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March 28, 2009

Via Federal Express

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

Re: In the Matter of: Consideration of the New Federal Standards of the Energy Independence and Security Act of 2007, PSC Case No. 2008-00408

Dear Mr. Derouen:

Enclosed for filing on behalf of Big Rivers Electric Corporation, Jackson Purchase Energy Corporation, Kenergy Corp. and Meade County Rural Electric Cooperative Corporation are an original and ten copies of their responses to the Commission Staff's Initial Data Requests. A copy of this letter and a copy of the responses have been served on the attached service list.

Sincerely,

Tyson Kamuf

TAK/ej
Enclosures

cc: Mark A. Bailey
David A. Spainhoward
Kelly Nuckols
Sandy Novick
Burns Mercer
David Crockett
John Talbert
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Administrative Case No. 2008-00408

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Errol K. Wagner
Director of Regulatory Services
American Electric Power
101A Enterprise Drive
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VERIFICATION

I verify, state, and affirm that the data request responses filed with this verification for which I am listed as a witness are true and correct to the best of my knowledge and belief.

David A. Spainhoward

COMMONWEALTH OF KENTUCKY)
COUNTY OF Henderson)

SUBSCRIBED AND SWORN TO before me by David A. Spainhoward on this the 27th day of March, 2009.

Vicki G. King
Notary Public, Ky. State at Large
My Commission Expires 3-3-2010

VERIFICATION

I verify, state, and affirm that the data request responses filed with this verification for which I am listed as a witness are true and correct to the best of my knowledge and belief.

David G. Crockett

COMMONWEALTH OF KENTUCKY)
COUNTY OF Henderson)

SUBSCRIBED AND SWORN TO before me by David G. Crockett on this the 27th day of March, 2009.

Notary Public, Ky. State at Large
My Commission Expires 8-9-10

VERIFICATION

I verify, state, and affirm that the data request responses filed with this verification for which I am listed as a witness are true and correct to the best of my knowledge and belief.

Russ Pogue

COMMONWEALTH OF KENTUCKY)
COUNTY OF Henderson)

SUBSCRIBED AND SWORN TO before me by Russ Pogue on this the 27th day of March, 2009.

Vicki A. King
Notary Public, Ky. State at Large
My Commission Expires 3-3-2010

VERIFICATION

I verify, state, and affirm that the data request responses filed with this verification for which I am listed as a witness are true and correct to the best of my knowledge and belief.

G. Kelly Nuckols

COMMONWEALTH OF KENTUCKY)
COUNTY OF Franklin)

SUBSCRIBED AND SWORN TO before me by G. Kelly Nuckols on this the 26th day of March, 2009.

Notary Public, Ky. State at Large
My Commission Expires 2/21/2010

VERIFICATION

I verify, state, and affirm that the data request responses filed with this verification for which I am listed as a witness are true and correct to the best of my knowledge and belief.

Sanford Novick

Sanford Novick

COMMONWEALTH OF KENTUCKY)
COUNTY OF Daviess)

SUBSCRIBED AND SWORN TO before me by Sanford Novick on this the 26th day of March, 2009.

Debra J. Hayden

Notary Public, Ky. State at Large
My Commission Expires 5-24-11

VERIFICATION

I verify, state, and affirm that the data request responses filed with this verification for which I am listed as a witness are true and correct to the best of my knowledge and belief.

Burns E. Mercer

COMMONWEALTH OF KENTUCKY)
COUNTY OF Meade)

SUBSCRIBED AND SWORN TO before me by Burns E. Mercer on this the 25th day of March, 2009.

Notary Public, Ky. State at Large
My Commission Expires 3-18-2012

RESPONSE OF BIG RIVERS ELECTRIC CORPORATION,
JACKSON PURCHASE ENERGY CORPORATION, KENERGY CORP.,
AND MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
TO THE INITIAL DATA REQUEST OF COMMISSION STAFF
ADMINISTRATIVE CASE NO. 2008-00408
March 30, 2009

Item 1) State whether Big Rivers and each member believe that EISA 2007, Section 532(a)(16)(B), under which electric utilities shall adopt policies establishing cost-effective energy efficiency as a priority resource, is consistent with Kentucky's IRP regulation, 807 KAR 5:058. Explain why or why not.

Response) Big Rivers Electric Corporation ("Big Rivers") and its three distribution cooperative members (Jackson Purchase Energy Corporation ("JPEC"), Kenergy Corp. ("Kenergy"), and Meade County Rural Electric Cooperative Corporation ("Meade County RECC") (collectively, the "Members")) believe that Section 532(a)(16)(B) of the Energy Independence and Security Act of 2007 ("EISA 2007") is consistent with Kentucky's Integrated Resource Plan ("IRP") regulation, 807 KAR 5:058. Under that regulation, a utility's triennial IRP must include:

- A discussion of "the utility's projected load growth and the resources planned to meet that growth." 807 KAR 5:058 Section 5.
- A "[s]ummary of the utility's planned resource acquisitions including improvements in operating efficiency of existing facilities, nonutility sources of generation, new power plants,...[and] [s]teps to be taken during the next three (3) years to implement the plan." *Id.* Section 5(4)-(5).
- Comprehensive historical and projected load data. *Id.* Section 7.
- An "[i]dentification and description of existing demand-side programs and an estimate of their impact on utility sales and coincident peak demands including utility or government sponsored conservation and load management programs." *Id.* Section 7(2)(g).
- The impact of existing and continuing demand-side programs on the utility's fifteen year load forecast. *Id.* Section 7(3).
- A discussion of "existing company and government sponsored conservation and load management or other demand-side programs." *Id.* Section 7(7)(e)(4).
- The "utility's resource assessment and acquisition plan for providing an adequate and reliable supply of electricity to meet forecasted electricity

requirements a the lowest possible cost," including an "assessment of potentially cost-effective resource options available to the utility," "[c]onservation and load management or other demand-side programs not already in place;" "[r]eductions or increases in peak demand from new conservation and load management or other demand-side programs." *Id.* Section 8(1), (2)(b), (4)(a)(6).

The IRP regulation requires utilities to consider energy efficiency and demand-side management programs alongside other potential resources in deciding how best to meet load growth and projected demand. The IRP regulation thus makes energy efficiency an integral part of the utility's resource planning process and establishes costs-effective energy efficiency as a priority resource consistent with EISA 2007, Section 532(a)(16)(B). Moreover, the IRP regulation provides a flexible, individualized approach for utilities in Kentucky to balance energy efficiency with the utilities' mission of providing an adequate and reliable supply of electricity at the lowest reasonable cost. As noted in the testimony Lonnie E. Bellar that Kentucky Utilities Company and Louisville Gas & Electric Company filed in this matter, the effectiveness of the current IRP regulation is shown by the numerous energy efficiency and demand-side management programs that the utilities in Kentucky have already implemented. *See* Overland Consulting Report, Appendix E, filed in *In the Matter of: An Investigation of the Energy and Regulatory Issues in Section 50 of Kentucky's 2007 Energy Act*, Administrative Case No. 2007-00477.

