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June 24, 2013

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

In The Matter Of: *Application of Big Rivers Electric Corporation For A General Adjustment In Rates - Case No. 2012-00535*

Dear Mr. Derouen:

Enclosed for filing are an original and ten (10) copies of Big Rivers Electric Corporation's rebuttal testimony, a petition for confidential treatment, and a motion for deviation.

I certify that on this date, a copy of this letter, a copy of the motion, and a copy of the petition were served on the persons listed on the attached service list by first class mail, postage prepaid, or by Federal Express.

Sincerely,

Tyson Kamuf

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JUN 24 2013

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

Application of Big Rivers Electric Corporation for a General Adjustment in Rates	)))	Case No. 2012-00535

MOTION OF BIG RIVERS ELECTRIC CORPORATION FOR DEVIATION

1. Pursuant to 807 KAR 5:001 Section 21, Big Rivers Electric Corporation ("Big Rivers") hereby moves the Kentucky Public Service Commission ("Commission") to grant deviation from (i) the requirement to file paper copies of all Exhibits to its Rebuttal Testimony, and (ii) the requirement in 807 KAR 5:001 Section 13 that Big Rivers file a highlighted hard copy and ten redacted hard copies of material containing confidential information submitted under a Petition for Confidential Treatment.

2. Big Rivers is filing with this motion its Rebuttal Testimony and Exhibits thereto. Big Rivers is providing a hardcopy original and ten (10) paper copies of its Rebuttal Testimony and Exhibits, except that one Exhibit is provided only electronically (the "Electronic Exhibit"). The Electronic Exhibit is provided on a CONFIDENTIAL CD filed under a Petition for Confidential Treatment.

3. The Electronic Exhibit is the Big Rivers Financial Model.

4. The Electronic Exhibit consists of spreadsheets that are designed for viewing on a computer and, if printed, would be voluminous or extremely difficult to read, or would lose critical information (such as formulas in Excel spreadsheets). For the convenience of the Commission and the Intervenors, Big Rivers is providing these in electronic format only.

5. Additionally, because Confidential Information in the Big Rivers Financial Model is inextricably intertwined with non-confidential information in the electronic spreadsheets, Big Rivers cannot redact only the Confidential Information without making other cells in the spreadsheets unusable. Consequently, the entirety of the Big Rivers Financial Model must be made confidential, and it is being produced in electronic format only on the accompanying CONFIDENTIAL CD. 807 KAR 5:001 Sections 13(2)(a)(3), 13(2)(b).

WHEREFORE, Big Rivers respectfully requests that the Commission enter an order granting a deviation to Big Rivers from (i) the requirement to file paper copies of the Exhibit to Rebuttal Testimony, and (ii) the requirement in 807 KAR 5:001 Section 13 that Big Rivers file a highlighted hard copy and ten redacted hard copies of material containing confidential information submitted under a Petition for Confidential Treatment.

On this the 24th day of June, 2013.

Respectfully submitted,

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Counsel for Big Rivers Electric Corporation

Certificate of Service

I certify that a true and accurate copy of the foregoing was or will be served by Federal Express or by hand delivery upon the persons listed on the attached service list, on the date this petition is filed with the Kentucky Public Service Commission or the following day.

On this the 24th day of June, 2013,

Counsel for Big Rivers Electric Corporation

1.

RECEIVED

JUN 24 2013

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

Application of Big Rivers Electric	)	
Corporation for a General	)	Case No. 2012-00535
Adjustment in Rates	)	

PETITION OF BIG RIVERS ELECTRIC CORPORATION FOR CONFIDENTIAL TREATMENT

1. Pursuant to 807 KAR 5:001 Section 13 and KRS 61.878, Big Rivers Electric Corporation ("Big Rivers") hereby petitions the Kentucky Public Service Commission (the "Commission") to grant confidential treatment to certain information Big Rivers is filing with its Rebuttal Testimony in this matter. The information for which Big Rivers seeks confidential treatment is hereinafter referred to as the "Confidential Information."

2. The Confidential Information consists of:

   a. Portions of Exhibits Berry Rebuttal-1 and Berry Rebuttal-2 to the Rebuttal Testimony of Robert W. Berry;

   b. Portions of Exhibits Siewert-2.3, Siewert-3.3, Wolfram-3.3, and Wolfram-4.3 to the Rebuttal Testimony of John Wolfram; and

   c. The Big Rivers Financial Model.

3. With the exception of certain material that is being filed in electronic format only, Big Rivers is filing with this Petition one (1) copy of the hardcopy pages containing Confidential Information, with the Confidential Information highlighted with transparent ink, printed on yellow paper, or otherwise marked "CONFIDENTIAL," in a separate sealed envelope marked "CONFIDENTIAL." 807 KAR 5:001 Section 13(2)(a)(3). A copy of those pages containing

Confidential Information, with the Confidential Information redacted, is being filed with the original and each of the ten (10) copies of the Rebuttal Testimony filed with this petition. 807 KAR 5:001 Section 13(2)(b).

4. In the electronic versions of Exhibit Siewert-2.3 and Exhibits Wolfram-3.3 and Wolfram-4.3, some Confidential Information is inextricably intertwined with non-confidential information. Big Rivers cannot redact only the Confidential Information without making other cells in the spreadsheets unusable. Consequently, the electronic versions of these Exhibits are provided only on the CONFIDENTIAL CD accompanying this motion—there is no accompanying public CD.

5. Because Confidential Information in the Big Rivers Financial Model is inextricably intertwined with non-confidential information in the electronic spreadsheets, Big Rivers cannot redact only the Confidential Information without making other cells in the spreadsheets unusable. Consequently, the entirety of the Big Rivers Financial Model must be made confidential, and it is being produced in electronic format only on the accompanying CONFIDENTIAL CD. A Motion for Deviation from the requirement that Big Rivers file paper copies of the attachments accompanies this Petition.

6. A copy of this Petition with the Confidential Information redacted has been served on all parties to this proceeding. 807 KAR 5:001 Section 13(2)(c). A copy of the Confidential Information has been served on all parties that have signed a confidentiality agreement.

7. The Confidential Information is not publicly available, is not disseminated within Big Rivers except to those employees and professionals with a legitimate business need to know

and act upon the information, and is not disseminated to others without a legitimate need to know and act upon the information.

8. If and to the extent the Confidential Information becomes generally available to the public, whether through filings required by other agencies or otherwise, Big Rivers will notify the Commission and have the information's confidential status removed pursuant to 807 KAR 5:001 Section 13(10)(b).

9. As discussed below, the Confidential Information is entitled to confidential treatment pursuant to KRS 61.878(1)(c)(1), which protects "records confidentially disclosed to an agency or required by an agency to be disclosed to it, generally recognized as confidential or proprietary, which if openly disclosed would permit an unfair commercial advantage to competitors of the entity that disclosed the records." KRS 61.878(1)(c)(1); 807 KAR 5:001 Section 13(2)(a)(1).

I. Big Rivers Faces Actual Competition.

10. Big Rivers competes in the wholesale power markets to sell energy it produces in excess of its members' needs. Big Rivers' ability to successfully compete in the wholesale power markets is dependent upon a combination of its ability to negotiate the maximum price for the power sold and its ability to keep its cost of production as low as possible. If Big Rivers' cost of producing a kilowatt-hour of energy increases, its competitive position against other electric utilities is adversely affected.

11. Big Rivers also competes for reasonably-priced credit in the credit markets, and its ability to compete is directly impacted by its financial strength. Any event that adversely affects Big Rivers' margins will adversely affect its financial results and potentially impact the price it pays for credit. As was described in the proceeding before the Commission in the Big

Rivers Unwind Transaction, P.S.C. Case No. 2007-00455, Big Rivers expects to be in the credit markets on a regular basis in the future. *See In the Matter of: Joint Application of Big Rivers, E.ON, LG&E Energy Marketing, Inc., and Western Kentucky Energy Corporation for Approval to Unwind Lease and Power Purchase Transactions*, Order, P.S.C. Case No. 2007-00455, 37-39 (March 6, 2009) (discussing Big Rivers' need for the ability to "issue public debt at reasonable costs in the future").

12. As is evidenced by these economic pressures, Big Rivers has "competitors" as contemplated under KRS 61.878(1)(c)(1) and faces actual competition from other markets participants.

II. The Confidential Information is Generally Recognized as Confidential or Proprietary.

13. The Confidential Information for which Big Rivers seeks confidential treatment under KRS 61.878(1)(c)(1) is generally recognized as confidential or proprietary under Kentucky law.

14. Exhibit Berry Rebuttal-1 contains projections of future off-system sales revenues.

15. Exhibit Berry Rebuttal-2 contains projections of fixed production costs and production cost savings related to idling generation assets.

16. Exhibit Siewert-2.3 is part of the Big Rivers Financial Model. The portions of this Exhibit for which Big Rivers seeks confidential treatment contain Big Rivers' projected budgets, revenues, capital expenditures, variable operating expenses (including fuel costs), and off-system sales volumes, revenues, and prices. Corresponding portions of the original version of this Exhibit, Exhibit Siewert-2 to the Direct Testimony of Travis Siewert, were granted confidential treatment by Order dated May 6, 2013 in this proceeding.

17. Exhibit Siewert-3.3 is the most recent update to Big Rivers' Statement of Operations With and Without a Rate Increase for the forecasted test period. The portions of this Exhibit for which Big Rivers seeks confidential treatment contain Big Rivers' projected operating and maintenance ("O&M") expenses, electric energy revenues, total operating revenue and patronage capital, total cost of electric service, operating margins, and net patronage capital and margins. Corresponding portions of the original version of the Statement of Operations, provided as Exhibit Siewert-3 to the Direct Testimony of Travis Siewert, were previously granted confidential treatment by Order dated May 6, 2013 in this proceeding.

18. Exhibits Wolfram-3.3 and Wolfram-4.3 are part of the most recent update to Big Rivers' Cost of Service Study. The portions of these Exhibits for which Big Rivers seeks confidential treatment contain projected budgets, revenues, capital expenditures, variable operating expenses (including fuel costs), operating margins, and off-system sales volumes, revenues, and prices. Portions of the original versions of these Exhibits, provided as Exhibits Wolfram-3 and Wolfram-4 to the Direct Testimony of John Wolfram, were previously granted confidential treatment by Order dated May 6, 2013 in this proceeding.

19. It has been established that information about a company's detailed inner workings is generally recognized as confidential or proprietary. *See, e.g.*, *Hoy v. Kentucky Indus. Revitalization Authority*, 907 S.W.2d 766, 768 (Ky. 1995) ("It does not take a degree in finance to recognize that such information concerning the inner workings of a corporation is 'generally recognized as confidential or proprietary'"); *Marina Management Servs. v. Cabinet for Tourism, Dep't of Parks*, 906 S.W.2d 318, 319 (Ky. 1995) (holding that unfair commercial advantage arises simply from "the ability to ascertain the economic status of the entities without

the hurdles systemically associated with the acquisition of such information about privately owned organizations").

20. In accordance with this precedent, the Commission previously granted confidential treatment to the Exhibits for which Big Rivers is providing updates with this Rebuttal Testimony. *In the Matter of: Application of Big Rivers Electric Corp. for an Adjustment in Rates*, Order, P.S.C. Case No. 2012-00535 (May 6, 2013) (granting confidential treatment to Exhibits Siewert-2 and Siewert-3 to the Direct Testimony of Travis Siewert, and Exhibits Wolfram-3 and Wolfram-4 to the Direct Testimony of John Wolfram).

21. Likewise, the Commission has granted confidential treatment in other instances to information similar to that which Big Rivers seeks to protect under this Petition. *See, e.g., In the Matter of: Application of Big Rivers Electric Corporation for Approval of its 2012 Environmental Compliance Plan, for Approval of its Amended Environmental Cost Recovery Surcharge Tariff for Certificates of Public Convenience and Necessity, and for Authority to Establish a Regulatory Account*, Letter, P.S.C. Case No. 2012-00063 (December 11, 2012) (granting confidential treatment to Rig Rivers' O&M expenses, and off-system sales and revenues); *In the Matter of: Application of Big Rivers Electric Corporation for a General Adjustment in Rates*, Letter, P.S.C. Case No. 2012-00036 (December 20, 2011) (granting confidential treatment to budgets, financial model outputs, and fuel cost projections); *In the Matter of: Application of Big Rivers Electric Corporation for a General Adjustment in Rates*, Letter, P.S.C. Case No. 2012-00036 (July 28, 2011) (granting confidential treatment to financial model outputs); *In the Matter of: The 2010 Integrated Resource Plan of Big Rivers Electric Corporation*, Letter, P.S.C. Case No. 2010-00443 (December 21, 2010) (granting confidential treatment to fuel cost projections, revenue projections, and financial model outputs).

22. Accordingly, the information Big Rivers has designated as Confidential Information is recognized as confidential or proprietary under Kentucky law and is entitled to confidential treatment as further discussed below.

III. Disclosure of the Confidential Information Would Permit an Unfair Commercial Advantage to Big Rivers' Competitors.

23. Disclosure of the Confidential Information would afford Big Rivers' competitors an unfair commercial advantage. As discussed above, Big Rivers faces actual competition in the power markets and in the credit markets. It is likely that Big Rivers would suffer competitive injury if the Confidential Information were publicly disclosed, and the information should therefore be subject to confidential treatment.

24. The Confidential Information includes Big Rivers' projected fuel costs and power prices. This Confidential Information is highly commercially sensitive because, if publicly disclosed, potential fuel and power suppliers and buyers of fuel and power could manipulate their prices or manipulate the bidding process in order to maximize revenues based upon the projected costs anticipated by Big Rivers and for which Big Rivers is budgeting. This would result in an erosion of Big Rivers' ability to obtain fuel at competitive prices, damaging Big Rivers' "bottom line" and consequently its ability to compete in credit markets.

25. Furthermore, disclosure of such information would afford Big Rivers' contractors, vendors, and competitors access to cost and operational parameters material to Big Rivers and allow them to manipulate contract negotiations and bidding processes. In P.S.C. Case No. 2003-00054, the Commission granted confidential treatment to contractor bids submitted to Union Light, Heat & Power Company ("ULH&P"). ULH&P argued, and the Commission implicitly accepted, that if the bids it received were publicly disclosed, contractors on future work could use the bids as a benchmark, which would likely lead to the submission of higher bids. *See In*

the Matter of: Application of Union Light, Heat & Power Company for Confidential Treatment, Order, P.S.C. Case No. 2003-00054 (Aug. 4, 2003). The Commission also implicitly accepted ULH&P's further argument that the higher bids would lessen ULH&P's ability to compete with other gas suppliers, under the assumption that higher bids would lead to high prices, and higher prices would lead to higher rates. *Id.* Similarly, potential fuel and power suppliers manipulating Big Rivers' bidding process would lead to higher costs or lower revenues to Big Rivers and would place it at an unfair competitive disadvantage in the wholesale power markets and credit markets.

26. Likewise, public disclosure of O&M costs including the fixed production costs and fuel costs would give power producers and marketers with which Big Rivers competes in the wholesale power markets insight into Big Rivers' cost of producing power. Knowledge of this information would give those power producers and marketers an unfair competitive advantage because they could use that information to potentially underbid Big Rivers in wholesale transactions, reducing Big Rivers' revenue and impairing Big Rivers' ability to compete in the wholesale power and credit markets.

27. Finally, potential purchasers on the power market could use information related to Big Rivers' off-system sales and revenues to know when Big Rivers anticipates having excess capacity that will go to market and could underbid Big Rivers. This would result in lower revenues to Big Rivers and place it at an unfair competitive disadvantage in the credit markets.

28. In light of the above, the Confidential Information should be granted confidential treatment.

IV. Time Period

29. Big Rivers requests that the Confidential Information remain confidential for a period of five (5) years, which will allow the Confidential Information to become sufficiently historic such that its public disclosure would not provide competitors with an advantage in the markets.

V. Conclusion

30. Based on the foregoing, the Confidential Information is entitled to confidential treatment. If the Commission disagrees that Big Rivers is entitled to confidential treatment, due process requires the Commission to hold an evidentiary hearing. *Utility Regulatory Comm'n v. Kentucky Water Serv. Co., Inc.*, 642 S.W.2d 591 (Ky. App. 1982).

WHEREFORE, Big Rivers respectfully requests that the Commission classify and protect as confidential the Confidential Information.

On this the 24th day of June, 2013.

Respectfully submitted,

TKP
____

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Counsel for Big Rivers Electric Corporation

Certificate of Service

I certify that, on the date this petition was filed with the Kentucky Public Service Commission, a true and accurate copy of the foregoing was served by Federal Express or by hand delivery upon the persons listed on the attached service list.

On this the 24th day of June, 2013.

Tyler

Counsel for Big Rivers Electric Corporation

1008155v1

ORIGINAL

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES	)))	Case No. 2012-00535

REBUTTAL TESTIMONY

FILED: June 24, 2013

ORIGINAL

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES	)) Case No. 2012-00535)

REBUTTAL TESTIMONY

OF

MARK A. BAILEY
CHIEF EXECUTIVE OFFICER

ON BEHALF OF

BIG RIVERS ELECTRIC CORPORATION

FILED: June 24, 2013

REBUTTAL TESTIMONY
OF
MARK A. BAILEY

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**REBUTTAL TESTIMONY
OF
MARK A. BAILEY**

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Mark A. Bailey. My business address is 201 Third Street, Henderson, Kentucky 42420.

Q. Are you the same Mark A. Bailey who provided direct testimony in this proceeding?

A. Yes.

II. PURPOSE AND OVERVIEW OF TESTIMONY

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

A. The purpose of my testimony is to address four important issues.

First, my testimony will explain how the Commission faces a stark choice in this case between: (i) granting the relief requested by Big Rivers; and (ii) the bankruptcy advocated by the Office of the Attorney General (the "Attorney General"), Kentucky Industrial Utility Customers, Inc. ("KIUC"), and Sierra Club (collectively, the "intervenors") in this proceeding.

Second, my testimony will explain why Big Rivers' revised request for an adjustment in its rates is reasonable under the totality of circumstances.

Third, my testimony will respond to the baseless and gratuitously inflammatory accusations from Mr. Ostrander and the Attorney General.

Fourth, my testimony will explain why the additional monitoring and reporting requirements suggested by Mr. Ostrander and the Attorney General should be rejected.

Q. What are the principal reasons the Commission should grant the relief requested by Big Rivers?

A. Big Rivers' proposed rates are fair, just, and reasonable. We have asked for the bare minimum possible to meet our debt service and continue funding an appropriately reduced scale of operations in light of Century's unilateral contract termination. In addition, because we are a non-profit cooperative, our ratepayers are our shareholders. Our mission is to safely deliver reliable wholesale electric energy at the lowest cost consistent with sound business practices and prudent management of the business, and our corporate structure reinforces that objective. The specific reasons our proposed rate adjustments should be approved are discussed in more detail in the testimony of Big Rivers' other witnesses.

III. THE COMMISSION SHOULD EXERCISE REGULATORY PATIENCE

Q. You stated that the Commission's choice in this case was a "stark" one. Please explain what you mean.

A. That is correct. As explained more thoroughly in the Rebuttal Testimony of Billie J. Richert, the Commission faces a stark choice in this case between: (i) granting the relief requested by Big Rivers; and (ii) the bankruptcy advocated by the intervenors.

I acknowledge that it may sound odd to suggest that the Commission's choices in a rate case could be so stark. The Commission clearly has a significant amount of flexibility to ensure that a utility's rates are fair, just, and reasonable, but the events precipitating this case are unique, and as the Commission evaluates the totality of the circumstances, it should not—as the intervenors suggest—ignore the negative consequences that are likely to occur as a result of denying or modifying the rate adjustments we have sought in this proceeding. It should exercise regulatory patience and give Big Rivers time to execute its Load Concentration Analysis & Mitigation Plan ("Mitigation Plan") to realize benefits for our members.

Denying the requested rate adjustments would leave Big Rivers with insufficient revenues to meet its service obligations to its members and its payment obligations to its creditors. Big Rivers would soon fall below its contractual TIER covenant, deplete its cash resources, and be cut off from access to the capital it must have to complete environmental expenditures and plant refurbishment over the next three years. In my judgment, denial of the full rate relief is likely to trigger a sequence of events that will force Big Rivers to cease operations or seek bankruptcy protection.

Q. Why do you say that the approval of Big Rivers' proposed rate adjustments stands in stark contrast to a decision that is likely to force Big Rivers into bankruptcy?

A. In a nutshell, the choice is stark because Big Rivers has asked only for the minimum adjustment necessary to meet its debt service and continue funding an appropriately reduced scale of operations in light of the impending Century termination.

The intervenors in this case have gone to great pains to avoid appearing as though they are advocating that Big Rivers should enter bankruptcy. And although they repeatedly disclaim any such intent—claiming, instead, that "the market" will decide—

there can be no dispute that the intervenors' positions in this case frame the choice as one between: (i) granting the relief requested by Big Rivers; or (ii) pushing over the first "domino" that will could send Big Rivers into bankruptcy. The intervenors have presented no middle ground. In my mind, it is a choice between regulatory patience and regulatory abandonment.

Q. What do you mean by "regulatory patience" and "regulatory abandonment?"

A. In my mind, "regulatory patience" refers to a willingness of the Commission to evaluate our rate request not just on the basis of the current factual circumstances, but also on the basis of the long-running historical context and reasonable future opportunities for Big Rivers and its members.

To the best of my knowledge, Big Rivers is the only electric generation and transmission utility in the country to simultaneously serve two aluminum smelters. As a consequence of this unique situation and of the fluctuating nature of the aluminum and wholesale electricity markets, Big Rivers has faced unusual and often countervailing pressures in its efforts to safely provide reliable, low-cost electricity while continuing to support regional economic development. Both goals are important to Big Rivers' members, and they are symbiotic. Providing low-cost electricity is important to economic development; likewise, supporting economic development is important to safeguarding the ability to provide low-cost electricity.

No one disputes that a principal component of this case relates to the revenues Big Rivers will lose in connection with the contract termination by Century's Hawesville smelter (the "Hawesville Smelter") after August 20, 2013. Even after Century gave notice that it was terminating its Retail Electric Service Agreement, dated July 1, 2009 (as amended, the "2009 Retail Agreement"), Big Rivers worked diligently with Kenergy and Century to negotiate an arrangement that would preserve the economic benefit of an operational Hawesville Smelter. But the Commission should not, as the intervenors do, evaluate Big Rivers' case solely in the narrow window of time following that termination.

The Hawesville Smelter and the Sebree smelter recently acquired by Century have both been long-time beneficiaries of Big Rivers' generating capacity. Moreover, history has shown that the smelters have both vacillated between desiring generation service from Big Rivers or the wholesale markets.

Even without the smelters taking generation from us, Big Rivers' generating capacity benefits its members because it hedges their risks of purchasing electricity on the open market. (This is further described in the Rebuttal Testimony of Robert W. Berry.) By its very nature, hedges sometimes lag the market, and it is that aspect of the current market upon which the intervenors pounce. If you remove their blinders, however, you will see that the smelters' historical alternation between desiring generation service from Big Rivers or the market proves the value of our generating capacity to our members. Our generation investments were made many years ago and were prudent when they were incurred. We are also well-positioned to meet the needs of long-term bilateral counterparties.

The Commission should evaluate all of these factors and allow the historical value of Big Rivers' prudent investments in its generating assets to develop over time, without abruptly changing regulatory course the first moment an assumption from the Unwind proceeding (Case No. 2007-00455) proves inaccurate. No one foresaw, in 2009, such a significant drop in the worldwide price of aluminum. Similarly, no one foresaw that the prices for wholesale electricity would dip so low or that the market downturn would last as long as it has. Disallowing the rate relief sought by Big Rivers would constitute a significant and abrupt change of course with respect to how the Commission evaluates the usefulness of Big Rivers' generating assets. It would also deprive Big Rivers and its members of the present and future hedge value these assets provide and jeopardize Big Rivers' financial viability. In short, it would constitute a "regulatory abandonment" likely to drive Big Rivers into bankruptcy.

Q. Has Big Rivers evaluated how bankruptcy could affect it?

A. Yes. While we do not consider bankruptcy a first option, we have engaged expert assistance to respond to the intervenors' positions. As this case has proceeded, it has become apparent that the intervenors' principal objective is to force Big Rivers into bankruptcy. Even so, the intervenors have not presented any studies or analyses to support their theory that bankruptcy is preferable or beneficial. They have not presented the testimony of anyone qualified to opine on the alleged benefits of bankruptcy. They have also not begun to acknowledge the significant costs and challenges that the process would entail. As more thoroughly explained in the Rebuttal Testimony of William K. Snyder, it is clear that bankruptcy would be unlikely to confer any benefits on Big Rivers, its members or their ratepayers. Consequently, the bankruptcy recommended by the intervenors is not a reasonable alternative to granting the rate adjustments Big Rivers seeks in this proceeding and the Mitigation Plan Big Rivers is pursuing.

Q. If bankruptcy is not a feasible option for Big Rivers, why has Big Rivers not pursued voluntary restructuring with its lenders?

A. It is simply not rational to assume that Big Rivers' lenders would make concessions and loan additional funds to Big Rivers. Ms. Richert and Mr. Snyder address this issue in greater detail in their rebuttal testimony.

IV. BIG RIVERS' REVISED RATE REQUEST IS REASONABLE

Q. Is Big Rivers' revised rate request in this case reasonable?

A. Yes. Big Rivers has proposed rates that are absolutely necessary, fair, just, and reasonable. We are a cooperative, and we do not relish the idea of seeking rate increases from our members. We are intensely aware that any rate adjustment will be difficult for people on fixed incomes, small businesses on a budget, and many other of our members' ratepayers. We have no desire to increase rates for these individuals, but the unfortunate reality is that the other alternative encouraged by the intervenors—bankruptcy—would cause even more hardship for everyone. As I said before, our goal is to safely provide reliable electric energy at the lowest reasonable rate consistent with sound business practices and prudent management of the business in accordance with Big Rivers' legal and contractual obligations. This rate adjustment is really the best available long-term option for our members, and that is why we are seeking the minimum adjustment necessary to meet our debt service, continue funding an appropriately reduced scale of operations, and still have access to reasonable rates in the credit markets.

As part of our efforts to keep the proposed rate adjustment to a minimum, Big Rivers has taken a hard look at its expenses. Although the Commission examined and approved our expenses as reasonable in the previous rate case, we have managed to reduce our expenses even more since that time. This helps ensure that the rate adjustment in this proceeding seeks only to account for lost revenues, not increased expenses. In addition to our reduction of expenses, we have implemented our Mitigation Plan to help reduce the adverse financial consequences for our members of the Hawesville Smelter's departure.

In the short term, we are facing difficult financial circumstances. Despite these circumstances, our rates, even with the increase proposed in this case, will remain relatively low. Mr. Wolfram explains this in more detail in his rebuttal testimony. Moreover, in the medium- and long-term, our outlook remains strong.

Q. **Why is Big Rivers' medium- and long-term outlook strong?**

A. As detailed in the Rebuttal Testimony of Robert W. Berry, medium- and long-term market forecasts are favorable to Big Rivers because of our significant generating capacity, the excellent performance of our generating assets, and the relatively long remaining life of those assets. The electric utility business is by necessity long-term focused. Asset decisions must be made with a long-term view. We cannot—as the intervenors do—judge our business based upon isolated snapshots of a brief period in a much longer timeframe. To some extent, Big Rivers is an insurance policy against market volatility, and it would be an unfortunate irony if the Commission allowed one instance of that market volatility to define the value of our much longer-term interests.

Q. How do you respond to the intervenors' allegations that Big Rivers' medium- to long-term forecasts are unreliable?

A. They are wrong. For all of the accusation and insinuation the intervenors make about our Mitigation Plan, they have provided precious little factual basis for any challenge to Big Rivers' detailed and lengthy study on this subject. The intervenors' claims are broadly unsubstantiated and should be disregarded, as further described in the Rebuttal Testimony of Robert W. Berry and the Rebuttal Testimony of Lindsay N. Barron.

Q. But what happens if the intervenors are right, and the Mitigation Plan does not succeed?

A. First, let me be clear that the Mitigation Plan is reasonably certain to succeed. Second, the intervenors have not conducted sufficient analysis of their own to rebut the reasonableness of our Mitigation Plan. However, the success of the Mitigation Plan has no direct relationship to the sufficiency of the rate adjustment Big Rivers seeks in this proceeding. The Mitigation Plan gives Big Rivers a way to return to its members and their ratepayers the benefits of Big Rivers' valuable generating assets.

The intervenors have missed this point entirely. The point is not that Big Rivers is wagering its proposed rate adjustment against the so-called "gamble" that its Mitigation Plan will succeed. The increase proposed in this case is sufficient to enable it to withstand the departure of Century's Hawesville Smelter and maintain relatively low electric rates, even without any further mitigation and even under the continued downturn in the wholesale power market. The point, then, is that success of the Mitigation Plan will allow Big Rivers to begin sooner returning additional value to its members to help offset the cost of the proposed rate adjustment. The success of the Mitigation Plan represents purely potential benefit to our members and their ratepayers.

The Rebuttal Testimony of Billie J. Richert and, as noted above, the Rebuttal Testimony of Robert W. Berry and the Rebuttal Testimony of Lindsay N. Barron address this subject in greater detail.

Q. So, does this mean that Big Rivers is viable on an ongoing basis if the Commission grants the relief Big Rivers seeks in this case?

A. Yes. If the requested rate adjustment is granted, Big Rivers' financial integrity will not depend on a reversal of fortune in off-system sales or the success of some other non-rate element of the Mitigation Plan. As a not-for-profit cooperative, any successes on those fronts would inure to the benefit of our members and their ratepayers. Furthermore, the departure of the Hawesville Smelter gives Big Rivers an excellent opportunity to diversify its load concentration and to encourage economic development by attracting new industries to the region. Even if those circumstances do not materialize, Big Rivers' generating capacity serves as an effective hedge against any risks posed by: (i) unanticipated major outages at any of Big Rivers' other generating plants; (ii) the Hawesville Smelter's historically shifting power purchase preferences; and (iii) other unforeseen scenarios.

V. BIG RIVERS HAS ENGAGED IN CAREFUL DECISION-MAKING

Q. At numerous locations throughout his testimony, Mr. Bion Ostrander questions the trustworthiness of Big Rivers and/or its professional service providers. Could you please respond to Mr. Ostrander's comments in this regard?

A. Certainly. Mr. Ostrander's remarks are completely inaccurate and inappropriate. Big Rivers takes Mr. Ostrander's accusations of bad character very seriously, and it is offensive to this regulatory process for him to repeatedly accuse and insinuate that Big Rivers, its employees, and/or its professional service providers have violated their obligation of candor to the Commission. We have not.

Q. At numerous locations throughout his testimony, Mr. Ostrander questions the decision-making of Big Rivers. Could you please respond to Mr. Ostrander's comments in this regard?

A. Certainly. As with the remarks I address above, Mr. Ostrander's remarks are inaccurate. As each of Big Rivers' witnesses discuss in their testimony, our decisions were reasonable and always made in good faith. The circumstances that led to this proceeding are unfortunate, but they were brought about by Century's unilateral termination of the 2009 Retail Agreement, not bad decision-making by Big Rivers.

Q. Can you please give some examples of Mr. Ostrander's unfounded remarks?

A. Unfortunately, it is a long list. Specific rebuttal of these accusations is addressed in greater detail in the Rebuttal Testimony of Robert W. Berry, James V. Haner, DeAnna M. Speed, and John Wolfram. Nevertheless, there is simply no factual basis for Mr. Ostrander to suggest that fair, just and reasonable rates are not "even a priority goal"

(Ostrander Testimony, p. 17:8-9) for Big Rivers or that Big Rivers' financial model was "intentional[ly] design[ed] to avoid the most rigorous sensitivity test of the Model" (*Id.*, p. 19:18-28). Likewise, he has no reasonable basis to suggest that Big Rivers' maintenance activities "jeopardiz[ed] the safety and service quality of its customers and arguably violat[ed] the public trust" (*Id.*, p. 24:11-16) or that Big Rivers "placed significant payroll increases as a priority over necessary maintenance" (*Id.*, p. 38:6-17).

There is simply no basis for Mr. Ostrander to charge that Big Rivers or its management "cannot be trusted" because they will allegedly "favor their interests over customer interests" (*Id.*, p. 32:4-11). There is also no justification for slandering the "prudency of [Big Rivers'] decision-making process" as "very questionable" (*Id.*, p. 26:3-7) in connection with compensation decisions that were previously approved by the Commission in the Unwind transaction and previous rate case. As explained in the Rebuttal Testimony of James V. Haner, Big Rivers' compensation decisions in this case (as well as ones approved in prior cases) are reasonable and based on reliable studies. Mr. Ostrander's comments, to the contrary, are based on nothing more than inflammatory inaccuracies.

Throughout this proceeding, Big Rivers has treated the Commission, its staff, and the intervenors with complete respect. Even despite the Attorney General's greatly excessive number of data requests in this matter and the extraordinary amount of additional work that the Attorney General's tactics have caused, Big Rivers has comported itself in a diligent, candid, and respectful manner. There is no justification for

Mr. Ostrander's hostility, and the Attorney General should instruct its witnesses to cease these unwarranted smear tactics.

VI. THE ATTORNEY GENERAL'S REQUEST FOR ADDITIONAL MONITORING AND REPORTING REQUIREMENTS SHOULD BE REJECTED

Q. The Attorney General claims that certain monitoring and reporting requirements should be imposed upon Big Rivers. Do you agree?

A. No. Mr. Ostrander's recommendations are overreaching, unduly burdensome, and unhelpful to anyone. Mr. Ostrander provides no rationale for why any of these fifteen proposed requirements should be adopted. He also provides no rationale for why certain of these proposed requirements should be "immediate," quarterly, and/or annual. Some of the requests are simply unintelligible. All of them are unduly burdensome, both to Big Rivers and the Commission.

Moreover, they appear to be designed to review financial and operational data—much of it confidential—that would be relevant only to a future rate case. For that reason alone, the Commission should deny these requests. And although I would not concede that all of those requests would be germane to future rate cases, it seems appropriate to suggest that the Attorney General wait to pursue any of those issues until those future proceedings have begun.

VII. CONCLUSION

Q. Do you have any closing comments?

A. Yes. For the reasons stated above and in the testimonies of the other Big Rivers witnesses, Big Rivers needs the entire amount of its proposed rate adjustment. Big Rivers has asked for the bare minimum amount required to meet its debt service and to continue funding an appropriately reduced scale of operations in light of the Hawesville Smelter's impending exit from the system. The rates we have requested are fully supported by our data, and they are fair, just, and reasonable under the totality of circumstances. Big Rivers acknowledges that it is facing significant short-term rate pressures, but our medium- and long-term prospects are very good, and it would be inappropriate to abandon regulatory support of Big Rivers without considering the prudence of our historical investments, as well as the current and future benefits of our available generation capacity. After all, denying the requested rate relief would leave Big Rivers with insufficient revenues to meet all of its obligations, likely forcing Big Rivers into bankruptcy, which would be more detrimental to our members and their ratepayers than the regulatory patience we seek.

Q. What are your conclusions and recommendations to the Commission in this proceeding?

A. Big Rivers has proposed fair, just and reasonable rates. The Commission should adopt those rates.

Q. Does this conclude your testimony?

A. Yes.

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES CASE NO. 2012-00535

VERIFICATION

I, Mark A. Bailey, verify, state, and affirm that I prepared or supervised the preparation of my rebuttal testimony filed with this Verification, and that testimony is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Mark A. Bailey

Mark A. Bailey

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Mark A. Bailey on this the 19th day of June, 2013.

Paula Mitchell

Notary Public, Ky. State at Large
My Commission Expires 1-12-17

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES	)))	Case No. 2012-00535

REBUTTAL TESTIMONY

OF

BILLIE J. RICHERT
VICE PRESIDENT ACCOUNTING, RATES, AND CHIEF FINANCIAL OFFICER

ON BEHALF OF

BIG RIVERS ELECTRIC CORPORATION

FILED: June 24, 2013

REBUTTAL TESTIMONY
OF
BILLIE J. RICHERT

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REBUTTAL TESTIMONY
OF
BILLIE J. RICHERT

I. INTRODUCTION

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

A. My name is Billie J. Richert. I am employed by Big Rivers Electric Corporation ("Big Rivers"), 201 Third Street, Henderson, Kentucky 42420, as the Vice President, Accounting, Rates, and Chief Financial Officer ("CFO").

Q. Are you the same Billie J. Richert who provided direct testimony in this proceeding?

A. Yes.

II. PURPOSE OF TESTIMONY

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

A. The purpose of my rebuttal testimony is to rebut the views expressed in this case by the witnesses for the Office of the Attorney General by and through his Office of Rate Intervention ("Attorney General"), the Kentucky Industrial Utility Customers, Inc. ("KIUC") and the Sierra Club ("Sierra Club"). Specifically, I will: (i) explain that the Commission has a very clear choice in this case between granting the relief requested by Big Rivers and forcing Big Rivers into the bankruptcy advocated by the intervenors; (ii) summarize why the Commission should not accept the positions of the Attorney General, KIUC, and Sierra Club that would force Big Rivers into bankruptcy; (iii) highlight the flaws in the Attorney General, KIUC, and Sierra Club claims; and (iv) describe why the Commission should authorize Big Rivers to continue to depreciate power plants that are idled as part of the execution of Big Rivers' Load Concentration Analysis & Mitigation Plan (the "Mitigation Plan").

III. RATE RELIEF IS A BETTER CHOICE THAN BANKRUPTCY

Q. How do you view the recommendations of the intervenors regarding the rate relief requested in this case?

A. Although the recommendations of the intervenors are not identical, they all result in the same outcome for Big Rivers. Simply put, the Attorney General, KIUC, and Sierra Club directly and indirectly advocate that Big Rivers file for relief under Chapter 11 of the U.S. Bankruptcy Code.

Q. Why is it clear that the intervenors' recommendations will force Big Rivers into filing for bankruptcy?

A. The intervenors' proposals, if approved, would not provide Big Rivers the revenues that it requires to meet its operational and financial obligations. The intervenors attempt to create the impression that there are many alternatives available for Big Rivers to "scale down its operations" or "explore other approaches" or "offer stable rates" or secure "voluntary concessions" or otherwise move forward without imposing rate increases on its Members. The fact is, however, that the intervenors present the Commission with two very different and mutually exclusive alternatives for Big Rivers to address its obligations: rate relief or bankruptcy. This stark contrast in the choices presented to the Commission is also briefly discussed in the Rebuttal Testimony of Mark A. Bailey.

I will describe why the Commission should choose to accept Big Rivers' position rather than that of the KIUC, the Attorney General, or the Sierra Club in the sections that follow.

IV. THE KIUC'S RECOMMENDATIONS SHOULD BE REJECTED

Q. Please summarize the KIUC's recommendations in this case.

A. The KIUC suggests what it calls "an equitable sharing" of Big Rivers' costs between its customers and its creditors. This may sound innocuous on its face, but what it really means is not reasonable and does not benefit Big Rivers or its Members.

On behalf of the KIUC, Mr. Lane Kollen specifically recommends this "equitable sharing" of costs between customers and creditors. (Kollen Testimony, p. 5:14-16.) He states that to "reflect an equitable sharing of these costs along with various other adjustments, [he] recommend[s] that the Commission increase base rates by no more than $25.292 million, a reduction of at least $47.676 million from the Company's corrected request for recovery of $72.968 million." (Kollen Testimony, p. 5:18-6:1.) Mr. Kollen later claims that once the rates are determined, "then Big Rivers, its Board of Directors, and the creditors can decide how to proceed, whether through voluntary concessions and restructuring or through involuntary restructuring." (Kollen Testimony, p. 79:24-80:1.)

In reality, KIUC's proposed solution is for Big Rivers to receive a grossly insufficient rate increase so that Big Rivers' ongoing financial viability is undermined and Big Rivers files for bankruptcy. Under any of the intervenors' proposals, Big Rivers would experience negative margins each year and could not make a sufficient

MFIR. (*See* MFIR Comparison of Proposed Increases in Revenue, a true and accurate copy of which is attached hereto as Exhibit Richert Rebuttal-1.) The KIUC recommendation has very serious flaws and should not be adopted by the Commission.

Q. Why is the KIUC's recommendation flawed?

A. The KIUC implies that bankruptcy is a panacea for the financial challenges that Big Rivers is facing with the termination of the Century contract. It is not. Mr. Kollen significantly oversimplifies what Big Rivers will face if it files for bankruptcy. The bankruptcy process is unpredictable, expensive and would create additional costs and cash flow burdens. The process is disruptive and time-consuming, thus detracting from management's ability to run the business effectively. The process introduces a high degree of uncertainty around Big Rivers' future contracts, tax advantages, and future financing. The process also potentially dilutes the Commission's current control over issues that are of primary importance to Big Rivers and its Members. These points are all described further in the Rebuttal Testimony of Mr. William K. Snyder and briefly in the Rebuttal Testimony of Mark A. Bailey.

Q. Does the KIUC accurately represent the risks or adverse consequences associated with utility bankruptcy proceedings?

A. No. Mr. Kollen states that the restructuring process has been "constructive" for several utilities. (Kollen Testimony, p. 22:10-6.) Mr. Kollen fails to mention that at least two of the utilities he mentions, Cajun Electric Power Cooperative and Colorado-Ute Electric Association, no longer exist; they were liquidated and sold their assets to other utilities via the very process that Mr. Kollen advocates. Big Rivers does not view these outcomes as "constructive."

As further described in the Rebuttal Testimony of William K. Snyder, any Chapter 11 filing would have many adverse consequences, many of which would directly impact Big Rivers' members.

Q. Are there other problems with the KIUC's recommendation?

A. Yes. The KIUC suggests that a Big Rivers bankruptcy proceeding will result in rates that are more fair, just, and reasonable than the rates that Big Rivers proposes in this proceeding. However, Mr. Kollen provides no evidence to support that contention. In fact, Mr. Kollen does not provide any estimate of what those post-bankruptcy rates would be, or what the costs of bankruptcy would be, or how long such a proceeding would last. Even when KIUC stated in response to Big Rivers' data requests that it believed that a Big Rivers bankruptcy would provide predictability in electricity rates, it made no mention of the costs, risks, timing, and other adverse consequences described by Mr. Snyder, who has deep experience in these matters. (*See* Response to BREC 1-28.) KIUC's response to that data request, like Mr. Kollen's testimony on the issue of restructuring, is not supported by any analysis or rate estimates. These flaws in KIUC's proposal are discussed further in the Rebuttal Testimony of William K. Snyder.

Q. Does the KIUC realistically address Big Rivers' options for seeking involuntary concessions from its creditors?

A. No. Mr. Kollen states that Big Rivers' creditors "can make voluntary concessions." (Kollen Testimony, p. 77:8-9.) This is a simplistic and unrealistic view from a person who has no expertise in bankruptcy and presents no authority for his speculation. Big Rivers is in the process of trying to borrow funds for environmental control equipment and other needs. It is not reasonable for Big Rivers to expect its creditors to negotiate additional borrowings while simultaneously making concessions on existing debt.

Q. Why is Big Rivers' proposed rate adjustment superior to the KIUC's recommendation in this case?

A. If the Commission approves Big Rivers' proposal in this case, Big Rivers will not be dependent upon off-system sales or the success of Big Rivers' mitigation efforts for its financial integrity going forward. This is further discussed in the Rebuttal Testimony of Robert W. Berry. Any success from the mitigation efforts described by Mr. Berry in this case would only benefit the Members in the future. On the contrary, if the Commission approves the KIUC proposal and Big Rivers files for bankruptcy as KIUC suggests, then Big Rivers would face dubious benefits, incur enormous cost, cope with a great deal of negative disruption, and face a counterproductive and uncertain environment, likely for many years. I cannot imagine that Big Rivers' members' interests would be better protected in the hands of Big Rivers' creditors and a bankruptcy court.

The KIUC recommendation broadly understates the full measure of what a bankruptcy filing would mean for Big Rivers. It is not supported by any studies or analysis, and it should be rejected by the Commission.

V. THE ATTORNEY GENERAL'S RECOMMENDATIONS SHOULD BE REJECTED

Q. Please summarize the Attorney General's recommendations in this case.

A. On behalf of the Attorney General, Mr. David Brevitz argues that the current situation "will require that BREC work with its lenders, the Commission and potential buyers to reduce the scale of its operations." (Brevitz Testimony, p. 48:5-6.) Also for the Attorney General, Mr. Bion C. Ostrander contends that after accepting the Attorney General's proposed adjustments, Big Rivers will not experience a revenue deficiency of $74.5 million but instead will experience "a revenue surplus (excess earnings) of $4,417,270" and as such the Attorney General "is recommending no change in rates for BREC's customers." (Ostrander Testimony, p. 6:18-22.)

Q. Why is the Attorney General's recommendation flawed?

A. Without the requested adjustment to its rates, Big Rivers' ongoing financial viability would be undermined, and it would likely be forced to file for bankruptcy, as described in the previous section. The Attorney General's testimony turns a blind eye to the economic reality that Big Rivers presently faces. The Attorney General's witnesses provide broad commentary about their concerns but they do not provide a constructive recommendation or any evidence to support their speculation.

Q. Are there other problems with the Attorney General's recommendation?

A. Yes. The Attorney General claims that Big Rivers will not experience a revenue deficiency of $74.5 million but instead will experience "a revenue surplus or excess earnings of $4,417,270" as previously noted. (Ostrander Testimony, p. 6:18-19.) This claim is incorrect because it includes adjustments that should not be included, as described in the Rebuttal Testimonies of Robert W. Berry, James V. Haner, DeAnna M. Speed and John Wolfram. Also, and perhaps more importantly, Mr. Ostrander rejects Big Rivers' proposed use of a 1.24 Contract TIER and instead calculates his version of Big Rivers' revenue requirement using the 1.10 MFIR.

Q. Why is the Attorney General's rejection of the 1.24 TIER and use of the 1.10 MFIR inappropriate in this case?

A. Mr. Ostrander claims that the smelter notices of termination "will mean that the 1.24 Contract TIER required by the Smelter Contracts will be void and will not be a requirement" because both smelter terminations will take place before the end of the forecast test period. (Ostrander Testimony, p. 10:16-20.) However, when the proposed rates take effect on August 20, 2013, the Sebree smelter will still be taking service, Big Rivers' agreement regarding the Sebree smelter will still be in effect, and the 1.24 Contract TIER will apply. The use of the Contract TIER was approved by the Commission in Case No. 2011-00036, and the reasons for that approval remain applicable when the rates proposed in this case will take effect.

The use of the 1.10 MFIR as the basis for calculating Big Rivers' revenue requirement is inappropriate because that value represents the absolute minimum threshold that Big Rivers must achieve pursuant to its financial obligations. The Attorney General recommendation to establish the revenue requirement based on a 1.10 MFIR is unreasonable, would be viewed negatively by the credit rating agencies, provides no margin for error, exacerbates the uncertainty of Big Rivers' current financial position, and makes it very likely that Big Rivers will default on its obligations.

Q. What is the current status of Big Rivers' ability to make 1.10 MFIR in 2013?

A. The most recent forecast projects a 2013 MFIR of 1.31. This forecast includes rates and retroactive adjustments per the January 29, 2013 order is PSC 2011-00036; paying off the $58.8 million bonds with cash in May for an interest savings of $2.40 million in

2013; and the assumption the Commission grants Big Rivers the full rate adjustment requested in this proceeding except for these two items.

Q. What is Big Rivers' expectation regarding its ability to make 1.10 MFIR in 2014?

A. As Mr. Bailey noted in his direct and rebuttal testimony, Big Rivers has asked for the minimum rate increase possible to meet our debt service and continue funding an appropriately reduced scale of operations in light of the impending loss of the Century load. Our most recent forecasts have borne this out. Again, assuming that the Commission grants Big Rivers the full rate adjustment requested in this proceeding, Big Rivers most recent forecast projects a 2014 MFIR of 1.10. As I discuss above, a 1.10 MFIR is the absolute minimum threshold that Big Rivers must achieve pursuant to its financial obligations.

Q. Why is Big Rivers' position superior to the Attorney General's recommendation in this case?

A. The Attorney General indirectly recommends has the same result that the KIUC advocates: bankruptcy. Big Rivers' proposal provides a more reasonable and certain outcome than the Attorney General's recommendation for the same reasons noted previously. The Attorney General's recommendation is not supported by any studies or analysis. In addition, it is based on a flawed premise regarding the Smelter Contracts and the applicability of the 1.24 Contract TIER, which results in serious and negative consequences for Big Rivers and its Members. The Commission should reject the Attorney General's recommendation.

