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February 15, 2019

**VIA EXPEDITED OVERNIGHT COURIER**

Joel Peck  
Clerk, Virginia State Corporation Commission  
Document Control Center  
1300 East Main street  
Tyler Building - 1st Floor  
Richmond, VA 23219

**RE: *Application of Kentucky Utilities Company to Revise Its Fuel Factor***  
**Case No. PUR-2019-00029**

Dear Mr. Peck:

Kentucky Utilities Company doing business as Old Dominion Power Company ("KU/ODP") hereby files an original and 15 copies, in paper medium, of its Application to revise its fuel factor pursuant to §56-249.6 of Title 56 of the Code of Virginia. With this Application, KU/ODP proposes to increase its levelized fuel factor by \$0.00403 to \$0.02643 per kilowatt-hour effective with service rendered on and after April 1, 2019.

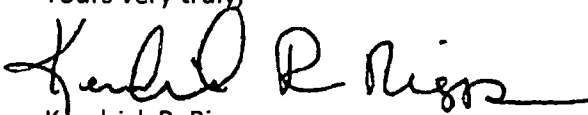
As part of this Application, KU/ODP is providing its planned outage schedule in Exhibit SAW-7. KU/ODP considers this information to be confidential, the public disclosure of which would harm KU/ODP and its customers. The original and one copy of the redacted or public version of Exhibit SAW-7 is included in a separate envelope and is filed herewith. Under separate covers, the original and 15 copies of the confidential version of Exhibit SAW-7 is being submitted under seal in 16 separate envelopes marked "*Under Seal-Confidential Information-Copy*," along with an original and 15 copies of a *Motion For Protective Order* through which KU/ODP, by counsel, respectfully requests that this confidential information be maintained in strict confidence and not publically disclosed pursuant to 5 VAC 5-20-170. Pursuant to 5 VAC 5-20-170, KU/ODP is also providing an additional copy of such information to the commission staff counsel assigned to this matter.

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Clerk, Virginia State Corporation Commission  
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In the course of preparing its Order Establishing Fuel Factor Proceeding for this case, KU/ODP respectfully requests the Virginia State Corporation Commission to schedule the public hearing on its Application early in the afternoon to permit KU/ODP's representatives the opportunity to travel to and from Richmond, Virginia on the same day.

Should you have any questions, please contact me at your convenience.

Yours very truly,  
  
Kendrick R. Riggs

KRR/mew  
Enclosures

cc: William H. Chambliss, General Counsel (Expedited Courier)  
Kimberly B. Pate, Director, Division of Utility Accounting & Finance (Electronic mail)  
William F. Stephens, Director, Division of Public Utility Regulation (Electronic mail)

C. Meade Browder, Jr., Senior Assistant Attorney General (Expedited Courier)  
Office of Attorney General, Division of Consumer Counsel

Robert M. Conroy, Vice President, State Regulation & Rates, LG&E and KU Services Company  
Derek A. Rahn, Manager, Revenue Requirement/COS, LG&E and KU Services Company  
Allyson K. Sturgeon, Managing Senior Counsel-Regulatory and Transactions, LG&E and KU Services Company



COMMONWEALTH OF VIRGINIA  
BEFORE THE STATE CORPORATION COMMISSION

APPLICATION OF KENTUCKY UTILITIES )  
COMPANY TO REVISE ITS FUEL FACTOR ) CASE NO. PUR-2019-00029

APPLICATION

Kentucky Utilities Company, operating in Virginia under the name Old Dominion Power Company ("KU/ODP" or "Company"), respectfully petitions by application the Virginia State Corporation Commission (the "Commission" or "SCC") pursuant to § 56-249.6 of Title 56 of the Code of Virginia, for authority to increase its levelized fuel factor by \$0.00403 to \$0.02643 per kilowatt-hour effective with service rendered on and after April 1, 2019.

In support of this application, KU/ODP states as follows:

1. KU/ODP is a Virginia public service company under the laws of the Commonwealth of Virginia providing electric service in and around the Counties of Wise, Lee, Russell, Scott and Dickenson, Virginia. KU/ODP's principal place of business is at One Quality Street, Lexington, Kentucky 40507, though it maintains business offices in Virginia at 1000 Park Avenue, NW, Norton, Virginia, and at 317 E. Morgan Avenue, Pennington Gap, Virginia, as well.

