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*Also Licensed in Indiana

January 23, 2014

Via Federal Express

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

RECEIVED

JAN 24 2014

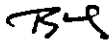
PUBLIC SERVICE
COMMISSION

Re: *In the Matter of: The Application of
Big Rivers Electric Corporation for a General
Adjustment in Rates, PSC Case No. 2013-00199*

Dear Mr. Derouen:

Enclosed for filing on behalf of Big Rivers Electric Corporation ("Big Rivers") are an original and ten copies of (i) Big Rivers' responses to the post-hearing requests for information, (ii) a petition for confidential treatment, and (iii) a motion for deviation in the above referenced matter. I certify that on this date, a copy of this letter, a copy of the responses, a copy of the petition, and a copy of the motion for deviation were served on the persons listed on the attached service list by overnight courier service or first class mail, postage prepaid.

Sincerely,



Tyson Kamuf

TAK/ej
Enclosures

cc: Billie Richert
DeAnna Speed
Service List

Telephone (270) 926-4000
Telecopier (270) 683-6694

100 St. Ann Building
PO Box 727
Bowling Green, Kentucky
42302-0727

www.westkylaw.com

Service List
PSC Case No. 2013-00199

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Sierra Club
85 Second Street
San Francisco, CA 94105-3441

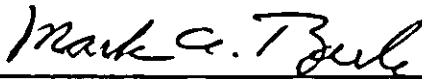
Laurie Williams
Associate Attorney
Sierra Club
50 F Street, NW, Eighth Floor
Washington, DC 20001

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

VERIFICATION

I, Mark A. Bailey, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Mark A. Bailey

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Mark A. Bailey on this
the 17th day of January, 2014.



Notary Public, Ky. State at Large
My Commission Expires 1-12-17




BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

VERIFICATION

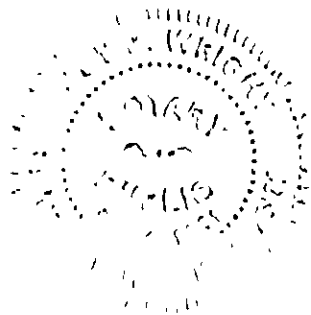
I, Robert W. (Bob) Berry, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.


Robert W. (Bob) Berry

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Robert W. (Bob) Berry on
this the 20 day of January, 2014.


Notary Public, Ky. State at Large
My Commission Expires _____



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

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

VERIFICATION

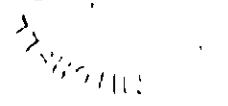
I, Billie J. Richert, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.


Billie J. Richert

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Billie J. Richert on this
the 17th day of January, 2014.


Notary Public, Ky. State at Large
My Commission Expires 1-12-17




BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

VERIFICATION


I, Thomas W. (Tom) Davis, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Thomas W. (Tom) Davis

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Thomas W. (Tom) Davis
on this the 17th day of January, 2014.



Notary Public, Ky. State at Large
My Commission Expires 1-12-17

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

VERIFICATION

I, Lindsay N. Barron, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.


Lindsay N Barron

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Lindsay N. Barron on
this the 17th day of January, 2014.


Notary Public, Ky. State at Large
My Commission Expires 1-12-17

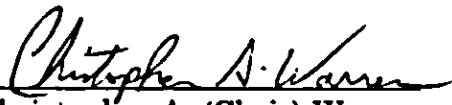


BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

VERIFICATION

I, Christopher A. (Chris) Warren, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.


Christopher A. (Chris) Warren

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Christopher A. (Chris) Warren on this the 17th day of January, 2014.

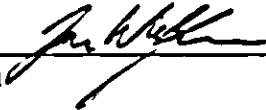

Notary Public, Ky. State at Large
My Commission Expires 1-12-17

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

VERIFICATION

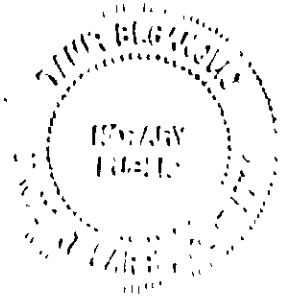
I, John Wolfram, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

John Wolfram 

COMMONWEALTH OF KENTUCKY)
COUNTY OF JEFFERSON)

SUBSCRIBED AND SWORN TO before me by John Wolfram on this the 15th day of January, 2014.


Notary Public, Ky. State at Large
My Commission Expires 9/27/14





Your Touchstone Energy® Cooperative 

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

**APPLICATION OF BIG RIVERS
ELECTRIC CORPORATION FOR A
GENERAL ADJUSTMENT IN RATES**

)
) **Case No.**
) **2013-00199**

**Responses to Post-Hearing Requests for Information
dated
January 9, 2014**

FILED: January 24, 2014

ORIGINAL

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to Post-Hearing Request for Information
Dated January 9, 2014**

January 24, 2014

- 1 **Item 1) Provide sample layoff notices for each plant.**
2
3 **Response) Please see the attachments provided with this response.**
4
5 **Witness) Thomas W. Davis**
6



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

December 5, 2013

Dear Bargaining Unit Employee:

This notice is being provided to you pursuant to the federal Worker Adjustment and Retraining Notification Act of 1998 (WARN).

In keeping with the spirit of the WARN Act, this is to formally advise you that Big Rivers Electric Corporation ("Big Rivers"), headquartered in Henderson, Kentucky, with power generation facilities located in Sebree, Centertown, and Hawesville, Kentucky intends to proceed with the previously announced permanent reduction in force of approximately 188 positions due to the departure of one of our three distribution member's two largest industrial customers, the Century Aluminum Corporation smelters at Sebree and Hawesville. The information provided in this notice is based on the best information available to Big Rivers at the time this notice is being served.

Current plans are to idle the Wilson generating facility, located in Centertown, Kentucky on or about February 1, 2014 and the Coleman generating facility, located in Hawesville, Kentucky will be idled soon thereafter, with a maximum 90 day lay-up schedule for each plant. The workforce reduction process will start immediately after the station is idled and will be completed by the end of the 90 day period.

As a result of the workforce reduction, approximately 58 non-bargaining employee positions at Big Rivers will be eliminated and approximately 130 bargaining unit employee positions represented by Local 1701, International Brotherhood of Electrical Workers will be eliminated. As you know, our Labor Agreement with Local 1701 does provide for certain bumping rights and those provisions will be fully complied with.

The total positions affected by the Reduction in Force are listed in the attachment. This list includes positions that are currently vacant. Should you have questions concerning this notice or the contemplated reduction-in-force, please direct them to Tom Davis, Vice President Administrative Services at 270-827-2561. Additional Q & A information is available on the company's Intranet homepage.

It is with regret that we are faced with this difficult decision but want to take this opportunity to thank you for your continued cooperation, support, and service.

Sincerely,

Robert W. Berry
Chief Operating Officer

Case No. 2013-00199
Attachment (1 of 2) to Response for Post-Hearing Data Request Item 1
Page 1 of 3

Your Touchstone Energy Cooperative

100% post-consumer recycled paper

Coleman Station Positions Being Eliminated

Bargaining Unit

Job Title	Positions Eliminated
Auxiliary Operator	12
Electrician	3
Equipment Operator	8
Instrument Technician	4
Lab Technician	3
Mechanic	5
Senior Electrician	2
Senior Equipment Mechanic	1
Senior Equipment Operator	4
Senior Instrument Technician	4
Senior Mechanic	8
Storekeeper	1
Utility Operator	13

Non-Bargaining

Job Title	Positions Eliminated
Budget Analyst	1
Chemical Engineer	1
Control System Engineer	2
Health & Safety Specialist	1
Maint. Supervisor (Electrical)	1
Maint. Supervisor (Instrument)	1
Maint. Supervisor (Mechanical)	2
Maintenance Manager	1
Maintenance Planner	2
Material Handling Supervisor	1
Performance Eng/Specialist	1
Plant Engineer	2
Plant Manager	1
Procurement Agent	2
Production Supervisor	6
Secretary	1
Secretary	1
Senior Secretary	1

Wilson Station Positions Being Eliminated

Bargaining Unit

Job Title	Positions Eliminated
Auxiliary Operator	3
Auxiliary Operator (S)	3
Electrician	2
Equipment Operator	7
Instrument Technician	1
Lab Technician	3
Mechanic	4
Senior Electrician	5
Senior Equipment Mechanic	2
Senior Equipment Operator	4
Senior Instrument Technician	6
Senior Mechanic	10
Solid Waste Operator	4
Storekeeper	1
Utility Operator	7

Non-Bargaining

Job Title	Positions Eliminated
Budget Analyst	1
Chemical Engineer	1
Control System Engineer	1
Drafter	1
Health & Safety Specialist	1
Maint. Supervisor (Electrical)	1
Maint. Supervisor (Mechanical)	2
Maint. Supervisors (Instrument)	1
Maintenance Manager	1
Maintenance Planner	2
Material Handling Supervisor	1
Performance Eng/Specialist	1
Plant Engineer	3
Procurement Agent	2
Production Supervisor	7
Secretary Maintenance	1
Secretary Material Handling	1
Secretary Production	1
Senior Secretary	1

Case No. 2013-00199

Attachment (1 of 2) to Response for Post-Hearing Data Request Item 1

Page 3 of 3



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

December 5, 2013

Dear Non-Bargaining Employee:

This notice is being provided to you pursuant to the federal Worker Adjustment and Retraining Notification Act of 1998 (WARN).

In keeping with the spirit of the WARN Act, this is to formally advise you that Big Rivers Electric Corporation ("Big Rivers"), headquartered in Henderson, Kentucky, with power generation facilities located in Sebree, Centertown, and Hawesville, Kentucky intends to proceed with the previously announced permanent reduction in force of approximately 188 positions due to the departure of one of our three distribution member's two largest industrial customers, the Century Aluminum Corporation smelters at Sebree and Hawesville. The information provided in this notice is based on the best information available to Big Rivers at the time this notice is being served.

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As a result of the workforce reduction, approximately 58 non-bargaining employee positions at Big Rivers will be eliminated and approximately 130 bargaining unit employee positions represented by Local 1701, International Brotherhood of Electrical Workers will be eliminated.

The total positions affected by the Reduction in Force are listed in the attachment. This list includes positions that are currently vacant. Should you have questions concerning this notice or the contemplated reduction-in-force, please direct them to Tom Davis, Vice President Administrative Services at 270-827-2561. Additional Q & A information is available on the company's Intranet homepage.

It is with regret that we are faced with this difficult decision but want to take this opportunity to thank you for your continued cooperation, support, and service.

Sincerely,

Robert W. Berry
Chief Operating Officer

Coleman Station Positions Being Eliminated

Bargaining Unit

Job Title	Positions Eliminated
Auxillary Operator	12
Electrician	3
Equipment Operator	8
Instrument Technician	4
Lab Technician	3
Mechanic	5
Senior Electrician	2
Senior Equipment Mechanic	1
Senior Equipment Operator	4
Senior Instrument Technician	4
Senior Mechanic	8
Storekeeper	1
Utility Operator	13

Non-Bargaining

Job Title	Positions Eliminated
Budget Analyst	1
Chemical Engineer	1
Control System Engineer	2
Health & Safety Specialist	1
Maint. Supervisor (Electrical)	1
Maint. Supervisor (Instrument)	1
Maint. Supervisor (Mechanical)	2
Maintenance Manager	1
Maintenance Planner	2
Material Handling Supervisor	1
Performance Eng/Specialist	1
Plant Engineer	2
Plant Manager	1
Procurement Agent	2
Production Supervisor	6
Secretary	1
Secretary	1
Senior Secretary	1

Wilson Station Positions Being Eliminated

Bargaining Unit

Job Title	Positions Eliminated
Auxiliary Operator	3
Auxiliary Operator (S)	3
Electrician	2
Equipment Operator	7
Instrument Technician	1
Lab Technician	3
Mechanic	4
Senior Electrician	5
Senior Equipment Mechanic	2
Senior Equipment Operator	4
Senior Instrument Technician	6
Senior Mechanic	10
Solid Waste Operator	4
Storekeeper	1
Utility Operator	7

Non-Bargaining

Job Title	Positions Eliminated
Budget Analyst	1
Chemical Engineer	1
Control System Engineer	1
Crafter	1
Health & Safety Specialist	1
Maint. Supervisor (Electrical)	1
Maint. Supervisor (Mechanical)	2
Maint. Supervisors (Instrument)	1
Maintenance Manager	1
Maintenance Planner	2
Material Handling Supervisor	1
Performance Eng/Specialist	1
Plant Engineer	3
Procurement Agent	2
Production Supervisor	7
Secretary Maintenance	1
Secretary Material Handling	1
Secretary Production	1
Senior Secretary	1

Case No. 2013-00199

Attachment (2 of 2) to Response for Post-Hearing Data Request Item 1

Page 3 of 3

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to Post-Hearing Request for Information
Dated January 9, 2014**

January 24, 2014

1 **Item 2) Provide all communications with rating agencies regarding the**
2 **mitigation plan since the close of discovery.**

3

4 **Response) There have been no communications with rating agencies regarding the**
5 **mitigation plan since the close of discovery that have not already been filed in the record of**
6 **this proceeding.**

7

8 **Witness) Billie J. Richert**

9

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to Post-Hearing Request for Information
Dated January 9, 2014**

January 24, 2014

1 **Item 3)** **Provide the compensation for the test period and base period for the**
2 **senior staff by group.**

3
4 **Response)** **Please see below the compensation data for the Big Rivers Senior Staff by**
5 **group. The compensation figures are higher in the test period due to two of**
6 **our senior staff positions being open for several months during the base**
7 **period. Additionally, the amounts in the table for the test period include the**
8 **adjustment Big Rivers made to remove the 2014 pay increase that was denied**
9 **in the October 29 Order for Case No. 2012-00535.**

10 **Senior Staff Positions Include:**

- 11 • **Vice-President, System Operations**
- 12 • **Vice-President, Environmental Services and Construction**
- 13 • **Vice-President, Energy Services**
- 14 • **Vice-President, Administrative Services**
- 15 • **Vice-President, Accounting, Rates and CFO**
- 16 • **Director, Governmental Relations**
- 17 • **Managing Director, Communications**
- 18 • **Executive Assistant to the CEO**

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Initial Request for Information
Dated January 9, 2014**

January 24, 2014

1 Officer Positions Include:

- 2 • Chief Executive Officer
3 • Chief Operating Officer
4

	Forecasted Test Period Feb 2014-Jan 2015	Base Period (Actual) Oct 2012-Sep 2013
CEO	\$ 530,375	\$ 522,240
COO	332,312	310,194
Senior Staff	1,283,423	1,207,559
Total	\$ 2,146,110	\$ 2,039,993
5 Headcount	10	10

6

7 **Witness)** **Thomas W. Davis**

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to Post-Hearing Request for Information
Dated January 9, 2014**

January 24, 2014

1 **Item 4) Provide the mitigation plan.**

2

3 **Response) Please see the CONFIDENTIAL attachments to this response for Big Rivers'**
4 **"Load Concentration Analysis and Mitigation Plan" and an update on Big Rivers' load**
5 **replacement efforts.**

6

7 **Witness) Robert W. Berry**

8

Attachments for Post-Hearing data request Item 4 have been omitted from the public filing. They have been provided under a petition for confidential treatment.