VI. THE SIERRA CLUB'S RECOMMENDATIONS SHOULD BE REJECTED

Q. Please summarize the Sierra Club's recommendations in this case.

A. On behalf of the Sierra Club, Mr. Frank Ackerman recommends that "the Commission reject the requested rate increase" and that Big Rivers "should be directed to explore other approaches that can resolve its long-term problems, reduce its total capacity, and offer stable, affordable rates to BREC's customers." (Ackerman Testimony, p. 4:11-21.) Mr. Ackerman suggests that one of these options would be to retire or sell all of Big Rivers' generation assets and rely entirely on the MISO market for providing energy to Big Rivers' members. (*Id.* at p. 29:13-25.) This position is flawed.

Q. Why is Sierra Club's recommendation flawed?

A. The recommendation takes an unreasonably narrow and short-term view. First, the rejection of the requested rate increase in favor of "exploring" is unrealistic. Big Rivers has serious service and financial obligations and credit issues to manage in a time-sensitive manner, and this kind of academic suggestion is misplaced. Second, the rejection of Big Rivers' proposed rate adjustment will undermine Big Rivers' ongoing financial viability and is likely to force it into bankruptcy, as I discuss above. Third, as described in the Rebuttal Testimony of Mr. Robert W. Berry, it is not in the best interests of Big Rivers' Members for Big Rivers to completely rely on the wholesale energy market for the provision of generation services.

Q. Are there other problems with Sierra Club's recommendation?

A. Yes. Mr. Ackerman argues, without citing any supporting authority, that reorganization after bankruptcy could lead to rates lower than those that would be required to keep Big Rivers out of bankruptcy. (Ackerman Testimony, p. 4:4-9.) But

Mr. Ackerman does not provide an analysis of whether the rates resulting from reorganization do that. In fact, Mr. Ackerman provides no analysis of what the post-restructuring rates would be, or when they would take effect. He provides no analysis of the MISO market prices or how those prices would affect rates. In short, Mr. Ackerman suggests that the Commission reject the proposed rate relief in the hope that post-restructuring rates will be lower, without providing any analysis to support that desired outcome.

Q. Are there other problems with Sierra Club's recommendation?

A. Yes. Mr. Ackerman states that "it is imprudent for a utility with resources as limited as BREC's to gamble . . . on . . . future electricity markets and prices." (Ackerman Testimony, p. 17:18-20.) But Mr. Ackerman is doing precisely that when he recommends that the Commission reject Big Rivers' requested rate relief so that Big Rivers is forced to restructure, retire or sell its generating assets, and purchase power for its Members from the MISO market, which he must consider to be a good place to "gamble" if it is part of his recommendation. (*See* Ackerman Testimony, p. 29:14-15.) His recommendation is intrinsically inconsistent. Furthermore, Mr. Ackerman is mischaracterizing the Mitigation Plan. As Mr. Berry explains, Big Rivers is not staking its long-term viability on the success of any element of the Mitigation Plan except this rate case. The purpose of the Mitigation Plan is exactly what its name implies: to mitigate any adverse financial impact of Century's departure. The success of the Mitigation Plan will simply be an added benefit to Big Rivers' members in the future.

Additionally, as Big Rivers demonstrated in Case No. 2012-00063, another reason Big Rivers cannot retire generating capacity is because it would trigger a loss in the amount of the book value of the unit(s) and would reduce Big Rivers' equity in the same amount. It is vitally important for Big Rivers to maintain its equity, especially now that all three of its credit ratings are below investment grade. Big Rivers' equity is one of the few remaining positives in the eyes of the credit rating agencies.

Q. Are there other problems with Sierra Club's recommendation?

A. Yes. Mr. Ackerman argues that if Big Rivers retires or sells its generation assets, the "only increased risk for customers from loss of BREC's plants would occur if MISO electricity prices rise well above BREC's costs of generation." (Ackerman Testimony, p. 30:3-4.) But this is not true. There are numerous other risks. These are discussed in the Rebuttal Testimonies of Mr. Robert W. Berry and Mr. William K. Snyder.

Q. **Why is Big Rivers' proposal superior to the Sierra Club's recommendation in this case?**

A. The Sierra Club's recommendation has the same result as the KIUC's and Attorney General's recommendations: bankruptcy. Big Rivers' proposal provides a more reasonable and certain outcome than the Sierra Club's recommendation for the same reasons previously noted. The Sierra Club recommendation takes a short-sighted view, is not supported by studies or analysis, ignores additional risks associated with complete reliance on the energy market, and fails to acknowledge the significant financial circumstances that Big Rivers faces at this time. The Sierra Club recommendation should be rejected.

VII. DEPRECIATION OF IDLED POWER PLANTS IS APPROPRIATE

Q. What position does the KIUC take with respect to the depreciation expense of idled power plants?

A. Mr. Kollen argues that "the Company potentially could cease depreciation on the Wilson plant because it no longer will be in service." (Kollen Testimony, p. 63:10-11.) He later suggests that the Commission "could direct the Company to cease depreciation on the plant for ratemaking purposes. The Company then could cease depreciation in accordance with the requirements of the RUS Uniform System of Accounts" and that "to comply with the RUS USOA, the plant costs could be transferred from Plant in Service to Plant Held for Future Use." (*Id.* at p. 64:4-10.)

Q. How do you respond to the KIUC's position?

A. As a factual update: in the course of the recent negotiations with Century and Kenergy, Big Rivers has decided to operate the Wilson Station and idle the Coleman Station. This is further described in the Rebuttal Testimony of Mr. Robert W. Berry. That development does not change Big Rivers' position on this issue, however. Big Rivers should not cease depreciation on the idled Coleman Station.

First, the Coleman Station was a prudent investment and remains used and useful, as Mr. Berry explains. It would be unreasonable and inequitable to remove depreciation expenses, particularly given that the circumstances leading to the Coleman Station's idling were brought about by Century's unanticipated and unilateral contract termination.

Second, although the removal of depreciation expense from the test period revenue requirement would not adversely affect TIER, it would have significant adverse effects on cash flow, which is a critical issue for Big Rivers at this juncture and a key factor to its ongoing financial viability. For example, the depreciation expense included in the fully-forecasted test period for the Coleman Station is approximately \$6.2 million and for the Wilson Station is approximately \$20 million. Big Rivers' principal debt payments for the same period total approximately \$19.8 million. Therefore, if the Wilson Station's depreciation expense is excluded from the test period revenue requirement, Big Rivers will have insufficient cash flow to pay its principal debt payments; similarly, if the Coleman Station's depreciation is excluded, Big Rivers will be unable to pay approximately thirty-one (31) percent of its principal debt payments. Either way, Big Rivers would be in default on its loan covenants.

Third, the Coleman Station is not being retired; it simply might be temporarily idled. As further described in the Rebuttal Testimony of Robert W. Berry, the Coleman Station will continue to provide benefits to Big Rivers' members and their ratepayers, even in its idled status. It is appropriate to continue depreciating assets in such circumstances.

Q. **What are the adverse impacts associated with the elimination of this depreciation expense from Big Rivers' rates?**

A. There are several major adverse impacts associated with the exclusion of any depreciation expense from Big Rivers' proposed rate adjustment. First, Big Rivers' depreciation rates must be approved by the RUS before any change in depreciation rates can be included in a rate case, including this case. Big Rivers has undertaken an affirmative covenant to RUS in the Loan Contract to adopt as its depreciation rates only those that have been previously approved for Big Rivers by RUS. There are no exceptions to that covenant. The depreciation expense included in this proceeding is based upon depreciation rates already approved by the RUS. Second, depreciation expense is the means by which Big Rivers (and any entity) recovers its investment in its plant over the useful lives of the underlying plant assets. Eliminating it would remove Big Rivers' ability to recover its prudent investment in its plant. Third, although depreciation expense is a non-cash expense item, the inclusion of depreciation expense in base rates represents the mechanism by which cash flow is generated for the purposes of making debt principal payments in compliance with all debt agreements. Without the ability to include 100% of Big Rivers' approved depreciation expense in base rates, Big Rivers is at a distinct disadvantage in collecting all of the cash flows necessary to meet its debt obligations. This could jeopardize Big Rivers' access to the credit markets and, ultimately, undermine Big Rivers' ongoing financial viability.

Q. Did the KIUC provide any studies showing that a change to the depreciation of the idled plant is appropriate?

A. No.

Q. What is your recommendation regarding the inclusion in rates of depreciation expenses associated with idled plant?

A. For the reasons provided herein and in the Rebuttal Testimony of Robert W. Berry, the Commission should reject KIUC's proposal to exclude the depreciation on idled plant from Big Rivers' revenue requirement.

VIII. <u>CONCLUSION</u>

Q. What is your recommendation in this case?

A. The Commission should reject the positions of the Attorney General, KIUC, and Sierra Club, all of which are unreasonable, unsupported, and likely to force Big Rivers into bankruptcy. If the Commission approves any of the intervenors' proposals and Big Rivers files for bankruptcy as advocated by the intervenors, then Big Rivers would face limited, if any, benefits, incur enormous cost, cope with a great deal of negative disruption, and face a counterproductive and uncertain environment, likely for many years. This route is not likely to result in rates for Big Rivers' Members that are just and reasonable relative to the rates proposed by Big Rivers in this case.

The Big Rivers proposal, on the other hand, will free Big Rivers from a dependency on off-system sales or the success of Big Rivers' mitigation efforts for its financial well-being going forward. Any success from the mitigation efforts described by Mr. Berry in this case would only benefit the members in the future. Furthermore, the Commission should authorize Big Rivers to continue to depreciate the Coleman Station if it is idled as part of Big Rivers' Mitigation Plan. The Coleman Station was a prudent investment; it remains used and useful; and Big Rivers must avoid the adverse impacts on its cash flow and access to the credit markets that would result from the removal of those expenses from rates.

Q. Does this conclude your testimony?

A. Yes.

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES CASE NO. 2012-00535

VERIFICATION

I, Billie J. Richert, verify, state, and affirm that I prepared or supervised the preparation of my rebuttal testimony filed with this Verification, and that testimony is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Billie J. Richert

Billie J. Richert

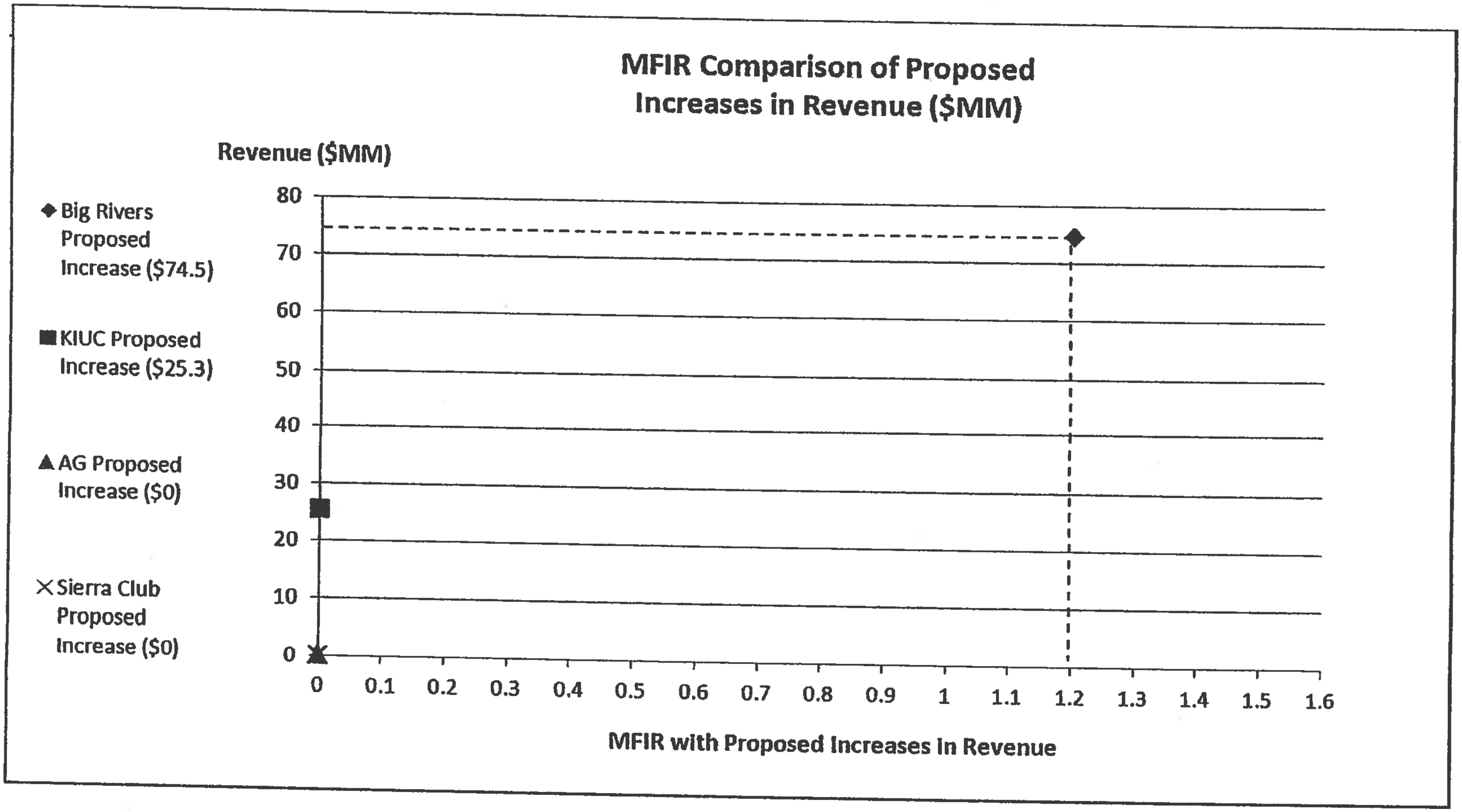
COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Billie J. Richert on this the 19th day of June, 2013.

Paula Mitchell

Notary Public, Ky. State at Large
My Commission Expires 1-12-17

Big Rivers Electric Corporation
Case No. 2012-00535
Exhibit Richert Rebuttal-1



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES	)))	Case No. 2012-00535

REBUTTAL TESTIMONY

OF

WILLIAM K. SNYDER, CTP
PRINCIPAL, DELOITTE FINANCIAL ADVISORY SERVICES LLP

ON BEHALF OF

BIG RIVERS ELECTRIC CORPORATION

FILED: June 24, 2013

REBUTTAL TESTIMONY
OF
WILLIAM K. SNYDER, CTP

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DIRECT TESTIMONY
OF
WILLIAM K. SNYDER

I. INTRODUCTION

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

A. My name is William K. Snyder. I am a Restructuring Principal at Deloitte Financial Advisory Services LLP ("Deloitte FAS"). My business address is 2200 Ross Avenue Street, Suite 1600, Dallas Texas 75201.

Q. On whose behalf are your testifying?

A. I am testifying on behalf of Big Rivers Electric Corporation ("Big Rivers").

Q. Briefly describe your education and work experience.

A. I am a principal with Deloitte FAS and the national service line co-leader for its Corporate Restructuring Group. I have served in executive and entrepreneurial leadership capacities for more than 30 years. I have first-hand experience in restructuring, managing, and guiding a multitude of companies in a variety of industries. I am a broadly experienced interim executive and advisor and have participated in the restructuring of more than 70 companies. As a chief restructuring officer, I have served clients across a variety of different industries including health care, manufacturing, retail, energy, construction, and sports. I worked for several prominent national firms running major assignments prior to founding my own firm in 2001. I have served as an interim-officer, Examiner or Trustee in more than 20 bankruptcies. Earlier in my career, I served as president of my own financial consulting company, The Snyder Company, where I managed family investments that included operating companies, limited partnerships, and securities. I earned a bachelor's degree, cum laude, in computer science from Texas A&M University in 1981. I am a certified turnaround professional and have received numerous distinctions over the years, including being named to Turnarounds & Workouts' 2007 People to Watch list, an honor I share with 11 professionals nationwide. I am a frequent public speaker and presenter on a wide range of turnaround topics.

Q. Did you submit direct testimony in this proceeding?

A. No.

Q. What is the purpose of your rebuttal testimony?

A. Several intervenor witnesses have intimated in testimony that Big Rivers should file for relief under Chapter 11 of the U.S. Bankruptcy Code instead of being granted rate relief by the Kentucky Public Service Commission ("KPSC"). They propose that a restructuring or bankruptcy proceeding would be an opportunity for Big Rivers to force its creditors to allow Big Rivers to reduce its prudently incurred debts and restructure its balance sheet as a result of the termination by Century Aluminum of Kentucky General Partnership ("Century") of the Retail Electric Service Agreement, dated July 1, 2009 (the "2009 Retail Agreement") for Century's Hawesville smelter ("Hawesville Smelter"). I have examined and considered the advantages and disadvantages of a Chapter 11and have concluded that a Chapter 11 for Big Rivers, in lieu of rate relief, is not as simple as the intervenor witnesses imply and is likely to create more problems than it would solve.

Q. Please describe the experience you have regarding reorganizing companies, including regulated generation and transmission utilities and cooperatives.

A. As noted above, I have participated in the restructuring of more than 70 companies. My recent interim-management and examiner engagements include:

- Court-appointed chief restructuring officer (CRO) of the Texas Rangers baseball team;
- Court-appointed examiner of Mirant, a $6.5 billion merchant energy company that included electricity generation and transmission utilities;
- Court-appointed examiner of CoServ, L.L.C., a rural electric generation and transmission utility cooperative with debts of approximately $1 billion that is analogous to Big Rivers;
- CRO of Pilgrim's Pride a $7.6 billion integrated poultry company;
- CRO of a $250 million fire engine and chassis manufacturer;
- Chief operating officer (COO) of a $200 million furnishing retailer;
- Chief executive officer (CEO) of a $210 million mattress retailer;
- Chief financial officer (CFO) of a $250 million building products manufacturer;
- CFO of a $250 million computer manufacturer;
- Chief information officer (CIO) of an $800 million health care company; and,
- Primary advisor to a $500 million staffing company, a $1.4 billion logistics company and a $2 billion construction contractor

II. BIG RIVERS SHOULD NOT FILE FOR CHAPTER 11 RELIEF

Q. Should Big Rivers file for Chapter 11 relief?

A. Based on my experience, a Chapter 11 for Big Rivers, rather than appropriate rate relief and implementing its mitigation plan, would be ill-advised and counterproductive. As Big Rivers has done, a company facing economic challenges should develop a plan to maximize revenues, minimize expenses and adjust its operations and asset utilization to fit the short and long term goals of the plan. Only after these things are done and if there is still a need, does a company have sufficient credibility to rationally negotiate with its lenders. Since value is dependent upon revenue, cash flow and profitability, an integral component of that plan is a determination of anticipated revenue. This rate case is an essential part of that process since obtaining fair and reasonable rates is a critical element of the Big Rivers mitigation plan along with management actions to reduce expenses. Attempting to obtain concessions from creditors before addressing Big Rivers' revenue requirements would be counterproductive. Rational lenders will not participate in meaningful discussions before this step is completed.

Big Rivers' lenders would likely view a Chapter 11 filing as a hostile action toward the lenders which, based on my experience in other cases, likely will result in litigation rather than a collaborative process and a negotiated solution. It is reasonable to assume that the litigation would include the status and utilization of Big Rivers' reserve accounts and would be extensive, time-consuming and expensive litigation.

Q. Please describe some of the reasons you believe that Big Rivers should not file a Chapter 11?

A. A Chapter 11 case is extremely expensive and disruptive and would likely cost Big Rivers, in fees and expenses alone, between $30 million and $90 million that would have to be paid from cash on hand and Big Rivers' cash flow during a Chapter 11 case.[1]

[1] For example, see Handbook of Empirical Corporate Finance, Volume 2, Edited by B. Espen Eckbo,

The monthly “burn rate” for professional fees in other utility company Chapter 11 cases is summarized on the Examples of Allowed Professional Fees in Chapter 11 Proceedings for Electricity Providers (Ex. “A”). A Chapter 11 filing would not eliminate the need for a rate increase to fund company operations plus the costs of the Chapter 11 case.

In addition to the fees and expenses incurred directly by Big Rivers, Big Rivers would have to pay for the professionals and costs of an unsecured creditors committee, and almost certainly the costs for at least four lenders, and their professionals, and potentially other parties in interest.[2] Additional fees and costs would need to be paid to a “claims agent”, the United States Trustee and the “noticing agent.” Incurring these costs would not be an appropriate use of the company’s resources and would add to the charges that could be imposed on ratepayers. If a trustee (as in the Southern Montana Electric Generation and Transmission Cooperative, Inc. and Cajun Electric cases) or an examiner is appointed, millions of dollars in additional fees and costs are likely to be incurred. Such appointments also result in a wholesale surrendering of control of the restructuring process to the bankruptcy court.

Chapter 11 is a cumbersome, time consuming process that is itself major litigation for a company. Multiparty negotiations and court proceedings will be a significant time burden on Big Rivers’ management and significantly detract from

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Copyright 2008 Elsevier B.V. (pp. 26 – 31) where the authors determined that the median for “direct costs” (professional fees) in Chapter 11 cases was between 2% and 6% of the book value of the company’s assets when the case was filed. With asset book values of approximately $1.5 billion, this would indicate professional fees of between $30 million and $90 million if Big Rivers filed for Chapter 11 protection.

[2] “Professionals” include attorneys, financial advisors, expert witnesses, consultants and other professionals employed in connection with a Chapter 11 case.

management's ability to conduct day-to-day operations and address critical long-term issues. Although electric service to Big Rivers' ratepayers may not be directly affected during a Chapter 11, and rates may remain stable (absent interim rulings from the bankruptcy court in contravention of actions by the KPSC, as happened in other cases), for the management and many of the employees of Big Rivers, Chapter 11 would not be "business as usual."

In addition, the structure of Big Rivers as a cooperative further complicates the treatment of creditors and the rights of Big Rivers' members.

III. A CHAPTER 11 CASE WOULD ADVERSELY AFFECT BIG RIVERS' ABILITY TO CONDUCT OPERATIONS AND IMPLEMENT ITS PLAN.

Q. How would a Chapter 11 case affect Big Rivers' ability to conduct operations and implement its plan?

A. In Chapter 11, significant actions by the company, such as obtaining or restructuring financing, incurring significant capital expenses, sales of assets, entering into long-term power supply contracts and modifications of coal supply agreements are subject to scrutiny by creditors and must be approved by the bankruptcy court. This process may displace, duplicate or preempt traditional KPSC jurisdiction. It can result in weeks or months of delay in implementing transactions. For example, a sale by a Chapter 11 debtor of an asset can only occur after the bankruptcy court affords "notice and an opportunity for hearing" to all major parties in interest" – including creditors with liens upon the asset being sold. This is an invitation for each of secured creditors' attorneys and financial advisors to weigh in on the proposed process, object to the process, appear at the hearing to consider the process, and participate in the actual sale and at the hearing to approve the sale, all at Big Rivers' expense. The fact that each creditor's professionals (plus those of the creditors committees) can attempt to persuade the court to enter an order benefitting its own agenda multiplies the time required for the court to review, consider and draft an opinion and order explaining and implementing the Court's decision.

Multiparty hearings and negotiations are commonplace regarding actions that would normally be unilaterally determined and undertaken by Big Rivers and with the permission of the KPSC as necessary. This process creates uncertainty as creditors and "parties in interest" attempt to persuade the court to grant relief in their favor – even if they would only be marginally affected by the decision. The fact that "parties in interest" are allowed to address the court opens the doors for long delays, increased cost and further uncertainty during the Chapter 11 process. A minor party in interest can raise a tangential point or issue and deflect the bankruptcy judge from issuing a timely decision that Big Rivers needs.

Q. Please describe the impact of a Chapter 11 filing on a company's ability to manage its ongoing operations.

A. If a Chapter 11 is filed, Big Rivers' management would need to spend much of its time dealing with Big Rivers' current secured creditors, an unsecured creditors committee, their professionals and potentially other parties in interest—each of which can exercise oversight of the activities of Big Rivers and litigate any proposed activity that they oppose. Further time demands on Big Rivers' personnel and additional expense results from the possibility that failure by a party to affirmatively act in a Chapter 11 may result in a waiver of that party's rights. This perceived need to assert every possible right leads to expensive litigation and delay. It is often perceived to be better to advocate a position and be overruled by the bankruptcy court than to waive a potential right. Time spent in court and preparing for court by Big Rivers' management is time away from the full-time job of running the company itself. The relative immediacy of a hearing schedule requires a company in Chapter 11 to devote time, effort, energy and expense to preparing for what will occur at the next hearing instead of allowing it to make and implement long-term plans to provide safe, reliable and reasonably priced electric service to its customers. These demands, including preparation for hearings on less than thirty days' notice (sometimes even shorter), are in addition to the ongoing commitments of the regulatory process. Resolving scores and scores of creditors' claims that would be filed is, in and of itself, a monumental task since the Bankruptcy Code contemplates resolution of not only liquidated and matured claims but also every conceivable form of contingent claim.

Big Rivers' flexibility to deal with critical issues could be seriously compromised by a Chapter 11 case, making it far more difficult to resolve key issues facing Big Rivers. Confidentiality of negotiations by the company with its lenders, its customers and others is difficult to preserve as a result of the extremely broad discovery and reporting provisions applicable in a court process.

Valuable tax attributes can also be lost in a Chapter 11 case. As of December 31, 2012, Big Rivers had a Nonpatron Net Operating Loss Carryforward of approximately $31,933,000 that could be utilized to defer future taxable income. These, and other tax attributes, would be put at risk in a Chapter 11 case.

Q. How do you believe Big Rivers' lenders would react to a Chapter 11 being filed in an effort to reduce its debts?

A. A Chapter 11 that is filed with the expressed purpose of reducing the principal balance owed to Big Rivers' lenders will make any attempt to secure financing for continuing operations and environmental compliance from those same lenders problematic. Current and prospective lenders would understandably be reluctant to make additional loans to Big Rivers if Big Rivers had reduced, or attempted to reduce, legitimate obligations owed to the lenders. The rating agencies that rate Big Rivers' debt would be unlikely to provide ratings sufficient to minimize the cost of the additional financing Big Rivers would need. The conflict between Big Rivers and its lenders will become manifest and exacerbated by a Chapter 11 and a potentially contested effort to de-lever Big Rivers' balance sheet.

Because Big Rivers has significant secured debt, its use of its revenues during a bankruptcy case would entail a comprehensive negotiation with lenders party to existing credit facilities for the consensual use of cash collateral. Any supplemental borrowing to fund either operations or capital improvements will be further complicated by the ability of multiple parties in interest to advance their parochial agendas by demanding changes lest they oppose court approval of Big Rivers' proposed actions. Liquidity will be impaired as secured creditors require "adequate protection" payments and suppliers take steps to curtail trade credit.

Mr. Kollen's identification of Big Rivers' lenders (pp. 75-6) is inaccurate because it is incomplete. Big Rivers' primary lenders are not "Wall Street," for profit lenders. Instead, they include the National Rural Utilities Cooperative Finance Corporation ("CFC") and CoBank ACB ("CoBank"). CFC and CoBank are cooperatives that are owned, in part, by Big Rivers and other cooperative utilities in the region. Any losses incurred by Big Rivers' creditors, including these cooperative lenders, will be borne in part by Big Rivers now, and will be borne by Big Rivers and other cooperatives through higher borrowing costs in the future and ultimately reflected in the rates that the cooperative members must charge. Losses suffered by Big Rivers' lenders will be reflected in higher costs for future borrowing by Big Rivers and other cooperative power generators – including the cost of borrowing for capital expenditures and power plant improvements (such as pollution control equipment).

Based on my experience, including the CoServ case, CFC and CoBank are likely to be very active adversaries in a Chapter 11 case that would oppose efforts to reduce their outstanding indebtedness.

Q. What additional risks are inherent in the course of action proposed by the intervenors' witnesses?

A. One suggestion that has been made was for Big Rivers to dispose of its generating capability and purchase power from the power grid through the Midcontinent Independent System Operator, Inc. ("MISO"). Big Rivers (and its member cooperatives) would then be relegated to transmitting the power that had been purchased. The theory behind the suggestion is the assumption that coal-generated electricity is not competitive with other sources and will not be competitive into the indefinite future.

Selling, closing or decommissioning its generating facilities would result in Big Rivers (and the ratepayers) being wholly subject to the vagaries of the marketplace for purchased power. Big Rivers would not be in control of its ability to generate and market power and would be subject to market manipulations of "Wall Street" power traders. Deregulation of the wholesale power markets in California during the 1990's assumed an abundance of power that would drive and keep prices low. When scarcity occurred in 2000, the spot prices of power skyrocketed and drove one company to the brink of bankruptcy and another into bankruptcy when these companies simply could not afford to purchase the power needed to reliably serve their customers. Since Big Rivers would not have the capacity to generate its own electricity (by definition) under this scenario, it would not be able to hedge and avoid those marketplace risks.

The intervenors also assume that Big Rivers' coal-fired generating facilities will never be an economical way to generate power. As indicated in Exhibit "B", the price of fuel (whether coal or natural gas) is volatile.[3] Sometimes coal is the low cost fuel and sometimes natural gas is the low cost fuel. In just the past few years, the low cost fuel has changed a number of times. In the past eighteen months alone, the cost of natural gas doubled.[4] It would be foolish to adopt the suggestions of the objectors that are predicated upon a snapshot analysis when history has proven that short term

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[3] Exhibit "B" is Slide 9 from the Federal Energy Regulatory Commission's Summer 2013 Energy Market and Reliability Assessment, dated May 16, 2013 (http://www.ferc.gov/market-oversight/reports-analyses/mkt-views/2013/05-16-13.pdf)

[4] See Exhibit "C."

thinking in the power generation business can have disastrous effects on utilities and ratepayers alike.

IV. THE TESTIMONY PROVIDED BY INTERVENORS DOES NOT REFLECT A THOROUGH CONSIDERATION AND ANALYSIS OF CHAPTER 11.

Q. Do you agree with Mr. Kollen's testimony regarding the effect of a Chapter 11 filing by Big Rivers and if not, why not?

A. No. Mr. Kollen's description of the effect of a Chapter 11filing (generally beginning at p. 78 of his testimony) never acknowledges the additional costs and cash flow demands that flow from a Chapter 11 filing, including "adequate protection payments" that are likely to be demanded by Big Rivers' lenders. The secured lenders' collateral is claimed to include Big Rivers' generating facilities as well as its fuel inventory and other supplies consumed in generating electricity. The lenders will likely contend that their collateral is being consumed to generate cash flow and they are entitled to a host of so-called adequate protection payments and liens as a replacement of the collateral that is being consumed. Contrary to Mr. Kollen's testimony (p. 78), Mr. Kollen is also incorrect regarding the effect of the automatic stay and the treatment of interest in a Chapter 11 case. The Bankruptcy Code specifies 28 exceptions to the automatic stay in Section 362 alone. Interest continues to accrue, and may be required to be paid, if a lender is fully secured. He is also incorrect that cash would accumulate during a Chapter 11. Rather than accumulating cash, many Chapter 11 debtors require significant additional debtor in possession financing.

To the extent that a Chapter 11 debtor's cash and revenues constitute "cash collateral" by being pledged to or claimed by a creditor, the debtor cannot spend any cash collateral without either the consent of each creditor asserting a lien on the cash collateral or an order from the court authorizing the expenditure. While most courts schedule "first day hearings" immediately upon a Chapter 11 filing to address requests for authority to make immediate disbursements to fund items such as payroll, employee benefits and certain other necessary expenditures, swift hearings are not assured. Stakeholders with narrow, parochial and self-serving agendas may object to Big Rivers' use of cash collateral or a particular item in the proposed budget. There can be no assurance that the court will promptly overrule such objections. If the initial cash collateral hearing is delayed by the court or the judge declines to approve the expenditures, a Chapter 11 case can quickly wither into a catastrophic collapse. Likewise, if the court uses its discretion to re-write the debtor's budget in a way that does not provide adequate funding for ongoing operations, a Chapter 11 can turn from a reorganization that would allow the company to continue in service to a liquidation that prevents the company from meeting its obligations to provide power and to make payments to its creditors. Mr. Kollen's testimony never addressed any of these risks that are inherent in any Chapter 11 filing.

Mr. Kollen fails to address the possibility that counterparties to futures contracts may terminate contracts leaving Big Rivers unprotected and exposed to volatile market forces. Contract counter-parties whose contracts remain in force could demand "adequate assurance of future performance" as a condition to assuming any ongoing contracts, potentially requiring Big Rivers to post significant sums as collateral to protect counterparties. In Mirant's case, that company obtained a multi hundred-million dollar line of credit before it entered Chapter 11as a way of demonstrating that it had the liquidity to meet its obligations under those contracts. One of Big Rivers' unsecured credit lines has been terminated, and it will be difficult for Big Rivers to obtain similar financing.

In addition to the fees and expenses described above, Mr. Kollen does not account for the additional demands which would likely be placed on Big Rivers' liquidity by creditors who demand cash in advance terms or who request to either offset mutual obligations or to seek recoupment against the amounts they owe to Big Rivers. The interruption of cash flow while those issues are sorted out places a high degree of stress on a company's liquidity and cash availability. While it is possible that Big Rivers' line of credit lender might agree to convert its pre-petition facility into post-petition financing, such conversion cannot be assured and post-petition lenders frequently charge Chapter 11 borrowers substantially higher interest rates and fees. Big Rivers should also expect to pay for the professionals of a post-petition lender which would be another burden on its cash flow.

These obstacles would be unfortunate under any circumstance, but are particularly troublesome at this critical juncture for Big Rivers when Big Rivers needs to address a series of pivotal issues that will have far-reaching impact on Big Rivers' ability to provide reliable, cost-effective, long-term service to its ratepayers.

Critical issues Big Rivers' management needs to be able to focus on include: (i) continued efforts to maintain Big Rivers' revenues by resolving open issues arising from the announced termination of the 2009 Retail Agreement for the Hawesville

Smelter; (ii) the need to finance pollution control retrofits on several of Big Rivers' coal-fired generating units; (iii) possible sale or idling of one or more of Big Rivers' coal-fired facilities, (iv) finding replacement power buyers, and (v) adjusting the remaining operations of Big Rivers to accommodate any idling of facilities. Neither Big Rivers nor the KPSC can afford to be diverted from focusing on these issues, which will directly affect ratepayers for years in the future, while dealing with the myriad of distractions engendered by a Chapter 11, which may last two to three years, or even longer. (See the Examples of Allowed Professional Fees in Chapter 11 Proceedings for Electricity Providers (Ex. "A") where some cases extended beyond four years.)

Q. Please describe a few ways in which a Chapter 11 filing by a regulated utility is different from a Chapter 11 filing by a company whose business is not similarly regulated.

A. When a regulated utility files for Chapter 11 relief, a challenging dynamic occurs among the utility, its regulators, its creditors, the court where the Chapter 11 case is pending and any other person or entity that can be described as a "party in interest" in the Chapter 11 case – including parties purchasing claims of creditors, parties to executory contracts, employees and others. Instead of the utility answering primarily to its customers and regulators (including the KPSC), the utility must seek and obtain approval from the bankruptcy court for any significant actions it would take. Some bankruptcy courts have taken the position that they can preempt the decisions of the regulators under certain circumstances and are less concerned about providing reliable and cost effective electric service to the customers of Big Rivers—and preserving jobs in Kentucky—than they are maximizing the short-term return to creditors. This dynamic can result in the interests of creditors and "parties in interest" being placed ahead of the interests of Big Rivers' members and Big Rivers' obligation to provide safe, reliable and reasonably priced service to its customers. The unpredictability of some bankruptcy courts and the uncertainty regarding the overlapping authority of the bankruptcy court and the state and federal regulatory authorities not only complicates resolution of important structural issues but also potentially dilutes the control that the KPSC now has over the concerns that are of primary importance to Big Rivers' members, their ratepayers and the Commonwealth of Kentucky.

Overlapping approvals between a court and regulators, each having a different primary focus, can make it difficult for Big Rivers to restructure in Chapter 11. The overlap creates incentives for parties to litigate the limits of the oversight (and approvals) of each, resulting in delays, reduced business opportunities and increased professional fees. This type of overlapping jurisdiction created extensive litigation in the Public Service Company of New Hampshire ("PSNH"), Cajun Electric and Pacific Gas & Electric ("PGE") bankruptcy cases.

Under certain circumstances, creditors can propose and confirm plans over the objection of Big Rivers. These plans may not be in the best interest of the members of the cooperative, their customers, or Big Rivers' mandate to serve its customers since it is common for plans to be advocated by professional distressed debt purchasers whose short term objectives are often counter to the long term best interests of the debtor and its customers. Once the bankruptcy process is initiated, Big Rivers and the KPSC may no longer be able to ensure that the actions that are taken are in the best interests of Big

Rivers' members and the citizens of Kentucky, and the KPSC's ability to review Big Rivers' decision-making may be likewise hampered.

Should the court and the KPSC disagree on any matter, the litigation regarding which decision controls could require extensive appeals to ultimately decide the matter. This could stall any progress toward resolving a Chapter 11 while the appeal is pending and would create additional uncertainties for Big Rivers, the KPSC, the ratepayers and everyone involved in the Chapter 11 process. While progress toward resolving the Chapter 11 is stalled, professional fees and expenses would, nevertheless, continue to mount during the delay.

V. LACK OF BENEFITS FROM FILING A CHAPTER 11 CASE FOR BIG RIVERS

Q. Would Big Rivers achieve significant benefits by filing a Chapter 11 case?

A. For many companies, the principal benefits of a Chapter 11 case are achieved by: (i) reducing or rescheduling unsecured debt, secured debt, or both; (ii) reducing the interest rate on debt; and (iii) rejecting unfavorable contracts. Reduction of secured debt would require either consent by the secured creditor or an expensive and time-consuming contested valuation litigation in the bankruptcy court with multiple experts opining on value. Potentially, parties other than Big Rivers and its secured lenders would be entitled to participate in the litigation, increasing its cost and complexity. Valuation of the collateral of the lenders (and the assets of Big Rivers generally) in Chapter 11 is primarily driven by rates. Rates in turn depend upon the decisions of the

KPSC. This dynamic was present in the Public Service Company of New Hampshire case where the company's valuation was established after its rates were set.[5]

At best, the determination of value for a regulated utility in a litigated Chapter 11 is an imprecise exercise in which multiple parties, each with individual agendas, may sway a court whose expertise (and orientation that creditor recovery is paramount) differs from that of the KPSC. Any reduction in secured debt would only increase the unsecured claims against Big Rivers on a dollar-for-dollar basis. These unsecured claims would then have to be dealt with. Since a substantial amount of Big Rivers' debt is owed to cooperatives where Big Rivers is a member, any losses would be passed on to the cooperative's owners (other cooperatives) and other customers in higher future borrowing costs to their members and, ultimately, in higher rates for their customers. A determination of interest rates and participation by unsecured claimants in a plan of reorganization would also potentially be subject to the same divergence of interests and expert opinions in another expensive and time-consuming litigated proceeding. In Chapter 11 cases, the needs of the ratepayers and regulated utilities can be overlooked and the voices of creditors may prevail.

Although asset sales can sometimes be advantageously conducted in a Chapter 11 case as part of a strategy to reduce debt, including when competing parties hold claimed interests, or where traditional sale activities cannot be conducted because of hostile actions by creditors, these circumstances are not applicable to Big Rivers and, in any event, regulatory jurisdictional issues would have to be overcome in any Chapter 11 sale. Any potential asset sale by Big Rivers can be more advantageously

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[5] See Chapter 11 Reorganization of Utility Companies, 22 Energy Law Journal 277, 283,4 by Ralph R. Mabey and Patrick S. Malone.

accomplished outside of a Chapter 11 case. Big Rivers has no need for a bankruptcy "fire sale" of any of its assets.

VI. CONCLUSION

Q. Can you summarize your current opinions regarding the advisability of Big Rivers filing for Chapter 11?

A. In summary, a Chapter 11 for Big Rivers would confer very limited, if any, benefit at enormous risk and cost; would result in a great deal of negative disruption that would distract critical parties from the objectives of maximizing non-member revenues, operating efficiently and providing reliable and reasonably priced power to the Big Rivers' customers; would not obviate the need for rate relief; and would create a counterproductive and uncertain environment to the detriment of Big Rivers, its employees, its members, and their ratepayers.

Q. Does this conclude your testimony?

A. Yes, it does.

Exhibit "A"

Big Rivers - Examples of Allowed Professional Fees in Chapter 11 Proceedings for Electricity Providers (as of June 14, 2013)*

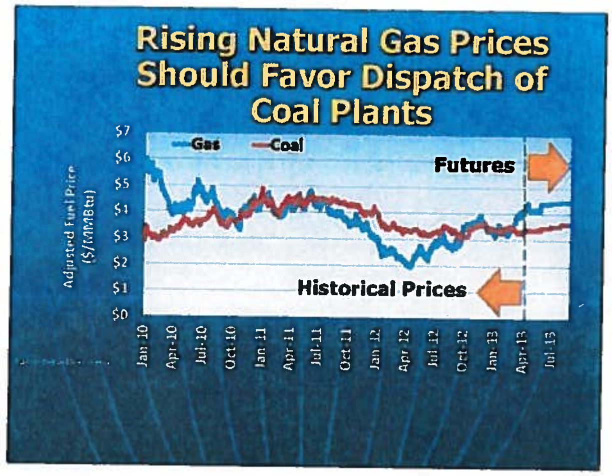
Case Name, District & Date	Months in Ch. 11	Estimated Assets ($ millions)	2% - 6% of Assets ($ millions)	Total Fees & Expenses*	Average of Fees & Exp. Per Month
Cajun Electric Power Cooperative, M.D. LA (1994)	64	$2,415	$48 - $144	$34,008,593	$531,384
El Paso Electric, W.D. TX (1996)	49	$1,808	$ 36 - $108	$73,789,680	$1,505,911
Pacific Gas & Electric, N.D. CA (2001)	33	$22,455	$449 - $1,347	$ 265,405,399	$8,042,587
Mirant Corp., N.D. TX, (2003)	30	$1,586	$312 - $935	$390,469,215	$13,015,640
Southern Montana Electric, D. MT (2011)	Pending	$110	$2 - $7	$2,369,223	
Edison Mission, N.D. IL (2012)	Pending (4 months of info)	$7,520	$150 - $451	$19,570,365	$4,892,591

Sources of Information:
El Paso Electric and Cajun Electric obtained from the docket sheets for those cases.
Pacific Gas & Electric and Mirant obtained from UCLA – Lopucki Bankruptcy Research Database (http://lopucki.law.ucla.edu/ProfessionalFees.htm).
Edison Mission and Southern Montana are currently pending and obtained from pleadings filed in each case.

* The amounts charged do not include payments to professionals of secured creditors. These reflect fees and expenses of "estate professionals" only (debtor in possession, official committees and trustee, where applicable).

Exhibit "B"

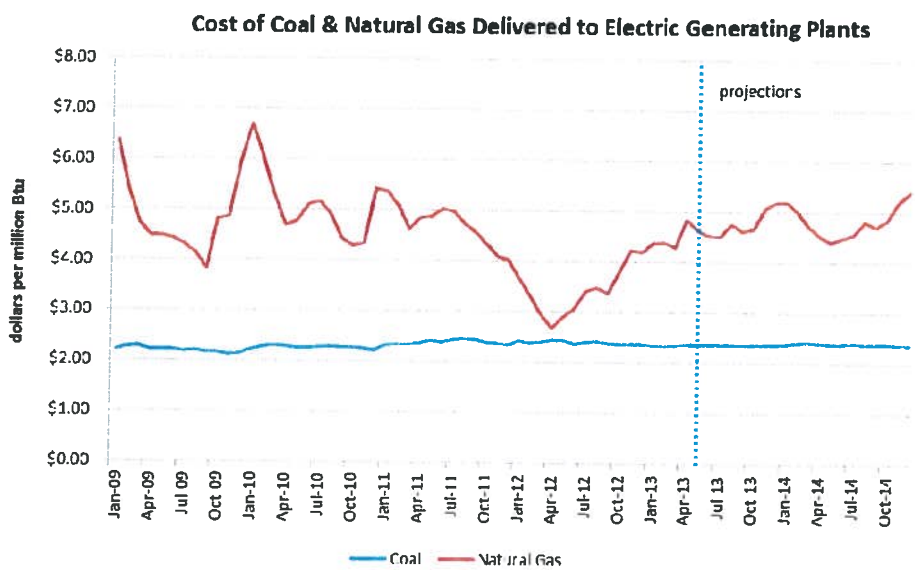
Slide 9



Adjusted for the relative efficiency of coal and natural gas-fired power plants, current U.S. natural gas prices are 78¢/MMBtu higher than Central Appalachian coal prices, the highest separation between natural gas and coal prices since July 2010. With the rebound in natural gas prices, staff expects less displacement of coal fired generation by natural gas this summer compared to last summer.

<u>Exhibit "C"</u>

Cost of Coal and Natural Gas Delivered to Electric Generating Plants
http://www.eia.gov/forecasts/steo/query/index.cfm



BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535

VERIFICATION

I, William K. Snyder, verify, state, and affirm that I prepared or supervised the preparation of my rebuttal testimony filed with this Verification, and that testimony is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

William K. Snyder

STATE OF TEXAS)
COUNTY OF Dallas)

SUBSCRIBED AND SWORN TO before me by William K. Snyder on this the 17 day of June, 2013.

Alice B Heck
Notary Public
State of Texas
My Commission Expires 4/11/2016

ALICE B. HECK
MY COMMISSION EXPIRES
April 11, 2016

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES	) Case No. 2012-00535

REBUTTAL TESTIMONY

OF

ROBERT W. BERRY
CHIEF OPERATING OFFICER

ON BEHALF OF

BIG RIVERS ELECTRIC CORPORATION

FILED: June 24, 2013

REBUTTAL TESTIMONY
OF
ROBERT W. BERRY

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REBUTTAL TESTIMONY
OF
ROBERT W. BERRY

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Robert W. Berry. My business address is 201 Third Street, Henderson, Kentucky 42420.

Q. Are you the same Robert W. Berry who provided direct testimony in this proceeding?

A. Yes.

II. PURPOSE OF TESTIMONY

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

A. I am testifying on behalf of Big Rivers Electric Corporation ("Big Rivers") in order to address certain issues and matters raised in the testimonies filed on May 24, 2013, on behalf of the Kentucky Attorney General (the "Attorney General"), Kentucky Industrial Utility Customers, Inc. ("KIUC"), and Sierra Club (collectively, the "intervenors").[1]

III. THE COMMISSION SHOULD PERMIT RECOVERY OF THE FIXED COSTS FOR IDLED GENERATION ASSETS.

Q. You previously testified about the possibility of Big Rivers idling the D.B Wilson Station in Centertown, Kentucky (the "Wilson Station"). The intervenors testified

[1] Direct Testimony of David Brevitz on Behalf of Kentucky Office of Attorney General (the "Brevitz Testimony"); Direct Testimony of Bion C. Ostrander on Behalf of Kentucky Office of Attorney General (the "Ostrander Testimony"); Direct Testimony of Larry W. Holloway on Behalf of Kentucky Office of Attorney General (the "Holloway Testimony"); Direct Testimony of Lane Kollen on Behalf of Kentucky Industrial Utility Customers, Inc. (the "Kollen Testimony"); Direct Testimony of Frank Ackerman on Behalf of Sierra Club (the "Ackerman Testimony")

at great length about that possibility and the treatment of the Wilson Station in the forecast. (*See, e.g.*, Holloway Testimony, pp. 30:7-35:20.) Do you have any updates on the forecasted status of the Wilson Station?

A. Yes. In preparing its application in this proceeding, Big Rivers operated under the assumption that it would idle the Wilson Station and operate the Kenneth W. Coleman Station in Hawesville, Kentucky (the "Coleman Station"). In the course of the recent negotiations with Century and Kenergy, Big Rivers has decided instead to operate the Wilson Station and idle the Coleman Station.

