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NEWS RELEASE

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PSC Modifies Farmers RECC Rate Hike Request *Orders slight reduction, mostly to reflect disallowed employee benefit costs*

FRANKFORT, Ky. (May 12, 2017) – The Kentucky Public Service Commission (PSC) today granted Farmers Rural Electric Cooperative Corp. a revenue increase that is somewhat smaller than the amount requested by the electric distribution cooperative.

With the rate increase granted by the PSC, a typical Farmers residential customer will see their average monthly electric bill rise by about \$4.49 (4.2 percent), from \$106.46 to \$110.95. That includes a \$4.65 increase in the monthly customer charge, from \$9.35 to \$14, as proposed by the utility.

In an order issued today, the PSC granted Farmers an increase in annual revenue of about \$1.7 million, about \$168,000 less than the requested amount. To lessen the revenue increase while granting the requested increases in the monthly charges for all classes of customers, the PSC ordered reductions in usage charges.

For residential customers, the usage charge will decrease by about .02 cents per kilowatt-hour. A kilowatt-hour is the amount of electricity used by a 100-watt light bulb in 10 hours.

Farmers has about 25,000 customers in eight central Kentucky counties: Adair, Barren, Edmonson, Grayson, Green, Hart, Larue and Metcalfe. It is one of 16 electric distribution cooperatives that together own and purchase power from the East Kentucky Power Cooperative.

In a rate adjustment application filed in November 2016, Farmers sought to increase annual revenue by about \$1.87 million. The cooperative's application stated that the additional revenue was needed in order to cover increasing operational costs and to maintain the utility's financial stability, including its ability to meet the terms of its agreements with its lenders.

The PSC found that the smaller increase it granted would still allow Farmers to meet its financial obligations, including satisfying the terms of its loan agreements.

The smaller increase was mostly the result of the PSC disallowing a portion of the costs of health, dental, life insurance and retirement benefits provided by Farmers to its employees. Together, the reductions came to about \$158,000 per year.

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However, the PSC also commended Farmers for taking steps to reduce costs through streamlining its operations and reducing medical insurance and retirement costs.

“Other cooperatives should follow Farmers’ example to ensure the safe and reliable delivery of electricity at the lowest possible cost,” the PSC said in today’s order.

The PSC conducted a public evidentiary hearing on Farmers’ application on March 29, 2017. There were no other parties to the case.

Today’s order, a video of the evidentiary hearing, and other records in the case are available on the PSC website, psc.ky.gov. The case number is 2016-00365.

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 75 employees.

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