

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)
COMMISSION OF THE APPLICATION OF THE) CASE NO. 9173-C
FUEL ADJUSTMENT CLAUSE OF KENTUCKY)
UTILITIES COMPANY FROM NOVEMBER 1, 1985,)
TO APRIL 30, 1986)

O R D E R

On July 2, 1987, Kentucky Utilities Company ("KU") filed a further response to the Commission's Order entered January 16, 1987, wherein KU was directed to: (1) advise the Commission on a monthly basis of its progress in renegotiating rail/barge transloading contracts for the Ghent Plant, (2) provide the Commission with preliminary cost figures of the various rail/barge transloading options under consideration, and (3) submit for the Commission's approval any new rail/transloading contract.

KU's response states that it is not now engaged in any negotiations or renegotiations of long-term contracts for rail/barge transloading services and it has no present intent to enter any such long term contract. Consequently, KU seeks relief from the requirement of filing monthly reports on the progress of such negotiations.

Regarding the directive that KU supply preliminary cost figures on the rail/barge transloading options being considered, KU seeks relief from such obligation. KU claims that the cost figures frequently change and they represent highly confidential

information, the public disclosure of which could result in substantial monetary injury to KU and its ratepayers. Further, KU reiterates that its present intent is to not enter any long-term contracts as long as present market conditions continue.

Finally, KU states that the requirement for prior Commission approval of any long-term contract for rail/barge transloading services could seriously jeopardize KU's ability to react to market conditions. In lieu of such prior approval, KU suggests the utilization of some alternative procedure to monitor this issue, such as the six month Fuel Adjustment Clause proceeding or establishing some informal channel of communications between KU and Commission personnel.

Based on KU's response and being advised, the Commission finds that good cause has been shown to modify its Order entered January 16, 1987. KU's present intent to not enter any long term contracts for rail/barge transloading services to the Ghent Plant obviates the need for its filing monthly progress reports. However, this issue is one of great concern to the Commission due to its significant impact on the operating costs at the Ghent Plant. Therefore, the Commission will require KU to prepare a report of its negotiating activities for inclusion in its six month Fuel Adjustment Clause filings.

The Commission finds that KU should not be relieved of the obligation to file preliminary cost figures of alternatives under consideration merely because such figures are confidential and their disclosure could result in substantial monetary injury. The Commission has in force a regulation, 807 KAR 5:001, Section 7,

specifically designed to maintain the confidentiality of such information when filed with the Commission. However, since KU will not be required to file monthly progress reports there will be no need to presently file any cost figures. When KU files its semiannual report of negotiating activities, any cost analysis of rail/barge transloading services may be segregated and accompanied by a petition for confidentiality, pursuant to 807 KAR 5:001, Section 7.

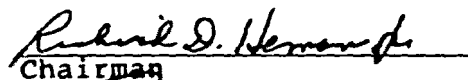
Lastly, the Commission has given further consideration to its directive that KU submit for Commission approval any new rail/barge transloading services. KU's argument that such a requirement could restrict its ability to react quickly to changing market conditions must be balanced against the Commission's responsibility for regulatory oversight. The subject of this inquiry is a long-term contract with a substantial monetary impact on the fuel cost at the Ghent Plant. The Commission is statutorily obligated to insure that any such long-term contracts will result in the lowest possible cost of service for KU's ratepayers. Consequently, KU should file any such contract for Commission review prior to the contract being finalized.

IT IS THEREFORE ORDERED that the Commission's Order entered January 16, 1987, be and it hereby is modified to the extent that: (1) KU's reports on the status of negotiations for rail/barge transloading services for the Ghent Plant need not be filed monthly but shall be filed semiannually as part of the Fuel Adjustment Clause review proceeding; and (2) any new contract for rail/barge transloading services need not be submitted for

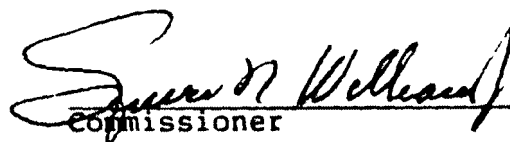
Commission approval but shall be filed for Commission review prior to the contract being finalized. All other provisions of the Order entered January 16, 1987, shall remain in full force and effect.

Done at Frankfort, Kentucky, this 8th day of September, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director