

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC)	
CORPORATION FOR APPROVAL OF ITS 2012)	
ENVIRONMENTAL COMPLIANCE PLAN, FOR)	
APPROVAL OF ITS AMENDED ENVIRONMENTAL)	CASE NO.
COST RECOVERY SURCHARGE TARIFF, FOR)	2012-00063
CERTIFICATES OF PUBLIC CONVENIENCE AND)	
NECESSITY, AND FOR AUTHORITY TO)	
ESTABLISH A REGULATORY ACCOUNT)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION 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 ten copies of the following information, with a copy to all parties of record. The information requested herein is due on or before July 6, 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.

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, 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 the Application, the Direct Testimony of John Wolfram, Exhibit Wolfram-6. A note at the bottom of the page states that the Smelter adjusted rates in the exhibit to reflect the removal of the TIER Adjustment Charge. According to the exhibit, the TIER Adjustment Charge appears to be \$2.95 per MWh for the Base 2012, \$1.36 per MWh for the Base 2016, and \$2.46 per MWh for the Build 2016. Explain the reason for the differences in the TIER Adjustment Charge for each of the scenarios.

2. Refer to the Application, the Direct Testimony of Robert W. Berry, Exhibit Berry-2, page 1. Please provide an explanation for the FGD cost estimate of \$139 million. This estimate is significantly below the cost estimates included in the Environmental Protection Agency ("EPA") Base Case V.4.10, Chapter 5, Table 5-4, page 5-6.¹

¹ The EPA Base Case v.4.10, Chapter 5, can be accessed at <http://www.epa.gov/airmarkets/progsregs/epa-ipm/docs/v410/Chapter5.pdf>.

3. Refer to Big Rivers' response to Item 5 of Commission Staff's Initial Request for Information ("Staff's First Request"), page 1 at lines 16-21. Provide the analysis that was utilized to justify the \$1.2 million gas conversion of Reid Unit 1. Given the age and condition of this Unit and the resultant impact on Unit heat rate, provide an analysis of other options that were considered.

4. Refer to Big Rivers' response to Staff's First Request, Item 9. Prepare an analysis of the impact of the EPA's proposed regulations pertaining to the Clean Water Act – Water Intake Fish Impingement (316b), Waste Water Discharge and Coal Combustion Residuals costs based on the estimates in part b of the response. The analysis should include a re-run of Big Rivers' financial model and a comparison of the build, partial build and buy alternatives if these costs are included in the analysis. Provide an estimate of the impact on rates when the costs to comply with the proposed regulations are included in the analysis.

5. Refer to Big Rivers' response to Item 10 of Staff's First Request, page 1 at lines 11-14. Provide a summary of major availability detractors that have impacted the following units over the past 5 years:

- a. Coleman Unit 1
- b. Coleman Unit 2
- c. Coleman Unit 3
- d. Wilson Unit 1
- e. Green Unit 1
- f. Green Unit 2
- g. Henderson Unit 1
- h. Henderson Unit 2
- i. Reid Unit 1

6. Refer to Big Rivers' response to Staff's First Request, Item 10.b, the Burns and McDonnell Depreciation Study, page ES-3. Provide a summary of the ongoing

creep stress analysis and testing that has been completed on each of the following units. Include in the summary an analysis of the high energy piping system to include the analysis of flow accelerated corrosion.

- a. Coleman Unit 1
- b. Coleman Unit 2
- c. Coleman Unit 3
- d. Wilson Unit 1
- e. Green Unit 1
- f. Green Unit 2
- g. Henderson Unit 1
- h. Henderson Unit 2
- i. Reid Unit 1

7. Refer to Big Rivers' response to Staff's First Request, Item 10.b, the Burns and McDonnell Depreciation Study, Table II-6, page II-14. What are the major reasons for the excessively high EFOR on Reid Unit 1?

8. Refer to Big Rivers' response to Staff's First Request, Item 10.b, the Burns and McDonnell Depreciation Study, page II-16. What are the results of the 2011 oiler chemical cleaning on Wilson Unit 1?

