

ORIGINAL



Your Touchstone Energy® Cooperative 

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

ELECTRONIC EXAMINATION OF THE)	
APPLICATION OF THE FUEL ADJUSTMENT)	
CLAUSE OF BIG RIVERS ELECTRIC)	Case No.
CORPORATION FROM)	2019-00007
NOVEMBER 1, 2016 THROUGH OCTOBER 31, 2018)	

**Responses to Commission Staff's Second Request for Information
dated
March 11, 2019**

FILED: March 25, 2019


ORIGINAL

BIG RIVERS ELECTRIC CORPORATION

**ELECTRONIC EXAMINATION OF THE APPLICATION OF THE FUEL
ADJUSTMENT CLAUSE OF BIG RIVERS ELECTRIC CORPORATION
FROM NOVEMBER 1, 2016 THROUGH OCTOBER 31, 2018
CASE NO. 2019-00007**

VERIFICATION

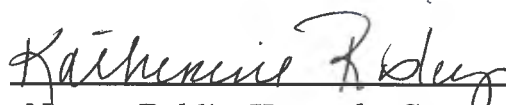
I, Mark J. Eacret, verify, state, and affirm that the data request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Mark J. Eacret

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

25th SUBSCRIBED AND SWORN TO before me by Mark J. Eacret on this the
day of March, 2019.



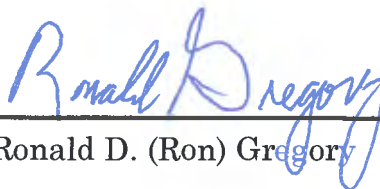
Notary Public, Kentucky State at Large
My Commission Expires Oct. 31, 2020

BIG RIVERS ELECTRIC CORPORATION

**ELECTRONIC EXAMINATION OF THE APPLICATION OF THE FUEL
ADJUSTMENT CLAUSE OF BIG RIVERS ELECTRIC CORPORATION
FROM NOVEMBER 1, 2016 THROUGH OCTOBER 31, 2018
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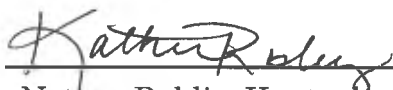
I, Ronald D. (Ron) Gregory, verify, state, and affirm that the data request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Ronald D. (Ron) Gregory

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Ronald D. (Ron) Gregory
on this the 25th day of March, 2019.



Notary Public, Kentucky State at Large
My Commission Expires Oct. 31, 2020

BIG RIVERS ELECTRIC CORPORATION

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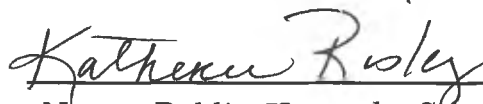
I, Roger D. Hickman, verify, state, and affirm that the data request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Roger D. Hickman

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

25th SUBSCRIBED AND SWORN TO before me by Roger D. Hickman on this the
____ day of March, 2019.



Notary Public, Kentucky State at Large

My Commission Expires

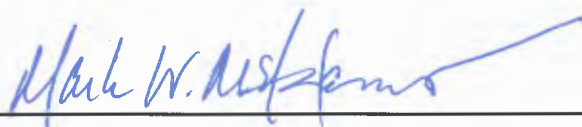
Oct. 31, 2020

BIG RIVERS ELECTRIC CORPORATION

**ELECTRONIC EXAMINATION OF THE APPLICATION OF THE FUEL
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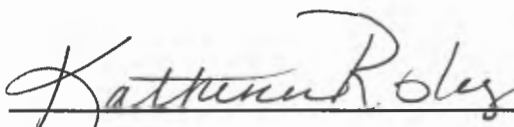
I, Mark W. McAdams, verify, state, and affirm that the data request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Mark W. McAdams

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

25th SUBSCRIBED AND SWORN TO before me by Mark W. McAdams on this the
day of March, 2019.



