

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BIG RIVERS)	
ELECTRIC CORPORATION FOR APPROVAL TO)	
MODIFY ITS MRSM TARIFF, CEASE)	CASE NO.
DEFERRING DEPRECIATION EXPENSES,)	2020-00064
ESTABLISH REGULATORY ASSETS, AMORTIZE)	
REGULATORY ASSETS, AND OTHER)	
APPROPRIATE RELIEF)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO BIG RIVERS ELECTRIC CORPORATION

Big Rivers Electric Corporation (BREC), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested herein is due on April 3, 2020. The Commission directs BREC to the Commission's March 16, 2020 Order in Case No. 2020-00085,¹ regarding the filing of physical documents with the Commission. The Commission expects that original documents will be filed with the Commission within 30 days of the lifting of the current state of emergency.² Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020) Order at 5–6. The Commission has suspended the filing of original paper documents with the Commission, except for the filing of confidential information, with the expectation that a physical copy be filed when the state of emergency has ceased.

² Any electronic email filed in this matter should be sent to PSCED@ky.gov, and each message should include the case number in the subject line of the message and a read receipt to ensure the Commission received the message and documents.

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 the 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.

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

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, BREC shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the application, paragraph 14.
 - a. State whether BREC has performed a decommissioning study for Coleman Station.
 - b. If affirmative, provide the study.

c. If not affirmative, explain whether BREC plans to perform a decommissioning study. Include an estimated timeline for such study.

2. Refer to the application, paragraph 15.

a. State whether BREC has performed a decommissioning study for Reid Station Unit 1.

b. If affirmative, provide the study.

c. If not affirmative, explain whether BREC plans to perform a decommissioning study. Include an estimated timeline for such study.

3. Refer to the application, paragraph 21, and the application, Exhibit D, the Direct Testimony of Robert W. Berry (Berry Testimony), page 10.

a. Provide the net present value of assumed or estimated savings from an improvement in BREC's credit rating.

b. If the Commission does not meet the proposed June 30, 2020 deadline, explain whether BREC will delay the July debt issuance.

c. Provide the Case Number approving the proposed July debt issuance. If BREC has yet to file an application, provide the anticipated filing date.

4. Refer to the application, paragraph 41. State whether BREC's request to "resume recovery of the Wilson Station depreciation expense beginning on January 1, 2021" is a request to include that depreciation expense in the calculation of its net margins for the purposes of calculating the proposed New TIER Credit. If this is a mischaracterization of the requested relief, further explain the mechanics of the request to "resume recovery" of this expense.

5. Refer to the application, paragraph 41. Provide the value of the Wilson Station Depreciation Deferral regulatory asset at the end of calendar year 2020.

6. Refer to the application, paragraph 42, and the Berry Testimony, page 16. BREC states that the Midcontinent Independent System Operator, Inc. (MISO) has terminated the interconnection rights at Coleman Station due to the exceedance of the idling period.

- a. Explain how MISO defines an “idling period” and related criteria.
- b. Provide documentation of the expiry of interconnection rights at Coleman Station, including the date of expiry of interconnection rights.
- c. Provide the costs associated with re-attaining interconnection rights with MISO for Coleman Station.

7. Refer to the application, paragraph 51. BREC states that MISO has terminated the interconnection rights at Reid Station Unit 1 due to the exceedance of the idling period.

- a. Provide documentation of the expiry of interconnection rights at Coleman Station, including the date of expiry of interconnection rights.
- b. Provide the costs associated with re-attaining interconnection rights with MISO for Reid Station Unit 1.

8. Refer to the application, paragraph 60.
- a. Provide the annual maintenance expenses associated with keeping the station idled for the past five calendar years for the Coleman Station.
 - b. Provide an estimate of the remaining marketable assets for Coleman Station.

9. Refer to the application, paragraph 61.
 - a. Provide the annual maintenance expenses associated with keeping the station idled for the past five calendar years for Reid Station 1.
 - b. Provide an estimate of the remaining marketable assets for Coleman Station.
10. Refer to the application at paragraph 67.
 - a. Explain how BREC's proposal satisfies the requirements of Accounting Standards Codification 980-340-25-1.³
 - b. Explain whether BREC would be amenable to including the amortization of the Smelter Loss Mitigation Regulatory Assets as an explicit component of the calculation of the proposed New TIER Credit.
11. Refer to the application, paragraph 100. BREC proposes that the net margins above a 1.30 Times Interest Earned Ratio (TIER) will be split 50 percent as a bill credit and 50 percent to amortize the balance of the Smelter Loss Mitigation Regulatory

³ ASC 980-340-25-1 provides, in full, as follows:

Rate actions of a regulator can provide reasonable assurance of the existence of an asset. An entity shall capitalize all or part of an incurred cost that would otherwise be charged to expense if both of the following criteria are met:

- a. It is probable (as defined in Topic 450) that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes.
- b. Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. If the revenue will be provided through an automatic rate-adjustment clause, this criterion requires that the regulator's intent clearly be to permit recovery of the previously incurred cost.

A cost that does not meet these asset recognition criteria at the date the cost is incurred shall be recognized as a regulatory asset when it does meet those criteria at a later date.

