

ORIGINAL



Your Touchstone Energy® Cooperative 

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**ELECTRONIC APPLICATION OF)
BIG RIVERS ELECTRIC CORPORATION)
FOR APPROVAL TO MODIFY ITS MRSM TARIFF,)
CEASE DEFERRING DEPRECIATION EXPENSES,)
ESTABLISH REGULATORY ASSETS,)
AMORTIZE REGULATORY ASSETS, AND)
OTHER APPROPRIATE RELIEF)**

**Case No.
2020-00064**

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

FILED: April 24, 2020

ORIGINAL

BIG RIVERS ELECTRIC CORPORATION

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

VERIFICATION

I, Robert W. ("Bob") Berry, verify, state, and affirm that the information 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.



Robert W. ("Bob") Berry

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Robert W. ("Bob") Berry on this
the 24th day of April, 2020.



Notary Public, Kentucky State at Large

My Commission Expires _____

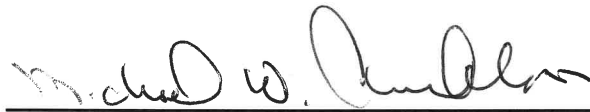
Notary Public, Kentucky State-At-Large
My Commission Expires: July 10, 2022
ID: 604480

BIG RIVERS ELECTRIC CORPORATION

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

VERIFICATION

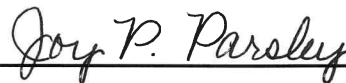
I, Michael W. ("Mike") Chambliss, verify, state, and affirm that the informationa request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Michael W. ("Mike") Chambliss

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Michael W. ("Mike") Chambliss on this the 24th day of April, 2020.



Notary Public, Kentucky State at Large

My Commission Expires _____

Notary Public, Kentucky State-At-Large
My Commission Expires: July 10, 2022
ID: 604480

BIG RIVERS ELECTRIC CORPORATION

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

VERIFICATION

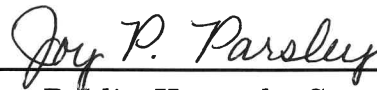
I, Mark J. Eacret, verify, state, and affirm that the information request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Mark J. Eacret

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

24th SUBSCRIBED AND SWORN TO before me by Mark J. Eacret on this the
day of April, 2020.



Notary Public, Kentucky State at Large

My Commission Expires _____

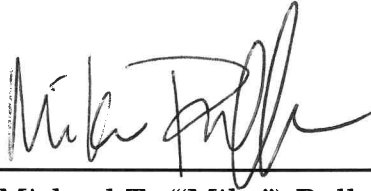
Notary Public, Kentucky State-At-Large
My Commission Expires: July 10, 2022
ID: 604480

BIG RIVERS ELECTRIC CORPORATION

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

VERIFICATION

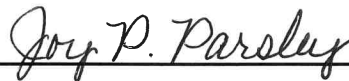
I, Michael T. ("Mike") Pullen, verify, state, and affirm that the data request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Michael T. ("Mike") Pullen

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Michael T. ("Mike") Pullen on this the 24th day of April, 2020.



Notary Public, Kentucky State at Large

My Commission Expires _____

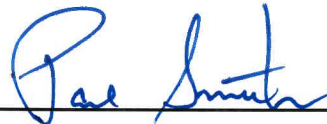
Notary Public, Kentucky State-At-Large
My Commission Expires: July 10, 2022
ID: 604480

BIG RIVERS ELECTRIC CORPORATION

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

VERIFICATION

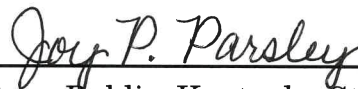
I, Paul G. Smith, verify, state, and affirm that the data request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Paul G. Smith

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

24th SUBSCRIBED AND SWORN TO before me by Paul G. Smith on this the
____ day of April, 2020.



