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MAY 04 2012

PUBLIC SERVICE
COMMISSION

Via Overnight Mail

May 3, 2012

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

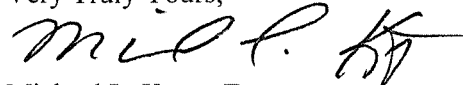
Re: Case No. 2012-00119

Dear Mr. Derouen:

Please find enclosed the original and ten (10) copies of KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.'s SECOND SET OF DATA REQUESTS TO BIG RIVERS ELECTRIC CORPORATION for filing in the above-referenced matter.

By copy of this letter, all parties listed on the Certificate of Service have been served. Please place these documents of file.

Very Truly Yours,



Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

BOEHM, KURTZ & LOWRY

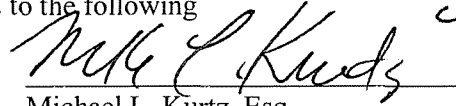
MLKkew

Attachment

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

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by electronic mail (when available) and by regular U.S. Mail, unless other noted, this 3rd day of May, 2012 to the following

A handwritten signature in black ink, appearing to read "Mike L. Kurtz", is written over a horizontal line.

Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

Honorable James M Miller
Sullivan, Mountjoy, Stainback & Miller, PSC
100 St. Ann Street
P.O. Box 727
Owensboro, KENTUCKY 42302-0727

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MAY 04 2012

PUBLIC SERVICE
COMMISSION

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

In The Matter Of: The Application Of Big Rivers Electric :
Corporation For Approval to Issue Evidences of Indebtedness : Case No. 2012-00119

**KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.'s
SECOND SET OF DATA REQUESTS
TO
BIG RIVERS ELECTRIC CORPORATION**

Dated: May 3, 2012

DEFINITIONS

1. "Document(s)" is used in its customary broad sense and includes electronic mail and all written, typed, printed, electronic, computerized, recorded or graphic statements, memoranda, reports, communications or other matter, however produced or reproduced, and whether or not now in existence, or in your possession.
2. "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion whether preliminary or final, and whether or not referred to in Big Rivers' direct testimony.
3. If any document requested herein was at one time in existence, but has been lost, discarded or destroyed, identify such document as completely as possible, including the type of document, its date, the date or approximate date it was lost, discarded or destroyed, the identity of the person (s) who last had possession of the document and the identity of all persons having knowledge of the contents thereof.
4. "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
5. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.
6. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number of code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company's possession or subject to its control, state what disposition was made of it.
7. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.
8. "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
9. "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.
10. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.
11. "You" or "your" means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, "you" or "your" may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness' testimony.
12. "BREC" means Big Rivers Electric Corporation and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.
13. "CoBank" means CoBank, ACB and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.
14. "CFC" means National Rural Utilities Cooperative Finance Cooperation and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.
15. "RUS" means the United States of America, Department of Agriculture, Rural Utilities Service and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.

INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Kentucky Industrial Utility Customers. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.
7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.
8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total Company as well as Intrastate data, unless otherwise requested.

**SECOND SET OF DATA REQUESTS OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
TO BIG RIVERS ELECTRIC CORPORATION
Case No. 2012-00119**

- Q2.1 If the KPSC were to deny the Financing Application in this case, what alternative course of action would Big Rivers pursue to satisfy its debt service requirements?
- Q2.2 Big Rivers' response to KIUC 1-5, pages 21, 22 and 23, includes a power point presentation dated March 16, 2012 made by management to the Big Rivers Board of Directors. At page 23 of 23, the third bullet point cites "a heightened awareness of the potential for a smelter shut-down". Please describe in detail the reasons why Big Rivers has "a heightened awareness of the potential for a smelter shut-down." Include in your answer whether Big Rivers believes that the potential for smelter shut-down is credible.
- Q2.3 Has Big Rivers advised CoBank and CFC of its "heightened awareness of the potential for a smelter shut-down"? Was the advice verbal or in writing? What reasons were given for such heightened awareness? Please provide all written communications with CoBank and CFC by which Big Rivers advised either financial institution of such heightened awareness. If Big Rivers has not advised both CoBank and CFC of its heightened awareness of the potential for a smelter shut-down, please state the reasons for not doing so?
- Q2.4 Has Big Rivers advised any or all of the credit rating agencies of its "heightened awareness of the potential for a smelter shut-down"? Was the advice verbal or in writing? What reasons were given for such heightened awareness? Please provide all written communications with CoBank and CFC by which Big Rivers advised either financial institution of such heightened awareness. If Big Rivers has not advised both CoBank and CFC of its heightened awareness of the potential for a smelter shut-down, please state the reasons for not doing so?
- Q2.5 In light of its "heightened awareness" of the potential for a smelter shut-down, describe all actions that Big Rivers has taken in an effort to ameliorate the circumstances which would lead to a smelter shut-down.
- Q2.6 Big Rivers' Response to KIUC 1-14 is an exchange of messages between Mark Bailey and Mark Hite regarding Mark Hite's discussion of March 7, 2012, with Kevin Rose of Moody's.
- a. Mark Hite's message indicates that Mark Hite would have a telephone meeting with Kevin Rose in late April or early May 2012. Has that telephone meeting taken place? If so, please provide a summary of the discussion between Mark Hite and Kevin Rose.
 - b. Please explain the basis for Mark Hite's statement that "Based on the feedback from Kevin, I think it appropriate to refrain from phoning Fitch or S&P".

