

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC  
ATTORNEYS AT LAW

Ronald M. Sullivan  
Jesse T. Mountjoy  
Frank Stainback  
James M. Miller  
Michael A. Fiorella  
Allen W. Holbrook  
R. Michael Sullivan  
Bryan R. Reynolds  
Tyson A. Kamuf  
Mark W. Starnes  
C. Ellsworth Mountjoy  
Mary L. Moorhouse

January 4, 2012

Jeff DeRouen  
Executive Director  
Public Service Commission  
211 Sower Boulevard, P.O. Box 615  
Frankfort, Kentucky 40602-0615

RECEIVED

JAN 05 2012

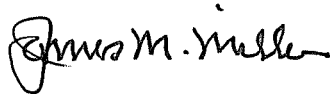
PUBLIC SERVICE  
COMMISSION

Re: *In the Matter of: Notice and Application of Big Rivers  
Electric Corporation for a General Adjustment in Rates,  
PSC Case No. 2011-00036*

Dear Mr. DeRouen:

Enclosed on behalf of Big Rivers Electric Corporation ("Big Rivers") are the pre-filed direct testimonies on rehearing of Mark Hite and John Wolfram. I certify that a copies of this letter and attachments have been served on each of the parties shown on the attached service list. Please feel free to contact me if you have any questions.

Sincerely yours,



James M. Miller

JMM/ej  
Enclosures

cc: Albert Yockey  
Douglas Beresford, Esq.

Telephone (270) 926-4000  
Telecopier (270) 683-6694

100 St. Ann Building  
PO Box 727  
Owensboro, Kentucky  
42302-0727

SERVICE LIST  
BIG RIVERS ELECTRIC CORPORATION  
PSC CASE NO. 2011-00036

Dennis G. Howard, II, Esq.  
Lawrence W. Cook, Esq.  
Assistant Attorneys General  
1024 Capital Center Drive  
Suite 200  
Frankfort, KY 40601-8204

Sanford Novick  
President and CEO  
Kenergy Corp.  
3111 Fairview Drive  
P.O. Box 1389  
Owensboro, Kentucky 42302-1389

Michael L. Kurtz, Esq.  
Boehm, Kurtz & Lowry  
36 East Seventh Street  
Suite 1510  
Cincinnati, OH 45202  
**COUNSEL FOR KENTUCKY  
INDUSTRIAL UTILITY CUSTOMERS,  
INC.**

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

David C. Brown, Esq.  
Stites & Harbison  
1800 Providian Center  
400 West Market Street  
Louisville, KY 40202  
**COUNSEL FOR ALCAN PRIMARY  
PRODUCTS CORPORATION**

Burns E. Mercer  
President/CEO  
Meade County R.E.C.C.  
1351 Highway 79  
P.O. Box 489  
Brandenburg, KY 40108-0489

J. Christopher Hopgood, Esq.  
Dorsey, King, Gray, Norment & Hopgood  
318 Second Street  
Henderson, KY 42420  
**COUNSEL FOR KENERGY CORP.**

Melissa D. Yates  
Denton & Keuler, LLP  
555 Jefferson Street  
P.O. Box 929  
Paducah, KY 42002-0929  
**COUNSEL FOR JACKSON PURCHASE  
ENERGY CORPORATION**

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

**In the Matter of:**

<b>APPLICATION OF BIG RIVERS</b>	)	
<b>ELECTRIC CORPORATION FOR</b>	)	
<b>A GENERAL ADJUSTMENT IN</b>	)	<b>Case No. 2011-00036</b>
<b>RATES</b>	)	

**DIRECT TESTIMONY ON REHEARING**  
**OF**  
**MARK A. HITE**  
**VICE PRESIDENT, ACCOUNTING**  
**ON BEHALF OF**  
**BIG RIVERS ELECTRIC CORPORATION**

**FILED: January 5, 2012**

1                                 **DIRECT TESTIMONY ON REHEARING**  
2   **OF**  
3   **MARK A. HITE**  
4

5     **I.     INTRODUCTION**

6     **Q.     Please state your name, business address, and position.**

7     A.     My name is Mark A. Hite. My business address is 201 Third Street,  
8             Henderson, Kentucky, 42420. I am employed by Big Rivers Electric  
9             Corporation ("Big Rivers" or "Company") as its Vice President of  
10            Accounting.

11    **Q.     Did you submit direct and rebuttal testimony in this proceeding?**

12    A.     Yes.

13    **Q.     Are you familiar with the Petition for Rehearing filed by Big Rivers**  
14            **in this proceeding?**

15    A.     Yes. On November 17, 2011, the Kentucky Public Service Commission  
16            ("Commission") issued its Order ("Order") in this proceeding, authorizing  
17            Big Rivers to increase its electric rates by \$26,744,776. On December 6,  
18            2011, Big Rivers filed a Petition for Rehearing ("Petition"), pursuant to KRS  
19            278.400, wherein Big Rivers requests an additional \$2,734,907 (Issue 1:  
20            \$640,753, plus Issue 2: \$450,000, plus Issue 3: \$1,644,154).

21    **Q.     What issues does Big Rivers raise in its Petition?**

22    A.     Big Rivers raises four issues on rehearing:

- 23            1) The Commission failed to address in its Order Big Rivers' request to  
24            recover the rate case expenses it incurred in this proceeding (Big

1 Rivers' Fifth Supplemental Response to PSC Item 1-52(c):  
2 \$1,976,030, divided by 3, minus Actual Test Period Amount: \$17,924,  
3 equals \$640,753);  
4 2) The Commission's recalculation of Big Rivers' pro forma depreciation  
5 adjustment is mathematically erroneous (Original Pro forma  
6 Adjustment proposed by Big Rivers: \$6,252,651, minus Depreciation  
7 Expense on CWIP: \$2,313,311, equals \$3,939,340, vs. Commission  
8 Order: \$3,489,340, a difference of \$450,000);  
9 3) The Commission should allow Big Rivers to include the portion of the  
10 \$46,802,138 test period-end Construction Work In Progress ("CWIP")  
11 representing those projects that were in service before the end of the  
12 test period, \$18,654,607, and the portion representing those projects  
13 placed in service after the end of the test period but before the  
14 effective date of the new rates, \$16,109,062, in the determination of  
15 depreciation expense. Together, this represents \$34,763,669 of the  
16 \$46,802,138 test period-end CWIP, the depreciation expense thereon  
17 being \$1,644,154 (resulting in total pro forma depreciation expense of  
18 \$41,862,932 (Commission Order, as corrected for the \$450,000 error  
19 equals \$40,218,778, plus \$1,644,154).  
20 4) The Commission incorrectly made a finding of fact that "[t]he  
21 financial model Big Rivers relied upon in conjunction with the  
22 Unwind Transaction did not include any Smelter TIER Adjustment

1 revenues.” In fact, the financial model Big Rivers relied upon in  
2 conjunction with the Unwind Transaction, the so-called “October  
3 2008 Unwind Model,” is not part of the record in this case, and even  
4 if it had been included in the record, it reflects Smelter TIER  
5 Adjustment revenues in each of the years 2011 through 2023.

6 **Q. Did the Commission grant Big Rivers' Petition?**

7 A. Yes. On December 8, 2011, the Commission issued an order granting  
8 rehearing on these issues and requiring Big Rivers to file direct testimony  
9 in verified form in support of these four issues.

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

11 A. The purpose of my testimony is to (i) support Issue 1 by identifying the  
12 location in the record of the information on Big Rivers' rate case expenses  
13 sought in connection with this proceeding, and calculating the pro forma  
14 adjustment required, consistent with Commission practice, to allow Big  
15 Rivers to recover those expenses through its rates; (ii) support Issue 3 by  
16 describing and quantifying the CWIP that should be included in the  
17 determination of depreciation expense for those projects that were either in  
18 service before the end of the test period, or placed in service after the end of  
19 the test period (i.e., October 31, 2010), but before the effective date of the  
20 new rates (i.e., September 1, 2011), and the pro forma adjustment; (iii)  
21 support Issue 4 by providing an excerpt from the financial model relied  
22 upon in conjunction with the Unwind Transaction, initially filed on October

1 9, 2008, as Exhibit 79 in Case No. 2007-00455, which shows the Smelter  
2 TIER Adjustment charges projected therein for each of the years 2011  
3 through 2023; and (iv) provide a numerical summary of the revised amount  
4 of the increase to Big Rivers' electric rates that the Commission should  
5 authorize in this proceeding.

6  
7 **II. ISSUE 1: RATE CASE EXPENSES**

8  
9 **Q. In its Application, did Big Rivers propose a pro forma adjustment**  
10 **to test year expenses for rate case costs?**

11 A. Yes. Big Rivers requested that the Commission allow it to adjust its test  
12 period operating expense to include one-third of the total amount of the  
13 actual rate case expenses incurred by Big Rivers in this proceeding. This  
14 pro forma adjustment was initially described in my direct testimony,  
15 Application Exhibit 55, on Page 24, Lines 7 through 16. It was also noted in  
16 Application Exhibit 51, Testimony of John Wolfram, Exhibit Wolfram-2,  
17 Reference Schedule 2.13 and in the Post-Hearing Brief of Big Rivers on  
18 page 48.

19 **Q. After its Application was filed, did Big Rivers periodically update**  
20 **this pro forma adjustment?**

21 A. Yes. Big Rivers updated the Commission on the expenses it was incurring  
22 in connection with this proceeding several times, in response to the

1 Commission's direction in Item PSC 1-52(c). See Big Rivers' Fifth  
2 Supplemental Response dated August 18, 2011, to Item PSC 1-52(c), page 2  
3 of 2, and Attachment for Fifth Supplemental Response to Item PSC 1-52(c).

4 **Q. What was the total amount of rate case expense incurred by Big  
5 Rivers, per the August 18, 2011 filing?**

6 A. The total rate case expenses incurred and sought by Big Rivers, as shown in  
7 its last update filed on August 18, 2011, were \$1,976,030. This data is  
8 replicated for convenience in Exhibit Hite Rehearing-1.

9 **Q. Do you provide a calculation of the updated pro forma adjustment  
10 for rate case expense?**

11 A. Yes. The calculation of the updated pro forma adjustment is provided in  
12 Exhibit Hite Rehearing-2.

13 **Q. How is the updated pro forma adjustment calculated?**

14 A. The total revenue requirement should ultimately reflect one-third of the  
15 total rate case expenses. To accomplish this, the test year amount must be  
16 increased. The pro forma adjustment to test year expenses is simply the  
17 difference between the amount that should be included in the revenue  
18 requirement (i.e. one-third of total rate case expenses) and the amount that  
19 was included in the test year. Thus, the pro forma adjustment is calculated  
20 as follows: \$1,976,030, divided by 3, minus \$17,924, equals \$640,753. This is  
21 the calculation shown in Exhibit Hite Rehearing-2.

22



1 **III. ISSUE 3: CWIP INCLUSION IN DEPRECIATION EXPENSE**  
2 **ADJUSMENT**

3  
4 **Q. What did the Commission say in its Order regarding the portion of**  
5 **Big Rivers' proposed depreciation adjustment related to test-period**  
6 **-end CWIP, equaling \$2,313,311?**

7 A. The Commission disallowed that proposed adjustment, and stated on page  
8 20 of the Order:

9 [W]e will not authorize a level of depreciation expense that  
10 reflects the accrual of depreciation on Big Rivers' test-year-  
11 end balance. Going beyond the end of test year plant in  
12 service balances is inconsistent with the concept of a  
13 historical test year and a violation of the broad "matching  
14 principle" described previously in this Order. For this  
15 reason, we will limit the adjustment to the amount derived  
16 by applying Big Rivers' proposed depreciation rates to its  
17 test-year-end plant in service balances.

18  
19 **Q Was this specific issue raised by the Commission or any other party**  
20 **during the course of this proceeding?**

21 A No. KIUC asked three data requests of Big Rivers related to CWIP, and  
22 KIUC witness Lane Kollen's testimony including criticism of Big Rivers'  
23 treatment of CWIP, but the specific grounds on which the Commission  
24 disallowed Big Rivers' depreciation expense related to CWIP were not made  
25 an issue. In fact, the issue raised by Mr. Kollen regarding depreciation of  
26 CWIP was not even mentioned in the KIUC brief. Big Rivers has sought  
27 rehearing on this issue because it believes the Commission's finding is

1 based upon incorrect information, and departs from prior Commission  
2 decisions on the subject. Big Rivers wants an opportunity to be heard on  
3 this particular issue as it is framed by the Commission in the Order.

4 **Q. Do you elaborate in your testimony on how this finding is**  
5 **inconsistent with prior decisions of the Commission?**

6 A. No. This is described in the direct testimony on rehearing of John Wolfram.

7 **Q. What was the CWIP balance at the end of the test period?**

8 A. As of the end of the test period, the CWIP balance was \$46,802,138

9 **Q. What portion of that CWIP balance was in service as of test period-**  
10 **end, and what is the associated depreciation expense thereon?**

11 A. As of the end of the test period, \$18,654,607 of the CWIP balance of  
12 \$46,802,138 was in service. The depreciation expense thereon is \$359,678,  
13 net of the City of Henderson's ("City's") share of Station Two and estimated  
14 retirements. The estimated retirements are consistent with my statement  
15 on page 15 of the Rebuttal Testimony of Mark A. Hite, filed July 6, 2011, in  
16 which I stated that for the 10-year period ended 2009, adjusted for the  
17 Coleman scrubber, Big Rivers' average retirements as a percent of additions  
18 was 21.62%.