Although the Public Service Commission ("Commission") does not formally approve the IRP's, the current IRP process results in suggestions and recommendations from Commission Staff. If any issues are discovered during the IRP process, the Commission has the authority to institute a formal proceeding to address those issues. *See* KRS 278.250; KRS 278.260. Moreover, the IRP and a utility's energy efficiency programs should be part of the Commission's review of the need for a new generating facility when a utility comes before the Commission seeking a certificate of public convenience and necessity to construct the facility. Thus, the IRP and the certificate

processes fulfill EISA 2007's goal of establishing cost-effective energy efficiency as a priority resource.

Witnesses) David A. Spainhoward
G. Kelly Nuckols
Sanford Novick
Burns E. Mercer

RESPONSE OF BIG RIVERS ELECTRIC CORPORATION,
JACKSON PURCHASE ENERGY CORPORATION, KENERGY CORP.,
AND MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
TO THE INITIAL DATA REQUEST OF COMMISSION STAFF
ADMINISTRATIVE CASE NO. 2008-00408
March 30, 2009

Item 2) Explain in detail how Big Rivers and each member treat energy efficiency as a priority resource. Identify and describe any goals Big Rivers and each member have developed in terms of kWh (or KW or MW if more appropriate) displaced or saved.

Response) Big Rivers investigated the maximum achievable cost effectiveness for electric energy efficiency for the service territories of its Members in its 2005 Integrated Resource Plan (IRP). The plan, the review of which is currently held in abeyance by the Public Service Commission pending completion of the Big Rivers unwind transaction, outlines the numerous potential energy efficiency and DSM programs investigated by Big Rivers and its Members, and it suggests an $8 million annual investment in various energy efficiency projects and programs to achieve a $39 million dollar net present value savings. Big Rivers and its Members have not established quantitative goals for energy efficiency programs to date. Big Rivers and its Members are currently engaged in a process to develop a comprehensive energy efficiency plan, which will contain interim quantifiable goals for energy conservation programs and projects. Big Rivers is scheduled to submit a new IRP in 2010 with updated information.

Witnesses) Russ Pogue
G. Kelly Nuckols
Sanford Novick
Burns E. Mercer

RESPONSE OF BIG RIVERS ELECTRIC CORPORATION,
JACKSON PURCHASE ENERGY CORPORATION, KENERGY CORP.,
AND MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
TO THE INITIAL DATA REQUEST OF COMMISSION STAFF
ADMINISTRATIVE CASE NO. 2008-00408
March 30, 2009

Item 3) State whether Big Rivers and each member believe that EISA 2007, Section 532(a)(16)(B), under which electric utilities shall adopt policies establishing cost-effective energy efficiency as a priority resource, is consistent with Kentucky's certificate statute, KRS 278.020. Explain why or why not?

Response) Big Rivers and its Members believe EISA 2007, Section 532(a)(16)(B) is consistent with Kentucky's certificate of public convenience and necessity ("CPCN") statute, KRS 278.020. In determining whether to grant a CPCN to a proposed generating facility, specifically with regard to the need for a new facility, the Commission may consider the adequacy of a utility's existing and planned energy efficiency and demand-side management programs. The CPCN process, in conjunction with the IRP process described in response to Item 1 herein, adequately require utilities in Kentucky to establish cost-effective energy efficiency as a priority resource.

Witnesses) David A. Spainhoward
G. Kelly Nuckols
Sanford Novick
Burns E. Mercer

RESPONSE OF BIG RIVERS ELECTRIC CORPORATION,
JACKSON PURCHASE ENERGY CORPORATION, KENERGY CORP.,
AND MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
TO THE INITIAL DATA REQUEST OF COMMISSION STAFF
ADMINISTRATIVE CASE NO. 2008-00408
March 30, 2009

Item 4) With reference to the discussion of the 15 energy efficiency programs listed on pages 6 through 9 of the Joint Direct Testimony of David A. Spainhoward, G. Kelly Nuckols, Sanford Novick, and Burns E. Mercer ("Big Rivers Joint Direct"), address the following:

a. Identify the programs offered by Jackson Purchase; those offered by Kenergy; and those offered by Meade Co. RECC.

b. Identify the amount of kWh (or KW or MW if more appropriate) that Big Rivers estimates is displaced or saved by each program offered by Jackson Purchase; each program offered by Kenergy; and each program offered by Meade Co. RECC.

Response) a. See attached. Also, in January 2009, Kenergy, Meade County RECC, and JPEC added a Commercial Energy Suite to their websites.

b. See attached.

Witnesses) Russ Pogue
G. Kelly Nuckols
Sanford Novick
Burns E. Mercer

	JPEC	Kenergy	MCRECC	Total MWh Displaced	Summer Peak Demand Impact MW	JPEC	Kenergy	MCRECC
Distribution cooperative websites	X	X	X	Not quantified	Not quantified	Not quantified	Not quantified	Not quantified
Marketing and promotion	X	X	X	Not quantified	Not quantified	Not quantified	Not quantified	Not quantified
Incentives		X		N/A	-4.7	N/A	N/A	N/A
Home energy efficiency expo	X	X	X	Not quantified	Not quantified	Not quantified	Not quantified	Not quantified
Distribution of DOE/EPA "Home energy Tips" booklet	X	X	X	Not quantified	Not quantified	Not quantified	Not quantified	Not quantified
Compact fluorescent lamps	X	X	X	6,397 MWh/year	-2.9	1,651 MW/year	2,992 MW/year	1,335 MW/year
Commercial & Industrial News	X	X	X	Not quantified	Not quantified	Not quantified	Not quantified	Not quantified
Energy Star Partners	X	X	X	Not quantified	Not quantified	Not quantified	Not quantified	Not quantified
Renewable energy	X	X	X	8,760 MWh/year	-1.0	N/A	N/A	N/A
Energy use assessments	X	X	X	Not quantified	-3.4	Not quantified	Not quantified	Not quantified
Evaluation of facility lighting	X	X	X	Not quantified	Not quantified	Not quantified	Not quantified	Not quantified
Free caulk	X	X	X	Not quantified	Not quantified	Not quantified	Not quantified	Not quantified
Energy saving analysis	X	X	X	Not quantified	Not quantified	Not quantified	Not quantified	Not quantified
High performance schools	X	X	X	Not quantified	-1.1	Not quantified	Not quantified	Not quantified
CHP project	X	X	X	429,240 MWh/year	-49.0	N/A	N/A	N/A
Total				444,000 MWh/yr	-62.1	1,651 MW/year	2,992 MW/year	1,335 MW/year

RESPONSE OF BIG RIVERS ELECTRIC CORPORATION,
JACKSON PURCHASE ENERGY CORPORATION, KENERGY CORP.,
AND MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
TO THE INITIAL DATA REQUEST OF COMMISSION STAFF
ADMINISTRATIVE CASE NO. 2008-00408
March 30, 2009

Item 5) Explain why Big Rivers and each member have not sought approval to implement a demand-side management ("DSM") surcharge per KRS 278.285 for any DSM offering.

