

April 14, 2015

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Via Hand Delivery

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

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*Also Licensed in Indiana

Re: *In the Matter of: An Examination of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 2013 through April 30, 2014*
Case No. 2014-00230; and

In the Matter of: An Examination of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 2012 through October 31, 2014
Case No. 2014-00455

Dear Mr. Derouen:

Enclosed for filing are an original and eight (8) copies of (i) Big Rivers Electric Corporation's response to Item 1 of Kentucky Industrial Utility Customers, Inc.'s Request for Information; and (ii) a motion for deviation. I certify that on this date, a copy of this letter, a copy of the response, and a copy of the motion were served on each of the persons listed on the attached service list by first-class mail.

Sincerely,



Tyson Kamuf
Counsel for Big Rivers Electric Corporation

TAK/lm
Enclosures

Telephone (270) 926-4000
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cc: Lindsay Barron
DeAnna Speed
Service List

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Service List
PSC Case No. 2014-00230
PSC Case. No. 2014-00455

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ORIGINAL



Your Touchstone Energy® Cooperative 

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

AN EXAMINATION OF THE APPLICATION)
OF THE FUEL ADJUSTMENT CLAUSE)
OF BIG RIVERS ELECTRIC CORPORATION) **Case No.**
FROM) **2014-00230**
NOVEMBER 1, 2013 THROUGH APRIL 30, 2014)

AN EXAMINATION OF THE APPLICATION)
OF THE FUEL ADJUSTMENT CLAUSE)
OF BIG RIVERS ELECTRIC CORPORATION) **Case No.**
FROM) **2014-00455**
NOVEMBER 1, 2012 THROUGH OCTOBER 31, 2014)

**Responses to Item 1 of the Kentucky Industrial Utility Customers, Inc.'s
Request for Information
dated
March 6, 2015**

FILED: April 14, 2015

ORIGINAL

BIG RIVERS ELECTRIC CORPORATION

**AN EXAMINATION OF THE APPLICATION OF THE FUEL
ADJUSTMENT CLAUSE OF BIG RIVERS ELECTRIC CORPORATION
FROM NOVEMBER 1, 2013 THROUGH APRIL 30, 2014
CASE NO. 2014-00230**

**AN EXAMINATION OF THE APPLICATION OF THE FUEL
ADJUSTMENT CLAUSE OF BIG RIVERS ELECTRIC CORPORATION
FROM NOVEMBER 1, 2012 THROUGH OCTOBER 31, 2014
CASE NO. 2014-00455**

**Response to Item 1 of the Kentucky Industrial Utility Customers, Inc.'s
Request for Information
dated March 6, 2015**

April 14, 2015

1 *Item 1) For each month during the period under review in this*
2 *proceeding, please provide the dollar amount of fuel costs that would have*
3 *been included in the calculation of the fuel adjustment clause if Big*
4 *Rivers had assigned its lowest fuel cost generation to native load*
5 *customers each hour and compare that amount to the dollar amount that*
6 *was included in the calculation. Please provide the information in the*
7 *same format as the Attachment to Big Rivers' Response to Commission*
8 *Staff's Third Request for Information, Item No. 1 in Case No. 2014-00230.*
9 *Please provide all workpapers electronically in spreadsheet format, with*
10 *all formulas intact.*

11

12 **Response)** As Big Rivers explained in its response to Item 1 of the Public Service
13 Commission Staff's Third Request for Information in Case No. 2014-00230 ("PSC
14 3-1"), Big Rivers does not have the process in place to allocate fuel costs between
15 off-system sales and native load on an hourly stacked cost basis. Big Rivers has
16 begun work to develop a process for such an allocation methodology, but
17 development of the process will require a significant amount of time, research and
18 effort. However, Big Rivers has calculated an estimate of the potential impact of
19 switching to an hourly stacked cost approach by allocating its least expensive
20 units based on monthly average costs for each specific unit to native load on an

BIG RIVERS ELECTRIC CORPORATION

**AN EXAMINATION OF THE APPLICATION OF THE FUEL
ADJUSTMENT CLAUSE OF BIG RIVERS ELECTRIC CORPORATION
FROM NOVEMBER 1, 2013 THROUGH APRIL 30, 2014
CASE NO. 2014-00230**

