

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC EXAMINATION OF THE)	
APPLICATION OF THE FUEL ADJUSTMENT)	
CLAUSE OF KENTUCKY UTILITIES)	CASE NO.
COMPANY FROM NOVEMBER 1, 2016)	2019-00004
THROUGH OCTOBER 31, 2018)	

ORDER

Pursuant to 807 KAR 5:056, Section 1(12), IT IS HEREBY ORDERED that:

1. Kentucky Utilities Company (KU) shall appear in Hearing Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, on April 16, 2019, at 9:00 a.m., Eastern Daylight Time, to submit itself to examination on the application of its Fuel Adjustment Clause (FAC) from November 1, 2016, to October 31, 2018.

2. Not less than 7 days and no more than 21 days prior to the scheduled hearing, KU shall publish, in a newspaper of general circulation in each area in which it serves, notice of the purpose, time, place, and date of the scheduled hearing. In addition, the notice of hearing shall include the following statement: "This hearing will be streamed live and may be viewed on the PSC website, psc.ky.gov."

3. KU shall file with the Commission no later than April 15, 2019, proof of publication of its notice for the hearing.

4. The official record of the proceeding shall be by digital video recording only.

5. Neither opening statements nor summaries of pre-filed testimony will be permitted at the scheduled hearing.

6. The Commission adopts the procedural schedule set forth in Appendix A to this Order, which is incorporated by reference herein.

7. a. The information requested in Appendix B to this Order is due no later than 14 days from the date of entry of this Order. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable and shall be appropriately bookmarked. Responses shall include the name of the witness responsible for responding to the questions related to the information provided, an original in paper medium and an electronic version to the Commission.

b. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. A party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. A party filing a paper containing personal information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the document so that personal information cannot be read.

8. KU shall file with the Commission, no later than 14 days from the date of entry of this Order, written direct testimony of the witnesses KU intends to call at the scheduled hearing in this matter. The written direct testimony of these witnesses shall address, *inter alia*, the following issues:

a. The reasonableness of KU's fuel procurement practices during the review period;

b. Coal suppliers' adherence to contract delivery schedules during the review period;

c. KU's efforts to ensure coal suppliers' adherence to contract delivery schedules during the review period;

d. KU's efforts to maintain the adequacy of its coal supplies in light of any coal supplier's inability or unwillingness to make contract coal deliveries;

e. Any changes in coal market conditions that occurred during the review period or that KU expects to occur within the next two years that have significantly affected or will significantly affect KU's coal procurement practices; and

f. Any changes in the wholesale electric power market that occurred during the review period or that KU expects to occur within the next two years that have significantly affected or will significantly affect KU's electric power procurement practices.

9. Unless otherwise ordered by the Commission, the electronic filing procedures set forth in 807 KAR 5:001, Section 8, shall be followed when filing papers in

this proceeding. As set forth in 807 KAR 5:001, Section 4(11)(a), a person requesting permissive intervention in a Commission proceeding is required to demonstrate either (1) a special interest in the proceeding which is not adequately represented in the case, or (2) that the person requesting permissive intervention is likely to present issues or develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings. Further, KRS 278.040(2) requires that a person seeking intervention must have an interest in the rates or service of a utility, as those are the only matters that are subject to the Commission's jurisdiction.

Based on the foregoing, the Commission finds that any person requesting to intervene in a Commission proceeding must state with specificity the person's special interest that is not adequately represented, or the issues and facts the person will present that will assist the Commission in fully considering the matter. A mere recitation of the quantity of electricity consumed by the movant or a general statement regarding a potential impact of a possible modification of rates will not be deemed sufficient to establish a special interest.

10. Pursuant to 807 KAR 5:001, Section 8, unless a party granted leave to intervene states its objection to the use of electronic filing procedures in a motion for intervention, the party shall be deemed to have consented to the use of electronic filing procedures and the service of all papers, including Orders of the Commission, by electronic means; the party shall file with the Commission, within seven days of the date of an Order of the Commission granting the intervention, a written statement certifying that the party waives any right to service of Commission Orders by United States mail,

and that the party, or the party's authorized agent, possesses the facilities to receive electronic transmissions.

