

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

On April 13, 2022, the Kentucky Senate, during the 2022 Regular Legislative Session, passed Senate Resolution 316 titled “A RESOLUTION urging the Kentucky Public Service Commission to examine strategies to address utility costs to ratepayers.”¹ (SR 316). SR 316 requested that the Commission open one or more administrative cases to examine, *inter alia*, “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 to investigate the fuel adjustment clause, purchased power cost recovery, current and future fuel and power price volatility, and related cost recovery mechanisms.²

¹ 2022 KY S.R. 316, 2022 Regular Session. An unofficial copy is attached as an Appendix to this Order.

² SR 316 also urged the Commission to examine securitization as a method to reduce utility costs. The Commission will open a separate investigation into securitization of utility expenses in the near future.

BACKGROUND

Fuel adjustment clauses (FAC) have been in tariffs on file with the Commission since the 1950s. 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. In 1977, in response to concern about rapidly increasing coal prices, the Commission initiated a review of the fuel adjustment tariff provisions of Kentucky's six generators: Kentucky Power Company (Kentucky Power); East Kentucky Power Cooperative, Inc. (EKPC); Louisville Gas and Electric Company (LG&E); Kentucky Utilities Company (KU); Big Rivers Electric Corporation (BREC); and Union Light, Heat and Power Company, which is now Duke Energy Kentucky, Inc. (Duke Kentucky).³ As a result of the investigation, the Commission eventually promulgated 807 KAR 5:056,⁴ codifying the FAC and replacing the generators' different FACs with a homogeneous FAC. The FAC regulation was intended to:

[M]eet the major objectives of the Commission's review at that time: first, to bring fuel charges under appropriate Commission regulatory processes; second, to standardize the fuel clause for all jurisdictional electric utilities; third, to insert fuel charges into base rates on a systemic basis; fourth, to introduce incentives for management to hold down fuel costs; and fifth, to represent a responsible, workable regulatory procedure for handling fuel clause matters in Kentucky.⁵

³ Case No. 6877, *The Examination of the Fuel Adjustment Tariff Provisions of Kentucky Power Company, East Kentucky Power Cooperative, Inc., Louisville Gas and Electric Company, Kentucky Utilities Company, Big Rivers Electric Corporation, and Union Light, Heat and Power Company* (Ky. PSC Aug. 25, 1977).

⁴ Effective June 7, 1978.

⁵ Administrative Case No. 309, *An Investigation of the Fuel Adjustment Clause Regulation 807 KAR 5:056* (Ky. PSC Sept. 3, 1986), Order at 2, *citing* Case No. 6877, *The Examination of the Fuel Adjustment*

In 1986, the Commission initiated a review of the FAC regulation to investigate, *inter alia*, whether the FAC was still necessary and what, if any, changes would be beneficial to the functioning of the FAC.⁶ The Commission proposed several changes to the FAC regulation,⁷ but ultimately ordered a change in the FAC reporting form that allowed for calculation of over- or under-recovery for non-jurisdictional sales.⁸ The FAC regulation has remained relatively unchanged since its promulgation in 1978 and the change in the reporting forms in 1990.⁹

CHANGES IN CIRCUMSTANCES

Changes in Generator Fuel Mix

The Commission shares the Senate's concerns regarding the volatility of fuel and power prices and the resulting effect on the application of the FAC and in customers' bills. Historically, fuel expenses are the largest single expense for generation-owning electric utilities in Kentucky. The FAC regulation was promulgated when coal-powered generation provided the overwhelming majority of the Commonwealth's electricity generation and the Commission and utilities were concerned with the price of coal. Over time, Natural gas has increased as a source of thermal generation, and coal generation has declined. In 1977, 95 percent of electricity production in Kentucky came from coal

Tariff Provisions of Kentucky Power Company, East Kentucky Power Cooperative, Inc., Louisville Gas and Electric Company, Kentucky Utilities Company, Big Rivers Electric Corporation, and Union Light, Heat and Power Company (Ky. PSC Aug. 25, 1977), Order at 14-15.

⁶ Administrative Case No. 309, Sept. 3, 1986 Order.

⁷ Administrative Case No. 309, Sept. 21, 1988 Order.

⁸ Administrative Case No. 309, Apr. 16, 1990 Order.

