

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC)	
CORPORATION FOR A GENERAL)	CASE NO.
ADJUSTMENT IN RATES SUPPORTED BY)	2013-00199
FULLY FORECASTED TEST PERIOD)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO THE ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), pursuant to 807 KAR 5:001, is requested 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 November 22, 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.

The AG 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

the AG 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 page 13 of the Direct Testimony of David Brevitz (“Brevitz Testimony”). Beginning at line 14, Mr. Brevitz states that “[t]he reduction in revenues from the departure of the smelters has triggered significant negotiations among BREC and its lenders.” Provide the basis for this statement.

2. Refer to page 40 of the Brevitz Testimony. Beginning at line 7, Mr. Brevitz states that “[r]eserve funds should not be dissipated pursuing a mitigation strategy unlikely to succeed and with demonstrable lack of benefit to customers.” Refer also to page 52 of the Brevitz Testimony, line 17, wherein Mr. Brevitz states that “[r]eserve funds would be best and most appropriately used at this juncture to support a transition while BREC is taking concrete steps to reduce its scale of operations.” State whether it is the AG’s position that no change should be made to the current Member Rate Stability Mechanism and Rural Economic Reserve tariffs. If the AG proposes a change, explain the proposal in detail.

3. Refer to confidential Exhibit Holloway-3, page 11 of 19, to the Direct Testimony of Larry W. Holloway, specifically, the second sentence of the second full paragraph on the page. The last clause in the sentence reads, “selling the units

immediately and retiring the associated debt would save the annual costs discussed above of approximately \$__ million.” Explain whether the confidential amount in that sentence refers to an amount that is equal to or different from the sum of the total costs in the two columns in the table at the top of the page.

4. In Case No. 2012-00535,¹ Mr. Holloway testified regarding the rate design proposed in that case by Big Rivers Electric Corporation (“Big Rivers”). Explain whether the AG has a position on the overall rate design proposed by Big Rivers in this proceeding.

5. Refer to page 10, lines 3-9, of the Direct Testimony of Bion C. Ostrander (“Ostrander Testimony”).

a. The response beginning on line 3 reads as follows: “I am proposing a 1.10 TIER, and this is the only interest coverage ratio contractually required of BREC at this time per existing loan agreements....” Clarify whether this means Mr. Ostrander’s proposal to use a Times Interest Earned Ratio (“TIER”) of 1.10 is based on this being the minimum coverage ratio Big Rivers is required to meet on an annual basis.

b. Beginning on line 5, the response reads, “The Commission previously approved a ‘Contract’ TIER of 1.24 for BREC, but only because this was required by BREC’s agreements (‘Smelter Contracts’) with its two aluminum smelters, Century and Alcan, which have since departed—and thus the ‘Contract’ TIER of 1.24 is now not applicable.” Explain whether Mr. Ostrander has reviewed the discussion on page 41 of the Commission’s October 29, 2013 rate Order in Case No. 2012-00535.

¹ Case No. 2012-00535, Application of Big Rivers Electric Corporation for an Adjustment of Rates (Ky. PSC Oct. 29, 2013).

6. Refer to page 11, lines 23-26, of the Ostrander Testimony, which refer to Big Rivers' TIERs for the years 2010 through 2012 as having ranged from 1.12 to 1.25, and states that such TIERs demonstrate "that BREC's financial problems are more precarious and deep-seated and will not be resolved by a higher authorized TIER." Explain whether Mr. Ostrander is aware of Big Rivers' Commission-authorized TIER during the period of 2010 through 2012.

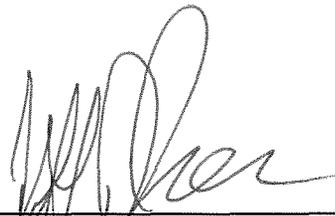
7. Refer to pages 35-37 of the Ostrander Testimony, Exhibit BCO-2, Schedule A-5, to the Ostrander Testimony, and Big Rivers' response to AG Request 1-289. The response to AG Request 1-289, which is cited in the testimony, included the employee count of 589 at the end of the historical part of the base period in addition to the employee count of 611 at the end of the forecasted part of the base period.

a. Explain why 611 was used as the average number of employees in the base period on line 12 of the exhibit when the response to AG Request 1-289 indicates that the average number of employees would be something less than 611.

b. Beginning on page 36, line 16, of the testimony, Mr. Ostrander states, "BREC has not provided any meaningful and detailed explanation, documentation, or calculations to support the proposed changes in costs (and underlying assumptions) for the period stemming from the most recent actual December 31, 2012 results, through the base period ending September 31, (sic) 2013, and through the final fully forecasted test period ending January 31, 2015." Provide Mr. Ostrander's explanation for why it is reasonable to assume that the "average payroll expense per employee (labor and benefits)" for all Big Rivers' employees should be used to calculate the reduction in

costs related to 180 employees removed from Big Rivers' payroll from the base period to the forecasted period (611 less 431).

8. Refer to page 37 of the Ostrander Testimony wherein Mr. Ostrander discusses his proposed adjustment to remove forecasted test-period general pay increases and Exhibit BCO-2, Schedule A-6. Explain whether Mr. Ostrander's position on any of the pay increases identified in the confidential portion of page 37 would change in the event Big Rivers was able to show the actual increase amounts after the planned dates of the pay increases.



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DATED NOV 12 2013

cc: Parties of Record

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