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 ELECTRIC CORPORATION FOR THE SIX-MONTH BILLING PERIOD ENDING JANUARY 31, 2026	)))))	**Case No. 2026-00089**

Big Rivers Electric Corporation's

Response to Commission Staff's Fifth Request for Information dated September 24, 2026

FILED: October 13, 2026

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 BILLING PERIOD ENDING JANUARY 31, 2026 CASE NO. 2026-00089

VERIFICATION

I, Rebecca L. (Becky) Shelton, verify, state, and affirm that the data 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.

Rebecca L. Shelton

COMMONWEALTH OF KENTUCKY)
COUNTY OF DAVIESS)

SUBSCRIBED AND SWORN TO before me by Rebecca L. Shelton on this the 8th day of October 2026.

Notary Public, Kentucky State at Large
Notary ID KYNP113611
My Commission Expires 4-27-2030

SENTHIA TOWERY SANTANA
Notary Public
Commonwealth of Kentucky
Commission Number KYNP113611
My Commission Expires Apr 27, 2030

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 BILLING PERIOD ENDING JANUARY 31, 2026
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VERIFICATION

I, Christopher A. Warren, verify, state, and affirm that the data 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

COMMONWEALTH OF KENTUCKY)
COUNTY OF DAVIESS)

SUBSCRIBED AND SWORN TO before me by Christopher A. Warren on this the 8th day of October 2026.

Notary Public, Kentucky State at Large
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VERIFICATION

I, Micah C. Bushnell, verify, state, and affirm that the data 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.

Micah C. Bushnell

COMMONWEALTH OF KENTUCKY)
COUNTY OF DAVIESS)

SUBSCRIBED AND SWORN TO before me by Micah C. Bushnell on this the 8th day of October 2026.

Notary Public, Kentucky State at Large

Notary ID KYNP113611

My Commission Expires 4-27-2030

SENTHIA TOWERY SANTANA
Notary Public
Commonwealth of Kentucky
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IN THE MATTER OF:
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CASE NO. 2026-00089

RESPONSE OF BIG RIVERS ELECTRIC CORPORATION TO COMMISSION STAFF'S FIFTH REQUEST FOR INFORMATION DATED SEPTEMBER 24, 2026

OCTOBER 13, 2026

Item 1) ***Refer to BREC's response to Staff's First Request for Information (Staff's First Request), Item 5c. Provide the actual average residential customer's monthly usage for the 12 months ending January 31, 2026. Based on this usage amount, provide the dollar impact of the Nucor contract's impact on the environmental surcharge of $991,552 would have on the average residential customer's monthly bill for the review period. Provide the response in Excel spreadsheet format with all formulas, columns, and rows intact and fully accessible.***

Response) The $991,552 referenced above from Staff's First Request for Information Item 5d represents the hypothetical environmental surcharge that Nucor would have been assessed during the review period if applicable. This amount was not assessed to Nucor or any Member Owner.

IN THE MATTER OF:
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OCTOBER 13, 2026

Attached Exhibit "PSC 5-1," in Excel spreadsheet format, provides the impact to the Member-Owners' Rural class with the Revised ES calculation showing two (2) examples to reflect the approximate Annual Impact to the Average Residential household served. The impact to the Member-Owners' Rural class is shown on an annual basis with the twelve months ending January 31, 2026.

Example 1 incorporates the addition of Nucor's monthly revenue into the Member Revenue and Average Member Revenue on Form 3.00 and Form 3.10. Nucor is not billed in Example 1. Example 1 will increase the annual residential household bill.

Example 2 incorporates the addition of Nucor's monthly revenue into the Member Revenue and Average Member Revenue on Form 3.00 and Form 3.10. Nucor is hypothetically billed in Example 2. Big Rivers does not currently have a mechanism for such billing to occur and would need to recover that amount from its Members through a different mechanism as Big Rivers has no shareholders to absorb such costs.

