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MAY 18 2009

PUBLIC SERVICE
COMMISSION

VIA OVERNIGHT MAIL

May 15, 2009

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: Case No. 2009-00040

Dear Mr. Derouen:

Please find enclosed the original and twelve (12) copies of the THIRD SET OF DATA REQUESTS OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. to BIG RIVERS ELECTRIC CORPORATION filed 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.

BOEHM, KURTZ & LOWRY

MLKkew

Attachment

cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by electronic mail (when available) and first-class postage prepaid mail to all parties on the 15th day of May, 2009.

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Big Rivers Electric Corporation
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Michael L. Kurtz, Esq.

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

In The Matter Of: The Application Of Big Rivers Electric
Corporation to Adjust Electric Rates

:
:
:
:

Case No. 2009-00040

**THIRD SET OF DATA REQUESTS OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
TO BIG RIVERS ELECTRIC CORPORATION**

Dated: May 15, 2009

DEFINITIONS

1. “Document” means the original and all copies (regardless of origin and whether or not including additional writing thereon or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium, including computerized memory or magnetic media.
2. “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.
3. “Person” means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
4. 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.
5. 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?
6. 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.
7. “And” and “or” should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
8. “Each” and “any” should be considered to be both singular and plural, unless specifically stated otherwise.
9. 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.
10. “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.
11. “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.

KIUC'S THIRD SET OF DATA REQUESTS TO BIG RIVERS ELECTRIC CORPORATION
Case No. 2009-00040

- KIUC 3-1. Please provide a copy of all workpapers in electronic format with formulas intact used to develop the Company's filing.
- KIUC 3-2. Refer to the Company's response to KIUC 2-2. Please explain why the Company did not reduce the interest expense in both the numerator and denominator of both the TIER and the DSC by the amount of capitalized interest each month in accordance with the definitions of both ratios provided in response to KIUC 2-1.
- KIUC 3-3. Refer to the Company's response to KIUC 2-3 and the 18% interest rate on the 2001A Series Pollution Control bonds.
- a. Please identify the present holder(s) of this debt and to whom the Company is paying this interest.
 - b. Please explain why the Company is paying 18% interest on this series of debt.
 - c. Under what circumstances can the Company reduce the interest rate and/or expense on this series debt? Provide a copy of all relevant source documents that address this issue.
 - d. Please provide a copy of all source documents that require the Company to pay 18% on this series of debt, including a copy of all source documents that led to the Company paying 18% on this series of debt. Such source documents include, but are not limited to, indenture agreements, studies, analyses, correspondence, and claims.
 - e. Please identify all options that may be available to the Company to reduce this 18% interest rate, including, but not limited to, redeeming and issuing new debt, remarketing this issue, or obtaining a replacement letter of credit.
 - f. Please identify all hurdles to reducing this 18% interest rate. Please provide a copy of all source documents
 - g. Please describe all efforts by or on behalf of the Company to reduce this 18% interest rate. Provide a copy of all studies, analyses, reports, correspondence, notes, computations, and all other documents or writings that describe such efforts and/or the results of such efforts.
 - h. Please describe the Company's plans to refinance or otherwise reduce the interest cost on this debt in the event the Unwind Transaction is consummated. Please provide a copy of all studies, analyses, reports, correspondence, notes, computations, and all other documents or writings that describe how the Company plans to proceed and steps the Company already has undertaken, if any.
 - i. Please describe the Company's plans to refinance or otherwise reduce the interest cost on this debt in the event the Unwind Transaction is not consummated. Please provide a copy of all studies, analyses, reports, correspondence, notes, computations, and all other documents or writings that describe how the Company plans to proceed and steps the Company has undertaken.
 - j. Is the reason the Company has not implemented steps to reduce the interest expense associated with this debt issue the lack of resolution on the Unwind Transaction? Please explain your response.

KIUC 3-4. Refer to the Company's response to Staff 3-6(a).

