



**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**ELECTRONIC APPLICATION OF BIG RIVERS)
ELECTRIC CORPORATION FOR A CERTIFICATE)
OF CONVENIENCE AND NECESSITY)
AUTHORIZING CONSTRUCTION OF A NEW)
HEADQUARTERS FACILITY AND AN ORDER)
AUTHORIZING BIG RIVERS TO SELL ITS)
EXISTING HEADQUARTERS FACILITY)**

**Case No.
2021-00314**

APPLICATION

and

APPLICATION EXHIBITS

FILED: August 26, 2021

1 Corporation. Big Rivers' mailing address is P.O. Box 24, Henderson, Kentucky
2 42419-0024, and its street address is 201 Third Street, Henderson, Kentucky 42420.
3 Big Rivers' address for electronic mail service is regulatory@bigrivers.com. 807
4 KAR 5:001 Section 14(1).

5 3. Big Rivers owns generating assets and purchases, transmits, and sells
6 electricity at wholesale. Its principal purpose is to provide the wholesale electricity
7 requirements of its three distribution cooperative members: Jackson Purchase
8 Energy Corporation, Kenergy Corp., and Meade County Rural Electric Cooperative
9 Corporation (collectively, the "*Members*"). The Members in turn provide retail
10 electric service to approximately 119,000 consumer/retail members located in 22
11 western Kentucky counties: Ballard, Breckenridge, Caldwell, Carlisle, Crittenden,
12 Daviess, Graves, Grayson, Hancock, Hardin, Henderson, Hopkins, Livingston,
13 Lyon, Marshall, McCracken, Mclean, Meade, Muhlenberg, Ohio, Union and
14 Webster.

15 4. Big Rivers was incorporated in the Commonwealth of Kentucky on
16 June 14, 1961, and hereby attests that it is currently in good standing in Kentucky.
17 807 KAR 5:001 Section 8(3). 807 KAR 5:001 Section 14(2).

18 5. A table of each regulatory requirement for this filing, cross-referenced
19 to the location in this Application where that requirement is satisfied, is attached
20 hereto as Exhibit A.

1 **II. BACKGROUND**

2 6. The facts relied upon to show that the proposed construction is
3 required by the public convenience or necessity are stated in the accompanying
4 Direct Testimonies of Robert W. Berry and Robert F. Toerne. 807 KAR 5:001
5 Section 15(2)(a),

6 7. The permits needed to construct the proposed headquarters building
7 are the permits typically required for the construction of any office building.¹ Big
8 Rivers will obtain all required permits at the appropriate time and prior to
9 construction. Big Rivers does not anticipate acquiring the required permits until a
10 CPCN is granted, and as such, to the extent necessary, Big Rivers requests that the
11 Commission allow it to deviate from the requirements of 807 KAR 5:001 Section
12 15(2)(b). The deviation requested is authorized by 807 KAR 5:001 Section 22.

13 8. A full description of the proposed location of the new construction,
14 including a description of the manner in which the same will be constructed is
15 contained in the Direct Testimony of Robert W. Berry and Robert F. Toerne’s Direct
16 Testimony and exhibits. Big Rivers further states that there are no public utilities,
17 corporations, or person with whom the proposed headquarters is likely to compete.
18 807 KAR 5:001 Section 15(2)(c).

¹ Big Rivers anticipates needing permits including the following: (1) Daviess County Planning & Zoning Approval; (2) Kentucky Building Code Permit from Daviess County; (3) Electrical Permit from Daviess County; (4) Mechanical & Plumbing Permits from the State of Kentucky; (5) a permit from the Kentucky Division of Water for land disturbance; and (6) a permit from the Kentucky Division of Water for sanitary sewer extension.

1 9. Maps to suitable scale, in pdf format, showing the proposed location of
2 the proposed new construction are attached as Exhibit B. 807 KAR 5:001 Section
3 15(2)(d)(1). In accordance with the Commission’s COVID-related Orders in Case
4 No. 2020-00085, Big Rivers is not filing two paper copies of the maps.²

5 10. Plans and specifications and drawings of the proposed new
6 construction are attached as Exhibit C. 807 KAR 5:001 Section 15(2)(d)(2).

7 11. As discussed in more detail in the Direct Testimony of Paul G. Smith,
8 Big Rivers is pursuing partial financing the project through the U.S. Treasury
9 Department’s New Markets Tax Credits (“*NMTC*”) Program. Big Rivers is working
10 with two Community Development Entities (“*CDEs*”), through whom the funding
11 under the program would flow. The CDEs expect the Treasury Department’s
12 Community Development Financial Institutions Fund to allocate program funds for
13 this year in September. Once the CDEs receive their allocation, they will begin
14 making decisions on which projects they wish to fund. Big Rivers plans to fund
15 project costs in excess of any available NMTC funding with general cash reserves,
16 although Big Rivers is also exploring financing such costs through the Rural
17 Utilities Service, Cooperative Finance Corporation, and local banks. Big Rivers will
18 seek approval as necessary under KRS 278.300 of any financing related to the

² As the Commission’s July 22, 2021, Order in Case No. 2020-00085 does not specifically reference 807 KAR 5:001 Section 15(2)(d)’s requirement for two (2) copies in paper medium of the maps and plan, specifications, and drawings, to the extent necessary, Big Rivers requests that the Commission allow it to deviate from the requirements of 807 KAR 5:001 Section 15(2)(d). The deviation requested is authorized by 807 KAR 5:001 Section 22.

1 project's cost in a subsequent proceeding. *See* the Direct Testimony of Paul G.
2 Smith. 807 KAR 5:001 Section 15(2)(e).

3 12. The estimated annual cost of operation of the proposed headquarters
4 facility after it is placed into service is in Mr. Smith's Direct Testimony. 807 KAR
5 5:001 Section 15(2)(f).

6 13. For all of the reasons stated above and in the accompanying
7 testimonies, construction of the proposed headquarters is necessary, is in the public
8 interest, and will not result in wasteful duplication of facilities. As such, Big Rivers
9 respectfully requests that the Commission grant a CPCN for the proposed
10 construction.

11 **III. OVERVIEW OF TESTIMONY**

12 14. In support of this Application, Big Rivers is tendering the direct
13 testimony of the following witnesses:

- 14 a. Robert W. Berry. Mr. Berry offers testimony describing (1) Big Rivers'
15 existing headquarters; (2) Big Rivers' review of alternatives to meet its
16 headquarters facility needs; and (3) the reasonableness of selecting the
17 option of constructing a new headquarters building in downtown
18 Owensboro, Kentucky, including the incentives offered by the City of
19 Owensboro that made the relocation economically desirable for Big
20 Rivers. Mr. Berry's testimony is attached hereto as Exhibit D and is
21 incorporated herein by reference.

1 b. Robert F. Toerne. Mr. Toerne offers testimony describing (1) the
2 deficiencies of the existing headquarters and why it no longer meets
3 Big Rivers' needs; (2) how the new headquarters building addresses
4 the deficiencies of the existing headquarters; (3) the scope and
5 technical details of the proposed headquarters construction project;
6 and (4) the methods by which various estimated cost components of the
7 proposed headquarters building were calculated. Mr. Toerne's
8 testimony is attached hereto as Exhibit E and is incorporated herein
9 by reference.

10 a. Paul G. Smith. Mr. Smith offers testimony in support of Big Rivers'
11 request for a CPCN and (1) describes and summarizes the financial
12 impacts of constructing and operating a new corporate headquarters in
13 Owensboro, Kentucky, and selling Big Rivers' existing headquarters
14 properties; (2) describes the various financial components of the
15 project, including (i) the net capital investment; (ii) the financing; and
16 (iii) the annual operating cost; and (3) provides a cost analysis of
17 alternatives reviewed. Mr. Smith's testimony is attached hereto as
18 Exhibit F and is incorporated herein by reference.

19 **IV. REQUEST FOR APPROVAL TO SELL BIG RIVERS' CURRENT**
20 **HEADQUARTERS PROPERTIERS**

21 15. If the Commission grants Big Rivers a CPCN authorizing the
22 construction of the new headquarters building, Big Rivers expects to sell its existing
23 headquarters. A description of the properties comprising the existing headquarters

1 and a narrative description of Big Rivers' plan for marketing those properties are
2 contained in the Direct Testimony of Robert W. Berry. Those properties have an
3 original book value in excess of \$1 million, and will be sold because the new office
4 space will eliminate the need for the current facility. Big Rivers accordingly
5 requests approval from the Commission under KRS 278.218 to sell the properties
6 that make up its existing headquarters.

7 **V. TIMELINE**

8 16. As Mr. Smith discusses in his testimony, Big Rivers is pursuing
9 financing the project through the NMTC Program. The CDEs that Big Rivers is
10 working with expect the program funds for this year to be allocated in September,
11 and the sooner thereafter that Big Rivers is in a position to begin construction on its
12 new headquarters, the more likely it is to be a successful applicant. The CDEs Big
13 Rivers is working with have both stressed that having a project ready for
14 construction by the end of the year is significant. As such, Big Rivers respectfully
15 requests that the relief requested herein be awarded by the Commission as soon as
16 practicable, but no later than November 24, 2021, which is ninety (90) days after
17 the filing of this Application. This would provide important certainty for the CDEs
18 that Big Rivers will have a project ready with enough time to work with the CDEs
19 to secure NMTC funding, by the end of the year, should Big Rivers be chosen as a
20 successful applicant.

21 17. The timing of the filing of this Application was dependent on many
22 moving pieces. For example, Big Rivers has made three offers over the past few

1 years to purchase the City of Henderson’s municipal electric system, which Big
2 Rivers believes would have resulted in significant savings and other benefits to the
3 retail customers on both the Henderson system and the Big Rivers system. Big
4 Rivers’ last proposal to purchase Henderson’s system, made earlier this year,
5 included an offer to leave the approximately 30 personnel stationed at Big Rivers’
6 Energy Transmission & Substation facility (“*ET&S*”) in Henderson. After
7 Henderson rejected this offer last month, Big Rivers decided to consolidate its
8 transmission functions, combining *ET&S* with the transmission Engineering and
9 Energy Control departments from Big Rivers’ headquarters, likely in a new
10 location, for reasons fully explained in the accompanying Direct Testimony of
11 Robert F. Toerne. This decision had a significant impact on the final design of the
12 proposed headquarters building.

13 18. Once the final building design was complete, Big Rivers sought to
14 finalize its agreement with the City of Owensboro. The Owensboro City
15 Commission approved the incentives needed for Big Rivers to agree to relocate its
16 headquarters to Owensboro on August 10, 2021, with the resulting Memorandum of
17 Understanding between Big Rivers and the City being executed on August 23, 2021.
18 That arrangement led to discussions between Big Rivers and a developer who is
19 currently leasing the proposed headquarters property for parking. Big Rivers
20 entered into a final agreement with that developer on August 23, 2021. Big Rivers
21 has diligently worked to file this Application promptly after executing the
22 agreements with the Owensboro City Commission’s and the developer.

1 **VI. CONCLUSION**

2 WHEREFORE, Big Rivers respectfully requests that the Commission enter
3 an Order, (1) granting Big Rivers a CPCN authorizing the proposed construction;
4 (2) granting Big Rivers approval to sell the properties that comprise its existing
5 headquarters; (3) granting Big Rivers a deviation from the requirements of 807
6 KAR 5:001 Sections 15(2)(b) and (d), to the extent necessary; and (4) granting all
7 other relief to which Big Rivers may be entitled.

8 On this 26th day of August, 2021.

9 Respectfully submitted,

10
11 */s/ Tyson Kamuf*

12
13 _____
14 Tyson Kamuf
15 Senthia Santana
16 Gregory E. Mayes, Jr.
17 Big Rivers Electric Corporation
18 201 Third Street
19 P.O. Box 24
20 Henderson, Kentucky 42419-0024
21 Phone: (270) 827-2561
22 Facsimile: (270) 844-6417
23 tyson.kamuf@bigrivers.com
24 senthia.santana@bigrivers.com
25 gregory.mayes@bigrivers.com

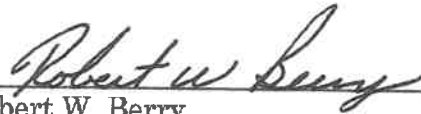
26 *Counsel for Big Rivers Electric*
27 *Corporation*

BIG RIVERS ELECTRIC CORPORATION

**ELECTRONIC APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING
CONSTRUCTION OF A NEW HEADQUARTERS FACILITY AND AN ORDER
AUTHORIZING BIG RIVERS TO SELL ITS EXISTING HEADQUARTERS FACILITY
CASE NO. 2021-00314**

VERIFICATION

I, Robert W. Berry, President and Chief Executive Officer for Big Rivers Electric Corporation, hereby state that I have read the foregoing Application and that the statements contained therein are true and correct to the best of my knowledge and belief, on this 21st day of August, 2021.

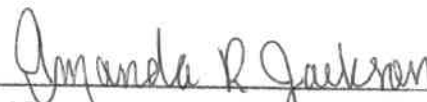


Robert W. Berry
President and Chief Executive Officer
Big Rivers Electric Corporation

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

21st SUBSCRIBED AND SWORN TO before me by Robert W. Berry on this the
day of August, 2021.

Amanda R. Jackson
NOTARY PUBLIC
STATE AT LARGE
KENTUCKY
ID. # 619869
MY COMMISSION EXPIRES March 22, 2023



Notary Public, Kentucky State at Large

My Commission Expires

03/22/2023

BIG RIVERS ELECTRIC CORPORATION
REFERENCES FOR COMPLIANCE WITH REGULATORY REQUIREMENTS
Case No. 2021-00314

<u>Regulation</u>	<u>Filing Requirement</u>	<u>Location in Application</u>
807 KAR 5:001 Section 14(1)	The full name, mailing address, and electronic mail address of the applicant.	Application ¶ 2
807 KAR 5:001 Section 14(1)	Fully the facts on which the application is based, with a request for the order, authorization, permission, or certificate desired and a reference to the particular law requiring or providing for the information.	Application; Application ¶¶ 1, 6-7, 9, 13-15; Application Section VI; Application Exhibits.
807 KAR 5:001 Section 14(2)	If a corporation, the applicant shall identify in the application the state in which it is incorporated and the date of its incorporation, attest that it is currently in good standing in the state in which it is incorporated.	Application ¶ 4
807 KAR 5:001 Section 15(2)(a)	The facts relied upon to show that the proposed construction or extension is or will be required by public convenience or necessity.	Application ¶ 6; Exhibit D (Berry Testimony); Exhibit E (Toerne Testimony); Exhibit F (Smith Testimony)
807 KAR 5:001 Section 15(2)(b)	Copies of franchises or permits, if any, from the proper public authority for the proposed construction or extension, if not previously filed with the commission.	Application ¶ 7
807 KAR 5:001 Section 15(2)(c)	A full description of the proposed location, route, or routes of the proposed construction or extension, including a description of the manner of the construction and the names of all public utilities, corporations, or persons with whom the proposed construction or extension is likely to compete.	Application ¶¶ 8-10; Exhibit B (maps); Exhibit C (plans and specifications); Exhibit D (Berry Testimony); Exhibit E (Toerne Testimony)
807 KAR 5:001 Section 15(2)(d)	One (1) copy in portable document format on electronic storage medium and two (2) copies in paper medium of:	
	1. Maps to suitable scale showing the location or route of the proposed construction or extension, as well as the location to scale of like facilities owned by others located anywhere within the map area with adequate identification as to the ownership of the other facilities; and	Application Exhibit B
	2. Plans and specifications and drawings of the proposed plant, equipment, and facilities.	Application Exhibit C
807 KAR 5:001 Section 15(2)(e)	The manner in detail in which the applicant proposes to finance the proposed construction or extension.	Application ¶ 11; Exhibit F (Smith Testimony)
807 KAR 5:001 Section 15(2)(f)	An estimated annual cost of operation after the proposed facilities are placed into service.	Application ¶ 12; Exhibit F (Smith Testimony)



Owensboro Convention Center

Cs-1035

W-Veterans Blvd

W 1st St

Holiday Inn Owensboro

W 2nd St

Boardwalk Pipeline LLPs

Big Rivers Proposed HQ

St. Elizabeth St

W 3rd St

Elm St

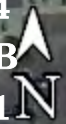
Walnut St

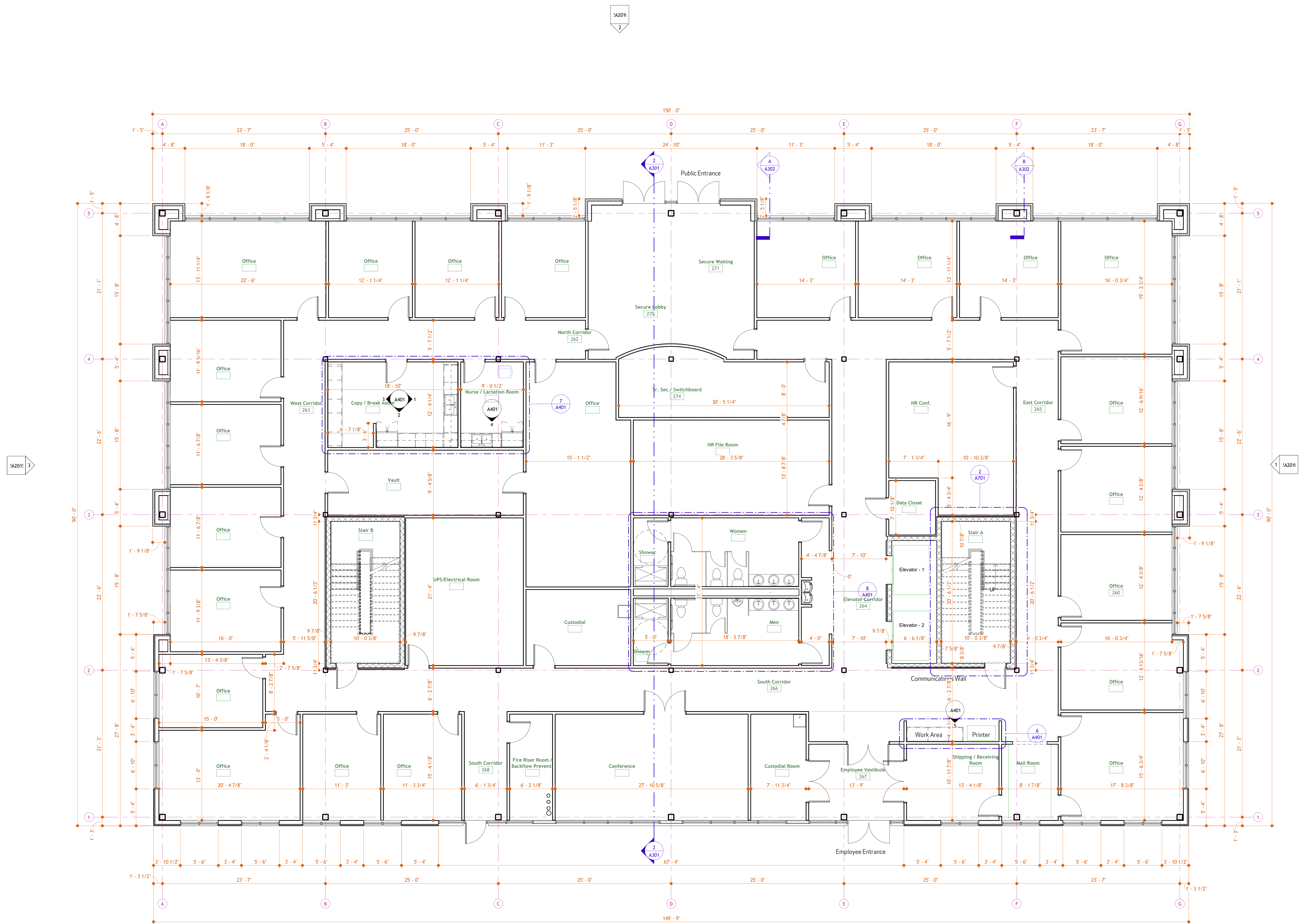
Cedar St

Locust St

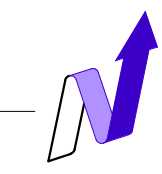
Federica St

W 4th St



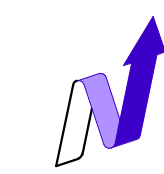


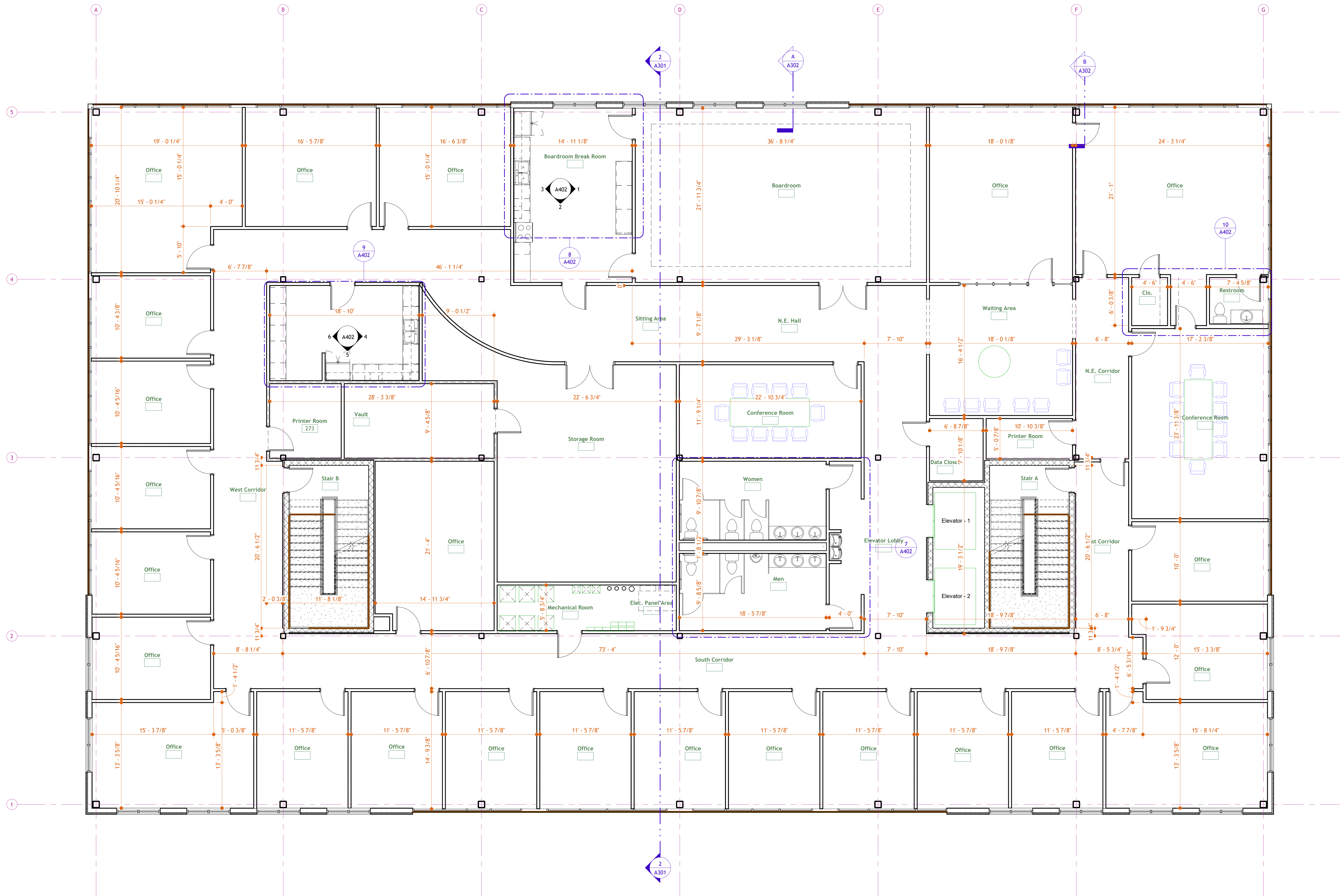
1 First Floor Plan
3/16" = 1'-0"



