

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)	2011-00085
JANUARY 31, 2011 AND THE PASS-THROUGH)	
MECHANISM FOR ITS THREE MEMBER)	
DISTRIBUTION COOPERATIVES)	

O R D E R

On March 22, 2011, the Commission initiated a six-month review of Big Rivers Electric Corporation's ("Big Rivers") environmental surcharge¹ as billed to its member distribution cooperatives ("Member Cooperatives")² for the six-month period from August 1, 2010 through January 31, 2011. This billing period reflects the environmental compliance costs incurred by Big Rivers from June 2010 through November 2010.

Pursuant to KRS 278.183(3), at six-month intervals, the Commission must review the past operations of the environmental surcharge. The Commission may, by temporary adjustment in the surcharge, disallow any surcharge amounts found not to be just and reasonable and reconcile past surcharges with actual costs recoverable pursuant to KRS 278.183(1).

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 Environmental Compliance Plan and Environmental Surcharge Tariff (Ky. PSC Jun. 25, 2008).

² The three Big Rivers distribution cooperatives are Meade County Rural Electric Cooperative Corporation, Kenergy Corp. ("Kenergy"), and Jackson Purchase Energy Corporation.

The March 22, 2011 Order also initiated a six-month review of the three Big Rivers Member Cooperatives' pass-through mechanisms.³ This six-month review for the Member Cooperatives covers their billings from September 1, 2010 through February 28, 2011 for all retail customers except large commercial and industrial customers with dedicated delivery points. For those customers with dedicated delivery points, which includes the two aluminum smelters served by Kenergy, the environmental surcharge bills are rendered without the one-month lag necessary for all other retail customers. Thus, for the dedicated delivery customers, their bills cover the same six months as does Big Rivers', which is August 1, 2010 through January 31, 2011.

The Commission included a procedural schedule in the March 22, 2011 Order that provided for discovery, the filing of prepared testimony, and an informal conference. Big Rivers filed prepared direct testimony and responded to Commission Staff's requests for information. On June 20, 2011, Big Rivers requested that this case be submitted for a decision based on the existing record without a public hearing. Based on the absence of intervenors and finding good cause, the Commission will grant Big Rivers' request and decide this case based on the evidence of record without a hearing.

³ 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).

COMPLIANCE PLAN

The approved environmental compliance plan of Big Rivers consists of programs and associated costs dealing with the control of sulfur dioxide, nitrogen oxide, and sulfur trioxide. Big Rivers is authorized to recover certain variable operating expenses associated with the compliance programs. Big Rivers' compliance plan does not include any capital projects or investments in utility plant to comply with the requirements of federal, state or local environmental statutes or regulations; consequently, it does not recover a return on such projects or utility plant through its environmental surcharge mechanism. Since the compliance plan does not include capital projects or investment in utility plant, Big Rivers has not proposed a revised rate of return as part of this current six-month review.

SURCHARGE ADJUSTMENT

The March 22, 2011 Order initiating this case indicated that, since over- or under-recoveries of allowable environmental compliance costs may have occurred during the period under review, the Commission would entertain proposals to adopt one adjustment factor to net all over- or under-recoveries. Big Rivers determined that it had no over- or under-recovery of its environmental costs. The Commission has reviewed and finds reasonable Big Rivers' calculation of any over- or under-recovery for the review period covered in this proceeding and finds no need for any subsequent adjustments of Big Rivers' environmental costs as a result of its review.

RETAIL PASS-THROUGH MECHANISM

Retail Pass-Through Adjustment

Each of the Member Cooperatives determined it had no over- or under-recovery under its surcharge pass-through mechanism. The Commission has reviewed and finds reasonable the Member Cooperatives' calculations of their respective over- and under-recoveries for the review period covered in this proceeding and finds no need for any subsequent adjustments of the Member Cooperatives' pass-through amounts as a result of this review.

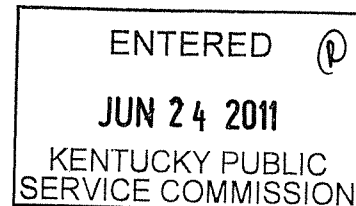
IT IS THEREFORE ORDERED that:

1. The amounts billed by Big Rivers through its environmental surcharge for the period from August 1, 2010 through January 31, 2011 are approved.
2. The amounts billed by the Member Cooperatives through their environmental surcharge pass-through mechanisms for the period from August 1, 2010 through January 31, 2011 for all customers with dedicated delivery points, and for the periods September 1, 2010 through February 28, 2011 for all other customers, are approved.
3. This case is hereby closed and removed from the Commission's docket.

By the Commission

ATTEST:


Executive Director



Burns E Mercer
President & CEO
Meade County R.E.C.C.
P. O. Box 489
Brandenburg, KY 40108-0489

Sanford Novick
President & CEO
Kenergy Corp.
P. O. Box 18
Henderson, KY 42419

G. Kelly Nuckols
President & CEO
Jackson Purchase Energy Corporation
2900 Irvin Cobb Drive
P. O. Box 4030
Paducah, KY 42002-4030

Albert Yockey
VP of of Governmental Relations
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42419-0024