Big Rivers knew from the beginning that idling the Coleman Station would provide the most economic benefit to Big Rivers' members; however, based on our operating experience Big Rivers was uncertain if the Midcontinent Independent System Operator, Inc. ("MISO") would allow us to idle the Coleman Station if Century continued to operate at its historical levels (482 MW). The System Support Resource ("SSR") process is a relatively new MISO process established to keep plants operating that are critical to transmission system reliability. At the time Century gave notice, there was only one approved SSR agreement in MISO, so Big Rivers had a very limited understanding of the SSR process. Century gave its termination notice on August 20, 2012, and the timeline to present the 2013 budget and 2014-2016 financial plan to the Big Rivers Board for approval was extremely short. Without the full knowledge and understanding of the MISO SSR process and the limited time to prepare the budget, Big Rivers developed the budget based on what it believed was the most likely to occur: the Coleman Station operating and the Wilson Station idled.

Big Rivers immediately approached MISO to get a better understanding of the SSR process and became more knowledgeable of the process. On December 19, 2012, Big Rivers filed an Attachment Y-2 with MISO requesting MISO to perform a reliability study to determine if Big Rivers could idle the Coleman Station if Century continued to operate at 482 MW. MISO has issued a confidential draft report identifying reliability issues if the Coleman Station is idled and Century continues to operate at 482 MW. Based on the fact that idling the Coleman Station would provide the most economic benefit to Big Rivers' Members, and given Century's recent interest in operating the Hawesville smelter somewhat differently than in the past, Big Rivers converted its Attachment Y-2 into an Attachment Y on May 24, 2013, seeking permission to idle the Coleman Station.

Idling the Coleman Station is appropriate for Big Rivers and its members because: i) The Coleman Station units are the oldest in Big Rivers' generating fleet; ii) they require a higher quality, more expensive fuel compared to other Big Rivers units; and iii) they have the least amount of pollution control equipment installed. Historically, the all-in production costs for the Coleman Station units are approximately $4.54/MWh higher than the Wilson Station.

The ability to idle the Coleman Station depends on whether MISO requires Big Rivers to operate the Coleman Station for system reliability purposes. As I discuss in more detail later, however, the Coleman Station will either be idled or will be under SSR status; in either case, it will not cause a meaningful financial impact on the rate adjustment Big Rivers seeks in this proceeding.

Q. If Big Rivers decides to idle the Coleman Station, should the Commission include the fixed costs of the Coleman Station in the rate established in this proceeding?

A. Yes. The Coleman Station was a prudent investment when it was built, and it will remain used and useful to Big Rivers and its members even if it is idled. The fact that MISO has identified Coleman as an SSR resource confirms the value it provides. Therefore, it is fair and reasonable for the rates to include the fixed costs (interest expense, depreciation, property tax and property insurance) of the Coleman Station if it is idled.

In addition to the system reliability afforded by the Coleman Station, the generation capacity of the Coleman Station provides Big Rivers with an opportunity for growth in the Hawesville area and an opportunity to diversify its load concentration. As discussed above, Big Rivers' has begun the implementation of a strategy to mitigate the adverse financial consequences of Century's termination. The Coleman Station's generation capacity is a necessary part of that strategy. In light of Big Rivers' mitigation efforts, the Coleman Station's generation capacity is not simply "excess" as the intervenors dismissively describe it. It is a valuable asset that Big Rivers is actively marketing for the benefit of Big Rivers' members. As I discuss above, Big Rivers' strategy is reasonable, and we fully expect that it will benefit Big Rivers' members in the future.

Even if idled, the Coleman Station serves as a kind of insurance policy for Big Rivers' members against inevitable fluctuations in the energy markets. Maintaining the Coleman Station's generation capacity, even if temporarily idled, ensures that Big Rivers' members will continue to benefit from an energy independence that protects them against spikes in electric market rates, energy shortages, and similar or unforeseen circumstances. This flexibility may prove to be especially important in light of the unpredictability of the smelters and their uncertain future in the region.

Finally, Big Rivers' ongoing financial viability depends on access to the capital markets, and Big Rivers' continued ownership of the Coleman Station—and its generation capacity—is necessary to allow Big Rivers reasonable access to these markets.

Q. If Big Rivers does not idle the Coleman Station, but instead operates the Coleman Station under SSR status as a result of its relationship with MISO, should the Commission include the fixed costs of the Coleman Station in the rate established in this proceeding?

A. Yes. As I testified previously, Big Rivers might be forced to operate the Coleman Station under SSR status if MISO determines that the Coleman Station is critical to the reliability of the transmission system. If the continued operation of the Coleman Station is necessary for the transmission system to operate reliably as a whole, the Coleman Station will unquestionably be used and useful. Therefore, it is fair and reasonable for the rate to include the fixed costs mentioned above for the Coleman Station. MISO, through an SSR, will not pay for interest, depreciation, property tax, or property insurance for an SSR unit. MISO clearly states that an entity would incur those costs regardless of whether the unit was being used for reliability purposes.

If Big Rivers is forced to operate the Coleman Station for reliability purposes, there will unavoidably be additional costs related to that operation. These costs will be addressed by the power supply arrangement between Century, Big Rivers, and Kenergy (the "Century Transaction"). Century—not Big Rivers or its members—will pay for all costs not reimbursed to Big Rivers related to operating the Coleman Station under SSR status. I discuss this in further detail in Section V.

IV. THE INTERVENORS' CLAIMS ARE UNSUBSTANTIATED AND SHOULD BE DISREGARDED.

Q. Have you reviewed the intervenors' testimony regarding Big Rivers Load Concentration Analysis & Mitigation Plan (the "Mitigation Plan")?

A. Yes.

Q. Do the intervenors raise valid concerns about the wisdom or viability of the Mitigation Plan?

A. No. As an initial matter, the intervenors mischaracterize the goal of the Mitigation Plan. Contrary to the intervenors' suggestions, Big Rivers is not staking its long-term viability on the success of any element of the Mitigation Plan except this rate case. The purpose of the Mitigation Plan is exactly what its name implies: to mitigate any adverse financial impact of Century's departure. The success of the Mitigation Plan will simply be an added benefit to Big Rivers' members in the future.

The rate increase sought in this case is intended to address Big Rivers' immediate, critical financial needs that must be met to allow Big Rivers the opportunity to pursue the Mitigation Plan. The intervenors unreasonably argue that the Commission should intervene in Big Rivers' mitigation efforts, force Big Rivers into bankruptcy and divest Big Rivers and its members of control over their assets without even giving Big Rivers' board and management a reasonable opportunity to pursue its Mitigation Plan. Kenergy received notice of Century's termination on August 20, 2012, and notice of Alcan's termination on January 31, 2013. Big Rivers had and exercised a plan to mitigate a substantial amount of the revenue that will be lost by the departure of Century from Big Rivers' system, and it is unrelenting in its pursuit of other options despite the demands of dealing with the smelter contract issues and numerous regulatory proceedings. But it was not until the Kentucky General Assembly adjourned *sine die* on March 26, 2013, without passage of House Bill 211, that Big Rivers knew that it would not be required by law to commit its generating resources to serving the smelters at market power rates.

A. ***Off-System Sales***

Q. Do the intervenors provide any evidence to support their criticisms of Big Rivers' plans to increase off-system sales as part of the Mitigation Plan?

A. No. Mr. Kollen and Mr. Ackerman both speculate that Big Rivers will be unable to generate enough off-system sales revenue to have a meaningful financial effect. (See Kollen Testimony, pp. 66:11-73:8; Ackerman Testimony, pp. 7:1-9:9.) However, neither of these witnesses prepared any analysis or study on the issue, nor do they offer any other evidence to support their conclusions. They rely, instead, on assumptions, outdated information, unsupported speculation, and an unreasonably constricted view of the off-system market potentially available to Big Rivers.

For example, Mr. Ackerman and Mr. Kollen both rely on generalized observations about the regional electricity market—such as MISO's capacity surplus in 2011 and competition from natural gas-fired generation—to hypothesize that Big Rivers is unlikely to develop significant off-system sales. (Ackerman Testimony, pp. 7:14-8:7; Kollen Testimony, pp. 66:11-69:6.) Yet, neither Mr. Ackerman nor Mr. Kollen makes any attempt to consider facts specific to Big Rivers' situation that help increase its likelihood of success.

In contrast to the intervenors' superficial dismissal of off-system sales revenue, Big Rivers has devoted significant time to researching the market opportunities available to it and in developing a reasonable and attainable business plan to pursue off-system sales. As discussed further below, that research indicated numerous medium- and long-term opportunities, including specific requests for proposals, that Big Rivers' generation capacity positions it to pursue. Not only that, Big Rivers has already taken concrete steps toward achieving its goals, by responding to four requests for proposals from other utilities within the Commonwealth of Kentucky and initiating informal discussions with other potential contractual counterparties. (Berry Testimony, pp. 20:9-21:6.)

Q. Do you believe that market conditions are favorable to Big Rivers' ability to increase off-system sales?

A. Yes, but it is important to avoid an unreasonably narrow definition of the "market." Big Rivers is very favorably positioned in the context of potential long-term purchase power agreements or all-requirements contracts. MISO does not enter into these kinds of long-term agreements, and Big Rivers' Mitigation Plan has a broader competitive scope than simply the MISO capacity reserve discussed by intervenors. . (*See* Ackerman Testimony, pp. 7:14-8:7; Kollen Testimony, pp. 67:20-68:17.) There is also a demonstrated demand for these long-term agreements. Numerous Kentucky utilities—including East Kentucky Power Cooperative, Duke Energy, Louisville Gas & Electric, Kentucky Utilities Company, and American Electric Power Company (Kentucky Power)—have issued requests for proposal for this type of power arrangement in recent months. By virtue of participating in MISO and utilization of Big Rivers' rights to 100 MW of TVA transmission, Big Rivers also has opportunities to enter similar arrangements with other counterparties outside of Kentucky. As I testified previously, these kinds of arrangements are an important part of Big Rivers' strategy.

Not surprisingly, the intervenors fail to consider these market opportunities or the value of Big Rivers' generation assets in the context of long-term power supply arrangements. Instead, the intervenors limit their discussion to the narrow window of "the depressed power market" for Over-the-Counter pricing, which is currently unfavorable to Big Rivers. (*See* Kollen Testimony, p. 71:1-11.) Mr. Kollen addresses long-term purchase power agreements just long enough to assert, without citing any authority or evidence, that such an agreement "would be priced to reflect the depressed current market conditions and therefore would not likely provide full cost recovery." (Kollen Testimony, p. 69:7-10.) Mr. Kollen does not explain why low prices for short-term agreements would dictate low prices for long-term agreements. To the contrary, long-term agreements should command higher premiums, which offer significant benefits related to predictability and insulation from future pricing volatility increases.

In short, instead of relying on evidence to determine the feasibility of increasing off-system sales, the intervenors rely on mere speculation about future short-term market conditions. The intervenors' limited view of the market and their failure to conduct any form of study does not support a conclusion that Big Rivers' mitigation strategy is untenable. To the contrary, Big Rivers' Mitigation Plan has a reasonable opportunity to benefit its members when viewed in the broader perspective of the market's medium- and long-term horizons.

Q. Should the Commission permit the recovery of costs for all of Big Rivers' generation assets before Big Rivers has finalized new off-system sales agreements?

A. Yes. Even before any load mitigation occurs, available generation capacity provides Big Rivers with an opportunity for growth, provides Big Rivers with an opportunity to diversify its load, insulates Big Rivers' members from the volatility of the wholesale electricity market and potential price increases, allows Big Rivers to promote regional economic development, and helps to ensure Big Rivers' access to capital markets, which is critical to the execution of its mission and its ongoing financial viability. Thus, Big Rivers' generation capacity has value even before any load mitigation occurs, and this also holds true even if some of that generation capacity has been temporarily idled. Indeed, the continued availability of this generation capacity makes rate mitigation possible in the first place, and it reduces the opportunity costs of pursuing mitigation strategies. For these reasons, it is fair and reasonable for the rate to include the costs of Big Rivers' generation assets even before any new sales agreements are finalized.

Q. Are you familiar with the financial budget variance reports discussed at pages 20-21 of Mr. Ostrander's testimony?

A. Yes.

Q. Can you explain the alleged inaccuracies raised by Mr. Ostrander?

A. Yes. For 2012, the actual off-system sales price was $28.81/MWh, compared to Big Rivers' budgeted off-system sales price target of $40.77/MWh. Numerous factors outside of Big Rivers' control affect off-system sales price projections. For example, Big Rivers' budgeted off-system sales price accounted for the impact of the Clean Air Interstate Rule, which Big Rivers reasonably expected to increase certain generation costs and, accordingly, increase the price of off-system sales. This rule was not implemented, and so the corresponding increase of off-system sales prices did not materialize. In addition, because Big Rivers was new to MISO, Big Rivers did not account for the Locational Marginal Price ("LMP") differential in its 2012 budget. Big Rivers has now accounted for the LMP differential and revised its off-system sales price target for its 2013 budget to $30.78/MWh, which we reasonably believe to be attainable.

Big Rivers' budget process is a reasonable one. No intervenor produced its own financial model. Furthermore, the fact that budget amounts and actual amounts sometimes differ (significantly or otherwise) does not automatically signify a deficiency in the model, as made clear by my discussion of the variance reports earlier.

B. *<u>Other Elements of the Load Concentration Analysis & Mitigation Plan</u>*

Q. The intervenors assert that the Mitigation Plan is unlikely to succeed. Do you agree?

A. No. Big Rivers put a lot of time and effort into developing the Mitigation Plan. It is not guesswork or speculation. It is based on an informed and detailed analysis of Big Rivers' situation. It also addresses a number of possible scenarios going forward, particularly with respect to the strength of various markets, which allows Big Rivers to flexibly respond to changing conditions. In addition, the Mitigation Plan does not assume the success of any one element; rather, it pursues multiple mitigation strategies simultaneously, including the rate increase requested in this proceeding, increased marketing of power (both on short-term and long-term bases), and reduction of generation-related costs.

Big Rivers has said that it is unsure of the timing and amounts of load recovery; however, Big Rivers is confident the question is "when", not "if" as the intervenors assert. Big Rivers continues to focus on a multi-pronged approach because Big Rivers believes a diversified solution is in the best interest of its membership. However, if Big Rivers is unsuccessful in its mitigation efforts, as the intervenors claim, Big Rivers will still be able to add member value just by taking advantage of the MISO market, to which it has ready access.

Exhibit Berry Rebuttal-1 shows two reputable energy consulting firms' projected MISO capacity values for the next 10 years. The projected market value of the 482MW of power previously consumed by Century for the next ten years is shown utilizing both Wood-Mackenzie's projection of MISO capacity values (completed in the last 6 months), as well as IHS Global's projection of MISO capacity values. While it is not Big Rivers' intention to mitigate the departure of the Hawesville smelter load in this manner, this illustrates a simple, easy-to-understand example that will be available to Big Rivers to mitigate the effects of the rate adjustment sought in this case. (Please note, in an effort to be conservative, this chart does not assume Big Rivers will reap any benefit from the sale of the energy associated with the 482MW of capacity.) As Exhibit Berry Rebuttal-1 demonstrates, then, there is significant value associated with the available generating capacity owned by Big Rivers' members.

I am confident that the Mitigation Plan, if given the chance to succeed, will produce results that will benefit Big Rivers and its members for years to come.

Q. Sierra Club argues in its testimony that Big Rivers did not take into account all appropriate environmental compliance costs. Do you agree?

A. No. Big Rivers took into account all appropriate environmental compliance costs, and Mr. Ackerman's testimony to the contrary is unfounded.

Mr. Ackerman relies almost entirely on a 2012 Sargent & Lundy Study (the "S&L Study") that is not part of this case, but even Mr. Ackerman admits that the S&L Study included an analysis of costs that will not be incurred because the U.S. Court of Appeals for the D.C. Circuit overturned the relevant regulation. (Ackerman Testimony, p. 12:3-27.) In order to inflate Big Rivers' potential environmental compliance costs, Sierra Club resorts again to speculation. Specifically, Mr. Ackerman speculates about "anticipated" replacement rules, "recently-proposed" regulation, potential "future" regulations, and "widely anticipated" environmental standard changes. (*Id.* at pp. 12:26-27; 13:8-10; 13:17-18; 14:9-10; 14:14-15.)

Sierra Club offers no evidence that any of these potential rule changes will affect Big Rivers' fully forecast test period, even if they do occur. Mr. Ackerman merely insists that there is "a real possibility of such regulations being adopted within the remaining lifetime of BREC's plants." (Ackerman Testimony, p. 13:22-23.) With respect to another rule, Mr. Ackerman insists its speculative compliance costs must be taken into account because one industry group "anticipat[es] a <u>proposal</u> 'sometime in 2013.'" (Ackerman Testimony, p. 14:16-17 (emphasis added).) The possibility of a proposal for future regulation that will not be implemented in Big Rivers' forecast test year is something the Commission should not rely on in determining fair and reasonable rates in this case. Because there is no evidence that any of these possible laws or rules will impact Big Rivers' forecast test year, even if they come to pass, Sierra Club's speculative environmental compliance costs should not be included in the determination of rates in this proceeding.

Q. Mr. Ackerman suggests that it may be in Big Rivers' members' best interests to purchase all energy from the wholesale market (Ackerman Testimony, pp. 29:12-30:11). Do you agree?

A. Absolutely not. It is physically impossible for Big Rivers to shut down all of its power plants and purchase its energy from the wholesale market. When the Big Rivers generating plants were built, detailed engineering was performed to determine the appropriate location to site the plant based on the concentration of load and the availability of transmission to deliver the power. These plants were specifically sited to produce and deliver the power requirements of that specific area. MISO's determination that Coleman will be designated as an SSR resource is confirmation that it is not possible at this time to idle all of the Big Rivers generators and continue to serve the load requirements in its footprint. This is further reinforced by MISO's finding, in its recent Y-2 report related to the Wilson Station, that the Wilson Station most likely could not be idled any further than 2017 before it would be required for reliability purposes, even assuming all of Big Rivers' other plants were active. In addition, although Mr. Ackerman acknowledges the possible risk of "electricity prices ris[ing] well above BREC's costs of generation" (Ackerman Testimony, p. 30:4), his conclusion ignores the volatile nature of wholesale energy market prices. Mr. Ackerman also ignores other significant, unavoidable risks of this proposed market "solution," such as the deliverability risk or transmission congestion costs and/or curtailments.

If Big Rivers relied entirely on the wholesale market, its members' rates would be captive to unpredictable fluctuations in market price and subject to sudden, dramatic changes beyond the control of the Commission or Big Rivers.

Q. Do you have a response to Mr. Ackerman's assertion that "BREC is gambling on the ability to either profitably sell into the market or sign up new customers for a massive amount of energy generation" (Ackerman p. 7:7-9)?

A. Big Rivers is not "gambling" on the Mitigation Plan. This assertion, like so many others the intervenors advance, completely mischaracterizes the nature of the Mitigation Plan.

As I explained above, Big Rivers is relying on the ratemaking process to ensure that it can continue to provide safe, reliable and efficient energy services to its members at fair and reasonable rates. Likewise, it will continue to rely on the ratemaking process in the future so that its members will benefit from successful mitigation efforts.

The only gambles in this proceeding are those proposed by the intervenors: to make it impractical or impossible for Big Rivers to pursue its Mitigation Plan, or to force Big Rivers into bankruptcy, as addressed in more detail in the Rebuttal Testimony of William K. Snyder. Both alternatives are short-sighted, create incredible uncertainty on many levels, and will lead to serious adverse consequences for Big Rivers, its members, and the region as a whole. The Commission should not gamble on bankruptcy or forced plant closures.

V. BIG RIVERS' FORECAST APPROPRIATELY ADDRESSES THE COLEMAN STATION

Q. Please explain the anticipated status of the Coleman Station.

A. There are two possibilities for the status of the Coleman Station going forward. The first possibility is if Century continues to operate at its Hawesville facility at the historical level of 482 MW. MISO has determined that operation of the Coleman Station is necessary to ensure the ongoing reliability of the transmission system. If Century continues operation of its Hawesville Smelter, Big Rivers will operate the Coleman Station under SSR status until such time Century installs the necessary equipment to operate the smelter at its Base Load as determined by MISO. (Base Load is the level at which Century can operate without creating a reliability issue that requires operation of the Coleman Station.) The second possibility is that if Century ceases operation, MISO may determine that the Coleman Station is <u>not</u> necessary to ensure the ongoing reliability of the transmission system. If this determination is made, Big Rivers will idle the Coleman Station instead of idling the Wilson Station as it had previously considered. The SSR process is such that if the Coleman Station operates under an SSR status, then from a financial perspective the Coleman Station will look as if it were idled. Under the SSR status, MISO retains the revenue from the Coleman generation to help offset the operation cost so that, essentially, Coleman will not be a part of Big Rivers' portfolio.

As the intervenors acknowledge, the relevant MISO reliability studies are still ongoing. (*See, e.g.*, Ackerman Testimony, p. 10:23-24.)

Q. Does either of these two possibilities undermine the reasonableness of Big Rivers' forecast, particularly in light of its decision to not idle the Wilson Station?

A. No; Big Rivers' forecast remains reasonable. In Big Rivers' application in this proceeding, it developed its forecast and budget assuming that it would operate the Coleman Station and idle the Wilson Station. As I discuss in more detail above, Big

Rivers has now determined to idle the Coleman Station (or operate it only under SSR status) and operate the Wilson Station. Although this change creates operational differences, it does not create significant financial differences, as the fixed operating cost (Labor, Non-Labor O&M) for both the Coleman Station and the Wilson Station are essentially the same. (*See* Comparison of Wilson Lay-Up Savings (2014-2015 Annual Average) to Coleman Lay-Up Savings (2014-2015 Annual Average), a true and accurate copy of which is attached hereto as Exhibit Berry Rebuttal-2.) In either scenario, Big Rivers has included the costs of operating one active plant and maintaining one idled plant.

Q. How is Big Rivers' financial forecast affected if the Coleman Station is idled?

A. Big Rivers' financial forecast will not be affected if the Coleman Station is idled. As discussed above and shown in Exhibit Berry Rebuttal-2, if Big Rivers idles the Coleman Station, the fixed cost savings will be comparable to those that would result from idling the Wilson Station. Because there is a minimal difference in fixed cost savings, Big Rivers' forecast will not be affected. Although a different station would be idled, the financial analysis of the impact of that idling will remain the same.

Q. At what point should the Commission address questions about costs and revenues related to Century continuing to operate?

A. Costs and revenues related to Century continuing to operate will be addressed by the Century Transaction that is being reviewed in Case No. 2013-00221. Century has agreed to pay Big Rivers for any additional out-of-pocket costs it incurs or commits to in connection with the Century Transaction. Assuming that the Century Transaction closes and Century continues smelting operations, Big Rivers has a reasonable level of confidence that Big Rivers and its members will benefit to some degree from receipt of transmission revenues from Century if there is no SSR Agreement, or deferral of severance costs if there is a SSR Agreement. Century's business decisions will ultimately determine if or when those benefits are received. Big Rivers' understanding is that Century wants to avoid circumstances in which a SSR Agreement is required. More detail regarding the cost and revenues associated with the Century Transaction can be found in Case No. 2013-00221.

It is important to remember that the parameters of the Century continued operation are still unknown. The contracts with Century have just been filed with the Commission, and two parties have already moved to intervene in the case. The contracts are not signed and will not be until the closing after receipt of all approvals. At the time of filing of this rebuttal testimony MISO had not identified what Century's Base Load would be, and Century has accordingly not been in a position to state whether it will or will not operate if a SSR Agreement is required.

VI. THE INTERVENORS MISCHARACTERIZE THE UNWIND

Q. Mr. Brevitz notes that Big Rivers and its creditors benefited from the Unwind and suggests that the nature of the Unwind supports the conclusion that Big Rivers should not be able to recover any costs related to Century terminating its contract. (Brevitz Testimony pp. 9:9-17:18.) Is Mr. Brevitz's characterization of the Unwind accurate?

A. No, Mr. Brevitz's characterization of the Unwind is not accurate. Mr. Brevitz repeatedly stresses the involvement of Big Rivers and the smelters in the Unwind, but his myopic focus offers a skewed version of reality and attempts to assign blame for the unanticipated results of an intensely collaborative process. The Unwind Transaction was not merely a private bargain struck between interested parties. Big Rivers' members were involved in the negotiations and made an informed decision to accept the risks and rewards of the Unwind.

The KIUC (including Domtar, Kimberly Clark, and Aleris) also supported the Unwind. Not only were Big Rivers' members and KIUC in favor of the Unwind, the entire transaction was presented to and approved by the Commission.[2] In short, there was significant member scrutiny and regulatory oversight that prevented the Unwind from being the kind of lopsided or unfair transaction that Mr. Brevitz now characterizes it to be.

Mr. Brevitz also appears to characterize the Unwind as a failure. However, Big Rivers' members benefitted greatly—and still benefit—from the Unwind. Non-smelter members received low rates and surcredits. In addition, Big Rivers' equity moved from a substantial negative to a substantial positive, so Big Rivers' members as owners benefit. All members benefited because Big Rivers, in cooperation with its members, the smelters, and the Commission, developed a way to address potentially adverse issues of significant magnitude that could have occurred at the end of E.ON's lease. Our members also benefitted, and continue to benefit, from the fact that the Unwind enabled Big Rivers to regain full control of its generation assets and restore its financial viability, creating an independence from the wider energy market that is good both for Big Rivers' members and the region as a whole.

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[2] *See 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 Marketing, Inc. for Approval of Transactions*, Ky. P.S.C. Case No. 2007-00455, (March 6, 2009).

Q. Is it correct that "Big Rivers repeatedly assured the Commission that it would not look to its remaining customers in order to make up its lost margins from a Smelter contract termination," as KIUC alleges? (Kollen Testimony, p. 39:10-11.)

A. No, that is not true, and it is notable that KIUC did not provide a citation to any of these allegedly "repeated" guarantees. As the Commission knows, the Unwind took place at a time of great uncertainty, but everyone involved in the process—including Big Rivers, the Attorney General, and the Commission itself—worked diligently to find a reasonable path forward that would help prevent future rate increases. Big Rivers reasonably believed, based on facts known at the time, that the Transition Reserve Account and its off-system sales efforts would be sufficient to insulate its members from the adverse consequences of one of the smelters shutting down. (*See* Direct Testimony of William Blackburn, P.S.C. Case No. 2007-00455, pp. 84:23-87:20.)

Mr. Blackburn testified about Big Rivers' intent to shield its members from the adverse financial impact of a smelter closure, but in doing so did not make any "assurances" as alleged by KIUC. Mr. Blackburn testified that "I believe Big Rivers would be able under most circumstances to remarket any returned capacity produced by a Smelter shut-down such that recourse to the Transition Reserve Account would not be necessary." (Blackburn Testimony, p. 87:17-20.) Unfortunately, some of the developments reasonably expected by the Unwind participants did not occur.

Q. Is KIUC correct in asserting that the Transition Reserve Account was developed "to make up the difference" in the event of a smelter shutdown? (Kollen Testimony, p. 39:12-15.)

A. No, this is not correct. This appears to be another instance of KIUC mischaracterizing Big Rivers' testimony in the Unwind. Moreover, the testimony KIUC purportedly relies on to reach this conclusion is quoted out of context.

Mr. Blackburn's testimony during the Unwind is clear that the Transition Reserve Account was intended to "provide[] a ready source of cash to <u>cushion the short-term negative financial effects</u> of one of the Smelters shutting down." (Blackburn Testimony, p. 85:14-16.) A short-term "cushion" is very different from an account guaranteed "to make up the difference" if off-system sales failed to make up for the loss of smelter load.

VII. <u>THE ATTORNEY GENERAL'S RATE RECOMMENDATION SHOULD BE REJECTED</u>

Q. Should the Commission adopt the Attorney General's recommendation to make no changes in rates?

A. Absolutely not. Adopting the Attorney General's recommendation would have disastrous consequences for the reasons Big Rivers has explained in its various filings in this proceeding, and as I discuss in more detail later.

Q. Should the Commission adopt the Attorney General's proposed Adjustment OAG-1-DB to remove $63,028,536 of Century smelter lost margins?

A. Absolutely not. Again, adopting this adjustment would have disastrous consequences for the reasons Big Rivers has explained in its various filings in this proceeding.

This proposed adjustment is based on Mr. Brevitz's conclusion that Big Rivers should not recover any of the costs attributable to revenue lost as a result of Century's termination. (*See* Brevitz Testimony, pp. 33:10-34:20.) Mr. Brevitz's reasoning for reaching this conclusion, however, is entirely misguided.

Mr. Brevitz argues that excluding more than $63,000,000 from this rate case is justified because "[t]he Unwind Transaction was a bargained-for exchange . . . ." (Brevitz Testimony, p. 33:10-17.) However, I have already addressed above how Mr. Brevitz mischaracterizes the Unwind Transaction. Such mischaracterization has no place in this proceeding and does not justify the Attorney General's proposed Adjustment OAG-1-DB.

Moreover, my understanding of the relevant law is that the lowest reasonable rate is one that is, among other things, not confiscatory, and assures confidence in the financial soundness of a utility. The proposed Adjustment OAG-1-DB would, in fact, completely undermine Big Rivers' financial soundness, as Big Rivers has discussed in detail throughout its testimony. The intervenors offer no factual or legal authority suggesting that the present circumstances create an exception to this requirement. Consequently, Adjustment OAG-1-DB is contrary to the basic regulatory goals at issue in this proceeding, and the Commission should reject it.

The current circumstances are the result of Big Rivers complying with all its legal and contractual requirements while operating under the constant supervision and authority of the Commission.

When Century decided to locate in the certified territory of one of Big Rivers' distribution cooperatives, that distribution cooperative had both the exclusive right and the duty to provide retail electric service. At that time, Big Rivers was serving its members exclusively under contracts that required Big Rivers to provide for all its members wholesale power requirements. Big Rivers constructed power plants to meet those requirements. That construction was authorized in each case by a certificate of public convenience and necessity, and the generating assets were properly incorporated into Big Rivers' rate base and used to fix its rates. The prudence of those investments is long settled.

Century is currently served under a retail service agreement with Kenergy that is supported by a wholesale power agreement between Kenergy and Big Rivers. Those agreements were submitted to the Commission for review and were approved by the Commission. Those contracts allowed Century to unilaterally terminate its retail service agreement upon one-year's notice under certain circumstances. Century has now exercised that contractual right. There is no party in this case that did not know that Century's retail service agreement contained a one-year right to terminate upon certification that it would cease smelting operations. There is also no party in this case that did not understand the risk associated with Century leaving Big Rivers' system. And the fact that Big Rivers has worked to negotiate a new arrangement that would permit Century to continue smelting operations does not change the fact that Century certified it would cease smelting operations under the 2009 Retail Agreement.

VIII. BIG RIVERS HAS ADEQUATELY MAINTAINED ITS PLANTS

Q. The intervenors allege that Big Rivers neglected necessary maintenance. Do you have a response to these allegations?

A. These allegations are wrong. Big Rivers has continued all necessary maintenance at appropriate levels, despite its precarious financial condition. As I testified previously, Big Rivers' generating fleet has been very reliable since closing of the Unwind Transaction in July of 2009 and has consistently performed in the top quartile of its peer group in EFOR, EAF, and NCF. (*See* Berry Testimony, pp. 6:16-7:13.) Indeed, from

April 2007 through March 2012, the performance statistics for Big Rivers' units were in the best quartile for the units in its peer group. (*Id.*) This kind of reliable performance would not have been possible if Big Rivers had neglected necessary maintenance as the intervenors allege. I testified that Big Rivers seeks enough revenue in this rate case "to continue to perform the maintenance necessary to prudently maintain its generating units on an ongoing basis," thus making it clear that Big Rivers has managed to conduct necessary maintenance in recent years. (*Id.* at p. 11:12-16.)

It is true that Big Rivers has deferred certain maintenance outages between July 2009 at the closing of the Unwind Transaction and the end of 2014, and I testified to that fact to underscore the critical nature of Big Rivers' requested rate increase in this proceeding. (Berry Testimony, pp. 7:14-8:9.) However, at no point did Big Rivers allow deferred maintenance to "jeopardiz[e] the safety and service quality of its customers and arguably violat[e] the public trust," as the Attorney General alleges. (Ostrander Testimony, p. 24:15-16.) Big Rivers' concern regarding deferred maintenance was not that its generating fleet would become immediately unsafe and unreliable, but rather that if maintenance deferrals continue it will eventually adversely impact system reliability. (*See* Berry Testimony, pp. 9:16-10:3.) That remains true, and it is a principal reason why our rate adjustment should be granted.

Q. Can you respond to the AG's allegations that "BREC placed significant payroll increases as a priority over necessary maintenance, and which caused the deferral of important maintenance?" (Ostrander Testimony, p. 38:6-17.)

A. These allegations are false. As an initial matter, Big Rivers' incentive gain sharing plan is not included in its rates or in this rate request. It is self-funded by Big Rivers' savings and the savings associated with an outage deferral is not considered savings when calculating the incentive gain sharing plan payout. This is further discussed in the Rebuttal Testimony of James V. Haner. 90% or more of the savings attained on an annual basis are allocated to Big Rivers' members. No more than 10% of the savings attained are then used to fund Big Rivers' annual incentive plan. Moreover, Mr. Ostrander's attempts to connect Big Rivers' incentive plan to its maintenance schedule is completely unfounded. As I made very clear in my previous testimony, Big Rivers deferred certain maintenance outages because of the depressed economy, reduced load, low off-system sales, low wholesale market prices, and because Big Rivers did not obtain the full amount of the increase it sought in the 2011 rate case. (Berry Testimony, pp. 8:10-11:11.) Even then, Big Rivers only took those measures after significant corporate-wide cost-cutting measures. (*Id.* at p. 9:1-5.) Moreover, those deferrals were performed selectively and only where the deferral did not materially increase the risk of an adverse impact on system reliability or safety.

Mr. Ostrander cites no evidence to support his accusations and, as I explain above, his conclusions are directly contradicted by the continued reliability and outstanding performance of Big Rivers' generating fleet. I cannot be clearer: Big Rivers performed necessary maintenance, and all maintenance deferrals were made only after careful consideration of safety and reliability consequences.

IX. <u>CONCLUSION</u>

Q. Do you have any closing comments?

A. Yes. The intervenors level many unfounded criticisms of Big Rivers. Their explanations of the Unwind, their understanding of the relevant off-system sales market, and even their recitation of prior testimony are consistently misguided, out of context, mistakenly narrow, or intentionally mischaracterizing. They rely on innuendo and convenient assumptions about what Big Rivers is "thinking" rather than evidence. As a result, the Commission should reject the intervenors' proposed adjustments and rate recommendations.

Big Rivers' Mitigation Plan is reasonable and is based on significant research undertaken by Big Rivers in partnership with expert third parties such as MISO. Intervenors criticize the Mitigation Plan—apparently for not providing a guarantee to fully replace Century's load—but they do not support their criticisms with any relevant facts, nor do they appropriately recognize the broader market in which Big Rivers is competitive.

For the reasons stated above and in the testimonies of the other Big Rivers witnesses, Big Rivers' proposed rates are fully supported by reliable data, and they are just, fair, and reasonable. The Commission should adopt those rates.

Q. Does this conclude your testimony?

A. Yes.

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES CASE NO. 2012-00535

VERIFICATION

I, Robert W. Berry, verify, state, and affirm that I prepared or supervised the preparation of my rebuttal testimony filed with this Verification, and that testimony is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Robert W. Berry
Robert W. Berry

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Robert W. Berry on this the 18 day of June, 2013.

Joy P. Wright
Notary Public, Ky. State at Large
My Commission Expires________

Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951

Big Rivers Electric Corporation
Case No. 2012-00535
Exhibit Berry Rebuttal-1
Future Projected Value of MISO Market Capacity*

Year	Wood-Mackenzie Projection MISO Capacity Value $/kW-Month	Wood-Mackenzie Projection MISO Capacity Value 482 MW Value	IHS Global Projection MISO Capacity Value $/kW-Month	IHS Global Projection MISO Capacity Value 482 MW Value
2014	[redacted]			
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				

*Note: These projections include only values for capacity. Energy values are not included in these projections.

Big Rivers Electric Corporation
Case No. 2012-00535
Exhibit Rebuttal-2
Coleman vs. Wilson Lay-up Savings*

Wilson Lay-Up Savings (2014-2015 Annual Average)

FDE Non-Labor		[redacted]
FDE Labor	$	12,786,089
Total FDE Budget		[redacted]
Less Lay-Up cost	$	(611,391)
Less Retained Big Rivers Labor	$	(1,513,437)
Total FDE Budget Reduction		[redacted]

Coleman Lay-Up Savings (2014-2015 Annual Average)

FDE Non-Labor		[redacted]
FDE Labor	$	12,172,987
Total FDE Budget		[redacted]
Less Lay-Up cost	$	(1,218,422)
Less Retained Big Rivers Labor	$	(1,384,331)
Total FDE Budget Reduction		[redacted]

Note: Idling a station does not eliminate all fixed costs. Items such as Depreciation, Interest, Property Tax, and Property Insurance remain.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES	) Case No. 2012-00535

REBUTTAL TESTIMONY

OF

DEANNA M. SPEED

ON BEHALF OF

BIG RIVERS ELECTRIC CORPORATION

FILED: June 24, 2013

REBUTTAL TESTIMONY
OF
DEANNA M. SPEED

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REBUTTAL TESTIMONY
OF
DEANNA M. SPEED

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is DeAnna M. Speed. My business address is 201 Third Street, Henderson, Kentucky 42420.

Q. Are you the same DeAnna M. Speed who provided direct testimony in this proceeding?

A. Yes.

II. PURPOSE OF TESTIMONY

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

A. I am testifying on behalf of Big Rivers Electric Corporation ("Big Rivers") in order to address certain issues and matters raised in the intervenor testimonies filed on May 24, 2013.[1] In Section III, I will explain that the Office of the Attorney General (the "Attorney General") has incorrectly represented certain aspects of the Unwind and the Unwind model and that it has failed to correctly note Big Rivers' depressed off-system sales that result from a historically unprecedented price drop in the wholesale electricity market. In Section IV, I will explain that the Commission should reject the Attorney General's proposed Adjustment OAG-5-BCO because Big Rivers' rate case expenses are reasonable and well-supported by the data. In Section V, I address Bion Ostrander's numerous accusations about Big Rivers'

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[1] Direct Testimony of David Brevitz on Behalf of Kentucky Office of Attorney General (the "Brevitz Testimony"); Direct Testimony of Bion C. Ostrander on Behalf of Kentucky Office of Attorney General (the "Ostrander Testimony").

honesty and decision-making and explain why the Commission should disregard these baseless accusations.

III. THE ATTORNEY GENERAL'S REPRESENTATIONS ABOUT THE UNWIND AND THE UNWIND MODEL ARE INCORRECT

Q. The Attorney General's witness Mr. Brevitz states: "BREC's actual total costs were $100 million less than predicted in the Unwind model's prediction for 2012, but fuel costs were $113 million less indicating that BREC's other costs were approximately $13 million higher than predicted." (Brevitz Testimony, p. 31:11-14). Is he correct?

A. No. Mr. Brevitz failed to account for the Henderson Municipal Power & Light ("HMP&L") Station Two fuel costs in his representation of 2012 actual fuel costs. Big Rivers' non-fuel costs did not increase by $13 million over what was predicted by the Unwind model. In fact, those costs decreased by $15 million.

Q. Does Mr. Brevitz address all relevant facts in his comparison of Big Rivers' actual revenues and the Unwind Model's projected revenues?

A. No. Mr. Brevitz testifies about "very troubling" revenue shortfalls without addressing any causes of the shortfalls. It makes very little sense to analyze the "size and trend" of revenue shortfalls without analyzing why they occurred.

In particular, Mr. Brevitz fails to correctly note that Big Rivers' 2012 off-system sales revenue was $46.6 million below what the Unwind model predicted for 2012. This shortfall, which was the result of market forces beyond Big Rivers' control, had an especially significant impact because Big Rivers has historically derived a significant portion of its margins from off-system sales, as discussed in the Rebuttal Testimony of Robert W. Berry, the length and depth of this downturn in off-system sales prices was unexpected, and Big Rivers does not expect this trend to continue.

IV. THE ATTORNEY GENERAL'S PROPOSAL TO ADJUST BIG RIVERS' ESTIMATED RATE CASE EXPENSES SHOULD BE REJECTED

Q. Should the Commission adopt the Attorney General's recommendation to make no changes in rates?

A. Absolutely not. Adopting the Attorney General's recommendation would have very unfavorable consequences for the reasons further discussed in the Rebuttal Testimony of Mark A. Bailey, Billie J. Richert, Robert W. Berry, and William K. Snyder.

Q. Should the Commission adopt the Attorney General's proposed Adjustment OAG-5-BCO to adjust Big Rivers' estimated rate case expenses?

A. Absolutely not. As noted in the Rebuttal Testimony of Mark A. Bailey, Big Rivers has requested the bare minimum to meet its debt service, continue funding an appropriately reduced scale of operations, and still have access to reasonable rates in the credit markets. Any adjustment, including the removal of reasonable rate case expenses, would have very unfavorable consequences for Big Rivers' ongoing financial integrity.

Moreover, the Attorney General's proposed adjustment has no legitimate factual support. For example, it seeks to disallow certain rate case expenses included in Big Rivers' application on the grounds that some of those expenses did not comply with a Commission order that had not yet issued when Big Rivers filed its application. It also seeks to disallow certain rate case expenses on the grounds that they have not yet been spent, despite the fact that the parties to this proceeding are still drafting testimony and the Commission has not yet held its final hearing. It also seeks to disallow certain rate case expenses on the grounds that they are not reasonably documented, speculative, or excessive.

As I discuss in more detail later, Big Rivers' rate case expenses are reasonable, well-supported, and not speculative. The Attorney General's attempts to justify a reduction in Big Rivers' rate case expenses are unfounded and should be rejected.

Q. Does Big Rivers obtain any surplus revenue or excess earnings as a result of its proposed rate increase?

A. No, Big Rivers is not requesting a revenue surplus, nor has it included excess earnings in its requested rates.

The Attorney General discusses a projected "revenue surplus" of $4.4 million, but that "surplus" only exists if the Attorney General's many adjustments are made. As I discuss above, and as other Big Rivers' witnesses discuss in their testimonies, the Attorney General's proposed adjustments are unsubstantiated and should be uniformly rejected.

Q. How does the Commission's January 29, 2013 Order in Case No. 2011-00036 (the "Rehearing Order")[2] affect Big Rivers' filings in this proceeding?

A. Mr. Ostrander acknowledges that he "relied on the Commission's specific criteria [in the "Rehearing Order"] as the rationale for removing some rate case expenses . . . ." (Ostrander Testimony, p. 58:10-11.) In his testimony's Table of Contents, he makes the unambiguous accusation that "BREC Did Not Comply with Prior Commission Order Regarding Excessive Attorney Fees." (*Id.* at p. i.) Mr. Ostrander neglects to mention, however, that the Rehearing

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[2] *In the Matter of Application of Big Rivers Elec. Cop. for a General Adjustment in Rates*, Ky. P.S.C. Case No. 2011-00036 (Jan. 29, 2013).

Order was issued <u>after</u> Big Rivers' application in this case was filed. Big Rivers obviously could not comply with an order that did not exist at the time.

Because the Rehearing Order had not yet been issued at the time of Big Rivers' application in this proceeding and only one day before responses to the Commission's initial data requests were due, Big Rivers did not yet know of any requirements pertaining to the filing of unredacted invoices or the justification of "highly compensated counsel." Since the issuance of the Rehearing Order, Big Rivers has provided and will continue to provide unredacted invoices as required by the Rehearing Order. Big Rivers will also satisfy, in my testimony that follows, the Rehearing Order's requirement to show that "use of highly compensated counsel was essential for the particular tasks being performed." (Rehearing Order, p. 6.)

Q. Has Big Rivers been attentive to the issue of legal and professional costs?

A. Yes, Big Rivers has always been attentive to the issue of legal and professional costs, as well as all other costs. Big Rivers addressed legal and professional costs and all rate case costs from the outset in planning for this rate adjustment filing.

The Commission should recognize that a rate case based on a fully forecasted test year is more factually complicated than a rate case based on a historical test year, and that the suspension period is one month longer. For these reasons, Big Rivers planned for more time from attorneys and consultants than it would have in a rate case presenting a historical test year. In addition, Big Rivers anticipated there would be several highly-active intervenors, and this expectation came to pass.

The volume of work required of Big Rivers in this proceeding cannot be overstated. As just one example, Big Rivers received an unprecedented number of data requests—more than 1600 requests, counting subparts, more than half of which came from the Attorney General. Because of the tremendous scope of this proceeding, Big Rivers continues to vigilantly monitor its legal and professional expenses to ensure that they remain reasonable.

Q. What steps has Big Rivers taken to ensure that its legal costs for this proceeding are reasonable?

A. Big Rivers has taken a common sense approach to the division of labor that has allowed it to efficiently perform all necessary work and provide all requested information on the timeline established by the Commission.

Internally, Big Rivers employs an in-house Regulatory Affairs Manager with significant experience in ratemaking proceedings. This employee is, in part, responsible for helping to control rate case fees by performing tasks such as ensuring filing compliance and performing document production in-house.

Externally, Big Rivers has relied heavily on regional counsel for the vast majority of the work in this proceeding. The use of multiple law firms, each playing a different role, has allowed Big Rivers to prosecute this case as efficiently as possible and keep costs reasonable.

Big Rivers continues to rely on Sullivan, Mountjoy, Stainback & Miller PSC ("SMSM") for primary legal support for this proceeding. To provide support for SMSM in what we knew would be a complex case with extraordinary demands, Big Rivers retained Dinsmore & Shohl ("Dinsmore"), a regional law firm with offices in Louisville, Frankfort, Lexington, and elsewhere throughout the region. Dinsmore's attorneys have experience with regulatory proceedings before the Commission, charge hourly rates that are comparable to other firms in Kentucky, and are located in close proximity to both Big Rivers and the

Commission, all of which allows Big Rivers to control its costs for legal counsel and travel while maintaining the necessary high level of legal expertise.

Big Rivers retained Hunton & Williams for a limited purpose with respect to a specialized subject on which they have been representing Big Rivers. Hunton & Williams had been representing Big Rivers on environmental issues that were raised in certain data requests. In the course of that representation, Hunton & Williams developed expertise and information specific to Big Rivers that made it uniquely suited to continue to advise Big Rivers on those issues. Accordingly, Big Rivers considers it reasonable and efficient to engage Hunton & Williams to assist in the preparation of Big Rivers' responses to that limited set of data requests.

Big Rivers retained Haynes and Boone, LLP ("Haynes Boone") to advise it on the highly specialized issues related to restructuring and bankruptcy that have been raised by the intervenors in this case. I will address Haynes Boone's fees in further detail later.

Big Rivers also retained Orrick, Herrington & Sutcliffe ("Orrick"), but only for a limited role in order to benefit from Orrick's deep knowledge and experience about issues related to the Unwind transaction, the smelter contracts, and Big Rivers' financing transaction. Orrick has previously represented Big Rivers on all these matters, and it is both efficient and prudent to use the same counsel to advise Big Rivers on these subjects as they relate to the rate case. As reflected in Table BCO-5 on page 56 of Mr. Ostrander's testimony, Big Rivers has greatly reduced the amount of ratemaking services it obtains from Orrick in order to reduce rate case expenses. I will address Orrick's fees in further detail below.

As an additional cost-cutting measure, Big Rivers no longer uses international law firm Hogan Lovells LLP for routine state regulatory work. In Big Rivers' last rate case, Big Rivers engaged Hogan Lovells for specialized work in preparation for the rate case, but had to rely on them for more routine tasks at their higher rate when the workload in the case became more than could otherwise be handled. As previously discussed, Big Rivers has engaged Dinsmore for that role in this case. Mr. Ostrander engages in naked speculation where he suggests that unused expenses will be paid to Hogan Lovells in the future. (Ostrander Testimony p. 53:21-33.)

Q. Are Orrick's legal fees in this proceeding reasonable and justified?

A. Yes. As noted above, Orrick has performed extensive, highly-specialized work for Big Rivers in the past on matters that either relate directly to this case or that have been raised in this case by intervenors in data requests. Big Rivers has called on Orrick for insight and advice that could not have been offered by any other legal counsel as efficiently and timely. Orrick was only used when it was "essential for the particular tasks being performed," as required by the Rehearing Order. (Rehearing Order, p. 6.) Orrick's limited role in this proceeding is corroborated by the invoices Big Rivers has provided to the Commission.

