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Mary L. Moorhouse

April 15, 2011

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

RECEIVED

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PUBLIC SERVICE
COMMISSION

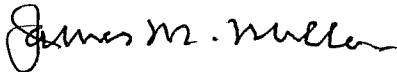
**Re: *Application of Big Rivers Electric Corporation
for a General Adjustment in Rates, P.S.C. Case No. 2011-00036***

Dear Mr. Derouen:

Enclosed are an original and ten copies of the responses of Big Rivers Electric Corporation ("Big Rivers") to the Public Service Commission Staff Second Information Requests, and the first general round of information requests from the Attorney General and KIUC. I certify that copies of this letter and these responses have been served on each party of record.

Also enclosed are an original and ten copies of a petition for confidential treatment of certain information contained in Big Rivers' responses to Item 16 of the Commission's Staff's Second Information Request; Items 19 and 35 of the Attorney General's Initial Data Requests; and Items 43-46, 65, 112, 121, 129, and 132 of KIUC's First Set of Data Requests. One sealed copy of those responses with the confidential information highlighted is attached. A copy of those responses with the confidential material redacted is filed with each set of Big Rivers' data request responses. I further certify that a copy of the petition for confidential treatment has been served on each party of record.

Sincerely yours,



James M. Miller
Counsel for Big Rivers Electric Corporation

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Owensboro, Kentucky
42302-0727

SERVICE LIST
BIG RIVERS ELECTRIC CORPORATION
PSC CASE NO. 2011-00036

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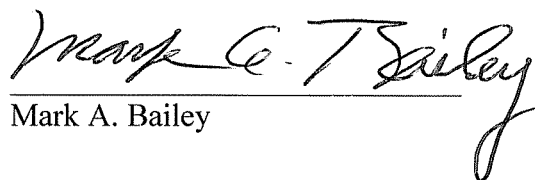
Melissa D. Yates
Denton & Keuler, LLP
555 Jefferson Street
P.O. Box 929
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ENERGY CORPORATION**

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

VERIFICATION

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


Mark A. Bailey

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Mark A. Bailey on this the 12th
day of April, 2011.

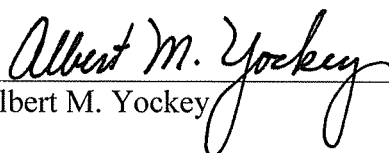

Notary Public, Ky. State at Large
My Commission Expires 1-12-13

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

VERIFICATION

I, Albert M. Yockey, verify, state, and affirm that I prepared or supervised the preparation of my 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.


Albert M. Yockey

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Albert M. Yockey on this the 13th day of April, 2011.

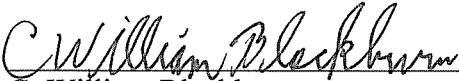

Notary Public, Ky. State at Large
My Commission Expires 1-12-13

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

VERIFICATION

I, C. William Blackburn, verify, state, and affirm that I prepared or supervised the preparation of my 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.


C. William Blackburn

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by C. William Blackburn on this the
13th day of April, 2011.

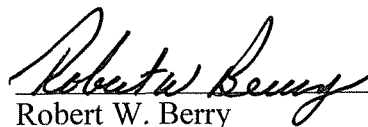

Notary Public, Ky. State at Large
My Commission Expires 1-12-13

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

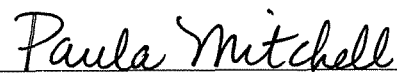
VERIFICATION

I, Robert W. Berry, verify, state, and affirm that I prepared or supervised the preparation of my 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. Berry

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Robert W. Berry on this the 13th day of April, 2011.


Notary Public, Ky. State at Large
My Commission Expires 1-12-13

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

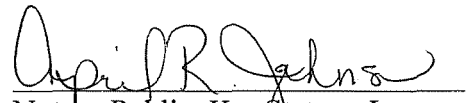
VERIFICATION

I, David G. Crockett, verify, state, and affirm that I prepared or supervised the preparation of my 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.


David G. Crockett

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by David G. Crockett on this the 8th day of April, 2011.

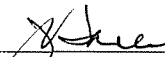

Notary Public, Ky. State at Large
My Commission Expires 8-9-14

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

VERIFICATION

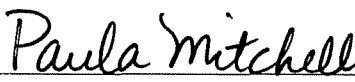
I, James V. Haner, verify, state, and affirm that I prepared or supervised the preparation of my data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



James V. Haner

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by James V. Haner on this the 13th day of April, 2011.




Notary Public, Ky. State at Large
My Commission Expires 1-12-13

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

VERIFICATION

I, Mark A. Hite, verify, state, and affirm that I prepared or supervised the preparation of my 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.


Mark A. Hite

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Mark A. Hite on this the 13th day of April, 2011.

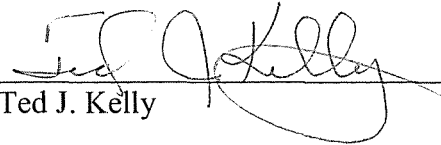

Notary Public, Ky. State at Large
My Commission Expires 1-12-13

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

VERIFICATION

I, Ted J. Kelly, verify, state, and affirm that I prepared or supervised the preparation of my 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.

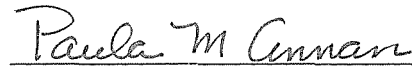

Ted J. Kelly

STATE OF MISSOURI)
COUNTY OF JACKSON)

SUBSCRIBED AND SWORN TO before me by Ted J. Kelly on this the 12 day of April, 2011.



PAULA M. ANNAN
My Commission Expires
January 19, 2015
Jackson County
Commission #11992872

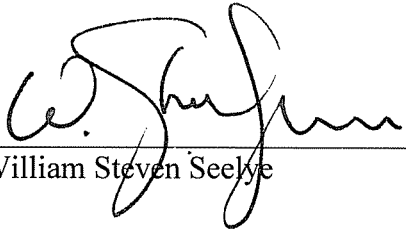

Notary Public
My Commission Expires 1/19/15

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

VERIFICATION


I, William Steven Seelye, verify, state, and affirm that I prepared or supervised the preparation of my 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.



William Steven Seelye

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by William Steven Seelye on this the 13th
day of April, 2011.




Notary Public, Ky. State at Large
My Commission Expires 1-12-13

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

VERIFICATION

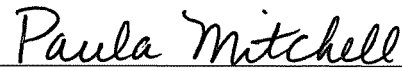
I, John Wolfram, verify, state, and affirm that I prepared or supervised the preparation of my data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



John Wolfram

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by John Wolfram on this the 13th day of April, 2011.



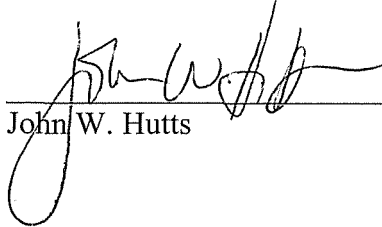
Notary Public, Ky. State at Large
My Commission Expires 1-12-13

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

VERIFICATION

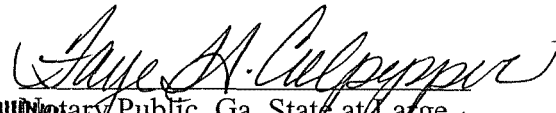
I, John W. Hutts, verify, state, and affirm that I prepared or supervised the preparation of my data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



John W. Hutts

STATE OF GEORGIA)
COUNTY OF COBB)

SUBSCRIBED AND SWORN TO before me by John W. Hutts on this the 7th day of April, 2011.



Notary Public, Ga. State at Large
Commission Expires 2/17/2014

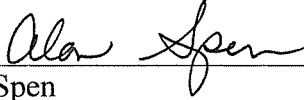


BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

VERIFICATION


I, Alan Spen, verify, state, and affirm that I prepared or supervised the preparation of my 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.



Alan Spen

STATE OF NEW YORK)
COUNTY OF SUFFOLK)

SUBSCRIBED AND SWORN TO before me by Alan Spen on this the 11th day of April, 2011.



Notary Public,
My Commission Expires _____

AMY WILLEN SPIROS
Notary Public, State of New York
No. 01SP4940854
Qualified in Suffolk County
Commission Expires Aug. 15, 2008
2012

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
GENERAL ADJUSTMENT IN RATES

)
)
)
)

Case No. 2011-00036

Response to Commission Staff's Second Request for Information
dated
April 1, 2011

FILED: April 15, 2011

ORIGINAL

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to Commission Staff's Second Request for Information
dated April 1, 2011**

April 15, 2011

- 1 **Item 1)** *Refer to the Application, Exhibit 8.*
- 2
- 3 *a. Refer to proposed PSC No. 24, Original Sheet No. 1, Rural Delivery*
- 4 *Service, and PSC No. 24, Original Sheet No. 6, Large Industrial*
- 5 *Customer. As proposed, the "Term" section of each of these tariffs states,*
- 6 *"[t]his rate schedule shall take effect at 12:01 a.m." Explain the meaning*
- 7 *of and reason for this language.*
- 8 *b. Refer to proposed PSC No. 24, Original Sheet No. 3, Rural Delivery*
- 9 *Service. In the billing form, Big Rivers is proposing to add an*
- 10 *"Adjustment" line item below "NSNFP." Given that an "Adjustment"*
- 11 *line item appears between "Actual Demand" and "Energy" on the billing*
- 12 *form, explain the reason for this addition.*
- 13 *c. Refer to proposed PSC No. 24, Original Sheet No. 24, Cogeneration/Small*
- 14 *Power Production Sales Tariff – Over 100 kW. The second paragraph*
- 15 *states, "[o]ff-peak usage is defined as all power requirements not included*
- 16 *in paragraph (i) or (ii)." Given that Big Rivers is proposing to delete the*
- 17 *"(i)" and "(ii)" as designators for the previous paragraphs, provide*
- 18 *proposed new language for the second paragraph on this page.*
- 19 *d. Refer to proposed PSC No. 24, Original Sheet No. 56. In the formula at*
- 20 *the top of the page, explain whether the sign that follows "US" should be*
- 21 *an "=" sign rather than a "-" sign.*
- 22 *e. Refer to proposed PSC No. 24, Original Sheet No. 57. In the last line on*
- 23 *this page, explain whether the reference should be to the "Environmental*
- 24 *Surcharge" rather than to the "Unwind Surcharge."*
- 25 *f. Refer to PSC No. 23, Original Sheet No. 7, and PSC No. 24, Original*
- 26 *Sheet No. 68. Explain the reason for the language deletion in the*

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to Commission Staff's Second Request for Information
dated April 1, 2011**

April 15, 2011

Localized Emergency section.

1
2
3 **Response)** a. The quoted language is incomplete. The proposed language in the term
4 Section of both Tariffs should read, "This rate schedule shall take effect at 12:01 a.m. on the
5 effective date of this tariff."

6
7 b. The first "Adjustment" line item below "Actual Demand" is for
8 adjustments in demand (kW) and the second "Adjustment" line item below "NSNFP" is for
9 adjustments in energy (KWh).

10
11 c. Big Rivers proposes the following language for the second paragraph of
12 proposed PSC No. 24, Original Sheet No. 24, Cogeneration/Small Power Production Sales
13 Tariff – Over 100 kW, to replace the filed language: "Off-peak usage is defined as all power
14 requirements not included in "Summer on-peak usage" or "Winter on-peak usage" as defined
15 in the two preceding paragraphs, respectively."

16
17 d. The formula at the top of the page should include an "=" sign after the
18 "US" instead of a "-" sign.

19
20 e. The reference on the last line of the page should be to the
21 "Environmental Surcharge" rather than the "Unwind Surcharge".

22
23 f. The previous language stated: "In sectionalizing faulted line sections,
24 the system supervisor will attempt to sectionalize in such a way to minimize the interruption of
25 electric energy provided to Big Rivers' member distribution cooperatives and any other
26 wholesale customers in a manner consistent with the Big Rivers' Open Access Transmission

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to Commission Staff's Second Request for Information
dated April 1, 2011

April 15, 2011

1 Tariff curtailment provisions.” When Big Rivers became integrated with the Midwest ISO on
2 December 1, 2010, it ceased to operate under the Big Rivers OATT and began operating under
3 the Midwest ISO OATT. Big Rivers’ notice of cancellation of its OATT was accepted by the
4 Federal Energy Regulatory Commission by order dated March 22, 2011 in FERC Docket No.
5 NJ11-11-000, and the cancellation was made effective December 1, 2010. Accordingly, Big
6 Rivers proposes to revise the language in PSC KY No. 24, Original Sheet No. 68 as follows, to
7 reflect the curtailment provisions of the Midwest ISO OATT applicable to Big Rivers: “In
8 sectionalizing faulted line sections, the system supervisor will attempt to sectionalize in such a
9 way to minimize the interruption of electric energy provided to Big Rivers’ member
10 distribution cooperatives and any other wholesale customers in a manner consistent with
11 MISO’s Open Access Transmission Tariff curtailment provisions.”

12

13

14 **Witness)** Albert M. Yockey

15

16

17

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to Commission Staff's Second Request for Information
dated April 1, 2011

April 15, 2011

1 **Item 2)** *Refer to page 11 of the Direct Testimony of Mark A. Bailey (“Bailey*
2 *Testimony”), lines 8-11. Provide a detailed description of “[t]he information we have about*
3 *the period immediately following the date on which new rates are anticipated to go into*
4 *effect . . .” which leads Big Rivers to “[r]easonably expect the proposed rates to produce at*
5 *least a 1.10 MFIR for 2011.”*

6
7 **Response)** As shown in the most recent financial forecast, as provided in Big Rivers’
8 response to KIUC 1-43, 2011 net margins are \$6.03 million, interest expense on long-term debt
9 is \$45.87 million, and income tax expense is \$0.25 million. Accordingly, the result is a MFIR
10 for 2011 of 1.14. If, however, any of the major assumptions in the 2011 Budget do not
11 materialize, additional cost cutting or maintenance deferrals will be employed to ensure Big
12 Rivers maintains at least a 1.10 MFIR. For example, the 2011 Budget assumes an average off-
13 system sales price of \$41.81 per MWh. If the actual average off-system sales price for 2011 is
14 materially less, Big Rivers will need to employ other strategies, principally additional cost
15 cutting and cost deferral, to ensure the minimum required MFIR is achieved. Please see the
16 testimony of Mark A. Bailey, Application Exhibit 48 pages 10 through 16.

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19 **Witness)** Mark A. Bailey

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to the Commission Staff's Second Request for Information
dated April 1, 2011

April 15, 2011

1 **Item 3)** *Refer to page 20 of the Bailey Testimony, lines 15-1 9.*

2

3 *a. Explain how \$1 million was chosen as the amount Big Rivers is*
4 *committing to spend annually on energy efficiency and Demand-Side*
5 *Management programs.*

6

7 *b. Explain whether Big Rivers expects to eventually increase this spending*
8 *commitment to an annual level greater than \$1 million.*

9

10

11 **Response)**

12

13 a. The \$1 million amount that Big Rivers is committing to spend annually on
14 energy efficiency and Demand-Side Management in this proceeding was chosen because it
15 represents the program potential portfolio identified in the *Demand-Side Management (DSM)*
16 *Potential Report for Big Rivers Electric Corporation* (“DSM Potential Report”) prepared by
17 GDS Associates, Inc. and included as a resource in Big Rivers’ Integrated Resource Plan filed
18 with the Commission on November 15, 2010. Specifically, the DSM Potential Report
19 identified the following expenditures, cumulative MWh savings, and MW savings for 2011-
20 2013:

21

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to the Commission Staff's Second Request for Information
dated April 1, 2011**

April 15, 2011

1

Year	Annual DSM Expenditures (Million \$)	Cumulative Energy (MWh) Savings	Cumulative Winter Demand (MW) Savings	Cumulative Summer Demand (MW) Savings
2011	\$ 1.0	3,416	0.92	0.62
2012	\$ 1.0	7,139	1.90	1.32
2013	\$ 1.1	10,962	2.93	2.03

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Source: DSM Potential Report, p. 84, included as Appendix B of the
Integrated Resource Plan filed with the Commission on November
15, 1010.

b. Expansion of programs and budgets will be considered based on the
success of the programs currently being evaluated and future cost benefit analysis. Big Rivers
will continue to evaluate the market acceptance and cost effectiveness of individual programs
in the future.

Witness) C. William Blackburn

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to the Commission Staff's Second Request for Information
dated April 1, 2011**

April 15, 2011

1 **Item 4)** *Refer to page 8 of the Direct Testimony of C. William Blackburn (“Blackburn*
2 *Testimony “), lines 15-19, which refer to lower prices for power in the wholesale market in*
3 *2010. Provide a comparison of Big Rivers’ off-system wholesale sales, in dollars and MWh,*
4 *for the test year and calendar years 2006-2010.*

5

6 **Response)** Please see the attached table.

7

8 **Witness)** C. William Blackburn

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Big Rivers Electric Corporation
Case No. 2011-00036
Off-System Sales
2006-2010

	Test Year		2010		2009		2008		2007		2006	
	MWh	\$	MWh	\$	MWh	\$	MWh	\$	MWh	\$	MWh	\$
1	46,593	\$1,408,370	106,783	\$5,017,367	42,758	\$1,542,472	47,146	\$2,180,802	45,474	\$2,581,827	44,656	\$2,608,359
2	61,659	2,182,275	157,127	6,669,951	71,355	2,604,833	55,974	2,787,573	35,235	2,360,503	37,542	2,246,654
3	106,783	5,017,367	155,667	5,593,034	110,057	3,422,832	100,783	5,747,516	77,245	3,952,139	70,491	4,022,717
4	157,127	6,669,951	110,537	3,675,198	134,507	4,011,933	132,471	7,350,289	70,093	3,217,485	74,643	3,514,483
5	155,667	5,593,034	109,957	3,677,141	137,360	3,997,364	111,605	5,496,206	68,374	3,184,674	69,836	3,368,363
6	110,537	3,675,198	99,298	4,063,513	43,411	1,288,276	48,635	2,664,393	34,733	1,276,457	25,360	952,709
7	109,957	3,677,141	104,607	4,788,505	56,415	1,630,167	29,962	1,299,045	33,248	945,657	24,598	1,145,203
8	99,298	4,063,513	119,662	4,997,697	48,543	1,427,207	47,896	2,347,269	31,761	1,147,413	20,287	1,051,833
9	104,607	4,788,505	92,592	3,115,902	69,166	1,829,684	47,141	2,039,074	55,682	1,997,838	48,270	2,110,521
10	119,662	4,997,697	77,342	2,369,548	63,125	1,880,457	61,725	2,548,154	52,391	1,831,890	62,719	2,885,794
11	92,592	3,115,902	97,842	3,126,544	46,593	1,408,370	41,121	1,540,965	48,915	2,043,057	42,362	2,211,955
12	77,342	2,369,548	140,264	4,481,709	61,659	2,182,275	29,397	996,414	32,456	1,400,438	34,167	1,675,595
13												
14	1,241,823	\$47,558,506	1,371,677	\$51,576,110	884,949	\$27,225,870	753,856	\$36,997,701	585,607	\$25,939,380	554,934	\$27,794,186
15		\$38.30		\$37.60		\$30.77		\$49.08		\$44.29		\$50.09

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BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to the Commission Staff's Second Request for Information
dated April 1, 2011

April 15, 2011

1 **Item 5)** *Refer to page 30 of the Blackburn Testimony, lines 14-16.*

2

3 *a. Describe the specific nature of the \$37 million improvement Alcan*
4 *recently announced for its Sebree complex.*

5 *b. The testimony indicates that Century was restarting its fifth potline in*
6 *March of 2010. For Alcan and Century each, provide a schedule of their*
7 *annual MWh purchases for the years 2006-2010 which also includes a*
8 *timeline of all changes in the number of potlines each smelter was*
9 *operating during this period.*

10

11 **Response)** a. Attached is an *Evansville Courier & Press* newspaper article dated February
12 10, 2011 which describes the specific improvements Alcan announced.

13

14 b. A schedule of the annual MWhs purchased by the Smelters from Kenergy
15 Corp. follows:

16

Year	Alcan	Century
2006	3,099,577	4,236,125
2007	3,058,890	4,230,291
2008	3,096,710	4,249,232
2009	3,059,243	3,612,867
2010	3,176,470	3,959,400

17

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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1 There was only one change in the number of potlines that were being operated by the Smelters
2 during the time period covered by the request: Century idled its fifth potline during March
3 2009, and it remained idle until it was restarted in March 2011, as stated in Mr. Blackburn's
4 testimony.

5

6

7 **Witness)** C. William Blackburn

**Big Rivers Electric Corporation
Case No. 2011-00036**

Newspaper Article

courierpress
.com

Read more at courierpress.com

Alcan to get new furnace: Beshear says \$37 million project to retain 488 jobs

By Chuck Bennett

Originally published 05:20 p.m. February 10, 2011
Updated 08:20 p.m. February 10, 2011

Against the backdrop of heat shimmering from a vast underground furnace, officials of Rio Tinto Alcan on Thursday announced that the company will proceed with a \$37 million investment that they said will help preserve the 488 jobs at the Sebree aluminum smelter.

The company will install a new bake furnace inside Building 261, a cavernous building that stretches longer than two football fields.

At temperatures reaching up to 1,900 degrees Celsius (3,500 degrees Fahrenheit), the furnace will bake 1,600-pound blocks of coke and petroleum pitch into giant electrical anodes that are used in the aluminum smelting process. The smelter produces 3,000 such anodes every week.

Replacing the nearly 40-year-old existing furnace will help the Sebree smelter better compete with newer, more efficient smelters around the world, the company said. Completion is expected by August.

"The new bake furnace is important for the future of our plant and a safer operation," Stephane Leblanc, Sebree's plant manager, said in a statement.

"Without it we would have to shut down the plant or buy anodes on the market. The investment will open the door to move forward with other projects that will make the plant more sustainable for the coming years," Leblanc said.

At a ceremony before more than 100 plant workers, elected officials and local business leaders, Gov. Steve Beshear said Rio Tinto Alcan's announcement is "exciting news for the community and the entire region."

"We're going to retain nearly 500 jobs here," Beshear said.

"This is one of the largest employers in this area," he noted. "There is nothing more important for families than a steady job and reliable income."

**Big Rivers Electric Corporation
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Newspaper Article

The rebuild of the vast below-ground furnace -- stretching 445 feet long and 100 feet wide -- is part of \$50 million in modernization and improvement projects that Rio Tinto Alcan is pursuing at Sebree. The company also plans an upgrade in the smelter's potlines that, by boosting electrical amperage, will increase productivity.

The Kentucky Cabinet for Economic Development has approved \$15 million in state corporate income tax incentives toward the Alcan investments.

"This plant is only one of a handful of aluminum smelters still operating in the United States," the governor noted Thursday. "It's an important part of Kentucky economic landscape. We're pleased that state government was able to step up and partner with Alcan."

Beshear said that without an overhaul to the state's economic development incentive program that he pushed for and that was passed by the state legislature in 2009, "we would not be standing here today."

The new incentives "allow the state to not only work with new companies that we're trying to attract ... but also allow us to work with good Kentucky corporate citizens, our existing companies, that are looking to reinvest and to expand their operations," he said. "Before, we really had no tool to work with our existing businesses."

In the 18 months since then the incentive overhaul, existing industries have announced nearly \$2.2 billion in investments expected to save 4,800 jobs -- including the nearly 500 at Alcan -- and potentially create 15,000 new jobs, the governor said.

Beshear credited state Sen. Dorsey Ridley of Henderson and state Reps. David Watkins, John Arnold and Jim Gooch for their support of the legislation.

**Big Rivers Electric Corporation
Case No. 2011-00036**

Newspaper Article

The governor also thanked Henderson County Judge-executive Hugh McCormick, Henderson Fiscal Court and the Northwest Kentucky Forward regional economic development organization and its chairman, Garland Certain, for their work on the Alcan investment.

"This will definitely improve the conditions of our area," Certain said.

Meanwhile, Rio Tinto Alcan Vice President Guy Authier, visiting from the Alcan headquarters in Montreal, thanked Northwest Kentucky Forward President and CEO Kevin Shelley; Economic Development Secretary Larry Hayes; and state business development specialist Patty Lockhart for their efforts.

"They began working with us more than one year ago," Authier said.

"We also want to thank our employees," he added. "They are some of the best and most knowledgeable workers in the aluminum industry."

"I also want to thank the late Sandy Watkins," the former Henderson County judge-executive who died suddenly last August, Authier said. "He was instrumental" in pushing for this investment.

"We're so proud to be a part of it," Henderson County Magistrate Bruce Todd said. He represented Judge-executive Hugh McCormick, who was in Frankfort for a ceremony honoring Watkins in the state House of Representatives.

Later, Northwest Kentucky Forward's Shelley said his organization remains committed to helping existing industries.

"When I was hired 5 1/2 years ago, this board made it very clear that existing industry be treated as a top priority, not as a stepchild," he said.

BIG RIVERS ELECTRIC CORPORATION
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April 15, 2011

1 **Item 6)** *Refer to pages 31-32 of the Blackburn Testimony and Exhibit Wolfram-2,*
2 *Reference Schedule 2.25, to the Direct Testimony of John Wolfram ("Wolfram Testimony").*

3

4 *a. Provide a breakdown, by month, of the \$2,712,026 in Outside Professional*
5 *Services expenses incurred during the test year.*

6 *b. Provide the amount of Outside Professional Services expenses incurred by*
7 *Big Rivers each year from 2005 through 2009.*

8 *c. Excluding the costs associated with this rate case and cases involving Big*
9 *Rivers' membership in the Midwest Independent Transmission System*
10 *Operator, Inc. ("Midwest ISO"), provide Big Rivers' Outside Professional*
11 *Services expenses incurred since the end of the test year on a monthly*
12 *basis. Consider this an ongoing request to be updated by the 15th of the*
13 *month, to report the prior month's expense, for each month up to an*
14 *including the month of the hearing in this case.*

15

16 **Response)**

17 a. Please refer to the response to Item 43 of the Commission Staff's First
18 Request for Information.

19

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BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to Commission Staff's Second Request for Information
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- 1 b. Outside Professional Services expenses for the years 2005 through 2009
2 were as follows:

3
4

Dist Yr	Amount
2005	3,088,058.38
2006	3,771,736.56
2007	4,330,682.50
2008	5,789,194.29
2009	4,428,175.00

5
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(Dist Yr = Distribution Year)

- 12
13 c. Outside Professional Services expenses incurred since the end of the test
14 year, excluding costs associated with this rate case and the MISO Case
15 (2010-00043) are as follows:

16
17

Month	Amount
Nov 2010	224,320.45
Dec 2010	515,311.63
Jan 2011	21,541.94
Feb 2011	169,538.22

18
19
20
21
22

23 Big Rivers will provide its monthly Outside Professional Services expenses
24 for each month up to and including the month of the hearing in this rate case
25 as soon as the data becomes available upon the closing of the related
26 monthly books.

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Witness) Mark A. Hite

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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- 1 **Item 7)** *Refer to Exhibit Wolfram-2, page 1 of 2, to the Wolfram Testimony. Provide*
- 2 *a breakdown of Operating Revenues shown as \$522,923,675 into categories such as sales to*
- 3 *each member system by rate class, off-system sales, cable television attachment revenue, etc.*
- 4
- 5 **Response)** Please see the attached table.
- 6
- 7
- 8 **Witness)** John Wolfram
- 9
- 10
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Big Rivers Electric Corporation
Case No. 2011-00036
Breakdown of Operating Revenues

Account	Description	Test Year Total \$
447	SALES - RURALS	
447	JACKSON PURCHASE	31,526,082
447	KENERGY	56,579,648
447	MEADE	22,828,970
447	SALES - LARGE INDUSTRIALS	
447	JACKSON PURCHASE	753,430
447	KENERGY	38,357,190
447	SALES - SMELTERS	282,406,135
	<i>Subtotal 447 Native Load</i>	432,451,455
456	OTHER ELECTRIC REVENUE - Transmission *	13,231,462
456	OTHER ELECTRIC REVENUE - CATV	380
456	OTHER ELECTRIC REVENUE - Other	520,653
	<i>Subtotal 456</i>	13,752,495
447	SALES FOR RESALE - OTHER (<i>Off System Sales</i>)	76,543,801
413	OPERATION EXPENSES-ELECTRIC PLANT LEASED	149,673
454	RENT FROM ELECTRIC PROPERTY	26,250
	TOTAL	522,923,675

* Transmission revenue fully offset by transmission expense associated with 912 MW yearly firm transmission service

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 8)** *Explain how Big Rivers accounts for cash drawn from the Economic Reserve*
2 *to offset the fuel adjustment clause ("FAC") and Environmental Surcharge.*

3
4 **Response)** Big Rivers maintains a Special Funds account (Account 128.2 Special Funds –
5 Economic Reserve) and an Income Receivable account (Account 171 Interest and Dividends
6 Receivable – Economic Reserve), which reflect the Economic Reserve fund balance, and a
7 corresponding Regulatory Liability account (Account 254.2 Other Regulatory Liabilities –
8 Economic Reserve), which represents the deferred revenue related to the Economic Reserve.
9 When the non-smelter Member bills are calculated each month, revenues are credited (Account
10 447.1 Sales for Resale – Electricity) for the entire amount (Base Amount, plus Fuel
11 Adjustment Clause, plus Environmental Surcharge, less Unwind Surcredit). Customer
12 Accounts Receivables are debited (to Account 142.1 Customer Account Receivable – Electric)
13 for the amount net of the (calculated) Member Rate Stability Mechanism ("MRSM") [Big
14 Rivers' Tariff; Section C. Electric Service; Subsection 18. Member Rate Stability Mechanism;
15 provides a description of the MRSM]. The Regulatory Liability is then debited (to Account
16 254.2 Other Regulatory Liability – Economic Reserve) for the calculated MRSM amount.
17 When payment is received from Big Rivers' non-smelter customers the following month,
18 general fund cash is debited (to Account 131.1 Cash-General Fund) and accounts receivable is
19 credited (to Account 142.1 Customer Account Receivable – Electric). The calculated MRSM
20 amount is moved from the Economic Reserve fund (by crediting Account 128.2 Special Funds
21 – Economic Reserve) to the general fund cash account (by debiting Account 131.1 Cash-
22 General Fund). Below is an example setting forth the journal entries made each month to
23 account for the cash drawn from the Economic Reserve to offset the fuel adjustment clause
24 ("FAC") and Environmental Surcharge. For illustrative purposes, the following example
25 assumes a \$100 total billable amount, and a \$15 calculated MRSM amount.

26

BIG RIVERS ELECTRIC CORPORATION
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1	<u>Record Revenue</u>	<u>Debit</u>	<u>Credit</u>
2	142.100 Customer Accounts Receivable	85	
3	254.200 Other Regulatory Liability-Economic Res.	15	
4	447.XXX Sales For Resale		100
5			
6	<u>Record Cash Receipt from the Non-Smelter Members</u>		
7	131.100 Cash-General Fund	85	
8	142.100 Customer Accounts Receivable		85
9			
10	<u>Record Withdrawal from the Economic Reserve</u>		
11	131.100 Cash-General Fund	15	
12	128.200 Other Special Funds-Economic Res.		15
13			
14			
15	Witness) Mark A. Hite		
16			
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1 **Item 9)** *Refer to pages 8-9 of the Wolfram Testimony and Exhibit Wolfram-2,*
2 *Reference Schedule 2.01.*

3

4 *a. Provide the test-year monthly sales volumes and revenues for the new*
5 *industrial customer, Equality Mine.*

6 *b. Provide the monthly sales volumes and revenues for Equality Mine for*
7 *each month since it began receiving service in March of 2010.*

8

9 **Response)** For clarification, "Equality Mine" is the moniker used by Big Rivers for the
10 large industrial service provided to Armstrong Coal Company, which began receiving service
11 at the Equality Surface Mine in Centertown, Kentucky on March 16, 2010. (Armstrong Coal
12 has other agreements for large industrial service at the Big Run, Dock and Midway locations,
13 so the Equality Mine name is used to distinguish this service from the others.)

14

15 a) See attached table.

16

17 b) See attached table.

