

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ELECTRONIC EXAMINATION OF THE)	
APPLICATION OF THE FUEL ADJUSTMENT)	CASE NO.
CLAUSE OF KENTUCKY UTILITIES COMPANY)	2023-00010
FROM NOVEMBER 1, 2020 THROUGH)	
OCTOBER 31, 2022)	

ORDER

Pursuant to 807 KAR 5:056, the Commission, on September 6, 2023, established this case to review and evaluate the operation of the Fuel Adjustment Clause (FAC) of Kentucky Utilities Company (KU) for the period from November 1, 2020, through October 31, 2022, and to determine the amount of fuel costs that should be included in its base rates.

In establishing this review, the Commission ordered KU to submit certain information concerning its fuel procurement, fuel usage, and the operation of its FAC. KU submitted this information on September 22, 2023, and filed responses to Commission Staff's Second Request for Information on October 20, 2023. A public hearing was held on January 4, 2024.

Having considered the evidence of record and being otherwise sufficiently advised, the Commission finds that during the period under review, KU has complied with the provisions of 807 KAR 5:056. The Commission further finds no evidence of improper calculation or application of KU's FAC charges or improper fuel procurement practices for

the last six months of the period under review, from May 1, 2022, to October 31, 2022.

Base Fuel Cost

KU is proposing to increase the amount of fuel costs included in base rates and proposes that the month of May 2022 and a base fuel cost of \$0.02905 per kilowatt hour (kWh) be used as the base period for the purpose of arriving at the base fuel cost and the kWh sales components of its FAC.¹ Given that KU's current base fuel cost is \$0.02395 per kWh, the proposal would result in an increase of \$0.00510 per kWh.² KU states that May 2022 was selected as the proposed base period, because the fuel costs in that period are in line with the average fuel cost for KU in the last 12 months of the two-year review period, \$0.03066 per kWh, and the projected average fuel costs in 2024 and 2025, \$0.02889 per kWh and \$0.02955 per kWh, respectively, when KU expected the base fuel cost to be in effect.³

When establishing the appropriate level of base fuel cost to be included in KU's 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 KU. An analysis of KU's monthly FAC filings shows that KU's total fuel cost ranged from a low of \$0.02174 per kWh in November 2020 to a high of \$0.03857 per kWh in June 2022, with an average cost billed for the period of \$0.02695 per kWh. Further, as noted by KU, the average cost billed in the last year of the two year review period was \$0.03066 per kWh, which is consistent with the KU's projected fuel costs. Based upon its review, the Commission

¹ Direct Testimony of Andrea M. Fackler (Fackler Testimony) (filed Sept. 22, 2023) at 4.

² KU's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Sept. 22, 2023), Item 26.

³ Fackler Testimony at 5-6.

finds that the proposed base period fuel cost of \$0.02905 per kWh should be approved beginning with the expense month of June 2024 and that KU's base energy rates should be increased by \$0.00510 per kWh, as proposed, for service rendered on and after June 1, 2024, to reflect the increase to KU's base fuel costs.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by KU through the FAC for the period from November 1, 2020, through October 31, 2022, are approved.
2. KU's proposed base fuel cost of \$0.02905 per kWh is approved.
3. Beginning with the expense month of June 2024, KU shall use a FAC rate based upon a base fuel cost of \$0.02905 per kWh.
4. KU shall increase its base energy rates by \$0.00510 per kWh for service rendered on and after June 1, 2024, to reflect the increase of \$0.00510 per kWh to KU's base fuel cost, which is the differential between the old base fuel cost of \$0.02395 per kWh and the new base fuel cost of \$0.02905 per kWh.
5. Within 20 days of the date of this Order, KU shall file, using the Commission's electronic Tariff Filing System, its revised tariff sheets with the Commission setting out the increase in its base energy rates discussed herein and reflecting that they were approved pursuant to this Order.
6. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION

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Chairman

AK
Vice Chairman

Mary Pat Reagen
Commissioner

ENTERED
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SERVICE COMMISSION

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