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June 22, 2010

Jeff DeRouen
Executive Director
Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, Kentucky 40602-0615

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JUN 23 2010

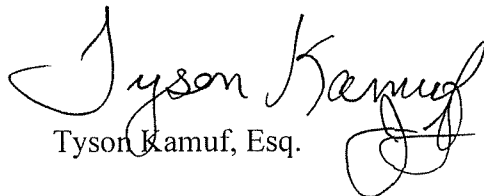
PUBLIC SERVICE
COMMISSION

Re: An Examination by the Public Service Commission
of the Environmental Surcharge Mechanism of
Big Rivers Electric Corporation for the Six-Month
Billing Period Ending January 31, 2010 and the
Pass-Through Mechanism for its Three Member
Distribution Cooperatives - PSC Case No. 2010-00194

Dear Mr. DeRouen:

Enclosed for filing on behalf of Big Rivers Electric Corporation, Jackson
Purchase Energy Corporation, Kenergy Corp., and Meade County Rural
Electric Cooperative Corporation are an original and seven (7) copies of the
Direct Testimony of Mark A. Hite and an original and (7) copies of Big Rivers'
response to the First Data Request of Commission Staff. Copies of this letter,
the testimony, and the responses have been served on each party of record.

Sincerely yours,


Tyson Kamuf, Esq.

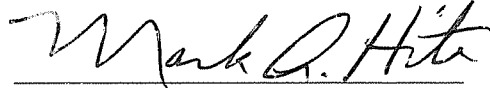
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VERIFICATION

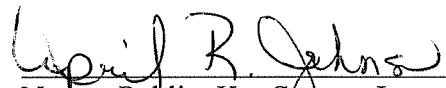
I, Mark A. Hite, verify, state, and affirm that I prepared or supervised the preparation of the data request responses for which I am listed as a witness and the testimony filed with this verification, and that those responses and that testimony are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Mark A. Hite

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Mark A. Hite on this the 22nd day of June, 2010.



Notary Public, Ky. State at Large
My Commission Expires 8-9-2010

1 COMMONWEALTH OF KENTUCKY
2 BEFORE THE PUBLIC SERVICE COMMISSION
3

4 In the Matter of:
5

6 AN EXAMINATION BY THE PUBLIC SERVICE)
7 COMMISSION OF THE ENVIRONMENTAL)
8 SURCHARGE MECHANISM OF BIG RIVERS)
9 ELECTRIC CORPORATION FOR THE) CASE NO.
10 SIX-MONTH BILLING PERIOD ENDING) 2010-00194
11 JANUARY 31, 2010 AND THE PASS-THROUGH)
12 MECHANISM FOR ITS THREE MEMBER)
13 DISTRIBUTION COOPERATIVES)
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23 DIRECT TESTIMONY OF MARK A. HITE
24 ON BEHALF OF BIG RIVERS ELECTRIC CORPORATION
25 AND ITS THREE MEMBER DISTRIBUTION COOPERATIVES

1 A. As Vice President of Accounting, my areas of responsibility encompass many areas of
2 accounting, including general ledger, financial statements, budgeting, financial
3 forecasting, payroll, accounts payable, accounts receivable, finance, plant accounting and
4 taxes. Various regulator and creditor compliance filings are prepared under my direction,
5 including Big Rivers' fuel adjustment clause and the environmental surcharge filings
6 made to the Public Service Commission ("Commission").
7

8 **Q. On whose behalf are you filing this testimony?**

9
10 A. I am filing this testimony on behalf of Big Rivers and its three member distribution
11 cooperatives, Jackson Purchase Energy Corporation ("JPEC"), Kenergy Corp.
12 ("Kenergy"), and Meade County Rural Electric Cooperative Corporation ("Meade
13 County") (JPEC, Kenergy, and Meade County are collectively referred to herein as the
14 "Members")
15

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

17
18 A. The purpose of my testimony is to describe the application of Big Rivers' environmental
19 surcharge mechanism as billed from August 1, 2009 through January 31, 2010 (which
20 corresponds to the expense months June 2009 through November 2009 and service
21 months July 2009 through December 2009). Additionally, I have coordinated with Big
22 Rivers' Members in the preparation of this testimony and the responses to the
23 Commission Staff's first data requests filed with this testimony. This testimony will also

1 include information the Members' have provided me in support of their pass-through
2 mechanisms that are also under review in this proceeding and that the Members use to
3 pass through to their retail members the costs Big Rivers charges to them under Big
4 Rivers' environmental surcharge mechanism. As can be seen in the response to Item 2 of
5 the Commission Staff's first data requests, the review period for the Members' pass-
6 through mechanisms that corresponds to the August 1, 2009 through January 31, 2010
7 billing period for Big Rivers' environmental surcharge mechanism are the billing months
8 of September 2009 through February 2010 for non-dedicated delivery point customers,
9 and is August 1, 2009 through January 31, 2010 for dedicated delivery point customers
10 (*i.e.*, there is no billing lag for dedicated delivery point customers).