- a. Page 1 of the attachment to that response shows proforma interest expense of \$1.809 million on the 1983 Series PC debt – market bonds. Page 12 of the attachment to that response shows proforma interest expense for 6 months of \$0.734 million. On an annualized basis, that would be \$1.468 million. Please reconcile the \$1.809 million and the \$1.468 million.
- b. Page 12 of the attachment to that response shows an interest rate of 8.0% on the market bonds.
 - i. Please identify the present holder(s) of this debt and to whom the Company is paying this interest.
 - ii. Please provide the source of the 8.0% interest rate and explain why the Company is paying 8.0% interest on the “market bonds.”
 - iii. Please provide the actual interest rate on the market bonds for each month to date in 2009.
 - iv. Please describe how the actual interest rate is determined, including, but not limited to, by whom and pursuant to what process.
 - v. Under what circumstances can the Company reduce the interest rate and/or expense on this series debt? Provide a copy of all relevant source documents that address this issue.
 - vi. Please provide a copy of all source documents that require the Company to pay 8% on this series of debt, including a copy of all source documents that led to the Company paying 8% on this series of debt. Such source documents include, but are not limited to, indenture agreements, studies, analyses, correspondence, and claims.
 - vii. Please identify all options that may be available to the Company to reduce this 8% interest rate, including, but not limited to, redeeming and issuing new debt, remarketing this issue, or obtaining a replacement letter of credit.
 - viii. Please identify all hurdles to reducing this 8% interest rate. Please provide a copy of all source documents
 - ix. Please describe all efforts by or on behalf of the Company to reduce this 8% interest rate. Provide a copy of all studies, analyses, reports, correspondence, notes, computations, and all other documents or writings that describe such efforts and/or the results of such efforts.
 - x. Please describe the Company's plans to refinance or otherwise reduce the interest cost on this debt in the event the Unwind Transaction is consummated. Please provide a copy of all studies, analyses, reports, correspondence, notes, computations, and all other documents or writings that describe how the Company plans to proceed and steps the Company already has undertaken, if any.
 - xi. Please describe the Company's plans to refinance or otherwise reduce the interest cost on this debt in the event the Unwind Transaction is not consummated. Please provide a copy of all studies, analyses, reports, correspondence, notes, computations, and all other documents or writings that describe how the Company plans to proceed and steps the Company has undertaken.
 - xi. Is the reason the Company has not implemented steps to reduce the interest expense associated with this debt issue the lack of resolution on the Unwind Transaction? Please explain your response.

KIUC 3-5. Refer to page 5 of the attachment to the Company’s response to KIUC 2-11, which shows a line item for “PCB Refunding Cost (Interest – Cash Flow) and an amount for April 2009 of \$5.910 million.

- a. Please explain this cost. Provide all details of how this cost was derived.
- b. On that same page, the “Interest on 1983 Series PCBs – Budgeted Amount” and “Interest on 2001A Series PCBs – Budgeted Amount” drop by \$0.158 million and by \$0.949 million, respectively, from March to April. Please explain why these monthly interest expense amounts drop in April and describe how these reductions are related to the cost described in response to part (a) of this question, if at all.
- c. Please provide a copy of all source documents, including, but not limited to, studies, analyses, correspondence, notes, indenture agreements, that the Company relied on for both the cost described in part (a) of this question and the interest expense described in part (b) of this question.
- d. Please identify and describe all alternatives to incurring the \$5.9 million that the Company has evaluated, including, but not limited to: i) rolling these costs into the principal amount financed and ii) increasing the new interest rate from the rate assumed.

KIUC 3-6. In the event the Commission sets the Company’s rates on a cash basis that includes construction expenditures, does the Company: a) plan to expense its construction expenditures as incurred or b) still plan to capitalize its construction expenditures to CWIP, close the amounts to plant in service and then depreciate those costs over the lives of the assets? If the former, please provide the Company’s accounting support for this treatment of these construction costs as expenses and the related journal entries, including the expense accounts the Company plans to use. If the latter, then please explain why including the construction cash costs in the revenue requirement will not result in double recovery of the construction costs in subsequent test years if the Commission reverts to accrual basis ratemaking.

KIUC 3-7. Refer to the Purchases and Hourly Sales tabs on the workbook KIUC Q 2-6 Pro Forma Off-System Sales provided by the Company in response to KIUC 2-6.

