Big Rivers
ELECTRIC CORPORATION

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May 30, 2019

VIA FEDERAL EXPRESS AND ELECTRONIC MAIL

Hon. John E.B. Pinney
Acting General Counsel
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

Re: *Big Rivers Electric Corporation's written comments on the proposed amendments to 807 KAR 5:056*

Dear Mr. Pinney:

Big Rivers Electric Corporation ("*Big Rivers*") thanks you for the opportunity to submit these written comments on the proposed amendments to the Fuel Adjustment Clause ("*FAC*") regulation, 807 KAR 5:056.

We support the proposed amendments that are designed to clarify the FAC regulation and to conform it more closely with KRS 13A.222. We also applaud the proposed changes to what will become Sections 3(3) and 3(4) of the FAC regulation that make hearings discretionary, which will reduce our costs and time burdens in cases where the Kentucky Public Service Commission ("*Commission*") determines that a hearing is not necessary for it to fulfill its obligations to ensure that FAC charges are fair, just and reasonable.

The proposed amendments to what will become Section 3(5) of the FAC regulation require the Commission to "evaluate the reasonableness of fuel costs in contracts and competing bids based on the cost of the fuel less any tax collected under KRS 143.020." While we are appreciative of efforts to protect coal jobs in Kentucky, as a member-owned cooperative, Big Rivers' guiding principle is to keep our costs as low as possible while still meeting the service requirements of our member-owners and maintaining our financial viability.

We generally select fuel suppliers based upon the lowest delivered-priced coal that meets our quality requirements, and based on these criteria, we currently purchase approximately 93% of our coal from western Kentucky coal mines. Although it is too early to know what impact the proposed amendments will have on our coal purchases, the proposed amendments create an incentive for coal suppliers in Kentucky to increase their bids without any corresponding benefit to Big Rivers, its member-owners, or their retail customer-owners.

Under the FAC regulation, fuel costs are allocated between native load and off-system sales. For the portion allocated to native load sales, any increases in fuel costs would be flowed through directly to customers through the FAC. Additionally, as a cooperative, the margins Big Rivers earns on its off-system sales directly offset fixed costs that would otherwise have to be paid for by our member-owners and their retail customer-owners. Increases in fuel costs allocated to off-system sales would either reduce Big Rivers' margins on off-system sales, or would cause Big Rivers to become less competitive in the wholesale power marketplace and lose out on sales. In either case, Big Rivers would need to make up for the lost margins through increased base rates. Thus, the proposed changes to the FAC regulation could result in Kentucky residents paying more for electricity. Because the effects of the proposed changes to what will become Section 3(5) are uncertain at this time, we believe it would be prudent for the Commission to conduct an investigation to better understand how the proposed changes will impact coal purchases and coal prices prior to those changes being adopted.

Thank you again for your consideration of these comments, and please feel free to contact me with any questions you may have.

Sincerely,

Tyson Kamuf
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Big Rivers Electric Corporation
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