

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 EAST KENTUCKY) CASE NO. 94-459
POWER COOPERATIVE, INC. FROM NOVEMBER 1,)
1992 TO OCTOBER 31, 1994)

O R D E R

Pursuant to Commission Regulation 807 KAR 5:056, the Commission, on December 14, 1994, established this case to review and evaluate the operation of the Fuel Adjustment Clause ("FAC") of East Kentucky Power Cooperative, Inc. ("EKPC") for the 2 years ended October 31, 1994, and to determine the amount of fuel cost that should be transferred (rolled-in) to its base rates to reestablish its FAC charge.

As part of its review, the Commission ordered EKPC to submit certain information concerning its fuel procurement, its fuel usage, and the operation of its FAC. EKPC submitted this information on January 17, 1995. A public hearing was held in this case on March 2, 1995 at which Jerry Bordes, Charlene Creager, George Carruba, Randy Dials, and James Lamb, EKPC officials, testified.

EKPC proposed that its base fuel cost of 12.71 mills per KWH remain unchanged. In Case No. 92-491¹ the Commission selected July 1991 as the base period (test month) for the purpose of arriving at the base fuel cost [F(b)] and the KWH sales [S(b)] components of the FAC.

In establishing the appropriate level of base fuel cost to be included in EKPC's rates, the Commission must determine whether the existing base period cost per KWH remains representative of the level of fuel cost currently being experienced by EKPC. The Commission's review of generation mix, generation unit outages, and generation unit availability discloses that the month of July 1991 continues to be a reasonably representative generation month for EKPC. Our analysis of EKPC's monthly fuel cost incurred for the 2-year period in question ranges from a low of 11.53 mills per KWH in April 1993 to a high of 12.87 mills per KWH in January 1994, with an average cost for the period of 11.99 mills per KWH. Based upon this review, the Commission finds that EKPC has complied with Commission Regulation 807 KAR 5:056 and that the present base period fuel cost of 12.71 mills per KWH should continue in effect.

On February 24, 1995, EKPC requested certain modifications to its FAC Reporting Procedures related to its Gallatin Steel Load. EKPC contends that "[b]ecause this load is to be billed on an 'after-the-fact' cost basis, the actual cost of the fuel used to

¹ Case No. 92-491, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. from November 1, 1990 to October 31, 1992, Order dated April 5, 1993.

serve this load will be included on EKPC's wholesale power invoice. Therefore it would not be proper to include the Gallatin load in EKPC's FAC calculation, as no adjustment would be required to reconcile the billed cost to the actual fuel cost." The Commission finds that good cause exists to grant the request on an interim basis pending final resolution of Case No. 94-456.²

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

1. EKPC has complied with the provisions of 807 KAR 5:056.
2. The test month of July 1991 should continue to be used as EKPC's base period.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by EKPC through the FAC for the period of November 1, 1992 through October 31, 1994 be and they hereby are approved.

2. EKPC's proposed base fuel cost of 12.71 mills per KWH be and it hereby is approved.

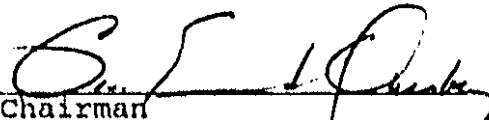
3. EKPC's request to modify its Monthly FAC Report is granted on an interim basis pending final resolution of Case No. 94-456.

² Case No. 94-456, East Kentucky Power Cooperative Inc.'s Filing of A Proposed Contract With Gallatin Steel Company.


Done at Frankfort, Kentucky, this

5th day of April, 1995.

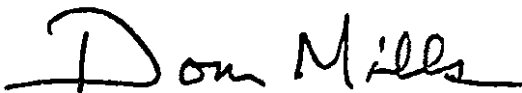
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director