

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC)
CORPORATION FOR A GENERAL) CASE NO. 2011-00036
ADJUSTMENT IN RATES)

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
ON BIG RIVERS ELECTRIC CORPORATION'S REHEARING REQUEST

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 March 22, 2012. 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 pages 5-6 of the Direct Testimony on Rehearing of Mark A. Hite (“Hite Rehearing Testimony”), wherein Mr. Hite addresses the issue of Big Rivers’ rate case expense. Refer also to Appendix B to the November 17, 2011 Order (“rate Order”) in this proceeding and Big Rivers’ December 6, 2011 Petition for Rehearing (“Rehearing Petition”), page 3, line 11, through page 4, line 2.

a. The Hite Rehearing Testimony and the Rehearing Petition indicate that the Commission did not include rate case expense in the revenue increase granted Big Rivers in the Commission’s rate Order. Explain whether Big Rivers determined that recovery of its rate case expense was not allowed by: (1) the omission of rate case expense from the table of accepted adjustments in Appendix B to the Commission’s rate Order; (2) the absence of discussion of rate case expense in the “Revenues and Expenses” section of the rate order; or (3) by some other means.

b. Explain whether Big Rivers has performed a reconciliation of the revised adjustments, the accepted adjustments, and the Commission’s calculation of the revenue increase Big Rivers was awarded in the rate Order as a “check” of whether the Commission’s calculations were accurate.

2. Refer to pages 7-8 of the Hite Rehearing Testimony regarding the issue of depreciation expense on Construction Work in Progress (“CWIP”). The question and answer beginning on page 7, line 19, and continuing to page 8, line 3, indicate, among other things, that this issue was not raised by the Commission or any other party during the course of this case.

a. Referring to Big Rivers’ proposal to recover depreciation expense on its test year-end CWIP balance and to the recommendation of Mr. Lane Kollen, witness for Kentucky Industrial Utility Customers, Inc. (“KIUC”), Commission Staff’s Initial Information Request to KIUC, Item 16.a., states, “Given the nature of Big Rivers’ proposal, explain why Mr. Kollen chose to link depreciation on retirements with depreciation on CWIP rather than recommend that the proposal to include depreciation on CWIP be rejected.” Explain why Big Rivers does not consider this specific request to have raised the issue of recovering depreciation on CWIP.

b. Page 8, lines 11-14, refers to the amount of the test year-end CWIP balance that was in service at the end of the test year and states that the “depreciation thereon is “\$359,678, net of the City of Henderson’s (“City’s”) share of Station Two and estimated retirements.” Clarify whether this statement means that \$359,678 is the Big Rivers share of the expense after allocating the appropriate amount to the City.

3. Refer to pages 15-16 of the Hite Rehearing Testimony and Exhibit, Hite Rehearing-4. Confirm that the testimony and the exhibit both indicate that the financial model relied upon by Big Rivers in conjunction with the Unwind Transaction did not include “Smelter TIER Adjustment Revenues” in 2009 and 2010, the two calendar years reflected in the test year upon which Big Rivers based its requested rate increase.

4. Refer to pages 11-16 of the Direct Testimony on Rehearing of John Wolfrom (“Wolfrom Rehearing Testimony”), which addresses the issue of rate recovery of depreciation on CWIP. Therein, several previous Commission cases are discussed which, according to the testimony, support Big Rivers’ position that depreciation on its test year-end CWIP balance should be included for rate recovery.

a. The first case discussed is Case No. 90-158,¹ in which, as the testimony reflects, the Commission’s order stated, “first year depreciation expense based on the CWIP as of April 30, 1990 is allowed” The order also stated, at page 6, that “Trimble County represents a significant addition to LG&E’s utility plant in service” and “the Commission must consider the commercialization of a major plant addition” It went on to state, also on page 6, “[w]e believe it fair and reasonable *in this instance* to include in LG&E net original cost rate base the year-end Trimble County CWIP. This amount, net of the 25 percent disallowance, is \$507,878,016.” Emphasis added. Based on the rate base schedule on page 11 of the Order, the test year-end Trimble County CWIP balance of \$507,878,016 increased the Total Utility Plant balance of Louisville Gas and Electric Company (“LG&E”) by roughly 35 percent. Explain whether Big Rivers believes its situation is in any way comparable in magnitude to the situation created by the addition of Trimble County Unit 1 to LG&E’s utility plant.

b. The second case discussed is Case No. 2010-00116,² a rate case of Delta Natural Gas Company, Inc. (“Delta”), which references the Commission’s Final

¹ Adjustment of Gas and Electric Rates of Louisville Gas and Electric Company (Ky. PSC, Dec. 21, 1990).

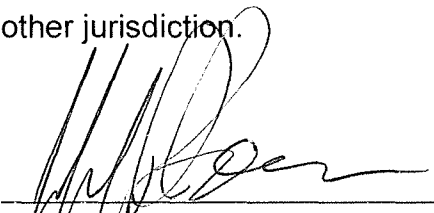
² Application of Delta Natural Gas Company, Inc. for an Adjustment of Rates (Ky. PSC Oct. 21, 2010).

Order and Volume 1, Tab 27, Schedule 4, of Delta's application. That schedule reflects that Delta proposed an adjustment to increase its depreciation expense by more than \$1.3 million and that depreciation on its test year-end CWIP balance was \$2,809. Explain whether Big Rivers has determined that including an amount of this magnitude in Delta's revenue requirement had an impact on the actual rates it was awarded.

c. The third and fourth cases discussed are the 2009 rate cases of LG&E and Kentucky Utilities Company ("KU"),³ in which the Commission approved a Stipulation and Recommendation ("Stipulation"), in which all parties to the case, except for the Office of the Attorney General of the Commonwealth of Kentucky ("AG") agreed on the amount of additional revenue to be awarded to LG&E and KU.

1) Explain whether Big Rivers is aware that the Commission's analyses of revenue requirement issues in these rate cases was specific to the issues raised by the AG and that those issues did not include depreciation on CWIP.

2) Explain whether Big Rivers is aware that Section 6.12 of the Stipulation approved in LG&E's and KU's 2009 rate cases stated that the Stipulation have no precedential value in this (Kentucky) or any other jurisdiction.



Jeff Derouen, Executive Director
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DATED: MAR 12 2012

cc: Parties of Record

³ Case No. 2009-00549, Application of Louisville Gas and Electric Company for an Adjustment of Electric and Gas Base Rates (KY. PSC July 30, 2010); and Case No. 2009-00548, Application of Kentucky Utilities Company for an Adjustment of Base Rates (Ky. PSC July 30, 2010).

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