Q. Are Haynes Boone's legal fees in this proceeding reasonable and justified?

A. Yes. Haynes Boone is uniquely qualified to advise in the area of utility restructuring and bankruptcy. Its expert assistance has been necessary in allowing Big Rivers to efficiently and thoroughly understand, analyze, and respond to the serious issues raised by the intervenors regarding restructuring and bankruptcy. In other words, Haynes Boone is only used when it is "essential for the particular tasks being performed" related to this case as required by the Rehearing Order. (Rehearing Order, p. 6.)

Q. Were Big Rivers' legal charges prudently incurred?

A. Yes. As previously discussed, this case is critical to Big Rivers' financial viability. In addition, because it is a fully forecasted test year rate case involving multiple intervenors, the costs of the case are unavoidably higher than would be expected in an historical test year rate case. The workload in the case has been heavy and exacerbated by the changes in the procedural schedule to accommodate the late intervention of Sierra Club. The Attorney General alone has served more than 800 data requests on Big Rivers, counting subparts. Consequently, Big Rivers has required the services of the law firms discussed above in order to meet regulatory requirements and handle the volume of work product that must be timely produced and reviewed by Big Rivers.

Despite the high volume of critically necessary legal work, Big Rivers has engaged in ongoing efforts to ensure that its legal costs remain reasonable. Big Rivers thoroughly reviews invoices from legal counsel to ensure that only costs related to the rate case are included and that costs are not excessive. Mr. Ostrander acknowledges Big Rivers' attention to detail in his testimony where he points out that Big Rivers struck a line item that was accidentally included on a rate case invoice but which Big Rivers appropriately excluded from rate case expenses after reviewing the invoice. (*See* Ostrander Testimony, 64:4-13.) Counsel is careful to separate its rate case expenses from expenses related to other services, and the correction of this isolated clerical error serves only to emphasize the attention Big Rivers and its counsel give to this issue. Notably, Mr. Ostrander cites no other examples to support his insulting allegation that Big Rivers and counsel are conspiring to include expenses unrelated to the rate case in the expenses for this case.

At pages 64-65 of his testimony, Mr. Ostrander levels a number of false allegations regarding the prudence and reasonableness of Big Rivers' legal expenses. (Ostrander Testimony, pp. 64:1-65:15.)

First, Mr. Ostrander claims that attorneys billed an "unusual" amount of time on "internal" activities like docketing and attorney communications. (*Id.* at p. 64:15-26.) In the middle of that accusation, however, Mr. Ostrander admits that "sometimes other related issues are mixed in with these charges." (*Id.* at p. 64:18-19.) What Mr. Ostrander fails to realize is that when a time entry identifies internal communications in addition to other tasks, the time listed is not related solely to those internal communications; the time includes those other tasks, as well. Consequently, his testimony vastly overstates the amount of time counsel spent on these tasks. In addition to Mr. Ostrander's fundamental misunderstanding of the time entries, he fails to acknowledge that time spent on internal firm communications is critical to ensuring efficient case management and effective development of strategy. Similarly, the time entry pertaining to docketing and calendaring that Mr. Ostrander references ensured that counsel properly calculated and docketed dates based upon applicable regulations and statutes so that Big Rivers could ensure timely compliance with the numerous applicable deadlines. That time is not excessive because the work performed constituted reasonable measures to ensure Big Rivers' compliance with the law. Mr. Ostrander also incorrectly attributes to attorneys work that was performed by a paralegal. In doing so, he again overstates the amount of allegedly "unusual" fees.

Second, Mr. Ostrander questions whether or not there was a duplication of efforts between two firms. (*Id.* at p. 64:28-35.) It should be obvious that just as multiple attorneys in one firm may work on the same issue, multiple attorneys across different firms may work on the same issue if they are to work effectively as a team. Even where tasks can be neatly compartmentalized, the division of labor still requires coordination of effort. In this instance, there were discussions with co-counsel about depreciation, as it is an important issue in this case. Mr. Ostrander does not assert any specific facts supporting his fear that there may be unnecessary overlap because none exist.

Third, Mr. Ostrander states that charges for February are excessive. (*Id.* at p. 65:1-6.) February was, of course, the month in which Big Rivers was required to respond to the intervenors' initial sets of data requests and the Commission's second set of the data requests. As discussed above, the amount of work required to respond to these data requests was remarkable. The Commission's second set of data requests, counting subparts, constituted 124 requests. That number is significant, but it pales in comparison to the volume of requests served by the intervenors. In the initial sets of data requests to Big Rivers, counting subparts, the Attorney General issued 569 requests, KIUC issued 129 requests, Sierra Club issued 162 requests, and Alcan issued 22 requests. Even excluding subparts, those intervenors issued 279, 65, 33, and 16 requests, respectively. Thus, in February alone, Big Rivers provided responses, including attachments where appropriate, to 1,006 data requests, including subparts. Many of these responses required attorney review and highlighting for confidentiality, as well as oversight of the redaction process for preparation of the public versions of those documents. In the end, the data request responses Big Rivers prepared in February required preparing tens of thousands of pages for filing and service. Given the amount of time to address just the data requests, additional attorneys were forced to become involved to timely research legal and regulatory issues related to the data requests, confidentiality issues, case strategy issues, and opposition to the Sierra Club intervention. The numbers game that Mr. Ostrander plays in his calculations notably makes no attack on specific time entries, which were provided. Considering that Mr. Ostrander is testifying on behalf of the Attorney General that served more than 500 simultaneous data requests on Big Rivers in February, it is difficult to believe that Mr. Ostrander can plead ignorance as to the extent of Big Rivers' lawyers' time requirements that month.

Finally, Big Rivers proactively monitors and manages the workload of outside professionals. Big Rivers works closely with outside professionals to promote effective communication and timely completion of tasks. Internal staff develops and manages timelines in order to more efficiently produce deliverables required in this case. Internal staff also monitors the staff levels of outside professionals, ensuring appropriate reductions are made as workload for a specific deliverable tapers.

In short, to the extent that Mr. Ostrander accuses the attorneys of overbilling or providing unnecessary services, those allegations are false. Because Mr. Ostrander's accusations regarding the alleged unreasonableness of legal fees are unfounded, the Commission should disregard his testimony on these matters.

Q. Were Big Rivers' other professional charges prudently incurred?

A. Yes. Big Rivers retained Catalyst Consulting ("Catalyst") to provide various expert ratemaking services. Although Mr. Ostrander proposes reducing the rate case expenses related to Catalyst, he offers no legitimate reasons to support that proposal.

First, Mr. Ostrander confesses to his confusion about the estimated rate case expenses. Although Mr. Ostrander cites the hourly rate Catalyst charges for the services of its consultant, he does not contend that the hourly rate is unreasonable. (Ostrander Testimony, p. 67:6-7.) Instead, he states that he does not understand how Big Rivers estimated the Catalyst rate case expenses and he offers no authority whatsoever to suggest that the estimate is unreasonable. (*Id.* at p. 67:6-12.) As in previous cases, Big Rivers' use of Catalyst is reasonable. Big Rivers relied on the expertise of its consultants to efficiently and properly prepare its rate adjustment request. Big Rivers' overall estimate for Catalyst's expenses are reasonable in light of the fully forecasted test year used in this case and the heavy workload anticipated as a result of the actions of the intervenors.

Second, Mr. Ostrander engages in unsubstantiated speculation by suggesting that some of the estimated Catalyst rate case expenses "could be related to some of the other three services to be provided by Catalyst . . . ." (*Id.* at p. 67:14-18.) That accusation is false. Catalyst is careful to separate its rate case expenses from expenses related to other services. Mr. Ostrander points to no time entries that Catalyst inappropriately included as rate case expenses that were not, and again, Mr. Ostrander cites no authority whatsoever to support his insulting allegation that Catalyst and Big Rivers are conspiring to include inappropriate costs in the rate case expenses.

Third, Mr. Ostrander opines that "[t]he total fee . . . appears excessive for the types of services that Catalyst would be providing for this rate case." (*Id.* at p. 67:20-21.) That is the entirety of Mr. Ostrander's discussion on this issue. He hints at no authority or analysis that might support his unsubstantiated conclusion that the estimated cost "appears excessive."

Fourth, Mr. Ostrander suggests that "the attorneys may be including an up-charge for their services related to managing the contract with Catalyst, or for periodic supervision or review of Catalyst's work." (*Id.* at p. 67:23-29.) As an initial matter, fees incurred as part of a consultant's collaboration with attorneys in a complicated proceeding like this are clearly not unreasonable. Moreover, to the extent Mr. Ostrander suggests that Big Rivers' attorneys are marking up Catalyst's hourly rates, that accusation is patently false, as shown in both Catalyst's invoices and the attorneys' invoices that Big Rivers has provided. In addition, Mr. Ostrander again provides no facts whatsoever to support his testimony but instead resorts to vividly imaginary accusations of misconduct.

Because Mr. Ostrander's accusations regarding the alleged unreasonableness of Catalyst's professional services fees are unsubstantiated, the Commission should disregard his testimony on these matters.

Q. Are there any other flaws in the intervenors' testimony that undermine their proposed adjustment?

A. Yes. Mr. Ostrander ignores Commission precedent where he seeks disallowance of recovery for certain unspent legal fees associated with this rate case. While this is a legal issue, I understand this matter was briefed in rehearing of the 2011 rate case and that it is Commission practice to allow recovery, at a minimum, of reasonable expenses actually incurred through the month of the hearing.

V. <u>THE COMMISSION SHOULD DISREGARD THE ATTORNEY GENERAL'S ACCUSATIONS THAT BIG RIVERS' FORECAST IS A PRODUCT OF SUBTERFUGE AND POOR DECISION-MAKING</u>

Q. Does Mr. Ostrander make other accusations against Big Rivers in addition to those addressed above?

A. Yes, Mr. Ostrander devotes almost his entire testimony to accusing Big Rivers, its employees, its attorneys, and its professional service contractors, of various kinds of subterfuge, dishonesty, and poor decision-making. (*See* Ostrander Testimony, pp. 12-70.)

As with the accusations addressed above, Mr. Ostrander's other accusations are baseless and should be disregarded.

I will address in further detail below some of the issues raised by Mr. Ostrander's other accusations.

Q. Did Big Rivers timely provide audited financial statements as requested?

A. Yes. Big Rivers made its audited financial statements available as soon as practicable. Big Rivers has not delayed or withheld any audited financial statements, nor has it redacted any dates or other information as Mr. Ostrander suggests.

Q. Is Big Rivers required to identify which amounts are "known and measurable" for the purposes of this proceeding?

A. No. That is probably a legal issue, but it is my understanding that the "known and measurable" standard is not applicable to fully forecasted test year rate cases. As Big Rivers noted in its response to Item 65 of the Attorney General's initial set of data requests, the "known and measurable" standard is not applicable to forecast test year rate proceedings under Kentucky law or the Commission's regulations. Consequently, identifying "known and measurable" costs is irrelevant to this proceeding which, by its very nature, is based on forecasts. Not only would such an attempt at identification not facilitate an objective evaluation of Big Rivers' requested rate adjustment, it would likely only generate confusion. In addition, requiring Big Rivers to meet a legal standard that does not apply to this proceeding would impose an unfair regulatory burden that would result in an unnecessary increase in the costs of this case.

In a historical test year, all unadjusted test year values are "known and measurable" because they are actuals; the known and measurable standard then applies to the proposed pro forma adjustments in that instance in order to place any such adjustments on equal footing with the unadjusted test period values. In a forecast test year, all of the unadjusted test year values and the proposed pro forma adjustments are already on equal footing – they are all projections. For these reasons, the distinctions that Mr. Ostrander demands are not applicable or meaningful.

As explained above and in the rebuttal testimony of Big Rivers' other witnesses, Big Rivers' forecast is supported by a significant amount of data, and is reasonable. Big Rivers' unwillingness to make inapplicable distinctions does not constitute in any way an impediment to an objective review of the filing.

Mr. Ostrander is aware of Big Rivers' position, and he even references it in his testimony. (Ostrander Testimony, p. 16:8-16.) Nevertheless, he accuses Big Rivers of imposing "a clear roadblock intended to impede an objective evaluation of BREC's filing." (*Id.* at p. 16:5-20.) Once again, he cites no authority to support his accusation. The Commission should disregard this accusation.

Q. Are Big Rivers' proposed rates intended to be fair, just, and reasonable?

A. Yes. Because Big Rivers is a member-owned cooperative (as opposed to an investor-owned entity), there is no profit motivation for Big Rivers to impose unfair rates on the ratepayers. Big Rivers' proposed rates have been calculated to provide required revenue in light of the forecasted decrease in load. This will prevent the intervenor-encouraged bankruptcy that would only benefit the bankruptcy professionals who would receive tens of millions of dollars of fees, and it is further addressed in the Rebuttal Testimony of Mark A. Bailey, the Rebuttal Testimony of Billie J. Richert, and the Rebuttal Testimony of Robert W. Berry.

Q. Has Big Rivers provided historical information that will aid the Commission in evaluating the reasonableness of the proposed rate adjustment, the impact of Century's termination, employee pay raises, and other related information?

A. Yes. As further described in the Rebuttal Testimony of John Wolfram and James V. Haner, Big Rivers has provided all relevant data it has reasonably available, including all available forecast data regarding the Century termination. Big Rivers also provided the historical pay data as indicated in its responses to the corresponding data request(s). For example, in the attachment for the response to AG 1-253, Big Rivers provided the percentage increase in salary for all classes of employees, including management. As stated in that response, the increases are provided for in Big Rivers' compensation plan.

As Big Rivers has explained, certain data is not available and therefore cannot be provided. For example, as Big Rivers explained in response to PSC 1-32, Big Rivers was unable to provide payroll data for 2009 and prior years. Similarly, the Century termination has not yet occurred. Consequently, there is currently no "actual" data about the termination's impact. This is further described in the Rebuttal Testimony of John Wolfram.

The data that Big Rivers provided is sufficient to enable a company-wide evaluation of the reasonableness of its proposed rates, the likely impact of Century's termination, compensation decisions, and other related issues.

Q. Did Big Rivers provide an accurate forecast of its budget for the test period?

A. Yes, Big Rivers has provided a reasonable budget forecast based on its sound budgeting process. Although there are some variances, this is true in any budgeting process, and the Attorney General exaggerates the effects of these variances. This is further discussed in the Rebuttal Testimony of Robert W. Berry.

Q. Has Big Rivers adjusted for the additional revenue added in the prior rate case in the Rehearing Order?

A. Yes; this adjustment has been made in Big Rivers' rebuttal testimony. This update is described further in the Rebuttal Testimony of John Wolfram.

Q. Does Big Rivers seek to recover only rate case expenses properly related to this rate case?

A. Yes. As I discuss in detail above, there is absolutely no support for the allegation that Big Rivers is seeking to recover legal and consultant fees unrelated to ratemaking as part of its rate case costs. Big Rivers understands its obligations to the Commission and its members, and it is absolutely not seeking recovery of legal or consulting fees unrelated to the rate case as part of rate case costs.

Q. Do any of the costs incurred for American Management Consulting LLC ("AMC") that Big Rivers seeks to recover as rate case costs include lobbying expenses?

A. No. Although AMC provides a range of services to Big Rivers, only the portion of AMC's fees attributable to work AMC performed related to this case are included in the rate case costs Big Rivers seeks to recovery. None of those costs include lobbying expenses.

VI. <u>CONCLUSION</u>

Q. Do you have any final comments?

A. Yes. Big Rivers' requested rates are fully supported by data and include only reasonable expenses properly included in the rate. They are fair, just, and reasonable under the totality of circumstances. The Attorney General's proposed adjustment OAG-5-BCO is unsupported and should be disregarded. Similarly, the Commission should disregard the Attorney

General's many inflammatory accusations and innuendo about the conduct of Big Rivers, its employees, its attorneys, and its professional service contractors, because the accusations are entirely baseless. The Commission should grant the rate adjustments Big Rivers seeks in this matter.

Q. Does this conclude your testimony?

A. Yes.

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES CASE NO. 2012-00535

VERIFICATION

I, DeAnna M. Speed, verify, state, and affirm that I prepared or supervised the preparation of my rebuttal testimony filed with this Verification, and that testimony is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

DeAnna M. Speed

DeAnna M. Speed

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by DeAnna M. Speed on this the 19th day of June, 2013.

Paula Mitchell

Notary Public, Ky. State at Large
My Commission Expires 1-12-17

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES	)))	Case No. 2012-00535

REBUTTAL TESTIMONY

OF

LINDSAY N. BARRON
VICE PRESIDENT, ENERGY SERVICES

ON BEHALF OF

BIG RIVERS ELECTRIC CORPORATION

FILED: June 24, 2013

REBUTTAL TESTIMONY
OF
LINDSAY N. BARRON

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REBUTTAL TESTIMONY

OF

LINDSAY N. BARRON

I. INTRODUCTION

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

A. My name is Lindsay N. Barron. I am employed by Big Rivers Electric Corporation ("Big Rivers"), 201 Third Street, Henderson, Kentucky 42420, as Vice President, Energy Services.

Q. Are you the same Lindsay N. Barron who provided direct testimony in this proceeding?

A. Yes.

II. PURPOSE OF TESTIMONY

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

A. This testimony rebuts testimony submitted by witnesses for the Attorney General of the Commonwealth of Kentucky, by and through its Office of Rate Intervention ("AG"), the Kentucky Industrial Utility Customers, Inc. ("KIUC"), and the Sierra Club ("Sierra Club"). Specifically, I will explain why Big Rivers' load forecast data for the forecasted test period is accurate and appropriate for setting rates and should be relied upon by the Commission for this proceeding. I will further explain Big Rivers' position on price elasticity and its impact on the load forecast.

III. INTERVENOR ASSESSMENT OF BIG RIVERS' LOAD FORECAST

Q. Mr. Larry W. Holloway, for the Attorney General, indicates that Big Rivers assumes very little growth in the industrial load and an increasing load in the rural class. He indicates these assumptions appear questionable when comparing forecast data to historical data. (Holloway Testimony, p. 22:14-18.) How do you respond?

A. In his testimony, Mr. Holloway is comparing non-weather-normalized actuals with forecasted weather-normalized projections. The comparison made has no value. Customer loads, especially in the rural customer class, are profoundly sensitive to weather. Comparing non-weather-normalized and weather-normalized values and drawing conclusions on such comparisons is meaningless.

Q. Mr. Holloway argues that it is ironic that Big Rivers hopes to make up the loss of Century load with the addition of industrial customers, yet only forecasts growth for Rural demand and energy. (Holloway Testimony, p. 28:6-8.) How do you respond?

A. Big Rivers relied on the RUS-approved (July 2012) load forecast for its filing in this case. Due to the uncertainty regarding the timing and volumes of replacement load, Big Rivers did not make adjustments in this forecast for the purpose of this rate case. As discussed throughout this filing, the projections for replacement load are expected to take several years, thus the impacts are outside of the applicable test period for this rate proceeding.

Q. Mr. David Brevitz, for the Attorney General, speculates that Big Rivers' proposed rates will not necessarily recover the calculated revenue deficiency due to price

elasticity of demand, noting that Big Rivers did not give consideration to customer consumption changes that may result from the specific rate increase proposed in this case. (Brevitz Testimony, p. 39:5-15.) How do you respond?

A. As discussed before, Big Rivers relied on the RUS-approved load forecast for this case. Due to time constraints surrounding the preparation and filing of this proceeding, Big Rivers did not have adequate time to prepare an entirely new load forecast that incorporated the price elasticity specifically associated with this rate increase. Instead, Big Rivers updated the most recently-approved load forecast with all of the data that could, with reasonable diligence, have been included at the time this case was prepared and filed.

Big Rivers' mission is to safely deliver reliable, low-cost power to its Members. While including the price elasticity specifically associated with this case may provide an increase in Big Rivers calculated revenue deficiency, Big Rivers chose to wait and address this issue in greater specificity in Case No. 2013-00199 rather than make an arbitrary estimation for this case and risk over-collecting from its Members.

Furthermore, the time period between the effective date of the rates proposed in this case (August 20, 2013) and the effective date of the rates proposed in Case No. 2013-00199 (January 31, 2014) is only a few months, as I describe further below, so the risk that Mr. Brevitz describes is minimal.

Q. For the Sierra Club, Mr. Frank Ackerman cites comments on Big Rivers' load forecast, as noted in the report by the Commission Staff in Big Rivers' 2010 IRP. (Ackerman Testimony, p. 10:3-21.) Specifically, the Commission comments relate to Big Rivers updating its load forecast only biennially, not incorporating the

effects of new environmental regulations, and not running sensitivity analyses. How do you respond?

A. As Big Rivers has previously committed to the Commission, Big Rivers will incorporate the Commission's suggestions in its next IRP filing. Big Rivers is not currently aware of any new environmental regulations that will materially impact rates in the test period. The sensitivity analyses discussed by Mr. Ackerman, however, are more appropriately considered in the context of a resource planning analysis, which compares the least-cost nature of several resource options under different modeling assumptions. No such comparison is required in this case; it is not a resource planning analysis but instead is a rate case utilizing a fully forecasted test period. The "sensitivities" Mr. Ackerman notes are not applicable here because Big Rivers is not choosing between resource alternatives but instead is seeking to establish rates based on its forecast of revenues and expenses involving existing facilities. Big Rivers has developed a prudent, USDA-RUS approved forecast that should be relied upon by the Commission for this proceeding.

Q. For the KIUC, Mr. Lane Kollen criticizes Big Rivers for not reflecting reductions in customer usage and revenues as a result of the size of the rate increase in the test year revenue requirement. (Kollen Testimony, pp. 54:17-56:15.) How do you respond?

A. As previously discussed, Big Rivers will address this issue in a future filing with the Commission. Big Rivers decided to take time to analyze the impacts of this increase, rather than inventing arbitrary assumptions about customer consumption decline that would further increase the rates to its Members.

Q. Have any of the intervenors performed studies or analyses on their own or acquired any studies from reputable outside sources to support their claims regarding the Big Rivers load forecast?

A. No. Mr. Holloway indicates that he did not perform an alternative load forecast but reviewed the forecast used by Big Rivers. (Holloway Testimony, p. 22:12-13.) Mr. Brevitz makes no mention of an alternate study in his testimony. Neither Mr. Kollen nor Mc. Ackerman prepared a load forecast.

IV. BIG RIVERS' FORECASTED TEST PERIOD IS ACCURATE AND APPROPRIATE FOR SETTNG RATES

Q. Did Big Rivers perform credible studies in the process of developing its load forecasts?

A. Yes. Big Rivers' load forecast process is discussed on pages 5-8 of my direct testimony submitted in this proceeding. Big Rivers load forecast process is rigorous and utilizes the expertise of GDS Associates, who performs similar analyses for a number of other electric utilities throughout the country.

Q. Would you please describe how frequently load forecasts are developed and updated?

A. As discussed in my direct testimony, Big Rivers formally updates its load forecast, in collaboration with GDS Associates, every two years as required by the Code of Federal Regulations. Big Rivers' load forecast is also updated on an as-needed basis as material changes become known.

Q. Would you please explain why the price elasticity included in the forecast is reasonable?

A. Big Rivers' load forecast provides a reasonable projection of both rural and industrial load. The forecast is further supported by the following facts:

i. Timing of rate case prohibited a new price elasticity study.

Due to the urgent filing timeline necessitated by Century's termination, Big Rivers did not have adequate time to prepare a comprehensive forecast which incorporated the price elasticity of rural customer demand and energy associated with this rate adjustment. Big Rivers believes that industrial load will not respond in the same manner as rural load. Rural customers can change their consumption by making small changes, such as changing their thermostat settings; however, large industrial customer changes are process-driven and require significant changes in business practices that cannot usually be quickly implemented.

ii. The rates from this proceeding will be in effect for a short term (August 20, 2013 – January 31, 2014).

Because these rates will be in effect for a short period of time, any applicable price elasticity concerns will be better addressed in a future filing with the Commission.

iii. Price elasticity of demand is not instantaneous.

Because the ratepayer response to price increases will not be instantaneous, the load projections used in this filing are reasonable. Customer response to price increases will not occur overnight; thus, the test period for this filing would only be slightly impacted by rural customer response.

V. CONCLUSION

Q. What are your recommendations regarding the intervenors' concerns and Big Rivers' load forecast?

A. The AG's and KIUC's concerns regarding Big Rivers' load forecast are unsubstantiated generalizations and should be disregarded. The concerns cited by the Sierra Club dealt primarily with the Commission's desire for additional sensitivities in the IRP filing.

The load forecast information utilized in Big Rivers' forecasted test period is reasonable and appropriate for setting rates that will become effective on August 20, 2013, and it should be accepted.

Q. Does this conclude your testimony?

A. Yes.

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535

VERIFICATION

I, Lindsay N. Barron, verify, state, and affirm that I prepared or supervised the preparation of my rebuttal testimony filed with this Verification, and that testimony is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Lindsay N. Barron
Lindsay N. Barron

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Lindsay N. Barron on this the 18 day of June, 2013.

Joy P. Wright
Notary Public, Ky. State at Large
My Commission Expires________

Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES	)))	Case No. 2012-00535

REBUTTAL TESTIMONY

OF

JAMES V. HANER
VICE PRESIDENT ADMINISTRATIVE SERVICES

ON BEHALF OF

BIG RIVERS ELECTRIC CORPORATION

FILED: June 24, 2013

REBUTTAL TESTIMONY
OF
JAMES V. HANER

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REBUTTAL TESTIMONY
OF
JAMES V. HANER

I. INTRODUCTION

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

A. My name is James V. Haner. I am employed by Big Rivers Electric Corporation ("Big Rivers"), 201 Third Street, Henderson, Kentucky 42420, as Vice President Administrative Services.

Q. Are you the same James V. Haner that submitted direct testimony in this proceeding?

A. Yes.

II. PURPOSE OF TESTIMONY

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

A. The purpose of my rebuttal testimony is to respond to the testimony of Mr. Bion C. Ostrander filed on behalf of the Office of the Attorney General by and through his Office of Rate Intervention ("Attorney General"). In particular, I will (i) address the criticisms of Mr. Ostrander regarding Big Rivers' employee compensation; (ii) explain why the Commission should reject Adjustment OAG-2-BCO to adjust officer, management, and non-management compensation; and (iii) explain why the Commission should reject Adjustment OAG-6-BCO to reduce the amount of payroll expensed.

III. EMPLOYEE COMPENSATION

Q. In his direct testimony, Mr. Ostrander repeatedly asserts that Big Rivers has failed to provide payroll data. For example, he states that Big Rivers has refused to provide certain historical data, including the historic information to determine how much of the "significant pay increases awarded during and after the Commission's decision in the Unwind Case" are reflected in forecasted amounts in this case. (Ostrander Testimony, p. 18:5-25.) How do you respond?

A. Big Rivers has provided the information requested to the extent it was available and relevant to the revenue requirement set out in the forecasted test period.

In AG 1-253, the Attorney General requested base salaries and wages for each employee for 2012 and all adjustments and raises to arrive at payroll costs included in the base period and forecasted test period. Big Rivers explained in its response that Big Rivers' labor data for the base period and forecasted test period is not employee-specific, and thus it was not possible to provide the requested data for each employee. Big Rivers did provide, as requested in AG 1-253(b), the average increase for officers, management, non-management, and union employees for the periods 2009 to 2013, and the range of pay raise percentages for each of those employee groups. Mr. Ostrander states that Big Rivers did not provide the amount of increase by officer or employee in the response to AG 1-253(b), but he omits that this information was not requested in the cited data request. (Ostrander Testimony, p. 28 n. 14.)

Q. Mr. Ostrander states that Big Rivers would not provide specific information regarding the amount of pay increases by officer/employee in 2009, and would not

provide the amount of the one-time retention bonus paid in 2010. (Ostrander Testimony, p. 28:13-16.) How do you respond?

A. Mr. Ostrander's claim is misleading. In response to requests for payroll information in this case, Big Rivers has explained that the level of detail sought was unavailable for 2009 and 2010, due to inaccessibility of the Oracle 11i information system environment provided by E.ON pursuant to a contract that terminated January 15, 2011, at which time Big Rivers transitioned to Oracle 12. This same explanation was provided in Big Rivers' last rate case. See Big Rivers' responses to PSC 1-27 in Case No. 2011-00036 and to AG 1-76 in this proceeding.

In its response to AG 2-56 regarding the retention program, Big Rivers noted that the bonus paid in 2010 is not included in Big Rivers' revenue requirement in this case, nor was it included in Case No. 2011-00036. Because the amounts are not included in the revenue requirement, Big Rivers' attorneys objected to the request to provide the retention amount paid to each employee as unduly burdensome and not reasonably calculated to lead to discovery of admissible evidence.

Q. Mr. Ostrander states that Big Rivers has not provided any explanation or supporting documentation for its significant pay increases in 2009 and other years with a compensation study or a comparison of its salaries to similar companies in the market. (Ostrander Testimony, p. 42:1-6.) He specifically states that Big Rivers did not provide the information requested in AG 1-254, and had instead referred to PSC 1-33 and findings from the Towers Watson Competitive Market Assessment Review completed in 2012. (*Id.* at p.42:15-18.) How do you respond?

A. In AG 1-254, Big Rivers was requested to: (i) identify the most recent date that it (or an outside consultant) compared its employee compensation levels to publicly available or other compensation studies; (ii) provide a copy of the studies used for comparison, the report or analysis and its findings, and all assumptions underlying the review; (iii) explain the results of the findings; and (iv) identify all increases in payroll that were implemented as a result of the review. In PSC 1-33, Big Rivers was requested to provide a copy of all wage, compensation, and employee-benefits studies, analyses, or surveys conducted since Big Rivers' last rate case, or that are currently utilized by Big Rivers. A similar request was made of Big Rivers in PSC 1-35 in Case No. 2011-00036.

Big Rivers provided what was requested in AG 1-254 by: (i) referencing the response to PSC 1-33 which included the Towers Watson review, Big Rivers' most recent compensation study; (ii) explaining that Big Rivers had used the findings to re-establish its salary structure, resulting in an overall structure adjustment (increase) of 2.6%; and (iii) explaining that 10 individuals had received an increase as a result of grade reassignment for their position.

Q. In regard to his review of the Towers Watson report provided in response to PSC 1-33, along with other information, Mr. Ostrander states that he did not see any detailed studies or supporting documentation that justified the significant pay increases in 2009 and 2011 for Mr. Bailey and Mr. Berry, or adequate supporting documentation to fully assess and evaluate the reasonableness of their compensation levels in comparison to market, and that, in total, Big Rivers did not

provide any information that supported the current pay levels of Mr. Bailey and Mr. Berry. (Ostrander Testimony, p. 43:3-12.) How do you respond?

A. Mr. Ostrander's statements appear to pertain to Big Rivers' response to AG 1-254. As I discuss above, Big Rivers provided the information requested in AG 1-254, but the information requested does not yield the 2009 and 2011 data Mr. Ostrander refers to in his remarks.

Mr. Bailey's current pay level is the result of a 2% adjustment made on January 2, 2011, which adjusted the base pay rate set for him by Big Rivers' Board on August 16, 2009. The August 16, 2009 rate was based on the results of a study performed by NRECA's National Consulting Group at the Board's request. The August 2009 correspondence reporting the results of that review was provided to the Commission in response to PSC 1-35 in Case No. 2011-00036.

Mr. Berry's pay was adjusted on January 2, 2012, by the 2.6% structure adjustment made following the Towers Watson review. On January 2, 2013, he received the 2.25% structure adjustment approved by the Board in the annual review of the structure performed in December 2012. The January 2, 2012 adjustment was made with respect to pay set on January 2, 2011, which included the 2% structure adjustment approved for 2011, plus an additional adjustment in recognition of the expanded role he was to take in the organization going forward. The January 2, 2011 adjustment to Mr. Berry's pay was the first since his July 17, 2009 hire date.

Q. Mr. Ostrander describes Big Rivers' pay increases as "significant" (Ostrander Testimony, p. 18:17), "substantial" (*Id.* at p. 25:10), "generous" (*Id.* at p. 25:16),

"questionable" (*Id.* at p. 24:13), and "unusually significant and questionable" (*Id.* at p. 37:15-16). How do you respond?

A. As explained in Big Rivers' response to AG 1-253(b), pay raises for non-union employees include increases as a result of: (i) the annual salary structure review, including any overall adjustment to the structure itself and any grade changes or salary adjustments determined appropriate from the review; and (ii) salary progression increases as called for in the compensation program, for those employees who have not advanced to the target rate within the grade for their classification. The compensation program provides for salary progression or qualification increases of up to 3% every six months until the individual advances to his or her target rate, provided he or she demonstrates satisfactory performance and advancement of skills.

It appears from Mr. Ostrander's testimony that he defines significant pay increases as those greater than what he refers to as routine or normal cost-of-living increases of 1% to 3.5% per year. Big Rivers' structure adjustments for 2009-2013, were 3.5%, 0.0%, 2%, 2.6%, and 2.25%, respectively.

The pay increases Mr. Ostrander addresses in his proposed adjustment OAG-2-BCO are those shown for 2009 and 2011 in the attachment to Big Rivers' response to AG 1-253(b) that are greater than 3.5%, specifically the 2009 increases for all non-union employee groups and the 2011 increases for the officer and management groups.

Mr. Ostrander's proposal to remove adjustments approved as part of the revenue requirement in previous cases is inappropriate. Having said that, Big Rivers notes the following:

Mr. Ostrander names three individuals that he characterizes as "the primary beneficiaries" of the officer pay raises in 2009. (Ostrander Testimony, p. 29:5-8.) With regard to the two officers in 2009, Mark Bailey and Bill Blackburn, their pay was adjusted on August 16, 2009 and July 17, 2009, respectively, in recognition of the expansion of responsibilities that Big Rivers undertook at the closing of the Unwind, when Big Rivers moved from a transmission-only utility to a generation and transmission (G&T) utility. Mr. Blackburn's increase was based on the 75th percentile for G&Ts nationally, to recognize Big Rivers' new size relative to that group. Mr. Blackburn is no longer employed by Big Rivers, and his salary is not included in the forecasted test period. Mr. Bailey's pay was set by Big Rivers' Board based on the results of a study performed by NRECA's National Consulting Group at the Board's request. With respect to the third individual, Bob Berry, he was hired on the Unwind closing date of July 17, 2009, and he received no pay increase in 2009.

The increase shown for the management group in 2009 is greater than the 3.5% structure adjustment due to three individuals in that group having received salary progression increases, one having received a promotion, and two having received an adjustment due to Big Rivers becoming a G&T on the Unwind closing date.

The increase shown for the non-management group in 2009 is greater than the 3.5% structure adjustment due to 23% of those individuals in the group having received salary progression increases.

With regard to the two officers' pay raises in 2011 addressed by Mr. Ostrander, both Mr. Bailey and Mr. Blackburn received the 2% structure adjustment for 2011. Mr. Blackburn received an additional adjustment in recognition of his significant responsibilities in the organization, but again, Mr. Blackburn's salary is not included in the forecast. Bob Berry, shown in the management group in 2011, also received the 2% structure adjustment, and an additional adjustment in recognition of the expanded responsibilities he was to take in the organization going forward.

The management group's percentage increase in 2011 was greater than the 2% structure adjustment because of the impact of Mr. Berry's increase as well as the impact of eight individuals in the group who received salary progression increases and four who received adjustments to achieve or maintain rates relative to G&Ts nationally.

Big Rivers' pay adjustments, as explained above, were reasonable, contrary to Mr. Ostrander's inferences otherwise.

Q. **Throughout his testimony, Mr. Ostrander accuses Big Rivers of choosing pay increases over maintenance. For example, he asserts that Big Rivers cannot be trusted to use additional revenue requirements to pay for priority maintenance and may instead use them for self-serving actions related to compensation. (Ostrander Testimony, p. 32:4-7.) How do you respond?**

A. Mr. Ostrander has attempted to correlate a pay number he has devised with a number he states the Commission allowed Big Rivers in the last rate case to use for deferred maintenance. There is no such correlation, but he has used that contrivance to make unfounded claims and aspersions against Big Rivers. Performing necessary maintenance and maintaining an appropriately competitive compensation program are not mutually exclusive. They are both costs of doing business, and revenues over the long run must be sufficient to cover those costs if a business is to continue. In the short run, a business may be able to defer one or the other or both, but it can do neither over the long run. In my 15 years of experience in the establishment and review of the salary structure at Big Rivers, I know of no employee who, singly or as part of a group, has set his or her pay. I am therefore at a loss to understand who it is that Mr. Ostrander alleges or charges is choosing his or her own pay raises over performing maintenance. I am not aware of any officer or manager who has had or has made that choice.

Q. Mr. Ostrander includes incentives/bonuses as significant pay increases in Table BCO-1 that he states can be argued as having been subsidized and reimbursed by money the Commission allowed Big Rivers to recover in the 2011 rate case to complete deferred maintenance, but that Big Rivers used instead to reward itself. (Ostrander Testimony, p. 24:11-13.) He states that it appears the bonuses were passed along to ratepayers by the Company sometime between 2009 through 2012. (*Id.* at p. 28:1-5.) He states that it appears Big Rivers has been careful to not include any significant one-time increases in its forecasted test period, which is perhaps an attempt to avoid scrutiny in this rate case for these important payroll increase issues. (*Id.* at p. 28:10-13) He states that a policy argument could be made that money for deferred maintenance has been used by Big Rivers to finance, and even promote, significant incentive and bonus payments in 2011,

2012, and the base period. (*Id.* at p. 31:8-13.) He suggests that these alleged concerns could support a policy decision to withhold revenue requirements in this rate case. (*Id.* at p. 31:13-16.) How do you respond?

A. The incentives/bonuses Mr. Ostrander has listed in his Table BCO-1 include incentive gain sharing pay under Big Rivers' compensation program, as well as Christmas bonuses. Neither one is included in the revenue requirement in this or any prior rate case. The incentive program was discussed in detail in response to AG 2-57. As explained in that response, the program is designed to be self-funding through either lower expenses or higher non-member revenues, and as explained in the Rebuttal Testimony of Mr. Robert W. Berry, planned maintenance expense reductions to meet TIER requirements are adjusted for in calculating any payout. The member distribution cooperatives receive 90% of the savings (through lower cost per member kWh billings) and plan participants share 10% of the savings.

If one assumes Mr. Ostrander is aware of the self-funding nature of the incentive gain sharing program, and that incentive payouts and Christmas bonuses are not included in the revenue requirement, then his accusations about Big Rivers financing these costs by deferring maintenance, passing these costs along to ratepayers, and not including them in the revenue requirement to avoid scrutiny and review in this case, appear to be made only to disparage Big Rivers' management and mislead the Commission with allegations that Mr. Ostrander knows, or should know, are not true.

Q. In his adjustment OAG-2-BCO, Mr. Ostrander is proposing to remove certain pay increases/raises. How do you respond?

A. Upon review of Mr. Ostrander's testimony (Ostrander Testimony, pp. 34-41; Exhibit BCO-2 Schedule A-3), the following is known in regard to his adjustment OAG-2-BCO:

Mr. Ostrander would have the Commission reduce the revenue requirement attributed to Mr. Bailey's compensation such that his pay would be reduced to 71% of his current rate, and his vehicle allowance would be eliminated. Since Mr. Bailey's current rate is comparable to the market value reported by NRECA's Consulting Group in August 2009, Mr. Ostrander's proposal is unreasonable. Furthermore, it is reasonable to offer a vehicle allowance for a President & CEO that, like Mr. Bailey, travels extensively on behalf of the company he leads.

Mr. Ostrander would have the Commission reduce the revenue requirement attributed to Mr. Berry's compensation such that his pay would be reduced to 64% of his January 2, 2013 rate and 11% less than his pay rate on July 17, 2009, the day he was hired, and would eliminate his use of the company vehicle he is assigned. Mr. Ostrander's suggestion is unreasonable. Mr. Berry's compensation is reasonable in light of his significant responsibilities within Big Rivers, which have increased significantly since July 2009. Furthermore, it is reasonable to offer use of a company vehicle to an employee like Mr. Berry who travels extensively on behalf of his employer.

Mr. Ostrander would have the Commission reduce the revenue requirement by the $1,129,395 he has attributed to the pay increases shown for the management and non-management groups in 2009, and the increase shown for the management group in 2011. As explained above, these increases were reasonable. They are the result of actions called for in Big Rivers' compensation program in order to maintain an appropriately competitive market position.

Mr. Ostrander would have the Commission reduce the revenue requirement by the amounts associated with the 2.25% structure adjustment increases for January 2, 2013 and January 2, 2014, the former having already occurred, and the latter having been forecasted. He has proposed removal of these increases in spite of the fact they are within the range that Mr. Ostrander characterizes as normal. Mr. Ostrander states he has removed the January 2, 2014 forecasted increase because it is not known and measurable at this time. Big Rivers is at a loss to understand his argument, given that the revenue requirement in this case is based on a forecasted test period. This issue is discussed further in the Rebuttal Testimony of Mr. Robert W. Berry.

Mr. Ostrander attempts to further support his proposed removal of the January 2, 2013 and January 2, 2014 increases by arguing that pay increases in the past have been sufficient and significant, and that Big Rivers should not be rewarded for withholding payroll data from the Attorney General and others. (Ostrander Testimony, p. 40:14-18.) As explained above, Big Rivers has provided the information requested to the extent it was available and relevant to the revenue requirement set out in the forecasted test period. Big Rivers is confounded by the illogic of Mr. Ostrander's apparent argument that because Big Rivers' employees received increases in the past, they should not receive increases in the future.

Q. What is your recommendation regarding OAG-2-BCO where Mr. Ostrander proposes payroll reduction adjustments totaling $2,364,579?

A. Mr. Ostrander's recommendation to adopt Adjustment OAG -2-BCO should be rejected.

IV. PROPOSED ADJUSTMENT TO REDUCE THE PERCENT OF PAYROLL EXPENSED TO HISTORICAL LEVELS

Q. Mr. Ostrander proposes an adjustment to reduce the forecasted test period payroll expense $555,308 to the average percentage of payroll expensed for the three most recent "actual" historical periods. (Ostrander Testimony, p. 68:5-8.) Is this an appropriate recommendation?

A. No. Labor division between expense and capital expenditures is not based upon historical trends. It is typically based upon specific operational and capital related business needs in a given year which are identified through a utility's business planning and budgeting processes. Establishing this split solely based upon historical trends without considering current business capital planning would introduce errors in Big Rivers' forecasting and planning processes.

Q. Why is Big Rivers' percentage of payroll to be expensed in the forecasted test period increasing?

A. In its response to AG 1-77, Big Rivers explained that the percent of payroll capitalized each year depends on the level of internal labor expended in regard to non-O&M work. In its response to AG 2-55, Big Rivers explained that the percentage of payroll capitalized varies from year to year, depending upon the number and amounts of more internal-labor-intensive projects. In both responses, Big Rivers referred the Attorney General to the testimony of Mr. David G. Crockett, Tab 67, pages 5 and 6, for the derivation of capital costs included in the budget. In his direct testimony, Mr. Crockett explained the development of the capital budgets, including the estimation of costs anticipated to be incurred on construction projects identified in its construction work plan, using the most up-to-date implementation schedules available. He notes the decrease in the construction budget for 2013 versus 2012, and for 2014 versus 2013, and that due to the variability in the number, timing, and scope of required construction projects, year-to-year comparisons are of limited significance. Big Rivers' percentage of payroll expensed in the test year is larger and the percentage capitalized is less than the historical periods Mr. Ostrander refers to, because the internal labor estimated to be expended on budgeted/forecasted construction projects is less than that expended in those historical periods.

Q. What is your recommendation regarding OAG-6-BCO where Mr. Ostrander proposes to reduce payroll expensed in the forecasted test period by $555,308 to reflect historical levels?

A. Mr. Ostrander's recommendation to adopt OAG-6-BCO should be rejected.

V. <u>CONCLUSION</u>

Q. What is your recommendation regarding Mr. Ostrander's proposed adjustments in this case?

A. The Commission should reject Adjustment OAG-2-BCO to adjust officer, management, and non-management compensation, because it would result in reductions that are irrational, imprudent, and not supported by reason or the market. The Commission should reject Adjustment OAG-6-BCO to reduce the amount of payroll expensed because it is unsupported and would introduce errors into the forecast. The

Commission should approve the forecasted compensation expense included in the revenue requirement in this case.

Q. Does this conclude your testimony?

A. Yes.

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535

VERIFICATION

I, James V. Haner, verify, state, and affirm that I prepared or supervised the preparation of my rebuttal testimony filed with this Verification, and that testimony is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

James V. Haner

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by James V. Haner on this the 19th day of June, 2013.

Paula Mitchell
Notary Public, Ky. State at Large
My Commission Expires 1-12-17

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES	)))	Case No. 2012-00535

REBUTTAL TESTIMONY

OF

JOHN WOLFRAM
PRINCIPAL
CATALYST CONSULTING LLC

ON BEHALF OF

BIG RIVERS ELECTRIC CORPORATION

FILED: June 24, 2013

REBUTTAL TESTIMONY
OF
JOHN WOLFRAM

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REBUTTAL TESTIMONY
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JOHN WOLFRAM

I. INTRODUCTION

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

A. My name is John Wolfram. I am the Principal of Catalyst Consulting LLC. My business address is 3308 Haddon Road, Louisville, Kentucky, 40241.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of Big Rivers Electric Corporation ("Big Rivers").

Q. Are you the same John Wolfram that provided direct testimony in this proceeding?

A. Yes.

II. PURPOSE OF TESTIMONY

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

A. The purpose of my testimony is to respond to testimony submitted by witnesses for the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("Attorney General"), the Kentucky Industrial Utility Customers, Inc. ("KIUC"), and the Sierra Club ("Sierra Club"). Specifically, I will explain why it is inappropriate to attempt to combine here the rate increases proposed in this case (the "Century rate case") with the amounts to be filed in Case No. 2013-00199 (the "Alcan rate case"). I will explain why the KIUC's characterization of the proposed increase is incorrect. I will describe why the forecasted test period used in this case is consistent with applicable regulations and is appropriate for setting rates, and why the Attorney

General's assertions to the contrary are flawed. I will rebut the overall recommendation of the Attorney General and will specifically explain why the adjustments proposed by Attorney General witness Mr. Bion C. Ostrander should be rejected. Finally, I will provide revised exhibits for the cost of service study and proposed rates that address the issues raised by the KIUC and the Attorney General in their testimony.

III. <u>CONSIDERATION OF ALCAN RATE CASE</u>

Q. Do the KIUC witnesses combine the rate increases proposed by Big Rivers in this case with information about rate increases related to the Alcan contract termination?

A. Yes. Throughout his testimony, Mr. Lane Kollen for the KIUC amalgamates the increases proposed by Big Rivers in this case with his estimation of rate increases that Big Rivers could require as a result of the Alcan contract termination. Other witnesses for KIUC also make frequent reference to Mr. Kollen's figures.

Q. Is this combination appropriate?

A. No. The rates proposed by Big Rivers in this case are designed to take effect by August 20, 2013. At that time Big Rivers will not provide service to Century's Hawesville smelter ("Hawesville Smelter") under the current Smelter Agreement. However, at that time Big Rivers will continue to provide service to Century's newly-acquired Sebree smelter ("Sebree Smelter"); that will remain the case until January 31, 2014. Big Rivers will have filed another rate case in Case No. 2013-00199 just before the hearing in this case to address the Alcan contract termination, and the rates proposed in that proceeding (assuming the Commission will suspend the proposed tariffs for the full six months allowed by KRS 278.190(2)) are designed to take effect by January 31, 2014. Because of these timing differences, any rate increases related to the Alcan contract termination should be addressed in Case No. 2013-00199.

IV. KIUC CHARACTERIZATION OF PROPOSED RATE INCREASE

Q. How does the KIUC characterize the rate increase proposed by Big Rivers in this case?

A. Mr. Kollen "estimate[s] that the combined effects . . . of two pancaked base rate cases, along with the related increases in the fuel adjustment clause ('FAC') and environmental cost recovery ('ECR'), will result in increases at wholesale to the residential and commercial customers in the Rural class exceeding 100% and to the Large Industrial class approaching 90%." (Kollen Testimony, p. 8:10-14.) This characterization is incorrect for several reasons.

First, as noted above, Mr. Kollen inappropriately includes the effects of a second rate case, which exaggerates the percentage increase proposed by Big Rivers.

