

1 Clark installing its own generating unit did not change those costs, because
2 Kimberly-Clark is still demanding that Big Rivers continue to maintain the ability
3 to serve its full load at a moment's notice if its generator goes down. The only
4 difference is the reduction in Big Rivers' planning reserve requirement, and Big
5 Rivers' proposed LICSS tariff passes the benefit of that reduction back to Kimberly-
6 Clark, while still recovering from Kimberly-Clark the actual cost to serve it with
7 Maintenance and Backup Power Service.

8 Instead of looking at the true cost of providing Maintenance and Backup
9 Power Service to Standby Customers, Kimberly-Clark focuses only on *incremental*
10 capacity costs and only for capacity to meet MISO's planning reserve requirements.
11 For example, Kimberly-Clark alleges that "the provision of Maintenance Power
12 Service to a standby customer should not cause Big Rivers to incur any capacity
13 costs" because Big Rivers can "ensure that Maintenance outages will be scheduled
14 during period in which Big Rivers has sufficient *unused* capacity to provide
15 Maintenance Power Service, such as off-peak periods."³ However, Big Rivers only
16 has *unused* capacity because of the investments it has made and continues to make
17 in its own generation and transmission infrastructure and in other capacity it
18 secures from third parties. That *unused* capacity is not free, and Big Rivers is
19 entitled to recover those costs. Kimberly-Clark wants it and other Standby
20 Customers to be able use that capacity at a moment's notice, but it wants the
21 remaining retail customers to pay for it.

³ KCC Brief at p. 15 (emphasis in original).

1 Similarly, Kimberly-Clark claims:

2 The actual costs of providing backup power service when an unplanned
3 outage of its self-generation facility occurs are likewise very small...it
4 may be reasonable for Big Rivers to incur costs to increase its PRMR
5 by an amount up to 11.1% of the standby customers' Self-Supply
6 Capacity in order to provide Backup Power Service. However, Big
7 Rivers will not be required to obtain additional capacity above this
8 amount in order to provide Backup Power Service.⁴

9 This is simply incorrect. Kimberly-Clark expects Big Rivers to serve an additional
10 14 MW at any moment in the event Kimberly-Clark's generator goes down. Big
11 Rivers cannot do that if it only has the ability to provide 11.1% of that 14 MW,
12 which would only be 1.6 MW. Instead, Big Rivers must incur the costs to maintain
13 the ability to provide an additional 14 MW to Kimberly-Clark all the time, and Big
14 Rivers should be able to recover those costs from Kimberly-Clark.

15 Interestingly, Kimberly-Clark acknowledges that Big Rivers must have the
16 ability to serve other Large Industrial Customers' coincident peak load *plus* have an
17 11.1% reserve margin, but Kimberly-Clark nevertheless claims that Big Rivers can
18 provide 14 MW of Backup Power to Kimberly-Clark with only 1.6 MW of capacity:

19 In contrast, Big Rivers would be required to procure capacity equal to
20 111.1% of a large industrial customer's coincident peak load to provide
21 standard service under the LIC tariff. Accordingly, the amount of
22 capacity needed to provide Maintenance/Backup Service for 1 MW of
23 Backup Power demand would be no greater than 10.0% of the capacity
24 that would be required to serve 1 MW of coincident demand for a large
25 industrial customer.⁵

⁴ KCC Brief at p. 16.

⁵ KCC Brief at p. 21 (footnotes omitted).

1 No other customers are charged only for the MISO reserve margin associated with
2 their load. Standby Customers under the LICSS tariff should not be charged that
3 way either.

4 In other words, because Standby Customers are not marginal loads, they
5 should not be charged only marginal costs. Standby Customers are embedded
6 loads, and the cost to provide Maintenance and Backup Service to those loads is Big
7 Rivers' embedded generation and transmission cost, which Big Rivers recovers
8 through its LIC demand rate. Big Rivers' proposed LICSS tariff does, however, give
9 a credit against the LIC demand rate based on the benefit the Standby Customer's
10 generation provides to the system. The credit is equal to the full value of the
11 Standby Customer's capacity, which is Big Rivers' avoided capacity cost resulting
12 from the Standby Customer's generator. While the credit is less than the embedded
13 costs of providing Maintenance and Backup Service recovered through the LIC
14 demand rate, the effective demand rate for LICSS customers, after the credit, is still
15 discounted about 35% off the demand rate for LIC customers.

16 This credit is the same regardless of whether Big Rivers is long or short on
17 MISO capacity⁶ because the benefit provided by the Standby Customer's generator
18 is the same in either case – either Big Rivers is long and must sell more capacity or
19 is short and must buy less capacity as a result of a Standby Customer's generation.