Response) Big Rivers and its Members have implemented a number of energy efficiency and DSM programs, some of which are described in the Joint Direct Testimony of David A. Spainhoward, G. Kelly Nuckols, Sanford Novick, and Burns E. Mercer filed on behalf of Big Rivers and its Members in this matter. Those programs are designed around encouraging energy efficiency rather than discouraging use through rate design. Given the nature of Big Rivers and its Members' programs, they have not pursued a DSM surcharge.

Witnesses) Russ Pogue
G. Kelly Nuckols
Sanford Novick
Burns E. Mercer

RESPONSE OF BIG RIVERS ELECTRIC CORPORATION,
JACKSON PURCHASE ENERGY CORPORATION, KENERGY CORP.,
AND MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
TO THE INITIAL DATA REQUEST OF COMMISSION STAFF
ADMINISTRATIVE CASE NO. 2008-00408
March 30, 2009

Item 6) Identify and describe each of Big Rivers' and each member's current rate designs that promote energy efficiency. Identify the annual amount of kWh (or KW or MW if more appropriate) that Big Rivers estimates is displaced or saved by each rate design for Jackson Purchase, for Kenergy, and for Meade Co. RECC.

Response) Neither Big Rivers nor its Members' rate structures, as approved by the Commission, were specifically designed with the goal of promoting energy efficiency. A potential unintended consequence of the rate setting process, where fixed costs are charged on the incremental energy consumption portion of the rate, results in some rate structures adding to the energy efficiency incentive for the consumer. These structures benefit customers who lower electricity consumption. The consequence to the provider is a throughput incentive, which rewards the utility for increased energy consumption.

Witnesses) Russ Pogue
G. Kelly Nuckols
Sanford Novick
Burns E. Mercer

RESPONSE OF BIG RIVERS ELECTRIC CORPORATION,
JACKSON PURCHASE ENERGY CORPORATION, KENERGY CORP.,
AND MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
TO THE INITIAL DATA REQUEST OF COMMISSION STAFF
ADMINISTRATIVE CASE NO. 2008-00408
March 30, 2009

Item 7) With reference to Jackson Purchase's tariffs, state whether Big Rivers and Jackson Purchase believe that Jackson Purchase's rate Schedule R for residential service, rate Schedule C-1 and rate Schedule C-3, both for small commercial service, each with a customer charge and flat energy charge, support energy efficiency. Explain why or why not.

Response) From JPEC's perspective, Schedules R, C-1 and C-3 for residential and small commercial service are not supportive of energy efficiency to the extent that the "throughput incentives" have not been removed as suggested by Section 111(d)(17)(B)(i) of PURPA. To extent conserving, or simply lowering consumption, is consistent with efficient use of electric energy, Schedules R, C-1, and C-3 are supportive from the customer's perspective because the flat energy rate per kWh includes fixed customer costs which results in an increased cost to the customer for consumption. The extent to which conserving results in more efficient energy use depends upon the nature of the conservation. Schedules R, C-1, and C-3 are limited in their support for energy efficiency from a more global perspective because the prices for energy are not time sensitive for energy or demand. Therefore, the price signal to the customer is the same regardless of the season, or the time of day. It should be noted, however, that the wholesale energy rate paid by JPEC to purchase power from Big Rivers is not time differentiated, thus lending no support to JPEC for a time based energy rate. Although the wholesale demand rate paid by JPEC to Big Rivers can be correlated with time, the Big Rivers demand charge is a revenue generator designed to recover Big Rivers' fixed cost of service. Any retail pricing strategy designed to affect customer demand must be evaluated in context with the potential revenue and cost effects to Big Rivers.

Cooperatives, such as JPEC, are owned by their members who are their customers. As such, JPEC is not motivated by profit, and management's responsibility is to create value for its members by providing reliable electric service at the lowest reasonable cost. The JPEC management has a responsibility to set rates to recover costs from each member fairly and in accordance with the costs of service to the extent practical. Designing rates that better align with cost is supportive of effective energy

efficiency programs and investing in energy efficiency activities. Setting rates based on cost of service is consistent with JPEC's responsibilities to its members. Practical limitations to achieving cost based rates include consideration of customer impact of changes in pricing and structure, metering technology and costs, and implementation costs of sophisticated rate structures. As with most electric distribution utilities, JPEC's rates are not fully aligned with costs. For example, Schedules R, C-1 and C-3 for residential and small commercial service are designed to recover some of the fixed customer costs and all of the capacity costs of service through the energy charge of the rate. As a result, JPEC relies upon energy sales to recover a portion of its fixed costs of distribution as well as demand related purchased power costs. When an electric distribution utility relies upon energy sales to recover fixed costs and generate a margin or profit, positive results from investing in energy efficiency have the potential to have negative consequences for the utility's financial performance. Aligning rates with costs will minimize the effects of "throughput incentives" that cause the utility to rely upon energy sales to recover fixed costs. JPEC has over time been allowed by the Commission to gradually shift some fixed customer cost recovery away from the energy charge and into the base customer charge. In this way, JPEC is taking measured steps toward more cost based rate structures while simultaneously lessening the effects a throughput incentive may have on its rates. Furthermore, aligning the energy rates with costs will provide an improved price signal to JPEC's consumers so that they can make a more economically informed decision about electricity consumption.

