

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. 94-461
UTILITIES COMPANY FROM NOVEMBER 1,)
1992 TO OCTOBER 31, 1994)

O R D E R

Kentucky Utilities Company ("KU") has moved for an Order determining when it should seek recovery through its fuel adjustment clause ("FAC") of potential reclamation costs. Kentucky Industrial Utility Customers, Inc. has submitted a response in opposition. KU has replied to that response. Having considered these filings, the Commission denies the motion.

On April 1, 1971, KU entered an agreement with AMAX Coal Company ("AMAX")¹ for coal deliveries to occur over a fifteen year period. Deliveries under this agreement ended in December 1988. The Agreement provides, inter alia, for payment to AMAX of certain reclamation costs which result from changes in existing federal law. Since 1990, AMAX has submitted invoices to KU for reclamation activities which total over \$1,860,354. KU refuses to pay these invoices. Certain of these claims are now pending arbitration. Unclear as to the appropriate regulatory treatment for these costs, KU requests that the Commission "determine whether recovery of the

¹ At the time of the Agreement, AMAX was American Metal Climax, Inc. American Metal Climax, Inc. subsequently became Cyprus Amax Minerals Company and AMAX Coal Company.

. . . reclamation costs is appropriate during the two-year review or at some later point in time." Motion at 3.

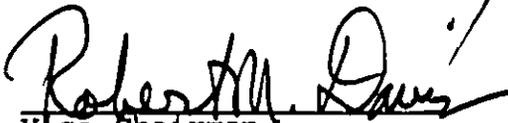
Of course, any award is hypothetical at this time. In any event, determining when a utility should apply for recovery of costs through its rates is a matter generally within the discretion of utility management.

IT IS THEREFORE ORDERED that KU's Motion For Guidance is denied.

Done at Frankfort, Kentucky, this 4th day of October, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director