

ORIGINAL



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

| | | |
|---|---|-------------------|
| ELECTRONIC APPLICATION OF |) | |
| BIG RIVERS ELECTRIC CORPORATION |) | |
| FOR A CERTIFICATE OF PUBLIC CONVENIENCE |) | |
| AND NECESSITY AUTHORIZING THE |) | Case No. |
| CONVERSION OF THE GREEN STATION UNITS TO |) | 2021-00079 |
| NATURAL GAS-FIRED UNITS AND AN ORDER |) | |
| APPROVING THE ESTABLISHMENT OF A |) | |
| REGULATORY ASSET |) | |

**Responses to the Kentucky Industrial Utility Customers, Inc.'s
Second Set of Data Requests
dated
April 8, 2021**

FILED: April 16, 2021

ORIGINAL

BIG RIVERS ELECTRIC CORPORATION

**ELECTRONIC APPLICATION OF
BIG RIVERS ELECTRIC CORPORATION
FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY
AUTHORIZING THE CONVERSION OF THE GREEN STATION UNITS TO
NATURAL GAS-FIRED UNITS AND AN ORDER
APPROVING THE ESTABLISHMENT OF A REGULATORY ASSET
CASE NO. 2021-00079**

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 Smith

Paul G. Smith

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

16th SUBSCRIBED AND SWORN TO before me by Paul G. Smith on this the
day of April, 2021.

Katherine Rosky

Notary Public, Kentucky State at Large

Kentucky ID Number

KYNP16841

My Commission Expires

October 31, 2024



BIG RIVERS ELECTRIC CORPORATION
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- 1 Item 1) *Please refer to Big Rivers’ response to KIUC 1-2:*
- 2 a. *Please provide Big Rivers’ proposed annual depreciation expense*
- 3 *for Green following the conversion to natural gas.*
- 4 b. *Please explain how the reduction in depreciation expense will flow*
- 5 *through the MRSM process.*
- 6 c. *Please provide the dollar-per-MWh increase in the MRSM credit for*
- 7 *the Rural and Direct Serve Industrial rate classes that will result*
- 8 *from the reduced depreciation expense.*

9

10 **Response)**

- 11 a. Green Station’s current annual depreciation expense is \$9.5 million. The
- 12 retirement of the coal-related assets will reduce the annual expense by
- 13 approximately \$4.7 million.
- 14 b. The reduction in depreciation expense will increase Pre-TIER Credit Net
- 15 Margins. For the increase in net margins above a 1.30x TIER, 60% will be

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1 reflected as an incremental amortization of the Smelter Loss Mitigation
2 Regulatory Assets. The remaining 40% of the increased net margins will
3 flow through as an increase in the MRSM bill credits in the following year.

4 c. Assuming an increase in net margins of \$4.7 million, the following year
5 MRSM bill credits will increase \$1.9 million ($\$1.9 \text{ million} = \$4.7 \text{ million} \times$
6 $.40$). Assuming a 78%/22% split between Rural and Large Industrial
7 consumers, and 2.2/0.8 million MWh consumption by Rural and Large
8 Industrial consumers in the following year, the average MRSM bill credit
9 will be:

- 10 • Rural = $\$0.67 / \text{MWh}$ ($\$1.9 \text{ million} \times .78 / 2.2 \text{ million MWhs}$)
- 11 • Large Industrial = $\$0.52 / \text{MWh}$ ($\$1.9 \text{ million} \times .22 / 0.8 \text{ million MWhs}$).

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14 **Witness)** Paul G. Smith

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