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Bryan R. Reynolds\*

Tyson A. Kamuf

Mark W. Starnes

C. Ellsworth Mountjoy

May 23, 2013

**Via Federal Express**

Jeff Derouen  
Executive Director  
Public Service Commission  
211 Sower Boulevard, P.O. Box 615  
Frankfort, Kentucky 40602-0615

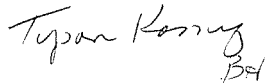
\*Also Licensed in Indiana

*Re: In the Matter of: An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Big Rivers Electric Corporation for the Six-Month Billing Period Ending January 31, 2013 and the Pass Through Mechanism of its Three Member Distribution Cooperatives, PSC Case No. 2013-00139*

Dear Mr. Derouen:

Enclosed for filing in the above referenced matter are an original and seven copies of Big Rivers Electric Corporation's responses to the Commission Staff's first request for information and an original and seven copies of the direct testimony of Nicholas R. Castlen in support of the reasonableness of the environmental surcharge mechanisms of Big Rivers Electric Corporation, Jackson Purchase Energy Corporation, Kenergy Corp., and Meade County Rural Electric Cooperative Corporation. On this date, a copy of this letter, the testimony, and the responses were served on all parties of record by first class mail, postage prepaid or by Federal Express.

Sincerely,



Tyson Kamuf

Enclosures

cc: Billie Richert  
Lawrence V. Baronowsky  
Nicholas R. Castlen  
Gregory J. Starheim  
G. Kelly Nuckols  
Burns E. Mercer

Telephone (270) 926-4000

Telecopier (270) 683-6694

100 St. Ann Building

PO Box 727

Owensboro, Kentucky

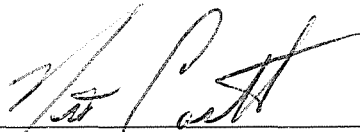
42302-0727

**BIG RIVERS ELECTRIC CORPORATION**

**AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION  
OF THE ENVIRONMENTAL SURCHARGE MECHANISM  
OF BIG RIVERS ELECTRIC CORPORATION  
FOR THE SIX-MONTH BILLING PERIOD ENDING JANUARY 31, 2013  
AND THE PASS THROUGH MECHANISM  
OF ITS THREE MEMBER DISTRIBUTION COOPERATIVES  
CASE NO. 2013-00139**

**VERIFICATION**

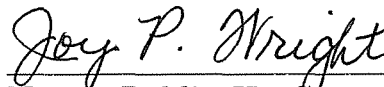
I, Nicholas R. (Nick) Castlen, verify, state, and affirm that the Direct Testimony and data request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Nicholas R. (Nick) Castlen

COMMONWEALTH OF KENTUCKY )  
COUNTY OF HENDERSON )

SUBSCRIBED AND SWORN TO before me by Nicholas R. (Nick) Castlen on this the 12 day of May, 2013.



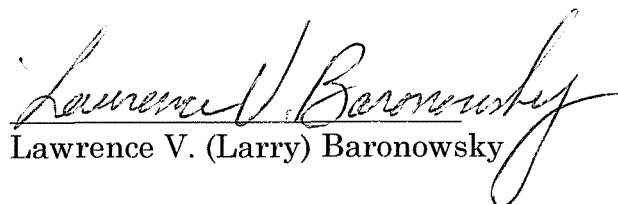
Notary Public, Ky. State at Large  
My Commission Expires \_\_\_\_\_

**BIG RIVERS ELECTRIC CORPORATION**

**AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION  
OF THE ENVIRONMENTAL SURCHARGE MECHANISM  
OF BIG RIVERS ELECTRIC CORPORATION  
FOR THE SIX-MONTH BILLING PERIOD ENDING JANUARY 31, 2013  
AND THE PASS THROUGH MECHANISM  
OF ITS THREE MEMBER DISTRIBUTION COOPERATIVES  
CASE NO. 2013-00139**

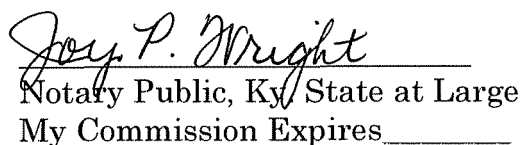
**VERIFICATION**

I, Lawrence V. (Larry) Baronowsky, verify, state, and affirm that the 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.

  
Lawrence V. (Larry) Baronowsky

COMMONWEALTH OF KENTUCKY )  
COUNTY OF HENDERSON )


SUBSCRIBED AND SWORN TO before me by Lawrence V. (Larry)  
Baronowsky on this the 22 day of May, 2013.

  
Notary Public, Ky State at Large  
My Commission Expires \_\_\_\_\_

Notary Public, Kentucky State-At-Large  
My Commission Expires: July 3, 2014  
ID 421951

**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 )  
MECHANISM OF BIG RIVERS ELECTRIC )  
CORPORATION FOR THE )  
SIX-MONTH BILLING PERIOD ENDING )  
JANUARY 31, 2013 )  
AND THE PASS THROUGH MECHANISM )  
OF ITS THREE MEMBER DISTRIBUTION )  
COOPERATIVES )**

**Case No. 2013-00139**

**Responses to Commission Staff's  
Initial Request for Information  
dated May 7, 2013**

**FILED: May 24, 2013**

**ORIGINAL**

**BIG RIVERS ELECTRIC CORPORATION**

**AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION  
OF THE ENVIRONMENTAL SURCHARGE MECHANISM  
OF BIG RIVERS ELECTRIC CORPORATION  
FOR THE SIX-MONTH BILLING PERIOD ENDING JANUARY 31, 2013  
AND THE PASS THROUGH MECHANISM  
OF ITS THREE MEMBER DISTRIBUTION COOPERATIVES  
CASE NO. 2013-00139**

**Response to Commission Staff's  
Initial Request for Information  
dated May 7, 2013**

**May 24, 2013**

1 **Item 1)** *Prepare a summary schedule showing the calculation of E(m)*  
2 *and the surcharge factor for the expense months covered by the billing*  
3 *periods under review. Form 1.1 can be used as a model for this summary.*  
4 *Include the expense months for the two expense months subsequent to the*  
5 *billing period in order to show the over- and under-recovery adjustments*  
6 *for the months included for the billing period. Include a calculation of*  
7 *any additional over- or under-recovery amount Big Rivers believes needs*  
8 *to be recognized for the billing periods under review. Include all*  
9 *supporting calculations and documentation for the additional over- or*  
10 *under-recovery.*

11

12 **Response)** Please see the attached schedule, in the format of Form 1.10,  
13 covering each of the expense months from June 2012 through January 2013 (*i.e.*,  
14 the expense months covered by the billing periods under review plus the  
15 immediately following two months). No additional over/under recovery is sought  
16 by Big Rivers Electric Corporation.

