

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

The Application of)
Big Rivers Electric Corporation,)
Louisville Gas and Electric Company,)
Western Kentucky Energy Corp.,)
Western Kentucky Leasing Corp., and)
LG&E Station Two, Inc.)
for Approval of Wholesale Rate Adjustment)
for Big Rivers Electric Corporation and for)
Approval of Transaction)

Case No. 97-204

DIRECT TESTIMONY
AND EXHIBITS
OF
LANE KOLLEN

ON BEHALF OF
ALCAN ALUMINUM CORPORATION
SOUTHWIRE COMPANY

J. KENNEDY AND ASSOCIATES, INC.
ATLANTA, GEORGIA

OCTOBER 1997

**COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY**

In the Matter of:)
)
 Big Rivers Electric Corporation,)
 Louisville Gas and Electric Company,)
 Western Kentucky Energy Corp.,) **Case No. 97-204**
 Western Kentucky Leasing Corp., and)
 LG&E Station Two Inc.)
 for Approval of Wholesale Rate Adjustment)
 for Big Rivers Electric Corporation and for)
 Approval of Transaction)

DIRECT TESTIMONY OF LANE KOLLEN

1
2
3
4
5
6
7
8
9
10
11
12
13
14

I. QUALIFICATIONS AND SUMMARY

Q. Please state your name and business address.

A. My name is Lane Kollen. My business address is J. Kennedy and Associates, Inc. ("Kennedy and Associates"), 35 Glenlake Parkway, Suite 475, Atlanta, Georgia 30328.

Q. What is your occupation and by whom are you employed?

A. I am a utility rate and planning consultant holding the position of Vice President and Principal with the firm of Kennedy and Associates.

1 **Q. Please describe your education and professional experience.**

2

3 A. I received my Bachelor of Business Administration in Accounting from the
4 University of Toledo. I also received a Master of Business Administration from the
5 University of Toledo. I am a Certified Management Accountant ("CMA") and a
6 Certified Public Accountant ("CPA").

7

8 Since 1986, I have held various positions with Kennedy and Associates. I specialize
9 in revenue requirements analyses, taxes, the evaluation of rate and financial impacts
10 of traditional and non-traditional ratemaking, and other utility strategic, operational,
11 financial, and accounting issues.

12

13 From 1983 to 1986, I held various positions with the consulting group at Energy
14 Management Associates. I specialized in utility finance, utility accounting issues, and
15 computer financial modeling. I also directed consulting and software projects
16 utilizing PROSCREEN II and ACUMEN proprietary software products to support
17 utility rate case filings, budgets, internal management and external reporting, and
18 strategic and financial analyses.

19

20 From 1976 to 1983, I held various positions with The Toledo Edison Company in the
21 Accounting and Corporate Planning Divisions. From 1980 to 1983, I was responsible

1 for the Company's financial modeling and financial evaluation of the Company's
2 strategic plans. In addition, I was responsible for the preparation of the capital
3 budget, various forecast filings with regulatory agencies, and assistance in rate and
4 other strategy formulation. I utilized the strategic planning model PROSCREEN II,
5 the production costing model, PROMOD III, and other software products to evaluate
6 capacity swaps, sales, sale/leasebacks, cancellations, write-offs, unit power sales, and
7 long term system sales, among other strategic options. From 1976 to 1980, I held
8 various other positions in the Budget and Accounting Reports, Property Accounting,
9 Tax Accounting, and Internal Audit sections of the Accounting Division.

10
11 I have appeared as an expert witness on accounting, finance, and planning issues
12 before regulatory commissions and courts in numerous states on more than one
13 hundred occasions. I have appeared in prior Big Rivers rate cases, Workout Plan
14 proceedings, fuel proceedings and environmental surcharge proceedings before the
15 Kentucky Commission including Case Nos. 9613, 9885, 10217, 92-490, 92-490A, 90-
16 360-C, and 96-327. In addition, I have developed and presented papers at various
17 industry conferences on utility rate, accounting, and tax issues. My qualifications and
18 regulatory appearances are further detailed in my Exhibit ____ (LK-1).

1 **Q. Please describe the firm of Kennedy and Associates.**

2

3 A. Kennedy and Associates provides consulting services in the electric, gas, and
4 telecommunications utilities industries. The firm provides expertise in utility industry
5 restructuring and transition issues, financial analysis, revenue requirements, cost of
6 service, rate design, system planning and load forecasting. Clients include state
7 agencies and industrial electricity and gas consumers.

8

9 **Q. On whose behalf are you testifying?**

10

11 A. I am testifying on behalf of Alcan Aluminum Corporation and Southwire Company
12 (the "Smelters"), the two largest customers on the Big Rivers system.

13

14 **Q. What is the purpose of your testimony?**

15

16 A. The purpose of my testimony is to describe the development of the revenue
17 requirement for Big Rivers relied upon by Smelters witness Mr. Baron for cost
18 allocation studies supporting the reasonableness of the global settlement rates. In
19 addition, I describe the development of the revenue requirement in the event there
20 were no global settlement and the issues of excess capacity and Wilson prudence
21 instead were litigated in order to determine reasonable rates.

1 **Q. Please summarize your testimony.**

2

3 A. The global settlement rates are reasonable when compared to the results of the cost
4 allocation study performed by Smelters witness Mr. Baron. Mr. Baron relied upon
5 the revenue requirement that I developed and describe in my testimony as the "base
6 case." The base case is summarized on my Exhibit ____ (LK-2). To develop the
7 revenue requirement, I utilized a traditional approach by computing and summing the
8 proforma operating expenses and proforma interest and margin requirements. I
9 utilized per books amounts for calendar year 1996 adjusted for known and
10 measurable changes, to remove nonrecurring expenses, and to reflect other
11 appropriate regulatory adjustments.

12

13 In addition, the global settlement rates are reasonable compared to, and are higher
14 than, the results of an alternative cost allocation study performed by Smelters witness
15 Mr. Baron. This alternative cost allocation study represents a likely outcome of a
16 fully litigated ratemaking proceeding in the absence of the global settlement. For the
17 alternative cost allocation study, Mr. Baron relied upon the revenue requirement that
18 I developed and describe in my testimony as the "multijurisdictional case." The
19 multijurisdictional case is summarized on my Exhibit ____ (LK-3). The
20 multijurisdictional case quantifies the revenue requirement effect of a compromise

1 between competing litigation positions that recognizes the off-system jurisdiction and
2 fully allocates costs between the member and off-system jurisdictions.

3
4 Given that the global settlement rates are reasonable, the interim rates now in effect
5 should remain in effect until the Commission issues its order establishing permanent
6 rates and there is a final resolution of the Big Rivers problems.

7
8 **Q. To derive the revenue requirement in the base case, did you allocate expenses**
9 **and rate base between a members jurisdiction and an off-system jurisdiction?**

10
11 A. No. In lieu of allocations to separate jurisdictions, I reflected the test year revenues
12 from off-system sales as credits (reductions) to the sum of the Company's operating
13 and interest expenses in order to derive the members' revenue requirement. The
14 expenses associated with off-system sales were included in the Company's operating
15 expenses utilized to derive the members' revenue requirement.

16
17 **Q. Why were the off-system sales revenues and expenses treated in this manner in**
18 **the base case?**

19
20 A. The off-system sales revenues and expenses were treated in this manner in the base
21 case in recognition of the global settlement, simplifying the analysis and mitigating

1 the contention between the Smelters and Big Rivers regarding the recognition of and
2 allocations to an off-system jurisdiction or other recognition of excess capacity and/
3 or disallowances associated with Wilson.

4
5 **Q. To derive the revenue requirement in the multi-jurisdiction case, did you**
6 **allocate expenses and rate base between a members jurisdiction and an off-**
7 **system jurisdiction?**

8
9 A. Yes. In contrast to the base case, I recognized two separate jurisdictions, one for
10 members and one for off-system. All revenues, expenses, and investment were
11 segregated into these two jurisdictions. The expenses and investment were allocated
12 to the jurisdictions on the basis of a "slice of the system" approach rather than
13 specific assignment of all excess capacity or Wilson costs to the off-system
14 jurisdiction.

15
16 **Q. Why were revenues, expenses, and investment allocated between members and**
17 **non-members in the multi-jurisdictional case?**

18
19 A. Due to the magnitude of the Company's excess capacity and off-system sales, the
20 non-member activity could be and normally would be considered a separate
21 jurisdiction. Recognition of a separate jurisdiction for the off-system market is

1 consistent with the Commission's orders in prior Big Rivers proceedings and the
2 Workout Plan projections for member sales revenues and off-system sales revenues
3 recognized and relied upon in those proceedings.

4
5 **Q. Does the multijurisdictional case represent the Smelters' litigation position in the**
6 **absence of the global settlement?**

7
8 A. No. The multijurisdictional case represents a likely outcome of the Commission's
9 review of the excess capacity and Wilson issues that would be relitigated in the
10 absence of the global settlement. As such, it represents a compromise of the parties'
11 competing interests consistent with the compromises incorporated in prior
12 Commission orders.

