

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE APPLICATION OF THE)
FUEL ADJUSTMENT CLAUSE OF EAST KENTUCKY) CASE NO. 2004-00464
POWER COOPERATIVE, INC. FROM NOVEMBER 1,)
2002 TO OCTOBER 31, 2004)

O R D E R

Pursuant to Administrative Regulation 807 KAR 5:056, the Commission on December 13, 2004 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, 2004, 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 21, 2005 and filed supplemental information in response to a Commission staff data request on February 25, 2005. A public hearing was held on March 17, 2005. Gallatin Steel Company was permitted to intervene in this proceeding, but did not participate in the hearing.

EKPC proposed that the month of March 2004 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 20.25 mills per kWh, the fuel cost for the proposed base period. EKPC's current base fuel cost is 15.60 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 March 2004 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 13.94 mills per kWh in June 2003 to a high of 22.39 mills per kWh in August 2004, with an average cost for the period of 18.44 mills per kWh. Based upon this review, the Commission finds that EKPC has complied with Administrative Regulation 807 KAR 5:056 and that the proposed base period fuel cost of 20.25 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 Administrative Regulation 807 KAR 5:056.
2. The test month of March 2004 should be used as EKPC's base period for this review.
3. EKPC's proposed base period fuel cost of 20.25 mills per kWh should be approved.
4. The establishment of a base fuel cost of 20.25 mills per kWh requires a transfer (roll-in) of 4.65 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 are designed to reflect the transfer (roll-in) to base rates of the differential between the old base fuel cost of 15.60 mills and the new base fuel cost of 20.25 mills per kWh.

6. The rates in Appendix A are fair, just and reasonable and should be approved for service rendered on and after June 1, 2005.

7. For service rendered on and after June 1, 2005, EKPC should use an FAC rate based on a base fuel cost of 20.25 mills per kWh.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by EKPC through the FAC for the period November 1, 2002 to October 31, 2004 are approved.

2. EKPC's proposed base fuel cost of 20.25 mills per kWh is approved.

3. The rates in Appendix A are approved for service rendered on and after June 1, 2005.

4. For service rendered on or after June 1, 2005, EKPC shall use an FAC rate based on a base fuel cost of 20.25 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 approved rates.

Done at Frankfort, Kentucky, this 24th day of May, 2005.

By the Commission

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2004-000464 DATED MAY 24, 2005

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 in this Order 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: \$.027325

SCHEDULE B

Energy Charge per kWh: \$.027325

SCHEDULE C

Energy Charge per kWh: \$.027325

SCHEDULE E

Energy Charge per kWh:
Option 1 On-Peak \$.027620
Option 1 Off-Peak \$.027118
Option 2 On-Peak \$.034684
Option 2 Off-Peak \$.027118

SCHEDULE G

Energy Charge per kWh: \$.025560