IN THE MATTER OF:
AN ELECTRONIC EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF BIG RIVERS ELECTRIC CORPORATION FOR THE SIX-MONTH BILLING PERIOD ENDING JANUARY 31, 2026
CASE NO. 2026-00089

RESPONSE OF BIG RIVERS ELECTRIC CORPORATION TO COMMISSION STAFF'S FIFTH REQUEST FOR INFORMATION DATED SEPTEMBER 24, 2026

OCTOBER 13, 2026

Witness) Rebecca L. (Becky) Shelton

IN THE MATTER OF:
AN ELECTRONIC EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF BIG RIVERS ELECTRIC CORPORATION FOR THE SIX-MONTH BILLING PERIOD ENDING JANUARY 31, 2026
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RESPONSE OF BIG RIVERS ELECTRIC CORPORATION TO COMMISSION STAFF'S FIFTH REQUEST FOR INFORMATION DATED SEPTEMBER 24, 2026

OCTOBER 13, 2026

Item 2) ***Refer to BREC's response to Staff's Third Request for Information (Staff's Third Request), Item 2. Provide the actual average residential customer's monthly usage for the 12 months ending January 31, 2026. Based on this usage amount, provide the dollar impact of the Nucor contract's impact on the Member Rate Stability Mechanism (MSRM) of $202,358 would have on the average residential customer's monthly bill for the review period. Provide the response in Excel spreadsheet format with all the formulas, columns, and rows intact and fully accessible.***

Response) Member Rate Stability Mechanism (MRSM) is calculated annually at the end of the fiscal year. All Net Margins above the 1.30 TIER requirement are applied as forty percent (40%) to our Members as a monthly bill credit and sixty percent (60%) to credit the Regulatory Liability as approved in KY PSC Case 2020-00064.

IN THE MATTER OF:
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RESPONSE OF BIG RIVERS ELECTRIC CORPORATION TO COMMISSION STAFF'S FIFTH REQUEST FOR INFORMATION DATED SEPTEMBER 24, 2026

OCTOBER 13, 2026

Previously filed Exhibit "PSC 3-2" is the revised 2024 MRSM calculation showing the monthly allocations distributed during the 2025 calendar year. This MRSM revision incorporates a $202,358 increase to net margins, representing the additional revenue Big Rivers would have collected under the revised Environmental Surcharge (ES) methodology during 2024 from Member-Owners and Large Industrials excluding Nucor. The revised ES methodology includes Nucor revenues within both Total Member Revenues and Average Monthly Member Revenues as well as the adjustment to the Over/Under Recovery for the review period. Consequently, the revised 2024 MRSM reflects the following allocations: $121,414.80 increase to the Regulatory Liability account, $57,759.21 increase to the Rural customer class, and $23,183.99 increase to the Large Industrial customer class. Consistent with tariff guidelines, the revised MRSM excluded Nucor from receiving MRSM bill credits.

The attached Exhibit "PSC 5-2," in Excel spreadsheet format, details the $57,759.21 increase to the Rural customer class of the revised MRSM that would have been distributed among the three Member Owners Rurals in 2025. Subsequently,

Member Owners would allocate the MRSM to their respective end-user customers, including residential households.

Based on a simplified allocation of each Member Owner's total annual increase spread across their average 2025 residential households served, the following figures represent the projected per household impact for the full year 2025.

	2025 Annual MRSM increase		2025 Avg Residential No. Served	Total Approx Annual MRSM increase per Residential Customer Served - 2025
Jackson Purchase	$16,151.89		23,989	$ 0.67
Kenergy	$29,256.08		47,514	$ 0.62
Meade County	$12,351.24		29,572	$ 0.42
Total	$57,759.21			

Witness) Rebecca L. (Becky) Shelton

IN THE MATTER OF:
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RESPONSE OF BIG RIVERS ELECTRIC CORPORATION TO COMMISSION STAFF'S FIFTH REQUEST FOR INFORMATION DATED SEPTEMBER 24, 2026

OCTOBER 13, 2026

Item 3) ***Explain the relationship between the Midcontinent Independent System Operator (MISO) rates and BREC's environmental surcharge.***

Response) As MISO rates (i.e. market prices) increase, BREC's power plants are more likely to increase production. Conversely, as market prices decrease, BREC's power plants are more likely to reduce production. As correctly characterized in the KPSC Intra-Agency Memorandum regarding the Informal Conference of September 30, 2026, BREC's variable costs recovered through the environmental surcharge are directly tied to variable production of BREC's power plants. Therefore, changes in MISO prices are positively correlated to environmental surcharge costs.

