

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. 98-564-C
UTILITIES COMPANY FROM)
NOVEMBER 1, 1999 TO APRIL 30, 2000)

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 at 211 Sower Boulevard, Frankfort, Kentucky, on September 7, 2000 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, 1999 to April 30, 2000. Neither opening statements nor witnesses' summaries of prefiled testimony will be permitted.

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 August 4, 2000, file with the Commission an original and four 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 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.

6. The parties shall comply with all interrogatories and requests for production of documents that Commission Staff may submit.

Done at Frankfort, Kentucky, this 21st day of June, 2000.

By the Commission

ATTEST:


Executive Director

APPENDIX A

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

1. For the period from November 1, 1999 to April 30, 2000, 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 November 1, 1999 to April 30, 2000 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 November 1, 1999 to April 30, 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).

4. Provide a monthly billing summary for sales to all electric utilities for the period November 1, 1999 to April 30, 2000.

5. List KU's scheduled, actual, and forced outages between November 1, 1999 and April 30, 2000.

6. 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 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 or price escalations to date;
- k. Current price paid for coal under the contract ($i \div j$).

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 that 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 April 30, 2000.

b. Describe the criteria used to determine number of days' supply.

c. Compare KU's coal inventory as of April 30, 2000 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 November 1, 1999 to April 30, 2000?

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.

11. a. Has KU received any customer complaints regarding its fuel adjustment clause during the period from November 1, 1999 to April 30, 2000?

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 that

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 November 1, 1999 to April 30, 2000, 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 that occurred prior to or during the period from November 1, 1999 to April 30, 2000?

- 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.

15. 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 November 1, 1999 to April 30, 2000.

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

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

17. List each written coal supply solicitation issued during the period from November 1, 1999 to April 30, 2000.

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 shall identify all vendors who made offers.) State the reasons for each selection.

18. List each oral coal supply solicitation issued during the period from November 1, 1999 to April 30, 2000.

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.

19. a. List all intersystem sales during the period under review in which KU used a third party's transmission system.

b. For each sale listed above,
(1) Describe how KU addressed for fuel adjustment clause reporting purposes the cost of fuel expended to cover any line losses incurred to transmit its power across the third party's transmission system.

(2) State the line loss factor used for each transaction and describe how such line loss factor was determined.

20. Describe each change that KU made during the period under review to its methodology for calculating intersystem sales line losses.

21. Under provisions of the Commission's Order of June 1, 2000 in Case No. 98-474,¹ off-system power purchases identified as "reserve margin purchases" cannot be recovered through the FAC. For the period November 1, 1999 through April 30, 2000, provide a schedule of all off-system power purchases. For each purchase, state whether the cost of that purchase was flown through KU's FAC.

¹ Case No. 98-474, Application of Kentucky Utilities Company for Approval of An Alternative Method of Regulation of Its Rates and Service. (June 1, 2000)