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**Via Overnight Mail**

June 22, 2011

**RECEIVED**

**JUN 23 2011**

**PUBLIC SERVICE  
COMMISSION**

Mr. Jeff Derouen, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602

**Re: Case No. 2011-00036**

Dear Mr. Derouen:

Please find enclosed the original and twelve (12) copies each of the PUBLIC VERSION OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.'S RESPONSES TO BIG RIVERS ELECTRIC CORPORATION'S FIRST DATA REQUEST and the COMMISSION STAFF'S INITIAL INFORMATION REQUEST be filed in the above-referenced docket.

By copy of this letter, all parties listed on the Certificate of Service have been served. I also enclose a copy of the CONFIDENTIAL ATTACHMENTS to be filed under seal.

Please place these documents of file.

Very Truly Yours,



Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

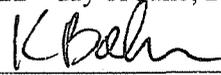
**BOEHM, KURTZ & LOWRY**

MLKkew  
Attachment

cc: Certificate of Service  
David C. Brown, Esq.

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by electronic mail (when available) or by mailing a true and correct copy by overnight mail, unless other noted, this 22<sup>nd</sup> day of June, 2011 to the following



---

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Kurt J. Boehm, Esq.

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COMMONWEALTH OF KENTUCKY  
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**Request BREC-1**

Please provide an electronic copy - with searchable electronic formats and all formulas intact - of all exchanges of information among Dr. Morey, Dr. Coomes, Mr. King, Smelters, any person representing a Smelter, the Smelters' respective Corporate parents, and/or Mr. Strong. This includes, but is not limited to, e-mails, letters, charts, graphs, tables, reports, *etc.*

**RESPONSE**

KIUC objects to this Request on the grounds that it seeks information which is protected from discovery by the attorney-client privilege, the work product rule and the common interest rule. KIUC further objects to this Request on the grounds that it is vague and ambiguous in that it fails to identify a time period for which discovery is sought.

Witness: Counsel

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**Request BREC-2**

Please provide electronic copies of Exhibits LK-9 and LK-12 to the direct testimony of Mr. Kollen, with cells and formulas intact, along with all computer models, workpapers and other documents that support these exhibits.

**RESPONSE**

Please see files on enclosed CD.

Witness: Lane Kollen

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**Request BREC-3**

Please provide electronic copies of Exhibits SJB-3, SJB-4, SJB-5, and SJB-6 to the direct testimony of Mr. Baron, with cells and formulas intact, along with all computer models, workpapers and other documents that support these exhibits.

**RESPONSE:**

See attached on enclosed CD.

Witness: Stephen J. Baron

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**Request BREC-4**

Please provide Mr. Baron's testimony for the following cases:

<b>Case</b>	<b>Jurisdiction</b>	<b>Utility</b>
R-00061346	Pennsylvania	Duquesne Light Company
R-00061366	Pennsylvania	Metropolitan Edison/Pennsylvania Electric
R-00072155	Pennsylvania	Pennsylvania Power & Light
E-01933A-05-0650	Arizona	Tuscon Electric Power Company
E-01345A-08-0172	Arizona	Arizona Public Service Company
R-2010-2161575	Pennsylvania	PECO Energy Company

**RESPONSE:**

See attached on enclosed CD.

Witness: Stephen J. Baron

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**Request BREC-5**

Please refer to the testimony of Mr. Baron, page 6, and beginning at line 1. Mr. Baron states, in part: “[G]iven the unique characteristics of the Smelter customers, it is appropriate to fully eliminate the present rate subsidies received by the Rural rate class.”

