

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)	CASE NO.
ELECTRIC CORPORATION FROM NOVEMBER 1,)	2017-00006
2014 THROUGH OCTOBER 31, 2016)	

ORDER

Pursuant to 807 KAR 5:056, the Commission, on February 6, 2017, established this case to review and evaluate the operation of the Fuel Adjustment Clause (“FAC”) of Big Rivers Electric Corporation (“Big Rivers”) for the period from November 1, 2014, through October 31, 2016, and to determine the amount of fuel costs that should be included in its base rates.

In establishing this 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 February 20, 2017, and filed responses to Commission Staff’s second and third data requests on March 20, 2017, and April 7, 2017, respectively. A public hearing was held on April 18, 2017. On May 1, 2017, Big Rivers filed its responses to the Commission’s post-hearing data request. Kentucky Industrial Utility Customers, Inc. (“KIUC”) is the only intervenor in this matter.¹

¹ KIUC filed one request for information from Big Rivers, but subsequently withdrew the request. Otherwise, KIUC has not participated in this proceeding.

Base Fuel Cost

Big Rivers' current base fuel cost is \$.020932 per kilowatt-hour ("kWh") based on the month of October 2010. Big Rivers proposes that the current base fuel cost remain unchanged.² According to Big Rivers, for the last 12 months of the review period, the FAC factor has ranged from a low of (\$.000636) per kWh to a high of \$.002647 per kWh, with an average of \$.001207 per kWh.³ Big Rivers states that, in the near term, it intends to reclaim existing coal inventory and to procure lower-cost coal to meet generation demand.⁴ Big Rivers asserts that while the reclaimed inventory will be at a slightly higher price, it is a small percentage of overall coal receipts. Big Rivers states that approximately 80 percent will be procured via lower-priced coal supply contracts.⁵ In addition, the current base fuel amount of \$.020932 falls between the lowest and highest monthly fuel cost estimates for 2017 and 2018.⁶

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. An analysis of Big Rivers' monthly fuel clause filings showed that the fuel cost billed for the review period ranged from a low of \$.019195 per kWh to a high of \$.025064 per kWh,

² Big Rivers last made a change to the fuel cost included in base rates in Case No. 2010-00495, *An Examination of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from July 17, 2009 through October 31, 2010* (Ky. PSC May 31, 2011).

³ See Excel spreadsheet filed in response to Commission Staff's Post-Hearing Request for Information ("Post-Hearing Request"), Item 2, Tab "12 MO AVE-CN2017-00006."

⁴ Big Rivers' response to the Commission's Second Request for Information, Item 2.c.

⁵ *Id.*

⁶ Response to Post-Hearing Request, Item 4.

with an average cost billed for the period of \$.022213 per kWh. Based upon its review, the Commission finds that Big Rivers' proposal to maintain its base fuel cost at \$.020932 per kWh should be approved.

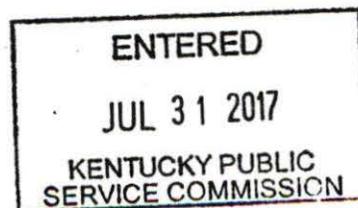
The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. During the period under review, Big Rivers has complied with the provisions of 807 KAR 5:056.
2. Big Rivers' current base period fuel cost of \$.020932 per kWh should remain in effect.
3. The continued use of the base fuel cost of \$.020932 per kWh requires no transfer to or from Big Rivers' base rates.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by Big Rivers through the FAC for the period November 1, 2014, through October 31, 2016, are approved.
2. Big Rivers' continued use of the existing base fuel cost of \$.020932 per kWh is approved.

By the Commission



ATTEST:



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