13
14 **Q. For both the base case and the multijurisdictional case, how did you compute**
15 **the interest and margin requirements?**

16
17 A. For both cases, the interest and margin requirements were computed based upon the
18 debt financing of the Big Rivers rate base. First, I computed the rate base at test year
19 end. Second, I subtracted the portion of the rate base that was financed through
20 capital credit investments by the members. Third, I multiplied the residual,
21 representing the portion of the rate base financed by debt, by the 5.772% interest rate

1 under the terms of the global settlement. Fourth, I then computed the margin based
2 upon a 1.05x times interest earned ratio ("TIER").

3

4 **Q. What are the sources of the data that you utilized to develop the per books rate**
5 **base and operating income components of the revenue requirement?**

6

7 A. I obtained the data for the per books rate base and operating income components
8 from the 1996 FERC Form 1 data filed with the Kentucky Public Service
9 Commission ("Commission") and from the December 1996 RUS Form 12 data filed
10 with the FERC and the Commission.

11

12 **Q. Have you identified appropriate regulatory proforma adjustments that should**
13 **be made to the per books test year ratemaking components?**

14

15 A. Yes. I have identified and incorporated, in both the base case and the
16 multijurisdictional case, eight proforma adjustments to the per books rate base and
17 operating income components as follows:

- 1 1. Increase depreciation reserve to reflect last approved jurisdictional
2 depreciation rates through test year end.
- 3
- 4 2. Reduce fuel expense to reflect the current costs of fuel purchases.
- 5
- 6 3. Reduce salaries and wages expense to reflect reduction in employee
7 levels of 10%.
- 8
- 9 4. Reduce outside services expense to remove the nonrecurring expenses
10 associated with Big Rivers restructuring.
- 11
- 12 5. Reduce regulatory commission expense to reflect reduced regulatory
13 commission activity.
- 14
- 15 6. Reduce employee benefits expense to remove the nonrecurring
16 severance expenses associated with targeted employee layoffs.
- 17
- 18 7. Reduce employee benefits expense to reflect the reduction in employee
19 levels of 10%.
- 20
- 21 8. Eliminate the amortization to income of the 1993 SO2 allowance sales
22 proceeds.
- 23
- 24

25 There are additional proforma adjustments that would be appropriate to incorporate
26 in the absence of the global settlement. These adjustments include rate base
27 reductions for the SO2 emission allowance sales proceeds and the gain on EPA SO2
28 allowance auction proceeds, and the related amortizations to income of both the sales
29 proceeds amounts.

30

31 **Q. Do the proforma adjustments you have incorporated in the derivation of the Big**
32 **Rivers revenue requirements reflect the completed lease arrangement between**
33 **Big Rivers and LG&E Energy?**

1 A. No. To do so would have required numerous additional proforma adjustments to
2 reflect the conversion of fuel expenses to purchased power expenses, to adjust off-
3 system sales revenues to reflect the allocation of existing contracts between Big
4 Rivers and LG&E Energy, to reflect the sharing between Big Rivers and LG&E
5 Energy of certain expense and capital costs, to reflect the transfer of remaining
6 production employees to LG&E Energy, to reflect the transfer of production related
7 fuel and materials and supplies inventories to LG&E Energy, and to reflect the lease
8 income to Big Rivers from LG&E Energy.

9

10 Obviously, such proforma adjustments would change the very nature of the cost
11 allocation study, the purpose of which is to allocate costs based upon cost causation.
12 Since the underlying costs were caused prior to the implementation of the lease
13 arrangement, it is more appropriate to utilize the historic Big Rivers cost structure to
14 determine the revenue requirement for cost allocation purposes in order to assess
15 whether the rates and the rate differentials between customer classes under the global
16 settlement are appropriate.

17

18 **Q. Please describe the proforma adjustment to increase the depreciation reserve at**
19 **test year end.**

20

1 A. Big Rivers reduced its depreciation rates and expense accruals effective January 1,
2 1996 from the rates that were last approved by the Commission. However, Big
3 Rivers neither sought nor obtained authorization from the Commission to change its
4 depreciation rates. Consequently, the per books depreciation reserve at test year end
5 is lower and rate base is higher than if the Company had not reduced its depreciation
6 rate and expense accruals. The test year end depreciation reserve should be based
7 upon the authorized depreciation rates, not the rates implemented by Big Rivers
8 without Commission authorization.

9

10 **Q. How did you quantify the depreciation reserve proforma adjustment?**

11

12 A. I computed the required proforma increase to the depreciation reserve amounts on a
13 functional basis in two steps. First, I computed the authorized depreciation expense
14 by multiplying the ratio of the authorized depreciation rates to the per books rates
15 times the per books depreciation expense. Second, I computed the proforma
16 adjustment by subtracting the per books depreciation expense from the results of the
17 first step. The computations are detailed on my Exhibit ___(LK-4).

18

19 **Q. Please describe the proforma adjustment to reduce fuel expense.**

20

1 A. This proforma adjustment is to reduce fuel expense to reflect the current and lower
2 costs of fuel purchases compared to the per books fuel expense in the test year. Big
3 Rivers has reduced its fuel expense from the 1996 per books level due to its
4 successful rejection of the Green River Coal contract and the renegotiation of the
5 Costain Coal contracts effective in October 1996.

6

7 **Q. How did you quantify the proforma adjustment to reduce fuel expense?**

8

9 A. I utilized the 10.47 mills/kWh (generation) budgeted average fuel cost cited by Big
10 Rivers witness Mr. Hite in his testimony and utilized in his revenue requirement
11 computations. The 10.47 mills/kWh budgeted cost is virtually identical to the Big
12 Rivers actual fuel costs for the January through August 1997 period. I multiplied the
13 10.47 mills/kWh times the 1996 test year net generation to develop the proforma fuel
14 expense and then subtracted the actual test year fuel expense to compute the proforma
15 adjustment to fuel expense.

16

17 **Q. Does the proforma adjustment to fuel expense include the fuel expense for the**
18 **HMPL units?**

19

20 A. Yes. To compute the proforma adjustment, I included the HMPL fuel expense in
21 both the actual and proforma test year expense levels. Although the Company reports

1 the fuel expense associated with the HMPL units as purchased power expense for
2 accounting purposes, I did not segregate the fuel expense proforma adjustment
3 between fuel expense and purchased power expense. Regardless of the reporting
4 format, the total proforma operating expenses and the related allocations to customer
5 class in the cost allocation study would be the same.

6
7 **Q. Please describe the proforma adjustment to reduce salaries and wages.**

8
9 A. This proforma adjustment reflects the initiation by Big Rivers of a 10% employee
10 reduction effort in late 1996, exclusive of the employees that will be transferred or
11 potentially available to LG&E Energy. The per books salaries and wages for 1996
12 reflected 778 full time employees on average. A 10% reduction would represent 78
13 employees, which I have assumed for simplicity would reduce steam production
14 O&M expense.

15
16 **Q. How did you quantify the proforma adjustment to reduce salaries and wages?**

17
18 A. I computed this proforma by multiplying the reduction in the number of employees
19 by the average 1996 salaries and wages expensed per full-time equivalent employee
20 of \$44,929.

21

1 **Q. Please describe the proforma adjustment to reduce outside services expense.**

2

3 A. This proforma adjustment is to remove the nonrecurring per books outside services
4 expenses associated with Big Rivers restructuring/bankruptcy/resolution process.

5

6 **Q. How did you quantify the proforma adjustment to reduce outside services
7 expense?**

8

9 A. The adjustment amount was obtained from Big Rivers. The residual proforma
10 expense for outside professional services is \$500,000 on a recurring basis.

11

12 **Q. Please describe the proforma adjustment to reduce regulatory commission
13 expense.**

14

15 A. This proforma adjustment is to remove the regulatory commission expenses associated
16 with Big Rivers' fuel clause recovery and environmental surcharge mechanisms, since
17 both mechanisms will cease to exist due to the global settlement.

18

19 **Q. How did you quantify the proforma adjustment to reduce regulatory commission
20 expense?**

21

1 A. The adjustment amount was obtained from Big Rivers. It represents the per books
2 amounts recognized by Big Rivers for regulatory commission activities in these two
3 areas.

4

5 **Q. Please describe the proforma adjustment to reduce benefits expense for**
6 **severance costs.**

7

8 A. This proforma adjustment is to remove the nonrecurring expense associated with Big
9 Rivers' per books recognition of the severance costs associated with the targeted
10 employee reductions.

11

12 **Q. How did you quantify the proforma adjustment to reduce benefits expense for**
13 **severance costs?**

14

15 A. The adjustment amount was obtained from Big Rivers and represents the per books
16 amount for severance expense that was recognized by Big Rivers in 1996.

