COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE APPLICATION OF THE FUEL ADJUSTMENT CLAUSE OF BIG RIVERS ELECTRIC CORPORATION FROM NOVEMBER 1, 2013 THROUGH APRIL 30, 2014	)	CASE NO. 2014-00230
AN EXAMINATION OF THE APPLICATION OF THE FUEL ADJUSTMENT CLAUSE OF BIG RIVERS ELECTRIC CORPORATION FROM NOVEMBER 1, 2012 THROUGH OCTOBER 31, 2014	)	CASE NO. 2014-00455

ORDER

On August 13, 2014, pursuant to 807 KAR 5:056, the Commission established Case No. 2014-00230 to review and evaluate the operation of the Fuel Adjustment Clause ("FAC") of Big Rivers Electric Corporation ("Big Rivers") for the six-month period from November 1, 2013, through April 30, 2014.

In establishing that review, the Commission ordered Big Rivers to submit certain information concerning its fuel procurement, fuel usage, and the operation of its FAC. Big Rivers submitted this information on August 27, 2014. Kentucky Industrial Utility Customers, Inc. ("KIUC") requested and was granted full intervention. A procedural schedule was issued which allowed for discovery. A public hearing was held on November 12, 2014, and Big Rivers and KIUC filed post-hearing briefs on December 23, 2014, and December 24, 2014, respectively.

On February 5, 2015, the Commission established Case No. 2014-00455, also pursuant to 807 KAR 5:056, to review and evaluate the operation of Big Rivers' FAC for the two-year period from November 1, 2012, through October 31, 2014, and to determine the amount of fuel costs that should be transferred into, or out of, its base rates to re-establish its FAC factor. The two-year period includes the six-month period that ended April 30, 2014, which was still under review in Case No. 2014-00230. One of the issues under review, but not yet concluded in Case No. 2014-00230, was the methodology being utilized by Big Rivers for allocating fuel costs between native load customers and off-system sales. Finding that Big Rivers' fuel-cost allocation methodology should be investigated in the two-year FAC review as well as in the six-month FAC review, the Commission issued an Order consolidating the two cases on February 19, 2015.

In establishing its review in Case No. 2014-00455, the Commission ordered Big Rivers to submit certain information concerning its fuel procurement, fuel usage, and the operation of its FAC. Big Rivers submitted this information on February 20, 2015. The Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention ("AG"), requested and was granted full intervention.[1] A procedural schedule was issued that provided for discovery, intervenor testimony, and rebuttal testimony of Big Rivers.[2] KIUC and the AG jointly filed testimony on April 13, 2015. Big Rivers filed a Motion for Leave to File a Stipulation and Recommendation ("Stipulation") and Supporting Testimony on May 29, 2015. The Stipulation was entered into by Big Rivers, the AG, and KIUC. Telephonic informal conferences were held on March 26, 2015, and June 1, 2015,

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[1] KIUC was made a party to this proceeding in the Commission's February 19, 2015 Order consolidating the two cases.

[2] On May 8, 2015, Big Rivers, KIUC, and the AG requested suspension of the procedural schedule with respect to rebuttal testimony. The Commission granted the request on May 21, 2015.

and a public hearing was held on June 2, 2015. On June 12, 2015, Big Rivers filed its response to a post-hearing data request.

DISCUSSION

Base Fuel Costs

Big Rivers' current base fuel cost is 20.932 mills per kWh based on the month of October 2010. Big Rivers proposes that the current base fuel cost of 20.932 mills per kWh remain unchanged. Big Rivers states that the impact of the departure of two smelters from its system was included in its analysis of determining whether a change in the base fuel cost is appropriate. Big Rivers states that, although the average FAC factor was $.002935 per kWh higher than the current base fuel cost of $.020932 for the period of time when the impact of the smelter departures had been reflected in the FAC, it has certain older coal contracts that will soon expire and that newer contracts are expected to be lower priced. Therefore, Big Rivers proposes no change in its base fuel cost.[3]

In establishing the appropriate level of base fuel cost to be included in Big Rivers' 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 Big Rivers. The Commission's review of generation mix, generation unit outages, and generation unit availability discloses that the month of October 2010 is a reasonably representative generation month of Big Rivers. The analysis of Big Rivers' monthly fuel clause filings showed that the fuel cost billed for the review period ranged from a low of 21.422 mills per kWh to a high of 28.808 mills per kWh, with an average cost billed for the period of 24.064 mills per kWh. Based upon this review, the Commission finds that the base fuel cost of

[3] Big Rivers' Response to the Commission's Request for Information, Item 1 at 3.

