COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES	)))	CASE NO. 2009-00040

COMMISSION STAFF'S FOURTH DATA REQUEST TO BIG RIVERS ELECTRIC CORPORATION

Big Rivers Electric Corporation ("Big Rivers"), pursuant to 807 KAR 5:001, is to file with the Commission the original and seven copies of the following information, with a copy to all parties of record. The information requested herein is due on or before June 1, 2009. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Big Rivers shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

Big Rivers fails or refuses to furnish all or part of the requested information, Big Rivers shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to Big River's Response to Commission Staff's Third Data Request, Item 19.

a. Part a. of this request was for all calculations and workpapers supporting the temperature normalization adjustment of $1,026,905 shown in Seelye Exhibit 2, Schedule 1.13. Big Rivers did not provide the requested information. Provide the supporting regression parameters, regression analyses, modeling and forecasting assumptions, and calculation details supporting the temperature normalization adjustment.

b. Refer to part b. of this response, Page 4 of 6. Big Rivers states that, "Normal energy sales were computed for each month as actual sales plus the monthly degree day coefficient times the difference between normal and actual degree days." Describe in detail the reasons for developing the proposed temperature normalization adjustment based on degree day variations for individual months as opposed to degree day variations for a complete season, i.e., the cooling season or the heating season.

c. Part d. of this response provides the differences in the methodology used in this temperature normalization adjustment and that proposed by Mr. Seelye in the most recent Kentucky Utilities and Louisville Gas and Electric rate cases.[1] Explain the reasons for differences noted in response to part d. (ii), (iii), and (iv).

d. Refer to schedule 19.a., page 1 of 1. Provide this schedule for the test year prior to normalization.

2. Refer to Big River's Response to KIUC's Second Data Request, Item 6.

a. Refer to page 3 of 7.

1) The first bullet on this page states that for Smelter Tier 3 firm sales, a contract price was used for January through August and a market price for the remainder of the year. Item 6a, page 27 of 35, provides these market prices. Explain how the specific market prices used for each month were selected and provide all supporting documentation.

2) The second bullet on this page states that, for Smelter Tier 3 fully interruptible sales, a contract price is used for January through July and then $30/MWh for the balance of the year. Explain the basis for the change to $30/MWh.

3) The third bullet on this page states that the non-tariff non-smelter on-peak hourly sales were priced at 93.5% of the January 21, 2009 forward price curve for CIN HUB. Explain the basis for pricing the sales at 93.5%.

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[1] Case No. 2008-00251, Application of Kentucky Utilities Company for an Adjustment of Electric Base Rates (Ky. PSC February 5, 2009).

Case No. 2008-00252, Application of Louisville Gas and Electric for an Adjustment of its Electric and Gas Base Rates (Ky. PSC February 5, 2009).

b. Refer to Item 6, page 4 of 7. The sixth bullet on this page states that Big Rivers is projecting to purchase 23,200 MWhs of energy at an average market price of $150/MWh. In response to Item 6a, page 33 of 35, Big Rivers projects to be able to sell power into the market at prices between $30.08/MWh and $59.19/MWh. Explain the large variance between the rate at which Big Rivers can purchase from the market and the rate at which it can sell into the market, and provide supporting documentation for the projected rates.

c. Refer to Item 6b, page 2 of 2. Provide the calculations to support the amounts shown on lines 6, 11, 20, 26, 27, 28, 34, 35, 36, and 40 in the Pro forma column.

3. Refer to the response to the second data request of KIUC, Item 8, page 3 of 7. Provide an update to this schedule to include April 2009.

4. Refer to Big Rivers' Application, Exhibit 46, Seelye-2, Schedule 1.01 and Big Rivers' Response to Commission Staff's Third Data Request, Item 3.b., Pages 2 and 24.

a. The information presented on Pages 2 and 24 appears to indicate that Big Rivers' share of West Kentucky Energy's ("WKE") budgeted *Incremental* O&M Distribution Expenses for the test year was $894,089 ($883,606, 2008 total - $35,000, December 2008 + $45,483, December 2007). On Schedule 1.01 Big Rivers states its share of WKE's actual Incremental O&M Distribution Expenses for the test year is $600,155 or $293,934 below the budgeted amount. This represents a budget variance of 33 percent. As shown on Schedule 1.01, Big Rivers proposed to increase the test year amount by $2,495,013 to provide for the annual recovery of $3,095,168, Big Rivers' share of WKE's 2009 budgeted costs.