Also, correctly characterized in the memorandum, is that the environmental surcharge costs are unimpacted by BREC's variations in electric load. Therefore, the changes in variable environmental surcharge costs are solely caused by MISO prices, and would happen regardless of BREC load levels.

IN THE MATTER OF:
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RESPONSE OF BIG RIVERS ELECTRIC CORPORATION TO COMMISSION STAFF'S FIFTH REQUEST FOR INFORMATION DATED SEPTEMBER 24, 2026

OCTOBER 13, 2026

Witness) Micah C. Bushnell

IN THE MATTER OF:
AN ELECTRONIC EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF BIG RIVERS ELECTRIC CORPORATION FOR THE SIX-MONTH BILLING PERIOD ENDING JANUARY 31, 2026
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OCTOBER 13, 2026

Item 4) ***Refer to BREC's response to Staff's Fourth Request for Information (Staff's Fourth Request), Item 4. Provide support for the $0.2 million estimate of the margin Nucor provided during the review period.***

Response) The support for the estimated margin for Nucor is provided in the below confidential table.

IN THE MATTER OF:
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RESPONSE OF BIG RIVERS ELECTRIC CORPORATION TO COMMISSION STAFF'S FIFTH REQUEST FOR INFORMATION DATED SEPTEMBER 24, 2026

OCTOBER 13, 2026

Witness) Christopher A. Warren

IN THE MATTER OF:
AN ELECTRONIC EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF BIG RIVERS ELECTRIC CORPORATION FOR THE SIX-MONTH BILLING PERIOD ENDING JANUARY 31, 2026
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OCTOBER 13, 2026

Item 5) ***Refer to BREC's response to Staff's Fourth Request, Item 2. Provide an explanation of how the $814,520 Capital Spend through the review period is accounted for in the Environmental Surcharge.***

Response) Capital spending between June 2025 and November 2025 totaled $814,520 on Eligible Pollution Control projects. Each monthly capital spend accumulates into the Construction Work in Progress (CWIP) for such projects as show on ES Form 2.10. To determine the net investment upon which a return is authorized, the total CWIP is combined with the Eligible Gross Plant in Service for a subtotal as shown on ES Form 2.00. This subtotal is a component in calculating the Environmental Compliance Rate Base. The Environmental Compliance Rate Base is used to calculate the Return on Rate Base which is a component of the Environmental Compliance Plan revenue requirement monthly, ES Form 1.10.

Witness) Rebecca L. (Becky) Shelton

IN THE MATTER OF:
AN ELECTRONIC EXAMINATION BY THE PUBLIC SERVICE COMMISSION OF THE ENVIRONMENTAL SURCHARGE MECHANISM OF BIG RIVERS ELECTRIC CORPORATION FOR THE SIX-MONTH BILLING PERIOD ENDING JANUARY 31, 2026
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Item 6) ***Provide the expected monthly impact the Environmental Surcharge and MRSM will have on each BREC Cooperative Member's rural and industrial rates in dollars per month at a typical kwh/month usage.***

Response) The attached confidential Exhibit "PSC 5-6 ES," in Excel spreadsheet format, provides the impact to the Member-Owners' Rural and Large Industrial class with the Revised ES calculation showing two (2) examples to reflect the approximate Annual Impact. The impact on the Member-Owners' Rural and Large Industrial classes is shown on an annual basis with the twelve months ending January 31, 2026. The impact on the Member-Owners' Rural class is also shown as an approximated monthly impact on the average residential household.