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to Post-Hearing Request for Information
Dated January 9, 2014**

January 24, 2014

1 **Item 5) Provide the Corrective Action Plan sent to RUS.**

2

3 **Response) Please see the attachments to this response. Appendix A is marked as**
4 **confidential but it is no longer confidential. Appendix B is being provided under a petition**
5 **for confidential treatment.**

6

7 **Witness) Billie J. Richert**

8

Big Rivers Electric Corporation
Corrective Plan to Achieve Two Credit Ratings of Investment Grade
March 7, 2013



Your Touchstone Energy® Cooperative 

Corrective Plan to Achieve Two Credit Ratings of Investment Grade

March 7, 2013

[Please note that Appendices A and B to this document contain **CONFIDENTIAL COMMERCIAL BUSINESS INFORMATION** relating to details of ongoing negotiations of credit documents and potential business transactions, the public disclosure of which would be highly prejudicial and damaging to Big Rivers Electric Corporation's commercial business interests.]

**Big Rivers Electric Corporation
Corrective Plan to Achieve Two Credit Ratings of Investment Grade
March 7, 2013**

Contractual Covenant: Maintenance of Two Credit Ratings of Investment Grade

If Big Rivers fails to maintain two Credit Ratings of Investment Grade per Section 4.23 – Maintenance of Credit Ratings of the Amended and Consolidated Loan Contract dated as of July 16, 2009 (the Agreement) between Big Rivers Electric Corporation (Big Rivers) and United States of America acting by and through the Administrator of the Rural Utilities Service (RUS), Big Rivers must notify RUS in writing to that effect within five (5) days after becoming aware of such failure.

Big Rivers became aware of this failure to maintain two Credit Ratings of Investment Grade when Fitch Ratings downgraded its rating from BBB- to BB on February 6, 2013. Standard & Poor's previously downgraded Big Rivers from BBB- to BB- on February 4, 2013. Big Rivers notified RUS in writing on February 7, 2013 pursuant to Section 4.23 (b) of the Agreement.

In addition, pursuant to Section 4.23 (c) of the Agreement, within thirty (30) days of the date on which Big Rivers fails to maintain two Credit Ratings of Investment Grade, Big Rivers in consultation with the RUS shall provide a written plan satisfactory to the RUS setting forth the actions that shall be taken that are reasonably expected to achieve two Credit Ratings of Investment Grade. This document is submitted by Big Rivers to the RUS as a proposed written plan that is expected to be satisfactory to the RUS as is required under Section 4.23 (c).

Background

On August 20, 2012, Century Aluminum Company (Century) gave its one year contract termination notice to Kenergy Corp. and Big Rivers Electric Corporation. This notice indicated Century is ceasing all smelter operations at their Hawesville, Kentucky facility on August 20, 2013. Century is the source of approximately thirty-six (36%) of Big Rivers' wholesale revenues or approximately \$205 million for the twelve months ending December 31, 2012.

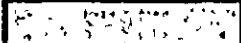
On January 31, 2013, Alcan Primary Products Corporation (Alcan) gave its one year contract termination notice to Kenergy Corp. and Big Rivers. This notice indicated Alcan is ceasing all smelter operations at their Sebree smelter located in Robards, Kentucky on January 31, 2014. Alcan is the source of approximately twenty-eight (28%) of Big Rivers' wholesale revenues or approximately \$155 million for the twelve months ending December 31, 2012.

As a result of Big Rivers receiving Alcan's notice of termination, all three rating agencies, Fitch Ratings (on February 6, 2013), Standard & Poor's (on February 4, 2013) and Moody's Investors Service (on February 6, 2013), downgraded the credit ratings on Big Rivers' \$83.3 million County of Ohio, KY's Pollution Control Refunding Revenue Bonds, Series 2010A. In addition, Standard & Poor's downgraded its long term rating on Big Rivers. All three bond ratings are now below investment grade as shown in the following table:

**Big Rivers Electric Corporation
 Corrective Plan to Achieve Two Credit Ratings of Investment Grade
 March 7, 2013**

Big Rivers' Current Credit Ratings

Moody's	S&P	Fitch	
Aaa	AAA	AAA	Investment Grade
Aa1	AA+	AA+	
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Non-Investment Grade
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	
B2	B	B	
B3	B-	B-	

 = Big Rivers' credit ratings as of 2/6/2013

**Big Rivers Electric Corporation
Corrective Plan to Achieve Two Credit Ratings of Investment Grade
March 7, 2013**

Rating Agencies' Focus

Rating agencies focus on three areas of Big Rivers' business when issuing ratings on Big Rivers' \$83.8m County of Ohio, Kentucky, Pollution Control Refunding Revenue Bonds. Primarily these three areas are:

- 1) Access to and maintenance of liquidity
- 2) Replacement load for Big Rivers' two largest customers who have given notice of termination, and
- 3) Increased Big Rivers' activity in off-system sales market

As part of Big Rivers' corrective plan to achieve two investment grade credit ratings Big Rivers' addresses each of these areas in this document.

Access to and Maintain Liquidity

Lines of Credit

Big Rivers has two \$50 million lines of credit, one with CoBank, ACB, expiring July 2017, and the other with National Rural Utilities Cooperative Finance Corporation (CFC) that expires July 2014.

CFC Line of Credit

Under the current arrangement, the CFC line of credit will become unavailable to Big Rivers on August 20, 2013 upon the termination of a smelter wholesale agreement and this event is an Event of Default under Section 6.01 M of that facility.

Big Rivers and CFC have completed negotiations on a Term Sheet for the CFC line of credit with the major modifications that are listed on the attached **CONFIDENTIAL** Appendix A.

CoBank Line of Credit

Presently, Big Rivers is unable to make the representations and warranties necessary to draw on the CoBank line of credit as a result of Kenergy receiving the Notice of Termination from Century. Upon the termination of the Century retail agreement which occurs on August 20, 2013, there is an Event of Default which terminates CoBank's commitment to lend and accelerates payments. A default under this agreement can cause a default under the CoBank Secured Loan Agreement.

**Big Rivers Electric Corporation
Corrective Plan to Achieve Two Credit Ratings of Investment Grade
March 7, 2013**

Big Rivers intends to restart negotiations with CoBank to attempt to restructure this line later in March 2013.

Environmental Compliance Plan for Mercury and Air Toxics Standards (MATS) Financing

Big Rivers plans to submit an application to RUS to obtain long-term financing for its MATS Environmental Compliance Plan. In the interim, Big Rivers will obtain short-term financing from the National Rural Utilities Cooperative Finance Corporation (CFC). This short-term or bridge financing will be in the form of a \$60 million senior secured three-year credit facility. Big Rivers has received a Term Sheet from CFC which reflects the terms and conditions Big Rivers has negotiated with CFC. As requested by RUS, we are submitting a copy to RUS of this Term Sheet.

Big Rivers is updating its RUS application for long-term financing to reflect results of a revised load forecast based upon both Century and Alcan going to market and no longer buying their power from Big Rivers.

CFC requires submission of the RUS application prior to finalizing the short-term MATS financing. As such, Big Rivers is planning to submit its application to RUS by mid-April and file a financing application with the PSC for the CFC interim financing shortly thereafter.

Rate Case 2012-00535 – Century

On January 15, 2013, Big Rivers filed a general rate case with the PSC as a result of Century's contract termination, continued depressed off system sales margins, increased depreciation expense, and other costs not fully recovered in the 2011 general rate case. The total annual revenue deficiency, \$74,476,120, is calculated as the annual incremental revenue needed to permit Big Rivers to achieve a 1.24 TIER during the fully forecasted test year (September 2013 – August 2014) while also achieving Margin for Interest Ratio (MFIR) of 1.10 in calendar year 2013. This total annual revenue deficiency represents a 21% wholesale revenue increase; 29% for the rurals; 18% for the large industrials; and 16% for the remaining smelter, Alcan. These rate increases would go into effect August 20, 2013.

**Big Rivers Electric Corporation
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Rate Case 2013-XXXXX – Alcan

Big Rivers has begun plans to file another general rate case in late June 2013 to address the annual revenue deficiency resulting from Alcan's contract termination. These rate increases would go into effect January 31, 2014.

\$58.8 Million PCB Financing Case 2012-00492

On January 13, 2013, Big Rivers amended its application in the \$58.8 million PCB financing case. The reason for amending this application is to seek PSC approval to repurpose the \$60 million borrowed for capital expenditures from CoBank in 2012 to pay-off the \$58.8 million pollution control bonds due June 1, 2013, and to use the \$35 million Transition Reserve to pay for capital expenditures. Although it was Big Rivers' original intent to refund these bonds, it was determined market receptivity was minimal due to the uncertainty surrounding Big Rivers and the results of the two smelters giving notices of termination. By paying off these bonds, Big Rivers will realize an annual net cost savings of approximately \$3.4 million in interest expense and issuance costs. The amendment filed in this financing case is intended also to preserve the capability of Big Rivers to issue, in part, tax-exempt pollution control bonds sometime in the future.

A hearing was held in Frankfort, Kentucky on February 28th, 2013. No briefs are being filed. Big Rivers is hopeful that the PSC will issue an order by March 31, 2013.

Replacement Load and Addressing Reliance on Off-System Sales

Load Concentration Mitigation Plan Activities Update

The CONFIDENTIAL Big Rivers Load Concentration Mitigation Plan Activities Update is attached as CONFIDENTIAL Appendix B.

**Big Rivers Electric Corporation
Corrective Plan to Achieve Two Credit Ratings of Investment Grade
March 7, 2013**

SUMMARY

Big Rivers is confident it can regain two investment grade ratings with the rate relief from the PSC along with the successful implementation of its Load Concentration Mitigation Plan and following the pay down of the \$58.8 million PCB issue due June 1, 2013. Big Rivers' believes completion of the entire process will most likely take three to four years. Big Rivers financial metrics are good; it continues to meet all of the financial debt covenants associated with both long-term and short-term debt; and our projections for the 2013 – 2016 timeframe reflect ongoing compliance. We are ready to work closely with the RUS in developing a corrective plan which is acceptable to the RUS and to ensure Big Rivers achieves two credit ratings of investment grade within a reasonable period of time.

**Big Rivers Electric Corporation
Corrective Plan to Achieve Two Credit Ratings of Investment
Grade
March 7, 2013**

CONFIDENTIAL APPENDIX A

The principal terms on the term sheet to amend the CFC revolving line of credit agreement are:

- 1) The line of credit will become secured under the indenture.
- 2) The maturity date will be extended to July 16, 2017.
- 3) Certification that Big Rivers' available cash is less than \$35 million prior to draw-down.
- 4) A minimum Members' Equities' Balance (MEB) at each quarter end and each fiscal year-end of \$325 million + 75% of positive net margins for the period. At the end of December 31, 2012, Big Rivers' MEB was \$403 million compared with the required of \$334 million: a positive excess of \$69 million.
- 5) Big Rivers can no longer use the CFC line of credit to pay off \$58.3 million Pollution Control Bonds which are due June 1, 2013.

CONFIDENTIAL

Attachment 3 of 3 for Post-Hearing data request Item 5 has been omitted from the public filing. It has been provided under a petition for confidential treatment.

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to Post-Hearing Request for Information
Dated January 9, 2014**

January 24, 2014

1 **Item 6) Provide a breakdown by broad category of the cost reductions recited at Bailey**

2 **Rebuttal Testimony p. 7:1-2.**

3

4 **Response) Over the past several years, Big Rivers has refinanced/reduced its debt, deferred**

5 **filling vacancies and reduced employee benefits which helped reduce the amount that was**

6 **requested in base rates. The job vacancy reductions are reflected in the base rate request**

7 **where a total of 188 positions were eliminated. Other cost cutting measures have been**

8 **implemented in the normal course of business such as improving plant efficiency and re-**

9 **negotiating fuel and reagent contracts. While these items do not reduce base rates, they help**

10 **Big Rivers continue to provide low cost, reliable power by reducing the costs that flow**

11 **through the Fuel Adjustment and Environmental Surcharge. Below is a list of Big Rivers'**

12 **cost cutting measures.**

Big Rivers Cost Cutting Measures	
Action	Savings (\$ Millions)
Deferred filling job vacancies (58 vacant positions)	7.5
Savings from debt refinancing	5.2
Renegotiating fuel and reagent contracts	20.0
Plant efficiency (heat rate) improvements	10.5
Employee benefit changes	4.0
Total Annual Savings	47.2

13

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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- 1 For the rate case revenue requirements Big Rivers began with the revenue that is lost when
2 the smelters leave the system, reduced variable costs and labor and non-labor O&M expenses
3 by the idling two of its plants, and determined the remaining revenue deficiency that would
4 still need to be made up after the smelters exit the system. The table below provides a list of
5 the cost reductions in the two cases in broad categories.

Expense Reductions (in \$ Millions)		
Cases 2012-00535 and 2013-00199		
Smelter Revenue Loss		\$ 360
Less:		
Variable Expenses*		
Coleman Plant Idling (Labor & Non-Labor)		
Wilson Plant Idling (Labor & Non-Labor)		
Other Margin/TIER Requirements	\$ 11	
Total Reductions		\$ (238)
Remaining Revenue Deficiency		\$ 122
* System fuel, reagent and purchased power expenses (Page 8 of the December 2012 Financial Report).		

6

7

8 Witness) Mark A. Bailey

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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1 **Item 7) Provide a comparison of the cost to idle Wilson and Coleman and the cost**
2 **of shutting them down.**

3

4 **Response) Big Rivers retained Burns & McDonnell Engineering to provide a high level**
5 **estimate of the cost of decommissioning and retiring the Wilson and Coleman Stations. A**
6 **summary of the findings they provided is attached below, along with a table at the bottom**
7 **depicting the cost to continue operating the units and the cost to temporarily idle them for**
8 **comparison.**

9

10

Burns and McDonnell Engineering

11

Brief Summary

12 **As discussed we looked at demolition estimates that Burns & McDonnell has put together or**
13 **received for units of this size (400 MW range) over the last several years. There are obvious**
14 **differences between the two facilities (one large unit vs. 3) but this should help define the**
15 **range based on the footprint of a 400MW facility. Below please find the ranges of costs for**
16 **the various components of the demolition estimates categorized by both Low and High**
17 **costs. These are rather large ranges, but in the short timeframe without looking at the plants**
18 **in more detail we felt most comfortable providing a larger bandwidth to bookend what the**

Case No. 2013-00199

Response to Post-Hearing Request for Information Item 7

Witness: Robert W. Berry

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BIG RIVERS ELECTRIC CORPORATION

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1 costs could in fact be. We would expect the costs to come in somewhere near the middle of
2 these ranges barring any unique circumstances.

3 **Wilson Station**

4 Assuming Wilson has no asbestos and has a landfill closure cost of \$7.5 to \$10.8 million, the
5 cost of decommissioning and demolishing the plant could range from \$13 to \$26.5 million.