11
12 **Q. Please provide a brief overview of Big Rivers' environmental surcharge mechanism**
13 **and the Members' pass-through mechanisms.**

14
15 A. Big Rivers' environmental surcharge mechanism was approved by the Commission by
16 Order dated June 25, 2008, in Case No. 2007-00460. Big Rivers' environmental
17 surcharge went into effect immediately following the July 16, 2009, closing of the
18 Unwind Transaction that was approved by the Commission by Order dated March 6,
19 2009, in Case No. 2007-00455 for service commencing July 17, 2009.

20
21 Per Item 1 of Appendix A of that March 6, 2009, Order, Big Rivers used the actual
22 expenses of WKEC from June 1, 2009 through July 16, 2009, and began using Big
23 Rivers' actual costs thereafter. Also, Big Rivers' environmental surcharge mechanism is

1 based on a charge per kilowatt hour (“kWh”). For the expense period June 1, 2009
2 through July 16, 2009, Big Rivers used WKEC’s actual kilowatt-hour sales, and Big
3 Rivers used its actual kilowatt-hour sales thereafter.

4
5 Big Rivers’ environmental compliance plan approved by the Commission in Case No.
6 2007-00460 consists of a program and the associated costs relating to the control of each
7 of sulfur dioxide (“SO₂”), nitrogen oxide (“NO_x”), and sulfur trioxide (“SO₃”). The
8 environmental surcharge costs Big Rivers is eligible to recover under KRS 278.183 and
9 its environmental compliance plan include reagent costs, sludge and ash disposal costs,
10 and allowance costs.

11
12 For the SO₂ program, Big Rivers recovers through its environmental surcharge
13 mechanism the costs of reagents, the costs for the disposal of coal combustion by-
14 products (fly ash, bottom ash, and scrubber sludge), and the costs of purchasing SO₂
15 emission allowances. For the NO_x program, Big Rivers recovers the costs of reagents
16 and the costs of purchasing additional NO_x emission allowances as needed. For the SO₃
17 program, Big Rivers recovers the costs of a reagent. Please note that due to generating
18 unit design and Big Rivers’ compliance plan, no Big Rivers generating unit utilizes all
19 the same reagents. Depending on the unit facilities, various reagents are used to treat the
20 flue gas, thereby removing the three targeted emissions. The SO₂ reagents are comprised
21 of emulsified sulfur, lime, fixation lime, limestone, and dibasic acid sodium bisulfite.
22 The NO_x reagents are comprised of anhydrous ammonia and emulsified sulfur. The SO₃
23 reagent is comprised of lime hydrate.

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Big Rivers’ environmental surcharge mechanism is comprised of the specific environmental compliance operating expenses described above, less proceeds from byproduct and emission allowance sales, plus or minus an ongoing cumulative over- or under-recovery adjustment.

The Members’ pass-through mechanisms allow each Member to bill its retail customers for the portion of Big Rivers’ environmental surcharge that Big Rivers bills each Member. JPEC’s pass-through mechanism was approved by the Commission in Case No. 2008-00010; Kenergy’s mechanism was approved by the Commission in Case No. 2008-00009; and Meade County’s was approved by the Commission in Case No. 2007-00470.

Q. Has Big Rivers sold any SO2 or NOx allowances since closing the Unwind Transaction?

A. No. Big Rivers has not sold any SO2 or NOx allowances since closing the Unwind Transaction.

Q. Please summarize how the Monthly Environmental Surcharge Factor (“MESF”) is calculated for Big Rivers’ environmental surcharge mechanism?

