

Ronald M. Sullivan
Jesse T. Mountjoy
Frank Stainback
James M. Miller
Michael A. Fiorella
R. Michael Sullivan
Bryan R. Reynolds*
Tyson A. Kamuf
Mark W. Starnes
C. Ellsworth Mountjoy
John S. Wathen

*Also Licensed in Indiana

June 18, 2015

Via Federal Express

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

RECEIVED

JUN 19 2015

PUBLIC SERVICE
COMMISSION

Re: **In the Matter of: Application of Big Rivers Electric Corporation
for a Certificate of Public Convenience and Necessity to
Construct Two 161 kV Transmission Lines in Hancock County,
Kentucky, Case No. 2015-00051**

Dear Mr. Derouen:

Enclosed are an original and seven (7) copies of Big Rivers Electric Corporation's responses to the Public Service Commission Staff's supplemental request for information in the above-referenced matter. I certify that on this date, a copy of this letter and a copy of the responses were served on each of the persons listed on the attached service list by first-class mail.

Sincerely,



Tyson Kamuf

TAK/lm
Enclosures

cc. Michael Chambliss
DeAnna Speed
Service List

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

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

www.westkylaw.com

Service List
PSC Case No. 2015-00051

Thomas K. Baird
1092 Howards Mill Road
Calhoun, KY 42327

ORIGINAL

RECEIVED

JUN 19 2015

PUBLIC SERVICE
COMMISSION



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 CERTIFICATE OF PUBLIC CONVENIENCE)
AND NECESSITY)
TO CONSTRUCT TWO 161 KV TRANSMISSION)
LINES)
IN HANCOCK COUNTY, KENTUCKY)

Case No.
2015-00051

**Responses to Commission Staff's Supplemental
Request for Information
dated
June 8, 2015**

FILED: June 19, 2015

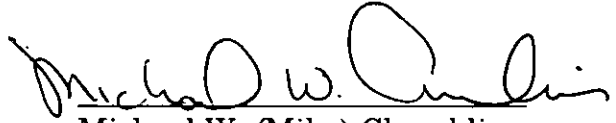
ORIGINAL

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF
BIG RIVERS ELECTRIC CORPORATION
FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY
TO CONSTRUCT TWO 161 KV TRANSMISSION LINES
IN HANCOCK COUNTY, KENTUCKY
CASE NO. 2015-00051**

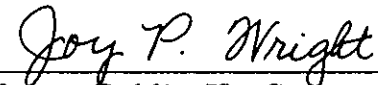
VERIFICATION

I, Michael W. (Mike) Chambliss, 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.


Michael W. (Mike) Chambliss

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Michael W. (Mike) Chambliss on this the 18th day of June, 2014. 5


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

Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2018
ID 513528



BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY
TO CONSTRUCT TWO 161 KV TRANSMISSION LINES
IN HANCOCK COUNTY, KENTUCKY
CASE NO. 2015-00051**

**Response to Commission Staff's
Supplemental Request for Information
dated June 8, 2015**

June 19, 2015

1 **Item 1)** *Refer to Big Rivers' response to Item 1 of Commission Staff's*
2 *Initial Request for Information ("Staff's Initial Request"). The February*
3 *2015 article from the Owensboro Messenger & Inquirer that was attached*
4 *to the response provides that "Aleris will be the first company to earn Big*
5 *Rivers' Economic Development Incentive rate" and that the "discount will*
6 *mean that Aleris will get a 90 percent reduction in the demand charge on*
7 *the energy from the new lines for four years." When does Big Rivers*
8 *anticipate filing the Aleris special contract with the Commission for its*
9 *review?*

10

11 **Response)** Kenergy Corp., the retail electric supplier to Aleris, Big Rivers and
12 Aleris are still negotiating the retail electric service agreement. Big Rivers has no
13 information on which it can base a prediction of the date on which the retail
14 electric service agreement and the corresponding wholesale power arrangements
15 will be filed with the Commission for its review.