1) Discuss the changes to CAIR that will become effective on January 1, 2009 and how those changes are expected to increase Big Rivers' share of WKE's budgeted Incremental O&M Distribution Expenses by 416 percent ($2,495,013 Increase / $600,155 test year)

2) Provide all evidence available to Big Rivers showing that WKE's 2009 budgeted Incremental O&M Distribution Expenses are reasonable.

3) 807 KAR 5:001, Section 10(7) requires that all adjustments to historic test year operations must be known and measurable. Discuss how Big Rivers' adjustment on Schedule 1.01 meets this requirement given the significant budget variance noted during the test year.

4) Explain why it would not be appropriate to decrease the pro forma amount by the test-year budget variance of 33 percent.

b. Provide a schedule comparing the budget to actual WKE Incremental O&M Distribution Expenses allocated to Big Rivers for each year since the execution of the lease agreements between Big Rivers and the E.ON affiliates.

5. Refer to Big Rivers' Response to Commission Staff's Third Data Request, Item 5.a., Page 2 of 6. This schedule shows the calculation of Big Rivers' share of WKE's Incremental Capital Budget for the years 2009 and 2010 in the amounts of $1,193,160 and $923,000, respectively. Provide a schedule comparing budget to actual WKE Incremental Capital costs allocated to Big Rivers for each year since the execution of the lease agreements between Big Rivers and the E.ON affiliates.

6. Refer to Big Rivers' Response to Commission Staff's Third Data Request, Item 5.d., Page 1 of 5, and Big Rivers' Application, Exhibit 46, Seelye-2, Schedule 1.03. On Schedule 1.03 Big Rivers requests annual recovery of Transmission and General Plant expenditures in the amount of $14,331,923. This amount is equal to test year Transmission and General Plant expenditures. At Item 5.d. Big Rivers lists its annual Transmission and General Plant expenditures for each of the previous 10 years. As listed, Big Rivers Transmission and General Plant expenditures have fluctuated greatly over the past ten years. The lowest year is 1999 when the amount was negative at $407,465 and the highest year is 2008 when the amount was $15,629,112. Based on the 10-year total of $64,822,155, the 10-year average annual Transmission and General Plant expenditure equals $6,482,216.

a. Explain why the Transmission and General Plant expenditures listed for 1999 is a negative $407,465.

b. The annual Transmission and General Plant expenditures reported for the years 2001 through 2006 tend to be fairly constant. During these years the expenditures ranged from between $5,020,977 to $6,764,463. However, the amounts reported for 2007, 2008 and the test year are significantly higher at $12,130,235, $15,629,112 and $14,331,923, respectively. Given the spike in these expenditures during the last two calendar years, explain why it would not be appropriate to decrease the test year amount to the ten-year average of Transmission and General Plant expenditures to allow for the annual recovery of an amount that is more representative of a normal or average year.

c. Provide the total annual budgeted Transmission and General Plant expenditures for Big Rivers for each of the next five years. Provide detailed budgets when responding to this request.

7. Refer to Big Rivers' Response to Commission Staff's Third Data Request, Item 6.a. On line 12, Big Rivers shows that the portion of its test year principal and interest payment adjustment attributable to its 2001 Ohio County Bonds is $8,047,104.

a. Confirm that the adjustment shown on line 12 accounts for the current 18.5 percent annual rate of interest on these bonds.

b. Provide an update as to the status of Big Rivers' attempts to refinance these bonds or otherwise lower this rate of interest.

8. Refer to Big Rivers' Response to Commission Staff's Third Data Request, Item 7. b. 2), and Big Rivers' Response to Commission Staff's First Data Request, Item 19. a.

a. Provide copies of the test year economic development advertisements and state the names of the publications in which they appeared.

b. 807 KAR 5:016, Section 4. (b) prohibits rate recovery of promotional advertising expenses which is defined as "any advertising for the purpose of encouraging any person to select or use the service or additional service of an energy utility…." In response to Item 7. b. 2) Big Rivers argues that economic development advertising benefits its members and therefore should be recovered in rates. To the extent that Big Rivers' economic development advertising promotes the use of electricity, explain how rate recovery of these advertising expenses would not be in violation of the Kentucky regulation.

c. Identify all test year economic development expenses reported in each account listed in Item 19. a. For each expense amount listed, provide a general description of the economic development activity performed and the type of expense, e.g. salaries and wages, contracted services, transportation, etc.