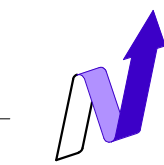


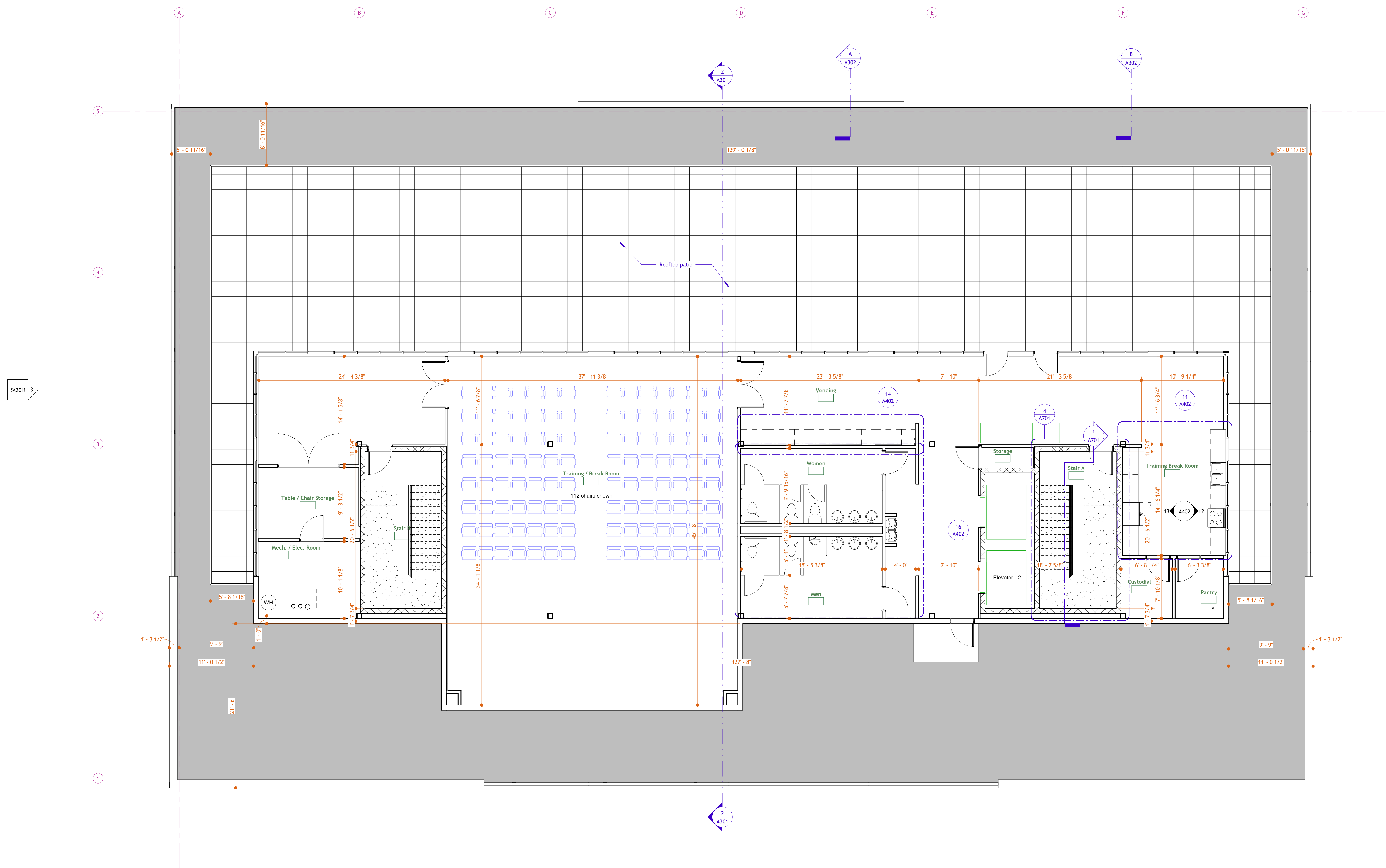
1 Second Floor Plan
3/16" = 1'-0"





1 Third Floor Plan
3/16" = 1'-0"





1 Fourth Floor Plan
3/16" = 1'-0"



**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**ELECTRONIC APPLICATION OF BIG RIVERS)
ELECTRIC CORPORATION FOR A)
CERTIFICATE OF CONVENIENCE AND)
NECESSITY AUTHORIZING CONSTRUCTION)
OF A NEW HEADQUARTERS FACILITY AND)
AN ORDER AUTHORIZING BIG RIVERS TO)
SELL ITS EXISTING HEADQUARTERS)
FACILITY)**

**Case No.
2021-00314**

DIRECT TESTIMONY

OF

**ROBERT W. BERRY
PRESIDENT AND CHIEF EXECUTIVE OFFICER**

ON BEHALF OF

BIG RIVERS ELECTRIC CORPORATION

FILED: August 26, 2021

**Case No. 2021-00314
Application Exhibit D
Direct Testimony of Robert W. Berry**

**DIRECT TESTIMONY
OF
ROBERT W. BERRY**

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1 **DIRECT TESTIMONY**

2 **OF**

3 **ROBERT W. BERRY**

4 **I. INTRODUCTION**

5 **Q. Please state your name, business address, and position.**

6 A. My name is Robert W. Berry. I am employed by Big Rivers Electric
7 Corporation ("*Big Rivers*"), 201 Third Street, Henderson, Kentucky 42420, as
8 its President and Chief Executive Officer ("*CEO*"). I have held this position
9 since July 1, 2014.

10 **Q. What is your experience in the electric utility industry prior to**
11 **assuming the position of President and Chief Executive Officer for**
12 **Big Rivers?**

13 A. From February 2013 until assuming the role of CEO, I was Big Rivers' Chief
14 Operating Officer ("*COO*"). Before that, I served as Big Rivers' Vice
15 President of Production. I held that role from the closing of the 2009
16 "*Unwind Transaction*" that unwound Big Rivers' 1998 lease of all of its
17 generating plants to Western Kentucky Energy Corporation ("*WKE*"), an
18 affiliate of Louisville Gas & Electric Company ("*LG&E*"), until I assumed the
19 role of COO. The Unwind Transaction was the subject of Case No. 2007-
20 00455.

1 Before the closing of the Unwind Transaction, I was employed by WKE
2 for 11 years, beginning as a Maintenance Manager in 1998. I held the
3 position of Plant Manager at the Big Rivers-owned Coleman Generating
4 Station from 2000 until 2003, at which time I became the Plant Manager of
5 the Big Rivers-owned Sebree Generating Station. Altogether, I have over 40
6 years of experience in the Big Rivers system, having worked for both Big
7 Rivers and WKE since 1981. A copy of my professional summary is attached
8 hereto as Exhibit Berry-1.

9 **Q. Have you previously testified before the Kentucky Public Service**
10 **Commission (“Commission”)?**

11 A. Yes. I testified on behalf of Big Rivers in Case No. 2019-00269¹ in which Big
12 Rivers requested that the Commission enforce the series of contracts between
13 Big Rivers and the City of Henderson and the City of Henderson Utility
14 Commission (collectively, “HMP&L”) related to HMP&L’s William L.
15 Newman Station (“Station Two”) generating plant and associated facilities,
16 and in Case No. 2018-00146,² in which the Commission found, among other
17 things, that various Station Two contracts had terminated. Most recently, I

¹ *In the Matter of: Application of Big Rivers Electric Corporation for Enforcement of Rate and Service Standards* (filed July 31, 2019).

² *See In the Matter of: Notice of Termination of Contracts and Application of Big Rivers Electric Corporation for a Declaratory Order and for Authority to Establish a Regulatory Asset*, P.S.C. Case No. 2018-00146, Order (Aug. 29, 2018).

1 submitted testimony in support of the Joint Application filed by Big Rivers
2 and Meade County Rural Electric Cooperative Corporation in Case No. 2019-
3 00365,³ in which the Commission approved contracts to provide electric
4 service to Nucor Corporation’s (“Nucor”) new, 400-job, \$1.7 billion steel plate
5 manufacturing mill under construction in Brandenburg, Kentucky. I also
6 testified on behalf of Big Rivers in the Unwind Transaction case (Case No.
7 2007-00455), in two cases seeking approval of contracts relating to two
8 aluminum smelters owned by subsidiaries of Century Aluminum Company
9 (Case Nos. 2013-00221 and 2013-00413), in Big Rivers’ last two general rate
10 cases (Case Nos. 2012-00535 and 2013-00199), and in its 2012 Environmental
11 Compliance Plan case (Case No. 2012-00063).

12 **Q. What is the purpose of your testimony in this proceeding?**

13 A. The purpose of my testimony is first to provide a description and history of
14 Big Rivers’ existing headquarters. Next, I will describe the need for the
15 proposed construction of a new headquarters. Finally, I will provide
16 information regarding the process Big Rivers employed to determine the best
17 option to meet our present and future headquarters needs, including the
18 reasons why we selected the construction of the proposed headquarters in
19 Owensboro, Kentucky, as the best option.

³ *In the Matter of: Electronic Joint Application of Big Rivers Electric Corporation and Meade County Rural Electric Cooperative Corporation for (1) Approval of Contracts for Electric Service with Nucor Corporation; and (2) Approval of Tariff* (filed Sept. 26, 2019).

1 **Q. Are you sponsoring any exhibits?**

2 A. Yes. I am sponsoring the following exhibits:

3 Exhibit Berry-1 – Professional Summary

4 Exhibit Berry-2 – Drawings of Big Rivers’ Existing Headquarters

5 Exhibit Berry-3 – Map of the Existing Headquarters Complex

6 Exhibit Berry-4 – Memorandum of Agreement between Owensboro and
7 Big Rivers

8 **II. THE EXISTING HEADQUARTERS**

9 **Q. Please describe Big Rivers’ existing headquarters.**

10 A. Big Rivers’ existing headquarters complex consists of a main headquarters

11 office building, three pre-engineered buildings, and three parking lots.

12 Drawings of the existing headquarters buildings are attached to my

13 testimony as Exhibit Berry-2.

14 The existing headquarters complex is located on six parcels in

15 downtown Henderson, Kentucky:

16 1) 201 Third St., Parcel ID 1-19-17 – Headquarters Office Building

17 2) 301 N. Main St., Parcel ID 1-7-2-6 – Upper Parking Lot

18 3) 0 Third & Water St., Parcel ID 1-7-2-7 – Lower Parking Lot

19 4) 314 N. Water St., Parcel ID 1-7-2-8 – Pre-Engineered Buildings

20 5) 400 N. Main St., Parcel ID 1-18-4-4 – 4th Street Parking Lot

21 6) 0 Fourth St., Parcel ID 1-18-4-3 – 4th Street Parking Lot

22

23 Exhibit Berry-3 contains a map identifying the six parcels.

24 The headquarters office building is located at 201 Third Street,

25 Henderson, Kentucky, at the corner of Main Street and Third Street, and is

26 used for administrative personnel [REDACTED] This building was

1 built in three phases. The first phase, a one-story building that contains the
2 main entry off Third Street, was completed in 1966. The second phase, a
3 second story addition to the original structure, was added in 1970. The final
4 phase added the third and fourth floors and a small penthouse housing
5 mechanical equipment in 1981. The total size of the headquarters office
6 building is 48,688 square feet. This includes the mechanical equipment
7 penthouse that consists of 1,365 square feet, but provides no additional office
8 space.

9 As referenced above, the existing headquarters complex also includes
10 three pre-engineered steel buildings. The three buildings include a
11 Communications Building, a Training Center, and a Central Laboratory (the
12 “*Central Lab*”). These buildings were built in the 1980’s, shortly after Big
13 Rivers purchased the property on which they are located. That property, 314
14 Water Street, Henderson, Kentucky, is a block away and across Main Street
15 from the existing headquarters office building.

16 The Communications Building was originally a data center supporting
17 Energy Transmission & Substation (“*ET&S*”) personnel, who are responsible
18 for transmission line and substation construction and maintenance, and
19 vegetation management. The Communications Building fronts Water Street
20 and contains 3,200 square feet, plus a 25 ft. x 80 ft. three sided exterior
21 storage/parking area. In 1996, for operational efficiencies, the data center

1 was relocated to the ET&S facility at 5650 Airline Road, Henderson,
2 Kentucky. The Communications Building now serves as a warehouse space.

3 The Training Center is directly east of the Communications Building
4 and contains 4,000 square feet. The Training Center was remodeled from a
5 warehouse with one office to the largest meeting space at the existing
6 headquarters complex. It is utilized for numerous purposes, including safety
7 trainings, Board meetings, Big Rivers' annual employee health fair, and
8 similar events.

9 The Central Lab is at the northeast corner of the site and contains
10 7,040 square feet. It houses the personnel responsible for, and the equipment
11 required to, test coal samples to confirm compliance with contractual
12 specifications, to assist with the blending of fuels to lower operating costs,
13 and to ensure the company remains in compliance with environmental rules
14 and regulations.

15 The total square footage of the three steel buildings is 14,240 square
16 feet. The total square footage of the current headquarters complex is 62,928
17 square feet, spread across the four buildings described above.

18 The existing headquarters complex also includes three parking areas.
19 The lot nearest to the headquarters office building (the "*Upper Lot*") is across
20 Main Street from the office building, contains 65 parking spaces and
21 measures 216 ft. x 107ft. Next to it is the "*Lower Lot*," which contains 63
22 spaces and measures 205 ft. x 107 ft. The third parking lot is a block east of

1 the headquarters office building on 4th Street, contains 22 parking spaces,
2 and measures 130 ft. x 51 ft.

3 **Q. What remodeling or retrofitting has Big Rivers made to the existing**
4 **headquarters since its construction?**

5 A. Big Rivers has prudently maintained its existing headquarters, supplying
6 appropriate but minimal remodeling and retrofitting to extend its usefulness.

7 The headquarters office building's HVAC systems have required significant
8 maintenance over the years, and the floor coverings have been replaced and
9 the walls repainted as needed. Safety concerns required Big Rivers to make

10 significant modifications to the elevator earlier this year. The third and
11 fourth floors of the headquarters office building were not used and were

12 minimally maintained during the lease to WKE. These floors were updated
13 in 2009 to accommodate the WKE employees returning to Big Rivers after

14 the closing of the Unwind Transaction. The second floor was remodeled in
15 2010 to update the boardroom, as well as to make various cosmetic

16 improvements. The [REDACTED]

17 [REDACTED] Most of this equipment will be

18 relocated when [REDACTED]

19 [REDACTED]

20 The Training Center was converted to a meeting space in 2014.

1 Other than a retrofit of the Central Lab in 2010 to add office cubicles
2 and cabinetry for equipment, the Central Lab has not had significant
3 updates. The normal life of a pre-engineered structure is 40 years, and the
4 three steel buildings are nearing the end of that useful life.

5 While the parking lots have been prudently maintained, they are
6 likewise reaching an age where more significant spending is required.

7 **Q. Please explain the process Big Rivers employed to determine that it**
8 **needed a new headquarters facility.**

9 A. At the completion of the construction of the final phase of the existing
10 headquarters office building (1979-1981), Big Rivers owned and operated
11 generating plants at two sites, the Kenneth C. Coleman Station and the
12 Sebree Station,⁴ and was constructing a third plant, the D.B. Wilson Station.
13 This rather rapid growth explains the headquarters growing from a single
14 story building to a four story plus building by 1981. By 1991, following the
15 commencement of commercial operation at the D.B. Wilson Station (1986),
16 Big Rivers had grown to nearly 900 employees, well over 100 of which were
17 squeezed into the existing headquarters office building.

18 From the early 1980s into the mid-1990s, Big Rivers was focused on
19 efforts to work out its financial problems associated with not being permitted

⁴ At the time, the Sebree Station contained Big Rivers' Robert A. Reid and Robert D. Green Stations, as well as the Station Two generation station owned by the City of Henderson and operated by Big Rivers.

1 to recover the cost of the Wilson Generating Station at a time when
2 anticipated demands for electricity around the country did not materialize.
3 While facing these financial problems, very little attention was given to the
4 headquarters office building beyond required maintenance.

5 These financial difficulties culminated in Big Rivers' bankruptcy and
6 restructuring, with Big Rivers exiting from bankruptcy in 1998 by leasing all
7 of its generating units to WKE and transferring most employees to WKE.
8 Following that restructuring, the headquarters office building housed 58 of
9 the just 92 remaining Big Rivers employees.

10 Recognizing that the existing headquarters was aging and no longer fit
11 its needs, Big Rivers began considering options for a new headquarters,
12 including constructing a new headquarters building on the site of Kenergy
13 Corp.'s ("*Kenergy's*") headquarters building in Henderson. At that time, the
14 plan was to meet the needs of the organization through 2023, the end of the
15 term of the lease of Big Rivers' generating facilities to WKE. However,
16 LG&E/WKE approached Big Rivers in early 2003 about an early termination
17 of the lease, which came to be known as the Unwind Transaction that closed
18 in 2009.⁵ Because the Unwind Transaction would significantly increase the

⁵ See *In the Matter of: The Applications of Big Rivers Electric Corporation for: (1) Approval of Wholesale Tariff Additions for Big Rivers Electric Corporation, (2) Approval of Transactions, (3) Approval to Issue Evidences of Indebtedness, and (4) Approval of Amendments to Contracts; and of E.On U.S., LLC, Western Kentucky Energy Corp., and LG&E Energy Marketing, Inc. for Approval of Transactions*, P.S.C. Case No. 2007-00455.

1 number of employees housed at the headquarters office building, and because
2 of the excessive cost to repair and refurbish the existing 50 year-old
3 headquarters building, Big Rivers revised its plans to construct a new \$17.4
4 million headquarters building on the site of Kenergy's headquarters building
5 in Henderson. During final negotiations of the Unwind Transaction, Big
6 Rivers agreed to postpone the new headquarters to improve the economics of
7 the Unwind Transaction.

8 The Unwind Transaction was then followed by the loss of two large
9 aluminum smelters from the Big Rivers system, who had a combined load of
10 approximately 850 MW. This loss of nearly 60% of our system demand and
11 over 60% of our annual revenues imposed obvious and significant hurdles,
12 including losing our investment grade credit rating and having to file back to
13 back rate cases to stabilize revenues.

14 Since the exit of the two smelters from the Big Rivers system in 2013
15 and 2014, Big Rivers has been focused on a "no stone unturned" effort to
16 mitigate that load loss and the resulting rate impact on the remaining
17 customers, including cutting costs, reducing generation, and finding
18 replacement load.

19 These efforts have proved successful, as the Commission recently
20 recognized in Case No. 2020-00064. Big Rivers was able to secure power
21 contracts for significant new load, including contracts with Owensboro
22 Municipal Utilities ("*OMU*"), two municipal utilities and a public power

1 district in Nebraska, and the Kentucky Municipal Energy Agency
2 (“*KyMEA*”), which *KyMEA* uses to meet of portion of the wholesale power
3 requirements for certain of its ten Kentucky municipal electric utility
4 members). Big Rivers significantly reduced its generating resources, retiring
5 its Coleman and Reid 1 units, and exiting the Station Two Contracts. Big
6 Rivers has even regained all three of its investment grade credit ratings. But
7 this focus on right-sizing Big Rivers and mitigating the financial impact of
8 the smelter load loss again delayed addressing Big Rivers’ aging and
9 increasingly unsuitable headquarters.

10 Now that Big Rivers has right-sized its generation with its load, it is
11 important to have a headquarters that is designed to meet current and future
12 needs and better aligns with how Big Rivers has evolved.

13 **Q. Were there other considerations that delayed consideration of new**
14 **headquarters options?**

15 A. Yes. There were many evolving considerations that affected the timing,
16 location, and design of a new headquarters building. One such factor was the
17 current litigation between Big Rivers and the City of Henderson. As the
18 Commission is aware, over the last several years, there have been a number
19 of cases between Big Rivers and Henderson arising out of the Station Two
20 Contracts, the expiration of those contracts, and the parties’ ongoing
21 obligations under those contracts. The Commission very recently resolved

1 many of these issues with its final order in Case No. 2019-00269, and there
2 are five related court cases that are currently pending (all of which have been
3 held in abeyance pending the outcome of Case No. 2019-00296 and any
4 appeals therefrom). Additional disputes between the parties are pending at
5 FERC. In efforts to resolve these cases, Big Rivers offered to keep its
6 headquarters in Henderson as part of a settlement; however, the parties were
7 unable to reach an agreement. Big Rivers was then free to consider other
8 homes for its headquarters.

9 Big Rivers has also proposed, several times over the years, purchasing
10 HMP&L. Big Rivers' last proposal to purchase HMP&L, made earlier this
11 year, included an offer to leave Big Rivers' ET&S personnel in Henderson.
12 After Henderson rejected this offer last month, Big Rivers decided to combine
13 its transmission functions by co-locating ET&S with the transmission
14 Engineering and Energy Control departments from headquarters. This
15 decision is discussed in more detail below, but it had a significant impact on
16 the final design of the proposed headquarters building.

17 **Q. Please explain the need for a new headquarters.**

18 A. Because of the history I described above and the evolution of our operations,
19 Big Rivers' current headquarters no longer meets our current or future
20 needs. For example, as I noted above, Big Rivers has recently retired its coal-
21 fired Coleman and Reid 1 generation stations, and exited the Station Two

1 Contracts under which we operated the City of Henderson's coal-fired Station
2 Two generating station, which has now also been retired. And we are in the
3 process of converting our Green Station from coal-fired to natural-gas fired.
4 Once that conversion is complete, Big Rivers will have a single remaining
5 coal fired unit (Wilson Station).

6 With several coal-fired units spread across our entire footprint, it
7 made operational sense to have a centrally located lab to test the quality and
8 specifications of the coal being used at the plants. But with only a single
9 coal-fired unit, having the lab an hour away from that unit is incredibly
10 inefficient. As such, Big Rivers plans to move the equipment and personnel
11 currently located at the Central Lab building at the existing headquarters to
12 Wilson Station, which will leave unused and unneeded space.

13 Another example of the existing headquarters not meeting evolving
14 operational needs is the fact that transmission functions and personnel are
15 currently split between the existing headquarters (*i.e.*, the Energy Control
16 and transmission Engineering departments) and the existing ET&S facility.
17 Big Rivers is in the process of merging all transmission functions in a single
18 location, which I discuss below.

19 Not only has the existing headquarters not kept up with Big Rivers'
20 changing operations, it is also out-of-date. While Mr. Toerne goes into this in
21 more detail in his testimony, [REDACTED]

22 [REDACTED]

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]

14 However, we have determined that we can use the opportunity of moving to a
15 new headquarters building to achieve greater operational efficiencies by
16 consolidating the Energy Control and Engineering departments located at
17 the existing headquarters complex, with our ET&S operations. Big Rivers is
18 currently in negotiations with multiple counterparties on the best way to
19 maximize the value of this consolidation to our Member-Owners and their
20 retail customers, and we expect to present the Commission with this plan in
21 the near future. But the consolidation itself is operationally superior to the
22 current arrangement. This consolidation reduces the new headquarters

1 facility from a four story building (plus a rooftop Training Center) to a three
2 story building (plus a rooftop Training Center), plus it provides for the
3 operational benefits that Mr. Toerne describes in his testimony.

4 **III. REVIEW OF ALTERNATIVE OPTIONS**

5 **Q. Did Big Rivers consider remodeling its existing headquarters to**
6 **align with its needs?**

7 A. Yes. However, remodeling the existing facility is just not a cost-effective
8 option. Mr. Toerne fully describes in his testimony the existing
9 headquarters' deficiencies and the extensive projects required to remodel and
10 retrofit the existing headquarters.

11 Moreover, with the planned relocation of the Central Lab to Wilson
12 Station and the consolidation of the transmission Engineering and Energy
13 Control departments with ET&S, remodeling the existing headquarters
14 would leave significant unneeded and unused space. The proposed
15 headquarters better aligns with Big Rivers' current and future operational
16 needs.

17

1 **Q. How did Big Rivers choose Owensboro, Kentucky, as the location of**
2 **its new headquarters?**

3 A. As the Commission is aware, in June of 2018, the Owensboro City Utility
4 Commission d/b/a OMU contracted to purchase most of its power from Big
5 Rivers.⁶ Soon thereafter, city officials reached out to Big Rivers to encourage
6 the proposed relocation to Owensboro, and they offered substantial incentives
7 to make the move possible, including gifting the land for the new
8 headquarters. The Greater Owensboro Economic Development Corporation
9 worked with Big Rivers to locate available property in Owensboro. Attached
10 hereto as Exhibit Berry-4 is a copy of the Memorandum of Agreement
11 between the City of Owensboro and Big Rivers detailing the incentives.

12 Big Rivers' relationship with Owensboro has become an important
13 partnership. Moving to Owensboro furthers this partnership and helps
14 ensure that the relationship continues to benefit not only Owensboro and Big
15 Rivers, but also all retail customers on the Big Rivers system, either through
16 continued power sales to OMU or through other possibilities.

17 **Q. Please briefly describe the property on which the proposed**
18 **headquarters facility will be constructed.**

19 A. The property is a 2.1 acre city block in downtown Owensboro, Kentucky,
20 which is currently designated as the 700 block of West 2nd Street. Having an

⁶ See TFS 2018-00318.

1 entire block allows for on-site parking, which increases safety, as employees
2 will not have to cross a city street. The Daviess County Property Valuation
3 Administrator (“PVA”) values the property at \$2,091,789.00.