17

18

19 **Witness)** Nicholas R. Castlen

20

**Big Rivers Electric Corporation**  
**Case No. 2013-00139**

**Calculation of Total E(m) and  
Jurisdictional Surcharge Billing Factor**

**For the Expense Months: June 2012 to January 2013**

**Calculation of Total E(m)**

1	E(m) = OE - BAS, where			
2	OE	=	Pollution Control Operating Expenses	
3	BAS	=	Total Proceeds from By-Product and Allowance Sales	
4			<u>June 2012</u>	<u>July 2012</u>
5				
6			Environmental Compliance Plans	Environmental Compliance Plans
7				
8				
9	OE	= \$	2,182,005	= \$ 2,440,704
10	BAS	= \$	-	= \$ -
11				
12	E(m)	= \$	2,182,005	= \$ 2,440,704
13				

**Calculation of Jurisdictional Environmental Surcharge Billing Factor**

17				
18	Jurisdictional Allocation Ratio for Expense Month	=	89.358343%	= 89.836556%
19	Jurisdictional E(m) = E(m) x Jurisdictional Allocation Ratio	= \$	1,949,804	= \$ 2,192,644
20	Adjustment for Over/(Under) Recovery	= \$	114,486	= \$ (9,462)
21	Prior Period Adjustment (if necessary)	= \$	-	= \$ -
22	Net Jurisdictional E(m) = Jurisdictional E(m) plus Adjustment for Over/(Under)			
23	plus Prior Period Adjustment	= \$	1,835,318	= \$ 2,202,106
24				
25	Jurisdictional S(m) = Monthly Jurisdictional Kwh Sales for the Month	=	893,259,338	= 974,156,163
26				
27				
28	Jurisdictional Environmental Surcharge Billing Factor:			
29	Net Jurisdictional E(m) / Jurisdictional S(m) ; Per Kwh	=	<b>\$0.002055</b>	= <b>\$0.002261</b>

**Big Rivers Electric Corporation  
Case No. 2013-00139**

**Calculation of Total E(m) and  
Jurisdictional Surcharge Billing Factor**

**For the Expense Months: June 2012 to January 2013**

**Calculation of Total E(m)**

1	E(m) = OE - BAS, where																			
2	OE	=	Pollution Control Operating Expenses																	
3	BAS	=	Total Proceeds from By-Product and Allowance Sales	<u>August 2012</u>																
4				<u>See Note 1</u>																
5	<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 5%;"></td> <td style="width: 10%; text-align: center;">Environmental Compliance Plans</td> <td style="width: 25%;"></td> </tr> <tr> <td>9</td> <td>OE</td> <td>= \$</td> <td style="text-align: right;">2,288,269</td> </tr> <tr> <td>10</td> <td>BAS</td> <td>= \$</td> <td style="text-align: right;">-</td> </tr> <tr> <td>12</td> <td>E(m)</td> <td>= \$</td> <td style="text-align: right;">2,288,269</td> </tr> </table>						Environmental Compliance Plans		9	OE	= \$	2,288,269	10	BAS	= \$	-	12	E(m)	= \$	2,288,269
		Environmental Compliance Plans																		
9	OE	= \$	2,288,269																	
10	BAS	= \$	-																	
12	E(m)	= \$	2,288,269																	

**Calculation of Jurisdictional Environmental Surcharge Billing Factor**

17	<table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Jurisdictional Allocation Ratio for Expense Month</td> <td style="width: 5%;">=</td> <td style="width: 10%;"></td> <td style="width: 25%; text-align: right;">91.324492%</td> </tr> <tr> <td>Jurisdictional E(m) = E(m) x Jurisdictional Allocation Ratio</td> <td>=</td> <td>\$</td> <td style="text-align: right;">2,089,750</td> </tr> <tr> <td>Adjustment for Over/(Under) Recovery</td> <td>=</td> <td>\$</td> <td style="text-align: right;">166,573</td> </tr> <tr> <td>Prior Period Adjustment (if necessary)</td> <td>=</td> <td>\$</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Net Jurisdictional E(m) = Jurisdictional E(m) plus Adjustment for Over/(Under) plus Prior Period Adjustment</td> <td>=</td> <td>\$</td> <td style="text-align: right;">1,923,177</td> </tr> <tr> <td>Jurisdictional S(m) = Monthly Jurisdictional Kwh Sales for the Month</td> <td>=</td> <td></td> <td style="text-align: right;">926,097,349</td> </tr> <tr> <td colspan="4"> </td> </tr> <tr> <td>Jurisdictional Environmental Surcharge Billing Factor: Net Jurisdictional E(m) / Jurisdictional S(m) ; Per Kwh</td> <td>=</td> <td></td> <td style="text-align: right;"><b>\$0.002077</b></td> </tr> </table>				Jurisdictional Allocation Ratio for Expense Month	=		91.324492%	Jurisdictional E(m) = E(m) x Jurisdictional Allocation Ratio	=	\$	2,089,750	Adjustment for Over/(Under) Recovery	=	\$	166,573	Prior Period Adjustment (if necessary)	=	\$	-	Net Jurisdictional E(m) = Jurisdictional E(m) plus Adjustment for Over/(Under) plus Prior Period Adjustment	=	\$	1,923,177	Jurisdictional S(m) = Monthly Jurisdictional Kwh Sales for the Month	=		926,097,349					Jurisdictional Environmental Surcharge Billing Factor: Net Jurisdictional E(m) / Jurisdictional S(m) ; Per Kwh	=		<b>\$0.002077</b>
Jurisdictional Allocation Ratio for Expense Month	=		91.324492%																																	
Jurisdictional E(m) = E(m) x Jurisdictional Allocation Ratio	=	\$	2,089,750																																	
Adjustment for Over/(Under) Recovery	=	\$	166,573																																	
Prior Period Adjustment (if necessary)	=	\$	-																																	
Net Jurisdictional E(m) = Jurisdictional E(m) plus Adjustment for Over/(Under) plus Prior Period Adjustment	=	\$	1,923,177																																	
Jurisdictional S(m) = Monthly Jurisdictional Kwh Sales for the Month	=		926,097,349																																	
Jurisdictional Environmental Surcharge Billing Factor: Net Jurisdictional E(m) / Jurisdictional S(m) ; Per Kwh	=		<b>\$0.002077</b>																																	

Note 1: Pursuant to the Commission's Order dated October 1, 2012 in Case No. 2012-00063, Big Rivers implemented changes to its Environmental Surcharge ("ES") filing beginning with the September 2012 expense month (which calculated the ES factor applied to invoices for service delivered during October 2012 that were billed in early November 2012). These changes included allocating environmental surcharge costs based on a rolling 12-month average of Total Adjusted Revenues, instead of a kWh basis, and the inclusion of a rate of return on capital expenditures associated with the 2012 Environmental Compliance Plan for purposes of calculating the monthly ES factor. The following schedules, for the expense months of September 2012 through January 2013, reflect these changes.

