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R. Michael Sullivan
Bryan R. Reynolds*
Tyson A. Kamuf
Mark W. Starnes
C. Ellsworth Mountjoy

*Also Licensed in Indiana

August 30, 2013

Via FedEx Overnight Delivery

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

RECEIVED
AUG 30 2013
PUBLIC SERVICE COMMISSION

In the Matter of:

**Application of Big Rivers Electric Corporation for a
General Adjustment in Rates – Case No. 2013-00199**

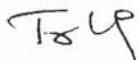
Dear Mr. Derouen:

Enclosed for filing on behalf of Big Rivers Electric Corporation (“Big Rivers”) are an original and ten (10) copies of (i) its responses to the Commission Staff’s Second Request for Information and the Intervenors’ First Requests for Information; (ii) a petition for confidential treatment; and (iii) a motion for deviation.

I certify that on this date, a copy of this letter and a copy of the responses were served by hand delivery or by Federal Express to the persons on the attached service list.

Should you have any questions about this matter, please contact me.

Sincerely yours,



Tyson Kamuf
Counsel for Big Rivers Electric Corporation

Telephone (270) 926-4000
Telecopier (270) 683-6694

cc: Service List
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PSC Case No. 2013-00199

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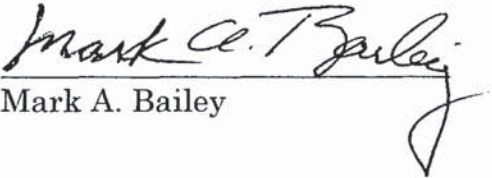


BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

VERIFICATION

I, Mark A. Bailey, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those 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 26th day of August, 2013.


Notary Public, Ky. State at Large
My Commission Expires 1-12-17

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

VERIFICATION

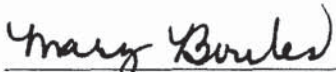
I, Billie J. Richert, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Billie J. Richert

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Billie J. Richert on this
the 26 day of August, 2013.




Notary Public, Ky. State at Large
My Commission Expires 8-8-2016

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

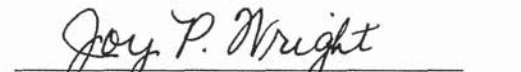
VERIFICATION

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


Robert W. (Bob) Berry

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Robert W. (Bob) Berry on
this the 26 day of August, 2013.


Notary Public, Ky. State at Large
My Commission Expires _____

Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

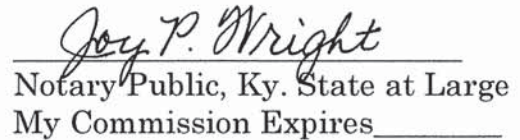
VERIFICATION

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


Lindsay N. Barron

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Lindsay N. Barron on
this the 26 day of August, 2013.


Notary Public, Ky. State at Large
My Commission Expires _____

Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

VERIFICATION

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

David G. Crockett
David G. Crockett

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by David G. Crockett on this
the 26 day of August, 2013.

Joy P. Wright
Notary Public, Ky. State at Large
My Commission Expires _____

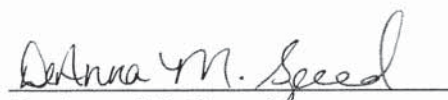
Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

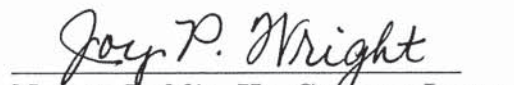
VERIFICATION

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


DeAnna M. Speed

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by DeAnna M. Speed on this
the 26 day of August, 2013.


Notary Public, Ky. State at Large
My Commission Expires _____

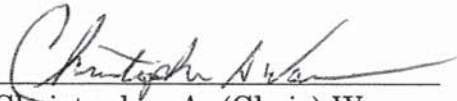
**Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951**

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

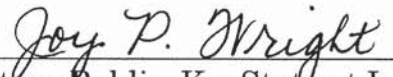
VERIFICATION

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


Christopher A. (Chris) Warren

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Christopher A. (Chris) Warren on this the 26 day of August, 2013.


Notary Public, Ky. State at Large
My Commission Expires _____


**Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951**

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

VERIFICATION


I, Jeffrey R. (Jeff) Williams, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Jeffrey R. (Jeff) Williams

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Jeffrey R. (Jeff) Williams
on this the 26 day of August, 2013.



Notary Public, Ky. State at Large
My Commission Expires _____

Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

VERIFICATION

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

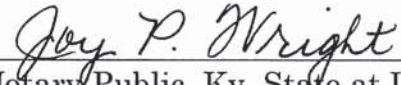
John Wolfram



COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by John Wolfram on this the
26 day of August, 2013.

Notary Public, Ky. State at Large
My Commission Expires _____



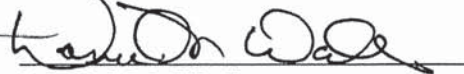
Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

VERIFICATION

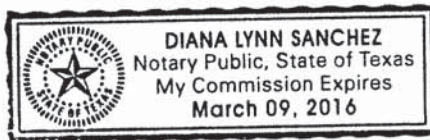
I, Daniel M. Walker, verify, state, and affirm that I prepared or supervised the preparation of my responses to data requests filed with this Verification, and that those responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.




Daniel M. Walker

STATE OF TEXAS

SUBSCRIBED AND SWORN TO before me by Daniel M. Walker on this the 27 day of August, 2013.




Notary Public
State of Texas
My Commission Expires 3-9-16

ORIGINAL



RECEIVED

SEP 03 2013

**PUBLIC SERVICE
COMMISSION**

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) Case No. 2013-00199
GENERAL ADJUSTMENT IN RATES)**

**Response to Commission Staff's
Second Request for Information
dated August 19, 2013**

FILED: September 3, 2013

ORIGINAL

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

- 1 **Item 1)** *Refer to Big Rivers' application, Tab 5.*
- 2 *a. Refer to proposed PSC No. 26, Original Sheet No. 63, Section (1)(d). This*
- 3 *section begins, "The cost of fossil fuel, as denoted in (2)(a) above...."*
- 4 *Clarify whether the reference in this sentence should be to (1)(a) instead of*
- 5 *(2)(a).*
- 6 *b. Refer to proposed PSC No. 26, Original Sheet No. 64, Section(3)(v) which*
- 7 *refers to "subsection (2)(d) above...." Clarify whether the reference in this*
- 8 *section should be to (1)(d) instead of (2)(d).*
- 9 *c. Refer to proposed PSC No. 26, Original Sheet Nos. 82 and 85. Explain the*
- 10 *purpose of the new language that appears in the first paragraph on these*
- 11 *pages.*

12 **Response)**

- 13 a. Yes, the reference in this sentence should be to (1)(a) instead of (2)(a).
- 14 b. Yes, the reference in this sentence should be to (1)(d) instead of (2)(d).
- 15 c. The new language that appears in the first paragraph on proposed PSC No. 26,
- 16 Original Sheet Nos. 82 and 85 describes the obligation that Big Rivers has as
- 17 a member of MISO to comply with MISO's emergency operating procedures
- 18 for both transmission emergency conditions affecting the Bulk Electric

Case No. 2013-00199

Response to PSC 2-1

Witnesses: DeAnna M. Speed (parts a and b), David G. Crockett (part c)

Page 1 of 2

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 System and generation capacity and energy emergency conditions affecting
2 the MISO Balancing Authority Area.

3

4 **Witnesses)** DeAnna M. Speed (parts a and b)

5 David G. Crockett (part c)

Case No. 2013-00199

Response to PSC 2-1

Witnesses: DeAnna M. Speed (parts a and b), David G. Crockett (part c)

Page 2 of 2

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1 **Item 2)** *Refer to Tab 6 of the application, the Schedule Showing the Amount of Rate*
2 *Change Requested in Both Dollar Amounts and Percentage Change, Net of the Member*
3 *Rate Stability Mechanism ("MRSM") and Rural Economic Reserve ("RER"). Provide the*
4 *supporting calculations for the amounts on lines 1 and 10.*

5

6 **Response)** Please see the attachment.

7

8 **Witness)** John Wolfram

Big Rivers Electric Corporation
Schedule Showing the Amount of Rate Change Requested in Both Dollar Amounts and Percentage Change for Each Customer
Classification for which the Proposed Rate Change will Apply
[Net of MRSM and RER]

#	Rate Schedule	Test Period Revenues at			Proposed Rates
		Rates In Effect Jun 28, 2013	Rates in Case No. 2012-00535 As Filed Jan 15, 2013	Rates in Case No. 2012-00535 Updated Jun 24, 2013	
1	2	3	4	5	
1	Rural Delivery Service (RDS)	\$ 112,982,665	\$ 150,792,034	\$ 148,248,100	\$ 147,435,042
a	Amount Gross of MRSM/RER	\$ 144,339,857	\$ 182,149,227	\$ 179,605,293	\$ 234,469,433
b	Amount of MRSM/RER	(\$ 31,357,193)	(\$ 31,357,193)	(\$ 31,357,193)	(\$ 87,034,391)
c	Amount Net of MRSM/RER	\$ 112,982,665	\$ 150,792,034	\$ 148,248,100	\$ 147,435,042
d	Variance from Line 1	\$ 0	\$ 0	\$ 0	\$ 0
10	Large Industrial Customer (LIC)	\$ 40,081,578	\$ 48,816,821	\$ 48,030,941	\$ 61,707,143
e	Amount Gross of MRSM/RER	\$ 52,289,789	\$ 61,025,033	\$ 60,239,153	\$ 75,771,888
f	Amount of MRSM/RER	(\$ 12,208,212)	(\$ 12,208,212)	(\$ 12,208,212)	(\$ 14,064,745)
g	Amount Net of MRSM/RER	\$ 40,081,578	\$ 48,816,821	\$ 48,030,941	\$ 61,707,143
h	Variance from Line 10	\$ 0	\$ 0	\$ 0	\$ 0

NOTES

a,e **Amount Gross of MRSM/RER:** From similar schedule in Tab 6 marked [Gross of MRSM and RER]

Amount of MRSM/RER

b,f Data for Column 2 is calculated from Big Rivers Financial Forecast using current rates for Rurals and Large Industrials

b,f Data for Column 5 is calculated from Big Rivers Financial Forecast using proposed rates for Rurals and Large Industrials

b,f Data for Columns 3 and 4 are assumed to be identical to Column 2 because no change to the use of the Reserve Funds was proposed.

c,g **Amount Net of MRSM/RER** Data for all columns is the sum of Amount Gross of MRSM/RER and the Amount of MRSM/RER.

Case No. 2013-00199

Attachment to Response to PSC 2-2

Witness: John Wolfram

Page 1 of 1

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 **Item 3)** *Refer to Tab 28 of the application, Attachment 3, pages 17 and 18. Explain*
2 *why Big Rivers' net principal payments on debt obligations decline from \$48.1 million in*
3 *2013 to \$7.5 million in 2014.*

4

5 **Response)** The net principal payments are the total of principal payments less any
6 borrowings. During 2013, Big Rivers' paid off its outstanding \$58.8 million County of Ohio,
7 Kentucky Pollution Control Floating Rate Demand Bonds, Series 1983. This payoff is
8 included in the net principal payments on debt obligations of \$48.1 million. In 2014 the
9 positive cash flows of \$7.5 million are comprised of borrowings of \$27.6 million offset by
10 \$20.1 million in principal payments.

11

12 **Witness)** Christopher A. Warren

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1 **Item 4)** *Refer to Tab 28 of the application, Attachment 7, page 25. Explain why the*
2 *headcount decrease due to the lay-up of the Wilson Station is shown effective as of*
3 *December 1, 2013, when the Direct Testimony of Robert W. Berry ("Berry Testimony") at*
4 *page 16, line 1, states that the Wilson Station will be idled starting February 1, 2014.*

5
6 **Response)** The underlying assumption for the forecast upon the initial filing of this rate
7 case was that the Wilson plant would be idled in September 2013, with all headcount
8 reductions taking place in December 2013. In the Direct Testimony of Robert W. Berry, Mr.
9 Berry is speaking operationally, based on newer information than what was used in
10 determining assumptions for the initial filing forecast. This difference has no effect on the
11 revenue requirement since it does not include any non-recurring labor related to the Wilson
12 lay-up.

13
14 **Witness)** Jeffrey R. Williams

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1 **Item 5)** Refer to Tab 49 of the application, Exhibit 49, pages 3 and 9. Explain
2 **why the amount reflected in Account 923 for Outside Services Employed is projected to**
3 **increase from \$442,869 in the base period to \$724,132 in the test period.**

4

5 **Response)** Tab 49, pages 3 and 9, includes detailed professional services by vendor.
6 Until such time the specific vendors are known, the forecasted professional services amount
7 is reported as "Outside Services" in Account 923. As individual vendors are known then the
8 specific vendor and dollar amount are reflected on a separate line and the total amount
9 reported as "Outside Services" in Account 923 is reduced accordingly. There is a decrease in
10 total professional services from the base period of \$2,335,567 to \$1,561,529 in the forecasted
11 test period.

12

13 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 **Item 6)** *Refer to Tab 49 of the application, Exhibit 49, page 8. Describe the type of*
2 *customer-assistance expense in the amount of \$1,095,998 Big Rivers expects to incur in*
3 *the test period.*

4
5 **Response)** The type of customer-assistance expense mentioned above is demand-side
6 management (DSM), conservation and energy-efficiency programs. For a complete listing of
7 the programs offered to Big Rivers' customers, please reference Big Rivers' response to PSC
8 1-56. This response also shows the amount of DSM expenses incurred for past years, as
9 well as the annual amount approved by the Commission.

10

11 **Witness)** Billie J. Richert

12

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1 **Item 7)** *Refer to Tab 50 of the application, pages 2 and 3, which show Big Rivers'*
2 *executive compensation for the base period and test period. Given the circumstances*
3 *under which it is currently operating, explain whether Big Rivers has considered a*
4 *freeze on executive level compensation for a period of time.*

5
6 **Response)** Yes, Big Rivers has considered freezing executive pay increases but has
7 elected not to do so at this time. Several factors should be considered when assessing
8 whether or not a freeze on executive compensation is appropriate. One of these factors is the
9 existing level of compensation. As has been explained several times in recent proceedings
10 before the Public Service Commission, following the 2009 Unwind Transaction, Mr. Bailey's
11 pay was adjusted on August 16, 2009, in recognition of the expansion of his responsibilities
12 following closing of the Unwind Transaction, when Big Rivers moved from a transmission-
13 only utility to a generation and transmission ("G&T") utility. Mr. Bailey's pay was
14 established by the Big Rivers' Board based on the results of a study performed by NRECA's
15 National Consulting Group at the Board's request. Since that time, the CEO received one
16 "cost-of-living" increase of 2% consistent with the corporate-wide general increase granted
17 to all non-union personnel in January 2011 (no wage increases were granted to any non-
18 union staff in 2010). Mr. Bailey has received no other increases since that time.

