

1 AN ACT relating to utility rates.

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

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 278 IS CREATED TO
4 READ AS FOLLOWS:

- 5 *(1) (a) The commission may implement alternative regulatory methods to allow for*
6 *utility rate reviews and cost recovery, subject to the provisions of KRS*
7 *278.192 defining allowed test periods, in lieu of a general rate case*
8 *proceeding before the commission, upon finding that such alternative*
9 *regulatory methods are reasonable.*
- 10 *(b) For all alternative regulatory methods, the commission may develop*
11 *minimum filing requirements. A final determination of the commission in a*
12 *utility's initial application pursuant to any alternative regulatory method*
13 *shall be made by the commission no later than the time provided in KRS*
14 *278.190(2).*
- 15 *(c) If the commission denies an alternative regulatory method filed by a utility,*
16 *the commission shall set forth with specificity the reasons for such denial,*
17 *including detailed findings of specific evidentiary fact and suggestions for*
18 *how the alternative regulatory method could be found reasonable. Upon*
19 *written notice to the commission and all parties to the proceeding on or*
20 *before the expiration of the timeline for seeking rehearing under KRS*
21 *278.400, a utility may elect to file in the existing docket an amended plan or*
22 *amendment as a revised application within ninety (90) days of the issuance*
23 *of the commission's order denying the initial application. If the utility elects*
24 *to submit the revised plan, the time limitations for seeking rehearing*
25 *pursuant to KRS 278.400 and for appeal under KRS 278.410 shall be tolled*
26 *until the commission issues its order on the amended or revised plan. The*
27 *commission shall have ninety (90) days from the date of submission of a*

1 revised plan to approve or deny the amended plan or revised application.

2 (2) (a) As part of an alternative regulatory method, a utility may request and the
3 commission may authorize a mechanism to recover a reasonable return on
4 construction and other capital expenditures and the reasonable operating
5 expenses for any plant, equipment, property, or facility, that is related to all
6 or any of the following:

7 1. Safety requirements imposed by the state or federal government;

8 2. Ensuring the reliability of the utility plant in service;

9 3. Weather-related natural disasters; or

10 4. Economic development activities, including investments in
11 infrastructure, including but not limited to renewable resources, to
12 attract new businesses and foregone revenues associated with
13 economic development rates and riders approved by the commission.

14 (b) Operating expenses shall include all costs of operating and maintaining the
15 plant, equipment, or facilities, income taxes, property taxes, other applicable
16 taxes, and depreciation expenses.

17 (c) If the utility's most recent general rate case pursuant to KRS 278.190 was
18 approved within five (5) calendar years of the filing of an application under
19 this section, the utility may request and the commission shall authorize a
20 return on equity equal to that approved in the last general rate case.

21 (3) (a) As part of an alternative regulatory method, a utility may file for approval
22 of a rate plan that includes annual adjustments and reviews of its base rates
23 based upon a methodology consistent with KRS 278.190 and 278.192.

24 (b) In order for a utility to be eligible to make an election to opt into a rate plan
25 with an annual rate review, the utility must have engaged in a general rate
26 case pursuant to KRS 279.190 within the last five (5) calendar years.
27 However, the commission may waive such a requirement or increase the

1 eligibility period upon a finding that doing so would be reasonable.

2 (c) Pursuant to the procedures set forth in paragraph (d) of this subsection, the
3 commission shall review the annual filing by the utility within ninety (90)
4 days and order the utility to make the adjustments to its tariff rates to
5 provide that the utility earns the authorized return on equity established in
6 the utility's most recent general rate case.

7 (d) 1. The utility may terminate an approved annual review plan only by
8 filing a general rate case pursuant to KRS 278.190.

9 2. The commission or the utility may propose a modification to the
10 approved annual review plan for consideration by the commission.
11 The commission shall determine whether any proposed modification is
12 reasonable and should be approved. If the commission denies a
13 modification to the approved annual review plan, the commission
14 shall set forth with specificity the reasons for its denial.

15 (4) In addition to the alternative regulatory methods described in this section, a
16 utility may elect to file for other alternative regulatory methods. Upon a filing by
17 a utility for an alternative method not prescribed by this section, the commission
18 is empowered to adopt policies or procedures that would permit a timelier review
19 of, and revision to, the rates, tolls, fares, charges, schedules, classifications, or
20 rate structures of utilities and that would further streamline the regulatory
21 process and reduce the cost and time associated with ratemaking processes.

22 (5) In executing its duties under this section, the commission may retain outside
23 experts and consultants to provide analysis or testimony regarding the utility's
24 application if, in the commission's sole determination, such additional resources
25 would assist the commission in timely reviewing the utility's application or
26 providing additional expertise in areas not currently represented at the
27 commission. To the extent such outside experts are directed to file any report,

1 testimony, or analysis in the docket, parties to the proceeding shall have the
2 opportunity for due process, including discovery and the ability to cross-examine
3 at a hearing on the matter. If the commission determines such additional
4 resources or other incremental costs are necessary, those costs shall be paid for
5 and recovered by the utility that has made the application through the
6 mechanism approved by the commission under this section until such time as the
7 utility's next general rate case is filed under KRS 278.190.