

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S NOTICE)
OF CHANGES IN RATES AND TARIFFS FOR) CASE NO. 10265
WHOLESALE ELECTRIC SERVICE)

O R D E R

IT IS ORDERED that Big Rivers Electric Corporation ("Big Rivers") shall file an original and 12 copies of the following information with the Commission, with a copy to all parties of record, no later than August 18, 1988. If the information cannot be provided by this date, Big Rivers should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission. Big Rivers shall furnish with each response the name of the witness who will be available at the public hearing for responding to questions concerning each item of information requested.

Information Request No. 2

1. With reference to Exhibit 5, Entry 3, provide the following information:

a. The actual test-year sales rates and the actual test year Kw and/or Kwh purchased by the Municipal Energy Agency of Mississippi ("MEAM"), Cleveland and the Tennessee Valley Authority ("TVA").

b. The basis for and the manner in which the pro forma intersystem sales levels and sales rates on page 2 were determined.

c. A clear detailed explanation of the reason for the difference between actual and pro forma.

2. With reference to Exhibit 5, Entry 4, page 2, provide the following information:

a. An explanation of the statement preceded by an asterisk on line 34 that some information is based on 1985 historical operation. Identify these items.

b. If any computations are based on 1985 historical operation, explain why the 1987 historical operations were not used as the basis for these computations.

3. With reference to Exhibit 5, Entry 5, page 2, provide the following information:

a. The manner calculated and the basis on which the 1987 actual cost per ton amounts were calculated. Include the amount purchased and the purchase price for each month of the test year and each month of 1988 for each type of lime or limestone used at each plant. A discussion of any purchase contracts in effect or pending should also be included. Also provide the chemical reactions involved in the scrubber systems.

b. The basis for the determination of the pro forma Kwh generation for the Green and Wilson stations.

c. The basis for the assumption that tons consumed per Mwh are equally proportionate at all generation levels.

d. An explanation of why the cost was based on generation rather than tons of coal burned.

4. With reference to Exhibit 5, Entry 6, pages 2 through 4, provide the following information:

a. Provide an explanation for any change in depreciation rates during the test year.

b. Provide a thorough explanation for each line item where the pro forma adjustment was greater than \$25,000.

c. Indicate the depreciation method utilized for the Wilson plant. If Big Rivers no longer employs the sinking fund method, please explain the reason for the change and the depreciation rate now being used.

5. Provide documentary support for the \$1.698 wheeling charge reflected in Exhibit 5, Entry 8. Include a discussion of any pending or proposed changes in the wheeling agreement. Also provide the test year rate for wheeling.

6. With reference to Exhibit 5, Entry 9, provide the following information:

a. Provide the basis for the actual and pro forma property tax assessments.

b. Provide the basis and the source for the state and local tax rates used in the actual and pro forma calculations.

7. With reference to Exhibit 5, Entry 10, provide the following information:

a. A schedule of actual test year labor in the same format as pages 3 through 5.

b. The basis for the use of the 3.5 percent turnover rate and for using 866 employees as indicated on page 2.

c. Correlate the straight time amounts used in the adjustment for Workers' Compensation with the amounts on pages 3 through 5.

d. Provide documentation for the rates applied to regular labor in calculating the Workers' Compensation and Retirement adjustments.

e. Provide documentary support for the monthly rates for medical insurance and the rate for life insurance.

f. Provide the actual test-year monthly rates for medical, life, and dental insurance.

g. Provide documentary support for the long-term disability rate of .0191, the monthly rates for dental insurance, and the contribution rates for the savings adjustment.

h. Provide the test-year actual weighted-average company contribution to the savings plan and supporting workpapers.

i. Provide the reason for using only two-thirds of the regular labor for the long-term disability adjustment.

j. For the calculation of the adjustment to direct labor and overheads charged to Henderson Municipal Power and Light ("HMP&L") and construction, provide the basis for \$26,644,160 labor and \$6,675,338 overheads.

k. Provide the actual test year charges to HMP&L and construction in the same format as page 9.

8. With reference to Exhibit 5, Entry 12, page 2, provide the following information:

a. The basis for the pro forma coal consumed at each station.

b. Documentary support for the actual and pro forma cost per ton.

c. The basis for the assumption that tons removed per coal consumed are equally proportionate at all generation levels.

d. Provide a discussion of the terms of any contracts for ash and sludge removal.

9. With reference to Exhibit 5, Entry 13, page 1, provide the following information:

a. Reference the controlling section(s) of the Restructuring Agreement as it relates to each specific interest rate used in this calculation.

b. The actual amount of principal related to the Rural Electrification Administration ("REA") Promissory Note which has been omitted from line 23 on page 1.

c. The date of the outstanding principal balances used in this calculation.

