

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 )	2025-00317
THE TWO-YEAR BILLING PERIOD ENDING JULY )	
31, 2025 )	

ORDER

On November 3, 2025, the Commission initiated a review of Big Rivers Electric Corporation's (BREC) environmental surcharge<sup>1</sup> as billed to its member distribution cooperatives (Member Cooperatives)<sup>2</sup> for the two-year billing period ending July 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).

The November 3, 2025 Order also initiated a two-year review of the three BREC Member Cooperatives' pass-through mechanisms,<sup>3</sup> for the two-year review periods billed

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<sup>1</sup> 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.

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

<sup>3</sup> 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*

beginning September 1, 2023, through August 31, 2025, for their retail member customers, and billed beginning August 1, 2023, through July 31, 2025, 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 November 3, 2025 Order included a procedural schedule that provided for discovery, the filing of prepared testimony, and intervenor testimony.<sup>4</sup> BREC filed prepared direct testimony and responded to one round of discovery<sup>5</sup> On March 11, 2026, 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 record<sup>6</sup>, the Commission will decide this case based on the evidence of record.

### COMPLIANCE PLANS

The Commission has approved an environmental compliance plan for BREC as well as amendments as described below. BREC's environmental compliance plan approved by the Commission in Case No. 2007-00460<sup>7</sup> (2007 Plan) consisted of

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*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.*

<sup>4</sup> Order (Ky. PSC Nov. 3, 2025), Appendix A.

<sup>5</sup> BREC's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Dec. 4, 2025).

<sup>6</sup> BREC's Request that the Case be Submitted for a Decision (filed Mar. 11, 2026).

<sup>7</sup> 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.

programs and associated costs dealing with the control of sulfur dioxide, nitrogen oxide, and sulfur trioxide.<sup>8</sup> The 2007 Plan included only operating and maintenance (O&M) costs.<sup>9</sup>

In Case No. 2012-00063,<sup>10</sup> the Commission approved certain additions to the 2007 Plan relating to the Mercury and Air Toxics Standards (MATS).<sup>11</sup> 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 as well as installing emission control monitors at Henderson Municipal Power & Light's Station Two generation station (Station Two).<sup>12</sup> The 2012 Plan included capital and operations and maintenance (O&M) costs associated with these projects.<sup>13</sup> Because of the termination of retail power contracts by two aluminum smelters, BREC idled the Coleman Station in May 2014 and did not install the MATS compliance equipment at Coleman Station. The Coleman Station was retired in January 2019.<sup>14</sup>

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<sup>8</sup> Direct Testimony of Rebecca L. Shelton (Shelton Direct Testimony) (filed Dec. 4, 2025) at 4.

<sup>9</sup> Shelton Direct Testimony at 4.

<sup>10</sup> 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.

<sup>11</sup> Shelton Direct Testimony at 5.

<sup>12</sup> Shelton Direct Testimony at 5.

<sup>13</sup> Shelton Direct Testimony at 5.

<sup>14</sup> Shelton Direct Testimony at 5.

In Case No. 2019-00435,<sup>15</sup> the Commission approved additional projects at BREC's Wilson and Green generation stations and Station Two (2020 Plan).<sup>16</sup> These projects included moving control equipment from the Coleman Station to the Wilson Station, closing ash ponds at the Green and Coleman Stations, and installing a landfill cover at Wilson Station.<sup>17</sup> The 2020 Plan included capital and O&M costs associated with these projects.<sup>18</sup>

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.<sup>19</sup>

#### 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.<sup>20</sup> The Commission has reviewed and finds reasonable BREC's calculation of its environmental surcharge costs 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.

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<sup>15</sup> 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.

<sup>16</sup> Shelton Direct Testimony at 6.

<sup>17</sup> Shelton Direct Testimony at 6.

<sup>18</sup> Shelton Direct Testimony at 6.

<sup>19</sup> Shelton Direct Testimony at 6.

<sup>20</sup> Shelton Direct Testimony at 10.

