

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE APPLICATION OF THE)
FUEL ADJUSTMENT CLAUSE OF BIG RIVERS)
ELECTRIC CORPORATION FROM JULY 17, 2009) CASE NO. 2010-00495
THROUGH OCTOBER 31, 2010)

O R D E R

Pursuant to 807 KAR 5:056, the Commission, on January 26, 2011, established this case to review and evaluate the operation of the Fuel Adjustment Clause ("FAC") of Big Rivers Electric Corporation ("Big Rivers") for the period from July 17, 2009 through October 31, 2010, and to determine the amount of fuel costs that should be transferred (rolled-in) to its base rates to re-establish its FAC factor.

In establishing this review, the Commission ordered Big Rivers to submit certain information concerning its fuel procurement, fuel usage, and the operation of its FAC. Big Rivers submitted this information on February 14, 2011¹ and responded to a second data request on March 4, 2011. A public hearing was held on March 22, 2011. On April 5, 2011, Big Rivers filed post-hearing data responses to questions asked at the hearing. There are no intervenors in this proceeding.

Big Rivers proposed that the month of October 2010 be used by the Commission as the base period (test month) for the purpose of arriving at the base fuel cost and the kWh sales components of its FAC. It further proposed that its base fuel cost be changed to

¹ Big Rivers revised its response to Item 9 on March 18, 2011.

20.932 mills per kWh, the fuel cost for the proposed base period. Big Rivers' current base fuel cost is 10.72 mills per kWh.

In establishing the appropriate level of base fuel cost to be included in Big Rivers' rates, the Commission must determine whether the proposed base period cost per kWh is representative of the level of fuel cost currently being experienced by Big Rivers. The Commission's review of generation mix, generation unit outages, and generation unit availability discloses that the month of October 2010 is a reasonably representative generation month of Big Rivers. The analysis of Big Rivers' monthly fuel clause filings showed that the actual fuel cost incurred for the review period² ranged from a low of 18.686 mills per kWh in August 2009 to a high of 22.856 mills per kWh in September 2010, with an average cost for the period of 20.58 mills per kWh. Based upon this review, the Commission finds that Big Rivers has complied with 807 KAR 5:056 and that the proposed base period fuel cost of 20.932 mills per kWh should be approved.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. For the period under review, Big Rivers has complied with the provisions of 807 KAR 5:056.
2. The test month of October 2010 should be used as Big Rivers' base period for this review.

² Pursuant to the Commission's Order in Case No. 2007-00455, upon resumption of control and operation of its generating assets, Big Rivers implemented an FAC. Case No. 2007-00455, The Applications of Big Rivers Electric Corporation for: (1) Approval of Wholesale Tariff Additions for Big Rivers Electric Corporation, (2) Approval of Transactions, (3) Approval to Issue Evidences of Indebtedness, and (4) Approval of Amendments to Contracts; and of E.ON U.S., LLC, Western Kentucky Energy Corp., and LG&E Energy Marketing, Inc. for Approval of Transactions (Ky. PSC Mar. 6, 2009).

3. Big Rivers' proposed base period fuel cost of 20.932 mills per kWh should be approved.

4. The establishment of a base fuel cost of 20.932 mills per kWh requires a transfer (roll-in) of 10.212 mills per kWh of fuel costs to Big Rivers' base rates that were being charged to customers through its FAC.

5. The rates in the Appendix to this Order are designed to reflect the transfer (roll-in) of 10.212 mills per kWh to base rates, which is the differential between the old base fuel cost of 10.72 mills and the new base fuel cost of 20.932 mills per kWh.

6. The rates in the Appendix to this Order are fair, just, and reasonable and should be approved for service rendered on and after June 1, 2011.

7. For service rendered on and after June 1, 2011, Big Rivers should use an FAC rate based on a base fuel cost of 20.932 mills per kWh.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by Big Rivers through the FAC for the period from July 17, 2009 through October 31, 2010 are approved.

2. Big Rivers' proposed base fuel cost of 20.932 mills per kWh is approved.

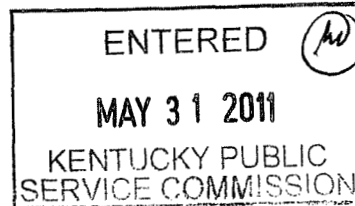
3. Big Rivers shall transfer (roll-in) 10.212 mills per kWh of fuel costs to its current base rates that were being charged to customers through its FAC.

4. The rates in the Appendix to this Order are approved for service rendered on and after June 1, 2011.

5. For service rendered on and after June 1, 2011, Big Rivers shall use an FAC rate based on a base fuel cost of 20.932 mills per kWh.

6. Within 20 days of the date of this Order, Big Rivers shall file its revised tariff sheets with the Commission setting out the rates approved herein.

By the Commission



ATTEST:

Adrian D. Brumwell for
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2010-00495 DATED MAY 31 2011

The following rates and charges are prescribed for the customers in the area served by Big Rivers Electric Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

SCHEDULE C.4.d(2)

Energy Charge per kWh \$.030612

SCHEDULE C.7.c(2)(b)

Energy Charge per kWh \$.023927

SCHEDULE 9f(3)(1)
MAINTENANCE ENERGY ONLY

Energy Charge per kWh \$.030612

SCHEDULE 17(1)

Energy Charge per kWh \$.020932

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