

1 ENERGY AND ENVIRONMENT CABINET

2 Public Service Commission

3 (New Administrative Regulation)

4 807 KAR 5:078. Alternative Rate Adjustment for Electric Cooperatives.

5 RELATES TO: KRS Chapter 278

6 STATUTORY AUTHORITY: KRS 278.040(3)

7 NECESSITY, FUNCTION, AND CONFORMITY: KRS 278.040(3) provides that the Public
8 Service Commission may promulgate administrative regulations to implement the
9 provisions of KRS Chapter 278. KRS 278.030(1) provides that all rates received by an
10 electric utility subject to the jurisdiction of the Public Service Commission shall be fair,
11 just, and reasonable. KRS 278.030(2) provides that every utility shall furnish adequate,
12 efficient, and reasonable service. This administrative regulation establishes a simplified
13 and less expensive procedure for rural electric cooperatives to use to apply to the
14 commission for rate adjustments.

15 Section 1. Definitions

16 (1) "Annual report" means the financial and statistical report incorporated by reference
17 in 807 KAR 5:006, which requires a utility to file the annual report with the commission.

18 (2) "Attorney General" means the Attorney General, Office of Rate Intervention.

19 (3) "General rate adjustment" means an adjustment in rates received pursuant to an
20 application filed pursuant to 807 KAR 5:001, Section 16.

1 (4) "Base rate adjustment" mean a general rate adjustment or an adjustment in rates
2 received pursuant to an application filed pursuant to Section 2 of this administrative
3 regulation;

4 (5) "Cooperative" means any rural electric cooperative corporation formed under KRS
5 Chapter 279 that distributes electricity.

6 (6) "OTIER" means the operating times interest earned ratio for the cooperative.

7 (7) "Rate" is defined by KRS 278.010(12).

8 (8) "TIER" means the times interest earned ratio for the cooperative.

9 Section 2. Increase in rates. Cooperatives Permitted to File Application. A cooperative
10 may apply for an adjustment of rates using the procedure established in this regulation if:

11 (1) No more than ten (10) years has elapsed since the effective date of new rates
12 resulting from a cooperative's most recent base rate adjustment;

13 (2) At least twelve (12) months have elapsed since the effective date of the
14 cooperative's most recent base rate adjustment;

15 (3) The cooperative requests a rate increase not exceeding 1 (one) percent per twelve
16 (12) month period since its last base rate adjustment;

17 (4) The cooperative requests an increase that does not exceed 1.85 OTIER;

18 (5) If aggregating multiple twelve 12-month periods in the application, the overall
19 cumulative rate increase does not exceed 5 percent;

20 (6) The cooperative's most recent embedded class cost of service study was
21 completed within the five years prior to the submission of the cooperative's application
22 under this section;

23 (7) The cooperative's application includes only request for:

- 1 (a) Adjustments in revenue requirements;
- 2 (b) Changes to rate design; and
- 3 (c) Changes to the cooperative's tariff necessary to reflect changes in rates;
- 4 (8) The proposed rate increase is based upon a historical test year that corresponds
- 5 with the most recent annual report filed with the commission;
- 6 (9) The cooperative's application is filed electronically pursuant to the requirements of
- 7 807 KAR 5:001, Section 8.
- 8 (10) The cooperative has notified the commission in writing of its intent to file a
- 9 rate application at least thirty (30) days, but not more than sixty (60) days, prior to filing
- 10 its application; and
- 11 (11) Upon filing the notice of intent with the commission, the cooperative mailed
- 12 to the Attorney General a copy of the notice of intent or sent by electronic mail in a portable
- 13 document format, to rateintervention@ag.ky.gov.
- 14 Section 3. An application filed pursuant to this section 2 shall include:
- 15 (1) A narrative statement discussing any changes materially affecting the
- 16 cooperative's rates or service that have occurred since the effective date of its last base
- 17 rate adjustment and stating the reasons for the proposed adjustment;
- 18 (2) If more than five years has elapsed since the cooperative's most recent general
- 19 rate adjustment, a detailed explanation of why the cooperative did not seek a general rate
- 20 adjustment in that period;
- 21 (3) New or revised tariff sheets, if applicable, in a format that complies with 807 KAR
- 22 5:011 with an effective date not less than thirty (30) days from the date the application is
- 23 filed;

