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February 20, 2014

Via Federal Express

Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

FEB 21 2014

PUBLIC SERVICE
COMMISSION

Re: *In the Matter of: The Application of
Big Rivers Electric Corporation for a General
Adjustment in Rates, PSC Case No. 2012-00535*

Dear Mr. Derouen:

Enclosed for filing are an original and ten copies of (i) Big Rivers Electric Corporation's responses to the second set of rehearing requests for information from Commission Staff, the Attorney General, Kentucky Industrial Utility Customers, Inc., and Sierra Club, (ii) a petition for confidential treatment, and (iii) a motion for deviation in the above referenced matter. I certify that on this date, a copy of this letter, a copy of the responses, a copy of the petition, and a copy of the motion for deviation were served on the persons listed on the attached service list by overnight courier service or first class mail, postage prepaid.

Sincerely,



Tyson Kamuf

TAK/ej
Enclosures

cc: Billie Richert
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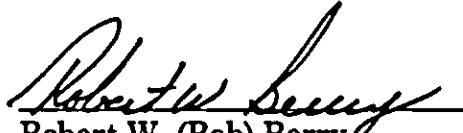
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BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

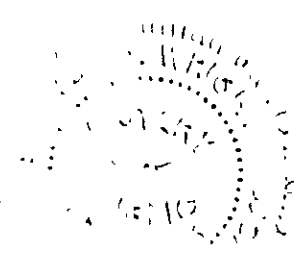
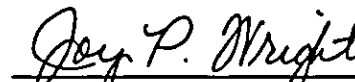
VERIFICATION

I, Robert W. (Bob) Berry, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.


Robert W. (Bob) Berry

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Robert W. (Bob) Berry on
this the 17 day of February, 2014.



Notary Public, Ky. State at Large
My Commission Expires _____

Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

VERIFICATION

I, Billie J. Richert, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Billie J. Richert

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Billie J. Richert on this
the 17 day of February, 2014.



Notary Public, Ky. State at Large
My Commission Expires _____

Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951



BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

VERIFICATION

I, John Wolfram, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

John Wolfram



COMMONWEALTH OF KENTUCKY)
COUNTY OF JEFFERSON)

SUBSCRIBED AND SWORN TO before me by John Wolfram on this the 18th day
of February, 2014.

Notary Public, Ky. State at Large
My Commission Expires August 5, 2015



ORIGINAL



Your Touchstone Energy® Cooperative 

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

**APPLICATION OF BIG RIVERS)
ELECTRIC CORPORATION FOR A) Case No. 2012-00535
GENERAL ADJUSTMENT IN RATES)**

**Responses to the Commission Staff's
Supplemental Rehearing Requests for Information
dated February 10, 2014**

FILED: February 21, 2014

ORIGINAL



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BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

**Response to Commission Staff's
Supplemental Rehearing Request for Information
Dated February 10, 2014**

February 21, 2014

1 Item 1) *Refer to page 3 of Big Rivers' response to Item 2 of Commission Staff's*
2 *First Rehearing Request for Information ("Staff's First Rehearing Request"). Beginning*
3 *at line 7, the response explains that taxes and insurance attributable to the Coleman*
4 *Station are lower when the station is idled compared to when it is running, and that the*
5 *difference is \$110,226 for the test period. The sentence starting at line 10 indicates that*
6 *Big Rivers originally had no basis to assume that taxes and insurance would be lower*
7 *when the station was idled. The last sentence in the response indicates that the*
8 *incremental taxes and insurance were removed from the revenue requirement in Case*
9 *No. 2013-00199.¹*

10 a) *Provide the approximate date during its budget/negotiation process with the*
11 *Midcontinent Independent System Operator, Inc. and the Independent Market*
12 *Monitor that Big Rivers became aware that the taxes and insurance attributable to*
13 *the Coleman Station would be lower with the station idled compared to when it is*
14 *running.*

15 b) *Identify the types of taxes and insurance to which the response refers.*

¹ Case No. 2013-00199, Application of Big Rivers Electric Corporation for a General Adjustment in Rates Supported by a Fully Forecasted Test Period (filed June, 28, 2013).

