

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.
ELECTRIC POWER COMPANY FROM)	2002-00431
NOVEMBER 1, 2000 TO OCTOBER 31, 2002)	

O R D E R

The Commission's April 23, 2003 Order in this proceeding approved, among other things, a transfer (roll-in) of .55 mills in fuel costs from American Electric Power's (AEP) fuel adjustment clause (FAC) to its base rates. The base rates established therein were approved for service rendered on and after May 1, 2003.

On April 25, 2003, AEP filed a letter seeking clarification of that Order, stating that Orders in prior FAC cases that established base rates approved the rates applicable, not to service rendered, but to bills rendered after a date certain. The letter states that, pursuant to 807 KAR 5:056, a utility shall file a new FAC factor with the Commission 10 days prior to its effective date. AEP filed its FAC factor for May 2003 on April 17, 2003. However, given the date of our April 23 Order, AEP cannot file another new factor based on the Order in time to comply with 10-day requirement contained in the regulation.

AEP also states that making the new rates effective for service, rather than bills, rendered on and after a date certain, will require it to pro-rate usage between the old

and new rates, which is cumbersome, time consuming and costly. AEP requests that the Commission clarify its Order to make the new rates effective for bills rendered beginning May 30, 2003, which is the first billing cycle in its June 2003 revenue month. AEP explained that the transfer of fuel costs from its FAC to its base rates results in no change in either revenue or customers total bills. It filed a spreadsheet demonstrating that a customer s bill will be the same under its proposal as under our April 23 Order.

Procedurally, the Commission will treat AEP s letter as a motion for clarification of our April 23, 2003 Order. While we did not intend to complicate the transfer of fuel costs from the FAC to base rates, the timing of our Order, relative to its effective date, appears to have done just that.¹ Since the transfer of fuel costs from the FAC to base rates is revenue neutral to the utility and bill neutral to customers, accomplishing the transfer should be done in a manner that is administratively simple and inexpensive. In addition, it should not cause a utility to be in conflict with the regulation that governs the working of the FAC. Therefore, we find that AEP s request should be granted.

IT IS THEREFORE ORDERED that:

1. The rates approved in the Order of April 23, 2003 will be effective for bills rendered on and after May 30, 2003.
2. For bills rendered on and after May 30, 2003, AEP shall use an FAC rate based on a base fuel cost of 12.00 mills per KWH.

¹ While granting AEP s motion, we take note that, contrary to its claim, in the most recent FAC case in which its base rates were changed, Case No. 1994-00460, the rates were approved effective for service rendered on and after July 1, 1995.

3. All other provisions of our April 23, 2003 Order shall remain in full force and effect.

Done at Frankfort, Kentucky, this 30th day of April, 2003.

By the Commission

ATTEST:

Deputy W. H. Fowler
Executive Director