

Steven L. Beshear
Governor

Leonard K. Peters, 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

David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Linda K. Breathitt
Commissioner

NEWS RELEASE

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

PSC Accepts Settlement in Owen Electric Rate Case *Utility receives \$1 million less than requested revenue*

FRANKFORT, Ky. (Sept. 4, 2013) – The Kentucky Public Service Commission (PSC) has accepted a proposed settlement in a rate adjustment case filed by Owen Electric Cooperative Inc.

Owen Electric reached a settlement with the Kentucky Office of Attorney General that grants a \$4 million increase in annual revenue, which is about \$74,000 less than its original request and \$1.07 million less than a subsequent revised request. Owen Electric's annual revenue will increase by about 2.7 percent.

Typical residential customers will see an increase of about \$5 in their monthly bills, although the amount of increase will vary based on individual electric usage.

The PSC approved the settlement in an order issued Friday and allowed the new rates to take effect from the first of this month.

Under the settlement, the added revenue will come entirely through an increase in the usage charge for each kilowatt-hour of electricity. A kilowatt-hour is the amount of electricity used by a 100-watt light bulb in 10 hours.

The settlement leaves in place a rate restructuring that the PSC approved for Owen Electric in February 2012. The restructuring was designed to be revenue neutral, meaning that it would neither increase nor decrease Owen Electric's total revenue.

Owen Electric's rate restructuring increased monthly customer charges and decreased the rate charged for electric usage. It did so in three steps, beginning in March 2012.

The monthly customer charge for residential and farm customers already was set to increase on Sept. 1 from the current \$14.20 to \$17.10, with a corresponding decrease in the charge per kilowatt-hour. Under the settlement, the charge per kilowatt-hour now will increase as well. (A chart detailing the rate changes follows this news release.)

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A further shift of revenue to the monthly customer charge from the usage charge is scheduled to take effect on March 1, 2015. For a typical residential customer, the change will have a minimal effect on the total monthly bill beyond the increase taking effect in the current case.

The settlement agreement also commits Owen Electric to continue, to the extent possible without harming the utility's financial position, its practice of making annual distributions from its accumulated capital to its customer-members. Owen has made the payments, known as capital credits, for the last 23 years.

Owen Electric has about 57,500 customers in nine counties in north-central Kentucky. It is one of 16 cooperatives that own and purchase power from the East Kentucky Power Cooperative Inc.

Although the settlement agreement does not address Owen Electric's existing demand-side management (DSM) and energy efficiency programs, the PSC's order urges the utility to continue its efforts to encourage customer participation and to expand those programs in the future.

In its order, the PSC said it "believes that conservation, energy efficiency and DSM 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."

Owen Electric filed its application for a rate adjustment on March 12, 2013, saying it needed an additional \$4.07 million in revenue to maintain its financial integrity and comply with its loan agreements. The utility subsequently increased its request to \$5.07 million.

The Kentucky Office of Attorney General was the only other party to the case. The settlement agreement was filed on Aug. 6 and was the subject of a PSC hearing on Aug. 7.

The PSC's order, other documents in the case and a video of the hearing are available on the PSC website, psc.ky.gov. The case number is 2012-00448.

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 90 employees.

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RATE CHART FOLLOWS

Monthly bill for a residential/farm customer using 1000 kilowatt-hours per month	Rates as of 8/31/2013	Rates as of 9/1/2013 under current rate structure before any increase	Rates as of 9/1/2013 as originally proposed by Owen Electric	Rates as of 9/1/2013 under settlement agreement	Rates as of March 1, 2015 under settlement agreement
Customer charge	\$14.20	\$17.10	\$17.10	\$17.10	\$20
Usage charge	\$85.45	\$82.80	\$87.66	\$87.56	\$84.91
Total	\$99.65	\$99.90	\$104.76	\$104.66	\$104.91

