



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

ELECTRONIC APPLICATION OF)	
BIG RIVERS ELECTRIC CORPORATION	)	Case No.
FOR ANNUAL REVIEW OF ITS MRSM	)	2023-00038
CHARGE FOR CALENDAR YEAR 2022)	

**Verified Application
and
Exhibits**

FILED: February 28, 2023

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**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

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In the Matter of:

**ELECTRONIC APPLICATION OF)
BIG RIVERS ELECTRIC CORPORATION) Case No.
FOR ANNUAL REVIEW OF ITS MRSM) 2023-00038
CHARGE FOR CALENDAR YEAR 2022)**

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APPLICATION

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Comes now Big Rivers Electric Corporation (“Big Rivers” or the “Company”), by counsel, pursuant to the Kentucky Public Service Commission’s (the “Commission”) June 25, 2020 Order in Case No. 2020-00064;¹ its August 17, 2020 Order in Case No. 2019-00365;² 807 KAR 5:001; and other applicable law, and for its Application in the above-captioned matter, respectfully states as follows:

15

I. INTRODUCTION

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1. Big Rivers is a rural electric cooperative corporation organized pursuant to KRS Chapter 279. Its full name is Big Rivers Electric Corporation.

¹ *In the Matter of: Electronic Application of Big Rivers Electric Corporation for Approval To Modify Its MRSM Tariff, Cease Deferring Depreciation Expenses, Establish Regulatory Assets, Amortize Regulatory Assets, and Other Appropriate Relief*, P.S.C. Case No. 2020-00064, Order (June 25, 2020) , Ordering Paragraph No. 10.

² *In the Matter of: Electronic Joint Application of Big Rivers Electric Corporation and Meade County Rural Electric Corporation and Meade County Rural Electric Cooperative Corporation For (1) Approval of Contracts For Electric Service with Nucor Corporation, and (2) Approval of Tariff*, P.S.C. Case No. 2019-00365, Order (August 17, 2020), Ordering Paragraph No. 6.

1 Its mailing address is P.O. Box 20015, Owensboro, Kentucky 42304. Its street
2 address is 710 W. Second Street, Owensboro, Kentucky 42301. Its address for
3 electronic mail service is regulatory@bigrivers.com. 807 KAR 5:001, Section
4 14(1).

5 2. Pursuant to 807 KAR 5:001, Section 14(1), Big Rivers states that
6 this Application and the supporting exhibits, which are incorporated herein by
7 reference, contain fully the facts on which the relief requested by Big Rivers is
8 based.

9 3. A complete copy of the public portions of this Application has been
10 sent to the Attorney General and counsel for Kentucky Industrial Utility
11 Customers, Inc.

12 4. No tariff change is contemplated and so notice pursuant to 807
13 KAR 5:011 Section 8 is not required.

14 5. Big Rivers owns generating assets and purchases, transmits, and
15 sells electricity at wholesale. Its principal purpose is to provide the wholesale
16 electricity requirements of its three Member–Owner distribution electric
17 cooperatives: Jackson Purchase Energy Corporation (“Jackson Purchase”),
18 Kenergy Corp. (“Kenergy”), and Meade County Rural Electric Cooperative
19 Corporation (“Meade County”) (collectively, “the Member–Owners”). The three
20 Member–Owners in turn provide retail electric service to approximately 121,000
21 consumers/retail members located in 22 western Kentucky counties: Ballard,
22 Breckenridge, Caldwell, Carlisle, Crittenden, Daviess, Graves, Grayson,

1 Hancock, Hardin, Henderson, Hopkins, Livingston, Lyon, Marshall, McCracken,
2 McLean, Meade, Muhlenberg, Ohio, Union, and Webster.

3 6. Big Rivers was incorporated in the Commonwealth of Kentucky on
4 June 14, 1961, and hereby attests that it is currently in good standing in
5 Kentucky. 807 KAR 5:001, Section 14(2).

6 7. A table of each regulatory requirement or Commission-ordered
7 requirement for filing, cross-referenced to the location in this Application where
8 the requirement is satisfied, is attached hereto as Exhibit A.

9 **II. BACKGROUND**

10 **A. Case Number 2020-00064**

11 8. On February 28, 2020, Big Rivers filed an application requesting
12 that the Commission authorize Big Rivers to modify its Member Rate Stability
13 Mechanism (“MRSM”) tariff to provide a monthly bill credit, increase
14 amortization of the Smelter Loss Mitigation (“SLM”) Regulatory Assets, take
15 additional steps to mitigate the loss of 850 MW of load when two aluminum
16 smelters left the Big Rivers system in 2013-2014, which represented more than
17 one-half of its total native load, and restore Big Rivers’ investment grade credit
18 rating from all three major ratings agencies.³

19 9. On May 29, 2020, Big Rivers, Kentucky Industrial Utility
20 Customers, Inc. (“KIUC”), and the Attorney General of the Commonwealth of

³ *In the Matter of: Electronic Application of Big Rivers Electric Corporation for Approval To Modify Its MRSM Tariff, Cease Deferring Depreciation Expenses, Establish Regulatory Assets, Amortize Regulatory Assets, and Other Appropriate Relief*, P.S.C. Case No. 2020-00064.

1 Kentucky, by and through the Office of Rate Intervention (“Attorney General”),
2 filed a unanimous Settlement Agreement, Stipulation, and Recommendation
3 (“Settlement Agreement”), wherein Big Rivers agreed, starting in 2021 and each
4 calendar year thereafter (through 2043), and no later than February 28 of each
5 calendar year, to provide the Commission, the Attorney General, and the KIUC
6 with a report regarding nine identified matters.⁴

7 10. The Commission’s final order in Case No. 2020-00064 (“June 25,
8 2020 Order”) approved the Settlement Agreement, subject to modifications and
9 deletions, and clarified the forum in which the report would be presented,
10 finding that Big Rivers “should file a formal docketed proceeding in the form of
11 an annual application to revise its MRSMS rates that should include all
12 information laid out in the settlement and this Order.”⁵

13 11. Big Rivers’ filed its second formal docketed proceeding pursuant to
14 the June 25, 2020 Order on February 28, 2022, in Case No. 2022-00028.⁶ The
15 Commission issued its Final Order in Case No. 2022-00028 on July 6, 2022,
16 approving in part the relief Big Rivers sought⁷ and continuing Big Rivers’

⁴ Case No. 2020-00064, Settlement Agreement, Stipulation, and Recommendation, P.S.C. Case No. 2020-00064 (May 29, 2020).

⁵ Case No. 2020-00064, Order at page 21 (June 25, 2020).

⁶ See *In the Matter of: Electronic Application of Big Rivers Electric Corporation For Review of Its MRSMS Charge for Calendar Year 2021*, P.S.C. Case No. 2021-00028.

⁷ The July 6, 2020 Order at Ordering Paragraph 1 authorized Big Rivers to use \$26.7 million of the TIER Credit Regulatory Liability amount to reduce the SLM Regulatory Assets. At Ordering Paragraph 2, the Commission denied Big Rivers’ request to automatically utilize the regulatory liability amount in excess of \$9.0 million minimum to annually reduce the balance of the SLM Regulatory.

1 requirement to file annually an application pursuant to ordering paragraph 10
2 of the June 25, 2020 Order in Case No. 2020-00064.⁸

3 **B. Case Number 2019-00365**

4 12. On September 26, 2019, Big Rivers and Meade County RECC
5 submitted their joint application, seeking an order from the Commission
6 approving: 1) the retail contract for electric service between Meade County and
7 Nucor Corporation (“Nucor”) executed September 9, 2019 (the “Retail
8 Agreement”); 2) a related Wholesale Agreement between Big Rivers and Meade
9 County executed September 18, 2019 (with the Retail Agreement collectively the
10 “Nucor Contracts”); and 3) the establishment of a modified version of the Large
11 Industrial Customer Expansion (“LICX”) tariff that was originally in effect from
12 2000 through 2014.⁹

13 13. Commission approval of the Nucor Contracts and the LICX tariff
14 was necessary to facilitate the construction of a new Nucor facility in
15 Brandenburg, Meade County, Kentucky that will significantly bolster the
16 Commonwealth’s economy by creating 400 direct jobs (at an annual average
17 wage of \$72,000), over 2,600 indirect jobs, \$189 million in annual labor income,

⁸ See Case No. 2021-00061, Order (June 25, 2020) at Ordering Paragraph No. 3 (“The filing shall contain the information set forth in the June 25, 2020 Order in Case No. 2020-00064 and ordering paragraph 6 of the August 17, 2020 Order in Case No. 2019-00365”).

⁹ *In the Matter of: Electronic Joint Application of Big Rivers Electric Corporation and Meade County Rural Electric Corporation and Meade County Rural Electric Cooperative Corporation for Approval of Contracts for Electric Service with Nucor Corporation and Application of Big Rivers Electric Corporation for Approval of Tariff*, P.S.C. Case No. 2019-00365.

1 \$14.3 million in annual state and local tax revenues, and approximately \$360
2 million in annual gross domestic product (“GDP”) once fully operational.¹⁰

3 14. On August 17, 2020, the Commission granted Big Rivers and
4 Meade County RECC the relief they sought and directed them to file, as part of
5 Big Rivers’ annual filing required in Case No. 2020-00064, information detailing
6 the financial impacts of the Nucor retail service agreement and the impact the
7 Nucor load has had on Big Rivers’ credit ratings.¹¹

8 15. Through this filing, Big Rivers seeks to comply with the
9 Commission’s Orders in the above described two proceedings.

10 **III. RESPONSE TO THE JUNE 25, 2020 ORDER**

11 16. In compliance with the Commission’s June 25, 2020 Order, Big
12 Rivers is filing information and documents related to: (1) matters identified in
13 the Settlement Agreement as set forth in the Order;¹² (2) Big Rivers’ current
14 Member Equity Balance and the minimum required by its loan covenants;¹³ (3)
15 the reasonableness of any 2022 decommissioning costs;¹⁴ and (4) detailed

¹⁰ *In the Matter of: Electronic Joint Application of Big Rivers Electric Corporation and Meade County Rural Electric Corporation and Meade County Rural Electric Cooperative Corporation For (1) Approval of Contracts For Electric Service with Nucor Corporation, and (2) Approval of Tariff*, P.S.C. Case No. 2019-00365, Application, Direct Testimony of Robert W. Berry, Exhibit Berry-4 (Sept. 26, 2019).

¹¹ *Id.*, Ordering Paragraph No. 6 (Aug. 17, 2020).

¹² Case No. 2019-00064, Order at page 16 (June 25, 2020) (directing Big Rivers to “file by February 28, an application to adjust its MRSB rates, containing at minimum the information contained in the Settlement [Agreement], as modified herein”).

¹³ *Id.* at page 21.

¹⁴ *Id.* at page 21.

1 descriptions of all actions Big Rivers has taken to minimize decommissioning
2 costs.¹⁵

3 17. The Settlement Agreement identified nine categories of information
4 to be included in this annual proceeding:

- 5 a. Year-end TIER calculation for the prior calendar year;
- 6 b. The amount of the New TIER Credit that will flow through the
7 MRSR Rider during the following twelve months;
- 8 c. The amount charged to depreciation and amortization expense
9 for recovery of the SLM Regulatory Assets in the prior
10 calendar year, that will reduce the SLM Regulatory Assets
11 balance;
- 12 d. Status of the amortization of the SLM Regulatory Assets;
- 13 e. Interest savings gained (annualized) once investment grade
14 ratings are received from at least two of the three rating
15 agencies;
- 16 f. Status of and expected decommissioning costs of Coleman
17 Station and Reid Station Unit 1, and the total and Big Rivers'
18 estimated share of the decommissioning costs associated with
19 Station Two; and

¹⁵ *Id.*

1 g. A copy of any proposal to decommission Coleman Station, Reid
2 Station Unit 1, and Station Two that was awarded in the prior
3 year.¹⁶

4 18. The Direct Testimony of Dr. Talina Mathews attached to this
5 Application as Exhibit B responds to the first five subparts (a. through e.) and
6 provides Big Rivers' current Member Equity Balance and the minimum required
7 by its loan covenants, pursuant to the June 25, 2020 Order.¹⁷

8 19. The Direct Testimony of Nathaniel A. ("Nathan") Berry attached to
9 this Application as Exhibit C responds to the remaining two subparts (f. and g.).
10 Additionally, Mr. Nathan Berry's Direct Testimony describes the actions Big
11 Rivers has taken to minimize decommissioning costs and supports the
12 reasonableness of the decommissioning expenses.¹⁸

13 20. The Direct Testimony of Michael S. Mizell attached to this
14 Application as Exhibit D expounds on Mr. Berry's testimony by providing
15 information as related to the ash-pond closures and environmental matters.

16 21. The decommissioning of Coleman Station, Reid Unit 1, and Station
17 Two are currently at various stages, as fully discussed in Mr. Berry's and Mr.
18 Mizell's testimonies. However, Big Rivers and its expert consultants have and
19 will continue to examine each decommissioning project to ensure it is a
20 reasonable, necessary, and cost-effective course of action to promote the best

¹⁶ June 25, 2020 Order at page 16

¹⁷ June 25, 2020 Order at page 21.

¹⁸ *Id.*

1 interests of Big Rivers' Member-Owners, consistent with Big Rivers' obligations
2 under law, including increasingly-stringent environmental standards and
3 restrictions.

4 **IV. RESPONSE TO THE COMMISSION'S AUGUST 17, 2020 ORDER**

5 22. In its final Order in Case No. 2019-00365, the Commission granted
6 Big Rivers and Meade County the relief they sought and directed them to file, as
7 part of this proceeding, information detailing the financial impacts of the Nucor
8 retail service agreement and the impact the Nucor load has had on Big Rivers'
9 credit ratings.¹⁹

10 23. Nucor completed construction of its new Brandenburg, Kentucky,
11 facility and just recently began operations and thus taking service under the
12 Nucor Contracts. Dr. Mathews' Direct Testimony provides the confidential
13 details of the 2022 billing for these services to Nucor.

14 24. As discussed in Big River's MRSM annual application in Case No.
15 2022-00028, securing the Nucor load has had a positive impact on Big Rivers'
16 credit ratings.

¹⁹ *In the Matter of: Electronic Joint Application of Big Rivers Electric Corporation and Meade County Rural Electric Corporation and Meade County Rural Electric Cooperative Corporation For (1) Approval of Contracts For Electric Service with Nucor Corporation, and (2) Approval of Tariff, P.S.C. Case No. 2019-00365, Order, Ordering Paragraph No. 6 (August 17, 2020).*

1 25. Receiving investment grade ratings has also resulted in Big Rivers
2 recognizing significant annual interest savings under the 2020 CFC Revolving
3 Credit Facility,²⁰ as fully discussed in Dr. Mathews’ Direct Testimony.²¹

4 **V. BIG RIVERS’ PROPOSED ADJUSTMENTS AND ALTERATIONS**

5 26. The Commission’s June 25, 2020, Order also stated that this
6 annual proceeding would allow Big Rivers “to propose adjustments and
7 alterations as it deems necessary.”²²

8 27. Big Rivers is not proposing any adjustments or alterations to its
9 MRSB credit in this proceeding.

10

11 WHEREFORE, Big Rivers requests an Order from the Commission:

12 1. Authorizing Big Rivers to use the regulatory liability amount in
13 excess of \$9 million, or \$17.6 million in 2022, to further reduce the SLM
14 Regulatory Assets in 2023, and

15 2. Granting Big Rivers all other relief to which it may appear entitled.

