



**Matthew G. Bevin**  
Governor

**Charles G. Snaveley**  
Secretary  
Energy and Environment Cabinet

Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

**Michael J. Schmitt**  
Chairman

**Robert Cicero**  
Vice Chairman

**Talina R. Mathews**  
Commissioner

## **NEWS RELEASE**

Contact: Andrew Melnykovich  
502-782-2564 or 502-564-3940  
502-330-5981 (cell)  
Andrew.Melnykovich@ky.gov

# **PSC Grants Rate Increase to Jackson Purchase Energy**

## ***Base rate increase first in 11 years; residential monthly charge rises***

**FRANKFORT, Ky. (June 20, 2019)** – The Kentucky Public Service Commission (PSC) has granted Jackson Purchase Energy Corp. a rate adjustment that will increase the monthly residential customer charge without changing the per-unit cost of electricity.

In an order issued today, the PSC found that Jackson Purchase Energy should receive slightly less additional revenue than the utility had requested. The PSC adjusted the request downward by decreasing the amount ratepayers will contribute to medical, dental and vision insurance for the electric cooperatives' employees.

With the new rates, which take effect today, Jackson Purchase Energy's monthly residential customer charge will increase from \$12.45 to \$16.40. Jackson Purchase Energy had sought to increase the customer charge to \$16.78.

For a typical residential customer using 1,134 kilowatt-hours (kwh) per month, the average monthly bill would rise from the current \$126.73 to \$130.68, an increase of \$3.95 or 3.12 percent. (A kilowatt-hour is the amount of electricity used by a 100-watt lightbulb in 10 hours.)

Small commercial customers will see the monthly customer charge increase from \$13.86 to \$16.40. Jackson Purchase Energy had not proposed to raise the monthly customer charge for small commercial customers, but the PSC ruled that it should be at least equal to the monthly charge for residential customers.

The new rates are designed to generate an additional \$1.308 million in annual revenue for Jackson Purchase Energy. The utility had requested an increase of \$1.325 million.

Jackson Purchase Energy's rate case is the second concluded under a streamlined pilot process instituted by the PSC in March for electric distribution cooperatives. The simplified process is intended to reflect the fact that distribution cooperatives do not generate or transmit the bulk of the electricity they supply to their customers, and thus have less complex financial structures than utilities that produce and transmit electric power.

Although Jackson Purchase Energy's last base rate adjustment came 11 years ago, in June 2008, the distribution cooperative has periodically increased its per-kwh rate to reflect increases in the amount it pays for wholesale power.

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In its application in the current case, Jackson Purchase Energy submitted a study showing that the actual fixed cost of serving a residential customer could justify a monthly customer charge of \$30.23. The utility stated that residential customers are the only customer class subsidized by other customer classes.

Jackson Purchase Energy serves about 30,100 customers in Ballard, Carlisle, Graves, Livingston, McCracken and Marshall counties in far western Kentucky. It is one of three distribution cooperatives that purchase power from and jointly own Big Rivers Electric Corp.

The PSC used the order to clarify its position regarding what portion of employee health insurance costs may be reflected in rates. The PSC generally – though not in every case - has denied recovery through rates of health insurance premiums for which employees do not contribute to their healthcare costs or pay far less than the national average for employee contributions.

In order to set a uniform policy, the PSC said it will now expect employee contributions to individual or family health insurance costs to be at least 12 percent of the total cost of insurance, thus capping at 88 percent the portion of the health insurance premium that may be recovered through rates.

The PSC said the policy does not apply to dental or vision policies. The national average contribution rate for vision and dental coverage tends to be higher than for health insurance, and the PSC said it will continue to disallow recovery through rates, on a case-by-case basis, of benefits that diverge greatly from the national average.

In Jackson Purchase Energy's case, the health, vision and dental insurance were bundled into a single premium, with the utility paying either 90 percent or 95 percent of the cost, depending on employee classification. The PSC adjusted the amount to be recovered through rates to 88 percent for all employees.

The PSC directed Jackson Purchase Energy to break out costs and contributions for each type of insurance in its next rate case or risk being denied permission to avail itself of the streamlined ratemaking process.

The only other party to the case was the Kentucky Office of Attorney General.

Today's order and other records in the case are available on the PSC website, [psc.ky.gov](http://psc.ky.gov). The case number is 2019-00053. The case establishing the streamlined rate process is 2018-00407.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,100 gas, water, sewer, electric and telecommunication utilities operating in Kentucky.

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