**Big Rivers Electric Corporation  
Case No. 2013-00139**

**Calculation of Total E(m) and  
Jurisdictional Surcharge Billing Factor**

**For the Expense Months: June 2012 to January 2013**

**Calculation of Total E(m)**

1	E(m) = OE - BAS + RORB, where				
2	OE	=	Pollution Control Operating Expenses		
3	BAS	=	Total Proceeds from By-Product and Allowance Sales		
4	RORB	=	[ (RB/12) x (RORORB) ]		
5				<u>September 2012</u>	<u>October 2012</u>
6					
7				Environmental Compliance Plans	Environmental Compliance Plans
8					
9					
10	OE	=	\$ 2,259,265	=	\$ 1,933,202
11	BAS	=	\$ -	=	\$ -
12	RORB	=	\$ -	=	\$ -
13					
14	E(m)	=	\$ 2,259,265	=	\$ 1,933,202

**Calculation of Jurisdictional Environmental Surcharge Billing Factor**

17					
18					
19					
20	Jurisdictional Allocation Ratio for the Month	=	90.526996%	=	90.764581%
21	Jurisdictional E(m) = E(m) x Jurisdictional Allocation Ratio	=	\$ 2,045,245	=	\$ 1,754,663
22	Adjustment for (Over)/Under Recovery	=	\$ 108,200	=	\$ 154,377
23	Prior Period Adjustment (if necessary)	=	\$ -	=	\$ -
24					
25	Net Jurisdictional E(m) = Jurisdictional E(m) plus (Over)/Under				
26	plus Prior Period Adjustment(s)	=	\$ 2,153,445	=	\$ 1,909,040
27					
28	R(m) = Average Monthly Member System Revenue for the 12 Months				
29	Ending with the Current Expense Month	=	\$ 38,860,321	=	\$ 39,070,620
30					
31	Jurisdictional Environmental Surcharge Billing Factor:				
32	CESF: E(m) / R(m); as a % of Revenue	=	5.541500%	=	4.886127%



**Big Rivers Electric Corporation  
Case No. 2013-00139**

**Calculation of Total E(m) and  
Jurisdictional Surcharge Billing Factor**

**For the Expense Months: June 2012 to January 2013**

**Calculation of Total E(m)**

1	E(m) = OE - BAS + RORB, where			
2	OE	=	Pollution Control Operating Expenses	
3	BAS	=	Total Proceeds from By-Product and Allowance Sales	
4	RORB	=	[ (RB/12) x (RORORB) ]	
5			<u>November 2012</u>	<u>December 2012</u>
6				
7			Environmental Compliance Plans	Environmental Compliance Plans
8				
9				
10	OE	= \$	2,385,696	= \$ 2,466,165
11	BAS	= \$	-	= \$ -
12	RORB	= \$	-	= \$ -
13				
14	E(m)	= \$	2,385,696	= \$ 2,466,165

**Calculation of Jurisdictional Environmental Surcharge Billing Factor**

17				
18				
19				
20	Jurisdictional Allocation Ratio for the Month	=	85.200207%	= 87.232120%
21	Jurisdictional E(m) = E(m) x Jurisdictional Allocation Ratio	= \$	2,032,618	= \$ 2,151,288
22	Adjustment for (Over)/Under Recovery	= \$	50,264	= \$ (20,870)
23	Prior Period Adjustment (if necessary)	= \$	-	= \$ -
24				
25	Net Jurisdictional E(m) = Jurisdictional E(m) plus (Over)/Under			
26	plus Prior Period Adjustment(s)	= \$	2,082,882	= \$ 2,130,418
27				
28	R(m) = Average Monthly Member System Revenue for the 12 Months			
29	Ending with the Current Expense Month	= \$	39,474,882	= \$ 39,542,214
30				
31	Jurisdictional Environmental Surcharge Billing Factor:			
32	CESF: E(m) / R(m); as a % of Revenue	=	5.276475%	= 5.387706%

**Big Rivers Electric Corporation  
Case No. 2013-00139**

**Calculation of Total E(m) and  
Jurisdictional Surcharge Billing Factor**

**For the Expense Months: June 2012 to January 2013**

**Calculation of Total E(m)**

1 E(m) = OE - BAS + RORB, where  
 2 OE = Pollution Control Operating Expenses  
 3 BAS = Total Proceeds from By-Product and Allowance Sales  
 4 RORB = [ (RB/12) x (RORORB) ] January 2013

		Environmental Compliance Plans	
10	OE	= \$	2,484,215
11	BAS	= \$	-
12	RORB	= \$	-
14	E(m)	= \$	2,484,215

**Calculation of Jurisdictional Environmental Surcharge Billing Factor**

20	Jurisdictional Allocation Ratio for the Month	=	89.090888%
21	Jurisdictional E(m) = E(m) x Jurisdictional Allocation Ratio	= \$	2,213,209
22	Adjustment for (Over)/Under Recovery	= \$	(6,199)
23	Prior Period Adjustment (if necessary)	= \$	(57,831)
25	Net Jurisdictional E(m) = Jurisdictional E(m) plus (Over)/Under plus Prior Period Adjustment(s)	= \$	2,149,179
28	R(m) = Average Monthly Member System Revenue for the 12 Months Ending with the Current Expense Month	= \$	39,654,353
31	Jurisdictional Environmental Surcharge Billing Factor:		
32	CESF: E(m) / R(m); as a % of Revenue	=	5.419781%

**BIG RIVERS ELECTRIC CORPORATION**

**AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION  
OF THE ENVIRONMENTAL SURCHARGE MECHANISM  
OF BIG RIVERS ELECTRIC CORPORATION  
FOR THE SIX-MONTH BILLING PERIOD ENDING JANUARY 31, 2013  
AND THE PASS THROUGH MECHANISM  
OF ITS THREE MEMBER DISTRIBUTION COOPERATIVES  
CASE NO. 2013-00139**

