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NEWS RELEASE

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PSC Moves to Streamline Rate Adjustment Process for Rural Electric Distribution Cooperatives

Initiative is in keeping with state efforts to reduce needless red tape

FRANKFORT, Ky. (Dec. 12, 2018) –The Kentucky Public Service Commission (PSC) has opened a proceeding to determine how to simplify the process used by rural electric distribution cooperatives when applying for rate adjustments.

In an order issued yesterday, the PSC noted that the majority of the expenses used to determine the rates of distribution cooperatives are the pass-through of generation and transmission costs. Those costs already have been approved by the PSC in separate proceedings setting the rates of generation and transmission cooperatives.

Therefore, “the issues presented in rate cases filed by distribution cooperatives are not as complicated, nor do they have the same impacts, as those presented in rate cases filed by vertically integrated investor-owned utilities,” the PSC said.

The PSC said that the revised process will be implemented on a pilot basis. If it proves successful, the PSC would move toward making the regulatory changes needed to implement the new process on a permanent basis.

“This effort is very much in keeping with Governor Bevin’s initiative to reduce unneeded regulatory red tape,” PSC Chairman Michael Schmitt said in a statement. “It can benefit the cooperatives and their member ratepayers by reducing the cost of filing rate adjustments and also reduce the amount of time and effort the PSC must expend on these relatively straightforward rate cases.”

In the order opening the proceeding, the PSC set out the criteria that a cooperative must meet in order to qualify for the streamlined process. If a cooperative qualifies, the PSC will process the case within 75 days. The current process can take as long as ten months.

The criteria include limiting the requested increase to no more than 4 percent, and no more than 0.75 percent for each year that has elapsed since the cooperative’s most recent base rate adjustment. The rate increase limitation will not include pass-throughs of generation and transmission costs, but cover only the distribution cooperative’s own operating costs

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In addition to setting out the criteria necessary for filing using the streamlined process, the PSC order also addressed the requirements for providing notice to ratepayers, the information that must be included in the application, and a list of expenses that must be excluded from recovery through base rates.

The PSC established a 30-day period for any interested party to submit comments on the proposed streamlined process. Absent a further decision by the PSC, the streamlined process will take effect 15 days after the comment period ends.

Once the process is in place, the PSC will consider applications on a case-by-case basis. The streamlined process will remain in place on a pilot basis until the PSC has been able to determine whether it is effective. The process will be reviewed periodically, with the first review completed within 18 months, the PSC said in its order.

The streamlined process is available to the 19 rural electric distribution cooperatives under PSC jurisdiction. They include the 16 cooperatives that own and purchase power from the Eastern Kentucky Power Cooperative and the three cooperatives that own and purchase power from the Big Rivers Electric Corp. The PSC does not have jurisdiction over the five cooperatives in Kentucky that are part of the Tennessee Valley Authority system.

A streamlined rate adjustment process already exists for small water and natural gas utilities. It allows utilities with gross annual revenues below \$5 million to file under a simplified and expedited rate procedure under which the PSC staff prepares a rate analysis for the utility.

The order and other records in the case are available on the PSC website, psc.ky.gov. The case number is 2018-00407.

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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