

1 A CONCURRENT RESOLUTION directing the Legislative Research Commission
2 to examine and evaluate the feasibility of implementing an alternative rate mechanism
3 (ARM) for public utilities regulated by the Public Service Commission.

4 WHEREAS, utility infrastructure modernization and investment requires statutory
5 reforms to improve the Public Service Commission's processes for recovery of
6 legitimately incurred costs, which will serve to expedite investment of public and private
7 capital in Kentucky infrastructure, make government more efficient, and protect
8 customers from rate shock; and

9 WHEREAS, the creation of an option for an ARM has the potential to streamline
10 the cumbersome and inefficient ratemaking process and reduce costs to the Public Service
11 Commission, the commission staff, interveners, and utility customers while continuing to
12 promote the safety, reliability, and resiliency of Kentucky's energy infrastructure and
13 enhance the economic development of the Commonwealth; and

14 WHEREAS, by first establishing specific calculation methodologies and then
15 requiring filing of the information necessary to properly calculate a public utility's cost of
16 service, an ARM could modernize the ratemaking process to focus on the key factors to
17 determine just and reasonable rates; and

18 WHEREAS, an ARM should allow for full transparency by providing for annual
19 discovery, review, and investigation by the Public Service Commission and the Office of
20 Attorney General; and

21 WHEREAS, a properly implemented ARM would not lessen the authority of
22 regulators and intervening parties in any way and would not prevent the Public Service
23 Commission from initiating a rate review proceeding under its authority; and

24 WHEREAS, consistent annual ARM filings would allow the Public Service
25 Commission and interveners to better plan how to utilize their resources and anticipate
26 workloads; and

27 WHEREAS, ARMs implemented in other states have shown that both utilities and

1 the regulators reviewing the filings quickly learn and refine the process to create a
2 thorough, effective approach to alternative ratemaking that produces rates accurately
3 reflecting the cost to serve customers, earning no more than the rate of return authorized
4 by the Public Service Commission; and

5 WHEREAS, a properly implemented ARM would support transparent Public
6 Service Commission oversight, lessen rate case expenses, and consistently deliver just
7 and reasonable rates; and

8 WHEREAS, ARMs and similar mechanisms have proven to provide benefits for
9 customers in other states such as Louisiana, Mississippi, Tennessee, Texas, Alabama,
10 Georgia, Oklahoma, and South Carolina;

11 NOW, THEREFORE,

12 ***Be it resolved by the House of Representatives of the General Assembly of the***
13 ***Commonwealth of Kentucky, the Senate concurring therein:***

14 ➔Section 1. During the 2022 Interim, the Legislative Research Commission is
15 directed to conduct a study that examines the costs, mechanisms for, and benefits of
16 implementing an ARM for public utilities regulated by the Public Service Commission.
17 The study shall also examine states that currently utilize ARMs, including the
18 mechanisms used, the length of time those mechanisms have been in place, and whether
19 those mechanisms have produced just and reasonable rates, promoted the safety,
20 reliability, and resiliency of energy infrastructure, and enhanced the economic
21 development opportunities in those states.

22 ➔Section 2. The final report of the study shall be submitted to the Legislative
23 Research Commission no later than November 1, 2022.

24 ➔Section 3. Provisions of this Resolution to the contrary notwithstanding, the
25 Legislative Research Commission shall have the authority to alternatively assign the
26 issues identified herein to an interim joint committee or subcommittee thereof and to
27 designate a study completion date.