

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENTUCKY)	
POWER COMPANY TO DEFER A PORTION OF)	CASE NO.
FUEL ADJUSTMENT CLAUSE CHARGES FOR)	2022-00125
LATER COLLECTION WITHOUT ESTABLISHING)	
A REGULATORY ASSET)	

ORDER

On April 26, 2022, Kentucky Power Company (Kentucky Power) filed with the Commission proposed tariff sheets¹ seeking to reduce the Fuel Adjustment Clause (FAC) billings for the May 2022 billing period from what it would otherwise be pursuant to 807 KAR 5:056 and Kentucky Power’s tariff. Accompanying the proposed tariff sheet was Kentucky Power’s request that, pursuant to KRS 278.180(2) and because the proposed rate is a reduction in the FAC billings for May 2022, the Commission approve a shorter notice period for the proposed rate. Specifically, Kentucky Power requested that the proposed rate be approved effective for bills rendered between April 29, 2022, and May 27, 2022.

KRS 278.180(1) generally provides that a utility may not change its rates with shorter than 30 days’ notice. That notice period may be amended when a utility is proposing a rate reduction. Specifically, KRS 278.180(2) provides: “The commission, upon application of any utility, may prescribe a less time within which a reduction of rates may be made.”

¹ Attached as Appendix to this Order.

The monthly FAC factor is calculated pursuant to 807 KAR 5:056 and Kentucky Power's tariff based upon fuel and power costs of Kentucky Power and is thus considered the filed rate that Kentucky Power must charge.² Pursuant to regulation and the tariff, the FAC rate to be billed in May 2022 is \$0.02181 per kWh, however, the rate Kentucky Power proposes to charge is \$0.01729 per kWh, which is a clear reduction of the rate that is otherwise to be charged and the Commission may order a "less time within which a reduction of rates may be made."

The Commission finds that Kentucky Power's proposed tariff is reasonable and Kentucky Power may reduce its FAC billing factor, effective as of the date of this Order, for bills rendered between April 29, 2022, and May 27, 2022.

IT IS THEREFORE ORDERED that:

1. Kentucky Power's request for a reduced time in which to reduce its FAC rate is granted.
2. Kentucky Power's proposed FAC billing factor, for bills rendered between April 29, 2022, and May 27, 2022, is approved for service on and after the date of entry of this Order.

² See, KRS 278.160, and *Cincinnati Bell Telephone Co. v. Kentucky Public Service Com'n*, 223 S.W.3d 829, 837 (Ky. App. 2007).

PUBLIC SERVICE COMMISSION




Chairman

Vice Chairman

Commissioner



ATTEST:

 for
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2022-00125 DATED APR 28 2022

SIX PAGES TO FOLLOW

TARIFF F.A.C. (Cont'd)
(Fuel Adjustment Clause)

4. Forced outages are all nonscheduled losses of generation or transmission which require substitute power for a continuous period in excess of six (6) hours. Where forced outages are not as a result of faulty equipment, faulty manufacture, faulty design, faulty installations, faulty operation, or faulty maintenance, but are Acts of God, riot, insurrection or acts of the public enemy, then the utility may, upon proper showing, with the approval of the Commission, include the fuel costs of substitute energy in the adjustment. Until such approval is obtained, in making the calculations of fuel costs (F) in subsection (3)(a) and (b) above, the forced outage costs to be subtracted shall be no less than the fuel cost related to the lost generation.
5. Sales (S) shall be all kWh's sold, excluding intersystem sales. If, for any reason billed system sales cannot be coordinated with the fuel costs for the billing period, sales may be equated to: (i) generation, plus (ii) purchases, plus (iii) interchange in, less (iv) energy associated with pumped storage operations, less (v) intersystem sales referred to in subsection (3)(d) above, less (vi) total system losses. Utility used energy shall not be excluded in the determination of sales (S).
6. The cost of fossil fuel shall only include the cost of the fuel itself and necessary charges for transportation of the fuel from the point of acquisition to the unloading point, as listed in Account 151 of FERC Uniform System of Accounts for Public Utilities and Licensees, less any cash or other discounts.
7. At the time the fuel clause is initially filed, the utility shall submit copies of each fossil fuel purchase contract not otherwise on file with the Commission and all other agreements, options, amendments, modifications, and similar documents related to the procurement of fuel supply or purchased power. Any changes in the contracts or other documents, including price escalations, and any new agreements entered into after the initial submission, shall be submitted at the time they are entered into. If fuel is purchased from utility-owned or controlled sources, or the contract contains a price escalation clause, those facts shall be noted and the utility shall explain and justify them in writing. Fuel charges, which are unreasonable, shall be disallowed and may result in the suspension of the fuel adjustment clause based on the severity of the utility's unreasonable fuel charges and any history of unreasonable fuel charges. The Commission on its own motion may investigate any aspect of fuel purchasing activities covered by 807 KAR 5:056 (Fuel Adjustment Clause).
8. The monthly fuel adjustment shall be filed with the Commission no later than ten (10) days before it is scheduled to go into effect, along with all the necessary supporting data to justify the amount of the adjustment.
9. Copies of all documents required to be filed with the Commission under 807 KAR 5:056 shall be open and made available for public inspection at the office of the Public Service Commission pursuant to the provisions of KRS 61.870 to 61.884.
10. At six (6) month intervals, the Commission shall conduct a formal review and may conduct public hearings on a utility's past fuel adjustments. The Commission shall order a utility to charge off and amortize, by means of a temporary decrease of rates, any adjustments the Commission finds unjustified due to improper calculation or application of the charge or improper fuel procurement practice.
11. Every two (2) years following the initial effective date of each utility's fuel clause, the Commission shall conduct a formal review and evaluate past operations of the clause, disallow improper expenses, and to the extent appropriate, reestablish the fuel clause charge in accordance with Section 1 (2) of 807 KAR 5:056.
12. The Commission may conduct a public hearing if the Commission finds that a hearing is necessary for the protection of a substantial interest or is in the public interest.
13. Resulting cost per kilowatt-hour in February 2020 to be used as the base cost in Standard Fuel Adjustment Clause is:

Fuel- February 2020 ÷ \$12,810,858 = \$0.02612/kWh
Sales February 2020 490,482,730

This, as used in the Fuel Adjustment Clause, is 2.612¢ per kilowatt-hour.
 (Cont'd on Sheet 5-3)

DATE OF ISSUE: April 26, 2022
 DATE EFFECTIVE: Bills Rendered On And After April 29, 2022
 ISSUED BY: /s/ Brian K. West
 TITLE: Vice President, Regulatory & Finance
By Authority Of an Order of the Public Service Commission
In Case No. XXXX-XXXXX Dated XXXXX XX, XXXX

TARIFF F.A.C. (Cont'd)
(Fuel Adjustment Clause)

14. Kentucky Power will temporarily reduce the FAC rate from 0.02181 to 0.01729, which will be applied to customer bills rendered between April 29, 2022 and May 27, 2022. This rate reduction is the result of the Company's election to collect the first \$1,000,000 of FAC costs previously postponed (which total \$3,000,000) which otherwise would have been collected during the April 2022 billing month, and to postpone the collection of \$3,000,000 of FAC costs that otherwise would be collected during the May 2022 billing month. The rate reduction described in this paragraph will only be effective for and applied to customer bills rendered between April 29, 2022 and May 27, 2022. The Company has elected this temporary one-month rate reduction in an attempt to temporarily levelize fuel costs for customers and for the purposes of administrative efficiency after consulting with Commission Staff. More information about the Company's requests to temporarily levelize fuel costs for customers, including its pending request to amortize and collect the postponed costs in the June, July, and August 2022 billing cycles, can be found in the Company's Application filed in Case No. 2022-00125.

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DATE OF ISSUE: April 26, 2022
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TITLE: Vice President, Regulatory & Finance
By Authority Of an Order of the Public Service Commission
In Case No. XXXX-XXXXX Dated XXXXX XX, XXXX

KENTUCKY POWER COMPANY

P.S.C. KY. NO. 12 ~~1ST REVISED ORIGINAL~~ SHEET NO. 1-1 ±
CANCELLING P.S.C. KY. NO. ~~12 ORIGINAL 11-1ST REVISED~~ SHEET NO. 1-1 ±

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Capacity and energy Control Program		3-1 thru 3-6
Standard Nominal Voltages		4-1
Tariff F.A. C.	Fuel Adjustment Clause	5-1 thru 5-23 ±
Tariff R.S.	Residential Service	6-1 thru 6-3
Tariff R.S.-L.M.-T.O.D	Residential Load Management-Time-of-Day	6-4 thru 6-5
Tariff R.S.-T.O-D	Residential Service Time-of-Day	6-6 thru 6-7
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Tariff XXX	Reserved for Future Use	8-1 ±
Tariff L.G.S.	Large General Service	9-1 thru 9-3
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Tariff O.L.	Outdoor Lighting	14-1 thru 14-6 ±
Tariff S.L.	Street Lighting	15-1 thru 15-5 ±

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(Cont'd on Sheet No. 1-2)

DATE OF ISSUE: ~~April 26, 2022~~ 2021
DATE EFFECTIVE: Service Rendered On And After ~~April 29, 2022~~ January 14, 2021
ISSUED BY: /s/ Brian K. West
TITLE: Vice President, Regulatory & Finance
By Authority Of an Order of the Public Service Commission
In Case No. ~~XXX-XXXX-2020-00174~~ Dated ~~XXXX XX, XXXX~~ January 13, 2021; January 15, 2021; February 22, 2021; and March 17, 2021

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(Cont'd on Sheet 5-3)

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DATE OF ISSUE: ~~January April 26~~ 4, 2022
DATE EFFECTIVE: ~~Service Bills Rendered On And After April 29~~ February 13, 2022
ISSUED BY: /s/ Brian K. West
TITLE: Vice President, Regulatory & Finance
By Authority Of an Order of the Public Service Commission
In Case No. XXXX-XXXX Dated XXXX XX, XXXX
~~807 KAR 5:056, eff. 6-3-2021~~

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DATE OF ISSUE: ~~January~~ April 26~~14~~, 2022
DATE EFFECTIVE: ~~Service~~Bills Rendered On And After April 29~~February 13~~, 2022
ISSUED BY: /s/ ~~Brian K. West~~
TITLE: ~~Vice President, Regulatory & Finance~~
~~By Authority Of an Order of the Public Service Commission~~
~~In Case No. XXXX-XXXX Dated XXXX XX, XXXX~~
~~807 KAR 5:056, eff. 6-3-2021~~