- a. Please state which of the following items fall within the class of “present rate subsidies received by the Rural rate class” that would be “fully eliminated” by the KIUC proposal:
- (1) Base Energy Charges, calculated pursuant to Section 4.2 of the Smelter Agreements, related to Base Fixed Energy under the Smelter Agreements;
  - (2) TIER Adjustment Charges calculated pursuant to Section 4.7 of the Smelter Agreements;
  - (3) Restructuring Amount calculated pursuant to Section 16.5 of the Smelter Agreements.
  - (4) Retail Fee calculated pursuant to Section 4.12 of the Smelter Agreements;
  - (5) Surcharge calculated pursuant to Section 4.11 of the Smelter Agreements;
  - (6) Taxes calculated pursuant to Section 4.15 of the Smelter Agreements;
  - (7) Credits from the Economic Reserve under the Member Rate Stability Mechanism calculated pursuant to Big Rivers’ proposed tariff, Original Sheet Nos. 51-53; and
  - (8) Credits from the Rural Economic Reserve under the Member Rate Stability Mechanism calculated pursuant to Big Rivers’ proposed tariff, Original Sheet Nos. 57-58;
- b. Please identify any other items not listed in subparagraph a, above, that fall within the class of “present rate subsidies received by the Rural rate class” that would be eliminated by the KIUC proposal.

**RESPONSE:**

First, it is important to understand that, while the KIUC methodology begins (i.e., the first step) with the full elimination of present rate subsidies, the KIUC proposal continues to provide millions of dollars of subsidies to Rural customers at proposed rates and continues to require Smelters to pay millions of dollars in subsidies. As shown on Table 4 of Mr. Baron’s testimony, the Rural class continues to receive \$6 million in subsidies at proposed rates and the Smelters continue to pay \$7.7 million in subsidies at proposed rates. As a result, KIUC’s proposal reduces, but does not eliminate the subsidies being received by the Rural class.

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Also, in KPSC Case No. 2010-00043, Big Rivers' witness William Blackburn testified on cross-examination on September 15, 2010 that the Smelter rates included many charges that are not based on any cost of service or other cost basis. For example, Mr. Blackburn testifies as follows:

*Q. Okay. So is it fair to say the \$7.2 million subsidy payment, the \$4.2 million subsidy payment, the contingent \$4.2 million subsidy payment depending on fuel, and the \$1.9 million subsidy payment which is the adder onto the Large Industrial rate, would all those additional non-cost payments, is it fair to say that the Smelter rate is not a cost-based?*

*A. The Smelter rate starts with a costs-based rate, and these things are added to it.*

A copy of the transcript is provided on the attached CD. The cited testimony appears on page 4 at lines 7 to 11.

With regard to the calculation of subsidies, Mr. Baron used results of the KIUC 6 CP class cost of service study that reflected Smelter revenues less allocated expenses divided by allocated rate base to determine an earned rate of return and then compared this to the average Big Rivers' rate of return. This is the standard methodology to calculate present rate subsidies and Mr. Baron understands that it was also the method used by Big Rivers' witness Steven Seelye to calculate the \$11.1 million in subsidies being received by Rural customers at present rates based on the Big Rivers' class cost of service study (Seelye Direct Testimony at page 18, line 24), except that Mr. Baron did not reduce test year Smelter Tier Adjustment revenues by 50% as was done by Big Rivers.

With specific regard to the impact of the specific items listed in Parts 1 through 8 of this question, Mr. Baron utilized the identical test year Rural, Large Industrial and Smelters revenues presented and used by Mr. Seelye in preparing the Company's class cost of service study and thus in Mr. Seelye's computation of the \$11.1 million in Rural subsidies (except for Mr. Baron's elimination of Big Rivers' 50% TIER Adjustment pro-forma adjustment). Thus, to the extent that revenues produced by any of the items in Parts 1 through 8 of this question were included in the Company's test year revenues, Mr. Baron included these same items as well. Also, to the extent that any revenues produced by any of the items in Parts 1 through 8 of this question were excluded from the Company's test year revenues in this case, Mr. Baron excluded these same items as well (notwithstanding Mr. Baron's elimination of Big Rivers TIER Adjustment pro-forma adjustment). With regard to the receipt of credits by Rural customers as a result of the Economic Reserve or the Rural Economic Reserve (Parts 7 and 8 of this question), it is Mr. Baron's

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understanding that these amounts affect the balance sheet but do not affect test year revenues and thus would not be included in any calculation of test year present rate subsidies.

Witness: Stephen J. Baron

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**Request BREC-6**

Please refer to the testimony of Mr. Baron, page 31, Table 3. Please confirm that absent use of the Rural Economic Reserve and the patronage rotation, KIUC is proposing a 16.67% Rural class rate increase, a 0.08% Large Industrial class rate increase, and a 0.08% Smelter class rate increase.