16

17

18 **Witness)** Michael W. Chambliss

19

20

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY
TO CONSTRUCT TWO 161 KV TRANSMISSION LINES
IN HANCOCK COUNTY, KENTUCKY
CASE NO. 2015-00051**

**Response to Commission Staff's
Supplemental Request for Information
dated June 8, 2015**

June 19, 2015

1 **Item 2) Refer to Big Rivers' response to Item 3.a. of Staffs Initial**
2 **Request, which discusses the expense reimbursement agreements between**
3 **Big Rivers and Aleris.**

- 4
- 5 **a. Provide copies of the agreements referred to in the response.**
- 6 **b. If the retail and wholesale service agreements cannot be**
7 **successfully negotiated by the parties and accepted or**
8 **approved by the Commission, explain what impact it would**
9 **have on Big Rivers' ability to proceed with the project.**

10

11 **Response)**

- 12 a. Please see the copies of these agreements in Attachment 1 of 3 to
- 13 this response. Paragraph 3 of the letter dated October 2, 2014,
- 14 references "[a] detailed list of estimated expenditures." That
- 15 detailed list is Attachment 2 of 3 to this response. Paragraph 3 of
- 16 the letter dated May 13, 2015, references "[a] detailed list of
- 17 actual and estimated expenditures." That detailed list is
- 18 Attachment 3 of 3 to this response.
- 19 b. If the retail and wholesale service agreements for the Aleris
- 20 project cannot be successfully negotiated by the parties and
- 21 accepted or approved by the Commission, Big Rivers will
- 22 terminate the project and seek reimbursement from Aleris,

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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CASE NO. 2015-00051**

**Response to Commission Staff's
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dated June 8, 2015**

June 19, 2015

1 pursuant to the agreements provided in response to part a above,
2 of the amounts Big Rivers has expended on the project.

3
4
5
6

Witness) Michael W. Chambliss



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

October 2, 2014

Mr. Robert Pence
Aleris Rolled Products, Inc.
1372 State Route 1957
Lewisport, KY 42351

Subject: Aleris Rolled Products, Inc. Expansion Project

Dear Bob:

Big Rivers Electric Corporation ("Big Rivers") has completed its evaluation of the proposed Aleris Rolled Products, Inc. ("Aleris") expansion project schedule and facilities requirements. Based on this evaluation, we have concluded that certain long lead-time transmission projects must be started very soon to enable Big Rivers to provide the necessary transmission service for the expanded Aleris load on or before your projected start date of 8/16. However, Big Rivers is not in a position to spend the funds necessary to begin the right-of-way procurement process, purchase materials, begin the transmission siting regulatory process and initiate the construction of the required transmission facilities absent a written commitment from Aleris that Big Rivers will be compensated for these expenditures in the event the expansion project should be terminated.

Because of the uncertainty of the time required for regulatory and creditor approvals, it is difficult to determine when a retail power contract will be in place. A letter agreement committing Aleris to reimburse these interim expenditures in the event your project is terminated would enable us to proceed with work prior to the completion of a retail power contract.

Big Rivers estimates that it will incur expenditures of \$220,000 on the long-lead time projects that will be necessary prior to having the retail power contract in place. A detailed list of estimated expenditures is attached. Until a retail power contract is in place, it may be necessary to periodically revise this agreement to cover actual expenditures in excess of \$220,000.

If Aleris commits to reimburse Big Rivers for the actual costs Big Rivers has incurred or is irrevocably committed to incur prior to an Aleris expansion project termination date (not to exceed \$220,000), then Big Rivers will be able to proceed as outlined. If Aleris agrees with the cost reimbursement terms stated above and authorizes Big Rivers to proceed immediately on that basis, please indicate that agreement by having the appropriate person sign a copy of this letter on behalf of Aleris, in the space indicated below, and return it to me.

