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Mary L. Moorhouse

May 10, 2012

Federal Express

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

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MAY 11 2012

PUBLIC SERVICE
COMMISSION

RE: *In the Matter of: Application of Big Rivers Electric
Corporation for Approval to Issue Evidences of Indebtedness
P.S.C. Case No. 2012-00119*

Dear Mr. DeRouen:

Enclosed for filing on behalf of Big Rivers Electric Corporation are an original and ten copies of Big Rivers' responses to the Public Service Commission's Second Information Request dated May 2, 2012, and Kentucky Industrial Utility Customers, Inc.'s Second Set of Data Requests dated May 3, 2012. I certify that a copy of this letter, a copy of Big Rivers' responses to the Commission Staff's Second Information Request and the KIUC's Second Set of Data Requests, have been served on each of the persons shown on the attached service list.

Sincerely,



Tyson Kamuf

TAK/ej
Enclosures

cc: Mark A. Hite
Albert Yockey

SERVICE LIST
BIG RIVERS ELECTRIC CORPORATION
PSC CASE NO. 2012-00119

Michael L. Kurtz, Esq.
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Boehm, Kurtz & Lowry
36 East Seventh Street
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Cincinnati, OH 45202


**Counsel for Kentucky Industrial
Utility Customers, Inc.**

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
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VERIFICATION

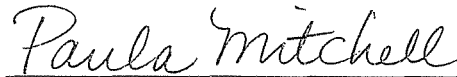
I, Mark A. Hite, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Mark A. Hite

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Mark A. Hite on this the 9th 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)	Case No.
CORPORATION FOR APPROVAL TO ISSUE)	
EVIDENCES OF INDEBTEDNESS)	

2012-00119

**Response to Kentucky Industrial Utility Customers'
Second Request for Information
Dated May 3, 2012**

FILED: May 11, 2012

ORIGINAL

BIG RIVERS ELECTRIC CORPORATION

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**Response to the Kentucky Industrial Utility Customers'
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1 **Item 1)** *If the KPSC were to deny the Financing Application in this*
2 *case, what alternative course of action would Big Rivers pursue to satisfy*
3 *its debt service requirements?*
4

5 **Response)** The course of action Big Rivers would pursue if the Kentucky Public
6 Service Commission ("Commission") were to deny the financing application in this
7 case would be determined by the circumstances that existed at the time that
8 denial occurred. This response is given in terms of what the likeliest response of
9 Big Rivers would be based upon information currently available.

10 Big Rivers would first immediately seek to remedy any deficiencies
11 identified by the Commission in the denial of the financing application, or
12 otherwise address the issue(s) cited by the Commission as the cause for denial,
13 and quickly refile the financing application. The Allowed Balance of the RUS
14 Series A Note Maximum Debt Balance Schedule reflects a \$60 million reduction
15 October 1, 2012. Due to the April 1, 2011, payment of the \$35 million Transition
16 Reserve amount to reduce the RUS Series A Note principal, Big Rivers will need
17 an additional \$25 million to complete the \$60 million in principal reduction as of
18 October 1, 2012. Absent the availability of other alternatives as of October 1,
19 2012, Big Rivers would likely request a \$25 million advance under its \$50 million
20 CFC Revolver, which together with the current \$35 million prepaid status would
21 enable Big Rivers to make the required RUS Series A Note principal payment.
22 This would only be a stop-gap measure to address this one issue on a temporary
23 basis. The CFC Revolver expires in two years, and in any event, Big Rivers would
24 want to quickly repay the \$25 million draw on the CFC Revolver to have the full

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1 amount of that revolving credit line available to meet day to day operational
2 needs, and to obtain a better rate on that borrowing than is available under the
3 CFC Revolver.

4 At least two other immediate implications of the Commission
5 denying the financing application that would impact Big Rivers' decision-making
6 are (i) the 50% reduction of Big Rivers' access to temporary financing when the
7 current \$50 million CoBank revolving credit agreement terminates on July 16,
8 2012, and is not replaced as proposed in the financing application; and (ii) the
9 failure of Big Rivers to receive the financial benefit of the cost-savings, including a
10 reduction in annual cost of \$1,421,349, that result from the transactions proposed
11 in the financing application, which Big Rivers is counting on during 2012 to
12 achieve the minimum 1.10 MFIR required for Big Rivers to retain access to credit
13 that can be secured under its indenture.

14
15
16 **Witness)** Mark A. Hite
17

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1 **Item 2)** *Big Rivers' response to KIUC 1-5, pages 21, 22 and 23, includes*
2 *a power point presentation dated March 16, 2012 made by management to*
3 *the Big Rivers Board of Directors. At page 23 of 23, the third bullet point*
4 *cites "a heightened awareness of the potential for a smelter shut-down".*
5 *Please describe in detail the reasons why Big Rivers has "a heightened*
6 *awareness of the potential for a smelter shut-down." Include in your*
7 *answer whether Big Rivers believes that the potential for smelter shut-*
8 *down is credible.*

9

10 **Response)** Big Rivers objects to this request on the ground that the information
11 sought is irrelevant to the relief sought by Big Rivers, and the investigation and
12 findings required of the Commission under KRS 278.300. Without waiving this
13 objection, Big Rivers provides the following response.

14 The smelters began an aggressive campaign in the latter part of
15 2011, in the run up to the 2012 session of the Kentucky General Assembly, to
16 obtain state assistance to develop a plan that would provide financial support for
17 the smelter operations. While Big Rivers originally understood that the smelters'
18 concern was about their long-term viability during future downturns in the global
19 commodity price of aluminum, Century representatives made statements in
20 meetings attended by Big Rivers' personnel that Century's problems were more
21 immediate. In a letter to the Kentucky Economic Development Cabinet on March
22 1, 2012, Century said that its smelter operations need a competitive power rate to
23 remain in operation.

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1 Big Rivers' representatives attended several meetings arranged by
2 the smelters with elected officials and appointed officials at the state level as well
3 as with local officials, where the smelters made their arguments in favor of the
4 relief they sought, and Big Rivers understands that there were many other similar
5 meetings Big Rivers was not invited to attend. The smelters' campaign has
6 extended to civic clubs and the media in several counties in western Kentucky.
7 Big Rivers has heard reports of the smelters repeatedly saying that they needed
8 help with their power bills or they would shut down.

9 It was in this atmosphere of increased rhetoric about the viability of
10 the smelters that Big Rivers' management made the decision that was presented
11 to the Big Rivers' board on March 16, 2012, to begin "clawing back" the \$35
12 million in Transition Reserve funds that had previously been prepaid on the RUS
13 Series A Note.

14 Big Rivers takes seriously smelter statements concerning the
15 potential for plant closure that are made in public venues where the speakers are
16 accountable to the investment and credit markets.

17
18
19 **Witness)** Mark A. Hite
20

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1 **Item 3)** *Has Big Rivers advised CoBank and CFC of its "heightened*
2 *awareness of the potential for a smelter shut-down"? Was the advice*
3 *verbal or in writing? What reasons were given for such heightened*
4 *awareness? Please provide all written communications with CoBank and*
5 *CFC by which Big Rivers advised either financial institution of such*
6 *heightened awareness. If Big Rivers has not advised both CoBank and*
7 *CFC of its heightened awareness of the potential for a smelter shut-down,*
8 *please state the reasons for not doing so?*

9

10 **Response)** Big Rivers objects to this request on the ground that the information
11 sought is irrelevant to the relief sought by Big Rivers, and the investigation and
12 findings required of the Commission under KRS 278.300. Without waiving this
13 objection, Big Rivers provides the following response.

14 Big Rivers has discussed the smelter legislative initiatives, the
15 smelter campaign in support of those initiatives, and the potential for smelter
16 closure with both CoBank and CFC. Big Rivers' communications with CoBank
17 and CFC on this subject have been verbal, except as otherwise reflected on
18 documents produced in this proceeding. CoBank and CFC have access to all the
19 public information that is available to Big Rivers on the subject of smelter
20 financial condition and viability, and appear to Big Rivers to be well aware of that
21 information. They also routinely stay abreast of the activity and filings in this
22 proceeding.

23

24

25 **Witness)** Mark A. Hite

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1 **Item 4)** *Has Big Rivers advised any or all of the credit rating agencies*
2 *of its "heightened awareness of the potential for a smelter shut-down"?*
3 *Was the advice verbal or in writing? What reasons were given for such*
4 *heightened awareness? Please provide all written communications with*
5 *CoBank and CFC by which Big Rivers advised either financial institution*
6 *of such heightened awareness. If Big Rivers has not advised both CoBank*
7 *and CFC of its heightened awareness of the potential for a smelter shut-*
8 *down, please state the reasons for not doing so?*

9

10 **Response)** Big Rivers objects to this request on the ground that the information
11 sought is irrelevant to the relief sought by Big Rivers, and the investigation and
12 findings required of the Commission under KRS 278.300. Without waiving this
13 objection, Big Rivers provides the following response.