Notary Public, Kentucky State at Large

My Commission Expires _____

Notary Public, Kentucky State-At-Large
My Commission Expires: July 10, 2022
ID: 604480

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

1 **Item 1)** *Refer to the application, paragraph 99, and the Direct Testimony*
2 *of Paul G. Smith (Smith Testimony), Exhibit Smith-4, proposed PSC KY No.*
3 *27, Second Revised Sheet No. 66.*

4 *a. Provide the approximate date that BREC expects to complete its*
5 *year-end financial statements after the end of a calendar year.*

6 *b. Refer also to BREC's response to Commission Staff's First Request*
7 *for Information (Staff's First Request), Item 10. Provide sample*
8 *annual filing formats for BREC's proposed New TIER Credit that*
9 *includes the amortization of the Smelter Loss Mitigation Regulatory*
10 *Assets as an explicit component of the calculation.*

11

12 **Response)**

13 a. Big Rivers traditionally completes its unaudited year-end financial
14 statements by January 31st. Big Rivers' audited financial statements are
15 historically completed by the external auditors in mid-April.

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

1 b. Big Rivers is willing to work with the Commission Staff to design a desired
2 annual filing format, but proposes the attached format.

3

4

5 **Witness)** Paul G. Smith

Big Rivers Electric Corporation
Case No. 2020-00064
Sample TIER Annual Filing Format

<u>Line</u>	<u>Description</u>	<u>Net Margin</u> (000's)	<u>TIER</u>
1	Net Margin Before Annual Smelter Loss Mitigation Regulatory Asset Amortization	\$ 25,600	
2	Add Back: Regulatory Exclusions	400	
3	Less: Annual Smelter Loss Mitigation Regulatory Asset Amortization	(10,000)	
4	Subtotal Net Margin Before New TIER Credit	<u>16,000</u>	1.40
5	Less: New TIER Credit (Note 1)	(4,000)	(0.10)
6	Reported Net Margin	<u>\$ 12,000</u>	<u>1.30</u>
Note 1: New TIER Credit Allocation			
7	50% Additional Smelter Loss Mitigation Regulatory Asset Amortization	\$ (2,000)	
8	50% Member Bill Credits	<u>(2,000)</u>	
9	Total New TIER Credit	<u>\$ (4,000)</u>	
Total Smelter Loss Mitigation Regulatory Asset Amortization			
10	Line 3: Annual Smelter Loss Mitigation Regulatory Asset Amortization	\$ (10,000)	
11	Line 7: 50% Additional Smelter Loss Mitigation Regulatory Asset Amortization	<u>(2,000)</u>	
12	Total Smelter Loss Mitigation Regulatory Asset Amortization	<u>\$ (12,000)</u>	

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

1 **Item 2)** *Refer to the Smith Testimony at page 23, lines 1–4 and 19, and*
2 *BREC's response to Staff's First Request, Item 25.*

3 *a. Explain whether any additional amortization of the Smelter Loss*
4 *Mitigation Regulatory Asset would also be recorded in the current*
5 *year, similar to any reduced amortization.*

6 *b. Confirm that BREC would record the entire increase or decrease in*
7 *amortization in December of the current year. If not, explain how*
8 *the increase or decrease in amortization would be reflected in*
9 *BREC's financial statements.*

10

11 **Response)**

12 a. The additional amortization of the Smelter Loss Mitigation Regulatory
13 Asset discussed in Smith Testimony at page 23, lines 1-4 and 19, would also
14 be recorded in the current year, similar to any reduced amortization.

15 b. Confirmed.

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

1

2 Witness) Paul G. Smith

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

1 **Item 3)** *Refer to BREC's response to Staff's First Request, Item 1.*

2 *a. State whether BREC plans to decommission the Coleman Station by*
3 *retiring in place or demolishing to four feet below grade. State the*
4 *reasoning behind this decision.*

5 *b. State whether BREC is able to or intends to sell the property on*
6 *which the Coleman Station sits.*

7

8 **Response)**

9 a. Big Rivers plans to decommission the Coleman Station by demolishing the
10 plant or selling the retired plant and property to a third party. As explained
11 on page 9, lines 1-10 of the Direct Testimony of Jeffrey T. Kopp, Manager,
12 Utility Consulting Department, Business & Technology Solutions Division,
13 Burns & McDonnell Engineering Company, Inc., in Case No. 2019-00269,¹

¹ See *In the Matter of: Electronic Application of Big Rivers Electric Corporation for Enforcement of Rate and Service Standards*, Case No. 2019-00269 [Filed July 31, 2019].

