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SEP 30 2013

PUBLIC SERVICE
COMMISSION

September 30, 2013

Mr. Jeff Derouen
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

In the Matter of:

**Application of Big Rivers Electric Corporation for a
General Adjustment in Rates – Case No. 2013-00199**

Dear Mr. Derouen:

Enclosed for filing on behalf of Big Rivers Electric Corporation (“Big Rivers”) are an original and ten (10) copies of (i) its responses to the Commission Staff’s Third Request for Information and the Intervenors’ Second Requests for Information; (ii) a petition for confidential treatment; and (iii) a motion for deviation.

I certify that on this date, a copy of this letter and a copy of the responses were served by hand delivery or by Federal Express to the persons on the attached service list.

Should you have any questions about this matter, please contact me.

Sincerely yours,

TJK

Tyson Kamuf
Counsel for Big Rivers Electric Corporation

Telephone (270) 926-4000
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PSC Case No. 2013-00199

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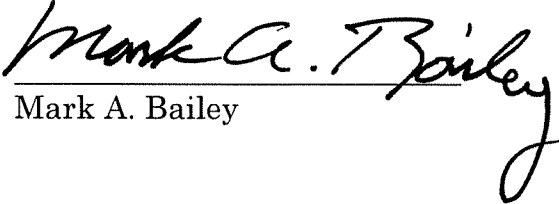
David O'Brien Suetholz
Neal B. Hayes
Kircher Suetholz & Grayson PSC
515 Park Avenue
Louisville, KY 40208

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**


VERIFICATION

I, Mark A. Bailey, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.


Mark A. Bailey

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Mark A. Bailey on this
the 7th day of September, 2013.

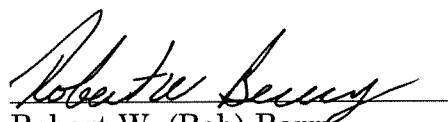

Notary Public, Ky. State at Large
My Commission Expires 1-12-17

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

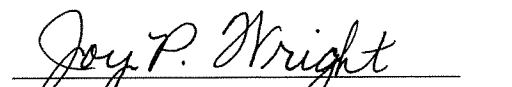
VERIFICATION

I, Robert W. (Bob) Berry, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.


Robert W. (Bob) Berry

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Robert W. (Bob) Berry on
this the 18 day of September, 2013.


Notary Public, Ky. State at Large
My Commission Expires _____

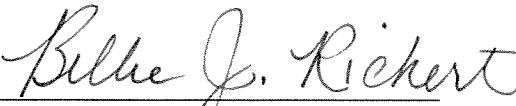
**Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951**

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

VERIFICATION

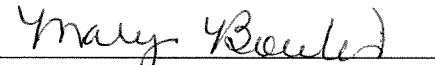
I, Billie J. Richert, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Billie J. Richert

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Billie J. Richert on this
the 17 day of September, 2013.



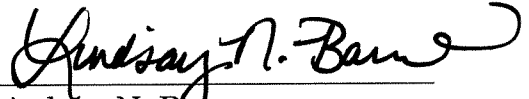
Notary Public, Ky. State at Large
My Commission Expires 8-8-2016

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

VERIFICATION

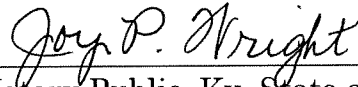
I, Lindsay N. Barron, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Lindsay N. Barron

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Lindsay N. Barron on this the 18 day of September, 2013.



Notary Public, Ky. State at Large
My Commission Expires _____

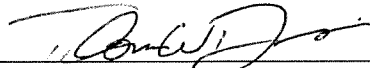
**Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951**

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

VERIFICATION

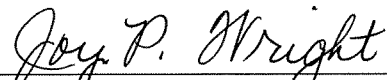
I, Thomas W. (Tom) Davis, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Thomas W. (Tom) Davis

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Thomas W. (Tom) Davis
on this the 19 day of September, 2013.



Notary Public, Ky. State at Large
My Commission Expires_____

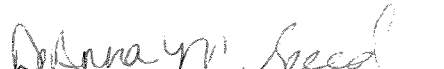
Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

VERIFICATION


I, DeAnna M. Speed, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



DeAnna M. Speed

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by DeAnna M. Speed on this
the 19 day of September, 2013.



