

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. 92-493-A
UTILITIES COMPANY FROM NOVEMBER 1,)	
1992 TO APRIL 30, 1993)	

INTERIM ORDER

Pursuant to Commission Regulation 807 KAR 5:056, the Commission on July 13, 1993 established this case to review and evaluate the operation of the fuel adjustment clause ("FAC") of Kentucky Utilities Company ("KU") for the 6 months ended April 30, 1993.

As part of this review, the Commission ordered KU to submit certain information concerning its compliance with Commission Regulation 807 KAR 5:056. KU has complied with this Order. The Commission further ordered that a public hearing be held in this case but cancelled it when, after publication of notice, no interested party advised the Commission of its intention to attend.

The Commission has previously established KU's base fuel cost at 12.97 mills per Kwh.¹ A 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 12.49 mills in March 1993

¹ Case No. 92-493, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from November 1, 1990 to October 31, 1992, Order dated April 5, 1993.

to a high of 13.40 mills in December 1992, with a 6-month average of 12.88 mills.

The Office of Chief Accountant of the Federal Energy Regulatory Commission ("FERC") recently issued a report on the results of its examination of KU's books and records for the period January 1, 1987 through December 31, 1990. It found that KU failed to follow proper depreciation practices for the rail cars used to transport coal to certain KU generating plants and to properly account for the sale of these rail cars. A formal proceeding on this issue is currently before FERC.² KU continues to depreciate rail cars in the period currently under review. After completion of the FERC proceeding and a review of the record assembled therein, the Commission will determine if further review of KU's depreciation practices by the Commission is required. Should this Commission determine that KU's depreciation practices are improper, the improper depreciation expenses will be disallowed.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that this docket should remain open until the FERC proceedings are completed and this Commission has reviewed the evidence and argument presented therein.

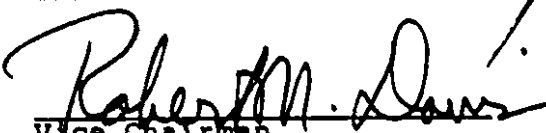
IT IS THEREFORE ORDERED that this docket shall remain open pending further order of the Commission.


² Kentucky Utilities Company, FERC Docket No. FA91-65-001.

Done at Frankfort, Kentucky, this 27th day of October, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director