18

19

20 **Witness)** John Wolfram

21

22

23

24

Big Rivers Electric Corporation
Case No. 2011-00036
Sales to Kenergy - Armstrong - Equality

	Sales (KWH)	Revenue (\$)	Billed Demand (KW)
<u>Test Year</u>			
Nov-09	-	-	-
Dec-09	-	-	-
Jan-10	-	-	-
Feb-10	-	-	-
Mar-10	11,030	14,724	1,425
Apr-10	29,610	28,652	2,760
May-10	83,790	30,128	2,760
Jun-10	72,340	29,006	2,760
Jul-10	110,001	30,445	2,760
Aug-10	97,740	30,460	2,760
Sep-10	430,190	38,109	2,760
Oct-10	837,780	50,452	2,885
<u>Post Test Year</u>			
Nov-10	842,330	50,013	2,848
Dec-10	852,920	49,791	2,760
Jan-11	997,060	50,146	2,760
Feb-11	1,037,910	55,270	3,018
Mar-11	1,266,680	64,465	3,068

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1 **Item 10)** *Refer to Exhibit Wolfram-2, Reference Schedule 2.05, column 3, and Exhibit*
2 *Seelye-6, page 3 of 3. Explain why the \$7,785,109 total of column 3 differs from the*
3 *\$6,337,959 shown on page 3 of Exhibit Seelye-6 as the amount of Non-FAC Purchased*
4 *Power Adjustment ("NFPPA") for the smelters.*

5

6 **Response)** The amount of \$6,337,959 shown on page 3 of Exhibit Seelye-6 does not reflect
7 two accounting entries on Big Rivers' books made in September and October 2010 for each of
8 the Smelters to reflect changes in billings for the NFPPA which have been recorded but not yet
9 refunded to the Smelters. See reconciliation that follows:

10

11

Line #	Description	Amount
1	Exhibit Seelye 6, Page 3	\$ 6,337,959
2	Sept Adj for Century (Jul-Sep)	779,265
3	Sept Adj for Alcan (Jul-Sep)	628,797
4	Oct Adj for Century (Oct)	23,186
5	Oct Adj for Alcan (Oct)	15,901
6	Exhibit Wolfram 2 Reference Schedule 2.05	7,785,109

12

13

14

15 **Witness)** William Steven Seelye

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1 **Item 11)** *Refer to Exhibit Wolfram-2, Reference Schedule 2.05. State whether the*
2 *amounts in columns 2 and 3 represent the difference between the amount billed by Big*
3 *Rivers through the \$.00175 NFPPA included in Big Rivers' base rate and the expense*
4 *incurred by Big Rivers for Non-FAC purchased power. If not, explain how the amounts in*
5 *columns 2 and 3 were calculated.*

6

7 **Response)** Yes. The amounts in columns 2 and 3 represent the difference (with regulatory
8 lag) between the amount billed by Big Rivers through the \$0.00175 NFPPA included in Big
9 Rivers' base rate and the expense incurred by Big Rivers for Non-FAC purchased power.

10

11

12

13 **Witness)** William Steven Seelye

14

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1 **Item 12)** *Describe the circumstances in which Big Rivers incurs purchased power*
2 *expense that is not passed through the FAC.*

3
4 **Response)** Purchased power expense that is not passed through the FAC by Big Rivers
5 consists of:

- 6 1. purchased power capacity or demand charges irrespective of the designated
7 transaction;
- 8 2. purchased power energy cost above the fuel cost of Big Rivers' highest cost
9 generating unit available to be dispatched to serve jurisdictional load;
- 10 3. power purchased as substitute for the loss of generation resulting from
11 Forced Outages to the extent of the difference between assigned fuel costs
12 (related to lost generation during Force Outages) and substitute fuel cost
13 (related to other generation capacity available to replace lost generation
14 during Forced Outages);
- 15 4. power purchased as Supplemental and Back-Up Energy sales to the
16 Smelters;
- 17 5. power purchased as back-up energy for Domtar's cogenerator; and
18 6. purchased power related to inter-system sales.

19
20
21 **Witness)** Mark A. Hite

22
23

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 13)** *Refer to pages 12-14 of the Wolfram Testimony, Exhibit Wolfram-2,*
2 *Reference Schedule 2.14, and page 73 of 216 of the attachment to the response to Item 54 of*
3 *the Commission Staff's Initial Request for Information ("Staff's First Request").*

4
5 *a. For the months of 2011 for which actual information is available, provide*
6 *Big Rivers' billing statements from the Midwest ISO which produce the*
7 *amounts shown on page 73 of 216 of the data response. Include a*
8 *narrative description of the charges which explains how the specific*
9 *amounts were derived.*

10 *b. Provide a detailed description of how Big Rivers derived the costs of*
11 *Midwest ISO membership shown in the data response for the months of*
12 *2011 that were estimated at the time it filed its application.*

13
14 **Response)**

15
16 a. The billing statements from the Midwest ISO do not produce the amounts shown on
17 page 73 of 216 of the data response, because actual information from the Midwest ISO
18 was not final when the reference schedule was developed. Rather, for all months of
19 2011, the table on page 73 of 206 reflects the 2011 budget for Midwest ISO
20 administrative costs that was developed in the first half of 2010. See the response to
21 part b that follows. The billing statements from the Midwest ISO for December 2010
22 through February 2011 are being submitted under a Petition for Confidential Treatment
23 in response to KIUC 1-132.

24
25 b. The costs of Midwest ISO membership for all of the months of 2011 are budgetary
26 estimates. Each year, the Midwest ISO produces a five year budget forecast, which

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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1 includes an average \$/MWH charge for each schedule based on the Midwest ISO total
2 energy for load (MWH). In the first quarter of 2010, the Midwest ISO developed a
3 forecast for 2010 – 2014 and the corresponding per-unit charges for the Midwest ISO
4 administrative costs (Schedules 10, 16 and 17). Big Rivers had retained Charles River
5 Associates Inc. (“Charles River”) to perform the cost-benefit analyses of its
6 membership in the Midwest ISO, and in early 2010 Charles River applied the
7 forecasted per unit charges for these schedules to the Big Rivers load forecast to
8 develop total cost projections for Big Rivers for the Midwest ISO administrative costs.
9 Big Rivers then incorporated those projections into its budget for 2011 – 2013. The
10 data on page 73 of 216 is split into two components to distinguish between the two
11 applicable internal departments (Transmission and Energy Services) for budget
12 management purposes.

13

14 **Witness)** John Wolfram

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BIG RIVERS ELECTRIC CORPORATION

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1 **Item 14)** *Refer to pages 15-16 of the Wolfram Testimony and Exhibit Wolfram-2,*
2 *Reference Schedule 2.18.*

3
4 *a. The fees that form the basis for the proposed ACES Power Marketing,*
5 *Inc. ("APM") adjustment are as of January 1, 2011. Provide the*
6 *annualized amount based on the fees as of the end of the test year.*

7 *b. The proposed adjustment reflects an 11.4 percent increase over the test-*
8 *year expense level. Describe how Big Rivers evaluates the efficiency and*
9 *reasonableness of the costs it incurs in exchange for the services it*
10 *receives from APM.*

11 *c. Page 16 of the Wolfram Testimony indicates that some of the APM costs*
12 *were not incurred during the test year. Identify those costs.*

13
14 **Response)**

15
16 a. APM fees for October 2010 were \$161,292, which annualizes to \$1,935,504.

17
18 b. The test year for APM charges ended prior to Big Rivers' integration into the Midwest
19 ISO as a transmission owning member, which occurred on December 1, 2010. Since
20 Big Rivers' integration into the Midwest ISO, APM has been providing additional
21 services to Big Rivers that Big Rivers did not require prior to integration, including
22 limited generation dispatch, Financial Transmission Rights ("FTR") analysis, and
23 analysis of Big Rivers' daily generation offers and demand bids to the Midwest ISO. In
24 addition, since integration the volume of data that must be verified in Big Rivers'

Case No. 2011-00036

Response to Item PSC 2-14

Witnesses: C. William Blackburn & John Wolfram

Page 1 of 2

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1 settlements has increased over ten-fold, resulting in substantially increased effort by
2 APM in performing this function on Big Rivers' behalf.

3

4 c. The only APM costs that were not incurred during the test year are those specified in
5 the proposed pro forma adjustment, which reflect the known and measurable cost
6 increase described above.

7

8

9 **Witnesses)** C. William Blackburn – Subparts a. and b.
10 John Wolfram – Subpart c.

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1 **Item 15)** *Refer to page 6 of the Direct Testimony of Robert W. Berry ("Berry*
2 *Testimony"). Provide the names of the utilities whose generating units are included in the*
3 *Big Rivers peer group.*

4

5 **Response)** Big Rivers does not know the specific utilities and units that are included in its
6 peer group, as Navigant Consulting's Generation Knowledge Service ("GKS") generates
7 random identification numbers for those units. GKS is required to keep peer unit information
8 confidential, as it could create unfair competitive advantages. Some of the companies
9 currently utilizing GKS include Alcoa, Ameren, American Electric Power, Duke Energy, First
10 Energy, PacifiCorp, Southern Company, TVA, and Vectren. Please see the attached map for
11 plant locations currently subscribed to GKS.

12

13

14

15 **Witness)** Robert W. Berry

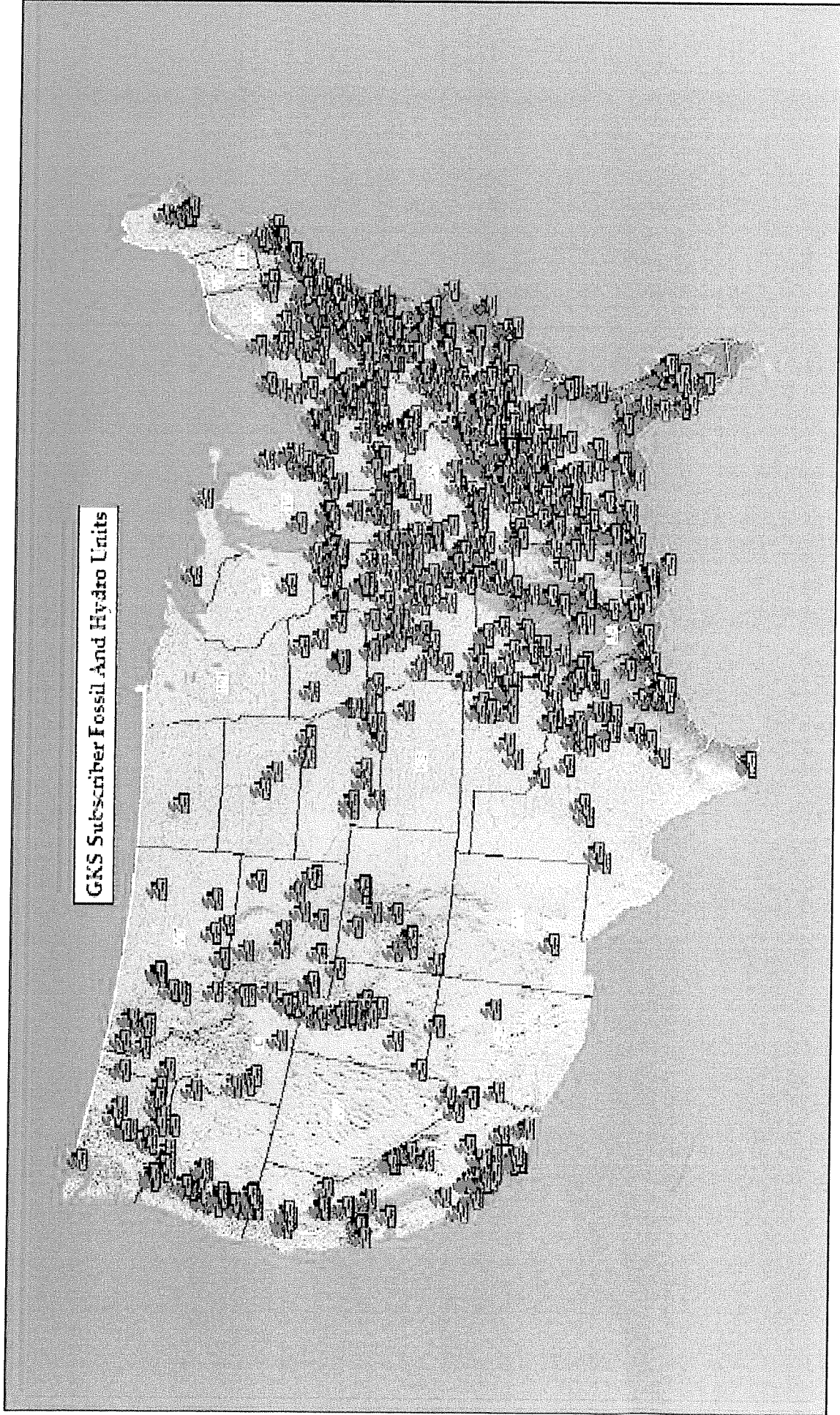
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Item 16)

Refer to pages 7-11 of the Berry Testimony.

- a. Provide the same level of detail in describing the work to be performed during the planned maintenance outages identified on page 10, lines 5-14, as provided on page 7 for the maintenance outages that took place during the test year.*
- b. Page 9, lines 5-7, refers to planned outage hours in both the year 2010 and the year 2011 in the past tense. Clarify whether the 2011 reference is correct or whether the phrasing should not have referred to 2011 in the past tense.*
- c. The sentence starting on page 10, line 25, and continuing to page 11, line 1, states that the “[n]ormal planned outage intervals are every three years for the Coleman units and every two years for the other units.” These intervals are shorter than those of the Commission’s other jurisdictional electric generating utilities. Provide a timeline, including a description of the work performed, of the planned maintenance outages for the Coleman, Green and Wilson units over the six-year period 2004-2009.*

Response)

[REDACTED]

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b. Page 9 lines 5 – 7 of my testimony should read:

“approximately 3,718 hours. The planned outage hours in 2010 were 1,485 hours, and for 2011 are 2,016 hours, both significantly below the optimal and historical annual averages.”

c. As stated in my testimony starting on page 10, line 25 and continuing to page 11, line 1, the normal planned outage interval for the Big Rivers units consist of a four week outage every 3rd year for each of the Coleman units, a four week outage every 2nd year for each Green unit, HMP&L unit and the Wilson unit. These intervals are equal to or longer than most utilities under the jurisdiction of the Kentucky Public Service Commission. Per information extracted from KPSC Case No. 2008-00519, East Kentucky Power's planned outage interval is a three to four week outage every year on the Dale units 1, 2, 3, and 4, the Cooper units 1 and 2, and the Spurlock units 3 and 4. The planned outage interval for the Spurlock units 1 and 2 is a four week outage every 2nd year. Likewise per KPSC Case Nos. 2008-00518 and 2010-00490, AEP/Kentucky Power's planned outage interval is a greater than four week outage every 3rd year and a less than four week outage for every year in between.¹ Please see attachment PSC 2-16-c for a

¹ Big Rivers attempted to locate the planned outage intervals for KU and LG&E on the PSC website; however, that information was filed under a petition for confidential treatment. See KU's response to Item 9 of the information requested in the Commission's Order dated January 26, 2011, in Case No. 2010-00492; LG&E's response to Item 9 of the information requested in the Commission's Order dated January 26, 2011, in Case No. 2010-00493; KU's response to Item 9 of the information requested in the Commission's Order dated January 23, 2009, in Case No. 2008-00520; LG&E's response to Item 9 of the information requested in the Commission's Order dated January 23, 2009, in Case No. 2008-00521.

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1 table outlining the outage intervals of Big Rivers, East Kentucky Power and
2 AEP/ Kentucky Power.

3
4 A timeline, including a description of the work performed, of the planned
5 maintenance outages for the Coleman, Green and Wilson units over the six-
6 year period 2004-2009 is provided below:

7
8 **2004**

9 Coleman 1 had no planned outage in 2004

10

11 Coleman 2 had a planned outage from April 9th through April 30th.

12 Major worked completed included: boiler and burner inspection and made
13 necessary repairs, replaced the division wall section of the boiler, replaced
14 select soot blowers, replaced the primary air fan housings, replaced 4160
15 switchgear relays, replaced the inverter/battery charger, installed Distributed
16 Control System (“DCS”) turbine controls, replaced D motor control center,
17 installed new igniters and burner seal air system, inspected and repaired the
18 pulverizers and fuel delivery system, inspected and repaired the boiler draft
19 fans and dampers, cleaned and reconditioned critical electric motors,
20 inspected and repaired the precipitator, inspected and repaired the turbine
21 steam control valves, stroked and set various valves, dampers, and air
22 registers, calibrated various switches and gauges, performed miscellaneous
23 pump, valve and piping repairs, and repaired various air and gas duct leaks,
24 performed all required safety interlock tests, and performed all tests and

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1 inspections required to obtain renewal of the Kentucky State Boiler
2 Operating Permit.

3
4 Coleman 3 had no planned outage in 2004

5
6 Green 1 had no planned outage in 2004

7
8 Green 2 had no planned outage in 2004

9
10 Wilson Station had a planned outage from October 23rd through November
11 12th. Major work completed included: boiler inspection and repairs, high
12 energy piping inspection, pipe hanger inspection, pressure vessel
13 inspections, air and gas duct inspection and repair for the FGD and stack,
14 routine turbine inspection and scheduled preventive maintenance tasks,
15 replaced a 20 tubes wide x 30' long tube panel on the west boiler wall and
16 applied alloy weld overlay to the east and west boiler walls, cleaned the
17 condenser tubes, cleaned the lube oil coolers, cleaned the hydrogen coolers
18 and seal oil coolers, replaced both induced draft fan expansion joints and
19 made extensive repairs in the duct work to correct flue gas leaks between
20 the precipitators and the stack, performed a stack inspection and replaced
21 some broken stack banks, inspected the precipitator and replaced its inlet
22 damper seals, repaired all 25 burners, inspected and repaired the deaerator
23 storage tank, inspected and repaired the main turbine steam control valves
24 and extraction line non-return valves, overhauled the #2 primary air and #2
25 forced draft fans, overhauled the #2 boiler feed pump and auxiliary feed

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1 pump, replaced the main turbine lube oil and hydrogen cooling water
2 regulating valves, repaired several underground 6.9 kv cable faults and
3 inspected the 6.9kv and 480 volt switchgear.
4

5 **2005**

6 Coleman 1 had a planned outage from February 25th through March 19th.
7 Major work completed included: boiler and burner inspection and made
8 necessary repairs, replaced the division wall section of the boiler, replaced
9 select soot blowers, replaced the primary air fans, replaced 4160 switchgear
10 relays, replaced the burner flame scanners, installed DCS turbine controls,
11 replaced D and E motor control centers, installed new igniters and burner
12 seal air system, replaced the cold and hot end air heater baskets and seals,
13 overhauled "B" boiler feed pump, added rappers and sectionalized plates on
14 the precipitator, inspected and repaired the pulverizers and fuel delivery
15 system, inspected and repaired the boiler draft fans and dampers, cleaned
16 and reconditioned critical electric motors, inspected and repaired the
17 precipitator, inspected and repaired the turbine steam control valves, stroked
18 and set various valves, dampers, and air registers, calibrated various
19 switches and gauges, performed miscellaneous pump, valve and piping
20 repairs, and repaired various air and gas duct leaks, performed all required
21 safety interlock tests, and performed all tests and inspections required to
22 obtain renewal of the Kentucky State Boiler Operating Permit.
23

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1 Coleman 2 had no planned outage in 2005
2
3 Coleman 3 had no planned outage in 2005
4
5 Green 1 had no planned outage in 2005
6
7 Green 2 had a 28 day planned outage from April 1st through April 27th.
8 Major worked completed included: DCS controls installed, replaced 2A &
9 2B 22 MCCs, installed variable speed drives on all cooling tower fans,
10 installed new induced draft fan inlet dampers, installed new drive units on
11 induced draft, forced draft and PA fan outlet dampers, installed new drive
12 units on pulverizer primary air rating dampers, installed a new expansion
13 joint in the northeast economizer outlet duct, installed new cold end air
14 heater baskets, inspected the ash system and made necessary repairs,
15 reconditioned B condensate pump motor, replaced #2 & #3 feed water
16 heater shell drain valves, inspected/repared #4 heater and deareator,
17 reconditioned A & B boiler feed pump motors, B&W inspected the boiler,
18 KBR inspected select sections of the high energy piping – no problems
19 found, inspected and repaired all burners and oil ignition system, cleaned
20 and refurbished the induced draft, forced draft and primary air fan motors,
21 replaced and adjusted the air heater seals as needed, replaced the air heater
22 cold end baskets, inspected the induced draft, forced draft and primary air
23 fan bearings, condenser was high pressure washed, inspected and repaired
24 the make up water clarifiers as needed, repaired the cooling tower wood
25 structure as needed, made repairs to the precipitator – replaced shock bars

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1 on fields 1, 2 & 3 and replaced outside plates in fields 6 & 7 and replaced
2 one transformer, cleaned the scrubber recycle and demister wash nozzles,
3 cleaned the scrubber reaction tanks and slurry hold tanks, high pressure
4 washed all slurry and bleed lines, repaired base metal in the scrubber
5 ductwork and repaired the insulating block in the scrubber outlet ducts.

6
7 Wilson Station had no planned outage in 2005

8
9 **2006**

10 Coleman 1 had no planned outage in 2006

11
12 Coleman 2 had no planned outage in 2006

13
14 Coleman 3 had a planned outage from April 28th through May 19th.

15 Major worked completed included: boiler and burner inspection and made
16 necessary repairs, replaced "A" buss 4160 volt switchgear, cubicles, circuit
17 breakers, and protective relays, upgraded the pulverizer feeders, replaced the
18 station batteries, replaced the control board alarm annunciator, repaired the
19 economizer outlet duct lagging and insulation, replaced "A" vacuum pump,
20 replaced select steam coils, replaced #11 & #12 coal conveyor chutes,
21 inspected and repaired the pulverizers and fuel delivery system, inspected
22 and repaired the boiler draft fans and dampers, cleaned and reconditioned
23 critical electric motors, inspected and repaired the precipitator, inspected
24 and repaired the turbine steam control valves, stroked and set various
25 valves, dampers, and air registers, calibrated various switches and gauges,

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1 performed miscellaneous pump, valve and piping repairs, repaired various
2 air and gas duct leaks, performed all required safety interlock tests, and
3 performed all tests and inspections required to obtain renewal of the
4 Kentucky State Boiler Operating Permit.

5
6 Green 1 had no planned outage in 2006

7
8 Green 2 had no planned outage in 2006

9
10 Wilson Station had a planned outage from February 24th through March
11 18th. Major worked completed included: boiler inspection and repair, high
12 energy pipe inspection, pipe hanger inspection, pressure vessel inspections,
13 inspect and repair air and gas ducts for the FGD and stack, performed
14 routine turbine inspection and completed scheduled preventive maintenance
15 tasks, made repairs to the left side inner and right side outer turbine intercept
16 valves, inspected and completed testing of the exciter and voltage regulator,
17 completed the battery drawdown, cleaned and tested the 6.9 kv and 480 volt
18 switchgear, performed calibrations and inspections of the pulverizers and
19 coal feeders, inspected the number one 300,000 gallon above ground bulk
20 fuel oil storage tank, inspected the cooling tower cells and concrete structure
21 and made necessary repairs, inspected the stack and replaced 19 broken
22 stack bands.

23
24 2007

25 Coleman 1 had no planned outage in 2007

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Coleman 2 had a planned outage from May 4th through June 22nd. Major work completed included: boiler and burner inspection and made necessary repairs, completed a major turbine and generator inspection & overhaul, upgraded the pulverizer feeders, replaced the boiler wet bottom refractory, replaced the control board alarm annunciator, replaced select steam coils, replaced the generator voltage regulator, replaced 2E & 2 motor control centers, replaced the fly ash system programmable logic controls, installed new turbine bearing thermocouples, replaced the burner flame scanners, replaced the cold end air heater baskets and seals, replaced the generator step up transformer oil cooling pump, overhauled "B" boiler feed pump, modified the turbine throttle valves, inspected and repaired the pulverizers and fuel delivery system, inspected and repaired the boiler draft fans and dampers, cleaned and reconditioned critical electric motors, inspected and repaired the precipitator, inspected and repaired the turbine steam control valves, stroked and set various valves, dampers, and air registers, calibrated various switches and gauges, performed miscellaneous pump, valve and piping repairs, and repaired various air and gas duct leaks.

Coleman 3 had no planned outage in 2007

Green 1 had a 56 day planned outage from March 2nd through April 20th. Major work completed included: reheater outlet bank replacement, east and west furnace wall alloy weld overlay, precipitator field rebuild (field 5, 6 & 7), installation of DCS controls, replaced scrubber Modicon controls with

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1 ABB controls, replaced 'A' & 'B' air heater cold end baskets, 1C recycle
2 pump install hard chrome pump upgrade, install new MCC and variable
3 speed drives for the cooling tower fans, replaced the superheat spray
4 attemperator nozzles, completed a major turbine and generator overhaul
5 including 9th stage reheat blade replacement and spill strip seal
6 replacement, repaired the economizer inlet check valve, replaced A & B
7 forced draft fan inlet silencers, installed 4160 volt three phase power feed to
8 'A' induced draft fan, A induced draft fan motor was cleaned and
9 refurbished, inspected A & B induced draft, forced draft and primary air fan
10 bearings, inspected all boiler drain lines, removed boiler tube samples for
11 remaining life assessment, the boiler was inspected by a B&W field service
12 engineer, inspected select sections of the high energy piping – main steam
13 and hot reheat, exhaust stack repairs, and replaced the conduit to the fan
14 motors and gearbox oil heaters at the cooling tower.

15

16 Green 2 had no planned outage in 2007

17

18 Wilson Station had no planned outage in 2007

19

20 **2008**

21 Coleman 1 had a planned outage from April 22nd through July 21st.

22 Major work completed included: boiler and burner inspection and made
23 necessary repairs, replaced #6 burner, completed a major turbine and
24 generator inspection & overhaul, upgraded the pulverizer feeders, replaced
25 the wet bottom refractory, replaced the control board alarm annunciator,

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1 replaced 1C & 1 motor control centers, replaced the generator voltage
2 regulator, replaced the fly ash system PLC controls, replaced the DCS
3 power supplies, integrated the soot blowing controls into the DCS, replaced
4 the station batteries, upgraded the precipitator controls, replaced "A"
5 vacuum pump, replaced the generator step up transformer oil cooling pump,
6 replaced select steam coils, overhauled "B" boiler feed pump, overhauled
7 "A" condensate pump, overhauled "B" & "C" pulverizers, inspected and
8 repaired the remaining pulverizers and the fuel delivery system, inspected
9 and repaired the boiler draft fans and dampers, cleaned and reconditioned
10 critical electric motors, inspected and repaired the precipitator, inspected
11 and repaired the turbine steam control valves, stroked and set various
12 valves, dampers, and air registers, calibrated various switches and gauges,
13 performed miscellaneous pump, valve and piping repairs, repaired various
14 air and gas duct leaks, performed all required safety interlock tests, and
15 performed all tests and inspections required to obtain renewal of the
16 Kentucky State Boiler Operating Permit.

17
18 Coleman 2 had no planned outage in 2008

19
20 Coleman 3 had no planned outage in 2008

21
22 Green 1 had a 21 day planned outage from August 29th through September
23 17th. Major work completed included: precipitator repairs, replaced the
24 4160 breaker to bus connector bottles, replaced the continuous emission
25 monitor shelter building, replaced the hot reheat outlet safety, replaced

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1 select support hangers on the hot reheat and cold reheat piping, replaced the
2 seal oil vacuum pump, replaced the deaerator trays, replaced the scrubber
3 mist eliminators, replaced the thickener rake drive, replaced the station
4 battery charger, replaced the uninterruptible power supply batteries (60
5 cells), replaced the unit auxiliary power watt hour meters, repaired the
6 economizer inlet check valve, inspected 'A' & 'B' induced draft, forced
7 draft and primary air fan bearings, boiler drain line inspection, boiler tube
8 sampling, boiler inspection by B&W, inspected select sections of the high
9 energy piping, inspected the wood structure at the cooling tower and made
10 necessary repairs, replaced the 'B' side precipitator inlet expansion joint,
11 and repaired the 'B' side precipitator outlet screen.

12

13 Green 2 had no planned outage in 2008

14

15 Wilson Station had a planned outage from March 1st through March 18th.
16 Major worked completed included: boiler inspection and repair, high energy
17 pipe inspection, pipe hanger inspection, pressure vessel inspections, inspect
18 and repair air and gas ducts for the FGD and stack, performed routine
19 turbine inspection and completed scheduled preventive maintenance tasks,
20 overhauled the #2 boiler feed pump turbine and repaired the #1 boiler feed
21 pump turbine expansion joint, repaired the membrane on the north boiler
22 wall and made repairs to the economizer and reheat sections of the boiler,
23 completed a condition assessment of the superheater sections of the boiler,
24 inspected and mapped boiler wall tube thickness, washed the boiler external
25 lagging, cleaned the primary and secondary Air heaters, cleaned the

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1 condenser, cleaned the hydrogen coolers, cleaned the seal oil coolers,
2 repaired the #5 and #7 feed water heaters, completed unit hydrostatic and
3 vacuum testing of the boiler, inspected the circulating water inlet tunnel,
4 inspected the cooling tower fans and variable frequency drives, inspected
5 all the burners and made necessary repairs, inspected the bottom ash surge
6 tank, replaced one layer of catalyst in the SCR, cleaned areas around the
7 scrubber and stack, and repaired the wet bottom seal trough door.

8
9 **2009**

10 Coleman 1 had no planned outage in 2009

11
12 Coleman 2 had no planned outage in 2009

13
14 Coleman 3 had a planned outage from May 25th through June 27th.

15 Major worked completed included: boiler and burner inspection and made
16 necessary repairs, replaced the boiler deflector wall tubes, replaced the
17 upper primary superheat tubes, chemically cleaned the water side of the
18 boiler to remove mineral deposits, installed new slag grinders, replaced the
19 control board monitors, replaced B & C motor control centers, replaced the
20 DCS power supplies, replaced the DCS controllers, replaced the sequence of
21 events log system, upgraded the precipitator controls, replaced "B" buss
22 4160 volt switchgear, cubicles, circuit breakers, and protective relays,
23 replaced the primary air fans & housings, replaced select damper drives,
24 replaced "A" pulverizer liners, replaced the boiler outlet duct gas analyzers,
25 replaced "B" vacuum pump, overhauled "B" condensate pump, overhauled

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1 "A" boiler feed pump, inspected and repaired the pulverizers and fuel
2 delivery system, cleaned and reconditioned critical electric motors,
3 inspected and repaired the precipitator, inspected and repaired the turbine
4 steam control valves, stroked and set various valves, dampers, and air
5 registers, calibrated various switches and gauges, performed miscellaneous
6 pump, valve and piping repairs, repaired various air and gas duct leaks,
7 performed all required safety interlock tests, and performed all tests and
8 inspections required to obtain renewal of the Kentucky State Boiler
9 Operating Permit.

10
11 Green 1 had no planned outage in 2009

12
13 Green 2 had a 51 day planned outage from March 27th through May 23rd.
14 Major work completed included: applied 4400 sq. ft of alloy weld overlay
15 to the east and west boiler walls, replaced the cold end air heater baskets,
16 replaced the Modicon scrubber controls with ABB DCS, replaced the
17 scrubber inlet ducts, replaced the scrubber outlet mist eliminator panels,
18 replaced the high temperature reheater outlet bank tubes, replaced the 4th
19 and 5th precipitator fields, replaced the cooling tower fan shrouds, replaced
20 the fly ash hopper isolation gates, inspected the superheat spray
21 attemperator nozzles and replaced the west venturi, replaced select air heater
22 expansion joints, replaced the cooling tower deck, inspected all the boiler
23 drain lines, replaced the deaerator heater trays, completed a major overhaul
24 of the turbine and generator included replacing the HP-IP & LP packing,
25 replacing turbine supervisory instrumentation, and replacing the generator

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1 retaining rings, chemically cleaned the water side of the boiler to remove
2 mineral deposits, inspected all boiler safety valves, replaced all burner coal
3 pipe tips, inspected and mapped the boiler wall tube thickness, and recoated
4 G1 make up water clarifier tank.

5
6 Wilson Station had a planned outage from October 3rd through December
7 2nd. Major worked completed included: boiler inspection and repair, high
8 energy pipe inspection, pipe hanger inspection, pressure vessel inspections,
9 inspect and repair air and gas ducts for the FGD and stack, performed
10 routine turbine inspection and completed scheduled preventive maintenance
11 tasks, overhauled the turbine and generator which included high pressure
12 control stage blade replacement and complete governor valve restoration,
13 completed a major refurbishment of the FGD modules, replaced the boiler
14 bottom ash removal drag chain, replaced the boiler wet bottom water seal
15 system, overhauled #2 pulverizer, replaced the B Platen Superheater tubes,
16 applied alloy weld overlay to select areas of the boiler walls, replaced the
17 primary air heater baskets, cleaned the stack liner, replaced the precipitator
18 outlet damper, replaced one layer of catalyst in the SCR, replaced the fill in
19 five cooling tower cells, replaced six cooling tower fan assemblies, repaired
20 the cooling tower concrete structure, replaced one station air compressor,
21 replaced the 6.9 kv under voltage relay, replaced the 480 volt main and tie
22 circuit breakers, and replaced select areas of boiler insulation based on
23 results of a thermography inspection

24
25 **Witness)** Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION
Response to Commission Staff's Second Data Requests
Case No. 2011-00036
Item 16c

Planned Maintenance Outage Comparison
Big Rivers Coal Units
Planned Outage Weeks

	2009	2010	2011	2012	Total
Coleman 1				4	4
Coleman 2		4			4
Coleman 3	6			4.5	10.5
Green 1		1.4	4		5.4
Green 2	7		1	4	12
Henderson 1	4		1.4		5.4
Henderson 2		3		7	10
Reid 1		2		3	5
Wilson	9	1	1	6	17

East Kentucky Power Coal Units

Planned Outage Weeks Obtained from PSC Case No's. 2008-00519 and 2010-00491

	2009	2010	2011	2012	Total
Dale1	8	3	3	3	17
Dale 2	8	3	3	3	17
Dale 3	3	3	3	3	12
Dale 4	3	3	3	3	12
Cooper 1	9	3	3	4	19
Cooper 2	3	3	5	12	23
Spurlock 1	6	1	5	2	14
Spurlock 2	2	4	2	8	16
Gilbert 3	3	4	4	4	15
Spurlock 4	4	4	4	4	16

Kentucky Power Company Coal Units

Planned Outage Weeks Obtained from PSC Case No's. 2008-00518 and 2010-00490

	2009	2010	2011	2012	Total
Big Sandy 1	Less than 4 weeks	More than 4 weeks	Less than 4 weeks	Less than 4 weeks	16 weeks ?
Big Sandy 2	Less than 4 weeks	Less than 4 weeks	More than 4 weeks	Less than 4 weeks	16 weeks ?