⁶ Kimberly-Clark alleges that “Big Rivers is capacity-short.” KCC Brief at p. 14. However, as discussed fully in Case No. 2021-00079, with the conversion of Green Station to natural gas, Big Rivers only has a “small short-term capacity deficit.” *Id.* Big Rivers has a small long capacity position in the other years of the study period.

1 Likewise, the embedded generation and transmission costs incurred to provide
2 Maintenance and Backup Power Service to Standby Customers does not change
3 based on whether Big Rivers is long or short on MISO capacity, and Standby
4 Customers should be required to reimburse those costs.

5 Kimberly-Clark’s misunderstanding of the actual cost of providing
6 Maintenance and Backup Power Service stems from its failure to recognize the
7 service that is being provided. Except for the credit given to a Standby Customer
8 under the LICSS tariff based on the reduction in Big Rivers’ planning reserve
9 requirements resulting from the Standby Customer’s generator, the demand
10 charges under the LIC tariff and the LICSS tariff are the same. Those charges are
11 the same because the cost to have the ability to meet that demand is the same.

12 Kimberly-Clark tries to make the case that the Maintenance and Backup
13 Service is non-firm, while service under the LIC tariff is firm.⁷ While this view was
14 not posited in the case prior to this mention in their brief, Kimberly-Clark claims
15 that service under the LIC tariff is firm because “LIC customers can use power
16 whenever they want and cannot be interrupted,” but that service under the LICSS
17 tariff requires customers “to schedule Maintenance outages at least 60 days prior to
18 the start of the calendar year, subject to approval by Big Rivers; and Backup Power
19 Service can only be accessed by an LICSS customer when its co-generation unit goes

⁷ See KCC Brief at p. 2 (“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*” (emphasis in original)).

1 down.”⁸ This is simply not the case. Maintenance, Backup, or Supplemental
2 Service is provided under the LICSS tariff anytime a Standby Customer reduces its
3 self-generation or takes its generator offline. Thus, a Standby Customer under the
4 LICSS tariff is able to demand Big Rivers serve the customer’s full load (up to the
5 customer’s maximum demand) at any time, subject to outages.⁹ That is not
6 interruptible service. It is not non-firm service; it is firm service. And it is the same
7 service provided to LIC customers.

8 Kimberly-Clark also complains that the LICSS tariff imposes a fixed monthly
9 demand charge, while LIC customers are billed on a variable basis.¹⁰ But Kimberly-
10 Clark is not asking for a variable amount of Maintenance and Backup Service. It is
11 requesting 14 MW of Maintenance and Backup Service every month.

12 Kimberly-Clark claims that “[t]here is no demand ratchet or minimum
13 demand for LIC customers.”¹¹ However, LIC customers do have minimum demand
14 charges in their retail electric service contracts, and they have maximum demands
15 above which Big Rivers and Kenergy are not required to supply power. In fact,
16 despite its claim, Kimberly-Clark even points out the minimum demand provision
17 in its contract: “This agreement, among other things, provides that Kimberly-

⁸ KCC Brief at p. 6 (emphasis in original).

⁹ See proposed LICSS tariff. Under the tariff, there are no limitations on a Standby Customer’s ability to take power up to its Maximum Contract Demand in the event of an outage or reduction in the customer’s self-generation and no matter the reason for the outage or reduction.

¹⁰ See KCC Brief at p. 2 (“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*” (emphasis in original)).

¹¹ KCC Brief at p. 4.

1 Clark’s minimum billing demand “*shall be 20,000 kilowatts (or 20 MW).*”¹²
2 Kimberly-Clark’s contract, like other LIC contracts, also has a maximum demand
3 provision so that Big Rivers can ensure that it has the infrastructure and capacity
4 in place to meet that demand.¹³ Big Rivers and Kenergy are not obligated to supply
5 capacity in excess of the Maximum Contract Demand absent a new or amended
6 contract with Kimberly-Clark.¹⁴

7 Because of the minimum demand charges in Big Rivers’ LIC contracts,
8 Kimberly-Clark is incorrect when it claims that “no other LIC customer is subjected
9 to *any* fixed billing demand. And other LIC customers are certainly not required to
10 pay for billing demand that is *greater* than actual load.”¹⁵ And as a result of its
11 misunderstanding, Kimberly-Clark’s premise that “it is a mathematical certainty
12 that the LICSS customer will pay more in demand charges for its Self-Supply
13 Capacity than the same-sized LIC customer,”¹⁶ is also not true. In a typical month,
14 Kimberly-Clark’s billing demand is around 32 MW.¹⁷ Under the proposed LICSS
15 tariff, Kimberly-Clark would be billed the LIC demand charge for Maintenance and
16 Backup Service for its 14 MW of Self-Supply Capacity, plus it would be billed the
17 LIC demand charge for its Supplemental demand, which is the difference between

¹² KCC Brief at p. 11 (emphasis in original; footnote omitted).