**AN EXAMINATION OF THE APPLICATION OF THE FUEL
ADJUSTMENT CLAUSE OF BIG RIVERS ELECTRIC CORPORATION
FROM NOVEMBER 1, 2012 THROUGH OCTOBER 31, 2014
CASE NO. 2014-00455**

**Response to Item 1 of the Kentucky Industrial Utility Customers, Inc.'s
Request for Information
dated March 6, 2015**

April 14, 2015

1 hourly basis and applying the cost differential per MWh to FAC generation
2 volumes used to serve native load, which is the same methodology Big Rivers
3 employed in responding to PSC 3-1. This monthly cost approach is different than
4 the stacked cost methodology Big Rivers plans to implement as part of its next
5 rate case, it is different than the incremental cost approach proposed by KIUC,
6 and it is different than the allocation methodologies used by the other
7 Commission-jurisdictional generating utilities (who, with the exception of KU and
8 LG&E, all use different methodologies). The estimated impact of the change in
9 methodology is \$10.83 million and is highlighted on the attachment to this
10 response. This attachment along with the working papers supporting it are
11 provided on the CD accompanying this response.

12 Please note that Big Rivers' position regarding its current allocation
13 methodology is unchanged. As Big Rivers explained in its response to KIUC's
14 motion to compel this response and in its post-hearing brief in Case No. 2014-
15 00230, Big Rivers' current allocation methodology is reasonable and consistent
16 with Commission precedent, requiring Big Rivers to change methodologies outside
17 of a general rate case would be unreasonable and contrary to traditional
18 ratemaking principles, and ordering a refund because Big Rivers employed its
19 current methodology rather than utilizing a stacked cost approach would be
20 arbitrary and unreasonable.

BIG RIVERS ELECTRIC CORPORATION

**AN EXAMINATION OF THE APPLICATION OF THE FUEL
ADJUSTMENT CLAUSE OF BIG RIVERS ELECTRIC CORPORATION
FROM NOVEMBER 1, 2013 THROUGH APRIL 30, 2014
CASE NO. 2014-00230**

**AN EXAMINATION OF THE APPLICATION OF THE FUEL
ADJUSTMENT CLAUSE OF BIG RIVERS ELECTRIC CORPORATION
FROM NOVEMBER 1, 2012 THROUGH OCTOBER 31, 2014
CASE NO. 2014-00455**

**Response to Item 1 of the Kentucky Industrial Utility Customers, Inc.'s
Request for Information
dated March 6, 2015**

April 14, 2015

1
2
3
4
5

Witness) Lindsay N. Barron

Big Rivers Electric Corporation
Case No. 2014-00455 and Case No. 2014-00230

	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13
As Filed:						
Fuel Cost for Generation Allocated to Native Load (before F.O. generation adjustments)	\$ 18,842,117	\$ 19,143,174	\$ 20,067,444	\$ 18,336,444	\$ 19,170,421	\$ 17,120,121
Plus: Fuel (Assigned Cost During F.O.) ⁽¹⁾	\$ 76,869	\$ 1,002,426	\$ 1,715,124	\$ 238,161	\$ 922,315	\$ 254,108
Less: Fuel (Substitute Cost for F.O.) ⁽¹⁾	\$ 66,794	\$ 1,008,876	\$ 1,642,999	\$ 220,448	\$ 809,142	\$ 210,710
Total Fuel Cost for Generation Allocated to Native Load	\$ 18,852,192	\$ 19,136,724	\$ 20,139,569	\$ 18,354,157	\$ 19,283,594	\$ 17,163,519
Native Load Sales Volumes from Generation (MWh)	794,811.841	785,123.909	799,159.056	745,693.073	769,524.300	716,226.166
Total Fuel Cost for Generation Allocated to Native Load (As Filed) (\$/MWh)	\$ 23.72	\$ 24.37	\$ 25.20	\$ 24.61	\$ 25.06	\$ 23.96

Proforma (Estimated Fuel Cost Allocating Lowest Cost Gen to NL):

