

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of:

AN EXAMINATION BY THE PUBLIC)	
SERVICE COMMISSION OF THE)	
APPLICATION OF THE FUEL)	
ADJUSTMENT CLAUSE OF KENTUCKY)	CASE NO. 9173-A
UTILITIES COMPANY FROM)	
NOVEMBER 1, 1984, TO APRIL 30,)	
1985)	

INTERIM ORDER

Pursuant to 807 KAR 5:056, Section 1(11), the Public Service Commission ("Commission") issued its Order on June 25, 1985, scheduling a hearing and requiring Kentucky Utilities Company ("KU") to provide a record of scheduled, actual and forced outages.

KU provided the data requested by the Commission's Order of June 25, 1985. KU also filed its monthly fuel adjustment filings for the 6-month period under review. Following proper notice, a hearing was held on August 14, 1985. At the hearing, KU was requested to supply additional information and KU has supplied the requested information.

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 KU's monthly fuel filings.

In its Order issued on May 16, 1985, in Case No. 9173, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from November 1, 1982, to October 31, 1984, the Commission fixed KU's base fuel cost at 18.91 mills per KWH. The Commission's review of KU's monthly fuel clause filings shows that the actual fuel cost incurred for the 6-month period under review ranged from a low of 18.92 mills in April 1985 to a high of 21.89 mills in November 1984.

Coal Contracts

In Case No. 8590, the Commission issued an Order on May 19, 1983, requiring KU to provide information concerning its coal supply agreements with River Processing, Inc., ("River Processing") and South East Coal Company ("South East"). Upon the motions of KU and the AG, the information request was held in abeyance to prevent KU from "expressing opinions concerning legal and other questions which have been and are issues between KU and other parties" to the coal supply agreements.

KU had initiated a declaratory judgment action against River Processing, in the Circuit Court of Fayette County, Kentucky, which was subsequently withdrawn upon a renegotiation of the coal supply agreement. KU is also carrying on negotiations with South East concerning their coal supply agreement.

Despite the steps KU has taken to refine its coal supply agreements with River Processing and South East, the Commission is still concerned with the price KU is paying for coal under both coal supply agreements. At the present time, the Commission is awaiting the outcome of KU's negotiations with South East. Therefore, the Commission is of the opinion that the findings with respect to KU's fuel procurement practices which would ordinarily be made at this time should continue to be held in abeyance and that this Order should be an Interim Order. A Final Order will be issued upon conclusion of the Commission's review of KU's fuel procurement practices.

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

1. KU has complied with 807 KAR 5:056 regarding the calculation and application of its fuel adjustment clause.
2. No findings are made at this time with respect to the propriety of KU's fuel procurement practices and this matter should be held in abeyance until the Commission has concluded its review.

IT IS THEREFORE ORDERED that this docket shall remain open until the Commission has concluded its investigation of KU's fuel procurement practices.

Done at Frankfort, Kentucky, this 30th day of October, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Herman, Jr.
Chairman

[Signature]
Vice Chairman

[Signature]
Commissioner

ATTEST:

Secretary