Notary Public, Ky. State at Large
My Commission Expires _____

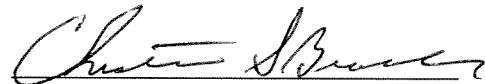
Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**


VERIFICATION

I, Christopher S. (Chris) Bradley, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.


Christopher S. (Chris) Bradley

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Christopher S. (Chris) Bradley on this the 17th day of September, 2013.

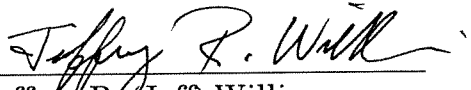

Notary Public, Ky. State at Large
My Commission Expires 1-12-17

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

VERIFICATION

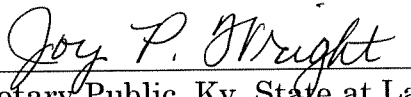
I, Jeffrey R. (Jeff) Williams, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Jeffrey R. (Jeff) Williams

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Jeffrey R. (Jeff) Williams
on this the 19 day of September, 2013.



Notary Public, Ky. State at Large
My Commission Expires _____

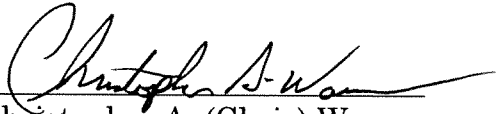
Notary Public, **Kentucky State-At-Large**
My Commission Expires: **July 3, 2014**
ID 421951

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

VERIFICATION


I, Christopher A. (Chris) Warren, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Christopher A. (Chris) Warren

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Christopher A. (Chris) Warren on this the 17th day of September, 2013.



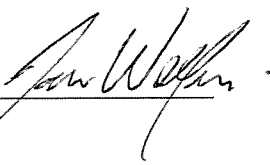
Notary Public, Ky. State at Large
My Commission Expires 1-12-17

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

VERIFICATION

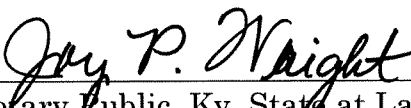
I, John Wolfram, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



John Wolfram

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by John Wolfram on this the
24 day of September, 2013.



Notary Public, Ky. State at Large
My Commission Expires _____

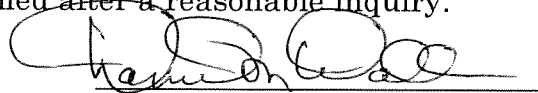
Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

VERIFICATION

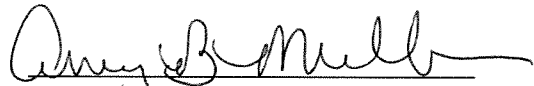
I, Daniel M. Walker, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



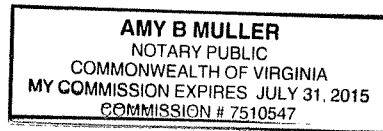
Daniel M. Walker

COMMONWEALTH OF VIRGINIA)
~~CITY OF RICHMOND~~ County of)
Henrico

SUBSCRIBED AND SWORN TO before me by Daniel M. Walker on this
the 18th day of September, 2013.




Notary Public
Commonwealth of Virginia
My Commission Expires July 31, 2015



ORIGINAL



Your Touchstone Energy® Cooperative 

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

APPLICATION OF BIG RIVERS)
ELECTRIC CORPORATION FOR A) Case No. 2013-00199
GENERAL ADJUSTMENT IN RATES)

**Response to Commission Staff's
Third Request for Information
dated September 16, 2013**

FILED: September 30, 2013

ORIGINAL

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Third Request for Information
dated September 16, 2013

