COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR AN ADJUSTMENT OR RATES	))	CASE NO. 2012-00535

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 requested 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 not later than February 28, 2013. 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 responses 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. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the Notice of Termination of Alcan Primary Products Corporation ("Alcan") of its Retail Electric Service Agreement with Kenergy Corp. filed by Alcan on January 31, 2013. Explain in detail the implications of this notice for Big Rivers and what impact, if any, Big Rivers expects it to have on this rate proceeding.

2. Refer to Tab 8 of the application.

a. Refer to proposed PSC No. 25, Original Sheet No. 64, Section (1)(d). This section begins "The cost of fossil fuel, as denoted in (2)(a) above..." Explain whether the reference in this sentence should be to (1)(a) instead of (2)(a).

b. Refer to proposed PSC No. 25, Original Sheet No. 65, Section (3)(v) which refers to "subsection (2)(d) above..." Explain whether the reference in this section should be to (1)(d) instead of (2)(d).

3. Refer to Exhibit 10 of the application, the comparison of present and proposed rates. Explain how the $3.955 demand charge was calculated for the Cogeneration/Small Power Sales – Over 100 kW tariff.

4. Refer to Tab 20 of the application which shows the base-period statement of operations with adjustments and the forecast-period statement of operations. The

base period ending April of 2013 includes six months (May 2012 through October 2012) of historical data and six months (November 2012 through April 2013) of estimated data. Provide an updated base-period statement of operations which includes nine months of actual data (May 2012 through January 2013) and three months of estimated data (February 2013 through April 2013).

5. Refer to Tab 25 of the application, pages 1-19, which include a breakdown of Big Rivers' 2013 and 2014 budgeted capital expenditures. Explain whether the amendment to Big Rivers' financing application in Case No. 2012-00492[1] would, if approved, impact the level of capital expenditures in 2013 or 2014.

6. Refer to Tab 55 of the application at page 1, specifically, the comparative income statements for 2010, 2011, the base period, the forecast period and calendar years 2015 and 2016. Big Rivers' maintenance expenses in 2010 and 2011 were $46.880 million and $47.718 million, respectively. The average maintenance expense in the four future periods is $45.898 million, and 2016 is the only future period in which the annual expense is greater than the actual amounts recorded in 2010 and 2011. Explain how this apparent "maintain the status quo" approach to Big Rivers' annual maintenance expense reflects its need to catch up on maintenance during the period 2013-2016, as discussed in the Direct Testimony of Robert W. Berry ("Berry Testimony") at pages 14-15.

7. Refer to Tab 59 of the application.

a. Refer to page 2 of 8. Provide the supporting calculation for the Smelter base fixed-energy rate of $.039405.

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[1] Case No. 2012-00492, Application of Big Rivers Electric Corporation for Approval to Issue Evidences of Indebtedness, amended application filed Jan. 24, 2013.

b. Refer to page 6 of 8. Provide the supporting calculation for the Smelter base fixed-energy rate of $.047597.

c. Refer to pages 6-8 of 8. Explain why the Environmental Surcharge rates and revenues on these three pages differ from those shown for each rate class in Exhibit Wolfram-5, pages 1 and 2 of 4.

8. Refer to the Direct Testimony of Billie J. Richert ("Richert Testimony") at page 9, lines 2-5, and Exhibit Richart-2.

a. Provide the <u>G&T Accounting and & Finance Association Annual Directory</u> dated June 2012.

b. Besides Big Rivers, 25 cooperatives are included in Exhibit Richart-2. Identify which of those 25 cooperatives' rates are subject to the jurisdiction of a state regulatory commission.

9. Refer to the Richert Testimony at page 12, lines 4-10. Provide Big Rivers' net margins from off-system sales for calendar years 2011 and 2012.

10. Refer to the Richert Testimony at page 14, line 20 through page 15, line 6, and the Direct Testimony of Deanna M. Speed ("Speed Testimony") at page 18, lines 18-22. The Richert Testimony refers to "the budget for 2013 and 2014," while the Speed Testimony refers to the "2013 budget and the 2014-2016 financial plans" that were approved by the Big Rivers Board of Directors on November 16, 2012. Clarify whether or not a 2014 budget has been developed and approved by the Big Rivers board.