Sincerely,



Michael W. Chambliss
V.P. System Operations

AGREED ON BEHALF OF ALERIS ROLLED PRODUCTS, INC.



Name: Sean M. Stack
Title: President
Dated: October 24, 2014



20 Third Street
P.O. Box 24
Henderson, KY 40404
910-627-2561
www.big-river.com

May 13, 2015

Mr. Robert Pence
Aleris Rolled Products, Inc.
1372 State Route 1957
Lewisport, KY 42351

Subject: Aleris Rolled Products, Inc. Expansion Project

Dear Bob:

Please refer to my letter to you dated October 2, 2014 ("2014 Reimbursement Letter"), in which Big Rivers Electric Corporation ("Big Rivers") proposed an expense reimbursement arrangement that would allow Big Rivers to proceed with transmission system improvements ("Expanded Transmission Facilities") required to provide electric service to the proposed Aleris Rolled Products, Inc. ("Aleris") expansion project on the schedule Aleris required. Aleris signed and returned the 2014 Reimbursement Letter to me.

Based upon the evaluation we made at that time and the information we currently have, substantial additional financial commitments must be made by Big Rivers very quickly if Big Rivers is to meet the Aleris project schedule. To accommodate Aleris' needs, and pending the effective date of new retail and wholesale electric agreements that will address the costs of the Expanded Transmission Facilities, Big Rivers proposes in this letter ("Amended Reimbursement Letter") to expand the earlier expense reimbursement arrangements to include the expenditures Big Rivers anticipates it must make or commit to make during the next twelve months to have the Expanded Transmission Facilities in service in accordance with the Aleris project schedule.

Big Rivers estimates that it will have incurred or be required to commit to incur total expenditures for the Expanded Transmission Facilities of up to \$3,930,000 during the next twelve months. A detailed list of actual and estimated expenditures is attached.

Big Rivers commits that it will continue with its acquisition and construction of the Expanded Transmission Facilities if Aleris promptly agrees as follows:

Case No. 2015-00051
Attachment 1 of 3 for Response to Supplemental Staff Item 2a.

Witness: **Michael W. Chambliss**
Your Torchstone Energy Cooperative

Page 3 of 5

Mr. Robert Pence
May 13, 2015
Page 2 of 3

- Aleris commits to reimburse Big Rivers for the actual costs Big Rivers has incurred or is irrevocably committed to incur for Expanded Transmission Facilities ("Big Rivers' Costs") prior to any cessation or termination of the Aleris expansion project in an amount not to exceed \$3,930,000 during the twelve months following the date of this Amended Reimbursement Letter. "Cessation or termination of the Aleris expansion project" means that (i) Aleris has told Big Rivers to cease work on the Expanded Transmission Facilities or has failed to agree to include in this Amended Reimbursement Letter the additional expenditures required to pay for continuing work on the Expanded Transmission Facilities, (ii) Aleris has failed to provide when due the security for its obligations under this Amended Reimbursement Letter, or (iii) there is no reasonable prospect for an amended retail electric service agreement between Aleris and Kenergy Corp. that will address the cost to Big Rivers of the Expanded Transmission Facilities.
- Aleris agrees that Big Rivers will not be obligated to continue work on the Expanded Transmission Facilities beyond the date on which Big Rivers' Costs will exceed \$3,930,000, provided that Big Rivers will give Aleris thirty days advance notice of that date to allow Aleris to increase the expenditure limits in this Amended Reimbursement Letter, and provide commensurate additional security for that expenditure limit increase.
- As security for payment of Big Rivers' Costs for which Aleris may become obligated to pay under this Amended Reimbursement Letter, Aleris shall provide Big Rivers at the time this Amended Reimbursement Letter is signed and thereafter maintain an irrevocable bank letter of credit equal to \$3,930,000, or any subsequent amount to which the expenditure limit may be increased by agreement in the future. The form of letter of credit to be provided by Aleris under this Amended Reimbursement Letter must be approved in advance by Big Rivers, and must be issued by a bank acceptable to Big Rivers. The failure of Customer to provide or maintain a bank letter of credit as security for payment as required by this Amended Reimbursement Letter shall be a cessation or termination of the Aleris expansion project. No later than 30 days prior to the expiration of any letter of credit provided herein, Aleris shall renew the letter of