Wilson Plant Decommissioning Cost Range

Category	Low Cost	High Cost
Asbestos Remediation	\$ -	
Structural Demolition	\$ 5,000,000	\$ 14,000,000
Other Remediation	\$ 300,000	\$ 2,000,000
Landfill Pond Closure	\$ 7,500,000	\$ 10,800,000
Scrap	\$ (3,000,000)	\$ (7,000,000)
Indirects & Contingency	\$ 3,200,000	\$ 6,700,000
Total Net Cost	\$ 13,000,000	\$ 26,500,000

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BIG RIVERS ELECTRIC CORPORATION

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1 **Coleman Station**

2 For the Coleman Station, assuming the plant has some level of asbestos, the cost of
3 decommissioning and demolishing the plant could range from \$44.1 to \$72.5 million. As
4 shown below, the pond closure costs are pretty substantial. This is based on the total acreage
5 of ponds on-site of just over 200 acres and also assumes a composite capping system
6 (synthetic liner and clay) may be necessary, which is a worst case but definitely
7 plausible. As another data point, Wilson's active landfill is only approximately 54 acres.

Coleman Plant Decommissioning Cost Range

Category	Low Cost	High Cost
Asbestos Remediation	\$ 1,000,000	\$ 3,000,000
Structural Demolition	\$ 5,000,000	\$ 14,000,000
Other Remediation	\$ 300,000	\$ 2,000,000
Pond Closures	\$ 31,400,000	\$ 44,000,000
Scrap	\$ (3,000,000)	\$ (7,000,000)
Indirects & Contingency	\$ 9,400,000	\$ 15,900,000
Total Net Cost	\$ 44,100,000	\$ 72,500,000

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BIG RIVERS ELECTRIC CORPORATION

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- 1 Based on Burns & McDonnell's estimates the mid-range cost to decommission and retire the
2 Coleman and Wilson units would be approximately \$78.6 million.

	Units Idled		Units Retired
		Asbestos Remediation	\$ 4,000,000
		Structural Demolition	\$ 19,000,000
		Other Remediation	\$ 1,150,000
		Landfill/Pond Closures	\$ 46,850,000
FDE Non-Labor		Scrap	\$ (10,000,000)
FDE Labor	\$ 2,556,261	Contingency	\$ 17,600,000
Total Idled Cost, \$		Total Retirement Cost, \$	\$ 78,600,000

3

4

5 Witness) Robert W. Berry

6

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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CASE NO. 2013-00199**

**Response to Post-Hearing Request for Information
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January 24, 2014

1 **Item 8) Provide all communications with lenders since September 3, 2013.**

2

3 **Response) Please find requested communications on the public electronic media**
4 **accompanying these responses.**

5

6 **Witness) Billie J. Richert**

7

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to Post-Hearing Request for Information
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January 24, 2014

1 **Item 9) What will Big Rivers' monthly fuel costs be once the Sebree smelter**
2 **leaves the system?**

3

4 **Response) The monthly fuel costs are forecasted to average \$11 million per month in the**
5 **test period once the Sebree smelter leaves the system. The monthly fuel expenses are located**
6 **on the "Fuel" worksheet (row 50) of the Big Rivers' Financial Model.**

7

8 **Witness) Robert W. Berry**

9

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to Post-Hearing Request for Information
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January 24, 2014

1 **Item 10) Provide the accounting entries when the Economic Reserve and Rural**
2 **Economic Reserve were established.**

3

4 **Response) The Economic Reserve and Rural Economic Reserve funds were established**
5 **in July 2009 pursuant to the closing of the Unwind Transaction. The accounting treatment to**
6 **establish these funds was:**

7

8	<u>Account #</u>	<u>Description</u>	
9	128.200	Other Special Funds-Economic Reserve	\$ 157,000,000.00
10	128.300	Other Special Funds-Rural Economic Reserve	\$ 60,855,790.94
11	131.100	Cash-General	\$(217,855,790.94)

12

13 **Witness) Billie J. Richert**

14

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to Post-Hearing Request for Information
Dated January 9, 2014**

January 24, 2014

1 **Item 11) Provide the monthly accounting entry when the Economic Reserve fund is**
2 **used.**

3

4 **Response) The MRSM (Member Rate Stability Mechanism) amount is calculated on the**
5 **current month Member revenue billing. In the current month, the MRSM amount is credited**
6 **to revenue and debited to the economic reserve regulatory liability account. In the**
7 **succeeding month, cash is drawn from the Other Special Funds-Economic Reserve account**
8 **(credited) for the prior month MRSM amount and deposited into the General Fund cash**
9 **account (debited).**

10

11 **Witness) Billie J. Richert**

12

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to Post-Hearing Request for Information
Dated January 9, 2014**

January 24, 2014

1 **Item 12) Provide the SSR agreement filed with FERC.**

2

3 **Response) Please find requested information on the public electronic media**
4 **accompanying these responses.**

5

6 **Witness) Robert W. Berry**

7

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to Post-Hearing Request for Information
Dated January 9, 2014**

January 24, 2014

1 **Item 13) Provide Century's protest filed with FERC.**

2

3 **Response)** Please see the Century protest as filed with FERC on the public electronic
4 media provided with these responses. Please see the attachment to this response for the
5 Public Interest Organization ("PIO") protest filed with FERC and MISO's and Big Rivers'
6 responses to those protests.

7

8 **Witness)** Robert W. Berry

9

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Midcontinent Independent System Operator, Inc.)	Docket No. ER14-292-000
)	Docket No. ER14-294-000
)	(not consolidated)

**MOTION FOR LEAVE TO ANSWER AND
ANSWER OF THE
MIDCONTINENT INDEPENDENT SYSTEM OPERATOR, INC.**

Pursuant to Rules 212 and 213 of the regulations of the Federal Energy Regulatory Commission ("FERC" or "Commission"), 18 C.F.R. §§ 385.212 and 385.213 (2012), the Midcontinent Independent System Operator, Inc. ("MISO") respectfully submits this Motion for Leave to Answer and Answer to respond to the protests filed on November 22, 2013 in the above-captioned dockets by the Public Interest Organizations ("PIOs")¹ and Century Aluminum of Kentucky ("Century").

By responding to the concerns raised by the PIOs and Century, MISO's Answer will clarify the issues under consideration and will assist the Commission in its decision-making process. Accordingly, MISO respectfully requests that the Commission accept its Answer.²

¹ The PIOs state that they are a "consortium of national and regional environmental, consumer, and energy policy non-governmental organizations . . ." PIOs' Protest at 0. Members are not further identified. The PIOs number their Protest, starting with "0" for the initial page. To avoid confusion, MISO uses the PIOs page designations throughout this Answer.

² Capitalized terms not otherwise defined herein have the meanings ascribed thereto in Section I of the Tariff.

I. BACKGROUND

A. Procedural History

On November 1, 2013, MISO submitted a System Support Resource ("SSR") filing in Docket ER14-292-000 containing an SSR Agreement between MISO and Big Rivers Electric Corporation ("Big Rivers" or "BREC") covering the 443 MW Coleman unit that is subject to Attachment Y in MISO's Tariff ("Coleman"). Contemporaneously, MISO filed a Tariff Schedule 43F in Docket ER14-294-000 that specified the manner in which the costs for Coleman would be recovered from those who benefit from the added system reliability provided by the SSR Unit. The Coleman SSR Agreement covers a twelve month period between September 1, 2013 and August 31, 2014.

B. Protests by the PIOs and Century

The Protest by the PIOs largely deals with MISO's treatment of alternatives to extended service by Coleman during its expected period of suspension.³ Century's protest largely argues that MISO should have required Big Rivers to change its transmission line maintenance standards and procedures and planned transmission upgrades in connection with Big Rivers' Attachment Y Notice.⁴ Century also protests two aspects of the cost recovery provisions contained within the filed SSR Agreement.⁵

Both the PIOs and Century include in their captions Case No. ER14-294-000, which is the case established when MISO filed Schedule 43F. Neither protest takes issue with the cost assignment that is contained in the filing in Case No. ER14-294-000.⁶ The PIOs state that "MISO's proposed SSR Agreement and Rate Schedule 43f [sic] for the Coleman plant is

³ See, e.g., PIOs Protest at 1-2.

⁴ See, e.g., Century's Protest at 6.

⁵ See *id.* at 6 ("two aspects of the cost recovery provisions").

⁶ As a consequence, all citations in this Answer are to documents in Case No. ER14-292-000.

incomplete for the reasons set forth above.”⁷ They fail to state any reason for protest against MISO’s Schedule 43F. Century states that it “does not oppose MISO’s Schedule 43F Filing.”⁸ The Commission should accept Schedule 43F and find that no party to Case No. ER14-294-000 has protested any aspect of MISO’s filing in that case.

II. MOTION FOR LEAVE TO FILE ANSWER

Under Rule 213(a)(2) of the Commission’s Rules of Practice and Procedure, answers to protests generally are not permitted.⁹ The Commission has waived this requirement, however, where an otherwise prohibited answer would clarify the issues under consideration, ensure completeness of the record or assist the Commission in its decision-making.¹⁰

In addition, a party is not prohibited from filing an answer to comments. In this case, MISO provides a concise response to the concerns raised by Century and the PIOs that will clarify the issues under consideration, place certain statements made by Century and the PIOs in proper context, and assist the Commission with its decision-making in the above-captioned docket. Accordingly, Rule 213(a)(2) should be waived in the instant cases for good cause shown.

III. ANSWER

A. The PIOs Offer No Alternative to the Coleman SSR Agreement.

1. The One-Year SSR Agreement Is Not Too Lengthy.

⁷ PIOs’ Protest at 7.

⁸ Century’s Protest at 4.

⁹ See 18 C.F.R. § 385.213(a)(2)(2012).

¹⁰ See, e.g., *Southwest Power Pool, Inc.*, 143 FERC ¶ 61,018, at P 15 (2013) (accepting answer that assisted in the decision-making process); *NV Energy Operating Companies*, 142 FERC ¶ 61,166, at P 38 (2013) (accepting answer that assisted in the decision-making process); *Texas Eastern Transmission, LP*, 122 FERC ¶ 61,205, at P 8 (2008) (accepting answer that completed the record); *California Independent System Operator Corp.*, 105 FERC ¶ 61,284, at P 10 (2003) (accepting answer that clarified the issues).

The Commission has limited SSR Agreements to a period of one year. This short period is required, despite analyses that may indicate that an SSR Unit will likely be necessary for longer periods, so that possible alternatives to an SSR designation are evaluated and re-evaluated. Notwithstanding PIOs' desire to shorten this period to "create a stronger incentive for MISO to resolve the reliability issues,"¹¹ the one-year period permits MISO to devote time to something other than negotiating and defending agreements before the Commission.

As the PIOs recognize, MISO understands that a special protection scheme ("SPS") is under development that could permit termination of the Coleman SSR Agreement.¹² That SPS development is being worked on *between Big Rivers and Century*, and will be evaluated by MISO to determine its effectiveness to resolve the reliability problems identified in the Attachment Y Study. MISO has responsibly included provisions in the Coleman SSR Agreement, including the provision for earlier termination of the SSR Agreement that is mentioned by the PIOs,¹³ to accommodate the switch from the operation of Coleman to the alternative SPS arrangement.

2. Alternatives to the SSR Agreement were Evaluated and Reported.

The PIOs mention a range of alternatives to the SSR Agreement that MISO investigated and reported upon – an SPS, redispatch of existing generation, previously planned transmission upgrades, operating procedures, load curtailment at Century.¹⁴ However, the PIOs state that they are left with the "impression that MISO did not study any other load curtailment options, whether with BREC, other load in the area, or state authorities."¹⁵ The extensive exploration of

¹¹ PIOs' Protest at 4.

¹² *Id.*, citing MISO Transmittal Letter at 9.

¹³ PIOs' Protest at 4.

¹⁴ *Id.* at 4-5.

¹⁵ *Id.* at 5.

alternatives is reported in the Attachment Y Study.¹⁶ As for other alternatives, they were inquired into at a Central Transmission System Task Force stakeholder conference conducted on July 25, 2013. As reported in MISO's filing, "[n]o significant feedback was received from the participants"¹⁷ The PIOs make no mention of this further exploration.

The Protest by the PIOs mentions possible voltage support upgrades.¹⁸ MISO's reliability analysis identified severe thermal overloading as well as post-contingent voltage violations and voltage collapse conditions as the result of a Coleman suspension. Further studies were performed, reported in MISO's Attachment Y Study,¹⁹ to consider the effect of the installation of a 200 MVAR capacitor bank proposed by Century to improve the reactive support in the area. The MISO analysis revealed that while additional reactive devices would resolve a number of the voltage violations, they could not address the severe thermal overloading. MISO's analysis concluded that load curtailment would still be required to mitigate the thermal overload following a contingency.

The PIOs further state that MISO did not address whether "a *new* transmission upgrade project" would suitably deal with identified reliability problems.²⁰ But they cite MISO's Attachment Y Study that explains the absence of a transmission solution to reliability concerns due to the short timeframe presented by the suspension of Coleman.²¹ The further consideration of alternatives such as transmission upgrades, requested by the PIOs,²² will be examined at least annually as provided by Section 38.2.7.1 of the Tariff.²³

3. Termination Provisions Aid Flexible Treatment of the Coleman Units.

¹⁶ MISO Transmittal Letter, Exhibit B (Attachment Y Study) at 10-12.

¹⁷ MISO Transmittal Letter at 8.

¹⁸ PIOs' Protest at 5.

¹⁹ MISO Transmittal Letter, Exhibit B (Attachment Y Study) at 10 ("FCITC Transfer Study").

²⁰ PIOs' Protest at 5 (emphasis *sic*).

²¹ *Id.*, quoting Attachment Y Study at 13 (Exhibit B to the MISO Transmittal Letter).

²² PIOs' Protest at 6 ("explain at what point it will consider longer-term solutions").

²³ See MISO Transmittal Letter at 9.

The PIOs seek further explanation for the provisions in the SSR Agreement that would facilitate separate treatment of unit 1 and units 2-3.²⁴ Those provisions recognize that some going-forward costs are common to the three units, and add flexibility to MISO's ability to adjust to changing circumstances. This flexibility was first discussed in connection with the possibility that an operating guide could be developed that would accommodate acceptable load shedding by Century and eliminate the need for SSR treatment of Coleman Unit 1. After Century determined that this alternative involved unacceptable risks, the termination provisions were retained to provide added flexibility that could help facilitate the implementation of alternatives in the event that any become feasible during the term of the SSR Agreement.

B. Century Seeks to Unreasonably Expand the Scope of MISO's SSR Program.

1. Transmission Maintenance Procedures are Separate from MISO's SSR Program.

Century makes an extensive presentation, attaching an affidavit to its Protest, in support for its argument that Big Rivers should engage in live wire maintenance of its transmission facilities. Big Rivers' transmission maintenance procedures were in place before its Attachment Y Notice was submitted to MISO. Century does not argue that live wire maintenance would obviate the need for Coleman as an SSR Unit. Therefore, its efforts to force Big Rivers to adjust its transmission maintenance procedures are separate from consideration of the SSR designation for Coleman. Century's arguments regarding live wire maintenance should not be at issue in these cases.

2. MISO Should Rely Upon the Attachment Y Notice Sworn Statement.

The Commission required MISO to include in its SSR Tariff procedures assurances that an Attachment Y Notice would be definitive. Those Tariff procedures include the notification required under Tariff Section 38.2.7.a:

²⁴ *Id.* at 7.

A Market Participant certifies by submitting an Attachment Y Notice that such Market Participant has made a definitive decision to Retire or Suspend a Generation Resource . . . and the Attachment Y Notice shall be executed by an officer of the owner or operator of the Generation Resource . . . attesting to the facts support that claim, who has the legal authority to bind such Market Participant.

