

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 UTILITIES	)	CASE NO. 98-564-B
COMPANY FROM MAY 1, 1999 TO	)	
OCTOBER 31, 1999	)	

ORDER

Kentucky Utilities Company ( KU ) has moved for the establishment of a proceeding to examine its fuel expenses for the expense months of May and June 1999 and to consolidate this proceeding with Case No. 98-564-A.<sup>1</sup> None of the parties to Case No. 98-564-A object to the motion. Having considered the motion and being otherwise sufficiently advised, the Commission finds that the motion should be granted. As KU s fuel adjustment clause ceased to operate on July 2, 1999,<sup>2</sup> the establishment of this proceeding and its consolidation with Case No. 98-564-A will promote a more efficient and effective review of KU s fuel adjustment clause ( FAC ).

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<sup>1</sup> Case No. 98-564-A, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from November 1, 1998 to April 30, 1999.

<sup>2</sup> On July 2, 1999, certain revisions to KU s filed rate schedules became effective subject to future change. Among these revisions were the establishment of an Electric Performance-Based Rate and the termination of the utility s FAC. KU s FAC remains in operation for the sole purpose of allowing recovery of fuel expenses incurred prior to July 2, 1999 and subject to final disposition under Administrative Regulation 807 KAR 5:056. See Case No. 98-474, Application of Kentucky Utilities Company for Approval of an Alternative Method of Regulation of its Rates and Services (April 13, 1999).

IT IS THEREFORE ORDERED that:

1. KU's Motion to Establish Final Review Period and Consolidate Proceedings is granted.

2. This proceeding is established, pursuant to Administrative Regulation 807 KAR 5:056, Section 1(11) to examine the operation of KU's FAC for the period from May 1, 1999 to October 31, 1999.

3. Case No. 98-564-B is consolidated with Case No. 98-564-A.

4. From this date, the Secretary of the Commission shall file all pleadings and papers in this proceeding in the record of Case No. 98-564-A.

5. KU shall no later than October 11, 1999, file with the Commission an original and 4 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 shall be appropriately indexed; for example, Item 1(a), Sheet 2 of 6.

6. KU shall furnish with each response the name of the witness who will be available at the public hearing to respond to questions about the response. Careful attention shall be given to copied material to ensure its legibility.

6. All documents that 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.

7. Any party wishing to submit interrogatories to KU regarding its responses to this Order shall file its request for leave to submit such interrogatories no later than October 25, 1999.

Done at Frankfort, Kentucky, this 27<sup>th</sup> day of September, 1999.

By the Commission

ATTEST:

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Executive Director

## APPENDIX A

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 98-564-B DATED SEPTEMBER 27, 1999

1. List each written coal supply solicitation issued during the period from May 1, 1999 to July 1, 1999.

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

2. List each oral coal supply solicitation issued during the period from May 1, 1999 to July 1, 1999.

a. For each solicitation, state 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 solicitation, identify all vendors solicited and the vendor selected. Provide the tabulation sheet or other document that ranks the proposals. (This document shall identify all vendors who made offers.) State the reasons for each selection.

3. For the period from May 1, 1999 to July 1, 1999, list each vendor from whom coal was purchased and the quantities and nature of each purchase (e.g., spot or contract).

4. For each generating station or unit for which a separate coal pile is maintained, state for the period from May 1, 1999 to July 1, 1999 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 commitments for KU from May 1, 1999 to July 1, 1999, for purchases and sales. This list shall identify the electric utility, the amount of the 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 from May 1, 1999 to July 1, 1999.

7. List KU's scheduled, actual, and forced outages between May 1, 1999 to July 1, 1999.

8. List all existing fuel contracts categorized as long-term (i.e., more than one 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 the contract was executed;
- d. Duration of the 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 that are included in this comparison and their location.
10. What percentage of KU s coal, as of July 1, 1999, is delivered by:
- a. Barge?
  - b. Rail?
  - c. Truck?
11. a. State KU s coal inventory level in tons and in number of days supply as of July 1, 1999.
- b. Describe the criteria used to determine number of days supply.
  - c. Compare KU s coal inventory as of July 1, 1999 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 changes and the reasons for this change.

12. a. Has KU audited any of its coal contracts during the period from May 1, 1999 to July 1, 1999?

b. If yes, for each audited contract:

(1) Identify the contract.

(2) Identify the auditor.

(3) State the results of the auditor.

(4) Describe the actions that 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 May 1, 1999 to July 1, 1999?

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 any of its current or former coal suppliers?

b. If yes, for each action:

(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 that 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 May 1, 1999 to July 1, 1999, 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 these changes made?
- 16.
  - a. Is KU aware of any violations of its policies and procedures regarding fuel procurement that occurred prior to or during the period from May 1, 1999 to July 1, 1999?
    - b. If yes, for each violation:
      - (1) Describe the violation.
      - (2) Describe the action(s) that 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 that are responsible for KU's fuel procurement activities that occurred during the period from May 1, 1999 to July 1, 1999.
- 18.
  - a. Identify all changes that 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. Provide a detailed breakdown (including dollar amount) for each component included in the energy charge for KU energy purchases from Owensboro Municipal Utilities ( OMU ) for the period from May 1, 1999 to July 1, 1999.
20. Provide the billing invoices for energy that KU purchased from OMU during the period from May 1, 1999 to July 1, 1999.
21. During the period under review, what changes, if any, did KU make to the method that it used to calculate its FAC charge?
22. Provide the line loss percentage for each intersystem sale for the period from May 1, 1999 to July 1, 1999.
23. a. Does KU purchase any coal on behalf of a power marketer to whom it sells power?
- b. If yes, describe each transaction in which such purchases were involved.
24. a. During the period from May 1, 1999 to July 1, 1999, did KU amend its Open Access Transmission Tariff with the Federal Energy Regulatory Commission?
- b. If yes, describe the amendments and provide the revised tariff sheets.
25. a. During the period from May 1, 1999 to July 1, 1999, did KU engage in any intersystem sales that required KU to use another utility's transmission system to make delivery of electric power?
- b. If yes,
    - (1) List each transaction.

(2) Describe how KU accounted for any line losses that occurred while transmitting the power on the third party utility's transmission system.