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January 30, 2008

**Via Federal Express**

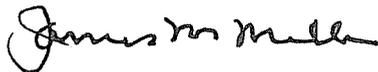
Ms. Elizabeth O'Donnell  
Executive Director  
Public Service Commission  
211 Sower Boulevard, P.O. Box 615  
Frankfort, Kentucky 40602-0615

Re: The Application of Big Rivers Electric Corporation for Approval of  
Environmental Compliance Plan and Environmental Surcharge Tariff,  
P.S.C. Case No. 2007-00460

Dear Ms. O'Donnell:

Enclosed for filing in the above-styled matter are an original and ten copies of Big Rivers Electric Corporation's errata to the application in this matter filed December 28, 2007. I certify that a copy of this letter and all attachments have been served upon each of the persons identified on the attached service list by prepaid mail.

Sincerely yours,



James M. Miller

JMM/ej  
Enclosures

cc: Michael H. Core  
David Spainhoward  
Service List

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PSC CASE NO. 2007-00460

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BIG RIVERS ELECTRIC CORPORATION  
PSC CASE NO. 2007-00460

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

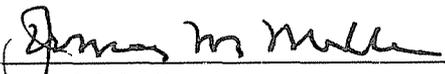
In the Matter of:

THE APPLICATION OF BIG RIVERS )  
ELECTRIC CORPORATION FOR APPROVAL OF )  
ENVIRONMENTAL COMPLIANCE PLAN AND ) CASE NO. 2007-00460  
ENVIRONMENTAL SURCHARGE TARIFF )

**ERRATA**

Comes Big Rivers Electric Corporation (“Big Rivers”), by counsel, and files the following errata to the application in this matter, in which it is a co-applicant. The errata are listed on the attached “Key to Errata Changes,” and replacement pages are provided for insertion in the notebooks containing the original application.

This the 30<sup>th</sup> day of January, 2008.

  
\_\_\_\_\_  
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COUNSEL FOR BIG RIVERS  
ELECTRIC CORPORATION

**KEY TO ERRATA CHANGES**  
**January 30, 2008**  
**P.S.C. Case No. 2007-00460**

**Exhibit A, Spainhoward Testimony**

Exhibit DAS-1, Attachment 2, page 1 (replace with legible page)

**Exhibit B, Seelye Testimony**

Page 3, line 15 (add "sales" after "non-Smelter")

Page 10, line 17 (strike "and Electric")

Page 12, lines 15 and 16 (add "Retail" before "Agreement")

Page 17, line 4 (change "43" to "42")

Page 20, line 2 (add "the" before "Environmental")

Page 33, line 15 (make "mechanism" plural)

Exhibit WSS-10 (replaced with correct version of exhibit)

# Emissions Allowance Costs Summary

Nominal dollars

	2008	2009	2010	2011	2012
SO <sub>2</sub> Price	\$ 778	\$ 853	\$ 441	\$ 409	\$ 396
Total SO <sub>2</sub> (ktons) - emitted	14.849	20.077	21.157	20.054	20.575
Total SO <sub>2</sub> (ktons) - REQUIRED for compliance	14.849	20.077	42.314	40.107	41.150
Total SO <sub>2</sub> Allowances (ktons)	34.991	52.487	52.487	52.487	52.487
sub-total SO <sub>2</sub> tons left	20.142	32.410	10.173	12.380	11.337
Excess H-1&2 Allowances Back to City (capacity take)	1.522	2.228	0.957	1.048	1.071
<b>SO<sub>2</sub> allowances (ktons) left for BREC</b>	<b>18.620</b>	<b>30.182</b>	<b>9.216</b>	<b>11.332</b>	<b>10.266</b>
<b>SO<sub>2</sub> allowances Sales</b>	<b>\$14,486,360</b>	<b>\$25,745,246</b>	<b>\$4,064,256</b>	<b>\$4,634,788</b>	<b>\$4,065,336</b>