In its Attachment Y Notice, Big Rivers' Chief Operating Officer Robert Berry swore that operation of Coleman would be suspended and would resume operation 28 months later (September 1, 2013 suspension, resuming operation January 1, 2016).²⁵ This is the best information available to MISO on this subject, and MISO conducts its SSR program according to the Commission-approved notification process.

Century argues that Mr. Berry's sworn statements in the Attachment Y Notice are questionable without presenting facts that contradict those statements. Century bases some of its arguments on statements before and by the Kentucky Public Service Commission regarding the need for higher market prices before Coleman returns to service.²⁶ While the suspension of operations at Coleman appears driven by Big Rivers' loss of the Century load, Century does not provide an alternative date that it believes would more realistically reflect the resumed operation of the Coleman units due to changes in electric market conditions. Century insists upon a guarantee that operations will resume by January 1, 2016.²⁷ Such certainty is infeasible in this and many other aspects of MISO's transmission planning analyses.

Century also argues that statements by Mr. Berry to the effect that Big Rivers would consider the sale of Coleman "create[s] additional uncertainty regarding Coleman returning to full operational status by January 1, 2016."²⁸ The connection is unexplained. Purchase of Coleman would arguably validate Mr. Berry's certification regarding Coleman's return to service

²⁵ MISO Transmittal Letter, Attachment A (Attachment Y Notice).

²⁶ Century's Protest at 12-13.

²⁷ *Id.* at 12 ("guarantee" and "Big Rivers does not know, at this time") and at 13 ("guarantee").

²⁸ *Id.* at 13.

since a market transaction verifying the worth of the Coleman units would be added to Mr. Berry's certification.

3. The Cost Recovery is Appropriate.

Century states that it "does not oppose this provision [regarding a true-up for the SSR Units based upon the actual costs incurred] or oppose the true-up mechanism" stated in Exhibit 2 to the SSR Agreement.²⁹ The true-up mechanism is new to MISO's SSR agreements, and was included upon the insistence of Century (as Century states, the "party responsible for 99.5 percent of SSR costs"³⁰) as communicated through representatives of Century and thereafter directly to MISO. Century did so after inspecting the cost elements that it insists must be identified as part of these proceedings.

Century states that "[i]f the 'maintenance capital costs' to which Mr. Berry refers [in his Testimony, Exhibit E to MISO's Transmittal Letter] includes capital costs for an upcoming Coleman unit outage, then Century protests . . ."³¹ As Century states immediately above this conditional argument, the true-up going-forward costs incurred by Blg Rivers for Coleman must be incurred according to Good Utility Practice.³² If, as Century claims, the "SPS approvals are proceeding, and it is likely that the SPS will be available for deployment by late December 2013,"³³ this circumstance would be considered by MISO and the Independent Market Monitor ("IMM") in their auditing functions over going-forward costs.³⁴ Century will be able to avoid going forward capital and maintenance costs, such as a scheduled outage on Coleman Unit 1 in

²⁹ Century's Protest at 17.

³⁰ *Id.*

³¹ *Id.* at 18.

³² *Id.*, citing Berry Testimony (MISO Transmittal Letter, Exhibit E) at 7. See also MISO Transmittal Letter, Exhibit A (SSR Agreement), Exhibit 2 ("incurred according to Good Utility Practice").

³³ Century's Protest at 19.

³⁴ The auditing functions of MISO and the IMM are stated in the SSR Agreement. MISO Transmittal Letter, Exhibit D (SSR Agreement), Section 13.I and Exhibit 2.

June 2014, if the SPS alternative is implemented and MISO determines that the SSR Agreement can be terminated without jeopardizing reliability. At the date of the instant pleading, MISO does not have information upon which it can conclude that the SPS under development between Big Rivers and Century will be deployed by any particular date.

Century criticizes the rate of return on going forward capital that was used to determine costs.³⁵ A rate of return should be chosen that is appropriate to the circumstances, not just the return used in a retail rate proceeding as suggested by Century.³⁶ For example, Commission practice accepts the transmission rate for the interconnected transmission owner for merchant generators filing certain cost-based rates (e.g. reactive power rates).³⁷ Unlike a rate of return for a fully loaded cost-based rate, the rate of return used for determining costs for Coleman relates only to carrying costs for fuel inventory, reagent, and materials and supplies that are necessary to maintain the operation of the Coleman units during the term of the SSR Agreement.³⁸ Century's arguments based upon materials filed in Kentucky retail rate proceedings should be rejected.

IV. CONCLUSION

MISO respectfully requests that the Commission (1) accept this Answer because it responds to issues raised by Century and the PIOs by providing additional information that will assist the Commission in its decision making process; and (2) fully accept MISO's submissions in support of the Coleman SSR Agreement and the associated assignment of costs as stated by MISO in its November 1m, 2013 filings.

³⁵ Century's Protest at 19-20.

³⁶ *Id.* But see, e.g., *Midwest Indep. Transmission Sys. Operator, Inc.*, 144 FERC ¶ 61,127 (2013) at PP 41-41 (Escanaba SSR) and *Midwest Indep. Transmission Sys. Operator, Inc.*, 144 FERC ¶ 61,151 (2013) at P 39 (Harbor Beach SSR).

³⁷ See, e.g., *Bluegrass Generation Co., L.L.C.*, 118 FERC ¶ 61,214 at P 86 (2007).

³⁸ See MISO Transmittal Letter, Exhibit E (Berry Testimony) at 6.

Respectfully submitted,

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Dated: December 9, 2013

CERTIFICATE OF SERVICE

I hereby certify that I have this day e-served a copy of this document upon all parties listed on the official service list compiled by the Secretary in the above-captioned proceeding, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2012).

Dated this 9th day of December 2013 in Carmel, Indiana.

/s/ Amy Jones
Amy Jones

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Midcontinent Independent System Operator, Inc.)	Docket No. ER14-292-000
)	Docket No. ER14-294-000
)	(not consolidated)

**MOTION FOR LEAVE TO ANSWER AND
ANSWER OF BIG RIVERS ELECTRIC CORPORATION**

Pursuant to Rules 212 and 213 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("FERC" or the "Commission"),¹ Big Rivers Electric Corporation ("Big Rivers") hereby submits this Motion for Leave to Answer and Answer in the above-referenced proceedings, which have not been consolidated by the Commission. As discussed below, Big Rivers supports the proposed system support resource ("SSR") agreement and associated cost allocation schedule filed by the Midcontinent Independent System Operator, Inc. ("MISO") in the above-referenced proceedings,² and requests that the Commission dismiss the protests filed by Century Aluminum of Kentucky General Partnership ("Century") and the Public Interest Organizations ("PIOs").³

I. MOTION FOR LEAVE TO ANSWER

Pursuant to Rule 212, Big Rivers respectfully requests leave to file this answer to the protests filed by Century and the PIOs in the above-referenced proceedings. Big Rivers is the owner of the Coleman Station Unit Nos. 1-3 ("Coleman"), which MISO proposes to require to continue to operate in order to reliably serve Century's load at its aluminum smelter in Hawesville, Kentucky ("Hawesville Smelter"). While the Commission generally does not permit

¹ 18 C.F.R. §§ 385.212, 385.213 (2013).

² Midcontinent Indep. Sys. Operator Inc., System Support Resources Agreement with Big Rivers Electric Cooperative, Docket No. ER14-292-000 (filed Nov. 1, 2013) ("SSR Filing").

³ Century Aluminum of KY Gen. P'ship, Protest (filed Nov. 22, 2013) ("Century Protest"); Pub. Interest Orgs., Motion to Intervene and Protest (filed Nov. 22, 2013) ("PIOs Protest").

the filing of an answer to comments or a protest, the Commission allows such answers when they provide useful and relevant information that assists the Commission in its decision-making process,⁴ corrects factual inaccuracies and clarifies the issues,⁵ assures a complete record in the proceeding,⁶ provides information helpful to the disposition of an issue,⁷ or permits the issues to be narrowed.⁸ The Commission should accept Big Rivers' answer because it satisfies the above criteria.

II. BACKGROUND

Coleman is a coal-fired steam electric generation facility located near Hawesville, Kentucky. It consists of three generating units with a combined capacity of 443 MW. Until August 20, 2013, the capacity of Coleman was used to provide power to Century through Big Rivers' member distribution cooperative, Kenergy Corporation ("Kenergy"). Earlier this year, Century determined that its negotiated rate for energy and ancillary services from Big Rivers was higher than what it would pay for the same services in the MISO market. Accordingly, Big Rivers worked with Century to negotiate a series of agreements, which have been filed with and accepted by the Kentucky Public Service Commission ("KPSC"), whereby Big Rivers, while it acts as a MISO market participant on behalf of Century, has agreed to procure from the MISO

⁴ See, e.g., *Pioneer Transmission, LLC v. N. Ind. Pub. Serv. Co. and Midwest Indep. Transmission Sys. Operator, Inc.*, 140 FERC ¶ 61,057, at P 93 (2012); *Midwest Indep. Transmission Sys. Operator, Inc.*, 131 FERC ¶ 61,285 (2010); *Sw. Power Pool, Inc.*, 131 FERC ¶ 61,252, at P 19 (2010), *reh'g denied*, 137 FERC ¶ 61,075 (2011); *Duke Energy Ky., Inc.*, 122 FERC ¶ 61,182 at P 25 (2008) (accepting answers that provided useful information that assisted the Commission in its decision-making process).

⁵ See, e.g., *Entergy Servs. Inc.*, 123 FERC ¶ 61,227 (2009).

⁶ See, e.g., *Pac. Interstate Transmission Co.*, 85 FERC ¶ 61,378, at 62,443 (1998), *reh'g denied*, 89 FERC ¶ 61,246 (1999); *Morgan Stanley Capital Group, Inc. v. NY Indep. Sys. Operator, Inc.*, 93 FERC ¶ 61,017, at P 61,036 (2000) (accepting an answer that was "helpful in the development of the record....").

⁷ See, e.g., *CNG Transmission Corp.*, 89 FERC ¶ 61,100, at 61,287 & n. 11 (1999).

⁸ See, e.g., *PJM Interconnection, L.L.C.*, 84 FERC 61,224, at 62,078 (1998); *New England Ventures, Inc. v. So. Cal. Edison Co.*, 82 FERC 61,335, at 62,323 & n. 1 (1998).

markets energy and ancillary services to serve Century's load at the Hawesville Smelter through Kenergy.

Due to the loss of Century as a large industrial customer of Kenergy, Big Rivers determined that it was no longer economic to continue operating Coleman. Big Rivers therefore submitted to MISO an Attachment Y notice of suspension of Coleman, effective September 1, 2013 until January 1, 2016, when Big Rivers expects that it either (i) one or more industrial loads will be added or Big Rivers will enter into bilateral contracts, that collectively will require Big Rivers to operate Coleman, or (ii) wholesale market prices will have improved enough to make it economically feasible to resume operation of Coleman. In response to Big Rivers' Attachment Y notice, MISO determined that the continued operation of Coleman was required to maintain the reliability of the MISO transmission system. Specifically, Big Rivers and MISO negotiated the Coleman SSR agreement to reliably serve Century's load at the Hawesville Smelter until alternative arrangements can be implemented.

III. ANSWER

The Coleman SSR agreement represents the culmination of several months of negotiations between Big Rivers, MISO, and Century. Big Rivers has cooperated with Century throughout this process by, among other things, providing Century with detailed cost support for the annual SSR amount, and permitting Century the opportunity to comment on successive drafts of the agreement. Big Rivers also has diligently advocated Century's interests in its negotiations of the SSR agreement with MISO. For example, as requested by Century, the Coleman SSR agreement provides MISO additional flexibility to terminate the agreement if alternative arrangements are implemented to serve Century's load at the Hawesville smelter. Big Rivers has and will continue to cooperate with MISO and Century to implement such alternatives. In

response to concerns raised by Century and the PIOs, Big Rivers also provides additional support for the proposed capital and maintenance costs included in the annual SSR amount.

A. The Term of the SSR Agreement Will Be Limited by the Implementation of Feasible Alternatives

Century and the PIOs each argue that the Commission should condition its acceptance of the SSR agreement on Big Rivers and MISO agreeing to implement feasible alternatives that would limit the term of the agreement.⁹ The Commission should reject these arguments because Big Rivers and MISO have negotiated an agreement that is consistent with the *pro forma* SSR agreement set forth in the MISO OATT, with revisions that provide MISO with additional flexibility to terminate the agreement when feasible alternatives are implemented. Moreover, Big Rivers has diligently coordinated with Century, MISO, SERC, and others, in order to implement feasible alternatives to the SSR agreement. Proposed deviations from the *pro forma* SSR agreement, negotiated by Big Rivers, will ensure that the SSR agreement is not in place longer than necessary.

Consistent with the *pro forma* SSR agreement set forth in the MISO OATT, the Coleman SSR agreement contemplates a twelve (12) month term. In its order accepting MISO's tariff revisions implementing the SSR program, the Commission found that "the SSR program is a reasonable backstop measure"¹⁰ that would interfere with market participants' decisions to retire or suspend a resource "only when those decisions create a short-term reliability problem."¹¹ The Commission also emphasized that SSR agreements should "be limited and of short duration."¹²

⁹ See Century Protest at 7-17; PIOs Protest at 4.

¹⁰ *Midwest Indep. Transmission Sys. Operator, Inc.*, 108 FERC ¶ 61,163, at P 370 ("SSR Order"), *reh'g denied*, 109 FERC ¶ 61,157 (2004) ("SSR Rehearing Order").

¹¹ *SSR Rehearing Order*, 109 FERC ¶ 61,157 at P 291.

¹² *Id.* at P 288.

Consistent with the Commission's guidance, the MISO OATT provides that the term of an SSR agreement shall be twelve months, unless MISO requires a different term. Under the *pro forma* SSR agreement, MISO has the sole discretion to terminate an SSR agreement by giving ninety (90) days advance written notice to the SSR provider.

To ensure that the Coleman SSR agreement is limited and of short duration, Big Rivers and MISO have agreed that MISO should have the sole discretion to terminate the agreement by giving only sixty (60) days advance written notice to Big Rivers. MISO and Big Rivers negotiated this modification to the SSR agreement in response to a request from Century to limit the term of the agreement if alternative arrangements can be implemented within the term the SSR agreement that would eliminate the need for the agreement. The sixty day advance written notice requirement balances the interests of Big Rivers and MISO ratepayers, including Century, because it provides MISO with a shortened notice period in order to terminate the agreement for any reason, and it provides Big Rivers with reasonable advance notice in order to prepare Coleman for a potential suspension from service. The SSR agreement also has been drafted to permit MISO to terminate the agreement with respect to Coleman Unit 1 only, in the event that feasible alternatives are implemented that require the operation of Coleman Units 2 and 3 only.

Big Rivers also has been diligently coordinating with MISO, Century and SERC to implement demand response programs that would eliminate the need for the SSR agreement. In particular, Big Rivers has negotiated a load curtailment agreement with Century by which Big Rivers can curtail the Century load in the event of a system emergency. Such a load curtailment agreement also would permit the suspension from service of one or more of the Coleman units, if Century agreed to further curtailments of its load.¹³ Big Rivers also has cooperated with staff

¹³ Century determined that it is not willing to accept an increased risk of curtailment of its load at the Hawesville Smelter and so requested that MISO and Big Rivers negotiate an SSR agreement for all three Coleman units, as

from Century, MISO, SERC, Century's consultant, Siemens, and neighboring MISO market participants to develop a Special Protection Scheme ("SPS") to automatically curtail the Century load in response to transmission system disturbances. According to Century, the SPS should be ready to be implemented by the end of the year. If implementation of the SPS and the load curtailment agreement are sufficient to maintain the reliability of the MISO transmission system without the simultaneous operation of the Coleman units, MISO, in its sole discretion, can terminate the SSR agreement by giving sixty days advance written notice to Big Rivers.

