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March 3, 2011

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

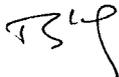
RECEIVED  
MAR 4 2011  
PUBLIC SERVICE  
COMMISSION

**Re: In the Matter of: An Examination of the Application of the Fuel  
Adjustment Clause of Big Rivers Electric Corporation from July 17, 2009,  
through October 31, 2010, Case No. 2010-00495**

Dear Mr. DeRouen:

Enclosed for filing on behalf of Big Rivers Electric Corporation are an original and ten copies of Big Rivers' responses to the second data requests of Commission Staff dated February 25, 2011. Since no other parties have intervened in this matter, the data request responses are not being served on any other party.

Sincerely,



Tyson Kamuf

TAK/ej  
Enclosures

cc: Albert Yockey

Telephone (270) 926-4000  
Telecopier (270) 683-6694

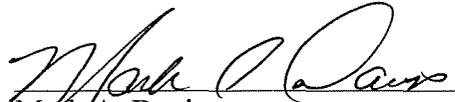
100 St. Ann Building  
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42302-0727

**BIG RIVERS ELECTRIC CORPORATION**

**AN EXAMINATION OF THE APPLICATION OF THE FUEL ADJUSTMENT CLAUSE  
OF BIG RIVERS ELECTRIC CORPORATION  
FROM JULY 17, 2009 THROUGH OCTOBER 31, 2010  
CASE NO. 2010-00495**

**VERIFICATION**

I, Mark A. Davis, verify, state, and affirm that I prepared, or supervised the preparation of, the data request responses for which I am a witness, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

  
Mark A. Davis

COMMONWEALTH OF KENTUCKY     )  
COUNTY OF HENDERSON         )

SUBSCRIBED AND SWORN TO before me by Mark A. Davis on this the 3<sup>RD</sup> day of March, 2011.

  
Notary Public, Ky. State at Large,  
My Commission Expires 03/03/2014

**BIG RIVERS ELECTRIC CORPORATION**

**AN EXAMINATION OF THE APPLICATION OF THE FUEL ADJUSTMENT  
CLAUSE OF BIG RIVERS ELECTRIC CORPORATION  
FROM JULY 17, 2009 THROUGH OCTOBER 31, 2010  
CASE NO. 2010-00495**

**Response to the Commission Staff's Second Request dated February 25, 2011**

**March 4, 2011**

1 **Item 1)**        *Refer to the Direct Testimony of Mark A. Davis, filed February 14, 2011,*  
2 *pages 6 and 7 of 8. Starting at page 6, Mr. Davis states that Big Rivers is proposing a*  
3 *base rate change from 1.0720 cents per kWh to 2.0932 cents per kWh, a roll-in of fuel*  
4 *costs to the base rate of 1.021 2 cents per kWh. Mr. Davis also discusses the Economic*  
5 *Reserve account and the Member Rate Stability Mechanism ("MSRM"). At the top of*  
6 *page 7, Mr. Davis states that the MSRM is "a tariff rider through which Big Rivers*  
7 *refunds to its members amounts in the Economic Reserve account to help offset FAC*  
8 *and environmental surcharge charges."*

9  
10                    *a. Would Big Rivers agree that, under normal circumstances, a roll-in*  
11 *of fuel costs to the base rate would have no effect on a customer's*  
12 *total bill because it is a shift from the monthly FAC to the base rate?*  
13 *If no, explain.*

14                    *b. If Big Rivers rolls in a portion of fuel costs into its base rates, the*  
15 *amount to be recovered through the FAC will be less than it would*  
16 *have been if no change was made. Given that the MSRM is used to*  
17 *offset the FAC charge, is it accurate to say that rolling additional*  
18 *fuel costs into base rates would result in higher bills for customers*  
19 *than if Big Rivers made no change to its base fuel rates since fuel*  
20 *costs rolled into base rates would no longer be offset by the MSRM?*  
21 *Explain your response.*

22  
23 **Response)**

- 24                    a. Big Rivers agrees that, under normal circumstances, a roll-in of fuel  
25 costs to base rates would have no effect on a customer's total bill.  
26                    b. Big Rivers agrees if it rolls a portion of fuel costs from its FAC into its  
27 base rates, then the amount it recovers through the FAC will be less  
28 than it would have been if no roll-in were made. However, the

