



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

ELECTRONIC EXAMINATION OF THE)
APPLICATION OF THE FUEL ADJUSTMENT)
CLAUSE OF BIG RIVERS ELECTRIC) Case No.
CORPORATION FROM NOVEMBER 1, 2022) 2025-00343
THROUGH OCTOBER 31, 2024)

DIRECT TESTIMONY
OF
VICKY L. PAYNE
MANAGER, FUELS PROCUREMENT
ON BEHALF OF
BIG RIVERS ELECTRIC CORPORATION
PURSUANT TO ORDERING PARAGRAPH NO. 6
OF THE COMMISSION'S DECEMBER 19, 2025, ORDER

FILED: January 23, 2026

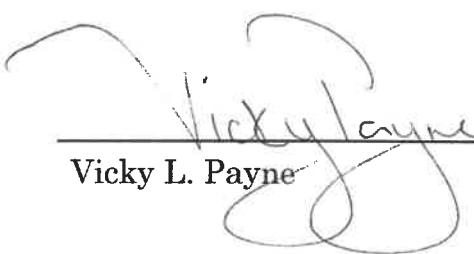
BIG RIVERS ELECTRIC CORPORATION

**AN ELECTRONIC EXAMINATION OF THE APPLICATION OF THE FUEL
ADJUSTMENT CLAUSE OF BIG RIVERS ELECTRIC CORPORATION
FROM NOVEMBER 1, 2022 THROUGH OCTOBER 31, 2024**

CASE NO. 2025-00343

VERIFICATION

I, Vicky L. Payne, 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.



Vicky L. Payne

COMMONWEALTH OF KENTUCKY)

COUNTY OF DAVIESS)

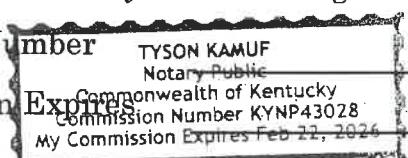
21st SUBSCRIBED AND SWORN TO before me by Vicky L. Payne. on this the
day of January, 2026.



Notary Public, Kentucky State at Large

Kentucky ID Number

My Commission Expires



**DIRECT TESTIMONY
OF
VICKY L. PAYNE**

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

6 A. My name is Vicky L. Payne, and my business address is Big Rivers Electric
7 Corporation (“Big Rivers” or the “Company”), 710 W 2nd Street, Owensboro,
8 Kentucky, 42301. I am the Manager, Fuels Procurement for Big Rivers. I
9 report to Charles “Manny” Zeringue, VP Generation.

10

11 Q. Please summarize your education and professional experience.

12 A. I hold a Bachelor's Degree in Accounting from Western Kentucky University
13 and a Master's Degree in Business Administration from University of
14 Dayton. I have been with Big Rivers Electric Corporation for 20 years and
15 worked in various departments throughout my tenure, including budgeting
16 at the plants and at headquarters, short-term financial forecasting, risk
17 management, strategic planning, and now fuels procurement.

18

19 Q. Please summarize your duties at Big Rivers.

20 A. I am responsible for Big Rivers' procurement of solid fuel, fuel oil, flue-gas
21 desulphurization bulk reagent (limestone), natural gas, and related logistics
22 associated with the delivery of the foregoing materials.

23

24

1 Q. Have you previously testified before this Commission?

2 A. Yes. I provided testimony on behalf of Big Rivers in multiple proceedings
3 before the Commission including:

4 1. Written and Oral Testimony

- Case No. 2022-00041¹ (six-month FAC review)
- Case No. 2023-00013² (two-year FAC review)
- Case No. 2024-00141³ (six-month FAC review)
- Case No. 2024-00149⁴ (six-month FAC review)

9 2. Sponsorship of Responses to Request for Information

- Case No. 2022-00268⁵ (six-month FAC review)
- Case No. 2025-00078⁶ (six-month FAC review).

12 3. Integrated Resource Plan (“IRP”) Testimony

¹ *In the Matter of: An Electronic Examination of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from May 1, 2021 through October 31, 2021, P.S.C. Case No. 2022-00041.*

² In the Matter of: An Electronic Examination of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 2020 through October 31, 2022, P.S.C. Case No. 2023-00013

³ *In the Matter of: An Electronic Examination of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 2022 through April 30, 2023, P.S.C. Case No. 2024-00141.*

⁴ In the Matter of: An Electronic Examination of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from May 1, 2023 through October 31, 2023, P.S.C. Case No. 2024-00149.

⁵ *In the Matter of: An Electronic Examination of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 2021 through April 30, 2022, P.S.C. Case No. 2022-00268.*

⁶ *In the Matter of: An Electronic Examination of the Application of the Fuel Adjustment Clause of Big Rivers Electric Corporation from November 1, 2023 through April 30, 2024, P.S.C. Case No. 2025-00078.*

1 • Case No. 2023-00310⁷ (Big Rivers' 2023 IRP proceeding)

2

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

4 A. My testimony, pursuant to Ordering Paragraph No. 6 (a) – (e), (g), and (k) of
5 the Commission's Order on December 19, 2025, will address the following:

6 (a) The reasonableness of BREC's fuel procurement practices
7 during the review period.

