

REVISED NOTICE

INTEREST RATES ON CUSTOMER DEPOSITS

During its 2012 Regular Session, the Kentucky General Assembly enacted House Bill 399, which revises KRS 278.460 to end the requirement that utilities pay an interest rate of six percent on amounts required to be deposited by patrons to secure utility service. KRS 278.460, as amended, requires the Public Service Commission to calculate the interest rate to be paid on an annual basis by averaging the one (1) year constant maturity treasury rate from September, October, and November of each year.

The Public Service Commission will determine the rate and post it to the website www.psc.ky.gov no later than December 15 of each year.

Based upon the one (1) year constant maturity treasury rate from September, October, and November 2012, the Public Service Commission calculated **an interest rate of 0.18%** to be paid on deposits for the 2013 calendar year.

A copy of the revised KRS 278.460 is attached to this Revised Notice.

Each utility should carefully review its currently filed tariff. If a specific interest rate is set forth in the tariff, the tariff should be revised to reflect the Public Service Commission calculated rate of interest. No revisions are necessary if the tariff merely states that interest will be paid at the rate specified by law.

Contrary to statements contained in previous notices that the Public Service Commission has issued, the revisions to KRS 278.460 may affect water districts and water associations. Unless the rate of interest that a water district or water association earns is less than 0.18%, the water district or water association is required to pay a rate of interest of 0.18% on its customer deposits.

Direct any questions regarding this notice to:

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/s/Jeff Derouen

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AN ACT relating to utility interest rates.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔ Section 1. KRS 278.460 is amended to read as follows:

- (1) Except as provided in subsection (2) of this section, a utility, ***including an electric cooperative organized under KRS Chapter 279,*** shall pay interest ~~at six percent (6%) annually~~ on amounts required to be deposited by patrons to secure utility service. ***The commission shall calculate the interest rate on an annual basis by averaging the one (1) year constant maturity treasury rate from September, October, and November, and shall notify utilities in December of each year of the interest rate to be paid by utilities for the following calendar year.***
- (2) No water district organized under KRS Chapter 74 nor water association organized under KRS Chapter 273 shall pay interest that exceeds the rate it receives in interest, nor shall the interest payable to the customer at any time exceed six percent (6%) annually on amounts required to be deposited by patrons to secure water accounts.
- (3) The commission may promulgate administrative regulations in accordance with the provisions of KRS Chapter 13A to implement this section.