Per the settlement agreement and by order of the Commission in Case No. 2007-00116, JPEC's Schedule R for residential service consists of a $9.00 per month customer charge and a flat energy charge of $.06211 per kWh. By comparison, the cost of service study filed in case No. 2007-00116 supported a $26.76 per month customer charge. The difference between the $9.00 approved rate and the $26.76 cost based rate has resulted in $0.01430 per kWh additional cost recovery in the energy rate. JPEC's Schedule C-1 for small commercial single phase service consists of a $10.00 per month customer charge and a flat energy charge of $.06312 per kWh. By comparison, the cost of service study filed in case No. 2007-00116 supported a $26.51 per month customer charge. The

difference between the $10.00 approved rate and the $26.51 cost based rate has resulted in $0.01475 per kWh additional cost recovery in the energy rate. JPEC's Schedule C-3 for small commercial three phase service consists of a $18.00 per month customer charge and a flat energy charge of $.05939 per kWh. By comparison, the cost of service study filed in case No. 2007-00116 supported a $28.51 per month customer charge. The difference between the $18.00 approved rate and the $28.51 cost based rate has resulted in $0.00963 per kWh additional cost recovery in the energy rate.

Big Rivers concurs with JPEC's assessment of its tariffs.

Witnesses) G. Kelly Nuckols
Jack D. Gaines

Item 8) The following questions refer to Kenergy's tariffs:

a. State whether Big Rivers and Kenergy believe that Kenergy's rate Schedule 1 for residential service with a customer charge and flat energy charge supports energy efficiency. Explain why or why not.

b. State whether Big Rivers and Kenergy believe that Kenergy's rate Schedule 2 for commercial, large power and public buildings and rate Schedule 3 with a customer charge and declining block flat energy charge, support energy efficiency. Explain why or why not.

Response) a. From Kenergy's perspective, Schedule 1 for residential service is not supportive of energy efficiency to the extent that the "throughput incentives" have not been removed as suggested by Section 111(d)(17)(B)(i) of PURPA. To extent conserving, or simply lowering consumption, is consistent with efficient use of electric energy, Schedule 1 is supportive from the customer's perspective because the flat energy rate per kWh includes fixed customer costs which results in an increased cost to the customer for consumption. The extent to which conserving results in more efficient energy use depends upon the nature of the conservation. Schedule 1 is limited in its support for energy efficiency from a more global perspective because the price for energy is not time sensitive for energy or demand. Therefore, the price signal to the customer is the same regardless of the season, or the time of day. It should be noted, however, that the wholesale energy rate paid by Kenergy to purchase power from Big Rivers is not time differentiated thus lending no support to Kenergy for a time based energy rate. Although the wholesale demand rate paid by Kenergy to Big Rivers can be correlated with time, the Big Rivers demand charge is a revenue generator designed to recover Big Rivers' fixed cost of service. Any retail pricing strategy designed to affect customer demand must be evaluated in context with the potential revenue and cost effects to Big Rivers.

Cooperatives, such as Kenergy, are owned by their members who are their customers. As such, Kenergy is not motivated by profit and management's responsibility is to create value for its members by providing reliable electric service at the lowest reasonable cost. The Kenergy management has a responsibility to set rates to recover

costs from each member fairly and in accordance with the costs of service to the extent practical. Designing rates that better align with cost is supportive of effective energy efficiency programs and investing in energy efficiency activities. Setting rates based on cost of service is consistent with Kenergy's responsibilities to its members. Practical limitations to achieving cost based rates include consideration of customer impact of changes in pricing and structure, metering technology and costs, and implementation costs of sophisticated rate structures. As with most electric distribution utilities, Kenergy's rates are not fully aligned with costs. For example, Schedule 1 for residential service is designed to recover some of the fixed customer costs and all of the capacity costs of service through the energy charge of the rate. As a result, Kenergy relies upon energy sales to recover a portion of its fixed costs of distribution as well as demand related purchased power costs. When an electric distribution utility relies upon energy sales to recover fixed costs and generate a margin or profit, positive results from investing in energy efficiency have the potential to have negative consequences for the utility's financial performance. Aligning rates with costs will minimize the effects of "throughput incentives" that cause the utility to rely upon energy sales to recover fixed costs. Kenergy has over time been allowed by the Commission to gradually shift some fixed customer cost recovery away from the energy charge and into the base customer charge. In this way, Kenergy is taking measured steps toward more cost based rate structures while simultaneously lessening the effects a throughput incentive may have on its rates. Furthermore, aligning the energy rates with costs will provide an improved price signal to Kenergy's consumers so that they can make a more economically informed decision about electricity consumption.

Per the settlement agreement and by order of the Commission in Case No. 2008-00323, Kenergy's Schedule 1 for residential service consists of a $10.50 per month customer charge and a flat energy charge of $.062327 per kWh. By comparison, the cost of service study filed in case No. 2008-323 supported a $20.64 per month customer charge. The difference between the $10.50 approved rate and the $20.64 cost based rate has resulted in $.0072 per kWh additional cost recovery in the energy rate.

Big Rivers concurs with Kenergy's assessment of its tariffs.

b. Schedule 3 - Regarding Schedule 3, see the response to 8a with the following modification. Per the settlement agreement and by order of the Commission in Case No. 2008-00323, Kenergy's Schedule 3 for non-residential single phase service consists of a $16.00 per month customer charge and a flat energy charge of $.06074 per kWh. By comparison, the cost of service study filed in case No. 2008-323 supported a $20.64 per month customer charge. The difference between the $16.00 approved rate and the $20.64 cost based rate has resulted in $.0042 per kWh additional cost recovery in the energy rate.

Schedule 5 - Resulting from Case No. 2008-00323, Schedule 2 is now Schedule 5. Unlike Schedules 1 and 3, Schedule 5 contains demand charges. The following is an explanation of the demand component of the Schedule 5 as illustrated equivalent rate calculations:

If usage is:	Then the rates for energy and demand are:			
From 0 to 200 kWh/kW	@	$.05320/kWh	+	$4.05/kW
From 200 to 400 kWh/kW	@	$.03800/kWh	+	$7.09/kW
From above 400 kWh/kW	@	$.03300/kWh	+	$9.09/kW

It is important to note that the energy rates do not decline as a function of energy volume. Rather, the energy rates decline as a function of load factor, which creates and inclining demand charge as load factor increases. The foregoing shows how demand charges are built into the load factor based energy charges of the rate. Each line shows the effective rates per kWh and kW for the load factor ranges of each block. Because the size of each energy block in kWh is a function of demand, the demand charges are a function of the difference in the energy charges by block. For example, a customer whose load factor exceeds 54.8% (400/730) would use energy through each block. By algebraically extracting the demand component from the first two blocks, the rates for the over 54.8% load factor customer can be restated as $.033/kWh for all kWh plus of $9.09/kW for all kW. The effective demand charge for this example is determined as follows: ($.0532-$.033) x 200 + ($.038-$.033) x 200 + $4.05. Moreover, the $.033 end block energy charge includes $.0115 per kWh of additional demand cost recovery

because Kenergy is purchasing energy at approximately $.0215 per kWh. This load factor block type of structure is an effective way to recover costs when the retail billing demand is based on individual customer NCP while costs, especially wholesale power costs, are a function of the diversified demand contributions to system peak demand as is the case for Kenergy. The Schedule 5 structure recognizes that diversity is inversely related to load factor. As shown above, the demand charge is low at very low load factors and higher at the higher load factors. In this way, the demand component combined with the demand costs built into the energy rates is sufficient to recover the $7.37 wholesale demand charge (approximately $7.75 with losses) and distribution demand costs across the customer class from customers whose load factors range from the very low to the very high. At low load factors, individual customer maximum demands will rarely coincide with the Kenergy system peak that determines the wholesale cost of demand. Therefore, wholesale demand cost divided by retail billing demand will on average be less than the wholesale demand rate that is applicable to the wholesale billing demand.

