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June 11, 2007

RECEIVED

JUN 12 2007

PUBLIC SERVICE  
COMMISSION

**Via Federal Express**

Ms. Elizabeth O'Donnell  
Executive Director  
Public Service Commission  
211 Sower Boulevard, P.O. Box 615  
Frankfort, Kentucky 40602-0615

Re: Notice of Big Rivers Electric Corporation and  
Kenergy Corp. of Amendments to Existing Rate Schedules  
Case No. 2007-00164

Dear Ms. O'Donnell:

Enclosed are an original and five copies of the response of Big Rivers Electric Corporation and Kenergy Corp. to the Attorney General's first data request in the above referenced matter. The undersigned certifies that he supervised in the preparation of the response and that the response is true and accurate to the best of his knowledge, information, and belief formed after a reasonable inquiry. A copy of the response has been served on the attached service list.

Sincerely,



Tyson Kamuf

TAK/ej  
Enclosures

cc: David Spainhoward (w/enclosure)  
C. William Blackburn (w/enclosure)  
Mark A. Bailey (w/enclosure)  
Steve Thompson (w/enclosure)  
David Hamilton (w/enclosure)  
Service List

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**SERVICE LIST**  
**PSC CASE NO. 2007-00164**

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**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF KENTUCKY**

**RECEIVED**

JUN 12 2007

PUBLIC SERVICE  
COMMISSION

In the matter of:

Notice of Big Rivers Electric Corporation and  
Kenergy Corp. of Amendments to Existing  
Rate Schedules

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Case No. 2007-00164

**RESPONSE OF BIG RIVERS ELECTRIC CORPORATION  
AND KENERGY CORP. TO THE ATTORNEY GENERAL'S  
FIRST DATA REQUEST**

**June 12, 2007**



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST  
CASE NO. 2007-00164  
June 12, 2007

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**Item 1)** Please provide a total number of Big Rivers customers eligible to participate in the pilot program.

**Response)** Big Rivers Electric Corporation ("Big Rivers") is a wholesale supplier of electricity to three distribution cooperatives (members) through an all-requirements contract with each member. Kenergy Corp. ("Kenergy") is the only member that has filed a tariff to take advantage of the pilot program. However, all three of the members are eligible to participate if they have a proposed customer that meets the criteria.

**Witness)** C. William Blackburn



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST  
CASE NO. 2007-00164  
June 12, 2007

1  
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**Item 2)** Please provide a total number of Kenergy customers eligible to participate in the pilot program.

**Response)** Kenergy has 16 retail customers eligible to participate should they have expanding loads that meet the criteria of the tariff.

**Witnesses)** C. William Blackburn and David Hamilton



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST  
CASE NO. 2007-00164  
June 12, 2007

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**Item 3)** Please list any other electric utilities real-time pricing programs and pilots which the company reviewed and for the programs listed, provide:

- A. A summary of each program or pilot, which should include the design of same and if implemented, the overall financial affect on the customers;
- B. The information which the company reviewed from each other program or pilot in making the decision to propose this pilot;
- C. The determinants or decision making reasons for determining this pilot to be appropriate; and
- D. The modeling or analyses conducted in reaching the decision.

**Response)** 3a, b, c, and d)Big Rivers reviewed the “National Action Plan for Energy Efficiency” for suggestions on successful real-time pricing programs in place nationwide. As a result, information was received from the following utilities:

- Commonwealth Edison – Rate HEP
  - An hourly real-time pricing rate available to both residential and non-residential customers.
- Gulf Power – Rate Schedule PXT & LPT
  - An optional time-of-use rate available to customers with loads greater than 7,500 kw and 500 kw, respectively.
- Niagara Mohawk Power Corporation – Service Class #3A Large General Service
  - A time-of-use rate available to customers with loads greater than 2 MW.
- Duke Energy – Rate RTP-M
  - Applicable to all new customers as of January 1, 2002. Day-ahead binding price quotes are sent to customers, who then manage loads accordingly.
- Georgia Power – RTP-HA-2
  - Commercial and industrial customers are charged or credited based on deviations from customer baseline loads.

RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST  
CASE NO. 2007-00164

June 12, 2007

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Additionally, Big Rivers contacted Duke Kentucky to discuss their Rate DT – Time of Day, which is available to customers using 500 kw or more. Information on the number of participants, the process of implementation, and other pertinent factors were solicited.

Participation in the Duke program was limited, in part due to the relatively low rates otherwise available to Duke customers. Big Rivers concluded that an effective real-time pricing program must be structured in a manner enabling the customer to make informed decisions and take appropriate actions to off-set high rates. Given Big Rivers' current rates, the only vehicle thought to have the potential to create such conditions was Rate Schedule 10, which, after the first 5 MW, utilizes market-priced power. As such power has historically been significantly higher than Big Rivers' rates, Big Rivers felt that a customer under Rate Schedule 10, utilizing a sufficiently high load, might have adequate incentive to participate in a real-time pricing program.

**Witness)** C. William Blackburn



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST  
CASE NO. 2007-00164

June 12, 2007

1  
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**Item 4)** Please reference the Application, Exhibit A, paragraph 10(b). It appears that subparagraphs (3)-(8) are missing from the application. Please provide the missing information.

**Response)** Big Rivers' Rate Schedule 10 consists of Sheet Nos. 60-67, inclusive. Big Rivers filed as Exhibit A to the application only those tariff sheets that it was seeking to amend. Big Rivers is not proposing any revisions to First Revised Sheet Nos. 61, 62, 66, and 67; and therefore, it did not file those tariff sheets as part of the application.

**Witness)** C. William Blackburn



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST  
CASE NO. 2007-00164  
June 12, 2007

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- Item 5)** Please reference the Application, Exhibit A, paragraph 10(e).
- A. Please clarify how the Expansion Demand and the Expansion Energy for a new customer will be calculated and how such calculation will be utilized to generate billing data under the proposed tariff. Please provide sample calculations illustrating the procedure to be utilized.
- B. Please clarify that the Expansion Demand for an existing customer shall be calculated from the Billing Demand and the customer's Base Year Peak. Please provide sample calculations illustrating the procedure to be utilized.
- C. Please clarify whether the Expansion Energy for a customer shall be calculated for both existing and new customers based upon the energy usage in the corresponding Base Year month and the usage for the current month. Please provide sample calculations illustrating the procedure to be utilized.
- D. Please clarify that the Expansion Energy charges will only be applicable if there is an increase in usage as compared to the Base Year peak, as calculated using the Expansion Demand calculation described.
- E. Please clarify that a customer would only be charged for Expansion Energy under the proposed tariff if there is an increase shown under the Expansion Demand Calculation.
- F. Please explain why Big Rivers/Kenergy chose to use the additional Expansion Demand calculation to filter out customers whose Expansion Energy shows an increase but whose Expansion Demand does not?
- G. Please clarify whether the proposed tariff affects the entire electrical usage of a customer or only the amount of increased electrical usage as calculated using the Expansion Demand calculation.

**Response) 5a)** Any customers of Big Rivers' members, who were not customers on August 31, 1999, and whose contract demand or actual metered peak demand is equal to or exceeds 5 MW, will be subject to Big Rivers' Rate Schedule 10. Therefore, for those specific "new" customers, the billing under the tariff would involve the application of the tariff rate to all metered energy consumed during any given month. As an

RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST  
CASE NO. 2007-00164

June 12, 2007

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example, for a 30 day month, for each 1 MW of contract or metered peak demand, the customer would be billed for 720 MWhs (assuming 100% load factor, less if actual usage was less than 100% load factor) for the month. The tariff rate would be the market (off-system purchase) price applicable to each of those MWhs during the hour in which they were consumed.

5b) Any customers of Big Rivers' members existing on August 31, 1999, who either contract for additional power or exceed their metered peak demand for any month between September 1998 and August 1999 by 5 MW or more, will be subject to Big Rivers' Rate Schedule 10. Therefore, for those specific "new" loads, the billing under the tariff would involve the application of the tariff rate to all metered energy consumed during any given month in excess of the energy consumed in that same month between September 1998 and August 1999 (Base Year). The customer would be billed for all excess MWhs for the month at the market (off-system purchase) price applicable to each of those MWhs during the hour in which they were consumed.

5c) Yes. The new customer's energy usage in the corresponding Base Year month would always be zero. Otherwise, each customer's usage is calculated the same way.

5d) Yes. Big Rivers' Rate Schedule 10 is only applicable to new customer demand or expansion of existing customer demand of 5 MW or more. Expansion Energy only applies if Expansion Demand meets that level.

5e) Please see response to Item 5d above.

5f) Big Rivers' current contractual supply of power to serve the needs of its members is demand-limited, and therefore, this tariff is triggered by increased demand above the Base Year level.

RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST  
CASE NO. 2007-00164  
June 12, 2007

1  
2  
3  
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5g) Real-time pricing service is only applicable for new loads over 5 MW or for expanded loads over 5MW.

**Witness)** C. William Blackburn



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST  
CASE NO. 2007-00164

June 12, 2007

1  
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**Item 6)** Is the contemplated metering equipment proposed by the company failsafe with no possibility of error? If not, please provide the following:

- A. What are the precautions undertaken by the company to eliminate any possible errors?
- B. If the company under bills the customer, will the company agree to absorb the costs and not bill the customer?
- C. Will the company implement any new or additional protocol to monitor the accuracy of the meters?
- D. Will the company implement any new or additional protocol to monitor the accuracy of the implementation of the pilot?

**Response)** No meter is failsafe with no possibility of error.

6a) Big Rivers installs communications circuits to all revenue meters for remote interrogation and data transfer purposes. The meters and data are thus monitored such that the possibility of error is reduced.

