

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 ADJUST-)
MENT CLAUSE OF KENTUCKY POWER) CASE NO. 9732-C
COMPANY FROM NOVEMBER 1, 1987)
TO APRIL 30, 1988)

O R D E R

Pursuant to 807 KAR 5:056, Section 1(11), the Commission issued its Order on May 27, 1988 scheduling a hearing and requiring Kentucky Power Company ("Kentucky Power") to provide a record of scheduled, actual, and forced outages, and a calculation of over- or under-recovery of fuel costs for the 6-month period under review.

Kentucky Power provided the data requested by the Commission's Order of May 27, 1988. Kentucky Power also filed its monthly fuel adjustment filings for the 6-month period under review. Following proper notice, a hearing was held on July 28, 1988.

The sole intervenor in this case was the Utility and Rate Intervention Division of the Attorney General's Office ("AG"). The AG did not offer testimony or challenge the level of actual fuel cost included in Kentucky Power's monthly fuel filings.

In its Order issued on April 14, 1987, the Commission fixed Kentucky Power's base fuel cost at 17.40 mills per Kwh. The

Commission's review of Kentucky Power's monthly fuel clause filings shows that the actual fuel cost incurred for the 6-month period under review ranged from a low of 14.00 mills in January 1988 to a high of 15.19 mills in April 1988 with a 6-month average of 14.55 mills.

The Commission's review of the record in this case, the coal market conditions during this period, and the data filed in support of the fuel adjustment clause rates indicate that the actual fuel costs included in the monthly fuel adjustment clause filing were reasonable.

Commencing in December 1984 and continuing throughout the period under review, Kentucky Power included in its fuel adjustment clause the fuel cost associated with its purchase of Rockport unit power. Since the Commission had previously denied Kentucky Power's request to charge its customers for the purchase of Rockport unit power,¹ Kentucky Power's charges for Rockport fuel appeared to be in violation of a Commission Order. Due to the complexity of the factual and legal issues presented and their dissimilarity to those normally reviewed in the semi-annual fuel clause proceedings, the Commission initiated Case No. 9325, "An Investigation of the Purchased Power Costs of Kentucky Power Company." That proceeding was concluded by an Order dated

¹ Order dated December 4, 1984 in Case No. 9061, "General Adjustment in Electric Rates of Kentucky Power Company."

October 31, 1985 wherein Kentucky Power was ordered to cease charging its customers for Rockport fuel in excess of the cost of fuel for AEP pool power and to refund such excess collections since December 1984. Kentucky Power filed an appeal of the Commission's Order in the Franklin Circuit Court. Pursuant to the Circuit Court's Order entered November 19, 1987, an agreed temporary injunction was issued staying the Commission's Order in Case No. 9325. It should be noted, however, that if the Court ultimately finds in favor of the Commission, the excess collections since December 1984 will have to be refunded.

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that Kentucky Power has complied in all material respects with the provisions of 807 KAR 5:056.

IT IS THEREFORE ORDERED that the charges and credits billed by Kentucky Power through the fuel adjustment clause for the period November 1, 1987 through April 30, 1988 be and they hereby are approved as modified in Case No. 9325.

Done at Frankfort, Kentucky, this 24th day of August, 1988.

PUBLIC SERVICE COMMISSION

Carl D. Hemmery
Chairman

Robert M. Davis
Vice Chairman

James N. Williams, Jr.
Commissioner

ATTEST:

Executive Director