COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE APPLICATION OF THE FUEL ADJUSTMENT CLAUSE OF KENTUCKY POWER COMPANY FROM NOVEMBER 1, 1990 TO OCTOBER 31, 1992	)	CASE NO. 92-492

O R D E R

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

1. Kentucky Power Company ("Kentucky Power") shall appear at the Commission's offices in Frankfort, Kentucky, on February 18, 1993 at 9:00 a.m., Eastern Standard Time, to submit itself to examination on the application of its fuel adjustment clause from November 1, 1990 to October 31, 1992.

2. Kentucky Power shall notify its customers in writing of the date, time, place, and purpose of the hearing or shall publish such notice in accordance with 807 KAR 5:011, Section 8(5).

3. Kentucky Power shall, on or before December 18, 1992, file with the Commission an original and 10 copies of the information requested in Appendix A, attached hereto and incorporated herein. 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. Kentucky Power 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.

Done at Frankfort, Kentucky, this 4th day of December, 1992.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 92-492 DATED December 4, 1992.

1. State the month to be used as the base period (b). Include a comprehensive, detailed explanation of the factors considered in the selection of this month as being representative of the net generating cost per KWH, which Kentucky Power can reasonably expect to incur during the next 2-year period.

2. Provide a calculation of the fossil fuel costs F(b) that Kentucky Power proposes to use in calculating the base period fuel cost. This calculation should show each component of F as defined by 807 KAR 5:056. Also provide a detailed explanation of why the fuel cost in the selected base period is representative of the level of fuel cost which Kentucky Power expects to incur during the next 2-year period.

3. Provide a schedule showing each component of sales as defined by 807 KAR 5:056 in the selected base period (b). Also provide a detailed explanation of the reasons for Kentucky Power's belief that the sales in the selected base period (b) are representative of the level of KWH sales which Kentucky Power expects to derive from the level of fuel cost incurred during the selected base period (b).

4. Provide a schedule showing the calculation of Kentucky Power's proposed increase or decrease in its base fuel cost per KWH to be transferred (rolled-in) to its base rate.

5. Provide Kentucky Power's most recent projected fuel requirements for the years 1993 and 1994, both in tons and dollars.

6. Provide Kentucky Power's most recent sales projections for the years 1993 and 1994, both in KWH and dollars.

7. Provide separately the amounts of purchases and interchange-in used in the calculation of sales provided in response to Item 3.

8. Provide separately the amounts of inter-system sales and interchange-out used in the calculation of sales provided in response to Item 3.

9. Provide the planned maintenance schedule for each of Kentucky Power's generating units for the period November 1, 1992 to October 31, 1994.

10. Provide the following demand information for the system for the years ending October 31, 1991 and October 31, 1992:

a. annual maximum demand;

b. average annual demand;

c. coincident peak;

d. non-coincident peak.

11. Provide a list of all firm power commitments for Kentucky Power from November 1, 1992 through October 31, 1994. Include the electric company's name, MW and purpose -- for example, peaking, emergency, etc. for (a) purchases and (b) sales.

12. Provide a monthly billing summary for sales to all electric companies for the period November 1, 1990 through October 31, 1992.

13. Provide the following line loss information:

a. A schedule of the calculation of the 12-month average line loss by month for November 1990 through October 1992;

b. A discussion of the steps that have been taken to reduce line loss during these periods.

14. Provide a copy of Kentucky Power's scheduled, actual, and forced outages for the 6-month period May 1, 1992 to October 31, 1992.

15. Provide an updated list of all existing fuel contracts categorized as long-term (i.e., more than 1 year in length) and include the following information for each:

a. name and address of supplier;

b. name and location of production facility;

c. date contract signed;

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 inception of the contract;

h. percent of annual requirements received;

i. base price;

j. total amount of price escalations to date; and

k. current price paid for coal under the contract (i + j).

16. Provide a schedule of the present and proposed rates which Kentucky Power seeks to change pursuant to 807 KAR 5:056, shown in comparative form.

17. Provide a statement showing by cross-outs and italicized inserts all proposed changes in rates. A copy of the current tariff may be used.

18. a. State whether Kentucky Power regularly performs any type of coal price comparison with other electric utilities on coal purchases.

b. If yes, state:

(1) how Kentucky Power compares with others.

(2) how many utilities are included in the comparison.

(3) the geographical region in which these utilities are located.

(4) the utilities which are included in this comparison.

19. State the percentage of Kentucky Power's coal, as of the date of this order, which is delivered by:

a. rail

b. truck

20. a. State Kentucky Power's coal inventory level in tons and in number of days supply as of November 1, 1992.

b. Describe the criteria used to determine days supply.

c. State how Kentucky Power's coal inventory as of November 1, 1992 compares 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) State whether Kentucky Power expects 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.

21. Describe the effect which the upcoming negotiations between the United Mine Workers Union and the Bituminous Coal Operators' Association are expected to have on Kentucky Power's coal inventory levels.

22. a. State whether Kentucky Power has audited any of its coal contracts during the period under review.

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 which Kentucky Power took as a result of the audit.

23. a. State whether Kentucky Power has received any customer complaints regarding its fuel adjustment clause during the period under review.

b. If yes, for each complaint, state:

(1) the nature of the complaint

(2) Kentucky Power's response

24. a. State whether Kentucky Power is 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 Kentucky Power.

(4) List the issues present.

(5) State its current status.

(6) provide a copy of the complaint or other legal pleading which initiated the litigation.

25. Provide a detailed explanation, including all supporting documentation, of any effects the Clean Air Act Amendments of 1990 will have on fuel costs during the two-year period beginning when the new base fuel rate becomes effective.