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April 29, 2011

Via Federal Express

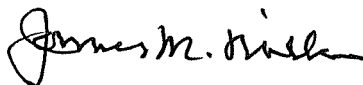
Jeff DeRouen
Executive Director
Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: In the Matter of: Notice and Application of Big Rivers
Electric Corporation for a General Adjustment in Rates,
PSC Case No. 2011-00036

Dear Mr. DeRouen:

Enclosed for filing in the above referenced matter are an original and ten copies of Big Rivers Electric Corporation's ("Big Rivers") First Supplemental Responses to its responses to the Attorney General's First Request of Information dated March 30, 2011, Items 65(c) and 112. I certify that a copy of this letter and the attachments to it have been served on each party of record.

Sincerely yours,



James M. Miller

JMM/ej
Enclosures

cc: Service List

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PSC CASE NO. 2011-00036

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BIG RIVERS ELECTRIC CORPORATION

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

**First Supplemental Response to the Office of the Attorney General's Initial Request for
Information dated March 30, 2011**

April 29, 2011

1 **Item 65)** *With regard to all capital and expense accounts included in the filing, please*
2 *provide:*

3

4 *a. A monthly breakdown of the expense by capital project and/or expense*
5 *account included in the years 2007 to 2010.*

6 *b. A comparison of actual vs. budgeted expenditures in the years 2007 to*
7 *2010.*

8 *c. A detailed explanation of the causes of any increases in expense levels*
9 *from 2005 to 2006; 2006 to 2007; 2007 to 2008; 2008 to 2009; and 2009 to*
10 *2010 and why any and all such increases were necessary and reasonable.*

11 *d. A summary description of each of the capital projects identified and the*
12 *benefit to be derived by ratepayers.*

13 *e. Please provide the costs by project for the years 2007 to 2010.*
14

15 **Response)**

16 a. There is no change to the response previously filed on April 15, 2011.

17 b. There is no change to the response previously filed on April 15, 2011.

18 c. Big Rivers objects to the request to the extent that it seeks information
19 concerning increases in expense levels for periods prior to the closing of the
20 Unwind Transaction, on the ground that information concerning Big Rivers'
21 pre-Unwind operations is neither substantially nor materially relevant to the
22 issues presented in Big Rivers' 2011 Rate Case. Without waiving this
23 objection, Big Rivers states that capital/project expenditures cannot be
24 compared from year to year in any meaningful way because the number,
25 type and scope of the projects change from year to year. Even for the period

Case No. 2011-00036

First Supplemental Response to Item AG 1-65

Witnesses: Mark A. Hite, Robert W. Berry, David G. Crockett and Counsel

Page 1 of 2

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

**First Supplemental Response to the Office of the Attorney General's Initial Request for
Information dated March 30, 2011**

April 29, 2011

1 following the closing of the Unwind Transaction, the principal reason for
2 most account balance variances is simply the ebb and flow of expenditures
3 in the ordinary course of business of the utility, which is affected by the
4 timing of expenditures, generation plant outages and such. However, in a
5 broader sense, certain causes for increasing expenses are known and
6 relevant. These are summarized in the pro forma adjustments proposed by
7 Big Rivers in this proceeding as noted in the Revenue Requirements in
8 Exhibit Wolfram-2. These items include labor and labor-related costs
9 (Reference Schedule 2.07), depreciation expenses (Reference Schedule
10 2.06), costs related to the membership in the Midwest ISO (Reference
11 Schedule 2.14), IT-related costs (Reference Schedule 2.12), costs associated
12 with ACES Power Marketing (Reference Schedule 2.18), costs associated
13 with this rate case (Reference Schedule 2.13), costs for energy efficiency
14 programs (Reference Schedule 2.26), and others. These increases in
15 expenses (along with impacts to revenues, including the effect of declining
16 off-system sales margins) are described in the Direct Testimony of the Big
17 Rivers' witnesses Blackburn, Berry, Crockett, and Hite in this proceeding.

18 d. There is no change to the response previously filed on April 15, 2011.

19 e. There is no change to the response previously filed on April 15, 2011.

20
21
22 **Witnesses)** Mark A. Hite – Subparts a., b., and e.
23 Robert W. Berry, David G. Crockett, and Counsel – Subpart c.
24 Robert W. Berry and David G. Crockett – Subpart d.

