

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE APPLICATION OF THE)
FUEL ADJUSTMENT CLAUSE OF KENTUCKY) CASE NO. 8589
POWER COMPANY FROM NOVEMBER 1, 1980,)
TO OCTOBER 31, 1982)

O R D E R

Pursuant to 807 KAR 5:056, Sections 1(11) and 1(12), the Public Service Commission ("Commission") issued its Order on August 23, 1982, scheduling a hearing to review the operation of the fuel adjustment clause of Kentucky Power Company ("Kentucky Power") for the past 2 years and to determine the amount of fuel cost that should be transferred (rolled in) to the base rates in order to reestablish the fuel clause charge in accordance with 807 KAR 5:056, Section 1(2).

In response to the Commission's requests for information, Kentucky Power proposed to use July 1982 as the base period (test month) for the purpose of arriving at the base fuel cost [F(b)] and the KWH sales [S(b)] components of the fuel adjustment clause. The base fuel cost proposed by Kentucky Power was 17.40 mills per KWH. Kentucky Power provided all requested information, and following proper notice, a hearing was held on January 24, 1983.

The sole intervenor in this case was the Consumer Protection Division of the Attorney General's Office ("AG"). The AG did not offer testimony, and on cross-examination did not challenge the level of actual fuel cost included in Kentucky Power's monthly fuel filings, or the proposed base fuel cost of 17.40 mills per KWH.

In establishing the appropriate level of base fuel cost to be included in Kentucky Power's rates, the Commission must determine whether the proposed base period fuel cost per KWH is representative of the level of fuel cost currently being experienced by Kentucky Power. The Commission's review of generation mix, unit outages and unit availability disclosed that July 1982 was a reasonably representative generation month for Kentucky Power. The Commission's analysis of Kentucky Power's monthly fuel clause filings shows that the actual fuel cost incurred for the year ended October 1982 ranged from a low of 15.42 mills per KWH in December 1981 to a high of 17.57 mills per KWH in November 1981. The Commission is of the opinion that Kentucky Power has complied with 807 KAR 5:056, and that the base period fuel cost of 17.40 mills per KWH should be approved.

Kentucky Power bills its customers on a daily cycle basis. In Case No. 8058, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Power Company pursuant to 807 KAR 5:056, Sections 1(11) and (12), the Commission determined that a transfer (roll-in) of fuel costs into the base rates would

result in Kentucky Power not being able to bill all of the increase in fuel costs for the 2 months immediately preceding the first month the new base fuel cost is billed. The Commission will explain the problem of under-recovery due to the roll-in of the new base fuel cost with the following illustration:

Two assumptions must be made for this illustration. First, assume the Commission approves the roll-in of a base fuel cost of 17.40 mills per KWH effective for bills rendered on and after July 1, 1983. Second, assume that the actual fuel costs for May and June of 1983 are 16.50 and 17.00 mills per KWH, respectively. Since one-half of May sales are billed in May and the other one-half are billed in June, the base fuel cost of 14.33 mills per KWH would apply to both months. Thus, the applicable fuel adjustment clause rate for May would be 2.17 mills per KWH (16.50 less 14.33) and would be recovered from customers beginning with the first cycle billed in July 1983.

The recovery of June fuel costs is not as easily computed since one-half of the sales billed in June would be subject to the old base fuel cost of 14.33 mills per KWH and the other one-half billed in July would be subject to the new base fuel cost of 17.40 mills per KWH. While a precise calculation cannot be made, in Case No. 8058 the Commission determined that a reasonable solution to this problem would be to average the base fuel cost prior to roll-in of 14.33 mills per KWH and the base fuel cost after roll-in of 17.40 mills per KWH resulting in 15.87 mills per KWH. Thus, the rate for June would be 1.13 mills per KWH (17.00 less 15.87) and would be recovered from its customers beginning with the first cycle billed in August 1983. The Commission is of the opinion that the use of this procedure will eliminate any material impact on Kentucky Power and its customers due to the roll-in of the new fuel cost into the base rates.

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

1. Kentucky Power has complied in all material respects with the provisions of 807 KAR 5:056.

2. The test month of July 1982 should be used as Kentucky Power's base period in this proceeding.

3. Kentucky Power's proposed base period fuel cost of 17.40 mills per KWH should be approved.

4. The establishment of a base fuel cost of 17.40 mills per KWH requires a transfer (roll-in) of .307 cents per KWH from the fuel adjustment clause rate to Kentucky Power's base rates and can best be accomplished by an energy adder to each KWH sold.

5. The revised rates and charges in Appendix A are designed to reflect the transfer (roll-in) to base rates of the differential between the old base fuel cost of 14.33 mills per KWH and the new base fuel cost of 17.40 mills per KWH.

6. The rates in Appendix A should be approved for bills rendered on and after July 1, 1983.

7. The fuel adjustment clause rate for May to be billed in July should be computed using the current base fuel cost of 14.33 mills per KWH.