- a. On the Purchases tab, on peak hourly purchases in all months are priced at \$150/mWh. Please provide the source of these prices. Provide a copy of all source documents relied on.
- b. Reconcile the \$150/mWh on peak hourly purchases shown on the Purchases tab with the Company’s on peak forward price projections used for hourly sales shown on the Hourly Sales tab in the same workbook as follows:

January	43.24
February	37.05
March	36.70
April	36.47
May	34.83
June	39.74
July	50.53
August	49.99
September	39.27
October	36.02
November	34.81
December	42.78
Totals	38.13

- c. Please explain why the Company discounted the January 22, 2009 Cincinnati hub forward prices by 6.5% to derive the on peak forward price projections used for hourly sales listed in part (b) of this question.
- d. Please confirm that the energy mWh used to multiply the forward prices to determine the Energy Revenues on the Hourly Sales tab was reduced from the available energy to reflect line losses.
- e. Please confirm that on the Hourly Sales tab, the Company reduced the gross arbitrage margins for line losses twice, first through a reduction of the energy mWh and then again through a reduction to gross arbitrage margins.

KIUC 3-8. Refer to the Smelter Sales tab on the workbook KIUC Q 2-6 Pro Forma Off-System Sales provided by the Company in response to KIUC 2-6.

- a. Please explain the Company's assumption that the fixed rates per kWh will remain in effect until 60 days after notice that the Unwind Transaction has failed. Please provide a copy of all source documents that address this assumption and the pricing terms once the fixed rates per kWh no longer are in effect.
- b. For the fully interruptible sales, please provide the source of the prices of \$44/mWh and \$30/mWh. Provide a copy of the source document relied on for these prices.
- c. For the fully interruptible sales, please explain why the Company reduced the price from \$44/mWh for the months January through July to \$30/mWh for the months August through December. In addition, please indicate whether this reduction should be reflected in September, not August, given that all other smelter sales pricing changes on this tab occur in September, not August. If not, please explain why not.
- d. For the 7 x 8 sales, please provide the source of the \$26.01 price for the months January through August.
- e. For the 5 x 16 sales, 2 x 16 sales and the 7 x 8 sales, please explain why the prices change from fixed rates per mWh to rates tied to the Cincinnati hub. Please explain why the Company will not or cannot obtain fixed rates per mWh for smelter sales after August. Provide a copy of all relevant source documents.

KIUC 3-9. Refer to the Company's response to KIUC 2-9.

- a. Please identify and describe all steps undertaken by the Company to increase its existing \$15 million CFC line of credit. If none, then please explain why the Company has not taken any steps to do so.
- b. Please describe the process and each step necessary for the Company to seek and obtain an increase in the existing \$15 million CFC line of credit.
- c. Please identify all hurdles to seeking and/or obtaining an increase in the existing \$15 million CFC line of credit.

KIUC 3-10. Please refer to the Company's response to Staff 2-5(b). Please provide a copy of the Company's written request to the RUS and a copy of all responses from the RUS to this written request as well as all other related documents, such as responses to RUS requests for additional information.

KIUC 3-11. Refer to the Company's response to Staff 3-1(c) and (d) to restate the Company's request from a cash-basis to accrual-basis and to provide the resulting TIER and DSC ratios.

- a. Please provide a copy of all workpapers, including electronic spreadsheets with formulas intact, supporting all accrual-basis proforma adjustments.
- b. Please provide Schedule D in electronic format with formulas intact, including links to all supporting workpapers in electronic format with formulas intact.
- c. Please provide the definitions and computations used by the Company on Schedule D for TIER, Operating TIER, DSC and Operating DSC. Provide the computations in electronic format with formulas intact if not already provided in response to part (b) of this question.

KIUC 3-12. Refer to the Company's response to KIUC 1-8. Please update this response for all subsequent months.

KIUC 3-13. Refer to the Company's response to KIUC 1-9. Please update this response for all subsequent months.

KIUC 3-14. Refer to the Company's response to KIUC 1-12. Please update this response for all subsequent months.

KIUC 3-15. Refer to the Company's response to KIUC 1-15. Please update this response for current NOX allowance prices. In addition, please provide a copy of the source document relied on.

KIUC 3-16. Refer to the Company's response to KIUC 2-15.

- a. Please provide the same information for December 2007.
- b. Please provide the amount of employee bonuses included in the historic test year and in the proforma test year by RUS expense account.
- c. Please provide the amount of employee bonuses included in the historic test year and in the proforma test year by plan or program.
- d. Please describe the basis for these employee bonuses pursuant to each plan or program and provide a copy of any plan document and all other source documents that establish the basis for all such bonuses.



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May 15, 2009