

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC )  
CORPORATION FOR APPROVAL TO MODIFY ITS )  
MRSM TARIFF, CEASE DEFERRING DEPRECIATION ) CASE NO. 2020-00064  
EXPENSES, ESTABLISH REGULATORY ASSETS, )  
AMORTIZE REGULATORY ASSETS, AND OTHER )  
APPROPRIATE RELIEF )

**ATTORNEY GENERAL'S POST-HEARING BRIEF**

Pursuant to the Commission's Order of June 10, 2020, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("Attorney General"), submits the following for his post-hearing brief in the above-styled matter.

The Attorney General requests that the Commission approve the Settlement Agreement executed by the parties and filed with the Commission on May 29, 2020. Big Rivers Electric Corp. ("Big Rivers"), Kentucky Industrial Utility Customers, Inc. ("KIUC"), and the Attorney General engaged in extensive negotiations to reach the agreement found therein. That agreement provides short-term and long-term value to the residential ratepayers, through customer bill credits and reduced regulatory asset balances respectively. Additionally, the interest rate savings that Big Rivers is likely to obtain as a result of an enhanced credit profile represents additional benefit for the ratepayers. Further, any concerns on the part of the Commission related to the margins generated by a 1.3 TIER should be mitigated by the fact that increased equity accrues to the benefit of ratepayers.

In the process of reviewing the proposal submitted by Big Rivers, the Attorney General obtained the services of expert consultants who conducted an in-depth review of the filings and the related documents procured through discovery.<sup>1</sup> The position outlined here is consistent with the findings of those experts.

Undoubtedly, the Commission and Commission Staff have great expertise in the matters at issue here. It is the hope of this Office that the Commission reaches the same conclusions with respect to the benefits that could accrue to the ratepayers under the proposed Settlement Agreement.

*“Per Customer” Monthly Bill Credit*

The Commission has decisions to make regarding several issues explored in the Hearing – one being the allocation of MRSM customer credits to the Rural Class on a “per customer” basis. Specifically, the Settlement Agreement requires that the Monthly Bill Credit be allocated to the Rural Class on a “per customer” as opposed to a “per kWh.” That provision is fair, just, and reasonable, because: (1) the global pandemic has taken a toll on the finances of many families, (2) residential customers may already conserve to their maximum capability, and therefore have little ability to create additional savings through conservation, and (3) it is likely that energy savings received by residential customers flow back into community businesses.<sup>2</sup>

First, families of the Commonwealth face unprecedented challenges due to

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<sup>1</sup> The expert consultation services were provided by Brevitz Consultation Services, with Dave Brevitz, C.F.A., and Larry Holloway, P.E. specifically providing the services.

<sup>2</sup> Alternatively, should the Commission decide that it will not approve allocation of the Monthly Bill Credit to the Rural Class on a “per customer” basis in perpetuity, the Attorney General requests that such an allocation be put into place for limited duration or for a certain portion of the Monthly Bill Credit.

COVID-19 and the related restrictions on business activity, resulting in lost wages for many. We are all familiar with the current state of affairs, as few have been spared from the impacts of this global pandemic. These factors mitigate the financial harm of the pandemic by creating savings for residential ratepayers where possible.

Second, rational residential customers likely already engage in reduced consumption in order to reduce their home energy costs. Therefore, additional conservation may not be possible for some families who need that energy to engage in the customs of daily life.

Third, any savings obtained by those customers may be passed on to local businesses through increased spending depending on the marginal propensity to consume exhibited by those families. While an analysis supporting this theory is not produced in the record, the reasoning behind the analysis is sound.

For these reasons, the Attorney General requests that the Commission approve the Settlement Agreement, including the provision related to the “Per Customer” Monthly Bill Credit.

Respectfully submitted,

DANIEL J. CAMERON  
ATTORNEY GENERAL



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*Certificate of Service*

Pursuant to the Commission's Order dated March 17, 2020 in Case No. 2020-00085, and in accord with all other applicable law, Counsel certifies that an electronic copy of the forgoing was filed on June 17, 2020 and served through the electronic filing system on the following:

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