

ORIGINAL



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

**ELECTRONIC TARIFF FILING OF)
BIG RIVERS ELECTRIC CORPORATION AND)
JACKSON PURCHASE ENERGY CORPORATION)
FOR APPROVAL AND CONFIDENTIAL TREATMENT)
OF A SPECIAL CONTRACT AND COST ANALYSIS)
INFORMATION AND A REQUEST FOR DEVIATION)
FROM THE COMMISSION'S SEPTEMBER 24, 1990 IN)
ADMINISTRATIVE CASE NO. 327)**

**Case No.
2021-00282**

**Joint Responses to Commission Staff's
First Request for Information
dated**

August 12, 2021

FILED: August 20, 2021


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BIG RIVERS ELECTRIC CORPORATION

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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)

20th SUBSCRIBED AND SWORN TO before me by Mark J. Eacret on this the
____ day of August, 2021.



Kathryn Dyer, KYNP16841
Notary Public, Kentucky State at Large
My Commission Expires October 31, 2024



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VERIFICATION

I, John Wolfram, 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.

John Wolfram



COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

20th SUBSCRIBED AND SWORN TO before me by John Wolfram on this the
____ day of August, 2021.

Kathleen [Signature], KYNP 16841

Notary Public, Kentucky State at Large

My Commission Expires

October 31, 2024



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1 **Item 1)** *Refer to the Direct Testimony of Mark Eacret (Eacret Testimony),*
2 *page 9, lines 11–16, and the Blockware Retail Electric Agreement*
3 *(Agreement), Exhibit C. Explain where in the Agreement the provision that*
4 *the percentage of Blockware Mining LLC's (Blockware) power requirements*
5 *that will be served under BREC's Large Industrial Customer (LIC) rate will*
6 *be subject to the economic development rate discounts is specified.*

7

8 **Response)** Section 3.01 of the Agreement provides that the rates applicable to
9 service to Blockware are set forth in Exhibit C. Section C of Exhibit C notes that one
10 (1) MW less than the Incremental Load that is added during Planning Years 2022-
11 2030, and that is served under the LIC rate, is eligible for economic development
12 credits.

13

14 **Witness)** Mark J. Eacret

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1 **Item 2)** *Refer to the Eacret Testimony, page 17, lines 1–13. The*
2 *paragraph appears to pertain to that portion of Blockware load subject to*
3 *the Economic Development Rate (EDR) credit.*

4 **a.** *Confirm whether Exhibit Eacret-3 includes the full and anticipated*
5 *Blockware load.*

6 **b.** *Explain how BREC covers its capacity requirements in months with*
7 *no excess capacity.*

8 **c.** *Provide the provision in the Agreement that Blockware would be*
9 *responsible for the associated cost of market purchases in the event*
10 *that BREC did find it necessary to make a specific market purchase*
11 *to cover its demand.*

12

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1 **Response)**

2 a. The figures in Exhibit Eacret-3 ***do not*** include the full and anticipated
3 Blockware load. The exhibit only includes the [REDACTED] of the Blockware load
4 that pays Large Industrial Customer ("LIC") tariff rates.

5 b. Resource adequacy in MISO¹ is an annual construct. That is, market
6 participants must secure enough capacity to cover their MISO summer non-
7 coincident peaks. If enough capacity is secured to cover the summer
8 months, it will cover each month in the remainder of the year as well. If
9 short capacity, Big Rivers could purchase it in the Planning Resource
10 Auction or in the bilateral market. Alternatively, Section 2.14 of the
11 agreement gives the customer the right to participate in MISO demand-side
12 management programs (subject to the MISO tariff) with reasonable

¹ MISO – Midcontinent Independent System Operator, Inc.

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1 assistance from Big Rivers. If Blockware decided to pursue that, that would
2 reduce our capacity requirement as well.

3 c. For the [REDACTED] portion of the Blockware load that is served at Big Rivers' LIC
4 tariff rates, Big Rivers is responsible for the cost of capacity required for
5 the load.

6 The capacity for the remaining [REDACTED] will be purchased through the
7 MISO Planning Resource Auction, with Blockware bearing the cost and
8 risk. Section B.1.d of Exhibit C describes how the demand charge for that
9 component of the load is calculated in such a way as to recover the MISO
10 Zone 6 Auction Clearing Price, *plus* the Planning Resource Margin, *plus*
11 Planning Resource Losses, *plus* the Big Rivers Adder.

