

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 |) | 2021-00058 |
| NOVEMBER 1, 2018 THROUGH OCTOBER 31, 2020 |) | |

DIRECT TESTIMONY

OF

**NATALIE R. HANKINS
SENIOR POWER PORTFOLIO OPTIMIZATION ANALYST
ENERGY SERVICES**

ON BEHALF OF

BIG RIVERS ELECTRIC CORPORATION

FILED: March 22, 2021

ORIGINAL

**DIRECT TESTIMONY
OF
NATALIE R. HANKINS**

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Q. Please state your name, business address, and position.

A. My name is Natalie R. Hankins. I am employed by Big Rivers Electric Corporation (“Big Rivers” or “the Company”), 201 Third Street, Henderson, Kentucky 42420, as a Senior Power Portfolio Optimization Analyst in Energy Services. I report to Mark J. Eacret, Big Rivers’ Vice President Energy Services.

Q. Please describe your job responsibilities.

A. As Senior Power Portfolio Optimization Analyst in Energy Services, I am responsible for long-term energy and capacity marketing and short-term energy hedging activities at Big Rivers. I am also responsible for coordination of daily Midcontinent Independent System Operator, Inc. (“MISO”) market activities that include unit offer strategy, interface with ACES Power Marketing, and oversight of the market Awards Process. Other responsibilities include scheduling Southeast Power Administration (“SEPA”) energy and capacity, natural gas account management, contract management, interface with the MISO Independent Market Monitor, and performing a variety of official roles within the MISO structure.

1 **Q. Briefly describe your education and work experience.**

2 A. I earned a Bachelor of Science degree in Biology from Murray State
3 University, and a Master of Public Health degree from Saint Louis
4 University with dual concentrations in Epidemiology and Environmental and
5 Occupational Health. I began my career at Big Rivers in November 2007 as
6 a planning analyst, and I assumed my current position in late 2013.

7
8 **Q. Have you previously testified before this Commission?**

9 A. Yes. I sponsored responses to information requests in Case No. 2020-00250¹
10 and in Case No. 2020-00009.²

11

12 **Q. What is the purpose of your testimony in this proceeding?**

13 A. The purpose of my testimony is to describe changes in wholesale electric
14 power markets that occurred and impacted Big Rivers from November 1,
15 2018, through October 31, 2020, (“the Review Period”). I will also address
16 Big Rivers’ expectations for electric power markets for the next two years,
17 *i.e.*, 2021 and 2022, and their potential impact on Big Rivers’ electric power
18 procurement practices.

¹ See *In the Matter of: An Electronic Examination of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 2019 Through April 30, 2019*, Case No. 2020-00250.

² See *In the Matter of: An Electronic Examination of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from May 1, 2019 Through October 31, 2019*, Case No. 2020-00009.

1 **Q. Discuss the changes in wholesale electric power markets that**
2 **occurred and impacted Big Rivers during the Review Period.**

3 A. Over the course of the review period, energy prices were decidedly lower. The
4 average IndyHub price for Calendar 2018 was over \$33/MWh. During 2019,
5 that average dropped to under \$27/MWh. The COVID-19 pandemic lowered
6 2020 prices even further, to below \$23/MWh. These reductions were driven
7 by reduced demand and the addition of significant amounts of wind
8 generation in northern Indiana and points west.

9 Capacity prices remained low. The MISO Planning Resource Auction
10 Clearing Price (“PRA ACP”) held in the spring of 2019 was \$2.99/MW-Day
11 and the PRA ACP in the spring of 2020 was \$5.00/MW-Day. That compares
12 to \$72.00/MW-Day, \$1.50/MW-Day, and \$10.00/MW-Day for 2016-2018,
13 respectively.

14 These low Auction Clearing Prices put downward pressure on the
15 bilateral capacity market, with broker quotes for prompt planning year
16 capacity in the range of \$.50/kw-month to \$1.00/kw-month.

17

18 **Q. Discuss Big Rivers’ expectations for electric power markets for the**
19 **next two years, *i.e.*, 2021 and 2022, and their potential impact on Big**
20 **Rivers’ electric power procurement practices.**

21 A. The market is expecting a pickup in IndyHub prices. The energy forward
22 curves for 2021 and 2022 have been generally in the \$27/MWh to \$29/MWh

1 range. However, already in 2021, the weather event of mid-February pushed
2 the average price for the month at IndyHub to almost \$62/MWh.

3 The retirement of the Green coal units will reduce the amount of
4 generation that Big Rivers generates. This will be partially offset by the
5 addition of three solar contracts beginning in 2023. Big Rivers will use
6 market purchases to hedge the exposure of our members to energy prices.
7 While prices are projected to be higher than 2018-2020, they are still very
8 attractive.

9 PRA ACPs are projected to remain low for the 2021 Planning Year, but
10 coal-fired generation retirements in 2022 and 2023 because of Effluent
11 Limitation Guidelines (ELG) and Coal Combustion Residual (CCR)
12 regulations could put upward pressure on capacity beyond that. There is a
13 large amount of solar generation in the MISO interconnection queue, but the
14 proposed implementation of Effective Load Carrying Capability rules in
15 MISO could limit the amount of capacity accreditation those projects receive.

16 The bilateral capacity markets have already reacted to the potential of
17 higher prices. Offers for long-term capacity [REDACTED]
18 [REDACTED]. That contributed to Big Rivers'
19 decision to repower its Green Station coal units with natural gas. The
20 economics of that conversion are comparable to market purchases and
21 provide the added benefit of further diversifying the Big Rivers fleet and

1 retaining a dispatchable generating resource on the grid as intermittent
2 renewable generating resources are being added.

3

4 **Q. Does this conclude your testimony?**

5 A. Yes.

6

BIG RIVERS ELECTRIC CORPORATION

**AN ELECTRONIC EXAMINATION OF
THE APPLICATION OF THE FUEL ADJUSTMENT CLAUSE
OF BIG RIVERS ELECTRIC CORPORATION
FROM NOVEMBER 1, 2018 THROUGH OCTOBER 31, 2020
CASE NO. 2021-00058**

VERIFICATION

I, Natalie R. Hankins, verify, state, and affirm that I prepared or supervised the preparation of the Direct Testimony filed with this Verification, and that Direct Testimony is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry



Natalie R. Hankins

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Natalie R. Hankins on this the 22nd day of March, 2021.



Notary Public, Kentucky State at Large

Kentucky ID Number

KY NP 16841

My Commission Expires

October 31, 2024