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PUBLIC SERVICE
COMMISSION

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative 

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

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

**Response to Alcan Primary Products'
Initial Request for Information
dated February 14, 2013**

FILED: February 28, 2013

ORIGINAL

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Frank Stainback
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*Also Licensed in Indiana

February 28, 2013

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


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

Dear Mr. DeRouen:

Enclosed for filing are an original and ten (10) copies of (i) the response of Big Rivers Electric Corporation to the Public Service Commission Staff's Second Request for Information and the intervenor's first requests for information; (ii) a petition for confidential treatment for certain of the responses; and (iii) a Motion for Deviation. Please note that since the Commission has not ruled on the petition to intervene filed by Ben Taylor and the Sierra Club, Big Rivers is not responding to their information requests or sending them copies of the responses to the information requests that Big Rivers is responding to.

Copies of the responses, the petition, and the motion have been served on those parties listed on the attached service list by Federal Express or hand delivery.

Sincerely,



Tyson Kamuf

cc: Service List
Billie J. Richert

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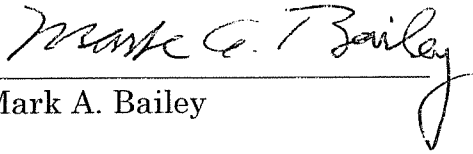
David O'Brien Suetholz
Neal B. Hayes
Kircher Suetholz & Grayson PSC
515 Park Avenue
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BIG RIVERS ELECTRIC CORPORATION

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

VERIFICATION

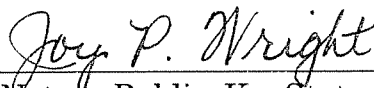
I, Mark A. Bailey, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Mark A. Bailey

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Mark A. Bailey on this
the 27 day of February, 2013.



Notary Public, Ky. State at Large
My Commission Expires _____

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

BIG RIVERS ELECTRIC CORPORATION

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

VERIFICATION

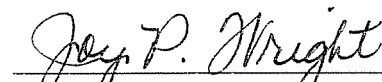
I, Billie J. Richert, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Billie J. Richert

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Billie J. Richert on this
the 27 day of February, 2013.



Notary Public, Ky. State at Large
My Commission Expires _____

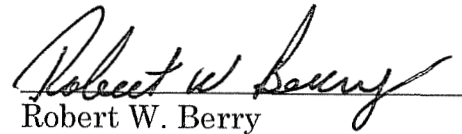
Notary Public Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951

BIG RIVERS ELECTRIC CORPORATION

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


VERIFICATION

I, Robert W. Berry, verify, state, and affirm that I prepared or supervised the preparation of 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.


Robert W. Berry

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Robert W. Berry on this
the 27 day of February, 2013.


Notary Public, Ky. State at Large
My Commission Expires _____

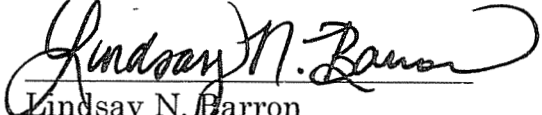
Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951

BIG RIVERS ELECTRIC CORPORATION

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

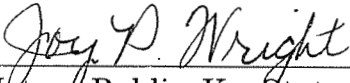
VERIFICATION

I, Lindsay N. Barron, verify, state, and affirm that I prepared or supervised the preparation of 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.


Lindsay N. Barron

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Lindsay N. Barron on
this the 27 day of February, 2013.


Notary Public, Ky. State at Large
My Commission Expires _____

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

BIG RIVERS ELECTRIC CORPORATION

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


VERIFICATION

I, David G. Crockett, 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.


David G. Crockett

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by David G. Crockett on this
the 27 day of February, 2013.


Notary Public, Ky. State at Large
My Commission Expires _____

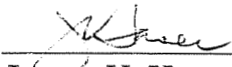
Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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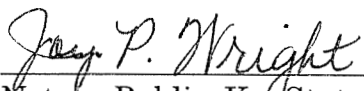
I, James V. Haner, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



James V. Haner

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by James V. Haner on this
the 27 day of February, 2013.



