

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR TERMINATION OF CONTRACTS AND A DECLARATORY ORDER AND FOR AUTHORITY TO ESTABLISH A REGULATORY ASSET)	CASE NO.
)	2018-00146
)	
)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO BIG RIVERS ELECTRIC CORPORATION

Big Rivers Electric Corporation (“Big Rivers”), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due on or before July 6, 2018. Responses to requests for information shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

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.

Big Rivers 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. For any request to which Big Rivers fails or refuses to furnish all or part of the requested information, Big Rivers shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. 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.

1. Refer to the application, page 2, paragraph 3, regarding the city of Henderson's and the city of Henderson Utility Commission's (jointly "Henderson") indication that they will dispute any attempt by Big Rivers to cease performance under the relevant contracts. Provide any information Henderson has provided to Big Rivers concerning this issue.

2. Refer to the application, page 3, paragraph 5, regarding Big Rivers' request for authorization to continue operating the Station Two units under the terms of the contracts for up to 13 months to allow Henderson to make alternative arrangements for the operation of Station Two and Henderson's power supply needs. Explain how the 13-month period for the transition was determined.

3. Refer to the application, pages 6 and 7, regarding the request for the authority to establish a regulatory asset of approximately \$89.6 million and other expenses related to the termination of the relevant contracts.

a. Provide a detailed breakdown of the \$89.6 million in expenses that Big Rivers is requesting to establish as a regulatory asset.

b. Provide an estimate of the "...other expenses relating to the termination of the Terminated Contracts, including but not limited to the costs of consultants and the costs of prosecuting this case."

c. Refer also to the application, Exhibit 6, page 2 of 2. Provide an estimate of any potential decommissioning costs.

4. Refer to the application, page 7, line 21, through page 8, line 2, regarding Big Rivers' recovery through its rates of an amount of depreciation expense related to Station Two. Provide the amount of Station Two depreciation expense that Big Rivers is recovering annually through rates.

5. Refer to the application, Exhibit 1, pages 2 and 4, regarding transfer of responsibilities related to the contract termination. Provide an update to any additional transfer of responsibilities and consider this an on-going request throughout this proceeding.

6. Refer to the application, Exhibit 4, the Direct Testimony of Robert W. Berry ("Berry Testimony"), page 5, lines 11–16. State when Big Rivers exercised the option referenced on line 16.

7. Refer to the Berry Testimony, page 6, lines 1 through 9. Provide Big Rivers' definition of the phrase "the operating life of [Station Two] shall be considered to

continue for so long as Unit 1 and Unit 2, or either of them, is operated or is capable of normal, continuous, reliable operations for the economically competitive production of electricity.”

8. Refer to the Berry Testimony, page 7, lines 11 through 13. Explain why Big Rivers’ share of the forecasted expense for ash pond closures at Station Two was not removed from Big Rivers’ internal economic analysis of Station Two.

9. Refer to the Berry Testimony, page 8, lines 1 through 4, regarding the costs of operating Station Two to the revenues Big Rivers would receive in the Midcontinent Independent System Operator, Inc. (“MISO”) market from its share of the power generated by Station Two over the 15-year financial forecast.

a. Also, refer to page 8, lines 9 through 19. Explain why the Brattle Group, Inc. (“Brattle”) compared Station Two’s projected costs and projected energy and capacity revenues as a whole, under several market outlooks, as opposed to just Big Rivers’ share of Station Two’s costs and revenues.

b. Provide a comparison of the analysis, in terms of net present value, under the base case scenario studied by Big Rivers and Brattle.

c. Also, refer to Exhibit Celebi-2, page 4, regarding the confidential net revenue impact of delaying retirement from the end of 2018 to 2035. Provide the stand-alone impact of the carbon pricing impact on the present value of that model.

d. Identify and explain any differences in the methodology used in the analysis of Big Rivers, Brattle and by GDS Associates, Inc. (“GDS”) in the Integrated Resource Plan (“IRP”) prepared for Henderson, that have a material financial impact in determining whether Henderson should divest itself from the Station Two assets.

