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NEWS RELEASE

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PSC Accepts Settlement in Water Service Corp. Rate Case *Utility request cut by 30 percent; can't request next increase before June 1, 2018*

FRANKFORT, Ky. (May 31, 2016) – The Kentucky Public Service Commission (PSC) today approved a settlement granting Water Service Corp. of Kentucky a revenue increase substantially smaller than the amount requested by the utility while also restructuring and balancing the utility's rates in its two service areas.

Water Service will be allowed to increase annual revenue from its Kentucky operations by \$361,892 (about 16.7 percent). The company had sought an increase of \$516,989 (24.6 percent).

The utility negotiated the settlement with the only other parties to the case: the Kentucky Office of Attorney General and the City of Clinton. The agreement reduces the requested increase by nearly one-third. The settlement also bars Water Service from requesting another general rate adjustment prior to June 1, 2018.

Water Service has about 6,300 customers in Middlesboro in Bell County and about 900 in the Clinton area of Hickman County. The vast majority are residential customers.

For Water Service customers in Middlesboro, the monthly residential bill for 5,000 gallons will increase by \$5.43 (plus 22 percent), from \$24.86 to \$30.29. In the Clinton service area, the monthly residential water bill for a customer using 5,000 gallons will decrease by \$8.90 (minus 22 percent), from \$40.71 to \$31.81. The new rates take effect today.

The increase for Middlesboro customers and decrease for Clinton customers is the first step toward equalizing to the greatest extent possible the rates over the Water Service Corp. of Kentucky system.

Water Service's proposed rates would have fully equalized rates over its system, with a residential customer using 5,000 gallons per month paying \$30.80 both in Middlesboro and Clinton. The agreement reached in the case creates a rate structure different than the one proposed by Water Service.

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Compared to the Water Service proposal, it has a lower monthly service charge of \$10 that does not include any water usage. The charge for each 1,000 gallons of water consumption is \$4.06 in Middlesboro and \$4.36 in Clinton. The revised structure will benefit customers who have lower water usage.

The sewer rates in Clinton, where the sewer system is operated by Water Service under a contract with the city, are not part of the rate case.

Water Service was last granted a rate increase in July 2014, with rates going up about four percent at that time. The company had asked for an 11 percent increase.

The formal evidentiary hearing in the current case was conducted in Frankfort April 19. At that time, the parties withdrew a proposed partial settlement in order to continue negotiating toward a complete resolution of all issues in the case. The full settlement approved today was the subject of a hearing on May 13.

In addition to the provisions on rates and the agreement on the timing of water service's next rate case, the settlement also addresses a number of accounting issues such as depreciation rates and studies to be conducted prior to the next rate case.

Today's order, the case file and videos of the evidentiary hearings are available on the PSC website, psc.ky.gov. The case number is 2015-00382.

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.