9. Refer to Big Rivers' Response to Commission Staff's Third Data Request, Item 9. b., the detailed listing of test year expenses for each member of its Board of Directors.

a. Generally, for each "Board Meeting", a board member was reimbursed for "Expenses" except for board meetings related to the Unwind. Explain why the board members were not reimbursed for expenses incurred to attend Unwind-related board meetings but were reimbursed for expenses incurred to attend meetings not related to the Unwind.

b. Generally, expense reimbursements to board members for attendance of board meetings fluctuate significantly. For example, during the test year Lee Bearden received as little as $139.51 for reimbursement of expenses to attend the February 15, 2008 meeting and as much as $382.30 to attend the December 21, 2007 meeting. Explain why there is such a significant difference in expense reimbursements for board members' attendance at board meetings.

c. The expenses include the costs for all of Big Rivers' board members' attendance at both the 2007 and 2008 KAEC annual meetings.

1) Explain why it is appropriate to include the cost of attending this annual conference in revenue requirements twice, once for 2007 and again for 2008.

2) In previous cooperative rate cases, the Commission has limited rate recovery to the cost of sending the cooperative's delegate or the alternate delegate. State the name of Big Rivers' KAEC delegate and alternate delegate during 2008 and explain why it is appropriate for Big Rivers to recover the cost of sending a director to this meeting that was not its delegate or alternate delegate.

d. The day before each board meeting not labeled as Unwind, there is a fee paid to each board member labeled as either work session or travel day.

1) Describe what is meant by work session.

2) Explain the necessity of the work sessions.

3) Describe what is meant by travel day.

4) Explain why there is not a "travel day" when there is a "work session" on the day preceding the day of a meeting.

5) Explain why there is a need to have a work session on a day other than the day of the board meeting (i.e., explain why the work session could not have occurred on the same day as the board meeting.)

e. In August 2008 there were two board meetings not labeled as Unwind. Explain the need for these two meetings.

f. In September 2008 there was a board meeting labeled as "personnel matter," a regular board meeting with no specific label, and the annual meeting.

1) Explain why a special meeting was held for the "personnel matter" and why this could not have been addressed at the regular meeting.

2) Explain the need for the regular meeting one day after the annual meeting and why the subjects addressed at the regular meeting could not have been addressed on the day of the annual meeting.

g. In October 2008 two board meetings were held. Explain why the union contract board meeting and the regular board meeting could not have been combined into one meeting.

h. Each director is paid a fee for days that they attend conferences or classes.

1) Explain the need to make such payments.

2) Are Big Rivers' directors unwilling to attend necessary conferences or classes absent these fees?

3) Are these fees necessary to attract qualified board members?

4) Each director of Big Rivers is on the Board of Directors of his or her respective distribution cooperative. In that capacity, Big Rivers' board members attend conferences and classes. Does Big Rivers take into consideration these conferences and classes when determining whether or not it is necessary or appropriate to send a board member to a conference or class on behalf of Big Rivers? Explain in full detail.

i. Board members Butler, Denton, Elder, Elliot and Sills attended the NRECA Directors Winter School.

1) Explain why it was necessary for all of these individuals to attend the winter school.

2) Test year expenses include the cost of attending the 2007 and 2008 NRECA Directors Winter School for Butler, Denton and Sills. Explain why it was necessary for these individuals to attend the winter school a second time and why it is appropriate to include both years in pro forma operations.

j. Bearden, Butler and Sills attended the NRECA annual meeting in February 2008. In previous cooperative rate cases, the Commission has limited rate recovery to the cost of sending the cooperative's delegate or the alternate delegate.

1) State the name of Big Rivers' NRECA delegate and alternate delegate during 2008.

2) State why it is appropriate for Big Rivers to recover the cost of sending a director to this meeting who was not its delegate or alternate delegate.

k. Refer to Page 3 of 6.

1) State why rate recovery of the cost for Denton to attend the Illinois Basin Energy Forum is appropriate.

2) State why rate recovery of the cost for Denton to attend the NRECA Directors Summer School in June is appropriate given that he attended the winter school in December of 2007 and 2008.

3) State why rate recovery is appropriate for the cost of Denton attending the ACES meetings in August 2008 and November 2008.

l. Refer to Pages 4, 5 and 6.

1) State why rate recovery is appropriate for the cost of Elder attending the SURE executive subcommittee meeting in April 2008.

2) State why rate recovery is appropriate for the cost of Elder, Elliot and Sills attending the ACES meeting in May 2008. Explain why it was necessary for all three members to attend.

3) State why rate recovery is appropriate for the cost of Elliot attending the Cobank Conference in March 2008.

4) State why rate recovery is appropriate for the cost of Sills and Denton to attend the legislative conference in May 2008.