10. Provide a thorough explanation for Entry 14, the adjustment to debt amortization expense.

11. Provide a thorough explanation for Entry 15, the adjustment for servicers' fees on the Burdick Refinancings.

12. Provide documentary support for the required Southeastern Power Administration ("SEPA") purchased power reflected in Entry 16.

13. Provide an explanation for Entry 17 to reflect aluminum prices at \$.62 per pound.

14. Provide an explanation for Entry 18 to reflect the proposed rates.

15. Provide the basis for the \$76,620,001 out of state revenue reflected in Entry 19. Correlate with the intersystem (off-system) sales included in this case.

16. With reference to the testimony of W. H. Thorpe, provide an explanation regarding why Big Rivers did not propose an inflation adjustment mechanism to supplement the current variable aluminum smelter rate.

17. With reference to the testimony of Scott Reed, please explain how the changes in response to Question No. 9, page 3, Exhibit 12, have been reflected in the proposed adjustments. Please correlate these changes with the assumptions included in Case No. 9885, An Investigation of Big Rivers Electric Corporation's Rates for Wholesale Electric Service.

18. With reference to the testimony of Joseph E. Dolezal, provide the following information:

a. Correlate the intersystem sales in JED Exhibit 1 with the projections included in Case No. 9885.

b. Provide supporting workpapers and a detailed concise explanation for the 107.1 Mwh per degree day factor for determining the effect of weather on Big Rivers' rural delivery sites.

c. Explain why the degree days in the 1986 summary was used as the norm for degree days.

d. Explain why Big Rivers did not use an average of degree days over a long-term period which included the test year as the norm for degree days.

e. What locality was used as the basis for the norm for degree days?

19. With reference to the pro forma income statement, Exhibit 5, page 3 of 3, provide the following information:

a. Describe the nature of the \$4,318 training costs included on line 11.

b. Describe the nature of the \$24,295 other deductions included on line 13.

c. Provide a thorough description of the source(s) of the \$2,884,163 interest and dividend income included on line 19.

20. With reference to the adjustment for insurance expenses, Exhibit 5, Entry 11, provide the following information:

a. An explanation for the change in cost for each type of coverage. Include a discussion of any changes in coverage.

b. A comparison of bids received with a narrative explanation of the reason for selection.

c. An explanation regarding the reason that all insurance is expensed and no portion is capitalized.

d. Documentary support of the actual test year and pro forma amounts.

21. Provide a thorough detailed explanation of cost savings measures taken by Big Rivers during the test year.

22. In the same format used to present the response to Item No. 9(b) of the Commission's Information Request dated April 22,

1988 in Case No. 10217, Big Rivers Electric Corporation's Application for Approval of Restructuring Agreement and For Authority to Issue Notes or Other Evidences of Indebtedness Pursuant Thereto, provide the following information in comparative form:

a. The actual results of the operations for calendar year 1986.

b. The projected results of operations for calendar year 1987 as shown in Item No. 9(b).

c. The actual results of operations for calendar year 1987.

d. The projected results of operations for calendar year 1988 as shown in Item No. 9(b).

e. The pro forma results of operations for the test year as reflected in the Application filed in this proceeding.

23. Big Rivers filed, as Exhibit 5 in Case No. 9885 and as Item No. 9 in Case No. 10217, financial forecasts reflecting the results relied on by Big Rivers to support Big Rivers' ability to meet the provisions of the financial workout plans. The base year used in these forecasts was a projected 1987 calendar year. With reference to these forecasts, provide the following information:

a. An updated forecast utilizing the actual results of 1987 as the base year.

b. An updated forecast utilizing the pro forma test year as the base year.

c. If different from Item No. 9 in Case No. 10217, file Big Rivers' most recent financial forecast.

24. With reference to the response to the Commission's First Information Request, Item 1, page 2, provide the following information:

a. A schedule that compares and correlates the annualized cost on line 9 with the annualized interest column for each debt item from Exhibit 5, Entry 13, page 1.

b. A schedule that compares and correlates the actual test year cost on line 10 with the test-year interest expense in Exhibit 5, Entry 13.

25. With reference to the response to the Commission's First Information Request, Item 7, provide the following information:

a. A through explanation for the note beginning on line 13 of page 5 that the depreciation reserve reflects FASB straight line method.

b. An explanation for the increase in depreciation reserve of \$32,336,993 from November to December.

c. Provide a more detailed response to Item 7(o) page 9. Include a computation of Big Rivers' actual minimum cash requirements.