By including demand charges in the design of Schedule 5, it is more supportive of efficiency than rates without demand charges or some other type of demand price signal. Like Schedules 1 and 3, Schedule 5 does not charge for energy or demand on a time differentiated basis so in that way it is limited in its support for energy efficient utilization by the customer. Also like Schedules 1 and 3, Schedule 5 is dependent upon energy sales for the recovery of some fixed costs. It is also not supportive of energy efficiency from Kenergy's perspective to the extent that "throughput incentives" have not been removed.

Big Rivers concurs with Kenergy's assessments of its tariffs.

Witnesses) Sanford Novick
Jack D. Gaines

RESPONSE OF BIG RIVERS ELECTRIC CORPORATION,
JACKSON PURCHASE ENERGY CORPORATION, KENERGY CORP.,
AND MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION
TO THE INITIAL DATA REQUEST OF COMMISSION STAFF
ADMINISTRATIVE CASE NO. 2008-00408
March 30, 2009

Item 9) The following questions refer to Meade Co. RECC's tariffs:

a. State whether Big Rivers and Meade Co. RECC believe that Meade Co. RECC's Schedule I rate for residential service and rate Schedule 2 for commercial service, each with a customer charge and flat energy charge, supports energy efficiency. Explain why or why not.

b. State whether Big Rivers and Meade Co. RECC believe that Meade Co. RECC's rate Schedule 3 for three-phase power service and Schedule 4 for large power service support energy efficiency.

Response) a. From Meade County RECC's perspective, Schedule 1 for residential service and Schedule 2 for commercial service are not supportive of energy efficiency to the extent that the "throughput incentives" have not been removed as suggested by Section 111(d)(17)(B)(i) of PURPA. To extent conserving, or simply lowering consumption, is consistent with efficient use of electric energy, Schedules 1 and 2 are supportive from the customer's perspective because the flat energy rate per kWh includes fixed customer costs which results in an increased cost to the customer for consumption. The extent to which conserving results in more efficient energy use depends upon the nature of the conservation. Schedules 1 and 2 are limited in their support for energy efficiency from a more global perspective because the price for energy is not time sensitive for energy or demand. Therefore, the price signal to the customer is the same regardless of the season, or the time of day. It should be noted, however, that the wholesale energy rate paid by Meade County RECC to purchase power from Big Rivers is not time differentiated thus lending no support to Meade County RECC for a time based energy rate. Although the wholesale demand rate paid by Meade County RECC to Big Rivers can be correlated with time, the Big Rivers demand charge is a revenue generator designed to recover Big Rivers' fixed cost of service. Any retail pricing strategy designed to affect customer demand must be evaluated in context with the potential revenue and cost effects to Big Rivers.

Cooperatives, such as Meade County RECC, are owned by their members who are their customers. As such, Meade County RECC is not motivated by profit and

management's responsibility is to create value for its members by providing reliable electric service at the lowest reasonable cost. The Meade County RECC management has a responsibility to set rates to recover costs from each member fairly and in accordance with the costs of service to the extent practical. Designing rates that better align with cost is supportive of effective energy efficiency programs and investing in energy efficiency activities. Setting rates based on cost of service is consistent with Meade County RECC's responsibilities to its members. Practical limitations to achieving cost based rates include consideration of customer impact of changes in pricing and structure, metering technology and costs, and implementation costs of sophisticated rate structures. As with most electric distribution utilities, Meade County RECC's rates are not fully aligned with costs. For example, Schedules 1 and 2 are designed to recover some of the fixed customer costs and all of the capacity costs of service through the energy charge of the rate. As a result, Meade County RECC relies upon energy sales to recover a portion of its fixed costs of distribution as well as demand related purchased power costs. When an electric distribution utility relies upon energy sales to recover fixed costs and generate a margin or profit, positive results from investing in energy efficiency have the potential to have negative consequences for the utility's financial performance. Aligning rates with costs will minimize the effects of "throughput incentives" that cause the utility to rely upon energy sales to recover fixed costs. Meade County RECC has over time been allowed by the Commission to gradually shift some fixed customer cost recovery away from the energy charge and into the base customer charge. In this way, Meade County RECC is taking measured steps toward more cost based rate structures while simultaneously lessening the effects a throughput incentive may have on its rates. Furthermore, aligning the energy rates with costs will provide an improved price signal to Meade County RECC's consumers so that they can make a more economically informed decision about electricity consumption.

Big Rivers concurs with Meade County RECC's assessment of its tariffs.

b. Schedules 3 and 3A – Schedule 3 is more supportive of energy efficiency from Meade County RECC's perspective because more of the fixed costs are

recovered through the customer charge and the demand charge. Thus, the level of a throughput incentive is reduced relative to Schedules 1 and 2. As with Schedules 1 and 2, the prices in Schedule 3 are not time differentiated but the limiting factors of the Big Rivers rate are the same. By comparison, Schedule 3A goes a little further in support of energy efficiency because it does include a time of day feature for determining billing demand. Like Schedules 1 and 2, Schedules 3 and 3A are dependent upon energy sales for the recovery of some fixed costs. Sechedules 3 and 3A are also not supportive of energy efficiency from Meade County RECC's perspective to the extent that "throughput incentives" have not been removed.