19  
20  
21

1 **Q. What portion of the CWIP balance was placed in service after the**  
2 **end of the test period, but prior to the date that Big Rivers' new**  
3 **rates became effective, and what is the associated depreciation**  
4 **expense thereon?**

5 A. \$16,109,062 of the test-year-end CWIP balance of \$46,802,138 was placed in  
6 service after the end of the test period, but prior to the date Big Rivers' new  
7 rates became effective. The depreciation expense thereon is \$1,284,476, net  
8 of the City's share of Station Two and estimated retirements.

9 **Q. What is the total portion of the CWIP balance that was placed in**  
10 **service prior to September 1, 2011 when the new rates became**  
11 **effective, and what is the associated depreciation expense thereon?**

12 A. Together, \$34,763,669 of the \$46,802,138 CWIP balance was placed in  
13 service prior to the new rates becoming effective. The depreciation expense  
14 thereon is \$1,644,154. Accordingly, Big Rivers requests \$1,644,154 of the  
15 \$2,313,311 of depreciation expense disallowed by the Commission.

16 **Q Is there evidence in the record on in service dates for projects**  
17 **reflected in CWIP?**

18 A Yes. The attachment to Big Rivers' response to KIUC's Second Information  
19 Request, Item 30(d) shows reports as of test-year-end (10/31/10) that  
20 include estimated completion dates for the projects listed. The estimated  
21 completion date for many of those projects occurred before Big Rivers filed  
22 this proceeding.

1 **Q. Please summarize the resulting total depreciation expense sought**  
2 **by Big Rivers?**

3 A. The total depreciation expense sought by Big Rivers is \$41,862,932  
4 (\$40,218,778 per the Order, as corrected, plus the \$1,644,154 additional  
5 amount requested herein). The resulting total pro forma adjustment is  
6 \$5,583,494 (pro forma test year depreciation expense: \$41,862,932, minus  
7 historical test year depreciation expense: \$36,279,438).

8 **Q. What are the test-year CWIP projects that were placed in service**  
9 **prior to September 1, 2011?**

10 A. The test year CWIP projects that were placed in service prior to September  
11 1, 2011 are listed in Exhibit Hite Rehearing-3. For example, work order  
12 960, the Oracle Project, having a \$10,941,112 balance at test-year-end  
13 (10/31/10), was shown in Big Rivers' response to Item 30 of the KIUC  
14 Second Information request, Attachment for Item KIUC 2-30(d), page 7 of  
15 28, Project W960, with an estimated completion date of January 2011. That  
16 project is shown on Exhibit Hite Rehearing-3, with its actual in service date  
17 of December 2010.

18 **Q. Please describe the information provided in Exhibit Hite**  
19 **Rehearing-3.**

20 A. The table in Exhibit Hite Rehearing-3 includes the name and number of  
21 each project comprising the \$46,802,138 CWIP balance on the books as of  
22 October 31, 2010. It also includes, for each project, the City's portion

1 (where applicable), the estimated retirements, the depreciation rate, the  
2 annual depreciation expense (on the net addition to utility plant), the in-  
3 service date, and the account number. The table includes subtotals of the  
4 completed projects representing \$34,763,669, and the associated  
5 depreciation expense of \$1,644,154. For the estimated retirements, the  
6 21.62% referenced earlier in my testimony and on page 15 of my rebuttal  
7 testimony is used for all projects except for three IT-related projects for  
8 which there are no associated retirements (W960 - Oracle & Outsourcing  
9 Project, W963 - Oracle Hyperion Software, Support, App, and W967 - IT  
10 Network Infrastructure Interface).

11 **Q. What is the largest single project included in the test year-end**  
12 **CWIP balance but placed in service prior to the rates becoming**  
13 **effective?**

14 **A.** The largest single project included in the table is Project Number W960, the  
15 Oracle and Outsourcing Project ("Oracle R12").

16 **Q. Please describe the CWIP and annual depreciation values for the**  
17 **Oracle R12 project.**

18 **A.** The Oracle R12 project comprised \$10,941,112 of the \$16,109,062 CWIP for  
19 projects in service before September 1, 2011 (as I noted on page 15 of my  
20 Rebuttal Testimony filed July 6, 2011). The annual depreciation on that  
21 amount is \$1,125,840.

1 **Q. Please explain what Big Rivers' Petition refers to as the**  
2 **"particularly compelling case" for allowing the depreciation**  
3 **expense on the Oracle R12 project to be included in rates?**

4 A. There are several reasons why depreciation expense on the significant  
5 Oracle R12 project should be included in rates. The first reason is that the  
6 depreciation expense on the Oracle R12 project is material. The \$1,125,840  
7 of depreciation expense on the Oracle R12 project has material significance  
8 for Big Rivers that is not reflected in the rates approved by the  
9 Commission. For Big Rivers, the difference between a Margins for Interest  
10 Ratio ("MFIR") of 1.24 and 1.10 is only \$6,677,036 (\$11,446,348 -  
11 \$4,769,312). That's very little "maneuvering room" between the maximum  
12 margins available to Big Rivers under the terms of the smelter contracts (a  
13 1.24 Contract TIER), and the minimum margins required to achieve its  
14 required 1.10 MFIR. As Mr. Blackburn explained in his direct testimony  
15 (Application Exhibit 49, page 9), Big Rivers' MFIR for the fiscal year 2010  
16 would have been 1.10 if its margins had been only \$2.3 million (\$6,990,915 -  
17 \$4,706,423 = \$2,284,492) less than they were. This is a very small  
18 difference for a company with 2010 revenues of \$527.3 million; so small, in  
19 fact, that the additional depreciation expense of \$2,313,311 that was  
20 disallowed by the Commission in its Order (\$42,532,089 - \$40,218,778) is  
21 approximately equal to the entire \$2.3 million difference described by Mr.  
22 Blackburn as the "margin of error".

1 **Q. Does this mean that the depreciation expense associated with the**  
2 **Oracle R12 project alone may have a material effect on the**  
3 **financial performance of Big Rivers?**

4 A. Yes. Big Rivers' CEO Mark Bailey, in his rebuttal testimony (filed July 6,  
5 2011, at page 9), described the contractual limitations and penalties that  
6 constrict the range of Big Rivers' margins as creating what he called "the  
7 rate needle." Thus, while \$1,125,840 of depreciation expense on the Oracle  
8 R12 project (or the total \$1,644,154 of additional depreciation expense on  
9 the \$34,763,669 of CWIP sought in this rehearing) may not seem  
10 significant, it is very important to Big Rivers because it comprises such a  
11 significant portion of Big Rivers' "margin of error" for meeting its minimum  
12 MFIR requirement.

13 **Q. Will you please state again when was the Oracle R12 project placed**  
14 **in service?**

15 A. The Oracle R12 project was placed in service in December of 2010, rather  
16 than in January of 2011 as was shown in Big Rivers' response to Item 30 of  
17 the KIUC Second Information request, Attachment for Item KIUC 2-30(d),  
18 page 7 of 28, Project W960. The actual in-service date occurred less than  
19 two months after the end of the test period, and depreciation expense on  
20 that amount began appearing on Big Rivers' books in January of 2011,  
21 before this case was filed, and months before the new rates went into effect  
22 (September 1, 2011).

1 **Q. Does the depreciation rate on the Oracle R12 project increase the**  
2 **importance of including this expense in the adjustment?**

3 A. Yes. The annual depreciation rate per the 2010 Depreciation Study for  
4 account 391.2, the account for the Oracle R12 project, is 10.29%. If Big  
5 Rivers isn't allowed to begin recovering depreciation on this 10-year  
6 property until the conclusion of its next rate case, it will be denied recovery  
7 of a significant portion of the Oracle R12 project cost.

8 **Q. Are there any retirements associated with the Oracle R12 project?**

9 A. No. As I stated in my Rebuttal Testimony filed July 6, 2011, page 15, lines  
10 4 – 9, there are no retirements associated with the Oracle R12 project  
11 because the AS400 remains in service and continues to be used and useful.

12 **Q. Do any of the CWIP projects in question, including the Oracle R12**  
13 **project, generate revenue for Big Rivers?**

14 A. No.

15

16 **IV. ISSUE 4: SMELTER TIER ADJUSTMENT REVENUES IN THE**  
17 **UNWIND FINANCIAL MODEL**

18

19 **Q. What did the Commission's Order state with respect to the Big**  
20 **Rivers Unwind financial model?**

21 A. The Commission states on page 6 of the Order that “[t]he financial model  
22 Big Rivers relied upon in conjunction with the Unwind Transaction did not  
23 include any Smelter TIER Adjustment revenues.”



1 **Q. Is this statement accurate?**

2 A. No.

3 **Q. Was the Big Rivers Unwind financial model filed in this case by Big**  
4 **Rivers, or otherwise included in the record in this proceeding?**

5 A. No. The Unwind financial model was filed on October 9, 2008 as Exhibit 79  
6 in Case No. 2007-00455, *In the Matter of: The Applications of Big Rivers*  
7 *Electric Corporation for: (1) Approval of Wholesale Tariff Additions for Big*  
8 *Rivers Electric Corporation, (2) Approval of Transactions, (3) Approval to*  
9 *Issue Evidences of Indebtedness, and (4) Approval of Amendments to*  
10 *Contracts; and of E.ON U.S., LLC, Western Kentucky Energy Corp. and*  
11 *LG&E Energy Marketing, Inc. for Approval of Transactions.* However, the  
12 model was not filed by Big Rivers or any other party in this case.

13 **Q. Why did Big Rivers not file the Unwind financial model in the**  
14 **record in this case?**

15 A. Big Rivers was not aware that the Commission would attempt to rely upon  
16 or refer to the Unwind financial model in its Order in this case, or that the  
17 Commission was interested in when the Unwind financial model began to  
18 show TIER Adjustment revenue from the Smelters.

19 **Q. Does the Big Rivers Unwind financial model include any Smelter**  
20 **TIER Adjustment revenues?**

21 A. Yes. The Unwind financial model does show Smelter TIER Adjustment  
22 revenues in each of the years 2011 through 2023. I have attached to this

1 testimony as Exhibit Hite Rehearing-4, page 3 from the Pro Forma sheet of  
2 the Excel spreadsheet that is the Unwind financial model. The annual  
3 Smelter TIER Adjustment rate per MWh charge included therein is shown  
4 on print line 89 of Exhibit Hite Rehearing-4. As you can see, the Smelters  
5 are charged a TIER Adjustment rate beginning in 2011, and through the  
6 end of the period covered by the model. The actual revenue forecasted from  
7 the Smelters in a year is determined by multiplying the rate times the  
8 Smelter MWh.

9 **Q. Why did Big Rivers seek rehearing on this issue?**

10 A. Big Rivers requested that rehearing be granted on this issue for the sole  
11 purpose of having this erroneous finding eliminated from the Order. If, and  
12 to the extent that eliminating this finding from the Order impacts any of  
13 the other findings of the Commission in the Order, then those other  
14 findings should also be corrected.

15  
16 **V. SUMMARY OF CORRECT TOTAL RATE INCREASE**

17  
18 **Q. Based on all of the issues described herein, and inclusive of the  
19 direct testimony on rehearing of Mr. Wolfram, what is the correct  
20 amount by which the Commission should authorize Big Rivers to  
21 increase its electric rates?**

22 A. The Commission should allow for the following revisions to the increase of  
23 \$26,744,776 that it authorized in its Order:

- 1 Issue 1. An additional \$640,753 for Big Rivers' rate case expenses;
- 2 Issue 2. An additional \$450,000 to correct the calculation error
- 3 described in the direct testimony on rehearing of Mr. Wolfram;
- 4 and
- 5 Issue 3. Depreciation expenses of \$41,862,932, which adds \$1,644,154
- 6 of the \$2,313,311 that was disallowed, for CWIP projects that
- 7 were placed into service prior to September 1, 2011.

8 These revisions will result in an authorized increase to Big Rivers' electric

9 rates of \$29,479,683, an increase of \$2,734,907 over the increase authorized

10 in the Order.

11

12 **VI. CONCLUSION**

13

14 **Q. Please summarize your direct testimony on rehearing.**

15 A. For the reasons described herein and in Big Rivers' Petition, and in the

16 testimony of Mr. Wolfram, the Commission should revise or otherwise

17 amend its Order in this proceeding in order to:

- 18 1) Allow Big Rivers' adjustment to recover its expenses incurred in this
- 19 proceeding, increasing the amount of the rate increase by \$640,753;
- 20 2) Correct the \$450,000 mathematical error in the calculation of Big
- 21 Rivers' pro forma depreciation adjustment;

- 1           3) Allow the portion of test period-end Construction Work In Progress  
2           ("CWIP") representing those projects that were in service before the  
3           end of the test period, or placed in service after the end of the test  
4           period (i.e., October 31, 2010), but before the effective date of the new  
5           rates (i.e., September 1, 2011) to be included in the computation of  
6           pro forma depreciation expense, increasing the amount of the rate  
7           increase by \$1,644,154; and  
8           4) Eliminate the finding of fact that "[t]he financial model Big Rivers  
9           relied upon in conjunction with the Unwind Transaction did not  
10          include any Smelter TIER Adjustment revenues."