14 Big Rivers assumes that the references to CoBank and CFC in this
15 request were supposed to be a reference to the credit ratings agencies. Big Rivers
16 has not yet had detailed discussions with the ratings agencies regarding the
17 smelters' potential for closure. The ratings update process has commenced very
18 recently, and will likely include such discussions as the process progresses. Big
19 Rivers has been contacted by the ratings agencies and advised that the status of
20 the smelters is a matter in which the rating agencies have an interest. It is Big
21 Rivers' impression that the ratings agencies have at least as much information
22 about the smelters' financial condition and viability as Big Rivers does, which is to
23 be expected since each agency has its own in-house aluminum industry experts,

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1 and they stay very informed on media information concerning Big Rivers and the
2 smelters.

3

4

5 **Witness)** Mark A. Hite

6

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1 **Item 5)** *In light of its "heightened awareness" of the potential for a*
2 *smelter shut-down, describe all actions that Big Rivers has taken in an*
3 *effort to ameliorate the circumstances which would lead to a smelter shut-*
4 *down.*

5

6 **Response)** Big Rivers objects to this request on the ground that the information
7 sought is irrelevant to the relief sought by Big Rivers, and the investigation and
8 findings required of the Commission under KRS 278.300. Without waiving this
9 objection, Big Rivers provides the following response.

10 Since the Unwind closing in July of 2009, Big Rivers has taken
11 numerous cost containment (cost cutting and cost deferral) actions to reduce its
12 overall cost, and minimize and delay the need for the next base rate increase. As
13 stated in Big Rivers' application for a general adjustment in rates, Case No. 2011-
14 00036, testimony of Robert W. Berry, page 9 of 13, lines 15 through 17, *"In 2010*
15 *and 2011 combined, Big Rivers has deferred approximately \$15.5 million in O&M*
16 *expense and \$18.8 million in capital expenses."*

17 In Big Rivers' recently-filed case seeking approval of its 2012
18 Environmental Compliance Plan, Big Rivers recommended that the
19 Environmental Surcharge cost allocation be based on Total Adjusted Revenue
20 rather than the current cost allocation by kWh. This recommended change lowers
21 the Smelter estimated rate increase from 5.9% to 5.5%. And the change in
22 allocation methodology will apply not only to the incremental environmental
23 compliance costs in the 2012 Environmental Compliance Plan, but to the
24 environmental compliance costs that are currently being allocated on a kWh basis.

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1 In 2012 Big Rivers has reduced its projected Fuel Adjustment Clause
2 (FAC) charge, Non-FAC Purchased Power Adjustment and Environmental
3 Surcharge by approximately \$2.48 per MWh (an \$18.1 million benefit to the
4 Smelters). This was accomplished by making a spot purchase of 275,000 tons of
5 petroleum coke and by re-negotiating a reagent contract to obtain pricing based on
6 the market price of energy. Big Rivers has also deferred approximately
7 \$20,000,000 in fixed O&M expense and \$19.2 million in capital expense in 2012.

8 Big Rivers has supported the smelters' efforts, although not
9 necessarily every concept the smelters have presented, to obtain financial support
10 for the aluminum smelting industry in Kentucky. Big Rivers' president and CEO
11 addressed a state legislative committee in support of an initiative to provide the
12 smelters relief using coal severance tax revenues on coal consumed by Big Rivers
13 to generate energy for eventual sale to the smelters.

14 The present case was filed to reduce Big Rivers' expenses, which are
15 reflected in Big Rivers' rates to all its customers, including the smelters. Big
16 Rivers meets regularly with representatives of each smelter to provide them with
17 information on Big Rivers' operations for their use, and to discuss concepts by
18 which the viability of their operations may be enhanced.

19
20
21 **Witness)** Mark A. Hite
22

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1 Item 6) *Big Rivers' Response to KIUC 1-14 is an exchange of messages*
2 *between Mark Bailey and Mark Hite regarding Mark Hite's discussion of*
3 *March 7, 2012, with Kevin Rose of Moody's.*

4

5 a. *Mark Hite's message indicates that Mark Hite would have a*
6 *telephone meeting with Kevin Rose in late April or early*
7 *May 2012. Has that telephone meeting taken place? If so,*
8 *please provide a summary of the discussion between Mark*
9 *Hite and Kevin Rose.*

10 b. *Please explain the basis for Mark Hite's statement that*
11 *"Based on the feedback from Kevin, I think it appropriate to*
12 *refrain from phoning Fitch or S&P".*

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

17

18 **Response)** Big Rivers objects to this request on the ground that the information
19 sought is irrelevant to the relief sought by Big Rivers, and the investigation and
20 findings required of the Commission under KRS 278.300. Without waiving this
21 objection, Big Rivers provides the following response.

22

23 a. No. The call has not taken place. Big Rivers overview and 15-
24 year financial forecast were electronically provided to the rating

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- 1 agencies, Moody's, S&P and Fitch on May 3, 2012. Big Rivers
2 understands that each rating agency will contact Big Rivers when
3 it is prepared to commence telephonic dialogue in connection with
4 their 2012 Big Rivers rating update.
- 5 b. The purpose of the March 7, 2012, call to Kevin Rose of Moody's
6 was to inquire if, in his opinion, there would be any adverse credit
7 rating impact should Big Rivers management elect to eliminate
8 the \$35 million Transition Reserve. The discussion with Kevin
9 Rose of Moody's, as documented in Big Rivers' Response to KIUC
10 1-14, resulted in Big Rivers' management concluding that, from
11 the rating agencies' perspective, whether Big Rivers should
12 permanently eliminate the Transition Reserve is not a simple
13 "yes" or "no" question because the Transition Reserve is but one
14 small piece of the large puzzle comprising Big Rivers' credit rating
15 assessment. All things considered, Big Rivers' management
16 concluded that the Transition Reserve should be preserved for the
17 time being. Having reached that conclusion after speaking only to
18 Moody's, Big Rivers' management concluded that there was no
19 reason to pose the same question to S&P and Fitch.
- 20 c. Big Rivers' board of directors was informed of management's
21 recommendation to replenish the \$35 million Transition Reserve,
22 as noted on page 23 of Big Rivers' response to KIUC 1-5, and was
23 told that Big Rivers' management believed doing so would be
24 better for the credit ratings process. Management does not recall

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1 that it specifically told the board of directors that Mark Hite had a
2 discussion about the Transition Reserve with Kevin Rose of
3 Moody's, and management did not consider it necessary to inform
4 the board of that discussion or management's decision not to
5 initiate a similar discussion with Fitch or S&P.

6

7

8 **Witness)** Mark A. Hite

9

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1 **Item 7) *With respect to Big Rivers' proposed term loans with CoBank***
2 ***and CFC:***

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- 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.*

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1 *d. Does Big Rivers expect that the three credit rating agencies*
2 *will issue updated ratings prior to the closing of the term*
3 *loans with CoBank and CFC? If not, does Big Rivers believe*
4 *that it would be prudent to defer closing of these term loans*
5 *until the credit rating agencies have updated their ratings,*
6 *especially if a downgrade by two of the rating agencies*
7 *could result in a modification in the pricing of the term*
8 *loans?*

9 *e. Does Big Rivers believe that a Notice of Termination from*
10 *either Smelter would be a material event subject to*
11 *disclosure to Big Rivers' current and future lenders and to*
12 *the rating agencies? Does Big Rivers believe that a Notice*
13 *of Termination from a Smelter could result in a downward*
14 *revision to Big Rivers' current rating by any of the rating*
15 *agencies? If not, please explain the basis for believing that*
16 *a Smelter Notice of Termination would not affect the*
17 *creditworthiness of Big Rivers?*

18
19 **Response)**

20 a. Big Rivers does not know what the reaction of CoBank and CFC
21 would be to two of the three credit rating agencies downgrading
22 Big Rivers' ratings to below investment grade prior to the closing
23 of the term loans.

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- 1 b. No. Changes in Big Rivers' credit ratings after the closing of the
2 term loans will not affect the pricing under those loans because
3 the term loan pricing will be locked in at closing.
4 c. No. Please see the response to subparagraph b, above.
5 d. No. Big Rivers anticipates the credit rating agencies to update
6 their credit rating of Big Rivers in the July/August 2012
7 timeframe, which will be after the scheduled closing on June 29,
8 2012, of the transactions proposed in this financing application.
9 Big Rivers believes it would be imprudent to delay the closing of
10 the term loans because doing so would delay realization by Big
11 Rivers of the cost-savings benefits of the refinancing. The fixed-
12 rate term loans negotiated by Big Rivers are tied to Treasury
13 rates. Treasury rates are favorable, and trending downward,
14 which will potentially lower Big Rivers' fixed rates on the term
15 loans if the closing is achieved on June 29 as scheduled.
16 e. Big Rivers would disclose a smelter Notice of Termination to each
17 of its creditors, whether or not required to do so. A smelter Notice
18 of Termination could result in a credit rating downgrade, but Big
19 Rivers' management does not know whether that would happen.
20 Big Rivers presumes the reaction of a ratings agency to a smelter
21 Notice of Termination would be based, in part, on how Big Rivers
22 responds to that Notice of Termination.
23
24 Witness) Mark A. Hite

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

8

9 **Response)** Big Rivers objects to this request on the ground that the information
10 sought is irrelevant to the relief sought by Big Rivers, and the investigation and
11 findings required of the Commission under KRS 278.300. Without waiving this
12 objection, Big Rivers provides the following response.