16

17

²⁰ *In the Matter of: Electronic Application of Big Rivers Electric Corporation For Approval To Issue Evidences of Indebtedness*, P.S.C. Case No. 2020-00129, Order (May 8, 2020) (approving the 2020 CFC Revolving Credit Facility).

²¹ See Exhibit Mathew-6 to the Direct Testimony of Dr. Talina Mathews

²² Case No. 2020-00064, Order at Page 21 (June 25, 2020).

1 On this the 28th day of February, 2023

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Respectfully submitted,

4

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**BIG RIVERS ELECTRIC
CORPORATION**

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8

/s/ Senthia Santana

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Senthia Santana

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Tyson Kamuf

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Whitney Kegley

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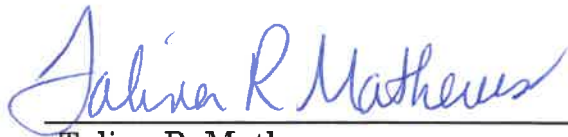
Counsel to Big Rivers Electric Corporation

BIG RIVERS ELECTRIC CORPORATION

**ELECTRONIC APPLICATION OF
BIG RIVERS ELECTRIC CORPORATION FOR ANNUAL REVIEW
OF ITS MRSM CHARGE FOR CALENDAR YEAR 2022
CASE NO. 2023-00038**

VERIFICATION

I, Talina R. Mathews, Chief Financial Officer for Big Rivers Electric Corporation, hereby state that I have read the foregoing Application and that the statements contained therein are true and correct to the best of my knowledge and belief.



Talina R. Mathews

COMMONWEALTH OF KENTUCKY)
COUNTY OF DAVIESS)

28th SUBSCRIBED AND SWORN TO before me by Talina R. Mathews on this the
day of February 2023.



Notary Public, Kentucky State at Large

Kentucky ID Number

KY NP 16841

My Commission Expires

October 31, 2024

**REFERENCES FOR COMPLIANCE WITH STATUTORY AND REGULATORY
FILING REQUIREMENTS**

Big Rivers Electric Corporation's Annual MRSM Application

Law / Regulation	Filing Requirement	Location in Application
807 KAR 5:001 Section 14(1)	The full name, mailing address, and electronic mail address of the Applicant	Application ¶ 1
807 KAR 5:001 Section 14(1)	A request for the order, authorization, permission or certificate desired	Application ¶ 26 and page 11
807 KAR 5:001 Section 14(1)	A reference to the particular provision of law authorizing the relief requested	Application page 1
807 KAR 5:001 Section 14(1)	The facts on which the application is based	Application ¶¶ 8-26 and Testimonies
807 KAR 5:001 Section 14(2)	State and date of incorporation; attest to good standing in state	Application ¶ 6
P.S.C. Case No. 2020-00064		
PSC Order Case No. 2020-00064, Final Order (June 25, 2020)	Filing Requirement Pursuant to Ordering Paragraph No. 10.	Location in Application
Pg. 21 of Final Order	Formal docketed proceeding in the form of an annual application to revise MRSM rates, including all information laid out in the Settlement and Order.	The Application was filed Feb. 28, 2023.
Per Settlement Agreement / Pg. 16 of Final Order	Calculation of year-end TIER for prior calendar year.	Mathews Testimony & Exhibit Mathews-2
Per Settlement Agreement / Pg. 16 of Final Order	The amount of the New TIER Credit that will flow through the MRSM Rider during the following twelve months.	Mathews Testimony & Exhibit Mathews-3

**REFERENCES FOR COMPLIANCE WITH STATUTORY AND REGULATORY
FILING REQUIREMENTS**

Big Rivers Electric Corporation's Annual MRSM Application

P.S.C. Case No. 2020-00064		
PSC Order Case No. 2020-00064, Final Order (June 25, 2020)	Filing Requirement Pursuant to Ordering Paragraph No. 10.	Location in Application
Per Settlement Agreement / Pg. 16 of Final Order	The amount to charge to depreciation and amortization expense for recovery of the Smelter Loss Mitigation Regulatory Assets in the prior calendar year, which will result in the reduction of the balance of Smelter Loss Mitigation Regulatory Assets.	Mathews Testimony & Exhibit Mathews-4
Per Settlement Agreement / Pg. 16 of Final Order	The overall status of the amortization of the Smelter Loss Mitigation Regulatory Assets	Mathews Testimony & Exhibit Mathews-4
Per Settlement Agreement / Pg. 16 of Final Order	Once investment grade ratings are received from at least two of the three rating agencies, all interest savings gained (annualized) as a result thereof.	Mathews Testimony & Exhibit Mathews-5
Per Settlement Agreement / Pg. 16 of Final Order	The status of and anticipated decommissioning costs expected to be incurred by Big Rivers for each of the Coleman Station, Reid Station Unit 1, and Station Two (including the total anticipated decommissioning costs of Station Two and Big Rivers' estimated share of such costs.	N. Berry and Mizell Testimonies
Per Settlement Agreement / Pg. 16 of Final Order	A copy of any awarded proposals for the decommissioning of the Coleman Station, Reid Station Unit 1, and Station Two in the prior year.	N. Berry Testimony & Exhibit Berry-2
Per Settlement Agreement / Pg. 21 of Final Order	Current Member equity balance and minimum required by the loan covenants.	Mathews Testimony
Per Settlement Agreement / Pg. 21 of Final Order	The reasonableness of any 2022 decommission costs and detailed descriptions of all actions Big Rivers has taken to minimize decommission costs.	N. Berry Testimony

**REFERENCES FOR COMPLIANCE WITH STATUTORY AND REGULATORY
FILING REQUIREMENTS**

Big Rivers Electric Corporation's Annual MRSM Application

	P.S.C. Case No. 2019-00365	
PSC Order Case No. 2019-00365 Final Order (Aug. 17, 2020)	Filing Requirement Pursuant to Ordering Paragraph No. 6	Location in Application
Ordering Paragraph No. 6	Information detailing the financial impacts of the Nucor retail service agreements in 2020 and the impact the Nucor load has had on Big Rivers' credit ratings	Mathews Testimony



**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

ELECTRONIC APPLICATION OF)	
BIG RIVERS ELECTRIC CORPORATION	)	Case No.
FOR ANNUAL REVIEW OF ITS MRSM CHARGE	)	2023-00038
FOR THE CALENDAR YEAR 2022)	

DIRECT TESTIMONY

OF

**TALINA R. MATHEWS
CHIEF FINANCIAL OFFICER**

ON BEHALF OF

BIG RIVERS ELECTRIC CORPORATION

FILED: February 28, 2023

BIG RIVERS ELECTRIC CORPORATION

**ELECTRONIC APPLICATION OF
BIG RIVERS ELECTRIC CORPORATION FOR ANNUAL REVIEW
OF ITS MRSM CHARGE FOR CALENDAR YEAR 2022
CASE NO. 2023-00038**

VERIFICATION


I, Talina R. Mathews, verify, state, and affirm that I prepared or supervised the preparation of the Direct Testimony filed with this Verification, and that Direct Testimony is true and accurate to the best of my knowledge, information, and belief after a reasonable inquiry.



Talina R. Mathews

COMMONWEALTH OF KENTUCKY)
COUNTY OF DAVIESS)

28th SUBSCRIBED AND SWORN TO before me by Talina R. Mathews on this the
day of February 2023.



Notary Public, Kentucky State at Large
Kentucky ID Number KYNP16841
My Commission Expires October 31, 2024

**DIRECT TESTIMONY
OF
TALINA R. MATHEWS**

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1 **DIRECT TESTIMONY**

2 **OF**

3 **TALINA R. MATHEWS**

4 **I. INTRODUCTION**

5 **Q. Please state your name, business address and occupation.**

6 A. My name is Talina R. Mathews and my business address is 710 W. 2nd Street,
7 Owensboro, Kentucky 42301. I am the Chief Financial Officer (“CFO”) for
8 Big Rivers Electric Corporation (“Big Rivers”).

9
10 **Q. Please summarize your education and professional experience.**

11 A. I earned a doctorate and a master’s in economics from the University of
12 Kentucky and an undergraduate degree in economics and mathematics from
13 Berea College.

14 I served the Commonwealth of Kentucky for over twenty years
15 including as executive director and economist in the Kentucky Office of
16 Energy Policy and for the Kentucky Public Service Commission (“PSC”) as
17 executive director, policy advisor and staff economist. I was appointed to
18 serve on the PSC in 2017. In 2021, I took the position of Director of State
19 Regulatory Policy at Southwest Power Pool (“SPP”). I accepted my current
20 position of CFO for Big Rivers in August of 2022.

21 I was a member of the National Association of Utility Regulatory
22 Commissioners (NARUC), where I serve as a board director, co-vice chair of

1 the Committee on Electricity, and member of the Committee on Critical
2 Infrastructure. I also served on MISO's Organization of MISO States and as
3 PJM's Organization of PJM States (OPSI) president. I also served as
4 president of the Southeastern Association of Regulatory Utility
5 Commissioners. My professional experience is summarized in Exhibit
6 Mathews-1.

7
8 **Q. Please summarize your duties at Big Rivers.**

9 A. As CFO, I am responsible for all financial activities of the company, including
10 accounting and financial reporting, payroll, budgets, finance, and tax.

11

12 **Q. Have you previously testified before the Kentucky Public Service
13 Commission ("Commission")?**

14 A. Yes. Recently, I submitted written testimony on behalf of Big Rivers in Case
15 No. 2022-00433,¹ in which Big Rivers is seeking a Certificate of Public
16 Convenience and Necessity to construct a Transmission Operations Center.

17

¹ *In the Matter of: Electronic Application of Big Rivers Electric Corporation for a Certificate of Public Convenience and Necessity Authorizing Construction of a New Transmission Operations Center and an Order Authorizing Big Rivers to Dispose of Property*, P.S.C. Case No. 2022-00433.

1 **Q. What is the purpose of your testimony in this proceeding?**

2 A. The purpose of my testimony is: (i) to provide information pursuant to
3 Ordering Paragraph 10 of the Commission’s June 25, 2020, Order in Case
4 No. 2020-00064² (the “June 25, 2020, Order”); and (ii) to provide information
5 pursuant to Ordering Paragraph No. 6 of the Commission’s August 17, 2020,
6 Order in Case No. 2019-00365.³

7
8 **Q. Are you sponsoring any exhibits?**

9 A. Yes. The following exhibits were prepared by me or under my supervision:

- 10 • Exhibit Mathews-1: Professional Summary
- 11 • Exhibit Mathews-2: 2022 Year-End TIER Credit Calculation
- 12 • Exhibit Mathews-3: Amount of the New TIER Credit to Flow Through
13 the MRSM Rider During 2023; and Allocation of Monthly Bill Credit
14 to Customer Classes
- 15 • Exhibit Mathews-4: 2022 Amount Charged to Depreciation and
16 Amortization Expense for Recovery of SLM Regulatory Assets

² *In the Matter of: Electronic Application of Big Rivers Electric Corporation for Approval to Modify Its MRSM Tariff, Cease Deferring Depreciation Expense, Establish Regulatory Assets, Amortize Regulatory Assets, and Other Appropriate Relief, Order (June 25, 2020).*

³ *In the Matter of: Electronic Joint Application of Big Rivers Electric Corporation and Meade County Rural Electric Corporation and Meade County Rural Electric Cooperative Corporation For (1) Approval of Contracts For Electric Service with Nucor Corporation, and (2) Approval of Tariff, P.S.C. Case No. 2019-00365, Order (Aug. 17, 2020).*

- 1 • Exhibit Mathews-5: 2022 Interest Savings Attributable to Investment
- 2 Grade Credit Rating
- 3 • Exhibit Mathews-6: 2022 Credit Rating Action Reports

4 **II. JUNE 25, 2020, ORDER IN CASE NO. 2020-00064**

5 **Q. Please identify the information you will be providing pursuant to**
6 **the Ordering Paragraph 10 of the Commission’s June 25, 2020, Order**
7 **in Case No. 2020-00064.**

8 A. I will provide information specifically addressing the first five matters
9 identified in the May 29, 2020, Settlement Agreement among Big Rivers,
10 Kentucky Industrial Utility Customers, Inc., and the Office of the Attorney
11 General of the Commonwealth of Kentucky, as set forth in the Commission’s
12 June 25, 2020, Order:⁴

- 13 a. Year-end TIER calculation for the prior calendar year;
- 14 b. The amount of the New TIER Credit that will flow through the
- 15 MRSR Rider during the following twelve months;
- 16 c. The amount charged to depreciation and amortization expense for
- 17 recovery of the Smelter Loss Mitigation (“SLM”) Regulatory Assets
- 18 in the prior calendar year, that will reduce the SLM Regulatory
- 19 Assets balance;

⁴ Case No. 2020-00064, Order at page 16 (June 25, 2020).

- 1 d. Status of the amortization of the SLM Regulatory Assets; and
2 e. Interest savings gained (annualized) once investment grade
3 ratings are received from at least two of the three rating agencies.

4 I will also provide Big Rivers' current Member equity balance and the
5 minimum required by its loan covenants as specified in the June 25, 2020,
6 Order.⁵

7
8 **Q. What is the Year-end TIER calculation for the prior calendar year?**

9 A. As shown on Exhibit Mathews-2, the 2022 pre-TIER Credit net margins are
10 \$43.3 million, which equates to a TIER of 1.93. In accordance with the
11 Commission's Order in Case No. 2020-00064, such financial results prompt
12 the recording of a New TIER Credit of \$29.3 million, resulting in reported
13 net margins of \$14.0 million which equates to the targeted approved TIER
14 of 1.30.

15
16 **Q. Please identify the amount of the New TIER Credit that will flow
17 through the MRSM Rider during the following twelve months.**

18 A. In accordance with the Commission's Order in Case No. 2020-00064, \$17.6
19 million (60%) of the New TIER Credit will be recorded as a regulatory
20 liability to reduce the SLM Regulatory Assets, and \$11.7 million (40%) of
21 the New TIER Credit will flow through the MRSM Rider in 2023.

⁵ *Id.* at page 21.

1 As shown on Exhibit Mathews-3, the amount of the New TIER
2 Credit to flow through the MRSM Rider in 2023 is to be credited to Rural
3 and Large Industrial customers based on a two-part allocation: 1) the first
4 \$0.7 million is assigned to Rural customers, and 2) the balance of the New
5 TIER Credit is allocated to each customer class based on their respective
6 2022 revenue. Of the total \$11.7 million MRSM Rider bill credits in 2023,
7 \$9.2 million will be credited to Rural customers and \$2.5 million will be
8 credited to Large Industrial customers. Accordingly, \$1.0 million (Rural:
9 \$0.8 million and Large Industrial: \$0.2 million) will be credited each month
10 in 2023.

11
12 **Q. Please provide the amount charged to depreciation and**
13 **amortization expense for recovery of the SLM Regulatory Assets in**
14 **the prior calendar year, which will reduce the SLM Regulatory**
15 **Assets balance.**

16 A. Based on the 2022 New TIER Credit calculation, as referenced above, \$17.6
17 million was charged to amortization expense for recovery of the SLM
18 Regulatory Assets. This amount is currently recorded as a regulatory
19 liability per Case No. 2020-00064. The regulatory liability account has a
20 carry over balance of \$9 million from 2022. In accordance with the
21 Commission's Order, since the regulatory liability account balance exceeds
22 the required \$9 million minimum, Big Rivers proposes to utilize the

1 regulatory liability amount in excess of \$9 million, or \$17.6 million, to reduce
2 the SLM Regulatory Assets in 2023.