11   **Q.   Does this conclude your testimony?**

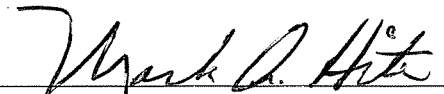
12   **A.   Yes.**

**BIG RIVERS ELECTRIC CORPORATION**

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


**VERIFICATION**

I, Mark A. Hite, verify, state, and affirm that I prepared or supervised the preparation of my rehearing testimony filed with this Verification, and that rehearing testimony is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

  
\_\_\_\_\_  
Mark A. Hite

COMMONWEALTH OF KENTUCKY     )  
COUNTY OF HENDERSON         )

SUBSCRIBED AND SWORN TO before me by Mark A. Hite on this the 4<sup>th</sup> day of  
January, 2012.

  
\_\_\_\_\_  
Notary Public, Ky. State at Large  
My Commission Expires 1-12-13

Big Rivers Electric Corporation

Case No. 2011-00036

Monthly Update of Schedule of Rate Case Costs Incurred-to-Date for Case No. 2011-00036

Line No.	Check Number	Check Date	Vendor	Invoice Number	Amount	Account	Description	Test Year
1	508328	7/14/2011	Hogan & Lovells, LLP	1982010	\$ 104,675.36	928	Legal	
2	508477	7/21/2011	American Management	11/A	3,593.75	928	Consulting	
3	508628	7/21/2011	Orrick, Herrington & Sutcliffe	1315657	2,440.92	928	Legal	
4	508954	8/4/2011	Burns & McDonnell	57670-13	\$ 18,724.80	928	Engineering	
5	509160	8/11/2011	American Management	#12	4,468.75	928	Consulting	
6	509296	8/11/2011	Public Financial Management	PFM-121666-PFM121667	54,166.04	928	Consulting	
7	509351	8/16/2011	Hogan & Lovells, LLP	1989717	132,684.49	928	Legal	
8	509351	8/16/2011	Hogan & Lovells, LLP	1990464	215,866.84	928	Legal	
9	509352	8/16/2011	The Prime Group		54,322.81	928	Consulting	
10	509353	8/16/2011	Sullivan, Mountjoy, Stainback & Miller	108,531	73,350.00	928	Legal	
11	adjustment		Sullivan, Mountjoy, Stainback & Miller	105,659	(16,098.50)	928	Legal	
12	509354	8/18/2011	Burns & McDonnell	57670-14	32,165.37	928	Engineering	
13			<b>Total - July 2011</b>		<b>\$ 680,360.63</b>			
14								
15								
16	509351	8/16/2011	Hogan & Lovells, LLP	1991907	61,655.34	928	Legal	
17	509352	8/16/2011	The Prime Group		7,962.50	928	Consulting	
18	509353	8/16/2011	Sullivan, Mountjoy, Stainback & Miller	108,937	29,601.00	928	Legal	
19			<b>Total - August 15, 2011</b>		<b>\$ 99,218.84</b>			
20								
21			<b>To-Date June 2011</b>		<b>1,196,450.24</b>			
22			<b>To-Date August 15, 2011</b>		<b>\$ 1,976,029.71</b>			
23								

**BIG RIVERS ELECTRIC CORPORATION**  
**12 Months Ended October 31, 2010**

Rate Case Expenses

<u>Line</u>	<u>Description</u>	<u>Comment</u>		<u>Amount</u>
1	Total Rate Case Costs Incurred		\$	1,976,030
2	Amount for Three Year Amortization of Total	(Line 1) / 3	\$	658,677
3	Pro Forma Year	Line 2	\$	658,677
4	Historical Test Year		\$	<u>17,924</u>
5	Proforma Adjustment	Line 3 - Line 4	\$	640,753

**Big Rivers Electric Corporation  
Depreciation on Completed CWIP  
As of September 1, 2011**

Project Number	Project Name	CWIP 10/31/2010	City's Share	Gross Additions	Retirements (21.62%)	Net Additions	PSC Approved Deprec Rate	Annual Depreciation	In-Service Date	Account No
WK07G028B	GN - Water Plant Upgrades	119,267.40		119,267.40	(25,785.61)	93,481.79	1.88%	1,757.46	02/08	3123
WK08G009B	GN - Alarm Monitors 42" Flat Panel	11,277.28		11,277.28	(2,438.15)	8,839.13	1.88%	166.18	12/08	3123
WK08G008B	GN - Dell Servers(4)	17,455.00		17,455.00	(3,773.77)	13,681.23	10.29%	1,407.80	01/09	3912
WK08G013B	GN - Caustic Regeneration Pump	9,649.77		9,649.77	(2,086.28)	7,563.49	1.88%	142.19	02/09	3123
WK08G035B	GN - Boiler Drains	80,142.96		80,142.96	(17,326.91)	62,816.05	1.88%	1,180.94	02/09	3123
W885	Reconductor Line 6-A	4,610.00		4,610.00	(996.68)	3,613.32	1.69%	61.07	03/09	3560
WK08S013B	H1 - WDPF FGD & SCR Controls	17,225.26	0.00	17,225.26	(3,724.10)	13,501.16	2.28%	307.83	03/09	312K
WK09G056B	GN - Tugboat Generator	8,727.78		8,727.78	(1,866.95)	6,860.83	3.78%	258.58	03/09	3163
WK08G027B	GN - Ash Seal Pump(1 of 3)	135,985.56		135,985.56	(29,400.08)	106,585.48	1.88%	2,003.81	04/09	3123
WK08G026B	GN - Ash Sluice Pump (1 of 3)	192,390.77		192,390.77	(41,594.88)	150,795.89	2.28%	3,438.15	05/09	312D
WK09G023B	G2 - Turbine Packing HP-IP	(5,447.77)		(5,447.77)	1,177.81	(4,269.96)	1.91%	(81.56)	05/09	3143
WK09G060U	G2 - Generator Re-wedge	(13,908.00)		(13,908.00)	3,006.91	(10,901.09)	1.91%	(208.21)	05/09	3143
WK09G061U	G2 - Turbine Reheat Blades	9,529.00		9,529.00	(2,060.17)	7,468.83	1.91%	142.65	05/09	3143
WK08C071U	C2 Booster Fan Hub	50,404.98		50,404.98	(10,897.56)	39,507.42	2.28%	900.77	06/09	312C
WK09C021B	CL #2 Conveyor Belt	30,748.00		30,748.00	(6,647.72)	24,100.28	1.88%	453.09	06/09	3122
WK09G058U	G2 - AH Sootblowing Safety	20,129.40		20,129.40	(4,351.98)	15,777.42	1.88%	296.62	06/09	3123
WK09G030B	GN - Upgrade CEMS	38,913.87		38,913.87	(8,413.18)	30,500.69	2.28%	695.42	07/09	312D
WK08G012B	GN - Acid Regeneration Pump	28,160.78		28,160.78	(6,088.36)	22,072.42	1.88%	414.96	08/09	3123
WK08G034B	G2 - Supervisory Turbine Controls	409,091.44		409,091.44	(88,445.57)	320,645.87	1.91%	6,124.34	08/09	3143
WK08G045B	G2 - Scrubber Controls	465,107.41		465,107.41	(100,556.22)	364,551.19	2.28%	8,311.77	09/09	312D
WK09G065U	G1 - B ID Inlet Damper Drive	32,463.69		32,463.69	(7,018.65)	25,445.04	1.88%	478.37	09/09	3123
WK09S039B	R1 - Stack Lighting	10,178.00		10,178.00	(2,200.48)	7,977.52	1.88%	149.98	09/09	3125
WK09W014B	GN - Bleed Pumps (5&6 of 8)	86,824.67		86,824.67	(18,771.49)	68,053.18	1.91%	1,299.82	10/09	3143
WK08G036B	G1 - Seal Oil Vacuum Pump	14,857.10		14,857.10	(3,212.11)	11,644.99	1.88%	218.93	11/09	3123
WK08G041B	G1 - Hot Reheat Safety	29,092.81		29,092.81	(6,289.87)	22,802.94	1.88%	428.70	11/09	3123
WK09G044B	GN - Landfill Downdrains	11,000.00		11,000.00	(2,378.20)	8,621.80	2.28%	196.58	11/09	312D
WK09G059U	GN - H2 Bulk Tank Manifold	70,736.24		70,736.24	(15,293.18)	55,443.06	1.88%	1,042.33	11/09	3123
WK09M004U	CMS - Overhead Crane Hoist	24,515.39		24,515.39	(5,300.23)	19,215.16	3.78%	726.33	11/09	3169
WK09S013B	RH - Water Plant Heat Imprvmts	7,125.00	0.00	7,125.00	(1,540.43)	5,584.57	1.38%	77.07	11/09	3116
WK09W041B	WL Turbine Supervisory Instrumentation Update	(1,642.36)		(1,642.36)	355.08	(1,287.30)	1.91%	(24.59)	11/09	3144
WK09W043U	WL Cooling Tower Fill Cell Update	63,270.58		63,270.58	(13,679.10)	49,591.48	1.91%	947.20	11/09	3144
WK09W044B	WL L1 Turbine Blading Update	4,557.22		4,557.22	(985.27)	3,571.95	1.91%	68.22	11/09	3144
WK08G043B	GN - Industrial Waste Drain Piping	206,422.55		206,422.55	(44,628.56)	161,793.99	1.88%	3,041.73	12/09	3123
WK09G064B	GN - EFV Pump Suction Valve	12,064.92		12,064.92	(2,608.44)	9,456.48	1.88%	177.78	12/09	3123
WK09G071U	GN-River Water Intake Screen	97,801.65		97,801.65	(21,144.72)	76,656.93	1.91%	1,464.15	12/09	3143
WK09G072U	G1 - A ID Fan Motor Rewind	101,488.92		101,488.92	(21,941.90)	79,547.02	1.88%	1,495.48	12/09	3123
WK09M001B	CMS - Powermatic Drill Press	6,696.23		6,696.23	(1,447.72)	5,248.51	3.78%	198.39	12/09	3169
WK09T006U	RGH - Trailer Power Feeds	3,209.09		3,209.09	(693.81)	2,515.28	1.38%	34.71	12/09	3117
WK09W067B	WL Watthour Meters - Revenue Meters Update	3,556.56		3,556.56	(768.93)	2,787.63	1.99%	55.47	12/09	3154
WK09W071U	Exciter Rewind	1,255,987.87		1,255,987.87	(271,544.58)	984,443.29	1.91%	18,802.87	12/09	3144
W940	Henderson Co Sub 69KV	731.00		731.00	(158.04)	572.96	2.23%	12.78	01/10	3530
W958	Davness Co Sub Gravel	12,489.36		12,489.36	(2,700.20)	9,789.16	1.90%	185.99	01/10	3520
WK08G033B	GN - Coal Handling Controls	397,386.75		397,386.75	(85,915.02)	311,471.73	1.88%	5,855.67	01/10	3123
WK09A004B	2009 Tier C Replacements	113,688.17		113,688.17	(24,579.38)	89,108.79	10.29%	9,169.29	01/10	3912
WK09G063U	GN - A IW Pond Pump	14,611.28		14,611.28	(3,158.96)	11,452.32	1.88%	215.30	01/10	3123
WK09G068B	G2 - A Steam Coil Supply	11,266.34		11,266.34	(2,435.78)	8,830.56	1.88%	166.01	01/10	3123
WK10C011B	CL 2 Babfar Heaters	62,900.40		62,900.40	(13,599.07)	49,301.33	1.88%	926.87	01/10	3122
WK09G024B	GN - Ash Sluice Pump (2 of 3)	192,744.93		192,744.93	(41,671.45)	151,073.48	2.28%	3,444.48	02/10	312D
WK09G070U	GN - Truck Cnvr Belt De-Ice Tank	4,246.36		4,246.36	(918.06)	3,328.30	1.88%	62.57	02/10	3123



