

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 A) Case No. 2012-00535
GENERAL ADJUSTMENT IN RATES)

**Response to the Kentucky Industrial Utility Customers'
Initial Request for Information
dated February 14, 2013**

FILED: February 28, 2013

ORIGINAL

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 28, 2013

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

RECEIVED

FEB 28 2013

PUBLIC SERVICE
COMMISSION

*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

Telephone (270) 926-4000
Telecopier (270) 683-6694

100 St. Ann Building
PO Box 727
Covington, Kentucky
42302-0727

www.westkylaw.com

Service List
PSC Case No. 2012-00535

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Lawrence W. Cook
Dennis G. Howard, II
Assistant Attorneys General
1024 Capital Center Dr.
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Frankfort, KY 40601

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

Mr. Bion C. Ostrander
1121 S.W. Chetopa Trail
Topeka, KS 66615

Mr. Larry Holloway
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Osage City, KS 66523

Michael L. Kurtz, Esq.
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Boehm, Kurtz & Lowry
36 E. Seventh St., Suite 1510
Cincinnati, Ohio 45202

Lane Kollen
J. Kennedy and Associates, Inc.
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Roswell, Georgia 30075

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Energy Services Group, LLC
316 Maxwell Road, Suite 400
Alpharetta, Georgia 30009

David C. Brown, Esq.
Stites & Harbison, PLLC
400 W. Market Street, Suite 1800
Louisville, KY 40202

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Special Counsel
Rio Tinto Alcan
8770 West Bryn Mawr Avenue
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Gregory Starheim
President & CEO
Kenergy Corp.
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Henderson, Kentucky 42419-0018

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318 Second Street
Henderson, Kentucky 42420

Burns Mercer
Meade County RECC
1351 Hwy. 79
P.O. Box 489
Brandenburg, Kentucky 40108

Thomas C. Brite, Esq.
Brite & Hopkins, PLLC
83 Ballpark Road
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Hardinsburg, KY 40143-0309

G. Kelly Nuckols
President and CEO
Jackson Purchase Energy Corporation
2900 Irvin Cobb Drive
P.O. Box 4030
Paducah, KY 42002-4030

Melissa D. Yates
Denton & Keuler, LLP
555 Jefferson Street
Suite 301
Paducah, KY 42001

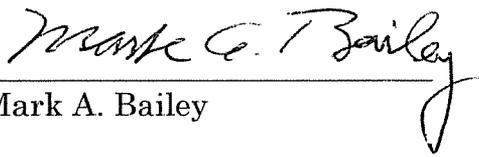
David O'Brien Suetholz
Neal B. Hayes
Kircher Suetholz & Grayson PSC
515 Park Avenue
Louisville, KY 40208

BIG RIVERS ELECTRIC CORPORATION

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

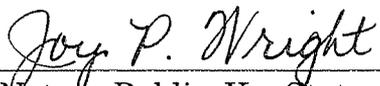
VERIFICATION

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 _____

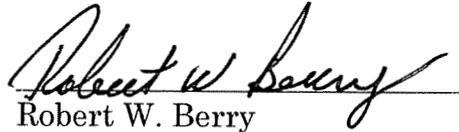
Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951

BIG RIVERS ELECTRIC CORPORATION

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

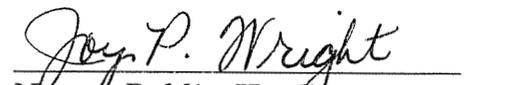
VERIFICATION

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 _____

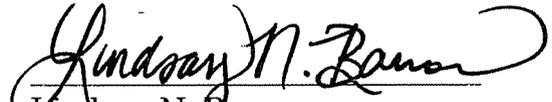
Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951

BIG RIVERS ELECTRIC CORPORATION

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

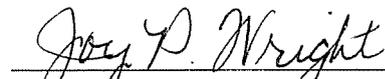
VERIFICATION

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 _____

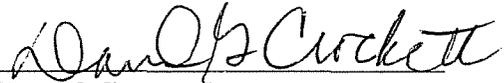
Notary Public, Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951

BIG RIVERS ELECTRIC CORPORATION

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

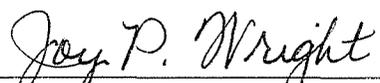
VERIFICATION

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
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

VERIFICATION

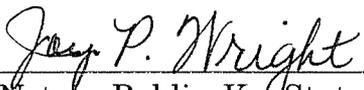
I, James V. Haner, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.



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 _____

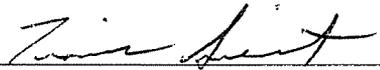
Notary Public Kentucky State-At-Large
My Commission Expires: July 3, 2014
ID 421951

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.



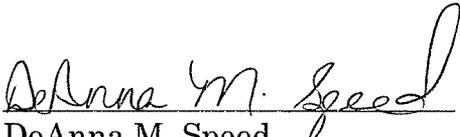
Notary Public, Ky State at Large
My Commission Expires 8-9-2014

BIG RIVERS ELECTRIC CORPORATION

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

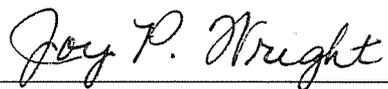
VERIFICATION

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

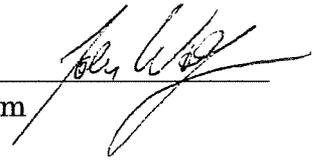
BIG RIVERS ELECTRIC CORPORATION

**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.

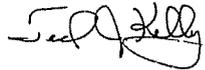
April R. Johns
Notary Public, Ky. State at Large
My Commission Expires 8-9-2014

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 Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 1) *Provide a copy of all correspondence and documents***
2 ***between BREC and RUS since January 1, 2012.***

3

4 **Response)** Big Rivers objects to this request on the grounds that it is overly
5 broad and unduly burdensome. Big Rivers also objects to this request on
6 the grounds that it seeks information that is irrelevant and not likely to lead
7 to the discovery of admissible evidence. Notwithstanding these objections,
8 but without waiving them, Big Rivers states as follows.

9 Please see Big Rivers' response to Item 1-2 of the initial request for
10 information by Kentucky Industrial Utility Customers, Inc. ("KIUC") dated
11 January 3, 2013 in Case No. 2012-00492 for documents provided to RUS
12 related specifically to that case.

13 Please also see Big Rivers' response to Item 1-3 of the initial request
14 for information by the KIUC dated April 11, 2012 in Case No. 2012-00119
15 for copies of all correspondence between Big Rivers and RUS related
16 specifically to that case.

17 Please also see the response to AG-142, AG-210, AG-213, AG-214,
18 and AG-215 for correspondence to RUS.

19 Please also see the attachment to this response, two pages of which
20 are provided with a petition for confidential treatment, of all correspondence
21 and documents between Big Rivers and RUS since January 1, 2012 not
22 included in the above responses, being provided on the PUBLIC CDs
23 accompanying these responses.

**Case No. 2012-00535
Response to KIUC 1-1
Witness: Billie J. Richert
Page 1 of 2**

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1

2 **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 Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 2) *Provide a copy of all correspondence and documents***
2 ***between BREC and CFC since January 1, 2012.***

3

4 **Response)** Big Rivers objects to this request on the grounds that it is overly
5 broad and unduly burdensome. Big Rivers also objects to this request on
6 the grounds that it seeks information that is irrelevant and not likely to lead
7 to the discovery of admissible evidence. Notwithstanding these objections,
8 but without waiving them, Big Rivers states as follows.

9 Please see Big Rivers' response to Item 1-7 of the initial request for
10 information by the Kentucky Industrial Utility Customers' ("KIUC") dated
11 December 19, 2012, in Case No. 2012-00492 for copies of all
12 correspondence between Big Rivers and CFC related specifically to that
13 case.

14 Please also see Big Rivers' response to Items 1-2 and 1-3 of the initial
15 request for information by the KIUC dated April 11, 2012 in Case No. 2012-
16 00119 for copies of all correspondence between Big Rivers and CFC related
17 specifically to that case.

18 Please also see the attachments to this response, one of which is filed
19 with a petition for confidential treatment, of all correspondence and
20 documents between Big Rivers and CFC since January 1, 2012 not included
21 in the above responses.

22

23 **Witness)** Billie J. Richert

**Case No. 2012-00535
Response to KIUC 1-2
Witness: Billie J. Richert
Page 1 of 1**



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

August 22, 2012

Attention: Dan Lyzinski
National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166

RE: Big Rivers Electric Corporation
Loan Agreement dated as of July 27, 2012
Art. V Covenants, Sec. 5.01(C)(ii) Quarterly Financial Statements

Dear Mr. Lyzinski:

Pursuant to Section 5.01(C)(ii) of the Loan Agreement, dated as of July 27, 2012 (as amended, supplemented or modified and in effect from time to time, the "Loan Agreement") by and between BIG RIVERS ELECTRIC CORPORATION (the "Borrower"), and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, the undersigned Billie J. Richert, VP Accounting & Interim CFO of the Borrower, hereby certifies on behalf of the Borrower as follows:

(A) As of the quarter ending June 30, 2012, the statements referenced below (i) have been prepared in accordance with applicable GAAP and (ii) are fairly stated in all material respects (subject to normal year end audit adjustments and the lack of notes).

(B) Attached hereto are the quarterly financial statements of Big Rivers Electric Corporation for the fiscal period cited above.

Sincerely,

Billie J. Richert, CPA, CITP
VP Accounting & Interim CFO
Big Rivers Electric Corporation

Attachment

- c. Ralph A. Ashworth
Nicholas R. Castlen

Page 1 of 1

BIG RIVERS ELECTRIC CORPORATION

BALANCE SHEET AS OF JUNE 30 (Dollars in thousands)

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
ASSETS		
UTILITY PLANT — Net	\$ 1,091,306	\$ 1,085,266
RESTRICTED INVESTMENTS — member rate mitigation	153,575	171,654
OTHER DEPOSITS AND INVESTMENTS — At cost	6,024	5,865
CURRENT ASSETS:		
Cash and cash equivalents	47,659	76,443
Accounts receivable	43,726	40,787
Fuel Inventory	35,425	24,235
Non-Fuel Inventory	26,296	24,473
Prepaid expenses	2,312	1,661
Total current assets	155,418	167,599
DEFERRED CHARGES AND OTHER	4,489	3,811
TOTAL	<u>\$ 1,410,812</u>	<u>\$ 1,434,195</u>
EQUITIES (DEFICIT) AND LIABILITIES		
CAPITALIZATION:		
Equities (deficit)	\$ 391,456	\$ 387,271
Long-term debt	715,296	786,487
Total capitalization	1,106,752	1,173,758
CURRENT LIABILITIES:		
Current maturities of long-term obligations	78,282	14,811
Voluntary prepayment of long-term debt	-	-
Notes payable	-	-
Purchased power payable	927	2,046
Accounts payable	22,082	24,865
Accrued expenses	10,542	9,472
Accrued interest	9,924	10,242
Total current liabilities	121,757	61,436
DEFERRED CREDITS AND OTHER:		
Regulatory liabilities — member rate mitigation	157,856	178,159
Other	24,447	20,842
Total deferred credits and other	182,303	199,001
COMMITMENTS AND CONTINGENCIES		
TOTAL	<u>\$ 1,410,812</u>	<u>\$ 1,434,195</u>

BIG RIVERS ELECTRIC CORPORATION

STATEMENTS OF OPERATIONS FOR THE QUARTER AND SIX MONTHS ENDED JUNE 30 (Dollars in thousands)

	Quarter Ended June 30		Six Months Ended June 30	
	2012	2011	2012	2011
OPERATING REVENUE	\$ 140,816	\$ 140,846	\$ 276,121	\$ 275,071
OPERATING EXPENSES:				
Operations:				
Fuel for electric generation	57,168	57,857	106,890	114,182
Power purchased and interchanged	26,649	29,158	58,175	55,019
Production, excluding fuel	12,017	12,073	23,837	24,222
Transmission and other	10,320	10,077	20,221	19,802
Maintenance	9,623	10,786	22,853	21,128
Depreciation and amortization	10,188	8,633	20,364	17,314
Total operating expenses	<u>125,965</u>	<u>128,584</u>	<u>252,340</u>	<u>251,667</u>
ELECTRIC OPERATING MARGIN	<u>14,851</u>	<u>12,262</u>	<u>23,781</u>	<u>23,404</u>
INTEREST EXPENSE AND OTHER:				
Interest	11,043	11,332	22,099	22,679
Income tax expense		130	-	130
Other — net	83	36	123	116
Total interest expense and other	<u>11,126</u>	<u>11,498</u>	<u>22,222</u>	<u>22,925</u>
OPERATING MARGIN	<u>3,725</u>	<u>764</u>	<u>1,559</u>	<u>479</u>
NONOPERATING MARGIN:				
Interest income and other	<u>13</u>	<u>29</u>	<u>76</u>	<u>216</u>
Total nonoperating margin	<u>13</u>	<u>29</u>	<u>76</u>	<u>216</u>
NET MARGIN	<u>\$ 3,738</u>	<u>\$ 793</u>	<u>\$ 1,635</u>	<u>\$ 695</u>



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

August 23, 2012

National Rural Utilities
Cooperative Finance Corporation
20701 Cooperative Way
Dulles, Virginia 20166
Attn: General Counsel

Re: Notice Pursuant to Section 5.01(B)(i) of the Revolving Line of Credit Agreement, dated as of July 16th, 2009 (the "Agreement") between Big Rivers Electric Corporation ("Big Rivers") and National Rural Utilities Cooperative Finance Corporation ("CFC")

Gentlemen:

Section 5.01(B)(i) of the Agreement provides that Big Rivers shall promptly notify CFC in writing of "any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its subsidiaries." Big Rivers has received a notice of termination from Century Aluminum Company of its Retail Electric Service Agreement dated July 1, 2009 (the "Century Contract") with Kenergy Corporation. A copy of such notice of termination is attached hereto.

Please note that the termination will not take effect until August 20, 2013 and Big Rivers intends to take certain actions that will preserve Big Rivers' financial position notwithstanding this termination. Therefore, Big Rivers does not believe that delivery of the notice of termination of the Century Contract is a "material adverse change" so as to necessitate notice pursuant to Section 5.01(B)(i) of the Agreement. Nevertheless, Big Rivers wants to advise you of this event. If certain of our anticipated mitigation plans do not come to fruition as planned, the termination could result in a material adverse change at some point in the future.

Very truly yours,

Billie J. Richert, CPA, CITP
VP Accounting and Interim CFO
Big Rivers Electric Corporation

Attachment
BJR/msb



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

August 23, 2012

National Rural Utilities
Cooperative Finance Corporation
20701 Cooperative Way
Dulles, Virginia 20166
Attn: General Counsel

Re: Notice Pursuant to Section 5.01 M(ii)(c) of the Loan Agreement dated as of July 27, 2012 (the "Agreement") between Big Rivers Electric Corporation ("Big Rivers") and National Rural Utilities Cooperative Finance Corporation

Gentlemen:

You are hereby notified pursuant to Section 5.01 M(ii)(c) of the Agreement that Big Rivers has received a notice of termination from Century Aluminum Company of its Direct Serve Contract (as defined in the Agreement). A copy of such notice is attached hereto. Please note that the termination will not take effect until August 20, 2013.

Very truly yours,


Billie J. Richert, CPA, CITP
VP Accounting and Interim CFO
Big Rivers Electric Corporation

Attachment
BJR/msb

Billie Richert

From: Thomas Hall <Thomas.Hall@nrucfc.coop>
Sent: Friday, August 24, 2012 4:48 PM
:
:
Subject: Re: Fitch Press Release

Thx Billie. Have a good weekend.

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

From: Billie Richert [Billie.Richert@bigrivers.com]
Sent: 08/24/2012 04:12 PM EST
To: Thomas Hall
Cc: Dan Lyzinski
Subject: Fitch Press Release

om,
Per our discussion please find attached Fitch Press Release.

Have a nice weekend.

Billie Richert, CPA, CFP
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

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BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 3)** *Provide a copy of all correspondence and documents*
2 *between BREC and CoBank since January 1, 2012.*

3
4 **Response)** Big Rivers objects to this request on the grounds that it is overly
5 broad and unduly burdensome. Big Rivers also objects to this request on
6 the grounds that it seeks information that is irrelevant and not likely to lead
7 to the discovery of admissible evidence. Notwithstanding these objections,
8 but without waiving them, Big Rivers states as follows.

9 Please see Big Rivers' response to Item 1-7 of the initial request for
10 information by the Kentucky Industrial Utility Customers' ("KIUC") dated
11 December 19, 2012, in Case No. 2012-00492 for copies of all
12 correspondence between Big Rivers and CoBank related specifically to that
13 case.

14 Please also see Big Rivers' response to Item 1-1 of the initial request
15 for information by the KIUC dated April 11, 2012 in Case No. 2012-00119
16 for copies of all correspondence between Big Rivers and CoBank related
17 specifically to that case.

18 Please also see the attachment to this response, filed with a petition
19 for confidential treatment, of all correspondence and documents between
20 Big Rivers and CoBank since January 1, 2012 not included in the above
21 responses.

22
23 **Witness)** Billie J. Richert

**Case No. 2012-00535
Response to KIUC 1-3
Witness: Billie J. Richert
Page 1 of 1**



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

August 7, 2012

CoBank, ACB
5500 South Quebec Street
Greenwood Village, CO 80111
Attention: Jeffrey E. Childs

Dear Mr. Childs,

In accordance with Article VI, Section 6.02(E) of the Revolving Credit Loan Facility Agreement dated July 27, 2012 between Big Rivers Electric Corporation and CoBank, ACB, I hereby certify that Fitch Ratings has affirmed the 'BBB-' rating on the \$83.3 million County of Ohio, KY's pollution control refunding revenue bonds (Big Rivers Electric Corporation) series 2010A as of July 24, 2012.

For your reference, a copy of the most recent Rating Report by Fitch Ratings, dated as of July 24, 2012, is enclosed with this letter.

Please feel free to contact me with any questions regarding the credit rating report.

Sincerely yours,

A handwritten signature in black ink that reads "Billie J. Richert".

Billie J. Richert
Vice President Accounting & Interim CFO

C: CoBank, ACB, Attn: Legal Division
CoBank, ACB, Attn: Power Supply Division
Latham & Watkins LLP
James Miller, Esq., General Counsel
Mr. Albert Yockey
Mr. Ralph Ashworth

FitchRatings

FITCH AFFIRMS BIG RIVERS ELECTRIC CORP, KY'S 2010A POLLUTION CONTROL RFDG REV BONDS AT 'BBB-'

Fitch Ratings-New York-24 July 2012: Fitch Ratings has affirmed the 'BBB-' rating on the \$83.3 million County of Ohio, KY's pollution control refunding revenue bonds (Big Rivers Electric Corporation Project) series 2010A.

The Rating Outlook is Stable.

SECURITY

The bonds are secured by a mortgage lien on substantially all of the Big Rivers Electric Corporation's owned tangible assets, which include the revenue generated from the sale or transmission of electricity.

KEY RATING DRIVERS

HEAVY CUSTOMER CONCENTRATION: Big Rivers resumed electric service, through its largest member Kenergy Corp., to two local aluminum smelters (a combined demand of 850 MW at a 98% load factor) following the termination of its generating asset lease in 2009. The smelters accounted for a sizable 67% of total member revenue in 2011.

ABUNDANT LOW COST RESOURCES: Big Rivers benefits from abundant low-cost power resources and an average wholesale rate for rural and large industrial members (\$39.07/MWh in 2011, net of credits) that is regionally competitive and among the lowest in the nation. Member retail rates are similarly low and competitive.

SUBJECT TO RATE REGULATION: The electric rates charged by Big Rivers and its members are regulated by the Kentucky Public Service Commission (KPSC), which limits the cooperative's financial flexibility and may delay the timing or amount of necessary rate increases.

ACCEPTABLE FINANCIAL METRICS: Fitch-calculated financial metrics for 2011 include debt service coverage (DSC) of 1.53x and total debt/funds available for debt service (FADS) of 11.2x, which are acceptable for the current rating category. Including revenues from member rate stability (MRS) reserves, metrics improve to 1.95x (DSC) and 8.8x (debt/FADS).

ENVIRONMENTAL COMPLIANCE PLAN SUBMITTED: Big Rivers has submitted an environmental compliance plan (ECP) to the KPSC for approval that will ensure the cooperative's ability to operate its units for the long term. The estimated cost of compliance has declined from initial estimates but will be debt funded, increasing leverage.