11. Refer to the Richert Testimony at page 24, lines 12-13. Provide Big Rivers' statement of operations (income statement) for calendar year 2012 and its 2012 budgeted statement of operations in comparative form.

12. Refer to the Richert Testimony at page 25, lines 18-22. Provide the basis for the statement that "G&Ts that borrow funds in the capital markets typically must earn margins and interest coverage ratios in excess of the minimum required MFIR stated in the credit agreements to obtain access to the financial markets, and to borrow capital at reasonable rates."

13. Refer to the Richert Testimony at page 37, lines 2-11 and the Direct Testimony of Travis A. Siewert ("Siewert Testimony") at page 12, lines 8-14. After it filed its rate application, Big Rivers amended its application in Case No. 2012-00492. Explain what impact, if any, that amendment has on this rate application, including any impact on Big Rivers' interest on long-term debt in the forecast period.

14. Refer to the Richert Testimony at pages 37-38 where Big Rivers' reserve funds are discussed.

a. Provide the current balances of the Economic Reserve fund and the Rural Economic Reserve fund.

b. Provide the projected date that each fund will be depleted.

15. Refer to Exhibit Richert-3, page 1 of 2. Has Big Rivers provided the Rural Utilities Service ("RUS") a response with a timeline for conducting major maintenance such as valve inspections and turbine generator inspections on a schedule consistent with prudent utility operations? If yes, provide that response. If no, when does Big Rivers anticipate submitting a response to RUS?

16. Refer to the Direct Testimony of Robert W. Berry ("Berry Testimony") at pages 8-9, specifically, the discussion of Big Rivers' deferral of planned maintenance on its generating units. Refer also to Tab 38 of the application at page 2 of the year-to-date ("YTD") summary statement of operations for 2012.

a. The testimony discusses the need to reduce maintenance costs in order to meet the requirements in Big Rivers' loan agreements, while the YTD summary shows that, through November 2012, actual net margins of $12 million were $10.7 million favorable when compared to budgeted net margins. Explain whether this means that, for 2012, Big Rivers budgeted not to meet the requirements of its loan agreements.

b. Explain whether the favorable budget variance of $10.7 million in net margins means that Big Rivers' deferrals of planned maintenance outages in 2012 exceeded what was necessary to meet the requirements of its loan agreements.

17. Refer to pages 16-17 of the Berry Testimony and Exhibit Berry 3, which shows that Big Rivers has budgeted $212,494,990 for capital construction during the 2013-2016 period. For each year from 2008 through 1012, provide a comparison of Big Rivers' budgeted capital construction expenditures and its actual capital construction expenditures.

18. Refer to page 20 of the Berry Testimony concerning the fourth prong of Big Rivers' Load Concentration Mitigation Plan.

a. Provide a detailed description of the economic development activities Big Rivers has undertaken and will undertake to mitigate the loss of the Smelter load.

b. Provide the Requests for Proposals ("RFPs") mentioned at lines 17-18 and the status of the proposals Big Rivers submitted in response to the two RFPs.

c. Provide the dates on which Big Rivers provided its responses to the two utilities' requests for proposals.

d. Provide a detailed description of Big Rivers' preliminary discussions with other potential counterparties in an effort to market Big Rivers' excess power, including the status of such discussions and the steps that will be taken going forward.

19. Refer to pages 22-23 of the Berry Testimony, specifically, the discussion of Big Rivers' deferring the backfilling of production vacancies since receiving the notice of Century Aluminum of Kentucky General Partnership's ("Century") termination of its Retail Electric Service Agreement with Kenergy Corp. Explain what impact this deferral has on Big Rivers' production expense, non-fuel, in the forecast period.