3

4 **Q. Please explain the status of the amortization of the SLM**
5 **Regulatory Assets.**

6 A. Big Rivers began amortizing the SLM Regulatory Assets in January 2021.
7 During 2022, this amortization resulted in a reduction to the SLM
8 Regulatory Assets identified in Case No. 2020-00064 by \$13.0 million.
9 Additionally, the SLM Regulatory Assets were reduced by \$26.7 million in
10 2022 as a result of utilizing the excess 2021 TIER Credit Regulatory Liability
11 as ordered in the final order in Case No. 2022-00028.

12 In Case No. 2021-00079,⁶ the Commission authorized Big Rivers to
13 establish a regulatory asset (the “Green Station Regulatory Asset”) related
14 to the conversion of Green Station to gas as set forth in its application. The
15 Direct Testimony of Paul G. Smith, Exhibit C to Big Rivers’ application in
16 that case, fully described the regulatory asset to be established.⁷ Mr. Smith
17 indicated that Big Rivers would include this regulatory asset in the list of

⁶ *In that 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*, P.S.C. Case No. 2021-00079, Order (June 11, 2021), at Ordering Paragraph No. 9.

⁷ *In that 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*, P.S.C. Case No. 2021-00079, Application (filed Mar. 1, 2021).

1 “Smelter Loss Mitigation Regulatory Assets” authorized in Case No. 2020-
2 00064, and that, beginning in 2022, Big Rivers would apply a levelized
3 amortization schedule to the Green Station regulatory asset in equal
4 amounts over the remainder of Big Rivers’ “all-requirements” contracts with
5 its Members.⁸ Mr. Smith also explained, “Based on our financial projections,
6 even with the addition of the Green Station regulatory asset into the list of
7 Smelter Loss Mitigation Regulatory Assets, Big Rivers expects to have fully
8 amortize[d] the Smelter Loss Mitigation Regulatory Assets in approximately
9 10 years, assuming the Commission authorize[s] Big Rivers to utilize the
10 amounts in the regulatory liability over the \$9 million required minimum to
11 reduce the regulatory assets.”⁹ As of December 31, 2022, the Green Station
12 Regulatory Asset had a balance of \$97.0 million. Amortization for seven
13 months in 2022, based on the in-service dates for the converted units, was
14 \$2.6 million.

15 The total balance of the SLM Regulatory Assets as of January 1, 2022,
16 was approximately \$281.1 million. As of December 31, 2022, the SLM
17 Regulatory Asset total balance was approximately \$244.0, excluding the
18 regulatory liability balance of \$26.6 million, as indicated in Exhibit
19 Mathews-4. The December 2022 balance of each of the SLM Regulatory
20 Assets is included in Exhibit Mathews-4.

⁸ *Id.* Direct Testimony of Paul G. Smith, at pages 12 and 14.

⁹ *Id.* at page 13.

1

2 **Q. Please explain the annual interest savings realized by receiving an**
3 **investment grade rating from at least two of the three rating**
4 **agencies.**

5 A. Big Rivers received credit rating upgrades from S&P Global Ratings
6 (“S&P”) to BBB in July 2022, Fitch Ratings to BBB in August 2022, and
7 Moody’s Investors Service to Baa2 in October 2022. With these upgrades,
8 Big Rivers transitioned to a Pricing Level III on the CFC Revolving Credit
9 Facility, thereby further reducing fees on the facility. Based on the
10 discounted fee structure, Big Rivers will recognize annual interest savings
11 of approximately \$260,000. Please see Exhibit Mathews-5 showing Big
12 Rivers’ interest savings and Exhibit Mathews-6 for a copy of the three
13 rating actions in 2022.

14

15 **Q. Please identify Big Rivers’ current Member equity balance and the**
16 **minimum required by its loan covenants.**

17 A. At December 31, 2022, Big Rivers’ Member equity balance was \$430.5
18 million and the minimum required by its loan covenants was \$475.7 million

19

20 **III. AUGUST 17, 2020, ORDER IN CASE NO. 2019-00365**

21 **Q. What relief did Big Rivers seek in Case No. 2019-00365?**

1 A. In Case No. 2019-00365, Big Rivers and Meade County RECC filed a joint
2 application seeking approval of a retail contract for electric service between
3 Meade County RECC and Nucor and a related wholesale letter agreement
4 between Big Rivers and Meade County RECC, to facilitate the construction
5 of a new Nucor facility in Brandenburg, Kentucky. Big Rivers also sought
6 approval to establish a modified version of the Large Industrial Customer
7 Expansion (“LICX”) tariff that was in effect from 2000 through 2014.

8

9 **Q. Did the Commission grant the relief Big Rivers sought, and how does**
10 **the final order in Case No. 2019-00365 relate to this proceeding?**

11 A. Yes, the Commission made the proposed LICX tariff effective on and after
12 the date of entry of its final order, August 17, 2020. Ordering Paragraph 6
13 of the final order in that case stated, “BREC and Meade County RECC shall
14 file as part of BREC’s annual filing required by ordering paragraph 10 of the
15 Commission’s June 25, 2020 Order in Case No. 2020-00064 information
16 detailing the financial impacts of the Nucor retail electric service agreement
17 and the impact the Nucor load has had on BREC’s credit ratings.”

18

19 **Q What were the financial impacts of the Nucor retail service**
20 **agreement in 2022?**

21 A. The Nucor facility in Brandenburg was under construction for much of 2022.
22 During the construction phase and prior to ARC testing, the Nucor facility

1 took service through a Meade County RECC tariff under Big Rivers' Rural
2 tariff. In 2022, Meade County RECC billed Nucor a total amount of
3 approximately [REDACTED] which includes initial temporary service,
4 construction trailers, and primary metering. Once ARC testing began, Nucor
5 took service under the retail electric service agreement. Nucor was billed a
6 total of [REDACTED] in 2022 under the rates set forth in the retail service
7 agreement. Nucor is expected to complete final commissioning of the facility
8 and begin shipping steel to customers during the first quarter of 2023.

9
10 **Q. What impact has the Nucor load had on Big Rivers' credit ratings in**
11 **2022?**

12 **A.** In addition to what was reported in 2021 and 2022, S&P's Rating Action
13 report noted, "To mitigate the cooperative's exposure to volatile power
14 markets, management contracted to sell much of the surplus power to
15 municipal utilities under contracts expiring in 2026 and 2029. More
16 recently, Nucor Corp is developing a \$1.7 billion steel plate manufacturing
17 plant in Brandenburg, Blockware Mining is constructing a \$50 million
18 cryptocurrency server facility in Paducah, and Pratt Industries is
19 constructing a \$500 million paper mill in Henderson. These facilities will
20 add 300 megawatts of load or almost 90% of the load the municipalities
21 contribute. The industrial load additions should temper exposure to
22 merchant energy markets if the municipal utility systems do not renew their

1 wholesale power purchase agreements with BREC when they expire in the
2 latter part of the decade.”

3

4 **IV. CONCLUSION**

5 **Q. Please summarize the relief requested by Big Rivers in this**
6 **proceeding?**

7 A. As outlined above and in accordance with the Commission’s Order, the
8 regulatory liability account balance exceeds the required \$9 million
9 minimum; accordingly, Big Rivers proposes to use the regulatory liability
10 amount in excess of \$9 million, or \$17.6 million in 2022, to further reduce
11 the SLM Regulatory Assets in 2023.

12

13 **Q. Does this conclude your testimony?**

14 A. Yes.

Professional Summary

Talina R. Mathews, PhD
Chief Financial Officer
Big Rivers Electric Corporation
710 W. 2nd Street
Owensboro, KY 42301

Professional Experience

Big Rivers Electric Corporation
Chief Financial Officer 2022-present

Southwest Power Pool
Director, State Regulatory Policy– 2021-2022

Kentucky Public Service Commission 2016-2021
Commissioner 2017-2021
Executive Director 2016-2017

Organization of MISO States 2015-2016
Director, Member Services

Kentucky Department of Energy Development and Independence 2013-2015
Director, Energy Generation, Transmission and Distribution

Kentucky Public Service Commission 2011-2013
Staff Advisor for Policy

Kentucky Department for Energy Development and Independence 2009-2011
Assistant Director, Carbon Management

ECSI 2008-2009
Executive Vice-President

Kentucky Office of Energy Policy 2006-2008
Executive Director

Kentucky Public Service Commission 2000-2006
Executive Staff Advisor
Economist

Kentucky Division of Water 1998-2000
Economist

Professional Experience (continued)

University of Kentucky 1995-1998
Research Analyst

Michigan Technological University 1993-1995
Assistant Professor

Education

PhD, Economics
University of Kentucky

MA, Economics
University of Kentucky

BA, Mathematics and Economics
Berea College

Big Rivers Electric Corporation
Case No. 2023-00068
TIER Credit Calculation

TIER CREDIT			<u>12/31/2022</u>
(1)	Interest Charges on Secured Obligations (gross)		\$ 46,755,163.29
(2)	Net Margin for a 1.30 TIER		\$ 14,026,548.99
(3)	Actual Net Margin (excluding Jan 2022 Equity Adjustment)		\$ 43,303,312.04
(4)	TIER CREDIT	[(3) - (2)]	\$ 29,276,763.05
(5)	Regulatory Liability		\$ 17,566,057.83
(6)	MRSM Liability - Rural		\$ 9,200,495.66
(7)	MRSM Liability - Large Industrial		\$ 2,510,209.57
(8)	Total MRSM	[(6) + (7)]	\$ 11,710,705.23
(9)	TIER CREDIT	[(5) + (8)]	\$ 29,276,763.06

Big Rivers Electric Corporation
Case No. 2023-00038
Allocation of Monthly Bill Credit to Customer Classes

2023 New TIER Credit (Total)	\$29,276,763.06
<u>Annual</u> Amount to Refund as Monthly Bill Credit starting with January 2023 service month	\$11,710,705.23
<u>Monthly</u> Amount to Refund as Monthly Bill Credit starting with January 2023 service month	\$975,892.10

Rural & Large Industrial Customer Percentage Allocation:

2022 Member Revenue (Excluding EDR Sales)	\$287,352,982.32	\$221,842,396.67	\$65,510,585.65
Less: Sales not FAC applicable	0.00	0.00	0.00
2022 Adjusted Revenue for MRSM Purposes	\$287,352,982.32	\$221,842,396.67	\$65,510,585.65
Allocation of Monthly Bill Credit	100.0000%	77.2021%	22.7979%

Rural & Large Industrial Customer Dollar Allocation:

Rural and Large Industrial Customer Bill Credit Allocation	\$11,010,705.23	\$8,500,495.66	\$2,510,209.57
Rural Initial Credit	700,000.00	700,000.00	0.00
Total Billed in 2022 MRSM	11,710,705.23	\$9,200,495.66	\$2,510,209.57
2023 Monthly Bill Credit (12 equal monthly installments)	\$975,892.10	\$766,707.97	\$209,184.13

<u>Total</u>	<u>Rural</u>	<u>Large Industrial</u>
\$287,352,982.32	\$221,842,396.67	\$65,510,585.65
0.00	0.00	0.00
\$287,352,982.32	\$221,842,396.67	\$65,510,585.65
100.0000%	77.2021%	22.7979%
\$11,010,705.23	\$8,500,495.66	\$2,510,209.57
700,000.00	700,000.00	0.00
11,710,705.23	\$9,200,495.66	\$2,510,209.57
\$975,892.10	\$766,707.97	\$209,184.13

Big Rivers Electric Corporation
Case No. 2023-00038
Regulatory Asset Schedule

	Focused Management Audit	Wilson Station Deferred Depreciation	Coleman Station Deferred Depreciation	Reid Station Unit #1 Decommission	Station Two Decommission	Coleman Station Decommission	Total
December 2019 Regulatory Assets	\$ 676	\$ 120,544	\$ 37,245	\$ -	\$ 90,424	\$ -	\$ 248,889
2020 Deferred Depreciation	-	20,838	4,368	-	-	-	25,206
Reid Unit #1 Retirement	-	-	-	7,769	-	-	7,769
Station Two Decommissioning	-	-	-	-	1,678	-	1,678
Coleman Station Retirement	-	-	-	-	-	129,869	129,869
Less: 2019 Station Two TIER Credit	-	-	(27,743)	-	-	-	(27,743)
Less: Demand-Side Management Credit	(676)	(29)	-	-	-	-	(705)
December 2020 Regulatory Assets	-	141,353	13,870	7,769	92,102	129,869	384,963
Reid Unit #1 Decommissioning	-	-	-	1,573	-	-	1,573
Station Two Decommissioning	-	-	-	-	855	-	855
Coleman Station Decommissioning	-	-	-	-	-	2,746	2,746
Less: 2020 Excess TIER Credit	-	(11,000)	-	-	-	-	(11,000)
Less: Equity Headroom Utilization	-	(84,945)	-	-	-	-	(84,945)
Less: 2021 Monthly Amortization	-	(13,044)	-	-	-	-	(13,044)
December 2021 Regulatory Assets	-	32,364	13,870	9,342	92,957	132,615	281,148
Reid Unit #1 Decommissioning	-	-	-	104	-	-	104
Station Two Decommissioning	-	-	-	-	1,041	-	1,041
Coleman Station Decommissioning	-	-	-	-	-	1,543	1,543
Less: 2021 Excess TIER Credit	-	(25,842)	(884)	-	-	-	(26,726)
Less: 2022 Monthly Amortization	-	(6,522)	(6,522)	-	-	-	(13,044)
December 2022 Regulatory Assets	-	-	6,464	9,446	93,998	134,158	244,066

Big Rivers Electric Corporation
Case No. 2023-00038
Regulatory Asset Schedule

	Focused Management <u>Audit</u>	Wilson Station Deferred <u>Depreciation</u>	Coleman Station Deferred <u>Depreciation</u>	Reid Station Unit #1 <u>Decommission</u>	Station Two <u>Decommission</u>	Coleman Station <u>Decommission</u>	<u>Total</u>
December 2022 Regulatory Assets from Prior Page	-	-	6,464	9,446	93,998	134,158	244,066
December 2022 Regulatory Liability ¹	-	-	(6,464)	(9,446)	(10,656)	-	(26,566)
December 2022 Net Regulatory Assets	\$ -	\$ -	\$ -	\$ -	\$ 83,342	\$ 134,158	\$ 217,500

Note: 1.- Regulatory Liability amount includes the \$9,000 minimum balance carried-forward from 2020, plus 2022 Excess TIER Credit of \$17,566.
The 2022 Excess TIER Credit of \$17,566 is proposed in this proceeding to reduce the Regulatory Assets in 2023.