BIG RIVERS ELECTRIC CORPORATION

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

**First Supplemental Response to the Office of the Attorney General's Initial Request for
Information dated March 30, 2011**

April 29, 2011

1 **Item 112)** *Please provide complete copies of all Board of Director's minutes and internal*
2 *management meeting minutes from 2006 – 2010, inclusive, in which any or all of the*
3 *following subjects were discussed: the Company's electric plant depreciation rates; retirement*
4 *unit costs; SFAS No. 143; FIN 47; and, FERC RM02-7-000.*

5
6 **Response)** Big Rivers objects to this request on the ground that the scope of the request,
7 covering the years 2007 to 2010, is overly-broad. Without waiver of this objection, however,
8 Big Rivers provides the attached Board of Directors' and management meeting minutes in which
9 depreciation rates are discussed.

10
11 Big Rivers has found no Board of Directors or management meeting minutes discussing SFAS
12 No. 143, FIN 47, and FERC RM02-7-000. Big Rivers notes that it is not FERC jurisdictional for
13 purposes of FERC RM02-7-000.

14
15
16
17 **Witness)** Mark A. Bailey and Counsel

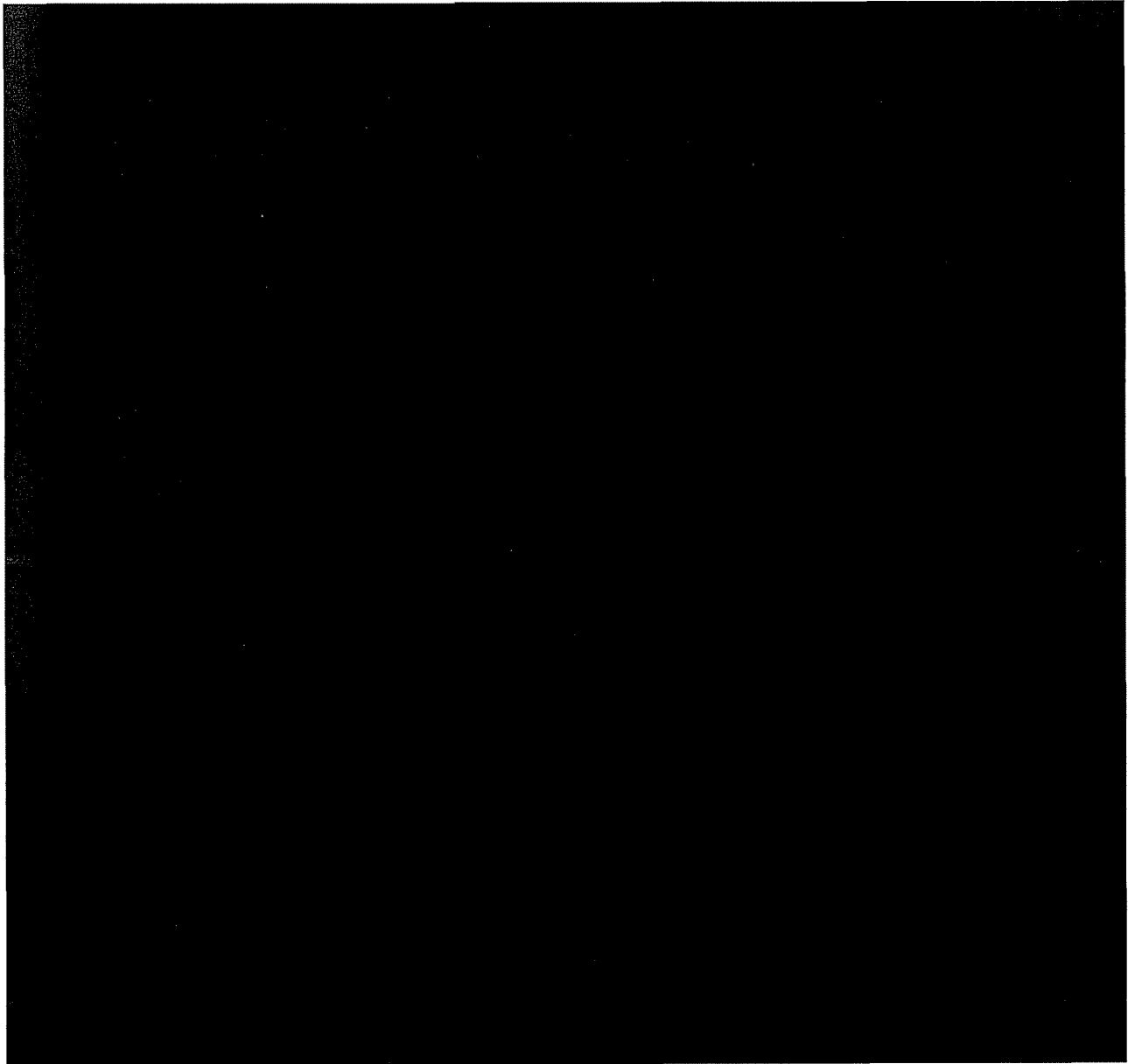
18

**BIG RIVERS ELECTRIC CORPORATION
CASE NO 2011-00036**

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**BIG RIVERS ELECTRIC CORPORATION
REGULAR BOARD OF DIRECTORS MEETING
MAY 21, 2010**

The regular meeting of the Board of Directors of Big Rivers Electric Corporation was called to order at 8 a.m., CDT, on Friday, May 21, 2010, at 201 Third Street, Henderson, Kentucky 42420.



