

1 AN ACT relating to public utilities.

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 *As used in Sections 1 and 2 of this Act:*

- 6 *(1) "Automatic fuel adjustment clause" means a direct, separate charge listed on the*
7 *customer bill, calculated and expressed in price per kilowatt-hour, that reflects*
8 *the change in the utility's fuel or purchase power costs to serve the customer from*
9 *one (1) billing period to the next billing period; and*
- 10 *(2) "Utility" has the same meaning as in KRS 278.010(3)(a) and (b) and that owns*
11 *and operates an electric generation and transmission facility in the*
12 *Commonwealth.*

13 ➔SECTION 2. A NEW SECTION OF KRS CHAPTER 278 IS CREATED TO
14 READ AS FOLLOWS:

15 *(1) Within thirty (30) days of the effective date of this Act, the commission shall open*
16 *an administrative case to examine the use of the fuel adjustment clause by*
17 *regulated electric and natural gas utilities. The examination will determine*
18 *whether:*

- 19 *(a) Automatically passing on fuel costs to utility customers causes customer*
20 *bills to exceed the average household's budget constraint; and*
- 21 *(b) The administrative regulation that governs the fuel adjustment clause can*
22 *be modified to create a ceiling and floor that will smooth the volatility in*
23 *utility bills due to the pass-through of fuel costs or insulate the customer's*
24 *household from utility bills that greatly exceed the household budget*
25 *constraint.*

26 *(2) The commission shall report its findings and recommendations regarding the*
27 *impact and use of the fuel adjustment clause by electric and natural gas utilities,*

- 1 *including any policy recommendations, to the Legislative Research Commission*
- 2 *by December 1, 2022.*