

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC

ATTORNEYS AT LAW

Ronald M. Sullivan

Jesse T. Mountjoy

Frank Stainback

James M. Miller

Michael A. Fiorella

Allen W. Holbrook

R. Michael Sullivan

Bryan R. Reynolds*

Tyson A. Kamuf

Mark W. Starnes

C. Ellsworth Mountjoy

*Also Licensed in Indiana

February 11, 2013

Via Federal Express

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

RECEIVED

FEB 12 2013

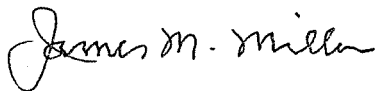
PUBLIC SERVICE
COMMISSION

Re: *In the Matter of: The Application of Big Rivers Electric Corporation for Approval to Issue Evidences of Indebtedness*, PSC Case No. 2012-00492

Dear Mr. DeRouen:

Enclosed are an original and ten copies of responses of Big Rivers Electric Corporation to Alcan Primary Products Corporation's Supplemental Request for Information and to Kentucky Industrial Utility Customers, Inc.'s Supplemental Data Requests. I certify that copies of this letter and responses have been served this day on each person shown on the attached service list by delivering the same to an overnight courier service, prepaid, for delivery on February 12, 2013.

Sincerely yours,



James M. Miller

JMM/ej
Enclosures

cc: Billie J. Richert

Telephone (270) 926-4000

Telecopier (270) 683-6694

100 St. Ann Building

PO Box 727

Frankfort, Kentucky

42302-0727

www.westkylaw.com

Service List
PSC Case No. 2012-00492

Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY
36 E. Seventh Street
Suite 1510
Cincinnati, Ohio 45202

David C. Brown, Esq.
Stites & Harbison
1800 Providian Center
400 West Market Street
Louisville, Kentucky 40202

Donald P. Seberger
Rio Tinto Alcan
8770 West Bryn Mawr Avenue
Chicago, Illinois 60631

Jennifer Hans Black
Dennis G. Howard, II
Lawrence W. Cook
Assistant Attorneys General
1024 Capital Center Dr.
Suite 200
Frankfort, KY 40601

Mr. David Brevitz
3623 SW Woodvalley Terrace
Topeka, KS 66614

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00492**

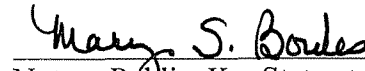
VERIFICATION

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 11th day of February, 2013.


Notary Public, Ky. State at Large
My Commission Expires 8/8 2016

ORIGINAL



Your Touchstone Energy® Cooperative 

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

**APPLICATION OF BIG RIVERS ELECTRIC)
CORPORATION FOR APPROVAL TO ISSUE) Case No.
EVIDENCES OF INDEBTEDNESS) 2012-00492**

**Response to the Alcan Primary Products'
Supplemental Request for Information
dated February 5, 2013**

FILED: February 12, 2013

ORIGINAL

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00492**

**Response to the Alcan Primary Products'
Supplemental Request for Information
dated February 5, 2013**

February 12, 2013

1 **Item 1)** *Please refer to the Amended Application, page 3, lines 17- 18.*
2 *If the Commission should approve the use of funds from the 2012 CoBank*
3 *term loan to purchase the Existing Bonds, does Big Rivers also require the*
4 *approval of CoBank to use the funds for this purpose rather than for*
5 *capital expenditures. If your answer is Yes, please provide the reference of*
6 *such requirement in the CoBank loan documents, describe the process*
7 *under which such approval would be sought, and state whether Rig Rivers*
8 *has received any preliminary indication that such approval would be*
9 *granted.*

10

11 **Response)** Big Rivers does not require the approval of CoBank to use the funds
12 for this purpose rather than for capital expenditures. Per Section 6.05 of the
13 CoBank secured credit agreement these funds may be used “for debt refinancing,
14 funding of the Transition Reserve in the amount of \$35,000,000, and capital
15 expenditures”.