Notary Public, Ky State at Large
My Commission Expires _____

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

BIG RIVERS ELECTRIC CORPORATION

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

VERIFICATION

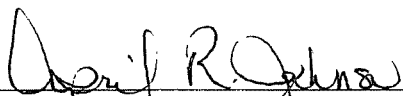
I, Travis A. Siewert, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



Travis A. Siewert

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Travis A. Siewert on this
the 26th day of February, 2013.



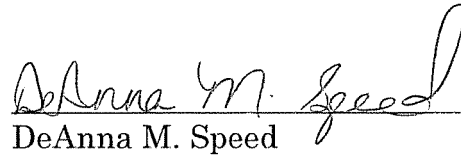
Notary Public, Ky State at Large
My Commission Expires 8-9-2014

BIG RIVERS ELECTRIC CORPORATION

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


VERIFICATION

I, DeAnna M. Speed, verify, state, and affirm that I prepared or supervised the preparation of 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.


DeAnna M. Speed

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by DeAnna M. Speed on this
the 27 day of February, 2013.


Notary Public, Ky. State at Large
My Commission Expires _____

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

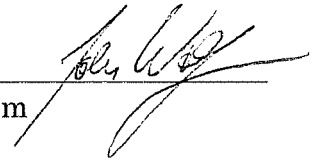
BIG RIVERS ELECTRIC CORPORATION

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

VERIFICATION

I, John Wolfram, verify, state, and affirm that I prepared or supervised the preparation of 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.

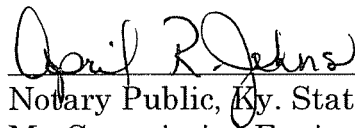
John Wolfram



COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by John Wolfram on this the
26th day of February, 2013.

Notary Public, Ky. State at Large
My Commission Expires 8-9-2014




BIG RIVERS ELECTRIC CORPORATION

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

VERIFICATION

I, Ted J. Kelly, 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.



Ted J. Kelly

STATE OF MISSOURI)
COUNTY OF JACKSON)

SUBSCRIBED AND SWORN TO before me by Ted J. Kelly on this the 27 day of February, 2013.



PAULA M. ANNAN
My Commission Expires
January 19, 2015
Jackson County
Commission #11992872

Paula M Annan
Notary Public
State of Missouri
My Commission Expires 1-19-15

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Alcan Primary Products Corporation's Initial Request
for Information dated February 14, 2013**

February 28, 2013

1 *Item 1) Section 4.23 of the RUS Loan Agreement requires Big Rivers to*
2 *maintain two credit ratings of Investment Grade.*

3 *(a) Please state whether Big Rivers is in compliance with*
4 *Section 4.23. If Big Rivers is not in compliance, please provide when*
5 *available a copy of the written corrective plan to the RUS as required by*
6 *Section 4.23(c) of the RUS Loan Agreement.*

7 *(b) If Big Rivers is not in compliance, please provide the steps*
8 *RUS has taken, if any, to exercise its rights under the lockbox facility*
9 *pursuant to Section 4.12 of the RUS Loan Agreement.*

10 *This is a continuing request for Big Rivers to update its response*
11 *at such time or times as may be necessary.*

12 **Response)**

13 a. Big Rivers is currently in compliance with Section 4.23 of the RUS Loan
14 Agreement (the "Agreement").

15 Section 4.23(a) of the Agreement requires Big Rivers to (i) maintain a
16 Credit Rating from at least two Rating Agencies and (ii) continuously
17 subscribe with a Rating Agency for services described in Exhibit C of the
18 Agreement. In compliance with Section 4.23(a), Big Rivers currently
19 maintains Credit Ratings from at least two Rating Agencies and continuously
20 subscribes with a Rating Agency for the services described in Exhibit C of the
21 Agreement.

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Alcan Primary Products Corporation's Initial Request
for Information dated February 14, 2013**

February 28, 2013

1 Section 4.23(b) of the Agreement requires Big Rivers to notify the RUS in
2 writing if it fails to maintain two Credit Ratings of Investment Grade within
3 five (5) days after becoming aware of such failure. In compliance with
4 Section 4.23(b), Big Rivers notified the RUS in writing of its failure to
5 maintain two Credit Ratings of Investment Grade within five (5) days after
6 becoming aware of such failure. Refer to the attachment to the response for
7 KIUC 1-25 for a copy of the letter dated February 7, 2013, provided to RUS
8 by Big Rivers, notifying RUS of its failure to maintain two Investment Grade
9 Credit Ratings.