Second, Mr. Kollen inappropriately includes the effects of the FAC and Environmental Surcharge ("ES") mechanisms in his calculation. This is improper because the FAC and ES charges are projected to increase in the fully forecasted test period with or without the proposed rate increase; attributing the FAC and ES increases to the base rate increase is inappropriate.

Third, Mr. Kollen generally includes base period amounts and test period amounts in his comparison. The proper way to quantify the rate increase proposed by

Big Rivers is to calculate the total member billings by class <u>at the forecasted test period consumption levels</u> using the present rates and using the proposed rates, and to determine the difference. Other methods of calculating the rate impact overstate the impact of the proposed base rate increases for the fully forecasted test period.

Q. Does Mr. Kollen mischaracterize Big Rivers' use of the Reserve Funds?

A. Yes. Mr. Kollen claims that the effects of Big Rivers' proposed rate increase "are understated and temporarily masked because of the Company's proposal to use additional amounts from the Economic Reserve . . . ." (Kollen Testimony, p. 9:6-8.) Also, Mr. Kollen claims that Big Rivers "has masked the effect of the rate increases due to the Century termination by increasing the MRSM surcredit for the Rural class." (*Id.* at p. 52:16-17.) These statements are incorrect.

First, as I noted in my direct testimony, in this case Big Rivers is not proposing any changes to the operation of its MRSM tariff rider, which specifies how the Economic Reserve fund is used to offset the FAC and ES cost impacts for the Rural and Large Industrial classes. (Wolfram Testimony, pp. 35:22-36:1.) The same is true of Big Rivers' RER tariff rider, which specifies how the Rural Economic Reserve fund is used to do the same for the Rural class after the Economic Reserve is exhausted. Changes in the MRSM or RER surcredits from the base period to the test period result from the changes in fuel and environmental costs included in the FAC and ES, respectively, for each rate class. In other words, the MRSM and RER tariff riders are not "masking" any increases but are simply operating in accordance with the approved tariffs.

Second, as I testified previously, all of the calculations in the Wolfram exhibits in the filing were gross of the effects of the MRSM. (Wolfram Testimony, p. 35:16-17.) In other words, the benefits that Mr. Kollen claims were "masked" by Big Rivers were in fact not included in the calculations of the present rates and revenues or proposed rates and revenues provided in the filing. That means that the rates filed are the full amounts without any offset or reduction that the Members receive from the Reserve funds.

Q. Does Mr. Kollen mischaracterize the comparison of Big Rivers' rates to those of other utilities in Kentucky?

A. Yes. Mr. Kollen argues that the "Rural residential customer rates after the Century increase alone will be greater than any other utility in the state" and provides a table that purports to demonstrate this claim. (Kollen Testimony, p. 51:1-6.) His assertion is incorrect. In his analysis, Mr. Kollen did not include all of the other utilities in the state; he only included the investor-owned utilities ("IOUs"). Mr. Kollen did not include any electric cooperatives in his comparison, including the sixteen electric cooperatives served by East Kentucky Power Company ("EKPC"), the five electric cooperatives served by the Tennessee Valley Authority ("TVA"), and the thirty municipal electric utilities in Kentucky. This means that Mr. Kollen compared Big Rivers to four out of a possible fifty-five Kentucky electric utilities. This demonstrates that Mr. Kollen's comparison of Big Rivers to "any other utility in the state" is flawed and misleading.

Q. Did you prepare an exhibit that shows a comparison of Big Rivers' proposed rates to the rates of other utilities in Kentucky?

A. Yes. A comparison of utility rates in Kentucky is provided in Exhibit Wolfram Rebuttal-1. The data is based on publicly-available U.S. Energy Information Association ("EIA") data for 2011. End use "all-in" average retail rates for all of the electric utilities in Kentucky are provided in this exhibit, sorted in order of lowest all-in rate in ¢/kWh. The 2011 data for Big Rivers' Members is highlighted. The exhibit includes the IOUs, Big Rivers' Members, the EKPC member cooperatives, the cooperatives served by TVA, and the municipal utilities. To this EIA data, I inserted and highlighted the estimates for the retail rates proposed in this case, as a Big Rivers total system average, both gross and net of the MRSM. I discuss the proposed rates further in the last section of my rebuttal testimony.

Note that this data compares 2011 rate data for all of the other utilities in Kentucky to the proposed 2013-2014 rate data for the overall Big Rivers system. Obviously, this comparison is limited, because it does not take into account any increases that the other utilities in Kentucky are experiencing in their base rates or in other rate adjustment mechanisms like FAC, ES, or DSM. This means that the difference between Big Rivers' projected 2013-2014 rates and the rates of other utilities is overstated in this dataset.

This data demonstrates that, contrary to the claim of Mr. Kollen, the Rural residential customer rates of Big Rivers' Members after the proposed increases in the Century rate case alone will <u>not</u> be "greater than any other utility in the state." (Kollen Testimony, p. 51:1-2.) In fact, the rates will be lower than about one third of the utilities in Kentucky when considered gross of the MRSM, and lower than about sixty percent of the utilities in Kentucky when considered net of the MRSM. For the Large Industrial class, the comparison is even more favorable.

Q. **Is a comparison of Big Rivers' proposed rates to the rates of other utilities in Kentucky dispositive of whether the rates proposed by Big Rivers in this case are fair, just, and reasonable?**

A. No. While such a comparison is of interest and has some contextual value, it does not account for the specific costs, revenues, or situations that individual utilities face and subsequently address in rate filings before the Commission. How Big Rivers' rates compare to the rates of other utilities is not dispositive of whether the proposed rates are fair, just, and reasonable. That judgment should be made by the Commission based on the overall merits of the information in the rate filing, rather than on a simple benchmarking comparison against other utilities in Kentucky.

V. <u>THE FORECASTED TEST PERIOD</u>

Q. **Both the Attorney General and the KIUC witnesses indicate that the fully forecasted test period used by Big Rivers in this case is inaccurate or should otherwise cause the Commission concern. Do you agree?**

A. No. In my view, the fully forecasted test period relied upon by Big Rivers is appropriate for setting rates in this case and should not cause the Commission concern.

Q. **Why is the forecast test period appropriate for setting rates in this case?**

A. Big Rivers' use of the fully forecasted test period is consistent with applicable regulations. When Big Rivers developed the forecast for this filing, the forecast included all information that was known and available to Big Rivers at that time. Other information became available after Big Rivers filed this case, but the regulation specifies the conditions under which the applicant can revise the forecasted test period. Specifically, 807 KAR 5:001(16)(11)(d) states in part as follows:

> After an application based on a forecasted test period is filed, there shall be no revisions to the forecast, except for the correction of mathematical errors, unless the revisions reflect statutory or regulatory enactments that could not, with reasonable diligence, have been included in the forecast on the date it was filed.

For many of the intervenors' claims regarding the accuracy of the forecasted test period, Big Rivers was simply adhering to the requirements of this regulation.

Q. Mr. Kollen asserts that the "Company's test year is not accurate and reflects assumptions that are incorrect" in part because Big Rivers did not reflect the Alcan contract termination in the forecasted test period. (Kollen Testimony, p. 44:19-20.) Were the assumptions about Alcan incorrect?

A. Not at the time Big River prepared and filed its case. This case was filed on January 15, 2013, but Alcan did not provide its contract termination notice until January 31, 2013. Thus Big Rivers could not, with reasonable diligence, have included the Alcan contract termination in the forecast on the date the case was filed. Big Rivers noted in PSC 2-1 that it was in the process of evaluating the implications of the Alcan termination on Big Rivers, and that analysis took time to complete. Furthermore, because the Alcan termination notice is not a mathematical error or a statutory or regulatory enactment, Big Rivers could not formally revise the forecast to reflect this change because of the restrictions of 807 KAR 5:001(16)(11)(d). Finally, because the Alcan contract termination will not be effective until five months after the rates in the case take effect, even if Big Rivers had included the Alcan contract termination in the forecast, Big Rivers would have had to adjust out of the test year the effects of serving Alcan on Big Rivers' revenues and expenses to avoid double recovery of the Alcan-related costs on and after August 20, 2013. For these reasons, the Commission should disregard Mr. Kollen's claim regarding the effect of the Alcan termination.

Q. Mr. Kollen states that Big Rivers' test year "does not reflect any revenues from Century to recover any of the costs that it has imposed or will impose on the Big Rivers system if it continues to operate the Sebree and Hawesville Smelters by accessing market power and pricing." (Kollen Testimony, p. 45:7-10.) Was this exclusion appropriate?

A. Yes. At the time this case was filed, Big Rivers did not have a contract in place with Kenergy Corp. ("Kenergy") or with Century to address the scenario proposed by Mr. Kollen. Thus Big Rivers could not, with reasonable diligence, have included any costs or revenues associated with continued Century operations in the fully forecasted test period. As discussions with Kenergy and Century ensued, the negotiations first resulted in agreement by those parties on a term sheet. The term sheet, provided as part of Big Rivers' response to KIUC 3-1, clearly indicates the parties' intent that Big Rivers will not incur any incremental costs by entering into an agreement with Kenergy and Century. Those negotiations have since resulted in a joint request by Big Rivers and Kenergy to approve certain agreements; Big Rivers and Kenergy jointly filed a case to address these developments on June 12, 2013 in Case No. 2013-00221. That being said, it remains a fact today that no such agreement has been approved or is signed by the parties or is in effect. Until an agreement is approved and has closed, there is no justification for Big Rivers to revise its forecast in this case for this issue.

Q. Mr. Holloway suggests that the Big Rivers' test year should be adjusted to directly assign $10,760,729 of transmission expense to Century. (Holloway Testimony, p. 29-30.) Is this direct assignment appropriate?

A. No. Again, until an agreement with Century is approved and has closed, there is no justification for Big Rivers to revise its cost allocation in this case for this issue. Also, the cost allocators relied upon by Mr. Holloway may not be applicable under a new agreement with Century; this is addressed in Case No. 2013-00221.

Q. Mr. Ostrander notes that Big Rivers did not include the effects of the refinancing addressed in Case No. 2012-00492 in the forecasted test period. (Ostrander Testimony, p. 50:8-11.) Was this exclusion appropriate?

A. Yes. The Commission approved the Company's refinance filing in Case No. 2012-00492 on March 26, 2013, more than two months after Big Rivers filed its application in this proceeding. Thus, Big Rivers could not, with reasonable diligence, have included the effects of the refinancing in the forecast on the date this case was filed. In its February 28, 2013 response to PSC 2-13, Big Rivers explained the impact that the amended refinance application would have, if approved, on this rate application. Now that the Commission has approved the refinancing, it qualifies as a "regulatory enactment" under the regulation, and the effects noted in the response to PSC 2-13 may be incorporated into the revenue requirement in this case. I address this later in my testimony.

Q. Mr. Ostrander claims that Big Rivers' filing has "unique and substantive flaws" which he implies are related to Big Rivers' utilization of a fully forecasted test

period. (Ostrander Testimony, p. 15.) Do you agree with his characterization of the use of the forecast test year in Big Rivers' filing?

A. No. I strongly disagree with these statements. I will address the particular reasons for my disagreement in response to Mr. Ostrander's specific comments and numerous implications.

Q. Mr. Ostrander argues that Big Rivers' rate case filing should be "less speculative, more transparent, and more consistent with the known and measurable principle." (Ostrander Testimony, p. 15:5-7.) Do you agree with this?

A. No. Big Rivers' filing is not unduly speculative, lacking in transparency, or inconsistent with the applicable ratemaking principles.

First, Kentucky law allows the applicant to file a rate case using either a historical test period or a fully forecasted test period, and the regulations set forth the requirements of each. By definition, the fully forecasted test period may serve as the basis for the determination of fair, just and reasonable rates. Big Rivers met both the statutory and regulatory requirements attendant to the use of a fully forecasted test period, whether or not the Attorney General supports the use of the forecasted test period in rate case filings.

Second, Big Rivers provided a thorough description of its budget development process in the Direct Testimony of DeAnna M. Speed. Big Rivers supported that description with further detail on many components of the budget development process described in the testimony and exhibits of its other witnesses, including Mr. Berry, Mr. Crockett, Ms. Barron, Mr. Haner, Mr. Siewert (whose testimony was adopted by Mr. Warren), Mr. Kelly, and Mr. Wolfram. Big Rivers also provided a significant amount of information in the discovery phase of this case (the majority of which was provided in response to data requests from the Attorney General, as further discussed in the Rebuttal Testimony of DeAnna M. Speed) in order to support Big Rivers' application, its proposed rates, and its fully forecasted test period. For example, Big Rivers' responses and the accompanying attachments to PSC 1-57, PSC 2-13, AG 1-7, AG 1-17, AG 1-97, AG 1-131, and AG 1-236, among many others, are more than sufficient to aid the Commission and intervenors in evaluating the Financial Model. For these reasons I disagree with the characterization that the forecasted test period lacks transparency.

Third, Mr. Ostrander repeatedly seeks to apply the same "known and measurable" standard to a fully forecasted test period that is applicable to a historical test period. When the entire test period is based on a forecast, the values are not "known and measurable" in the same way or to the same extent that would be applicable to a historical test period. This is further discussed in the Rebuttal Testimony of DeAnna M. Speed.

Q. Mr. Ostrander claims that Big Rivers was unwilling to provide underlying "actual" data to support its projections. (Ostrander Testimony, p. 17:18-20.) How do you respond?

A. Mr. Ostrander's accusation is untrue. As part of its application, and in response to discovery, Big Rivers provided significant information about both the base period (which includes six months of actual data and six months of projected data) and the test period (which is all forecast data). For the projected data in the base period, Big Rivers has since provided budget variance reports which Mr. Ostrander cites in his testimony.

Big Rivers provided "actual" data in numerous locations. Big Rivers also provided volumes of actual data or reports for historical time periods. Such data was provided in many places, including the Application in Tabs 27, 33, 35, 37, 38, 40, 41, 48, 49, 51-53, 55-57, 59, 66 Exhibit Berry-1, and 71 Exhibit Kelly-1; and in response to AG 1-31, AG 1-57, AG 1-62, AG 1-73, AG 1-75, AG 1-76, AG 1-79, AG 1-94, AG 1-181, AG 1-186, AG 1-246, AG 1-248, AG 1-249, AG 1-250, AG 1-251, AG 1-253, AG 1-269, AG 2-54, and AG 2-62, in additional to numerous requests by the Commission and the other intervenors. For these reasons, the general claim that Big Rivers was unwilling to provide "actual" data to support its forecasts is specious.

Q. Mr. Ostrander claims that the credibility of Big Rivers' Financial Model "suffers when transparency is sacrificed." (Ostrander Testimony, p. 18:2-3.) How do you respond?

A. As I discuss above, Big Rivers provided significant information about its model. Mr. Ostrander provides no evidence whatsoever that Big Rivers has sacrificed transparency. The Commission should disregard any implication that Big Rivers' model sacrifices transparency.

Q. Mr. Ostrander claims that Big Rivers "would not provide the 'actual' impacts for the termination of the Century Smelter" to be used "for testing the transparency and accuracy of Big Rivers' forecasted costs." (Ostrander Testimony, p. 18:6-11.) How do you respond?

A. The type of information that the Attorney General requested is simply not available. Big Rivers explained this in response to AG 1-51 and AG 2-17. It is not possible to accurately extract from Big Rivers' historical cost data the portion of those costs that are explicitly related to serving Century. If it were possible to do so, Big Rivers might have given further consideration to the use of an historical test period for this filing. The request itself is indicative of a very serious misunderstanding of the utility operating and accounting principles employed by Big Rivers and other utilities that adhere to the RUS system of accounts. For the most part, Big Rivers incurs costs on a comprehensive basis for the purpose of economically providing service to all of its members. For example, Big Rivers does not purchase some fuel for dispatching units to serve Century and other fuel for dispatching units to serve other consumers; Big Rivers purchases fuel for its plants for dispatching units to serve the system as a whole. It is not possible to accurately divide Big Rivers' costs into Century-related and non-Century related categories on an actual basis. The historical "actual" information requested by the Attorney General does not exist.

Furthermore, other than to nakedly claim the Commission should disallow recovery, none of the Attorney General's witnesses made a single mention of the information provided in Exhibit Berry-4, where Big Rivers' provided its calculated estimates of the impact of the Century contract termination on its financials. None of the witnesses discussed any analysis of those calculations or otherwise criticized the determination of the $63 million amount as inaccurate or unreasonable. It is not clear why the data provided in Exhibit Berry-4, in combination with all of the other actual and forecast data provided in this docket, prevented the Attorney General from reasonably testing the validity of Big Rivers' forecast. Rather than analyze the calculations and information that Big Rivers provided on this subject, it appears that the

Attorney General elected instead to embrace a reliance on information that does not exist, and to criticize Big Rivers for failing to produce that non-existent "actual" data.

Q. Mr. Ostrander claims that Big Rivers would not "provide the historic information to determine how much of the significant pay increases" awarded during and after the Unwind are reflected in the forecast. (Ostrander Testimony, p. 18:22-24.) How do you respond?

A. Again, it is not clear why the voluminous amount of pertinent actual and forecast data provided in this case prevented the Attorney General from testing the validity of Big Rivers' forecast. The Attorney General criticizes Big Rivers for failing to provide specific compensation information for periods preceding and including the year 2009. This kind of information is simply not required to reasonably test the validity of Big Rivers' forecasts, and much of it is not available. This is further described in the Rebuttal Testimony of James V. Haner.

Q. Mr. Ostrander claims that Big Rivers' filing does not address "typical rate case adjustments" because many of these adjustments are buried in the forecasting assumptions. (Ostrander Testimony, p. 19:1-5.) How do you respond?

A. Mr. Ostrander fails to specifically identify which other "typical" rate case adjustments are not identified or addressed by Big Rivers. The Attorney General offers no support for this baseless claim.

Furthermore, the Attorney General has failed to recognize significant portions of the information provided by Big Rivers in its filings. Several "typical rate case adjustments" that are included in the forecast are explicitly described in the direct testimony of Big Rivers' witnesses. These include rate case costs, severance costs, and the effect of updated depreciation rates. These items are specifically mentioned in Big Rivers' direct testimony, so they are not "buried" in the forecasting assumptions. For rate case costs and severance costs, the quantification of the forecast amounts are provided in the Direct Testimony of DeAnna M. Speed. The severance costs are quantified in the Direct Testimony of James V. Haner. The depreciation effects are described in the Direct Testimony of Mr. Ted J. Kelly. Information related to all three of these topics is included in the filing requirements and/or the data responses provided by Big Rivers in this case.

Finally, as previously noted, Big Rivers' budgeting process is thoroughly described in the Direct Testimony of DeAnna M. Speed, is supported by her exhibits, and is further supported by the numerous data responses that she sponsored. However, Mr. Ostrander makes no mention of any of the information provided by Ms. Speed or the other Big Rivers witnesses. Again it appears that the Attorney General is employing a myopic approach without analyzing the information that was provided by Big Rivers on this subject.

Q. Mr. Ostrander claims that Big Rivers' Financial Model "does not include a "Manual" that explains how the model works" and that this constitutes a "unique and substantive problem" with the fully forecasted test period. (Ostrander Testimony, p. 19:7-27.) How do you respond?

A. I strongly disagree with the implication that because Big Rivers' Financial Model does not include a "Manual," the model or its results must have a "unique and substantive problem." The fact that no "Manual" for the model exists at this time does not invalidate the model or its results. The Attorney General offers no evidence to support the implication that Big Rivers manipulated or changed "how the model operates from year to year." The Big Rivers Financial Model is a Microsoft Excel® spreadsheet model that was developed internally; it was not purchased "off-the-shelf" from a third party that would typically provide a user manual with such a purchase. Microsoft Excel® is a widely-used software application; neither software licensing nor user familiarity with its functionality are challenging. Furthermore, Big Rivers provided a significant amount of information in response to PSC 1-57, PSC 2-13, AG 1-7, AG 1-17, AG 1-97, AG 1-131, AG 1-190, AG 1-236, AG 1-239, AG 1-240, AG 1-241, AG 1-242, and AG 1-267 to explain how particular elements of the model work. For these reasons, Mr. Ostrander's claim should be disregarded by the Commission.

Q. Mr. Ostrander claims that "if the Model does not accept 2012 calendar year inputs as a sensitivity run, this could either be a system design flaw or an intentional design to avoid the most rigorous sensitivity test of the Model." (Ostrander Testimony, p. 19:25-28.) How do you respond?

A. First, this point indicates that the Attorney General simply does not understand how the Big Rivers financial model operates. As Big Rivers explained in its response to AG 1-51 and AG 2-17, it is not meaningful to try to provide 2012 calendar year actuals as inputs to the Big Rivers financial model, because that information is not the form of information that is used as an input to the model. The model uses input data in formulas and calculations in order to produce output data; it is not clear how putting output data into the formulas and calculations will produce that same output data. It is unclear, for example, how the Attorney General expects Big Rivers to take the actual TIER value for the 2012 calendar year and supply that as an input to the model, when the function of the model is to use other input data to calculate TIER as an output. As Big Rivers understood this request, it was not meaningful. This does not constitute a design flaw in the model.

Second, Big Rivers provided the model in electronic form with formulas intact. Actual data for 2012 was also provided in several locations, including the filing requirements and data responses, as I discussed earlier. If the Attorney General was truly convinced that trying to use 2012 actuals as inputs to the model would somehow test the validity of the results of the model, he had the necessary information at his disposal to attempt that. However, the Attorney General does not appear to have attempted his own assessment in this regard; the Attorney General witnesses do not discuss in their testimony any effort on their part to use the financial model to perform validation of any kind, and the Attorney General does not identify specific errors or flaws in the Big Rivers financial model (i.e. formulas or calculations in the model that are incorrect).

Third, Mr. Ostrander provides no support for his accusation that Big Rivers may have designed its financial model with the intent of avoiding the most rigorous sensitivity test. In Tab 28 of the application in this case, Big Rivers' CEO Mark A. Bailey provided a statement of attestation which provided, among other things, that the forecast is reasonable, reliable, made in good faith, and that the forecast contains the same assumptions and methodologies as used in the forecast prepared for use by management. Mr. Ostrander provides no evidence that Big Rivers designed its financial model—which is used not only for this rate case but also by Big Rivers' management for its general business purposes—in order to avoid what Mr. Ostrander characterizes as "the most rigorous sensitivity testing." This accusation is unsupported, and the Commission should reject it.

VI. THE ATTORNEY GENERAL'S RECOMMENDATION SHOULD BE REJECTED

Q. The Attorney General recommends that the Commission make no changes to Big Rivers' rates and asserts that Big Rivers will have an annual revenue surplus of $4,417,270. How do you respond?

A. The recommendation is flawed. The assertion that Big Rivers will experience an annual surplus of $4,417,270 after the Century contract termination is incredible. For the reasons outlined herein and in the rebuttal testimony of other Big Rivers witnesses, the Commission should reject the Attorney General's recommendation to leave Big Rivers' rates unchanged.

Q. Should the Commission adopt the Attorney General's adjustment OAG-3-BCO in the amount of $1,568,516 to correct for prior rate relief and other corrections?

A. No. First, it should be noted that Mr. Ostrander failed to recognize the correction that was made to Lobbying Expenses in Big Rivers' original filing of Exhibit Wolfram-4. (Ostrander Testimony, p. 44:23-26.) More importantly, the issues identified by Mr. Ostrander are not applicable given the updates to the proposed rates provided in the next section of my testimony.

Q. Should the Commission adopt the Attorney General's adjustment OAG-4-BCO in the amount of $4,189,083 to adjust for cost savings from the refinancing of the RUS Series A note?

A. No. The Commission should account for the refinancing of the RUS Series A note, but should adopt the calculations provided by Big Rivers in response to PSC 2-13 instead of those proposed by Mr. Ostrander in OAG-4-BCO to accomplish this.

VII. UPDATES TO COST OF SERVICE STUDY AND PROPOSED RATES

Q. Given that the Commission has issued an order in Case No. 2012-00492, and based on Big Rivers' responses to PSC 2-13 and PSC 2-36, is Big Rivers providing updates to its exhibits to reflect these regulatory enactments and the correction of any mathematical errors?

A. Yes. Consistent with the regulation described earlier, the following exhibits are provided as a result of the change in base rates approved in the order on rehearing dated January 29, 2013 in Case No. 2011-00036 and the order dated March 26, 2013 in Case No. 2012-00492. (The naming convention includes the ".3" suffix to distinguish the revised exhibit from the earlier versions of these exhibits filed in this case.)

1) Exhibit Yockey-2.3 - Summary of Proposed Changes to Tariff Rates
2) Exhibit Siewert-2.3 - Big Rivers Financial Model
3) Exhibit Siewert-3.3 - Financial Results With and Without Rate Increase
4) Exhibit Wolfram-2.3 - Revenue Requirements Analysis
5) Exhibit Wolfram-3.3 - Cost of Service Study: Functional Assignment and Classification
6) Exhibit Wolfram-4.3 - Cost of Service Study: Allocation to Rate Classes
7) Exhibit Wolfram-5.3 - Billing Determinants: Present & Proposed Rates
8) Exhibit, Wolfram-6.3 - Summary of Proposed Increase

9) Exhibit Wolfram-7.3 - Estimate of Retail Rate Increase

The revised exhibits Siewert-2.3, Siewert-3.3, Wolfram-3.3, and Wolfram-4.3 are provided under a petition for confidential treatment. Exhibit Siewert-2.3 and Exhibits Wolfram-3.3 through Wolfram-7.3 are provided in electronic format on the CONFIDENTIAL CD accompanying this response, and are provided with a motion for deviation. Note that the Yockey exhibit is now sponsored by Ms. DeAnna M. Speed, and the Siewert exhibits are now sponsored by Mr. Christopher A. Warren, but these exhibits have not been renamed in order to maintain the sequential nomenclature and avoid confusion.

Q. Do the updated exhibits reflect the corrections noted in the record in this case?

A. Yes. The revised exhibits reflect corrections to mathematical errors identified in the record. These include the following:

a) Correction of the expense adjustments for FAC, ES, Non-FAC PPA, and Lobbying Expenses identified in PSC 2-39;

b) Elimination of the rounding errors identified in PSC 2-40;

c) Correction of the calculation of depreciation expense on fully-depreciated plant identified in AG 1-277(c).

Q. Are the issues described by Mr. Ostrander in Adjustment OAG-3-BCO (Ostrander Testimony, pp. 43-49) applicable?

A. No. The revised exhibits correctly incorporate the rate impact of the Commission's Rehearing Order in Case No. 2011-00036 (as did the exhibits filed in response to PSC 2-36). This is detailed in Exhibit Wolfram 2.3, page 11 of 14, Reference Schedule 1.09.

Also, Mr. Ostrander described certain un-reconciled differences between Exhibit Wolfram-4.2 and Exhibit Siewert-3.2 of approximately $60,000. This difference was related to $62,500 of membership dues for The Southeastern Federal Power Customers, Inc., a group of electric cooperatives and municipal power companies that represent consumers of public power in the Southeast. Big Rivers included this amount in the forecast but has since elected to forego its membership. In PSC 2-36, the amount was removed in Exhibit Wolfram-4.2 but was inadvertently retained in Exhibit Siewert-3.2. Here, the amount has been removed from both Exhibit Wolfram-4.3 and Exhibit Siewert-3.3, so the adjustments for un-reconciled differences are no longer applicable.

Q. What is the total effect of these revisions on the revenue deficiency in this case?

A. The revisions reduce the revenue deficiency by $5,861,488, from $74,476,120 to $68,614,632.

Q. What is the total effect of these revisions on the proposed rate adjustment in this case?

A. The revisions reduce the proposed rate increase in total by about 1.8%, from 21.4% to 19.7%. For the Rural class, the rate increase declines by 2.7%, from 29.4% to 26.8%. For the Large Industrial class, the rate increase declines by 1.4%, from 17.9% to 16.5%. This is summarized in the table below.

Table 1. Revisions to Proposed Rates

Item		As Filed Jan 15, 2013	As Filed Jun 24, 2013	Variance
Revenue Deficiency		$ 74,476,120	$ 68,614,632	$ (5,861,488)
Rates				
RDS	Demand	16.950	16.454	(0.496)
	Energy	0.030000	0.030000	-
LIC	Demand	12.410	11.960	(0.450)
	Energy	0.03000	0.030000	-
Increase				
Rurals		$ 40,676,278	$ 37,278,643	$ (3,397,635)
		29.4%	26.8%	-2.6%
Large Industrial		$ 8,247,929	$ 7,601,035	$ (646,894)
		17.9%	16.5%	-1.4%
Smelter		$ 25,551,913	$ 23,733,606	$ (1,818,307)
		15.6%	14.5%	-1.1%
Total		$ 74,476,120	$ 68,613,284	$ (5,862,836)
		21.4%	19.7%	-1.7%

VIII. CONCLUSION

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

A. For the reasons outlined herein and in the rebuttal testimony of other Big Rivers witnesses, the Commission should reject the Attorney General's recommendation to leave Big Rivers' rates unchanged. The Commission should also reject the Attorney General's proposed Adjustments OAG-3-BCO and OAG-4-BCO. The Commission should accept the revenue deficiency calculation provided in Exhibit Wolfram 2.3. The rates proposed in Exhibits Yockey 2.3 and Wolfram 5.3 are fair, just, and reasonable and should be accepted by the Commission.

Q. Does this conclude your testimony?

A. Yes.

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES CASE NO. 2012-00535

VERIFICATION

I, John Wolfram, verify, state, and affirm that I prepared or supervised the preparation of my rebuttal testimony filed with this Verification, and that testimony is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

John Wolfram

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by John Wolfram on this the 19th day of June, 2013.

Paula Mitchell
Notary Public, Ky. State at Large
My Commission Expires 1-12-17

U.S. Energy Information Administration - Average Retail Price of Electricity in 2011

RESIDENTIAL

#	Entity	State	Class of Ownership	Avg. ¢/kWh
1	Henderson City Utility Comm	KY	Public	6.13
2	**Jackson Purchase Energy Corporation**	**KY**	**Cooperative**	**7.07**
3	City of Benham	KY	Public	7.28
4	City of Falmouth	KY	Public	7.35
5	**Kenergy Corp**	**KY**	**Cooperative**	**7.46**
6	City of Nicholasville	KY	Public	7.50
7	**Meade County Rural E C C**	**KY**	**Cooperative**	**7.53**
8	City of Frankfort - (KY)	KY	Public	7.62
9	City of Berea Municipal Utility	KY	Public	7.73
10	City of Bardstown	KY	Public	7.75
11	City of Bardwell	KY	Public	7.89
12	Kentucky Utilities Co	KY	Investor Owned	8.02
13	Duke Energy Kentucky	KY	Investor Owned	8.39
14	Barbourville Utility Comm	KY	Public	8.58
15	Louisville Gas & Electric Co	KY	Investor Owned	8.60
16	Corbin City Utilities Comm	KY	Public	8.75
17	Madisonville Municipal Utils	KY	Public	8.83
18	City of Paris - (KY)	KY	Public	8.89
19	City of Olive Hill - (KY)	KY	Public	9.32
20	Salt River Electric Coop Corp	KY	Cooperative	9.39
21	Taylor County Rural E C C	KY	Cooperative	9.50
22	City of Providence - (KY)	KY	Public	9.51
23	City of Franklin - (KY)	KY	Public	9.53
	Big Rivers Total: Rural ~ NET of MRSM	**KY**	**Cooperative**	**9.56**
24	City of Paducah - (KY)	KY	Public	9.66
25	Kentucky Power Co	KY	Investor Owned	9.66
26	City of Russellville - (KY)	KY	Public	9.81
27	City of Owensboro - (KY)	KY	Public	9.84
28	City of Hopkinsville	KY	Public	9.85
29	Cumberland Valley Electric, Inc.	KY	Cooperative	9.92
30	Williamstown Utility Comm	KY	Public	10.01
31	City of Jellico	KY	Public	10.03
32	Nolin Rural Electric Coop Corp	KY	Cooperative	10.16
33	City of Glasgow	KY	Public	10.17
34	South Kentucky Rural E C C	KY	Cooperative	10.24
35	City of Murray - (KY)	KY	Public	10.31
36	Warren Rural Elec Coop Corp	KY	Cooperative	10.32
37	Tri-County Elec Member Corp	KY	Cooperative	10.33
38	Farmers Rural Electric Coop Corp	KY	Cooperative	10.35
39	Shelby Energy Co-op, Inc	KY	Cooperative	10.42
40	Owen Electric Coop Inc	KY	Cooperative	10.52
	Big Rivers Total: Rural ~ GROSS of MRSM	**KY**	**Cooperative**	**10.55**
41	Blue Grass Energy Coop Corp	KY	Cooperative	10.62
42	Pennyrile Rural Electric Coop	KY	Cooperative	10.69
43	City of Fulton - (KY)	KY	Public	10.71
44	Big Sandy Rural Elec Coop Corp	KY	Cooperative	10.72
45	Fleming-Mason Energy Coop Inc	KY	Cooperative	10.75
46	City of Bowling Green - (KY)	KY	Public	10.84
47	City of Benton - (KY)	KY	Public	10.95
48	Clark Energy Coop Inc - (KY)	KY	Cooperative	11.00
49	Inter County Energy Coop Corp	KY	Cooperative	11.00
50	Licking Valley Rural E C C	KY	Cooperative	11.21
51	City of Mayfield Plant Board	KY	Public	11.29
52	City of Vanceburg	KY	Public	11.58
53	West Kentucky Rural E C C	KY	Cooperative	11.62
54	City of Princeton - (KY)	KY	Public	11.66
55	Jackson Energy Coop Corp - (KY)	KY	Cooperative	11.66
56	City of Hickman	KY	Public	11.67
57	Grayson Rural Electric Coop Corp	KY	Cooperative	12.37
58	Hickman-Fulton Counties RECC	KY	Cooperative	13.01

Source: http://www.eia.gov/electricity/data.cfm#sales

U.S. Energy Information Administration: Average Retail Price of Electricity in 2011

INDUSTRIAL

#	Entity	State	Class of Ownership	Avg. ¢/kWh
1	**Kenergy Corp**	**KY**	**Cooperative**	**4.14**
2	Electric Energy Inc	KY	Investor Owned	4.27
3	Corbin City Utilities Comm	KY	Public	4.62
4	Tennessee Valley Authority	KY	Federal	4.76
	Big Rivers Total: Large Industrial ~NET of MRSM	**KY**	**Cooperative**	**4.96**
5	City of Bardstown	KY	Public	5.07
6	Henderson City Utility Comm	KY	Public	5.08
7	Owen Electric Coop Inc	KY	Cooperative	5.28
8	Williamstown Utility Comm	KY	Public	5.52
9	Kentucky Utilities Co	KY	Investor Owned	5.66
	Big Rivers Total: Large Industrial ~GROSS of MRSM	**KY**	**Cooperative**	**5.89**
10	**Jackson Purchase Energy Corporation**	**KY**	**Cooperative**	**5.89**
11	Louisville Gas & Electric Co	KY	Investor Owned	5.98
12	City of Hopkinsville	KY	Public	5.99
13	Kentucky Power Co	KY	Investor Owned	6.03
14	Fleming-Mason Energy Coop Inc	KY	Cooperative	6.16
15	Nolin Rural Electric Coop Corp	KY	Cooperative	6.18
16	City of Nicholasville	KY	Public	6.41
17	Grayson Rural Electric Coop Corp	KY	Cooperative	6.47
18	City of Frankfort - (KY)	KY	Public	6.64
19	Blue Grass Energy Coop Corp	KY	Cooperative	6.68
20	Duke Energy Kentucky	KY	Investor Owned	6.70
21	Shelby Energy Co-op, Inc	KY	Cooperative	6.71
22	Salt River Electric Coop Corp	KY	Cooperative	6.77
23	City of Berea Municipal Utility	KY	Public	6.78
24	Big Sandy Rural Elec Coop Corp	KY	Cooperative	6.84
25	Barbourville Utility Comm	KY	Public	6.91
26	City of Franklin - (KY)	KY	Public	7.13
27	Inter County Energy Coop Corp	KY	Cooperative	7.13
28	City of Owensboro - (KY)	KY	Public	7.19
29	Jackson Energy Coop Corp - (KY)	KY	Cooperative	7.30
30	Farmers Rural Electric Coop Corp	KY	Cooperative	7.43
31	City of Murray - (KY)	KY	Public	7.61
32	West Kentucky Rural E C C	KY	Cooperative	7.81
33	Licking Valley Rural E C C	KY	Cooperative	7.90
34	Tri-County Elec Member Corp	KY	Cooperative	7.98
35	City of Glasgow	KY	Public	8.01
36	Cumberland Valley Electric, Inc.	KY	Cooperative	8.02
37	Pennyrile Rural Electric Coop	KY	Cooperative	8.15
38	Warren Rural Elec Coop Corp	KY	Cooperative	8.19
39	City of Bowling Green - (KY)	KY	Public	8.23
40	South Kentucky Rural E C C	KY	Cooperative	8.35
41	Clark Energy Coop Inc - (KY)	KY	Cooperative	8.57
42	City of Paris - (KY)	KY	Public	8.61
43	City of Russellville - (KY)	KY	Public	9.01
44	City of Fulton - (KY)	KY	Public	9.16
45	City of Vanceburg	KY	Public	9.27
46	Taylor County Rural E C C	KY	Cooperative	9.42
47	City of Benton - (KY)	KY	Public	9.45
48	City of Mayfield Plant Board	KY	Public	9.57
49	City of Paducah - (KY)	KY	Public	9.63
50	City of Princeton - (KY)	KY	Public	10.75
51	Hickman-Fulton Counties RECC	KY	Cooperative	12.67

Source: http://www.eia.gov/electricity/data.cfm#sales

Big Rivers Electric Corporation
Case No. 2012-00535
Summary of Proposed Changes to Tariff Rates

Standard Rate Schedule	Rate	Sheet Number(s)	Current Rate	Proposed Rate[1]	Incr. (Decr.)[1]
RDS	Demand	1	$9.697 per kW	$16.454 per kW	$6.757 per kW
	Energy	1	$0.029736 per kWh	$0.030000 per kWh	$0.000264 per kWh
LIC	Demand	7	$10.5000 per kW	$11.960 per kW	$1.460 per kW
	Energy	7	$0.024508 per kWh	$0.030000 per kWh	$0.005492 per kWh
QFS	*On-Peak Maintenance Service*				
	Demand per Week	24	$2.238 per kW	$3.839 per kW	$1.601 per kW
	Energy	24	$0.029736 per kWh	$0.030000 per kWh	$0.000264 per kWh
	Off-Peak Maintenance Service				
	Demand per Week	24	$2.238 per kW	$3.839 per kW	$1.601 per kW

[1] Please see the revised exhibits of Mr. John Wolfram for analysis supporting these proposed rates.

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Rate Schedule Allocation

12 Months Ended
August 31, 2014

Description	Ref	Name	Allocation Vector		Rurals		Large Industrials		Smelter		Total System
Plant in Service											
Power Production Plant											
Production Demand	TPIS	PLPDMD	12CP	$	859,802,270	$	228,392,044	$	713,392,532	$	1,801,586,846
Production Energy	TPIS	PLPENG	PENG	$	-	$	-	$	-	$	-
Production - Steam Direct	TPIS	PLPSTM	STMD	$	-	$	-	$	-	$	-
Total Power Production Plant		PLPT		$	859,802,270	$	228,392,044	$	713,392,532	$	1,801,586,846
Transmission Plant	TPIS	PLTRN	12CP	$	124,191,436	$	32,989,371	$	103,043,742	$	260,224,549
Distribution Substation	TPIS	PLDST	SUBA	$	-	$	-	$	-	$	-
Distribution Other	TPIS	PLDMC	Cust05	$	-	$	-	$	-	$	-
Total		PLT		$	983,993,707	$	261,381,415	$	816,436,274	$	2,061,811,395

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Rate Schedule Allocation

12 Months Ended
August 31, 2014

Description	Ref	Name	Allocation Vector		Rurals		Large Industrials		Smelter		Total System
Net Utility Plant											
Power Production Plant											
Production Demand	NTPLANT	NTPDMD	12CP	$	467,190,894	$	124,101,421	$	387,636,212	$	978,928,527
Production Energy	NTPLANT	NTPENG	PENG	$	-	$	-	$	-	$	-
Production - Steam Direct	NTPLANT	NTPSTM	STMD	$	-	$	-	$	-	$	-
Total Power Production Plant		NTPT		$	467,190,894	$	124,101,421	$	387,636,212	$	978,928,527
Transmission Plant	NTPLANT	NTTRN	12CP	$	72,138,578	$	19,162,403	$	59,854,602	$	151,155,583
Distribution Substation	NTPLANT	NTDST	SUBA	$	-	$	-	$	-	$	-
Distribution Other	NTPLANT	NTDMC	Cust05	$	-	$	-	$	-	$	-
Total		NTPLT		$	539,329,473	$	143,263,823	$	447,490,814	$	1,130,084,110

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Rate Schedule Allocation

12 Months Ended
August 31, 2014

Description	Ref	Name	Allocation Vector		Rurals		Large Industrials		Smelter		Total System
Net Cost Rate Base											
Power Production Plant											
Production Demand	RB	RBPDMD	12CP	$	497,763,592	$	132,222,545	$	413,002,897	$	1,042,989,034
Production Energy	RB	RBPENG	PENG	$	12,509,659	$	4,845,094	$	16,219,853	$	33,574,606
Production - Steam Direct	RB	RBPSTM	STMD	$	-	$	-	$	-	$	-
Total Power Production Plant		RBPT		$	510,273,251	$	137,067,639	$	429,222,750	$	1,076,563,640
Transmission Plant	RB	RBTRN	12CP	$	76,923,656	$	20,433,478	$	63,824,862	$	161,181,996
Distribution Substation	RB	RBDST	SUBA	$	-	$	-	$	-	$	-
Distribution Other	RB	RBDMC	Cust05	$	-	$	-	$	-	$	-
Total		RBPLT		$	587,196,907	$	157,501,117	$	493,047,612	$	1,237,745,636

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Rate Schedule Allocation

12 Months Ended
August 31, 2014

Description	Ref	Name	Allocation Vector	Rurals	Large Industrials	Smelter	Total System
<u>Operation and Maintenance Expenses</u>							
Power Production Plant							
Production Demand	TOM	OMPDMD	12CP	[redacted]			
Production Demand Reallocation of Purchased Power							
Production Energy	TOM	OMPENG	PENG				
Production - Steam Direct	TOM	OMPSTM	STMD				
Total Power Production Plant		OMPT					
Transmission Plant	TOM	OMTRN	12CP	$ 9,203,028	$ 2,444,630	$ 7,635,909	$ 19,283,567
Distribution Substation	TOM	OMDST	SUBA	$ -	$ -	$ -	$ -
Distribution Other	TOM	OMDMC	Cust05	$ -	$ -	$ -	$ -
Total		OMPLT		[redacted]			

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Rate Schedule Allocation

12 Months Ended
August 31, 2014

Description	Ref	Name	Allocation Vector		Rurals		Large Industrials		Smelter		Total System
<u>Labor Expenses</u>											
Power Production Plant											
Production Demand	TLB	LBPDMD	12CP	$	12,316,750	$	3,271,738	$	10,219,416	$	25,807,904
Production Energy	TLB	LBPENG	PENG	$	7,604,712	$	2,945,368	$	9,860,166	$	20,410,246
Production - Steam Direct	TLB	LBPSTM	STMD	$	-	$	-	$	-	$	-
Total Power Production Plant		LBPT		$	19,921,462	$	6,217,106	$	20,079,582	$	46,218,150
Transmission Plant	TLB	LBTRN	12CP	$	3,635,685	$	965,759	$	3,016,589	$	7,618,033
Distribution Substation	TLB	LBDST	SUBA	$	-	$	-	$	-	$	-
Distribution Other	TLB	LBDMC	Cust05	$	-	$	-	$	-	$	-
Total		LBPLT		$	23,557,147	$	7,182,865	$	23,096,172	$	53,836,183

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Rate Schedule Allocation

12 Months Ended
August 31, 2014

Description	Ref	Name	Allocation Vector		Rurals		Large Industrials		Smelter		Total System
Depreciation Expenses											
Power Production Plant											
Production Demand	TDEPR	DPPDMD	12CP	$	18,411,502	$	4,890,706	$	15,276,335	$	38,578,543
Production Energy	TDEPR	DPPENG	PENG	$	-	$	-	$	-	$	-
Production - Steam Direct	TDEPR	DPPSTM	STMD	$	-	$	-	$	-	$	-
Total Power Production Plant		DPPT		$	18,411,502	$	4,890,706	$	15,276,335	$	38,578,543
Transmission Plant	TDEPR	DPTRN	12CP	$	2,607,653	$	692,679	$	2,163,614	$	5,463,946
Distribution Substation	TDEPR	DPDST	SUBA	$	-	$	-	$	-	$	-
Distribution Other	TDEPR	DPDMC	Cust05	$	-	$	-	$	-	$	-
Total		DPPLT		$	21,019,154	$	5,583,386	$	17,439,949	$	44,042,489

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Rate Schedule Allocation

12 Months Ended
August 31, 2014

Description	Ref	Name	Allocation Vector		Rurals		Large Industrials		Smelter		Total System
Property and Other Taxes											
Power Production Plant											
Production Demand	PTAX	PRPDMD	12CP	$	368	$	98	$	305	$	771
Production Energy	PTAX	PRPENG	PENG	$	-	$	-	$	-	$	-
Production - Steam Direct	PTAX	PRPSTM	STMD	$	-	$	-	$	-	$	-
Total Power Production Plant		PRPT		$	368	$	98	$	305	$	771
Transmission Plant	PTAX	PRTRN	12CP	$	54	$	14	$	45	$	114
Distribution Substation	PTAX	PRDST	SUBA	$	-	$	-	$	-	$	-
Distribution Other	PTAX	PRDMC	Cust05	$	-	$	-	$	-	$	-
Total		PRPLT		$	422	$	112	$	350	$	885

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Rate Schedule Allocation

12 Months Ended
August 31, 2014

Description	Ref	Name	Allocation Vector		Rurals		Large Industrials		Smelter		Total System
<u>Interest Expenses</u>											
Power Production Plant											
Production Demand	INTLTD	INPDMD	12CP	$	18,094,575	$	4,806,520	$	15,013,376	$	37,914,472
Production Energy	INTLTD	INPENG	PENG	$	-	$	-	$	-	$	-
Production - Steam Direct	INTLTD	INPSTM	STMD	$	-	$	-	$	-	$	-
Total Power Production Plant		INPT		$	18,094,575	$	4,806,520	$	15,013,376	$	37,914,472
Transmission Plant	INTLTD	INTRN	12CP	$	2,671,261	$	709,576	$	2,216,390	$	5,597,227
Distribution Substation	INTLTD	INDST	SUBA	$	-	$	-	$	-	$	-
Distribution Other	INTLTD	INDMC	Cust05	$	-	$	-	$	-	$	-
Total		INPLT		$	20,765,836	$	5,516,096	$	17,229,767	$	43,511,699

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Rate Schedule Allocation

12 Months Ended
August 31, 2014

Description	Ref	Name	Allocation Vector	Rurals	Large Industrials	Smelter	Total System
Cost of Service Summary -- Unadjusted				$ 20,946,808	$ 8,112,872	$ 27,159,344	
				$ -	$ -	$ -	
Operating Revenues							
Sales to Members		REVUC	R01	[redacted]			
Off System Sales Revenue			OSS				
Income from Leased Property Net		OTHREV	RBPLT				
Other Operating Revenue & Income		OTHREV	RBPLT				
Total Operating Revenues		TOR		$ 161,967,568	$ 54,660,922	$ 192,430,442	$ 409,058,933
Operating Expenses							
Operation and Maintenance Expenses				[redacted]			
Depreciation and Amortization Expenses				$ 21,019,154	$ 5,583,386	$ 17,439,949	$ 44,042,489
Property and Other Taxes			NPT	$ 422	$ 112	$ 350	$ 885
Total Operating Expenses		TOE		[redacted]			
Utility Operating Margin				[redacted]			
Non-Operating Items							
Interest Income			RBPLT	$ 829,434	$ 222,475	$ 696,445	$ 1,748,354
Other Non-Operating Income			RBPLT	$ -	$ -	$ -	$ -
Other Capital Credits & Patronage Dividends			RBPLT	$ 1,283,961	$ 344,391	$ 1,078,095	$ 2,706,448
Total Non-Operating Items				$ 2,113,395	$ 566,866	$ 1,774,540	$ 4,454,801
Net Utility Operating Margin		TOM		[redacted]			
Net Cost Rate Base				[redacted]			
Rate of Return on Rate Base (Unadjusted)				-2.28%	-2.90%	-0.33%	-1.58%