11. Intervenors may serve interrogatories and requests for production of documents upon KU in accordance with the procedural schedule set forth in Appendix A.

12. A person who submits a motion to intervene after March 4, 2019, and upon a showing of good cause is granted full intervention, shall accept and abide by the existing procedural schedule.

13. Any intervening party that intends to file testimony in this matter shall advise the Commission in writing of its intent to do so and shall, no later than March 28, 2019, move for modification of the procedural schedule, if necessary, to permit the filing of its testimony.

14. Motions for extensions of time shall be made in writing and will be granted only upon a showing of good cause.

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

16. The records of Case Nos. 2017-00284,¹ 2018-00020,² and 2018-00218³ are incorporated by reference into this proceeding.

¹ Case No. 2017-00284, *Electronic Examination of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from November 1, 2016 Through April 30, 2017* (Ky. PSC Jan. 10, 2018).

² Case No. 2018-00020, *Electronic Examination of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from May 1, 2017 Through October 31, 2017* (Ky. PSC May 18, 2018).

³ Case No. 2018-00218, *Electronic Examination of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from November 1, 2017 Through April 30, 2018* (Ky. PSC Dec. 3, 2018).

By the Commission

ENTERED
FEB 11 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2019-00004

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2019-00004 DATED **FEB 11 2019**

- KU shall file with the Commission the direct testimony of its witnesses in verified prepared form and the responses to requests for information set forth in Appendix B no later than 02/25/2019
- All requests for intervention shall be filed by..... 03/04/2019
- Intervenors and Commission Staff may serve interrogatories and requests for production of documents upon KU no later than..... 03/11/2019
- KU shall file with the Commission responses to interrogatories and requests for production of documents no later than..... 03/25/2019
- Last day for KU to publish notice of hearing date 04/09/2019
- Public Hearing is to begin at 9:00 a.m., Eastern Daylight Time, in Hearing Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, for the purpose of cross-examination of witnesses 04/16/2019

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2019-00004 DATED **FEB 11 2019**

1. For the period from May 1, 2018, to October 31, 2018 (the last six months of the period under review), provide the amount of coal purchased in tons, and the percentage of purchases that were spot versus contract.

2. For the last six months of the period under review, list each coal purchase made under a long-term contract (one year or greater). For each purchase, list:

- a. Contract or purchase order number;
- b. The supplier's name;
- c. The location(s) of production facilities from which the coal is sourced;
- d. The method of delivery, (i.e., barge, truck, rail, other);
- e. The actual quantity received during the review period; and
- f. Current price paid per ton.

3. a. As of the last day of the review period, state the coal inventory level in tons, and in number of days' supply. Provide this information by generating station and in the aggregate.

b. Describe the criteria used to determine the number of days' supply.

c. State the target coal inventory level for each generating station, and for the total system.

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

e. (1) State whether any significant changes in the current coal inventory target are expected within the next 12 months.

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

4. List each written coal-supply solicitation issued during the last six months of the period under review.

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(s). Provide the bid tabulation sheet or corresponding document that ranks the proposals. (This document shall identify all vendors who made offers.) State the reasons for each selection. For each lowest-cost bid not selected, explain why the bid was not selected.

5. List each oral coal-supply solicitation issued during the last six months of the period under review.

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(s) selected. Provide the bid tabulation sheet or other document that ranks the proposals.

(This document shall identify all vendors who made offers.) State the reasons for each selection. For each lowest-cost bid not selected, explain why the bid was not selected.

6. For the last six months of the period under review, list each vendor from whom natural gas was purchased for generation and the quantities and the nature of each purchase (i.e., spot or contract). Provide the percentage of purchases that were spot versus contract.

7. For the last six months of the period under review, state if there were any instances in which a natural gas generating unit could not be operated when it otherwise would have run, due to pipeline constraints or natural gas being unavailable.

8. State if there have been any changes to hedging activities for coal or natural gas purchases used for generation since the previous FAC review proceeding. If so, describe the changes in detail.

9. a. State whether KU has audited any of its fuel or transportation contracts during the last six months of the period under review.

b. If so, for each audited contract:

(1) Identify the contract;

(2) Identify the auditor; and

(3) State the results of the audit and describe the actions that KU

took as a result of the audit.

