

278.2203 Cost allocation of regulated and nonregulated activity.

- (1) A utility that engages in a nonregulated activity shall identify all costs of the nonregulated activity and report the costs in accordance with the guidelines in the USoA and the cost allocation methods described in subsection (2) of this section.
- (2) In allocating costs between regulated and nonregulated activities, a utility shall utilize one (1) of the following cost allocation methods:
 - (a) The fully distributed cost method; or
 - (b) A cost allocation method recognized or mandated by the rules of the SEC promulgated pursuant to 15 U.S.C. sec. 79, et seq., or promulgated by the FERC or by the USDA.
- (3) A utility's compliance with federal cost allocation methods shall constitute compliance with the provisions of KRS 278.010 to 278.450.
- (4) Notwithstanding subsections (1) to (3) of this section, a utility may report an incidental nonregulated activity as a regulated activity if:
 - (a) The revenue from the aggregate total of the utility's nonregulated incidental activities does not exceed the lesser of two percent (2%) of the utility's total revenue or one million dollars (\$1,000,000) annually; and
 - (b) The nonregulated activity is reasonably related to the utility's regulated activity.
- (5) Nothing contained in this section shall be construed as requiring a utility to violate any cost allocation methods required to be employed under any service agreement validly existing as of July 14, 2000, for the term of the existing agreement, except where the commission makes the determination that a service agreement was executed for the purpose of avoiding provisions of KRS 278.010 to 278.450.

Effective: July 14, 2000

History: Created 2000 Ky. Acts ch. 511, sec. 3, effective July 14, 2000.