

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC	)	
CORPORATION FOR APPROVAL TO ISSUE	)	Case No.
EVIDENCES OF INDEBTEDNESS	)	2012-00119

COMMISSION STAFF'S SECOND INFORMATION REQUEST  
TO BIG RIVERS ELECTRIC CORPORATION

Big Rivers Electric Corporation ("Big Rivers"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before May 11, 2012. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Big Rivers shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Big Rivers fails or refuses to furnish all or part of the requested information, it shall

provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to Big Rivers' response to Item 3.b. of Commission Staff's First Information Request ("Staff's First Request") which states that "Big Rivers generally uses 5.75% as a discount rate when evaluating economic options involving cash because that has historically been Big Rivers' opportunity cost given that Big Rivers has the option to use excess cash to prepay the RUS Series A Note." Also, refer to Big Rivers' response to Items 24.a. and b. of Kentucky Industrial Utility Customers, Inc.'s ("KIUC") First Set of Data Requests ("KIUC's First Request"). The response to Item 24.a. shows the imputed interest rate on the 5.75 percent RUS Series A Note at December 31, 2010 was 5.84 percent and at December 31, 2011 was 5.85 percent. The response to Item 24.b. shows that, for 2012, the imputed interest rate is expected to be 5.85 percent. Explain why Big Rivers would not use 5.84 or 5.85 percent as its discount rate when evaluating economic options involving cash.

2. Refer to Big Rivers' response to Item 4 of Staff's First Request which states that "[t]he total increase in Big Rivers' liabilities as of the closing will be \$139,381,389." Also, refer to Big Rivers' response to Item 21 of KIUC's First Request which states that "the long-term debt outstanding only increases \$138,155,800."

a. State which of the two amounts is the increased liability amount.

b. The difference between these two amounts, \$1,225,589, is labeled as "RUS Series A Note Difference (GAAP vs. Stated)" in the response to Item 4 of Staff's First Request. Explain what is meant by this statement and provide the calculation for the \$1,225,589.

3. Refer to Big Rivers' response to Item 6 of Staff's First Request. The response to Item 6.e. states that "[t]he decrease in annualized all-in interest expense is \$1,421,349." The response goes on to state that the reduction in interest expense does not reflect the increase in the amortization of the \$1,225,589 loss associated with the refinancing. Provide a schedule showing the amortization period and the annual amount of the amortization expense associated with the loss on the refinancing.

4. Confirm that Big Rivers is requesting authority to borrow \$235,000,000 from CoBank and \$345,155,800 (\$302,000,000 + \$43,155,800) from the National Rural Utilities Cooperative Finance Corporation for a total borrowing of \$580,155,800, which will result in a reduction in annual interest expense of \$1,421,349<sup>1</sup> compared to current outstanding long-term debt.



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Jeff Derouen  
Executive Director  
Public Service Commission  
P.O. Box 615  
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DATED **MAY 02 2012** \_\_\_\_\_

cc: Parties of Record

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<sup>1</sup> See response to Staff's First Request, Item 6. e.

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