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July 27, 2012

Via Federal Express

Jeff DeRouen
Executive Director
Public Service Commission
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Re: *An Examination by the Public Service Commission
Of the Environmental Surcharge Mechanism of
Big Rivers Electric Corporation for the Two-Year Billing
Period Ending July 31, 2011, PSC Case No. 2012-00262*

Dear Mr. DeRouen:

Enclosed for filing in the above referenced matter are an original and ten copies of the direct testimony of Ralph A. Ashworth in support of the reasonableness of the application of the environmental surcharge mechanisms of Big Rivers Electric Corporation, Jackson Purchase Energy Corporation, Kenergy Corp., and Meade County Rural Electric Cooperative Corporation during the period under review. This testimony was inadvertently omitted from the July 18, 2012, filing in this matter. I certify that copies of this letter and attachments have been served on each of the persons listed on the enclosed service list. Please call if you have any questions.

Sincerely,



Tyson Kamuf

TAK/ej
Enclosures

cc: Mark A. Bailey
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ORIGINAL



Your Touchstone Energy® Cooperative 

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

AN EXAMINATION BY THE PUBLIC)	
SERVICE COMMISSION OF THE)	
ENVIRONMENTAL SURCHARGE)	Case No.
MECHANISM OF BIG RIVERS ELECTRIC)	2012-00262
CORPORATION FOR THE TWO-YEAR)	
BILLING PERIOD ENDING JULY 31, 2011)	

DIRECT TESTIMONY

OF

RALPH A. ASHWORTH

ON BEHALF OF

**BIG RIVERS ELECTRIC CORPORATION,
JACKSON PURCHASE ENERGY CORPORATION,
KENERGY CORP., AND
MEADE COUNTY RURAL ELECTRIC COOPERATIVE
CORPORATION**

FILED: July 27, 2012 (*Originally Due July 18, 2012*)

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FILED: July 27, 2012 (Originally due July 18, 2012)

1
2
3
4

**DIRECT TESTIMONY
OF
RALPH A. ASHWORTH**

5 **Q. Please state your name and business address.**

6 A. My name is Ralph A. Ashworth, and my business address is Big Rivers
7 Electric Corporation, 201 Third Street, Henderson, Kentucky, 42420. I am
8 Big Rivers' Director of Finance.

9
10 **Q. Please summarize your education and professional experience.**

11 A. I received a Bachelor of Science degree in Accounting from the University of
12 Kentucky in 1972, and a Master of Business Administration degree from
13 Murray State University in 1985. I began my accounting career in 1973 at
14 Owensboro National Bank in Owensboro, Kentucky and held the position of
15 accounting supervisor at my departure in 1977. I joined the accounting
16 staff of Big Rivers Electric Corporation in December 1977, starting as an
17 accountant and progressing through various positions of responsibility,
18 becoming Director of Finance in July 2009 with the closing of the
19 transaction that unwound Big Rivers' 1998 lease with E.ON U.S. LLC and
20 its affiliates (the "Unwind Transaction"), described in Case No. 2007-00455.

21
22 **Q. Please summarize your duties at Big Rivers.**

23 A. As Director of Finance my primary responsibilities involve providing
24 direction and oversight to corporate accounting and finance activities

1 related to regulatory requirements, debt administration, financial
2 forecasting, taxes (income, property, and sales & use), plant (fixed assets),
3 fuels and power accounting, and payroll. The Big Rivers' Fuel Adjustment
4 Clause ("FAC"), Environmental Surcharge ("ES"), Unwind Surcredit ("US"),
5 and Non-FAC Purchased Power Adjustment ("NFPPA") are prepared under
6 my direction and filed (as required) with the Public Service Commission
7 ("Commission").
8

9 **Q. Have you previously testified before this Commission?**

10 A. Yes. I testified at the March 9, 2012, hearing in Big Rivers' FAC review
11 proceeding for the six-month period ending November 30, 2011 (Case No.
12 2011-00487). I also prepared and filed data responses in Case No. 2011-
13 00487.
14

15 **Q. On whose behalf are you filing this testimony?**

16 A. I am filing this testimony on behalf of Big Rivers and its three member
17 distribution cooperatives, Jackson Purchase Energy Corporation ("JPEC"),
18 Kenergy Corp. ("Kenergy"), and Meade County Rural Electric Cooperative
19 Corporation ("Meade County") (collectively, "the Members").
20

21 **Q. What is the purpose of your testimony in this proceeding?**

22 A. The purpose of my testimony is to describe the application of Big Rivers'

1 environmental surcharge mechanism as billed from August 1, 2009 through
2 July 31, 2011 (which corresponds to the expense months June 2009 through
3 May 2011 and service months July 2009 through June 2011). Additionally,
4 I have coordinated with Big Rivers' Members in the preparation of this
5 testimony and prepared the responses to the Commission Staff's First
6 Request for Information ("Commission's Initial Requests") which accompany
7 this testimony.