20.932 mills per kWh may remain in effect. However, the Commission notes that Big Rivers' base fuel cost is closer to the low end of the range for the two-year period than it is to the average. In fact, Big Rivers' base fuel cost is below the low end of the range. In its next two-year FAC review proceeding, if Big Rivers' base fuel cost is not closer to the average for the two-year period than it is to the low or high end of the range, and there is not sufficient evidence to support keeping Big Rivers base fuel cost at the current level, Big Rivers should propose a change in its base fuel cost.

Fuel-Cost Allocation Methodology

One of the issues under review is the methodology being utilized by Big Rivers for allocating fuel costs between native load customers and off-system sales. Big Rivers uses a monthly system average in allocating fuel costs between native load and off-system sales. KIUC and the AG filed testimony objecting to Big Rivers' methodology arguing that it was "improper and unreasonable" and that Big Rivers should use a stacking methodology.[4] The Stipulation, filed on May 29, 2015, resolves the issues related to the fuel-cost allocation methodology among all of the parties to this proceeding.

In the Stipulation, Big Rivers reiterates its belief that its system-average fuel cost methodology is reasonable and that changing the methodology outside of a general rate case is unreasonable. However, Big Rivers agrees to provide up to 15 monthly credits to customers through the FAC and to propose switching to a stacking methodology in its next general base rate proceeding.[5] According to the Stipulation, Big Rivers will credit

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[4] Direct Testimony and Exhibits of Lane Kollen at 2 and 17.

[5] Direct Testimony of Lindsay N. Barron at 4.

$311,111.11 each month through the FAC beginning with the July expense month.[6] The credits would cease upon the first to occur of the following:

> (a) The date of the fifteenth FAC credit;
> (b) The effective date of new rates to be set in Big Rivers' next base rate case;
> (c) The date the methodology Big Rivers uses to allocate fuel costs to off-system sales for purposes of calculating FAC charges is changed from a system average cost methodology to a stacked-cost methodology; and
> (d) The date, if any, the Commission orders a refund of amounts collected through Big Rivers' FAC on the basis of the methodology Big Rivers uses to allocate fuel costs to off-system sales.[7]

In its next base rate proceeding, Big Rivers agrees to propose a change in its FAC calculation methodology to one in which it stacks its generating units for purposes of allocating fuel costs, allocating the highest fuel costs to off-system sales.[8] Attached as Exhibit A to the Stipulation is a revised FAC tariff which Big Rivers plans to file with the Commission after obtaining approval of the Stipulation from the Commission and Rural Utilities Service ("RUS").

The Commission appreciates the parties efforts in entering into the Stipulation and supports Big Rivers' commitment to credit customers $4.67 million through the FAC[9] and to change its fuel-cost allocation methodology to a stacking methodology in its next general base rate proceeding.

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[6] Stipulation at 3. The Stipulation states that the credits will begin with the beginning on the wholesale invoices issued for August 2015 consumption. At the June 2, 2015 Hearing, video recording at 11:03:46, it was clarified that this statement refers to the July expense month.

[7] Stipulation at 3.

[8] *Id.* at 3-4.

[9] The monthly credit amount of $311,111.11 multiplied by 15 months equals $4,666,666.65.

Midcontinent Independent System Operator, Inc.'s ("MISO") Billing Codes

Because it is a member of a regional transmission organization ("RTO"), in its February 5, 2015 Order initiating this proceeding, Big Rivers was directed to file testimony related to RTO billing code charges and credits included in its FAC calculation and an explanation for why each is appropriate for inclusion. Big Rivers filed testimony and responded to discovery on this issue. Big Rivers states that it includes the following MISO charges in the calculation of its FAC:

- Day-Ahead Asset Energy;
- Real-Time Asset Energy;
- Real-Time Excessive Energy; and
- Real-Time Non-Excessive Energy.[10]

Big Rivers includes the following MISO credits in the calculation of its FAC:

- Day-Ahead Revenue Sufficiency Guarantee ("RSG") Make-Whole Payments;

and

- Real-Time RSG Make-Whole Payments.[11]

Big Rivers claims that the MISO charges included in the FAC calculation all represent costs of energy purchases and meet the criteria set forth in 807 KAR 5:056 for inclusion for recovery.[12] Big Rivers states that the amounts recovered through the FAC are limited to the cost of Big Rivers' highest cost-generating unit available during the period. According

[10] Direct Testimony of Nicholas R. Castlen at 3-4.

