



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

AN ELECTRONIC EXAMINATION BY THE PUBLIC)	
SERVICE COMMISSION OF THE ENVIRONMENTAL)	
SURCHARGE MECHANISM OF BIG RIVERS)	Case No.
ELECTRIC CORPORATION FOR THE SIX-MONTH)	2025-00052
BILLING PERIODS ENDING JANUARY 31, 2024,)	
JULY 31, 2024, AND JANUARY 31, 2025)	

Direct Testimony of

Rebecca L. (Becky) Shelton

FILED: April 28, 2025

BIG RIVERS ELECTRIC CORPORATION

**ELECTRONIC EXAMINATION BY THE PUBLIC SERVICE COMMISSION
OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF BIG RIVERS
ELECTRIC CORPORATION FOR THE SIX-MONTH EXPENSE PERIODS
ENDING JANUARY 31, 2024, JULY 31, 2024, JANUARY 31, 2025,
CASE NO. 2025-00052**

VERIFICATION

I, Rebecca L. (Becky) Shelton, 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 formed after a reasonable inquiry.

Rebecca L Shelton

Rebecca L. Shelton

COMMONWEALTH OF KENTUCKY)
COUNTY OF DAVIESS)

SUBSCRIBED AND SWORN TO before me by Rebecca L. Shelton on this the 22nd day of April, 2025.

Kathryn D. G.

Notary Public, Kentucky State at Large

Notary ID KYNPI6841

My Commission Expires October 31, 2028

1 DIRECT TESTIMONY
2 OF
3 REBECCA L SHELTON
4

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

6 A. My name is Rebecca L. (Becky), Shelton and my business address is Big
7 Rivers Electric Corporation ("Big Rivers"), 710 West Second Street,
8 Owensboro, Kentucky, 42301. I am the Manager Finance at Big Rivers.
9

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

11 A. I earned a Bachelor of Science in Finance from Western Kentucky
12 University in 1997. I have held my current position since July 2023.
13 Prior to my current position from January 2023 to July 2023, I was a
14 Finance Analyst at Big Rivers. Before joining Big Rivers, I was employed
15 in the role of bank branch manager from 1995 until May 2022, with PNC
16 Bank, National Association, and German American Bank.
17

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

19 A. As Finance Manager, I am responsible for managing the debt and cash at
20 Big Rivers which includes debt covenant compliance. I am also responsible
21 for the preparation of the monthly rider filings with the Commission.
22

1 **Q. Have you previously testified before the Commission?**

2 A. No.

3
4 **Q. On whose behalf are you filing this testimony?**

5 A. I am filing this testimony on behalf of Big Rivers and its three member
6 distribution cooperatives, who are Jackson Purchase Energy Corporation
7 ("Jackson Purchase"), Kenergy Corp. ("Kenergy"), and Meade County
8 Rural Electric Cooperative Corporation ("Meade County") (collectively, the
9 "Members").

10
11 **Q. What is the purpose of your testimony in this proceeding?**

12 A. The purpose of my testimony is to describe the application of Big Rivers'
13 ES mechanism as billed from August 2023 through January 2025, which
14 corresponds to Big Rivers' expense months of June 2023 through
15 November 2024. Additionally, I have coordinated with Big Rivers'
16 Members in the preparation of this testimony and prepared responses to
17 the Commission Staff's First Request for Information in this case ("Staff's
18 First Requests"), which accompany this testimony. This testimony also
19 includes information the Members have provided me in support of their
20 pass-through mechanisms that are also under review in this proceeding,

1 and that the Members use to pass through to their retail members the
2 costs Big Rivers charges to them under Big Rivers' ES mechanism.

3 The review periods for the Members' pass-through mechanisms,
4 which correspond to Big Rivers' August 2023 through January 2025 billing
5 months, are the billing months of September 2023 through February 2025
6 for retail non-dedicated delivery point customers (*i.e.*, there is a one-month
7 lag for non-dedicated delivery point customers), and August 2023 through
8 January 2025 for the retail dedicated delivery point customers (*i.e.*, there
9 is no billing lag for dedicated delivery point customers).

