

COMMONWEALTH OF KENTUCKY

BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of:

AN EXAMINATION BY THE ENERGY)
REGULATORY COMMISSION OF THE)
APPLICATION OF THE FUEL)
ADJUSTMENT CLAUSE OF LOUISVILLE)
GAS & ELECTRIC FROM NOVEMBER 1,)
1978, APRIL 30, 1979.)

CASE NO. 7436

O R D E R

On April 26, 1979, Louisville Gas and Electric Company (L.G. & E.) was ordered to appear before the Energy Regulatory Commission for an examination of the application of the Fuel Adjustment Clause (FAC) from November 1, 1978 to April 30, 1979. On May 17, 1979, a public hearing was held at the offices of the Commission in Frankfort, Kentucky. The Consumer Protection Division of the Office of the Attorney General was the only intervenor to participate in the public hearing.

DISCUSSION

This hearing was to examine the application of the Fuel Adjustment Clause from November 1, 1978 to April 30, 1979, to determine whether or not the utility had complied with 807 KAR 50:075¹, the Uniform Fuel Adjustment Clause. Previous testimony in Case No. 7301 as to alleged truck short-weighting is incorporated into this case.

During the winter of 1977-78, electric generating companies throughout the Mid-Western area of the United States were faced with unprecedented cold weather and the longest (110 days) United Mine Workers of America (U.M.W.) strike in modern history. With summer

¹Previously 807 KAR 2:055.

and fall being the "normal" times that inventories are increased for the winter burn, this process was severely hampered due to the wildcat strikes at the mines preceding the general strike in December 1977.

Unable to receive coal from U.M.W. mines, L.G. & E. testified they were further hampered by coal freezing in rail cars and the ensuing embargo by the Illinois Central Gulf Railroad.

With coal inventories at an unreliably low level, the following sequence of actions were undertaken by L.G. & E. to insure the continued reliability of service to their consumers:

December 21, 1977 - L.G. & E. placed first orders for truck coal, eventually buying from eighteen different sources with each involving one or more trucking firms.

December 27, 1977 - L.G. & E. purchased 50,000 tons of coal from Public Service of Indiana's Gallagher Station. A scale was installed at Gallagher Station and a contractor was hired to move the coal by truck. All coal was weighed by L.G. & E. personnel and movement was completed on January 24, 1978.

February 7, 1978 - L.G. & E. received an anonymous telephone call informing it that there was some short-weighting on truck deliveries.

February 7, 1978 - L.G. & E. began to move the scale which was used at Public Service of Indiana to its Cane Run Plant. Although the scale was semi-portable, concrete foundations, ramps and a scale house had to be erected at Cane Run. This work was hampered by the extremely cold weather and frozen ground and was finished February 17, 1978.

February 8, 1978 - L.G. & E. began intercepting trucks on a random basis and routing them to scales of neighboring industrial plants to check the weights.

Mid-February, 1978 - L.G. & E.'s counsel telephoned the Attorney General's Office appraising them of the short-weighting situation and asking for assistance.

February 17, 1978 - The scale installation was completed at Cane Run and L.G. & E. began weighing all coal delivered to this station and rerouting those truckers who were suspected of short-weighting to the Cane Run Plant.

February 21, 1978 - L.G.& E. reached a settlement with a firm suspected of short-weighting. The weight of 400 truck loads received from January 24, 1978 to February 15, 1978 was arbitrarily reduced by four (4) tons despite the absence of documentation of shortage for each subject truck.

March 24, 1978 - L.G.& E. received a letter from the Attorney General regarding short-weighting.

April 3, 1978 - L.G.& E. responded to the Attorney General's letter of March 24, 1978.

November 13, 1979 - The Commonwealth's Attorney General completed a report as to alleged short-weights of coal trucks.

FINDINGS

The Energy Regulatory Commission of Kentucky, after consideration of the evidence of record, numerous formal and informal inquiries by this Commission and the former Public Service Commission, and being advised, is of the opinion and so FINDS:

(1) That Louisville Gas and Electric Company has complied with the provisions of 807 KAR 50:075, Uniform Fuel Adjustment Clause;

(2) The Commission believes fuel procurement to be vital to the consumers of Kentucky in assuring fair and reasonable rates. Evidence of on-going activities in the fuel procurement area are being monitored and studied by the Commission and will not be addressed in this ORDER:

(3) Under the circumstances, Louisville Gas and Electric Company acted prudently and responsibly in actions taken during the winter of 1977-78:

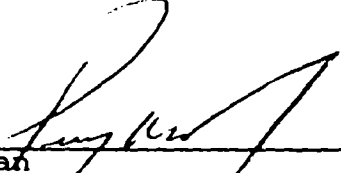
(4) Louisville Gas and Electric Company normally receives all coal deliveries by rail. Due to the necessity of receiving coal by trucks during the 1977-78 winter, deficiencies were found in the fuel records systems. Because conditions in the future could again become uncertain or severe, Louisville Gas and Electric Company should review their fuel records systems and take appropriate action(s) to insure that in the future, accurate and reliable information is recorded and maintained.

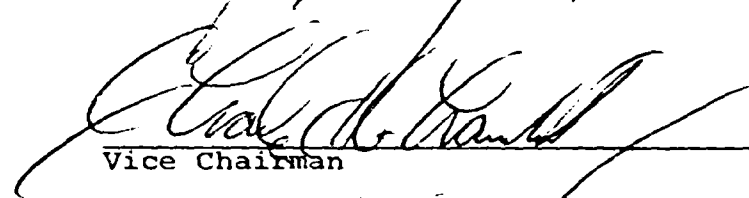
IT IS THEREFORE ORDERED, that the Louisville Gas and Electric Company improve and/or modify their fuels records systems to furnish readily full information to support such detailed information as will permit ready identification, analysis, and verification of all facts relevant thereto;

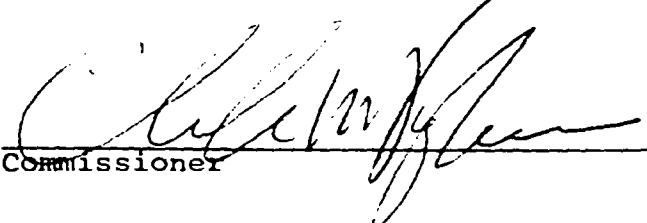
IT IS FURTHER ORDERED, that the issue of "short-weighting" of coal delivered to Louisville Gas and Electric Company during the winter of 1977-78 is hereby closed pending any actions by other authorities.

Done at Frankfort, Kentucky, this the 21st day of February, 1980.

ENERGY REGULATORY COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary