

**Local Government Mandate Statement  
Kentucky Legislative Research Commission  
2020 Regular Session**

**Part I: Measure Information**

**Bill Request #:** 855

**Bill #:** HB 584

**Document ID #:** 5910

**Bill Subject/Title:** AN ACT relating to public utilities.

**Sponsor:** Chris R. Harris

Unit of Government:  City  County  Urban-County  
 Charter County  Consolidated Local  Unified Local  
Government

**Office(s) Impacted:** Municipal and county utilities

**Requirement:**  Mandatory  Optional

Effect on  
**Powers & Duties:**  Modifies Existing  Adds New  Eliminates Existing

**Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local  
Government**

HB 584 creates new sections of KRS 278.010 to 278.450 to set a residential fixed customer charge to recover no more than fixed capital costs for metering, billing, service connections, and customer service for electric, natural gas, and water utilities and amends KRS 278.010 to define "customer charge". The Act amends KRS 278.030 to include affordability as a criterion for utility rates and to establish that the policy of the Commonwealth is to require costs to be reasonable and to provide for their recovery and requires the Public Service Commission to balance the interests of the utility, investors, and consumer in establishing fair, just, reasonable, and affordable rates. It amends KRS 278.183 to require that the costs paid through the environmental surcharge and subjected to two-year review are subject to apportionment of fixed, direct capital costs for metering, billing, connection, and service.

HB 584 amends KRS 278.190 to allow the commission to examine the determination of costs and apply standards for rates that include affordability and balancing of interests of various parties affected by the rate and amends KRS 278.255 to require a management and

operations audit beginning with revenue as of December 31, 2019, initial audits to be completed prior to January 1, 2023, and every five years thereafter, and to require the results of the audit be made available on the Public Service Commission's and each audited utility's Web site. **HB 584 exempts electric distribution cooperatives from these initial and periodic audit requirements.** The Act amends KRS 278.260 to require the Public Service Commission (PSC) to give the Attorney General's Office of Rate Intervention notice of any investigation into unreasonable or discriminatory rates, measurements, or practices by a utility under its jurisdiction.

**HB 584 amends KRS 96.120 to require contracts entered into by a city with another city to furnish water or light service to be subject to review and regulation by the Public Service Commission. It amends KRS 96.150 to require an extension by a city of its water or sewer system beyond its territory to be subject to review and regulation by the Public Service Commission and amends KRS 96.520 to require that the sale of capacity or energy surplus by a city or urban-county government to an electric or combination electric or gas utility shall be subject to review and regulation by the PSC.**

**The impact of HB 584 will be significant.** The bill provides that city utilities be placed under PSC review when the local utility extends services beyond its territory. The Kentucky Municipal Utilities Association (KMUA) and the Kentucky League of Cities oppose mandated loss of local control due to having a review and regulation by the Public Service Committee.

KMUA states HB 584 will create new cost centers for each utility in terms of legal fees, administrative fees, and legal cost to intervene in cases at the PSC, and that there will be over \$25 million dollars in additional costs associated with each utility hiring legal counsel, contractors, and rate making experts to provide information/forms/pleadings to the PSC at another \$15 million. KMUA estimates total costs to be about \$40 million to move cities under PSC jurisdiction.

### **Part III: Differences to Local Government Mandate Statement from Prior Versions**

Part II, above, pertains to the bill as introduced.

**Data Source(s):** Kentucky Electric Cooperatives; Kentucky League of Cities; Kentucky Municipal Utilities Association; Kentucky Rural Water Association

**Preparer:** H. Marks      **Reviewer:** KHC      **Date:** 3/17/20