NO <sub>x</sub> Price	\$ 763	\$ 2,847	\$ 2,409	\$ 2,155	\$ 1,985
Total NO <sub>x</sub> (ktons) - emitted	5.046	13.896	13.892	13.202	13.196
NO <sub>x</sub> Emissions Alloc to City (ktons)	0.114	0.286	0.286	0.287	0.301
net NO <sub>x</sub> (ktons) - emitted	4.932	13.610	13.606	12.915	12.895
Total NO <sub>x</sub> Allowances (ktons)	4.799	11.398	11.398	11.398	11.398
NO <sub>x</sub> Allowances Alloc to City (ktons)	0.148	0.326	0.326	0.327	0.341
Net NO <sub>x</sub> Allowances (ktons)	4.651	11.072	11.072	11.071	11.057
<b>NO<sub>x</sub> allowances (ktons) left for BREC</b>	<b>(0.281)</b>	<b>(2.538)</b>	<b>(2.534)</b>	<b>(1.844)</b>	<b>(1.838)</b>
<b>NO<sub>x</sub> allowances Sales</b>	<b>(\$214,403)</b>	<b>(\$7,225,686)</b>	<b>(\$6,104,406)</b>	<b>(\$3,973,820)</b>	<b>(\$3,648,430)</b>

1 elements that must be in place to terminate the lease and purchase power arrangement  
2 with E.ON, to establish a framework for continuing to provide electric service to the  
3 aluminum smelters (“Smelters”) indirectly served by Big Rivers (through one of its  
4 member systems, Kenergy Corp.) so that the Smelters can be economically viable  
5 businesses operating in Western Kentucky, and to establish ratemaking mechanisms  
6 which will allow Big Rivers to recover its prudently incurred costs, while at the same  
7 time fully considering the interests of its distribution cooperative members/owners  
8 (“distribution cooperative member systems” or simply “Member Systems”).

9  
10 The FAC and Environmental Surcharge are standard cost adjustment clauses used by  
11 other utilities in Kentucky and would be applicable for service to all members of Big  
12 Rivers, including service provided to the distribution cooperative member systems, large  
13 industrial customers served by the distribution cooperatives, and the two Smelters served  
14 by Kenergy. The Unwind Surcredit and Rebate Adjustment clauses are special purpose  
15 clauses designed to pass along credits applicable to Big Rivers’ members’ non-Smelter  
16 sales. The MRSM is another special purpose clause designed to distribute a finite amount  
17 of dollars from an Economic Reserve. The MRSM will be established to offset any net  
18 increase in revenue requirements applicable to the members’ non-Smelter sales for a  
19 period of approximately five years due to the implementation of the FAC and  
20 Environmental Surcharge after considering credits received from the Unwind Surcredit  
21 and Rebate Adjustment.

1 **Q. Do you have experience with fuel adjustment clauses, environmental surcharges,**  
2 **and other cost recovery mechanisms?**

3 A. Yes. I have developed or modified fuel adjustment clauses, purchased power adjustment  
4 clauses, and gas supply clauses for over 25 electric and gas utilities, including investor-  
5 owned utilities, municipal utilities, generation and transmission cooperatives, and  
6 distribution cooperatives. I recently sponsored testimony in support of fuel adjustment  
7 clauses proposed by Westar Energy, Kansas Gas and Electric Company, and Nova Scotia  
8 Power Company. I have assisted a number of utilities in the development of  
9 environmental cost recovery mechanisms, including those implemented by Louisville Gas  
10 and Electric Company, Westar Energy, and Kansas Gas and Electric Company. I have  
11 also developed or assisted in the development and implementation of other cost  
12 adjustment clauses – including transmission cost recovery mechanisms for Vectren  
13 Electric Company, Westar Energy Company, and Kansas Gas and Electric Company;  
14 performance-based ratemaking mechanisms for Louisville Gas and Electric Company,  
15 Westar Energy Company, and Kansas Gas and Electric Company; revenue stabilization-  
16 mechanisms for Delta Natural Gas Company and Mobile Gas Company; and demand-side  
17 management cost-recovery mechanisms for Louisville Gas and Electric Company, Delta  
18 Natural Gas Company, and Nova Scotia Power Company.

