

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 BIG RIVERS) CASE NO. 96-521-A
ELECTRIC CORPORATION FROM)
NOVEMBER 1, 1996 TO APRIL 30, 1997)

O R D E R

Pursuant to Commission Regulation 807 KAR 5:056, the Commission on July 14, 1997 established this case to review and evaluate the operation of the fuel adjustment clause ("FAC") of Big Rivers Electric Corporation ("Big Rivers") for the 6 months ended April 30, 1997.

As part of this review, Big Rivers, pursuant to Commission Order, submitted certain information concerning its compliance with Commission Regulation 807 KAR 5:056. A public hearing was held on October 16, 1997.

Following the hearing in this matter, Big Rivers moved to stay the proceedings in this case and dismiss them with prejudice following the implementation of Big Rivers' Plan of Reorganization ("Plan").¹ In support of its motion, Big Rivers states that upon the Plan's effective date all claims to refunds arising from the operation of its FAC will be discharged and this proceeding will be rendered moot. Regardless of the Plan's effect on creditor claims, however, the Commission's statutory obligation to review the

¹ In Re Big Rivers Electric Corporation, No. 96-41168 (Bankr. W.D. Ky. June 1, 1998).

operation of Big Rivers' FAC continues. Accordingly, the Commission finds that Big Rivers' Motion should be denied.

The Commission has previously established Big Rivers' base fuel cost of 12.62 mills per Kwh.² A review of Big Rivers' monthly fuel clause filings shows that the actual fuel cost incurred for the 6-month period under review ranged from a low of 10.13 mills in January 1997 to a high of 10.88 mills in March 1997, with a 6-month average of 10.40 mills.

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 charge or improper fuel procurement practices.³

IT IS THEREFORE ORDERED that:

1. Big Rivers' Motion for Stay and Dismissal of Proceedings is denied.
2. The charges and credits billed by Big Rivers through its FAC for the period November 1, 1996 to April 30, 1997 are approved.

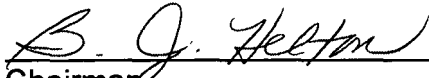
² Case No. 94-458, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 1992 to October 31, 1994 (March 5, 1996).

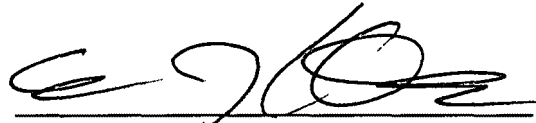
³ During the period under review, fuel costs related to Amendment No. 1 to Contract No. 527 and the Andalex Substitution Agreement were included in Big Rivers' FAC charge. The Commission has previously found that Big Rivers' entry into these fuel contracts was unreasonable and resulted in unreasonable fuel costs. See Case No. 90-360-C, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 1991 to April 30, 1992 (July 21, 1994). For the review period, Big Rivers has excluded from its FAC charge that portion of the fuel price which this Commission found unreasonable. No unreasonable fuel costs related to these contracts, therefore, are reflected in the FAC charges for the review period.

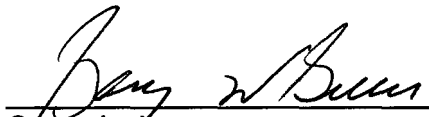
3. This proceeding is closed and shall be removed from the Commission's docket.

Done at Frankfort, Kentucky, this 5th day of August, 1998.

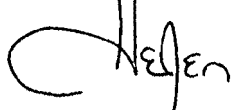
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