

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE)	
COMMISSION OF THE ENVIRONMENTAL)	
SURCHARGE MECHANISM OF BIG RIVERS)	
ELECTRIC CORPORATION FOR THE SIX-)	CASE NO.
MONTH BILLING PERIOD ENDING JANUARY 31,)	2014-00097
2014 AND THE PASS THROUGH MECHANISM)	
OF ITS THREE MEMBER DISTRIBUTION)	
COOPERATIVES)	

ORDER

On June 25, 2008, the Commission approved Big Rivers Electric Corporation's ("Big Rivers") environmental surcharge application and established a surcharge mechanism.¹ The Commission also approved a mechanism to pass through the environmental surcharge to Big Rivers' three member distribution cooperatives ("Member Cooperatives").² Pursuant to KRS 278.183(3), at six-month intervals the Commission must review the past operations of the environmental surcharge. After the hearing, the Commission may, by temporary adjustment in the surcharge, disallow any surcharge amounts found not to be just and reasonable and reconcile past surcharges with actual costs recoverable pursuant to KRS 278.183(1). Therefore, the Commission

¹ Case No. 2007-00460, The Application of Big Rivers Electric Corporation for Approval of an Environmental Compliance Plan and Environmental Surcharge Tariff (Ky. PSC June 25, 2008).

² Case No. 2007-00470, The Application of Meade County Rural Electric Cooperative Corporation for Approval of Retail Tariff Riders, Revised Tariffs and New Tariff, and for Approval of Amendment of Wholesale Agreement (Ky. PSC Dec. 12, 2008); Case No. 2008-00009, The Application of Kenergy Corp. for Approval of Retail Tariff Riders and Revised Tariffs, Approval of Smelter Agreements, and Approval of Amendment to Wholesale Agreement (Ky. PSC Dec. 12, 2008); and Case No. 2008-00010, The Application of Jackson Purchase Energy Corporation for Approval of Retail Tariff Riders, Revised Tariffs, New Tariff, and Amendment of Wholesale Agreement (Ky. PSC Dec. 12, 2008).

hereby initiates a six-month review of the environmental surcharge as billed from August 1, 2013, through January 31, 2014, to the Member Cooperatives. The billing period under review reflects costs incurred by Big Rivers from June 1, 2013, through November 30, 2013. The Commission also initiates the corresponding review of the pass-through mechanism for the Member Cooperatives as billed from September 1, 2013, through February 28, 2014, to their retail member customers and August 1, 2013, to January 31, 2014, for large commercial and industrial customers with dedicated delivery points.³

To facilitate this review, a procedural schedule is set forth in Appendix A, attached hereto and incorporated herein. In accordance with that schedule, Big Rivers is to file prepared direct testimony in support of the reasonableness of the application of its environmental surcharge mechanism during the time period under review. Also in accordance with that schedule, the three Member Cooperatives, or Big Rivers on their behalf, is to file prepared direct testimony in support of the reasonableness of the application of the pass-through mechanism during the time period under review. In addition, Big Rivers is to file its response to the information requested in Appendix B, attached hereto and incorporated herein. Since the period under review in this proceeding may have resulted in over- or under-recoveries, the Commission will entertain proposals to adopt one adjustment factor to net all over- or under-recoveries.

³ The Commission's Orders in Case Nos. 2007-00470, 2008-00009, and 2008-00010 allow the Member Cooperatives to pass through the environmental surcharge to all their retail customers, except large commercial and industrial customers with dedicated delivery points, on a one-month lag. Therefore, the costs incurred by Big Rivers from June 2013 through November 2013 are billed to the Member Cooperatives in the months of August 2013 through January 2014, with these same costs passed through to the member's retail customers on the bills for September 2013 through February 2014. Those customers with dedicated delivery points are billed without the one-month lag necessary for the retail customers; therefore, their billing period covers the same time frame as Big Rivers.

IT IS HEREBY ORDERED that:

1. Big Rivers and each of its three Member Cooperatives listed in footnote 2 shall be made parties to this case.

2. The procedural schedule set forth in Appendix A, attached hereto and incorporated herein, shall be followed in this proceeding.

3. Any person who submits a motion to intervene after May 9, 2014, and, upon a showing of good cause, is granted full intervention shall accept and abide by the existing procedural schedule.