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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Dated February 10, 2014**

February 21, 2014

- 1 *c) Explain whether Big Rivers believes an adjustment should be made to reduce its*
2 *revenue requirement in this proceeding by \$110,226.*
- 3 *d) Explain whether the last sentence was included in the response solely for*
4 *information purposes.*
- 5 *e) Explain whether the last sentence was included in the response to indicate that*
6 *there is no need to reflect the lower expense in this case since it has been*
7 *recognized by Big Rivers in Case No. 2013-00199.*

8 **Response)**

- 9 a) During a September 26, 2013 conference call with MISO and the IMM, Big Rivers
10 was informed that it could only include the incremental property taxes and property
11 insurance of operating the Coleman Station, as compared to idling it. On October 1,
12 2013, Big Rivers confirmed with the Kentucky Department of Revenue that the
13 estimated incremental property taxes could be lower with Coleman Station idled than
14 with it running. On October 3, 2013, Big Rivers confirmed with the insurance carrier
15 that the estimated incremental property insurance costs would be lower with
16 Coleman Station idled than with it running.
- 17 b) The response refers to property taxes and property insurance.

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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Dated February 10, 2014**

February 21, 2014

1 c) Big Rivers does not believe that an adjustment is necessary in this instance because
2 FERC has not approved the SSR agreement or the budget. As in the Ameren case,
3 FERC accepted and suspended the Coleman SSR agreement for filing, to become
4 effective September 1, 2013, as requested, subject to refund and further FERC
5 order. If, however, FERC issues an order finding that the SSR budget should be
6 adjusted, any payments made pursuant to the SSR agreement will be subject to
7 refund for the difference between the proposed and the adjusted budgets. Century
8 has filed a protest with FERC regarding the SSR budget.

9 In addition to the fact that the budget is not a final, approved budget, the
10 amount in question is also *de minimis*. The annual amount is \$110,226, which is
11 equivalent to \$9,186.50 per month, for the five-month period between August 20,
12 2013 and January 31, 2014. The subject taxes and insurance were adjusted out of the
13 revenue requirement in Case No. 2013-00199 with rates that went into effect on
14 February 1, 2014, subject to refund. If this amount were credited entirely to the
15 demand charge for RDS and LIC on a 12-CP basis, it would reduce the monthly
16 demand charge for each rate class by \$0.00136/kW-month. This amount is
17 negligible for the short period of time that the rates in this case were in effect.

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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Dated February 10, 2014**

February 21, 2014

1 d) The last sentence was included in the response to provide assurances that the tax and
2 insurance costs attributable to the Coleman Station are appropriately reflected on a
3 prospective basis in the rates from Case No. 2013-00199, which were placed in effect
4 on February 1, 2014 subject to refund.

5 e) The last sentence in the response relates to the rates effective on February 1, 2014
6 and does not directly pertain to the short period of time in which the rates from the
7 instant case were in effect; each refers to a different time period. Assuming the
8 proposed SSR budget is ultimately approved by FERC over Century's challenge, the
9 reason there is no need to reflect the projected lower expense in this case is explained
10 in the response to part c of this response.

11

12 Witness) Robert W. Berry



BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

**Response to Commission Staff's
Supplemental Rehearing Request for Information
Dated February 10, 2014**

February 21, 2014

1 Item 2) *Refer to page 4 of Big Rivers' response to Item 2 of Staff's First Rehearing*
2 *Request and pages 5-6 of the Direct Testimony of Robert W. Berry ("Berry Testimony")*
3 *filed with the Federal Energy Regulatory Commission on November 1, 2013, and which*
4 *was filed in this proceeding on November 22, 2013, in the updated response to Item 3 of*
5 *the Commission Staff's Fourth Request for Information.*

6 a. *Under the System Support Resource ("SSR") Agreement filed with the Berry*
7 *Testimony, Big Rivers is to receive \$715,643 annually as a 7.85 percent return on*
8 *net rate base for carrying costs of fuel, reagent, and materials and supplies*
9 *required to operate the Coleman Station during the term of the SSR Agreement.*
10 *Given that Big Rivers' cost of capital is based on its debt cost, explain how the rate*
11 *of 7.85 percent was derived.*

12 b. *In view of its status as a member-owned cooperative organization, explain why the*
13 *amount Big Rivers receives as a "return" on net rate base, as budgeted for the*
14 *same 12-month period as the test year in this case, should not be used to benefit its*
15 *members by offsetting its revenue requirement by that amount.*

16
17 Response)

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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February 21, 2014

- 1 a. The 7.85% value was based on the 2012 annual calculation of Cost of Capital & Cost
2 of Debt; see attached.
- 3 b. The "return' on net rate base," as used in this request is equivalent to the amount Big
4 Rivers receives for the carrying costs of fuel, reagent materials and supplies required
5 to operate the Coleman Station during the term of the SSR. Big Rivers' revenue
6 requirement in this case should not be offset by this amount for several reasons.

