COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY CORP. TO REVISE THE LARGE INDUSTRIAL CUSTOMER STANDBY SERVICE TARIFF	)))	**2023-00312**

JOINT RESPONSE OF BIG RIVERS ELECTRIC CORPORATION AND KENERGY CORP. TO COMMISSION STAFF'S POST-HEARING REQUEST FOR INFORMATION

Big Rivers Electric Corporation and Kenergy Corp. ("Joint Applicants" or the "Companies") by counsel, files its responses to the Public Service Commission Staff's Post-Hearing Request for Information, issued in the above-captioned case on May 3, 2023.

FILED: **May 16, 2024**

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REQUEST NO. PH-1: ***Confirm whether actual LMP and real time LMP as referred to in Terry Wright's testimony on May 1, 2024, are the synonymous. If not, explain why not.***

RESPONSE: Big Rivers does not view actual LMP and real time LMP as synonymous. The actual LMP would be the LMP incurred procuring Load on behalf of the Back-Up/Maintenance Outage. If the Load is procured Day-Ahead, then the actual LMP associated with the Load purchase would be the Day-Ahead LMP. If the Load is procured Real-time, then the actual LMP associated with the Load purchase would be the Real-Time LMP.

Witness: Terry Wright, Jr.

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REQUEST NO. PH-2: ***With consideration to the current Large Industrial Customer Standby Service (LICSS) pilot tariff, state whether there are any incentives currently in place for Kimberly-Clark Corporation (Kimberly-Clark) and Domtar Paper Company, LLC (Domtar) to provide advanced notice to BREC of planned maintenance outages. Also include in the response if there's any incentive to provide advanced notice to BREC of planned maintenance outages with the proposed LICSS tariff.***

RESPONSE: The current LICSS pilot tariff requires Standby Customers to provide a schedule by November 1 of each year of the customer's planned outages for the following year; however, the tariff also allows a Standby Customer to change its scheduled outages at any time upon notice to Big Rivers.

Big Rivers does not believe it is reasonable to require other customers to subsidize a Standby Customer's decision to install cogeneration by paying an incentive for advanced notice of an outage. As such, neither the current nor the proposed LICSS tariff contain such an incentive payment. Nevertheless, Standby Customers would benefit from reduced price volatility risk by providing sufficient notice to Big Rivers of an outage so that Back-Up energy could be procured in the Day-Ahead market rather than the Real-Time market. Standby Customers would also benefit from working with Big Rivers on scheduling outages at times that the LMPs are anticipated to be low.

Unless a Standby Customer is prohibited from altering its outage schedule, longer-term advanced notice of outages does not reduce Big Rivers' risk. In other words, a Standby Customer could provide a notice to Big Rivers months in advance of an outage, but so long as the customer can cancel or delay the outage, then procuring Back-Up energy months in advance of the outage places risk on Big Rivers and the other customers on the Big Rivers system that the customer will change its plans. If a Standby Customer wishes to secure a specific Back-Up energy price for an extended outage in advance, Big Rivers, Kenergy, and the Standby Customer could enter into a special contract under which Big Rivers would purchase a block of energy, with the customer bearing the cost of that energy and all of the risk of the customer changing its outage plan.

Witness: Terry Wright, Jr.

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REQUEST NO. PH-3: ***Confirm that if capacity clears a gross cone in all four seasons of the MISO capacity market, it essentially wipes away the additional cost of applying the difference between the large industrial tariff and applying BREC's proposed LICSS tariff. If not, explain why not.***