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

1 retiring in place is not a cost effective alternative to full demolition when
2 the carrying costs are taken into account. Mr. Kopp testified “that typically
3 in five to seven years more money will be spent on carrying costs during the
4 time a unit is in a retired in place condition than would have been spent to
5 fully demolish equipment and structures and perform site remediation
6 activities. Furthermore, the equipment and structures cannot remain in
7 perpetuity and will be required to be torn down at a future date as they
8 reach end of life.”²

9 b. Big Rivers intends to continue evaluating alternatives for the future use of
10 the Coleman Station property. These alternatives include locating a future
11 generating resource at the site to serve Big Rivers’ Member–Owners or the
12 sale of the property to a third party.
13

² See Kopp Direct Testimony, page 9 of 19, lines 4-10, Case No. 2019-00269 [Filed July 31, 2019].

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

1

2 **Witness)** Michael T. Pullen

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

1 **Item 4)** *Refer to BREC's response to Staff's First Request, Item 1(c).*
2 *BREC states that the expected filing date for the financing application is in*
3 *June and the anticipated financing is expected to occur in July. Per KRS*
4 *278.300(2), the Commission has up to 60 days to process a financing*
5 *application. Explain whether BREC will ask for expedited review of its*
6 *application.*

7

8 **Response)** Big Rivers is making every effort to submit the financing application in
9 May. Additionally, Big Rivers is exploring opportunities to achieve the desired
10 significant savings with a delayed financing date.

11

12

13 **Witness)** Paul G. Smith

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

Response to Commission Staff's
Second Request for Information
dated April 15, 2020

April 24, 2020

1 **Item 5)** *Refer to BREC's response to Staff's First Request, Items 8(a) and*
2 *9(a). Explain why the costs for the Coleman Station were decreasing for the*
3 *same period that costs for the Reid Station 1 were increasing.*

4

5 **Response)** For Coleman Station the costs decreased as compared to 2015 due to two
6 primary factors. First, the electrical, elevator, insulation, plant lighting, and ash
7 pond maintenance costs decreased for the time period of 2015 to 2019. Second, the
8 labor costs also decreased due to the previously identified reduction in maintenance
9 activities necessary to keep the plant site in the idled state.

10 For Reid Station, the costs increased compared to 2016 as follows: (i) in 2017
11 to account for obsolete inventory write-off; (ii) in 2018 for an inspection of the stack
12 interior to ensure its integrity; and (iii) in 2019 for asbestos insulation maintenance,
13 HVAC equipment repair, and the relocation of electric controls due to the retirement
14 of Station Two.

15

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

1

2 **Witness)** Michael T. Pullen

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

1 **Item 6)** *Refer to BREC's response to Staff's First Request, Item 29.*

2 *Provide any updates with BREC's request with the Rural Utilities Service.*

3

4 **Response)** Please see RUS' letter attached to Big Rivers' supplemental response,

5 filed April 15, 2020, to Staff's First Request, Item 29, in which RUS approved the

6 establishment of a regulatory asset for Coleman Station and for Reid Station Unit 1.