10 Section 4.23(c) of the Agreement requires that Big Rivers, in Consultation
11 with the RUS, provide a written plan, satisfactory to the RUS within thirty
12 (30) days of the date it fails to maintain two Credit Ratings of Investment
13 Grade, setting forth the actions that shall be taken that are reasonably
14 expected to achieve two Credit Ratings of Investment Grade. In compliance
15 with Section 4.23(c), Big Rivers is scheduled to meet with the RUS on March
16 7, 2013 to discuss the corrective plan which Big Rivers is currently
17 developing and plans to provide to the RUS prior to the meeting.

18

19 b. As stated in a. above, Big Rivers is currently in compliance with Section
20 4.23 of the Agreement.

21

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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CASE NO. 2012-00535**

**Response to Alcan Primary Products Corporation's Initial Request
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February 28, 2013

1 To the extent this request seeks continuous or ongoing updates, Big Rivers
2 objects on the grounds that it is overbroad and unduly burdensome.
3 Notwithstanding this objection, but without waiving it, Big Rivers states that it
4 will only update its response as required by law, as ordered by the Commission,
5 or as it otherwise deems appropriate.

6 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Alcan Primary Products Corporation's Initial Request
for Information dated February 14, 2013**

February 28, 2013

1 *Item 2) Please provide copies of all communications with the accounting*
2 *firm conducting Big Rivers 2012 annual audit concerning the*
3 *preparation of the audit report for 2012.*

4

5 **Response)** Counsel for Big Rivers objected to Alcan's counsel regarding the
6 scope of this request on the basis of it being overbroad and many of the
7 communications being irrelevant to this proceeding. Alcan counsel agreed to
8 limit the scope to communications with management relating to auditor issues
9 or concerns.

10 Please refer to Big Rivers' response, dated February 12, 2013, to Item 4 of
11 the Kentucky Industrial Utility Customers' Supplemental Request for
12 Information, dated February 5, 2013, in Case No. 2012-00492 ("KIUC 2-4").
13 Additionally, please see Big Rivers' supplemental response, dated February 25,
14 2013, to KIUC 2-4 in case No. 2012-00492.

15

16 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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

Response to Alcan Primary Products Corporation's Initial Request
for Information dated February 14, 2013

February 28, 2013

1 Item 3) *Exhibit 1 (confidential) to the Direct Testimony of Witness Berry*
2 *provides the current outage schedule for Big Rivers' generating units.*
3 *Since the filing of the Application, Big Rivers has amended its*
4 *Application in KPSC Case No. 2012-00492 and Alcan has given Notice of*
5 *Termination.*

6 (a) *Has Big Rivers modified the outage schedule or does Big*
7 *Rivers presently intend to modify the outage schedule as a result of*
8 *either of those two events? If your answer is Yes, please provide the*
9 *revised Exhibit 1 and explain the reasons for such modification.*

10 (b) *Has Big Rivers modified or does it intend to modify the*
11 *amount of routine non-outage O&M referenced in Berry Direct*
12 *Testimony, page 16, lines 12-13 (confidential) as a result of either of*
13 *those two events. If your answer is Yes, please explain the modifications*
14 *and the reasons therefor.*

15

16

17 **Response)**

18 a. No. Please refer to PSC 2-1

19 b. No. Please refer to PSC 2-1

20

21 Witness) Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION

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

Response to Alcan Primary Products Corporation's Initial Request
for Information dated February 14, 2013

February 28, 2013

1 Item 4) *Reference the Direct Testimony of Witness Bailey, page 12, lines*
2 *6-8, that Big Rivers does not expect its mitigation efforts to materialize*
3 *for at least three years; Witness Berry, page 20, lines 1-4, that off-system*
4 *sales will not be an effective mitigation method for the next few years;*
5 *and Witness Berry, page 21, lines 9-10, that Big Rives' mitigation efforts*
6 *will require three to four years to come to full fruition. Since the filing*
7 *of the Application, Alcan has provided Big Rivers with Notice of*
8 *Termination.*

9 a. *Has the Alcan Notice of Termination resulted in any new*
10 *mitigation plans, strategies or efforts by Big Rivers?*

11

12 b. *Has any event occurred since the filing of the Application that*
13 *would cause either Witnesses Bailey or Berry to amend the above*
14 *testimony.*

15 Response)

16 a. Not at this time. Big Rivers is still analyzing the impact of the Alcan
17 notice on Big Rivers' mitigation plans.