10
11 **Q. Please provide a brief overview of Big Rivers' ES mechanism.**

12 A. Big Rivers' ES mechanism was approved by Order of the Commission
13 dated June 25, 2008, in Case No. 2007-00460, which was part of the
14 Unwind Transaction that the Commission approved by Order dated March
15 6, 2009, in Case No. 2007-00455. Big Rivers' ES went into effect
16 immediately following the July 16, 2009, closing of the Unwind
17 Transaction for service commencing July 17, 2009.

18 Big Rivers' initial environmental compliance plan was approved by
19 the Commission in Case No. 2007-00460 (the "2007 Plan") and consists of
20 programs and the related costs for controlling sulfur dioxide (SO₂),
21 nitrogen oxide (NO_x), and sulfur trioxide (SO₃). The environmental

1 compliance costs, which Big Rivers may recover under KRS 278.183 and its
2 2007 Plan, include the costs of reagents, sludge and ash disposal, and
3 emission allowances. For the SO₂ program, Big Rivers recovers through its
4 ES mechanism the costs of reagents, the costs for the disposal of coal
5 combustion byproducts (fly ash, bottom ash, and scrubber sludge), and the
6 costs of SO₂ emission allowances used. For the NO_x program, Big Rivers
7 recovers the costs of reagents and the costs of NO_x emission allowances
8 used. For the SO₃ program, Big Rivers recovers reagent costs. Due to
9 generating unit design differences and Big Rivers' compliance plan, each of
10 Big Rivers' generating units utilizes a different combination of reagents.
11 Depending on the unit facilities, various reagents are used to treat the flue
12 gas, thereby removing the three targeted emissions. The reagents used to
13 control SO₂ include emulsified sulfur, lime, fixation lime, limestone,
14 dibasic acid, and sodium bisulfite. The reagents used to control NO_x
15 include anhydrous ammonia and emulsified sulfur. The reagent used to
16 control SO₃ is hydrated lime. Note that the 2007 Plan included only
17 variable operations and maintenance (O&M) costs.

18 In its Order dated October 1, 2012, in Case No. 2012-00063, the
19 Commission approved environmental compliance projects relating to the
20 Mercury and Air Toxics Standards (MATS) rule. The additions (the "2012
21 Plan") included installing activated carbon injection and dry sorbent

1 injection systems and emission control monitors at Big Rivers' Coleman,
2 Wilson, and Green generating stations. The 2012 Plan also included the
3 installation of emission control monitors at Henderson Municipal Power &
4 Light's ("HMP&L") Station Two generating station, which Big Rivers
5 previously operated and maintained under a series of contracts with the
6 City of Henderson, Kentucky, and the City of Henderson Utility
7 Commission (d/b/a HMP&L) until January 2019, when the Station Two
8 units were retired from service. The 2012 Plan includes both capital and
9 O&M costs associated with the projects, as well as recovery of Big Rivers'
10 actual costs incurred in Case No. 2012-00063, which were amortized over
11 three years.

12 Due to the terminations of retail power contracts with two
13 aluminum smelters in 2013 and 2014, Big Rivers idled its Coleman
14 generating station in May 2014. As a result, Big Rivers did not complete
15 the MATS projects for the Coleman station. Big Rivers has since
16 decommissioned the Coleman station and moved the FGD System to its
17 Wilson generating station.

18 In its Order dated August 6, 2020, in Case No. 2019-00435, the
19 Commission approved projects included in Big Rivers 2020 Environmental
20 Compliance Plan (the "2020 Plan"), including moving the Coleman FGD to
21 Wilson and upgrading the FGD, closing ash ponds at Big Rivers' Green

1 Station and at HMP&L's Station Two generating station, installing a
2 landfill cover at Wilson and a perimeter drainage system at Green, and
3 completing other CCR projects Wilson, Green, and Station Two. In that
4 Order, the Commission also conditionally approved closing the Coleman
5 Station ash ponds, should those legacy ponds become subject to the CCR
6 Rule.