- 1 (4) New or revised tariff sheets, if applicable, identified in compliance with 807 KAR
2 5:011, shown either by providing:
- 3 (a) The present and proposed tariffs in comparative form on the same sheet side by
4 side or on facing sheets side by side; or
- 5 (b) A copy of the present tariff indicating proposed additions by italicized inserts or
6 underscoring and striking over proposed deletions; and
- 7 (c) A statement that notice has been given in compliance with Section 7 of this
8 administrative regulation with a copy of the notice.
- 9 (5) A general statement identifying any electric property or plant held for future use;
- 10 (6) All current agreements related to vegetation management, as well as a statement
11 identifying any changes that occurred since the cooperative's base rate adjustment to the
12 cooperative's policies on vegetation management, indicating the effective date and
13 reason for these changes;
- 14 (7) A statement identifying any changes that occurred during the test year to the
15 cooperative's written policies on the compensation of its attorneys, auditors, and all other
16 professional service providers, indicating the effective date and reason for these changes;
- 17 (8) A statement explaining whether the depreciation rates reflected in the application
18 are identical to those most recently approved by the commission.
- 19 (a) If the depreciation rates are identical, the application shall identify the case in which
20 they were approved.
- 21 (b) If the depreciation rates are different, the application shall include a depreciation
22 study that supports the rates reflected in the application;
- 23 (9) The estimated dates for drawdowns of unadvanced loan funds at test year end

1 and the proposed uses of these funds;

2 (10) A schedule of the cooperative's standard directors' fees, per diems, and any other
3 compensation in effect during the test year. The schedule shall:

4 (a) Include a description of any changes that occurred during the test year to the
5 cooperative's written policies specifying the compensation of directors; and

6 (b) Indicate the effective date and explanation for any change;

7 (11) A schedule reflecting the salaries and other compensation of each
8 executive officer for the test year and two (2) preceding calendar years. The schedule
9 shall include:

10 (a) The percentage of annual increase and the effective date of each salary increase;

11 (b) The job title, duty and responsibility of each officer;

12 (c) The number of employees who report to each executive officer;

13 (d) To whom each executive officer reports; and

14 (e) For employees elected to executive officer status during the test year, the salaries
15 for the test year for those persons whom they replaced.

16 (12) The cooperative's TIER, OTIER, and debt service coverage ratio, as
17 calculated by the Rural Utility Service, for the test year and the five (5) most recent
18 calendar years, including the data used to calculate each ratio;

19 (13) The cooperative's debt instruments;

20 (14) A copy of all exhibits and schedules that were prepared for the rate
21 application in Excel spreadsheet format with all formulas intact and unprotected and with
22 all columns and rows accessible;

23 (15) A schedule comparing balances for each balance sheet account or

1 subaccount included in the cooperative's chart of accounts for each month of the test year
2 to the corresponding month of the twelve (12)-month period immediately preceding the
3 test year;

4 (16) A schedule comparing each income statement account or subaccount
5 included in the cooperative's chart of accounts for each month of the of the test year to
6 the same month of the twelve (12)-month period immediately preceding the test year.
7 The amounts shall reflect the income or expense activity of each month, and not the
8 cumulative balances at the end of the particular month;

9 (17) A schedule showing anticipated and incurred rate case expenses, with
10 supporting documentation which shall be updated every thirty (30) days during the
11 proceeding.

12 (18) A statement estimating the effect that each new rate will have upon the
13 revenues of the utility including, at minimum, the total amount of revenues resulting from
14 the increase or decrease and the percentage of the increase or decrease; and

15 (19) A statement of the effect upon the average bill for each customer
16 classification to which the proposed rate change will apply;

17 (20) A summary of the cooperative's determination of its revenue requirements
18 based on return on TIER, OTIER, debt service coverage and any metric required by the
19 cooperative's current debt instruments, with supporting schedules;

20 (21) If the cooperative had amounts charged or allocated to it by an affiliate or
21 general or home office or paid monies to an affiliate or general or home office during the
22 test period or during the previous three (3) calendar years, the cooperative shall file:

23 (a) A detailed description of the method and amounts allocated or charged to the utility

1 by the affiliate or general or home office for each charge allocation or payment;

2 (b) An explanation of how the allocator for the test period was determined; and

3 (c) All facts relied upon, including other regulatory approval, to demonstrate that each
4 amount charged, allocated, or paid during the test period was reasonable;

5 (22) A calculation of the normalized depreciation expense (test-year end plant
6 account balance multiplied by depreciation rate);

7 (23) An analysis of FERC Account No. 930, Miscellaneous General Expenses,
8 for the test year. The analysis shall include:

9 (a) A complete breakdown of this account by the following categories:

- 10 1. Industry association dues;
- 11 2. Debt-serving expenses;
- 12 3. Institutional and conservation advertising;
- 13 4. Rate department load studies;
- 14 5. Director's fees and expenses
- 15 6 Dues and subscriptions, and
- 16 7. Miscellaneous.

