

BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION

In the Matter of:)
)
ELECTRONIC TARIFF FILING OF)
BIG RIVERS ELECTRIC CORPORATION)
AND KENERGY CORP.)
TO IMPLEMENT A NEW STANDBY SERVICE)
TARIFF)

Case No. 2021-00289

**RESPONSE OF KIMBERLY-CLARK CORPORATION TO
BIG RIVERS ELECTRIC CORPORATION FIRST REQUEST FOR INFORMATION**

1. Please refer to the Direct Testimony of Justin Bieber at page 15, line 299-301, where Mr. Bieber makes his alternative recommendation that “Big Rivers” proposed LICSS Maintenance and Backup Power Demand charge should be modified to reflect the standby customer’s contribution to Big Rivers’ PRMR. Specifically, I recommend that the Maintenance Power/Backup demand charge should be equal [to] 11.1% of the LIC cost-based demand charge of \$16.452/kW-Mo, or \$1.83/kW-Mo” (emphasis in original; footnotes omitted).
- a. Please explain in detail why you believe Big Rivers is not required to procure or have available 14 MW of capacity year-round in MISO to have the capacity available to provide Backup Power Service to Kimberly-Clark. Please provide all Documents, authority, and analyses supporting your conclusion.

Response: As explained in Mr. Bieber’s Direct Testimony, a standby customer requires Backup Power Service when an unplanned outage of its self-generation facility occurs. As a transmission owning member of the Midcontinent Independent System Operator (“MISO”), Big Rivers plans to meet MISO’s annual PRMR. MISO conducts an annual Loss of Load Expectation study to determine planning reserve margin requirements, a study which among other factors takes into account equipment forced outage rates. Big Rivers utilizes a PRMR that is equal to 9.4% of its forecasted summer coincident peak load, where the peak load forecast includes 1.6% transmission losses. This results in a reserve margin that is 11.1% greater than forecasted peak load, excluding transmission losses. While it is unlikely that a standby customer would experience a forced outage coincident with the system peak, it may be reasonable for Big Rivers to incur costs to increase its PRMR by an amount up to 11.1% of the standby customer’s Self-Supply Capacity in the unlikely event that it is required in order to provide Backup Power Service. However, Big Rivers should not be required to obtain additional capacity above this amount in order to provide Backup Power Service.

Further, the Self-Supply Capacity, as defined in Big Rivers’ proposed LICSS tariff is “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" (emphasis added). Thus, according to Big Rivers' own proposed definition of Self-Supply Capacity, Big Rivers' MISO PRMR would be reduced by the amount of the standby customer's Self-Supply Capacity.

It is also important to recognize that the Self-Supply Capacity is not equal to the nameplate capacity of the standby customer's generator. According to Big Rivers' proposed LICSS tariff, and Mr. Bieber's alternative recommendation, energy consumed above the Self-Supply Capacity is Supplemental Power energy that is billed at the standard LIC tariff rates.

- b. Please explain in more detail why you believe that Big Rivers would only be required to obtain capacity in MISO equal to 11.1% of Kimberly-Clark's Self-Supply Capacity in order to provide Backup Power Service to Kimberly-Clark? Please explain if you believe Big Rivers is only required to obtain capacity in MISO equal to 11.1% of Kimberly-Clark's Self-Supply Capacity regardless of the reliability of Kimberly-Clark's generator.

Response: See response to item 1 a. The Self-Supply Capacity, as defined in Big Rivers' proposed LICSS tariff is "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" (emphasis added). Thus, according to Big Rivers' own proposed definition of Self-Supply Capacity, Big Rivers' MISO PRMR would be reduced by the amount of the standby customer's Self-Supply Capacity.

Further, the Self-Supply Capacity is not equal to the nameplate capacity of the standby customer's generator. The determination of the Self-Supply Capacity should account for factors such as the reliability of the generator. And to the extent a generator does not demonstrate it is capable of providing capacity, or otherwise has reliability issues, then the Self-Supply Capacity should reflect the capabilities of the generator, consistent with MISO planning guidelines.

2. Please refer to the Direct Testimony of Justin Bieber at page 10, lines 192-193, where Mr. Bieber states, "The LICSS tariff rates should be based on Big Rivers' cost to provide that [standby] service."

- a. Would Mr. Bieber include any cost for the investment Big Rivers made in generation that must be available year-round to provide Backup Power Service to Kimberly-Clark? Why or why not?

