

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE)
APPLICATION OF THE FUEL)
ADJUSTMENT CLAUSE OF KENTUCKY)
UTILITIES COMPANY FROM MAY 1,) CASE NO. 2005-00496
2005 THROUGH OCTOBER 31, 2005)

O R D E R

Pursuant to 807 KAR 5:056, Section 1(11), IT IS HEREBY ORDERED that:

1. Kentucky Utilities Company ("KU") shall appear at the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, on March 16, 2006 at 9:00 a.m., Eastern Standard Time, to submit itself to examination on the application of its fuel adjustment clause ("FAC") from May 1, 2005 through October 31, 2005. Neither opening statements nor witnesses' summaries of pre-filed testimony will be permitted.

2. KU shall notify its customers in writing of the date, time, place, and purpose of the hearing or shall publish notice in accordance with 807 KAR 5:011, Section 8(5). KU shall file with the Commission no later than March 16, 2006 proof of publication of this notice.

3. KU shall, not later than 21 days from the date of this Order, file with the Commission the original and 4 copies of the information requested in the attached Appendix A. Each copy shall be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed; for example, Item 1(a), Sheet 2 of 6. KU shall furnish with each response the name of the witness who will be available at the public hearing to respond to questions

concerning each area of information requested. Careful attention shall be given to copied material to ensure its legibility.

4. Any party who wishes to file testimony in this proceeding or to request information from KU may petition the Commission for a procedural schedule.

5. All documents that KU filed with the Commission pursuant to 807 KAR 5:056, Section 1(7) and (9), during the period under review are incorporated by reference into the record of this proceeding.

6. The official record of the proceeding shall be by video only, unless otherwise requested by a party to this proceeding.

Done at Frankfort, Kentucky, this 27th day of December, 2005.

By the Commission

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2005-00496 DATED DECEMBER 27, 2005

1. For the period from May 1, 2005 through October 31, 2005, list each vendor from whom coal was purchased and the quantities and the nature of each purchase (e.g., spot or contract).

2. For each generating station or unit for which a separate coal pile is maintained, state for the period from May 1, 2005 through October 31, 2005 the actual amount of coal burned in tons, the actual amount of coal deliveries in tons, the total kWh generated, and the actual capacity factor at which the plant operated.

3. List all firm power commitments for KU from May 1, 2005 through October 31, 2005 for (a) purchases and (b) sales. This list shall identify the electric utility, the amount of commitment in MW, and the purpose of the commitment (e.g., peaking, emergency).

4. Provide a monthly billing summary for sales to all electric utilities for the period May 1, 2005 through October 31, 2005.

5. List KU's scheduled, actual, and forced outages between May 1, 2005 and October 31, 2005.

6. List all existing fuel contracts categorized as long-term (i.e., more than 1 year in length). Provide the following information for each contract:

- a. Supplier's name and address.
- b. Name and location of production facility.
- c. Date when contract executed.
- d. Duration of contract.

- e. Date(s) of each contract revision, modification or amendment.
 - f. Annual tonnage requirements.
 - g. Actual annual tonnage received since the contract's inception.
 - h. Percent of annual requirements received during the contract's term.
 - i. Base price.
 - j. Total amount of price escalations to date.
 - k. Current price paid for coal under the contract (i ÷ j).
7. a. Does KU regularly compare the price of its coal purchases with those paid by other electric utilities?
- b. If yes, state:
- (1) How KU's prices compare with those of other utilities for the review period.
 - (2) The utilities that are included in this comparison and their location.
8. State the percentage of KU's coal, as of the date of this Order, that is delivered by:
- a. rail.
 - b. truck.
 - c. barge.
9. a. State KU's coal inventory level in tons and in number of days' supply as of October 31, 2005.
- b. Describe the criteria used to determine number of days' supply.

c. Compare KU's coal inventory as of October 31, 2005 to its inventory target for that date.

d. If actual coal inventory exceeds inventory target by 10 days' supply, state the reasons for excessive inventory.

e. (1) Does KU expect any significant changes in its current coal inventory target within the next 12 months?

(2) If yes, state the expected change and the reasons for this change.

10. a. Has KU audited any of its coal contracts during the period from May 1, 2005 through October 31, 2005?

b. If yes, for each audited contract:

(1) Identify the contract.

(2) Identify the auditor.

(3) State the results of the audit.

(4) Describe the actions that KU took as a result of the audit.

11. a. Has KU received any customer complaints regarding its FAC during the period from May 1, 2005 through October 31, 2005?

b. If yes, for each complaint, state:

(1) The nature of the complaint.

(2) KU's response.

12. a. Is KU currently involved in any litigation with its current or former coal suppliers?

b. If yes, for each litigation:

- (1) Identify the coal supplier.
- (2) Identify the coal contract involved.
- (3) State the potential liability or recovery to KU.
- (4) List the issues presented.
- (5) Provide a copy of the complaint or other legal pleading that

initiated the litigation and any answers or counterclaims. If a copy has previously been filed with the Commission, provide the date on which it was filed.

- c. State the current status of all litigation with coal suppliers.

13. a. During the period from May 1, 2005 through October 31, 2005, have there been any changes to KU's written policies and procedures regarding its fuel procurement?

- b. If yes:

- (1) Describe the changes.
- (2) Provide these written policies and procedures as changed.
- (3) State the date the changes were made.
- (4) Explain why the changes were made.

14. a. Is KU aware of any violations of its policies and procedures regarding fuel procurement that occurred prior to or during the period from May 1, 2005 through October 31, 2005?

- b. If yes, for each violation:

- (1) Describe the violation.
- (2) Describe the action(s) that KU took upon discovering the

violation.

(3) Identify the person(s) who committed the violation.

15. Identify all changes that occurred during the period from May 1, 2005 through October 31, 2005 in the organizational structure and personnel of the departments or divisions that are responsible for KU's fuel procurement activities.

16. a. Identify all changes that KU has made during the period under review to its maintenance and operation practices that also affect fuel usage at KU's generation facilities.

b. Describe the impact of these changes on KU's fuel usage.

17. List each written coal supply solicitation issued during the period from May 1, 2005 to October 31, 2005.

a. For each solicitation, provide the date of the solicitation, the type of solicitation (contract or spot), the quantities solicited, a general description of the quality of coal solicited, the time period over which deliveries were requested, and the generating unit(s) for which the coal was intended.

b. For each solicitation, state the number of vendors to whom the solicitation was sent, the number of vendors who responded, and the selected vendor. Provide the bid tabulation sheet or corresponding document that ranked the proposals. (This document should identify all vendors who made offers.) State the reasons for each selection.

18. List each oral coal supply solicitation issued during the period from May 1, 2005 to October 31, 2005.

a. For each solicitation, state why the solicitation was not written, the date(s) of the solicitation, the quantities solicited, a general description of the quality of

coal solicited, the time period over which deliveries were requested, and the generating unit(s) for which the coal was intended.

b. For each solicitation, identify all vendors solicited and the vendor selected. Provide the tabulation sheet or other document that ranks the proposals. (This document should identify all vendors who made offers.) State the reasons for each selection.

19. a. List all intersystem sales during the period under review in which KU used a third party's transmission system.

b. For each sale listed above:

(1) Describe how KU addressed for FAC reporting purposes the cost of fuel expended to cover any line losses incurred to transmit its power across the third party's transmission system.

(2) State the line loss factor used for each transaction and describe how that line loss factor was determined.

20. Describe each change that KU made during the period under review to its methodology for calculating intersystem sales line losses.