17

18 **Q. Please describe the proforma adjustment to reduce benefits expense to a**
19 **normalized level.**

20

1 A. This proforma adjustment is to reduce benefits expense to a normalized level
2 reflecting 10% fewer employees, excluding the employees that will be transferred or
3 potentially available to LG&E Energy.

4

5 **Q. How did you quantify the proforma adjustment to reduce benefits expense to a**
6 **normalized level?**

7

8 A. I computed this proforma by multiplying the reduction in the number of employees
9 by the average 1996 benefits expensed per full-time equivalent employee of \$17,830.

10

11 **Q. Please describe the proforma adjustment to eliminate the amortization to income**
12 **of the 1993 SO2 allowance sales proceeds.**

13

14 A. This proforma adjustment simply eliminates the 1996 per books amortization to
15 income by Big Rivers of the unamortized balance of the 1993 SO2 allowance sales
16 proceeds associated with the installation of scrubbers on the HMPL generating units.
17 Big Rivers recognized this amount to income in 1996 upon the advice of its outside
18 auditors in conjunction with modifying its accounting to discontinue the application
19 of SFAS No. 71, "Accounting for Regulated Enterprises."

20

1 **Q. In the absence of the global settlement, would it be appropriate to amortize the**
2 **1993 allowance proceeds to the benefit of the ratepayers?**

3

4 A. Yes. The rate base and operating expenses included in the revenue requirement
5 include the full recognition of the depreciated investment in the HMPL scrubber
6 facilities as well as the operating costs. Thus, in the absence of the global settlement,
7 it would be appropriate to recognize an offset to the revenue requirement for the
8 proceeds received for selling SO2 allowances made available for that purpose through
9 the investment and operating expenses. This offset to the revenue requirement would
10 be recognized through both a rate base reduction and through an amortization to
11 income.

12

13 **Q. In the absence of the global settlement, would it be appropriate to amortize the**
14 **proceeds from the sale of allowances through the EPA auction process?**

15

16 A. Yes. It would be appropriate to treat these allowance sale proceeds in a manner
17 similar to that for the proceeds of the allowance sales made directly by Big Rivers.

18

19 **Q. Does this complete your testimony?**

20

21 A. Yes.

STATE OF GEORGIA

COUNTY OF FULTON

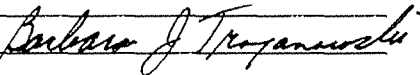
The foregoing testimony is true and correct to the best of my knowledge and belief.

Dated this 2nd day of October 1997



Lane Kollen

SUBSCRIBED AND SWORN to before me by Lane Kollen this 2nd day of October 1997.

Notary Public 

Notary Public Cobb County, Georgia
My Commission Expires January 29, 2001
My commission expires: _____

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

The Application of)
Big Rivers Electric Corporation,)
Louisville Gas and Electric Company,)
Western Kentucky Energy Corp.,)
Western Kentucky Leasing Corp., and)
LG&E Station Two, Inc.)
for Approval of Wholesale Rate Adjustment)
for Big Rivers Electric Corporation and for)
Approval of Transaction)

Case No. 97-204

EXHIBITS
OF
LANE KOLLEN

ON BEHALF OF

ALCAN ALUMINUM CORPORATION
SOUTHWIRE COMPANY

J. KENNEDY AND ASSOCIATES, INC.
ATLANTA, GEORGIA

OCTOBER 1997

RESUME OF LANE KOLLEN, VICE PRESIDENT

EDUCATION

University of Toledo, BBA
Accounting

University of Toledo, MBA

PROFESSIONAL CERTIFICATIONS

Certified Public Accountant (CPA)

Certified Management Accountant (CMA)

PROFESSIONAL AFFILIATIONS

American Institute of Certified Public Accountants

Georgia Society of Certified Public Accountants

Institute of Certified Management Accountants

Institute of Management Accountants

Seventeen years utility industry experience in the financial, rate, and planning areas. Specialization in revenue requirements analyses, taxes, evaluation of rate and financial impacts of traditional and nontraditional ratemaking, utility mergers/acquisition diversification. Expertise in proprietary and nonproprietary software systems used by utilities for budgeting, rate case support and strategic and financial planning.

RESUME OF LANE KOLLEN, VICE PRESIDENT

EXPERIENCE

1986 to

Present:

Kennedy and Associates: Vice President and Principal. Responsible for utility revenue requirements analysis, cash flow projections and solvency, financial and cash effects of traditional and nontraditional ratemaking, and research, speaking and writing on the effects of tax law changes. Testimony before Connecticut, Florida, Georgia, Indiana, Louisiana, Kentucky, Minnesota, North Carolina, Ohio, Pennsylvania, Texas, and West Virginia Public Service Commissions and the Federal Energy Regulatory Commission.

1983 to

1986:

Energy Management Associates: Lead Consultant.

Consulting in the areas of strategic and financial planning, traditional and nontraditional ratemaking, rate case support and testimony, diversification and generation expansion planning. Directed consulting and software development projects utilizing PROSCREEN II and ACUMEN proprietary software products. Utilized ACUMEN detailed corporate simulation system, PROSCREEN II strategic planning system and other custom developed software to support utility rate case filings including test year revenue requirements, rate base, operating income and pro-forma adjustments. Also utilized these software products for revenue simulation, budget preparation and cost-of-service analyses.

1976 to

1983:

The Toledo Edison Company: Planning Supervisor.

Responsible for financial planning activities including generation expansion planning, capital and expense budgeting, evaluation of tax law changes, rate case strategy and support and computerized financial modeling using proprietary and nonproprietary software products. Directed the modeling and evaluation of planning alternatives including:

- Rate phase-ins.
- Construction project cancellations and write-offs.
- Construction project delays.
- Capacity swaps.
- Financing alternatives.
- Competitive pricing for off-system sales.
- Sale/leasebacks.

J. KENNEDY AND ASSOCIATES, INC.

RESUME OF LANE KOLLEN, VICE PRESIDENT

CLIENTS SERVED

Industrial Companies and Groups

Air Products and Chemicals, Inc.	Leheigh Valley Power Committee
Airco Industrial Gases	Maryland Industrial Group
Alcan Aluminum	Multiple Intervenors (New York)
Armco Advanced Materials Co.	National Southwire
Armco Steel	North Carolina Industrial
Bethlehem Steel	Energy Consumers
Connecticut Industrial Energy Consumers	Occidental Chemical Corporation
ELCON	Ohio Industrial Energy Consumers
Enron Gas Pipeline Company	Ohio Manufacturers Association
Florida Industrial Power Users Group	Philadelphia Area Industrial Energy
General Electric Company	Users Group
GPU Industrial Intervenors	PSI Industrial Group
Indiana Industrial Group	Smith Cogeneration
Industrial Consumers for	Taconite Intervenors (Minnesota)
Fair Utility Rates - Indiana	West Penn Power Industrial Intervenors
Industrial Energy Consumers - Ohio	West Virginia Energy Users Group
Kentucky Industrial Utility Consumers	Westvaco Corporation

Regulatory Commissions and Government Agencies

Georgia Public Service Commission Staff
Kentucky Attorney General's Office, Division of Consumer Protection
Louisiana Public Service Commission Staff
New York State Energy Office
Office of Public Utility Counsel (Texas)

RESUME OF LANE KOLLEN, VICE PRESIDENT

Utilities

Allegheny Power System
Atlantic City Electric Company
Carolina Power & Light Company
Cleveland Electric Illuminating Company
Delmarva Power & Light Company
Duquesne Light Company
General Public Utilities
Georgia Power Company
Middle South Services
Nevada Power Company
Niagara Mohawk Power Corporation

Otter Tail Power Company
Pacific Gas & Electric Company
Public Service Electric & Gas
Public Service of Oklahoma
Rochester Gas and Electric
Savannah Electric & Power Company
Seminole Electric Cooperative
Southern California Edison
Talquin Electric Cooperative
Tampa Electric
Texas Utilities
Toledo Edison Company

**Expert Testimony Appearances
of
Lane Kollen
As of September 1997**

Date	Case	Jurisdct.	Party	Utility	Subject
10/86	U-17282 Interim	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Cash revenue requirements financial solvency.
11/86	U-17282 Interim Rebuttal	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Cash revenue requirements financial solvency.
12/86	9613	KY	Attorney General Div. of Consumer Protection	Big Rivers Electric Corp.	Revenue requirements accounting adjustments financial workout plan.
1/87	U-17282 Interim 19th Judicial District Ct.	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Cash revenue requirements, financial solvency.
3/87	General Order 236	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Tax Reform Act of 1986.
4/87	U-17282 Prudence	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Prudence of River Bend 1, economic analyses, cancellation studies.
4/87	M-100 Sub 113	NC	North Carolina Industrial Energy Consumers	Duke Power Co.	Tax Reform Act of 1986.
5/87	86-524-E-	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Revenue requirements. Tax Reform Act of 1986.
5/87	U-17282 Case In Chief	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, River Bend 1 phase-in plan, financial solvency.
7/87	U-17282 Case In Chief Surrebut	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements River Bend 1 phase-in plan, financial solvency.
7/87	U-17282 Prudence Surrebut	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Prudence of River Bend 1, economic analyses, cancellation studies.
7/87	86-524 E-SC Rebuttal	WV	West Virginia Energy Users' Group	Monongahela Power Co.	Revenue requirements, Tax Reform Act of 1986.
8/87	9885	KY	Attorney General Div. of Consumer Protection	Big Rivers Electric Corp.	Financial workout plan.
8/87	E-015/GR- 87-223	MN	Taconite Intervenors	Minnesota Power & Light Co.	Revenue requirements, O&M expense, Tax Reform Act of 1986.