18 b. No.

19

20 Witness) Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION

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

Response to Alcan Primary Products Corporation's Initial Request
for Information dated February 14, 2013

February 28, 2013

1 *Item 5) Does Big Rivers believe it necessary to update, or does Big Rivers*
2 *intend to update, any of its Direct Testimony or Exhibits, including the*
3 *Financial Model attached to the Direct Testimony of Witness Siewert, or*
4 *the inputs to the forecasted test period, because of either (i) the Alcan*
5 *Notice of Termination or (ii) Big Rivers retiring the \$58.8 million*
6 *pollution control bonds due June 1, 2013 with funds obtained from*
7 *sources other than marketing new bonds. If your answer is Yes, please*
8 *explain fully and provide the updated information.*

9

10 **Response)** Please see the responses to PSC 2-1, PSC 2-13, and PSC 2-36.

11

12 **Witness)** John Wolfram

BIG RIVERS ELECTRIC CORPORATION

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

Response to Alcan Primary Products Corporation's Initial Request
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February 28, 2013

1 *Item 6) Since the 2012 refinancing was completed, has Big Rivers had*
2 *formal or informal discussions, or does in presently intend to have such*
3 *discussion, with RUS, CoBank or CFC concerning the restructuring of*
4 *any of its long term debt. If your answer is Yes, please provide any and*
5 *all documents reflecting those discussions including summaries of*
6 *informal discussions. If your answer is No, please explain why Big*
7 *Rivers would not initiate such discussions given its "precarious*
8 *financial position" (Bailey Direct Testimony, page 7)?*

9

10 **Response)** No. Big Rivers just completed a \$537,000,000 refinancing with
11 RUS, CoBank and CFC in July 2012. To the extent that this request seeks
12 information regarding communications with counsel, Big Rivers objects to this
13 request on the grounds that is protected by the attorney-client and attorney
14 work product privileges.

15

16 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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

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February 28, 2013

1 **Item 7) Reference the Direct Testimony of Witness Crockett, page 10,**
2 **lines 8-10. Please confirm and explain the process by which Big Rivers**
3 **can export 850 megawatts prior to completion of the Phase 2**
4 **Transmission Project in 2014-15.**

5

6 **Response)** Big Rivers has completed all of the Phase 2 Transmission Projects
7 except one. The TVA Paradise switchyard upgrade is ongoing and, as noted, is
8 scheduled for completion by TVA in late 2014 or early 2015. Until that project is
9 completed, Big Rivers, if needed, can re-configure its transmission system to
10 fully utilize the new Phase 2 161 kV transmission line in addition to the other
11 Phase 2 Transmission Projects. The increase in export transfer capability
12 derived from the completion of all of those system upgrades will allow Big Rivers
13 to export the smelter power plus the normal excess power above that needed to
14 meet its members' load requirements.

15 **Witness)** David G. Crockett

16

BIG RIVERS ELECTRIC CORPORATION

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

Response to Alcan Primary Products Corporation's Initial Request
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February 28, 2013

1 *Item 8) Is Big Rivers in active negotiations with CFC or CoBank to*
2 *renegotiate the terms and conditions of the respective revolving credit*
3 *agreements? Please describe in detail the status of those negotiations*
4 *and provide copies of all communications with CFC or CoBank on this*
5 *subject since August 20, 2012.*

6

7 **Response)** Big Rivers is in ongoing negotiations with CFC and Cobank to
8 renegotiate the terms and conditions of the revolving credit agreements. Big
9 Rivers objects to describing in detail the status of these negotiations, as this
10 effort is ongoing, and any agreements reached will be filed with the Commission
11 for approval.