[11] *Id.* at 3.

[12] *Id.* at 4.

to Big Rivers, the MISO credits primarily relate to MISO payments/credits to Big Rivers for costs associated with operating the Reid Combustion Turbine unit when it is dedicated by MISO.[13]

Motion to Strike

On February 25, 2015, KIUC filed a Notice of Additional Authority with the Commission. The additional authority consisted of a 1996 Order that the Commission had entered in a previous FAC proceeding for Big Rivers.[14] KIUC asserted that the Commission's March 5, 1996 Order was relevant because, in it, the Commission allegedly had rejected the allocation of system-average fuel costs to non-firm off-system sales.

On March 9, 2015, Big Rivers moved to strike KIUC's Notice of Additional Authority. Big Rivers argued that KIUC was impermissibly attempting to supplement its brief, and that KIUC's interpretation of the March 5, 1996 Order was incorrect.

As discussed, *supra*, the parties have reached a stipulation regarding fuel-cost allocation methodology, the same issue that the March 5, 1996 Order purportedly addressed. Because the parties have reached an agreement on the fuel-cost allocation methodology, the Commission need not consider the relevance of KIUC's additional authority to the proceeding and its filing poses no prejudice to Big Rivers. Accordingly, Big Rivers' motion to strike KIUC's Notice of Additional Authority should be denied as moot.

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[13] *Id.* at 3.

[14] Case No. 94-458, *An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 1992 to October 31, 1994* (Ky. PSC Mar. 5, 1996).

FINDINGS

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

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

2. The month of October 2010 should be used as Big Rivers' base period.

3. Big Rivers' current base fuel cost of 20.932 mills per kWh should remain in effect.

4. The continued use of the base fuel cost of 20.932 mills per kWh requires no transfer to or from Big Rivers' base rates.

5. All provisions of the Stipulation, set forth in the Appendix to this Order, are reasonable and should be approved.

6. The MISO charges and credits included by Big Rivers in its FAC calculation should be approved, subject to the limitation of power purchase recovery to Big Rivers' highest-cost generating unit available to be dispatched during the expense month.

7. Big Rivers should make no change to the MISO charges and credits included in the calculation of its FAC without Commission authorization.

8. Big Rivers' motion to strike KIUC's Notice of Additional Authority should be denied as moot.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by Big Rivers through the FAC for the period November 1, 2012, to October 31, 2014, are approved.

2. Big Rivers' continued use of the existing base fuel cost of 20.932 mills per kWh is approved.

3. All provisions of the Stipulation, set forth in the Appendix to this Order, are approved.

4. The MISO charges and credits included by Big Rivers in its FAC calculation are approved, subject to the limitation of power purchase recovery to Big Rivers' highest-cost generating unit available to be dispatched during the expense month.

5. Big Rivers shall make no change to the MISO charges and credits included in the calculation of its FAC without Commission authorization.

6. Within 20 days of approval of the Stipulation by RUS, Big Rivers shall file with the Commission, using the Commission's electronic Tariff Filing System, its FAC tariff sheets setting out the revisions approved herein and reflecting that they were approved pursuant to this Order.

7. Big Rivers' motion to strike KIUC's Notice of Additional Authority is denied as moot.

By the Commission

ENTERED
JUL 27 2015
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NOS. 2014-00230 AND 2014-00455 DATED JUL 2 7 2015

STIPULATION AND RECOMMENDATION

This Stipulation and Recommendation ("*Stipulation*") is entered into this 26th day of May, 2015, by and between Big Rivers Electric Corporation ("*Big Rivers*"), the Office of the Attorney General ("*AG*"), and Kentucky Industrial Utility Customers, Inc. ("*KIUC*")(collectively, the "*Signatory Parties*") in the proceedings involving Big Rivers that are the subject of this Stipulation, as set forth below:

WITNESSETH:

