

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 AMERICAN) CASE NO. 2000-00495-B
ELECTRIC POWER COMPANY FROM)
MAY 1, 2001 TO OCTOBER 31, 2001)

O R D E R

American Electric Power Company (AEP) has applied for rehearing of the Commission s Order of May 2, 2002 on two issues. It seeks Commission authorization to adjust its monthly system sales clause by \$111,357 to correct an erroneous accounting entry and reconsideration of our interpretation of Administrative Regulation 807 KAR 5:056 concerning the recovery of purchased energy costs through a fuel adjustment clause. We grant the application on both issues.

As to the first issue, during the course of these proceedings, AEP advised the Commission that it overstated its net system sales revenue in May 2001.¹ This overstatement of revenues led to an incorrect credit of \$111,357 to AEP ratepayers. Although AEP requested authority for an adjustment to its monthly system sales clause calculation to permit recovery of this amount, we failed to address this request. Finding that an error in the calculation of the monthly system sales clause occurred, we authorize the requested relief.

As to the second issue, AEP expresses concern that our recent interpretation of Administrative Regulation 807 KAR 5:056 failed to consider AEP s unique operating

¹ AEP s Response to Commission Staff s Interrogatories and Requests for Production of Documents, Item 6.

characteristics and may not have achieved our stated goal of uniform treatment of purchased energy costs. It notes that, unlike other Kentucky-based generation units, AEP operates as part of a multi-state generation system that relies on relatively low fuel cost generation units rather than a mix of generation units that includes some higher cost peaking units. It requests that we reconsider our interpretation and hold an informal conference to permit a complete discussion of these concerns. Recognizing the importance of the fuel adjustment clause to all generation utilities and desiring to ensure that our recent interpretation is appropriate and will achieve our stated objectives, we find that rehearing should be granted on this issue.

IT IS THEREFORE ORDERED that:

1. AEP's application for rehearing is granted.
2. When calculating its monthly system sales clause charge for the first period following the issuance of this Order, AEP shall reduce the amount of its system sales by \$111,357.
3. An informal conference shall be held in this matter on June 20, 2002 at 2:00 p.m., Eastern Daylight Time, in Conference Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky.

Done at Frankfort, Kentucky, this 11th day of June, 2002.

By the Commission

ATTEST:


Executive Director