

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE ENVIRONMENTAL)	
SURCHARGE MECHANISM OF BIG RIVERS)	
ELECTRIC CORPORATION FOR THE)	CASE NO.
SIX-MONTH BILLING PERIOD ENDING JANUARY)	2017-00345
31, 2017, FOR THE TWO-YEAR BILLING PERIOD)	
ENDING JULY 31, 2017 AND THE PASS-)	
THROUGH MECHANISM FOR ITS THREE)	
MEMBER DISTRIBUTION COOPERATIVES)	

ORDER

On June 26, 2008, the Commission approved Big Rivers Electric Corporation's ("Big Rivers") environmental surcharge application and established a surcharge mechanism.¹ The Commission also approved a mechanism to pass through the environmental surcharge to Big Rivers' three member distribution cooperatives ("Member Cooperatives").² Pursuant to KRS 278.183(3), at six-month intervals, the Commission must review the past operations of the environmental surcharge. After hearing, the Commission may, by temporary adjustment in the surcharge, disallow any

¹ Big Rivers was authorized to implement an environmental surcharge in Case No. 2007-00460, *The Application of Big Rivers Electric Corporation for Approval of an Environmental Compliance Plan and Environmental Surcharge Tariff* (Ky. PSC June 26, 2008).

² The three Member Cooperatives were authorized to implement a pass-through mechanism in Case No. 2007-00470, *Application of Meade County Rural Electric Cooperative Corporation for Approval of Retail Tariff Riders, Revised Tariffs and New Tariff, and for Approval of Amendment of Wholesale Agreement* (Ky. PSC, Dec. 12, 2008); Case No. 2008-00009, *Application of Kenergy Corp. for Approval of Retail Tariff Riders and Revised Tariffs, Approval of Smelter Agreements, and Approval of Amendment to Wholesale Agreement* (Ky. PSC, Dec. 12, 2008); and Case No. 2008-00010, *The Application of Jackson Purchase Energy Corporation for Approval of Retail Tariff Riders, Revised Tariffs, New Tariff, and Amendment of Wholesale Agreement* (Ky. PSC Dec. 12, 2008).

surcharge amounts found not to be just and reasonable, and reconcile past surcharges with actual costs recoverable pursuant to KRS 278.183(1). At two-year intervals, the Commission must review and evaluate the past operations of the environmental surcharge. After hearing, the Commission must disallow improper expenses and, to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of the utility.

The Commission has determined that it will be administratively efficient and reasonable to review the pending six-month period and the two-year period in the same case. Therefore, the Commission hereby initiates the six-month review of the surcharge as billed from August 1, 2016, through January 31, 2017, and the two-year review of Big Rivers' environmental surcharge as billed from August 1, 2015, through July 31, 2017, to the Member Cooperatives. The billing periods under review reflect costs incurred by Big Rivers from June 1, 2016, through November 30, 2016, and June 1, 2015, through May 31, 2017. The Commission also initiates the corresponding review of the pass-through mechanism for the Member Cooperatives for the six-month review period as billed from September 1, 2016, through February 28, 2017, to their retail member customers, and August 1, 2016, through January 31, 2017, for large commercial and industrial customers with dedicated delivery points. Likewise, the Commission also initiates the corresponding review of the pass-through mechanism for the Member Cooperatives for the two-year review period as billed from September 1, 2015, through

August 31, 2017, to their retail member customers and August 1, 2015, through July 31, 2017, for large commercial and industrial customers with dedicated delivery points.³

To facilitate this review, a procedural schedule is set forth in Appendix A, attached hereto and incorporated herein. In accordance with that schedule, Big Rivers is to file prepared direct testimony: (a) in support of the reasonableness of the application of its environmental surcharge mechanism during the time periods under review; and (b) on a proposal to roll its environmental surcharge into existing base rates. Also, in accordance with that schedule, the three Member Cooperatives, or Big Rivers on their behalf, are to file prepared direct testimony in support of the reasonableness of the application of the pass-through mechanism during the periods under review. In addition, Big Rivers is to file its response to the information requested in Appendix B, attached hereto and incorporated herein.

All requests for intervention should be filed by October 20, 2017. As set forth in 807 KAR 5:001, Section 4(11)(a), a person requesting permissive intervention in a Commission proceeding is required to demonstrate either: (1) a special interest in the proceedings which is not adequately represented in the case; or (2) that the person requesting permissive intervention is likely to present issues or develop facts that will assist the Commission in fully considering the matter without unduly complicating or

³ The Commission's Orders in Case Nos. 2007-00470, 2008-00009 and 2008-00010 allow the Member Cooperatives to pass through the environmental surcharge to all their retail customers, except large commercial and industrial customers with dedicated delivery points, on a one-month lag. Those customers with dedicated delivery points are billed without the one-month lag necessary for the retail customers, therefore their billing period covers the same time frame as Big Rivers.

disrupting the proceedings. Further, KRS 278.040(2) requires that a person seeking intervention must have an interest in the rates or service of a utility, as those are the only matters that are subject to the Commission's jurisdiction.

Based on the foregoing, the Commission further finds that any person requesting to intervene in a Commission proceeding must state with specificity the person's special interest that is not adequately represented, or the issues and facts the person will present that will assist the Commission in fully considering the matter. A mere recitation of the quantity of electricity consumed by the movant or a general statement regarding a potential impact of a possible modification of rates will not be deemed sufficient to establish a special interest.