12 Please refer to Response KIUC 1-2 for copies of all communications with CFC on
13 this subject since August 20, 2012.

14 Please refer to Response KIUC 1-3 for copies of all communications with CoBank
15 on this subject since August 20, 2012.

16

17 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Alcan Primary Products Corporation's Initial Request
for Information dated February 14, 2013**

February 28, 2013

1 **Item 9) *Please provide copies of all communications with RUS, CFC or***
2 ***CoBank regarding the Alcan Notice of Termination.***

3

4 **Response) Please see responses to KIUC 1-1, KIUC 1-2, and KIUC 1-3.**

5

6 **Witness) Billie J. Richert**

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Alcan Primary Products Corporation's Initial Request
for Information dated February 14, 2013**

February 28, 2013

1 **Item 10) Is Big Rivers in active negotiations with CoBank regarding the**
2 **proposed three year term loan to fund capital expenditures under its**
3 **Environmental Compliance Plan? Please describe in detail the status of**
4 **those negotiations and provide copies of all communications with**
5 **CoBank on this subject since December 31, 2012?**

6

7 **Response) No, Big Rivers is not in active negotiations with CoBank regarding**
8 **the proposed three year term loan to fund capital expenditures under its**
9 **Environmental Compliance Plan.**

10

11 **Witness) Billie J. Richert**

BIG RIVERS ELECTRIC CORPORATION

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1 Item 11) *Tab 29 of the Application (confidential) presents Big Rivers'*
2 *Capital Construction budget for years 2013-15 including the start and*
3 *completion dates of each project. Please explain if the stated start date*
4 *for the 2013 project is correct; the manner by which Big Rivers intends to*
5 *finance the 2013 capital expenditure; and whether such financing will*
6 *be in place by the stated start date.*

7

8 **Response)** The HAPS/MATS Environmental Projects expected start date of
9 May 1, 2013 is correct. Big Rivers is negotiating a \$60,000,000 senior secured
10 three-year credit facility loan for bridge financing until long term financing with
11 the RUS is in place.

12

13 **Witnesses)** Robert W. Berry

14 Billie J. Richert

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1 *Item 12) Please provide the projected overall dollar and percentage rate*
2 *increase to the residential, commercial and industrial classes factoring*
3 *in both the loss of the Century load on or about August 20, 2013 and the*
4 *loss of the Alcan load on or about January 31, 2014. Your answer should*
5 *include the increase both net and gross of the MRSM.*

6

7 **Response)** Big Rivers has three rate classes: Rural, Large Industrial, and
8 smelter. Big Rivers' requested rate relief in the instant case factors in the
9 termination of the Century contract. See Big Rivers' application, Tab 10, and
10 the Response of Big Rivers Electric Corporation to Kentucky Industrial Utility
11 Customers, Inc.'s Motion for Big Rivers Electric Corporation to File a Corrected
12 Notice for projected dollar and percent increases to Big Rivers' rate classes. Also
13 see the response to PSC 2-35, which includes the impacts both net and gross of
14 the MRSM after the Century contract termination.

15 Big Rivers is in the process of evaluating the impact of the Alcan
16 termination notice. Please see the response to PSC 2-1.

17

18 **Witness)** John Wolfram

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1 *Item 13) Please reference the Direct Testimony of Witness Richert, page*
2 *29, lines 20-22. Has Big Rivers made a determination whether*
3 *termination of the Century Wholesale and retail agreement coupled with*
4 *the termination of the Alcan wholesale and retail agreement will have a*
5 *Material Adverse Effect under Section 4.09 (f) of the RUS Loan*
6 *Agreement? Please provide all documents reflecting (i) communications*
7 *with the RUS and (ii) internal communications within Big Rivers*
8 *management and Board of Directors on that subject. If the*
9 *determination has not been made, when is Big Rivers required or intends*
10 *to make such determination?*

11

12 **Response)** After the Alcan termination letter was received, actions were taken
13 by the rating agencies which resulted in Big Rivers' inability to comply with its
14 covenant to maintain two ratings of investment grade under the RUS loan
15 contract. Upon a failure to comply with this covenant Big Rivers is required to
16 develop a corrective plan satisfactory to RUS within 30 days. Failure to come up
17 with a corrective plan satisfactory to RUS within 30 days is an event of default
18 under the RUS loan contract. An event of default under the RUS loan contract
19 can have significant consequences for Big Rivers under the RUS loan contract.
20 Based on the actions of the rating agencies taken as a result of the Alcan
21 termination letter and the potential consequences under the RUS loan contract,
22 Big Rivers believed that it was appropriate to notify RUS under the Material

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1 Adverse Effect notice provision under Section 4.09 (f) of the RUS Loan
2 Agreement.