10. Refer to the Berry Testimony, page 10, lines 5–17.

a. Given Big Rivers' internal economic analysis, the Brattle economic analysis, and the IRP developed by GDS, all of which calls into question the economic viability of Station Two, fully explain why Big Rivers is seeking confirmation from the Commission to terminate the contracts at issue particularly when, according to Big Rivers, those contracts do not require any further authority "from the Commission for the termination of the Terminated Contracts to be effective."

b. Given that Henderson "agrees with Big Rivers' determination that a minimum of 13 months is necessary to conduct an orderly termination process,"¹ fully explain why Big Rivers needs Commission authorization to continue operating Station Two.

11. Refer to the Berry Testimony, page 12, lines 5–6, regarding the various options available to Henderson for its power supply. Explain whether Big Rivers has engaged in any discussions with Henderson concerning a bilateral power supply contract.

12. Refer to the Berry Testimony, page 13, line 17, through page 14, line 2.

a. Mr. Berry states "Big Rivers has begun to dispatch the Station Two units in MISO on an economic commit basis, so they only operate when it makes economic sense to do so, or they are needed for reliability."

(1) Explain the statement that the Station Two units are operated "when it makes economic sense to do so."

(2) Given that the Station Two units are operated "when it

¹ Henderson Comment filed May 22, 2018.

makes economic sense to do so,” explain Big Rivers’ argument that the Station Two units are not able to generate economically competitive electricity.

13. Fully explain how Big Rivers was able to reduce the minimum generation levels of the Station Two units to 56 MW.

a. State whether Big Rivers’ internal analysis used a minimum generation level of 56 MW for each of the Station Two units in concluding that Station Two is unable to generate economically competitive electricity.

b. State whether Big Rivers has discussed a potential closure of the Station Two units with MISO, and whether there has been any indication from MISO that the units may be required to run for reliability purposes.

14. Refer to the Berry Testimony, page 14, lines 3–8. State whether the cost reductions discussed by Mr. Berry are reflected in Big Rivers’ internal analysis.

15. Refer to the Berry Testimony, lines 15–22.

a. Fully explain the various alternatives that were recommended by Big Rivers to Henderson regarding the operational modifications of Station Two to make Station Two more economically competitive.

b. Explain whether Henderson provided any reason(s) to Big Rivers for not objecting to having Station Two dispatched on an economic basis.

16. Refer to the Berry Testimony, page 15, lines 7–9, which states, “The MISO market has sufficient reserves to meet Henderson's load demands, and power can be procured from the market with liquidated damages terms to provide financial protection.” Describe the terms that would provide financial protection as referenced in this testimony.

17. Refer to the Berry Testimony, page 17, lines 1–5. List the tasks Big Rivers must accomplish to cease operating Station Two.

18. Refer to the application, Exhibit 5, the Direct Testimony of Metin Celebi. (“Celebi Testimony”), page 11, footnote 7. State whether Mr. Celebi believes the results of the analysis would vary significantly if the projected energy revenues in the real-time market were used in the analysis instead of in the day-ahead market.

19. Refer to the Celebi Testimony, page 6, lines 7–9. Explain how the analysis period of 2019–2035 was determined.

20. Refer to the application, Exhibit 6, page 2 of 2, the April 9, 2018 letter from Rural Utilities Service (“RUS”) to Robert Berry.

a. The RUS letter states that “Big Rivers will defer these costs over an estimated 15 years.” Explain whether this statement indicates that Big Rivers will incur costs over a 15-year period that it will defer or whether Big Rivers will amortize deferred costs over a 15-year period.

b. Provide a copy of the March 6, 2018 letter from Big Rivers to RUS referenced in this exhibit.

c. The RUS letter states that Big Rivers will include decommissioning costs, if any, in the \$89 million regulatory asset it is requesting in the instant case. State whether Big Rivers or the city of Henderson, will determine whether Station Two units will be decommissioned or abandoned in place.

21. a. Provide Big Rivers’ share of the coal inventory at Station Two in dollars and tons.

b. Given that Station Two units infrequently dispatch in the MISO

market, state what Big Rivers intends to do with any unburned coal at the time Big Rivers ceases the operation of Station Two units.



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