2. By its Order Establishing Fuel Factor issued June 8, 2018 in Case No. PUR-2018-00028, the Commission approved for KU/ODP a Levelized Fuel Factor ("LFF") of \$0.02240 per kilowatt-hour ("kWh"), placed into effect for service rendered on and after April 1, 2018, and ordered the approved LFF to remain in effect. With this application, ODP is requesting authority to increase its LFF by \$0.00403 to \$0.02643 per kWh for service rendered on and after April 1, 2019. Specifically, ODP proposes to implement, during the twelve-month period April 1, 2019 through March 31, 2020, a factor based on its projected fuel expense.

3. The following exhibits are filed in support of this application:

- EXHIBIT I Shows Company projected fuel expense and Company net sources at the point of delivery to KU/ODP, at the transmission level, for January 2019 through March 2020.
- EXHIBIT II Shows projected Virginia SCC jurisdictional kWh sales and fuel expense recovery assuming the levelized fuel factor remains unchanged at \$0.02240 per kWh.
- EXHIBIT III Shows projected Virginia SCC jurisdictional fuel expense recovery assuming the levelized fuel factor is revised as proposed in this Application to \$0.02643 per kWh.
- EXHIBIT IV Shows the calculation of the proposed levelized fuel factor of \$0.02643 per kWh.
- EXHIBIT V Shows a map of KU/ODP's service territory in the Commonwealth of Virginia
- SUPPLEMENTAL EXHIBIT A Provides forecasted and actual fuel expense for the period April 2014 through March 2020. Actual data is provided through December 2018.
- SUPPLEMENTAL EXHIBIT B Provides forecasted and actual fuel expense, generation output, equivalent availability and capacity factors, heat rates, equivalent forced outage rates, dependable capacity ratings and average dispatch cost by generating unit for the period April 2014 through March 2020. Actual data is provided through December 2018.
- SUPPLEMENTAL EXHIBIT B-1 Provides forecasted and actual fuel expense, generation output, equivalent availability and capacity factors, heat rates, equivalent forced outage rates, dependable capacity ratings and average dispatch cost by generating unit on a calendar year basis for the period 2014 through 2018.
- SUPPLEMENTAL EXHIBIT C Provides forecasted and actual fuel consumption, heat content in MBTU, average heat content of the primary fuel and fuel expense in cents per Mbtu by generating unit for the period April 2014 through March 2020. Actual data is provided through December 2018.

4. The following testimony is filed in support of this application:

- Mr. Derek A. Rahn, Manager, Revenue Requirement COS, LG&E and KU Services Company, presents an overview of the testimony by KU/ODP's witnesses in this case, addresses the issues contributing to the current fuel expense recovery position and presents the proposed levelized fuel factor.
- Mr. Delbert D. Billiter, Manager – LG&E and KU Fuels, LG&E and KU Services Company. Mr. Billiter presents testimony explaining current market conditions for coal and the coal forecast for the April 2019 – March 2020 fuel year.
- Mr. Charles R. Schram, Director – Power Supply, LG&E and KU Services Company. Mr. Schram presents testimony explaining KU's business strategy for the procurement of natural gas as a fuel source for the generation of electricity.
- Mr. Stuart Wilson, Director – Energy Planning, Analysis, and Forecasting, LG&E and KU Services Company. Mr. Wilson presents testimony related to KU's load forecast for KU/ODP, forecast and actual natural gas prices, actual and forecast generating unit performance through the use of Equivalent Availability Factor and Equivalent Forced Outage Rate, purchase power contracts and the forecasting and modeling of generation supply.

5. Attached in support of this application are: (i) five Exhibits and four Supplemental Exhibits; (ii) a revised rate sheet (S.C.C. No. 17, First Revision of Original Sheet

No. 85, effective with service rendered on and after April 1, 2019); and (iii) direct testimony of four KU/ODP witnesses addressing various issues raised by or relevant to this filing.