Schedule 4 - Schedule 4 also contains demand charges and includes a time of day feature for determining billing demand. The following is an explanation of the demand component of Schedule 4 as illustrated equivalent rate calculations:

If usage is:		Then the rates for energy and demand are:		
From 0 to 300 kWh/kW	@	$.03389/kWh	+	$7.76/kW
Above 600 kWh/kW	@	$.02767/kWh	+	$9.626/kW

It is important to note that the energy rates do not decline as a function of energy volume. Rather, the energy rates decline as a function of load factor, which creates and inclining demand charge as load factor increases. The foregoing shows how demand charges are built into the load factor based energy charges of the rate. Each line shows the effective rates per kWh and kW for the load factor ranges of each block. Because the size of each energy block in kWh is a function of demand, the demand charges are a function of the difference in the energy charges by block. For example, a customer whose load factor exceeds 41.1% (300/730) would use energy through each block. By algebraically extracting the demand component from the first block, the rates for the over 41.1% load factor customer can be restated as $.02767/kWh for all kWh plus of $9.626/kW for all kW. The effective demand charge for this example is determined as follows: ($.03389-$.02767) x 300 + $7.76. Moreover, the $.02767 end block energy charge includes $.00573 per kWh of additional demand cost recovery because Meade County RECC is purchasing energy at approximately $.0219 per kWh. This load factor

block type of structure is an effective way to recover costs when the retail billing demand is based on individual customer NCP while costs, especially wholesale power costs, are a function of the diversified demand contributions to system peak demand as is the case for Meade County RECC. The Schedule 4 structure recognizes that diversity is inversely related to load factor. As shown above, the demand charge is low at very low load factors and higher at the higher load factors. In this way, the demand component combined with the demand costs built into the energy rates is sufficient to recover the $7.37 wholesale demand charge (approximately $7.75 with losses) and distribution demand costs across the customer class from customers whose load factors range from the very low to the very high. At low load factors, individual customer maximum demands will rarely coincide with the Meade County RECC system peak that determines the wholesale cost of demand. Therefore, wholesale demand cost divided by retail billing demand will on average be less than the wholesale demand rate that is applicable to the wholesale billing demand.

By including time based demand charges in the design of Schedule 4, it is more supportive of efficiency than rates without. Also, like Schedules 1, 2, 3 and 3A, Schedule 4 is dependent upon energy sales for the recovery of some fixed costs. It is also not supportive of energy efficiency from Meade County RECC's perspective to the extent that "throughput incentives" have not been removed.

Big Rivers concurs with Meade County RECC's assessment of its tariffs.

Witnesses) Burns E. Mercer
Jack D. Gaines

RESPONSE OF BIG RIVERS ELECTRIC CORPORATION,
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Item 10) State whether Big Rivers and each member support inclining block rates. Explain your answer in detail.

Response) Big Rivers and its Members do not support inclining block rates. This rate design may, in fact, incent some customers to install more energy efficient equipment or fuel switch to natural gas, in areas where gas is available, to avoid the increased costs. Many rural areas in western Kentucky, which constitute a significant portion of the Members' service territory, have lower household income and limited access to natural gas relative to more urban areas of the state. Further, according to the U.S. Department of Energy's Energy Information Administration, households with incomes of less than $40,000 per year consume 30% more electricity per square foot that those with household incomes over $100,000. According to the Economic Research Service, the average per-capita income for all Kentucky residents in 2006 was $29,729, while rural per-capita income lagged at $23,751. Estimates from 2007 indicate a poverty rate of 21.8% in rural Kentucky, compared to 13.7% in urban areas of the state. (USDA-ERS, 2008). Inclining block rates will, therefore, impact lower income and rural households without access to natural gas more severely than those with higher incomes and/or those living in or around metropolitan areas.

Witnesses) Russ Pogue
G. Kelly Nuckols
Sanford Novick
Burns E. Mercer

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Item 11) With reference to the discussion about the recovery of only a portion of fixed costs through the customer charge, at Big Rivers Joint Direct, page 11, lines 10 through 17, address the following:

a. When did Big Rivers and each member perform their most recent cost of service study?

b. Describe the relationship of Big Rivers and each member's current rates and charges to the level of rates and charges indicated by the results of their most recent cost of service study.

c. Identify each specific case filed by each of Big Rivers' member cooperatives that were not settled in which the Commission did not grant the residential customer charge increase requested by the member cooperative. In terms of the increase in the residential customer charge, describe the result (in terms of amount and percent increase granted) of each case so identified.

Response) a. Big Rivers last performed a cost of service study in 1998. Kenergy filed a cost of service study on September 2, 2008, in Case No. 2008-00323. Meade County RECC filed its last cost of service study on March 13, 2007, in Case No. 2006-00500. JPEC performed it last cost of service study in connection with Case No. 2007-00116 covering the calendar year 2006.

b. The rates set by the Commission for Big Rivers are based on Big Rivers' need for cash more so than cost of service.

Based on Kenergy's most recent cost of service study, the customer charge is not as high as it should be. *See* the response to Item 8 herein.

Meade County RECC's results from Case No. 2006-00500 indicate that each rate class is providing revenues that provide for the full recovery of each class's cost to serve. The rate design indicates that the customer charge for the residential class does not provide for the full recovery of the customer related costs. The customer charge for the residential class provides for approximately 50% of the customer costs; Rate 2

(Commercial) provides for approximately 85% of the cost to serve; and Rate 3R (General Service) provides for the full recovery of the cost to serve.

JPEC's current customer charge rates are below that indicated by the cost of service study. In Case No. 2007-00116 the customer charge was raised by a greater percentage than the energy charge. The customer charge was not raised to the level indicated by the cost of service study in recognition of past experiences with the Office of the Attorney General and through the concept of gradual rate increases.

c. Kenergy has no such cases. For Meade County RECC, Case No. 2006-00500 was not settled. Meade County RECC requested an increase in the customer charge from $8.00 to $9.90 for Schedule 1 and an increase in the customer charge to $15.00 for Schedule 2. The Commission granted an increase in the customer charge to $9.85 for Schedule 1 and to $14.87 for Schedule 2. JPEC has settled all recent rate cases.

Witnesses) David A. Spainhoward
G. Kelly Nuckols
Sanford Novick
Burns E. Mercer

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Item 12) With reference to EISA 2007, Section 532(a)(17)(B)(i), under which the Commission shall consider removing the throughput incentive, address the following:

a. State whether or not Big Rivers and each member support decoupling. Explain your answer in detail.

b. Current literature describes a myriad of decoupling mechanisms. If applicable, describe specifically the form of decoupling that Big Rivers and each member support.

Response) a. In Administrative Case No. 2007-00477, Big Rivers opposed "revenue decoupling" as a rate structure to achieve energy efficiency. *See* Big Rivers' Response to Item 6 of the Commission Staff's First Data Request in Case No. 2007-00477. However, Big Rivers and its Members do not oppose decoupling to remove potential revenue shortfalls resulting from moderate weather and economic contraction and to closer align rates with costs. Further analysis would be required to evaluate revenue shifts, which will ultimately impact the Members' retail customers.

b. Decoupling by definition allows a utility to generate revenues which allow it to maintain financial health independent of customers' energy consumption. Big Rivers and its Members do not have a position on preferred methods of decoupling.

