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## NEWS RELEASE

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# **PSC Says LG&E Franchise Fee in Louisville Metro Should Be Passed Through to Customers as Line Item on Bills**

*Decision cites policies in place since 1980; franchise fee voided by PSC ruling*

**FRANKFORT, Ky. (Mar. 14, 2018)** – The Kentucky Public Service Commission (PSC), in a case involving Louisville Gas and Electric Co. (LG&E) and Louisville/Jefferson County Metro Government, has reiterated a decades-old policy that utility franchise fees imposed by local governments should be passed through to customers and listed as a separate line item on those customers' utility bills.

“The practical effect of franchise fees is to have a utility act as the conduit by which ratepayers are assessed a franchise fee which the utility then collects and passes on to the municipality,” the PSC said today, citing a 1980 ruling. “Ratepayers have the right to know the amount of such charges collected from them for government operating expenses.”

The dispute over the franchise fee dates to 2016, when LG&E and Louisville Metro entered into an agreement granting the company a natural gas franchise and imposing a fee of up to 3 percent of the company's total natural gas revenue within the franchise area. However, the franchise agreement left unresolved how the fee would be collected and from whom.

In an order issued today, the PSC denied a request by Louisville Metro that the franchise fee be collected through base rates, which would have resulted in the cost of the fee being borne by all of LG&E's natural gas customers, including those residing outside of Jefferson County. The PSC further ruled that the franchise fee cannot be collected from natural gas customers living in any of the 82 cities within Jefferson County, since they have not imposed the fee themselves.

LG&E argued that it should be collected only from Jefferson County customers not residing in one of the 82 cities within Jefferson County, and should be passed through to customers and listed as a separate item on gas bills as required by its tariff.

Under the franchise agreement, no fee has been collected pending a ruling from the PSC on the issues in dispute. Furthermore, the franchise agreement calls for no fee to be collected in the event that the PSC rules in favor of LG&E's position, as it has now done.

Both LG&E and Louisville Metro filed cases with the PSC regarding the franchise fee. The PSC consolidated Louisville Metro's complaint regarding LG&E's proposed pass-through of the fee into the LG&E case seeking an order confirming collection of the fee via the pass-through.

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The only other party to the case was Kentucky Industrial Utility Customers, Inc. (KIUC), which represents large industrial ratepayers. KIUC largely agreed with LG&E, arguing that forcing LG&E to recover the Louisville Metro franchise fee through base rates would improperly impose a tax burden on all the company's gas customers.

The PSC heard oral arguments in the case on Sept. 28, 2017.

A video recording on that proceeding, as well as today's order and other records in the case are available on the PSC website, [psc.ky.gov](http://psc.ky.gov). The case number is 2016-00317.

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.

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