



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

In the Matter of:

AN ELECTRONIC EXAMINATION BY THE PUBLIC	)	
SERVICE COMMISSION OF THE	)	
ENVIRONMENTAL SURCHARGE MECHANISM OF	)	Case No.
BIG RIVERS ELECTRIC CORPORATION FOR THE	)	2026-00089
SIX-MONTH BILLING PERIOD ENDING JANUARY	)	
31, 2026	)	

DIRECT TESTIMONY

OF

**DONALD L. ("DON") GULLEY
PRESIDENT AND CHIEF EXECUTIVE OFFICER**

ON BEHALF OF

BIG RIVERS ELECTRIC CORPORATION

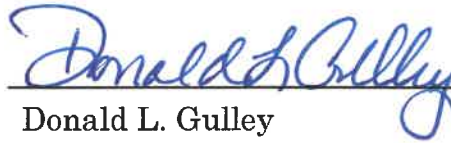
October 13, 2026

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

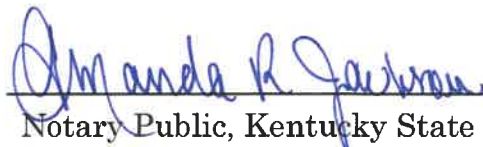
I, Donald L. Gulley, verify, state, and affirm that I prepared or supervised the preparation of the Direct Testimony filed with this Verification, and that Direct Testimony is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.


Donald L. Gulley

COMMONWEALTH OF KENTUCKY)
COUNTY OF DAVIESS)

12 SUBSCRIBED AND SWORN TO before me by Donald L. Gulley on this the
day of October 2026.




Notary Public, Kentucky State at Large

Notary ID

My Commission Expires

March 23, 2027

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

2 A. Yes. I provided written responses to information requests and oral
3 testimony in Case Nos. 2024-00141 and 2024-00149, in which the
4 Commission reviewed Big Rivers' application of its Fuel Adjustment
5 Clause.

6
7 **Q. Please briefly describe your responsibilities.**

8 A. As President and Chief Executive Officer, I am responsible for the overall
9 management and strategic direction of Big Rivers. My responsibilities
10 include oversight of generation, transmission, finance, environmental
11 compliance, regulatory affairs, and member services. I work closely with
12 management and the Board of Directors to ensure that Big Rivers
13 continues to provide reliable and cost-effective electric service to its
14 Member Owners.

15
16 **Q. What is the purpose of your testimony in this proceeding?**

17 A. The purpose of my testimony is to provide an executive-level perspective on
18 the issues presented in this proceeding. I discuss Big Rivers'
19 administration of the Environmental Surcharge, the Company's obligations
20 under the Commission-approved Nucor contract, the broader context
21 surrounding the questions raised by Commission Staff, and the substantial

benefits the Nucor project has provided and continues to provide to Big Rivers, its Members, their consumers, and the Commonwealth.

Q. Will you be sponsoring any exhibits?

A. No.

II. BROADER CONTEXT

Q. Why are environmental compliance investments important to Big Rivers?

A. Environmental compliance is essential to Big Rivers' ability to operate its generating fleet safely, reliably, and in accordance with applicable federal and state environmental requirements. Failure to make necessary environmental investments could jeopardize continued operation of generation resources, expose Big Rivers to significant regulatory risk, and ultimately increase costs to our Members and their consumers.

Q. Does Big Rivers consider the impact of costs on consumers?

A. Absolutely. Because Big Rivers is a cooperative-owned generation and transmission utility, our focus is always on serving our Members and their consumers. When a cooperative absorbs a cost, that cost is ultimately borne by the membership as a whole. We also recognize that affordability is

1 critically important, and our objective is to balance reliability, compliance,
2 and cost in a manner that provides long-term value.

