

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE)
APPLICATION OF THE FUEL)
ADJUSTMENT CLAUSE OF KENTUCKY) CASE NO. 98-564
UTILITIES COMPANY FROM)
NOVEMBER 1, 1996 TO OCTOBER 31,)
1998)

O R D E R

Pursuant to Commission Regulation 807 KAR 5:056, Section 1(12), IT IS
HEREBY ORDERED that:

1. Kentucky Utilities Company ("KU") shall appear in Hearing Room 1 of the
Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky, on February 10, 1999
at 9:00 a.m., Eastern Standard Time, to submit itself to examination on the application
of its fuel adjustment clause from November 1, 1996 to October 31, 1998.

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 December 18, 1998, file with the Commission an
original and 10 copies of the information requested in Appendix A. 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. All documents that KU filed with the Commission pursuant to 807 KAR 5:056, Section 1(7) and Section 1(9), during the period under review are incorporated by reference into the record of this proceeding.

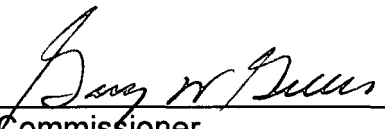
5. The records of Cases No. 96-523-A, 96-523-B, and 96-523-C are incorporated by reference into the record of this proceeding.

Done at Frankfort, Kentucky, this 1st day of December, 1998.

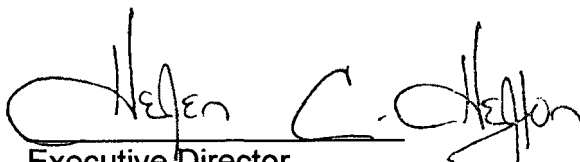
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 98-564 DATED 12/1/98

1. State the month to be used as the base period (b). Include a comprehensive, detailed explanation of the factors considered in the selection of this month as being representative of the net generating cost per KWH that KU will incur between November 1, 1998 and October 31, 2000 ("the next 2-year period").
2. Provide a calculation of the fossil fuel costs F(b) that KU proposes to use to calculate the base period fuel cost. This calculation should show each component of F(b) as defined by 807 KAR 5:056. Explain why the fuel cost in the selected base period is representative of the level of fuel cost that KU will incur during the next 2-year period.
3. Provide a schedule showing each component of sales as defined by 807 KAR 5:056 in the selected base period (b). Explain why KU believes that the sales in the selected base period (b) are representative of the level of KWH sales that KU will derive from the level of fuel cost incurred during the selected base period (b).
4. Provide a schedule showing the calculation of KU's proposed increase or decrease in its base fuel cost per KWH to be incorporated into its base rate.
5. Provide KU's most recent projected fuel requirements for the years 1999 and 2000 in tons and dollars.
6. Provide KU's most recent sales projections for the year 1999 and 2000 in KWH and dollars.

7. Provide separately the amounts of power purchases used in the calculation of sales provided in response to Item 3.

8. Provide separately the amounts of inter-system power sales used in the calculation of sales provided in response to Item 3.

9. Provide the planned maintenance schedule for each of KU's generating units for the period November 1, 1998 to October 31, 2000.

10. For the years ending October 31, 1997 and October 31, 1998, provide:

a. maximum annual system demand.

b. average annual demand.

11. List all firm power commitments for KU from November 1, 1998 through October 31, 2000 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).

12. Provide a monthly billing summary for sales to all electric utilities for the period November 1, 1996 through October 31, 1998.

13. a. Provide a schedule of the calculation of the 12-month average line loss by month for November 1996 through October 1998.

b. What actions has KU taken to reduce line loss during this period?

14. List KU's scheduled, actual, and forced outages between May 1, 1998 and October 31, 1998.

15. 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; and
- k. Current price paid for coal under the contract (i + j).

16. Provide a schedule of the present and proposed rates that KU seeks to change pursuant to 807 KAR 5:056, shown in comparative form.

17. Provide a statement showing by cross-outs and italicized inserts all proposed changes in rates. A copy of the current tariff may be used.

18. a. Does KU regularly perform any type of coal price comparison with other electric utilities on coal purchases?

b. If yes, state:

(1) how KU compares with others for the 6 months ended October 31, 1998.

(2) the utilities that are included in this comparison and their location.

19. What percentage of KU's coal, as of November 1, 1998, that is delivered by:

- a. barge?
 - b. rail?
 - c. truck?
20. a. State KU's coal inventory level in tons and in number of day's supply as of November 1, 1998.
- b. Describe the criteria used to determine day's supply.
 - c. Compare KU's coal inventory as of November 1, 1998 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.
21. a. Has KU audited any of its coal contracts during the period under review?
- 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 that KU took as a result of the audit.
22. a. Has KU received any customer complaints regarding its fuel adjustment clause during the period under review?

- b. If yes, for each complaint, state:
 - (1) the nature of the complaint.
 - (2) KU's response.

23. 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 present.
 - (5) Provide a copy of the complaint or other legal pleading that

initiated the litigation.

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

24. List each written coal supply solicitation issued during the period from May 1, 1998 to October 31, 1998.

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 units(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 that responded, and the selected vendor. Provide the bid tabulation sheet or corresponding document that ranked the proposals. (This document

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

25. List each oral coal supply solicitation issued during the period from May 1, 1998 to October 31, 1998.

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 that ranked the proposals. (This document should identify all vendors that made offers.) Briefly discuss the reasons for each selection.

26. For the period from May 1, 1998 to October 31, 1998:

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.

27. For each generating station or unit for which a separate coal pile is maintained:

a. State, for the period from May 1, 1998 to October 31, 1998, 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.

b. State the amount of contract deliveries in tons, estimated KWH generation if amount of coal burned was equal to contract deliveries, and estimated capacity factor at this estimated generation level.

28. a. During the period under review, 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?

29. a. Is KU aware of any violations of its policies and procedures regarding fuel procurement that occurred prior to or during the period under review?

b. If yes, for each violation:

(1) Describe the violation.

(2) Describe action that KU took upon discovering the violation.

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

30. Identify all changes in the organizational structure and personnel of the departments or divisions that are responsible for KU's fuel procurement activities which occurred during the period under review.