12
13

14 **Witness)** Mark J. Eacret

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1 **Item 3)** *Refer to the Eacret Testimony, page 18, lines 19–22.*

2 *a. Confirm that Blockware is not obligated to expand beyond its initial*
3 *expansion.*

4 *b. If Blockware does expand its operations, confirm that the EDR*
5 *credit will be applied to the additional demand in the same manner*
6 *as applied to the initial expanded load.*

7

8 **Response)**

9 a. Confirmed

10 b. Please see Big Rivers' response to Item 4 of Commission Staff's First
11 Request for Information. The methodology of applying the Economic
12 Development Rate ("EDR") credit will remain the same, but the term of the
13 EDR credits will be different. Section C.1.a-i of Exhibit C describes how the
14 lengths of the terms of the EDR credits are shorter as time passes. This is

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1 to ensure that all EDR credits and associated periods at full tariff are
2 completed within a ten-year period.

3

4

5 **Witness)** Mark J. Eacret

6

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1 **Item 4)** *Refer to the Eacret Testimony, page 22, lines 4–11. Confirm that*
2 *the tranche of incremental load corresponds to Section 2.12(b) of the*
3 *Agreement. If not, explain where in the Agreement this paragraph is*
4 *provided.*

5

6 **Response)** The cited testimony corresponds to Section C.4 of Exhibit C of the
7 Agreement. A tranche of Incremental Load is the Incremental Load that Blockware
8 adds each MISO Planning Year.

9 The Agreement defines “Incremental Load” as the amount by which
10 Blockware’s peak load estimate (“Peak Demand”) for a Planning Year exceeds the
11 prior Planning Year’s peak load estimate (“Peak Demand”).

12 For purposes of calculating Incremental Load, Section A.4 of Exhibit C fixes
13 Blockware’s Peak Demand for the Initial Period at [REDACTED]. The Initial Period ends
14 May 31, 2022. After the Initial Period, Blockware is required to designate its Peak

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1 Demand for the following MISO¹ Planning Year. So, for example, assume that the
2 peak load estimates for the 2022 and 2023 Planning Years are 30 MW and 60 MW,
3 respectively. The portion of each of these loads that would be served at the LIC tariff
4 rate would be [REDACTED], respectively. The
5 Incremental Load served at the LIC tariff rate would be [REDACTED] for the 2022 Planning
6 Year ([REDACTED]
7 [REDACTED]) and [REDACTED] for the 2023 Planning Year ([REDACTED]
8 [REDACTED]). Per Section C.1
9 of Exhibit C, the economic development rate credit would apply to 1 MW less than
10 the Incremental Load for each planning year. So, the economic development rate
11 credit would apply to [REDACTED] for the 2022 Planning Year, and [REDACTED] for the 2023
12 Planning Year.

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1 The economic development rate discount applicable to the [REDACTED] for the
2 2022 Planning Year would extend for five years; and the discount applicable to the
3 [REDACTED] for the 2022 Planning Year would extend for four years.

4

5

6 **Witness)** Mark J. Eacret

7

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1 **Item 5)** *Refer to the Eacret Testimony, Exhibit Eacret-3. Confirm that the*
2 *Planning Year 2021 Planning Reserve Margin Requirement (PRMR) target*
3 *is 11 percent, based on unforced capacity of 9.4 percent plus transmission*
4 *losses of 1.6 percent. If this cannot be confirmed, provide the correct PRMR*
5 *target and components.*

6

7 **Response)** Confirmed.

8

9

10 **Witness)** Mark J. Eacret

11

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1 **Item 6)** *Refer to the Eacret Testimony, Exhibit Eacret-4.*

2 *a. This exhibit shows Blockware ramping up incrementally. Explain*
3 *whether the EDR credit will be applied to each incremental*
4 *expansion of load.*

5 *b. Update the exhibit to show in each year when the EDR credit is*
6 *applied and to the number of MW the EDR is applied. Provide this*
7 *response in Excel spreadsheet format with all formulas, columns,*
8 *and rows unprotected and fully accessible*

9

10 **Response)**

11 a. The EDR credits will be applied to each annual expansion of load after the
12 Initial Period through the 2030 Planning Year.

