COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION S PURCHASE AND SALES TARIFFS FOR COGENERATORS AND SMALL POWER PRODUCERS	))))	CASE NO. 99-354

O R D E R

IT IS ORDERED that Big Rivers Electric Corporation (Big Rivers) shall file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than October 18, 1999. 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. Where information requested herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Section d(1) of Rate Schedule 8 states that Big Rivers has no avoided capacity costs and therefore, the capacity purchase rate is zero. This is discussed further at pages 2-3 of the transmittal letter.

a. Explain why it is appropriate for Big Rivers to treat 100 percent of the purchase price under its contract with LG&E Energy Marketing (LEM) as energy costs when Mr. Frank Graves testified on behalf of Big Rivers in Case No. 97-204[1] that its post-restructuring variable costs were somewhat artificial due to the all-energy nature of the purchase terms of the contract with LEM.

b. Mr. Graves stated that an artificially large portion of Big Rivers post-restructuring revenue requirement appears to be variable. Had the deal been struck with a two-part charge to Big Rivers, splitting the demand and energy terms that correspond to fixed and variable plant costs, then Big Rivers would have faced much lower variable costs. Given this testimony, explain why some portion of the energy charges paid to LEM should not be considered to be fixed (capacity) costs for purposes of developing Big Rivers avoided costs.

c. Mr. Graves also testified that even with the terms of the LEM contract being what they were, that Big Rivers variable costs were only $15.37 per Megawatt-hour, net of the take-or-pay obligation included in the contract. Explain why this testimony has not been relied upon by Big Rivers in developing its avoided costs.

2. For the period of time that since Big Rivers has been purchasing power from LEM provide the fuel cost component of the energy charges that Big Rivers has been charged. If Big Rivers does not possess this information or is

[1] Case No. 97-204, The Application of Big Rivers Electric Corporation, Louisville Gas and Electric Company, Western Kentucky Energy Corp., Western Kentucky Leasing Corp., and LG&E Station Two, Inc. for Approval of Wholesale Rate Adjustment for Big Rivers Electric Corporation and for Approval of Transaction.

unable to obtain this information from LEM, provide Big Rivers best estimate of the fuel cost component based on its knowledge of: (1) the quality of coal that the Big Rivers generating unit are designed to burn; (2) the operating characteristics of the units; and (3) Big Rivers knowledge of the prices currently being paid for high sulfur coal by utilities with generating plants in the same region in which Big Rivers operates, including, but not limited to, Tennessee Valley Authority, Owensboro Municipal Utilities, Southern Indiana Gas and Electric Company, and AEP-Indiana.

3. In Case No. 99-360[2] presently pending before the Commission, Big Rivers has proposed Expansion Demand and Expansion Energy Rates based on the market cost of power purchased from third-party power suppliers to serve new and expanded loads. Explain why the costs incurred under these power purchase arrangements should not be recognized as Big Rivers avoided costs.

4. Explain why an On-peak Maintenance Service rate charged at 110% of the price at the time of scheduling of a block of energy obtainable in the futures market is a fair, just, and reasonable rate.

5. On page six of its transmittal letter, Big Rivers claims that interruptible unscheduled back-up and interruptible scheduled maintenance power will not be made available given uncertainties involved in such a transaction. Describe these uncertainties and why they prevent Big Rivers from filing a formal tariff for such power.

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[2] Case No. 99-360, The Tariff Filing of Big Rivers Electric Corporation to Revise the Large Industrial Customer Rate Schedule.

6. Explain why the proposed Excess Demand charge is fair, just, and reasonable.

7. Provide a detailed explanation why Supplemental, Unscheduled, and Maintenance charges are equivalent to the approved rural rates and not the large customer rates.

Done at Frankfort, Kentucky, this 8th day of October, 1999.

ATTEST:

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Executive Director