

1 AN ACT relating to electric utilities.

2 ***Be it enacted by the General Assembly of the Commonwealth of Kentucky:***

3 ➔Section 1. KRS 278.030 is amended to read as follows:

- 4 (1) Every utility may demand, collect and receive fair, just, and reasonable rates for the  
5 services rendered or to be rendered by it to any person. **Reasonable rates shall**  
6 **balance the cost of service for the utility against the affordability of the rate to the**  
7 **ratepayers in the utility's certified territory. The commission shall authorize**  
8 **temporary reduction of the utility's return on investment of no more than two**  
9 **percent (2%) to make a rate more affordable to the ratepayer after a temporary**  
10 **rate increase or after the loss of billing credits which were used to subsidize a rate**  
11 **or rate class.**
- 12 (2) Every utility shall furnish adequate, efficient and reasonable service, and may  
13 establish reasonable rules governing the conduct of its business and the conditions  
14 under which it shall be required to render service.
- 15 (3) Every utility may employ in the conduct of its business suitable and reasonable  
16 classifications of its service, patrons and rates. The classifications may, in any  
17 proper case, take into account the nature of the use, the quality used, the quantity  
18 used, the time when used, the purpose for which used, and any other reasonable  
19 consideration.
- 20 (4) Notwithstanding the provisions of subsection (2) of this section, no utility shall  
21 energize power to an electrical service in a manufactured home or mobile home  
22 where the certified installer's seal is not present pursuant to KRS 227.570.
- 23 (5) Notwithstanding the provisions of subsection (2) of this section, no utility shall  
24 energize power to an electrical service in a previously owned manufactured home or  
25 previously owned mobile home where the Class B1 seal is not present pursuant to  
26 KRS 227.600.

27 ➔Section 2. KRS 278.210 is amended to read as follows:

- 1 (1) The commission may provide instruments for, and carry on, the examination and  
2 testing of any meter or appliance used to measure the product or service of any  
3 utility, and the examination and testing of any instrument used by a utility to test the  
4 accuracy of any meter or appliance used to measure its products or services.
- 5 (2) Any patron of a utility may, upon request and payment of the fees fixed by the  
6 commission, have a test made of the meter or appliance by which his or her use of  
7 the products or services of the utility is measured. The commission, after having  
8 received a higher than average number of substantiated complaints that new  
9 meters or devices being installed for the majority of customers in a utility's  
10 territory are resulting in higher than average usage on bills, may order an audit  
11 on the performance of any new meter or appliance. The cost of such audit shall  
12 be paid by the utility, and if the results of the audit show devices to be improperly  
13 measuring usage, the cost shall be deducted from the utility's annual return on  
14 investment.
- 15 (3) The commission may establish reasonable fees for testing such meters and  
16 appliances at the request of a patron of a utility. If the appliance is found to be  
17 commercially defective or inaccurate to the extent of more than two percent (2%) to  
18 the disadvantage of the patron, the fees shall be repaid to the patron and paid by the  
19 utility.
- 20 (4) If a utility demonstrates through sample testing that no statistically significant  
21 number of its meters over-register above the limits set out in subsection (3) of this  
22 section, the meter testing frequency shall be that which is determined by the utility  
23 to be cost effective. This determination by the utility shall be based on established  
24 scientific, engineering, and economic methods and shall be documented in an  
25 application properly filed with the commission.

26 ➔Section 3. KRS 278.255 is amended to read as follows:

- 27 (1) The commission shall provide for periodic management and operation audits of:

1        (a) Each utility with annual intra-Kentucky assessable revenue ~~as of December~~  
 2        ~~31, 1983~~, under KRS 278.150(1) not less than one hundred million dollars  
 3        (\$100,000,000) to investigate management effectiveness and operating  
 4        efficiency;

5        (b) *A distribution cooperative that has incurred a rate increase as a result of*  
 6        *large electric consuming facilities being released from financial obligations*  
 7        *with a G&T to ensure that the impact to the rates and quality of service*  
 8        *offered by the distribution cooperative is fair, just, and reasonable; and*

9        (c) *When a G&T or distribution cooperative has decreased regulated operating*  
 10        *revenues under KRS 278.455.*

11        ~~[The commission shall complete or provide for a full and comprehensive audit of~~  
 12        ~~each such utility prior to January 1, 1990.]~~

13        After the initial audit of any utility, the commission may order a subsequent audit of  
 14        that utility focusing on issues disclosed by the initial audit. ~~A full and~~  
 15        ~~comprehensive audit of any utility initiated prior to July 13, 1984, may be deemed~~  
 16        ~~to satisfy the requirements of this subsection if the audit was required and directed~~  
 17        ~~by the commission and completed after July 1, 1983].~~

18        (2) The commission may provide for management or operations audits, or both, of any  
 19        utility under its jurisdiction on a regular or irregular schedule to investigate all or  
 20        any portion of the management and operating procedures or any other internal  
 21        workings of the utility.

22        (3) Audits provided under this section may, at the discretion of the commission, be  
 23        performed by the commission staff or by a competent, qualified and independent  
 24        firm. When the commission orders an audit to be performed by an independent  
 25        firm, the commission shall select the audit firm, which shall work for and under the  
 26        direction of the commission, with the cost to be borne by the utility. The  
 27        commission shall include the cost of conducting any audits required in this section

- 1           in the cost of service of the utility for ratemaking purposes.
- 2   (4)   The commission shall adopt rules and regulations setting forth the scope and  
3       application of audits, and procedures for the conduct of management and operations  
4       audits. The audit procedures shall provide the utility being audited the opportunity  
5       to comment at various stages of the audit, including an opportunity to comment on  
6       the initial work plan and the opportunity to review and comment on preliminary  
7       audit drafts prior to issuance of a final document. The results of all audits shall be  
8       filed with the commission and shall be open to public inspection.