

**TARIFF F.A.C.  
 (Fuel Adjustment Clause)**

**APPLICABLE.**

To Tariffs R.S., R.S.-L.M.-T.O.D. R.S.-T.O.D., S.G.S., M.G.S., M.G.S.-T.O.D., L.G.S., Q.P., C.I.P.-T.O.D., C.S.-I.R.P., M.W., O.L., and S.L.

**RATE.**

- The fuel clause shall provide for periodic adjustment per kwh of sales equal to the difference between the fuel costs per kwh of sales in the base period and in the current period according to the following formula:

$$\text{Adjustment Factor} = \frac{F(m)}{S(m)} - \frac{F(b)}{S(b)}$$

Where F is the expense of fossil fuel in the base (b) and current (m) periods; and S is sales in the base (b) and current (m) periods, all as defined below:

- F(b)/S(b) shall be so determined that on the effective date of the Commission's approval of the utility's application of the formula, the resultant adjustment will be equal to zero (0).
- Fuel costs (F) shall be the most recent actual monthly cost of:
  - Fossil fuel consumed in the utility's own plants, and the utility's share of fossil and nuclear fuel consumed in jointly owned or leased plants, plus the cost of fuel which would have been used in plants suffering forced generation or transmission outages, but less the cost of the fuel related substitute generation, plus
  - The actual identifiable fossil and nuclear fuel costs [if not known—the month used to calculate fuel (F), shall be deemed to be the same as the actual unit cost of the Company generation in the month said calculations are made. When actual costs become known, the difference, if any, between fuel costs (F) as calculated using such actual unit costs and the fuel costs (F) used in that month shall be accounted for in the current month's calculation of fuel costs (F)] associated with energy purchased for reasons other than identified in paragraph (c) below, but excluding the cost of fuel related to purchases to substitute the forced outages, plus
  - The net energy cost of energy purchases, exclusive of capacity or demand charges (irrespective of the designation assigned to such transaction) when such energy is purchased on an economic dispatch basis. Included therein may be such costs as the charges for economy energy purchases and the charges as a result of scheduled outage, all such kinds of energy being purchased by the Company to substitute for its own higher cost energy; and less
  - The cost of fossil fuel recovered through intersystem sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.
  - All fuel costs shall be based on weighted average inventory costing.

**CANCELLED**  
**JUN 29 2010**  
 KENTUCKY PUBLIC SERVICE COMMISSION

- Forced outages are all nonscheduled losses of generation or transmission which require substitute power for a continuous period in excess of six (6) hours. Where forced outages are not as a result of faulty equipment, faulty manufacturer, faulty design, faulty installations, faulty operation, or faulty maintenance, but are Acts of God, riot, insurrection or acts of the public enemy, then the utility may, upon prior showing to the Commission, include the fuel costs of substitute energy in the adjustment. Until such approval is obtained, in making the calculations of fuel costs (F) in subsection (3) a) and (b) above, the forced-outage costs to be subtracted shall be no less than the fuel cost related to the lost generation.

(Cont'd on Sheet No. 5-2)

3/30/2006  
 PURSUANT TO 807 KAR 5:011  
 SECTION 9 (1)

DATE March 20, 2006 DATE EFFECTIVE Service rendered on and after March 30 2006  
 ISSUED BY E.K. Wagner E.K. WAGNER DIRECTOR OF REGULATORY SERVICES [Signature] KY  
 NAME TITLE ADDRESS  
 Executive Director

**TARIFF F.A.C. (Cont'd)**  
**(Fuel Adjustment Clause)**

5. Sales (S) shall be all kwh's sold, excluding intersystem sales. Where, for any reason billed system sales cannot be coordinated with the fuel costs for the billing period, sales may be equated to the sum of (i) generation, (ii) purchases, (iii) interchange in, less (iv) energy associated with pumped storage operations, less (v) intersystem sales referred to in subsection (3)(d) above, less (vi) total system loss. Utility used energy shall not be excluded in the determination of sales (S).
6. The cost of fossil fuel shall include no items other than the invoice price of fuel less any cash or other discounts. The invoice price of fuel includes the cost of the fuel itself and necessary charges for transportation of the fuel from the point of acquisition to the unloading point, as listed in Account 151 of FERC Uniform System of Accounts or Public Utilities and Licensees.
7. At the time the fuel clause is initially filed, the utility shall submit copies of each fossil fuel purchase contract not otherwise on file with the Commission and all other agreements, options or similar such documents, and all amendments and modifications thereof related to the procurement of fuel supply and purchased power. Incorporation by reference is permissible. Any changes in the documents, including price escalations, or any new agreements entered into after the initial submission, shall be submitted at the time they are entered into. Where fuel is purchased from utility-owned or controlled sources, or the contract contains a price escalation clause, those facts shall be noted and the utility shall explain and justify them in writing. Fuel charges, which are unreasonable, shall be disallowed and may result in the suspension of the fuel adjustment clause. The Commission on its own motion may investigate any aspect of fuel purchasing activities covered by this regulation.
8. Any tariff filing which contains a fuel clause shall conform that clause with this regulation within three (3) months of the effective date of this regulation. The tariff filing shall contain a description of the fuel clause with detailed cost support.
9. The monthly fuel adjustment shall be filed with the Commission ten (10) days before it is scheduled to go into effect, along with all the necessary supporting data to justify the amount of the adjustments, which shall include data, and information as may be required by the Commission.
10. Copies of all documents required to be filed with the Commission under this regulation shall be open and made available for public inspection at the office of the Public Service Commission pursuant to the provisions of KRS61.870 to 61.884.
11. At six (6) month intervals, the Commission will conduct public hearings on a utility's past fuel adjustments. The Commission will order a utility to charge off and amortize, by means of a temporary decrease of rates, any adjustment it finds unjustified due to improper calculation or application of the charges or improper fuel procurement practice.
12. Every two (2) years following the initial effective date of each utility fuel clause, the Commission in a public hearing will review and evaluate past operations of the clause, disallow improper expenses, and to the extent appropriate, reestablish the fuel clause charge in accordance with Subsection 2.
13. Resulting cost per kilowatt-hour in June 2008 to be used as the base cost in Standard Fuel Adjustment Clause is:

Fuel - June 2008 = \$16,138,627 = \$0.02840/kwh  
 Sales June 2008 568,162,000

This, as used in the Fuel Adjustment Clause, is \$2.840 cents per kilowatt-hour.

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 SERVICE COMMISSION

Pursuant to the Public Service Commission Order dated June 11, 2009 in Case No. 2008-00518, the fuel adjustment charge rate for the month of May 2009 and June 2009 usage to be billed in the month of July 2009 and August 2009, respectively, shall be calculated using the base fuel cost of 2.124 ¢/kWh. Thereafter the fuel adjustment base cost shall be 2.840 ¢/kWh.

**PUBLIC SERVICE COMMISSION**  
**OF KENTUCKY**  
 EFFECTIVE  
 6/29/2009  
 PURSUANT TO 807 KAR 5:011  
 SECTION 9 (1)  
 By *[Signature]*  
 Executive Director

DATE OF ISSUE June 15, 2009 DATE EFFECTIVE Bills rendered on and after June 29, 2009

ISSUED BY E. K. WAGNER DIRECTOR OF REGULATORY SERVICES  
NAME TITLE

Issued by authority of an Order of the Public Service Commission in Case No. 2008-00518