COMMONWEALTH OF KENTUCKY

BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
ELECTRONIC TARIFF FILING OF	)	
BIG RIVERS ELECTRIC CORPORATION	)	**Case No. 2021-00289**
AND KENERGY CORP. TO IMPLEMENT	)	
A NEW STANDBY SERVICE TARIFF	)	

REPLY BRIEF OF KIMBERLY-CLARK CORPORATION

Kimberly-Clark Corporation ("Kimberly-Clark") submits this Reply Brief in response to Big Rivers Electric Corporation ("Big Rivers") and Kenergy Corporation's ("Kenergy") Brief filed on February 11, 2022.

I. ARGUMENT

1. Big Rivers' Claim That Its Cost To Provide Capacity Service To Standby Customers Is The Same As The Cost To Supply Firm-LIC Customers Is Contradicted By Big Rivers' Own Definition Of Self-Supply Capacity.

Big Rivers' primary argument in this proceeding is that there is no difference between the cost of providing capacity service to a standby Large Industrial Customer Standby Service ("LICSS") customer and a *firm*-Large Industrial Customer ("LIC") customer. Big Rivers states:

> "The cost to supply Kimberly-Clark with its full requirements, … is the same as the cost to provide power to other Large Industrial Customers who have not installed their own generation, and those costs are recovered through Big Rivers' standard Large Industrial Customer (LIC) tariff rate..."[1]

[1] Big Rivers Brief at 4.

Later in its Brief, Big Rivers states:

> "Big Rivers must have the capacity and infrastructure in place year-round to supply an additional MW of power to Kimberly-Clark whenever its generator experiences an outage."[2]

These statements are clearly not accurate as they conflict with Big Rivers' own definition of Self-Supply Capacity. Big Rivers defines Self-Supply Capacity as, "*the demonstrated capacity of the Standby Customer's generating unit(s)**, as determined by the reduction in Big Rivers' MISO Planning Reserve Margin Requirement that results from the Standby Customer's own generation***."[3] (emphasis added)

As defined by Big Rivers, the Self-Supply Capacity reduces the amount of capacity that Big Rivers needs to supply under MISO planning criteria. This is extremely valuable given the fact that Big Rivers is, or will soon be, capacity-short and will have to procure additional capacity to service its system load.[4] When Big Rivers' MISO Planning Reserve Margin Requirement ("PRMR") is reduced, that means that the amount of capacity that Big Rivers is required to supply to serve its entire system is reduced. Therefore, Big Rivers does not need to procure capacity equal to LICSS Self-Supply capacity to provide Maintenance or Backup Power, and it would not be prudent to do so.[5] In contrast, Big Rivers <u>is</u> required to supply capacity to meet an LIC customer's coincident peak load. So, the cost to supply a LICSS customer with Maintenance and Backup Supply service cannot be the same as the cost to supply firm service to LIC customers.

The Commission approved Big Rivers' request to join MISO in Case No. 2010-00043. In that case, Big Rivers argued that transferring operational control of its transmission

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[2] Big Rivers Brief at 12-13.
[3] Big Rivers proposed tariff, Sheet No. 69.01
[4] Kimberly-Clark, Exhibit 2 at 7.
[5] Bieber Direct at 7-8.

system to MISO would reduce costs because it would provide access to MISO's contingency reserves and be able to integrate the commitment and dispatch of its units within the MISO market.[6] MISO's capacity planning criteria recognizes that capacity planning is performed at the system level, not the individual load level, and leverages the diversity of the system to reduce the PRMR for all participants. The contingency reserve requirements are designed to ensure that sufficient *capacity* is available to provide the *energy* that is necessary in every hour to meet the aggregate load requirements of the system. From a cost causation perspective, providing Maintenance and Backup Service to an LICSS customer has a significantly smaller contribution to Big Rivers' total capacity supply requirement than providing firm service to an LIC customer.

As a capacity-short MISO member, Big Rivers need only demonstrate that it has enough reserve capacity to meet its annual MISO PRMR. This is one of the main selling points of joining MISO. Kimberly-Clark has paid for the administrative, transmission and other costs associated with Big Rivers' membership in MISO for over ten years and should be able to benefit from the costs savings provided by the MISO capacity reservation process. When Kimberly-Clark pays for Maintenance and Backup Power Service it should only pay the costs that Big Rivers actually incurs in providing Maintenance and Backup service through MISO. As recommended by Mr. Bieber, to the extent that Big Rivers incurs additional costs in order to increase its PRMR due to the provision of Maintenance or Backup Power service to Kimberly-Clark; Kimberly-Clark should pay these costs. But, as Big Rivers acknowledges through its definition of Self-Supply Capacity, Big Rivers will not be required to supply capacity equal to the LICSS customer's Self-Supply Capacity in order

[6] Case No. 2010-00043, Direct Testimony of Mark Bailey at 8.

to provide Maintenance and Backup Power Service. And given Big Rivers' capacity-short position, Kimberly-Clark's self-generation will produce cost savings because Big Rivers will have to build, or acquire, less capacity to serve its system load.[7]

2. Big Rivers' LICSS Rate Would Charge LICSS Customers More For Capacity Than LIC Customers And Does Not "Put Them On An Equal Footing" With LIC Customers.

Even if the Commission accepts Big Rivers' argument that the cost to provide power to LICSS customers is the same as for an LIC customer, it should not accept Big Rivers' proposed LICSS tariff that would charge Standby customers an effectively higher rate for capacity than LIC customers. The Commission should instead require Standby customers to take Maintenance and Backup Service on the same terms as LIC customers.

