

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC EXAMINATION OF THE)	
APPLICATION OF THE FUEL ADJUSTMENT)	CASE NO.
CLAUSE OF BIG RIVERS ELECTRIC)	2019-00007
CORPORATION FROM NOVEMBER 1, 2016)	
THROUGH OCTOBER 31, 2018)	

ORDER

Pursuant to 807 KAR 5:056, the Commission, on February 11, 2019, established this case to review and evaluate the operation of the Fuel Adjustment Clause (FAC) of Big Rivers Electric Corporation (BREC) for the period from November 1, 2016, through October 31, 2018, and to determine the amount of fuel costs that should be included in its base rates.

In establishing this review, the Commission ordered BREC to submit certain information concerning its fuel procurement, its fuel usage, and the operation of its FAC. BREC submitted this information on February 25, 2019, and filed responses to Commission Staff's second data requests on March 25, 2019. A public hearing was held on April 16, 2019. Kentucky Industrial Utility Customers, Inc., (KIUC) is the only intervenor in this matter.

Having considered the evidence of record and being otherwise sufficiently advised, the Commission finds that during the period under review BREC has complied with the provisions of 807 KAR 5:056. The Commission further finds no evidence of improper

calculation or application of BREC's FAC charges or improper fuel procurement practices for the last six months of the period under review from May 1, 2018, to October 31, 2018.

Base Fuel Cost

BREC proposes that the current base fuel cost remains unchanged at the cost of \$0.020932 per kilowatt-hour (kWh), retaining the current base month of October 2010.¹ BREC states that the history of its monthly FAC factor during the period under review and its projections of its monthly FAC factor for 2019 and 2020 support no change to the base fuel cost. Upon the removal of the \$311,111 monthly credit that expired in the December 2016 expense month, the adjusted 24-month average for BREC's FAC factor is \$0.001386 instead of \$0.001288.² Its 2019 and 2020 monthly forecasts for its FAC reflect BREC's projected FAC charges after the retirement of the Station 2 generating station on January 31, 2019.³ In addition, the current base fuel amount of \$0.020932 falls between the lowest and highest monthly fuel costs for the period under review. BREC also asserts that its member cooperatives do not favor a change in the base fuel rate.⁴

The Commission must determine whether the proposed base period cost per kWh is representative of the level of fuel cost currently being experienced by BREC when establishing the appropriate level of base fuel cost to be included in BREC's rates. An analysis of BREC's monthly fuel clause filings shows that the fuel cost billed for the two-year review period range from a low of \$0.019894 per kWh in November 2016 to a high

¹ BREC 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).

² BREC's response to Commission Staff's First Request for Information, Item 4, page 2 of 3.

³ BREC's response to Commission Staff's Second Request for Information, Item 4, page 1 of 3.

⁴ *Id* at page 2 of 3.

of \$0.024767 per kWh in February 2018 with an average cost billed for the period of \$0.022220 per kWh. Based upon its review, the Commission finds BREC's proposal to maintain its base period fuel cost at \$0.020932 per kWh should be approved.

Stacking Methodology

BREC allocates its fuel costs to off-system sales using a weighted system average generation fuel cost. In Case No. 2017-00287, the Commission found that BREC's six-month FAC review case was not the proper case to implement a change in BREC's fuel cost allocation methodology as requested by KIUC⁵. Thus, the Commission ordered BREC to propose a change in its fuel cost allocation methodology to a least-cost stacking method, in the earlier of its next base rate case or its next two-year FAC review⁶. BREC proposes no change to its method of allocating fuel costs to off-system sales as part of its current two-year FAC review case. BREC argues that if a stacking methodology were adopted outside of a base rate case, BREC would need to revise its base rates at the same time to offset any resulting increases or decreases in FAC charges.⁷ KIUC, in agreement with BREC, proposes instead to establish a change in its fuel cost allocation methodology in its next base rate case.⁸ The Commission finds that BREC should propose a change to its fuel cost allocation method in its next base rate case and should be prepared to implement that methodology by the conclusion of that case. BREC should also be prepared to submit testimony on the matter, propose revised rates to reflect the

⁵ Case No. 2017-00287, *An Examination of The Application of The Fuel Adjustment Clause of Big Rivers Electric Corporation From November 1, 2016 Through April 30, 2017* (Ky. PSC Feb. 2, 2018).

⁶ *Id.*

⁷ Direct Testimony of Nicholas R. Castlen, page 10 of 13.

⁸ Direct Testimony of Nicholas R. Castlen, page 12 of 13 and April 16, 2019 Hearing at 10:43 a.m.

impact of changing the methodology, and provide notice of the revised rates to its customers.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by BREC through the FAC for the period from November 1, 2016, through October 31, 2018, are approved.
2. BREC's continued use of the existing base fuel cost of \$0.020932 per kWh is approved.
3. BREC shall propose a change in its fuel cost allocation methodology to a least-cost stacking method in its next base rate case.
4. This case is closed and removed from the Commission's docket.

By the Commission

ENTERED
DEC 26 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2019-00007

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