3 i) See attached documents to KIUC 1-1 for communications with RUS
4 regarding this matter.

5 ii) There are no documents reflecting internal communications within Big
6 Rivers' management and Board of Directors on this matter.

7

8 Witness) Billie J. Richert

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February 28, 2013

1 *Item 14) Please provide all documents generated since the filing of the*
2 *Application concerning the potential exercise by RUS of the lockbox*
3 *facility under Section 4.12 of the RUS Loan Agreement.*

4

5 **Response)** No documents have been generated since the filing of the
6 application concerning the potential exercise by RUS of the lockbox facility
7 under Section 4.12 of the RUS Loan Agreement.

8

9 **Witness)** Billie J. Richert

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1 *Item 15) Please provide the unaudited financial statement of Big Rivers*
2 *for 2012 with a comparison against the 2012 budget and with an*
3 *explanation for the causes of each variance in revenue and the major*
4 *components of operating expense.*

5

6 **Response)** Please see attached comparison of the 2012 budget and 2012
7 unaudited Statements of Operations.

8

9 **Witness)** Billie J. Richert

Big Rivers Electric Corporation

Case No. 2012-00535

**Attachment to Response for Alcan 1-15
Unaudited Statement of Revenues and Expenses
YTD December 31, 2012 vs. Budget**

	BUDGET	ACTUAL (UNAUDITED)	VARIANCE F/(U)	VARIANCE EXPLANATION
1. ELECTRIC ENERGY REVENUES	614,725,050.00	563,385,131.72	(51,339,918.28)	NOTE 1
2. INCOME FROM LEASED PROPERTY - NET			0.00	
3. OTHER OPERATING REVENUE AND INCOME	4,011,500.00	4,957,104.01	945,604.01	
4. TOTAL OPER REVENUES & PATRONAGE CAPITAL	618,736,550.00	568,342,235.73	(50,394,314.27)	
5. OPERATION EXPENSE-PRODUCTION-EXCL FUEL	54,962,438.00	48,054,670.68	6,907,767.32	NOTE 1
6. OPERATION EXPENSE-PRODUCTION-FUEL	240,841,163.00	226,368,922.34	14,472,240.66	NOTE 1
7. OPERATION EXPENSE-OTHER POWER SUPPLY	126,165,163.00	111,465,356.58	14,699,806.42	NOTE 1
8. OPERATION EXPENSE-TRANSMISSION	10,722,952.00	10,118,765.89	604,186.11	NOTE 2
9. OPERATION EXPENSE-RTO/ISO	2,470,652.00	2,262,434.76	208,217.24	
11. OPERATION EXPENSE-CUSTOMER ACCOUNTS		297,191.47	(297,191.47)	NOTE 3
12. CONSUMER SERVICE & INFORMATIONAL EXPENSE	723,774.00	886,167.75	(162,393.75)	NOTE 4
13. OPERATION EXPENSE-SALES	1,101,600.00	191,205.48	910,394.52	NOTE 4
14. OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	25,925,640.00	26,428,744.85	(503,104.85)	NOTE 4
15. TOTAL OPERATION EXPENSE	462,913,382.00	426,073,459.80	36,839,922.20	
16. MAINTENANCE EXPENSE-PRODUCTION	58,889,721.00	41,169,861.77	17,719,859.23	NOTE 5
17. MAINTENANCE EXPENSE-TRANSMISSION	3,933,069.00	4,607,997.64	(674,928.64)	NOTE 6
18. MAINTENANCE EXPENSE-RTO/ISO			0.00	
20. MAINTENANCE EXPENSE-GENERAL PLANT	101,538.00	184,301.57	(82,763.57)	
21. TOTAL MAINTENANCE EXPENSE	62,924,328.00	45,962,160.98	16,962,167.02	