4 **Q. Did Big Rivers consider leasing or purchasing an existing space**
5 **rather than new construction?**

6 A. Yes. Big Rivers analyzed the potential of leasing or purchasing available
7 building space to meet its needs. The search for a building in the Owensboro
8 area with 46,000 to 60,000 square feet plus of space found two available
9 buildings. The first was a four-story building which formerly housed Texas
10 Gas Transmission, LLC and is located at 3800 Frederica Street in
11 Owensboro. In addition to the obvious significant remodeling of the building
12 that would be necessary to meet Big Rivers’ needs, the building was too large.
13 The second building was the five story building located at 234 Frederica
14 Street in Owensboro known as the “Alorica Building” because it formerly
15 housed an Alorica Inc. customer service center. Again, this building would
16 have required significant remodeling to meet Big Rivers’ needs. Additionally,
17 the office floors of the building shared an entrance with Bar Louie on the
18 ground floor, which would create security and employee and visitor access
19 concerns, and the building would not include on-site parking for Big Rivers’
20 employees. Big Rivers ultimately concluded that due to the unavailability of

1 a suitable facility, purchasing or leasing an existing space were not viable
2 options.

3 Having a developer build to suit and then lease to Big Rivers was also
4 considered. Boardwalk Pipeline Partners, LP ("*Boardwalk*") is currently
5 leasing its new headquarters building on Second Street in Owensboro. Big
6 Rivers toured this facility and spoke to Boardwalk's management in detail
7 regarding their experience with leasing. Big Rivers ultimately concluded
8 that the build-to-fit then lease option was not prudent. Leasing can have
9 advantages, of course, but in our situation, where we plan to be in the
10 building for the expected life of the building, we would end up paying for the
11 entire cost of the building plus a return on the lessor's investment.

12 **Q. Did Big Rivers look at buying, leasing, or building outside of**
13 **Owensboro?**

14 A. Yes. I had discussions with all surrounding counties. And while all except
15 Henderson County were willing to offer incentives, Owensboro's central and
16 strategic location is the best option for Big Rivers. Ninety-nine of our three
17 hundred and sixty employees live in Daviess County, Kentucky, and of those
18 employees, seventy live in the city of Owensboro. Additionally, Owensboro is
19 in the middle of our Members' service areas, being surrounded by Kenergy,
20 with our other two Members, Meade County Rural Electric Cooperative

1 Corporation and Jackson Purchase Energy Corporation, being east and west
2 of Owensboro, respectively. Kenergy has the most retail members, and the
3 majority of Kenergy's residential members reside in Daviess County.
4 Owensboro is also centrally located to the Members' largest industrial
5 customers, with whom Big Rivers' headquarters personnel have significant
6 interactions.

7 **IV. SALE OF THE EXISTING HEADQUARTERS**

8 **Q. If Big Rivers moves into a new headquarters building, what will it do
9 with its existing headquarters campus?**

10 A. Big Rivers plans to sell the existing headquarters as soon as possible in the
11 event the Commission grants the requested approvals for the proposed
12 headquarters, and Big Rivers is seeking authority from the Commission for
13 the sale and transfer of the existing headquarters properties pursuant to
14 KRS 278.218, as the original net book value of the existing headquarters
15 exceeds \$1 million. We obviously cannot vacate the existing headquarters
16 office building until we can move into the new building and [REDACTED]
17 can be relocated. Any agreement to transfer possession would have those
18 contingencies built into it.

1 **Q. What process do you plan to follow to market and sell the existing**
2 **headquarters?**

3 A. We have placed the existing headquarters properties on the market. We are
4 offering the properties for sale at a price consistent with the value set by a
5 qualified real estate appraiser. The properties will be sold in an arms-length
6 transaction or transactions at market price. The properties' appraised value
7 is [REDACTED] We are seeking confidential treatment for the appraised
8 value to avoid compromising our ability to get the highest and best price for
9 the properties.

10 **V. CONCLUSION**

11 **Q. Please summarize the relief requested by Big Rivers in this**
12 **proceeding.**

13 A. Due to its aging and inefficiencies, and Big Rivers' evolving operational
14 requirements, the existing headquarters can no longer adequately satisfy the
15 current and future needs of Big Rivers and its Members. It is not cost-
16 effective to retrofit the existing headquarters to meet those needs. The
17 proposed headquarters is reasonable in terms of investment and scope, and
18 will not result in a wasteful duplication of facilities. Big Rivers has
19 thoroughly reviewed and considered alternatives to the proposed
20 headquarters and determined that the proposed headquarters represents a
21 reasonable, cost-effective solution to meet Big Rivers' needs. As such, Big

1 Rivers requests that the Commission grant Big Rivers a certificate of public
2 convenience and necessity to construct the proposed headquarters building.

3 Big Rivers also requests authority under KRS 278.218 to sell its
4 existing headquarters properties.

5 **Q. Does this conclude your testimony?**

6 **A. Yes.**

BIG RIVERS ELECTRIC CORPORATION

**ELECTRONIC APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING
CONSTRUCTION OF A NEW HEADQUARTERS FACILITY AND AN ORDER
AUTHORIZING BIG RIVERS TO SELL ITS EXISTING HEADQUARTERS FACILITY
CASE NO. 2021-00314**

VERIFICATION

I, Robert W. Berry, verify, state, and affirm that I prepared or supervised the preparation of the Direct Testimony filed with this Verification, and that Direct Testimony is true and accurate to the best of my knowledge, information, and belief after a reasonable inquiry on this 20th day of August, 2021.

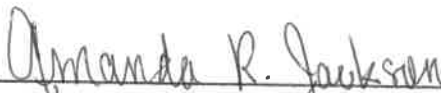


Robert W. Berry

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

20th SUBSCRIBED AND SWORN TO before me by Robert W. Berry on this the
day of August, 2021.

Amanda R. Jackson
NOTARY PUBLIC
STATE AT LARGE
KENTUCKY
ID. # 619869
MY COMMISSION EXPIRES March 22, 2023



Notary Public, Kentucky State at Large
My Commission Expires 03/22/2023

Professional Summary

Robert W. Berry
President and Chief Executive Officer
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
Phone: 270-844-6031

Professional Experience

Big Rivers Electric Corporation

President and Chief Executive Officer – 2014 to present

Vice President, Production – 2009 to 2014

Western Kentucky Energy – 1998 to 2009

General Manager

Plant Manager, Reid/Green/HMP&L Station

Plant Manager, Coleman Station – 2000 to 2003

Maintenance Manager, Reid/Green/HMP&L Station – 1998 to 2000

Big Rivers Electric Corporation – 1981 to 1998

Maintenance Superintendent, Green Station

Maintenance Supervisor, Green Station

Various and Sundry Maintenance and Operations Positions

Education

BS Business Management

Mid-Continent University

Associate in Applied Science, Mechanical Engineering Technology

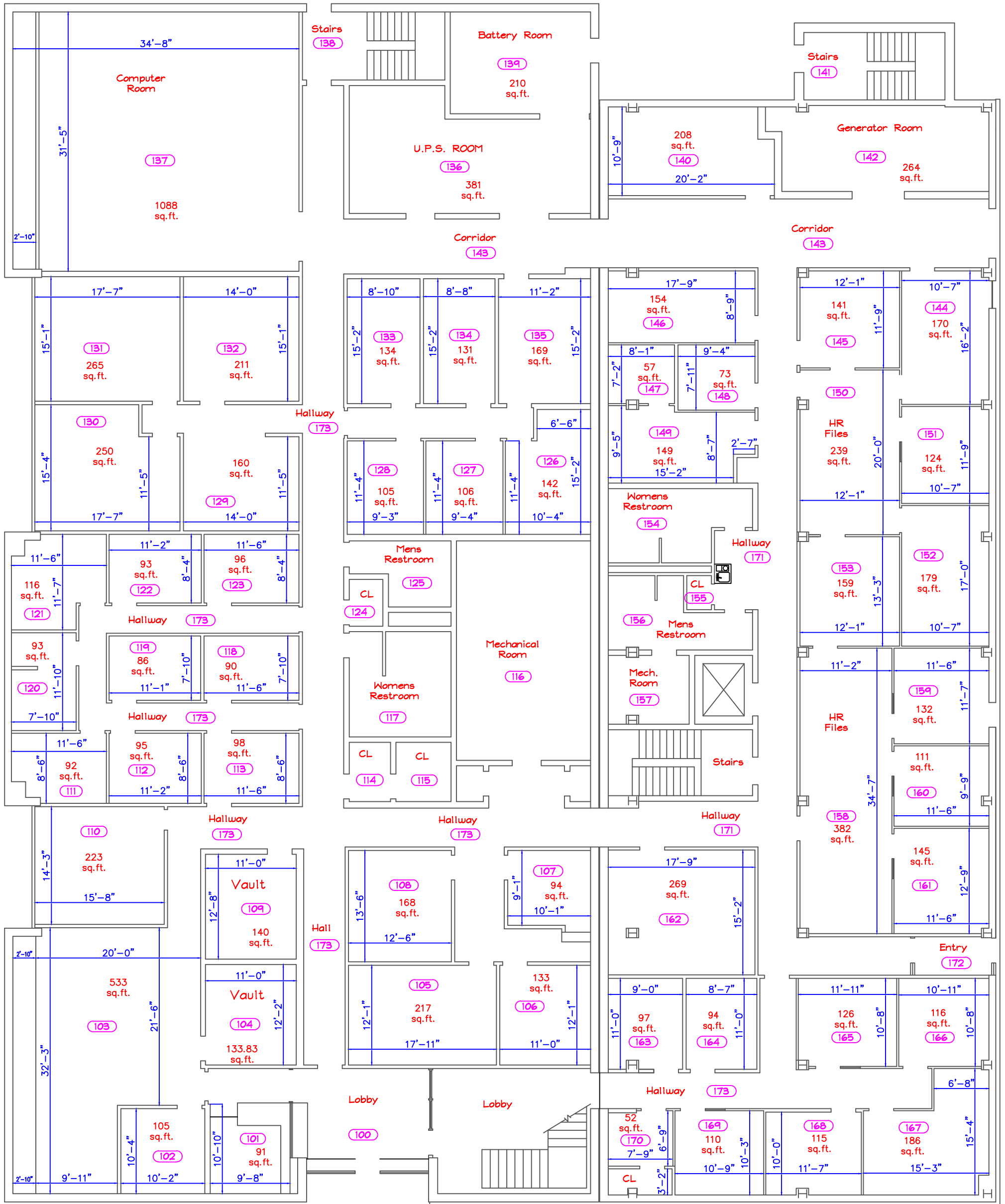
University of Kentucky Community College

System Mechanical Maintenance Apprentice Program

Certified by Kentucky Department of Higher Education

Management, Leadership and Communication Training

Employer-sponsored programs

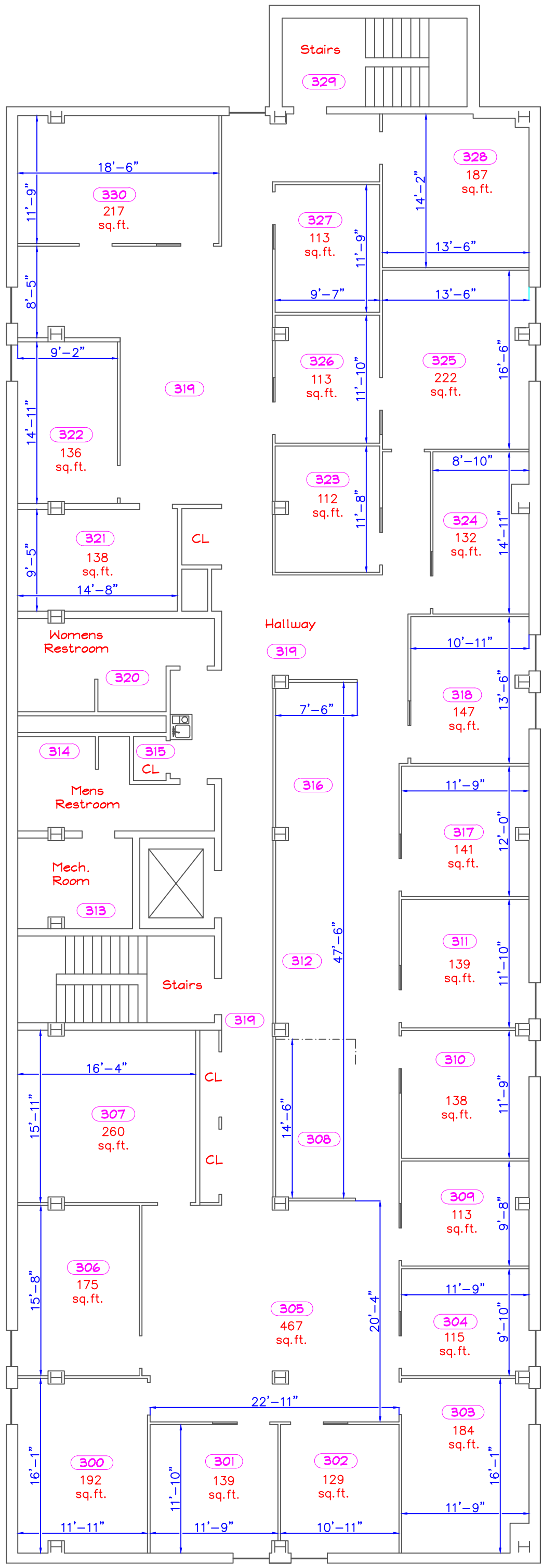


First Floor Plan

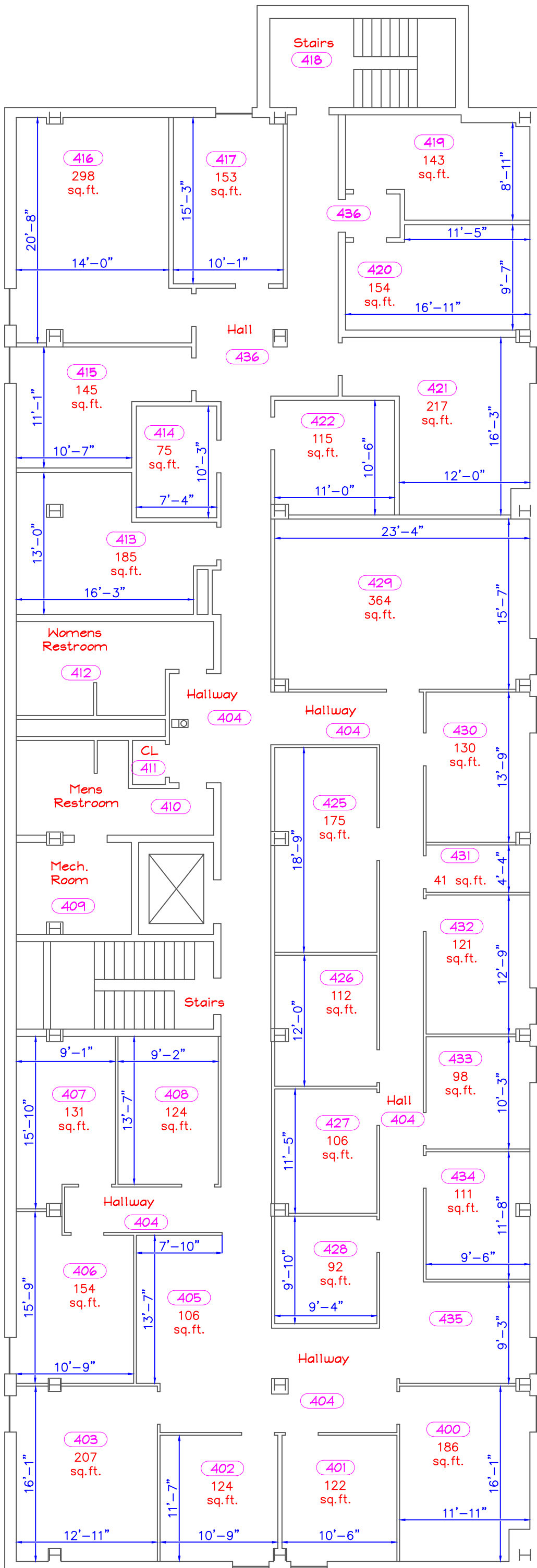
Big Rivers' Office Building



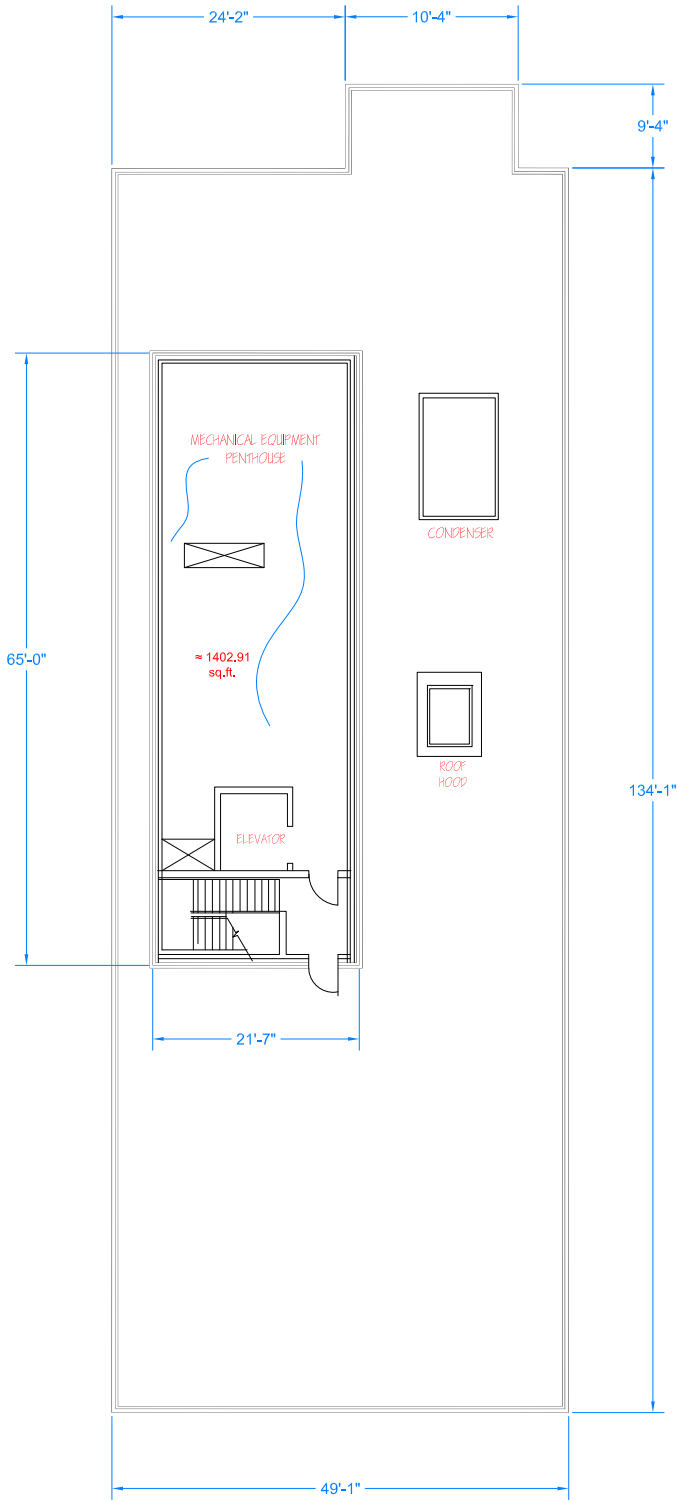
Second Floor Plan
Big Rivers' Office Building



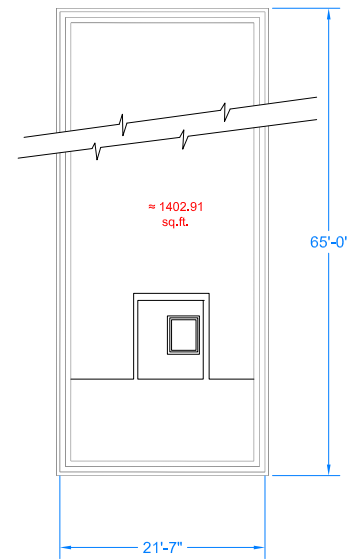
Third Floor Plan
Big Rivers' Office Building



