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June 20, 2013

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JUN 21 2013

PUBLIC SERVICE
COMMISSION

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

In the Matters of:

*Supplemental Information provided with Big Rivers' Annual Financial and Statistical Report – Administrative Case No. 387
Request of Big Rivers Electric Corporation for an Extension to File the Annual Information required by an Order in Administrative Case No. 387 – Case No. 2013-00060*

Dear Mr. Derouen:

On April 25, 2013, Big Rivers Electric Corporation (“Big Rivers”) filed the supplemental information required by the Commission’s Order, dated March 29, 2004, in Administrative Case No. 387. By letter dated May 31, 2013, the Commission and Commission Staff requested Big Rivers to “provide a detailed discussion of the consideration given to price elasticity in the forecasted demand, energy, and reserve margin information provided with” Big Rivers’ April 25 filing. Big Rivers hereby encloses two copies of its response to that May 31 request.

Please confirm the Commission’s receipt of this information by having the Commission’s date stamp placed on the enclosed additional copy and returning it to Big Rivers in the self-addressed, postage paid envelop provided.

Should you have any questions about this information you may contact me as shown below.

Sincerely yours,

Roger D. Hickman
Regulatory Affairs Manager
Phone: 270-844-6182
E-Mail: roger.hickman@bigrivers.com

C: Billie J. Richert
Lindsay N. Barron
DeAnna M. Speed

FILED

JUN 21 2013

PUBLIC SERVICE
COMMISSION



Your Touchstone Energy® Cooperative 

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matters of:

SUPPLEMENTAL INFORMATION)	
PROVIDED WITH)	Administrative Case
BIG RIVERS' ANNUAL FINANCIAL)	No. 387
AND STATISTICAL REPORT)	

REQUEST OF BIG RIVERS)	
ELECTRIC CORPORATION FOR AN)	
EXTENSION TO FILE THE ANNUAL)	
INFORMATION REQUIRED BY AN)	Case No. 2013-00060
ORDER IN ADMINISTRATIVE CASE)	
NO. 387		

FILED: June 21, 2013

BIG RIVERS ELECTRIC CORPORATION

**SUPPLEMENTAL INFORMATION PROVIDED WITH
BIG RIVERS' ANNUAL FINANCIAL AND STATISTICAL REPORT
PURSUANT TO ADMINISTRATIVE CASE NO. 387**

Response to Commission Staff's Letter Request dated May 31, 2013

June 21, 2013

1 **Supplemental Item 1) *Provide a detailed discussion of the consideration***
2 ***given to price elasticity in the forecasted demand, energy, and reserve***
3 ***margin information provided in your 2012 Administrative Case No. 387***
4 ***responses which were filed on April 25, 2013.***

5
6 **Response)** Big Rivers' works with and relies on GDS Associates ("GDS") in
7 developing a formal load forecast every two years. Big Rivers' load forecast
8 includes the impacts of retail prices on rural energy consumption and peak
9 demand. Real retail price is a model input in the energy forecasting models
10 (econometric specifications), so price elasticity is a derived measure rather than a
11 direct model input. Energy forecasting models were developed for each of Big
12 Rivers' three Member Cooperatives, and the derived price elasticities ranged from
13 -0.16 to -0.21. The impact of real retail price on peak demand was assumed at half
14 of the impact measured for energy sales. The impact of price on Big Rivers'
15 reserve margin is consistent with the price impact on peak demand. As price
16 elasticity impacts demand this would flow through the calculation and impact the
17 resulting reserve margin.

18 Big Rivers notes that the impacts of the rate increases arising from
19 the Century and Alcan termination notices were not included in Big Rivers' filing
20 dated April 25, 2013. Big Rivers has recently completed work with GDS on a new
21 load forecast which reflects these impacts, and that load forecast will be utilized in
22 Big Rivers' General Rate Case Application filed with the Commission in Case No.
23 2013-00199.¹

¹ *In the Matter of:* Application of Big Rivers Electric Corporation for a General Adjustment in Rates, Case No. 2013-00199.

BIG RIVERS ELECTRIC CORPORATION

**SUPPLEMENTAL INFORMATION PROVIDED WITH
BIG RIVERS' ANNUAL FINANCIAL AND STATISTICAL REPORT
PURSUANT TO ADMINISTRATIVE CASE NO. 387**

Response to Commission Staff's Letter Request dated May 31, 2013

June 21, 2013

1

2 **Respondent)** Lindsay N. Barron

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