**Response to Commission Staff's  
Initial Request for Information  
dated May 7, 2013**

**May 24, 2013**

1 **Item 2)** *For each of the three Member Cooperatives, prepare a*  
2 *summary schedule showing the Member Cooperative's pass-through*  
3 *revenue requirement for the months corresponding with the billing*  
4 *periods under review. Include the two months subsequent to the billing*  
5 *periods included in the review periods. Include a calculation of any*  
6 *additional over- or under-recovery amount the Member Cooperative*  
7 *believes needs to be recognized for the billing periods under review.*  
8 *Include all supporting calculations and documentation for the additional*  
9 *over- or under-recovery.*

10

11 **Response)** The attached two sets of schedules (Attachment 1 for non-dedicated  
12 delivery points and Attachment 2 for dedicated delivery points) reflect Big Rivers'  
13 Members' environmental surcharge pass-through for the months corresponding to  
14 Big Rivers' expense months of June 2012 through November 2012, applied to  
15 Members' invoices for the service months of July 2012 through December 2012,  
16 which Big Rivers billed to its Members August 2012 through January 2013. As  
17 illustrated in the attached schedules, there is no billing lag for dedicated delivery  
18 point customers.

19 As requested by the Commission, the attached schedules include the  
20 Members' two billing months immediately following the review period. The  
21 information on the attached schedules was obtained from the Members' monthly

**BIG RIVERS ELECTRIC CORPORATION**

**AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION  
OF THE ENVIRONMENTAL SURCHARGE MECHANISM  
OF BIG RIVERS ELECTRIC CORPORATION  
FOR THE SIX-MONTH BILLING PERIOD ENDING JANUARY 31, 2013  
AND THE PASS THROUGH MECHANISM  
OF ITS THREE MEMBER DISTRIBUTION COOPERATIVES  
CASE NO. 2013-00139**

**Response to Commission Staff's  
Initial Request for Information  
dated May 7, 2013**

**May 24, 2013**

1 Environmental Surcharge Schedules provided by Big Rivers' Members. Other  
2 than the on-going cumulative over/under recovery mechanism, no additional  
3 over/under recovery amount is requested.

4

5

6 **Witness)** Nicholas R. Castlen

7

**Big Rivers Electric Corporation  
Case No. 2013-00139**

KENERGY CORP. ENVIRONMENTAL SURCHARGE REVIEW NON-DEDICATED DELIVERY POINT CUSTOMERS
---

	(a)	(b)	(c)	(d)	(e)	(f)
Service Mo/Yr	Big Rivers' Invoice ES Amount for Service Month	(Over)/Under Recovery [from (f)]	Total Recoverable [(b) + (c)]	ES Amount Billed to Kenergy's Customers (Line 11 per Filing)	(Over)/Under Recovery [(d) for 2nd preceding month less (e) for current month]	
Jul-12	\$ 279,677	\$ (16,746)	\$ 262,931	\$ 210,615	\$ (16,746)	
Aug-12	\$ 261,409	\$ (38,289)	\$ 223,120	\$ 252,581	\$ (38,289)	
Sep-12	\$ 184,234	\$ 26,539	\$ 210,773	\$ 236,392	\$ 26,539	
Oct-12	\$ 229,117	\$ 26,214	\$ 255,331	\$ 196,906	\$ 26,214	
Nov-12	\$ 237,057	\$ 16,277	\$ 253,334	\$ 194,496	\$ 16,277	
Dec-12	\$ 276,306	\$ (31,680)	\$ 244,626	\$ 287,011	\$ (31,680)	
Jan-13	\$ 319,799	\$ (19,338)	\$ 300,461	\$ 272,672	\$ (19,338)	
Feb-13	\$ 305,424	\$ (24,174)	\$ 281,250	\$ 268,800	\$ (24,174)	
Mar-13	\$ 267,577	\$ 17,576	\$ 285,153	\$ 282,885	\$ 17,576	

JACKSON PURCHASE ENERGY CORPORATION ENVIRONMENTAL SURCHARGE REVIEW NON-DEDICATED DELIVERY POINT CUSTOMERS
---

	(a)	(b)	(c)	(d)	(e)	(f)
Service Mo/Yr	Big Rivers' Invoice ES Amount for Service Month	(Over)/Under Recovery [from (f)]	Total Recoverable [(b) + (c)]	ES Amount Billed to JPEC's Customers (Line 11 per Filing)	(Over)/Under Recovery [(d) for 3rd preceding month less (e) for current month]	
Jul-12	\$ 159,783	\$ (41,043)	\$ 118,740	\$ 162,458	\$ (41,043)	
Aug-12	\$ 149,078	\$ (39,874)	\$ 109,204	\$ 153,552	\$ (39,874)	
Sep-12	\$ 102,979	\$ (25,321)	\$ 77,658	\$ 154,688	\$ (25,321)	
Oct-12	\$ 124,094	\$ 30,011	\$ 154,105	\$ 88,729	\$ 30,011	
Nov-12	\$ 130,063	\$ 38,219	\$ 168,282	\$ 70,985	\$ 38,219	
Dec-12	\$ 149,679	\$ 5,908	\$ 155,587	\$ 71,750	\$ 5,908	
Jan-13	\$ 171,746	\$ (29,184)	\$ 142,562	\$ 183,289	\$ (29,184)	
Feb-13	\$ 160,815	\$ (51,248)	\$ 109,567	\$ 219,530	\$ (51,248)	
Mar-13	\$ 142,065	\$ (14,417)	\$ 127,648	\$ 170,004	\$ (14,417)	

**Big Rivers Electric Corporation**  
**Case No. 2013-00139**

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MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION ENVIRONMENTAL SURCHARGE REVIEW NON-DEDICATED DELIVERY POINT CUSTOMERS
---