13 Please see the following table, which shows the derivation of the
14 9.42% cost of capital shown in the February 2012 presentation to CoBank. The
15 cost of capital includes cost of debt, depreciation, property taxes, property
16 insurance and a TIER component. Note that the TIER component is only applied
17 to the cost of debt (5.50% times 0.24).

18

<u>Cost of Capital</u>	
Cost of Debt	5.50 %
Depreciation	2.28 %
Property Taxes	0.16 %
Property Insurance	0.16 %
1.24 TIER	<u>1.32 %</u>
Cost of Capital	9.42 %

19

20 **Witness)** Mark A. Hite

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1 **Item 9)** *Big Rivers' presentation to CoBank in February 2012 (see Big*
2 *Rivers' Response to KIUC 1-1, page 27 of 70) indicates that Big Rivers'*
3 *total annual ECP cost in 2016 will be \$26,704,758 for capital and*
4 *\$13,230,000 for O&M, for a total of \$39,934,758. Please explain why the*
5 *total annual ECP cost in 2016 will not include a component for*
6 *depreciation. If the assets that will be acquired by Big Rivers for*
7 *environmental compliance are depreciable assets, provide an estimate of*
8 *Big Rivers' expected annual depreciation expense for such assets.*

9
10 **Response)** Big Rivers objects to this request on the ground that the information
11 sought is irrelevant to the relief sought by Big Rivers, and the investigation and
12 findings required of the Commission under KRS 278.300. Without waiving this
13 objection, Big Rivers provides the following response.

14 Please see the response to KIUC 2-8, which shows the components of
15 the 9.42% cost of capital, as presented to CoBank. As illustrated, Big Rivers'
16 annual depreciation rate for environmental compliance assets of 2.28% was
17 included in the cost of capital. Therefore, the estimated annual ECP capital cost
18 in 2016 of \$26,704,758 included \$6,463,572 of depreciation expense.

19
20

21 **Witness)** Mark A. Hite

22

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**Response to the Kentucky Industrial Utility Customers'
Second Request for Information
Dated May 3, 2012**

May 11, 2012

1 **Item 10)** *Big Rivers' Response to KIUC 1-1, page 36 of 70, reflects Big*
2 *Rivers' actual smelter rates for 2010 and 2011 and projected rates for*
3 *2012-2016.*

4
5 *a. Please provide a chart that disaggregates the actual 2011*
6 *smelter rate of \$44.48 into the actual rate for the eight*
7 *months prior to September 1, 2011 (at which time Big*
8 *Rivers' rate increase became effective) and for the four*
9 *months subsequent to August 31, 2011.*

10 *b. Please provide a detailed calculation, for 2011 and 2012, of*
11 *the determination of the component of the smelter rate that*
12 *is based on the Large Industrial Rate at a 98% load factor*
13 *(\$34.70 in 2011 versus \$39.14 in 2012).*

14 *c. Please explain how an increase from 2011 to 2012 of \$4.44*
15 *per MWh in the component of the smelter rate that is based*
16 *on the Large Industrial Rate would be appropriate to*
17 *recover the rate increase of \$14.2 million that was allocated*
18 *to the smelters in the 2011 Base Rate proceeding.*

19
20 **Response)** Big Rivers objects to this request on the ground that the information
21 sought is irrelevant to the relief sought by Big Rivers, and the investigation and
22 findings required of the Commission under KRS 278.300. Without waiving this
23 objection, Big Rivers provides the following response.

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00119**

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1 a. Please see the attached chart titled Smelter Billing Determinants
2 January – December 2011, which shows a breakdown of the 2011
3 Smelter rates by month.

4 b. The Smelter Base Rate is calculated as follows:
5 $(\text{Demand Rate} / ((\text{Days in Year} * 24 * 0.98) / 12) * 1,000 + \text{Energy Rate} + \$0.25)$,
6 essentially converting the Large Industrial Demand Rate to an
7 energy rate per MWh using a 98% load factor and adding the
8 Large Industrial Energy Rate plus \$0.25. Currently, this
9 calculation is:
10 $(\$10.50 / ((366 * 24 * 0.98) / 12) * 1,000 + \$24.505 + \$0.25)$ or \$39.392 per
11 MWh.

12 When comparing the Base Rate in 2011 to the Base Rate in
13 2012, one must consider that \$10.212 per MWh of fuel cost was
14 “rolled in” to Base Rate in June of 2011, and \$0.876 per MWh of
15 purchased power cost was “rolled out” of Base Rate in connection
16 with the 2011 rate case proceeding. The fuel costs “rolled in” to
17 the Base Rate were offset by a corresponding decrease in the FAC
18 rate. Similarly, the purchased power costs “rolled out” of the Base
19 Rate were offset by a corresponding increase in the Non-FAC
20 Purchased Power Adjustment charge.

21 The Smelter Base Rate was \$28.153 per MWh in January
22 2011. The Smelter Base Rate in December of 2011 was \$39.432
23 per MWh. When the January rate of \$28.153 per MWh is
24 adjusted for the FAC “roll in” of \$10.212 per MWh and the Non

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1 FAC Purchased Power Adjustment “roll out” of \$.876 per MWh,
2 the resulting (adjusted) January rate is \$37.489 per MWh. By
3 comparing the adjusted January 2011 Smelter Base rate of
4 \$37.489 per MWh to the actual December Smelter Base Rate of
5 \$39.432 per MWh, the true increase is \$1.943 per MWh, a 5.18%
6 increase.

7 c. When taking into account the “roll in” of the FAC and the “roll
8 out” of the Non-FAC Purchased Power Adjustment, as noted in
9 the response to KIUC 2-10.b. above, the actual Smelter Base Rate
10 increase is \$1.943 per MWh, not \$4.44 per MWh. When the rate
11 increase of \$1.943 is multiplied by the Smelters’ 2011 Base Fixed
12 Energy of 7,297,080 MWhs, the result is an increase of \$14.2
13 million, the amount that corresponds to the Commission’s Order
14 in the Base Rate proceeding.

15

16

17 **Witness)** Mark A. Hite

18

Big Rivers Electric Corporation Smelter Billing Determinants January 2011 through December 2011

	Jan-11			Feb-11			Mar-11		
	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total
kWh									
Base Fixed Energy	268,316,160	351,435,840	619,752,000	242,350,080	317,425,920	559,776,000	267,955,520	350,963,480	618,919,000
Base Variable Energy	4,130,915	(1,149,156)	2,981,759	(76,835)	(24,589,434)	(24,666,269)	3,023,016	(9,862,078)	(6,839,062)
Base Monthly Energy	272,447,075	350,286,684	622,733,759	242,273,245	292,836,486	535,109,731	270,978,536	341,101,402	612,079,938
Supplemental Energy	0	0	0	0	0	0	0	0	0
Back-Up Energy	696,751	399	697,150	588,592	0	588,592	668,775	826	669,601
Surplus Energy	(9,698,000)	(67,416,000)	(77,114,000)	(5,763,000)	(37,175,700)	(42,938,700)	(9,001,700)	(36,977,200)	(45,978,900)
Total kWh Consumed	263,445,826	282,871,083	546,316,909	237,098,837	255,660,786	492,759,623	262,645,611	304,125,028	566,770,639

	Jan-11			Feb-11			Mar-11		
	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total
\$									
Base Fixed Energy	7,553,904.85	9,893,973.20	17,447,878.05	6,822,881.80	8,936,491.93	15,759,373.73	7,543,751.75	9,880,674.85	17,424,426.60
Base Variable Energy	51,512.51	(14,329.97)	37,182.54	(958.13)	(306,630.24)	(307,588.37)	37,697.00	(122,980.11)	(85,283.11)
Supplemental Energy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Back-Up Energy	32,596.63	20.31	32,616.94	24,523.44	0.00	24,523.44	28,480.99	23.36	28,504.35
Tier Adjustment Charge	513,371.04	672,404.46	1,185,775.50	513,371.04	672,404.46	1,185,775.50	513,371.04	672,404.46	1,185,775.50
FAC	2,274,660.63	2,924,543.53	5,199,204.16	2,447,202.05	2,957,941.35	5,405,143.40	3,321,112.93	4,180,538.79	7,501,651.72
Non-FAC PPA	(299,964.23)	(385,665.64)	(685,629.87)	(282,248.33)	(341,154.51)	(623,402.84)	(359,859.50)	(452,982.66)	(812,842.16)
Environmental Surcharge	560,423.63	720,539.71	1,280,963.34	461,045.98	557,267.83	1,018,313.81	546,292.73	687,660.43	1,233,953.16
Surcharge	419,752.39	549,783.01	969,535.40	388,593.10	508,971.10	897,564.20	419,319.62	549,216.18	968,535.80
Surplus Sales	(304,097.06)	(2,597,533.66)	(2,901,630.72)	(219,319.30)	(1,434,291.85)	(1,653,611.15)	(313,421.48)	(1,294,044.04)	(1,607,465.52)
Adjustments	0.00	0.00	0.00	0.00	0.00	0.00	(1,322.52)	0.00	(1,322.52)
Adjustment - Non-FAC PPA Domtar Fix	0.00	0.00	0.00	0.00	0.00	0.00	(1,164,917.63)	(1,442,318.53)	(2,607,236.16)
Total \$ - Smelter Bill	10,802,160.39	11,763,734.95	22,565,895.34	10,155,091.65	11,551,000.07	21,706,091.72	10,570,504.93	12,658,192.73	23,228,697.66
Adjustments	(54,395.67)	(53,703.99)	(108,099.66)	(96,725.55)	(146,094.27)	(242,819.82)	(124,691.09)	(145,662.38)	(270,353.47)
Non-FAC PPA Adjustment	0.00	0.00	0.00	0.00	0.00	0.00	1,164,917.63	1,442,318.53	2,607,236.16
Total \$ - Operating Report	10,747,764.72	11,710,030.96	22,457,795.68	10,058,366.10	11,404,905.80	21,463,271.90	11,610,731.47	13,954,848.88	25,565,580.35