**RESPONSE:**

Yes, these are correct calculations.

Witness: Stephen J. Baron

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**Request BREC – 7**

Please provide electronic copies of Schedules 1, 4, 6, 7, 8, 9 and 10 of Exhibit CWK-1 to the direct testimony of Mr. King, with cells and formulas intact, along with all computer models, workpapers and other documents that support these schedules. If the model(s) employed by Mr. King is proprietary, please provide all data and files necessary to recreate Mr. King's calculations.

**RESPONSE:**

See attached on enclosed CD.

Witness: Charles W. King

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**Request BREC - 8**

Please refer to the testimony of Mr. King beginning at page 8 line 16. Does Mr. King agree that the version of the Burns & McDonnell Depreciation Study used by him in his testimony is not the final version of the Burns & McDonnell Depreciation Study, which was filed by Big Rivers on April 15, 2011, in response to KIUC 1-33, on CD 1 of 5? If your response is "yes," please update your testimony to reflect the information contained in that final version of the Burns & McDonnell Depreciation Study. If your response is "no," please explain.

**RESPONSE:**

The references to Table II-2 on lines 22-26 on page 8 of Mr. King's testimony were to the version of the depreciation study that was filed with Mr. Kelly's testimony on March 1, 2011. In the April 15 version that table has been renumbered to Table II-3, and the remaining lives on that revised table match those contained in the text beginning at page II-4 of the report.

Witness: Charles W. King

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**Request BREC - 9**

Referring to Schedule 1 of Exhibit CWK-1 to the direct testimony of Mr. King, please explain why the subtotal for April 30, 2010 Plant Balance does not match the subtotal for Big Rivers April 30, 2010 production plant balance reflected in the spreadsheet entitled "Deprec Summary 2010-12-16 FINAL.xls" provided by Big Rivers in response to AG 1-104.

**RESPONSE:**

It appears that an earlier version of Exhibit \_\_\_\_\_ (CWK-1) was filed, one that had incorrect totals for the respective CT accounts. The enclosed CD contains the correct version that should have been filed on May 24. This version was used by the other KIUC witnesses to derive depreciation expense

Witness: Charles W. King

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**Request BREC - 10**

Referring to Schedule 1 of Exhibit CWK-1 to the direct testimony of Mr. King, to the extent not already provided in your response to Item 7, please provide the source and calculations for the following:

- a. Account 343 CT –Prime Movers
- b. Account 344 CT –Generators
- c. Account 345 CT –Access. Elec. Eqpt.

**RESPONSE:**

The source and calculations for these accounts is Schedule 10. See the attachment to Data Request No. 9.

Witness: Charles W. King

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**Request BREC - 11**

Referring to Schedule 4 of Exhibit CWK-1 to the direct testimony of Mr. King, please explain why the total for Account 312 –Boiler Plant does not match Big Rivers’ April 30, 2010 account balance found in Table ES-1, page ES-6 of the Burns & McDonnell Depreciation Study.

**RESPONSE:**

Big Rivers’ records from which the plant-by-plant account data on Schedule 4 were drawn do not reconcile with the account totals in ES-1.

Witness: Charles W. King

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**Request BREC - 12**

Referring to Schedule 4 of Exhibit CWK-1 to the direct testimony of Mr. King, to the extent not already provided in your response to Item 7, please provide the source and calculations for the following items under Account 312 –Boiler Plant:

- a. Reid
- b. Coleman
- c. Green
- d. HMPL

**RESPONSE:**

See attached on enclosed CD.