B. The Commission Should Not Condition Acceptance of the SSR Agreement on Big Rivers Performing Live-Line Maintenance

The Commission should reject Century's arguments that it require Big Rivers to perform live-line transmission maintenance as a condition of accepting the Coleman SSR agreement. As an initial matter, the Commission has never required a transmission provider to perform live-line maintenance. Moreover, as described in the testimony of Donald J. Morrow, attached as Exhibit B to the Century protest, the practice of performing live-line maintenance requires "highly qualified, well-trained, experienced contractors that understand the technical aspect of energized projects and have developed detailed work practices and acquired appropriate, well maintained tools to address the working conditions on energized equipment."¹⁴ Big Rivers has not trained its personnel to perform this type of maintenance. Moreover, although Mr. Dorrow's company might be qualified to perform live-line maintenance on Big Rivers' transmission system, and Big Rivers might be willing to contract with experts to perform such maintenance from time to time, Big Rivers is ultimately responsible for choosing the level of risk that it is willing to accept with

opposed to only two units. However, the Coleman SSR agreement provides alternative cost recovery if MISO determines that the continued operation of Unit 1 is no longer required to maintain the reliability of the MISO transmission system, which would be the case if Century accepted an increased risk of curtailments. Accordingly, the SSR agreement provides additional flexibility in the event that Century is willing and able to implement an effective demand response program that removes the need for the SSR agreement.

¹⁴ Century Protest, Exhibit B at 24.

respect to the reliable maintenance of its transmission system, and the safety of its workers and contractors. The Commission should not substitute its judgment for the judgment of Big Rivers so long as Big Rivers is able to maintain the reliability of its transmission system without the use of live-line maintenance.

Contrary to suggestions raised in Century's protest, Big Rivers does not currently perform live-line maintenance.¹⁵ True, Big Rivers has scheduled "Hot Line Work", which is defined by MISO as work that "is being performed on live or energized equipment."¹⁶ However, the Hot Line Work scheduled by Big Rivers has involved minor transmission maintenance tasks, including vegetation management and pole treatments. Big Rivers is not willing, at this time, to commit its workers or a third party vendor to perform more complex live-line maintenance, such as reconductoring on its transmission system, pole change outs or insulator replacement. Although Century has committed to reimburse Big Rivers for the costs of engaging a vendor to perform such maintenance, Big Rivers believes that there may be circumstances in which live-line maintenance would not represent Good Utility Practice for purposes of maintaining the reliability of the Big Rivers transmission system. Further, even if work was performed by a vendor, Big Rivers remains ultimately liable for any work done by any such vendors. Any negligent or improper act by such a vendor would result in extensive proceedings before the KPSC or other reliability authorities, and the resulting cost or consumption of management's resources would be substantial for an organization of Big Rivers' size. Simply put, Big Rivers should have the sole discretion to determine when it is appropriate to engage a vendor to perform live-line maintenance. Moreover, performance of live-line maintenance is not necessary to

¹⁵ See *id.* at 10.

¹⁶ See MISO, Business Practice Manual No. 8, Revision 6, Outage Operation, at 5-17 (Oct. 1, 2012).

comply with NERC reliability standards.¹⁷ Big Rivers has complied with requirements of Reliability Standards TOP-004 and TOP-007 without implementing live-line maintenance.

Granting Century's request to require Big Rivers to perform live-line maintenance could have far-reaching implications on the maintenance practices of other transmission owners and operators. As explained in Mr. Dorrow's testimony, transmission owners and operators typically object to the use of live-line maintenance over concerns of safety and uncertainty of cost recovery.¹⁸ In this case, Century has represented that it will pay additional costs, and argues that Big Rivers should not be concerned with the safety of its workers because the live-line maintenance can be performed by a skilled third-party vendor. Concerns over costs and worker safety aside, a transmission owner and operator should have the discretion to determine how to perform transmission maintenance in a manner that is consistent with the relevant transmission provider's tariff and NERC reliability standards. The fact that two transmission operators in SPP and ERCOT have adopted live-line maintenance for purposes of limited and discrete transmission facilities is not persuasive. None of FERC, NERC, or MISO has required the use of live-line maintenance.¹⁹ Moreover, the Commission has stated that it "does not intend to establish live-line work as the standard for transmission maintenance and construction."²⁰ To the extent that Century believes that such maintenance should become an industry standard, Century should address its concerns to the Commission in a request for a rulemaking, or to NERC or

¹⁷ See Century Protest, Exh. B at 23.

¹⁸ See *id.* at 24.

¹⁹ The Commission has accepted the service agreements and maintenance plans whereby parties have agreed to perform live-line maintenance, but FERC has never directed a transmission operator to perform live-line maintenance. See, e.g., *Am Elec. Power Serv. Corp.*, Docket No. ER13-1976-000 (Sept 5, 2013) (accepting interconnection agreement contemplating both dead-line and live-line maintenance); see also *New England Power Pool*, 97 FERC ¶ 61,093 (2001) (accepting New England Power Pool's proposal to perform live-line maintenance but rejecting incentive rate treatment).

²⁰ *New England Power Pool*, 98 FERC ¶ 61,249, at 62,005 (2002).

MISO in their respective stakeholder proceedings. Lastly, live-line maintenance will not eliminate the need for an SSR agreement. Live-line maintenance only reduces the frequency of potential load curtailment events, it does not completely eliminate them.

C. SSR Costs Are Just and Reasonable

The SSR agreement provides just and reasonable recovery of going-forward fixed and variable costs to maintain the availability of Coleman during the term of the SSR agreement. In accepting MISO's proposal to implement the SSR program, the Commission emphasized that "all SSR units should be *fully compensated* for any costs incurred because of their extended service."²¹ The SSR costs were reviewed by MISO and the Independent Market Monitor ("IMM"), and are necessary for, among other things, the recovery of capital and maintenance costs associated with the continued operation of Coleman during the term of the SSR agreement. Such costs can be avoided to the extent Century is capable of implementing alternatives, such as the SPS, and MISO determines that it is appropriate to terminate the SSR agreement before those costs are due.

²¹ SSR Order, 108 FERC ¶ 61,163 at P 293 (emphasis added).

1. Proposed Capital Costs Are Necessary To Maintain Operation of Coleman

The capital costs contributing to the annual SSR amount relate to the replacement of equipment that is necessary to maintain the operation of Coleman during the term of the SSR Agreement.²² The fact that some of these capital costs could benefit Coleman when it is returned to service is inconsequential because the costs must be incurred within the term of the SSR agreement in order to ensure the reliable operation of the Coleman units, and compliance with relevant environmental regulations throughout the term of the SSR agreement. MISO and the IMM have reviewed such costs and determined that they are just and reasonable.²³ Moreover, all fixed SSR costs will be subject to a monthly true-up. Based on these representations, the Commission should determine that the capital costs are just and reasonable.

The actual capital costs incurred by Big Rivers will vary from month-to-month, as reflected in Exhibits A-1 and A-2, attached hereto.²⁴ Century can avoid future monthly costs if it demonstrates to MISO that the SSR agreement is no longer necessary, and should be terminated. Century expressed its concern early in the negotiations of the SSR agreement that the monthly SSR amounts might exceed actual expenses in any given month. In response to Century's concerns, MISO and Big Rivers negotiated a true-up mechanism to ensure that Big Rivers' cost recovery under the SSR agreement does not exceed its actual costs.²⁵ Accordingly, all fixed costs relating to the monthly SSR payment will be trueed up "within 55 days after the last day for each month of the Agreement." If directed by the Commission, and subject to MISO's consent,

²² See MISO, SSR Filing, Exh. E at 5.

²³ See MISO, SSR Filing at 11.

²⁴ Exhibit A-1 provides line item support for capital costs associated with running all three Coleman units. Exhibit A-2 provides line item support for capital costs associated with running Coleman units 2 and 3 only, in the event that MISO determines that it is appropriate to terminate the SSR agreement with respect to Unit 1.

²⁵ See SSR Agreement, Exh. 2, Section A.

Big Rivers will provide an accounting of actual costs to Century so that it can verify the results of the true-up.

2. Maintenance Costs are Appropriately Included in the SSR Costs

Century argues that the Big Rivers should not be allowed to recover any maintenance outage costs because customers are unlikely to receive the benefits of any maintenance outage.²⁶ This argument fails to recognize that Big Rivers will need to perform maintenance on the Coleman units during the term of the SSR agreement in order to ensure their availability throughout the term of the SSR agreement. Moreover, as demonstrated in its Attachment Y notice, Big Rivers has proposed a suspension, not a retirement of the Coleman units. Big Rivers should not be required to forego necessary maintenance on its units, which could result in unnecessary damage and expensive future repairs, based on representations from Century that the SSR agreement will not be needed for the full term. Only MISO and the Commission are in a position to determine the need for and term of the SSR agreement. Accordingly, the Commission should find that it is just and reasonable to include such going forward maintenance costs in the annual SSR amount.

3. Proposed Return On Net Rate Base Is Just and Reasonable

The monthly SSR payments include a return on net rate base of 7.85 percent. However, as explained in the testimony of Robert W. Berry, what is called a return on net rate base is, in fact, carrying costs associated with fuel inventory, reagent, and materials and supplies, unlike a traditional return on net rate base. Century argues that, as a rural utilities service debt-financed rural cooperative, Big Rivers' actual cost of capital should be much lower.²⁷ In support of its argument, Century points out that Big Rivers used a 5.012 percent cost of capital in its rate base

²⁶ See Century Protest at 18.

²⁷ See *id.* at 19.

application filed with the KPSC in April 2013.²⁸ Century also states that, even adding in Big Rivers' Times Interest Earned Ratio of 1.24 percent, the overall cost of capital would be 6.215 percent, not 7.85 percent.²⁹ Century's arguments fail to recognize, however, that, unlike the Big Rivers' rate base, the SSR agreement does not represent a "fully loaded" cost-of-service rate.³⁰ The proposed SSR costs do not include, for example, a typical rate of return on rate base, depreciation, or other cost components of a full cost-based rate. As a result, the return proposed in this proceeding is totally unrelated to the return on rate based filed with, and accepted by the KPSC.

In an ongoing proceeding addressing an SSR agreement between MISO and Ameren Energy Marketing ("Ameren"), Ameren argued that the Commission should accept all "going forward" costs of operating, including a "going forward" rate base comprised of: (1) materials, supplies, and fuel inventory; (2) certain prepaid items; and (3) cash working capital.³¹ Unlike the Ameren proceeding, neither MISO nor the IMM challenged the proposed return on net rate base for the Coleman units, which is limited to carrying costs associated with fuel inventory, reagent, and materials and supplies. The proposed 7.85 percent rate of return represents a modest recovery of the going forward carrying costs associated with materials and supplies that are necessary to maintain the operation of the Coleman units during the term of the SSR agreement. Accordingly, the Commission should find that inclusion of this rate of return is just and reasonable.

²⁸ *See id.*

²⁹ *See id.*

³⁰ *See* SSR Filing at 12.

³¹ *See* MISO, System Support Resource Attachment Y-1 Associated with Edwards Unit No. 1 Owned or Operated by Ameren Energy Marketing, Docket No. ER13-1962-000, Exh. MISO-1 at 7 (filed July 11, 2013). On November 25, 2013, the Commission issued an order accepting and suspending the Ameren SSR agreement subject to refund and further Commission order without ruling on the inclusion of the limited return on rate base. *See Midcontinent Indep. Sys. Operator, Inc.*, 145 FERC ¶ 61,163 (2013).

I. CONCLUSION

Wherefore, for the foregoing reasons, the Commission should reject the protests filed by Century and the PIOs, and accept the Coleman SSR agreement without modification, effective September 1, 2013, as requested by MISO.

Respectfully submitted,

/s/ Cory Lankford

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Counsel for Big Rivers Electric Corporation

December 10, 2013

Exhibit A-1

**Monthly Budgeted Capital Costs
Associated with Running All Three Coleman Units**

Exhibit A-2

**Monthly Budgeted Capital Costs
Associated with Running Coleman Units 2 and 3**

Project #	Account	Description	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Total
BP13CD04B	3122	CL Misc. Safety Equipment	10,000	10,000											20,000
BP13CD05B	3122	CL Misc. Capital Projects		41,180											41,180
BP13CD07B	312C	CL Coleman FGD Misc. Pumps & Valves		2,186											2,186
BP13CD15B	3162	CL Truck Scales - hardware and software		20,000											20,000
BP13CD39B	312C	CL FGD DCS UPS replacement		27,247											27,247
BP13CD40B	312C	CL FGD Absorber Agitator Blades, B & D		90,000											90,000
Unassigned	312C	CL FGD Booster Fan Inlet Expansion Joints		60,000											60,000
BP13CD42B	312C	CL FGD CEMs Analyzer & Umbilical Cable Replacement		9,152											9,152
BP11CD33B	3152	C-1 Auxiliary Transformer & Containment													0
BP12CD49B	3122	C-1 3 New Boiler Safety Valves, 1 Cold Reheat, 2 Hot Reheat													0
BP12CD50B	3122	C-1 Boiler Expansion Joint Replacement													0
BP13CD66B	3122	C-1 Drum Enclosure replacement													0
BP12CD52B	312W	C-1 Slag Grinder Replacement													0
BP13CD68B	3122	C-1 Boiler Insulation													0
BP13CD69B	3122	C-1 Boiler penthouse casing													0
BP12CD55B	3122	C-1 Tube Replacement Hot Reheat Section													0
BP12CD57B	3122	C-1 Hot/Cold/Rating Drive Replacement													0
BP12CD58B	3152	C-1 "A" MCC Replacement													0
BP12CD60B	3142	C-1 Vacuum Pump Replacement													0
BP12CD61B	3122	C-1 FD fan housings, silencers & hoods													0
BP12CD63B	312C	C-1 Precipitator Inlet duct replacement													0
BP12CD65B	3122	C-1 Cold End Air Heater Basket													0
BP12CD66B	312C	C-1 ROFA Fan Dampers (Isolation Gates)													0
BP12CD80B	3122	C-1 Boiler Tube Weld Overlay													0
BP12CD70B	3122	C-1 Mill Coal Valves													0
BP12CD97F	3122	C-1 Retractable Sootblowers (5)													0
BP12CD82B	312C	C-1 Burners													0
BP12CD83B	312C	C-1 Air Register Drives													0
BP12CD91F	3152	C-3 Rectifier / Inverter UPS System		7,989											7,989
BP12CD94F	3122	C-1 Dust Valve Replacement													0
BP12CD95F	3122	C-1 Air Heater Hopper Replacement													0
Unassigned	3122	CL Misc. Tools and Equipment						15,000			15,000			20,000	50,000
Unassigned	3162	CL Misc. Safety Equipment								20,000					20,000
Unassigned	3122	CL Misc. Capital Projects					20,000			20,000			20,000	20,000	80,000
Unassigned	3122	CL Capital Valve Replacement						20,000			20,000	20,000			60,000
Unassigned	312C	CL Coleman FGD Misc. Pumps & Valves							25,000				25,000		50,000
Unassigned	3152	CL 4160 to 480 step down transformer											80,000		80,000
Unassigned	3122	CL Ash Sluice Pump													0
Unassigned	3122	CL Conveyor Belt Replacement											120,000		120,000
Unassigned	3122	CL Replacement pH Meters						45,000							45,000
Unassigned	3122	CL CH Rpl DCS Ethernet Communication ICT Modules CH							75,000						75,000
Unassigned	312C	CL Booster Fan Blades									285,000				285,000
Unassigned	3142	C-2 B Circulating Water Pump								225,000					225,000
Unassigned	3142	C-2 A Circulating Water Pump Column								225,000					225,000
Unassigned	3142	C-2 A Traveling Water Screen Replacement									160,000				160,000

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service lists compiled by the Secretary in these proceedings.