20. Refer to pages 23-24 of the Berry Testimony and Exhibit Wolfram-2, page 12 of 14, to the Direct Testimony of John Wolfram ("Wolfram Testimony").

a. Mr. Berry discusses the plan to idle the Wilson Station and the related reduction of 92 positions due to production curtailments caused by Century's termination. The Wolfram exhibit shows the calculation of an adjustment to eliminate "Non-Recurring Labor Related to Wilson Layup." Confirm that this adjustment is not intended to reflect the reduction of 92 positions referenced in the Berry Testimony.

b. Provide the amount by which Big Rivers' labor expenses are lower in the forecast period due to the reduction of the 92 positions. Indicate where in the application this expense reduction is shown.

21. Refer to the Berry Testimony, page 23, regarding the decision to idle the Wilson station.

a. Explain the process that Big Rivers must follow to obtain approval from the Midwest Independent System Operator ("Midwest ISO") to idle, or layup, the Wilson station. If Big Rivers has begun the process of obtaining Midwest ISO approval, indicate when the process began and when Big Rivers anticipates a decision from the Midwest ISO. Provide the request to the Midwest ISO seeking such approval. If Big Rivers has not begun the process, indicate when it will begin the process to obtain the Midwest ISO's approval to idle the Wilson station.

b. Provide a general description of the steps needed to idle the Wilson station.

c. How long does Big Rivers intend to idle the Wilson station?

d. What are the attendant risks (i.e., federal air emissions compliance, allocation allowances, etc.) with the decision to idle the Wilson station?

e. What is the distinction, if any, between mothballing and idling a power plant?

f. At lines 11-14, it is stated that "Big Rivers assumed that if the Century facility continues to operate in any substantial way on or after August 20, 2013, MISO would require Big Rivers to continue to operate the Coleman Station for system reliability reasons."

(1) Provide all supporting documents for this statement, including any correspondence, communications, studies, or analyses, whether internal

or external to Big Rivers, which discuss the need for the Coleman Station to be operational if Century continues to operate.

(2) Define the term "substantial" as used in the Berry Testimony.

(3) If the Coleman Station is required to be operational to support Century, explain which of the three units at the Coleman Station would have to be operational and the reasons why each unit must be operational.

g. If Century does not continue to substantially operate its Hawesville facility on or after August 20, 2013, explain whether there would be cost savings or other factors that would support idling the Coleman Station rather than idling the Wilson Station. Provide a detailed cost analysis comparing the idling of the Coleman Station versus the idling of the Wilson Station.

22. Refer to the Berry Testimony, pages 26-29, regarding the incremental transmission costs resulting from being a member of MISO. Explain in detail any known or potential incremental costs that would be charged to Big Rivers by MISO if Century continues to operate but is not a retail customer of Kenergy Corp.

23. Refer to the Direct Testimony of David C. Crockett ("Crockett Testimony") at pages 5-7.

a. Provide Big Rivers' most recent three-year construction work plan.

b. Provide, in comparative form, for the years 2008 through 2012 and the forecast period, the fixed department expenses for transmission.

24. Refer to the Crocket Testimony, at page 10, lines 11-19. Provide the Midwest ISO transmission export study.

25. Refer to the Speed Testimony at page 15. Provide a breakdown of the estimated rate-case expenses of approximately $1.6 million.

26. Refer to the Speed Testimony at page 18, lines 21-22. Provide the Big Rivers 2014-2016 financial plans which received board approval November 16, 2012.

27. Refer to the Direct Testimony of Lindsay N. Barron at page 8, line 19, through page 9, line 10.

a. Provide Big Rivers' demand and energy load forecast values for calendar year 2012 in the same format as used in Exhibit Barron-3 for 2013 and 2014.

b. Provide Big Rivers' actual Rural and Large Industrial energy sales for calendar year 2012.

28. Refer to the Direct Testimony of James V. Haner at pages 5-8. For each of the labor and labor-related cost items discussed on these pages, provide the actual expense levels reported on Big Rivers' statement of operations for calendar year 2011 and calendar year 2012 and the expense levels included in the forecast period.

29. Refer to page 30 of the Direct Testimony of Ted J. Kelly and Exhibit Kelly-1, page ES-6, which summarizes the 2012 Depreciation Rate Study Mr. Kelly sponsors. The summary includes a comparison of the existing depreciation rates and proposed depreciation rates applied to Big Rivers' July 31, 2012 plant balances, which results in a comparison of annual depreciation expense at existing and proposed rates. Provide a similar summary of annual depreciation expense at existing and proposed depreciation rates based on the average plant balances for the forecast period.