	(a)	(b)	(c)	(d)	(e)	(f)
Service Mo/Yr	Big Rivers' Invoice ES Amount for Service Month	(Over)/Under Recovery [from (f)]	Total Recoverable [(b) + (c)]	ES Amount Billed to MCRECC's Customers (Line 11 per Filing)	(Over)/Under Recovery [(d) for 1st preceding month less (e) for current month]	
Jul-12	\$ 101,201	\$ (18,683)	\$ 82,518	\$ 97,178	\$ (18,683)	
Aug-12	\$ 93,643	\$ 11,111	\$ 104,754	\$ 71,407	\$ 11,111	
Sep-12	\$ 66,693	\$ 18,493	\$ 85,186	\$ 86,261	\$ 18,493	
Oct-12	\$ 92,678	\$ 3,928	\$ 96,606	\$ 81,258	\$ 3,928	
Nov-12	\$ 102,974	\$ (21,109)	\$ 81,865	\$ 117,715	\$ (21,109)	
Dec-12	\$ 117,434	\$ (8,831)	\$ 108,603	\$ 90,696	\$ (8,831)	
Jan-13	\$ 143,930	\$ (28,793)	\$ 115,137	\$ 137,396	\$ (28,793)	
Feb-13	\$ 138,671	\$ 18,668	\$ 157,339	\$ 96,469	\$ 18,668	
Mar-13	\$ 118,125	\$ 4,176	\$ 122,301	\$ 153,163	\$ 4,176	

**Big Rivers Electric Corporation  
Case No. 2013-00139**

KENERGY CORP-ENVIRONMENTAL SURCHARGE REVIEW DEDICATED DELIVERY POINT CUSTOMERS
---

	(a)	(b)	(c)	(d)
Service Mo/Yr	Big Rivers Electric Invoice Amount for Service Month	Service Month to Retail Consumer	Monthly Over/Under (Column (b) less column (c )	
Jul-12	\$ 1,460,830	\$ 1,460,830	\$ -	-
Aug-12	\$ 1,588,815	\$ 1,588,815	\$ -	-
Sep-12	\$ 1,413,790	\$ 1,413,790	\$ -	-
Oct-12	\$ 1,655,330	\$ 1,655,330	\$ -	-
Nov-12	\$ 1,458,159	\$ 1,458,159	\$ -	-
Dec-12	\$ 1,543,807	\$ 1,543,807	\$ -	-
Jan-13	\$ 1,596,109	\$ 1,596,109	\$ -	-
Feb-13	\$ 1,484,856	\$ 1,484,856	\$ -	-
Mar-13	\$ 1,468,926	\$ 1,468,926	\$ -	-

JACKSON PURCHASE ENERGY CORPORATION ENVIRONMENTAL SURCHARGE REVIEW DEDICATED DELIVERY POINT CUSTOMERS
---

	(a)	(b)	(c)	(d)
Service Mo/Yr	Big Rivers Electric Invoice Amount for Service Month	Service Month To Retail Consumer	Monthly (Over)/Under Recovery (Column (b) Less column (c)	
Jul-12	\$ 400	\$ 400	\$ -	-
Aug-12	\$ 962	\$ 962	\$ -	-
Sep-12	\$ 1,104	\$ 1,104	\$ -	-
Oct-12	\$ 1,962	\$ 1,962	\$ -	-
Nov-12	\$ 1,658	\$ 1,658	\$ -	-
Dec-12	\$ 1,855	\$ 1,855	\$ -	-
Jan-13	\$ 1,687	\$ 1,687	\$ -	-
Feb-13	\$ 1,511	\$ 1,511	\$ -	-
Mar-13	\$ 1,560	\$ 1,560	\$ -	-

Meade County Rural Electric Cooperative Corporation has no dedicated delivery point customers.

**BIG RIVERS ELECTRIC CORPORATION**

**AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION  
OF THE ENVIRONMENTAL SURCHARGE MECHANISM  
OF BIG RIVERS ELECTRIC CORPORATION  
FOR THE SIX-MONTH BILLING PERIOD ENDING JANUARY 31, 2013  
AND THE PASS THROUGH MECHANISM  
OF ITS THREE MEMBER DISTRIBUTION COOPERATIVES  
CASE NO. 2013-00139**

**Response to Commission Staff's  
Initial Request for Information  
dated May 7, 2013**

**May 24, 2013**

1 **Item 3)** *Refer to Form 2.5, Operating and Maintenance Expenses, for*  
2 *each of the expense months covered by each billing period under review.*  
3 *For each of the expense line items listed on this schedule, explain the*  
4 *reason(s) for any change in the expense levels from month to month if that*  
5 *change is greater than plus or minus 10 percent.*

6

7 **Response)** Please see the attached schedules of Operating and Maintenance  
8 ("O&M") expenses, including the requested variance explanations, for the expense  
9 months of May 2012 through November 2012. Please note, May 2012 is only being  
10 shown for purposes of calculating the variances in the first month of the review  
11 period.

12

13

14 **Witnesses)** Nicholas R. Castlen (Schedules of O&M Expenses) and  
15 Lawrence V. Baronowsky (Reason(s) for Changes in Expense Levels)

16



**Big Rivers Electric Corporation**  
**Case No. 2013-00139**  
**Form 2.5 - Operating and Maintenance Expenses Analysis**

Expense Month Billing Month	May-12 Jul-12	Jun-12 Aug-12	Jun-12 vs. May-12 % Change	Jul-12 Sep-12	Jul-12 vs. Jun-12 % Change	Aug-12 Oct-12	Aug-12 vs. Jul-12 % Change	Sep-12 Nov-12	Sep-12 vs. Aug-12 % Change	Oct-12 Dec-12	Oct-12 vs. Sep-12 % Change	Nov-12 Jan-13	Nov-12 vs. Oct-12 % Change
<b>NOx Plan</b>													
Anhydrous Ammonia	\$ 151,920	\$ 101,158	-33%	\$ 203,348	101%	\$ 151,461	-26%	\$ 144,784	-4%	\$ 215,798	49%	\$ 203,377	-6%
Emulsified Sulphur for NOx	-	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1
Individual Expense Account Items	-	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1
Individual Expense Account Items	-	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1
<b>Total NOx Plan O&amp;M Expenses</b>	<b>\$ 151,920</b>	<b>\$ 101,158</b>	<b>-33%</b>	<b>\$ 203,348</b>	<b>101%</b>	<b>\$ 151,461</b>	<b>-26%</b>	<b>\$ 144,784</b>	<b>-4%</b>	<b>\$ 215,798</b>	<b>49%</b>	<b>\$ 203,377</b>	<b>-6%</b>