Big Rivers Electric Corporation
Case No. 2023-00068
2022 Interest Savings

\$150m Facility- Non-Investment Grade Level V	\$150m Facility- Investment Grade Level III	<i>Difference</i>
--	--	-------------------

Amounts & Terms:			
Total Facility Amount:	\$ 150,000,000	\$ 150,000,000	\$ -
Term (Years):	3	3	-
Secured/ Unsecured:	Secured	Secured	
Fees:			
One-Time/ Up-Front Fee:			
Arranger Fee (\$ Amt.)	\$ 10,000	\$ 10,000	\$ -
Upfront Fee (% of Total Facility)	0.175%	0.175%	0.000%
Upfront Fee (\$ Amt.)	\$ 262,500	\$ 262,500	\$ -
Annual Fees:			
Annual Facility Fee (% of Total Facility) <i>(per Pricing Grid)</i> ⁽¹⁾	0.350%	0.200%	0.150%
Annual Facility Fee (\$ Amt.) ⁽¹⁾	\$ 525,000	\$ 300,000	\$ 225,000
Annual Admin. Fee (\$ Amt.)	\$ 20,000	\$ 20,000	\$ -

Big Rivers Electric Corporation
Case No. 2023-00068
2022 Interest Savings

	\$150m Facility- Non-Investment Grade Level V	\$150m Facility- Investment Grade Level III	<i>Difference</i>
Letter of Credit (L/C) Fees:			
L/C Fronting Fee (% of Total L/Cs Outstanding)	0.125%	0.125%	0.000%
L/C Fronting Fee (Annual \$ Amt. Assuming \$10MM L/Cs Outstanding)	\$ 12,500	\$ 12,500	\$ -
L/C Participant Fee (% of Total L/Cs Outstanding) (per Pricing Grid) ⁽¹⁾	1.650%	1.300%	0.350%
L/C Fronting Fee (Annual \$ Amt. Assuming \$10MM L/Cs Outstanding)	\$ 165,000	\$ 130,000	\$ 35,000
Total Upfront Fees (one-time fees)	\$ 272,500	\$ 272,500	\$ -
Total Annual Fees	\$ 545,000	\$ 320,000	\$ 225,000
Total Letter of Credit Fees (assuming \$10MM outstanding)	\$ 177,500	\$ 142,500	\$ 35,000

⁽¹⁾ Based on BREC's current credit ratings and ratings-based pricing grid per existing 2020 agreement (see below).

= BREC's current credit ratings and applicable Pricing Level as of 01/24/2023.

Pricing Level	Ratings			Big Rivers' Rates	
	S&P	Moody's	Fitch	L/C Part. Fee & LIBO Margin	Annual Facility Fee
I.	≥ A-	≥ A3	≥ A-	1.000%	0.125%
II.	BBB+	Baa1	BBB+	1.100%	0.150%
III.	BBB	Baa2	BBB	1.300%	0.200%
IV.	BBB-	Baa3	BBB-	1.500%	0.250%
V.	BB+	Ba1	BB+	1.650%	0.350%
VI.	BB	Ba2	BB	2.125%	0.375%
VII.	≤ BB-	≤ Ba3	≤ BB-	2.300%	0.500%

Rating Action: Moody's upgrades Big Rivers Electric Corporation senior secured rating to Baa2; outlook is stable

03 Oct 2022

Approximately \$83.3 million of notes affected

New York, October 03, 2022 -- Moody's Investors Service ("Moody's") today upgraded the rating of Big Rivers Electric Corporation (BREC)'s \$83.3 million senior secured 10-year term loan, due 2030 to Baa2 from Baa3. The rating outlook is stable.

RATINGS RATIONALE

The upgrade to Baa2 principally reflects the cooperative's continually improving financial profile and cash flow credit metrics. During the three-year period ending FY 2021, BREC achieved a funds from operations (FFO) coverage of interest expense of 3.0x, FFO to debt ratio of 9.1% and debt service coverage ratio (DSCR) of 1.7x, based on Moody's standard adjustments. These credit metrics strongly position BREC within the Baa rating category and reflects Moody's expectation that BREC will likely continue to record similar cash flow metrics in 2022 and beyond. The improved cash flow profile is somewhat dampened by BREC's continued large regulatory asset balance related to the early retirement of its coal power plants. Despite several years of reducing the balance, including an accelerated write-down in FY 2021, BREC had a net balance of approximately \$362 million at FYE 2021.

The upgrade further acknowledges the continued credit supportive regulatory treatment from the Kentucky Public Service Commission (KPSC), the execution of strategies by management to better align its power supply capacity with its changing load profile, ongoing efforts to reduce carbon emissions, and the successful management of its upcoming debt maturities and maintenance of sound liquidity.

Big River's status as a rate regulated electric generation and transmission (G&T) cooperative represents a unique risk relative to its G&T cooperative peers. However, this risk continues to be mitigated by a history of credit supportive decisions from the KPSC, including the KPSC's approval of rate recovery for BREC's regulatory assets. Also, unlike its G&T peers, Big Rivers remains highly dependent upon sales and revenues from large load industrial customers, whose financial performance can be affected by global economic trends that can be difficult for the customer and BREC to manage. These considerations are mitigated by BREC's financial performance which is stronger than other similarly rated G&T cooperatives.

The rating action recognizes the significant progress made by management to create a better balance between its available generation capacity and its load profile. This has been achieved by retiring certain legacy coal generating assets and entering into several long-term power supply contracts with industrial loads to shore up demand, benefitting from the strong economic growth expected in the western Kentucky region. Among the most meaningful of these supply contracts include a full-requirements power supply contract with Nucor Steel, owned by Nucor Corporation (Baa1 Stable), which is constructing a \$1.5 billion steel plate manufacturing mill within its member (Meade County Rural Electric Cooperative) service territory, with the contact taking effect in 2023. BREC also has secured a 20-year power agreement with Blockware, a crypto currency mining company for its new crypto currency facility in Paducah, KY. BREC is expected to benefit from additional industrial load from a new \$500 million paper mill being constructed by Pratt Paper within the Kenergy member service territory. These load supply agreements are in addition to approximately 340 MW of previously arranged power sales contracts to wheel power to two municipal entities in Kentucky, and for financially settled power sales agreements with three Nebraska entities.

The upgrade also acknowledges measures taken by BREC to reduce carbon emissions with the retirement of its coal units and the increase in supply diversity. BREC targets the reduction of carbon emissions by 70% in its supply stack by 2030, with the retirement of approximately 508 MW in coal-fired electric generation, the conversion of the Robert Green coal plant to a natural gas plant, and the termination of an operating agreement with Henderson Municipal Power & Light, KY(A3 stable) which eliminated 187 MW of additional coal capacity. BREC will also phase in nearly 260 MW of solar capacity pursuant to several third-party power purchase agreements in the near term.

Big Rivers maintains sufficient levels of liquidity by supplementing its internally generated cash flow with a \$150 million syndicated senior secured credit facility with six financial institutions, led by National Rural Utilities Cooperative Finance Corporation (CFC: A2 stable). The revolving credit agreement expires in June 2024, but has the option for a one-year extension of the expiration date subject to lender approval. As of June 30, 2022, BREC had \$114 million available under the CFC credit agreement and had cash and cash equivalent investment balance of about \$70 million.

Big Rivers is likely to have some moderate need for new debt financing in the near term to meet capital expenditure related mainly to transmission upgrades, while also needing to meet the scheduled debt maturity of its RUS 2009 Series B Note due in December 2023. The company is expected to repay approximately half of this \$245.5 million Series B Note with cash flow this year, while it intends to refinance the remaining amounts with the RUS during 2022.

RATING OUTLOOK

The stable rating outlook reflects a prevailing credit supportive regulatory environment, including ongoing support for regulatory asset cost recovery, improved power supply and demand balance, reduced reliance on coal generation, and the likelihood that Big Rivers can sustain its credit metrics at levels similar to recent financial performance.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

What Could Change the Rating – Up

Continued recovery of and reduction in its sizable regulatory assets and maintaining stronger metrics to balance unique business and financial risks. For example, in terms of its credit metrics, an upgrade could be considered should FFO coverage of interest and FFO to debt achieves levels greater than 3.0x and in a range of 10% or better, respectively, with the DSC ratio tracking at close to 1.5x or better on a sustained basis.

What Could Change the Rating – Down

A negative rating action could result if there was a shift to a less credit supportive regulatory environment in Kentucky, if liquidity unexpectedly deteriorates, or if BREC were to lose key high load industrial customers. Negative rating pressure would also increase if substantial assurance for recovery of sizable regulatory assets do not occur over time as defined under recent KPSC regulatory orders.

From a financial perspective, the rating could be pressured if BREC's FFO to debt and DSC ratios fall below 6% and 1.2x, respectively, on a sustained basis.

PROFILE

Big Rivers Electric Corporation is an electric generation and transmission cooperative headquartered in Henderson, Kentucky and owned by its three-member system distribution cooperatives— Jackson Purchase Energy Corporation; Kenegy Corporation; and Meade County Rural Electric Cooperative Corporation. These member system cooperatives provide retail electric power and energy to approximately 121,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

The principal methodology used in this rating was US Electric Generation & Transmission Cooperatives Methodology published in November 2021 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1309832 . Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moody.com/rating-definitions> .

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support

provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the issuer/deal page for the respective issuer on <https://ratings.moodys.com>.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

This rating is solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moodys.com>.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1288235.

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the EU and is endorsed by Moody's Deutschland GmbH, An der Welle 5, Frankfurt am Main 60322, Germany, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that issued the credit rating is available on <https://ratings.moodys.com>.

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the UK and is endorsed by Moody's Investors Service Limited, One Canada Square, Canary Wharf, London E14 5FA under the law applicable to credit rating agencies in the UK. Further information on the UK endorsement status and on the Moody's office that issued the credit rating is available on <https://ratings.moodys.com>.

Please see <https://ratings.moodys.com> for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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Credit Profile

Big Rivers Electric Corp. ICR

Long Term Rating

BBB/Stable

Upgraded

Rating Action Overview

- S&P Global Ratings raised its issuer credit rating on Big Rivers Electric Corp. (BREC), Ky., to 'BBB' from 'BBB-'.
- The outlook is stable.
- The higher rating reflects our view of load growth that should contribute to revenue stability, coal fleet and carbon-intensity reductions, and favorable historical and projected financial metrics.

Security

BREC's long-term debt is secured by property pledged under its mortgage indenture. The indenture obligates the utility to establish rates that are expected to yield a margins-for-interest ratio of 1.1x in each fiscal year.

Although we do not rate the utility's privately placed debt, we factor these debt balances in our assessment of BREC's credit quality. As of Dec. 31, 2021, the utility reported \$757 million of long- and short-term debt, which management projects will increase to \$956 million in 2022 in connection with repowering projects, before declining to \$728 million in 2025.

Credit overview

Three large retail electric loads are investing \$50 million-\$1.7 billion in new facilities for their businesses within the service territories of BREC's member cooperatives. These new and expanded facilities should translate into electricity consumption that can support a more predictable revenue stream and help shield BREC from becoming dependent on revenues from energy sales in competitive wholesale markets if non-member municipal customers do not renew existing intermediate-term contracts for purchases of BREC power.

The cooperative is reducing its carbon intensity through the recent conversion of a portion of the utility's coal generation fleet to natural gas.

The cooperative's debt service coverage was at least 1.6x in fiscal years 2020-2021 and reasonable projections indicate stronger coverage through fiscal 2025, except for fiscal 2023 when management plans to extinguish about half of a bullet maturity with cash and the balance through a refinancing.

Constraining the rating are:

- BREC members' significant dependence on revenues from industrial customers that we view as more vulnerable to

economic cycles than residential customers;

- The service territory's weak income levels that could limit the utility's ratemaking flexibility; and
- Coal's ongoing substantial contribution to generation despite retirements of portions of the coal-fired generation fleet.

BREC is a generation and transmission cooperative that derived almost half of its 2021 operating revenues from three distribution cooperatives and the balance principally from sales to non-member utilities with whom it has contracts. BREC earns the remainder of its revenues from market sales.

Following the loss of two aluminum smelter loads that accounted for about two-thirds of energy sales almost a decade ago, the utility faced a long generation position. To mitigate the cooperative's exposure to volatile power markets, management contracted to sell much of the surplus power to municipal utilities under contracts expiring in 2026 and 2029. More recently, Nucor Corp. is developing a \$1.7 billion steel plate manufacturing plant in Brandenburg, Blockware Mining is constructing a \$50 million cryptocurrency server facility in Paducah, and Pratt Industries is constructing a \$500 million paper mill in Henderson. These facilities will add 300 megawatts (MW) of load or almost 90% of the load the municipalities contribute. The industrial load additions should temper exposure to merchant energy markets if the municipal utility systems do not renew their wholesale power purchase agreements with BREC when they expire in the latter part of the decade. If the municipal customers extend their contracts, the cooperative might need to secure through contracts or construction additional generation resources to simultaneously serve those customers and the industrial loads the system is adding.

Unlike many other cooperative utilities, BREC does not have autonomous rate-setting authority. Rather, the Kentucky Public Service Commission (PSC) establishes the cooperative's wholesale rates and its members' retail rates. Tempering the absence of rate-setting autonomy is a history of supportive regulatory decisions and utility projections of modest rate increases principally through the utility's formulaic, monthly fuel clause and purchased power cost mechanisms.

Coal accounted for 100% of 2021's self-generation and self-generation supported 83% of the year's energy sales. This year, BREC completed its conversion of its two Green station generation units to natural gas. Based on the gas conversions and plans to add contract purchases of solar electricity, management projects coal's contribution to total energy sources will decline to 52% by 2025 from 83% in 2021. Although coal will continue to comprise a substantial portion of energy sales, the meaningful reductions should temper the cooperative's financial exposure to potentially more stringent federal emissions regulations.

Environmental, social, and governance

Although BREC projects reducing coal-fired megawatt-hours by 41% by 2025 relative to 2021 because of the conversion of its Green station units to natural gas, coal-fired electricity from the larger Wilson station will continue to account for 52% of energy sales, which we view as placing moderate negative pressure on the credit quality of the cooperative.

Energy Information Administration data show that residential rates are 10% higher than state averages, which we view as creating social risks that could limit financial flexibility, especially in an inflationary environment that creates a need

for rate increases to cover higher operating, capital, and borrowing costs. The state's high poverty rate, which pervades portions of the service territory, compounds affordability issues and social risks, which we consider to be moderately negative to credit quality.

We believe management demonstrated favorable governance attributes through its pursuit of contracts for sales of the output of surplus generation capacity to non-member utilities to temper market exposure and to more efficiently allocate fixed costs previously borne by industrial customers that severed their ties with BREC in 2013. In addition, the utility benefits from a proactive regulator that in addition to overseeing the utility's rates, has demonstrated a commitment to monitoring management and board actions and financial performance.

Outlook

The stable outlook reflects reduced risk of long-term exposure to competitive wholesale markets; lower carbon intensity; and projections of continued sound debt service coverage, liquidity, and leverage.

Downside scenario

We could lower the rating if the utility cannot sustain sound financial performance because of carbon-reduction costs or if the industrial customers, despite their substantial investments in facilities within BREC's service territory, experience economic dislocations.

Upside scenario

Although we believe load growth and management actions have enhanced the stability and predictability of the revenue stream, we do not expect to raise the rating further within our two-year outlook horizon. We believe the utility continues to face material exposures that include a substantial carbon dependence, a significant reliance on industrial customers, and rates that we consider high relative to low income levels.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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RATING ACTION COMMENTARY

Fitch Upgrades Big Rivers Electric Corporation to 'BBB'; Outlook Stable

Mon 15 Aug, 2022 - 2:05 PM ET

Fitch Ratings - New York - 15 Aug 2022: Fitch Ratings has upgraded the following ratings on Big Rivers Electric Corporation, KY to 'BBB' from 'BBB-':

--Issuer Default Rating (IDR).

The Rating Outlook is Stable.

ANALYTICAL CONCLUSION

The Issuer Default Rating (IDR) is upgraded to 'BBB' from 'BBB-' reflecting a continued trend of improved financial performance, which has resulted in consistently lower leverage over the past few years. The improved performance is due to several factors including full realization of member rates, increased demand from contracted sales to nonmembers, and greater cash flows from cost recovery of regulatory assets.

