

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE APPLICATION OF THE)	
FUEL ADJUSTMENT CLAUSE OF KENTUCKY)	CASE NO. 2004-00465
UTILITIES COMPANY FROM NOVEMBER 1,)	
2002 TO OCTOBER 31, 2004)	

O R D E R

Pursuant to Administrative Regulation 807 KAR 5:056, the Commission on December 13, 2004 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, 2004, 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, 2005 and filed supplemental information in response to a Commission staff data request on February 25, 2005. A public hearing was held on March 17, 2005.

KU proposed that the month of September 2004 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 18.10 mills per kWh, the fuel cost for the proposed base period. KU's current base fuel cost is 14.94 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 September 2004 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 13.73 mills per kWh in June 2003 to a high of 18.10 mills per kWh in September 2004, with an average cost for the period of 15.90 mills per kWh. Based upon this review, the Commission finds that, KU has complied with Administrative Regulation 807 KAR 5:056 and that the proposed base period fuel cost of 18.10 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 Administrative Regulation 807 KAR 5:056.
2. The test month of September 2004 should be used as KU's base period for this review.
3. KU's proposed base period fuel cost of 18.10 mills per kWh should be approved.
4. The establishment of a base fuel cost of 18.10 mills per kWh requires a transfer (roll-in) of 3.16 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 are designed to reflect the transfer (roll-in) to base rates of the differential between the old base fuel cost of 14.94 mills and the new base fuel cost of 18.10 mills per kWh.

6. The rates in Appendix A are fair, just and reasonable and should be approved to be effective with KU's first billing cycle for July 2005.

7. Beginning with its first billing cycle for July 2005, KU should use an FAC rate based on a base fuel cost of 18.10 mills per kWh.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by KU through the FAC for the period November 1, 2002 to October 31, 2004 are approved.

2. KU's proposed base fuel cost of 18.10 mills per kWh is approved.

3. The rates in Appendix A are approved to be effective with KU's first billing cycle for July 2005.

4. Beginning with its first billing cycle for July 2005, KU shall use an FAC rate based on a base fuel cost of 18.10 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 approved rates.

Done at Frankfort, Kentucky, this 24th day of May, 2005.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2004-00465 DATED MAY 24, 2005

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 in this Order 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	\$.04720
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SCHEDULE GS GENERAL SERVICE

Energy Charge per kWh	\$.05643
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SCHEDULE A.E.S. ALL ELECTRIC SCHOOL

Energy Charge per kWh	\$.04543
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SCHEDULE LP COMBINED LIGHTING AND POWER SERVICE

Energy Charge per kWh	\$.02516
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SCHEDULE LCI-TOD LARGE COMMERCIAL/INDUSTRIAL TIME-OF-DAY RATE

Energy Charge per kWh	\$.02516
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SCHEDULE MP COAL MINING POWER SERVICE

Energy Charge per kWh	\$.02716
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SCHEDULE LMP-TOD
LARGE MINE POWER TIME-OF-DAY RATE

Energy Charge per kWh \$.02316

SCHEDULE LI-TOD
LARGE INDUSTRIAL TIME-OF-DAY RATE

Energy Charge per kWh \$.02516

SCHEDULE VFD
VOLUNTEER FIRE DEPARTMENT

Energy Charge per kWh \$.04720

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	\$ 2.37	\$ 3.02
2,500 Lumens	\$ 2.96	\$ 3.76
4,000 Lumens	\$ 4.28	\$ 5.22
6,000 Lumens	\$ 5.71	\$ 6.76
<u>Mercury Vapor:</u>		
7,000 Lumens	\$ 6.85	\$ 9.11
10,000 Lumens	\$ 7.95	\$ 9.96
20,000 Lumens	\$ 9.46	\$ 11.07
<u>High Pressure Sodium:</u>		
4,000 Lumens	\$ 5.06	\$ 7.68
5,800 Lumens	\$ 5.52	\$ 8.13
9,500 Lumens	\$ 6.23	\$ 9.04
22,000 Lumens	\$ 9.28	\$ 12.07
50,000 Lumens	\$ 15.06	\$ 17.85

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	\$ 10 .46

5,800 Lumens	\$ 11.03
9,500 Lumens	\$ 11.73
Acorn with Historic Pole	
4,000 Lumens	\$16.38
5,800 Lumens	\$16.94
9,500 Lumens	\$17.65
Colonial	
4,000 Lumens	\$ 6.92
5,800 Lumens	\$ 7.39
9,500 Lumens	\$ 8.02
Coach	
5,800 Lumens	\$25.16
9,500 Lumens	\$25.85
Contemporary	
5,800 Lumens	\$12.69
9,500 Lumens	\$15.13
22,000 Lumens	\$17.66
50,000 Lumens	\$23.04
Gran Ville	
16,000 Lumens	\$38.44
<u>P.O. Light:</u>	
Standard (Served Overhead):	
Mercury Vapor	
7,000 Lumens	\$ 7.83
20,000 Lumens	\$ 9.46
High Pressure Sodium	
5,800 Lumens	\$ 4.42
9,500 Lumens	\$ 5.06
22,000 Lumens	\$ 9.28
50,000 Lumens	\$15.06
Directional (Served Overhead):	
High Pressure Sodium	
9,500 Lumens	\$ 6.10
22,000 Lumens	\$ 8.73
50,000 Lumens	\$13.41

P.O. Light:

Metal Halide Commercial and Industrial Lighting

Directional Fixture

12,000 Lumens	\$ 9.05
32,000 Lumens	\$ 12.71
107,800 Lumens	\$ 26.42

Directional Fixture with Wood Pole

12,000 Lumens	\$ 11.01
32,000 Lumens	\$ 14.68
107,800 Lumens	\$ 29.15

Directional Fixture with Metal Pole

12,000 Lumens	\$ 17.42
32,000 Lumens	\$ 21.08
107,800 Lumens	\$ 34.79

Contemporary Fixture

12,000 Lumens	\$ 10.14
32,000 Lumens	\$ 14.25
107,800 Lumens	\$ 28.96

Contemporary Fixture with Metal Pole

12,000 Lumens	\$ 18.52
32,000 Lumens	\$ 22.61
107,800 Lumens	\$ 37.33

P.O. Light:

Decorative HPS (Served Underground)

Acorn with Decorative Pole

4,000 Lumens	\$ 10.46
5,800 Lumens	\$ 11.03
9,500 Lumens	\$ 11.74

Acorn with Historic Pole

4,000 Lumens	\$ 16.38
5,800 Lumens	\$ 16.94
9,500 Lumens	\$ 17.66

Colonial

4,000 Lumens	\$ 6.92
5,800 Lumens	\$ 7.39
9,500 Lumens	\$ 8.02

Coach

5,800 Lumens	\$ 25.16
9,500 Lumens	\$ 25.85

Contemporary

5,800 Lumens	\$ 12.69
9,500 Lumens	\$ 15.13
22,000 Lumens	\$ 17.66
50,000 Lumens	\$ 23.04

Gran Ville	
16,000 Lumens	\$ 38.44

SCHEDULE STOD
SMALL TIME-OF-DAY SERVICE

Energy Charge per kWh	
On-Peak	\$.03116
Off-Peak	\$.01816

SPECIAL CONTRACT
West Virginia Pulp & Paper Co.

Energy Charge per kWh	\$.02516
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