Witness: Charles W. King

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**Request BREC - 13**

Referring to Schedule 10 of Exhibit CWK-1 to the direct testimony of Mr. King, to the extent not already provided in your response to Item 7, please provide the source and calculations for the following:

- a. Net Salvage Factor for Account 311 –Structures
- b. Accumulated Depreciation for Account 312 –Boiler Plant
- c. Accumulated Depreciation for Account 312 -Boiler Plant –Env Compl.
- d. Total to be Accrued for all accounts

**RESPONSE:**

- a. The net salvage factor for this account was taken from the B&M report work papers. It is the same factor as recommended by B&M.
- b&c. The source of these numbers was the Big Rivers data for each account for each plant in Attachment 12.1. The reserves in these data files do not reconcile with the reserves in Table ES-1.
- d. The formula is  
(Original cost \* (1-net salvage factor)) – Accumulated depreciation

Witness: Charles W. King

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**Request BREC-14.**

Referring to Attachment 1 to the direct testimony of Dr. Coomes, please provide a copy of the “2008 report” referenced on p. 1.

**RESPONSE**

The 2008 report, “The Estimated Economic and Fiscal Impacts of a Shut-down of Kentucky’s Two Aluminum Smelters”, dated 1/22/08, is provided on the enclosed CD.

Witness: Paul Coomes

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**Request BREC-15.**

Please identify and provide each analysis, workpaper, calculation, input and document that Dr. Coomes relies upon to support Attachment 1 to his direct testimony.

**RESPONSE**

All data sources, methods, and calculations have been documented within the report (Attachment 1) on the enclosed CD.

Witness: Paul Coomes

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**Request BREC-16**

Please refer to Mr. Fayne's testimony, page 9 Line 3; Exhibit HWF-1. The exhibit lists 9 smelters. The testimony notes that there are 10 smelters in the U.S. Please update the table in the exhibit to include the data for the "tenth smelter" not included in the filed Exhibit.

**RESPONSE**

The missing smelter is Massena East, which began operation in 2011, and is expected to produce approximately 87,000 tons and have a cost of electricity in the range of \$25-\$26/MWh. Please see Exhibit HWF-1 Revised included in the enclosed CD.

Witness: Henry W. Fayne

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**Request BREC-17**

Please refer to Mr. Fayne's testimony, page 23, Line 15 - page 24, Line 6 and page 20, Line 14. The witness calls for a statewide solution that provides support from a larger population. Have the Smelters taken any steps in Kentucky or elsewhere to effectuate such a solution at any time since 2000? If yes, please identify and describe each such step. If no, please explain why not.

**RESPONSE**

Under the terms of the power agreements in effect prior to the Unwind, both smelters had competitive power prices, which made the need for a statewide solution unnecessary. To build a foundation for a possible statewide solution that would be required if electric prices continued to escalate, both smelters have had numerous informational meetings with state and local officials to explain the dynamics of the aluminum industry and the importance of reliable, predictably priced low cost electricity to support the long term viability of the smelters in Kentucky. The unanticipated magnitude of the current and future rate increases projected by Big Rivers as well as Big Rivers' recent evaluation of the impact of environmental legislation is what drives the current need for a statewide solution.

Witness: Henry W. Fayne

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**Request BREC-18**

Refer to page 10 of Mr. Leblanc's testimony, lines 1 through 5.

- a. Other than Big Rivers, its Members, the Smelters, and Kentucky Government officials, please list any other parties whom Mr. Leblanc believes should "agree on a permanent solution."
- b. Please fully describe the parameters of "a permanent solution" envisioned by the Smelters.

**RESPONSE**

- a. The parties who should agree on a permanent solution will depend on the scope and definition of the solution fashioned. For example, if the solution is intended to address all energy intensive industries in Kentucky, the solution must be supported by all parties affected, including other utilities and other industrials in addition to the parties identified in the question.
- b. A permanent solution envisioned by the Smelters would provide the Smelters with a globally competitive cost of electricity over the long term.

Witnesses:     Henry W. Fayne  
                      Stephane Leblanc

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**Request BREC-19**

Refer to page 19 of Mr. Fayne's testimony, line 10 through 14.

- a. Please identify and provide a copy of all documents, including but not limited to press releases, newspaper reports, agreements, contracts, *etc.*, documenting the New York Power Authority's "approach" for maintaining the continuing operation of Alcoa's Massena smelter.
- b. To Mr. Fayne's knowledge, has Alcoa maintained its commitment "to make capital intensive investments in the facilities and to maintain a minimum number of jobs"? If not, why not?