3

4 **Q. Are you familiar with the environmental surcharge mechanism**
5 **reviewed in this proceeding?**

6 A. Yes.

7

8 **Q. Based upon your review and discussions with the employees**
9 **responsible for administering the surcharge, do you believe the**
10 **surcharge was applied consistently with Commission-approved**
11 **requirements?**

12 A. Yes. Based upon my review and discussions with Company personnel, I
13 believe the environmental surcharge was administered in accordance with
14 the Commission-approved tariff and applicable Commission order
15 approving the Nucor Contract.

16

17 **Q. Is Big Rivers free to modify Nucor's treatment under the**
18 **Environmental Surcharge?**

19 A. As previously mentioned contractually Nucor's treatment under the
20 Environmental Surcharge changes at the end of the initial stage of the
21 contract. The terms under which Nucor receives service were approved by
22 the Commission and incorporated into a binding electric service agreement.

1 Big Rivers is obligated to administer that agreement according to its
2 approved terms.

3

4 **Q. Has Big Rivers taken seriously the concerns and questions raised**
5 **by Commission Staff in this proceeding?**

6 A. Yes. Big Rivers appreciates the Commission's oversight responsibilities and
7 has devoted substantial effort to responding fully and transparently to
8 Staff's requests for information. We have attempted to provide complete
9 explanations regarding the environmental costs incurred, the operation of
10 the surcharge mechanism, and other matters raised during this review.

11

12 **Q. Why is that important?**

13 A. Transparency and regulatory accountability are essential components of
14 maintaining the confidence of our Members, their consumers, lenders, and
15 regulators. Big Rivers is committed to working collaboratively with the
16 Commission and its Staff to address questions regarding the operation of
17 the surcharge mechanism.

18

19 **III. ISSUES RAISED BY THE STAFF'S REQUEST FOR INFORMATION**

20 **Q. How do you frame the issues raised by the Staff's requests for**
21 **information?**

1 A. I view the requests raising two related questions. First, does Nucor's load
2 cause incremental environmental compliance costs, meaning whether any
3 environmental compliance costs are attributable to serving Nucor. Second,
4 does Big Rivers' administration of the Environmental Surcharge, which
5 excludes Nucor revenues consistent with the Commission-approved
6 contract, result in an unreasonable calculation of the Environmental
7 Surcharge factor or an unreasonable allocation of environmental costs
8 among customers. I will summarize Company's position regarding the first
9 question; however Big Rivers' responses to prior information requests and
10 its discussion at the Informal Conference provide additional detail.

11 Dr. Mathews' testimony focuses primarily on the second question
12 and should be read together with Big Rivers' response to Commission
13 Staff's Fifth Request for Information, which provides the specific
14 calculations and analyses requested by the Commission.

15

16 **Q. Turning to the first issue, does Nucor's load cause incremental**
17 **environmental compliance costs?**

18 A. No.

19

20 **Q. Why not?**

1 A. Environmental compliance costs are incurred because Big Rivers owns and
2 operates generating assets that are subject to environmental regulations.
3 Those costs are not driven by any individual customer's load.

4
5 **Q. Did Big Rivers construct any environmental compliance facilities**
6 **as a result of the Nucor project?**

7 A. No.

8
9 **Q. Did Big Rivers install any additional environmental control**
10 **equipment because of Nucor?**

11 A. No.

12
13 **Q. What significance do you attach to those facts?**

14 A. They demonstrate that Nucor did not create incremental environmental
15 capital costs. The environmental compliance investments reflected in the
16 ES would have been incurred regardless of whether Nucor was a member.

17
18 **Q. What about environmental operating costs?**

19 A. Big Rivers participates in the MISO market. Generation dispatch decisions
20 are driven by market economics rather than by the requirements of any
21 individual retail customer. As a result, increases in a particular customer's

1 load do not necessarily cause increased generation output from Big Rivers'
2 generating units or increased environmental compliance costs.

3

4 **Q. What conclusion do you draw?**

5 A. In practical terms, the Members are paying the same ES costs they would
6 have paid if Nucor had never come onto the system. Big Rivers has not
7 identified any incremental environmental compliance costs attributable to
8 serving Nucor.

