

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 ADJUST- )  
MENT CLAUSE OF BIG RIVERS ) CASE NO. 9730-B  
ELECTRIC CORPORATION FROM MAY 1, )  
1987, TO OCTOBER 31, 1987 )

O R D E R

Pursuant to 807 KAR 5:056, Section 1(11), the Commission issued its Order on November 23, 1987, scheduling a hearing and requiring Big Rivers Electric Corporation ("Big Rivers") to provide a record of scheduled, actual and forced outages, and a calculation of over- or under-recovery of fuel costs for the 6-month period under review.

Big Rivers provided the data requested by the Commission's Order of November 23, 1987. Big Rivers also filed its monthly fuel adjustment filings for the 6-month period under review. Following proper notice, a hearing was held on February 11, 1988. At the hearing, additional information was requested and supplied by Big Rivers.

The sole intervenor in this case was the Utility and Rate Intervention Division of the Attorney General's Office ("AG"). The AG did not offer testimony and did not challenge the level of actual fuel cost included in Big Rivers' monthly fuel filings.

In its Order issued on May 6, 1987, the Commission fixed Big Rivers' base fuel cost at 12.95 mills per Kwh. The Commission's review of Big Rivers' monthly fuel clause filings shows that the actual fuel cost incurred for the 6-month period under review ranged from a low of 13.01 mills in September 1987 to a high of 13.68 mills in October 1987, with a 6-month average of 13.24 mills.

The Commission is concerned that Big Rivers currently has long-term coal contracts in effect that have no fixed minimum tonnage requirement, but are tied to the coal used at a particular generating station. This appears to be an unusual contract provision seldom used in the industry. These contracts would appear to limit Big Rivers' flexibility to use less expensive spot market coal when the system power requirements increase. These contracts will continue to be examined closely in future fuel clause hearings.

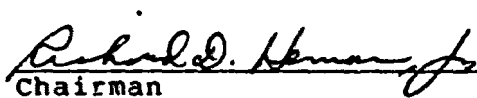
The Commission's review of the record in this case, the coal market conditions during this period and the data filed in support of the fuel adjustment clause rates indicate that the actual fuel costs included in the monthly fuel adjustment clause filing were reasonable.


The Commission, having considered the evidence of record and being advised, is of the opinion and finds that Big Rivers has complied in all material respects with the provisions of 807 KAR 5:056.

IT IS THEREFORE ORDERED that the charges and credits billed by Big Rivers through the fuel adjustment clause for the period May 1, 1987, through October 31, 1987, be and they hereby are approved.

Done at Frankfort, Kentucky, this 29th day of March, 1988.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Executive Director