Response: As explained in Mr. Bieber's Direct Testimony, Mr. Bieber recommends that the rate design for Maintenance and Backup Power demand under the LICSS tariff should be structured similar to the rate design for Maintenance and Back-up demand under the QFS tariff. Consistent with the QFS tariff, Mr. Bieber recommends that the LICSS customers should be charged 110% of Big Rivers actual cost to provide Backup Service, including transmission service, by importing energy from a third party.

Under this proposed rate design, Back-up Power Service charges are equal to the actual costs that Big Rivers incurs to provide the service, including transmission costs, plus a premium of 10%. This 10% premium is appropriate because Big Rivers may incur some additional capacity or other costs in order to reliably provide Back-up Service in the event of an unplanned outage.

Further, the Commission has already approved this rate structure for the QFS tariff which provides essentially the same service.

While Mr. Bieber's primary recommendation is that the rate design for Maintenance and Backup Power under the LICSS tariff should be structured similar to the rate design for Maintenance and Back-up Service demand under the QFS tariff, Mr. Bieber does provide an alternative recommendation. Mr. Bieber's alternative recommendation is that the Big Rivers' proposed LICSS Maintenance and Backup Power Demand charge should be modified to reflect the standby customer's contribution to Big Rivers' PRMR. Mr. Bieber explains that it would not be necessary for Big Rivers to procure additional capacity equal to a standby customer's Self-Supply Capacity, but it might be reasonable to increase its PRMR by an amount up to 11.1% of the maximum Backup Power demand. Specifically, Mr. Bieber's alternative recommendation is that the Maintenance Power/Backup demand charge should be equal 11.1% of the LIC cost-based demand charge of \$16.452/kW-Mo, or \$1.83/kW-Mo. This alternative proposed Maintenance Power/Backup demand charge is based on Big Rivers' total demand-related cost for the LIC customer class, which includes the costs of generation and transmission that must be available year-round to provide Back-up Power Service and regulatory assets that are classified as demand-related in Big Rivers' class cost of service study.

- b. Would Mr. Bieber include any cost for the investment Big Rivers made in transmission that must be available year-round to provide Backup Power Service to Kimberly-Clark? Why or why not?

Response: See response to item 2 a.

- c. Would Mr. Bieber include any cost for the amortization of the regulatory assets that were established to recover the remaining unrecovered cost of the Coleman, Reid 1, and Station Two generating stations that were needed to provide service to Kimberly-Clark's full load from 1992 through the retirement of those stations? Why or why not?

Response: See response to item 2 a.

- d. If Kimberly-Clark does not believe that it should bear the costs referred to in subparts a through c above that are attributable to the portion of Kimberly-Clark's load that is now served by its self-generation, then who should bear those costs?

Response: See responses to item 2 a and item 3. Further, Kimberly-Clark disagrees with the underlying premise of this question; that the portion of Kimberly-Clark's load that is now served by self-generation has caused Big Rivers to have stranded capacity costs that need to be borne by someone else. In Big Rivers' recent CPCN Application for the Conversion of the Green Station Units to Natural Gas-Fired Units, Mark Eacret explained that Big Rivers will still have a small short-term capacity deficit, even after the conversion of the Green Station units.

3. Please explain in detail how Big Rivers' annual costs change from a scenario where Kimberly-Clark does not have self-generation to a scenario where it does?

Response: It is not relevant whether Big Rivers' annual cost change from a scenario where Kimberly-Clark does not have self-generation to a scenario where it does. A standby service rate should not be designed to recover the difference between a utility's costs before and after a customer builds self-generation. That is a stranded cost charge, not a standby service charge.

A standby service charge should be based on a utility's embedded cost of service. It is not meant to compensate the utility for the loss of the load that results from a customer adding self-generation. Standby service charges should be the same for an existing customer that adds self-generation (like Kimberley-Clark) as it would be for a new customer with self-generation.

Also, see response item 1 a and item 2 d. In Big Rivers' recent CPCN Application for the Conversion of the Green Station Units to Natural Gas-Fired Units, Mark Eacret explained that Big Rivers will still have a small short-term capacity deficit, even after the conversion of the Green Station units. Given that Big Rivers has a short-term capacity deficit, it may be required to procure additional capacity up to 11.1% of Kimberley-Clark's Self-Supply Capacity in order to provide Back-up Power Service.

Respectfully submitted,

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