Big Rivers' leverage ratio, measured as net adjusted debt to adjusted funds available for debt service (FADS), declined from over 9.0x in 2017 to 7.2x in 2020, and declined further in 2021 due to stronger revenue collections and an increase in non-cash depreciation expenses for the year. Further, Fitch expects a continued trend of strong cash flow and leverage ratios through its FAST stress scenario that support the 'BBB' rating.

Fitch continues to assess Big Rivers' three members to have midrange credit quality, which constrains the corporation's overall revenue defensibility when coupled with the absence of independent rate-setting authority, and likely limits the upside of the overall IDR. Lastly, a consistently low operating cost burden, manageable capital needs and a supportive regulatory regime are also important rating considerations.

CREDIT PROFILE

Big Rivers Electric Corporation is a nonprofit generation and transmission cooperative formed in 1961, providing wholesale electric and transmission service to three electric distribution cooperatives pursuant to all-requirements contracts through Dec. 31, 2043. The three members provide service to a total of approximately 121,000 retail customers located in 22 western Kentucky counties. Demographic indicators and financial performance of the three distribution systems are satisfactory and provide sufficient support for the rating.

KEY RATING DRIVERS

Revenue Defensibility: 'bbb'

Strong Contractual Framework, Midrange Member Credit Quality

Revenue defensibility is midrange despite otherwise very strong revenue source characteristics provided by the long-term, all-requirements power supply contracts. The midrange assessment principally reflects the credit quality of the member utilities along with the regulatory framework within which Big Rivers and its customers operate. While the regulatory regime has been constructive historically, neither Big Rivers nor its three customers have autonomy over rate-setting.

Operating Risk: 'a'

Coal-Dominated Resource Base, Low Cost Burden

The strong operating risk assessment reflects a rising, but still low operating cost burden that has averaged 5.6 cents/KWh over the past five years. Operating cost flexibility is assessed at neutral given Big Rivers has idled, retired or converted much of its coal-fired capacity over the past several years.

Management is in the process of adding renewable solar capacity through three separate purchase power agreements (PPAs) totaling 260MW, further diversifying the resource

base. The PPAs have been executed with commercial operation expected in 2024.

Financial Profile: 'bbb'

Leverage Trending Lower

Big Rivers' financial profile remains midrange but margins and leverage ratios have improved significantly over the past few years. Strong financial results are expected to continue as greater contracted energy and capacity sales to nonmember utilities and industrial customers continue over the next five years. In addition, higher cash flow from recovery of regulatory assets will help sustain the improvement in margins and the leverage ratios.

Asymmetric Additional Risk Considerations

There are no additional asymmetric risks affecting the rating.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Continued positive trend in financial performance and a leverage ratio that is closer to 6.0x on a sustained basis through Fitch's base and stress cases;

--A positive shift in purchaser credit quality that results in a higher assessment of revenue defensibility.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--A weakening in margins or higher debt levels that lead to leverage to levels closer to 10.0x or higher on a sustained basis though Fitch's base and stress cases;

--A downward shift in purchaser credit quality that results in a lower assessment of revenue defensibility.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of

rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit <https://www.fitchratings.com/site/re/10111579>.

SECURITY

Big Rivers' IDR reflects Fitch's assessment of the utility's vulnerability to default on its financial obligations.

REVENUE DEFENSIBILITY

Strong Contractual Framework

Revenue source characteristics are very strong. All three of Big Rivers' customers are signed to long-term, all-requirements take-and-pay power contracts. All costs associated with the delivery of power and energy/services, including debt service on the bonds, are billed to the customers on a monthly basis, leading to a de facto unlimited step-up. Given there are only three members, the rating on the bonds is heavily influenced by the credit quality of all three customers.

Rate Flexibility

Rate flexibility is assessed to be stronger. The Kentucky Public Service Commission (KPSC) is charged with approving rates for Big Rivers and its members. Wholesale rates charged to the members consist of a demand charge and an energy charge per kWh consumed, as approved by KPSC. However, Big Rivers has certain approved riders, including a fuel adjustment clause and an environmental surcharge, which helps provide timely pass-through of variable charges.

Supportive regulatory policies, including reclassification of certain assets as regulatory assets for recovery through existing rates, successful historical rate case approvals, and recent approval allowing for the ability to utilize excess net margin to amortize future regulatory liabilities (in lieu of requiring all excess margin returned as a bill credit to members), point to a constructive regulatory environment.

On the member level, rates are set for full cost recovery. However, while the regulatory environment for rate recovery has been supportive, approval of rate cases by an outside entity could result in delayed cost recovery, potentially higher revenue variability and

weaker overall revenue defensibility compared with nonregulated entities, and thus limits rate flexibility in Fitch's view.

Purchaser Credit Quality

Midrange Purchaser Credit Quality

Revenue defensibility primarily reflects the member credit quality as evaluated using Fitch's purchaser credit index (PCI), which reflects the weighted average credit quality of the relevant obligors. Fitch's PCI score of 2.83 is based on an evaluation of all three-member cooperatives: Meade County Rural Cooperative Corporation, KY comprising approximately 17% of Big Rivers' revenues; Kenergy Corporation, KY (61% of revenues); and Jackson Purchase Energy Corporation, KY (22% of revenues).

The PCI reflects the strength of the member's service area, retail rate competitiveness and ability to absorb rate increases through an analysis of its service area, as well as each members' 2021 financial performance. Fitch assesses the service area characteristics for the largest member, Kenergy, to be strong based on the low unemployment rate and modestly growing customer base.

However, the service area's low median household income and proportionally low amount of revenues derived from residential users (23% of total revenues) contribute to the midrange assessment. In addition, financial performance is relatively weak. On the positive side, Kenergy's customer base is slowly growing and retail rates are very competitive.

Lower Reliance on Off-System Sales, But Non-Member Contracts Expire Beginning in 2026

The termination of the smelter contracts resulted in the loss of 850MW of load in 2014, leaving Big Rivers in a very long resource position. Big Rivers worked to steadily rebalance capacity with newly contracted load through a combination of supply-side and demand-side management, including signing bilateral contracts with Kentucky Municipal Energy Agency (IDR, A/Stable), a consortium of Nebraska-based utilities, and full-requirements sales to the city of Owensboro, KY. These efforts, together with the retirement of Coleman Station and Reid Unit 1, and decommissioning of the Henderson plant, have led to a much more balanced resource position relative to current and expected demand.

Reliance on market sales is expected to be limited through 2026. While total resources are still in excess of peak demand, member load is anticipated to comprise over 75% of total revenue, and firm contracted sales to non-members 17%. Market sales are projected to be

just 6% of total revenue in 2022. Sales to Nucor Steel are set to begin in 2023 (200MW), which is to be followed by other contracted industrial sales within member service territories, leading to even lower expected off-system sales over the next few years.

However, 250MWs of full-requirements contracts with non-members are set to expire beginning in 2026. As a result, Fitch considers the potential future reliance on off-system and non-contracted sales to be an asymmetric risk consideration, but does not believe this further limits the revenue defensibility assessment at this time.

OPERATING RISK

Big Rivers' strong operating risk assessment reflects a consistently low operating cost burden averaging 5.6 cents/KWh since 2017. While the cost burden has been rising, reaching 6.9 cents/KWh in 2021 due to the one-time increase in depreciation expense for the year, the cost burden is still well below the upper threshold to qualify for the strong assessment. Management anticipates operating costs will decline in 2022 with lower anticipated depreciation expense, which should lead to a lower cost burden than 2021.

Operating costs are anticipated to remain low as power is supplied mainly by low-cost vintage generating units and contracted purchases, all of which is further supported by access to the MISO market.

Operating Cost Flexibility

Fitch assesses Big Rivers' operating cost flexibility to be neutral, as its past reliance on coal-fired generation has significantly declined. The assessment considers the corporation's current resource base that includes three owned generating facilities as well as contracted hydroelectric capacity. In 2021, approximately 78% of total capacity was coal-fired, followed by hydro capacity at 16% and the remainder natural gas. However, the ongoing transition away from coal-fired generation has significantly increased fuel diversity while lowering carbon emissions.

Big Rivers currently owns and operates over 900MW of net generating capacity consisting of the following facilities: Green generating station, a two-unit 454MW facility recently repowered to burn natural gas; Wilson generating station, a 417MW single-unit coal-fired facility; and the smallest of BR's generating assets, Reid Station, a single-unit 65MW gas-fired plant. In addition, Big Rivers also receives power through contract with Southeastern Power Administration for 178MW of hydroelectric capacity, bringing total capacity to over 1,100MW. Peak demand was nearly 700MW in 2021, but expected to rise with newly contracted industrial sales.

Environmental Considerations and Clean Energy Transition

The Commonwealth of Kentucky does not have renewable portfolio standards. However, Big Rivers has been actively pursuing asset diversification and carbon reduction strategies over the past several years. In addition to repowering Green station to natural gas in 2022, Big Rivers will be adding solar capacity through long-term fixed-price PPAs. After a request for proposal process, Big Rivers selected three separate solar projects from two developers, totaling 260MW's.

The projects are expected to achieve commercial operation in 2024. By 2030, management predicts it will have reduced carbon emissions by almost 80% from 2005 levels with gas-fired generation comprising 35% of total capacity, followed closely by coal at 31%, solar (29%) and hydropower.

Capital Planning and Management

Capital planning and management are assessed to be stronger based on a sustained trend of lower Fitch-calculated average age of plant over the past few years. Big Rivers had an exceptionally high average age of plant of 49 years in 2018, which indicated high lifecycle needs.

Since then, Big Rivers received approval to treat several of its generating facilities as regulatory assets and has stopped deferring depreciation on some of its other coal-fired units. The regulatory asset designation allows Big Rivers to include a larger proportion of the depreciation of these assets into its rate case with regulators for future cost recovery. The higher annual depreciation results in greater annual FADS, but also results in a decline in the average age of plant ratio (calculated as accumulated depreciation/annual depreciation), a primary driver of the stronger capital planning assessment. In 2021, the age of plant was just seven years, but lower anticipated depreciation expense going forward should lead to age of plant that will be higher than 2021, but remain below the 20-year threshold for the strong assessment.

Management anticipates capital spending for 2022-2025 to total a fairly sizable \$300 million, which continues a recent trend of sound capital reinvestment undertaken over the past few years. In addition to routine systemwide upkeep and renewal projects, Big Rivers expects to complete the removal of the existing scrubber system from Coleman Station and reassemble it onto the Wilson facility, as well as fund the Green station conversion project, the completion of a new headquarters building and other upgrades. Roughly \$200 million in

additional new money debt is expected to be issued to fund the proposed capital spending over the next few years.

FINANCIAL PROFILE

Big Rivers' financial profile has improved over the past five years. In 2017, Fitch-calculated coverage of full obligations totaled 1.2x, and the leverage ratio was over 9.0x. Since then both ratios have improved, a result of the cooperative's risk mitigation strategy and approved rate plan from 2014, and lower total debt outstanding. Additionally, management received approval from KPSC to recover costs for certain regulatory assets, significantly increasing non-cash annual depreciation expense.

In fiscal 2021, a non-recurring increase in depreciation expense led to negative operating income for the year, but cash flows and FADS were much higher than historical levels due to the non-cash expense increase. The depreciation expense for 2021 was over \$170 million, and included a one-time use of member equity to amortize/reduce regulatory assets related to smelter load (a portion of retired assets not recoverable from members, as approved by the KPSC). The leverage ratio for the 2021 was below 6.0x.

Liquidity is neutral to assessment. Cash remains somewhat limited but at 39 days on hand in 2021, which is lower than previous days cash ratios due to the higher one-time depreciation expense in 2021. A senior secured revolving credit agreement was recently increased to \$150 million and extended to June 2024, providing total liquidity of 186 days as needed.

Fitch Analytical Stress Test (FAST)

Fitch's base case scenario is informed by Big Rivers' financial forecast for fiscal years 2022-2025, which incorporates assumptions Fitch believes to be reasonable. The forecast includes new member load from Nucor and other large industrial customers, continued accounting for numerous regulatory assets in depreciation expense, a monthly member bill credit in 2022, and some additional debt.

The base case indicates an increase in the leverage ratio in year one (2022) to 7.0x, levels similar to 2020. By year two of the base case, revenues increase from contracted non-member sales (Nucor fully online) and FADS increases from an increase in non-cash depreciation expense, lowering leverage to closer just under 6.0x in 2023. The leverage ratio remains near this level through the remainder of the forward-look.

Fitch's stress analysis incorporates a two-year decline in sales followed by some growth in demand in years three and four. All of the base case assumptions are also applied. The results of this stress indicate an increase in the leverage ratio to 8.6x in 2022 before a presumed rate increase that would allow the cooperative to maintain at least 1.0x coverage and a minimal amount of cash in subsequent years. The leverage ratio is projected to decline to around 7.3x in 2023, and below 7.0x for the remainder of the stress scenario, which would be fully supportive of the 'BBB' rating.

Debt Profile

The debt profile is neutral to the rating. Big Rivers had approximately \$700 million in total long-term debt outstanding as of YE 2021. All of the debt is fixed-rate, including Rural Utilities Service (RUS) loans, maturing no later than 2043. The debt includes the remaining maturity of the RUS loan series B of roughly \$125 million due in December 2023. Management expects to refinance or cash-fund this amount prior to maturity.

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

RATING ACTIONS

ENTITY / DEBT ⇅

RATING ⇅

PRIOR ⇅

Big Rivers Electric Corporation (KY)	LT IDR	BBB Rating Outlook Stable		BBB- Rating Outlook Positive
	Upgrade			

Big Rivers Electric Corporation (KY) /Issuer Default Rating/1 LT	LT	BBB Rating Outlook Stable	Upgrade	BBB- Rating Outlook Positive
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[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[U.S. Public Power Rating Criteria \(pub. 09 Apr 2021\) \(including rating assumption sensitivity\)](#)

[Public Sector, Revenue-Supported Entities Rating Criteria \(pub. 01 Sep 2021\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

[FAST Econometric API - Fitch Analytical Stress Test Model, v3.0.0 \(1\)](#)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

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Big Rivers Electric Corporation (KY)

EU Endorsed, UK Endorsed

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Utilities and Power US Public Finance North America United States



**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

ELECTRONIC APPLICATION OF)	
BIG RIVERS ELECTRIC CORPORATION	)	Case No.
FOR ANNUAL REVIEW OF ITS MRSM	)	2023-00038
CHARGE FOR CALENDAR YEAR 2022)	

DIRECT TESTIMONY

OF

**NATHANIAL A. BERRY
CHIEF OPERATING OFFICER**

ON BEHALF OF

BIG RIVERS ELECTRIC CORPORATION

FILED: February 28, 2023

Application Exhibit C

BIG RIVERS ELECTRIC CORPORATION

**ELECTRONIC APPLICATION OF
BIG RIVERS ELECTRIC CORPORATION FOR ANNUAL REVIEW
OF ITS MRSM CHARGE FOR CALENDAR YEAR 2022
CASE NO. 2023-00038**

VERIFICATION

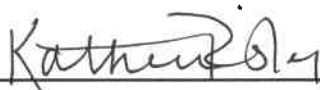
I, Nathaniel A. Berry, verify, state, and affirm that I prepared or supervised the preparation of the Direct Testimony filed with this Verification, and that Direct Testimony is true and accurate to the best of my knowledge, information, and belief after a reasonable inquiry.



Nathaniel A. Berry

COMMONWEALTH OF KENTUCKY)
COUNTY OF DAVIESS)

28th SUBSCRIBED AND SWORN TO before me by Nathaniel A. Berry on this the
day of February 2023.



