

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. 94-461
UTILITIES COMPANY FROM NOVEMBER 1,)
1992 TO OCTOBER 31, 1994)

INTERIM ORDER

Pursuant to Commission Regulation 807 KAR 5:056, the Commission, on December 14, 1994, established this case to review and evaluate the operation of the Fuel Adjustment Clause ("FAC") of Kentucky Utilities Company ("KU") for the 2 years ended October 31, 1994, and to determine the amount of fuel cost that should be transferred (rolled-in) to its base rates to reestablish its FAC charge.

As part of its review, the Commission ordered KU to submit certain information concerning its fuel procurement, its fuel usage, and the operation of its FAC. KU submitted this information on January 20, 1995. A public hearing was held in this case on March 2, 1995 at which Gerhard Haimberger, Wayne Lucas, Michael Robinson, and Ronald Wilhite, KU officials, testified.

KU proposed that its base fuel cost of 12.97 mills per KWH remain unchanged. In Case No. 92-493,¹ the Commission selected

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.

August 1992 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 KU's rates, the Commission must determine whether the existing base period fuel cost per KWH remains representative of the level of fuel cost currently being experienced by KU. The Commission's review of generation mix, generation unit outages, and generation unit availability disclosed that the month of August 1992 continues to be a reasonably representative generation month for KU. Our analysis of KU's monthly fuel cost incurred for the 2-year period in question ranges from a low of 11.99 mills per KWH in May 1993 to a high of 13.48 mills per KWH in July 1993, with an average cost for the period of 12.92 mills per KWH. Based upon this review, the Commission finds that KU has complied with Commission Regulation 807 KAR 5:056 and that the present base period fuel cost of 12.97 mills per KWH should continue to remain in effect.

The Commission is currently reviewing in another proceeding KU's depreciation practices for rail cars used to transport coal to certain KU generating plants.² The Commission finds that this docket should remain open until that proceeding is completed.

² Case No. 92-493-C, An Examination By The Public Service Commission Of The Application Of The Fuel Adjustment Clause Of Kentucky Utilities Company From November 1, 1993 to April 30, 1994.

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

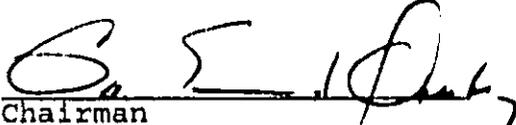
1. KU has complied with the provisions of 807 KAR 5:056.
2. The test month of August 1992 should remain as KU's base period.
3. This docket should remain open pending further Order of the Commission.

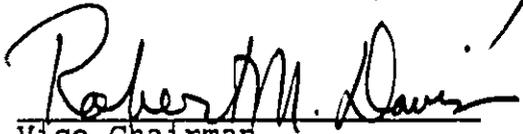
IT IS THEREFORE ORDERED that:

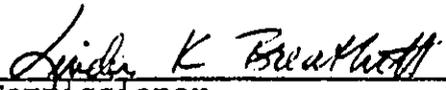
1. The charges and credits applied by KU through the FAC for the period November 1, 1992 through October 31, 1994 be and they hereby are approved.
2. KU's base period fuel cost of 12.97 mills per KWH be and it hereby is approved.
3. This docket shall remain open until further Order of the Commission.

Done at Frankfort, Kentucky, this 5th day of April, 1995.

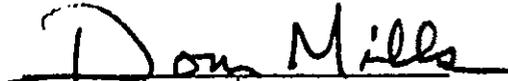
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director