September 30, 2013

1 **Item 1)** *Refer to the application, pages 35-36 of the Direct Testimony of John*
2 *Wolfram ("Wolfram Testimony"). Beginning at line 20 on page 38, Mr. Wolfram states*
3 *that if the Commission were to issue an order in Case No. 2012-00535¹ that differs from*
4 *the rates provided by Big Rivers in its rebuttal testimony filed on June 24, 2013 in that*
5 *case, it would need to adjust the rates proposed in this proceeding. If upon issuance of a*
6 *final order in Case No. 2012-00535, Big Rivers is not awarded the rates contained in the*
7 *rebuttal testimony, provide a revised copy of all exhibits that would change as a result of*
8 *the change in base rates. For Exhibits Wolfram 3-5, provide the revisions in both hard*
9 *copy and Excel spreadsheet format with the formulas intact and unprotected, and with all*
10 *rows and columns accessible. The requested information is due within 14 days of the*
11 *issuance of a final order in Case No. 2102-00535.*

12
13 **Response)** Big Rivers will provide an update to this response with revised exhibits if it is
14 not awarded the rates contained in the rebuttal testimony in Case No. 2012-00535.

15
16 **Witness)** John Wolfram

¹ Case No. 2012-00535, Application of Big Rivers Electric Corporation for an Adjustment of Rates, filed Jan. 15, 2013.

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

**Response to the Commission Staff's
Third Request for Information
dated September 16, 2013**

September 30, 2013

1 **Item 2)** *Refer to the response to Item 3 of Commission Staff's Second Request for*
2 *Information ("Staff's Second Request") and Tab 28 of the application, Attachment 3,*
3 *pages 19-20. Provide the amount of borrowings and principal payments in 2015 and 2016*
4 *that produce the Net Principal Payment on Debt Obligation amounts shown for each of*
5 *these years.*

6
7 **Response)** Net Principal Payments on Debt Obligations for 2015 and 2016, as shown on
8 Tab 28 of the application, Attachment 3, pages 19-20, consist only of principal payments.
9 No additional borrowings are forecasted for those years. Detail of the principal payments, by
10 debt obligation, for 2015 and 2016 is provided in the table below.

(\$ in millions)

<u>Debt Obligation</u>	Forecasted Annual Principal Payments	
	<u>2015</u>	<u>2016</u>
ECP Borrowing	\$ -	\$ 1,229
CoBank Note, Ser. 2012A	8,138	8,531
CFC Refinance Note, Ser. 2012B	11,335	11,677
CFC 2012 Equity Note	1,430	1,508
RUS Ser. A Note	-	-
RUS Ser. B Note	-	-
Total	\$ 20,903	\$ 22,945

11

12 **Witness)** Billie J. Richert

Case No. 2013-00199
Response to PSC 3-2
Witness: Billie J. Richert
Page 1 of 1

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Third Request for Information
dated September 16, 2013

September 30, 2013

- 1 **Item 3)** *Refer to the response to Item 10 of Staff's Second Request.*
- 2 *a. Refer to the response to part a. Provide the reserve funds balances as of*
- 3 *August 31, 2013. Consider this a continuing request to provide the*
- 4 *updated balances of each of the reserve funds on a monthly basis*
- 5 *throughout this proceeding.*
- 6 *b. Refer to the response to part b. The response states that the offset for*
- 7 *the Rural class would be \$23.76 per MWh. Confirm that the offset for*
- 8 *the Large Industrial class would be \$15.80 per MWh. If this cannot be*
- 9 *confirmed, provide the amount and how it was calculated.*
- 10 *c. Refer to the attachment to the response to part c, page 2 of 3, the*
- 11 *Wholesale columns. Explain why the "Rate After Depletion" would not*
- 12 *be the same under each of the three scenarios shown.*

13

14 **Response)**

- 15 a. As of August 31, 2013, the balance of the Economic Reserve is
- 16 \$66,130,448.09 and the balance of the Rural Economic Reserve is
- 17 \$65,350,435.15. Big Rivers will provide monthly updates throughout this
- 18 proceeding.

