

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 EAST KENTUCKY) CASE NO. 2002-00432
POWER COOPERATIVE, INC. FROM NOVEMBER 1,)
2000 TO OCTOBER 31, 2002)

O R D E R

Pursuant to Administrative Regulation 807 KAR 5:056, the Commission on December 13, 2002 established this case to review and evaluate the operation of the fuel adjustment clause ("FAC") of East Kentucky Power Cooperative, Inc. ("EKPC") for the 2 years ended October 31, 2002, and to determine the amount of fuel cost that should be transferred (rolled-in) to its base rates to reestablish its FAC charge.

In establishing this review, the Commission ordered EKPC to submit certain information concerning its fuel procurement, fuel usage, and the operation of its FAC. EKPC submitted this information on January 13, 2003 and filed supplemental information in response to a Commission staff data request on February 7, 2003. A public hearing was held on February 18, 2003.

EKPC proposed that the month of July 2001 be used by the Commission 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 its FAC. It further proposed that its base fuel cost be changed to 15.60 mills per KWH, the fuel cost for the proposed base period. EKPC's current base fuel cost is 13.29 mills per KWH.

In establishing the appropriate level of base fuel cost to be included in EKPC's rates, the Commission must determine whether the proposed base period cost per KWH is representative of the level of fuel cost currently being experienced by EKPC. The Commission's review of generation mix, generation unit outages, and generation unit availability discloses that the month of July 2001 is a reasonably representative generation month of EKPC. The analysis of EKPC's monthly fuel clause filings showed that the actual fuel cost incurred for the 2-year review period ranged from a low of 11.62 mills per KWH in October 2001 to a high of 20.67 mills per KWH in December 2000, with an average cost for the period of 15.15 mills per KWH. Based upon this review, the Commission finds that EKPC has complied with Commission Regulation 807 KAR 5:056 and that the proposed base period fuel cost of 15.60 mills per KWH should be approved.

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

1. EKPC has complied with the provisions of 807 KAR 5:056.
2. The test month of July 2001 should be used as EKPC's base period for this review.
3. EKPC's proposed base period fuel cost of 15.60 mills per KWH should be approved.
4. The establishment of a base fuel cost of 15.60 mills per KWH requires a transfer (roll-in) of 2.31 mills per KWH from the FAC rate to EKPC's base rates and can best be accomplished by a uniform increase in all energy rates.

5. The rates in Appendix A, attached hereto and incorporated herein, are designed to reflect the transfer (roll-in) to base rates of the differential between the old base fuel cost of 13.29 mills and the new base fuel cost of 15.60 mills per KWH.

6. The rates in Appendix A are fair, just and reasonable and should be approved for service rendered on and after May 1, 2003.

7. For service provided on or after May 1, 2003, EKPC should use an FAC rate based on a base fuel cost of 15.60 mills per KWH.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by EKPC through the FAC for the period November 1, 2000 to October 31, 2002 are approved.

2. EKPC's proposed base fuel cost of 15.60 mills per KWH is approved.

3. The rates in Appendix A are approved for service rendered on and after May 1, 2003.

4. For service provided on or after May 1, 2003, EKPC shall use an FAC rate based on a base fuel cost of 15.60 mills per KWH.

5. Within 20 days of the date of this Order, EKPC shall file with the Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 23rd day of April, 2003.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2002-000432 DATED April 23, 2003

The following rates and charges are prescribed for the customers in the area served by East Kentucky Power Cooperative, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

SCHEDULE A

Monthly Rate-Per Load Center

Energy Charge per kWh: \$.022675

SCHEDULE B

Energy Charge per kWh: \$.022675

SCHEDULE C

Energy Charge per kWh: \$.022675

SCHEDULE E

Energy Charge per kWh:
Option 1 On-Peak \$.022970
Option 1 Off-Peak \$.022468
Option 2 On-Peak \$.030034
Option 2 Off-Peak \$.022468

SCHEDULE G

Energy Charge per kWh: \$.020910