

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF KENTUCKY)	
UTILITIES COMPANY OF AN AMENDMENT)	CASE NO.
TO A SPECIAL CONTRACT WITH NORTH)	2020-00090
AMERICAN STAINLESS, INC)	

ORDER

On March 9, 2020, Kentucky Utilities Company (KU) submitted an Amendment to Contracts for Electric Service with North American Stainless, Inc. (NAS) through the Commission's electronic Tariff Filing System. On March 30, 2020, the Commission issued an Order suspending the contract through September 7, 2020, and established a procedural schedule. The Commission, finding that discovery was not necessary, subsequently vacated the procedural schedule and allowed for the filing of comments in support of the special contract.

The filing amends a current contract between NAS and KU. KU states that because NAS account for greater than seven percent¹ of KU's total energy consumption, the monthly fluctuations in KU's Fuel Adjustment Clause (FAC) billing factor affect NAS more significantly than other customers. According to KU, NAS has requested this special contract that would allow KU to recover the costs of the FAC on annual average fixed fuel factor.² This change would allegedly allow NAS to more effectively budget its

¹ Comments of Kentucky Utilities Company In Support of the Proposed Amended Special Contract With North American Stainless, Inc. (filed June 8, 2020) at 2. (KU's Comments).

² *Id.*

energy costs, but would still pay the same total cost for fuel as it would under the monthly FAC billing factor.³ NAS states that the other states, such as Virginia and West Virginia, eschew monthly fuel adjustments and adjust or true up fuel costs on an annual basis.⁴ NAS asserts that monthly adjustments of the FAC have a negative impact on energy-intensive customers, such as NAS, whose monthly FAC charges can vary by hundreds of thousands of dollars. The monthly FAC charges are unpredictable and can swing from a charge one month to a credit another, complicating NAS's ability to budget and predict cash flow. NAS asserts that it also makes it difficult to analyze power usage because you cannot match usage to FAC costs.⁵ NAS alleges that a levelized FAC charge, with an annual true-up, would allow it to budget more accurately and invest capital rather than holding cash in reserve.⁶

KU states that because the monthly FAC billing factor is billed as a combined charge or credit of the FAC and off system sales (OSS), the sharing of OSS margins would be shared with NAS using a fixed annual average fixed OSS factor.⁷ This mechanism, called the NFOF, will be recalculated annually based upon comparing the NFOF to KU's Form A FAC and OSS factors, and any over or under collection of the FAC and OSS charges for the previous year will be charged to NAS over the following 12-month period. NAS asserts that even though it gains price certainty under the NFOF, it

³ *Id.* at 3.

⁴ Comments of North American Stainless, Inc. In Support of Special Contract (filed June 8, 2020) at 2. (NAS's Comments).

⁵ *Id.* at 3.

⁶ *Id.*

⁷ KU's Comments at 3.

still will not be charged any less in FAC costs; thus, NAS asserts that KU's customers are not discriminated against or otherwise harmed by the proposed contract.⁸

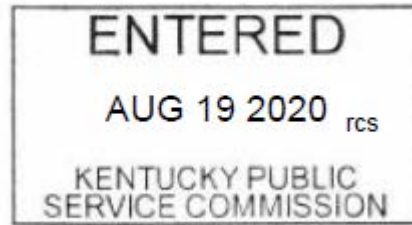
Based upon the language of the contract and the representations made by KU and NAS, the Commission finds that the Amendment to Contracts for Electric Service with North American Stainless, Inc. is reasonable and should be approved. The Commission makes this finding not only on the assurances of KU and NAS that NAS will pay its true costs associated with the FAC but also on the assurances that doing so will not negatively affect other ratepayers and that the NFOF will not result in a change to KU's Form A FAC or how it calculates its monthly FAC charge. The Commission, in future FAC review proceedings, will undertake all necessary inquiries to ensure that the NFOF, *inter alia*, does not result in a cost-shifting to other KU customers or results in a change in the way in which KU calculates its monthly FAC charge.

IT IS THEREFORE ORDERED that:

1. The Amendment to Contracts for Electric Service with North American Stainless, Inc. is approved and is effective as of the date of entry of this Order, and
2. This case is closed and removed from the Commission's docket.

⁸ NAS's Comment at 3-4.

By the Commission



ATTEST:

A handwritten signature in blue ink, appearing to be "H. C. C.", written over a horizontal line.

Acting Executive Director

*Honorable Allyson K Sturgeon
Senior Corporate Attorney
LG&E and KU Energy LLC
220 West Main Street
Louisville, KENTUCKY 40202

*Sara Judd
LG&E and KU Energy LLC
220 West Main Street
Louisville, KENTUCKY 40202

*Andrea M. Fackler
Manager, Revenue Requirement
LG&E and KU Energy LLC
220 West Main Street
Louisville, KENTUCKY 40202

*Kentucky Utilities Company
220 W. Main Street
P. O. Box 32010
Louisville, KY 40232-2010

*Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

*Honorable Kurt J Boehm
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

*Michael E Hornung
Kentucky Utilities Company
220 W. Main Street
P. O. Box 32010
Louisville, KY 40232-2010

*Honorable Michael L Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

*Robert Conroy
LG&E and KU Energy LLC
220 West Main Street
Louisville, KENTUCKY 40202