COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR AN ADJUSTMENT OF RATES | ) ) ) | CASE NO. 2013-00199 |

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

Big Rivers Electric Corporation ("Big Rivers"), pursuant to 807 KAR 5:001, is requested 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 by September 3, 2013. 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 responses 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' application, Tab 5.

a. Refer to proposed PSC No. 26, Original Sheet No. 63, Section (1)(d). This section begins, "The cost of fossil fuel, as denoted in (2)(a) above…." Clarify whether the reference in this sentence should be to (1)(a) instead of (2)(a).

b. Refer to proposed PSC No. 26, Original Sheet No. 64, Section (3)(v) which refers to "subsection (2)(d) above…." Clarify whether the reference in this section should be to (1)(d) instead of (2)(d).

c. Refer to proposed PSC No. 26, Original Sheet Nos. 82 and 85. Explain the purpose of the new language that appears in the first paragraph on these pages.

2. Refer to Tab 6 of the application, the Schedule Showing the Amount of Rate Change Requested in Both Dollar Amounts and Percentage Change, Net of the Member Rate Stability Mechanism ("MRSM") and Rural Economic Reserve ("RER"). Provide the supporting calculations for the amounts on lines 1 and 10.

3. Refer to Tab 28 of the application, Attachment 3, pages 17 and 18. Explain why Big Rivers' net principal payments on debt obligations decline from $48.1 million in 2013 to $7.5 million in 2014.

4. Refer to Tab 28 of the application, Attachment 7, page 25. Explain why the headcount decrease due to the lay-up of the Wilson Station is shown effective as of December 1, 2013, when the Direct Testimony of Robert W. Berry ("Berry Testimony") at page 16, line 1, states that the Wilson Station will be idled starting February 1, 2014.

5. Refer to Tab 49 of the application, Exhibit 49, pages 3 and 9. Explain why the amount reflected in Account 923 for Outside Services Employed is projected to increase from $442,869 in the base period to $724,132 in the test period.

6. Refer to Tab 49 of the application, Exhibit 49, page 8. Describe the type of customer-assistance expense in the amount of $1,095,998 Big Rivers expects to incur in the test period.

7. Refer to Tab 50 of the application, pages 2 and 3, which show Big Rivers' executive compensation for the base period and test period. Given the circumstances under which it is currently operating, explain whether Big Rivers has considered a freeze on executive level compensation for a period of time.

8. Refer to page 8 of the Direct Testimony of Mark A. Bailey. On lines 1-3, Mr. Bailey states that Big Rivers has been evaluating ways to mitigate the effects of the smelter terminations, and that as those efforts are successful, Big Rivers' members will benefit. Identify and describe the specific plans to benefit Big Rivers' members if mitigation efforts are successful.

9. Refer to pages 6-7 of the Direct Testimony of Billie J. Richert ("Richert Testimony"), which refer to Big Rivers' requirement to install pollution control facilities to be in compliance with the Mercury and Air Toxics standards rule by April 2015.

a. Describe the impact idling the Wilson and Coleman generating units will have on the scheduled installation of the pollution-control equipment.

b. Explain whether it will be necessary to install the equipment if the generating units are not in operation.

10. Refer to pages 13-14 of the Richert Testimony wherein Ms. Richert discusses Big Rivers' proposal to accelerate the use of the reserve funds to fully offset the rate increase proposed in this case.

a. Provide the current balances of the Economic Reserve and Rural Economic Reserve funds.

b. Explain in detail how the amount of the offset would be calculated for each member cooperative.

c. Explain to what extent Big Rivers considered proposing a different amount of offset for the rate increase proposed in this case (i.e., proposing a 50 percent offset instead of 100 percent).

d. State when each of the reserve funds would be depleted if a 50 percent offset were granted in this case.

11. Refer to the Richert Testimony, Exhibit Richert-3.

a. Identify the cooperatives listed in the exhibit that are rate-regulated by a state commission.

b. Based on the dates shown in the source footnote, the same data should be available for 2012. Provide a similar exhibit with the comparison based on calendar year 2012 results.

12. Refer to page 6 of the Direct Testimony of Deanna M. Speed. Item No. 2 of the proposed tariff changes is to add language to the Large Industrial tariff "...to clarify that there must be a written retail service agreement for every retail customer for whom a distribution cooperative buys power under the LIC tariff." Explain why this is necessary and state what the current practice is.

13. Refer to the Berry Testimony, page 5, lines 2-5, which indicates that Big Rivers' total net generation capacity availability is 1,819 MW. Page 15, lines 9-10, indicates that peak demand after the smelters exit will be approximately 650 MW.

a. Explain whether Big Rivers' transmission tie line capability is sufficient to export its excess power when market prices make it economic to do so.

b. Provide a load flow analysis or study, using a one-line diagram, to demonstrate whether or not any Big Rivers' transmission facilities would be overloaded if Big Rivers transferred roughly 970 MW of power to other utilities during summer and winter peak conditions.

c. Provide the actual coincident peak demands for Rig Rivers' system, including the aluminum smelter loads, for the years 2003 to 2012 with the annual load growth percentages identified.

d. Provide the coincident peak demands forecasted for Big Rivers' system, without the aluminum smelter loads, for the years 2014 to 2024 with the annual load growth percentages identified.