8. The fuel adjustment charge rate for June to be billed in August should be computed using a base fuel cost of

15.87 mills per KWH which is the average of the fuel cost prior to roll-in of 14.33 mills per KWH and the base fuel cost after roll-in of 17.40 mills per KWH.

9. The fuel adjustment clause rate for July and the succeeding months should be computed using the base fuel cost of 17.40 mills per KWH which includes the roll-in of .307 cents per KWH approved herein.

IT IS THEREFORE ORDERED that the charges collected by Kentucky Power through the fuel adjustment clause for the period November 1, 1980, through October 31, 1982, be and they hereby are approved.

IT IS FURTHER ORDERED that Kentucky Power's proposed base period fuel cost of 17.40 mills per KWH be and it hereby is approved.

IT IS FURTHER ORDERED that the rates in Appendix A be and they hereby are approved for bills rendered by Kentucky Power on and after July 1, 1983.

IT IS FURTHER ORDERED that the current base fuel cost of 14.33 mills per KWH shall be used to compute the fuel adjustment clause rate for May 1983.

IT IS FURTHER ORDERED that the average base fuel cost of 15.87 mills shall be used to compute the fuel adjustment clause rate for June 1983.

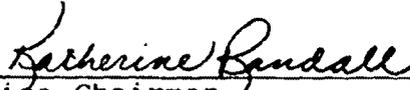
IT IS FURTHER ORDERED that the base fuel cost of 17.40 mills per KWH shall be used to compute the fuel adjustment clause rate for succeeding months.

IT IS FURTHER ORDERED that within 30 days from the date of this Order Kentucky Power shall file with the Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 8th day of June, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 8589 DATED June 8, 1983.

The following rates and charges are prescribed for the customers in the area served by Kentucky Power Company. 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.

TARIFF R. S.
(Residential Service)

RATE

Service Charge	\$ 3.35 per month
Energy Charge	
First 500 kWhrs per month	4.474 ¢ per kWhr
Next 1000 kWhrs per month	3.974 ¢ per kWhr
Over 1500 kWhrs per month	3.775 ¢ per kWhr

TARIFF RS - LM - TOD
(Residential Load Management Time-of-Day
Electric Service Schedule)

RATE

For the service provided under
this Tariff, the rate shall
be:

Service Charge	\$ 5.85 per month
Energy Charge	
For all kwh used during the on-peak billing period	5.163 ¢ per kwh
For all kwh used during the off-peak billing period	3.104 ¢ per kwh

For the purpose of this Tariff, the on-peak billing period is defined as 7:00 a.m. to 11:00 p.m. local time, for all weekdays, Monday through Friday. The off-peak billing period is defined as 11:00 p.m. to 7:00 a.m. for all weekdays and all 48 hours all weekends, Saturday and Sunday.

TARIFF RS - TOD
(Experimental Residential Service - Time-of-Day)

RATE

For the service provided under
this Tariff, the rate shall be:

Service Charge	\$ 5.85 per month
Energy Charge	
For all kwh used during the on-peak billing period	5.163 ¢ per kwh
For all kwh used during the off-peak billing period	3.104 ¢ per kwh

For the purpose of this Tariff, the on-peak billing period is defined as 7:00 a.m. to 11:00 p.m. local time, for all weekdays, Monday through Friday. The off-peak billing period is defined as 11:00 p.m. to 7:00 a.m. for all weekdays and all 48 hours for all weekends, Saturday and Sunday.

TARIFF G. S.
(General Service)

RATE

Service Charge	
Non Demand Metered Customers	\$ 8.35 per month
Demand Metered Customers	9.45 per month
Energy Charge	
Kwhrs equal to first 50 times kw of monthly billing demand	6.067 ¢ per kwhr
Kwhrs equal to next 150 times kw of monthly billing demand	5.067 ¢ per kwhr
Kwhrs in excess of 200 times kw of monthly billing demand	4.037 ¢ per kwhr

TARIFF L. G. S.
(Large General Service)

RATE

Service Charge	\$ 62.00 per month
Energy Charge	
Kwhrs equal to the first 30 times the kva of monthly billing demand	6.596 ¢ per kwhr
Kwhrs equal to the next 170 times the kva of monthly billing demand	4.353 ¢ per kwhr
Kwhrs in excess of 200 times the kva of monthly billing demand	3.449 ¢ per kwhr

TARIFF Q. P.
(Quantity Power)

RATE

Service Charge	\$ 335.00 per month
Demand Charge	\$ 5.4615 per kw
Energy Charge	2.090 ¢ per kwhr
Reactive Demand Charge:	
For each kilovar of lagging reactive demand in excess of 50 percent of the kw of monthly billing demand	\$.41 per kvar

TARIFF I. P.
(Industrial Power)

RATE

Service Charge	\$2,612.00 per month
Demand Charge	\$ 5.0111 per Kva
Energy Charge	2.030 ¢ per kwhr

TARIFF O. L.
(Outdoor Lighting)

MONTHLY RATE

A. Overhead Lighting Service

1. Incandescent
189 watts (2,500 Lumens) \$ 3.79 per lamp
This lamp is not available
for new installations.
2. Mercury Vapor
175 watts (7,000 Lumens) \$ 4.86 per lamp
250 watts (11,000 Lumens) 6.45 per lamp
400 watts (20,000 Lumens) 8.17 per lamp
3. High Pressure Sodium
100 watts (9,500 Lumens) \$ 4.97 per lamp
200 watts (22,000 Lumens) 7.72 per lamp

Company will provide lamp, photo-electric relay control equipment, luminaire and upsweep arm not over six feet in length, and will mount same on an existing pole carrying secondary circuits.