Notary Public, Kentucky State at Large

My Commission Expires Oct. 31, 2020

BIG RIVERS ELECTRIC CORPORATION

**ELECTRONIC EXAMINATION OF THE APPLICATION OF THE FUEL
ADJUSTMENT CLAUSE OF BIG RIVERS ELECTRIC CORPORATION
FROM NOVEMBER 1, 2016 THROUGH OCTOBER 31, 2018
CASE NO. 2019-00007**

**Response to Commission Staff's Second Request for Information
dated March 11, 2019**

March 25, 2019

- 1 **Item 1)** *Refer to the response to Commission Staff's First Request for*
2 *Information (Staff's First Request), Item 3, page 2 of 4, and page 4 of 4.*
3
4 *a. Provide an update on the state the coal inventory level in tons and*
5 *provide the number of days' supply for the Station Two units.*
6 *b. Explain if Big Rivers has any plans to sell or transfer any existing*
7 *coal that remains at the Station Two units.*

8

9 **Responses)**

- 10 a. As of February 28, 2019, the coal inventory held at Henderson Station
11 Two is 54,600 tons or 44 days' supply.
12 b. Discussions continue between the City of Henderson and Big Rivers
13 regarding the status of the existing coal pile and future actions regarding
14 the residual coal inventory. Any remaining coal that belongs to Big Rivers
15 will be transferred to Big Rivers' adjacent R.D. Green generating station.
16 If Big Rivers were to transfer all 54,600 tons to Green, it would comprise
17 approximately 13 days of inventory, based upon the budgeted coal burn
18 plan for that station.

19

20

21 **Witness)** Mark W. McAdams

22

BIG RIVERS ELECTRIC CORPORATION

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**Response to Commission Staff's Second Request for Information
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March 25, 2019

1 **Item 2)** *Refer to the response to Staff's First Request, Item 11. Explain*
2 *why the changes to Big Rivers' written policies and procedures regarding*
3 *its fuel procurement were made.*

4

5 **Response)** Big Rivers made this change to its written policies and procedures
6 regarding fuel procurement (Policy No. 120) to focus the preparation of the
7 evaluation criteria and the award recommendation process for fuels procurement to
8 the Director – Fuels Procurement. Negotiations may still involve multiple persons
9 and/or departments in regard to fuels procurement, as well as the senior
10 management of Big Rivers; however, the obligation of collecting, preparing,
11 summarizing, and recommending procurement actions shall originate from the
12 Director – Fuels Procurement.

13 As documented in the redline attachment for its Hedge Policy (Policy No. 111)
14 which Big Rivers provided in its response to Staff's First Request, Item 11, Big
15 Rivers removed the sentence "*Capacity resources (generation and purchased power*
16 *contracts) shall not exceed 30% concentration from a single resource or supplier.*"
17 This change was made for three reasons. First, the sentence was ambiguous
18 because it did not define to what value the 30% limit was being applied (total
19 generation, load, load plus off-system sales, *etc.*). Second, the idling of the Coleman
20 Station (443 MWs) and Reid 1 (65 MWs), and the planned exit from the Station Two
21 contracts (197 MWs) could have resulted in a violation of this policy if the sentence
22 were interpreted to mean that no one resource could be more than 30% of the

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1 remaining generation portfolio. Either the Wilson or Green Stations would exceed
2 that limit. Third, this sentence was meaningless in the Midcontinent Independent
3 System Operator, Inc. (MISO) footprint where all load is purchased from the market
4 and all resources are sold into the market.

5

6

7 **Witnesses)** Mark W. McAdams (*Coal*) and

8 Mark J. Eacret (*Natural Gas*)

9

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1 **Item 3)** *Refer to the response to Staff's First Request, Item 15, page 5 of*
2 *11. For the Green Station Unit #1, refer to the repeated explanation of, "Unit*
3 *was removed from service, due to a reheat outlet boiler tube leak." Explain*
4 *if Big Rivers has addressed or is planning to address a permanent repair*
5 *to the leak.*

6

7 **Response)** In mid-2017, Big Rivers recognized a pattern of repeating Green Unit
8 1 forced outages due to tube leaks in the reheat section of the boiler. During several
9 of the tube leak outages, tube samples were obtained and submitted for tube
10 material analysis and to evaluate the tube condition and likely failure mechanism.
11 The tube failures were attributed to short-term overheating and wall thinning from
12 tube wastage due to coal ash corrosion.

13 Big Rivers has worked with the David N. French metallurgical laboratory to
14 establish a matrix of boiler tube wall thickness values to be used to determine which
15 tubes to repair and/or replacement during outage opportunities. During Green Unit
16 1 outages for tube leaks in the reheat outlet and intermediate banks, Ultrasonic
17 Testing (nondestructive) was performed on the leading edge tubes in the area of the
18 tube leaks. Tube sections in the area of the leak with wall thicknesses below the
19 minimum, per the developed matrix, were repaired and/or replaced as time,
20 materials and access permitted.