Case No. 2013-00199
Response to PSC 2-7
Witness: Mark A. Bailey
Page 1 of 7

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 Mr. Berry joined Big Rivers on the Unwind Transaction closing date on July 19,
2 2009, and he received no pay increase in 2009 or 2010. At the end of 2010, Mr. Berry
3 accepted a position with a G&T located in another state, but fortunately (for Big Rivers)
4 changed his mind at the last minute. Following his exemplary performance that included
5 project management of the company's Environmental Compliance Plan
6 analysis/development, Mr. Berry has been assigned additional responsibilities. In addition to
7 the Production responsibilities he had at the time of Unwind Transaction closing, he assumed
8 oversight of the company's Energy Services and Fuel Procurement functions in late 2011 just
9 prior to Bill Blackburn's retirement. Later, following Al Yockey's retirement at the end of
10 January 2013, Mr. Berry was made Chief Operating Officer and given additional
11 responsibilities including the System Operations (transmission) and Environmental Services
12 and Construction functions. In each of these instances, Mr. Berry's pay was adjusted as
13 appropriate based on outside comparable position wage information. In addition, Mr. Berry
14 served as the company's chief negotiator with Century that lead to the agreements filed and
15 approved in PSC Case No. 2013 – 00221. He will also serve in that role during the
16 anticipated negotiations dealing with Century's Sebree smelter.

17 Another factor to be considered is the series of strategic activities that the executives
18 and senior management team have initiated at Big Rivers for which their individual

BIG RIVERS ELECTRIC CORPORATION
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CASE NO. 2013-00199

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dated August 19, 2013

September 3, 2013

1 leadership and vision has been essential. Since the Unwind Transaction closing, senior
2 management has integrated the Company's operations with WKE, with the number of
3 employees increasing from approximately 120 to 600. As part of that process, senior staff
4 oversaw implementation of enterprise-wide financial and asset management systems and a
5 resource planning application for plant maintenance necessary due to consolidation with
6 WKE. In addition, the senior staff has faced and successfully addressed many major hurdles
7 and challenges. These include:

- 8 a) Immediately following the Unwind Transaction closing, senior staff analyzed
9 the impact of dissolution of the Generation Reserve Sharing group in which
10 Big Rivers had been a member; made the decision to join MISO; participated
11 in the contested regulatory proceeding; secured PSC approval; and
12 successfully integrated into MISO in December 2010.
- 13 b) Participated in the ongoing Henderson Municipal Power & Light "Excess
14 Energy" arbitration/litigation beginning in August 2009.
- 15 c) Responded and took necessary action to address financial concerns arising in
16 2010 due to the depressed economy and decline in wholesale power market
17 prices to comply with the company's loan covenants.

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

- 1 d) Prepared, filed, and participated in the discovery process and the hearing in
2 the 2011 rate case; dealt with an appeal of that case Order and the subsequent
3 rehearing.
- 4 e) Refinanced \$83.3 million in Pollution Control Bonds.
- 5 f) Refinanced \$442 million in lower interest debt and paid down higher interest
6 RUS debt.
- 7 g) Analyzed Mercury and Air Toxics Standards (MATS) and Cross State Air
8 Pollution (CSAPR) impacts; developed a Compliance Plan and secured
9 regulatory approval of that plan.
- 10 h) Investigated refinancing options for the \$58.8 million PCBs, made several
11 PSC filings to address the evolving situation and paid off the bonds using cash
12 in late May 2013. As part of the last filing, proposed and received PSC
13 approval to access the \$35 million Transition Reserve.
- 14 i) Developed and implemented a strategic initiative to address the smelter
15 electric price situation, negotiated with the smelters, responded to various
16 appointed and elected government officials, and responded to attendant public
17 relations issues and proposed legislation surrounding the departure of the
18 smelters from Big Rivers' system.

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

- 1 j) Obtained an unqualified opinion of the company's 2012 audited financial
2 statements.
- 3 k) Negotiated and closed the Century agreements filed in PSC Case No. 2013-
4 00221, and secured necessary regulatory approvals.
- 5 l) Developed and began executing the Company's load mitigation plan in
6 response to smelter departure from the Big Rivers' system.
- 7 m) Filed two separate but overlapping rate proceedings with the Kentucky Public
8 Service Commission (KPSC) to address the smelter contract terminations.
- 9 n) As a direct result of the smelter termination notices, responded to the loss of
10 all three investment grade credit ratings and prepared an RUS Corrective Plan
11 to regain investment grade ratings; presented the plan to the RUS and to Big
12 Rivers' lenders and credit rating agencies; and responded to rating agencies'
13 queries as part of their increased analyses of Big Rivers' financial position due
14 to the uncertainty surrounding the exit of the smelters.
- 15 o) Negotiated, obtained regulatory approval and successfully closed on the
16 amendment to the CFC \$50 million revolver.

17 With all these challenges and activities, Big Rivers still met all required loan financial
18 metrics, employee and contractor safety performance was outstanding, and reliability was

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1 maintained. In addition, Big Rivers won Navigant national benchmarking awards for
2 reliability, cost and safety performance at the Coleman Plant in 2012 and 2013.

3 Naturally, all of these items have created significant additional work and uncertainty
4 for the senior staff, resulting in stress and pressure not only on those individuals, but all
5 employees regarding on-going employment and previously earned benefits. This has made
6 employee retention, optimism and motivation a concern for the Board and the CEO.
7 Immediately following the Unwind Transaction closing on July 16, 2009, Mr. Bailey had
8 nine (9) direct reports. On September 7, 2013, only two (2) of the original nine (9) will still
9 be with Big Rivers - Mr. Berry and Mr. Bailey's Executive Assistant Paula Mitchell. As Mr.
10 Bailey's staff has retired, Big Rivers has consolidated positions and responsibilities. As
11 these departures and consolidations occurred, existing staff picked up additional
12 responsibilities, making it appropriate to revisit compensation in order to compensate
13 individuals for the duties performed. As this occurred, salary levels for individual positions
14 were kept in line with comparable positions using outside wage surveys while holding the
15 total collective compensation levels of the senior staff at or below the total senior staff
16 compensation prior to the changes.

17 However, all of those transitions have been successfully worked through.
18 Satisfactory rate relief in Big Rivers' pending rate cases are the only remaining steps

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1 necessary for corporate survival, while execution of the Load Concentration Analysis and
2 Mitigation Plan offers a means of mitigating those increases over time.

3 With these factors in mind, the Big Rivers financial forecast reflects a reasonable and
4 modest cost of living increase for employees through January 2015, and it is, therefore,
5 properly included in the test period. With regard specifically to executive compensation,
6 including all overheads, the difference between Mr. Bailey's and Mr. Berry's total
7 compensation including benefits between the Base Period and the Forecasted Test Period
8 shown on pages 2 and 3 under Tab 50 of the Application is \$48,639. Of this amount,
9 \$14,806 is included in Mr. Berry's current annual salary, which was not reflected in the base
10 period numbers because he did not receive that salary during all of the base period. This
11 means the real difference in the forecast is \$33,833.

12 For these reasons, Big Rivers believes it is reasonable not to freeze executive
13 compensation at this juncture.

14

15 **Witness)** Mark A. Bailey

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1 **Item 8)** *Refer to page 8 of the Direct Testimony of Mark A. Bailey. On lines 1-3,*
2 *Mr. Bailey states that Big Rivers has been evaluating ways to mitigate the effects of the*
3 *smelter terminations, and that as those efforts are successful, Big Rivers' members will*
4 *benefit. Identify and describe the specific plans to benefit Big Rivers' members if*
5 *mitigation efforts are successful.*

6
7 **Response)** Big Rivers' mitigation efforts include, but are not limited to, entering into
8 short or long term power contracts with a counterparty, sale or lease of a generating asset,
9 entering into a tolling agreement with another entity, or serving a new or existing load in one
10 of our Members' territories. Any of these transactions will require approval from the
11 Kentucky Public Service Commission at which time Big Rivers will request the appropriate
12 rate adjustment associated with the transaction. The appropriate rate adjustment method will
13 depend on the circumstances at the time. Please see Big Rivers' response to PSC 2-16 in this
14 instant case for a summary of the mitigation efforts as of the date of this data request.

15

16 **Witness)** Mark A. Bailey

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 **Item 9)** *Refer to pages 6-7 of the Direct Testimony of Billie J. Richert ("Richert*
2 *Testimony"), which refer to Big Rivers' requirement to install pollution control facilities to*
3 *be in compliance with the Mercury and Air Toxics standards rule by April 2015.*

4 *a. Describe the impact idling the Wilson and Coleman generating units will*
5 *have on the scheduled installation of the pollution-control equipment.*

6 *b. Explain whether it will be necessary to install the equipment if the*
7 *generating units are not in operation.*

8

9 **Response)**

10 a. At this time, Big Rivers plans to defer the scheduled installation of the MATS
11 pollution control equipment until it is known when those units will be brought
12 back into service with sufficient lead time to install the MATS equipment
13 prior to the return date.

14 b. If the units are not in service, it is not necessary to install the MATS
15 equipment.

16

17 **Witness)** Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 **Item 10)** *Refer to pages 13-14 of the Richert Testimony wherein Ms. Richert*
2 *discusses Big Rivers' proposal to accelerate the use of the reserve funds to fully offset the*
3 *rate increase proposed in this case.*

4 *a. Provide the current balances of the Economic Reserve and Rural Economic*
5 *Reserve funds.*

6 *b. Explain in detail how the amount of the offset would be calculated for each*
7 *member cooperative.*

8 *c. Explain to what extent Big Rivers considered proposing a different amount*
9 *of offset for the rate increase proposed in this case (i.e., proposing a 50*
10 *percent offset instead of 100 percent).*

11 *d. State when each of the reserve funds would be depleted if a 50 percent offset*
12 *were granted in this case.*

13

14 **Response)**

15 a. As of July 31, 2013 the balance of the Economic Reserve is \$67.9 million and
16 the balance of the Rural Economic Reserve is \$65.3 million.

17 b. The Large Industrial customers are billed directly by Big Rivers (and not
18 through the member cooperatives). However, the amount of the offset for

**Case No. 2013-00199
Response to PSC 2-10**

**Witnesses: Billie J. Richert, Christopher A. Warren and John Wolfram
Page 1 of 3**

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 each member cooperative would be calculated based on the Rural Delivery
2 Service ("Rural") rate class revenues and consumption. The revenue
3 deficiency in this filing is \$70.4 million -- \$54.9 million for the Rural class
4 and \$15.5 million for the Large Industrial class. The offset for each member
5 cooperative would be derived by dividing the \$54.9 million increase to the
6 Rural Class by the Rural MWh sales for the test period. The resulting per-unit
7 charge of \$23.766/MWh would be added to the current expenses covered
8 under the Member Rate Stability Mechanism ("MRSM") and Rural Economic
9 Reserve ("RER") Tariffs. The MRSM and RER will operate in the same way
10 they do at present, except that they will also include an additional
11 \$23.766/MWh designed to fully mitigate the effects of the base rate increase
12 proposed in this case. The same approach is used for the Large Industrial
13 customers.

14 c. Discussions took place with Big Rivers' management, the Member CEOs, and
15 the Board of Directors about how much of the rate increase, if any, should be
16 offset by acceleration of the reserve funds. Three options were discussed.
17 The first was to use the reserves to offset the entire \$70.4 million revenue
18 deficiency. The second was to offset \$46.7 million, which represents the

BIG RIVERS ELECTRIC CORPORATION


**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 entire revenue deficiency less the \$23.7 million that was allocated to Alcan
2 during the Century rate case (Case No. 2012-00535). The third was to forego
3 any offset and maintain the existing approach of using the reserve funds.
4 With the rate increases from the Century and Alcan rate cases occurring
5 within a relatively short period, the preference was to offset the entire revenue
6 deficiency of this rate case until the reserve funds were depleted. Please see
7 the attached presentation to the Board of Directors dated May 17, 2013,
8 d. If a 50% offset were granted in the case, the Economic Reserve would be
9 depleted in October 2014 and the Rural Economic Reserve would be depleted
10 in November 2015.
11
12 **Witnesses)** Billie J. Richert, Christopher A. Warren and John Wolfram



Your Touchstone Energy[®] Cooperative 

Big Rivers 2013 Alcan Rate Case

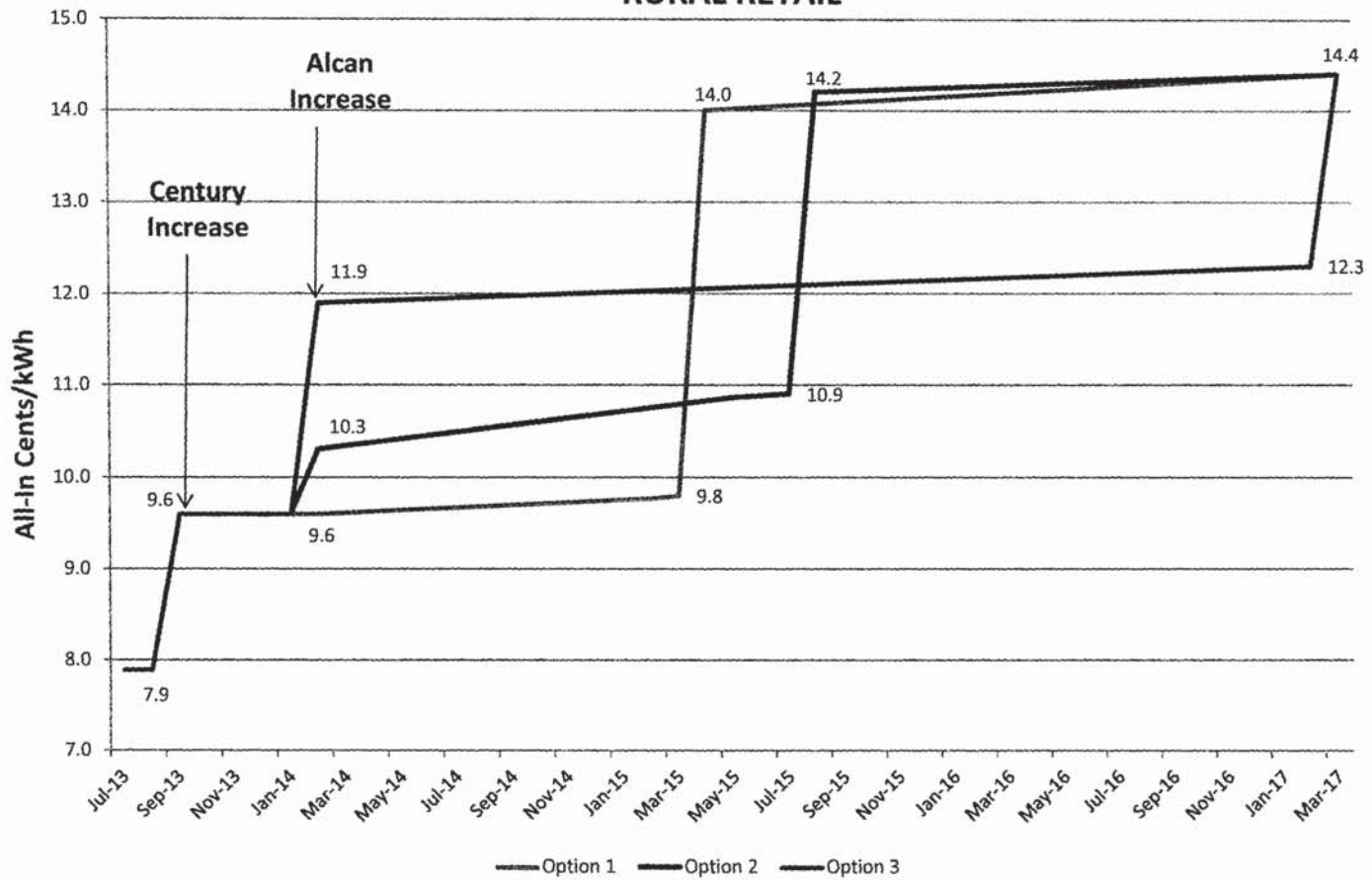
May 16, 2013



Reserve Fund Offset Options

<i>New Rates Effective 2/1/14</i>	Option 1 Offset \$70.4M		Option 2 Offset \$46.7M		Option 3 No Change	
1. Economic Reserve Depleted	Jun 2014		Sep 2014		Apr 2015	
2. Rural Economic Reserve Depleted	Apr 2015		Aug 2015		Mar 2017	
<u>Rural Rates</u>	<u>Wholesale</u>	<u>Retail</u>	<u>Wholesale</u>	<u>Retail</u>	<u>Wholesale</u>	<u>Retail</u>
Rate as of 2/1/14 (¢/kWh)	6.3	9.6	7.0	10.3	8.6	11.9
Increase at 2/1/14	0%	0%	12%	8%	37%	24%
Rate Before Depletion (¢/kWh)	6.5	9.8	7.6	10.9	9.0	12.3
Rate After Depletion (¢/kWh)	10.7	14.0	10.9	14.2	11.1	14.4
Increase at Depletion	63%	42%	43%	30%	23%	17%
<u>Large Industrial Rates</u>						
Rate Before Depletion (¢/kWh)	4.7	4.9	5.3	5.5	6.7	6.9
Rate After Depletion (¢/kWh)	7.8	8.0	7.9	8.1	7.9	8.1
Increase at Depletion	66%	64%	47%	46%	18%	17%

RURAL RETAIL



BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1 **Item 11)** *Refer to the Richert Testimony, Exhibit Richert-3.*

2 *a. Identify the cooperatives listed in the exhibit that are rate-regulated by a*
3 *state commission.*

4 *b. Based on the dates shown in the source footnote, the same data should be*
5 *available for 2012. Provide a similar exhibit with the comparison based on*
6 *calendar year 2012 results.*

7
8 **Response)**

9 a. Please see attachment to this response for an updated version of Exhibit
10 Richert-3 with a column added to identify which cooperatives listed in the
11 exhibit are rate-regulated by a state commission.