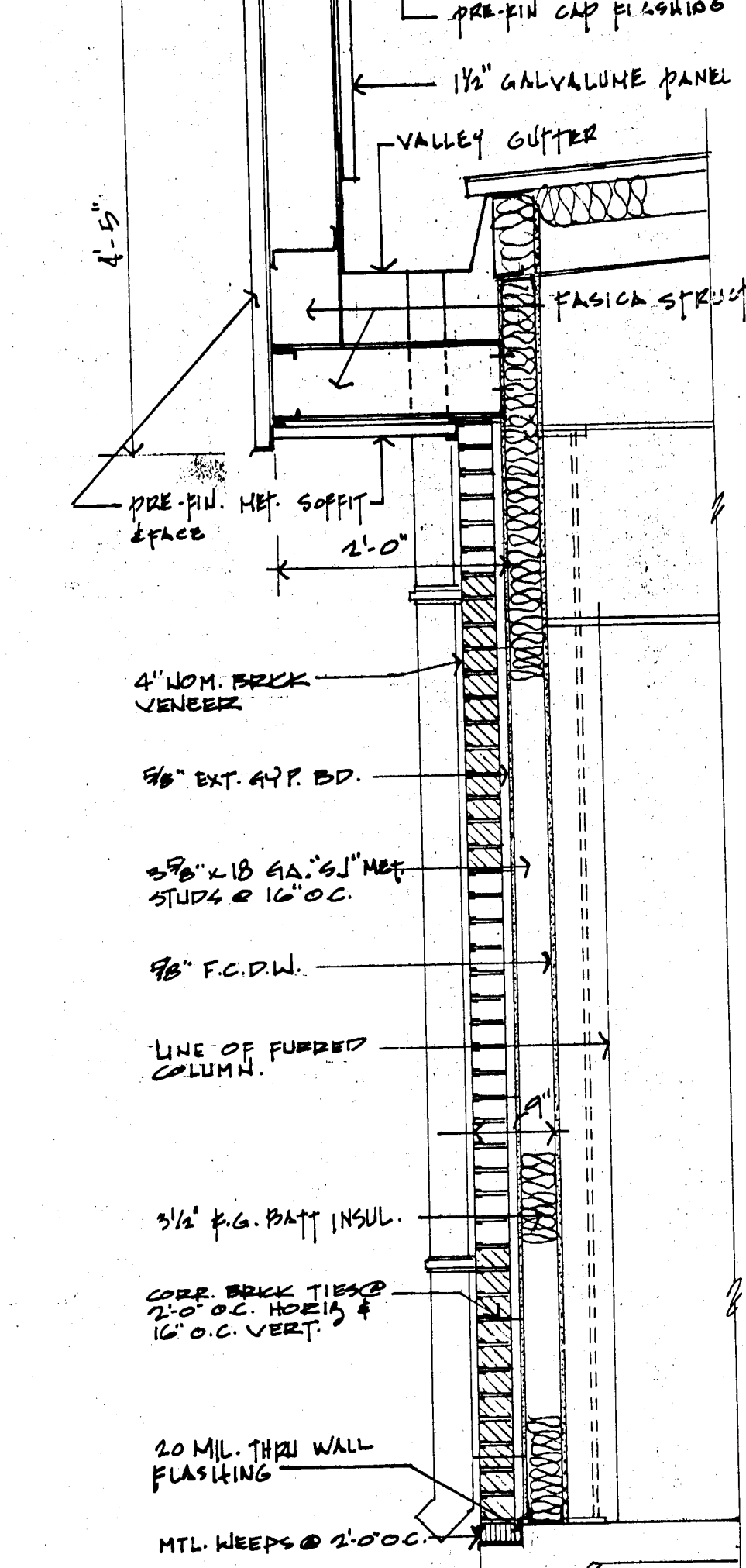
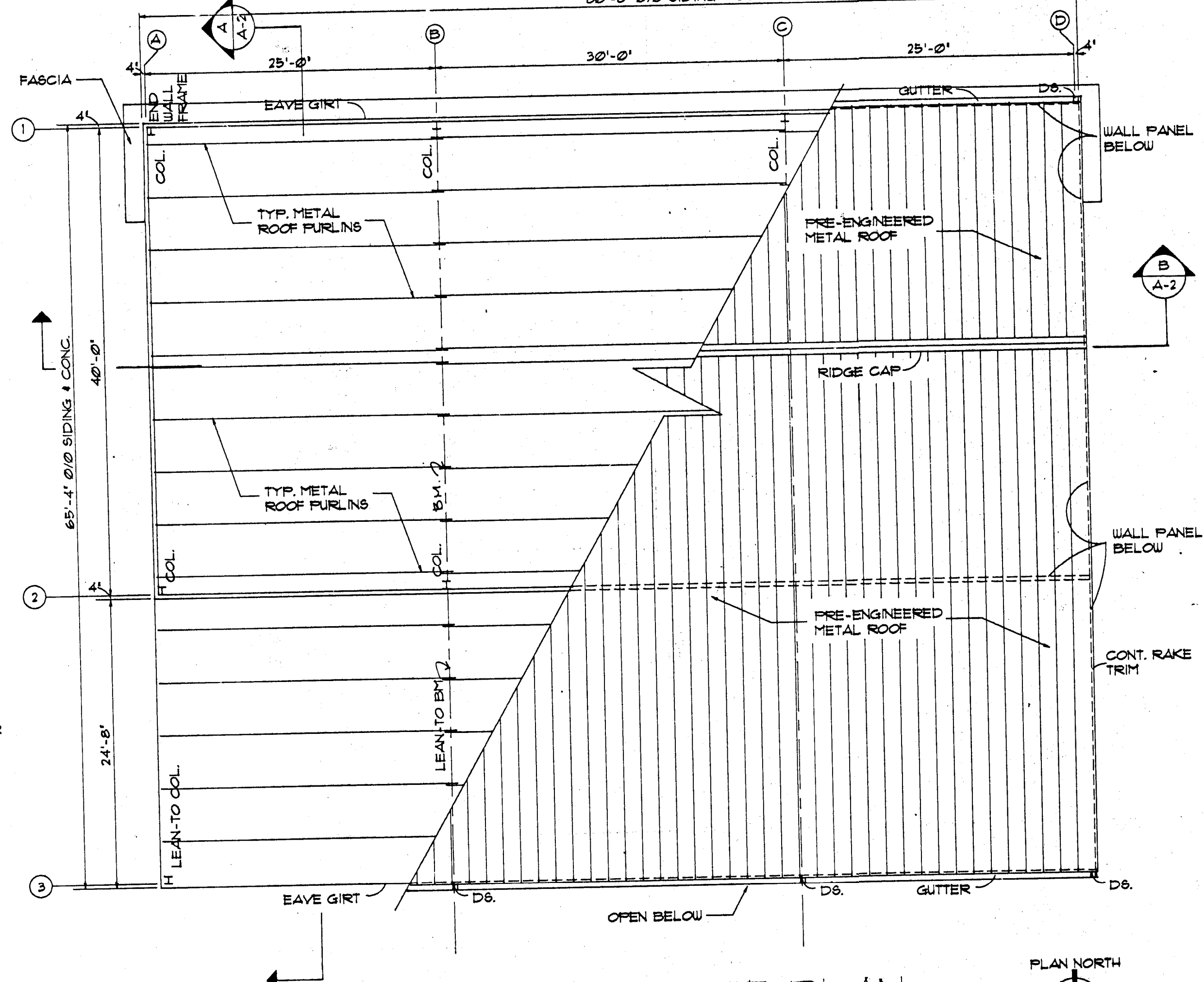
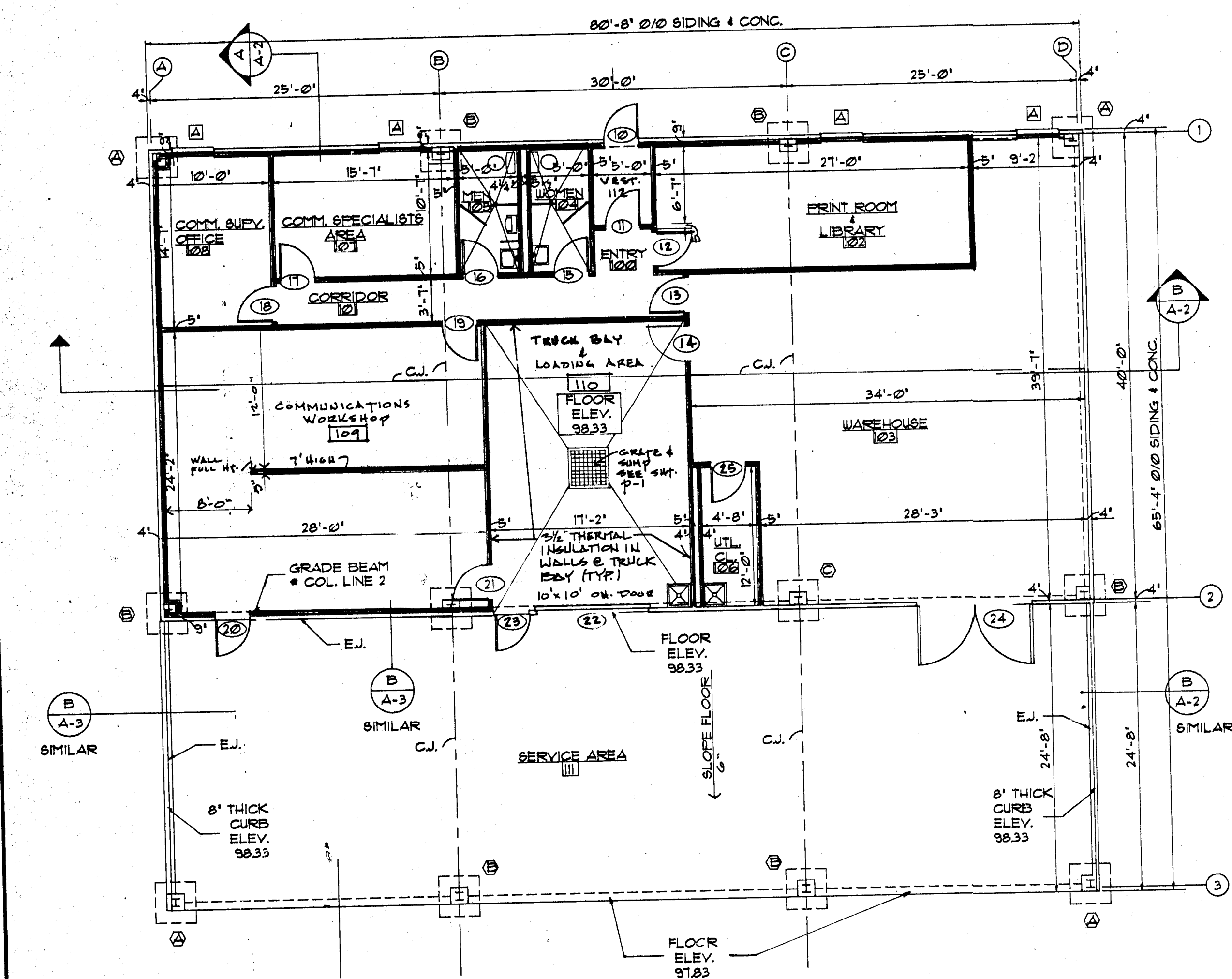
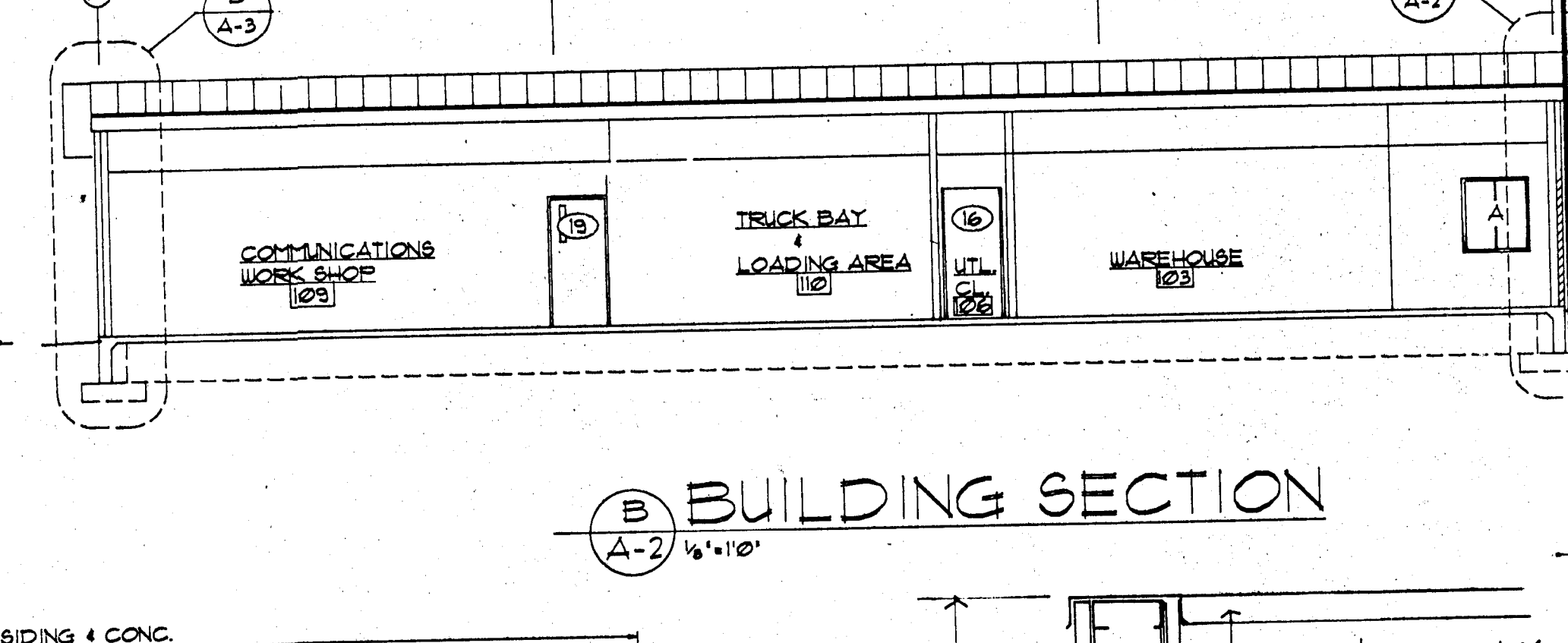
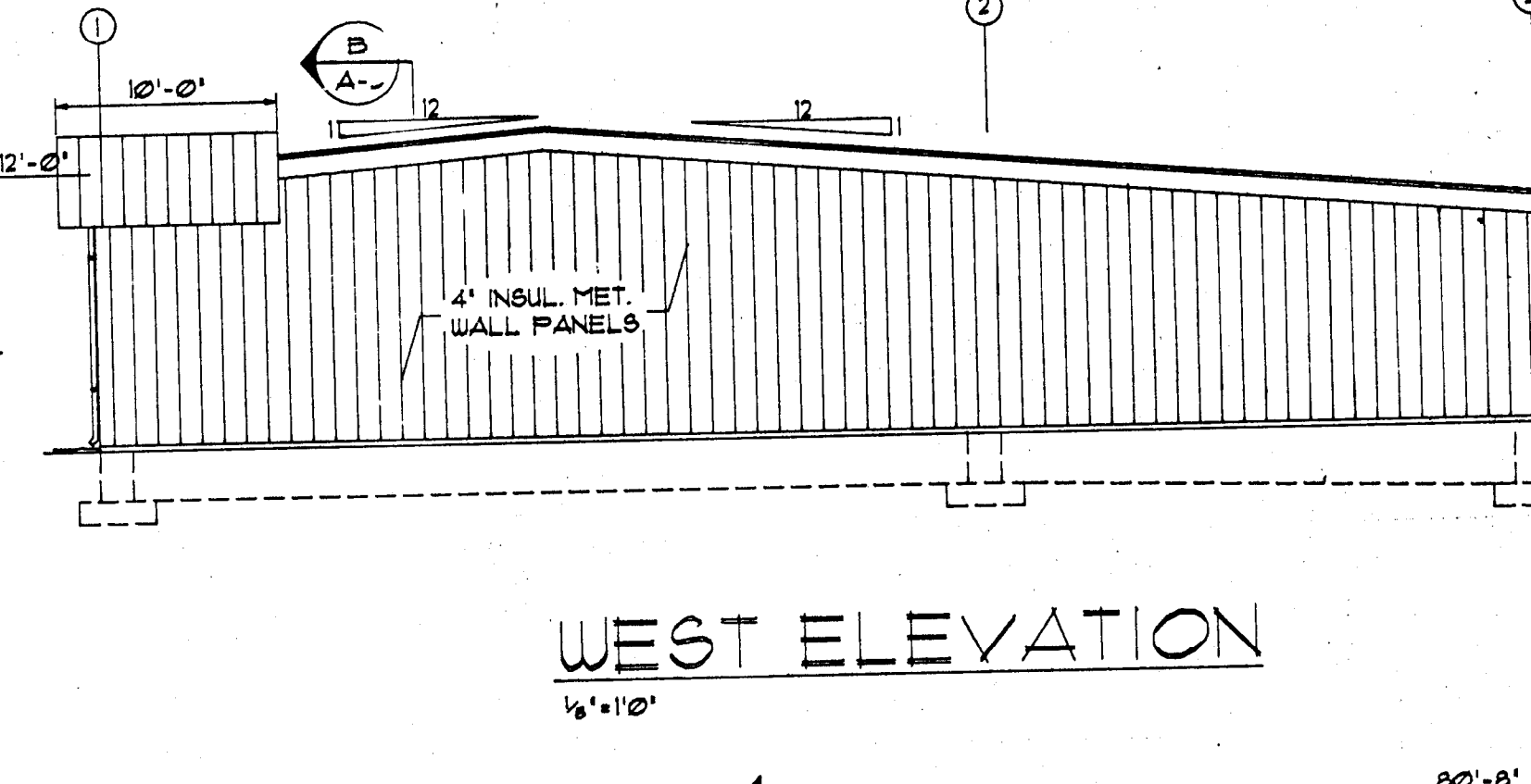
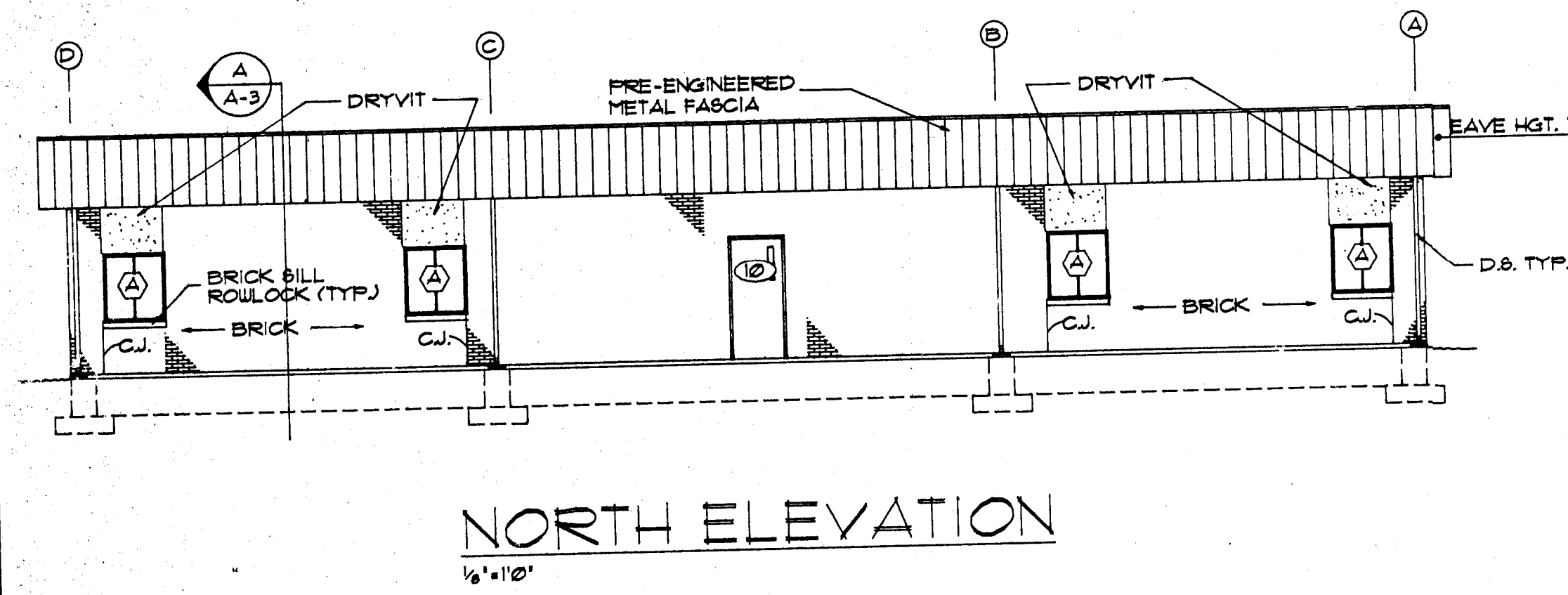
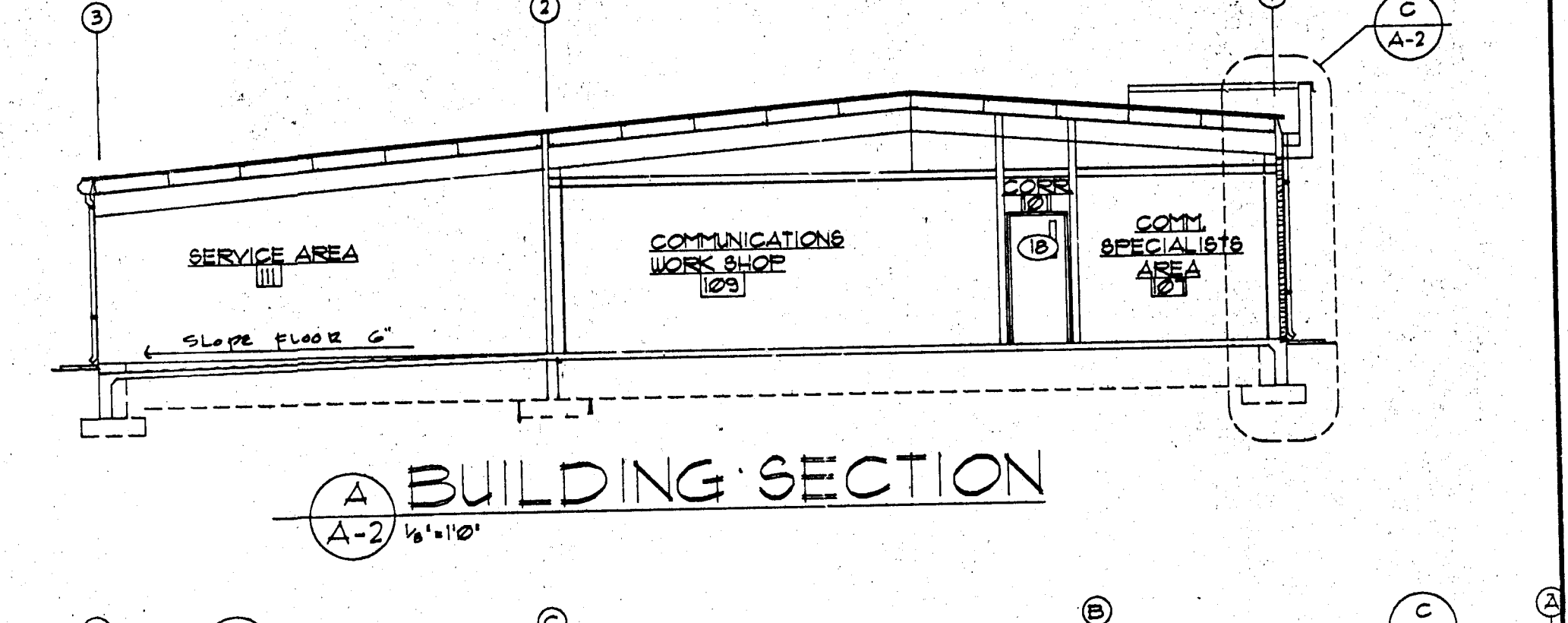
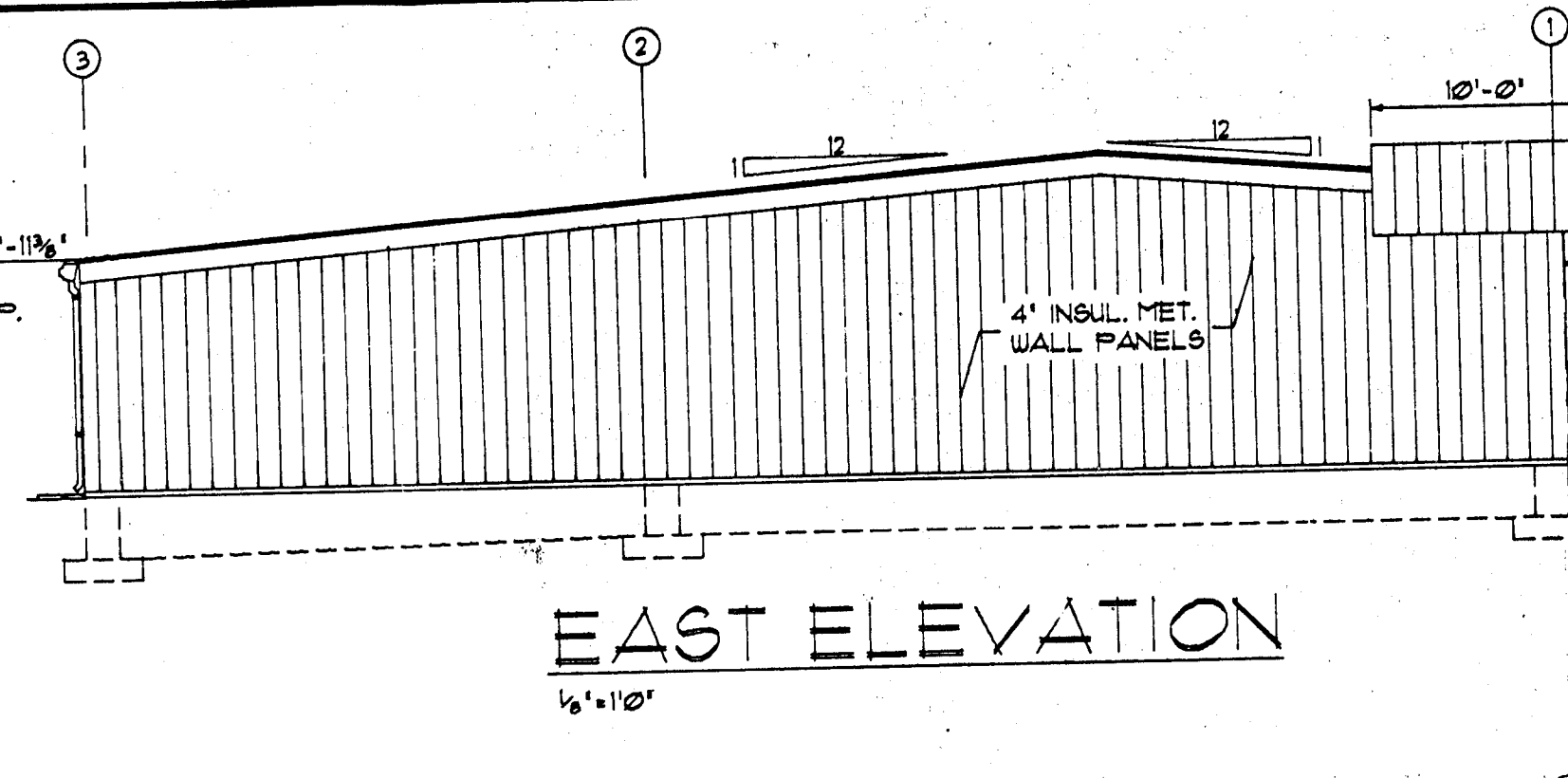
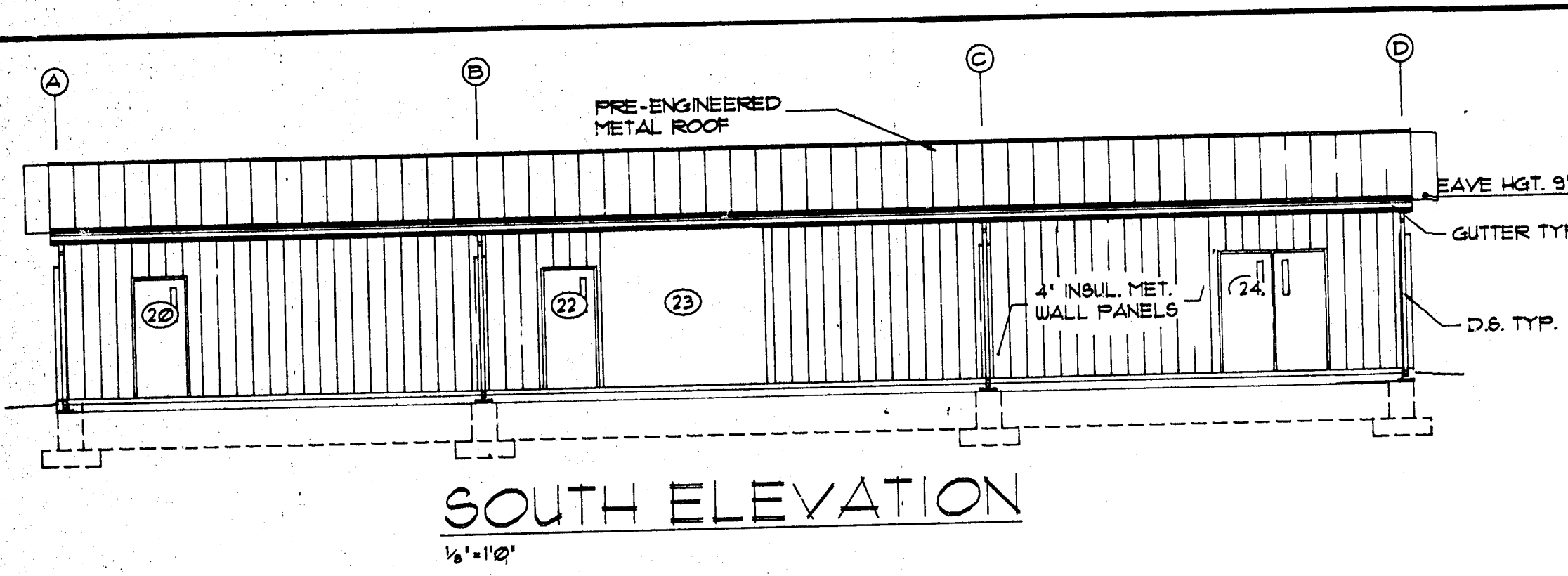
Fourth Floor Plan
Big Rivers' Office Building



MECHANICAL EQUIPMENT PENTHOUSE PLAN
ROOF PLAN (NTS)



PENTHOUSE ROOF PLAN
(NTS)



INDICATES DRYWALL PARTITIONS, 3% STEEL STUDS @ 16" O.C. W/ 1/2" D.W. EACH SIDE, ALL WALLS GO TO DECK ABOVE & SEAL TIGHT.