RELIANCE ON WHOLESALE MARKET: Long-term stability at Big Rivers continues to rely heavily on off-system sales and related margins despite the continued benefit of MRS reserves and a rate adjustment mechanism included in the smelter power sale agreements. Near-term metrics will be stressed by ECP expenditures, low power prices and higher leverage.

WHAT COULD TRIGGER A RATING ACTION

Restrictive Rate Regulation: Future regulatory decisions that prevent the cooperative from adequately recovering costs would likely result in downward pressure on the rating or Outlook.

Deteriorating Operating Conditions: Declining non-smelter member sales, weak surplus energy sales, or constrained smelter operations that reduce financial margins and liquidity could also put downward pressure on the rating or Outlook.

CREDIT PROFILE

Big Rivers is a generation and transmission cooperative based in Henderson, Kentucky. Big Rivers supplies wholesale electric and transmission from its total capacity of 1,819 MW to three distribution cooperatives - Meade County Rural Electric Cooperative Corporation, Jackson Purchase Energy Corporation and Kenergy Corp. Combined, these members provide service to approximately 112,500 retail customers located in 22 western Kentucky counties.

Emergence from Bankruptcy

In September 1996, Big Rivers filed for voluntary Chapter 11 relief under the U.S. Bankruptcy code, generally due to an inability to sell power produced from its excess capacity at prices sufficient to cover its above-market costs. After emerging from bankruptcy in 1998, and in accordance with its plan of reorganization, Big Rivers entered into a 25-year lease of all its generating assets with Western Kentucky Energy Corp. (WKEC). The transaction essentially transferred the operational responsibilities of the assets and related risks in exchange for annual lease payments, and a fixed price purchase power contract with LG&E Energy Marketing, Inc. (LEM).

Unwinding the Lease Transaction

In 2009, the lease with WKEC was effectively unwound, resulting in Big Rivers receiving cash and consideration totaling \$865 million and resuming control of its generation fleet. Big Rivers also resumed electric service to two local aluminum smelters that have historically dominated the service area's electric demand and were supplied by LEM following the reorganization. Going forward, the smelters will again represent a significant portion of the cooperative's electric demand.

The consideration received in connection with the unwind allowed Big Rivers to pay down approximately \$140 million of debt, establish \$253 million of rate stabilization reserves and improve system equity from (19%) to approximately 30% at the time of closing.

Financial Performance Acceptable for Rating Category

Fiscal 2011 financial performance was relatively solid and generally on budget. Electric operating margins (\$50.9 million) for the year were slightly lower than forecasted. Weaker wholesale prices for power were nearly offset by increased, but more efficient, generation. Net margins for the year were almost on budget (\$5.6 million). Actual 2011 figures reported by Big Rivers for conventional TIER (1.12x), DSC (1.47x) and equity/capitalization (33%) were also solidly in line with forecasted performance.

Fitch-calculated ratios for DSC (1.53x) and total debt/FADS (11.2x) were acceptable for the current rating category and do not reflect the inclusion of withdrawals from reserves. Including those revenues, the metrics improve to 1.95x and 8.8x, respectively. Metrics for cash on hand (35 days, excluding reserves) and total liquidity on hand (108 days) remained somewhat low for the cooperative's operating profile.

For additional information please see Fitch's full rating report for Big Rivers dated Aug. 31, 2011.

Contact:

Primary Analyst
Dennis M. Pidherny
Senior Director
+1-212-908-0738
Fitch, Inc.
One State Street Plaza
New York, NY 10004

Secondary Analyst

Michael Mohammad Murad
Associate Director
+1-212-908-0757

Committee Chairperson
Amy Laskey
Managing Director
+1-212-908-0568

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com.

Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

In addition to the sources of information identified in Fitch's Revenue-Supported Rating Criteria and U.S. Public Power Rating Criteria, this action was informed by information from CreditScope.

Applicable Criteria and Related Research:

--'Revenue-Supported Rating Criteria' (June 12, 2012);
--'U.S. Public Power Rating Criteria' (Jan. 11, 2012).

Applicable Criteria and Related Research:

Revenue-Supported Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=681015

U.S. Public Power Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=665815

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE.

Billie Richert

From: Billie Richert
Sent: Monday, February 04, 2013 5:40 PM
To: Childs, Jeffrey (jchilds@cobank.com)
Subject: S&P Rating

Jeff,
Attached is the S&P Rating notice downgrading our long-term rating for Big Rivers, as issuer, and for our \$83.3m PCB from BBB- to BB- (Speculative).

Billie Richert, CPA, CFP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

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Billie Richert

From: Billie Richert
Sent: Monday, February 04, 2013 5:51 PM
To: Childs, Jeffrey (jchilds@cobank.com)
Subject: RE: S&P Rating
Attachments: SP Rating Report - Big Rivers Electric - Downgraded 20130204.pdf

With attachment.

From: Billie Richert
Sent: Monday, February 04, 2013 5:40 PM
To: Childs, Jeffrey (jchilds@cobank.com)
Subject: S&P Rating

Jeff,
Attached is the S&P Rating notice downgrading our long-term rating for Big Rivers, as issuer, and for our \$83.3m PCB from BBB- to BB- (Speculative).

Billie Richert, CPA, CFP®
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
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Henderson, KY 42420

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Billie Richert

From: Billie Richert
Sent: Thursday, February 07, 2013 3:06 PM
To: Childs, Jeffrey (jchilds@cobank.com)
Subject: Alcan Termination Notice
Attachments: Alcan Termination Notice0001.pdf

Jeff,
Per your request.

Billie Richert, CPA, CFP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
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Billie Richert

From: Billie Richert
Sent: Thursday, February 07, 2013 5:17 PM
To: Childs, Jeffrey (jchilds@cobank.com)
Subject: Fitch and Moody's Credit Ratings
Attachments: BREC Final RAC Feb 2013.pdf; Moodys - Big Rivers Press Release Feb 6 2013.pdf; Moodys - Big Rivers Credit Opinion Feb 7 2013.pdf

For your files.

Billie Richert, CPA, CFP

VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

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201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

February 8, 2013

CoBank ACB
5500 South Quebec Street
Greenwood Village, Colorado 80111
Attn: Power Supply Division

Re: Notices Pursuant to Section 6.02(a) and 6.02(d)(vi) of the Secured Credit Agreement (the "Agreement") between Big Rivers Electric Corporation, as Borrower, the Several Lenders from time to time Parties Hereto, and CoBank ACB, As Administrative Agent, between Lead Arranger and Book Runner, Dated as of July 24, 2012

Gentlemen:

In connection with Sections 6.02(a) and 6.02(d)(vi) of the Agreement, Big Rivers Electric Corporation hereby notifies CoBank ACB, as administrative agent under the Agreement, that it has received a Notice of Cancellation (as defined in such Agreement) from Alcan Primary Products Corporation. A copy of such Notice of Cancellation is attached hereto.

We have attached hereto a copy of: (i) a ratings report dated February 7, 2013 from Moody's Investors Service, Inc. related to its downgrade of the rating of Big Rivers' \$83,300,000 County of Ohio, Kentucky, Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) (the "Bonds) to Ba1 from Baa2; (ii) a press release from Fitch Ratings dated February 6, 2013 relating to the downgrade of the Bonds to BB from BBB-; and (iii) a credit report from Standard & Poor's Ratings Services dated February 4, 2013 relating to the downgrade of its long term rating of Big Rivers and its rating of the Bonds to BB- from BBB-. Such rating actions were taken as a result of the Notice of Cancellation.

Very truly yours,

Billie J. Richert, CPA, CITP
Vice President Accounting, Rates, and CFO
Big Rivers Electric Corporation

Attachments

cc: CoBank, ACB
5500 South Quebec Street
Greenwood Village, Colorado 80111
Attn: Legal Division

Latham & Watkins LLP
555 Eleventh Street, N.W.
Suite 1000
Washington, D.C. 20004-1304
Attn: Paul J. Hunt

ALCAN PRIMARY PRODUCTS CORPORATION

ALCAN PRIMARY PRODUCTS CORPORATION

January 31, 2013

Mr. Gregory Starheim
President and CEO
Kenergy Corp.
Post Office Box 18
Henderson, Kentucky 42419

Mr. Mark Bailey
President and CEO
Big Rivers Electric Corporation
201 Third Street
Henderson, Kentucky 42420

Re: Retail Electric Service Agreement
NOTICE OF TERMINATION

Gentlemen:

This letter constitutes written Notice of Termination, in accordance with Section 7.3.1 of the Retail Electric Service Agreement, dated July 1, 2009 ("**Agreement**"), between Alcan Primary Products Corporation ("**APPC**"), a wholly-owned subsidiary of Alcan Corporation, and Kenergy Corp. ("**Kenergy**"). APPC is the owner and operator of the aluminum smelter located in Robards, Kentucky (the "**Sebree Smelter**").

On January 15, 2013, Big Rivers Electric Corporation ("**Big Rivers**") filed an Application with the Kentucky Public Service Commission (the "**KPSC**") for an increase in base rates (the "**Application**"). According to Big Rivers, the Application, if approved, would result in a rate increase of nearly 16%. There is already substantial doubt that the Sebree Smelter is sustainable at the current rate being charged to APPC. The increase contemplated by Application would remove all doubt whatsoever and ensure that the Sebree Smelter is unprofitable and therefore unsustainable. Under the circumstances, APPC has no choice but to furnish this Notice of Termination.

As you are aware, Section 7.3.1 of the Agreement requires the President of Alcan Corporation, the corporate parent of APPC, to represent and warrant that (i) the decision to give this Notice of Termination reflects a business judgment made in good faith to terminate and cease all aluminum smelting operations at the Sebree Smelter, and (ii) it has no current intention of re-commencing smelting operations at the Sebree Smelter. Under the present

circumstances, Mr. Timothy Guerra, the President of Alcan Corporation, makes those representations and warranties in the Certificate attached hereto.

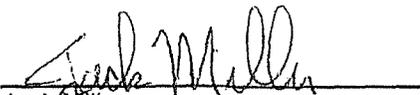
I am advised that, notwithstanding the notice of Century Aluminum of Kentucky ("Century") on August 20, 2012 to terminate its Retail Electric Service Agreement, dated July 1, 2009, Big Rivers and Kenergy have entered into negotiations with Century to waive the obligations of Section 7.3.1 of the Agreement and to otherwise assist Century to access market power in order to keep Century's Hawesville, Kentucky smelter open beyond August 20, 2013. Big Rivers and Kenergy have consistently and routinely indicated that they would keep the Sebree Smelter and Century's Hawesville smelter on equal footing in terms of their respective agreements. Therefore, in the event APCC decides in the future that market power might be an option to keep the Sebree Smelter operational, APCC would expect the same accommodations from Big Rivers and Kenergy on terms no less favorable than those offered to Century.

APPC appreciates the recent efforts of Big Rivers in offering proposals that would restructure the rate formula and other basic terms and conditions of the Agreement. While we are not in agreement at the present time, we welcome continuation of those discussions during the pendency of the rate case in hopes of reaching a mutually acceptable accord. We believe that further discussions would not be inconsistent with this Notice of Termination and indeed are appropriate in order to find ways to retain the jobs and preserve the economic benefits of those jobs for the Commonwealth of Kentucky.

Should you have any questions about this Notice of Termination, please do not hesitate to contact me or any of my colleagues listed below.

ALCAN PRIMARY PRODUCTS CORPORATION

By:



Jack Miller
President

cc: Mr. Serge Gosselin
Mr. Donald P. Seberger

ALCAN CORPORATION

8770 West Bryn Mawr Avenue
Chicago, Illinois 60631

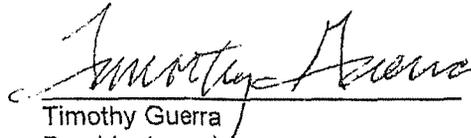
Office of the President

CERTIFICATE

The undersigned, Timothy Guerra, a resident of the State of Illinois, hereby represents and warrants that:

1. He is the duly elected President of Alcan Corporation, a Texas corporation (the "**Company**");
2. The Company is the owner of 100% of the issued and outstanding stock of Alcan Primary Products Corporation, a Texas corporation ("**APPC**"). APPC is the owner and operator of the aluminum smelter located in Robards, Kentucky (the "**Sebree Smelter**").
3. By letter dated and delivered concurrently herewith, APPC has furnished written Notice of Termination in accordance with Section 7.3.1 of the Retail Electric Service Agreement, dated July 1, 2009 ("**Agreement**"), between APPC and Kenergy Corp. (the "**Notice of Termination**").
4. The decision to furnish the Notice of Termination reflects APPC's and the Company's business judgment made in good faith to terminate and cease all aluminum smelting operations at the Sebree Smelter and that they have no current intention of recommencing operations at that location.

Dated as of the 31st day of January, 2013.

By: 
Timothy Guerra
President
ALCAN CORPORATION



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

February 8, 2013

CoBank ACB
5500 South Quebec Street
Greenwood Village, Colorado 80111
Attn: Power Supply Division

Re: Notices Pursuant to Section 6.02(A) and 6.02(D)(v) of the \$50,000,000 Senior Unsecured Revolving Credit Facility (the "Agreement") among Big Rivers Electric Corporation, as Borrower, the Several Lenders from time to time Parties Hereto, and CoBank ACB, As Administrative Agent, Issuing Lender, Lead Arranger and Book Runner, Dated as of July 27, 2012

Gentlemen:

In connection with Section 6.02 (D)(v) of the Agreement, Big Rivers Electric Corporation hereby notifies CoBank ACB, as administrative agent under the Agreement, that it has received a Notice of Cancellation (as defined in such Agreement) from the Alcan Primary Products Corporation. A copy of such Notice of Cancellation is attached hereto.

In connection with Section 6.02(A) of the Agreement, we have also attached hereto a copy of: (i) a press release dated February 6, 2013 from Moody's Investors Service, Inc. related to its downgrade of the rating of \$83,300,000 County of Ohio, Kentucky, Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) (the "Bonds") to Ba1 from Baa2; (ii) a press release dated February 6, 2013 from Fitch Ratings relating to the downgrade of Big Rivers' \$83.3 million County of Ohio, KY's pollution control refunding revenue Bonds series 2010A (the "Bonds") to BB from BBB-; and (iii) a credit report dated February 4, 2013 from Standard & Poor's Ratings Services relating to the downgrade of its long term rating of Big Rivers and its rating of the Bonds to BB- from BBB-.

Such rating actions were taken as a result of the Notice of Cancellation received from Alcan Primary Products Corporation.

Your Touchstone Energy Cooperative 

Case No. 2012-00535

Attachment for Response to KIUC 1-3

Witness: Billie J. Richert

Page 13 of 34

CoBank, ACB
February 8, 2013
Page 2

Very truly yours,



Billie J. Richert, CPA, CITP
Vice President Accounting, Rates, and CFO
Big Rivers Electric Corporation

Attachments

cc: CoBank, ACB
5500 South Quebec Street
Greenwood Village, Colorado 80111
Attn: Legal Division

Latham & Watkins LLP
555 Eleventh Street, N.W.
Suite 1000
Washington, D.C. 20004-1304
Attn: Paul J. Hunt

OHSUSA:753102173.1

ALCAN PRIMARY PRODUCTS CORPORATION

January 31, 2013

Mr. Gregory Starheim
President and CEO
Kenergy Corp.
Post Office Box 18
Henderson, Kentucky 42419

Mr. Mark Bailey
President and CEO
Big Rivers Electric Corporation
201 Third Street
Henderson, Kentucky 42420

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NOTICE OF TERMINATION

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On January 15, 2013, Big Rivers Electric Corporation ("**Big Rivers**") filed an Application with the Kentucky Public Service Commission (the "**KPSC**") for an increase in base rates (the "**Application**"). According to Big Rivers, the Application, if approved, would result in a rate increase of nearly 16%. There is already substantial doubt that the Sebree Smelter is sustainable at the current rate being charged to APPC. The increase contemplated by Application would remove all doubt whatsoever and ensure that the Sebree Smelter is unprofitable and therefore unsustainable. Under the circumstances, APPC has no choice but to furnish this Notice of Termination.

As you are aware, Section 7.3.1 of the Agreement requires the President of Alcan Corporation, the corporate parent of APPC, to represent and warrant that (i) the decision to give this Notice of Termination reflects a business judgment made in good faith to terminate and cease all aluminum smelting operations at the Sebree Smelter, and (ii) it has no current intention of re-commencing smelting operations at the Sebree Smelter. Under the present

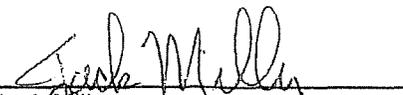
circumstances, Mr. Timothy Guerra, the President of Alcan Corporation, makes those representations and warranties in the Certificate attached hereto.

I am advised that, notwithstanding the notice of Century Aluminum of Kentucky ("Century") on August 20, 2012 to terminate its Retail Electric Service Agreement, dated July 1, 2009, Big Rivers and Kenergy have entered into negotiations with Century to waive the obligations of Section 7.3.1 of the Agreement and to otherwise assist Century to access market power in order to keep Century's Hawesville, Kentucky smelter open beyond August 20, 2013. Big Rivers and Kenergy have consistently and routinely indicated that they would keep the Sebree Smelter and Century's Hawesville smelter on equal footing in terms of their respective agreements. Therefore, in the event APPC decides in the future that market power might be an option to keep the Sebree Smelter operational, APPC would expect the same accommodations from Big Rivers and Kenergy on terms no less favorable than those offered to Century.

APPC appreciates the recent efforts of Big Rivers in offering proposals that would restructure the rate formula and other basic terms and conditions of the Agreement. While we are not in agreement at the present time, we welcome continuation of those discussions during the pendency of the rate case in hopes of reaching a mutually acceptable accord. We believe that further discussions would not be inconsistent with this Notice of Termination and indeed are appropriate in order to find ways to retain the jobs and preserve the economic benefits of those jobs for the Commonwealth of Kentucky.

Should you have any questions about this Notice of Termination, please do not hesitate to contact me or any of my colleagues listed below.

ALCAN PRIMARY PRODUCTS CORPORATION

By: 
Jack Miller
President

cc: Mr. Serge Gosselin
Mr. Donald P. Seberger

ALCAN CORPORATION

8770 West Bryn Mawr Avenue
Chicago, Illinois 60631

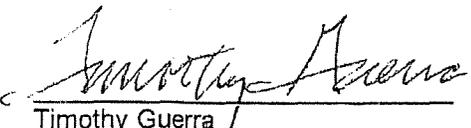
Office of the President

CERTIFICATE

The undersigned, Timothy Guerra, a resident of the State of Illinois, hereby represents and warrants that:

1. He is the duly elected President of Alcan Corporation, a Texas corporation (the "**Company**");
2. The Company is the owner of 100% of the issued and outstanding stock of Alcan Primary Products Corporation, a Texas corporation ("**APPC**"). APPC is the owner and operator of the aluminum smelter located in Robards, Kentucky (the "**Sebree Smelter**").
3. By letter dated and delivered concurrently herewith, APPC has furnished written Notice of Termination in accordance with Section 7.3.1 of the Retail Electric Service Agreement, dated July 1, 2009 ("**Agreement**"), between APPC and Kenergy Corp. (the "**Notice of Termination**").
4. The decision to furnish the Notice of Termination reflects APPC's and the Company's business judgment made in good faith to terminate and cease all aluminum smelting operations at the Sebree Smelter and that they have no current intention of recommencing operations at that location.

Dated as of the 31st day of January, 2013.

By: 
Timothy Guerra
President
ALCAN CORPORATION



Rating Action: Moody's downgrades rating of County of Ohio, Kentucky (Big Rivers Electric Corporation Project) to Ba1 from Baa2; rating remains under review for further downgrade

Global Credit Research - 06 Feb 2013

\$83.3 million of securities affected

New York, February 06, 2013 -- Moody's Investors Service downgraded the senior secured rating of \$83.3 million of County of Ohio, Kentucky (the county) Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) to Ba1 from Baa2. The rating, which had been placed under review for downgrade on August 21, 2012, remains under review for further downgrade.