Notary Public, Kentucky State at Large
Kentucky ID Number KY NP14841
My Commission Expires October 31, 2024

DIRECT TESTIMONY
OF
Nathanial A. Berry

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DIRECT TESTIMONY
OF
NATHANIAL A. BERRY

I. INTRODUCTION

Q. Please state your name, business address and occupation.

A. My name is Nathaniel (“Nathan”) A. Berry. My business address is 710 W. Second Street, Owensboro, Kentucky 42301. I am the Chief Operating Officer for Big Rivers Electric Corporation (“Big Rivers”).

Q. Please summarize your education and professional experience.

A. I graduated from the Rochester Institute of Technology in 2008 with a Bachelor of Science in Mechanical Engineering. In 2022, I graduated from the University of Louisville with a Master’s in Business Administration. I worked at Louisville Gas & Electric from 2007 to 2008, Duke Energy from 2008-2013, and Alabama Power Company from 2013-2017. I began my career with Big Rivers in 2017 and have served in a variety of production managerial roles including Production Manager, Plant Manager, and Vice President of Production. Currently, I serve as the Chief Operating Officer for Big Rivers. My professional experience is summarized in Exhibit Berry-1.

1 **Q. Please summarize your duties at Big Rivers.**

2 A. As the Chief Operating Officer for Big Rivers, I oversee all activities related
3 to the operation and maintenance of the corporation's coal and gas-fired
4 generating facilities, including fuel procurement and management, power
5 plant engineering and construction, and energy marketing. In addition to
6 these responsibilities, I oversee Big Rivers' economic development efforts.

7
8 **Q. Have you previously testified before the Kentucky Public Service
9 Commission ("Commission")?**

10 A. Yes. I provided written and oral testimony before the Commission on
11 behalf of Big Rivers in Case No. 2020-00299,¹ in which Big Rivers
12 presented its 2020 Integrated Resource Plan. I also provided written
13 testimony in Case No. 2022-00028,² in which Big Rivers filed its 2022
14 MRSB Application pursuant to the Commission's June 25, 2020 Order in

¹ *In the Matter of: Electronic 2020 Integrated Resource Plan of Big Rivers Electric Corporation*, P.S.C. Case No. 2020-00299.

² *In the Matter of: Electronic Application of Big Rivers Electric Corporation for Annual Review of Its MRSB Charge for Calendar Year 2021*, P.S.C. Case No. 2022-00028.

1 Case No. 2020-00064³ and its August 17, 2020 Order in Case No. 2019-
2 00365.⁴

3

4 **Q. Please identify the information you will be providing pursuant to**
5 **Ordering Paragraph 10 of the June 25, 2020, Order in Case No.**
6 **2020-00064.**

7 A. I will provide information specifically in regard to the last two matters
8 identified in the May 29, 2020, Settlement Agreement, as set forth in the
9 Commission's Order.⁵ The matters include:

- 10 1. The status of and expected decommissioning costs of Coleman
11 Station and Reid Station Unit 1, and Big Rivers' estimated share of
12 costs associated with Station Two; and
13 2. A copy of any proposal to decommission Coleman Station, Reid
14 Station Unit 1, and Station Two that was awarded in 2022.

³ *In the Matter of: Electronic Application of Big Rivers Electric Corporation for Approval To Modify Its MRSM Tariff, Cease Deferring Depreciation Expenses, Establish Regulatory Assets, Amortize Regulatory Assets, and Other Appropriate Relief*, P.S.C. Case No. 2020-00064, Order, Ordering Paragraph No. 10 (June 25, 2020).

⁴ *In the Matter of: Electronic Joint Application of Big Rivers Electric Corporation and Meade County Rural Electric Corporation and Meade County Rural Electric Cooperative Corporation For (1) Approval of Contracts For Electric Service with Nucor Corporation, and (2) Approval of Tariff*, P.S.C. Case No. 2019-00365, Order, Ordering Paragraph No. 6 (August 17, 2020).

⁵ *In the Matter of: Electronic Application of Big Rivers Electric Corporation for Approval To Modify Its MRSM Tariff, Cease Deferring Depreciation Expenses, Establish Regulatory Assets, Amortize Regulatory Assets, and Other Appropriate Relief*, P.S.C. Case No. 2020-00064, Order at page16 (June 25, 2020).

1 I will also support the reasonableness of the decommissioning costs and
2 provide detailed descriptions of all actions Big Rivers has taken to
3 minimize decommissioning costs.⁶ The Direct Testimony of Michael Mizell,
4 Big Rivers’ Chief Administrative Officer, attached to the Application as
5 Exhibit D, provides additional information regarding the status of
6 decommissioning activities related to the ash-pond closures and
7 environmental compliance matters.

8

9 **Q. Are you sponsoring any Exhibits?**

10 A. Yes. The following exhibits were prepared by me or under my supervision:

- 11 • Exhibit Berry-1 – Professional Summary;
- 12 • Exhibit Berry-2 – Awarded Decommissioning Proposals, including
 - 13 1. Big Rivers’ Purchase Order Award Recommendation
14 Document dated February 11, 2022, related to H-21-103
15 Insulation and Asbestos Abatement;
 - 16 2. Emails dated December 13, 2021, through January 31, 2022,
17 between Big Rivers’ procurement agent, Mary Holmes, and
18 HMPL’s General Manager, Brad Bickett, confirming the scope
19 of a proposal from FED Environmental LLC’s (“FED”) (*i.e.*,

⁶ See *In the Matter of: Electronic Application of Big Rivers Electric Corporation for Approval to Modify Its MRSB Tariff, Cease Deferring Depreciation Expense, Establish Regulatory Assets, Amortize Regulatory Assets, and Other Appropriate Relief*, P.S.C. Case No. 2020-00064, Order (June 25, 2020), at page 21.

- 1 demolition and asbestos removal, but not coal yard / soil
2 remediation) and the Henderson Utility Commission's
3 approval of FED's proposal;
- 4 3. Big Rivers' acceptance of FED's proposal for Station Two
5 asbestos removal and demolition;
- 6 4. Blanket Purchase Order No. 267329 and Big Rivers' Milestone
7 Payment Schedule for the HMPL Station Two asbestos
8 abatement and demotion project by FED;
- 9 5. Purchase Order No. 26997 and FED Invoice No. 1095 for
10 ductwork cleaning and remediation of the Station Two units,
11 including the bottom of stacks;
- 12 6. Purchase Order No. 270652 and FED Invoice No. 1101 for
13 removal of ash remaining in the Station Two silo; and
- 14 7. Big River's acceptance of FED's proposal for demolition of Reid
15 Unit 1 and Reid Station's concrete stack and material handling
16 convey systems.
- 17 • Exhibit Berry-3 – Outstanding Balance due from HMPL.
- 18
- 19

1 **II. STATUS OF DECOMMISSIONING**

2 **A. COLEMAN STATION**

3 **Q. What is the status of decommissioning of the Coleman Station?**

4 A. The complete demolition of Coleman Station is estimated to be completed
5 in June of 2023. The Direct Testimony of Michael Mizell provides
6 additional information regarding the status of Coleman Station
7 decommissioning activities related to closure of Coleman Station’s three
8 ash ponds, which is “Project 13-2” of Big Rivers’ 2020 Environmental
9 Compliance Plan.⁷

10

11 **Q. Please detail the anticipated decommissioning costs expected to be**
12 **incurred by Big Rivers for the Coleman Station.**

13 A. As stated in my testimony in Case No. 2022-00028,⁸ the demolition of the
14 Coleman Station is anticipated to cost \$2,702,345.00. There is no new
15 information to report and no additional proposals were awarded in 2022 for
16 the decommissioning of the Coleman Station.

⁷ See *In the Matter of: Application of Big Rivers Electric Corporation for Approval of its 2020 Environmental Compliance Plan, Authority to Recover Costs Through a Revised Environmental Surcharge and Tariff, the Issuance of a Certificate of Public Convenience and Necessity for Certain Projects, and Appropriate Accounting and Other Relief*, Case No. 2019-00435, Application (filed Feb. 7, 2020).

⁸ *In the Matter of: Electronic Application of Big Rivers Electric Corporation for Annual Review of Its MRSM Charge for Calendar Year 2021*, Case No. 2022-00028, Application (filed February 28, 2022).

1 B. REID STATION UNIT 1

2 **Q. What is the status of decommissioning of Reid Station Unit 1?**

3 A. As discussed in prior MRSM Applications, the asbestos and insulation
4 abatement project was completed in September 2021. In 2022, FED agreed
5 to full-scale demolition services of Reid Station Unit 1 and the concrete
6 stack, in exchange for the proceeds from the sale of resulting scrap
7 materials. A copy of the April 13, 2022, agreement is included in Exhibit
8 Berry-2. FED Environmental expects this demolition to be completed by
9 the end of 2023.

10

11 C. STATION TWO

12 **Q. What is the status of decommissioning of Station Two?**

13 A. As the Commission is aware, Big Rivers began the process of
14 decommissioning the Station Two site by starting to transition the plant
15 into a “safe, dark, and dry” status to prepare the plant to undergo full
16 decommissioning in the near future.⁹ In 2021, Big Rivers, on behalf of
17 HMPL, requested proposals for insulation removal and asbestos abatement
18 of Station Two’s units. A copy of the HMPL Station Two “Specification H-
19 21-103” for insulation removal and asbestos abatement; FED

⁹ See *In the Matter of: Application of Big Rivers Electric Corporation for Enforcement of Rate and Service Standards*, P.S.C. Case No. 2019-00269, Application Exhibit 4, Direct Testimony of Michael T. Pullen at pages 4-5.

1 Environmental LLC's Bid Sheet submitted for Specification H-21-103; and
2 FED's alternative bid proposal, which included asbestos abatement on both
3 units, demolition of both units and the concrete stack, and soil remediation,
4 were attached to Big Rivers' MRSM Application filed in 2022, as Exhibit
5 Berry-2.¹⁰

6 Big Rivers recommended the award of the contract to FED. The
7 FED contract for insulation removal, asbestos abatement, and structural
8 demotion of Station Two's units and its concrete stack was approved by the
9 Henderson Utility Commission on January 31, 2022. Please see Exhibit
10 Berry-2 for a copy of the related documents. The project is expected to be
11 completed by the end of 2023.

12 The Direct Testimony of Michael Mizell provides additional
13 information regarding the status of Station Two decommissioning activities
14 related to closure of the Station Two ash pond.¹¹ Like with the Station
15 Two ash pond, there will be future decommission activities associated with
16 the Station Two ash pond dredgings in the Big Rivers landfill, such as
17 environmental monitoring and any required environmental remediation, as
18 well as the closure the landfill at the end of its life, for which Henderson

¹⁰ *In the Matter of: Electronic Application of Big Rivers Electric Corporation for Annual Review of its MRSM Charge for the Calendar Year 2021*, P.S.C. Case No. 2022-00028, Application at Berry Exhibit 2 (filed Feb. 28, 2022).

¹¹ *Id.* In its MRSM Application filed in 2022, Big Rivers estimated the costs associated with closing the ash pond to be in the range of \$13.3 million, with annual estimated costs of \$25,000 for ground watering monitoring for thirty years.

1 will be responsible for its share under the terms of the Station Two
2 Contracts.

3

4 **Q. Please detail the anticipated decommissioning costs expected to be**
5 **incurred by Big Rivers for Station Two (including the total**
6 **anticipated decommissioning costs and Big Rivers' estimated share**
7 **of such costs).**

8 A. Pursuant to the Commission's August 2, 2021, Order in Case No. 2019-
9 00269, Big Rivers anticipates its share of the costs to fully decommission
10 Station Two will include its share of the costs to fully decommission the
11 Station Two site, the Station Two ash pond, the ash pond dredgings in the
12 Green landfill, and all other joint use facilities, either now (if Big Rivers is
13 no longer going to utilize them) or in the future (once Big Rivers ceases to
14 utilize them). HMPL and the City of Henderson continue to dispute
15 HMPL's responsibility for decommission costs.¹² Further, Henderson has
16 yet to fully reimburse Big Rivers for its share of the outstanding
17 decommissioning costs, as required by the Commission's August 2, 2021
18 Order in Case No. 2019-00269. On September 29, 2021, Big Rivers filed an

¹² *In the Matter of: Application of Big Rivers Electric Corporation for Enforcement of Rate and Service Standards*, P.S.C. Case No. 2019-00269. Henderson has appealed the Commission's August 2, 2021, Order to the Franklin Circuit Court in consolidated Case No. 18-CI-00078.

1 application seeking enforcement of the Commission's Order.¹³ The
2 attached Exhibit Berry-3 is a copy of the spreadsheet showing HMPL's
3 outstanding balance of Station Two's decommissioning costs.

4 The work being performed by FED is estimated to cost \$1,051,800 for
5 insulation removal, asbestos abatement, and structural demolition
6 (\$980,000.00 plus a \$71,800 contingency for emerging work); \$100,000 for
7 ductwork cleaning and remediation of the Station Two units, including
8 bottom of stacks and the related Purchase Order No. 26997 and FED
9 Invoice No. 1095; and \$38,178.40 for removal of ash remaining in the silo
10 pursuant to Purchase Order No. 270652 and FED Invoice No. 1101.

11 Future expenses will include the decommissioning costs of certain
12 joint use facilities and future costs relating to environmental monitoring
13 and any required environmental remediation that could be required, as
14 well as ongoing costs that are attributable to Henderson's use of the Big
15 Rivers Green Station landfill, which is the repository for Station Two ash
16 pond dredgings that are owned by Henderson. Big Rivers continues to
17 maintain the Station Two site in accordance with the law (such as FAA
18 regulations with respect to stack lighting) and prudent utility practices
19 (such as doing walk downs of the Station Two site to ensure that it does not
20 become a hazard to nearby people or properties).

¹³ *In the Matter of: Big Rivers Electric Corporation Application for Enforcement of Commission Order*, P.S.C. Case No. 2021-00378.

1

2 **III. AWARDED PROPOSALS FOR DECOMMISSIONING**

3 **Q. Were any proposals for the decommissioning of the Coleman**
4 **Station, Reid Station Unit 1, or Station Two awarded in the prior**
5 **year?**

6 A. There were no proposals awarded for the decommissioning of the Coleman
7 Station in 2022. As discussed above, the attached Exhibit Berry-2 includes
8 a copy of the awarded proposals for decommissioning activities of Reid Unit
9 1 and Station Two.

10

11 **IV. REASONABLENESS OF DECOMMISSIONING COSTS**

12 **Q. Are the 2022 decommissioning costs reasonable?**

13 A. Yes. The decommissioning plans continue to include only reasonable
14 measures necessary and appropriate for continued environmental
15 compliance and appropriate reuse of the sites.¹⁴

16

¹⁴ See Case No. 2021-00061, Application Exhibit B, Direct Testimony of Michael T. Pullen.

1 **Q. Please provide detailed descriptions of all actions Big Rivers has**
2 **taken to minimize decommissioning costs?**

3 A. Big Rivers has previously provided testimony that fully discussed the
4 actions taken to minimize the decommissioning costs.¹⁵ Big Rivers has
5 continued those actions. Both the competitive bidding process and a
6 thorough evaluation of the bids based on cost, schedule, conformance to bid
7 specifications, and demonstrated experience in safely and efficiently doing
8 the type of work, will minimize the cost for the demolition of Station Two
9 and, as reflected in the awarded proposal. Utilizing these methods, Big
10 Rivers also secured an agreement to demolish Reid Unit 1 in exchange for
11 the expected proceeds from the sale of scrap material.