**Expert Testimony Appearances
of
Lane Kollen
As of September 1997**

Date	Case	Jurisdic.	Party	Utility	Subject
10/87	870220-EI	FL	Occidental Chemical Corp.	Florida Power Corp.	Revenue requirements, O&M expense, Tax Reform Act of 1986.
11/87	87-07-01	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Tax Reform Act of 1986.
1/88	U-17282	LA 19th Judicial District Ct.	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, River Bend 1 phase-in plan, rate of return.
2/88	9934	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Economics of Trimble County completion.
2/88	10064	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Revenue requirements, O&M expense, capital structure, excess deferred income taxes.
5/88	10217	KY	Alcan Aluminum National Southwire	Big Rivers Electric Corp.	Financial workout plan.
5/88	M-87017 -1C001	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Nonutility generator deferred cost recovery.
5/88	M-87017 -2C005	PA	GPU Industrial Intervenors	Pennsylvania Electric Co.	Nonutility generator deferred cost recovery.
6/88	U-17282	LA 19th Judicial District Ct.	Louisiana Public Service Commission Staff	Gulf States Utilities	Prudence of River Bend 1 economic analyses, cancellation studies, financial modeling.
7/88	M-87017- -1C001 Rebuttal	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Nonutility generator deferred cost recovery, SFAS No. 92
7/88	M-87017- -2C005 Rebuttal	PA	GPU Industrial Intervenors	Pennsylvania Electric Co.	Nonutility generator deferred cost recovery, SFAS No. 92
9/88	88-05-25	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	Excess deferred taxes, O&M expenses.
9/88	10064 Rehearing	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Premature retirements, interest expense.
10/88	88-170- EL-AIR	OH	Ohio Industrial Energy Consumers	Cleveland Electric Illuminating Co.	Revenue requirements, phase-in, excess deferred taxes, O&M expenses, financial considerations, working capital.

**Expert Testimony Appearances
of
Lane Kollen
As of September 1997**

Date	Case	Jurisdct.	Party	Utility	Subject
10/88	88-171- EL-AIR	OH	Ohio Industrial Energy Consumers	Toledo Edison Co.	Revenue requirements, phase-in, excess deferred taxes, O&M expenses, financial considerations, working capital.
10/88	8800 355-EI	FL	Florida Industrial Power Users' Group	Florida Power & Light Co.	Tax Reform Act of 1986, tax expenses, O&M expenses, pension expense (SFAS No. 87).
10/88	3780-U	GA	Georgia Public Service Commission Staff	Atlanta Gas Light Co.	Pension expense (SFAS No. 87).
11/88	U-17282 Remand	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Rate base exclusion plan (SFAS No. 71)
12/88	U-17970	LA	Louisiana Public Service Commission Staff	AT&T Communications of South Central States	Pension expense (SFAS No. 87).
12/88	U-17949 Rebuttal	LA	Louisiana Public Service Commission Staff	South Central Bell	Compensated absences (SFAS No. 43), pension expense (SFAS No. 87), Part 32, income tax normalization.
2/89	U-17282 Phase II	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, phase-in of River Bend 1, recovery of canceled plant.
6/89	881602-EU 890326-EU	FL	Talquin Electric Cooperative	Talquin/City of Tallahassee	Economic analyses, incremental cost-of-service, average customer rates.
7/89	U-17970	LA	Louisiana Public Service Commission Staff	AT&T Communications of South Central States	Pension expense (SFAS No. 87), compensated absences (SFAS No. 43), Part 32.
8/89	8555	TX	Occidental Chemical Corp.	Houston Lighting & Power Co.	Cancellation cost recovery, tax expense, revenue requirements.
8/89	3840-U	GA	Georgia Public Service Commission Staff	Georgia Power Co.	Promotional practices, advertising, economic development.
9/89	U-17282 Phase II Detailed	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, detailed investigation.
10/89	8880	TX	Enron Gas Pipeline	Texas-New Mexico Power Co.	Deferred accounting treatment, sale/leaseback.
10/89	8928	TX	Enron Gas Pipeline	Texas-New Mexico Power Co.	Revenue requirements, imputed capital structure, cash working capital.

**Expert Testimony Appearances
of
Lane Kollen
As of September 1997**

Date	Case	Jurisdic.	Party	Utility	Subject
10/89	R-891364	PA	Philadelphia Area Industrial Energy Users Group	Philadelphia Electric Co.	Revenue requirements.
11/89 12/89	R-891364 Surrebuttal (2 Filings)	PA	Philadelphia Area Industrial Energy Users Group	Philadelphia Electric Co.	Revenue requirements, sale/leaseback.
1/90	U-17282 Phase II Detailed Rebuttal	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements, detailed investigation.
1/90	U-17282 Phase III	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Phase-in of River Bend 1, deregulated asset plan.
3/90	890319-EI	FL	Florida Industrial Power Users Group	Florida Power & Light Co.	O&M expenses, Tax Reform Act of 1986.
4/90	890319-EI Rebuttal	FL	Florida Industrial Power Users Group	Florida Power & Light Co.	O&M expenses, Tax Reform Act of 1986.
4/90	U-17282	LA 19th Judicial District Ct.	Louisiana Public Service Commission Staff	Gulf States Utilities	Fuel clause, gain on sale of utility assets.
9/90	90-158	KY	Kentucky Industrial Utility Customers	Louisville Gas & Electric Co.	Revenue requirements, post-test year additions, forecasted test year.
12/90	U-17282 Phase IV	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Revenue requirements.
3/91	29327, et. al.	NY	Multiple Intervenors	Niagara Mohawk Power Corp.	Incentive regulation.
5/91	9945	TX	Office of Public Utility Counsel of Texas	El Paso Electric Co.	Financial modeling, economic analyses, prudence of Palo Verde 3.
9/91	P-910511 P-910512	PA	Allegheny Ludlum Corp., Armco Advanced Materials Co., The West Penn Power Industrial Users' Group	West Penn Power Co.	Recovery of CAAA costs, least cost financing.
9/91	91-231 -E-NC	WV	West Virginia Energy Users Group	Monongahela Power Co.	Recovery of CAAA costs, least cost financing.
11/91	U-17282	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Asset impairment, deregulated asset plan, revenue requirements.

**Expert Testimony Appearances
of
Lane Kollen
As of September 1997**

Date	Case	Jurisdiction	Party	Utility	Subject
12/91	91-410- EL-AIR	OH	Air Products and Chemicals, Inc., Armco Steel Co., General Electric Co., Industrial Energy Consumers	Cincinnati Gas & Electric Co.	Revenue requirements, phase-in plan.
12/91	10200	TX	Office of Public Utility Counsel of Texas	Texas-New Mexico Power Co.	Financial integrity, strategic planning, declined business affiliations.
5/92	910890-EI	FL	Occidental Chemical Corp.	Florida Power Corp.	Revenue requirements, O&M expense, pension expense, OPEB expense, fossil dismantling, nuclear decommissioning.
8/92	R-00922314	PA	GPU Industrial Intervenors	Metropolitan Edison Co.	Incentive regulation, performance rewards, purchased power risk, OPEB expense.
9/92	92-043	KY	Kentucky Industrial Utility Consumers	Generic Proceeding	OPEB expense.
9/92	920324-EI	FL	Florida Industrial Power Users' Group	Tampa Electric Co.	OPEB expense.
9/92	39348	IN	Indiana Industrial Group	Generic Proceeding	OPEB expense.
9/92	910840-PU	FL	Florida Industrial Power Users' Group	Generic Proceeding	OPEB expense.
9/92	39314	IN	Industrial Consumers for Fair Utility Rates	Indiana Michigan Power Co.	OPEB expense.
11/92	U-19904	LA	Louisiana Public Service Commission Staff	Gulf States Utilities/Entergy Corp.	Merger.
11/92	8649	MD	Westvaco Corp., Eastalco Aluminum Co.	Potomac Edison Co.	OPEB expense.
11/92	92-1715- AU-COI	OH	Ohio Manufacturers Association	Generic Proceeding	OPEB expense.
12/92	R-00922378	PA	Armco Advanced Materials Co., The WPP Industrial Intervenors	West Penn Power Co.	Incentive regulation, performance rewards, purchased power risk, OPEB expense.
12/92	U-19949	LA	Louisiana Public Service Commission Staff	South Central Bell	Affiliate transactions, cost allocations, merger.