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Third Request for Information
dated September 16, 2013

September 30, 2013

- 1 b. Confirmed.
- 2 c. The "Rate After Depletion" is not the same under each of the three scenarios
- 3 because of timing differences. The rate provided in the referenced
- 4 attachment is the "all-in" Rural rate from the Big Rivers Financial Model
- 5 (converted from wholesale to retail using a 3.3 ¢/kWh adder) for the period
- 6 immediately following the depletion of the reserve funds. Under Option 1 for
- 7 fully offsetting \$70.4 million, the funds run out in April 2015. Under Option
- 8 2 for offsetting \$46.4 million, the funds run out in August 2015. Under
- 9 Option 3 for no offset, the funds run out in March 2017. In the Big Rivers
- 10 Financial Model, the all-in rate for the Rural rate class increases slightly over
- 11 that timeframe, from 14.0 ¢/kWh to 14.2 ¢/kWh to 14.4 ¢/kWh (again
- 12 converted to retail rates) for the respective time periods. This is due to slight
- 13 increases in the Fuel Adjustment Clause and Environmental Surcharge rate
- 14 mechanisms. If it were possible for the funds to run out at the same time
- 15 under all three scenarios, the "Rate After Depletion" would be the same.

16

17 **Witnesses)** Billie J. Richert (a), John Wolfram (b, c)

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Third Request for Information
dated September 16, 2013

September 30, 2013

1 **Item 4)** *Refer to the response to Item 24.b. of Staffs Second Request, specifically, the*
2 *second sentence of the response, which states, "Thus it is appropriate to remove the*
3 *surcredit amount from the revenue requirement in this case in order to eliminate the*
4 *regulatory lag...." Explain what regulatory lag is being eliminated.*

5

6 **Response)** In this instance regulatory lag refers to the amount of time between collection
7 of the surcharge from the smelters and the return of those amounts to the non-smelters. The
8 surcharge is collected from the smelters each month, but those funds are not returned to the
9 Rurals and Large Industrials until the following calendar year; this timing difference
10 constitutes the regulatory lag noted in the response. In the forecast test period in this case,
11 the smelter contracts are no longer effective, and the smelters will no longer pay the
12 surcharge. After the regulatory lag, the pass-through of those funds to the Rurals and Large
13 Industrials as a surcredit will also cease. Thus, because both will be eliminated as a result of
14 the smelter contract terminations, and in order to satisfy the matching principle, neither the
15 surcharge amounts nor the surcredit amounts should remain in the test period revenue
16 requirement.

17

18 **Witness)** John Wolfram

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Third Request for Information
dated September 16, 2013**

September 30, 2013

1 **Item 5)** *Refer to the response to Item 27 of Staff's Second Request, page 18 of the*
2 *Wolfram Testimony, and Reference Schedule 1.13 of Exhibit Wolfram-2. The response*
3 *states that the adjustment in the reference schedule removes non-recurring non-labor costs*
4 *associated with the Coleman Station lay-up. However, neither the response nor the*
5 *testimony references that the adjustment does not remove all of these costs, but that it*
6 *leaves 20 percent of the costs in the test year as a means of amortizing them over five years*
7 *for ratemaking purposes. Explain why it is appropriate to amortize and recover these non-*
8 *recurring costs.*

9
10 **Response)** Big Rivers believes it is reasonable and appropriate to recover the amortized
11 portion of the non-recurring, non-labor costs related to the Coleman layup that are removed
12 from test period expenses as shown in Reference Schedule 1.13 because such treatment is
13 consistent with the Commission's practice of amortizing prudently-incurred "extraordinary"
14 expenses over a five-year period. As the Commission has explained, "Historically, the
15 Commission has exercised its discretion to approve regulatory assets where a utility has
16 incurred: (1) an extraordinary, nonrecurring expense which could not have reasonably been
17 anticipated or included in the utility's planning; (2) an expense resulting from a statutory or
18 administrative directive; (3) an expense in relation to an industry sponsored initiative; or (4)

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
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dated September 16, 2013**

September 30, 2013

1 an extraordinary or nonrecurring expense that over time will result in a saving that fully
2 offsets the cost.”¹ Some examples include expenses related to storm damage, workforce
3 reduction initiatives, write-offs for retired mechanical meters, and post-merger
4 retirement/benefit packages.