**BIG RIVERS ELECTRIC CORPORATION
CASE NO 2011-00036**

Mr. Bailey informed the Board of the need for Big Rivers to conduct depreciation and cost of service studies in preparation for filing in June 2011 for a potential rate increase, which were not budgeted. The smelters have requested that they want sufficient input with the consultant(s) conducting the studies.



Lee Bearden
Secretary Treasurer

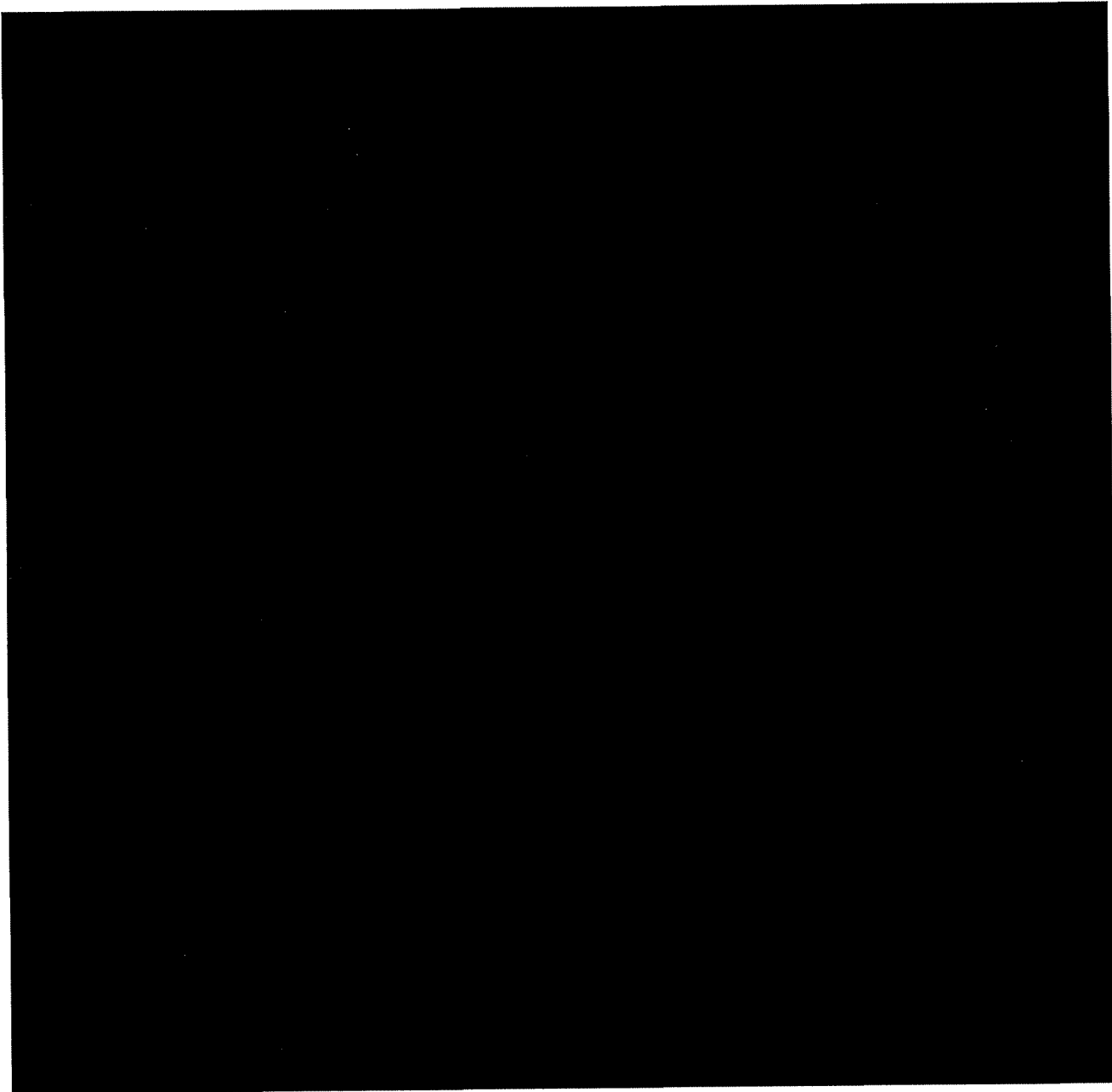
APPROVED:
W. A. Chant
Chair

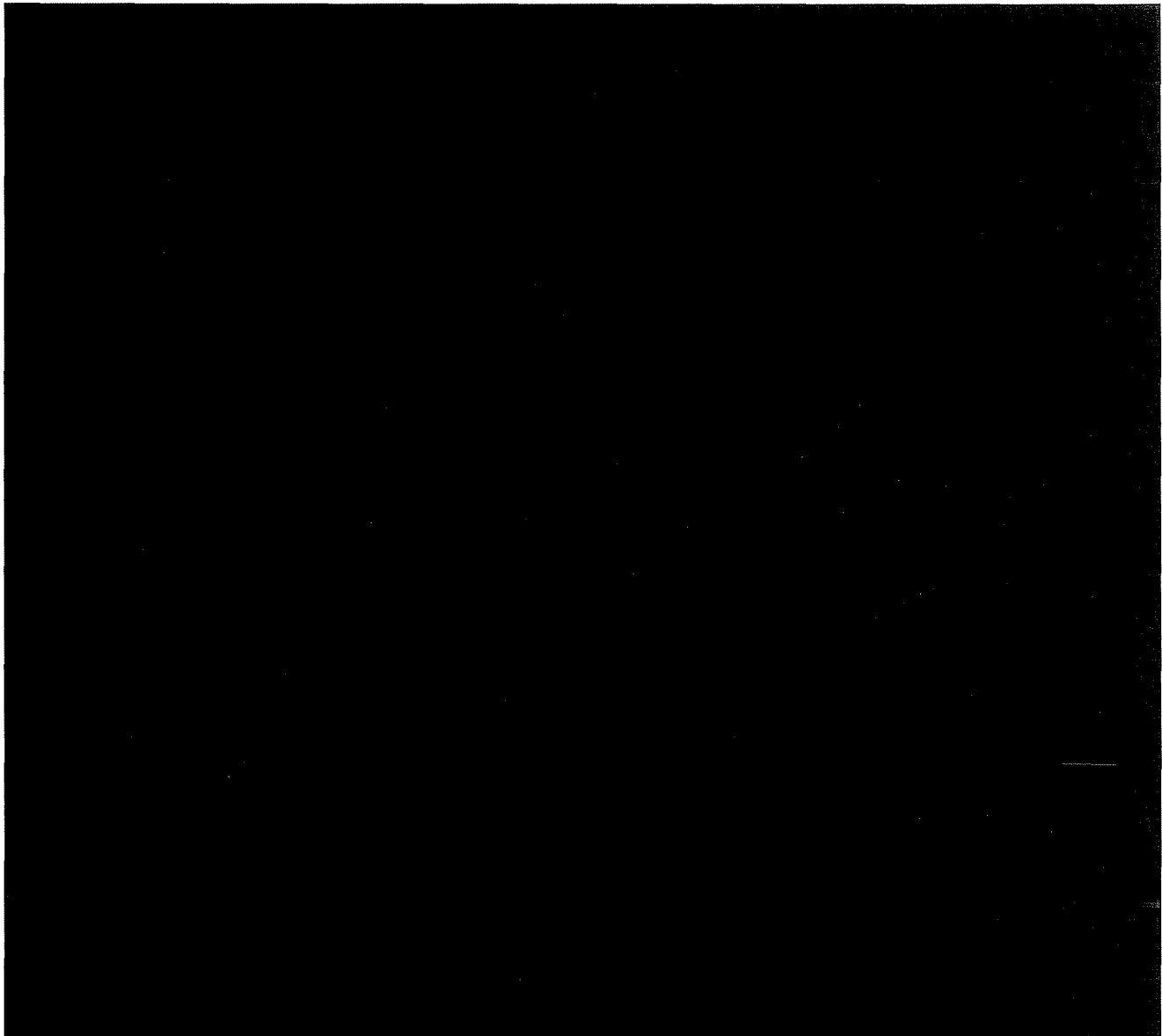
**BIG RIVERS ELECTRIC CORPORATION
CASE NO 2011-00036**

