COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC EXAMINATION OF THE APPLICATION OF THE FUEL ADJUSTMENT CLAUSE OF LOUISVILLE GAS & ELECTRIC COMPANY FROM NOVEMBER 1, 2015 THROUGH APRIL 30, 2016	)))))	CASE NO. 2016-00233

ORDER

Pursuant to 807 KAR 5:056, the Commission established this case on August 12, 2016, to review and evaluate the operation of the Fuel Adjustment Clause ("FAC") of Louisville Gas and Electric Company ("LG&E") for the six-month period that ended on April 30, 2016. As part of this review, LG&E responded to three requests for information and the Commission held a formal hearing in this matter on November 9, 2016. LG&E filed its responses to data requests made at the hearing on November 22, 2016.

The Commission has previously established LG&E's base fuel cost as 27.25 mills per kWh.[1] A review of LG&E's monthly FAC filings shows that the fuel cost billed for the six-month period under review ranged from a low of 24.28 mills in April 2016 to a high of 27.19 mills in January 2016, with a six-month average of 25.54 mills.

Substitute Cost of Power During Forced Outage

The Commission became aware during the processing of the six-month review cases for the jurisdictional generators that it may not be clear to the utilities what power costs should be used in determining the substitute cost of power during a forced outage.

[1] Case No. 2012-00553, *An Examination of the Application of the Fuel Adjustment Clause of Louisville Gas and Electric Company from November 1, 2010 Through October 31, 2012* (Ky. PSC May 17, 2013).

The substitute cost of power should reflect the cost of the power that replaced the unit forced out of service. For example, if power was purchased to replace the lost generation, then the cost of the power purchases is the substitute cost. If the utility increased its own generation to substitute for the lost generation, then the cost of the generation is the substitute cost. If power was purchased and the utility generated additional power from other units to replace the lost generation, then the substitute cost is equal to the total of the power purchases and the fuel costs of the additional generation.

The Commission also became aware that, when calculating the substitute generation costs during a forced outage, LG&E uses the average cost of all other units operating during the forced outage period, rather than using the cost of a specific unit or units. LG&E stated in response to data requests that the potential impacts of a forced outage on other units are "extremely complex" and that "[i]t is not practicable to retrospectively identify all the complex relationships and variables in system dispatch which are affected by individual forced outages to determine how the system would have reacted in the absence of a forced outage."[2] The Commission is aware that LG&E and its sister company, Kentucky Utilities Company, dispatch their units jointly and could have multiple units out at the same time, whether for a scheduled outage or forced outage. The Commission understands that it could be difficult and overly burdensome to determine the exact unit or units affected by an outage and the extent to which they are affected. Therefore, the Commission finds LG&E's methodology of

[2] LG&E's response to Commission Staff's Third Request for Information, Item 2.

using the average cost of all other units operating during the forced outage period in calculating the substitute generation cost to be reasonable.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds no evidence of improper calculation or application of LG&E's FAC charges or improper fuel procurement practices.

IT IS THEREFORE ORDERED that the charges and credits billed by LG&E through its FAC for the period November 1, 2015, through April 30, 2016, are approved.

By the Commission

ENTERED
JAN 11 2017
KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

Talina R. Mathews

Executive Director

*Honorable Allyson K Sturgeon
Senior Corporate Attorney
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

*Louisville Gas and Electric Company
220 W. Main Street
P. O. Box 32010
Louisville, KY 40232-2010