1 A. The jurisdictional portion of Big Rivers' actual (booked) eligible environmental
2 surcharge cost of the second preceding billing month (e.g. November 2009 expense
3 month; December 2009 service; January 2010 billing), as adjusted for any over/under
4 recovery carry-forward, is divided by the jurisdictional kWh sales of the second
5 preceding billing month to determine the MESF. The MESF is then applied to the actual
6 kWh service of the month following the expense month.

7
8 **Q. Has Big Rivers' environmental surcharge mechanism been accurately compiled, and**
9 **is it operating as intended?**

10
11 A. Yes.

12
13 **Q. Have the Members' pass-through mechanisms been accurately compiled, and are**
14 **they operating as intended?**

15
16 A. The Members believe their pass-through mechanisms have been accurately compiled and
17 are operating as intended.

18
19 **Q. Are the amounts charged under Big Rivers' environmental surcharge mechanism**
20 **during the review period just and reasonable?**

21
22 A. Yes.

23

1 **Q. Are the amounts charged under the Members' pass-through mechanisms during the**
2 **review period just and reasonable?**

3
4 A. The Members believe the amounts charged under their pass-through mechanisms are just
5 and reasonable.

6
7 **Q. Do Big Rivers and its Members have additional over/under recovery amounts they**
8 **believe need to be recognized?**

9
10 A. No additional over/under recovery amount is requested by Big Rivers or any of its
11 Members. The normal over/under recovery carry-forward element of Big Rivers'
12 environmental surcharge mechanism is operating as intended.

13
14 **Q. Does Big Rivers recover any capital costs through its environmental surcharge**
15 **mechanism?**

16
17 A. No. Big Rivers only recovers those variable costs mentioned above (reagent, disposal,
18 and allowance costs).

19
20 **Q. Does this conclude your testimony?**

21
22 A. Yes.

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE FIRST DATA REQUEST
OF COMMISSION STAFF
PSC CASE NO. 2010-00194
June 24, 2010

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Item 1) *Prepare a summary schedule showing the calculation of E(m) and the surcharge factor for the expense months covered by the billing periods under review. Form 1.1 can be used as a model for this summary. Include the two expense months subsequent to the billing period in order to show the over- and under-recovery adjustments for the months included in the billing period. Include a calculation of any additional over- or under-recovery amount Big Rivers believes needs to be recognized for the six-month review. Include all supporting calculations and documentation for the additional over- or under-recovery.*

Response) Please see the attached 4 page schedule, in the format of Form 1.10, covering each of the expense months June 2009 through January 2010, billed August 2009 through March 2010, the 6 months under review plus the immediately following 2 months. There is no additional over/under recovery sought by Big Rivers.

Witness) Mark A. Hite

Attachment to Response to Item No. 1

**BIG RIVERS ELECTRIC CORPORATION
ENVIRONMENTAL SURCHARGE REPORT
Calculation of Total E(m) and
Jurisdictional Surcharge Billing Factor**

For the Expense Months: June 2009 - January 2010

Calculation of Total E(m)

<u>Line #</u>			June 2009	July 2009
1	E(m) = OE - BAS, where			
2	OE	= Pollution Control Operating Expenses		
3	BAS	= Total Proceeds from By-Product and Allowance Sales		
4				
5				
6			Environmental Compliance Plans	Environmental Compliance Plans
7				
8				
9	OE	= \$	2,407,863	= \$ 2,087,974
10	BAS	=	-	= -
11				
12	E(m)	= \$	2,407,863	= \$ 2,087,974
13				

Calculation of Jurisdictional Environmental Surcharge Billing Factor

17				
18	Jurisdictional Allocation Ratio for Expense Month	=	88.005800%	= 89.300566%
19	Jurisdictional E(m) = E(m) x Jurisdictional Allocation Ratio	= \$	2,119,059	= \$ 1,864,573
20	Adjustment for Over/(Under) Recovery	=	-	= -
21	Prior Period Adjustment (if necessary)	=	-	= -
22	Net Jurisdictional E(m) = Jurisdictional E(m) plus Adjustment for Over/(Under)			
23	plus Prior Period Adjustment	= \$	2,119,059	= \$ 1,864,573
24				
25	Jurisdictional S(m) = Monthly Jurisdictional Kwh Sales for the Month	=	766,504,720	= 807,268,689
26				
27				
28	Jurisdictional Environmental Surcharge Billing Factor:			
29	Net Jurisdictional E(m) / Jurisdictional S(m) ; Per Kwh	=	\$0.002765	= \$0.002310

