

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE APPLICATION OF THE)
FUEL ADJUSTMENT CLAUSE OF EAST) CASE NO. 8055
KENTUCKY POWER COOPERATIVE, INC.)
PURSUANT TO 807 KAR 5:056E, SECTIONS)
1(11) AND (12))

O R D E R

Pursuant to 807 KAR 5:056E, Sections 1(11) and (12), and following proper notice, a hearing was held on January 27, 1981, to review the operation of the standard fuel adjustment clause; to determine the amount of fuel cost that should be transferred (rolled-in) to the base rates of the Applicant; and to re-establish the fuel adjustment clause charge.

In response to the Commission's request for information, the Applicant filed data showing by month, for the period November 1978 through November 1980, the price paid for coal, freight costs, unit availability, unit performance, and the cost per kwh of net generation. In response to the request the Applicant stated its intent to use November 1980 as the test month or base period for purposes of arriving at the base fuel costs (F(b)) and kwh sales (S(b)), the components of the standard fuel adjustment clause. The base fuel cost requested using data for the month of November 1980 was 14.10 mills per kwh.

In establishing the level of base fuel cost to be included in the Applicant's rates, the Commission must determine whether the base period fuel cost per net kwh generated is normal or representative of the level of fuel cost actually being experienced by the Applicant. The Commission's review of data filed by the Applicant discloses that the cost of net generation for July, August, September and October of 1980 was 15.08, 15.32, 15.18 and 15.34 mills per kwh, respectively. Further, the Commission's analysis of the Applicant's fuel clause filings discloses that actual fuel cost for the six months ending

December 1980 ranged from a low of 13.33 mills per kwh in September of 1980 to a high of 15.16 mills in December 1980.

One other issue requires discussion at this point. In its Order in Case No. 8058 the Commission discussed in detail Kentucky Power's position that a transfer of fuel cost to the base rates will result in Kentucky Power not being able to bill all of the increase in fuel cost for the two months immediately preceding the first month the new base cost is billed. The Commission concluded, among other things, that there was some merit to Kentucky Power's position, and provided in that Order what it believes is a reasonable solution to the problem.

In this instance, the Applicant has one billing cycle; the service period for that cycle covers the calendar month; and the Applicant bills the distribution co-ops for the cost of providing service, during the calendar month, including fuel cost contained in its base rates, between the 5th and 7th of the following month. However, because of the ten-day pre-filing requirement contained in 807 KAR 5:056E, the Applicant cannot bill the increase or decrease in fuel cost until the second month following the month in which the increase or decrease occurs. For example, the base fuel cost for service rendered in March is billed on April 5th (the following month). However, the increase or decrease in March fuel cost is not billed until May 5th (the second month following the month the increase occurs). From this example it is clear that on April 5th the Applicant would bill all of the service rendered in March at the base fuel cost before roll-in of 13.05 mills. This base fuel cost would then be used to calculate the fuel adjustment clause rate filed by the Applicant in April and billed in May to recover or refund any difference in March actual fuel cost and the base fuel cost billed for March usage. If the Commission approved the Applicant's requested base fuel cost of 14.10 mills for service rendered on and after April 1, when the Applicant renders its bill on May 5th for April service it would bill all of April

service at the base fuel cost after roll-in of 14.10 mills. It is essential at this point to understand that not one kwh of March usage was billed at the base fuel cost after roll-in. Therefore, if the Applicant is to recover or refund any difference in the base fuel cost billed for March and the actual fuel cost for March, the fuel adjustment clause rate billed in May must be computed using the base fuel cost prior to roll-in of 13.05 mills. Since all of April usage is billed in May at the base fuel cost after roll-in of 14.10 mills, the computation of the fuel adjustment clause rate to be billed or refunded in June for any increase or decrease in actual April fuel cost must be computed using the base fuel cost of 14.10 mills which is billed in May for April usage.

The Commission, after review of the evidence of record and being advised, FINDS:

(1) That the Applicant has complied in all material respects with the provisions of 807 KAR 5:056E, Uniform Fuel Adjustment Clause.

(2) That the test month of November should be used as the Applicant's base period in this proceeding.

(3) That the Applicant's request for establishment of a base fuel cost of 14.10 mills should be granted.

(4) That the establishment of base fuel cost of 14.10 mills requires a transfer of .105¢ per kwh from the fuel adjustment clause rate to the Applicant's base rates and can best be accomplished by an energy adder to each kwh sold.

(5) That transfer of fuel cost to the Applicant's base rates will not result in any additional net margin to the Applicant.

(6) That the revised rates and charges set out in Appendix "A" of this Order are designed only to reflect the transfer (roll-in) to base rates of the differential between the old base fuel cost of 13.05 mills and the new base fuel cost of 14.10 mills.

(7) That the rates in Appendix "A" should be approved for service rendered on and after April 1, 1981.

(8) That the fuel adjustment clause rate for March to be billed in May should be computed using the base fuel cost prior to roll-in of 13.05 mills.

(9) That the fuel adjustment clause rate for April usage and the succeeding months is to be computed using the base fuel cost after roll-in of 14.10 mills approved herein.

IT IS THEREFORE ORDERED that the Applicant's request to establish a base fuel cost of 14.10 mills per kwh be and it is hereby approved.

IT IS FURTHER ORDERED that the rates set out in Appendix "A" shall be placed into effect for service rendered on and after April 1, 1981.

IT IS FURTHER ORDERED that the base fuel cost to be used for purposes of computing any increase or decrease in March fuel cost is the base fuel cost before roll-in of 13.05 mills.

IT IS FURTHER ORDERED that the base fuel cost to be used for purposes of computing any increase or decrease in fuel cost for April and succeeding months is 14.10 mills.

IT IS FURTHER ORDERED that the Applicant shall file within twenty (20) days of the date of this Order its revised tariff sheets setting out the rates in Appendix "A" approved herein.

Done at Frankfort, Kentucky, this 13thday of March, 1981.

PUBLIC SERVICE COMMISSION

Marlin M. Vohz
Chairman

Katherine Randall
Vice Chairman

Gene Larigan
Commissioner

ATTEST:

Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC
SERVICE COMMISSION IN CASE NO. 8055 DATED MARCH 13, 1981.

The following rates and charges are prescribed for the customers in the area served by East Kentucky Power Cooperative, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

Wholesale Power Rate Schedule

AVAILABILITY

Available to all cooperative associations which are or shall be members of the Seller. The electric power and energy furnished hereunder shall be separately metered for each point of delivery.

MONTHLY RATE - PER SUBSTATION OR METERING POINT

Substation Charge:

\$590 per month for each energized substation. In the event of joint utilization, this charge shall be divided equally.

Demand Charge:

\$5.85 per KW of billing demand.

Energy Charge:

All Kwh \$.02104 per Kwh

Minimum Monthly Charge:

The minimum monthly charge under the above rate shall not be less than \$590 to each member of each energized substation (metering point).