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NEWS RELEASE

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PSC Approves Interim Rate Decrease for Columbia Gas *Reduction reflects federal tax changes; final calculation to come in September*

FRANKFORT, Ky. (Apr. 30, 2018) – The Kentucky Public Service Commission (PSC) has approved an interim rate decrease proposed by Columbia Gas of Kentucky, Inc., to reflect the federal corporate income tax reduction which took effect this year.

As a result, the amount Columbia charges to deliver gas will decrease for all customer classes. Residential customers will see an immediate reduction of 22 cents per 1,000 cubic feet (mcf) of natural gas used.

Because natural gas usage often fluctuates dramatically with the time of year, the effect on residential customer bills will vary. A residential customer who heats with natural gas and uses 10 mcf per month in the winter will see a reduction of \$2.20 in the monthly bill as a result of the interim rate reduction.

But further changes to Columbia's rates will come later this year.

The interim rate reduction addresses only Columbia's current federal corporate income taxes. Yet to be addressed is the more complex question of the accounting for deferred tax liabilities carried on the utility's books, as well as Columbia's tax savings in the first four months of this year. The federal tax cut was enacted in December and took effect January 1, 2018.

Columbia said it has not yet been able to calculate those savings, in part because it has not yet received needed guidance on certain issues from the Internal Revenue Service (IRS).

In an order issued today, the PSC directed Columbia to determine the additional tax savings by September 1, and to begin reflecting those savings in rates by October 1. In the event that the IRS has not yet provided the guidance requested by Columbia, the utility is to estimate the savings and reduce rates accordingly, the PSC said.

The PSC late last year began reviewing the results of the federal corporate income tax changes on the rates of Kentucky's investor-owned utilities. The PSC initially opened a combined investigation into the rates of several natural gas distribution companies and subsequently restructured the proceeding to address each utility separately.

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The rate reduction applies only to Columbia's base rate, which covers the utility's cost of operating and maintaining its system, as well as any profit margin. The commodity cost of the gas itself, which is adjusted quarterly to reflect market prices, is determined separately and is passed through to consumers on a dollar-for-dollar basis by Columbia. Because there is no additional profit for the utility, the commodity cost is not affected by Columbia's tax rate.

Today's order and other records in the case are available on the PSC website, psc.ky.gov. The case number is 2018-00041. 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), Kentucky-American Water Co. (2018-00042), Water Service Corp. of Kentucky (2018-00043), and WKG Storage (2018-00064).

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 recent Kentucky Power Co. rate case (2017-00179) addressed the company's current tax issues, with the deferred tax issue still to be addressed in the separate proceeding.

The PSC thus far has fully addressed tax issues with respect to Kentucky Utilities Co. and Louisville Gas & Electric Co. (2018-00034) and Duke Energy Kentucky's electric rates (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.

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