- FIG. SCHEDULE**
- 1. 3'-0" x 3'-0" x 1'-0" W/4" EW W/4" DOUELLS & 3 TIES @ 12" O.C.
 - 2. 3'-0" x 3'-0" x 1'-0" W/4" EW W/4" DOUELLS & 3 TIES @ 12" O.C.
 - 3. 4'-0" x 4'-0" x 1'-0" W/5" EW W/4" DOUELLS & 3 TIES @ 12" O.C.

- NOTES**
1. TOP FIG. = 96.33 @ COL. LINES 1 & 2
 2. TOP FIG. = 95.83 @ COL. LINE 3
 3. TOP OF ALL PIERS = 98.33'

Case No. 2021-00314
Exhibit Berry-2
Page 7 of 8
C WALL SECTION
3/4" = 1'-0"
COMM-18 SH.1

DATE 7-14-24
REVISION
DRAWN BY SPATE/GAD
JOB NO.

Collignon & Nunley
ARCHITECTS, P.S.C.
BIG RIVERS ELECTRIC CORPORATION
COMMUNICATIONS BUILDING
HENDERSON, KENTUCKY

1535 FERGUSON STREET
HENDERSON, KENTUCKY 42421
(502) 826-1331

SHEET
A-2
OF 3



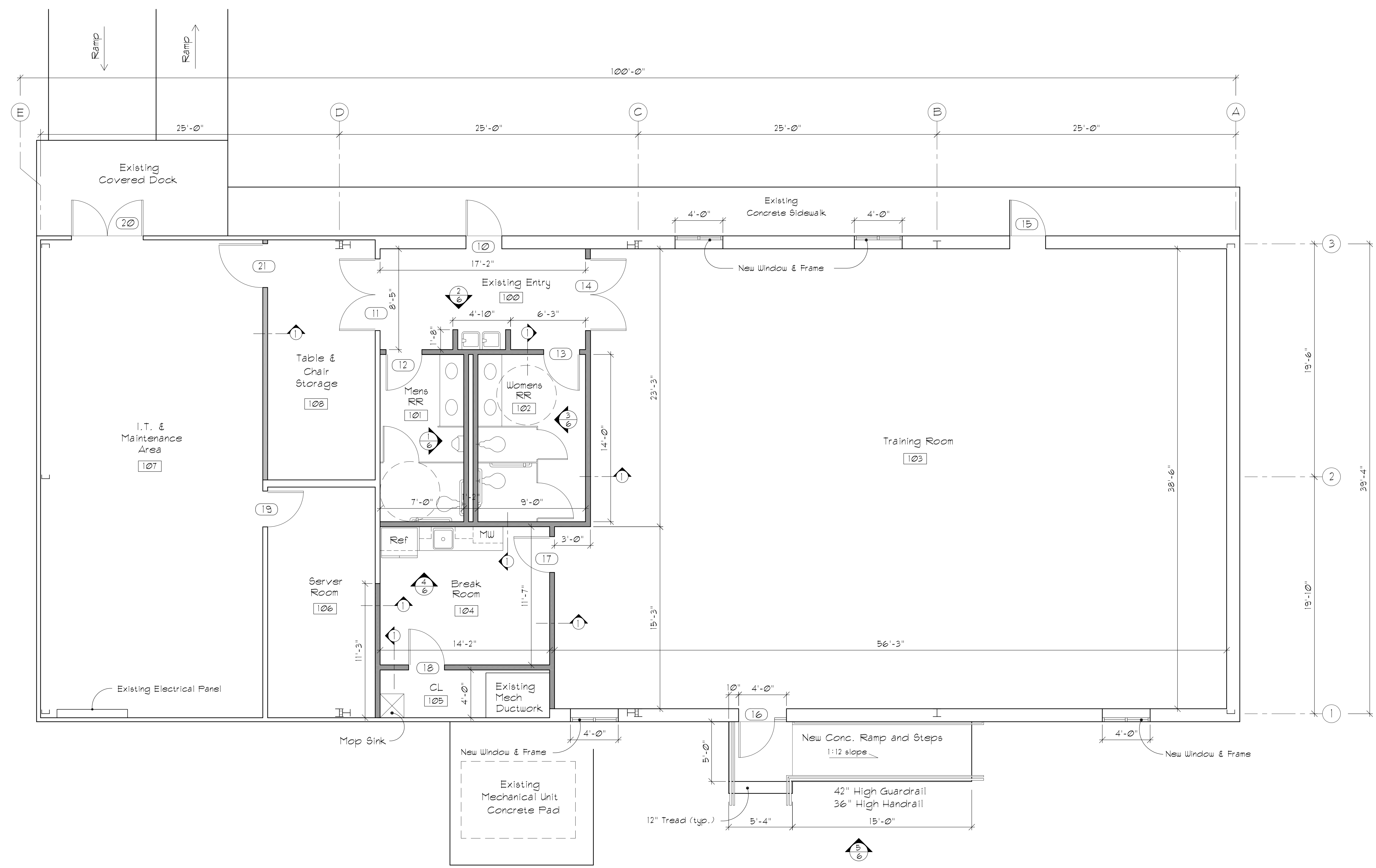
Tim Skinner
DESIGN PROFESSIONAL
7/24/14
DATE:

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DESIGN NOTES:

Denotes New Wall



New Floor Plan
1/4" = 1'-0"

PROJECT:

**Big Rivers
Electric
Corporation**

*I.T. Training
Facility Renovation*

314 N. Water Street
Henderson, Kentucky

DRAWING TITLE:

Floor Plan

SCALE:

1/4" = 1'-0"

DATE:

August 2014

REVISED DATE:

SHEET NO.:

A 1.1

OHIO RIVER

Pre- Engineered Buildings
314 N. Water St.
Parcel ID 1-7-2-8

Lower Parking Lot
0 Third & Water St.
Parcel ID 1-7-2-7

Upper Parking Lot
301 N. Main St.
Parcel ID 1-7-2-6

4th Street Parking Lot
400 N. Main St.
Parcel ID 1-18-4-4

4th St. Parking Lot
0 Fourth St.
Parcel ID 1-18-4-3

Headquarters Office Building
201 Third St.
Parcel ID 1-19-17

WATER STREET

MAIN STREET

THIRD STREET

FOURTH STREET



MEMORANDUM OF AGREEMENT

This Memorandum of Agreement (hereinafter "Agreement"), dated as of August 23, 2021, is made by and between the **CITY OF OWENSBORO**, a municipal corporation of the Home Rule Class created and existing under the laws of the Commonwealth of Kentucky, 101 East Fourth Street, P. O. Box 10003, Owensboro, Kentucky 42302-9003 (hereinafter the "City"), and **BIG RIVERS ELECTRIC CORPORATION**, a Kentucky cooperative corporation, P.O. Box 24, Henderson, Kentucky 42419-0024 (hereinafter the "Corporation").

RECITALS

WHEREAS, the Corporation desires to relocate its headquarters to the City of Owensboro, Kentucky which will create jobs and further stimulate local commerce; and

WHEREAS, the City recognizes the economic impact of the Corporation's move to Owensboro and hereby agrees to incentivize the Corporation for its relocation and job creation initiative in our community.

NOW THEREFORE, in consideration of these premises and the terms and conditions hereinafter set forth, the parties to this Agreement hereby agree as follows:

Section 1. City Obligations. In consideration of the Corporation relocating its corporate headquarters to the City of Owensboro, the City agrees to provide the following incentives:

- (1) The City will convey the city block that includes parcels located at 700 and 710 W. Second Street and 711 W. Third Street for the construction of its headquarters building. The sale price shall be for the value of the property according to the Daviess County Property Valuation Administrator, currently Two

Million Ninety-One Thousand Seven Hundred Eighty-Nine Dollars (\$2,091,789.00). However, the sale price of the real property shall be rebated to the Corporation as a part of the incentive to relocate its headquarters to the City of Owensboro.

(2) The rebate of fifty percent (50%) of the General Fund Occupational Fee on gross employee wages for a period of ten (10) years upon the relocation of Big Rivers Electric Corporation Headquarters within the City of Owensboro. The ten-year incentive period must be activated within thirty-six (36) months of the date of incentive approval by the Owensboro Board of Commissioners.

(3) Payment of Three Million Dollars (\$3,000,000.00) to the Corporation to facilitate alternate parking for employees of Texas Gas Transmission, LLC, who are currently parking on the property to be conveyed to Corporation in Section 1(1).

Section 2. Corporation Obligations. In consideration of the incentives provided by the City, and subject to satisfying the Conditions Precedent in Section 5, the Corporation agrees to:

(1) Retain its headquarters and have its employees domiciled for tax purposes at its headquarters within the City of Owensboro on the property described in Section 1(1) for the entire incentive period as described in Section 1(2) above.

(2) Retain its headquarters within the downtown area of the City of Owensboro for a period of at least forty (40) years.

(3) Obtain and maintain an active City business license, as well as timely comply with all contractual and financial obligations to the City under this Agreement.

Section 3. RWRA Sewer Project. The Corporation acknowledges the current plans by the Regional Water Resource Agency (RWRA) to relocate a tunnel sewer that currently traverses the property on which it will construct its new headquarters building. Regional Water Resource Agency (RWRA) and the Corporation agree to work together with the City to ensure both projects flow congruently in order to facilitate timely completion of both projects.

Section 4. Conditions Precedent. The Parties understand and agree that the Corporation's relocation to the City of Owensboro is subject to the approval of the Kentucky Public Service Commission, the Rural Utilities Service, and its Members. The Corporation acknowledges that sale by the City of the properties called for herein is conditioned upon approval of the transaction by the Owensboro Board of Commissioners.

Section 5. Waiver. The failure on the part of either Party hereto to insist in any instance upon a strict observance by the other Party of any provision of this Agreement, shall not be construed as a waiver of that or any other provision of this Agreement and it shall not diminish the right of either Party to demand compliance therewith on any subsequent occasion.

Section 6. Entire Agreement; Binding Effect. This Agreement shall constitute the entire agreement between the Parties. Any prior understandings or representations, or any subsequent oral representations or modifications of any kind shall not be binding on either Party except to the extent incorporated herein, in writing, by agreement of the Parties. This Agreement supersedes the Memorandum of Agreement entered into by the Parties in February 2021.

Section 7. Governing Law. This Agreement shall be governed by and be construed in accordance with, the laws of the Commonwealth of Kentucky in all respects, including all matters of construction, validity and performance. Any dispute involving the terms of this Memorandum of Agreement shall be brought in the State or Federal Courts of Daviess County, Kentucky.

Section 8. Partial Invalidity. If any term, covenant or condition of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement, or the application of such term, covenant or condition to the persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and such remaining terms, covenants or conditions of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

IN TESTIMONY WHEREOF, witness the signatures of the Parties hereto on this the day and date first hereinabove written.

CITY OF OWENSBORO:



Thomas H. Watson, Mayor

ATTEST:



Kim Tignor, Acting City Clerk

BIG RIVERS ELECTRIC CORPORATION:



Robert W. Berry, President



**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

ELECTRONIC APPLICATION OF BIG RIVERS)	
ELECTRIC CORPORATION FOR A)	
CERTIFICATE OF CONVENIENCE AND)	
NECESSITY AUTHORIZING CONSTRUCTION)	Case No.
OF A NEW HEADQUARTERS FACILITY AND)	2021-00314
AN ORDER AUTHORIZING BIG RIVERS TO)	
SELL ITS EXISTING HEADQUARTERS)	
FACILITY)	

DIRECT TESTIMONY

OF

**ROBERT F. TOERNE
SUPPLY CHAIN DIRECTOR**

ON BEHALF OF

BIG RIVERS ELECTRIC CORPORATION

FILED: August 26, 2021

**Case No. 2021-00314
Application Exhibit E
Direct Testimony of Robert F. Toerne**

**DIRECT TESTIMONY
OF
ROBERT F. TOERNE**

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DIRECT TESTIMONY
OF
ROBERT F. TOERNE

I. INTRODUCTION

Q. Please state your name, business address, and position.

A. My name is Robert F. Toerne, and my business address is 201 Third Street, Henderson, Kentucky 42420. I am the Supply Chain Director for Big Rivers Electric Corporation (“*Big Rivers*”).

Q. Please summarize your education and professional experience.

A. I received a Bachelor of Science focused in Mechanical Engineering and Technology from Indiana University-Purdue University Indianapolis.

I began my career in 1982 as a mechanical engineer at Westinghouse Electric Company. I joined Big Rivers in 1986, as plant engineer and moved to senior plant engineer from 1990 to 1998. During the lease of Big Rivers’ generating units to Western Kentucky Energy from July 1998 until July 2009, I worked as contract manager at Western Kentucky Energy. After the unwind of the lease, I returned to Big Rivers as Supply Chain Director.

1 **Q. Please summarize your duties at Big Rivers.**

2 A. As Supply Chain Director, I oversee purchasing programs and processes, and
3 compliance with federal, state, and local government regulations and
4 requirements relating to the purchase of goods and services. I also oversee
5 the Building Services department, which is responsible for the day-to-day
6 maintenance of, and all capital expense projects for, Big Rivers'
7 headquarters. My duties include developing policies, procedures, and
8 objectives for the procurement of goods and services and inventory
9 management; and ensuring adherence to cost, quality, and delivery
10 standards. I also review purchase orders and contracts to ensure
11 specifications, terms and conditions, and other corporate criteria are
12 complete, correct, and properly approved; I develop strategies and tactics to
13 optimize contract negotiations with suppliers; I obtain agreements on pricing,
14 delivery, and other terms; and I resolve contract differences and/or disputes
15 with suppliers.

16 **Q. Have you previously testified before the Kentucky Public Service
17 Commission (“Commission”)?**

18 A. No.

1 **Q. What is the purpose of your testimony in this proceeding?**

2 A. The purpose of my testimony is to describe (i) the condition of Big Rivers'
3 current headquarters and why it no longer meets Big Rivers' needs; (ii) how
4 the new headquarters building addresses the deficiencies of the existing
5 headquarters; (iii) the construction details and related technical information
6 for the proposed headquarters project; and (iv) the methods by which the
7 various estimated cost components of the proposed headquarters building
8 were calculated.

9 **Q. Are you sponsoring any exhibits?**

10 A. Yes. The following exhibits were prepared by me or under my supervision:

- 11 • Exhibit Toerne-1: Existing HQ Capital Expenses (2021-2030)
- 12 • Exhibit Toerne-2: Total Project Cost Estimate
- 13 • Exhibit Toerne-3: Project Description

14 I am also sponsoring Application Exhibit B, which consists of maps of the
15 proposed headquarters' location, and Application Exhibit C, which consists of
16 plans and specifications of the proposed headquarters building.

1 **II. CONDITION OF BIG RIVERS' EXISTING HEADQUARTERS**

2 **Q. Can the existing headquarters adequately satisfy the current and**
3 **future needs of Big Rivers and its Members?**

4 A. No. Due to the aging of the complex, changes in Big Rivers' business
5 structure, and inefficiencies of significant features of the existing
6 headquarters, it cannot adequately satisfy the current and future needs of
7 Big Rivers and its Members.

8 **Q. Please describe in detail why the existing headquarters is**
9 **inadequate to meet Big Rivers' needs.**

10 A. The substantial operational deficiencies of the existing headquarters that
11 demonstrate its obsolescence for Big Rivers' current and anticipated needs
12 include, but are not limited to:

13 1) The existing headquarters office building has a patchwork heating,
14 ventilation, and air conditioning ("*HVAC*") system, with antiquated
15 parts. There are seven different HVAC units in the headquarters
16 office building. During the initial construction phase of the original
17 one-story office building, the building was constructed around a single
18 massive HVAC system. With the second floor addition, came a second
19 large HVAC system. Five additional HVAC units where added
20 throughout the life to keep up with the increased heat load. We
21 typically refer to the original first and second floor as "the old side" or

1 west wing. The four story east wing was added in 1981, and has a
2 single, large-scale HVAC unit for the entire wing. Often, space heaters
3 are being used in certain offices, while fans are being used in nearby
4 offices. The HVAC system at the proposed headquarters building will
5 be logically designed for the space, modern, and significantly more
6 efficient, with substantial improvements in the cost to both operate the
7 system and to maintain the system.

8 2) The existing headquarters office building has minimum
9 accommodations for individuals with physical limitations. While the
10 existing building is compliant with the American Disability Act
11 (“ADA”) due to being grandfathered into older rules and standards, it
12 currently lacks the accommodations of a more modern building,
13 including wheel chair access to the main entry of the building,
14 restrooms, and other parts of the building. The proposed headquarters
15 building will have full building accessibility, with an entrance,
16 restrooms, hallways, and other parts of the building meeting the most
17 up-to-date ADA requirements.

18 3) The parking lots at the existing headquarters are in need of repair.
19 Settling of the parking lots has created significant cracks throughout
20 the parking area. Also, the nearest parking lot to the existing
21 headquarters office building is across the street from the office
22 building, and one of the parking lots is a block away. The parking lot

1 at the proposed headquarters building will be new, and will be
2 adjacent to the building, which improves safety and personnel security.

3 4) The antiquated restrooms and break room in the existing
4 headquarters office building are in need of significant remodeling for
5 functionality and improved accessibility for individuals with physical
6 disability. The restrooms and break room have not been remodeled
7 since originally constructed, 40 to 55 years ago.¹

8 5) The existing headquarters office building has outdated sprinkler and
9 fire suppression systems. While compliant with existing rules and
10 regulations due to the age of the building, the sprinkler and fire
11 suppressions systems do not provide the safety and security of modern
12 systems. In fact, the two-story west wing of the existing headquarters
13 building has no sprinkler system at all.

14 6) [REDACTED]
15 [REDACTED]
16 [REDACTED] I discuss these
17 concerns in more detail later in my testimony.

18 7) The existing headquarters complex has outdated door access software
19 and controls. The main lobby doors and windows do not contain

¹ Two restrooms on the first floor of the two story side of the building were constructed fifty-five (55) years ago. Three restrooms on the second floor of the two story side were constructed fifty-one (51) years ago. Eight restrooms on the four story additions and the breakroom were constructed forty (40) years ago.

1 firearm protective glass. Deliveries are all being made through the
2 public entrance.

3 8) The existing headquarters office building has an aging diesel generator
4 and roof that will have significant maintenance and repairs scheduled
5 in the near future.

6 9) The existing headquarters building has insufficient meeting and
7 collaborative spaces.

8 **Q. What are some of the significant maintenance or repair costs Big
9 Rivers would be subject to if it remained at its existing
10 headquarters?**

11 A. Some of the more significant repair and upgrade projects needed at the
12 existing headquarters that Big Rivers has planned are listed below and
13 illustrated in Exhibit Toerne-1. Several of these projects have been included
14 in past budgets but were then delayed and then ultimately removed from the
15 current 2022 budget due to the proposed new headquarters building. The
16 projects below will no longer be required with the proposed headquarters
17 relocation.

18 1) The west wing HVAC system requires immediate upgrading, the cost
19 of which has been quoted at approximately \$100,000. Five other
20 HVAC units will need upgrading in the near future, at a cost of
21 \$25,000 each, totaling \$125,000. And the penthouse HVAC unit

1 controls will need replacing at an estimated cost of \$25,000. Thus, the
2 total HVAC upgrades that will be needed total \$250,000.

3 2) Two of the existing headquarters parking lots (the Lower Lot and the
4 Upper Lot), and an area around the Communications, Training Center,
5 and Central Laboratory buildings at the existing headquarters
6 complex, require resurfacing at an estimated cost of \$200,000 for the
7 Upper Lot and Lower Lot and an additional \$25,000 for the area
8 around the buildings.

9 3) The second story roof of the existing headquarters office building
10 requires resurfacing in the immediate future, and the fourth story roof
11 will also need resurfacing within a few years. The second story roof
12 resurfacing has been quoted at an estimated cost of \$100,000, and
13 resurfacing the fourth story roof is estimated to cost another \$100,000.

14 4) Roof repairs to the Training Center building will cost approximately
15 \$80,000.

16 5) Remodeling five of the restrooms of the existing headquarters office
17 building to make them more accessible to persons with physical
18 disabilities, and updating the functionality of all thirteen restrooms,
19 will cost approximately \$162,500. The cost to remodel the break room
20 is \$12,500 to \$20,000.

21 6) The current diesel generator at the headquarters office building was
22 installed in 1979 and will need to be updated soon for future back up

1 power supply. The estimated cost for a new diesel generator is
2 \$50,000. To eliminate potential environmental liabilities associated
3 with in-ground fuel tanks, the forty year old fuel oil tank for the diesel
4 generator may need to be moved from its in-ground location to an
5 above ground location, with property spill protection, at a cost of
6 approximately \$75,000 cost. While the cost of the new diesel generator
7 is reflected in the list of needed capital expenditures for the existing
8 headquarters in Exhibit Toerne-1, the cost of moving to an above-
9 ground fuel oil tank is not.

10 7) The information technology (“IT”) server room currently has two
11 Liebert cooling units. The communications room currently has one
12 Liebert cooling unit. Each cooling unit will need replacement at an
13 estimated cost of \$40,000 each, totaling \$120,000.

14 8) The hot water system needs to be updated. A minimal upgrade to the
15 existing units will cost approximately \$10,000.

16 9) The building’s windows need resealing at an estimated cost of \$50,000.

17 10) The elevator will require a new control system at approximately
18 \$25,000.

19 11) The Halon fire suppression system requires upgrading at \$50,000, and
20 installation of a fire sprinkler system in the two-story section of the
21 existing headquarters office building will cost approximately \$100,000.

22 12) Interior and exterior painting at \$35,000 and \$185,000 are planned.

- 1 13) Updating security and door access software and controls will cost
2 \$100,000.
- 3 14) Carpet and flooring replacement is planned at a cost \$180,000.
- 4 15) Further modifications to the main lobby walls and partitions with
5 ballistic walls and glass replacement would cost a total of \$90,000.
- 6 16) To increase security for Big Rivers' employees and operations, a
7 security camera system would cost \$25,000 and LED parking lot lights
8 would cost approximately \$25,000. A LED light conversion for the
9 headquarters office building would cost approximately \$80,000.

10 **Q. Please explain any further avoided costs the proposed headquarters**
11 **building provides?**

12 A. Due to the reduced maintenance required of new facilities, the general
13 building and grounds cost will be reduced annually by \$25,000 for the first
14 ten years occupying the new headquarters facility.

15 Additionally, with the development of new air barriers, spray foam
16 insulations, and energy efficient glass assemblies, newer buildings are much
17 more energy efficient than older buildings. The proposed headquarters will
18 also utilize a complete LED lighting system and modern HVAC system. Both
19 the lighting system and the HVAC system will be much more energy efficient
20 in the proposed headquarters. Both are more demand-oriented and
21 controllable. The lighting system, the HVAC system, and other energy

1 efficient advancements will lower Big Rivers' energy consumption by
2 approximately 22.5%. The reduction in square footage of the proposed
3 headquarters facility resulting from the planned relocation of Energy Control
4 and Engineering personnel (which I discuss below), will further decrease the
5 energy consumption by an additional 20%.

6 **Q. Please describe the confidential security concerns that have gone**
7 **into the planning for a new headquarters building.**

8 A. Security for Big Rivers' employees and operations was one of the major
9 concerns during Big Rivers' planning, which contributed to Big Rivers'
10 conclusion that staying in the existing facilities or attempting to remodel the
11 existing headquarters office building was unrealistic. [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 At that time, Big Rivers' transmission system consisted of just a few miles of
19 69 kV lines serving the initial Member delivery point substations, a single
20 161 kV interconnection from the Reid power plant at Sebree to TVA at
21 Barkley Dam, and a single power plant. [REDACTED]

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[REDACTED]

² [REDACTED]

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[REDACTED]

Additionally, Energy Control and Engineering are separate departments located in the existing Big Rivers headquarters office building. Both perform transmission-related functions. All transmission field maintenance personnel are located at a separate Energy Transmission & Substation (“*ET&S*”) facility located at 5650 Airline Road, Henderson, Kentucky. Consolidating all three departments into a single location will provide improved communication and efficiencies.