Estimated Fuel Cost for Generation Allocated to Native Load (before F.O. generation adjustments)	\$ 18,233,325	\$ 18,582,873	\$ 19,529,497	\$ 17,812,180	\$ 18,731,388	\$ 16,477,810
Plus: Fuel (Assigned Cost During F.O.) ⁽¹⁾	\$ 76,869	\$ 1,002,426	\$ 1,715,124	\$ 238,161	\$ 922,315	\$ 254,108
Less: Fuel (Substitute Cost for F.O.) ⁽¹⁾	\$ 66,794	\$ 1,008,876	\$ 1,642,999	\$ 220,448	\$ 809,142	\$ 210,710
Total Estimated Fuel Cost for Generation Allocated to Native Load	\$ 18,243,400	\$ 18,576,423	\$ 19,601,622	\$ 17,829,893	\$ 18,844,561	\$ 16,521,208
Native Load Sales Volumes from Generation (MWh)	794,811.841	785,123.909	799,159.056	745,693.073	769,524.300	716,226.166
Estimated Fuel Cost for Generation Allocated to Native Load (Proforma) (\$/MWh)	\$ 22.95	\$ 23.66	\$ 24.53	\$ 23.91	\$ 24.49	\$ 23.07

Difference:

Difference (Total \$)	\$ 608,791	\$ 560,301	\$ 537,947	\$ 524,264	\$ 439,033	\$ 642,310
Difference (\$/MWh)	\$ 0.77	\$ 0.71	\$ 0.67	\$ 0.70	\$ 0.57	\$ 0.89

Footnote: 1.- Note: For months when the Fuel (Assigned Cost During F.O.) is greater than the Fuel (Substitute Cost for F.O.), the fuel expense recovered through the FAC is reduced by the greater of (a) the amount which Assigned Cost During F.O. exceeded Substitute Cost for F.O. and (b) the cost of power purchased to substitute for lost generation due to forced outage. This reduction is included in the Purchases section on page 2 of Big Rivers' monthly Form A filings in the "Identifiable fuel cost (substitute for Forced Outage)" line. Because this reduction is not included in the Generation section of Big Rivers' monthly Form A filing, the reduction was not included in the calculations above.

Big Rivers Electric Corporation
Case No. 2014-00455 and Case No. 2014-00230

	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13
As Filed:						
Fuel Cost for Generation Allocated to Native Load (before F.O. generation adjustments)	\$ 17,903,105	\$ 19,050,919	\$ 19,604,104	\$ 15,721,751	\$ 10,450,645	\$ 10,711,624
Plus: Fuel (Assigned Cost During F.O.) ⁽¹⁾	\$ 428,352	\$ 1,545,665	\$ 1,073,263	\$ 909,204	\$ 565,908	\$ 568,654
Less: Fuel (Substitute Cost for F.O.) ⁽¹⁾	\$ 419,917	\$ 1,428,902	\$ 1,029,789	\$ 611,731	\$ 223,585	\$ 120,500
Total Fuel Cost for Generation Allocated to Native Load	\$ 17,911,540	\$ 19,167,682	\$ 19,647,578	\$ 16,019,224	\$ 10,792,968	\$ 11,159,778
Native Load Sales Volumes from Generation (MWh)	727,344.488	781,163.186	795,615.191	672,418.506	451,622.510	447,224.731
Total Fuel Cost for Generation Allocated to Native Load (As Filed) (\$/MWh)	\$ 24.63	\$ 24.54	\$ 24.69	\$ 23.82	\$ 23.90	\$ 24.95

Proforma (Estimated Fuel Cost Allocating Lowest Cost Gen to NL):

Estimated Fuel Cost for Generation Allocated to Native Load (before F.O. generation adjustments)	\$ 17,350,264	\$ 18,554,249	\$ 18,973,964	\$ 15,367,806	\$ 9,983,243	\$ 10,124,947
Plus: Fuel (Assigned Cost During F.O.) ⁽¹⁾	\$ 428,352	\$ 1,545,665	\$ 1,073,263	\$ 909,204	\$ 565,908	\$ 568,654
Less: Fuel (Substitute Cost for F.O.) ⁽¹⁾	\$ 419,917	\$ 1,428,902	\$ 1,029,789	\$ 611,731	\$ 223,585	\$ 120,500
Total Estimated Fuel Cost for Generation Allocated to Native Load	\$ 17,358,699	\$ 18,671,012	\$ 19,017,438	\$ 15,665,279	\$ 10,325,566	\$ 10,573,101
Native Load Sales Volumes from Generation (MWh)	727,344.488	781,163.186	795,615.191	672,418.506	451,622.510	447,224.731
Estimated Fuel Cost for Generation Allocated to Native Load (Proforma) (\$/MWh)	\$ 23.87	\$ 23.90	\$ 23.90	\$ 23.30	\$ 22.86	\$ 23.64