RESPONSE: The formula for valuing the Capacity credit from the proposed LICSS tariff is CONE($/MW-Day)*MISO Capacity Accreditation*#Days in Month, which could be formulaically converted to MISO Capacity Accreditation (KW) * MISO Clearing ($/KW-Month). The formula for valuing the Capacity under a LIC approach would involve taking the NCP (30 minute Peak during month) * LIC Demand Rate. CONE for Zone 6 is currently $120,340/MW-Year for PY24-25 or $10.03/KW-Month. Big Rivers' LIC Demand Rate is $10.715/KW-Month. There is, therefore, a small difference between CONE and our LIC Demand Rate. The next step of the analysis would involve a comparison of the MISO Capacity Accreditation (KW) to the NCP (KW), which would likely not be the same. According to BPM-011-r29, BTMGs are accredited based on "an evaluation of the applicable type and volume of interconnection service, GVTC (or historical output at peak if intermittent), line losses if not interconnected to MISO, and $XEFOR_d$ value of such BTMG." Assuming that they have the appropriate level of interconnection service, the formula would reduce to GVTC * (1-$XEFOR_d$). At this point, the analysis is basically comparing the NCP (KW) to the GVTC * (1-$XEFOR_d$). For purposes of comparison, assume that CONE and LIC Demand Rate are the same and that GVTC and normal Gen Output is the same; if XEFORd is 0 (always available), which is not likely, then they would receive Capacity Accreditation of GVTC and a Capacity payment of GVTC * CONE, which would reduce their payment to 0 under the LICSS Proposed Tariff, as they would pay LIC Demand for Back-Up/Maintenance and then receive a Capacity Payment equal to the same amount. From a LIC Tariff perspective, they would completely avoid paying LIC Rates on this back-up/maintenance piece as their generator is always online and their NCP never increases above their supplemental load. Under this particular scenario ($XEFOR_d = 0$), the same exact value results. If $XEFOR_d$ is 1 (always unavailable), which is also not likely, then they would not receive a Capacity Accreditation payment under the proposed LICS Tariff as they are always on Outage, which means that they would pay full LIC Rates. Under the LIC Tariff approach, the NCP (KW) would always take into account that the generator is off, so they would be paying full LIC rates for the back-up/maintenance portion. Under this particular scenario ($XEFOR_d = 1$), the same exact value results. In between these extremes (EFORD between 0 and 1) is where the analysis gets more complicated, because the result is affected by the timing of the outages. If there is a low forced outage rate, but it occurs for a few hours every single month (and assuming that Load stays static during the Outage), then the LICSS proposal would be more favorable for the Standby Customers as GVTC * (1- $XEFOR_d$) would still be a relatively high value, and they would receive a large Capacity payment. Consequently, the answer to this question ultimately depends on the forced outage rate of the facility in question, as well as its distribution over the calendar year, i.e. their ability to avoid NCP.

Witness: Terry Wright, Jr.

REQUEST NO. PH-4: ***Taking the intervenors assertions and calculations at face value, that Mr. Baron's proposed tariff, as applied to Domtar, would result in an average $2.5 million, or approximately 17 percent, increase in its rates, provide BREC and Kenergy's calculations, with cost justifications, for the following:***

a. The contribution to its margins;

b. How it would be reflected through the member rate stability mechanism (MRSM); and

c. The amount that would equate to a credit back to Domtar and Kimberly-Clark as positive contributions to margins, increase to the MRSM, and allocation amongst rural and industrial classes.

RESPONSE:

a. Assuming that the intervenors' assertions and calculations are taken at face value and that Big Rivers earns greater than a 1.30 TIER, Big Rivers would not have any change to its margins.

b. Assuming that the intervenors' assertions and calculations are taken at face value and that Big Rivers earns greater than a 1.30 TIER, 40% of the $2.5 million would be returned as bill credits to the Member-Owners in the following year. If there are remaining regulatory assets, 60% of the $2.5 million would be used to amortize those assets. If there are not any remaining regulatory assets, the entire $2.5 million would be returned through the MRSM as bill credits in the following year.

c. Assuming that the intervenors' assertions and calculations are taken at face value and using the margins Big Rivers earned in 2022 and adding $2.5 million to those margins, the amount that would equate to a rural class credit would be $772,021, and the amount that would equate to a large industrial class credit would be $227,979. Using 2023 energy volumes, Domtar would receive bill credits of $55,272 and Kimberly Clark $40,264. Big Rivers' Member-Owners would, correspondingly, receive the benefit of a regulatory asset reduction of $1.5 million.

Witness: Christopher A. Warren

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I, Christopher A. Warren verify, state, and affirm that the information request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Christopher A. Warren
Christopher A. Warren
Executive Director of Budgeting,
Planning, and Forecasting
Big Rivers Electric Corporation

COMMONWEALTH OF KENTUCKY)
) ss:
COUNTY OF DAVIESS)

SUBSCRIBED AND SWORN TO before me by Christopher A. Warren on this the 16 day of May 2024.

Ralph Lynn Jones
Notary Public, Kentucky State at Large
Kentucky ID Number KYNP43026
My Commission Expires 1-14-2026

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I, Terry Wright, Jr., verify, state, and affirm that the information request responses filed with this verification for which I am listed as a witness are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Terry Wright, Jr.
Vice President Energy Services
Big Rivers Electric Corporation

COMMONWEALTH OF KENTUCKY)
) ss:
COUNTY OF DAVIESS)

SUBSCRIBED AND SWORN TO before me by Terry Wright, Jr. on this the 16 day of May 2024.

Ralph Lynn Jones
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Kentucky ID Number KYNP43026
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