⁹ The Commission promulgated amendments to 807 KAR 5:056, all of which were changes that did not change the application or the calculation of the FAC.

and 1.9 percent from natural gas.¹⁰ According to the Kentucky Office of Energy Policy, in 2020, 75.2 percent of generation in Kentucky came from coal, 17.3 percent from natural gas, and 7.4 percent from renewable energy.¹¹ This increased reliance upon natural gas increases the possibility of fuel cost volatility among Kentucky's jurisdictional electric generators. The Commission, furthermore, is not aware of any jurisdictional electric utility that is planning to add long-term generation other than renewable resources and natural gas-fired units, including simple cycle combustion turbines and natural gas combined cycle units.¹²

Nationally, in 2021, 38.3 percent of energy production came from natural gas, 21.8 percent from coal, 18.9 percent from nuclear, and the remainder from renewable energy.¹³ Coal used for generation is generally secured via long-term contracts that remain in place for several years, securing a fixed price. Natural gas purchases, however, are generally made as daily spot purchases based upon a generator's immediate need. Spot purchase prices are generally market based; therefore, the increased reliance upon natural gas as a generation fuel source increases the volatility of fuel costs recovered through the FAC. Natural gas reliance also contributes to volatility in the wholesale power markets because the price of gas significantly affects hourly market clearing electricity prices as natural gas generation units often set the marginal hourly price of electricity at

¹⁰ https://www.eia.gov/state/seds/sep_prod/SEDS_Production_Report.pdf (last accessed June 16, 2020).

¹¹ <https://kygis.maps.arcgis.com/apps/MapSeries/index.html?appid=fac6f090e2b24d3097689674cf960838> (last accessed June 15, 2022).

¹² See, e.g., Case No. 2021-00393, *Electronic 2021 Integrated Resource Plan of Louisville Gas and Electric Company and Kentucky Utilities Companies* and Case No. 2022-00098, *Electronic 2021 Integrated Resource Plan of East Kentucky Power Cooperative, Inc.*

¹³ <https://www.eia.gov/tools/faqs/faq.php?id=427&t=3> (last accessed June 16, 2022).

peak generating times. Generating units in organized wholesale electricity markets are expected to be dispatched in order of lowest to highest cost to provide electricity. As demand for and reliance on natural gas as a generation fuel source increases, the likelihood of wholesale market price volatility also increases; hence, increases in FAC rate volatility. This is equally true for vertically integrated utilities not part of a wholesale electricity market because gas cost is the primary input into the cost of electricity produced by natural gas power plants.

Creation of Wholesale Power Markets

In addition to changes in fuel sources for generation since the FAC regulation was promulgated, several of Kentucky's generation-owning electric utilities are members of regional transmission organizations (RTO). BREC is a member of the Midcontinent Independent System Operator (MISO), and Kentucky Power, Duke Kentucky, and EKPC are members of PJM Interconnection, Inc. (PJM). Utilities' memberships in an RTO affect the wholesale power prices because the RTO members rely on the RTO for economic power purchases. Thus, the fuel mix for generation within the RTOs may influence the volatility of hourly market clearing wholesale power prices. For example, in 2021, over 40 percent of PJM's and MISO's individual generation capacity was fueled by natural gas, which is slightly higher than the national average.¹⁴

Issues to consider

Membership in an RTO has also presented some issues in the functioning and review of a utility's FAC and what costs may be recovered. For example, members of

¹⁴ <https://www.pjm.com/-/media/markets-ops/ops-analysis/capacity-by-fuel-type-2021.ashx> (last accessed June 28, 2022), and <https://americaspower.org/the-coal-fleet-responded-when-electricity-was-needed-in-miso-and-spp/#:~:text=The%20MISO%20region%20has%20approximately,20%2C000%20MW%20or%2010%25> (last accessed June 28, 2022).

PJM either receive revenue for or must pay for multiple services, some of which may be recovered through the FAC, while other utilities may not.¹⁵ Due to PJM's billing system, a utility may not know the final costs of these services for several months, which may not be within the review period prescribed by 807 KAR 5:056, Section 3(3). This inhibits the Commission's review of the fuel-related costs during that review period. There is also debate regarding what other RTO-related service costs a utility may recover through its FAC, or from customers, or at all.¹⁶ Finally, the Commission seeks comments regarding similar FAC mechanisms employed by other jurisdictions that may better serve the Commonwealth, or which mechanisms or characteristics of mechanisms to which commenters would be opposed .