26. With reference to the response to the Commission's First Information Request, Item 14(a), provide a thorough detailed explanation for the change in the following accounts:

<u>Account</u>	<u>Description</u>	<u>Change</u>
512.100	Maint. Boiler Plant - Labor - Reid	\$ 76,084 Decrease
512.110	Maint. Boiler Plant - Expense - Reid	137,939 Decrease
512.311	Maint. Scrubber/Solid Waste - Expense - Green	297,368 Increase
512.411	Maint. Scrubber/Solid Waste - Expense - Wilson	527,877 Increase
513.100	Maint. Electric Plant - Labor - Reid	101,121 Decrease
513.110	Maint. Electric Plant - Expense - Reid	919,101 Decrease

513.210	Maint. Electric Plant - Electric - Coleman	706,827	Increase
513.300	Maint. Electric Plant - Labor - Green	227,745	Increase
513.310	Maint. Electric Plant - Labor - Green	902,980	Increase
513.400	Maint. Electric Plant - Labor - Wilson	203,465	Decrease
513.410	Maint. Electric Plant - Expense - Wilson	450,808	Decrease
514.400	Maint. Misc. Steam Plant - Labor - Wilson	122,428	Increase
514.410	Maint. Misc. Steam Plant - Expense - Wilson	107,397	Increase
565.100	Transmission of Electricity by Others	992,341	Increase
920.100	Admin. and General Salaries	230,292	Increase
923.100	Outside Services Employed	251,775	Increase
924.180	Property Insurance - Wilson	98,285	Decrease
925.170	Inquiries and Damages - General	168,211	Increase
916.120	Employee Pensions & Benefits - Coleman	96,312	Increase
926.140	Employee Pensions & Benefits - Green	140,978	Increase
926.170	Employee Pensions & Benefits - General	166,253	Increase
926.180	Employee Pensions & Benefits - Wilson	180,091	Increase
928.100	Regulatory Commission Expenses	1,340,393	Increase
935.100	Maint. of General Plant - Labor	56,630	Increase

27. With reference to the response to the Commission's First Information Request, Item 19, provide the following information:

a. An explanation for the \$5,997,136 decrease in additions to Account No. 312, Boiler Plant Equipment.

b. An explanation for the \$1,604,244 addition to Account No. 352, Structures and Improvements.

c. An explanation for the \$20,888,552 addition to Account No. 353, Station Equipment.

28. With reference to the response to the Commission's First Information Request, Item 20(b), provide the following information:

a. A schedule comparing the test year amounts for Kentucky Association of Electric Cooperatives ("KAEC"), National Rural Electric Cooperative Association ("NRECA"), Coalition for

Environmental Energy Balance, and Utilities Telecommunications Council with the amounts for the past 4 calendar years.

b. A schedule comparing the test year expenses for the board of directors with the amounts for the past 4 calendar years.

c. A detailed analysis of the total compensation paid to each member of the board of directors during the test period itemizing all meeting fees, fringe benefits, travel reimbursements, per diem and out-of-pocket costs with a description of the type of meetings, seminars, etc., attended by each member.

d. An explanation of the \$21,237.81 trustee fees and expenses paid to Continental Illinois Bank.

e. An explanation for including the \$19,809.17 relating to the Vice General Manager ("VGM") of Environmental and Public Affairs, and Public Relations Representative payroll in this Account. Explain how this amount was determined.

29. With reference to the response to the Commission's First Information Request, Item 23, provide the amounts expensed during the test year and indicate the specific accounts charged.

30. With reference to the response to the Commission's First Information Request, Item 34, provide the following information:

a. An explanation for the salary increases granted the VGM - Energy Supply in 1986 and 1987.

b. An explanation for the salary increases granted all officers in 1987.

c. For 1987 provide the effective date of the increases granted all officers.

31. With reference to the response to the Commission's First Information Request, Items 46, provide a schedule in the same format as page 2 reflecting the breakdown between interest and principal for each payment to the creditors.

32. With reference to the response to the Commission's First Information Request, Item 21, provide a discussion of the consideration given by Big Rivers to amortization of any professional services.

33. With reference to page 9, Item 21 of the Application, provide a copy of the 1987 update of the 1986 Power Requirements Study.

34. With reference to Exhibit 3, page 4, describe the \$1,448,504 miscellaneous work in progress as of December 31, 1987.

35. With reference to the testimony of W. H. Thorpe at page 2, how much SEPA power is Big Rivers entitled to receive and what conditions, if any, are attached to receiving SEPA power?

36. Provide the total tonnage and dollar amount of test-period-ending coal inventory, the number of days (tons and dollar amounts) of coal usage in the test-period-ending coal inventory, and the target number of days (tons and dollar amount) of coal usage of Big Rivers. Explain any major difference (over or under) in actual number of days of coal usage in coal inventory and target number of days of coal usage. Provide copies of all workpapers to above.

37. What was actual total Kwh sales (member and intersystem) for 1987?

Done at Frankfort, Kentucky this 4th day of August, 1988.

PUBLIC SERVICE COMMISSION

Richard D. W. W. W.
For The Commission

ATTEST:

Forest M. Stagg
Executive Director