Attachment to Response to Item No. 1

**BIG RIVERS ELECTRIC CORPORATION
ENVIRONMENTAL SURCHARGE REPORT
Calculation of Total E(m) and
Jurisdictional Surcharge Billing Factor**

For the Expense Months: June 2009 - January 2010

Calculation of Total E(m)

<u>Line #</u>			August 2009	September 2009	
1	E(m) = OE - BAS, where				
2	OE	= Pollution Control Operating Expenses			
3	BAS	= Total Proceeds from By-Product and Allowance Sales			
4					
5					
6			Environmental Compliance Plans	Environmental Compliance Plans	
7					
8					
9	OE	= \$	1,975,312	= \$	2,294,830
10	BAS	=	-	=	-
11					
12	E(m)	= \$	1,975,312	= \$	2,294,830
13					

Calculation of Jurisdictional Environmental Surcharge Billing Factor

17					
18	Jurisdictional Allocation Ratio for Expense Month	=	94.604496%	=	90.386277%
19	Jurisdictional E(m) = E(m) x Jurisdictional Allocation Ratio	= \$	1,868,734	= \$	2,074,211
20	Adjustment for Over/(Under) Recovery	=	55,692 (1)	=	146,778
21	Prior Period Adjustment (if necessary)	=	-	=	-
22	Net Jurisdictional E(m) = Jurisdictional E(m) plus Adjustment for Over/(Under) plus Prior Period Adjustment	= \$	1,813,042	= \$	1,927,433
23					
24					
25	Jurisdictional S(m) = Monthly Jurisdictional Kwh Sales for the Month	=	870,714,832	=	819,961,855
26					
27					
28	Jurisdictional Environmental Surcharge Billing Factor:				
29	Net Jurisdictional E(m) / Jurisdictional S(m) ; Per Kwh	=	\$0.002082	=	\$0.002351

(1) The over/(under) recovery for August 2009 is the prorated portion of the June 2009 Net Jurisdictional E(m) and the actual kWh sales from July 17-31, 2009 (\$2,119,059 x 15 + 30 = \$1,059,530; \$0.002765 x 403,335,086 = \$1,115,222; \$1,115,222 - \$1,059,530 = \$55,692)

Attachment to Response to Item No. 1

**BIG RIVERS ELECTRIC CORPORATION
ENVIRONMENTAL SURCHARGE REPORT
Calculation of Total E(m) and
Jurisdictional Surcharge Billing Factor**

For the Expense Months: June 2009 - January 2010

Calculation of Total E(m)

Line #

1	E(m) = OE - BAS, where				
2	OE	=	Pollution Control Operating Expenses		
3	BAS	=	Total Proceeds from By-Product and Allowance Sales		
4					
5					
6			Environmental Compliance Plans	Environmental Compliance Plans	
7					
8					
9	OE	=	\$ 1,688,255	=	\$ 1,924,876
10	BAS	=	-	=	-
11					
12	E(m)	=	\$ 1,688,255	=	\$ 1,924,876

Calculation of Jurisdictional Environmental Surcharge Billing Factor

17					
18	Jurisdictional Allocation Ratio for Expense Month	=	91.185887%	=	93.105639%
19	Jurisdictional E(m) = E(m) x Jurisdictional Allocation Ratio	=	\$ 1,539,450	=	\$ 1,792,168
20	Adjustment for Over/(Under) Recovery	=	(105,881)	=	30,342
21	Prior Period Adjustment (if necessary)	=	-	=	-
22	Net Jurisdictional E(m) = Jurisdictional E(m) plus Adjustment for Over/(Under) plus Prior Period Adjustment	=	\$ 1,645,331	=	\$ 1,761,826
23					
24					
25	Jurisdictional S(m) = Monthly Jurisdictional Kwh Sales for the Month	=	832,741,230	=	810,898,902
26					
27					
28	Jurisdictional Environmental Surcharge Billing Factor:				
29	Net Jurisdictional E(m) / Jurisdictional S(m) ; Per Kwh	=	\$0.001976	=	\$0.002173

Attachment to Response to Item No. 1

**BIG RIVERS ELECTRIC CORPORATION
ENVIRONMENTAL SURCHARGE REPORT
Calculation of Total E(m) and
Jurisdictional Surcharge Billing Factor**

For the Expense Months: June 2009 - January 2010

Calculation of Total E(m)

