

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE APPLICATION OF THE)
FUEL ADJUSTMENT CLAUSE OF EAST KENTUCKY) CASE NO. 2008-00519
POWER COOPERATIVE, INC. FROM NOVEMBER 1,)
2006 THROUGH OCTOBER 31, 2008)

O R D E R

Pursuant to 807 KAR 5:056, the Commission, on January 23, 2009, established this case to review and evaluate the operation of the Fuel Adjustment Clause ("FAC") of East Kentucky Power Cooperative, Inc. ("East Kentucky") for the two-year period ended October 31, 2008, and to determine the amount of fuel cost that should be transferred (rolled-in) to its base rates to re-establish its FAC charge.

In establishing this review, the Commission ordered East Kentucky to submit certain information concerning its fuel procurement, fuel usage, and operation of its FAC. East Kentucky submitted this information on February 11, 2009. A public hearing was held on March 17, 2009. On March 27, 2009, East Kentucky filed a post-hearing data response to a question asked at the hearing. There are no intervenors in this case.

In Case No. 2008-00409,¹ the Commission authorized a \$59.5 million rate increase for East Kentucky. On April 17, 2009, East Kentucky filed its revised tariffs reflecting the rate increase authorized by the Commission's March 31, 2009 Order. Also on April 17, 2009, East Kentucky filed a revised tariff, at Commission Staff's request, which reflected the effect of the proposed FAC roll-in upon its approved base rates.

¹ Case No. 2008-00409, General Adjustment of Electric Rates of East Kentucky Power Cooperative, Inc. (Ky. PSC Mar. 31, 2009).

East Kentucky proposed that the month of August 2008 be used by the Commission as the base period (test month) for the purpose of arriving at the base fuel cost and the kWh sales components of its FAC. It further proposed that its base fuel cost be changed to 36.53 mills per kWh, the fuel cost for the proposed base period. East Kentucky's current base fuel cost is 26.38 mills per kWh.

In establishing the appropriate level of base fuel cost to be included in East Kentucky'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 East Kentucky. The Commission's review of generation mix, generation unit outages, and generation unit availability discloses that the month of August 2008 is a reasonably representative generation month of East Kentucky. The analysis of East Kentucky's monthly fuel clause filings showed that the actual fuel cost incurred for the two-year review period ranged from a low of 25.40 mills per kWh in November 2006 to a high of 40.84 mills per kWh in September 2008, with an average cost for the period of 31.99 mills per kWh. Based upon this review, the Commission finds that East Kentucky has complied with 807 KAR 5:056 and that the proposed base period fuel cost of 36.53 mills per kWh should be approved.

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

1. East Kentucky has complied with the provisions of 807 KAR 5:056.
2. The test month of August 2008 should be used as East Kentucky's base period for this review.

3. East Kentucky's proposed base period fuel cost of 36.53 mills per kWh should be approved.

4. The establishment of a base fuel cost of 36.53 mills per kWh requires a transfer (roll-in) of 10.15 mills per kWh from the FAC rate to East Kentucky's current base rates and can best be accomplished by a uniform increase in all energy rates.

5. The rates in the Appendix to this Order are designed to reflect the transfer (roll-in) to base rates of the differential between the old base fuel cost of 26.38 mills and the new base fuel cost of 36.53 mills per kWh.

6. The rates in the Appendix to this Order are fair, just and reasonable and should be approved for service rendered on and after August 1, 2009.

7. For service rendered on and after August 1, 2009, East Kentucky should use an FAC rate based upon a base fuel cost of 26.38 mills per kWh.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by East Kentucky through the FAC for the period from November 1, 2006 to October 31, 2008 are approved.

2. East Kentucky's proposed base fuel cost of 36.53 mills per kWh is approved.

3. The rates in the Appendix to this Order are approved for service rendered on and after August 1, 2009.

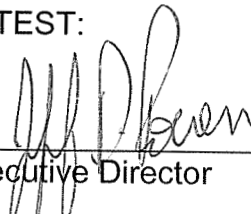
4. For service rendered on and after August 1, 2009, East Kentucky shall use an FAC rate based upon a base fuel cost of 36.53 mills per kWh.

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

By the Commission

ENTERED
JUL 15 2009 *al*
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2008-000519 DATED JUL 15 2009

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

SCHEDULE A

Monthly Rate Per Load Center

Energy Charge per kWh: \$.046772

SCHEDULE B

Energy Charge per kWh: \$.046772

SCHEDULE C

Energy Charge per kWh: \$.046772

SCHEDULE E

Energy Charge per kWh:
Option 1 On-Peak \$.048908
Option 1 Off-Peak \$.048359
Option 2 On-Peak \$.056641
Option 2 Off-Peak \$.048359

SCHEDULE G

Energy Charge per kWh: \$.044840

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