12 b. Please see attachment to this response for an updated Exhibit Richert-3, with
13 the comparison based on calendar year 2012 results.

14
15 **Witness)** Billie J. Richert

Big Rivers Electric Cooperation
Case No. 2013-00199
G&T TIER and MFI Analysis for 2011

	<u>State</u> <u>Regulated</u>	<u>Moody's</u>	<u>Fitch</u>	<u>S&P</u>	<u>TIER or MFI</u>
Golden Spread	Yes (1)	NR	A	A(Stable)	3.17
Arkansas	Yes	A1	A+	AA-(Stable)	2.37
Central Iowa	No	NR	A	A(Stable)	2.18
Brazos	Yes (1)	NR	A	A-(Positive)	1.95
Corn Belt	No	NR	A-	A-(Stable)	1.88
Hoosier	No	A3	NR	A(Stable)	1.83
South Miss.	No	NR	A-	A-(Stable)	1.72
South Texas	Yes (1)	NR	A-	A-(Stable)	1.70
San Miguel	No	NR	A-	A-(Stable)	1.57
Buckeye	No	A2	A	A-(Stable)	1.50
Associated	No	A1	AA	AA(Stable)	1.49
East Kentucky	Yes	NR	BBB	BBB(Stable)	1.48
Wabash Valley	No	NR	NR	A-(Stable)	1.47
Power South	No	NR	A-	A-(Stable)	1.44
Dairyland	No	A3	NR	A(Stable)	1.43
Minnkota	No	NR	NR	A-(Stable)	1.43
Seminole	No	NR	NR	A-(Stable)	1.41
Central-SC	No	NR	NR	AA-(Stable)	1.40
Chugach	Yes	NR	A-	A-(Stable)	1.30
Western Farmers	No	NR	A-	BBB+(Positive)	1.29
North Carolina	No	NR	A-	A-(Stable)	1.29
Basin	No	A1	A+	A(Stable)	1.26
Great River	No	Baa1	A-	A-(Stable)	1.22
Old Dominion	No	A3	A	A(Stable)	1.22
Oglethorpe	No	Baa1	A	A(Stable)	1.14
Average					1.61
Big Rivers	Yes	Baa2(Neg)	BBB-(Neg)	BBB-(Neg)	1.12

NR: No Rating

Source: G&T Accounting & Finance Association Annual Directory June 2012, Fitch U.S. Public Power Peer Study June 2012, S&P Report Card: Rate Adjustments Compensate For U.S. Cooperative Utilities Regulatory and Economic Risks May 22, 2012

Footnote: (1) Transmission rates are state regulated.

Big Rivers Electric Cooperation
Case No. 2013-00199
G&T TIER and MFI Analysis for 2012

	1	2	3	4	1
	<u>State</u> <u>Regulated</u>	<u>Moody's</u>	<u>Fitch</u>	<u>S&P</u>	<u>TIER or MFI</u>
Golden Spread	Yes	A3 (Stable)	A (Stable)	A (Stable)	2.75
Arkansas	Yes	A1 (Stable)	A+ (Stable)	AA (Stable)	1.50
Central Iowa	No	NR	A (Stable)	A (Stable)	2.36
Brazos	Yes	NR	A (Stable)	A- (Positive)	1.98
Corn Belt	No	NR	A- (Stable)	A- (Stable)	2.17
Hoosier	No	A3 (Stable)	NR	A (Stable)	1.70
South Miss.	No	NR	A- (Stable)	A- (Stable)	1.93
South Texas	Yes	NR	A- (Stable)	A- (Stable)	1.76
San Miguel	No	NR	A- (Stable)	A- (Stable)	1.55
Buckeye	No	A3 (Stable)	A (Negative)	A- (Stable)	1.45
Associated	No	A2 (Stable)	AA- (Stable)	AA (Stable)	1.55
East Kentucky	Yes	NR	BBB (Stable)	BBB (Positive)	1.46
Wabash Valley	No	NR	NR	A- (Stable)	1.47
Power South	No	NR	A- (Stable)	A- (Stable)	1.45
Dairyland	No	A3 (Stable)	NR	A (Stable)	1.51
Minnkota	No	Baa2 (Stable)	NR	A- (Stable)	1.51
Seminole	No	A3 (Stable)	NR	A- (Stable)	1.19
Central-SC	No	NR	NR	AA- (Stable)	1.93
Chugach	Yes	NR	A- (Positive)	A- (Stable)	1.24
Western Farmers	No	NR	A- (Stable)	BBB+ (Positive)	1.37
North Carolina	No	NR	A- (Stable)	A- (Stable)	1.28
Basin	No	A2 (Stable)	A+ (Stable)	A (Stable)	1.28
Great River	No	Baa1 (Stable)	A- (Stable)	A- (Stable)	1.31
Old Dominion	No	A3 (Positive)	A (Stable)	A (Stable)	1.20
Oglethorpe	No	Baa2 (Stable)	A (Negative)	A (Stable)	1.14
Average					1.60
Big Rivers	Yes	Ba2 (Negative)	BB (Negative)	BB- (Negative)	1.25

NR: No Rating

Sources:

¹ G&T Accounting & Finance Association Annual Directory, June 2013

² Moody's Investors Service (www.moodys.com)

³ Fitch Ratings (www.fitchratings.com)

⁴ Standard & Poor's Ratings Services (www.standardandpoors.com/ratings/public-finance)

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1 **Item 12)** *Refer to page 6 of the Direct Testimony of Deanna M. Speed. Item No. 2 of*
2 *the proposed tariff changes is to add language to the Large Industrial tariff "...to clarify*
3 *that there must be a written retail service agreement for every retail customer for whom a*
4 *distribution cooperative buys power under the LIC tariff." Explain why this is necessary*
5 *and state what the current practice is.*

6

7 **Response)** Big Rivers' Standard Rate – LIC tariff is available to Big Rivers' members for
8 service to a retail Large Industrial Customer served using a "dedicated delivery point." This
9 means that the retail Large Industrial Customer is served directly from Big Rivers'
10 transmission system at transmission voltage with no intervening distribution facilities. Under
11 these circumstances there will almost always be some transmission facilities construction
12 required by Big Rivers to provide service to the Large Industrial Customer delivery point.
13 The retail Large Industrial Customer also has a significant electric load or it would be served
14 at distribution voltage.

15 Big Rivers' practice has always been to require a member to obtain a written retail
16 agreement for service to a retail customer qualifying for the wholesale LIC tariff. Because of
17 the larger nature of the load of a retail customer for which the member takes service under
18 the LIC tariff, the contract allows Big Rivers to assure that the retail customer's obligations

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 include appropriate commitments respecting payment for any transmission improvements,
2 minimum billing demand, maximum contract demand, identification of the delivery point,
3 specification of facilities required for delivery of service, system disturbances, power factor,
4 metering, easements, security for payment of invoices for service and for the cost of
5 facilities, the term for which Big Rivers is obligated to provide service, force majeure, and
6 other typical large power contract concerns. The details of some of these obligations are
7 unique to every retail customer. Big Rivers then enters into an agreement with the member
8 respecting the retail contract, usually an abbreviated "letter agreement," that establishes Big
9 Rivers' right to the benefits it is entitled to receive through the member from the retail
10 agreement, and clarifies its obligations with respect to wholesale service for the particular
11 retail customer.

12

13 **Witness)** DeAnna M. Speed

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

- 1 **Item 13)** *Refer to the Berry Testimony, page 5, lines 2-5, which indicates that Big*
2 *Rivers' total net generation capacity availability is 1,819 MW. Page 15, lines 9-10,*
3 *indicates that peak demand after the smelters exit will be approximately 650 MW.*
- 4 *a. Explain whether Big Rivers' transmission tie line capability is sufficient to*
5 *export its excess power when market prices make it economic to do so.*
- 6 *b. Provide a load flow analysis or study, using a one-line diagram, to*
7 *demonstrate whether or not any Big Rivers' transmission facilities would be*
8 *overloaded if Big Rivers transferred roughly 970 MW of power to other*
9 *utilities during summer and winter peak conditions.*
- 10 *c. Provide the actual coincident peak demands for Big Rivers' system,*
11 *including the aluminum smelter loads, for the years 2003 to 2012 with the*
12 *annual load growth percentages identified.*
- 13 *d. Provide the coincident peak demands forecasted for Big Rivers' system,*
14 *without the aluminum smelter loads, for the years 2014 to 2024 with the*
15 *annual load growth percentages identified.*

16 **Response)**

- 17 a. The Big Rivers transmission tie line capability is sufficient to export its excess
18 power when market prices make it economic to do so.

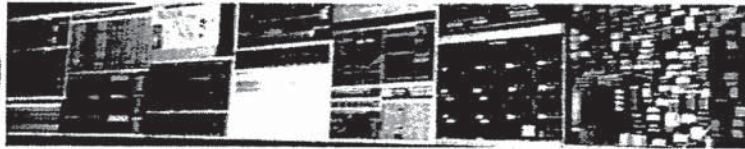
BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

- 1 b. A July 6, 2011 MISO study titled "First Contingency Incremental Transfer
2 Capability Study for Big Rivers Electric Corporation" indicated facility
3 overloads are not expected until transfers reach 1210 MWs into MISO and
4 1263 MWs into TVA. A redacted public version of the described study is
5 attached. Studies with exports of approximately 970 MW have not been
6 prepared. However, based upon the attached study results, it is reasonable to
7 say that no transmission facilities would be overloaded during summer or
8 winter conditions if Big Rivers were transferring roughly 970 MW to other
9 utilities.
- 10 c. Please see the attachment to this response.
- 11 d. Please see the attachment to this response.
- 12
- 13 **Witness)** David G. Crockett (a. and b.) and Lindsay N. Barron (c. and d.)

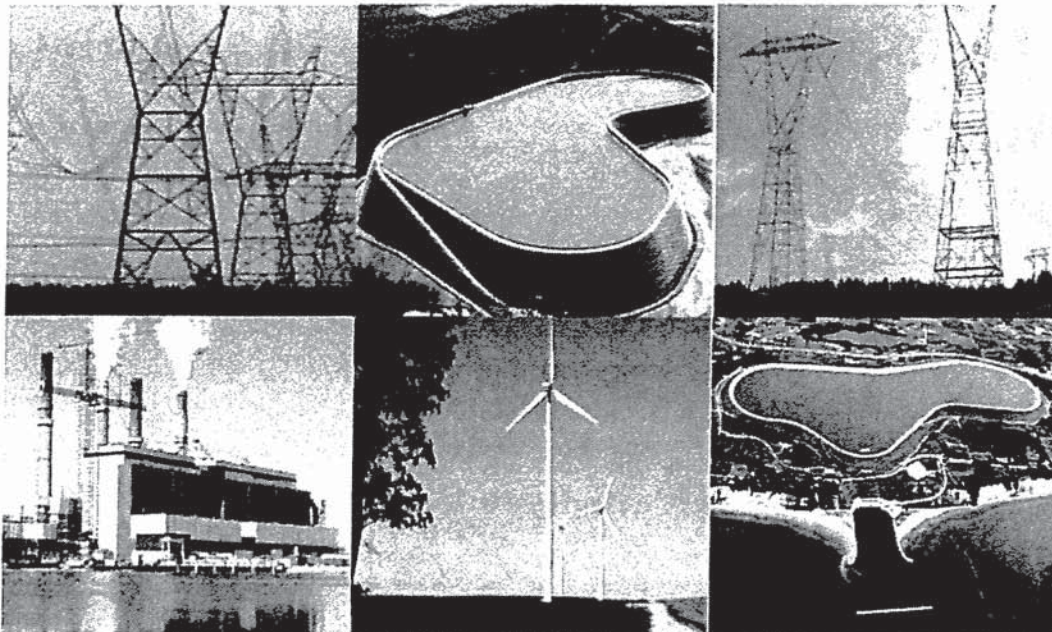


Contains Critical Energy Infrastructure Information - Do Not Release

First Contingency Incremental Transfer Capability Study for Big Rivers Electric Corporation [BREC]

July 6, 2011

By
David A. Mendonsa, P.E.



First Contingency Incremental Transfer Capability Study for Big Rivers Electric Corporation [BREC]

A First Contingency Incremental Transfer Capability (FCITC) Study was conducted for Big Rivers Electric Corporation to assess transfer capability five years from now, in year 2016. FCITC measures the maximum increase in power transfer that can take place between a **source system** and a **sink system** without violating thermal ratings of transmission lines or transformers. The MISO MTEP11, 2016 Summer Peak model with a security constraint economic dispatch, served as the case for these studies. Four FCITC transfers were studied, including:

- 1) Southern Indiana to BREC
- 2) BREC to Southern Indiana
- 3) TVA to BREC
- 4) BREC to TVA

The FCITC results for the four transfers are provided. The first contingency causing thermal violations, the associated overloaded transmission system element and the definition of the transfers are also provided.

1) Southern Indiana to BREC Transfer

A high transfer from Southern Indiana to BREC was analyzed. The observed transfer capability of 1568 MWs is limited by [REDACTED]

[REDACTED] The results of this transfer study are summarized below in Table 1. Loss of [REDACTED]

[REDACTED] will initiate implementation of operating guide [REDACTED]. The provisions of this operating guide to mitigate [REDACTED]

[REDACTED]

This operating guide may also restrict the Southern Indiana to BREC transfer capability to 1568 MWs.