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
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dated April 1, 2011

April 15, 2011

1 **Item 17)** *Refer to Exhibit Wolfram-2, Reference Schedule 2.10, of the Wolfram*
2 *Testimony, pages 11-12 of the Berry Testimony, and Exhibit Berry-3.*

- 3
- 4 *a. By generating station and year, provide the historical levels of non-outage*
5 *operations and maintenance expenses for 2005 through 2009, broken*
6 *down by account in the same manner as shown in Exhibit Berry-3.*
- 7 *b. Explain how the amounts identified on Exhibit Berry-3 as "Inflation*
8 *adjustment" were derived.*
- 9 *c. Explain why the annual amounts at individual stations are projected to*
10 *vary by as much as \$1.4 million from year-to-year.*
- 11 *d. Explain why a four-year period, from 2011 through 2014, has been used*
12 *to derive the proposed adjustment.*

13

14 **Response)**

- 15 a. When the Unwind Transaction closed on July 16, 2009, Big Rivers
16 resumed operational control of the generating units the E.ON Entities had
17 operated since 1998. The historical expenses requested for the period 2005
18 through July 16, 2009 were those of Western Kentucky Energy, not Big
19 Rivers. Big Rivers does not have the data required to develop the
20 information requested by the Commission Staff for the period from January
21 2005 through July 16, 2009. Please see attachment 17a hereto for historical
22 levels of non-outage operations and maintenance expenses for the period
23 July 17, 2009 through December 31, 2009, broken down by account in the
24 same manner as shown in Exhibit Berry-3.
- 25 b. The inflation adjustment referenced on Exhibit Berry-3 was derived using
26 the 10 year average of the Consumer Price Index from 2000 to 2010. The

BIG RIVERS ELECTRIC CORPORATION
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- 1 ten year Consumer Price Index was obtained from the web site "Inflation
2 Data.com" found at URL
3 http://www.inflationdata.com/inflation/Inflation_Rate/CurrentInflation.asp.
4 The rate used was 2.5% each year. When compounded over the four year
5 plan period, it comes to the 6.48712%. The chart with the Consumer Price
6 Index data from the link above is shown in attachment 17b hereto.
- 7 c. The primary reason for annual non-outage budget variances at individual
8 stations is the timing of scheduled maintenance activities on plant
9 equipment that is typically completed while the plants are in service. Two
10 examples of how timing of scheduled equipment maintenance can affect
11 annual budget variances are shown below:
- 12
- 13 1. Pulverizer overhauls are scheduled based on a combination of metered
14 service hours and tons of coal processed. Exhibit Berry-3, page 2,
15 shows that the Coleman Station has no mill overhauls scheduled in 2013
16 and has three mill overhauls scheduled in 2014. Timing of the
17 scheduled maintenance for pulverizer overhauls resulted in a \$525,000
18 variance between those two years.
- 19 2. Exhibit Berry-3, page 3, shows that the Green Station D9 dozer is
20 scheduled for a major overhaul including engine, transmission, torque
21 converter, and radiator replacement in 2013, resulting in a \$114,000
22 variance between 2013 and the other years.
- 23 d. Due to deferring maintenance projects from the test year and a minimal level
24 of maintenance expenditures during the test year, test year maintenance
25 expenses do not represent the level of ongoing expenses necessary to
26 prudently operate and maintain the generating assets. Exhibit Berry-3

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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April 15, 2011

1 makes adjustments for the period 2011 through 2014 to account for expenses
2 that were not included in the test year or that were deferred out of the test
3 year.

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Witness) Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION

Case No. 2011-00036

Historical Non-Outage Operations and Maintenance Expenses

Non-Outage O&M by Account

Line No.	Account	Jul 17-Jul 31 09	HMP&L Station Two				Nov-09	Dec-09	Total
			Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total	
30	555 (501) Fuel Expenses	10,293	27,048	18,560	22,703	27,236	43,980	149,820	
31	555 (502) Steam Expenses	4,786	12,578	8,630	10,557	12,665	20,451	69,667	
32	555 (502) Steam Expenses	10,396	27,318	18,745	22,929	27,507	44,419	151,314	
33	555 (506) Misc. Steam Power Expenses	16,533	43,444	29,811	36,465	43,746	70,641	240,640	
34	555 (511) Maintenance of Structures	8,125	21,352	14,651	17,921	21,500	34,718	118,267	
35	555 (512) Maintenance of Boiler Plant	28,802	75,683	51,933	63,526	76,209	123,065	419,218	
36	555 (512) Maintenance of Boiler Plant	12,869	33,817	23,204	28,384	34,051	54,987	187,312	
37	555 (512) Maintenance of Boiler Plant	1,869	4,910	3,369	4,121	4,944	7,984	27,197	
38	555 (512) Maintenance of Boiler Plant	14,983	39,372	27,016	33,046	39,645	64,019	218,081	
39	555 (513) Maintenance of Electric Plant	7,363	19,347	13,276	16,239	19,482	31,459	107,166	
40	555 (514) Maintenance of Misc.Steam Plant	10,406	27,343	18,762	22,950	27,533	44,460	151,454	
41	555 (553) Maintenance Generating & Electric Plant - Gas Turbine	-	-	-	-	-	-	-	
42	Total Station Two	<u>126,425</u>	<u>332,212</u>	<u>227,957</u>	<u>278,841</u>	<u>334,518</u>	<u>540,183</u>	<u>1,840,136</u>	
43		-	-	-	-	-	-	-	
44		-	-	-	-	-	-	-	
45		-	-	-	-	-	-	-	
46		-	-	-	-	-	-	-	
47		-	-	-	-	-	-	-	
48		-	-	-	-	-	-	-	
49		-	-	-	-	-	-	-	
50	501 Fuel Expenses	-	72,186	85,423	13,521	179,519	28,997	379,646	
51	502 Steam Expenses	29,805	24,325	27,197	20,205	55,869	35,366	192,767	
52	502 Steam Expenses	-	6,436	4,676	3,383	22,014	5,021	41,530	
53	505 Electric Expenses	1,438	2,338	12,192	26,708	3,758	13,554	59,988	
54	506 Misc. Steam Power Expenses	29,351	39,431	29,365	63,727	35,021	31,784	228,679	
55	511 Maintenance of Structures	32,524	59,178	146,429	330,713	166,803	174,301	909,948	
56	512 Maintenance of Boiler Plant	117,486	193,369	176,719	86,482	183,812	269,419	1,027,287	
57	512 Maintenance of Boiler Plant	8,573	102,559	11,990	42,170	36,939	33,451	235,681	
58	513 Maintenance of Electric Plant	11,399	70,160	44,904	14,394	(1,915)	16,450	155,393	
59	514 Maintenance of Misc.Steam Plant	9,565	82,072	54,885	73,549	102,457	77,843	400,372	
60	Total Coleman	<u>240,143</u>	<u>652,054</u>	<u>593,780</u>	<u>674,852</u>	<u>784,277</u>	<u>686,185</u>	<u>3,631,291</u>	
61		-	-	-	-	-	-	-	

Case No. 2011-00036

Witnesses: Robert W. Berry
Attachment for Item PSC 2-17a

Page 2 of 3

BIG RIVERS ELECTRIC CORPORATION
Case No. 2011-00036
Historical Non-Outage Operations and Maintenance Expenses

Line No.	Account	Jul 17-Jul 31 09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total	
			WILSON						
62	501 Fuel Expenses	8,170	29,628	25,410	26,832	12,643	32,054	134,738	
63	502 Steam Expenses	12,967	47,024	40,329	42,585	5,378	15,733	164,017	
64	505 Electric Expenses	2,736	9,921	8,508	8,984	5,491	3,822	39,462	
65	506 Misc. Steam Power Expenses	42,392	153,732	131,847	139,222	184,766	135,306	787,265	
66	511 Maintenance of Structures	19,636	71,209	61,072	64,488	15,433	91,426	323,264	
67	512 Maintenance of Boiler Plant	124,234	450,522	386,384	407,999	385,965	438,239	2,193,343	
68	513 Maintenance of Electric Plant	22,907	83,071	71,245	75,230	108,340	172,685	533,479	
69	514 Maintenance of Misc.Steam Plant	7,097	25,735	22,071	23,306	49,412	101,069	228,690	
70	Total Wilson	240,139	870,842	746,867	788,648	767,427	990,335	4,404,258	

Line No.	Account	Jul 17-Jul 31 09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Total	
			BREC Non-Outage O&M by Account						
78	501 Fuel Expenses	24,310	150,663	162,958	102,957	257,718	164,534	863,141	
79	502 Steam Expenses	48,874	96,661	92,648	89,474	107,667	94,566	529,891	
80	505 Electric Expenses	6,016	18,607	28,047	42,148	16,021	27,917	138,757	
81	506 Misc. Steam Power Expenses	101,030	289,533	269,793	309,621	331,610	342,106	1,643,693	
82	511 Maintenance of Structures	67,200	180,789	264,913	449,165	238,820	354,100	1,554,986	
83	512 Maintenance of Boiler Plant	368,282	1,135,778	1,014,492	965,445	1,056,234	1,444,436	5,984,667	
84	513 Maintenance of Electric Plant	48,771	198,000	164,658	144,840	164,260	280,238	1,000,768	
85	514 Maintenance of Misc.Steam Plant	21,895	124,264	94,979	116,594	172,549	211,436	741,718	
86	553 Maintenance Generating & Electric Plant - Gas Turbine	7,917	17,777	14,373	36,241	37,854	60,956	175,118	
87	555 Station Two	126,425	332,212	227,957	278,841	334,518	540,183	1,840,136	
88	Total Plants	820,720	2,544,284	2,334,819	2,535,328	2,717,251	3,520,472	14,472,874	

Big Rivers Electric Corporation
Case No. 2011-00036
Exhibit Berry-3 Inflation Rate Calculation Sheet

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Avg
2011	1.63%	2.11%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
2010	2.63%	2.14%	2.31%	2.24%	2.02%	1.05%	1.24%	1.15%	1.14%	1.17%	1.14%	1.50%	1.64%
2009	0.03%	0.24%	-0.38%	-0.74%	-1.28%	-1.43%	-2.10%	-1.48%	-1.29%	-0.18%	1.84%	2.72%	-0.34%
2008	4.28%	4.03%	3.98%	3.94%	4.18%	5.02%	5.60%	5.37%	4.94%	3.66%	1.07%	0.09%	3.85%
2007	2.08%	2.42%	2.78%	2.57%	2.69%	2.69%	2.36%	1.97%	2.76%	3.54%	4.31%	4.08%	2.85%
2006	3.99%	3.60%	3.36%	3.55%	4.17%	4.32%	4.15%	3.82%	2.06%	1.31%	1.97%	2.54%	3.24%
2005	2.97%	3.01%	3.15%	3.51%	2.80%	2.53%	3.17%	3.64%	4.69%	4.35%	3.46%	3.42%	3.39%
2004	1.93%	1.69%	1.74%	2.29%	3.05%	3.27%	2.99%	2.65%	2.54%	3.19%	3.52%	3.26%	2.68%
2003	2.60%	2.98%	3.02%	2.22%	2.06%	2.11%	2.11%	2.16%	2.32%	2.04%	1.77%	1.88%	2.27%
2002	1.14%	1.14%	1.48%	1.64%	1.18%	1.07%	1.46%	1.80%	1.51%	2.03%	2.20%	2.38%	1.59%
2001	3.73%	3.53%	2.92%	3.27%	3.62%	3.25%	2.72%	2.72%	2.65%	2.13%	1.90%	1.55%	2.83%
2000	2.74%	3.22%	3.76%	3.07%	3.19%	3.73%	3.66%	3.41%	3.45%	3.45%	3.45%	3.39%	3.38%
Ten Year Avg													2.49%

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to Commission Staff's Second Request for Information
dated April 1, 2011

April 15, 2011

1 **Item 18)** *Refer to Exhibit Wolfram-2, Reference Schedule 2.11 of the Wolfram*
2 *Testimony, pages 11-12 of the Berry Testimony, and Exhibit Berry-2.*

- 3
- 4 *a. Provide a revised version of Exhibit Berry-2 which includes the titles of*
5 *each of the accounts shown in the first column of the exhibit and the test-*
6 *year planned outage expense of \$11,710,548 broken down by account.*
- 7 *b. For each of the years 2011 through 2014, provide the amount of the*
8 *projected planned outage expense broken down by generating station.*
- 9 *c. Explain why a four-year period, from 2011 through 2014, has been used*
10 *to derive the proposed adjustment.*

11

12 **Response)**

- 13 a. Please see Item 18a attachment for a revision of Exhibit Berry-2 that
14 includes the titles of each of the accounts shown in the first column of the
15 exhibit and the test-year planned outage expense of \$11,710,548 broken
16 down by account.
- 17 b. Please see item 18b attachment for breakdown of outage expenses for the
18 years 2011 through 2014 by generating station.
- 19 c. Exhibit Berry-2 represents the adjustments needed too perform the
20 maintenance outages necessary to meet acceptable industry standard
21 availability and reliability targets. Many of the outages in the exhibit are
22 outages that were deferred from 2010 and 2011.

23

24

25

26 **Witness)** Robert W. Berry

Big Rivers Electric Corporation
Case No. 2011-00036
Revision to Exhibit Berry-2

Line No.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	
	TEST YEAR PLANNED OUTAGE EXPENSE BY ACCOUNT																					
	For Period 11/09 - 10/10																					
	<u>PLANNED OUTAGE ACTUAL EXPENDITURES</u>																					
	Account																					
						30,502																
						3,390																
						65,917																
						6,033,477																
						2,578,795																
						15,427																
						0																
						2,983,039																
						11,710,548																
	TOTAL PLANNED OUTAGE ACTUAL EXPENDITURES																					

Big Rivers Electric Corporation
Case No. 2011-00036
Revision to Exhibit Berry-2

Description: During the historical test period, Big Rivers incurred \$11,710,548 in planned outage expenses. The planned outage expenses during this period was lower than historical and planned spending over the next four years. The pro forma adjustment of \$2,726,965 serves to normalize the expenses associated with planned outage expense.

Line No.	Account	Account Description	Test Year	2011	2012	2013	2014	Average
			11,710,548	11,710,548	11,710,548	11,710,548	11,710,548	11,710,548
11	502	Steam Expenses		(30,502)	9,498	(30,502)	(30,502)	(20,502)
12	506	Misc. Steam Power Expense		(3,390)	(3,390)	(3,390)	(3,390)	(3,390)
13	511	Maintenance Structures		173,820	1,268,669	149,783	1,265,195	714,367
14	512	Maintenance Boiler Structures		430,355	6,773,947	2,087,264	3,876,312	3,291,970
15	513	Maintenance Electric Plant		(2,707,793)	(460,295)	(1,834,932)	(1,365,923)	(1,592,236)
16	514	Maintenance Misc. Steam Plant		166,073	655,181	102,383	707,286	407,731
17	553	Maintenance Generating & Electric						
		Plant - Gas Turbine		354,100	1,200,000	-	-	388,525
18	555	Station Two		(577,158)	1,200,527	(1,136,846)	(1,324,519)	(459,499)
20				(2,194,496)	10,644,137	(666,240)	3,124,458	2,726,965
22				9,516,052	22,354,685	11,044,308	14,835,006	14,437,513

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
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1 **Item 19)** *Refer to Exhibit Wolfram-2, Reference Schedule 2.06, of the Wolfram*
2 *Testimony, pages 9-15 of the Direct Testimony of Ted J. Kelly ("Kelly Testimony"), Exhibit*
3 *Kelly-1, and Exhibit Kelly-2.*

4
5 *a. Provide, in the same format as used in Exhibit Kelly-1 to reflect the impact*
6 *of Mr. Kelly's depreciation rate study as of April 30, 2010, a schedule as*
7 *of October 31, 2010 which shows the derivation of the pro forma*
8 *depreciation expense of \$42,532,089 shown in Reference Schedule 2.06.*

9 *b. The "Facilities Review" section of the Kelly Testimony identifies the five-*
10 *year average heat rates of most of the Big Rivers generating facilities, but*
11 *not for the Wilson and Coleman plants. Provide the five-year average*
12 *heat rates for the Wilson and Coleman plants.*

13 *c. Exhibit Kelly-2 shows the years in service and estimated remaining lives*
14 *of Big Rivers' generating units. Using each generating station's newest*
15 *unit for measurement purposes, the total useful lives are as follows:*

- 16 *1. Coleman – 62 years;*
17 *2. Green – 60 years;*
18 *3. HMP&L 2 – 70 years; and*
19 *4. Wilson – 64 years.*

20 *Identify and describe the characteristics of each generating station that*
21 *give rise to these different useful lives.*

22
23 **Response)**

24 a. Attached is a schedule in the same format as used in Exhibit Kelly-1 with
25 two columns added to the far right side of the schedule. These additional
26 columns show the application of the proposed depreciation rates from the

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to Commission Staff's Second Request for Information
dated April 1, 2011

April 15, 2011

- 1 depreciation study to plant balances as of October 31, 2010, resulting in the
2 derivation of the pro forma depreciation expense of \$42,532,089 shown in
3 Reference Schedule 2.06.
- 4 b. The five year average (2006-2010) net heat rate for Coleman Station was
5 10,985 Btu per kWh and for Wilson it was 11,291 Btu per kWh.
- 6 c. Many factors go into determining the useful life and remaining useful life of
7 a generating facility, including engineering judgment. Each facility was
8 evaluated independently. Below are some of the major factors that were
9 considered in determining the useful life and remaining useful life for each
10 facility of Big Rivers:
- 11
- 12 1. Historical operating hours;
 - 13 2. Type of facility, equipment and design;
 - 14 3. Operation practices;
 - 15 4. Typical operating hours per hour;
 - 16 5. Actual operating hours based on last five year average;
 - 17 6. Years in service;
 - 18 7. Ongoing maintenance and component replacements;
 - 19 8. On-site inspections and conversations with plant managers and staff;
 - 20 9. Comprehensive testing;
 - 21 10. Plant performance; and
 - 22 11. Operating conditions.
- 23
- 24 Part II of the Report on the Comprehensive Depreciation Study provides
25 descriptions of each of Big Rivers' generating stations, along with
26 assessments of the recent historical operations and maintenance and the

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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1 current physical condition of each plant developed through on-site
2 observations of the facilities. Table II-3 in the Report on the
3 Comprehensive Depreciation Study provides a summary of the estimated
4 remaining life of each unit studied. For facilities with multiple units, the
5 estimated remaining unit life was added to the actual years in service of the
6 newest unit at the generating station to determine the total useful life of the
7 station.

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Witnesses) Mark A. Hite – Subpart a.
Robert W. Berry – Subpart b.
Ted J. Kelly – Subpart c.

Big Rivers Electric Corporation
Case No. 2011-00036
2010 Depreciation Rate Study

Account	Description	As of April 30, 2010			Existing Depreciation Rate -%	Average Service Life - Years	Remaining Service Life - Years	Net Salvage Factor -%	Proposed Depreciation Rate -%
		Plant Balance -\$	Reserve Balance -\$	Reserve Ratio					
310	Land & Land Improvements	4,537,577	0	0.0	N/A	N/A	N/A	N/A	
PRODUCTION PLANT [1]									
340	Land	475,968	-	-	-	-	-	-	
311	Structures	124,375,974	78,124,758	62.8	1.71%	62	30	4.5%	
312	Boiler Plant	667,206,536	347,026,279	52.0	1.79%	60	28	5.0%	
312 A-K	Boiler Plant - Env Compl	574,184,346	216,760,670	37.8	1.89%	53	28	2.0%	
312 L-P	Short-Life Production Plant -Environmental	3,208,938	165,475	5.2	1.89%	10	5	0.0%	
312 V-Z	Short-Life Production Plant -Other	868,755	210,738	24.3	1.89%	10	5	0.0%	
314	Turbine	225,272,354	124,744,924	55.4	1.66%	60	28	8.2%	
315	Electric Eqpt	60,355,721	35,350,377	58.6	1.60%	51	19	3.0%	
316	Misc Eqpt	3,014,912	42,128	1.4	1.83%	58	26	0.5%	
341	CT - Structures	154,233	115,766	75.1	2.31%	53	21	0.0%	
342	CT - Fuel Holders & Access.	1,436,912	564,590	39.3	2.32%	53	21	134.8%	
343	CT - Prime Movers	4,915,886	3,637,977	74.0	2.47%	53	21	38.3%	
344	CT - Generators	1,102,964	984,479	89.3	2.23%	53	22	0.0%	
345	CT - Access. Elec. Eqpt.	317,726	179,425	56.5	2.23%	53	21	0.0%	
Subtotal		1,666,891,222	807,907,587						
TRANSMISSION [1]									
350	Land	558,665	-	-	-	-	-	-	
352	Structures	6,725,346	3,664,345	54.5	1.76%	53	25	2.4%	
353	Station Eqpt	115,297,358	51,467,633	44.6	2.22%	53	25	0.2%	
354	Towers	8,593,544	4,868,075	56.6	2.28%	58	30	0.0%	
355	Poles	41,558,164	22,321,791	53.7	3.24%	50	23	0.0%	
356	Lines	41,070,042	23,399,406	57.0	2.47%	53	26	0.0%	
Subtotal		213,803,120	105,721,250						
GENERAL PLANT [2]									
389	Land	407,251	-	-	-	-	-	-	
390	Structures [1]	3,944,895	1,786,210	45.3	2.59%	43	12	21.8%	
391.0/391.6/391.7	Office Furniture & Eqpt	616,135	(282,102)	-45.8	1.11%	10	8	8.9%	
391.2	Computer	7,013,902	436,114	6.2	1.11%	10	9	1.2%	
392.2	Vehicles - General	1,699,130	995,277	58.6	5.62%	10	6	14.2%	
392.3	Vehicles - Transmission	1,257,240	625,460	49.7	5.62%	10	5	16.9%	
393	Stores Eqpt	98,766	69,468	70.3	3.57%	16	6	4.4%	

Case No. 2011-00036
Witness: Mark A. Hite
Attachment for Item PSC 2-19a
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Big Rivers Electric Corporation
Case No. 2011-00036
2010 Depreciation Rate Study

Account	Description	As of April 30, 2010			Existing Depreciation Rate	Average Service Life	Remaining Service Life	Net Salvage Factor	Proposed Depreciation Rate
		Plant Balance	Reserve Balance	Reserve Ratio					
		-\$ -	-\$ -	-% -	- Years -	- Years -	-% -	-% -	
394 Tools		717,086	385,947	53.8	2.85%	16	9	2.7%	
395 Lab Eqpt		221,279	160,195	72.4	2.86%	16	6	2.1%	
396 Power Operated Eqpt [3]		504,739	392,925	77.8	3.70%	16	5	24.9%	
397 Communication Eqpt [4]		1,639,437	1,640,029	100.0	4.35%	16	1	-0.1%	
398 Miscellaneous Eqpt		163,645	3,925	2.4	5.44%	16	8	3.2%	
	Subtotal	18,283,504	6,213,447						
[1] Life Span Method depreciation									
[2] Whole Life Method depreciation									
[3] Depreciation rate is equal to the previous rate									
[4] Depreciation rate is equal to the previous rate due to Big Rivers current \$7 million Replacement Program									
TOTAL		\$ 1,903,515,423	\$ 919,842,284						

Big Rivers Electric Corporation
Case No. 2011-00036
2010 Depreciation Rate Study

Account	Description	Annual Depreciation Expense					
		Rate Study Depreciation Expense		Annual Depreciation Expense		Proforma Depreciation Expense	
		Existing	Proposed	As of April 30, 2010	Variance	As of October 31, 2010	Depreciation
		-\$ -	-\$ -	-\$ -	-\$ -	-\$ -	-\$ -
394 Tools		20,437	33,072	12,635	722,077	33,288	
395 Lab Eqpt		6,329	9,768	3,440	221,279	9,758	
396 Power Operated Eqpt [3]		18,675	18,675	-	525,981	19,461	
397 Communication Eqpt [4]		71,316	71,316	-	4,616,668	200,825	
398 Miscellaneous Eqpt		8,902	19,309	10,407	166,696	19,670	
	Subtotal	482,199	1,247,338	765,140	35,388,849	2,971,412	

- [1] Life Span Method depreciation
- [2] Whole Life Method depreciation
- [3] Depreciation rate is equal to the previous rate
- [4] Depreciation rate is equal to the previous rate due to Big Rivers ct

TOTAL \$ 35,666,381 \$ 39,647,724 \$ 3,981,343 \$ 1,989,769,350 \$ 42,532,089

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April 15, 2011

1 **Item 20)** *Refer to pages 15-16 of the Direct Testimony of Mark A. Hite (“Hite*
2 *Testimony”) concerning the discussions between Big Rivers and the aluminum smelters*
3 *concerning NFPPA. The testimony reflects that, while complete agreement on a resolution*
4 *of the differences between Big Rivers and the smelters on the NFPPA had not been reached*
5 *at the time of the application, Big Rivers “[b]elieved that a resolution was imminent” and*
6 *that “Big Rivers and the smelters continue to meet on this issue.” Provide the current status*
7 *of these meetings.*

8

9 **Response)** Please see Big Rivers' response to KIUC 1-85.

10

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12 **Witnesses)** C. William Blackburn

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BIG RIVERS ELECTRIC CORPORATION

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1 **Item 21)** *Refer to Exhibit Wolfram-2, Reference Schedule 2.07, of the Wolfram*
2 *Testimony and pages 21-22 of the Hite Testimony.*

3
4 *a. Provide a breakdown of the pro forma and historical year amounts*
5 *between labor costs and labor overhead. Provide a further breakdown of*
6 *the labor costs by regular hours labor, overtime hours labor, and "other"*
7 *labor (i.e. unused sick leave, unused annual leave, etc.) Provide the labor*
8 *overhead cost by category type (i.e. payroll taxes, workers compensation,*
9 *retirement costs, insurance, medical, etc.)*

10 *b. The description states that the labor and labor overhead pro forma*
11 *amount of \$68,708,897 includes employees of record as of December 31,*
12 *2010. Confirm whether the \$68,084,003 historical amount represents the*
13 *test year or another period.*

14 *c. Provide the normalized test year-end labor and labor overhead cost based*
15 *on employees of record as of October 31, 2010 and the resulting*
16 *adjustment.*

17
18 **Response)** a. The schedule below breaks down the pro forma amounts between labor and
19 labor overhead, with labor costs broken down by straight time, overtime, and the straight time
20 portion of shift premium, and labor overhead broken down by category. The schedule shows
21 the test year labor and labor overhead amounts in total. As stated in the response to Item 27 of
22 the Staff's First Information Request, the level of detail necessary to break down the labor
23 costs for the test year is unavailable due to inaccessibility of the Oracle 11i information system
24 environment provided by E.ON pursuant to a contract that terminated January 15, 2011. The
25 breakdown of labor overheads provided in response to Item 30 of the Staff's First Information
26 Request, subsequently revised, has not been repeated in this response because that breakdown

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1 is not appropriate for a year-over-year comparison of the individual labor overheads. The
2 response to Item 30 adequately provides the account breakdown of labor overheads in total, but
3 not by individual benefit. That is because the analysis performed to arrive at the account
4 breakdown relied out of necessity on the "burden" rates (write-off rates) used during the year,
5 and specifically on the portion of that rate initially designated for the individual benefit being
6 reported. While the total burden rate proved at year-end to be generally adequate for labor
7 burdening process in total, the portions designated for the individual benefits were found to be
8 inaccurate, requiring year-end adjustment amongst the balance sheet control accounts for the
9 individual benefits. Those year-end adjustments were made by journal entry, which were not
10 incorporated in the analysis performed in preparing the account breakdown in response to Item
11 30.

12

13 b. Yes, the \$68,084,003 represents the actual test period (historical year) labor
14 and labor overhead expenses, as per Schedule 2.07.

15

16 c. The normalized test year-end labor and labor overhead cost based on
17 employees of record as of October 31, 2010, is \$68,688,119. The resulting adjustment would
18 be \$604,116.

19

20 **Witnesses)** Mark A. Hite and James V. Haner – Subpart a.

21 Mark A. Hite – Subpart b.

22 James V. Haner – Subpart c.

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1

	Pro Forma	Test Year
Labor and Labor Overheads		
ST Labor	39,187,427	
OT Labor	5,984,388	
Shift Prem (ST)	134,998	
Labor	45,306,813	45,955,019
OH	23,402,084	22,128,984
Total Labor and OH	68,708,897	68,084,003
 Labor Overheads		
401(k)	1,378,383	
Dental Insurance	457,934	
Life Insurance	247,991	
Long-Term Disability	293,235	
Medical Insurance/FSA	9,602,343	
Post-Retirement Medical	2,286,468	
Payroll Taxes	3,461,246	
Retirement (DB/DC)	4,896,225	
Workers Compensation	778,259	
Total	23,402,084	22,128,984

Note that the test year labor overheads of \$22,128,984 shown above excludes the \$7,476,583 postretirement medical liability assumed at the Unwind closing for the former WKEC employees that is reflected on pro forma adjustment Schedule 2.19.

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1 **Item 22)** *Refer to Exhibit Wolfram-2, Reference Schedule 2.07, of the Wolfram*
2 *Testimony, and page 16 of 216 of the attachment to the response to Item 54 of the Staff's*
3 *First Request.*

- 4
- 5 a. *Confirm whether the Grand Total amount of \$68,084,003 on page 16,*
6 *which is \$75,560,586 less the \$7,476,583 Unwind post-retirement medical*
7 *true-up, includes the retention amount of \$2,470,052 and incentive*
8 *amount of \$94,650 shown on the schedule.*
- 9 b. *Provide a description of Big Rivers' retention and incentive pay programs.*
- 10 c. *Provide an explanation why the retention and incentive bonus amounts*
11 *should be included in the determining Big Rivers' revenue requirement.*
- 12

13 **Response)**

- 14 a. Yes, the \$68,084,003 test year labor and labor overheads, per Schedule 2.07,
15 excludes the \$7,476,583 postretirement medical liability assumed at the
16 Unwind closing for the former WKEC employees (which is included in pro
17 forma adjustment Schedule 2.19; a reduction to the revenue requirement),
18 but includes the \$2,470,052 retention bonus and the \$94,650 incentive
19 award (bonus) [$\$75,560,586 - \$7,476,583 = \$68,084,003$].
- 20 b. The two primary components of Big Rivers' compensation program for
21 salaried employees are base pay and incentive pay. The incentive program
22 provides for incentive awards contingent on the attainment of key corporate
23 performance results. Each performance measure has a minimum and
24 maximum award level, which is from 0% to 8% for 2011, and each measure
25 has a relative weight, with the total of the relative weights adding to 100%.
26 For example, results qualifying for the maximum award level for a

Case No. 2011-00036

Response to Item PSC 2-22

Witnesses: Mark A. Hite and James V. Haner

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1 performance measure with a relative weight of 50% would yield a
2 maximum possible incentive rate of 4% (50% of 8%) for that measure. The
3 total of the incentive rates for the individual measures is the incentive pay
4 award for the year. That percentage is applied to W-2 earnings for the plan
5 year, a uniform percentage for all eligible employees. The performance
6 measures are established at levels that, as a whole, will provide economic
7 gain in an amount such that 10% of the gain will fund the incentive pay
8 award. Regardless the economic gain, payment of any incentive award will
9 only be made to the extent the Company remains in compliance with its loan
10 covenants.

11
12 Big Rivers' retention program was implemented in anticipation of the
13 closing of the unwind transaction, and in recognition of the importance that
14 continuity of operations would play in Big Rivers' success after the unwind.
15 The program provided for a bonus to those WKE employees receiving and
16 accepting Big Rivers' offer of employment, who were actively employed at
17 Big Rivers during the 12-month period following the close of the unwind
18 transaction and remained actively employed on the one-year anniversary of
19 that date. For exempt employees, the bonus was a percentage of starting
20 base pay. For non-exempt employees, it was a percentage of cash
21 compensation for hours worked during that first 12-month period. The
22 bonus percentage was graded according to position or job level. The
23 payment was a lump sum, net of taxes.

