COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE APPLICATION OF THE FUEL ADJUSTMENT CLAUSE OF BIG RIVERS ELECTRIC CORPORATION FROM NOVEMBER 1, 2015 THROUGH APRIL 30, 2016	))))	CASE NO. 2016-00235

ORDER

Pursuant to 807 KAR 5:056, the Commission established this case on August 12, 2016, to review and evaluate the operation of the Fuel Adjustment Clause ("FAC") of Big Rivers Electric Corporation ("Big Rivers") for the six-month period that ended on April 30, 2016. As part of this review, Big Rivers responded to three requests for information and the Commission held a formal hearing in this matter on November 9, 2016. On November 16, 2016, Big Rivers filed its response to data requests made at the hearing.

The Commission has previously established Big Rivers' base fuel cost as 20.932 mills per kWh.[1] A review of Big Rivers' monthly FAC filings shows that the fuel cost billed for the period under review ranged from a low of 20.786 mills in April 2016 to a high of 22.782 mills in December 2015, with a six-month average of 21.717 mills.

Substitute Cost of Power During Forced Outage

The Commission became aware during the processing of the six-month review cases for the jurisdictional generators that it may not be clear to the utilities what power

[1] Case No. 2010-00495, *An Examination of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from July 17, 2009 Through October 31, 2010* (Ky. PSC May 31, 2011).

costs should be used in determining the substitute cost of power during a forced outage. The substitute cost of power should reflect the cost of the power that replaced the unit forced out of service. For example, if power was purchased to replace the lost generation, then the cost of the power purchases is the substitute cost. If the utility increased its own generation to substitute for the lost generation, then the cost of the generation is the substitute cost. If power was purchased <u>and</u> the utility generated additional power from other units to replace the lost generation, then the substitute cost is equal to the total of the power purchases and the fuel costs of the additional generation.

The Commission also became aware that, when calculating the substitute generation costs during a forced outage, Big Rivers uses the average cost of all other units operating during the forced outage period, rather than using the cost of a specific unit or units. The Commission understands that it could be difficult and overly burdensome to determine the exact unit or units affected by an outage and the extent to which they are affected. Therefore, the Commission finds Big Rivers' methodology of using the average cost of all other units operating during the forced outage period in calculating the substitute generation cost to be reasonable.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds no evidence of improper calculation or application of Big Rivers' FAC charges or improper fuel procurement practices.

IT IS THEREFORE ORDERED that the charges and credits billed by Big Rivers through its FAC for the period November 1, 2015, through April 30, 2016, are approved.

By the Commission

ENTERED

JAN 11 2017

KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

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