

**BOEHM, KURTZ & LOWRY**

ATTORNEYS AT LAW  
36 EAST SEVENTH STREET  
SUITE 1510  
CINCINNATI, OHIO 45202  
TELEPHONE (513) 421-2255  
TELECOPIER (513) 421-2764

RECEIVED

JUL 16 2018

PUBLIC SERVICE  
COMMISSION

**VIA HAND DELIVERY**

July 16, 2018

Gwen R. Pinson, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602

**Re: Case Nos. 2018-00146**

Dear Ms. Pinson:

Please find enclosed the original and ten (10) copies of KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. SECOND SET OF DATA REQUESTS TO BIG RIVERS ELECTRIC CORPORATION for filing in the above-referenced matter.

By copy of this letter, all parties listed on the Certificate of Service have been served. Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

Jody Kyler Cohn, Esq.

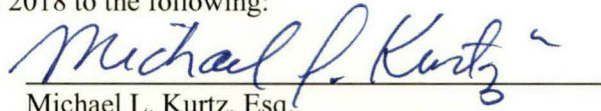
**BOEHM, KURTZ & LOWRY**

MLKkew  
Attachment

cc: Certificate of Service

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing was served by electronic mail (when available) or by regular, U.S. mail, unless otherwise noted, this 16<sup>th</sup> day of July, 2018 to the following:



Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

Jody Kyler Cohn, Esq.

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

Kent Chandler  
Assistant Attorney General  
Office of the Attorney General Office of Rate  
700 Capitol Avenue, Suite 20  
Frankfort, KENTUCKY 40601-8204

Rebecca W Goodman  
Assistant Attorney General  
Office of the Attorney General Office of Rate  
700 Capitol Avenue, Suite 20  
Frankfort, KENTUCKY 40601-8204

Big Rivers Electric Corporation  
201 Third Street  
P. O. Box 24  
Henderson, KY 42420

Thomas J Costakis  
Krieg DeVault LLP  
One Indiana Square, Suite 2800  
Indianapolis, INDIANA 46204

Norman T Funk  
Krieg DeVault LLP  
One Indiana Square, Suite 2800  
Indianapolis, INDIANA 46204

Tyson Kamuf, Corporate Attorney  
Big Rivers Electric Corporation  
201 Third Street  
P. O. Box 24  
Henderson, KY 42420

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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

JUL 16 2018

PUBLIC SERVICE  
COMMISSION

In The Matter Of: Notice of Termination of Contracts and : Case No. 2018-00146  
Application of Big Rivers Electric Corporation for a Declaratory :  
Order and for Authority to Establish a Regulatory Asset :

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KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.'s  
SECOND SET OF DATA REQUESTS  
TO  
BIG RIVERS ELECTRIC CORPORATION

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Dated: July 16, 2018

## DEFINITIONS

1. "Document(s)" is used in its customary broad sense and includes electronic mail and all written, typed, printed, electronic, computerized, recorded or graphic statements, memoranda, reports, communications or other matter, however produced or reproduced, and whether or not now in existence, or in your possession.
2. "Correspondence" is used in its customary broad sense and includes electronic email, including all attachments, and all written mail, messages and communications between the persons or parties named in the request.
3. "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion whether preliminary or final, and whether or not referred to in Big Rivers' direct testimony.
4. If any document requested herein was at one time in existence, but has been lost, discarded or destroyed, identify such document as completely as possible, including the type of document, its date, the date or approximate date it was lost, discarded or destroyed, the identity of the person (s) who last had possession of the document and the identity of all persons having knowledge of the contents thereof.
5. "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
6. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.
7. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number of code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company's possession or subject to its control, state what disposition was made of it.
8. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.
9. "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
10. "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.
11. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.
12. "You" or "your" means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, "you" or "your" may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness' testimony.
13. "BREC" or "Big Rivers" means Big Rivers Electric Corporation and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.

## INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Kentucky Industrial Utility Customers. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.
7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.
8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total Company as well as Intrastate data, unless otherwise requested.

