

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC)	
CORPORATION FOR APPROVAL OF)	CASE NO.
AMENDMENT TO STIPULATION AND)	2016-00286
RECOMMENDATION)	

ORDER

On August 3, 2016, Big Rivers Electric Corporation (“Big Rivers”) filed an application seeking approval to enter into an Amendment to Stipulation and Recommendation (“Amendment”). The proposed Amendment addresses certain issues that were caused due to an unexpected delay in Big Rivers’ obtaining approval from the Rural Utilities Service (“RUS”) of the Stipulation and Recommendation (“Stipulation”) approved by the Commission in consolidated Case Nos. 2014-00230¹ and 2014-00455.² There are no intervenors in this matter. An informal conference was held on August 26, 2016, for the purpose of addressing all issues related to the application. The matter now stands submitted to the Commission for a decision based upon the evidentiary record. Based on the following reasons, the Commission will authorize Big Rivers to enter into the Amendment.

¹ Case No. 2014-00230, *An Examination of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 2013 through April 30, 2014* (Ky. PSC July 27, 2015).

² Case No. 2014-00455, *An Examination of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 2012 through October 31, 2014* (Ky. PSC July 27, 2015).

BACKGROUND

By Order dated August 13, 2014, in Case No. 2014-00230, the Commission initiated a proceeding to review and evaluate the operation of Big Rivers' fuel adjustment clause ("FAC") for the six-month period from November 1, 2013, through April 30, 2014. The only intervenor in Case No. 2014-00230 was Kentucky Industrial Utility Customers, Inc. ("KIUC"). At the request of KIUC and Big Rivers, the Commission delayed issuing a decision in Case No. 2014-00230 to allow the parties in that matter an opportunity to negotiate a potential settlement.

On February 5, 2015, the Commission established Case No. 2014-00455 to review and evaluate the operation of Big Rivers' FAC for the two-year period from November 1, 2012, through October 31, 2014, and to determine the amount of fuel costs that should be transferred into, or out of, Big Rivers' base rates to re-establish its FAC factor. The two-year period under review in Case No. 2014-00455 included the six-month period that ended April 30, 2014, which period was then still under review in Case No. 2014-00230. The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), was granted intervenor status in Case No. 2014-00455.

In light of the overlapping nature of both cases, particularly the issue of Big Rivers' methodology of allocating fuel costs between native load customers and off-system sales, the Commission issued an Order on February 19, 2015, consolidating the two cases.³

³ In the February 19, 2015 Order, KIUC was deemed to be a party in the consolidated cases.

With respect to fuel-cost allocation methodology, Big Rivers at that time employed a monthly system average in allocating fuel costs between native load and off-system sales.⁴ KIUC and the AG argued that Big Rivers' methodology was improper and unreasonable and recommended that Big Rivers be required to employ a stacking methodology which would, in effect, stack Big Rivers' generating units for purposes of allocating fuel costs, with lower-cost units being allocated to Big Rivers' native load and higher-cost units being allocated to its off-system sales.⁵ Big Rivers, the AG, and KIUC ultimately were able to negotiate a settlement on all issues, including the fuel-cost allocation methodology, and submitted the Stipulation for the Commission's consideration. Although Big Rivers reiterated its belief that the system-average fuel cost methodology was reasonable and that changing the methodology outside of a general rate case was unreasonable, Big Rivers agreed to provide up to 15 monthly credits to its customers through the FAC beginning with the August 2015 service month⁶ and to propose switching to a stacking methodology in its next general base rate proceeding.⁷ Big Rivers indicated that the Stipulation would be subject to RUS approval. Pursuant to its Order of July 27, 2015, in Case Nos. 2014-00230 and 2014-00455, the Commission, among other things, approved the Stipulation.

⁴ Case Nos. 2014-00230 and 2014-00455, Big Rivers, Final Order at 4.

⁵ *Id.*

⁶ The monthly credit amount would be \$311,111.11 with a total credit amount of \$4,666,666.65. *See, id.* at 5. Also, the August 2015 service month reflects the July 2015 expense month as indicated in the Informal Conference Memo issued on September 1, 2016.

⁷ Case Nos. 2014-00230 and 2014-00455, Big Rivers, Final Order at 5.

PROPOSED AMENDMENT

In the instant application, Big Rivers stated that it did not receive RUS approval of the Stipulation until October 23, 2015.⁸ Instead of implementing the FAC credits in August 2015, Big Rivers initiated those credits for the November 2015 service month. Big Rivers further stated that the unexpected delay in obtaining RUS approval of the Stipulation created uncertainty as to how the FAC credits would be issued to Big Rivers' members.⁹ Big Rivers noted that it engaged in discussions with the AG and KIUC to resolve the uncertainty, and that the proposed Amendment in the application reflects their intent to address and resolve the delayed implementation of the FAC credits. Specifically, the proposed Amendment sets forth the following modifications to the Stipulation:

- Extends the monthly credit for three months to compensate for the three months Big Rivers was unable to provide the credit as a result of the delay in obtaining RUS approval of the Stipulation;
- Ensures that if Big Rivers voluntarily changes its FAC methodology to a stacking methodology, which will terminate the monthly credit pursuant to the Stipulation, Big Rivers' members will still receive the benefit of the credits that would have been provided from August 2015 through October 2015 but for the delay in obtaining RUS approval of the Stipulation; and

⁸ Application at 2.

⁹ *Id.*

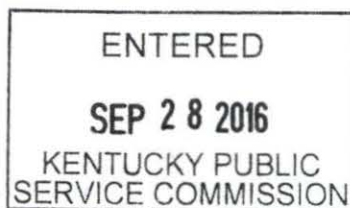
- Extends for three months the AG and KIUC's agreement not to challenge Big Rivers' FAC allocation methodology.

DISCUSSION

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that the terms of the proposed Amendment are fair, just, and reasonable. The Commission notes that the proposed Amendment sufficiently addresses the issue of how the FAC credits would be applied in light of the delay in obtaining RUS approval of the Stipulation. We further find that the terms of the proposed Amendment effectively preserve the original intent of the Stipulation to provide Big Rivers' members with FAC credits over a 15-month period.

IT IS THEREFORE ORDERED that Big Rivers' application seeking approval to enter into the proposed Amendment is approved.

By the Commission



ATTEST:

A handwritten signature in blue ink that reads "Jalina R. Mathews". The signature is written in a cursive style.

Executive Director

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