**RESPONSE**

- a. Attachment BREC-19A includes a copy of (1) New York Power Authority (NYPA) press release dated January 29, 2008, which describes the approval of the agreement in principle; (2) Transcript of New York Governor David A. Paterson's press conference marking the approval of a new long-term contract between NYPA and Alcoa to secure North Country jobs, dated January 12, 2009; and (3) NYPA press release dated January 31, 2011 discussing the agreement for Massena East. Additional press releases can be found on [www.nypa.gov](http://www.nypa.gov). (See attached on enclosed CD).

Attachment BREC-19B is a copy of the long-term contract for Massena East. (See attached on enclosed CD).

- b. The new contract becomes effective in 2013. To the best of Mr. Fayne's knowledge, Alcoa is still planning to honor its commitment regarding capital investment and maintenance of jobs.

Witness: Henry W. Fayne

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KENTUCKY INDUSTRIAL UTILITY CUSTOMERS RESPONSE TO  
BIG RIVERS ELECTRIC CORPORATION  
FIRST DATA REQUEST  
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**Request BREC-20**

Referring to the direct testimony of Mr. Fayne at p. 18, lines 9-13, please provide a copy of any and all orders reflecting the action of the Missouri Public Service Commission as described in the referenced testimony.

**RESPONSE**

Please see our response to STAFF-3.

Witness: Henry W. Fayne

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC )  
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**Request BREC-21**

Referring to the direct testimony of Mr. Fayne at p. 18, lines 15-20, please provide a copy of any and all orders reflecting the action of the Public Utilities Commission of Ohio as described in the referenced testimony.

**RESPONSE**

Please see our response to STAFF-3.

Witness: Henry W. Fayne

COMMONWEALTH OF KENTUCKY  
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**Request BREC-22**

Referring to the direct testimony of Mr. Fayne at p. 18, line 22-p. 19, line 2, please provide a copy of any and all orders reflecting the action of the Public Service Commission of West Virginia as described in the referenced testimony.

**RESPONSE**

Please see our response to STAFF-3.

Witness: Henry W. Fayne

COMMONWEALTH OF KENTUCKY  
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In the Matter of:

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**Request BREC-23**

Referring to the direct testimony of Mr. Fayne at p. 19, lines 2-6, please provide a copy of the legislation described in the referenced testimony.

**RESPONSE**

Please see attached, as Exhibit BREC-23, a copy of West Virginia Senate Bill 656. (Attached on the enclosed CD).

Witness: Henry W. Fayne

COMMONWEALTH OF KENTUCKY  
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**Request BREC-24**

Referring to the direct testimony of Mr. Fayne at p. 19, lines 6-8, please provide a detailed description of the “efforts” to which the testimony refers, including any “additional mechanisms” which are being considered.

**RESPONSE**

During the first quarter of 2011, Century, with support of the Governor and the Public Service Commission, participated in proposing legislation that would provide tax credits to energy intensive industrials to supplement whatever relief could be provided through the regulatory process. The legislation was defeated. However, there is growing support to introduce similar legislation in the next session.

Witness: Henry W. Fayne

COMMONWEALTH OF KENTUCKY  
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**Request BREC-25**

Please refer to Mr. Fayne's testimony, Exhibit HWF-1. Please identify and provide each analysis, workpaper, calculation, input and document relied upon by Mr. Fayne that demonstrates that: "If the rates requested by Big Rivers is (sic) approved and both smelters operate at full production, the cost electricity for the Hawesville and Sebree smelters would be \$47.86/MWh."

**RESPONSE**

The \$47.86/MWh is the cost of electricity for the smelters for the month of September 2011 as shown in Big Rivers financial forecast provided in response to Data Request KIUC-1-43.

Witness: Henry W. Fayne

COMMONWEALTH OF KENTUCKY  
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**Request BREC-26**

Refer to page 8, line 18 of Mr. Fayne's testimony. What is the transportation cost premium or advantage in \$/pound that the Smelters currently are experiencing as a result of being located where they are in the United States?

**RESPONSE**

The Midwest premium, as reported in Platts, is currently approximately \$0.085 per pound.