6. KU/ODP's under-recovery position is the result of actual sales volumes that were higher than forecasted sales volumes which resulted in a greater distribution of the prior year over-recovery than projected. This variance in volume is primarily due to load being higher with the hotter summer and colder winter weather in 2018.

7. KU/ODP is proposing an increase to the in-period factor and an increase to the correction factor. Exhibit II presents the Company's forecast of Virginia load at the jurisdictional level and the Virginia share of total Company fuel expense. Each is modified to remove the sales in Virginia not subject to the jurisdiction of the Commission. Exhibit II further shows the forecast recovery position if the LFF is left unchanged through March 2020.

8. KU/ODP's fuel forecast presents the coal expense on a \$/kWh basis for the fuel year April 2019 through March 2020 ("2019-2020 Fuel Year") and shows the forecasted coal expense is expected to increase by 4.7% over the comparable forecast period last year. The fuel forecast also shows that the natural gas expense on a \$/kWh basis is forecasted to increase by 0.9% over the comparable forecast period last year. The forecasted fuel expense reflects both the coal and natural gas purchase forecast, and the influence of other factors such as forecasted unit availability, dispatch order, burn volumes, and the average cost of inventory at the beginning of the forecast period.

9. As demonstrated in Supplemental Exhibit A to the Application, KU/ODP's forecast fuel expense is higher on a unit cost basis, than the expense forecasted in Case No. PUR-2018-00028. The current in-period fuel factor of \$0.02368 per kWh is based on average forecast fuel costs of \$22.06 per megawatt-hour. The forecast in-period rate is \$0.02462 per

kWh, based on forecast average fuel costs of \$22.93 per megawatt-hour, reflecting increases in the unit prices for all sources on a per-unit basis. The proposed increase in the LFF in-period factor is \$0.00094 per kWh, which is equivalent to \$0.94 per month for a customer using 1,000 kilowatt hours.

10. Additionally, KU/ODP is proposing an increase in its correction factor, from a credit of \$0.00128 per kWh to a collection of \$0.00181 per kWh, which is equivalent to an increase of \$3.09 per month for a customer using 1,000 kilowatt hours.

11. The combination of the adjustments to the in-period factor and correction factor results in the proposed LFF of \$0.02643 per kWh or an increase of \$0.00403 per kWh from the current LFF. This equates to an increase of \$4.03 per month for a customer using 1,000 kilowatt hours a month compared to the current factor of \$0.02240 per kWh. For a residential customer, the monthly increase in the fuel factor represents a 3.76% increase in the monthly bill for the customer.

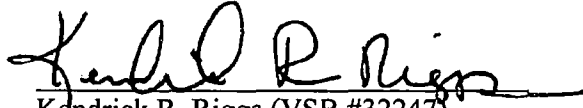
**WHEREFORE**, Kentucky Utilities Company d/b/a Old Dominion Power Company respectfully requests that the Commission:

1. schedule this matter before the full Commission;
2. after a full investigation and hearing, issue a final order granting an increase in its fuel factor by \$0.00403 per kWh to \$0.02643 effective with service rendered on and after April 1, 2019; and
3. grant all other relief to which KU/ODP may be entitled.



Dated: February 15, 2019

Respectfully submitted,



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*Counsel for Kentucky Utilities Company  
d/b/a Old Dominion Power Company*

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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a true and correct copy of the foregoing Application was served on the following persons or parties of record this 15<sup>th</sup> day of February 2019, by overnight delivery via expedited courier to:

Joel Peck  
Clerk  
Virginia State Corporation Commission  
Document Control Center  
1300 East Main Street  
Tyler Building, 1<sup>st</sup> Floor  
Richmond, VA 23219


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Senior Assistant Attorney General/Chief  
Insurance & Utilities Regulatory Section  
Office of the Attorney General  
Division of Consumer Counsel  
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Richmond, VA 23219

William H. Chambliss  
General Counsel  
Virginia State Corporation Commission  
Tyler Building, 10<sup>th</sup> Floor  
1300 East Main Street  
Richmond, Virginia 23219

and served on the following persons by electronic mail this 15th day of February 2019:

William F. Stephens  
Director, Division of Public Utility Regulation  
Virginia State Corporation Commission  
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Counsel for Kentucky Utilities Company  
d/b/a Old Dominion Power Company