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NEWS RELEASE

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PSC Completes Tax Cases for Major Investor-owned Utilities *Duke Energy Kentucky natural gas and Columbia Gas of Kentucky customers will get credits reflecting federal corporate income tax reductions*

FRANKFORT, Ky. (Nov. 1, 2018) – The Kentucky Public Service Commission (PSC) has completed a series of cases adjusting retail electric, natural gas and water rates to reflect reductions in federal corporate income tax rates that took effect at the first of the year.

In orders issued over the last week, the PSC ordered Columbia Gas of Kentucky and Duke Energy Kentucky to issue credits to customers to reflect the tax savings.

The two cases are the last stand-alone PSC reviews adjusting the rates of Kentucky's large investor-owned electric, natural gas and water distribution utilities to reflect the federal corporate income tax included in the Tax Cut and Jobs Act, which was enacted in late 2017.

The tax cut from 35 percent to 21 percent reduced the annual revenue needs of investor-owned utilities. A few tax issues remain to be resolved in pending base rate cases.

Late last year, the PSC ordered investor-owned utilities in Kentucky to begin tracking their immediate savings from the federal tax reduction that began Jan. 1, 2018. In a series of ten cases, the PSC examined the implications of the tax savings on the rates of each affected utility and ordered appropriate rate reductions. Some of the adjustments were made in the context of rate cases which were pending when the tax changes were enacted.

In an order issued Oct. 25 in the Columbia Gas of Kentucky case, the PSC approved a two-phase customer credit to reflect reduced federal corporate income tax rates that took effect at the first of the year. The first phase reflects tax savings that have accumulated from the first of this year and the second phase will reflect ongoing savings.

In the first phase, which begins in November 2018 and continues through April 2019, a typical residential customer with average monthly usage of 5,000 cubic feet will receive a monthly credit of \$2.46. That is a \$1.36 more than an interim credit of \$1.10 that took effect earlier this year.

In May 2019, the average monthly credit for residential customers will be reduced to \$1.41. It will remain in place until the conclusion of Columbia Gas of Kentucky's next rate adjustment case or until further revisions to either federal or state tax laws require it to be changed.

Columbia Gas of Kentucky serves about 91,500 customers in 31 counties in central Kentucky.

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The Duke Energy Kentucky case was concluded in an order issued Oct. 31. It also includes a two-phase credit for natural gas customers.

The first phase begins in November 2018 and continues through March 2019. A typical residential customer with average monthly gas usage of 5,000 cubic feet will receive a monthly credit of \$2.21.

The second phase of the credit is contingent on the date of the PSC's decision in Duke Energy Kentucky's current application for an increase in its base rates for natural gas. If the rate case is decided by the end of March 2019, the ongoing adjustment for the tax reduction will be reflected in the new rates.

If the rate case is not concluded by April 2019, the monthly credit for residential customers will decline to \$1.26 and remain in place until a decision is reached in the rate case.

Duke Energy Kentucky serves about 103,000 natural gas customers in seven northern Kentucky counties.

Natural gas 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 periodically to reflect – on a dollar-for-dollar basis – the actual amount a natural gas distribution utility pays for gas on the wholesale market.

Orders and other records in the tax cases are available on the PSC website, psc.ky.gov. The case numbers are:

- 2018-00034 – Louisville Gas & Electric Co./Kentucky Utilities Co.
- 2018-00035 – Kentucky Power Co. (also case 2017-00179 – base rate case)
- 2018-00036 – Duke Energy Kentucky (also case 2017-00321 – electric base rates and case 2018-00261 – natural gas base rates)
- 2018-00039 – Atmos Energy Corp. (also 2017-00349 – base rate case)
- 2018-00040 – Delta Natural Gas Co.
- 2018-00041 – Columbia Gas of Kentucky
- 2018-00042 – Kentucky-American Water Co.
- 2018-00043 – Water Service Corp. of Kentucky (consolidated with 2018-00208 – base rate case)
- 2018-00064 – WKG Storage (natural gas storage – no retail customers)

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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