	Jan-11			Feb-11			Mar-11		
	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total
\$ / MWh									
Base Fixed Energy	28.153	28.153	28.153	28.153	28.153	28.153	28.153	28.153	28.153
Base Variable Energy	12.470	12.470	12.470	12.470	12.470	12.470	12.470	12.470	12.470
Supplemental Energy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Back-Up Energy	46.784	50.902	46.786	41.665	2.118	41.665	42.587	28.281	42.569
Tier Adjustment Charge	1.913	1.913	1.913	2.118	2.118	2.118	1.916	1.916	1.916
FAC	8.349	8.349	8.349	10.101	10.101	10.101	12.256	12.256	12.256
Non-FAC PPA (Incl. Adjustments)	(1.101)	(1.101)	(1.101)	(1.165)	(1.165)	(1.165)	(5.632)	(5.556)	(5.590)
Environmental Surcharge	2.057	2.057	2.057	1.903	1.903	1.903	2.016	2.016	2.016
Surcharge	1.564	1.564	1.564	1.603	1.603	1.603	1.565	1.565	1.565
Surplus Sales	31.357	38.530	37.628	38.056	38.581	38.511	34.818	34.996	34.961
Effective Rate Smelter Bill	41.003	41.587	41.306	42.831	45.181	44.050	40.246	41.622	40.984
Operating Report Adjustments	(0.206)	(0.190)	(0.198)	(0.408)	(0.571)	(0.493)	3.961	4.264	4.123
Effective Rate - Operating Report	40.797	41.397	41.108	42.423	44.610	43.557	44.207	45.885	45.107

Big Rivers Electric Corporation Smelter Billing Determinants January 2011 through December 2011

	Apr-11			May-11			Jun-11		
	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total
kWh									
Base Fixed Energy	259,660.800	340,099.200	599,760.000	268,316.160	351,435.840	619,752.000	259,660.800	340,099.200	599,760.000
Base Variable Energy	2,688,944	(6,344,294)	(3,655,350)	1,165,320	(7,128,798)	(5,963,478)	(1,049,699)	(11,474,438)	(12,524,137)
Base Monthly Energy	262,349,744	333,754,906	596,104,650	269,481,480	344,307,042	613,788,522	258,611,101	328,624,762	587,235,863
Supplemental Energy	0	0	0	0	0	0	0	0	0
Back-Up Energy	660,096	8,640	668,736	377,386	82,721	460,107	158,137	0	158,137
Surplus Energy	(7,997,000)	(18,288,000)	(26,285,000)	(7,182,000)	(15,156,400)	(22,338,400)	(8,664,960)	(18,673,114)	(27,338,074)
Total kWh Consumed	255,012,840	315,475,546	570,488,386	262,676,866	329,233,363	591,910,229	250,104,278	309,951,648	560,055,926

	Apr-11			May-11			Jun-11		
	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total
\$									
Base Fixed Energy	7,310,230.50	9,574,812.78	16,885,043.28	7,553,904.85	9,893,973.20	17,447,878.05	9,961,886.59	13,047,905.81	23,009,792.40
Base Variable Energy	33,531.13	(79,113.35)	(45,582.22)	14,531.54	(88,896.12)	(74,364.58)	(23,809.28)	(260,263.20)	(284,072.48)
Supplemental Energy	28,104.43	414.09	28,518.52	19,262.37	3,789.43	23,051.80	7,115.10	0.00	7,115.10
Back-Up Energy	513,371.04	672,404.46	1,185,775.50	513,371.04	672,404.46	1,185,775.50	513,371.04	672,404.46	1,185,775.50
Tier Adjustment Charge	2,594,638.97	3,300,836.02	5,895,474.99	3,144,309.91	4,017,374.56	7,161,684.47	(269,214.16)	(342,098.38)	(611,312.54)
FAC	(301,702.21)	(383,818.14)	(685,520.35)	(349,248.00)	(446,221.93)	(795,469.93)	(269,989.99)	(343,084.25)	(613,074.24)
Non-FAC PPA	621,506.54	790,665.37	1,412,171.91	471,053.63	601,848.71	1,072,902.34	590,667.75	750,578.96	1,341,246.71
Environmental Surcharge	409,365.96	536,179.04	945,545.00	419,752.39	549,783.01	969,535.40	409,365.96	536,179.04	945,545.00
Surcharge	(289,306.87)	(677,919.07)	(967,225.94)	(291,077.95)	(617,241.77)	(908,319.72)	(370,176.95)	(828,198.11)	(1,198,375.06)
Adjustments	(515.68)	(278.97)	(794.65)	0.00	0.00	0.00	0.00	0.00	0.00
Adjustment - Non-FAC PPA Domtar Fix	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total \$ - Smelter Bill	10,919,223.81	13,734,182.23	24,653,406.04	11,495,859.78	14,586,813.55	26,082,673.33	10,549,216.06	13,233,424.33	23,782,640.39
Adjustments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-FAC PPA Adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total \$ - Operating Report	10,919,223.81	13,734,182.23	24,653,406.04	11,495,859.78	14,586,813.55	26,082,673.33	10,549,216.06	13,233,424.33	23,782,640.39

	Apr-11			May-11			Jun-11		
	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total
\$ / MWh									
Base Fixed Energy	28.153	28.153	28.153	28.153	28.153	28.153	38.365	38.365	38.365
Base Variable Energy	12.470	12.470	12.470	12.470	12.470	12.470	22.682	22.682	22.682
Supplemental Energy	42.576	47.927	42.645	51.042	45.810	50.101	44.993	44.993	44.993
Back-Up Energy	1.977	1.977	1.977	1.913	1.913	1.913	1.977	1.977	1.977
Tier Adjustment Charge	9.890	9.890	9.890	11.668	11.668	11.668	(1.041)	(1.041)	(1.041)
FAC	(1.152)	(1.151)	(1.151)	(1.296)	(1.296)	(1.296)	(1.044)	(1.044)	(1.044)
Non-FAC PPA (Incl. Adjustments)	2.369	2.369	2.369	1.748	1.748	1.748	2.284	2.284	2.284
Environmental Surcharge	1.577	1.577	1.577	1.564	1.564	1.564	1.577	1.577	1.577
Surcharge	36.177	37.069	36.798	40.529	40.725	40.662	42.721	44.352	43.835
Surplus Sales									
Effective Rate Smelter Bill	42.818	43.535	43.215	43.764	44.305	44.065	42.179	42.695	42.465
Operating Report Adjustments	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Effective Rate - Operating Report	42.818	43.535	43.215	43.764	44.305	44.065	42.179	42.695	42.465

Big Rivers Electric Corporation Smelter Billing Determinants January 2011 through December 2011

