

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)	CASE NO.
OF BIG RIVERS ELECTRIC CORPORATION FOR)	2025-00052
THE SIX-MONTH BILLING PERIODS ENDING)	
JANUARY 31, 2024, JULY 31, 2024 AND)	
JANUARY 31, 2025)	

ORDER

On April 3, 2025, the Commission initiated a review of Big Rivers Electric Corporation's (BREC) environmental surcharge¹ as billed to its member distribution cooperatives (Member Cooperatives)² for the six-month expense months ending January 31, 2024, July 31, 2024, and January 31, 2025.

Pursuant to KRS 278.183(3), at six-month intervals, the Commission must review the past operations of the environmental surcharge. 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).

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

² The three BREC Member Cooperatives are Meade County Rural Electric Cooperative Corporation, Kenergy Corp., and Jackson Purchase Energy Corporation.

The April 3, 2025 Order also initiated a six-month review of the three BREC Member Cooperatives' pass-through mechanisms,³ for the six-month review periods billed beginning September 1, 2023, March 1, 2024, and September 1, 2024 for their retail member customers, and billed beginning August 1, 2023, February 1, 2024, and August 1, 2024, for large commercial and industrial customers with dedicated delivery points. For those customers with dedicated delivery points, the environmental surcharge bills are rendered without the one-month lag necessary for all other retail customers.

The April 3, 2025 Order included a procedural schedule that provided for discovery, the filing of prepared testimony, and intervenor testimony.⁴ BREC filed prepared direct testimony and responded to one round of discovery from Commission Staff. On June 30, 2025, BREC filed a statement indicating that it and each of its three Member Cooperatives believe that an evidentiary hearing is not necessary and that the matter may be submitted for adjudication based on the existing record. As there are no intervenors in this case and BREC requested a decision based on the record⁵, the Commission will decide this case based on the evidence of record.

³ The three Member Cooperatives were authorized to implement a pass-through mechanism in separate cases: 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), Order; 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), Order; 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), Order.

⁴ Order (Ky. PSC Apr. 3, 2025), Appendix A.

⁵ BREC's Request that the Case be Submitted for a Decision (filed June 30, 2025).

COMPLIANCE PLANS

The Commission has approved three environmental compliance plans for BREC. BREC's environmental compliance plan approved by the Commission in Case No. 2007-00460⁶ (2007 Plan) consisted of programs and associated costs dealing with the control of sulfur dioxide, nitrogen oxide, and sulfur trioxide.⁷ The 2007 Plan included only operating and maintenance (O&M) costs.⁸

In Case No. 2012-00063,⁹ the Commission approved certain additions to the 2007 Plan relating to the Mercury and Air Toxics Standards (MATS).¹⁰ The additions (2012 Plan) involved installing activated carbon injection and dry sorbent injection systems and emission control monitors at BREC's Coleman, Wilson, and Green generating stations; and installing emission control monitors at Henderson Municipal Power & Light's Station Two generation station (Station Two).¹¹ The 2012 Plan included capital costs and O&M associated with these projects.¹² Because of the termination of retail power contracts by two aluminum smelters, BREC idled the Coleman Station in May 2014 and did not install

⁶ Case No. 2007-00460, *Application of Big Rivers Electric Corporation for Approval of Environmental Compliance Plan and Environmental Surcharge Tariff* (Ky. PSC June 25, 2008), Order.

⁷ Direct Testimony of Rebecca L. Shelton (Shelton Direct Testimony) (filed Apr. 28, 2025) at 3–4.

⁸ Shelton Direct Testimony at 4.

⁹ Case No. 2012-00063, *Application of Big Rivers Electric Corporation for Approval of Its 2012 Environmental Compliance Plan, for Approval of Its Amended Environmental Cost Recovery Surcharge Tariff, for Certificates of Public Convenience and Necessity, and for Authority to Establish a Regulatory Account* (Ky. PSC Oct. 1, 2012), Order.

¹⁰ Shelton Direct Testimony at 4.

¹¹ Shelton Direct Testimony at 5.

