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Michael A. Fiorella

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R. Michael Sullivan

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Tyson A. Kamuf

Mark W. Starnes

C. Ellsworth Mountjoy

Mary L. Moorhouse

June 8, 2012

**Via Federal Express**

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

RECEIVED

JUN 08 2012

PUBLIC SERVICE  
COMMISSION

***Re: 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, P.S.C. Case No. 2012-00063***

Dear Mr. DeRouen:

Enclosed for filing are an original and ten copies of Big Rivers Electric Corporation's revised responses to Items 31 and 33 ("AG 31" and "AG 33", respectively) of the Attorney General's Initial Data Requests and Item 56 ("SC 56") of the Sierra Club's Initial Requests for Information. The changes for AG 31 add an attachment and add a reference to a CD filed in another case. AG 33 was changed because additional documents were originally attached that were not referenced in the original response. SC 56 was changed to show that the RUS presentation referred to was not attached to that response but was instead attached to AG 64.

Big Rivers is also filing a CD that contains two electronic files previously submitted that were corrupt. The CD is being filed under a petition for confidential treatment. An original and ten copies of the petition are also enclosed.

Finally, Big Rivers has determined that certain information it filed with its responses to the Intervenor's initial requests for information under a petition for confidential treatment has previously been filed publicly. As such, Big Rivers no longer seeks confidential treatment of the material. Enclosed are the pages that Big Rivers previously filed confidentially and that it no longer seeks confidential treatment for. They are pages 14, 20, 21, 23 and 24 of each of the three presentations attached to the response to

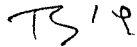
Jeff DeRouen

June 8, 2012

Page 2

response to AG 64 (note that page 25 of that presentation is still confidential); and pages 30, 32, 33 and 34 of both the CoBank presentation attached to the response to SC 56 and the overview presentation attached to the response to SC 57 (note that page 24 of each presentation is still confidential). A copy of this letter, copies of the revised responses, a copy of the petition, and copies of the pages that are no longer confidential, have been served on each of the persons listed on the enclosed service list.

Sincerely,



Tyson Kamuf

TAK/ej

Enclosures

cc: Mark A. Bailey  
Albert Yockey

Service List  
PSC Case No. 2012-00063

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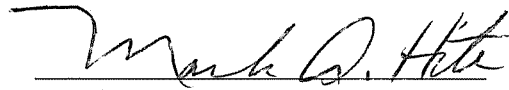
**BIG RIVERS ELECTRIC CORPORATION**

**THE APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR  
APPROVAL OF ITS 2012 ENVIRONMENTAL COMPLIANCE PLAN AND  
REVISIONS TO ITS ENVIRONMENTAL SURCHARGE TARIFF, FOR  
CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY, AND FOR  
AUTHORITY TO ESTABLISH A REGULATORY ACCOUNT**

**CASE NO. 2012-00063**

**VERIFICATION**

I, Mark A. Hite, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Mark A. Hite

COMMONWEALTH OF KENTUCKY )  
COUNTY OF HENDERSON )

SUBSCRIBED AND SWORN TO before me by Mark A. Hite on this the 8<sup>th</sup>  
day of May, 2012.



Notary Public, Ky. State at Large  
My Commission Expires 1-12-13

ORIGINAL



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 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 )

Case No.  
2012-00063

First Revised Responses to the Office of the Attorney General's  
Initial Request for Information dated May 21, 2012

First Revised Responses to the Sierra Club's  
Initial Request for Information dated May 21, 2012

Selected Slides for Presentations filed on June 1, 2012 in response to  
*Item Nos. 31 and 64 of the Office of the Attorney General's  
Initial Request for Information dated May 21, 2012*  
*Item Nos. 56 and 57 of the Sierra Club's  
Initial Request for Information dated May 21, 2012*

FILED: June 8, 2012

ORIGINAL

**BIG RIVERS ELECTRIC CORPORATION**

**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  
CASE NO. 2012-00063**

**First Revised Response to the Office of the Attorney General's  
Initial Request for Information  
Dated May 21, 2012**

**June 8, 2012**

1 **Item 31)** *Please provide copies of all presentations BREC made to*  
2 *rating agencies and/or investment firms between January 1, 2010 and the*  
3 *present.*


4  
5 **Response)** Please see the additional document entitled "Discussion with  
6 Sutherland Asbill & Brennan LLP". Also, please see the folder entitled "AG 1-2 –  
7 Ratings Agency Presentations" on the CD accompanying Big Rivers' responses,  
8 dated May 15, 2011, to the Office of the Attorney General's Initial Request for  
9 Information, dated April 1, 2011, in Case No. 2011-00036. Since the Sierra Club  
10 was not a party to Case No. 2011-00036, Big Rivers is providing the Sierra Club  
11 only with a CD, accompanying these updated responses, with the information in  
12 the AG 1-2 folder referenced above.

13  
14  
15 **Witness)** Mark A. Hite  
16

**Discussion with Sutherland Asbill & Brennan LLP**

**Big Rivers Electric Corporation**



Your Touchstone Energy<sup>™</sup> Cooperative 

**February 17, 2010**

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## Participants

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*AMPAC requirement*

*Big Rivers Electric Corporation*

**Mark A. Bailey, President & CEO**

**C. William Blackburn, Sr. Vice-President Financial & Energy Services & CFO**

*Orrick Herrington & Sutcliffe*

**Carl F. Lyon, Counsel**

*Goldman, Sachs & Co.*

**Mark W. Glotfelty, Vice President, Investment Banking**

*Sullivan Mountjoy Stainback & Miller, P.S.C.*

**James M. Miller, General Counsel**



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## Meeting Objectives

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- Introduce Big Rivers Electric Corporation
- Explain the unwind transaction
- Discuss post-unwind Big Rivers
- Answer questions
- Discuss timeline for refinancing the Pollution Control Bonds

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


## Table of Contents

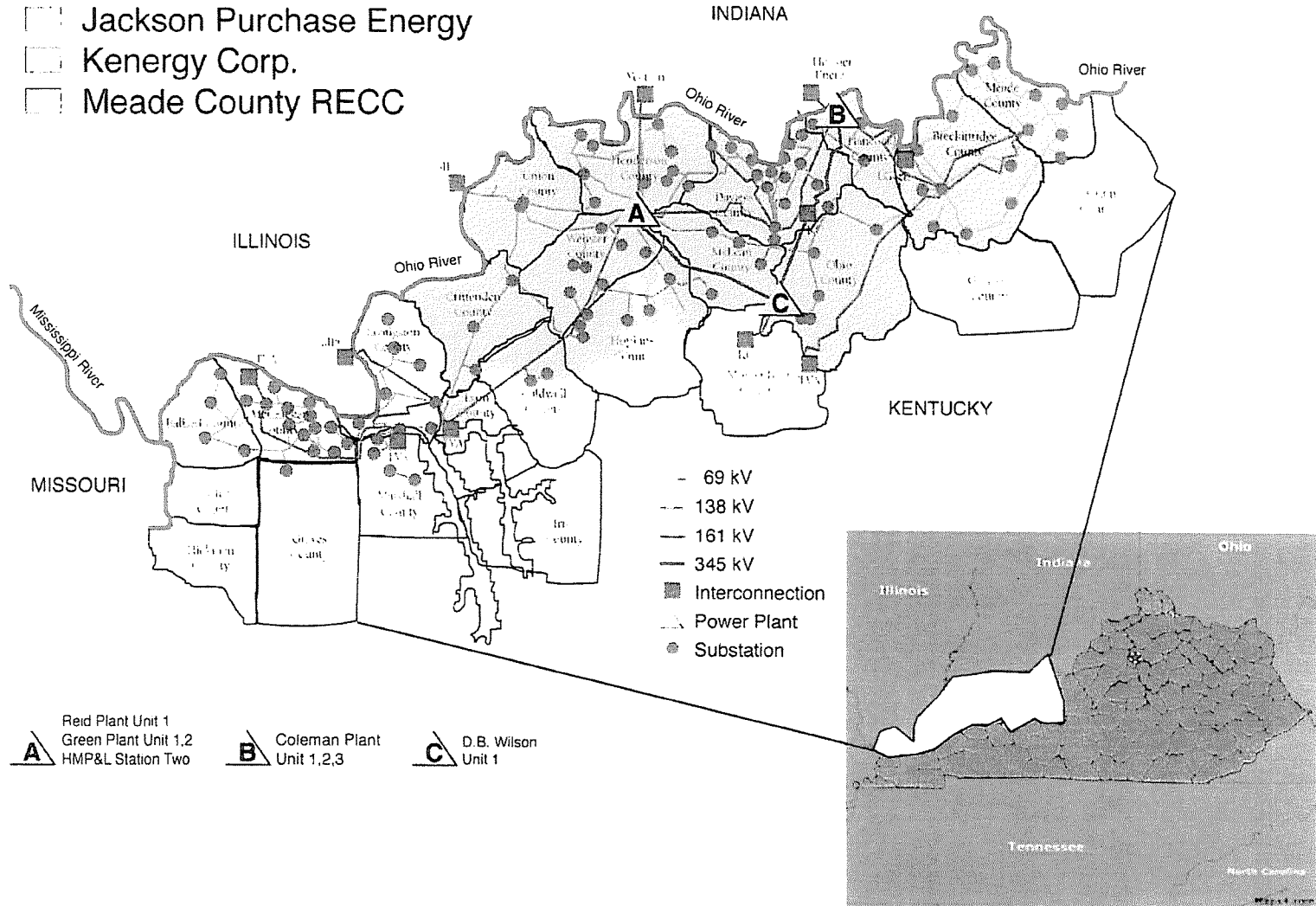
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	<b>Section</b>
Overview of Big Rivers Electric Corporation	I
Pre-Unwind Arrangements	II
The Unwind Transaction	III
The Smelters	IV
Risk Assessment and Mitigation	V
Summary	VI