Difference:

Difference (Total \$)	\$ 552,841	\$ 496,670	\$ 630,139	\$ 353,946	\$ 467,402	\$ 586,678
Difference (\$/MWh)	\$ 0.76	\$ 0.64	\$ 0.79	\$ 0.52	\$ 1.04	\$ 1.31

Footnote: 1.- Note: For months when the Fuel (Assigned Cost During F.O.) is greater than the Fuel (Substitute Cost for F.O.), the fuel expense recovered through the FAC is reduced by the greater of (a) the amount which Assigned Cost During F.O. exceeded Substitute Cost for F.O. and (b) the cost of power purchased to substitute for lost generation due to forced outage. This reduction is included in the Purchases section on page 2 of Big Rivers' monthly Form A filings in the "Identifiable fuel cost (substitute for Forced Outage)" line. Because this reduction is not included in the Generation section of Big Rivers' monthly Form A filing, the reduction was not included in the calculations above.

Big Rivers Electric Corporation
Case No. 2014-00455 and Case No. 2014-00230

	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14
As Filed:						
Fuel Cost for Generation Allocated to Native Load (before F.O. generation adjustments)	\$ 10,763,831	\$ 10,918,883	\$ 12,307,362	\$ 5,384,111	\$ 4,542,151	\$ 3,939,896
Plus: Fuel (Assigned Cost During F.O.) ⁽¹⁾	\$ 419,248	\$ 1,199,264	\$ 2,321,452	\$ 310,637	\$ 340,644	\$ -
Less: Fuel (Substitute Cost for F.O.) ⁽¹⁾	\$ 65,923	\$ 440,550	\$ 1,351,743	\$ 54,704	\$ 69,422	\$ -
Total Fuel Cost for Generation Allocated to Native Load	\$ 11,117,156	\$ 11,677,597	\$ 13,277,071	\$ 5,640,044	\$ 4,813,373	\$ 3,939,896
Native Load Sales Volumes from Generation (MWh)	452,019.763	451,031.346	483,866.567	220,532.495	186,387.640	161,217.954
Total Fuel Cost for Generation Allocated to Native Load (As Filed) (\$/MWh)	\$ 24.59	\$ 25.89	\$ 27.44	\$ 25.57	\$ 25.82	\$ 24.44

Proforma (Estimated Fuel Cost Allocating Lowest Cost Gen to NL):

Estimated Fuel Cost for Generation Allocated to Native Load (before F.O. generation adjustments)	\$ 10,156,122	\$ 10,290,754	\$ 11,731,012	\$ 5,041,756	\$ 4,250,764	\$ 3,742,670
Plus: Fuel (Assigned Cost During F.O.) ⁽¹⁾	\$ 419,248	\$ 1,199,264	\$ 2,321,452	\$ 310,637	\$ 340,644	\$ -
Less: Fuel (Substitute Cost for F.O.) ⁽¹⁾	\$ 65,923	\$ 440,550	\$ 1,351,743	\$ 54,704	\$ 69,422	\$ -
Total Estimated Fuel Cost for Generation Allocated to Native Load	\$ 10,509,447	\$ 11,049,468	\$ 12,700,721	\$ 5,297,689	\$ 4,521,986	\$ 3,742,670
Native Load Sales Volumes from Generation (MWh)	452,019.763	451,031.346	483,866.567	220,532.495	186,387.640	161,217.954
Estimated Fuel Cost for Generation Allocated to Native Load (Proforma) (\$/MWh)	\$ 23.25	\$ 24.50	\$ 26.25	\$ 24.02	\$ 24.26	\$ 23.21

Difference:

Difference (Total \$)	\$ 607,709	\$ 628,129	\$ 576,350	\$ 342,355	\$ 291,387	\$ 197,226
Difference (\$/MWh)	\$ 1.34	\$ 1.39	\$ 1.19	\$ 1.55	\$ 1.56	\$ 1.23

Footnote: 1.- Note: For months when the Fuel (Assigned Cost During F.O.) is greater than the Fuel (Substitute Cost for F.O.), the fuel expense recovered through the FAC is reduced by the greater of (a) the amount which Assigned Cost During F.O. exceeded Substitute Cost for F.O. and (b) the cost of power purchased to substitute for lost generation due to forced outage. This reduction is included in the Purchases section on page 2 of Big Rivers' monthly Form A filings in the "Identifiable fuel cost (substitute for Forced Outage)" line. Because this reduction is not included in the Generation section of Big Rivers' monthly Form A filing, the reduction was not included in the calculations above.