6b) Big Rivers will not absorb the cost of under billing the customer. Pursuant to KRS 278.160(2), Big Rivers may not charge, demand, collect, or receive from any person a greater or less compensation for any service rendered than is prescribed in its rate schedules and special contracts on file with the Kentucky Public Service Commission. The billing adjustment to correct for any such errors will conform to the Kentucky Public Service Commission guidelines set forth in 807 KAR 5:006 Section 10 and related sections.

6c) Big Rivers believes the protocol identified in the response to Item 6a adequately addresses metering accuracy concerns.

6d) Please see response to Item 6c above.

**Witness)** C. William Blackburn



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST  
CASE NO. 2007-00164  
June 12, 2007

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**Item 7)** Please fully describe the various options for communicating the real-time pricing to customers.

**Response)** Please see response to the Commission Staff's first data request Item 1.

**Witness)** C. William Blackburn



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST  
CASE NO. 2007-00164

June 12, 2007

1  
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**Item 8)** In addition to the hourly pricing information, will any other information be available to customers (i.e., current or real-time consumption data, previous consumption data, yearly or monthly consumption data or a running total)?

**Response)** Customers taking service under this tariff will have essentially the same after-the-fact information available to it that Big Rivers will have. Current or real-time consumption data can be made available. Please see response to the Commission Staff's first data request Item 3.

**Witness)** C. William Blackburn



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST  
CASE NO. 2007-00164  
June 12, 2007

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- Item 9)** Please reference the Application, at page 4 paragraph 9.
- A. Please clarify what is meant by the terms “Day-ahead” and “Week-ahead” in reference to hourly pricing?
- B. Are these terms to be read to mean the twenty-four (24) hour or Seven day periods, respectively, following the setting of the posted prices?
- C. Please clarify when the posted hourly or weekly prices take effect (i.e., do the prices go into effect the following day at 4 p.m., at the same evening at midnight, or something else)?
- D. Please clarify how far in advance the company intends to post the day-ahead and/or week-ahead pricing?
- E. If the posted hourly prices go into effect the same evening at midnight, does the company believe that customers will be able to respond adequately to the pricing signal?
- Response)** 9a) The term “day-ahead” means that prices will be given on a particular day for the immediately following day. The term “week-ahead” means that prices will be given on a particular day for the immediately following week.
- 9b) The prices will be given on a particular day and will begin at the immediately following midnight and extend 24 hours or 168 hours respectively.
- 9c) Please see responses to Items 9a and 9b.
- 9d) The particular day of pricing would be any time up to 5 P.M. Central Prevailing Time.
- 9e) It would be up to the customer to assess its cost/benefit analysis for participation in the program. Some industries would consider this as more than enough time and others may deem it as insufficient time; this is the inherent nature of real-time pricing.
- Witness)** C. William Blackburn



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST  
CASE NO. 2007-00164  
June 12, 2007

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**Item 10)** Are participants to be charged for their actual usage at their current tariff rate plus or minus the difference between their actual and historic at pilot program rates? If so, does the possibility exist for over or under recovery from individual participants? If such a possibility exists, how does the company propose to allocate such over or under recovered funds?

**Response)** See Big Rivers' Rate Schedule 10, Second Revised Sheet Nos. 63-64, Paragraphs e(1)-(2). The market rates will be charged on a real-time basis, as metered, leaving no possibility for over or under recovery.

**Witness)** C. William Blackburn



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST  
CASE NO. 2007-00164

June 12, 2007

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**Item 11)** Please indicate the number of Big Rivers customers the company anticipates will participate in the pilot program?

**Response)** Big Rivers' only customers are its three distribution cooperative members. Thus far, Kenergy is the only customer of Big Rivers that has filed a real-time price tariff. There is no way of knowing which retail customers are considering expansions that might take advantage of this pilot program. Additionally, there is no way of knowing how successful Big Rivers and its members will be in their economic development efforts. Big Rivers and Kenergy believe that this real-time pricing pilot program gives the customer an added option.

**Witness)** C. William Blackburn



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST  
CASE NO. 2007-00164  
June 12, 2007

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**Item 12)** Please indicate the number of Kenergy customers the company anticipates  
will participate in the pilot program?

**Response)** Please see response to Item 11 above.

**Witnesses)** C. William Blackburn and David Hamilton



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST

CASE NO. 2007-00164

June 12, 2007

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**Item 13)** Is there a point when the company believes the lack of adequate participation in the program would require its modification or cancellation (i.e., a point where the lack of participation would make the program unfeasible or the results obtained therefrom unrepresentative of the participant classes)?

**Response)** Big Rivers and its members would prefer to give the pilot program a chance to determine how successful it may become. Certainly, if it proves to be unsuccessful, there would be a point at which it should be modified or cancelled.

**Witness)** C. William Blackburn



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST

CASE NO. 2007-00164

June 12, 2007

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**Item 14)** What steps or efforts will the company utilize to educate or otherwise inform Pilot participants on ways to reduce energy consumption or shift their load? Will these efforts be continuous and on-going in nature?

**Response)** During conversations with new and expanding load customers, Big Rivers and its members attempt to educate and inform the customer on ways to reduce energy and/or shift their load. Big Rivers and its members prepare a quarterly Commercial and Industrial ("C&I") newsletter that is distributed to each of the current C&I customers. Additionally, Big Rivers and Kenergy will continuously provide the following services to assist customers with reducing energy consumption or shifting load:

- **Energy Use Assessments:** Each customer will have the opportunity for a formal documented audit of their facilities or a less formal walk-through audit to identify immediate opportunities. A Kenergy representative will accompany the Big Rivers audit team for the assessment and results presentation.
- **Operational Assessment:** Kenergy and Big Rivers staff will work with designated key customers to determine if operational changes within their facilities could be made to improve power use efficiency.
- **End-Use Technology Identification:** Kenergy and Big Rivers staff will assist companies to identify new electric technologies to improve their productivity and to reduce consumption.

**Witnesses)** C. William Blackburn and David Hamilton



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST  
CASE NO. 2007-00164  
June 12, 2007

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**Item 15)** Please describe the anticipated demographics of the expected pilot program participants (i.e., industry type, size, location, etc.).

**Response)** The real-time pricing pilot will be available to existing direct-served customers that expand over 5MWs or any new direct-served customer over 5 MWs. Kenergy and Big Rivers will work with existing industries to help identify customers that have the ability to curtail load or shift operations to off-peak hours. For new customers meeting the pilot program criteria, the demographics are really dependent on the desires of the customer, which Big Rivers and Kenergy will attempt to accommodate.

**Witnesses)** C. William Blackburn and David Hamilton



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST

CASE NO. 2007-00164

June 12, 2007

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**Item 16)** Please provide a detailed estimate of the anticipated administrative costs of the program.

A. Which of these costs are independent of the number of participants? Which of these costs are incremental costs that will be incurred based on the number of participants?

B. What costs does the company expect to recover through the proposed administration fee?

C. What costs does the company expect to recover through its base rates?

D. Did the company consider splitting the program cost between ratepayers and shareholders?

E. As participants are to be charged for a portion of load they designate at their current tariff rate plus any portion of additional load they designate as subject to real-time pricing, does the possibility exist for over or under recovery from individual participants? If so, how does the company propose to allocate such over or under recovered funds?

**Response)** 16a) Costs will be determined on a case-by-case basis.

16b) Kenergy will recover the additional labor cost to administer the real-time pricing tariff pilot as described in a special contract.

16c) No cost recovery through base rates is planned.

16d) Program cost will be paid by only those customers participating in the real-time pricing pilot. Neither Kenergy nor Big Rivers have shareholders and, to that extent, the question is not applicable.

16e) Please see response to Item 10 above.

**Witnesses)** C. William Blackburn and David Hamilton



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST

CASE NO. 2007-00164

June 12, 2007

1

2

3 **Item 17)** Please provide a detailed explanation why the proposed program  
4 maintains the existing rate structure with the application of "correction" factors which are  
5 based on the variance of current usage compared to a customers' historical usage?

6

7 **Response)** No correction factor is discussed in Big Rivers' real-time pricing proposal,  
8 and thus, this question is not applicable.

9

10

11 **Witness)** C. William Blackburn



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST  
CASE NO. 2007-00164

June 12, 2007

1

2

3 **Item 18)** Did the company consider a real-time pricing pilot with no correction  
4 factors and which is based on a true cost of service tariff? If so, then why was such  
5 program not chosen by the company?

6

7 **Response)** Please see response to Item 17 above.

8

9

10 **Witness)** C. William Blackburn



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST

CASE NO. 2007-00164

June 12, 2007

1

2

3 **Item 19)** Does the company have information as to the number of meters required  
4 under the pilot program?

5

6 **Response)** No

7

8

9 **Witness)** C. William Blackburn



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST

CASE NO. 2007-00164

June 12, 2007

1

2

3 **Item 20)** Please provide a graph, for each month of the year, demonstrating the  
4 average daily usage on the hour for all 24 hours for customers eligible to participate in  
5 the pilot program. (This should be interpreted to mean that each graph will depict the  
6 average for all days of that month and normalized over a 30 year period.)