## I. Overview of Big Rivers Electric Corporation

## Big Rivers Members' Service Territory

-  Jackson Purchase Energy
-  Kenegy Corp.
-  Meade County RECC



## Big Rivers' Coal-Fired Power Plants System Performance

- Eight of the nine coal generating units are equipped with Flue Gas Desulphurization systems (FGDs) to control SO<sub>2</sub> emissions.
- Wilson 1, HMP&L 1 and HMP&L 2 are equipped with Selective Catalytic Reduction systems (SCRs) to control NO<sub>x</sub> emissions. *Reid 65MW*
- Big Rivers' system performance is actively benchmarked against the industry.
- System performance is routinely compared to a panel of similar generating units.
  - Fossil-steam units
  - US Midwest (Former ECAR, MAPP & MAIN)
- System performance is above average when compared to similar size/type units, with Big Rivers' larger units performing in the top quartile.

### Key Performance Indicators per IEEE Standards (6 Year Averages 2004 thru 2009)

Unit	Net Generation (MWHrs)	Adjusted Net Heat Rate (btu/kwh)	Gross Capacity Factor (%)	Gross Output Factor (%)	Equivalent Availability Factor (%)	Equivalent Forced Outage Rate (%)
Coleman 1	936,480	10,714	71.7	81.9	86.4	5.0
Coleman 2	929,733	11,413	74.2	80.1	90.7	2.5
Coleman 3	962,218	10,593	71.8	79.8	86.7	6.2
Green 1	1,801,368	11,108	90.2	96.3	92.9	2.3
Green 2	1,700,522	11,275	88.1	94.8	92.3	1.8
Henderson 1	1,060,860	10,827	80.2	93.1	85.1	9.2
Henderson 2	1,087,143	11,108	78.8	86.0	88.5	3.5
Wilson 1	3,115,492	11,350	86.5	98.2	86.9	5.5
<b>SYSTEM</b>	<b>11,593,817</b>	<b>11,107</b>	<b>82.1</b>	<b>91.0</b>	<b>88.7</b>	<b>4.5</b>

**Big Rivers' members provide some of the lowest cost commercial and industrial electricity in the nation.**

**Average Commercial & Industrial Rate – National  
2007**

<b>National Region</b>	<b>Cents/ kWh</b>
Pacific Noncontiguous	20.0
New England	13.5
Middle Atlantic	10.4
Pacific Contiguous	8.7
West South Central	8.2
South Atlantic	7.2
East North Central	7.1
East South Central	6.9
Meade County	6.8
Mountain	6.5
Kenergy – excluding Smelters	6.3
West North Central	5.6
Kentucky	5.6
Jackson Purchase	5.1
Kenergy – Smelters	3.4

Sources: RUS Form 7 and  
Energy Information  
Administration

*4.7 Today*

*Bill*

## II. Pre-Unwind Arrangements

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## Pre-Unwind Arrangements

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- In 1998, Big Rivers enters into a 25-year operating lease of its owned and leased generation facilities to Western Kentucky Energy Corp. (“WKEC”) and concurrently entered in to a Power Purchase Agreement (“PPA”) with LG&E Energy Marketing (“LEM”), both of which are now subsidiaries of E.ON.
  - Provides for fixed annual rent payments to Big Rivers ranging from \$31 mm – \$35 mm over the life of the transaction
  - LG&E owns output and is obligated to operate and maintain the facilities pursuant to prudent utility practice and to provide Big Rivers a fixed amount of power under a PPA
  - Big Rivers and WKEC pay an agreed share of capital expenditures and certain environmental operating costs
  
- Members wholesale power contracts expire 1/1/2023.
  
- Big Rivers fulfills its power supply obligations to its members, which currently do not include the smelters, through a PPA with LEM at generally fixed prices through 2023.
  - PPA between LEM and Big Rivers is currently at prices that are significantly below market rates
  
- Substantially all of Big Rivers’ assets are subject to the lien of an RUS Mortgage.
  - Parties to the mortgage are the RUS, Ambac, Dexia, US Bank (PCB Trustee) and CFC
  
- Debt outstanding totals \$1.2 bn
  - 5.75% New RUS Note: \$769 mm
  - Non-interest bearing ARVP Note: \$246 mm
  - Variable rate tax-exempt Pollution Control Bonds (“PCBs”): \$142 mm
  - 8% LEM Settlement Note: \$16 mm (to be forgiven upon the Unwind closing)
  - 8.5% PMCC Promissory Note: \$12 mm (to be paid upon the Unwind closing)

} 1,015 MM



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### III. The Unwind Transaction

## The Unwind Transaction

- In 2003, E.ON approached Big Rivers about unwinding the lease transaction.
- Big Rivers utilized various professionals and consultants in the analysis, negotiations and documentation required for the unwind and the new power supply arrangements with the smelters.
  - The Brattle Group – Assisted with financial modeling
  - ACES Power Marketing – Assisted with production cost modeling
  - Black & Veatch – Assisted with development of transition plan from status quo to unwind to post-unwind
  - JDG Consulting – Assisted the Members in protecting their interests
  - Legal – Utilizing several law firms for advice to management and the board, negotiation and development of documents, FERC issues, financing documents, regulatory approvals, labor issues, etc.
- Big Rivers' Board of Directors instructed that the unwind must not violate the following principles:
  - Receive significant economic benefits,
  - Must be economically viable and retain the ability to raise sufficient capital to reliably serve its Members in the future,
  - Non-Smelter members must not subsidize the Smelters,
  - Must be rated BBB/Baa2 or better by S&P and Moody's.

*BBB-1 S&P, Fitch  
Baa 1 Moody*

*HMP&L excess energy - E.ON backstop; HMP&L Letter - environmental issues*

**Big Rivers' Board of Directors**

*Distribution*

<u>Name</u>	<u>Since</u>	<u>Occupation</u>	<u>Member Board Since</u>
William C. Denton, Chair	4/1995	President, Mortgage Network North America	1994
James G. Sills, Vice Chair	3/1995	Physician – retired	1984
Lee Bearden, Secretary/Treasurer	9/1998	Vice President, Community Financial Services Bank	1998
Larry F. Elder	6/2000	President, Dynalectric Co. – retired	1996
Paul Edward Butler	7/2002	Postmaster – retired	1991
Louis Wayne Elliott	9/2007	Farmer	1998

**Principle reasons the Board supported the “Unwind”:**

- Substantially improved Big Rivers' financial health
- Enabled greater flexibility for Big Rivers
- Allowed Big Rivers to operate and maintain its owned and leased generating facilities
- Benefited the economy of western Kentucky

**Most Recent Member Residential Retail Rate Increase:**

Kenergy	2/2009	4.0%
Jackson Purchase	7/2008	9.5%
Meade	1/2008	9.0%

*} not sure*

**Big Rivers and its Members are in harmony**

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## Activities with the KPSC

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■ Approvals obtained from KPSC

- Unwind transaction
  - Rates (flow through costs)
  - Smelter contracts
- Fuel Adjustment Clause and Environmental Surcharge
- Financing Agreements
- Transmission Upgrades

■ Stakeholders of Interest

- |                    |            |                |             |
|--------------------|------------|----------------|-------------|
| ● Attorney General | ● Smelters | ● IBEW (Labor) | ● KPSC      |
| ● Members          | ● HMP&L    | ● KIUC         | ● Creditors |

*Jim*

*Member Territory law*

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## Buyout of Leveraged Leases

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- Key events:
  - AMBAC downgrade triggered Big Rivers' obligation to replace credit enhancement upon notice of default 6/19/08
  - Completion of Bank of America buyout 6/30/08
  - Completion of Phillip Morris Capital Corporation buyout 9/30/08
- Key effects of buyout (BoA and PMCC):
  - Removed \$922 mm of defeased obligations (\$735 mm was off-balance sheet)
  - Net payment of \$120 mm *1/2 E.ON*
  - Wrote-off deferred loss of \$16 mm
  - Removed exposure to AMBAC

