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. 2011-00036

THIRD INFORMATION REQUEST OF COMMISSION STAFF 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 10 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before May 11, 2011. 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 the 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, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall 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.

1. Refer to Big Rivers' response to Item 5.b of the Second Information Request of Commission Staff ("Staff's Second Request"). The schedule of purchases by the smelters shows that Century's purchases were less in 2009, when it idled its fifth potline in March, than in 2010, when the fifth potline was idled for the entire year.

a. Describe, generally, the factors that would have caused Century's purchases to be roughly 10 percent less in 2009 compared to 2010.

b. Provide Century's MWh purchases, by month, for the years 2008, 2009 and 2010.

c. In the years 2006-2008, when Century operated five potlines for 12 months each year, its annual purchases exceeded 4.2 million MWhs. With the fifth potline being restarted in March 2011, explain whether Big Rivers anticipates that Century's annual MWh purchases will return to this level.

d. Provide the calculation of the pertinent adjustments to Big Rivers' test year revenues and expenses based on purchases by Century of 4.2 million MWhs.

2. Refer to the response to Item 7 of Staff's Second Request.

a. Explain why the sum of the Rural Sales of $110,934,700 in the response differs from the Rurals total of $110,513,089 found in the application, Exhibit Seelye-6, page 1 of 3, Adjusted Revenue at Current Rates. Provide a reconciliation.

b. Explain why the sum of the Large Industrial Sales of $39,110,620 in the response differs from the Large Industrial total of $39,260,372 found in the application, Exhibit Seelye-6, page 1 of 3, Adjusted Revenue at Current Rates. Provide a reconciliation.

c. Explain why the Smelter Sales of $282,406,135 in the response differs from the Smelter total of $282,391,841 found in the application, Exhibit Seelye-6, page 1 of 3, Adjusted Revenue at Current Rates. Provide a reconciliation.

3. Refer to the response to Item 9 of Staff's Second Request.

a. The response indicates that monthly kWh sales and revenues for the Armstrong – Equality mine increased by roughly 100 percent starting in October 2010, and have remained at, or above, those levels in the five months since the end of the test year. Explain whether the mine is now operating at what could be considered its "full capacity."

b. Explain whether there is reason to expect that Big Rivers' monthly sales and revenues related to operation of the Armstrong – Equality mine will increase above the levels experienced since October 2010.

c. During the course of this proceeding, provide updates to this response as new monthly information becomes available.

4. Refer to the response to Item 17.d. of Staff's Second Request. Item 17.d. asked why a four-year period had "[b]een used to derive the proposed adjustment." The

meaning, which appears to have been misunderstood, was that Big Rivers explain why four years was used as opposed to another period of time such as three years or five years. Provide the response to that request.

5. Refer to the response to Item 19 of Staff's Second Request and Exhibit Kelly-1 to the Direct Testimony of Ted J. Kelly.

a. Among Production Plant, a comparison of the response and the exhibit shows that the balances for Boiler Plant and Boiler Plant – Env Compl increased by $20.6 million and $12.9 million, respectively, between April 30, 2010 and October 31, 2010, the end of the test period. Provide a general description of the additions to these accounts over the last six months of the test period.

b. Among Transmission Plant, a comparison of the response and the exhibit shows that the balance for Station Equipment increased by $14 million while the balances for Poles and Lines increased by roughly $900,000 and $2.8 million, respectively, between April 30, 2010 and October 31, 2010, the end of the test period. Provide a general description of the additions to these accounts over the last six months of the test period.

c. Among General Plant, a comparison of the response and the exhibit shows that the balances for Computer and Communication Eqpt increased by $11.9 million and $3 million, respectively, between April 30, 2010 and October 31, 2010, the end of the test period. Provide a general description of the additions to these accounts over the last six months of the test period.

6. Refer to the response to Item 22 of Staff's Second Request and page 16 of 216 of the attachment to the response to Item 54 of the First Information Request of

Commission Staff ("Staff's First Request"). The response to Item 22.a. states that the test year labor and labor overheads amount of $68,084,003 includes the $2,470,052 retention bonus and $94,650 incentive award (bonus) while the response to Item 22.c. states that the retention bonus and incentive bonus are not included in the pro forma labor and labor overheads amount of $68,708,897.

a. The schedule on page 16 of the attachment has the heading "Labor & Labor Overheads – Nov. 2009 through Oct. 2010." It includes a Test Year Grand Total column made up of amounts starting with Account 426000 and continuing to Account 935000. It has a "first" total of $75,560,586, which, after subtracting the $7,476,583 postretirement benefit for former WKEC employees, matches the $68,084,003 amount referenced in the response to Item 22.a. Provide an extension of the schedule on page 16, which shows, by amount, in which accounts the test year $2,470,052 retention bonus and $94,650 incentive bonus were recorded.

b. The Pro Forma column on page 16 has a total of $68,708,897, which Big Rivers proposes to recover through rates. With the retention bonus and incentive bonus adjusted out of the test year amount, the test year total is reduced to $65,519,300. Confirm that, excluding bonuses, this is the actual test year amount for labor and labor overheads and that the pro forma labor and labor overheads represents an increase of approximately $3.2 million over this adjusted test year amount.