7

8

9 **Witness)** **Paul G. Smith**

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

1 Item 7) *Refer to the Smith Testimony at page 18, lines 7 -9, wherein he*
2 *discusses what he terms “Regulatory Exclusions,” and their exclusion from*
3 *BREC’s proposed Net Margins calculation.*

4 a. *Provide an exhaustive list of proposed Regulatory Exclusion that*
5 *Big Rivers intends to exclude from its Net Margins calculation.*

6 b. *For each Regulatory Exclusion listed in part a, above, provide the*
7 *amount of the expense incurred for the past three (3) calendar years,*
8 *and the anticipated amount of the expenses for the next three (3)*
9 *calendar years.*

10

11 **Response)**

12 a. Big Rivers intends to exclude from its Net Margins calculation the same
13 items that it proposed for exclusion in its last base rate case, including those
14 that are excluded pursuant to 807 KAR 5:016:

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

- 1 i. Advertising expenses that are promotional, political, or institutional in
2 nature,
3 ii. Lobbying expenses,
4 iii. Economic development expenses,
5 iv. Donations expenses, and
6 v. Touchstone energy dues.
7 b. Please see the attachment to this response for the annual amount of each
8 excludable item as proposed in Big Rivers' most recent base rate case, as
9 actually incurred during each of the past three (3) calendar years, and as
10 forecasted for the next three (3) calendar years.

11

12

13 Witness) Paul G. Smith

Big Rivers Electric Corporation
Case No. 2020-00064
Regulatory Exclusions

	Case No.	Actual			Forecast		
	<u>2013-00199</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Promotional Advertising	\$ 55,756	\$ 40,642	\$ 53,376	\$ 72,017			
Economic Development	144,568	156,439	127,074	132,074			
Lobbying	71,023	75,622	98,707	75,791			
Donations	63,328	100,382	119,659	90,349			
Touchstone Energy Dues	132,766	121,500	121,500	121,500			
	\$ 467,441	\$ 494,586	\$ 520,317	\$ 491,731			

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

1 Item 8) *Refer to Smith Testimony at page 9, lines 17-20 and page 10, lines*
2 *1-4, wherein he requests the Commission to expedite review of this proceeding*
3 *in order not to, “jeopardize Big Rivers’ ability to take advantage of its*
4 *potential investment grade credit ratings at the time it issues new debt as*
5 *early as July 2020, which will benefit Big Rivers’ Members. Further, refer to*
6 *the Application at page 8, lines 1-5. If, for instance, the Commission’s final*
7 *order in this matter is not issued until August, instead of June as requested,*
8 *explain and quantify the costs, including lost opportunity costs (e.g. savings)*
9 *that would result. Stated differently, explain and quantify the lost savings*
10 *that would result from issuing new debt in July with BREC’s current credit*
11 *rating instead of an anticipated “improved” rating.*

12

13 **Response)** As further described in Big Rivers’ response to Staff’s First Request,
14 Item 3, Big Rivers believes an investment grade credit rating would result in an
15 annual interest rate savings of approximately [REDACTED] on the forthcoming

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

1 reissuance of its pollution control bonds. Over the term of the 10-year bonds, such
2 incremental interest expense would total approximately [REDACTED].

3 Alternatively, Big Rivers could delay the call and reissuance of the pollution
4 control bonds, which would result in additional interest expense of approximately
5 [REDACTED] per month until such debt is refinanced.

6

7

8 Witness) Paul G. Smith

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

1 **Item 9)** *Provide the average rural monthly bill, by class, for each of*
2 *BREC's three (3) members for the each of the calendar years 2015-2019. The*
3 *information provided in the response should be sufficient to indicate whether*
4 *customers of particular "rural" classes use more electricity in any given*
5 *month relative to other months on a consistent basis across calendar years*
6 *in order to inform the Commission as to whether or not the Monthly Bill*
7 *Credit should be credited equally each month or should be focused primarily,*
8 *or exclusively, on months in which customers ordinarily consume more*
9 *electricity. Understanding the basis of the request, if BREC believes the*
10 *Commission may require additional information beyond what is requested*
11 *herein, it should provide as much in its response.*

12

13 **Response)** Big Rivers bills its three Members for two customer classes, Rural and
14 Large Industrial. The Large Industrial class includes approximately twenty (20)

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

1 large accounts served on Big Rivers' transmission system.¹ The Rural class includes
2 approximately 100,000 residential end users and approximately 18,000 commercial
3 and industrial accounts.

