

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 BIG RIVERS ) CASE NO. 9730  
ELECTRIC CORPORATION )  
FROM NOVEMBER 1, 1984, TO )  
OCTOBER 31, 1986 )

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 November 12, 1986, 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 adjustment 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 the pro forma fuel cost of Case 9613<sup>1</sup> as the base period 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 12.44 mills per KWH. Big Rivers provided all requested information and, following proper notice, a hearing was held on February 10, 1987.

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<sup>1</sup> Big Rivers Electric Corporation's Notice of Changes in Rates and Tariffs for Wholesale Electric Service and of a Financial Workout Plan.

The intervenors in this case were the Utility and Rate Intervention Division of the Attorney General's Office ("AG") and National-Southwire Aluminum Company ("NSA"). Neither the AG nor NSA offered 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 12.44 mills per KWH.

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. Analysis of Big Rivers' submission in this case showed that its proposed base fuel cost of 12.443 mills per KWH was 2.16 mills per KWH lower than its present base fuel cost of 14.60 mills per KWH, and .51 mills per KWH lower than any monthly fuel cost incurred in the 2-year period. Big Rivers' rationale for selecting 12.443 mills per KWH for its base fuel cost was based on the use of a pro forma base period just as it proposed in Case 9613. In its Order in Case 9613, the Commission determined that at least one of the key assumptions of the pro forma base period, a high level of off-system sales, was probably not correct, and was addressed in the Order for Case 9613.<sup>2</sup> If, in fact, Big Rivers' estimate of off-system sales is too high, then the fuel cost will go up, as it burns a higher percentage of long-term contract coal as opposed to spot-market coal.

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<sup>2</sup> Order dated March 17, 1987, Case 9613, pages 25 and 26.

In response to the Commission's request for additional information dated January 5, 1987, Big Rivers selected October 1986 as a test month which resulted in a base fuel rate of 12.95 mills per KWH. The Commission's review of generation mix, unit outages and unit availability disclosed that October 1986 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 2-year period ended October 31, 1986, ranged from a low of 12.95 mills per KWH in October 1986, to a high of 15.77 mills per KWH in January 1985, with an average fuel cost for the 2-year period of 14.23 mills per KWH. 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 12.95 mills per KWH should be approved.

Big Rivers has one billing cycle and the service period for that cycle covers the calendar month. Big Rivers bills its distribution cooperatives 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 12.95 mills per KWH for service rendered on and after June 1, Big Rivers would bill its customers for June service in July at the base fuel cost after roll-in of 12.95 mills per KWH. Furthermore, bills for May service billed in June would be computed on the base fuel cost before roll-in of 14.60 mills per KWH.

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

(1) Big Rivers has complied in all material respects with the provisions of 807 KAR 5:056.

(2) The test month of October 1986 should be used as Big Rivers' base period in this procedure.

(3) A base period fuel cost of 12.95 mills per KWH should be approved.

(4) The establishment of a base fuel cost of 12.95 mills per KWH requires a transfer (roll-in) of (1.65) mills per KWH from the fuel adjustment clause rate to Big Rivers' base rates and can best be accomplished by a uniform reduction in all energy rates.

(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 14.60 mills per KWH and the new base fuel cost of 12.95 mills per KWH.

(6) The rates in Appendix A should be approved for service rendered on and after June 1, 1987.

(7) The fuel adjustment clause rate for May to be billed in July should be computed using the base fuel cost prior to roll-in of 14.60 mills per KWH.

(8) The fuel adjustment clause rate for June usage and the succeeding months should be computed using the base fuel cost after roll-in of 12.95 mills per KWH approved herein.

IT IS THEREFORE ORDERED that:

(1) The charges and credits applied by Big Rivers through the fuel adjustment clause for the period November 1, 1984, through October 31, 1986, be and they hereby are approved.

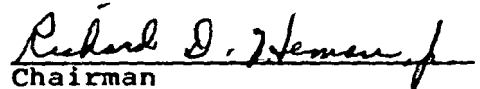
(2) A base period fuel cost for Big Rivers of 12.95 mills per KWH be and it hereby is approved.

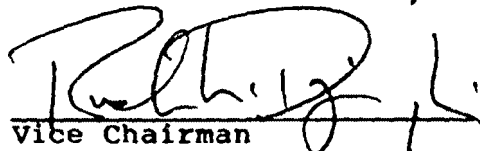
(3) The rates in Appendix A be and they hereby are approved for service rendered by Big Rivers on and after June 1, 1987.

(4) 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 6th day of May, 1987.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 9730 DATED 5/6/87

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:

Monthly Delivery Point Rate:

(1) Demand Charge of:

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

(2) Plus An Energy Charge Of:

All KWH per month at \$.017199