17 (b) Detailed supporting workpapers which shall include for amounts over \$100, the
18 date, vendor, reference, dollar amount, and a brief description of each expenditure.

19 (24) An analysis of FERC Account No. 426, Other Income Deductions, for the
20 test period. The analysis shall include:

21 (a) A breakdown of this account by the following categories:

- 22 1. Donations;
- 23 2. Civic activities;

1 3. Political activities; and

2 4. Other

3 (b) Detailed supporting workpapers which shall include for amounts over \$1000, the
4 date, vendor, reference, dollar amount, and a brief description of each expenditure.

5 (25) A trial balance as of the last day of the test year showing account number,
6 subaccount number, account title, subaccount title, and amount. The trial balance shall
7 include:

8 (a) All asset, liability, capital, income, and expense accounts used by the cooperative;
9 and

10 (b) All income statements accounts should show activity for twelve (12) months that
11 shows the balance in each control account and all underlying subaccounts per the
12 company books.

13 (26) A schedule showing employee health, dental, vision, and life insurance
14 premium contributions by coverage type, including the cost split of each identified
15 premium between the employee and the cooperative;

16 (27) A detailed income statement and balance sheet reflecting the impact of all
17 proposed adjustments; and

18 (28) The number of customers to be added to the test period end level of
19 customers and the related revenue requirements impact for all pro forma adjustments
20 with complete details and supporting work papers.

21 Section 4. Revenue Neutral Application: Cooperatives Permitted to File Application. A
22 cooperative may apply for a revenue neutral adjustment of rates using the procedure
23 established in this Section if:

1 (1) It has been at least twelve (12) months since the effective date of the cooperative's
2 last base rate adjustment;

3 (2) The change in rates does not result in an increase in the revenue requirement used
4 to determine the rates in the cooperative's most recent base rate adjustment case;

5 (3) The cooperative's application includes only requests for:

6 (a) Adjustments in revenue allocations;

7 (b) Changes to rate design; and

8 (c) Changes to the cooperative's tariff necessary to reflect changes in rates;

9 (4) The cooperative's most recent embedded class cost of service study was
10 completed within the five years prior to the submission of the cooperative's application
11 under this section;

12 (5) The cooperative's application is filed electronically pursuant to the requirements of
13 807 KAR 5:001, Section 8;

14 (6) A cooperative has notified the commission in writing of its intent to file a rate
15 application at least thirty (30) days, but not more than sixty (60) days, prior to filing its
16 application; and

17 (7) Upon filing the notice of intent with the commission, the applicant has mailed to the
18 Attorney General Intervention a copy of the notice of intent or sent by electronic mail in a
19 portable document format, to rateintervention@ag.ky.gov.

20 Section 5. An application filed pursuant to Section 4 shall include:

21 (1) A narrative statement discussing any changes that have occurred for the
22 cooperative since the effective date of its last change in rate design or revenue allocation
23 and stating the reasons for the proposed adjustment;

1 (2) If more than five years has elapsed since cooperative's most recent general rate
2 adjustment, a detailed explanation of why the cooperative has not sought a general rate
3 adjustment;

4 (3) New or revised tariff sheets, if applicable, in a format that complies with 807 KAR
5 5:011 with an effective date not less than thirty (30) days from the date the application is
6 filed;

7 (4) New or revised tariff sheets, if applicable, identified in compliance with 807 KAR
8 5:011, shown either by providing:

9 (a) The present and proposed tariffs in comparative form on the same sheet side by
10 side or on facing sheets side by side; or

11 (b) A copy of the present tariff indicating proposed additions by italicized inserts or
12 underscoring and striking over proposed deletions; and

13 (c) A statement that notice has been given in compliance with Section 7 of this
14 administrative regulation with a copy of the notice.