"The rating downgrade related to the aforementioned bonds, which were previously issued by the county on behalf of Big Rivers Electric Corporation (BREC), reflects the significantly increased financial and operating risks for BREC due to the January 31, 2013 announcement by Alcan Corporation that its subsidiary, Alcan Primary Products Corporation (Rio Tinto Alcan) issued a 12-month notice to terminate its power contract with BREC", said Kevin Rose, Vice President-Senior Analyst. This announcement follows the August 20, 2012 announcement by Century Aluminum Company that its subsidiary, Century Aluminum of Kentucky issued a 12-month notice to terminate its power contract with BREC. Both announcements cite that smelter operations at Rio Tinto Alcan's Sebree smelter and Century's Hawesville smelter are not economically viable with current contract power rates and under current market conditions. "On a combined basis, one of BREC's three member-owners, Kenergy Corp., has been serving the two aluminum smelters comprising roughly two-thirds of BREC's annual energy sales and accounting for just under 60% of its system demand and in excess of 60% of annual revenues", Rose added.

Despite the fact that BREC will continue receiving revenues from base energy charges over the respective 12 month notice periods (ending August 20, 2013 in the case of Century and January 31, 2014 in the case of Rio Tinto Alcan), the rating remains under review for downgrade, reflecting the uncertainty concerning BREC's mitigation strategies under consideration, including whether BREC will obtain approval from the Kentucky Public Service Commission (KPSC) for significant rate increases to address anticipated revenue shortfalls. Moody's notes that BREC is among the few electric generation and transmission cooperatives subject to rate regulation, which can sometimes pose challenges in implementing timely rate increases. In addition to monitoring the recently filed request for a rate increase at the KPSC, the rating review will also consider BREC's prospects for mitigating the impact from the termination notices through other steps, including through shoring up liquidity, entering into bilateral sales arrangements; making short-term off system sales in the wholesale market; participating in the capacity markets; temporarily idling generation and reducing staff; and possibly selling generating assets.

BREC filed a rate case with the KPSC on January 15, 2013, seeking approval for a \$74.5 million rate increase. While the substantial majority of this sizable request is due to impending load loss when Century's notice period expires, additional amounts would make up for declining margins from off system sales and other cost pressures. The actual percentage rate impact would vary by customer class and we note the availability of funds in the economic and rural economic reserve accounts that can be used to offset the significant impact for the non-smelter customer classes. Since filing its rate case in January, BREC has responded to additional data requests from the KPSC and is requesting that new rates become effective August 20, 2013. If the case is not decided by then, BREC would be permitted under state statutes to implement the rate increase, subject to refund, pending a final KPSC decision in the rate case.

In terms of liquidity, BREC has a cash balance in excess of \$100 million available to repay its impending \$58.8 million tax-exempt debt maturity on June 1, 2013 and external liquidity is currently comprised of \$100 million of multi-year revolving credit facilities evenly split between National Rural Utilities Cooperative Finance Corporation and CoBank. Maintaining bank facilities to supplement its internally generated cash flow in the face of existing challenges will be integral to BREC's credit profile going forward.

In light of the rating review for possible downgrade and the uncertainty at BREC that persists following the announcements by Century and Rio Tinto, the rating is not likely to be upgraded or stabilized in the near term. Several factors are likely to cause us to further lower BREC's rating including our assessment of the likelihood of

success in implementing the numerous mitigation strategies on the drawing board. Of particular interest to the rating review is the degree to which BREC's future financial results will depend upon the margins from the unregulated wholesale power market through both short-term and long-term off-system sales as well as our assessment of the cooperative's ability to secure needed rate increases from the non-smelter member load. The rating could also be negatively affected should efforts to shore up external liquidity sources fail to meet our understanding of BREC's near-term objectives. Further, downward rating pressure could occur should environmental capital requirements increase substantially particularly with the lack of a clear regulatory mechanism in place.

Big Rivers Electric Corporation is an electric generation and transmission cooperative headquartered in Henderson, Kentucky and owned by its three member system distribution cooperatives— Jackson Purchase Energy Corporation, Kenergy Corp; and Meade County Rural Electric Cooperative Corporation. These member system cooperatives provide retail electric power and energy to approximately 113,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

The principal methodology used in this rating was U.S. Electric Generation & Transmission Cooperatives published in December 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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Fitch Downgrades Big Rivers Electric Corp, KY's 2010A Pollution Control Rfdg Rev Bonds to 'BB' Ratings Endorsement Policy
06 Feb 2013 9:08 AM (EST)

Fitch Ratings-New York-06 February 2013: Fitch Ratings has downgraded the rating on Big Rivers Electric Corporation's \$83.3 million County of Ohio, KY's pollution control refunding revenue bonds series 2010A to 'BB' from 'BBB-'.

The Rating Outlook is revised to Negative.

SECURITY

The bonds are secured by a mortgage lien on substantially all of the Big Rivers' owned tangible assets, which include the revenue generated from the sale or transmission of electricity.

SENSITIVITIES/RATING DRIVERS

SPECULATIVE GRADE RISK: The rating downgrade and Outlook revision reflect Fitch's view that the credit quality of Big Rivers has become increasingly speculative, following the recent decisions by Alcan Primary Products Corporation (Alcan) and Century Aluminum Co. (Century) to terminate their respective power supply agreements with Big Rivers.

SALES DOMINATED BY SMELTERS: Alcan and Century both own and operate large aluminum smelting facilities served by Big Rivers, through its largest member Kenergy Corp. Together the two facilities account for approximately 65% and 70% of Big Rivers' total energy sales and revenues, respectively.

INCREASED RELIANCE ON WHOLESALE MARKET: Long-term stability at Big Rivers is likely to become increasingly reliant on less predictable off-system sales and related margins following closure of the smelting facilities. The use of cash reserves will partially mitigate this risk, but prevailing low power prices will stress results.

ABUNDANT LOW COST RESOURCES: Big Rivers benefits from abundant low-cost coal-fired power resources and an average wholesale system rate (\$39.07/MWh in 2011, net of credits) that is regionally competitive and among the lowest in the nation.

SUBJECT TO RATE REGULATION: The electric rates charged by Big Rivers and its members are regulated by the Kentucky Public Service Commission (KPSC), which could limit the cooperative's financial flexibility and may delay the timing or amount of necessary rate increases.

LIQUIDITY SOLID BUT FINANCIAL RESULTS UNCERTAIN: Big Rivers reported cash of \$113.25 million at Sept. 30, 2012, excluding restricted funds available for member rate mitigation. Funds are available to support operations and may be used to meet the cooperative's June 2013 scheduled debt maturity (\$58.8 million). Longer-term financial forecasts are being developed.

WHAT COULD TRIGGER A RATING ACTION

INABILITY TO FIND ACCEPTABLE PURCHASERS: Extended overreliance on short-term power sales as a replacement for the Century and Alcan agreements to meet debt service payments.

INSUFFICIENT REGULATORY SUPPORT: Inadequate or untimely support by the KPSC would be viewed negatively.

IMPLEMENTATION OF REASONABLE MITIGATION PLAN: Implementation of a mitigation plan that maintains reasonable financial and operating stability would be supportive of credit quality.

CREDIT PROFILE

Big Rivers provides wholesale electric and transmission service to three electric distribution cooperatives. These distribution members provide service to a total of about 112,500 retail customers located in 22 western Kentucky counties. Kenergy Corporation, the largest of the three systems, is unique in that its electric load is dominated by two aluminum smelting facilities, owned and operated by Alcan and Century.

CENTURY AGREEMENT TERMINATED AUGUST 2012

Under the power supply agreements between Kenergy and the smelters, which expire in 2023, the smelters are required to take-or-pay for specific quantities of energy, irrespective of their needs. The contracts further provide for termination on one years' notice without penalties subject to certain conditions including the termination and cessation of all aluminum smelting operations at the relevant facilities.

On Aug. 20, 2012, Century issued a notice to terminate its power agreement with Big Rivers and stated its intent to close its Hawesville, KY smelter. Century claimed that the smelter was not economically viable despite electric rates well below the national average.

BIG RIVERS IMPLEMENTS MITIGATION PLAN

Big Rivers began looking into alternative arrangements with other power purchasers to redeploy its excess generating capacity immediately after the Century notice, consistent with the mitigation plan previously developed by management to address the potential loss of aluminum smelter load. In addition, Big Rivers has also filed for an increase in rates with the Kentucky Public Service Commission to eliminate anticipated short-falls in revenue as a result of the loss of the Century smelting load. The filing, submitted on Jan. 15, 2013, requests an increase in total revenue of \$74.5 million or 21.4%.

ALCAN FOLLOWS WITH TERMINATION NOTICE

Alcan delivered notice to Big Rivers' on Jan. 31, 2013 of its decision to terminate its power supply agreement noting, in particular, the Jan. 15, 2013 rate filing and anticipated increase in electric rates. Similar to the Century notice, Alcan stated that the planned rate increase would make the smelting facility in Robards, KY unprofitable, and that all smelting operations would be ceased at the end of the one-year notice period.

Closure of the smelting facilities has significant potential implications for Big Rivers, which has acknowledged that the termination notices are valid. Besides the impact of the loss of some 1,400 plant workers, the remaining residential and commercial customers of Big Rivers will most likely have to absorb meaningfully higher rates, with the increase reflecting the amount, pricing and contractual provisions of surplus power sold to new customers.

Big Rivers has redoubled its efforts to secure alternative power supply customers in the wake of the Alcan notice, but future firm contractual arrangements are unlikely over the near term. As a result, it is expected that Big Rivers will seek to modify its request for rate relief from the KPSC to reflect the loss of the full smelter load over time.

Fitch notes that Big Rivers and Kenergy have also reportedly entered into negotiations with Century to enter into an agreement to assist Century to access market power in order to keep the smelting operations open beyond Aug. 20, 2013. Alcan has requested a similar accommodation. Fitch expects that any such accommodation would be part of broader plan to address the operating and financial effect on Big Rivers.

FUTURE FINANCIAL RESULTS UNCLEAR

Big Rivers margins are expected to remain adequate to service financial obligations through at least August 2013 since both Century and Alcan remain obligated to make all required payments to Kenergy. For the nine months ended Sept. 30, 2012, Big Rivers reported operating revenue, earnings before interest, taxes and depreciation and net margins, that were all largely in line with budget, and the same nine month period through 2011.

Positively, Big Rivers reported cash and cash equivalents of \$113.25 million at Sept. 30, 2012, excluding additional amounts held as special, restricted funds available for member rate mitigation. Big Rivers' unrestricted funds are available to support operations and may be used to meet the cooperative's June 2013 scheduled debt maturity (\$58.8 million).

As time passes, however, it will be necessary for Big Rivers' to develop and implement a revised business and financial plan that captures the related regulatory decisions, contractual negotiations and anticipated revenue volatility, and for Fitch to assess the impact on the cooperative's ability to meet scheduled debt service payments.

For additional information on the rating, see Fitch's report, 'Big Rivers Electric Corporation', dated Aug. 31, 2011.

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In addition to the sources of information identified in Fitch's Revenue-Supported Rating Criteria and U.S. Public Power Rating Criteria, this action was informed by information from CreditScope.

Applicable Criteria and Related Research:

- 'U S Public Power Rating Criteria' (Dec 18, 2012);
- 'Revenue-Supported Rating Criteria'(June 12, 2012),
- 'Big Rivers Electric Corporation'(Aug 31, 2012).

Applicable Criteria and Related Research:

U.S. Public Power Rating Criteria
Revenue-Supported Rating Criteria
Big Rivers Electric Corporation

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Summary:

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Credit Profile

Big Rivers Electric Corp. ICR		
<i>Long Term Rating</i>	BB-/Negative	Downgraded

Ohio Cnty, Kentucky

Big Rivers Electric Corp., Kentucky		
Ohio Cnty (Big Rivers Electric Corp.) poll ctrl rfdg rev bnds (Big Rivers Elec Corp Proj) ser 2010A		
<i>Long Term Rating</i>	BB-/Negative	Downgraded

Rationale

Standard & Poor's Ratings Services has lowered to 'BB-' from 'BBB-' its rating on Big Rivers Electric Corp., Ky., (BREC) and Ohio County, Ky's \$83.3 million pollution control refunding revenue bonds, series 2010A (Big Rivers Electric Corp. Project) issued for Big Rivers' benefit. The outlook is negative.

The downgrade reflects our assessments of the issuer's obligations' heightened vulnerability to nonpayment after the following developments that we view as eroding the strength and stability of the utility's revenue stream:

- In August 2012, BREC's leading customer issued a 12-month notice to terminate its contract. The notice covers Century Aluminum Co.'s Hawesville, Ky., smelter. During the 12 months, Century is required to pay a base energy charge that covers its share of Big Rivers' fixed and variable costs. If it does not operate the plant during the notice period, it must still pay its share of fixed costs. The utility has accepted the termination notice. Century accounted for 36% of BREC's 2012 operating revenues.
- After the utility filed a rate case with the Kentucky Public Service Commission (KPSC) Jan. 15, 2013, and requested rate relief that would, among other things, reallocate costs borne by Century to its remaining customers, a second smelter, Rio Tinto Alcan Inc. (Alcan), issued a 12-month notice to terminate its power contract with BREC. Alcan's Jan. 31, is effective January 2014. The notice covers the company's Sebree smelter, which accounted for 28% of BREC's 2012 operating revenues. BREC's rate filing proposed raising Alcan's rates 16%.
- We believe that losing these two loads will deprive the utility of the substantial anchors that have supported much of its fixed costs. Moreover, we view the extent to which the KPSC will approve reallocating costs to remaining customers as uncertain.
- We believe it might be too onerous for remaining customers to assume the fixed costs that the smelters have historically borne, particularly because many of the counties that BREC serves have income levels that are 20%-30% below the national median household effective buying income.
- If BREC looks to competitive market sales to mitigate load losses, it is our view that sales in competitive wholesale markets could expose the utility to substantial price and volume uncertainty, which is inconsistent with sound credit quality. Moreover, BREC depends almost exclusively on coal units, which also could constrain market sales opportunities. Coal has accounted for close to 90% of its power sales and its coal units are not as economical as competing natural gas-fired resources that are benefiting from the fuel's low prices.

- Although the utility has about \$60 million of unexpended bond proceeds available to retire its \$58.5 million of pollution control bonds that are maturing in June, an eroding customer base might frustrate access to capital markets to replenish those funds. The utility reports the speculative grade rating will not lead to an acceleration of obligations outstanding.
- Big Rivers reports it deferred maintenance in 2012 to control expenses. Although it does not plan to defer maintenance in 2013, it is revisiting its capital program pending more certainty as to the timing and extent of rate relief.

Henderson, Ky.-based Big Rivers is a generation and transmission cooperative that produces and procures electricity for sale to three distribution cooperative members and their 112,900 retail customers. One member, Kenergy Corp., serves the two smelters. In 2011, Kenergy's 9.4 million megawatt-hour (MWh) sales were 8x greater than the sum of the other two members' MWh sales. About 86% of Kenergy's 2011 MWh sales were to industrial customers. Nearly three-quarters of its sales were to the two smelters. They accounted for more than 70% of Kenergy's operating revenues. BREC's other member distribution cooperatives--Jackson Purchase Energy and Meade County Rural Electric Cooperative--principally serve residential customers.

The smelters entered take-or-pay power contracts with Kenergy. However, the contracts allow the smelters to terminate their obligations to the distribution utility and BREC without penalty if they provide one-year's notice and cease operations.

Because the KPSC must approve requests for rate adjustments, the utility and its member distribution cooperatives are distinguishable from many other cooperative utilities that have autonomous ratemaking authority. The KPSC also regulates BREC's members' rates.

The utility is evaluating idling power plants as part of its response to losing loads. Closing plants could reduce costs, reduce market exposure and mitigate the financial impact on remaining customers. Big Rivers might also temper the burdens of cost reallocation if it can remarket some or all of the generation output that had been sold to the smelters. However, market or contract demand and prices would need to be sufficient to recoup the smelters' share of costs. We believe that market sales could transform the utility into a principally merchant generator that faces the risks inherent in being subject to market demand and prices.

BREC sells electricity to the smelters under contracts at prices that are about 30% above the 3.3 cents it earned from sales of surplus energy in wholesale markets in 2011. It sold 3 million MWh of surplus wholesale power into the market for \$100.4 million in 2011.

Big Rivers' concentration in coal resources also expose the utility to potentially higher production costs as Environmental Protection Agency (EPA) regulation of power plant emissions progresses. A recent appellate decision that vacated the EPA's Cross-State Air Pollution rule could provide the utility with at least a temporary reprieve from emissions-related capital spending while the EPA revisits its rules.

The utility reported \$794 million of debt as of June 30, 2012. Debt consisted of Rural Utilities Service loans and the Ohio County bonds. Big Rivers closed a \$537 million loan with CoBank ACB and National Rural Utilities Cooperative Finance Corp. in July. In addition to replenishing \$35 million of transition reserve funds, proceeds restructured a portion of the utility's RUS borrowing to eliminate some of the spikes in debt service requirements.

Summary: Big Rivers Electric Corp., Kentucky Ohio County; Rural Electric Coop

The debt portfolio exhibits uneven amortization. BREC repaid \$14.2 million of principal in 2010. In 2011, it was required to repay \$7.3 million of principal, but also used \$35.0 million of transition reserve money to accelerate principal reduction. The utility replenished the transition reserve in 2012 with proceeds of July's borrowing from CoBank and National Rural Utilities. Loan proceeds also facilitated debt restructuring that reduced 2012's \$72.1 million scheduled maturity to \$12.1 million, with the remaining \$60 million to be amortized later. However, 2013's maturity remains at \$79.3 million, and that will likely need to be restructured. The utility forecasts about \$22 million of 2014 and 2015 principal payments.

Ohio County sold bonds for the benefit of BREC, which used bond proceeds to refund auction rate securities. We understand that the financing structure obligates the utility to unconditionally pay the county's bonds' debt service. Big Rivers issued a note to the county that provides it with a security interest in the utility's assets under its mortgage indenture. The county's bonds' security interest is on par with the utility's senior-secured debt.

Debt service coverage of 1.45x in 2010 and 1.65x in 2011 was strong for a cooperative utility, in our opinion. We believe strong excess coverage margins provide a cushion against the potential for revenue stream variability.

The strength of 2011's coverage ratio partially reflects the year's very low scheduled principal payment of \$7.3 million. We calculated the ratio using scheduled debt service in the denominator, compared to the \$46 million of principal the utility elected to repay.

The utility maintains \$152.6 million of reserves that it uses for rate stabilization to reduce rates. Because it already projects depleting these reserves by the first quarter of 2018 under a steady-state scenario, we do not view these reserves as adding value under a scenario in which the smelters close.

Outlook

The negative outlook reflects our view that the largest customers' termination notices could degrade BREC's financial performance and credit quality during our one-year outlook horizon. We believe there is significant uncertainty vis-à-vis the extent and timeliness of rate relief, particularly as substantial blocks of fixed costs need to be reallocated. We will monitor the progress of the rate case to assess whether further rating action is appropriate. We believe the customers' notice could expose the utility to the vicissitudes of merchant markets and creates the potential for substantial cost shifting to remaining customers, who might resist such efforts or find that reallocated costs are too onerous to absorb. If these risks, whether in isolation or combination, weaken BREC's business risk profile and erode financial metrics, including the strong debt service coverage that compensated for business risks in recent years, we could further lower the ratings. We do not expect to raise the ratings during our outlook period.

Related Criteria And Research

USPF Criteria: Applying Key Rating Factors To U.S. Cooperative Utilities, Nov. 21, 2007

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Summary: Big Rivers Electric Corp., Kentucky Ohio County; Rural Electric Coop

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FEBRUARY 4, 2013 6

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Case No. 2012-00535
Attachment for Response to KIUC 1-3
Witness: Billie J. Richert
Page 30 of 34



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

February 8, 2013

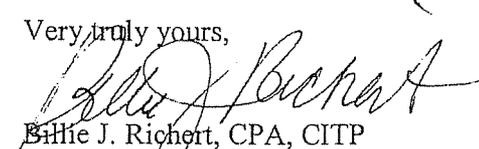
CoBank ACB
5500 South Quebec Street
Greenwood Village, Colorado 80111
Attn: Power Supply Division

Re: Section 6.02(E) of the \$50,000,000 Senior Unsecured Revolving Credit Facility (the "Agreement") among Big Rivers Electric Corporation, as Borrower, the Several Lenders from time to time Parties Hereto, and CoBank ACB, As Administrative Agent, Issuing Lender, Lead Arranger and Book Runner, Dated as of July 27, 2012

Gentlemen:

In connection with Section 6.02(E) of the Agreement, Big Rivers Electric Corporation has attached hereto and is transmitting to CoBank ACB, as administrative agent under the Agreement, (i) a certificate of a Responsible Officer (as defined in the Agreement) pursuant to Section 6.02(E) and (ii) a copy of a report from Moody's Investors Inc. dated February 7, 2013, a press release from Fitch Ratings dated February 6, 2013, and a report from Standard & Poor's Ratings Services dated February 4, 2013 relating to the ratings of Big Rivers Electric Corporation and its County of Ohio, Kentucky, Pollution Control Revenue Refunding Bonds, Series 2010A (Big Rivers Electric Corporation Project).