*Bill*

## IV. The Smelters

## Overview of Smelters

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### ■ Sebree, Kentucky Smelter (Alcan Corporation)

- Alcan is owned by Rio Tinto, an international mining group, and is Rio Tinto's only U.S. aluminum smelter.
- Commenced operation in 1973
- Produces 186,000 metric tons of primary aluminum annually from its 3 potlines
- 600 employees
- Base contract demand: 368 MW
- Projected annual energy consumption: 3.1 TWh

### ■ Hawesville, Kentucky Smelter (Century Aluminum Company)

- Century is a public company and through its various subsidiaries owns and operates aluminum smelters in Kentucky, South Carolina, West Virginia and Iceland.
- Commenced operation in 1970
- Produces 244,000 metric tons of primary aluminum annually from its 5 potlines
- 775 employees
- Base contract demand: 482 MW
- Projected annual energy consumption: 4.2 TWh

Bill

## V. Risk Assessment and Mitigation

*Mark*



## Risk Mitigation – Serving Smelters

Risks	Mitigation
<p><b>Generation Availability</b></p>	<ul style="list-style-type: none"> <li>■ Non-Fuel Purchase Power Adjustment (PPA) in contract to pass on costs of purchased power needed as a result of generator outages</li> <li>■ Transmission upgrades for imports as well as exports of smelter power</li> </ul>
<p><b>Fuel Costs</b></p>	<ul style="list-style-type: none"> <li>■ Fuel Adjustment Clause (FAC)</li> </ul>
<p><b>Environmental</b></p>	<ul style="list-style-type: none"> <li>■ Environmental Surcharge (ES)</li> </ul>
<p><b>Financial</b></p>	<ul style="list-style-type: none"> <li>■ 1.24 guaranteed Contract TIER within bandwidth</li> <li>■ 2 Surcharges to offset members' FAC and ES</li> <li>■ Always 25 cents over Large Industrial rate</li> <li>■ Widening bandwidth through contract term</li> <li>■ Credit issues addressed in contract</li> </ul>

## Risk Mitigation – Smelters Leaving

Risks	Mitigation
<p>Wheeling Power Off System</p>	<ul style="list-style-type: none"> <li>■ \$20 million investment in transmission expansion to get excess power off system</li> <li>■ Legislation enacted to permit sales to non-members</li> </ul>
<p>Market Rates Lower Than Smelter Contract Revenues</p>	<ul style="list-style-type: none"> <li>■ Aces Power Marketing study shows less than 5% probability</li> </ul>
<p>Financial</p>	<ul style="list-style-type: none"> <li>■ \$35 million cash Transition Reserve to absorb potential initial impact</li> </ul>

## Risk Mitigation – Generation

Risks	Mitigation
<p style="text-align: center;"><b>Availability</b></p>	<ul style="list-style-type: none"> <li>■ Purchased Power Adjustment with smelters and Non-FAC Purchased Power Adjustment regulatory account for non-smelter member to pass on purchased power cost</li> <li>■ Liquidity, balance sheet and credit ratings assure ability to purchase power</li> <li>■ No change in operations on Day 1-VP Production was a long-time Big Rivers/WKE employee <i>70% former Big Rivers</i></li> </ul>
<p style="text-align: center;"><b>Load Growth</b></p>	<ul style="list-style-type: none"> <li>■ 150 MW of capacity available for future load growth</li> <li>■ Expansion tariff in place to manage load growth</li> <li>■ Annual non-Smelter load growth projected at about 2%</li> </ul>

## Risk Mitigation – Financial

Risks	Mitigation
<p>Financial Flexibility</p>	<ul style="list-style-type: none"> <li>■ Internal ERM Policies                             <ul style="list-style-type: none"> <li>● Trading Credit Policy</li> <li>● Financial</li> <li>● Cash and Investment</li> </ul> </li> <li>■ 25% equity</li> <li>■ Approximately \$60 mm operating cash</li> <li>■ \$100 mm in lines of credit</li> <li>■ Non-FAC Purchased Power Adjustment, FAC and ES pass through costs</li> <li>■ Smelter 1.24 Contract TIER within bandwidth</li> </ul>
<p>Financing</p>	<ul style="list-style-type: none"> <li>■ Paid down \$140 mm RUS debt at closing</li> <li>■ Will refinance the \$58.8 mm PCB issue</li> <li>■ Indenture allows access to capital markets</li> <li>■ Flexibility in subsequent refinancing of \$260 mm of RUS debt (to levelize and extend debt service by 2016)</li> <li>■ Strong financial health of members backed up all requirements contract</li> </ul>

## Risk Mitigation – Environmental

Risks	Mitigation
<p>Past Practices of WKE</p>	<ul style="list-style-type: none"> <li>■ Termination Agreement indemnifications</li> <li>■ Pre-closing environmental audit identified potential problems</li> </ul>
<p>SO<sub>2</sub> and NO<sub>x</sub></p>	<ul style="list-style-type: none"> <li>■ All units scrubbed except smaller Reid units - Permits <i>to</i> transferred</li> <li>■ In compliance- Permits <i>to</i> transferred</li> </ul>
<p>CAIR Equiv. Legislation</p>	<ul style="list-style-type: none"> <li>■ Modeled to include expected costs</li> </ul>
<p>Carbon</p>	<ul style="list-style-type: none"> <li>■ Sensitivities modeled</li> <li>■ Big Rivers still competitive relative to regional markets due to low cost generation</li> </ul>
<p>Staffing</p>	<ul style="list-style-type: none"> <li>■ Existing WKE environmental department employees returned to Big Rivers</li> </ul>

*NERC - investigation - WKE*

## Risk Mitigation – Fuels

Risks	Mitigation
<p style="text-align: center;">Costs</p>	<ul style="list-style-type: none"> <li>■ Monthly FAC - Pass through of realized fuel costs</li> <li>■ Hedge policy - part of Enterprise Risk Management ("ERM") <i>\$1000; yr 1 40-70% 445</i> <i>60-85-75 3</i></li> <li>■ New Coleman scrubber permits use of lower cost high-sulfur coal</li> <li>■ Rate stabilization through the Economic Reserve and Smelter surcharges</li> </ul>
<p style="text-align: center;">Transportation</p>	<ul style="list-style-type: none"> <li>■ Big Rivers' generating units in heart of western Kentucky portion of Illinois basin coal fields resulting in 50 percent truck delivery</li> <li>■ Remaining 50 percent is barged</li> <li>■ No real exposure to railroad delivery</li> </ul>
<p style="text-align: center;">Purchasing</p>	<ul style="list-style-type: none"> <li>■ Trading Authority Policy</li> <li>■ Fuel Procurement Policy</li> <li>■ Hired WKE fuels director</li> <li>■ Big Rivers assumed all WKEC fuel contracts</li> </ul>

## Risk Mitigation – Business Day One

Risks	Mitigation
<p style="text-align: center;"><b>Day One</b></p>	<ul style="list-style-type: none"> <li>■ Information Technology (“IT”)                             <ul style="list-style-type: none"> <li>● E.ON short-term support agreement (up to 18 months)</li> <li>● Long-term Oracle software and EDS support</li> </ul> </li> <li>■ Generation Dispatch                             <ul style="list-style-type: none"> <li>● E.ON short-term up to 18-month agreement</li> <li>● Long-term outsourced to ACES</li> </ul> </li> </ul>
<p style="text-align: center;"><b>Staffing At Plants</b></p>	<ul style="list-style-type: none"> <li>■ Offered jobs to all WKE employees - 70% former Big Rivers employees</li> <li>■ 12-month retention bonus</li> <li>■ Competitive wage and benefit package (including incentive bonus plan)</li> </ul>
<p style="text-align: center;"><b>Additional Hiring</b></p>	<ul style="list-style-type: none"> <li>■ Hiring began, adding support staff to replace Louisville E.ON employees</li> </ul>

## VI. Summary



## Big Rivers' Position of Strength

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- Strong balance sheet/cash position
- Robust wholesale power market
- Manageable debt service
- Increasing export capability
- Eliminating legal constraints
- Substantially all baseload generation units scrubbed
- Market priced coal contracts
- Smelters dependent on Big Rivers

**BIG RIVERS ELECTRIC CORPORATION**

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION  
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RECOVERY SURCHARGE TARIFF, FOR CERTIFICATES OF PUBLIC  
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ESTABLISH A REGULATORY ACCOUNT  
CASE NO. 2012-00063**

**First Revised Response to the Office of the Attorney General's  
Initial Request for Information  
Dated May 21, 2012**

**June 8, 2012**

1 **Item 33)** *Please provide copies of credit reports for BREC between*  
2 *January 1, 2010 and the present from the major credit rating agencies*  
3 *published since January 1, 2010.*  
4

