

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 EAST ) CASE NO. 9171  
KENTUCKY POWER COOPERATIVE CORPORATION )  
FROM NOVEMBER 1, 1982, TO OCTOBER 31, )  
1984 )

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 November 13, 1984, scheduling a hearing to review the operation of the fuel adjustment clause of East Kentucky Power Cooperative Corporation ("East Kentucky") 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, East Kentucky proposed to use September 1984 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 East Kentucky was 14.74 mills per KWH. East Kentucky provided all requested information, and following proper notice, a hearing was held on April 4, 1985.

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 East Kentucky's monthly fuel filings, or the proposed base fuel cost of 14.74 mills per KWH.

In establishing the appropriate level of base fuel cost to be included in East Kentucky'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 East Kentucky. The Commission's review of generation mix, unit outages and unit availability disclosed that September 1984 was a reasonably representative generation month for East Kentucky. The Commission's analysis of East Kentucky's monthly fuel clause filings shows that the actual fuel cost incurred for the year ended October 1984 ranged from a low of 14.21 mills per KWH in October 1984 to a high of 16.13 mills per KWH in October 1983. The Commission is of the opinion that East Kentucky has complied with 807 KAR 5:056, and that the base period fuel cost of 14.74 mills per KWH should be approved.

East Kentucky has one billing cycle, and the service period for that cycle covers the calendar month. East Kentucky bills its distribution coops for the cost of providing service for the month, which includes the base period fuel costs contained in the base rates, during the first week of the following month. If the Commission approved East Kentucky's proposed base fuel cost of 14.74 mills per KWH for service rendered on and after June 1,

East Kentucky would bill its customers for June service in July at the base fuel cost after roll-in of 14.74 mills per KWH. Furthermore, bills for May service billed in June would be based on the base fuel cost before roll-in of 17.21 mills per KWH.

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

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

2. The test month of September 1984 should be used as East Kentucky's base period in this proceeding.

3. East Kentucky's proposed base period fuel cost of 14.74 mills per KWH should be approved.

4. The establishment of a base fuel cost of 14.74 mills per KWH requires a transfer (roll-in) of (.247) cents per KWH from the fuel adjustment clause rate to East Kentucky's base rates and can best be accomplished by a uniform reduction in all energy rates.

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 17.21 mills per KWH and the new base fuel cost of 14.74 mills per KWH.

6. The rates in Appendix A should be approved for service rendered on and after June 1, 1985.

7. The fuel adjustment clause rate for May to be billed in June should be computed using the base fuel cost prior to roll-in of 17.21 mills per KWH.

8. The fuel adjustment clause rate for June usage and the succeeding months should be computed using the base fuel cost after roll-in of 14.74 mills per KWH approved herein.

IT IS THEREFORE ORDERED that the charges collected by East Kentucky through the fuel adjustment clause for the period November 1, 1982, through October 31, 1984, be and they hereby are approved.

IT IS FURTHER ORDERED that East Kentucky's proposed base period fuel cost of 14.74 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 service rendered by East Kentucky on and after June 1, 1985.

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

Done at Frankfort, Kentucky, this 7th day of May, 1985.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice-Chairman

  
Commissioner

ATTEST:

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Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 9171 DATED 5/7/85

The following rates and charges are prescribed for the customers in the area served by East Kentucky Power Cooperative, Inc. 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.

Wholesale Power Rate Schedule

AVAILABILITY

Available to all cooperative associations which are or shall be members of East Kentucky Power Cooperative, Inc. The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

MONTHLY RATE - PER SUBSTATION OR METERING POINT

Substation Charge:

\$1,069 per month for each energized substation. In the event of joint utilization, this charge shall be divided equally.

Demand Charge:

\$7.82 per KW of billing demand.

Energy

All Kwh \$.02568 per Kwh

MONTHLY RATE - PER SUBSTATION OR METERING POINT (Continued)

Minimum Monthly Charge:

The minimum monthly charge under the above rate shall not be less than \$1,069 to each member of each energized substation (metering point).

### FUEL ADJUSTMENT

The fuel clause shall provide for periodic adjustment per KWH of sales when the unit cost of fuel [F(m) ÷ S(m)] is above or below the base unit cost of 1.474 cents per KWH [F(b) ÷ S(b)]. The current monthly charges shall be increased or decreased by the product of the KWH furnished during the current month and the Fuel Adjustment Rate for the preceding month where the Fuel Adjustment Rate is as defined below:

$$\text{Fuel Adjustment Rate} = \frac{F(m)}{S(m)} - \frac{F(b)}{S(b)}$$

Where F is the expense of fossil fuel in the base (b) and current (m) periods; and S is sales in the base (b) and current (m) periods, all defined below.