J. KENNEDY AND ASSOCIATES, INC.

**Expert Testimony Appearances
of
Lane Kollen
As of September 1997**

Date	Case	Jurisdic.	Party	Utility	Subject
12/92	R-00922479	PA	Philadelphia Area Industrial Energy Users' Group	Philadelphia Electric Co.	OPEB expense.
1/93	8487	MD	Maryland Industrial Group	Baltimore Gas & Electric Co., Bethlehem Steel Corp.	OPEB expense, deferred fuel, CWIP in rate base
1/93	39498	IN	PSI Industrial Group	PSI Energy, Inc.	Refunds due to over-collection of taxes on Marble Hill cancellation.
3/93	92-11-11	CT	Connecticut Industrial Energy Consumers	Connecticut Light & Power Co.	OPEB expense.
3/93	U-19904 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities/Entergy Corp.	Merger.
3/93	93-01 EL-EFC	OH	Ohio Industrial Energy Consumers	Ohio Power Co.	Affiliate transactions, fuel.
3/93	EC92-21000 ER92-806-000	FERC	Louisiana Public Service Commission Staff	Gulf States Utilities/Entergy Corp.	Merger.
4/93	92-1464-EL-AIR	OH	Air Products Armco Steel Industrial Energy Consumers	Cincinnati Gas & Electric Co.	Revenue requirements, phase-in plan.
4/93	EC92-21000 ER92-806-000 (Rebuttal)	FERC	Louisiana Public Service Commission Staff	Gulf States Utilities/Entergy Corp.	Merger.
9/93	93-113	KY	Kentucky Industrial Utility Customers	Kentucky Utilities	Fuel clause and coal contract refund.
9/93	92-490, 92-490A, 90-360-C	KY	Kentucky Industrial Utility Customers and Kentucky Attorney General	Big Rivers Electric Corp.	Disallowances and restitution for excessive fuel costs, illegal and improper payments, recovery of mine closure costs.
10/93	U-17735	LA	Louisiana Public Service Commission Staff	Cajun Electric Power Cooperative	Revenue requirements, debt restructuring agreement, River Bend cost recovery.
1/94	U-20647	LA	Louisiana Public Service Commission Staff	Gulf States Utilities Co.	Audit and investigation into fuel clause costs.

**Expert Testimony Appearances
of
Lane Kollen
As of September 1997**

Date	Case	Jurisdic.	Party	Utility	Subject
4/94	U-20647 (Surrebuttal)	LA	Louisiana Public Service Commission Staff	Gulf States Utilities	Nuclear and fossil unit performance, fuel costs, fuel clause principles and guidelines.
5/94	U-20178	LA	Louisiana Public Service Commission	Louisiana Power & Light Co.	Planning and quantification issues of least cost integrated resource plan.
9/94	U-19904 Initial Post- Merger Earnings Review	LA	Louisiana Public Service Commission	Gulf States Utilities Co.	River Bend phase-in plan, deregulated asset plan, capital structure, other revenue requirement issues.
9/94	U-17735	LA	Louisiana Public Service Commission	Cajun Electric Power Cooperative	G&T cooperative ratemaking policies, exclusion of River Bend, other revenue requirement issues.
10/94	3905-U	GA	Georgia Public Service Commission	Southern Bell Telephone Co.	Incentive rate plan, earnings review.
10/94	5258-U	GA	Georgia Public Service Commission	Southern Bell Telephone Co.	Alternative regulation, cost allocation.
11/94	U-19904 Initial Post- Merger Earnings Review (Rebuttal)	LA	Louisiana Public Service Commission	Gulf States Utilities Co.	River Bend phase-in plan, deregulated asset plan, capital structure, other revenue requirement issues.
11/94	U-17735 (Rebuttal)	LA	Louisiana Public Service Commission	Cajun Electric Power Cooperative	G&T cooperative ratemaking policy, exclusion of River Bend, other revenue requirement issues.
4/95	R-00943271	PA	PP&L Industrial Customer Alliance	Pennsylvania Power & Light Co.	Revenue requirements. Fossil dismantling, nuclear decommissioning.
6/95	3905-U	GA	Georgia Public Service Commission	Southern Bell Telephone Co.	Incentive regulation, affiliate transactions, revenue requirements, rate refund.
6/95	U-19904 (Direct)	LA	Louisiana Public Service Commission	Gulf States Utilities Co.	Gas, coal, nuclear fuel costs, contract prudence, base/fuel realignment.
10/95	95-02614	TN	Tennessee Office of the Attorney General Consumer Advocate	BellSouth Telecommunications, Inc.	Affiliate transactions.
10/95	U-21485 (Direct)	LA	Louisiana Public Service Commission	Gulf States Utilities Co.	Nuclear O&M, River Bend phase-in plan, base/fuel realignment, NOL and AltMin asset deferred taxes, other revenue requirement issues.

**Expert Testimony Appearances
of
Lane Kollen
As of September 1997**

Date	Case	Jurisdiction	Party	Utility	Subject
11/95	U-19904 (Surrebuttal)	LA	Louisiana Public Service Commission Division	Gulf States Utilities Co.	Gas, coal, nuclear fuel costs, contract prudence, base/fuel realignment.
11/95	U-21485 (Supplemental Direct)	LA	Louisiana Public Service Commission	Gulf States Utilities Co.	Nuclear O&M, River Bend phase-in plan, base/fuel realignment, NOL and AltMin asset deferred taxes, other revenue requirement issues.
12/95	U-21485 (Surrebuttal)				
1/96	95-299- EL-AIR- 95-300- EL-AIR	OH	Industrial Energy Consumers	The Toledo Edison Co. The Cleveland Electric Illuminating Co.	Competition, asset writeoffs and revaluation, O&M expense, other revenue requirement issues.
2/96	PUC No. 14967	TX	Office of Public Utility Counsel	Central Power & Light	Nuclear decommissioning.
5/96	95-485-LCS	NM	City of Las Cruces	El Paso Electric Co.	Stranded cost recovery, municipalization.
7/96	8725	MD	The Maryland Industrial Group and Redland Genstar, Inc.	Baltimore Gas & Electric Co., Potomac Electric Power Co. and Constellation Energy Corp.	Merger savings, tracking mechanism, earnings sharing plan, revenue requirement issues.
9/96 11/96	U-22092 U-22092 (Surrebuttal)	LA	Louisiana Public Service Commission	Energy Gulf States, Inc.	River Bend phase-in plan, base/fuel realignment, NOL and AltMin asset deferred taxes, other revenue requirement issues, allocation of regulated/nonregulated costs.
10/96	96-327	KY	Kentucky Industrial Utility Customers, Inc.	Big Rivers Electric Corp.	Environmental surcharge recoverable costs.
2/97	R-00973877	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy Co.	Stranded cost recovery, regulatory assets and liabilities, intangible transition charge, revenue requirements.
3/97	96-489	KY	Kentucky Industrial Utility Customers, Inc.	Kentucky Power Co.	Environmental surcharge recoverable costs, system agreements, allowance inventory, jurisdictional allocation.
6/97	10-97-397	MO	MCI Telecommunications Corp., Inc., MCI metro Access Transmission Services, Inc.	Southwestern Bell Telephone Co.	Price cap regulation, revenue requirements, rate of return.

**Expert Testimony Appearances
of
Lane Kollen
As of September 1997**

Date	Case	Jurisdct.	Party	Utility	Subject
6/97	R-00973953	PA	Philadelphia Area Industrial Energy Users Group	PECO Energy Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities.
7/97	R-00973954	PA	PP&L Industrial Customer Alliance	Pennsylvania Power & Light Co.	Restructuring, deregulation, stranded costs, regulatory assets, liabilities.