21 In August of 2017, a maintenance outage was scheduled to follow a reheat
22 tube leak forced outage and additional tube sections were identified for repair

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1 and/or replacement during the maintenance outage based on tube wall thickness
2 measurements taken during the forced outage. During each subsequent reheat
3 tube leak outage, tubes in the area of the leak have been examined and wall
4 thickness measurements taken, where tubes could be accessed. Tubes sections in
5 the area of the leak with wall thicknesses below the minimum, per the developed
6 matrix, were repaired and/or replaced as time, materials and access allowed.

7 During the planned maintenance outage scheduled for [REDACTED] the first 2
8 tubes in 30 of the reheat outlet elements are planned to have 20 foot sections
9 installed and the 1st tube in 30 of the reheat intermediate elements are also
10 planned to have sections replaced.

11 Big Rivers will continue to implement the inspection, measurement and
12 repair/replacement of tube sections as outages occur, with the intent of minimizing
13 forced outages due to tube leaks and maximizing unit availability until the reheat
14 section of Green Unit 1 is replaced.

15

16

17 **Witness)** Ronald D. Gregory

18

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 4)** *Refer to the response to Staff's First Request, Item 22,*
2 *Attachment 1. Given that, with the exclusion of November 2016, the Fuel*
3 *Adjustment Clause factor has remained at a charge for almost the entirety*
4 *of the period under review, explain why Big Rivers requests no change in*
5 *the base fuel cost despite the trend.*

6

7 **Response)** As noted in its response to Staff's First Request, Item 22, Big Rivers
8 not only reviewed the performance of its Fuel Adjustment Clause ("FAC") factor for
9 the period under review, *i.e.*, November 1, 2016, through October 31, 2018, Big
10 Rivers also reviewed its 2019 and 2020 monthly forecasts for its FAC, which reflect
11 Big Rivers' projected FAC charges after the retirement of the Station Two
12 generating station on January 31, 2019. Also, because of a special \$311,111
13 monthly credit which ran through the December 2016 expense month, Big Rivers
14 removed that credit and reflected that removal in Item 22, Attachment 2.
15 Therefore, Big Rivers believes that Item 22, Attachment 2, along with Item 22,
16 Attachment 3, are the more appropriate schedules for analyzing its monthly FAC
17 factor performance, and making a determination regarding its current base fuel
18 costs of \$ 0.020932. As shown on Item 22, Attachment 2, the *24 month average* FAC
19 factor (adjusted for the special monthly credit) is only \$ 0.001386.

20

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1 In its orders approving no change to Big Rivers' base fuel costs in the prior
2 two-year FAC reviews,^{1,2} the Commission noted:

3

4 *In establishing the appropriate level of base fuel cost to be included in*
5 *Big Rivers' rates, the Commission must determine whether the*
6 *proposed base period cost per kWh is representative of the level of fuel*
7 *cost currently being experienced by Big Rivers.*^{3,4}
8

9 Based on the information presented in Item 22, Attachment 2 and Item 22,
10 Attachment 3, Big Rivers believes its current base fuel cost is representative of what
11 it has experienced in the last twenty-four months, and expects to experience in 2019
12 and 2020, especially given the magnitude of the most recent and projected FAC
13 factors compared to the operational difficulties required for Big Rivers and its
14 Members to implement a base fuel cost change. Any change in Big Rivers' base fuel
15 will require Big Rivers and its Members to have to update their respective tariffs
16 on file with the Commission, make changes to their respective billing systems, and
17 issues notices to their respective retail members. Altogether these changes will
18

¹ See *In the Matter of: An Examination of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 2014 through October 31, 2016* – Case No. 2017-00006.

² See *In the Matter of: An Examination of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 2012 through October 31, 2014* – Case No. 2014-00455.

³ See Commission Order dated July 31, 2017, in Case No. 2017-00006 at page 2.

⁴ See Commission Order dated July 27, 2015, in Case No. 2014-00455 at page 3.

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1 likely increase in-person, e-mail, and phone inquiries, by the Members' retail
2 members, about these changes. Accordingly, Big Rivers is not recommending a
3 change in its base fuel cost.

4

5

6 **Witness)** Roger D. Hickman

7

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 5)** *Refer to the response to Staff's First Request, Item 22,*
2 *Attachment 1, column (f).*

3

4 *a. Confirm the Over/Under Recovery amount for August 2017.*

5 *b. Confirm the Over/Under Recovery amount for September 2017.*

6

7 **Response)**

8 a. and b.

