

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 JULY 31,)	2016-00368
2016 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 hearing, the Commission may, by temporary adjustment in the surcharge, disallow any surcharge amounts found

¹ Big Rivers was authorized to implement an environmental surcharge in Case No. 2007-00460, *The Application of Big Rivers Electric Corporation for Approval of Environmental Compliance Plan and Environmental Surcharge Tariff* (Ky. PSC June 25, 2008).

² The three Member Cooperatives were authorized to implement a pass-through mechanism in Case No. 2007-00470, *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, *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).

not to be just and reasonable and reconcile past surcharges with actual costs recoverable pursuant to KRS 278.183(1). Therefore, the Commission hereby initiates a six-month review of the environmental surcharge as billed from February 1, 2016, through July 31, 2016, to the Member Cooperatives. The billing period under review reflects costs incurred by Big Rivers from December 1, 2015, through May 31, 2016. The Commission also initiates the corresponding review of the pass-through mechanism for the Member Cooperatives as billed from March 1, 2016, through August 31, 2016, to their retail member customers and February 1, 2016, to July 31, 2016, for large commercial and industrial customers with dedicated delivery points.³

To facilitate this review, a procedural schedule is set forth in Appendix A to this Order. 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, are 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 to this Order.

Additionally, Big Rivers is to file prepared testimony explaining: (a) whether it has considered billing its environmental costs as a direct amount based on the monthly wholesale sales to each Member Cooperative or, otherwise, why it has not been

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 December 2015 through May 2016 are billed to the Member Cooperatives in the months of February 2016 through July 2016, with these same costs passed through to the member's retail customers on the bills for March 2016 through August 2016. Customers with dedicated delivery points are billed without the one-month lag necessary for the retail customers.

considered; (b) whether the direct billing of its monthly environmental costs would eliminate the current over-/under-recovery amounts that occur from billing environmental costs based on a factor to its Member Cooperatives; and (c) whether billing a direct amount for its environmental costs would result in more timely recovery of Big Rivers' environmental costs.

Additionally, each of the three Member Cooperatives is to file prepared testimony explaining: (a) whether it has considered being billed a direct amount for environmental costs based on its monthly purchased power costs or, otherwise, why it has not been considered; (b) whether a direct charge for environmental costs would lessen or eliminate the over-/under-recovery amounts that occur from being billed amounts calculated from an environmental surcharge factor; and (c) whether being billed a direct amount for environmental costs would cause the environmental surcharge billings to its retail customers to be less volatile and result in more timely recovery of environmental costs.

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 to this Order shall be followed in this proceeding.
3. Any motion to intervene after December 27, 2016, shall show a basis for intervention and good cause for being untimely. If the untimely motion is granted, the movant shall accept and abide by the existing procedural schedule.

4. Big Rivers shall, by the date set forth in Appendix A to this Order, 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. Big Rivers and the three Member Cooperatives shall, by the date set forth in Appendix A, file their prepared direct testimony on their consideration to alternatively direct bill Big Rivers' environmental costs in lieu of the current billing methodology.

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

7. a. The information requested herein is due on or before the date specified in Appendix A to this Order. 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.

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.

e. When filing a document containing personal information, Big Rivers shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the document so that personal information cannot be read.

8. 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.

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

10. 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.

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

By the Commission

ENTERED
NOV 15 2016
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2016-00368 DATED **NOV 15 2016**

Big Rivers shall file its prepared direct testimony and responses to the information requested in Appendix B no later than.....12/12/16

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 than12/27/16

All additional requests for information to Big Rivers shall be filed no later than01/10/17

Big Rivers shall file responses to additional requests for information no later than01/24/17

Intervenor testimony, if any, in verified prepared form shall be filed no later than02/07/17

All requests for information to intervenors shall be filed no later than02/21/17

Intervenors shall file responses to requests for information no later than03/07/17

Last day for Big Rivers or Intervenors to request a hearing or submit this case for decision based on the record.....03/17/17

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2016-00368 DATED **NOV 15 2016**

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO
BIG RIVERS ELECTRIC CORPORATION AND EACH OF ITS MEMBER
COOPERATIVES

1. Prepare a summary schedule showing the calculation of E(m) and the surcharge factor for the expense months covered by the billing period under review. Form 1.1 can be used as a model for this summary. Include 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 period under review. Provide all supporting calculations and documentation in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

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 period under review. Include the two months subsequent to the billing period included in the review period. Include a calculation of any additional over- or under-recovery amount the Member Cooperative believes needs to be recognized for the billing period under review. Provide all supporting calculations and documentation in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

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 environmental surcharge reports for the expense months in this review period. Provide the calculations and supporting data for the rates of return included in each monthly environmental surcharge filing. Provide all supporting calculations and documentation in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.

5. Provide complete copies of Big Rivers' invoices to each Member Cooperative for all months in the current review period.

6. This question is addressed to Big Rivers. Refer to the monthly environmental surcharge reports for the expense months June 2015 through May 2016 and the Member Cooperatives' responses to Commission Staff's First Request for Information ("Staff's First Request"), in this case, and the Member Cooperatives' responses to Staff's First Request in Case No. 2016-00124,⁴ Item 2. Provide the reconciliation and all supporting calculations and documentation in Excel spreadsheet format with all cells and formulas intact and unprotected.

a. Provide a reconciliation of the amounts provided in Big Rivers' monthly environmental surcharge reports, Form 1.10, Line 11, and the amounts

⁴ Case No. 2016-00124, *An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Big Rivers Electric Cooperation for the Six-Month Billing Period Ending January 31, 2016 and the Pass Through Mechanism of Its Three Member Distribution Cooperatives* (Ky. PSC Sept. 27, 2016).

reported by the Member Cooperatives in their responses to Staff's First Request, Item 2, in the column labelled "Big Rivers' Invoice ES Amount for the Service Month."

b. Provide a reconciliation between the amounts provided in Big Rivers' monthly environmental surcharge reports, Form 3.0, Column 5, and the total of the amounts reported by the Member Cooperatives in their responses to Staff's First Request, Item 2, in the column labelled "Big Rivers' Invoice ES Amount for the Service Month."

7. This question is addressed to the Member Cooperatives. Refer to your response to Staff's First Request, Item 2.

a. Explain how the amounts recorded in the column labelled "Big Rivers Invoice ES Amount for Service Month" correspond with Big Rivers' expense month. For example, Big Rivers' monthly report for May 2016 indicates that the May 2016 expense month would be billed beginning July 2016 for service rendered in June 2016. Explain in which month the Member Cooperative would reflect its portion of the May 2016 expense billed by Big Rivers.

b. Explain whether the amounts reported in this column reflect only the actual amount billed by Big Rivers, or if the amount does or can include adjustments to the billed amount. Explain the adjustments that may be included, if any.

c. Refer to the column labelled "ES Amount Billed to [Member Cooperative's name] Customers (Line 11 per Filing)." Confirm that these amounts are the actual environmental surcharge amounts billed and not environmental surcharge amounts actually collected from retail customers.

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