

To all PSC Jurisdictional Utilities:

As announced earlier this year, the 2012 session of the Kentucky General Assembly revised KRS 278.460 to end the requirement that interest on deposits earn 6% per annum.

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

Using data from September, October, and November of 2012, the Commission calculated an interest rate of **0.18%** to be paid on deposits for the **2013 calendar year**.

For your convenience a copy of the revised KRS 278.460 has been attached to the end of this email.

Each utility should review its current tariff to determine if it lists the actual interest rate or if it states that interest will be paid as prescribed by law.

If a utility's tariff lists the actual interest rate, a revised tariff page will need to be filed with the Commission.

It should be noted that the revision in the statute does not affect water districts and water associations as those utilities will continue to pay interest on deposits in accordance with KRS 278.460(2).

Should there be any questions regarding this matter, please don't hesitate to contact the following Commission Staff:

Legal	Richard Raff
Financial	Leah Faulkner
Tariffs	Brent Kirtley

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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.