**SO2 Plan:**

Expense Month	May-12	Jun-12	Jun-12 vs. May-12 % Change	Jul-12	Jul-12 vs. Jun-12 % Change	Aug-12	Aug-12 vs. Jul-12 % Change	Sep-12	Sep-12 vs. Aug-12 % Change	Oct-12	Oct-12 vs. Sep-12 % Change	Nov-12	Nov-12 vs. Oct-12 % Change
<b>SO2 Plan Expenses:</b>													
Disposal-Flyash/Bottom Ash/Sludge (See Note 2)	\$ 344,499	\$ 317,113	-8%	\$ 329,917	4%	\$ 362,589	10%	\$ 301,664	-17%	\$ 408,032	35%	\$ 410,943	1%
Off Spec Gypsum	-	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1
Fixation Lime	152,180	144,123	-5%	190,886	32%	172,885	-9%	166,810	-4%	115,931	-31%	141,524	22%
Reagent-Calcium Oxide (landfill)	-	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1
Reagent-Limestone	361,321	380,116	5%	409,943	8%	385,889	-6%	402,057	4%	262,372	-35%	361,954	38%
Reagent-Lime	1,102,422	1,043,974	-5%	1,160,229	11%	1,056,356	-9%	1,002,379	-5%	766,442	-24%	1,077,084	41%
Emulsified Sulphur for SO2	-	7,078	See Note 1	7,081	0%	-	-100%	7,054	See Note 1	7,134	1%	6,888	-3%
Reagent-DiBasic Acid	97,199	114,593	18%	77,760	-32%	120,452	55%	139,366	16%	78,274	-44%	123,306	58%
Reagent-Sodium Bisulfite for SO2	5,311	22,405	322%	11,041	-51%	-	-100%	-	See Note 1	13,112	See Note 1	-	-100%
Reagent-Hydroxy Basic Acid	-	-	See Note 1	-	See Note 1	-	See Note 1	65,687	See Note 1	11,592	-82%	-	-100%
<b>Total SO2 Plan O&amp;M Expenses</b>	<b>#####</b>	<b>#####</b>	<b>-2%</b>	<b>#####</b>	<b>8%</b>	<b>#####</b>	<b>-4%</b>	<b>#####</b>	<b>-1%</b>	<b>#####</b>	<b>-20%</b>	<b>#####</b>	<b>28%</b>

**SO3 Plan:**

Expense Month	May-12	Jun-12	Jun-12 vs. May-12 % Change	Jul-12	Jul-12 vs. Jun-12 % Change	Aug-12	Aug-12 vs. Jul-12 % Change	Sep-12	Sep-12 vs. Aug-12 % Change	Oct-12	Oct-12 vs. Sep-12 % Change	Nov-12	Nov-12 vs. Oct-12 % Change
<b>SO3 Plan Expenses:</b>													
Hydrated Lime - SO3	\$ 36,650	\$ 43,806	20%	\$ 34,450	-21%	\$ 29,869	-13%	\$ 19,267	-35%	\$ 24,268	26%	\$ 29,578	22%
Individual Expense Account Items	-	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1
Individual Expense Account Items	-	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1	-	See Note 1
<b>Total SO3 Plan O&amp;M Expenses</b>	<b>\$ 36,650</b>	<b>\$ 43,806</b>	<b>20%</b>	<b>\$ 34,450</b>	<b>-21%</b>	<b>\$ 29,869</b>	<b>-13%</b>	<b>\$ 19,267</b>	<b>-35%</b>	<b>\$ 24,268</b>	<b>26%</b>	<b>\$ 29,578</b>	<b>22%</b>

**Total**

#####    #####    #####    #####    #####    #####    #####

Note 1: Percentage change not calculated because the cost incurred during the prior expense month was \$0.

Note 2: The monthly totals for Disposal Bottom Ash, Disposal Flyash and Disposal Flyash/Bottom Ash/Sludge have been consolidated due to similarity to better facilitate consistency.

**Case No. 2013-00139**

**Attachment for Response to PSC 1-3**

**Witnesses: Nicholas R. Castlen and Lawrence V. Baronowsky**

**Big Rivers Electric Corporation**  
**Case No. 2013-00139**  
**Form 2.5 - Operating and Maintenance Expenses Analysis**

**Variance Explanations:**

Anhydrous Amonia:

Jun-12 vs M	The decrease was due to timing of product delivery and invoicing at HMP&L
Jul-12 vs Ju	The increase was due to timing of product delivery and invoicing at Wilson and HMP&L
Aug-12 vs Ji	The decrease was due to timing of product delivery and invoicing at Wilson and HMP&L
Oct-12 vs Se	The increase was due to timing of product delivery and invoicing at Wilson and HMP&L

Disposal-Flyash/Bottom Ash/Sludge:

Aug-12 vs Ji	Increase due to ash pond dredging at Reid and HMPL along with increased generation at
Sep-12 vs Au	Decrease due to reduced generation at Green, Wilson, and Reid.
Oct-12 vs Se	Increase was due to 6,202 tons more of fly ash/bottom ash were hauled at Coleman in October due to contractor preference & scheduling and landfill capping cost at Wilson.

Fixation Lime:

Jul-12 vs Ju	The increase was due to the increase in generation/fuel burn at Green and HMP&L along with operational needs at the Wilson landfill.
Oct-12 vs Se	The decrease was due to the decrease in generation/fuel burn at Green and HMP&L along with operational needs at the Wilson landfill.
Nov-12 vs O	The increase was due to the increase in generation/fuel burn at Green and HMP&L along with operational needs at the Wilson landfill.

Reagent-Limestone:

Oct-12 vs Se	The decrease was due to reduced generation at Wilson and timing of product delivery and invoicing at Wilson and Coleman.
Nov-12 vs O	The increase was due to increased generation at Wilson and Coleman and timing of product delivery and invoicing at Wilson and Coleman.

Reagent-Lime:

Jul-12 vs Ju	The increase was due to increased generation at Green and HMP&L.
Oct-12 vs Se	The decrease was due to reduced generation at Green and HMP&L.
Nov-12 vs O	The increase was due to increased generation at Green and HMP&L.

Emulsified Sulfur for SO2:

Aug-12 vs Ji	Emulsified sulfur is ordered on an as needed basis and added in batch based on scrubber chemistry. Chemical was added at HMP&L in August and none was added in July.
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**Big Rivers Electric Corporation  
Case No. 2013-00139**

**Form 2.5 - Operating and Maintenance Expenses Analysis**

Reagent-DiBasic Acid:

Jun-12 vs M	The increase was due to timing of deliveries and invoicing at Wilson
Jul-12 vs Ju	The decrease was due to timing of deliveries and invoicing at Wilson
Aug-12 vs Ji	The increase was due to timing of deliveries and invoicing at Wilson
Sep-12 vs Ai	The increase was due to timing of deliveries and invoicing at Wilson
Oct-12 vs Se	The decrease was due to reduced generation and timing of deliveries and invoicing at Wilson
Nov-12 vs O	The increase was due to timing of deliveries and invoicing at Wilson

Reagent-Sodium BiSulfite for SO2:

Jun-12 vs M	The increase was due to timing of deliveries and invoicing at Wilson
Jul-12 vs Ju	The decrease was due to timing of deliveries and invoicing at Wilson
Aug-12 vs Ji	The decrease was due to stopped feeding SBS in July at Wilson
Nov-12 vs O	Added chemical at HMP&L in October but none in November.