Very truly yours,


Billie J. Richert, CPA, CITP
Vice President Accounting, Rates, and CFO
Big Rivers Electric Corporation

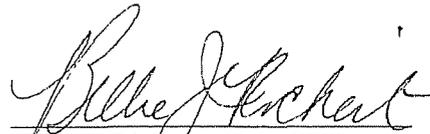
Attachments

cc: CoBank, ACB
5500 South Quebec Street
Greenwood Village, Colorado 80111
Attn: Legal Division

Latham & Watkins LLP
555 Eleventh Street, N.W.
Suite 1000
Washington, D.C. 20004-1304
Attn: Paul J. Hunt

**CERTIFICATE OF RESPONSIBLE OFFICER
PURSUANT TO SECTION 6.02(E) OF THE
SENIOR UNSECURED REVOLVING CREDIT FACILITY
DATED AS OF JULY 27, 2012 AMONG
BIG RIVERS ELECTRIC CORPORATION,
THE SEVERAL LENDERS FROM TIME TO TIME PARTIES THERETO,
AND COBANK, ACB, AS ADMINISTRATIVE AGENT,
ISSUING LENDER AND BOOK RUNNER**

I, Billie Richert, Vice President of Accounting, Rates, and Chief Financial Officer of Big Rivers Electric Corporation, hereby certify that (i) the Rating (as defined in the above-referenced Agreement) of the County of Ohio, Kentucky, Pollution Control Refunding Revenue Bonds, Series 2012A (Big Rivers Electric Corporation Project) from Moody's Investors Inc. has changed from "Baa2" to "Ba1", the Rating from Fitch Ratings has changed from BBB- to BB and the Rating from Standard & Poor's Ratings Services from BBB- to BB- and (ii) the new Ratings (as defined in the above-referenced Agreement) will cause a change in the Applicable Margin (as defined in the above-referenced Agreement).



Billie J. Richert, CPA, CITP
Vice President Accounting, Rates, and CFO
Big Rivers Electric Corporation

Dated: February 8, 2013



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

August 23, 2012

CoBank ACB
5500 South Quebec Street
Greenwood Village, Colorado 80111
Attn: Power Supply Division

Re: Notice Pursuant to Section 6.02(D)(v) of the \$50,000,000 Senior Unsecured Revolving Credit Facility (the "Agreement") among Big Rivers Electric Corporation, as Borrower, the Several Lenders from time to time Parties Hereto, and CoBank ACB, As Administrative Agent, Issuing Lender, Lead Arranger and Book Runner, Dated as of July 27, 2012

Gentlemen:

In connection with Section 6.02 (D)(v) of the Agreement, Big Rivers Electric Corporation hereby notifies CoBank ACB, as administrative agent under the Agreement, that it has received a Notice of Cancellation (as defined in such Agreement) from the Century Aluminum Company. A copy of such Notice of Cancellation is attached hereto. Please note that the termination will not take effect until August 20, 2013

Very truly yours,

Billie J. Richert, CPA, CITP
VP Accounting and Interim CFO
Big Rivers Electric Corporation

Attachment
BJR/msb

cc: CoBank, ACB
5500 South Quebec Street
Greenwood Village, Colorado 80111
Attn: Legal Division

Latham & Watkins LLP
555 Eleventh Street, N.W.
Suite 1000
Washington, D.C. 20004-1304

100% recycled consumer response paper



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

August 23, 2012

CoBank ACB
5500 South Quebec Street
Greenwood Village, Colorado 80111
Attn: Power Supply Division

Re: Notice Pursuant to Section 6.02(d)(vi) of the Secured Credit Agreement (the "Agreement") between Big Rivers Electric Corporation, as Borrower, the Several Lenders from time to time Parties Hereto, and CoBank ACB, As Administrative Agent, between Lead Arranger and Book Runner, Dated as of July 24, 2012

Gentlemen:

In connection with Section 6.02 (d)(vi) of the Agreement, Big Rivers Electric Corporation hereby notifies CoBank ACB, as administrative agent under the Agreement, that it has received a Notice of Cancellation (as defined in such Agreement) from the Century Aluminum Company. A copy of such Notice of Cancellation is attached hereto. Please note that the termination will not take effect until August 20, 2013.

Very truly yours,

Billie J. Richert, CPA, CITP
VP Accounting and Interim CFO
Big Rivers Electric Corporation

Attachment

BJR/msb

cc: CoBank, ACB
5500 South Quebec Street
Greenwood Village, Colorado 80111
Attn: Legal Division

Latham & Watkins LLP
555 Eleventh Street, N.W.
Suite 1000
Washington, D.C. 20004-1304
Attn: Paul J. Hunt

201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

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BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 4) *Provide a copy of all correspondence and documents***
2 ***between BREC and any of its other creditors since January 1, 2012.***

3
4 **Response)** Big Rivers objects to this request on the grounds that it is overly
5 broad and unduly burdensome. Big Rivers also objects to this request on
6 the grounds that it seeks information that is irrelevant and not likely to lead
7 to the discovery of admissible evidence. Notwithstanding these objections,
8 but without waiving them, Big Rivers states as follows.

9 Please see Big Rivers' response to Item 1-4 of the initial request for
10 information by Kentucky Industrial Utility Customers, Inc. ("KIUC") dated
11 December 19, 2012, in Case No. 2012-00492 for copies of all
12 correspondence between Big Rivers and Dexia Credit Local related
13 specifically to that case.

14 Please also see Big Rivers' response to Item 1-5 of the initial request
15 for information by KIUC dated December 19, 2012, in Case No. 2012-00492
16 for copies of all correspondence between Big Rivers and Ambac related
17 specifically to that case.

18 Please also see Big Rivers' response to Item 1-6 of the initial request
19 for information by KIUC dated December 19, 2012, in Case No. 2012-00492
20 for copies of all correspondence between Big Rivers and U.S. Bank National
21 Association related specifically to that case.

BIG RIVERS ELECTRIC CORPORATION

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

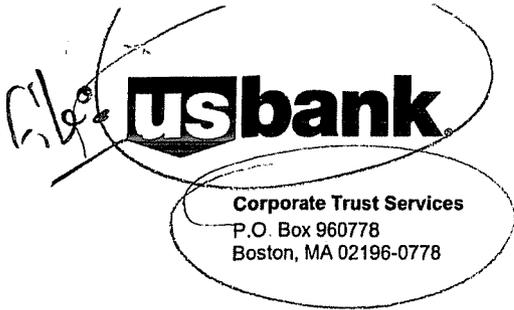
**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 Please also see the attachment to this response of all correspondence
2 and documents between Big Rivers and U.S. Bank National Association
3 since January 1, 2012.

4

5 **Witness)** Billie J. Richert



mark hite

January 13, 2012

Mr. C. William Blackburn
Vice President and CFO
Big Rivers Electric Corporation
201 Third Street
P.O. Box 24
Henderson, KY 42419-0024

Re: Big Rivers Electric Corporation First Mortgage Obligations Dated July 1, 2009

Dear Mr. Blackburn:

U.S. Bank Corporate Trust Services has the responsibility to track receipt of compliance items for your account. This notice is provided to you in advance of the due date for the compliance item(s) listed to assist you in meeting the terms of the documents.

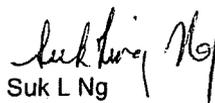
<u>Item</u>	<u>Document Reference</u>	<u>Due Date</u>
UCC Opinion of Counsel	13.5 B. Indenture	04/30/2012

Please send the required items to me at the address listed above by the due date. If possible, please include a copy of this letter.

If the items listed have been previously provided, if the due date is incorrect, if this notice should be directed to another party or if you have any questions, please contact me at 617-603-6591, suk.ng@usbank.com or Philip G. Kane, your Account Manager, at 860-241-6842, philip.kanejr@usbank.com.

Thank you for your attention to this matter.

Sincerely,


Suk L Ng
Trust Review Analyst
Fax: 617-603-6670
Email: suk.ng@usbank.com

133242000
1052757

Case No. 2012-00535
Attachment for Response to KIUC 1-4
Witness: Billie J. Richert
Page 1 of 17



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

January 26, 2012

File: Philip G. Kane, Jr.
US Bank Corporate Trust Services
Goodwin Square
225 Asylum Street, 23rd Floor
Hartford, CT 06103

Dear Mr. Kane:

In accordance with Article XIII of the Debt Covenant Review for the Indenture – First Mortgage Obligations dated July 1, 2009, between Big Rivers Electric Corporation and U.S. Bank National Association, enclosed is the requirement pursuant to Section 13.8.

Very truly yours,

A handwritten signature in black ink, appearing to read "J. Haner", written over a horizontal line.

James V. Haner
VP Administrative Services

cc: James Miller, Esq.
Mr. Mark Bailey
Mr. Mark A. Hite ✓
Mr. Albert Yockey
Mr. Ralph Ashworth

Officer's Certificate

I, Mark A. Bailey, President and Chief Executive Officer of Big Rivers Electric Corporation (the "Company"), in connection with the Company's compliance with the Indenture - First Mortgage Obligations dated July 1, 2009, between Big Rivers Electric Corporation and U.S. Bank National Association, DO HEREBY CERTIFY that:

Pursuant to Section 13.8, Article XIII of the Debt Covenant Review, attached hereto as Exhibit A is a schedule of the insurance in force upon the Trust Estate at February 9, 2011, including the names of the insurers with which the policies and other contracts of insurance on the Trust Estate are carried, the numbers, amounts and expiration dates of such policies and other contracts, and the property and hazards covered thereby. The insurance so listed complies with Section 13.8.

IN WITNESS WHEREOF, I have executed this certificate as of January 26, 2012.



Mark A. Bailey
President and Chief Executive Officer

**Big Rivers Electric Corporation
Exhibit A - Insurance In Force**

Name of Insurer	Policy Number	Amount	Expiration Date	Property and Hazard Covered
FM Global	NC986	\$3,203,898,776	12/31/12	Production Plants, Transmission Plant (Step-up Transformers & Substations) and all non-Utility Property (including Headquarters Building)
Federated Rural Electric Insurance Exchange	16ARB028-12	\$2,000,000 G/L and Auto/\$4,000,000 Crime	01/01/13	All Risk Blanket Policy, which includes General Liability, Automobile and Crime Coverage
Federated Rural Electric Insurance Exchange	16UMB028-12	\$24,000,000	01/01/13	Commercial Umbrella Policy
Federated Rural Electric Insurance Exchange	16DOM028-12	\$20,000,000	01/01/13	Directors, Officers and Managers Liability and Corporate Indemnification Policy
Kentucky Employers' Mutual Insurance	383918	Statutory WC/ \$1,000,000 Employers Liability	01/01/13	Workers Compensation and Employers Liability
Travelers	OH01200521	\$1,740,000 Physical Damage/\$1,000,000 Liability	12/31/12	Hull and Machinery, Protection and Indemnity, Landing Owners Legal Liability, Stevedores Legal Liability
Allianz and Travelers	OXL92004309 OX01200586	\$4,000,000	12/31/12	Marine Excess Liability
Mutual of Omaha	T5MPBT50562	\$4,000,000	05/15/12	Accident Protection Policy

Attachment for Response to Request for Information
 Witness: Billie J. Richert
 Case No. 12-00535
 KTRC 1-4
 Page 4 of 17



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

January 27, 2012

File:

Suk L Ng

U.S. Bank Corporate Trust Services

P.O. Box 960778

Boston, MA 02196-0778

Dear Ms. Ng:

In accordance with Article X, Section 10.1 of the Indenture – First Mortgage Obligations between Big Rivers Electric Corporation (Big Rivers) and U.S. Bank National Association, Big Rivers hereby provides notice that there has been no changes to the Holders of Obligations list since the one previously provided, dated July 30, 2010.

Sincerely,

BIG RIVERS ELECTRIC CORPORATION

A handwritten signature in black ink, appearing to read "Ralph A. Ashworth".

Ralph A. Ashworth
Director Finance

cc: C. William Blackburn
Mark Hite

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC
ATTORNEYS AT LAW

Donald 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
Mary L. Moorhouse

February 22, 2012

file:
U.S. National Bank Association
225 Asylum Street
Hartford, CT 06103

Re: Indenture dated as of July 1, 2009 (as amended),
Between Big Rivers Electric Corporation and
U.S. Bank National Association, as Trustee

Dear Sir or Madam:

We have served as outside corporate counsel for Big Rivers Electric Corporation, a Kentucky rural electric cooperative corporation ("Big Rivers" or "Company"), in connection with the execution, delivery, filing and recording of the Indenture dated as of July 1, 2009, made by and among Big Rivers as Grantor and U.S. Bank National Association as Trustee as amended (the "Indenture")¹. This opinion letter is being provided pursuant to Section 13.5.B. of the Indenture, which requires the Company to furnish to the Trustee annually certain opinions of counsel regarding the status of the lien of the Indenture.

For purposes of this opinion, we have considered such matters of law and fact and examined such documents as we have deemed necessary or appropriate to enable us to render the opinions set forth herein, including executed originals of the Indenture and certificates of public officials. In the course of such examination, we have assumed that all signatures are genuine, that all documents submitted to us as copies conform to the originals, and that all documents submitted to us as originals are authentic.

Our opinion applies to the calendar year 2011 (the "Applicable Period").

Based on the foregoing, and subject to the qualifications set forth in this letter, we are of the opinion that during the Applicable Period no further action was necessary to maintain the lien of the Indenture, including the lien on any property acquired by the Company after the execution and delivery of the Indenture and owned by the Company at the end of calendar year 2011.

Telephone (270) 926-4000
Telex (270) 683-6694

¹ The Indenture was amended by the First Supplemental Indenture dated as of June 1, 2010.

100 St. Ann Building
PO Box 727
Owensboro, Kentucky
42302-0727

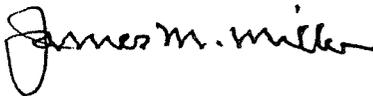
Case No. 2012-00535
Attachment for Response to KIUC 1-4
Witness: Billie J. Richert
Page 6 of 17

U.S. Bank
February 22, 2012
Page 2

The opinion set forth herein is limited to the constitution, statutes, administrative regulations, and case law of the Commonwealth of Kentucky, and our opinions are limited to the facts and such law in existence on the date of this opinion.

This opinion is delivered to you to comply with Section 13.5.B. of the Indenture, and may not be utilized or quoted by you for any other purpose or relied upon by any other person or entity other than your successors or assigns without our express written consent.

Sincerely yours,

A handwritten signature in black ink that reads "James M. Miller". The signature is written in a cursive style with a large initial "J" and a distinct "M" and "M" for Miller.

James M. Miller

JMM/ej

cc: Mark A. Hite
Big Rivers Electric Corporation



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

March 29, 2012

File!
U.S. Bank Corporate Trust Services

Attn: Kelli McCellan

60 Livingston Avenue

St. Paul, MN 55107

Dear Ms. McCellan:

In accordance with Article VI, Section 6.3 of the Financing and Loan Agreement dated June 1, 1983, between Big Rivers Electric Corporation and the County of Ohio, Kentucky, enclosed is a copy of Big Rivers' Annual Audited Financial Statements for the year ended, December 31, 2011.

Sincerely,

BIG RIVERS ELECTRIC CORPORATION

A handwritten signature in black ink, appearing to read "Ralph A. Ashworth".

Ralph A. Ashworth
Director, Finance

C: James Miller, Esq.
Mr. Mark A. Hite
Mr. Ralph Ashworth



Corporate Trust Services
P.O. Box 960778
Boston, MA 02196-0778

April 11, 2012

Mr. C. William Blackburn
Vice President and CFO
Big Rivers Electric Corporation
201 Third Street
P.O. Box 24
Henderson, KY 42419-0024

Re: Big Rivers Electric Corporation First Mortgage Obligations Dated July 1, 2009

Dear Mr. Blackburn:

U.S. Bank Corporate Trust Services has the responsibility to track receipt of compliance items for your account. This notice is provided to you in advance of the due date for the compliance item(s) listed to assist you in meeting the terms of the documents.

<u>Item</u>	<u>Document Reference</u>	<u>Due Date</u>
Statement as to Compliance	13.12 Indenture	04/29/2012

Please send the required items to me at the address listed above by the due date. If possible, please include a copy of this letter.

If the items listed have been previously provided, if the due date is incorrect, if this notice should be directed to another party or if you have any questions, please contact me at 617-603-6591, suk.ng@usbank.com or Philip G. Kane, your Account Manager, at 860-241-6842, philip.kanejr@usbank.com.

Thank you for your attention to this matter.

Sincerely,

Suk L Ng
Trust Review Analyst
Fax: 617-603-6670
Email: suk.ng@usbank.com

Case No. 2012-00535
Attachment for Response to KIUC 1-4
Witness: Billie J. Richert
Page 9 of 17

133242000
977185



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

April 20, 2012

File:
Suk L. Ng
U.S. Bank Corporate Trust Services
P.O. Box 960778
Boston, MA 02196-0778

Dear Ms. Ng:

In accordance with Article XIII, Section 13.12 of the Indenture – First Mortgage Obligations (the “Indenture”), between Big Rivers Electric Corporation (Big Rivers) and U.S. Bank National Association, Big Rivers’ management hereby states that a review of the Company’s activities during the calendar year ending December 31, 2011, has been made and the Company has fulfilled its obligations hereunder in all material respects during such year.

Sincerely,

BIG RIVERS ELECTRIC CORPORATION

A handwritten signature in cursive script that reads "Mark A. Bailey".

Mark A. Bailey
President & CEO

A handwritten signature in cursive script that reads "Mark A. Hite".

Mark A. Hite
Vice President Accounting & Interim CFO

cc: Mr. Ralph A. Ashworth



Corporate Trust Services
P.O. Box 960778
Boston, MA 02196-0778

July 11, 2012

Mr. Ralph Ashworth
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Re: Big Rivers Electric Corporation First Mortgage Obligations Dated July 1, 2009

Dear Mr. Ashworth:

U.S. Bank Corporate Trust Services has the responsibility to track receipt of compliance items for your account. This notice is provided to you in advance of the due date for the compliance item(s) listed to assist you in meeting the terms of the documents.

<u>Item</u>	<u>Document Reference</u>	<u>Due Date</u>
Semi-Annual - Holders of Obligations	10.1 Indenture	07/31/2012

Please send the required items to me at the address listed above by the due date. If possible, please include a copy of this letter.

If the items listed have been previously provided, if the due date is incorrect, if this notice should be directed to another party or if you have any questions, please contact me at 617-603-6591, suk.ng@usbank.com or Philip G. Kane, your Account Manager, at 860-241-6842, philip.kanejr@usbank.com.

Thank you for your attention to this matter.

Sincerely,


Suk L Ng
Trust Review Analyst
Fax: 617-603-6670
Email: suk.ng@usbank.com



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

July 25, 2012

file

Suk L Ng
U.S. Bank Corporate Trust Services
~~P.O. Box-960778~~
Boston, MA 02196-0778

Dear Ms. Ng:

In accordance with Article X, Section 10.1 of the Indenture – First Mortgage Obligations between Big Rivers Electric Corporation (Big Rivers) and U.S. Bank National Association, Big Rivers hereby provides notice that there has been no changes to the Holders of Obligations list since the one previously provided, dated July 30, 2010.

Sincerely,

BIG RIVERS ELECTRIC CORPORATION

A handwritten signature in black ink that reads "Ralph A. Ashworth".