9. Refer to Big Rivers' response to Staff's First Request, Item 10.b, the Burns and McDonnell Depreciation Study, page II-19. Provide a summary of the Coleman Unit 3 turbine/generator overhaul that was scheduled for 2012.

10. Refer to Big Rivers' response to Item 18 of Staff's First Request, page 2 at lines 1-4, that describes the multi-prime methodology that Big Rivers' plans for managing the environmental compliance plan projects. Provide a detailed organization plan for the prescribed project management team, including specific relevant skill sets and experience.

11. Refer to the response to Item 28 of Staff's First Request.

a. The response states that there are "other cases in which the Commission approved an applicant's request to establish a regulatory asset, where such treatment is consistent with the Commission's practice of amortizing prudently incurred but extraordinary expenses over a three-year period for ratemaking purposes." Provide the case numbers for the cases referred to in this response. For each case cited, if the decision in the case does not address the amortization period, provide the case number of the subsequent rate case in which the amortization period was addressed.

b. KRS 278.183 expressly permits the recovery of the cost of a Commission-hired consultant through the environmental surcharge. Other utilities have included these costs for recovery in the environmental surcharge as they were incurred as opposed to recording them as a regulatory asset. Clarify whether Big Rivers believes it is necessary to include the costs of the Commission-hired consultant in a regulatory asset.

12. Refer to the response to Items 34 and 35 of Staff's First Request. Provide revised tariff pages and ES Form pages to reflect the text changes discussed in the responses to Items 34.a, 34.c, 35.a, and 35.b.

13. Refer to the response to Item 36 of Staff's First Request. Does the response indicate that Exhibit Wolfram-6 would not change as a result of removing the effects of Project 6 from the 2012 Environmental Compliance Plan? If no, provide a revised Exhibit Wolfram-6 to reflect the removal of Project 6.

14. Refer to Big Rivers' response to Item 22 of the Attorney General's Initial Data Request ("AG's First Request"). Big Rivers responded "[p]rice elasticity analyses are not ordinarily undertaken by Applicants in cases where the proposed rate increases are of the magnitude contemplated in this case." Provide a discussion of what level of proposed rate increases would prompt Big Rivers to perform price elasticity analyses.

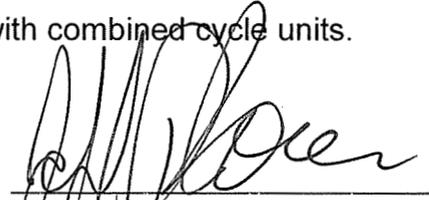
15. Refer to Big Rivers' response to Item 66 of the AG's First Request. Explain whether the depreciation rates reflected in Big Rivers' response are the same depreciation rates presently being used for current capital projects in Accounts 312 A-K and 312 L-P.

16. Refer to Big Rivers' response to the Kentucky Industrial Utility Customers, Inc.'s First Set of Data Requests ("KIUC's First Request"), Item 26 at line 13. With regard to the \$169 per kW estimate, provide the support for the derivation of the estimate. Are the costs to comply with EPA's proposed regulations pertaining to the Clean Water Act – Water Intake Fish Impingement (316b), Waste Water Discharge and Coal Combustion Residuals, included in this estimate?

17. Refer to Big Rivers' response to KIUC's First Request, Item 36, and the July 14, 2011 email concerning EPA Proposed Regulations. Big Rivers' proposed 2012 Environmental Compliance Plan estimates capital expenditures of \$286.14 million. Provide a detailed line item explanation for the differences between the capital expenditure estimates for the 2012 Environmental Compliance Plan and the capital expenditure estimates contained in the July 14, 2011 email.

18. Did Big Rivers, as part of the development of its 2012 Environmental Compliance Plan, consider replacing any of its generation units with natural gas

combined cycle units? If so, provide all analysis and data that support the decision to not replace any existing units with combined cycle units. If this alternative was not considered, provide a detailed explanation as well as all analysis and data supporting this decision to not replace any existing units with combined cycle units.



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cc: Parties of Record

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