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NEWS RELEASE

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PSC Opens Fuel Adjustment Clause Administrative Case for Electric Utilities

FRANKFORT, Ky. (November 2, 2022) – The Kentucky Public Service Commission (PSC) opened an investigation today for all jurisdictional electric utilities to review the Fuel Adjustment Clause (FAC), purchased power cost recovery, current and future fuel and power price volatility, and related cost recovery mechanisms.

On April 13, 2022, the Kentucky Senate passed Senate Resolution 316 titled “A RESOLUTION urging the Kentucky Public Service Commission to examine strategies to address utility costs to ratepayers.” Senate Resolution 316 requested that the Commission open one or more administrative cases to examine “the issues of volatility of electric and natural gas fuel prices.” The Senate urged the Commission to specifically review “[t]he causes of short-term fuel price volatility and whether fuel prices are anticipated to rise in the next five to ten years” and “[w]hether there are mechanisms other than the fuel adjustment clause to aid the utility in responding to fuel price volatility rather than externalizing the cost directly to the ratepayer.” Given the request of the Kentucky Senate and based on its own concerns, the Commission opens this proceeding.

An FAC is a mechanism for an electric utility to recover its current fuel expense from its customers through an automatic rate adjustment without the necessity for a full regulatory rate proceeding. This rate may increase or decrease from one billing cycle to the next depending on whether the utility’s cost of fuel increased or decreased in the same period. The rate provides for a straight pass-through of fuel costs with no allowance for a profit to the utility.

The Commission shares the Senate’s concerns regarding the volatility of fuel and power prices, and the impact of the FAC on customers’ bills. Since the FACs were initially authorized by the Kentucky Legislature, there have been significant changes in fuel sources for generation of electricity as well as the creation of wholesale power markets, both of which have impacted the FACs.

In initiating this investigation, the Commission seeks comments from all interested parties. To aid in the determination of specific alternatives and areas of concern within the general issues of this case, the Commission finds that all jurisdictional electric utilities and other interested persons should file comments within 30 days on the questions raised in the Order. The Commission has made all electric utilities parties to this case. Other interested entities may request to intervene and participate, however, intervention is not required to file comments.

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Today's order is available on the PSC website, <https://psc.ky.gov/Case/ViewCaseFilings/2022-00190>.

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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QUESTIONS OR PROBLEMS REGARDING YOUR UTILITY SERVICE?

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