## RATE OF RETURN

BREC earned a rate of return (ROR) on the environmental rate base (calculated on Form 2.00 of its monthly ES filing) equal to its monthly weighted average cost of debt plus the application of a Times Interest Earned Ratio (TIER) of 1.24.<sup>21</sup> 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.<sup>22</sup> 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.<sup>23</sup> The Commission has reviewed and finds reasonable each of the Member Cooperatives' calculations of its 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.

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<sup>21</sup> Shelton Direct Testimony at 8.

<sup>22</sup> BREC's Tariff, PSC KY No. 24, Original Sheet No. 47.

<sup>23</sup> Shelton Direct Testimony at 10.

## SURCHARGE ROLL-IN

BREC is not proposing to incorporate any environmental surcharge amounts into its existing base rates at this time.<sup>24</sup> BREC stated that it does not believe any environmental surcharge amounts need to be incorporated into its base rates in conjunction with this two-year review.<sup>25</sup> BREC stated that this position aligns with the Member Cooperatives' request that the amount appearing on a customer's bill for environmental compliance charges represent the total portion of their environmental compliance charge, versus having a portion of those charges embedded in base rates.<sup>26</sup> The Member Cooperatives' position on incorporating environmental surcharge amounts in base rates is unchanged from previous two-year reviews. In Case No. 2015-00320, BREC and the Member Cooperatives cited surcharge volatility, ongoing changes in environmental regulations, and transparency as reasons to not incorporate any environmental surcharge amounts into base rates.<sup>27</sup> KRS 278.183 directs the Commission to incorporate surcharge amounts found just and reasonable in the utility's existing base rates, but only to the extent appropriate. The Commission has reviewed, and finds reasonable, BREC's recommendation not to incorporate environmental surcharge amounts into its base rates at the present time.

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<sup>24</sup> BREC's Response to Staff's First Request, Item 5a.

<sup>25</sup> BREC's Response to Staff's First Request, Item 5a.

<sup>26</sup> BREC's Response to Staff's First Request, Item 5a.

<sup>27</sup> Case No. 2015-00320, *An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Big Rivers Electric Corporation for the Two-Year Billing Period Ending June 31, 2015 and the Pass Through Mechanism of Its Three Member Distribution Cooperative* (Ky. PSC Mar. 31, 2016).

IT IS THEREFORE ORDERED that:

1. BREC's request to submit this case for a decision on the existing evidence of record without 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 two-year billing period ending July 31, 2025, are approved.

4. The amounts billed by the three Member Cooperatives through their respective environmental surcharge pass-through mechanisms for the two-year review periods billed beginning August 1, 2023, through July 31, 2025, for all customers with dedicated delivery points are approved.

5. The amounts billed by the three Member Cooperatives through their respective environmental surcharge pass-through mechanisms for the two-year review periods billed beginning September 1, 2023, through August 31, 2025, for all other non-dedicated delivery point customers are approved.

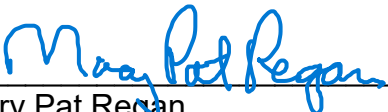
6. The rates of return determined by BREC for each month of the review period are approved.

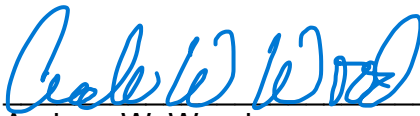
7. This case is closed and removed from the Commission's docket.

Entered on this 8th day of April, 2026.

PUBLIC SERVICE COMMISSION

  
\_\_\_\_\_  
Angie Hatton  
Chairman

  
\_\_\_\_\_  
Mary Pat Regan  
Commissioner

  
\_\_\_\_\_  
Andrew W. Wood  
Commissioner

ATTEST:

  
\_\_\_\_\_  
Linda C. Bridwell, PE  
Executive Director



## Service List for 2025-00317

\* Greg Grissom  
Jackson Purchase Energy Corporation  
6525 US Highway 60 W  
Paducah, KY 42001

\* Kenergy Corp.  
Kenergy Corp.  
6402 Old Corydon Road  
P. O. Box 18  
Henderson, KY 42419

\* Meade County R.E.C.C.  
Meade County R.E.C.C.  
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\* Meredith Kendall  
Jackson Purchase Energy Corporation  
6525 US Highway 60 W  
Paducah, KY 42001

\* Martin Littrel  
Pres. CEO  
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