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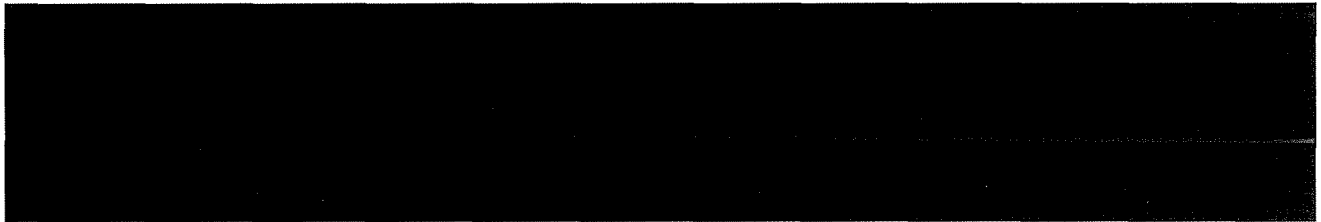
**BIG RIVERS ELECTRIC CORPORATION
REGULAR BOARD OF DIRECTORS MEETING
NOVEMBER 19, 2010**

The regular meeting of the board of directors of Big Rivers Electric Corporation was called to order at 8:05 a.m., CST, on Friday, November 19, 2010, at 201 Third Street, Henderson, Kentucky 42420.





Mr. Hite reported on the work being done on the anticipated 2011 rate case, including the cost of service study and depreciation study. [REDACTED]

