



Matthew G. Bevin
Governor

Charles G. Snavely
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 to Determine Rate Reductions Resulting from Federal Corporate Tax Cut

Investor-owned utilities ordered to track federal tax savings

FRANKFORT, Ky. (Jan. 2, 2018) – The Kentucky Public Service Commission (PSC) has ordered for-profit utilities to track their savings under lower corporate tax rates that took effect yesterday, paving the way for those savings to be passed on to customers in the form of lower electric, gas or water rates.

In two orders issued Wednesday, Dec. 27, 2017, the PSC noted that investor-owned utilities recover their federal tax expenses from ratepayers. Under the federal tax law enacted last month, the corporate income tax rate will decline from 35 percent to 21 percent this year, substantially reducing the tax burden on for-profit, investor-owned utilities.

“Since ratepayers are required to pay through their rates the tax expenses of a utility, any reduction in tax rates must be timely passed through to ratepayers,” the PSC said in the orders.

The orders direct the affected utilities to begin tracking their savings from the immediate reduction in the corporate tax rate. The PSC also ordered the utilities to calculate the excess amount of future tax liabilities that they are carrying on their books and that will need to be refunded to ratepayers.

One of the two orders is in response to a complaint filed by the Kentucky Industrial Utility Customers (KIUC) an organization that represents large electric customers in rate cases and other matters before the PSC. On Dec. 21, 2017, KIUC filed a complaint arguing that the rates of four utilities would no longer be “fair, just and reasonable,” as required by law, once the federal tax cut takes effect.

The PSC order directs the four utilities – Duke Energy Kentucky, Kentucky Power Co., Kentucky Utilities Co., and Louisville Gas and Electric Co. (LG&E) – to respond within ten days to the KIUC complaint and to begin tracking the tax savings. All provide electric service, while Duke Energy and LG&E also provide natural gas service.

“While the exact amount of the tax savings and resulting rate reductions cannot be determined with precision at this time, each of the (companies) should use its best estimate to determine the amount to be recorded...subject to review and adjustment as part of this case,” the PSC said.

-more-

PSC to Determine Rate Reductions Due to Federal Corporate Tax Cut – Page 2

The second order directs three other natural gas utilities – Atmos Energy Corp., Delta Natural Gas Co. and Columbia Natural Gas of Kentucky - and two water utilities – Kentucky-American Water Co. and Water Service Corp. of Kentucky – to begin recording their estimated tax savings.

The second order also directs those utilities to submit, within 30 days, testimony on the impact of the federal tax cuts on their finances and to propose new rates reflecting the tax reductions.

The four utilities cited in the KIUC complaint are not being told to file such testimony, since they must respond to KIUC's proposed revenue and rate reductions. KIUC estimated that the tax cut would lead to rate reductions in the range of 4 percent to 7 percent, depending on the utility.

In total, more than two million customer accounts could be affected by rate changes resulting from the corporate tax reduction.

A procedural schedule in each case will be set by the PSC at a later date.

The orders and other documents in the cases are available on the PSC website, psc.ky.gov. The cases numbers are 2017-00477 (KIUC complaint) and 2017-00481.

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