

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	)	CASE NO. 2002-00225
LOUISVILLE GAS AND ELECTRIC	)	
COMPANY FROM NOVEMBER 1, 2001	)	
TO APRIL 30, 2002	)	

O R D E R

Pursuant to Administrative Regulation 807 KAR 5:056, Section 1(11), IT IS  
HEREBY ORDERED that:

1. Louisville Gas and Electric Company ( LG&E ) shall appear at the Commission s offices at 211 Sower Boulevard, Frankfort, Kentucky, on August 29, 2002 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, 2001 to April 30, 2002.

2. LG&E shall notify its customers in writing of the date, time, place, and purpose of the hearing or shall publish such notice in accordance with Administrative Regulation 807 KAR 5:011, Section 8(5).

3. LG&E shall, on or before July 12, 2002, file with the Commission an original and 5 copies of the information set forth in Appendix B. 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. LG&E 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. At the scheduled hearing in this matter, neither opening statements nor summarization of direct testimony shall be permitted.

5. The procedural schedule set forth in Appendix A to this Order shall be followed.

6. The written direct testimony of LG&E s witnesses shall address, inter alia, the following issues:

a. The reasonableness of LG&E s fuel procurement practices during the review period.

b. LG&E s purchase of coal from affiliated entities.

c. LG&E s rules and internal policies in effect during the review period that govern LG&E s purchase of coal from affiliated entities.

d. Coal suppliers adherence to contract delivery schedules during the review period.

e. LG&E s efforts to ensure coal suppliers adherence to contract delivery schedules during the review period.

f. LG&E s efforts to maintain the adequacy of its coal supplies in light of any coal supplier s inability or unwillingness to make contract coal deliveries.

7. When any party files testimony in this proceeding, it shall file an original and 8 copies of that testimony.

8. Service of any document or pleading shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

9. All documents that the Commission requires any party to file with the Commission shall also be served upon all parties of record at or before the time of filing.

10. All parties shall respond to any interrogatories and requests for production of documents that Commission Staff submits in accordance with the procedural schedule set forth in Appendix A.

11. All documents that LG&E filed with the Commission pursuant to Administrative Regulation 807 KAR 5:056, Section 1(7) and 1(9), for the period under review are incorporated by reference into the record of this proceeding.

12. Any intervening party that wishes to file testimony in this matter shall advise the Commission in writing of its wishes and shall move for modification of the procedural schedule to permit such filing no later than August 14, 2002.

13. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

Done at Frankfort, Kentucky, this 27<sup>th</sup> day of June, 2002.

By the Commission

ATTEST:

*W. H. Fowler*  
Deputy Executive Director

APPENDIX A

AN APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2002-00225 DATED JUNE 27, 2002

LG&E shall file with the Commission the direct testimony of its  
witnesses in verified prepared form and file the information set forth  
in Appendix B no later than ..... 7/12/2002

Intervenors and Commission Staff may serve interrogatories  
and requests for production of documents upon  
LG&E no later than..... 7/26/2002

LG&E shall file with the Commission responses to interrogatories  
and requests for production of documents no later than ..... 8/09/2002

Last day for LG&E to publish notice of hearing date ..... 8/22/2002

Public Hearing is to begin at 9:00 a.m., Eastern  
Daylight Time, in Hearing Room 1 of the Commission s  
offices at 211 Sower Boulevard, Frankfort, Kentucky,  
for the purpose of cross-examination of witnesses ..... 8/29/2002

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2002-00225 DATED JUNE 27, 2002

1. List each written coal supply solicitation issued during the period November 1, 2001 to April 30, 2002.

a. For each solicitation provide the date of the 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 ranks the proposals. (This document shall identify all vendors who made offers.) State the reasons for each selection.

2. List each oral coal supply solicitation issued during the period from November 1, 2001 to April 30, 2002.

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 bid 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 November 1, 2001 to April 30, 2002, 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 November 1, 2001 to April 30, 2002 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 power commitments for LG&E from November 1, 2001 to April 30, 2002 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).

6. Provide a monthly billing summary for sales to all electric utilities for the period from November 1, 2001 to April 30, 2002.

7. List LG&E s scheduled, actual, and forced outages between November 1, 2001 and April 30, 2002.

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 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;
  - k. Current price paid for coal under the contract (i+j).
9. a. Does LG&E regularly compare the price of its coal purchases with those paid by other electric utilities?
- b. If yes, state:
- (1) How LG&E s prices compare with those of other utilities for the review period.
  - (2) The utilities that are included in this comparison and their location.
10. What percentage of LG&E s coal, as of the date of this Order, is delivered by:
- a. barge?
  - b. rail?
  - c. truck?
11. a. State LG&E s coal inventory level in tons and in number of days supply as of April 30, 2002.
- b. Describe the criteria used to determine number of days supply.

c. Compare LG&E's coal inventory as of April 30, 2002 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 LG&E 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.

12. a. Has LG&E audited any of its coal contracts during the period from November 1, 2001 to April 30, 2002?

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 LG&E took as a result of the audit.

13. a. Has LG&E received any customer complaints regarding its fuel adjustment clause during the period from November 1, 2001 to April 30, 2002?

b. If yes, for each complaint, state:

(1) The nature of the complaint.

(2) LG&E's response.

14. a. Is LG&E 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 LG&E.
- (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 November 1, 2001 to April 30, 2002, have there been any changes to LG&E's written policies and procedures regarding its fuel procurement?

- b. If yes,

- (1) What were these changes?
- (2) When were these changes made?
- (3) Why were they made?
- (4) Provide these written policies and procedures as changed.

c. If no, provide LG&E's current fuel procurement policies and procedures and the date they were last changed.

16. a. Is LG&E aware of any violations of its policies and procedures regarding fuel procurement that occurred prior to or during the period from November 1, 2001 to April 30, 2002?

- b. If yes, for each violation:

- (1) Describe the violation.

(2) Describe the action(s) that LG&E 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 LG&E's fuel procurement activities that occurred during the period from November 1, 2001 to April 30, 2002.

18. a. Identify all changes that LG&E made during the period under review to its maintenance and operation practices that affect fuel usage at LG&E's generation facilities.

b. Describe the impact of these changes on LG&E's fuel usage.

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

b. For each sale listed above,

(1) Describe how LG&E 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 any changes that occurred during the period under review that impact LG&E's determination of intersystem sales line losses.

21. Under the provisions of the Commission's Order of June 1, 2000 in Case No. 1998-00426,<sup>1</sup> off-system power purchases identified as reserve margin purchases cannot be recovered through the FAC. For the period November 1, 2001 through April 30, 2002, provide a schedule of all off-system power purchases that separately identify all reserve margin purchases. For each purchase, state whether the cost of that purchase was included in LG&E's cost of fuel for purposes of calculating LG&E's FAC charge.

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<sup>1</sup> Case No. 1998-00426, Application of Louisville Gas and Electric Company for Approval of an Alternative Method of Regulation of Its Rates and Service. (Ky. PSC June 1, 2000)