

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-C
UTILITIES COMPANY FROM NOVEMBER 1,)
1995 TO APRIL 30, 1996)

O R D E R

Pursuant to Commission Regulation 807 KAR 5:056, Section 1(11), IT IS HEREBY
ORDERED that:

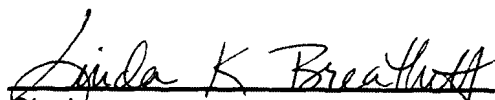
1. Kentucky Utilities Company ("KU") shall appear at the Commission's offices in Frankfort, Kentucky, on August 22, 1996 at 9:00 a.m., Eastern Daylight Time, to submit itself to examination on the application of its fuel adjustment clause ("FAC") from November 1, 1995 to April 30, 1996.
2. KU shall notify its customers in writing of the date, time, place, and purpose of the hearing or shall publish such notice in accordance with 807 KAR 5:011, Section 8(5).
3. KU shall, on or before July 12, 1996, file with the Commission an original and 6 copies of the information requested in Appendix A, attached hereto and incorporated herein. Each copy shall be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed; for example, Item 1(a), Sheet 2 of 6. KU shall furnish with each response the name of the witness who will be available at the public hearing to respond to questions concerning each

area of information requested. Careful attention shall be given to copied material to ensure its legibility.

4. The records of Cases No. 94-461,¹ No. 94-461-A,² and 94-461-B,³ KU's monthly FAC filings, and all other materials which KU filed with the Commission pursuant to 807 KAR 5:056 for the period from November 1, 1995 to April 30, 1996 are incorporated by reference into the record of this proceeding.

Done at Frankfort, Kentucky, this 13th day of June, 1996.


PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner

¹ Case No. 94-461, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from November 1, 1992 to October 31, 1994.

² Case No. 94-461-A, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from November 1, 1994 to April 30, 1995.

³ Case No. 94-461-B, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from May 1, 1995 to October 31, 1995.

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 94-461-C DATED JUNE 13, 1996

1. List each written coal supply solicitation issued during the period from November 1, 1995 to April 30, 1996.

a. For each, provide the date of the solicitation, the type of solicitation (contract or spot), the quantities solicited, a general description of the quality of coal solicited, the time period over which deliveries were requested, and the generating unit(s) for which the coal was intended.

b. For each, state the number of vendors to which the solicitation was sent, the number of vendors which responded, and the selected vendor. Provide the bid tabulation sheet or corresponding document which ranked the proposals. (This document should identify all vendors which made offers.) Briefly discuss the reasons for each selection.

2. List each oral coal supply solicitation issued during the period from November 1, 1995 to April 30, 1996.

a. For each, provide a brief explanation of why the solicitation was not written, the date(s) of the solicitation, the quantities solicited, a general description of the quality of coal solicited, the time period over which deliveries were requested, and the generating unit(s) for which the coal was intended.

b. For each, identify all vendors solicited and the vendor selected. Provide the tabulation sheet or other document which ranked the proposals. (This

document should identify all vendors who made offers.) Briefly discuss the reasons for each selection.

3. For the period from November 1, 1995 to April 30, 1996:
 - a. List each vendor from which coal was purchased and the quantities and the nature of each purchase (e.g., spot or contract).
 - b. State the number of solicitations issued to each vendor listed in part (a), identified as contract or spot solicitations, and the number of proposals made by each vendor in response to the solicitations.
4. For each generating station or unit for which a separate coal pile is maintained, state for the period from November 1, 1995 to April 30, 1996 the actual amount of coal burned in tons, actual amount of coal deliveries in tons, total KWH generated, and actual capacity factor at which the plant operated.
5. List all firm power commitments for KU from November 1, 1995 to April 30, 1996 for (a) purchases and (b) sales. This list shall identify the electric utility, the amount of commitment in MW and the purpose of the commitment (e.g., peaking, emergency).
6. Provide a monthly billing summary for sales to all electric utilities for the period November 1, 1995 through April 30, 1996.
7. List KU's scheduled, actual, and forced outages between November 1, 1995 and April 30, 1996.
8. List all existing fuel contracts categorized as long-term (i.e., more than 1 year in length). Provide the following information for each contract:
 - a. Supplier's name and address;
 - b. Name and location of production facility;

