

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 KENTUCKY ) CASE NO. 9173-B  
UTILITIES COMPANY FROM )  
MAY 1, 1985, TO OCTOBER 31, )  
1985 )

INTERIM ORDER

Pursuant to 807 KAR 5:056, Section 1(11), the Public Service Commission ("Commission") issued its Order on December 6, 1985, 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 6, 1985. KU also filed its monthly fuel adjustment filings for the 6-month period under review. Following proper notice, a hearing was held on January 28, 1986.

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 May 16, 1985, in Case No. 9173, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from November 1, 1982, to October 31, 1984, 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 18.62 mills in May 1985 to a high of 19.72 mills in September 1985.

#### Coal Contracts

KU had initiated a declaratory judgment action against River Processing, Inc., in the Circuit Court of Fayette County, Kentucky, which was subsequently settled and dismissed upon a renegotiation of the coal supply agreement. KU has also initiated litigation with South East Coal Company over their coal supply agreement with South East. This case has yet to be resolved.

Despite the steps KU has taken to lower the cost of coal purchased from River Processing and South East, the Commission is still concerned about the contract prices. 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:

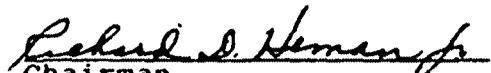
1. KU has complied with 807 KAR 5:056 regarding the calculation and application of its fuel adjustment clause.

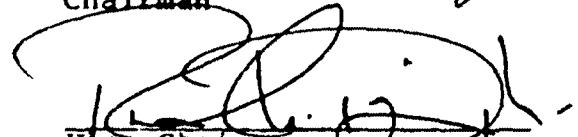
2. No findings are made at this time with respect to the propriety of KU's fuel procurement practices and this matter should be held in abeyance until the Commission has concluded its review.

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

Done at Frankfort, Kentucky, this 2nd day of May, 1986.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

\_\_\_\_\_  
Secretary