Transfer	Southern Indiana to BREC
FCITC	1568 MWs
Limiting Element	[REDACTED]
TDF (%) on the Limiting Element	8.25%
FCITC Flow on the Limiting Element	129.4 MWs
Base Flow on the Limiting Element	46.7 MWs
Limiting Flow on the Limiting Element	176 MWs
Rating of the Limiting Element	176 MWs
Contingency Description	[REDACTED]

Table 1. – Southern Indiana to BREC Transfer

The definition of the Southern Indiana to BREC transfer is provided below:

Source of Transfer: SIndiana_Export; Scaling up of generation, including offline generation, in Area 207 – HE, Area 208 – Duke Energy Indiana, Area 212 – Duke Energy Ohio and Kentucky and Area 216 – IP&L

Sink of Transfer: BREC_Import; Scaling down of BREC generation

2) BREC to Southern Indiana Transfer

A high transfer from BREC to Southern Indiana was analyzed. The observed transfer capability of 1210 MWs is limited by [REDACTED] due to Category A “Base Case” thermal overload at this transfer level. The results of this transfer study are summarized below in Table 2. The second FCITC limitation is 1768 MWs. The [REDACTED] is the limiting element due to Category A “Base Case” thermal overload at the 1768 MW transfer level.

Transfer	BREC to Southern Indiana
FCITC	1210 MW
Limiting Element	[REDACTED]
TDF (%) on the Limiting Element	20.37%
FCITC Flow on the Limiting Element	246.4 MW
Base Flow on the Limiting Element	88.6 MW
Limiting Flow on the Limiting Element	335 MW
Rating of the Limiting Element	335 MW
Contingency Description	Base Case

Table 2. – BREC to Southern Indiana Transfer

The definition of the BREC to Southern Indiana transfer is provided below:

Source of Transfer: BREC_Export; Scaling up of generation in Area 314 – BREC

Sink of Transfer: Indiana_Import; Scaling down of generation, including offline generation, in Area 207 – HE, Area 208 – Duke energy Indiana, Area 210 SIGE, Area 212 – Duke Energy Ohio & Kentucky, Area 216 – IP&L and Area 217 - NIPS

3) TVA to BREC Transfer

A high transfer from TVA to BREC was analyzed. The observed transfer capability of 1870 MWs is limited by [REDACTED] with the Category B contingency loss of [REDACTED]. The results of this transfer study are summarized below in Table 3. As the transfer from TVA is increasing and the BREC generation is diminishing, the majority of the increasing transfer will flow from TVA. However, as transfer flow from TVA is increasing, load on the [REDACTED] [REDACTED]. At the above transfer level of 1870 MWs, a Category B contingency loss of [REDACTED] will result in the thermal overloading of [REDACTED].

BREC Transfer Capability Study

Loss of [REDACTED] will initiate implementation of operating guide [REDACTED]. The provisions of this operating guide to mitigate potential low voltage and thermal overloads [REDACTED]. This operating guide may also restrict the TVA to BREC transfer capability to 1870 MWs.

Transfer	TVA to BREC
FCITC	1870 MW
Limiting Element	[REDACTED]
TDF (%) on the Limiting Element	6.92%
FCITC Flow on the Limiting Element	129.3 MW
Base Flow on the Limiting Element	46.7 MW
Limiting Flow on the Limiting Element	176 MW
Rating of the Limiting Element	176 MW
Contingency Description	[REDACTED]

Table 3. – TVA to BREC Transfer

The definition of the TVA to BREC transfer is provided below:

Source of Transfer: TVA_Export; Scaling up of specific generating units in Area 347 – TVA

Sink of Transfer: BREC_Import; Scaling down of BREC generation

4) BREC to TVA Transfer

A high transfer from BREC to TVA was analyzed. The observed transfer capability of 1263 MWs is limited by [REDACTED] due to Category A “Base Case” thermal overload at this transfer level. The results of this transfer study are summarized below in Table 4. The second FCITC limitation is 1752 MW. The [REDACTED]

██████████ is the limiting element due to Category A "Base Case" thermal overload at the 1752 MW transfer level

Transfer	BREC to TVA
FCITC	1263 MW
Limiting Element	██████████
TDF (%) on the Limiting Element	19.52%
FCITC Flow on the Limiting Element	246.4 MW
Base Flow on the Limiting Element	88.6 MW
Limiting Flow on the Limiting Element	335 MW
Rating of the Limiting Element	335 MW
Contingency Description	Base Case

Table 4. – BREC to TVA Transfer

The definition of the BREC to TVA transfer is provided below:

Source of Transfer: BREC_Export; Scaling up of generation in Area 314 – BREC

Sink of Transfer: TVA_Import; Scaling down of generation in Area 347 – TVA

CONCLUSIONS:

BREC import of power from either Southern Indiana generation or TVA is limited by ██████████ with the Category B contingency loss of ██████████. Loss of service of ██████████ will require operating guide ██████████ to be implemented to mitigate potential low voltage and thermal overloads in ██████████. The operating guide may limit BREC import of power.

Export of power from BREC to either Southern Indiana or TVA is limited by the ██████████. The re-dispatch of area generation, particularly at ██████████, may reduce potential emergency loading on this line and allow additional power to be exported.

**Big Rivers Electric Control Area Coincident Peak (CP) Demand
Excluding HMP&L, Including Generation and Transmission Line Losses**

	System CP	% Change
2003	1,476	
2004	1,468	-0.54%
2005	1,510	2.86%
2006	1,533	1.52%
2007	1,554	1.37%
2008	1,443	-7.14%
2009	1,565	8.45%
2010	1,444	-7.73%
2011	1,488	3.05%
2012	1,560	4.84%

**Big Rivers Electric Control Area Coincident Peak (CP) Demand
Excluding HMP&L and Smelters, Including Generation and Transmission Line Losses**

	Native CP without Losses	Native Growth %	Projected Replacement Load without Losses	Generation and Transmission Line Losses	Total System Projected CP Demand	Control Area Growth % including Projected Replacement Load
2014	635			20	655	
2015	635	0.0%		20	655	0.0%
2016	637	0.3%	100	23	760	16.0%
2017	642	0.8%	200	27	869	14.3%
2018	645	0.5%	300	30	975	12.2%
2019	649	0.6%	400	33	1,082	11.0%
2020	653	0.6%	600	40	1,293	19.5%
2021	658	0.8%	800	46	1,504	16.3%
2022	663	0.8%	800	47	1,510	0.4%
2023	668	0.8%	800	47	1,515	0.3%
2024	673	0.7%	800	47	1,520	0.3%

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1 **Item 14)** *Refer to Berry Testimony, page 13, lines 19-22. Mr. Berry states that if*
2 *none of Big Rivers' mitigation efforts prove fruitful, the utility would be able to replace*
3 *some or all the smelter load through off-system sales when market prices increase to a*
4 *level that would justify returning idled units to operational status. Big Rivers currently*
5 *projects that market prices will return to such a level in 2019. Provide an analysis or study*
6 *to support that projection.*

7
8 **Response)** Please see the 15 year production cost model and the most recent version of
9 Big Rivers' long-term financial model, including all inputs and outputs through the year 2027
10 provided electronically under a petition for confidential treatment. In the financial model,
11 the Wilson Station returns to service in May 2018 to meet Big Rivers' load recovery
12 requirements and Coleman Station in July 2019 due to continued load recovery and the
13 strength of the off-system market.

14 Also, the electronic files provided for this response contain two sensitivity analyses
15 incorporating the capacity market. In these sensitivities, the Wilson Station and Coleman
16 Station become economically viable in 2016.

17 In regard to market price analysis, Big Rivers utilizes ACES for forward power
18 market price projections. ACES incorporates broker values that are updated daily for the

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 near term (present-7 years on-peak, 5 years off-peak) then uses Wood Mackenzie's no carbon
2 case that is updated every six months for the long term (10 years and longer). The brokered
3 values for the near term (present-7 years on-peak, 5 years off-peak) represent actual prices at
4 which counterparties in the market have transacted; thus, these are not "projections" but are
5 actual market prices. Off-peak years 6-7 are modeled based on the peak/off-peak ratios of
6 previous market quotes. In the mid-term (years 8-9), the year 7 values are inflated by the US
7 Zero Coupon rate and blended with the Wood Mackenzie prices. The Wood Mackenzie no
8 carbon case power prices were last updated on 2/27/2013, so a new update is expected
9 anytime.

10 Please see the attached table, which is provided under a petition for confidential
11 treatment, displaying the ACES power price forecast for IN Hub that was used in the PCM
12 runs for both rate cases and the current (8-19-2013) power price forecast. ACES forward
13 price forecasts have declined since the Century rate case where power price forecasts from
14 the fall of 2012 were used.

15 Also, Big Rivers has subscribed to IHS-CERA (Cambridge Energy Research
16 Association) for another outlook on power price forecasts. IHS-CERA updates its forecast
17 every six months, and the spring 2013 forecast is included in the table. IHS-CERA forecasts
18 are higher than the ACES forecast. In discussions with IHS, the increase in price forecasts

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 for 2014 is due mainly to a natural gas price increase. Beginning in 2021, IHS is forecasting
2 a carbon tax explaining the large increase in 2021; there is no carbon included in pricing
3 before 2021.

4 Big Rivers has not utilized any IHS forecasts in the production cost modeling, and
5 continues to evaluate options to provide the most accurate price forecast available. If the
6 prices in the IHS forecast prove to be correct, the units will become economically viable at
7 earlier dates than listed.

8

9 **Witness)** Robert W. Berry

**Big Rivers Electric Corporation
ACES Power Price Forecast**

Year	ACES IN-Hub Forecast - 8/19/13				PCM Model Prices - Rate Cases				IHS IN-Hub, Global Design	
	ACES IN-Hub		% Change from Alcan Rate Case	% Change from Century Rate Case	ACES IN-Hub Alcan		ACES IN-Hub Century		Forecast, Spring, 2013	
	Forecast - 8/19/13				Forecast - April, 2013		Forecast - Fall, 2012		Forecast, Spring, 2013	
	ATC	% Inc.	ATC	% Inc.	ATC	% Inc.	ATC	% Inc.		
2013										
2014										
2015										
2016										
2017										
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2019										
2020										
2021										
2022										
2023										
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BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1 **Item 15)** *Refer to page 11 of the Berry Testimony. Lines 14-17 indicate that Big*
2 *Rivers has offered to sell the Wilson and Coleman stations to multiple parties but that its*
3 *efforts have not produced results.*

4 *a. Provide details on the status of negotiations to sell any Big Rivers*
5 *generating stations.*

6 *b. Provide:*

7 *1) the prices at which Big Rivers has offered to sell the Wilson and*
8 *Coleman stations;*

9 *2) the net book value of each station; and*

10 *3) the long-term debt associated with each station.*

11
12 **Response)**

13 a. Big Rivers has offered both the Wilson and Coleman Stations for sale to a
14 number of counterparties. Big Rivers' offer prices for the sale of both
15 Coleman and Wilson have been consistent among counterparties. Big Rivers
16 has also offered the option of joint-ownership to a number of counterparties.
17 Please see Big Rivers' response to PSC 2-16 for details of Big Rivers'
18 discussions with counterparties regarding all mitigation efforts, including the

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1 sale of assets. [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 b.

5 1) Big Rivers has offered Wilson Station for sale at a price of [REDACTED]
6 [REDACTED] or roughly [REDACTED]. Big Rivers has offered Coleman
7 Station for sale at a price of [REDACTED] or roughly [REDACTED].

8 2) The net book value (excluding construction work in progress), as of
9 7/31/2013, for the Wilson Station was \$448,305,346. The net book
10 value (excluding construction work in progress), as of 7/31/2013, for
11 the Coleman Station was \$180,092,893.

12 3) As of July 31, 2013, Big Rivers' total outstanding long-term debt was
13 \$858,905,176.41. Big Rivers does not allocate long-term debt
14 balances to individual stations. As a result, long-term debt balances
15 associated with each station are not available.

16

17 **Witness)** Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 **Item 16)** *Refer to page 12, lines 8-14, of the Berry Testimony, which indicates that*
2 *Requests for Proposals have been issued in Kentucky for long-term power contracts.*
3 *Describe Big Rivers' response to these opportunities for the potential sale of capacity that*
4 *is no longer needed to serve the smelter load.*

5

6 **Response)** Big Rivers continues to evaluate options to enter into short or long term power
7 contracts with counterparties, sell or lease generating assets, enter into tolling agreements
8 with another entity, or serving a new or existing load in one of our Members' territories. Big
9 Rivers continues to follow a multi-pronged approach, with Big Rivers' members focusing on
10 economic development opportunities and Big Rivers' Energy Services Department working
11 to find wholesale marketing opportunities for the power.

12 Big Rivers' members (Kenergy Corp., Jackson Purchase Energy Corporation, and
13 Meade County Rural Electric Cooperative Corporation (collectively, the "Members"))
14 continue to aggressively seek new commercial and industrial loads within their territory.
15 Each Member has resources dedicated to this task. The Members' staffs actively work with
16 local, regional and state economic development officials to identify and provide technical
17 planning support and electricity pricing quotes to interested economic development
18 prospects. Big Rivers' staff supports the Members' economic development efforts by

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 attending economic development meetings at the request of its Members while providing
2 timely transmission infrastructure cost projections and energy rate pricing estimates given the
3 specific load parameters of the prospect. Big Rivers and the Members have recently joined
4 Kentucky United, which is a collaborative partnership to market and promote economic
5 development within Kentucky. Kentucky United works alongside the Kentucky Cabinet for
6 Economic Development and other economic development professionals from across the state
7 to proactively attract and recruit new industry to the Commonwealth.

8 Through their participation in Kentucky United, Big Rivers and its Members attend a
9 variety of marketing mission trips that include meeting with out-of-state economic
10 development consultants and potential projects through marketing recruiting trips that could
11 help its system secure new load growth through the attraction of new industry. Our
12 economic development team has already scheduled the following trips through the Kentucky
13 United program: Dallas, Texas Consultant Trip; Atlanta, Georgia Consultant Trip; Phoenix,
14 Arizona Consultant Trip; Philadelphia, Pennsylvania Marketing Trip; and Washington, D.C.
15 Marketing Trip.¹

16 Additionally, Big Rivers provides its three distribution Members with financial
17 support to promote economic development initiatives within their cooperative communities.

¹ The cost for these trips is not included in the revenue requirement.

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 In 2012, Big Rivers supported its distribution Members with more than \$100,000 in funding
2 to encourage economic development efforts in Western Kentucky.² Big Rivers believes
3 these efforts can have a positive impact on influencing industrial and commercial load
4 growth within our distribution Members' service territories.

5 As part of Big Rivers' efforts to market the capacity that is no longer needed to serve
6 smelter load, Big Rivers has responded to a number of Requests for Proposals ("RFPs"). The
7 details of each RFP response are outlined below and the RFPs are provided electronically
8 with these responses.

9 Kentucky-Based RFPs

10 Louisville Gas and Electric Company/Kentucky Utilities Company ("LGE/KU"): Big
11 Rivers submitted a confidential proposal in response to a RFP from LGE/KU for up to
12 700MW of firm capacity and energy. [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

² These costs are removed from the revenue requirement for ratemaking purposes.

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

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BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

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BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

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BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

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BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

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BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

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BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

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BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

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BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

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[Redacted]

Witness) Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

- 1 *Item 17) Refer to page 17 of the Berry Testimony.*
- 2 *a. The contracts among Big Rivers, Kenergy Corp. and Century Aluminum*
- 3 *referenced on lines 4-7 have now been approved by the Commission.*
- 4 *Explain whether they have been executed.*
- 5 *b. Confirm whether the Midcontinent Independent System Operator,*
- 6 *Inc. ("MISO") has determined at what base load Century Aluminum may*
- 7 *operate its smelting facilities (reference lines 8-11).*
- 8 *c. Beginning at line 19, Mr. Berry states that "[i]f Big Rivers does*
- 9 *receive transmission revenue from Century, then Big Rivers will pursue the*
- 10 *appropriate method(s) to allow the net benefits to inure to its members."*
- 11 *Explain what is meant by "appropriate method(s)" and provide the timeline*
- 12 *for implementing these methods.*
- 13
- 14

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 **Response)**

2 a. Yes, the contracts have been executed and became effective at 12:01 a.m. on
3 August 20, 2013.