7. Refer to pages 1 and 47 of the additional workpapers filed April 15, 2011 in response to Item 54 of Staff's First Request and the response to Item 21.c. of Staff's Second Request. In the workpapers, it appears that the amounts in the column labeled Base salary are calculated by multiplying 2080, the standard number of work hours in a

year, broken down into subsets, by different salary and wage rates, some as of January 2, 2011, while others are as of later 2011 dates.

a. Confirm that the salaries and wages have been calculated as described above.

b. Explain why it is appropriate to adjust test year salaries and wages based on post-test year salary and wage rates.

c. Confirm whether the labor and labor overheads of $68,688,119 for employees of record as of October 31, 2010 shown in the response to Item 21.c. reflects salary and wage rates as of January 2, 2011 and later dates in the same manner as in the additional workpapers filed in response to Item 54 of Staff's First Request.

d. Provide normalized test year labor and labor overheads based on the number of employees and the wage and salary rates as of the end of the test year.

e. Provide workpapers supporting the response to part d. of this request in the same format used in the Item 54 workpapers filed April 15, 2011.

8. Refer to page 5 of 7 of the response to Item 24 of Staff's Second Request. Explain why compounded interest is included in the proposed interest expense.

9. Refer to the attachment to the response to Item 25.b. of Staff's Second Request and Exhibit Wolfram-1, Reference Schedule 2.12, to the Direct Testimony of John Wolfram. The last sentence in the description on the reference schedule states that "The HP agreement enables Big Rivers to have a known cost for its business information systems."

a. The attachment reflects that the monthly contract costs Big Rivers has incurred under the HP contract since it took effect have not matched its monthly budgeted amount of $182,436, have differed every month, and have ranged from a low of $104,380 to a high of $277,262. When does Big Rivers expect its costs under the contract to come into line with the amounts it has budgeted for the contract?

b. For February and March 2011, the attachment lists "Not in Steady State" as the reason the actual contract costs varied from the budget costs. Explain what is meant by "Not in Steady State."

10. Refer to the response to Item 26.b. of Staff's Second Request. Provide the minimum number of years Big Rivers is required to be a member of the Midwest Independent Transmission System Operator, Inc.

11. Refer to the response to Item 35.g. of Staff's Second Request. The first sentence of the last paragraph on page 4 of 5 of the response states "In comparison to the analysis presented in Exhibit 10, page 3 of 3, it has been Mr. Hutts' experience that a properly specified single model ...." Given that Mr. Hutts did not file direct testimony for Big Rivers, list the qualifications that make his experience relevant to the response.

12. Refer to the response to Item 38 of Staff's Second Request. This response states that there was an understatement of $510,706 for Account 908 in the cost of service study ("COSS").

a. State whether correcting for this error would change the proposed allocation of the revenue increase to each of the rate classes.

b. Provide an electronic copy of the corrected COSS.

13. Refer to the response to Item 44.b. of Staff's Second Request, which states that the majority of the Office Supplies and Expenses increase from $1.7 million to $4.4 million in the test year is attributed to "costs for the E.ON IT Support Services Agreement that terminated on January 15, 2011" related to the Unwind Transaction.

a. Provide the amount of the test year expense related to the E.ON IT Support Services Agreement.

b. State whether the amount provided in response to part a. of this request is reflected in the historical year amount of $1,897,048 in Exhibit Wolfram-2, Reference Schedule 2.12 of the Direct Testimony of John Wolfram.

c. Refer to Mark Hite's Direct Testimony, page 23, lines 21-22, which refers to a 16-month implementation to facilitate Big Rivers' migration to Oracle R12. By vendor, provide the amounts that were expensed and capitalized in the test year for this project.

14. Refer to the response to Item 51 of Staff's Second Request, page 4 of 15. For the expense month of November, the total cost of power purchased minus the purchased power costs recovered through the fuel adjustment clause ("FAC") is shown as ($367,691.32). Explain how purchased power costs recovered through the FAC can be more than total power purchased.

Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED: APR 2 8 2011

cc: Parties of Record

Mark A Bailey
President CEO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42419-0024

Sanford Novick
President and CEO
Kenergy Corp.
P. O. Box 18
Henderson, KY 42419

Douglas L Beresford
Hogan Lovells US LLP
Columbia Square
555 Thirteenth Street, NW
Washington, DISTRICT OF COLUMBIA 20004

Melissa D Yates
Attorney
Denton & Keuler, LLP
555 Jefferson Street
P. O. Box 929
Paducah, KENTUCKY 42002-0929

David Brown
Stites & Harbison, PLLC
1800 Providian Center
400 West Market Street
Louisville, KENTUCKY 40202

Albert Yockey
Vice President Government Relations
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42419-0024

J. Christopher Hopgood
Dorsey, King, Gray, Norment & Hopgood
318 Second Street
Henderson, KENTUCKY 42420

Mr. Dennis Howard
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KENTUCKY 40601

Honorable Michael L Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

Honorable James M Miller
Attorney at Law
Sullivan, Mountjoy, Stainback & Miller, PSC
100 St. Ann Street
P.O. Box 727
Owensboro, KENTUCKY 42302-0727