16

17

18 **Witness)** Billie J. Richert

19

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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Response to the Alcan Primary Products'
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dated February 5, 2013

February 12, 2013

1 Item 2) *Please refer to the Amended Application, page 5, lines 18-22,*
2 *which refers to the 2012 Financing Order stating that the Transition*
3 *Reserve should “. . . be used exclusively as an emergency fund to offset the*
4 *loss of revenue should one or both smelters close, unless authorized by the*
5 *Commission to use the funds for another purpose.”*

6

7 a. *Does Rig Rivers now consider itself in an “emergency”*
8 *situation?*

9 b. *Now that both Century and Alcan have provided Rig*
10 *Rivers with Notice of Termination, if Rig Rivers utilizes*
11 *the Transition Reserve for the intended purposes of*
12 *funding capital expenditures, what will the source of*
13 *funds be to offset the loss of revenue when the smelter*
14 *contracts terminate in approximately seven and twelve*
15 *months, respectively.*

16 c. *If your answer to (b) is to later access the capital markets,*
17 *and on the assumption that Rig Rivers cannot now access*
18 *the capital markets, what makes Rig Rivers believe that it*
19 *can access the capital markets later in 2013 or early 2014?*

20

21 **Response)**

22 a. The word “emergency” is part of the term “emergency fund” used
23 by the Commission in its order, and not a prerequisite for use of
24 the Transition Reserve by Big Rivers. Big Rivers would not use

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- 1 the word “emergency” to describe the circumstances it faces as a
2 result of the two smelter notices.
- 3 b. Big Rivers is seeking to add the Transition Reserve funds to its
4 liquidity as a result of the smelter notices, and in response to
5 the focus of the ratings agencies and Big Rivers’ creditors on Big
6 Rivers’ liquidity. This is a direct response to the imminent loss
7 of the smelter load. The Transition Reserve funds, if and when
8 expended, will replace revenue that would otherwise be used.
9 Big Rivers’ rate cases and mitigation plans are otherwise
10 addressing the loss of revenue from the smelters leaving the Big
11 Rivers system.
- 12 c. Not applicable.
- 13
14
- 15 **Witness)** Billie J. Richert
16

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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**Response to the Alcan Primary Products'
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February 12, 2013

1 **Item 3)** *Please refer to Exhibit 2 to the Amended Application, and the*
2 *line Total Cash Balances/Investments/Reserves.*

3

4 *a. Please explain how much of the stated \$334,116,487*
5 *represents free cash reserves as of December 31, 2012; that*
6 *is, cash reserves not currently designated or earmarked*
7 *for specific uses In your answer, please state in which*
8 *investment(s) those funds are held.*

9 *b. Please reconcile the amount of free cash reserves as of*
10 *December 31, 2012 on Exhibit 2 with the stated operating*
11 *cash balance of approximately \$110,000,000 in Big Rivers'*
12 *Response to Alcan's Initial Request for Information, Item*
13 *7.*

14 *c. Using the same definition of free cash as described in this*
15 *Request, what was the level of free cash as of January 31,*
16 *2013?*

17

18 **Response)**

19 *a. The \$110,165,436 held in the Fidelity Prime Money Market*
20 *account includes the balance of the \$60,000,000 for capital*
21 *projects that Big Rivers received in the CoBank financing at the*
22 *end of July, 2012, which was combined with Big Rivers' "free*
23 *cash reserves," and which carries the implicit restriction*
24 *discussed in the Amended Application. Since August 1, 2012,*
25 *Big Rivers has expended approximately \$20,000,000 on capital*

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1 projects, so the \$60,000,000 received in July of 2012 is, as a
2 practical matter, already reduced by those expenditures to
3 approximately \$40,000,000. Big Rivers seeks approval to
4 reclassify the use for the entire \$60,000,000, however, to avoid
5 any question about whether any particular dollars are somehow
6 still subject to the restriction on use implicit in the
7 Commission's order approving the CoBank financing.

8 b. \$110,165,436 held in the Fidelity Prime Money Market account
9 is the stated operating cash balance of approximately
10 \$110,000,000 in Big Rivers' response to Item 7 of Alcan's Initial
11 Request for Information, dated December 19, 2012.

12 c. \$112,281,637.63. Please refer to response in a) per above.
13
14

15 **Witness)** Billie J. Richert
16

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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CASE NO. 2012-00492**

**Response to the Alcan Primary Products'
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dated February 5, 2013**

February 12, 2013

1 **Item 4)** *Please provide Big Rivers' operating margin for 2012 together*
2 *with its internal calculation of Contract TIER and MFIR for the year*
3 *(unaudited).*

4

5 **Response)** Please see attached Exhibit ALCAN 2-4 for Big Rivers' 2012
6 operating margin, internal calculation of Contract TIER and MFIR for the year.
7 These are unaudited numbers and are subject to change.