Ralph A. Ashworth
Director Finance

cc: Mark Hite
Billie Richert
Nick Castlen



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

January 29, 2013

Suk L Ng
U.S. Bank Corporate Trust Services
P.O. Box 960778
Boston, MA 02196-0778

Dear Ms. Ng:

In accordance with Article X, Section 10.1 of the Indenture – First Mortgage Obligations between Big Rivers Electric Corporation (Big Rivers) and U.S. Bank National Association, Big Rivers has enclosed a list of holders as of January 29, 2013.

Sincerely,

A handwritten signature in black ink, appearing to read "Ralph A. Ashworth".

Ralph A. Ashworth
Director, Finance
Big Rivers Electric Corporation

Enclosure

c: Ms. Billie J. Richert, CPA, CITP, Vice President Accounting and Interim CFO
Nick R. Castlen, CPA, Debt & Regulatory Accounting

Big Rivers Electric Corporation
 Semi-Annual List of Holders of Obligations
 Pursuant to Article X, Section 10.1 of the Indenture – First Mortgage Obligations
 As of January 29, 2013

Obligation	Name of Holder	Address of Holder
RUS 2009 Promissory Note - Series A, dated July 16, 2009, made by Big Rivers Electric Corporation to the United States of America, in the original principal amount of \$602,573,536, maturing on July 1, 2021.	United States of America, acting by and through the Administrator of the Rural Utilities Services	Rural Utilities Service U.S. Department of Agriculture Room No. 5135-S, Stop 1510 1400 Independence Avenue, S.W. Washington, D.C. 20250 Attention: RUS Administrator
RUS 2009 Promissory Note - Series B, dated July 16, 2009, made by Big Rivers Electric Corporation to the United States of America, in the amount at final maturity of \$245,530,257.30, maturing on December 31, 2023.	United States of America, acting by and through the Administrator of the Rural Utilities Services	Rural Utilities Service U.S. Department of Agriculture Room No. 5135-S, Stop 1510 1400 Independence Avenue, S.W. Washington, D.C. 20250 Attention: RUS Administrator
Ambac Municipal Bond Insurance Policy Series 1983 Note, dated July 16, 2009, made by Big Rivers Electric Corporation ("Big Rivers") to Ambac Assurance Corporation ("Ambac"), reflecting Big Rivers' obligation to pay Ambac for any payments of principal and interest in respect of the \$58,800,000 County of Ohio, Kentucky, Pollution Control Floating Rate Demand Bonds, Series 1983.	Ambac Assurance Corporation	Ambac Assurance Corporation One State Street Plaza New York, New York 10004
Big Rivers Electric Corporation Standby Bond Purchase Agreement Note (Series 1983 Bonds), dated July 16, 2009, made by Big Rivers to Dexia Credit Local, in an amount equal to the principal and interest due on any of the \$58,800,000 County of Ohio, Kentucky Pollution Control Floating Rate Demand Bond, Series 1983 purchased by Dexia pursuant to the Standby Bond Purchase Agreement identified in such Note.	Dexia Credit Local New York Branch	Dexia Credit Local New York Branch 445 Park Avenue, 7th Floor New York, New York 10022
Big Rivers Electric Corporation First Mortgage Note, Series 2010A, dated June 8, 2010, made by Big Rivers Electric Corporation to U.S. Bank National Association, as trustee, in an amount equal to the principal and interest due on \$83,300,000 County of Ohio, Kentucky, Pollution Control Refunding Revenue Bonds, Series 2010A. ¹	U.S. Bank National Association	U.S. Bank National Association 60 Livingston Avenue EP-MN-WS3C St. Paul, MN 55107-2292
Big Rivers Electric Corporation First Mortgage Notes, Series 2012A, dated July 24, 2012, entered into by and between Big Rivers Electric Corporation (the "Borrower"), the several financial institutions or entities from time to time parties to the Agreement (the "Lenders") and CoBank, ACB ("CoBank") as administrative agent, lead arranger, and book runner, in the amount of \$235,000,000 with a final maturity date of June 30, 2032. ²	CoBank, ACB, as Administrative Agent	CoBank, ACB 5500 South Quebec Street Greenwood Village, Colorado 80111 Attention: Power Division
Big Rivers Electric Corporation First Mortgage Notes, Series 2012B, dated July 27, 2012, entered into by and between Big Rivers Electric Corporation (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") in the principal amount of \$302,000,000 with a final maturity date of May 31, 2032. ³	National Rural Utilities Cooperative Finance Corporation ("CFC")	National Rural Utilities Cooperative Finance Corporation 20701 Cooperative Way Dulles, Virginia 20166 Attention: General Counsel

¹ The proceeds from the sale of the \$83,300,000 County of Ohio (the "County"), Kentucky, Pollution Control Refunding Revenue Bonds, Series 2010A, were used to refund the entire outstanding principal amount of the County's Pollution Control Refunding Revenue Bonds, Series 2001A (the "Series 2001A Bonds"), Periodic Auction Reset Securities (PARSSM). The refunding of the Series 2001A Bonds resulted in the cancellation of an Existing Obligation under the Mortgage Indenture as set out below.

Big Rivers Electric Corporation PCB Series 2001A Note, dated July 16, 2009, made by Big Rivers Electric Corporation to the County of Ohio, Kentucky, and endorsed to U.S. Bank Trust National Association, as trustee, in the maximum principal amount of \$83,300,000.

U.S. Bank National Association
 60 Livingston Avenue
 EP-MN-WS3C
 St. Paul, MN 55107-2292

² \$140,000,000 of the proceeds from the First Mortgage Notes, Series 2012A, dated July 24, 2012, were used to prepay the existing RUS Series A 2009 Promissory Note.

³ \$302,000,000 of the proceeds from the First Mortgage Notes, Series 2012B, dated July 27, 2012, were used to prepay the existing RUS Series A 2009 Promissory Note.



Corporate Trust Services
P.O. Box 960778
Boston, MA 02196-0778

January 16, 2013

Mr. Ralph Ashworth
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Re: Big Rivers Electric Corporation First Mortgage Obligations Dated July 1, 2009

Dear Mr. Ashworth:

U.S. Bank Corporate Trust Services has the responsibility to track receipt of compliance items for your account. This notice is provided to you in advance of the due date for the compliance item(s) listed to assist you in meeting the terms of the documents.

<u>Item</u>	<u>Document Reference</u>	<u>Due Date</u>
Semi-Annual - Holders of Obligations	10.1 Indenture	01/30/2013

Please send the required items to me at the address listed above by the due date. If possible, please include a copy of this letter.

If the items listed have been previously provided, if the due date is incorrect, if this notice should be directed to another party or if you have any questions, please contact me at 617-603-6591, suk.ng@usbank.com or Philip G. Kane, your Account Manager, at 860-241-6842, philip.kanejr@usbank.com.

Thank you for your attention to this matter.

Sincerely,

Suk L Ng
Trust Review Analyst
Fax: 617-603-6670
Email: suk.ng@usbank.com

133242000
986762

All of serving you™

Case No. 2012-00535
Attachment for Response to KIUC 1-4
Witness: Billie J. Richert
Page 15 of 17

Billie Richert

From: suk.ng@usbank.com
Sent: Wednesday, January 30, 2013 6:25 AM
To: Nicholas R. Castlen
Cc: Billie Richert; Nicholas R. Castlen; Kane, Philip (philip.kanejr@usbank.com); Ralph Ashworth
Subject: Re: Big Rivers' Indenture - Article X. Sec. 10.1 Compliance (List of Holders as of January 29, 2013)

Dear Nick,

Good Morning!

Thank you very much for the attachment.

Have a wonderful day!

Suk Ling Ng
Trust Review Analyst
U.S. Bank National Association
Global Corporate Trust Services
One Federal Street, 3rd Floor
EX-MA-FED
Boston, MA 02110
suk.ng@usbank.com
617-603-6591 direct
617-603-6670 fax

Please consider the environment before printing this message.

From: "Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com>
To: "suk.ng@usbank.com" <suk.ng@usbank.com>
Cc: "Kane, Philip (philip.kanejr@usbank.com)" <philip.kanejr@usbank.com>, "Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com>, Ralph Ashworth <Ralph.Ashworth@bigrivers.com>, Billie Richert <Billie.Richert@bigrivers.com>
Date: 01/29/2013 04:47 PM
Subject: Big Rivers' Indenture - Article X. Sec. 10.1 Compliance (List of Holders as of January 29, 2013)

Ms. Ng,

Please see attachment for a copy of Big Rivers Electric Corporation's letter in compliance with Article X, Section 10.1 (List of Holders) of the Indenture. The original letter is being mailed to you today.

If you have any questions or need any additional information, please don't hesitate to call me.

Regards,

Nick



Your Touchstone Energy® Corporation

Nick Castlen, C.P.A.

Case No. 2012-00535
Attachment for Response to KIUC 1-4
Witness: Billie J. Richert
Page 16 of 17

Debt & Regulatory Accounting
201 Third Street, Henderson, KY, 42420
Office Phone: 270.844.6141
Work Cell: 270.831.0981

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U.S. BANCORP made the following annotations

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BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 5)** *Provide a copy of all correspondence and documents*
2 *between BREC and MISO since January 1, 2012.*

3

4 **Response)** Big Rivers objects to this request on the grounds that it is overly
5 broad and unduly burdensome. Counsel for KIUC has agreed to limit this
6 question to only seek (i) correspondence with MISO regarding Century
7 buying market power, the requirement to keep Coleman operating if Century
8 buys market power and MISO costs that will be incurred by Big Rivers if
9 Century buys market power; and (ii) correspondence with MISO regarding
10 Alcan buying market power and MISO costs that will be incurred by Big
11 Rivers if Alcan buys market power. Given the foregoing limitations
12 notwithstanding the prior objections but without waiving them, please see
13 the attached documents.

14

15 **Witness)** Robert W. Berry

From: Gloria Bryant <gbryant@misoenergy.org>
Sent: Tuesday, February 19, 2013 6:09 AM
To: Lindsay Barron
Subject: RE: Quick Questions

Lindsay,

Yes, I would agree with your statement.

Gloria

Gloria K. Bryant
Manager, Transmission Settlements
MISO
P.O. Box 4204
Carmel, IN 46082-4202
(317) 249-5506
gbryant@misoenergy.org

From: Lindsay Barron [<mailto:Lindsay.Barron@bigrivers.com>]
Sent: Sunday, February 17, 2013 1:13 PM
To: Gloria Bryant
Subject: Quick Questions

Gloria,

Would you agree with the statement, "All loads in MISO are required to obtain (or have obtained on their behalf) MISO transmission service, regardless of their supplier."?

As you know, we're still wrangling with the Smelters and I want to confirm that this is an accurate statement. Thanks!

Lindsay

*Lindsay N. Barron, CPA
Vice President Energy Services
Big Rivers Electric Corporation
PO Box 24
Henderson, KY 42419
270.844.6194 office
270.993.1594 mobile*

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Case No. 2012-00535
Attachment for Response to KIUC 1-15
Witness: Robert W. Berry
Page 1 of 31

From: Michael Mattox
Sent: Monday, November 05, 2012 10:15 AM
To: 'Henry Chu'
Cc: Lindsay Barron (Lindsay.Barron@bigrivers.com)
Subject: Attachment Y/Y-2 question

Henry,

During the BREC/Kenergy/MISO meeting last month there were some questions about the Att Y-2 process.

1. As part of an Att Y2 filing, would the cost allocation among affected LSE's be determined (assuming the Att Y2 finds a SSR is needed)?
2. If this could not be done as part of the Att Y2 process could Big Rivers pay MISO to determine the cost allocation in a separate study?
3. If Big Rivers supplied cost information could the actual cost that would result from a SSR be determined in either 1. or 2. above?
4. Under the current process when is the LSE cost allocation determined? As part of an Att Y filing or when a SSR is negotiated?

Thanks

Mike

Michael J. Mattox
Director, Resources & Forecasting
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
(270) 826-5669 (direct recorded)
(270) 844-6155 (direct)
(270) 827-2561 (BREC switchboard)
(270) 577-1617 (cell)
(270) 827-2101 (fax)
AOL IM: MikeMattoxBREC

From: Henry Chu <hchu@misoenergy.org>
Sent: Friday, January 04, 2013 2:06 PM
To: Michael Mattox
Lindsay Barron
Subject: FW: More Att Y questions

Mike,

These are answers to half your questions. Working on the first half.

Thanks,

Henry Chu
Advisor, Client Accounts
MISO
317-249-5356 Direct
317-432-5349 Cell
hchu@misoenergy.org

From: Michael Mattox [<mailto:Michael.Mattox@bigrivers.com>]
Sent: Wednesday, January 02, 2013 4:25 PM
To: Henry Chu
Cc: Lindsay Barron
Subject: RE: More Att Y questions

Henry,
Hope you enjoyed the holidays, now back to reality.

I wanted to get this to the top of your inbox so it is not forgotten.

Thanks

Mike M.

From: Michael Mattox
Sent: Monday, December 17, 2012 3:31 PM
To: 'Henry Chu'
Cc: Lindsay Barron (Lindsay.Barron@bigrivers.com)
Subject: More Att Y questions

Henry,

We have read the City of Escanaba Att Y, associated filings with FERC (including the proposed Schedule 43) and the MISO tariff and had some questions

Att Y Upgrade Questions:

Assume MISO has an Att. Y1/SSR agreement in place for a unit. And as part of the Att Y study MISO determined that transmission line upgrades, transformer upgrades and new capacitors are needed prior to shutting down the SSR unit.

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Attachment for Response to KIIUC 1-15
Witness: Robert W. Berry

Who pays for those upgrade costs upfront? The affected LBA/owner of the assets?

How is the owner reimbursed for those costs, via the MTEP or revised Att O?

If reimbursement is via MTEP is reimbursement all at once or over the life of the new assets?

SSR Reimbursement Questions:

Looking at the City of Escanaba Schedule 43 filed with FERC, whenever the units operate for system reliability in excess of \$71.57/MWh, the excess revenue goes to offset the \$309.190 monthly costs being paid by affected LSEs.

What if that revenue stream for the month is in excess of \$309,190, who gets that excess revenue?we'll roll this over to the next month, to pay down that debt.

Looking at the City of Escanaba SSR Agreement Section 8.C.(1)and MISO tariff section 38.2.7d & f, if a unit is called upon by MISO at less than full capacity, the MP may offer that unit into the market beyond the amount designated by MISO. i.e. MISO requests 100 MW of a 150 MW unit for reliability the MP may offer 50 MW into the Energy/Op Res Mkt.

If the MP offers that 50 MW into the market, does the MP keep any revenue above its cost for the 50 MW or does it go to offset the monthly LSE costs? The latter – goes to pay down the SSR compensation rqmnts.

Thanks

Mike M.

Michael J. Mattox
Director, Resources & Forecasting
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
(270) 826-5669 (direct recorded)
(270) 844-6155 (direct)
(270) 827-2561 (BREC switchboard)
(270) 577-1617 (cell)
(270) 827-2101 (fax)
AOL IM: MikeMattoxBREC

From: Henry Chu <hchu@misoenergy.org>
Sent: Thursday, January 10, 2013 3:48 PM
To: Michael Mattox
Subject: FW: More Att Y questions

Mike,

Here is your answer. Sorry took so long.

Henry

Att Y Upgrade Questions:

Assume MISO has an Att. Y1/SSR agreement in place for a unit. And as part of the Att Y study MISO determined that transmission line upgrades, transformer upgrades and new capacitors are needed prior to shutting down the SSR unit.

Who pays for those upgrade costs upfront? The affected LBA/owner of the assets?

Transmission Owners, just like if they were constructing a project of their own. However, what TOs pay depends on the type of project. Transmission upgrade projects to address may be Baseline Reliability Projects. If required upgrades are BRP, then they may be eligible for cost sharing and shared by multiple TOs. If not shared, TO whose project it is pays.

How is the owner reimbursed for those costs, via the MTEP or revised Att O?

The Transmission Owner puts project in MISO rates via Attachment O. Schedule 26 is applicable for Baseline Reliability Project.

if reimbursement is via MTEP is reimbursement all at once or over the life of the new assets?

or MISO transmission tariff rates which is over the life of the facilities.

From: Michael Mattox
Sent: Monday, December 17, 2012 3:31 PM
To: 'Henry Chu'
Cc: Lindsay Barron (Lindsay.Barron@bigrivers.com)
Subject: More Att Y questions

Henry,

We have read the City of Escanaba Att Y, associated filings with FERC (including the proposed Schedule 43) and the MISO tariff and had some questions

Att Y Upgrade Questions:

Assume MISO has an Att. Y1/SSR agreement in place for a unit. And as part of the Att Y study MISO determined that transmission line upgrades, transformer upgrades and new capacitors are needed prior to shutting down the SSR unit.

Who pays for those upgrade costs upfront? The affected LBA/owner of the assets?

How is the owner reimbursed for those costs, via the MTEP or revised Att O?

if reimbursement is via MTEP is reimbursement all at once or over the life of the new assets?

SSR Reimbursement Questions:

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Attachment for Response to KIUC 1-16
Witness: Robert W. Berry
Page 5 of 31

Looking at the City of Escanaba Schedule 43 filed with FERC, whenever the units operate for system reliability in excess of \$71.57/MWh, the excess revenue goes to offset the \$309.190 monthly costs being paid by affected LSEs.
What if that revenue stream for the month is in excess of \$309,190, who gets that excess revenue?

Looking at the City of Escanaba SSR Agreement Section 8.C.(1) and MISO tariff section 38.2.7d & f, if a unit is called upon by MISO at less than full capacity, the MP may offer that unit into the market beyond the amount designated by MISO. i.e. MISO requests 100 MW of a 150 MW unit for reliability the MP may offer 50 MW into the Energy/Op Res Mkt.

If the MP offers that 50 MW into the market, does the MP keep any revenue above its cost for the 50 MW or does it go to offset the monthly LSE costs?

Thanks

Mike M.

Michael J. Mattox
Director, Resources & Forecasting
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
(270) 826-5669 (direct recorded)
(270) 844-6155 (direct)
(270) 827-2561 (BREC switchboard)
(270) 577-1617 (cell)
(270) 827-2101 (fax)
AOL IM: MikeMattoxBREC

From: Gloria Bryant <gbryant@misoenergy.org>
Sent: Friday, February 01, 2013 1:28 PM
To: Michael Mattox
CC: Lindsay Barron
Subject: RE: Another Transmission question
Attachments: mc004brps2012120100est50.xls

Mike,

Reservation 76856899 represents BREC's native load. Under the Transmission Owners' Agreement, reservations that represent bundled load are not required to pay certain schedules such as 9, 1, and 2. This was originally due to the fact that the customer and the transmission owner were affiliated and there was no reason to pay the charges to MISO, be out the money for 24 to 48 hours and then the funds were returned to the Transmission Owner as revenue.

As the tariff changed over the years, the option to not charge schedules is not always available. Schedule 26 revenue is distributed to those Transmission Owners who have approved MTEP projects so charges must be calculated in order to provide revenue to these recipients. The same is true for Schedule 2 since the tariff change effective December 2005 retroactive back to January 2005. If there is a generator other than the transmission owner in an LBA that has a FERC approved revenue requirement, Schedule 2 must be charged so that these generators can be compensated.

If we look at reservation 76856899, it is only charged Schedules 10 and 26 today. After each billing cycle, a member of the Transmission Settlements team provides charge detail to David Ashby that shows what the Schedule 9 charges would have been if they had been assessed. The file for the December 2012 billing cycle is attached and the charge calculations are shown on the Basic Service and Cost Adder tabs. Any revenue that is due to BREC would show up in the mr file.

If we look at the December file, reservation 76856899 would have had a Schedule 9 charge in the amount of \$1,240,315.84 and a Schedule 1 charge of \$56,596.38. BREC doesn't have a Schedule 2 rate so there would be no charge.

However, if the Transmission Owner wants the reservation to be consider a normal network contract and be charged all schedules, it can be done with notice of 30-days.

Reservation 76866659 represents GFA load 515, 516 and 517. It would not fall into the above scenario unless the GFA status is terminated and converted to OATT service.

Hope this helps but if you have other questions, just let me know.

