

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. 92-492
POWER COMPANY FROM NOVEMBER 1, 1990)
TO OCTOBER 31, 1992)

O R D E R

Pursuant to Commission Regulation 807 KAR 5:056, the Commission on December 4, 1992 established this case to review and evaluate the operation of the fuel adjustment clause ("FAC") of Kentucky Power Company ("Kentucky Power") for the 2 years ended October 31, 1992, and to determine the amount of fuel cost that should be transferred (rolled-in) to its base rates to reestablish its FAC charge.

As a part of its review, the Commission ordered Kentucky Power to submit certain information concerning its fuel procurement, its fuel usage, and the operation of its FAC. Kentucky Power submitted this information on December 18, 1992. A public hearing was held in this case on February 18, 1993 at which Betsy Kavander, an official of the American Electric Power Company, and Bill England, Ranie Wohnhas, and Errol Wagner, Kentucky Power officials, testified.

Kentucky Power proposed to leave its base fuel cost of 12.92 mills per KWH unchanged. In Case No. 90-362¹ the Commission selected June 1990 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 FAC.

In establishing the appropriate level of base fuel cost to be included in Kentucky Power'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 Kentucky Power. The Commission's review of generation mix, generation unit outages, and generation unit availability discloses that the month of June 1990 is a reasonably representative generation month for Kentucky Power. Our analysis of Kentucky Power's monthly fuel cost incurred for the 2-year period in question ranges from a low of 11.79 mills per KWH in December 1990 to a high of 14.11 mills per KWH in December 1991, with an average cost for the period of 12.82 mills per KWH. Based upon this review, the Commission finds that Kentucky Power has complied with Commission Regulation 807 KAR 5:056 and that the

¹ Case No. 90-362, An Examination By The Public Service Commission Of The Application Of The Fuel Adjustment Clause Of Kentucky Power Company From November 1, 1988 To October 31, 1990, Order Dated April 3, 1991.

proposed base period fuel cost of 12.92 mills per KWH should be approved.

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

1. Kentucky Power has complied with the provisions of 807 KAR 5:056.

2. The test month of June 1990 should be used as Kentucky Power's base period for this review.

3. Kentucky Power's proposed base period fuel cost of 12.92 mills per KWH should be approved.

4. The base fuel cost of 12.92 mills per KWH is the same base fuel cost currently included in Kentucky Power's base rates.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by Kentucky Power through the FAC for the period November 1, 1990 through October 31, 1992 be and they hereby are approved.

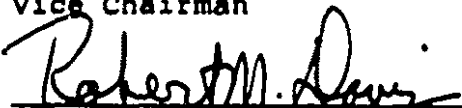
2. Kentucky Power's base period fuel cost of 12.92 mills per KWH be and it hereby is approved.

Done at Frankfort, Kentucky, this 5th day of April, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director