Big Rivers Electric Corporation Base Case
Test Year Ended 12/31/96
Summary

01-Oct-97
12:01 PM

Total
Big Rivers

Rate Base	
Plant-in-Service	
Production	1,328,808,559
Transmission	183,943,579
General	17,869,245
Intangible	190,247
Total Plant-in-Service	1,530,811,630
Depreciation Reserve	
Production	(522,997,731)
Transmission	(59,477,000)
General Plant	(13,644,000)
Intangible Plant	0
Total Depreciation Reserve	(596,118,731)
Total Net Plant in Service	934,692,899
Fuel Inventory + Allowances	15,867,564
Total Plant Materials and Supplies	15,274,709
Proceeds from Sale of Emission Allowances	0
Total Rate Base	965,835,172
Memberships, Patronage, & Donated Capital	(128,685,000)
Total Debt Capital for Rate Base	837,150,172
Debt Interest Rate	5.772%
Interest Expense	48,320,308

**Big Rivers Electric Corporation Base Case
Test Year Ended 12/31/96
Summary**

01-Oct-97

12:01 PM

**Total
Big Rivers**

Operating Revenue Credits At Present Rates	
Non Req. Off-System Sales	69,694,050
Total Other Operating Revenue Credits	66,370
Total Operating Revenue Credits	69,760,420
Operating Expenses	
Operating & Maintenance Exp.	
Production	
Fuel and Purchased Power	141,035,911
Other Production	44,797,206
Total Production	185,833,117
Transmission	6,362,133
Customer Service & Information	545,562
Sales (Advertising)	75,125
Admin. & General	20,678,866
Total Operating & Maintenance Exp.	213,494,803
Depreciation Expense	
Production	31,088,200
Transmission	4,317,953
General	732,525
Total Depreciation Expenses	36,138,678
Total Taxes	4,504,717
Gains for Disposition of Allowances	0
Total Operating Expenses net of Revenue Credits	184,377,778
Interest on Rate Base @ 1.05 x TIER	50,736,323
Revenue Requirements	235,114,101
MWH Sales	7,882,791
Cost of Service per kWh Sales	29.83

Big Rivers Electric Corporation Base Case
Test Year Ended 12/31/96
Rate Base Items

	<u>Total</u> <u>Big Rivers</u>
Electric Plant in Service	
Production Plant	
Steam	1,322,829,323
Other Production Plant	<u>5,979,236</u>
Total Production Plant	1,328,808,559
Transmission Plant	
Land and Land Rights	
Lines	9,080,012
Backbone System	4,672,509
Other Transmission	4,407,503
Other	509,674
Backbone System	353,764
Other Transmission	155,910
Total Land and Land Rights	9,589,686
Backbone System	5,026,273
Other Transmission	4,563,413
Structures	5,934,994
Backbone System	4,119,476
Other Transmission	1,815,518
Station Equip.	100,716,054
Backbone System	69,906,951
Other Transmission	30,809,103
Accts. 354, 355, 356	
Tower (354)	7,319,285
Backbone System	4,946,578
Other Transmission	2,372,707
Poles (355)	27,630,618
Backbone System	18,673,546
Other Transmission	8,957,072
Overhead Conduct. (356)	32,752,942
Backbone System	22,135,356
Other Transmission	10,617,586
Total Accts. 354, 355, 356	67,702,845
Backbone System	45,755,480
Other Transmission	21,947,365

Big Rivers Electric Corporation Base Case
Test Year Ended 12/31/96
Rate Base Items

	Total <u>Big Rivers</u>
Total Transmission Plant	183,943,579
Backbone System less Wilson	73,365,847
Wilson	51,442,333
Other Transmission	59,135,399
 Total General Plant	 17,869,245
Demand Component	17,731,460
Customer Component	137,785
 Total Intangible Plant	 190,247
Demand Component	188,780
Customer Component	1,467
 Total Electric Plant in Service	 1,530,811,630
Demand Component	1,530,672,378
Energy Component	0
Customer Component	139,252
 Depreciation Reserve	
Production Plant	
Steam	505,929,387
Proforma Adjustment #1	8,151,613
Other Production Plant	8,669,718
Proforma Adjustment #1	<u>247,013</u>
Total Production Plant Adjusted	522,997,731
 Transmission Plant	
Backbone System less Wilson	23,542,577
Proforma Adjustment #1	179,809
Wilson	16,507,478
Proforma Adjustment #1	126,077
Other Transmission	18,976,128
Proforma Adjustment #1	<u>144,932</u>
Total Transmission Plant Adjusted	59,477,000
 General Plant	
Demand Component	12,786,307
Proforma Adjustment #1	752,488
Customer Component	99,358
Proforma Adjustment #1	<u>5,847</u>
Total General Plant	13,644,000
 Intangible Plant	
Demand Component	0
Customer Component	0
Total Intangible Plant	0

Big Rivers Electric Corporation Base Case
 Test Year Ended 12/31/96
 Rate Base Items

	Total <u>Big Rivers</u>
Total Depreciation Reserve	596,118,731
Demand Component	596,013,526
Energy Component	0
Customer Component	105,205
Total Net Electric Plant	934,692,899
Demand Component	934,658,852
Energy Component	0
Customer Component	34,047
Working Capital	
Fuel Inventory	
Steam	15,867,564
Total Fuel	15,867,564
Plant Materials & Supplies	
Production	14,757,575
Transmission	517,134
Backbone System less Wilson	206,259
Wilson	144,623
Other Transmission	<u>166,251</u>
Total Plant Materials & Supplies	15,274,709
Total Fuel and M&S	31,142,273
Demand Component	15,274,709
Energy Component	15,867,564
Total Working Capital	31,142,273
Demand Component	15,274,709
Energy Component	15,867,564
Customer Component	0
Total Rate Base	965,835,172
Demand Component	949,933,561
Energy Component	15,867,564
Customer Component	34,047

**Big Rivers Electric Corporation Base Case
Test Year Ended 12/31/96
Operating Revenue Credits At Present Rate Levels**

	Total <u>Big Rivers</u>
Operating Revenue Credits at Present Rates	
Non Req. Off-System Sales	69,694,050
Other Operating Revenue Credits	
Rent	24,000
Other	42,370
Total Other Operating Revenue Credits	66,370
Total Operating Revenue Credits	69,760,420

Big Rivers Electric Corporation Base Case
Test Year Ended 12/31/96
Operating Expenses

	<u>Total</u> <u>Big Rivers</u>
Operation & Maintenance Expenses	
Production	
Fuel - Steam	111,475,493
Fuel - Other Power Generation	17,028
Proforma Adjustment #2	(13,715,000)
Total Fuel	97,777,521
Purchased Power incl. HMP&L	43,258,390
Demand Component incl. HMP&L	11,750,045
Energy Component incl. HMP&L Fuel	31,508,345
Operations Expense - Steam	
Supervision and Engineering	2,052,844
Steam Expenses	16,149,033
Electric Expenses	2,275,428
Miscellaneous Expenses	2,781,121
Allowance	1,286,145
Proforma Adjustment #3	<u>(3,504,459)</u>
Total Operations Expense	21,040,112
Maintenance Expense - Steam	
Supervision and Engineering	1,465,692
Structures	586,364
Boiler Plant	18,045,443
Electric Plant	2,639,719
Miscellaneous Expenses	<u>586,242</u>
Total Maintenance Expense	23,323,460
Operations Expense - Other Power Gen.	
Miscellaneous Expenses	3,163
Total Oper. Exp. - Other Power Gen.	
Maintenance Expense - Other Power Gen.	
Structures	707
Generating & Elec. Plant	37,168
Total Maint. Expense - Other Power Gen.	37,875
Other Power Supply O&M Expenses	
Sys. Control & Load Dispatch.	392,596
Total Production	185,833,117
Demand Component	55,261,106
Energy Component	130,572,011

**Big Rivers Electric Corporation Base Case
Test Year Ended 12/31/96
Operating Expenses**

	Total <u>Big Rivers</u>
A&G Oper. Expenses (continued)	
Injuries & Damages	
Production	791,383
Transmission	95,611
Backbone System less Wilson	38,134
Wilson	26,739
Other Transmission	30,738
Customer	7,976
Employee Benefits	
Production	7,712,883
Proforma Adjustment #6 and #7	<u>(3,127,749)</u>
Production - Adjusted	4,585,134
Transmission	931,827
Backbone System less Wilson	371,659
Wilson	260,598
Other Transmission	299,570
Customer	77,735
Reg. Commission Expenses per Books	497,199
Proforma Adjustment #5	<u>(152,346)</u>
Reg. Commission Expenses - Adjusted	344,853
General Advertising Expenses	56,844
Miscellaneous Gen. Expenses	378,430
Total Operation Expenses	20,397,845
Demand Component	20,108,240
Customer Component	289,605
Maintenance Expenses	
Maint. of General Plant	281,021
Demand Component	278,854
Customer Component	2,167
Total Admin & General Expenses	20,678,866
Demand Component	20,387,094
Customer Component	291,772
Total O&M Expenses	213,494,803
Demand Component	82,085,458
Energy Component	130,572,011
Customer Component	837,334

**Big Rivers Electric Corporation Base Case
Test Year Ended 12/31/96
Operating Expenses**

	Total <u>Big Rivers</u>
Depreciation Expenses	
Production Plant	
Steam	31,002,546
Other Production Plant	<u>85,654</u>
Total Production Plant	31,088,200
Transmission Plant	
Backbone System less Wilson	1,722,214
Wilson	1,207,575
Other Transmission	<u>1,388,164</u>
Total Transmission Plant	4,317,953
General Plant	
Demand Component (Adjusted)	726,877
Customer Component (Adjusted)	<u>5,648</u>
Total General Plant (Adjusted)	732,525
Intangible Plant	
Demand Component	0
Customer Component	<u>0</u>
Total Intangible Plant	0
Total Depreciation	36,138,678
Demand Component	36,133,030
Customer Component	5,648

