



**Matthew G. Bevin**  
Governor

**Charles G. Snaveley**  
Secretary  
Energy and Environment Cabinet

Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

**Michael J. Schmitt**  
Chairman

**Robert Cicero**  
Vice Chairman

**Talina R. Mathews**  
Commissioner

## **NEWS RELEASE**

Contact: Andrew Melnykovich  
502-782-2564 or 502-564-3940  
502-330-5981 (cell)  
Andrew.Melnykovich@ky.gov

# **PSC Cuts KU and LG&E Bills to Reflect Tax Changes**

## ***Residential electric bills will decline by 6 percent***

**FRANKFORT, Ky. (Mar. 19, 2018)** – The Kentucky Public Service Commission (PSC) has reduced the total annual revenue of the Kentucky Utilities Co. (KU) and of Louisville Gas & Electric. Co. (LG&E) by \$203.8 million to reflect the reduction in federal corporate income taxes that took effect at the first of the year.

As a result of the revenue reduction, KU and LG&E residential electric customers will see their average monthly bills decrease by about 6 percent, while LG&E residential natural gas customers will see about a 4.5 percent reduction in the base rate portion (not including the commodity cost of gas) of their bills.

In an order issued today, the PSC modified a settlement reached between the two utilities and the Kentucky Industrial Utility Customers, Inc. (KIUC), which had filed a case seeking a tax reduction, and the Kentucky Office of Attorney General, which also was a party to the case. The settlement called for a total revenue decrease of \$176.9 million.

The reduction ordered by the PSC is \$26.9 million larger because of modifications it made to the manner in which the impact of the tax reduction was calculated.

The federal tax law enacted in December reduced the corporate income tax rate from 35 percent to 21 percent beginning this year, substantially reducing the tax burden on for-profit, investor-owned utilities. The reduced tax burden in turn reduces the amount of revenue that utilities need in order to offer their investors an opportunity to earn a reasonable rate of return.

KIUC filed cases against LG&E and KU, as well as Duke Energy Kentucky and Kentucky Power Co., seeking reductions in rates that would reflect the lower taxes. The PSC opened similar cases to examine the effect of the tax changes on other investor-owned utilities.

Most of the tax bill's impacts fall into two areas: savings from the immediate reduction in the corporate tax rate and the effect on deferred tax liabilities that utilities carry on their books and that may need to be refunded to ratepayers. The KU and LG&E case addresses both.

The revenue reduction will be reflected in a credit, the Tax Cut and Jobs Act (TCJA) Surcredit, that will appear on KU and LG&E customer bills. The TJCA Surcredit will take effect April 1, 2018, and will extend through April 30, 2019. It will reflect both ongoing tax savings and an additional credit for the first three months of this year.

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The credit expires on April 30, 2019, because KU and LG&E have indicated that they intend to file for rate adjustments that will, among other things, reflect the changes in the federal corporate income tax. The timing of the filing will be such that the new rates would take effect May 1, 2019.

If LKU and LG&E rates do not change at that time, the TJCA Surcredit would remain in place, but would be recalculated.

The tax changes also will result in slight reductions in surcharges that include a capital cost component. They include environmental surcharges and demand-side management surcharges for KU and LG&E electric customers, and a gas-line-replacement surcharge assessed to LG&E natural gas customers.

KU and LG&E are the first utilities in Kentucky whose rates have been readjusted to fully reflect the effect of the federal corporate income tax reduction.

The PSC in January issued a final order adjusting the rates of Kentucky Power Co. But it reflected only the impact of current tax payment and did not address the question of deferred taxes, which are being dealt with in a separate proceeding.

The PSC has indicated that the full impact of the tax changes on the electric rates of Duke Energy Kentucky will be addressed in that utility's current electric rate case. Duke Energy Kentucky's natural gas rates are being addressed separately.

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 2018-00034. The other utilities with pending cases examining tax law impacts are Kentucky Power (2018-00035), Duke Energy Kentucky gas (2018-00036), Atmos Energy Corp. (2018-00039), Delta Gas Co. (2018-00040), Columbia Gas of Kentucky (2018-00041), Kentucky-American Water Co. (2018-00042), Water Service Corp. of Kentucky (2018-00043), and WKG Storage (2018-00064). The Duke Energy Kentucky electric rate case is 2017-00321. An order has been issued in the Atmos Energy tax case, with additional tax issues to be addressed in the utility's pending base rate case (2017-00349).

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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