5 It is appropriate for the Commission to allow Big Rivers to recover the amortized
6 portion of the non-recurring, non-labor Coleman layup costs as an extraordinary expense
7 “that over time will result in a saving that fully offsets the cost” because the one-time
8 expense of \$1,679,221 million for these costs in the test period is prudent, material, and
9 results in over [REDACTED] in annual savings for Big Rivers, for as long as the Coleman units
10 are idled. As such, the Commission should allow Big Rivers to recover the amortized
11 amount in its rates.

12

13 **Witness)** John Wolfram

¹ *In the Matter of: The Application of East Kentucky Power Cooperative, Inc. for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to Certain Replacement Power costs Resulting from Generation Forced Outages*, Order, P.S.C. Case No. 2008-00436 at p. 4 (Dec. 23, 2008).

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1 **Item 6)** *Refer to the response to Item 33 of Staff's Second Request, page 2 of 2,*
2 *which was filed under petition for confidentiality. Explain in detail why Big Rivers is not*
3 *proposing to increase the energy charge for its rate classes to the amount that appears on*
4 *this page as "Total Production Energy (Per kWh)."*

5

6 **Response)** In this filing, Big Rivers is proposing an energy charge that approximates Big
7 Rivers' projected annual production costs, which is also how Big Rivers determined the
8 proposed energy charge in Case No. 2012-00535. The support for the energy charge selected
9 for this case is provided in Big Rivers' response to PSC 2-30.

10 The amount that appears on page 2 of the attachment to Big Rivers' response to PSC
11 2-33 was not proposed because of its variance from the approximate annual production cost
12 shown in the response to PSC 2-30. This variance results from the fact that the values in the
13 PSC 2-33 attachment under "Total Production Energy (Per kWh)" include additional Station
14 Two-related costs booked in Account 555 that are not included in PSC 2-30. After the
15 departure of the smelters, the Station Two-related costs (which do not decline after the
16 smelter contract terminations) are allocated over a smaller amount of total consumption,
17 which inflates the per-unit impact on the values in PSC 2-33. This is why Big Rivers did not
18 rely upon the data in those two pages in this case (or in Case No. 2012-00535) and instead

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- 1 selected a proposed energy charge that more closely approximated the costs associated with
- 2 operating and maintaining its generating units.

3

4 **Witness)** John Wolfram

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1 **Item 7)** *Refer to the response to Item 34 of Staff's Second Request which shows the*
2 *current and proposed environmental surcharge amounts for the Rural and Large*
3 *Industrial classes. Provide a table in the same format as that provided in Big Rivers'*
4 *response to Item 1.a. of Commission Staff's Fourth Request for Information in Case No.*
5 *2012-00535 comparing the amount of environmental surcharge revenues without a base*
6 *rate adjustment and with the base rate adjustment. In addition, if a revised Exhibit*
7 *Wolfram-5 is filed in response to Item 1 of this request, provide the same table using the*
8 *revised amounts within 14 days of issuance of a final order in Case No. 2012-00535.*

9
10 **Response)** The requested table using the data relied upon for Exhibit Wolfram-5 is
11 provided below. If a revised Exhibit Wolfram-5 is filed in response to Item 1 of this request,
12 Big Rivers will provide the same table using the revised amounts within the requested
13 timeframe.

14 Recall that pursuant to the existing ES tariff (approved in the Commission's October
15 1, 2012, order in Case No. 2012-00063), the total ECP costs are "jurisdictionalized" or split
16 between the native load sales and OSS, on the basis of total adjusted revenues. The increase
17 to base rates affects the split, as shown in the table on the next page. This data is drawn
18 directly from the Big Rivers Financial Model.

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1

2

Total Test Period ES Revenues (\$)

Rate Class	Without Base Rate Adjustment	With Base Rate Adjustment	Variance
Rurals	13,355,230	14,168,287	813,057
Large Industrials	4,503,474	4,608,733	105,258
Smelter	0	0	0
Total Jurisdictional	17,858,704	18,777,020	918,316
Off System Sales	4,704,044	3,785,728	(918,316)
Total	22,562,748	22,562,748	0

3

4

5 Witness) John Wolfram

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1 **Item 8)** *Refer to the Direct Testimony of Robert Berry, page 10, wherein Mr. Berry*
2 *states that "the market prices in MISO for the 2013 and 2014 time frame indicate that off-*
3 *system sales margins will remain depressed..." Provide test year off-system sales revenues,*
4 *both gross and net, in whole dollar amounts rather than rounded numbers.*

5

6 **Response)** The requested information is provided under a petition for confidential
7 treatment in the attachment to this response.