1	E(m) = OE - BAS, where				
2	OE	=	Pollution Control Operating Expenses		
3	BAS	=	Total Proceeds from By-Product and Allowance Sales		
4					
5					
6			Environmental	Environmental	
7			Compliance Plans	Compliance Plans	
8					
9	OE	=	\$ 1,883,244	=	\$ 2,163,463
10	BAS	=	-	=	-
11					
12	E(m)	=	\$ 1,883,244	=	\$ 2,163,463
13					

Calculation of Jurisdictional Environmental Surcharge Billing Factor

17					
18	Jurisdictional Allocation Ratio for Expense Month	=	93.293554%	=	89.144672%
19	Jurisdictional E(m) = E(m) x Jurisdictional Allocation Ratio	=	\$ 1,756,945	=	\$ 1,928,612
20	Adjustment for Over/(Under) Recovery	=	(42,995)	=	221,087
21	Prior Period Adjustment (if necessary)	=	-	=	-
22	Net Jurisdictional E(m) = Jurisdictional E(m) plus Adjustment for Over/(Under)				
23	plus Prior Period Adjustment	=	\$ 1,799,940	=	\$ 1,707,525
24					
25	Jurisdictional S(m) = Monthly Jurisdictional Kwh Sales for the Month	=	912,523,308	=	948,038,699
26					
27					
28	Jurisdictional Environmental Surcharge Billing Factor:				
29	Net Jurisdictional E(m) / Jurisdictional S(m) ; Per Kwh	=	\$0.001972	=	\$0.001801

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE FIRST DATA REQUEST
OF COMMISSION STAFF
PSC CASE NO. 2010-00194
June 24, 2010

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Item 2) *For each of the three member distribution cooperatives, prepare a summary schedule showing the distribution cooperative's pass-through revenue requirement for the months corresponding with the six-month review. Include the two months subsequent to the billing period included in the review periods. Include a calculation of any additional over- or under-recovery amount the distribution cooperative believes needs to be recognized for the six-month review. Include all supporting calculations and documentation for the additional over- or under-recovery.*

Response) The attached two schedules, one for non-dedicated delivery points and one for dedicated delivery points, reflect Big Rivers' distribution cooperative members' environmental surcharge pass-through for the months corresponding to Big Rivers' 6 expense months of June 2009 through November 2009, service months of July 2009 through December 2009, which Big Rivers billed to its members August 2009 through January 2010. As requested by the Commission, the attached schedules include the members' 2 billing months immediately following the 6 month Big Rivers' billing period under review. The information on the attached schedules was provided by Big Rivers' Members. Other than the on-going cumulative over/under recovery mechanism, no additional over/under recovery amount is requested.

Witness) Mark A. Hite

BIG RIVERS ELECTRIC CORPORATION'S
 RESPONSE TO THE FIRST DATA REQUEST
 OF COMMISSION STAFF
 PSC CASE NO. 2010-00194
 June 24, 2010

1 KENERGY CORP - ENVIRONMENTAL SURCHARGE: SIX MONTH REVIEW
 2 NON-DEDICATED DELIVERY POINT CUSTOMERS
 3

4 (a)	5 (b)	6 (c)	7 (d)	8 (e)	9 (f)
10 Service Mo/Yr	11 Big Rivers Electric Invoice Amount for Service Month	12 (Over)/Under Recovery from column (f)	13 Total Recoverable column (b) + (c)	14 Month Billing Occurs to Retail Customer	15 Remaining (Over)/Under Recovery (Column (d) 2nd preceding month less column (e) current month)
16 Jul-09	132,656		132,656		
17 Aug-09	253,472		253,472		
18 Sep-09	187,791	(10,707)	177,084	143,363	(10,707)
19 Oct-09	190,629	29,217	219,846	224,255	29,217
20 Nov-09	168,228	11,911	180,139	165,173	11,911
21 Dec-09	260,790	(19,291)	241,499	239,137	(19,291)
22 Jan-10	262,063	(45,704)	216,359	225,843	(45,704)
23 Feb-10	205,976	(10,821)	195,155	252,320	(10,821)
24 Mar-10				196,711	19,648
25 Apr-10				168,257	26,898

26 JACKSON PURCHASE ENERGY CORPORATION - ENVIRONMENTAL SURCHARGE: SIX MONTH REVIEW
 27 NON-DEDICATED DELIVERY POINT CUSTOMERS
 28

