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NEWS RELEASE

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PSC Orders Credit for Delta Natural Gas Customers

Offset to base rates reflects federal tax changes

FRANKFORT, Ky. (Sept. 21, 2018) – The Kentucky Public Service Commission (PSC) has reduced the annual revenue of Delta Natural Gas Co. to reflect a federal tax cut, thereby lowering the base rate portion of the average monthly bill for residential customers.

In an order issued today, the PSC approved a customer credit to reflect reduced federal corporate income tax rates that took effect at the first of the year. The credit will take effect in two phases, with the first reflecting tax savings that have accumulated from the first of this year and the second phase reflecting ongoing savings.

In the first phase, which begins in October 2018 and continues through March 2019, a typical residential customer with monthly usage of 5,000 cubic feet will receive a monthly credit of \$9.59. That is a decrease of about 21 percent of the base rate portion of the monthly bill.

In April 2019, the monthly credit for residential customers will be reduced to \$3.84, which is about 8.5 percent of the monthly base rate for a typical customer. The credit will remain in place until the conclusion of Delta's next rate adjustment case or until further revisions to either federal or state tax laws require it to be changed.

The credit reflects the immediate impact of the decrease in the federal corporate income tax rate from 35 percent to 21 percent, and an interim calculation of the tax law's impact on Delta's deferred tax liabilities. The credit may be adjusted at a later date if the final calculations differ.

Late last year, the PSC ordered Delta and other investor-owned utilities in Kentucky to begin tracking their immediate savings from the federal tax reduction that began Jan.1, 2018. Delta's tracked savings are being returned over the six-month period of the first-phase credit.

The base rate portion of Delta's residential bills includes the monthly customer charge of \$20.70, a delivery charge of \$4.32 per 1,000 cubic feet, and a surcharge of \$2.70 to fund accelerated replacement of old gas mains.

The base rates do not include the cost of the gas itself, which accounts for about half the average total bill. The gas cost is adjusted every three months to reflect – on a dollar-for-dollar basis – the actual amount Delta pays for gas on the wholesale market.

Delta serves about 39,000 customers in 23 central and eastern Kentucky counties.

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Today's order is the latest in a series of decisions adjusting the rates of Kentucky's large investor-owned electric, natural gas and water utilities to reflect the federal corporate income tax included in the Tax Cut and Jobs Act, which was enacted in late 2017.

The Kentucky Office of Attorney General was the only other party to the Delta Natural gas case.

Today's order and other records in the case are available on the PSC website, psc.ky.gov. The case number is 2018-00040.

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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