8 (b) Coal suppliers' adherence to contract delivery schedules during
9 the review period.

10 (c) BREC's efforts to ensure coal suppliers' adherence to contract
11 delivery schedules during the review period.

12 (d) BREC's efforts to maintain the adequacy of its coal supplies in
13 light of any coal supplier's inability or unwillingness to make contract
14 coal deliveries.

15 (e) Any changes in coal market conditions that occurred during the
16 review period or that BREC expects to occur within the next two years
17 that have significantly affected or will significantly affect BREC's coal
18 procurement practices.

19 (g) Actions taken by BREC to mitigate fuel costs for its customers.

⁷ *In the Matter of: Electronic 2023 Integrated Resource Plan of Big Rivers Electric Corporation*, P.S.C. Case No. 2023-00310.

1 (k) How coal consumption is recorded for a unit that is in reserve
2 shutdown.

3

4 Q. Have Big Rivers' fuel procurement purchases and practices for solid
5 fuel during the Review Period been reasonable?

6 A. Yes. Big Rivers' practices have included a determined focus on procuring the
7 best price and quality blend needed for unit reliability and efficiency for
8 needed demand. Big Rivers continues to review and appropriately act in the
9 spot, mid-term, and long-term fuel and logistics markets, in a concerted and
10 planned fashion, to attempt to limit its exposure to volatility in the
11 marketplace and to ensure competitive and reliable fuel supply. Big Rivers'
12 fuel procurement practices include interaction with various departments
13 within the Company (finance, risk management, generation planning,
14 operations, energy marketing, and material handling) to ensure that any fuel
15 supply agreements being contemplated meet the planned generation and
16 inventory goals of the Company. Solid fuel is secured after evaluation of fuel
17 quality, and of the reliability and economic competitiveness of the fuel
18 provider considering the short- and long-term fuel needs at Wilson
19 generating station, Big Rivers' only remaining coal-fired unit. Big Rivers
20 strives for transparency within and outside of the cooperative, ensuring that
21 its procurement practices are sound, ethical, and appropriate for the
22 intended purpose. Big Rivers engages in formal competitive bid processes

1 and follows internal controls (internal bid opening processes to include
2 multiple persons and departments, bid tabulation and review by various
3 constituencies of the Company, and internal risk management evaluation) to
4 ensure transparency, accountability, and appropriate officer and
5 management level approval for procurement action. Big Rivers' fuel
6 procurement costs are competitive compared to the fuel benchmarking
7 performed amongst Kentucky utilities.

8

9 **Q. Please discuss the reasonableness of Big Rivers' natural gas**
10 **procurement practices during the review period.**

11 A. During the majority of the review period Big Rivers had three natural gas
12 fired generators, two natural gas operating units at the Green Station
13 ("Green Units") and one combustion turbine at Reid Station ("Reid CT"). The
14 Reid CT operated as a peaking unit, and for reliability needs within the
15 MISO⁸ system until August of 2024, when it experienced a catastrophic
16 failure. The two Green Units generate in MISO when market pricing and
17 demand are both met. Big Rivers purchases gas on the spot market when
18 any of its' units are called upon. ACES⁹ procures all the gas to meet Big
19 Rivers' needs when required. ACES' gas traders maintain a list of available

⁸ MISO = Midcontinent Independent System Operator, Inc.

⁹ ACES is a nationwide energy management company, headquartered in Carmel, Indiana, that helps its clients buy, sell, and manage energy.

1 gas suppliers for Big Rivers, so they have a variety of choices if the need
2 arises to procure gas.

3 Big Rivers purchases natural gas under a North American Energy
4 Standard Board (“NAESB”) base contract and has fourteen active NAESB
5 contracts for gas supply purchases. Big Rivers has a transmission agreement
6 with Texas Gas Transmission, LLC to supply the gas to Big Rivers’ delivery
7 location (9464-Big Rivers - Sebree).

8 As Big Rivers gas-fired generators do not operate on a daily basis, a
9 firm gas contract is not warranted at this time. Big Rivers’ gas procurement
10 efforts during the Review Period have been reasonable and practical, and
11 represent the least cost methodology of procuring gas for the operation of
12 both Green Units and the Reid CT.

13

14 **Q. Have Big Rivers’ coal suppliers adhered to their contract delivery
15 schedules during the Review Period?**

16 A. Yes, the coal supply contracts are compliant with contract delivery schedules
17 that were established during the time frame of the Review Period.