29 (a)	30 (b)	31 (c)	32 (d)	33 (e)	34 (f)
35 Service Mo/Yr	36 Big Rivers Electric Invoice Amount for Service Month	37 (Over)/Under Recovery from column (f)	38 Total Recoverable column (b) + (c)	39 Month Billing Occurs to Retail Customer	40 Remaining (Over)/Under Recovery (Column (d) 2nd preceding month less column (e) current month)
41 Jul-09	76,268		76,268		
42 Aug-09	145,395		145,395		
43 Sep-09	106,638	3,309	109,947	72,959	3,309
44 Oct-09	103,076	35,246	138,322	110,149	35,246
45 Nov-09	90,752	25,678	116,430	84,269	25,678
46 Dec-09	143,372	3,412	146,784	134,910	3,412
47 Jan-10	140,679	(83,022)	57,657	199,452	(83,022)
48 Feb-10	107,542	(8,886)	98,656	155,670	(8,886)
49 Mar-10				89,387	(31,730)
50 Apr-10				26,458	72,198

51 MEADE COUNTY RECC - ENVIRONMENTAL SURCHARGE: SIX MONTH REVIEW
 52 NON-DEDICATED DELIVERY POINT CUSTOMERS
 53

54 (a)	55 (b)	56 (c)	57 (d)	58 (e)	59 (f)
60 Service Mo/Yr	61 Big Rivers Electric Invoice Amount for Service Month	62 (Over)/Under Recovery from column (f)	63 Total Recoverable column (b) + (c)	64 Month Billing Occurs to Retail Customer	65 Remaining (Over)/Under Recovery (Column (d) 2nd preceding month less column (e) current month)
66 Jul-09	47,307		47,307		
67 Aug-09	91,992		91,992		
68 Sep-09	67,075	(3,960)	63,115	51,267	(3,960)
69 Oct-09	73,477	17,692	91,169	74,300	17,692
70 Nov-09	68,063	(14,686)	53,377	77,801	(14,686)
71 Dec-09	112,332	7,877	120,209	83,292	7,877
72 Jan-10	116,417	(36,057)	80,360	89,434	(36,057)
73 Feb-10	92,559	28,110	120,669	92,099	28,110
74 Mar-10				100,980	(20,620)
75 Apr-10				73,180	47,490

BIG RIVERS ELECTRIC CORPORATION'S
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 PSC CASE NO. 2010-00194
 June 24, 2010

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KENERGY CORP - ENVIRONMENTAL SURCHARGE: SIX MONTH REVIEW DEDICATED DELIVERY POINT CUSTOMERS
--

(a)	(b)	(c)	(d)
Service Mo/Yr	Big Rivers Electric Invoice Amount for Service Month	Service Month To Retail Consumer	Monthly (Over)/Under (Column (b) (Column (b) less column (c)
Jul-09	857,385	857,385*	0
Aug-09	1,518,125	1,518,125	0
Sep-09	1,343,562	1,343,562	0
Oct-09	1,587,061	1,587,061	0
Nov-09	1,272,585	1,272,585	0
Dec-09	1,464,196	1,464,196	0
Jan-10	1,347,962	1,347,962	0
Feb-10	1,140,552	1,140,552	0

*originally reported on the monthly schedule as \$857,917

JACKSON PURCHASE ENERGY CORPORATION ENVIRONMENTAL SURCHARGE: SIX MONTH REVIEW DEDICATED DELIVERY POINT CUSTOMERS
--

(a)	(b)	(c)	(d)
Service Mo/Yr	Big Rivers Electric Invoice Amount for Service Month	Service Month To Retail Consumer	Monthly (Over)/Under (Column (b) (Column (b) less column (c)
Jul-09	1,606	1,606	0
Aug-09	2,366	2,366	0
Sep-09	2,094	2,094	0
Oct-09	3,532	3,532	0
Nov-09	2,708	2,708	0
Dec-09	2,223	2,223	0
Jan-10	2,411	2,411	0
Feb-10	2,647	2,647	0

Meade County Rural Electric Cooperative Corporation has no dedicated delivery point customers.

BIG RIVERS ELECTRIC CORPORATION'S
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June 24, 2010

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Item 3) *Refer to Form 2.5, Operating and Maintenance Expenses, for each of the expense months covered by each billing period under review. For each of the expense line items listed on this schedule, explain the reason(s) for any change in the expense levels from month to month if that change is greater than plus or minus 10 percent.*

Response) Please see the attached schedules, including the requested variance explanations, for the expense months June 2009 through November 2009.

