COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES	)))	CASE NO. 2009-00040

COMMISSION STAFF'S THIRD DATA REQUEST TO BIG RIVERS ELECTRIC CORPORATION

Big Rivers Electric Corporation ("Big Rivers"), pursuant to 807 KAR 5:001, is to file with the Commission the original and seven copies of the following information, with a copy to all parties of record. The information requested herein is due on or before May 4, 2009. 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 person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Big Rivers shall make timely amendment to any prior 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

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

Careful attention should 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. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to Big Rivers' Application, Exhibit 46, Seelye-2, pages 1 and 2 and Big Rivers' Response to Commission Staff's First Data Request, Item 19.

a. The first column on page 1 of Exhibit 46 lists Big Rivers' test year revenues and revenue requirements using broad account titles. Provide a schedule that separates each of these broad accounts into the more detailed Uniform System of Accounts ("USoA") account titles and numbers as listed in Item 19. For each account listed on the schedule provided in this response, show the test year balance as stated on the trial balance provided in response to Item 19 and explain any differences in the account balances.

b. On pages 1 and 2 of Exhibit 46 Big Rivers proposed adjustments to test year operations. Show the impact of these adjustments on each USoA account shown on the schedule provided in response to Item a. above.

c. Using the schedule provided in response to Item b. above, make whatever adjustments (with full explanation of each adjustment) necessary to restate the cash basis statement of revenue requirements to an accrual basis pro forma income statement. Examples of adjustments would be to remove debt service principal payments and capital expenditures from the schedule; add normalized test year depreciation expense; and adjusting to the actuarial expense for post retirement benefits if the expense included in the cash basis income statement includes cash contributions to retirement accounts. Proper response to this request will result in a pro forma income statement showing detail of each USoA account balance separately and the annual net income that Big Rivers expects to recognize from its requested rate increase.

d. Using the pro forma income statement provided in response to Item c. above, show the calculation of the following:

1) Times Interest Earned Ratio ("TIER");

2) Operating TIER;

3) Debt Service Coverage ("DSC"); and

4) Operating DSC.

2. Refer to Big Rivers' Application, Exhibit 31 and Big Rivers' Response to Commission Staff's First Data Request Item 19 a., page 4 of 9. The following account information was taken from page 4 of 9.

403510	Transmission Stations	$2,508,576
403520	Transmission Lines	2,335,974
403700	General Plant	283,697
413300	Electric Plant Leased to WKEC	25,771,840
Total		$30,900,087

a. Confirm that total test year depreciation is $30,900,087. If this amount does not represent total test year depreciation expense, state and separate the total test year depreciation expense using the appropriate accounts as shown in Big Rivers' Response to Commission Staff's First Data Request Item 19 a.

b. Exhibit 31 is a summary of Big Rivers' current depreciation rates. Using the depreciation rates shown in Exhibit 31, show the calculation of test year deprecation expense.

c. Using the depreciation rates shown in Exhibit 31, calculate the test year normalized depreciation expense that Big Rivers believes is appropriate for determining pro forma accrual basis expenses using the traditional methods applied by the Commission. Provide the workpapers supporting this calculation.

3. Refer to Big Rivers' Application, Exhibit 46, Seelye-2, page 1, and Schedule 1.01, and Big Rivers' Response to Commission Staff's First Data Request, Item 19. a., page 4.

a. Schedule 1.01 appears to show the calculation of an increase of $2,495,013 to test year expenses reported in account 413 – Expenses of Electric Plant Leased to WKEC. Explain why the adjustment appears as a revenue decrease on page 1.

b. Provide copies of the workpapers used to develop the $2,495,013 adjustment. These workpapers shall include all calculations, assumptions used to make the calculations and the basis for each assumption.

c. The following accounts related to Big Rivers' lease with WKEC are listed on page 4 of Item 19. a. Provide the general ledger detail for each account. This detail shall show each entry separately with an explanation for each entry. Highlight on this detail all amounts included in the test year expense listed on Schedule 1.01 in the amount of $600,155.