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Rate Schedule Allocation

12 Months Ended
August 31, 2014

Description	Ref	Name	Allocation Vector		Rurals		Large Industrials		Smelter		Total System
Cost of Service Summary -- Pro-Forma (Before Proposed Rate Increase)											
Operating Revenues											
Total Operating Revenue				$	161,967,568	$	54,660,922	$	192,430,442	$	409,058,933
Pro-Forma Adjustments:											
To Remove Fuel Adjustment Clause Revenue		1.01		$	(12,526,275)	$	(4,836,245)	$	(16,176,808)	$	(33,539,328)
To Remove Environmental Surcharge Revenue		1.02		$	(8,815,889)	$	(2,944,366)	$	(8,971,731)	$	(20,731,985)
To Remove Non-FAC PPA Revenue		1.03		$	1,903,467	$	737,229	$	1,165,347	$	3,806,042
Total Pro-Forma Operating Revenue				$	142,528,872	$	47,617,540	$	168,447,250	$	358,593,662

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Rate Schedule Allocation

12 Months Ended
August 31, 2014

Description	Ref	Name	Allocation Vector	Rurals	Large Industrials	Smelter	Total System
Cost of Service Summary -- Pro-Forma (Before Proposed Rate Increase) (cont.)							
Operating Expenses							
Operation and Maintenance Expenses				[redacted]			
Depreciation and Amortization Expenses				$ 21,019,154	$ 5,583,386	$ 17,439,949	$ 44,042,489
Property and Other Taxes			NPT	$ 422	$ 112	$ 350	$ 885
Adjustments to Operating Expenses:							
To Remove Fuel Expense Recoverable through the FAC		1.01		$ (12,526,275)	$ (4,836,245)	$ (16,176,808)	$ (33,539,328)
To Remove Expenses Recoverable through the ES		1.02		$ (8,815,889)	$ (2,944,366)	$ (8,971,731)	$ (20,731,985)
To Remove NFPPA		1.03		$ 1,903,467	$ 737,229	$ 1,165,347	$ 3,806,042
To Remove Promotional Advertising		1.04	R01	$ (22,133)	$ (7,382)	$ (26,241)	$ (55,756)
To Remove Lobbying Expenses		1.05	R01	$ (28,154)	$ (9,390)	$ (33,379)	$ (70,923)
To Remove Economic Development Expenses		1.06	R01	$ (55,717)	$ (18,582)	$ (66,058)	$ (140,357)
To Remove Donations Expenses		1.07	R01	$ (25,139)	$ (8,384)	$ (29,805)	$ (63,328)
To Remove Touchstone Energy dues		1.08	R01	$ (52,704)	$ (17,577)	$ (62,485)	$ (132,766)
To Amortize Rate Case Expenses - Case No. 2011-00036		1.09	RBPLT	$ 96,472	$ 25,876	$ 81,004	$ 203,352
To Remove Non-Recurring Labor related to Wilson Layup		1.10	LBPLT	$ (1,135,697)	$ (346,288)	$ (1,113,473)	$ (2,595,458)
To Normalize Certain Outside Professional Services		1.11	EnergyNS	$ (192)	$ (75)	$ -	$ (267)
To Remove Forecast Demand Side Management Expenses		1.12	12CP	$ (539,916)	$ (143,420)	$ (447,978)	$ (1,131,314)
To Normalized Demand Side Management Expenses		1.12	EnergyR	$ 1,000,000	$ -	$ -	$ 1,000,000
Total Expense Adjustments				$ (20,201,877)	$ (7,568,602)	$ (25,681,608)	$ (53,452,088)
Total Operating Expenses		TOE		[redacted]			
Utility Operating Margins -- Pro-Forma				[redacted]			
Non-Operating Items				$ -	$ -	$ -	$ -
Sum of Non-Operating Items				$ 2,113,395	$ 566,866	$ 1,774,540	$ 4,454,801
Adjustments to Non-Operating Items			12CP	$ -	$ -	$ -	$ -
Total Non-Operating Items				$ 2,113,395	$ 566,866	$ 1,774,540	$ 4,454,801
Net Utility Operating Margin				[redacted]			
Net Cost Rate Base				[redacted]			
Rate of Return on Rate Base -- Pro Forma (Before Proposed Rate Increase)				**-2.15%**	**-2.57%**	**0.02%**	**-1.34%**

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Rate Schedule Allocation

12 Months Ended
August 31, 2014

Description	Ref	Name	Allocation Vector	Rurals	Large Industrials	Smelter	Total System
<u>Cost of Service Summary -- Pro-Forma (After Proposed Rate Increase)</u>							
Operating Revenues							
Total Operating Revenue				$ 142,528,872	$ 47,617,540	$ 168,447,250	$ 358,593,662
Pro-Forma Adjustments:							
To Reflect Proposed Increase				$ 37,279,991	$ 7,601,035	$ 23,733,606	$ 68,614,632
Total Pro-Forma Operating Revenue				$ 179,808,863	$ 55,218,575	$ 192,180,856	$ 427,208,294
Operating Expenses							
Total Operating Expenses				[redacted]			
Utility Operating Margins -- Pro-Formed for Increase				[redacted]			
Net Cost Rate Base				[redacted]			
Rate of Return -- Pro Forma (After Proposed Rate Increase)				3.84%	1.90%	4.47%	3.84%

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Rate Schedule Allocation

12 Months Ended
August 31, 2014

Description	Ref	Name	Allocation Vector	Rurals	Large Industrials	Smelter	Total System
Allocation Factors							
Energy Allocation Factors							
Energy Usage by Class		E01	Energy	0.372593	0.144308	0.483099	1.000000
Customer Allocation Factors							
Rev		R01		138,121,080	46,064,053	163,756,402	347,941,535
Energy		Energy		2,436,557,000	943,698,679	3,159,206,400	6,539,462,079
FAC Revenue Allocator		FACA		2,436,557,000	943,698,679	3,159,206,400	6,539,462,079
Base Fuel Revenue Allocator		BSFL		2,436,557,000	943,698,679	3,159,206,400	6,539,462,079
Fuel Expense Applicable to FAC Allocator		FACEX		2,436,557,000	943,698,679	3,159,206,400	6,539,462,079
Energy - NonSmelter		EnergyNS		0.7208	0.2792	-	1.0000
Energy - Smelter only		EnergyS		-	-	1.0000	1.0000
Energy - Rurals only		EnergyR		1.0000	-	-	1.0000
Customers (Metering Points)		Cust05		3	1	1	5
Demand Allocators							
Steam - Direct Assignment		STMD		-	-	-	-
Substation Allocator		SUBA		-	-	-	-
Coincident Peak Demand CP		12CP		5,322,297	1,413,779	4,416,000	11,152,076
Non-Coincident Peak Demands NCP		NCP		5,376,057	1,674,594	4,416,000	11,466,651

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Rate Schedule Allocation

12 Months Ended
August 31, 2014

Description	Ref	Name	Allocation Vector	Rurals	Large Industrials	Smelter	Total System
Production Energy Allocation							
Production Energy Residual Allocator		PENGA		2,436,557,000	943,698,679	3,159,206,400	6,539,462,079
Production Energy Costs				-	-	-	-
Member Specific Assignment				-	-	-	-
Production Energy Residual			PENGA	103,990,956	40,276,557	134,833,248	279,100,761
Production Energy Total		PENGT		103,990,956	40,276,557	134,833,248	279,100,761
Production Energy Total Allocator		PENG	PENGT	0.372593	0.144308	0.483099	1.000000
FAC Expense Residual Allocator		FACALL		2,436,557,000	943,698,679	3,159,206,400	6,539,462,079
FAC Expense Cost				-	-	-	-
Member Specific Assignment				-	-	-	-
FAC Expense Residual			FACALL	-	-	-	-
FAC Expense Total		FACT		-	-	-	-
FAC Expense Allocator		FACAL	12CP	0.372593	0.144308	0.483099	1.000000
OSS Allocated Amount		OSSA		[redacted]			
Off-System Sales Allocator							
Off-System Sales Revenue			OSSA	[redacted]			
Specific Assignment							
Total OSS Assignments		OSS					
				-	-	-	-

Case No. 2012-00535
Exhibit Wolfram-4.3

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Rate Schedule Allocation

12 Months Ended
August 31, 2014

Description	Ref	Name	Allocation Vector	Rurals	Large Industrials	Smelter	Total System
Operating Expenses							
Expenses before Adjustments							
Production Demand				[redacted]			
Production Energy							
Transmission Demand				$ 11,810,735	$ 3,137,324	$ 9,799,568	$ 24,747,627
Total				[redacted]			
Expenses After Revenue Offsets							
Production Demand				[redacted]			
Production Energy							
Transmission Demand				$ 11,810,735	$ 3,137,324	$ 9,799,568	$ 24,747,627
Total				[redacted]			
Rate Base							
Production Demand				[redacted]			
Production Energy							
Transmission Demand				$ 76,923,656	$ 20,433,478	$ 63,824,862	$ 161,181,996
Total				[redacted]			
Operating Expenses-Unit Costs							
Production Demand ($/kW)				[redacted]			
Production Energy ($/kWh)							
Transmission Demand ($/kW)				2.22	2.22	2.22	2.22
Rate Base-Unit Costs							
Production Demand ($/kW)				[redacted]			
Production Energy ($/kWh)							
Transmission Demand ($/kW)				14.45	14.45	14.45	14.45

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Rate Schedule Allocation

12 Months Ended
August 31, 2014

Description	Ref	Name	Allocation Vector	Rurals	Large Industrials	Smelter	Total System
Revenue Requirement Assuming a Rate of Return of	3.84%						
Production Demand				[redacted]			
Production Energy							
Transmission Demand				14,766,728	3,922,534	12,252,205	30,941,467
Total Revenue Requirement				[redacted]			
Unit Revenue Requirement							
Production Demand							
Production Demand (Per kW)				[redacted]			
Production Demand Margin (Per kW)							
Total Production Demand (Per kW)							
Production Energy							
Production Energy - (Per kWh)				[redacted]			
Production Energy Margin - (Per kWh)							
Total Production Energy (Per kWh)							
Transmission Demand							
Transmission Demand (per kW)				2.22	2.22	2.22	2.22
Tranmission Margin (Per kW)				0.02	0.02	0.02	0.02
Total Transmission Demand (per kW)				2.24	2.24	2.24	2.24

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Billing Determinants - Present and Proposed Rates

12 Months Ended
August 31, 2014

Rate		Billing Determinants		Current Rate Charge		Current Rate Billings	Proposed Rate Charge		Proposed Rate Billings	Variance Billings
Rural Delivery Point Service										
Demand Charge	CP	5,322,297	kW-Mo	9.697	/kW-Mo	$ 51,610,313	16.454	/kW-Mo	$ 87,573,072	$ 35,962,760
Energy Charge		2,436,557,000	kWh	$ 0.029736	/kWh	72,453,459	$ 0.030000	/kWh	73,096,710	643,251
Total Demand and Energy Charges				0.050918		$ 124,063,772	0.065941		$ 160,669,782	$ 36,606,011
Non-Smelter Non-FAC PPA				(0.000781)		(1,903,467)	(0.000781)		(1,903,467)	-
FAC				0.005141		12,526,275	0.005141		12,526,275	-
Environmental Surcharge				0.003618		8,815,889	0.003894		9,488,521	672,632
Surcredit				(0.001738)		(4,235,358)	(0.001738)		(4,235,358)	-
Total		2,436,557,000	kWh	0.057157		$ 139,267,110	0.072457		$ 176,545,753	$ 37,278,643
Increase	$								$ 37,278,643	
Increase	%								26.8%	
Large Industrial Customer Delivery Point Service										
Demand Charge	NCP	1,674,594	kW-Mo	10.50	/kW-Mo	$ 17,583,237	11.960	/kW-Mo	$ 20,028,144	$ 2,444,907
Energy Charge		943,698,679	kWh	$ 0.024508	/kWh	23,128,167	$ 0.030000	/kWh	$ 28,310,960	$ 5,182,793
Total Demand and Energy Charges				0.043140		$ 40,711,404	0.051223		$ 48,339,105	$ 7,627,700
Non-Smelter Non-FAC PPA				(0.000781)		(737,229)	(0.000781)		(737,229)	-
FAC				0.005125		4,836,245	0.005125		4,836,245	-
Environmental Surcharge				0.003120		2,944,366	0.003092		2,917,700	(26,666)
Surcredit				(0.001777)		(1,677,110)	(0.001777)		(1,677,110)	-
Total		943,698,679	kWh	0.048827		$ 46,077,677	0.056881		$ 53,678,712	$ 7,601,035
Increase	$								$ 7,601,035	
Increase	%								16.5%	

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Billing Determinants - Present and Proposed Rates

12 Months Ended
August 31, 2014

Rate	Billing Determinants		Current Rate Charge		Current Rate Billings	Proposed Rate Charge		Proposed Rate Billings	Variance Billings
Smelter									
Base Energy Charge									
Base Fixed Energy Charge	3,159,206,400	kWh	0.039435	/kWh	$ 124,583,304	$ 0.046968	/kWh	$ 148,381,606	$ 23,798,302
Base Variable Energy Charge	-	kWh	0.021806	/kWh	-	$ 0.021806	/kWh	-	-
Total Base Energy Charge	3,159,206,400	kWh	0.039435		$ 124,583,304	0.046968		$ 148,381,606	$ 23,798,302
Other Charges or Credits									
TIER Adjustment Charge			0.002950		$ 9,319,659	0.002950		$ 9,319,659	$ -
Non-FAC PPA			(0.000369)		$ (1,165,347)	(0.000369)		$ (1,165,347)	-
FAC			0.005121		$ 16,176,808	0.005121		$ 16,176,808	-
Environmental Surcharge			0.002840		$ 8,971,731	0.002819		$ 8,907,035	(64,696)
Surcharge			0.001872		$ 5,912,468	0.001872		$ 5,912,468	-
Total	3,159,206,400		0.051848		$ 163,798,623	0.059361		$ 187,532,229	$ 23,733,606
Increase $								$ 23,733,606	
Increase %								14.5%	
TOTAL	6,539,462,079		0.053390		$ 349,143,410	0.063882		$ 417,756,694	$ 68,613,284
INCREASE						0.010492		$ 68,613,284	100.00%
								19.65%	

Case No. 2012-00535
Exhibit Wolfram-5.3

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Billing Determinants - Present and Proposed Rates

12 Months Ended
August 31, 2014

Rate	Billing Determinants	Current Rate Charge	Current Rate Billings	Proposed Rate Charge	Proposed Rate Billings	Variance Billings

Notes

Note A: Base Rate is the rate resulting from the application of the Large Industrial Rate to a load with a 98% load factor, plus $0.0025/kWh.

	Current	*Proposed*
Large Industrial Demand Charge	10.50	11.960
Hours {730 hrs * 98%}	715.4	715.4
Demand Charge per kWh	$ 0.014677	$ 0.016718
Energy Charge	0.024508	0.030000
Plus:	0.000250	0.000250
Total	$ 0.039435	$ 0.046968

Note B: Base Variable Energy Charge equals the total of the FAC Base, Environmental Surcharge Base, and Non-FAC PPA Base

FAC Base	$ 0.020932	$ 0.020932
Environmental Surcharge Base	-	-
Non-FAC PPA Base	0.000874	0.000874
Total Base Variable Energy Charge	$ 0.021806	$ 0.021806

Note C: Values for ES are incorporated from the Big Rivers Financial Model

Note D: Retail rate increases estimated using approximate distribution cost adder

	Current	Proposed	Variance
RDS Distr Adder	0.03300		
LIC Dist Adder	0.00200		
RDS	0.090157	0.105457	0.015300 17.0%
LIC	0.050827	0.058881	0.008055 15.8%

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Summary of Proposed Increase

12 Months Ended
August 31, 2014

Class	Total Revenue at Current Rates ($)	Total Revenue at Proposed Rates ($)	Increase ($)	Increase (%)
Rural	139,267,110	176,545,753	37,278,643	26.8%
Large Industrial	46,077,677	53,678,712	7,601,035	16.5%
Smelter	163,798,623	187,532,229	23,733,606	14.5%
Total	349,143,410	417,756,694	68,613,284	19.7%

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Estimate of Retail Rate Increase

12 Months Ended
August 31, 2014

Rural Delivery Service

			Current		Proposed		Increase	Increase
Estimated Retail Rate ($/kWh)								
All-In Wholesale Rate			0.057157		0.072457		0.015300	26.8%
Estimated Retail Distr Cost Adder			0.033000		0.033000			
Total Retail Rate Estimate			0.090157		0.105457		0.015300	17.0%
Estimated Billings ($/Month)								
Monthly Usage	100 kWh	$	9.02	$	10.55	$	1.53	17.0%
	200	$	18.03	$	21.09	$	3.06	17.0%
	300	$	27.05	$	31.64	$	4.59	17.0%
	400	$	36.06	$	42.18	$	6.12	17.0%
	500	$	45.08	$	52.73	$	7.65	17.0%
	600	$	54.09	$	63.27	$	9.18	17.0%
	700	$	63.11	$	73.82	$	10.71	17.0%
	800	$	72.13	$	84.37	$	12.24	17.0%
	900	$	81.14	$	94.91	$	13.77	17.0%
	1000	$	90.16	$	105.46	$	15.30	17.0%
	1100	$	99.17	$	116.00	$	16.83	17.0%
	1200	$	108.19	$	126.55	$	18.36	17.0%
	1300	$	117.20	$	137.09	$	19.89	17.0%
	1400	$	126.22	$	147.64	$	21.42	17.0%
	1500	$	135.24	$	158.19	$	22.95	17.0%

Large Industrial Customer Service

			Current		Proposed		Increase	Increase
Estimated Retail Rate ($/kWh)								
All-In Wholesale Rate			0.048827		0.056881		0.008055	16.5%
Estimated Retail Distribution Cost Adder			0.002000		0.002000			
Total Retail Rate Estimate			0.050827		0.058881		0.008055	15.8%
Estimated Billings ($/Month)								
Monthly Usage	500 kWh	$	25.41	$	29.44	$	4.03	15.8%
	600	$	30.50	$	35.33	$	4.83	15.8%
	700	$	35.58	$	41.22	$	5.64	15.8%
	800	$	40.66	$	47.10	$	6.44	15.8%
	900	$	45.74	$	52.99	$	7.25	15.8%
	1000	$	50.83	$	58.88	$	8.05	15.8%
	1100	$	55.91	$	64.77	$	8.86	15.8%
	1200	$	60.99	$	70.66	$	9.67	15.8%
	1300	$	66.07	$	76.55	$	10.47	15.8%
	1400	$	71.16	$	82.43	$	11.28	15.8%
	1500	$	76.24	$	88.32	$	12.08	15.8%
	1600	$	81.32	$	94.21	$	12.89	15.8%
	1700	$	86.41	$	100.10	$	13.69	15.8%
	1800	$	91.49	$	105.99	$	14.50	15.8%
	1900	$	96.57	$	111.87	$	15.30	15.8%
	2000	$	101.65	$	117.76	$	16.11	15.8%

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		2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013 Total
1														
2	**I. Sales**													
3														
4	**Energy (TWH)**													
5	Rural	0.25	0.21	0.19	0.15	0.17	0.22	0.24	0.23	0.18	0.15	0.18	0.25	2.41
6	Large Industrial	0.08	0.07	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.94
7	Century	0.35	0.32	0.35	0.34	0.35	0.34	0.35	0.22	0.00	0.00	0.00	0.00	2.62
8	Alcan	0.28	0.25	0.28	0.27	0.28	0.27	0.27	0.27	0.26	0.27	0.26	0.27	3.20
9	Market	[redacted]												
10	Total Energy Sales	1.07	0.96	1.03	0.91	0.94	0.96	1.03	1.00	0.68	0.75	0.72	0.75	10.78
11														
12	**Demand (MW)**													
13	Rural	540.18	482.11	418.81	328.15	374.55	472.17	493.51	533.48	416.26	336.41	377.17	494.38	5,267.19
14	Large Industrial	139.27	139.90	139.11	139.40	138.43	138.53	143.19	143.54	136.42	138.47	138.43	138.60	1,673.29
15														
16	**II. Rates, Accrual Based ($ / MWH)**													
17														
18	**Rural**													
19	Load Factor (%)	62.01%	64.21%	60.23%	62.59%	59.28%	63.76%	66.25%	59.00%	59.69%	61.52%	66.01%	66.76%	62.67%
20	Demand ($/ KW-mo.)	9.70	9.70	9.70	9.70	9.70	9.70	9.70	12.09	16.45	16.45	16.45	16.45	12.05
21	Energy ($/ MWH)	29.74	29.74	29.74	29.74	29.74	29.74	29.74	29.83	30.00	30.00	30.00	30.00	29.83
22	Base Rate ($/ MWH)	50.76	52.21	51.38	51.25	51.72	50.86	49.41	57.38	68.29	65.95	64.62	63.13	56.11
23														
24	Non-Smelter Non-FAC PPA	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(0.78)	(0.78)	(0.78)	(0.78)	(1.18)
25	FAC	3.79	3.93	3.92	3.96	3.96	4.11	4.63	4.21	4.70	4.48	4.61	4.67	4.25
26	Environmental Surcharge	3.19	3.27	3.31	3.09	3.23	3.21	3.05	3.68	4.33	4.11	3.70	3.41	3.44
27	Surcredit	(3.54)	(3.85)	(4.33)	(5.05)	(4.75)	(3.87)	(3.53)	(2.87)	(1.91)	(2.14)	(1.91)	(1.54)	(3.23)
28	Total	3.44	3.34	2.90	1.99	2.44	3.45	4.15	5.02	7.12	6.45	6.40	6.54	4.46
29	Economic Reserve	(7.65)	(7.56)	(7.11)	(6.21)	(6.65)	(7.66)	(7.36)	(8.24)	(10.34)	(9.67)	(9.62)	(9.75)	(8.16)
30	Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
31	TIER Related Rebate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
32	Effective Rate ($/ MWH)	45.19	46.64	45.81	45.69	46.15	45.29	44.84	52.81	64.29	61.96	60.63	59.13	51.23
33														

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		2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013 Total
34	**Large Industrial**													
35	Load Factor (%)	75.77%	79.04%	77.68%	76.94%	76.72%	77.06%	77.88%	76.94%	78.20%	76.55%	77.18%	76.59%	77.20%
36	Demand ($/ KW-mo.)	10.50	10.50	10.50	10.50	10.50	10.50	10.50	11.02	11.96	11.96	11.96	11.96	11.03
37	Energy ($/ MWH)	24.51	24.51	24.51	24.51	24.51	24.51	24.51	26.46	30.00	30.00	30.00	30.00	26.49
38	Power Factor Penalty/ Demand Cr. (Lrg. Ind.)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
39	Base Rate ($/ MWH)	43.13	44.28	42.68	43.46	42.90	43.43	42.63	45.71	51.24	51.00	51.52	50.99	46.06
40														
41	Non-Smelter Non-FAC PPA	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(0.78)	(0.78)	(0.78)	(0.78)	(1.17)
42	FAC	3.79	3.93	3.92	3.96	3.96	4.11	4.63	4.21	4.70	4.48	4.61	4.67	4.25
43	Environmental Surcharge	2.74	2.81	2.79	2.65	2.72	2.77	2.67	2.98	3.32	3.24	3.00	2.80	2.87
44	Surcredit	(3.54)	(3.85)	(4.33)	(5.05)	(4.75)	(3.87)	(3.53)	(2.87)	(1.91)	(2.14)	(1.91)	(1.54)	(3.27)
45	Total	3.00	2.88	2.38	1.56	1.93	3.01	3.77	4.33	6.11	5.58	5.70	5.93	3.85
46	Economic Reserve	(7.21)	(7.09)	(6.59)	(5.77)	(6.14)	(7.22)	(6.98)	(7.54)	(9.32)	(8.79)	(8.92)	(9.14)	(7.56)
47	TIER Related Rebate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
48	Effective Rate ($/ MWH)	37.56	38.71	37.11	37.89	37.33	37.86	38.06	41.14	47.25	47.01	47.53	46.99	41.18
49														
50	**Non-Smelter Member Blend**													
51	Base Rate ($/ MWH)	48.93	50.12	48.77	48.58	48.87	48.91	47.69	54.35	63.17	60.89	60.69	60.17	53.28
52														
53	Non-Smelter Non-FAC PPA	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(0.78)	(0.78)	(0.78)	(0.78)	(1.17)
54	FAC	3.79	3.93	3.92	3.96	3.96	4.11	4.63	4.21	4.70	4.48	4.61	4.67	4.25
55	Environmental Surcharge	3.08	3.15	3.15	2.94	3.07	3.09	2.95	3.50	4.03	3.82	3.49	3.26	3.28
56	Surcredit	(3.54)	(3.85)	(4.33)	(5.05)	(4.75)	(3.87)	(3.53)	(2.87)	(1.91)	(2.14)	(1.91)	(1.54)	(3.24)
57	Total	3.33	3.22	2.74	1.84	2.28	3.33	4.05	4.84	6.82	6.16	6.19	6.39	4.29
58	Economic Reserve	(7.55)	(7.43)	(6.95)	(6.06)	(6.49)	(7.54)	(7.26)	(8.06)	(10.03)	(9.37)	(9.41)	(9.60)	(7.99)
59	Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
60	TIER Related Rebate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
61	Effective Rate ($/ MWH)	43.36	44.55	43.20	43.01	43.30	43.35	43.12	49.78	59.17	56.89	56.69	56.18	48.41
62														

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		2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013 Total
63	**Smelters**													
64	Base Rate	39.44	39.44	39.44	39.44	39.44	39.44	39.44	40.63	46.97	46.97	46.97	46.97	40.90
65	TIER Adjustment	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95
66	Total	42.39	42.39	42.39	42.39	42.39	42.39	42.39	43.58	49.92	49.92	49.92	49.92	43.85
67	Non-FAC PPA	(0.59)	(0.56)	(0.57)	(0.55)	(0.57)	(0.58)	(0.59)	(0.54)	(0.35)	(0.34)	(0.35)	(0.42)	(0.53)
68	FAC	3.79	3.93	3.92	3.96	3.96	4.11	4.63	4.21	4.70	4.48	4.61	4.67	4.16
69	Environmental Surcharge	2.48	2.48	2.54	2.38	2.47	2.49	2.44	2.72	3.03	2.97	2.73	2.56	2.55
70	Surcharge	1.85	1.92	1.85	1.87	1.85	1.87	1.86	1.87	1.88	1.86	1.88	1.86	1.87
71	TIER Related Rebate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
72	Effective Rate ($/ MWH)	49.92	50.15	50.13	50.04	50.10	50.28	50.72	51.84	59.18	58.89	58.78	58.59	51.90
73														
74	Market	32.37	31.45	30.37	31.60	29.63	32.71	41.25	33.26	28.45	28.08	27.89	30.71	30.78

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		2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013 Total
75														
76	**III. Statement of Operations (Millions of $)**													
77														
78	Electric Energy Revenues	[redacted]												
79	Income From Leased Property Net													
80	Other Operating Revenue and Income	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	3.70
81	TOTAL OPER. REVENUES & PAT. CAPITAL	[redacted]												
82														
83	Operating Expense-Production-Excluding Fuel	[redacted]												
84	Operating Expense-Production-Fuel													
85	Operating Expense-Other Power Supply													
86	Operating Expense-Transmission													
87	Operating Expense-RTO/ISO													
88	Operating Expense-Distribution													
89	Operating Expense-Customer Accounts													
90	Operating Expense-Customer Service and Information													
91	Operating Expense-Sales													
92	Operating Expense-Administrative and General													
93	TOTAL OPERATION EXPENSE													
94														
95	Maintenance Expense-Production	[redacted]												
96	Maintenance Expense-Transmission													
97	Maintenance Expense-Distribution													
98	Maintenance Expense-General Plant													
99	TOTAL MAINTENANCE EXPENSE													
100														

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		2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013 Total
101	Depreciation and Amortization Expense	3.44	3.44	3.44	3.45	3.47	3.48	3.49	3.49	3.64	3.64	3.65	3.66	42.27
102	Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
103	Interest on Long-Term Debt	3.80	3.49	3.79	3.70	3.81	3.51	3.64	3.64	3.53	3.68	3.58	3.67	43.85
104	Interest Charged to Construction - Credit	(0.00)	(0.01)	(0.02)	(0.05)	(0.04)	(0.06)	(0.08)	(0.04)	(0.06)	(0.10)	(0.14)	(0.18)	(0.77)
105	Other Interest Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
106	Asset Retirement Obligation													
107	Other Deductions	0.05	0.04	0.04	0.04	0.04	0.06	0.04	0.04	0.04	0.04	0.04	0.06	0.51
108														
109	TOTAL COST OF ELECTRIC SERVICE	[redacted]												
110														
111	OPERATING MARGINS	3.85	3.07	(0.72)	(3.38)	(5.81)	1.09	2.98	2.77	(0.45)	(2.76)	0.10	3.63	4.38
112														
113	Interest Income	0.16	0.16	0.16	0.16	0.16	0.15	0.15	0.15	0.15	0.15	0.15	0.15	1.87
114	Allowance For Funds Used During Construction													
115	Income (Loss) From Equity Investments													
116	Other Non-Operating Income (Net)													
117	Generation and Transmission Capital Credits													
118	Other Capital Credits and Patronage Dividends	0.00	0.00	1.24	0.03	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	1.27
119	Extraordinary Items													
120	NET PATRONAGE CAPITAL OR MARGIN	4.01	3.23	0.68	(3.20)	(5.64)	1.24	3.14	2.94	(0.30)	(2.61)	0.25	3.77	7.52
121														
122														

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		2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013 Total
123	**IV. Balance Sheet (Millions of $)**													
124	Total Utility Plant in Service	2,013.27	2,014.57	2,018.96	2,025.29	2,031.25	2,034.08	2,036.69	2,038.22	2,040.49	2,046.15	2,048.32	2,048.69	2,048.69
125	Construction Work in Progress	40.00	40.00	40.00	40.00	40.90	42.11	44.43	46.75	50.29	57.51	64.76	72.20	72.20
126	Total Utility Plant	2,053.27	2,054.57	2,058.96	2,065.29	2,072.15	2,076.19	2,081.12	2,084.97	2,090.79	2,103.66	2,113.09	2,120.89	2,120.89
127	Accum. Provision for Depreciation and Amort.	970.48	973.79	976.13	977.87	979.75	982.63	985.59	988.89	992.09	994.23	997.49	1,001.32	1,001.32
128	NET UTILITY PLANT	1,082.79	1,080.78	1,082.83	1,087.42	1,092.41	1,093.57	1,095.52	1,096.08	1,098.70	1,109.43	1,115.60	1,119.57	1,119.57
129														
130	Non-Utility Property (Net)													
131	Invest. In Assoc. Org - Patronage Capital	3.68	3.68	4.14	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15
132	Invest. In Assoc. - Other - General Funds	43.84	43.52	43.52	43.52	43.21	43.21	43.21	42.88	42.88	42.88	42.55	42.55	42.55
133	Other Investments	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
134	Special Funds	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05
135	Special Funds (Transition Reserve)	35.03	35.04	35.05	35.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
136	Special Funds (Economic Reserve)	78.16	76.10	74.28	72.96	71.42	69.25	66.92	64.42	61.89	59.75	57.37	54.29	54.29
137	Special Funds (Rural Economic Reserve)	64.50	64.59	64.69	64.79	64.89	64.99	65.09	65.19	65.29	65.39	65.49	65.60	65.60
138	TOTAL OTHER PROP. AND INVESTMENTS	226.27	224.00	222.75	221.55	184.74	182.66	180.44	177.71	175.28	173.24	170.64	167.66	167.66
139														
140	Cash - General Funds	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
141	Cash - Construction Funds - Trustee													
142	Special Deposits	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
143	Temporary Investments	107.67	111.58	117.21	116.80	140.17	140.61	138.97	132.88	152.96	144.29	133.06	120.32	120.32
144	Accounts Receivable - Sales of Energy (Net)	51.57	47.81	48.82	43.87	45.55	47.44	51.29	49.91	37.74	38.12	37.99	41.78	41.78
145	Accounts Receivable - Other (Net)	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22
146	Fuel Stock	32.22	32.33	32.41	32.27	32.22	32.34	32.45	32.47	32.76	32.97	33.10	33.18	33.18
147	Materials and Supplies - Other	26.24	26.30	26.35	26.41	26.46	26.52	26.58	26.64	26.70	26.76	26.83	26.89	26.89
148	Prepayments	3.60	3.29	2.97	2.66	2.35	2.05	1.76	1.46	1.17	0.87	0.58	4.18	4.18
149	Other Current and Accrued Assets	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71
150	TOTAL CURRENT AND ACCRUED ASSETS	223.83	223.84	230.30	224.55	249.30	251.51	253.58	245.90	253.87	245.56	234.10	228.89	228.89
151														
152	Unamortized Debt Discount & Extraor. Prop. Losses	3.78	3.76	3.73	3.71	3.68	3.65	3.63	3.60	3.57	3.55	3.52	3.50	3.50
153	Regulatory Assets	1.24	1.40	1.50	1.63	1.80	2.08	2.13	6.72	6.58	6.44	6.29	6.15	6.15
154	Other Deferred Debits	2.89	2.87	2.81	2.76	2.75	2.69	2.64	2.62	2.56	2.51	2.47	2.42	2.42
155	Accumulated Deferred Income Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
156														
157	TOTAL ASSETS AND OTHER DEBITS	1,540.80	1,536.65	1,543.94	1,541.62	1,534.67	1,536.16	1,537.95	1,532.63	1,540.56	1,540.72	1,532.62	1,528.19	1,528.19
158														

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		2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013 Total
159														
160	TOTAL MARGINS & EQUITY	401.29	404.53	405.21	402.01	396.37	397.62	400.76	403.69	403.39	400.78	401.03	404.80	404.80
161														
162	Long-Term Debt - RUS	210.37	210.37	212.23	212.24	212.24	214.16	214.17	214.17	216.13	216.14	216.14	218.13	218.13
163	Long-Term Debt - Other	714.88	711.06	714.25	714.25	651.59	659.75	659.75	656.74	671.68	671.68	668.65	666.77	666.77
164	TOTAL LONG-TERM DEBT	925.25	921.43	926.48	926.49	863.83	873.90	873.92	870.91	887.81	887.82	884.79	884.90	884.90
165														
166	Notes Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
167	Accounts Payable	28.37	26.95	30.61	29.95	33.79	28.31	29.07	28.41	22.93	24.95	22.37	20.18	20.18
168	Accounts Payable (TIER Rebate)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.00)	(0.00)
169	Taxes Accrued	0.55	0.88	1.20	1.53	1.85	2.18	2.50	0.69	1.01	1.34	1.10	0.81	0.81
170	Interest Accrued	5.01	4.68	4.10	6.65	65.39	62.96	62.94	62.76	61.72	64.22	64.04	61.23	61.23
171	Other Current and Accrued Liabilities	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29
172														
173	TOTAL CURRENT AND ACCRUED LIAB.	42.23	40.80	44.20	46.42	109.32	101.74	102.80	100.15	93.95	98.79	95.79	90.51	90.51
174														
175	Deferred Credits	3.91	3.68	3.47	3.29	3.10	2.87	2.62	2.36	2.25	2.15	2.04	1.92	1.92
176	Deferred Credits (Economic Reserve)	78.16	76.10	74.28	72.96	71.42	69.25	66.92	64.42	61.89	59.75	57.37	54.29	54.29
177	Deferred Credits (Rural Economic Reserve)	64.50	64.59	64.69	64.79	64.89	64.99	65.09	65.19	65.29	65.39	65.49	65.60	65.60
178	Accumulated Operating Provisions	25.46	25.53	25.59	25.65	25.72	25.78	25.85	25.91	25.98	26.04	26.11	26.17	26.17
179	Obligation under Capital Leases - Noncurrent													
180														
181	TOTAL LIABILITIES AND OTHER CREDITS	1,540.80	1,536.65	1,543.94	1,541.62	1,534.67	1,536.16	1,537.95	1,532.63	1,540.56	1,540.72	1,532.62	1,528.19	1,528.19
182														

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		2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013 Total
183														
184	V. Cash Flow Statement (Millions of $)													
185	Operating Receipts													
186	Rural	11.26	11.02	8.60	6.76	7.62	9.82	10.91	12.37	11.50	9.54	10.87	14.52	124.78
187	Large Industrial	2.95	2.88	2.98	2.93	2.95	2.91	3.16	3.38	3.63	3.71	3.66	3.71	38.84
188	Smelters	31.30	28.44	31.43	30.37	31.42	30.51	31.44	25.08	15.37	15.80	15.26	15.72	302.13
189	Offsystem	[redacted]												
190	Lease Income													
191	Other Operating Revenues	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	3.70
192	Gain on Sale of Allowances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
193	Other	0.00	0.00	1.24	0.03	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	1.27
194	Interest Earnings	0.16	0.16	0.16	0.16	0.16	0.15	0.15	0.15	0.15	0.15	0.15	0.15	1.87
195	Total Receipts	[redacted]												
196														
197	Operating Disbursements													
198	PPA													
199	Fuel Costs	[redacted]												
200	Fuel Costs (Labor & Exp)													
201	Domtar	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
202	Power Supply (P Power, APM, Cogen, & TVA Tran)	[redacted]												
203	Production O&M													
204	Transmission O&M													
205	A&G													
206	Working Capital	(0.13)	(3.27)	(2.81)	(4.90)	(3.12)	6.74	2.47	0.47	(7.32)	(2.26)	2.06	9.86	(2.20)
207	Other	0.11	0.16	0.11	0.14	0.17	0.31	0.06	4.59	(0.14)	(0.14)	(0.14)	(0.14)	5.09
208	Total Disbursements	[redacted]												
209														
210	Operating Receipts less Disbursements	8.68	11.16	8.82	7.63	3.14	(1.05)	5.29	2.47	11.67	4.86	3.11	(1.74)	64.04

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		2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013 Total
211														
212	Capital Expenditures													
213	Generation	[redacted]												
214	Transmission	0.55	0.85	0.58	0.81	0.63	0.80	0.52	0.49	0.41	0.85	1.58	0.15	8.22
215	A&G	0.02	0.60	0.30	0.58	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	2.64
216	Other / IT	0.05	0.10	0.24	0.48	0.47	0.39	0.31	0.22	0.15	0.11	0.12	0.08	2.68
217	Total Capital Expenditures	[redacted]												
218														
219	Income Taxes from Operations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
220														
221	Net Pre-Finance Cash Flow	7.46	9.45	3.08	(0.64)	(5.55)	(5.91)	(0.36)	(1.82)	5.20	(9.69)	(6.85)	(9.47)	(15.10)
222														
223	Financing													
224	Principal	0.00	3.83	(3.19)	0.00	62.66	(8.16)	0.00	3.00	(14.94)	0.00	3.03	1.88	48.12
225	Interest	3.68	3.81	2.49	1.13	(54.95)	4.03	3.65	3.82	2.62	1.17	3.76	4.49	(20.33)
226	Debt Issuance Cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.02
227	Line of Credit (Upfront Fee)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
228	Aggregate Debt Service (incl. Line of Credit)	3.68	7.64	(0.70)	1.13	7.71	(4.13)	3.65	6.82	(12.32)	1.17	6.79	6.39	27.81
229														
230	Post-Finance Cash Flow	3.79	1.81	3.78	(1.77)	(13.26)	(1.78)	(4.01)	(8.64)	17.52	(10.85)	(13.64)	(15.86)	(42.91)
231														
232	Unwind Transaction													
233	Cash Proceeds													
234	Debt Reduction													
235	Misc. Transaction													
236	Net Before Member Reserves													
237	Station Two O&M Fund													
238	Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
239	Economic Reserve	2.47	2.10	1.86	1.36	1.58	2.22	2.37	2.55	2.57	2.18	2.41	3.12	26.79
240	Net Before Transition Reserve	2.47	2.10	1.86	1.36	1.58	2.22	2.37	2.55	2.57	2.18	2.41	3.12	26.79
241														

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		2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013 Total
242	Ending Cash Balances (Incl. Transition Reserve)	142.71	146.62	152.26	151.86	140.18	140.62	138.97	132.88	152.97	144.30	133.07	120.32	120.32
243	Ending Cash Balances excl. Transition Reserve)	107.68	111.58	117.22	116.80	140.18	140.62	138.97	132.88	152.97	144.30	133.07	120.32	120.32
244	Change in Working Capital													
245	Other Property	0.00	(0.32)	0.46	0.01	(0.32)	0.00	0.00	(0.32)	0.00	0.00	(0.33)	0.00	(0.81)
246	Accounts Receivable	1.85	(3.76)	1.01	(4.95)	1.68	1.89	3.85	(1.37)	(12.18)	0.39	(0.13)	3.79	(7.94)
247	Materials, Supplies & Other	0.06	0.06	0.06	0.06	0.05	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.71
248	Prepayments	(0.59)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	3.61	0.06
249	Other Current Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
250	Accounts Payable	(1.05)	1.42	(3.66)	0.66	(3.84)	5.48	(0.75)	0.66	5.48	(2.02)	2.58	2.19	7.14
251	Taxes Accrued	(0.32)	(0.32)	(0.32)	(0.32)	(0.32)	(0.32)	(0.32)	1.81	(0.32)	(0.32)	0.24	0.29	(0.58)
252	Other Accruals	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.07)	(0.07)	(0.77)
253	Total	(0.13)	(3.27)	(2.81)	(4.90)	(3.12)	6.74	2.47	0.47	(7.32)	(2.26)	2.06	9.86	(2.20)
254														

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Exhibit Siewert-2.3

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		2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013 Total
255														
256	VI. Cash Flow Statement - Indirect (Millions of $)													
257														
258	**Cash Flows From Operating Activities:**													
259	Net Margin	4.01	3.23	0.68	(3.20)	(5.64)	1.24	3.14	2.94	(0.30)	(2.61)	0.25	3.77	7.52
260	Adjustments to reconcile net margin to net cash													
261	provided by operating activities:													
262	Depreciation and amortization	3.71	3.71	3.72	3.73	3.75	3.76	3.77	3.77	3.91	3.92	3.93	3.93	45.61
263	Interest compounded - RUS Series A Note	0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.04
264	Interest compounded - RUS Series B Note	0.00	0.00	1.86	0.00	0.00	1.91	0.00	0.00	1.96	0.00	0.00	1.99	7.72
265	Noncash member rate mitigation revenue	(2.83)	(2.48)	(2.17)	(1.68)	(1.94)	(2.73)	(2.68)	(7.39)	(2.53)	(2.14)	(2.38)	(3.09)	(34.04)
266	Changes in certain assets and liabilities:													
267	Other property	0.00	0.32	(0.46)	(0.01)	0.32	0.00	0.00	0.32	0.00	0.00	0.33	0.00	0.81
268	Accounts receivable	(1.85)	3.76	(1.01)	4.95	(1.68)	(1.89)	(3.85)	1.37	12.18	(0.39)	0.13	(3.79)	7.94
269	Inventories	(0.28)	(0.17)	(0.13)	0.08	(0.01)	(0.18)	(0.17)	(0.08)	(0.35)	(0.27)	(0.20)	(0.14)	(1.89)
270	Prepayments	0.61	0.31	0.31	0.31	0.31	0.30	0.30	0.30	0.30	0.30	0.30	(3.61)	0.03
271	Other current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
272	Accounts payable	1.05	(1.42)	3.66	(0.66)	3.84	(5.48)	0.75	(0.66)	(5.48)	2.02	(2.58)	(2.19)	(7.14)
273	Taxes accrued	0.32	0.32	0.32	0.32	0.32	0.32	0.32	(1.81)	0.32	0.32	(0.24)	(0.29)	0.58
274	Other accruals	0.23	(0.23)	(0.45)	2.64	58.81	(2.34)	0.03	(0.10)	(0.95)	2.54	(0.19)	(2.82)	57.17
275	Net cash provided by operating activities	5.01	7.35	6.33	6.50	58.09	(5.08)	1.63	(1.34)	9.05	3.70	(0.65)	(6.22)	84.37
276														
277	**Cash Flows From Investing Activities:**													
278	Capital expenditures	(1.22)	(1.70)	(5.75)	(8.27)	(8.69)	(4.86)	(5.65)	(4.29)	(6.47)	(14.55)	(9.96)	(7.73)	(79.14)
279	Net proceeds from restricted investments	2.46	2.09	1.85	1.35	36.64	2.22	2.37	2.55	2.57	2.18	2.41	3.12	61.81
280	Net cash provided by (used in) inv. Activities	1.24	0.39	(3.89)	(6.91)	27.95	(2.64)	(3.28)	(1.74)	(3.90)	(12.37)	(7.55)	(4.62)	(17.33)

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		2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013 Total
281														
282	**Cash Flows From Financing Activities:**													
283	Net principal payments on debt obligations	0.00	(3.83)	3.19	0.00	(62.66)	8.16	0.00	(3.00)	14.94	0.00	(3.03)	(1.88)	(48.12)
284	Debt issuance cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.02)	(0.02)
285	Line of Credit (Upfront Fee)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
286	Net cash provided by (used in) Financing Activities	0.00	(3.83)	3.19	0.00	(62.66)	8.16	0.00	(3.00)	14.94	0.00	(3.03)	(1.90)	(48.14)
287														
288	Net increase (decrease) in cash	6.25	3.91	5.63	(0.41)	23.38	0.44	(1.64)	(6.09)	20.09	(8.67)	(11.23)	(12.74)	18.90
289														
290	**Cash and Cash Equivalents - Beg. of Period**													101.42
291	**Cash and Cash Equivalents - End of Period**													120.32

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		2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	2014 September	2014 October	2014 November	2014 December	2014 Total
1														
2	I. Sales													
3														
4	Energy (TWH)													
5	Rural	0.25	0.21	0.19	0.15	0.17	0.22	0.25	0.24	0.18	0.16	0.18	0.25	2.45
6	Large Industrial	0.08	0.07	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.94
7	Century	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
8	Alcan	0.27	0.24	0.27	0.26	0.27	0.26	0.27	0.27	0.26	0.27	0.26	0.27	3.16
9	Market	[redacted]												
10	Total Energy Sales	0.77	0.69	0.66	0.60	0.63	0.68	0.71	0.71	0.68	0.74	0.72	0.74	8.32
11														
12	Demand (MW)													
13	Rural	548.56	489.60	425.32	333.27	380.07	479.13	500.79	541.33	422.41	341.34	383.06	502.06	5,346.95
14	Large Industrial	140.57	139.90	139.11	139.40	138.43	138.53	143.19	143.54	136.42	138.47	138.43	138.60	1,674.59
15														
16	II. Rates, Accrual Based ($ / MWH)													
17														
18	Rural													
19	Load Factor (%)	62.04%	64.25%	60.26%	62.62%	59.36%	63.85%	66.35%	59.09%	59.77%	61.61%	66.05%	66.80%	62.74%
20	Demand ($/ KW-mo.)	16.45	16.45	16.45	16.45	16.45	16.45	16.45	16.45	16.45	16.45	16.45	16.45	16.45
21	Energy ($/ MWH)	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00
22	Base Rate ($/ MWH)	65.65	68.11	66.70	66.49	67.25	65.79	63.33	67.43	68.23	65.90	64.60	63.11	65.93
23														
24	Non-Smelter Non-FAC PPA	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.33)	(0.33)	(0.33)	(0.33)	(0.64)
25	FAC	4.90	5.07	5.22	5.34	5.44	5.64	5.66	5.70	5.77	5.38	5.43	5.44	5.41
26	Environmental Surcharge	3.71	3.87	3.66	3.98	3.93	3.86	3.69	4.54	5.35	5.10	4.65	4.22	4.18
27	Surcredit	(1.50)	(1.64)	(1.84)	(2.15)	(2.02)	(1.64)	(1.51)	(1.56)	(1.89)	(2.12)	(1.89)	(1.52)	(1.73)
28	Total	7.12	7.30	7.04	7.17	7.35	7.86	7.84	8.68	9.23	8.36	8.19	8.15	7.86
29	Economic Reserve	(10.33)	(10.52)	(10.25)	(10.38)	(10.57)	(11.07)	(9.05)	(9.89)	(10.44)	(9.57)	(9.40)	(9.36)	(10.05)
30	Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
31	TIER Related Rebate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
32	Effective Rate ($/ MWH)	61.65	64.12	62.71	62.50	63.26	61.80	61.34	65.44	66.69	64.36	63.06	61.57	63.10
33														