WHEREAS, pursuant to 807 KAR 5:056, the Kentucky Public Service Commission ("*Commission*") established Case No. 2014-00230 to review and evaluate the reasonableness of the application of Big Rivers' fuel adjustment clause ("*FAC*") for the six-month period that ended on April 30, 2014, and the Commission established Case No. 2014-00455 to review and evaluate the reasonableness of the application of Big Rivers' FAC for the two-year period that ended on October 31, 2014, and consolidated it with Case No. 2014-00230;

WHEREAS, the Commission has granted the AG and KIUC full intervention in these proceedings;

WHEREAS, the AG and KIUC have raised issues relating to Big Rivers' FAC practices during the periods under review;

WHEREAS, the Signatory Parties have reviewed the issues raised in Case Nos. 2014-00230 and 2014-00455, and the Signatory Parties have reached a settlement of the case, including the issues raised therein, as embodied in this Stipulation;

WHEREAS, Big Rivers believes its current FAC methodology and practices are reasonable, but desires to allocate certain margins to its three distribution cooperative members (the "*Members*");

WHEREAS, Big Rivers expects to file an application for a general adjustment in rates during the first quarter of 2016 (the "*2016 Rate Case*"), in which Big Rivers will propose, among other things, to change its FAC calculation methodology to "stack" its generating units for purposes of allocating fuel costs between native load and off-system sales, allocating the highest fuel costs to off-system sales, with the rates proposed in that proceeding to become effective on or about November 1, 2016;

WHEREAS, the Signatory Parties desire to settle issues pending before the Commission in the above-referenced proceedings;

WHEREAS, the adoption of this Stipulation will reduce the resources required of the Commission to finalize these proceedings and eliminate the need for the Signatory Parties potentially to expend significant resources litigating these proceedings;

WHEREAS, the Signatory Parties agree that this Stipulation, viewed in its entirety, is a fair, just, and reasonable resolution of all of the issues in the above-referenced proceedings; and

WHEREAS, it is the position of the Signatory Parties that this Stipulation is supported by sufficient and adequate data and information and should be approved by the Commission.

WHEREAS, this Stipulation shall not be deemed to constitute an admission by any Signatory Party to this Stipulation that any computation, formula, allegation, assertion or contention made by any other Signatory Party in these proceedings is true or valid. Nothing in this Stipulation shall be used or construed for any purpose to imply, suggest, or otherwise indicate that the results produced through the compromise reflected herein represent fully the objectives of the Stipulation.

NOW, THEREFORE, for and in consideration of the premises and terms and conditions set forth herein, the Signatory Parties stipulate and recommend as follows:

1. Big Rivers will credit $311,111.11 (the "FAC Credit") each month through its FAC to its Members beginning on the wholesale invoices issued for August 2015 consumption. The FAC Credits shall cease upon the first to occur of the following:

   (a) The date of the fifteenth FAC Credit;

   (b) The effective date of new rates to be set in Big Rivers' next base rate case;

   (c) The date the methodology Big Rivers uses to allocate fuel costs to off-system sales for purposes of calculating FAC charges is changed from a system average cost methodology to a stacked-cost methodology; and

   (d) The date, if any, the Commission orders a refund of amounts collected through Big Rivers' FAC on the basis of the methodology Big Rivers uses to allocate fuel costs to off-system sales.

Any cessation of FAC Credits under (b), (c), and (d) shall take effect beginning with the month in which that change is effective.

2. In Big Rivers next base rate case, which it expects to file in the first quarter of 2016, Big Rivers shall propose, among other things, to change its FAC

calculation methodology to "stack" its generating units for purposes of allocating fuel costs between native load and off-system sales, allocating the highest fuel costs to off-system sales.

3. The AG and KIUC each agree not to contest, seek a change in, or oppose the manner in which Big Rivers allocates FAC costs between native load and off-system sales in any Commission proceeding initiated prior to November 1, 2016, or for any FAC review period prior to November 1, 2016, but shall not be prohibited in any respect from: (a) raising issues related to the manner in which Big Rivers allocates FAC costs between native load and off-system sales in FAC proceedings initiated by Commission order after November 1, 2016, for review periods after November 1, 2016, if Big Rivers has not changed its FAC calculation methodology to an hourly stacked-cost methodology; or (b) contesting the appropriateness of the changes proposed by Big Rivers to its FAC calculation methodology in the 2016 Rate Case or in any other proceeding initiated after November 1, 2016.