8 This testimony also includes information the Members' have
9 provided me in support of their pass-through mechanisms that are also
10 under review in this proceeding and that the Members use to pass through
11 to their retail members the costs Big Rivers charges to them under Big
12 Rivers' environmental surcharge mechanism. As can be seen in my
13 response to Item 2 of the Commission's Initial Requests, the review period
14 for the Members' pass-through mechanisms that corresponds to the August
15 1, 2009 through July 31, 2011 billing period for Big Rivers' environmental
16 surcharge mechanism are the billing months of September 2009 through
17 August 2011 for non-dedicated delivery point customers, and August 2009
18 through July 2011 for dedicated delivery point customers (*i.e.*, there is no
19 billing lag for dedicated delivery point customers).

20
21 **Q. Please provide a brief overview of Big Rivers' environmental**
22 **surcharge mechanism.**

1 A. Big Rivers' environmental surcharge mechanism was approved by the
2 Commission by Order dated June 25, 2008, in Case No. 2007-00460. Big
3 Rivers' environmental surcharge went into effect immediately following the
4 July 16, 2009, closing of the Unwind Transaction for service commencing
5 July 17, 2009. The Commission approved the Unwind Transaction by its
6 Order dated March 6, 2009, in Case No. 2007-00455.

7 Big Rivers' environmental compliance plan approved by the
8 Commission in Case No. 2007-00460 consists of a program and the costs
9 associated with controlling each of sulfur dioxide ("SO₂"), nitrogen oxide
10 ("NO_x"), and sulfur trioxide ("SO₃"). The environmental surcharge costs Big
11 Rivers may recover under KRS 278.183, and its environmental compliance
12 plan, include reagent costs, sludge and ash disposal costs, and allowance
13 costs.

14 For the SO₂ program, Big Rivers recovers through its environmental
15 surcharge mechanism the costs of reagents, the costs for the disposal of coal
16 combustion byproducts (fly ash, bottom ash, and scrubber sludge), and the
17 costs of purchasing SO₂ emission allowances. For the NO_x program, Big
18 Rivers recovers the costs of reagents and the costs of purchasing additional
19 NO_x emission allowances as needed. For the SO₃ program, Big Rivers
20 recovers the costs of a reagent. Due to generating unit design and Big
21 Rivers' compliance plan, no Big Rivers generating unit utilizes all the same
22 reagents. Depending on the unit facilities, various reagents are used to

1 treat the flue gas, thereby removing the three targeted emissions. The SO₂
2 reagents are comprised of emulsified sulfur, lime, fixation lime, limestone,
3 dibasic acid, and sodium bisulfite. The NO_x reagents are comprised of
4 anhydrous ammonia and emulsified sulfur. The SO₃ reagent is comprised
5 of lime hydrate.

6 Big Rivers' environmental surcharge mechanism is comprised of the
7 specific environmental compliance operating expenses described above, less
8 proceeds from by-product and emission allowance sales, plus or minus an
9 ongoing cumulative over- or under-recovery adjustment.

10

11 **Q. Please provide a brief overview of the Members' pass-through**
12 **mechanisms.**

13 A. The Members' pass-through mechanisms allow each Member to bill its
14 retail customers for the portion of Big Rivers' environmental surcharge that
15 Big Rivers bills each Member. JPEC's pass-through mechanism was
16 approved by the Commission in Case No. 2008-00010; Kenergy's
17 mechanism was approved by the Commission in Case No. 2008-00009; and
18 Meade County's was approved by the Commission in Case No. 2007- 00470.