19  
20 **Q. Do you have any cost of service and rate experience with generation and**  
21 **transmission cooperatives?**

1 **Q. To what rate schedules would the FAC apply?**

2 A. The FAC would apply to all of Big Rivers' Tariff rates and to Base Energy sales under  
3 the Smelter Special Contracts. In particular, the FAC would apply to the Monthly  
4 Delivery Point Rate to Members as set forth in Section C, Item 4 of the Big Rivers' Rates  
5 Rules and Regulations ("Tariff"), to the Big Rivers Industrial Customer Rate as set forth  
6 in Section C, Item 7 of the Tariff, and to Base Energy sales in the Smelter Special  
7 Contracts. In other words, the FAC would apply to all rate schedules applicable to native  
8 load customers served by Big Rivers in its control area, except Supplemental and Backup  
9 sales to the Smelters. Consistent with the practice of other utilities in Kentucky, the FAC  
10 would not apply to off-system sales. Items 4 and 7 of Section C of Big Rivers' Proposed  
11 Tariff, which is included as Exhibit 23 of the Application in Case No. 2007-00455, have  
12 been modified to make it clear that the FAC would apply to these rate schedules. The  
13 special contracts with the Smelters include a provision specifying that the FAC would  
14 apply to sales made under those agreements. (See Section 4.8.1 of the Retail Agreement  
15 with Alcan included as Exhibit 20 of the Application and of the Retail Agreement with  
16 Century included as Exhibit 20 of the Application.)

17  
18 Although the FAC will apply to both the Smelter and the non-Smelter rates, it is  
19 important to understand that the MSRM and other credit mechanisms, as proposed, will  
20 fully offset the FAC applicable to non-Smelter member sales until the Economic Reserve  
21 is drawn down. As mentioned earlier in my testimony, the Members should not see an  
22 impact of FAC adjustments on their bills related to non-Smelter member sales for

1 A. Yes. Big Rivers is submitting its Fuel Procurement Policies and Procedures, which is  
2 included as an exhibit to the Direct Testimony of Mark A. Bailey in Case No. 2007-  
3 00455, Exhibit 5, and copies of its fuel contracts, which are included in confidential  
4 Exhibit 42 to Big Rivers' Application in Case No. 2007-00455.

5

6 **III. ENVIRONMENTAL SURCHARGE**

7

8 **Q. Please describe Big Rivers' proposed Environmental Surcharge.**

9

10 A. Big Rivers is proposing an Environmental Surcharge in Case No. 2007-00460 pursuant to  
11 KRS 278.183. Big Rivers' proposed Environmental Surcharge is included as Exhibit  
12 WSS-5. Under KRS 278.183, utilities in Kentucky are entitled to implement a surcharge  
13 mechanism to recover the costs of complying with the Federal Clean Air Act, as  
14 amended, and federal, state, or local environmental laws and regulations which apply to  
15 coal combustion wastes and by-products from electric generation facilities.

16

17 Big Rivers' proposed Environmental Surcharge clause would allow it to recover the  
18 revenue requirements of approved environmental programs. As proposed, revenue  
19 requirements would include operation and maintenance expenses associated with three  
20 environmental programs consisting of reagent and removal expenses, which are energy-  
21 related costs varying with the amount of power generated at Big Rivers' power stations.  
22 The revenue requirement would also include an over/under recovery component to

1 A. The Environmental Surcharge would apply to all of Big Rivers' Tariff rates and to Base  
2 Energy sales under the Smelter Special Contracts. Specifically, the Environmental  
3 Surcharge would apply to the Monthly Delivery Point Rate to Members, the Big Rivers  
4 Industrial Customer Rate, and the Base Energy Charges under the Smelter Special  
5 Contracts. Under the Smelter Special Contracts, the Smelters would pay amounts by  
6 reference to the Environmental Surcharge.

