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NEWS RELEASE

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PSC Completes Tax-related Changes to Kentucky Power Co. Rates *Average residential bills will drop by another \$5.90 per month for rest of 2018*

FRANKFORT, Ky. (June 28, 2018) – The Kentucky Public Service Commission (PSC) has completed its review of the effect of federal corporate income tax reductions on the rates of Kentucky Power Co. and ordered further reductions of those rates.

In a pair of orders issued today, the PSC approved changes that will have the net effect of reducing an average monthly residential bill by \$5.90 for the remainder of 2018. The rates approved today take effect July 1 and will remain in place at least through 2020; Kentucky Power has agreed not to seek an adjustment to base rates to take effect prior to January 2021.

For the first six months of 2018, the average monthly residential bill has been about \$151.45, a figure that includes base rates and all surcharges, but not local government fees and taxes. That same bill now will be \$145.55, a decrease of \$5.90, or about 3.9 percent. Individual bills will vary with usage.

Approximate average monthly usage for Kentucky Power residential customers is 1,300 kilowatt-hours. A kilowatt-hour (kWh) is the amount of electricity used by a 100-watt lightbulb in 10 hours.

In orders issued in January, the PSC adjusted Kentucky Power's base rates and reduced spending on energy efficiency programs, thereby reducing the amount residential customers were charged for those programs. The net effect of the January orders was to reduce average monthly residential bills by about \$6.38.

The January base rate order addressed the immediate impact of the corporate income tax reduction – a cut from 35 percent to 21 percent – that took effect at the start of this year. The remaining portion, most of it tied to deferred federal tax liabilities, was dealt with through a complaint filed by the Kentucky Industrial Utility Customers, Inc. (KIUC), an organization representing large industrial power users.

In that proceeding, Kentucky Power and KIUC reached a settlement in April. The Kentucky Office of Attorney General did not participate in the settlement, but offered no objection to it.

The settlement calls for a credit to be applied to all customer bills to reflect the federal tax cut. Today's PSC order in the case approves the settlement as submitted.

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For residential customers, the credit for the remainder of 2018 will be about 0.48 cents per kWh, which will decrease the average monthly bill by \$6.24.

Over the next two years, the amount of the credit will decline. For residential customers, it will be larger during the heating season in order to have more effect at the time of year when electric consumption in Kentucky Power's service territory tends to be higher.

In 2019, the residential credit in January, February, March and December will be about 0.36 cents per kWh, and 0.10 cents per kWh during the other eight months of the year. The heating season credit in 2020 will be about 0.37 cents per kWh, and 0.10 cents per kWh for the rest of the year.

The second order issued today dealt with requests from both Kentucky Power and KIUC that the PSC reconsider aspects of the decision it reached in January in the base rate case. Both sought a rehearing of issues stemming from the changes to the federal tax law. Other than the Attorney General, the other six parties to the original case did not participate in the rehearing.

Kentucky Power and KIUC also reached a settlement in the rehearing of the rate case. The settlement increases Kentucky Power's allowed annual revenue by \$765,030 to reflect a recalculation of the immediate impacts of the federal tax changes that were included in the PSC's January order in the base rate case.

The increased revenue figure in the settlement increases average monthly residential bills by \$0.34. But that increase is more than offset by the \$6.24 decrease in the parallel case.

Today's order in the rate case rehearing accepts the settlement with a modification to allocate the slight rate increase in a manner consistent with the one adopted in the original rate case order in January.

The orders and other records in both cases are available on the PSC website, psc.ky.gov. The case number in the rate case is 2017-00179; the KIUC complaint case is 2018-00035.

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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