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NEWS RELEASE

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PSC Approves Rate Redesign for Fleming-Mason Energy

Revenue-neutral changes designed to promote energy efficiency programs

FRANKFORT, Ky. (July 2, 2013) – The Kentucky Public Service Commission (PSC) has approved a request by Fleming-Mason Energy Cooperative to alter its rate structure to more accurately reflect the cost of serving its residential and small power customers and large industrial customers.

In approving the rates, the PSC said it agreed with Fleming-Mason Energy that the restructuring will allow the distribution cooperative to maintain financial stability while stepping up efforts to encourage its customers to reduce energy usage. The PSC also approved a request by Fleming-Mason Energy to offer optional rates that are designed to promote energy efficiency.

The changes, which take effect today, are designed to leave Fleming-Mason Energy's total revenue unchanged. Bills for individual customers will change somewhat, depending on the amount of electric consumption, because the new rate structure allocates a larger portion of the total bill to the fixed monthly charge while reducing the amount charged for each kilowatt-hour of electricity consumed.

As a result, the monthly customer charge for residential and small commercial users will increase from \$10.83 to \$15.

With the increase in the monthly charge, the per-kilowatt-hour charge (a kilowatt-hour is the amount of electricity used by a 100-watt light bulb in 10 hours) will decrease by the amount needed to leave overall revenue the same if total usage remains constant. For residential and small commercial customers, it will decline from the current 8.832 cents per kilowatt-hour to 8.431 cents per kilowatt-hour.

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Fleming-Mason Energy has about 23,750 customers in eight counties in northeastern Kentucky. It is one of 16 cooperatives that own and purchase power from the East Kentucky Power Cooperative Inc.

Fleming-Mason Energy said that changing the rate structure would help insulate the cooperative from revenue erosion as it moves more aggressively into demand-side management (DSM) and energy efficiency programs that are intended to reduce overall electric consumption by giving customers incentives to adopt energy-saving measures.

The PSC agreed, saying that that is especially true for utilities such as Fleming-Mason, which is strictly a power distributor and does not itself generate electricity.

In today's order, the PSC praised Fleming-Mason energy for its efforts to promote energy efficiency and encouraged the utility to continue expanding its offerings of cost-effective demand-side management programs.

The rate design changes approved in today's order provide "Fleming-Mason the opportunity to widen its DSM and energy efficiency offerings and to vigorously pursue those plans, with a strong emphasis on customer awareness and education," the PSC said.

The PSC also approved Fleming-Mason Energy's request to offer its customers two optional rate plans. The first optional plan offers time-of-day rates, with a higher monthly charge and higher rates for electricity consumed at times of peak demand in exchange for lower rates most of the time. The second optional rate is an "inclining block" rate, which offers a per-kilowatt-hour rate that increases incrementally with the amount of electricity consumed.

Fleming-Mason Energy will have to file annual reports on the effects of the rate changes and the progress of its efforts to reduce energy consumption.

The PSC conducted an evidentiary hearing in the case on April 24, 2013. There were no intervenors in the case.

The PSC order and documents filed in the case are available on the PSC website, psc.ky.gov. The case number is 2012-00369.

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 90 employees.