**BIG RIVERS ELECTRIC CORPORATION**  
**AN EXAMINATION OF THE APPLICATION OF THE FUEL ADJUSTMENT**  
**CLAUSE OF BIG RIVERS ELECTRIC CORPORATION**  
**FROM JULY 17, 2009 THROUGH OCTOBER 31, 2010**  
**CASE NO. 2010-00495**

**Response to the Commission Staff's Second Request dated February 25, 2011**

**March 4, 2011**

1 assumptions that rolling additional fuel costs into base rates would  
2 result in higher bills for customers than if Big Rivers made no changes  
3 to its base fuel rates, and that fuel costs rolled into base rates would no  
4 longer be offset by the MRSM are incorrect.

5  
6 Big Rivers would treat FAC costs transferred to base rates as "FAC  
7 charges billed to the member during the month" for purposes of the  
8 MRSM. The first paragraph of Big Rivers' tariff Sheet No. 78, which  
9 was drafted in anticipation of FAC and Environmental Surcharge costs  
10 being transferred to base rates, states:

11  
12 If any portion of FAC or Environmental Surcharge  
13 costs are transferred to base rates, or if any portion of  
14 the FAC costs are transferred from base rates to the  
15 FAC, then the MRSM will account for any effect of  
16 such transfers so that the Members will not see any  
17 impact on their bills, either positive or negative, of such  
18 transfers.

19  
20 For your convenience, copy of the MRSM tariff rider is  
21 attached to this response.

22  
23  
24 **Witness)** Mark A. Davis

25  
26  
27  
28  
29  
30  
31

For All Territory Served By  
Cooperative's Transmission System  
P.S.C.KY.NO. 23

Original SHEET NO. 76

Big Rivers Electric Corporation  
(Name of Utility)

CANCELLING P.S.C.KY.NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

RULES AND REGULATIONS

18. MEMBER RATE STABILITY MECHANISM (MRSM).

Applicability:

Applicable in all territory served by Big Rivers' Member Cooperatives.

Availability:

Available pursuant to Section A.7. of this tariff for electric service provided by Big Rivers to its Member Rural Electric Cooperatives for all Rural Delivery Points and Large Industrial Customer Delivery Points, served under Rate Schedule C.4.d. and Rate Schedule C.7., respectively.

Definitions:

"Members" are Jackson Purchase Energy Corporation, Kenergy Corp. ("Kenergy"), and Meade County Rural Electric Cooperative Corporation.

"Smelters" are the aluminum reduction facilities of Alcan Primary Products Corporation and Century Aluminum of Kentucky General Partnership, as further described under the Wholesale Smelter Agreements.

"Smelter Agreements" are the two Wholesale Electric Service Agreements each dated as of July 1, 2009, between Big Rivers and Kenergy with respect to service by Kenergy to a Smelter.

Member Rate Stability Mechanism (MRSM):

Big Rivers will establish an Economic Reserve of \$157 million, plus any additional Amounts that may be added at the time of closing the unwind arrangement with E. ON, which will be used to offset the effect of billing the FAC and Environmental Surcharge to non-Smelter sales, after taking into account the credits received from the Unwind Surcredit and the Rebate Adjustment. The economic Reserve will be established as a stand-alone investment account, accruing interest. The MRSM will draw on the Economic Reserve to mitigate the

DATE OF ISSUE October 9, 2008 DATE EFFECTIVE July 17, 2009  
ISSUED BY Mark C. Pridemore Big Rivers Electric Corporation, 201 3<sup>rd</sup> St., Henderson, KY 42420  
(Signature of Officer) EFFECTIVE 11/17/2009  
Issued by Authority of PSC Case No. 2007-00455, Order dated March 6, 2009 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

PUBLIC SERVICE COMMISSION

OF KENTUCKY

EFFECTIVE

By [Signature]  
Executive Director

For All Territory Served By  
Cooperative's Transmission System  
P.S.C.KY.NO. 23