4. The Signatory Parties agree that the foregoing stipulations and agreements represent a fair, just, and reasonable resolution of the issues addressed herein, and request that the Commission approve the Stipulation.

5. The Signatory Parties agree that, following the execution of this Stipulation, they will cause the Stipulation to be filed with the Commission together with a request that the Commission consider and approve the Stipulation. The Signatory Parties agree that this Stipulation is subject to the acceptance of and approval by the Commission and the Rural Utilities Service ("*RUS*"), and they agree to act in good faith and to use their best efforts to seek the Commission's acceptance and approval of this

Stipulation. If the Commission approves this Stipulation without modification, the Signatory Parties each waive any right to appeal or to file an action seeking review of or to seek reconsideration of any order of the Commission issued in accordance with this Stipulation.

6. Upon execution of this Stipulation, Big Rivers will promptly seek all required RUS review and approvals.

7. The Signatory Parties agree that if the Commission or RUS does not accept and approve this Stipulation in its entirety and unchanged, or if the Commission or RUS imposes conditions on its acceptance and approval that are unacceptable to Big Rivers, then:

(a) This Stipulation shall be void and withdrawn by the Signatory Parties hereto from any further consideration by the Commission, and none of the Signatory Parties shall be bound by any of the provisions herein, provided that none of the Signatory Parties is precluded from advocating any position contained in this Stipulation; and

(b) Neither the terms of the Stipulation nor any matters raised during the negotiations of this Stipulation shall be binding on any of the Signatory Parties or be construed against any of the Signatory Parties.

8. Subsequent to obtaining all required Commission and RUS review and approvals, Big Rivers shall cause the tariff amendments attached hereto as Exhibit A to be filed with the Commission. The Signatory Parties recommend that the Commission allow the tariff amendments to become effective without suspension or change.

9. The Signatory Parties hereto agree that this Stipulation shall inure to the benefit of and be binding upon the Signatory Parties hereto, their successors, and assigns.

10. The Signatory Parties hereto agree that this Stipulation constitutes the complete agreement and understanding among the Signatory Parties hereto, and any and all oral statements, representations or agreements made prior hereto or contemporaneously herewith shall be null and void and shall be deemed to have been merged into this Stipulation.

11. The Signatory Parties hereto agree that, for purposes of this Stipulation only, the terms of this Stipulation are based upon the independent analyses of the Signatory Parties, reflect a fair, just, and reasonable resolution of the issues herein, and are the product of compromise and negotiation.

12. The Stipulation shall not have any precedential value in this or any other jurisdiction.

13. Counsel for KIUC hereto warrants that he or she has informed, advised, and consulted with the KIUC members participating in these proceedings in regard to the contents and the significance of this Stipulation, and based upon the foregoing, is authorized to execute this Stipulation on behalf of those clients. The other Signatory Parties hereto warrant that they have informed, advised, and consulted with their respective clients in regard to the contents and the significance of this Stipulation, and based upon the foregoing, are authorized to execute this Stipulation on behalf of those clients.

14. The Signatory Parties agree that this Stipulation being a product of negotiation among all Signatory Parties, no provision of this Stipulation shall be strictly construed in favor of or against any party.

15. The Signatory Parties hereto agree that this Stipulation may be executed in multiple counterparts.

The Attorney General of Kentucky, by and through
his Office of the Rate Intervention Division

By: Jennifer Black Hans

Kentucky Industrial Utility Customers, Inc.

By:______________________________

Big Rivers Electric Corporation

By:______________________________

14. The Signatory Parties agree that this Stipulation being a product of negotiation among all Signatory Parties, no provision of this Stipulation shall be strictly construed in favor of or against any party.

15. The Signatory Parties hereto agree that this Stipulation may be executed in multiple counterparts.

The Attorney General of Kentucky, by and through
his Office of the Rate Intervention Division

By: Mich P. Kurt

Kentucky Industrial Utility Customers, Inc.

By:______________________

Big Rivers Electric Corporation

By:______________________

14. The Signatory Parties agree that this Stipulation being a product of negotiation among all Signatory Parties, no provision of this Stipulation shall be strictly construed in favor of or against any party.