9 Revised amounts for the Over/Under recover amounts are shown in the
10 table below. This revisions also apply to the same months of Item 22,
11 Attachment 2. Accordingly, revisions of both Attachment 1 and
12 Attachment 2 are provided with this response, with revised numbers
13 shaded in light blue. There is no change to Item 22, Attachment 3.

14

Big Rivers Electric Corporation Revised FAC Over/Under Recovery Amounts		
Expense Month	Filed Feb. 25, 2019	Revised Mar. 25, 2019
August 2017	(\$51,448)	(\$51,488)
September 2017	(\$51,311)	(\$51,331)

15

16

17 **Witness)** Roger D. Hickman

Big Rivers Electric Corporation
Summary of Fuel Adjustment Clause Calculation Components
November 1, 2016 through October 31, 2018

(a)	(b)	(c)	(d)	(e) = (c) - (d)	(f)	(g)	(h)
Expense Month	Billing Month	Base Fuel Cost per kWh ¹	Total Fuel Cost per kWh	FAC Factor	Over/(Under) Recovery ²	Fuel Cost \$ Schedule ("Fm")	Sales(kWhs) Schedule ("Sm") ³
Nov 2016	Jan 2017	\$0.020932	\$0.019894	(\$0.001038)	\$10,630	4,707,021	236,599,577
Dec 2016	Feb 2017	\$0.020932	\$0.021580	\$0.000648	(\$69,713)	6,555,174	303,760,321
Jan 2017	Mar 2017	\$0.020932	\$0.022281	\$0.001349	(\$6,984)	6,528,029	292,982,825
Feb 2017	Apr 2017	\$0.020932	\$0.022657	\$0.001725	(\$76,697)	5,349,974	236,128,002
Mar 2017	May 2017	\$0.020932	\$0.021845	\$0.000913	\$21,760	5,433,831	248,742,653
Apr 2017	Jun 2017	\$0.020932	\$0.021421	\$0.000489	(\$27,777)	4,676,663	218,318,588
May 2017	Jul 2017	\$0.020932	\$0.021270	\$0.000338	\$11,371	5,138,276	241,572,042
Jun 2017	Aug 2017	\$0.020932	\$0.022401	\$0.001469	\$9,453	6,037,935	269,538,022
Jul 2017	Sep 2017	\$0.020932	\$0.022849	\$0.001917	\$53,225	6,986,519	305,769,700
Aug 2017	Oct 2017	\$0.020932	\$0.022703	\$0.001771	(\$51,488)	6,332,161	278,911,398
Sep 2017	Nov 2017	\$0.020932	\$0.023004	\$0.002072	(\$51,331)	5,749,407	249,927,116
Oct 2017	Dec 2017	\$0.020932	\$0.022942	\$0.002010	(\$24,757)	5,459,598	237,978,607
Twelve-Month Average		\$0.020932	\$0.022071	\$0.001139	(\$16,859)	5,746,216	260,019,071
Nov 2017	Jan 2018	\$0.020932	\$0.021434	\$0.000502	\$20,864	5,323,245	248,358,931
Dec 2017	Feb 2018	\$0.020932	\$0.021636	\$0.000704	\$26,679	6,523,214	301,504,056
Jan 2018	Mar 2018	\$0.020932	\$0.022926	\$0.001994	\$24,155	7,699,024	335,814,833
Feb 2018	Apr 2018	\$0.020932	\$0.024767	\$0.003835	(\$167,902)	6,231,604	251,611,091
Mar 2018	May 2018	\$0.020932	\$0.022465	\$0.001533	\$37,544	5,872,411	261,401,141
Apr 2018	Jun 2018	\$0.020932	\$0.021928	\$0.000996	(\$43,439)	5,110,657	233,065,327
May 2018	Jul 2018	\$0.020932	\$0.021403	\$0.000471	\$30,462	5,642,888	263,649,672
Jun 2018	Aug 2018	\$0.020932	\$0.021310	\$0.000378	\$14,185	6,260,273	293,765,533
Jul 2018	Sep 2018	\$0.020932	\$0.022035	\$0.001103	\$6,150	6,831,596	310,035,303
Aug 2018	Oct 2018	\$0.020932	\$0.022058	\$0.001126	(\$11,424)	6,610,360	299,678,039
Sep 2018	Nov 2018	\$0.020932	\$0.022564	\$0.001632	(\$36,110)	6,038,194	267,608,326
Oct 2018	Dec 2018	\$0.020932	\$0.023911	\$0.002979	(\$27,022)	6,002,804	251,050,605
Twelve-Month Average		\$0.020932	\$0.022370	\$0.001438	(\$10,488)	6,178,856	276,461,905
24-Month Average		\$0.020932	\$0.022220	\$0.001288	(\$13,674)	5,962,536	268,240,488