Big Rivers originally planned relocating all employees currently housed at Big Rivers’ existing headquarters and the Energy Control department to the proposed headquarters location in downtown Owensboro. This would have added another floor to the proposed headquarters building (along with the commensurate costs). Ultimately, Big Rivers concluded that combining the Energy Control and Engineering departments and other key support personnel, with its employees and operations currently housed at its ET&S facility, will provide even more efficiencies.

Big Rivers is currently exploring relocating Energy Control, Engineering, and other key support personnel from the existing headquarters building and relocating the current ET&S facility to a new Transmission

1 Operations Center (“TOC”). A new TOC is expected to avoid significant costs
2 involved in duplicating the data and telecom fiber/microwave system that
3 would otherwise be required at the proposed headquarters location in
4 downtown Owensboro.

5 [REDACTED]

6 [REDACTED]

Big

7 Rivers’ information technology (“IT”) server would be located in this
8 hardened area as well. The corporate data center would also be relocated
9 from the existing headquarters building to the TOC, eliminating the need for
10 a fully equipped server room at the proposed headquarters building in
11 downtown Owensboro. Big Rivers plans to file a separate application seeking
12 a certificate of public convenience and necessity (“CPCN”) from the
13 Commission for the construction of the TOC.

14 **III. THE PROPOSED HEADQUARTERS BUILDING IS REASONABLE**
15 **IN SCOPE**

16 **Q. Please briefly describe the proposed headquarters facility.**

17 A. If the Commission grants Big Rivers a CPCN authorizing the construction of
18 the proposed headquarters building, Big Rivers intends to construct a 47,000
19 sq. ft. commercial building, which, due to the relocations of the Central Lab,
20 Energy Control department, and Engineering department, and due to other
21 staffing reductions resulting from the recent retirements of several coal

1 plants, is about 25% smaller than the combined square footage of the four
2 buildings at the existing headquarters.

3 Please refer to Exhibit C to the Application for a visual representation
4 of the proposed headquarters, which consists of a three story building, plus a
5 fourth story that is half the foot print of the other floors, and an uncovered,
6 fenced and camera-monitored secured employee parking lot, with
7 approximately 129 parking spots. The half-floor fourth story will house Big
8 Rivers' Training Center and the remaining floors will house administrative
9 offices and conference rooms.

10 **Q. Please describe the process employed to determine the space**
11 **requirements, design, and layout for the proposed headquarters.**

12 A. Big Rivers' department heads were surveyed to identify each department's
13 needs. Envision Contractors, LLC ("*Envision*") and Big Rivers worked closely
14 together to design the proposed headquarters building based on Big Rivers'
15 current and immediately foreseeable needs. As Big Rivers does not
16 anticipate any material growth in administrative staff in the foreseeable
17 future, the proposed headquarters building was designed with sufficient
18 space to accommodate Big Rivers' current staff, with increased meeting and
19 collaborative spaces that align with modern business practices.

1 IV. CALCULATION OF ESTIMATED COST COMPONENTS OF THE
2 PROPOSED HEADQUARTERS

3 Q. Please describe the process and methodology used to arrive at the
4 estimated total cost of construction of the proposed headquarters
5 building.

6 A. Big Rivers employed Envision to provide design services for the proposed
7 headquarters building. Envision developed a cost estimate for the new
8 building construction project, which is reflected in Exhibit Toerne-2 as
9 “Construction Budget” and shown on pages 15 and 16 of Exhibit Toerne-3.
10 Envision’s cost estimate is based on pricing from either their cost history
11 database or published construction cost indexes.

12 The “Moving Budget” as reflected in the referenced exhibits is Big
13 Rivers’ estimate based on internal research and vendor quotes. The
14 “Furnishings, Telephonics, & Equipment” consists of 1) window and other
15 building furnishings, additional furniture, and replacements for damaged
16 furniture, estimated to cost \$100,000; 2) a new telephone system estimated at
17 a cost of \$50,000; and 3) IT equipment estimated to cost \$85,000. These costs
18 were estimated by Big Rivers based on internal research, including review of
19 prior purchases and current equipment prices, as well as vendor quotes. The
20 IT equipment consists of CAT6 cabling throughout the new headquarters
21 building and 6 pair multimode fiber optic cabling from a wiring closet on each
22 floor that is terminated in a central communications room equipped with

1 robust HVAC service. The central communications room will house a new
2 core switch and a new phone system controller. It is standard for this IT
3 equipment to be user-provided, and it is therefore not included in the “Data
4 and Communications” components listed separately, which are supplied by
5 the construction contractor(s). The building will be equipped with both new
6 and re-located phones. Other IT equipment, such as video monitors,
7 Crestron boxes, printers, etc., will be relocated from the current headquarters
8 building to the new location.

9 **Q. Are there other costs associated with the proposed project?**

10 A. Aside from the construction costs described above, Big Rivers’ move to the
11 proposed headquarters facility will require installation of a data and telecom
12 fiber/radio system at a cost of \$508,144.00. The IT department requires a
13 communication path to the new headquarters location in order to include
14 that location in our corporate data communication ring. The current data
15 path is made up of both fiber and radio technologies. Access to this data ring
16 is required for corporate operations. The telecom fiber/radio system
17 installation cost estimate includes leasing a pair of existing fibers from
18 Kenergy and Owensboro Municipal Utilities (“*OMU*”). These routes will give
19 Big Rivers a connection from the new headquarters building to the rest of its
20 system. Channel Wave Division Multiplexing (“*CWDM*”) equipment at each
21 transition point between Big Rivers/Kenergy/OMU is also included. This will

1 give multiple connections (up to 120) for future separate fiber connections.
2 Also included in the cost estimate is funding for termination panels and
3 power supplies, time spent working with OMU and Kenergy on getting the
4 fiber route designed and overseeing the changes that are needed at each site,
5 and demoing equipment from the existing headquarters once the transition
6 has been completed.

7 **V. CONSTRUCTION DETAILS AND RELATED TECHNICAL**
8 **INFORMATION**

9 **Q. Please describe in detail the manner in which the proposed**
10 **headquarters building will be constructed.**

11 A. Envision provided a detailed project description, attached hereto as Exhibit
12 Toerne-3.

13 **VI. CONCLUSION**

14 **Q. What is your recommendation to the Commission in this case?**

15 A. Due to its aging, inefficiencies, and location, the existing headquarters
16 cannot adequately satisfy the current and future needs of Big Rivers and its
17 Members. Simply maintaining the existing headquarters would result in
18 substantial costs and would not provide a modern headquarters designed to
19 meet current and future operational needs. And it is not cost effective to
20 renovate the existing headquarters to adequately satisfy those needs. As

1 such, I recommend the Commission grant Big Rivers a CPCN authorizing the
2 construction of the proposed headquarters building.

3 **Q. Does this conclude your testimony?**

4 **A. Yes.**

BIG RIVERS ELECTRIC CORPORATION

**ELECTRONIC APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING
CONSTRUCTION OF A NEW HEADQUARTERS FACILITY AND AN ORDER
AUTHORIZING BIG RIVERS TO SELL ITS EXISTING HEADQUARTERS FACILITY
CASE NO. 2021-00314**

VERIFICATION

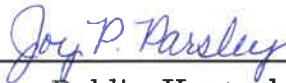
I, Robert F. Toerne, verify, state, and affirm that I prepared or supervised the preparation of the Direct Testimony filed with this Verification, and that Direct Testimony is true and accurate to the best of my knowledge, information, and belief after a reasonable inquiry on this 26th day of August, 2021.



Robert F. Toerne

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

26th SUBSCRIBED AND SWORN TO before me by Robert F. Toerne on this the
day of August, 2021.



Notary Public, Kentucky State at Large

My Commission Expires _____

Notary Public, Kentucky State-At-Large
My Commission Expires: July 10, 2022
ID: 604480

Big Rivers' Existing Headquarters Projected Capital Expenses

Project Description	2021	2022	2023	2024	2025	2026
Building & Grounds (Misc Repairs)	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00
Elevator Controls						\$ 25,000.00
HQ Parking Lot (Asphalt Resurfacing)			\$ 225,000.00			
HQ Restroom Remodels		\$ 37,500.00	\$ 25,000.00	\$ 37,500.00	\$ 37,500.00	\$ 25,000.00
HQ 2nd Story Roof		\$ 100,000.00				
HQ 4th Story Roof						\$ 100,000.00
HQ HVAC (1st floor & 2nd floor-Old side)		\$ 100,000.00				
HQ HVAC (5 other units)					\$ 50,000.00	\$ 25,000.00
HQ HVAC Controls (Penthouse Unit)					\$ 25,000.00	
HQ Server/IT Rooms (3 Liebert A/C Units)					\$ 40,000.00	
Fire Suppression Upgrade (Halon)						
Painting (Interior)						
Floor Coverings (Carpet, Tile)						
Ballistic Glass & Walls @ Entrance						
Ballistic Glass for Energy Control						
Security System Replacement (Door Card System)						
Security Camera System						\$ 25,000.00
Fire Sprinkler System (2-story side)						
HQ Breakroom Remodel				\$ 16,000.00		
HQ Resealing Windows					\$ 50,000.00	
Diesel Generator						\$ 50,000.00
LED Light Conversion					\$ 80,000.00	
Training Center Roof						
Commercial Water Heaters						
Exterior Painting						
LED Parking Lots Lights						\$ 25,000.00
	\$ 25,000.00	\$ 262,500.00	\$ 275,000.00	\$ 78,500.00	\$ 307,500.00	\$ 300,000.00

Big Rivers' Existing Headquarters Projected Capital Expenses

Project Description	2027	2028	2029	2030	Total
Building & Grounds (Misc Repairs)	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 25,000.00	\$ 250,000.00
Elevator Controls					\$ 25,000.00
HQ Parking Lot (Asphalt Resurfacing)					\$ 225,000.00
HQ Restroom Remodels					\$ 162,500.00
HQ 2nd Story Roof					\$ 100,000.00
HQ 4th Story Roof					\$ 100,000.00
HQ HVAC (1st floor & 2nd floor-Old side)					\$ 100,000.00
HQ HVAC (5 other units)		\$ 50,000.00			\$ 125,000.00
HQ HVAC Controls (Penthouse Unit)					\$ 25,000.00
HQ Server/IT Rooms (3 Liebert A/C Units)	\$ 40,000.00			\$ 40,000.00	\$ 120,000.00
Fire Suppression Upgrade (Halon)	\$ 50,000.00				\$ 50,000.00
Painting (Interior)		\$ 35,000.00			\$ 35,000.00
Floor Coverings (Carpet, Tile)		\$ 180,000.00			\$ 180,000.00
Ballistic Glass & Walls @ Entrance	\$ 50,000.00				\$ 50,000.00
Ballistic Glass for Energy Control	\$ 40,000.00				\$ 40,000.00
Security System Replacement (Door Card System)	\$ 100,000.00				\$ 100,000.00
Security Camera System					\$ 25,000.00
Fire Sprinkler System (2-story side)			\$ 100,000.00		\$ 100,000.00
HQ Breakroom Remodel					\$ 16,000.00
HQ Resealing Windows					\$ 50,000.00
Diesel Generator					\$ 50,000.00
LED Light Conversion					\$ 80,000.00
Training Center Roof				\$ 80,000.00	\$ 80,000.00
Commercial Water Heaters	\$ 10,000.00				\$ 10,000.00
Exterior Painting			\$ 185,000.00		\$ 185,000.00
LED Parking Lots Lights					\$ 25,000.00
	\$ 315,000.00	\$ 290,000.00	\$ 310,000.00	\$ 145,000.00	\$ 2,308,500.00



Big Rivers Electric Corporation Headquarters Project

Description:

Relocation of Big Rivers Electric Corporation Headquarters and primary transmission control operations to undeveloped site (approximately 2.1 acres) in downtown Owensboro, Kentucky. Approximately 47,000sf multi-story self-contained structure with onsite parking and full accessibility to necessary public infrastructure.



Case No. 2021-00314
Exhibit Toerne-2

Project Location:

710 West 2nd Street
Owensboro, Kentucky 42301



Case No. 2021-00314
Exhibit Toerne-2



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Overview / Assumptions / Objectives:

It is the intent of the design and construction team to complete a facility to meet the goals and objectives of Big Rivers:

- Enhanced operational efficiencies
- Increase safety and security for operations and employees
- Structurally sound facility
- Improve functionality
- Increase meeting and collaborative spaces
- Maintain and attract quality employees
- Achieve space needs and plan for future growth
- Lower maintenance costs
- Improve energy efficiency
- Create a design that is budget conscious while projecting the professionalism of Big Rivers

Design assumptions include:

- Workflow and efficiency are a key requirement of Big Rivers
- Backup power is required for communications operations
- Priority needs to go to providing a safe and secure environment
- Big Rivers needs quality at the best value
- Big Rivers is expected to have sustained (but minimal) growth
- Regulatory requirements including those of PSC, FERC, NERC, and SERC must be followed

Scope of Services (Preconstruction / Design Team):

Develop a design, budget, schedule and working production plan that creates a general office facility to house the personnel and operational facilities as detailed by Big Rivers. Bid the elements of the project to achieve best value for Big Rivers and manage the construction of the project thru occupancy/full operation.

Case No. 2021-00314
Exhibit Toerne-2



Design Team:

Construction Manager:	Envision Contractors LLC 2960 Fairview Drive Owensboro, Kentucky 42303
Architectural Firm:	Axiom Architecture 2625 Frederica Street Owensboro, Kentucky 42301
Mechanical Design Firm:	Sky Engineering 1830 Destiny Lane, Suite 113 Bowling Green, Kentucky 42104
Structural Engineering Firm:	Yeiser Structural Engineering 403 Marquis Ave Lexington, Kentucky 40502
Civil Engineering Firm:	Bryant Engineering, Inc. 1535 Frederica Street Owensboro, Kentucky 42301
Environmental Firm:	Tetra Tech 2000 Warrington Way, Suite 245 Louisville, Kentucky 40222
Geotechnical Firm:	Vector Engineers, Inc. 1535 Old Finchville Road Shelbyville, Kentucky 40065

Case No. 2021-00314
Exhibit Toerne-2

Preliminary Design Components:

- Project Description
 - The project is to design and construct a new 47,000 sf facility to function as the operation headquarters for Big Rivers Electric Corporation (“Big Rivers”) . This will be a new building on a site located in the main downtown area.
- Design Components Intent
 - The design development drawings are not intended to be the complete construction documents. They are intended to convey design intent and to develop the cost of construction.
- Site
 - From Jason Baker
- Structural Systems
 - Foundations: The building will be founded on drilled augercast piles. The piles will be spaced equally around the building perimeter supporting a continuous concrete grade beam. There will be a minimum of (3) piles supporting a concrete pile cap at each column. The spacing, quantity and length will be determined by the final geotechnical recommendations.
 - Slab-On-Grade: Slab-on-grade will be constructed utilizing reinforced concrete slab over vapor retarder over crushed stone or D.G.A. subbase. Slab-on-grade will be a free-floating slab. Slab and subbase thicknesses to be determined by final geotechnical recommendations.
 - Floor Framing: Floors 2 through 4 framing will be constructed utilizing 8” deep precast hollowcore planks (plus 2” reinforced concrete topping slab) spanning from steel beam to steel beam which are supported by tube columns down to the foundations. The precast hollowcore planks will bear on the top flange of the perimeter steel beams and will bear on an continuous angle welded to the web of the interior steel beams to help minimize the structure depth below the precast hollowcore planks.
 - Roof Framing: The roof will be constructed utilizing 8” deep precast hollowcore planks spanning from steel beam to steel beam similar to the floor framing system.
 - Stair & Elevator Shaft Walls: The stair and elevator shaft walls will be constructed utilizing reinforced 8” concrete masonry units (CMU).
 - Lateral Resisting System: The building will utilize a combination of CMU interior shaft walls and perimeter steel braced frames as the main lateral resisting system. There will be approximately 2 steel braced frame bays per side of the building (approximately 8 total).



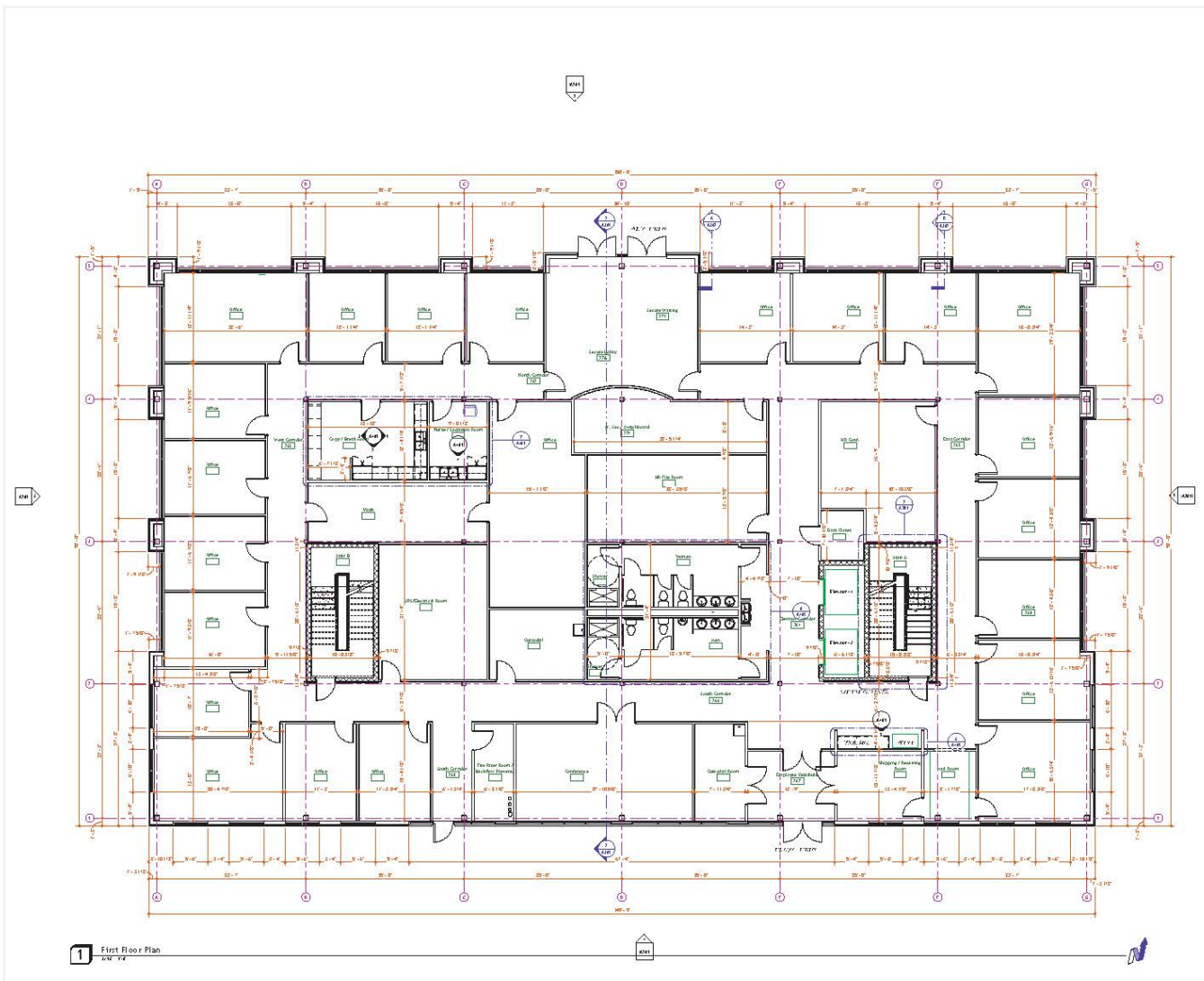
- Exterior Wall Construction: The exterior walls will be constructed utilizing sheathed cold-formed steel studs (likely 6" deep) spanning from floor-to-floor.
- Building Envelope
 - Exterior façade materials
 - Porcelain tile over exterior sheathing and fluid applied vapor barrier on metal stud.
 - Metal wall panel over exterior sheathing and fluid applied vapor barrier on metal stud.
 - Aluminum storefront system.
 - Insulation will be placed in the wall cavity with at least an R-19 rating.
 - Roof insulation will be tapered rigid polyiso board.
 - Aluminum storefront system will be thermally broken with insulating tinted glass units. Glass will be 1" thick and tempered where required.
 - Expansion joints will be provided in materials per manufacturer's guideline.
 - Roof membrane will be single ply EPDM attached to tapered insulation.
- Interiors
 - Interior doors will be hollow metal with full-glass panels to offices & conference rooms. Hardware will be lever style.
 - Partitions will be metal stud with gypsum board & sound batt. Moisture resistant gypsum board will be used where required. Stair and elevator shaft will be CMU walls.
 - Casework and countertop will be plastic laminate. Countertop with a water source will be solid surface. Interior of cabinets will be white.
 - Walls will be painted with three coats, including primer.
 - Floor covering will be carpet in office & corridor. Areas near water source will be ceramic tile (example: toilet rooms, kitchenette, etc.). Mechanical spaces will be sealed concrete.
 - Ceilings will be acoustic panel lay-in.
 - Toilet partitions will be floor mounted with baked enamel finish.
 - Interior signage will be plastic with required brail.
 - Residential grade appliances will be provided in break room areas.
 - Window shades will be manual operated.
- Fire Protection
 - Fully sprinkled
 - Clean agent system for server room.
 - Semi-recessed fire extinguisher cabinets placed per code.

Case No. 2021-00314
Exhibit Toerne-2



- Plumbing
 - Building will be served by public water service. A new water meter will be installed.
 - Building will be connected to public sewer system with a new tap.
 - Plumbing fixtures will be installed for the space in which they serve. Fixtures to include:
 - Water closets, wall mounted flush valves with sensors.
 - Urinals, flush valves and sensors
 - Lavatories will include under mounted sinks with single lever faucets
 - Shower will be one piece surround with ADA compliant equipment
 - Mop basin with FRP on adjacent walls to 4' AFF
 - Water coolers located per code
 - Water heaters with recirculation system
- Mechanical
 - This building will be heated and cooled by VRF units. Energy recovery units will be used to provide outside air to the building.
 - A dedicated server room unit will be used to provide cooling for the server room.
 - Ventilation fans will be provided for bathroom and general exhaust.
 - Building HVAC equipment will be controlled through dedicated Building automation system
- Electrical
 - New electric service through municipal electric utility company will be provided.
 - New emergency generator and UPS System will be provided. Battery backup will be provided for emergency lighting throughout building including exit lighting.
 - Lighting throughout will consist of 2' x 4' LED light fixtures and LED recessed can fixtures where required.
 - Motion sensors for lighting control will be provided as required.
 - Small power (receptacles) will be provided throughout building.
 - Power for HVAC system to be provided.
 - LED pole mounted parking lot lighting will be provided.
 - LED exterior building mounted lighting will be provided.
 - Voice and Data system will be provided throughout facility.
 - Fire Alarm system will be provided throughout facility.
 - Security Cameras will be provided as required within facility and in parking lot area.
 - Door Access system will be provided as required.