¹³ See Kimberly-Clark Hearing Exhibit 1 (First Amended and Restated Agreement for Electric Service dated November 13, 2008, between Kenergy and Kimberly-Clark), at Section 2.04.

¹⁴ *Id.*

¹⁵ KCC Brief at p. 12 (emphasis in original).

¹⁶ KCC Brief at p. 4.

¹⁷ See KCC Brief at p. 12.

1 its billing demand (32 MW) and its Self-Supply Capacity (14 MW). In other words,
2 Kimberly-Clark would be billed for a total of 32 MW times the LIC demand charge.
3 An LIC customer with 32 MW of billing demand in a month would likewise be billed
4 for 32 MW times the LIC demand charge. However, Kimberly-Clark would then
5 receive a \$3.80/kW credit for its 14 MW of Self-Supply Capacity, which is a 35%
6 discount to the LIC demand charge. So, the discounted demand charge for LICSS
7 customers will be less than the demand charge for similarly-sized LIC customers.

8 Further, any minimum demand provision in a LICSS customer's contract
9 would be reduced by the demand billed for Maintenance and Backup Service. In
10 Kimberly-Clark's case, Kimberly-Clark's contractual minimum demand is 20 MW,
11 and Kimberly-Clark would only be charged a minimum demand charge if the sum of
12 the demand billed for Maintenance/Backup Power and the demand billed for
13 Supplemental Power is less than 20 MW. In other words, if Kimberly-Clark is
14 billed for 14 MW of Maintenance/Backup Power demand, and its billing demand for
15 Supplemental Power supplied by Big Rivers is only 4 MW, Kimberly-Clark would be
16 2 MW short of its 20 MW minimum demand obligation, and would be billed a
17 minimum demand charge for those 2 MW. Likewise, if Kimberly-Clark is billed for
18 14 MW of Maintenance/Backup Power demand, and its billing demand for
19 Supplemental Power supplied by Big Rivers is 6 MW Big Rivers, Kimberly-Clark
20 would have met its minimum demand obligation and would not be subject to a
21 minimum demand charge.

1 This is the same treatment applied to LIC customers. An LICSS customer
2 with a billing demand under its minimum demand obligation of 20 MW would be
3 charged the same total demand charge as an LIC customer with a billing demand
4 with the same 20 MW minimum demand obligation, except that the LICSS
5 customer would then receive the \$3.80/kW credit (a 35% discount to the LIC
6 demand rate) for its Self-Supply Capacity.

7 Kimberly-Clark claims, “It is unreasonable for Big Rivers to...argue that
8 Kimberly-Clark should be required to pay, not only its own stranded costs when it
9 reduces system load through self-supply, but also the stranded costs caused by the
10 smelters.”¹⁸ The fixed costs incurred by Big Rivers to construct and maintain the
11 generation and transmission infrastructure to serve the full load of Kimberly-Clark
12 and any other Standby Customers anytime their generators are down, will not be
13 stranded costs. Those costs will either be paid by the Standby Customers, or the
14 Standby Customers will be subsidized by the remaining retail customers.

15 In its brief, Kimberly-Clark references the contract with Domtar Paper
16 Company, LLC, now Paper Excellence (“*Domtar*”). The current Domtar retail
17 electric service agreement was entered into less than two months after Big Rivers
18 became a member of MISO and transferred functional control of its transmission
19 system to MISO.¹⁹ Negotiations with Kimberly-Clark revealed that the structure of

¹⁸ KCC Brief at p. 13.

¹⁹ Big Rivers became a MISO member and transferred functional control of its transmission system to MISO on December 1, 2010. The Domtar retail electric service agreement is dated January 21, 2011. See Second Amended and Restated Agreement for Retail Electric Service between Kenergy Corp. and Domtar Paper Company, LLC, dated January 21, 2011, available at: <https://psc.ky.gov/tariffs/Electric/Kenergy%20Corp/Contracts/Domtar%20Paper%20Company/2011->

1 the Domtar contract was insufficient for Big Rivers to recover its costs and allowed
2 Domtar to game the market – running its generator when market prices were high
3 and shutting down its generator when prices were low. Once a tariff rate for
4 Maintenance and Backup Service is established for Standby Customers, Big Rivers
5 will review its options with respect to the Domtar contract.