8

9

10 **Witness)** Billie J. Richert

11

Big Rivers Electric Corporation
Case No. 2012-00492
Margin Contract TIER and MFIR

Exhibit ALCAN 2-4

	2012 Results (unaudited)	
Operating Margins	<u><u>10,252,475.65</u></u>	
Net Margins	<u><u>11,277,090.98</u></u>	
Calculation of Contract TIER:		
Interest Expense	45,032,787.47	
Transition Reserve Prepayment <i>[Section 4.7.5(f)]</i>	<u>1,162,612.02</u>	
Contract Interest Expense	<u><u>46,195,399.49</u></u>	A
Net Margins before TIER Adjustment Charge Reduction	12,734,719.43	
Transition Reserve Interest <i>[Section 4.7.5(f)]</i>	(1,189,710.96)	
Items Excluded From Ratemaking <i>[Section 4.7.5(j)]</i>	431,274.78	
Surplus Sales Admin. Fee <i>[Section 4.7.5(n)]</i>	(1,373.98)	
MISO Schedule 26 and 26a <i>[Section 4.7.5(q)]</i>	<u>569,615.06</u>	
Net Margins - Contract	<u><u>12,544,524.33</u></u>	B
Contract Tier (A+B)/A	<u><u>1.27</u></u>	
Calculation of MFIR:		
Net Margins	11,277,090.98	
Taxes	3,810.88	
Interest Expense	<u>45,032,787.47</u>	C
	<u><u>56,313,689.33</u></u>	D
MFIR (D/C)	<u><u>1.25</u></u>	

BIG RIVERS ELECTRIC CORPORATION

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February 12, 2013

1 **Item 5)** *Please refer to the Amended Application, page 7, section 12. Is*
2 *it Big Rivers' position that it has a continuing obligation to replenish the*
3 *Transition Reserve as long as it is providing power for resale to the*
4 *smelters but that such obligation will terminate once the smelters are no*
5 *longer purchasing power under the existing Retail Electric Service*
6 *Agreements? If your answer is Yes, please explain the rational for your*
7 *answer.*

8

9 **Response)** No. Big Rivers' offer in the amended application to replenish the
10 Transition Reserve is now academic in the face of Alcan's notice to terminate its
11 retail service agreement.

12

13

14 **Witness)** Billie J. Richert

15

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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**Response to the Alcan Primary Products'
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dated February 5, 2013**

February 12, 2013

1 **Item 6) In Big Rivers' Response to Alcan's Initial request for**
2 **Information, Items 15, Big Rivers projects ending cash balances of \$82.8**
3 **million in 2013, \$81.0 million in 2014 and \$82.8 million in 2015. In Big**
4 **Rivers' Response to Alcan's Initial request for Information, Items 14, 15**
5 **and 16, Big Rivers furnished the following information:**
6

	2013	2014	2015
Capital Expenditures	\$47.7M	\$47.3M	\$48.1M
Debt Reductions	\$22.6M	\$22.0M	\$22.9M
Capital Expenditures – Compliance	\$32.2M	\$29.3M	
New Compliance Debt - Compliance	\$31.8M	\$27.6M	

- 7
- 8 **a. Please verify the correctness of the foregoing information**
9 **as provided in the prior Responses or revise accordingly.**
- 10 **b. Does the foregoing information change with Big Rivers'**
11 **revised strategy for retiring the Existing Bonds? If so,**
12 **please provide revised information.**
- 13 **c. Please provide in chart format the calculation of the**
14 **ending cash balances for 2013, 2014 and 2015 (from item**
15 **15 or as revised) including specific budgeted information**
16 **for all major determinants (i.e., margins, depreciation,**
17 **debt repayment, capital expenditures, new borrowings).**
- 18 **d. Please provide in the same chart format the ending cash**
19 **balances for 2013, 2014 and 2015 assuming Big Rivers**
20 **(i) does not receive approval to use the Transition**
21 **Reserve,**

BIG RIVERS ELECTRIC CORPORATION

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1 is not included in these amounts. Please see Attachment
2 for Response to Alcan 2-6(d)(i).

3 (ii) If cash is used to retire the Existing Bonds and Big Rivers
4 does not receive approval to utilize the CoBank term loan
5 proceeds, the ending cash balances for 2013, 2014 and
6 2015 are \$28.0 million, \$26.2 million and \$28.1 million,
7 respectively. Please see Attachment for Response to
8 Alcan 2-6(d)(ii).

