

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) CASE NO. 9733
KENTUCKY UTILITIES FROM)
NOVEMBER 1, 1984 TO)
OCTOBER 31, 1986)

O R D E R

On January 22, 1987, Kentucky Industrial Utility Customers ("KIUC") filed a motion seeking full intervention on behalf of the following industrial customers: American Greetings Corporation, Bundy Tubing Company, Clopay Corp., Corning Glass Works, Eaton Corp., and Union Underwear Company, Inc. KIUC's motion also set forth two issues that it alleges are relevant for review and consideration in this two-year investigation of Kentucky Utilities Company ("KU") fuel adjustment clause ("FAC"). Those issues are the existence of problems attendant to the coal utilized in the Ghent generating units and the appropriateness of flowing through, as a credit against the FAC, profits from off-system sales. KIUC requests that a separate hearing be held on these issues after adequate time is allowed for discovery.

On January 23, 1987, KU filed an objection to KIUC's motion. KU states that issues relating to fuel-related costs for the Ghent

units are already subject to review in Case No. 9631, "An Investigation into the Fuel Procurement Practices of Kentucky Utilities" and KIUC has already been granted intervention in that case. In response to the issue of crediting the FAC for profits from off-system sales, KU alleges that such a proposal would require modification of the existing FAC regulation, 807 KAR 5:056, and necessitate a change in the rate-making treatment of base rates. KU states that such changes are beyond the scope of this case and should be addressed in Administrative Case No. 309, "An Investigation of Fuel Clause Regulation 807 KAR 5:056."

Based on the evidence of record and being advised, the Commission is of the opinion and hereby finds that the existence of problems with coal utilized at the Ghent units is a proper issue for consideration in this case if the problems impacted the cost of fuel recovered through KU's FAC during the two-year period under review. Although KIUC has not provided any details of the nature of these coal problems, this issue appears to be separate and distinct from the issues of fuel procurement and contract administration being investigated in Case No. 9631.

The Commission finds that KIUC's suggestion to establish a credit to the FAC for profits from off-system sales would require a modification of the existing FAC regulation and consequently could not be done in this case. The Commission is presently conducting a general review of the FAC regulation in Administrative Case No. 309 and KIUC is encouraged to intervene and file written comments in support of its proposal in that case.

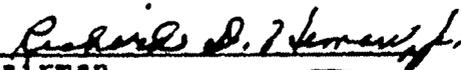
The hearing in this case has already been scheduled on February 10, 1987, and notice has been widely distributed. Good cause has not been shown to support a postponement of the hearing or the scheduling of a supplemental hearing. KIUC will be permitted to explore the problems of coal utilized at the Ghent units during the February 10, 1987, hearing and then seek additional discovery and a supplemental hearing if necessary.

IT IS THEREFORE ORDERED that:

1. KIUC's motion for full intervention be and it hereby is granted.
2. KU's objection to the consideration of problems with coal utilized at the Ghent units be and it hereby is denied.
3. KU's objection to consideration of the issue of crediting the FAC for profits from off-system sales be and it hereby is granted.
4. KIUC's request for a supplemental hearing be and it hereby is denied without prejudice.

Done at Frankfort, Kentucky, this 3rd day of February, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:

Executive Director


Commissioner