

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 ADJUST-)
MENT CLAUSE OF KENTUCKY POWER) CASE NO. 9172-C
COMPANY FROM)
NOVEMBER 1, 1985,)
TO APRIL 30, 1986)

O R D E R

Pursuant to 807 KAR 5:056, Section 1(11), on May 27, 1986, we ordered Kentucky Power Company ("Kentucky Power") to provide a record of scheduled, actual and forced outages, and a calculation of over- or under-recovery of fuel costs for the 6-month period under review.

Kentucky Power provided the data requested and filed its monthly fuel adjustment computations for the 6-month period under review. A hearing was held on July 22, 1986.

The sole intervenor was the Consumer Protection Division of the Attorney General's Office ("AG"). The AG did not offer testimony and did not challenge the level of actual fuel cost included in Kentucky Power's monthly fuel filings.

On May 13, 1985, the Commission fixed Kentucky Power's base fuel cost at 17.40 mills per KWH. A review of Kentucky Power's computations shows that the fuel cost incurred for the 6-month period under review ranged from a low of 17.26 mills in March 1986

to a high of 19.96 mills in November 1985 with a 6-month average of 18.48 mills. The record in this case, the coal market conditions during this period and the data filed in support of the fuel adjustment clause rates indicate that the actual fuel costs included in the monthly fuel adjustment clause filing were reasonable.

Commencing in December 1984 and continuing throughout the period under review, Kentucky Power included in its fuel adjustment clause the fuel cost associated with its purchase of Rockport unit power. Since the Commission had previously denied Kentucky Power's request to charge its customers for the purchase of Rockport unit power,¹ Kentucky Power's charges for Rockport fuel appeared to be in violation of a Commission Order. Due to the complexity of the factual and legal issues presented and their dissimilarity to those normally reviewed in the semi-annual fuel clause proceedings, the Commission initiated Case No. 9325, "An Investigation of the Purchased Power Costs of Kentucky Power Company." That proceeding was concluded by an Order dated October 31, 1985, wherein Kentucky Power was ordered to cease charging its customers for Rockport fuel in excess of the cost of fuel for AEP pool power and to refund such excess collections since December 1984. Kentucky Power filed an action in the U. S. District Court, Eastern District, in Frankfort, Kentucky, seeking

¹ Order dated December 4, 1984, in Case No. 9061, "General Adjustment in Electric Rates of Kentucky Power Company."

a stay of the Commission's Order in Case No. 9325, which was granted on December 13, 1985. It should be noted, however, that if the courts ultimately find in favor of the Commission, the excess collections since December 1984 will have to be refunded.

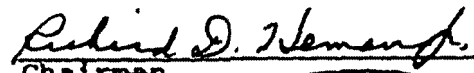
The Commission, having considered the evidence of record and being advised, is of the opinion and finds that:

1. Kentucky Power has complied in all material respects with the provisions of 807 KAR 5:056.

IT IS THEREFORE ORDERED that the charges and credits billed by Kentucky Power through the fuel adjustment clause for the period November 1, 1985, through April 30, 1986, be and they hereby are approved as modified in Case No. 9325.

Done at Frankfort, Kentucky, this 28th day of August, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director