4. Big Rivers shall, by the date set forth in Appendix A, file its prepared direct testimony in support of the reasonableness of the application of its environmental surcharge mechanism and the three Member Cooperatives, or Big Rivers on their behalf, shall file by that date their prepared direct testimony in support of the reasonableness of the application of the pass-through mechanism during the periods under review.

5. Any party filing testimony shall file an original and seven copies.

6. a. The information requested herein is due on or before the date specified in Appendix A. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record and seven copies to the Commission. Any request for information by letter from the Commission Staff shall be responded to as if set forth in a Commission Order.

b. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a

governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. Any party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

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

7. Within seven days of the Commission's granting intervention to a party, Big Rivers shall provide the party with a copy of its monthly environmental surcharge reports as filed with the Commission for the review period.

8. Big Rivers' monthly environmental surcharge reports and supporting data for the review periods shall be incorporated by reference into the record of this case.

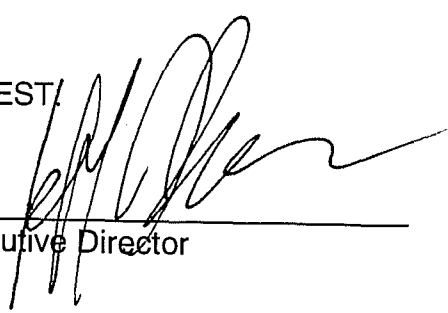
9. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

10. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission

ENTERED
APR 01 2014
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2014-00097

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2014-00097 DATED **APR 01 2014**

- Big Rivers shall file its prepared direct testimony and responses to the information requested in Appendix B no later than.....04/23/14
- A person interested in becoming a party to this proceeding shall file a motion to intervene with the Commission pursuant to 807 KAR 5:001, Section 4(11) no later than.....05/09/14
- All additional requests for information to Big Rivers shall be filed no later than05/21/14
- Big Rivers shall file responses to additional requests for information no later than06/04/14
- Intervenor testimony, if any, in verified prepared form shall be filed no later than06/18/14
- All requests for information to Intervenors shall be filed no later than07/02/14
- Intervenors shall file responses to requests for information no later than07/16/14
- Last day for Big Rivers or Intervenors to request a hearing or submit this case for decision based on the record.....07/28/14

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2014-00097 DATED **APR 01 2014**

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

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

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

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

4. Refer to Big Rivers monthly reports for the expense months of October and November 2013.

a. Explain how Big Rivers determined the rate of return used to calculate the return on rate base and how the method used is in accordance with the Commission's Order in Case No. 2012-00063.

b. Provide the calculations and supporting data for the rate of return of 6.14 percent for October and 5.85 percent for November. Provide all supporting calculations and documentation in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.

5. Is Big Rivers aware of the practice of other Kentucky utilities with an environmental surcharge to calculate a rate of return to be used prospectively in the monthly filings in an environmental surcharge review until changed by the Commission in a subsequent six-month or two-year environmental surcharge review proceeding? If so, did Big Rivers consider adopting this method for establishing the rate of return for its monthly reports instead of its current practice of calculating the rate of return on a monthly basis? Explain Big Rivers' decision to adopt its current method.

6. Explain why Big Rivers has not calculated a cash working capital allowance on ES Form 2.40, and carried the result forward to ES Form 2.00 to determine Big Rivers' environmental compliance rate base. When does Big Rivers anticipate including a cash working capital allowance calculation in the rate base determination on the monthly reports?

7. Explain why Big Rivers has not included the emission allowance inventory on ES Form 2.00 to determine Big Rivers' environmental compliance rate base. When

does Big Rivers anticipate including the emission allowance inventory in the rate base determination on the monthly reports?

8. In Big Rivers' response to Commission Staff's First Request for Information in Case No. 2013-00347, Item 6, Big Rivers stated that it did not anticipate proceeding with the installation of the MATS equipment at the Coleman and Wilson stations due to the pending idling of these units.

a. Explain whether the response continues to accurately describe Big Rivers' intent regarding the installation of MATS equipment at the Coleman Station.

b. On March 20, 2014, Big Rivers informed the Commission that due to favorable sales of power through February 2015, Big Rivers would postpone the idling of the Wilson station until February 2015. Explain what effect this postponement will have on Big Rivers' plan to not install MATS equipment at Wilson, given the MATS compliance date is April 2015.

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