4 Please see Attachment 1 for a summary of the Rural customer class monthly
5 billed amounts for each of the calendar years 2015-2019. The amounts indicate
6 consistent above average seasonal sales in a handful of months. However, the results
7 are not as disparate as perhaps expected due to the Rural class blending of
8 commercial customers, who typically have more consistent usage throughout the
9 year, with residential customers.

10 Big Rivers does not generally have the bill information by retail class.
11 However, Jackson Purchase, Meade County, and Kenergy provided monthly bill
12 information for their residential customers. Please see Attachment 2 for an

¹ Prior to 2014, Big Rivers also served Century Aluminum's aluminum smelters in Sebree and Hawesville, Kentucky. While the smelters are still retail customers of Kenergy, their load (totaling 5,264,042 MWhs in 2018 and 6,107,458 MWhs in 2019) is excluded from the wholesale power contract between Kenergy and Big Rivers.

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

1 illustrative example of monthly residential billed amounts for Jackson Purchase,
2 Meade County, and Kenergy. The amounts indicate a much clearer indication of
3 higher residential usage during the three (3) summer months (July, August and
4 September) and the three (3) winter months (December, January and February).

5

6

7 Witness) Paul G. Smith

Big Rivers Electric Corporation
Case No. 2020-00064
2015-2019 Member Rural Billing by Month

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>
<u>2019</u>						
Jackson Purchase Rurals	\$ 4,953,133	\$ 3,965,982	\$ 3,946,502	\$ 2,997,252	\$ 3,873,823	\$ 4,283,348
Kenergy Rurals	9,531,433	7,388,691	7,586,628	5,474,240	6,959,009	7,874,897
Meade Co. Rurals	4,582,624	3,300,879	3,604,754	2,411,562	2,626,012	2,936,208
Total Rural Billing	\$ 19,067,190	\$ 14,655,552	\$ 15,137,884	\$ 10,883,054	\$ 13,458,844	\$ 15,094,452
% of Annual Bill	10.4%	8.0%	8.3%	5.9%	7.3%	8.2%
<u>2018</u>						
Jackson Purchase Rurals	\$ 5,728,920	\$ 4,342,156	\$ 3,934,116	\$ 3,454,273	\$ 4,381,380	\$ 5,095,457
Kenergy Rurals	10,548,568	7,988,242	7,528,090	6,409,485	7,896,046	9,201,882
Meade Co. Rurals	5,040,173	3,604,544	3,419,054	2,824,238	2,944,618	3,366,085
Total Rural Billing	\$ 21,317,661	\$ 15,934,942	\$ 14,881,260	\$ 12,687,996	\$ 15,222,043	\$ 17,663,425
% of Annual Bill	10.8%	8.1%	7.5%	6.4%	7.7%	8.9%
<u>2017</u>						
Jackson Purchase Rurals	\$ 4,982,681	\$ 3,855,784	\$ 3,909,892	\$ 3,352,537	\$ 3,925,866	\$ 4,824,898
Kenergy Rurals	9,041,467	7,075,043	7,245,832	5,865,402	6,823,338	8,667,529
Meade Co. Rurals	3,967,594	3,123,667	3,234,018	2,211,152	2,497,721	3,088,799
Total Rural Billing	\$ 17,991,742	\$ 14,054,494	\$ 14,389,742	\$ 11,429,091	\$ 13,246,925	\$ 16,581,226
% of Annual Bill	9.7%	7.6%	7.8%	6.2%	7.2%	9.0%

Case No. 2020-00064

Attachment 1 for Response to PSC 2-9

Witness: Paul G. Smith

Page 1 of 4

Big Rivers Electric Corporation
Case No. 2020-00064
2015-2019 Member Rural Billing by Month