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Attachment to Response for Alcan 1-15

Witness Billie J. Richert

Big Rivers Electric Corporation
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Attachment to Response for Alcan 1-15
Unaudited Statement of Revenues and Expenses
YTD December 31, 2012 vs. Budget

22.	DEPRECIATION & AMORTIZATION EXPENSE	41,910,892.00	41,090,390.70	820,501.30	NOTE 7
23.	TAXES	885.00	3,810.88	(2,925.88)	
24.	INTEREST ON LONG-TERM DEBT	44,647,132.00	45,032,787.47	(385,655.47)	
25.	INTEREST CHARGED TO CONSTRUCTION-CREDIT	(678,117.00)	(766,677.00)	88,560.00	
26.	OTHER INTEREST EXPENSE		147,499.02	(147,499.02)	
27.	ASSET RETIREMENT OBLIGATIONS			0.00	
28.	OTHER DEDUCTIONS	415,812.00	546,328.23	(130,516.23)	
29.	TOTAL COST OF ELECTRIC SERVICE	612,134,314.00	558,089,760.08	54,044,553.92	
30.	OPERATING MARGINS	6,602,236.00	10,252,475.65	3,650,239.65	
31.	INTEREST INCOME	61,860.00	963,130.32	901,270.32	NOTE 8
32.	ALLOWANCE FOR FUNDS USED DURING CONST			0.00	
34.	OTHER NON-OPERATING INCOME - NET			0.00	
36.	OTHER CAPITAL CREDITS & PAT DIVIDENDS	33,000.00	61,485.01	28,485.01	
37.	EXTRAORDINARY ITEMS				
38.	NET PATRONAGE CAPITAL OR MARGINS	6,697,096.00	11,277,090.98	4,579,994.98	

Explain if variance is 10% of the line item and \$250,000; or 10% of margins and \$500,000.

Big Rivers Electric Corporation

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**Attachment to Response for Alcan 1-15
Unaudited Statement of Revenues and Expenses
YTD December 31, 2012 vs. Budget**

NOTE 1

These line items combined result in an unfavorable variance of \$15.3 million. The net sales margin variance of \$18.5 million is driven by lower pricing from off-system sales (OSS), smelter sales, and non-smelter member sales, as well as lower volumes from OSS and non-smelter member sales. Partly offsetting the unfavorability in net sales margin are higher smelter sales volumes and favorable variable cost pricing. Other operational expenses are favorable to budget due to outage and routine O&M reductions/cancellations (\$3.2 million), providing additional offset to the unfavorable net sales margin variance.

NOTE 2 Favorable due to distribution of labor on an actual basis vs. budget basis (offset in Maintenance Expense-Transmission).

NOTE 3 Unfavorable due to reserve for doubtful accounts.

NOTE 4 These line items combined result in a favorable variance of \$245k, largely driven by favorability in fixed departmental expense (FDE). The FDE favorability includes reductions in spending in DSM (\$400k), recruiting expenses (\$125k), and outside services related to application development and business systems (\$385k). This is largely offset by the incentive pay accrual (\$750k) posted to these accounts. Big Rivers does not budget for incentive pay.

NOTE 5 Unfavorable due to expenses related to rate case # 2011-00036.

NOTE 5 Favorable due to outage cancellations/reductions.

NOTE 6 Unfavorable due to distribution of labor on an actual basis vs. budget basis (offset in Operation Expense-Transmission).

NOTE 7 Favorable due to lower capital spending.

NOTE 8 Favorable due to interest income on capital term certificates that were part of the financing that took place in July 2012.

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Attachment to Response for Alcan 1-15

Witness Billie J. Richert

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1 **Item 16)** *Has Big Rivers considered, or does it intend to consider, the*
2 *sale of any of its generating assets as part of its mitigation plan? If your*
3 *answer is No, please provide a statement of Big Rivers' rationale for this*
4 *position. If your answer is Yes, please provide all documents reflecting*
5 *this subject within Big Rivers management and its Board of directors*
6 *and with outside advisors.*

7

8 **Response)** Please refer to Big Rivers' response to PSC 2-18.

9

10 **Witness)** Robert W. Berry