19

20 **Q. Have there been any changes to Big Rivers Environmental**
21 **Surcharge mechanism since the prior review?**

22 A. No. However, since the prior review, Big Rivers has filed an application

1 with the Commission seeking the Commission's approval, among other
2 things, of its 2012 Environmental Compliance Plan, of Certificates of Public
3 Convenience and Necessity to construct certain environmental-related
4 facilities, and to amend its existing Environmental Surcharge tariff.¹

5
6 **Q. Has Big Rivers sold any SO₂ or NO_x allowances during the expense
7 months of June 2009 through May 2011?**

8 A. No. Big Rivers has not sold any SO₂ or NO_x allowances during the expense
9 months of June 2009 through May 2011.

10
11 **Q. Please summarize how the Monthly Environmental Surcharge
12 Factor ("MESF") is calculated for Big Rivers' environmental
13 surcharge mechanism?**

14 A. The jurisdictional portion of Big Rivers' actual (booked) eligible
15 environmental surcharge cost of the second preceding billing month (*e.g.*,
16 May 2011 expense month; June 2011 service; July 2011 billing), as adjusted
17 for any over- or under- recovery carry-forward, is divided by the
18 jurisdictional kWh sales of the second preceding billing month to determine
19 the MESF. The MESF is then applied to the actual kWh service of the
20 month following the expense month.

¹ *In the Matter of: Application of Big Rivers Electric Corporation for Approval of its 2012 Environmental Compliance Plan, for Approval of its Amended Environmental Cost Recovery Surcharge Tariff, for Certificates of Public Convenience and Necessity, and for Authority to Establish a Regulatory Account, Case No. 2012-00063.*

1 **Q. Has Big Rivers' environmental surcharge mechanism been**
2 **accurately compiled, and is it operating as intended?**

3 A. Yes.

4

5 **Q. Have the Members' pass-through mechanisms been accurately**
6 **compiled, and are they operating as intended?**

7 A. The Members believe their pass-through mechanisms have been accurately
8 compiled and are operating as intended.

9

10 **Q. Are the amounts charged under Big Rivers' environmental**
11 **surcharge mechanism during the review period just and**
12 **reasonable?**

13 A. Yes.

14

15 **Q. Are the amounts charged under the Members' pass-through**
16 **mechanisms during the review period just and reasonable?**

17 A. The Members believe the amounts charged under their pass-through
18 mechanisms are just and reasonable.

19

20 **Q. Do Big Rivers and its Members have additional over- or under-**
21 **recovery amounts they believe need to be recognized?**

22 A. No. Big Rivers and its Members are not requesting any additional over- or

1 under-recovery amount. The normal over/under recovery carry-forward
2 element of Big Rivers' environmental surcharge mechanism is operating as
3 intended.

4
5 **Q. Does Big Rivers recover any capital costs through its
6 environmental surcharge mechanism?**

7 A. No. Big Rivers environmental surcharge mechanism only recovers those
8 variable costs mentioned above (reagent, disposal, and allowance costs).

9
10 **Q. What Base Environmental Surcharge Factor ("BESF") cost did Big
11 Rivers use during the Review Period?**

12 A. Big Rivers had no environmental surcharge related costs in its base rates
13 during the Review Period.

14
15 **Q. Is Big Rivers proposing to change the BESF cost as part of this
16 proceeding?**

17 A. No. In Case No. 2012-00063, Big Rivers has proposed revisions to its
18 environmental surcharge tariff, including the methodology for allocating
19 costs under the tariff. Big Rivers believes a surcharge amount should not
20 be incorporated into its base rates while that proposal is pending.

21

22

1 Q. Does this conclude your testimony?

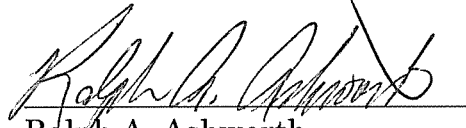
2 A. Yes, it does.

BIG RIVERS ELECTRIC CORPORATION

**AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE
ENVIRONMENTAL SURCHARGE MECHANISM OF BIG RIVERS
ELECTRIC CORPORATION FOR THE TWO-YEAR
BILLING PERIOD ENDING JULY 31, 2011
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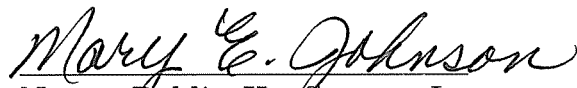
VERIFICATION

I, Ralph A. Ashworth, verify, state, and affirm that the Direct Testimony and data request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.


Ralph A. Ashworth

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Ralph A. Ashworth on this the 26 day of July, 2012.


Notary Public, Ky. State at Large
My Commission Expires 7/29/15
No. 446 462