10. Refer to Big Rivers' Response to Commission Staff's Third Data Request, Items 9 and 10. Included in these responses are references to "fringe benefits" in the amount of $4,027 paid on behalf of Big Rivers' Board of Directors. The fringe benefits include life and accident insurance premiums.

a. State the beneficiary of these insurance policies.

b. Generally, the Commission does not allow cooperatives rate recovery of health insurance benefits paid on behalf of its board of directors. Given the Commission's prior treatment of health insurance premiums, state why rate recovery of the "fringe benefits" is appropriate considering that they are very similar to health insurance premiums.

c. Does Big Rivers pay similar life and accident insurance premiums on behalf of any other part-time employees?

11. Refer to Big Rivers' Response to Commission Staff's Third Data Request, Item 13. a.

a. Page 1 contains Big Rivers' arbitrage sales accounts, Accounts 447.171 through 447.299. During the test year Big Rivers credited revenue to 18 of these accounts totaling $95.580 million. In the pro forma column Big Rivers proposes adjustments to eliminate the sales credited to 16 of these accounts and increase the sales to two of the accounts (447.191 – Century and Alcan, and 447.244 - Other Market Sales). The net adjustment to these accounts is a decrease of $21.712 million, resulting in the pro forma amount of $73.868 million. Explain and discuss each assumption made when eliminating the revenues credited to the 16 accounts and the increased arbitrage sales volume expected in accounts 447.191 and 447.244.

b. The pro forma amount of $73.868 million referenced in Item 13. a. is supported by the workpapers in the CD at lines 304 through 334 of the worksheet titled E_Rev.

1) Lines 304 through 310 show the MWh pro forma sales volume to the Smelters and hourly sales. Compare these monthly sales volumes to the monthly test year volumes. Provide supporting documentation for the pro forma sales volumes that demonstrates that they represent known and measurable changes to the test year amounts.

2) As the information becomes available, provide monthly updates comparing the actual monthly sales volumes to the pro forma monthly sales volumes shown on Lines 304 through 310.

3) Lines 332 through 334 show the price per MWh at which Big Rivers calculated the pro forma revenue of $73.868 million. Provide support for the pro forma prices demonstrating that they represent known and measurable changes to the test year prices. If Big Rivers obtained these prices from forward price curves, provide

support for the published prices and demonstrate that these forward price curve projections have historically been accurate.

4) As the information becomes available, provide monthly updates comparing the actual monthly sales prices to the pro forma monthly sales prices shown on Lines 332 through 334.

12. Refer to Big Rivers' Response to Commission Staff's Third Data Request, Item 13. a., Pages 1 and 2, and the Workpapers on the CD at the worksheet titled E_Rev. The adjustments on Pages 1 and 2 to Account 456 increase test year revenues by $5,447,094 to the pro forma amount of $15,380,732. The monthly detail of the pro forma amount is shown on lines 343 through 364 on the E_Rev worksheet. For each account listed on lines 343 through 364:

a. State the nature of the revenues included in the account during the test year.

b. State the nature of the revenues included in the account in the pro forma.

c. State the basis for the proposed adjustment and provide supporting documentation for the adjustment.

13. Refer to Big Rivers' Response to Commission Staff's Third Data Request, Item 13. a.

a. Page 2 contains Big Rivers' purchased power accounts, Accounts 555.110 through 565.100. During the test year Big Rivers debited expenses to 17 of these accounts totaling $119.112 million. Big Rivers proposed adjustments to eliminate the expenses charged to 9 of these accounts and either increase or decrease the test year amount charged to the remaining 8 accounts for a net increase of $2.624 million. Big Rivers proposed adjustments resulting in pro forma purchased power costs of $121.736 million. Discuss the assumptions made when eliminating the expenses debited to the 9 accounts and the adjustments made to the remaining 8 accounts.

b. The pro forma amount of $121.736 million as referenced in Item 13. a. is supported by the workpapers in the CD at the worksheet titled P_Pow. That worksheet provides details of pro forma purchased power costs by vendor. Some of the costs were determined by applying pro forma purchase prices to pro forma purchase volumes while others are stated at fixed fee amounts. For the costs determined using pro forma prices and volumes:

1) Provide a comparison of the monthly pro forma purchase prices and volumes to those for each month of the test year. Provide supporting documentation for the pro forma sales volumes and prices that demonstrates that they represent known and measurable changes to the test year amounts.

2) As the information becomes available, provide monthly updates comparing the actual monthly purchase volumes and prices to the pro forma amounts.

3) For the costs stated at fixed amounts, provide a comparison to the test year amounts and provide an explanation and supporting documentation for all adjustments thereto.

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DATED: MAY 18 2009

cc: Parties of Record

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