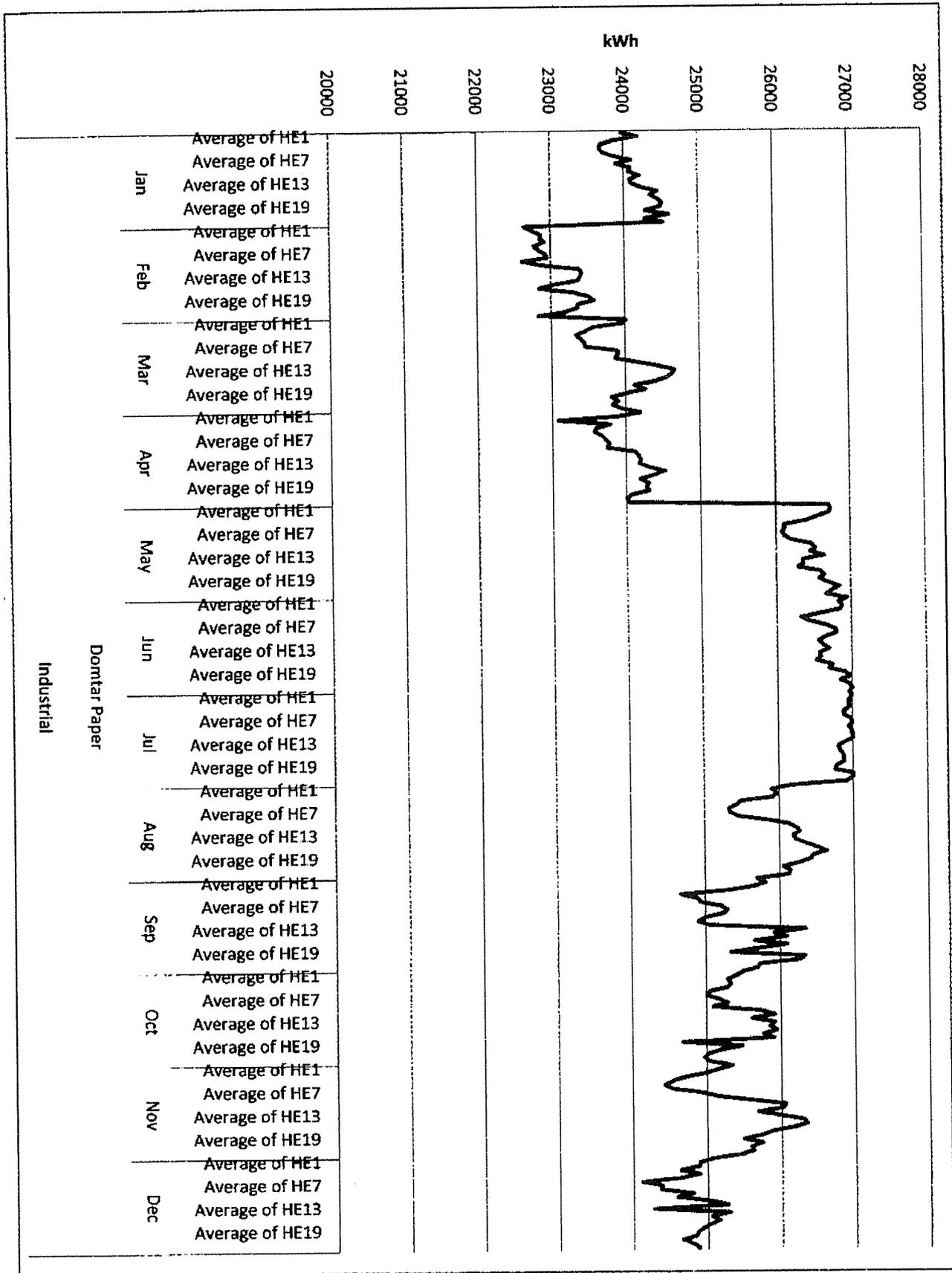
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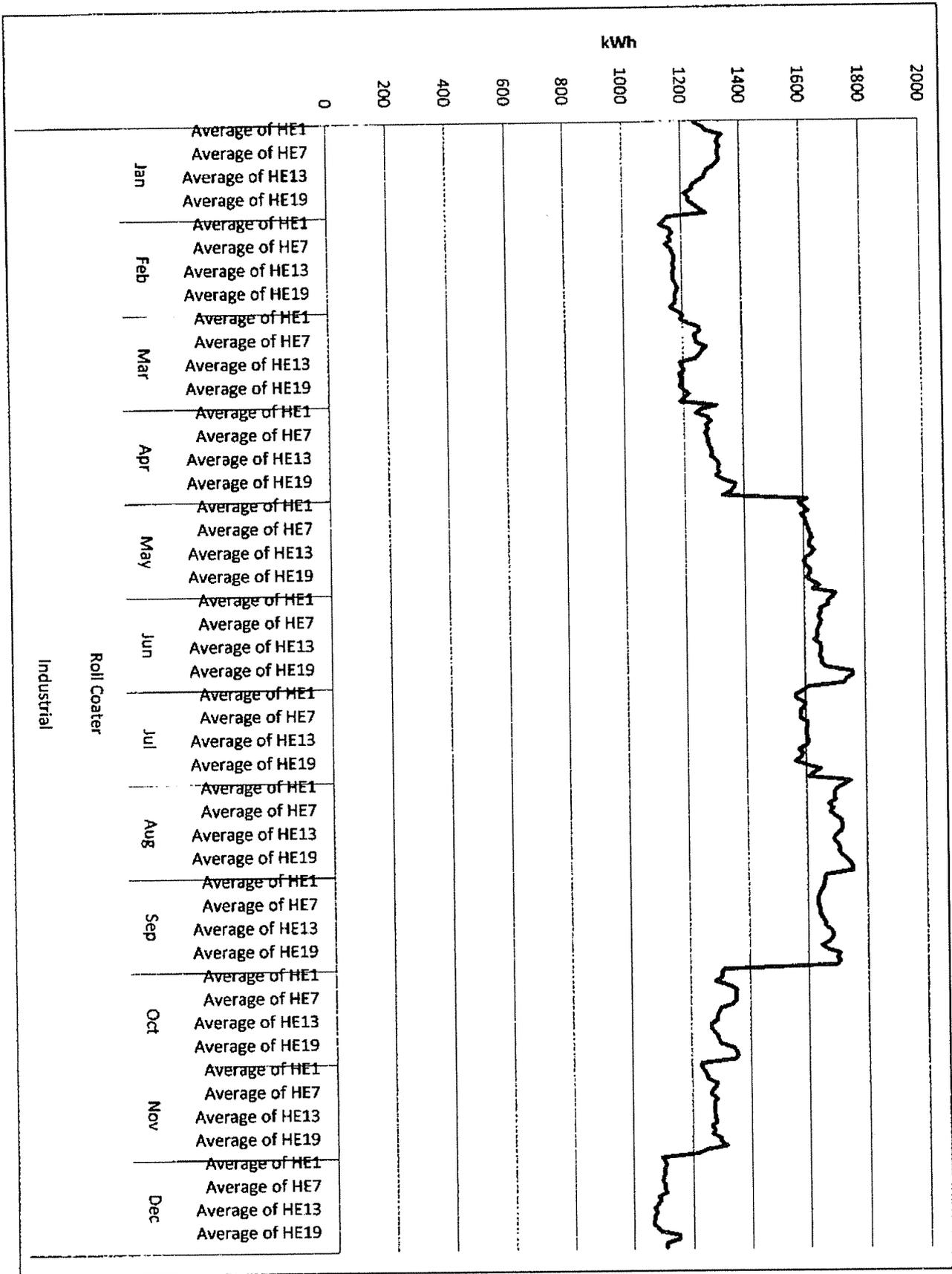
8 **Response)** See attached graphs of the 16 direct-serve customers demonstrating  
9 average daily usage. Each graph contains actual hourly usage for the most recent 12  
10 month calendar year.

