

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. 2002-00433
UTILITIES COMPANY FROM NOVEMBER 1,	)	
2000 TO OCTOBER 31, 2002	)	

O R D E R

Pursuant to Administrative Regulation 807 KAR 5:056, the Commission on December 13, 2002 established this case to review and evaluate the operation of the fuel adjustment clause ("FAC") of Kentucky Utilities Company ("KU") for the 2 years ended October 31, 2002, and to determine the amount of fuel cost that should be transferred (rolled-in) to its base rates to reestablish its FAC charge.

In establishing this review, the Commission ordered KU to submit certain information concerning its fuel procurement, fuel usage, and the operation of its FAC. KU submitted this information on January 21, 2003 and filed supplemental information in response to a Commission staff data request on February 10, 2003. The Attorney General of the Commonwealth of Kentucky and Kentucky Industrial Utility Customers, Inc. were permitted to intervene in this proceeding. A public hearing was held on February 18, 2003.

KU proposed that the month of May 2002 be used by the Commission as the base period (test month) for the purpose of arriving at the base fuel cost [F(b)] and the KWH sales [S(b)] components of its FAC. It further proposed that its base fuel cost be changed to 14.94 mills per KWH, the fuel cost for the proposed base period. KU's current base fuel cost is 12.59 mills per KWH.

In establishing the appropriate level of base fuel cost to be included in KU's rates, the Commission must determine whether the proposed base period cost per KWH is representative of the level of fuel cost currently being experienced by KU. The Commission's review of generation mix, generation unit outages, and generation unit availability discloses that the month of May 2002 is a reasonably representative generation month of KU. The analysis of KU's monthly fuel clause filings showed that the actual fuel cost incurred for the 2-year review period ranged from a low of 10.66 mills per KWH in November 2000 to a high of 16.08 mills per KWH in September 2002, with an average cost for the period of 13.91 mills per KWH. Based upon this review, the Commission finds that, with the exception of the cost incurred for the purchase of foreign coal previously disallowed in Case No. 2000-00497-B,<sup>1</sup> KU has complied with Administrative Regulation 807 KAR 5:056 and that the proposed base period fuel cost of 14.94 mills per KWH should be approved.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. KU has complied with the provisions of 807 KAR 5:056 except for the matter of its foreign coal purchase from July through October of 2001.
2. The test month of May 2002 should be used as KU's base period for this review.
3. KU's proposed base period fuel cost of 14.94 mills per KWH should be approved.

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<sup>1</sup> Case No. 2000-00497-B, An Examination by The Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Utilities Company from May 1, 2001 to October 31, 2001.

4. The establishment of a base fuel cost of 14.94 mills per KWH requires a transfer (roll-in) of 2.35 mills per KWH from the FAC rate to KU s base rates and can best be accomplished by a uniform increase in all energy rates.

5. The rates in Appendix A, attached hereto and incorporated herein, are designed to reflect the transfer (roll-in) to base rates of the differential between the old base fuel cost of 12.59 mills and the new base fuel cost of 14.94 mills per KWH.

6. The rates in Appendix A are fair, just and reasonable and should be approved for service rendered on and after May 1, 2003.

7. For service provided on or after May 1, 2003, KU should use an FAC rate based on a base fuel cost of 14.94 mills per KWH.

IT IS THEREFORE ORDERED that:

1. Except for the \$673,000 previously disallowed in Case No. 2000-00497-B, the charges and credits applied by KU through the FAC for the period November 1, 2000 to October 31, 2002 are approved.

2. KU's proposed base fuel cost of 14.94 mills per KWH is approved.

3. The rates in Appendix A are approved for service rendered on and after May 1, 2003.

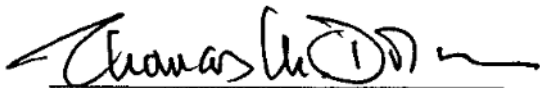
4. For service provided on or after May 1, 2003, KU shall use an FAC rate based on a base fuel cost of 14.94 mills per KWH.

5. Within 20 days of the date of this Order, KU shall file with the Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 23<sup>rd</sup> day of April, 2003.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Charles H. [unclear]", written over a horizontal line.

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2002-00433 DATED April 23, 2003

The following rates and charges are prescribed for the customers in the area served by Kentucky Utilities Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

SCHEDULE RS  
RESIDENTIAL SERVICE

Energy Charge per kWh:	
First 100 kWh used per month	\$ .04886
Next 300 kWh used per month	\$ .04452
Excess of 400 kWh used per month	\$ .04063

SCHEDULE FERS  
FULL ELECTRIC RESIDENTIAL SERVICE

Energy Charge per kWh:	
First 1,000 kWh used per month	\$ .04118
Excess of 1,000 kWh per month	\$ .03736

SCHEDULE RS  
RESIDENTIAL SERVICE

Energy Charge per kWh:	
First 500 kWh used per month	\$ .06275
Next 1,500 kWh used per month	\$ .05193
Excess of 2,000 kWh used per month	\$ .04743

SCHEDULE CWH  
COMBINED OF-PEAK WATER HEATING

Energy Charge per kWh	\$ .02595
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RATE 33  
ELECTRIC SPACE HEATING RIDER

Energy Charge per kWh	\$ .03823
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SCHEDULE A.E.S.  
ALL ELECTRIC SCHOOL

Energy Charge per kWh \$ .03833

SCHEDULE LP  
COMBINED LIGHTING AND POWER SERVICE

Energy Charge per kWh:  
First 500,000 kWh used per month \$ .02797  
Next 1,500,000 kWh used per month \$ .02564  
Excess of 2,000,000 kWh used per month \$ .02439

