

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF BIG RIVERS	)	
ELECTRIC CORPORATION FOR THE SIX-	)	CASE NO.
MONTH BILLING PERIODS ENDING JANUARY	)	2012-00534
31, 2012 AND JULY 31, 2012, AND THE PASS	)	
THROUGH MECHANISM OF ITS THREE	)	
MEMBER DISTRIBUTION COOPERATIVES	)	

ORDER

On June 25, 2008, the Commission approved Big Rivers Electric Corporation's ("Big Rivers") environmental surcharge application and established a surcharge mechanism.<sup>1</sup> The Commission also approved a mechanism to pass through the environmental surcharge to Big Rivers' three member distribution cooperatives ("Member Cooperatives").<sup>2</sup> Pursuant to KRS 278.183(3), at six-month intervals, the Commission must review the past operations of the environmental surcharge. After the hearing, the Commission may, by temporary adjustment in the surcharge, disallow any surcharge amounts found not to be just and reasonable and reconcile past surcharges with actual costs recoverable pursuant to KRS 278.183(1). The Commission has

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<sup>1</sup> Big Rivers was authorized to implement an environmental surcharge in Case No. 2007-00460, The Application of Big Rivers Electric Corporation for Approval of an Environmental Compliance Plan and Environmental Surcharge Tariff (Ky. PSC Jun. 25, 2008).

<sup>2</sup> The three Member Cooperatives were authorized to implement a pass-through mechanism in Case No. 2007-00470, Application of Meade County Rural Electric Cooperative Corporation for Approval of Retail Tariff Riders, Revised Tariffs and New Tariff, and for Approval of Amendment of Wholesale Agreement (Ky. PSC Dec. 12, 2008); Case No. 2008-00009, Application of Kenergy Corp. for Approval of Retail Tariff Riders and Revised Tariffs, Approval of Smelter Agreements, and Approval of Amendment to Wholesale Agreement (Ky. PSC Dec. 12, 2008); and Case No. 2008-00010, The Application of Jackson Purchase Energy Corporation for Approval of Retail Tariff Riders, Revised Tariffs, New Tariff, and Amendment of Wholesale Agreement (Ky. PSC Dec. 12, 2008).

determined that it will be administratively efficient and reasonable to review the two pending six-month periods in the same case. Therefore, the Commission hereby initiates a six-month review of the environmental surcharge as billed by Big Rivers from August 1, 2011 through January 31, 2012, and from February 1, 2012 through July 31, 2012 to the Member Cooperatives. The billing period under review reflects costs incurred by Big Rivers from June 1, 2011 through November 30, 2011, and from December 1, 2011 through May 31, 2012. The Commission also initiates the corresponding review of the pass-through mechanism for the Member Cooperatives as billed from September 1, 2011 through February 28, 2012, and from March 1, 2012 through August 31, 2012 to their retail member customers and August 1, 2011 to January 31, 2012, and from February 1, 2012 through July 31, 2012 for large commercial and industrial customers with dedicated delivery points.<sup>3</sup>

To facilitate this review, a procedural schedule is set forth in Appendix A, attached hereto and incorporated herein. In accordance with that schedule, Big Rivers is to file prepared direct testimony in support of the reasonableness of the application of its environmental surcharge mechanism during the time periods under review. Also in accordance with that schedule, the three Member Cooperatives, or Big Rivers on their

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<sup>3</sup> The Commission's Orders in Case Nos. 2007-00470, 2008-00009, and 2008-00010 allow the Member Cooperatives to pass through the environmental surcharge to all their retail customers, except large commercial and industrial customers with dedicated delivery points, on a one-month lag. Therefore, the costs incurred from June 2011 through November 2011 are billed to the Member Cooperatives in the months of August 2011 through January 2012, with these same costs passed through to the member's retail customers on the bills for September 2011 through February 2012. The costs incurred from December 2011 through May 2012 are billed to the Member Cooperatives in the months of February 2012 through July 2012, with these same costs passed through to the member's retail customers on the bills for March 2012 through August 2012. Those customers with dedicated delivery points, which include the two aluminum smelters served by Kenergy Corp., are billed without the one-month lag necessary for the retail customers, therefore, their billing period covers the same time frame as Big Rivers.

behalf, is to file prepared direct testimony in support of the reasonableness of the application of the pass-through mechanism during the time periods under review. In addition, Big Rivers is to file its response to the information requested in Appendix B, attached hereto and incorporated herein. Since each of the periods under review in this proceeding may have resulted in over- or under-recoveries, the Commission will entertain proposals to adopt one adjustment factor to net all over- or under-recoveries.