**SECOND SET OF DATA REQUESTS OF  
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.  
TO BIG RIVERS ELECTRIC CORPORATION  
Case No. 2018-00146**

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- Q.2-1 Provide a copy of each debt rating agency report for Big Rivers issued from January 2015 to the present.
- Q.2-2 Provide the cost of obtaining debt rating agency ratings and reports incurred by Big Rivers by FERC O&M or other expense account for each year 2015 through 2017.
- Q.2-3 Explain why Big Rivers incurs the cost to obtain debt rating agency ratings and reports. If this is a requirement imposed by any of the existing Big Rivers lenders, then cite to and provide a copy of the specific provisions of each loan agreement that requires Big Rivers to obtain these ratings and reports and incur the cost to do so.
- Q.2-4 Provide a copy of each loan agreement that is in effect.
- Q.2-5 Refer to the response to KIUC 1-4, which states, in part:

*...such a write off would result in a corresponding reduction to Big Rivers' bondable additions, which Big Rivers relies upon to issue new debt under its Indenture. Thus, a write off would reduce Big Rivers' ability to issue new debt necessary to finance capital projects required in the future.*

- a. Provide a copy of the Indenture, if not provided in response to the immediately preceding question requesting a copy of each loan agreement in effect, and cite to the specific provisions of the Indenture that would be implicated if Big Rivers is required to write off the approximately \$89.6 remaining net book value of Station 2.
- b. Indicate whether the Indenture restricts or precludes the Company's ability to issue new debt that is not subject to the Indenture? Is so, describe the restriction(s) and/or prohibitions and cite to the specific provisions of the Indenture relied on for your response.
- Q.2-6 Refer to the response to KIUC 1-4, which states in part:

*In previous reports, credit rating agencies have indicated that lack of regulatory support for cost recovery of Big Rivers' assets, such as the Station Two assets which have benefited its members for several decades, could be a credit challenge which would inhibit Big Rivers' ability to achieve an investment grade credit rating.*

- a. Provide all credit rating agency reports that specifically address recovery of the Station 2 costs.
- b. Provide all reasons why Big Rivers believes it is necessary, as opposed to desirable, "to achieve an investment grade credit rating." If Big Rivers is subject to any requirement "to achieve an investment grade credit rating," then describe each such requirement and provide a copy of the relevant documents and citations to the relevant provisions with the documents.
- c. Provide all reasons why Big Rivers believes it is desirable, as opposed to necessary, "to achieve an investment grade credit rating." Provide a copy of all documents relied on for the Company's belief that an investment grade credit rating is desirable, as opposed to necessary, including specific quantifications of potential savings, if any.