	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
<u>2019</u>							
Jackson Purchase Rurals	\$ 4,879,232	\$ 4,939,949	\$ 4,642,287	\$ 3,771,231	\$ 4,135,881	\$ 4,233,425	\$ 50,622,044
Kenergy Rurals	8,898,590	8,887,335	8,451,742	6,974,636	7,738,991	7,684,171	93,450,363
Meade Co. Rurals	3,390,688	3,340,572	3,121,911	2,664,279	3,567,104	3,665,247	39,211,841
Total Rural Billing	\$ 17,168,509	\$ 17,167,856	\$ 16,215,940	\$ 13,410,146	\$ 15,441,977	\$ 15,582,843	\$ 183,284,248
% of Annual Bill	9.4%	9.4%	8.8%	7.3%	8.4%	8.5%	
<u>2018</u>							
Jackson Purchase Rurals	\$ 5,480,921	\$ 5,105,201	\$ 4,571,907	\$ 4,073,090	\$ 4,323,486	\$ 4,433,702	\$ 54,924,610
Kenergy Rurals	9,763,902	9,330,239	8,419,084	7,536,020	8,120,527	8,096,417	100,838,502
Meade Co. Rurals	3,626,714	3,413,080	3,034,258	2,878,834	3,674,929	3,780,012	41,606,540
Total Rural Billing	\$ 18,871,538	\$ 17,848,520	\$ 16,025,249	\$ 14,487,944	\$ 16,118,942	\$ 16,310,132	\$ 197,369,652
% of Annual Bill	9.6%	9.0%	8.1%	7.3%	8.2%	8.3%	
<u>2017</u>							
Jackson Purchase Rurals	\$ 5,819,114	\$ 4,979,624	\$ 4,260,924	\$ 3,672,416	\$ 3,870,094	\$ 5,043,864	\$ 52,497,694
Kenergy Rurals	10,190,544	8,857,225	7,702,276	6,869,691	7,066,244	9,191,788	94,596,378
Meade Co. Rurals	3,726,881	3,229,889	2,733,795	2,528,069	3,149,585	4,160,294	37,651,465
Total Rural Billing	\$ 19,736,539	\$ 17,066,738	\$ 14,696,995	\$ 13,070,176	\$ 14,085,923	\$ 18,395,946	\$ 184,745,537
% of Annual Bill	10.7%	9.2%	8.0%	7.1%	7.6%	10.0%	

Case No. 2020-00064

Attachment 1 for Response to PSC 2-9

Witness: Paul G. Smith

Page 2 of 4

Big Rivers Electric Corporation
Case No. 2020-00064
2015-2019 Member Rural Billing by Month

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>
<u>2016</u>						
Jackson Purchase Rurals	\$ 4,380,585	\$ 3,790,934	\$ 3,019,781	\$ 2,875,738	\$ 3,249,810	\$ 4,517,950
Kenergy Rurals	7,996,484	6,958,972	5,601,676	5,021,168	5,751,994	7,704,996
Meade Co. Rurals	3,610,718	2,939,441	2,274,839	1,899,638	2,088,420	2,722,221
Total Rural Billing	\$ 15,987,787	\$ 13,689,347	\$ 10,896,296	\$ 9,796,544	\$ 11,090,224	\$ 14,945,167
% of Annual Bill	9.6%	8.2%	6.5%	5.9%	6.6%	8.9%
<u>2015</u>						
Jackson Purchase Rurals	\$ 4,267,839	\$ 4,184,361	\$ 3,577,145	\$ 2,433,854	\$ 2,964,618	\$ 3,895,558
Kenergy Rurals	7,939,645	7,829,239	6,604,460	4,262,046	5,286,551	6,722,566
Meade Co. Rurals	3,648,581	3,663,263	2,919,572	1,589,651	1,902,395	2,365,043
Total Rural Billing	\$ 15,856,065	\$ 15,676,862	\$ 13,101,177	\$ 8,285,551	\$ 10,153,564	\$ 12,983,166
% of Annual Bill	10.6%	10.5%	8.8%	5.6%	6.8%	8.7%
<u>2015-2019 Rural Average</u>						
Total Rural Billing	\$ 90,220,445	\$ 74,011,197	\$ 68,406,361	\$ 53,082,237	\$ 63,171,601	\$ 77,267,436
% of Annual Bill	10.2%	8.4%	7.8%	6.0%	7.2%	8.8%