Incurrence and Recovery of Wholesale Power Costs

Generally, utilities may recover certain power purchases through its FAC. For example, a utility may recover economy power purchases through the FAC. The Commission defined economy purchases as:

[R]ecoverable through an electric utility's FAC as purchases that an electric utility makes to serve native load, that displace its higher cost of generation, and that have an energy cost less than the avoided variable generation cost of the utility's highest cost generating unit available to serve native load during that FAC expense month.¹⁷

¹⁵ See, e.g., Case No. 2014-00454, *An Examination of the Application of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. from November 1, 2012 Through October 31, 2014* (Ky. PSC Aug. 11, 2015).

¹⁶ See, e.g., Case No. 2019-00230, *An Electronic Examination of the Application of the Fuel Adjustment Clause of Duke Energy Kentucky, Inc. from November 1, 2018 through April 30, 2019* (Ky. PSC Feb. 4, 2020), and Case No. 2019-00002, *Electronic Examination of the Application of the Fuel Adjustment Clause of Kentucky Power Company from November 1, 2016 through October 31, 2018* (Ky. PSC Dec. 26, 2019), where the Commission disallowed from Kentucky Power's and Duke Kentucky's FACs, PJM-related expenses resulting from the Greenhat default.

¹⁷ Case No. 2000-00496-B, *An Examination by the Public Service Commission of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. from May 1, 2001 to October 31, 2001* (Ky. PSC May 2, 2002), Order at 4.

Non-economy energy purchases are “energy purchases made to serve native load that have an energy cost greater than the avoided variable cost of the utility's highest cost generating unit available to serve native load during that FAC expense month.”¹⁸

The Commission has also addressed recovery of non-economy energy purchases through the FAC:

We interpret Administrative Regulation 807 KAR 5:056 as permitting an electric utility to recover through its FAC only the lower of the actual energy cost of the non-economy purchased energy or the fuel cost of its highest cost generating unit available to be dispatched to serve native load during the reporting expense month. Costs for non-economy energy purchases that are not recoverable through an electric utility's FAC are considered “non-FAC expenses” and, if reasonably incurred, are otherwise eligible for recovery through base rates [emphasis added].¹⁹

The Commission subsequently modified its definition of economy purchases, finding that “[a] more accurate definition of non-economy energy purchases recognizes that the energy costs thereof may be greater or less than the variable cost of the highest cost generating unit available to serve native load.”²⁰

Utilities may also recover through the FAC power purchases required as a result of a forced outage of a generating unit, except that the generator may only recover up to the cost of the fuel costs of the lost generation.²¹ The difference between the cost of the fuel and the purchased replacement power is another non-FAC expense and is not

¹⁸ Case No. 2000-00496-B, May 2, 2002 Order at 4.

¹⁹ Case No. 2000-00496-B, May 2, 2002 Order at 4.

²⁰ Case No. 2004-00430, *East Kentucky Power Cooperative's Request for a Declaratory Ruling on the Application Of Administrative Regulation 807 KAR 5:056 to Its Proposed Treatment of Non-Economy Energy Purchases* (Ky. PSC Mar. 21, 2005), Order at 6.

²¹ 807 KAR 5:056, Section 1(4).

recovered through the FAC and, therefore, is not examined by the Commission in FAC proceedings.

Review of non-economy purchases for reasonableness may not occur, and yet recovery of the purchases may still occur through base rates. Utilities in base rate cases could include in their rate case applications a certain amount of non-economy purchases in the test year, likely based upon an average of previous years' non-economy purchases. In a large and complex rate proceeding, the assumptions upon which the amount of non-economy purchases included in the test year may evade review; thus, recovery may occur without determining whether historical non-economy purchases were reasonably incurred. Power purchases for forced outages may also be recovered without the Commission reviewing for reasonableness. For example, Kentucky Power's Tariff P.P.A. includes the cost of fuel related to substitute generation less the cost of fuel in its formula for recovery, which would have been used in plants suffering forced generation outages. These costs are not reviewed for reasonableness.

Issues to consider

If a generator is essentially guaranteed to recover the costs related to non-economy purchases or forced outages, it raises the question of whether utilities will pursue the lowest cost and most efficient fuel procurement, or whether they will employ reasonable operational and maintenance practices. If a generator can recover these costs across different areas such as base rates and riders regardless of their reasonable actions, these recovery mechanisms could create a perverse incentive for a utility to not pursue prudent activities. A generator may postpone maintenance (and its related expense) on a generating unit if recovery of the cost of replacement power is guaranteed. A generator cannot immediately recover incremental operations and maintenance

expense but can recover the costs of replacement power.²² If a utility can automatically recover through base rates non-economy purchases, there may be little incentive to make economic purchases.