First Floor



Big Rivers
Electric Cooperative

New Headquarters

AXIOM ARCHITECTURE

GENERAL CONTRACTOR
ENVISION CONTRACTORS

MECHANICAL, ELECTRICAL, PLUMBING
SKY ENGINEERING

STRUCTURAL
YEISER

Coordination Review
Not for Construction

Project # 2021-00314

Revision 01

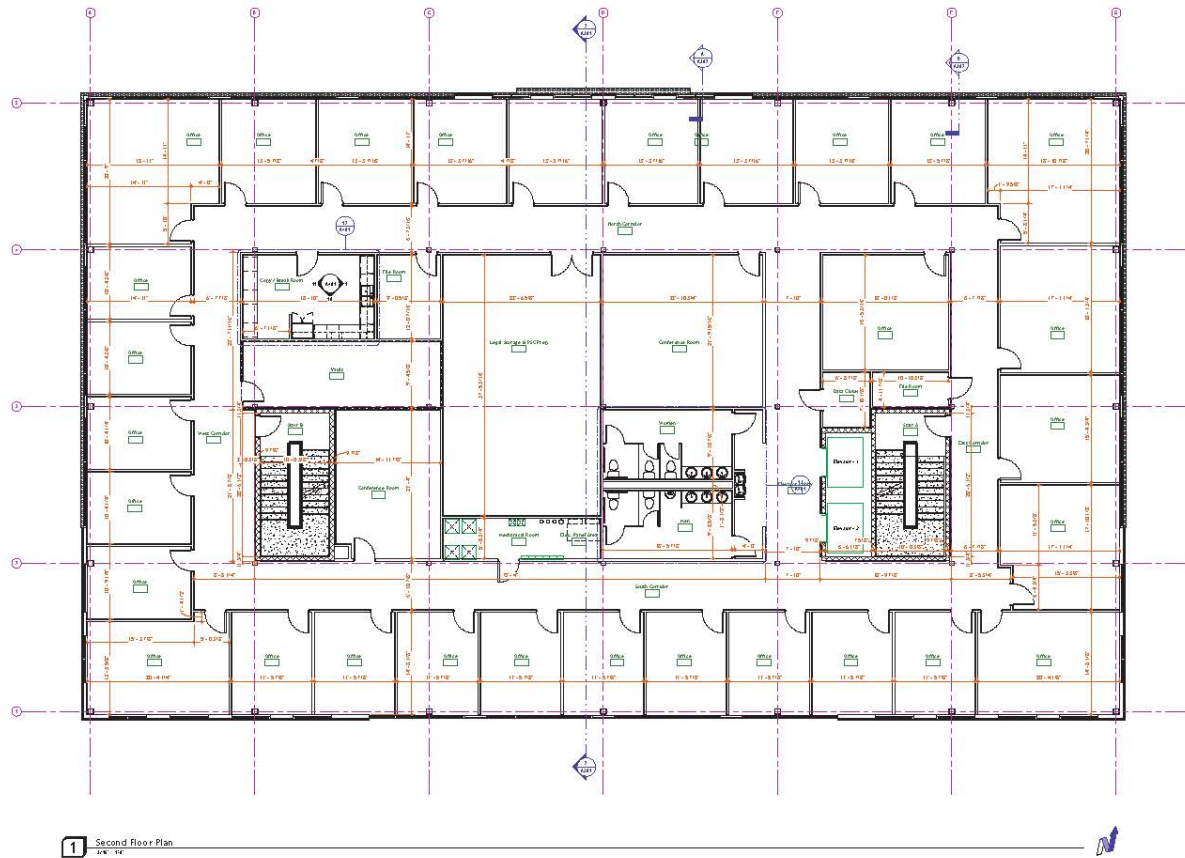
Design Date: 10/20/21

10/20/21

First Floor Plan
A101

Case No. 2021-00314
Exhibit Toerne-2

Second Floor



New Headquarters



1115 Quince Street
Owensboro, Kentucky 42301
731.663.8762
1115 Quince Street
Owensboro, KY 42301
731.663.8762
1115 Quince Street
Owensboro, KY 42301
731.663.8762



GENERAL CONTRACTOR
ENVISION CONTRACTORS
2762 Evansville
Owensboro, KY 42301
John Davis, Project Manager 778.462.7611
jdavis@envisionky.com



MECHANICAL, ELECTRICAL, PLUMBING
1400 Kentucky Ave., Suite 100
Owensboro, KY 42301
731.663.8762
John Davis, Project Manager 778.462.7611
jdavis@envisionky.com



STRUCTURAL
YEISER
1100 S. 10th St.
Owensboro, KY 42301
731.663.8762
John Davis, Project Manager 778.462.7611
jdavis@envisionky.com

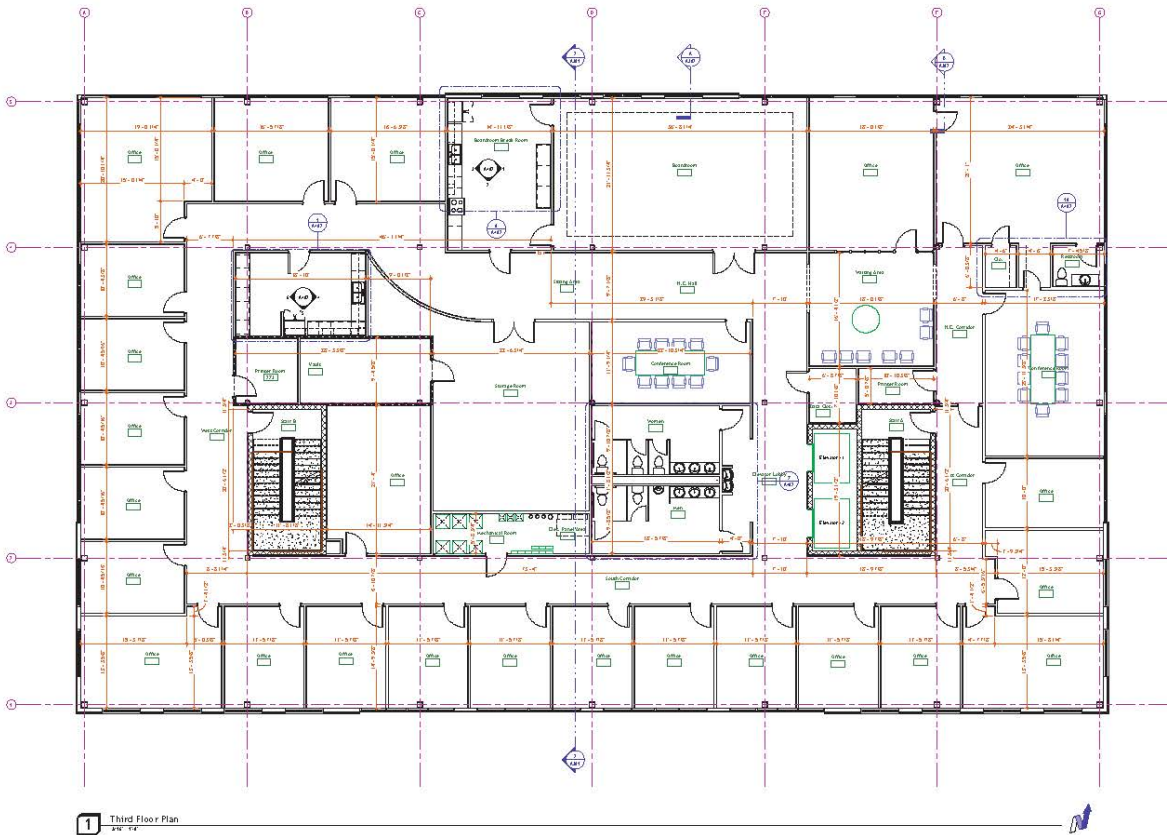
Architect's Stamp #2014

Coordination Review
Not for Construction

April 25, 2021

Second Floor Plan
A102

Third Floor



Big Rivers
ELECTRIC CORPORATION

New Headquarters

100 West Laurel Street
Owensboro, Kentucky 42301

AXIOM
ARCHITECTURE

212 Fleming Street, Owensboro, Kentucky 42301
PO Box 610
Owensboro, KY 42301
Phone: (270) 663-4444
Fax: (270) 663-4444
www.axiomarchitect.com

ENVISION CONTRACTORS

100 West Laurel Street
Owensboro, KY 42301
270-663-4444
www.envisionky.com

BEI
BUILDING ENVELOPE INSTITUTE

SKY
ENGINEERING

100 West Laurel Street
Owensboro, KY 42301
270-663-4444
www.skyengineering.com

YEISER

100 West Laurel Street
Owensboro, KY 42301
270-663-4444
www.yeiser.com

Architect Project #024

Coordination Review
Not for Construction

April 16, 2021

Revising Engineer:

1. _____

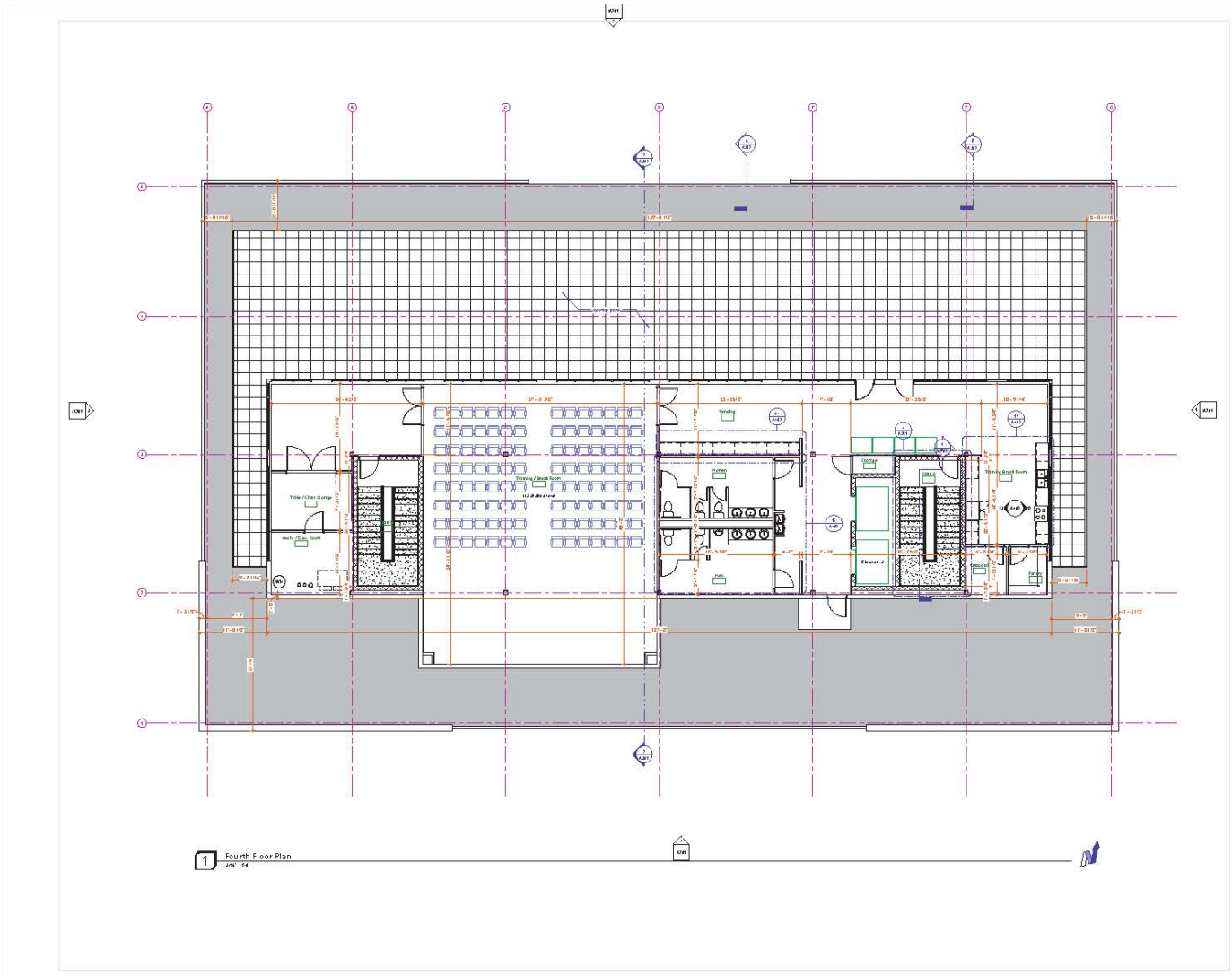
2. _____

3. _____

Third Floor Plan
A103

Case No. 2021-00314
Exhibit Toerne-2

Fourth Floor



Big Rivers
ELECTRIC POWER & WATER

New Headquarters

200 Westwood Court
Owensboro, Kentucky 42301

AXIOM
ENGINEERS

2142 Roberts Street, Owensboro, Kentucky 42301
PO Box 8736
Owensboro, KY 42308
Phone: 502.663.8888
www.axiom-engineers.com

GENERAL CONTRACTOR
ENVISION
CONTRACTORS

2960 Fairview Drive
Owensboro, KY 42303
404 Owensboro Hwy, Suite 100
Owensboro, KY 42303
Phone: 270.663.2331
www.envisionky.com

MECHANICAL
BEI
MECHANICAL ENGINEERS

1000 Parkview Lane, Suite 100
Owensboro, KY 42303
Phone: 502.663.8888
www.bei-engineers.com

MECHANICAL
SKY
ENGINEERING

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1000 Parkview Lane, Suite 100
Owensboro, KY 42303
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YEISER
ENGINEERS

1000 Parkview Lane, Suite 100
Owensboro, KY 42303
Phone: 502.663.8888
www.yeiser-engineers.com

404 Owensboro Hwy #100

Coordination Review
Not for Construction

April 21, 2021

Revisy Number:
1
2
3

www.envisionky.com

Fourth Floor Plan
A104

Case No. 2021-00314
Exhibit Toerne-2



Forecasted Budget:

Preliminary Big Rivers Office Bldg. Construction Budget	July 2021 3.5 Story Budget
Architect Design Fee	\$533,400.00
Civil Design Fees	\$46,460.00
Plan Review and Permits	\$28,500.00
Special Inspection Fees	\$65,440.00
Utilities Tap Fees	\$49,500.00
Preconstruction Management	\$86,000.00
Jobsite Manage/General Condition	
Earthwork	
Asphalt paving	
Asphalt Patch	
Detention System-Contech	
Storm drainage	
Crushed Stone	
Site Irrigation	
Landscape	
Security Fence and Gate	
Landscape Finish Grading	
Concrete Curbs-ROW	
Concrete Curbs-Site	
Approaches	
Sidewalks-ROW	
Sidewalks-Site	
Decorative Hardscape	
Dumpster Pad	
Concrete Foundations	
Deep Foundation	
Concrete slabs	
Precast Concrete	
Precast Erection	



ENVISION
CONTRACTORS, LLC

Masonry	
Structural Steel	
Steel Erection	
Rough Carpentry	
PL Cabinets	
TPO Roofing & Sheetmetal	
Roof Pavers System Allowance	
Joint sealants	
Steel Doors & Frames	
Flush Wood Doors	
Aluminum Framed Entrances	
Aluminum Curtain Walls	
Gypsum Board Assemblies	
Acoustical Ceiling	
Ceramic Tile	
Flooring & Base	
Painting-Interior	
Plastic Laminate Toilet Partitions	
Wall & door Protection	
Toilet & Bath	
FEC	
Horizontal Louver Blinds	
Vault Room & Door	
Hydraulic Elevator	
Plumbing	
Sprinkler	
HVAC	
Parking Lot Charging Stations Studs	
Electric	
Generator	
Fire Alarm /Security	
Data and Communications	
Contingency	
Sub Total	\$10,883,027.00
Moving Budget	\$60,000.00
Furnishings, Telephonics, & Equipment	\$235,000.00
Construction Budget	\$11,178,027.00

Case No. 2021-00314
Exhibit Toerne-2



Prepared By:	
Envision Contractors, LLC <i>Subject to Final Design, Bids, Unknown Conditions, and Market Fluctuations: Contains components other than those that are by others outside of the scope of the base construction of the building such as IT, FFE, specialty systems, etc.</i>	

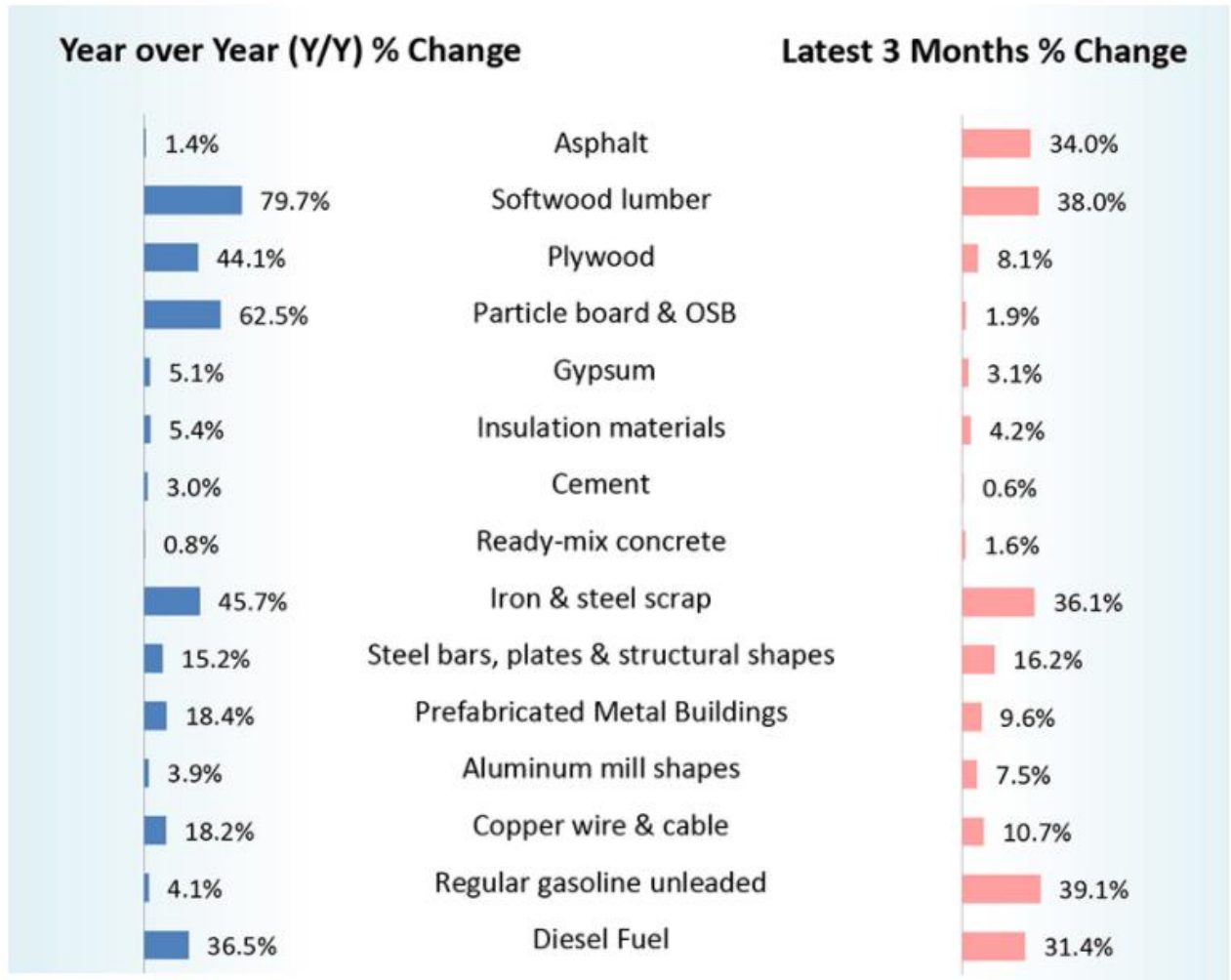
Notes on Potential Market Impacts:

Over the past 18 months, the cost of construction has had unprecedented fluctuations in the areas of building material and labor costs due to the COVID-19 pandemic. Most of the jump in material costs that have impacted commercial buildings comes from four main places: wood, metal, rebar, and concrete. Additionally, demand and logistical challenges due to the COVID pandemic in 2020/2021 have made some significant building components scarce which has led to increased pricing and very long lead times.

The construction material cost forecast for the remainder of 2021/2022 will continue to change and budgets should be closely monitored to account for fluctuations. The budget herein is based on current pricing and availability of products. Envision Contractors LLC and the entire design team continue to examine every aspect of the construction means and methods to maximize efficiency and predictability in the overall project.

There continues to be pent up demand for many construction materials which continues to effect pricing. The following are snapshots of critical material pricing that may affect this project as final bids are solicited.

Table 1: U.S. Construction Material Cost Changes
From Producer Price Index (PPI) Series - February 2021



Data source: Bureau of Labor Statistics (BLS).

Construction Cost Estimate

Proposed HQ Building

Description	Cost
Architect Design Fee	\$533,400.00
Resign Fees	\$15,000.00
Civil Design Fees	\$31,460.00
Plan Review and Permits	\$28,500.00
Special Inspection Fees	\$65,440.00
Utilities Tap Fees	\$49,500.00
Preconstruction Management	\$86,000.00
Jobsite Manage/General Condition	
Earthwork	
Asphalt paving	
Asphalt Patch	
Detention System-Contech	
Storm drainage	
Crushed Stone	
Site Irrigation	
Landscape	
Security Fence and Gate	
Landscape Finish Grading	
Concrete Curbs-ROW	
Concrete Curbs-Site	
Approaches	
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Sidewalks-Site	
Decorative Hardscape	
Dumpster Pad	
Concrete Foundations	
Deep Foundatioon	
Concrete slabs	
Precast Concrete	
Precast Erection	
Masonry	
Structural Steel	
Steel Erection	
Rough Carpentry	
PL Cabinets	
TPO Roofing & Sheetmetal	
Roof Pavers System Allowance	
Joint sealants	
Steel Doors & Frames	
Flush Wood Doors	
Aluminum Framed Entrances	
Aluminum Curtain Walls	
Gypsum Board Assemblies	
Acoustical Ceiling	
Ceramic Tile	
Flooring & Base	
Painting-Interior	
Plastic Laminate Toilet Partitions	
Wall & door Protection	
Toilet & Bath	

Construction Cost Estimate

Proposed HQ Building

Description	Cost
FEC	
Horizontal Louver Blinds	
Vault Room & Door	
Hydraulic Elevator	
Plumbing	
Sprinkler	
HVAC	
Parking Lot Charging Stations Studs	
Electirc	
Generator	
Fire Alarm /Security	
Data and Communications	
Contingency	\$675,324.00
Moving Budget	\$60,000.00
Furnishings, Telephonics, & Equipment	\$235,000.00
Construction Budget	\$11,178,027.00
Big Rivers' Communication Budget	\$508,144.00
TOTAL BUDGET	\$11,686,171.00



**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**ELECTRONIC APPLICATION OF BIG RIVERS)
ELECTRIC CORPORATION FOR A CERTIFICATE)
OF CONVENIENCE AND NECESSITY)
AUTHORIZING CONSTRUCTION OF A NEW)
HEADQUARTERS FACILITY AND AN ORDER)
AUTHORIZING BIG RIVERS TO SELL ITS)
EXISTING HEADQUARTERS FACILITY)**

**Case No.
2021-00314**

DIRECT TESTIMONY

OF

**PAUL G. SMITH
CHIEF FINANCIAL OFFICER**

ON BEHALF OF

BIG RIVERS ELECTRIC CORPORATION

FILED: August 26, 2021

**Case No. 2021-00314
Application Exhibit F
Direct Testimony of Paul G. Smith**

**DIRECT TESTIMONY
OF
PAUL G. SMITH**

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III. PROJECT FINANCING	10
IV. OPERATING COSTS	12
V. FINANCIAL ANALYSIS	13
VI. ALTERNATIVES CONSIDERED	16
VII. CONCLUSION	18

1 **DIRECT TESTIMONY**

2 **OF**

3 **PAUL G. SMITH**

4 **I. INTRODUCTION**

5 **Q. Please state your name, business address and occupation.**

6 A. My name is Paul G. Smith, and my business address is 201 Third Street,
7 Henderson, Kentucky 42420. I am the Chief Financial Officer (“*CFO*”) for
8 Big Rivers Electric Corporation (“*Big Rivers*”).

9 **Q. Please summarize your education and professional experience.**

10 A. I received a Bachelor of Science degree in Industrial Management from
11 Purdue University and a Masters of Business Administration degree, with
12 honors, from the University of Chicago. I am a Certified Public Accountant
13 in the State of Ohio and a member of the American Institute of Certified
14 Public Accountants. I am a past member of the Edison Electric Institute
15 (“*EEI*”) Economic Regulation and Competition Committee and the EEI
16 Budgeting and Financial Forecasting Committee.

17 I began my career in 1982 as a public accountant in the Chicago office
18 of Deloitte & Touche, and from 1984 to 1987, I worked in the Indianapolis
19 office of Crowe, Chizek & Co. Beginning in 1987, I held various analyst and
20 managerial positions with Duke Energy Corporation, and its predecessor

1 companies, including Cinergy Corp. (“*Cinergy*”) and Public Service Indiana,
2 in Budgets and Forecasts, Rates and Regulatory Affairs, Investor Relations,
3 and the International Business Unit. Beginning in 2001, I was appointed to
4 various executive level positions, including General Manager of Budgets and
5 Forecasts with responsibility for Cinergy's financial planning and analysis
6 department, Vice President of Rates with responsibility for all state and
7 federal regulated rate matters, including revenue requirements, cost-of-
8 service and rate design for Duke Energy Kentucky, Inc. and Duke Energy
9 Ohio, Inc., and Vice President of Retail Marketing with responsibility for
10 launching a competitive retail energy business.

11 In 2012, I joined NextEra Energy Transmission, the competitive
12 transmission development subsidiary of NextEra Energy, Inc., as Senior
13 Director of Business Management. My responsibilities included managing all
14 financial activities, including accounting and financial reporting, budgeting
15 and financial forecasting, and corporate development analytics. In addition, I
16 was responsible for compliance and directing the preparation of state,
17 Regional Transmission Organization, and Federal Energy Regulatory
18 Commission (“*FERC*”) revenue requirement filings.

19 In 2018, I accepted the position of CFO at Big Rivers.

1 **Q. Please summarize your duties at Big Rivers.**

2 A. As CFO, I am responsible for all financial, regulatory, strategic planning and
3 risk management activities. Such activities include accounting and financial
4 reporting, payroll, budgets and financial forecasts, finance, tax, rates and
5 regulatory affairs, risk management and strategic planning.