IT IS HEREBY ORDERED that:

1. Big Rivers and each of its three Member Cooperatives listed in footnote 2 shall be made parties to this case.

2. The procedural schedule set forth in Appendix A, attached hereto and incorporated herein, shall be followed in this proceeding.

3. Big Rivers shall, by the date set forth in Appendix A, file its prepared direct testimony in support of the reasonableness of the application of its environmental surcharge mechanism and the three Member Cooperatives, or Big Rivers on their behalf, shall file by that date their prepared direct testimony in support of the reasonableness of the application of the pass-through mechanism during the periods under review.

4. Any party filing testimony shall file an original and seven copies.

5. a. The information requested herein is due on or before the date specified in Appendix A. Responses to requests for information shall be appropriately bound, tabbed and indexed and shall include the name of the witness responsible for responding to the questions related to the information provided, with copies to all parties of record and seven copies to the Commission.

b. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

c. Any party shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect.

d. For any request to which a party fails or refuses to furnish all or part of the requested information, that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

6. Within seven days of the Commission's granting intervention to a party, Big Rivers shall provide the party with a copy of its monthly environmental surcharge reports as filed with the Commission for the review period.

7. Big Rivers' monthly environmental surcharge reports and supporting data for the review periods shall be incorporated by reference into the record of this case.

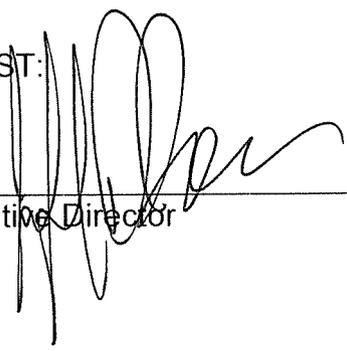
8. The Commission does not look favorably upon motions for continuance. Accordingly, motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

9. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission

ENTERED   
DEC 13 2012  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
\_\_\_\_\_  
Executive Director

Case No. 2012-00534

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2012-00534 DATED **DEC 13 2012**

- Big Rivers shall file its prepared direct testimony and responses to the information requested in Appendix B no later than..... 01/16/13
- An informal conference is to begin at 1:30 p.m., Eastern Standard Time, in Conference Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky for the discussion of issues..... 02/05/13
- All additional requests for information to Big Rivers shall be filed no later than ..... 02/27/13
- Big Rivers shall file responses to additional requests for information no later than ..... 03/13/13
- Intervenor testimony, if any, in verified prepared form shall be filed no later than ..... 03/27/13
- All requests for information to Intervenors shall be filed no later than ..... 04/10/13
- Intervenors shall file responses to requests for information no later than ..... 04/24/13
- Last day for Big Rivers or Intervenors to request a hearing or submit this case for decision based on the record..... 05/06/13

## APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2012-00534 DATED DEC 13 2012

### COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO BIG RIVERS ELECTRIC CORPORATION

1. Prepare a summary schedule showing the calculation of E(m) and the surcharge factor for the expense months covered by the billing periods under review. Form 1.1 can be used as a model for this summary. Include the expense months for the two expense months subsequent to the billing period in order to show the over- and under-recovery adjustments for the months included for the billing period. Include a calculation of any additional over- or under-recovery amount Big Rivers believes needs to be recognized for the billing periods under review. Include all supporting calculations and documentation for the additional over- or under-recovery.

2. For each of the three Member Cooperatives, prepare a summary schedule showing the Member Cooperative's pass-through revenue requirement for the months corresponding with the billing periods under review. Include the two months subsequent to the billing periods included in the review periods. Include a calculation of any additional over- or under-recovery amount the Member Cooperative believes needs to be recognized for the billing periods under review. Include all supporting calculations and documentation for the additional over- or under-recovery.

3. For each of the three Member Cooperatives, provide a description of the Member Cooperatives monthly environmental surcharge reporting process including the lag periods used by each Member Cooperative.

4. Refer to Form 2.5, Operating and Maintenance Expenses, for each of the expense months covered by each billing period under review. For each of the expense line items listed on this schedule, explain the reason(s) for any change in the expense levels from month to month if that change is greater than plus or minus 10 percent.

Albert Yockey  
VP of Governmental Relations  
Big Rivers Electric Corporation  
201 Third Street  
Henderson, KY 42419-0024