Note(s): 1.- See Big Rivers' Monthly Form A filing, page 1 of 2.
2.- See Big Rivers' Monthly Form A filing, page 2 of 4; see also Big Rivers' Monthly Form A filing, page 4 of 4.
3.- See Big Rivers' Monthly Form A, page 1 of 2; also see Big Rivers' Monthly Form A, page 3 of 4.

Big Rivers Electric Corporation
Summary of Fuel Adjustment Clause Calculation Components
November 1, 2016 through October 31, 2018

Excludes monthly credit of \$311,111 from Fuel Cost through the December 2016 Expense Month

(a)	(b)	(c)	(d)	(e) = (c) - (d)	(f)	(g)	(h)
Expense Month	Billing Month	Base Fuel Cost per kWh ¹	<u>Restated</u> Total Fuel Cost per kWh	<u>Restated</u> FAC Factor	Over/(Under) Recovery ²	<u>Restated</u> Fuel Cost \$ Schedule ("Fm")	Sales(kWhs) Schedule ("Sm") ³
Nov 2016	Jan 2017	\$0.020932	\$0.021209	\$0.000277	\$10,630	5,018,132	236,599,577
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24-Month Average		\$0.020932	\$0.022318	\$0.001386	(\$13,674)	5,988,462	268,240,488

- Note(s):**
- 1.- See Big Rivers' Monthly Form A filing, page 1 of 2.
 - 2.- See Big Rivers' Monthly Form A filing, page 2 of 4; see also Big Rivers' Monthly Form A filing, page 4 of 4.
 - 3.- See Big Rivers' Monthly Form A, page 1 of 2; also see Big Rivers' Monthly Form A, page 3 of 4.

Case No. 2019-00007

Revised Attachment 2 for Response to PSC 1-22

Witness: Roger D. Hickman

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**ELECTRONIC EXAMINATION OF THE APPLICATION OF THE FUEL
ADJUSTMENT CLAUSE OF BIG RIVERS ELECTRIC CORPORATION
FROM NOVEMBER 1, 2016 THROUGH OCTOBER 31, 2018
CASE NO. 2019-00007**

**Response to Commission Staff's Second Request for Information
dated March 11, 2019**

March 25, 2019

1 **Item 6)** *Refer to the Direct Testimony of Mark McAdams, page 3 of 8.*
2 *Explain who pays the difference in cost when an alternative mode of*
3 *transportation is required due to shipment rescheduling.*

4

5 **Response)** Depending on the nature of the shipment delays, several coal suppliers
6 have access to truck and barge loading processes and delivery modes. If such
7 alternatives exist, Big Rivers will seek to include those options within its coal
8 supply agreements to provide multiple logistic opportunities. Those alternatives
9 are priced within the coal supply agreements and are utilized if economical or when
10 other logistical constraints arise (e.g., with extended flooding, truck delivery could
11 be used as an alternative mode of transportation). Use of the alternative mode is
12 not mandatory; but, does support an alternative logistics plan. Further, if shipment
13 interruptions were on a supplier's end at loading, the supplier can contractually
14 request an alternative loading point. For alternative loading points that are closer
15 (less expensive), Big Rivers would receive the benefit of the lesser expense in
16 shipment. For alternative loading points further away (more expensive), the
17 supplier would have the financial obligation to provide Big Rivers the incremental
18 cost in excess of the regularly scheduled loading point expense. In any event, Big
19 Rivers seeks to minimize the cost of its logistics day-to-day and in special
20 circumstances where supply disruptions might occur.

21

22 **Witness)** Mark W. McAdams

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 7)** *For the period under review, describe how often the severance*
2 *tax on Kentucky coal affects Big Rivers' decision to purchase coal mined in*
3 *Kentucky.*

4

5 **Response)** Big Rivers evaluates coal supply offers based upon appropriate quality
6 and delivered, reliable, yet economic bus-bar cost methodology, without
7 consideration of severance tax on coal mined in Kentucky. At present, Big Rivers'
8 portfolio is: 93% western Kentucky coal, and 7% southern Indiana and southern
9 Illinois coal products.

10

11

12 **Witness)** Mark W. McAdams

13