

**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  
Second Request for Information  
dated  
September 8, 2021**

**FILED: September 15, 2021**

**ORIGINAL**

**BIG RIVERS ELECTRIC CORPORATION**

**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**

**VERIFICATION**

I, Michael T. ("Mike") Pullen, 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.



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Michael T. ("Mike") Pullen

COMMONWEALTH OF KENTUCKY )  
COUNTY OF HENDERSON )

SUBSCRIBED AND SWORN TO before me by Michael T. ("Mike") Pullen on this the 15<sup>th</sup> day of September, 2021.



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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**

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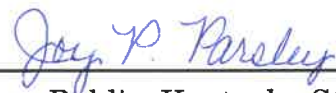
**VERIFICATION**

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 )

15th SUBSCRIBED AND SWORN TO before me by Mark J. Eacret on this the  
day of September, 2021.

  
\_\_\_\_\_  
Notary Public, Kentucky State at Large  
My Commission Expires \_\_\_\_\_

Notary Public, Kentucky State-At-Large  
My Commission Expires: July 10, 2022  
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**September 15, 2021**

1 **Item 1)**     *Refer to the Direct Testimony of Mark J. Eacret (Eacret*  
2 *Testimony), page 5, lines 17–22. Other than cryptocurrency mining*  
3 *operations, explain whether any other businesses have expressed interest in*  
4 *locating their operations in Industrial Park West near Paducah, Kentucky.*

5

6 **Response)** According to Greater Paducah Economic Development, there is at least  
7 one business not involved in cryptocurrency mining currently considering the site.

8

9

10 **Witness)**   Mark J. Eacret

11

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1 **Item 2)** *Refer to the Eacret Testimony, page 8, lines 9–14. Historically,*  
2 *the value of cryptocurrency has been highly volatile, and in countries such*  
3 *as China, governments have begun to issue bans or strict regulations on*  
4 *cryptocurrency mining and trading. In the event of a market crash or new*  
5 *legislation on cryptocurrency, explain whether Blockware Mining, LLC*  
6 *(Blockware) intends to issue any form of a promissory note to the Joint*  
7 *Applicants to cover the expenses necessary to install the transmission system*  
8 *upgrades to meet Blockware's demand if Blockware were to cease operations*  
9 *before the end of the contract term.*

10

11 **Response)** Under Section 2.11 of the retail agreement, Blockware promises to pay  
12 a "Termination Charge" if the retail agreement expires or is terminated for any  
13 reason.

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1           The Termination Charge is intended to ensure that Big Rivers recovers its  
2 investment in the transmission system upgrades needed to serve Blockware over  
3 approximately the first 10 years of the contract. The Termination Charge is initially  
4 equal to Big Rivers' actual cost of the required transmission system upgrades. Under  
5 Exhibit B of the retail agreement, the outstanding balance of the Termination Charge  
6 is reduced each year by \$900/MW-month of demand. The amount of the annual  
7 reduction in the Termination Charge will be based on Blockware's actual demand  
8 each year. The Termination Charge will be increased for Blockware's share of the  
9 Phase II transmission system upgrades once those investments are made.

10           If the retail agreement expires or is terminated for any reason, Blockware is  
11 required to pay any remaining balance on the Termination Charge, whether the  
12 expiration or termination occurs in one (1) year, or in ten (10) years, or at the end of  
13 the term in twenty (20) years.

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1 Section 2.12(a) of the retail agreement requires Blockware to provide and  
2 maintain credit support for the Termination Charge, in the form of a cash deposit or  
3 an irrevocable bank letter of credit. The amount of the required credit support is  
4 adjusted semi-annually to reflect changes in the remaining balance of the  
5 Termination Charge.

6 Blockware provided credit support in the form of a \$1.2 million cash deposit  
7 before work on the transmission system upgrades required for Phase I began. That  
8 credit support deposit will be adjusted to the actual cost of the Phase I requirements  
9 when the work is completed.

10 The Termination Charge concept has been used as the method for Big Rivers  
11 to recover its transmission system investment for all of the Large Industrial  
12 Customers on the Big Rivers system, although the amount of the annual reduction  
13 may change depending on the amount of the investment required and the customer's  
14 expected usage.

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1

2 **Witness)** Mark J. Eacret

3



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1 **Item 3)**      *Refer to the Eacret Testimony, page 8, lines 9-14. Explain whether*  
2 *any of the Phase I and Phase II transmission upgrades will provide any*  
3 *supplementary benefits in regards to system reliability to the Joint*  
4 *Applicants.*

5

6 **Response)** The transmission upgrades will provide supplementary system  
7 reliability benefits including reducing transformer loading at the McCracken  
8 Substation by approximately 30 megawatts, improving transmission line pole  
9 reliability by replacing wooden poles with double circuit steel poles, and improving  
10 voice and data communication by the installation of a robust and reliable fiber optic  
11 network.

12

13

14 **Witness)**      Michael T. Pullen

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1 **Item 4)**     ***Explain why the parties chose a contract term of 20 years, and***  
2 ***describe the benefits and risks to Joint Applicant in choosing this contract***  
3 ***term.***

4  
5 **Response)** A twenty-year term roughly aligns with the current December 31, 2043,  
6 termination date of Big Rivers' wholesale contracts with its Member-Owners<sup>1</sup> and is  
7 used as the standard term for new special contracts. Additionally, while Big Rivers  
8 will recover its investment in incremental transmission infrastructure and economic  
9 development credits during the first ten years, the longer term will increase the  
10 return realized on that capital.

11       As stated in my Direct Testimony filed with the contracts, much of Blockware's  
12 load will be served at market prices, with Blockware bearing the associated market  
13 risk. The Big Rivers and Jackson Purchase adders applicable to this portion of

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<sup>1</sup> Big Rivers' Member-Owners are Jackson Purchase Energy Corporation, Kenergy Corp., and Meade County Rural Electric Cooperative Corporation.

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1 Blockware's load ensure that even this portion of Blockware's load provides benefits  
2 to the Big Rivers system.

3

4 **Witness)** Mark J. Eacret

5