Witness: Henry W. Fayne

**COMMONWEALTH OF KENTUCKY  
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**Request BREC-27**

Please refer to pages 14-15 of Dr. Morey's testimony. Please provide the PJM West NYMEX/CME prices utilized, and indicate which contract month they represent, what CME market date they were for, and whether they are close-of-day prices.

**RESPONSE.**

Monthly NYMEX/CME forward prices for the period May 2011 – December 2013 were obtained for the PJM West hub,<sup>1</sup> and are shown below.

**NYMEX/CME Forward Prices: PJM  
West**

	2011	2012	2013
January		58.00	59.35
February		58.00	59.35
March		51.10	52.50
April		51.10	52.50
May	49.40	50.05	51.75
June	54.50	55.25	56.50
July	63.20	64.15	66.00
August	63.20	64.15	66.00
September	52.60	53.05	54.50
October	48.65	50.70	52.25
November	48.90	50.70	52.25
December	53.20	50.70	52.25

Witness: Mathew J. Morey

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<sup>1</sup> See <http://www.cmegroup.com/trading/energy/electricity/pjm-western-hub-peak-calendar-month-real-time-imp.html>. This data was obtained in April of 2011, and the forecast has been updated since that time. As such, the exact data shown above is no longer listed on the cmegroup.com website.

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**Request BREC-28**

Please refer to page 14 of Dr. Morey's testimony. Please explain how the BREC-MISO interface price was determined for the months in the test year when Big Rivers was not in the MISO market. Please identify and provide each analysis, workpaper, calculation, input and document that he relies upon to arrive at these prices.

**RESPONSE**

The BREC-MISO interface price for the period of January 1, 2010 to October 31, 2010 when BREC was not an integrated member of MISO was obtained from the Midwest ISO website.<sup>2</sup> Files utilized include 2009\_Jul-Dec\_RT\_LMP.csv, 2010\_Jan-Jun\_RT\_LMP.csv, 2010\_Jul-Sep\_RT\_LMP.csv, and 2010\_OCT-DEC\_RT\_LMP.csv. These files are contained on the CD accompanying this response. For a more thorough discussion of how this data was used, refer to the document labeled Wholesale Market Price Analysis.doc on the CD accompanying this response.

Witness: Mathew J. Morey

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<sup>2</sup> See [http://www.midwestmarket.org/publish/Folder/67519\\_1178907f00c\\_-7fef0a48324a?rev=1](http://www.midwestmarket.org/publish/Folder/67519_1178907f00c_-7fef0a48324a?rev=1).

**COMMONWEALTH OF KENTUCKY  
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**Request BREC-29**

Refer to pages 13 and 14 of Dr. Morey's testimony, from page 13, line 16 through page 14, line 3.

- a. Please identify and provide an electronic copy, or hardcopy if electronic copy is not available, of all information, documents, reports, tables, charts, and other data relied upon by Dr. Morey in preparing the dispatch simulation study, the Status Quo Case, and the Wholesale Market Case. For any electronic documents with formulae, please provide those documents with formulae intact.
- b. Please identify and provide any reports prepared from the dispatch simulation study, the Status Quo Case, and the Wholesale Market Case.

**RESPONSE**

- a. Please refer to the document labeled Simulation Analysis.doc on the CD accompanying this response. The computer code that conducts the simulation study is proprietary, and therefore, will not be provided with the spreadsheet associated with the dispatch simulation study. All input data and outputs from the simulation are being provided and any formulae that link cells in output files or summary files remain intact. In lieu of the computer code, a description of the steps necessary to conduct the dispatch simulation study is provided in Simulation Analysis.doc.
- b. There was no report prepared on the basis of the dispatch simulation. The results of the dispatch simulation were used as direct input to the preparation of the testimony as filed.

Witness: Mathew J. Morey

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**Request BREC-30**

Refer to page 6, line 7 of Dr. Morey's testimony. Please provide the simulation used in dispatching Big Rivers' generation against hourly market prices. Please identify and provide all documents, inputs and assumptions used and relied upon by Dr. Morey in establishing the hourly market prices.

