November 28, 2016

VIA FEDERAL EXPRESS

Dr. Talina R. Mathews
Executive Director
Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: In the Matter of: Application of Big Rivers Electric Corporation for a Declaratory Order
Case No. 2016-00278

Dear Dr. Mathews:

Enclosed for filing are an original and ten (10) copies of Big Rivers Electric Corporation's response to the information requested in the Kentucky Public Service Commission's November 21, 2016, Order in the above-referenced matter. I certify that on this date, a copy of this letter and a copy of the response were served on each of the persons listed on the attached Service List by first class mail.

Sincerely,

Tyson Kamuf
Counsel for Big Rivers Electric Corporation

TAK/abg

Enclosures

cc: Service List
Service List
Case No. 2016-00278

Dawn Kelsey
City Attorney
City of Henderson
222 First Street
Henderson, Kentucky 42420

John N. Hughes
124 West Todd Street
Frankfort, Kentucky 40601

H. Randall Redding
King, Deep, Branaman
127 North Main Street
Post Office Box 43
Henderson, Kentucky 42419

Sharon W. Farmer
King, Deep, Branaman
127 North Main Street
Post Office Box 43
Henderson, Kentucky 42419
BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A DECLARATORY ORDER
CASE NO. 2016-00278

VERIFICATION

I, Robert W. (Bob) Berry, verify, state, and affirm that the data request response 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.

[Signature]

Robert W. (Bob) Berry

COMMONWEALTH OF KENTUCKY )
COUNTY OF HENDERSON )

SUBSCRIBED AND SWORN TO before me by Robert W. (Bob) Berry on this the 28th day of November, 2016.

[Signature]

Kathenice Rose
Notary Public, Kentucky State at Large
My Commission Expires 10-31-2020
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

APPLICATION OF
BIG RIVERS ELECTRIC CORPORATION
FOR A DECLARATORY ORDER

Responses to Commission Staff's Request for Information
dated
November 21, 2016

FILED: November 28, 2016

ORIgINAL
Response to Commission Staff’s Request for Information
dated November 21, 2016

November 28, 2016

1 Supplemental Item) Provide a detailed explanation of Big Rivers' obligation to run Station Two in situations where Big Rivers bids Station Two into the MISO capacity and energy markets and Station Two clears those markets.

Response) A couple of clarifications are necessary to properly respond to this request. First, the MISO capacity market and MISO energy market are two distinct processes. There is no excess capacity associated with HMP&L's reservation; therefore, this response assumes the request refers to the energy market only.

The process through which Big Rivers “bids” Station Two into the market is called an Energy Offer. The Energy Offer for any generating resource, including the two units at Station Two, will include a great deal of detailed information about the terms under which the resource is offered into the MISO energy market as well as information on the operating characteristics of the generating resource.

Two important terms under which a resource is offered into the market are the Commitment Status and Dispatch Status. There are five valid Commitment Statuses for generating resources:

1. Outage – The resource is not available for commitment because the resource is on a planned or forced outage.
Due to HMP&L's demands that Big Rivers must keep both units in continuous operation, Big Rivers offers the Station Two units into MISO as “Must Run” Commit status and “Economic” Dispatch status. This offer designation simply means that MISO will always award the units to operate regardless if they are economical or not. If the offer price (variable cost) of the unit is higher than
the Day Ahead market price then MISO will dispatch the unit at its minimum operating level. If the offer price is lower than the Day Ahead market price then MISO will dispatch the unit above its minimum operating level, up to its maximum operating level.

The Day Ahead Award creates a financial obligation on the part of the generator and MISO. The generator must provide the MW's specified in the Day Ahead Award and MISO must pay the generator for those MW's at the Day Ahead Locational Marginal Pricing ("DA LMP"). If the generator fails to produce the MW's, it must purchase replacement power in the MISO Real-Time market. The Real-Time Locational Marginal Price ("RT LMP") could be more or less than the DA LMP and the generator bears the risk for that difference.

If HMP&L would allow Big Rivers to idle the Station Two units when they are not economical to operate, Big Rivers could offer the units in "Economic" Commitment and "Economic" Dispatch status. This offer strategy would allow MISO to consider all of the operating capabilities and operating costs of the unit when determining whether the unit will receive a Day Ahead Award. In those circumstances, MISO also guarantees that that the unit will realize full cost recovery either through the DA LMP or other after-the-fact adjustment mechanisms. Therefore, MISO will not grant the unit a Day Ahead Award unless it actually clears the market.

Witness) Robert W. Berry