

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION ON REHEARING  
TO KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

Kentucky Industrial Utility Customers, Inc. ("KIUC"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due May 29, 2012. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

KIUC shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which KIUC fails or

refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to pages 4-9 of the Direct Rehearing Testimony of Lane Kollen (“Kollen Direct”) which deal with the request of Big Rivers Electric Corporation (“Big Rivers”) to recover the actual amount of its expenses incurred in conjunction with this rate case.

a. The portion of the Kollen Direct beginning on page 5, line 11, and continuing to page 6, line 4, refers to, among other things, the amount of the costs incurred above what Big Rivers had estimated for rate case expenses. On page 7, at lines 3-6, Mr. Kollen states that Big Rivers “[f]ailed to adequately manage its rate case expenses...” and “[f]ailed to control the exorbitant charges from Hogan & Lovells.” Not having the ability to review the invoice details that were redacted by Big Rivers, explain how Mr. Kollen determined that Hogan & Lovells’ charges to Big Rivers were exorbitant.

b. Beginning at the bottom of page 7 and continuing to the end of page 8, the Kollen Direct discusses the Commission’s precedent of allowing actual rate case expenses to be included for rate recovery rather than limiting the amount that may be recovered to the utility’s estimate contained in its application. It appears that Mr. Kollen is taking exception to Big Rivers recovering its actual rate case expenses based on their magnitude and because KIUC was unable to review unredacted invoices from

Big Rivers' outside attorneys and consultants. Explain whether this position might be altered if KIUC had been able to review the invoices in question and had determined that the amounts Big Rivers was billed were adequately documented and appeared to be "reasonable."

c. The impact of Big Rivers' actual rate case expenses compared to its estimated rate case expenses is, as shown on page four of the Kollen Direct, \$341,110, based on a three-year amortization period, which is typically permitted by the Commission. Describe how Mr. Kollen would view the allowance of an amount greater than Big Rivers' estimated rate case expenses if that amount were amortized over a period of time longer than three years.

2. For purposes of comparison to the amount of rate case expenses incurred by Big Rivers, provide a schedule showing the amount of such expenses by descriptive category (i.e. legal, consulting, etc.) incurred for this case by KIUC and the Smelters through August 18, 2011.

3. Refer to the Supplemental Rehearing Testimony of Lane Kollen ("Kollen Supplemental"), beginning at page 10, line 12, and continuing to the end of page 12. Among other things, this portion of the Kollen Supplemental discusses the issue of the study date used by Big Rivers and KIUC, specifically regarding how Mr. Ted Kelly, Big Rivers' depreciation witness, did not update accumulated depreciation to reflect a more recent date, December 31, 2011, compared to the April 30, 2010 date upon which the depreciation rates proposed by Big Rivers were determined.

a. Using the December 31, 2011 date, with accumulated depreciation updated accordingly and with all other inputs being those used by Mr. Kelly, provide a

schedule showing the resulting depreciation rates, annual depreciation expense and the resulting adjustment to Big Rivers' test year depreciation expense.

b. Using the December 31, 2011 date, with accumulated depreciation updated accordingly and with all other inputs being those used by Mr. King, KIUC's depreciation witness, provide a schedule showing the resulting depreciation rates, annual depreciation expense and the resulting adjustment to Big Rivers' test year depreciation expense.

4. KIUC previously addressed the issue of depreciation in this case by filing the Direct Testimony of Charles W. King. Explain why KIUC did not submit rehearing testimony by Mr. King, or otherwise offer Mr. King as a witness, on the depreciation issue that is subject to rehearing in this proceeding.

5. Refer to page 13, Table 1, in the Direct Rehearing Testimony of Stephen J. Baron.

a. Refer to the row titled "Rate Base – Commission Adjusted 12 CP". Provide the cost of service study in electronic format (with the formulas intact and unprotected) that was used to calculate the amounts shown in this row.

b. Refer to the row titled "Total Increase Approved". Provide the calculations supporting the amounts in this row allocated to the three rate classes.

6. Explain whether Big Rivers provides electric service to the Smelters under long term contracts that specify how the rates are to be calculated.

a. If no, explain in detail the reasons for, and basis of, the calculation of the rates that have been charged to the Smelters since August 2009.

b. If yes, for each Smelter state the date the contract was signed, the length of the term of the contract, and the approximate period of time over which the contract was negotiated.

7. Prior to when the Smelters entered into their respective service contracts with Big Rivers, was any analysis or cost of service study performed by or on behalf of the Smelters to determine if the agreed upon contract rate provisions would result in the Smelters paying rates that were below, equal to, or above, Big Rivers' cost to serve the Smelters?

a. If yes, identify who performed each such analysis or cost of service study, identify who received a copy or a summary, and provide a copy of each analysis or study.

b. If no, explain in detail why each Smelter entered into a long-term electric service contract that contained specific provisions for calculating its electric rates without first determining whether the rates so calculated would be below, equal to, or above the cost to serve it.

8. Did KIUC and each Smelter intervene and actively participate in Big Rivers' Case No. 2007-00455,<sup>1</sup> wherein the Commission approved Big Rivers' request to reacquire control of all of its generating assets?

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<sup>1</sup> Case No.2007-00455, The Applications of Big Rivers Electric Corporation for: (1) Approval of Wholesale Tariff Additions for Big Rivers Electric Corporation; (2) Approval of Transactions; (3) Approval to Issue Evidences of Indebtedness; and (4) Approval of Amendments to Contracts; and of E.ON U.S. LLC, Western Kentucky Energy Corp, and LG&E Energy Marketing, Inc. for Approval of Transactions (Ky. PSC Mar. 6, 2009).

a. If yes, did KIUC and each Smelter know the basis for calculating the rates to be charged each class of customers after Big Rivers reacquired its generating assets?

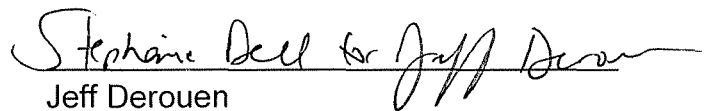
b. Did KIUC and each Smelter support Big Rivers' request to reacquire control of all of its generating assets in Case No. 2007-00455?

c. If yes, did KIUC or either Smelter object in Case No. 2007-00455 to the basis to be used for calculating the rates to be charged to any particular class of customers after Big Rivers reacquired its generating assets.

d. In Case No. 2007-00455, did one or more consultants and one or more attorneys provide advice and assistance jointly to KIUC and the Smelters as a group?

e. Is it now the position of KIUC or either Smelter that the advice or assistance it received in Case No. 2007-00455 from one or more of its consultants or attorneys was inadequate or incorrect?

9. Was Big Rivers' ability to reacquire its generating assets in Case No. 2007-00455 conditioned upon each of the Smelters agreeing to the transaction and agreeing to sign new service contracts?



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DATED           MAY 14 2012          

cc: Parties of Record

Case No. 2011-00036

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