

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 AMERICAN) CASE NO. 96-520
ELECTRIC POWER COMPANY FROM)
NOVEMBER 1, 1994 TO OCTOBER 31, 1996)

O R D E R

Pursuant to Commission Regulation 807 KAR 5:056, the Commission on November 14, 1996 established this case to review and evaluate the operation of the fuel adjustment clause ("FAC") of Kentucky Power Company, doing business as American Electric Power Company ("AEP"), for the two years ended October 31, 1996 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 this review, the Commission ordered AEP to submit certain information concerning its fuel procurements, its fuel usage, and the operation of its FAC. AEP submitted this information on December 13, 1996. A public hearing was held in this case on March 5, 1997 at which Todd Alleshouse, Betsy Kavander, and Errol Wagner, AEP officials, testified.

AEP proposed that its base fuel cost of 11.45 mills per KWH remain unchanged. In Case No. 94-460,¹ the Commission selected June 1994 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 its FAC.

In establishing the appropriate level of base fuel cost to be included in AEP's rates, the Commission must determine whether the proposed base period cost per KWH is representative of the level of fuel cost currently being experienced by AEP. The Commission's review of generation mix, generation unit outages, and generation unit availability discloses that the month of June 1994 continues to be a reasonably representative generation month for AEP. The analysis of AEP's monthly fuel clause filings showed that the actual fuel cost incurred for the 2-year period in question ranged from a low of 10.46 mills per KWH in January 1995 to a high of 13.18 mills per KWH in November 1994, with an average cost for the period of 11.35 mills per KWH. Based upon this review, the Commission finds that AEP has complied with Commission Regulation 807 KAR 5:056 and that the present base period fuel cost of 11.45 mills per KWH should continue in effect.

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

1. AEP has complied with the provisions of 807 KAR 5:056.
2. The test month of June 1994 should continue to be used as AEP's base period for this review.

¹ Case No. 94-460, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Power Company from November 1, 1992 to October 31, 1994.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by AEP through the FAC for the period November 1, 1994 to October 31, 1996 are approved.

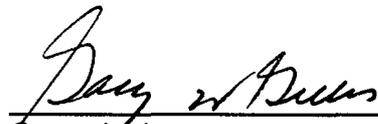
2. AEP's proposed base fuel cost of 11.45 mills per KWH is approved.

Done at Frankfort, Kentucky, this 10th day of September, 1998.

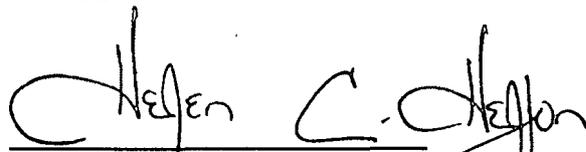
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director