14. Refer to the Berry Testimony, page 13, lines 19-22. Mr. Berry states that if none of Big Rivers' mitigation efforts prove fruitful, the utility would be able to replace some or all the smelter load through off-system sales when market prices increase to a

level that would justify returning idled units to operational status. Big Rivers currently projects that market prices will return to such a level in 2019. Provide an analysis or study to support that projection.

15. Refer to page 11 of the Berry Testimony. Lines 14-17 indicate that Big Rivers has offered to sell the Wilson and Coleman stations to multiple parties but that its efforts have not produced results.

a. Provide details on the status of negotiations to sell any Big Rivers generating stations.

b. Provide:

(1) the prices at which Big Rivers has offered to sell the Wilson and Coleman stations;

(2) the net book value of each station; and

(3) the long-term debt associated with each station.

16. Refer to page 12, lines 8-14, of the Berry Testimony, which indicates that Requests for Proposals have been issued in Kentucky for long-term power contracts. Describe Big Rivers' response to these opportunities for the potential sale of capacity that is no longer needed to serve the smelter load.

17. Refer to page 17 of the Berry Testimony.

a. The contracts among Big Rivers, Kenergy Corp. and Century Aluminum referenced on lines 4-7 have now been approved by the Commission. Explain whether they have been executed.

b. Confirm whether the Midcontinent Independent System Operator, Inc. ("MISO") has determined at what base load Century Aluminum may operate its smelting facilities (reference lines 8-11).

c. Beginning at line 19, Mr. Berry states that "[i]f Big Rivers does receive transmission revenue from Century, then Big Rivers will pursue the appropriate method(s) to allow the net benefits to inure to its members." Explain what is meant by "appropriate method(s)" and provide the timeline for implementing these methods.

18. Refer to pages 22-23 of the Berry Testimony.

a. At page 22, line 18, Mr. Berry states, "The Real Time Pricing mechanism has also become obsolete." Explain how the mechanism has become obsolete.

b. At page 22, line 23 and continuing to page 23, line 2, Mr. Berry states that Big Rivers' "Real Time Pricing mechanism should be terminated for the same reasons that the market-pricing provisions of rate schedule LICX are being eliminated." Confirm that Mr. Berry is referring to the fact that Big Rivers "has no shortage of system generation resources" as the reason the Real Time Pricing ("RTP") mechanism should be terminated.

c. Explain whether Big Rivers has considered that RTP might be more attractive to customers after they experience the impact of the rate increases Big Rivers has proposed.

19. Refer to the Direct Testimony of Jeffrey R. Williams, page 6, lines 16- 17. Provide the budget and financial plan approved by Big Rivers' Board in November 2012.

20. Refer to page 12 of the Direct Testimony of Lindsay N. Barron ("Barron Testimony") wherein Ms. Barron discusses price elasticity's being incorporated into models used to forecast the Rural customer class load. Explain whether price elasticity was incorporated into models used to forecast the Large Industrial class load.

21. Refer to page 14 of the Barron Testimony wherein Ms. Barron discusses the MISO Capacity Charge.

a. Provide a description of the nature of the costs Big Rivers expects to incur.

b. Provide the derivation of the $510,552 forecasted to be incurred in February through May of 2014 and explain why these costs will be incurred only during those months.

22. Refer to the Direct Testimony of Christopher A. Warren. Provide Exhibit Warren-2 in Excel spreadsheet format with the formulas intact and unprotected and with all rows and columns accessible.

23. Refer to page 13 of the Direct Testimony of John Wolfram ("Wolfram Testimony"), Exhibit Wolfram-2 Reference Schedule 1.05, Lobbying Expenses, and Tab 49 of the application, Exhibit 49, page 9.

a. Explain if the adjustment for lobbing expense includes the $68,023 of Civic and Political Expenses shown in Exhibit 49.

b. For the test year, provide a breakdown by month of internal and external lobbying expenses.

c. Provide a detailed description of the internal lobbying expense.

24. Refer to page 14 of the Wolfram Testimony wherein Mr. Wolfram discusses the cessation in 2015 of the surcredit to the Rural and Large Industrial classes that was funded by a smelter surcharge.

a. Provide the effect this cessation will have on customers' bills.

b. Given that the surcredit will continue through 2014, which includes the first 11 months of the test year, explain in detail why it is appropriate to eliminate this amount.

25. Refer to lines 16-18 on page 15 of the Wolfram Testimony and lines 14-16 on page 16 of the Berry Testimony. The Wolfram Testimony states that Reference Schedule 1.10 of Exhibit Wolfram-2 eliminates the burdened labor expenses for the Coleman plant and plant-related staff that are included in the 2014 forecast in February, March, and April. The Berry Testimony provides June 1, 2014 as a possible idle date for the Coleman Station. Given that June 1, 2014 is a possible idle date, explain why Coleman costs for the month of May 2014 were not included in the 2014 forecast.