15 (5) A general statement identifying any electric property or plant held for future use;

16 (6) All current agreements related to vegetation management, as well as a statement
17 identifying any changes that occurred since the cooperative's most recent base rate
18 adjustment to the cooperatives policies on vegetation management, indicating the
19 effective date and reason for these changes;

20 (7) A statement identifying any changes that occurred during the test year to the
21 cooperative's written policies on the compensation of its attorneys, auditors, and all other
22 professional service providers, indicating the effective date and reason for these changes;

23 Section 6. Exclusions for ratemaking purposes. The following are excluded for

1 ratemaking purposes and shall be excluded from the pro forma test year income
2 statement and supporting documentation included in an application made pursuant to
3 Section 2 of this administrative regulation.

4 (1) The contribution made for the least generous plans for employer retirement
5 contributions for employees participating in multiple benefit packages;

6 (2) If employee health care insurance premium contribution is zero, for ratemaking
7 purposes the pro forma income statement shall reflect healthcare insurance premiums
8 adjusted for employee contributions based on the national average for coverage type;

9 (3) Life insurance premiums for coverage above an employee's annual salary or
10 \$50,000, whichever is less;

11 (4) Advertising expenses prohibited from rate recovery by 807 KAR 5:016;

12 (5) All fuel adjustment clause and environmental surcharge revenues and expenses;

13 (6) Charitable and political contribution both in cash and services;

14 (7) Salary and all company-paid or reimbursed expenses or allowances for lobbying
15 on the local, state, or national level. If any amounts are allocated, show a calculation of
16 the factor used to allocate each amount;

17 (8) Any non-regulated activities;

18 (9) All non-utility property and related property taxes; and

19 (10) For board of directors:

20 (a) Per diems for attending industry association meetings;

21 (b) Costs of health insurance coverage;

22 (c) Costs of post-retirement benefits;

23 (d) Costs of gifts;

1 (e) Cost of insurance for spouses or dependents of deceased directors, and

2 (f) Any costs for a director's spouse.

3 Section 7. Notice. Upon filing an application pursuant to this administrative regulation, a
4 cooperative shall provide notice as established in this Section.

5 (1) Public postings

6 (a) A cooperative shall post at its place of business a copy of the notice required by
7 807 KAR 5:001, Section 17, no later than the date the application is submitted to the
8 commission.

9 (b) Within five (5) business days of the date the application is submitted to the
10 commission, the cooperative shall conspicuously post on its Web sites and social media
11 accounts:

12 1. A copy of the public notice; and

13 2. A hyperlink to the commission's Web site where the case documents are
14 available.

15 (c) The information required in paragraphs (a) and (b) of this subsection shall not be
16 removed until the commission issues a final decision on the application.

17 (2) Customer Notice. A cooperative shall provide public notice by:

18 (a) Including the notice with customer bills mailed no later than the date on which the
19 application is submitted to the commission;

20 (b) Mailing a written notice to each customer no later than the date on which the
21 application is submitted to the commission;

22 (c) Publishing the notice in a newspaper of general circulation, with the first publication
23 being no later than the date on which the application is submitted to the commission, for

1 three consecutive weeks inclusive of the first publication; or

2 (d) Publishing the notice in a trade publication or newsletter received by all
3 cooperative members, delivered no later than the date on which the application is
4 submitted to the commission.

5 (3) Proof of Notice. A cooperative shall file with the commission no later than thirty
6 (30) days from the date the application was initially submitted to the commission:

7 (a) If notice is mailed to its customers, an affidavit from an authorized representative
8 of the cooperative verifying the contents of the notice, that notice was mailed to all
9 customers, and the date of the mailing;

10 (b) If notice is published in a newspaper of general circulation in the cooperative's
11 service area, an affidavit from the publisher verifying the contents of the notice, that the
12 notice was published, and the dates of the notice's publication; or

13 (c) If notice is published in a trade publication or newsletter delivered to all customers,
14 an affidavit from an authorized representative of the cooperative verifying the contents of
15 the notice, the mailing of the trade publication or newsletter, that notice was included in
16 the publication or newsletter, and the date of mailing.

17 (4) Notice Content.