7 Big Rivers' ES mechanism allows Big Rivers to recover costs related
8 to its 2007 Plan (which includes only variable O&M costs) and its 2012 and
9 2020 Plans (which include both O&M and capital costs, as well as a rate of
10 return on the unrecovered portion of its capital costs), less proceeds from
11 by-product and emission allowance sales, plus or minus an ongoing
12 cumulative under-or over-recovery.

13
14 **Q. Please provide a brief overview of the Members' pass-through**
15 **mechanisms.**

16 A. The Members' pass-through mechanisms allow each Member to bill its
17 retail customers for the portion of Big Rivers' environmental surcharge
18 that it was billed. Jackson Purchase's pass-through mechanism was
19 approved by the Commission in Case No. 2008-00010; Kenergy's pass-
20 through mechanism was approved by the Commission in Case No. 2008-

00009; and Meade County's pass-through mechanism was approved by the Commission in Case No. 2007-00470.

Q. Have there been any changes to Big Rivers' ES mechanism since the prior review?

A. No.

Q. Has Big Rivers' ES mechanism been accurately compiled, and is it operating as intended?

A. Yes.

Q. Did Big Rivers sell any SO₂ or NO_x emission allowances during the expense months corresponding to the billing periods under review in this case?

A. No.

Q. Did Big Rivers recover any capital costs through its ES mechanism during the periods under review?

A. Yes. Pursuant to the Commission's October 1, 2012, Order in Case No. 2012-00063 and the Commission's August 6, 2020, Order in Case No. 2019-00435, Big Rivers recovered capital costs through the monthly depreciation

1 of its 2012 and 2020 Plan projects included in the calculation of Total E(m)
2 in its monthly ES filings during the periods under review.

3
4 **Q. Did Big Rivers earn a rate of return on any capital expenditures**
5 **through its ES mechanism during the periods under review?**

6 A. Yes. Pursuant to the Commission's October 1, 2012, Order in Case No.
7 2012-00063 and the Commission's August 6, 2020, Order in Case No. 2019-
8 00435, Big Rivers earned a rate of return on its Environmental
9 Compliance Rate Base (calculated on Form 2.00 of its monthly ES filing)
10 equal to its monthly weighted average cost of debt plus the application of a
11 Times Interest Earned Ratio (TIER) of 1.24. Detailed calculations of Big
12 Rivers' monthly Rates of Return on Environmental Compliance Rate Base,
13 for the expense months during the periods under review, are provided as
14 an attachment to Big Rivers' response to Item 4 of Staff's First Request.

15
16 **Q. What Base Environmental Surcharge Factor (BESF) cost did Big**
17 **Rivers use during the review periods?**

18 A. Big Rivers had no environmental surcharge related costs included in its
19 base rates during the review periods (*i.e.*, Big Rivers' BESF during the
20 periods under review was 0.000000%)

1 **Q. Have the Members' pass-through mechanisms been accurately**
2 **compiled, and are they operating as intended?**

3 A. The Members believe their pass-through mechanisms have been accurately
4 compiled and are operating as intended.

5
6 **Q. Were the amounts charged under Big Rivers' ES mechanism**
7 **during the review periods fair, just, and reasonable?**

8 A. Yes.

9
10 **Q. Were the amounts charged under the Members' pass-through**
11 **mechanisms during the review periods fair, just, and reasonable?**

12 A. The Members believe the amounts charged under their pass-through
13 mechanisms are fair, just and reasonable.

14
15 **Q. Do Big Rivers and its Members have additional over-or under-**
16 **recovery amounts they believe need to be recognized?**

17 A. No. Big Rivers and its Members are not requesting any additional over-or
18 under-recovery amounts. The normal over-/under-recovery carry-forward
19 element of Big Rivers' ES mechanism is operating as intended.

1 **Q. Is Big Rivers proposing to incorporate an environmental**
2 **surcharge amount into its existing base rates at this time?**

3 **A. No. Big Rivers is not proposing to incorporate an environmental surcharge**
4 **amount into its existing base rates at this time.**

5

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

7 **A. Yes, it does.**