Case No. 2020-00064

Attachment 1 for Response to PSC 2-9

Witness: Paul G. Smith

Page 3 of 4

Big Rivers Electric Corporation
Case No. 2020-00064
2015-2019 Member Rural Billing by Month

	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
<u>2016</u>							
Jackson Purchase Rurals	\$ 4,761,125	\$ 4,441,441	\$ 4,524,706	\$ 3,504,022	\$ 3,705,588	\$ 5,080,714	\$ 47,852,395
Kenergy Rurals	8,062,031	8,068,467	8,219,663	6,315,354	6,860,671	9,247,578	85,809,054
Meade Co. Rurals	2,866,884	2,875,840	2,898,627	2,315,026	2,997,204	4,177,337	33,666,192
Total Rural Billing	\$ 15,690,040	\$ 15,385,748	\$ 15,642,996	\$ 12,134,402	\$ 13,563,462	\$ 18,505,628	\$ 167,327,642
% of Annual Bill	9.4%	9.2%	9.3%	7.3%	8.1%	11.1%	
<u>2015</u>							
Jackson Purchase Rurals	\$ 4,369,275	\$ 3,940,701	\$ 3,592,134	\$ 2,761,849	\$ 3,076,005	\$ 3,367,955	\$ 42,431,293
Kenergy Rurals	7,485,394	6,848,177	6,486,546	5,165,577	5,627,133	6,079,785	76,337,118
Meade Co. Rurals	2,710,871	2,438,136	2,296,242	1,859,773	2,365,069	2,580,691	30,339,288
Total Rural Billing	\$ 14,565,540	\$ 13,227,014	\$ 12,374,921	\$ 9,787,199	\$ 11,068,207	\$ 12,028,430	\$ 149,107,698
% of Annual Bill	9.8%	8.9%	8.3%	6.6%	7.4%	8.1%	
<u>2015-2019 Rural Average</u>							
Total Rural Billing	\$ 86,032,166	\$ 80,695,876	\$ 74,956,102	\$ 62,889,867	\$ 70,278,511	\$ 80,822,979	\$ 881,834,777
% of Annual Bill	9.8%	9.2%	8.5%	7.1%	8.0%	9.2%	

Case No. 2020-00064

Attachment 1 for Response to PSC 2-9

Witness: Paul G. Smith

Page 4 of 4

Big Rivers Electric Corporation
Case No. 2020-00064
Jackson Purchase and Meade County Residential Billing by Month

	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>JUL</u>
Jackson Purchase Residential ¹	\$ 4,440,629	\$ 4,083,093	\$ 2,849,654	\$ 2,537,520	\$ 2,774,866	\$ 3,232,399	\$ 4,355,780
% of Annual Bill	10.7%	9.9%	6.9%	6.1%	6.7%	7.8%	10.5%
Meade County Residential ²	\$ 4,544,607	\$ 4,223,610	\$ 3,576,303	\$ 2,445,721	\$ 2,575,094	\$ 3,098,809	\$ 3,791,682
% of Annual Bill	11.0%	10.2%	8.7%	5.9%	6.2%	7.5%	9.2%
Kenergy Residential ²	\$ 9,296,681	\$ 7,120,262	\$ 7,059,162	\$ 4,872,908	\$ 6,041,370	\$ 6,910,743	\$ 8,510,821
% of Annual Bill	10.8%	8.3%	8.2%	5.7%	7.0%	8.1%	9.9%
<u>Total of Jackson Purchase, Meade County & Kenergy Residential</u>							
Total Residential Billing	\$ 18,281,917	\$ 15,426,965	\$ 13,485,119	\$ 9,856,149	\$ 11,391,330	\$ 13,241,951	\$ 16,658,283
% of Annual Bill	10.9%	9.2%	8.0%	5.9%	6.8%	7.9%	9.9%

Note(s): 1.- Jackson Purchase information is from its 2019 rate case.
2.- Meade County & Kenergy information is calendar year 2019