SCHEDULE LCI-TOD  
LARGE COMMERCIAL/INDUSTRIAL TIME-OF-DAY RATE

Energy Charge per kWh \$ .02152

SCHEDULE HLF  
HIGH LOAD FACTOR

Energy Charge per kWh \$ .02211

SCHEDULE MP  
COAL MINING POWER SERVICE

Energy Charge per kWh:  
First 500,000 kWh used per month \$ .02806  
Excess of 500,000 kWh used per month \$ .02474

SCHEDULE LMP-TOD  
LARGE MINE POWER TIME-OF-DAY RATE

Energy Charge per kWh \$ .02039

SCHEDULE M  
WATER PUMPING SERVICE

Energy Charge per kWh:  
First 10,000 kWh used per month \$ .04510  
Excess of 10,000 kWh used per month \$ .03815

SCHEDULE VFD  
VOLUNTEER FIRE DEPARTMENT

Energy Charge per kWh:

First 1,000 kWh used per month	\$ .04118
In Excess of 1,000 kWh used per month	\$ .03736

SCHEDULE ST. LT.  
STREET LIGHTING SERVICE

Rate per Light per Month: (Lumens Approximate)

	<u>Standard</u>	<u>Ornamental</u>
<u>Incandescent System:</u>		
1,000 Lumens	\$ 2.05	\$ 2.65
2,500 Lumens	\$ 2.50	\$ 3.23
4,000 Lumens	\$ 3.58	\$ 4.44
6,000 Lumens	\$ 4.76	\$ 5.72
10,000 Lumens	\$ 6.40	\$ 7.86
<u>Mercury Vapor:</u>		
3,500 Lumens	\$ 5.22	\$ 7.40
7,000 Lumens	\$ 6.03	\$ 8.08
10,000 Lumens	\$ 6.95	\$ 8.77
20,000 Lumens	\$ 8.17	\$ 9.63
<u>High Pressure Sodium:</u>		
4,000 Lumens	\$ 4.56	\$ 6.94
5,800 Lumens	\$ 4.95	\$ 7.33
9,500 Lumens	\$ 5.57	\$ 8.13
22,000 Lumens	\$ 8.22	\$ 10.77
50,000 Lumens	\$ 13.26	\$ 15.81

SCHEDULE DEC. ST. LT.  
STREET LIGHTING SERVICE

Rate per Light per Month: (Lumens Approximate)

Decorative Street Lighting Service:

Acorn with Decorative Pole	
4,000 Lumens	\$ 9.49
5,800 Lumens	\$ 9.97
9,500 Lumens	\$ 10.59

Acorn with Historic Pole	
4,000 Lumens	\$14.88
5,800 Lumens	\$15.36
9,500 Lumens	\$15.98
Colonial	
4,000 Lumens	\$ 6.25
5,800 Lumens	\$ 6.65
9,500 Lumens	\$ 7.21
Coach	
5,800 Lumens	\$22.86
9,500 Lumens	\$23.46
Contemporary	
5,800 Lumens	\$11.49
9,500 Lumens	\$13.68
22,500 Lumens	\$15.86
50,000 Lumens	\$20.54
Gran Ville	
16,000 Lumens	\$34.90
<u>P.O. Light:</u>	
Standard (Served Overhead):	
Mercury Vapor	
7,000 Lumens	\$ 6.93
20,000 Lumens	\$ 8.19
High Pressure Sodium	
5,800 Lumens	\$ 3.94
9,500 Lumens	\$ 4.50
22,500 Lumens	\$ 8.22
50,000 Lumens	\$13.26
Directional (Served Overhead):	
High Pressure Sodium	
9,500 Lumens	\$ 5.45
22,500 Lumens	\$ 7.72
50,000 Lumens	\$11.76
<u>P.O. Light:</u>	
Metal Halide Commercial and Industrial Lighting	
Directional Fixture	
12,000 Lumens	\$ 8.05
32,000 Lumens	\$11.16
107,800 Lumens	\$23.05



Directional Fixture with Wood Pole		
12,000 Lumens		\$ 9.84
32,000 Lumens		\$12.95
107,800 Lumens		\$25.53
Directional Fixture with Metal Pole		
12,000 Lumens		\$15.68
32,000 Lumens		\$18.79
107,800 Lumens		\$30.68
Contemporary Fixture Only		
12,000 Lumens		\$ 9.05
32,000 Lumens		\$12.56
107,800 Lumens		\$25.36
Contemporary Fixture with Metal Pole		
12,000 Lumens		\$16.68
32,000 Lumens		\$20.19
107,800 Lumens		\$32.99

P.O. Light:

Decorative HPS (Served Underground)

Acorn with Decorative Pole		
4,000 Lumens		\$ 9.49
5,800 Lumens		\$ 9.97
9,500 Lumens		\$10.60
Acorn with Historic Pole		
4,000 Lumens		\$14.88
5,800 Lumens		\$15.36
9,500 Lumens		\$15.99
Colonial		
4,000 Lumens		\$ 6.25
5,800 Lumens		\$ 6.65
9,500 Lumens		\$ 7.21
Coach		
5,800 Lumens		\$22.86
9,500 Lumens		\$23.46
Contemporary		
5,800 Lumens		\$11.49
9,500 Lumens		\$13.68
22,500 Lumens		\$15.86
50,000 Lumens		\$20.54
Gran Ville		
16,000 Lumens		\$34.90

C.O. Light:

Customer Outdoor Light

Incandescent		
2,500 Lumens		\$ 4.99

Mercury Vapor

3,500 Lumens

\$ 6.09

7,000 Lumens

\$ 6.95