24 c. The retention bonus and the incentive bonus have been excluded from
25 Big Rivers' revenue requirement; no such amounts are included in the pro
26 forma labor and labor overheads.

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1

2

3 **Witnesses)** Mark A. Hite – Subparts a. and c.

4 James V. Haner –Subpart b.

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 23)** *Refer to Exhibit Wolfram-2, Reference Schedule 2.08, of the Wolfram*
2 *Testimony and page 22 of the Hite Testimony. Provide the calculations supporting the*
3 *\$515,767 historical interest expense on construction work in progress.*

4
5 **Response)** It has been the policy of Big Rivers to capitalize interest on any construction
6 project estimated to cost at least \$250,000. Big Rivers is proposing in this proceeding to
7 recover interest currently rather than continuing to capitalize interest during construction. If
8 the Commission allows Big Rivers to recover interest on construction work in progress through
9 rates, then Big Rivers will no longer capitalize interest during construction.

10 Under Big Rivers' current practice, the capitalization of interest starts when the
11 first dollar is expended and construction has begun. The amount of interest to be capitalized is
12 determined by applying an interest rate (the capitalization rate) to the amount of to-date
13 accumulated expenditures for qualifying construction projects. The capitalization rate used by
14 Big Rivers is the effective interest rate on the RUS Series A Note, because that note allows Big
15 Rivers to voluntarily prepay and "claw back" the prepayment so long as the Allowed Balance
16 is not exceeded. Accumulated expenditures are calculated using the following equation: Work
17 order balance – (retainage + payables + capitalized interest) + current month cash
18 expenditures. The capitalization ends when the qualifying project is substantially complete
19 and ready for its intended use. A copy of Big Rivers' Capitalized Interest Policy is attached to
20 Item 6 of the Commission Staff's Initial Request for Information in this proceeding.

21 To illustrate a representative calculation, for the month of November 2009,
22 work order number 864 had an October 31, 2009, balance of \$764,277, including retainage of
23 \$8,425 and capitalized interest of \$35,013. Such amount included no accounts payable. The
24 November 2009 cash expenditures were \$55,056. It is assumed that the current month
25 expenditures occur evenly throughout the month. The capitalization rate was 5.835%.

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1 Accordingly, the calculation of capitalized interest for the month of November 2009 for this
2 eligible project was as follows:

3

4 $[\$764,277 - (\$8,425 + 0 + \$35,013) + (.5 \times \$55,056)] \times 5.835\% / 12 = \$3,638$

5

6 The attached schedule details the \$515,767 of capitalized interest on all eligible construction
7 projects for the test period, November 2009 through October 2010.

8

9

10 **Witness)** Mark A. Hite

11

12

13

14

Big Rivers Electric Corporation
Case No. 2011-00036
Test Year Interest Expense on Construction Work in Progress
(Capitalized Interest)

November 2009 through October 2010		
Project or Work Order Number	Project Name	Capitalized Interest
W864	Falls of Rough/McDaniels 69 kV Line	\$ 73,175
W901	161 kV Line Terminal at Wilson EHV Sub	272
W907	US 60 Bypass Line Relocation-KDOT	1,974
W919	Wilson-Hardinsburg/Paradise 161 kV Line	22,477
W929	Reconductor Coleman/Newtonville 171 kV Line	638
W931	Armstrong Dock 69 kV Line	8,516
W935	Wilson Sub to Centertown 69 kV Line 18-T	1,498
W942	Armstrong Equality Mine 69 kV Line	1,628
W944	National Alum Sub	617
W945	Livingston Transformer	18,332
W946	Oil Spill Prevention Control	7,657
W952	Comm/Data Network OC-3 backbone ring	14,711
W955	Headquarters' Remodel	14,769
W956	161 kV Line Tap to Paradise Reconductor	2,029
W957	Reconductor Coleman Swyd/EHV	365
W960	Headquarters Oracle	273,619
W961	Skillman Transformer	2,408
W963	Headquarters Oracle Hyperion Support and Application	13,396
W967	IT Network Infrastructure ACES/MISO	1,758
WK09W064U	Conveyor Rebuild	9,363
WK09W071U	Exciter Rewind	9,901
WK09W072U	Turbine Blade Row	3,055
BP10W013B	Station Air Compressor	6,317
BP10W017B	Catalyst Regen	2,223
BP10W019B	Dust Collectors	6,159
BP10W043F	CWP Motor	5,720
BP10W060F	Slurry Headers	633
BP10C008B	C-1 Booster Fan Blades	4,351
BP10C022B	Ready Pile Escape Tunnel	1,434
BP10C044B	C2 Fan Replacements	626
BP10C048B	C2 Precipitator Inlet Duct Replacement	906
BP10G014B	GN - IU Building Component Replacement	10,273
BP10G015B	GN - ROSystem / Water Plant Controls	786
BP10G021B	GN - Tripper Room Dust Collector	2,660
BP10G031F	GN - Crusher Tower Dust Collector	5,608
WK10C008B	FGD Limestone Mill Classifiers	9,377
Adjustment	Nonreimbursable capitalized interest for KDOT project	(23,464)
		\$ 515,767

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1 **Item 24)** *Refer to Exhibit Wolfram-2, Reference Schedule 2.15, of the Wolfram*
2 *Testimony, page 24 of the Hite Testimony, and the response to Staff's First Request.*

3
4 *a. Provide the calculations that support the amounts of pro forma and*
5 *historical interest expense on long-term debt shown on the reference*
6 *schedule.*

7 *b. Provide a reconciliation of the different amounts shown as pro forma and*
8 *historical expense on long-term debt in Wolfram Reference Schedule 2.15*
9 *and in the response to Staff's First Request, Item 13, page 2 of 3,*
10 *Statement of Operations-Interest Expense, and Item 17, Schedule 2-*
11 *Schedule of Outstanding Long-Term Debt for the Test Year Ended*
12 *October 31, 2010, columns J and K.*

13
14 **Response)**

15 a. The attached schedule shows the calculations that support the amounts of
16 \$47,693,117 pro forma and \$47,622,709 historical interest expense on long-
17 term debt shown on Schedule 2.15, resulting in the pro forma adjustment to
18 increase the revenue requirement by \$70,408.

19 b. The attached schedules provide the reconciliation of the different amounts
20 shown as pro forma and historical expense on long-term debt in Wolfram
21 Reference Schedule 2.15 and in the response to Staff's First Request, Item
22 13, page 2 of 3, Statement of Operations-Interest Expense, and the
23 submitted revision of Item 17, Schedule 2-Schedule of Outstanding Long-
24 Term Debt for the Test Year Ended October 31, 2010, columns J and K.

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1 **Witness)** Mark A. Hite
2
3

Big Rivers Electric Corporation

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Proforma and Historical Interest Expense on Long-Term Debt

	Proforma 11/10 - 10/11	Historical 11/09 - 10/10	Proforma Adjustment
RUS Note - Series A	\$ 37,692,851.83	\$ 37,452,632.83	\$ 240,219.00
DS/L Adjustment	(4,089,399.98)	(4,089,399.98)	-
RUS Note - Series B	6,818,112.92	6,436,678.54	381,434.38
P.C. Bonds - Bond Int-1983 Series	1,937,541.64	1,915,927.90	21,613.74
P.C. Bonds - Bond Int-2010A Series	5,067,416.64	3,820,288.40	1,247,128.24
P.C. Bonds-Remarking	58,799.99	177,799.30	(118,999.31)
Dexia Credit Local - Commitment Fee	-	1,589.99	(1,589.99)
AMBAC	207,794.49	1,907,192.34	(1,699,397.85)
Total	\$ 47,693,117.53	\$ 47,622,709.32	\$ 70,408.21

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Reconciliation of Historical Interest Expense

	Wolfram Schedule	Item 13	Item 17
Total Historical Test Year Interest Expense	\$ 47,622,709	\$ 47,256,845	\$ 47,622,709
Capitalized Interest		515,767	
Other Interest - Short Term Interest Expense		(149,903)	
Interest Expense on Long-Term Debt	\$ 47,622,709	\$ 47,622,709	\$ 47,622,709

Item 17, Schedule 2-Schedule of Outstanding Long-Term Debt for the Test Year Ended October 31, 2010 ("Item 17") has been revised. The submitted revision includes the interest expense on the 2001A Series - P.C. Bonds and the fees associated with the 1983 Series - P.C. Bonds. These items were excluded in the initial response. The revised Item 17 (Column K) reconciles to the Wolfram Reference Schedule 2.15 ("Wolfram Schedule"). The table above shows the reconciliation of Item 13, page 2 of 3, Statement of Operations - Interest Expense ("Item 13").

Reconciliation of Proforma Interest Expense

RUS Note - Series A	Proforma	Annualized Cost	Reconcilable
		Format 17a (Col. J)	Variances
RUS Note - Series A	\$ 37,692,852	\$ 32,629,902	
DS/L Adjustment	(4,089,400)		
RUS Note - Series A - Net of DS/L Adjustment	\$ 33,603,452	\$ 32,629,902	\$ 973,550

The RUS Note - Series A Proforma interest expense (\$33,603,452) was derived from the attached debt schedule (page 4 of 6). This schedule is maintained and updated by Big Rivers over the life of the loan to adjust for any prepayments, changes in principal balance, and quarterly compounding of unpaid accrued interest. The Proforma interest expense from the loan schedule reflects interest expense (based on required payments) to be accrued for the annual period immediately following the test period. The Annualized Cost from the revised Format 17a, Schedule 2 (\$32,629,902) is calculated using the interest rate as of October 31, 2010, and applying to the outstanding balance. The Annualized Cost on Format 17a, Schedule 2 (Column J) is not reflective of Big Rivers interest expense on the RUS Note - Series A as accrued.

Big Rivers Electric Corporation
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Reconciliation of Historical Interest Expense

RUS Note - Series B	Proforma	Annualized Cost Format 17a (Col. J)	Reconcilable Variances
RUS Note - Series B	6,818,113	6,640,497	177,616

The RUS Note - Series B Proforma interest expense (\$6,818,113) was derived from the attached debt schedule (page 5 of 6). This schedule is maintained and updated by Big Rivers over the life of the loan to adjust for quarterly compounded interest. The Proforma interest expense from the attached debt schedule reflects interest expense to be accrued for the annual period immediately following the test period. The Annualized Cost from the revised Format 17a, Schedule 2 (\$6,640,497) is calculated using the interest rate as of October 31, 2010 and applying to the outstanding balance. The Annualized Cost on Format 17a, Schedule 2 (Column J) is not reflective of Big Rivers interest expense on the RUS Note - Series B as accrued.

1983 Series - P.C. Bonds	Proforma	Annualized Cost Format 17a (Col. J)	Reconcilable Variances
P.C. Bonds - Bond Int-1983 Series	\$ 1,937,542	\$ 2,175,600	
P.C. Bonds-Remarketing Fee	58,800	-	
Dexia Credit Local - Commitment Fee	-	-	
AMBAC	207,794	-	
	\$ 2,204,136	\$ 2,175,600	\$ 28,536

The 1983 Series P.C. Bonds Proforma interest expense and related fees totaled \$2,204,136. The P.C. Bonds - Bond Int-1983 Series interest (\$1,937,542) was calculated using the Dexia Credit Local fixed rate of 3.25% applied to the balance of the bonds (\$58.8 million). The P.C. Bonds-Remarketing Fee (\$58,800) is calculated by applying a fixed rate of 0.10% from Goldman, Sachs & Co. to the outstanding balance of the bonds (\$58.8 million). The AMBAC amount (\$207,794) is an amortization of prepaid municipal bond insurance premiums over the life of the bonds. The attached amortization schedule (page 6 of 6) is maintained by Big Rivers and shows the monthly amortization of insurance premiums incurred by Big Rivers upon issue of the 1983 Series - P.C. Bonds. The Annualized Cost on Format 17a, Schedule 2 (Column J) (\$2,175,600) is calculated by applying an interest rate, including associated fees, to the outstanding balance as of October 31, 2010.

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Reconciliation of Historical Interest Expense

2010A Series - P.C. Bonds	Proforma	Annualized Cost Format 17a (Col. J)	Reconcilable Variances
P.C. Bonds - Bond Int-2010A Series	5,067,417	4,998,000	69,417

The 2010A Series - P.C. Bonds Proforma interest expense (\$5,067,417) was calculated monthly using the U.S. Bank Trust National Association fixed rate of 6.00% on a 365 day basis (instead of a 360 day basis). The Annualized Cost on Format 17a, Schedule 2 (Column J) (\$4,998,000) was calculated by applying an interest rate to the outstanding balance as of October 31, 2010.

Big Rivers Electric Corporation
Case No. 2011-00036
RUS Note - Series A

MONTH	INTEREST EXPENSE	ACCRUED INTEREST	INTEREST PAYMENT	PRINCIPAL PAYMENT	PRINCIPAL BALANCE
15-Nov-10	1,397,080.76	4,191,242.28	-	-	582,601,300.43
24-Nov-10	838,248.46	5,029,490.74	-	-	582,601,300.43
30-Nov-10	558,832.30	5,588,323.04	-	-	582,601,300.43
23-Dec-10	2,142,190.50	7,730,513.54	-	-	582,601,300.43
31-Dec-10	745,109.74	8,475,623.28	-	-	582,601,300.43
03-Jan-11	279,416.15	-	8,755,039.43	3,421,584.12	579,179,716.31
25-Jan-11	2,037,017.82	2,037,017.82	-	-	579,179,716.31
31-Jan-11	555,550.31	2,592,568.13	-	-	579,179,716.31
15-Feb-11	1,388,875.78	3,981,443.91	-	-	579,179,716.31
25-Feb-11	925,917.19	4,907,361.10	-	-	579,179,716.31
28-Feb-11	277,775.16	5,185,136.26	-	-	579,179,716.31
25-Mar-11	2,314,792.97	7,499,929.23	-	-	579,179,716.31
31-Mar-11	555,550.31	8,055,479.54	-	-	579,179,716.31
01-Apr-11	92,591.72	-	8,148,071.26	4,027,954.23	575,151,762.08
25-Apr-11	2,206,746.77	2,206,746.77	-	-	575,151,762.08
30-Apr-11	459,738.91	2,666,485.68	-	-	575,151,762.08
16-May-11	1,471,164.51	4,137,650.19	-	-	575,151,762.08
25-May-11	827,530.04	4,965,180.23	-	-	575,151,762.08
31-May-11	551,686.69	5,516,866.92	-	-	575,151,762.08
24-Jun-11	2,206,746.77	7,723,613.69	-	-	575,151,762.08
30-Jun-11	551,686.69	8,275,300.38	-	-	575,151,762.08
01-Jul-11	91,947.78	-	8,367,248.16	3,809,545.52	571,342,216.56
25-Jul-11	2,192,130.27	2,192,130.27	-	-	571,342,216.56
31-Jul-11	548,032.57	2,740,162.84	-	-	571,342,216.56
15-Aug-11	1,370,081.42	4,110,244.26	-	-	571,342,216.56
25-Aug-11	913,387.61	5,023,631.87	-	-	571,342,216.56
31-Aug-11	548,032.57	5,571,664.44	-	-	571,342,216.56
23-Sep-11	2,100,791.51	7,672,455.95	-	-	571,342,216.56
30-Sep-11	639,371.33	8,311,827.28	-	-	571,342,216.56
03-Oct-11	274,016.28	-	8,585,843.56	3,591,011.63	567,751,204.93
25-Oct-11	1,996,822.90	1,996,822.90	-	-	567,751,204.93
31-Oct-11	544,588.06	2,541,410.96	-	-	567,751,204.93
	<u>33,603,451.85</u>				

Big Rivers Electric Corporation
Case No. 2011-00036
RUS Note - Series B

MONTH	BEGINNING PRINCIPAL	INTEREST EXPENSE	INTEREST PAID	ACCRUED INTEREST	PRINCIPAL PAID	ENDING PRINCIPAL	ENDING PRINCIPAL		
15-Nov-10	15	365	114,491,333.61	272,833.15	0.00	836,688.32	0.00	114,491,333.61	245,530,257.30
30-Nov-10	15	365	114,491,333.61	272,833.15	0.00	1,109,521.47	0.00	114,491,333.61	245,530,257.30
31-Dec-10	31	365	114,491,333.61	563,855.17	0.00	0.00	0.00	116,164,710.25	245,530,257.30
31-Jan-11	31	365	116,164,710.25	572,096.34	0.00	572,096.34	0.00	116,164,710.25	245,530,257.30
15-Feb-11	15	365	116,164,710.25	276,820.81	0.00	848,917.15	0.00	116,164,710.25	245,530,257.30
28-Feb-11	13	365	116,164,710.25	239,911.37	0.00	1,088,828.52	0.00	116,164,710.25	245,530,257.30
31-Mar-11	31	365	116,164,710.25	572,096.34	0.00	0.00	0.00	117,825,635.11	245,530,257.30
30-Apr-11	30	365	117,825,635.11	561,557.59	0.00	561,557.59	0.00	117,825,635.11	245,530,257.30
16-May-11	16	365	117,825,635.11	299,497.38	0.00	861,054.97	0.00	117,825,635.11	245,530,257.30
31-May-11	15	365	117,825,635.11	280,778.80	0.00	1,141,833.77	0.00	117,825,635.11	245,530,257.30
30-Jun-11	30	365	117,825,635.11	561,557.59	0.00	0.00	0.00	119,529,026.47	245,530,257.30
31-Jul-11	31	365	119,529,026.47	588,665.16	0.00	588,665.16	0.00	119,529,026.47	245,530,257.30
15-Aug-11	15	365	119,529,026.47	284,837.98	0.00	873,503.14	0.00	119,529,026.47	245,530,257.30
31-Aug-11	16	365	119,529,026.47	303,827.18	0.00	1,177,330.32	0.00	119,529,026.47	245,530,257.30
30-Sep-11	30	365	119,529,026.47	569,675.96	0.00	0.00	0.00	121,276,032.75	245,530,257.30
31-Oct-11	31	365	121,276,032.75	597,268.95	0.00	597,268.95	0.00	121,276,032.75	245,530,257.30
				6,818,112.92					

Big Rivers Electric Corporation
Case No. 2011-00036
AMBAC Amortization Schedule

AMORTIZE AMBAC INSURANCE PREMIUMS ON WEIGHTED PRINCIPAL BASIS OVER THE LIFE OF THE POLLUTION CONTROL BONDS

MONTH	YEAR	NO. OF DAYS	1983 SERIES PRINCIPAL	WEIGHT AVERAGE PRINCIPAL %	\$	AMORTIZATION OF LIQUIDITY FEE	PRINCIPAL BALANCE
NOV	2010	30	58,800,000	1,764,000,000	0.69412309%	17,079.00	\$519,770.79
DEC	2010	31	58,800,000	1,822,800,000	0.71726053%	17,648.30	\$502,122.49
JAN	2011	31	58,800,000	1,822,800,000	0.71726053%	17,648.30	\$484,474.19
FEB	2011	28	58,800,000	1,646,400,000	0.64784822%	15,940.40	\$468,533.79
MAR	2011	31	58,800,000	1,822,800,000	0.71726053%	17,648.30	\$450,885.49
APR	2011	30	58,800,000	1,764,000,000	0.69412309%	17,079.00	\$433,806.49
MAY	2011	31	58,800,000	1,822,800,000	0.71726053%	17,648.30	\$416,158.19
JUN	2011	30	58,800,000	1,764,000,000	0.69412309%	17,079.00	\$399,079.19
JUL	2011	31	58,800,000	1,822,800,000	0.71726053%	17,648.30	\$381,430.89
AUG	2011	31	58,800,000	1,822,800,000	0.71726053%	17,648.30	\$363,782.59
SEP	2011	30	58,800,000	1,764,000,000	0.69412309%	17,079.00	\$346,703.59
OCT	2011	31	58,800,000	1,822,800,000	0.71726053%	17,648.30	\$329,055.29
						207,794.49	

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 25)** *Refer to Exhibit Wolfram-2, Reference Schedule 2.12, of the Wolfram*
2 *Testimony, and pages 23-24 of the Hite Testimony.*

3

4 *a. Describe in detail the process Big Rivers undertook to choose an IT*
5 *services provider that ultimately resulted in it contracting with Hewlett-*
6 *Packard for such services, including the implementation of Oracle R 12.*

7 *b. The proposed adjustment is based on the contract cost for the 12 months*
8 *ending August 31, 2012. Provide the contract cost for the first 12 months*
9 *of the contract, the twelve months ending October 31, 2011.*

10

11 **Response)** a. The plan to transition from in-house to an outside IT service provider was
12 described in detail in Big Rivers' application in PSC Case No. 2007-00455, in which Big
13 Rivers obtain approvals for the Unwind Transaction. In December 2006, Big Rivers chose to
14 interview and select a consultant to assist in the efforts of addressing Big Rivers' post-Unwind
15 Information Systems/Technology (IT) requirements. The primary business driver behind this
16 effort was to transition Big Rivers' power plant operations back to Big Rivers from Western
17 Kentucky Energy Corporation (WKEC). Big Rivers interviewed IBM Corporation, R.W. Beck
18 and Black & Veatch as potential consultants.

19

20 Big Rivers engaged the services of Black & Veatch (B&V), Enterprise Management Solutions,

**Case No. 2011-00036
Response to Item PSC 2-25
Witness: C. William Blackburn**

BIG RIVERS ELECTRIC CORPORATION

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1 to provide assistance in reviewing, evaluating, and selecting the appropriate post-Unwind IT
2 platforms for Big Rivers. Big Rivers anticipated these technology platforms to include, but not
3 limited to, work and asset management (including maintenance management), payroll, human
4 resources, accounting and finance, and other systems as identified and determined by Big
5 Rivers. Big Rivers was interested in evaluating whether certain technology applications should
6 be hosted or outsourced, and which approach was best for Big Rivers.

7
8 B&V assisted Big Rivers in developing a short term IT plan, bridging the time period between
9 the Unwind closing date and the long term solution "go-live" date. See attachment a.

10
11 For the long-term solution, B&V presented three possible software options:

- 12 - IBM (Maximo) and Oracle financials
- 13 - All Oracle (maintenance and financials)
- 14 - All SAP (maintenance and financials)

15
16 They also considered four options for the short-term software solution and they are as follows:
17

BIG RIVERS ELECTRIC CORPORATION

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- 1 - Option #1 – Maximo As-Is with Big Rivers Native Applications
- 2 - Option #2 – Wider use of Maximo using Big Rivers' Native Applications
- 3 - Option #3 – Maximo As Is Oracle Financials As-Is
- 4 - Option #4 – ERP Package Solution Implementation

5

6 Vendor reviews and on-site demonstrations of the software were conducted in mid 2007. In
7 January 2008, Big Rivers informed the software vendors of the selection and awarded the
8 contract to Oracle Corporation.

9

10 For their long term IT initial objective, Big Rivers evaluated if the outsourcing of one or more
11 specified IT functions could provide opportunities to improve bottom line performance, reduce
12 risk, and achieve other strategic objectives versus performing those functions in-house. The
13 functions evaluated were application development, application maintenance, network, data
14 center, desktop support and help desk. Big Rivers realized that engaging in a long-term
15 outsourcing partnership required careful study, planning and ongoing management. Big Rivers
16 understood that a successful outsourcing agreement should result in achieving the following

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1 objectives:

2

- 3 • Cost improvement for functions/processes outsourced
- 4 • Improved service to internal and external customers
- 5 • Improved agility and flexibility by gaining access to best practices and latest technology
- 6 • Reduced operational risk
- 7 • Access to new skills to keep ahead of the competition.

8

9 In late June to early July 2007, Big Rivers decided to look into pursuing an outsourcing option
10 for providing IT services as a long term service delivery option. Three companies were initially
11 contacted to ascertain if there would be an interest in pursuing an outsourcing option with a
12 company the size and make-up of Big Rivers. The companies that were contacted were EDS,
13 IBM, and CapGemini. EDS was subsequently acquired by Hewlett Packard. For the
14 remainder of this response, EDS will be referred to as HP/EDS. In late July through early
15 August 2007, a representative of Big Rivers along with a representative of Black & Veatch,
16 met with each of the three companies to discuss the possibility of outsourcing the selected IT

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1 services described above for Big Rivers. The results of those meetings was an initial analysis
2 from all three that all three would be interested in pursuing an outsourcing agreement with Big
3 Rivers, subject to an in-depth due diligence phase to be done on Big Rivers' IT operations.
4 These meetings with potential outsourcing service providers were held in parallel with the
5 team evaluation for the long-term IT plan software selection.

6

7 After the software selection was solidified in September 2007, Big Rivers sent a package to
8 each potential outsource service provider asking them to provide information as to how their
9 company would provide the scope of IT services to Big Rivers and asked the potential provider
10 to provide benefits, indicative pricing, methodology to be used to provide services, sample
11 Service Level Agreement (SLA), governance process to be used, assumptions used in their
12 responses, next steps, and when Big Rivers should use them for providing these services. The
13 responses were reviewed in early October, and a recommendation was made to enter a due
14 diligence phase with HP/EDS.

15

16 The due diligence phase started in late October and lasted until early January 2008. During this
17 time period, all of the potential IT services to be outsourced were reviewed by HP/EDS, and

BIG RIVERS ELECTRIC CORPORATION

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1 HP/EDS was reviewed by Big Rivers. Big Rivers, as part of its due diligence, visited the
2 centers where HP/EDS was proposing the services be provided, and Big Rivers also visited
3 clients of HP/EDS with similar services being provided by HP/EDS as proposed to Big Rivers.

4

5 After the due diligence was completed, HP/EDS provided a revised proposal to Big Rivers.

6 Big Rivers independently developed a business case for implementing the selected software

7 using in-house and consulting services and compared this to the business case for HP/EDS to

8 provide implementation and ongoing selected IT services as part of an outsourcing agreement.

9

10 Pricing for HP/EDS services was agreed to in early May 2008, as well as Service Level

11 Agreements and Scopes of Work for software implementation, transition services and ongoing

12 IT services. Contract negotiations, which had started in early 2008 with initial agreement term

13 reviews, were completed and reviewed by Big Rivers' attorneys, resulting in signed

14 agreements between Big Rivers and HP/EDS in late June 2008. The contracts went into effect

15 on June 30, 2008 as the agreements were tied to the signing of the Unwind documents between

16 Big Rivers and WKEC. As the unwind date was delayed, HP/EDS and Big Rivers amended

17 the agreement effective date, initial term, renewal and extension of the Master Agreement. In

BIG RIVERS ELECTRIC CORPORATION

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1 November 2007, Big Rivers chose HP/EDS the outsourcing vendor and starts negotiations with
2 HP/EDS for the long term IT objectives.

3

4 Big Rivers requested B&V's assistance to provide advisory services to Big Rivers through
5 May 2008 related to the following areas:

6

7 • Service Level Agreement (SLA) development

8 • Contract Negotiation

9 • Service Delivery Model Review

10 • Transition Plan Development and Review

11 • Governance Process Development

12 • Change Management Process Development.

13 .

14 The process to award the contract for the implementation of the Oracle software and the
15 ongoing outsourced support of the Oracle software was included in the overall process

BIG RIVERS ELECTRIC CORPORATION

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1 performed by B&V. The recommendation was to use the same vendor for both
2 implementation and ongoing application support.

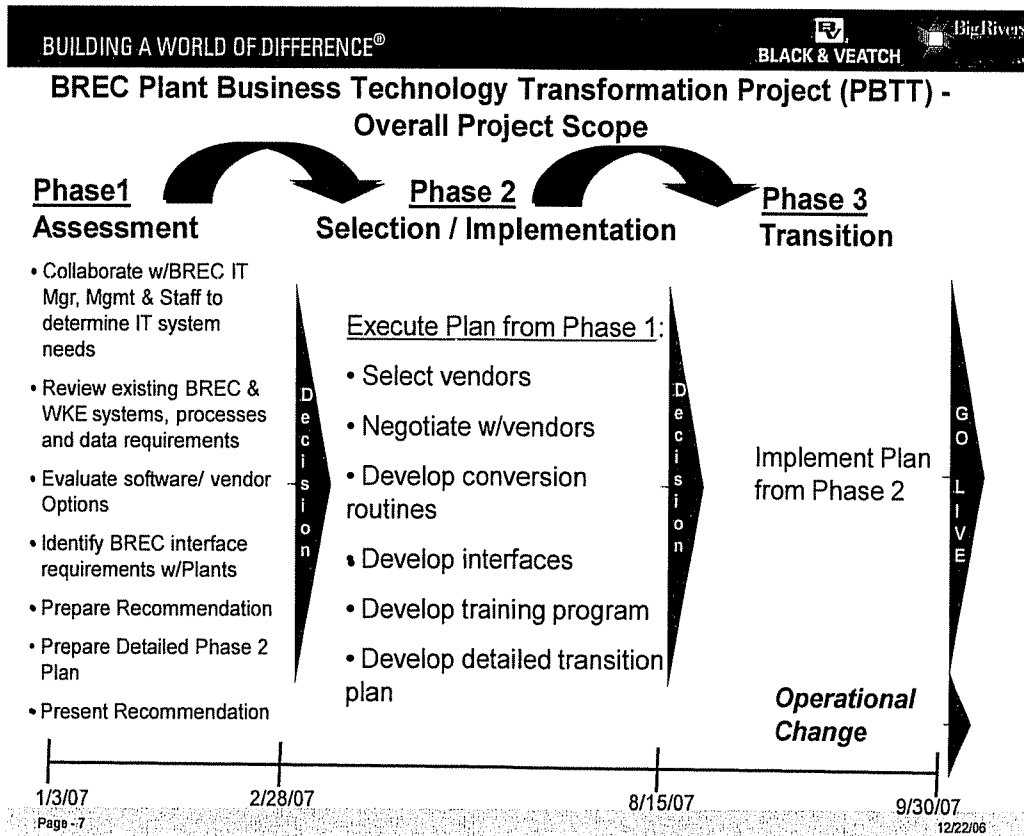
3

4 **b.** The contract costs for the twelve months ending October 31, 2011 are provided in
5 the attachment b.

6

7 **Witness)** C. William Blackburn

**Big Rivers Electric Corporation
Case No. 2011-00036
HP Contract Costs**



Big Rivers Electric Corporation
Case No. 2011-00036
HP Contract Costs

	Year	Month	Reason	Invoice Amount	
1	2010	Nov	Less Capital Costs	\$109,722.00	Actual - less Capital
2	2010	Dec	Less Capital Costs	\$104,380.00	Actual - less Capital
3	2011	Jan	Less Capital Costs	\$277,262.00	Actual - less Capital
4	2011	Feb	Not in steady state	\$237,359.23	O&M Actual
5	2011	Mar	Not in steady state	\$237,965.06	O&M Actual
6	2011	April		\$182,436.00	O&M Budgeted
7	2011	May		\$182,436.00	O&M Budgeted
8	2011	June		\$182,436.00	O&M Budgeted
9	2011	July		\$182,436.00	O&M Budgeted
10	2011	August		\$182,436.00	O&M Budgeted
11	2011	Sept		\$182,436.00	O&M Budgeted
12	2011	Oct		\$182,436.00	O&M Budgeted
13					
14				\$2,243,740.29	
15					
16			Pro forma value	\$2,189,242.00	
17					
18					
19					
20					
21					

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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1 **Item 26)** *Refer to Exhibit Wolfram-2, Reference Schedule 2.21, page 26 of the Hite*
2 *Testimony, and pages 86 and 87 of 216 of the attachment to the response to Item 54 of*
3 *Staff's First Request.*

4

5 *a. The Hite Testimony indicates the total cost incurred in connection with*
6 *Case No. 2010-00043 was \$1,602,777. Provide a breakdown of this*
7 *amount showing the amounts of in-house costs and outside costs. For all*
8 *outside costs, provide a further breakdown by service provider/vendor.*

9 *b. The Commission's practice of allowing a three-year amortization of the*
10 *costs incurred by a utility in conjunction with a general rate case is based*
11 *on the premise that, on average, utilities file general rate applications*
12 *once every three years. Explain why Big Rivers believes that a similar*
13 *amortization of the costs associated with the case in which it sought*
14 *Commission approval to join the Midwest ISO is appropriate.*

15

16 **Response)**

17

18 a. Please see the attached schedule for the detail of the \$1,602,777 cost
19 incurred in connection with the Midwest ISO case (Case No. 2010-00043),
20 of which \$1,305,377 was incurred in the test year, as per Schedule 2.21 of
21 the Hite testimony.