5 **Response)** Please see the attached Big Rivers' credit rating reports since  
6 January 1, 2010, from Moody's, S&P and Fitch provided on June 1, 2012. Also, on  
7 June 1, 2012, Big Rivers provided additional credit rating agency documents from  
8 2009, some of which were provided in a CD accompanying Big Rivers' responses,  
9 dated April 15, 2011, Big Rivers' responses to the KIUC's Initial Request for  
10 Information, dated April 1, 2011, in Case No. 2011-00036 (*see the response to Item*  
11 *92 thereof*).  
12  
13

14 **Witness)** Mark A. Hite  
15

**BIG RIVERS ELECTRIC CORPORATION**

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION  
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**First Revised Response to the Sierra Club's  
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Dated May 21, 2012**

**June 8, 2012**

- 1 **Item 56)**    *Refer to p. 15 of the testimony of Mark Hite.*  
2  
3            *a.    Produce all reports, memoranda, presentations, or other*  
4            *documents provided to the Rural Utilities Service*  
5            *("RUS"), CoBank, or the National Rural Utilities*  
6            *Cooperative Finance Corporation ("CFC") by either Big*  
7            *Rivers or Touchstone Energy since 2004 regarding:*  
8            *i.    the environmental compliance status of the Wilson,*  
9            *Green, Coleman, Reid, or HMP&L generating units,*  
10           *ii.   past, present or future environmental compliance of*  
11           *the Wilson, Green, Coleman, Reid, or HMP&L*  
12           *generating units,*  
13           *b.   Please provide any application(s) for a loan or loan*  
14           *guarantee submitted to the RUS, CoBank, or CFC,*  
15           *including any supporting documentation for the loan or*  
16           *loan guarantee request, for the retrofits requested in these*  
17           *CPCNs for the Wilson, Green, Coleman, Reid, or HMP&L*  
18           *generating units;*  
19           *c.   Please provide any response from RUS, Co-Bank, or CFC*  
20           *regarding a request for a loan or loan guarantee for*  
21           *retrofits proposed in this application of the Wilson, Green,*  
22           *Coleman, Reid, or HMP&L generating units.*

**BIG RIVERS ELECTRIC CORPORATION**

**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  
CASE NO. 2012-00063**

**First Revised Response to the Sierra Club's  
Initial Request for Information  
Dated May 21, 2012**

**June 8, 2012**

- 1                    *d. If RUS, CoBank, or CFC has agreed to provide a loan or*  
2                    *loan guarantee, please provide any loan or loan*  
3                    *guarantee paperwork between RUS/CoBank/CFC and Big*  
4                    *Rivers regarding the retrofit of the Wilson, Green,*  
5                    *Coleman, Reid, or HMP&L generating units.*  
6                    *e. Please provide any environmental assessment or*  
7                    *environmental impact statement, including any drafts,*  
8                    *prepared to support a loan or loan guarantee from RUS,*  
9                    *CoBank, or CFC for the retrofits of the Wilson, Green,*  
10                   *Coleman, Reid, or HMP&L generating units*  
11                   *f. If no environmental assessment or environmental impact*  
12                   *statement was prepared for the retrofits proposed in this*  
13                   *application because one or more of these projects fall*  
14                   *under a categorical exclusion, please provide any*  
15                   *correspondence or documents from RUS that discuss*  
16                   *application of the categorical exclusion.*  
17                   *g. Please continue to provide any such documentation as*  
18                   *listed in (a)-(f) above as generated on a regular basis.*  
19  
20  
21  
22

**BIG RIVERS ELECTRIC CORPORATION**

**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  
CASE NO. 2012-00063**

**First Revised Response to the Sierra Club's  
Initial Request for Information  
Dated May 21, 2012**

**June 8, 2012**

1 **Response)**

- 2 a. Please refer to Exhibit DePriest-2, the S&L report which Big  
3 Rivers provided to RUS. In addition, attached is a presentation  
4 made by Big Rivers to CoBank on February 28, 2012; and the  
5 annual (2010, 2011, and 2012) letters from Big Rivers to RUS  
6 certifying Big Rivers has fulfilled all its obligations under its  
7 Loan Documents in all material respects, which include  
8 compliance with environmental laws. Also, please see Big  
9 Rivers' presentation to the Rural Utilities Service provided in  
10 the response to Item 64 of the Office of the Attorney General's  
11 Initial Request for Information.
- 12 b. None.
- 13 c. See attached (CFC Engagement Letter, Revolving Credit  
14 Facility, and Transaction Calendar).
- 15 d. None.
- 16 e. None.
- 17 f. None.
- 18 g. Big Rivers will update this response during the course of this  
19 proceeding.

20  
21  
22 **Witness)** Mark A. Hite

**May 2011 Rating Agency Presentation – Fitch Ratings**

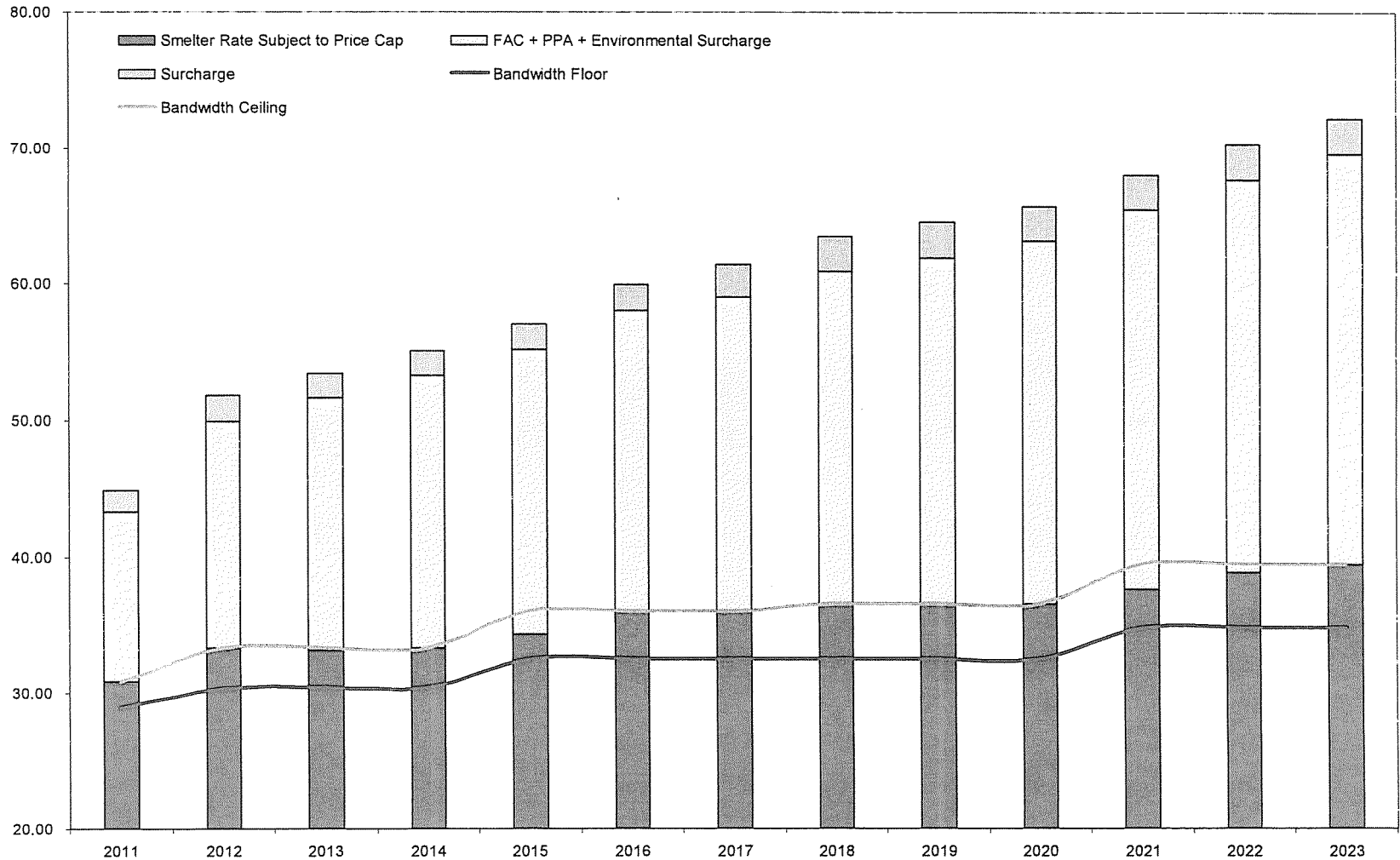
**May 2011 Rating Agency Presentation – Moody’s Investor Services**

**May 2011 Rating Agency Presentation – Standard and Poor’s**

**[Slides 14, 20, 21, 23, and 24 – Filed June 1, 2012 under a Petition for Confidential Treatment]**

**[Response to Item 31 of the Office of the Attorney General’s Initial Request for Information – Case No. 2012-00063]**

# Smelter Rates (\$/MWh) and Bandwidth



# Contract and Conventional TIER

(\$ in millions)

