

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENTUCKY UTILITIES)
COMPANY FOR AN ORDER APPROVING CERTAIN)
ACCOUNTING TREATMENT OF AMOUNTS PAID FOR) CASE NO. 10214
COAL CONTRACT RELEASE)

O R D E R

On April 6, 1988, Kentucky Utilities Company ("KU") filed an application, with supporting testimony and exhibits, requesting approval of certain accounting treatment related to a lump sum payment to release and terminate a coal supply agreement with Coal Ridge Fuel, Inc. ("Coal Ridge"). Specifically, KU seeks authority to treat its payment of \$14.5 million as a deferred debit and charge a portion of the payment to Account 151, Fuel Stock, each month for inclusion in KU's monthly Fuel Adjustment Clause ("FAC") calculation. An equal portion of the payment is proposed to be charged monthly through the FAC beginning in May 1988 and continuing through December 1991, the date that the Coal Ridge agreement would have otherwise terminated.

Accompanying KU's application was a petition requesting that an exhibit to the Application, Tipton Exhibit No. 1, be deemed confidential and not subject to public disclosure pursuant to 807 KAR 5:001, Section 7. Tipton Exhibit No. 1 is an economic evaluation of the benefits associated with the termination of the Coal Ridge agreement and is based on KU's assumptions as to the

future price of coal. KU states that these coal price projections are not disclosed to the public but are kept confidential to the management of KU. The public disclosure of this information could materially impact KU's current coal contract litigation and adversely impact KU's competitive position in future coal supply solicitations. KU further requests that confidential treatment be granted to any information requests related to Tipton Exhibit No. 1.

Based on KU's application and petition for confidentiality, and being advised, the Commission is of the opinion and hereby finds that an investigation will be necessary to determine the reasonableness of KU's requested accounting treatment for the \$14.5 million payment to terminate the Coal Ridge contract. This investigation cannot be concluded by May 1988, the date that KU proposed to begin charging the payment through its FAC. Therefore, KU should not implement its proposed accounting treatment until authorized to do so by Order of this Commission. The Commission further finds that KU's petition for confidentiality presents good cause to deem Tipton Exhibit No. 1, as well as any related information requests, confidential and not subject to public disclosure. KU will be expected to provide copies of this confidential information to each intervenor upon their execution of an appropriate confidentiality agreement.

IT IS THEREFORE ORDERED that:

1. An investigation of the reasonableness of the accounting treatment sought by KU in its application be and it hereby is initiated.

2. KU shall not implement the accounting treatment proposed in its application in this case until authorization is granted by the Commission.

3. Tipton Exhibit No. 1 and any related information requests be and they hereby are deemed confidential and not subject to public disclosure.

Done at Frankfort, Kentucky, this 22nd day of April, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Wrenn
Chairman

Robert M. Davis
Vice Chairman

James M. Williams
Commissioner

ATTEST:

Executive Director