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NEWS RELEASE

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PSC Grants Rate Adjustment to Blue Grass Energy *Accepts settlement that reduces revenue increase by 43 percent*

FRANKFORT, Ky. (May 29, 2015) – The Kentucky Public Service Commission (PSC) today granted a rate adjustment to Blue Grass Energy Cooperative Corp.

Under a settlement reached with the Kentucky Office of Attorney General and approved by the PSC, the electric distribution cooperative will be allowed to increase annual revenue by about \$1.4 million, or 1.24 percent. That is 57 percent of the \$2.45 million increase (2.17 percent) requested by Blue Grass Energy.

The residential rate increase will occur in three phases, with the monthly service charge increasing each time, accompanied by a reduction in the charge for electricity consumed. The \$1.4 million increase in revenue will come in the first phase. The last two phases will shift revenue from the usage charge to the monthly service charge without increasing total revenue.

The PSC also approved Blue Grass Energy's proposal to charge a \$30 meter reading fee – likely on a quarterly basis - to customers declining installation of an Automated Meter Reading, or AMR, meter. AMR meters emit an electronic signal that allows remote reading.

However, the PSC noted that a pending administrative proceeding is addressing the question of AMR and "smart" meter opt-out provisions on an industry-wide basis. The outcome of that proceeding, which is considering a broad range of issues related to "smart grid" technology, could affect the Blue Grass Energy opt-out provision, the PSC said.

Blue Grass Energy said it needed to increase rates in order to cover increased operating expenses, maintain financial stability, and meet the requirements imposed by its lenders. The utility's last rate increase was in 2008.

The agreement filed with the PSC states that the \$1.05 million reduction in additional revenue was accomplished by adjusting the projections for how much interest Blue Grass Energy will pay on its loans.

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The first phase of the residential rate increase takes effect Sunday, May 31. The subsequent phases go into effect Jan. 1, 2016, and Jan. 1, 2017.

When the first phase takes effect, a typical Blue Grass Energy residential customer using 1,296 kilowatt-hours (kwh) of electricity per month (a kilowatt-hour is the amount of energy used by a 100-watt light bulb in 10 hours) will see the monthly bill increase by about \$1.48, or 1.18 percent.

The three-phase increases will occur as follows:

	Monthly customer charge	Charge per kwh	Monthly bill (1,296 kwh)
Current	\$ 9.73	8.951 ¢	\$ 125.73
May 31, 2015	\$ 12	8.89 ¢	\$ 127.21
Jan. 1, 2016	\$ 14	8.731 ¢	\$ 127.15
Jan. 1, 2017	\$ 16.50	8.531 ¢	\$ 127.06

Monthly customer charges and rates also will be adjusted on May 31, 2015, for other customer classes, including residential customers using non-standard rate structures.

Blue Grass Energy has about 55,725 customers in 23 counties in central Kentucky. It is one of 16 cooperatives that own and purchase power from the East Kentucky Power Cooperative Inc. (EKPC).

The PSC reviewed Blue Grass Energy's existing demand-side management (DSM) and energy efficiency programs, which are offered in conjunction with EKPC's system-wide programs. The PSC's order recognizes Blue Grass Energy's efforts regarding DSM and urges the utility to look for opportunities to expand those efforts.

In its order, the PSC said it believes that "energy efficiency and demand-side management will become more important and cost-effective as there likely will be more constraints placed upon utilities whose main source of supply is coal-based (electric) generation."

Noting that using DSM programs to increase energy efficiency is one of the four basic building blocks in the federal plan to reduce carbon emissions from power plants, the PSC said Blue Grass Energy – and all other electric utilities - should seek to offer additional cost-effective energy efficiency and DSM programs.

In seeking the \$30 opt-out fee for customers who do not want AMR meters, Blue Grass Energy stated that usage likely would be estimated for two months, with the meter read every third month. The fee would also apply to customers whose meters are inaccessible and must be read by appointment.

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Blue Grass Energy filed its application for a rate adjustment on Nov. 17, 2014.

The only other party to the case was the Kentucky Office of Attorney General, which by state law represents ratepayers in matters before the PSC.

The PSC conducted a public evidentiary hearing in the case on April 15, 2015.

Today's 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 2014-00339. Records in the administrative case considering smart grid technology also are available on the PSC website. The case number is 2012-00428.

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 85 employees.

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