8

9 **Witness)** Robert W. Berry

**Big Rivers Electric Corporation
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Off-System Sales Margins

Test Period
Feb-14 to Jan-15

a. Off-System Volumes (MWh)		
b. Off-System Price (\$/MWh)		
c. Off-System Revenues (\$)		a. times b.
d. Off-System Variable Costs (\$/MWh)		
e. Off-System Variable Expense (\$)		a. times d.
f. Off-System Gross Margin (\$)		c. minus e.

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1 **Item 9)** *Refer to the response to Item 14 of Kentucky Industrial Utility Customers,*
2 *Inc.'s ("KIUC") first information request which was filed under petition for*
3 *confidentiality. Explain the fluctuations in off-system sales revenues for the years 2015-*
4 *2019.*

5
6 **Response)** Off-system revenues in the years 2015-2019 are driven by the available
7 system generation for sale in the off-system market after native load requirements are
8 satisfied. Two primary reasons for the fluctuations in off-system revenues during this period
9 are the addition of replacement load and the restarting of idled plants. Replacement load
10 recovery begins in 2016 and grows until 2021 in the following increments: 100 MW in 2016,
11 100 MW in 2017, 100 MW in 2018, 100 MW in 2019, 200 MW in 2020 and 200 MW in
12 2021 for a total load recovery of 800 MW. In addition to the load recovery, the Wilson
13 station re-starts in 2018 and the Coleman facility re-starts in 2019.

14 Off-system sales revenues [REDACTED]
15 [REDACTED] due to projected replacement load in 2016 of 658,800
16 MWh. Off-system revenues [REDACTED] due to projected replacement load
17 volumes of 1,314,000 MWh. In 2018, there is replacement load totaling 1,971,000 MWh,
18 but off-system sales revenues [REDACTED] driven by increased generation with the re-start

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1 of the Wilson unit. In 2019, the projected off-system revenues [REDACTED] due to the
2 increased generation related to the Coleman station re-start. In 2020, off-system sales
3 revenues [REDACTED]
4 [REDACTED]. The attachment to this response, which is being provided under a petition for
5 confidential treatment, provides additional detail on the generation and load requirements for
6 the system in each of the years.

7

8 **Witness)** Robert W. Berry

**Big Rivers Electric Corporation
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Off-System Reconciliation

	2015	2016	2017	2018	2019	2020
Off-System MWh Change over prior year	[REDACTED]					
Off-System \$/MWh Change over prior year	[REDACTED]					
Off-System Revenues Change over prior year	[REDACTED]					

MWh Sales	2015	2016	2017	2018	2019	2020
Rural	2,276,093	2,262,136	2,281,571	2,299,525	2,317,163	2,336,403
Large Industrial	985,813	985,324	982,555	982,555	982,555	982,555
Smelter	-	-	-	-	-	-
Replacement Load	-	658,800	1,314,000	1,971,000	2,628,000	3,952,800
Off-System Total	[REDACTED]					

MWh Reconciliation	2015	2016	2017	2018	2019	2020
Generation	[REDACTED]					
SEPA	266,980	266,980	266,980	266,980	266,980	266,980
Market Available Losses Sales	[REDACTED]					

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1 **Item 10)** *Refer to the response to Item 57 of the first information request of KIUC*
2 *and page 1 of Exhibit Wolfram-2 to the Wolfram Testimony. Given that Century will be*
3 *required to pay roughly 34.5 percent of the ACES fees of \$2.27 million in 2014, explain*
4 *why an adjustment to decrease Big Rivers' test-year expenses by approximately \$783,150*
5 *was not included in the exhibit.*

6
7 **Response)** At the time Exhibit Wolfram-2 was prepared, the agreement with Century
8 Kentucky for the Hawesville smelter had not yet been finalized, filed, approved or closed, so
9 any requirement for Century Kentucky to compensate Big Rivers for a portion of the ACES
10 fees was not known and thus could not be included in the exhibit.

