

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE APPLICATION OF THE	)	
FUEL ADJUSTMENT CLAUSE OF BIG RIVERS	)	CASE NO. 90-360-C
ELECTRIC CORPORATION FROM NOVEMBER 1,	)	
1991 TO APRIL 30, 1992	)	

O R D E R

IT IS ORDERED that Big Rivers Electric Corporation ("Big Rivers") shall file within 13 days of the date of this Order the original and 15 copies (unless a smaller number is specified) of the following information with the Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. If any information requested herein has been previously placed in the record, reference may be made to the specific location of said information in responding to this information request.

1. Exhibit 3.5 of Overland's report to the Commission shows member and non-member MWH sales for the calendar years 1983 through 1992.

a. For 1990, provide member and non-member MWH sales totals for the months of November and December.

b. For 1992, provide member and non-member MWH sales total for the 10-month period January through October.

c. For 1990, provide the levels of fuel costs charged against member and non-member MWH sales for the months of November and December.

d. For calendar year 1991, provide the levels of fuel costs charged against member and non-member MWH sales for the entire year.

e. For calendar year 1992, provide the levels of fuel costs charged against member and non-member sales for the entire year and for the 10-month period January through October.

f. Provide Big Rivers' forecasted KWH sales (show member and non-member sales separately) for each year from 1993 through the last year included in the latest forecast.

g. Provide a comparison of Big Rivers' actual KWH sales and forecasted sales for the years 1990, 1991 and 1992 and for the eight months from January through August 1993. Show member and non-member sales separately.

2. Greenwell's testimony indicates that coal with less than 1.95 pounds SO<sup>2</sup>/MMBTU cannot be burned in the Coleman units without making modifications to the units' precipitators at a cost of approximately \$10,000,000. Provide a detailed explanation, with supporting workpapers, of the \$10,000,000 cost estimate.

3. Major's testimony, beginning at page 10, takes issue with Overland's calculation of the Net Present Value ("NPV") of Contract 905 with E & M Coal. Overland states, at page 14-28 of its report, that its Exhibit 14-2 is a study of the economics of Contract 905 as of November 1989 when the contract was first proposed.

a. Explain why it is appropriate to adjust the E & M prices in Overland's evaluation to reflect actual 1992 prices paid for deliveries from E & M Coal.

b. Explain why it is appropriate to adjust the estimated replacement prices to reflect actual 1991 prices paid by other utilities with plants located on the Ohio River.

4. Major's testimony, at Exhibits RLM-5, RLM-6 and RLM-7, makes 3 different calculations of the NPV of Contract 905. For each exhibit, there appear to be errors in the cumulative cost for medium sulfur coal and cumulative total cost for medium sulfur and low sulfur coal for both the Contract 905 calculation and the replacement coal calculation. It appears that the amounts for years 1990 and 1991 are not included in the totals but it is not clear if the NPV calculation is affected. Provide any necessary modifications to these exhibits.

5. Craig's testimony, at pages 2 through 5, discusses Amendment No. 1 to Contract 527 with Green River Coal Company ("GRCC"). On page 3, Witness Craig indicates that \$5.4 million

would have been the increased cost for coal delivered in 1988 if the issue of productivity factors had been lost in arbitration.

a. Provide a calculation of the additional costs that would have been incurred for each year prior to 1988.

b. Overland's report at page 15-17 indicates that Big Rivers received minimal legal advice concerning GRCC's claim. In Witness Craig's opinion, why was it appropriate to pursue a compromise on a contractual issue without extensive discussion with Big Rivers' outside counsel for fuel matters?

6. Quinlan's testimony concludes that Big Rivers' decision to agree to Amendment No. 1 to Contract 527 was reasonable.

a. Based on Witness Quinlan's experience, what were the possible outcomes confronting Big Rivers if it had gone to arbitration over the productivity adjustment?

b. Witness Quinlan concludes that Amendment No. 1 was a fair and equitable settlement considering the strength of the arguments of the contesting parties; however, his testimony focuses only on the strengths of GRCC's position. Identify and describe the strengths of Big Rivers' position.

c. Other than avoided litigation costs, identify and describe the costs and risks that GRCC faced and avoided by entering into Amendment No. 1.

7. Provide one copy of the minutes of all meetings of Big Rivers' Board of Directors since January 1, 1980.

8. Provide a listing of all persons who have served on Big Rivers' Board of Directors since January 1, 1980. This listing


should include the individual's name, address, and the beginning and ending dates of his or her term of service.

Done at Frankfort, Kentucky, this 17th day of September, 1993.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

  
Executive Director