	Jul-11			Aug-11			Sep-11		
	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total
kWh									
Base Fixed Energy	268,316.160	351,435.840	619,752.000	268,316.160	351,435.840	619,752.000	259,660.800	340,099.200	599,760.000
Base Variable Energy	(1,307.733)	(10,111.811)	(11,419.544)	(643.180)	(12,066.050)	(12,709.230)	(376.943)	(10,993.936)	(11,370.879)
Base Monthly Energy	267,008.427	341,324.029	608,332.456	267,672.980	339,369.790	607,042.770	259,283.857	329,105.264	588,389.121
Supplemental Energy	0	0	0	0	0	0	0	0	0
Back-Up Energy	132.130	3,166	135,296	2,752.473	2,525	2,754,998	3,226,697	9,038	3,235,735
Surplus Energy	(11,888.000)	(26,367.400)	(38,255.400)	(14,109.139)	(21,875.528)	(35,984.667)	(9,159.100)	(13,791.800)	(22,950.900)
Total kWh Consumed	255,252.557	314,959.795	570,212.352	256,316.314	317,496.787	573,813.101	253,351,454	315,322.502	568,673,956
\$									
Base Fixed Energy	10,293,949.48	13,482,836.00	23,776,785.48	10,293,949.48	13,482,836.00	23,776,785.48	10,537,035.26	13,801,225.54	24,338,260.80
Base Variable Energy	(29,662.00)	(229,356.10)	(259,018.10)	(14,588.61)	(273,682.14)	(288,270.75)	(8,219.62)	(239,733.77)	(247,953.39)
Supplemental Energy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Back-Up Energy	7,171.24	159.51	7,330.75	173,802.64	143.31	173,945.95	171,252.78	304.11	171,556.89
Tier Adjustment Charge	513,371.04	672,404.46	1,185,775.50	513,371.04	672,404.46	1,185,775.50	513,371.04	672,404.46	1,185,775.50
FAC	109,473.46	139,942.85	249,416.31	324,419.65	411,316.19	735,735.84	408,372.07	518,340.79	926,712.86
Non-FAC PPA	(12,282.39)	(15,700.91)	(27,983.30)	(368,585.69)	(467,312.20)	(835,897.89)	(118,233.44)	(150,072.00)	(268,305.44)
Environmental Surcharge	563,120.77	719,852.38	1,282,973.15	589,148.23	746,952.91	1,336,101.14	498,862.14	633,198.53	1,132,060.67
Surcharge	419,752.39	549,783.01	969,535.40	419,752.39	549,783.01	969,535.40	409,365.96	536,179.04	945,545.00
Surplus Sales	(548,214.14)	(1,255,712.96)	(1,803,927.10)	(594,190.41)	(932,174.87)	(1,526,365.28)	(324,557.87)	(496,055.31)	(820,613.18)
Adjustments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Adjustment - Non-FAC PPA Domtar Fix	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total \$ - Smelter Bill	11,316,679.85	14,064,208.24	25,380,888.09	11,337,078.72	14,190,266.67	25,527,345.39	12,087,248.32	15,275,791.39	27,363,039.71
Adjustments	0.00	0.00	0.00	0.00	0.00	0.00	(37,051.28)	(45,939.76)	(82,991.04)
Non-FAC PPA Adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total \$ - Operating Report	11,316,679.85	14,064,208.24	25,380,888.09	11,337,078.72	14,190,266.67	25,527,345.39	12,050,197.04	15,229,851.63	27,280,048.67
\$ / MWh									
Base Fixed Energy	38.365	38.365	38.365	38.365	38.365	38.365	40.580	40.580	40.580
Base Variable Energy	22.682	22.682	22.682	22.682	22.682	22.682	21.806	21.806	21.806
Supplemental Energy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Back-Up Energy	54.274	50.382	54.183	63.144	56.756	63.138	53.074	33.648	53.019
Tier Adjustment Charge	1.913	1.913	1.913	1.913	1.913	1.913	1.977	1.977	1.977
FAC	0.410	0.410	0.410	1.212	1.212	1.212	1.575	1.575	1.575
Non-FAC PPA (Incl. Adjustments)	(0.046)	(0.046)	(0.046)	(1.377)	(1.377)	(1.377)	(0.456)	(0.456)	(0.456)
Environmental Surcharge	2.109	2.109	2.109	2.201	2.201	2.201	1.924	1.924	1.924
Surcharge	1.564	1.564	1.564	1.564	1.564	1.564	1.577	1.577	1.577
Surplus Sales	46.115	47.624	47.155	42.114	42.613	42.417	35.436	35.967	35.755
Effective Rate Smelter Bill	44.335	44.654	44.511	44.231	44.694	44.487	47.709	48.445	48.117
Operating Report Adjustments	0.000	0.000	0.000	0.000	0.000	0.000	(0.146)	(0.146)	(0.146)
Effective Rate - Operating Report	44.335	44.654	44.511	44.231	44.694	44.487	47.563	48.299	47.971

Big Rivers Electric Corporation Smelter Billing Determinants January 2011 through December 2011

	Oct-11			Nov-11			Dec-11		
	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total
Base Fixed Energy	268,316.160	351,435.840	619,752.000	260,021.440	340,571.560	600,593.000	268,316.160	351,435.840	619,752.000
Base Variable Energy	1,236.630	(7,526.447)	(6,289.817)	1,261.134	392	1,261,526	1,002,142	4,893,322	5,895,464
Base Monthly Energy	269,552,790	343,909,393	613,462,183	261,282,574	340,571,952	601,854,526	269,318,302	356,329,162	625,647,464
Supplemental Energy	0	0	0	0	0	0	0	74,000	74,000
Back-Up Energy	3,499,343	27,560	3,526,903	1,888,582	80,829	1,969,411	1,319,840	804,505	2,124,345
Surplus Energy	(8,925,000)	(12,352,300)	(21,277,300)	(6,305,900)	(2,996,800)	(9,302,700)	(4,259,900)	0	(4,259,900)
Total kwh Consumed	264,127,133	331,584,653	595,711,786	256,865,256	337,655,981	594,521,237	266,378,242	357,207,667	623,585,909

	Oct-11			Nov-11			Dec-11		
	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total
Base Fixed Energy	10,888,269.77	14,261,266.39	25,149,536.16	10,253,165.42	13,429,417.75	23,682,583.17	10,580,242.82	13,857,818.04	24,438,060.86
Base Variable Energy	26,965.96	(164,121.71)	(137,155.75)	27,500.28	8.55	27,508.83	21,852.72	106,703.77	128,556.49
Supplemental Energy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,201.04	2,201.04
Back-Up Energy	183,509.43	1,155.34	184,664.77	70,891.49	3,199.34	74,090.83	52,219.83	26,602.42	78,822.25
Tier Adjustment Charge	513,371.04	672,404.46	1,185,775.50	513,371.04	672,404.46	1,185,775.50	513,371.04	672,404.46	1,185,775.50
FAC	225,885.24	288,196.07	514,081.31	(148,669.78)	(193,785.44)	(342,455.22)	274,704.67	363,455.74	638,160.41
Non-FAC PPA	(149,062.69)	(190,181.89)	(339,244.58)	(19,596.19)	(25,542.90)	(45,139.09)	86,451.18	114,381.66	200,832.84
Environmental Surcharge	653,126.41	833,292.46	1,486,418.87	724,014.01	943,724.88	1,667,738.89	614,584.37	813,143.15	1,427,727.52
Surcharge	419,752.39	549,793.01	969,545.40	409,798.73	536,745.87	946,544.60	419,752.39	549,783.01	969,535.40
Surplus Sales	(308,144.22)	(428,470.99)	(736,615.21)	(212,836.91)	(104,015.87)	(316,852.78)	(140,648.92)	0.00	(140,648.92)
Adjustments	0.00	0.00	0.00	(606,117.54)	(793,882.24)	(1,399,999.78)	0.00	0.00	0.00
Adjustment - Non-FAC PPA Dmtar Fix	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total \$ - Smelter Bill	12,453,673.33	15,823,323.14	28,276,996.47	11,011,520.55	14,468,274.40	25,479,794.95	12,422,530.10	16,506,493.29	28,929,023.39
Adjustments	(606,117.54)	(793,882.24)	(1,399,999.78)	606,117.54	793,882.24	1,399,999.78	0.00	0.00	0.00
Non-FAC PPA Adjustment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total \$ - Operating Report	11,847,555.79	15,029,440.90	26,876,996.69	11,617,638.09	15,262,156.64	26,879,794.73	12,422,530.10	16,506,493.29	28,929,023.39

	Oct-11			Nov-11			Dec-11		
	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total	ALCAN	CENTURY	Total
Base Fixed Energy	40,580	40,580	81,160	37,101	37,101	74,202	39,432	39,432	78,864
Base Variable Energy	21,806	21,806	43,612	21,806	21,811	43,617	21,806	21,806	43,612
Supplemental Energy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Back-Up Energy	52,441	41,921	94,362	37,537	39,582	77,119	39,565	33,067	72,632
Tier Adjustment Charge	1,913	1,913	3,826	1,974	1,974	3,948	1,913	1,913	3,826
FAC	0,838	0,838	1,676	(0,569)	(0,569)	(1,138)	1,020	1,020	1,020
Non-FAC PPA (Incl. Adjustments)	(0,553)	(0,553)	(1,106)	(0,075)	(0,075)	(1,150)	0,321	0,321	0,321
Environmental Surcharge	2,423	2,423	4,846	2,771	2,771	5,542	2,282	2,282	4,564
Surcharge	1,564	1,564	3,128	1,576	1,576	3,152	1,564	1,564	3,128
Surplus Sales	34,526	34,688	69,214	33,752	34,709	68,461	33,017	33,017	66,034
Effective Rate Smelter Bill	47,150	47,720	94,870	42,869	42,849	85,718	46,635	46,210	92,845
Operating Report Adjustments	(2,295)	(2,394)	(4,689)	2,360	2,351	4,711	0,000	0,000	0,000
Effective Rate - Operating Report	44,855	45,326	90,181	45,229	45,200	90,429	46,635	46,210	92,845