13 b. Please see the **CONFIDENTIAL**, updated Exhibit Eacret-4 provided with
14 these responses in Excel spreadsheet format.

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3 **Witness)** Mark J. Eacret

4

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- 1 Item 7) *Refer to the Agreement, Exhibit C, Section C, pages 3–4.*
- 2 a. *Explain whether the discount description in subsection 1 means*
- 3 *that if per the contract, that the customer were to add incremental*
- 4 *load applicable to the EDR in the 2022 planning year, that the 90*
- 5 *percent EDR credit would be applied to the applicable demand*
- 6 *charge monthly in each of the ensuing five years. If not, explain how*
- 7 *subsection 1a would be applied to the demand charge over the five-*
- 8 *year period.*
- 9 b. *If not answered above, explain whether the EDR discount is always*
- 10 *90 percent.*
- 11 c. *If not answered above, explain whether the EDR discount ever*
- 12 *declines over the applicable discount period.*

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1 *d. If not answered above, explain whether the 90 percent EDR discount*
2 *is applied in each of the planning years described in subsection*
3 *C.1.a.-1.i.*

4 **Response)**

- 5 a. Correct.
- 6 b. Yes, per the Big Rivers EDR guidelines, the EDR discount is always 90%.
- 7 The quantity to which it applies and the term over which it applies vary.
- 8 c. No, the EDR discount percentage (90%) does not decline over the applicable
- 9 discount period.
- 10 d. Yes, the 90% EDR discount is applied in each of the planning years
- 11 described in subsection C.1.a.-1.i. The EDR discount is applied to the
- 12 Incremental Load added during each planning year. So, for example,
- 13 Incremental Load added during the 2022 Planning Year would receive the
- 14 EDR discount for 5 years pursuant to Section C.1.a of Exhibit C; additional

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1 Incremental Load added during the 2023 Planning Year would receive the
2 EDR discount for 4 years pursuant to Section C.1.b of Exhibit C; and so on.

3

4

5 **Witness)** Mark J. Eacret

6

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1 **Item 8)** *Refer to the Direct Testimony of John Wolfram (Wolfram*
2 *Testimony). Provide the Exhibits and workpapers in Excel spreadsheet*
3 *format with all formulas, columns, and rows unprotected and fully*
4 *accessible.*

5

6 **Response)** Please see the **CONFIDENTIAL** Exhibit Wolfram-3 and a
7 **CONFIDENTIAL** supporting workpaper, in Excel format with formulas, columns,
8 and rows unprotected and fully accessible, provided with these responses.

9

10

11 **Witness)** John Wolfram

12

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1 **Item 9)** *Refer to the Wolfram Testimony, Exhibit Wolfram-2.*

2 *a. Explain how the firm and non-firm gas costs were derived and*
3 *whether these costs include pipeline transmission capacity.*

4 *b. Explain why the firm rates are considerably lower than the non-firm*
5 *rates.*

6

7 **Response)**

8 a. The firm and non-firm gas costs used in the study are taken from Big Rivers'
9 analysis supporting its application in Case No. 2021-00079 for a Certificate
10 of Public Convenience and Necessity (CPCN) to convert Big Rivers' Green
11 Station to natural gas ("Green gas conversion case").¹ Please see the Direct
12 Testimony of Mark J. Eacret in that case (which is attached as Exhibit B to

¹ See *In the Matter of: 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. Application filed March 1, 2021; Final Order entered June 11, 2021.

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1 Big Rivers' application), at page 11 beginning at line 8, which states in part,
2 "Spot Henry Hub natural gas price forecasts were provided from a third
3 party, ACES. The non-firm gas supply has a [CONFIDENTIAL
4 information redacted] delivery cost that is added to spot price...The
5 forecasted firm gas demand charged used in the economic analysis was
6 provided by vendor estimate." The costs did not include pipeline
7 transmission capacity.

8 b. The firm gas costs are lower than the non-firm cost because, as noted above,
9 the non-firm gas costs include a delivery cost that is added to the spot price.
10 The pipeline transmission capacity cost required to make the gas supply
11 firm is a separate fixed cost that is not included in the price of firm gas.
12 That separate fixed cost was included in Big Rivers' analysis in the Green
13 gas conversion case, which is why the firm gas scenario in that case was not
14 as economic as the non-firm gas scenario.

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1

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3 **Witness)** John Wolfram

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