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June 4, 2007

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JUN 05 2007

PUBLIC SERVICE  
COMMISSION

**Via Federal Express**

Ms. Elizabeth O'Donnell  
Executive Director  
Public Service Commission  
211 Sower Boulevard, P.O. Box 615  
Frankfort, Kentucky 40602-0615

Re: Notice of Big Rivers Electric Corporation and  
Kenergy Corp. of Amendments to Existing Rate Schedules  
Case No. 2007-00164

Dear Ms. O'Donnell:

Enclosed are an original and five copies of the response of Big Rivers Electric Corporation and Kenergy Corp. to the Commission Staff's first data request in the above referenced matter. The undersigned certifies that he supervised in the preparation of the response and that the response is true and accurate to the best of his knowledge, information, and belief formed after a reasonable inquiry. A copy of the response has been served on the attached service list.

Sincerely,



Tyson Kamuf

TAK/ej  
Enclosures

cc: David Spainhoward (w/enclosure)  
C. William Blackburn (w/enclosure)  
Mark A. Bailey (w/enclosure)  
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**SERVICE LIST**  
**PSC CASE NO. 2007-00164**

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

**In the matter of:**

**Notice of Big Rivers Electric Corporation and  
Kenergy Corp. of Amendments to Existing  
Rate Schedules**

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**Case No. 2007-00164**

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PUBLIC SERVICE  
COMMISSION

**RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND  
KENERGY CORP. TO THE COMMISSION STAFF'S FIRST  
DATA REQUEST  
CASE NO. 2007-00164**

**June 5, 2007**



RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY  
CORP. TO THE COMMISSION STAFF'S FIRST DATA REQUEST

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**Item 1)** Refer to page 1, paragraph 1 of Big Rivers' and Kenergy's Notice which states that "pricing will be based on market pricing scheduled a day or week ahead."

**a)** How will Big Rivers and Kenergy determine the day-ahead or week-ahead price?

**b)** How will these prices be communicated to customers?

**Response)** 1a) Big Rivers Electric Corporation ("Big Rivers") will obtain day-ahead or week-ahead forward price curve information from ACES Power Marketing.

1b) The prices will be communicated to the customer by a method established by the parties in the terms of a special contract. Most likely the communication will take place via telephone and email from Big Rivers. Any verbal communication will be confirmed in writing.

**Witness)** C. William Blackburn



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**Item 2)** Refer to page 3, paragraphs 7 and 8 of Big Rivers' and Kenergy's Notice.

a) Explain why Big Rivers and Kenergy determined that real-time pricing should only be offered to customers served under Kenergy's Rate Schedule 41, large customers served under special contract for all loads subject to the Big Rivers Large Industrial Customer Expansion Rate.

b) Explain why the customers served under Kenergy's Schedule 2 – 3 Phase Demand and Schedule 3 – 3 Phase Demand tariffs will not be eligible for the RTP pilot.

c) Page 3 does not continue on page 4. Provide the information missing between page 3, line 23 and page 4, line 1.

**Response)** 2a) Under its existing power supply contract, Big Rivers' energy supply costs do not vary by hour, and correspondingly, the price paid by Kenergy Corp. ("Kenergy") for energy under Big Rivers rate schedules other than Rate Schedule 10 does not vary by hour. Moreover, the prevailing market cost of energy is higher in most, if not all, hours than Big Rivers' cost of energy per hour. Therefore, under Big Rivers' existing cost structure, a real-time pricing rate for loads not served under Rate Schedule 10 has no apparent value to Big Rivers, Kenergy, or the customer. The Big Rivers Large Industrial Customer Expansion rate schedule (Rate Schedule 10) was implemented in 2000 for new industrial loads, or expanded loads of industrial customers, of 5 MW or more. The rate schedule is designed to reflect market-based rates for those customers. Therefore, Rate Schedule 10 customers are the only customers for which real-time pricing could produce any meaningful value. The current tariff contemplates that a customer will, in most instances, obtain service under the rate schedule through a special contract, which meshes well with the requirement for a special contract for the proposed real-time pricing service. Big Rivers and Kenergy believe that this real-time pricing mechanism gives the large customer an added option. While the current rate schedule does not prohibit real-time pricing, it also does not promote real-time pricing. Since the objective of Big Rivers' Rate Schedule 10 and Kenergy's Rate Schedule 41 is to insure that any cost increase attributable to these new power supply arrangements will be charged to the new or

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expanded load, Big Rivers and Kenergy are indifferent to whether the customer takes a real-time or long term pricing mechanism for serving that load.