Mr. Robert Pence
May 13, 2015
Page 3 of 3

credit and provide it to Big Rivers, and the failure of Aleris to do so shall be a default under this Amended Reimbursement Letter that will authorize Big Rivers to draw on the letter of credit to recover Big Rivers' Costs.


- Big Rivers' Costs shall be due and payable upon the cessation or termination of the Aleris expansion project, as defined in this Amended Reimbursement Letter.
- Big Rivers' Costs shall include all amounts already expended by Big Rivers in reliance on the 2014 Reimbursement Letter.
- The terms of the 2014 Reimbursement Letter remain in effect to the extent not inconsistent with this Amended Reimbursement Letter. The 2014 Reimbursement Letter is incorporated herein by reference.

If Aleris agrees with the cost reimbursement terms stated above and authorizes Big Rivers to proceed immediately on that basis, please indicate that agreement by having the appropriately authorized person sign a copy of this Amended Reimbursement Letter on behalf of Aleris, in the space indicated below, and return it to me with a letter of credit that conforms with the terms of this Amended Reimbursement Letter.

Sincerely,


Michael W. Chambliss
V.P. System Operations

AGREED ON BEHALF OF ALERIS ROLLED PRODUCTS, INC.


Name: SEAN M. STACK
Title: PRESIDENT
Dated: May 27, 2015

Big Rivers Electric Corporation
Case No. 2015-00051
(2) 161 kV Transmission Lines
Cash Flow Estimate

Description of Expenditure	Cash Flow
Line Route Selection	\$ 30,000
Line Route Selection	35,000
Line Route Selection, CPCN Work	20,000
CPCN Work & Filing	11,000
CPCN at KPSC	3,000
CPCN at KPSC	3,000
CPCN at KPSC	3,000
CPCN Order from KPSC	3,000
Line Surveying	25,000
Surveying	21,000
Environmental, Line Design	21,000
Right-of-Way Acquisition	15,000
Right-of-Way Acquisition	15,000
Right-of-Way Acquisition	15,000
Total	\$ 220,000

Big Rivers Electric Corporation
Case No. 2015-00051
161 / 13.8 kV Substation & Lines
2015 Cash Flow Estimate

2015 Month	Substation		Transmission Lines	
	Expenditures	Cash Flow	Expenditures	Cash Flow
To Date ¹	Soil Borings, Surveying ¹	\$ 31,000	Route Study, Concept Designs ¹	\$ 56,000
Apr-15	Site Work	120,000	Surveying, Right-of-way Admin	25,000
May-15	Site Work	270,000	Surveying, Right-of-way Admin	25,000
Jun-15	Site Work	200,000	Design	25,000
Jul-15	Foundations	50,000	Admin, design	5,000
Aug-15	Foundations,	300,000	Admin, design	5,000
Sep-15	Fencing, Rock	20,000	ROW clearing, Steel Poles delivery	100,000
Oct-15	Steel, PCBs, Control Bldg, Cable/Raceway	600,000	Pole installation & Misc Materials	100,000
Nov-15	Grounding, Relay panels, Transformers	1,600,000	Conductor delivery, Construction	100,000
Dec-15	Major Equipment installation, Testing	200,000	Cleanup, Coleman EHV TL ROW	10,000
Jan-16	Cleanup, LAM-1 Mods Design	10,000	Cleanup, Coleman EHV TL Surveys	23,000
Feb-16	As-Built drawings, LAM-1 Procurement	15,000	As-Built drawings, ROW Procure	40,000
	Sub-Total	\$ 3,416,000	Sub-Total	\$ 514,000
	Substation and Lines Total			\$ 3,930,000

Notes: 1. - Represents expenditures through June 15, 2015.