Reagent-Hydroxy Basic Acid:

Oct-12 vs Se	Chemical trial at Wilson during September and October.
Nov-12 vs O	Chemical trial at Wilson ended in October.

Hydrated Lime-SO3:

Jun-12 vs M	The increase was due to timing of deliveries and invoicing at Wilson
Jul-12 vs Ju	The decrease was due to timing of deliveries and invoicing at Wilson
Aug-12 vs Ji	The decrease was due to timing of deliveries and invoicing at Wilson
Sep-12 vs Ai	The decrease was due to timing of deliveries and invoicing at Wilson
Oct-12 vs Se	The increase was due to timing of deliveries and invoicing at Wilson
Nov-12 vs O	The increase was due to timing of deliveries and invoicing at Wilson

**BIG RIVERS ELECTRIC CORPORATION**  
**AN EXAMINATION BY THE PUBLIC SERVICE COMMISSION**  
**OF THE ENVIRONMENTAL SURCHARGE MECHANISM**  
**OF BIG RIVERS ELECTRIC CORPORATION**  
**FOR THE SIX-MONTH BILLING PERIOD ENDING JANUARY 31, 2013**  
**AND THE PASS THROUGH MECHANISM**  
**OF ITS THREE MEMBER DISTRIBUTION COOPERATIVES**  
**CASE NO. 2013-00139**

**Response to Commission Staff's  
Initial Request for Information  
dated May 7, 2013**

**May 24, 2013**

1 **Item 4)** *In its testimony in Case No. 2012-00534,<sup>1</sup> Big Rivers indicated*  
2 *that construction on the projects approved in the 2012 compliance plan*  
3 *was expected to begin in 2013.<sup>2</sup> Provide an update on the activity*  
4 *associated with Big Rivers' 2012 compliance plan.*

5  
6 **Response)** Particulate testing that was ordered by the Commission in Case No.  
7 2012-00063 has been completed at the Wilson and Green stations. Big Rivers  
8 anticipates testing at the Coleman Stations to be complete by early June, 2013.  
9 Big Rivers will submit its report to the Commission shortly after that date, as  
10 soon as all test data is consolidated. Big Rivers is currently soliciting bids for A/E  
11 services for the MATS projects and anticipates awarding a contract by early June,  
12 2013. Big Rivers' current schedule projects the equipment specifications will be  
13 completed by the end of August, 2013, with construction scheduled to begin on or  
14 about September 30, 2013.

15  
16  
17 **Witness)** Lawrence V. Baronowsky

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<sup>1</sup> Case No. 2012-00534, *An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Big Rivers Electric Corporation for the Six-Month Billing Periods Ending January 31, 2012 And July 31, 2012, and the Pass Through Mechanism of its Three Member Distribution Cooperatives*, Opening Order issued Dec. 13, 2012.

<sup>2</sup> Case No. 2012-00534, Direct Testimony of Nicholas R. Castlen on behalf of Big Rivers Electric Corporation, Jackson Purchase Energy Corporation, Kenergy Corp., and Meade County Rural Electric Cooperative Corporation at p. 8, filed Jan. 16, 2013.

# ORIGINAL

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 )  
MECHANISM OF BIG RIVERS ELECTRIC )  
CORPORATION FOR THE SIX-MONTH )  
BILLING PERIOD ENDING JANUARY 31, )  
2013 AND THE PASS THROUGH )  
MECHANISM OF ITS THREE MEMBER )  
DISTRIBUTION COOPERATIVES )

Case No.  
2013-00139

DIRECT TESTIMONY

OF

NICHOLAS R. CASTLEN

ON BEHALF OF

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

FILED: May 24, 2013

Case No. 2013-00139  
Witness: Castlen  
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**DIRECT TESTIMONY  
OF  
NICHOLAS R. CASTLEN**

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

A. My name is Nicholas R. Castlen, and my business address is Big Rivers Electric Corporation (“Big Rivers”), 201 Third Street, Henderson, Kentucky, 42420. I am a Staff Accountant at Big Rivers.

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

A. I received a Bachelor of Science in Accounting (*Magna Cum Laude*) from the University of Kentucky in 2006 and a Master of Science in Accounting from the University of Kentucky in 2007. I became a Certified Public Accountant (“CPA”) in 2007, receiving the Kentucky Society of CPAs Award of Excellence for achieving the highest score on the Auditing & Attestation section of the uniform CPA exam.

Before assuming my current position at Big Rivers, I was a Revenue Accounting Analyst at LG&E and KU Energy LLC from December 2009 through April 2012, where I was responsible for various accounting, reporting, and analysis roles for retail and wholesale, electric and gas utility revenues. From January 2006 to December 2009, I was employed by PricewaterhouseCoopers LLP as an Audit and Assurance Associate.

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

A. My primary responsibilities at Big Rivers include the Company’s monthly Fuel Adjustment Clause (Form A) and Environmental Surcharge filings,

1 accounting for the Company's Non-Fuel Adjustment Clause Purchased  
2 Power Adjustment and Unwind Surcredit rate mechanisms, accounting for  
3 the Company's various debt obligations, and ensuring compliance with its  
4 debt covenants.

5 **Q. Have you previously testified before the Kentucky Public Service**  
6 **Commission ("Commission")?**

7 A. Yes. I provided testimony and responses to data requests in Case No. 2012-  
8 00534, and provided responses to data requests in Case No. 2012-00555.

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

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

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

15 A. The purpose of my testimony is to describe the application of Big Rivers'  
16 environmental surcharge mechanism as billed from August 1, 2012 through  
17 January 31, 2013 (which corresponds to the expense months of June 2012  
18 through November 2012). Additionally, I have coordinated with Big Rivers'  
19 Members in the preparation of this testimony and prepared responses to the  
20 Commission Staff's First Request for Information ("Commission's Initial  
21 Requests") that accompany this testimony.

