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Attorneys

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October 19, 2016

Skill. Integrity. Efficiency.

Dr. Talina R. Mathews
Executive Director
Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

OCT 20 2016

PUBLIC SERVICE
COMMISSION

Re: *Filing of Agreement for the Purchase and Sale of Firm Capacity and Energy between Big Rivers Electric Corporation and the Kentucky Municipal Energy Agency, Case No. 2016-00306*

Dear Dr. Mathews:

Enclosed for filing in the above-referenced matter are an original and ten (10) copies of the Responses of Big Rivers Electric Corporation ("Big Rivers") to the Second Set of Data Requests filed by the Kentucky Industrial Utility Customers, Inc. ("KIUC").

Big Rivers gives notice that it has redacted certain words on page one of Big Rivers' response to Item 1 of KIUC's Second Set of Data Requests pursuant to 807 KAR 5:001 Section 13(9). Those words describe terms of the agreement between Big Rivers and Kentucky Municipal Energy Agency for which Big Rivers sought confidential treatment in a motion it filed on August 5, 2016. That motion is still pending. Ten copies of the page showing the confidential information redacted are included in the copies of the public version of Big Rivers' responses, and one copy of the page showing the confidential information highlighted in yellow ink has been placed in a separate envelope included with this filing. 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 overnight courier.

Sincerely,

Tyson Kamuf
Counsel for Big Rivers Electric Corporation

TAK/abg

Enclosures

cc: Service List

Service List
Case No. 2016-00306

Micheal L. Kurtz, Esq.
Kurt J. Boehm, Esq.
Jody Kyler Cohn, Esq.
BOEHM, KURTZ & LOWRY
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202

BIG RIVERS ELECTRIC CORPORATION

**FILING OF AGREEMENT FOR THE PURCHASE AND SALE OF FIRM
CAPACITY AND ENERGY BETWEEN BIG RIVERS ELECTRIC
CORPORATION AND THE KENTUCKY MUNICIPAL ENERGY AGENCY
CASE NO. 2016-00306**

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.

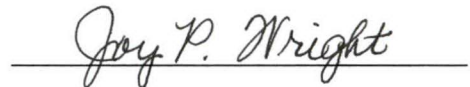


Lindsay N. Barron

COMMONWEALTH OF KENTUCKY)

COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Lindsay N. Barron on this the 14 day of October, 2016.



Notary Public, Ky. State at Large

My Commission Expires _____

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



ORIGINAL



Your Touchstone Energy® Cooperative 

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

In the Matter of:

**FILING OF AGREEMENT FOR
THE PURCHASE AND SALE OF FIRM
CAPACITY AND ENERGY BETWEEN
BIG RIVERS ELECTRIC CORPORATION
AND THE KENTUCKY MUNICIPAL
ENERGY AGENCY**

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**Case No.
2016-00306**

**Responses to Kentucky Industrial Utility Customers, Inc.'s
Second Request for Information
dated October 13, 2016**

FILED: October 20, 2016

ORIGINAL

BIG RIVERS ELECTRIC CORPORATION

**FILING OF AGREEMENT FOR THE PURCHASE AND SALE OF FIRM
CAPACITY AND ENERGY BETWEEN BIG RIVERS ELECTRIC CORPORATION
AND THE KENTUCKY MUNICIPAL ENERGY AGENCY
CASE NO. 2016-00306**

**Response to Kentucky Industrial Utility Customers, Inc.'s
Second Request for Information
dated October 13, 2016**

October 20, 2016

1 **Item 1)** Please refer to your response to KIUC 1-1. Please provide a numerical
2 **example demonstrating that** [REDACTED]
3 [REDACTED] **will not result in an incremental change in the FAC.**

4 **a) Please demonstrate whether there will be any change to the FAC (incremental or**
5 **otherwise) as a result of the transaction.**

6

7 **Response)** Big Rivers does not have information available to provide the requested
8 demonstration. There is a difference between calculation of the Facility Energy Price under
9 Exhibit A of the KyMEA Agreement and assignment of fuel adjustment costs under the FAC;
10 there is no direct connection between the two. Under the existing FAC formula, system average
11 fuel costs are allocated to off-system sales in the FAC, thus no change is currently anticipated.

12

13 **Witness)** Lindsay N. Barron

BIG RIVERS ELECTRIC CORPORATION

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CASE NO. 2016-00306**

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dated October 13, 2016**

October 20, 2016

1 **Item 2)** Please refer to your response to KIUC 1-2. Please provide a description of
2 the adjustments to the Environmental Surcharge that are anticipated as a result of the
3 KyMEA transaction.

4

5 **Response)** Big Rivers is proposing no change to the Environmental Surcharge in this case.
6 There is a difference between calculation of the environmental costs that were included in the
7 charges to KyMEA under the KyMEA Agreement and assignment of environmental costs under
8 the Environmental Surcharge; there is no direct connection between the two. Currently,
9 Environmental Surcharge costs are allocated to off-system sales based upon revenue, and no
10 change is currently anticipated.

11

12 **Witness)** Lindsay N. Barron

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CASE NO. 2016-00306**

**Response to Kentucky Industrial Utility Customers, Inc.'s
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dated October 13, 2016**

October 20, 2016

1 **Item 3) Please refer to your response to KIUC 1-4. Big Rivers' Member sales are**
2 **approximately 3,300,000 mwh annually (excluding the smelters), with the average**
3 **residential customer consuming approximately 1,300 kwh/month. According to your**
4 **response, the Wilson depreciation deferral is expected to be approximately \$110 million**
5 **in 2019 (the Coleman depreciation deferral is separately booked).**

6 **a) Does Big Rivers agree that if the \$110 million Wilson depreciation deferral were**
7 **to be recovered in Member rates over a 12 month period, then the average**
8 **residential rate increase would be approximately \$43.33 per month (\$520 over the**
9 **full year)?**

10 **b) Please identify the considerations that management will weigh before**
11 **recommending to the Board and to the Commission whether the Wilson deferral**
12 **should be written off out of Member equity or recovered in Member rates.**

13 **c) Item 1-4 (d) identifies the minimum Members' Equities' Balance under a formula**
14 **contained in Section 6.07(b) of the Senior Secured Credit Agreement. Under this**
15 **formula, what was the minimum Members' Equities' Balance at the end of 2015?**

16 **d) Is it correct that as of August 2016, Big Rivers' Members' Equities' Balance was**
17 **\$477,560,003?**

18

BIG RIVERS ELECTRIC CORPORATION

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1 **Response)** Big Rivers objects to this request on the grounds that it seeks information that is
2 neither relevant nor likely to lead to the discovery of admissible evidence. Big Rivers further
3 objects to this request because it incorrectly assumes that Big Rivers is considering writing off
4 all or a portion of the deferred depreciation on Wilson Station. Subject to and without waiving
5 its objections, Big Rivers states as follows:

6 a) No. Several factors enter into determining a revenue requirement and how to allocate
7 that revenue requirement to customers through rates. Big Rivers cannot know those
8 factors in advance and determine the hypothetical effect on the average residential
9 consumer of those decisions.

10 b) Management has not identified the considerations it will weigh before making any final
11 recommendations about the terms for recovery through rates of the regulatory account
12 associated with the Wilson depreciation deferral.

13 c) The minimum Members' Equities' Balance as of December 31, 2015, based on the
14 formula contained in Section 6.07(b) of Big Rivers' 2015 Senior Secured Credit
15 Agreement, was \$391,333,720.

16 d) Yes.

17

18 **Witness)** Lindsay N. Barron