Original SHEET NO. 77

Big Rivers Electric Corporation  
(Name of Utility)

CANCELLING P.S.C.KY.NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

RULES AND REGULATIONS

monthly impacts of the FAC and Environmental Surcharge on each non-Smelter Member's bill, net of the credits received under the Unwind Surcredit and Rebate Adjustment. Each month the MRSM will mitigate the dollar impact of billings under the FAC and Environmental Surcharge less the total dollar amounts received under the Unwind Surcredit, less a monthly pro-rata portion of any lump sum rebates provided under the Rebate Adjustment, less the Expense Mitigation Adjustment (EMA) which is defined below. The amount of the (MRSM) credit provided to each member system during a month will each equal (i) the total amount of FAC charges billed to the member during the month, plus (ii) the total dollar amount of Environmental Surcharge charges billed to the member during the month, less (iii) the total dollar amount of the Unwind Surcredits credited to the member during the month, less (iv) onetwelfth (1/12) of any rebates provided unthe Rebate Adjustment during the current month or during any of the 11 preceding months, less (v) the total dollar amount of the Expense Mitigation Adjustment (EMA) charged to the member during the month; provided that the amounts subtracted in items (iii) (iv) and (v) cannot exceed the total of items (i) and (ii) in which case the monthly MRSM adjustment would be Zero.

**Expense MITIGATION FACTOR (EMF) AND ADJUSTMENT (EMA)**

The EMF shall be the following:

- I. \$0.000 per kWh for the first twelve (12) months following the effective date of this tariff;
- II. \$0.002 per kWh for months 13 through 24 following the effective date of this tariff;
- III. \$0.004 per kWh for months 25 through 36 following the effective date of this tariff; and
- IV. \$0.006 per kWh for months 37 through 48 following the effective date of this tariff;

The EMA for the month shall be the EMF multiplied by the S (m) which is the jurisdictional sales for the current expense month. The EMF and EMA will expire after month 48 following the effective date of this tariff.

PUBLIC SERVICE COMMISSION	
OF KENTUCKY	
DATE OF ISSUE <u>October 9, 2008</u>	DATE EFFECTIVE <u>July 17, 2009</u>
EFFECTIVE	
ISSUED BY <u>Mark A. Bowling</u> Big Rivers Electric Corporation, 201 3 <sup>rd</sup> St., Henderson, KY 42420	17/2009
(Signature of Officer)	PURSUANT TO 807 KAR 5:011
Issued by Authority of PSC Case No. 2007-00455, Order dated <u>March 6, 2009</u>	SECTION 9 (1)
By <u>[Signature]</u>	Executive Director

For All Territory Served By  
Cooperative's Transmission System  
P.S.C.KY.NO. 23

Original SHEET NO. 78

Big Rivers Electric Corporation  
(Name of Utility)

CANCELLING P.S.C.KY.NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

RULES AND REGULATIONS

If any portion of FAC or Environmental Surcharge costs are transferred to base rates, or if any portion of the FAC costs are transferred from base rates to the FAC, then the MRSM will account for any effect of such transfers so that the Members will not see any impact on their bills, either positive or negative, of such transfers.

The MRSM shall be no longer applicable and shall be terminated once the Economic Reserve is exhausted. During the last month of the MRSM, the amount remaining in the Economic Reserve will be prorated to each member on the basis of the total FAC and Environmental Surcharge charges applicable to non-Smelter sales less credits under the Unwind Surcredits, less monthly prorated amounts under the Rebate Adjustment and less the expense Mitigation Adjustment as applicable.

DATE OF ISSUE October 9, 2008 DATE EFFECTIVE July 17, 2009  
ISSUED BY Monte C. Bailey Big Rivers Electric Corporation, 201 3<sup>rd</sup> St. Henderson, KY 42420  
(Signature of Officer) 7/17/2009  
Issued by Authority of PSC Case No. 2007-00455, Order dated March 6, 2009

PUBLIC SERVICE COMMISSION  
OF KENTUCKY  
EFFECTIVE

PURSUANT TO 807 KAR 5:011  
SECTION 9 (1)

By [Signature]  
Executive Director