**Big Rivers Electric Corporation
Smelter Billing Determinants
January 2011 through December 2011**

	2011		
	ALCAN	CENTURY	Total
Base Fixed Energy	3,159,206.400	4,137,873.600	7,297,080.000
Base Variable Energy	11,053,711	(96,352,728)	(85,299,017)
Base Monthly Energy	3,170,260,111	4,041,520,872	7,211,780,983
Supplemental Energy	0	74,000	74,000
Back-Up Energy	15,968,802	1,020,209	16,989,011
Surplus Energy	(102,953,699)	(271,070,242)	(374,023,941)
Total kwh Consumed	3,083,275,214	3,771,544,839	6,854,820,053

	\$		
Base Fixed Energy	109,593,172.57	143,543,231.49	253,136,404.06
Base Variable Energy	136,353.50	(1,672,394.39)	(1,536,040.89)
Supplemental Energy	0.00	2,201.04	2,201.04
Back-Up Energy	798,930.37	35,811.22	834,741.59
Tier Adjustment Charge	6,160,452.48	8,068,853.52	14,229,306.00
FAC	14,706,895.64	18,566,602.07	33,273,497.71
Non-FAC PPA	(2,444,321.48)	(3,087,355.37)	(5,531,676.85)
Environmental Surcharge	6,893,846.19	8,798,725.32	15,692,571.51
Surcharge	4,964,323.67	6,502,168.33	11,466,492.00
Surplus Sales	(3,915,992.08)	(10,665,658.50)	(14,581,650.58)
Adjustments	(607,955.74)	(794,161.21)	(1,402,116.95)
Adjustment - Non-FAC PPA Domtar Fix	(1,164,917.63)	(1,442,318.53)	(2,607,236.16)
Total \$ - Smelter Bill	135,120,787.49	167,855,704.99	302,976,492.48
Adjustments	(312,863.59)	(391,400.40)	(704,263.99)
Non-FAC PPA Adjustment	1,164,917.63	1,442,318.53	2,607,236.16
Total \$ - Operating Report	135,972,841.53	168,906,623.12	304,879,464.65

	\$ / MWh		
Base Fixed Energy	34.498	34.498	34.498
Base Variable Energy	12.336	17.357	18.008
Supplemental Energy		29.744	29.744
Back-Up Energy	50.031	35.102	49.134
Tier Adjustment Charge	1.950	1.950	1.950
FAC	4.639	4.594	4.614
Non-FAC PPA (Incl. Adjustments)	(1.139)	(1.129)	(1.129)
Environmental Surcharge	2.175	2.177	2.176
Surcharge	1.571	1.571	1.571
Surplus Sales	38.036	39.346	38.986
Effective Rate Smelter Bill	43.824	44.506	44.199
Operating Report Adjustments	0.276	0.279	0.278
Effective Rate - Operating Report	44.100	44.784	44.477

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00119**

**Response to the Kentucky Industrial Utility Customers'
Second Request for Information
Dated May 3, 2012**

May 11, 2012

1 **Item 11) *Please prepare a chart, using 2011 actual data, that shows the***
2 ***following for each Smelter and the total amount for the two Smelters:***

3

4

a. The take-or-pay amount denominated in MWh.

5

***b. The amount of energy, denominated in MWh, delivered to
and consumed by each Smelter.***

6

7

***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.***

8

9

10

***d. The amount of energy, denominated in MWh, that the
Smelters made available to Big Rivers for Surplus Sales.***

11

12

***e. The amount of energy, denominated in MWh, that Big
Rivers sold as Surplus Sales on behalf of the Smelters.***

13

14

***f. The aggregate charges paid by each Smelter for energy sold
as Surplus Sales.***

15

16

***g. The net revenues received by Big Rivers and credited to
each Smelter with respect to Surplus Sales, and***

17

18

***h. The aggregate charges paid by each Smelters for energy
that the Smelters made available to Big Rivers for Surplus***

19

20

***Sales, but for which Big Rivers was unable to effect Surplus
Sales at a price that would exceed the variable costs of such
energy.***

21

22

23

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00119**

**Response to the Kentucky Industrial Utility Customers'
Second Request for Information
Dated May 3, 2012**

May 11, 2012

1 **Response)** Big Rivers objects to this request on the ground that the information
2 sought is irrelevant to the relief sought by Big Rivers, and the investigation and
3 findings required of the Commission under KRS 278.300. Without waiving this
4 objection, Big Rivers provides the following response. Please refer to the attached
5 table.

6

7

8 **Witness)** Mark A. Hite

9

**Big Rivers Electric Corporation
Smelter Surplus Sales Summary
January - December 2011**

	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11
Century							
2-11(a) 1 Base Fixed Energy [MWh]	351,436	317,426	350,963	340,099	351,436	340,099	351,436
2-11(b) 2 Total MWh Consumed	282,871	255,661	304,125	315,476	329,233	309,952	314,960
2-11(c) 3 Base Fixed Energy less Consumed [MWh]	68,565	61,765	46,838	24,624	22,202	30,148	36,476
2-11(d) 4 MWh Made Available for Surplus Sales	72,024	65,280	47,805	25,009	22,019	30,672	37,776
2-11(e) 5 MWh Made Available for Surplus Sales (Not Sold)	4,608	28,104	10,828	6,721	6,863	11,999	11,409
6 MWh Made Available for Surplus Sales (Sold)	67,416	37,176	36,977	18,288	15,156	18,673	26,367
7							
8 Base Fixed Energy [\$/MWh]	28.153	28.153	28.153	28.153	28.153	38.365	38.365
9 FAC [\$/MWh]	8.349	10.101	12.256	9.890	11.668	(1.041)	0.410
10 Non-FAC PPA (Incl. Adjustments) [\$/MWh]	(1.101)	(1.165)	(5.632)	(1.152)	(1.296)	(1.044)	(0.046)
11 Environmental Surcharge [\$/MWh]	2.057	1.903	2.016	2.369	1.748	2.284	2.109
12 Tier Adjustment Charge [\$/MWh]	1.913	2.118	1.916	1.977	1.913	1.977	1.913
13 Surcharge [\$/MWh]	1.564	1.603	1.565	1.577	1.564	1.577	1.564
14 Aggregate Rate for Surplus Sales-Sold [\$/MWh] [Sum of lines 8-13]	40.935	42.713	40.274	42.814	43.750	42.118	44.315
15							
2-11(f) 16 Charges for Surplus Sales Energy-Sold \$ [Line 6 x Line 14]	2,759,670	1,587,887	1,489,221	782,982	663,093	786,474	1,168,471
17							
2-11(g) 18 Surplus Sales Credit on Power Bill \$	(2,597,534)	(1,434,292)	(1,294,044)	(677,919)	(617,242)	(828,198)	(1,255,713)
19							
2-11(h) 20 Charges for Surplus Sales (Not Sold) [Line 5 x Line 14]	188,632	1,200,418	436,078	287,753	300,239	505,369	505,572

**Big Rivers Electric Corporation
Smelter Surplus Sales Summary
January - December 2011**

	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	2011
Century						
2-11(a) 1 Base Fixed Energy [MWh]	351,436	340,099	351,436	340,572	351,436	4,137,874
2-11(b) 2 Total MWh Consumed	317,497	315,323	331,585	337,656	357,208	3,771,545
2-11(c) 3 Base Fixed Energy less Consumed [MWh]	33,939	24,777	19,851	2,916	(5,772)	366,329
2-11(d) 4 MWh Made Available for Surplus Sales	35,400	25,419	21,798	5,965	0	389,167
2-11(e) 5 MWh Made Available for Surplus Sales (Not Sold)	13,524	11,627	9,446	2,968	0	118,097
6 MWh Made Available for Surplus Sales (Sold)	21,876	13,792	12,352	2,997	0	271,070
7						
8 Base Fixed Energy [\$/MWh]	38.365	40.580	40.580	37.101	39.432	
9 FAC [\$/MWh]	1.212	1.575	0.838	(0.569)	1.020	
10 Non-FAC PPA (Incl. Adjustments) [\$/MWh]	(1.377)	(0.456)	(0.553)	(0.075)	0.321	
11 Environmental Surcharge [\$/MWh]	2.201	1.924	2.423	2.771	2.282	
12 Tier Adjustment Charge [\$/MWh]	1.913	1.977	1.913	1.974	1.913	
13 Surcharge [\$/MWh]	1.564	1.577	1.564	1.576	1.564	
14 Aggregate Rate for Surplus Sales-Sold [\$/MWh] [Sum of lines 8-13]	43.878	47.177	46.765	42.778	46.532	
15						
2-11(f) 16 Charges for Surplus Sales Energy-Sold \$ [Line 6 x Line 14]	959,854	650,656	577,655	128,197	0	11,554,160
17						
2-11(g) 18 Surplus Sales Credit on Power Bill \$	(932,175)	(496,055)	(428,471)	(104,016)	0	(10,665,659)
19						
2-11(h) 20 Charges for Surplus Sales (Not Sold) [Line 5 x Line 14]	593,427	548,536	441,728	126,974	0	5,134,726

Big Rivers Electric Corporation Smelter Surplus Sales Summary January - December 2011