22 b. Big Rivers' proposal to amortize costs associated with the Midwest ISO
23 case is consistent with the Commission's practice of amortizing rate case
24 expenses and other prudently incurred but extraordinary expenses over a
25 three year period. For example, in Case No. 90-158, the Commission
26 allowed Louisville Gas and Electric Company ("LG&E") to amortize

Case No. 2011-00036

Response to Item PSC 2-26

Witnesses: Mark A. Hite and John Wolfram

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BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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1 certain "downsizing costs" which were included in test-year expenses. In its
2 Order on Rehearing in Case No. 90-158, the Commission recognized the
3 material nature of the costs, the future benefits of making the expenditure,
4 and the matching of the benefits with the costs. (See Order on Rehearing,
5 dated September 30, 1991, at 14.) The Commission determined that it was
6 appropriate to amortize certain downsizing costs, consisting of severance
7 payments offset by the gain on the pension annuities, over a three year
8 period. (Id., at 15.) The criteria used by the Commission to allow
9 amortization of LG&E's downsizing expenses are equally applicable to the
10 Midwest ISO expenditures incurred by Big Rivers, which Big Rivers is
11 proposing to amortize over three years. First, the \$1,602,777 expenditures
12 incurred in connection with the Midwest ISO case are material. Second,
13 joining Midwest ISO will result in future benefits to Big Rivers and its
14 members. Third, amortizing these costs over the period between rate cases
15 will provide for a reasonable matching of benefits of joining the Midwest
16 ISO with the cost of the Midwest ISO case.

17
18 With respect to the length of the amortization period, the premise that, on
19 average, utilities file general rate applications once every three years is
20 equally applicable to the costs associated with the Midwest ISO proceeding.
21 Like the costs incurred for general rate cases or LG&E's downsizing
22 expenses, the costs associated with the Midwest ISO proceeding were
23 prudently incurred, provide ongoing benefits, and should be eligible for
24 recovery. The proposed amortization period would permit the recovery of
25 these costs over a three year period, after which the cost could be entirely
26 removed from base rates in the next general rate case (which, consistent

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1 with the premise described above, would take place at that time). The
2 amortization period of three years would allow for the full recovery of the
3 Midwest ISO case costs between this rate case and the next rate case filing
4 three years later.

5
6
7
8
9
10
11
12

Witnesses) Mark A. Hite – Subpart a.
 John Wolfram – Subpart b.

Big Rivers Electric Corporation
Case No. 2011-00036
Rate Case Costs

Month Booked	Vendor	Voucher #	Acct # 923.250	Acct # 928.250	Total
04/10	Fedex	550937		163.62	163.62
04/10	Fedex	550952		592.31	592.31
04/10	Hogan & Hartson	550873	57,889.25		57,889.25
04/10	Hogan & Hartson	550874	25,795.12		25,795.12
04/10	Sullivan, Mountjoy, Stainback & Miller	551012	19,002.00		19,002.00
04/10	Purchasing Card transactions	JE 04-190		132.21	132.21
	Wendy's	25.25			
	Wendy's	8.55			
	Rookies Sports Bar	85.76			
	Henderson Food Mart	12.65			
	Total April 2010		102,686.37	888.14	103,574.51
05/10	Charles River Associates	549500		75,524.83	75,524.83
05/10	Charles River Associates	549911		45,668.64	45,668.64
05/10	Charles River Associates	550504		102,192.99	102,192.99
05/10	Charles River Associates	550565		10,350.00	24,273.20
05/10	Hogan & Hartson	550564	200,986.87		200,986.87
05/10	Hogan & Hartson	551472	60,568.21		60,568.21
05/10	Meade County RECC	551346		288.75	288.75
05/10	Sullivan, Mountjoy, Stainback & Miller	549025	3,340.00		3,340.00
05/10	Sullivan, Mountjoy, Stainback & Miller	549618	19,754.00		19,754.00
05/10	Sullivan, Mountjoy, Stainback & Miller	550058	38,603.00		38,603.00
05/10	Sullivan, Mountjoy, Stainback & Miller	550547	1,120.00	8,005.00	9,125.00
05/10	Sullivan, Mountjoy, Stainback & Miller	551413		27,404.00	27,404.00
	Total May 2010		561,681.74	46,047.75	607,729.49

Big Rivers Electric Corporation
Case No. 2011-00036
Rate Case Costs

Month Booked	Vendor	Voucher #	Acct #	Acct #	Total
06/10	Charles River Associates	552043	49,111.65	928,250	49,111.65
06/10	Fedex	551621		238.82	238.82
06/10	Fedex	551622		63.44	63.44
06/10	Hogan Lovells	552048		120,884.57	120,884.57
06/10	Sullivan, Mountjoy, Stainback & Miller	552045		5,961.00	5,961.00
	Total June 2010		49,111.65	127,147.83	176,259.48
07/10	Hogan Lovells	552255		31,121.31	31,121.31
07/10	Sullivan, Mountjoy, Stainback & Miller	552430		16,620.00	16,620.00
07/10	Purchasing Card transactions	JE 07-190		19.77	19.77
	Panera Bread	19.77			
	Total July 2010		0.00	47,761.08	47,761.08
08/10	Hogan Lovells	552729		77,697.67	77,697.67
08/10	Hogan Lovells	553179		60,959.85	60,959.85
	Total August 2010		0.00	138,657.52	138,657.52
09/10	Sullivan, Mountjoy, Stainback & Miller	553528		17,770.00	17,770.00
09/10	Purchasing Card transactions	JE 09-190		94.00	94.00
	J Carinos	94.00			
	Total September 2010		0.00	17,864.00	17,864.00

**Big Rivers Electric Corporation
Case No. 2011-00036
Rate Case Costs**

Month Booked	Vendor	Voucher #	Acct # 923.250	Acct # 928.250	Total
10/10	Charles River Associates	550858		14,496.31	14,496.31
10/10	Charles River Associates	552043	(49,111.65)	49,111.65	0.00
10/10	Charles River Associates	552232	0.00	30,392.93	30,392.93
10/10	Charles River Associates	553069	0.00	9,999.43	9,999.43
10/10	Hogan Lovells	553774		111,533.03	111,533.03
10/10	Hogan Lovells	552729		941.00	941.00
10/10	Sullivan, Mountjoy, Stainback & Miller	552851		17,075.00	17,075.00
10/10	Sullivan, Mountjoy, Stainback & Miller	553832		27,025.00	27,025.00
10/10	Purchasing Card transactions	JE 10-190		2,068.57	2,068.57
	Fairfield Inn Frankfort			200.00	
	Fairfield Inn Frankfort			200.00	
	Fairfield Inn Frankfort			200.00	
	Fairfield Inn Frankfort			200.00	
	Fairfield Inn Frankfort			200.00	
	Fairfield Inn Frankfort			349.00	
	Jim's Seafood			118.00	
	Malone's & Harry's			398.75	
	Subway			18.73	
	Panera Bread			5.39	
	Panera Bread			159.04	
	Starbucks			3.66	
	Arby's			16.00	
	Total October 2010		(49,111.65)	262,642.92	213,531.27
11/10	Sullivan, Mountjoy, Stainback & Miller	104114		5,215.00	5,215.00
11/10	Hogan Lovells	1933502		180,092.04	180,092.04
11/10	Charles River Associates	75105		50,380.48	50,380.48
	Total November 2010		0.00	235,687.52	235,687.52

**Big Rivers Electric Corporation
Case No. 2011-00036
Rate Case Costs**

Month Booked	Vendor	Voucher #	Acct # 923.250	Acct # 928.250	Total
12/10	Sullivan, Mountjoy, Stainback & Miller	104,639		2,420.00	2,420.00
12/10	Hogan Lovells	1940079		8,817.85	8,817.85
12/10	Sullivan, Mountjoy, Stainback & Miller	105,164		1,460.00	1,460.00
12/10	Hogan Lovells	1945883		23,534.85	23,534.85
12/10	Hogan Lovells	estimated		27,900.00	27,900.00
	Total December 2010		0.00	61,712.70	61,712.70
<hr/>					
	Grand Total Through Year End 2010		664,368.11	938,409.46	1,602,777.57
<hr/>					
	Grand Total Test Year November 2009 - October 2010		664,368.11	641,009.24	1,305,377.35
<hr/>					

NOTE: The only in-house costs related to Case No. 2010-00043 are those transactions designated as "Purchasing Card transactions". All other costs are outside costs.

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to Commission Staff's Second Request for Information
dated April 1, 2011**

April 15, 2011

1 **Item 27)** *Refer to the Direct Testimony of William S. Seelye ("Seelye Testimony") at*
2 *page 6. On lines 7-12, Mr. Seelye discusses Big Rivers' proposal to bill for demand on the*
3 *basis of coincident peak rather than non-coincident peak for Rural Delivery customers.*
4 *Provide the rates that would have been proposed for Rural Delivery customers if the basis*
5 *continued to be non-coincident peak.*

6
7 **Response)** In the following attachment, page 2 of Exhibit Seelye-6 has been modified to
8 show the calculation of the proposed rates for Rural Delivery customers if demand charge
9 continues to be billed on a non-coincident peak basis. As shown in the analysis, the demand
10 charge would be \$10.0809 per kW per month on non-coincident peak basis instead of \$10.1890
11 per kW per month on a coincident peak basis as proposed by Big Rivers. The energy charge
12 would be unaffected.

13
14
15 **Witness)** William Steven Seelye

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Big Rivers Electric Corporation
 Reconciliation of Billing Determinants
 For the 12 Months Ended October 31, 2010

Rate	Billing Determinants	Current Rate		Proposed Rate before Non-FAC PPA Roll-in		Proposed Rate after Non-FAC PPA Roll-in	
		Charge	Billings	Charge	Billings	Charge	Billings
<u>Rural Delivery Point Service</u>							
Demand Charge	NCP (current) CP (proposed)	7.3700 /kWh-Mo	\$ 38,528,348	10.0809 /kWh-Mo	\$ 52,700,193	10.0809 /kWh-Mo	\$ 52,700,193
Energy Charge	2,449,147,804 kWh	\$ 0.02040 /kWh	\$ 49,962,615	\$ 0.020400 /kWh	\$ 49,962,615	\$ 0.019524 /kWh	\$ 47,817,162
Total Demand and Energy Charges:			<u>\$ 88,490,963</u>		<u>\$ 102,662,808</u>		<u>\$ 100,517,355</u>
Green Power			401.36		401.36		401.36
Fuel Adjustment Clause			25,166,503		25,166,503		25,166,503
Environmental Surcharge			5,315,462		5,315,462		5,315,462
Unwind Surcredit			(8,038,629)		(8,038,629)		(8,038,629)
Non-FAC PPA Accruals			-		-		2,145,453
Estimated Credits from Amort of NFFPPA Balance			(2,340,068)		(2,340,068)		(2,340,068)
Temperature Normalization Adjustment	(20,667,174) kWh	\$ 0.02040 /kWh	(421,610)	\$ 0.020400 /kWh	(421,610)		(421,610)
Total			<u>\$ 110,513,089</u>		<u>\$ 122,344,866</u>		<u>\$ 122,344,866</u>
Increase			\$		\$ 11,831,777		\$ 11,831,777
Percentage Increase					10.71%		10.71%
<u>Large Industrial Customer Delivery Point Service</u>							
Demand Charge	1,743,869 kWh-Mo	10.15 /kWh-Mo	\$ 17,700,270	10.8975 /kWh-Mo	\$ 19,003,812	10.8975	\$ 19,003,812
Energy Charge	928,687,170 kWh	\$ 0.013715 /kWh	\$ 12,739,688	\$ 0.015761 /kWh	\$ 14,639,952	\$ 0.014865	\$ 13,826,246
Total Demand and Energy Charges:			<u>\$ 30,439,958</u>		<u>\$ 33,643,764</u>		<u>\$ 32,830,059</u>
Green Power			-		-		-
Power Factor Provision and Off-System Sales Credit			172,750		185,472		185,472
Fuel Adjustment Clause			9,525,471		9,525,471		9,525,471
Environmental Surcharge			2,025,233		2,025,233		2,025,233
Unwind Surcredit			(3,052,791)		(3,052,791)		(3,052,791)
Non-FAC PPA Accruals			-		-		813,705
Estimated Credits from Amort of NFFPPA Balance			136,384		(896,009)		(896,009)
Current Industrial Customer Adjustment - Demand	13,437 kWh-Mo	10.8975 /kWh-Mo	146,428	10.8975 /kWh-Mo	146,428		146,428
Current Industrial Customer Adjustment - Energy	974,674 kWh	\$ 0.013715 /kWh	13,368	\$ 0.015761 /kWh	15,362		15,362
Total			<u>\$ 39,260,372</u>		<u>\$ 41,592,929</u>		<u>\$ 41,592,929</u>
Increase			\$		\$ 2,332,557		\$ 2,332,557
Percentage Increase					5.94%		5.94%

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to Commission Staff's Second Request for Information
dated April 1, 2011**

April 15, 2011

1 **Item 28)** *Refer to the Seelye Testimony, page 15, lines 18 and 19, which state that "the*
2 *Smelters receive billing credits reflecting the net proceeds from certain off-system sales."*
3 *Identify the off-system sales to which this refers.*

4
5 **Response)** The off-system sales mentioned on Seelye Testimony, page 15, lines 18 and 19,
6 refer to off-system sales credited to the Smelters in accordance to Section 4.13.1 of the Smelter
7 Agreements. Particularly, Section 4.13.1 of the Smelter Agreements states that, "For any
8 Billing Month, Big Rivers shall credit Kenergy [on behalf of the Smelters] (a) the Net Proceeds
9 of any Surplus Sales pursuant to Section 10.1 to the extent of the Avoidable Base Charge; and
10 (b) the amount of Net Proceeds of any Undeliverable Energy Sales or Potline Reduction Sales
11 to which Kenergy [on behalf of the Smelters] is entitled pursuant to Section 10.2 or Section
12 10.3, respectively, less \$0.25 per MWh as Big Rivers' administrative fee in each case." These
13 sales relate to power the smelters would be entitled to if they were operating at their contract
14 level.

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17 **Witness)** William Steven Seelye

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BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to Commission Staff's Second Request for Information
dated April 1, 2011

April 15, 2011

1 **Item 29)** *Refer to the Seelye Testimony, page 19. Explain whether line 14 should refer*
2 *to the increase to the Large Industrial customers as \$3,228,566.*

3

4 **Response)** Yes.

5

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7

8 **Witness)** William Steven Seelye

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BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to Commission Staff's Second Request for Information
dated April 1, 2011

April 15, 2011

1 **Item 30)** *Refer to the Seelye Testimony, page 29. State whether the last word on the*
2 *page should be "increased" instead of "decreased." If not, explain.*

3

4 **Response)** Yes. The last word on Seelye Testimony, page 29 should have been
5 "increased".

6

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9 **Witness)** William Steven Seelye

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BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to Commission Staff's Second Request for Information
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April 15, 2011

1 **Item 31)** *Refer to the Seelye Testimony, page 33, which discusses Big Rivers' pending*
2 *FAC review, Case No. 2010-00495. It states that Big Rivers will incorporate the effect of the*
3 *roll-in to the rates filed with the Commission pursuant to an order in this case. If an order*
4 *is issued in Case No. 2010-00495 prior to the issuance of an order in this case, explain*
5 *whether Big Rivers is prepared to file an update to the billing analysis and any other*
6 *schedules in this case that would be affected.*

7

8 **Response)** Yes. Big Rivers is prepared to file an update to the billing analysis and any
9 other schedules in this case that would be affected by the FAC roll-in if directed to do so by the
10 Commission.

11

12

13 **Witness)** William Steven Seelye

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BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to Commission Staff's Second Request for Information
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April 15, 2011

1 **Item 32)** *Refer to the Seelye Testimony at the bottom of page 35, which cites the*
2 *Commission requirement in Case No. 2007-00455 that the Rural Economic Reserve be used to*
3 *credit bills to the Rural Delivery customers over a period of 24 months. Page 36 of the*
4 *testimony discusses proposed changes to the Rural Economic Reserve that would extinguish*
5 *the fund over time, but not over a 24-month period. Explain why a change should be made to*
6 *the 24-month requirement.*

7
8 **Response)** Big Rivers agrees that in Case No. 2007-00455 the Commission required the
9 Rural Economic Reserve to be used to credit bills to the Rural Delivery customers over a period
10 of 24 months. Big Rivers is respectfully asking the Commission to allow modifications to the
11 Rural Economic Reserve tariff in order to eliminate the discontinuity – essentially a jump
12 discontinuity¹ – that will result from transitioning from the Member Rate Stability Mechanism
13 (MRSM) to the Rural Economic Reserve for Rural Delivery customers, and to reduce the month-
14 to-month volatility in the per kWh credit under the Rural Economic Reserve. The proposed
15 modifications are designed to result in more gradual changes to the rates of the Rural Delivery
16 customers. With the proposed modifications to the Rural Economic Reserve tariff, Big Rivers
17 projects that the fund will be extinguished over a 31-month period rather than over a 24-month
18 period as originally approved by the Commission. Thus, Big Rivers anticipates that the proposed
19 changes will extend the life of the fund by approximately 7 months.

¹A *jump discontinuity* at a value x_0 is a discontinuity or gap in a function or graph where the value of the function $f(x)$ as x approaches the discontinuity point x_0 from the left does not equal the value of the function $f(x)$ as x approaches the discontinuity point x_0 from the right. Mathematically, a jump discontinuity at the value x_0 is the situation where:

$$\lim_{x \uparrow x_0} f(x) \neq \lim_{x \downarrow x_0} f(x)$$

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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1 The MRSM provides a credit to mitigate the impacts of the FAC and Environmental Surcharge
2 but includes a gradual increase in the Expense Mitigation Factor (EMF) to "feather in" the effect
3 of increases in the FAC and Environmental Surcharge. The MRSM essentially operates as a per
4 kWh credit that offsets the FAC and Environmental Surcharge. Except to reflect changes in the
5 FAC and Environmental and to reflect annual changes in the EMF, on a per kWh basis the
6 MRSM does not fluctuate wildly due to changes in monthly sales volume.

7 In contrast, the Rural Economic Reserve as currently structured establishes a fixed monthly
8 dollar amount that will be used to offset the effect of increases in the FAC and Environmental
9 Surcharge. Therefore, as currently structured, the Rural Economic Reserve will result in varying
10 credits per kWh depending on the total kWh purchased during the month. Thus during high
11 usage months such as July, August, December and January the credit per kWh will be lower than
12 during low usage months such as March, April, October, and November. Because the two
13 mechanisms are structured differently there will be a significant discontinuity in the credit per
14 kWh once the Rural Economic Reserve takes the place of the MRSM for Rural Delivery point
15 members.

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18 (continued)

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BIG RIVERS ELECTRIC CORPORATION

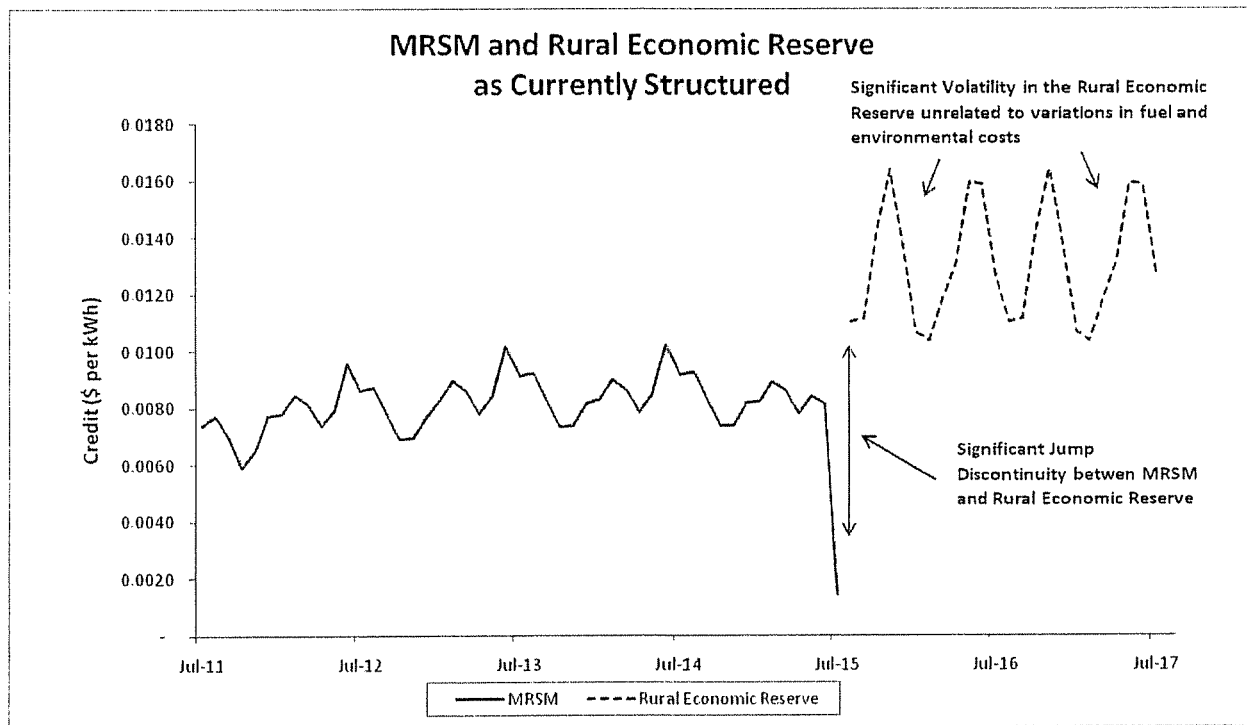
**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to Commission Staff's Second Request for Information
dated April 1, 2011**

April 15, 2011

1 The following graph shows the credit per kWh that Rural Delivery customers are projected to
2 receive under the MRSM and under the Rural Economic Reserve:

3



4

5

6 As can be seen from this graph, there will be a jump discontinuity in the credit per kWh when the
7 Rural Economic Reserve is implemented. Furthermore, the level of the credits will be much
8 more volatile under the Rural Economic Reserve than they will have been under the MRSM.

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
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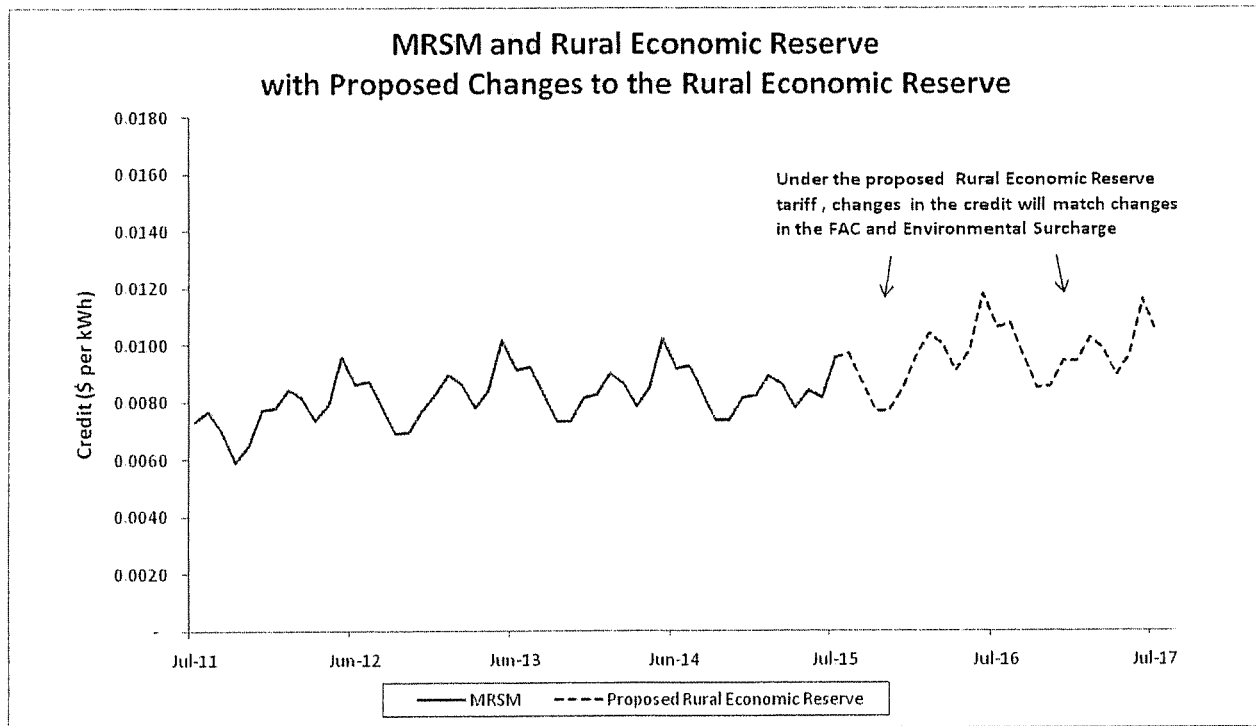
Response to Commission Staff's Second Request for Information
dated April 1, 2011

April 15, 2011

1 The reason for the month-by-month volatility in the Rural Economic Reserve is that under the
2 current tariff a fixed monthly dollar amount is divided by the kWh sales to Rural Delivery
3 customers, which varies significantly by season.

4 The next graph shows the credit per kWh with the proposed modifications to the Rural Economic
5 Reserve tariff:

6



7

8

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to Commission Staff's Second Request for Information
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1 As can be seen from this graph, with the proposed tariff modifications the jump discontinuity
2 that would occur during the transition between the MRSM and Rural Economic Reserve are
3 eliminated. Additionally, the noticeable fluctuations in the credit per kWh are also reduced.
4 Rather than fluctuating significantly from month to month, the unit credit will match changes in
5 the FAC and Environmental Surcharge. Big Rivers' proposed modifications to the Rural
6 Economic Reserve will thus result in rates that change more gradually as the two funds are
7 drawn down.

8

9 **Witness)** William Steven Seelye

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to Commission Staff's Second Request for Information
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April 15, 2011

- 1 **Item 33)** *Refer to the Seelye Testimony at page 37.*
- 2
- 3 *a. Lines 5-6 indicate that, as of October 31, 2010, the regulatory liability*
- 4 *balance for the Non-smelter NFPPA was \$4,364,060. Explain why this*
- 5 *amount differs from the \$3,802,908 in Exhibit Wolfram-2, Reference*
- 6 *Schedule 2.05, column 2.*
- 7 *b. State whether the June 30, 2010 reference at the end of line 16 should be*
- 8 *June 30, 2011.*
- 9 *c. Lines 18-21 indicate that, as proposed, the NFPPA Regulatory Liability as*
- 10 *of June 30, 2011 will be amortized over 24 months. Explain why Big*
- 11 *Rivers is proposing to amortize this balance over 24 months instead of 12*
- 12 *months as it proposes for future years' amortization of the regulatory*
- 13 *account.*

14

15 **Response)**

- 16
- 17 a. The regulatory liability balance reflects not only the test period but all of the
- 18 months since the inception of the regulatory liability after the closing of the
- 19 Unwind Transaction. Thus the regulatory liability includes the test year
- 20 amounts plus the amounts for August, September and October 2009. See the
- 21 reconciliation that follows.

22

23

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BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to Commission Staff's Second Request for Information
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April 15, 2011

Line #	Description	Amount
1	Aug 2009	\$ 237,210
2	Sep 2009	46,416
3	Oct 2009	277,525
4	Test Period (Nov 2009 - Oct 2010)	3,802,908
5	Regulatory Liability Balance as of 10/31/2010	\$ 4,364,060

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b. Yes. The reference at the end of line 16 should be June 30, 2011.

c. After the initial amortization of the regulatory account, the number of months over which the regulatory account is to be amortized (12 months) will correspond to the number of months between amortization periods (12 months). Specifically, amounts accumulated during the 12 month period ended June 30 of each year will be amortized over the 12 month period beginning with the September bills. Big Rivers is proposing the initial amortization period for the Non-FAC PPA regulatory account to be 24 months because the regulatory account will have been in place for almost 24 months as of June 30, 2011 -- i.e., from July 17, 2009 to June 30, 2011. Using 24 months as the initial amortization period will thus maintain approximately the correspondence between the initial period over which the regulatory account has been established and the period for which the regulatory account will be amortized.

Witness) William Steven Seelye

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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CASE NO. 2011-00036**

**Response to Commission Staff's Second Request for Information
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April 15, 2011

1 **Item 34)** *Refer to page 44 of the Seelye Testimony, which indicates that adoption of the*
2 *Midwest ISO Attachment O transmission formula will not affect base rates. Explain how*
3 *the Midwest ISO tariff charges will be accounted for.*

4

5 **Response)** Midwest ISO related expenses are recorded in Account 561.4 – Scheduling,
6 System Control and Dispatch Expenses, Account 561.8– Reliability, Planning and Standards
7 Development Service, and Account 575.7 – Market Facilitation, Monitoring and Compliance
8 Service. The adoption of the MISO ISO Attachment O transmission formula should not affect
9 the MISO related expenses charged to these accounts.

10

11

12

13 **Witness)** William Steven Seelye

14

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BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to Commission Staff's Second Request for Information
dated April 1, 2011**

April 15, 2011

- 1 **Item 35)** *Refer to Exhibit Wolfram-2, Reference Schedule 2.04, of the Wolfram*
2 *Testimony, pages 44-53 of the Seelye Testimony, and Exhibit Seelye-10.*
3
4 *a. Provide a list of all instances, by utility name, case number and*
5 *jurisdiction, in which Mr. Seelye proposed and a commission accepted the*
6 *exact method of analysis proposed in this case to develop a temperature*
7 *normalization adjustment for an electric utility.*
8 *b. Provide the most recent order of a commission which approved the*
9 *temperature normalization method proposed in this case.*
10 *c. Provide a list of all instances, by utility name, case number and*
11 *jurisdiction, in which Mr. Seelye proposed and a commission rejected the*
12 *exact method of analysis proposed in this case to develop a temperature*
13 *normalization adjustment for an electric utility.*
14 *d. Provide the most recent order of a commission which rejected the*
15 *temperature normalization method proposed in this case.*
16 *e. Refer to Exhibit Seelye-10, page 3. Explain how the monthly coefficient*
17 *value is derived and its use in the outcomes presented in the table.*
18 *f. Explain whether the test-year cooling degree days ("CDD") and heating*
19 *degree days ("HDD") shown in the Exhibit Seelye-10 reflect calendar*
20 *month or billing cycle CDD and HDD and provide the source of the CDD*
21 *and HDD levels.*
22 *g. Explain in detail why the proposed temperature normalization adjustment*
23 *should be based on degree day variations for individual months rather*
24 *than degree day variations for a full season, i.e., the cooling season or the*
25 *heating season.*

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to Commission Staff's Second Request for Information
dated April 1, 2011**

April 15, 2011

1

2 **Response)**

3

4

5 a. The only jurisdiction in which Mr. Seelye has proposed the method of analysis used to
6 perform the temperature normalization in this proceeding is Kentucky. A similar methodology
7 was proposed by Kentucky Utilities Company in Case No. 2008-00251 and Louisville Gas
8 and Electric Company in Case No. 2008-00252. A settlement agreement was reached in those
9 two rate cases in which the temperature adjustment was included. (For example, see row
10 labeled "Adjustment to Reflect Temperature Adjustment" in Settlement Agreement Exhibit 1,
11 page 3 of 5, of the Settlement Agreement and Stipulation and Recommendation filed in Case
12 Nos. 2008-00251 and 2008-00252.) However, the settlement agreement specifically stated
13 that, "Approval of this Settlement shall not be construed to approve or deny the adjustments to
14 LG&E's and KU's electric revenues and expenses associated with the normalization of
15 weather." A similar methodology was also proposed by Kentucky Utilities in Case No. 2009-
16 00548 and Louisville Gas and Electric Company in Case No. 2009-00549. The proposal was
17 rejected in those proceedings. In the current proceeding, sufficient evidence is being presented
18 to support Big Rivers' proposed temperature normalization adjustment.

19

20 b-d. Not applicable. Please see response to sub-part a.

21

22 e. The coefficient values presented in Exhibit 10, page 3 of 3, were obtained using
23 regression analysis. One model was developed for each month of the test year. Each model
24 was developed using daily observations and quantifies the relationship between rural system
25 energy sales and degree days (heating or cooling degree days, depending on the month).

Case No. 2011-00036

Response to Item PSC 2-35

Witnesses: William Steven Seelye and John D. Hutts

Page 2 of 5

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
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**Response to Commission Staff's Second Request for Information
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April 15, 2011

1 Binary variables were also included to capture holiday impacts on energy sales for those
2 unique days. Refer to response AG 1-124, which provides the regression model outputs and all
3 data used to develop the regression models.

4
5 The degree day coefficients represent the level of sales attributable to changes in degree days.
6 For example, using June data, the difference between actual and normal cooling degree days
7 for the Big Rivers service area is 111 (432 actual minus 321 normal). The product of the
8 difference in degree days and the June CDD coefficient is 14,837,157, which represents the
9 estimated level of rural energy sales, in kWh, that were recorded during the month due to
10 hotter than normal weather conditions. Based on the model coefficient and the difference
11 between normal and actual cooling degree days, normalized rural energy sales in June 2010
12 were 6.4% lower than actual sales for the month.