Witnesses) Russ Pogue
G. Kelly Nuckols
Sanford Novick
Burns E. Mercer

RESPONSE OF BIG RIVERS ELECTRIC CORPORATION,
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Item 13) Explain whether or not Big Rivers and each member believe the Commission should implement decoupling to support energy efficiency.

Response) Big Rivers and its Members support the alignment of rates with cost of service, which will remove the throughput incentive without shifting costs to rural and low income consumers as discussed in the response to Item 10 herein. Using a decoupling mechanism to support energy efficiency is unnecessary because a mechanism already exists (the DSM surcharge) to achieve this objective

Witnesses) Russ Pogue
G. Kelly Nuckols
Sanford Novick
Burns E. Mercer

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Item 14) Refer to page 11 of Big Rivers Joint Direct, where reference is made to a number of rate design options that can eliminate throughput incentive.

a. Provide a list of the options and the reasons for and against implementation of each option.

b. Explain whether Big Rivers or each member plan to implement any of the options identified.

Response) a. The options to eliminate throughput incentives available to Big Rivers' Members fall into two main categories as follows:

The first category involves removing all fixed cost recovery from volumetric charges such that the recovery of fixed costs is assured regardless of the consumption decisions of the customers. Two types of rates could meet this objective to varying degrees:

1. The most extreme form would be rates that recover all fixed costs through flat customer charges. This type of rate would completely eliminate throughput incentives. However, it is not a cost based rate structure since it does not recognize that some costs are a function of demand and system utilization. Furthermore, excluding all fixed costs from volumetric charges reduces the consumption price signal to the customer. As result, there will be less of an incentive to conserve.
2. An alternative that better reflects cost of service involves rates that include cost-based customer charges and demand charges that fully recover fixed costs. Such rates would more fairly recover costs. Although the throughput incentive would not be 100% eliminated by using demand charges rather than energy charges for the recovery of fixed demand costs, the throughput incentive would be minimized and energy conservation would have less of an effect on fixed costs recovery. However, it has historically been impractical

to incorporate demand charges in residential rates due to implementation costs and customer understanding.

The second option involves a more indirect approach in which the cooperative is allowed to recapture net revenue erosion resulting from sales reductions resulting from conservation measures through some type of surcharge. Such an approach could work in theory to provide financial protection to a cooperative. However, it involves assumptions and estimates to determine "costs" to be recaptured. It also begs the question, how should the surcharge be applied and who should pay it? It also adds another factor to the customer's bill.

b. At this time, Big Rivers' Members are not planning to pursue any of the options identified in a. Rather, the Members recognize that when an electric distribution utility relies upon energy sales to recover fixed costs and generate a margin or profit, positive results from investing in energy efficiency have the potential to have negative consequences for the utility's financial performance. The Members believe that aligning rates with costs will minimize the effects of "throughput incentives" that cause the utility to rely upon energy sales to recover fixed costs and that moving to more cost-based rates is the best strategy.

Witness) Russ Pogue
G. Kelly Nuckols
Sanford Novick
Burns E. Mercer

RESPONSE OF BIG RIVERS ELECTRIC CORPORATION,
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Item 15) Refer to pages 14 and 15 of Big Rivers Joint Direct. Using its experience in its advanced meter infrastructure ("AMI") pilot program, explain whether Kenergy believes AMI systems can be cost-effective using current day technology.

Response) The cost effective benefit of AMI technology will be found in operating efficiencies, when the retrieving of actual real-time metering data avoids on site verification and the expense of a trip made for any one of several reasons. Real-time data also provides for more precise system design and the most economical resource utilization, while enhancing reliability. The AMI system has the capability of demand response control and can provide real-time energy usage information to the consumer.

Witnesses) Sanford Novick

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Item 16) Refer to page 17 of Big Rivers Joint Direct. There are no customers participating in Kenergy's real-time pricing pilot program. Explain whether potential participants have been identified and if the program has been explained to them.

Response) Kenergy has identified one potential participant for the real-time pricing pilot program. It is currently working with an industrial prospect with a 100 MW load in Hancock County, Kentucky. Kenergy/Big Rivers have provided a market-based rate quote and a copy of Kenergy's Schedule 41 to the prospect.

Witnesses) Sanford Novick

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Item 17) Describe any AMI deployed by Big Rivers and each member.

Response) Big Rivers has electronic meters, which measure the total station power consumption, installed at all rural and industrial delivery point substations of its Members or their customers. The metering data in many cases is provided to either the Member or to the direct served industrial customer for their use and benefit. Big Rivers utilizes cellular phone services to provide communication to the meters.

JPEC deployed a pilot project of Cannon AMI meters in December 2006. Based on successful results, JPEC plans to implement a full system deployment over a period of 24 months beginning in 2009.

Kenergy has deployed 2 small pilots that utilize power line carrier as a means to provide 2 way communications to meters. An additional objective is to evaluate metering data for the purpose of future rate designs, system automation, reliability improvement and more precise engineering analysis.

Meade County RECC has deployed the Landis + Gyr (formerly Hunt Technologies) AMI Infrastructure.

Witnesses) David G. Crockett
G. Kelly Nuckols
Sanford Novick
Burns E. Mercer

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Item 18) Describe any transmission and distribution automation equipment Describe any AMI deployed by Big Rivers and each member.

Response) Big Rivers has not deployed any transmission automation equipment other than the remote control capability of substation equipment via its SCADA/EMS system and remote control capability of certain line equipment via its radio control switching system. However, these are operator interface systems not automated systems.

JPEC currently has four types of distribution automation equipment deployed. The first type is a Substation Control and Data Acquisition ("SCADA") system. This system provides load and fault data to JPEC's operations center and allows for the remote control of substation devices from JPEC's operations center. JPEC is currently upgrading this system to provide more reliable information in an almost real-time setting. The second type is the use of automatic overhead switches that provide service to the Kentucky Oaks shopping mall in Paducah. This system consists of two switches operating together that tie two circuits together to provide reliable service to the mall. If the switches sense that the mall has lost power, they work independently to automatically switch service to the mall from another circuit. The third type of automation deployed by JPEC consists of pad-mounted switches that provide service to a banking company that requires reliable service. This system operates in a similar fashion between two circuits as that described for the mall. The last type utilizes two overhead switches that communicate with each other to isolate faults and provide service to critical commercial load near the mall. Two circuits are again utilized and the lines are divided into three sections.

All of Kenergy's substations are equipped with 2 way communications for circuit switches and voltage control. A SCADA system constantly monitors status and value for each device. Preset commands control these devices when distribution system conditions indicate a need for response. Every change of state is reported via SCADA to the Operations Center.