	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11
21							
22	Alcan						
23							
2-11(a)	268,316	242,350	267,956	259,661	268,316	259,661	268,316
2-11(b)	263,446	237,099	262,646	255,013	262,677	250,104	255,253
2-11(c)	4,870	5,251	5,310	4,648	5,639	9,557	13,064
2-11(d)	10,056	9,504	11,025	9,912	10,200	12,888	15,888
	358	3,741	2,023	1,915	3,018	4,223	4,000
2-11(e)	9,698	5,763	9,002	7,997	7,182	8,665	11,888
30							
31	28,153	28,153	28,153	28,153	28,153	38,365	38,365
32	8,349	10,101	12,256	9,890	11,668	(1,041)	0,410
33	(1,101)	(1,165)	(5,632)	(1,152)	(1,296)	(1,044)	(0,046)
34	2,057	1,903	2,016	2,369	1,748	2,284	2,109
35	1,913	2,118	1,916	1,977	1,913	1,977	1,913
36	1,564	1,603	1,565	1,577	1,564	1,577	1,564
37	40,935	42,713	40,274	42,814	43,750	42,118	44,315
38							
2-11(f)	396,988	246,155	362,534	342,384	314,213	364,940	526,817
40							
2-11(g)	(304,097)	(219,319)	(313,421)	(289,307)	(291,078)	(370,177)	(548,214)
42							
2-11(h)	14,655	159,789	81,487	81,989	132,038	177,877	177,260

**Big Rivers Electric Corporation
Smelter Surplus Sales Summary
January - December 2011**

	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	2011
21						
22	Alcan					
23						
2-11(a)	268,316	259,661	268,316	260,021	268,316	3,159,206
2-11(b)	256,316	253,351	264,127	256,865	266,378	3,083,275
2-11(c)	12,000	6,309	4,189	3,156	1,938	75,931
2-11(d)	20,736	16,752	15,288	11,850	10,848	154,947
	6,627	7,593	6,363	5,544	6,588	51,994
2-11(e)	14,109	9,159	8,925	6,306	4,260	102,953
30						
31	38,365	40,580	40,580	37,101	39,432	
32	1,212	1,575	0,838	(0,569)	1,020	
33	(1,377)	(0,456)	(0,553)	(0,075)	0,321	
34	2,201	1,924	2,423	2,771	2,282	
35	1,913	1,977	1,913	1,974	1,913	
36	1,564	1,577	1,564	1,576	1,564	
37	43,878	47,177	46,765	42,778	46,532	
38						
2-11(f)	619,081	432,099	417,378	269,754	198,222	4,490,561
40						
2-11(g)	(594,190)	(324,558)	(308,144)	(212,837)	(140,649)	(3,915,992)
42						
2-11(h)	290,773	358,210	297,566	237,166	306,557	2,315,367

**Big Rivers Electric Corporation
Smelter Surplus Sales Summary
January - December 2011**

	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11
44							
45 Total							
46	619,752	559,776	618,919	599,760	619,752	599,760	619,752
2-11(a) 47 Base Fixed Energy [MWh]	546,317	492,760	566,771	570,488	591,910	560,056	570,212
2-11(b) 48 Total MWh Consumed	73,435	67,016	52,148	29,272	27,842	39,704	49,540
2-11(c) 49 Base Fixed Energy less Consumed [MWh]	82,080	74,784	58,830	34,921	32,219	43,560	53,664
2-11(d) 50 MWh Made Available for Surplus Sales	4,966	31,845	12,851	8,636	9,881	16,222	15,409
51 MWh Made Available for Surplus Sales (Not Sold)	77,114	42,939	45,979	26,285	22,338	27,338	38,255
2-11(e) 52 MWh Made Available for Surplus Sales (Sold)							
53							
54 Base Fixed Energy [\$/MWh]	28.153	28.153	28.153	28.153	28.153	38.365	38.365
55 FAC [\$/MWh]	8.349	10.101	12.256	9.890	11.668	(1.041)	0.410
56 Non-FAC PPA (Incl. Adjustments) [\$/MWh]	(1.101)	(1.165)	(5.632)	(1.152)	(1.296)	(1.044)	(0.046)
57 Environmental Surcharge [\$/MWh]	2.057	1.903	2.016	2.369	1.748	2.284	2.109
58 Tier Adjustment Charge [\$/MWh]	1.913	2.118	1.916	1.977	1.913	1.977	1.913
59 Surcharge [\$/MWh]	1.564	1.603	1.565	1.577	1.564	1.577	1.564
60 Aggregate Rate for Surplus Sales - Sold [\$/MWh] [Sum of lines 54-59]	40.935	42.713	40.274	42.814	43.750	42.118	44.315
61							
2-11(f) 62 Charges for Surplus Sales Energy-Sold \$ [Line 52 x Line 60]	3,156,658	1,834,042	1,851,754	1,125,366	977,305	1,151,414	1,695,288
63							
2-11(g) 64 Surplus Sales Credit on Power Bill \$	(2,901,631)	(1,653,611)	(1,607,466)	(967,226)	(908,320)	(1,198,375)	(1,803,927)
65							
2-11(h) 66 Charges for Surplus Sales (Not Sold) [Line 51 x Line 60]	203,287	1,360,207	517,565	369,742	432,276	683,246	682,832

**Big Rivers Electric Corporation
Smelter Surplus Sales Summary
January - December 2011**

44

	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	2011
45 Total						
46	619,752	599,760	619,752	600,593	619,752	7,297,080
2-11(a) 47 Base Fixed Energy [MWh]						
2-11(b) 48 Total MWh Consumed	573,813	568,674	595,712	594,521	623,586	6,854,820
2-11(c) 49 Base Fixed Energy less Consumed [MWh]	45,939	31,086	24,040	6,072	(3,834)	442,260
2-11(d) 50 MWh Made Available for Surplus Sales	56,136	42,171	37,086	17,815	10,848	544,114
51 MWh Made Available for Surplus Sales (Not Sold)	20,151	19,220	15,809	8,512	6,588	170,090
2-11(e) 52 MWh Made Available for Surplus Sales (Sold)	35,985	22,951	21,277	9,303	4,260	374,024
53						
54 Base Fixed Energy [\$/MWh]	38.365	40.580	40.580	37.101	39.432	
55 FAC [\$/MWh]	1.212	1.575	0.838	(0.569)	1.020	
56 Non-FAC PPA (Incl. Adjustments) [\$/MWh]	(1.377)	(0.456)	(0.553)	(0.075)	0.321	
57 Environmental Surcharge [\$/MWh]	2.201	1.924	2.423	2.771	2.282	
58 Tier Adjustment Charge [\$/MWh]	1.913	1.977	1.913	1.974	1.913	
59 Surcharge [\$/MWh]	1.564	1.577	1.564	1.576	1.564	
60 Aggregate Rate for Surplus Sales -Sold (\$/MWh) [Sum of lines 54-59]	43.878	47.177	46.765	42.778	46.532	
61						
2-11(f) 62 Charges for Surplus Sales Energy-Sold \$ [Line 52 x Line 60]	1,578,935	1,082,755	995,033	397,951	198,222	16,044,722
63						
2-11(g) 64 Surplus Sales Credit on Power Bill \$	(1,526,365)	(820,613)	(736,615)	(316,853)	(140,649)	(14,581,651)
65						
2-11(h) 66 Charges for Surplus Sales (Not Sold) [Line 51 x Line 60]	884,200	906,747	739,294	364,139	306,557	7,450,093

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1 **Item 12)** *If either or both Smelters were to terminate operations, and*
2 *Big Rivers were to sell in wholesale markets the energy that would*
3 *otherwise have been purchased by a smelters, does Big Rivers believe that*
4 *it could achieve the same level of Net Margins from wholesale market*
5 *sales as Big Rivers would achieve from sales to the Smelters? Please*
6 *explain Big Rivers' answer fully with reference to Big Rivers experience in*
7 *2011 with Surplus Sales on behalf of the Smelters.*

8

9 **Response)** Big Rivers' ability to achieve the same level of Net Margins from the
10 wholesale market as it would receive serving the smelters is dependent upon the
11 market price of energy on and after the smelter service termination date. If the
12 smelter were to terminate service one year from today, Big Rivers would probably
13 receive lower Net Margins from selling the energy on the wholesale market in the
14 short term, due to the weak market price, which is driven largely by a weak
15 economy and low natural gas prices. This would not necessarily be the case in the
16 long term, i.e. after 2014, when wholesale energy prices are forecasted to increase
17 significantly. The 2011 Surplus Sales on behalf of the smelters averaged
18 \$38.99/MWh compared to the 2011 smelter rate of \$44.48/MWh, including the
19 "premium" associated with Surplus Sales. Big Rivers' 2011 average off-system
20 sales price was \$33.33/MWh. In reality, if one or both smelters were to cease
21 operation, Big Rivers would pursue a variety of available options on both the
22 revenue and expense sides to mitigate the impact of that event.