11 Big Rivers acknowledges that Century Kentucky will reimburse Big Rivers for a
12 portion of the ACES fees, pursuant to Exhibit A of the Direct Agreement approved by the
13 Commission in Case No. 2013-00221. Thus, Big Rivers' proposed revenue requirement
14 should be reduced by \$783,724, which is Century's 34.5 percent share of the ACES fees in
15 the test period.

16 Please note that Century Kentucky may be required to reimburse Big Rivers for other
17 cost items included in the test period revenue requirement in this case. However, it is not
18 certain at this time whether such reimbursements will take place. Furthermore, if

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1 reimbursement does occur, both the timing and the amounts of any payments are unknown.
2 For these reasons, Big Rivers is not proposing any adjustments to the test period revenue
3 requirement in this case for such items.

4 One example is the costs related to the SSR (including reimbursements for property
5 tax and insurance, inventory carrying costs, and a portion of certain Big Rivers' labor costs).
6 Big Rivers has provided an SSR Agreement to MISO (which includes a proposed description
7 of SSR unit going-forward compensation and a proposed SSR budget). MISO has not yet
8 approved it. If MISO approves the proposed SSR Agreement, or if MISO modifies the SSR
9 Agreement, MISO must then make a filing at FERC seeking FERC approval of the same. It
10 is Big Rivers' understanding that the SSR Agreement may be contested at MISO and/or at
11 FERC by Century Kentucky, but this is not yet known. The extent to which FERC and
12 MISO will agree with Big Rivers that the items such as property tax, property insurance, etc.
13 are SSR costs is unknown at this time.

14 Another example includes the costs for Ancillary Services. Big Rivers submitted a
15 filing at FERC regarding Ancillary Service Schedule 2 (Reactive Supply and Voltage Control
16 Service) under the MISO tariff, but this has not yet been approved. See *Proposed Revenue*
17 *Requirement of Big Rivers Electric Corporation for reactive supply service under*

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1 *Midcontinent Independent System Operator, Inc. Tariff Schedule 2*, FERC Docket No. EL13-
2 85-000.¹

3 The aforementioned items relate to the provision of service to Century Kentucky's
4 Hawesville smelter. Big Rivers expects that similar agreements will be reached (subject to
5 Commission approval) at some point in the coming months among Big Rivers, Kenergy
6 Corp., and Century Kentucky for the provision of service to the Sebree smelter, but at present
7 this too is uncertain.

8 Big Rivers will provide information on these items and any other similar items when
9 such information becomes known. Big Rivers will provide this information in the form of
10 on-going updates to the response to PSC 4-3 in Case No. 2012-00535, in the quarterly reports
11 that are required pursuant to Ordering Paragraph No. 5 in the Commission's Order dated
12 August 14, 2013 in Case No. 2013-00221, and/or in updates to items in the record in this case
13 as appropriate.

14

15 **Witnesses)** Robert W. Berry, John Wolfram

¹ As a non-jurisdictional utility, Big Rivers submitted its proposed Reactive Power Revenue Requirements in accordance with the FERC's directives in its orders accepting Schedule 2 of the MISO Tariff. The FERC has clarified that a non-public utility, such as Big Rivers, is not required to file a rate schedule in order to be compensated for providing reactive power.

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1 **Item 11)** *Refer to the response to Item 12 of the first information request of Ben*
2 *Taylor and Sierra Club. Provide Big Rivers' current understanding of the maximum*
3 *period of time Century Aluminum is expected to incur System Support Resource costs.*

4

5 **Response)** Century Aluminum will incur System Support Resource ("SSR") costs
6 associated with the operation of the Coleman generating station until it completes installation
7 of the Special Protective System (SPS) and obtains SERC Reliability Corporation ("SERC")
8 approval for this system. Based on conversations with Century, it is planning to have SERC
9 approval and the equipment installed by May 31, 2014; however, if Century is unsuccessful
10 in meeting this intended date, it will continue to incur SSR costs until it completes these
11 tasks.

12

13 **Witness)** Robert W. Berry