

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. 2012-00550
POWER COMPANY FROM NOVEMBER 1, 2010)
TO OCTOBER 31, 2012)

ORDER

Pursuant to Administrative Regulation 807 KAR 5:056, the Commission on February 12, 2013, established this case to review and evaluate the operation of the Fuel Adjustment Clause (“FAC”) of Kentucky Power Company (“Kentucky Power”) for the period November 1, 2010 through October 31, 2012, and to determine the amount of fuel costs that should be transferred (rolled-in) to its base rates to re-establish its FAC factor.

In establishing this review, the Commission ordered Kentucky Power to submit certain information concerning its fuel procurement, fuel usage, and the operation of its FAC. Kentucky Power submitted this information on March 1, 2013 and filed responses to a second request for information on March 27, 2013.

On April 5, 2013, Kentucky Power filed its proofs of publication of the scheduled April 9, 2013 hearing. That notice indicated that notice of the public hearing was timely published in the service territory of Kentucky Power, except for the service territory in Elliott County, Kentucky. The public hearing was held on April 9, 2013.¹ On April 16, 2013, Kentucky Power filed post-hearing responses to questions asked at the hearing.

¹ Kentucky Power also filed a supplemental response to a request for information on April 9, 2013.

On May 3, 2013, the Commission issued an Order that scheduled an additional public hearing on May 22, 2013 to provide an opportunity for customers in Kentucky Power's Elliott County service territory to provide comments on the FAC issues in this case.

The Order further stated that if no interested customer notified the Commission in writing of their intent to attend the hearing by May 17, 2013, the hearing would be cancelled. No interested customer notified the Commission in writing of their intent to attend the May 17, 2013 hearing, and the hearing was cancelled. There are no intervenors in this case.

Kentucky Power offered that the month of March 2012 was representative of the current fuel cost for the purpose of arriving at the base fuel cost and the kWh sales components of its FAC. However, it proposed to the Commission that its base fuel cost not be changed from the current 28.40 mills per kWh. Kentucky Power's fuel cost for the month of March 2012 was 27.26 mills per kWh, for a difference of 1.14 mills per kWh from the current base fuel cost. Kentucky Power states that the current base fuel cost of 28.40 mills per kWh is representative of current fuel costs and should remain unchanged.

In establishing the appropriate level of base fuel cost to be included in Kentucky Power'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 Kentucky Power. The Commission's review of generation mix, generation unit outages, and generation unit availability shows that the month of March 2012 is a reasonably representative generation month of Kentucky Power. The analysis of Kentucky Power's monthly fuel clause filings showed that the fuel cost billed for the two-year review period ranged from a low of 22.10 mills per kWh to a high of 33.42 mills per kWh, with an average cost billed for the period of 28.35 mills per kWh. Based upon this review, the Commission

finds that Kentucky Power has complied with Commission Regulation 807 KAR 5:056 and that the proposed base period fuel cost of 28.40 mills per kWh should remain in effect.

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

1. During the period under review, Kentucky Power has complied with the provisions of 807 KAR 5:056.

2. The test month of March 2012 should be used as Kentucky Power's base period for this review. However, since the cost of fuel for the month of March 2012 was 27.26 mills per kWh, a 1.14 mills per kWh difference from the current base fuel cost of 28.40 mills per kWh, the current base fuel cost of 28.40 mills per kWh should remain unchanged.

3. Kentucky Power's current base period fuel cost of 28.40 mills per kWh should remain in effect.

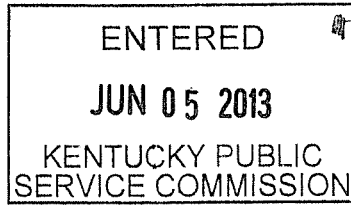
4. The continued use of the base fuel cost of 28.40 mills per kWh requires no transfer to Kentucky Power's base rates.

IT IS THEREFORE ORDERED that:


1. The charges and credits applied by Kentucky Power through the FAC for the period November 1, 2010 to October 31, 2012 are approved.

2. Kentucky Power's continued use of the existing base fuel cost of 28.40 mills per kWh is approved.

By the Commission



ATTEST:


Executive Director

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