

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 September 12, 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. 3

1. With reference to Big Rivers' response to the Commission's Second Request for Information, Item No. 1, provide the following information:

a. Explain why page 2 reflects revenue from MEAM of \$8,584,218 while the December 1987 Monthly Report and the response to Item No. 15 show sales to MEAM of \$10,014,894.

b. Explain the response on page 3 which indicates that monthly intersystem sales equal to 1987 could be met while serving the projected Alcan load in light of Mr. Dolezal's testimony that this would not be the case and in light of Big Rivers' response to Item No. 2 of Alcan's First Request for Information.

c. Provide a thorough, detailed explanation with regard to the manner in which the information on pages 3 and 4 was used to reduce the pro forma intersystem sales from the actual 1987 level.

d. If not provided in response to Item No. 1(c) of this request, provide a detailed, thorough explanation and supporting workpapers regarding Big Rivers' determination of the pro forma intersystem sales.

2. With reference to Big Rivers' response to the Commission's Second Request for Information, Item No. 3, provide the terms of the purchase contracts with Dravo Lime Company and Reed Crushed Stone Company. Include the required minimum monthly purchase amounts, purchase price, price adjustments and other specific contract terms.

3. With reference to Big Rivers' response to the Commission's Second Request for Information, Item No. 7, provide the following information:

a. Provide documentary support or workpapers supporting the 3.5 percent average turnover rate for 1987.

b. Provide a thorough explanation regarding the determination to include \$1,384,771 pro forma overtime wages in the workers' compensation base. Include supporting workpapers.

c. Provide the calculation of the test-year actual workers' compensation of \$819,507 in the same manner as in Exhibit 5, Entry 10 of Big Rivers' Application. Include the information provided in Item No. 7(c) and (d) of Big Rivers' response to the Commission's Second Request for Information.

d. Provide documentary support for the actuarial values and workpapers supporting the bargaining and non-bargaining rates for retirement costs for both the actual test year expense and the pro forma adjustment.

e. Provide the pay period used to determine the weighted-average company contribution for the actual test year, response to Item No. 7(h), and for the pro forma adjustment. If a single pay period was used for the test year, provide the calculation for the entire test year period.

4. With reference to Big Rivers' response to the Commission's Second Request for Information, Item No. 6, provide the following information:

a. Provide a thorough, detailed explanation of the reason for the assessment adjustment of \$561,793,114 on the 1987 Property Tax Return on page 2.

b. Explain why no assessment adjustment has been included in the 1988 Property Tax Return.

c. Explain how Big Rivers reflected the fact that the State tax rate for real property for 1988 will be 20.7 cents rather than 21.4 cents.

5. With reference to Big Rivers' response to the Commission's Second Request for Information, Item No. 8, provide the following information:

a. Explain why Big Rivers did not use the contract rates as of April 1, 1988 in the calculation of the ash and sludge removal adjustment.

b. Using the removal methods described on pages 4 and 5, provide the tons removed from the Coleman Station by each method.

c. Explain why Big Rivers did not use a weighted-average cost per ton to determine the pro forma removal cost from the Coleman Station.

6. With reference to Big Rivers' response to the Commission's Second Request for Information, Item No. 9, reference the controlling section(s) of the Restructuring Agreement as it relates to the specific interest rate used in the calculation of pro forma interest expense.

7. With reference to Big Rivers' response to the Commission's Second Request for Information, Item No. 10, provide the following information:

a. Provide the basis upon which Big Rivers determined the projected maturity date of the Total Government Debt Note as December 2005.

b. If the maturity date projected in Item No. 7(a) is dependent upon an accelerated payment or satisfaction of debt, provide the maturity date assuming Big Rivers makes only the

minimum payments required by the minimum payment schedule in the Restructuring Agreement.

8. With reference to Big Rivers' response to the Commission's Second Request for Information, Item No. 11, provide documentation supporting the specific language of the excerpts which provide for the servicers' fees and indicates the manner of calculation of the fees.

9. With reference to Big Rivers' response to the Commission's Second Request for Information, Item No. 17, explain how the non-firm sales to NSA have been incorporated into the proposed pro forma test year calculations.

10. With reference to Big Rivers' response to the Commission's Second Request for Information, Item No. 18, provide the following information:

a. Provide Big Rivers' current 10-year forecasts for intersystem, MEAM and other firm sales considering the pro forma sales projection of 3,289,610 mWh. If the sales levels forecasted in Case No. 9885, An Investigation of Big Rivers Electric Corporation's Rates for Wholesale Electric Service, are the most current, explain why Big Rivers has not revised its sales projections.

b. Explain why Big Rivers' rolling average for the normal yearly degree day total incorporates data for 30 years for heating degree days but only 18 years for cooling degree days.

c. Provide workpapers and an explanation for the calculation of the 6,107 norm for degree days.

d. Provide any studies performed which would indicate or support an assumption that degree days measured at Evansville are accurate for Wickliffe, Marion, Hartford or Hardinsburg.

e. Explain the significance of the 6,140 total degree days normal included in the summary of the May 23, 1986 memorandum.

f. Explain why Big Rivers' 107.1 mWh per degree day factor is based upon total degree days.

g. Provide any studies which demonstrate that heating degree days and cooling degree days have the same effect on energy sales.