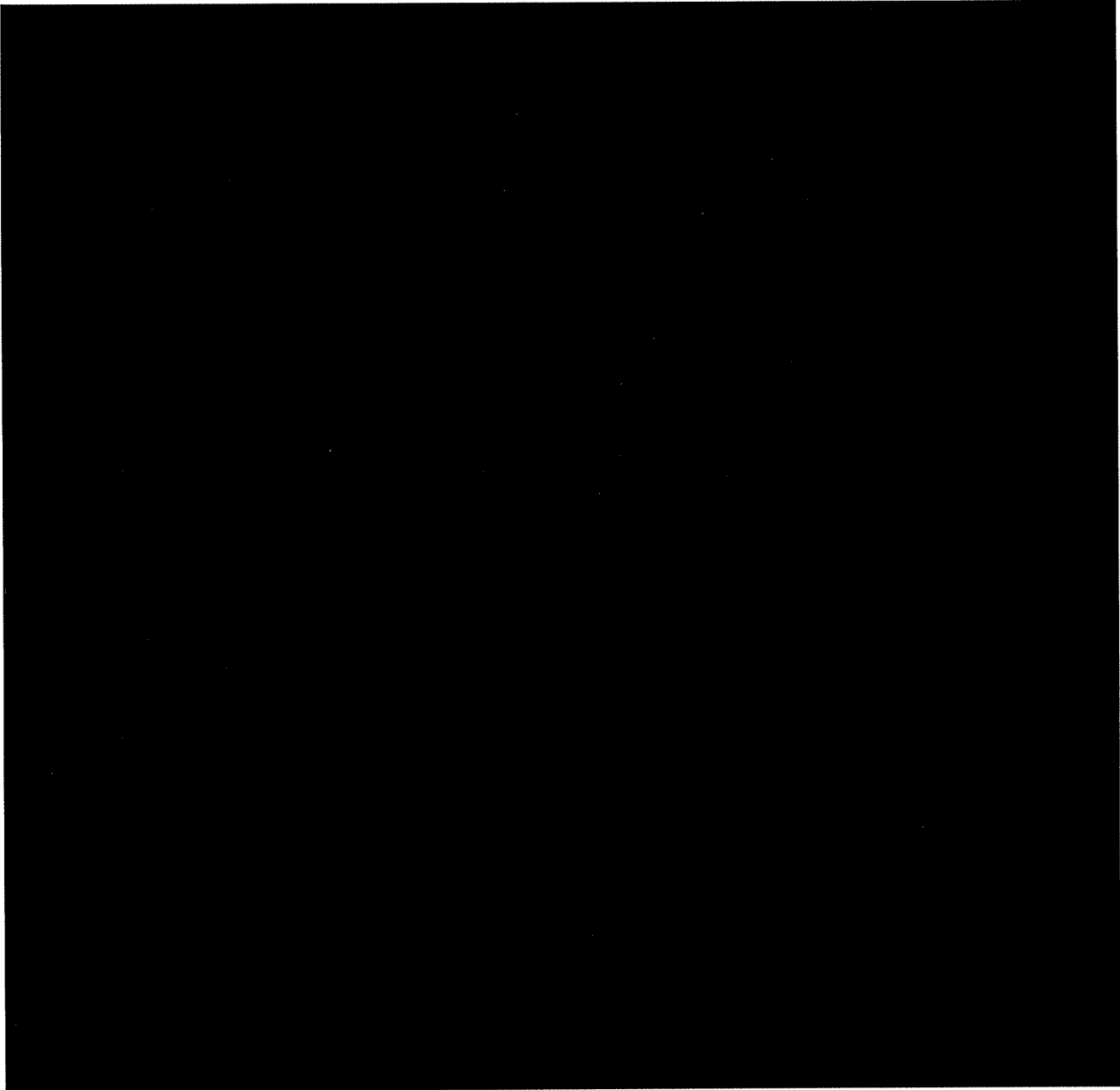


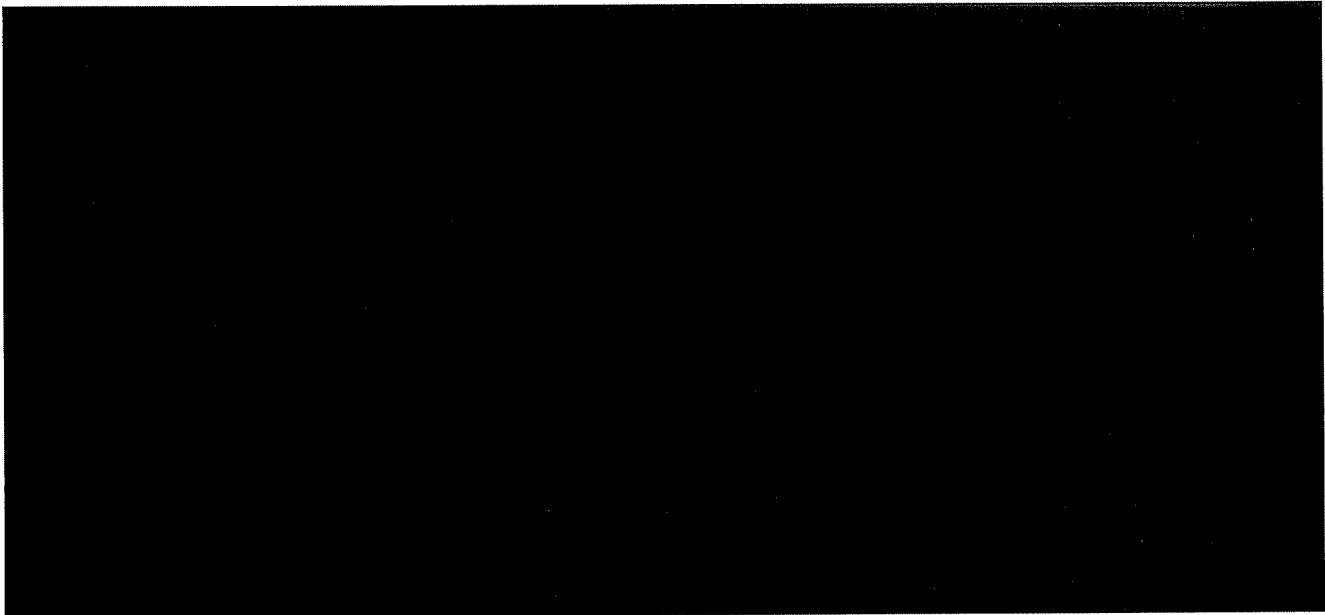
**BIG RIVERS ELECTRIC CORPORATION
CASE NO 2011-00036**

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**BIG RIVERS ELECTRIC CORPORATION
REGULAR BOARD OF DIRECTORS MEETING
DECEMBER 17, 2010**