15. The Signatory Parties hereto agree that this Stipulation may be executed in multiple counterparts.

The Attorney General of Kentucky, by and through
his Office of the Rate Intervention Division

By:______________________________

Kentucky Industrial Utility Customers, Inc.

By:______________________________

Big Rivers Electric Corporation

By: Robert W. Berry

FAC - Fuel Adjustment Clause

Applicability:

To all Big Rivers' Members.

Availability:

The Fuel Adjustment Clause ("FAC") is a mandatory rider to all wholesale sales by Big Rivers to its Members, including Base Energy sales to the Smelters under the Smelter Agreements but excluding Supplemental and Back-Up Energy sales to the Smelters under those two Agreements.

Rate:

The FAC shall provide for periodic adjustment per kWh of sales when the unit cost of fuel [F(m)/S(m)] is above or below the base unit cost of $0.020932 per kWh [F(b)/S(b)]. The current monthly charges shall be increased or decreased by the product of the kWh furnished during the current month and the FAC factor for the preceding month where the FAC factor is defined below:

$$\text{FAC Factor} = \frac{F(m)}{S(m)} - \frac{F(b)}{S(b)}$$

Where "F" is the expense of fossil fuel in the base (b) and current (m) periods; and S is sales in the base (b) and current (m) periods as defined in 807 KAR 5:056, all defined below:

Definitions:

Please see Section 4 for definitions common to all tariffs.

(1) Fuel cost (F) shall be the most recent actual monthly cost of:

(a) Fossil fuel consumed in the utility's own plants, and the utility's share of fossil and nuclear fuel consumed in jointly owned or leased plants, plus the cost of fuel which would have been used in plants suffering forced generation or transmission outages, but less the cost of fuel related to substitute generation, *plus*

(b) The actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than identified in paragraph (c) below, but excluding the cost of fuel related to purchases to substitute the forced outages, *plus*

(c) The net energy cost of energy purchases, exclusive of capacity or demand charges (irrespective of the designation assigned to such transaction) when such energy is purchased on an economic dispatch basis and exclusive of energy purchases directly related to Supplemental and Back-Up Energy sales to the Smelters. Included therein may be such costs as the charges for economy energy purchased and the charges as a result of scheduled outages, also such kinds of energy being purchased by the buyer to substitute for its own higher cost energy; ~~and~~ *less*

(d) The cost of fossil fuel, as denoted in (1)(a) above, recovered through inter-system sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis~~.~~; and *less*

(e) A monthly credit of $311,111.11 for each month from the August 2015 service month, through the October 2016 service month, except that if Big Rivers' FAC methodology is changed to a stacking methodology prior to November 1, 2016, or if Big Rivers is ordered to refund amounts collected through its FAC based on its allocation methodology prior to November 1, 2016, the monthly credit shall be zero. In all other months, the monthly credit shall be zero.

All fuel costs shall be based on weighted average inventory costing.

(2) Forced outages are all non-scheduled losses of generation or transmission which require substitute power for a continuous period in excess of six (6) hours. Where forced outages are not a result of faulty equipment, faulty manufacture, faulty design, faulty installations, faulty operation, or faulty maintenance, but are Acts of God, riot, insurrection or acts of public enemy, the utility may, upon proper showing, with the approval of the Commission, include the fuel cost of substitute energy in the adjustment.

(3) Sales (S) shall be kWh sold, excluding inter-system sales and Supplemental and Back-Up Energy sales to the Smelters. Where for any reason, billed system sales cannot be coordinated with fuel costs for the billing period, sales may be equated to the sum of:

- (i) generation, *plus*
- (ii) purchases, *plus*
- (iii) interchange in, *less*
- (iv) energy associated with pumped storage operations, *less*
- (v) inter-system sales referred to in subsection (1)(d) above, *less*
- (vi) total system losses.

Utility-used energy shall not be excluded in the determination of sales (S).

(4) The cost of fossil fuel shall include no items other than the invoice price of fuel less any cash or other discounts. The invoice price of fuel includes the cost of the fuel itself and necessary charges for transportation of the fuel from the point of acquisition to the unloading point, as listed in Account 151 of the FERC Uniform System of Accounts for Public Utilities and Licenses.

(5) Current (m) period shall be the second month preceding the month in which the FAC factor is billed.

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