Dated at Washington, D.C. this 10th day of December, 2013.

/s/ A. Cory Lankford

A. Cory Lankford
Orrick, Herrington & Sutcliffe LLP
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(202) 339-8620

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Midcontinent Independent Transmission System Operator, Inc.)	Docket No. ER14-292-000
)	
)	
Midcontinent Independent Transmission System Operator, Inc.)	Docket No. ER14-294-000
)	

**JOINT MOTION TO INTERVENE
AND PROTEST OF PUBLIC INTEREST ORGANIZATIONS**

Pursuant to Rules 212 and 214 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("FERC" or the "Commission"), 18 C.F.R. §§ 385.212, 385.214, the undersigned Public Interest Organizations ("PIOs") hereby file this motion to intervene and protest in the above-captioned proceedings.

I. MOTION TO INTERVENE

PIOs represent interests that will be directly affected by the outcome of this proceeding. 18 C.F.R. § 385.214(b)(2)(iii). The Sustainable FERC Project (the "Project") is an education and advocacy initiative that represents a consortium of national and regional environmental, consumer, and energy policy non-governmental organizations with members throughout the United States. The Project focuses on accelerating the deployment of renewable energy and demand-side resources by advocating electric regulatory policies that remove barriers and establish incentives for such deployment. The Project works on behalf of several organizations in the MISO footprint.

Earthjustice is a non-profit public interest law firm dedicated to protecting the magnificent places, natural resources, and wildlife of this earth, and to defending the right of all people to a healthy environment. With respect to MISO, Earthjustice is committed to ensuring compliance with legal requirements that will ensure transparent transmission and generation

retirement planning with meaningful stakeholder participation that maximizes grid integration of clean energy resources.

PIOs have actively participated in MISO's stakeholder processes, especially related to transmission planning and generator retirement issues, by advocating for greater transparency, broad stakeholder participation and fair treatment of renewable and demand-side resources in the footprint. PIOs have a direct and substantial interest in this proceeding and PIO's interests are not adequately represented by any other party. Further, PIOs participation in this matter is in the public interest. For the foregoing reasons, PIOs respectfully request that the Commission grant this motion to intervene.

II. COMMUNICATIONS

Please direct all communications to the following:

John N. Moore*
Senior Attorney
The Sustainable FERC Project - NRDC
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Chicago, Illinois 60606
(312) 651-7927
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Thomas Cmar*
Coal Program Attorney
Earthjustice
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III. PROTEST AND COMMENTS

PIOs object to MISO's proposed System Support Resource ("SSR") Agreement and accompanying proposed Rate Schedule 43f for the Big Rivers Electric Corporation's ("BREC") Coleman Units No. 1-3 because: (i) even though a demand response ("DR") alternative expected

to be available in May 2014 will eliminate the need for the Agreement, MISO's proposed term for the Agreement is one year, through September 1, 2014; (ii) the record is silent as to whether MISO considered DR or other solutions beyond the single alternative MISO addresses in the Attachment Y Study Report; iii) MISO has not justified the capital cost items to be reimbursed under the SSR Agreement; and (iv) MISO's filing is ambiguous as to which Coleman units may be removed from the SSR Agreement before the end of the one year term. The proposed Agreement therefore will result in unjust and unreasonable rates under the Federal Power Act, and PIOs request that the Commission reject MISO's proposed Rate Schedule 43f and Agreement for the three Coleman units.

Earlier this year, BREC informed MISO through an Attachment Y notice under Section 38.2.7.a of MISO's Tariff that it wanted to suspend operation of the Coleman facility for 28 months, from September 1, 2013 through January 1, 2016.¹ As required by Section 38.2.7.c. of its tariff, MISO conducted an Attachment Y reliability analysis of the proposed suspension. It concluded that suspension of the Coleman plant could cause reliability issues, and therefore negotiated a proposed SSR Agreement with BREC.

According to the Attachment Y Study Report, MISO found that a nearby aluminum smelter, owned by Century Aluminum in Hawesville, Kentucky, could significantly mitigate the reliability impacts from Coleman's suspension by voluntarily reducing load. The smelter's peak load is 485 MW.² MISO found that, depending on system conditions, reducing the smelter's peak load to between 338 MW and 138 MW would eliminate the potential reliability issues

¹ See Exhibit A of MISO's November 1, 2013 filing in Docket No. ER14-292.

² MISO Attachment Y Study Report at 5 (Exhibit B to MISO's filing on November 1, 2013 in Docket No. ER14-292) ("Study Report").

caused by the mothballing of the plant and “adequately address the transmission system overloads.”³ MISO stated that:

MISO has been working with Century and Big Rivers Electric Corporation to develop the load curtailment plan, and efforts continue in developing necessary operating guides and protection schemes as well as the agreement terms for implementation of the demand response option. However, the necessary arrangements will not be completed by the suspension date and the Coleman Units 1, 2 & 3 will initially be required as System Support Resources.⁴

This statement provides only part of the information the Commission needs to evaluate the proposed SSR Agreement. The possible need for an SSR arrangement for the Coleman plant has been the subject of a series of proceedings before the Kentucky Public Service Commission (“KPSC”). At a hearing in July 2013, Century Aluminum’s Corporate Energy Director Michael Early testified that a curtailment plan and the special protection schemes (“SPS”) would be in place by May 2014.⁵ Century Aluminum is contractually obligated to reimburse any costs allocated to Big Rivers as a load-serving entity under a SSR Agreement, and Early testified that Century is firmly committed to “get[ting] out from under the SSR Agreement” by May 2014 at the latest.⁶ Early further testified that reimbursing Big Rivers for the costs of a SSR Agreement for Coleman past May 2014 “is not an option for us”: “The reality is we have to solve this problem, if we have to under a SSR, through the end of May of next year, and if we don’t solve it by then, we are not going forward and incurring the liability for those extra costs.”⁷ According to

³ *Id.* at 14.

⁴ *Id.*

⁵ Video transcript of hearing before the Kentucky Public Service Commission, Case No. 2013-00221 (July 30, 2013), at 16:57 – 16:59, available at http://psc.ky.gov/av_broadcast/2013-00221/2013-00221_30Jul13_Inter.asp.

⁶ *Id.*

⁷ *Id.*

Early, if the Coleman SSR does not terminate by May 2014, Century Aluminum would shut down its Hawesville, Kentucky smelter entirely.⁸

A. The Proposed SSR Term Should Be Shortened

Because the curtailment plan and SPS likely will be in place on or before May 2014, and because Century's testimony in the Kentucky proceeding makes clear that Century cannot afford to allow the SSR Agreement to continue past then, the SSR Agreement's one year term is too long. We understand that MISO may terminate the Agreement with 60 days notice,⁹ and MISO's transmittal letter indicates it may exercise that option if the Century SPS is in place before the end of the Agreement's one year term,¹⁰ but the Agreement itself is silent on the issue. A shorter term will create a stronger incentive for MISO to resolve the reliability issues, and it will prevent BREC from receiving potentially unnecessary SSR payments. PIOs therefore recommend that the Commission require MISO and BREC to amend the SSR Agreement to provide for a term only through May 2014, with the option to extend the Agreement by filing a request with FERC for an additional term if necessary. Alternatively, if the Commission declines to require this condition, PIOs request the Commission to order MISO to provide a status report to FERC if MISO or BREC has not terminated the SSR Agreement by May 31, 2014.

B. MISO's Filing Does Not Address Whether It Attempted to Identify Other Mitigation Solutions

MISO's filing concludes that dispatch of existing generation in the area is not an option, that new transmission is not planned in the area, and that operating procedures are not available

⁸ *Id.*

⁹ Section 3.A.(3) of the draft Attachment Y-1 Standard Form System Support Resource Agreement Between BREC and MISO (Exhibit D in MISO's November 1, 2013 filing in Docket No. ER14-292).

¹⁰ MISO Transmittal Letter, at 9 (Docket ER 14-292).

to address contingency events.¹¹ As noted above, the Study Report focuses on load curtailment of the nearby Century Aluminum plant. The Report does not, however, address whether any other load curtailment or DR is available in the region that could mitigate the thermal and voltage conditions resulting from the suspension of the Coleman units or whether the potential reliability issues could be resolved by transmission alternatives such as voltage support (which can typically be implemented very quickly) or a *new* transmission upgrade project. PIOs understand that, due to close proximity of the Century load and the Coleman generation, reductions in the load directly offset reductions in generation. While another location for load reduction might balance the regional system, NERC planning violations could still occur in the vicinity of the generation.

To the extent these or other reasons would explain why other load curtailment might not mitigate the reliability issues, MISO should state them clearly in the Attachment Y Study Report. The lack of discussion creates the impression that MISO did not study any other load curtailment options, whether with BREC, other load in the area, or state authorities. MISO's apparent lack of investigation into whether other DR or even new transmission projects beyond the Century Aluminum load cap is insufficient to satisfy MISO's SSR Tariff rules. Those rules require assessment of all "feasible alternatives" to the proposed SSR Agreement, including transmission, generation and DR/load curtailment.¹² While MISO may have assessed other DR, load curtailment and SPS options, the Attachment Y Study Report is silent on whether it did so.

One of MISO's stated reasons for not evaluating solutions is that BREC has proposed to mothball Coleman for 2.5 years rather than retire the plant. "The short timeframe for the suspension foregoes any need for transmission upgrades since the issue may be adequately

¹¹ Study Report, at 12.

¹² MISO Tariff, § 38.2.7.c.

managed by customer equipment upgrades and curtailment of industrial load.”¹³ However, in the KPSC proceeding involving the Coleman facility, BREC stated in response to a request for information that the Coleman plant may not return to service until July 2019, when the company is projecting that the plant could become profitable to operate again.¹⁴ The possibility of a longer mothball period raises the question of whether a plant suspension of uncertain length undermines MISO’s ability to plan in the long term for a reliable system. In this case, for example, MISO appears to have decided not to require transmission upgrades because of the existence of a single load curtailment option and the relatively short 2.5 year period of the suspension. However, a longer suspension period might change MISO’s view. Also, at some point the monthly SSR Agreement costs (\$3.4 million in fixed costs alone) plus other expenses will exceed the costs of transmission or non-transmission alternatives. MISO’s filing does not address these issues.

For these reasons, PIOs request that FERC order MISO to explain whether it studied or investigated other options to reduce or eliminate the need for the SSR Agreement (and why not, if it chose not to do so), and also explain at what point it will consider longer-term solutions such as other DR or transmission upgrades.

C. MISO Has Not Justified Payment of Capital Costs in the Agreement

The negotiated SSR Agreement includes payment of \$8,200,658 in capital costs for the one year term of the SSR.¹⁵ According to the testimony of BREC witness Berry in the MISO filing, the “SSR budget” includes a detailed list of the capital items. However, MISO’s filing in ER14-292 does not include any such “SSR budget.” Without this information, FERC is not in a position to determine whether the items are acceptable to include and therefore whether the

¹³ Study Report, at 13.

¹⁴ See Exhibit A to this Motion, at 2, line 9.

¹⁵ See Berry Testimony, Exhibit E at 5, lines 14-19 of MISO’s November 1, 2013 filing in Docket No. ER14-292.

resulting SSR payments are just and reasonable. Especially if BREC actually is planning to idle Coleman until 2019, MISO should not be paying BREC to make capital investments in 2013-2014 without a defensible explanation.

D. MISO's Filing Is Unclear as to Whether Coleman Unit 1 Will Be Dropped from the SSR Agreement Earlier than Units 2 and 3.

Documents in MISO's filing refer to the possibility that Coleman unit 1 might be removed from the SSR Agreement earlier than units 2 and 3.¹⁶ MISO's filing does not address why unit 1 may be treated differently under the Agreement. Indeed, PIOs read MISO's filing to state that MISO intends to terminate the SSR Agreement for all units before the end of the one year term of the Agreement. MISO should explain under what conditions the units may require different treatment under the SSR Agreement.

IV. CONCLUSION

MISO's proposed SSR Agreement and Rate Schedule 43f for the Coleman plant is incomplete for the reasons set forth above. Accordingly, PIOs respectfully request that the Commission deny MISO's proposed Rate Schedule 43f and the SSR Agreement.

Respectfully submitted,

/s/

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The Sustainable FERC Project
NRDC
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¹⁶ *E.g., id.* at 5-6 (discussing different cost values depending on whether all three units or only units 2 and 3 operate under the SSR Agreement); § 3.B. of the SSR Agreement, Exhibit D of MISO November 1, 2013 filing in ER14-292 ("Participant may at any time request that MISO terminate this Agreement with respect to (a) Unit 1, or (b) all Units . . .").

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Chicago, Illinois, this 22nd Day of November, 2013.

