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RECEIVED

SEP 25 2014

PUBLIC SERVICE
COMMISSION

Via Overnight Mail

September 24, 2014

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2014-00134

Dear Mr. Derouen:

Please find enclosed the original and ten (10) copies each of the RESPONSES OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. to: 1) COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION; and 2) FIRST REQUEST FOR INFORMATION OF BIG RIVERS ELECTRIC CORPORATION for filing in the above-referenced matter. I also enclose the CONFIDENTIAL PAGES and CD'S to be filed under seal.

The information filed under seal is information that Big Rivers sought confidential treatment through a Petition for Confidential Treatment dated April 4, 2014. KIUC redacted this information in order to protect Big River's interests in keeping this information confidential.

By copy of this letter, all parties listed on the Certificate of Service have been served. Please place these documents of file.

Very Truly Yours,



Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

Jody Kyler Cohn, Esq.

BOEHM, KURTZ & LOWRY

MLKkew
Attachment

cc: Certificate of Service
Quang Nyugen, Esq.
Richard Raff, Esq.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by electronic mail (when available) and by regular, U.S. mail, unless other noted, this 24th day of September, 2014 to the following:



Michael L. Kurtz, Esq.
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF: BIG RIVERS ELECTRIC :
CORPORATION'S FILING) OF WHOLESALE CONTRACTS : Case No. 2014-00134
PURSUANT TO KRS 278.180 AND 807 KAR 5:011 §13 :

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RESPONSES OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC PUBLIC SERVICE
TO COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION COMMISSION

1. Refer to page 22 of the direct Testimony of Lane Kollen, lines 12-18, and Exhibit LK-5.
 - a. Provide a copy in electronic spreadsheet format of the analysis performed by Mr. Kollen.
 - b. Explain how the percentage value was derived in Mr. Kollen's sensitivity analysis.

RESPONSE

- a. Refer to the CONFIDENTIAL "Staff 1-1(a)" on the enclosed CD.
- b. Refer to page 22 lines 1-7 of Mr. Kollen's Direct Testimony regarding capacity prices reflected in the status quo case. In addition, MISO energy prices recently have trended upward as indicated by MISO futures. Mr. Kollen chose the percentage cited on page 22 of his testimony to assess the sensitivity of the status quo margins to a reasonable, yet limited, increase in the market capacity and energy prices used by ACES in its analysis. He did not select this percentage based on a quantitative analysis.

Respectfully submitted,



Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

Jody Kyler Cohn, Esq.

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**COUNSEL FOR KENTUCKY INDUSTRIAL UTILITY
CUSTOMERS, INC.**

September 24, 2014

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF: BIG RIVERS ELECTRIC :
CORPORATION'S FILING) OF WHOLESALE CONTRACTS :
PURSUANT TO KRS 278.180 AND 807 KAR 5:011 §13 :

Case No. 2014-00134

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PUBLIC SERVICE
COMMISSION

**RESPONSES OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC
TO FIRST REQUEST FOR INFORMATION OF
BIG RIVERS ELECTRIC CORPORATION**

(REDACTED VERSION)

1. **Mr. Kollen states on pages 11 and 12 of his testimony that approval by the Commission of the Nebraska contracts will "preemptively and unnecessarily limit the alternatives available to address the Company's excess capacity" that should be considered in the focused management audit initiated by the Commission in its order of April 28, 2014, in Case No. 2013-00199 (the "Order").**
 - a. **Does Mr. Kollen contend that the Commission intended in its Order that Big Rivers should delay implementation of its Mitigation Plan, or postpone pursuing certain options under its Mitigation Plan during the pendency of the focused management audit?**
 - b. **If the answer to the preceding question is "yes," please identify with particularity each passage of text in the Order upon which Mr. Kollen relies to reach that conclusion.**
 - c. **What other options under the Mitigation Plan, if any, does KIUC contend that Big Rivers should cease pursuing during the pendency of the focused management audit?**

RESPONSE:

- a. The Company should continue to implement its Mitigation Plan to the extent that it identifies achievable options that are economic compared to the status quo and that do not prematurely or unnecessarily limit its ability to implement recommendations resulting from the management audit. The management auditor will review the strategic planning, management, and decision-making of Big Rivers relating to its mitigation efforts, both for the steps it already has undertaken and those that it will or should undertake.
- b. N/A
- c. N/A

2. Mr. Kollen states on page 20 of his testimony, beginning on line 1, that [REDACTED] Please provide all workpapers used by Mr. Kollen in determining the \$49.199 million in electronic format with all formulae and cells intact.