Big Rivers Electric Corporation
Case No. 2014-00455 and Case No. 2014-00230

	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Total
As Filed:							
Fuel Cost for Generation Allocated to Native Load (before F.O. generation adjustments)	\$ 4,003,820	\$ 5,433,702	\$ 5,429,157	\$ 6,115,551	\$ 4,888,209	\$ 4,330,072	\$ 284,178,615
Plus: Fuel (Assigned Cost During F.O.) ⁽¹⁾	\$ 379,662	\$ 974,712	\$ 502,425	\$ 339,872	\$ 56,674	\$ 308,737	\$ 16,453,376
Less: Fuel (Substitute Cost for F.O.) ⁽¹⁾	\$ 88,573	\$ 476,379	\$ 173,874	\$ 255,947	\$ 87	\$ 9,436	\$ 10,780,031
Total Fuel Cost for Generation Allocated to Native Load	\$ 4,294,909	\$ 5,932,035	\$ 5,757,708	\$ 6,199,476	\$ 4,944,796	\$ 4,629,373	\$ 289,851,960
Native Load Sales Volumes from Generation (MWh)	157,356.187	200,707.278	218,597.953	252,257.217	204,649.002	173,305.470	11,647,855.829
Total Fuel Cost for Generation Allocated to Native Load (As Filed) (\$/MWh)	\$ 27.29	\$ 29.56	\$ 26.34	\$ 24.58	\$ 24.16	\$ 26.71	\$ 24.88

Proforma (Estimated Fuel Cost Allocating Lowest Cost Gen to NL):

Estimated Fuel Cost for Generation Allocated to Native Load (before F.O. generation adjustments)	\$ 3,775,777	\$ 4,982,075	\$ 5,110,012	\$ 5,760,277	\$ 4,749,376	\$ 4,035,938	\$ 273,348,080
Plus: Fuel (Assigned Cost During F.O.) ⁽¹⁾	\$ 379,662	\$ 974,712	\$ 502,425	\$ 339,872	\$ 56,674	\$ 308,737	\$ 16,453,376
Less: Fuel (Substitute Cost for F.O.) ⁽¹⁾	\$ 88,573	\$ 476,379	\$ 173,874	\$ 255,947	\$ 87	\$ 9,436	\$ 10,780,031
Total Estimated Fuel Cost for Generation Allocated to Native Load	\$ 4,066,866	\$ 5,480,408	\$ 5,438,563	\$ 5,844,202	\$ 4,805,963	\$ 4,335,239	\$ 279,021,425
Native Load Sales Volumes from Generation (MWh)	157,356.187	200,707.278	218,597.953	252,257.217	204,649.002	173,305.470	11,647,855.829
Estimated Fuel Cost for Generation Allocated to Native Load (Proforma) (\$/MWh)	\$ 25.84	\$ 27.31	\$ 24.88	\$ 23.17	\$ 23.48	\$ 25.02	\$ 23.95

Difference:

Difference (Total \$)	\$ 228,043	\$ 451,627	\$ 319,145	\$ 355,274	\$ 138,832	\$ 294,134	\$ 10,830,535
Difference (\$/MWh)	\$ 1.45	\$ 2.25	\$ 1.46	\$ 1.41	\$ 0.68	\$ 1.69	\$ 0.93

Footnote: 1.- Note: For months when the Fuel (Assigned Cost During F.O.) is greater than the Fuel (Substitute Cost for F.O.), the fuel expense recovered through the FAC is reduced by the greater of (a) the amount which Assigned Cost During F.O. exceeded Substitute Cost for F.O. and (b) the cost of power purchased to substitute for lost generation due to forced outage. This reduction is included in the Purchases section on page 2 of Big Rivers' monthly Form A filings in the "Identifiable fuel cost (substitute for Forced Outage)" line. Because this reduction is not included in the Generation section of Big Rivers' monthly Form A filing, the reduction was not included in the calculations above.