- c. Please state whether Big Rivers' Board of Directors has been informed of the substance of Mark Hite's discussion with Kevin Rose of Moody's and of the decision not to contact either Fitch or S&P.

Q2.7 With respect to Big Rivers' proposed term loans with CoBank and CFC:

- a. If Big Rivers were to be downgraded to a level below investment grade by any two of the three rating agencies prior to the closing of the term loans, does Big Rivers believe CoBank and CFC would proceed with the term loans, and if so, would either financial institution require any change in terms or conditions, including pricing?
- b. If Big Rivers were to be downgraded to BB+ (or the equivalent) by any two of the rating agencies following closing of the term loan, does Big Rivers believe the pricing from either CoBank or CFC would be adjusted, and if so, to what extent? If the interest rate on either term loan would be adjusted, please provide a calculation of the effective interest rate on such term loan following the adjustment.
- c. If Big Rivers were to be downgraded to BB or lower (or the equivalent) by any two of the rating agencies following the closing of the term loan, does Big Rivers believe the pricing from either CoBank or CFC would be adjusted, and if so, to what extent? If the interest rate on either term loan would be adjusted, please provide a calculation of the effective interest rate on such term loan following the adjustment.
- d. Does Big Rivers expect that the three credit rating agencies will issue updated ratings prior to the closing of the term loans with CoBank and CFC? If not, does Big Rivers believe that it would be prudent to defer closing of these term loans until the credit rating agencies have updated their ratings, especially if a downgrade by two of the rating agencies could result in a modification in the pricing of the term loans?
- e. Does Big Rivers believe that a Notice of Termination from either Smelter would be a material event subject to disclosure to Big Rivers' current and future lenders and to the rating agencies? Does Big Rivers believe that a Notice of Termination from a Smelter could result in a downward revision to Big Rivers' current rating by any of the rating agencies? If not, please explain the basis for believing that a Smelter Notice of Termination would not affect the creditworthiness of Big Rivers?

Q2.8 Big Rivers' Response to KIUC 1-23, part a, states that "Big Rivers believes that it is reasonable to assume that it will be able to borrow funds for its ECP at an interest rate of approximately 5.75%". In light of the foregoing statement, explain why Big Rivers' presentation to CoBank in February 2012 (see Big Rivers' Response to KIUC 1-1, page 27 of 70) indicated that Big Rivers' Capital Cost would be 9.42% (derived from a capital cost of 7.60% times a TIER of 1.24).