Asset. Explain whether BREC would consider a 25/75 split between the bill credit and Smelter Loss Mitigation Regulatory Assets.

12. Refer to the application, page 34, footnote 45. Provide the number and annual load of customers served by Economic Development Contracts or to which BREC's Fuel Adjustment Clause is inapplicable.

13. Refer to the application, paragraph 95. Explain how the adjustment of the amortization of the Smelter Loss Mitigation Regulatory Assets will affect the calculation of BREC's TIER in the following year.

14. Refer to the application, Exhibit C, Depreciation Study at page 5. Explain whether the shift between Production and Transmission and General Property plant will materially affect BREC's depreciation reserve if BREC does not adopt the revised depreciation rates.

15. Refer to the application, Exhibit C, Depreciation Study, page 22. Explain why Coleman and Reid are included in the depreciation study.

16. Refer to the application, Exhibit C, Depreciation Study, page 67. Confirm that decommission costs are not included in the revised depreciation rates. If confirmed, explain whether the exclusion of decommission costs will result in intergeneration inequities in the recovery of these generation plants from BREC's customers.

17. Refer to the Berry Testimony, page 25. Provide the TIER impact of a write-off of \$123.1 million, which represents the total write off for both Coleman Station and Reid Station Unit 1.

18. Refer to the Berry Testimony, page 30, line 5, through page 31, line 21. Explain how the amortization of the Smelter Loss Mitigation Regulatory Assets and the proposed New TIER Credit will affect the minimum level of Member equity calculation. Refer to the Berry Testimony, page 6. Provide an analysis of the yearly impacts of the Load Mitigation Plan since the loss of the smelter loads.

19. Refer to the Berry Testimony, page 9.

- a. Provide an update to the metric table for 2020.
- b. Explain whether BREC will annually true up the New TIER Credit.

20. Refer to the Direct Testimony of Paul G. Smith (Smith Testimony), page 11.

a. Provide the estimated decommissioning costs for the Coleman Station.

b. Provide the estimated decommissioning costs of the Reid Station 1.

21. Refer to the Smith Testimony, page 14. Provide BREC's 2019 TIER and supporting Form 7.

22. Refer to the Smith Testimony, pages 17 and 18.

a. Explain whether the members ever receive a charge through the current MRSM Rider.

b. Explain whether, under the proposed New TIER Credit, the credit will ever be zero.

c. Explain whether, under the proposed New TIER Credit, Members will ever be charged as opposed to receiving a credit.

23. Refer to the Smith Testimony at page 18.
- a. Explain whether the Regulatory Exclusions could be expanded if the Commission, through precedent, regulation, or legislation, expands the categories of expense that are excluded for ratemaking purposes.
 - b. Explain whether the New TIER Credit calculation would include a true-up mechanism.
 - c. Explain how the New TIER Credit will factor into the TIER calculations of the following year.
24. Refer to the Smith Testimony, page 23. Mr. Smith states that if the TIER falls below 1.30, the amortization of the Smelter Loss Mitigation Regulatory Assets will be temporarily reduced.
- a. Provide what would trigger a base rate case from BREC.
 - b. Explain how BREC will handle the Smelter Loss Mitigation Regulatory Assets if a base rate case is triggered.
25. Refer to the Smith Testimony at page 23, line 19. Confirm that the “current year” would be the year after BREC failed to achieve a TIER of 1.30.
26. Refer to the Smith Testimony at page 24.
- a. Explain whether BREC’s loan covenants have changed since its last rate case.
 - b. Explain the relationship, if any, between TIER and Margins for Interest Ratio.

27. Refer to the Smith Testimony page 26. Provide an estimate for the base rate increase that would be required to recover the Smelter Loss Mitigation Regulatory Assets.

28. Refer to the Smith Testimony, page 35. Describe the dispatch costs for the two operating base load generating facilities. Explain in detail how KIUC's fuel-stacking methodology would or would not affect fuel adjustment clause filing and base rates. Provide support.

29. Refer to the Smith Testimony, Exhibit Smith-2. Provide the status of BREC's request with the Rural Utilities Service.

30. Refer to the Smith Testimony, Exhibit Smith-7, page 1. Explain how the annual amortization of \$10 million was determined.



Kent A. Chandler
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED MAR 20 2020

cc: Parties of Record

*R. Brooks Herrick
Dinsmore & Shohl, LLP
101 South Fifth Street
Suite 2500
Louisville, KENTUCKY 40202

*Big Rivers Electric Corporation
201 Third Street
P. O. Box 24
Henderson, KY 42420

*M. Evan Buckley
Dinsmore & Shohl, LLP
Lexington Financial Center
250 W. Main Street, Suite 1400
Lexington, KENTUCKY 40507

*Edward T Depp
Dinsmore & Shohl, LLP
101 South Fifth Street
Suite 2500
Louisville, KENTUCKY 40202

*Gregory E. Mayes, Jr.
Big Rivers Electric Corporation
201 Third Street
P. O. Box 24
Henderson, KY 42420

*Tyson Kamuf
Corporate Attorney
Big Rivers Electric Corporation
201 Third Street
P. O. Box 24
Henderson, KY 42420

*Jody Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

*Honorable Kurt J Boehm
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

*J. Michael West
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Honorable Michael L Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202