

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF THE FUEL)	
ADJUSTMENT CLAUS REGULATION 807 KAR)	CASE NO.
5:056, PURCHASED POWER COSTS, AND)	2022-00190
RELATED COST RECOVERY MECHANISMS)	

**COMMENTS ON BEHALF OF
JACKSON ENERGY COOPERATIVE CORPORATION**

Jackson Energy Cooperative Corporation (“Jackson Energy”) provides the following comments in response to the Commission’s order dated November 2, 2022, in which the Commission solicited input from interested parties to investigate the fuel adjustment clause and other fuel cost recovery mechanisms.

Jackson Energy begins by thanking the Commission for its solicitation of comments from parties affected by the fuel adjustment clause, as it has been of concern to numerous utilities and their rate payers.

Jackson Energy largely agrees with the comments submitted by its generation and transmission utility, East Kentucky Power Cooperative (“EKPC”). Jackson Energy, along with fifteen other distribution cooperatives, is an owner of EKPC. Obviously, Jackson Energy does not purchase fuel, but relies upon EKPC to do so. EKPC incurs all costs associated with fuel procurement and then passes those costs along to Jackson Energy and its other member-owners. This multi-step recovery process results in two issues that are of concern for Jackson Energy.

The first issue is a direct result of the regulatory lag between the time the costs of fuel procurement are incurred by EKPC and when Jackson Energy’s share of those costs

are billed to and ultimately paid by Jackson Energy's members. In fact, the time between when EKPC files its fuel costs expenses and when Jackson Energy receives payment from its members can be as much as four months. During times where the cost of fuel is consistently increasing, Jackson Energy is continually recovering less from its members than is needed to pay to EKPC its share of the cost of fuel procurement.

The second issue is the inaccuracies in recoupment experienced by Jackson Energy of the costs of the FAC. At the present time, there is a two-month delay between when EKPC files its fuel cost expenses and when they are actually billed to Jackson Energy. The fuel adjustment is then passed on to Jackson Energy's members on the bills issued for that month. However, the amount recovered by Jackson Energy will generally not match that billed to it by EKPC because the fuel costs are billed to members of Jackson Energy based on their usage, which obviously varies from month to month. Generally speaking, this results in an under-recovery of fuel costs by Jackson Energy which causes a deterioration in its financial condition.

The delay in recoupment and under-recovery of fuel costs by Jackson Energy is a result of the fuel adjustment regulation set forth in 807 KAR 5:056. That regulation was designed for vertically integrated utilities and is a poor fit for the distribution cooperative – G & T utility model. In fact, Jackson Energy knows of no way to comply with the regulation's requirement that the fuel costs shall be the most recent monthly cost when, under the present scheme, this simply isn't possible.

Jackson Energy and its fellow distribution cooperatives continue to work with EKPC to develop alternatives to the present recovery of fuel costs. The implications of a

change in the fuel adjustment clause could be tremendous, and the analysis by EKPC and its distribution cooperatives is currently incomplete.

Jackson Energy asks that the Commission consider all reasonable alternatives to the present fuel adjustment recovery regulation that would result in a more timely and equitable recovery of costs by distribution cooperatives.

DATED this 5th day of December 2022.

Respectfully submitted by,

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CERTIFICATE OF SERVICE

The undersigned attorney hereby certifies that this electronic filing was transmitted to the Commission on December 5, 2022, that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding and that pursuant to the Commission's July 22, 2021 Order in Case No. 2020-00085, no paper copies of the filing will be made.

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