Traditionally, the burden of proof for charges recovered through the FAC lies with the utility:

When reviewing the reasonableness of fuel charges that are flowed through a utility[']s FAC, the Commission applies the same standard of review as is applied in any rate adjustment proceeding. The burden of proof falls upon the electric utility to demonstrate the reasonableness of its fuel charges. See KRS 278.190(3). Generally, a utility management decision to incur a fuel charge will be presumed reasonable absent evidence that the charge is unreasonable, inefficient, or an abuse of management discretion.²³

Because non-FAC expenses appear to largely evade Commission review, it raises the question of whether non-FAC expenses that are traditionally excluded from the FAC should be reviewed for reasonableness in FAC review proceedings before they could be recovered through base rates or tariff riders because, pursuant to KRS 278.190(3), the burden of proof to prove the reasonableness of those charges lies with the utility. Contemporaneous and consolidated review of these costs could make it more efficient for the Commission to review such expenses, ensuring that such review is not overlooked. Therefore, in addition to review of the FAC regulation, the Commission could also review electric utilities' riders and other costs recovery mechanisms in their tariffs that are designed to recover costs related to fuel and power purchases outside of the utility's FAC.

²² See, National Regulatory Research Institute Report (#09-13), "How Should Regulators View Cost Trackers?" (Sept. 2009).

²³ Case No. 2000-00497-B, *An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from May 1, 2001 to October 31, 2001* (Ky. PSC Jan. 28, 2003), Order at 10.

Electric utilities would then be required to identify and explain the provisions in their tariffs that allow the recovery of fuel costs, purchased power costs, and related expenses that occur outside of the FAC. The Commission would look for information and evidence from interested stakeholders on this proposal.

In addition to review of non-FAC expenses, the Commission questions the working expectation that FAC charges are presumed reasonable absent evidence to the contrary in the record. Under KRS 278.190(3), the burden of proof falls upon the utility to prove the reasonableness of any proposed rate, and the Commission wonders why the same burden should not apply to FAC charges. The presumption that FAC charges are reasonable removes the burden of proof off the utility and places the onerous burden upon the Commission and its resources in reviewing FAC charges, reviewing thousands of pages of information every six months, and without any information or evidence on the operation or status of relevant generation units. The Commission will seek comment on whether utilities should be required to file additional evidence relating to the reasonableness of their FAC charges and purchased power expense. This evidence could include, but not be limited to, economic dispatch practices; RTO bidding practices and decisions; power plant maintenance; and comparing fuel and power purchase costs to area averages.

CONCLUSION AND FURTHER ISSUES FOR CONSIDERATION

The rapid fuel price increases of the 1970s was central to the reasoning for supporting the adoption of the current FAC, and as discussed above, the FAC has largely remained unchanged since its initial promulgation. The purpose of this matter is to review the FAC, and related recovery mechanisms, under current conditions.

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 on the following questions within 30 days of the date of service of this Order. The Commission finds that all electric utilities shall be parties to this case. Other interested entities may request to intervene and participate; however, intervention is not required to file comments. In addition to responses to the issues raised above and the questions sought below, interested parties may file comments on any matter related to the subjects discussed herein.

Questions on which comments may be filed:

1. What changes to the FAC regulation, if any, could reduce the monthly volatility of the FAC?²⁴
2. What changes to the FAC regulations, if any, could reduce exposure of the FAC to volatility in the wholesale power market?
3. How does the current structure of the FAC regulation affect the efficiency and reliability of power plants, if at all?
 - a. Does the current FAC regulation provide incentives to imprudently delay or forego necessary maintenance?
 - b. Does the current FAC regulation provide sufficient incentives for promoting the efficiency and reliability of power plants, and are there other incentives or

²⁴ For example, in a recent rate case, Duke Kentucky proposed calculating the monthly FAC factor by using a rolling twelve-month average basis. See Case No. 2019-00271, *Electronic Application of Duke Energy Kentucky, Inc. for 1) an Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 4) All Other Required Approvals and Relief* (filed Sept. 3, 2019), Direct Testimony of William Don Wathen, Jr. at 14-19.

changes that could be made that would provide further incentive for increased reliability and efficiency?