4 b. MISO has established a Base Load of 338 MW providing Century installs the
5 adequate capacitor additions. Century may be allowed to operate above the
6 Base Load if it agrees to curtail load during transmission
7 constraints/contingencies.

8 c. The appropriate method and the timing to implement the method will depend
9 on the circumstances at the time Big Rivers receives the transmission
10 revenues, such as what is known about Century's plans, the extent to which
11 the transmission revenues are expected to be consistent from month to month,
12 and Big Rivers' financial condition. Potential methods include, but are not
13 limited to, an application under KRS 278.455 to reduce rates, seeking
14 authority to implement a tracking mechanism, and a full base rate case.

15

16 **Witness)** Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

- 1 *Item 18 Refer to pages 22-23 of the Berry Testimony.*
- 2 *a. At page 22, line 18, Mr. Berry states, "The Real Time Pricing mechanism*
- 3 *has also become obsolete." Explain how the mechanism has become*
- 4 *obsolete.*
- 5 *b. At page 22, line 23 and continuing to page 23, line 2, Mr. Berry states that*
- 6 *Big Rivers' "Real Time Pricing mechanism should be terminated for the*
- 7 *same reasons that the market-pricing provisions of rate schedule LICX are*
- 8 *being eliminated." Confirm that Mr. Berry is referring to the fact that Big*
- 9 *Rivers "has no shortage of system generation resources" as the reason the*
- 10 *Real Time Pricing ("RTP") mechanism should be terminated.*
- 11 *c. Explain whether Big Rivers has considered that RTP might be more attractive*
- 12 *to customers after they experience the impact of the rate increases Big Rivers*
- 13 *has proposed.*

14

15 **Response)**

- 16 a. The LICX tariff, which was referred to as rate schedule 10 until 2011, was
- 17 originally designed in 1999 to allow Big Rivers to require a retail large
- 18 industrial customer of a member cooperative to pay market-based rates for

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 new or expanded load to the extent that the new or expanded load exceeded a
2 specified threshold. The mechanism for calculating the market-based pricing
3 was built into the LICX tariff.

4 As described by the Commission on page 6 of its February 1, 2008
5 order in Case No. 2007-00164, Big Rivers' final RTP proposal was
6 implemented through "simple modifications" to the LICX tariff. That was
7 possible because the LICX tariff already contained the mechanism for
8 calculating the market-based pricing required for RTP transactions. Any RTP
9 requests would have been handled and designed on a case-by-case basis in
10 special contracts.

11 In this case, Big Rivers proposes to terminate the LICX tariff, which
12 means the market pricing mechanism required for the RTP mechanism will
13 also be terminated. Thus, without the LICX tariff, the RTP mechanism will
14 be obsolete.

15 Additionally, the two largest retail customers on the Big Rivers system
16 are leaving the system, and Big Rivers is in the process of redefining its
17 system resource requirements. The current RTP mechanism does not take into
18 account this change in circumstances and therefore, is fundamentally obsolete.

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

- 1 b. Confirmed. The LICX tariff is being eliminated because Big Rivers has
2 adequate system resources. Because the LICX tariff market pricing
3 mechanism and the RTP mechanism are interwoven and interdependent in the
4 tariff, elimination of the LICX tariff necessarily eliminates the RTP
5 mechanism. Please see also the points made on this subject in part (a) of this
6 response.
- 7 c. Big Rivers is sensitive to the effect of its proposed rate adjustments on
8 member billings. It is important to note, however, that the RTP offering that
9 Big Rivers proposes to terminate is not a broad RTP option available to all
10 retail customers but rather is a narrowly-structured RTP mechanism, offered
11 within the confines of the LICX tariff, which itself is limited to new and
12 expanding load of 10 MW or greater. No retail customer has taken advantage
13 of the existing RTP mechanism, and because of the narrowly-defined
14 applicability qualification under the present LICX tariff, the existing RTP is
15 not likely to be more attractive to customers after they experience the impact of
16 the rate increases Big Rivers has proposed.

17 Furthermore, Big Rivers notes that any new RTP program should be
18 designed to be revenue neutral for Big Rivers. Thus, to the extent that any

BIG RIVERS ELECTRIC CORPORATION

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1 industrial customer would be able to reduce its power costs through such a
2 program, Big Rivers would have to increase rates to other customers to offset
3 that revenue loss. There are also likely to be incremental costs to the
4 members associated with the installation of necessary metering. As such, and
5 given that no industrial customer has ever taken advantage of the existing
6 program, Big Rivers does not believe it would be appropriate at this time to
7 pursue a new RTP program and add to the proposed rate increase for its
8 members.

9 Big Rivers and its Members will continue to consider whether and
10 when it would be appropriate to further evaluate RTP. Also, Big Rivers has
11 recently implemented new Demand Side Management ("DSM") and energy
12 efficiency program offerings and is in the process of evaluating new DSM
13 programs as part of its on-going evaluation of offerings aimed at helping retail
14 consumers better manage both their consumption and their energy bills.

15

16 **Witness)** Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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CASE NO. 2013-00199**

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dated August 19, 2013**

September 3, 2013

1 **Item 19)** *Refer to the Direct Testimony of Jeffrey R. Williams, page 6, lines 16- 17.*
2 *Provide the budget and financial plan approved by Big Rivers' Board in November 2012.*

3

4 **Response)** A copy of the presentation submitted for board approval on November 16,
5 2012 is provided under a petition for confidential treatment as an attachment to this request.
6 The presentation includes Big Rivers' 2014-2016 financial plans.

7

8 **Witness)** Jeffrey R. Williams

Big Rivers Electric Corporation

2013 Budget 2014-2016 Financial Plan

Date Presented: November 16, 2012



North Star

Cost per kWh (A divided by B)

A = Total Cost of Electric Service Minus Non-Member Revenues

B = Smelter and Non-Smelter Member kWh

North Star per Financial Plan

North Star per October 2008 Unwind Model



* Reflects fuel cost
[Redacted]

Mission, Vision and Values

Mission

- Big Rivers will safely deliver low cost, reliable wholesale power, and the cost-effective shared services desired by our Members

Vision

- Big Rivers will be viewed as one of the top G&Ts in the country, and will provide the services our Members desire in meeting future challenges

Values

- Safety
- Integrity
- Excellence
- Member and Community Service
- Respect for the Employee
- Teamwork
- Environmentally Conscious


Case No. 2013-00199

Attachment for Response to PSC 2-19

Witness: Jeffrey R. Williams

Page 3 of 23

Big Rivers
ELECTRIC CORPORATION

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Noteworthy Assumptions (\$ in Thousands)

All \$ in 000s

- 1 The Member (including Smelter) base rate revenue is based on the PSC Order received in November 2011. General Rate base wholesale revenue increase of 29% for Rurals, 18% for Large Industrials and 16% for the Smelter is effective August 21, 2013. One hundred percent of the subsidy between the Rurals and other rate classes has been removed. (No assumption related to outcome of 2012 Rehearing on 2011 Rate Case.)
- 2 The Smelter(s) are at the ceiling of the TIER Adjustment Charge in 2013 (\$2.95). Century ceases operation effective August 20, 2013, per their notification letter. Alcan remains under existing contract structure. Alcan is slightly below the ceiling of their TIER Adjustment Charge in 2014 (\$2.94), below the ceiling in 2015 (\$2.37), and at the ceiling in 2016 (\$3.55).
- 3 Wilson Station is layed up beginning August 21, 2013. Labor reduction is effective December 1, 2013.

4 Off-System sales:

\$/MWh (average)	
MWh	
5 Total MWh sales:	
MWh	
6 Big Rivers' MWh	
MWh	

Noteworthy Assumptions (\$ in Thousands)

continued

7 Market purchases:

	2013	2014	2015	2016
\$/MWh (average)				
MWh				

- 8 Economic Reserve depletes and Rural Economic Reserve (RER) starts in 2015. RER depletes in 2018.
- 9 Environmental Compliance Plan (ECP) assumes HAPS/MATS are viable.
- 10 Environmental Surcharge mechanism changes as approved by the KPSC in the ECP Case is effective (includes ECP expense amortization beginning in 2013 and depreciation, property tax & insurance beginning in 2014).
- 11 HMP&L Excess Energy calculation does not consider the ruling from the arbitration.
- 12 2.25% wage increase for non-bargaining employees in January, for Production bargaining employees in September and for Transmission bargaining employees in October each year 2013-2015; 2% for all employees in 2016.
- 13 Headcount of 627 employees January-November 2013, 535 in December 2013 due to lay up of Wilson. Year end headcount for 2014-2016 is 536. Labor dollars include "churn" of 16 employees in 2013 and 14 employees each year 2014-2016. (Average number of employees in 2012 is 611).
- 14 Severance package cost of \$4,600 related to the Wilson lay-up is deferred and amortized over a 60 month period for both rate recovery and accounting purposes beginning 9/1/13.
- 15 City's MW share of Station Two is based on the unapproved Capacity Reservation and Allocation letter received from HMP&L in April: 115 MW through 5/31/13, 120 MW through 5/31/14, 125 MW for the remaining planning period.

Noteworthy Assumptions (\$ in Thousands)

continued

16 2012 Depreciation Study preliminary rates are reflected.

17 Capital Expenditures for 2013-2016, excluding City's share of Station Two and including capitalized interest:

	2013	2014	2015	2016
Env. Compliance				
Base CAPEX				
Total \$				

18 Refinance the \$58.8m PC Bonds in March 2013, at 6.0% and a level debt service.

19 ECP borrowing at 3.0% with draws matched to spending.

20 MISO administrative fees:

	2013	2014	2015	2016
\$	4,026	2,426	2,438	2,464

No assumption for HMP&L's share of MISO expenses each year.

21 Rate case expenditures of \$1,586 are deferred and amortized over a 36 month period for both rate and accounting purposes (amortization begins 9/1/13).

Case No. 2013-00199

Attachment for Response to PSC 2-19

Witness: Jeffrey R. Williams

Page 6 of 23

Big Rivers
ELECTRIC CORPORATION

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Outage Schedule – 2013-2014

<u>Start</u>	<u>End</u>	<u>Number of Days</u>	<u>Unit/Outage</u>
--------------	------------	---------------------------	--------------------

2013

3/30/13	5/18/13	49	HMPL 2
4/27/13	5/25/13	28	Coleman 1
	Total	77	

2014

3/15/14			
4/5/14			
4/26/14			
9/13/14			

Outage Schedule – 2015-2016

Start	End	Number of Days	Unit/Outage
-------	-----	----------------	-------------

2015

4/11/15			
5/2/15			
5/2/15			

2016

3/5/16			
4/16/16			
4/30/16			

Planned Outage and Routine Fixed Departmental Expense (FDE)

	2010 Actual	2011 Actual	2012 Budget	2012 Forecast	2013 Budget	Financial Plan		
						2014	2015	2016
Planned Outage	7,987	4,724	22,664	7,953				
Routine	33,725	36,443	37,705	33,083				
Total Production FDE	41,712	41,167	60,369	41,036				

in \$000s

	2012 Budget	2012 Forecast (8+4)	2013 Budget	2014 Financial Plan	2015 Financial Plan	2016 Financial Plan
ELECTRIC ENERGY REVENUES	614,725	556,113				
OTHER OPERATING REVENUE AND INCOME	4,012	4,861	3,696	3,700	3,696	3,695
TOTAL OPER REVENUES & PATRONAGE CAPITAL	618,737	560,974				
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	54,962	49,286				
OPERATION EXPENSE-PRODUCTION-FUEL	240,841	222,227				
OPERATION EXPENSE-OTHER POWER SUPPLY	126,165	109,264				
OPERATION EXPENSE-TRANSMISSION	10,723	9,798				
OPERATION EXPENSE-RTO/ISO	2,471	2,261				
CONSUMER SERVICE & INFORMATIONAL EXPENSE	724	554				
OPERATION EXPENSE-SALES	1,102	854				
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	25,926	28,132				
TOTAL OPERATION EXPENSE	462,914	422,376				
MAINTENANCE EXPENSE-PRODUCTION	58,890	40,914				
MAINTENANCE EXPENSE-TRANSMISSION	3,933	4,559				
MAINTENANCE EXPENSE-GENERAL PLANT	102	155				
TOTAL MAINTENANCE EXPENSE	62,925	45,628				
DEPRECIATION & AMORTIZATION EXPENSE	41,911	41,272	42,314	44,908	46,847	47,799
TAXES	1	4	1	1	1	1
INTEREST ON LONG-TERM DEBT	44,647	45,028	46,304	47,162	47,088	46,729
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(678)	(789)	(772)	(2,102)	(499)	(367)
OTHER INTEREST EXPENSE	0	55	0	0	0	0
OTHER DEDUCTIONS	416	261	577	591	596	444
TOTAL COST OF ELECTRIC SERVICE	612,136	553,835				
OPERATING MARGINS	6,601	7,139				
INTEREST INCOME	62	889	2,019	1,950	1,881	1,815
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0
OTHER NON-OPERATING INCOME - NET	0	0	0	0	0	0
OTHER CAPITAL CREDITS & PAT DIMDENDS	33	59	1,271	2,706	2,628	2,544
EXTRAORDINARY ITEMS	0	0	0	0	0	0
NET PATRONAGE CAPITAL OR MARGINS	6,696	8,087				
Attachment for Response to PSC 2-19	0.050925	0.047904				
Witness: Jeffrey R. Williams	1.15	1.18				