Thanks,

Gloria

Gloria K. Bryant
Manager, Transmission Settlements
MISO
P.O. Box 4204
Carmel, IN 46082-4202
(317) 249-5506
gbryant@misoenergy.org

Case No. 2012-00535
Attachment for Response to KIUC 1-25
Witness: Robert W. Berry
Page 7 of 31

From: Michael Mattox [<mailto:Michael.Mattox@bigrivers.com>]
Sent: Friday, February 01, 2013 11:37 AM
To: Gloria Bryant
Cc: Lindsay Barron
Subject: Another Transmission question

Gloria,

Currently I understand Sch 9 charges on the Big Rivers Transmission invoices are \$0 due to netting. I seem to recall during Big Rivers' pre-integration meetings/training (but could not find anything explicit in my notes/email/training materials) that it would be possible for MISO to provide non-netted Sch 9 detailed charges/credits.

If my memory is correct

- Where would the info show up, on the mc/mrBRPS spreadsheets supporting the invoice?
- How would that change be made and how quickly could it be made?
- Are there any other transmission schedules that are netted that could be un-netted too?

Thanks again for your help.

Michael J. Mattox
Director, Resources & Forecasting
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
(270) 826-5669 (direct recorded)
(270) 844-6155 (direct)
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AOL IM: MikeMattoxBREC

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From: Henry Chu <hchu@misoenergy.org>
Sent: Tuesday, November 06, 2012 9:20 AM
To: Michael Mattox
Subject: FW: Attachment Y/Y-2 question

Hi Mike,

Answers below. As we are in process of preparing SSR tariff compliance filing, answers are preliminary at this time and subject to change.

Henry

From: Michael Mattox [<mailto:Michael.Mattox@bigrivers.com>]
Sent: Monday, November 05, 2012 11:15 AM
To: Henry Chu
Cc: Lindsay Barron
Subject: Attachment Y/Y-2 question

Henry,

During the BREC/Kenergy/MISO meeting last month there were some questions about the Att Y-2 process.

1. As part of an Att Y2 filing, would the cost allocation among affected LSE's be determined (assuming the Att Y2 finds a SSR is needed)?

Yes. We expect preliminary cost allocation shares for potential SSR agreement could be provided in Y-2 study.

. If this could not be done as part of the Att Y2 process could Big Rivers pay MISO to determine the cost allocation In a separate study?

n/a

3. If Big Rivers supplied [SSR agreement] cost information could the actual cost that would result from a SSR [agreement] be determined in either 1. or 2. above?

Not realistically. This is outside of Y-2 study scope. Also the Y-2 cost allocations are preliminary. BREC would have to make their best estimate of SSR agreement costs and apply the cost allocations shares to them. Those results would be preliminary., as even BREC could not know for certain at that time what the resulting costs that BREC, MISO, and the Independent Market Monitor would ultimately agree are appropriate to be filed with the FERC.

4. Under the current process when is the LSE cost allocation determined? As part of an Att Y filing or when a SSR is negotiated?

Under the new conditionally approved SSR tariff, cost allocation for SSR agreement would be done as part of the reliability study process. The cost allocation shares would then be incorporated into SSR Y-1 Agreement.

Thanks

Mike

Michael J. Mattox
Director, Resources & Forecasting
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Case No. 2012-00535
Attachment for Response to KIUC 1-16
Witness: Robert W. Berry
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(270) 826-5669 (direct recorded)
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'0) 827-2101 (fax)
AOL IM: MikeMattoxBREC

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From: Henry Chu <hchu@misoenergy.org>
Sent: Tuesday, November 13, 2012 9:58 AM
Subject: Michael Mattox
FW: Attachment Y-2 question

Mike,

The answer is consistent to my first email.

Answers to the questions.

1. I was asked to confirm, when filing the Att Y2, do we make the check to "MISO"? And if filing two Att Y2s, do we send \$70k with each Att Y2 filed, i.e. \$140k total?
Yes, check to Midwest Independent Transmission System Operator. Attachment Y-2 request should be submitted for each Generation Resource (plant) with \$70K. Two requests would be \$140K.
2. How does MISO invoice costs above or make refunds below the \$70k deposit, via the MP settlement statements/invoices or on an invoice completely separate from the weekly MP invoice?
Each month, a separate invoice is sent that shows how much was charged against the deposit. Once the study is complete, any credit balance will be refunded. This is not part of their normal MP invoice.

Thanks,
David Duebner
.51-632-8497

From: Henry Chu
Sent: Wednesday, November 07, 2012 1:14 PM
To: David K. Duebner
Subject: FW: Attachment Y/Y-2 question

Hi David,

Could you help with the two questions below?

Thank you,

Henry

From: Michael Mattox [<mailto:Michael.Mattox@bigrivers.com>]
Sent: Wednesday, November 07, 2012 2:05 PM
To: Henry Chu
Subject: RE: Attachment Y/Y-2 question

Henry,
Thanks for the info.

few more, easy questions.

1. I was asked to confirm, when filing the Att Y2, do we make the check to "MISO"? And if filing two Att Y2s, do we send \$70k with each Att Y2 filed, i.e. \$140k total?

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Attachment for Response to KIUC 1-15
Witness: Robert W. Berry
Page 11 of 31

2. How does MISO invoice costs above or make refunds below the \$70k deposit, via the MP settlement statements/invoices or on an invoice completely separate from the weekly MP invoice?

Thanks

Mike M.

From: Lon Hall <lhall@misoenergy.org>
Sent: Monday, February 04, 2013 1:48 PM
: Lindsay Barron
: Gloria Bryant; Michael Mattox
Subject: RE: Sch 26/26A and Century Aluminum

Lindsay -

I did a bit of reading regarding Century since writing the email below. It seems that Kentucky is exploring options to suggest to Century and other smelters to allow them to stay in business, mostly through savings via energy efficiency projects. This from an Owensboro Messenger – Inquirer article about the study from October 5, 2012.

The power supplier for Century or any other smelter in the MISO footprint will only avoid getting Schedule 26-A payments if the smelter(s) actually do close their doors and the load goes away.

Thanks -

Lon

Lon Hall
Market Quality /
Settlements Capability
desk: 317-249-5981
cell: 317-439-3755
fax: 317-249-5359

From: Lon Hall
Sent: Monday, February 04, 2013 12:46 PM
To: 'Lindsay Barron'
Cc: Gloria Bryant; Michael Mattox
Subject: RE: Sch 26/26A and Century Aluminum

Lindsay –

Let me see if I'm getting this. Assuming that Century / Alcan just goes out of business, then the load will simply disappear. As Schedule 26-A is based on withdrawals, there will be no charges for withdrawals that are no longer happening.

Unless I'm missing something... (and both Gloria and I have had a chuckle wondering if we were).

Thanks -

Lon

Lon Hall
Market Quality /
Settlements Capability
desk: 317-249-5981
cell: 317-439-3755
fax: 317-249-5359

Case No. 2012-00535
Attachment for Response to KIUC 1-~~25~~
Witness: Robert W. Berry
Page 13 of 31

From: Lindsay Barron [<mailto:Lindsay.Barron@bigrivers.com>]
Sent: Monday, February 04, 2013 11:55 AM
To: Lon Hall; Michael Mattox
Cc: Gloria Bryant
Subject: RE: Sch 26/26A and Century Aluminum

Lon/Gloria,

Sorry for the confusion, this is helpful. We are currently evaluating a scenario where Century would be registered as a New AO with BRPS as the MP.

I understand that the MP will remain liable for the charges.

My question was if Century load goes away (out of business) and is no longer under any MP, will Big Rivers still incur any portion of the 26 and 26-A charges attributable to that load? In other words, will Big Rivers other Non-GFA loads see an increase in their 26 and 26-A costs as a result of Century's departure?

Thanks!!

From: Lon Hall [<mailto:lhall@misoenergy.org>]
Sent: Monday, February 04, 2013 10:46 AM
To: Lindsay Barron; Michael Mattox
Cc: Gloria Bryant
Subject: RE: Sch 26/26A and Century Aluminum

Lindsay and Michael –

Gloria added comments to Michael's email of 1/25 in her email response of 1/30 (both in the email chain below), to wit:

- > Do you know what Market Participant/Customer will be on this reservation for Century? BRPS or someone else? Lon Hall of Market Quality provided the following information on how Schedule 26A charges are rolled up: To the extent that Century and Alcan load are not only on a different cp node and ao, BRPS will be able to distinguish charges for that ao from ao=BRPS. Unless it is also under a different MP, however, BRPS (the market participant) will still be responsible for the Schedule 26-A charges.

I don't think we are clear about the re-registration of Century and Alcan – are they re-registered under a different Asset Owner for which the related Market Participant is BRPS or are they re-registered under a different Asset Owner ***and*** Market Participant?

If the re-registration is to a different Asset Owner for which the related Market Participant is BRPS, BRPS will continue to get Schedule 26-A charges related to the Century and Alcan load, which are charged to Market Participants with withdrawals and exports / wheels volumes other than those on the PJM seam.

If the re-registration is to a different Asset Owner for which the related Market Participant is ***not*** BRPS, that Market Participant and not BRPS will receive the Schedule 26-A charges.

Thanks -

Lon

Lon Hall
Market Quality /
Settlements Capability

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Attachment for Response to KIUC 1-15
Witness: Robert W. Berry
Page 14 of 31

desk: 317-249-5981
cell: 317-439-3755
fax: 317-249-5359

From: Gloria Bryant
Sent: Monday, February 04, 2013 8:29 AM
To: Lindsay Barron; Michael Mattox
Cc: Lon Hall
Subject: RE: Sch 26/26A and Century Aluminum

Lindsay,

Schedule 26 charges on reservation 76856899 are based upon the network load values that Big Rivers provides to MISO each month. That value will be used in the charge calculation for Schedule 26 based upon the effective rate for that zone.

If Big Rivers reports Century load as zero, only the load associated with Alcan will be charged Schedule 26. The PTP reservations will continue to be charged based upon the reserved capacity on them which is 51 MWs each.

Schedule 26-A charges are calculated based upon each market participant's monthly net actual energy withdrawal volume which comprises the sum of load volume, and export and wheel-through physical schedule volumes not sinking at the PJM seam, net of volume exempted by any GFA. Lon – can you please answer Lindsay's question since it is a market charge.

If you have any other questions, please let us know.

Thanks,

Gloria

Gloria K. Bryant
Manager, Transmission Settlements
MISO
P.O. Box 4204
Carmel, IN 46082-4202
(317) 249-5506
gbryant@misoenergy.org

From: Lindsay Barron [<mailto:Lindsay.Barron@bigrivers.com>]
Sent: Thursday, January 31, 2013 6:10 PM
To: Gloria Bryant; Michael Mattox
Cc: Lon Hall
Subject: RE: Sch 26/26A and Century Aluminum

Gloria,

Would you confirm a question for me. You said below,

"If Century AND Alcan load under AREF 76856899 both went to 0, Big Rivers would not continue be charged Sch 26/26A going forward in the future except as incurred under AREFs 76876897 (51 MW) and 76876898 (51MW). Correct."

Can you confirm for me, if Century load ONLY went to 0, would Big Rivers continue to be charged any Sch 26/26A charges associated with that load? Would the charges for Alcan or the PTP loads increase as a result of Century going to 0?
Case No 2012-00535
Attachment for Response to IUC 1-25
Witness: Robert W. Berry

Thanks Gloria!

Lindsay

From: Gloria Bryant [<mailto:gbryant@misoenergy.org>]
Sent: Wednesday, January 30, 2013 7:33 AM
To: Michael Mattox
Cc: Lindsay Barron; Lon Hall
Subject: RE: Sch 26/26A and Century Aluminum

Mike,

Comments inserted below.

Additional information for clarification purposes:

Schedule 26

PTP reservations are billed based upon the reserved capacity on them while network load reservations are billed based upon the values provided by Big Rivers each month in their mp (monthly peak load) file. Charges are calculated using the Schedule 26 rate based upon the sink on the reservation and the product of the reservation.

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gbryant@misoenergy.org

From: Michael Mattox [<mailto:Michael.Mattox@bigrivers.com>]
Sent: Friday, January 25, 2013 11:53 AM
To: Gloria Bryant
Cc: Lindsay Barron
Subject: Sch 26/26A and Century Aluminum

Gloria,

Case No. 2012-00535
Attachment for Response to KIUC 1-16
Witness: Robert W. Berry
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I have been asked to follow-up in writing our earlier conversations regarding Sch 26/26A charges and AREF numbers and Century Aluminum

Century and Alcan load is currently captured under AREF 76856899, generally about 850 MW each month.

Please confirm the following and make any necessary corrections:

- If Century load is moved under its own CPNode and AO (effective Aug 20 via commercial model update), BRPS would have to create a new AREF number to see billing for Sch 26 separated between Century and Alcan. (You had suggested this be effective Aug. 1 and I confirmed with Gary Alexander a new AREF request would need to be made 60 days in advance.) Correct. Just a couple of other questions. Do you know what Market Participant/Customer will be on this reservation for Century? BRPS or someone else? Lon Hall of Market Quality provided the following information on how Schedule 26A charges are rolled up: To the extent that Century and Alcan load are not only on a different cp node and ao, BRPS will be able to distinguish charges for that ao from ao=BRPS. Unless it is also under a different MP, however, BRPS (the market participant) will still be responsible for the Schedule 26-A charges.
- Currently only ARFEs 76856899 (~850 MW), 76876897 (51 MW) and 76876898 (51MW) are subject to Sch 26/26A charges. If Century load (~482 MW) went to zero, Big Rivers' charges for Sch26 and 26A would decrease significantly by a proportional amount. Correct.
- If Century AND Alcan load under AREF 76856899 both went to 0, Big Rivers would not continue be charged Sch 26/26A going forward in the future except as incurred under AREFs 76876897 (51 MW) and 76876898 (51MW). Correct.

Thanks for your continued help on this.

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(270) 827-2561 (BREC switchboard)
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AOL IM: MikeMattoxBREC

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Cc: Lon Hall
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If you have any other questions, please let us know.

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Case No. 2012-00535
Attachment for Response to KIUC 1-26
Witness: Robert W. Berry
Page 18 of 31

Lindsay

From: Gloria Bryant [<mailto:gbryant@misoenergy.org>]
Sent: Wednesday, January 30, 2013 7:33 AM
To: Michael Mattox
Cc: Lindsay Barron; Lon Hall
Subject: RE: Sch 26/26A and Century Aluminum

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To: Gloria Bryant
Cc: Lindsay Barron
Subject: Sch 26/26A and Century Aluminum

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: Michael Mattox
: Lindsay Barron; Lon Hall
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Thanks,

Gloria

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Attachment for Response to KIUC 1-15
Witness: Robert W. Berry
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Thanks for your continued help on this.

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Sent: Friday, January 25, 2013 10:53 AM
To: Gloria Bryant
Subject: Lindsay Barron (Lindsay.Barron@bigrivers.com)
Sch 26/26A and Century Aluminum

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AOL IM: MikeMattoxBREC

From: Michael Mattox
Sent: Friday, February 01, 2013 10:37 AM
To: Gloria Bryant
CC: Lindsay Barron (Lindsay.Barron@bigrivers.com)
Subject: Another Transmission question

Gloria,

Currently I understand Sch 9 charges on the Big Rivers Transmission invoices are \$0 due to netting. I seem to recall during Big Rivers' pre-integration meetings/training (but could not find anything explicit in my notes/email/training materials) that it would be possible for MISO to provide non-netted Sch 9 detailed charges/credits.

If my memory is correct

- Where would the info show up, on the mc/mrBRPS spreadsheets supporting the invoice?
- How would that change be made and how quickly could it be made?
- Are there any other transmission schedules that are netted that could be un-netted too?

Thanks again for your help.

Michael J. Mattox
Director, Resources & Forecasting
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
(70) 826-5669 (direct recorded)
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(270) 577-1617 (cell)
(270) 827-2101 (fax)
AOL IM: MikeMattoxBREC

From: Michael Mattox
Sent: Monday, December 17, 2012 3:31 PM
To: 'Henry Chu'
Subject: Lindsay Barron (Lindsay.Barron@bigrivers.com)
More Att Y questions

Henry,

We have read the City of Escanaba Att Y, associated filings with FERC (including the proposed Schedule 43) and the MISO tariff and had some questions

Att Y Upgrade Questions:

Assume MISO has an Att. Y1/SSR agreement in place for a unit. And as part of the Att Y study MISO determined that transmission line upgrades, transformer upgrades and new capacitors are needed prior to shutting down the SSR unit.

Who pays for those upgrade costs upfront? The affected LBA/owner of the assets?

How is the owner reimbursed for those costs, via the MTEP or revised Att O?

If reimbursement is via MTEP is reimbursement all at once or over the life of the new assets?

SSR Reimbursement Questions:

Looking at the City of Escanaba Schedule 43 filed with FERC, whenever the units operate for system reliability in excess of \$71.57/MWh, the excess revenue goes to offset the \$309,190 monthly costs being paid by affected LSEs.

What if that revenue stream for the month is in excess of \$309,190, who gets that excess revenue?

Looking at the City of Escanaba SSR Agreement Section 8.C.(1) and MISO tariff section 38.2.7d & f, if a unit is called upon by MISO at less than full capacity, the MP may offer that unit into the market beyond the amount designated by MISO. i.e. MISO requests 100 MW of a 150 MW unit for reliability the MP may offer 50 MW into the Energy/Op Res Mkt.

If the MP offers that 50 MW into the market, does the MP keep any revenue above its cost for the 50 MW or does it go to offset the monthly LSE costs?

Thanks

Mike M.

Michael J. Mattox
Director, Resources & Forecasting
Big Rivers Electric Corporation
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Attachment for Response to KIUC 1-15
Witness: Robert W. Berry
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AOL IM: MikeMattoxBREC

From: Michael Mattox
Sent: Wednesday, November 07, 2012 1:05 PM
To: 'Henry Chu'
Subject: RE: Attachment Y/Y-2 question

Henry,
Thanks for the info.

A few more, easy questions.

1. I was asked to confirm, when filing the Att Y2, do we make the check to "MISO"? And if filing two Att Y2s, do we send \$70k with each Att Y2 filed, i.e. \$140k total?
2. How does MISO invoice costs above or make refunds below the \$70k deposit, via the MP settlement statements/invoices or on an invoice completely separate from the weekly MP invoice?

Thanks

Mike M.

From: Henry Chu [<mailto:hchu@misoenergy.org>]
Sent: Tuesday, November 06, 2012 9:20 AM
To: Michael Mattox
Subject: FW: Attachment Y/Y-2 question

Hi Mike,

Answers below. As we are in process of preparing SSR tariff compliance filing, answers are preliminary at this time and subject to change.

Henry

From: Michael Mattox [<mailto:Michael.Mattox@bigrivers.com>]
Sent: Monday, November 05, 2012 11:15 AM
To: Henry Chu
Cc: Lindsay Barron
Subject: Attachment Y/Y-2 question

Henry,

During the BREC/Kenergy/MISO meeting last month there were some questions about the Att Y-2 process.

1. As part of an Att Y2 filing, would the cost allocation among affected LSE's be determined (assuming the Att Y2 finds a SSR is needed)?

Yes. We expect preliminary cost allocation shares for potential SSR agreement could be provided in Y-2 study.

2. If this could not be done as part of the Att Y2 process could Big Rivers pay MISO to determine the cost allocation in a separate study?

n/a

3. If Big Rivers supplied [SSR agreement] cost information could the actual cost that would result from a SSR [agreement] be determined in either 1. or 2. above?

Not realistically. This is outside of Y-2 study scope. Also the Y-2 cost allocations are preliminary. BREC would take the best estimate of SSR agreement costs and apply the cost allocations shares to them. The attachment is a response to BREC 1-7b

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Attachment # 1
Witness: Robert W. Berry
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BREC could not know for certain at that time what the resulting costs that BREC, MISO, and the Independent Market Monitor would ultimately agree are appropriate to be filed with the FERC.

4. Under the current process when is the LSE cost allocation determined? As part of an Att Y filing or when a SSR is negotiated?

Under the new conditionally approved SSR tariff, cost allocation for SSR agreement would be done as part of the reliability study process. The cost allocation shares would then be incorporated into SSR Y-1 Agreement.