9 (iii) If cash is used to retire the Existing Bonds and Big Rivers
10 does not receive approval to utilize the CoBank term loan
11 proceeds or the Transition Reserve, the ending cash
12 balances for 2013, 2014 and 2015 are \$28.0 million, \$26.2
13 million and \$28.1 million, respectively. Please see
14 Attachment for Response to Alcan 2-6(d)(iii).

15

16

17 **Witness)** Billie J. Richert

18

Big Rivers Electric Corporation
Case No. 2012-00492
\$ in Millions

	2013	2014	2015
Cash Flows From Operating Activities:			
Net Margin	4.9	11.4	11.4
Adjustments to reconcile net margin to net cash provided by operating activities:			
Depreciation and amortization	45.7	48.4	50.5
Interest compounded - RUS Series A Note	0.0	0.0	0.0
Interest compounded - RUS Series B Note	7.7	8.2	8.7
Noncash member rate mitigation revenue	(34.0)	(32.5)	(36.5)
Change in working capital	0.8	(1.6)	4.9
Net cash provided by operating activities	25.1	33.9	39.0
Cash Flows From Investing Activities:			
Capital expenditures*	(47.4)	(46.9)	(47.6)
Capital expenditures - compliance*	(31.8)	(27.6)	
Net proceeds from restricted investments	26.7	33.2	33.4
Net cash provided by (used in) investing activities	(52.5)	(41.3)	(14.2)
Cash Flows From Financing Activities:			
Net principal payments on debt obligations	(21.6)	(22.0)	(22.9)
Net proceeds from debt obligations	31.8	27.6	
Debt issuance cost	(1.4)	0.0	0.0
Net cash provided by (used in) financing activities	8.8	5.6	(22.9)
Net increase (decrease) in cash and cash equivalents	(18.6)	(1.8)	1.9
Cash and Cash Equivalents - Beginning of Period	101.4	82.8	81.0
Cash and Cash Equivalents - End of Period	82.8	81.0	82.9

*Capital expenditures exclude capitalized interest

Big Rivers Electric Corporation
Case No. 2012-00492
\$ in Millions

	2013	2014	2015
Cash Flows From Operating Activities:			
Net Margin	4.9	11.4	11.4
Adjustments to reconcile net margin to net cash provided by operating activities:			
Depreciation and amortization	45.7	48.4	50.5
Interest compounded - RUS Series A Note	0.0	0.0	0.0
Interest compounded - RUS Series B Note	7.7	8.2	8.7
Noncash member rate mitigation revenue	(34.0)	(32.5)	(36.5)
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Cash Flows From Financing Activities:			
Net principal payments on debt obligations	(21.6)	(22.0)	(22.9)
Net proceeds from debt obligations	31.8	27.6	
Debt issuance cost	(1.4)	0.0	0.0
Net cash provided by (used in) financing activities	8.8	5.6	(22.9)
Net increase (decrease) in cash and cash equivalents	(18.6)	(1.8)	1.9
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*Capital expenditures exclude capitalized interest

Big Rivers Electric Corporation
Case No. 2012-00492
\$ in Millions

	2013	2014	2015
Cash Flows From Operating Activities:			
Net Margin	7.5	11.4	11.4
Adjustments to reconcile net margin to net cash provided by operating activities:			
Depreciation and amortization	45.7	48.4	50.5
Interest compounded - RUS Series A Note	0.0	0.0	0.0
Interest compounded - RUS Series B Note	7.7	8.2	8.7
Noncash member rate mitigation revenue	(34.0)	(32.5)	(36.5)
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Net proceeds from restricted investments	26.7	33.2	33.4
Net cash provided by (used in) investing activities	(52.5)	(41.3)	(14.2)
Cash Flows From Financing Activities:			
Net principal payments on debt obligations	(80.4)	(22.0)	(22.9)
Net proceeds from debt obligations	31.8	27.6	
Debt issuance cost	0.0	0.0	0.0
Net cash provided by (used in) financing activities	(48.6)	5.6	(22.9)
Net increase (decrease) in cash and cash equivalents	(73.4)	(1.8)	1.9
Cash and Cash Equivalents - Beginning of Period	101.4	28.0	26.2
Cash and Cash Equivalents - End of Period	28.0	26.2	28.1

*Capital expenditures exclude capitalized interest

Big Rivers Electric Corporation
Case No. 2012-00492
\$ in Millions

	2013	2014	2015
Cash Flows From Operating Activities:			
Net Margin	7.5	11.4	11.4
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Cash and Cash Equivalents - End of Period	28.0	26.2	28.1

*Capital expenditures exclude capitalized interest