Budget does not reflect incentive pay estimate.
Page 10 of 23

in \$000s

	2013 Budget													2012 Forecast (8+4)
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	TOTAL
ELECTRIC ENERGY REVENUES	51,457	46,358	48,735	43,807	45,474	47,344	51,189	50,011						556,113
OTHER OPERATING REVENUE AND INCOME	312	308	308	308	308	308	308	308	308	308	308	304	3,696	4,861
TOTAL OPER REVENUES & PATRONAGE CAPITAL	51,769	46,666	49,043	44,115	45,782	47,652	51,497	50,319						560,974
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,620	4,361	4,765	4,498	5,144	4,458	4,612	4,528						49,286
OPERATION EXPENSE-PRODUCTION-FUEL	22,037	19,906	21,433	20,669	19,829	20,313	22,358	21,580						222,227
OPERATION EXPENSE-OTHER POWER SUPPLY	7,631	7,126	8,378	7,703	8,016	7,143	7,407	7,075						109,264
OPERATION EXPENSE-TRANSMISSION	788	743	798	736	771	791	794	792						9,798
OPERATION EXPENSE-RTO/ISO	207	182	195	176	186	193	201	197						2,261
CONSUMER SERVICE & INFORMATIONAL EXPENSE	68	62	188	84	85	284	85	85						554
OPERATION EXPENSE-SALES	6	5	18	7	7	29	7	7						854
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,251	2,104	2,878	2,220	2,603	2,898	2,206	2,313						28,132
TOTAL OPERATION EXPENSE	37,608	34,489	38,653	36,093	36,641	36,109	37,670	36,577						422,376
MAINTENANCE EXPENSE-PRODUCTION	2,735	3,213	3,476	3,937	7,294	3,017	3,313	3,271						40,914
MAINTENANCE EXPENSE-TRANSMISSION	384	362	447	372	438	528	526	452						4,559
MAINTENANCE EXPENSE-GENERAL PLANT	20	18	18	18	18	17	18	18						155
TOTAL MAINTENANCE EXPENSE	3,139	3,593	3,941	4,327	7,750	3,562	3,857	3,741						45,628
DEPRECIATION & AMORTIZATION EXPENSE	3,440	3,442	3,446	3,452	3,466	3,479	3,487	3,493	3,642	3,647	3,658	3,662	42,314	41,272
TAXES	0	0	0	1	0	0	0	0	0	0	0	0	1	4
INTEREST ON LONG-TERM DEBT	3,802	3,494	3,929	3,837	3,944	3,802	3,936	3,936	3,821	3,973	3,865	3,965	46,304	45,028
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(2)	(6)	(22)	(46)	(40)	(60)	(80)	(41)	(60)	(103)	(135)	(177)	(772)	(789)
OTHER INTEREST EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0	55
OTHER DEDUCTIONS	46	38	48	46	45	64	44	44	43	47	46	66	577	261
TOTAL COST OF ELECTRIC SERVICE	48,033	45,050	49,995	47,710	51,806	46,956	48,914	47,750						553,835
OPERATING MARGINS	3,736	1,616	(952)	(3,595)	(6,024)	696	2,583	2,569						7,139
INTEREST INCOME	171	170	170	169	169	168	168	168	168	168	166	164	2,019	889
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER NON-OPERATING INCOME - NET	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER CAPITAL CREDITS & PAT DIVDENDS	0	0	1,238	25	0	0	0	8	0	0	0	0	1,271	59
EXTRAORDINARY ITEMS	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NET PATRONAGE CAPITAL OR MARGINS	3,907	1,786	456	(3,401)	(5,855)	864	2,751	2,745						8,087

Case No. 2013-00199

Attachment for Response to PSC 2-19

Witness: Jeffrey R. Williams

Cash Position * (in Thousands of \$)

	Budget	Financial Plan		
	2013	2014	2015	2016
Beginning Balance	101,423	82,849	80,952	82,870
Cash Receipts	548,617	492,318	513,575	529,089
Cash Disbursements	(537,518)	(460,633)	(450,328)	(457,648)
Debt Service	(29,673)	(33,582)	(61,329)	(62,784)
Ending Balance	82,849	80,952	82,870	91,527

* General Fund and Temporary Investments


Electric Energy Revenue – 2013

(\$ in Thousands)

	2013			2012 Budget	2012 Forecast (8+4)
	MWH	\$	\$/MWH	\$/MWH	\$/MWH
MEMBER REVENUE:					
GROSS:					
Rurals	2,409,829	143,329	59.48	53.10	50.57
Industrials	943,027	46,238	49.03	45.89	43.18
	<u>3,352,856</u>	<u>189,567</u>	<u>56.54</u>	<u>51.02</u>	<u>48.40</u>
LESS MRSM:					
Rurals	2,409,829	19,648	8.15	8.74	6.06
Industrials	943,027	7,131	7.56	8.64	6.10
	<u>3,352,856</u>	<u>26,779</u>	<u>7.99</u>	<u>8.71</u>	<u>6.07</u>
NET MEMBER REVENUE:					
Rurals	2,409,829	123,681	51.32	44.36	44.51
Industrials	943,027	39,107	41.47	37.25	37.08
	<u>3,352,856</u>	<u>162,788</u>	<u>48.55</u>	<u>42.31</u>	<u>42.34</u>
SMELTER REVENUE:					
Smelters	5,820,541	302,822	52.03	51.80	48.77
MARKET REVENUE:					
Market Sales				40.77	28.29
ELECTRIC ENERGY REVENUE				50.14	46.47

Case No. 2013-00199
 Attachment for Response to PSC 2-19
 Witness: Jeffrey R. Williams
 Page 13 of 23



Your Touchstone Energy[®] Cooperative 

Electric Energy Revenue – 2014

(\$ in Thousands)

	2014			2013
	MWH	\$	\$/MWH	\$/MWH
MEMBER REVENUE:				
GROSS:				
Rurals	2,448,796	181,796	74.24	59.48
Industrials	943,699	55,090	58.38	49.03
	<u>3,392,495</u>	<u>236,886</u>	<u>69.83</u>	<u>56.54</u>
LESS MRSM:				
Rurals	2,448,796	24,621	10.05	8.15
Industrials	943,699	8,671	9.19	7.56
	<u>3,392,495</u>	<u>33,292</u>	<u>9.81</u>	<u>7.99</u>
NET MEMBER REVENUE:				
Rurals	2,448,796	157,175	64.18	51.32
Industrials	943,699	46,419	49.19	41.47
	<u>3,392,495</u>	<u>203,594</u>	<u>60.01</u>	<u>48.55</u>
SMELTER REVENUE:				
Smelter(s)	3,159,206	191,192	60.52	52.03
MARKET REVENUE:				
Market Sales				
ELECTRIC ENERGY REVENUE				


Electric Energy Revenue – 2015

(\$ in Thousands)

	2015			2014
	MWH	\$	\$/MWH	\$/MWH
MEMBER REVENUE:				
GROSS:				
Rurals	2,479,657	189,906	76.59	74.24
Industrials	943,699	57,150	60.56	58.38
	<u>3,423,356</u>	<u>247,056</u>	<u>72.17</u>	<u>69.83</u>
LESS MRSM:				
Rurals	2,479,657	27,629	11.14	10.05
Industrials	943,699	5,911	6.26	9.19
	<u>3,423,356</u>	<u>33,540</u>	<u>9.80</u>	<u>9.81</u>
NET MEMBER REVENUE:				
Rurals	2,479,657	162,277	65.44	64.18
Industrials	943,699	51,239	54.30	49.19
	<u>3,423,356</u>	<u>213,516</u>	<u>62.37</u>	<u>60.01</u>
SMELTER REVENUE:				
Smelter	3,159,206	199,689	63.21	60.52
MARKET REVENUE:				
Market Sales				
ELECTRIC ENERGY REVENUE				

Case No. 2013-00199
 Attachment for Response to PSC 2-19
 Witness: Jeffrey R. Williams
 Page 15 of 23



Your Touchstone Energy' Cooperative 


Electric Energy Revenue – 2016

(\$ in Thousands)

	2016			2015
	MWH	\$	\$/MWH	\$/MWH
MEMBER REVENUE:				
GROSS:				
Rurals	2,519,437	198,316	78.71	76.59
Industrials	944,107	59,181	62.68	60.56
	<u>3,463,544</u>	<u>257,497</u>	<u>74.34</u>	<u>72.17</u>
LESS MRSM:				
Rurals	2,519,437	30,064	11.93	11.14
Industrials	944,107	0	0.00	6.26
	<u>3,463,544</u>	<u>30,064</u>	<u>8.68</u>	<u>9.80</u>
NET MEMBER REVENUE:				
Rurals	2,519,437	168,252	66.78	65.44
Industrials	944,107	59,181	62.68	54.30
	<u>3,463,544</u>	<u>227,433</u>	<u>65.66</u>	<u>62.37</u>
SMELTER REVENUE:				
Smelter	3,167,862	205,773	64.96	63.21
MARKET REVENUE:				
Market Sales				
ELECTRIC ENERGY REVENUE				

Case No. 2013-00199
 Attachment for Response to PSC 2-19
 Witness: Jeffrey R. Williams
 Page 16 of 23



Your Touchstone Energy[®] Cooperative 

Production - Variable Costs – 2013

(in Thousands of \$)

	2013 Budget						Total	2012 (8+4)
	Wilson	Green	Coleman	Station Two	Reid Steam	Reid CT		Total
Generation MWh (Net)	[REDACTED]							10,282,686
Heat Rate								10,819
MMbtu Burn (Coal)								111,248,380
\$/Mmbtu (Coal)								2.18
Total Fuel Cost								246,978
Fuel Cost (Cents / kWh)								2.40
Non-Fuel VO Cost								26,071
Non-Fuel VO (Cents / kWh)								0.25
Total Variable Cost (Fuel & Non-Fuel)								273,049
Total Variable (Cents / kWh)								2.66

*Station Two Variable Costs are included in Other Power Supply Expense as Purchased Power.

Production - Variable Costs – 2014

(in Thousands of \$)

2014 Financial Plan

	Wilson	Green	Coleman	Station Two	Reid Steam	Reid CT	Total	2013 Budget Total
Generation MWh (Net)								
Heat Rate								
MMbtu Burn (Coal)								
\$/Mmbtu (Coal)								
Total Fuel Cost								
Fuel Cost (Cents / kWh)								
Non-Fuel VO Cost								
Non-Fuel VO (Cents / kWh)								
Total Variable Cost (Fuel & Non-Fuel)								
Total Variable (Cents / kWh)								

*Station Two Variable Costs are included in Other Power Supply Expense as Purchased Power.

Production - Variable Costs – 2015

(in Thousands of \$)

	2015 Financial Plan							2014 Financial Plan
	Wilson	Green	Coleman	Station Two	Reid Steam	Reid CT	Total	Total
Generation MWh (Net)								
Heat Rate								
MMbtu Burn (Coal)								
\$/Mmbtu (Coal)								
Total Fuel Cost								
Fuel Cost (Cents / kWh)								
Non-Fuel VO Cost								
Non-Fuel VO (Cents / kWh)								
Total Variable Cost (Fuel & Non-Fuel)								
Total Variable (Cents / kWh)								

*Station Two Variable Costs are included in Other Power Supply Expense as Purchased Power.

Production - Variable Costs – 2016

(in Thousands of \$)

	2016 Financial Plan							2015 Financial Plan
	<u>Wilson</u>	<u>Green</u>	<u>Coleman</u>	<u>Station Two</u>	<u>Reid Steam</u>	<u>Reid CT</u>	<u>Total</u>	<u>Total</u>
Generation MWh (Net)								
Heat Rate								
MMbtu Burn (Coal)								
\$/Mmbtu (Coal)								
Total Fuel Cost								
Fuel Cost (Cents / kWh)								
Non-Fuel VO Cost								
Non-Fuel VO (Cents / kWh)								
Total Variable Cost (Fuel & Non-Fuel)								
Total Variable (Cents / kWh)								

*Station Two Variable Costs are included in Other Power Supply Expense as Purchased Power.

Operation Expense-Other Power Supply

(in Thousands of \$)

	2012 <u>Budget</u>	2012 Forecast <u>(8+4)</u>	Financial Plan			
			2013 <u>Budget</u>	2014	2015	2016
PURCHASED POWER:						
SEPA	9,615	8,615				
HMP&L Station Two Excess Energy	549	301				
Market Purchases	45,186	36,271				
Member Passthrough	(3,695)	(2,483)				
Subtotal	51,655	42,704				
OTHER POWER SUPPLY COSTS:						
HMP&L Station Two						
Depreciation	2,598	3,183	3,341	3,462	3,611	3,696
Labor	7,720	8,038	7,571	7,278	7,361	7,540
Fuel	40,585	34,057				
Variable Operation Expense	6,306	5,072				
Property Insurance	382	382	399	440	461	485
Property Tax	253	177	190	191	193	194
O&M Non-Labor	12,416	11,743				
Power Supply Reservation	4,250	3,908	4,300	4,300	4,300	4,300
Subtotal	74,510	66,560				
Total Operation Expense - Other Power Supply	126,165	109,264				


Case No. 2013-00199

Attachment for Response to PSC 2-19

Witness: Jeffrey R. Williams

Page 21 of 23

Big Rivers
ELECTRIC CORPORATION

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Labor and Labor Overheads (\$ in Thousands)

	Budget				Financial Plan					
	2012		2013		2014		2015		2016	
	\$	Headcount	\$	Headcount	\$	Headcount	\$	Headcount	\$	Headcount
Production	46,015	441	45,775	437	36,203	351	36,996	351	37,951	351
Transmission	3,083	34	3,286	33	3,234	33	3,321	33	3,410	33
Support	19,583	158	19,737	157	18,900	152	19,476	152	19,932	152
Total*	68,681	633	68,798	627	58,337	536	59,793	536	61,293	536

* Dollars reflect Big Rivers' share of labor/labor overhead expense.
Headcount in 2013 reflects staffing prior to Wilson lay-up. Staffing at 12/31/13 will be 535.

"Churn" of 16 employees in 2013 and 14 employees in all other years is assumed in the labor dollar calculations.

Capital Expenditures * (in Thousands of \$)

	Financial Plan					
	2012 Budget	2012 Forecast (8+4)	2013 Budget	2014	2015	2016
Production	52,359	27,756				
Transmission	12,459	9,270				
Environmental Compliance Projects	14,112	479				
Administration	2,259	1,657				
IT	2,116	2,046				
Total Capital Expenditures	83,305	41,208				

*Big Rivers' share, includes capitalized interest.

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 **Item 20)** *Refer to page 12 of the Direct Testimony of Lindsay N. Barron (“Barron*
2 *Testimony”) wherein Ms. Barron discusses price elasticity's being incorporated into*
3 *models used to forecast the Rural customer class load. Explain whether price elasticity*
4 *was incorporated into models used to forecast the Large Industrial class load.*

5

6 **Response)** The forecast for the large industrial class is developed individually for each
7 customer by incorporating known changes to the customers' load. Rather than developing a
8 regression based forecasting model, projections of large industrial energy and demand
9 requirements are based on consumption and peak demand from the previous year and are
10 adjusted to reflect known changes in operations, thus price elasticity for the large industrial
11 class was not directly incorporated into the forecast. Big Rivers works closely with the
12 Member cooperatives, which have consistent communications with large industrial
13 customers, to ensure that the forecast best reflects the customers' expected consumption.

14 Large industrial customers have less ability to react to price signals than do rural class
15 customers. As such, Big Rivers believes it is inappropriate to assume that large industrial
16 customers will reduce their consumption without first having seen a demonstration of such
17 reduction. Lowering Big Rivers' projection of Large Industrial consumption would result in
18 an increase in the revenue requirement for this case. Big Rivers and its Members desire to

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

- 1 keep rates as low as possible, and as such, believe it prudent to wait and see if Large
- 2 Industrial consumption changes, instead of assuming that it will.
- 3
- 4 **Witness)** Lindsay N. Barron

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1 **Item 21)** *Refer to page 14 of the Barron Testimony wherein Ms. Barron discusses the*
2 *MISO Capacity Charge.*

3 *a. Provide a description of the nature of the costs Big Rivets expects to incur.*

4 *b. Provide the derivation of the \$510,552 forecasted to be incurred in February*
5 *through May 012014 and explain why these costs will be incurred only*
6 *during those months.*

7
8 **Response)**

9 a. Under the MISO tariff and Business Practices Manual-011 Resource
10 Adequacy, Big Rivers is required to show that it has sufficient Zonal Resource
11 Credits ("ZRC") to meet its Planning Reserve Margin Requirement
12 ("PRMR") for any Local Resource Zone ("LRZ") in which it has load. In
13 general one MW of Unforced Capacity ("UCAP") for a resource equals one
14 ZRC. Big Rivers' generating units and SEPA capacity qualify as ZRCs. Also
15 all of Big Rivers' generation, SEPA and load are considered to be in MISO
16 LRZ 6. Any resource that provides ZRCs to MISO to meet a PRMR
17 obligation must be available for the entire MISO Planning Year which runs
18 from June to May. This determination is made during an annual MISO
19 administered auction in February/March prior to the start of the MISO

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 Planning Year in June. Before a resource can be retired, idled, etc. any ZRCs
2 that resource provided to the MISO market, must first be replaced with
3 equivalent ZRCs. Likewise, if a load exits the MISO system during the
4 planning year, it is still required to pay for the ZRCs needed to cover its load
5 for the remainder of the planning year.

