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NEWS RELEASE

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PSC Sets Duke Energy Kentucky Natural Gas Base Rates

***Accepts settlement with minor changes that reduce residential costs;
reduces frequency of commodity cost adjustments***

FRANKFORT, Ky. (Mar. 27, 2019) – The Kentucky Public Service Commission (PSC) has approved a settlement that allows Duke Energy Kentucky to raise its rates for delivery of natural gas, but reduces by about one-third the size of the increase that Duke Kentucky originally requested.

In an order issued today, the PSC made minor modifications to the settlement reached by Duke Kentucky with the Kentucky Office of Attorney General, the most significant being a slight decrease to the delivery charge for residential customers.

Under the new rates, a typical Duke Kentucky residential customer (using an average of 5,300 cubic feet of gas per month) would see the base rate portion of the monthly bill increase from the current \$35.72 to \$41.36, an increase of \$5.64. Duke Kentucky had initially proposed an increase of \$7.59, while the settlement called for an increase of \$6.27.

The monthly customer charge will increase from \$16 to \$16.50, while the delivery charge per 1,000 cubic feet will rise from \$3.72 to \$4.69. Duke Kentucky had proposed to increase the monthly customer charge to \$17.50 and the delivery charge to \$4.87. The settlement set the monthly customer charge at \$16.50 and the delivery charge at \$4.81.

The base rate increase will be offset in part by the elimination of a surcharge Duke Kentucky has been using to fund a program to accelerate the replacement of aging and potentially unsafe service lines. That work is largely complete, allowing the surcharge – currently at \$3.22 per month – to be discontinued.

Duke Kentucky's base rates do not include the commodity cost of the natural gas itself. That cost is determined by market conditions, adjusted regularly and passed on to customers on a dollar-for-dollar basis. The PSC reviews the pass-through adjustment to insure its accuracy.

Duke Kentucky has been adjusting its commodity cost on a monthly basis. In today's order, the PSC directed Duke Kentucky to switch to a quarterly adjustment, a practice followed by other large natural gas utilities in the state.

The PSC noted that Duke Kentucky began monthly adjustments when the natural gas market was unstable and subject to abrupt price swings. The market has been stable for an extended period, making monthly adjustments no longer necessary.

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Duke Kentucky has about 99,500 natural gas customers in Boone, Bracken, Campbell, Gallatin, Grant, Kenton, and Pendleton counties in northern Kentucky. The electric rates for Duke Kentucky's 140,600 electric customers were not at issue in this case.

Duke Kentucky filed its application for a rate increase in August 2018, seeking an additional \$10.5 million (later revised to \$9.59 million) in annual revenue. The utility cited eroding profitability in light of higher operating costs. The settlement allows for an annual revenue increase of \$7.36 million.

The PSC conducted a public information and comment meeting in Edgewood, in Kenton County, on January 24. A formal evidentiary hearing was held in Frankfort on February 5 to take evidence on the settlement agreement.

Duke Kentucky and the Attorney General were the only parties to the case.

Today's order, videos of the public meeting and hearing, and other records in the case are available on the PSC website, psc.ky.gov. The case number is 2018-00261.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,100 gas, water, sewer, electric and telecommunication utilities operating in Kentucky.

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