

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF KENTUCKY)	
UTILITIES COMPANY OF AN AMENDMENT TO)	CASE NO. 2020-00090
A SPECIAL CONTRACT WITH NORTH)	
AMERICAN STAINLESS, INC.)	

COMMENTS OF KENTUCKY UTILITIES COMPANY
IN SUPPORT OF THE PROPOSED AMENDED SPECIAL CONTRACT WITH
NORTH AMERICAN STAINLESS, INC.

On May 22, 2020, the Kentucky Public Service Commission (“Commission”) issued an Order in the above-captioned proceeding, suspending the procedural schedule previously established in the Commission’s March 30, 2020 Order and requesting Kentucky Utilities Company (“KU”) and North American Stainless, Inc. (“NAS”) to file comments in support of, or in opposition to, the proposed special contract.¹

Pursuant to 807 KAR 5:011, Sections 2 and 13, KU filed an amendment to its contracts for electric service with NAS for approval by the Commission on March 9, 2020 with the Tariff Branch (see TFS2020-00112). Specifically, 807 KAR 5:011, Section 13, requires a utility to “file

¹ NAS filed a motion to intervene in this proceeding on March 31, 2020, which was granted by the Commission on April 6, 2020. Since that time, there has been no discovery filed in this case.

a copy of each special contract that establishes rates, charges, or conditions of service not contained in its tariff.”

As the Commission is aware, KU has served NAS for many years under its standard tariff offerings as well as through special contracts. Because NAS is KU's largest customer, accounting for greater than 7% of KU's total energy consumption, NAS is more significantly impacted than any other customer by monthly fluctuations in KU’s fuel adjustment clause ("FAC") billing factor. As a result, NAS requested, and KU agreed to propose, a special contract which would allow KU to recover changes in fuel costs related to NAS's electric service using an annual average fixed fuel factor without the need to modify KU’s fuel adjustment clause mechanism. This proposed contract ensures NAS still pays its share of fuel costs related to its energy consumption, thus ensuring no cost shifts to other customers.

On April 27, 2020, the Commission issued an order in a recent Duke Energy Kentucky, Inc. (“Duke”) electric rate case.² In that Order, the Commission denied a request by Duke to alter its calculation of the FAC rate to be based upon a rolling 12-month average, finding that the fuel adjustment clause regulation requires the FAC rate to be based upon the most recent actual monthly cost and sales and that the regulation does not contain a deviation provision. In this special contract, however, KU is not requesting to modify its calculation of the monthly FAC rate and is therefore not seeking to deviate from the requirements of the FAC regulation. In fact, the proposed special contract with NAS will have no effect on the calculation or filing of KU’s monthly Form A filing or on the billings for any other retail customer. KU will continue to utilize the same monthly Form A calculations to determine the monthly FAC billing factors, bill customers for fuel

² *In the Matter of: Electronic Application of Duke Energy Kentucky, Inc. for 1) an Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 4) all other Required Approvals and Relief*, Case No. 2019-00271, Order of April 27, 2020.

costs, and collect from customers, including NAS, the required fuel costs. KU will bill NAS an annual fixed FAC factor but will account for any over/under collection of the actual monthly FAC billing factor through an annual true-up with NAS.

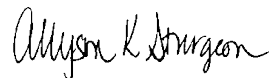
This change would afford KU's largest customer the opportunity to more effectively budget its energy costs while ensuring that it pays the same total cost for fuel as required under the FAC regulation. Finally, as described in KU's original cover letter, because KU's monthly FAC billing factor is billed as a combined FAC charge or credit with the monthly off-system sales ("OSS") adjustment clause billing factor, KU is also proposing to credit NAS for its share of the OSS margins using an annual average fixed OSS factor.

Because the proposed special contract is consistent with existing law, the contract should be approved.

WHEREFORE, Kentucky Utilities Company respectfully asks the Commission to approve the proposed special contract with North American Stainless, Inc., effective with the second billing period following approval of the contract.

Dated: June 8, 2020

Respectfully submitted,

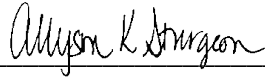


Allyson K. Sturgeon, Managing Senior Counsel
Regulatory and Transactions
LG&E and KU Services Company
220 West Main Street
Louisville Kentucky, 40202
Telephone: (502) 627-2088
Allyson.sturgeon@lge-ku.com

Counsel for Kentucky Utilities Company

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that the electronic filing of these Comments filed by Kentucky Utilities Company is a true and accurate copy of the same document being filed in paper medium subject to the terms of the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085 (“Electronic Emergency Docket Related to the Novel Coronavirus COVID-19”) (“COVID-19 Orders”); that the electronic filing was transmitted to the Commission on June 8, 2020; that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means; and that the original in paper medium of this filing will be delivered to the Commission consistent with the COVID-19 Orders.



Counsel for Kentucky Utilities Company