Meade County RECC currently has four substations outfitted with recloser and regulator controls which have the ability to be remotely controlled by its SCADA system by Power Measurement.

Witnesses) David G. Crockett
G. Kelly Nuckols
Sanford Novick
Burns E. Mercer

Item 19) Describe any digital communications or any other smart grid technology deployed by Big Rivers and each member.

Response) Big Rivers has a digital microwave communication system, which is used in the operation of its transmission system (i.e. SCADA/EMS, two-way radio, radio-controlled switching, etc.) and through which it provides communication connectivity to its Members and has connectivity to some of its interconnected neighboring utility systems.

JPEC is installing an AMI system that will be fully integrated with its Outage Management System (OMS). Integrating these two systems will allow JPEC to communicate with meters from its operations center to determine if services are out and which services were affected by events. This communication will reduce the number of crew visits JPEC makes to service locations that are not without power and will provide information that will improve troubleshooting to restore service faster when it has been lost. JPEC is also upgrading communications from its operations center to its substations using a combination of fiber optic cable and a high speed digital radio system. Using these communications paths, JPEC will have the ability to download fault data and reprogram devices remotely. The fault data will be used to troubleshoot fault locations to restore service and eliminate problem areas faster. Reprogramming devices remotely can prevent outages by allowing device parameters to be changed before predicted incidents occur.

Meade County RECC currently has digital communication to all substations and its two offices. A digital microwave has been installed between the Brandenburg office, Hardinsburg office, and Big Rivers. There is also a link between the Brandenburg office and one of its substations. All of the other substations have a point to point VPN using Cisco Firewalls between the Brandenburg office and the substations. These substations have been equipped with high speed DSL, except for one which has high speed satellite communication.

Kenergy has not deployed any other digital communication equipment other than that described in the response to Item 17 herein.

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Witnesses) David G. Crockett
G. Kelly Nuckols
Sanford Novick
Burns E. Mercer

Item 20) Describe Big Rivers' and each member's plans with regard to the installation of additional smart grid technology and components. Include budgets and timelines if appropriate. If Big Rivers and each member have no specific plans for the installation of additional smart grid technology and components, explain why not.

Response) Big Rivers has no plans to install additional smart grid technology or components at this time. Big Rivers will continue to make prudent decisions in system planning, which will include consideration of the appropriate factors and consideration of available technologies (including smart grid technologies).

JPEC has investigated automated metering systems since 1999. JPEC entered a pilot project of approximately 100 telephone based AMR's in 1999. JPEC was not satisfied with the inherent problems with telephone based systems and launched a full scale task force investigating AMR in late 2000. Based upon the task force findings, JPEC determined that AMR at that time was not cost effective nor was the technology mature enough to support deployment of an AMR system. JPEC continued to monitor advancements in AMR technology and in December 2006 launched a 1,000 meter, sub-station wide deployment of the Cannon AMR system.

One of these reasons for selecting the Cannon system was the nearly real time information gathering capabilities and the ability to implement future anticipated industry changes such as time of use billings. In fact, JPEC refers to the AMR system as an AMI (Automated Meter Information) system because of its advanced features. After monitoring the pilot project for over a year, JPEC made plans to fully deploy the Cannon system over a twenty-four month period beginning in January 2009. JPEC estimates the total cost of a full 29,000 meter system to be approximately $5.7 million. JPEC believes that this deployment is an integral part of the move to a smart grid.

Savings in expense and energy are expected to be made in several areas. The most obvious benefit is that meter reading vehicles will not be on the road. This is a factor in both monthly reading and in special trips to read the meter when service is changed. Savings in energy efficiency are expected to be made as the engineering department is better able to appropriately size equipment and determine areas and reasons

for line loss. JPEC will be able to "ping" each meter when a line has been restored to insure that all members have been restored to power before line trucks leave the trouble area. Integration of AMI system information into the Outage Management System will allow the crews to pinpoint the specific trouble area, reducing truck roll time. Further, JPEC believes that information from the AMI system will be available to the member allowing them to use energy in a more efficient manner. JPEC anticipates that at some time in the future, it may be able to offer pre-paid service which is generally acknowledged to reduce energy consumption as pricing becomes more apparent to the retail customer.

JPEC is currently spending $250,000 to upgrade the automation systems in the mall area described in the response to Item 18 herein. The three switching systems discussed in Item 18 will be upgraded and integrated together in this project. The end result of this project will be for two substations to provide complete backup service to each other. The system will operate automatically to isolate faults and provide service to as many customers as possible in any incident, even the total loss of a substation. This system will also provide status and fault information to JPEC's operations center so JPEC's operations personnel will be better informed about the status of switches and operations occurring in this area. This upgrade is scheduled for completion this summer. JPEC is also upgrading highside protection devices at its substations. As funding is available, JPEC is replacing devices that do not provide communications with digital devices that provide better opportunities for logical programming on substation high side devices, better information to JPEC's operations center, and opportunities for near real-time communications to high side devices in its substations.

While it has long been the practice of Kenergy to search for and purchase, when feasible, logic-based devices that integrate into a smart application, there are no budgets or timelines established for full implementation. Kenergy anticipates that the AMI Pilot results will include data that can help define a viable smart grid plan.

As new substations are constructed, Meade County RECC installs equipment controls and measurement devices that allow easy interface with SCADA and other similar types for smart grid systems; however, Meade County RECC has no immediate

plans to install any additional smart grid technology. Any future regulators or reclosers ordered will have the capability for remote control. Because Meade County RECC does not have an on-site 24 hour dispatch center, the implementation of a system-wide SCADA or down-line system is unwarranted. Communications to down-line devices are very limited in Meade County RECC's service territory. Meade County RECC's AMI system is fully implemented and is to be integrated into the Cooperative's GIS system to assist with system load flow studies.

Witnesses) David G. Crockett
G. Kelly Nuckols
Sanford Novick
Burns E. Mercer

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ADMINISTRATIVE CASE NO. 2008-00408
March 30, 2009

Item 120) The American Recovery and Reinvestment Act of 2009 ("Stimulus Bill") contains a number of spending and tax measures crafted to inject more aggregate demand into the nation's sagging economy. Some of those measures impact, among other things, energy infrastructure. Certain provisions of EISA 2007 have been amended to reflect the incentives enacted by the Stimulus Bill, particularly in the area of smart grid technology. Explain whether or not your opinion on smart grid investments has changed in light of these amendments.

Response) The opinion of Big Rivers and its Members on smart grid investments has not changed. They will continue to review the measures in the Stimulus Bill to determine if smart grid investments are beneficial.

Witnesses) David G. Crockett
G. Kelly Nuckols
Sanford Novick
Burns E. Mercer