Big Rivers Electric Corporation
Case No. 2020-00064
Jackson Purchase and Meade County Residential Billing by Month

	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>TOTAL</u>
Jackson Purchase Residential ¹	\$ 4,363,707	\$ 3,601,426	\$ 3,309,077	\$ 2,519,158	\$ 3,319,158	\$ 41,386,467
% of Annual Bill	10.5%	8.7%	8.0%	6.1%	8.0%	
Meade County Residential ²	\$ 3,475,611	\$ 3,364,870	\$ 2,543,513	\$ 3,689,400	\$ 3,919,156	\$ 41,248,376
% of Annual Bill	8.4%	8.2%	6.2%	8.9%	9.5%	
Kenergy Residential ²	\$ 8,111,270	\$ 7,583,050	\$ 5,313,388	\$ 7,301,682	\$ 7,706,969	\$ 85,828,306
% of Annual Bill	9.5%	8.8%	6.2%	8.5%	9.0%	
<u>Total of Jackson Purchase, Meade County & Kenergy Residential</u>						
Total Residential Billing	\$ 15,950,588	\$ 14,549,346	\$ 11,165,978	\$ 13,510,240	\$ 14,945,283	\$ 168,463,149
% of Annual Bill	9.5%	8.6%	6.6%	8.0%	8.9%	

Note(s): 1.- Jackson Purchase information is from its 2019 rate case.
2.- Meade County & Kenergy information is calendar year 2019

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

1 Item 10) *Refer to the Smith testimony at page 24, lines 16-18. Further,*
2 *refer to BREC's response to Staff's First Request, item 26(b).*

3 a. *Provide the number of times over the past ten (10) calendar years in*
4 *which BREC's Margins for Interest Ratio (MFIR) was different than*
5 *BREC's TIER.*

6 b. *For any occurrence identified in response to part a, above, provide*
7 *the TIER and MFIR for that calendar year.*

8 c. *Explain the circumstances in which BREC would incur income tax*
9 *expense and provide the likelihood BREC will incur tax expense over*
10 *the next ten (10) calendar years.*

11

12 **Response)**

13 a. During the period 2010-2019, Big Rivers' MFIR was different from its TIER
14 on two occasions, in the years 2014 and 2015.

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

- 1 b. In 2014, the MFIR was 2.25 and the TIER was 1.79. In 2015, the MFIR
2 was 1.29 and the TIER was 1.27. The difference in each of these two years
3 is attributable to non-recurring coal contract and asbestos litigation
4 settlements, respectively. Big Rivers' Indenture specifically excludes non-
5 recurring charges to income for purposes of computing the MFIR.
- 6 c. Big Rivers has accumulated a very significant net operating loss for income
7 tax purposes and, therefore, it is extremely unlikely that Big Rivers will
8 incur an income tax expense over the next ten (10) calendar years.

9

10

11 **Witness)** Paul G. Smith

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

1 **Item 11)** *Refer to BREC's response to Staff First Request, Item 27. Explain*
2 *whether BREC's response is an indication that the approximately \$16 million*
3 *in amortization expense resulting from amortizing BREC's outstanding and*
4 *proposed regulatory assets will not be fully recovered under its proposal, even*
5 *assuming a consistent 1.30 TIER. If BREC's response is not an indication*
6 *that is the case, explain why then if this application was treated like a base*
7 *rate case, the application would require a \$4 million annual increase.*

8

9 **Response)** Big Rivers believes the approximately \$16 million amortization expense
10 is sufficient to fully amortize the outstanding and proposed regulatory assets.
11 However, Big Rivers' proposal to utilize approximately \$91 million of its equity
12 headroom reduces the annual amortization expense by approximately \$4 million.
13 Because the use of the equity headroom is not a component of the revenue
14 requirement in a base rate case, the annual amortization expense in a base rate case
15 would be \$4 million higher than proposed in this proceeding.

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Commission Staff's
Second Request for Information
dated April 15, 2020**

April 24, 2020

1

2

3 Witness) Paul G. Smith