Case No. 2015-00051

Attachment 3 of 3 for Response to Supplement Staff Item 2a.

Witness: Michael W. Chambliss

Page 1 of 1

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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IN HANCOCK COUNTY, KENTUCKY
CASE NO. 2015-00051**

**Response to Commission Staff's
Supplemental Request for Information
dated June 8, 2015**

June 19, 2015

1 **Item 3)** *Refer to the response to Item 4 of Staff's First Request. Provide*
2 *a detailed cost analysis of the components that make up the \$400,000 per*
3 *mile cost of a 161-kilovolt transmission line.*

4

5 **Response)** Please see the attached cost estimate spreadsheet for a detailed cost
6 analysis.

7

8

9 **Witness)** Michael W. Chambliss

10

11

Big Rivers Electric Corporation
Case No. 2015-00051
Detailed Cost Analysis of Components of Transmission Line Costs

1.0 mile of 161-kV Transmission Line

Design - Steel Pole, 795 KCM ACSS, 750 ft. Ruling Span, 10,000 lb. Design Tension

Description	Units (a)	Labor (\$) (b)	Materials (\$) (c)	Labor & Materials (\$) (d) = (b) + (c)	Extended Labor & Materials = (a) x (d)
Right-of-way Clearing	1	75,000	5,000	80,000	\$ 80,000
Steel poles 80-H5 Equivalent	8	3,500	6,500	10,000	80,000
Braced Horz. Post Pole Top Assembly	24	825	390	1,215	29,160
Conductor and OHSW	1	2,800	40,000	42,800	42,800
OPGW	1	30,000	25,000	55,000	55,000
Dead-end structure framing	4	3,500	6,000	9,500	38,000
Easements	1	25,000	0	25,000	25,000
Engineering and Design	1	30,000	0	30,000	30,000
Surveying and Drafting	1	15,000	0	15,000	15,000
Total Cost per Mile					\$ 394,960

Case No. 2015-00051

Attachment for Response to Supplemental Staff Item 3

Witness: Michael W. Chambliss

Page 1 of 1

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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IN HANCOCK COUNTY, KENTUCKY
CASE NO. 2015-00051**

**Response to Commission Staff's
Supplemental Request for Information
dated June 8, 2015**

June 19, 2015

1 **Item 4)** *The response to Item 14 of Staff's Initial Request indicates*
2 *that Big Rivers estimates a period of 18 months will be required after its*
3 *receipt of a Certificate of Public Convenience and Necessity ("CPCN") "to*
4 *complete the proposed transmission lines." In a June 2, 2015 Platts*
5 *Megawatt Daily article on the Aleris expansion, Big Rivers spokesman*
6 *Marty Littrell (sic) is quoted as saying, "The first phase of electricity will*
7 *start flowing in early January, then gradually increase over time."*
8 *Identify the portions of Big Rivers' planned construction that will have*
9 *progressed enough by January of 2016 (approximately six months from*
10 *when it could receive a CPCN to permit the "first phase of electricity" to*
11 *start flowing.*

12

13 **Response)** Big Rivers intends to initially serve the new Lewisport Aluminum
14 Mill Substation 2 ("LAM-2") via a 0.7 mile transmission line ("6-D") extending out
15 of the Hancock County Substation. Big Rivers does not believe a CPCN is
16 required for LAM-2 or 6-D, and design and procurement has commenced for those
17 projects. Big Rivers' intention is to serve Aleris on an interim basis in January of
18 2016 via LAM-2 and 6-D. When the Coleman EHV transmission lines are
19 complete, 6-D will revert to service as a normally open backup line to LAM-2.

20

21 **Witness)** Michael W. Chambliss