6 Finally, Kimberly-Clark makes three alternate proposals in its post-hearing
7 brief. First, it proposes that it continue to be billed under the LIC tariff.²⁰ Under
8 this proposal, Kimberly-Clark and other Standby Customers would receive
9 Maintenance and Backup Service for free in months in which their generators did
10 not have an outage. But the costs to maintain the ability to serve the Standby
11 Customer’s full load with the loss of the customer’s generator do not just go away in
12 the months when the customer’s generator does not have an outage. As such, this
13 proposal guarantees that other retail customers would be subsidizing the costs of
14 providing Maintenance and Backup Service to Kimberly-Clark and other Standby
15 Customers. Kimberly-Clark says that “Big Rivers could always propose a cost-
16 based standby tariff in its next rate case or sooner.”²¹ But Big Rivers has proposed
17 a cost-based standby tariff in this case, and the Commission should approve the
18 proposed tariff.

[04-01_Second%20Amended%20And%20Restated%20Agreement%20for%20Retail%20Electric%20Service.pdf](#).

²⁰ KCC Brief at p. 18.

²¹ KCC Brief at p. 18.

1 Kimberly-Clark’s second proposal is that it be billed based on the rates in Big
2 Rivers’ existing QFS tariff.²² However, as Big Rivers pointed out in its initial post-
3 hearing brief, Kimberly-Clark is not actually proposing to pay the QFS tariff rates.
4 Kimberly-Clark is cherry-picking certain rates out of the QFS tariff and other rates
5 out of the proposed LICSS tariff to get a rate under which it would pay less than
6 any QFS customer and any LIC customer for the same level of service. Kimberly-
7 Clark is not eligible for the QFS tariff, which is based on demand and energy rates
8 for Big Rivers’ Rural customer class, and which, if Kimberly-Clark was subject to all
9 rates in the QFS tariff, would be higher than the rates in the proposed LICSS
10 tariff.²³ This suggestion should be rejected for the reasons stated in Big Rivers’
11 post-hearing brief.

12 Kimberly-Clark’s third proposal is that “the LICSS Maintenance and Backup
13 Power Demand charge would be modified to reflect the standby customer’s
14 contribution to Big Rivers’ PRMR. Specifically,...the Maintenance Power/Backup
15 demand charge should be equal [to] 11.1% of the LIC cost-based demand charge or
16 \$1.83/kW-Mo.”²⁴ This proposal is based on Kimberly-Clark’s contention that “it
17 would not be reasonable for Big Rivers to procure additional capacity equal to the
18 standby customer’s Self-Supply Capacity, but it might be reasonable to increase its
19 PRMR by an amount up to 11.1% of the maximum Backup Power demand.”²⁵ But

²² KCC Brief at p. 18.

²³ See Post-Hearing Brief of Big Rivers Electric Corporation at p. 12

²⁴ KCC Brief at p. 20 (footnote omitted).

²⁵ KCC Brief at p. 20.

1 again, Kimberly-Clark is looking only at capacity reserves required by MISO, which
2 ignores the embedded cost of the generation and transmission infrastructure Big
3 Rivers constructed and maintains to be able to supply Maintenance and Backup
4 Service at a moment's notice. Whether Big Rivers is long or short on capacity, Big
5 Rivers must have the ability to replace at any time all of the power provided by a
6 Standby Customer's self-generation, in the event that generation goes down. In
7 Kimberly-Clark's case, Kimberly-Clark is asking that Big Rivers be able to supply
8 an additional 14 MW at any time, and not just the 1.6 MW (11.1% of 14 MW) that
9 Kimberly-Clark proposes. As such, under Kimberly-Clark's proposal, Big Rivers
10 would only recover a fraction of the cost to serve Kimberly-Clark and other Standby
11 Customers from those customers, and the remaining retail customers would be
12 forced to subsidize the Standby Customers. For this reason, this proposal should
13 also be rejected.

14 Big Rivers and Kenergy have proposed cost-based rates for Maintenance and
15 Backup Power Service for Standby Customers who install their own generation. It
16 is fair, just, and reasonable for a Standby Customer who expects Big Rivers to
17 maintain the ability to supply power in the event the customer's generator
18 experiences an outage, to be responsible for the cost of providing that service. Big
19 Rivers' proposed LICSS tariff protects retail customers from having to subsidize
20 Standby Customers who install their own generation while giving LICSS customers
21 like Kimberly-Clark full credit for the value that their generation brings to the
22 system.

1 On this the 22nd day of February, 2022.

2 Respectfully submitted,

3
4 /s/ *Tyson Kamuf*

5
6 _____
7 Tyson Kamuf
8 Senthia Santana
9 Big Rivers Electric Corporation
10 201 Third Street, P.O. Box 24
11 Henderson, Kentucky 42419-0024
12 Phone: (270) 827-2561
13 Facsimile: (270) 844-6417
14 tyson.kamuf@bigrivers.com
15 senthia.santana@bigrivers.com

16 *Counsel for Big Rivers Electric*
17 *Corporation*
18