6 **Q. Have you previously testified before the Kentucky Public Service
7 Commission (“Commission”)?**

8 A. Yes. Most recently, I submitted written testimony on behalf of Big Rivers in
9 Case No. 2021-00061,¹ Big Rivers’ annual report on its MRSM credit. I
10 submitted written and oral testimony on behalf of Big Rivers in Case No.
11 2018-00146² and 2019-00269³ regarding the termination and enforcement of
12 a series of contracts between Big Rivers and the City of Henderson and the
13 City of Henderson Utility Commission (collectively, “HMP&L”) related to the
14 HMP&L-owned William L. Newman Station Two generating plant. I also
15 submitted testimony on behalf of Big Rivers in Case No. 2020-00183⁴ in

¹ *In the Matter of Electronic Application of Big Rivers Corporation for Annual Report on MRSM Credit* (filed Feb. 26, 2021).

² *In the Matter of: Notice of Termination of Contracts and Application of Big Rivers Electric Corporation for a Declaratory Order and for Authority to Establish a Regulatory Asset* (filed Aug. 29, 2018).

³ *In the Matter of: Application of Big Rivers Electric Corporation for Enforcement of Rate and Service Standards* (filed July 31, 2019).

⁴ *In the Matter of: Electronic Application of Big Rivers Electric Corporation for Approval of Solar Power Contracts*, (filed June 24, 2020).

1 which Big Rivers obtained approval of three solar power purchase contracts,
2 in Case No. 2019-00435⁵ in which the Company obtained approval of its 2020
3 Environmental Compliance Plan, and in Case No. 2020-00064 in which Big
4 Rivers received approval to modify its MRSM Tariff. I submitted testimony
5 in support of the Joint Application filed by Big Rivers and Meade County
6 Rural Electric Cooperative Corporation (“*Meade County RECC*”) in Case No.
7 2019-00365,⁶ in which the Commission approved contracts to provide electric
8 service to Nucor Corporation’s new steel plate manufacturing mill currently
9 under construction in Brandenburg, Meade County, Kentucky. I also
10 responded to requests for information in Case No. 2020-00153⁷ and Case No
11 2020-00291,⁸ in which Big Rivers obtained authorization to issue evidence of
12 indebtedness.

⁵ *In the Matter of: Application of Big Rivers Electric Corporation for Approval of its 2020 Environmental Compliance Plan, Authority to Recover Costs Through a Revised Environmental Surcharge and Tariff, the Issuance of a Certificate of Public Convenience and Necessity for Certain Projects, and Appropriate Accounting and Other Relief* (filed Feb. 7, 2020).

⁶ *In the Matter of: Electronic Joint Application of Big Rivers Electric Corporation and Meade County Rural Electric Cooperative Corporation for (1) Approval of Contracts for Electric Service with Nucor Corporation; and (2) Approval of Tariff* (filed Sept. 26, 2019).

⁷ *In the Matter of: Electronic Application of Big Rivers Electric Corporation For Approval to Issue Evidences of Indebtedness, Responses to Commission Staff’s Initial Request for Information*(filed July 6, 2020).

⁸ *In the Matter of: Electronic Application of Big Rivers Electric Corporation For Approval to Issue Evidences of Indebtedness, Responses to Commission Staff’s Initial Request for Information* (filed Oct. 12, 2020).

1 I have also testified on behalf of Duke Energy Kentucky, Inc.,
2 including in Case No. 2006-00172,⁹ in which the company sought an increase
3 in rates, and in Case No. 2008-00495,¹⁰ in which the company sought
4 approval of energy efficiency programs and an energy efficiency rider.
5 Additionally, I have testified before The Public Utilities Commission of Ohio,
6 the Indiana Utility Regulatory Commission, and FERC. My professional
7 experience is summarized in Exhibit Smith-1.

8 **Q. What is the purpose of your testimony in this proceeding?**

9 A. The purpose of my testimony is to describe and summarize the financial
10 impacts of constructing and operating a new corporate headquarters facility
11 in Owensboro, Kentucky, and selling Big Rivers' existing headquarters
12 properties. The financial summary highlights the economic impact on Big
13 Rivers' net margins, cash flow and balance sheet. My testimony further
14 describes the project's various financial considerations, including (i) the net
15 capital investment; (ii) the financing of the project; and (iii) the incremental
16 annual operating costs and savings. Finally, my testimony provides a
17 financial perspective of alternatives considered, and generally supports Big

⁹ *In the Matter of: An Adjustment of the Electric Rates of the Union Light, Heat and Power Company d/b/a Duke Energy Kentucky, Inc.* (filed Dec. 21, 2006).

¹⁰ *In the Matter of: Application of Duke Energy Kentucky, Inc. for Approval of Energy Efficiency Plan including an Energy Efficiency Rider and Portfolio of Energy Efficiency Programs*, Order (Jan. 29, 2010).

1 Rivers' request for authorization to construct the proposed headquarters and
2 sell its existing headquarters.

3 **Q. Are you sponsoring any exhibits?**

4 A. Yes. The following exhibits were prepared by me or under my supervision:

- 5 • Exhibit Smith-1: Professional Summary
- 6 • Exhibit Smith-2: Financial Analysis

7 **II. PROPOSED INVESTMENT**

8 **Q. Where does Big Rivers intend to construct its proposed**
9 **headquarters?**

10 A. Big Rivers intends to construct the proposed headquarters in the 700 city
11 block between W 2nd and W 3rd Streets in Owensboro, Kentucky. The Direct
12 Testimony of Robert W. Berry explains the details surrounding the decision
13 to construct the proposed headquarters at this location.

14 **Q. What is the cost and value of the real estate for the proposed**
15 **headquarters?**

16 A. The property on which the proposed headquarters will be constructed is
17 valued at \$2,091,789 according to the Daviess County Property Valuation
18 Administrator. The property is being acquired from the City of Owensboro at
19 its assessed value, but the City has agreed to rebate the purchase proceeds

1 back to Big Rivers. Therefore, the property is essentially being gifted by the
2 city to Big Rivers at no cost.

3 **Q. What is the estimated total cost and total value of the proposed**
4 **headquarters?**

5 A. As discussed in the Direct Testimony of Robert F. Toerne, the estimated total
6 construction cost of the project is \$11.7 million (see Exhibit Toerne-2). The
7 following table summarizes the total cost and the total value of the proposed
8 headquarters property:

	Total Cost	Total Value
Land	\$ 0	\$ 2,091,789
Building & Improvements	11,178,027	11,178,027
Other System Upgrades	<u>508,144</u>	<u>508,144</u>
Total	\$ 11,686,171	\$ 13,777,960

9 **Q. What does Big Rivers intend to do with its existing headquarters?**

10 A. Big Rivers plans to sell the existing headquarters properties as described in
11 the Direct Testimony of Mr. Berry. Accordingly, there will be no wasteful
12 duplication of facilities.

1 **Q. What are the financial impacts of selling the existing headquarters**
2 **properties?**

3 A. There are three primary financial impacts related to the sale of the existing
4 headquarters properties: (i) the cash proceeds from the sale of the properties;
5 (ii) the avoided future capital investments that otherwise would be required
6 to maintain the existing headquarters; and (iii) the realized gain on the sale
7 of the properties. Each of these financial impacts will mitigate the cost of the
8 proposed project and are more fully described as follows:

9 (i) Cash Proceeds from the Sale of the Properties – The existing
10 headquarters properties are anticipated to be sold at a price of approximately
11 [REDACTED]. This price reflects a formal property appraisal performed
12 earlier this year as well as a market analysis performed in 2019. The two
13 studies performed by independent third-parties yielded very similar
14 valuations.

15 (ii) Avoided Capital Investments – As more fully discussed by Mr.
16 Berry and Mr. Toerne, the existing headquarters was constructed in several
17 phases from 1966 through 1981 and has reached an age and condition at
18 which significant capital investments are required to maintain the facilities.
19 The expected investments include the cost to maintain the structure (roof
20 and windows), parking lots and critical building systems (HVAC, electric,
21 plumbing, back-up generation, elevator), to upgrade safety features (security
22 system, fire suppression, ballistic glass), to improve handicap accessibility

1 (bathroom, building entrance), as well as to perform general cosmetic
2 upgrades (painting, flooring, lighting). The estimated capital investment to
3 maintain and upgrade the existing headquarters properties is approximately
4 \$2.3 million, which will be avoided by the construction of the proposed
5 headquarters.

6 (iii) Gain on Sale of the Existing Headquarters Properties – The
7 current net book value of the existing headquarters is [REDACTED], and will
8 decrease as additional depreciation expense is recorded each month. The
9 projected net book value at December 31, 2022, the estimated date on which
10 the properties will no longer be needed and will be available to be sold, is
11 [REDACTED]. The amount by which the sales price exceeds the net book value
12 at the time of sale, estimated to be [REDACTED], will be recognized as a one-
13 time windfall to Big Rivers' net margins, a portion of which will be used to
14 reduce the Company's regulatory asset balance and a portion of which will
15 flow back to retail customers through Big Rivers' MRSM mechanism.

16 **Q. Will Big Rivers receive any financial incentives related to the**
17 **relocation of its headquarters to Owensboro?**

18 A. Yes. As more fully discussed by Mr. Berry, Big Rivers has negotiated two
19 financial incentives from the City of Owensboro in exchange for relocating its
20 headquarters within its city limits. The incentives include the 100% rebate
21 of the purchase price of the land, and a 50% rebate of the occupational tax

1 paid by Big Rivers during the first ten years its proposed headquarters is
2 located in Owensboro.

3 **III. PROJECT FINANCING**

4 **Q. How does Big Rivers intend to finance the cost of constructing the**
5 **proposed headquarters?**

6 A. Big Rivers intends to fund the investment in the proposed headquarters
7 through the U.S. Department of Treasury’s New Markets Tax Credits
8 (“*NMTC*”) Program. Any capital cost in excess of the NMTC Program
9 funding can be financed with general cash reserves, or through a loan with
10 the Rural Utilities Service (“*RUS*”) as the RUS typically offers the most
11 attractive debt terms, including lower interest rates. If such a loan is not
12 available, several financial institutions, including the National Rural
13 Utilities Cooperative Finance Corporation (“*CFC*”) and local Owensboro
14 lenders, have expressed an interest in financing the proposed headquarters.
15 Big Rivers will seek approval of any financing related to the project in a
16 subsequent proceeding as necessary under KRS 278.300.

17 **Q. What is the NMTC Program?**

18 A. The NMTC Program was established by the Community Renewal Tax Relief
19 Act of 2000 with the goal of stimulating investment and economic growth in
20 low-income communities. Certain census tracts in downtown Owensboro

1 have been identified as qualifying “Opportunity Zones” for the NMTC
2 Program, and the proposed location of Big Rivers new headquarters facility is
3 located within a qualified census tract. The Treasury Department will
4 allocate the NMTC funds to Community Development Entities (“CDEs”) in
5 September, and the CDEs will focus on evaluating community applications
6 that can commit to closing on their program loan by year-end.

7 **Q. What is the economic benefit of a NMTC loan?**

8 A. The NMTC loan works generally similar to traditional financing, with the
9 notable exception that after seven (7) years, the remaining principal balance
10 of the loan is forgiven. The economic benefit of the loan forgiveness typically
11 equates to approximately 20-25% of the project cost financed. For the
12 proposed project, such benefit could reduce the overall cost approximately
13 \$2.5 million.

14 If the Commission grants Big Rivers a certificate of public convenience
15 and necessity (“CPCN”) for the proposed headquarters, and if Big Rivers is a
16 successful applicant in the NMTC Program, Big Rivers will seek approval of
17 the financing in a subsequent proceeding as necessary under KRS 278.300.

1 **IV. OPERATING COSTS**

2 **Q. Is the proposed headquarters projected to reduce Big Rivers’ annual**
3 **operating costs?**

4 A. Yes. Big Rivers estimates that the proposed headquarters will reduce the
5 company’s operating costs approximately \$100,000 annually. The savings is
6 largely attributable to a reduction in operation and maintenance (“O&M”)
7 expense related to the new and more-efficient building. Other operating cost
8 savings include a reduction in depreciation expense and receipt of the
9 occupational tax rebate incentive previously discussed. Mitigating the above
10 savings is an increase in property tax expense as a result of the proposed
11 headquarters’ higher assessed value. The following table presents a
12 comparison of the proposed vs. existing headquarters annual operating costs
13 for the initial year of operation.

	Proposed Headquarters	Existing Headquarters	Savings/ (Cost)
Operation and Maintenance			
Utilities	\$ 144,671	\$ 185,476	
Insurance	12,270	12,270	
Building& Grounds	68,770	122,310	
HVAC	5,908	11,816	
Elevator	1,965	1,965	
Janitorial	<u>126,619</u>	<u>126,619</u>	
Total O&M	350,655	460,456	100,253
Property Tax	158,767	25,851	(132,917)
Depreciation	191,888	214,226	22,338
Occupational Tax Rebate	<u>(121,381)</u>	<u>n/a</u>	<u>121,381</u>
Net Operating Costs	\$ 589,477	\$ 700,533	\$ 111,056

1 Note: The operating costs in the above table reflect the proposed
2 headquarters cost on a comparable square footage basis. Also, the operating
3 costs reflect the projected year 1 amounts and many of the line items are
4 subject to the effects of inflation.

5 **V. FINANCIAL ANALYSIS**

6 **Q. Have you analyzed the impact of the proposed headquarters on Big
7 Rivers' financial condition?**

8 A. Yes. A 10-year projection of the proposed headquarters' impact on Big
9 Rivers' financial condition, specifically as it relates to net margins, cash flow,
10 and balance sheet, is attached as Exhibit Smith-2. Based on my analysis, the
11 proposed headquarters will have minimal, or slightly positive, impact on Big
12 Rivers' financial condition and will not create the need to increase Big Rivers'
13 wholesale rates to its Member-Owners.

14 The following table summarizes the financial impact during the initial
15 year in service, and over the first 10 years.

16

Summary of Projected Financial Impacts During Years 1-10		
(Nominal \$)	Year 1	Total Years 1-10
Net Margin Increase/(Decrease)	\$1,398,907	\$1,460,166
Cash Flow Inc/(Dec)	(\$134,378)	(\$1,209,338)

Balance Sheet Inc/(Dec):		
Property Value	\$ 13,777,960	
Incremental Net Utility Plant	\$ 9,905,464	
Incremental Long-term Debt	\$ 6,177,671	

1

2 **Q. Based on your projection, how will the proposed headquarters**
3 **impact Big Rivers' net margins?**

4 A. As summarized in the table above, and as shown in Exhibit Smith-2, the
5 proposed headquarters will have a positive impact on Big Rivers' net margins
6 in the initial year, and in total over years 1-10. The positive net margin is
7 largely attributable to the year 1 gain on sale of the existing headquarters as
8 previously discussed. The interest expense related to the financing of the
9 proposed headquarters mitigates the annual operating cost savings each
10 year. As a reminder, the increase in net margins will automatically pass
11 through to Big Rivers' Members via the Member Rate Stability Mechanism
12 tariff.

13 **Q. Based on your projection, how will the proposed headquarters**
14 **impact Big Rivers' cash flow?**

15 A. The proposed headquarters will have a slightly unfavorable impact on Big
16 Rivers' cash flow. The unfavorable cash flow is largely attributable to the

1 proposed headquarters' annual debt service, assuming NMTC financing will
2 not be available and traditional financing is utilized.

3 **Q. Based on your projection, how will the proposed headquarters**
4 **impact Big Rivers' balance sheet?**

5 A. Big Rivers' balance sheet will be favorably impacted by the proposed
6 headquarters. The new property will increase the net utility plant balance
7 approximately \$9.9 million, while the incremental long-term debt will
8 increase only \$6.2 million. By year 10, long-term debt is projected to
9 decrease to \$5.1 million.

10 Further, Big Rivers' Members will benefit from the incremental value
11 created by the proposed headquarters. The property's value when placed in-
12 service will be \$13.8 million, yet the investment is only \$11.7 million after
13 the City of Owensboro rebates the purchase price of the real estate, and only
14 \$9.2 million if the project receives NMTC Program financing.

15 **Q. Do Exhibit Smith-2, and the above financial summary, assume the**
16 **financing benefits of participating in the NMTC Program?**

17 A. No. As previously stated, the NMTC Program creates significant financing
18 savings, but such savings are not a base assumption of the 10-year projection.
19 The additional economic benefit of the potential NMTC Program financing
20 enhances net margins and cash flow approximately \$2.5 million.

21

1 **Q. Are there any qualitative benefits of the proposed headquarters that**
2 **are not quantified in the above financial summary?**

3 A. Yes. There are a number of qualitative benefits related to the proposed
4 headquarters that are not quantified in Exhibit Smith-2. Most notably, the
5 proposed headquarters allows Big Rivers to locate within the service territory
6 of a utility to which it provides wholesale power. Being located in Owensboro
7 allows Big Rivers to expand its community presence and enhances its ability
8 to pursue additional power supply and strategic transaction opportunities
9 with the City of Owensboro, in addition to more efficiently enabling the
10 opportunity to consolidate the Energy Control, Engineering and ET&S
11 activities.

12

13 **VI. ALTERNATIVES CONSIDERED**

14 **Q. Describe the financial considerations Big Rivers evaluated during**
15 **its review of alternative corporate headquarters options.**

16 A. Big Rivers first evaluated retaining the existing headquarters, which would
17 require significant capital investment and incur additional annual operating
18 costs. As noted in the financial analysis summary above, retaining the
19 existing headquarters in the City of Henderson is economically less attractive
20 than the proposed headquarters. A notable driver of the existing
21 headquarters' higher capital and operating cost is the absence of the

1 attractive financial incentives that the City of Owensboro has offered. In
2 fact, the City of Henderson is one of very few governmental entities in the
3 region that did not offer an incentive to obtain, or retain, the Big Rivers
4 corporate headquarters.

5 Big Rivers also investigated leasing or purchasing an existing office
6 building in Owensboro. While such option would allow Big Rivers to continue
7 to pursue a strategic power supply or operating transaction with the City of
8 Owensboro, the purchase price or the rental cost of a monthly lease option for
9 that existing building were economically unattractive. Additionally, the
10 existing structure consisted of several unfinished floors that would require
11 extensive build-out, the location would require payment of significant
12 parking costs for adequate off-site parking, and issues regarding 3rd party
13 commercial tenants on the ground floor, which create security and
14 employee/visitor access considerations, would need to be resolved. Most
15 importantly, acquiring an existing building would limit Big Rivers' ability to
16 receive a real estate incentive from the City of Owensboro as well as
17 potentially eliminating the opportunity to pursue NMTC Program financing
18 benefits.

1 **VII. CONCLUSION**

2 **Q. Please summarize your testimony.**

3 A. As described in the Direct Testimony of Mr. Berry, the significant financial
4 incentives offered by the City of Owensboro and other strategic opportunities
5 make the proposed location well-suited for the construction of Big Rivers' new
6 corporate headquarters. As described in the Direct Testimony of Mr. Toerne,
7 the proposed construction provides significant improvements in employee
8 safety, accessibility, and efficiencies. Further, it is not cost-effective to
9 maintain, renovate and retrofit the existing headquarters to adequately
10 satisfy the current and future needs of Big Rivers and its Members. These
11 matters, considered along with the financial information that I have
12 provided, clearly support the Commission's approval of the requested CPCN
13 for construction.

14 Construction of the proposed headquarters will have a minimal, or
15 slightly positive, impact on Big Rivers' overall financial condition. Further,
16 the proposed headquarters will not create the need for a rate increase. The
17 proposed headquarters represents a reasonable and economic solution to Big
18 Rivers' corporate needs, and Big Rivers respectfully requests that the
19 Commission approve the requested CPCN for construction of the proposed
20 headquarters.

1 **Q.** Does this conclude your testimony?

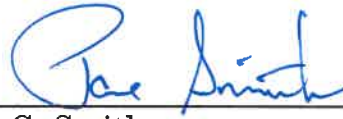
2 **A.** Yes.

BIG RIVERS ELECTRIC CORPORATION

**ELECTRONIC APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING
CONSTRUCTION OF A NEW HEADQUARTERS FACILITY AND AN ORDER
AUTHORIZING BIG RIVERS TO SELL ITS EXISTING HEADQUARTERS FACILITY
CASE NO. 2021-00314**

VERIFICATION

I, Paul G. Smith, verify, state, and affirm that I prepared or supervised the preparation of the Direct Testimony filed with this Verification, and that Direct Testimony is true and accurate to the best of my knowledge, information, and belief after a reasonable inquiry on this 26th day of August, 2021.



Paul G. Smith

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

26th SUBSCRIBED AND SWORN TO before me by Paul G. Smith on this the
day of August, 2021.



Notary Public, Kentucky State at Large

My Commission Expires _____

Notary Public, Kentucky State-At-Large
My Commission Expires: July 10, 2022
ID: 604480

Professional Summary

Paul G. Smith
Vice President and Chief Financial Officer
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
Phone: 270-844-6194

Professional Experience

Big Rivers Electric Corporation
Vice President and Chief Financial Officer — 2018 to present

NextEra Energy Transmission
Senior Director Business Management 2012-2018

Duke Energy
Vice President Retail Marketing 2010-2011
Vice President Rates 2006-2009
General Manager Budgets & Forecasts 2001-2005
Manager UK Distribution Price Control 1998-2000
Manager Revenue Requirements 1996-1997
Various Financial Positions of increasing responsibility 1987-1995

Crowe, Chizek & Co (CPA) 1984-1986

Touche, Ross & Co (CPA) 1982 - 1983

Education

Master of Business Administration
University of Chicago

Bachelor of Science Industrial Management (Computer Science Minor)
Purdue University

BIG RIVERS ELECTRIC CORPORATION
Financial Analysis of Proposed Headquarters

	NPV 2.50%	Nominal Year 1 - 10	Year										
			1	2	3	4	5	6	7	8	9	10	
Net Margin													
Operation & Maintenance		\$ 1,123,173	\$ 100,253	\$ 102,759	\$ 105,328	\$ 107,962	\$ 110,661	\$ 113,427	\$ 116,263	\$ 119,169	\$ 122,149	\$ 125,202	
Property Tax		(1,489,116)	(132,917)	(136,240)	(139,646)	(143,137)	(146,715)	(150,383)	(154,143)	(157,996)	(161,946)	(165,995)	
Depreciation		223,384	22,338	22,338	22,338	22,338	22,338	22,338	22,338	22,338	22,338	22,338	
Occupational Tax Rebate		1,359,879	121,381	124,416	127,526	130,714	133,982	137,332	140,765	144,284	147,891	151,588	
Pension Trustee Savings		257,678	23,000	23,575	24,164	24,768	25,388	26,022	26,673	27,340	28,023	28,724	
Gain on Sale of Existing HQ		1,419,293	1,419,293	-	-	-	-	-	-	-	-	-	
Interest Expense		(1,434,124)	(154,442)	(152,150)	(149,802)	(147,394)	(144,927)	(142,398)	(139,805)	(137,148)	(134,424)	(131,633)	
Total Net Margin Fav/(Unfav)		\$ 1,460,166	\$ 1,398,907	\$ (15,302)	\$ (10,090)	\$ (4,749)	\$ 727	\$ 6,339	\$ 12,091	\$ 17,987	\$ 24,031	\$ 30,226	
Cash Flow													
Total Net Margin Fav/(Unfav)		\$ 1,410,448	\$ 1,460,166	\$ 1,398,907	\$ (15,302)	\$ (10,090)	\$ (4,749)	\$ 727	\$ 6,339	\$ 12,091	\$ 17,987	\$ 24,031	\$ 30,226
Less: Gain on Sale of Existing HQ		(1,384,676)	(1,419,293)	(1,419,293)	-	-	-	-	-	-	-	-	-
Add Back: Depreciation		(195,507)	(223,384)	(22,338)	(22,338)	(22,338)	(22,338)	(22,338)	(22,338)	(22,338)	(22,338)	(22,338)	(22,338)
Subtotal		(169,735)	(182,510)										
Add Back: Interest Expense		1,259,661	1,434,124	154,442	152,150	149,802	147,394	144,927	142,398	139,805	137,148	134,424	131,633
Less: Loan Payment		(2,153,840)	(2,460,951)	(246,095)	(246,095)	(246,095)	(246,095)	(246,095)	(246,095)	(246,095)	(246,095)	(246,095)	(246,095)
Net Cash Flow Fav/(Unfav)		\$ (1,063,914)	\$ (1,209,338)	\$ (134,378)	\$ (131,585)	\$ (128,722)	\$ (125,788)	\$ (122,780)	\$ (119,697)	\$ (116,537)	\$ (113,298)	\$ (109,978)	\$ (106,575)
Balance Sheet													
Land		\$ 2,091,789											
Building & System Upgrades		11,686,171											
Total Property Value		13,777,960											
Less: Economic Incentive		(2,091,789)											
Net Utility Plant		\$ 11,686,171											
Less: Existing HQ Net Book Value													
Incremental Net Utility Plant		\$											
Less: Existing HQ Proceeds & Avoided Capex													
Incremental Long-Term Debt		\$											

Note: Above amounts do not include benefits related to New Market Tax Credit Program financing opportunity.