**Big Rivers Electric Corporation  
Depreciation on Completed CWIP  
As of September 1, 2011**

Project Number	Project Name	CWIP 10/31/2010	City's Share	Gross Additions	Retirements (21.62%)	Net Additions	PSC Approved Deprec Rate	Annual Depreciation	In-Service Date	Account No
WK09S062U	H1 - Wallblowers (4)	15,894.35	0.00	15,894.35	(3,436.36)	12,457.99	1.88%	234.21	02/10	3125
BP10G026F	G1 - B ID Fan Motor Rewind	136,945.61		136,945.61	(29,607.64)	107,337.97	1.88%	2,017.95	02/10	3123
BP10S020B	H2 - Rpl Precip Outlet Duct	451,411.78	0.00	451,411.78	(97,595.23)	353,816.55	2.28%	8,067.02	02/10	312F
WK09G006B	GN - Tugboat Refurbishment	403,406.26		403,406.26	(87,216.43)	316,189.83	1.88%	5,944.37	03/10	3123
WK09G025B	GN - Ash Seal Pump (2 of 3)	125,287.51		125,287.51	(27,087.16)	98,200.35	1.88%	1,846.17	03/10	3123
WK09G026B	G2 - B Svce Water Pump (3of4)	55,664.73		55,664.73	(12,094.71)	43,630.02	1.88%	820.24	03/10	3123
WK09G066B	GN - Towboat Transmissions	50,846.08		50,846.08	(10,992.92)	39,853.16	1.88%	749.24	03/10	3123
BP10C012B	CL A/C Replacement for C1 & C2 Battery Room	9,619.00		9,619.00	(2,079.63)	7,539.37	1.38%	104.04	03/10	3112
BP10C023B	CL I/E Shop A/C	10,608.38		10,608.38	(2,293.53)	8,314.85	1.38%	114.74	03/10	3112
BP10C028B	CL Plant Manager Vehicle	34,028.74		34,028.74	(7,357.01)	26,671.73	4.39%	1,170.89	03/10	3922
BP10C031B	CL Sewage Plant Flowmeter	7,060.18		7,060.18	(1,526.41)	5,533.77	3.78%	209.18	03/10	3162
BP10C035F	CL Belt on Limestone Feeder #1 (LS-1)	5,690.20		5,690.20	(1,230.22)	4,459.98	2.28%	101.69	03/10	312C
BP10S042B	RH - Temp Bath Callibrators	4,366.80	0.00	4,366.80	(944.10)	3,422.70	3.78%	129.38	03/10	3166
BP10T004F	RGH - Plant Manager Vehicle	29,729.08	0.00	29,729.08	(6,427.43)	23,301.65	4.39%	1,022.94	03/10	3922
BP10T006F	RGH - Coal Fineness Samp Equip	7,046.43	0.00	7,046.43	(1,523.44)	5,522.99	1.88%	103.83	03/10	3127
WK06W011B	Landfill Phase 2	164,711.99		164,711.99	(35,610.73)	129,101.26	1.88%	2,427.10	04/10	3124
WK09G046B	GN - Diesel Pump	44,100.35		44,100.35	(9,534.50)	34,565.85	3.78%	1,306.59	04/10	3163
WK09G067B	G2 - AH Sootblowing Regulator	16,829.30		16,829.30	(3,638.49)	13,190.81	1.88%	247.99	04/10	3123
WK10C008B	FGD A&B Limestone Mill Classifiers	306,112.45		306,112.45	(66,181.51)	239,930.94	2.28%	5,470.43	04/10	312C
WK10C021B	C3 A Circulating Water Pump	179,692.87		179,692.87	(38,849.60)	140,843.27	1.91%	2,690.11	04/10	3142
WK10C049B	C3 A Circulating Water Pump Column	208,755.37		208,755.37	(45,132.91)	163,622.46	1.91%	3,125.19	04/10	3142
BP10A009F	Headquarters Office Furniture	11,649.40	0.00	11,649.40	(2,518.60)	9,130.80	17.12%	1,563.19	04/10	3910
BP10C026B	C2 C 4160 to 480 Step Down Transformer	35,235.21		35,235.21	(7,617.85)	27,617.36	1.99%	549.59	04/10	3152
BP10C036F	CL Wetbottom Discharge Valve Replacement	20,326.29		20,326.29	(4,394.54)	15,931.75	1.88%	299.52	04/10	3122
BP10S027B	H2 - Rpl Mist Eliminator Panels	51,003.21	0.00	51,003.21	(11,026.89)	39,976.32	20.22%	8,083.21	04/10	312Q
BP10S040B	RH - 480 Volt Welder	1,411.01	0.00	1,411.01	(305.06)	1,105.95	3.78%	41.80	04/10	3166
BP10S054F	RH - Instrument Shop A/C	10,666.08	0.00	10,666.08	(2,306.01)	8,360.07	1.38%	115.37	04/10	3116
BP10S064F	H0 - "B" Coal Conveyor	5,334.24	0.00	5,334.24	(1,153.26)	4,180.98	1.88%	78.60	04/10	3125
W955	HQ Remodeling	2,001,968.51		2,001,968.51	(432,825.59)	1,569,142.92	2.84%	44,563.66	05/10	3900
W962	Limiting Reactor Replacement	46,428.00		46,428.00	(10,037.73)	36,390.27	2.23%	811.50	05/10	3530
W966	Coleman Road Metering Upgrade	5,421.75		5,421.75	(1,172.18)	4,249.57	2.23%	94.77	05/10	3530
W969	Metering CT Upgrade - Strawberry Hill	5,673.32		5,673.32	(1,226.57)	4,446.75	2.23%	99.16	05/10	3530
WK09S053U	H2 - Replace #16 Wallblower	13,514.01	0.00	13,514.01	(2,921.73)	10,592.28	1.88%	199.13	05/10	3125
WK09S061B	H0 - Cooling Tower Stairs & Ladders	64,077.12	0.00	64,077.12	(13,853.47)	50,223.65	1.91%	959.27	05/10	3145
WK09W007B	Station Air Compressor	239,233.51		239,233.51	(51,722.28)	187,511.23	3.78%	7,087.92	05/10	3164
WK10C059B	C3 A Traveling Water Screen	109,584.74		109,584.74	(23,692.22)	85,892.52	1.91%	1,640.55	05/10	3142
BP10C013B	CL 2010 Conveyor Belt Repl	26,391.14		26,391.14	(5,705.76)	20,685.38	1.88%	388.89	05/10	3122
BP10C033F	C3 B Circulating Water Booster	7,158.39		7,158.39	(1,547.64)	5,610.75	1.91%	107.17	05/10	3142
BP10G027F	G1 - B Recycle Pump Bearing	20,575.15		20,575.15	(4,448.35)	16,126.80	1.88%	303.18	05/10	3123
BP10G029F	GN - Ash Pond Piezometers	30,500.00		30,500.00	(6,594.10)	23,905.90	2.28%	545.05	05/10	312D
BP10G030F	G1 - A BFP Motor Rewind	101,957.44		101,957.44	(22,043.20)	79,914.24	1.88%	1,502.39	05/10	3123
BP10S011B	H2 - Rpl Cooling Tower Fill	198,967.38	0.00	198,967.38	(43,016.75)	155,950.63	1.99%	3,103.42	05/10	3145
BP10S015B	H2 - Feedwater Heater Emergency Drain Valve	46,040.65	0.00	46,040.65	(9,953.99)	36,086.66	1.88%	678.43	05/10	3125
BP10S016B	H2 - #5 FW Heater Re-tube	215,682.40	0.00	215,682.40	(46,630.53)	169,051.87	1.88%	3,178.18	05/10	3125
BP10S018B	H2 - AH Breeching Exp Joints	115,414.20	0.00	115,414.20	(24,952.55)	90,461.65	1.88%	1,700.68	05/10	3125
BP10S021B	H2 - "A" & "B" Slag Grinders	64,515.15	0.00	64,515.15	(13,948.18)	50,566.97	14.39%	7,276.59	05/10	312Z
BP10S022B	H2 - Rpl Sootblowers (25-26/47-48)	99,861.68	0.00	99,861.68	(21,590.10)	78,271.58	1.88%	1,471.51	05/10	3125
BP10S023B	H2 - Rpl Wallblowers (14, 15, 16)	28,047.84	0.00	28,047.84	(6,063.94)	21,983.90	1.88%	413.30	05/10	3125
BP10S050F	H2 - Steam Coil Regulator	8,531.17	0.00	8,531.17	(1,844.44)	6,686.73	1.88%	125.71	05/10	3125

**Big Rivers Electric Corporation  
Depreciation on Completed CWIP  
As of September 1, 2011**

Project Number	Project Name	CWIP 10/31/2010	City's Share	Gross Additions	Retirements (21.62%)	Net Additions	PSC Approved Deprec Rate	Annual Depreciation	In-Service Date	Account No
BP10S051F	RH - #7 Outside Fire Hydrant	4,524.42	0.00	4,524.42	(978.18)	3,546.24	1.38%	48.94	05/10	3116
BP10S052F	H0 - New Dryer Cooler	10,058.34	0.00	10,058.34	(2,174.61)	7,883.73	1.88%	148.21	05/10	3125
BP10S058F	RH - Deadweight Tester	4,794.60	0.00	4,794.60	(1,036.59)	3,758.01	3.78%	142.05	05/10	3166
BP10S062F	H2 - Damper to SCR Expansion Joint	32,244.92	0.00	32,244.92	(6,971.35)	25,273.57	2.28%	576.24	05/10	312F
BP10S066F	H2 - Scrubber Duct Expan Joint	20,020.54	0.00	20,020.54	(4,328.44)	15,692.10	2.28%	357.78	05/10	312K
BP10W002B	Plasma screens	4,746.33	0.00	4,746.33	(1,026.16)	3,720.17	3.78%	140.62	05/10	3164
BP10W021B	Bobcat	23,800.00	0.00	23,800.00	(5,145.56)	18,654.44	3.78%	705.14	05/10	3164
BP10W038F	Acid Tanks	16,140.15	0.00	16,140.15	(3,489.50)	12,650.65	1.88%	237.83	05/10	3124
BP10W042F	#1 Mill Motor	63,775.53	0.00	63,775.53	(13,788.27)	49,987.26	1.88%	939.76	05/10	3124
W659	Reid/Hopkins 161KV Line 3-A Reloc	139,404.22	0.00	139,404.22	(30,139.19)	109,265.03	1.69%	1,846.58	06/10	3560
WK09G048B	G1 - SOE Migrate to DCS	291,753.94	0.00	291,753.94	(63,077.20)	228,676.74	1.88%	4,299.12	06/10	3123
WK09S036B	H2 - WDPF FGD & SCR Controls	75,837.52	0.00	75,837.52	(16,396.07)	59,441.45	2.28%	1,355.27	06/10	312K
WK09S045U	H0 - Makeup Flow Meters (2)	23,550.11	0.00	23,550.11	(5,091.53)	18,458.58	1.88%	347.02	06/10	3126
WK09S057U	H0 - Surge Tank Agitator	6,822.00	0.00	6,822.00	(1,474.92)	5,347.08	2.28%	121.91	06/10	312K
BP10G015B	GN - Rvrs Osmosis/Wtr Pit Ctrli	324,876.26	0.00	324,876.26	(70,238.25)	254,638.01	1.88%	4,787.19	06/10	3123
BP10G025F	GN - Portable Gas Analyzer (2)	9,069.94	0.00	9,069.94	(1,960.92)	7,109.02	3.78%	268.72	06/10	3163
BP10G033B	GN-A Coal Conveyor Belt	15,604.77	0.00	15,604.77	(3,373.75)	12,231.02	1.88%	229.94	06/10	3123
BP10S001B	H0 - Rpl Bleed Lines	385,553.50	0.00	385,553.50	(83,356.67)	302,196.83	1.99%	6,013.72	06/10	3145
BP10S004B	H0 - Turbine Crane Power Supply	78,178.74	0.00	78,178.74	(16,902.24)	61,276.50	1.91%	1,170.38	06/10	3141
BP10S012B	H2 - Insulation & Lagging	98,400.26	0.00	98,400.26	(21,274.14)	77,126.12	1.88%	1,449.92	06/10	3125
BP10S014B	H2 - High Energy Pipe Hangers	59,687.47	0.00	59,687.47	(12,904.43)	46,783.04	1.88%	879.52	06/10	3125
BP10S056F	RH - Vacuum Pump (Dry Flyash)	16,431.58	0.00	16,431.58	(3,552.51)	12,879.07	1.88%	242.13	06/10	3126
BP10S060F	H2 - HP Steam Seal Limitorque Actuator	4,342.48	0.00	4,342.48	(938.84)	3,403.64	1.91%	65.01	06/10	3145
BP10S061F	H0 - "2A" CT Fan Gear Box	18,905.03	0.00	18,905.03	(4,087.27)	14,817.76	1.91%	283.02	06/10	3145
BP10T002B	RGH - Panama Bldg Ext Sheeting	52,038.32	0.00	52,038.32	(11,250.68)	40,787.64	1.38%	562.87	06/10	3119
WK06S021B	H0 - DCS Engineering	232,080.77	0.00	232,080.77	(50,175.86)	181,904.91	1.88%	3,419.81	07/10	3125
BP10C040F	C2A Warm Water Recirc Valve	11,398.37	0.00	11,398.37	(2,464.33)	8,934.04	1.88%	167.96	07/10	3122
BP10C052F	C-3 Booster Fan Riser Duct Exp Joint	24,572.33	0.00	24,572.33	(5,312.54)	19,259.79	1.88%	362.08	07/10	3122
BP10G009B	G1 - EH Pump Replacement A & B	251,495.55	0.00	251,495.55	(54,373.34)	197,122.21	1.88%	3,705.90	07/10	3123
BP10G035B	GN - Mice Welding Machines	13,721.33	0.00	13,721.33	(2,966.55)	10,754.78	3.78%	406.53	07/10	3163
BP10S026B	H0 - F1-F4 Bldg Heating Fans	84,816.98	0.00	84,816.98	(18,337.45)	66,479.55	1.38%	917.42	07/10	3115
BP10S045B	RH - Rpl Water Plant Roof	14,314.27	0.00	14,314.27	(3,094.75)	11,219.52	1.88%	210.93	07/10	3121
BP10S068F	RH - Knife Gate Valves for Booth System	5,238.04	0.00	5,238.04	(1,132.46)	4,105.58	1.88%	77.18	07/10	3126
BP10T005F	RGH - Copier/Printer & Monochrom Scanner	25,557.54	0.00	25,557.54	(5,525.54)	20,032.00	17.12%	3,429.48	07/10	3917
BP10W044F	Row 5 Outlet Valve	11,525.53	0.00	11,525.53	(2,491.82)	9,033.71	2.28%	205.97	07/10	312E
BP10W054F	Excavator for Fuels	125,906.80	0.00	125,906.80	(27,221.05)	98,685.75	1.88%	1,855.29	07/10	3124
BP10W055F	7-2 Conveyor Motor	39,490.33	0.00	39,490.33	(8,537.81)	30,952.52	1.88%	581.91	07/10	3124
W018	Infrared Camera	29,196.66	0.00	29,196.66	(6,312.32)	22,884.34	3.78%	865.03	07/10	3164
BP10C037F	Morganfield FL-1-6 Microwave Radio	53,900.00	0.00	53,900.00	(13,653.18)	40,246.82	2.23%	942.10	08/10	3530
BP10C053F	C-1A Slag Grinder	62,489.48	0.00	62,489.48	(13,510.23)	48,979.25	14.39%	7,048.11	08/10	312W
BP10G037B	C3 480V 3C Stepdown Transformer	53,522.61	0.00	53,522.61	(11,571.59)	41,951.02	1.99%	834.83	08/10	3152
BP10G039F	GN - Air Monitors	18,468.27	0.00	18,468.27	(3,992.84)	14,475.43	2.28%	330.04	08/10	312D
BP10G039B	GN - DBDoc License Upgrade	5,830.00	0.00	5,830.00	(1,260.45)	4,569.55	1.88%	85.91	08/10	3123
BP10G040B	G1 - D Coal Conveyor Belt	16,702.96	0.00	16,702.96	(3,611.18)	13,091.78	1.88%	246.13	08/10	3123
BP10S038B	RH - Kubota with Cab	12,192.37	0.00	12,192.37	(2,635.99)	9,556.38	3.70%	353.59	08/10	3960
BP10S046B	RH - Mtc Vehicle	13,813.85	0.00	13,813.85	(2,986.55)	10,827.30	4.39%	475.32	08/10	3922
BP10S059F	H2 - Conductor NT Server	10,638.24	0.00	10,638.24	(2,299.99)	8,338.25	10.29%	858.01	08/10	3912
BP10W045F	Label printer for Safety	3,169.40	0.00	3,169.40	(685.22)	2,484.18	3.78%	93.90	08/10	3164
BP10W049F	Hydrants and PIVs	21,347.00	0.00	21,347.00	(4,615.22)	16,731.78	1.38%	230.90	08/10	3114

