

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 ADJUST-)
MENT CLAUSE OF KENTUCKY UTILITIES) CASE NO. 8590-B
COMPANY FROM MAY 1, 1983,)
TO OCTOBER 31, 1983)

INTERIM ORDER

Pursuant to 807 KAR 5:056, Section 1(11), the Public Service Commission ("Commission") issued its Order on December 29, 1983, scheduling a hearing and requiring Kentucky Utilities Company ("KU") to provide a record of scheduled, actual and forced outages.

KU provided the data requested by the Commission's Order of December 29, 1983. KU also filed its monthly fuel adjustment filings for the 6-month period under review. Following proper notice, a hearing was held on January 19, 1984.

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 KU's monthly fuel filings.

In its Order issued on August 12, 1983, in Case No. 8590, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from

November 1, 1980, to October 31, 1982, the Commission fixed KU's base fuel cost at 18.91 mills per KWH. The Commission's review of KU's monthly fuel clause filings shows that the actual fuel cost incurred for the 6-month period under review ranged from a low of 18.51 mills in July 1983 to a high of 21.97 mills in August 1983.

Coal Contracts

In Case No. 8590, the Commission issued an Order on May 19, 1983, requiring KU to provide information concerning its coal supply agreements with River Processing, Inc., ("River Processing") and South East Coal Company ("South East"). Upon the motions of KU and the AG, the information request was held in abeyance to prevent KU from "expressing opinions concerning legal and other questions which have been and are issues between KU and other parties" to the coal supply agreements.

KU had initiated a declaratory judgment action against River Processing, in the Circuit Court of Fayette County, KY, which was subsequently withdrawn upon a renegotiation of the coal supply agreement. KU is also carrying on negotiations with South East concerning their coal supply agreement. Therefore, the Commission is of the opinion that KU should respond to the data request contained in Appendix A.

Despite the steps KU has taken to refine its coal supply agreements with River Processing and South East, the Commission is still concerned about the price KU is paying for coal under both coal supply agreements. At the present time, the Commission is

awaiting the outcome of KU's negotiations with South East. Therefore, the Commission is of the opinion that the findings with respect to KU's fuel procurement practices which would ordinarily be made at this time should continue to be held in abeyance and that this Order should be an Interim Order. A final Order will be issued upon conclusion of the Commission's review of KU's fuel procurement practices.

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

1. KU has complied with 807 KAR 5:056 regarding the calculation and application of its fuel adjustment clause.

2. KU should file with the Commission 12 copies of the information requested in Appendix A, except that for good cause shown the Commission may reduce the number of copies requested.

3. No findings are made at this time with respect to the propriety of KU's fuel procurement practices and this matter should be held in abeyance until the Commission has concluded its review.


IT IS THEREFORE ORDERED that KU shall file with the Commission, within 21 days of the date of this Order, 12 copies of the information requested in Appendix A.

IT IS FURTHER ORDERED that this docket shall remain open until the Commission has concluded its investigation of KU's fuel procurement practices.

Done at Frankfort, Kentucky, this 14th day of June, 1984.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

APPENDIX A

1. Provide copies of all correspondences, memoranda, reports, analyses, and all other documents received by KU or prepared by KU, including those for internal use, between June 1, 1982, and June 1, 1984, which discuss or refer to the River Processing coal supply agreement, excluding the legal pleadings previously filed with the Commission.

2. If the documents provided in response to request No. 1 do not include an analysis of the KU-River Processing litigation and support for a recommendation to settle the litigation, provide a written explanation of why and how the decision was made to settle said litigation.

3. Provide the name of each individual who was actively or passively involved with the KU-River Processing coal supply agreement, commencing on the date of KU's first discussion of the feasibility of instituting litigation through the December 29, 1983, agreement to dismiss.

4. For each individual named in response to request No. 3, provide a description of said individual's role and responsibility with respect to the decisions to institute litigation, to renegotiate a fuel supply agreement and to agree to the dismissal of litigation.

5. Provide a written analysis of each provision of the new coal supply agreement between KU and River Processing, Inc., and Coal Ridge Fuel, Inc., explaining how it differs from the prior coal supply agreement with River Processing, Inc.

6. Provide a tabulation of the price, quantity, and quality specifications comparing the new coal supply agreement with the prior coal supply agreement between KU and River Processing, Inc.

7. With respect to KU's negotiations with South East coal Company, provide:

a. A detailed analysis of each issue subject to negotiation;

b. A description of each party's position on each issue;

and

c. A report covering the present status of negotiations, a timetable for future negotiations and the expected date for conclusion.