4. Does the current FAC regulation provide sufficient incentives to ensure efficient and prudent fuel procurement practices? If not, what changes could be made to better promote efficient and prudent fuel procurement practices?

5. If you have affiliates that operate in other jurisdictions, explain how those jurisdictions permit the recovery of actual or anticipated fuel and purchased power expenses.

6. The current FAC makes utilities economically indifferent to the cost and recovery of fuel. Should the Commission leave the FAC as is, and take this fact into account when reviewing applications for certificates of public convenience and necessity and financing and integrated resource plans, or should it amend the current FAC to provide for less economic indifference by the utility to the cost and recovery of fuel and purchased power?

7. Does the current FAC appropriately balance the risk accompanying the incurrence and recovery of fuel and purchased power costs between customers and the utility? If so, why? If not, why not?

8. The current FAC regulation is uniformly applicable to all utilities. If changes to the FAC regulation are made, should the FAC regulation continue to be uniformly applicable? If not uniformly applicable, should the FAC regulation prescribe different FACs from which a utility may choose?

9. Should the FAC be the only mechanism to review non-FAC expenses for reasonableness as a predicate for recovery through base rates or tariff riders?

10. What additional information should be required to support the reasonableness of FAC charges and expenses?

11. What additional information should be required to support the prudence of the utilities' fuel procurement actions?

12. If applicable, what additional information should be required to support the prudence of utilities' bidding strategy governing the potential selection of a unit for economic dispatch?

13. If applicable, what additional information should be required to support the prudence of utilities' power purchases in instances when units are not selected for economic dispatch?

14. When determining whether an energy purchase is an economy energy purchase, should energy purchases be compared to the highest cost unit available during an FAC expense month or the highest cost unit available during the hour the energy purchase is made?

15. What details should be taken into account in considering a change in the definition of an economy energy purchase, including its recovery through the fuel adjustment clause?

IT IS THEREFORE ORDERED that:

1. An investigation of the FAC regulation is opened. All electric utilities shall be parties to this proceeding. Other interested parties may intervene and participate; however, intervention is not required to file comments.

2. All electric utilities shall comply with the requirements of this Order.

3. Comments and responses to questions raised herein shall be filed within 30 days of the date of service of this Order.

4. Replies to comments and responses filed pursuant to ordering paragraph 3 shall be filed within 15 days following the deadline for comments and responses.

5. As part of their comments in response to ordering paragraph 3, electric utilities shall identify and explain the provisions in their tariffs that allow the recovery of fuel costs, purchased power costs, and related expenses that occur outside of the FAC.

6. Any party or commenter filing a paper with the Commission shall file an electronic copy in accordance with the electronic filing procedures set forth in 807 KAR 5:001, Section 8. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked. The Commission directs the parties and commenters to the Commission's July 22, 2021 Order in Case No. 2020-00085²⁵ regarding filings with the Commission.

7. Requests for intervention shall be filed no later than November 18, 2022.

8. As set forth in 807 KAR 5:001, Section 4(11)(a), a person requesting permissive intervention in a Commission proceeding is required to demonstrate either (1) a special interest in the proceeding that is not adequately represented in the case, or (2) that the person requesting permissive intervention is likely to present issues or develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings. Therefore, any person requesting to intervene in a Commission proceeding must state with specificity the person's special interest that is not otherwise adequately represented, or the issues and facts that the person will present that will assist the Commission in fully considering the matter. A mere


²⁵ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

recitation of the quantity of utility service consumed by the movant or a general statement regarding a potential impact of possible modification of rates will not be deemed sufficient to establish a special interest. In addition, any motion to intervene filed after the date established in ordering paragraph 7 shall also show good cause for being untimely. If the untimely motion is granted, the movant shall accept and abide by the existing procedural schedule.

9. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

10. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman


Commissioner



ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00190 DATED NOV 02 2022

THREE PAGES TO FOLLOW

1 A RESOLUTION urging the Kentucky Public Service Commission to examine
2 strategies to address utility costs to ratepayers.