	Actual			Forecasted												
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Contract TIER</b>																
Margins			\$7.0	\$4.5	\$5.2	\$12.8	\$5.2	\$12.5	\$5.6	\$8.0	\$9.0	\$9.3	\$4.6	\$13.1	\$13.3	\$11.0
Interest Expense			47.1	47.4	48.7	53.3	53.1	52.2	65.1	60.5	58.9	57.2	55.4	54.5	55.2	54.3
Adjustment per Smelter Agreement			(0.3)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Numerator for Contract TIER			\$53.8	\$51.8	\$53.9	\$66.1	\$58.3	\$64.7	\$70.7	\$68.5	\$67.9	\$66.5	\$60.0	\$67.6	\$68.5	\$65.3
Denominator- Interest Expense			\$47.1	\$47.4	\$48.7	\$53.3	\$53.1	\$52.2	\$65.1	\$60.5	\$58.9	\$57.2	\$55.4	\$54.5	\$55.2	\$54.3
Contract TIER			1.14x	1.09x	1.11x	1.24x	1.10x	1.24x	1.09x	1.13x	1.15x	1.16x	1.08x	1.24x	1.24x	1.20x
Contract TIER (April 2010 Forecast)			1.14x	1.09x	1.24x	1.24x	1.24x	1.24x	1.24x	1.24x	1.24x	1.24x	1.22x	1.24x	1.24x	1.20x
<b>Conventional TIER</b>																
Margins	\$27.8	\$531.3	\$7.0	\$6.0	\$7.2	\$14.8	\$7.3	\$14.6	\$7.7	\$10.0	\$11.1	\$11.4	\$6.6	\$15.1	\$15.3	\$13.1
Interest Expense	75.2	60.1	47.1	45.9	46.6	51.2	51.0	50.2	63.1	58.4	56.8	55.1	53.3	52.4	53.2	52.3
Numerator for Conventional TIER	\$103.0	\$591.4	\$54.1	\$51.9	\$53.8	\$66.0	\$58.3	\$64.8	\$70.8	\$68.4	\$67.9	\$66.5	\$59.9	\$67.5	\$68.5	\$65.4
Denominator for Contract TIER	\$75.2	\$60.0	\$47.1	\$45.9	\$46.6	\$51.2	\$51.0	\$50.2	\$63.1	\$58.4	\$56.8	\$55.1	\$53.3	\$52.4	\$53.2	\$52.3
Conventional TIER	1.37x	9.85x	1.15x	1.13x	1.15x	1.29x	1.14x	1.29x	1.12x	1.17x	1.20x	1.21x	1.12x	1.29x	1.29x	1.25x
Conventional TIER (April 2010 Forecast)			1.15x	1.10x	1.25x	1.25x	1.25x	1.25x	1.25x	1.25x	1.25x	1.25x	1.22x	1.25x	1.25x	1.21x



# Debt Service Coverage

(\$ in millions)

Debt Service Coverage	Actual			Projected												
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Margins	27.8	531.3	\$7.0	\$6.0	\$7.2	\$14.8	\$7.3	\$14.6	\$7.7	\$10.0	\$11.1	\$11.4	\$6.6	\$15.1	\$15.3	\$13.1
Interest Expense	75.2	60.0	47.1	45.9	46.6	51.2	51.0	50.2	63.1	58.4	56.8	55.1	53.3	52.4	53.2	52.3
Depreciation & Amortization	32.7	34.3	36.2	40.1	45.6	46.8	48.1	49.0	49.9	50.9	51.9	53.0	54.1	55.1	56.3	57.4
Numerator for DSCR	135.7	625.6	90.3	92.0	99.4	112.8	106.4	113.8	120.7	119.3	119.8	119.5	114.0	122.6	124.8	122.8
Interest Expense	75.2	60.0	47.1	45.9	46.6	51.2	51.0	50.2	63.1	58.4	56.8	55.1	53.3	52.4	53.2	52.3
Principal Due for Long-Term Debt	40.8	196.7	14.1	7.3	(35.9)	20.5	21.7	23.0	(38.1)	36.7	38.9	41.2	43.0	0.0	20.0	20.0
Denominator for DSCR	116.0	256.7	61.2	53.2	10.7	71.7	72.7	73.2	25.0	95.1	95.7	96.3	96.3	52.4	73.2	72.3
Debt Service Coverage Ratio	1.17	2.44	1.47	1.73	9.31	1.57	1.46	1.55	4.84	1.25	1.25	1.24	1.18	2.34	1.70	1.70
Cash DSCR (April 2010 Forecast)			1.53	1.63	3.25	1.69	1.71	1.71	1.41	1.56	1.56	1.56	1.53	1.81	1.98	2.02

<sup>1</sup> Scheduled Principal shown net of RUS New Note refinancings in 2012 and 2016.

# Projected Non-Smelter Member Rates (\$ /MWh)

Rate Derivation <sup>1</sup> (\$ /MWh)	Actual			Projected												
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Non-Smelter Members</b>																
Base Rate	\$34.57	\$35.68	\$35.33	\$36.23	\$39.66	\$39.62	\$39.42	\$42.21	\$42.18	\$42.27	\$42.30	\$42.33	\$42.29	\$45.35	\$45.38	\$45.41
Amortize Regulatory Account	0.00	0.00	0.00	(0.36)	(1.31)	(1.43)	(0.88)	(0.31)	(0.28)	(0.53)	(0.67)	(0.53)	(0.35)	(0.35)	(0.36)	(0.38)
FAC	0.00	4.45	9.98	10.45	13.61	15.32	16.63	17.32	18.42	19.22	20.18	21.10	22.10	22.98	24.04	25.03
Environmental Surcharge	0.00	1.05	2.25	3.10	3.48	3.69	3.88	4.13	4.23	4.32	4.49	4.70	4.88	5.14	5.26	5.47
Surcredit	0.00	(1.53)	(3.30)	(3.44)	(4.05)	(4.01)	(3.97)	(3.91)	(3.86)	(4.91)	(5.19)	(5.12)	(5.05)	(4.97)	(4.90)	(4.82)
<b>Rate Stabilization (Economic Reserve)</b>																
Economic Reserve	0.00	(3.97)	(7.91)	(7.09)	(8.02)	(8.50)	(8.54)	(4.21)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(3.15)	(7.17)	(7.09)	(2.08)	0.00	0.00	0.00	0.00	0.00
<b>Blended Rate</b>	<b>\$34.57</b>	<b>\$35.68</b>	<b>\$36.35</b>	<b>\$38.89</b>	<b>\$43.37</b>	<b>\$44.69</b>	<b>\$46.54</b>	<b>\$52.08</b>	<b>\$53.52</b>	<b>\$53.28</b>	<b>\$59.03</b>	<b>\$62.48</b>	<b>\$63.87</b>	<b>\$68.15</b>	<b>\$69.42</b>	<b>\$70.71</b>
Blended Rate (April 2010 Forecast)			\$36.01	\$38.02	\$42.97	\$43.94	\$43.96	\$43.84	\$48.75	\$48.57	\$51.02	\$56.20	\$56.80	\$60.01	\$60.52	\$61.15

<sup>1</sup> Reflects accrual basis (vs. cash basis).

# Projected Smelter Rates

Rate Derivation (\$/MWh) <sup>1</sup>	Actual		Projected												
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Smelters</b>															
Large Industrial Rate @ 98% <sup>2</sup>	\$30.18	\$29.07	\$28.64	\$30.08	\$30.12	\$30.12	\$32.23	\$32.18	\$32.23	\$32.23	\$32.23	\$32.18	\$34.48	\$34.48	\$34.48
Additional Smelter Charge	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Base Rate	30.43	29.32	28.89	30.33	30.37	30.37	32.48	32.43	32.48	32.48	32.48	32.43	34.73	34.73	34.73
TIER Adjustment	1.95	1.95	1.95	2.95	2.79	2.95	1.79	3.55	3.55	4.15	4.15	4.15	2.93	4.14	4.75
Non-FAC PPA	(0.56)	(1.18)	(1.10)	(0.47)	(0.58)	(0.58)	(0.56)	(0.56)	(0.56)	(0.38)	(0.49)	(0.42)	(0.31)	(0.45)	(0.37)
FAC	10.38	10.13	10.46	13.61	15.32	16.63	17.32	18.42	19.22	20.18	21.10	22.10	22.98	24.04	25.03
Environmental Surcharge	2.45	2.26	3.09	3.48	3.69	3.88	4.14	4.24	4.32	4.50	4.71	4.88	5.14	5.25	5.47
Surcharges	1.57	1.57	1.57	1.87	1.87	1.87	1.87	1.87	2.42	2.60	2.60	2.59	2.60	2.60	2.60
Rebate (accrued)	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	0.00	0.00
Effective Rate	\$46.22	\$44.05	\$44.86	\$51.77	\$53.46	\$55.12	\$57.04	\$59.95	\$61.43	\$63.53	\$64.55	\$65.73	\$68.07	\$70.31	\$72.21
Effective Rate (April 2010 Forecast)		\$43.25	\$44.61	\$49.90	\$51.08	\$51.92	\$53.06	\$55.42	\$57.98	\$59.36	\$59.63	\$60.66	\$61.76	\$63.24	\$64.47

<sup>1</sup> Reflects accrual basis (vs. cash basis).