Example 1 incorporates the addition of Nucor's monthly revenue into the Member Revenue and Average Member Revenue on Form 3.00 and Form 3.10. Nucor is <u>not billed</u> in Example 1. Example 1 would increase the annual ES Revenue billed to both Member-Owners Rural and Large Industrial class.

Example 2 incorporates the addition of Nucor's monthly revenue into the Member Revenue and Average Member Revenue on Form 3.00 and Form 3.10. Nucor is hypothetically billed in Example 2. Big Rivers does not currently have a mechanism for such billing to occur and would still need to recover those costs from its Members through a different mechanism since Big Rivers has no shareholders to absorb such costs. Example 2 would lower the annual ES Revenue billed to Member-Owners Rural class while increasing the Large Industrial class with the inclusion of Nucor's calculated charge.

The attached confidential Exhibit "PSC 5-6 MRSM," in Excel spreadsheet format, is the revised 2024 Member Rate Stability Mechanism (MRSM) calculation showing the monthly allocations distributed during the 2025 calendar year. This MRSM revision incorporates a $202,358 increase to net margins, representing the additional revenue Big Rivers would have collected under the revised Environmental Surcharge (ES) methodology during 2024 from Member-Owners and Large

Industrials excluding Nucor. The revised ES methodology includes Nucor revenues within both Total Member Revenues and Average Monthly Member Revenues as well as the adjustment to the Over/Under Recovery for the review period. Consequently, the revised 2024 MRSM reflects the following allocations: $121,414.80 increase to the Regulatory Liability account, $57,759.21 increase to the Rural customer class, and $23,183.99 increase to the Large Industrial customer class. Consistent with tariff guidelines, the revised MRSM excluded Nucor from receiving MRSM bill credits.

Exhibit "PSC 5-2" previously detailed the $57,759.21 increase to the Rural customer class of the revised MRSM that would have been distributed among the three Member Owners Rurals in 2025. Subsequently, Member Owners would allocate the MRSM to their respective end-user customers, including residential households.

Exhibit "5-6 MRSM" details the $23,183.99 increase to the Large Industrial class of the revised MRSM that would have been distributed among the Large Industrial customer class in 2025. Consistent with tariff guidelines, the revised MRSM excluded Nucor from receiving MRSM bill credits.

In summary, as currently calculated, the integration of Nucor into the Big Rivers system load has resulted in a net-zero financial impact on both the Environmental Surcharge (ES) and the Member Rate Stability Mechanism (MRSM), as Big Rivers incurs no incremental environmental compliance costs due to Nucor. Consequently, retail members experience identical rate impacts under the existing special contract framework as they would absent Nucor's load.

As demonstrated in Example 1, a revision to the ES methodology that incorporates Nucor's revenues would create an adverse financial impact, increasing the net monthly billing obligations for retail customers in both the Rural and Large Industrial classes. Example 2, with a revision to the ES methodology that incorporates Nucor's revenues while hypothetically allocating the ES charge to Nucor, would lower the ES for both Rurals and Large Industrials. Under Example 2, Big Rivers would be unable to collect the charges allocated to Nucor from Nucor, and would still need to recover such environmental compliance costs. Should the Commission determine that a modification to the current ES methodology is

warranted like Example 2, Big Rivers proposes incorporating such charges into the existing Interim Energy Adjustment (IEA) rider. However, it should be noted that incorporating Nucor's revenues in the ES calculation shifts the jurisdictional allocation of environmental compliance costs, increasing the percentage of environmental compliance costs recovered from Big Rivers' Members. As such, incorporating Nucor's revenues in the environmental surcharge calculation, either through Example 1 (where Nucor is not hypothetically allocated an ES charge) or Example 2 (where Nucor's hypothetical allocation is recovered through the IEA) results in all other retail customers paying a higher Environmental Surcharge than under the current methodology of excluding Nucor's revenues from the ES calculation.

Witness: Rebecca L. (Becky) Shelton