23

24

25 **Witness)** Mark A. Hite

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1 **Item 13)** *Big Rivers' response to KIUC 1-4 includes a communication*
2 *dated November 1, 2011, from Mark Glotfelty at Goldman Sachs*
3 *referencing the successful issuance by Basin Electric Power Cooperative*
4 *in October 2011 of \$250 million in First Mortgage Obligations at a coupon*
5 *rate of 4.00%, and similar successful G&T debt offerings in 2011 for*
6 *Arkansas Electric, Oglethorpe Power, and Hoosier Energy. Please explain*
7 *why Big Rivers has declined to pursue an issuance of First Mortgage*
8 *Obligations as suggested by Goldman Sachs, and state whether there were*
9 *any further verbal communications between Big Rivers and Goldman*
10 *Sachs that served to discourage Big Rivers from pursuing the issuance of*
11 *First Mortgage Obligations.*

12
13 **Response)** The November 1, 2011 communication from Mark Glotfelty at
14 Goldman Sachs did not suggest or recommend issuance of "First Mortgage
15 Obligations" by Big Rivers, so there was no advice given in that message that Big
16 Rivers could decline to pursue. In Big Rivers' on-going dialogue with Goldman
17 Sachs, Big Rivers' investment advisor, Goldman Sachs opined on more than one
18 occasion that each of the contemplated CoBank and CFC term loan rates was very
19 good for a unique BBB- credit like Big Rivers, and advised Big Rivers to diligently
20 pursue closing and taking advantage of that opportunity.

21 With respect to the issuances referenced in the Goldman Sachs
22 message, it is important to note that Basin, Arkansas, Oglethorpe and Hoosier are
23 A-rated cooperatives, while Big Rivers is rated Baa1 by Moody's, and BBB- by
24 S&P and Fitch. While price discovery for a taxable transaction is limited and

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1 uncertain for a unique “storied” credit such as Big Rivers, it is fair to assume the
2 credit spread would be at least 100bp higher for a similar Big Rivers’ transaction,
3 and the interest rate would therefore be higher than the currently estimated all-in
4 effective rates of 4.24% for CoBank and 4.76% for CFC for the term loans that are
5 the subject of this proceeding.

6

7

8 **Witness)** Mark A. Hite

9

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1 **Item 14)** *Big Rivers' response to KIUC 1-5 includes substantially similar*
2 *presentations made by Big Rivers in May 2011 to each of the three credit*
3 *rating agencies. On the page entitled "Selected Financial Projection*
4 *Assumptions", Big Rivers projects borrowings of \$112 million in 2012 and*
5 *\$270 million in 2016, each assumed at an interest rate of 8.30%. Please*
6 *provide the basis for these interest rate projections made in May 2011.*

7
8 **Response)** Big Rivers objects to this request on the ground that the information
9 sought is irrelevant to the relief sought by Big Rivers, and the investigation and
10 findings required of the Commission under KRS 278.300. Without waiving this
11 objection, Big Rivers provides the following response.

12 The 8.3% taxable interest rate assumption in the May 2011 credit
13 rating agencies was from Big Rivers' 2011 Budget and 2012-2014 Financial Plan,
14 finalized in the December 2010 timeframe. At that time, U.S. Treasury interest
15 rates were approximately 125bp higher across the long end of the curve than now,
16 the spread to U.S. Treasury was wider, the spread between municipal and taxable
17 debt was wider still, and lenders were less willing to lend. More specifically, the
18 BBB- credit spread had widened significantly in the 2008-2009 timeframe. By
19 way of example, on June 8, 2010, Big Rivers refinanced the \$83.3 million County
20 of Ohio Kentucky pollution control bonds, maturing July 15, 2031, at a fixed rate
21 of 6%. Based on the credit markets today, all else being equal, Big Rivers believes
22 those same municipal bonds, having an approximate 20 year bullet maturity,
23 could be refinanced at approximately 4.5%, which is 150bp less than the 6%
24 secured issue on June 8, 2010. Similarly, today Big Rivers estimates it can borrow

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1 30 year final maturity taxable debt, generally level debt service (an average life of
2 20 years), for approximately 5.5% (assuming a 275bp Big Rivers credit spread).

3 Benchmarking off the June 8, 2010, \$83.3 million pollution control
4 bond refinancing, Big Rivers conservatively estimated an interest rate of 8.3% for
5 the two taxable borrowings in the May 2011 presentation, the first such borrowing
6 projected to occur October 1, 2012, in the amount of \$112 million, having an
7 average life of approximately 13 years, and the second such borrowing projected to
8 occur January 4, 2016, in the amount of \$270 million, having an average life of
9 approximately 22 years.

10 The credit markets have "thawed" considerably during the past year,
11 lending has increased, interest rates are at historic lows, and credit spreads have
12 tightened. Big Rivers also has benefited from market intelligence obtained from
13 recent dialogue with Goldman Sachs, CoBank, CFC and BB&T, increasing its
14 knowledge about available interest rates -- although Big Rivers has learned that
15 those rates do not translate into rates that are automatically available for a
16 unique, "storied" credit like Big Rivers. "Storied credit" is the term applied to an
17 entity that has a complicated history that must be thoroughly explained to a
18 potential lender or purchaser of debt beyond the depth of explanation that is
19 required of the typical entity.

20

21

22 **Witness)** Mark A. Hite

23

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1 **Item 15) *Big Rivers' response to KIUC 1-1 includes a power point***
2 ***presentation summarizing the Official Budget and Forecast of Big Rivers***
3 ***for 2012 through 2016 that was adopted by Big Rivers' Board on or about***
4 ***December 20, 2011. Please indicate whether the Official Budget and***
5 ***Forecast is consistent with the financing plan included in the subject***
6 ***Financing Application. If the Financing Application uses budget***
7 ***numbers that are different from the Official Budget and Forecast, please***
8 ***state the reasons for the deviation.***

9
10 **Response) The following chart highlights the differences between the 2012**
11 **Approved Budget and the financing application budget numbers.**
12

<u>2012 Approved Budget</u>			<u>Proposed Financing Plan</u>		
Borrow April 2, 2012			Borrow June 29, 2012		
<u>Borrowings</u>	<u>Amount</u>	<u>Rate</u>	<u>Borrowings</u>	<u>Amount</u>	<u>Rate</u>
CoBank	\$125,000,000	4.50%	CoBank	\$235,000,000	4.24%
Public Market	445,000,000	5.00%	CFC	302,000,000	4.76%
			CFC CTC Loan	43,155,800	
Total	<u>570,000,000</u>		Total	<u>580,155,800</u>	
<u>Uses</u>			<u>Uses</u>		
RUS Series A Note	514,428,243		RUS Series A Note	442,000,000	
Ongoing CapX	55,571,757		CFC CTC Investment	43,155,800	
			Transition Reserve	35,000,000	
			Ongoing CapX	<u>60,000,000</u>	
Total	<u>\$570,000,000</u>		Total	<u>\$580,155,800</u>	

13
14 The 2012 Approved Budget assumed Big Rivers would borrow on April 2, 2012 to
15 completely retire the RUS Series A Note and fund ongoing capital expenditures.
16 The 2012 Approved Budget also assumed permanent elimination of the Transition

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1 Reserve. After the 2012 Approved Budget was prepared, Big Rivers received the
2 proposals that are the subject of this proceeding from CoBank and CFC, and the
3 parties agreed upon June 29, 2012, for the closing. Also subsequent to the 2012
4 Approved Budget preparation, Big Rivers' management concluded that it was
5 prudent to replenish the Transition Reserve investment account concurrently with
6 the closing of the CoBank term loan.

7

8

9 **Witness)** Mark A. Hite

10

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1 **Item 16)** *Please describe all events and circumstances occurring since*
2 *the preparation of the May 2011 presentation to the rating agencies that*
3 *led Big Rivers to believe that it could obtain all necessary financing for*
4 *the next three years at interest rates ranging from 4.50% to 5.00%,*
5 *compared to the 8.30% forecast by Big Rivers seven months earlier in its*
6 *presentations to the rating agencies.*

7

8 **Response)** Big Rivers objects to this request on the ground that the information
9 sought is irrelevant to the relief sought by Big Rivers, and the investigation and
10 findings required of the Commission under KRS 278.300. Without waiving this
11 objection, Big Rivers provides the following response.

12 Please see the response to KIUC 2-14. Note that the 4.5% is the rate
13 Big Rivers is currently assuming for the June 1, 2013, refinancing of the \$58.8
14 million pollution control bonds, with a 16 year bullet maturity, and the 5.5% is the
15 rate Big Rivers is currently assuming for the 2012 environmental compliance plan
16 capital expenditures, with an approximate 28-year level debt service. Regarding
17 future financings, other than the CoBank and CFC term loans that are the subject
18 of this proceeding, Big Rivers has alternatives to a long-term capital market
19 transaction. For example, Big Rivers plans to file an RUS loan application in
20 connection with its 2012 environmental compliance plan anticipated capital
21 expenditure financing. If available to Big Rivers, the RUS rate would be 1/8th of
22 1.0% over the applicable Treasury rate. Understanding the timing of the 2012
23 environmental compliance plan filing and implementation, Big Rivers is pursuing
24 a 5-year syndicated revolver as a bridge to permanent financing.

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1

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3 **Witness)** Mark A. Hite

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