18 (a) The notice required by subsection (1) of this Section shall include the notice
19 contents required by 807 KAR 5:001, Section 17(4) except for:

20 1. The statement required by 807 KRS 5:001, Section 17(4)(j);

21 (b) The customer notice required by subsection (2) of this section shall include:

22 1. The case number for the proceeding;

23 2. The proposed effective date and the date the proposed rates are expected

1 to be filed with the commission;

2 3. The present rates and proposed rates for each customer classification to
3 which the proposed rates will apply;

4 4. The amount of the change requested in both dollar amounts and percentage
5 change for each customer classification to which the proposed rates will apply;

6 5. The cooperative's business address where a copy of the notice required by
7 subsection (1) of this Section may be viewed;

8 6. A link to Web site notifications where a copy of the notice required by
9 subsection (1) of this Section may be viewed;

10 7. Links or references to social media posts where a copy of the notice
11 required by subsection (1) of this Section (or link thereto) may be viewed;

12 8. A statement that a person may submit a timely written request for
13 intervention to the Public Service Commission, Post Office Box 615, Frankfort, Kentucky
14 40602, or emailed to PSCED@ky.gov, establishing the grounds for the request including
15 the status and interest of the party;

16 9. A statement that the commission is required to take action within seventy-
17 five (75) days of the date the application is accepted for filing;

18 10. A summary of proposed changes to lighting and other miscellaneous rates.

19 (c) Customer notice required by subsection (2) of this Section may omit from the
20 notice any rates under which no customers are receiving service at the time the
21 application is submitted to the commission.

22 Section 8. Procedure

23 (1) Upon submission of the application, the commission shall issue an order that:

1 (a) Grants the Attorney General intervention and:

2 (b) Allows seven (7) days for the Attorney General to file its statement as required by
3 807 KAR 5:001, Section 8(9)(b) or notify the commission in writing that the Attorney
4 General will not participate in the proceeding, and

5 (c) Allows seven (7) days to file comments regarding the cooperative's application and
6 whether it should be accepted for filing pursuant to this regulation or treated as an
7 application file pursuant to 807 KAR 5:001, Section 16.

8 (2) Within ten (10) business days of the filing of the application, the commission shall
9 complete its initial review of the application and issue an order either accepting or
10 rejecting the application for filing under this regulation.

11 (3) The Commission may only reject an application submitted pursuant to this
12 administrative regulation based on a finding that the application does not comply with the
13 relevant administrative regulations and statutes.

14 (4) The Commission may only reject an application filed pursuant to this administrative
15 regulation based on a finding that the proposed rates will not provide the cooperative
16 sufficient revenue to provide the service required by KRS 278.030(2).

17 (5) If the commission rejects the application for processing under this administrative
18 regulation, the application will be deemed submitted pursuant to KRS 278.190 and 807
19 KAR 5:001, Section 16.

20 (6) An order rejecting the application for the processing under this administrative
21 regulation shall, at minimum, include:

22 (a) Findings explaining the reason the application was not accepted under this
23 administrative regulation;

1 (b) An opportunity for the cooperative to amend its application if it wants to proceed
2 for a general rate adjustment pursuant to KRS 278.190 and 807 KAR 5:001, Section 16;

3 (c) A schedule for the processing of the application, including a deadline by which the
4 cooperative may amend its application; and

5 (d) A list of any additional evidence that the cooperative should provide in an amended
6 application.

7 (7) If the commission rejects the cooperative's application for processing under this
8 administrative regulation the cooperative may, with written notice to the commission,
9 withdraw its application.

10 (8) An order accepting the cooperative's application for processing under this
11 regulation shall incorporate into the record the two (2) most recent annual reports of the
12 cooperative on file with the commission;

13 (9) An order accepting the cooperative's application for processing under this
14 regulation shall establish a procedural schedule that includes deadlines for:

15 (a) Filing of one written set of requests for intervention by parties and commission staff;

16 (b) Parties' submission of written comments upon the conclusion of the filing of
17 evidence; and

18 (c) The submission of the case to the commission for a final decision.

19 (10) Commission staff may propound written requests for information at any
20 time.

21 (11) The commission shall notify the cooperative of any deficiencies in the
22 application within fourteen (14) days of the application's submission. An application shall
23 not be accepted for filing until the cooperative has cured all noted deficiencies.

1 (12) The commission shall issue a final order within seventy-five (75) days after
2 an application is filed with the commission, unless it is necessary for good cause to
3 continue the application for longer time than seventy-five (75) days, in which case the
4 order making the continuance shall state fully the facts that make it necessary. Any
5 continuance shall not exceed fourteen (14) days.