6 b. Please find the file "PSC 1-21.xlsx" provided electronically with these
7 responses which details the calculations made to estimate the \$510,552
8 forecast. Big Rivers estimated that it would be required to replace the
9 Coleman facilities' ZRCs in the bilateral market if the unit was idled, as well
10 as pay the residual capacity costs for Century and Alcan's load through the
11 end of the planning year (which ends May 2014). Big Rivers assumed that the
12 units would not be committed to meet ZRC requirements nor would Big
13 Rivers be responsible for the Century or Alcan PRMR after the end of the
14 current planning year.

15

16 **Witness)** Lindsay N. Barron

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 **Item 22)** *Refer to the Direct Testimony of Christopher A. Warren. Provide Exhibit*
2 *Warren-2 in Excel spreadsheet format with the formulas intact and unprotected and with*
3 *all rows and columns accessible.*

4

5 **Response)** Please see the attached electronic spreadsheet titled "PSC 2-22 (Attachment) -
6 CONFIDENTIAL" provided electronically under a petition for confidential treatment with
7 these responses.

8

9 **Witness)** Christopher A. Warren

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1 **Item 23)** *Refer to page 13 of the Direct Testimony of John Wolfram ("Wolfram*
2 *Testimony"), Exhibit Worlfram-2 Reference Schedule 1.05, Lobbying Expenses, and Tab*
3 *49 of the application, Exhibit 49, page 9.*

4 a. *Explain if the adjustment for lobbying expense includes the \$68,023 of*
5 *Civic and Political Expenses shown in Exhibit 49.*

6 b. *For the test year, provide a breakdown by month of the internal and*
7 *external lobbying expenses.*

8 c. *Provide a detailed description of the internal lobbying expense.*

9 **Response)**

10 a. Yes, the adjustment for lobbying expense includes the \$68,023 of Civic and
11 Political Expenses shown in Exhibit 49.

12 b. Please see the attachment to this response for a breakdown by month of the
13 internal and external lobbying expenses.

14 c. The internal lobbying expenses are the portion of labor costs incurred by the
15 Director of Governmental Relations for lobbying associated with the
16 Kentucky General Assembly.

17
18 **Witness)** John Wolfram and Jeffrey R. Williams

Big Rivers Electric Corporation
Case No. 2013-00199

Internal and External Lobbying Expenses
For the Forecasted Test Period

DESCRIPTION	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Lobbying Expense	1,520	2,270	1,486	54,137	1,870	1,120	1,120	1,870	1,120	1,120	1,870	1,520
Internal Lobbying Expense	400	400	366	-	-	-	-	-	-	-	-	400
External Lobbying Expense	1,120	1,870	1,120	54,137	1,870	1,120	1,120	1,870	1,120	1,120	1,870	1,120

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1 **Item 24)** *Refer to page 14 of the Wolfram Testimony wherein Mr. Wolfram discusses*
2 *the cessation in 2015 of the surcredit to the Rural and Large Industrial classes that was*
3 *funded by a smelter surcharge.*

4 *a. Provide the effect this cessation will have on customers' bills.*

5 *b. Given that the surcredit will continue through 2014, which includes the first*
6 *11 months of the test year, explain in detail why it is appropriate to*
7 *eliminate this amount.*

8 **Response)**

9 a. The total annualized amount of the surcredit is \$442,329. The monthly effect
10 on the Rural and Large Industrial bills is \$0.000148 per kWh. For the
11 individual retail consumer using 1,000 kWh per month, this amounts to about
12 \$0.15 per month.

13 b. The surcredit continues for the first 11 months of the test year, but the
14 surcharge from the smelters that funds the surcredit does not. Thus it is
15 appropriate to remove the surcredit amount from the revenue requirement in
16 this case in order to eliminate the regulatory lag and to ensure a matching
17 between the surcharge and the surcredit – both of which are non-recurring
18 following the termination of the smelter contracts.

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1

2 **Witness)** John Wolfram

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 **Item 25)** *Refer to lines 16-18 on page 15 of the Wolfram Testimony and lines 14-16*
2 *on page 16 of the Berry Testimony. The Wolfram Testimony states that Reference*
3 *Schedule 1.10 of Exhibit Wolfram-2 eliminates the burdened labor expenses for the*
4 *Coleman plant and plant-related staff that are included in the 2014 forecast in February,*
5 *March, and April. The Berry Testimony provides June 1, 2014 as a possible idle date for*
6 *the Coleman Station. Given that June 1, 2014 is a possible idle date, explain why Coleman*
7 *costs for the month of May 2014 were not included in the 2014 forecast.*

8
9 **Response)** Page 16 of Mr. Berry's direct testimony states, "Current estimates anticipate
10 Coleman Station will be idled the earlier of: a) When the appropriate equipment is installed
11 to allow Century to operate at its anticipated base load with Coleman idled or b) June 1,
12 2014. Thus, June 1, 2014, is the latest date that Big Rivers anticipates Coleman Station will
13 be idled. For purposes of its forecast, Big Rivers assumed that Coleman would be idled in
14 February 2014. Based on that assumption, projected headcount reductions resulting from this
15 plant layup would occur before May 2014. Additionally, had Big Rivers assumed that
16 Coleman Station would be idled June 1, 2014, it would not have affected Big Rivers' revenue
17 requirement because the severance costs would still occur in the test period and Reference

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Initial Request for Information
dated June 10, 2013**

July 12, 2013

- 1 Schedule 1.10 of Exhibit Wolfram-2 would have excluded from the revenue requirement the
- 2 Coleman labor expenses for May 2014.
- 3
- 4 **Witnesses)** John Wolfram and Jeffrey R. Williams

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 **Item 26)** Refer to page 17 of the Wolfram Testimony and Reference Schedule 1.12,
2 **Exhibit Wolfram-2, Demand Side Management Expenses (“DSM”). Explain why the**
3 **DSM expenses for the months of June 2014 and December 2014 increase by the**
4 **magnitude shown.**

5

6 **Response)** The 2014 DSM budget estimate accumulates spending around the middle and
7 the end of the year for a number of reasons including increased activity as a result of the
8 construction season, Members’ annual meeting CFL distributions, the beginning of both the
9 heating and cooling season and end of year budget availability for commercial customers.
10 Actual spending will vary based on program activity and invoice timing.

11

12 **Witness)** Lindsay N. Barron

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 **Item 27)** *Refer to page 18 of the Wolfram Testimony, lines 5-10, and Reference*
2 *Schedule 1.13, Exhibit Wolfram-2, Non-Labor Expenses Related to Plant Layup.*

3 *a. Provide a detailed description of the costs that are represented by this*
4 *adjustment.*

5 *b. Explain what is meant by "Pro Forma Year Cost" on line 17 of the*
6 *reference schedule.*

7 *c. Explain what the cost of \$1,230,305 on the schedule represents and how it*
8 *was determined and calculated.*

9

10 **Response)**

11 a. This adjustment removes non-labor expenses associated with the Coleman
12 plant layup. These non-recurring costs are for materials and outside services
13 associated with preparing the facilities for layup. Examples include draining
14 the water side of the boiler and filling it with nitrogen, installing
15 dehumidifiers on the turbine and generator, installing heaters and air movers
16 in the duct work and draining all of the gear boxes and replacing the operating
17 oil with storage oil. The normalized annual cost, per Exhibit Wolfram-2
18 Reference Schedule 1.13 for Coleman non-labor is \$1,230,305.

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 b. The Pro Forma Year Cost on line 17 is the “normal” annual amount of non-
2 labor expense for Coleman Station in an idled status, or the amount of non-
3 labor expense for a year in which Coleman is idled (not including the costs of
4 transitioning the facility to the idled state). This normalized amount is derived
5 from the 2015 forecast for Coleman Station, because 2015 is the first full
6 calendar year the plant is idled.

7 c. Please see the response to part (b).

8

9 **Witness)** John Wolfram

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1 **Item 28)** *Refer to page 22 of the Wolfram Testimony. Beginning at line 18, Mr.*
2 *Wolfram states that “[t]he selection of certain allocation vectors for particular expenses*
3 *and revenues is the same in the cost-of-service study filed in this case as they were in the*
4 *study filed in Case No. 2012-00535.” State whether the allocation methodology used for*
5 *any item in the cost-of-service study (“COSS”) in this case differs from that used in the*
6 *COSS filed in Case No. 2012-00535.¹*

7

8 **Response)** The allocation methodology used in the COSS in this case does not differ
9 from that used in the COSS filed in Case No. 2012-00535 for any item.

10

11 **Witness)** John Wolfram

¹ Case No. 2012-00535, Application of Big Rivers Electric Corporation for an Adjustment of Rates
(filed Jan.15, 2013)

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 **Item 29)** *Refer to page 23 of the Wolfram Testimony wherein Mr. Wolfram states that*
2 *a 12CP methodology was used to allocate production and transmission demand-related*
3 *costs. Explain the reasons for using a 12CP methodology and why it is still a reasonable*
4 *methodology given the loss of the smelter load.*

5

6 **Response)** The 12 CP approach was used to allocate Transmission demand costs because
7 this is the methodology preferred by the Federal Energy Regulatory Commission (“FERC”)
8 for transmission rate filings.¹ 12 CP is also used by the Midcontinent Independent System
9 Operator, Inc. (“MISO”) for developing transmission rates from the Attachment O filings of
10 MISO members, including Big Rivers. The 12 CP methodology was also used to allocate
11 transmission costs in the last two Big Rivers rate cases before this Commission.

12 The 12 CP methodology was used to allocate Production demand costs primarily
13 because it was employed in the last rate case without objection by any party. The 12 CP
14 methodology continues to be reasonable given the smelter contract terminations. To show
15 this, one can examine the average of the twelve monthly peaks as a percentage of the highest
16 monthly peak. Higher percentages lend support for the use of 12 CP. For this filing, the
17 ratio is 86%, which supports the use of 12 CP. One can also examine the lowest monthly

¹ McGrew, James H. *FERC: Federal Energy Regulatory Commission. Basic Practice Series.* American Bar Association, 2009, p. 188. Print.

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 peak as a percentage of the annual peak. Again, higher percentages lend support for the use
2 of 12 CP. For this filing, the ratio is 69%, which also supports the use of 12 CP. These
3 values support the use of the 12 CP methodology.

4 Finally, the difference in allocation factors between the RDS class and LIC class
5 when comparing the 12 CP methodology to the 6 CP, 4 CP, 3 CP or 1 CP methodologies is
6 relatively small – approximately 2%. See attached. This small difference indicates that
7 using a different allocation methodology would have a limited effect on the results of the cost
8 of service study.

9 For these reasons, the use of the 12 CP methodology for allocating Production
10 demand costs is reasonable in the instant filing.

11

12 **Witness)** John Wolfram

**Big Rivers Electric Corporation
Case No. 2013-00199**

Comparison of Forecast Test Period Coincident Peak Load Data

Month	CP Demand (KW)			Allocation		
	RDS	LIC	Total	RDS	LIC	Total
Feb-14	437,900	108,704	546,604	80.1%	19.9%	100%
Mar-14	386,400	107,624	494,024	78.2%	21.8%	100%
Apr-14	325,200	111,482	436,682	74.5%	25.5%	100%
May-14	379,400	111,327	490,727	77.3%	22.7%	100%
Jun-14	470,200	112,639	582,839	80.7%	19.3%	100%
Jul-14	509,200	115,956	625,156	81.5%	18.5%	100%
Aug-14	492,500	117,037	609,537	80.8%	19.2%	100%
Sep-14	446,200	113,256	559,456	79.8%	20.2%	100%
Oct-14	328,600	112,639	441,239	74.5%	25.5%	100%
Nov-14	398,100	112,485	510,585	78.0%	22.0%	100%
Dec-14	459,700	113,951	573,651	80.1%	19.9%	100%
Jan-15	495,500	110,247	605,747	81.8%	18.2%	100%

Sorted Monthly Peak Load Data (KW)						
#	Month	12 CP	6 CP	4 CP	3 CP	1 CP
1	Jul-14	625,156	625,156	625,156	625,156	625,156
2	Aug-14	609,537	609,537	609,537	609,537	
3	Jan-15	605,747	605,747	605,747	605,747	
4	Jun-14	582,839	582,839	582,839		
5	Dec-14	573,651	573,651			
6	Sep-14	559,456	559,456			
7	Feb-14	546,604				
8	Nov-14	510,585				
9	Mar-14	494,024				
10	May-14	490,727				
11	Oct-14	441,239				
12	Apr-14	436,682				
	Total	6,476,248	3,556,386	2,423,279	1,840,440	625,156

12 CP	5,128,900	1,347,348	6,476,248	79.2%	20.8%	100%
6 CP	2,873,300	683,086	3,556,386	80.8%	19.2%	100%
4 CP	1,967,400	455,879	2,423,279	81.2%	18.8%	100%
3 CP	1,497,200	343,240	1,840,440	81.4%	18.6%	100%
1 CP	509,200	115,956	625,156	81.5%	18.5%	100%

Max	509,200	117,037	626,237	81.3%	18.7%	100%
Min	325,200	107,624	432,824	75.1%	24.9%	100%
Avg	427,408	112,279	539,687	79.2%	20.8%	100%

Average of 12 monthly peaks as a percentage of monthly peak

$$539,687 \quad / \quad 626,237 \quad = \quad 86\%$$

Lowest monthly peak as a percentage of annual peak

$$432,824 \quad / \quad 626,237 \quad = \quad 69\%$$

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 **Item 30)** *Refer to page 28 of the Wolfram Testimony. Starting at line 2, Mr. Wolfram*
2 *states that Big Rivers is proposing an energy charge of \$.035000 for the Rural and Large*
3 *Industrial classes and that this charge "approximates Big Rivers' annual production cost*
4 *on a per-unit basis." Provide the supporting calculation of Big Rivers' annual production*
5 *cost on a per-unit basis.*

6
7 **Response)** Support for Big Rivers' annual production cost on a per-unit basis is provided
8 in the attachment under a petition for confidential treatment. The calculation draws on data
9 from the cost of service study. In this calculation, the costs assigned and allocated to
10 Production Energy in the steam power operation and maintenance accounts (RUS Accounts
11 500 through 514) are relied upon for estimating annual production costs on a per-unit basis.
12 For the test period, [REDACTED] The establishment
13 of an energy charge of \$35.00 per MWh for both the RDS and LIC classes approximates this
14 amount.

