

The 2012 session of the Kentucky General Assembly revised KRS 278.460. The revision ends the requirement that interest on deposits earn 6% per annum. Instead it requires the Commission to calculate the interest rate to be paid on an annual basis by averaging the one (1) year constant maturity treasury rate from September, October, and November. The Commission will determine the rate and post it to the website <http://psc.ky.gov> by December 15 of each year.

The new law becomes effective on July 12, 2012. Using data from September, October and November of 2011, the Commission has calculated the rate to be 0.104% for interest on deposits from the effective date until the end of the year.

Depending upon the current language in a utility's tariff, a tariff revision may be required to take into account this change in law. Each utility should review its current tariff to determine if it will require an update, and if so, file any needed tariff revisions no later than June 12, 2012.

Commission Staff has developed the following language that a utility may use for interest on deposits. Please note this is only a suggestion, and utilities are not required to use this sample language.

*Interest will accrue on all deposits at the rate prescribed by law beginning on the date of the deposit. Interest accrued will be refunded to the customer or credited to the customer's bill on an annual basis. If interest is paid or credited to the customer's bill prior to twelve (12) months from the date of deposit or the last interest payment date, the payment or credit shall be on a prorated basis.*

While this new law is a change for most utilities, it does not apply to water districts and water associations, who will continue to pay interest on deposits in accordance with KRS 278.460(2).

For your convenience, a copy of the law has been attached to the end of this email.

Should there be any questions regarding this matter, please don't hesitate to contact Commission Staff.

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AN ACT relating to utility interest rates.

*Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

➔ Section 1. KRS 278.460 is amended to read as follows:

**(1) Except as provided in subsection (2) of this section, a utility, including an electric cooperative organized under KRS Chapter 279, shall pay interest ~~at six percent (6%) annually~~ on amounts required to be deposited by patrons to secure utility service. The commission shall calculate the interest rate on an annual basis by averaging the one (1) year constant maturity treasury rate from September, October, and November, and shall notify utilities in December of each year of the interest rate to be paid by utilities for the following calendar year.**

**(2) No water district organized under KRS Chapter 74 nor water association organized under KRS Chapter 273 shall pay interest that exceeds the rate it receives in interest, nor shall the interest payable to the customer at any time exceed six percent (6%) annually on amounts required to be deposited by patrons to secure water accounts.**

**(3) The commission may promulgate administrative regulations in accordance with the provisions of KRS Chapter 13A to implement this section.**