22 This testimony also includes information the Members have provided

1 me in support of their pass-through mechanisms that are also under review  
2 in this proceeding and that the Members use to pass through, to their retail  
3 members, the costs Big Rivers charges to them under Big Rivers'  
4 environmental surcharge mechanism. The review period for the Members'  
5 pass-through mechanisms that corresponds to the August 1, 2012 through  
6 January 31, 2013 billing period for Big Rivers' environmental surcharge  
7 mechanism are the billing months of September 2012 through February  
8 2013 for non-dedicated delivery point customers (*i.e.*, there is a one-month  
9 lag for non-dedicated delivery point customers), and August 2012 through  
10 January 2013 for dedicated delivery point customers (*i.e.*, there is no billing  
11 lag for dedicated delivery point customers).

12 **Q. Please provide a brief overview of Big Rivers' environmental**  
13 **surcharge mechanism.**

14 A. Big Rivers' environmental surcharge mechanism was approved by the  
15 Commission by Order dated June 25, 2008, in Case No. 2007-00460, which  
16 was part of the transaction that unwound Big Rivers' 1998 lease with E.ON  
17 U.S. LLC and its affiliates (the "Unwind Transaction") and that the  
18 Commission approved by its Order dated March 6, 2009, in Case No. 2007-  
19 00455. Big Rivers' environmental surcharge went into effect immediately  
20 following the July 16, 2009, closing of the Unwind Transaction for service  
21 commencing July 17, 2009.

22 Big Rivers' environmental compliance plan approved by the



1 Commission in Case No. 2007-00460 (the "2007 Plan") consists of a program  
2 and the costs associated with controlling each of sulfur dioxide ("SO<sub>2</sub>"),  
3 nitrogen oxide ("NO<sub>x</sub>"), and sulfur trioxide ("SO<sub>3</sub>"). The environmental  
4 surcharge costs Big Rivers may recover under KRS 278.183, and its  
5 environmental compliance plan, include reagent costs, sludge and ash  
6 disposal costs, and allowance costs.

7 For the SO<sub>2</sub> program, Big Rivers recovers through its environmental  
8 surcharge mechanism the costs of reagents, the costs for the disposal of coal  
9 combustion byproducts (fly ash, bottom ash, and scrubber sludge), and the  
10 costs of purchasing SO<sub>2</sub> emission allowances. For the NO<sub>x</sub> program, Big  
11 Rivers recovers the costs of reagents and the costs of purchasing additional  
12 NO<sub>x</sub> emission allowances as needed. For the SO<sub>3</sub> program, Big Rivers  
13 recovers the costs of a reagent. Due to generating unit design and Big  
14 Rivers' compliance plan, no Big Rivers generating unit utilizes all the same  
15 reagents. Depending on the unit facilities, various reagents are used to  
16 treat the flue gas, thereby removing the three targeted emissions. The SO<sub>2</sub>  
17 reagents are comprised of emulsified sulfur, lime, fixation lime, limestone,  
18 dibasic acid, and sodium bisulfite. The NO<sub>x</sub> reagents are comprised of  
19 anhydrous ammonia and emulsified sulfur. The SO<sub>3</sub> reagent is comprised  
20 of lime hydrate. Note that the 2007 Plan included only operating and  
21 maintenance ("O&M") costs.

22 In its Order dated October 1, 2012, in Case No. 2012-00063, the

1 Commission approved certain additions to the 2007 Plan relating to the  
2 Mercury and Air Toxics Standards rule. The additions (the “2012 Plan”)  
3 involve installing activated carbon injection and dry sorbent injection  
4 systems and emission control monitors at the Big Rivers Coleman, Wilson,  
5 and Green generating stations; and installing emission control monitors at  
6 Henderson Municipal Henderson & Light’s Station Two generation station.  
7 The 2012 Plan includes both the capital and O&M associated with the  
8 projects, as well as recovery of Big Rivers’ actual costs incurred in Case No.  
9 2012-00063 (amortized over three years).

10 Big Rivers’ environmental surcharge mechanism allows Big Rivers to  
11 recover costs related to the 2007 Plan (which only includes O&M costs) and  
12 the 2012 Plan, less proceeds from by-product and emission allowance sales,  
13 plus or minus an ongoing cumulative over- or under-recovery adjustment.

14 **Q. Please provide a brief overview of the Members’ pass-through**  
15 **mechanisms.**

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

22 **Q. Have there been any changes to Big Rivers’ environmental**

1 surcharge mechanism since the prior review in addition to those  
2 described above?

3 A. The only changes to Big Rivers' environmental surcharge mechanism were  
4 those approved by the Commission in Case No. 2012-00063. In addition to  
5 the changes described, other notable changes approved in Case No. 2012-  
6 00063 include a rate of return on capital expenditures associated with the  
7 2012 Plan and allocating environmental surcharge costs based on a rolling  
8 12-month average of Total Adjusted Revenues rather than on a kWh basis.  
9 As illustrated in the attachment to the response for Item 1 of the  
10 Commission's Initial Requests, these changes were implemented beginning  
11 with the September 2012 expense month.

12 **Q. Has Big Rivers sold any SO<sub>2</sub> or NO<sub>x</sub> allowances during the expense**  
13 **months corresponding to the billing periods under review in this**  
14 **case?**

15 A. No. Big Rivers has not sold any SO<sub>2</sub> or NO<sub>x</sub> allowances during the expense  
16 months corresponding to the billing periods under review in this case.

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

19 A. Yes.

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

22 A. The Members believe their pass-through mechanisms have been accurately

1 compiled and are operating as intended.

2 **Q. Are the amounts charged under Big Rivers' environmental**  
3 **surcharge mechanism during the review period just and**  
4 **reasonable?**

5 A. Yes.

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

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

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

12 A. No. Big Rivers and its Members are not requesting any additional over- or  
13 under-recovery amount. The normal over/under recovery carry-forward  
14 element of Big Rivers' environmental surcharge mechanism is operating as  
15 intended.

16 **Q. Does Big Rivers currently recover any capital costs through its**  
17 **environmental surcharge mechanism?**

18 A. No. Big Rivers does not currently recover any capital costs through the  
19 environmental surcharge mechanism. However, Big Rivers will begin  
20 recovering capital costs associated with the 2012 Plan, consistent with the  
21 approvals granted in Case No. 2012-00063, once construction on the  
22 approved projects begin. Construction for approved projects is expected to

1 begin in 2013.

2 **Q. What Base Environmental Surcharge Factor (“BESF”) cost did Big**  
3 **Rivers use during the review period?**

4 A. Big Rivers had no environmental surcharge related costs in its base rates  
5 during the review period.

6 **Q. Is Big Rivers proposing to change the BESF cost as part of this**  
7 **proceeding?**

8 A. No.

9 **Q. Does this conclude your testimony?**

10 A. Yes, it does.