15

16 **Witness)** John Wolfram

Big Rivers Electric Corporation
Case No. 2013-00199

Attachment to Response for PSC 2-30
Data from Big Rivers Cost of Service Study

	<u>Total</u>	<u>\$/MWH</u>
1 Total Energy (kWh)	3,291,731,000	
2		
3 Steam Power Generation Operation Expenses		
4 500 OPERATION SUPERVISION & ENGINEERING		
5 501 FUEL		
6 502 STEAM EXPENSES		
7 505 ELECTRIC EXPENSES		
8 506 MISC. STEAM POWER EXPENSES		
9 507 RENTS		
10 509 ALLOWANCES		
11		
12 Total Steam Power Operation Expenses		
13		
14 Steam Power Generation Maintenance Expenses		
15 510 MAINTENANCE SUPERVISION & ENGINEERING		
16 511 MAINTENANCE OF STRUCTURES		
17 512 MAINTENANCE OF BOILER PLANT		
18 513 MAINTENANCE OF ELECTRIC PLANT		
19 514 MAINTENANCE OF MISC STEAM PLANT		
20		
21 Total Steam Power Generation Maintenance Expense		
22		
23 Total Steam Power Generation Expense		

For total energy data in Line 1 see Exhibit Wolfram-4 page 13

For cost data for Accts 500-514 in Lines 3-23 see Exhibit Wolfram-3 page 3

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 **Item 31)** *Refer to Exhibit Wolfram-3, Exhibit Wolfram-4, and Exhibit Wolfram-5.*

2 *Provide these exhibits in Excel spreadsheet format with the formulae intact and*
3 *unprotected and with all rows and columns accessible.*

4

5 **Response)** Please see the response to PSC 1-57. The Confidential file is titled "Big
6 Rivers 2013 Cost of Service Study_A_FILED_CONFID.xls". Exhibit Wolfram-3 is the tab
7 titled "Functional Assignment". Exhibit Wolfram-4 is the tab titled "Allocation by Rate".
8 Exhibit Wolfram-5 is the tab titled "Proposed Rates".

9

10 **Witness)** John Wolfram

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1 **Item 32)** *Refer to Exhibit Wolfram-4, page 11. Reconcile the "Total Operating*
2 *Expenses" on this page with Exhibit Wolfram-2, page 1, Adjusted Cost of Service of*
3 *\$330,104,825.*

4
5 **Response)** See the reconciliation tabulated below.

Total Operating Expenses Per Exhibit Wolfram-4, Page 11	\$287,438,960
Interest on Long-Term Debt per Exhibit Warren-3, Line 26	\$43,765,994
Interest Charged to Construction per Exhibit Warren-3, Line 27	(\$1,768,401)
Other Deductions per Exhibit Warren-3, Line 30	\$668,273
Variance due to Rounding	<u>(\$1)</u>
Adjusted Cost of Service per Exhibit Wolfram-2, Line 30	\$330,104,825

6

7 **Witness)** John Wolfram

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1 **Item 33)** *Refer to Exhibit Wolfram-4. In Case No. 2012-00535, this exhibit*
2 *contained 16 pages versus the 14 pages filed in this case. Provide for the COSS filed in*
3 *this proceeding the information filed in Case No. 2012-00535 on pages 15 and 16.*

4

5 **Response)** Please see the attachment, provided under a petition for confidential treatment.
6 The information on those two pages in the COSS filed in Case No. 2012-00535 showed
7 calculations that had no effect on the study results. They were omitted in this filing for that
8 reason.

9

10 **Witness)** John Wolfram

**BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Rate Schedule Allocation**

**12 Months Ended
January 31, 2015**

Description	Ref	Name	Allocation Vector	Rurals	Large Industrials	Total System
Operating Expenses						
Expenses before Adjustments						
Production Demand						
Production Energy						
Transmission Demand						
Total				\$ 20,714,844	\$ 5,441,733	\$ 26,156,577
Expenses After Revenue Offsets						
Production Demand						
Production Energy						
Transmission Demand						
Total				\$ 20,714,844	\$ 5,441,733	\$ 26,156,577
Rate Base						
Production Demand						
Production Energy						
Transmission Demand						
Total				\$ 129,915,545	\$ 34,128,458	\$ 164,044,003
Operating Expenses-Unit Costs						
Production Demand (\$/kW)						
Production Energy (\$/kWh)						
Transmission Demand (\$/kW)				4.04	4.04	4.04
Rate Base-Unit Costs						
Production Demand (\$/kW)						
Production Energy (\$/kWh)						
Transmission Demand (\$/kW)				25.33	25.33	25.33

Data for Exhibit Wolfram-4 Page 16

**BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Rate Schedule Allocation**

**12 Months Ended
January 31, 2015**

Description	Ref	Name	Allocation Vector	Rurals	Large Industrials	Total System
Revenue Requirement Assuming a Rate of Return of	4.03%					
Production Demand						
Production Energy						
Transmission Demand						
Total Revenue Requirement				25,946,205	6,815,997	32,762,202
Unit Revenue Requirement						
Production Demand						
Production Demand (Per kW)						
Production Demand Margin (Per kW)						
Total Production Demand (Per kW)						
Production Energy						
Production Energy - (Per kWh)						
Production Energy Margin - (Per kWh)						
Total Production Energy (Per kWh)						
Transmission Demand						
Transmission Demand (per kW)				4.04	4.04	4.04
Transmission Margin (Per kW)				0.04	0.04	0.04
Total Transmission Demand (per kW)				4.07	4.07	4.07

Data for Exhibit Wolfram-4 Page 16

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 **Item 34)** *Refer to Exhibit Wolfram-5. Provide the supporting calculations for the*
2 *current and proposed Environmental Surcharge amounts for the Rural and Large*
3 *Industrial classes. The response should provide the calculations and not merely a*
4 *reference to the financial model.*

5

6 **Response)** Supporting calculations for the current and proposed Environmental
7 Surcharge amounts for the Rural and Large Industrial classes are provided in the attachment.

8 The calculations for the Environmental Surcharge amounts are performed in the Big
9 River Financial Model. The attachment is a reproduction of a portion of the model, modified
10 to present only the twelve months of the test period, for both the current and proposed
11 Environmental Surcharge amounts, along with a calculation of the Rural and Large Industrial
12 ES revenue.

13 Additional information is provided in the response to PSC 1-57, on the Confidential
14 CD, in the file titled "Financial Forecast (2014-2017) 5-16-2013 (Filed Confidential).xlsx"
15 on the "ECP" and "Stmts RUS" tabs.

16

17 **Witness)** John Wolfram

Big Rivers Electric Corporation
Case No. 2013-0199

Attachment to Response for PSC 2-34
Supporting Calculation for Environmental Surcharge
Current

	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Total
Total Cost Eligible for ES (E(m))	1.608	1.461	1.553	1.579	1.659	1.729	2.090	2.268	2.249	2.042	2.097	2.227	22.563
Total Adjusted Revenue													
Rural	14.161	12.796	10.679	12.064	14.913	16.669	16.297	13.668	11.068	12.921	15.731	16.419	167.385
Large Industrial	4.383	4.549	4.614	4.678	4.688	4.938	5.059	4.691	4.765	4.600	4.684	4.577	56.226
Smelter	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Replacement Load	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Market													
Total													
Cost Allocation													
Rural	0.976	0.875	0.795	0.872	1.059	1.120	1.357	1.337	1.100	1.143	1.308	1.414	
Large Industrial	0.302	0.311	0.344	0.338	0.333	0.332	0.421	0.459	0.474	0.407	0.389	0.394	
Smelter	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Replacement Load	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Market													
Total													
ES Rate (\$/MWh)													
Rural	4.947	4.825	5.317	5.376	5.381	4.860	6.023	7.702	6.962	6.448	5.764	6.148	
Large Industrial	3.948	3.834	4.242	4.111	4.127	3.801	4.721	5.698	5.621	5.120	4.804	4.940	
Smelter	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Replacement Load	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Market													
Average													
RURAL													
MWH	197,348	181,366	149,551	162,176	196,829	230,429	225,242	173,553	157,989	177,220	226,840	230,009	2,308,552
ES Revenue	\$976,367	\$875,030	\$795,198	\$871,928	\$1,059,115	\$1,119,953	\$1,356,610	\$1,336,738	\$1,099,937	\$1,142,730	\$1,307,503	\$1,414,122	\$13,355,230
LARGE INDUSTRIAL													
MWH	76,553	81,136	81,001	82,261	80,675	87,299	89,212	80,510	84,245	79,444	81,045	79,798	983,179
ES Revenue	\$302,221	\$311,049	\$343,586	\$338,145	\$332,907	\$331,806	\$421,167	\$458,728	\$473,534	\$406,788	\$389,353	\$394,192	\$4,503,474

Big River Corporation
Case No. 2013-00199

Attachment to Response for PSC 2-34
Supporting Calculation for Environmental Surcharge
Proposed

	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Total
Total Cost Eligible for ES (E(m))	1.608	1.461	1.553	1.579	1.659	1.729	2.090	2.268	2.249	2.042	2.097	2.227	22.563
<u>Total Adjusted Revenue</u>													
Rural	18.777	16.906	14.122	16.019	19.794	22.041	21.505	18.234	14.581	17.107	20.675	21.676	221.436
Large Industrial	5.614	5.794	5.889	5.958	5.970	6.279	6.419	5.977	6.065	5.874	5.979	5.836	71.654
Smelter	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Market													
Total													
<u>Cost Allocation</u>													
Rural	1.035	0.924	0.858	0.934	1.112	1.175	1.419	1.424	1.195	1.224	1.378	1.491	
Large Industrial	0.310	0.317	0.358	0.347	0.335	0.335	0.424	0.467	0.497	0.420	0.398	0.401	
Smelter	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Market													
Total													
<u>ES Rate (\$/MWh)</u>													
Rural	5.245	5.097	5.734	5.759	5.651	5.097	6.300	8.205	7.563	6.904	6.074	6.483	
Large Industrial	4.043	3.905	4.415	4.223	4.158	3.833	4.747	5.797	5.900	5.289	4.916	5.031	
Smelter	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Market													
Average													
<u>RURAL</u>													
MWH	197,348	181,366	149,551	162,176	196,829	230,429	225,242	173,553	157,989	177,220	226,840	230,009	2,308,552
ES Revenue	\$1,035,167	\$924,369	\$857,532	\$934,026	\$1,112,233	\$1,174,542	\$1,418,985	\$1,423,972	\$1,194,920	\$1,223,552	\$1,377,829	\$1,491,161	\$14,168,287
<u>LARGE INDUSTRIAL</u>													
MWH	76,553	81,136	81,001	82,261	80,675	87,299	89,212	80,510	84,245	79,444	81,045	79,798	983,179
ES Revenue	\$309,506	\$316,809	\$357,592	\$347,412	\$335,436	\$334,629	\$423,526	\$466,741	\$497,006	\$420,168	\$398,428	\$401,479	\$4,608,733

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 **Item 35)** *Refer to pages 121 and 132 of the response to Item 29 of Commission Staff's*
2 *First Information Request ("Staff's First Request").*

3 a. *Explain why the amount for Account 56510000, Transmission of Electricity,*
4 *increased by \$742,000, or more than 25 percent, in the Most Recent 12*
5 *Months shown as compared with the Prior 12 Months.*

6 b. *Explain why the amount for Account 92610000, Employee Pensions,*
7 *increased by \$878,000, or more than 350 percent, in the Most Recent 12*
8 *Months shown as compared with the Prior 12 Months.*

9
10 **Response)**

11 a. The TVA Service Agreement for Long-Term Firm Point-to-Point
12 Transmission increased effective December 2012 (\$143k). Big Rivers also
13 adopted a change in accounting policy, effective January 2012, to capture
14 MISO Transmission charges (Schedules 26 and 26A) in account 56510000
15 rather than account 55710000 (\$599k).

16 b. Effective January 1, 2012, Big Rivers moved from a fully-insured medical
17 plan to a self-insured medical plan. As a result, post-employment medical
18 benefits for employees on long-term disability, which are included in account

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 92610000, increased due to the payment of actual claims versus premium
2 only.

3

4 **Witnesses)** Robert W. Berry (a)

5 Billie J. Richert (b)

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199

Response to the Commission Staff's
Second Request for Information
dated August 19, 2013

September 3, 2013

1 **Item 36)** *Refer to the attachment to the response to Item 47.c. of Staffs First Request,*
2 *pages 16 and 21. Page 16 reflects, among other things, a penalty in the amount of*
3 *\$134,753 for non-payment of Kentucky sales tax. Page 21 reflects, among other things,*
4 *\$416,932 for the write-off of unamortized deferred debt expense related to the termination*
5 *of the CoBank revolving line of credit agreement. Each of these items was booked in May*
6 *of 2013, prior to Big Rivers' application's being filed. Confirm that the test period*
7 *contains no amounts budgeted by Big Rivers for these types of expenses.*

8

9 **Response)** Confirmed.

10

11 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2013-00199**

**Response to the Commission Staff's
Second Request for Information
dated August 19, 2013**

September 3, 2013

1 **Item 37)** *Refer to the attachment to the response to Item 55.a. of Staff's First*
2 *Request, page 12. Using the production plant accounts shown on the top half of the page,*
3 *prepare and provide schedules which show the test year's depreciation expense for the*
4 *Coleman Station and the Wilson Station. Each schedule should include the test year 13-*
5 *month average plant account balances and depreciation expense calculated using (1) Big*
6 *Rivers' existing depreciation rates and (2) the depreciation rates proposed by Big Rivers in*
7 *Case No. 2012-00535.*

8

9 **Response)** Please see the attachment to this response.

10

11 **Witness)** Billie J. Richert

Big Rivers Electric Corporation
Case No. 2013-00199
Attachment to Response for PSC 2-37

Existing and Proposed Depreciation for Coleman

Account	Description	13-Month Average Plant Balance 1/31/14-1/31/15	Existing Depreciation Rate	Proposed Depreciation Rate	Annual Depreciation Expense	
					Existing	Proposed
		- \$ -	- % -	- % -	- \$ -	- \$ -
PRODUCTION PLANT (Coleman):						
3102	Land	\$ 1,124,665	0.00%	0.00%	\$ -	\$ -
3112	Structures	19,460,682	1.38%	1.38%	268,557	269,028
3122	Boiler Plant	88,843,686	1.88%	2.02%	1,670,261	1,791,817
312C	Boiler Plant - Environment Compliance	137,965,759	2.28%	2.43%	3,145,619	3,347,019
312M	Short-Life Production Plant -Environmental	-	20.22%	15.95%	-	-
312W	Short-Life Production Plant -Other	608,511	14.39%	25.38%	87,565	154,462
3142	Turbine	34,083,213	1.91%	1.96%	650,989	666,894
3152	Electric Equipment	10,023,514	1.99%	2.03%	199,468	203,280
3162	Miscellaneous Equipment	1,302,968	3.78%	4.04%	49,252	52,677
	Total	\$ 293,412,998			\$ 6,071,712	\$ 6,485,178

Big Rivers Electric Corporation
Case No. 2013-00199
Attachment to Response for PSC 2-37

Existing and Proposed Depreciation for Wilson

Account	Description	13-Month Average Plant Balance 1/31/14-1/31/15	Existing Depreciation Rate	Proposed Depreciation Rate	Annual Depreciation Expense	
					Existing	Proposed
		- \$ -	- % -	- % -	- \$ -	- \$ -
PRODUCTION PLANT (Wilson):						
3104	Land	\$ 2,218,858	0%	0%	\$ -	-
3114	Structures	73,734,409	1.38%	1.38%	1,017,535	1,019,319
3124	Boiler Plant	410,833,074	1.88%	2.02%	7,723,662	8,285,764
312E	Boiler Plant - Environment Compliance	268,512,918	2.28%	2.43%	6,122,095	6,514,064
312P	Short-Life Production Plant -Environmental	6,615,946	20.22%	15.95%	1,337,744	1,055,250
312Y	Short-Life Production Plant -Other	-	14.39%	25.38%	-	-
3144	Turbine	129,196,632	1.91%	1.96%	2,467,656	2,527,945
3154	Electric Equipment	35,341,815	1.99%	2.03%	703,302	716,745
3164	Miscellaneous Equipment	1,402,118	3.78%	4.04%	53,000	56,685
	Total	\$ 927,855,770			\$ 19,424,993	\$ 20,175,771