7

8 **Q. What costs would be included in Big Rivers' proposed environmental plans?**

9 A. As discussed in the Direct Testimony of David A. Spainhoward, Exhibit 18 in Case No.  
10 2007-00455, Big Rivers is proposing to recover the cost of its Environmental Compliance  
11 Plan – specifically, an SO<sub>2</sub> Compliance Program, an NO<sub>X</sub> Compliance Program, and an  
12 SO<sub>3</sub> Compliance Program. For the SO<sub>2</sub> Compliance Program, Big Rivers would recover  
13 the commodity cost of reagents used by the scrubbers (specifically, the commodity cost of  
14 purchasing lime, limestone, and dibasic acid, as applicable), and payments made to third-  
15 parties in connection with the disposal of wastes (specifically, scrubber sludge, fly ash,  
16 bottom ash, and fixation lime) and the purchase of SO<sub>2</sub> allowances. Big Rivers would  
17 credit (refund to customers through the Environmental Surcharge) all proceeds from the  
18 sale of scrubber waste from the Coleman Generating Station for the production of  
19 gypsum and all net proceeds from the sale of SO<sub>2</sub> allowances.

20

21 For the NO<sub>X</sub> Compliance Program, Big Rivers would recover the commodity cost of  
22 reagents used in connection with NO<sub>X</sub> compliance (specifically, the commodity cost of

1           **allocated to each class within each tariff on a proportional basis, as required by section**  
2           **1, sub-paragraphs (5)(a) and (b) of 807 KAR 5:007?**

3  
4     A.     Yes. Exhibit WSS-15, which is constructed from information supplied in Exhibit CWB-8 of  
5           the Direct Testimony of C. William Blackburn in Case No. 2007-00455, shows the effect on  
6           member billings of the five adjustment clauses described in my testimony. Specifically, this  
7           exhibit shows that the implementation of the FAC, Environmental Surcharge, Unwind  
8           Surcredit, Rebate Adjustment and MRSM will not have an initial impact on the revenues  
9           collected from members. As can be seen from Exhibit WSS-15, the revenues shown in  
10          Column (7), which represents estimated billings prior to the application of the five  
11          adjustment clauses, equal the revenues shown in Column (14), which represents the  
12          estimated billing subsequent to the application of the five mechanisms. It is evident from  
13          this exhibit that the three credit mechanisms – Unwind Surcredit, Rebate Adjustment and  
14          MRSM – do not have an effect on Big Rivers’ current rate design. Collectively, these three  
15          credit mechanisms will have the effect of off-setting the impact of the FAC and  
16          Environmental Surcharge, thus leaving Big Rivers’ rate design *fully* intact over a 12-month  
17          period. This exhibit also shows that the billing credits from these three mechanisms are  
18          allocated to each tariff on a proportional basis. As discussed earlier in my testimony, credits  
19          under the Unwind Surcredit are allocated proportionally on the basis of kWh sales; credits  
20          under the Rebate Adjustment are allocated proportionally on the basis of prior year base  
21          revenues; and credits under the MRSM are allocated proportionally on the basis of the net  
22          impact of the four other adjustment clauses.

**BIG RIVERS ELECTRIC CORP**  
**UNWIND SURCREDIT SCHEDULE**

Current Month :

$$\begin{aligned} \text{US Factor (1)} &= \text{Surcredit} + \text{Actual Adjustment} + \text{Balance Adjustment} \\ &= \$0.\text{xxxxx} / \text{kWH} + \$0.\text{xxxxx} / \text{kWH} + \$0.\text{xxxxx} / \text{kWH} \\ &= \$0.\text{xxxxx} / \text{kWh} \end{aligned}$$

Note: (1) Five decimal places in dollars for normal rounding.