12

13 **V. CONCLUSION**

14 **Q. Does this conclude your testimony?**

15 A. Yes, it does.

¹⁵ *Id.*; see also *In the Matter of: Electronic Application of Big Rivers Electric Corporation for Annual review of Its MRSM Charge for Calendar Year 2021*, P.S.C. Case No. 2022-00028, Application Exhibit C, Direct Testimony Nathaniel A. Berry.

Professional Summary

Nathanial A. Berry
Chief Operating Officer
710 W. Second Street
Owensboro, Kentucky 42301

Professional Experience

Big Rivers Electric Corporation

Chief Operating Officer – 2022 to present

Vice President of Production – 2021 to 2022

Plant Manager – 2018 to 2021

Production Manager – 2017 to 2018

Alabama Power Company

Production Supervisor – 2015 to 2017

Engineering Supervisor – 2013 to 2015

Duke Energy

Boiler System Engineer – 2008 to 2013

Louisville Gas & Electric

Maintenance Supervisor – 2007 to 2008

Education

Bachelor of Science Mechanical Engineering

Rochester Institute of Technology

Master's Degree in Business Administration

University of Louisville

Berry Exhibit - 2 - Awarded Decommissioning Proposals

No. 1



Your Touchstone Energy® Cooperative

PURCHASE ORDER AWARD RECOMMENDATION DOCUMENT

To: File
FROM: Mary Holmes, Procurement Agent II
DATE: February 11, 2022
SUBJECT: H-21-103 Insulation Removal & Asbestos Abatement

This Award Recommendation seeks approval to issue a Blanket Purchase Order for Asbestos Abatement and Demolition of HMPL Station 2. This Award Recommendation is based on the lowest evaluated alternate bid selected from the four responding bidders out of the eleven Requests for Quotation sent. The value of the award is based on the financial evaluation.

It is recommended that this purchase order be awarded as follows:

Supplier: FED Environmental
Scope of Award: Asbestos Abatement and Demolition of HMPL S2 per RFQ H-21-103.
Total: \$1,051,800
Contract Value: Calculated Proposed Spend: \$1,051,800
Contract Term: To be determined
RFQ Background: Bids were solicited from the following suppliers:

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

■ Fed Environmental LLC

Summary

[REDACTED]

[REDACTED]

[REDACTED]

Bidder	Cost
FED Environmental	\$1,051,800
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

[REDACTED]

[REDACTED]

In accordance with the Corporate Policies and Procedures, please indicate your agreement with the Award Recommendation by signing below and return the fully executed document to Mary Holmes at the Sebree Station.

Note: This contract was approved by the Henderson Utility Commission on January 31, 2022. The document follows the Oracle Release 12 approval process.

DocuSigned by:
Mary Holmes 2/21/2022
69F0F85FF62D4E9...
Mary Holmes
Procurement Agent II

DocuSigned by:
Mark Johnson 2/21/2022
30E34DA1330B42B...
Mark Johnson
Green Maintenance Manager

DocuSigned by:
Rob Toerne 2/21/2022
84AC8A6D917B4BF...
Robert P. Toerne,
Director, Supply Chain

DocuSigned by:
Heather Todd 2/21/2022
E0F4B36DA2124D8...
Heather Todd
Sebree Station Plant Manager

DocuSigned by:
Nathanial A. Berry 2/21/2022
7AA264937AE14EF...
Nathan Berry,
VP Productions

DocuSigned by:
Mike Mizell 2/21/2022
B8091F9D9674499...
Mike Mizell
VP Environmental Compliance

DocuSigned by:
Robert W Berry 2/21/2022
F2BAD45BA93C4A3...
Robert Berry,
President, CEO

Berry Exhibit - 2 - Awarded Decommissioning Proposals

No. 2



In the Matter of:

ELECTRONIC APPLICATION OF)	
BIG RIVERS ELECTRIC CORPORATION	)	Case No.
FOR ANNUAL REVIEW OF ITS MRSM CHARGE	)	2023-00038
FOR CALENDAR YEAR 2022)	

CONFIDENTIAL EXHIBIT

Pages 6 – 13 of Exhibit Berry-2

INFORMATION SUBMITTED WITH
MOTION FOR CONFIDENTIAL TREATMENT

Berry Exhibit - 2 - Awarded Decommissioning Proposals

No. 3



FED Environmental LLC

2431 Isle Ln
Port Allen, LA 70767
1-833-333-2019
www.fedenvironmental.com

March 22, 22

BIG RIVERS PROPOSAL ACCEPTANCE THAT INCLUDES DEMOLITION OF BOTH UNIT 1 UNIT 2 AND STACKS

FED Environmental LLC will provide full-scale demolition services on units 1 & 2 including the stacks. This is to include all structures to grade, all rolling stock, mechanical, electrical and auxiliary equipment contained within these units including both ferrous and non-ferrous materials will belong to FED Environmental LLC.

Cost of Demolition to Big Rivers is \$980,000.00 to include the following:

- Asbestos abatement on Unit 1 and 2
Demolition of Units 1 & 2 which includes the additional maintenance and storage buildings
Demolition of the concrete stack with MCC building to be protected

Qualifications;

- Stack to be free of any environmental contamination including Asbestos, Mastic, Silica or Radiation
Stack will be the last structure to demo
Any radioactive material if any to be remediated by others or reimbursable
All permits by owner

FED Environmental LLC estimates a 16-18 month schedule weather permitting, all selected sub-contractors will follow all of Big Rivers Electric Corporation and FED Environmental LLC Safety protocols and C-SCAP program.

Big Rivers Electric [Signature]

Title VP Production

Date 4/13/22

FED Environmental LLC

Title

Date

Berry Exhibit - 2 - Awarded Decommissioning Proposals

No. 4



**VENDOR: FED ENVIRONMENTAL LLC
P.O. BOX 113
SPRINGHILL, TN 37174**

BLANKET PURCHASE ORDER		
PURCHASE ORDER NO 267329	REVISION 1	PAGE 1
TERM	22-FEB-22	22-FEB-24
SHIP TO: HMPL Station 2 9000 HWY 2096 Robards, KY 42452		
BILL TO: HMPL Station 2 9000 HWY 2096 Robards, KY 42452		

VENDOR NO 83250	DELIVER TO	DATE OF ORDER/BUYER 22-FEB-22 Holmes, Mary F	REVISED DATE/BUYER 13-JAN-23 Holmes, Mary F
PAYMENT TERMS IMMEDIATE		BUYER TELEPHONE/FAX 270-844-5153	BUYER EMAIL Mary.Holmes@bigrivers.com
FREIGHT TERMS PREPAID/ADD	F.O.B DESTINATION	SHIP VIA	VENDOR CONTACT/TELEPHONE [REDACTED]

Special Instructions: This Purchase Order No. must appear on all invoices, packing lists, cartons and correspondences related to this order. If you received this PO by e-mail, DO NOT REPLY TO faxstar@BigRivers.com. Please use the buyer's e-mail address listed above.

QUESTIONS / REPLIES CONCERNING THIS DOCUMENT SHOULD BE DIRECTED TO:

MARY HOLMES
PHONE (270) 844-5153 WILSON
PHONE (270) 844-5963 GREEN
CELL (270) 577-4613
FAX (888) 849-5024
EMAIL: MARY.HOLMES@BIGRIVERS.COM

ALL DOCUMENTS RELEVANT TO RFQ H-21-103 INSULATION REMOVAL, ASBESTOS ABATEMENT, AND DEMOLITION ARE ON FILE AND INCORPORATED BY REFERENCE. THIS INCLUDES BUT NOT LIMITED TO THE BID SPECIFICATION, QUOTATION, AND EMAIL CLARIFICATIONS.

THE FOLLOWING REQUIREMENT APPLIES TO ANY ON-SITE ATTENDANCE BY ALL EMPLOYEES, REPRESENTATIVES, CONTRACTORS, OR VISITORS UNTIL FURTHER NOTICE?
DUE TO THE COVID-19 PANDEMIC, BIG RIVERS REQUIRES ALL PERSONS COMING ONTO THE PROPERTIES TO HAVE THEIR TEMPERATURE TAKEN EACH DAY BEFORE ENTERING THE FACILITY BY THE SECURITY GUARDS ONSITE. IF A TEMPERATURE OF 100.4° OR HIGHER IS RECORDED, THAT PERSON WILL NOT BE ALLOWED TO ENTER SITE. MAINTAIN 6 FEET BETWEEN EMPLOYEES AT ALL TIMES UNLESS A SPECIFIC JOB MANDATES THAT WORK IS REQUIRED IN CLOSER PROXIMITY.

ATTN: JAMES FOSTER - ALL DOCUMENTS RELEVANT TO RFQ H-21-103 INSULATION REMOVAL, ASBESTOS ABATEMENT, AND DEMOLITION ARE ON FILE AND INCORPORATED BY REFERENCE. THIS INCLUDES BUT NOT LIMITED TO THE BID SPECIFICATION, QUOTATION, AND EMAIL CLARIFICATIONS.

A signed copy of the General Services Agreement (GSA) is on file at Big Rivers Electric Corporation and is hereby incorporated by reference.

ITEM	PART NUMBER/DESCRIPTION	DELIVERY DT	QTY	UNIT	UNIT PRICE	EXTENSION
1.0	HMPL STATION 2 ASBESTOS ABATEMENT AND DEMOLITION			EACH	\$ 1.00	\$

TOTAL \$ 1,051,800.00

Mary Holmes

Case No. 2023-00038

Exhibit Berry - 2

Page 17 of 29

Berry Exhibit - 2 - Awarded Decommissioning Proposals

No. 5



**VENDOR: FED ENVIRONMENTAL LLC
P.O. BOX 113
SPRINGHILL, TN 37174**

PURCHASE ORDER		
PURCHASE ORDER NO 269997	REVISION 0	PAGE 1
SHIP TO: HMPL Station 2 9000 HWY 2096 Robards, KY 42452		
BILL TO: HMPL Station 2 9000 HWY 2096 Robards, KY 42452		

VENDOR NO 83250	DELIVER TO	DATE OF ORDER/BUYER 03-NOV-22 Holmes, Mary F	REVISED DATE/BUYER Holmes, Mary F
PAYMENT TERMS IMMEDIATE		BUYER TELEPHONE/FAX 270-844-5153	BUYER EMAIL Mary.Holmes@bigrivers.com
FREIGHT TERMS PREPAID/ADD	F.O.B DESTINATION	SHIP VIA	VENDOR CONTACT/TELEPHONE [REDACTED]

Special Instructions: This Purchase Order No. must appear on all invoices, packing lists, cartons and correspondences related to this order. If you received this PO by e-mail, DO NOT REPLY TO faxstar@BigRivers.com. Please use the buyer's e-mail address listed above.

ATTN: JAMES FOSTER CONFIRMING PO FOR INVOICE 1095

A signed copy of the General Services Agreement (GSA) is on file at Big Rivers Electric Corporation and is hereby incorporated by reference.

ITEM	PART NUMBER/DESCRIPTION	DELIVERY DT	QTY	UNIT	UNIT PRICE	EXTENSION
1.1	INVOICE 1095, ADDITIONAL SCOPE FOR LABOR TO CLEAN UP DUCTWORK, HOPPERS, AND BOTTOM OF STACKS AT HMPL FOR DEMOLITION DELIVER TO: BROWN, JEFFREY STEVEN (JEFF)	03-NOV-22	100000	EACH	\$ 1.00	\$ 100,000.00

					TOTAL	\$ 100,000.00
					<i>Mary Holmes</i>	

FED Environmental LLC
PO Box 113
Spring Hill, TN 37174 US
+1 8333332019

Invoice



www.FEDenvironmental.com

BILL TO

Mary Holmes
Big Rivers Electric Corporation
9000 Highway 2096
Robards, KY 42452

INVOICE #	DATE	TOTAL DUE	DUE DATE	TERMS	ENCLOSED
1095	10/27/2022	\$100,000.00	11/01/2022	Due on receipt	

P.O. NUMBER
PENDING PO

SALES REP
JWF

DATE		DESCRIPTION	QTY	RATE	AMOUNT
10/03/2022	Change Order Addional Scope	Clean up of duct work, bottom of stacks and hoppers as per proposal	1	100,000.00	100,000.00

Wire Info:

BALANCE DUE

\$100,000.00





FED Environmental LLC

PO Box 113
Spring Hill, TN 37174
1-833-333-2019
www.fedenvironmental.com

BIG RIVER ADDITIONAL SCOPE FOR BOTTOM OF STACK AND DUCTWORK CLEANING / REMEDIATION

FED Environmental LLC to offer duct work and bag house cleaning prior/during demolition activities on units 1 & 2 duct work that was not previously cleaned including the bottom of the stacks. This is to include unit 1 and 2 ductwork, bag house and bottom of stacks.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]





Berry Exhibit - 2 - Awarded Decommissioning Proposals

No. 6



**VENDOR: FED ENVIRONMENTAL LLC
P.O. BOX 113
SPRINGHILL, TN 37174**

PURCHASE ORDER		
PURCHASE ORDER NO 270652	REVISION 0	PAGE 1
SHIP TO: HMPL Station 2 9000 HWY 2096 Robards, KY 42452		
BILL TO: HMPL Station 2 9000 HWY 2096 Robards, KY 42452		

VENDOR NO 83250	DELIVER TO	DATE OF ORDER/BUYER 16-JAN-23 Holmes, Mary F	REVISED DATE/BUYER Holmes, Mary F
PAYMENT TERMS IMMEDIATE		BUYER TELEPHONE/FAX 270-844-5153	BUYER EMAIL Mary.Holmes@bigrivers.com
FREIGHT TERMS PREPAID/ADD	F.O.B DESTINATION	SHIP VIA	VENDOR CONTACT/TELEPHONE [REDACTED]

Special Instructions: This Purchase Order No. must appear on all invoices, packing lists, cartons and correspondences related to this order. If you received this PO by e-mail, DO NOT REPLY TO faxstar@BigRivers.com. Please use the buyer's e-mail address listed above.

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MARY HOLMES
PHONE (270) 844-5153 WILSON
PHONE (270) 844-5963 GREEN
CELL (270) 577-4613
FAX (888) 849-5024
EMAIL: MARY.HOLMES@BIGRIVERS.COM

ATTN: JAMES FOSTER CONFIRMING PO FOR INVOICE 1101

A signed copy of the General Services Agreement (GSA) is on file at Big Rivers Electric Corporation and is hereby incorporated by reference.

ITEM	PART NUMBER/DESCRIPTION	DELIVERY DT	QTY	UNIT	UNIT PRICE	EXTENSION
1.1	REMOVAL OF ASH LEFT IN SILO INV#1101 1/15/2023 DELIVER TO:TROVATO, MICHELLE H	17-JAN-23	38178.4	EACH	\$ 1.00	\$ 38,178.40

TOTAL \$ 38,178.40

Mary Holmes

FED Environmental LLC
 PO Box 113
 Spring Hill, TN 37174 US
 +1 8333332019

Invoice



www.FEDenvironmental.com

BILL TO

Mary Holmes
 Big Rivers Electric Corporation
 9000 Highway 2096
 Robards, KY 42452

INVOICE #	DATE	TOTAL DUE	DUE DATE	TERMS	ENCLOSED
1101	01/15/2023	\$38,178.40	02/01/2023	Due on receipt	

P.O. NUMBER
 PO#

PREPARED BY
 JWF

VERBAL APPROVAL BY
 Heather

DATE		DESCRIPTION	QTY	RATE	AMOUNT
01/02/2023					
01/02/2023					
01/02/2023					
01/02/2023					
01/02/2023					
01/02/2023					
01/02/2023					

Wire Info:

BALANCE DUE

\$38,178.40

[Redacted Wire Information]

Berry Exhibit - 2 - Awarded Decommissioning Proposals

No. 7



FED Environmental LLC

2431 Isle Ln
Port Allen, LA 70767
1-833-333-2019
www.fedenvironmental.com

April 13, 22

OFFER TO ADD ADDITIONAL SCOPE TO INCLUDE REID POWER PLANT

FED Environmental LLC agrees to offer full-scale demolition services on the Reid Facility including the stack. FED will take possession of all structures associated with Reid plant including, rolling stock, auxiliary equipment and both ferrous and non-ferrous materials.