**Big Rivers Electric Corporation  
Depreciation on Completed CWIP  
As of September 1, 2011**

Project Number	Project Name	CWIP 10/31/2010	City's Share	Gross Additions	Retirements (21.62%)	Net Additions	PSC Approved Deprec Rate	Annual Depreciation	In-Service Date	Account No
W013	Meter upgrade Draffenville	5,193.04		5,193.04	(1,122.74)	4,070.30	2.23%	90.77	09/10	3530
W970	Battery Replacement National Aluminum Sub	6,380.32		6,380.32	(1,379.43)	5,000.89	2.23%	111.52	09/10	3530
WK09C026B	CL DMZ Server	2,437.68		2,437.68	(527.03)	1,910.65	10.29%	196.61	09/10	3912
BP10C015B	CL Replace DCS Communication Modules - CH	41,256.63		41,256.63	(8,919.66)	32,336.95	1.88%	607.93	09/10	3122
BP10C062B	CL #4 Coal Feeder Belt	6,190.08		6,190.08	(1,338.30)	4,851.78	1.88%	91.21	09/10	3122
BP10G017B	GN - Landfill Downdrains 2010	18,500.00		18,500.00	(3,999.70)	14,500.30	2.28%	330.61	09/10	312D
BP10G022B	GN - Ash Clinker Grmder	49,817.16		49,817.16	(10,770.47)	39,046.69	1.88%	734.08	09/10	3123
BP10S031B	R1 - Stack Climbing Device (1)	10,360.00		10,360.00	(2,239.88)	8,120.17	1.88%	152.66	09/10	3121
BP10S044B	RH - Dry Flyash Crossover	37,490.70	0.00	37,490.70	(8,105.48)	29,385.21	2.28%	669.98	09/10	312G
BP10S049F	H0 - Air Comp Flow Meters	7,183.40	0.00	7,183.40	(1,553.05)	5,630.35	3.78%	212.83	09/10	3165
BP10S053F	RH - Reclaim Escape Tunnel	22,893.06	0.00	22,893.06	(4,949.48)	17,943.58	1.88%	337.34	09/10	3121
BP10S055F	H0 - Piezometers (5)	20,338.40	0.00	20,338.40	(4,397.16)	15,941.24	3.78%	602.58	09/10	3165
BP10S057F	H0 - Bypass Stack Climbing Devices (1)	13,704.99	0.00	13,704.99	(2,963.02)	10,741.97	1.88%	201.95	09/10	3125
BP10S070F	RH - Barge Haul Positioner Controls	17,223.85	0.00	17,223.85	(3,723.80)	13,500.05	1.88%	253.80	09/10	3126
BP10S078F	R1 - "B" Mill Trun. Bearings	223,750.12	0.00	223,750.12	(48,374.78)	175,375.34	1.88%	3,297.06	09/10	3121
BP10S080F	RH - Rpl Air Monitors (19)	13,198.90	0.00	13,198.90	(2,853.60)	10,345.30	3.78%	391.05	09/10	3166
W946	Oil Spill Prevention Control	914,991.71		914,991.71	(197,821.21)	717,170.50	2.23%	15,992.90	10/10	3530
W950	New Phone System @ HQ	246,521.14		246,521.14	(53,297.87)	193,223.27	4.35%	8,405.21	10/10	3970
W953	Batteries & Rack McCracken Co Sub	17,609.48		17,609.48	(3,807.17)	13,802.31	2.23%	307.79	10/10	3530
W968	Battery & Rack Livingston Co	18,237.68		18,237.68	(3,942.99)	14,294.69	2.23%	318.77	10/10	3530
WK09S059U	H2 - Oxygen Analyzers	32,073.00	0.00	32,073.00	(6,934.18)	25,138.82	3.78%	950.25	10/10	3165
BP10C007B	CL FGD Stack Ladder Device	9,820.33		9,820.33	(2,123.16)	7,697.17	2.28%	175.50	10/10	312C
BP10C017B	CL Plant Vibration Monitoring	93,513.90		93,513.90	(20,217.71)	73,296.19	1.88%	1,377.97	10/10	3122
BP10C018B	CL Coal Handling Building	368,294.93		368,294.93	(79,625.36)	288,669.57	1.88%	5,426.99	10/10	3112
BP10C019B	C3 DAS Upgrade	71,525.02		71,525.02	(15,463.71)	56,061.31	1.88%	1,053.95	10/10	3122
BP10C020B	CL 8, 10, 12 Flop Gates	145,076.73		145,076.73	(31,365.59)	113,711.14	1.88%	2,137.77	10/10	3122
BP10C022B	CL Ready Pile Escape Tunnel	35,485.85		35,485.85	(7,672.04)	27,813.81	1.88%	522.90	10/10	3122
BP10C027B	CL PA Flow Measure CAMMS	36,139.36		36,139.36	(7,813.33)	28,326.03	1.88%	532.53	10/10	3122
BP10C041F	CL Satellite Communication Sys	6,278.00		6,278.00	(1,357.30)	4,920.70	3.78%	186.00	10/10	3162
BP10C043B	C2B Condenser Vacuum Pump	146,912.99		146,912.99	(31,762.59)	115,150.40	1.91%	2,199.37	10/10	3142
BP10C044B	C2 A&B FD Fan Replacement	469,171.93		469,171.93	(101,434.97)	367,736.96	1.88%	6,913.45	10/10	3122
BP10C047B	C2 Precipitator Controls	124,806.40		124,806.40	(26,983.14)	97,823.26	2.28%	2,230.37	10/10	312C
BP10C048B	C2 BFW Start Up Regulator	90,067.75		90,067.75	(19,472.65)	70,595.10	2.28%	1,327.19	10/10	3122
BP10C056B	C2 Precipitator Inlet Duct	521,338.22		521,338.22	(112,713.32)	408,624.90	2.28%	9,316.65	10/10	312C
BP10C057B	C2 Boiler Insulation 2010	278,126.35		278,126.35	(60,130.92)	217,995.43	1.88%	4,098.31	10/10	3122
BP10C058B	C2 Boiler Weld Overlay 2010	73,101.42		73,101.42	(15,804.53)	57,296.89	1.88%	1,077.18	10/10	3122
BP10C059F	CL Powered Georgia Buggies	29,000.00		29,000.00	(6,269.80)	22,730.20	3.78%	859.20	10/10	3162
BP10C060B	C2 DCS Controllers & System	97,141.76		97,141.76	(21,002.05)	76,139.71	1.88%	1,431.43	10/10	3122
BP10C061B	C2 BTG Board Monitor	17,833.99		17,833.99	(3,855.71)	13,978.28	1.88%	262.79	10/10	3122
BP10C063B	C2 Slag Grmder Repl	59,361.91		59,361.91	(12,834.04)	46,527.87	14.39%	6,695.36	10/10	312W
BP10C064B	C2 Drum Enclosure	35,475.80		35,475.80	(7,669.87)	27,805.93	2.28%	633.98	10/10	312C
BP10C066F	CL FGD Absorber Agitators	78,113.40		78,113.40	(16,888.12)	61,225.28	2.28%	1,395.94	10/10	312C
BP10C067F	C1 & C2 Booster Fan Exp Jt	162,640.65		162,640.65	(35,162.91)	127,477.74	1.88%	2,396.58	10/10	3122
BP10C068F	CL FGD Clarified Water Pumps	105,496.86		105,496.86	(22,808.42)	82,688.44	2.28%	1,885.30	10/10	312C
BP10G028F	GN - Coal Feeder Inlet Gates	44,005.09		44,005.09	(9,513.90)	34,491.19	1.88%	648.43	10/10	3123
BP10G034F	GN - Truck Hopper Hoist	2,126.89		2,126.89	(459.83)	1,667.06	1.88%	31.34	10/10	3123
BP10G043F	GN - IU Battery	8,420.00		8,420.00	(1,820.40)	6,599.60	2.28%	150.47	10/10	312D
BP10T007F	RGH - Battery Ground Locator	3,840.58	0.00	3,840.58	(830.33)	3,010.25	1.99%	59.90	10/10	3157

**Big Rivers Electric Corporation  
Depreciation on Completed CWIP  
As of September 1, 2011**

Project Number	Project Name	CWIP 10/31/2010	City's Share	Gross Additions	Retirements (21.62%)	Net Additions	PSC Approved Deprec Rate	Annual Depreciation	In-Service Date	Account No
BP10W001B	WL DCS Computers	4,500.53		4,500.53	(973.01)	3,527.52	1.88%	66.32	10/10	3124
BP10W003B	WL Flyash Blower Gear Reducer	51,169.75		51,169.75	(11,062.90)	40,106.85	1.88%	754.01	10/10	3124
BP10W004B	WL Replace Switchgear Breakers	78,993.80		78,993.80	(17,078.46)	61,915.34	1.99%	1,232.12	10/10	3154
BP10W013B	WL Station Air Compressor	258,066.50		258,066.50	(55,793.98)	202,272.52	3.78%	7,845.90	10/10	3164
BP10W037E	WL Hydrants and PIVs	74,226.50		74,226.50	(16,047.77)	58,178.73	1.38%	802.87	10/10	3114
BP10W048F	WL End Loader for Fuels	69,297.50		69,297.50	(14,982.12)	54,315.38	1.88%	1,021.13	10/10	3124
BP10W050F	WL Boom Conveyor Belt	15,928.30		15,928.30	(3,443.70)	12,484.60	1.88%	234.71	10/10	3124
<b>OCTOBER 2010 CWIP COMPLETED @ 10/31/10</b>		<b>18,654,606.93</b>	<b>0.00</b>	<b>18,654,606.93</b>	<b>(4,033,126.02)</b>	<b>14,621,480.91</b>		<b>359,678.48</b>		