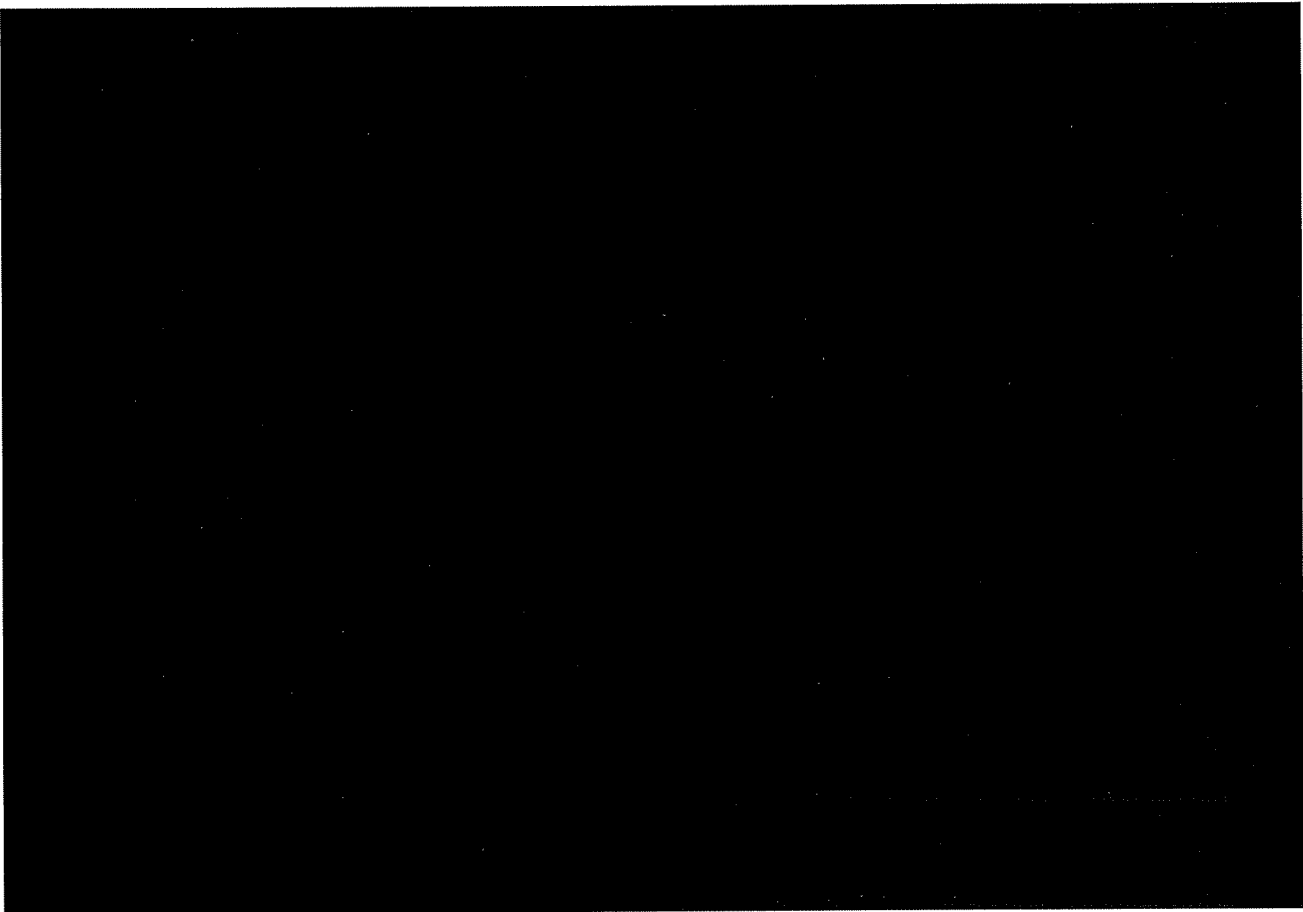
The regular meeting of the board of directors of Big Rivers Electric Corporation was called to order at 8 a.m., CST, on Friday, December 17, 2010, at 201 Third Street, Henderson, Kentucky 42420.





Mark Hite [redacted]

[redacted] reported on the depreciation study issues.



**BIG RIVERS ELECTRIC CORPORATION
CASE NO 2011-00036**

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**BIG RIVERS ELECTRIC CORPORATION
REGULAR BOARD OF DIRECTORS MEETING
JANUARY 21, 2011**

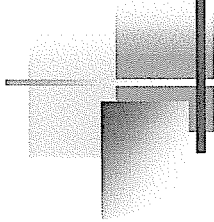
The regular meeting of the board of directors of Big Rivers Electric Corporation was called to order at 8 a.m., CST, on Friday, January 21, 2011, at 201 Third Street, Henderson, Kentucky 42420.



Mark Hite

summarized the 2010 Depreciation Study results at the board work session on Thursday night. He also presented an update on the rate case. Director Elliott moved that the 2010 Depreciation Study be approved and that management be authorized to seek regulatory approvals as deemed necessary. The motion was seconded and unanimously adopted.

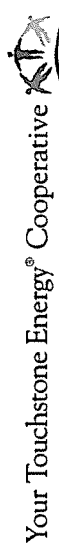
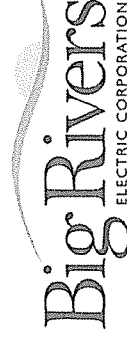


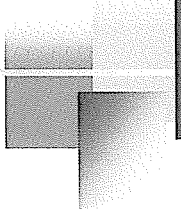


2010 Depreciation Study Numerical (Executive) Summary

January 20, 2011

Case No. 2011-00036
Attachments to First Supplemental Response to AG 1-112
Witnesses: Mark A. Bailey and Counsel
Page 8 of 22





Depreciation Expense

Based upon October 31, 2010, Data

	Plant Balance	1998 Study Depreciation Expense	2010 Study Depreciation Expense	Difference - More/(Less)
Production	1,708,836,363	30,633,046	34,804,388	4,171,342
Transmission	245,135,065	5,650,231	4,756,291	(893,940)
General Plant	35,388,850	772,315	2,971,412	2,199,097
Total	1,989,360,278	37,055,592	42,532,091	5,476,499