11. With reference to Big Rivers' response to the Commission's Second Request for Information, Item No. 19, explain why no adjustment was proposed to remove the \$24,295 Other Deductions from the proposed pro forma test year.

12. With reference to Big Rivers' response to the Commission's Second Request for Information, Item No. 20, provide the following information relating to Directors' and Officers' Liability Insurance:

a. Provide the amount expensed for the past 5 calendar years.

b. Provide the premium amounts for the past 5 premium years.

c. Provide the coverages and amount of coverage for the past 5 premium years.

d. Explain the significance of the \$134,945 1988 expense of renewal noted on page 10. Why is this amount the same as the amount expensed in 1987?

13. Explain why Big Rivers did not have excess (umbrella) liability insurance in 1987. Why did Big Rivers secure coverage for 1988? Provide the coverage and premiums for the past 5 calendar or premium years.

14. With reference to Big Rivers' response to the Commission's Second Request for Information, Item No. 21, provide the following information:

a. An explanation of how each specific cost saving measure has been incorporated in the proposed pro forma test year.

b. An explanation of how each specific cost saving measure has been incorporated in Big Rivers' current financial forecast.

c. Include workpapers where appropriate.

15. With reference to Big Rivers' response to the Commission's Second Request for Information, Item No. 22, correlate the line items and dollar amounts for the 1987 Actual column with the information in Big Rivers' 1987 Annual Report, pages 114, 117, and 320 through 323.

16. With reference to Big Rivers' response to the Commission's Second Request for Information, Item No. 30, provide a copy of the external salary survey relied upon by Big Rivers to support the January 1, 1987 salary increase. Provide copies of memoranda or reports to executive officers and directors.

17. With reference to Big Rivers' response to the Commission's Second Request for Information, Item No. 32, provide an explanation and discussion of any rate-making consideration given by Big Rivers to amortization of professional services.

18. With reference to Big Rivers' response to the Commission's Second Request for Information, Item No. 23, provide the following information:

a. Provide a thorough discussion of any analysis performed by Big Rivers (other than a comparison of total revenues, expenses, and margins) which supports the position that there is no variance between the 1987 projected and actual results of operations.

b. Using the response to Item No. 22, columns (b) and (c), provide a comparison of the 1987 projected and actual cash flows.

c. Provide an analysis of the variance in the results of operations (using the individual items listed in Item No. 22) and in cash flows between the proposed pro forma test year, and the 1988 and 1989 projections from Item No. 9(b) 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.

d. How often does Big Rivers revise the financial forecast?

e. Provide any information Big Rivers deems necessary to explain why the financial forecast (Item No. 9(b), Case No. 10217) should not be revised to reflect the actual 1987 results of

operations, the pro forma adjustments proposed in this case, the 1987 update of the 1986 Power Requirements Study, and/or other more current information.

19. Provide any information Big Rivers deems necessary (but include an analysis of cash flow) which demonstrates Big Rivers' ability to meet the requirements of the Restructuring Agreement through December 31, 1990.

20. With reference to Big Rivers' response to the Commission's Second Request for Information, Item No. 28, provide the following information:

a. Provide a discussion of the services and benefits Big Rivers and its members receive from the coalition for Environmental Energy Balance ("CEEB") and the Utilities Telecommunications Council ("UTC").

b. Are the test year dues for CEEB and UTC for 1 or 2 years? Provide documentary support.

c. Provide a thorough explanation for each specific item listed below in regard to fees and travel reimbursement for the board of directors. A thorough explanation should be included regarding reimbursement differences among directors attending the same conferences or meetings.

<u>Voucher</u>	<u>Date</u>	<u>Vendor</u>	<u>Amount</u>
112251	2/87	Briscoe	\$ 42.40
133545	10/87	Briscoe	200.00
133547	10/87	Briscoe	200.00
112254	2/87	Cooper	81.80
139391	12/87	Cooper	200.00
139594	12/87	Cooper	200.00
112274	2/87	Johnson	780.07
112259	2/87	Henshaw	453.24
133540	10/87	Henshaw	200.00
133542	10/87	Henshaw	200.00

<u>Voucher</u>	<u>Date</u>	<u>Vendor</u>	<u>Amount</u>
137010	11/87	Henshaw	112.00
112257	2/87	Reid	735.95
135810	10/87	Reid	346.34
136975	11/87	Reid	260.20
136977	11/87	Reid	14.53
136978	11/87	Reid	12.86
136979	11/87	Reid	11.62
112261	2/87	Truitt	418.97
136985	11/87	Truitt	169.40
136987	11/87	Truitt	84.00
137147	11/87	Truitt	34.18
137148	11/87	Truitt	16.99
109685	1/87	Holiday Travel	2,726.00
110992	2/87	Green River EC	37.00
110992	2/87	Green River EC	1,164.13
N/A	N/A	Green River EC	1,385.43
112407	2/87	Meade Co. RECC	1,111.53
135258	10/87	Henderson-Union RECC	2,194.91
139945	12/87	Henderson-Union RECC	843.83
139945	12/87	Henderson-Union RECC	513.22
135685	11/87	Bennett Brothers	824.93
Various	Various	Travelers Insurance Co.	3,892.44
Various	Various	Various	1,278.61

Done at Frankfort, Kentucky this 31st day of August, 1988.

PUBLIC SERVICE COMMISSION


For The Commission

ATTEST:

Executive Director