2b) See Response to Item 2a, above. Also, Big Rivers has only proposed real-time pricing to Kenergy under Big Rivers' Rate Schedule 10, and as such, Kenergy has no incentive to offer real-time pricing for customers taking service under its other rate schedules.

2c) The sentence that begins on page 3 at line 23 of the application should read, "The costs to both Big Rivers and Kenergy of providing real-time pricing service will vary on a case-by-case basis. For example, it is anticipated that some of the retail customers who are eligible for the pilot program will be served directly from Big Rivers' transmission system, while others will be served from Kenergy's distribution system." The underlined portion is the information that was inadvertently omitted from the initial application.

**Witnesses)** C. William Blackburn



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**Item 3)** Refer to pages 3 and 4, paragraph 8 of Big Rivers' and Kenergy's Notice which states, "[i]f the customer is served from the distribution system, Kenergy will provide the load profile meter, which currently costs approximately \$800 for the equipment. Use of a load profile meter will involve additional labor costs for meter reading since the meter reader must download the meter data each month, a process that can take up to 30 minutes. However, if the customer is served from the transmission system, Big Rivers will provide the load profile meter and will be subject to the additional costs."

a) Do Kenergy and Big Rivers intend to charge the cost of the load profile meters and additional meter reading costs to the RTP customers? If yes, will these costs be an up-front charge or be in the form of a monthly program charge?

b) Do any of Kenergy's customers, including those directly served by Big Rivers, have load profile meters or other meters capable of capturing the information necessary for the RTP Pilot?

**Response)** 3a) Big Rivers and Kenergy do not intend to charge the retail customer separately for the cost of the load profile meter. Kenergy will charge additional meter reading costs. The method for recovering these costs will be determined in the special contracts. Should Big Rivers have any additional meter reading costs, those costs will be recovered through the "Big Rivers Adder" in its Rate Schedule 10. Should the customer require real-time information additional to that normally provided by the mass metering, Big Rivers and Kenergy would charge the customer for the incremental cost of providing additional equipment necessary to provide that level of service to the customer.

3b) All current direct-serve customers have load profile meters. Kenergy's non-direct-serve customers do not have meters capable of collecting the necessary data.

**Witnesses)** C. William Blackburn and David Hamilton



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3 **Item 4)** Refer to page 4, paragraph 8, lines 8 through 10 of Big Rivers' and  
4 Kenergy's Notice which states, "Since costs will vary on a case-by-case basis, Big  
5 Rivers and Kenergy have chosen to implement the real-time pricing pilot by requiring a  
6 special contract to be negotiated between Big Rivers, Kenergy, and the retail customer."  
7 Explain in detail why Big Rivers and Kenergy cannot offer the real-time pricing program  
8 by standard tariffs.

9

10 **Response)** Big Rivers and Kenergy have chosen to offer the real-time pricing pilot  
11 program to determine whether there is an interest for new and expanding customers.  
12 Since the first 5 Megawatts provided to new or expanded customers is almost always  
13 lower than market prices for power, and because the customer has an option of selecting a  
14 long-term market power supply or real-time pricing (perhaps even a combination), Big  
15 Rivers determined that a special contract would be beneficial to it, Kenergy, and the retail  
16 customer to resolve issues peculiar to larger customers, and to create a clear  
17 understanding about how the real-time pricing mechanism will function.

18

19

20 **Witness)** C. William Blackburn



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3 **Item 5)** Provide a discussion of the specific items Big Rivers and Kenergy  
4 anticipate being included in the special contracts.