Effective Date for Billing: \

Submitted by \_\_\_\_\_

Title:

**BIG RIVERS ELECTRIC CORP  
Surcredit**

Current Month:

**Estimated Annual Surcharges Expected to be Collected From Smelters Under  
Smelter Agreements During Upcoming Fiscal Year Beginning January 1, \_\_\_\_\_**

- 1 Section 4.11(a)
- 2 Section 4.11(b)
- 3 Section 4.11(c)
- 4 Total Surcharges Collected From Smelters "Surcharge" \_\_\_\_\_  
\_\_\_\_\_

**Annual Non-Smelter Sales to Members  
For Upcoming Fiscal Year Beginning January 1, \_\_\_\_\_**

- 5 Kenergy
- 6 Meade County
- 7 Jackson Purchase
- 8 Total Non-Smelter Sales ("NSS") \_\_\_\_\_  
\_\_\_\_\_
- 9 Surcredit (Surcharges ÷ NSS) (Line 4 ÷ Line 8)

**BIG RIVERS ELECTRIC CORP  
Actual Adjustment**

Current Month:

**Actual Surcharges From Smelters Under  
Smelter Agreements For Fiscal Year Ended December 31, \_\_\_\_\_**

Actual Surcharges Collected

- 1 Section 4.11(a)
- 2 Section 4.11(b)
- 3 Section 4.11(c)
  
- 4 Surcharges Collected From Smelters \_\_\_\_\_
  
- 5 Under/(Over) Recovery Amounts During Fiscal Year in Accordance  
With Smelter Agreements \_\_\_\_\_
  
- 6 Total Surcharges from Smelters (Line 4 + Line 5) \_\_\_\_\_

**Surcredits Provided to Members  
During Fiscal Year Ended December 31, \_\_\_\_\_**

Actual Non-Smelter Sales

- 7 Kenergy
- 8 Meade County
- 9 Jackson Purchase
  
- 10 Total Non-Smelter Sales \_\_\_\_\_
  
- 11 Surcredit Factor Applicable During Period \_\_\_\_\_
  
- 12 Surcredits Provided to Members During Fiscal Year (Line 8 x Line 9) \_\_\_\_\_
  
- 13 Actual Adjustment Amount (Line 6 - Line 12) \_\_\_\_\_

Estimated Non-Smelter Sales for 12 Months Beginning April 1, \_\_\_\_\_

- 14 Kenergy
- 15 Meade County
- 16 Jackson Purchase
  
- 17 Total Non-Smelter Sales \_\_\_\_\_
  
- 18 Actual Adjustment (Line 13 ÷ Line 17) \_\_\_\_\_

**BIG RIVERS ELECTRIC CORP**  
**Balance Adjustment**

Current Month:

1 Actual Adjustment Amount From Previous 12 Month Period

Actual Non-Smelter Sales for 12 Months Ended March 31, \_\_\_\_\_

2 Kenergy

3 Meade County

4 Jackson Purchase

5 Total Non-Smelter Sales

\_\_\_\_\_  
\_\_\_\_\_

6 Actual Adjustment Factor Applicable During Period

7 Actual Adjustment Billings During 12 Month Period (Line 5 x Line 6)

\_\_\_\_\_  
\_\_\_\_\_

8 Balance Adjustment Amount (Line 1 - Line 7)

\_\_\_\_\_  
\_\_\_\_\_

9 Under/(Over) Crediting of Previous Balance Adjustments (See Workpaper)

10 Total Balance Adjustment Amount (Line 8 + Line 9)

\_\_\_\_\_  
\_\_\_\_\_

Estimated Non-Smelter Sales for 12 Months Beginning July 1, \_\_\_\_\_

11 Kenergy

12 Meade County

13 Jackson Purchase

14 Total Non-Smelter Sales

\_\_\_\_\_  
\_\_\_\_\_

15 Balance Adjustment (Line 10 ÷ Line 14)

\_\_\_\_\_  
\_\_\_\_\_