

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 ) CASE NO. 8587  
RIVERS ELECTRIC CORPORATION )  
FROM NOVEMBER 1, 1980, TO )  
OCTOBER 31, 1982 )

O R D E R

Pursuant to 807 KAR 5:056, Sections 1(11) and 1(12), the Public Service Commission ("Commission") issued its Order on August 23, 1982, scheduling a hearing to review the operation of the fuel adjustment clause of Big Rivers Electric Corporation ("Big Rivers") for the past 2 years and to determine the amount of fuel cost that should be transferred (rolled in) to the base rates in order to reestablish the fuel clause charge in accordance with 807 KAR 5:056 Section 1(2).

In response to the Commission's requests for information, Big Rivers proposed to use July 1982 as the base period (test month) for the purpose of arriving at the base fuel cost (F(b)) and the KWH sales (S(b)) components of the fuel adjustment clause. The base fuel cost proposed by Big Rivers was 15.77 mills per KWH. Big Rivers provided all requested information, and following proper notice, a hearing was held on January 24, 1983.

The sole intervenor in this case was the Consumer Protection Division of the Attorney General's Office ("AG"). The AG did not offer testimony, and on cross-examination did not challenge the level of actual fuel cost included in Big Rivers' monthly fuel filings, or the proposed base fuel cost of 15.77 mills per KWH.

The Commission's review of Big Rivers' monthly fuel filings disclosed that Big Rivers has not been determining the fuel costs associated with forced outages in accordance with the provisions of 807 KAR 5:056, Section 1(4). According to this regulation, Big Rivers must obtain approval from the Commission prior to including the fuel cost of substitute energy for a forced outage in the calculation of the fuel adjustment charge. The regulation states that "until such approval is obtained, in making the calculation of fuel cost (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." Thus, the Commission is of the opinion that Big Rivers should hereafter calculate the fuel cost (F) related to forced outages taking into consideration section 1, paragraph (4) of Administrative Regulation 807 KAR 5:056. After correcting the calculation of fuel costs related to the forced outage in Big Rivers' July 1982 fuel filing, the base fuel cost is 15.56 mills per KWH. Further, the Commission is of the opinion that a

retroactive adjustment is not necessary since Big Rivers is currently under-collected by approximately \$500,000.

In establishing the appropriate level of base fuel cost to be included in Big Rivers' rates, the Commission must determine whether the proposed base period fuel cost per KWH is representative of the level of fuel cost currently being experienced by Big Rivers. The Commission's review of generation mix, unit outages and unit availability disclosed that July 1982 was a reasonably representative generation month for Big Rivers. The Commission's analysis of Big Rivers' monthly fuel clause filings shows that the actual fuel cost incurred for the year ended October 1982 ranged from a low of 14.63 mills per KWH in November 1982 to a high of 16.63 mills per KWH in August 1982. With the exception of the filing error discussed above, the Commission is of the opinion that Big Rivers has complied with 807 KAR 5:056, and that the adjusted base period fuel cost of 15.56 mills per KWH should be approved.

On February 17, 1983, Big Rivers filed a proposal to recover the fuel lag over the remaining billing months in fiscal 1983 rather than bill the entire amount in 1 month due to the ailing economy and the economic condition of its consumers. Big Rivers believes this will help its consumers during this difficult period and will not materially affect Big Rivers. The Commission is of the opinion that the delayed recovery of the fuel lag should be approved and Big

Rivers should submit a proposal to implement the delayed recovery of the fuel lag.

Big Rivers has one billing cycle, and the service period for that cycle covers the calendar month. Big Rivers bills its distribution coops during the first week of the following month for the cost of providing service for the month, which includes the base period fuel costs contained in the base rates. If the Commission approved Big Rivers' adjusted proposed base fuel cost of 15.56 mills per KWH for service rendered on and after July 1, Big Rivers would bill its customers for July service in August at the base fuel cost after roll-in of 15.56 mills per KWH. Furthermore, bills for June service billed in July would be based on the base fuel cost before roll-in of 13.57 mills per KWH.

The Commission, having considered the evidence of record and being advised, finds that:

1. With the exception of the filing errors discussed herein, Big Rivers has complied in all material respects with the provisions of 807 KAR 5:056.

2. The test month of July 1982 should be used as Big Rivers' base period in this proceeding.

3. Big Rivers' proposed base period fuel cost adjusted for the filing error of 15.56 mills per KWH should be approved.

4. The establishment of a base fuel cost of 15.56 mills per KWH requires a transfer (roll-in) of .199 cents per

KWH from the fuel adjustment clause rate to Big Rivers' base rates and can best be accomplished by an energy adder to each KWH sold.

5. The revised rates and charges in Appendix A are designed to reflect the transfer (roll-in) to base rates of the differential between the old base fuel cost of 13.57 mills per KWH and the new base fuel cost of 15.56 mills per KWH.

6. The rates in Appendix A should be approved for service rendered on and after June 1, 1983.

7. The delayed recovery of the fuel lag should be approved and Big Rivers should submit a proposal to implement the delayed recovery of the fuel lag.

8. The fuel adjustment clause rate for June to be billed in July should be computed using the base fuel cost prior to roll-in of 13.57 mills per KWH.

9. The fuel adjustment clause rate for July usage and the succeeding months should be computed using the base fuel cost after roll-in of 15.56 mills per KWH approved herein.

IT IS THEREFORE ORDERED that the charges collected by Big Rivers through the fuel adjustment clause for the period November 1, 1980, through October 31, 1982, be and they hereby are approved.

IT IS FURTHER ORDERED that Big Rivers' proposed base period fuel cost adjusted for the filing error of 15.56 mills per KWH be and it hereby is approved.

IT IS FURTHER ORDERED that the rates in Appendix A be and they hereby are approved for service rendered by Big Rivers on and after July 1, 1983.

IT IS FURTHER ORDERED that within 20 days from the date of this Order Big Rivers shall file a proposal to implement the delayed recovery of the fuel lag for Commission approval.

IT IS FURTHER ORDERED that within 30 days from the date of this Order Big Rivers shall file with the Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 7th day of July, 1983.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary

APPENDIX "A"

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE  
COMMISSION IN CASE NO. 8587 DATED JULY 7, 1983

The following rates and charges are prescribed for the customers in the area served by Big Rivers Electric Corporation. 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.

RATE SCHEDULE:

A. Monthly Delivery Point Rate:

(1) Demand charge of:

All KW of billing demand at \$6.25 per kilowatt.

(2) Plus an energy charge of:

- (a) All KWH per month at \$.019809 per KWH plus an additional charge of \$.000322 per KWH for the specific purpose of amortizing the ten-year loan from the Louisville Bank for Cooperatives, this additional \$.000322 per KWH to continue until the said debt is paid. The total energy charge will be \$.020131 per KWH until such debt is paid and \$.019809 per KWH thereafter.

B. Fuel Clause:

The energy charge shall be increased or decreased by a fuel adjustment factor as follows:

$$\frac{F}{S} - \$0.01556$$