Cost of additional scope to Big Rivers is \$0 to include the following:

- Remove any additional Asbestos in the Reid plant if any
- Demolition of Reid Unit to grade includes any outbuildings required
- Demolition of the concrete stack and all material handling conveyor systems

Qualifications:

- Stack to be free of any environmental contamination including ACM, Mastic, Ash, Silica or Radiation
- Stack will be the last structure to demo
- Any radioactive material if any to be remediated by others or reimbursable to FED
- All permits by owner if required

Acceptance:

Big Rivers Electric Corporation

Name Arthur A. Berry Date 4/13/22 Title VP Production

FED Environmental LLC

Name _____ Date _____ Title _____

Big Rivers Electric Corporation
Case No. 2023-00038
Summary of Outstanding Balance Due

Dated: January 31, 2023

Current Invoices

Decommissioning Costs

<u>Description</u>	<u>Ramp Down</u>	<u>Asbestos & Demolition</u>	<u>Landfill</u>	<u>Ash Pond and CCR</u>	<u>Total</u>
Invoice BR23-2022	-	-	-	12,230.04	12,230.04
Invoice BR24-2022	3,166.30	6,936.56	(2,750.15)	-	7,352.71
Total	\$ 3,166.30	\$ 6,936.56	\$ (2,750.15)	\$ 12,230.04	\$ 19,582.75

Big Rivers Electric Corporation
Case No. 2023-00038
Summary of Outstanding Balance Due

Dated: January 31, 2023

<u>Description</u>	<u>Past Due</u> <u>Station</u> <u>Two</u> <u>Operations</u>
Excess Henderson Energy	\$ (3,310,482.54)
HMP&L Native Load	4,693,587.29
MISO Fees	1,422,761.54
FY 17/18 Annual Settlement	(1,649,922.53)
FY 18/19 Annual Settlement	(1,020,295.80)
Auxillary Power	78,750.98
Invoice BR32019	<u>214,398.94</u>

Big Rivers Electric Corporation
Case No. 2023-00038
Summary of Outstanding Balance Due

Dated: January 31, 2023

<u>Description</u>	<u>Past Due Invoices</u>				<u>Payments Received</u>	<u>Total Past Due</u>	<u>Total Amount Due</u>
	<u>Decommissioning Costs</u>			<u>Ash Pond and CCR</u>			
	<u>Ramp Down</u>	<u>Asbestos & Demolition</u>	<u>Landfill</u>				
Excess Henderson Energy HMP&L Native Load	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,310,482.54)	\$ (3,310,482.54)
MISO Fees	-	-	-	-	-	1,422,761.54	1,422,761.54
FY 17/18 Annual Settlement	-	-	-	-	-	(1,649,922.53)	(1,649,922.53)
FY 18/19 Annual Settlement	-	-	-	-	-	(1,020,295.80)	(1,020,295.80)
Auxillary Power	-	-	-	-	-	78,750.98	78,750.98
Invoice BR32019	-	-	-	-	-	214,398.94	214,398.94
Invoice BR06-2021	777,685.08	-	664,219.23	-	(9,727.84)	1,432,176.47	1,432,176.47
Invoice BR07-2021	38,292.84	-	153,262.68	-	-	191,555.52	191,555.52
Invoice BR08-2021	-	-	-	69,653.42	(68,179.51)	1,473.91	1,473.91
Invoice BR09-2021	-	-	-	2,720.84	(2,674.87)	45.97	45.97
Invoice BR10-2021	6,513.60	-	42,787.23	-	-	49,300.83	49,300.83
Invoice BR11-2021	-	-	-	1,553.34	(1,494.90)	58.44	58.44
Invoice BR12-2021	525.73	-	44,813.23	-	-	45,338.96	45,338.96
Invoice BR13-2021	-	-	-	666.87	(616.87)	50.00	50.00
Invoice BR14-2021	4,125.96	-	16,878.08	-	-	21,004.04	21,004.04
Invoice BR01-2022	-	-	-	56.37	-	56.37	56.37
Invoice BR02-2022	5,592.08	-	12,765.49	-	-	18,357.57	18,357.57
Invoice BR03-2022	-	-	-	608.63	(551.30)	57.33	57.33
Invoice BR04-2022	5,475.37	-	13,296.05	-	-	18,771.42	18,771.42
Invoice BR05-2022	-	-	-	76.26	(12.92)	63.34	63.34
Invoice BR06-2022	23,042.19	110,985.00	11,720.23	-	(110,985.00)	34,762.42	34,762.42
Invoice BR07-2022	-	-	-	24,918.98	(24,840.25)	78.73	78.73

Big Rivers Electric Corporation
Case No. 2023-00038
Summary of Outstanding Balance Due

Dated: January 31, 2023

<u>Description</u>	<u>Past Due Invoices</u>				<u>Payments Received</u>	<u>Total Past Due</u>	<u>Total Amount Due</u>
	<u>Decommissioning Costs</u>			<u>Ash Pond and CCR</u>			
	<u>Ramp Down</u>	<u>Asbestos & Demolition</u>	<u>Landfill</u>				
Invoice BR08-2022	13,554.06	6,936.56	14,265.41	-	(6,936.56)	27,819.47	27,819.47
Invoice BR09-2022	-	-	-	1,940.44	(1,878.68)	61.76	61.76
Invoice BR10-2022	6,204.68	6,936.56	14,926.36	-	(6,936.56)	21,131.04	21,131.04
Invoice BR11-2022	-	-	-	20,765.49	(20,765.49)	-	-
Invoice BR12-2022	4,859.19	6,936.56	18,127.67	-	(6,936.56)	22,986.86	22,986.86
Invoice BR13-2022	-	-	-	11,447.49	(11,447.49)	-	-
Invoice BR14-2022	3,563.98	13,873.12	18,263.34	-	(13,873.13)	21,827.31	21,827.31
Invoice BR15-2022	-	-	-	6,088.68	(6,088.68)	-	-
Invoice BR16-2022	4,242.19	-	2,268.06	-	-	6,510.25	6,510.25
Invoice BR17-2022	-	-	-	291.38	(291.38)	-	-
Invoice BR18-2022	2,026.38	6,936.56	13,498.70	-	(6,936.56)	15,525.08	15,525.08
Invoice BR19-2022	-	-	-	182.67	(182.67)	-	-
Invoice BR20-2022	1,336.94	6,936.56	3,723.23	-	(6,936.56)	5,060.17	5,060.17
Invoice BR21-2022	-	-	-	54.53	(54.53)	-	-
Invoice BR22-2022	1,336.50	29,586.56	2,770.35	-	(6,936.56)	26,756.85	26,756.85
Invoice BR23-2022	-	-	-	-	-	-	12,230.04
Invoice BR24-2022	-	-	-	-	-	-	7,352.71
Total	\$ 898,376.77	\$ 189,127.48	\$ 1,047,585.34	\$ 141,025.39	\$ (315,284.87)	\$ 2,175,229.05	\$ 2,194,811.80

Case No. 2023-00038

Exhibit Berry-3

Page 4 of 4



**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

ELECTRONIC APPLICATION OF)	
BIG RIVERS ELECTRIC CORPORATION	)	Case No.
FOR ANNUAL REVIEW OF ITS MRSM	)	2023-00038
CHARGE FOR CALENDAR YEAR 2022)	

DIRECT TESTIMONY

OF

**MICHAEL S. MIZELL
CHIEF ADMINISTRATIVE OFFICER**

ON BEHALF OF

BIG RIVERS ELECTRIC CORPORATION

FILED: February 28, 2023


Application Exhibit D

BIG RIVERS ELECTRIC CORPORATION

**ELECTRONIC APPLICATION OF
BIG RIVERS ELECTRIC CORPORATION FOR ANNUAL REVIEW
OF ITS MRSM CHARGE FOR CALENDAR YEAR 2022
CASE NO. 2023-00038**

VERIFICATION


I, Michael Mizell, verify, state, and affirm that I prepared or supervised the preparation of the Direct Testimony filed with this Verification, and that Direct Testimony is true and accurate to the best of my knowledge, information, and belief after a reasonable inquiry.



Michael Mizell

COMMONWEALTH OF KENTUCKY)
COUNTY OF DAVIESS)

28th SUBSCRIBED AND SWORN TO before me by Michael Mizell on this the
28th day of February 2023.



Notary Public, Kentucky State at Large
Kentucky ID Number KYNP16841
My Commission Expires October 31, 2024

**DIRECT TESTIMONY
OF
Michael S. Mizell**

Table of Contents

I. INTRODUCTION 1

II. STATUS OF DECOMMISSIONING 4

 A. COLEMAN STATION..... 4

 B. STATION TWO 4

III. CONCLUSION 5

1 In terms of environmental issues, I am responsible for all environmental
2 compliance activities across Big Rivers. This includes compliance with all
3 State and Federal environmental regulations, interactions with State and
4 Federal agencies regarding such regulations and monitoring the
5 development of new environmental regulations that have the potential to
6 impact Big Rivers or its Member/Owners.

7 **Q. Have you previously testified before the Kentucky Public Service**
8 **Commission (“Commission”)?**

9 A. Yes. I provided written responses to information requests and oral
10 testimony on behalf of Big Rivers in Case No. 2020-00299,¹ in which Big
11 Rivers presented its 2020 Integrated Resource Plan. I provided written
12 testimony in Case No. 2022-00028, in which Big Rivers filed its MRS
13 Application for calendar year 2021.²

14

¹ *In the Matter of: Electronic 2020 Integrated Resource Plan of Big Rivers Electric Corporation*
(filed Sept. 21, 2020).

² *In the Matter of: Electronic Application of Big Rivers Electric Corporation for Annual Review*
of Its MRS Charge for Calendar Year 2021, P.S.C. Case No. 2022-00028.

1 **Q. What is the purpose of your testimony in this proceeding?**

2 A. The purpose of my testimony is to provide additional information
3 regarding certain decommissioning activities as related to environmental
4 compliance. My testimony supplements the Direct Testimony of Nathan
5 Berry, which is attached to the Application as Exhibit C.

6

7 **Q. Please identify the information you will be providing pursuant to**
8 **Ordering Paragraph 10 of the June 25, 2020, Order in Case No.**
9 **2020-00064.**

10 A. I will provide information regarding one matter identified in the May 29,
11 2020, Settlement Agreement, as set forth in the Commission's Order:³ the
12 status of decommissioning of Coleman Station and Henderson Station Two,
13 as related to ash pond closures and environmental compliance.

14

15 **Q. Are you sponsoring any Exhibits?**

16 A. Yes. I have prepared the following exhibit to my testimony.

17 • Exhibit Mizell-1 – Professional Summary

18

³ See *In the Matter of: Electronic Application of Big Rivers Electric Corporation for Approval to Modify Its MRSM Tariff, Cease Deferring Depreciation Expense, Establish Regulatory Assets, Amortize Regulatory Assets, and Other Appropriate Relief*, P.S.C. Case No. 2020-00064, Order (June 25, 2020), at page 16.

1 **II. STATUS OF DECOMMISSIONING**

2 **A. COLEMAN STATION**

3 **Q. What is the status of decommissioning of Coleman Station, as**
4 **related to ash ponds and/or any other environmental compliance**
5 **matters?**

6 A. Big Rivers continues to await the issuance of final U.S. Environmental
7 Protection Agency (“EPA”) Coal Combustion Residual regulations for CCR
8 disposal sites such as the Coleman Station ash ponds (commonly referred
9 to as “Legacy Ponds”) prior to finalizing detailed engineering design and
10 beginning the competitive bid process for the Coleman Station ash pond
11 closure, as discussed in the Direct Testimony of Michael T. Pullen in Case
12 No. 2019-00435. EPA is expected to publish its rule for these types of ash
13 ponds in late 2023.

14

15 **B. STATION TWO**

16 **Q. What is the status of decommissioning of Station Two as it relates**
17 **to ash ponds and/or any other environmental compliance matters?**

18 A. As discussed in Big Rivers’ Application in Case No. 2021-00061⁴ (the “2021
19 MRSB Application”), the retirement of the Henderson Station Two

⁴ *In the Matter of: Electronic Application of Big Rivers Electric Corporation For Review Of Its MRSB Credit for Calendar Year 2020*, Case No. 2021-00061, Application (filed Feb. 26, 2021).

1 generating units in February of 2019 triggered an obligation for Henderson
2 to decommission the Station Two ash pond by April of 2024.

3 Work on the ash pond closure began in late 2021 with the
4 engagement of an external engineering consulting firm, which was engaged
5 to develop a clear geologic understanding of the area around the Station
6 Two ash pond. This research allowed for the development of a specific
7 closure plan as well as a plan for any remedial actions necessary to
8 ameliorate impacts to ground water that result from the presence of the
9 ash pond. Prior to final approval, Big Rivers and HMPL will conduct a
10 joint public hearing seeking any comments on the proposed plans. At that
11 point, the final plans will be submitted to the State for review. Actual
12 closure construction activities will commence once these plans have been
13 approved. This project is currently on schedule to meet the EPA mandated
14 closure date of April 2024.

15
16 **III. CONCLUSION**

17
18 **Q. Does this conclude your testimony?**

19 **A.** Yes, it does.

PROFESSIONAL SUMMARY

MICHAEL S. MIZELL

Chief Administrative Officer Big Rivers Electric Corporation
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Owensboro, Kentucky 42301

PROFESSIONAL EXPERIENCE

BIG RIVERS ELECTRIC CORPORATION, Owensboro, KY

Chief Administrative Officer – 2022 to Present
Vice President of Environmental Compliance – 2020 to 2022

ICE MILLER, Indianapolis, IN

Senior Strategic Advisor – 2017 to 2019

AES CORPORATION (NYSE: AES), Arlington, VA

Vice President, Regulated Utilities –
AES US Services, LLC, Indianapolis, IN (2015 to 2017)
Senior Vice President and General Counsel –
AES US Services, LLC, Indianapolis, IN (2013 to 2015)

DAYTON POWER & LIGHT, INC., Dayton, OH

Senior Vice President and General Counsel – 2012 to 2013

ENERGY DEVELOPMENTS, LTD., Australia

General Counsel and Company Secretary – 2011 to 2012
Energy Developments, Inc., Nashville, TN

WALLER LANSDEN DORTCH & DAVIS, PLLC, Nashville, TN

Partner, Head of Energy and Environment Practice (2006-2010)
Partner (2004-2010)
Associate (1997-2004)

EDUCATION & CERTIFICATIONS

AES Global Leadership Program, Georgetown University, McDonough
School of Business, 2016

J.D., Cumberland School of Law at Samford University, Birmingham, AL, 1997

B.S., Nova Southeastern University, Business, Fort Lauderdale, FL, 1994