6 Section 9. Communication with parties.

7 (1) The cooperative may state in its application that members of commission staff may
8 contact the cooperative's witnesses directly, without counsel present, to seek clarification
9 of certain factual information contained in the application or in responses to requests for
10 information.

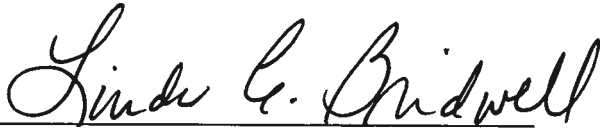
11 (2) Following a communication as provided for in subsection 5(a) of this Section,
12 commission staff shall file in the record a memorandum detailing the content and subject
13 of the communication.

14 (3) In cases where there are intervenors, commission staff shall not have direct
15 communication with the cooperative's witnesses unless the intervenor participates or has
16 waived participation.

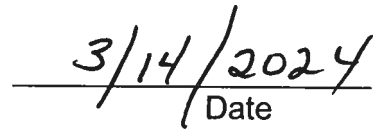
17 Section 10. Deviations from Rules. In special cases, for good cause shown, the
18 commission may permit deviations from these rules.

19

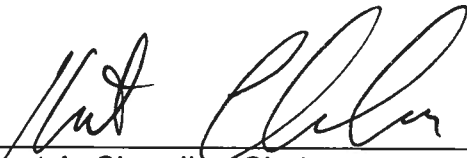
This is to certify that the Public Service Commission approved promulgation of this administrative pursuant to KRS 278.040(3), on March 14, 2024.



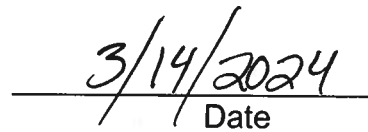
Linda C. Bridwell, PE
Executive Director
Public Service Commission



3/14/2024
Date



Kent A. Chandler, Chairman
Public Service Commission



3/14/2024
Date

PUBLIC HEARING AND PUBLIC COMMENT PERIOD: A public hearing on this administrative regulation shall be held on May 21, 2024, at 10:00 a.m. eastern daylight time at the Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601. Individuals interested in being heard at this hearing shall notify this agency in writing by five workdays prior to the hearing of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. This hearing is open to the public and instructions on how to attend and participate virtually will be published on the commission's website at psc.ky.gov. Any person who wishes to be heard will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through May 31, 2024. Written notification of intent to be heard at the public hearing and written comments on the proposed amendment should be sent or delivered to the contact person listed below.

Contact person: John E.B. Pinney, Executive Advisor, Kentucky Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601, phone (502) 782-2587, fax (502) 564-7279, email Jeb.Pinney@ky.gov.

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

807 KAR 5:078

Contact Person: John E.B. Pinney, phone 502-782-2587, email Jeb.Pinney@ky.gov

(1) Provide a brief summary of:

(a) What this administrative regulation does: This new administrative regulation provides for an alternative ratemaking process for rural electric cooperatives.

(b) The necessity of this administrative regulation: This administrative regulation is needed to reduce the costs to electric cooperatives of rate increase applications and to encourage electric cooperatives to seek more frequent and incremental rate adjustments. The regulation establishes the requirements of when and how an electric cooperative may avail itself of the alternate procedure, provides for commission review of the application, establishes the procedure to be followed, establishes the contents of an application, establishes notice requirements, and establishes a time which the commission must issue an order on the application. This new regulation places into regulation, a pilot program the commission implemented in 2019 and under which several electric cooperatives have sought rate increases.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 278.040(3) authorizes the Commission to adopt reasonable regulations to implement the provisions of KRS Chapter 278. KRS 278.040(2) states that the PSC has exclusive jurisdiction over the regulation of rates and services of utilities. KRS 278.030(1) provides that all rates received by a utility shall be fair, just, and reasonable. KRS 278.030(2) provides that every utility shall furnish adequate, efficient, and reasonable service.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: It sets forth the rules of procedure that utilities and the commission must follow.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: Not applicable.

(b) The necessity of the amendment to this administrative regulation: Not applicable.

(c) How the amendment conforms to the content of the authorizing statutes: Not applicable.

(d) How the amendment will assist in the effective administration of the statutes: Not applicable

(3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: The regulation will affect the nineteen (19) rural electric distribution cooperatives subject to the commission's jurisdiction.