5

6 **Response)** Some specific items Big Rivers and Kenergy anticipate being included in  
7 the special contracts are:

8

(1) Term of service,

9

(2) Notification procedures for pricing and curtailments,

10

(3) Quantity and quality of product(s) purchased,

11

(4) Terms for adding new facilities such as transmission if required, and

12

(5) Security for payment.

13

14

15 **Witness)** C. William Blackburn and David Hamilton



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**Item 6)** In his April 20, 2007 testimony on behalf of East Kentucky Power Cooperative, Inc. ("EKPC"), William A. Bosta stated that EKPC and Big Rivers had discussions concerning real-time pricing programs.

a) Explain why Big Rivers and EKPC ultimately opted for separate approaches and pilot programs.

b) Explain what factors prompted Big Rivers and EKPC to propose such seemingly different pilot programs.

c) Have Big Rivers and Kenergy drafted a contract under which RTP pricing is to be offered? If yes, provide a copy of the contract.

d) Does Kenergy plan to use a historical customer baseline load to recover embedded costs like EKPC? If no, explain how embedded costs will be recovered.

**Response)** 6a and b) Big Rivers and East Kentucky Power Cooperative discussed real-time pricing programs. However, Big Rivers chose to implement its real-time pricing program through amendments to its Rate Schedule 10, which already provided a mechanism for market-based rates. Since that rate schedule is the only such program in Kentucky approved by the Commission, Big Rivers' focus on that tariff could not be replicated by East Kentucky Power Cooperative.

6c) Big Rivers and Kenergy have not yet drafted a contract under which real-time pricing will be implemented.

6d) Kenergy will not use a historical customer baseline load because real-time pricing will only apply to new or expanded loads with rates based on market costs under Big Rivers' Rate Schedule 10. Therefore, a historical baseline load is not applicable for the purpose of recovering embedded costs. Instead, Kenergy will charge the customer its administrative costs, which will be set forth in the special contract with the customer.

**Witnesses)** C. William Blackburn and David Hamilton



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3 **Item 7)** What is the source of the power Big Rivers and Kenergy will sell under  
4 the real-time pricing program, the market or the contract with Western Kentucky Energy  
5 (“WKE”)?

6

7 **Response)** The source of the power will have to be determined depending on the  
8 customer required load. The source of the power could be either from power Big Rivers  
9 can receive by contract from LG&E Energy Marketing (LEM) surplus to its member  
10 requirements, from market power, or from some combination of the two.

11

12

13 **Witness)** C. William Blackburn



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**Item 8)** Refer to Exhibit B of Big Rivers' and Kenergy's Application. Kenergy's Amended Rate Schedule provides amended pages 41D and 41E and indicates that there are text changes on these pages. Show with cross-outs and underlines the text that is being changed on these pages.

**Response)** Text additions to Sheet No. 41C caused text following the additions to be moved down to subsequent pages. Thus, text now appears on First Revised Sheet No. 41D that was previously found on Original Sheet No. 41C, and text now appears on First Revised Sheet No. 41E that was previously found on Original Sheet No. 41D. There are no other text changes to Sheet Nos. 41D and 41E. Attached to this response are the First Revised Sheet No. 41D and First Revised Sheet No. 41E, with the text that now appears on those pages highlighted.

**Witness)** Steve Thompson



Henderson, Kentucky

FOR ALL TERRITORY SERVED
Community, Town or City
PSC NO. 1
First Revised SHEET NO. 41D
CANCELLING PSC NO.
Original SHEET NO. 41D

CLASSIFICATION OF SERVICE
Schedule 41 - Large Industrial Customers Served Under Special Contract for All Loads
Subject to the Big Rivers Large Industrial Customer Expansion Rate

losses on the Big Rivers' transmission system as set forth in Big Rivers' OATT. In those months in which there is Expansion Demand, Expansion Energy shall be the amount in KWH by which the customer's KWH usage for the current month exceeds the customer's actual KWH usage for the corresponding month of the Base Year, plus an additional amount of KWH sufficient to compensate for losses on the Big Rivers' transmission system as set forth in Big Rivers' OATT.

