COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF BIG RIVERS ELECTRIC CORPORATION'S WHOLESALE POWER CONTRACT WITH HOOSIER ENERGY RURAL ELECTRIC COOPERATIVE, INC.	))))	CASE NO. 93-163

O R D E R

The Commission approved the wholesale power contract between Big Rivers Electric Corporation ("Big Rivers") and Hoosier Energy Rural Electric Cooperative, Inc. ("Hoosier Energy") by Order dated January 5, 1996. The contract obligates Big Rivers to sell unit power capacity from its D.B. Wilson Unit No. 1 ("Wilson") for the months of June through September from 1993 through 1999. On January 26, 1996, Kentucky Industrial Utility Customers ("KIUC") petitioned for rehearing on one issue - the Commission's approval of incremental pricing of the fuel costs allocated to Hoosier Energy. KIUC argued that the fuel should be priced at actual Wilson fuel costs.

By Order dated February 14, 1996, the Commission granted rehearing based in part on KIUC's petition and in part on Big Rivers' response which indicated that the sale had been reclassified from non-firm to firm resulting in the fuel costs being allocated on system average rather than incremental costs. The scope of rehearing was limited to whether fuel for the sales to Hoosier Energy should be priced at incremental, average, or Wilson costs. Big Rivers and KIUC filed prepared direct testimony and then agreed to submit the case to the Commission for a decision without a hearing.

The Commission, based on the evidence of record and being otherwise sufficiently advised, finds that Big Rivers has used average monthly fuel costs for the sale to Hoosier Energy due to a decision by Big Rivers' Energy Control Department to treat the sale as a long-term firm transaction. That decision was reasonable and justifies the use of average monthly fuel costs rather than incremental costs. This cost allocation basis mirrors that used by Big Rivers for its other firm, off-system sales.

KIUC's evidence did not address its rehearing argument to price the Hoosier Energy sale at Wilson costs. Rather, its evidence endorsed the use of average fuel costs but recommended that hourly averaging was preferable to monthly averaging. The scant evidence presented by KIUC on this point is not persuasive.

IT IS THEREFORE ORDERED that the Commission's Order dated January 5, 1996 approving the wholesale power contract between Big Rivers and Hoosier Energy is modified to reflect the assignment of average monthly fuel costs to sales under the contract.

Done at Frankfort, Kentucky, this 10th day of July, 1996.

PUBLIC SERVICE COMMISSION

Linda K Breathitt
Chairman

Vice Chairman

Robert M. Davis
Commissioner

ATTEST:

Executive Director