13
14 The energy adjustment computed for each month is based on the difference between actual
15 degree days and normal degree days increased by 1 standard deviation. For June, the value for
16 normal cooling degree days increased by 1 standard deviation is 381. The difference from
17 actual degree days is 52, and when this difference is applied to the June coefficient, the
18 normalized energy sales for June equal to 224,439,992 kWh, which is 6,879,550 kWh lower
19 than actual June energy sales.

20
21 f. The heating and cooling degree days presented in Exhibit 10, page 3 of 3, reflect a
22 weighted average of degree days for the Paducah, Kentucky (KPAH) and Evansville, Indiana
23 (KEVV) stations. The amounts represent calendar month values. The source of the degree
24 days is the National Oceanic and Atmospheric Administration.

25

BIG RIVERS ELECTRIC CORPORATION

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1 g. The temperature normalization adjustment is based on degree day variations for
2 individual months rather than degree day variations for a full season in order to differentiate
3 the varying relationship between energy sales and degree days across months. As evidenced
4 by the coefficient values in Exhibit 10, page 3 of 3, the impact of degree days is greater in
5 hotter and colder months than in milder months. For example, the impact of cooling degree
6 days is greater in July than in May, due primarily to the levels at which hotter than normal
7 temperatures begin, and to a greater proportion of air conditioning systems operating in July
8 than in May. Therefore, it is appropriate to reflect the greater impact of cooling degree days in
9 July than in May by the use of a higher coefficient.

10
11 In comparison to the analysis presented in Exhibit 10, page 3 of 3, it has been Mr. Hutts'
12 experience that a properly specified single model that accounts for the variation in degree day
13 impacts across months, or at different levels of degree days, would provide similar results to
14 the normalization adjustment produced in this case using the monthly models. The monthly
15 models provide for more transparency in developing and presenting the normalization analysis
16 and resulting adjustment. Furthermore, because energy sales and degree day observations were
17 available on a daily basis, development of monthly models provided a means for analyzing
18 energy sales on a relatively short period of time when weather conditions were the
19 predominant, if not only, factor impacting sales over the course of one month. When using
20 regression analysis to analyze changes in energy sales due to changes in degree days, it is
21 preferable to eliminate all other factors that impact energy sales, such as number of customers,
22 appliance market shares, appliance efficiencies, price of electricity, household characteristics,
23 and economic activity. Use of monthly models in this case allows for the exclusion of all
24 factors other than weather because they do not change significantly within a one month period
25 to warrant their inclusion in the model.

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Response to Item PSC 2-35

Witnesses: William Steven Seelye and John D. Hutts

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Witnesses) a. - d. –William Steven Seelye
e. - g. – John D. Hutts

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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1 **Item 36)** *Refer to Exhibit Seelye-2, pages 3 and 4. Provide the rationale for using the*
2 *functional vector Profix to allocate expenses marked as such on these pages.*

3

4 **Response)** PROFIX is used to classify production operation and maintenance expenses as
5 fixed (demand-related), and PROVAR is used to classify production operation and
6 maintenance expenses as variable (energy). As in its prior cost of service studies, the
7 Company classified production operation and maintenance expenses as fixed and variable
8 using the FERC predominance methodology. Under the FERC predominance methodology,
9 production operation and maintenance accounts that are predominately fixed, i.e. expenses that
10 the FERC has determined to be predominately incurred independently of kilowatt hour levels
11 of output are classified as demand-related. Production operation and maintenance accounts
12 that are predominately variable, i.e., expenses that the FERC has determined to vary
13 predominately with output (kWh) are considered to be energy related. The predominance
14 methodology has been accepted in FERC proceedings for approximately 30 years and is a
15 standard methodology for classifying production operation and maintenance expenses. For
16 example, see Public Service Company of New Mexico (1980), 10 FERC ¶ 63,020, Illinois
17 Power Company (1980), 11 FERC ¶ 63,040, Delmarva Power & Light Company (1981), 17
18 FERC ¶ 63,044, and Ohio Edison Company (1983), 24 FERC ¶ 63,068.

19

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21 **Witness)** William Steven Seelye

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BIG RIVERS ELECTRIC CORPORATION

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1 **Item 37)** *Refer to Exhibit Seelye-3, page 4 of 15. Explain the adjustments to the rate*
2 *classes labeled as "Production Demand Reallocation of Purchased Power."*

3

4 **Response)** This reallocation reflects the reassignment of purchased power demand-related
5 costs that were allocated to all customer classes, including the Smelters, through the
6 application of a coincident peak allocation factor but should have only been allocated to the
7 non-Smelters because the capacity was made available by the curtailment of power to the
8 Smelters pursuant to Section 4.13.2 of the Smelter Agreements.

9

10

11 **Witness)** William Steven Seelye

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BIG RIVERS ELECTRIC CORPORATION

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1 **Item 38)** *Refer to Exhibit Seelye-3, page 11 of 15. Explain why the Total Operating*
2 *Expenses after adjustments of \$376,008,202 differs from the \$418,915,195 in Exhibit*
3 *Wolfram-2, page 1 of 2, column 4, line 42. Provide a reconciliation of the two amounts.*
4

5 **Response)** The total operating expenses in the cost of service study (reflected in Exhibit
6 Seelye-3) will differ from the total cost of electric service reflected on Big Rivers' financial
7 statements (reflected in Exhibit Wolfram-2). In the cost of service study, certain elements are
8 not counted toward the total operating expenses, including Interest on Long Term Debt,
9 Interest Charged to Construction, Other Interest Expense, and Other Deductions.

10 Additionally, Reference Schedule 2.19 for the WKEC Unwind True-Up is comprised of
11 three components, and none of them are reflected in the cost of service study as adjustments to
12 operating expenses. For the first component, the true-up of \$149,673 of lease-related expense
13 is included as a revenue adjustment. For the second component, the true-up of Non-Operating
14 Items (Non-Labor) in the amount of \$2,357,097 affects Non-Operating Items which do not
15 count toward Total Operating Expenses in the cost of service study. The same is true of the
16 third component, the true-up for Non-Operating Items (Labor) in the amount of (\$7,476,583).

17 Finally, upon review of the cost of service study, an understatement of the costs for
18 Account 908, Customer Assistance Expenses of \$510,706 was identified. This amount is the
19 difference between the \$80,486 that was used in the study and the \$591,192 that was booked in
20 the test year. This amount has a negligible impact on the cost of service study results. See
21 reconciliation attached; the remaining variance results from rounding.

22

23

24 **Witness)** William Steven Seelye

Big Rivers Electric Corporation
Case No. 2011-00036

Reconciliation of Total Operating Expenses

Line #	Description	Exhibit Wolfram-2	Exhibit Seelye-3	Variance
1	Total Adjusted Operating Expenses	\$ 418,915,195	\$ 376,008,202	\$ 42,906,993
2	Interest on Long-Term Debt		47,622,709	(47,622,709)
3	Interest Charged to Construction - Credit		(515,767)	515,767
4	Other Interest Expense		149,903	(149,903)
5	Other Deductions		109,257	(109,257)
6	Reference Schedule 2.19 page 1		149,673	(149,673)
7	Reference Schedule 2.19 page 2		2,357,097	(2,357,097)
8	Reference Schedule 2.19 page 3		(7,476,583)	7,476,583
9	Account 908: Remove Amount in COSS		(80,486)	80,486
10	Account 908: Add Actual Amount to COSS		591,192	(591,192)
11	Total	\$ 418,915,195	\$ 418,915,197	\$ (2)

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1 **Item 39)** *Refer to Exhibit Seelye-6.*

2

3 *a. Provide this exhibit in electronic format with the formulas intact and*
4 *unprotected.*

5 *b. Explain why the Member Rate Stability Mechanism is not shown in the*
6 *billing analysis.*

7

8 **Response)**

9

10 a. The electronic version of Exhibit Seelye-6 is provided in the attached CD.

11

12 b. The billing analysis included in Exhibit Seelye-6 shows the impact of the proposed
13 increase on Big Rivers' revenues. Credits resulting from the application of the Member Rate
14 Stability Mechanism (MRSM) are not recorded as revenues in Big Rivers' accounting records.
15 The reduction in billings to Members from the application of the MRSM is recorded as a credit
16 to Accounts Receivable (and a debit to the Regulatory Liability established for the Economic
17 Reserve). These accounting entries do not affect Revenues recorded by Big Rivers.

18

19 **Witness)** William Steven Seelye

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BIG RIVERS ELECTRIC CORPORATION
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- 1 **Item 40)** *Refer to Exhibit Seelye-6, page 2 of 3.*
- 2
- 3 *a. Refer to the Rural Delivery Service section. In the last column on the*
- 4 *page, explain whether the Temperature Normalization Adjustment should*
- 5 *have been calculated using an energy rate of \$.019524 per kWh instead of*
- 6 *\$.020400 per kWh.*
- 7 *b. Refer to the Large Industrial Customer Delivery Point section. Explain*
- 8 *whether the Current Industrial Customer Adjustment – Energy in the last*
- 9 *column on the page should have been calculated using an energy rate of*
- 10 *\$.014885 per kWh instead of \$.015761 per kWh.*
- 11 *c. Refer to the Rural Delivery Service and Large Industrial Customer*
- 12 *Delivery Point sections and page 38 of the Seelye Testimony. Given that*
- 13 *the testimony indicates that the Rural and Large Industrial customers*
- 14 *would receive a credit of \$.000963 per kWh related to the NFPPA, explain*
- 15 *why, on page 2 of 3 of Exhibit Seelye-6, the line items “Estimated Credits*
- 16 *from Amort of NFPPA Balance” for the Rural and Industrial sections do*
- 17 *not equal (\$.000963) times the kWh shown for each section.*

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Response)

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a. Because the Non-FAC PPA roll-in is designed to be revenue neutral, if the base rate energy charge that is applied to the temperature normalization is lowered to reflect the roll-in then there would have to be corresponding change in the row labeled Non-FAC PPA Accruals. Therefore, making the change suggested in question would not change the revenue increase shown on the exhibit.

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1 b. Because the Non-FAC PPA roll-in is designed to be revenue neutral, if the base rate
2 energy charge that is applied to the new customer adjustment is lowered to reflect the roll-in
3 then there would have to be corresponding change in the row labeled Non-FAC PPA Accruals.
4 Therefore, making the change suggested in question would not change the revenue increase
5 shown on the exhibit.

6
7 c. The \$0.000963 per kWh credit shown on page 38 of Mr. Seelye's testimony was
8 rounded down from the actual value used to calculate the Estimated Credits from Amortization
9 of the NFPPA Balance shown on page 2 of Exhibit Seelye-2. The value used to calculate the
10 Estimated Credits from Amortization of the NFPPA Balance shown on Exhibit Seelye-2 was
11 \$0.000963594. Therefore, for Rural Delivery Point Service, the Estimated Credits from
12 Amortization of the NFPPA Balance is calculated by multiplying a credit of \$0.000963594
13 times the total kWh sales for the class, including the kWh adjustment for the temperature
14 adjustment, as follows

15
16 $(2,449,147,804 \text{ kWh} - 20,667,174 \text{ kWh}) \times \$0.000963594/\text{kWh} = -\$2,340,068.$

17
18 Similarly, for Large Industrial Customer Delivery Point Service, the Estimated Credits from
19 Amortization of the NFPPA Balance is calculated by multiplying a credit of \$0.000963594
20 times the total kWh sales for the class, including the kWh adjustment for the new customer, as
21 follows:

22
23 $(928,887,170 \text{ kWh} + 974,674 \text{ kWh}) \times \$0.000963594/\text{kWh} = -\$896,009.$

24
25

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4 **Witness)** William Steven Seelye

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 41)** *State whether Big Rivers has conducted a physical inventory of its coal supply*
2 *since closing the unwind transaction. If yes, provide the results of the inventory, including a*
3 *comparison of the expected inventory to the physical inventory for each coal stockpile. Also*
4 *provide any adjustments made as a result of the physical inventory.*

5

6 **Response)** Big Rivers has conducted two physical inventories of its coal supply since
7 closing the Unwind Transaction. Attached are the results of the two inventories, including a
8 comparison of the expected inventory to the physical inventory for each coal stockpile
9 inventoried. There was a net tonnage adjustment gain of 16,390 tons from the August 2009
10 inventory and a net tonnage adjustment gain of 14,899 tons from the October 2010 inventory.
11 The net tonnage includes both coal and pet coke.

12

13 **Witness)** Mark A. Hite

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BIG RIVERS ELECTRIC CORPORATION

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2009 Big Rivers Stockpile Inventory Results Summary

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	<u>Tonnage</u>		
<u>Stockpile</u>	<u>Expected Inventory</u>	<u>Physical Inventory</u>	<u>Gain(Loss)</u>
Reid	3,286	6,783	3,498
Station Two (Big Rivers only)	143,537	149,527	5,990
Green – Coal	158,452	147,421	(11,031)
Green – Pet Coke	43,633	57,729	14,096
Wilson – Coal	135,225	174,703	39,478
Wilson – Pet Coke	69,886	23,160	(46,726)
Coleman	<u>150,648</u>	<u>161,733</u>	<u>11,085</u>
Total System	704,667	721,057	16,390

There was a net adjustment gain of 16,390 tons made to the Big Rivers book inventory in October 2009.

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2010 Big Rivers Stockpile Inventory Results Summary

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	<u>Tonnage</u>		
<u>Stockpile</u>	<u>Expected Inventory</u>	<u>Physical Inventory</u>	<u>Gain(Loss)</u>
Reid	9,476	10,646	1,170
Station Two(Big Rivers only)	104,678	104,536	(142)
Green – Coal	79,932	94,213	14,281
Green – Pet Coke	70,744	59,880	(10,864)
Wilson – Coal	61,436	148,140	86,704
Wilson – Pet Coke	228,836	152,252	(76,584)
Coleman	<u>95,756</u>	<u>96,090</u>	<u>334</u>
Total System	650,858	665,757	14,899

There was a net adjustment gain of 14,899 tons made to the Big Rivers book inventory in November 2010.

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1 **Item 42)** *Refer to the response to Staff's First Request, Item 15, which shows the*
2 *calculation of Big Rivers' Times Interest Earned Ratio ("TIER") and Debt Service Coverage*
3 *Ratio ("DSC") for the test year and three prior calendar years. Provide Big Rivers' TIER*
4 *and DSC for calendar year 2010 in the same format.*

5

6 **Response)** The attached schedule shows Big Rivers' Times Interest Earned Ratio ("TIER")
7 and Debt Service Coverage Ratio ("DSCR"), calculated as prescribed by the RUS, for calendar
8 year 2010.

9

10

11 **Witness)** Mark A. Hite

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Big Rivers Electric Corporation

Case No. 2011-00036

Calculation of Time Interest Earned Ratio [TIER] and Debt Service Coverage Ratio [DSCR]

Line No.	Times Interest Earned Ratio [TIER] Component	2010
1	Net Margins	\$ 6,990,915.35
2	Interest on Long-Term Debt	47,064,226.00
3	Subtotal [Line 1 + Line 2]	\$ 54,055,141.35
4		
5	Interest on Long-Term Debt	\$ 47,064,226.00
6		
7	TIER [Line 3 / Line 5]	1.15
Line No.	Debt Service Coverage Ratio [DSCR]	2010
8	Net Margins	\$ 6,990,915.35
9	Interest on Long-Term Debt	47,064,226.00
10	Depreciation	36,264,224.00
11	Subtotal [L 8 + L 9 + L 10]	\$ 90,319,365.35
12		
13	Interest on Long-Term Debt	\$ 47,064,226.00
14	Principal	14,184,484.00
15	Subtotal [Line 13 + Line 14]	\$ 61,248,710.00
16		
18	DSCR [Line 11 / Line 15]	1.47

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1 **Item 43)** *Refer to the response to Staff's First Request, Item 17, Schedule 2, the*
2 *schedule of Big Rivers' outstanding long-term debt. Provide an update of the schedule that*
3 *reflects Big Rivers' current (as of March 31, 2011) interest rates for long-term debt applied*
4 *to its test year-end long-term debt balances.*

5

6 **Response)** A schedule reflecting Big Rivers' annualized interest expense on long-term debt
7 based on March 31, 2011, rates applied to test year-end long-term balances is attached hereto.
8 For comparative purposes, the actual test year interest expense on long-term debt is also
9 shown.

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12 **Witness)** Mark A. Hite

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Big Rivers Electric Corporation

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Schedule of Outstanding Long-Term Debt For the Test Year Ended October 31, 2010

Line No.	Type of Debt Issued (a)	Date of Issue (b)	Date of Maturity (c)	Amount Outstanding (d)	Coupon Interest Rate ¹ (e)	Cost Rate at Issue ² (f)	Cost Rate to Maturity ³ (g)	Bond Rating at Time of Issue ⁴ (h)	Type of Obligation (i)	Annualized Cost Col. (d) x Col. (j) (j)	Actual Test Year Interest Cost ⁵ (k)
1	RUS Promissory Note - Series A	7/15/1998	7/1/2021	\$ 558,731,205	5.84%	5.84%	5.84%	N/A	Mortgage Note	\$ 32,629,902	\$ 33,363,233
2	RUS Promissory Note - Series B	7/15/1998	12/31/2023	114,491,334	5.80%	5.80%	5.80%	N/A	Promissory Note	6,640,497	6,436,679
3	Ohio County of Kentucky Note, Series 1983 (1)	6/30/1983	6/1/2013	58,800,000	3.70%	3.70%	3.70%	AAA	Pollution Control Bonds	2,175,600	2,184,112
4	Ohio County of Kentucky Note, Series 2010A	6/1/2010	7/15/2031	83,300,000	6.00%	6.00%	6.00%	Baa1	Pollution Control Bonds	4,998,000	1,818,717
5	Ohio County of Kentucky Note, Series 2001A (2)	8/1/2001	5/31/2010		N/A	N/A	N/A	N/A	Pollution Control Bonds	0	3,819,968
9											
10											
11											
12											
				\$ 815,322,539						\$ 46,443,999	\$ 47,622,709
Total Long-Term Debt and Annualized Cost											
Annualized Cost Rate [Total Col. (j) / Total Col. (d)]										5.70%	
Actual Test Year Cost Rate [Total Col. (k) / Total Reported in Col. (d)]										5.84%	

¹ Nominal Rate

² Nominal Rate Plus Discount or Premium Amortization

³ Nominal Rate Plus Discount or Premium Amortization

⁴ Standard and Poor's, Moody, etc.

⁵ Sum of Accrued Interest Amortization of Discount or Premium and Issuance Cost

(1) Interest Rate on the Ohio County of Kentucky Note, Series 1983 Pollution Control Bonds is a weighted average for the twelve months ended 3/31/11. The Series 1983 Bonds are variable rate demand (VRDN) bonds with the interest rate being reset every 7 days. The actual interest rate for the seven day period including March 31, 2011 was 0.10% for bonds held by the Trustee, U.S. Bank Trust N.A. and 3.25% for bonds held by Dexia Credit Local (Bank Bonds).

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Witness: Mark A. Hite

Attachment for Item PSC 2-43

Page 1 of 2

Fees for the Series 1983 Bonds include Remarketing Fees from Goldman, Sachs, & Co. at 0.10%, Dexia Commitment Fee of 0.25% for bonds held by the trustee, and amortization of insurance premiums from AMBAC.

(2) Interest Rate on the Ohio County of Kentucky Note, Series 2001A Pollution Control Bonds is a weighted average for the five months ended 5/31/10. The Series 2001A Bonds, are periodic auction reset (PARS) bonds, with the interest rate being reset every 28 days. The 2001A Bonds were refunded and the Ohio County of Kentucky Note, Series 2010A was issued.

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- 1 Item 44) *Refer to the response to Staff's First Request, Item 19.b.*
2
3 *a. Page 22 of 25, line 459, shows the account 920183 "Admin and General*
4 *Salaries-Oracle."*
5 *1. Provide a description of this account which includes the type of*
6 *activities recorded therein.*
7 *2. The account balance increased from \$2.4 million in the 12*
8 *months preceding the test year to \$5.3 million in the test year.*
9 *Provide a detailed explanation for why this expense increased*
10 *by this magnitude.*
11 *b. Page 22 of 25, line 460, shows the account 921100 "Office Supplies and*
12 *Expenses." The account balance increased from \$1.7 million in the 12*
13 *months preceding the test year to \$4.4 million in the test year. Provide a*
14 *detailed explanation for why this expense increased by this magnitude.*
15 *c. Page 23 of 25, lines 465 through 470, shows accounts used to record*
16 *outside services which total \$3.3 million. Provide a reconciliation of this*
17 *amount to the historical year amount of \$2,712,026 referred to in Exhibit*
18 *Wolfram-2, Reference Schedule 2.25, of the Wolfram Testimony.*

19
20 **Response)**

- 21 a. Account 920183, Administrative and General Salaries, was used to account
22 for the labor and labor overheads of certain Big Rivers' former WKEC
23 employees properly charged to utility operations and not chargeable directly
24 to a particular operating function (please see RUS Bulletin 1767B-1,
25 Uniform System of Accounts – Electric, for a description of account 920)
26 that were accounted for via Oracle 11i. From the July 16, 2009, Unwind

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1 closing date, through October 31, 2010, Big Rivers' information
2 systems/technology (IT) environment was essentially two-pronged, that of
3 former WKEC, Oracle 11i, provided by E.ON, and the Big Rivers' legacy
4 AS400. At month end, all Oracle 11i general ledger information was
5 "mapped" to the AS400 in order to close Big Rivers' books and generate the
6 financial statements. Account 920183 ceased being used upon the
7 November 1, 2010, Oracle R12 "go-live" date.

8 As the Unwind Transaction closed July 16, 2009, \$2,399,335.39
9 represents only a partial year of Big Rivers' costs, while the test year
10 amount represents 12 months (the test year; the 12 months ended October
11 31, 2011) of Big Rivers' cost. This magnitude of increase is commonplace
12 for Big Rivers when comparing former WKEC-related pre-Unwind periods
13 with post-Unwind periods.

- 14 b. Account 921100, "Office Supplies and Expenses" increased from \$1.7
15 million to \$4.4 million due to the various costs Big Rivers incurred due to
16 the Unwind Transaction. Costs for the E.ON IT Support Services
17 Agreement that terminated January 15, 2011, comprised the majority of the
18 increase. As of November 1, 2011, upon the Oracle R12 "go-live" date,
19 various information systems technology (IT) services are now being
20 provided by HP. (Please see pro forma adjustment Schedule 2.12.)
21 c. Please see the summary below for the reconciliation of the \$2.7 million to
22 the \$3.3 million:
23
24

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1	2,712,026	Schedule 2.25
2		923183 11i incorrect account
3	677,204	coding
4	17,924	Rate Case – Schedule 2.13
5	<u>(107,098)</u>	Account 555.150
6	3,300,056	Account 923

7 Note that the Account 923, Outside Services Employed, amount arises from
8 the post-Unwind use of two information technology systems (Oracle 11i and
9 AS400), and a difference in certain account coding being employed for each
10 system, while Big Rivers was transitioning to Oracle R12. In other words,
11 the \$677,204 amount does not meet the true definition of items that should
12 be charged to account 923. The \$17,924 is the cost for this rate case in the
13 test year that are accounted for in Schedule 2.13. Finally, the \$107,098
14 amount associated with Station Two is accounted for in account 555.

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16 **Witness)** Mark A. Hite

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BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to the Commission Staff's Second Request for Information
dated April 1, 2011**

April 15, 2011

1 **Item 45)** *Refer to the response to Item 21 of Staffs First Request, which indicates that*
2 *land was purchased in 2008 for use as a combustion turbine site, but the current status is*
3 *shown as suspended.*

4
5 *a. Describe Big Rivers' plans for the site when purchased, including*
6 *the timeframe envisioned for construction.*

7
8 *b. Explain what factors influenced the apparent decreased need for*
9 *the combustion turbine.*

10
11 *c. Provide Big Rivers' current and future plans for the property.*
12

13 **Response)** a. In 2007 Big Rivers had the opportunity to purchase land that was ideally
14 suited for a combustion turbine ("CT"). This particular piece of land is well positioned within
15 the Big Rivers system and is located near a major natural gas pipeline and Big Rivers'
16 Hardinsburg substation, and these considerations made it a highly attractive choice for locating
17 a potential future CT. At that time Big Rivers had no immediate or near-term plans to build a
18 CT; however, Big Rivers realized that waiting to purchase the land until it identified a specific
19 future need for a CT, and Big Rivers' potential interest in the land became public, likely would
20 render purchasing the land significantly more expensive. Based on these considerations, Big
21 Rivers' Board of Directors authorized the purchase as a long-term strategic investment.

22
23 b. As described in the response to PSC 2-45a. above, Big Rivers had no
24 immediate or near-term need for a CT, and thus there has been no decrease in the need for a

**Case No. 2011-00036
Response to Item PSC 2-45
Witness: C. William Blackburn**

Page 1 of 2

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to the Commission Staff's Second Request for Information
dated April 1, 2011

April 15, 2011

1 CT. Because Big Rivers purchased the land based on long-term strategic considerations, the
2 status was effectively "Suspended" from the date of purchase.

3

4 c. Big Rivers has no current plans for the property. Potential future plans
5 are described in confidential portions of Big Rivers' 2010 Integrated Resource Plan, as filed on
6 November 15, 2010 in KPSC Case No. 2010-00443.

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9 **Witness)** C. William Blackburn

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BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to Commission Staff's Second Request for Information
dated April 1, 2011**

April 15, 2011

1 **Item 46)** *Refer to the response to Item 24 of Staff's First Request. Power purchases of*
2 *4,166,916,001 kWh were made in 2009 and 2,220,994,590 in 2010. Explain the decrease in*
3 *purchased power requirements.*

4

5 **Response)** Prior to the Unwind closing on July 16, 2009, Big Rivers purchased 100% of its
6 power supply needs, principally from LEM, as WKEC owned the output of Big Rivers'
7 generating fleet. Subsequent to the Unwind closing, Big Rivers now owns the output of its
8 generating fleet. Accordingly, the kWh of purchased power in 2009 cannot be compared to the
9 kWh of purchased power in 2010.

10

11

12 **Witness)** Mark A. Hite

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BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to Commission Staff's Second Request for Information
dated April 1, 2011**

April 15, 2011

1 **Item 47)** *Refer to the response to Staff's First Request, Item 28.*

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- a. *Provide an explanation of why the regular hours worked column for every employee is less than 2,080 hours, the standard number for a work year.*
- b. *Using the same format, identify each hourly employee as either bargaining or non-bargaining.*
- c. *Provide an explanation of all increases granted in the test year that were greater than 10 percent.*
- d. *For the following employee numbers, provide the number of hours per week that make up their normal work schedule and why, where applicable, they are compensated for overtime hours.*

<i>Employee</i>	<i>Employee</i>	<i>Employee</i>
<i>#</i>	<i>#</i>	<i>#</i>
<i>3</i>	<i>4</i>	<i>10</i>
<i>14</i>	<i>16</i>	<i>30</i>
<i>31</i>	<i>46</i>	<i>66</i>
<i>70</i>	<i>71</i>	<i>75</i>
<i>91</i>	<i>94</i>	<i>98</i>
<i>99</i>	<i>105</i>	<i>116</i>
<i>121</i>	<i>135</i>	<i>151</i>
<i>164</i>	<i>186</i>	<i>237</i>
<i>249</i>	<i>260</i>	<i>275</i>
<i>413</i>	<i>456</i>	<i>472</i>
<i>476</i>	<i>518</i>	<i>527</i>
<i>528</i>	<i>624</i>	

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to Commission Staff's Second Request for Information
dated April 1, 2011**

April 15, 2011

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Response)

- a. The regular hours column of the response to Item 28 of the Staff's First Request includes only "actual" regular hours worked and does not reflected hours for paid time off (e.g. vacation, holiday, sick leave, etc.).
- b. The attached spreadsheet identifies each hourly employee as either bargaining or non-bargaining.
- c. See the attached spreadsheet for an explanation of all increases in the test year that were greater than 10 percent.
- d. As stated in Big Rivers' response to Item 28 of Commission Staff's Initial Request for Information, "the employee numbering of each section [Actual Hours (Columns (a) and (b)) v. Wage and Employee Information (Columns (c) through (e))] is independent of each other." These sections should be read as two separate spreadsheets. The assigned employee numbers of the "Actual Hours" section of the form is not equivalent to the assigned employee numbers of the "Wage and Employee Information" section of the form. For example, employee number 70's hours are listed at 624.00 regular hours and 101.00 overtime hours on the "Actual Hours" section of the form. This same employee is listed as employee number 632 on the "Wage and Employee" section of the form – Annual Base Wage Rate of \$60,301; last increase granted was 3% on January 3, 2010; and this employee terminated employment with Big Rivers on March 14, 2010.