<sup>2</sup> Actual may differ from Large Industrial Rate @ 98% load factor if metered energy is lower/higher than contract Base Fixed Energy.

**Big Rivers Presentation at Rural Utility Service Meeting – March 20, 2012**  
**[Slides 31, 33, 34, and 35 – Filed June 1, 2012 under a Petition for Confidential Treatment]**  
**[Response to Item 64 of the Office of the Attorney General’s Initial Request for Information]**

## Statement of Operations

Statement of Operations (\$mm)	Actual		Projected				
	2010	2011	2012	2013	2014	2015	2016
Electric Energy Revenues	\$ 514.5	\$ 558.4	\$ 582.3	\$ 622.1	\$ 654.0	\$ 667.5	\$ 712.3
Other Operating Revenue and Income	12.8	3.6	4.0	4.0	4.0	4.0	4.0
<b>Total Operating Revenues</b>	<b>\$ 527.3</b>	<b>\$ 562.0</b>	<b>\$ 586.3</b>	<b>\$ 626.1</b>	<b>\$ 658.0</b>	<b>\$ 671.5</b>	<b>\$ 716.3</b>
Operating Expense - Excluding Fuel	\$ 187.2	\$ 201.8	\$ 203.6	\$ 208.8	\$ 220.7	\$ 231.6	\$ 252.4
Operating Expense Fuel	207.7	226.2	238.4	259.1	266.6	273.6	282.6
Maintenance Expense	46.9	47.7	53.9	51.6	62.4	57.8	59.7
Depreciation and Amortization	34.2	35.4	41.9	43.3	44.7	48.1	52.5
Interest Expense	47.1	45.7	43.6	59.3	59.5	59.3	59.2
Other - Net	(2.8)	(0.4)	(0.5)	(4.5)	(10.4)	(13.4)	(4.6)
<b>Total Expenses</b>	<b>\$ 520.3</b>	<b>\$ 556.4</b>	<b>\$ 580.9</b>	<b>\$ 617.6</b>	<b>\$ 643.5</b>	<b>\$ 657.0</b>	<b>\$ 701.8</b>
<b>Net Margins</b>	<b>\$ 7.0</b>	<b>\$ 5.6</b>	<b>\$ 5.4</b>	<b>\$ 8.5</b>	<b>\$ 14.5</b>	<b>\$ 14.5</b>	<b>\$ 14.5</b>
<b>TIER</b>	<b>1.15</b>	<b>1.12</b>	<b>1.12</b>	<b>1.14</b>	<b>1.24</b>	<b>1.24</b>	<b>1.24</b>

## Debt Service Coverage

Debt Service Coverage (\$mm)	Actual		Projected				
	2010	2011	2012	2013	2014	2015	2016
Margins	\$ 7.0	\$ 5.6	\$ 5.4	\$ 8.5	\$ 14.5	\$ 14.5	\$ 14.5
Interest Expense	47.1	45.7	43.6	59.3	59.5	59.3	59.2
Depreciation & Amortization	36.3	37.5	44.5	46.0	47.5	51.0	55.7
Numerator for DSCR	\$ 90.4	\$ 88.8	\$ 93.5	\$ 113.8	\$ 121.5	\$ 124.8	\$ 129.4
Interest Expense	47.1	45.7	43.6	59.3	59.5	59.3	59.2
Principal Due on Long-Term Debt	14.2	14.9	16.1	21.6	22.4	23.3	24.3
Denominator for DSCR	\$ 61.3	\$ 60.6	\$ 59.7	\$ 80.9	\$ 81.9	\$ 82.6	\$ 83.5
<b>Debt Service Coverage Ratio</b>	<b>1.47</b>	<b>1.47</b>	<b>1.57</b>	<b>1.41</b>	<b>1.48</b>	<b>1.51</b>	<b>1.55</b>

## Non-Smelter Member Rates

Rate Derivation (\$/MWh)	Actual		Projected				
	2010	2011	2012	2013	2014	2015	2016
<b>Non-Smelter Members</b>							
Base Rate	\$ 35.33	\$ 42.45	\$ 48.69	\$ 48.70	\$ 50.16	\$ 50.19	\$ 50.20
Regulatory Account Amortization	0.00	(0.32)	(1.23)	(1.23)	(0.38)	0.17	0.28
FAC	9.98	4.49	5.09	5.47	5.95	6.36	6.80
Environmental Surcharge	2.25	2.16	2.51	4.98	4.94	4.92	7.33
Surcredits	(3.30)	(3.49)	(4.10)	(4.05)	(4.00)	(3.97)	(3.93)
Rebate (Accrual)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Rate Stabilization</b>							
Economic Reserve	(7.91)	(6.22)	(8.69)	(10.10)	(9.10)	(2.20)	0.00
Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	(4.68)	(8.44)
<b>Blended Rate</b>	<b>\$ 36.35</b>	<b>\$ 39.07</b>	<b>\$ 42.27</b>	<b>\$ 43.77</b>	<b>\$ 47.57</b>	<b>\$ 50.79</b>	<b>\$ 52.24</b>

## Smelter Rates

Rate Derivation (\$/MWh)	Actual		Projected				
	2010	2011	2012	2013	2014	2015	2016
<b>Smelters</b>							
Large Industrial Rate @ 98%	\$ 29.07	\$ 34.70	\$ 39.14	\$ 39.18	\$ 40.36	\$ 40.36	\$ 40.32
Additional Smelter Charge	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Base Rate	\$ 29.32	\$ 34.95	\$ 39.39	\$ 39.43	\$ 40.61	\$ 40.61	\$ 40.57
Tier Adjustment	1.95	1.95	2.95	2.95	2.60	2.55	2.44
Non-FAC PPA	(1.18)	(0.70)	(0.40)	(0.21)	(0.04)	0.28	0.38
FAC	10.13	4.53	5.11	5.48	5.95	6.36	6.80
Environmental Surcharge	2.26	2.18	2.48	4.07	4.11	4.07	6.08
Surcharge	1.57	1.57	1.87	1.87	1.87	1.87	1.87
Rebate (accrued)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Effective Rate</b>	<b>\$ 44.05</b>	<b>\$ 44.48</b>	<b>\$ 51.40</b>	<b>\$ 53.59</b>	<b>\$ 55.10</b>	<b>\$ 55.74</b>	<b>\$ 58.14</b>



**Big Rivers Presentation to CoBank – February, 2012**

**[Slides 30, 32, 33, and 34 – Filed June 1, 2012 under a Petition for Confidential Treatment]**

**[Response to Item 56 of the Sierra Club's Initial Request for Information – Case No. 2012-00063]**



## Statement of Operations

Statement of Operations (\$mm)	Actual		Projected				
	2010	2011	2012	2013	2014	2015	2016
Electric Energy Revenues	\$ 514.5	\$ 558.4	\$ 582.3	\$ 622.1	\$ 654.0	\$ 667.5	\$ 712.3
Other Operating Revenue and Income	12.8	3.6	4.0	4.0	4.0	4.0	4.0
<b>Total Operating Revenues</b>	<b>\$ 527.3</b>	<b>\$ 562.0</b>	<b>\$ 586.3</b>	<b>\$ 626.1</b>	<b>\$ 658.0</b>	<b>\$ 671.5</b>	<b>\$ 716.3</b>
Operating Expense - Excluding Fuel	\$ 187.2	\$ 201.8	\$ 203.6	\$ 208.8	\$ 220.7	\$ 231.6	\$ 252.4
Operating Expense Fuel	207.7	226.2	238.4	259.1	266.6	273.6	282.6
Maintenance Expense	46.9	47.7	53.9	51.6	62.4	57.8	59.7
Depreciation and Amortization	34.2	35.4	41.9	43.3	44.7	48.1	52.5
Interest Expense	47.1	45.7	43.6	59.3	59.5	59.3	59.2
Other - Net	(2.8)	(0.4)	(0.5)	(4.5)	(10.4)	(13.4)	(4.6)
<b>Total Expenses</b>	<b>\$ 520.3</b>	<b>\$ 556.4</b>	<b>\$ 580.9</b>	<b>\$ 617.6</b>	<b>\$ 643.5</b>	<b>\$ 657.0</b>	<b>\$ 701.8</b>
<b>Net Margins</b>	<b>\$ 7.0</b>	<b>\$ 5.6</b>	<b>\$ 5.4</b>	<b>\$ 8.5</b>	<b>\$ 14.5</b>	<b>\$ 14.5</b>	<b>\$ 14.5</b>

