

SB 179 Fuel Adjustment Surcharge Rulemaking

BioKyowa Suggested Language Revisions

The Commission's rule should be revised to protect consumers from adverse rate impacts and from potential utility over-earnings. In addition, some language that is in the officially announced rule needs to be removed in order to protect consumers.

Commission Power to Modify Fuel Adjustment

The following language added to 2(E) of Chapter 20 should be deleted, because it gives too much power to the utility companies and takes away the Commission's authority to adopt the type of fuel adjustment it decides to be most in the public interest. Quite frankly, I do not understand why the Commission would want to give away such authority.

“Where a utility proposes to establish a RAM and an alternative base rate recovery mechanism, versus proposing continuance or modification of a RAM, if the Commission modifies the electric utility's proposed RAM in a manner unacceptable to the electric utility, the utility may withdraw its request for a RAM and the components that would have been treated in the RAM will be included in base rate recovery mechanism if the Commission authorizes the utility to do so.”

Protection Against Surcharges leading to Overearnings

The following language should be added to the rule should provide for adjustments when surcharges cause the utility to earn above its authorized return on equity. This was a major concern of mine that I voiced in the hearing in Cape Girardeau.

In establishing, continuing or modifying the FAC, the Commission shall consider whether the presence of the FAC is likely to allow the utility to earn in excess of its authorized return on equity. If the Commission finds this to be the case, it may include in the fuel adjustment clause a mechanism designed to periodically examine the utility's earnings (on a regulatory basis), and appropriately limit the collection of charges under the FAC to the extent necessary to prevent the utility from earning in excess of its authorized return on equity as a result of revenues received through the FAC.

Line Losses

The proposed rule continues to state that recognition of differences in losses incurred in the delivery of electricity at different voltage levels and for different customer classes “may” be incorporated. The rule should substitute “shall” for will, due to the inevitability of line losses and the importance of allocating losses properly to customer classes.

Rate Impact

The Commission should be able to cap the level of recoveries in order to reduce rate volatility and to moderate impacts on customers. The following section should be added to the rule. I also spoke specifically of this during my remarks.

The following section should be added to the rule under the heading of “Mitigation”:

The Commission may limit the level of the FAC in order to moderate impacts on customers. Any fuel adjustment recovery amount found appropriate, but not included in a particular FAC for mitigation reasons may be deferred for later collection from customers, with carrying charges at a level found correct and appropriate by the Commission.