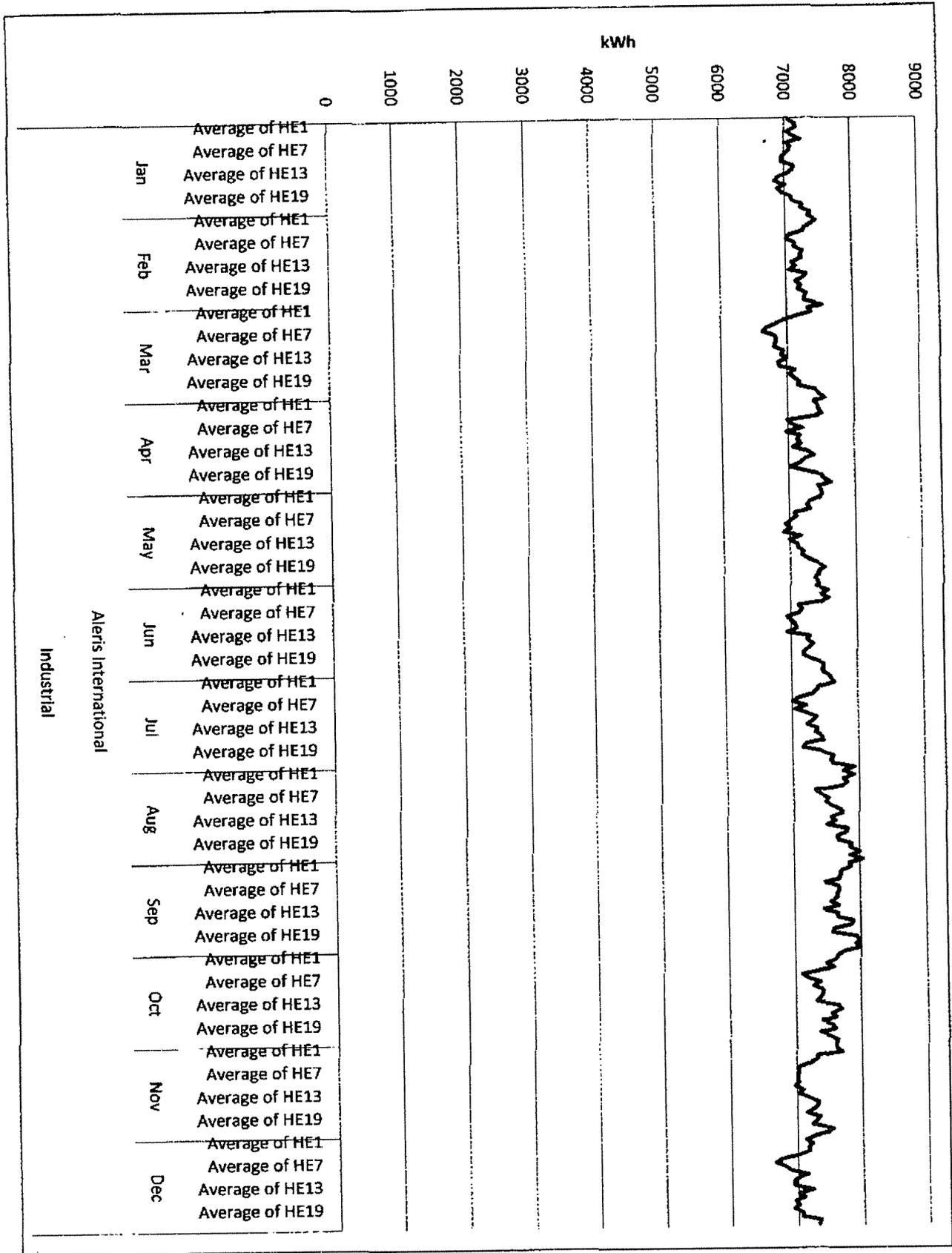
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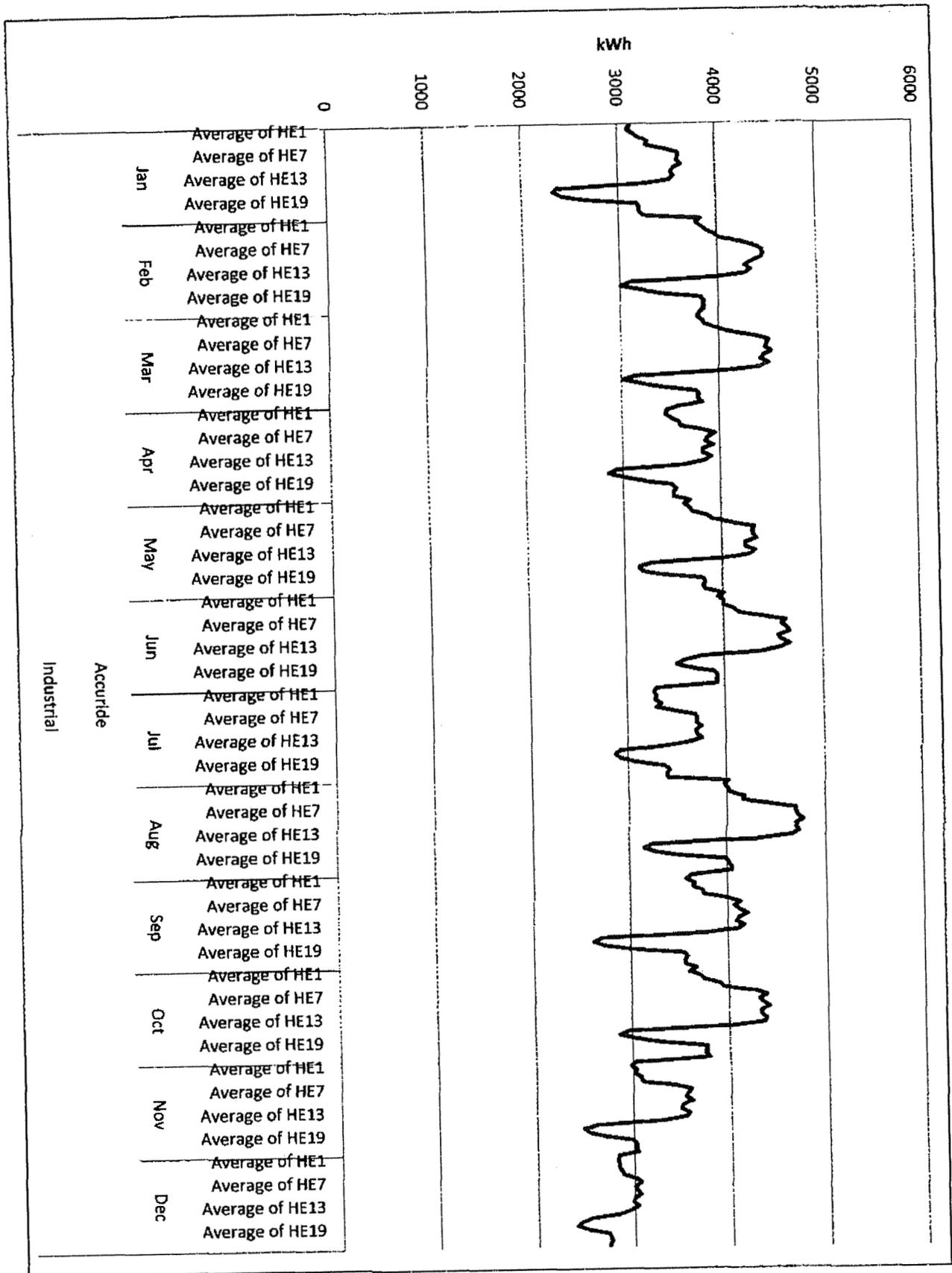
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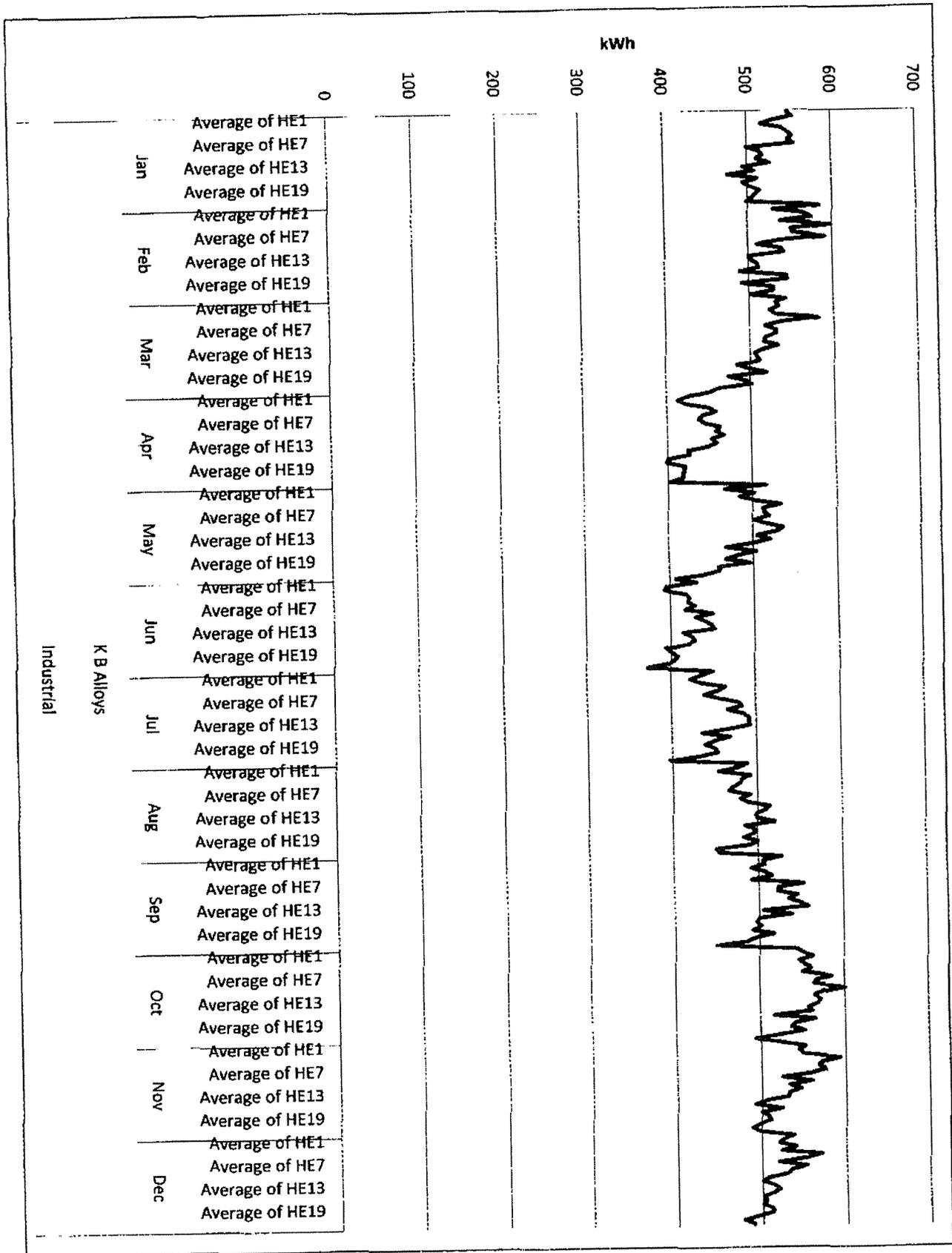
13 **Witnesses)** C. William Blackburn and David Hamilton