Witness) Mark A. Hite

BIG RIVERS ELECTRIC CORPORATION'S
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 OF COMMISSION STAFF
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 June 24, 2010

Big Rivers Electric Corporation
 Environmental Surcharge Monthly Comparative Analysis
 Operating and Maintenance Expenses
 For Expense Months June 2009 – November 2009

Expense Month Billing Month	JUN-09 AUG-09	JUL-09 SEP-09	% Change from prior period	AUG-09 OCT-09	% Change from prior period	SEP-09 NOV-09	% Change from prior period	OCT-09 DEC-09	% Change from prior period	NOV-09 JAN-10	% Change from prior period
Expense Line											
NOx Plan											
Anhydrous Ammonia	\$ 97,402	\$ 87,416	-10%	\$ 67,150	-23%	\$ 99,717	48%	\$ 11,658	-88%	\$ 51,982	346%
Emulsified Sulphur for Nox	7,549	12,531	66%	4,831	-61%	4,790	-1%	28,622	498%	4,734	-83%
Individual Expense Account Items	-	-	-	-	-	-	-	-	-	-	-
Individual Expense Account Items	-	-	-	-	-	-	-	-	-	-	-
Total NOx Plan O&M Expenses	\$ 104,951	\$ 99,947	-5%	\$ 71,981	-28%	\$ 104,507	45%	\$ 40,280	-61%	\$ 56,716	41%

Ammonia:

June – July Decrease is due to timing of invoices being received at Station Two and three forced outages at Wilson.
July – August Decrease is due to timing of invoices being received at Wilson and two forced outages at Station Two.
August – September Increase is due to five additional deliveries at Wilson.
September – October Decrease is due to a scheduled maintenance outage at Wilson and transposition of dollars for ammonia and emulsified sulfur on the schedule in October.
October – November Increase is due to Wilson scheduled maintenance outage and transposition of dollars for ammonia and emulsified sulfur on the schedule in October (noted above).

Emulsified Sulfur for NOx:

June – July Emulsified sulfur expense varies month to month because the chemical is added in batch as needed to enhance scrubber efficiency. Increase is due to more chemical requirements in July than in June.
July – August Emulsified sulfur expense varies month to month because the chemical is added in batch as needed to enhance scrubber efficiency. Decrease is due to lower chemical requirements in August than in July.
September – October Emulsified sulfur expense varies month to month because the chemical is added in batch as needed to enhance scrubber efficiency. Increase is due to transposition of dollars for ammonia and emulsified sulfur on the schedule in October (noted above).

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Big Rivers Electric Corporation
Environmental Surcharge Monthly Comparative Analysis
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For Expense Months June 2009 – November 2009

October – November Emulsified sulfur expense varies month to month because the chemical is added in batch as needed to enhance scrubber efficiency. Decrease is due to transposition of dollars for ammonia and emulsified sulfur on the schedule in October (noted above).

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Big Rivers Electric Corporation
 Environmental Surcharge Monthly Comparative Analysis
 Operating and Maintenance Expenses
 For Expense Months June 2009 – November 2009

Expense Month Billing Month	JUN-09 AUG-09	JUL-09 SEP-09	% Change from prior period	AUG-09 OCT-09	% Change from prior period	SEP-09 NOV-09	% Change from prior period	OCT-09 DEC-09	% Change from prior period	NOV-09 JAN-10	% Change from prior period
S02 Plan											
Disposal-Flyash/Bottom Ash/Sludge (See note 2)	\$ 422,226	\$ 366,221	-13%	\$ 319,328	-13%	\$ 383,803	20%	\$ 304,271	-21%	\$ 337,331	11%
Emulsified Sulphur for SO2	-	-		-		1,700	See Note 1	-	-100%	-	
Fixation Lime	147,764	136,554	-8%	(2,108)	-102%	266,744	-12754%	136,958	-49%	164,773	20%
Off Spec Gypsum	-	-		-		-		-		-	
Reagent-Calcium Oxide (landfill stabilization)	-	-		-		-		-		-	
Reagent-DiBasic Acid	92,602	98,187	6%	99,957	2%	82,933	-17%	-	-100%	50,709	See Note 1
Reagent-Lime	1,285,013	1,043,122	-19%	979,648	-6%	1,073,495	10%	1,056,420	-2%	1,172,944	11%
Reagent-Limestone	235,064	200,690	-15%	316,985	58%	249,431	-21%	150,326	-40%	113,151	-25%
Reagent-Sodium Bisulfite for SO2	59,243	88,502	49%	64,652	-27%	38,503	-40%	-	-100%	22,514	See Note 1
Total S02 Plan O&M Expenses	\$ 2,241,912	\$ 1,933,276	-14%	\$ 1,778,462	-8%	\$ 2,096,609	18%	\$ 1,647,975	-21%	\$ 1,861,422	13%