RESPONSE:

Refer to CONFIDENTIAL "BREC 1-2 Attachment" on the enclosed CD.

3. **Please refer to the testimony of Mr. Kollen, page 22, lines 14 through 16. Mr. Kollen states that he prepared a sensitivity to the status quo case in the ACES report, and that he included some of the results of that sensitivity in his Exhibit LK-5.**
- a. **Please provide all workpapers related to this sensitivity in electronic format with all formulae and cells intact.**
 - b. **Please provide Exhibit LK-5 in electronic format with all formulae and cells intact.**
 - c. **Aside from increasing energy and demand prices by 10%, please list all other changes Mr. Kollen made to the status quo case in the ACES report to arrive at the values in Exhibit LK-5, and explain the basis for each such change.**

RESPONSE:

- a. Refer to CONFIDENTIAL "BREC 1-3(a) and (b) Attachment" on the enclosed CD.
- b. Refer to CONFIDENTIAL "BREC 1-3(a) and (b) Attachment" on the enclosed CD.
- c. Mr. Kollen made no other changes.

4. **Mr. Kollen provides on page 24 of his testimony a chart of NPPD capacity sources. Please identify and provide the source documents for the information in the chart.**

RESPONSE:

Refer to page 1 of the 2012 Statistical Review included in the 2012 Annual Report of the Nebraska Public Power District, which can be accessed at the following link:

<http://www.nppd.com/assets/2012annualreport.pdf>

5. **Does KIUC oppose Big Rivers making any intersystem sale of electric services at a rate lower than the wholesale rate approved for Big Rivers' Members? Please explain in detail the reasons for your answer.**

RESPONSE:

No. See Mr. Kollen's Direct Testimony at page 26, line 18 through page 27, line 6 for the requested explanation and reasons.

6. **Does KIUC contend that margins realized from the Nebraska contracts should be committed to the Economic Reserve regardless of the financial circumstances of Big Rivers at the time the margins are earned?**

RESPONSE:

Yes. These margins will be incremental to the amounts presently included in base rates.

7. **Mr. Kollen states on pages 30 and 31 of his testimony that sales of electricity by Big Rivers out-of-state could impair the ability of the Commonwealth of Kentucky to comply with the EPA's "Clean Power Plan."**
- a. **Does KIUC advocate that Big Rivers forego sales of electricity out-of-state if that would assist the Commonwealth of Kentucky in complying with the Clean Power Plan? If the answer to this question is "yes," please state KIUC's position about who should bear the costs and financial losses to Big Rivers of foregoing those sales.**
- b. **Does Mr. Kollen oppose Big Rivers seeking to increase native load sales through economic development on the grounds that such mitigation activity would also impair the ability of the Commonwealth of Kentucky to comply with the EPA's "Clean Power Plan"?**

RESPONSE:

- a. Mr. Kollen cannot respond on a generic basis. It would be necessary to consider all facts and circumstances. Nevertheless, long-term contracts for out-of-state power sales inherently carry more Section 111(d) risk for the state of Kentucky than spot market sales, which can be curtailed if necessary. Until a State Implementation Plan under Section 111(d) is proposed by Kentucky and accepted by EPA, long-term contracts for out-of-state power sales should receive heightened scrutiny. Finally, in this particular case, contrary to the statement included in the question, there are no "costs and financial losses to Big Rivers of foregoing" the Nebraska sales. As discussed at length in my testimony, according to the ACES study, the status quo case of continuing to sell into the MISO markets is more economic and less risky than the proposed Nebraska transactions.
- b. No, although it would be necessary to consider all facts and circumstances.

8. Please confirm that Mr. Kollen's use of the term "status quo" in his testimony refers in each instance to the status quo case in the ACES "Valuation and Risk Assessment" dated October 30, 2013. If Mr. Kollen cannot confirm this assumption, please state the meaning of the term "status quo" in each instance where it is used in his testimony and does not mean the status quo case in the ACES "Valuation and Risk Assessment" dated October 30, 2013.

RESPONSE:

Refer to page 13 lines 9-16 of Mr. Kollen's Direct Testimony for a description of each of the ACES studies, including the status quo case, which is identified in the ACES report as the [REDACTED]

Respectfully submitted,



Michael L. Kurtz, Esq.

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**COUNSEL FOR KENTUCKY INDUSTRIAL UTILITY
CUSTOMERS, INC.**

September 24, 2014