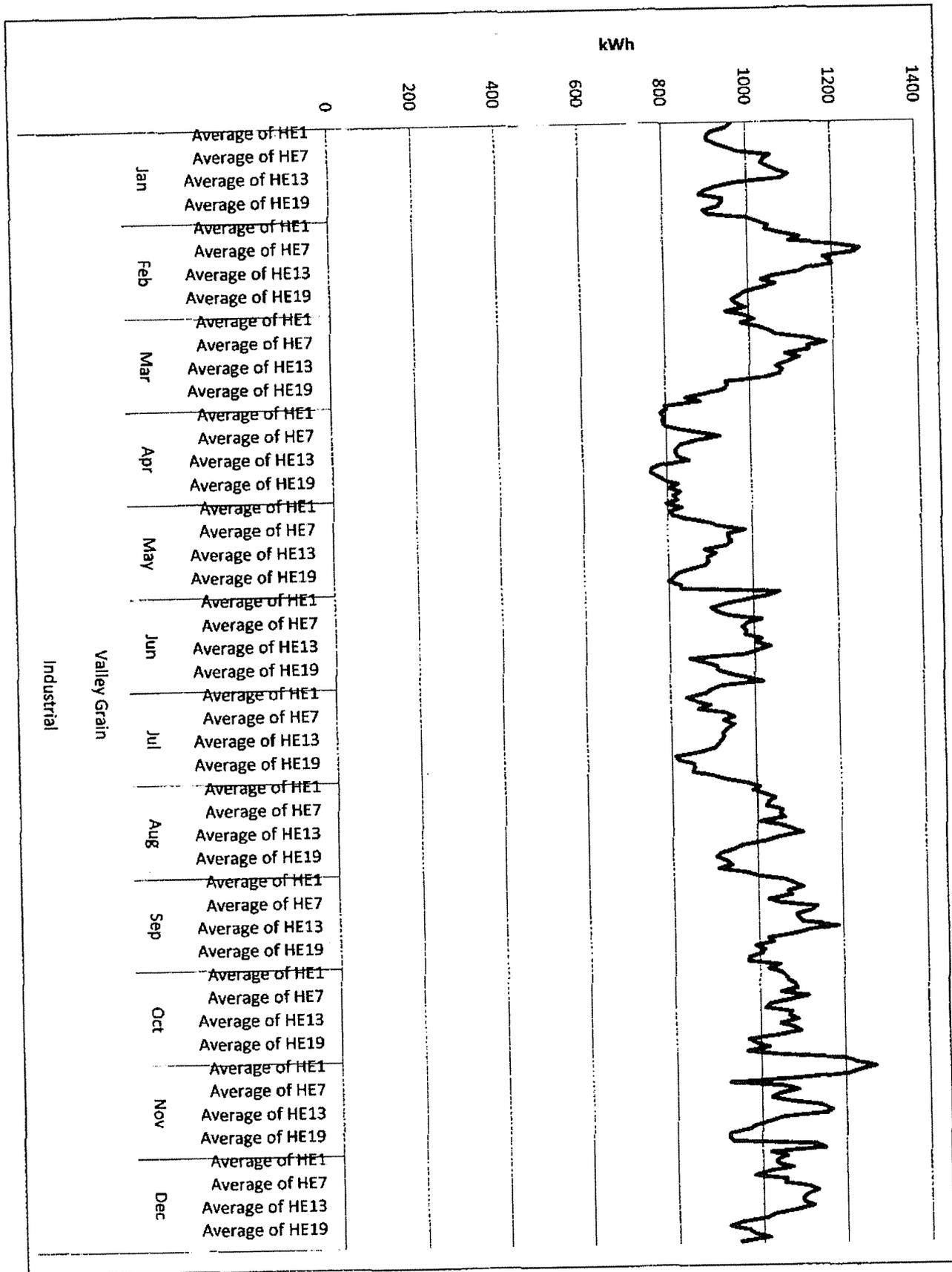


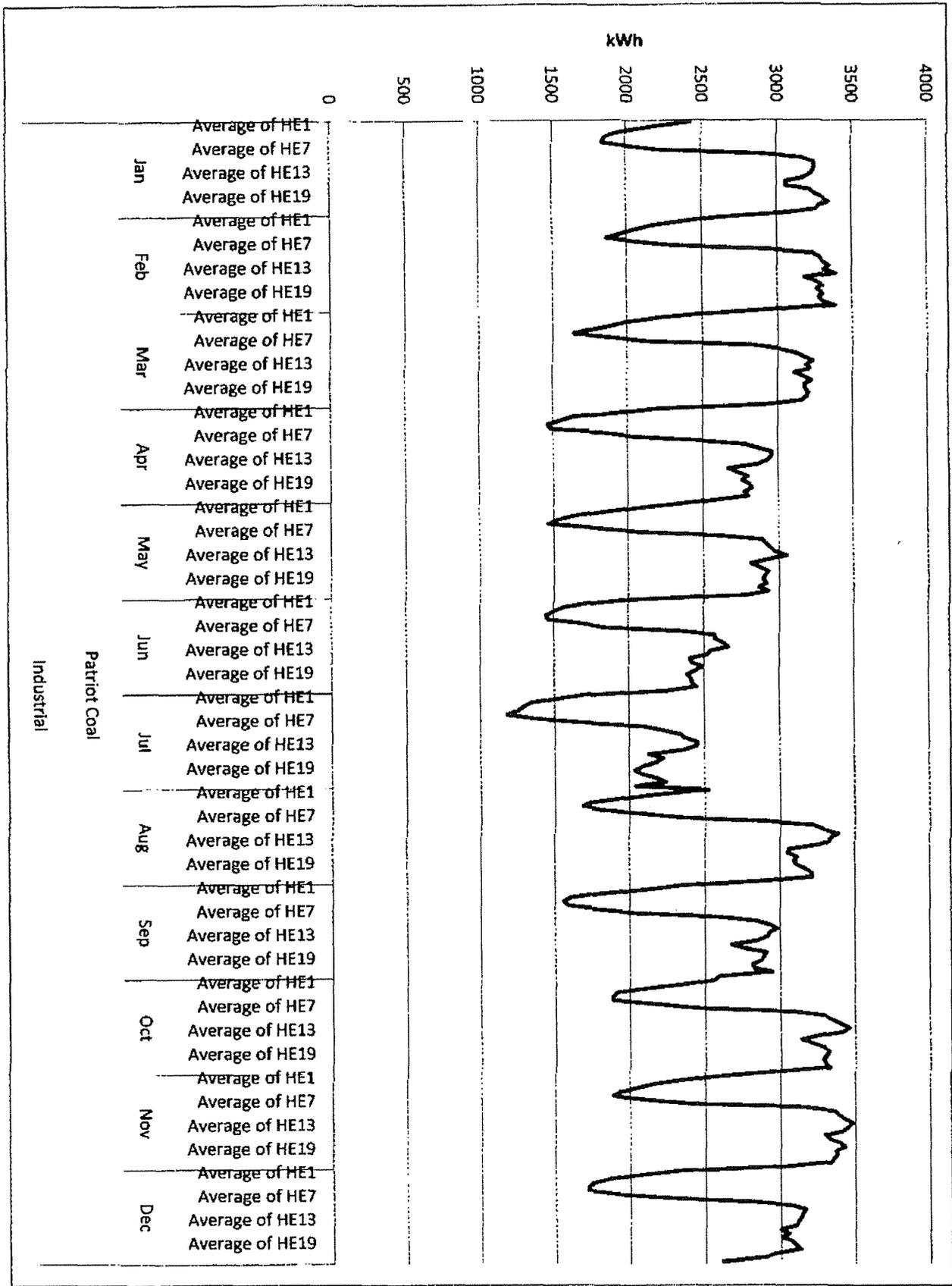


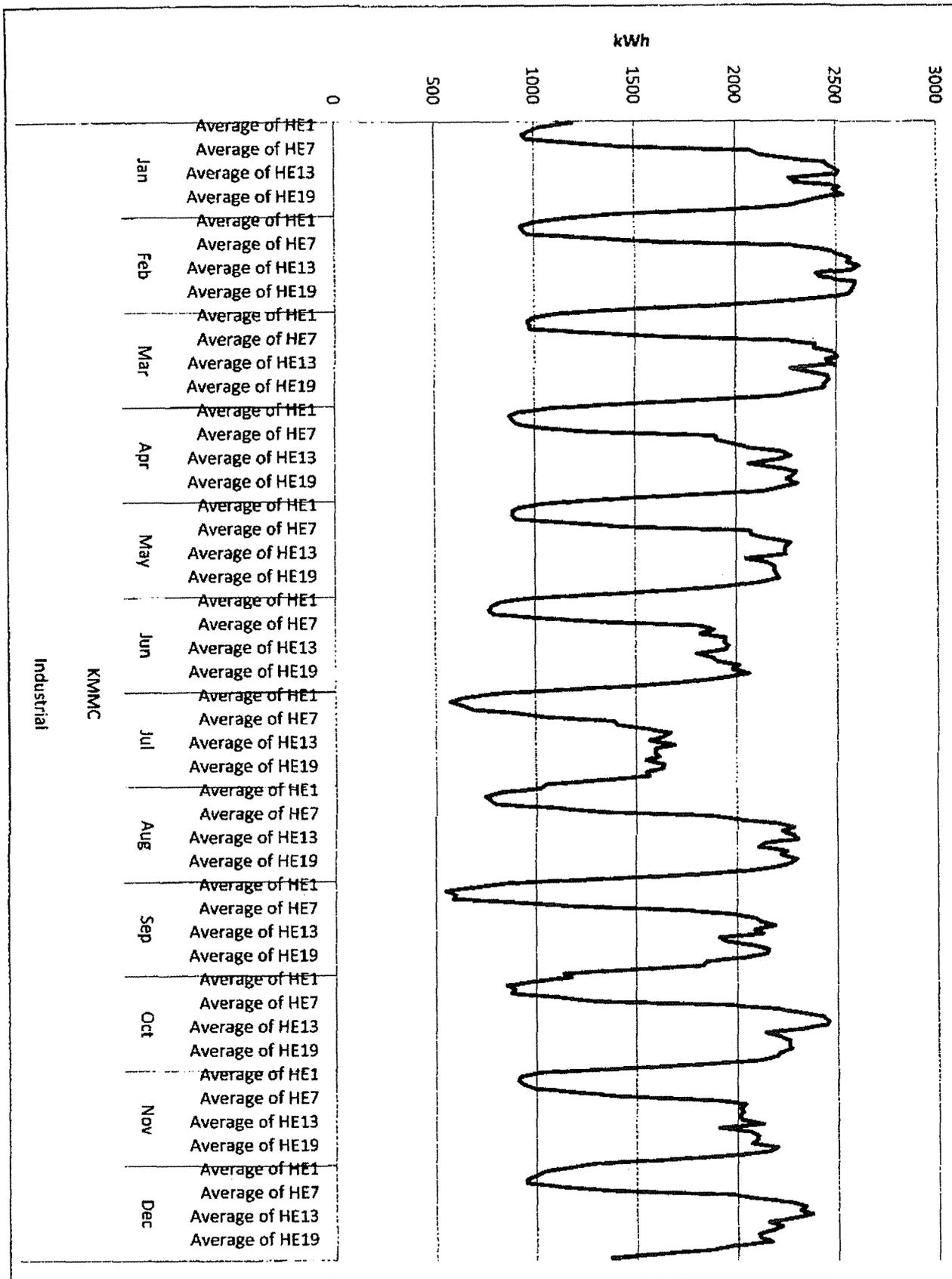


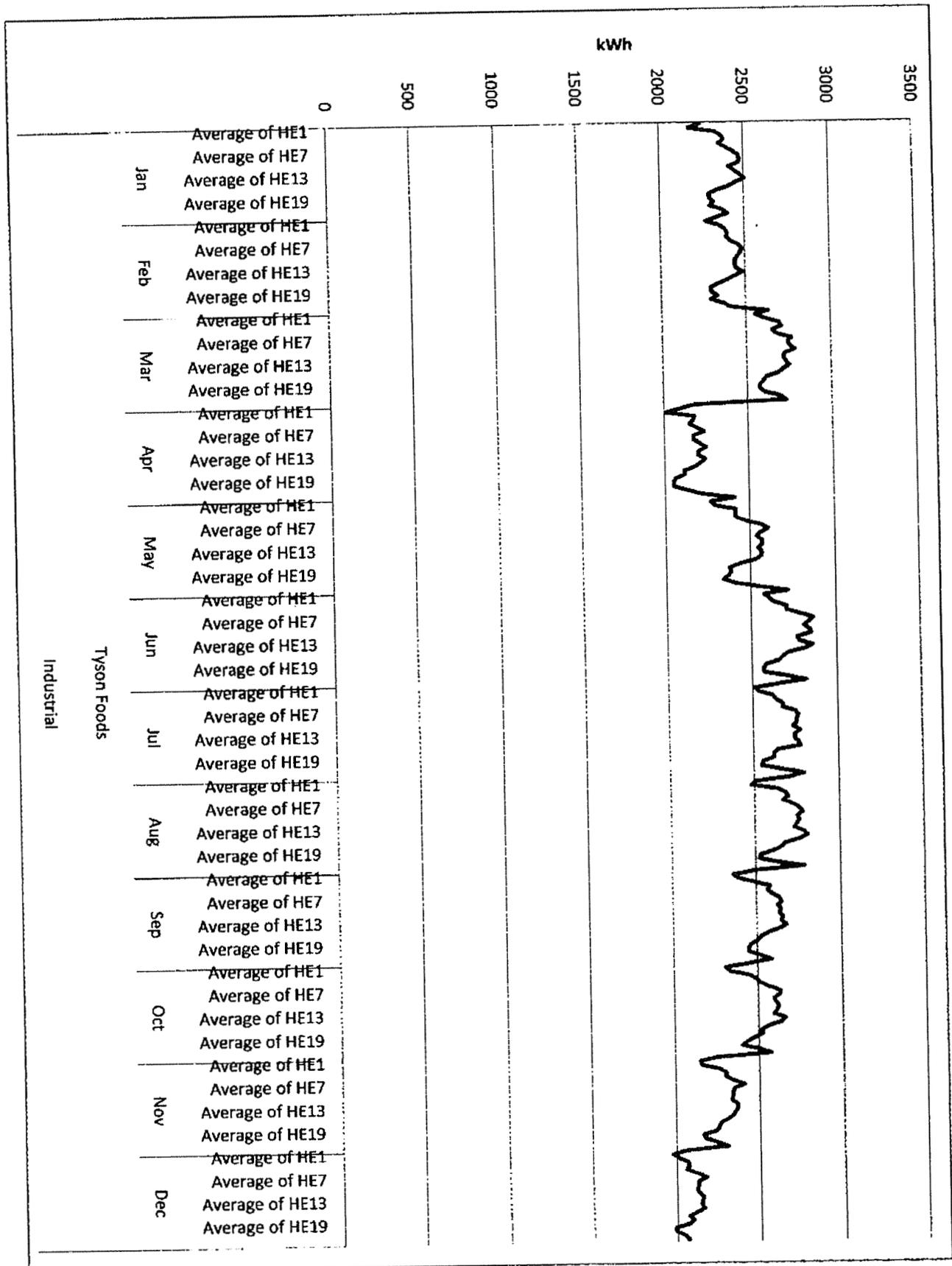


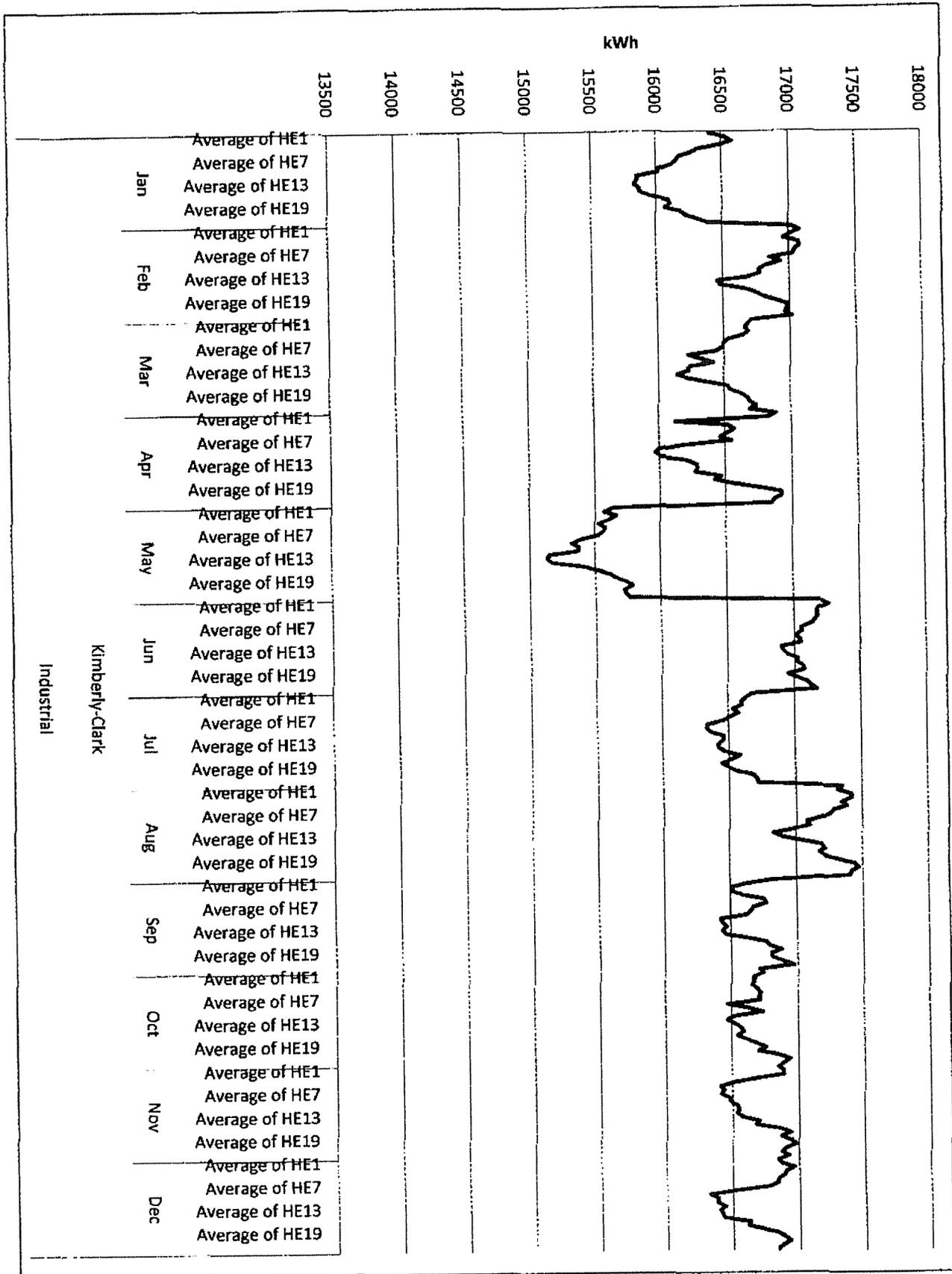


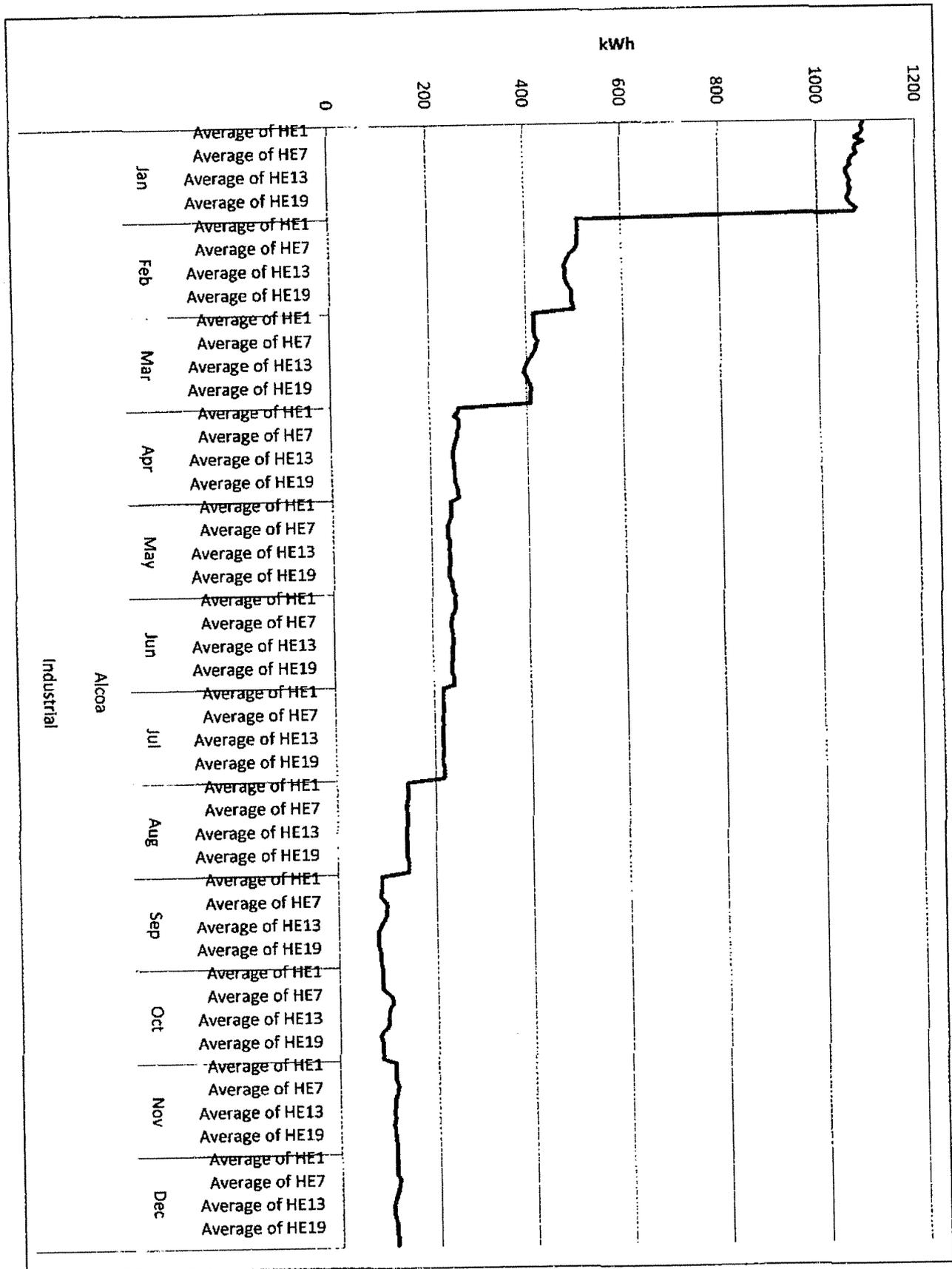


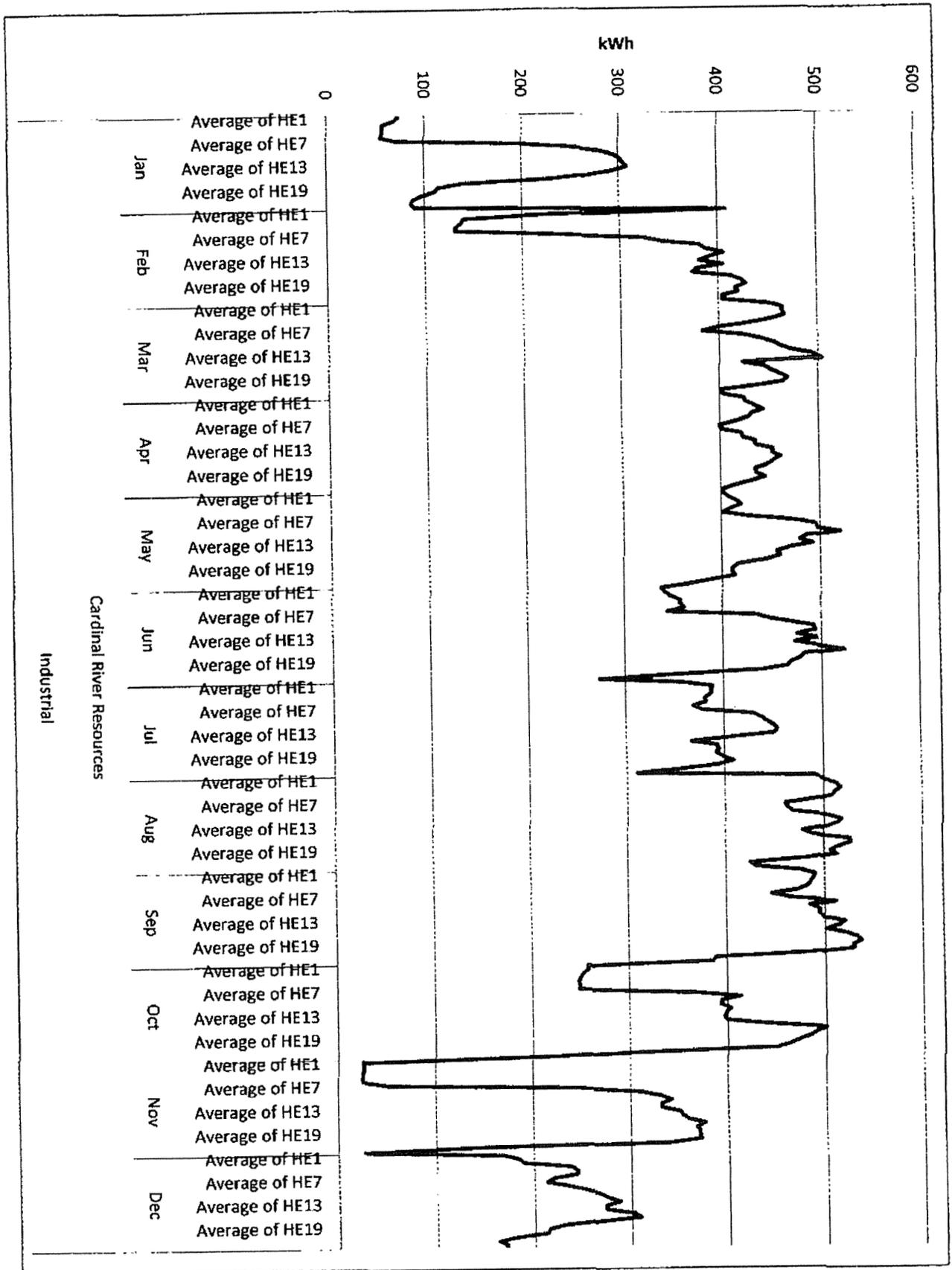


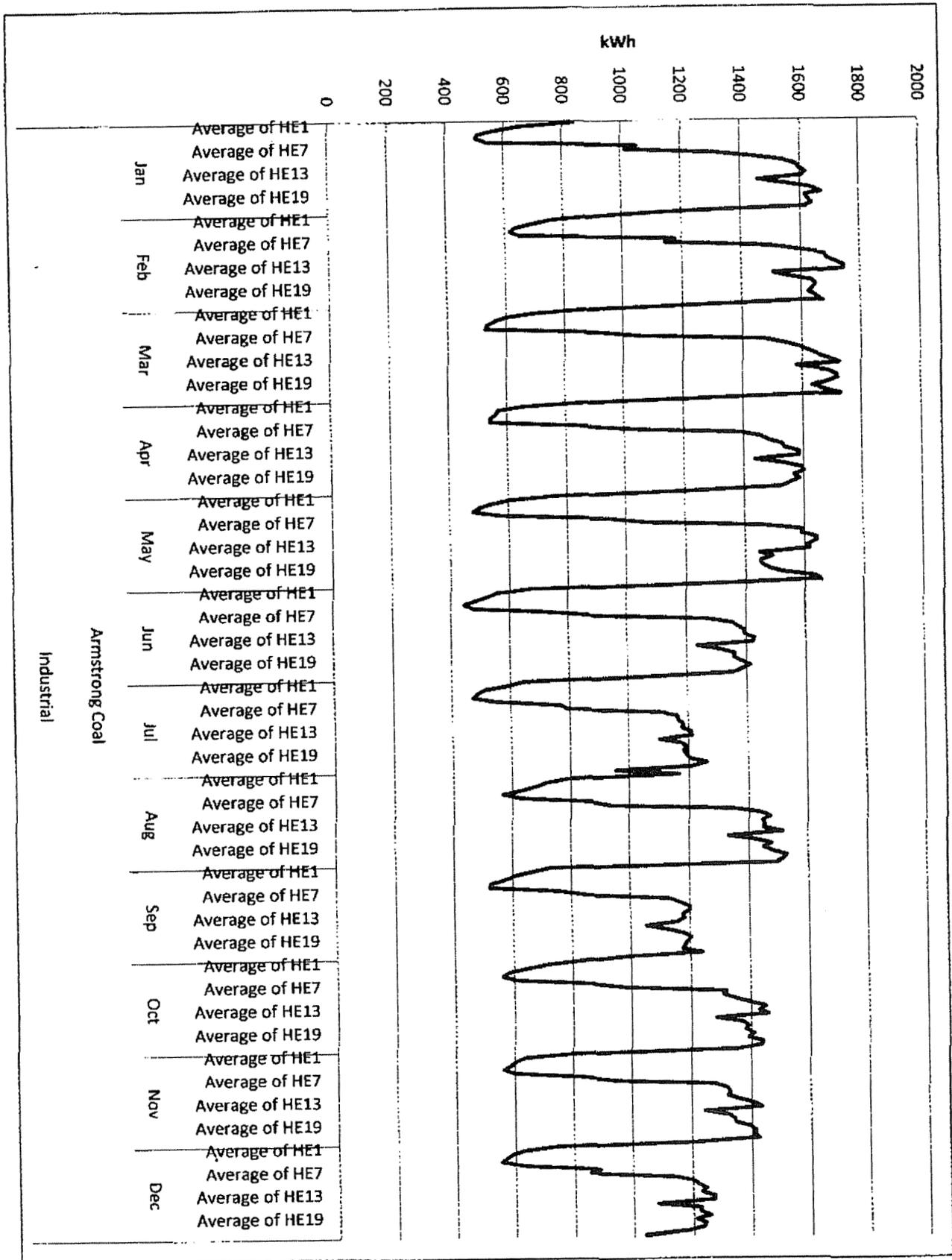


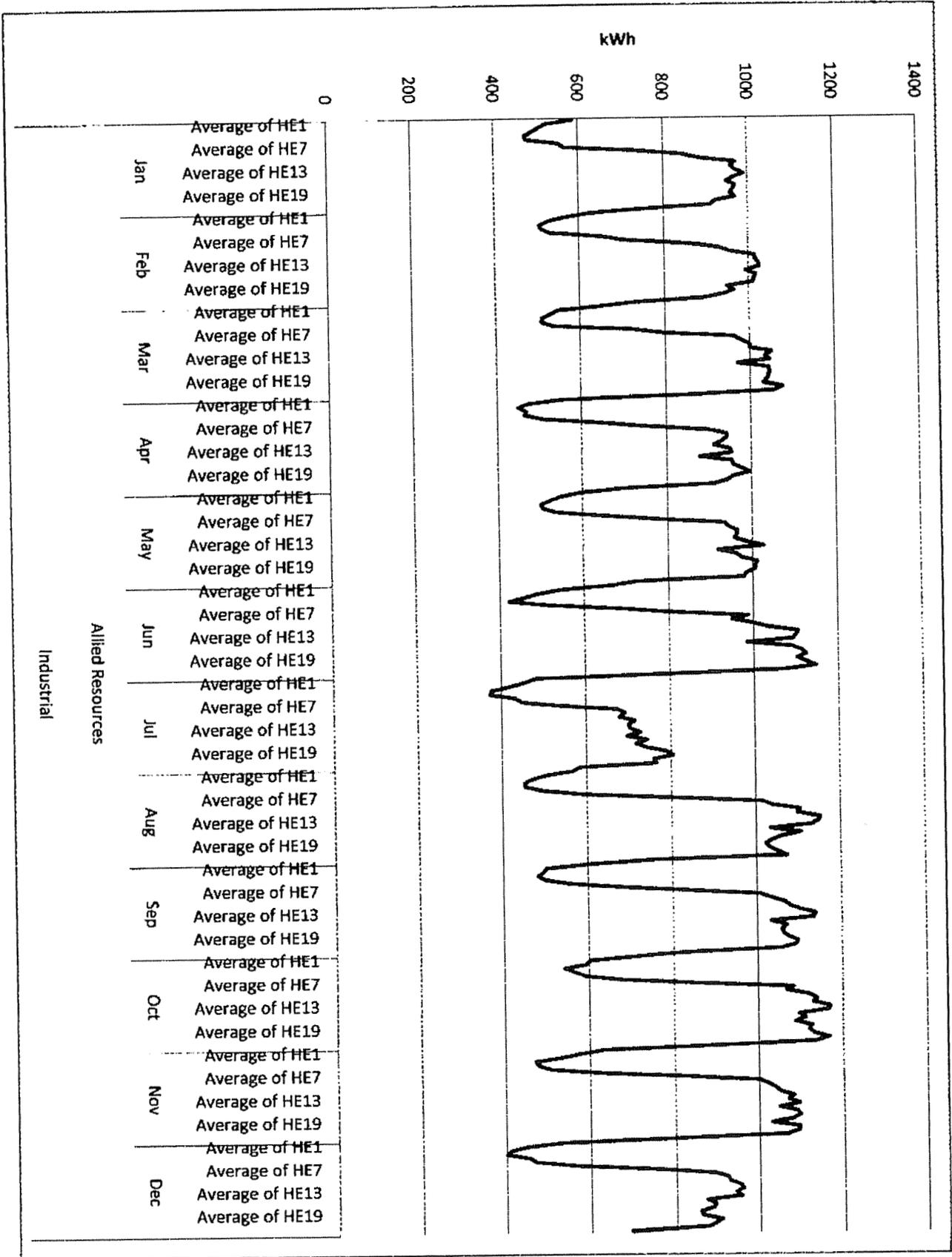


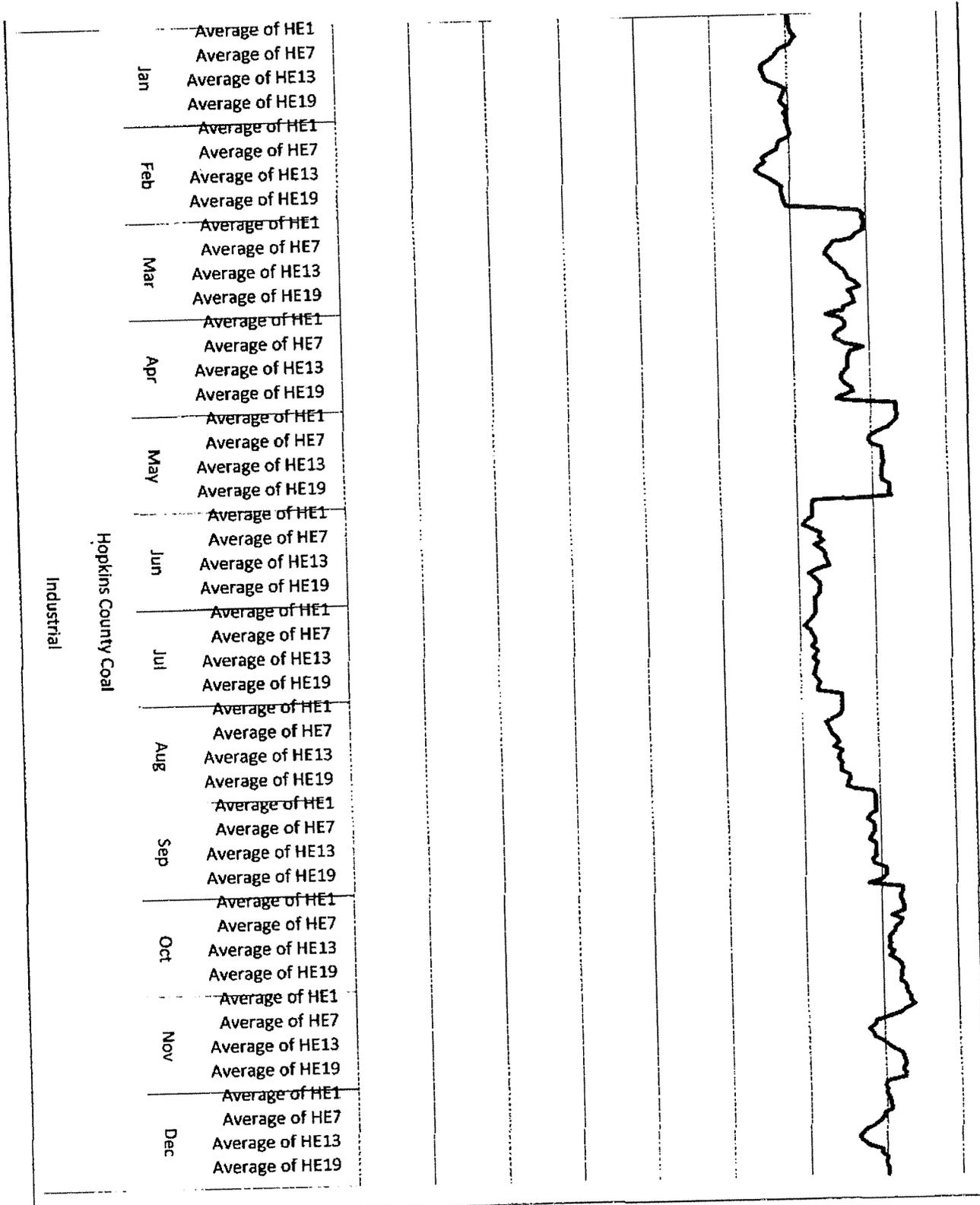














RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE ATTORNEY GENERAL'S FIRST DATA REQUEST  
CASE NO. 2007-00164  
June 12, 2007

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**Item 21)** Please provide a graph, for each month of the year, demonstrating the projected change in the average daily usage on the hour for all 24 hours for customers eligible to participate in the pilot program.

**Response)** There would probably be no change in the average daily usage by the customer. It is anticipated that customers taking advantage of the real-time pricing would attempt to shift usage within each day. It is impossible to project the extent of this shifting, if any, until the pilot program is undertaken.

**Witness)** David Hamilton



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**Item 22)** What type of demand reduction does the company hope to obtain from this program (i.e., reductions in peak demand, base demand, or both)? Which type of reduction is more important to the company and why?

**Response)** This pilot program is only applicable to new or expanding loads as an alternative to long-term market power supply. In the current Big Rivers Rate Schedule 10 or the pilot-program expansion of Rate Schedule10, no demand reduction occurs. It is anticipated, however, that the program could result in a shift in demand from peak to non-peak hours. This pilot program would serve to encourage a customer to take service off-peak because normally off-peak market prices are cheaper than average or on-peak market prices.

**Witness)** C. William Blackburn