## Debt Service Coverage

Debt Service Coverage (\$mm)	Actual		Projected				
	2010	2011	2012	2013	2014	2015	2016
Margins	\$ 7.0	\$ 5.6	\$ 5.4	\$ 8.5	\$ 14.5	\$ 14.5	\$ 14.5
Interest Expense	47.1	45.7	43.6	59.3	59.5	59.3	59.2
Depreciation & Amortization	36.3	37.5	44.5	46.0	47.5	51.0	55.7
Numerator for DSCR	\$ 90.4	\$ 88.8	\$ 93.5	\$ 113.8	\$ 121.5	\$ 124.8	\$ 129.4
Interest Expense	47.1	45.7	43.6	59.3	59.5	59.3	59.2
Principal Due on Long-Term Debt	14.2	14.9	16.1	21.6	22.4	23.3	24.3
Denominator for DSCR	\$ 61.3	\$ 60.6	\$ 59.7	\$ 80.9	\$ 81.9	\$ 82.6	\$ 83.5
<b>Debt Service Coverage Ratio</b>	<b>1.47</b>	<b>1.47</b>	<b>1.57</b>	<b>1.41</b>	<b>1.48</b>	<b>1.51</b>	<b>1.55</b>

## Non-Smelter Member Rates

Rate Derivation (\$/MWh)	Actual		Projected				
	2010	2011	2012	2013	2014	2015	2016
<b>Non-Smelter Members</b>							
Base Rate	\$ 35.33	\$ 42.45	\$ 48.69	\$ 48.70	\$ 50.16	\$ 50.19	\$ 50.20
Regulatory Account Amortization	0.00	(0.32)	(1.23)	(1.23)	(0.38)	0.17	0.28
FAC	9.98	4.49	5.09	5.47	5.95	6.36	6.80
Environmental Surcharge	2.25	2.16	2.51	4.98	4.94	4.92	7.33
Surcredits	(3.30)	(3.49)	(4.10)	(4.05)	(4.00)	(3.97)	(3.93)
Rebate (Accrual)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rate Stabilization							
Economic Reserve	(7.91)	(6.22)	(8.69)	(10.10)	(9.10)	(2.20)	0.00
Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	(4.68)	(8.44)
<b>Blended Rate</b>	<b>\$ 36.35</b>	<b>\$ 39.07</b>	<b>\$ 42.27</b>	<b>\$ 43.77</b>	<b>\$ 47.57</b>	<b>\$ 50.79</b>	<b>\$ 52.24</b>

## Smelter Rates

Rate Derivation (\$/MWh)	Actual		Projected				
	2010	2011	2012	2013	2014	2015	2016
<b>Smelters</b>							
Large Industrial Rate @ 98%	\$ 29.07	\$ 34.70	\$ 39.14	\$ 39.18	\$ 40.36	\$ 40.36	\$ 40.32
Additional Smelter Charge	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Base Rate	\$ 29.32	\$ 34.95	\$ 39.39	\$ 39.43	\$ 40.61	\$ 40.61	\$ 40.57
Tier Adjustment	1.95	1.95	2.95	2.95	2.60	2.55	2.44
Non-FAC PPA	(1.18)	(0.70)	(0.40)	(0.21)	(0.04)	0.28	0.38
FAC	10.13	4.53	5.11	5.48	5.95	6.36	6.80
Environmental Surcharge	2.26	2.18	2.48	4.07	4.11	4.07	6.08
Surcharge	1.57	1.57	1.87	1.87	1.87	1.87	1.87
Rebate (accrued)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Effective Rate</b>	<b>\$ 44.05</b>	<b>\$ 44.48</b>	<b>\$ 51.40</b>	<b>\$ 53.59</b>	<b>\$ 55.10</b>	<b>\$ 55.74</b>	<b>\$ 58.14</b>

**Big Rivers Overview Presentation – Prepared May 2, 2012**

**[Slides 30, 32, 33, and 34 – Filed June 1, 2012 under a Petition for Confidential Treatment]**

**[Response to Item 57 of the Sierra Club's Initial Request for Information – Case No. 2012-00063]**

## Statement of Operations

Statement of Operations (\$mm)	Actual		Projected				
	2010	2011	2012	2013	2014	2015	2016
Electric Energy Revenues	514.5	558.4	582.3	606.0	645.6	666.8	713.8
Other Operating Revenue and Income	12.8	3.6	4.0	4.0	4.0	4.0	4.0
<b>Total Operating Revenues</b>	<b>527.3</b>	<b>562.0</b>	<b>586.3</b>	<b>610.0</b>	<b>649.6</b>	<b>670.8</b>	<b>717.8</b>
Operating Expense - Excluding Fuel	187.2	201.8	203.6	209.0	221.0	231.6	252.0
Operating Expense Fuel	207.7	226.2	238.4	259.1	266.6	273.6	282.6
Maintenance Expense	46.9	47.7	54.9	50.1	62.4	57.8	59.7
Depreciation and Amortization	34.2	35.4	41.9	43.3	44.7	48.1	52.3
Interest Expense	47.1	45.7	43.4	49.0	54.0	59.7	61.9
Other - Net	(2.8)	(0.4)	(1.4)	(6.0)	(11.2)	(14.5)	(5.8)
<b>Total Expenses</b>	<b>520.3</b>	<b>556.4</b>	<b>580.8</b>	<b>604.5</b>	<b>637.5</b>	<b>656.3</b>	<b>702.7</b>
<b>Net Margins</b>	<b>7.0</b>	<b>5.6</b>	<b>5.5</b>	<b>5.5</b>	<b>12.1</b>	<b>14.5</b>	<b>15.1</b>

## Debt Service Coverage

Debt Service Coverage (\$mm)	Actual		Projected				
	2010	2011	2012	2013	2014	2015	2016
Margins	\$ 7.0	\$ 5.6	\$ 5.5	\$ 5.5	\$ 12.1	\$ 14.6	\$ 15.1
Interest Expense	47.1	45.7	43.4	49.0	54.0	59.7	61.9
Depreciation & Amortization	36.3	37.5	44.5	46.0	47.5	51.0	55.5
Numerator for DSCR	\$ 90.4	\$ 88.8	\$ 93.4	\$ 100.5	\$ 113.6	\$ 125.3	\$ 132.5
Interest Expense	47.1	45.7	43.4	49.0	54.0	59.7	61.9
Principal Due on Long-Term Debt	14.2	14.9	16.1	19.4	20.1	20.9	26.1
Denominator for DSCR	\$ 61.3	\$ 60.6	\$ 59.5	\$ 68.4	\$ 74.1	\$ 80.6	\$ 88.0
<b>Debt Service Coverage Ratio</b>	<b>1.47</b>	<b>1.47</b>	<b>1.57</b>	<b>1.47</b>	<b>1.53</b>	<b>1.55</b>	<b>1.51</b>



## Non-Smelter Member Rates

Rate Derivation (\$/MWh)	Actual		Projected				
	2010	2011	2012	2013	2014	2015	2016
<b>Non-Smelter Members</b>							
Base Rate	35.33	42.45	48.69	48.70	50.16	50.19	50.20
Regulatory Account Amortization	0.00	(0.32)	(1.23)	(1.23)	(0.38)	0.17	0.28
FAC	9.98	4.49	5.09	5.47	5.95	6.36	6.80
Environmental Surcharge	2.25	2.16	2.51	3.27	3.78	4.75	7.37
Surcredits	(3.30)	(3.49)	(4.10)	(4.05)	(4.00)	(3.97)	(3.93)
Rebate (Accrual)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rate Stabilization	0	0	0	0	0	0	0
Economic Reserve	(7.91)	(6.22)	(8.69)	(8.39)	(7.93)	(5.07)	0.00
Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	(2.49)	(8.47)
<b>Blended Rate</b>	<b>36.35</b>	<b>39.07</b>	<b>42.27</b>	<b>43.77</b>	<b>47.58</b>	<b>49.94</b>	<b>52.25</b>

## Smelter Rates

Rate Derivation (\$/MWh)	Actual		Projected				
	2010	2011	2012	2013	2014	2015	2016
<b>Smelters</b>							
Large Industrial Rate @ 98%	29.07	34.70	39.14	39.18	40.36	40.36	40.32
Additional Smelter Charge	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Base Rate	29.32	34.95	39.39	39.43	40.61	40.61	40.57
Tier Adjustment	1.95	1.95	2.95	2.95	2.95	2.67	2.59
Non-FAC PPA	(1.18)	(0.70)	(0.40)	(0.21)	(0.04)	0.28	0.38
FAC	10.13	4.53	5.11	5.48	5.95	6.36	6.80
Environmental Surcharge	2.26	2.18	2.48	2.66	3.14	3.94	6.11
Surcharge	1.57	1.57	1.87	1.87	1.87	1.87	1.87
Rebate (accrued)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Effective Rate</b>	<b>44.05</b>	<b>44.48</b>	<b>51.40</b>	<b>52.18</b>	<b>54.48</b>	<b>55.73</b>	<b>58.32</b>