10. a. State whether KU is currently involved in any litigation with its current or former fuel suppliers or transportation vendors.

b. If yes, for each litigation:

(1) Identify the supplier or vendor;

- (2) Identify the contract involved;
- (3) State the potential liability or recovery to KU;
- (4) List the issues presented; and
- (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 and the case in which it was filed.

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

11. a. For the last six months of the period under review, state if there have been any changes to KU's written policies and procedures regarding its fuel procurement?

- b. If yes:

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

c. If no, provide the date KU's current fuel procurement policies and procedures were last changed, when they were last provided to the Commission, and identify the proceeding in which they were provided.

12. For the last six months of the period under review and for the years 2019 and 2020, list all firm power commitments for KU 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 (i.e., peaking, emergency).

13. Provide a monthly billing summary of sales to all electric utilities for the last six months of the period under review.

14. Describe the effect on the FAC calculation of line losses related to:

- a. Intersystem sales when using a third-party transmission system, and
- b. Intersystem sales when not using a third-party transmission system.

15. Provide a list, in chronological order, showing by unit, any scheduled, actual, and forced outages between for the last six months of the period under review. Provide a key for any information that is abbreviated.

16. For the last six months of the period under review, provide the monthly capacity factor at which each generating unit operated.

17. a. For the last six months of the period under review, explain if KU made any changes to its maintenance and operation practices, or completed any specific generation efficiency improvements that affect fuel usage at KU's generation facilities.

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

18. State whether KU is aware of any violations of its policies and procedures regarding fuel procurement that occurred prior to or during the last six months of the period under review.

19. State whether KU is aware of any violations of 807 KAR 5:056 that occurred prior to or during the last six months of the period under review.

20. State whether all fuel contracts related to commodity and transportation have been filed with the Commission. If any contracts have not been filed, explain why they have not been filed and provide a copy.

21. For each generating station, state the methods of coal delivery currently available.

22. If a change in the base fuel cost is proposed, state the month to be used as the base period (b). If the base period results in a fuel cost other than one representative of current costs as prescribed by 807 KAR 5:056, Section 1(2), explain why this base period was selected. If no change is proposed, include an explanation of the reason(s) KU believes the current base period fuel cost should remain unchanged.

23. Provide a calculation of the fossil fuel costs F(b) that KU proposes to use to calculate the base period fuel cost. This calculation shall show each component of F(b) as defined by 807 KAR 5:056. Explain why the fuel cost in the selected base period is representative of the level of fuel cost currently being experienced by KU.

24. Provide a schedule showing each component of sales as defined by 807 KAR 5:056 in the selected base period (b). Explain why KU believes that the sales in the selected base period (b) are representative of the level of kWh sales that KU will derive from the level of fuel cost incurred during the selected base period (b).

a. Separately provide the amounts of power purchases used in the calculation of sales provided.

b. Separately provide the amounts of intersystem power sales used in the calculation of sales provided.

25. Provide a schedule showing the calculation of KU's proposed increase or decrease in its base fuel cost per kWh to be incorporated into its base rate.

26. Provide a schedule of the present and proposed rates that KU seeks to change pursuant to 807 KAR 5:056, shown in comparative form.

27. Provide a copy of the current tariff showing by cross-outs and inserts all proposed changes in rates.

28. For the years ending October 31, 2017, and October 31, 2018, provide:

- a. Maximum annual system demand; and
- b. Average annual demand.

29. a. Provide a schedule of the calculation of the 12-month average line loss by month for November 2016 through October 2018.

b. Describe the actions that KU has taken to reduce line loss during this period.

30. Provide the most recent projected fuel requirements for the years 2019 and 2020 in tons for coal, MMBtu for natural gas, and dollars.

31. Provide the most recent sales projections for the years 2019 and 2020 in kWh and dollars.

32. Provide the planned maintenance schedule for each of the generating units for the years 2019 and 2020.

33. Identify any issues that could affect fuel costs for the two-year period that remain unresolved or unsettled. Include in the response any issues related to billings from a regional transmission operator. Consider this a continuing request to inform the Commission if KU becomes aware of any issues during the course of this proceeding.

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