As explained in Kimberly-Clark's opening Brief,[8] Big Rivers argues that the cost to serve Backup capacity is the same as it is for full requirements customers, but proposes to charge Backup customers more than full requirements customers. Big Rivers' LICSS tariff changes the terms for demand billing so that LICSS customers pay the same $10.715/kW demand charge as LIC customers, even though LICSS contains a mandatory *fixed* monthly demand charge for a service that is effectively *non-firm*; while LIC is billed on a 100% monthly *variable* basis and is *firm*. As a result, LICSS customers are effectively charged more for transmission and production capacity than LIC customers. So even if the Commission were to accept the argument that Big Rivers' cost of supplying transmission and production capacity are the same, the Commission should not accept Big Rivers'

[7] See Transcript at 12:29:55-2:30:25: The LICSS customer's Self-Supply Capacity decreases the amount of new capacity that Big Rivers is required to obtain.
[8] Kimberly-Clark Brief at 2-6.

proposal to charge LIC customers a *variable*-billed demand charge while charging LICSS customers a *fixed*-demand charge. If Big Rivers insists on billing LICSS customers the same $10.715/kW demand charge as LIC, it should have to do so on the same *variable*-demand billing terms as LIC.

Making such a fundamental, and costly change to a customers' tariff provisions outside of a rate case is highly suspect. Big Rivers stated at hearing that the LICSS tariff was designed for one customer; Kimberly-Clark.[9] But LICSS imposes fixed-demand billing provisions on Kimberly-Clark that no other Big Rivers customer is subjected to, including Big Rivers' other standby service customers that take service through the QFS tariff[10] and Big Rivers' special contract standby customers.[11] In fact, as explained in Kimberly-Clark's opening Brief,[12] Big Rivers' proposal would subject Kimberly-Clark to a fixed-demand bill of $10.715/kW for 34 MW of capacity every month even though Kimberly Clark's load will be as little as 18 MW and only as high as 32 MW in any given month. As such, the proposed LICSS rate is discriminatory. Big Rivers has not met its burden in this case of providing a fair, just and reasonable Standby service rate.

3. Kimberly-Clark Agrees With Big Rivers' Proposal To Charge LICSS Customers The Higher Of LIC Energy Tariff Price Or Market For Backup Energy.

As stated in Mr. Bieber's Direct Testimony,[13] Kimberly-Clark does not oppose Big Rivers' proposal to charge LICSS customers the higher of LIC energy tariff price or market for backup energy. It would be reasonable for the Commission to reject Big Rivers' proposed

[9] Mr. Eacret stated: "*this tariff was developed in response to Kimberly-Clark's development of cogeneration facilities.*" Transcript at 9:23:35-9:23:50.
[10] Bieber Direct at 14-15.
[11] Kimberly-Clark Brief at 17.
[12] Kimberly-Clark Brief at 11-12.
[13] Bieber Direct at 14.

LICSS tariff and allow Kimberly-Clark to continue to operate on the LIC tariff with the one exception that Maintenance and Backup energy will be billed at the higher of the LIC energy charge or market. Such a provision is appropriate for the reasons described in Big Rivers' Brief.[14]

II. RECOMMENDATION

Kimberly-Clark has attempted to constructively propose several different methods of designing a standby service rate that better reflect costs than Big Rivers' proposal. As stated in Kimberly-Clark's initial Brief, it would be reasonable to simply reject the proposed LICSS tariff and allow Kimberly-Clark to continue to take service on the LIC rate (with the modification that Kimberly-Clark should pay the higher of tariff or market for Standby energy); and it would also be reasonable to approve a standby tariff based on the existing, Commission-approved QFS rate, which Kimberly-Clark would be eligible for if its cogeneration unit was 5 MW rather than 14 MW.[15] But the proposal that Kimberly-Clark believes gets the closest to Big Rivers' actual costs of providing standby service is its proposal to modify the LICSS Maintenance and Backup Power Demand charge to reflect the standby customer's contribution to Big Rivers' PRMR.[16] Any one of these recommendations would be far more reasonable than Big Rivers' proposed LICSS.

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[14] Big Rivers states at p. 4, "*Because Big Rivers would be required to provide energy at a moment's notice in the event of an unscheduled outage of a Standby Customer's generator, Big Rivers is unable to plan for or schedule that energy in the MISO day-ahead market. Therefore, to protect the other retail customers served by Big Rivers' Member-distribution cooperatives from outages of a Standby Customer's generator, the proposed LICSS tariff requires the Standby Customer to pay the higher of the LIC energy charge or market for Backup energy. This also prevents the Standby Customer from playing the market and operating its generator based on market prices, which is important for Big Rivers to be able to forecast and schedule the Standby Customer's load in MISO.*"

[15] Bieber Direct at 10-15.

[16] Bieber Direct at 15-16.

As Big Rivers notes in its Brief, Kimberly-Clark's contract with Kenergy states that if Kimberly-Clark elects to generate electric power and energy for its own usage, then Seller "*will provide back-up, maintenance and/or supplemental power in accordance with its filed tariffs and orders of the Commission.*" So, if the Commission approves the LICSS tariff, then Kimberly-Clark will be contractually required to take service on that rate. This provision should not be construed as allowing Kenergy and Big Rivers to provide Maintenance and Backup Service on unreasonable terms. Kimberly-Clark did not agree to the terms of the proposed LICSS in its contract negotiations with Big Rivers and Kenergy because it represents an extremely high standby rate when compared to the industry standard and other rates approved by the Commission (*see* for example, Duke Energy-Kentucky's Generation Support Service Rider and Big Rivers' QFS tariff). If the Commission approves a standby tariff, it should be cost-based and in line with what other customers pay for standby service.

Respectfully submitted,

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