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		2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	2014 September	2014 October	2014 November	2014 December	2014 Total
34	**Large Industrial**													
35	Load Factor (%)	75.71%	79.04%	77.68%	76.94%	76.72%	77.06%	77.88%	76.94%	78.20%	76.55%	77.18%	76.59%	77.20%
36	Demand ($/ KW-mo.)	11.96	11.96	11.96	11.96	11.96	11.96	11.96	11.96	11.96	11.96	11.96	11.96	11.96
37	Energy ($/ MWH)	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00
38	Power Factor Penalty/ Demand Cr. (Lrg. Ind.)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
39	Base Rate ($/ MWH)	51.23	52.52	50.69	51.59	50.95	51.56	50.64	50.89	51.24	51.00	51.52	50.99	51.22
40														
41	Non-Smelter Non-FAC PPA	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.33)	(0.33)	(0.33)	(0.33)	(0.63)
42	FAC	4.90	5.07	5.22	5.34	5.44	5.64	5.66	5.70	5.77	5.38	5.43	5.44	5.42
43	Environmental Surcharge	2.96	3.04	2.85	3.15	3.05	3.09	3.01	3.51	4.12	4.03	3.77	3.47	3.34
44	Surcredit	(1.50)	(1.64)	(1.84)	(2.15)	(2.02)	(1.64)	(1.51)	(1.56)	(1.89)	(2.12)	(1.89)	(1.52)	(1.77)
45	Total	6.36	6.48	6.23	6.34	6.47	7.09	7.16	7.65	8.00	7.29	7.32	7.40	6.98
46	Economic Reserve	(9.57)	(9.69)	(9.44)	(9.55)	(9.68)	(10.30)	(8.37)	(8.86)	(9.21)	(8.50)	(8.53)	(8.61)	(9.19)
47	TIER Related Rebate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
48	Effective Rate ($/ MWH)	47.24	48.52	46.70	47.60	46.96	47.56	48.65	48.90	49.70	49.46	49.98	49.45	48.39
49														
50	**Non-Smelter Member Blend**													
51	Base Rate ($/ MWH)	62.21	64.06	61.95	61.43	62.04	62.11	60.14	63.19	63.19	60.90	60.72	60.19	61.84
52														
53	Non-Smelter Non-FAC PPA	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.33)	(0.33)	(0.33)	(0.33)	(0.64)
54	FAC	4.90	5.07	5.22	5.34	5.44	5.64	5.66	5.70	5.77	5.38	5.43	5.44	5.42
55	Environmental Surcharge	3.53	3.65	3.42	3.70	3.65	3.66	3.52	4.28	4.98	4.74	4.39	4.04	3.94
56	Surcredit	(1.50)	(1.64)	(1.84)	(2.15)	(2.02)	(1.64)	(1.51)	(1.56)	(1.89)	(2.12)	(1.89)	(1.52)	(1.74)
57	Total	6.94	7.09	6.80	6.89	7.07	7.66	7.67	8.42	8.86	8.00	7.93	7.96	7.62
58	Economic Reserve	(10.15)	(10.30)	(10.01)	(10.10)	(10.28)	(10.87)	(8.88)	(9.63)	(10.07)	(9.21)	(9.14)	(9.18)	(9.81)
59	Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
60	TIER Related Rebate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
61	Effective Rate ($/ MWH)	58.22	60.06	57.96	57.44	58.04	58.11	58.15	61.19	61.65	59.36	59.18	58.65	59.01
62														

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63	**Smelters**													
64	Base Rate	46.97	46.97	46.97	46.97	46.97	46.97	46.97	46.97	46.97	46.97	46.97	46.97	46.97
65	TIER Adjustment	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95
66	Total	49.92	49.92	49.92	49.92	49.92	49.92	49.92	49.92	49.92	49.92	49.92	49.92	49.92
67	Non-FAC PPA	(0.41)	(0.35)	(0.36)	(0.31)	(0.34)	(0.38)	(0.41)	(0.40)	(0.34)	(0.32)	(0.34)	(0.41)	(0.36)
68	FAC	4.90	5.07	5.22	5.34	5.44	5.64	5.66	5.70	5.77	5.38	5.43	5.44	5.42
69	Environmental Surcharge	2.70	2.72	2.63	2.86	2.80	2.81	2.78	3.23	3.79	3.72	3.45	3.20	3.06
70	Surcharge	1.86	1.93	1.86	1.88	1.86	1.88	1.86	1.86	1.88	1.86	1.88	1.86	1.87
71	TIER Related Rebate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
72	Effective Rate ($/ MWH)	58.97	59.29	59.26	59.70	59.69	59.87	59.81	60.30	61.01	60.55	60.34	60.01	59.90
73														
74	Market	34.60	33.68	31.84	31.93	29.94	32.48	36.22	33.82	29.16	28.94	29.11	32.04	31.69

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75														
76	<u>III. Statement of Operations (Millions of $)</u>													
77														
78	Electric Energy Revenues	[redacted]												
79	Income From Leased Property Net													
80	Other Operating Revenue and Income	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	3.70
81	TOTAL OPER. REVENUES & PAT. CAPITAL	[redacted]												
82														
83	Operating Expense-Production-Excluding Fuel	[redacted]												
84	Operating Expense-Production-Fuel													
85	Operating Expense-Other Power Supply													
86	Operating Expense-Transmission													
87	Operating Expense-RTO/ISO													
88	Operating Expense-Distribution													
89	Operating Expense-Customer Accounts													
90	Operating Expense-Customer Service and Information													
91	Operating Expense-Sales													
92	Operating Expense-Administrative and General													
93	TOTAL OPERATION EXPENSE													
94														
95	Maintenance Expense-Production	[redacted]												
96	Maintenance Expense-Transmission													
97	Maintenance Expense-Distribution													
98	Maintenance Expense-General Plant													
99	TOTAL MAINTENANCE EXPENSE													
100														

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		2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	2014 September	2014 October	2014 November	2014 December	2014 Total
101	Depreciation and Amortization Expense	3.66	3.66	3.66	3.67	3.69	3.70	3.70	3.71	3.83	3.84	3.85	3.85	44.82
102	Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
103	Interest on Long-Term Debt	3.61	3.40	3.69	3.61	3.71	3.60	3.72	3.72	3.61	3.72	3.62	3.71	43.73
104	Interest Charged to Construction - Credit	(0.17)	(0.19)	(0.22)	(0.29)	(0.34)	(0.38)	(0.39)	(0.01)	(0.02)	(0.04)	(0.02)	(0.02)	(2.10)
105	Other Interest Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
106	Asset Retirement Obligation													
107	Other Deductions	0.05	0.04	0.04	0.04	0.04	0.06	0.04	0.04	0.04	0.04	0.04	0.06	0.51
108														
109	TOTAL COST OF ELECTRIC SERVICE	[redacted]												
110														
111	OPERATING MARGINS	4.79	3.20	(2.36)	(6.85)	(4.49)	1.57	3.38	3.24	0.29	(2.03)	0.82	3.49	5.05
112														
113	Interest Income	0.15	0.15	0.15	0.15	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	1.72
114	Allowance For Funds Used During Construction													
115	Income (Loss) From Equity Investments													
116	Other Non-Operating Income (Net)													
117	Generation and Transmission Capital Credits													
118	Other Capital Credits and Patronage Dividends	0.00	0.00	2.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.71
119	Extraordinary Items													
120	NET PATRONAGE CAPITAL OR MARGIN	4.94	3.35	0.49	(6.70)	(4.35)	1.72	3.52	3.38	0.44	(1.89)	0.96	3.63	9.48
121														
122														

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		2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	2014 September	2014 October	2014 November	2014 December	2014 Total
123	**IV. Balance Sheet (Millions of $)**													
124	Total Utility Plant in Service	2,049.94	2,050.62	2,053.81	2,065.17	2,072.74	2,074.16	2,075.48	2,139.74	2,142.64	2,145.96	2,146.14	2,146.25	2,146.25
125	Construction Work in Progress	77.36	82.55	87.83	93.13	98.46	101.21	101.50	40.00	40.00	40.00	40.00	40.00	40.00
126	Total Utility Plant	2,127.30	2,133.18	2,141.64	2,158.31	2,171.20	2,175.37	2,176.98	2,179.74	2,182.64	2,185.96	2,186.14	2,186.25	2,186.25
127	Accum. Provision for Depreciation and Amort.	1,004.86	1,008.59	1,011.52	1,011.90	1,013.51	1,017.09	1,020.70	1,023.83	1,027.05	1,030.15	1,034.24	1,038.35	1,038.35
128	NET UTILITY PLANT	1,122.44	1,124.59	1,130.12	1,146.41	1,157.69	1,158.28	1,156.28	1,155.91	1,155.58	1,155.81	1,151.89	1,147.90	1,147.90
129														
130	Non-Utility Property (Net)													
131	Invest. In Assoc. Org - Patronage Capital	4.15	4.15	4.32	4.32	4.32	4.32	4.32	4.32	4.32	4.32	4.32	4.32	4.32
132	Invest. In Assoc. - Other - General Funds	42.55	42.22	42.22	42.22	41.89	41.89	41.89	41.54	41.54	41.54	41.20	41.20	41.20
133	Other Investments	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
134	Special Funds	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05
135	Special Funds (Transition Reserve)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
136	Special Funds (Economic Reserve)	50.95	48.03	45.35	43.08	40.57	37.36	34.45	31.39	28.80	26.65	24.30	21.30	21.30
137	Special Funds (Rural Economic Reserve)	65.70	65.79	65.89	65.99	66.10	66.20	66.30	66.40	66.50	66.61	66.71	66.81	66.81
138	TOTAL OTHER PROP. AND INVESTMENTS	164.42	161.27	158.84	156.67	153.93	150.82	148.02	144.72	142.23	140.18	137.59	134.69	134.69
139														
140	Cash - General Funds	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
141	Cash - Construction Funds - Trustee													
142	Special Deposits	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
143	Temporary Investments	131.80	133.22	142.45	128.00	107.63	107.30	111.19	110.45	117.82	120.82	120.70	116.62	116.62
144	Accounts Receivable - Sales of Energy (Net)	44.30	39.77	38.15	34.45	36.20	40.18	42.28	42.98	39.02	39.30	39.13	42.93	42.93
145	Accounts Receivable - Other (Net)	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22
146	Fuel Stock	33.56	33.78	34.02	34.08	34.03	34.09	34.14	34.16	34.19	34.22	34.24	34.24	34.24
147	Materials and Supplies - Other	26.96	27.02	27.09	27.15	27.22	27.28	27.35	27.41	27.48	27.55	27.61	27.68	27.68
148	Prepayments	3.86	3.53	3.21	2.88	2.56	2.23	1.91	1.58	1.26	0.93	0.61	4.38	4.38
149	Other Current and Accrued Assets	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71
150	TOTAL CURRENT AND ACCRUED ASSETS	243.01	239.85	247.45	229.09	210.17	213.63	219.40	219.12	222.29	225.34	224.82	228.39	228.39
151														
152	Unamortized Debt Discount & Extraor. Prop. Losses	3.47	3.44	3.42	3.39	3.36	3.34	3.31	3.29	3.26	3.23	3.21	3.18	3.18
153	Regulatory Assets	6.01	5.87	5.73	5.58	5.44	5.30	5.16	5.02	4.87	4.73	4.59	4.45	4.45
154	Other Deferred Debits	2.37	2.36	2.29	2.24	2.23	2.17	2.25	2.23	2.16	2.12	2.08	2.03	2.03
155	Accumulated Deferred Income Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
156														
157	TOTAL ASSETS AND OTHER DEBITS	1,541.72	1,537.37	1,547.85	1,543.39	1,532.82	1,533.54	1,534.41	1,530.27	1,530.40	1,531.42	1,524.18	1,520.63	1,520.63
158														

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159														
160	**TOTAL MARGINS & EQUITY**	409.74	413.09	413.57	406.87	402.52	404.24	407.76	411.15	411.58	409.70	410.65	414.28	414.28
161														
162	Long-Term Debt - RUS	218.14	218.14	220.11	220.12	220.12	222.15	222.16	222.16	224.24	224.25	224.25	226.36	226.36
163	Long-Term Debt - Other	675.77	672.71	679.81	679.81	676.73	680.80	680.80	677.70	679.38	679.38	676.26	674.28	674.28
164	**TOTAL LONG-TERM DEBT**	893.91	890.85	899.92	899.93	896.85	902.95	902.96	899.86	903.62	903.63	900.51	900.64	900.64
165														
166	Notes Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
167	Accounts Payable	23.37	21.56	25.68	27.30	26.29	23.22	23.01	23.53	22.83	24.80	22.23	20.93	20.93
168	Accounts Payable (TIER Rebate)	(0.00)	(0.00)	0.00	0.00	0.00	(0.00)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
169	Taxes Accrued	0.58	0.93	1.28	1.63	1.98	2.33	2.68	0.75	1.10	1.46	1.17	0.96	0.96
170	Interest Accrued	61.15	60.85	59.93	62.40	62.37	61.17	61.22	61.23	59.92	62.46	62.43	59.43	59.43
171	Other Current and Accrued Liabilities	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29
172														
173	**TOTAL CURRENT AND ACCRUED LIAB.**	93.39	91.63	95.19	99.63	98.94	95.01	95.21	93.80	92.14	97.01	94.13	89.62	89.62
174														
175	Deferred Credits	1.80	1.68	1.56	1.45	1.34	1.22	1.10	0.98	0.98	0.98	0.99	1.01	1.01
176	Deferred Credits (Economic Reserve)	50.95	48.03	45.35	43.08	40.57	37.36	34.45	31.39	28.80	26.65	24.30	21.30	21.30
177	Deferred Credits (Rural Economic Reserve)	65.70	65.79	65.89	65.99	66.10	66.20	66.30	66.40	66.50	66.61	66.71	66.81	66.81
178	Accumulated Operating Provisions	26.24	26.30	26.37	26.44	26.50	26.57	26.63	26.70	26.77	26.83	26.90	26.97	26.97
179	Obligation under Capital Leases - Noncurrent													
180														
181	**TOTAL LIABILITIES AND OTHER CREDITS**	1,541.72	1,537.37	1,547.85	1,543.39	1,532.82	1,533.54	1,534.41	1,530.27	1,530.40	1,531.42	1,524.18	1,520.63	1,520.63
182														

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183														
184	V. Cash Flow Statement (Millions of $)													
185	Operating Receipts													
186	Rural	15.61	13.55	11.96	9.39	10.62	13.61	15.16	15.57	12.12	10.07	11.49	15.36	154.52
187	Large Industrial	3.74	3.61	3.75	3.68	3.71	3.66	4.04	4.02	3.82	3.90	3.84	3.91	45.67
188	Smelters	15.82	14.37	15.90	15.50	16.01	15.55	16.05	16.18	15.84	16.25	15.67	16.10	189.24
189	Offsystem	[redacted]												
190	Lease Income													
191	Other Operating Revenues	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	3.70
192	Gain on Sale of Allowances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
193	Other	0.00	0.00	2.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2.71
194	Interest Earnings	0.15	0.15	0.15	0.15	0.14	0.14	0.14	0.14	0.14	0.14	0.14	0.14	1.72
195	Total Receipts	[redacted]												
196														
197	Operating Disbursements													
198	PPA													
199	Fuel Costs	[redacted]												
200	Fuel Costs (Labor & Exp)													
201	Domtar	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
202	Power Supply (P Power, APM, Cogen, & TVA Tran)	[redacted]												
203	Production O&M													
204	Transmission O&M													
205	A&G													
206	Working Capital	(0.76)	(3.74)	(6.25)	(6.00)	1.75	6.38	1.63	1.45	(3.94)	(2.37)	2.02	9.07	(0.76)
207	Other	(0.13)	(0.14)	(0.14)	(0.14)	(0.14)	(0.12)	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)	(0.14)	(1.62)
208	Total Disbursements	[redacted]												
209														
210	Operating Receipts less Disbursements	9.42	11.12	11.31	4.33	(1.17)	(0.64)	6.34	6.61	9.69	6.32	4.51	(0.36)	67.47

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		2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	2014 September	2014 October	2014 November	2014 December	2014 Total
211														
212	Capital Expenditures													
213	Generation	[redacted]												
214	Transmission	0.22	0.33	0.33	0.39	0.38	0.33	0.17	0.36	0.88	0.61	0.18	0.10	4.30
215	A&G	0.00	0.21	0.10	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.55
216	Other / IT	0.00	0.05	0.10	0.31	0.11	0.26	0.22	0.32	0.23	0.04	0.01	0.00	1.64
217	Total Capital Expenditures	[redacted]												
218														
219	Income Taxes from Operations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
220														
221	Net Pre-Finance Cash Flow	2.78	5.23	2.06	(15.62)	(16.08)	(4.85)	4.74	2.99	5.92	2.00	4.30	(0.48)	(7.03)
222														
223	Financing													
224	Principal	(9.00)	3.05	(7.09)	0.00	3.08	(4.07)	0.00	3.10	(1.69)	0.00	3.13	1.98	(7.51)
225	Interest	3.68	3.70	2.63	1.13	3.74	2.79	3.65	3.71	2.84	1.17	3.65	4.61	37.30
226	Debt Issuance Cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	0.02
227	Line of Credit (Upfront Fee)	0.00	0.00	0.00	0.00	0.00	0.00	0.13	0.00	0.00	0.00	0.00	0.00	0.13
228	Aggregate Debt Service (incl. Line of Credit)	(5.32)	6.75	(4.46)	1.13	6.82	(1.28)	3.78	6.82	1.15	1.17	6.78	6.61	29.93
229														
230	Post-Finance Cash Flow	8.11	(1.53)	6.52	(16.75)	(22.90)	(3.56)	0.96	(3.82)	4.76	0.83	(2.49)	(7.09)	(36.96)
231														
232	Unwind Transaction													
233	Cash Proceeds													
234	Debt Reduction													
235	Misc. Transaction													
236	Net Before Member Reserves													
237	Station Two O&M Fund													
238	Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
239	Economic Reserve	3.37	2.94	2.71	2.30	2.54	3.23	2.93	3.08	2.61	2.17	2.37	3.01	33.27
240	Net Before Transition Reserve	3.37	2.94	2.71	2.30	2.54	3.23	2.93	3.08	2.61	2.17	2.37	3.01	33.27
241														

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		2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	2014 September	2014 October	2014 November	2014 December	2014 Total
242	Ending Cash Balances (Incl. Transition Reserve)	131.80	133.22	142.46	128.00	107.64	107.31	111.20	110.46	117.82	120.82	120.71	116.63	116.63
243	Ending Cash Balances excl. Transition Reserve)	131.80	133.22	142.46	128.00	107.64	107.31	111.20	110.46	117.82	120.82	120.71	116.63	116.63
244	Change in Working Capital													
245	Other Property	0.00	(0.33)	0.16	0.00	(0.34)	0.00	0.00	(0.34)	0.00	0.00	(0.35)	0.00	(1.19)
246	Accounts Receivable	2.53	(4.54)	(1.61)	(3.71)	1.75	3.98	2.09	0.70	(3.96)	0.28	(0.16)	3.79	1.15
247	Materials, Supplies & Other	0.06	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.79
248	Prepayments	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	3.77	0.20
249	Other Current Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
250	Accounts Payable	(3.18)	1.81	(4.12)	(1.62)	1.01	3.07	0.21	(0.51)	0.70	(1.97)	2.57	1.30	(0.75)
251	Taxes Accrued	0.23	(0.35)	(0.35)	(0.35)	(0.35)	(0.35)	(0.35)	1.93	(0.35)	(0.35)	0.29	0.21	(0.15)
252	Other Accruals	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.80)
253	Total	(0.76)	(3.74)	(6.25)	(6.00)	1.75	6.38	1.63	1.45	(3.94)	(2.37)	2.02	9.07	(0.76)
254														

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255														
256	VI. Cash Flow Statement - Indirect (Millions of $)													
257														
258	**Cash Flows From Operating Activities:**													
259	Net Margin	4.94	3.35	0.49	(6.70)	(4.35)	1.72	3.52	3.38	0.44	(1.89)	0.96	3.63	9.48
260	Adjustments to reconcile net margin to net cash													
261	provided by operating activities:													
262	Depreciation and amortization	3.94	3.94	3.94	3.95	3.97	3.99	4.00	4.00	4.13	4.13	4.14	4.14	48.28
263	Interest compounded - RUS Series A Note	0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.05
264	Interest compounded - RUS Series B Note	0.00	0.00	1.97	0.00	0.00	2.02	0.00	0.00	2.08	0.00	0.00	2.11	8.18
265	Noncash member rate mitigation revenue	(3.35)	(2.92)	(2.69)	(2.26)	(2.51)	(3.21)	(2.91)	(3.06)	(2.46)	(2.03)	(2.22)	(2.85)	(32.47)
266	Changes in certain assets and liabilities:													
267	Other property	0.00	0.33	(0.16)	0.00	0.34	0.00	0.00	0.34	0.00	0.00	0.35	0.00	1.19
268	Accounts receivable	(2.53)	4.54	1.61	3.71	(1.75)	(3.98)	(2.09)	(0.70)	3.96	(0.28)	0.16	(3.79)	(1.15)
269	Inventories	(0.44)	(0.29)	(0.30)	(0.12)	(0.02)	(0.13)	(0.11)	(0.09)	(0.09)	(0.10)	(0.08)	(0.07)	(1.84)
270	Prepayments	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	(3.77)	(0.20)
271	Other current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
272	Accounts payable	3.18	(1.81)	4.12	1.62	(1.01)	(3.07)	(0.21)	0.51	(0.70)	1.97	(2.57)	(1.30)	0.75
273	Taxes accrued	(0.23)	0.35	0.35	0.35	0.35	0.35	0.35	(1.93)	0.35	0.35	(0.29)	(0.21)	0.15
274	Other accruals	(0.10)	(0.39)	(0.99)	2.33	(0.26)	(1.45)	(0.20)	0.11	(1.18)	2.65	0.08	(2.86)	(2.25)
275	Net cash provided by operating activities	5.74	7.42	8.68	3.20	(4.92)	(3.43)	2.69	2.90	6.85	5.15	0.85	(4.97)	30.17
276														
277	**Cash Flows From Investing Activities:**													
278	Capital expenditures	(6.64)	(5.90)	(9.25)	(19.95)	(14.91)	(4.20)	(1.60)	(3.62)	(3.77)	(4.32)	(0.21)	(0.13)	(74.50)
279	Net proceeds from restricted investments	3.37	2.94	2.71	2.30	2.54	3.23	2.93	3.08	2.61	2.17	2.37	3.01	33.27
280	Net cash provided by (used in) inv. Activities	(3.26)	(2.95)	(6.53)	(17.65)	(12.37)	(0.97)	1.33	(0.54)	(1.17)	(2.16)	2.16	2.89	(41.23)

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		2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	2014 September	2014 October	2014 November	2014 December	2014 Total
281														
282	**Cash Flows From Financing Activities:**													
283	Net principal payments on debt obligations	9.00	(3.05)	7.09	0.00	(3.08)	4.07	0.00	(3.10)	1.69	0.00	(3.13)	(1.98)	7.51
284	Debt issuance cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.02)	(0.02)
285	Line of Credit (Upfront Fee)	0.00	0.00	0.00	0.00	0.00	0.00	(0.13)	0.00	0.00	0.00	0.00	0.00	(0.13)
286	Net cash provided by (used in) Financing Activities	9.00	(3.05)	7.09	0.00	(3.08)	4.07	(0.13)	(3.10)	1.69	0.00	(3.13)	(2.00)	7.37
287														
288	Net increase (decrease) in cash	11.48	1.42	9.23	(14.45)	(20.36)	(0.33)	3.89	(0.74)	7.37	3.00	(0.12)	(4.08)	(3.70)
289														
290	**Cash and Cash Equivalents - Beg. of Period**													120.32
291	**Cash and Cash Equivalents - End of Period**													116.63

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	2013 September	2013 October	2013 November	2013 December	2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	Test Period Total
<u>I. Sales</u>													
Energy (TWH)													
Rural	0.18	0.15	0.18	0.25	0.25	0.21	0.19	0.15	0.17	0.22	0.25	0.24	2.44
Large Industrial	0.08	0.08	0.08	0.08	0.08	0.07	0.08	0.08	0.08	0.08	0.08	0.08	0.94
Century	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Alcan	0.26	0.27	0.26	0.27	0.27	0.24	0.27	0.26	0.27	0.26	0.27	0.27	3.16
Market	[redacted]												
Total Energy Sales	0.68	0.75	0.72	0.75	0.77	0.69	0.66	0.60	0.63	0.68	0.71	0.71	8.34
Demand (MW)													
Rural	416.26	336.41	377.17	494.38	548.56	489.60	425.32	333.27	380.07	479.13	500.79	541.33	5,322.30
Large Industrial	136.42	138.47	138.43	138.60	140.57	139.90	139.11	139.40	138.43	138.53	143.19	143.54	1,674.59
<u>II. Rates, Accrual Based ($ / MWH)</u>													
Rural													
Load Factor (%)	59.69%	61.52%	66.01%	66.76%	62.04%	64.25%	60.26%	62.62%	59.36%	63.85%	66.35%	59.09%	62.82%
Demand ($/ KW-mo.)	16.45	16.45	16.45	16.45	16.45	16.45	16.45	16.45	16.45	16.45	16.45	16.45	16.45
Energy ($/ MWH)	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00
Base Rate ($/ MWH)	68.29	65.95	64.62	63.13	65.65	68.11	66.70	66.49	67.25	65.79	63.33	67.43	65.94
Non-Smelter Non-FAC PPA	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)
FAC	4.70	4.48	4.61	4.67	4.90	5.07	5.22	5.34	5.44	5.64	5.66	5.70	5.14
Environmental Surcharge	4.33	4.11	3.70	3.41	3.71	3.87	3.66	3.98	3.93	3.86	3.69	4.54	3.89
Surcredit	(1.91)	(2.14)	(1.91)	(1.54)	(1.50)	(1.64)	(1.84)	(2.15)	(2.02)	(1.64)	(1.51)	(1.56)	(1.74)
Total	7.12	6.45	6.40	6.54	7.12	7.30	7.04	7.17	7.35	7.86	7.84	8.68	7.29
Economic Reserve	(10.34)	(9.67)	(9.62)	(9.75)	(10.33)	(10.52)	(10.25)	(10.38)	(10.57)	(11.07)	(9.05)	(9.89)	(10.10)
Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TIER Related Rebate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Effective Rate ($/ MWH)	64.29	61.96	60.63	59.13	61.65	64.12	62.71	62.50	63.26	61.80	61.34	65.44	62.35

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		2013 September	2013 October	2013 November	2013 December	2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	Test Period Total
34	**Large Industrial**													
35	Load Factor (%)	78.20%	76.55%	77.18%	76.59%	75.71%	79.04%	77.68%	76.94%	76.72%	77.06%	77.88%	76.94%	77.20%
36	Demand ($/ KW-mo.)	11.96	11.96	11.96	11.96	11.96	11.96	11.96	11.96	11.96	11.96	11.96	11.96	11.96
37	Energy ($/ MWH)	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00
38	Power Factor Penalty/ Demand Cr. (Lrg. Ind.)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
39	Base Rate ($/ MWH)	51.24	51.00	51.52	50.99	51.23	52.52	50.69	51.59	50.95	51.56	50.64	50.89	51.22
40														
41	Non-Smelter Non-FAC PPA	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)
42	FAC	4.70	4.48	4.61	4.67	4.90	5.07	5.22	5.34	5.44	5.64	5.66	5.70	5.12
43	Environmental Surcharge	3.32	3.24	3.00	2.80	2.96	3.04	2.85	3.15	3.05	3.09	3.01	3.51	3.09
44	Surcredit	(1.91)	(2.14)	(1.91)	(1.54)	(1.50)	(1.64)	(1.84)	(2.15)	(2.02)	(1.64)	(1.51)	(1.56)	(1.78)
45	Total	6.11	5.58	5.70	5.93	6.36	6.48	6.23	6.34	6.47	7.09	7.16	7.65	6.43
46	Economic Reserve	(9.32)	(8.79)	(8.92)	(9.14)	(9.57)	(9.69)	(9.44)	(9.55)	(9.68)	(10.30)	(8.37)	(8.86)	(9.30)
47	TIER Related Rebate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
48	Effective Rate ($/ MWH)	47.25	47.01	47.53	46.99	47.24	48.52	46.70	47.60	46.96	47.56	48.65	48.90	47.58
49														
50	**Non-Smelter Member Blend**													
51	Base Rate ($/ MWH)	63.17	60.89	60.69	60.17	62.21	64.06	61.95	61.43	62.04	62.11	60.14	63.19	61.83
52														
53	Non-Smelter Non-FAC PPA	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)	(0.78)
54	FAC	4.70	4.48	4.61	4.67	4.90	5.07	5.22	5.34	5.44	5.64	5.66	5.70	5.14
55	Environmental Surcharge	4.03	3.82	3.49	3.26	3.53	3.65	3.42	3.70	3.65	3.66	3.52	4.28	3.66
56	Surcredit	(1.91)	(2.14)	(1.91)	(1.54)	(1.50)	(1.64)	(1.84)	(2.15)	(2.02)	(1.64)	(1.51)	(1.56)	(1.75)
57	Total	6.82	6.16	6.19	6.39	6.94	7.09	6.80	6.89	7.07	7.66	7.67	8.42	7.05
58	Economic Reserve	(10.03)	(9.37)	(9.41)	(9.60)	(10.15)	(10.30)	(10.01)	(10.10)	(10.28)	(10.87)	(8.88)	(9.63)	(9.88)
59	Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
60	TIER Related Rebate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
61	Effective Rate ($/ MWH)	59.17	56.89	56.69	56.18	58.22	60.06	57.96	57.44	58.04	58.11	58.15	61.19	58.22
62														

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		2013 September	2013 October	2013 November	2013 December	2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	Test Period Total
63	**Smelters**													
64	Base Rate	46.97	46.97	46.97	46.97	46.97	46.97	46.97	46.97	46.97	46.97	46.97	46.97	46.97
65	TIER Adjustment	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95
66	Total	49.92	49.92	49.92	49.92	49.92	49.92	49.92	49.92	49.92	49.92	49.92	49.92	49.92
67	Non-FAC PPA	(0.35)	(0.34)	(0.35)	(0.42)	(0.41)	(0.35)	(0.36)	(0.31)	(0.34)	(0.38)	(0.41)	(0.40)	(0.37)
68	FAC	4.70	4.48	4.61	4.67	4.90	5.07	5.22	5.34	5.44	5.64	5.66	5.70	5.12
69	Environmental Surcharge	3.03	2.97	2.73	2.56	2.70	2.72	2.63	2.86	2.80	2.81	2.78	3.23	2.82
70	Surcharge	1.88	1.86	1.88	1.86	1.86	1.93	1.86	1.88	1.86	1.88	1.86	1.86	1.87
71	TIER Related Rebate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
72	Effective Rate ($/ MWH)	59.18	58.89	58.78	58.59	58.97	59.29	59.26	59.70	59.69	59.87	59.81	60.30	59.36
73														
74	Market	28.45	28.08	27.89	30.71	34.60	33.68	31.84	31.93	29.94	32.48	36.22	33.82	31.23

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75														
76	**III. Statement of Operations (Millions of $)**													
77														
78	Electric Energy Revenues	[redacted]												
79	Income From Leased Property Net													
80	Other Operating Revenue and Income	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	3.70
81	TOTAL OPER. REVENUES & PAT. CAPITAL	[redacted]												
82														
83	Operating Expense-Production-Excluding Fuel	[redacted]												
84	Operating Expense-Production-Fuel	[redacted]												
85	Operating Expense-Other Power Supply	[redacted]												
86	Operating Expense-Transmission	[redacted]												
87	Operating Expense-RTO/ISO	[redacted]												
88	Operating Expense-Distribution	[redacted]												
89	Operating Expense-Customer Accounts	[redacted]												
90	Operating Expense-Customer Service and Information	[redacted]												
91	Operating Expense-Sales	[redacted]												
92	Operating Expense-Administrative and General	[redacted]												
93	TOTAL OPERATION EXPENSE	[redacted]												
94														
95	Maintenance Expense-Production	[redacted]												
96	Maintenance Expense-Transmission	[redacted]												
97	Maintenance Expense-Distribution	[redacted]												
98	Maintenance Expense-General Plant	[redacted]												
99	TOTAL MAINTENANCE EXPENSE	[redacted]												
100														

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		2013 September	2013 October	2013 November	2013 December	2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	Test Period Total
101	Depreciation and Amortization Expense	3.64	3.64	3.65	3.66	3.66	3.66	3.66	3.67	3.69	3.70	3.70	3.71	44.04
102	Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
103	Interest on Long-Term Debt	3.53	3.68	3.58	3.67	3.61	3.40	3.69	3.61	3.71	3.60	3.72	3.72	43.51
104	Interest Charged to Construction - Credit	(0.06)	(0.10)	(0.14)	(0.18)	(0.17)	(0.19)	(0.22)	(0.29)	(0.34)	(0.38)	(0.39)	(0.01)	(2.48)
105	Other Interest Expense	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
106	Asset Retirement Obligation													
107	Other Deductions	0.04	0.04	0.04	0.06	0.05	0.04	0.04	0.04	0.04	0.06	0.04	0.04	0.51
108														
109	**TOTAL COST OF ELECTRIC SERVICE**	[redacted]												
110														
111	**OPERATING MARGINS**	(0.45)	(2.76)	0.10	3.63	4.79	3.20	(2.36)	(6.85)	(4.49)	1.57	3.38	3.24	3.00
112														
113	Interest Income	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.14	0.14	0.14	0.14	1.75
114	Allowance For Funds Used During Construction													
115	Income (Loss) From Equity Investments													
116	Other Non-Operating Income (Net)													
117	Generation and Transmission Capital Credits													
118	Other Capital Credits and Patronage Dividends	0.00	0.00	0.00	0.00	0.00	0.00	2.71	0.00	0.00	0.00	0.00	0.00	2.71
119	Extraordinary Items													
120	**NET PATRONAGE CAPITAL OR MARGIN**	(0.30)	(2.61)	0.25	3.77	4.94	3.35	0.49	(6.70)	(4.35)	1.72	3.52	3.38	7.46
121														
122														

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		2013 September	2013 October	2013 November	2013 December	2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	Test Period Total
123	**IV. Balance Sheet (Millions of $)**													
124	Total Utility Plant in Service	2,040.49	2,046.15	2,048.32	2,048.69	2,049.94	2,050.62	2,053.81	2,065.17	2,072.74	2,074.16	2,075.48	2,139.74	2,139.74
125	Construction Work in Progress	50.29	57.51	64.76	72.20	77.36	82.55	87.83	93.13	98.46	101.21	101.50	40.00	40.00
126	Total Utility Plant	2,090.79	2,103.66	2,113.09	2,120.89	2,127.30	2,133.18	2,141.64	2,158.31	2,171.20	2,175.37	2,176.98	2,179.74	2,179.74
127	Accum. Provision for Depreciation and Amort.	992.09	994.23	997.49	1,001.32	1,004.86	1,008.59	1,011.52	1,011.90	1,013.51	1,017.09	1,020.70	1,023.83	1,023.83
128	NET UTILITY PLANT	1,098.70	1,109.43	1,115.60	1,119.57	1,122.44	1,124.59	1,130.12	1,146.41	1,157.69	1,158.28	1,156.28	1,155.91	1,155.91
129														
130	Non-Utility Property (Net)													
131	Invest. In Assoc. Org - Patronage Capital	4.15	4.15	4.15	4.15	4.15	4.15	4.32	4.32	4.32	4.32	4.32	4.32	4.32
132	Invest. In Assoc. - Other - General Funds	42.88	42.88	42.55	42.55	42.55	42.22	42.22	42.22	41.89	41.89	41.89	41.54	41.54
133	Other Investments	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
134	Special Funds	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05
135	Special Funds (Transition Reserve)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
136	Special Funds (Economic Reserve)	61.89	59.75	57.37	54.29	50.95	48.03	45.35	43.08	40.57	37.36	34.45	31.39	31.39
137	Special Funds (Rural Economic Reserve)	65.29	65.39	65.49	65.60	65.70	65.79	65.89	65.99	66.10	66.20	66.30	66.40	66.40
138	TOTAL OTHER PROP. AND INVESTMENTS	175.28	173.24	170.64	167.66	164.42	161.27	158.84	156.67	153.93	150.82	148.02	144.72	144.72
139														
140	Cash - General Funds	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
141	Cash - Construction Funds - Trustee													
142	Special Deposits	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
143	Temporary Investments	152.96	144.29	133.06	120.32	131.80	133.22	142.45	128.00	107.63	107.30	111.19	110.45	110.45
144	Accounts Receivable - Sales of Energy (Net)	37.74	38.12	37.99	41.78	44.30	39.77	38.15	34.45	36.20	40.18	42.28	42.98	42.98
145	Accounts Receivable - Other (Net)	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22
146	Fuel Stock	32.76	32.97	33.10	33.18	33.56	33.78	34.02	34.08	34.03	34.09	34.14	34.16	34.16
147	Materials and Supplies - Other	26.70	26.76	26.83	26.89	26.96	27.02	27.09	27.15	27.22	27.28	27.35	27.41	27.41
148	Prepayments	1.17	0.87	0.58	4.18	3.86	3.53	3.21	2.88	2.56	2.23	1.91	1.58	1.58
149	Other Current and Accrued Assets	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71
150	TOTAL CURRENT AND ACCRUED ASSETS	253.87	245.56	234.10	228.89	243.01	239.85	247.45	229.09	210.17	213.63	219.40	219.12	219.12
151														
152	Unamortized Debt Discount & Extraor. Prop. Losses	3.57	3.55	3.52	3.50	3.47	3.44	3.42	3.39	3.36	3.34	3.31	3.29	3.29
153	Regulatory Assets	6.58	6.44	6.29	6.15	6.01	5.87	5.73	5.58	5.44	5.30	5.16	5.02	5.02
154	Other Deferred Debits	2.56	2.51	2.47	2.42	2.37	2.36	2.29	2.24	2.23	2.17	2.25	2.23	2.23
155	Accumulated Deferred Income Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
156														
157	TOTAL ASSETS AND OTHER DEBITS	1,540.56	1,540.72	1,532.62	1,528.19	1,541.72	1,537.37	1,547.85	1,543.39	1,532.82	1,533.54	1,534.41	1,530.27	1,530.27
158														

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		2013 September	2013 October	2013 November	2013 December	2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	Test Period Total
159														
160	**TOTAL MARGINS & EQUITY**	403.39	400.78	401.03	404.80	409.74	413.09	413.57	406.87	402.52	404.24	407.76	411.15	411.15
161														
162	Long-Term Debt - RUS	216.13	216.14	216.14	218.13	218.14	218.14	220.11	220.12	220.12	222.15	222.16	222.16	222.16
163	Long-Term Debt - Other	671.68	671.68	668.65	666.77	675.77	672.71	679.81	679.81	676.73	680.80	680.80	677.70	677.70
164	**TOTAL LONG-TERM DEBT**	887.81	887.82	884.79	884.90	893.91	890.85	899.92	899.93	896.85	902.95	902.96	899.86	899.86
165														
166	Notes Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
167	Accounts Payable	22.93	24.95	22.37	20.18	23.37	21.56	25.68	27.30	26.29	23.22	23.01	23.53	23.53
168	Accounts Payable (TIER Rebate)	0.00	0.00	0.00	(0.00)	(0.00)	(0.00)	0.00	0.00	0.00	(0.00)	0.00	0.00	0.00
169	Taxes Accrued	1.01	1.34	1.10	0.81	0.58	0.93	1.28	1.63	1.98	2.33	2.68	0.75	0.75
170	Interest Accrued	61.72	64.22	64.04	61.23	61.15	60.85	59.93	62.40	62.37	61.17	61.22	61.23	61.23
171	Other Current and Accrued Liabilities	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29
172														
173	**TOTAL CURRENT AND ACCRUED LIAB.**	93.95	98.79	95.79	90.51	93.39	91.63	95.19	99.63	98.94	95.01	95.21	93.80	93.80
174														
175	Deferred Credits	2.25	2.15	2.04	1.92	1.80	1.68	1.56	1.45	1.34	1.22	1.10	0.98	0.98
176	Deferred Credits (Economic Reserve)	61.89	59.75	57.37	54.29	50.95	48.03	45.35	43.08	40.57	37.36	34.45	31.39	31.39
177	Deferred Credits (Rural Economic Reserve)	65.29	65.39	65.49	65.60	65.70	65.79	65.89	65.99	66.10	66.20	66.30	66.40	66.40
178	Accumulated Operating Provisions	25.98	26.04	26.11	26.17	26.24	26.30	26.37	26.44	26.50	26.57	26.63	26.70	26.70
179	Obligation under Capital Leases - Noncurrent													
180														
181	**TOTAL LIABILITIES AND OTHER CREDITS**	1,540.56	1,540.72	1,532.62	1,528.19	1,541.72	1,537.37	1,547.85	1,543.39	1,532.82	1,533.54	1,534.41	1,530.27	1,530.27
182														

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		2013 September	2013 October	2013 November	2013 December	2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	Test Period Total
183														
184	V. Cash Flow Statement (Millions of $)													
185	Operating Receipts													
186	Rural	11.50	9.54	10.87	14.52	15.61	13.55	11.96	9.39	10.62	13.61	15.16	15.57	151.91
187	Large Industrial	3.63	3.71	3.66	3.71	3.74	3.61	3.75	3.68	3.71	3.66	4.04	4.02	44.90
188	Smelters	15.37	15.80	15.26	15.72	15.82	14.37	15.90	15.50	16.01	15.55	16.05	16.18	187.53
189	Offsystem	[redacted]												
190	Lease Income													
191	Other Operating Revenues	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	3.70
192	Gain on Sale of Allowances	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
193	Other	0.00	0.00	0.00	0.00	0.00	0.00	2.71	0.00	0.00	0.00	0.00	0.00	2.71
194	Interest Earnings	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.14	0.14	0.14	0.14	1.75
195	Total Receipts	[redacted]												
196														
197	Operating Disbursements													
198	PPA													
199	Fuel Costs	[redacted]												
200	Fuel Costs (Labor & Exp)													
201	Domtar	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
202	Power Supply (P Power, APM, Cogen, & TVA Tran)	[redacted]												
203	Production O&M													
204	Transmission O&M													
205	A&G													
206	Working Capital	(7.32)	(2.26)	2.06	9.86	(0.76)	(3.74)	(6.25)	(6.00)	1.75	6.38	1.63	1.45	(3.19)
207	Other	(0.14)	(0.14)	(0.14)	(0.14)	(0.13)	(0.14)	(0.14)	(0.14)	(0.14)	(0.12)	(0.14)	(0.14)	(1.62)
208	Total Disbursements	[redacted]												
209														
210	Operating Receipts less Disbursements	11.67	4.86	3.11	(1.74)	9.42	11.12	11.31	4.33	(1.17)	(0.64)	6.34	6.61	65.22

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		2013 September	2013 October	2013 November	2013 December	2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	Test Period Total
211														
212	Capital Expenditures													
213	Generation	[redacted]												
214	Transmission	0.41	0.85	1.58	0.15	0.22	0.33	0.33	0.39	0.38	0.33	0.17	0.36	5.51
215	A&G	0.15	0.20	0.20	0.20	0.00	0.21	0.10	0.25	0.00	0.00	0.00	0.00	1.30
216	Other / IT	0.15	0.11	0.12	0.08	0.00	0.05	0.10	0.31	0.11	0.26	0.22	0.32	1.82
217	Total Capital Expenditures	[redacted]												
218														
219	Income Taxes from Operations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
220														
221	Net Pre-Finance Cash Flow	5.20	(9.69)	(6.85)	(9.47)	2.78	5.23	2.06	(15.62)	(16.08)	(4.85)	4.74	2.99	(39.57)
222														
223	Financing													
224	Principal	(14.94)	0.00	3.03	1.88	(9.00)	3.05	(7.09)	0.00	3.08	(4.07)	0.00	3.10	(20.95)
225	Interest	2.62	1.17	3.76	4.49	3.68	3.70	2.63	1.13	3.74	2.79	3.65	3.71	37.05
226	Debt Issuance Cost	0.00	0.00	0.00	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02
227	Line of Credit (Upfront Fee)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.13	0.00	0.13
228	Aggregate Debt Service (incl. Line of Credit)	(12.32)	1.17	6.79	6.39	(5.32)	6.75	(4.46)	1.13	6.82	(1.28)	3.78	6.82	16.25
229														
230	Post-Finance Cash Flow	17.52	(10.85)	(13.64)	(15.86)	8.11	(1.53)	6.52	(16.75)	(22.90)	(3.56)	0.96	(3.82)	(55.81)
231														
232	Unwind Transaction													
233	Cash Proceeds													
234	Debt Reduction													
235	Misc. Transaction													
236	Net Before Member Reserves													
237	Station Two O&M Fund													
238	Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
239	Economic Reserve	2.57	2.18	2.41	3.12	3.37	2.94	2.71	2.30	2.54	3.23	2.93	3.08	33.39
240	Net Before Transition Reserve	2.57	2.18	2.41	3.12	3.37	2.94	2.71	2.30	2.54	3.23	2.93	3.08	33.39
241														

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		2013 September	2013 October	2013 November	2013 December	2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	Test Period Total
242	Ending Cash Balances (Incl. Transition Reserve)	152.97	144.30	133.07	120.32	131.80	133.22	142.46	128.00	107.64	107.31	111.20	110.46	110.46
243	Ending Cash Balances excl. Transition Reserve)	152.97	144.30	133.07	120.32	131.80	133.22	142.46	128.00	107.64	107.31	111.20	110.46	110.46
244	Change in Working Capital													
245	Other Property	0.00	0.00	(0.33)	0.00	0.00	(0.33)	0.16	0.00	(0.34)	0.00	0.00	(0.34)	(1.18)
246	Accounts Receivable	(12.18)	0.39	(0.13)	3.79	2.53	(4.54)	(1.61)	(3.71)	1.75	3.98	2.09	0.70	(6.94)
247	Materials, Supplies & Other	0.06	0.06	0.06	0.06	0.06	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.77
248	Prepayments	(0.30)	(0.30)	(0.30)	3.61	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	(0.33)	0.12
249	Other Current Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
250	Accounts Payable	5.48	(2.02)	2.58	2.19	(3.18)	1.81	(4.12)	(1.62)	1.01	3.07	0.21	(0.51)	4.88
251	Taxes Accrued	(0.32)	(0.32)	0.24	0.29	0.23	(0.35)	(0.35)	(0.35)	(0.35)	(0.35)	(0.35)	1.93	(0.06)
252	Other Accruals	(0.06)	(0.06)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)	(0.79)
253	Total	(7.32)	(2.26)	2.06	9.86	(0.76)	(3.74)	(6.25)	(6.00)	1.75	6.38	1.63	1.45	(3.19)
254														