¹² Shelton Direct Testimony at 5.

the MATS compliance equipment at Coleman Station. Station Two was retired in January 2019.¹³

In Case No. 2019-00435,¹⁴ the Commission approved additional projects at BREC's Wilson and Green generation stations and Station Two (2020 Plan).¹⁵ These projects included moving control equipment from Coleman to Wilson, closing ash ponds at Green Station and Station Two, and installing a landfill cover at Wilson Station.¹⁶ The 2020 Plan included capital costs and O&M associated with these projects.¹⁷

BREC's environmental surcharge mechanism allows BREC to recover costs related to the 2007 Plan, the 2012 Plan, and the 2020 Plan, less proceeds from by-product and emission allowance sales, plus or minus an ongoing cumulative over- or under-recovery adjustment.¹⁸

SURCHARGE ADJUSTMENT

BREC did not request any additional over- or under-recovery of its environmental costs; BREC stated that the normal over-/under-recovery carry-forward element of its environmental surcharge mechanism is operating as intended.¹⁹ The Commission has reviewed and finds reasonable BREC's calculation of its environmental surcharge costs

¹³ Shelton Direct Testimony at 5.

¹⁴ Case No. 2019-00435, *Electronic Application of Big Rivers Electric Corporation for Approval of Its 2020 Environmental Compliance Plan, Authority to Recover Costs Through a Revised Environmental Surcharge and Tariff, the Issuance of a Certificate of Public Convenience and Necessity for Certain Projects, and Appropriate Accounting and Other Relief* (Ky. PSC Aug. 6, 2020), Order.

¹⁵ Shelton Direct Testimony at 5–6.

¹⁶ Shelton Direct Testimony at 5–6.

¹⁷ Shelton Direct Testimony at 6.

¹⁸ Shelton Direct Testimony at 6.

¹⁹ Shelton Direct Testimony at 9.

for the review period covered in this proceeding and further finds no need for any adjustments of BREC's recovery of its environmental costs as a result of its review.

RATE OF RETURN

For the period under review in this proceeding, BREC recovered capital costs associated with the 2012 and 2020 Plans through its environmental surcharge mechanism. BREC's Environmental Surcharge (ES) Tariff provides that the rate of return on the environmental rate base is the weighted average debt cost for approved environmental compliance plan projects, multiplied by a Times Interest Earned Ratio (TIER) factor.²⁰ In accordance with its ES Tariff, BREC determined the weighted average cost of debt and applied a TIER of 1.24 to the weighted average cost of debt to produce the monthly rates of return for the review period.²¹ BREC's ES Tariff provides that BREC's monthly environmental costs should be based on actual costs and revenues for the current expense month. BREC determines the average cost of debt for the current expense month rather than using a historical average or forecasted amount. The Commission has reviewed and finds reasonable BREC's determination of the rates of return for each month of the review period.

RETAIL PASS-THROUGH MECHANISM

The Member Cooperatives did not request any additional over- or under-recovery under their respective surcharge pass-through mechanisms.²² The Commission has reviewed and finds reasonable each of the Member Cooperatives' calculations of its

²⁰ TFS2012-00748 Big Rivers Electric Corporation Tariff PSC KY No. 24, Original Sheet No. 47.

²¹ Shelton Direct Testimony at 8.

²² Shelton Direct Testimony at 9.

respective over- or under-recoveries for the review period covered in this proceeding and further finds no need for any subsequent adjustments of the Member Cooperatives' pass-through amounts as a result of this review.

IT IS THEREFORE ORDERED that:

1. BREC's request to submit this case for a decision on the existing evidence of record without a hearing is granted.

2. BREC's determination that it had no additional over- or under-recovery for the review period is approved.

3. The amounts billed by BREC through its environmental surcharge for the six-month billing periods ending January 31, 2024, July 31, 2024, and January 31, 2025, are approved as reasonable.

4. The amounts billed by the three Member Cooperatives through their respective environmental surcharge pass-through mechanisms for the six-month billing periods ending January 31, 2024, July 31, 2024, and January 31, 2025, for all customers with dedicated delivery points are approved as reasonable.

5. The amounts billed by the three Member Cooperatives through their respective environmental surcharge pass-through mechanisms for the six-month billing periods ending February 2024, August 2024, and February 2025, for all other non-dedicated delivery point customers are approved as reasonable.

6. The rates of return determined by BREC for each month of the review period are approved as reasonable.

7. This case is closed and removed from the Commission's docket.

PUBLIC SERVICE COMMISSION


Chairman


Commissioner


Commissioner

ATTEST:


Executive Director



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