

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE APPLICATION OF)	
THE FUEL ADJUSTMENT CLAUSE OF)	CASE NO.
KENTUCKY UTILITIES COMPANY FROM MAY 1,)	2016-00003
2015 THROUGH OCTOBER 31, 2015)	

ORDER

Pursuant to 807 KAR 5:056, Section 1(11), IT IS HEREBY ORDERED that:

1. Kentucky Utilities Company ("KU") shall appear in Hearing Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky, on April 7, 2016, at 9:00 a.m., Eastern Daylight Time, to submit itself to examination on the application of its Fuel Adjustment Clause ("FAC") from May 1, 2015, through October 31, 2015. Neither opening statements nor summaries of pre-filed testimony will be permitted.

2. Not less than seven days and no more than 21 days prior to the scheduled hearing, KU shall publish in a newspaper of general circulation in each area in which it serves notice of the purpose, time, place, and date of the scheduled hearing. In addition, the notice of hearing shall include the following statement: "This hearing will be streamed live and may be viewed on the PSC website, psc.ky.gov."

3. KU shall file with the Commission no later than April 5, 2016, proof of publication of its notice for the hearing.

4. The official record of the proceeding shall be by video only.

5. a. The information requested in the Appendix to this Order is due no later than 14 days from the date of this Order. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Responses shall include the name of the witness responsible for responding to the questions related to the information provided, with an original in paper medium and an electronic version to the Commission.

b. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. A party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. When filing a document containing personal information, KU shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the document so that personal information cannot be read.

6. Any party who wishes to file testimony in this proceeding or to request information from KU may petition the Commission for a procedural schedule.

7. All documents that KU filed with the Commission during the period under review pursuant to 807 KAR 5:056, Sections 1(7) and (9), are incorporated by reference into the record of this proceeding.

8. Unless otherwise ordered by the Commission, the electronic filing procedures set forth in 807 KAR 5:001, Section 8, shall be followed when filing papers in this proceeding.

9. Pursuant to 807 KAR 5:001, Section 8, unless a party granted leave to intervene states its objection to the use of electronic filing procedures in a motion for intervention, the party shall be deemed to have consented to the use of electronic filing procedures and the service of all papers, including Orders of the Commission, by electronic means; the party shall file with the Commission, within seven days of the date of an Order of the Commission granting the intervention, a written statement that the party waives any right to service of Commission Orders by United States mail; and that the party, or the party's authorized agent, possesses the facilities to receive electronic transmissions.

10. Any request for intervention must be filed by March 4, 2016.

11. A person who submits a motion to intervene after March 4, 2016, and, upon a showing of good cause, is granted full intervention shall accept and abide by the existing procedural schedule.

By the Commission

ENTERED
FEB 05 2016
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

David D. Greenwell
Executive Director *for*

Case No. 2016-00003

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2016-00003 DATED **FEB 05 2016**

1. For the period from May 1, 2015, through October 31, 2015, list each vendor from whom coal was purchased and the quantities and the nature of each purchase (i.e., spot or contract). For the period under review in total, provide the percentage of purchases that were spot versus contract. For contract purchases, state whether the contract has been filed with the Commission. If no, explain why it has not been filed.

2. For the period from May 1, 2015, through October 31, 2015, list each vendor from whom natural gas was purchased for generation and the quantities and the nature of each purchase (i.e., spot or contract). For contract purchases, state whether the contract has been filed with the Commission. If no, explain why it has not been filed.

3. State whether KU engages in hedging activities for its coal or natural gas purchases used for generation. If yes, describe the hedging activities in detail.

4. For each generating station or unit for which a separate coal pile is maintained, state, for the period from May 1, 2015, through October 31, 2015, the actual amount of coal burned in tons, the actual amount of coal deliveries in tons, the total kWh generated, and the actual capacity factor at which the plant operated.

5. List all firm power commitments for KU from May 1, 2015, through October 31, 2015, for (a) purchases and (b) sales. This list shall identify the electric utility,

the amount of commitment in MW, and the purpose of the commitment (i.e., peaking, emergency).

6. Provide a monthly billing summary of sales to all electric utilities for the period May 1, 2015, through October 31, 2015.

7. List KU's scheduled, actual, and forced outages from May 1, 2015, through October 31, 2015.

8. List all existing fuel contracts categorized as long-term (i.e., one year or more in length). Provide the following information for each contract:

- a. Supplier's name and address;
- b. Name and location of production facility;
- c. Date when contract was executed;
- d. Duration of contract;
- e. Date(s) of each contract revision, modification, or amendment;
- f. Annual tonnage requirements;
- g. Actual annual tonnage received since the contract's inception;
- h. Percentage of annual requirements received during the contract's term;
- i. Base price in dollars per ton;
- j. Total amount of price escalations to date in dollars per ton; and
- k. Current price paid for coal under the contract in dollars per ton (i + j).

9. a. State whether KU regularly compares the price of its coal purchases to those paid by other electric utilities.

b. If yes, state:

(1) How KU's prices compare with those of other utilities. If the comparison includes months outside of the review period, a comparison limited to the review period should be provided separately. Provide a copy of the source documents and calculations used to support the amounts used in the comparison and include all prices used in the comparison in cents per MMBtu.

(2) The utilities that are included in this comparison and their locations.

10. State the percentage of KU's coal, as of the date of this Order, that is delivered by:

- a. Rail;
- b. Truck; or
- c. Barge.