**Big Rivers Electric Corporation Base Case
Test Year Ended 12/31/96
Operating Expenses**

	<u>Total Big Rivers</u>
Taxes	
Federal	
Unemployment	37,152
FICA	2,129,281
State	
Unemployment	20,680
Sales and Use	0
State and Local	
Property	2,317,604
Demand Component	2,317,520
Customer Component	84
Total Taxes	4,504,717
Demand Component	4,485,141
Energy Component	0
Customer Component	19,576
Gains for Disposition of Allowances per Books	(8,739,382)
Proforma Adjustment #8	<u>8,739,382</u>
Gains for Disposition of Allowances - Adjusted	0
Total Operating Expenses	254,138,198
Demand Component	122,703,628
Energy Component	130,572,011
Customer Component	862,558

Big Rivers Electric Corporation Multi-Jurisdictional Case
Test Year Ended 12/31/96
Summary

01-Oct-97

12:08 PM

	<u>Total Big Rivers</u>	<u>Member Jurisdiction</u>	<u>Off System Jurisdiction</u>
Rate Base			
Plant-in-Service			
Production	1,328,808,559	891,178,567	437,629,992
Transmission	183,943,579	142,839,236	41,104,343
General	17,869,245	12,029,563	5,839,682
Intangible	190,247	128,074	62,173
Total Plant-in-Service	1,530,811,630	1,046,175,440	484,636,190
Depreciation Reserve			
Production	(522,997,731)	(350,753,587)	(172,244,144)
Transmission	(59,477,000)	(46,186,169)	(13,290,831)
General Plant	(13,644,000)	(9,185,131)	(4,458,869)
Intangible Plant	0	0	0
Total Depreciation Reserve	(596,118,731)	(406,124,887)	(189,993,844)
Total Net Plant in Service	934,692,899	640,050,553	294,642,346
Fuel Inventory + Allowances	15,867,564	11,400,797	4,466,767
Total Plant Materials and Supplies	15,274,709	10,298,887	4,975,821
Proceeds from Sale of Emission Allowances	0	0	0
Total Rate Base	965,835,172	661,750,237	304,084,934
Memberships, Patronage, & Donated Capital	(128,685,000)	(88,169,630)	(40,515,370)
Total Debt Capital for Rate Base	837,150,172	573,580,608	263,569,564
Debt Interest Rate	5.772%	5.772%	5.772%
Interest Expense	48,320,308	33,107,073	15,213,235

Big Rivers Electric Corporation Multi-Jurisdictional Case
Test Year Ended 12/31/96
Rate Base Items

	<u>Allocation</u>	<u>Total Big Rivers</u>	<u>Member Jurisdiction</u>	<u>Off System Jurisdiction</u>
Electric Plant in Service				
Production Plant				
Steam	D10	1,322,829,323	887,168,533	435,660,790
Other Production Plant	D10	<u>5,979,236</u>	<u>4,010,034</u>	<u>1,969,202</u>
Total Production Plant		1,328,808,559	891,178,567	437,629,992
Transmission Plant				
Land and Land Rights				
Lines				
Backbone System	D10	9,080,012		
Other Transmission	OTHER	4,672,509		
Other		4,407,503		
Backbone System	D10	509,674		
Other Transmission	OTHER	353,764		
Total Land and Land Rights		9,589,686		
Backbone System	D10	5,026,273		
Other Transmission	OTHER	4,563,413		
Structures				
Backbone System	D10	5,934,994		
Other Transmission	OTHER	4,119,476		
Station Equip.				
Backbone System	D10	100,716,054		
Other Transmission	OTHER	69,906,951		
Accts. 354, 355, 356				
Tower (354)		7,319,285		
Backbone System	D10	4,946,578		
Other Transmission	OTHER	2,372,707		
Poles (355)		27,630,618		
Backbone System	D10	18,673,546		
Other Transmission	OTHER	8,957,072		
Overhead Conduct. (356)		32,752,942		
Backbone System	D10	22,135,356		
Other Transmission	OTHER	10,617,586		
Total Accts. 354, 355, 356		67,702,845		
Backbone System	D10	45,755,480		
Other Transmission	OTHER	21,947,365		

Big Rivers Electric Corporation Multi-Jurisdictional Case
Test Year Ended 12/31/96
Rate Base Items

	<u>Allocation</u>	<u>Total Big Rivers</u>	<u>Member Jurisdiction</u>	<u>Off System Jurisdiction</u>
Total Transmission Plant		183,943,579	142,839,236	41,104,343
Backbone System less Wilson	D10	73,365,847	49,203,529	24,162,318
Wilson	D10	51,442,333	34,500,308	16,942,025
Other Transmission	OTHER	59,135,399	59,135,399	0
Total General Plant		17,869,245	12,029,563	5,839,682
Demand Component	D10	17,731,460	11,891,779	5,839,682
Customer Component	#CUST	137,785	137,785	0
Total Intangible Plant		190,247	128,074	62,173
Demand Component	D10	188,780	126,607	62,173
Customer Component	#CUST	1,467	1,467	0
Total Electric Plant in Service		1,530,811,630	1,046,175,440	484,636,190
Demand Component		1,530,672,378	1,046,036,189	484,636,190
Energy Component		0	0	0
Customer Component		139,252	139,252	0
Depreciation Reserve				
Production Plant				
Steam	D10	505,929,387	339,306,534	166,622,853
Proforma Adjustment #1	D10	8,151,613	5,466,960	2,684,653
Other Production Plant	D10	8,669,718	5,814,432	2,855,286
Proforma Adjustment #1	D10	<u>247,013</u>	<u>165,662</u>	<u>81,351</u>
Total Production Plant Adjusted		522,997,731	350,753,587	172,244,144
Transmission Plant				
Backbone System less Wilson	D10	23,542,577	15,789,061	7,753,515
Proforma Adjustment #1	D10	179,809	120,590	59,218
Wilson	D10	16,507,478	11,070,903	5,436,575
Proforma Adjustment #1	D10	126,077	84,555	41,522
Other Transmission	OTHER	18,976,128	18,976,128	0
Proforma Adjustment #1	OTHER	<u>144,932</u>	<u>144,932</u>	<u>0</u>
Total Transmission Plant Adjusted		59,477,000	46,186,169	13,290,831
General Plant				
Demand Component	D10	12,786,307	8,575,263	4,211,044
Proforma Adjustment #1	D10	752,488	504,663	247,824
Customer Component	#CUST	99,358	99,358	0
Proforma Adjustment #1	#CUST	<u>5,847</u>	<u>5,847</u>	<u>0</u>
Total General Plant		13,644,000	9,185,131	4,458,869
Intangible Plant				
Demand Component	D10	0	0	0
Customer Component	#CUST	0	0	0
Total Intangible Plant		0	0	0

Big Rivers Electric Corporation Multi-Jurisdictional Case
Test Year Ended 12/31/96
Operating Expenses

	<u>Allocation</u>	<u>Total Big Rivers</u>	<u>Member Jurisdiction</u>	<u>Off System Jurisdiction</u>
Operation & Maintenance Expenses (continued)				
Transmission		6,362,133	4,940,440	1,421,693
Backbone System less Wilson	D10	2,537,535	1,701,823	835,712
Wilson	D10	1,779,257	1,193,276	585,981
Other Transmission	OTHER	2,045,341	2,045,341	0
Customer Service & Information	#CUST	545,562	545,562	0
Sales (Advertising)	OTHER	75,125	75,125	0
Administrative & General Expenses				
Operation Expenses				
A&G Salaries				
Production	D10	3,186,729	2,137,211	1,049,518
Transmission		385,003	298,970	86,033
Backbone System less Wilson	D10	153,558	102,985	50,573
Wilson	D10	107,671	72,211	35,460
Other Transmission	OTHER	123,773	123,773	0
Customer	#CUST	32,118	32,118	0
Total A&G Salaries		3,603,850	2,468,299	1,135,551
Office Supplies & Expenses				
Production	D10	607,938	407,720	200,218
Transmission		73,448	57,035	16,413
Backbone System less Wilson	D10	29,295	19,647	9,648
Wilson	D10	20,541	13,776	6,765
Other Transmission	OTHER	23,613	23,613	0
Customer	#CUST	6,127	6,127	0
Outside Services				
Production	D10	16,432,446	11,020,582	5,411,864
Proforma Adjustment #4	D10	(9,825,956)	(6,589,874)	(3,236,082)
Transmission		1,179,801	1,001,443	178,358
Backbone System less Wilson	D10	791,827	531,046	260,780
Proforma Adjustment #4	D10	(473,481)	(317,545)	(155,936)
Wilson	D10	555,210	372,357	182,853
Proforma Adjustment #4	D10	(331,993)	(222,655)	(109,339)
Other Transmission	OTHER	638,240	638,240	0
Customer	#CUST	165,616	165,616	0
Property Insurance		884,780	605,872	278,908
Demand Component	NPLTNSV	884,748	605,839	278,908
Customer Component	NPLTNSV	32	32	0

