

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, the Commission on June 21, 2000 established this case to review and evaluate the operation of the fuel adjustment clause ("FAC") of Kentucky Utilities Company ("KU") for the six months ended April 30, 2000.

As part of this review, KU, pursuant to Commission Order, submitted certain information concerning its compliance with Commission Regulation 807 KAR 5:056. A public hearing was held on September 7, 2000.

The Commission has previously established KU's base fuel cost of 12.59 mills per Kwh.¹ A review of KU's monthly fuel clause filings shows that the actual fuel cost incurred for the six-month period under review ranged from a low of 11.13 mills in March 2000 to a high of 12.03 mills in April 2000, with an average of 11.49 mills.

¹ Case No. 98-474, The Application of Kentucky Utilities Company for Approval of an Alternative Method of Regulation of Its Rates and Service, Orders dated April 13, 1999 and January 7, 2000.

In Case No. 96-523,² the Commission placed KU on notice that “in future FAC proceedings the utility may be directed to update its line loss study for intersystem sales or to prepare line loss studies to determine the line loss for each intersystem sales transaction made during a review period.” The line loss study that KU submitted in that proceeding to support its use of a line loss factor of one percent for intersystem sales is approximately three years old. The Commission places KU on notice that such study will be requested in the next biennial review of the operation of KU’s FAC and that KU should be prepared to address the reasonableness of its continued use of a one percent line loss factor in the calculation of the cost of fuel recovered from intersystem sales.

The record shows that KU has failed to comply in a timely manner with the provisions of Administrative 807 KAR 5:056, Section (1)(7). Coal contracts and purchase orders are not being filed with the Commission “at the time they are entered.” KU has not provided an adequate explanation for its delay. As submission and review of these documents are critical to the proper administration of KU’s FAC, we admonish KU to submit these documents in a more timely fashion. Any future failure to comply with this requirement may result in the imposition of appropriate sanctions.

Having considered the evidence of record and being otherwise sufficiently advised, and notwithstanding the failures noted in the paragraph above, the Commission finds no evidence of improper calculation or application of KU’s FAC charge or improper fuel procurement practices.

² 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 (August 30, 1999) at 8, n. 8.

IT IS THEREFORE ORDERED that the charges and credits billed by KU through its FAC for the period November 1, 1999 to April 30, 2000 are approved.

Done at Frankfort, Kentucky, this 30th day of October, 2000.

By the Commission

ATTEST:

Deputy W. H. Fowler
Executive Director