- Q2.9 Big Rivers' presentation to CoBank in February 2012 (see Big Rivers' Response to KIUC 1-1, page 27 of 70) indicates that Big Rivers' total annual ECP cost in 2016 will be \$26,704,758 for capital and \$13,230,000 for O&M, for a total of \$39,934,758. Please explain why the total annual ECP cost in 2016 will not include a component for depreciation. If the assets that will be acquired by Big Rivers for environmental compliance are depreciable assets, provide an estimate of Big Rivers' expected annual depreciation expense for such assets.
- Q2.10 Big Rivers' Response to KIUC 1-1, page 36 of 70, reflects Big Rivers' actual smelter rates for 2010 and 2011 and projected rates for 2012-2016.
- a. Please provide a chart that disaggregates the actual 2011 smelter rate of \$44.48 into the actual rate for the eight months prior to September 1, 2011 (at which time Big Rivers' rate increase became effective) and for the four months subsequent to August 31, 2011.
 - b. Please provide a detailed calculation, for 2011 and 2012, of the determination of the component of the smelter rate that is based on the Large Industrial Rate at a 98% load factor (\$34.70 in 2011 versus \$39.14 in 2012).
 - c. Please explain how an increase from 2011 to 2012 of \$4.44 per MWh in the component of the smelter rate that is based on the Large Industrial Rate would be appropriate to recover the rate increase of \$14.2 million that was allocated to the smelters in the 2011 Base Rate proceeding.
- Q2.11 Please prepare a chart, using 2011 actual data, that shows the following for each Smelter and the total amount for the two Smelters:
- a. The take-or-pay amount denominated in MWh.
 - b. The amount of energy, denominated in MWh, delivered to and consumed by each Smelter.
 - c. The amount of energy, denominated in MWh, by which the take-or-pay amount for each Smelter exceeded the amount delivered to and consumed by each Smelter.
 - d. The amount of energy, denominated in MWh, that the Smelters made available to Big Rivers for Surplus Sales.
 - e. The amount of energy, denominated in MWh, that Big Rivers sold as Surplus Sales on behalf of the Smelters.
 - f. The aggregate charges paid by each Smelter for energy sold as Surplus Sales
 - g. The net revenues received by Big Rivers and credited to each Smelter with respect to Surplus Sales, and

- h. The aggregate charges paid by each Smelters for energy that the Smelters made available to Big Rivers for Surplus Sales, but for which Big Rivers was unable to effect Surplus Sales at a price that would exceed the variable costs of such energy.

- Q2.12 If either or both Smelters were to terminate operations, and Big Rivers were to sell in wholesale markets the energy that would otherwise have been purchased by a smelters, does Big Rivers believe that it could achieve the same level of Net Margins from wholesale market sales as Big Rivers would achieve from sales to the Smelters? Please explain Big Rivers' answer fully with reference to Big Rivers experience in 2011 with Surplus Sales on behalf of the Smelters.
- Q2.13 Big Rivers' response to KIUC 1-4 includes a communication dated November 1, 2011, from Mark Glotfelty at Goldman Sachs referencing the successful issuance by Basin Electric Power Cooperative in October 2011 of \$250 million in First Mortgage Obligations at a coupon rate of 4.00%, and similar successful G&T debt offerings in 2011 for Arkansas Electric, Oglethorpe Power, and Hoosier Energy. Please explain why Big Rivers has declined to pursue an issuance of First Mortgage Obligations as suggested by Goldman Sachs, and state whether there were any further verbal communications between Big Rivers and Goldman Sachs that served to discourage Big Rivers from pursuing the issuance of First Mortgage Obligations.
- Q2.14 Big Rivers' response to KIUC 1-5 includes substantially similar presentations made by Big Rivers in May 2011 to each of the three credit rating agencies. On the page entitled "Selected Financial Projection Assumptions", Big Rivers projects borrowings of \$112 million in 2012 and \$270 million in 2016, each assumed at an interest rate of 8.30%. Please provide the basis for these interest rate projections made in May 2011.
- Q2.15 Big Rivers' response to KIUC 1-1 includes a power point presentation summarizing the Official Budget and Forecast of Big Rivers for 2012 through 2016 that was adopted by Big Rivers' Board on or about December 20, 2011. Please indicate whether the Official Budget and Forecast is consistent with the financing plan included in the subject Financing Application. If the Financing Application uses budget numbers that are different from the Official Budget and Forecast, please state the reasons for the deviation.
- Q2.16 Please describe all events and circumstances occurring since the preparation of the May 2011 presentation to the rating agencies that led Big Rivers to believe that it could obtain all necessary financing for the next three years at interest rates ranging from 4.50% to 5.00%, compared to the 8.30% forecast by Big Rivers seven months earlier in its presentations to the rating agencies.

Respectfully submitted,



Michael L. Kurtz, Esq.

BOEHM, KURTZ & LOWRY

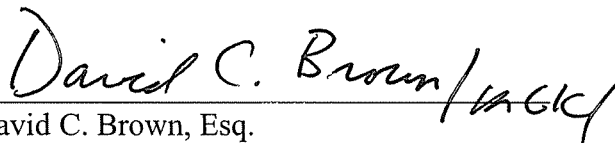
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May 3, 2012