9

10 **Q. Is Nucor unique in the sense that it did not cause Big Rivers to**
11 **incur additional environmental compliance investments or**
12 **expenses?**

13 A. No. Load growth does not necessarily require additional environmental
14 compliance investments. A new residential customer, a new commercial
15 facility, or an expansion by an existing customer may increase load without
16 causing Big Rivers to incur incremental environmental compliance costs.
17 The issue is not unique to Nucor.

18

19 **Q. What makes Nucor different during the initial stage of its contract?**

20 A. Most new load would generally be subject to the Environmental Surcharge
21 Rider under Big Rivers' tariffs. Nucor, however, is served under a
22 Commission-approved contract that reflects the unique circumstances of a

1 large, long-term industrial development project. That contractual
2 framework was designed to support the project while providing significant
3 benefits to Big Rivers and its Members. Accordingly, evaluating the Nucor
4 project requires consideration not only of Environmental Surcharge
5 calculations, but also the broader financial and economic benefits resulting
6 from the Commission-approved arrangement.

7
8 **IV. BENEFITS OF THE NUCOR PROJECT TO BIG RIVERS, ITS**
9 **MEMBERS, AND THE REGION**

10 **Q. Does Big Rivers believe the Commission should view the**
11 **environmental surcharge impacts associated with the initial stage**
12 **of the Nucor Contract in isolation?**

13 A. No. While the specific questions before the Commission concern
14 environmental surcharge impacts during the review period, it is important
15 to evaluate those impacts within the broader context of the overall benefits
16 Nucor has provided and will provide to Members and consumers.

17
18 **Q. Why is Nucor important to Big Rivers and its Members?**

19 A. Nucor represents a large economic development project in Kentucky and a
20 significant load addition. Nucor's load helped replace a substantial portion
21 of the industrial load lost following the departure of the aluminum
22 smelters, , strengthened Big Rivers' financial condition and supported

1 improved credit metrics. As Big Rivers has previously explained, the Nucor
2 project was also an important factor in Big Rivers obtaining a second
3 investment-grade credit rating, reducing borrowing costs, and restoring
4 compliance with its RUS loan requirements.

5 Additionally, the Nucor project has produced significant economic-
6 development benefits for Kentucky. As recognized by the Commission in
7 the Nucor Contract approval proceeding, the facility was expected to create
8 approximately 400 direct jobs, more than 2,600 indirect jobs, generate
9 substantial annual labor income and tax revenues, and contribute
10 hundreds of millions of dollars annually to Kentucky's economy. Those
11 benefits extend to the community through increased employment
12 opportunities, business activity, and economic growth.

13
14
15 **Q. Do the economic development related benefit you described above**
16 **represent the full extent of the benefits associated with the Nucor**
17 **project?**

18
19 **A.** No. They are only one example of the broader benefits associated with the
20 Nucor project. As a result, any discussion of the impacts identified in
21 Commission Staff's analyses should be considered within the broader
22 context of the substantial benefits the Nucor project has provided and will

1 provide to Big Rivers, its Members, their consumers, and the region. To
2 fully evaluate the impact of the Nucor agreement, it is important to
3 consider not only the benefits that are being realized today, but also how
4 the contractual rate structure was designed to operate over the life of the
5 agreement.

6
7 **Q. Why is it important to not only examine the impact of the fixed**
8 **rate applicable to the initial stage of the Nucor Contract?**

9 A. Because the initial fixed-rate structure was only one component of a long-
10 term agreement designed to secure a transformational industrial load for
11 Big Rivers, its Members, and western Kentucky. Evaluating only the initial
12 fixed-rate period provides an incomplete picture of the agreement and the
13 benefits it was intended to produce over time.

14
15 **Q. Please explain.**

16 A. When the agreement was negotiated, the parties recognized that attracting
17 a project of Nucor's size and significance required a competitive rate
18 structure. The fixed-rate provisions applicable during the initial stage of
19 the contract were an important part of bringing that investment to
20 Kentucky and securing the large load. Those provisions, however, do not
21 remain in place for the entire life of the agreement.

