

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.