/s

John Moore
Senior Attorney
The Sustainable FERC Project
NRDC
20 North Wacker Drive, Suite 1600
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Exhibit A

Excerpt from BREC Response to Kentucky Industrial Utility Customers, Inc.'s Initial

Request for Information in Case No. 2013-00199

(complete copy available at: [http://psc.ky.gov/PSCSCF/2013%20cases/2013-](http://psc.ky.gov/PSCSCF/2013%20cases/2013-00199/20130903%20Big%20Rivers%20Response%20to%20KIUC.pdf)

[00199/20130903 Big Rivers Response to KIUC.pdf](http://psc.ky.gov/PSCSCF/2013%20cases/2013-00199/20130903%20Big%20Rivers%20Response%20to%20KIUC.pdf))

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
dated August 19, 2013

September 3, 2013

- 1 **Item 46)** *For each of the Wilson, Green, Coleman, Reid or HMP&L generating*
2 *units:*
- 3 *a. Identify the estimated retirement date*
- 4 *b. Produce any analysis or assessment of the economics of continued*
5 *operation of such unit*
- 6 *c. Produce any analysis or assessment of the impact that retirement of each*
7 *unit would have on capacity adequacy, transmission grid stability,*
8 *transmission grid support, voltage support, MISO "must-run" status or*
9 *transmission system reliability*
- 10 *d. Identify any transmission grid upgrades or changes that would be needed to*
11 *permit the retirement of any of the units*
- 12 *e. Produce any analysis or assessment of the need for the continued operation*
13 *of each unit.*
- 14
- 15 **Response)**
- 16 *a. Per Big Rivers' 2012 Depreciation Study conducted by Burns & McDonnell*
17 *Engineering, the expected retirement dates for Big Rivers' generating assets in*
18 *"Scenario 1" on page II-4 of the Depreciation Study are as follows:*

Case No. 2013-00199
Response to KIUC 1-46
Witnesses: Robert W. Berry (a-b, e) and David G. Crockett (c-d)
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BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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1	Green Units 1 & 2	2041
2	HMP&L Units 1 & 2	2035
3	Reid Unit 1	2025
4	Wilson Unit 1	2045
5	Coleman Units 1, 2 & 3	2035

- 6 b. Please see the **CONFIDENTIAL** 15-year Production Cost Model Run (May-
7 13 to Dec-28) attached to Big Rivers' response to PSC 2-14 that shows
8 Wilson and Coleman idled, then profitably back in service in May 2018 and
9 July 2019 respectively.
- 10 c. Big Rivers has performed no analysis or assessment of generating unit
11 retirement impacts on capacity adequacy, transmission grid stability,
12 transmission grid support, voltage support, or transmission system reliability.
13 Big Rivers will be required to file an Attachment Y with MISO prior to any
14 unit retirement or suspension.
- 15 d. Big Rivers has performed no studies to identify the transmission grid upgrades
16 or changes needed to allow for the retirement of any of the generating units
17 currently operating on its system. As stated above, Big Rivers will be

Case No. 2013-00199

Response to KIUC 1-46

Witnesses: Robert W. Berry (a-b, e) and David G. Crockett (c-d)

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Case No. 2013-00199

Attachment to Response for Post-Hearing Data Request Item 13

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BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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Initial Request for Information
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September 3, 2013

1 required to file an Attachment Y with MISO prior to retiring or suspending
2 the operation of any unit, at which time MISO will perform such an analysis.
3 e. The results of the MISO Attachment Y indicates the Coleman units will be
4 designated as SSR units until such time Century installs the necessary
5 equipment to eliminate the SSR condition. The redacted version of the
6 Attachment Y is attached to this response.

7
8 Witnesses) Robert W. Berry (a-b, e) and David G. Crockett (c-d)

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APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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Response to Post-Hearing Request for Information
Dated January 9, 2014

January 24, 2014

1 **Item 14)** Provide a copy of spreadsheet analysis showing that using allowances
2 **from Coleman would allow Big Rivers to avoid adding a scrubber at Wilson.**

3

4 **Response)** Please see the attachment to this response for Big Rivers' emission allowance
5 **allocations with Coleman idled and Wilson running.**

6

7 **Witness)** Robert W. Berry

8

BIG RIVERS ELECTRIC CORPORATION
CASE NO. 2013-00199
Response to Post-Hearing Request for Information
Dated January 9, 2014
Emission Allowance Allocation

CSAPR Estimate Unit Emissions (Wilson Running, Coleman Idled)												
Station Information - Inputs	Wilson	Green 1	Green 2	HMP'L 1	HMP'L 2	Coleman 1	Coleman 2	Coleman 3	Reid I (Coal)	Reid CT (Natural Gas)	System (Gen. Wtd)	System (Cap. Wtd)
Net Capacity, MW	417	231	223	153	159	146	146	151	50	65	1,741	1,741
Annual Net Generation, MWH	3,200,000	1,700,000	1,800,000	1,100,000	1,100,000				0	5,000	8,905,000	8,905,000
Ozone Season Net Generation, MWH	1,400,000	725,000	770,000	465,000	475,000				0	4,000	3,839,000	
Net Heat Rate, BTU/kWH	10,515	10,950	11,000	10,550	10,850	10,910	10,840	10,725	14,000	13,000	10,743	10,940
Fuel Heating Value, BTU/lb	11,750	11,767	11,724	11,952	11,938	11,356	11,393	11,357	12,000			
% Sulfur in Fuel	3.35	3.66	3.66	3.19	3.20	2.90	2.93	2.89	3.12			
% SO ₂ Removal	92.0	97.0	97.0	96.0	96.0	96.0	96.0	96.0	0.0	0.0		
NO _x Emt Rate, lbs/MMBtu	0.065	0.230	0.230	0.076	0.076	0.330	0.330	0.330	0.500	0.700		
Station Calculations	Wilson	Green 1	Green 2	HMP'L 1	HMP'L 2	Coleman 1	Coleman 2	Coleman 3	Reid I	Reid CT	System	
Annual Heat Input, MMBtu	33,648,000	18,615,000	19,800,000	11,605,000	11,935,000	0	0	0	0	65,000	95,668,000	
Ozone Season Heat Input, MMBtu	14,721,000	7,938,750	8,470,000	4,905,750	5,153,750	0	0	0	0	52,000	41,241,250	
Fuel Consumed, Tons	1,431,830	790,983	844,422	485,484	499,874	-	-	-	-	-	4,052,593	
Inlet SO ₂ - lbs SO ₂ /MMBtu (97.5% S to SO ₂)	5.56	6.07	6.09	5.20	5.23	4.98	5.01	4.96	5.07	0.00		
Outlet SO ₂ - lbs SO ₂ /MMBtu	0.445	0.182	0.183	0.208	0.209	0.199	0.201	0.198	5.070	0.000		
Annual SO ₂ Emissions, Tons	7,483	1,694	1,808	1,208	1,248	0	0	0	0	0	13,440	Difference
CSAPR Phase 1 Annual SO ₂ Allocations, Tons	8,400	2,078	1,771	2,518	2,997	2,672	2,673	2,850	508	11	26,478	13,038
CSAPR Phase 2 Annual SO ₂ Allocations, Tons	3,614	1,964	1,771	1,251	1,289	1,150	1,150	1,226	219	9	13,643	203
Annual NO _x Emissions, Tons	1,094	2,141	2,277	441	454	0	0	0	0	23	6,429	Difference
CSAPR Phase 1 Annual NO _x Allocations, Tons	2,918	1,585	1,603	1,010	1,041	928	928	990	176	7	11,186	4,757
CSAPR Phase 2 Annual NO _x Allocations, Tons	2,645	1,437	1,453	916	944	841	842	898	160	6	10,142	3,713
Seasonal NO _x Emissions, Tons	478	913	974	186	196	0	0	0	0	18	2,766	Difference
CSAPR Phase 1 Seasonal NO _x Allocations, Tons	1,333	696	702	447	464	402	407	439	77	5	4,972	2,206
CSAPR Phase 2 Seasonal NO _x Allocations, Tons	1,180	616	622	396	411	356	360	389	68	4	4,402	1,636

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to Post-Hearing Request for Information
Dated January 9, 2014**

January 24, 2014

1 **Item 15) Provide the study of Environmental Effluent Guidelines when completed.**

2

3 **Response) Big Rivers has retained Burns & McDonnell Engineering to perform a**
4 **National Effluent Limitations Guidelines and Standards ("ELG") master planning study to**
5 **assist in assessing the current discharges and develop a preliminary plan for complying with**
6 **the proposed federal ELG rules. Big Rivers will provide copies of the study when it is**
7 **completed.**

8

9 **Witness) Robert W. Berry**

10

BIG RIVERS ELECTRIC CORPORATION

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January 24, 2014

1 **Item 16) Provide the sensitivity analysis of the conversion of R. D. Green Station**
2 **from coal to natural gas referenced in Big Rivers' response to SC 2-21.**

3

4 **Response) Please see the sensitivity analysis of the R.D. Green Station conversion to**
5 **natural gas on the CONFIDENTIAL electronic media provided with this response.**

6

7 **Witness) Robert W. Berry**

8

BIG RIVERS ELECTRIC CORPORATION

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January 24, 2014

1 **Item 17) Provide a breakdown of the fixed and variable costs that make up the**
2 **total production costs for Wilson.**

3

4 **Response) The 2014 operating cost for Wilson Station is reflected in Big Rivers'**
5 **CONFIDENTIAL attachment to this response.**

6

7 **Witness) Robert W. Berry**

8

BIG RIVERS ELECTRIC CORPORATION
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Response to Post-Hearing Request for Information
Dated January 9, 2014
Wilson Production Cost

2014 Wilson Production Cost

Operation Data/Inputs	
Net Generation, MWH	
Net Heat Rate, BTU/kWH	
Fuel Cost, \$/MMBtu	
Variable Cost (Non Fuel - Reagent & Disposal), \$/MWH	

Fixed Costs	\$	\$/MWH
Non-Labor (Non Outage) O&M		
Non-Labor (Outage) O&M		
Labor	\$ 12,041,808	
Total Fixed Costs (w/o Capital)		

Variable Costs	\$	\$/MWH
Fuel Cost		
Non Fuel (Reagent & Disposal) Cost		
Total Variable Cost		

	\$	\$/MWH
Total Production Cost (w/o Capital)		

Capital Costs	
----------------------	--

BIG RIVERS ELECTRIC CORPORATION

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Dated January 9, 2014**

January 24, 2014

1 **Item 18) Provide a copy of the presentation to the Kentucky Economic**

2 **Development Cabinet.**

3

4 **Response) Please see the attached presentation provided with this response.**

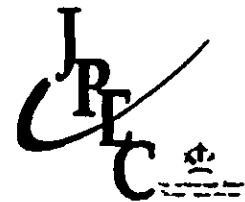
5

6 **Witness) Lindsay N. Barron**

7

ECONOMIC DEVELOPMENT IN WESTERN KENTUCKY

May 2013



WHO WE ARE...

- Big Rivers supplies wholesale electric generation and transmission service to three electric distribution cooperatives (“Members”):
 - Jackson Purchase Energy Corporation – Paducah, KY
 - Kenergy Corp. – Henderson, KY
 - Meade County Rural Electric Cooperative Corporation – Brandenburg, KY

- Big Rivers is a **not-for-profit** electric cooperative that is owned by the customers (Members) it serves. Combined, our Members provide electric service for approximately 113,000 retail consumer-members in 22 western Kentucky counties.

- Big Rivers and its Members are a regulated utility which includes oversight by the Kentucky Public Service Commission.



MEMBER COOPERATIVES

▪ Jackson Purchase Energy Corporation (JPEC)



- Headquartered in Paducah, Ky.
- Number of Meters: 29,301
- Member since January 3, 1984



Kelly Nuckols
President & CEO

▪ Kenergy Corporation (Kenergy)



- Headquartered in Henderson, Ky.
- Number of Meters: 55,282
- Member since June 1961



Greg Starhelm
President & CEO

▪ Meade County Rural Electric Cooperative Corporation (Meade County RECC)



- Headquartered in Brandenburg, Ky.
- Number of Meters: 28,622
- Member since June 1961



Burns Mercer
President & CEO

BIG RIVERS' GENERATING CAPACITY

- ▣ **Owned Generation - 1,444 MW**
 - **Kenneth Coleman (Hawesville) – 443 MW**
 - **Robert Reid (Sebree) – 130 MW**
 - **Robert Green (Sebree) – 454 MW**
 - **D.B. Wilson (Centertown) – 417 MW**

- ▣ **Henderson Municipal Power & Light (HMP&L) Station Two - 197 MW**

- ▣ **Southeastern Power Administration (SEPA) – 178 MW**

- ▣ **Total Capacity – 1,819 MW**

BRIEF UPDATE

Century

- ▣ Termination Notice – August 20, 2013
- ▣ Century's Electric Load → **482 MW**
- ▣ 2012 Total Annual Revenue (Century) → **\$205 million**

Rio Tinto Alcan (RTA)

- ▣ Termination Notice – January 31, 2014
- ▣ RTA's Electric Load → **368 MW**
- ▣ 2012 Total Annual Revenue (RTA) → **\$155 million**

TERM SHEET AGREEMENT

Century Term Sheet Agreement – April 29, 2013

- A tentative agreement was made for the framework on providing market power to Century's Hawesville smelter.
- Its intended to have **NO** impact on the current rate proposal pending before the Kentucky PSC.
- Big Rivers and its Members are committed to selling the power previously consumed by Century Aluminum (**482 MW**).
 - This assurance applies to Rio Tinto Alcan's **368 MW** load as well.
- Since receiving Century and Alcan's Termination Notice, we have **NO** legal obligation to reserve capacity to serve their electric load in the future.

CENTURY RATE CASE

In preparation for Century exiting the Big Rivers' system on August 20, 2013 – Big Rivers filed a rate case on January 15, 2013.

- Again, Century accounts for approximately \$205 million in annual revenue.
- We'll be implementing approximately \$125 million in cost cutting to reduce the financial void from Century leaving the system.
- Requesting \$74 million per year annual revenue increase.

System Wide Electric Rate Increase

Approximately 19% for large industrials

Approximately 21% for residential and commercial accounts

Cost Cutting Measures

- Idling a generation facility.
- Savings from refinancing activities.
- Re-negotiations for fuel and reagent contracts.
- Plant efficiency improvements.
- Employee benefit changes.
- Avoid filling vacancies.

MITIGATION EFFORTS

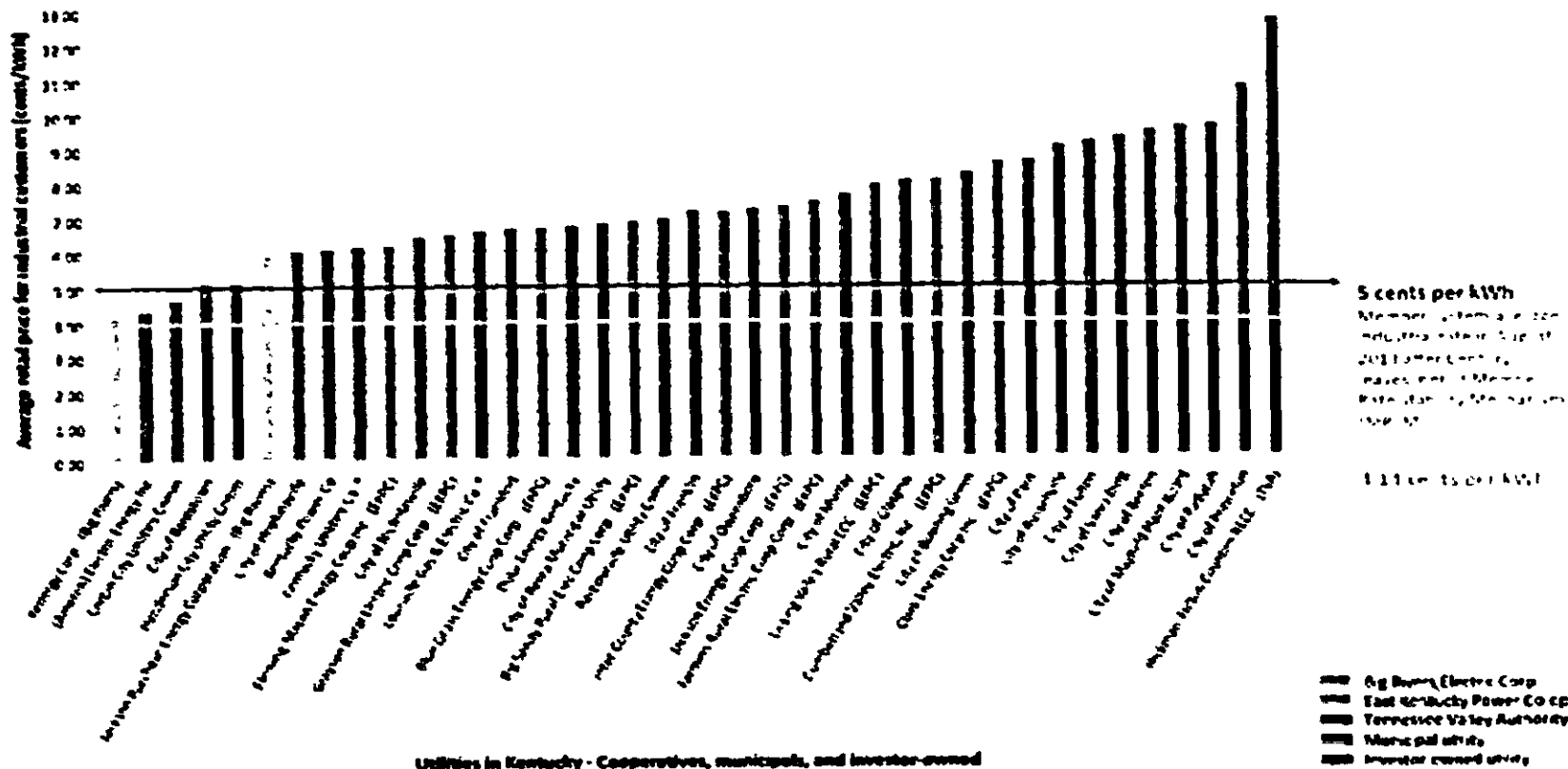
- Big Rivers, Kenergy, Jackson Purchase and Meade County are working together to replace the 850 MW smelter load (61% of peak demand).