26. Refer to page 17 of the Wolfram Testimony and Reference Schedule 1.12, Exhibit Wolfram-2, Demand Side Management Expenses ("DSM"). Explain why the DSM expenses for the months of June 2014 and December 2014 increase by the magnitude shown.

27. Refer to page 18 of the Wolfram Testimony, lines 5-10, and Reference Schedule 1.13, Exhibit Wolfram-2, Non-Labor Expenses Related to Plant Layup.

a. Provide a detailed description of the costs that are represented by this adjustment.

b. Explain what is meant by "Pro Forma Year Cost" on line 17 of the reference schedule.

c. Explain what the cost of $1,230,305 on the schedule represents and how it was determined and calculated.

28. Refer to page 22 of the Wolfram Testimony. Beginning at line 18, Mr. Wolfram states that "[t]he selection of certain allocation vectors for particular expenses and revenues is the same in the cost-of-service study filed in this case as they were in the study filed in Case No. 2012-00535." State whether the allocation methodology used for any item in the cost-of-service study ("COSS") in this case differs from that used in the COSS filed in Case No. 2012-00535.[1]

29. Refer to page 23 of the Wolfram Testimony wherein Mr. Wolfram states that a 12CP methodology was used to allocate production and transmission demand-related costs. Explain the reasons for using a 12CP methodology and why it is still a reasonable methodology given the loss of the smelter load.

30. Refer to page 28 of the Wolfram Testimony. Starting at line 2, Mr. Wolfram states that Big Rivers is proposing an energy charge of $.035000 for the Rural and Large Industrial classes and that this charge "approximates Big Rivers' annual production cost on a per-unit basis." Provide the supporting calculation of Big Rivers' annual production cost on a per-unit basis.

31. Refer to Exhibit Wolfram-3, Exhibit Wolfram-4, and Exhibit Wolfram-5. Provide these exhibits in Excel spreadsheet format with the formulae intact and unprotected and with all rows and columns accessible.

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[1] Case No. 2012-00535, Application of Big Rivers Electric Corporation for an Adjustment of Rates (filed Jan. 15, 2013).

32. Refer to Exhibit Wolfram-4, page 11. Reconcile the "Total Operating Expenses" on this page with Exhibit Wolfram-2, page 1, Adjusted Cost of Service of $330,104,825.

33. Refer to Exhibit Wolfram-4. In Case No. 2012-00535, this exhibit contained 16 pages versus the 14 pages filed in this case. Provide for the COSS filed in this proceeding the information filed in Case No. 2012-00535 on pages 15 and 16.

34. Refer to Exhibit Wolfram-5. Provide the supporting calculations for the current and proposed Environmental Surcharge amounts for the Rural and Large Industrial classes. The response should provide the calculations and not merely a reference to the financial model.

35. Refer to pages 121 and 132 of the response to Item 29 of Commission Staff's First Information Request ("Staff's First Request").

a. Explain why the amount for Account 56510000, Transmission of Electricity, increased by $742,000, or more than 25 percent, in the Most Recent 12 Months shown as compared with the Prior 12 Months.

b. Explain why the amount for Account 92610000, Employee Pensions, increased by $878,000, or more than 350 percent, in the Most Recent 12 Months shown as compared with the Prior 12 Months.

36. Refer to the attachment to the response to Item 47.c. of Staff's First Request, pages 16 and 21. Page 16 reflects, among other things, a penalty in the amount of $134,753 for non-payment of Kentucky sales tax. Page 21 reflects, among other things, $416,932 for the write-off of unamortized deferred debt expense related to the termination of the CoBank revolving line of credit agreement. Each of these items

was booked in May of 2013, prior to Big Rivers' application's being filed. Confirm that the test period contains no amounts budgeted by Big Rivers for these types of expenses.

37. Refer to the attachment to the response to Item 55.a. of Staff's First Request, page 12. Using the production plant accounts shown on the top half of the page, prepare and provide schedules which show the test year's depreciation expense for the Coleman Station and the Wilson Station. Each schedule should include the test year 13-month average plant account balances and depreciation expense calculated using (1) Big Rivers' existing depreciation rates and (2) the depreciation rates proposed by Big Rivers in Case No. 2012-00535.

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

DATED AUG 19 2013

cc: Parties of Record

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

Ruben Mojica
Sierra Club Environmental Law Program
85 2nd Street, 2nd Floor
San Francisco, CALIFORNIA 94105

Honorable Thomas C Brite
Attorney At Law
Brite & Hopkins, PLLC
83 Ballpark Road
P.O. Box 309
Hardinsburg, KENTUCKY 40143

G. Kelly Nuckols
President & Ceo
Jackson Purchase Energy Corporation
2900 Irvin Cobb Drive
P. O. Box 4030
Paducah, KY 42002-4030

Jennifer B Hans
Assistant Attorney General's Office
1024 Capital Center Drive, Ste 200
Frankfort, KENTUCKY 40601-8204

Billie J Richert
Vice President Accounting, Rates & CFO
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

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

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

Burns E Mercer
Manager
Meade County R.E.C.C.
P. O. Box 489
Brandenburg, KY 40108-0489

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