412000	Revenues, Plant Lease	$(50,672,623)
412100	WKEC Cont. Amort. To Income	(6,952,253)
413100	Oper. Exp. Electric Plant Leased	550,278
413200	Maint. Exp. Electric Plant Leased	134,316
413300	Dep. Exp. Electric Plant Leased	25,771,840
413400	Amort. Exp. Electric Plant Leased	1,660,453
Net Revenue		$29,507,989

d. Is the amount reported in account 412100 a non-cash revenue account wherein Big Rivers is recognizing annual revenue based on the amortization of a contribution received from WKEC in a prior period? If yes, respond to Items 1 and 2 below.

1) Is account 412100 included in pro forma cash revenues as stated in Big Rivers' Application, Exhibit 25, Line 16 in the amount of $249,505,415?

2) If account 412100 is included in the pro forma cash revenues of $249,505,415, explain why it is appropriate to include this non-cash revenue in the determination of Big Rivers' cash revenue requirement deficiency.

4. Refer to Big Rivers' Application, Exhibit 46, Seelye-2, Schedule 1.02 wherein an adjustment decreasing test year expenses by $4,454,079 is shown. Provide copies of the workpapers that were created to develop this adjustment. These workpapers shall show all calculations, state all assumptions used to make the calculations and state the basis for each assumption.

5. Refer to Big Rivers' Application, Exhibit 46, Seelye-2, Schedule 1.03. This adjustment provides for a total annual recovery of $22,396,083 in capital expenditures as detailed below.

Non-Incremental	$6,871,000
Incremental	1,193,160
Transmission and General	14,331,923
Total	$22,396,083

a. Provide copies of the workpapers that were created to develop the non-incremental and incremental capital expenditures. These workpapers shall show all calculations, state all assumptions used to make the calculations and state the basis for each assumption.

b. Provide copies of the portions of the 1998 lease agreement with WKEC that are pertinent to the amount of non-incremental and incremental capital expenditures Big Rivers is required to pay.

c. The pro forma provision for Transmission and General capital expenditures is based upon the test year amount. Provide a list of all test year capital expenditures that are included in the total of $14,331,923. On this list, state each project separately and indicate the dates that construction of each project began and ended. Also, on this list provide a general description of each project and state whether it is a recurring type of project.

d. Provide a schedule comparing Big Rivers' annual non-incremental, incremental, and transmission and general capital expenditures for each of the previous 10 calendar years.

6. Refer to Big Rivers' Application, Exhibit 46, Seelye-2, Schedule 1.04 and Big Rivers' Response to Commission Staff's First Data Request, Items 17, 18 and 19.

a. On Schedule 1.04 Big Rivers shows total pro forma principal and interest payments to be $102,903,597 ($39,960,907 in principal payments and

$62,942,690 in interest payments) and test year principal and interest payments to be $99,129,015 ($40,834,358 in principal payments and $58,294,657 in interest payments) for a net increase of $3,774,582. Provide a schedule that shows the calculation of test year and pro forma principal and interest payments for each of the debt issues listed in Item 17.

b. By applying the rate provided in Item 18, 5.82 percent, to the test year interest payments provided in response to Item a. above, show the calculation of test year capitalized interest.

c. Separate test year capitalized interest shown in Item b. above, using the account titles and numbers provided in Item 19.

7. Refer to Big Rivers' Application, Exhibit 46, Seelye-2, Schedule 1.07 and Big Rivers' Response to Commission Staff's First Data Request, Item 19. a. page 8 and Item 45. a. page 1.

a. At Item 19. a., page 8 test year advertising expense is reported in account no. 913110 at $611,486. This amount is detailed at Item 45. a., page 1 as follows:

Sales or Promotional	$160,342
Conservation	300,197
Economic Development	150,946
Total	$611,485

b. On line no. 4 on Schedule 1.07, Big Rivers eliminates $160,225 of the sales and promotional advertising expenses charged to account no. 913110. In this regard, respond to the following:

1) State why the entire amount incurred for sales and promotional advertising expenses of $160,342 was not eliminated.

2) State why it is appropriate for Big Rivers to recover through rates for electric service the economic development advertising expenses totaling $150,946.

3) Discuss the content requirements of advertisements to be classified as conservation by Big Rivers. Include in this discussion the methods through which single advertisements are split among the three categories of advertising shown above (Sales, Conservation, Economic Development).

