11,090.35		\$11,090.35		\$11,090.35		\$11,090.35
Amount		\$0.00		\$614.86		\$1,454.03		\$0.00		\$0.00		\$0.00
Percent		0.0%		6.8%		15.1%		0.0%		0.0%		0.0%

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BILLING ANALYSIS
SETTLEMENT PROOF OF REVENUE

Schedule SL, Security Lights

Description	Billing Determinants	Test Year	Normalized Case No. 2006-00520		Normalized Case No. 2008-00419		Normalized Case No. 2008-00532		Proposed		Settlement Proposed	
			Rates	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues
175 Watt MV	99,273	749,511	\$7.55	749,511	\$8.05	799,148	\$8.38	831,908	\$9.88	980,817	9.88	\$980,817
100 Watt Halide	535	4,039	\$7.55	4,039	\$8.05	4,307	\$8.38	4,483	\$9.88	5,286	9.88	\$5,286
250 Watt Halide	0	0	\$11.53	0	\$12.30	0	\$13.12	0	\$15.41	0	15.41	\$0
400 Watt Halide	2	32	\$15.85	32	\$16.91	34	\$18.22	36	\$21.37	43	21.37	\$43
25' Pole	108	248	\$2.30	248	\$2.45	265	\$2.45	265	\$2.91	314	2.91	\$314
30' Pole	30	80	\$2.66	80	\$2.84	85	\$2.84	85	\$3.37	101	3.37	\$101
kWh	6,963,308			0		0		0		0		0
Total from base rates		753,910		\$753,910		\$803,838		\$836,777		\$986,561		\$986,561.16
Fuel adjustment		2,335										
Environmental surcharge		0										
Total revenues		\$756,246										
Amount				\$0		\$49,928		\$32,939		\$149,784		\$ 149,784
Percent				0.00%		6.62%		4.10%		17.90%		17.9%

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BILLING ANALYSIS
SETTLEMENT PROOF OF REVENUE

Envirowatts

Description	Billing Determinants	Test Year	Normalized Case No. 2006-00520		Normalized Case No. 2008-00419		Normalized Case No. 2008-00532		Proposed		Settlement Proposed	
			Rates	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues	Rates	Revenues
Envirowatts		1,199	\$0.02750	1,194	\$0.02750	1,194	\$0.02750	1,194	\$0.02750	1,194	\$0.02750	1,193.50
kWh	43,400											
Billing adjustments				0		0		0		0		-
Total from base rates		1,199		\$1,194		\$1,194		\$1,194		\$1,194		1,194
Fuel adjustment												
Environmental surcharge												
Total revenues		\$1,199										
Amount				(\$6)		\$0		\$0		\$0		
Percent				-0.5%		0.0%		0.0%		0.0%		

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Exhibit D
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**CURRENT RATES, PROPOSED RATES FROM APPLICATION AND SETTLEMENT
PROPOSED RATES**

Rate Class	Current Rates	Proposed in Application Rates	Settlement Proposed Rates
Schedule A-1, Farm & Home			
Customer charge	\$ 7.65	\$ 10.00	\$ 9.00
Energy charge	0.078275	0.096640	0.096951
Schedule B, Commercial and Small Power			
Customer charge	15.85	20.00	20.00
Energy charge	0.078204	0.08659	0.08659
Schedule LP, Large Power Service			
Customer Charge	\$49.19	\$49.19	\$49.19
Demand Charge	\$7.11	\$7.11	\$7.11
Energy Charge	\$0.073137	\$0.073137	\$0.073137
LPR, Large Power Rate			
Customer Charge	\$98.39	\$98.39	\$98.39
Demand Charge	\$6.67	\$ 6.67	\$ 6.67
Energy Charge	0.064979	\$ 0.064979	\$ 0.064979
Schedule YL-1, Outdoor Lighting Service			
175 Watt MV	8.05	9.88	9.88
100 Watt Halide	8.05	9.88	9.88
250 Watt Halide	12.30	15.41	15.41
400 Watt Halide	16.91	21.37	21.37
25' Pole	2.45	2.91	2.91
30' Pole	2.84	3.37	3.37
Cable Television Attachments			
Two-party pole attachment	4.01	5.42	5.42
Three-party pole attachment	3.85	4.78	4.78
Two-party anchor attachment	3.84	5.76	5.76
Three-party anchor attachment	2.53	3.80	3.80
Two-party ground attachment	0.30	0.27	0.27
Three-party ground attachment	0.19	0.16	0.16

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Exhibit E
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CHANGE IN RATE DESIGN FOR SCHEDULE A - RESIDENTIAL FARM AND HOME
SETTLEMENT AGREEMENT

A. Change in Revenue Requirements and Rate Design for Schedule A - Residential Farm & Home

Total Amount of Increase Requested in Application	\$ 2,072,665
Amount of Increase from Settlement Agreement	1,940,302
Decrease in Amount of Increase	<u>\$ 132,363</u>

Revenue Requirements in Application for Schedule A	\$ 20,793,250
Decrease in Revenue Requirements for Schedule A	132,363
Revised Revenue Requirement	<u>\$ 20,660,887</u>

B. Rate Design

1. Customer Charge

Rate Agreed to	\$ 9.00	
Number of Billing Determinants	<u>193,099</u>	
Revenue from Customer Charge		<u>\$ 1,737,891</u>

2. Energy Charge

Revenue Requirements from Energy Charge	\$ 18,922,996
Energy Sales in kWh	<u>195,180,670</u>
Energy Rate	<u>\$ 0.096951</u>

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2009-00016 DATED DEC 11 2009

The following rates and charges are prescribed for the customers in the area serviced by Licking Valley Rural Electric Cooperative Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

SCHEDULE A RESIDENTIAL, FARM, SMALL COMMUNITY HALL AND CHURCH SERVICE

Customer Charge	\$ 9.00
Energy Charge per kWh	\$.096951

SCHEDULE B COMMERCIAL AND SMALL POWER

Customer Charge	\$20.00
Energy Charge per kWh	\$.08659

SCHEDULE LP LARGE POWER SERVICE

Customer Charge	\$49.19
Demand Charge per kW	\$ 7.11
Energy Charge per kWh	\$.073137

SCHEDULE LPR LARGE POWER RATE

Customer Charge	\$98.39
Demand Charge per kW	\$ 6.67
Energy Charge per kWh	\$.064979

SCHEDULE SL
SECURITY LIGHTS AND RURAL LIGHTING

Monthly Rate:

175 Watt MV	\$ 9.88
100 Watt Metal Halide	\$ 9.88
250 Watt Metal Halide	\$ 15.41
400 Watt Metal Halide	\$ 21.37
25' Pole	\$ 2.91
30' Pole	\$ 3.37

SCHEDULE CATV
CABLE TELEVISION ATTACHMENTS

Annual charge as follows:

Two-party Pole Attachment	\$ 5.42
Three-party Pole Attachment	\$ 4.78
Two-party Anchor Attachment	\$ 5.76
Three-party Anchor Attachment	\$ 3.80
Two-party Pole Ground Attachment	\$.27
Three-party Pole Ground Attachment	\$.16

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