11. a. State KU's coal inventory level in tons and in number of days' supply as of October 31, 2015. Provide this information by generating station and in the aggregate.

b. Describe the criteria used to determine number of days' supply.

c. Compare KU's coal inventory as of October 31, 2015, to its inventory target for that date for each plant and for total inventory.

d. If actual coal inventory exceeds inventory target by ten days' supply, state the reasons for excessive inventory.

e. (1) State whether KU expects any significant changes in its current coal inventory target within the next 12 months.

(2) If yes, state the expected change and the reasons for this change.

12. a. State whether KU has audited any of its coal contracts during the period from May 1, 2015, through October 31, 2015.

b. If yes, for each audited contract:

(1) Identify the contract;

(2) Identify the auditor;

(3) State the results of the audit; and

(4) Describe the actions that KU took as a result of the audit.

13. a. State whether KU has received any customer complaints regarding its FAC during the period from May 1, 2015, through October 31, 2015.

b. If yes, for each complaint, state:

(1) The nature of the complaint; and

(2) KU's response.

14. a. State whether KU is currently involved in any litigation with its current or former coal suppliers.

b. If yes, for each litigation:

(1) Identify the coal supplier;

(2) Identify the coal contract involved;

(3) State the potential liability or recovery to KU;

(4) List the issues presented; and

(5) Provide a copy of the complaint or other legal pleading that initiated the litigation and any answers or counterclaims. If a copy has previously been

filed with the Commission, provide the date on which it was filed and the case in which it was filed.

c. State the current status of all litigation with coal suppliers.

15. a. During the period from May 1, 2015, through October 31, 2015, have there been any changes to KU's written policies and procedures regarding its fuel procurement?

b. If yes:

- (1) Describe the changes;
- (2) Provide the written policies and procedures as changed;
- (3) State the date(s) the changes were made; and
- (4) Explain why the changes were made.

c. If no, provide the date KU's current fuel procurement policies and procedures were last changed, when they were last provided to the Commission, and identify the proceeding in which they were provided.

16. a. State whether KU is aware of any violations of its policies and procedures regarding fuel procurement that occurred prior to or during the period from May 1, 2015, through October 31, 2015.

b. If yes, for each violation:

- (1) Describe the violation;
- (2) Describe the action(s) that KU took upon discovering the violation; and
- (3) Identify the person(s) who committed the violation.

17. Identify and explain the reasons for all changes in the organizational structure and personnel of the departments or divisions that are responsible for KU's fuel procurement activities that occurred during the period from May 1, 2015, through October 31, 2015.

18. a. Identify all changes that KU has made during the period under review to its maintenance and operation practices that also affect fuel usage at KU's generation facilities.

b. Describe the impact of these changes on KU's fuel usage.

19. List each written coal-supply solicitation issued during the period from May 1, 2015, through October 31, 2015.

a. For each solicitation, provide the date of the solicitation, the type of solicitation (contract or spot), the quantities solicited, a general description of the quality of coal solicited, the time period over which deliveries were requested, and the generating unit(s) for which the coal was intended.

b. For each solicitation, state the number of vendors to whom the solicitation was sent, the number of vendors who responded, and the selected vendor. Provide the bid tabulation sheet or corresponding document that ranked the proposals. (This document should identify all vendors who made offers.) State the reasons for each selection. For each lowest-cost bid not selected, explain why the bid was not selected.

20. List each oral coal-supply solicitation issued during the period from May 1, 2015, through October 31, 2015.

a. For each solicitation, state why the solicitation was not written, the date(s) of the solicitation, the quantities solicited, a general description of the quality of coal solicited, the time period over which deliveries were requested, and the generating unit(s) for which the coal was intended.

b. For each solicitation, identify all vendors solicited and the vendor selected. Provide the tabulation sheet or other document that ranks the proposals. (This document should identify all vendors who made offers.) State the reasons for each selection. For each lowest-cost bid not selected, explain why the bid was not selected.

21. a. List all intersystem sales during the period under review in which KU used a third party's transmission system.

b. For each sale listed above:

(1) Describe the effect on the FAC calculation of line losses related to intersystem sales when using a third party's transmission system; and

(2) State the line-loss factor used for each transaction and describe how that line-loss factor was determined.

22. a. Describe the effect on the FAC calculation of line losses related to intersystem sales when not using a third party's transmission system.

b. Describe each change that KU made to its methodology for calculating intersystem sales line losses during the period under review.

23. State whether, during the period under review, KU has solicited bids for coal with the restriction that it was not mined through strip mining or mountaintop removal. If yes, explain the reasons for the restriction on the solicitation, the quantity in

tons and price per ton of the coal purchased as a result of this solicitation, and the difference between the price of this coal and the price it could have obtained for the coal if the solicitation had not been restricted.

24. Provide a detailed discussion of any specific generation efficiency improvements KU has undertaken during the period under review.

25. State whether all long-term fuel contracts related to commodity and/or transportation have been filed with the Commission. If any contracts have not been filed, explain why they have not been filed and provide a copy.

*Honorable Allyson K Sturgeon
Senior Corporate Attorney
LG&E and KU Energy LLC
220 West Main Street
Louisville, KENTUCKY 40202

*Ed Staton
LG&E and KU Energy LLC
220 West Main Street
Louisville, KENTUCKY 40202

*Rick E Lovekamp
Manager - Regulatory Affairs
LG&E and KU Energy LLC
220 West Main Street
Louisville, KENTUCKY 40202

*Robert Conroy
LG&E and KU Energy LLC
220 West Main Street
Louisville, KENTUCKY 40202

*Kentucky Utilities Company
220 W. Main Street
P. O. Box 32010
Louisville, KY 40232-2010