(4) Provide an analysis of how the entities identified in question (3) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (3) will have to take to comply with this administrative regulation or amendment: No additional actions. This new regulation places into regulation, a pilot program the commission implemented in 2019 and under which several electric cooperatives have sought rate increases.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (3): Zero Dollars; no fiscal impact. The commission anticipates that it will lead to reduced costs to the electric distribution cooperatives. Cooperatives that have filed rate applications under the pilot program at the commission have reported decreased rate case expenses compared to applications file pursuant to traditional methods.

(c) As a result of compliance, what benefits will accrue to the entities identified in question Electric cooperatives will reduce the costs of applications for rate increases, will have regulatory certainty of when and for how much it may seek a rate increase, and cooperatives will be ensured a decision on their rate applications in a shorter time than what is provided for in KRS 278.190.

(5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially: Zero Dollars; no fiscal impact.

(b) On a continuing basis: Zero Dollars; no fiscal impact.

(6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: The commission does not anticipate this amendment increasing its enforcement cost. The commission currently funds enforcement of this regulation through its general operating budget funded through annual assessments paid by regulated utilities pursuant to KRS 278.130, *et. seq.*, and this amendment has no effect on that funding.

(7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: No fiscal impact.

(8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees: No new fees are established and existing fees will not be affected.

(9) TIERING: Is tiering applied? No. The regulation applies only to rural electric cooperative corporation and applies equally to each rural electric cooperative corporation regardless of number of customers, size of assets, level of revenues, or any other size variable. Likewise, there are no nonsize variables applied.

FISCAL NOTE

807 KAR 5:078

Contact Person: John E.B. Pinney, phone 502-782-2587, email Jeb.Pinney@ky.gov

(1) What units, parts, or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? None.

(2) Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 278.040

(3) Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect. To the extent that a state or local government agency is a customer of an electric cooperative they may experience smaller than average rate increases for electric service due to the anticipated costs saved by the alternative rate procedure.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? Zero dollars; no additional revenue.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? Zero dollars; no additional revenue.

(c) How much will it cost to administer this program for the first year? Zero dollars.

(d) How much will it cost to administer this program for subsequent years? Zero dollars.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Revenues (+/-):

Expenditures (+/-):

Other Explanation:

(4) Estimate the effect of this administrative regulation on the expenditures and cost savings of regulated entities for the first full year the administrative regulation is to be in effect.

(a) How much cost savings will this administrative regulation generate for the regulated entities for the first year? The savings may not be on an annual basis, an electric cooperative will realize the savings when it files a rate case application.

(b) How much cost savings will this administrative regulation generate for the regulated entities for subsequent years? Based upon experience with the pilot program at the commission, an electric cooperative can expect to save, on average, \$70,000 in rate case expenses under this regulation compared to expenses for a rate application filed under the normal procedure. The reduction in expenses results in less expenses passed on to customers through rates.

(c) How much will it cost the regulated entities for the first year? Zero dollars.

(d) How much will it cost the regulated entities for subsequent years? Zero dollars

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

Cost Savings (+/-):

Expenditures (+/-):

Other Explanation:

(5) Explain whether this administrative regulation will have a major economic impact, as defined below. "Major economic impact" means an overall negative or adverse economic impact from an administrative regulation of five hundred thousand dollars (\$500,000) or more on state or local government or regulated entities, in aggregate, as determined by the promulgating administrative bodies. [KRS 13A.010(13)]. No major economic impact.

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MEMORANDUM

TO: J.E.B. Pinney, Executive Advisor, Kentucky Public Service Commission

FROM: Emily Caudill, Regulations Compiler

RE: Proposed Amendment or New Regulation – 807 KAR 005:078.

DATE: March 14, 2024

A copy of the administrative regulation listed above is enclosed for your files. This regulation is **tentatively** scheduled for review by the Administrative Regulation Review Subcommittee at its **JUNE 2024** meeting. We will notify you of the date and time of this meeting once it has been scheduled.

Pursuant to KRS 13A.280, **if** comments are received during the public comment period, a Statement of Consideration or a one-month extension request for this regulation is due **by noon on June 14, 2024**. Please reference KRS 13A.270 and 13A.280 for other requirements relating to the public hearing and public comment period and Statements of Consideration.

If you have questions, please contact us at RegsCompiler@LRC.ky.gov or (502) 564-8100.

Enclosures