Thanks

Mike

Michael J. Mattox
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Lon Hall
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Witness: Robert W. Berry
Page 29 of 31

Gloria K. Bryant
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Please confirm the following and make any necessary corrections:

- If Century load is moved under its own CPNode and AO (effective Aug 20 via commercial model update), BRPS would have to create a new AREF number to see billing for Sch 26 separated between Century and Alcan. (You had suggested this be effective Aug. 1 and I confirmed with Gary Alexander a new AREF request would need to be made 60 days in advance.) Correct. Just a couple of other questions. Do you know what Market Participant/Customer will be on this reservation for Century? BRPS or someone else? Lon Hall of Market Quality provided the following information on how Schedule 26A charges are rolled up: To the extent that Century and Alcan load are not only on a different cp node and ao, BRPS will be able to distinguish charges for that ao from ao=BRPS. Unless it is also under a different MP, however, BRPS (the market participant) will still be responsible for the Schedule 26-A charges.
- Currently only AREFs 76856899 (~850 MW), 76876897 (51 MW) and 76876898 (51MW) are subject to Sch 26/26A charges. If Century load (~482 MW) went to zero, Big Rivers' charges for Sch26 and 26A would decrease significantly by a proportional amount. Correct.
- If Century AND Alcan load under AREF 76856899 both went to 0, Big Rivers would not continue be charged Sch 26/26A going forward in the future except as incurred under AREFs 76876897 (51 MW) and 76876898 (51MW). Correct.

Thanks for your continued help on this.

Michael J. Mattox
Director, Resources & Forecasting
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
(70) 826-5669 (direct recorded)
(70) 844-6155 (direct)
(270) 827-2561 (BREC switchboard)
(270) 577-1617 (cell)

Case No. 2012-00535
Attachment for Response to KIUC 1-16
Witness: Robert W. Berry
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(270) 827-2101 (fax)
AOL IM: MikeMattoxBREC

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BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 6) *Provide a copy of all correspondence and documents***
2 ***between BREC and its Members since January 1, 2012***

3

4 **Response)** Big Rivers objects to this request on the grounds that it seeks
5 information that is protected by the attorney-client and attorney work
6 product privileges. Big Rivers also objects to this request on the grounds
7 that it is overly broad and unduly burdensome. Counsel for KIUC has
8 agreed to limit this question to only seek (i) correspondence with the
9 Members about the next rate case Big Rivers is going to file to replace the
10 Alcan revenue when the Alcan contract terminates, and (ii) correspondence
11 with the Members about stranded costs associated with Century and/or
12 Alcan buying market power. In accordance with those limitations, and
13 without waiving its objections, please see the attached documents, some of
14 which are submitted pursuant to a petition for confidentiality.

15

16 **Witness) Robert W. Berry**

Marty Littrel

From: Marty Littrel
nt: Monday, October 15, 2012 3:13 PM
io: "Kelly.Nuckols@jpenenergy.com" (Kelly.Nuckols@jpenenergy.com)
(Kelly.Nuckols@jpenenergy.com)
Subject: Economic Development

Hello Kelly:

Per your economic development inquiry, here is some information to help in your discussion on Big Rivers' current situation.

On August 20, 2012 Big Rivers Electric Corporation received a certified **Termination Notice** from its largest industrial customer stating it will terminate and cease operations on August 20, 2013. This notification will free up approximately 482 MW of electric capacity to serve new and/or existing economic development loads. Big Rivers has shifted its focus to executing its Load Concentration Mitigation Plan by attracting new customers through economic development efforts of our distribution member owners.

The New Economic Development loads will be priced at "**Cost of Service**" which is based on the projected Large Industrial Customer (LIC) Tariff.

- The LIC Tariff Rate will be used for new economic development loads.
All sales are subject to the procurement or installation of adequate transmission to deliver from Big Rivers' generators to a suitable delivery point.

Also, Big Rivers received approval to spend **\$58 million** to upgrades controls to reduce mercury emissions. This investment will make Big Rivers compliant with the EPA's impending Mercury and Air Toxics Standards (MATS) ruling. The construction costs for these projects will lead to a 2.7% rate increase for large industrial customers. Keep in mind, this will be taken into consideration when pricing economic development loads further into the future as electric rate increases will be enacted sometime in 2016 for large industrial customers.

I hope this information helps in your discussions with the economic development prospects in the JPEC service territory. Let me know if there is additional information I can help you with.

Thanks,
Marty

MARTY LITTREL
Communications & Community Relations Manager

Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
Direct (270)844-6153
E-mail Marty.Littrel@bigrivers.com

Case No. 2012-00535
Attachment for Response to KIUC 1-6
Witness: Robert W. Berry
Page 1 of 12

Marty Littrel

m: Marty Littrel
sent: Monday, October 15, 2012 3:13 PM
To: "Kelly.Nuckols@jpenenergy.com" (Kelly.Nuckols@jpenenergy.com)
(Kelly.Nuckols@jpenenergy.com)
Subject: Economic Development

Hello Kelly:

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On August 20, 2012 Big Rivers Electric Corporation received a certified **Termination Notice** from its largest industrial customer stating it will terminate and cease operations on August 20, 2013. This notification will free up approximately 482 MW of electric capacity to serve new and/or existing economic development loads. Big Rivers has shifted its focus to executing its Load Concentration Mitigation Plan by attracting new customers through economic development efforts of our distribution member owners.

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The LIC Tariff Rate will be used for new economic development loads.

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I hope this information helps in your discussions with the economic development prospects in the JPEC service territory. Let me know if there is additional information I can help you with.

Thanks,
Marty

MARTY LITTREL
Communications & Community Relations Manager

Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
Phone: (270)844-6153
Marty.Littrel@bigrivers.com

Case No. 2012-00535
Attachment for Response to KIUC 1-6
Witness: Robert W. Berry
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Marty Littrel

From: Marty Littrel
Sent: Monday, November 26, 2012 8:19 AM
To: "Kelly.Nuckols@jpenenergy.com" (Kelly.Nuckols@jpenenergy.com)
(Kelly.Nuckols@jpenenergy.com)
Cc: David Crockett
Subject: Western McCracken Co. Industrial Park-Load Prospect
Attachments: Load Addition near Highpoint 11-20-12.doc

Good morning Kelly:

I hope you had a great Thanksgiving holiday.

Attached are the results of Big Rivers' engineering study regarding the potential **60-80 MW steel company** prospect load that you discussed at the previous board meeting. Dave Crockett's group has provided the specifics of the load flow study results and cost estimates for the system improvements necessary to provide service to this economic development prospect.

As you'll notice, several assumptions are identified within the memo; which are important to provide in this situation given we lack detailed load information. I hope this data will help you in your economic development activities.

Please let me know if you have questions regarding this report.

Thank you,
Marty

MARTY LITRELL
Communications & Community Relations Manager
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
Direct (270)844-6153
Marty.Littrel@bigrivers.com

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Attachment for Response to KIUC 1-6
Witness: Robert W. Berry
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Your Touchstone Energy® Cooperative 

To: David Crockett
From: Chris Bradley
CC:
Date: 11/20/12
Re: Load Addition – Highpoint Area

An 80 MW load addition (90% power factor) in the Highpoint area was evaluated. The load was studied with service from a 4 mile 161 kV line from the McCracken County substation. An updated 2015 summer peak model was used for this evaluation. A larger load was studied in 2010 with an older 2015 summer peak model. The updated results and the results from the previous study are summarized below. Both studies should be considered preliminary. A more detailed study with MISO coordination is required for a definitive conclusion regarding service to the potential load.

Previous Study (2010)– Three scenarios were evaluated (the Westlake load addition was not included in the model). The study showed multiple line overloads and low voltages with the single source and load levels of 165 MW and 130 MW. The line loadings and voltages were marginal with the 130 MW load level and unity power factor. The voltage concerns were alleviated but the line loadings remained marginal with the 130 MW load level and a second source (loop feed).

Updated Study (2012)– The following table shows the key results with the addition of an 80 MW 90% power factor load and a single source from McCracken County.

Single 161 kV McCracken County Source Serving 80 MW, 90% Power Factor Load			
Scenario	2015 Summer No Westlake	2015 Summer With Westlake	2018 Summer With Westlake
Base Case Voltage at the New Load	> 100%	> 100%	> 100%
Base McCracken Co. – L Tap Loading	74%	77%	78%
Voltage at New load with McCracken Co. – L Tap Out*	91% (96% with unity P.F.)	90%	89%
Bryan Road - Marshall Loading with McCracken Co. – L Tap Out*	94%	96%	98%

* worst case single contingency

These results thus do not violate either line loading or voltage criteria used by Big Rivers in system planning with expected 2015 summer peak loads. If the potential customer considers the voltages expected under contingency conditions unacceptable, then power factor correction utilizing switched capacitors would be proposed in order to increase the expected contingency voltage to 96%.

Assuming the contingency voltage is acceptable; service to the 80 MW, 90% power factor load can be achieved based on these preliminary system studies with the following improvements:

McCracken County Substation 161 kV line terminal addition: \$600,000

4 mile radial 161 kV transmission line: \$1,800,000

No assumptions have been made regarding the delivery point substation design.

Marty Littrel

m: Marty Littrel
sent: Tuesday, September 04, 2012 9:08 AM
To: 'Greg Starheim'
Cc: Burns Mercer (bmercer@mcrecc.com); 'Kelly.Nuckols@jpenenergy.com'
(Kelly.Nuckols@jpenenergy.com) (Kelly.Nuckols@jpenenergy.com)
Subject: RE: Economic Development Marketing Initiative

Sounds like a plan, Greg. I definitely agree we all need to be consistent with our message. Look forward to discussing next week. Thanks, Marty

From: Greg Starheim [mailto:GStarheim@kenergycorp.com]
Sent: Tuesday, September 04, 2012 9:04 AM
To: Marty Littrel
Cc: Burns Mercer (bmercer@mcrecc.com); 'Kelly.Nuckols@jpenenergy.com' (Kelly.Nuckols@jpenenergy.com)
(Kelly.Nuckols@jpenenergy.com); Greg Starheim
Subject: RE: Economic Development Marketing Initiative

Marty,

It seems to me that this should be a highly-coordinated effort - amongst the 4 of us. We all should be working to pursue prospects and be communicating the same message regarding term, rates, etc. and to avoid us duplicating work (e.g. should David and I be working with Nick and Kevin?). I hope we could agree that our objective is to minimize the impact on our wholesale power rates while also maximizing local (to the 3 distribution coops) economic development. I hope we could agree on a strategy on the call. If there's anything that's going on between now and 9/12, pls let us know.

Greg

From: Marty Littrel [mailto:Marty.Littrel@bigrivers.com]
Sent: Tuesday, September 04, 2012 8:37 AM
To: Greg Starheim
Subject: RE: Economic Development Marketing Initiative

Greg,

I'll be honest, I'll be limited on time between now and next week to do a lot of brainstorming for the future economic development process, but I have a several thoughts off the top of my head for consideration. Also, we've had a pretty strong economic development process already established but we've been limited on capacity which has halted our efforts. I think we have the people in the right places to spread the word once given the "green light".

Also, I know this was your conference call was your idea, so if you have other concepts to share just let me know and I'll put it on the discussion list.

Thanks, Marty

From: Greg Starheim [mailto:GStarheim@kenergycorp.com]
Sent: Tuesday, September 04, 2012 8:28 AM
To: Marty Littrel; Burns Mercer; Kelly Nuckols
Cc: John Talbert; David Hamilton; 'dpace@mcrecc.com' (dpace@mcrecc.com)
Subject: RE: Economic Development Marketing Initiative

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Attachment for Response to KIUC 1-6
Witness: Robert W. Berry
Page 6 of 12

Confirmed with me, Marty.

uld hope during the call we could discuss timing/schedule of marketing efforts, what is it that we are representing (i.e. term, pricing, etc.), coordination of marketing efforts (incl EDC/IDAs), process for assessing opportunities, PR aspects, etc.

Greg

From: Marty Littrel [<mailto:Marty.Littrel@bigrivers.com>]
Sent: Tuesday, September 04, 2012 8:23 AM
To: Greg Starheim; Burns Mercer; Kelly Nuckols
Cc: John Talbert; David Hamilton; 'dpace@mcrecc.com' (dpace@mcrecc.com)
Subject: RE: Economic Development Marketing Initiative

Guys,

Based on everyone's input it appears **September 12th** is the best day to host a meeting (phone conference) to discuss economic development opportunities/strategies based on Century's termination notice. I'm going to assume afternoon may be a better option, therefore how about a phone conference at 2 p.m. (CDT) on Wednesday, September 12th?

I'll send everyone a "conference call number" once I get that established. If you have any questions please let know.

Thanks, Marty

MARTY LITTREL
Manager Communications & Community Relations
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
Direct (270)844-6153
Marty.Littrel@bigrivers.com

From: Marty Littrel
Sent: Thursday, August 30, 2012 10:46 AM
To: GStarheim@kenergycorp.com; Burns Mercer; Kelly Nuckols
Subject: Economic Development Marketing Initiative

Gentlemen:

This morning Greg Starheim and I discussed the possibility of scheduling a conference call to review a strategy for marketing new load based on the termination notice by Century Aluminum. As you know, Century's departure will create opportunities for economic development organizations (EDC's) within our system which will help to mitigate the loss of Century.

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I'm sure several of the EDC's are not aware of the details regarding this situation therefore it's possible we should converse strategies to stimulate a "game plan" with Economic Development Organizations to market this load in preparing for the future.

Now Burns will be on vacation next week, but would it be possible to set up a phone conference to discuss this idea the second or third week of September? I'm free September 11th, 12th 17th or 18th. Also, if none of those dates are available on your end we can throw out additional dates.

Thank you,
Marty

MARTY LITTREL
Manager Communications & Community Relations
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
Direct (270)844-6153
Marty.Littrel@bigrivers.com

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Marty Littrel

m: Marty Littrel
sent: Tuesday, January 29, 2013 3:33 PM
To: 'Burns Mercer'; 'Kelly Nuckols'; 'GStarheim@kenergycorp.com'; 'David Hamilton (DHamilton@kenergycorp.com)'; 'David Pace'; 'Sharla Darnell (SDarnell@kenergycorp.com)'; 'Todd Blackburn (TBlackburn@kenergycorp.com)'
Cc: John Talbert; Lindsay Barron
Subject: RE: Conference Call (Economic Development - Energy Services Update)

Sorry, I meant to say **Monday, February 25, 2013** at 9:30 a.m.

From: Marty Littrel
Sent: Tuesday, January 29, 2013 3:24 PM
To: 'Burns Mercer'; Kelly Nuckols; GStarheim@kenergycorp.com; David Hamilton (DHamilton@kenergycorp.com); David Pace; Sharla Darnell (SDarnell@kenergycorp.com); Todd Blackburn (TBlackburn@kenergycorp.com)
Cc: John Talbert; Lindsay Barron
Subject: RE: Conference Call (Economic Development - Energy Services Update)

To accommodate several individuals schedules – would **Monday, February 18th** at 9:30 a.m. work for everyone? This call should only take 45 minutes. If this works - I'll get this scheduled.

Thank you,
Marty

From: Burns Mercer [<mailto:bmercerc@mcrecc.com>]
Sent: Tuesday, January 29, 2013 2:10 PM
To: Kelly Nuckols; Marty Littrel; GStarheim@kenergycorp.com; David Hamilton (DHamilton@kenergycorp.com); David Pace; Sharla Darnell (SDarnell@kenergycorp.com); Todd Blackburn (TBlackburn@kenergycorp.com)
Cc: John Talbert; Lindsay Barron
Subject: RE: Conference Call (Economic Development - Energy Services Update)

That's during the NRECA & CFC Annual Meeting. Could we delay a week?

From: Kelly Nuckols [<mailto:Kelly.Nuckols@jpenenergy.com>]
Sent: Tuesday, January 29, 2013 3:08 PM
To: Marty Littrel; Burns Mercer; GStarheim@kenergycorp.com; David Hamilton (DHamilton@kenergycorp.com); David Pace; Sharla Darnell (SDarnell@kenergycorp.com); Todd Blackburn (TBlackburn@kenergycorp.com)
Cc: John Talbert; Lindsay Barron
Subject: Re: Conference Call (Economic Development - Energy Services Update)

18th works for me
G. Kelly Nuckols
President & CEO
JPEC
441-0851

Case No. 2012-00535
Attachment for Response to KIUC 1-6
Witness: Robert W. Berry
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From: Marty Littrel <Marty.Littrel@bigrivers.com>

Date: Tuesday, January 29, 2013 2:02 PM

To: Burns Mercer <bmercer@mcrecc.com>, Greg Starheim <gstarheim@kenergycorp.com>, Kelly Nuckols <kelly.nuckols@jpenenergy.com>, "David Hamilton (DHamilton@kenergycorp.com)" <DHamilton@kenergycorp.com>, "'dpace@mcrecc.com' (dpace@mcrecc.com)" <dpace@mcrecc.com>, "Sharla Darnell (SDarnell@kenergycorp.com)" <SDarnell@kenergycorp.com>, "Todd Blackburn (TBlackburn@kenergycorp.com)" <TBlackburn@kenergycorp.com>

Cc: John Talbert <John.Talbert@bigrivers.com>, Lindsay Barron <Lindsay.Barron@bigrivers.com>

Subject: Conference Call (Economic Development - Energy Services Update)

Hello Everyone:

To continue ongoing communications regarding economic development and energy services initiatives at Big Rivers, I thought it would be beneficial to schedule a conference call to discuss Big Rivers and the Members efforts over the past few months. In addition, we can discuss plans for the future economic development initiatives as well.

Let me know your thoughts for Monday, February 18th at 9:30 a.m.? If that works, I'll schedule a conference call (phone number) to arrange the meeting.

Please let me know your availability.

Thank you, Marty

MARTY LITTREL

Communications & Community Relations Manager

Big Rivers Electric Corporation

201 Third Street

Henderson, KY 42420

Direct (270)844-6153

Marty.Littrel@bigrivers.com

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Case No. 2012-00535
Attachment for Response to KIUC 1-6
Witness: Robert W. Berry
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Marty Littrel

From: Marty Littrel
Sent: Tuesday, December 20, 2011 5:33 PM
To: Burns Mercer
Cc: John Talbert; Bob Berry; Bill Blackburn; Kelly Nuckols; Sandy Novick; bmercer@mcrecc.coop; Mark Bailey; Paula Mitchell
Subject: RE: Meeting with KY Cabinet for Economic Development - Erik Dunnigan

Burns, thanks for letting me know. Enjoy the holidays!
Regards, Marty

Sent from my Samsung Jack™, a Windows Mobile® smartphone from AT&T

From: Burns Mercer <bmercer@mcrecc.com>
Sent: Tuesday, December 20, 2011 5:31 PM
To: Marty Littrel <Marty.Littrel@bigrivers.com>
Cc: John Talbert <John.Talbert@bigrivers.com>; Bob Berry <Bob.Berry@bigrivers.com>; Bill Blackburn <Bill.Blackburn@bigrivers.com>; Kelly Nuckols <Kelly.Nuckols@jpenenergy.com>; Sandy Novick <SNovick@kenergycorp.com>; bmercer@mcrecc.coop <bmercer@mcrecc.coop>; Mark Bailey <Mark.Bailey@bigrivers.com>; Paula Mitchell <Paula.Mitchell@bigrivers.com>
Subject: Re: Meeting with KY Cabinet for Economic Development - Erik Dunnigan

I can't attend.

Thanks,
Burns Mercer

Sent from my iPad

On Dec 20, 2011, at 11:01 AM, "Marty Littrel" <Marty.Littrel@bigrivers.com> wrote:

Gentlemen – a meeting has been scheduled at the Cabinet for Economic Development for **Thursday, January 5, 2012 at 2 p.m. (EST)**. The meeting will be held at the Cabinet for Economic Development office which is located on 300 West Broadway (Old Capital Annex), Frankfort, Kentucky. The meeting will be held in the Board Room located on the 1st floor. The meeting should not last beyond two-hours.

Again, this meeting was arranged by *Erik Dunnigan, Commissioner, Department for Business Development* (Cabinet for Economic Development) to discuss the aluminum smelter's financial well-being and future outlook. I was assured this was not a meeting to cast Big Rivers or its members as "bad-guys". It's an opportunity for a third party to hear their concerns and how it affects Big Rivers and its members. If you have any questions regarding this meeting feel free to contact me to discuss.

Also, please confirm if you can attend this meeting.

Thank you,
Marty

Case No. 2012-00535
Attachment for Response to KIUC 1-6
Witness: Robert W. Berry
Page 11 of 12

MARTY LITTREL
Communications & Community Relations Manager
Big Rivers Electric Corporation
201 Third Street, Henderson, KY 42420
Direct Line: 270/844-6153
Marty.Littrel@bigrivers.com

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BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 7)** *Provide a copy of all correspondence and documents*
2 *between BREC and any financial institutions, private equity firms or*
3 *utilities relating to the possible sale of Big Rivers' assets since*
4 *January 1, 2012.*

5

6 **Response)** Please see the attached correspondence provided under petition
7 for confidential treatment. Please also see the response to PSC 2-18.