8. Refer to Big Rivers' Response to Staff's First Data Request, Item 46. a. and b. At Item 46. a., Big Rivers lists six categories of expenses charged to account 930 – Miscellaneous General Expenses that total $1,087,028. Of the total, Big Rivers states that $471,105 was "assigned to KY retail."

a. On pages 2 – 13 of Item 46. b., Big Rivers shows detail of the amounts "assigned to KY retail." State how it was determined that each of these expenses were assignable to KY retail operations.

b. Using the six expense categories shown in Big Rivers' response to Item 46. a., separate the total $471,105 expense "assigned to KY retail."

9. Refer to Big Rivers' Application, Exhibit 46, Seelye-2, Schedule 1.08 and Big Rivers' Response to Staff's First Data Request, Item 26. b.

a. On Schedule 1.08 Big Rivers eliminates test year expenses in the amount of $31,432 from account 930 – Miscellaneous General Expenses. Identify the amount of this adjustment that is for the elimination of Board of Directors' expenses.

b. In response to Item 26. b., Big Rivers provides a listing of test year Board of Directors' expenses for each individual board member. The total expense for each board member is summarized below.

Lee Bearden	$33,511
Paul Butler	36,576
William Denton	39,618
Larry Elder	28,107
Wayne Elliot	35,803
James Sills	39,108
Total	$212,723

Provide a revised response to Commission Staff's First Data Request, Item 26. b. In the revised response indicate each expense item that was "assigned to KY retail" and the amounts that were eliminated by the adjustment shown on Schedule 1.08.

10. State separately Big Rivers' total annual directors' fees expenses for each of the previous five calendar years.

11. Refer to Big Rivers' Application, Exhibit 46, Seelye-2, Schedule 1.08. This schedule eliminates a total of $53,183 from test year expenses. This adjustment was spread to four different accounts. For each account, identify each expense item that was eliminated; provide a description of the each expense; and state why it was eliminated from test year operations.

12. Refer to Big Rivers' Application, Exhibit 46, Seelye-2, Schedule 1.10 and Big Rivers' Response to Commission Staff's First Data Request, Item 38.

a. In Schedule 1.10, Big Rivers references the Mercer Study as its source for the pro forma pension funding amount of $2,035,003. State where this amount is referenced in Item 38.

b. Big Rivers provided an actuarial study performed by Mercer at Item 38. On page 5 of this study, it is stated that Big Rivers' pension plan assets exceeded liabilities by $1,043,708 on January 1, 2008. Explain why Big Rivers is of the position that funding of $2,035,003 is required in light of the current over-funded status.

c. Provide a comparative analysis of annual pension plan expenses, annual cash contributions, and the pension plan funded status for each year since Big Rivers adopted SFAS 87.

13. Refer to Big Rivers' Application, Exhibit 46, Seely-2, Schedule 1.11. On this schedule, Big Rivers calculates a net decrease to its test year cash flows of $18,889,357 for changes in non-tariffed energy sales. The adjustment is made to accounts 447.171-447.299, 456, 555, 557 and 565.

a. Provide copies of the workpapers that were created to develop the adjustments to each of these accounts. These workpapers shall show all calculations, state all assumptions used to make the calculations and state the basis for each assumption.

b. Provide the monthly general ledger balances for each month of the test year for each account included in this adjustment. Reconcile the annual totals for each account included on this analysis to the account totals shown in general ledger provided in Big Rivers' response to Commission Staff's First Data Request, Item 19.a.

c. Allocate or assign the impact of the adjustments proposed on Schedule 1.11 to each month shown in the analysis provided in response to Item b. above.

d. For each month subsequent to the end of the test year, provide the actual general ledger balances for each account included in Big Rivers' adjustment. Compare these balances to the adjusted monthly balances provided in response to Item c. above. Continually update this response, on a monthly basis, as the information becomes available.

14. Refer to Big Rivers' Application, Exhibit 46, Schedule 1.12. On this schedule Big Rivers provides a calculation of pro forma interest income. Provide a similar calculation supporting the test year interest income amount of $4,630,505.