It appears that this question is referring to the Employee Identification numbers used in conjunction with the "Wage and Employee" information provided in response to Item 28(c), (d) and (e). If that is the case, the employees identified above are all "Exempt Salary" and do not receive

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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**Response to Commission Staff's Second Request for Information
dated April 1, 2011**

April 15, 2011

1 overtime compensation. In addition, these employees are scheduled to work
2 40 hours a week in the absence of paid time off taken (e.g. vacation,
3 holiday, sick leave, etc.).
4
5

6 **Witnesses)** James V. Haner and Mark A. Hite
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Big Rivers Electric Corporation
Case No. 2011-00036
Bargaining/Non-Bargaining Classification

Empl	Added (A) or Terminated (T)	Salaried (S) or Hourly (H)	Bargaining / non-bargaining	Annual Wage Rate 10/31/10	Date of Last Increase	% Increase during Test Year
1		H	NB	46,411	01/01/09	0.00%
6		H	B	64,958	10/15/10	3.51%
9		H	B	67,558	10/15/10	3.51%
12		H	B	64,958	10/15/10	3.51%
13		H	B	64,958	10/15/10	3.51%
19		H	NB	36,945	01/01/09	0.00%
22		H	B	54,662	10/15/10	3.51%
24		H	B	47,798	10/15/10	3.51%
28		H	B	58,968	10/15/10	3.51%
32		H	B	64,958	10/15/10	3.51%
33		H	B	58,968	10/15/10	3.51%
34		H	B	67,558	10/15/10	3.51%
37		H	B	64,958	10/15/10	3.51%
38		H	B	64,958	10/15/10	3.51%
40		H	NB	41,606	01/01/09	0.00%
41		H	NB	45,017	07/14/09	0.00%
43		H	NB	30,160	01/01/09	0.00%
44		H	B	41,766	10/15/10	3.51%
45		H	B	58,968	10/15/10	3.51%
48		H	NB	41,606	01/01/09	0.00%
53		H	NB	36,945	01/01/09	0.00%
56		H	NB	36,945	01/01/09	0.00%
57		H	B	41,766	10/15/10	3.51%
64		H	NB	26,713	01/01/09	0.00%
67		H	NB	38,355	07/27/10	6.09%
69		H	NB	36,945	02/05/09	0.00%
72		H	NB	41,606	01/01/09	0.00%
78		H	B	58,968	10/15/10	11.66%
80		H	NB	47,798	10/15/10	3.51%
83		H	B	60,091	10/15/10	5.48%
84		H	B	58,968	10/15/10	3.51%
89		H	B	64,958	10/15/10	3.51%
93		H	B	53,040	10/15/10	3.49%
95		H	B	58,968	10/15/10	3.51%
101		H	NB	36,945	07/17/09	0.00%
103		H	B	65,166	09/12/10	3.19%
104		H	B	47,590	09/12/10	6.72%
106		H	B	59,259	09/12/10	3.19%
107		H	B	65,166	09/12/10	3.19%
108		H	B	60,362	09/12/10	5.11%
110		H	NB	65,166	09/12/10	3.19%
112		H	B	65,166	09/12/10	3.19%
114		H	B	65,166	09/12/10	3.19%
115		H	B	54,080	09/12/10	6.73%
117		H	B	58,552	09/12/10	3.19%
120		H	NB	65,166	09/12/10	7.04%
122		H	B	55,765	09/12/10	-11.69%
123		H	B	49,067	09/12/10	6.41%
124		H	B	65,166	09/12/10	3.19%
125		H	B	65,166	09/12/10	3.19%
126		H	B	65,166	09/12/10	3.19%
127		H	B	36,945	01/01/09	0.00%
128		H	B	65,166	09/12/10	3.19%
129		H	B	49,067	09/12/10	3.19%
130		H	B	65,166	09/12/10	3.19%
132		H	B	65,166	09/12/10	3.19%
133		H	B	65,166	09/12/10	3.19%
134		H	B	65,166	09/12/10	3.19%
137	T 5/4/10	H	B	54,038	01/01/09	0.00%
138		H	B	55,765	09/12/10	3.19%
139		H	B	55,765	09/12/10	3.19%
140		H	B	49,067	09/12/10	3.19%

Big Rivers Electric Corporation
Case No. 2011-00036
Bargaining/Non-Bargaining Classification

Empl	Added (A) or Terminated (T)	Salaried (S) or Hourly (H)	Bargaining / non-bargaining	Annual Wage Rate 10/31/10	Date of Last Increase	% Increase during Test Year
142		H	B	65,166	09/12/10	3.19%
143		H	B	55,765	09/12/10	3.19%
145		H	NB	37,538	08/29/10	11.39%
147		H	B	62,837	09/12/10	7.43%
148		H	B	65,166	09/12/10	3.19%
149		H	B	65,166	09/12/10	3.19%
150		H	B	58,552	09/12/10	3.19%
152		H	B	55,765	09/12/10	3.19%
153		H	B	65,166	09/12/10	3.19%
154		H	B	58,552	09/12/10	3.19%
155		H	B	65,166	09/12/10	3.19%
156		H	B	65,166	09/12/10	3.19%
157		H	B	65,166	09/12/10	3.19%
159		H	B	65,166	09/12/10	3.19%
161		H	B	65,166	09/12/10	3.19%
163		H	B	65,166	09/12/10	3.19%
165		H	B	65,166	09/12/10	3.19%
167		H	B	65,166	09/12/10	3.19%
168		H	B	58,552	09/12/10	3.19%
170		H	B	55,765	09/12/10	3.19%
171		H	B	65,166	09/12/10	7.04%
172		H	B	55,078	10/24/10	6.47%
173	T 5/1/10	H	B	47,549	01/01/09	0.00%
174		H	B	52,291	09/12/10	13.40%
175		H	B	55,765	09/12/10	3.19%
177		H	B	59,259	09/12/10	3.19%
178		H	B	65,166	09/12/10	3.19%
179		H	NB	65,166	09/12/10	3.19%
180		H	B	59,259	09/12/10	3.19%
182		H	B	55,078	09/12/10	3.20%
183		H	B	65,166	09/12/10	3.19%
188		H	B	60,362	09/12/10	5.11%
189		H	B	55,765	09/12/10	3.19%
190		H	B	65,166	09/12/10	3.19%
192		H	B	49,067	09/12/10	-9.20%
193		H	B	49,067	09/12/10	3.19%
194		H	B	65,166	09/12/10	3.19%
195		H	B	65,166	09/12/10	3.19%
197		H	B	47,590	09/12/10	6.72%
200		H	B	65,166	09/12/10	3.19%
201	T 12/17/09	H	B	53,373	01/01/09	0.00%
202		H	B	65,166	09/12/10	3.19%
204		H	B	65,166	09/12/10	3.19%
205		H	B	52,291	09/12/10	9.97%
208		H	B	47,590	09/12/10	6.72%
209		H	B	55,078	09/12/10	3.20%
210		H	B	64,958	01/01/09	0.00%
212		H	B	59,259	09/12/10	11.03%
213		H	B	55,765	09/12/10	3.19%
214		H	B	65,166	09/12/10	3.19%
215		H	B	65,166	09/12/10	3.19%
216		H	B	65,166	09/12/10	3.19%
217		H	B	60,362	09/12/10	11.70%
218		H	B	65,166	09/12/10	3.19%
219		H	B	49,067	09/12/10	6.41%
220		H	B	55,078	09/12/10	3.20%
221		H	B	65,166	09/12/10	3.19%
223		H	B	55,765	09/12/10	3.19%
225		H	B	65,166	09/12/10	3.19%
227		H	B	49,067	09/12/10	3.19%
228		H	B	54,080	09/12/10	17.28%
229		H	B	65,166	09/12/10	3.19%

Big Rivers Electric Corporation
Case No. 2011-00036
Bargaining/Non-Bargaining Classification

Empl	Added (A) or Terminated (T)	Salaried (S) or Hourly (H)	Bargaining / non-bargaining	Annual Wage Rate 10/31/10	Date of Last Increase	% Increase during Test Year
230		H	B	65,166	09/12/10	3.19%
231		H	B	59,259	09/12/10	3.19%
233		H	B	65,166	09/12/10	3.19%
234		H	B	65,166	09/12/10	3.19%
235		H	B	65,166	09/12/10	3.19%
236		H	B	47,590	09/12/10	6.72%
238		H	B	49,067	09/12/10	3.19%
239		H	B	52,291	09/12/10	9.97%
242		H	NB	45,950	01/01/09	0.00%
243		H	B	55,765	09/12/10	3.19%
244		H	B	65,166	09/12/10	3.19%
245		H	B	65,166	09/12/10	3.19%
246		H	B	65,166	09/12/10	3.19%
247	T 12/29/09	H	B	56,742	01/01/09	0.00%
251		H	NB	41,607	01/01/09	0.00%
252		H	B	65,166	09/12/10	3.19%
255		H	B	55,078	09/12/10	3.20%
256		H	B	65,166	09/12/10	3.19%
258		H	B	60,362	09/12/10	5.11%
261		H	B	65,166	09/12/10	3.19%
262		H	B	60,362	09/12/10	11.70%
263		H	B	65,166	09/12/10	3.19%
264		H	B	65,166	09/12/10	3.19%
265		H	B	55,078	09/12/10	3.20%
267		H	B	65,166	09/12/10	3.19%
268		H	B	65,166	09/12/10	3.19%
269		H	B	48,402	09/12/10	10.02%
270		H	B	52,291	09/12/10	9.97%
272		H	B	65,166	09/12/10	3.19%
274		H	B	65,166	09/12/10	3.19%
276		H	B	52,291	09/12/10	9.97%
278		H	B	65,166	09/12/10	3.19%
280		H	B	51,646	10/24/10	17.40%
281		H	B	59,259	09/12/10	3.19%
283		H	NB	36,945	01/01/09	0.00%
284		H	B	55,765	09/12/10	3.19%
285		H	B	65,166	09/12/10	3.19%
286		H	B	65,166	09/12/10	3.19%
290		H	B	65,166	09/12/10	3.19%
292		H	B	65,166	09/12/10	3.19%
293		H	B	49,067	09/12/10	3.19%
295		H	B	62,837	09/12/10	3.21%
296		H	B	65,166	09/12/10	3.19%
298		H	B	59,259	09/12/10	3.19%
299		H	B	55,078	09/12/10	3.20%
301		H	B	65,166	09/12/10	3.19%
302		H	B	54,080	09/12/10	3.22%
304		H	B	55,078	09/12/10	3.20%
305		H	B	65,166	09/12/10	3.19%
308		H	B	55,078	09/12/10	3.20%
310		H	B	65,166	09/12/10	3.19%
311		H	B	55,078	09/12/10	3.20%
312		H	B	60,362	09/12/10	11.70%
313		H	B	65,166	09/12/10	3.19%
315	T 5/4/10	H	B	53,373	01/01/09	0.00%
316		H	B	49,067	09/12/10	6.41%
317		H	B	65,166	09/12/10	3.19%
318		H	B	59,259	09/12/10	11.03%
319		H	B	65,166	09/12/10	3.19%
321		H	B	60,362	09/12/10	5.11%
322		H	B	59,259	09/12/10	3.19%
323		H	B	65,166	09/12/10	3.19%

Big Rivers Electric Corporation
Case No. 2011-00036
Bargaining/Non-Bargaining Classification

Empl	Added (A) or Terminated (T)	Salaried (S) or Hourly (H)	Bargaining / non-bargaining	Annual Wage Rate 10/31/10	Date of Last Increase	% Increase during Test Year
324		H	NB	46,010	01/01/09	0.00%
326		H	B	55,765	09/12/10	3.19%
327		H	B	65,166	09/12/10	3.19%
329		H	B	59,259	09/12/10	3.19%
330		H	B	65,166	09/12/10	3.19%
331		H	NB	44,350	01/01/09	0.00%
335		H	B	65,166	09/12/10	3.19%
336		H	B	60,362	09/12/10	5.11%
337		H	B	55,765	09/12/10	3.19%
338		H	B	55,078	09/12/10	3.20%
339		H	B	65,166	09/12/10	3.19%
340		H	B	65,166	09/12/10	3.19%
341		H	B	65,166	09/12/10	3.19%
343		H	B	59,259	09/12/10	3.19%
344	T 7/3/10	H	B	63,149	01/01/09	0.00%
346	T 4/21/10	H	B	54,038	01/01/09	0.00%
347		H	B	59,259	09/12/10	3.19%
348		H	B	65,166	09/12/10	3.19%
349		H	B	65,166	09/12/10	3.19%
350		H	B	65,166	09/12/10	3.19%
351		H	B	54,080	09/12/10	6.73%
352		H	B	48,402	09/12/10	3.19%
353		H	NB	47,200	01/01/09	0.00%
354		H	B	49,067	09/12/10	3.19%
355		H	B	55,765	09/12/10	3.19%
357		H	NB	36,945	01/01/09	0.00%
360		H	B	65,166	09/12/10	3.19%
361		H	NB	36,945	01/01/09	0.00%
362		H	B	65,166	09/12/10	3.19%
363		H	NB	65,166	09/12/10	3.19%
364		H	B	58,552	09/12/10	3.19%
365		H	B	65,166	09/12/10	3.19%
366		H	B	52,291	09/12/10	9.97%
367		H	NB	33,697	07/18/10	6.09%
368		H	B	65,166	09/12/10	3.19%
370		H	B	55,078	09/12/10	3.20%
371		H	B	55,765	09/12/10	3.19%
373		H	NB	65,166	09/12/10	7.04%
374		H	B	52,291	09/12/10	17.26%
375		H	B	60,362	09/12/10	5.11%
377		H	B	55,078	09/12/10	6.47%
378		H	B	65,166	09/12/10	3.19%
379		H	B	55,765	09/12/10	3.19%
380		H	B	59,259	09/12/10	3.19%
383		H	B	55,078	09/12/10	3.20%
384		H	B	60,362	09/12/10	5.11%
385		H	B	65,166	09/12/10	3.19%
386		H	B	65,166	09/12/10	3.19%
387		H	B	65,166	09/12/10	3.19%
388		H	B	55,765	09/12/10	3.19%
389		H	B	55,765	09/12/10	6.43%
390		H	B	65,166	09/12/10	3.19%
392		H	B	49,067	09/12/10	3.19%
394		H	B	55,765	09/12/10	3.19%
395		H	B	65,166	09/12/10	3.19%
397		H	B	58,552	09/12/10	3.19%
398		H	B	52,291	09/12/10	9.97%
399		H	B	65,166	09/12/10	3.19%
400		H	B	65,166	09/12/10	3.19%
401		H	B	65,166	09/12/10	3.19%
403		H	NB	41,607	01/01/09	0.00%
404		H	B	65,166	09/12/10	3.19%

Big Rivers Electric Corporation
Case No. 2011-00036
Bargaining/Non-Bargaining Classification

Empl	Added (A) or Terminated (T)	Salaried (S) or Hourly (H)	Bargaining / non-bargaining	Annual Wage Rate 10/31/10	Date of Last Increase	% Increase during Test Year
405		H	B	55,765	09/12/10	3.19%
406		H	B	55,765	09/12/10	3.19%
407		H	B	65,166	09/12/10	3.19%
409		H	B	65,166	09/12/10	3.19%
410		H	B	55,765	09/12/10	3.19%
411		H	B	55,765	09/12/10	3.19%
412		H	B	65,166	09/12/10	7.04%
414		H	B	65,166	09/12/10	3.19%
416		H	B	65,166	09/12/10	3.19%
418		H	B	65,166	09/12/10	3.19%
419		H	B	55,078	09/12/10	6.47%
420		H	NB	43,687	09/12/10	5.00%
421		H	B	48,402	09/12/10	10.02%
424		H	B	65,166	09/12/10	3.19%
425		H	B	49,067	09/12/10	3.19%
426		H	B	55,765	09/12/10	3.19%
427		H	B	62,837	09/12/10	7.43%
430		H	B	55,078	09/12/10	3.20%
431		H	B	55,078	09/12/10	3.20%
433		H	B	58,552	09/12/10	3.19%
435		H	B	58,552	09/12/10	3.19%
437		H	B	65,166	09/12/10	3.19%
438		H	B	65,166	09/12/10	3.19%
439		H	B	65,166	09/12/10	3.19%
440		H	B	65,166	09/12/10	3.19%
441		H	B	65,166	09/12/10	3.19%
442		H	NB	37,960	01/01/09	0.00%
444		H	B	65,166	09/12/10	3.19%
445		H	B	55,078	09/12/10	3.20%
446		H	B	65,166	09/12/10	3.19%
447		H	B	55,078	09/12/10	3.20%
448		H	B	49,067	09/12/10	3.19%
450		H	B	65,166	09/12/10	3.19%
451		H	B	55,765	09/12/10	3.19%
452		H	B	65,166	09/12/10	3.19%
453		H	B	55,765	09/12/10	3.19%
454		H	B	55,765	09/12/10	3.19%
455		H	B	55,765	09/12/10	3.19%
458		H	B	52,291	09/12/10	9.97%
459		H	B	55,765	09/12/10	3.19%
460		H	B	55,765	09/12/10	6.43%
461		H	B	65,166	09/12/10	3.19%
463		H	B	65,166	09/12/10	3.19%
464		H	B	55,765	09/12/10	3.19%
465	T 4/2/10	H	B	63,149	01/01/09	0.00%
466		H	NB	48,040	01/01/09	0.00%
467		H	B	64,958	01/01/09	0.00%
468		H	B	65,166	09/12/10	3.19%
470		H	NB	36,945	01/01/09	0.00%
471		H	B	65,166	09/12/10	3.19%
473		H	B	65,166	09/12/10	3.19%
474		H	B	65,166	09/12/10	3.19%
477		H	B	65,166	09/12/10	7.04%
478		H	B	52,291	09/12/10	9.97%
479		H	B	58,552	09/12/10	3.19%
480		H	B	65,166	09/12/10	3.19%
481		H	B	55,078	09/12/10	3.20%
486		H	B	55,078	09/12/10	3.20%
487		H	NB	36,945	01/01/09	0.00%
488		H	B	49,067	09/12/10	3.19%
489		H	B	49,067	09/12/10	3.19%
492		H	B	65,166	09/12/10	3.19%

Big Rivers Electric Corporation
Case No. 2011-00036
Bargaining/Non-Bargaining Classification

Empl	Added (A) or Terminated (T)	Salaried (S) or Hourly (H)	Bargaining / non-bargaining	Annual Wage Rate 10/31/10	Date of Last Increase	% Increase during Test Year
493		H	B	65,166	09/12/10	3.19%
495		H	B	55,765	09/12/10	3.19%
497		H	B	47,590	09/12/10	6.72%
498		H	B	65,166	09/12/10	3.19%
499		H	B	65,166	09/12/10	3.19%
500		H	B	58,552	09/12/10	3.19%
501	T 7/2/10	H	B	54,038	01/01/09	0.00%
502		H	B	55,078	09/12/10	3.20%
503		H	B	47,590	09/12/10	6.72%
504		H	B	65,166	09/12/10	3.19%
505		H	B	55,078	09/12/10	3.20%
506		H	B	65,166	09/12/10	7.04%
507		H	B	49,067	09/12/10	3.19%
510		H	B	55,765	09/12/10	3.19%
512		H	B	49,067	09/12/10	3.19%
513		H	B	55,765	09/12/10	3.19%
514		H	B	65,166	09/12/10	3.19%
515		H	B	65,166	09/12/10	3.19%
516		H	NB	52,291	09/12/10	9.97%
519		H	B	55,765	09/12/10	3.19%
520		H	B	65,166	09/12/10	3.19%
521		H	NB	36,945	01/01/09	0.00%
523		H	B	55,765	09/12/10	3.19%
524		H	B	65,166	09/12/10	3.19%
529		H	B	60,362	09/12/10	5.11%
530		H	B	59,259	09/12/10	11.03%
531		H	B	65,166	09/12/10	3.19%
532		H	B	65,166	09/12/10	3.19%
535		H	B	65,166	09/12/10	3.19%
536		H	B	53,394	09/12/10	-15.45%
538		H	B	65,166	09/12/10	3.19%
540		H	B	49,067	09/26/10	6.41%
541		H	B	47,590	09/12/10	6.72%
542		H	B	65,166	09/12/10	3.19%
543		H	NB	36,945	01/01/09	0.00%
544		H	B	65,166	09/12/10	3.19%
545		H	B	51,646	09/12/10	17.40%
547		H	B	51,646	09/12/10	10.11%
548		H	B	65,166	09/12/10	3.19%
549		H	B	65,166	09/12/10	3.19%
550		H	B	55,765	09/12/10	3.19%
552		H	NB	60,362	09/12/10	5.11%
553		H	NB	65,166	09/12/10	3.19%
554		H	B	65,166	09/12/10	3.19%
555		H	B	48,402	09/12/10	10.02%
556		H	B	59,259	09/12/10	11.03%
557		H	NB	48,440	01/01/09	0.00%
558		H	B	55,765	09/12/10	3.19%
559		H	B	55,765	09/12/10	3.19%
560		H	NB	42,990	01/01/09	0.00%
563		H	B	65,166	09/12/10	3.19%
564		H	B	55,765	09/12/10	3.19%
565		H	NB	26,713	01/01/09	0.00%
566		H	NB	39,254	08/08/10	24.62%
567		H	NB	33,417	07/27/10	6.09%
568		H	NB	33,417	07/27/10	6.09%
569		H	NB	39,753	01/01/09	0.00%
570		H	B	54,080	09/12/10	17.28%
573		H	B	55,765	09/12/10	3.19%
574		H	B	47,590	09/12/10	6.72%
575		H	B	65,166	09/12/10	3.19%
576		H	B	47,590	09/12/10	6.72%

Big Rivers Electric Corporation
Case No. 2011-00036
Bargaining/Non-Bargaining Classification

Empl	Added (A) or Terminated (T)	Salaried (S) or Hourly (H)	Bargaining / non-bargaining	Annual Wage Rate 10/31/10	Date of Last Increase	% Increase during Test Year
577		H	B	46,904	09/12/10	6.62%
578		H	B	47,590	09/26/10	6.72%
579		H	B	46,030	09/12/10	3.22%
580		H	NB	36,379	05/02/10	3.00%
582	A 11/2/09 T 3/17/10	H	B	52,395	none	0.00%
583	A 11/9/09	H	NB	35,884	05/09/10	3.00%
584	A 11/9/09	H	B	51,646	09/12/10	3.20%
585	A 11/16/09	H	NB	41,777	05/16/10	3.00%
586	A 11/16/09	H	B	51,646	09/12/10	3.20%
587	A 11/16/09	H	B	46,030	09/12/10	3.22%
588	A 11/23/09	H	B	51,646	09/12/10	3.20%
589	A 12/7/09	H	B	51,646	09/12/10	3.20%
590	A 12/8/09	H	B	51,646	09/12/10	3.20%
591	A 12/8/09	H	B	51,646	09/12/10	3.20%
592	A 1/25/10	H	NB	41,777	07/25/10	3.00%
593	A 3/1/10	H	B	51,646	09/12/10	3.20%
594	A 4/12/10	H	B	46,030	09/12/10	3.22%
595	A 4/12/10	H	B	51,646	09/12/10	3.20%
596	A 4/19/10	H	B	46,030	09/12/10	3.20%
597	A 5/3/10	H	B	46,030	09/12/10	3.20%
598	A 5/17/10	H	B	52,915	none	0.00%
599	A 5/24/10 T 10/26/10	H	B	45,406	09/12/10	3.20%
600	A 5/24/10	H	B	46,030	09/12/10	3.20%
601	A 5/27/10	H	B	46,030	09/12/10	3.20%
602	A 6/1/10	H	B	46,030	09/12/10	3.20%
603	A 6/2/10	H	B	46,030	09/12/10	3.20%
604	A 6/3/10	H	B	46,030	09/12/10	3.20%
605	A 6/4/10	H	B	46,030	09/12/10	3.20%
606	A 6/7/10	H	NB	28,496	none	0.00%
607	A 6/7/10	H	B	46,030	09/12/10	3.20%
608	A 6/8/10	H	B	46,030	09/12/10	3.20%
609	A 6/9/10	H	B	46,030	09/12/10	3.20%
610	A 6/10/10	H	B	46,030	09/12/10	3.20%
611	A 6/11/10	H	B	46,030	09/12/10	3.20%
612	A 6/14/10 T 8/2/10	H	B	44,595	none	0.00%
613	A 6/15/10	H	B	46,030	09/12/10	3.20%
614	A 6/17/10	H	B	46,030	09/12/10	3.20%
615	A 6/21/10	H	B	46,030	09/12/10	3.20%
616	A 6/24/10	H	B	46,030	09/12/10	3.20%
617	A 6/28/10	H	B	46,030	09/12/10	3.20%
621	A 8/16/10	H	B	46,030	09/12/10	3.20%
622	A 8/23/10	H	B	60,362	09/12/10	3.20%
623	A 8/30/10	H	B	51,646	09/12/10	3.20%
625	A 9/1/10	H	B	46,030	none	0.00%
627	A 9/7/10	H	B	44,595	09/12/10	3.20%
629	T 8/20/10	H	NB	39,753	none	0.00%

Big Rivers Electric Corporation
Case No. 2011-00036
Labor Increases Greater than 10% in Test Year

Empl	Salary Increase	Bargaining / Non-Bargaining	Explanation
11	10.30%	NB	Promoted on 8/22/10 resulting in entire 10.3% increase
78	11.66%	B	Received step increase (7.87%) on 5/23/10; contract increase (3.5%) 10/15/10
92	64.73%	NB	Promoted on 1/10/10, resulting in 60% raise; received qualification increase (3%) on 7/18/10
97	10.78%	NB	Received qualification increase 1/26/10 (3%); salary adjustment (7.55%) on 6/6/10
145	11.39%	NB	Received salary increase 1/17/10 (3%); 7/18/10 received salary increase (3%); 8/29/10 promoted (5%)
151	18.45%	NB	Received promotion 8/1/10 with increase of 18.45%
174	13.40%	B	Received promotion 5/9/10 (9.87% increase); received contract increase 9/12/10 (3.2%)
181	15.75%	NB	Received promotion 1/17/10 (11.58% increase); received salary increase 7/18/10 (3.734%)
212	11.03%	B	Received step increase (7.599%)4/11/10; received contract increase (3.18%) 9/12/10
217	11.70%	B	Received promotion 4/11/10 (8.23%) increase; contract increase (3.2%) 9/12/10
228	17.28%	B	Promoted 1/31/10 (13.62% increase); received contract increase (3.21%) 9/12/10
232	20.70%	NB	Promoted 1/3/10 (15% increase); received salary increase (3%) on 7/4/10
262	11.70%	B	Promoted 14/11/10 (8.2% increase); received contract increase (3.2%) 9/12/10
269	10.02%	B	Received salary increase 6.6% 2/14/10; received contract increase 3.19% 9/12/10
280	17.40%	B	Received step increase 2/14/10 (6.6%); received contract increase 9/12/10 (3.19%); received promotion 10/24/10 (6.7%)
312	11.70%	B	Promoted 8/29/10 (8.23%); received contract increase 9/12/10 (3.2%)
318	11.03%	B	Received step increase 7/4/10 (7.59%); received contract increase 9/12/10 (3.18%)
328	21.93%	NB	Promoted 8/15/10 (21.93% increase)
372	26.68%	NB	Promoted 9/12/10 (26.68% increase)
374	17.26%	B	Promoted 5/9/10 (13.62% increase); contract increase 9/12/10 (3.2%)
413	29.59%	NB	Salary increase 4/11/10 (3%); promoted 6/20/10 (25.817% increase)
421	10.02%	B	Salary increase 2/14/10 (6.6%); contract increase 9/12/10 (3.19%)
436	11.39%	NB	Salary increase 1/17/10 (3%); salary increase 7/18/10 (3%); promotion 8/29/10 (5%)
530	11.03%	B	Received step increase 1/17/10 (7.6%); contract increase 9/12/10 (3.18%)
537	22.73%	NB	Promotion 6/6/10 - 22.73% increase
545	17.40%	B	Promotion 1/17/10 (13.75%); contract increase 9/12/10 (3.2%)
547	10.11%	B	Promotion 4/11/10 (6.7%); contract increase 9/12/10 (3.2%)
555	10.02%	B	Step Increase 2/14/10 (6.6%); contract increase 9/12/10 (3.19%)
556	11.03%	B	Received step increase 6/6/10 (7.6%); Contract Increase 9/12/10 (3.18%)
566	24.62%	NB	Qualification increase 1/27/10 (3%); promotion 2/8/10 (17.465%); qualification increase 8/8/10 (3%)
570	17.28%	B	Promotion 4/11/10 (13.62%); contract increase 9/12/10 (3.21%)
571	29.45%	NB	Salary increase 1/17/10 (3%); promotion 8/15/10 (25.68%)

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to Commission Staff's Second Request for Information
dated April 1, 2011**

April 15, 2011

1 **Item 48)** *Refer to the response to Staff's First Request, Item 29, the schedule of*
2 *employee payroll taxes. Provide an explanation for the 5.4 percent credit for Federal*
3 *Unemployment Tax.*

4
5 **Response)** The 5.4 percent credit is the maximum credit an employer is entitled to receive
6 if it pays all State Unemployment Tax by the due date of the employer's Form 940 or if the
7 employer is not required to pay State Unemployment Tax during the calendar year due to its
8 state experience rate. The excerpt below is from the IRS Form 940 instructions, which
9 provides an explanation of how the 5.4 percent credit is applied in figuring the Federal
10 Unemployment Tax Act (FUTA) tax liability.

11
12 How Do You Figure Your FUTA Tax Liability for Each Quarter?

13
14 You owe a FUTA tax of 6.2% (.062) on the first \$7,000 of wages that you paid to each
15 employee during the calendar year. Most employers receive a maximum credit of up to
16 5.4% (.054) against this FUTA tax. Every quarter, you must figure how much of the
17 first \$7,000 of each employee's annual wages you paid during that quarter.

18
19 Figure your tax liability

20
21 Before you can figure the amount to deposit, figure your FUTA tax liability for the
22 quarter. To figure your tax liability, add the first \$7,000 of each employee's annual
23 wages you paid during the quarter, then multiply that amount by .008.

24
25 The .008 tax rate is based on your receiving the maximum credit against FUTA taxes.
26 You are entitled to the maximum credit if you paid all state unemployment tax by the

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to Commission Staff's Second Request for Information
dated April 1, 2011**

April 15, 2011

1 due date of your Form 940 or if you were not required to pay state unemployment tax
2 during the calendar year due to your state experience rate.

3

4

5 **Witness)** Mark A. Hite

6

7

8

9

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to Commission Staff's Second Request for Information
dated April 1, 2011**

April 15, 2011

1 **Item 49)** *Refer to the response to Staff's First Request, Item 30, the schedule of*
2 *employee benefits. Provide an explanation for the benefits included as "Other" in column*
3 *(f).*

4
5 **Response)** Having further analyzed the \$3,326,067 categorized as "Other", such amount
6 has been reclassified, as follows:

7

8	Total Wages and Salaries (Labor)	\$	1,189,282
9	Thrift and 401k		(124,263)
10	Dental Insurance		48,578
11	Life Insurance		0
12	Lon-Term Disability		0
13	Medical Insurance/FSA		963,303
14	Post-Retirement Medical		1,003,690
15	Payroll Taxes (FICA, FUTA, SUTA)		282,484
16	Retirement (DB, DC, NQ, RSL, 112)		(79,621)
17	Workers Compensation		42,614
18	Total Labor Overheads		2,136,785
19	Other	(\$	3,326,067)
20	Net	\$	0

21 Big Rivers has submitted a revised response to Item 30 of the Staff's First Request, reflecting
22 the above reclassification. Please note that the reclassification does not change the test year
23 statement of operations amount of labor and labor overheads of \$68,084,003, per Schedule
24 2.07.

25
26 **Witness)** Mark A. Hite

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to Commission Staff's Second Request for Information
dated April 1, 2011

April 15, 2011

1 **Item 50)** *Refer to the response to Staff's First Request, Item 51, which shows Big*
2 *Rivers' lobbying expenses as \$40,591 in account 426410. However, the response to Item 44*
3 *of Staff's First Request, page 8 of 8, shows account 426.410-Civic, Political and Related*
4 *Activities amount of \$13,094 being deducted from the test-year expenses. Explain why the*
5 *National Rural Electric Cooperative Association amount shown in the response to Item 51*
6 *should not also be deducted for ratemaking purposes.*

7
8 **Response)** Big Rivers agrees that the \$27,266 portion of \$153,084 National Rural Electric
9 Cooperative Association membership dues, designated on the invoice as the estimated
10 lobbying expenses in accordance with IRC Section 162(2)(3) and 6033(e)(1), should be
11 deducted for rate-making purposes. See the test year lobbying reconciliation below:

12	Schedule 2.23	13,094
13	Schedule 2.07	1,227
14	Per Application	<u>14,321</u>
15		(3,574) (Per Staff's
16	McBrayer	First Request, Item
17		50)
18	Misc. Expenses	231
19	Additonal Labor - John	
20	Talbert (\$1,476 - \$1,227)	249
21	NRECA	<u>27,266</u>
22		<u>24,172</u>
23	Revised Total	<u><u>38,493</u></u>
24		

25 Accordingly, based on the response to Staff's First Request, Item 51, and consistent with the
26 table above, an additional \$24,172 should be deducted from the test year.

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to Commission Staff's Second Request for Information
dated April 1, 2011**

April 15, 2011

1
2
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7

Witnesses) Albert M. Yockey and Mark A. Hite

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to Commission Staff's Second Request for Information
dated April 1, 2011

April 15, 2011

1 **Item 51)** *Refer to the attachment to the response to Item 54 of Staff's First Request,*
2 *page 9 of 216. Explain what is represented by the rates in the column "Expense Mo. Rate."*
3
4 **Response)** The "Expense Mo. Rate" represents the Non-FAC Purchased Power Adjustment
5 Factors calculated pursuant to Appendix A of the Smelter Agreements, copy attached. Please
6 see the attached monthly calculation of the Non-FAC Purchased Power Adjustment Factor for
7 each of the 13 months shown therein.

8
9
10 **Witness)** Mark A. Hite

11
12
13
14

APPENDIX A
Non-FAC Purchased Power Adjustment Factor

- A. Base Monthly Energy Sales to the smelters are subject to a Non-FAC Purchased Power Adjustment (PPA) to recover purchased power costs that the smelters have agreed to pay and are not otherwise included in Big Rivers' Fuel Adjustment Clause (FAC).
- B. Definitions

Definitions have the meanings given to them in the Agreement except as provided below:

"Account" is the specified numbered account as set forth in the Uniform System of Accounts – Electric, promulgated under Bulletin 1767B-1 by the Rural Utilities Service, an agency of the U.S. Department of Agriculture.

"SEPA" is the Southeastern Power Administration, an agency of the U.S. Department of Energy, or any successor agency.

"Wholesale Smelter Agreements" are the Alcan Wholesale Agreement and the Century Wholesale Agreement.

C. Determination of the PPA

- (1) The monthly amount computed for all wholesale sales to which this PPA is applicable shall be increased or decreased at a rate per kWh in accordance with the following formula:

$$PPA = PP(m)/S(m) - PP(b)/S(b)$$

Where PPA is the PPA Factor for the month; PP(m) is the current Purchased Power Cost for the month; S(m) is the current applicable sales; PP(b) is the Purchased Power Cost for the base period; and S(b) is the sales in the base period. For the initial base period, PP(b)/S(b) (the "Purchased Power Base") is \$0.00175.

- (2) Purchased Power Costs (PP) shall be the sum of:
- (a) The total cost of power purchased (including purchases from SEPA) that is expensed by Big Rivers to Account 555 (excluding those costs that are recovered through Big Rivers' FAC and excluding costs expensed to Account Nos. 555.150, 555.151, and 555.152 regarding Big Rivers' cost share of HMP&L's Station Two) including transmission and related costs that are expensed to Account 565;
- (b) The total amount of any adjustments to Purchased Power Costs attributable to prior months, whether positive or negative; and

- (c) The total cost of amounts credited by Big Rivers to Kenergy with respect to voluntary curtailments under Section 4.13.2 of either Smelter Wholesale Agreement to allow Big Rivers to avoid market priced purchases of power.

Less:

- (c) The total cost of power purchased directly associated with sales (including related system energy losses) by Big Rivers either to non-Member purchasers of power or to Kenergy under either Wholesale Smelter Agreement for resale to either Smelter as energy products other than Base Monthly Energy, assuming SEPA power followed by the lowest cost power, whether generated or purchased, shall be allocated to Applicable Sales.
- (3) Applicable Sales (S) shall be all kilowatt-hours sold at wholesale by Big Rivers (a) to its Members under all electric rate schedules, including the Large Industrial Rate, for resale to Kentucky ratepayers (other than the Smelters), and (b) to Kenergy as Base Monthly Energy as defined in each of the Wholesale Smelter Agreements.
- (4) The current month (m) shall be the second month preceding the month in which the PPA Factor is billed.