30. Refer to Exhibit Kelly-1 "2012 Depreciation Study" where it states that, "[s]ince the Unwind Closing in 2009, Big Rivers has not performed major maintenance

such as valve inspections and turbine inspections on a schedule consistent with prudent utility operations." Describe the steps that Big Rivers will take to ensure that it will perform major maintenance on its generation units.

31. Refer to the Siewert Testimony at pages 8-9.

a. At the top of page 8, Mr. Siewert states that "[t]he financial model includes a calculation of the Base Fixed Energy (*i.e.*, the model assumes that Base Variable Energy is zero)."

(1) Confirm that the base variable-energy rate consists of the base fuel and non-fuel adjustment clause purchase power adjustment ("Non-FAC PPA"). If this cannot be confirmed, explain.

(2) Explain why the base variable energy is assumed to be zero in the financial model.

b. Beginning on line 17 of page 8, Mr. Siewert states that, for budgeting purposes, Big Rivers assumes all but three of the revenue items listed at the bottom of page 8 and the top of page 9 are zero. Explain why this assumption is made.

32. Refer to Exhibit Siewert-2, pages 25-26. Explain how the amounts on the Economic Reserve lines (lines 29 and 46) were calculated.

33. Refer to the Wolfram Testimony, pages 21-26 wherein Mr. Wolfram discusses the methodology used in the cost of service study ("COSS"). State whether all revenue and expense amounts in the COSS filed in this proceeding have been allocated using the same allocation factors as used in the COSS filed in Case No. 2011-00036.[2] If the response is no, explain the differences.

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[2] Case No. 2011-00036, Application of Big Rivers Electric Corporation for a General Adjustment in Rates (Ky. PSC Jan. 29, 2013).

34. Refer to pages 33-34 of the Wolfram Testimony. Starting at the bottom of page 33, Mr. Wolfram states that Big Rivers is proposing an energy charge of $.03000 for the Rural and Large Industrial Customer ("LIC") classes and that this charge "approximates Big Rivers' annual production cost on a per-unit basis." Provide the supporting calculation of Big Rivers' annual production cost on a per-unit basis.

35. Refer to page 36 of the Wolfram Testimony, lines 4-6. Mr. Wolfram states that the estimated impact of the Member Rate Stability Mechanism is a credit of $.0101 per kWh for the Rural class and a credit of $.0093 per kWh for the LIC class. Provide the supporting calculations for these amounts.

36. Refer to page 37 of the Wolfram Testimony, lines 5-8, which state that if the Commission issues an order on rehearing in Case No. 2011-00036 resulting in a change in base rates, Big Rivers would need to adjust the rates proposed in this proceeding. On January 29, 2013, an order on rehearing was issued in Case No. 2011-00036 which resulted in a change to Big Rivers' rates. Provide revisions of all exhibits that will change due to this change in Big Rivers' rates. For Exhibits Wolfram-3, -4, and -5 provide the revisions in both hard copy and electronic spreadsheets with the formulas intact and unprotected, and with all rows and columns accessible.

37. Refer to Exhibit Wolfram-4, page 9 of 16. Reconcile the amounts in the line item "Sales to Members" with the Total of the Current Rate Billings column for each of the rate classes in Exhibit Wolfram-5, pages 1 and 2.

38. Refer to Exhibit Wolfram-4, pages 9 and 11 of 16.

a. Explain why the amounts in line item "Net Cost Rate Base" are redacted on these pages when the amounts appear on page 3 of 16 of this exhibit.

b. If the answer to a. above is that the amounts do not need to be redacted on pages 9 and 11, explain why the amounts in line item "Net Utility Operating Margin" should be redacted on these pages given that they can be calculated by multiplying the "Net Cost Rate Base" by the "Rate of Return on Rate Base."

c. If Big Rivers agrees that the amounts for line items "Net Cost Rate Base" and "Net Utility Operating Margin" need not be redacted, provide an updated Exhibit Wolfram-4, pages 9 and 11 of 16, with the amounts un-redacted.