15. Refer to Big Rivers' Application, Exhibit 46, Schedule 1.13. Big Rivers proposes two adjustments, normalization of industrial sales and temperature normalization, to test year kWh sales. It appears that Big Rivers only adjusted test year revenues to account for these changes in sales volumes and that no adjustment was made to account for the corresponding change in purchased power costs. Is this correct? If yes, explain why purchased power costs were not also adjusted.

16. Refer to Big Rivers' Response to Commission Staff's First Data Request, Item 19. b., pages 1 – 5.

a. Revenue accounts 447.101 – 447.299 are listed on pages 2 and 3. For each of these revenue accounts, describe the customers whose revenues are recorded in the account, state the tariff applied by Big Rivers to generate the revenue and state whether the sales are actually for "resale" as indicated by the account title.

b. Account 565.100 – Transmission of Electricity by Others is shown on page 4 of 5. The five-year comparison shows that this expense increased from

$1.322 million in 2006 to $5.120 million in 2007 and then decreased to $2.964 million in the test year.

1) Provide an explanation of all items that are typically recorded in this account.

2) Explain the spike in this expense for 2007 when compared to the other years.

c. Account 923.103 – Outside Services – Generation is shown on page 5 of 5. The five-year comparison shows that this account increased from $2.849 million in 2007 to $4.362 million in the test year.

1) Provide an explanation of all items that are typically recorded in this account.

2) Explain the spike in this expense for the test year when compared to the 2007.

17. Refer to Big Rivers' Application, Exhibit 25 and Exhibit 47, pages 38 - 48. Exhibit 25 is an adjusted statement of cash revenue requirements that shows a revenue deficiency of $24.9 million, the amount of the revenue increase sought by Big Rivers in this case. In the referenced pages of Exhibit 47, Mr. Blackburn discusses Big Rivers' current low levels of cash reserves, due primarily to the PMCC leveraged lease buyout, and the need to replenish those reserves in order to have cash available for unanticipated costs.

a. Exhibit 25 appears to include only annual, recurring cash revenue requirements and no provision has been included for the accumulation of cash reserves necessary to meet unanticipated costs. State whether the cash revenue deficiency of

$24.9 million as shown in Exhibit 25 includes a provision for the accumulation of cash reserves in excess of Big Rivers' projected annual recurring cash revenue requirements.

b. If Exhibit 25 does include a provision for the accumulation of cash reserves, identify the amount and where it is included on Exhibit 25.

c. If Exhibit 25 does not include a provision for the accumulation of cash reserves, state why Big Rivers did not include such a provision and discuss how the requested rate increase addresses the concerns noted by Mr. Blackburn.

18. Refer to Exhibit 40 of the application, page 3 of 3, the Statement of Operations. Confirm that Historical Period Electric Energy Revenues of $208,542,899 includes the $112,962,284 total revenues shown on Exhibit 46, Seeyle-3, page 1 of 1. If this is the case, provide a detailed breakdown of the additional $95,580,615 included on line 2 of Exhibit 40. If this is not the case, provide a detailed breakdown of the Historical Period Electric Energy Revenues of $208,542,899.

19. Refer to Exhibit 46, Seelye-2, Schedule 1.13.

a. Provide all calculations and workpapers supporting the temperature normalization adjustment of $1,026,905.

b. Provide a narrative explanation of the regression models.

c. Explain why a 20-year average was used rather than a 30-year average and provide the amount of the temperature normalization adjustment if a 30-year average is used.

d. Explain all differences in the methodology used in this weather normalization adjustment with that proposed by Mr. Seelye in the recent Kentucky Utilities Company and Louisville Gas and Electric Company rate cases[1].

20. Provide a copy of Exhibit 46, Seelye-4 electronically on CD-ROM in Microsoft Excel format with all formulas intact and unprotected.

21. Refer to Exhibit 47, pages 58 and 59. These pages discuss a decrease in load for Cardinal River and KMMC, LLC. Explain whether these load decreases are expected to be temporary or permanent.

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DATED: APR 2 0 2009

cc: Parties of Record

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[1] Case No. 2008-00251, Application of Kentucky Utilities Company for Adjustment of Electric Base Rates, and Case No. 2008-00252, Application of Louisville Gas and Electric Company for an Adjustment of its Electric and Gas Base Rates.

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