

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. 96-523-B
UTILITIES COMPANY FROM MAY 1, 1997)
THROUGH OCTOBER 31, 1997)

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 February 19, 1998 at 9:00 a.m., Eastern Standard Time, to submit itself to examination on the application of its fuel adjustment clause ("FAC") from May 1, 1997 through October 31, 1997.

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 January 9, 1998, file with the Commission an original and 4 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. Any party who wishes to file testimony in this proceeding or to request information from KU may petition the Commission for a procedural schedule.

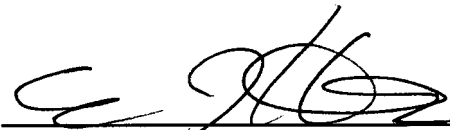
5. All documents which KU filed with the Commission pursuant to Administrative Regulation 807 KAR 5:056, Section 1(7) and 1(9), during the period under review are incorporated by reference into the record of this proceeding.

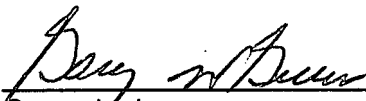
6. The record of Case No. 96-523¹ is incorporated by reference into the record of this proceeding.

Done at Frankfort, Kentucky, this 11th day of December, 1997.

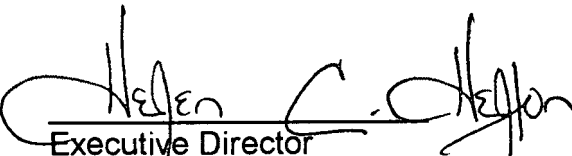
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

¹ Case No. 96-523, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company From November 1, 1994 to October 31, 1996.

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 96-523-B DATED DECEMBER 11, 1997

1. For the period from May 1, 1997 through October 31, 1997, list each vendor from whom coal was purchased and the quantities and the nature of each purchase (e.g., spot or contract).

2. For each generating station or unit for which a separate coal pile is maintained, state for the period from May 1, 1997 through October 31, 1997 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.

3. List all firm power commitments for KU from May 1, 1997 through October 31, 1997 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).

4. Provide a monthly billing summary for sales to all electric utilities for the period May 1, 1997 through October 31, 1997.

5. List KU's scheduled, actual, and forced outages between May 1, 1997 and October 31, 1997.

6. 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).
7. 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.
8. What percentage of KU's coal, as of the date of this Order, is delivered by:
- a. barge?
 - b. rail?
 - c. truck?
9. a. State KU's coal inventory level in tons and in number of days' supply as of October 31, 1997.
- b. Describe the criteria used to determine number of days' supply.

c. Compare KU's coal inventory as of October 31, 1997 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.

10. a. Has KU audited any of its coal contracts during the period from May 1, 1997 through October 31, 1997?

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.

11. a. Has KU received any customer complaints regarding its fuel adjustment clause during the period from May 1, 1997 through October 31, 1997?

b. If yes, for each complaint, state:

(1) The nature of the complaint.

(2) KU's response.

12. 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.

13. a. During the period from May 1, 1997 through October 31, 1997, 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?

14. a. Is KU aware of any violations of its policies and procedures regarding fuel procurement which occurred prior to or during the period from May 1, 1997 through October 31, 1997?

b. If yes, for each violation:

- (1) Describe the violation.
- (2) Describe the action(s) which KU took upon discovering the

violation.

(3) Identify the person(s) who committed the violation.

15. 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 May 1, 1997 through October 31, 1997.

16. 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.

17. 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.