39. Refer to Exhibit Wolfram-4, page 11 of 16.

a. Explain why the adjustments to remove 1) fuel expense recoverable through the fuel adjustment clause ("FAC"); 2) expense recoverable through the environmental surcharge; 3) Non-FAC PPA; and 4) lobbying expenses differ from the same titled adjustments on Exhibit Wolfram-2, page 1 of 14.

b. Reconcile the "Total Operating Expenses" on this page with Exhibit Wolfram-2, page 1 of 14, Adjusted Cost of Service of $423,330,643.

40. Refer to Exhibit Wolfram-5.

a. Refer to page 1 of 4.

(1) Explain why the Rural Proposed Rate Billings show a total $90,190,052 for the Demand Charge rather than $90,212,934 (calculated by multiplying 5,322,297 kW times $16.95).

(2) Explain why the LIC Proposed Rate Billings show a total $20,788,374 for the Demand Charge rather than $20,781,711 (calculated by multiplying 1,674,594 kW times $12.41).

(3) Explain why, under the Proposed Rate, the Environmental Surcharge rate of $.003744 for the Rural class and $.002957 for the LIC class do not reconcile with the Test Period Total column on Exhibit Siewert-2, page 25, line 26, and page 26, line 43, respectively.

b. Refer to page 2 of 4. Explain why, under the Proposed Rate, the Environmental Surcharge rate of $.002746 for the Smelter class does not reconcile with the Test Period Total column on Exhibit Siewert-2, page 27, line 69.

c. Refer to page 3 of 4, Note A. Under the proposed column, explain why the Demand Charge per kWh should not be $.017347 (calculated by dividing 12.41 by 715.4) instead of the $.07353 shown. If the Demand Charge should be $.017347, explain why the total charge should not be $.047597 rather than the $.047603 shown.

d. Refer to page 3 of 4, Note B. Under the proposed rate column, did Big Rivers intend to show the FAC base as $.020932 rather than $.01072 and a Total Base Variable Energy Charge of $.021806 rather than $.011594? If yes, confirm that this amount should appear as the current charge as well as the proposed charge on this page. If no, explain the origin of the $.01072 FAC base.

e. Refer to page 4 of 4. Confirm that the last column on this page indicates that, on top of the increase proposed in base rates, the Rural class will experience an additional increase in environmental costs of $404,795 due to the proposed increase in base rates. If this cannot be confirmed, explain.

41. State whether Big Rivers has any facilities, including coal handing facilities, that are included in rate base but no longer used and useful.

Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED FEB 1 4 2013

cc: Parties of Record

Mark A Bailey
President CEO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42419-0024

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

Honorable Thomas C Brite
Attorney At Law
Brite & Hopkins, PLLC
83 Ballpark Road
P.O. Box 309
Hardinsburg, KENTUCKY 40143

G. Kelly Nuckols
President & Ceo
Jackson Purchase Energy Corporation
2900 Irvin Cobb Drive
P. O. Box 4030
Paducah, KY 42002-4030

David Brown
Stites & Harbison, PLLC
1800 Providian Center
400 West Market Street
Louisville, KENTUCKY 40202

Billie J Richert
Vice President Accounting, Rates & CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42419-0024

Jennifer B Hans
Assistant Attorney General's Office
1024 Capital Center Drive, Ste 200
Frankfort, KENTUCKY 40601-8204

Donald P Seberger
Rio Tinto Alcan
8770 West Bryn Mawr Avenue
Chicago, ILLINOIS 60631

J. Christopher Hopgood
Dorsey, King, Gray, Norment & Hopgood
318 Second Street
Henderson, KENTUCKY 42420

Melissa D Yates
Attorney
Denton & Keuler, LLP
555 Jefferson Street
P. O. Box 929
Paducah, KENTUCKY 42002-0929

Honorable Michael L Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

Burns E Mercer
Manager
Meade County R.E.C.C.
P. O. Box 489
Brandenburg, KY 40108-0489