18 From time to time, there are various impediments to delivery (mine
19 operations, river-related matters of freezing, flooding and/or drought,
20 equipment break-down, *etc.*) that cause delays. Most often, shipments are
21 rescheduled to deliver the product at a later date, via alternate mode of
22 transportation, or carried forward into the subsequent month or quarter to

1 complete delivery. Such makeup of delayed tonnage is based upon the
2 contractual language of the coal supply agreement and the reason for delay
3 (e.g., force majeure).

4

5 **Q. What efforts has Big Rivers made in general to help ensure coal**
6 **suppliers' adherence to contract delivery schedules during the**
7 **Review Period?**

8 A. Big Rivers' fuel department personnel review its delivery schedules with
9 suppliers, with providers of logistics services, and with Big Rivers' generating
10 station contacts on a daily basis to ensure that scheduled tonnage has been
11 completed during the course of the term of the contractual agreement. In the
12 event of delay (mining, loading/unloading, and/or logistics issues), the parties
13 confer and agree upon revised schedules to ensure completion of contractual
14 tonnage amounts. Contract shipment status is reviewed weekly, monthly,
15 and quarterly to ensure contractual compliance. In the event of an extended
16 force majeure, the non-declaring party has a contractual option as to whether
17 to reschedule any shortfall tonnage. Contractual documents for coal supply
18 denote that time is of the essence regarding coal delivery and that failure to
19 deliver is a material breach of the contractual agreement, which could result
20 in termination of the coal supply agreement. Big Rivers has not had, to date,
21 a situation where it needed to invoke contract language regarding delinquent
22 or missed shipments. In such an event, the supplier would be provided notice

1 of its material breach of non-delivery pursuant to the contractual agreement
2 and would be obligated to remedy such default or face the potential
3 termination of the agreement.

4

5 **Q. What efforts has Big Rivers made to maintain the adequacy of its**
6 **coal supplies in light of any coal supplier's inability or unwillingness**
7 **to make coal contract deliveries?**

8 A. Big Rivers makes reasonable efforts to work with its suppliers to set delivery
9 schedules and to reschedule shipments, in a timely fashion, in the event of
10 delays. In the event of an extended delay, such as a force majeure, Big Rivers
11 would, if necessary, seek alternative spot or contract supply to cover any
12 shortfall due to such an extended delay. Big Rivers also maintains a
13 reasonable inventory supply at its generating station as a buffer to ensure
14 that it has adequate fuel supply at all times, despite delayed or interrupted
15 shipment deliveries. When contract conditions will allow, Big Rivers may
16 also provide notice of its desire for increased tonnage within its coal supply
17 agreements to assist during shipment shortfall(s) by another of its suppliers
18 or to utilize pricing advantages.

19

20

21

1 **Q. Please describe any changes in coal market conditions that occurred**
2 **during the Review Period or that Big Rivers expects to occur within**
3 **the next two years that have significantly affected or will**
4 **significantly affect Big Rivers' solid fuel procurement practices.**

5 A. With natural gas pricing staying elevated, there is potential for tighter
6 demands for coal supply due to coal's competitiveness, at least in the near
7 term. Coal consumption forecast is predicting an increase over 2025. The
8 demand for overall electricity is also higher. Another concern is fewer coal
9 producers as compared to prior years.

10 While various market pressures have created challenges in coal
11 procurement, Big Rivers will continue its due diligence actively surveying the
12 marketplace for opportunities to secure its fuel supply for short- and long-
13 term business, while ensuring prudent procurement decisions. Illinois Basin
14 production in Western Kentucky projected to remain relatively stable and
15 consistent throughout 2027. Future generation and renewables expansion
16 are expected to place pressure on coal fired facilities.

17 Higher inventories will help eliminate sudden sharp price spikes.
18 Over the Review Period, Big Rivers continues to monitor and maintain
19 contingency inventory levels with targets near 90-day coal supply. At
20 present, Big Rivers has adequate coal supply and contracts continue to be
21 fulfilled as required.

22

1 **Q. Please discuss actions taken by Big Rivers to mitigate fuel related**
2 **costs for its customers.**

3 A. Big Rivers currently operates under long-term competitive coal supply
4 contracts. The gas units run when economical to do so, which is based on
5 the volatility of gas prices. Big Rivers constantly monitors market prices
6 for all fuel-related commodities. Big Rivers takes full advantage of lower
7 fuel pricing when available. Big Rivers remains in close contact and
8 maintains great relationships with fuel suppliers.

9

10 **Q. Please explain how coal consumption is recorded for a unit that is**
11 **in reserve shutdown;**

12 A. Big Rivers does not record any coal consumption when a unit is in reserve
13 shutdown, except in the event if an annual inventory true-up were to occur
14 during a reserve shutdown. Auditors require annual inventory evaluations
15 conducted for tonnage on the ground compared to tonnage on the books. If a
16 true up is deemed necessary, there is potential for a write up or write down
17 recorded in conjunction to a reserve shutdown.

18

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

20 A. Yes.

21