**Big Rivers Electric Corporation  
Depreciation on Completed CWIP  
As of September 1, 2011**

Project Number	Project Name	CWIP 10/31/2010	City's Share	Gross Additions	Retirements (21.62%)	Net Additions	PSC Approved Deprec Rate	Annual Depreciation	In-Service Date	Account No	
BP10C042B	C2 A&C 480V MCC	64,786.45		64,786.45	(14,006.83)	50,779.62	1.99%	1,010.51	11/10	3152	
BP10C045B	C2 Damper Drives Replacement	174,057.40		174,057.40	(37,631.21)	136,426.19	1.88%	2,564.81	11/10	3122	
BP10C049F	C1 Lab Sample Panel	30,092.12		30,092.12	(6,505.92)	23,586.20	1.88%	443.42	11/10	3122	
BP10C050B	C2 Lab Sample Panel	88,536.64		88,536.64	(19,141.62)	69,395.02	1.88%	1,304.63	11/10	3122	
BP10C051B	C2 DCS Power Supply	57,980.84		57,980.84	(12,535.46)	45,445.38	1.99%	904.36	11/10	3152	
BP10C055B	C2 CEM Duct Analysers	65,391.00		65,391.00	(14,137.53)	51,253.47	2.28%	1,168.58	11/10	312C	
BP10C065F	C2 FGD Booster Fan Blades	369,171.68		369,171.68	(79,814.92)	289,356.76	2.28%	6,597.33	11/10	312C	
BP10S083F	R1 - AH Gas Inlet Exp Joint	4,750.00		4,750.00	(1,026.95)	3,723.05	1.88%	69.99	11/10	3121	
W960	Oracle & Outsourcing Project	10,941,111.58		10,941,111.58	0.00	10,941,111.58	10.29%	1,125,840.38	12/10	3912	
W963	Oracle Hyperion Software, Support, App	459,753.50		459,753.50	0.00	459,753.50	10.29%	47,308.64	12/10	3912	
W967	IT Network Infrastructure Interface	158,392.73		158,392.73	0.00	158,392.73	10.29%	16,298.61	12/10	3912	
2010 POLES		592,142.41		592,142.41	(128,021.19)	464,121.22	2.06%	9,560.90	12/10	3550	
BP10C029B	2010 Poles	107,690.00		107,690.00	(23,282.58)	84,407.42	1.88%	1,586.86	12/10	3122	
BP10C039B	CL Remote Racking (ARC)	21,291.17		21,291.17	(4,603.15)	16,688.02	1.88%	313.73	12/10	3122	
BP10G010B	C3 B Boil Feed Pump Disch Valv	398.15		398.15	(86.08)	312.07	1.88%	5.87	12/10	3123	
BP10G014B	GN - Stack Lighting (G1 & G2)	591,059.68		591,059.68	(127,787.10)	463,272.58	1.38%	6,393.16	12/10	3113	
BP10G021B	GN - IU Bldg Component Rpipe	422,863.70		422,863.70	(91,423.13)	331,440.57	1.88%	6,231.08	12/10	3123	
BP10G024B	GN - Rmtc Rcking (ARC Assess)	147,057.51		147,057.51	(31,793.83)	115,263.68	3.78%	4,356.97	12/10	3163	
BP10G045F	CMS - HP/HT Steam Washer	8,206.20		8,206.20	(1,774.18)	6,432.02	3.78%	243.13	12/10	3163	
BP10W043F	WL - No 2 CWP Motor	340,521.00		340,521.00	(73,620.64)	266,900.36	1.91%	5,097.80	12/10	3144	
BP10W053F	WL VFDs for Cooling Tower	187,255.52		187,255.52	(40,484.64)	146,770.88	1.91%	2,803.32	12/10	3124	
BP10W056F	WL Conveyor Underground Piping	192,117.42		192,117.42	(41,535.79)	150,581.63	1.88%	2,830.93	12/10	3124	
BP10C030B	CL FGD "A" Weigh Feeder Belt	146,753.21		146,753.21	(31,728.04)	115,025.17	2.28%	2,622.57	12/10	312E	
BP10G031F	GN-Crusher Tower Dust Collect	3,350.92		3,350.92	(724.47)	2,626.45	2.88%	75.64	02/11	312C	
BP10S077F	R1 - Slag Grmder	325,565.86		325,565.86	(70,387.34)	255,178.52	1.88%	4,797.36	02/11	3123	
BP10C032F	C1B Water Plant Sump Pump	24,062.00		24,062.00	(5,202.20)	18,859.80	14.39%	2,713.93	02/11	312V	
BP10S079F	GT - Rpl Coalescing Filter	3,492.93		3,492.93	(755.17)	2,737.76	1.88%	51.47	03/11	3122	
BP10S009B	H1 - CEMs - Nox Analyzers	70,180.19	(4,117.85)	8,118.05	(15,172.96)	55,007.23	9.10%	5,005.66	03/11	3420	
BP10S010B	H2 - CEMs - Nox Analyzers	12,321.72	(4,146.73)	8,174.99	(1,755.12)	6,362.93	2.28%	145.07	05/11	312D	
BP10S044B	RH - Dry Flyash Crossover	9,200.00	(2,562.33)	6,637.67	(1,767.43)	6,407.56	2.28%	146.09	05/11	3126	
BP10S047B	RH - Remote Racking & Relays	72,589.13	(20,217.13)	52,372.00	(11,435.06)	5,202.61	1.88%	97.81	05/11	3126	
BP10S063F	RH - #3 Traveiling Water Screen	2,343.52	(652.43)	1,691.09	(365.61)	1,325.48	1.91%	25.32	05/11	3146	
BP10S065F	H2 - Catalyst Regen Modules	217,449.54	(73,180.14)	144,269.40	(31,191.04)	113,078.36	20.22%	22,864.44	05/11	312Q	
BP10S067F	H0 - Rpl 3rd Floor Roof	75,799.88	(25,509.57)	50,290.31	(10,872.77)	39,417.54	1.38%	543.96	05/11	3115	
BP10S069F	RH - Rpl 4B Conveyor Belt	2,211.83	(616.03)	1,595.80	(345.01)	1,250.79	1.88%	23.51	05/11	3126	
BP10S071F	RH - Satellite Phone System	2,403.49	(701.28)	1,702.21	(368.02)	1,334.19	3.78%	50.43	05/11	3166	
BP10S072F	H1 - Station Batteries	46,743.88	(15,731.11)	31,012.77	(6,704.96)	24,307.81	1.99%	483.73	05/11	3155	
BP10S082F	RH - Panama "B" Feeder Belt	3,619.68	(1,008.13)	2,611.55	(564.62)	2,046.93	1.88%	38.48	05/11	3126	
BP10C054F	CL Canon 3045 Copier	2,394.48		2,394.48	(517.69)	1,876.79	17.12%	321.31	07/11	3910	
BP10C024B	CL Instrument Air Dryer	51,717.28		51,717.28	(11,181.28)	40,536.00	1.88%	762.08	08/11	3122	
<b>OCT 2010 CWIP COMPLETED</b>								<b>1,284,475.59</b>			
<b>POST-10/31/10 &amp; PRE-9/1/11</b>							<b>15,960,619.41</b>	<b>(951,574.37)</b>	<b>15,009,045.04</b>		
<b>OCTOBER 2010 CWIP COMPLETED @ 9/1/11</b>							<b>34,615,226.34</b>	<b>(4,984,700.39)</b>	<b>29,630,525.95</b>		

**Big Rivers Electric Corporation**  
**Depreciation on Completed CWIP**  
**As of September 1, 2011**

Project Number	Project Name	CWIP 10/31/2010	City's Share	Gross Additions	Retirements (21.62%)	Net Additions	PSC Approved Deprec Rate	Annual Depreciation	In-Service Date	Account No
BP10W046F	WL Satellite Phone	2,771.64								
BP10W051F	WL Roof Replacements	218,726.00								
BP10W052F	WL No. 1 FGD Density Meter	13,742.91								
BP10W057F	WL County Water Tie-In	7,007.50								
BP10W058F	WL Sootblower Replacement	25,956.00								
BP10W059F	WL Reclaim and ME Tank	9,058.19								
BP10W061F	WL Hydrogen Piping	28,865.30								
BA10A001B	Network Infrastructure	5,614.46								
BA10A002B	2010 Tier C Replacements	111,031.22								
BA10A003B	IT Trailer at Sebree	74,947.20								
BA10A004B	Misc Air Monitoring	9,845.69								
BA10A005B	Sulfur Analyzer	57,527.62								
BA10A007B	Ambient Air Calibrators (2)	11,030.47								
BA10A010F	BREC EMS to PI Archiver	45,606.88								
BA10A011F	Fly Ash Analyzer	32,513.37								
BP10A008F	PI to PI Interface	8,295.83								
GNMCWS	GN Circ Water System	188.16								
BP10G019B	G2 - Upgrd SOE Migrate to DCS	27,692.37								
BP10G036F	GN - Satellite Phone System	1,301.00								
BP10G041F	GN - Boiler Painting	147,110.43								
BP10S003B	H0 - Upgrade CEIMs Equipment	77,146.80								
BP10S043B	RH - Client & Servers (DCS)	20,021.58								
BP10S073F	H0 - Slag Grinder Housings (2)	18,502.09								
BP10S076F	H1 - Cooling Tower PCC	80,000.00								
BP10S084F	GT - Lectrodhyer Dual Tower	46,946.74								
BP10T007F	RGH - Battery Ground Locator	(248.83)								
BP10W017B	WL Catalyst Regen 2010	114,362.06								
BP10W019B	WL Dust Collection Tripper Tower	455,796.97								
BP10W024B	WL Remote Racking	97,008.86								
BP10W031F	WL Hammer Gate Valves	3,315.40								
WK07G061U	GN - Replace #6N Mooring Cell	143,701.51								
WK08W020B	WL Grounding Lightning Arrestor	218,673.03								
WK09G069B	GN - FGD Rehabilitation	138,752.28								
WK09S059U	H2 - Oxygen Analyzers	6.09								
WKE00080	CL MI/Hopper & Chute Retrofit	7.10								
WKEWLFGD	WL FGD Modification	1,404,603.27								
No Project	Unassigned	(188.31)								
W001	R1 & R2 161KV Line Replacement	1,061.10								
W004	Rack & Charger Meade County	17,067.95								
W012	Meter upgrade Ledbetter Sta	2,622.24								
W864	Falls of Rough/McDaniels 69KV Line	1,297,363.66								
W901	161KV Line Terminal @ Wilson Sub	35,318.16								
W910	Davness Co Airport Line Reroute	48,769.75								
W919	Wilson-Hardinsburg 161KV Line	598,934.30								

**Big Rivers Electric Corporation  
Depreciation on Completed CWIP  
As of September 1, 2011**

Project Number	Project Name	CWIP 10/31/2010	City's Share	Gross Additions	Retirements (21.62%)	Net Additions	PSC Approved Deprec Rate	Annual Depreciation	In-Service Date	Account No
W923	Two-way Radio System	1,565,350.16								
W930	Whitie Oak Substation	1,925,290.91								
W931	Armstrong Dock 69KV Transmission Line	227,679.60								
W935	Wilson Sub to Center 69KV Line 18-T	62,966.82								
W938	Reid Switchyard 161KV Disconnect Switch	150,700.27								
W942	Armstrong Equality Mine 69KV Line	49,361.74								
W943	Crider Microwave Tower and Antennae	174,127.32								
W945	Livingston Co Autotransformer	378,233.08								
W949	Line 20-D Static Wire & Resag	33,258.78								
W951	Reid-Green Switchyard 69KV Breaker	62,514.58								
W952	Communication/Data Network OC-3	1,164,676.84								
W956	161KV Line 78 Reconductor	359,019.17								
W957	Reconductor 161KV Lines C1/C2	114,051.92								
W961	Skillman Sub Transformer Rewind	112,861.67								
<b>TOTAL CWIP 10/31/2010</b>		<b>46,802,137.97</b>								