f. Rates and Charges:

Expansion rate and charges shall be the sum of the following:

(1) Expansion Demand and Expansion Energy Rates:

The Expansion Demand rates, Expansion Energy rates, or both shall be established to correspond to the actual costs of power purchased by Big Rivers from Third-Party Suppliers selected by Big Rivers from which Big Rivers procures the supply and delivery of the type and quantity of service required by the Member Cooperative for resale to its customer. Such monthly costs shall include the sum of all Third-Party Supplier charges, including capacity and energy charges, charges to compensate for transmission losses on Third-Party transmission systems, and all transmission and ancillary services charges on Third-Party transmission systems paid by Big Rivers to purchase such Expansion Demand and Expansion Energy and have it delivered to Big Rivers' transmission system.

(2) Expansion Demand Transmission Rate:

Big Rivers shall assess unbundled charges for network transmission service on the Big Rivers' Transmission System according to the rates in Big Rivers' OATT applied to each KW taken as Expansion Demand.

DATE OF ISSUE April 20, 2007 DATE EFFECTIVE June 1, 2007

ISSUED BY SIGNATURE OF OFFICER TITLE President and CEO

ISSUED BY AUTHORITY OF PSC ORDER NO.



Henderson, Kentucky

FOR ALL TERRITORY SERVED
Community, Town or City
PSC NO. 1
First Revised SHEET NO. 41E
CANCELLING PSC NO.
Original SHEET NO. 41E

CLASSIFICATION OF SERVICE
Schedule 41 - Large Industrial Customers Served Under Special Contract for All Loads
Subject to the Big Rivers Large Industrial Customer Expansion Rate

(3) Ancillary Services Rates for Expansion Demand and Expansion Energy:

Big Rivers shall assess unbundled rates for all ancillary services required to serve load served under this rate schedule. Big Rivers shall supply the following six ancillary services as defined and set forth in Big Rivers' OATT: (1) Scheduling, System Control and Dispatch; (2) Reactive Supply and Voltage Control from Generation Sources Services; (3) Regulation and Frequency Response Service; (4) Energy Imbalance Service; (5) Operating Reserve - Spinning Reserve Service; and (6) Operating Reserve - Supplemental Reserve Service. Generation-based ancillary services required to serve customers may, at Big Rivers' option, be purchased separately from Third-Party Suppliers other than LEM, in which case the actual costs of such ancillary services shall be passed through to the respective Member Cooperative. Alternatively, where Big Rivers supplies such ancillary services from its own resources (including additional purchases from LEM), such services will be provided under Big Rivers' tariff rates for such services as contained in Big Rivers' OATT.

(4) Big Rivers Adder

In addition to the charges contained in Items 10(f)(1), (2) and (3), Big Rivers shall charge \$.38 per KW/month for each KW billed to the Member Cooperative under this tariff for resale by the Member Cooperative to the qualifying customer.

f. Billing Form:

DATE OF ISSUE April 20, 2007 DATE EFFECTIVE June 1, 2007
ISSUED BY SIGNATURE OF OFFICER TITLE President and CEO

ISSUED BY AUTHORITY OF PSC ORDER NO.



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**Item 9)** In Schedule 10 of Big Rivers' proposed tariff, applicability of the tariff is limited to purchases made by a member cooperative initiating service after August 31, 1999. Explain the significance of the date limiting participation. Include in the explanation whether the "unwinding" of Big Rivers and WKE will negate this requirement when completed.

**Response)** Because Big Rivers elected to design its real-time pricing pilot program around its Rate Schedule 10, the date limitation already in Rate Schedule 10 was automatically picked up. Big Rivers Rate Schedule 10 was and continues to be intended to preserve its finite supply of surplus power for normal member load growth. This rate schedule provides Big Rivers the greatest set of options for managing sudden, dramatic increases in demand brought on by large customers, and will be a valuable tool for Big Rivers even after the unwind transaction closes.

**Witness)** C. William Blackburn