

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY UTILITIES COMPANY REVISED )  
SPECIAL CONTRACT WITH NORTH AMERICAN ) CASE NO.  
STAINLESS ) 2003-00137

O R D E R

On March 31, 2003, Kentucky Utilities Company ( KU ) filed a revised special contract for electric service to North American Stainless ( NAS ) for use at its steel mill melt shop in Carrollton, Kentucky. The revised contract is requested to be effective retroactively to June 1, 2002 and is to supersede the original contract dated July 24, 2000. The revised contract differs from the original contract in three limited areas: 1) all references to the start-up period have been deleted since NAS has already commenced permanent operations; 2) NAS s load, which under the original contract was classified as 100 percent interruptible, has been reclassified to reflect a small portion as firm with the remainder interruptible; and 3) KU s Value Delivery Surcredit has been included in the contract since it did not exist at the time the original contract was filed.

Based on a review of the revised contract and being otherwise sufficiently advised, the Commission finds that except for the retroactive effective date, the contract is reasonable and should be accepted. Pursuant to KRS 278.180(1), a utility is authorized to propose changes in rates after giving notice to the Commission and stating plainly the changes proposed to be made and the time when the changed rates *will* go into effect. (Emphasis added.) One of the basic tenets of rate-making is that

rates are established prospectively, not retroactively. The reclassification of a small portion of NAS's load as firm will revise its monthly billings. Since KRS 278.180(1) requires 30 days notice to the Commission of any change in rate, KU's revised contract with NAS should be accepted for service on and after April 30, 2003, and none of the provisions of the revised contract should be applied retroactively to June 1, 2002.

IT IS THEREFORE ORDERED that KU's revised contract with NAS for electric service to its steel mill melt shop is accepted and approved for service rendered on and after April 30, 2003 and that none of the provisions of the revised contract shall be applied retroactively.

Done at Frankfort, Kentucky, this 28<sup>th</sup> day of April, 2003.

By the Commission

ATTEST:

  
Executive Director