Big Rivers Electric Corporation
Case No. 2012-00535
Big Rivers Financial Model

		2013 September	2013 October	2013 November	2013 December	2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	Test Period Total
255														
256	VI. Cash Flow Statement - Indirect (Millions of $)													
257														
258	**Cash Flows From Operating Activities:**													
259	Net Margin	(0.30)	(2.61)	0.25	3.77	4.94	3.35	0.49	(6.70)	(4.35)	1.72	3.52	3.38	7.46
260	Adjustments to reconcile net margin to net cash													
261	provided by operating activities:													
262	Depreciation and amortization	3.91	3.92	3.93	3.93	3.94	3.94	3.94	3.95	3.97	3.99	4.00	4.00	47.43
263	Interest compounded - RUS Series A Note	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.05
264	Interest compounded - RUS Series B Note	1.96	0.00	0.00	1.99	0.00	0.00	1.97	0.00	0.00	2.02	0.00	0.00	7.95
265	Noncash member rate mitigation revenue	(2.53)	(2.14)	(2.38)	(3.09)	(3.35)	(2.92)	(2.69)	(2.26)	(2.51)	(3.21)	(2.91)	(3.06)	(33.06)
266	Changes in certain assets and liabilities:													
267	Other property	0.00	0.00	0.33	0.00	0.00	0.33	(0.16)	0.00	0.34	0.00	0.00	0.34	1.18
268	Accounts receivable	12.18	(0.39)	0.13	(3.79)	(2.53)	4.54	1.61	3.71	(1.75)	(3.98)	(2.09)	(0.70)	6.94
269	Inventories	(0.35)	(0.27)	(0.20)	(0.14)	(0.44)	(0.29)	(0.30)	(0.12)	(0.02)	(0.13)	(0.11)	(0.09)	(2.46)
270	Prepayments	0.30	0.30	0.30	(3.61)	0.33	0.33	0.33	0.33	0.33	0.33	0.33	0.33	(0.12)
271	Other current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
272	Accounts payable	(5.48)	2.02	(2.58)	(2.19)	3.18	(1.81)	4.12	1.62	(1.01)	(3.07)	(0.21)	0.51	(4.88)
273	Taxes accrued	0.32	0.32	(0.24)	(0.29)	(0.23)	0.35	0.35	0.35	0.35	0.35	0.35	(1.93)	0.06
274	Other accruals	(0.95)	2.54	(0.19)	(2.82)	(0.10)	(0.39)	(0.99)	2.33	(0.26)	(1.45)	(0.20)	0.11	(2.37)
275	Net cash provided by operating activities	9.05	3.70	(0.65)	(6.22)	5.74	7.42	8.68	3.20	(4.92)	(3.43)	2.69	2.90	28.16
276														
277	**Cash Flows From Investing Activities:**													
278	Capital expenditures	(6.47)	(14.55)	(9.96)	(7.73)	(6.64)	(5.90)	(9.25)	(19.95)	(14.91)	(4.20)	(1.60)	(3.62)	(104.78)
279	Net proceeds from restricted investments	2.57	2.18	2.41	3.12	3.37	2.94	2.71	2.30	2.54	3.23	2.93	3.08	33.39
280	Net cash provided by (used in) inv. Activities	(3.90)	(12.37)	(7.55)	(4.62)	(3.26)	(2.95)	(6.53)	(17.65)	(12.37)	(0.97)	1.33	(0.54)	(71.39)

Big Rivers Electric Corporation
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		2013 September	2013 October	2013 November	2013 December	2014 January	2014 February	2014 March	2014 April	2014 May	2014 June	2014 July	2014 August	Test Period Total
281														
282	**Cash Flows From Financing Activities:**													
283	Net principal payments on debt obligations	14.94	0.00	(3.03)	(1.88)	9.00	(3.05)	7.09	0.00	(3.08)	4.07	0.00	(3.10)	20.95
284	Debt issuance cost	0.00	0.00	0.00	(0.02)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.02)
285	Line of Credit (Upfront Fee)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.13)	0.00	(0.13)
286	Net cash provided by (used in) Financing Activities	14.94	0.00	(3.03)	(1.90)	9.00	(3.05)	7.09	0.00	(3.08)	4.07	(0.13)	(3.10)	20.81
287														
288	Net increase (decrease) in cash	20.09	(8.67)	(11.23)	(12.74)	11.48	1.42	9.23	(14.45)	(20.36)	(0.33)	3.89	(0.74)	(22.43)
289														
290	**Cash and Cash Equivalents - Beg. of Period**													132.88
291	**Cash and Cash Equivalents - End of Period**													110.46

Big Rivers Electric Corporation
Case No. 2012-00535
Statement of Operations (With and Without Proposed Rate Increase)
Fully Forecasted Test Period (September 2013 to August 2014)

		With Proposed Rate Increase	Without Proposed Rate Increase
1	Electric Energy Revenues	[redacted]	[redacted]
2	Income From Leased Property Net	0	0
3	Other Operating Revenue and Income	3,696,500	3,696,500
4	**TOTAL OPER. REVENUES & PATRONAGE CAPITAL**	[redacted]	[redacted]
5			
6	Operating Expense-Production-Excluding Fuel	[redacted]	[redacted]
7	Operating Expense-Production-Fuel	[redacted]	[redacted]
8	Operating Expense-Other Power Supply	[redacted]	[redacted]
9	Operating Expense-Transmission	[redacted]	[redacted]
10	Operating Expense-RTO/ISO	[redacted]	[redacted]
11	Operating Expense-Distribution	[redacted]	[redacted]
12	Operating Expense-Customer Accounts	[redacted]	[redacted]
13	Operating Expense-Customer Service and Information	[redacted]	[redacted]
14	Operating Expense-Sales	[redacted]	[redacted]
15	Operating Expense-Administrative and General	[redacted]	[redacted]
16	**TOTAL OPERATION EXPENSE**	[redacted]	[redacted]
17			
18	Maintenance Expense-Production	[redacted]	[redacted]
19	Maintenance Expense-Transmission	[redacted]	[redacted]
20	Maintenance Expense-Distribution	[redacted]	[redacted]
21	Maintenance Expense-General Plant	[redacted]	[redacted]
22	**TOTAL MAINTENANCE EXPENSE**	[redacted]	[redacted]
23			
24	Depreciation and Amortization Expense	44,042,489	44,042,489
25	Taxes	885	885
26	Interest on Long-Term Debt	43,511,699	43,511,699
27	Interest Charged to Construction - Credit	(2,480,401)	(2,480,401)
28	Other Interest Expense	0	0
29	Asset Retirement Obligation	0	0
30	Other Deductions	513,316	513,316
31			
32	**TOTAL COST OF ELECTRIC SERVICE**	[redacted]	[redacted]
33			
34	**OPERATING MARGINS**	[redacted]	[redacted]
35			
36	Interest Income	1,748,354	1,717,360
37	Allowance For Funds Used During Construction	0	0
38	Income (Loss) From Equity Investments	0	0
39	Other Non-Operating Income (Net)	0	0
40	Generation and Transmission Capital Credits	0	0
41	Other Capital Credits and Patronage Dividends	2,706,448	2,706,448
42	Extraordinary Items	0	0
43	**NET PATRONAGE CAPITAL OR MARGIN**	[redacted]	[redacted]

BIG RIVERS ELECTRIC CORPORATION
Calculation of Revenue Requirement
Based on Fully Forecasted Test Period
For the 12 Months Ended August 31, 2014

Line	Description	Ref Sched	Amount
1	**Total Oper Revenue & Patronage Capital Without Proposed Rate Increase**	Exh Siewert-3.3	$ 409,058,933
2			
3	**Adjustments to Revenue**		
4	To Remove Fuel Adjustment Clause Revenue	1.01	$ (33,539,328)
5	To Remove Environmental Surcharge Revenue	1.02	$ (20,731,985)
6	To Remove Non-FAC PPA Revenue	1.03	$ 3,806,042
7	Subtotal	Lines 4-6	$ (50,465,271)
8			
9	Adjusted Revenue	Line 1 + Line 7	$ 358,593,662
10			
11	**Total Cost of Service**	Exh Siewert-3.3	$ 474,641,381
12			
13	**Adjustments to Cost of Service**		
14	To Remove Fuel Expense Recoverable through the FAC	1.01	$ (33,539,328)
15	To Remove Expenses Recoverable through the ES	1.02	$ (20,731,985)
16	To Remove Expenses Recoverable through the Non-FAC PPA	1.03	$ 3,806,042
17	To Remove Promotional Advertising	1.04	$ (55,756)
18	To Remove Lobbying Expenses	1.05	$ (70,923)
19	To Remove Economic Development Expenses	1.06	$ (140,357)
20	To Remove Donations Expenses	1.07	$ (63,328)
21	To Remove Touchstone Energy dues	1.08	$ (132,766)
22	To Amortize 2011 Rate Case Expenses for Case No. 2011-00036	1.09	$ 203,352
23	To Remove Non-recurring Labor related to Wilson Layup	1.10	$ (2,595,458)
24	To Normalize Certain Outside Professional Services	1.11	$ (267)
25	To Normalize Demand Side Management Expenses	1.12	$ (131,314)
26	Subtotal	Lines 14 - 25	$ (53,452,087)
27			
28	Adjusted Cost of Service	Line 11 + Line 26	$ 421,189,294
29			
30	Adjusted Operating Margins	Line 9 - Line 28	$ (62,595,632)

BIG RIVERS ELECTRIC CORPORATION
Calculation of Revenue Requirement
Based on Fully Forecasted Test Period
For the 12 Months Ended August 31, 2014

Line	Description	Ref Sched		Amount
31				
32	**Non-Operating Items**			
33	Interest Income	Exh Siewert-3.3	$	1,717,360
34	Other Non-Operating Income	Exh Siewert-3.3	$	-
35	Other Capital Credits / Patronage Dividends	Exh Siewert-3.3	$	2,706,448
36				
37	Total Non-Operating Items	Lines 33-35	$	4,423,808
38				
39	**Calculation of Revenue Deficiency**			
40				
41	Adjusted Net Margin (Deficit)	Line 30 + 37	$	(58,171,824)
42				
43	Contract TIER			1.24
44				
45	Interest on Long-Term Debt	Exh Siewert-3.3	$	43,511,699
46				
47	Interest Income on Transition Reserve	Big Rivers Finan Model	$	-
48				
49	Adjusted Net Margin(Deficit) before Contract TIER	Line 41 - 47	$	(58,171,824)
50				
51	Margins Required for Contract TIER	Line 45*(Line 43-1) + Line 47	$	10,442,808
52				
53	**Revenue Deficiency for 1.24 Contract TIER**	Line 41 - 51	**$**	**(68,614,632)**

BIG RIVERS ELECTRIC CORPORATION
Based on the Fully Forecast Test Period
For the 12 Months Ended August 31, 2014

Fuel Adjustment Clause Revenues and Expenses

Line #	Year (1)	Month (2)		Revenue (3)		Expense (4)
1	2013	Sep	$	2,422,587	$	2,422,587
2	2013	Oct	$	2,246,921	$	2,246,921
3	2013	Nov	$	2,376,058	$	2,376,058
4	2013	Dec	$	2,768,240	$	2,768,240
5	2014	Jan	$	2,946,520	$	2,946,520
6	2014	Feb	$	2,679,544	$	2,679,544
7	2014	Mar	$	2,816,290	$	2,816,290
8	2014	Apr	$	2,600,896	$	2,600,896
9	2014	May	$	2,803,590	$	2,803,590
10	2014	Jun	$	3,139,920	$	3,139,920
11	2014	Jul	$	3,386,906	$	3,386,906
12	2014	Aug	$	3,351,856	$	3,351,856
13		TOTAL	$	33,539,328	$	33,539,328
14						
15	Test Year Cost		$	33,539,328	$	33,539,328
16						
17	Pro Forma Year Cost		$	-	$	-
18						
19	Adjustment		$	(33,539,328)	$	(33,539,328)

BIG RIVERS ELECTRIC CORPORATION
Based on the Fully Forecast Test Period
For the 12 Months Ended August 31, 2014

Environmental Surcharge Revenues and Expenses

Line #	Year (1)	Month (2)	Revenue (3)	Expense (4)
1	2013	Sep	$ 1,767,347	$ 1,767,347
2	2013	Oct	$ 1,620,394	$ 1,620,394
3	2013	Nov	$ 1,550,748	$ 1,550,748
4	2013	Dec	$ 1,702,618	$ 1,702,618
5	2014	Jan	$ 1,843,133	$ 1,843,133
6	2014	Feb	$ 1,650,366	$ 1,650,366
7	2014	Mar	$ 1,595,299	$ 1,595,299
8	2014	Apr	$ 1,548,928	$ 1,548,928
9	2014	May	$ 1,620,234	$ 1,620,234
10	2014	Jun	$ 1,777,317	$ 1,777,317
11	2014	Jul	$ 1,868,506	$ 1,868,506
12	2014	Aug	$ 2,187,095	$ 2,187,095
13		TOTAL	$ 20,731,985	$ 20,731,985
14				
15	Test Year Cost		$ 20,731,985	$ 20,731,985
16				
17	Pro Forma Year Cost		$ -	$ -
18				
19	Adjustment		$ (20,731,985)	$ (20,731,985)

BIG RIVERS ELECTRIC CORPORATION
Based on the Fully Forecast Test Period
For the 12 Months Ended August 31, 2014

Non-FAC PPA Revenues and Expenses

Line #	Year (1)	Month (2)		Revenue (3)		Expense (4)
1	2013	Sep	$	(291,286)	$	(291,286)
2	2013	Oct	$	(272,514)	$	(272,514)
3	2013	Nov	$	(291,794)	$	(291,794)
4	2013	Dec	$	(366,404)	$	(366,404)
5	2014	Jan	$	(370,537)	$	(370,537)
6	2014	Feb	$	(307,934)	$	(307,934)
7	2014	Mar	$	(308,580)	$	(308,580)
8	2014	Apr	$	(257,109)	$	(257,109)
9	2014	May	$	(283,206)	$	(283,206)
10	2014	Jun	$	(329,979)	$	(329,979)
11	2014	Jul	$	(368,318)	$	(368,318)
12	2014	Aug	$	(358,381)	$	(358,381)
13		TOTAL	$	(3,806,042)	$	(3,806,042)
14						
15	Test Year Cost		$	(3,806,042)	$	(3,806,042)
16						
17	Pro Forma Year Cost		$	-	$	-
18						
19	Adjustment		$	3,806,042	$	3,806,042

BIG RIVERS ELECTRIC CORPORATION
Based on the Fully Forecast Test Period
For the 12 Months Ended August 31, 2014

Promotional Advertising

Line #	Year (1)	Month (2)	Amount (3)
1	2013	Sep	$ 4,500
2	2013	Oct	$ 4,000
3	2013	Nov	$ 4,500
4	2013	Dec	$ 5,290
5	2014	Jan	$ 5,500
6	2014	Feb	$ 5,000
7	2014	Mar	$ 5,500
8	2014	Apr	$ 4,966
9	2014	May	$ 4,000
10	2014	Jun	$ 4,500
11	2014	Jul	$ 4,000
12	2014	Aug	$ 4,000
13		TOTAL	$ 55,756
14			
15	Test Year Cost		$ 55,756
16			
17	Pro Forma Year Cost		$ -
18			
19	Adjustment		$ (55,756)

BIG RIVERS ELECTRIC CORPORATION
Based on the Fully Forecast Test Period
For the 12 Months Ended August 31, 2014

Lobbying Expenses

Line #	Year (1)	Month (2)	Amount (3)
1	2013	Sep	$ 1,820
2	2013	Oct	$ 1,120
3	2013	Nov	$ 1,120
4	2013	Dec	$ 1,820
5	2014	Jan	$ 1,520
6	2014	Feb	$ 1,520
7	2014	Mar	$ 2,270
8	2014	Apr	$ 1,486
9	2014	May	$ 54,137
10	2014	Jun	$ 1,870
11	2014	Jul	$ 1,120
12	2014	Aug	$ 1,120
13		TOTAL	$ 70,923
14			
15	Test Year Cost		$ 70,923
16			
17	Pro Forma Year Cost		$ -
18			
19	Adjustment		$ (70,923)

BIG RIVERS ELECTRIC CORPORATION
Based on the Fully Forecast Test Period
For the 12 Months Ended August 31, 2014

Economic Development Expenses

Line #	Year (1)	Month (2)		Amount (3)
1	2013	Sep	$	140,357
2	2013	Oct	$	-
3	2013	Nov	$	-
4	2013	Dec	$	-
5	2014	Jan	$	-
6	2014	Feb	$	-
7	2014	Mar	$	-
8	2014	Apr	$	-
9	2014	May	$	-
10	2014	Jun	$	-
11	2014	Jul	$	-
12	2014	Aug	$	-
13		TOTAL	$	140,357
14				
15	Test Year Cost		$	140,357
16				
17	Pro Forma Year Cost		$	-
18				
19	Adjustment		$	(140,357)

BIG RIVERS ELECTRIC CORPORATION
Based on the Fully Forecast Test Period
For the 12 Months Ended August 31, 2014

Donations Expenses

Line #	Year (1)	Month (2)	Amount (3)
1	2013	Sep	$ 1,000
2	2013	Oct	$ 1,000
3	2013	Nov	$ 1,000
4	2013	Dec	$ 4,643
5	2014	Jan	$ 26,050
6	2014	Feb	$ 2,060
7	2014	Mar	$ 2,575
8	2014	Apr	$ 21,000
9	2014	May	$ 1,000
10	2014	Jun	$ 1,000
11	2014	Jul	$ 1,000
12	2014	Aug	$ 1,000
13		TOTAL	$ 63,328
14			
15	Test Year Cost		$ 63,328
16			
17	Pro Forma Year Cost		$ -
18			
19	Adjustment		$ (63,328)

BIG RIVERS ELECTRIC CORPORATION
Based on the Fully Forecast Test Period
For the 12 Months Ended August 31, 2014

Touchstone Energy Dues Expenses

Line #	Year (1)	Month (2)	Amount (3)
1	2013	Sep	$ -
2	2013	Oct	$ -
3	2013	Nov	$ -
4	2013	Dec	$ -
5	2014	Jan	$ -
6	2014	Feb	$ -
7	2014	Mar	$ 132,766
8	2014	Apr	$ -
9	2014	May	$ -
10	2014	Jun	$ -
11	2014	Jul	$ -
12	2014	Aug	$ -
13		TOTAL	$ 132,766
14			
15	Test Year Cost		$ 132,766
16			
17	Pro Forma Year Cost		$ -
18			
19	Adjustment		$ (132,766)

BIG RIVERS ELECTRIC CORPORATION
Based on the Fully Forecast Test Period
For the 12 Months Ended August 31, 2014

Amortization of Rate Case Expenses for Case No. 2011-00036

1	Test Year Cost		$	-
2				
3	Total Amortized Amount Approved		$	592,535
4	Total Net Recovery Approved		$	1,777,605
5	Monthly Amount		$	49,378
6				
7	Total Amount Recovered Prior to Test Year			
8	Period	Months		
9	Sep 2011 to Jul 2013	23	$	1,135,692
10	Aug 2013	0.6	$	31,857
11	Total		$	1,167,549
12				
13	Total Amount Remaining		$	610,056
14	Amortization Period (Years)			3
15	Amortization of Amount Remaining		$	203,352
16				
17	Adjustment		$	203,352

BIG RIVERS ELECTRIC CORPORATION
Based on the Fully Forecast Test Period
For the 12 Months Ended August 31, 2014

Non-Recurring Labor Related to Wilson Layup

Line #	Year (1)	Month (2)		Plant (3)		IT (4)		Safety (5)		Budget (6)		Supply Chain (7)		TOTAL (8)
1	2013	Sep	$	907,956	$	11,216	$	9,989	$	64,604	$	121,516	$	1,115,279
2	2013	Oct	$	1,078,564	$	13,277	$	11,825	$	76,479	$	143,853	$	1,323,998
3	2013	Nov	$	891,785	$	11,051	$	9,842	$	63,654	$	119,729	$	1,096,059
13		TOTAL	$	2,878,304	$	35,543	$	31,655	$	204,736	$	385,098	$	3,535,337
14														
15	Test Year Cost		$	2,878,304	$	35,543	$	31,655	$	204,736	$	385,098	$	3,535,337
16														
17	Headcount - Budget			102		1		1		7		16		127
18	Headcount - Pro Forma			16		0		0		6		13		35
19	Ratio			0.157		-		-		0.857		0.813		n/a
20														
21	Pro Forma Year Cost		$	451,499	$	-	$	-	$	175,488	$	312,892	$	939,879
22														
23	Adjustment		$	(2,426,806)	$	(35,543)	$	(31,655)	$	(29,248)	$	(72,206)	$	(2,595,458)

Reference Schedule: 1.11

BIG RIVERS ELECTRIC CORPORATION
Based on the Fully Forecast Test Period
For the 12 Months Ended August 31, 2014

Normalization of Certain Outside Professional Services

Line #	Year (1)	Month (2)	Integrated Resource Plan (3)	Load Forecast (4)	Transient Stability Study (5)	TOTAL (6)
1	2013	Sep	$ 35,250	$ -	$ -	$ 35,250
2	2013	Oct	$ 35,250	$ -	$ -	$ 35,250
3	2013	Nov	$ -	$ -	$ -	$ -
4	2013	Dec	$ -	$ -	$ -	$ -
5	2014	Jan	$ 20,600	$ -	$ -	$ 20,600
6	2014	Feb	$ 20,000	$ -	$ -	$ 20,000
7	2014	Mar	$ 20,000	$ -	$ 30,000	$ 50,000
8	2014	Apr	$ 20,000	$ -	$ -	$ 20,000
9	2014	May	$ -	$ -	$ -	$ -
10	2014	Jun	$ -	$ -	$ -	$ -
11	2014	Jul	$ -	$ -	$ -	$ -
12	2014	Aug	$ -	$ -	$ -	$ -
13		TOTAL	$ 151,100	$ -	$ 30,000	$ 181,100
14						
15	Periodicity (Years)		3	2	2	n/a
16						
17	Test Year Cost		$ 445,000	$ 65,000	$ 30,000	$ 540,000
18						
19	Normalized Annual Cost		$ 148,333	$ 32,500	$ -	$ 180,833
20						
21	Adjustment		$ (2,767)	$ 32,500	$ (30,000)	**$ (267)**

BIG RIVERS ELECTRIC CORPORATION
Based on the Fully Forecast Test Period
For the 12 Months Ended August 31, 2014

Demand Side Management Expenses

Line #	Year (1)	Month (2)	Amount (3)
1	2013	Sep	$ 78,144
2	2013	Oct	$ 90,874
3	2013	Nov	$ 72,839
4	2013	Dec	$ 251,014
5	2014	Jan	$ 53,347
6	2014	Feb	$ 44,124
7	2014	Mar	$ 52,868
8	2014	Apr	$ 44,124
9	2014	May	$ 44,124
10	2014	Jun	$ 311,608
11	2014	Jul	$ 44,124
12	2014	Aug	$ 44,124
13		TOTAL	$ 1,131,314
14			
15	Test Year Cost		$ 1,131,314
16			
17	Pro Forma Year Cost		$ 1,000,000
18			
19	Adjustment		$ (131,314)

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Functional Assignment and Classification

12 Months Ended
August 31, 2014

Description	Name	Functional Vector	Total System	Production Demand	Production Energy	Transmission Demand
Plant in Service						
Intangible Plant	INTPLT	PT&D	$ 66,895	58,452	-	8,443
Production Plant	PPROD	F001	$ 1,769,875,009	1,769,875,009	-	-
Transmission Plant	PTRAN	F002	$ 255,644,032	-	-	255,644,032
Distribution Plant	PDIST	F003	$ -	-	-	-
Total Production & Transmission Plant	PT&D		2,025,519,041	1,769,875,009	-	255,644,032
General Plant	PGP	PT&D	$ 36,225,459	31,653,385	-	4,572,074
Total Plant in Service	TPIS		$ 2,061,811,395	$ 1,801,586,846	$ -	$ 260,224,549
Construction Work in Progress (CWIP)						
CWIP Production	CWIP1	PPROD	$ 59,715,449	59,715,449	-	-
CWIP Transmission	CWIP2	PTRAN	$ 14,556,975	-	-	14,556,975
CWIP Distribution Plant	CWIP3	PDIST	$ -	-	-	-
CWIP General Plant	CWIP4	PT&D	$ 617,305	539,394	-	77,911
Total Construction Work in Progress	TCWIP		$ 74,889,729	$ 60,254,843	$ -	$ 14,634,886
Total Utility Plant			$ 2,136,701,124	$ 1,861,841,689	$ -	$ 274,859,435

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Functional Assignment and Classification

12 Months Ended
August 31, 2014

Description	Name	Functional Vector	Total System	Production Demand	Production Energy	Transmission Demand
Rate Base						
Total Utility Plant	TUP		$ 2,136,701,124	$ 1,861,841,689	$ -	$ 274,859,435
Less: Acummulated Provision for Depreciation						
Production	ADEPREPA	PPROD	$ 874,821,528	874,821,528	-	-
Transmission	ADEPRTP	PTRAN	$ 122,535,081	-	-	122,535,081
Distribution	ADEPRD11	PDIST	$ -	-	-	-
General & Common Plant	ADEPRD12	PT&D	$ 9,260,405	8,091,634	-	1,168,771
Intangible, Misc, and Other Plant	ADEPRGP	PT&D	$ -	-	-	-
Retirement Work In Progress	ADEPRRT	PT&D	$ -	-	-	-
Total Accumulated Depreciation	TADEPR		$ 1,006,617,014	$ 882,913,162	$ -	$ 123,703,852
Net Utility Plant	NTPLANT		$ 1,130,084,110	$ 978,928,527	$ -	$ 151,155,583
Working Capital						
Cash Working Capital - Operation and Maintenance Expenses	CWC	OMLPP	$ 47,318,685	11,333,633	33,574,606	2,410,446
Materials and Supplies	M&S	TPIS	$ 27,026,950	23,615,835	-	3,411,115
Fuel Stock	PREPAY	TPIS	$ 33,315,891	29,111,039	-	4,204,852
Total Working Capital	TWC		$ 107,661,526	$ 64,060,507	$ 33,574,606	$ 10,026,413
Net Rate Base	RB		$ 1,237,745,636	$ 1,042,989,034	$ 33,574,606	$ 161,181,996

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Functional Assignment and Classification

12 Months Ended
August 31, 2014

Description	Name	Functional Vector	Total System	Production Demand	Production Energy	Transmission Demand
Operation and Maintenance Expenses						
Steam Power Generation Operation Expenses						
500 OPERATION SUPERVISION & ENGINEERING	OM500	PROFIX	[redacted]			-
501 FUEL	OM501	Energy	[redacted]			-
502 STEAM EXPENSES	OM502	PROFIX	[redacted]			-
505 ELECTRIC EXPENSES	OM505	PROFIX	[redacted]			-
506 MISC. STEAM POWER EXPENSES	OM506	PROFIX	[redacted]			-
507 RENTS	OM507	PROFIX	[redacted]			-
509 ALLOWANCES	OM509	Energy	[redacted]			-
Total Steam Power Operation Expenses			[redacted]			$ -
Steam Power Generation Maintenance Expenses						
510 MAINTENANCE SUPERVISION & ENGINEERING	OM510	Energy	[redacted]			-
511 MAINTENANCE OF STRUCTURES	OM511	PROFIX	[redacted]			-
512 MAINTENANCE OF BOILER PLANT	OM512	Energy	[redacted]			-
513 MAINTENANCE OF ELECTRIC PLANT	OM513	Energy	[redacted]			-
514 MAINTENANCE OF MISC STEAM PLANT	OM514	PROFIX	[redacted]			-
Total Steam Power Generation Maintenance Expense			[redacted]			$ -
Total Steam Power Generation Expense			[redacted]			$ -

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Functional Assignment and Classification

12 Months Ended
August 31, 2014

Description	Name	Functional Vector	Total System	Production Demand	Production Energy	Transmission Demand
<u>Operation and Maintenance Expenses (Continued)</u>						
Other Power Generation Operation Expense						
546 OPERATION SUPERVISION & ENGINEERING	OM546	PROFIX	[redacted]			-
547 FUEL	OM547	Energy				-
548 GENERATION EXPENSE	OM548	PROFIX				-
549 MISC OTHER POWER GENERATION	OM549	PROFIX				-
550 RENTS	OM550	PROFIX				-
Total Other Power Generation Expenses						$ -
Other Power Generation Maintenance Expense						
551 MAINTENANCE SUPERVISION & ENGINEERING	OM551	PROFIX				-
552 MAINTENANCE OF STRUCTURES	OM552	PROFIX				-
553 MAINTENANCE OF GENERATING & ELEC PLANT	OM553	PROFIX				-
554 MAINTENANCE OF MISC OTHER POWER GEN PLT	OM554	PROFIX				-
Total Other Power Generation Maintenance Expense						$ -
Total Other Power Generation Expense						$ -
Total Station Expense						$ -

BIG RIVERS ELECTRIC CORPORATION
Cost of Service Study
Functional Assignment and Classification

12 Months Ended
August 31, 2014

Description	Name	Functional Vector		Total System	Production Demand	Production Energy		Transmission Demand
Operation and Maintenance Expenses (Continued)								
Other Power Supply Expenses								
555 PURCHASED POWER Energy	OM555	OMPP		[redacted]				-
555 PURCHASED POWER Demand	OMD555	OMPPD		[redacted]				-
555 PURCHASED POWER BREC Share of HMP&L Station Two	OMH555	OMPPH		[redacted]				-
555 PURCHASED POWER OPTIONS	OMO555	OMPP		[redacted]				-
555 BROKERAGE FEES	OMB555	OMPP		[redacted]				-
555 MISO TRANSMISSION EXPENSES	OMM555	OMPP		[redacted]				-
556 SYSTEM CONTROL AND LOAD DISPATCH	OM556	PROFIX		[redacted]				-
557 OTHER EXPENSES	OM557	PROFIX		[redacted]				-
558 DUPLICATE CHARGES	OM558	Energy		[redacted]				-
Total Other Power Supply Expenses	TPP			[redacted]			$	-
Total Electric Power Generation Expenses				[redacted]			$	-
Transmission Expenses								
560 OPERATION SUPERVISION AND ENG	OM560	LBTRAN	$	956,020	-	-		956,020
561 LOAD DISPATCHING	OM561	LBTRAN	$	2,438,223	-	-		2,438,223
562 STATION EXPENSES	OM562	PTRAN	$	720,812	-	-		720,812
563 OVERHEAD LINE EXPENSES	OM563	PTRAN	$	1,236,070	-	-		1,236,070
565 TRANSMISSION OF ELECTRICITY BY OTHERS	OM565	PTRAN	$	2,448,000	-	-		2,448,000
566 MISC. TRANSMISSION EXPENSES	OM566	PTRAN	$	613,921	-	-		613,921
567 RENTS	OM567	PTRAN	$	58,669	-	-		58,669
568 MAINTENACE SUPERVISION AND ENG	OM568	LBTRAN	$	540,092	-	-		540,092
569 STRUCTURES	OM569	PTRAN	$	(83,165)	-	-		(83,165)
570 MAINT OF STATION EQUIPMENT	OM570	PTRAN	$	1,720,315	-	-		1,720,315
571 MAINT OF OVERHEAD LINES	OM571	PTRAN	$	2,310,747	-	-		2,310,747
572 UNDERGROUND LINES	OM572	PTRAN	$	-	-	-		-
573 MISC PLANT	OM573	PTRAN	$	756,058	-	-		756,058
573 MARKET FACILITATION MONITORING MISO	OM575	PTRAN	$	1,343,829	-	-		1,343,829
Total Transmission Expenses			$	15,059,590	$ -	$ -	$	15,059,590

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Description	Name	Functional Vector	Total System	Production Demand	Production Energy	Transmission Demand
Operation and Maintenance Expenses (Continued)						
Total Distribution Maintenance Expense	OMDM		$ -	$ -	$ -	$ -
Total Distribution Operation and Maintenance Expenses			-	-	-	-
Transmission and Distribution Expenses			15,059,590	-	-	15,059,590
Production, Transmission and Distribution Expenses	OMSUB		[redacted]			$ 15,059,590
Customer Accounts Expense						
901 SUPERVISION/CUSTOMER ACCTS	OM901	F025	$ -	-	-	-
902 METER READING EXPENSES	OM902	F025	$ -	-	-	-
903 RECORDS AND COLLECTION	OM903	F025	$ -	-	-	-
904 UNCOLLECTIBLE ACCOUNTS	OM904	F025	$ -	-	-	-
905 MISC CUST ACCOUNTS	OM903	F025	$ -	-	-	-
Total Customer Accounts Expense	OMCA		$ -	$ -	$ -	$ -
Customer Service Expense						
907 SUPERVISION	OM907	TUP	$ -	-	-	-
908 CUSTOMER ASSISTANCE EXPENSES	OM908	TUP	$ 1,341,868	1,169,254	-	172,614
908 CUSTOMER ASSISTANCE EXP-INCENTIVES	OM908x	TUP	$ -	-	-	-
909 INFORMATIONAL AND INSTRUCTIONA	OM909	TUP	$ 32,467	28,290	-	4,176
909 INFORM AND INSTRUC -LOAD MGMT	OM909x	TUP	$ -	-	-	-
910 MISCELLANEOUS CUSTOMER SERVICE	OM910	TUP	$ -	-	-	-
911 DEMONSTRATION AND SELLING EXP	OM911	TUP	$ -	-	-	-
912 DEMONSTRATION AND SELLING EXP	OM912	TUP	$ -	-	-	-
913 ADVERTISING EXPENSES	OM913	TUP	$ 139,067	121,178	-	17,889
915 MDSE-JOBBING-CONTRACT	OM915	TUP	$ -	-	-	-
916 MISC SALES EXPENSE	OM916	TUP	$ -	-	-	-
Total Customer Service Expense	OMCS		$ 1,513,401	$ 1,318,722	$ -	$ 194,680
Sub-Total Prod, Trans, Dist, Cust Acct and Cust Service	OMSUB2		360,561,179	76,946,956	268,359,952	15,254,270

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Description	Name	Functional Vector	Total System	Production Demand	Production Energy	Transmission Demand
Operation and Maintenance Expenses (Continued)						
Administrative and General Expense						
920 ADMIN. & GEN. SALARIES-	OM920	LBSUB9	$ 13,800,793	6,604,776	5,242,723	1,953,294
921 OFFICE SUPPLIES AND EXPENSES	OM921	LBSUB9	$ 8,647,072	4,138,311	3,284,898	1,223,863
922 ADMINISTRATIVE EXPENSES TRANSFERRED	OM922	LBSUB9	$ -	-	-	-
923 OUTSIDE SERVICES EMPLOYED	OM923	LBSUB9	$ 3,651,543	1,747,553	1,387,168	516,821
924 PROPERTY INSURANCE	OM924	TUP	$ -	-	-	-
925 INJURIES AND DAMAGES - INSURAN	OM925	LBSUB9	$ -	-	-	-
926 EMPLOYEE BENEFITS	OM926	LBSUB9	$ 401,841	192,313	152,654	56,875
927 FRANCHISE REQUIREMENTS	OM927	TUP	$ -	-	-	-
928 REGULATORY COMMISSION FEES	OM928	TUP	$ -	-	-	-
929 DUPLICATE CHARGES-CR	OM929	LBSUB9	$ -	-	-	-
930 MISCELLANEOUS GENERAL EXPENSES	OM930	LBSUB9	$ 1,772,549	848,306	673,366	250,878
931 RENTS AND LEASES	OM931	PGP	$ 1,933	1,689	-	244
935 MAINTENANCE OF GENERAL PLANT	OM935	PGP	$ 216,483	189,160	-	27,323
Total Administrative and General Expense	OMAG		$ 28,492,214	$ 13,722,109	$ 10,740,809	$ 4,029,297
Total Operation and Maintenance Expenses	TOM		[redacted]			$ 19,283,567
Operation and Maintenance Expenses Less Purchased Power	OMLPP		[redacted]			19,283,567

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Description	Name	Functional Vector		Total System		Production Demand		Production Energy		Transmission Demand
Labor Expenses										
Steam Power Generation Operation Expenses										
500 OPERATION SUPERVISION & ENGINEERING	LB500	PROFIX	$	4,280,950		4,280,950		-		-
501 FUEL	LB501	Energy	$	2,902,882		-		2,902,882		-
502 STEAM EXPENSES	LB502	PROFIX	$	5,491,704		5,491,704		-		-
505 ELECTRIC EXPENSES	LB505	PROFIX	$	5,535,107		5,535,107		-		-
506 MISC. STEAM POWER EXPENSES	LB506	PROFIX	$	1,356,089		1,356,089		-		-
507 RENTS	LB507	PROFIX	$	-		-		-		-
509 ALLOWANCES	LB509	Energy	$	-		-		-		-
Total Steam Power Operation Expenses	LBSUB1		$	19,566,731	$	16,663,849	$	2,902,882	$	-
Steam Power Generation Maintenance Expenses										
510 MAINTENANCE SUPERVISION & ENGINEERING	LB510	Energy	$	4,294,352		-		4,294,352		-
511 MAINTENANCE OF STRUCTURES	LB511	PROFIX	$	834,792		834,792		-		-
512 MAINTENANCE OF BOILER PLANT	LB512	Energy	$	6,591,131		-		6,591,131		-
513 MAINTENANCE OF ELECTRIC PLANT	LB513	Energy	$	1,263,465		-		1,263,465		-
514 MAINTENANCE OF MISC STEAM PLANT	LB514	PROFIX	$	1,294,907		1,294,907		-		-
Total Steam Power Generation Maintenance Expense	LBSUB2		$	14,278,646	$	2,129,699	$	12,148,947	$	-
Total Steam Power Generation Expense			$	33,845,377	$	18,793,548	$	15,051,830	$	-

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Description	Name	Functional Vector		Total System		Production Demand		Production Energy		Transmission Demand
Labor Expenses (Continued)										
Other Power Generation Operation Expense										
546 OPERATION SUPERVISION & ENGINEERING	LB546	PROFIX	$	-		-		-		-
547 FUEL	LB547	Energy	$	-		-		-		-
548 GENERATION EXPENSE	LB548	PROFIX	$	-		-		-		-
549 MISC OTHER POWER GENERATION	LB549	PROFIX	$	-		-		-		-
550 RENTS	LB550	PROFIX	$	-		-		-		-
Total Other Power Generation Expenses	LBSUB7		$	-	$	-	$	-	$	-
Other Power Generation Maintenance Expense										
551 MAINTENANCE SUPERVISION & ENGINEERING	LB551	PROFIX	$	-		-		-		-
552 MAINTENANCE OF STRUCTURES	LB552	PROFIX	$	-		-		-		-
553 MAINTENANCE OF GENERATING & ELEC PLANT	LB553	PROFIX	$	-		-		-		-
554 MAINTENANCE OF MISC OTHER POWER GEN PLT	LB554	PROFIX	$	-		-		-		-
Total Other Power Generation Maintenance Expense	LBSUB8		$	-	$	-	$	-	$	-
Total Other Power Generation Expense			$	-	$	-	$	-	$	-
Total Production Expense	LPREX		$	33,845,377	$	18,793,548	$	15,051,830	$	-

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Description	Name	Functional Vector		Total System		Production Demand		Production Energy		Transmission Demand
Labor Expenses (Continued)										
Purchased Power										
555 PURCHASED POWER Energy	LB555	OMPP	$	-		-		-		-
555 PURCHASED POWER Demand	LBD555	OMPPD	$	-		-		-		-
555 PURCHASED POWER OPTIONS	LBO555	OMPP	$	-		-		-		-
555 BROKERAGE FEES	LBB555	OMPP	$	-		-		-		-
555 MISO TRANSMISSION EXPENSES	LBM555	OMPP	$	-		-		-		-
556 SYSTEM CONTROL AND LOAD DISPATCH	LB556	PROFIX	$	-		-		-		-
557 OTHER EXPENSES	LB557	PROFIX	$	-		-		-		-
558 DUPLICATE CHARGES	LB558	Energy	$	-		-		-		-
Total Purchased Power Labor	LBPP		$	-	$	-	$	-	$	-
Transmission Labor Expenses										
560 OPERATION SUPERVISION AND ENG	LB560	PTRAN	$	777,780		-		-		777,780
561 LOAD DISPATCHING	LB561	PTRAN	$	1,115,069		-		-		1,115,069
562 STATION EXPENSES	LB562	PTRAN	$	200,779		-		-		200,779
563 OVERHEAD LINE EXPENSES	LB563	PTRAN	$	72,556		-		-		72,556
565 TRANSMISSION OF ELECTRICITY BY OTHERS	LB565	PTRAN	$	-		-		-		-
566 MISC. TRANSMISSION EXPENSES	LB566	PTRAN	$	410,985		-		-		410,985
567 RENTS	LB567	PTRAN	$	-		-		-		-
568 MAINTENACE SUPERVISION AND ENG	LB568	PTRAN	$	260,558		-		-		260,558
569 MAINTENACE OF STRUCTURES	LB569	PTRAN	$	-		-		-		-
570 MAINT OF STATION EQUIPMENT	LB570	PTRAN	$	1,372,631		-		-		1,372,631
571 MAINT OF OVERHEAD LINES	LB571	PTRAN	$	1,118,685		-		-		1,118,685
573 MAINT OF MISC. TRANSMISSION PLANT	LB573	PTRAN	$	253,946		-		-		253,946
Total Transmission Labor Expenses	LBTRAN		$	5,582,989	$	-	$	-	$	5,582,989

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Description	Name	Functional Vector		Total System		Production Demand		Production Energy		Transmission Demand
Labor Expenses (Continued)										
Total Distribution Operation and Maintenance Labor Expenses		PDIST		-		-		-		-
Transmission and Distribution Labor Expenses				5,582,989		-		-		5,582,989
Production, Transmission and Distribution Labor Expenses	LBSUB		$	39,428,366	$	18,793,548	$	15,051,830	$	5,582,989
Customer Accounts Expense										
901 SUPERVISION/CUSTOMER ACCTS	LB901	F025	$	-		-		-		-
902 METER READING EXPENSES	LB902	F025	$	-		-		-		-
903 RECORDS AND COLLECTION	LB903	F025	$	-		-		-		-
904 UNCOLLECTIBLE ACCOUNTS	LB904	F025	$	-		-		-		-
905 MISC CUST ACCOUNTS	LB903	F025	$	-		-		-		-
Total Customer Accounts Labor Expense	LBCA		$	-	$	-	$	-	$	-
Customer Service Expense										
907 SUPERVISION	LB907	TUP	$	-		-		-		-
908 CUSTOMER ASSISTANCE EXPENSES	LB908	TUP	$	193,640		168,731		-		24,909
908 CUSTOMER ASSISTANCE EXP-LOAD MGMT	LB908x	TUP	$	-		-		-		-
909 INFORMATIONAL AND INSTRUCTIONA	LB909	TUP	$	-		-		-		-
909 INFORM AND INSTRUC -LOAD MGMT	LB909x	TUP	$	-		-		-		-
910 MISCELLANEOUS CUSTOMER SERVICE	LB910	TUP	$	-		-		-		-
911 DEMONSTRATION AND SELLING EXP	LB911	TUP	$	-		-		-		-
912 DEMONSTRATION AND SELLING EXP	LB912	TUP	$	-		-		-		-
913 WATER HEATER - HEAT PUMP PROGRAM	LB913	TUP	$	-		-		-		-
915 MDSE-JOBBING-CONTRACT	LB915	TUP	$	-		-		-		-
916 MISC SALES EXPENSE	LB916	TUP	$	-		-		-		-
Total Customer Service Labor Expense	LBCS		$	193,640	$	168,731	$	-	$	24,909
Sub-Total Labor Exp	LBSUB9			39,622,006		18,962,278		15,051,830		5,607,898

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Description	Name	Functional Vector		Total System		Production Demand		Production Energy		Transmission Demand
Labor Expenses (Continued)										
Administrative and General Expense										
920 ADMIN. & GEN. SALARIES-	LB920	LBSUB9	$	13,800,793		6,604,776		5,242,723		1,953,294
921 OFFICE SUPPLIES AND EXPENSES	LB921	LBSUB9	$	-		-		-		-
922 ADMIN. EXPENSES TRANSFERRED - CREDIT	LB922	LBSUB9	$	-		-		-		-
923 OUTSIDE SERVICES EMPLOYED	LB923	LBSUB9	$	-		-		-		-
924 PROPERTY INSURANCE	LB924	TUP	$	-		-		-		-
925 INJURIES AND DAMAGES - INSURAN	LB925	LBSUB9	$	-		-		-		-
926 EMPLOYEE BENEFITS	LB926	LBSUB9	$	304,550		145,751		115,694		43,104
928 REGULATORY COMMISSION FEES	LB928	TUP	$	-		-		-		-
929 DUPLICATE CHARGES-CR	LB929	LBSUB9	$	-		-		-		-
930 MISCELLANEOUS GENERAL EXPENSES	LB930	LBSUB9	$	-		-		-		-
931 RENTS AND LEASES	LB931	PGP	$	-		-		-		-
935 MAINTENANCE OF GENERAL PLANT	LB935	PGP	$	108,834		95,098		-		13,736
Total Administrative and General Expense	LBAG		$	14,214,177	$	6,845,625	$	5,358,417	$	2,010,135
Total Operation and Maintenance Expenses	TLB		$	53,836,183	$	25,807,904	$	20,410,246	$	7,618,033
Operation and Maintenance Expenses Less Purchase Power	LBLPP		$	53,836,183	$	25,807,904	$	20,410,246	$	7,618,033

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Description	Name	Functional Vector	Total System	Production Demand	Production Energy	Transmission Demand
Other Expenses						
Depreciation Expenses						
Production	DEPRDP2	PPROD	$ 35,641,731	35,641,731	-	-
Transmission	DEPRDP3	PTRAN	$ 5,039,747	-	-	5,039,747
Transmission	DEPRDP4	PTRAN	$ -	-	-	-
Distribution	DEPRDP5	PDIST	$ -	-	-	-
General & Common Plant	DEPRDP6	PGP	$ 3,361,011	2,936,813	-	424,199
Other Plant	DEPROTH	TPIS	$ -	-	-	-
Total Depreciation Expense	TDEPR		$ 44,042,489	38,578,543	-	5,463,946
Property Taxes & Other	PTAX	TUP	$ 885	771	-	114
Amortization of Investment Tax Credit	OTAX	TUP	$ -	-	-	-
Other Interest Expenses	OT	TUP	$ -	-	-	-
Interest on Long Term Debt	INTLTD	TUP	$ 43,511,699	37,914,472	-	5,597,227
Interest Charged to Construction - CR		TUP	$ (2,480,401)	(2,161,329)	-	(319,072)
Other Deductions	DEDUCT	TUP	$ 513,316	447,285	-	66,032
Total Other Expenses	TOE		$ 85,587,988	$ 74,779,742	$ -	$ 10,808,246
Total Cost of Service (O&M + Other Expenses)			[redacted]			$ 30,091,813

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Description	Name	Functional Vector	Total System	Production Demand	Production Energy	Transmission Demand
Functional Vectors						
Production Plant	F001		1.000000	1.000000	0.000000	0.000000
Transmission Plant	F002		1.000000	0.000000	0.000000	1.000000
Distribution Plant	F003		1.000000	0.000000	0.000000	1.000000
Production Plant	F017		1.000000	0.000000	1.000000	0.000000
Production Variable Cost	PROVAR		1.000000	0.000000	1.000000	0.000000
Production Fixed Cost	PROFIX		1.000000	1.000000	0.000000	0.000000
Distribution Operation Labor	F023		-	-	-	-
Distribution Maintenance Labor	F024		-	-	-	-
Customer Accounts Expense	F025		1.000000	0.000000	0.000000	1.000000
Customer Service Expense	F026		1.000000	0.000000	0.000000	1.000000
Purchased Power Energy	OMPP		1.000000	0.000000	1.000000	0.000000
Purchased Power Demand	OMPPD		1.000000	1.000000	0.000000	0.000000
Purchased Power BREC Share of HMP&L Station Two	OMPPH		[redacted]	[redacted]	[redacted]	0.000000
				-	-	0.000000
Production Energy	Energy		1.000000	0.000000	1.000000	0.000000
Internally Generated Functional Vectors						
Total Prod, Trans, and Dist Plant		PT&D	1.000000	0.873788	-	0.126212
Total Transmission Plant		PTRAN	1.000000	-	-	1.000000
Operation and Maintenance Expenses Less Purchased Power		OMLPP	1.000000	0.239517	0.709542	0.050941
Total Plant in Service		TPIS	1.000000	0.873788	-	0.126212
Total Operation and Maintenance Expenses (Labor)		TLB	1.000000	0.479378	0.379118	0.141504
Sub-Total Prod, Trans, Dist, Cust Acct and Cust Service		OMSUB2	1.000000	0.213409	0.744284	0.042307
Total Steam Power Operation Expenses (Labor)		LBSUB1	1.000000	0.851642	0.148358	-
Total Steam Power Generation Maintenance Expense (Labor)		LBSUB2	1.000000	0.149153	0.850847	-
Total Transmission Labor Expenses		LBTRAN	1.000000	-	-	1.0000000
Sub-Total Labor Exp		LBSUB7	1.000000	0.478579	0.379886	0.141535
Total General Plant		PGP	1.000000	0.873788	-	0.126212
Total Production Plant		PPROD	1.000000	1.000000	-	-
Total Intangible Plant		INTPLT	1.000000	0.873788	-	0.126212