

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 BIG RIVERS) CASE NO. 10436
ELECTRIC CORPORATION FROM NOVEMBER 1,)
1986 TO OCTOBER 31, 1988)

O R D E R

Pursuant to Commission Regulation 807 KAR 5:056, the Commission on December 5, 1988 established this case to review and evaluate the operation of the fuel adjustment clause of Big Rivers Electric Corporation ("Big Rivers") for the 2 years ended October 31, 1988, and to determine the amount of fuel cost that should be transferred (rolled-in) to its base rates to reestablish its fuel adjustment clause charge.

The Attorney General ("AG"), through his Utility and Rate Intervention Division, was the only intervenor in this case. The AG did not present any witnesses, perform any cross-examination, or challenge any evidence or proposals presented by Big Rivers.

As part of its review, the Commission ordered Big Rivers to submit certain information concerning, inter alia, its fuel procurement, its fuel usage, and the operation of its fuel adjustment clause. Big Rivers submitted this information on December 20, 1988. A public hearing was held in this case on February 9, 1989, at which Joe Craig, Bill Blackburn, Rick Greenwell, and Ed Dolezil, Big Rivers' officials, testified.

Big Rivers proposed that the month of September 1988 be used by the Commission 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 its fuel adjustment clause. It further proposed that its base fuel cost remain unchanged at 12.95 mills per KWH.

In establishing the appropriate level of base fuel cost to be included in Big Rivers' 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 Big Rivers. The Commission's review of generation mix, generation unit outages, and generation unit availability discloses that the month of September 1988 is a reasonably representative generation month for Big Rivers. Big Rivers' fuel cost during this month, after being adjusted to reflect a lower cost coal contract which becomes effective on April 1, 1989, was 12.92 mills per KWH. An analysis of Big Rivers' monthly fuel clause filings shows that the actual fuel cost incurred for the 2-year period in question ranges from a low of 12.93 mills per KWH in February 1987 to a high of 13.68 mills per KWH in October 1987 with an average cost for the period of 13.24 mills per KWH. Based upon this review, the Commission is of the opinion that Big Rivers has complied with Commission Regulation 807 KAR 5:056 and that its current base period fuel cost of 12.95 mills per KWH should remain unchanged.

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

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

2. The test month of September 1988 should be used as Big Rivers' base period for this review.

3. Big Rivers' proposed base period fuel cost of 12.95 mills per KWH should be approved.

4. The base fuel cost of 12.95 mills per KWH is the same base fuel cost currently included in Big Rivers' base rates.

IT IS THEREFORE ORDERED that:


1. The charges and credits applied by Big Rivers through the fuel adjustment clause for the period November 1, 1986 through October 31, 1988 be and they hereby are approved.


2. Big Rivers' proposed base period fuel cost of 12.95 mills per KWH be and it hereby is approved.

3. The base rates set forth in Big Rivers' current tariffs shall remain unchanged.

Done at Frankfort, Kentucky, this 31st day of March, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:

Executive Director


Commissioner