1 **Q. What happens after the initial fixed-rate period?**

2 A. After the initial stage, the rate structure changes in accordance with the
3 provisions approved by the Commission. At that point, the pricing
4 applicable to Nucor differs from the pricing structure that applies during
5 the initial contract period. For example Nucor will be paying the relevant
6 riders, such as the Fuel Adjustment Clause mechanism and the
7 Environmental Surcharge mechanism.

8

9 **Q. Why is that important when evaluating the agreement?**

10 A. Because the agreement was designed as a long-term arrangement, and
11 many of its benefits continue well beyond the initial fixed-rate period.
12 Focusing exclusively on the early years of the contract fails to account for
13 the long-term value associated with retaining a large industrial load on the
14 Big Rivers system over multiple decades.

15

16 **Q. What are some of the long-term benefits associated with that**
17 **design?**

18 A. The long-term benefits include continued utilization of Big Rivers'
19 generation and transmission assets, increased system stability, support for
20 future transmission cost recovery, ongoing economic activity within the
21 region, and the opportunity for Members and their consumers to benefit

1 from having a major industrial customer remain on the system for an
2 extended period of time.

3

4 **Q. How does this relate to the issues before the Commission in this**
5 **proceeding?**

6 A. The questions raised in this proceeding focus on certain effects of the
7 contractual rate structure during the initial fixed-rate period. While those
8 questions are appropriate to examine, it is also important to recognize that
9 the Nucor agreement was intended to produce benefits over the entire term
10 of the contract. In my view, those impacts should be evaluated in the
11 context of the agreement as a whole rather than by looking at only one
12 component of the contract during one portion of its term.

13

14

15 **V. ALTERNATIVE ASSUMPTIONS**

16 **Q. What do you understand regarding the analysis and calculations**
17 **that Commission Staff requested from Big Rivers in the**
18 **proceeding?**

19 A. I understand that Staff has requested demonstration of how the ES
20 calculation would change if different assumptions were used, including
21 assumptions regarding the treatment of Nucor revenues.

22

1 **Q. What did the analysis show?**

2 A. Based on my review of written discovery in this proceeding and discussions
3 with the employees responsible for administering the surcharge and
4 sponsoring Big Rivers' responses to Staff's questions I believe the analysis
5 shows that if Big Rivers used the methodology requested in the discovery it
6 would shift cost to members. This is shown in detail in answer to PSC 5-6.
7 In summary, a change in the methodology would result in an estimated
8 \$0.95 to \$1.64 increase in average monthly ES per household, depending on
9 the alternative methodology and taking into account the differences in the
10 Member average household usage.

11

12

13

14 **VI. CONCLUSION**

15 **Q. Has Big Rivers attempted to be transparent with the Commission**
16 **regarding Nucor-related issues?**

17 A. Yes. We have devoted substantial resources to responding to Commission
18 Staff's requests for information, participating in informal conferences,
19 providing analyses requested by Staff, and supplying information
20 concerning the impacts of the Nucor contract on customers, rates, and Big
21 Rivers' financial performance. We remain committed to full transparency
22 regarding these issues.

1

2 **Q. What message would you like the Commission to take from your**
3 **testimony?**

4 A. This is not a cost shift from Nucor to the Members' consumers. The
5 Members' consumers remain responsible for the same underlying
6 environmental surcharge costs they would have borne in the absence of
7 Nucor's load. The Nucor project has delivered significant and continuing
8 benefits to our Members and their consumers. The environmental costs
9 reflected in this proceeding are actual costs incurred in maintaining
10 compliance obligations. When viewed in their entirety, the benefits
11 associated with Nucor substantially outweigh the bill impacts identified in
12 this proceeding.

13

14 **Q. What are your recommendations to the Commission?**

15 A. I recommend that the Commission find that Big Rivers reasonably
16 administered its Environmental Surcharge during the review period and
17 approve the environmental surcharge recoveries reflected in the Company's
18 filings.

19

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

21 A. Yes.