Big Rivers Electric Corporation
Non-FAC Purchased Power Adjustment (PPA) Factor
Expense Month – October 2009
Appendix A

		Post-Close			
		KWH	\$	\$/KWH	\$/MWH
(1) PPA = PP(m)/S(m) – PP(b)/S(b)					
	PP(m)		1,568,362.03		
	S(m)	849,331,764			
	PP(m)/S(m)			0.001847	
	PP(b)/S(b)			0.001750	
	Non-FAC Purchased Power Adjustment (PPA) Factor			0.000097	
(2) Purchased Power Costs (PP):					
Sum of:					
(a)	Total Cost of Power Purchased:				
555.110	SEPA	37,114,000	731,171.45		19.70
555.193	Domtar -- Green Power Purchases	0	0.00		
555.188	Domtar Cogeneration Purchases -- Backup & Repl.	15,345,000	509,417.90		33.20
555.188	Domtar Cogeneration Reservation Fee		89,900.00		
555.191	Alcan Surplus Sales -- Purchased	11,997,000	356,581.58		29.72
Various	ACES -- Purchases	63,305,000	1,960,788.09		30.97
Various	Automatic Reserve Sharing -- ARS Purchases	130,000	13,556.64		104.28
	Account 565 Transmission and related costs				
	Less: Purchased power costs recover through FAC		<u>3,637,728.00</u>		
(b)			23,687.66		
	Adjustments to Purchased Power Costs:				
	Prior months adjustments (whether positive or negative)			0.00	
(c)	Total Cost of Amounts Credited for Voluntary Curtailments:				
	Section 4.13.2 of Smelter Wholesale Agreements:				
	Century	45,509,000	1,544,674.37		33.94
	Alcan		<u>0.00</u>		
			1,544,674.37		
Less:	Sum of (a), (b) and (c)		1,568,362.03		
(d)	Purchased power associated with sales to non-Members and sales to Smelters other than Base Monthly Energy. (assumes SEPA power followed by the lowest cost power, whether generated or purchased)				
	Sales to non-Members	0	0.00		
	Sales to Smelters (other than Base Monthly Energy)	0	<u>0.00</u>		
			0.00		
	Sum of (a), (b) and (c) Less (d)		1,568,362.03		
(3) Applicable Sales (S):					
	(a) KWH sold to Members under rate schedules	242,591,568			
	(b) Base Monthly Energy sold to Smelters	590,149,662			
	(c) Domtar Cogen sales	<u>16,590,534</u>			
		849,331,764			

Big Rivers Electric Corporation
Non-FAC Purchased Power Adjustment (PPA) Factor
Expense Month – November 2009
Appendix A

		Post-Close			
		KWH	\$	\$/KWH	\$/MWH
(1) PPA = PP(m)/S(m) - PP(b)/S(b)					
	PP(m)		857,210.39		
	S(m)	823,074,275			
	PP(m)/S(m)			0.001041	
	PP(b)/S(b)			0.001750	
	Non-FAC Purchased Power Adjustment (PPA) Factor			(0.000709)	
(2) Purchased Power Costs (PP):					
Sum of:					
(a)	Total Cost of Power Purchased:				
555.110	SEPA	27,265,000	606,384.62		22.24
555.193	Domtar -- Green Power Purchases	0	0.00		
555.188	Domtar Cogeneration Purchases -- Backup & Repl.	11,681,000	358,314.25		30.67
555.188	Domtar Cogeneration Reservation Fee		89,900.00		
555.191	Alcan Surplus Sales -- Purchased	10,760,000	345,352.08		32.10
Various	ACES -- Purchases	86,906,000	2,726,973.05		31.38
Various	Automatic Reserve Sharing -- ARS Purchases	501,000	51,865.68		103.52
	Account 565 Transmission and related costs				
	Less: Purchased power costs recover through FAC		<u>4,546,481.00</u>		
(b)			(367,691.32)		
	Adjustments to Purchased Power Costs:				
	Prior months adjustments (whether positive or negative)		0.00		
(c)	Total Cost of Amounts Credited for Voluntary Curtailments:				
	Section 4.13.2 of Smelter Wholesale Agreements:				
	Century	38,083,000	1,224,901.71		32.16
	Alcan		<u>0.00</u>		
			1,224,901.71		
Less:	Sum of (a), (b) and (c)		857,210.39		
(d)	Purchased power associated with sales to non-Members and sales to Smelters other than Base Monthly Energy: (assumes SEPA power followed by the lowest cost power, whether generated or purchased)				
	Sales to non-Members	0	0.00		
	Sales to Smelters (other than Base Monthly Energy)	0	<u>0.00</u>		
			0.00		
	Sum of (a), (b) and (c) Less (d)		857,210.39		
(3) Applicable Sales (S):					
	(a) KWH sold to Members under rate schedules	243,700,462			
	(b) Base Monthly Energy sold to Smelters	567,198,440			
	(c) Domtar Cogen sales	<u>12,175,373</u>			
		823,074,275			

Big Rivers Electric Corporation
 Non-FAC Purchased Power Adjustment (PPA) Factor
 Expense Month – December 2009
 Appendix A

		Post-Close			
		KWH	\$	\$/KWH	\$/MWH
(1) PPA = PP(m)/S(m) – PP(b)/S(b)					
	PP(m)		32,675.31		
	S(m)	915,375,535			
	PP(m)/S(m)			0.000036	
	PP(b)/S(b)			0.001750	
	Non-FAC Purchased Power Adjustment (PPA) Factor			(0.001714)	
(2) Purchased Power Costs (PP):					
Sum of:					
(a)	Total Cost of Power Purchased:				
555.110	SEPA	53,350,000	936,881.57		17.56
555.193	Domtar -- Green Power Purchases	0	0.00		
555.188	Domtar Cogeneration Purchases -- Backup & Repl.	1,472,000	68,467.10		46.51
555.188	Domtar Cogeneration Reservation Fee		89,900.00		
555.191	Alcan Surplus Sales -- Purchased	2,353,000	81,287.24		34.55
Various	ACES -- Purchases	34,526,000	1,571,614.32		45.52
Various	Automatic Reserve Sharing -- ARS Purchases	757,000	77,959.86		102.99
	Account 565 Transmission and related costs				
	Less: Purchased power costs recover through FAC		<u>1,833,544.00</u>		
(b)			992,566.09		
Adjustments to Purchased Power Costs:					
	Prior months adjustments (whether positive or negative) - See Note 1		(1,345,181.89)		
(c)	Total Cost of Amounts Credited for Voluntary Curtailments:				
	Section 4.13.2 of Smelter Wholesale Agreements:				
	Century	10,204,000	397,391.91		38.94
	Alcan		<u>0.00</u>		
			397,391.91		
	Sum of (a), (b) and (c)		44,776.11		
Less:	(d)				
	Purchased power associated with sales to non-Members and sales to Smelters other than Base Monthly Energy: (assumes SEPA power followed by the lowest cost power, whether generated or purchased)				
	Sales to non-Members	0	12,100.80		
	Sales to Smelters (other than Base Monthly Energy)	0	<u>0.00</u>		
			12,100.80		
	Sum of (a), (b) and (c) Less (d)		32,675.31		
(3) Applicable Sales (S):					
	(a) KWH sold to Members under rate schedules	312,046,922			
	(b) Base Monthly Energy sold to Smelters	600,476,386			
	(c) Domtar Cogen sales	<u>2,852,227</u>			
		915,375,535			

Note 1: Big Rivers filed Fuel Adjustment Clause revisions for the months July 2009 through October 2009 on December 21, 2009. The prior period adjustment of \$1,308,783.66 is reflective of the January 11, 2010, Commission staff's consent and adjusted per the December 21, 2009, cover letter.

In addition, purchased power associated with sales to non-Members were not deducted from the prior Non-FAC PPA in part (d). Purchased power costs associated with non-member sales for October and November 2009 in the amounts of \$9,844.04 and \$26,554.19, respectively, were not previously deducted and are reflected here as prior period adjustments.

Big Rivers Electric Corporation
 Non-FAC Purchased Power Adjustment (PPA) Factor
 Expense Month – January 2010
 Appendix A

		Post-Close			
		KWH	\$	\$/KWH	\$/MWH
(1) PPA = PP(m)/S(m) – PP(b)/S(b)					
	PP(m)		1,269,342.70		
	S(m)	955,577,721			
	PP(m)/S(m)			0.001328	
	PP(b)/S(b)			0.001750	
	Non-FAC Purchased Power Adjustment (PPA) Factor			(0.000422)	
(2) Purchased Power Costs (PP):					
Sum of:					
(a)	Total Cost of Power Purchased:				
555.110	SEPA	41,848,000	791,151.23		18.91
555.193	Domtar -- Green Power Purchases	0	0.00		
555.188	Domtar Cogeneration Purchases -- Backup & Repl	7,310,000	299,757.35		41.01
555.188	Domtar Cogeneration Reservation Fee		89,900.00		
555.191	Alcan Surplus Sales -- Purchased	570,000	19,848.99		34.82
555.137	LG&E/KU	183,000	9,653.25		52.75
Various	ACES -- Purchases	19,109,000	1,019,415.52		53.35
Various	Automatic Reserve Sharing -- ARS Purchases	404,000	34,280.35		84.85
	Account 565 Transmission and related costs				
	Less: Purchased power costs recover through FAC		820,743.00		
(b)			1,443,263.69		
Adjustments to Purchased Power Costs:					
(c)	Prior months adjustments (whether positive or negative) - Note 1				
			(70,373.17)		
Total Cost of Amounts Credited for Voluntary Curtailments:					
Section 4.13.2 of Smelter Wholesale Agreements:					
	Century	2,727,000	95,054.13		34.86
	Alcan		0.00		
			95,054.13		
	Sum of (a), (b) and (c)		1,467,944.65		
Less:					
(d)	Purchased power associated with sales to non-Members and sales to Smelters other than Base Monthly Energy: (assumes SEPA power followed by the lowest cost power, whether generated or purchased)				
	Sales to non-Members	0	198,601.95		
	Sales to Smelters (other than Base Monthly Energy)	0	0.00		
			198,601.95		
	Sum of (a), (b) and (c) Less (d)		1,269,342.70		
(3) Applicable Sales (S):					
	(a) KWH sold to Members under rate schedules	338,321,502			
	(b) Base Monthly Energy sold to Smelters	609,717,197			
	(c) Domtar Cogen sales	7,539,022			
		955,577,721			

Note 1: Purchased Power Costs associated with non-Member sales for October, November and December 2009 in the amounts of \$25,154.78, \$38,686.56 and \$6,531.83, respectively, were not previously deducted and are reflected here as prior period adjustments.

Big Rivers Electric Corporation
 Non-FAC Purchased Power Adjustment (PPA) Factor
 Expense Month – February 2010
 Appendix A

		Post-Close		
	KWH	\$	\$/KWH	\$/MWH
(1) PPA = PP(m)/S(m) – PP(b)/S(b)				
PP(m)		435,979.15		
S(m)	860,254,282			
PP(m)/S(m)			0.000507	
PP(b)/S(b)			0.001750	
Non-FAC Purchased Power Adjustment (PPA) Factor			(0.001243)	
(2) Purchased Power Costs (PP):				
Sum of:				
(a)	Total Cost of Power Purchased:			
555.110	SEPA	53,020,000	932,700.47	17.59
555.193	Domtar -- Green Power Purchases	0	0.00	
555.188	Domtar Cogeneration Purchases -- Backup & Repl.	0	0.00	
555.188	Domtar Cogeneration Reservation Fee		89,900.00	
555.191	Alcan Surplus Sales -- Purchased	0	0.00	
555.137	LG&E/KU	52,000	2,268.24	43.62
Various	ACES -- Purchases	6,057,000	260,096.41	42.94
Various	Automatic Reserve Sharing -- ARS Purchases	235,000	7,242.06	30.82
	Account 565 Transmission and related costs		799,671.00	
	Less: Purchased power costs recover through FAC		<u>492,536.18</u>	
(b)	Adjustments to Purchased Power Costs:			
	Prior months adjustments (whether positive or negative)			
(c)	Total Cost of Amounts Credited for Voluntary Curtailments:			
	Section 4.13.2 of Smelter Wholesale Agreements:			
	Century	0	0.00	
	Alcan		<u>0.00</u>	
			0.00	
	Sum of (a), (b) and (c)		492,536.18	
Less:	(d)			
	Purchased power associated with sales to non-Members and sales to Smelters other than Base Monthly Energy: (assumes SEPA power followed by the lowest cost power, whether generated or purchased)			
	Sales to non-Members	0	56,557.03	
	Sales to Smelters (other than Base Monthly Energy)	0	<u>0.00</u>	
			56,557.03	
	Sum of (a), (b) and (c) Less (d)		435,979.15	
(3) Applicable Sales (S):				
	(a) KWH sold to Members under rate schedules	295,984,259		
	(b) Base Monthly Energy sold to Smelters	564,247,305		
	(c) Domtar Cogen sales	<u>22,718</u>		
		860,254,282		

Big Rivers Electric Corporation
 Non-FAC Purchased Power Adjustment (PPA) Factor
 Expense Month – March 2010
 Appendix A

		Post-Close		
		KWH	\$	\$/KWH
(1) PPA = PP(m)/S(m) – PP(b)/S(b)				
PP(m)			434,795.60	
S(m)	872,673,993			
PP(m)/S(m)				0.000498
PP(b)/S(b)				0.001750
Non-FAC Purchased Power Adjustment (PPA) Factor				(0.001252)
(2) Purchased Power Costs (PP):				
Sum of:				
(a) Total Cost of Power Purchased:				
555.110 SEPA	34,718,000	700,814.13		20.19
555.193 Domtar -- Green Power Purchases	0	0.00		
555.188 Domtar Cogeneration Purchases -- Backup & Repl.	40,000	1,358.50		33.96
555.188 Domtar Cogeneration Reservation Fee		89,900.00		
555.191 Alcan Surplus Sales -- Purchased	0	0.00		
555.137 LG&E/KU	0	0.00		
Various ACES -- Purchases	9,783,000	372,582.28		38.08
555.250 MISO Reservation Fee		82,600.26		
Various Automatic Reserve Sharing -- ARS Purchases	302,000	14,876.61		49.26
Account 565 Transmission and related costs				
Less: Purchased power costs recover through FAC		763,456.00		
(b)			498,675.78	
Adjustments to Purchased Power Costs:				
Prior months adjustments (whether positive or negative)				
(c)				
Total Cost of Amounts Credited for Voluntary Curtailments:				
Section 4.13.2 of Smelter Wholesale Agreements:				
Century	0	0.00		
Alcan		0.00		
		0.00		
Sum of (a), (b) and (c)		498,675.78		
Less:				
(d)				
Purchased power associated with sales to non-Members and sales to Smelters other than Base Monthly Energy: (assumes SEPA power followed by the lowest cost power, whether generated or purchased)				
Sales to non-Members	0	63,880.18		
Sales to Smelters (other than Base Monthly Energy)	0	0.00		
		63,880.18		
Sum of (a), (b) and (c) Less (d)		434,795.60		
(3) Applicable Sales (S):				
(a) KWH sold to Members under rate schedules	257,576,469			
(b) Base Monthly Energy sold to Smelters	614,501,579			
(c) Domtar Cogen sales	595,945			
	872,673,993			

Big Rivers Electric Corporation
 Non-FAC Purchased Power Adjustment (PPA) Factor
 Expense Month – April 2010
 Appendix A

		Post-Close			
		KWH	\$	\$/KWH	\$/MWH
(1) PPA = PP(m)/S(m) – PP(b)/S(b)					
	PP(m)		880,946.69		
	S(m)	803,411,031			
	PP(m)/S(m)			0.001097	
	PP(b)/S(b)			0.001750	
	Non-FAC Purchased Power Adjustment (PPA) Factor			(0.000653)	
(2) Purchased Power Costs (PP):					
Sum of:					
(a)	Total Cost of Power Purchased:				
555.110	SEPA	22,115,000	541,134.12		24.47
555.193	Domtar -- Green Power Purchases	0	0.00		
555.188	Domtar Cogeneration Purchases -- Backup & Repl.	0	0.00		
555.188	Domtar Cogeneration Reservation Fee		89,900.00		
555.191	Alcan Surplus Sales -- Purchased	0	0.00		
555.137	LG&E/KU	0	0.00		
Various	ACES -- Purchases	25,234,000	958,621.35		37.99
555.250	MISO Reservation Fee		93,082.78		
Various	Automatic Reserve Sharing -- ARS Purchases	819,000	28,204.37		34.44
	Account 565 Transmission and related costs				
	Less: Purchased power costs recover through FAC		688,818.00		
(b)			1,022,124.62		
	Adjustments to Purchased Power Costs:				
(c)	Prior months adjustments (whether positive or negative)				
	Total Cost of Amounts Credited for Voluntary Curtailments:				
	Section 4.13.2 of Smelter Wholesale Agreements:				
	Century	0	0.00		
	Alcan		0.00		
			0.00		
Less:	Sum of (a), (b) and (c)		1,022,124.62		
(d)	Purchased power associated with sales to non-Members and sales to Smelters other than Base Monthly Energy: (assumes SEPA power followed by the lowest cost power, whether generated or purchased)				
	Sales to non-Members	0	141,177.93		
	Sales to Smelters (other than Base Monthly Energy)	0	0.00		
			141,177.93		
	Sum of (a), (b) and (c) Less (d)		880,946.69		
(3) Applicable Sales (S):					
	(a) KWH sold to Members under rate schedules	219,406,116			
	(b) Base Monthly Energy sold to Smelters	583,881,061			
	(c) Domtar Cogen sales	123,854			
		803,411,031			

Big Rivers Electric Corporation
 Non-FAC Purchased Power Adjustment (PPA) Factor
 Expense Month – May 2010
 Appendix A

		Post-Close			
		KWH	\$	\$/KWH	\$/MWH
(1) PPA = PP(m)/S(m) – PP(b)/S(b)					
	PP(m)		996,887.01		
	S(m)	852,213,743			
	PP(m)/S(m)			0.001170	
	PP(b)/S(b)			0.001750	
	Non-FAC Purchased Power Adjustment (PPA) Factor			(0.000580)	
(2) Purchased Power Costs (PP):					
Sum of:					
(a)	Total Cost of Power Purchased:				
555.110	SEPA	53,049,000	933,067.90		17.59
555.193	Domtar -- Green Power Purchases	0	0.00		
555.188	Domtar Cogeneration Purchases -- Backup & Repl	1,694,000	73,226.30		43.23
555.188	Domtar Cogeneration Reservation Fee		89,900.00		
555.191	Alcan Surplus Sales -- Purchased	0	0.00		
555.137	LG&E/KU	0	0.00		
Various	ACES -- Purchases	36,050,000	1,723,819.15		47.82
555.250	MISO Reservation Fee		100,609.50		
Various	Automatic Reserve Sharing -- ARS Purchases	289,000	25,371.38		87.79
	Account 565 Transmission and related costs				
	Less: Purchased power costs recover through FAC		<u>1,894,839.00</u>		
			1,051,155.23		
(b)	Adjustments to Purchased Power Costs:				
	Prior months adjustments (whether positive or negative)				
(c)	Total Cost of Amounts Credited for Voluntary Curtailments:				
	Section 4.13.2 of Smelter Wholesale Agreements:				
	Century	0	0.00		
	Alcan		<u>0.00</u>		
			0.00		
	Sum of (a), (b) and (c)		1,051,155.23		
Less:	(d)				
	Purchased power associated with sales to non-Members and sales to Smelters other than Base Monthly Energy: (assumes SEPA power followed by the lowest cost power, whether generated or purchased)				
	Sales to non-Members	0	54,268.22		
	Sales to Smelters (other than Base Monthly Energy)	0	<u>0.00</u>		
			54,268.22		
	Sum of (a), (b) and (c) Less (d)		996,887.01		
(3) Applicable Sales (S):					
	(a) KWH sold to Members under rate schedules	250,174,048			
	(b) Base Monthly Energy sold to Smelters	599,856,531			
	(c) Domtar Cogen sales	<u>2,183,164</u>			
		852,213,743			

Big Rivers Electric Corporation
 Non-FAC Purchased Power Adjustment (PPA) Factor
 Expense Month – June 2010
 Appendix A

		Post-Close			
		KWH	\$	\$/KWH	\$/MWH
(1) PPA = PP(m)/S(m) – PP(b)/S(b)					
	PP(m)		782,757.73		
	S(m)	895,570,310			
	PP(m)/S(m)			0.000874	
	PP(b)/S(b)			0.001750	
	Non-FAC Purchased Power Adjustment (PPA) Factor			(0.000876)	
(2) Purchased Power Costs (PP):					
Sum of:					
(a)	Total Cost of Power Purchased:				
555.110	SEPA	18,900,000	500,400.07		26.48
555.193	Domtar -- Green Power Purchases	0	0.00		
555.188	Domtar Cogeneration Purchases -- Backup & Repl.	0	0.00		
555.188	Domtar Cogeneration Reservation Fee		89,900.00		
555.191	Alcan Surplus Sales -- Purchased	0	0.00		
555.137	LG&E/KU	0	0.00		
Various	ACES -- Purchases	21,066,000	1,073,726.90		50.97
555.250	MISO Reservation Fee		88,992.04		
Various	Automatic Reserve Sharing -- ARS Purchases	304,000	12,569.60		41.35
	Account 565 Transmission and related costs				
	Less: Purchased power costs recover through FAC		<u>845,684.00</u>		
			919,904.61		
(b)	Adjustments to Purchased Power Costs:				
	Prior months adjustments (whether positive or negative)				
(c)	Total Cost of Amounts Credited for Voluntary Curtailments:				
	Section 4.13.2 of Smelter Wholesale Agreements:				
	Century	0	0.00		
	Alcan		<u>0.00</u>		
			0.00		
	Sum of (a), (b) and (c)		919,904.61		
Less:	(d)				
	Purchased power associated with sales to non-Members and sales to Smelters other than Base Monthly Energy: (assumes SEPA power followed by the lowest cost power, whether generated or purchased)				
	Sales to non-Members	0	137,146.88		
	Sales to Smelters (other than Base Monthly Energy)	0	<u>0.00</u>		
			137,146.88		
	Sum of (a), (b) and (c) Less (d)		782,757.73		
(3) Applicable Sales (S):					
	(a) KWH sold to Members under rate schedules	311,177,807			
	(b) Base Monthly Energy sold to Smelters	584,256,971			
	(c) Domtar Cogen sales		<u>135,532</u>		
			895,570,310		

Big Rivers Electric Corporation
 Non-FAC Purchased Power Adjustment (PPA) Factor
 Expense Month – July 2010
 Appendix A

		Post-Close		
	KWH	\$	\$/KWH	\$/MWH
(1) PPA = PP(m)/S(m) – PP(b)/S(b)				
PP(m)		836,858.92		
S(m)	936,197,462			
PP(m)/S(m)			0.000894	
PP(b)/S(b)			0.001750	
Non-FAC Purchased Power Adjustment (PPA) Factor			(0.000856)	
(2) Purchased Power Costs (PP):				
Sum of:				
(a)	Total Cost of Power Purchased:			
555.110	SEPA	11,589,000	407,769.70	35.19
555.193	Domtar -- Green Power Purchases	0	0.00	
555.188	Domtar Cogeneration Purchases -- Backup & Repl.	0	0.00	
555.188	Domtar Cogeneration Reservation Fee		89,900.00	
555.191	Alcan Surplus Sales -- Purchased	0	0.00	
555.137	LG&E/KU	0	0.00	
Various	ACES -- Purchases	20,320,000	1,039,162.17	51.14
555.250	MISO Reservation Fee		72,190.35	
Various	Automatic Reserve Sharing -- ARS Purchases	453,000	18,529.25	40.90
	Account 565 Transmission and related costs			
	Less: Purchased power costs recovered through FAC		763,696.00	
			<u>863,855.47</u>	
(b)	Adjustments to Purchased Power Costs:			
	Prior months adjustments (whether positive or negative)			
(c)	Total Cost of Amounts Credited for Voluntary Curtailments:			
	Section 4.13.2 of Smelter Wholesale Agreements:			
	Century	0	0.00	
	Alcan		0.00	
			<u>0.00</u>	
	Sum of (a), (b) and (c)		863,855.47	
Less:	(d)			
	Purchased power associated with sales to non-Members and sales to Smelters other than Base Monthly Energy: (assumes SEPA power followed by the lowest cost power, whether generated or purchased)			
	Sales to non-Members	0	26,996.55	
	Sales to Smelters (other than Base Monthly Energy)	0	0.00	
			<u>26,996.55</u>	
	Sum of (a), (b) and (c) Less (d)		836,858.92	
(3) Applicable Sales (S):				
	(a) KWH sold to Members under rate schedules	330,146,343		
	(b) Base Monthly Energy sold to Smelters	605,986,537		
	(c) Domtar Cogen sales	64,582		
		<u>936,197,462</u>		

Big Rivers Electric Corporation
 Non-FAC Purchased Power Adjustment (PPA) Factor
 Expense Month – August 2010
 Appendix A

		Post-Close			
		KWH	\$	\$/KWH	\$/MWH
(1) PPA = PP(m)/S(m) – PP(b)/S(b)					
PP(m)			473,664.96		
S(m)	948,595,005				
PP(m)/S(m)				0.000499	
PP(b)/S(b)				0.001750	
Non-FAC Purchased Power Adjustment (PPA) Factor				(0.001251)	
(2) Purchased Power Costs (PP):					
Sum of:					
(a) Total Cost of Power Purchased:					
555.110 SEPA	15,431,000	456,447.84			29.58
555.193 Domtar -- Green Power Purchases	0	0.00			
555.188 Domtar Cogeneration Purchases -- Backup & Repl.	1,070,000	57,190.60			53.45
555.188 Domtar Cogeneration Reservation Fee		89,900.00			
555.191 Alcan Surplus Sales -- Purchased	0	0.00			
555.137 LG&E/KU	0	0.00			
Various ACES -- Purchases	2,936,000	195,533.53			66.60
555.250 MISO Reservation Fee		59,011.58			
Various Automatic Reserve Sharing -- ARS Purchases	125,000	9,475.41			75.80
Account 565 Transmission and related costs					
Less: Purchased power costs recovered through FAC			272,571.00		
			594,987.96		
(b) Adjustments to Purchased Power Costs:					
Prior months adjustments (whether positive or negative)					
(c) Total Cost of Amounts Credited for Voluntary Curtailments:					
Section 4.13.2 of Smelter Wholesale Agreements:					
Century	0	0.00			
Alcan		0.00			
			0.00		
Sum of (a), (b) and (c)			594,987.96		
Less:					
(d) Purchased power associated with sales to non-Members and sales to Smelters other than Base Monthly Energy: (assumes SEPA power followed by the lowest cost power, whether generated or purchased)					
Sales to non-Members	0	121,323.00			
Sales to Smelters (other than Base Monthly Energy)	0	0.00			
			121,323.00		
Sum of (a), (b) and (c) Less (d)			473,664.96		
(3) Applicable Sales (S):					
(a) KWH sold to Members under rate schedules	333,276,222				
(b) Base Monthly Energy sold to Smelters	613,471,606				
(c) Domtar Cogen sales	1,847,177				
	948,595,005				

Big Rivers Electric Corporation
 Non-FAC Purchased Power Adjustment (PPA) Factor
 Expense Month – September 2010
 Appendix A

		Post-Close		
	KWH	\$	\$/KWH	\$/MWH
(1) PPA = PP(m)/S(m) – PP(b)/S(b)				
PP(m)		503,903.75		
S(m)	838,888,879			
PP(m)/S(m)			0.000601	
PP(b)/S(b)			0.001750	
Non-FAC Purchased Power Adjustment (PPA) Factor			(0.001149)	
(2) Purchased Power Costs (PP):				
Sum of:				
(a)	Total Cost of Power Purchased:			
555.110	SEPA	13,291,000	429,334.04	32.30
555.193	Domtar -- Green Power Purchases	0	0.00	
555.188	Domtar Cogeneration Purchases -- Backup & Repl.	0	0.00	
555.188	Domtar Cogeneration Reservation Fee	0	89,900.00	
555.191	Alcan Surplus Sales -- Purchased	0	0.00	
555.137	LG&E/KU	0	0.00	
Various	ACES -- Purchases	9,334,000	382,064.87	40.93
555.250	MISO Reservation Fee		56,508.77	
Various	Automatic Reserve Sharing -- ARS Purchases	223,000	6,272.74	28.13
	Account 565 Transmission and related costs			
	Less: Purchased power costs recovered through FAC		<u>388,707.00</u>	
			575,373.42	
(b)	Adjustments to Purchased Power Costs:			
	Prior months adjustments (whether positive or negative)			
(c)	Total Cost of Amounts Credited for Voluntary Curtailments:			
	Section 4.13.2 of Smelter Wholesale Agreements:			
	Century	0	0.00	
	Alcan		<u>0.00</u>	
			0.00	
	Sum of (a), (b) and (c)		575,373.42	
Less:	(d)			
	Purchased power associated with sales to non-Members and sales to Smelters other than Base Monthly Energy: (assumes SEPA power followed by the lowest cost power, whether generated or purchased)			
	Sales to non-Members	0	71,469.67	
	Sales to Smelters (other than Base Monthly Energy)	0	<u>0.00</u>	
			71,469.67	
	Sum of (a), (b) and (c) Less (d)		503,903.75	
(3) Applicable Sales (S):				
	(a) KWH sold to Members under rate schedules	263,769,371		
	(b) Base Monthly Energy sold to Smelters	575,095,515		
	(c) Domtar Cogen sales	<u>23,993</u>		
		838,888,879		

Big Rivers Electric Corporation
Non-FAC Purchased Power Adjustment (PPA) Factor
Expense Month – October 2010
Appendix A

		Post-Close			
		KWH	\$	\$/KWH	\$/MWH
(1) PPA = PP(m)/S(m) – PP(b)/S(b)					
	PP(m)		1,122,128.38		
	S(m)	822,198,468			
	PP(m)/S(m)			0.001365	
	PP(b)/S(b)			0.001750	
	Non-FAC Purchased Power Adjustment (PPA) Factor			(0.000385)	
(2) Purchased Power Costs (PP):					
Sum of:					
(a)	Total Cost of Power Purchased.				
555.110	SEPA	7,275,000	353,111.32		48.54
555.193	Domtar -- Green Power Purchases	0	0.00		
555.188	Domtar Cogeneration Purchases -- Backup & Repl.	4,524,000	149,301.63		
555.188	Domtar Cogeneration Reservation Fee		89,900.00		
555.191	Alcan Surplus Sales -- Purchased	0	0.00		
555.137	LG&E/KU	0	0.00		
Various	ACES -- Purchases	36,260,000	1,231,678.50		33.97
555.250	MISO Reservation Fee		54,771.19		
Various	Automatic Reserve Sharing -- ARS Purchases	925,000	30,673.44		33.16
	Account 565 Transmission and related costs				
	Less: Purchased power costs recovered through FAC		<u>717,911.00</u>		
			1,191,525.08		
(b)	Adjustments to Purchased Power Costs:				
	Prior months adjustments (whether positive or negative)				
(c)	Total Cost of Amounts Credited for Voluntary Curtailments:				
	Section 4.13.2 of Smelter Wholesale Agreements:				
	Century	0	0.00		
	Alcan		<u>0.00</u>		
			0.00		
	Sum of (a), (b) and (c)		1,191,525.08		
Less:					
(d)	Purchased power associated with sales to non-Members and sales to Smelters other than Base Monthly Energy: (assumes SEPA power followed by the lowest cost power, whether generated or purchased)				
	Sales to non-Members	0	69,396.70		
	Sales to Smelters (other than Base Monthly Energy)	0	<u>0.00</u>		
			69,396.70		
	Sum of (a), (b) and (c) Less (d)		1,122,128.38		
(3) Applicable Sales (S):					
	(a) KWH sold to Members under rate schedules	222,455,453			
	(b) Base Monthly Energy sold to Smelters	594,632,232			
	(c) Domtar Cogen sales	<u>5,110,783</u>			
		822,198,468			

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036**

**Response to the Commission Staff's Second Request for Information
dated April 1, 2011**

April 15, 2011

1 **Item 52)** *Refer to the response to Item 57.b. of Staff's First Request, which shows the*
2 *costs of Big Rivers' CFL distribution program during 2008, 2009, and 2010. Explain*
3 *whether the costs for the program are being recovered through base rates, or if Big Rivers*
4 *plans to recover these costs through base rates.*

5

6 **Response)** The costs of the CFL distribution program were not included in Big Rivers'
7 revenue requirement when its base rates were last revised, because the program had not yet
8 been initiated at that time. Therefore, the current base rates were not designed to recover these
9 costs. The costs for the Big Rivers' CFL distribution program for the test period are included in
10 the revenue requirement in this proceeding, and thus Big Rivers does propose to recover the
11 test year level of these costs through its base rates. This is in addition to the proposed \$1
12 million that Big Rivers commits that it will spend annually on the Energy Efficiency and DSM
13 programs as proposed in the 2010 Integrated Resource Plan, and/or any subsequent program
14 filings, to create and promote incentives for a number of consumer energy efficiency measures,
15 contingent upon the acceptance of the pro forma adjustment described in Reference Schedule
16 2.26 of Exhibit Wolfram-2.

17

18

19 **Witness)** C. William Blackburn

20

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