7 First, as explained in Big Rivers' response to Item 2 of the Commission
8 Staff's First Rehearing Request, the amounts Big Rivers receives under the SSR
9 Agreement are intended "to reimburse Big Rivers for the incremental costs associated
10 with running Coleman Station over and above the cost Big Rivers would incur if
11 Coleman were idled." This includes the return on net rate base, which reimburses Big
12 Rivers for the carrying costs of fuel, reagent, and materials and supplies required to
13 operate the Coleman Station during the term of the SSR Agreement. If Big Rivers
14 did not have to run Coleman Station, Big Rivers would not have to use its funds for
15 the fuel, reagent, and materials and supplies required to operate Coleman Station, and
16 Big Rivers would otherwise be able to invest those funds and/or to pay down debts;
17 that is, they are synonymous with Big Rivers' Cost of Capital & Cost of Debt. Thus,
18 the return on net rate base, like the other reimbursements under the SSR Agreement,

Case No. 2012-00535

Response to Commission Staff's Supplemental Rehearing Item 2

Witnesses: Robert W. Berry, John Wolfram

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BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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1 is intended to make Big Rivers whole and ensure no costs of operating Coleman
2 Station under the SSR Agreement are borne by Big Rivers' Members. Since these
3 revenues are only received during the SSR period, and expire upon the termination of
4 the SSR period, they are not included in the revenue requirement in Case No. 2012-
5 00535.

6 Second, regulated utilities are entitled to earn a fair and reasonable rate of
7 return on their investments.¹ Crediting the carrying cost paid through the SSR as an
8 offset to the revenue requirement would be tantamount to denying Big Rivers a return
9 on its investment related to fuel, reagent, and materials and supplies. If Big Rivers
10 was operating Coleman, but not under SSR status, Big Rivers' revenue requirement
11 would include a carrying cost or return (in the form of TIER). Since it would be
12 appropriate to include the return or carrying costs in Member rates if Coleman were
13 not under SSR status, it is similarly appropriate for Big Rivers to receive the return or
14 carrying costs when Coleman is operated under SSR status.

15 Third, as previously stated in response to PSC 2-1(c), FERC has not approved
16 the SSR agreement or the budget. As in the Ameren case, FERC accepted and

¹ *Bluefield Water Works and Improvement Co. v. Public Service Commission of West Virginia ("Bluefield")*, 262 U.S. 679 (1923).

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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CASE NO. 2012-00535**

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February 21, 2014

1 suspended the Coleman SSR agreement for filing, to become effective September 1,
2 2013, as requested, subject to refund and further Commission order. If, however,
3 FERC issues an order finding that the SSR budget should be adjusted, any payments
4 made pursuant to the SSR agreement will be subject to refund for the difference
5 between the proposed and the adjusted budgets. Century has filed a protest with
6 FERC regarding the SSR budget, specifically this item.

7 Fourth, the payment of the carrying cost is a single issue for which the
8 information did not exist at the time the evidentiary record in the original case was
9 closed. To adjust the revenue requirement for this sole item on rehearing without
10 reviewing any other costs or revenues that may have changed since the closure of the
11 evidentiary record would amount to single-issue ratemaking and would be
12 inappropriate.

13 Finally, as a member-owned cooperative organization, any amounts Big
14 Rivers receives will, by definition, benefit its Members. The only question is what
15 form those benefits will take. Big Rivers' TIER for 2013 was 1.20, which does not
16 support a reduction in base rates for the time period in which the rates from this case
17 were in effect.

18

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535

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February 21, 2014

1 Witnesses) Robert W. Berry, John Wolfram

**Big Rivers Electric Corporation
Annual Cost of Capital & Cost of Debt**

2012

Cost of Debt:

(1)	Gross Interest expense on long-term debt	\$45,032,787
(2)	13-month average principal balance	\$854,877,336
(3)	Cost of Debt [(1) / (2)]	5.27%

Depreciation & Amortization:

(4)	Depreciation & Amortization	\$44,285,610
(5)	13-month average gross plant in service	\$1,978,885,601
(6)	Depreciation & Amortization [(4) / (5)]	2.24%

Property Taxes:

(7)	Property Taxes	\$3,598,467
(8)	13-month average gross plant in service	\$1,978,885,601
(9)	Property Taxes [(7) / (8)]	0.18%

Property Insurance:

(10)	Property Insurance	\$3,177,416
(11)	13-month average gross plant in service	\$1,978,885,601
(12)	Property Insurance [(10) / (11)]	0.16%

(13)	Cost of Capital [(3) + (6) + (9) + (12)]	7.85%
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