Note 1: Percentage change compared to prior month cannot be calculated because the cost in the prior month is \$0.

Note 2: The monthly totals for Disposal Bottom Ash, Disposal Flyash and Disposal Flyash/Bottom Ash/Sludge have been consolidated due to similarity to better facilitate consistency.

Disposal-Flyash/Bottom Ash/Sludge:

June-July Decrease is due to 15,000 fewer tons hauled at Coleman in July than in June and lower generation at Green.
July – August Decrease is due to lower volume at Wilson resulting from a reduction of fixation lime.
August – September Increase is due to increased generation at Station Two and extra bottom ash tons hauled at Green.
September – October Decrease is due to scheduled maintenance outage at Wilson and fewer tons hauled at Green.
October – November Increase is due to increased generation at Station Two and extra tons hauled at Green.

Fixation Lime:

July – August Decrease is due to reduced lime injection at Wilson and invoice payment timing at Green and Station Two.
August – September Increase is due to invoice payment timing at Green and Station Two.
September – October Decrease is due to scheduled maintenance outage at Wilson.
October – November Increase is due to increased generation at Station Two and additional deliveries at Green and Station Two.

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5 **Reagent DiBasic Acid:**

6 August – September Decrease is due to inventory reduction in preparation for scheduled maintenance outage at Wilson.

7 September – October Decrease is due to scheduled maintenance outage at Wilson.

8 October – November Increase is due to inventory restock in preparation for start-up following the scheduled maintenance outage at
9 Wilson.

10 **Reagent Lime:**

11 June – July Decrease is due to reduced generation at Green and Station Two and sulfur content in fuel.

12 October – November Increase is due to increased generation at Station Two and sulfur content in fuel.

13 **Reagent Limestone:**

14 June – July Decrease is due to scheduled maintenance outage on Coleman scrubber.

15 July – August Increase is due to returning the Coleman scrubber back to service following scheduled the maintenance outage
16 and an inventory adjustment at Wilson.

17 August – September Decrease is due to previous month inventory adjustment at Wilson and reduced generation at Coleman.

18 September – October Decrease is due to scheduled maintenance outage at Wilson.

19 October – November Decrease is due to scheduled maintenance outage at Wilson and reduced generation at Coleman.

20 **Reagent Sodium BiSulfite for SO₂:**

21 June – July Increase is due to two additional deliveries at Wilson.

22 July – August Decrease is due to no deliveries at Green or Station Two.

23 August – September Decrease is due to no deliveries at Green or Station Two and three less deliveries at Wilson.

24 September – October Decrease is due to no deliveries during the month.

25 October – November Increase is due to deliveries at Wilson in preparation for start-up following the scheduled maintenance outage.

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S03 Plan											
Reagent for SO3	\$ 61,002	\$ 54,751	-10%	\$ 124,869	128%	\$ 93,714	-25%	\$ -	-100%	\$ 6,738	See Note 1
Individual Expense Account Items	-	-		-		-		-		-	
Individual Expense Account Items	-	-		-		-		-		-	
Total S03 Plan O&M Expenses	\$ 61,002	\$ 54,751	-10%	\$ 124,869	128%	\$ 93,714	-25%	\$ -	-100%	\$ 6,738	See Note 1

Note 1: Percentage change compared to prior month cannot be calculated because the cost in the prior month is \$0.

Reagent for SO₃:

11 July – August Increase is due to an increase in inventory of 120 tons and the inadvertent account coding of dibasic acid to the
 12 expenditure type for SO₃ reagent in August.

13 August – September Decrease is due to a reduction in inventory in preparation for a scheduled maintenance outage at Wilson.

14 September – October Decrease is due to scheduled maintenance outage at Wilson.

15 October – November Increase is due to inventory restock in preparation for start up following scheduled maintenance outage at
 16 Wilson.