- Q.2-7 Refer to the attachment to the response to KIUC 1-4. Provide this attachment, along with all other electronic schedules/workpapers, in live Excel spreadsheet format with all formulas intact.
- Q.2-8 Refer to the footnotes on pages 8, 9, and 10 of the attachment to the response to KIUC 1-4, which states: "Green O&M and Labor expenses are no longer shared with Station Two and are included in the forecast as gross amounts." Explain why there are no reductions to the Green O&M and Labor expenses if Big Rivers no longer provides services to Station 2. Provide a copy of all analyses and other documentation that supports your response.
- Q.2-9 Refer to the response to KIUC 1-8, which provides a calculation of the minimum equity based on a starting amount of \$375 million at December 31, 2014 plus 50% of the positive net margins after that date.
- a. Provide the definition of "positive net margins" used in the calculation of the minimum equity and provide a copy of all documentation relied on for this definition.
  - b. Confirm that the one half of positive margins each year is added to the minimum equity on a one year lagged basis.
- Q.2-10 Refer to the response to KIUC 1-9. Provide the calculation of the "positive net margins" used in the calculation of the 2019 minimum equity if the Company is directed to write off or otherwise is not allowed a regulatory asset for the approximately \$89.6 remaining net book value of Station Two in 2018. Indicate whether the "positive net margins" for 2018 would be reduced to \$0 or would be substantially negative. Indicate if the "positive net margins" can be negative under the definition provided in response to part (a) of the immediately preceding question.
- Q.2-11 Refer to the response to KIUC 1-10.
- a. Provide the revenue associated with the operation of Station Two that is included in base rates and provide a copy of the schedules/workpapers from the last base rate case that show the calculation of those revenues.
  - b. Provide the margin (revenue less variable expenses) associated with the operation of Station Two that is included in base rates and provide a copy of the schedules/workpapers from the last base rate case that show the calculation of that margin.
  - c. Quantify the fixed expenses that will cease when Station Two no longer operates. Provide all supporting calculations and documentation.
  - d. Quantify the fixed expenses that will not cease and the fixed expenses that will increase due to a 100% allocation to Big Rivers when Station Two no longer operates. Provide all supporting calculations and documentation.
  - e. Refer to the schedule of Station II fixed expenses currently recovered in rates, which includes \$3.439 million recorded for depreciation expense in account 555, purchased power expense. Is this the depreciation expense associated with HMP&L's plant in service allocated to Big Rivers or is this the depreciation expense on Big Rivers' plant in service recorded on its accounting books? If the latter, explain why depreciation expense recorded on Big Rivers' plant in service is recorded in account 555 instead of account 403.
- Q.2-12 Refer to the response to KIUC 1-14 where the Company states that it does not hold title to or ownership in the physical assets that are recorded on its books as plant in service.
- a. Identify and describe these physical assets in detail by RUS plant account, including their physical location.

- b. Identify who or what entity owns these physical assets.
- Q.2-13 Provide all authoritative support for the Company's position that it is allowed or required to record costs to electric plant in service accounts for physical assets that it does not own.
- Q.2-14 Refer to the response to KIUC 1-12, which describes the basis for the Company's capitalization of certain Station Two costs to plant in service.
- Q.2-15 The Company did not cite the requirements of the RUS Uniform System of Accounts ("USOA") in its response. Indicate if the Company's capitalization of certain Station Two costs to plant in service was in accordance with the RUS USOA. If so, then indicate where the RUS USOA authorizes the capitalization of costs to plant in service if the cooperative does not own the physical assets.
- a. Indicate when the Company began to capitalize certain Station Two costs to plant in service. Indicate if there was some event, such as the Unwind, that precipitated any change in the capitalization of certain Station Two costs to plant in service of the ownership of the physical assets.
- Q.2-16 Refer to the Company's base financial model forecast provided in response to KIUC 1-6.
- a. Describe the Company's plan to refinance the RUS Note B in 2023 reflected in the Company's base financial model. Identify the lender(s) or potential lender(s) assumed, the source of the interest rate assumed, and the source and/or basis for all other terms of the refinancing, such as contingent or schedule principal payments going forward. Indicate specifically whether the Company assumes that Note B will be rolled over (extended) or refinanced by the RUS or whether the Company assumes that it will refinance with another lender. Provide a copy of all documentation relied on for your assumptions.
- b. Indicate whether the Company assumes that it will be required to hold an investment grade debt rating in order to refinance the RUS Note B in 2023. If yes, provide all support for your response.
- Q.2-17 Provide a copy of all working documents and/or analyses related to the Company's plan to refinance the RUS Note B in 2023.

Respectfully submitted,



Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

Jody Kyler Cohn, Esq.

**BOEHM, KURTZ & LOWRY**

36 East Seventh Street, Suite 1510

Cincinnati, Ohio 45202

Ph: (513) 421-2255 Fax: (513) 421-2764

E-Mail: [MKurtz@BKLawfirm.com](mailto:MKurtz@BKLawfirm.com)

[KBoehm@BKLawfirm.com](mailto:KBoehm@BKLawfirm.com)

[JKylerCohn@BKLawfirm.com](mailto:JKylerCohn@BKLawfirm.com)

**COUNSEL FOR KENTUCKY INDUSTRIAL  
UTILITY CUSTOMERS, INC.**

July 16, 2018