Big Rivers Electric Corporation Multi-Jurisdictional Case
Test Year Ended 12/31/96
Operating Expenses

	<u>Allocation</u>	<u>Total Big Rivers</u>	<u>Member Jurisdiction</u>	<u>Off System Jurisdiction</u>
A&G Oper. Expenses (continued)				
Injuries & Damages				
Production	D10	791,383	530,749	260,634
Transmission		95,611	74,245	21,365
Backbone System less Wilson	D10	38,134	25,575	12,559
Wilson	D10	26,739	17,933	8,806
Other Transmission	OTHER	30,738	30,738	0
Customer	#CUST	7,976	7,976	0
Employee Benefits				
Production	D10	7,712,883	5,172,721	2,540,162
Proforma Adjustment #6 and #7	D10	<u>(3,127,749)</u>	<u>(2,097,656)</u>	<u>(1,030,093)</u>
Production - Adjusted		4,585,134	3,075,065	1,510,068
Transmission		931,827	723,600	208,228
Backbone System less Wilson	D10	371,659	249,257	122,402
Wilson	D10	260,598	174,773	85,825
Other Transmission	OTHER	299,570	299,570	0
Customer	#CUST	77,735	77,735	0
Reg. Commission Expenses per Books	D10	497,199	333,451	163,748
Proforma Adjustment #5	D10	<u>(152,346)</u>	<u>(102,172)</u>	<u>(50,174)</u>
Reg. Commission Expenses - Adjusted		344,853	231,279	113,574
General Advertising Expenses	OTHER	56,844	56,844	0
Miscellaneous Gen. Expenses	D10	378,430	253,798	124,632
Total Operation Expenses		20,397,845	14,174,111	6,223,733
Demand Component		20,108,240	13,884,506	6,223,733
Customer Component		289,605	289,605	0
Maintenance Expenses				
Maint. of General Plant				
Demand Component	D10	278,854	187,016	91,838
Customer Component	#CUST	2,167	2,167	0
Total Admin & General Expenses		20,678,866	14,363,294	6,315,571
Demand Component		20,387,094	14,071,523	6,315,571
Customer Component		291,772	291,772	0
Total O&M Expenses		213,494,803	150,801,427	62,693,376
Demand Component		82,085,458	56,148,493	25,936,964
Energy Component		130,572,011	93,815,599	36,756,412
Customer Component		837,334	837,334	0

Big Rivers Electric Corporation Multi-Jurisdictional Case
Test Year Ended 12/31/96
Operating Expenses

	<u>Allocation</u>	<u>Total Big Rivers</u>	<u>Member Jurisdiction</u>	<u>Off System Jurisdiction</u>
Taxes				
Federal				
Unemployment	WAGES	37,152	25,762	11,390
FICA	WAGES	2,129,281	1,476,484	652,797
State				
Unemployment	WAGES	20,680	14,340	6,340
Sales and Use	O&M/LESS	0	0	0
State and Local				
Property		2,317,604	1,587,028	730,576
Demand Component	NPLTNSV	2,317,520	1,586,943	730,576
Customer Component	NPLTNSV	84	84	0
Total Taxes		4,504,717	3,103,614	1,401,103
Demand Component		4,485,141	3,083,277	1,401,103
Energy Component		0	0	0
Customer Component		19,576	20,337	0
Gains for Disposition of Allowances per Books	EG20	(8,739,382)	(8,739,382)	0
Proforma Adjustment #8	EG20	<u>8,739,382</u>	<u>8,739,382</u>	<u>0</u>
Gains for Disposition of Allowances - Adjusted		0	0	0
Total Operating Expenses		254,138,198	178,600,840	75,537,357
Demand Component		122,703,628	83,921,922	38,780,946
Energy Component		130,572,011	93,815,599	36,756,412
Customer Component		862,558	863,319	0

USDA - RUS

OPERATING REPORT - ANNUAL SUPPLEMENT

This data will be used to determine year operating results and financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

BORROWER DESIGNATION

KY062

RUS USE ONLY

ACTIONS - Submit an original and two copies to RUS. Detailed instructions see RUS Bulletin 1717B-3

YEAR ENDING

1996 Annual

SECTION A. UTILITY PLANT

ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Total Intangible Plant (301 thru 303)	190,247	0	0	0	190,247
2. Total Steam Production Plant (310 thru 316)	1,283,882,393	1,906,818	1,041,713	41,069	1,283,888,567
3. Total Nuclear Production Plant (320 thru 325)	0	0	0	0	0
4. Total Hydro Production Plant (330 thru 336)	0	0	0	0	0
5. Total Other Production Plant (340 thru 346)	5,810,086	287,722	118,571	0	5,979,237
6. Total Production Plant (2 thru 5)	1,289,692,479	2,194,540	1,160,284	41,069	1,293,967,804
7. Land and Land Rights (350)	8,468,817	129,868	0	0	8,598,685
8. Structures and Improvements (352)	8,938,819	0	4,628	0	8,934,191
9. Station Equipment (353)	190,848,987	(68,161)	29,882	0	190,848,984
10. Other Transmission Plant (354 thru 359)	66,980,581	278,818	73,846	100,481	67,286,567
11. Total Transmission Plant (7 thru 10)	183,028,024	368,328	107,562	100,481	183,377,291
12. Land and Land Rights (360)	0	0	0	0	0
13. Structures and Improvements (361)	0	0	0	0	0
14. Station Equipment (362)	0	0	0	0	0
15. Other Distribution Plant (363 thru 373)	0	0	0	0	0
16. Total Distribution Plant (12 thru 15)	0	0	0	0	0
17. Total General Plant (389 thru 399)	17,832,356	267,017	181,647	(48,480)	17,869,246
18. Electric Plant in Service (1 - 6 - 11 - 16 - 17)	1,489,941,106	2,819,885	1,449,483	93,080	1,491,404,588
19. Electric Plant Purchased or Sold (102)	0	0	0	0	0
20. Electric Plant Leased to Others (104)	0	0	0	0	0
21. Electric Plant Held for Future Use (105)	0	0	0	0	0
22. Completed Construction Not Classified (106)	37,089,775	2,317,257	0	0	39,407,042
23. Acquisition Adjustments (114)	1,106,174	0	0	0	1,106,174
24. Other Utility Plant (118)	0	0	0	0	0
25. Nuclear Fuel Assemblies (120 1 thru 120 4)	0	0	0	0	0
26. Total Utility Plant in Service (18 thru 25)	1,528,137,056	5,137,162	1,449,483	93,080	1,531,917,804
27. Construction Work in Progress (107)	3,085,344	(106,770)	0	0	2,978,574
28. Total Utility Plant (25 - 27)	1,531,222,399	5,030,382	1,449,483	93,080	1,534,896,378

SECTION B. ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION - UTILITY PLANT

ITEM	COMPOSITE RATE (%) (a)	BALANCE BEGINNING OF YEAR (b)	ANNUAL ACCRUALS (c)	RETIREMENTS LESS NET SALVAGE (d)	ADJUSTMENTS AND TRANSFERS (e)	BALANCE END OF YEAR (f)
1. Depr. of Steam Prod. Plant (108.1)	2.45%	475,601,183	31,332,825	1,105,402	100,781	505,829,387
2. Depr. of Nuclear Prod. Plant (108.2)	0.00%	0	0	0	0	0
3. Depr. of Hydraulic Prod. Plant (108.3)	0.00%	0	0	0	0	0
4. Depr. of Other Prod. Plant (108.4)	1.45%	3,427,802	88,854	164,009	0	3,440,854
5. Depr. of Transmission Plant (108.5)	2.49%	54,878,819	4,317,959	170,506	3,59,477	60,020,299
6. Depr. of Distribution Plant (108.6)	0.00%	0	0	0	0	0
7. Depr. of General Plant (108.7)		12,339,881	818,300	171,744	(100,781)	13,644,854
8. Retirement Work in Progress (108.8)		(26,346)	0	(26,259)	0	(87)
9. Total Depr. for Elec. Plant in Serv. (1-8)		546,221,339			3	581,190,581
10. Depr. of Plant Leased to Others (109)	0.00%	0	0	0	0	0
11. Depr. of Plant Held for Future Use (110)	0.00%	0	0	0	0	0
12. Amort. of Elec. Plant in Service (111)	4.44%	2,776,987	4,877,653	0	0	4,554,540
13. Amort. of Leased Plant (112)	0.00%	0	0	0	0	0
14. Amort. of Plant Held for Future	0.00%	0	0	0	0	0
15. Amort. of Acquisition Adj. (115)	4.69%	613,856	61,875	0	0	665,731
16. Depr. & Amort. Other Plant (119)	0.00%	0	0	0	0	0
17. Amort. of Nuclear Fuel (120.5)	0.00%	0	0	0	0	0
18. Total Prov. for Depr. & Amort. (9 - 17)		549,612,182	38,484,169	1,585,402	3	586,510,952