3 WHEREAS, electric utility bills were forecast to rise by 33 percent from winter
4 2021 to winter 2022, but in some areas, the increase has instead doubled; and

5 WHEREAS, the reason for the precipitous increase is the cost of fuel feedstocks,
6 particularly natural gas, which utilities use to power their electric generators; and

7 WHEREAS, natural gas prices were around four dollars per million British Thermal
8 Units (MMBTU), but are expected to increase as high as ten dollars per MMBTU; and

9 WHEREAS, utilities are able to pass through fuel costs to the ratepayer on a one-to-
10 one basis through the use of a surcharge on the utility bill called the fuel adjustment
11 charge; and

12 WHEREAS, household incomes oftentimes cannot respond automatically to the
13 variances in the amounts passed through to customers because unlike the utility,
14 households normally do not have sufficient savings to cover those unanticipated,
15 extraordinary increases; and

16 WHEREAS, as a result, Kentucky ratepayers are at risk of having their service
17 disconnected by the utility, compromising the health, safety, and financial security of the
18 household; and

19 WHEREAS, most utilities in Kentucky can disconnect a customer after ten days'
20 notice to a customer for nonpayment, and shut-offs can occur in winter or summer with
21 little marginal regard to how cold or hot the temperature is outside; and

22 WHEREAS, in 2022, Kentucky's median household income is approximately a little
23 over \$50,000, but eligibility for the one comprehensive statewide program which assists
24 residents with their utility bills requires a household be at 150 percent of the federal
25 poverty level; and

26 WHEREAS, for a family of three, the poverty guideline requires the family earn no
27 more than \$32,580, and have little cash reserve; and

1 WHEREAS, there are few other programs available to help Kentuckians with
2 paying utility bills or reconnecting service after it has been terminated, and most of those
3 programs are not designed to assist the working, middle-income family whose bills have
4 escalated far above the household budget constraint; and

5 WHEREAS, many of these households have elderly persons, children, or
6 individuals whose medical or health-related needs place them at risk for illness or death;
7 and

8 WHEREAS, strategies to reduce utility costs, including allowing utilities regulated
9 by the Kentucky Public Service Commission to securitize certain utility costs, may
10 produce lower rates than if they were amortized through a utility's rates using
11 conventional ratemaking and may assist in mitigating the impact of utility costs to
12 ratepayers;

13 NOW, THEREFORE,

14 ***Be it resolved by the Senate of the General Assembly of the Commonwealth of***
15 ***Kentucky:***

16 ➔Section 1. The Senate urges the Kentucky Public Service Commission to open
17 one or more administrative cases to examine the issues of volatility of electric and natural
18 gas fuel prices, the procurement practices of regulated utilities under its jurisdiction, and
19 the use of securitization of utility costs as a strategy for easing the burden of utility costs
20 on ratepayers. In the administrative case or cases, the Kentucky Public Service
21 Commission should examine:

22 (1) The causes of short-term fuel price volatility and whether fuel prices are
23 anticipated to rise in the next five to ten years;

24 (2) Whether there are mechanisms other than the fuel adjustment clause to aid the
25 utility in responding to fuel price volatility rather than externalizing the cost directly to
26 the ratepayer;

27 (3) Whether and under what conditions securitization should be authorized as a

1 financial tool to ease the impact of utility costs on ratepayers; and

2 (4) Any other issues that the Kentucky Public Service Commission deems
3 essential to understanding the issues of fuel price volatility and securitization of costs and
4 their impacts on Kentucky ratepayers or that the commission deems appropriate to
5 investigate in order to reduce or mitigate increases to customer rates and utility bills.

6 ➔Section 2. The Senate urges the Kentucky Public Service Commission to report
7 its findings and recommendations from the administrative case or cases described in
8 Section 1 of this Resolution to the Legislative Research Commission by December 15,
9 2022.

10 ➔Section 3. The Clerk of the Senate shall send a copy of this Resolution and
11 notification of its adoption to Kent Chandler, Chairman, Public Service Commission, 211
12 Sower Boulevard, Frankfort, Kentucky 40601.

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*Owen Electric Cooperative, Inc.
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*Kenergy Corp.
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*Clark Energy Cooperative, Inc.
Clark Energy Cooperative, Inc.
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*Shelby Energy Cooperative, Inc.
Shelby Energy Cooperative, Inc.
620 Old Finchville Road
Shelbyville, KY 40065

*Salt River Electric Cooperative Corp
Salt River Electric Cooperative Corp.
111 West Brashear Avenue
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*Grayson R.E.C.C.
Grayson R.E.C.C.
109 Bagby Park
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