**RESPONSE**

Please see response to BREC 29 and the files provided on the CD accompanying this response.

Respondent: Mathew J. Morey

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**Request BREC-31**

Please provide the forecasted monthly average MISO market prices that Dr. Morey used in his analysis.

**RESPONSE**

Please refer to the document labeled Wholesale Market Price Analysis.doc on the CD accompanying this response.

Witness: Mathew J. Morey

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**Request BREC-32**

Refer to page 10, line 20 of Dr. Morey's testimony. Please provide the publicly available wholesale market information relied upon by Dr. Morey in preparing this portion of his testimony.

**RESPONSE**

Please refer to the document labeled Wholesale Market Price Analysis.doc on the CD accompanying this response.

Witness: Mathew J. Morey

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**Request BREC-33**

Please refer to page 18 of the testimony of Dr. Morey. Please identify and provide each analysis, workpaper, calculation, input and document that he relies upon to support this 26% market price increase statement.

**RESPONSE**

Please refer to the spreadsheet labeled Results Summary.xls on the CD accompanying this response. (CONFIDENTIAL CD filed under seal).

Witness: Mathew J. Morey

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**Request BREC-34**

Please refer to page 19 of the testimony of Dr. Morey. Please identify and provide each analysis, workpaper, calculation, input and document that he relies upon to support this assertion of a 22% contribution decline.

**RESPONSE**

Please refer to the spreadsheet labeled Results Summary.xls on the CD accompanying this response. (CONFIDENTIAL CD filed under seal).

Witness: Mathew J. Morey

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**Request BREC-35**

On page 6 lines 7 through 11 of his testimony, Dr. Morey asserts that the reason for his lower estimate of market sales compared to Smelter sales was “because BREC generation units are frequently out of the market.” Please identify and provide each analysis, workpaper, calculation, input and document that he relies upon to support this assertion.

**RESPONSE**

Please refer to the spreadsheet labeled Margin Analysis.xls on the CD accompanying this response. The frequencies with which BREC generation units are in and out of the market are reported in the range C8774:L8778 on each of the three annual results pages (sheet tabs 2011, 2012 and 2013). (CONFIDENTIAL CD filed under seal).

Witness: Mathew J. Morey

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**Request BREC-36**

On page 6 line 21, Dr. Morey asserts that the “existence of transmission constraints would limit flows out of the BREC zone to MISO”. Please identify and provide each analysis, workpaper, calculation, input and document that he relies upon to support this assertion.

**RESPONSE**

Transmission facilities have flow limits. When the flow through a facility approaches or reaches its limited, that facility is said to be “congested.” If and when there is congestion on transmission lines that connect BREC’s generation with the rest of the MISO market region, such congestion would constrain the flows and therefore the amounts of energy that BREC could sell to the MISO market.

My analysis did not consider transmission flow limits. My analysis assumed no constraints on BREC’s ability to sell energy from its generation units when it is economic to do so (i.e., when the market price is above the marginal running cost of BREC’s generating units). Consequently, the results of the simulations provide an overestimate of the margin contribution made by BREC’s sales to the MISO wholesale market.

Witness: Mathew J. Morey

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**Request BREC-37**

In his testimony on page 13, beginning at line 4, Dr. Morey uses the term “substantial” to characterize the flow constraints on some transmission lines that could decrease the quantities of sales to the market. In reaching that conclusion, did he consider the Phase 1 and 2 transmission build-out designed to allow Big Rivers to transmit excess generation to the Big Rivers system borders (*see page 6.4 of Big Rivers’ Integrated Resource Plan, P.S.C. Case No. 2010-00443, and Application of Big Rivers Electric Corporation for a Certificate of Public Convenience and Necessity to Construct a 161 kV Electric Transmission Line in Ohio County, Kentucky, PSC Case No. 2007-00177*) and the potential future benefits of Vectren Energy’s 345 kV transmission line (*see Application of Southern Indiana Gas & Electric Co. D/B/A Vectren Energy Delivery of Indiana, Inc. for a Certificate to Construct an Electric Transmission Line from Its A. B. Brown Plant to the Big Rivers Reid EHV Station, Kentucky State Board on Electric Generation and Transmission Siting, Case No. 2010-00223*)?