- By finding replacement load to mitigate the upcoming rate increases through:
 - RFPs (sell to other utilities)
 - Short-term and Long-term Purchase Power Agreements.
 - Attracting existing/expanding or new loads to the system by utilizing our Economic Development Incentive Rate (EDR).
 - Sale or lease of generation assets.

U.S. Energy Administration

Kentucky industrial customers - Average retail price of electricity in 2011

March 22, 2013



* Adjusted for rate increases in 2011 and 2012

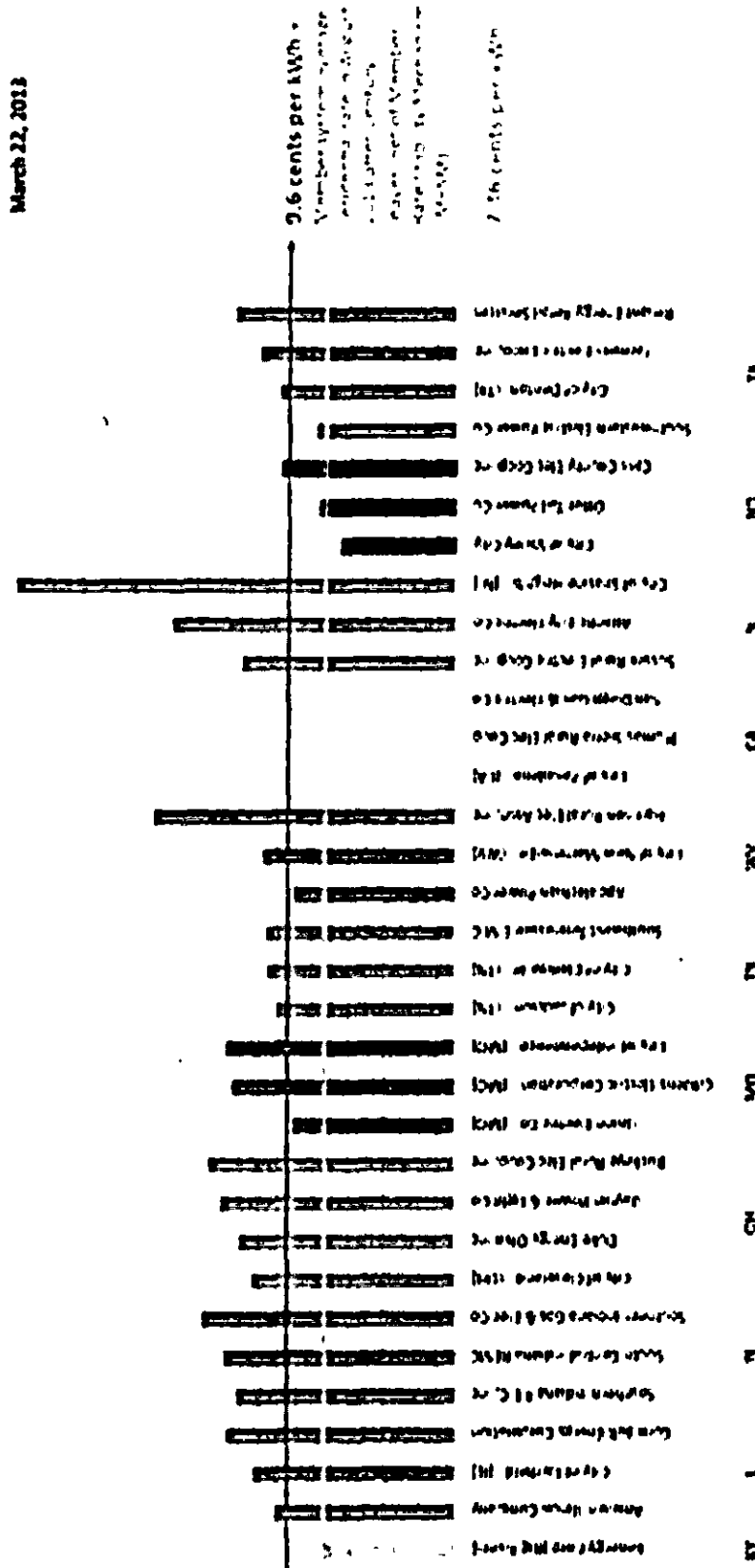
Source: <http://www.eia.gov/electricity/data/c/kentucky>

U.S. Energy Administration

Residential customers - Average retail price of electricity in 2011

March 22, 2012

Average retail price for residential customers (cents/kWh)



Source: <http://www.eia.gov/electricity/data.cfm#rates>

PROPOSED ED RATE

- ▣ Executed via special contracts
 - Subject to PSC approval
- ▣ Will apply to new or expansion load above **1,000kW (1 MW)** billing demand.
 - \$7.50 per kW demand charge
- ▣ Incentive for up to 4 years
- ▣ Contract term must be at least twice incentive period
 - Additional consideration may be given for partially or fully interruptible loads
- ▣ Customer-specific fixed cost recovery will be determined on a case-by-case basis

QUESTIONS WE HAVE

- Should the EDR only apply to new businesses to avoid existing industries from gaming the system by renaming a business to capture the EDR pricing?
 - i.e. Avoid having XYZ company change its name to ABC company to access the EDR rate?
 - Do some EDR's have conditions whereas the EDR only applies to existing facilities that have been vacant for 12-24 months?
- What if customers terminate before contract expires?
 - How do others recover the lost revenues?
- Is each EDR tailored to the utility's situation?
- Is there anything we've failed to consider?

THANK YOU

- ▣ We appreciate you for allowing us to meet with your staff today.
- ▣ Thank you for your time and we look forward to working with you in the future.
- ▣ Questions/Comments?



BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to Post-Hearing Request for Information
Dated January 9, 2014**

January 24, 2014

1 **Item 19) Provide the basis for the changes in Exhibit Warren-3.2.**

2

3 **Response) Exhibit Warren-3 was submitted in the filing of Case No. 2013-00199 and**
4 **was updated in the Rebuttal Testimony of John Wolfram as Exhibit Warren-3.2. The**
5 **changes in this Exhibit were results of Commission Orders in Cases 2012-00535 and 2013-**
6 **00221. Electric Energy Revenues without the proposed increase were reduced by \$8,936,828**
7 **in the test period after incorporating the rates from the Order in 2012-00535 as the starting**
8 **point. The adjustments to the Cost of Electric Service are discussed on pages 33-34 in the**
9 **Rebuttal Testimony of John Wolfram and a summary of the actual dollar amounts adjusted is**
10 **provided below for reference.**

Total Cost of Electric Service in Exhibit Warren-3	\$	371,435,105
Adjustments:		
Coleman Depreciation	\$	(6,466,194)
ACES Fees	\$	(783,724)
Labor Increases	\$	(450,000)
NRCO Dues	\$	(24,900)
PSC Assessment	\$	(193,773)
Property Tax & Insurance	\$	(113,328)
NERC & SERC	\$	(105,750)
Rate Case Expenses (2012-00535)	\$	16,323
Total Reductions	\$	(8,121,346)

11 **Total Cost of Electric Service in Exhibit Warren-3.2 \$ 363,313,759**

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1 Witness) Christopher A. Warren

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 20) Provide Exhibit Warren 2.2 in electronic spreadsheet format.**

2

3 **Response) The requested file and the financial forecast file that Exhibit Warren 2.2 links**
4 **to are provided on the CONFIDENTIAL electronic media accompanying these responses.**

5

6 **Witness) Christopher A. Warren**

BIG RIVERS ELECTRIC CORPORATION

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CASE NO. 2013-00199**

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January 24, 2014

1 **Item 21) Provide a breakdown of the kWh and kW billing determinants used in**
2 **the Cost of Service Study for each member cooperative for the test period.**

3

4 **Response) Please see the attachment.**

5

6 **Witness) John Wolfram**

7

Big Rivers Electric Corporation
Case No. 2013-00199
Attachment to Response for Post-Hearing Data Request Item 21

COSS Billing Determinants

ENERGY (kWh)

	2014 Feb	2014 Mar	2014 Apr	2014 May	2014 Jun	2014 Jul	2014 Aug	2014 Sep	2014 Oct	2014 Nov	2014 Dec	2015 Jan	Test Period Total
Rurals													
Kenergy	98,674,000	90,683,000	74,775,500	81,088,000	98,414,500	115,214,500	112,621,000	86,776,500	78,994,500	88,610,000	113,420,000	115,004,500	1,154,276,000
Jackson Purchase	59,204,400	54,409,800	44,865,300	48,652,800	59,048,700	69,128,700	67,572,600	52,065,900	47,396,700	53,166,000	68,052,000	69,002,700	692,565,600
Meade	39,469,600	36,273,200	29,910,200	32,435,200	39,365,800	46,085,800	45,048,400	34,710,600	31,597,800	35,444,000	45,368,000	46,001,800	461,710,400
Total	197,348,000	181,366,000	149,551,000	162,176,000	196,829,000	230,429,000	225,242,000	173,553,000	157,989,000	177,220,000	226,840,000	230,009,000	2,308,552,000
Large Industrials													
1 Aleris	14,964,350	14,621,220	15,307,580	15,667,440	15,482,090	15,901,360	15,431,650	15,220,891	15,177,980	13,697,310	14,357,250	15,600,700	181,429,821
2 Tyson	5,485,600	6,083,460	5,521,060	5,710,280	6,293,550	6,638,510	6,813,039	5,937,390	6,255,540	5,560,430	5,573,210	5,457,020	71,329,089
3 KC	24,394,400	26,523,550	25,783,640	24,770,720	25,299,080	26,335,070	26,844,390	25,213,090	26,610,990	26,108,910	26,240,400	24,703,210	308,827,450
4 Domtar	9,928,800	10,992,600	10,638,000	10,992,600	10,638,000	14,656,800	14,656,800	10,638,000	10,992,600	10,638,000	10,992,600	10,992,600	136,757,400
5 Alcoa	96,450	84,030	77,580	77,620	71,870	72,560	102,960	107,160	103,760	102,440	118,520	110,920	1,125,870
6 Pre Coat / Roll	1,344,210	1,518,520	1,371,840	1,549,850	1,640,040	1,623,070	1,692,320	1,288,430	1,437,920	1,275,410	1,032,580	1,197,240	16,971,430
7 Accuride	2,345,950	2,563,090	2,359,380	2,385,150	2,222,910	2,461,320	2,356,457	2,114,000	2,178,630	2,082,780	1,900,960	1,915,910	26,886,537
8 KBI	651,610	685,290	595,030	684,130	632,380	626,450	694,440	449,775	639,890	494,270	505,140	691,850	7,350,255
9 Arm Dock	2,862,500	3,144,980	2,919,170	3,372,390	3,214,490	3,151,827	3,565,120	2,934,250	3,504,548	3,223,480	3,426,970	2,841,560	38,161,285
10 Southwire	3,915,050	4,233,020	4,071,350	4,343,770	4,357,680	4,628,440	4,652,970	4,466,561	4,509,100	4,109,380	4,136,150	4,090,380	51,513,851
11 Sebree Steamport Allied	2,649,524	2,649,524	2,884,600	3,208,790	1,831,443	2,252,233	2,891,960	2,538,708	2,797,130	2,664,930	2,775,925	2,649,524	31,794,291
12 Hopkins	170,160	181,390	148,030	167,310	82,940	80,170	131,580	123,480	152,000	149,750	122,310	189,410	1,698,530
13 Sebree KMMC	46,883	46,883	39,530	45,850	43,140	43,960	46,810	42,030	41,670	48,980	69,980	46,883	562,599
14 Pennyrile River Edge	1,249,920	1,383,840	2,678,400	2,767,680	2,678,400	2,767,680	2,767,680	2,678,400	2,767,680	2,678,400	2,767,680	2,767,680	29,953,440
15 Midway	1,960,080	1,883,220	1,877,400	1,850,400	1,807,960	1,752,520	1,807,390	1,947,820	2,151,890	2,053,320	2,296,608	1,898,650	23,287,258
16 Valley	1,093,540	955,010	916,380	922,670	903,500	863,730	1,026,560	1,236,250	1,089,660	986,150	977,900	1,024,370	11,995,720
17 Elk Creek Mine	252,000	279,000	270,000	279,000	270,000	279,000	279,000	270,000	279,000	270,000	279,000	279,000	3,285,000
18 Am Equality	1,558,320	1,622,320	1,568,470	1,452,370	1,504,320	1,537,520	1,593,200	1,386,340	1,543,654	1,395,720	1,439,480	1,529,370	18,131,084
19 Lewis	1,293,600	1,432,200	1,386,000	1,432,200	1,386,000	1,432,200	1,432,200	1,386,000	1,432,200	1,386,000	1,432,200	1,432,200	16,863,000
20 Shell	289,855	253,080	587,460	581,250	315,450	194,800	425,270	531,540	579,650	518,140	599,810	380,000	5,256,305
TOTAL	76,553,000	81,136,000	81,001,000	82,261,000	80,675,000	87,299,000	89,212,000	80,510,000	84,245,000	79,444,000	81,045,000	79,798,000	983,179,000

* Large Industrials 1-19: Kenergy, 20: Jackson Purchase

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 22)** Regarding page 13 of Exhibit Wolfram 2, Reference Schedule 1.12,
2 provide an explanation of why DSM/EE expenses are higher in June and December.

3

4 **Response)** The budget provided attempts to project future monthly expenditures for the
5 test period regarding DSM/EE expenses. The actual monthly expenditures are influenced by
6 a number of factors including weather, invoice timing, and member participation. The
7 budget was developed assuming compact fluorescent lights ("CFL") would be distributed
8 primarily in June as part of Big Rivers' three Members' annual meetings. A number of
9 programs are expected to increase as a result of seasonal preparation for heating and cooling,
10 while others were projected to follow the housing construction season, further driving June's
11 expenditures. December is projected to be higher due to invoice timing at year end and
12 increased spend by consumers (both residential and commercial) on DSM/EE measures.

13

14 **Witness)** Lindsay N. Barron

15