1 COMMONWEALTH OF KENTUCKY  
2 BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

3 RECEIVED

4  
5 In the Matter of:

JUN 08 2012

6  
7 Application of Big Rivers Electric Corporation )  
8 for Approval of its 2012 Environmental )  
9 Compliance Plan, for Approval of its Amended )  
10 Environmental Cost Recovery Surcharge Tariff, )  
11 for Certificates of Public Convenience and )  
12 Necessity, and for Authority to Establish a )  
13 Regulatory Account )

PUBLIC SERVICE  
COMMISSION

Case No. 2012-00063

14  
15  
16 **PETITION OF BIG RIVERS ELECTRIC CORPORATION FOR CONFIDENTIAL**  
17 **PROTECTION**

18  
19 1. Big Rivers Electric Corporation ("Big Rivers") hereby petitions the Kentucky  
20 Public Service Commission ("Commission"), pursuant to 807 KAR 5:001 Section 7 and KRS  
21 61.878, to grant confidential protection to two electronic files Big Rivers is filing to replace two  
22 electronic filed Big Rivers filed on May 29, 2012. On May 29, 2012, Big Rivers filed two CDs  
23 (both CDs are dated May 25). One of the CDs, labeled "BREC's Financial Model Assumptions  
24 and Related Files," contained an Excel file named "(C-M by eq) sens 2 exh. det. Rev 1 no smltrs  
25 021412" that was corrupt and could not be opened. One of the files on the enclosed confidential  
26 CD (the "Big Rivers File") replaces that file. The other CD, labeled "PACE Global Input and  
27 Output Information" contained an Excel file named "PACE\_Big Rivers Data Request  
28 Outputs\_120524." The third tab in that Excel file ("Output Hourly Energy Prices") was blank.  
29 The other file on the enclosed confidential CD (the "PACE File") replaces that file. The Big  
30 Rivers File and the PACE File are hereinafter referred to collectively as the "Confidential  
31 Information").

1           2.           One (1) copy of Confidential Information is being filed electronically on the CD  
2 marked confidential and attached to this petition. Big Rivers is also filing ten (10) copies of this  
3 petition with the Confidential Information redacted (*i.e.*, without the CD). 807 KAR 5:001  
4 Sections 7(2)(a)(2), 7(2)(b).

5           3.           A copy of this petition with the Confidential Information redacted has been served  
6 on all parties to this proceeding. 807 KAR 5:001 Section 7(2)(c). Big Rivers is also providing a  
7 copy of the Confidential Information to all parties, as they have all signed a confidentiality  
8 agreement.

9           4.           The Confidential Information is not publicly available, is not disseminated within  
10 Big Rivers except to those employees and professionals with a legitimate business need to know  
11 and act upon the information, and is not disseminated to others without a legitimate need to  
12 know and act upon the information.

13           5.           If and to the extent the Confidential Information becomes generally available to  
14 the public, whether through filings required by other agencies or otherwise, Big Rivers will  
15 notify the Commission and have its confidential status removed. 807 KAR 5:001 Section  
16 7(9)(a).

17           6.           As discussed below, the Confidential Information is entitled to confidential  
18 protection based upon KRS 61.878(1)(c)(1), which protects “records confidentially disclosed to  
19 an agency or required by an agency to be disclosed to it, generally recognized as confidential or  
20 proprietary, which if openly disclosed would permit an unfair commercial advantage to  
21 competitors of the entity that disclosed the records.” KRS 61.878(1)(c)(1).

22

1 **I. Big Rivers Faces Actual Competition**

2 7. Big Rivers competes in the wholesale power market to sell energy excess to its  
3 members' needs. Big Rivers' ability to successfully compete in the wholesale power market is  
4 dependent upon a combination of its ability to get the maximum price for the power sold, and  
5 keeping the cost of producing that power as low as possible. Fundamentally, if Big Rivers' cost  
6 of producing a kilowatt hour increases, its ability to sell that kilowatt hour in competition with  
7 other utilities is adversely affected. As is well documented in multiple proceedings before this  
8 Commission, Big Rivers' margins are derived almost exclusively from its off-system sales.

9 8. Big Rivers also competes for reasonably priced credit in the credit markets, and  
10 its ability to compete is directly impacted by its financial results. Any event that adversely  
11 affects Big Rivers' margins will adversely affect its financial results and potentially impact the  
12 price it pays for credit. As was described in the proceeding before this Commission in the Big  
13 Rivers unwind transaction case, Big Rivers expects to be in the credit markets on a regular basis  
14 in the future.<sup>1</sup>

15 **II. The Confidential Information is Generally Recognized as Confidential or**  
16 **Proprietary**

17  
18 9. The Confidential Information for which Big Rivers seeks confidential treatment  
19 under KRS 61.878(1)(c)(1) is generally recognized as confidential or proprietary under Kentucky  
20 law.

21 10. The Confidential Information consists of a financial forecast model from Big  
22 Rivers, and model outputs from PACE Global. Public disclosure of the Confidential Information  
23 would reveal forecasts that Big Rivers uses and relies on relating to fuel prices, power market

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<sup>1</sup> See Order dated March 6, 2009, *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*, PSC Case No. 2007-00455, pages 27-30 and 37-39.

1 prices, allowance prices, rates, variable production costs, and related information. Knowledge of  
2 such projected data would give Big Rivers' suppliers and competitors an unfair competitive  
3 advantage. Public disclosure of this information would give Big Rivers' suppliers, buyers, and  
4 competitors insight into Big Rivers' cost of producing power and into Big Rivers' view of future  
5 prices for fuel prices, market power prices, and allowance prices, which would indicate the  
6 prices at which Big Rivers is willing to buy or sell such items.

7 11. The Commission has previously granted confidential treatment to similar  
8 information. *See, e.g.*, letters from the Commission dated July 28, 2011, and December 20,  
9 2011, in *In the Matter of: Application of Big Rivers Electric Corporation for a General*  
10 *Adjustment in Rates*, PSC Case No. 2011-00036 (granting confidential treatment to multi-year  
11 financial forecast); letter from the Commission dated December 21, 2010, in *In the Matter of:*  
12 *The 2010 Integrated Resource Plan of Big Rivers Electric Corporation*, PSC Case No. 2010-  
13 00443 (granting confidential treatment to fuel cost projections, revenue projections, market price  
14 projections, financial model outputs, etc.).

15 **III. Disclosure of the Confidential Information Would Permit an Unfair Commercial**  
16 **Advantage to Big Rivers' Competitors**  
17

18 12. Disclosure of the Confidential Information would permit an unfair commercial  
19 advantage to Big Rivers' competitors. As discussed above, Big Rivers faces actual competition  
20 in the wholesale power market and in the credit market. It is likely that Big Rivers would suffer  
21 competitive injury if that Confidential Information was publicly disclosed.

22 13. The Confidential Information includes material such as Big Rivers' projections of  
23 fuel costs and power prices. If that information is publicly disclosed, potential fuel and power  
24 suppliers would have insight into the prices Big Rivers is willing to pay and could manipulate the  
25 bidding process, leading to higher prices for Big Rivers and impairing its ability to compete in

1 the wholesale power and credit markets. In PSC Case No. 2003-00054, the Commission granted  
2 confidential protection to bids submitted to ULH&P. ULH&P argued, and the Commission  
3 implicitly accepted, that if the bids it received were publicly disclosed, contractors on future  
4 work could use the bids as a benchmark, which would likely lead to the submission of higher  
5 bids. Order dated August 4, 2003, in *In the Matter of: Application of the Union Light, Heat and*  
6 *Power Company for Confidential Treatment*, PSC Case No. 2003-00054. The Commission also  
7 implicitly accepted ULH&P's further argument that the higher bids would lessen ULH&P's  
8 ability to compete with other gas suppliers. *Id.* Similarly, potential fuel and power suppliers  
9 manipulating Big Rivers' bidding process would lead to higher costs to Big Rivers and would  
10 place it at an unfair competitive disadvantage in the wholesale power market and credit markets.

11 14. Additionally, public disclosure of the Confidential Information would give the  
12 power producers and marketers with which Big Rivers competes in the wholesale power market  
13 insight into Big Rivers' cost of producing power, which would give them an unfair competitive  
14 advantage because they could use that information to potentially underbid Big Rivers in  
15 wholesale transactions.

16 **IV. Conclusion**

17 15. Based on the foregoing, the Confidential Information is entitled to confidential  
18 protection. If the Commission disagrees that Big Rivers is entitled to confidential protection, due  
19 process requires the Commission to hold an evidentiary hearing. *Utility Regulatory Com'n v.*  
20 *Kentucky Water Service Co., Inc.*, 642 S.W.2d 591 (Ky. App. 1982).

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

23 On this the 7<sup>th</sup> day of June, 2012.

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*TS/2*

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