Production	86%	83%	82%	76%
Transmission	12%	15%	11%	-16%
General Plant	2%	2%	7%	40%
Total	100%	100%	100%	100%



Depreciation Expense

Boiler Plant				
	Plant Balance	1998 Study Depreciation Expense	2010 Study Depreciation Expense	Difference - More/(Less)
Environmental	591,161,131	11,172,078	14,159,363	2,987,285
Non-Environmental	687,818,103	12,311,944	12,930,982	619,038
Total	1,278,979,234	23,484,022	27,090,345	3,606,323

Environmental	46%	48%	52%	83%
Non-Environmental	54%	52%	48%	17%
Total	100%	100%	100%	100%

Depreciation Expense

Proforma Adjustment (\$ in thousands)	
31-Oct-10	
Existing Study	New Study
\$ 1,989,360	\$ 1,989,360
\$ 37,057	\$ 42,532
1.86%	2.14%
54	47

Average Gross Plant in Service
 Depreciation Expenses
 Effective Depreciation Rate
 Effective Service Life

October 2008 Unwind Model (\$ in thousands)			
2009-2010	2011-2016	2017-2023	
\$ 1,973,605	\$ 2,191,364	\$ 2,492,700	
\$ 34,970	\$ 46,767	\$ 67,806	
1.77%	2.13%	2.72%	
56	47	37	

Average Gross Plant in Service
 Depreciation Expenses
 Effective Depreciation Rate
 Effective Service Life

Date: 1/20/2011

BIG RIVERS ELECTRIC CORPORATION
CASE NO 2011-00036
MINUTES OF
BIG RIVERS ELECTRIC CORPORATION
INTERNAL RISK MANAGEMENT COMMITTEE MEETING
Thursday, June 10, 2010

[REDACTED]

[REDACTED]

Item II. Depreciation Study – Mark Hite / Jeremy Garrett

- Mark Hite and Jeremy presented a “*Depreciation Study Proposal Comparison*” from vendors for Big Rivers’ to consider.
- Previous Depreciation Study was formulated from history prior to 1998 and the document will now reflect retirement history since 1998 to present and will include new data and statistical information.

[REDACTED]

[REDACTED]

[REDACTED]

**BIG RIVERS ELECTRIC CORPORATION
CASE NO 2011-00036
MINUTES OF
BIG RIVERS ELECTRIC CORPORATION
INTERNAL RISK MANAGEMENT COMMITTEE MEETING
Tuesday, July 13, 2010**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**BIG RIVERS ELECTRIC CORPORATION
CASE NO 2011-00036**

Item IV. Rate Case Timeline – Historical Test Year

[REDACTED]

- A Depreciation Study Working Committee will be chosen to start the preparation for the Study.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**BIG RIVERS ELECTRIC CORPORATION
CASE NO 2011-00036
MINUTES OF
BIG RIVERS ELECTRIC CORPORATION
INTERNAL RISK MANAGEMENT COMMITTEE MEETING
Thursday, November 11, 2010**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**BIG RIVERS ELECTRIC CORPORATION
CASE NO 2011-00036**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Item XIII. Rate Case Discussion

- Discussed depreciation study

[REDACTED]

**BIG RIVERS ELECTRIC CORPORATION
CASE NO 2011-00036
MINUTES OF
BIG RIVERS ELECTRIC CORPORATION
INTERNAL RISK MANAGEMENT COMMITTEE MEETING
Thursday, December 9, 2010**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**BIG RIVERS ELECTRIC CORPORATION
CASE NO 2011-00036**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Item X. Depreciation Study – Mark Hite

- Discussed smelter questions regarding depreciation study.
- Will continue discussions with smelters and seek Board approval at a later date.
- Discussed the need to communicate Depreciation Study to RUS in accordance with rate case timeline. Bill Blackburn is trying to obtain agreement from RUS to seek their approval in parallel with the PSC, if necessary.

[REDACTED]

[REDACTED]

[REDACTED]

BIG RIVERS ELECTRIC CORPORATION

CASE NO 2011-00036

MINUTES OF

BIG RIVERS ELECTRIC CORPORATION

INTERNAL RISK MANAGEMENT COMMITTEE MEETING MINUTES

JANUARY 13, 2011

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**BIG RIVERS ELECTRIC CORPORATION
CASE NO 2011-00036**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- Discussed the smelter's issues with [REDACTED] the depreciation study.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**BIG RIVERS ELECTRIC CORPORATION
CASE NO 2011-00036**