- c. Date when contract executed;
 - d. Duration of contract;
 - e. Date(s) of each contract revision, modification or amendment;
 - f. Annual tonnage requirements;
 - g. Actual annual tonnage received since the contract's inception;
 - h. Percent of annual requirements received during the contract's term;
 - i. Base price;
 - j. Total amount of price escalations to date;
 - k. Current price paid for coal under the contract (i + j).
9. a. Does KU regularly compare the price of its coal purchases with those paid by other electric utilities?
- b. If yes, state:
- (1) how KU's prices compare with those of other utilities.
 - (2) the utilities which are included in this comparison and their location.
10. What percentage of KU's coal, as of the date of this Order, is delivered by:
- a. barge?
 - b. rail?
 - c. truck?
11. a. State KU's coal inventory level in tons and in number of day's supply as of April 30, 1996.
- b. Describe the criteria used to determine number of days supply.

c. Compare KU's coal inventory as of April 30, 1996 to its inventory target for that date.

d. If actual coal inventory exceeds inventory target by 10 days' supply, state the reasons for excessive inventory.

e. (1) Does KU expect any significant changes in its current coal inventory target within the next 12 months?

(2) If yes, state the expected change and the reasons for this change.

12. a. Has KU audited any of its coal contracts during the period from November 1, 1995 to April 30, 1996?

b. If yes, for each audited contract:

(1) Identify the contract.

(2) Identify the auditor.

(3) State the results of the audit.

(4) Describe the actions which KU took as a result of the audit.

13. a. Has KU received any customer complaints regarding its fuel adjustment clause during the period from November 1, 1995 to April 30, 1996?

b. If yes, for each complaint, state:

(1) The nature of the complaint.

(2) KU's response.

14. a. Is KU currently involved in any litigation with its current or former coal suppliers?

b. If yes, for each litigation:

- (1) Identify the coal supplier.
- (2) Identify the coal contract involved.
- (3) State the potential liability or recovery to KU.
- (4) List the issues presented.
- (5) Provide a copy of the complaint or other legal pleading which

initiated the litigation, if not previously filed with the Commission.

c. State the current status of all litigation with coal suppliers.

15. a. During the period from November 1, 1995 to April 30, 1996, have there been any changes to KU's written policies and procedures regarding its fuel procurement?

b. If yes,

- (1) What were these changes?
- (2) Provide these written policies and procedures as changed.
- (3) When were these changes made?
- (4) Why were they made?

16. a. Is KU aware of any violations of its policies and procedures regarding fuel procurement which occurred prior to or during the period from November 1, 1995 to April 30, 1996?

b. If yes, for each violation:

- (1) Describe the violation.
- (2) Describe action which KU took upon discovering the violation.
- (3) Identify the person(s) who committed the violation.

17. Identify all changes in the organizational structure and personnel of the departments or divisions which are responsible for KU's fuel procurement activities which occurred during the period from November 1, 1995 to April 30, 1996.

18. a. Identify all changes which KU has made during the period under review to its maintenance and operation practices and which affect fuel usage at KU's generation facilities.

b. Describe the impact of these changes on KU's fuel usage.

19. What is the current status of FERC Docket No. 91-65-001?

20. What actions, if any, has KU taken during the period under review to implement the recommendations of Vantage Consulting regarding energy supply in its August 1994 Comprehensive Management Audit?

21. Describe the operation status during the period under review of:

a. Brown Combustion Turbine No. 8.

b. Brown Combustion Turbine No. 9.

c. Brown Combustion Turbine No. 10.

22. a. During the period under review, did KU purchase replacement power because combustion turbines listed in question 21 were unavailable?

b. If yes,

(1) Provide a schedule which, for each unit and each month of the review period, identifies replacement power purchases because of these units' non-availability.

(2) What efforts, if any, has KU taken to recover from the combustion turbines' designers and contractors the cost of replacement power purchased as a result of the non-availability of these combustion turbines?

(3) What is the result of these efforts?

(4) Provide all correspondence, internal memoranda and any other documents which discuss the combustion turbine blade failure and the recovery of replacement power costs.

(5) (a) What efforts, aside from those involving the combustion turbines' designers and contractors, has KU taken to recover the cost of replacement power purchased as a result of the non-availability of these combustion turbines?

(b) What were the results of these efforts?