Pro Forma

October 2008

Calendar Year	Lease Transaction Termination																	
	2005	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Unwind Allocation	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Pre-Transaction Allocation	1.000	1.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transaction Index	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Non-Smelter Member Blend																		
Base	35.26	35.15	35.14	35.45	35.42	35.39	35.36	35.33	35.31	35.28	35.26	35.24	35.21	35.20	35.18	35.16	35.14	35.13
MRDA	(1.15)	(1.11)	(1.10)	-	-	(0.10)	(0.10)	(0.10)	0.42	0.41	0.40	0.41	0.40	0.39	1.52	1.48	1.45	1.59
Regulatory Account Charge	-	-	-	-	-	-	-	-	-	-	-	3.43	3.43	3.43	3.43	3.42	3.42	3.54
GRA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FAC	-	-	-	11.22	12.95	14.04	16.58	18.46	11.27	9.82	9.93	10.00	10.32	10.60	10.96	10.98	11.56	11.47
Environmental Surcharge	-	-	-	2.19	2.42	3.15	3.24	3.27	3.46	5.36	5.37	5.36	5.98	5.52	5.80	5.95	6.03	6.21
Surcredit	-	-	-	(3.28)	(3.20)	(3.12)	(3.64)	(3.55)	(3.47)	(3.39)	(3.32)	(4.49)	(4.40)	(4.30)	(4.22)	(4.12)	(4.04)	(3.98)
Non-Smelter Member Economic Resi	-	-	-	(10.13)	(10.08)	(8.38)	(10.19)	(9.28)	-	-	-	-	-	-	-	-	-	-
Net	-	-	-	-	2.09	5.89	6.00	8.91	11.28	11.80	11.97	10.87	11.50	11.83	12.54	12.82	13.55	13.72
Pre TIER Rebate Total	34.11	34.04	34.04	35.45	37.51	40.99	41.26	44.14	47.01	47.49	47.64	49.94	50.54	50.84	52.67	52.88	53.57	53.98
TIER Related Rebate	-	-	-	(0.10)	(1.73)	-	-	-	-	-	-	-	-	-	-	-	-	-
Effective Rate	34.11	34.04	34.04	35.36	35.78	40.99	41.26	44.14	47.01	47.49	47.64	49.94	50.54	50.84	52.67	52.88	53.57	53.98
Smelters																		
Base Rate	-	-	-	28.15	28.15	28.15	28.11	28.15	28.15	28.15	28.11	30.87	30.87	30.87	30.83	30.87	30.87	30.95
TIER Adjustment	-	-	-	-	1.79	2.25	2.25	1.59	1.64	2.78	2.59	3.55	0.54	3.67	2.97	4.30	3.59	4.75
Smelter Rate Subject to Price Cap	-	-	-	28.15	28.15	28.15	28.11	28.15	28.15	28.15	28.11	30.87	30.87	30.87	30.83	30.87	30.87	30.95
FAC	-	-	-	28.15	28.15	29.95	30.36	29.75	29.79	30.93	30.70	34.42	31.41	34.54	33.80	35.17	34.40	35.71
PPA	-	-	-	11.22	12.95	14.04	16.58	18.46	11.27	9.82	9.93	10.00	10.32	10.60	10.96	10.98	11.56	11.47
Environmental Surcharge	-	-	-	0.08	(0.39)	0.48	0.27	0.57	0.26	0.44	0.58	2.09	0.88	1.78	1.15	2.07	1.74	2.54
Surcharge 1	-	-	-	2.18	2.42	3.15	3.24	3.27	3.48	5.38	5.37	5.36	5.98	5.52	5.80	5.95	6.03	6.21
Surcharge 2	-	-	-	0.70	0.70	0.70	1.00	1.00	1.00	1.00	1.00	1.40	1.40	1.40	1.40	1.40	1.40	1.40
Smelter FAC Reserve	-	-	-	0.87	0.87	0.87	0.87	0.87	0.87	0.87	0.87	1.20	1.20	1.20	1.20	1.20	1.20	1.20
TIER Related Rebate	-	-	-	(0.10)	(1.73)	-	-	-	-	-	-	-	-	-	-	-	-	-
Effective Rate	-	-	-	43.11	42.98	49.19	52.33	53.92	46.67	48.42	48.44	54.47	50.77	55.05	54.30	56.77	56.32	58.53
Market	40.45	52.68	48.74	60.94	59.20	63.69	66.81	70.55	62.13	63.43	63.52	64.53	66.02	68.95	67.21	67.69	69.01	69.79
Overall Blend	36.60	42.62	38.92	43.15	43.29	48.35	50.57	52.79	48.41	49.66	49.86	53.79	52.03	54.53	54.62	56.12	56.15	57.52



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

**In the Matter of:**

**APPLICATION OF BIG RIVERS )**  
**ELECTRIC CORPORATION FOR )**  
**A GENERAL ADJUSTMENT IN )** **Case No. 2011-00036**  
**RATES )**

**DIRECT TESTIMONY ON REHEARING**

**OF**

**JOHN WOLFRAM**  
**SENIOR CONSULTANT**  
**THE PRIME GROUP, LLC**

**ON BEHALF OF**

**BIG RIVERS ELECTRIC CORPORATION**

**FILED: January 5, 2012**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**DIRECT TESTIMONY ON REHEARING  
OF  
JOHN WOLFRAM**

**I. INTRODUCTION**

**Q. Please state your name and business address.**

A. My name is John Wolfram and my business address is The Prime Group, LLC, 6001 Claymont Village Drive, Suite 8, Crestwood, Kentucky, 40014.

**Q. By whom are you employed?**

A. I am a Senior Consultant with The Prime Group, LLC, a firm located in Crestwood, Kentucky, providing consulting services in the areas of utility rate analysis, cost of service, rate design and other utility regulatory matters.

**Q. On whose behalf are your testifying?**

A. I am testifying on behalf of Big Rivers Electric Corporation (“Big Rivers”).

**Q. Did you submit direct and rebuttal testimony in this proceeding?**

A. Yes.

**Q. Are you familiar with the Petition for Rehearing filed by Big Rivers in this proceeding?**

A. Yes.

**Q. What issues did Big Rivers raise in its Petition?**

A. As Mark Hite describes in more detail in his direct testimony in this rehearing, Big Rivers raises four issues on rehearing:

- 1) The Commission erroneously failed to allow Big Rivers to recover the rate case expenses it incurred in this proceeding;

- 1           2) The Commission's recalculation of Big Rivers' pro forma depreciation  
2           adjustment is mathematically erroneous;
- 3           3) The Commission should allow Big Rivers to include the portion of the  
4           test period-end Construction Work In Progress ("CWIP")  
5           representing those projects that were in service before the end of the  
6           test period, and the portion representing those projects placed in  
7           service after the end of the test period but before the effective date of  
8           the new rates in the determination of depreciation expense; and
- 9           4) The Commission incorrectly made a finding of fact that "[t]he  
10          financial model Big Rivers relied upon in conjunction with the  
11          Unwind Transaction did not include any Smelter TIER Adjustment  
12          revenues."

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

14   **A.    The purpose of my testimony is to (i) support Issue 1 by describing**  
15          **Commission Orders in which the rate case expense adjustments proposed**  
16          **by utility applicants have been approved by the Commission; (ii) support**  
17          **Issue 2 by describing the mathematical error in the Commission's**  
18          **determination of the depreciation expense adjustment; and (iii) support**  
19          **Issue 3 by describing Commission Orders in which CWIP balances were**  
20          **included in the determination of depreciation expense for those projects**  
21          **that were in service before the end of the test period, or placed in service**  
22          **after the end of the test period but before the effective date of the new rates.**

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

**II. ISSUE 1: RATE CASE EXPENSES**

**Q. In its Application, did Big Rivers propose a pro forma adjustment to test year expenses for rate case costs?**

A. Yes. Big Rivers requested that the Commission allow it to adjust its test period operating expense to include one-third of the total amount of the actual rate case expenses incurred by Big Rivers in this proceeding. This pro forma adjustment was initially described in my direct testimony, Application Exhibit 51, Exhibit Wolfram-2, Reference Schedule 2.13. It was also described in Application Exhibit 55, Testimony of Mark A. Hite, on Page 24, Lines 7 through 16 and in the Post-Hearing Brief of Big Rivers on page 48.

**Q. After its Application was filed, did Big Rivers periodically update this pro forma adjustment?**

A. Yes. Big Rivers updated the Commission on the expenses it was incurring in connection with this proceeding several times, in response to the Commission's direction in Item PSC 1-52(c). See Big Rivers' Fifth Supplemental Response dated August 18, 2011, to Item PSC 1-52(c), page 2 of 2, and Attachment for Fifth Supplemental Response to Item PSC 1-52(c).

1 **Q. Did the Commission disallow this pro forma adjustment?**

2 A. The Commission did not expressly disallow this pro forma adjustment. The  
3 Order makes no mention of Big Rivers' rate case expenses, or of the *pro*  
4 *forma* adjustment as originally proposed by Big Rivers in Exhibit Wolfram-  
5 2, Reference Schedule 2.13. Thus, inadvertently or otherwise, the  
6 Commission impliedly disallowed the inclusion of a three-year amortization  
7 of Big Rivers' actual rate case expense in the revenue requirement.

8 **Q. What is the Commission's practice in rate cases regarding recovery**  
9 **by a utility of its actual rate case expense?**

10 A. The Commission Staff alluded to the Commission's standard practice in the  
11 Commission Staff's Second Request for Information dated April 1, 2011  
12 Item 26(b), in which the Staff's question stated in part that

13 The Commission's practice of allowing a three-year  
14 amortization of the costs incurred by a utility in conjunction  
15 with a general rate case is based on the premise that, on  
16 average, utilities file general rate applications once every  
17 three years.

18  
19 **Q. Has the Commission adhered to this practice in recent rate orders?**

20 A. Yes. The Commission approved a three year amortization of updated actual  
21 rate case expenses in several rate orders for Louisville Gas & Electric  
22 Company ("LG&E"), Kentucky Utilities Company ("KU"), and Delta  
23 Natural Gas Company ("Delta") over the last decade. Examples include the  
24 following cases, with the most recent orders listed first:

- 1           1)     *In the Matter of: Application of Delta Natural Gas Company, Inc., For*  
2                     *An Adjustment of Rates, Case No. 2010-00116, Order dated October*  
3                     *21, 2010, pages 12-13.*
- 4           2)     *In the Matter of: Application of Kentucky Utilities Company for An*  
5                     *Adjustment of Base Rates, Case No. 2009-00548, Order dated July 30,*  
6                     *2010, page 12, and page 7 of attached Stipulation and*  
7                     *Recommendation;*
- 8           3)     *In the Matter of: Application of Louisville Gas and Electric Company*  
9                     *for an Adjustment of Electric and Gas Base Rates, Case No. 2009-*  
10                    *00549, Order dated July 30, 2010, page 12, and page 7 of attached*  
11                    *Stipulation and Recommendation;*
- 12          4)     *In the Matter of: Application of Delta Natural Gas Company, Inc., For*  
13                     *An Adjustment of Rates, Case No. 2004-00067, Order dated*  
14                     *November 10, 2004;*
- 15          5)     *In the Matter of: Application of Louisville Gas and Electric Company*  
16                     *for an Adjustment of the its Gas and Electric Rates, Terms and*  
17                     *Conditions, Case No. 2003-00433, Order dated June 30, 2004;*
- 18          6)     *In the Matter of: Application of Kentucky Utilities Company for An*  
19                     *Adjustment of its Electric Rates, Terms and Conditions, Case No.*  
20                     *2003-00434, Order dated June 30, 2004.*
- 21          7)     *In the Matter of: Application of Louisville Gas and Electric Company*  
22                     *to Adjust Its Gas Rates and To Increase Its Charges For*

1                    *Disconnecting Service, Reconnecting Service, and Returned Checks,*  
2                    Case No. 2000-00080, Order dated September 27, 2000, page 39.

3    **Q.    How is the amount of rate case expense allowed ordinarily**  
4           **determined?**

5    A.    The amount of the rate case expense allowed is based upon the actual  
6           expenses incurred and reported by the utility in the case record through  
7           periodic updates as directed by the Commission.

8    **Q.    Did Big Rivers follow this practice for determining the amount of**  
9           **rate case expense?**

10   A.    Yes. In the Commission Staff's Initial Request for Information dated  
11           February 18, 2011, Item 52(b), the Staff requested an itemized estimate of  
12           the total cost to be incurred for this case. In Item 52(c), the Staff asked Big  
13           Rivers to provide monthly updates of the actual costs incurred in  
14           conjunction with this rate case during the course of this proceeding. Big  
15           Rivers did so, as Mr. Hite describes in his direct testimony on rehearing.  
16           This is consistent with the practice employed in other cases for determining  
17           the amount of rate case expense to be amortized over three years and  
18           incorporated into the utility revenue requirement.

19   **Q.    The Commission noted in its Order on page 6 that 20 of the**  
20           **adjustments proposed by Big Rivers were not contested by the**  
21           **KIUC, are reasonable and should be accepted. Was the proposed**

1           **pro forma adjustment for rate case expenses contested by the**  
2           **KIUC?**

3    A.    No. The adjustment for rate case expenses was not contested by KIUC, or  
4           for that matter any other party in the case. This adjustment is reasonable,  
5           and should be accepted by the Commission.

6

7    **III.    ISSUE 2: MATHEMATICAL ERROR IN DETERMINATION OF**  
8           **DEPRECIATION EXPENSE ADJUSTMENT**

9

10   **Q.    Please explain the issue Big Rivers has with the Commission's**  
11           **disallowance of the portion of Big Rivers' proposed depreciation**  
12           **adjustment related to CWIP, and its recalculation of the proposed**  
13           **depreciation adjustment to reflect that disallowance?**

14    A.    The Commission stated on page 20 of the Order:

15                   [W]e will limit the adjustment to the amount derived by  
16                   applying Big Rivers' proposed depreciation rates to its test-  
17                   year-end plant in service balances. This results in an  
18                   adjustment that increases Big Rivers' depreciation expense  
19                   by \$3,489,340 and an adjusted depreciation expense level of  
20                   \$40,218,778.

