



Matthew G. Bevin
Governor

Charles G. Snively
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 Duke Energy Electric Rate Request

Typical monthly residential bill will increase by \$2.56, rather than \$15.17, as first requested by Duke; reduction is due to federal tax changes and other factors

FRANKFORT, Ky. (Apr. 13, 2018) – The Kentucky Public Service Commission (PSC) has substantially reduced an electric base rate increase sought by Duke Energy Kentucky.

As a result, the average monthly bill for a typical residential customer will increase by about \$2.56, or about 3.2 percent. Duke Kentucky's original rate adjustment request would have produced a monthly increase of \$15.17; a subsequent revised request would have increased a typical monthly residential electric bill by \$9.73.

In an order issued today, the PSC granted Duke Kentucky an annual revenue increase of \$8.4 million, which is about 28 percent of Duke Kentucky's revised request for a \$30 million annual increase. Duke Kentucky originally asked for an annual increase of \$48.6 million, but later reduced the amount, mostly to reflect changes in the federal corporate income tax rate, which were made after Duke Kentucky filed its application.

The PSC granted Duke Kentucky's request to increase the monthly residential service charge. The monthly charge will increase to \$11, up from the current \$4.50, and 10 cents below Duke Kentucky's revised request. To limit the overall rate increase to the level determined by the PSC, the residential electric usage charge will be reduced from 7.546 cents per kilowatt-hour to 7.152 cents per kilowatt-hour.

Approximate average monthly usage for Duke Kentucky residential customers is 1,000 kilowatt-hours. A kilowatt-hour is the amount of electricity used by a 100-watt lightbulb in 10 hours.

Rates for other customer classes also will increase in proportion to the overall revenue increase.

Duke Kentucky's last increase in electric base rates took effect in January 2007. The utility has about 140,600 electric customers in Boone, Campbell, Grant, Kenton and Pendleton counties.

In applying for the rate increase, Duke Kentucky cited an inadequate rate of return on investment, recovery of costs related to the acquisition of the entirety of the East Bend power plant near Rabbit Hash in Boone County, recovery of storm restoration costs from Hurricane Ike in 2008, and costs related to the deployment of an advanced metering system.

The application also included a request for approval of Duke Kentucky's environmental compliance plan and imposition of a surcharge through which the utility recovers the cost of compliance, as permitted under Kentucky law.

Changes resulting from the reduction in federal corporate income taxes, which took effect January 1, produced \$14.74 million, or more than a third, of the \$40.2 million reduction from Duke Kentucky's original request for a revenue increase.

-more-

PSC Cuts Duke Energy Electric Rate Request – Page 2

To arrive at the final revenue figure, the PSC made a number of other adjustments, including:

- Changing Duke Kentucky's proposed depreciation calculation - \$6.94 million
- Removing certain East Bend costs from the utility's capital structure - \$ 4.87 million
- Reducing Duke Kentucky's replacement power expenses - \$ 4.07 million
- Reducing the rate of return for utility shareholders to 9.725 percent, from the 10.3 percent requested by Duke Kentucky - \$ 2.46 million
- Eliminating recovery through rates of incentive payments to utility executives, because those payments are tied to financial performance that benefits shareholders, rather than factors that benefit customers, such as reliability and service - \$ 1.64 million

Other smaller adjustments account for the remaining difference.

In addition, the PSC rejected a number of other proposal made by Duke Kentucky. They included:

- A surcharge to pay for electric system improvements, as well as a related program to bury certain power lines at highest risk of storm damage. The PSC found no pressing need for either, noting that Duke Kentucky's system is quite reliable as is.
- A proposal to allow customers to pay a set amount every month, independent of usage. The PSC said that customers must be billed an amount set in rates, and that a fixed-amount bill would violate that principle.
- A request to establish a surcharge to reflect the variability in costs paid by Duke Kentucky to use transmission lines owned by other entities. The PSC said it was unnecessary because Duke Kentucky's costs are fairly steady.

The PSC ordered Duke Kentucky to reinstate a special rate for school sports fields, which have unique usage patterns.

Duke Kentucky also was ordered to begin sending all customers detailed billing information. Until now, customers wishing to receive billing details had to elect to do so.

Finally, the PSC approved Duke Kentucky's environmental compliance plan and a related surcharge through which the utility recovers the cost of compliance, as permitted under Kentucky law.

Duke Kentucky filed its rate adjustment application in September 2017 and amended it in February 2018. A formal public hearing in the case was held March 6 through March 8. The PSC also held a public comment meeting on February 8 in Florence.

Other parties to the case were the Kentucky Office of Attorney General, included the Kentucky Industrial Utility Customers (KIUC), the Kentucky School Boards Association, the Kroger Co., and Northern Kentucky University.

Today's order and other documents in the case, as well as videos of the hearings and public meeting, are available on the PSC website, psc.ky.gov. The cases number is 2017-00321.

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.

-30-

FOLLOW THE PSC ON TWITTER @KYPSC

QUESTIONS OR PROBLEMS REGARDING YOUR UTILITY SERVICE?

CALL THE PSC CONSUMER HOTLINE: 800-772-4636