**RESPONSE**

The existence of additional transmission lines that would reduce congestion or constraints that could limit the flows of energy from BREC’s generating units to the MISO market for sale at wholesale would not change the operating characteristics and cost characteristics of BREC’s generating units. My analysis assumes no transmission constraints on BREC’s generation sales into the MISO market. My analysis also did not consider the impact on market prices of a significant increase in the number of MWh BREC sells in the wholesale market, which would lower the market price BREC would receive for those MWh. To the extent that additional transmission lines would permit BREC to sell a greater number of MWh to the wholesale market, thus increasing the revenues it would receive from off-system sales, there would also be an off-setting decrease in the market price that BREC would receive for those MWh.

Witness: Mathew J. Morey

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**Request BREC-38**

Please identify and provide electronic copies of Exhibit MJM-3 to the direct testimony of Dr. Morey, with cells and formulas intact, along with all computer models, workpapers and other documents that he relies upon to support this exhibit. Also, please provide any assumptions utilized in this Exhibit that are not stated in the direct testimony.

**RESPONSE**

The basis of Exhibit MJM-3 is provided on the accompanying CD in the spreadsheet labeled Results Summary.xls. Also, see response to BREC 29 for the remainder of the material relevant to this request. (CONFIDENTIAL CD filed under seal).

Witness: Mathew J. Morey

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**Request BREC-39**

Please refer to Exhibits MJM-2 and LK-10. Please identify any data in those exhibits that were taken from or derived from material that Big Rivers filed under a petition for confidential treatment, and state what efforts KIUC has taken or plans to take to remove such data from the public record.

**RESPONSE:**

On June 9, 2011, KIUC filed revised redacted versions of MJM-2 and LK-10 with the Commission with instructions that the previously filed versions be removed from the docket. KIUC also served all parties with the revised redacted version of MJM-2 and LK-10 with instructions to destroy or return to KIUC the previously served version.

Witness: Counsel

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**Request BREC-40**

With the relatively high market prices for primary aluminum, please identify and explain the steps, if any, that each Smelter has taken to hedge its long position in the market.

**RESPONSE**

The determination of whether or not to hedge the sale of aluminum is complex because of the costs and risks associated with such activity. For example, with hedging the company assumes counterparty risk, LME price risk to the extent that the cost of raw materials varies with the LME price, cost of production risk including the future cost of energy, production risk to the extent that the hedge is physical, and market value risk depending on the impact of mark-to-market accounting and the credit support required. Moreover, world-wide operations for both Rio Tinto and Century Aluminum provide a natural hedge. For the reasons described above, Rio Tinto's strategy is generally not to hedge. Century's corporate policy is not to sell forward its production (on either a physical or financial basis), due to the reasons described above. Century does, however, from time to time, seek to limit downside price risk by purchasing put options, which effectively lock in a minimum price. Consistent with its policy, Century has purchased put options (to protect a portion of its U.S. production) for 2011 and the first half of 2012.

Witness: Henry W. Fayne

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**Request BREC-41**

Please identify and provide, by Smelter and by month, a list of the cash payments received by each Smelter from Big Rivers, Kenergy Corp., or a subsidiary or affiliate of the former E.ON U.S., LLC arising out of, related to, or in connection with the Big Rivers unwind transaction as referred to by Mr. Fayne on page 21 of his testimony.

**RESPONSE**

KIUC respectfully objects to this Item 41 on the ground that the information requested is not relevant to the issues presented in this docket and is confidential and proprietary to each Smelter. KIUC further objects to that portion of the request asking for payments from Big Rivers and for payments to the Smelters from the escrow account held by PNC Bank on the ground that Big Rivers has such information in its possession. Without waiving the foregoing objections, KIUC states the following:

- (1) The Smelters received no payments from Kenergy;
- (2) E.ON payments to the smelters at closing were disclosed to the Staff and the Attorney General in Case No. 2007-00445 under a petition of confidentiality. Please refer to the confidential response of E.ON to Item 83 of the Attorney General's Supplemental Request for Information in that docket.

Witness: Counsel