B. Post-Top Lighting Service

1. Mercury Vapor
175 watts (7,000 lumens) on
12-foot post \$ 5.61 per lamp
2. High Pressure Sodium
100 watts (9,500 lumens) on
12-foot post \$ 8.72 per lamp

Company will provide lamp, photo-electric relay control equipment, luminaire, post, and installation including underground wiring for a distance of thirty feet from the company's existing secondary circuits.

c. Floodlighting Service

1. High Pressure Sodium
200 watts (22,000 lumens) \$ 9.17 per lamp
400 watts (50,000 lumens) 12.51 per lamp

Company will provide lamp, photo-electric relay control equipment, luminaire, mounting bracket, and mount same on an existing pole carrying secondary circuits.

TARIFF S. L.
(STREET LIGHTING)

MONTHLY RATE

A. Overhead Service on Existing Distribution Poles

1. Mercury Vapor		
100 watts (3,500 Lumens)	\$	3.24 per lamp
175 watts (7,000 Lumens)		4.11 per lamp
250 watts (11,000 Lumens)		5.25 per lamp
400 watts (20,000 Lumens)		6.32 per lamp
700 watts (30,000 Lumens)		9.40 per lamp
1,000 watts (50,000 Lumens)		11.48 per lamp
4,000 watts (4-50,000 Lumen Lights on One Pole)		31.86 per lamp
2. High Pressure Sodium		
70 watts (5,800 Lumens)		3.89 per lamp
100 watts (9,500 Lumens)		4.37 per lamp
150 watts (16,000 Lumens)		4.93 per lamp
200 watts (22,000 Lumens)		5.77 per lamp
400 watts (50,000 Lumens)		8.11 per lamp

B. Overhead Service on Existing Special Metal or Concrete Poles -
"Whiteway"

1. Mercury Vapor*		
400 watts (20,000 Lumens)	\$	8.57 per lamp
700 watts (30,000 Lumens)		12.10 per lamp
1,000 watts (50,000 Lumens)		14.18 per lamp

C. Underground Service on Existing Special Metal Pole -
Post Top

1. Mercury Vapor*		
175 watts (7,000 Lumens)	\$	4.11 per lamp

D. Service on New Wood Distribution Poles

1. High Pressure Sodium		
70 watts (5,800 Lumens)	\$	6.39 per lamp
100 watts (9,500 Lumens)		6.87 per lamp
150 watts (16,000 Lumens)		7.43 per lamp
200 watts (22,000 Lumens)		8.82 per lamp
400 watts (50,000 Lumens)		11.16 per lamp

E. Service on New Metal or Concrete Poles

1. High Pressure Sodium	
70 watts (5,800 Lumens)	\$ 13.24 per lamp
100 watts (9,500 Lumens)	13.72 per lamp
150 watts (16,000 Lumens)	14.28 per lamp
200 watts (22,000 Lumens)	18.22 per lamp
400 watts (50,000 Lumens)	19.16 per lamp

Lumen rating is based on manufacturer's rated lumen output for new lamps.

• Ninety (90) days subsequent to the effective date of this tariff, mercury vapor lamps will not be available for new installations.

"Whiteway" is defined as a Street Lighting System where standards for mounting lights carry street lighting units and the street lighting circuit only. No distribution is carried on these standards.

EXISTING AGREEMENTS

Existing street lighting agreements will terminate upon normal expiration date. Fuel Adjustment Clause is applicable to street lighting rates in existing agreements pursuant to the Kentucky Energy Regulatory Commission's Order, (Changed to Public Service Commission March 1, 1981) dated October 31, 1979, in Case No. 7437.

Existing street lighting contracts specify that energy and maintenance only will be furnished to 17-20,000 lumen Mercury Vapor lights in the City of Prestonsburg and 10-20,000 lumen Mercury Vapor lights in the City of Ashland at a monthly rate of \$4.12 each. These lights are mounted on special bridge light standards which do not conform to normal street lighting installations.

Street lighting agreements which were executed prior to filing our present S/L tariff provided for some 7,000 lumen mercury vapor lights to be billed at \$2.96/ month provided they were installed on existing poles. This rate will be increased to \$3.11/ month as authorized in Public Service Commission's Case No. 8058.

These special rates are applicable only to present customers as named above and will expire upon termination of existing agreements.

TARIFF M. W.
(Municipal Waterworks)

RATE

Service Charge

\$18.05 per month

Energy Charge

First	10,000 kWhrs used per month	4.086 ¢ per kwhr
All Over	10,000 kWhrs used per month	3.586 ¢ per kwhr