IT IS HEREBY ORDERED that:

1. Big Rivers and each of its three Member Cooperatives listed in footnote 2 shall be made parties to this case.
2. The procedural schedule set forth in Appendix A, attached hereto and incorporated herein, shall be followed in this proceeding.
3. Any motion to intervene filed after October 20, 2017, shall show a basis for intervention and good cause for being untimely. If the untimely motion is granted, the movant shall accept and abide by the existing procedural schedule.
4. Big Rivers shall, by the date set forth in Appendix A, file its prepared direct testimony in support of the reasonableness of the application of its environmental surcharge mechanism, on a proposal to roll its environmental surcharge into existing base rates, and the three Member Cooperatives, or Big Rivers on their behalf, shall file

by that date their prepared direct testimony in support of the reasonableness of the application of the pass-through mechanism during the period under review.

5. Any party filing testimony shall file an original and seven copies.

6. a. Big Rivers and each of its Member Cooperatives shall file responses to the questions asked of the particular cooperative in Appendix B. The information requested herein is due on or before the date specified in Appendix A. Responses to requests for information shall be appropriately bound, tabbed, and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record and seven copies to the Commission.

b. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. Any party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. When filing a document containing personal information, Big Rivers shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the document so that personal information cannot be read.

7. Within seven days of the Commission's granting intervention to a party, Big Rivers shall provide the party with a copy of its monthly environmental surcharge reports as filed with the Commission for the review period.

8. Big Rivers' monthly environmental surcharge reports and supporting data for the review period shall be incorporated by reference into the record of this case.

9. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

10. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission

ENTERED
SEP 15 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Acting Executive Director

Case No. 2017-00345

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00345 DATED **SEP 15 2017**

- Big Rivers shall file its prepared direct testimony and responses to the information requested in Appendix B no later than..... 10/06/17
- A person interested in becoming a party to this proceeding shall file a motion to intervene with the Commission pursuant to 807 KAR 5:001, Section 4(11), no later than.....10/20/17
- All additional requests for information to Big Rivers shall be filed no later than 11/03/17
- Big Rivers shall file responses to additional requests for information no later than 11/17/17
- Intervenor testimony, if any, in verified prepared form shall be filed no later than..... 12/01/17
- All requests for information to Intervenors shall be filed no later than 12/15/17
- Intervenors shall file responses to requests for information no later than 12/28/17
- Last day for Big Rivers and its three Member Cooperatives or Intervenors to request a hearing or submit this case for decision based on the record..... 01/11/18

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00345 DATED SEP 15 2017

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO BIG RIVERS ELECTRIC CORPORATION AND EACH OF ITS MEMBER COOPERATIVES

1. Prepare a summary schedule showing the calculation of E(m) and the surcharge factor for the expense months covered by the billing periods under review. Form 1.1 can be used as a model for this summary. Include the expense months for the two expense months subsequent to the billing period in order to show the over- and under-recovery adjustments for the months included for the billing periods. Include a calculation of any additional over- or under-recovery amount Big Rivers believes needs to be recognized for the six-month and two-year reviews. Provide all supporting calculations and documentation in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

2. For each of the three Member Cooperatives, prepare a summary schedule showing the Member Cooperative's pass-through revenue requirement for the months corresponding with the six-month and two-year reviews. Include the two months subsequent to the billing periods included in the review periods. Include a calculation of any additional over- or under-recovery amount the Member Cooperative believes needs to be recognized for the six-month and two-year reviews. Provide all supporting calculations and documentation in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

3. Refer to Form 2.5, Operating and Maintenance Expenses, for the six-month review period and the last six expense months in the two-year review period. For each of the expense line items listed on this schedule, explain the reason(s) for any change in the expense levels from month to month if that change is greater than plus or minus 10 percent.

4. Refer to Big Rivers' monthly environmental surcharge reports for the six-month review period and the last six expense months in the two-year review period. Provide the calculations and supporting data for the rates of return included in each monthly environmental surcharge filing. Provide all supporting calculations and documentation in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns fully accessible.

5. KRS 278.183(3) provides that during the two-year review, the Commission shall, to the extent appropriate, incorporate environmental surcharge amounts found just and reasonable into the existing base rates of the utility.

a. Does Big Rivers believe any surcharge amounts need to be incorporated into its base rates in conjunction with this two-year review? If so, provide the surcharge amount that Big Rivers believes should be incorporated into its existing base rates.

b. For subpart a. above, explain how the surcharge amount should be incorporated into the base rates, including all supporting calculations, work papers, and assumptions as well as any analysis that Big Rivers believes supports its position. Provide all supporting schedules in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns fully accessible.

c. Provide the Base Environmental Surcharge Factor ("BESF") that reflects all environmental surcharge amounts previously incorporated into existing base rates and the amount determined in subpart b. above. Include all supporting calculations, work papers, and assumptions. Provide all supporting schedules in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns fully accessible.

d. Does Big Rivers believe that there will need to be modifications to either the surcharge mechanism or the monthly surcharge reports, other than a revision to BESF, as a result of incorporating environmental surcharge amounts into Big Rivers' existing base rates? If so, provide a detailed explanation of the modifications and provide updated monthly surcharge reports.

6. Refer to Form 2.20, Inventories of Spare Parts and Limestone, for the expense month ending May 31, 2017. Confirm that the amounts provided for Wilson - Limestone Inventory are correct.

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