21

22           The expense level of \$40,218,778 is calculated correctly, but the \$3,489,340  
23           amount is not.

24   **Q.    Please explain this mathematical error.**

25    A.    In its footnote 44, the Commission correctly notes that Big Rivers' proposed  
26           depreciation expense of \$42,532,089 less depreciation on test-period-end



1 CWIP balance of \$2,313,311 = \$40,218,778. This is mathematically  
2 accurate. However, when the adjusted depreciation expense of \$40,218,778  
3 is compared to the uncontested test period amount of \$36,279,438, the  
4 difference – and thus the pro forma adjustment for depreciation expenses  
5 required by this Order – equals \$3,939,340. In the Order, however, the  
6 Commission states that this difference is \$3,489,340. The correct difference  
7 (\$3,939,340) varies from the amount stated in the Commission Order  
8 (\$3,489,340) by \$450,000, to the detriment of Big Rivers.

9 **Q. Do you provide a demonstration of these calculations?**

10 A. Yes. In Exhibit Wolfram Rehearing-1, I show the Commission's  
11 determination of the depreciation expense adjustment, and the  
12 mathematically correct calculation of that adjustment, on a side-by-side  
13 basis. It appears that the difference of \$450,000 stems from the  
14 Commission making an inadvertent mathematical error in deriving the  
15 adjustment amount.

16 **Q. Is Issue 2, the mathematical error on the depreciation expense**  
17 **adjustment calculation, different from Issue 3, regarding the**  
18 **correct determination of CWIP to be allowed in the depreciation**  
19 **expense adjustment?**

20 A. Yes. Issue 2 is a mathematical error that stems from the Commission  
21 determining a level of annual depreciation expenses -- in this case,  
22 \$40,218,778 -- and erroneously calculating how much that level differs from

1 the test year level of \$36,279,438. For Issue 3, Big Rivers notes that the  
2 Commission has understated the appropriate level of annual depreciation  
3 expenses, and that the appropriate level of annual depreciation expenses is  
4 \$41,862,932 (\$40,218,778 + \$1,644,154). Issue 3, regarding the \$1,644,154  
5 additional depreciation expense being requested, is explained in the  
6 testimony of Mr. Hite.

7 **Q. If the Commission accepts Big Rivers' position on Issue 3 as**  
8 **described by Mr. Hite in his testimony, is the \$450,000 error that**  
9 **you describe moot?**

10 A. No. The error is not moot; it is important that the Commission correctly  
11 calculate the depreciation expense adjustment in any case. The  
12 depreciation expense adjustment is the difference between the test year  
13 depreciation expense amount of \$36,279,438 and the pro forma annual  
14 depreciation expense amount (either \$41,862,932, if the Commission  
15 accepts Big Rivers' position on Issue 3, or \$40,218,778, if the Commission  
16 rejects Big Rivers' position on Issue 3). Thus the depreciation expense  
17 adjustment should be either \$5,583,494 or \$3,939,340 -- but under neither  
18 circumstance should the adjustment be \$3,489,340.

19 **Q. What does Big Rivers seek with respect to this issue?**

20 A. Big Rivers seeks to correct the mathematical error in the determination of  
21 the depreciation expense adjustment by increasing Big Rivers' depreciation  
22 expenses by at least an additional \$450,000. If the Commission accepts Big

1 Rivers' position on Issue 3, the adjustment should be \$5,583,494 (again,  
2 rather than the \$3,489,340 stated in the Order). If the Commission rejects  
3 Big Rivers' position on Issue 3, as described by Mr. Hite, then the pro forma  
4 adjustment for depreciation expenses should be \$3,939,340 (rather than the  
5 \$3,489,340 stated in the Order). Either way, the \$450,000 erroneous  
6 shortfall will be eliminated.

7  
8 **IV. ISSUE 3: CWIP INCLUSION IN DEPRECIATION EXPENSE**  
9 **ADJUSTMENT**

10  
11 **Q. Mr. Hite explains in detail in his direct testimony on rehearing the**  
12 **error Big Rivers believes the Commission made by disallowing the**  
13 **portion of Big Rivers' proposed depreciation adjustment related to**  
14 **test-year-end CWIP equaling \$2,313,311. Is this action consistent**  
15 **with prior decisions of the Commission on this subject?**

16 **A. No. The Commission finds on page 20 of the Order:**

17 [W]e will not authorize a level of depreciation expense that  
18 reflects the accrual of depreciation on Big Rivers' test-year-  
19 end balance. Going beyond the end of test year plant in  
20 service balances is inconsistent with the concept of a  
21 historical test year and a violation of the broad "matching  
22 principle" described previously in this Order. For this  
23 reason, we will limit the adjustment to the amount derived  
24 by applying Big Rivers' proposed depreciation rates to its  
25 test-year-end plant in service balances.  
26

1 This finding is inconsistent with prior decisions of the Commission in which  
2 it has allowed applicants to include in the depreciation adjustment the  
3 amount of depreciation on CWIP projects placed in service before the date  
4 on which new rates became effective.

5 **Q. Can you provide an example?**

6 A. Yes. In Case No. 90-158, the Commission allowed LG&E to include CWIP  
7 as of the end of its test period in the depreciation adjustment. See *In the*  
8 *Matter of: Adjustment of Gas and Electric Rates of Louisville Gas and*  
9 *Electric Company*, Case No. 90-158, Order dated December 21, 1990, page  
10 33. The order states that for Trimble County Unit 1, "the first year  
11 depreciation expense based on the CWIP as of April 30, 1990 is allowed...."  
12 Depreciation expenses on additional expenditures incurred after test-year-  
13 end were not allowed, but the test-year-end amounts were.

14 **Q. Can you provide another example?**

15 A. Yes. In Case No. 2010-00116, the Commission allowed Delta to include the  
16 entire depreciation expense on the CWIP test-year-end balance to be  
17 included in the depreciation expense adjustment, as proposed by Delta.  
18 See *In the Matter of: Application of Delta Natural Gas Company, Inc., For*  
19 *An Adjustment of Rates*, Case No. 2010-00116, order dated October 21,  
20 2010, pages 12-13, and Application, Volume 1, Tab 27, Schedule 4.

21

22

1 **Q. Do you have any other examples?**

2 A. Yes. LG&E and KU sought to include the depreciation expense on the test-  
3 year-end CWIP balance (related to Trimble County Unit 2 and other  
4 projects) in their proposed depreciation expense adjustments in Case Nos.  
5 2009-00548 and 2009-00549 respectively. The depreciation expense on  
6 CWIP as of test-year-end for both companies was included in the pro forma  
7 adjustments for depreciation expense that were approved by the  
8 Commission. See *In the Matter of: Application of Louisville Gas and Electric*  
9 *Company for an Adjustment of Electric and Gas Base Rates*, Case No. 2009-  
10 00549, Order dated July 30, 2010, and *In the Matter of: Application of*  
11 *Kentucky Utilities Company for An Adjustment of Base Rates*, Case No.  
12 2009-00548, Order dated July 30, 2010.

13 **Q. Is the inclusion of depreciation on CWIP projects as proposed by**  
14 **Big Rivers inconsistent with the concept of a historical test year?**

15 A. No. The historical test year approach allows for pro forma adjustments for  
16 known and measurable changes, so that electric rates can reflect the  
17 appropriate level of expenses and revenues for the time period when the  
18 rates take effect.

19 **Q. Does the inclusion of depreciation on CWIP projects proposed by**  
20 **Big Rivers violate "the matching principle" described in the Order?**

21 A. No. The matching principle is not violated. None of the CWIP projects Big  
22 Rivers proposes to depreciate generate additional revenue that would offset

1 the impact on revenue requirement of the depreciation expenses on the  
2 CWIP projects. Therefore, there is no matching issue with respect to those  
3 projects. The depreciation expenses on these CWIP projects are known and  
4 measurable, and because these projects were placed in service when the  
5 rates became effective, it is necessary to include these expenses in revenue  
6 requirements in order for rates to reflect an appropriate level of expenses  
7 on a going-forward basis.

8 **Q. Has the Commission addressed the matching principle for utilities**  
9 **in other cases?**

10 A. Yes. In Case No. 2005-00355, the Commission noted that Crittenden-  
11 Livingston County Water District could include depreciation on CWIP  
12 under circumstances where there is no issue about matching the  
13 depreciation expense against revenue created by the project. Specifically,  
14 the Commission accepted the recommendations and findings in the  
15 Commission Staff Report, which noted the following on pages 4 and 5:

16 Depreciation Expense - Crittenden-Livingston's 2004  
17 depreciation expense was \$369,820 on end-of-year plant of  
18 \$16,603,687. Crittenden-Livingston's 2004 depreciation schedule  
19 did not include depreciation expense on \$3,606,769 of  
20 Construction Work in Progress related to its Phase IX  
21 construction project approved by the Commission in November  
22 2004. In its application, Crittenden-Livingston proposed no pro  
23 forma adjustments for depreciation expense related to this  
24 project, although it did propose both a revenue adjustment for  
25 385 new applicants and debt service adjustments associated  
26 with the project. Assuming a conservative 50-year life for this  
27 project, Crittenden-Livingston could have justified a pro forma  
28 depreciation adjustment of \$72,135 for this plant.  
29

1           See *In the Matter of: The Application of the Crittenden-Livingston County*  
2           *Water District for Approval of a Proposed Increase in Rates for Water*  
3           *Service, to Increase Non-Recurring Charges and to Revise Its Tariff*, Case  
4           No. 2005-00355, orders dated December 20, 2005 and February 1, 2006.

5   **Q. For Big Rivers in the instant case, were the CWIP projects placed**  
6           **in service before the date on which Big Rivers' new rates became**  
7           **effective, September 1, 2011?**

8   A. Yes. This is described and quantified in the testimony of Mr. Hite.

9   **Q. What does Big Rivers seek with respect to this issue?**

10   A. Big Rivers seeks in this Petition to include in its depreciation adjustment  
11           the amount of depreciation on CWIP projects placed in service during the  
12           period through the date on which Big Rivers' new rates became effective,  
13           September 1, 2011. This is consistent with prior decisions of the  
14           Commission, is consistent with the concept of the historical test year, and  
15           does not violate the ratemaking "matching principle."

16  
17   **V. CONCLUSION**

18  
19   A. For the reasons described herein, in Big Rivers' Petition, and in the  
20           testimony of Mr. Hite, the Commission should revise or otherwise amend its  
21           Order in this proceeding in order to:

- 1           1) Allow Big Rivers' adjustment to recover its expenses incurred in this  
2           proceeding;
- 3           2) Correct the \$450,000 mathematical error in the calculation of Big  
4           Rivers' pro forma depreciation adjustment;
- 5           3) Correct the erroneous disallowance of the test period-end  
6           Construction Work In Progress ("CWIP") balances in the  
7           determination of depreciation expense for those projects that were in  
8           service before the end of the test period, or placed in service after the  
9           end of the test period (i.e., October 31, 2010), but before the effective  
10          date of the new rates (i.e., September 1, 2011); and
- 11          4) Eliminate the finding of fact that "[t]he financial model Big Rivers  
12          relied upon in conjunction with the Unwind Transaction did not  
13          include any Smelter TIER Adjustment revenues."

14   **Q.**    **Does this conclude your testimony?**

15   **A.**    **Yes.**

16

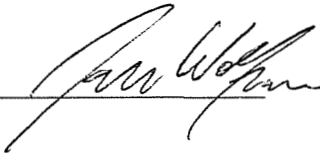


**BIG RIVERS ELECTRIC CORPORATION**

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


**VERIFICATION**

I, John Wolfram, verify, state, and affirm that I prepared or supervised the preparation of my rehearing testimony filed with this Verification, and that rehearing testimony is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

John Wolfram 

COMMONWEALTH OF KENTUCKY    )  
COUNTY OF OLDHAM            )

SUBSCRIBED AND SWORN TO before me by John Wolfram on this the 28<sup>th</sup> day of December, 2011.

  
Notary Public, Ky. State at Large  
My Commission Expires 3/12/14

**ALISIA A. SPEARS  
NOTARY PUBLIC  
STATE AT LARGE  
KENTUCKY  
MY COMMISSION EXPIRES MARCH 12, 2014**

**BIG RIVERS ELECTRIC CORPORATION**  
**12 Months Ended October 31, 2010**

**Depreciation Expense**

<u>Line #</u>	<u>Item</u>	<u>Big Rivers Proposed Amount</u>	<u>Commission Ordered Amount</u>	<u>Comment</u>
1	Proforma Year - "New" Rates	42,532,089	40,218,778	See Order pg 20
2	Historical Year	<u>36,279,438</u>	<u>36,279,438</u>	Test Year actual amount
3	<b>Proforma Adjustment</b>	<b>6,252,651</b>	<b>3,939,340</b>	Line 1 - Line 2
4	Cited Proforma Adjustment in Commission Order		3,489,340	See Order pg 20
5	Variance		(450,000)	Difference between amount noted in Order and correct calculation on Line 3

Proposed amounts reflected in Exhibit Wolfram-2, Reference Schedule 2.06