8

9 **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 the Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 8)** *Provide a copy of all correspondence internally within*
2 *BREC regarding BREC's rate case filing.*

3

4 **Response)** Big Rivers objects to this request on the grounds that it is overly
5 broad and unduly burdensome. Counsel for KIUC has agreed to limit this
6 question to only seek a copy of Mark Bailey's correspondence internally
7 within Big Rivers regarding Big Rivers' rate case filing. Given the foregoing
8 limitations, please see the attached documents.

9

10 **Witness)** Mark A. Bailey

Paula Mitchell

From: Mark Bailey
Sent: Monday, February 18, 2013 6:55 PM
To: Paula Mitchell
Subject: FW: Rate Case Presentation for Board Meeting
Attachments: Board of Directors - Nov 16 2012 - Rate Case - Travis.pptx

Paula, Please print. Thanks, Mark

From: Mark Bailey
Sent: Tuesday, November 13, 2012 5:33 PM
To: Paula Mitchell (pmitchell@bigrivers.com)
Cc: Billie Richert
Subject: FW: Rate Case Presentation for Board Meeting

Paula, This looks good to go. Thanks, Mark

From: Billie Richert
Sent: Tuesday, November 13, 2012 4:57 PM
To: Mark Bailey
Cc: Paula Mitchell
Subject: Rate Case Presentation for Board Meeting

Mark,
Attached is the latest version with the requested changes incorporated.

Billie



Big Rivers 2013 Rate Case

November 16, 2012

Background: 2011 Rate Case

- Mar. 1, 2011 – Big Rivers filed rate case seeking revenue increase of \$39.9 million
- Nov. 17, 2011 - KPSC Order allowed increase of \$26.7 million (disallowing ~\$13 million)
- Dec. 6, 2011 - Big Rivers filed for Rehearing seeking additional \$2.7 million to correct errors and omissions in KPSC Order
- Sep. 12, 2012 – Hearing at KPSC
- Oct. 1, 2012 – Final Briefs filed with KPSC; decision pending

2013 Rate Case

Drivers

- Century Contract Termination
- Depressed Off System Sales margins
- Depreciation
- Other costs not fully recovered in last rate case

Fully Forecasted Test Period

- Based on Big Rivers' Budget/Financial Plan for 09/01/2013 – 08/31/2014
 - 7 month time frame drives filing date

Key Issues

- Cost of Service / Revenue Allocation
 - How to allocate the necessary increase among Rural, Large Industrial, and Smelter rate classes (i.e. “subsidy” issue)
- Depreciation Study
- Mitigation Efforts following Century Contract Termination
- Magnitude of Impact on Customers
- Use of Reserve Accounts

Revenue Deficiency

- Calculated as the annual incremental revenue needed to allow Big Rivers to achieve a 1.24 TIER during the test year while also achieving at least a MFIR of 1.10 in calendar 2013.
- Adjustments are made to remove non-recurring expenses, donations, promotional advertising, lobbying, and other items, consistent with standard KPSC practice (Budget/Financial Plan does not include Incentive or Christmas Bonus)
- Total Annual Revenue Deficiency: \$74,476,120
 - \$62 Million – Century Exit
 - \$15 Million – OSS Margin
 - \$2 Million – Depreciation Study
 - (\$4) Million – RUS Refinancing

Revenue Allocation

- In the previous case Big Rivers used *gradualism* in rate design, proposing removal of 22% of subsidy to Rurals
- KPSC approved removal of 28% of subsidy to Rurals
- Propose now to remove 100% of test year subsidy to Rurals
- Estimated test year subsidies **before** proposed rate increase:

	Rurals	LI	Smelter	Total
Estimated Subsidy Rec'd (Given)	\$5,348,612	\$1,793,084	\$(7,141,696)	\$ -

Proposed Increase

	Rurals	LI	Smelter	Total
Proposed Increase (Est.)				
Dollars	\$ 40,676,278	\$ 8,247,929	\$ 25,551,913	\$ 74,476,120
Wholesale Percentage	29%	18%	16%	21%
Retail Percentage	19%	17%	16%	
Demand Charge (\$/kW)	16.95	12.41		
Energy Charge (\$/kWh)	0.030000	0.030000	0.047603	
Wholesale Revenue (\$/MWh)	\$ 73.38	\$ 57.55	\$ 59.92	\$ 64.60
Est. Retail Revenue (\$/MWh)	\$ 106.38	\$ 59.55	\$ 59.92	
After Proposed Increase				
Rate of Return	4.18%	2.27%	4.80%	4.18%
Approx Subsidy Rec'd (Given)	\$ -	\$ 3,000,000	\$ (3,000,000)	\$ -

Expected Timeline

- November 30, 2012 – File Notice of Intent with KPSC
- January 15, 2013 – File Application with KPSC
- February 2013 – KPSC likely to suspend rates until August
- January – June 2013 – Discovery & Rebuttal Testimony period
- June 2013 – Hearing at KPSC
- August 21, 2013 – Rate increase takes effect

Management Recommendation

- Request rate increase of up to \$74,500,000
- Propose rates that achieve target increase, remove 100% of subsidy to Rural rate class, and retain Smelter Agreement & contractual premiums
- May need to revisit if KPSC issues Order on Rehearing that indicates specific leanings or if other fundamental premise changes

Mark Bailey

From: Mark Bailey
Sent: Friday, November 16, 2012 3:40 PM
To: 'Bill Denton'; 'James Sills'; 'Larry Elder'; 'Lee Bearden'; 'Paul Edd Butler'; 'Wayne Elliott'; 'Burns Mercer'; Greg Starheim; 'Kelly Nuckols'
Subject: FW: Follow-up to question regarding depreciation expense and off system sales

FYI. Mark

From: Billie Richert
Sent: Friday, November 16, 2012 3:38 PM
To: Mark Bailey
Subject: Follow-up to question regarding depreciation expense and off system sales

Mark,

During the board meeting the question was asked about the allocation of depreciation to off-system sales. Please see the following response to this question which hopefully provides a more precise answer to the question.

All of Big Rivers' costs, including depreciation, are allocated among Big Rivers' three customer classes (Rural, Large Industrial, and Smelter) using various fixed and variable allocation factors in the cost of service study model. Revenues from off-system sales are then credited to each of the customer classes on an energy basis. The amount of off-system sales revenue allocated to each customer class serves to offset the total cost allocated to that particular class.

Stated another way. Expenses are not allocated to off-system sales, off-system sales are allocated to each customer class to offset that customer class's expenses.

Billie

Paula Mitchell

From: Mark Bailey
Sent: Monday, February 18, 2013 6:57 PM
To: Paula Mitchell
Subject: FW: Board of Directors - Depreciation Study Presentation
Attachments: Board of Directors - Nov 16 2012 - Depr Study Summary.ppt; ATT00001.htm

Paula, Please print. Thanks, Mark

From: Mark Bailey
Sent: Tuesday, November 13, 2012 10:40 AM
To: Paula Mitchell
Subject: Fwd: Board of Directors - Depreciation Study Presentation

Please print. Mark.

Sent from my iPhone

Begin forwarded message:

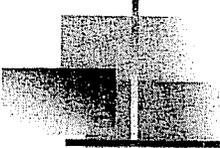
From: Billie Richert <Billie.Richert@bigrivers.com>
Date: November 13, 2012 10:13:43 AM CST
To: Mark Bailey <Mark.Bailey@bigrivers.com>
Cc: Paula Mitchell <Paula.Mitchell@bigrivers.com>
Subject: Board of Directors - Depreciation Study Presentation

Mark,

Attached is the executive level presentation for the depreciation study. It is in the same format as presented last year. I'm awaiting receipt of the preliminary depreciation report from Burns & McDonnell which we should have tomorrow. Finalization of this report is to occur by end of this week.

Mark Hite had few comments for this presentation.

Billie



2012 Depreciation Study Numerical (Executive) Summary

Board Meeting Date: November 16, 2012



Your Touchstone Energy[®] Cooperative 

Depreciation Expense

Based on September 30, 2012 Data

	Plant Balance	2010 Study Depreciation Expense	2012 Study Depreciation Expense	Difference - More/(Less)
Production	1,714,128,053	36,546,308	38,091,861	1,545,553
Transmission	248,249,826	4,791,214	4,908,927	117,713
General Plant	35,246,589	2,853,836	2,912,435	58,599
Total	1,997,624,468	44,191,358	45,913,223	1,721,865

Production	86%	83%	83%	90%
Transmission	12%	11%	11%	7%
General Plant	2%	6%	6%	3%
Total	100%	100%	100%	100%



Your Touchstone Energy® Cooperative 

Depreciation Expense

Boiler Plant				
	Plant Balance As of Sept 30, 2012	2010 Study Depreciation Expense	2012 Study Depreciation Expense	Difference - More/(Less)
Environmental	590,326,817	12,965,856	14,003,453	1,037,597
Non-Environmental	684,839,069	15,672,795	16,012,969	340,174
Total	1,275,165,886	28,638,651	30,016,422	1,377,771

Environmental	46%	45%	47%	75%
Non-Environmental	54%	55%	53%	25%
Total	100%	100%	100%	100%



Your Touchstone Energy® Cooperative 

Depreciation Expense

Average Gross Plant in Service
 Depreciation Expenses
 Effective Depreciation Rate
 Effective Service Life

Proforma Adjustment (\$ in thousands)	
Plant Balance Sep-2012	
2010 Depreciation Study	2012 Depreciation Study
\$ 1,997,624	\$ 1,997,624
\$ 44,191	\$ 45,913
2.21%	2.30%
45	43

Average Gross Plant in Service
 Depreciation Expenses
 Effective Depreciation Rate
 Effective Service Life

October 2008 Unwind Model (\$ in thousands)		
2009-2010	2011-2016	2017-2023
\$ 1,973,605	\$ 2,191,364	\$ 2,492,700
\$ 34,970	\$ 46,767	\$ 67,806
1.77%	2.13%	2.72%
56	47	37



Your Touchstone Energy[®] Cooperative

Paula Mitchell

From: Mark Bailey
Sent: Monday, February 18, 2013 7:00 PM
To: Paula Mitchell
Subject: FW: Scenarios
Attachments: From John Wolfram - Rate_Options_v2.xlsx; From John Wolfram - Rate_Options_Alcan_v1.xlsx

Paula, please print. Thanks, Mark

From: Mark Bailey
Sent: Monday, November 12, 2012 4:54 PM
To: Bob Berry; Marty Littrel
Subject: FW: Scenarios

FYI. Mark

From: Billie Richert
Sent: Monday, November 12, 2012 3:24 PM
To: Mark Bailey
Subject: Scenarios

Mark,

Per our discussion. DeAnna and her staff are working on the changes (and explanations) you requested. I'm working on the RUS presentation and reviewing the Depreciation Study presentation for the Board.

Billie

CONFIDENTIAL
DRAFT 2/19/2013 7:23 AM

BIG RIVERS ELECTRIC CORPORATION
Rate Case: Subsidization Analysis

	<u>Rurals</u>	<u>Large Indus</u>	<u>Smelter</u>	<u>Total</u>
Before Proposed Rate Increase				
Rate of Return	-2.37%	-2.59%	-0.01%	-1.45%
All-in Energy Charge	\$ 56.69	\$ 48.81	\$ 51.83	\$ 53.21
Subsidy Received (Provided)	\$ 5,348,613	\$ 1,793,084	\$ (7,141,696)	\$ -
Proposed Increase				
Dollars	?	?	?	\$ 74,476,120
Wholesale Percentage	?	?	?	21%
Retail Percentage	?	?		

Eliminate 100% of Subsidy Only Between Rurals and Large Industrials

Proposed Increase				
Dollars	\$ 35,126,794	\$ 9,774,241	\$ 29,575,085	\$ 74,476,120
Wholesale Percentage	25%	21%	18%	21%
Retail Percentage	16%	20%		
Demand Charge (\$/KW)	15.95	13.28	-	
Energy Charge (\$/KWH)	0.030000	0.030000	0.048813	
All-in Rate in \$/MWH	\$ 71.10	\$ 59.17	\$ 61.20	\$ 64.60
After Proposed Increase				
Rate of Return	3.24%	3.23%	5.61%	4.18%
Subsidy Received (Provided)	\$ 5,553,888	\$ 1,495,813	\$ (7,049,700)	\$ -

Maintain Current Subsidy Received by Rurals

Proposed Increase				
Dollars	\$ 35,329,251	\$ 9,718,081	\$ 29,428,788	\$ 74,476,120
Wholesale Percentage	26%	21%	18%	21%
Retail Percentage	16%	20%		
Demand Charge (\$/KW)	15.99	13.25	-	
Energy Charge (\$/KWH)	0.030000	0.030000	0.048769	
All-in Rate in \$/MWH	\$ 71.19	\$ 59.11	\$ 61.15	\$ 64.60
After Proposed Increase				
Rate of Return	3.27%	3.20%	5.58%	4.18%
Subsidy Received (Provided)	\$ 5,351,430	\$ 1,551,973	\$ (6,903,403)	\$ -

Remove 50% of Subsidy Received by Rurals

Proposed Increase				
Dollars	\$ 38,006,090	\$ 8,983,005	\$ 27,487,026	\$ 74,476,120
Wholesale Percentage	28%	20%	17%	21%
Retail Percentage	17%	18%		
Demand Charge (\$/KW)	16.47	12.83	-	
Energy Charge (\$/KWH)	0.030000	0.030000	0.048185	
All-in Rate in \$/MWH	\$ 72.29	\$ 58.33	\$ 60.54	\$ 64.60
After Proposed Increase				
Rate of Return	3.73%	2.73%	5.19%	4.18%
Subsidy Received (Provided)	\$ 2,674,592	\$ 2,287,049	\$ (4,961,641)	\$ -

Remove 100% of Subsidy Received by Rurals

IN BUDGET AND RATE CASE

Proposed Increase				
Dollars	\$ 40,676,278	\$ 8,247,929	\$ 25,551,913	\$ 74,476,120
Wholesale Percentage	29%	18%	16%	21%
Retail Percentage	19%	17%		
Demand Charge (\$/KW)	16.95	12.41	-	
Energy Charge (\$/KWH)	0.030000	0.030000	0.047603	
All-in Rate in \$/MWH	\$ 73.38	\$ 57.55	\$ 59.92	\$ 64.60
After Proposed Increase				
Rate of Return	4.18%	2.27%	4.80%	4.18%
Subsidy Received (Provided)	\$ 4,403	\$ 3,022,125	\$ (3,026,528)	\$ -

BIG RIVERS ELECTRIC CORPORATION

Rate Case: Subsidization Analysis

Alcan 43 Case

	<u>Rurals</u>	<u>Large Indus</u>	<u>Smelter</u>	<u>Total</u>
Before Proposed Rate Increase				
Rate of Return	-2.37%	-2.59%	-0.01%	-1.45%
All-in Energy Charge	\$ 56.69 \$	48.81 \$	51.83 \$	53.21
Subsidy Received (Provided)	\$ 5,314,176 \$	1,798,852 \$	(7,113,027) \$	-
Proposed Increase				
Dollars	\$ 80,618,143 \$	22,141,216 \$	(28,283,239) \$	74,476,120
Wholesale Percentage	58%	48%	-17%	21%
Retail Percentage	37%	46%		
Demand Charge (\$/KW)	23.37	19.39	-	
Energy Charge (\$/KWH)	0.030000	0.030000	0.036040	
			0.042882	
After Proposed Increase				
Rate of Return	11.00%	11.09%	-6.12%	4.19%
All-in Energy Charge	\$ 89.77 \$	72.27 \$	42.88 \$	64.60
Subsidy Received (Provided)	\$ (39,972,158) \$	(10,865,351) \$	50,837,509 \$	-

Alcan at Current Case

	<u>Rurals</u>	<u>Large Indus</u>	<u>Smelter</u>	<u>Total</u>
Before Proposed Rate Increase				
Rate of Return	-2.37%	-2.59%	-0.01%	-1.45%
All-in Energy Charge	\$ 56.69 \$	48.81 \$	51.83 \$	53.21
Subsidy Received (Provided)	\$ 5,348,613 \$	1,793,084 \$	(7,141,696) \$	-
Proposed Increase				
Dollars	\$ 59,708,858 \$	16,383,398 \$	(1,616,136) \$	74,476,120
Wholesale Percentage	43%	36%	-1%	21%
Retail Percentage	27%	34%		
Demand Charge (\$/KW)	20.34	17.03	-	
Energy Charge (\$/KWH)	0.030000	0.030000	0.039432	
All-in Rate in \$/MWH	\$ 81.19 \$	66.17 \$	51.32 \$	64.60
After Proposed Increase				
Rate of Return	7.43%	7.43%	-0.71%	4.18%
Subsidy Received (Provided)	\$ (19,028,177) \$	(5,113,344) \$	24,141,521 \$	-

Mark Bailey

From: Mark Bailey
Sent: Tuesday, October 02, 2012 1:45 PM
To: Bob Berry
Subject: RE: Meeting w/ Century

Thanks.....

From: Bob Berry
Sent: Tuesday, October 02, 2012 12:45 PM
To: Mark Bailey
Subject: RE: Meeting w/ Century

This is a very reasonable approach. The only questionable assumption is the calculated base rate increase for 2013 is adequate for 2014-2016. As a follow up to our conversation this morning regarding Production Cost Modeling, we will be running deterministic models for both the 4 year budget and the 15 year look ahead. We will be holding the off system sales pricing constant for both models so that they are repeatable and should be seamless.

Bob

From: Mark Bailey
Sent: Tuesday, October 02, 2012 9:34 AM
To: Bob Berry
Subject: FW: Meeting w/ Century

FYI/input as well. Thanks, Mark

From: Billie Richert
Sent: Tuesday, October 02, 2012 9:01 AM
To: Mark Bailey
Cc: Ralph Ashworth; Travis Siewert
Subject: RE: Meeting w/ Century

Mark,

Please see the following assumptions Travis will be using in this model. Let us know if you have questions.

Billie

From: Travis Siewert
Sent: Tuesday, October 02, 2012 8:56 AM
To: Billie Richert
Cc: Ralph Ashworth
Subject: RE: Meeting w/ Century

Billie,

I can provide detailed Alcan rates for July of 2013 (just prior to Century's Exit) and rates for September – December of 2013.

- Based on 2013 Draft Budget with Alcan at Cost of Service (Rural class gets first \$10 million in rate increase, all smelter contract premiums removed, remaining required rate increase shared amongst all rate payers)

For rates 2014, 2015, and 2016:

- I will assume that the base rate increase we receive in August of 2013 is sufficient for the following 3 years.
- I will estimate Fuel costs, Environmental Compliance Costs, and Purchased Power costs based on the PCM we received for the initial Budget work in July. This PCM was run prior to Century's notice, so it includes Century load and Wilson generation, but it contains the most up-to-date variable cost data that I have.
- Given the order received yesterday, I will assume the new Environmental Surcharge mechanism will be in effect at the beginning of 2013 (Allocation based on Total Adjusted Revenue), however MATS costs do not appear until later in 2014, with full effect in 2015.

Travis Siewert, CPA, CMA
Big Rivers Electric
201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
(270) 844-6160

From: Billie Richert
Sent: Monday, October 01, 2012 5:06 PM
To: Ralph Ashworth; Travis Siewert
Subject: FW: Meeting w/ Century
Importance: High

Please let's discuss.

From: Billie Richert
Sent: Monday, October 01, 2012 5:05 PM
To: Mark Bailey
Cc: jmiller@smsmlaw.com; Bob Berry
Subject: RE: Meeting w/ Century

Will pursue with Ralph and Travis and get started on this.

From: Mark Bailey
Sent: Monday, October 01, 2012 4:50 PM
To: Billie Richert
Cc: jmiller@smsmlaw.com; Bob Berry
Subject: FW: Meeting w/ Century

Billie, Do you think your staff could have some rate information available by late in the day on Wednesday that shows projected rates beginning in September 2013 and out several years if we raise rates to cover Century's departure along with the PSC-approved ECP plan included and with Alcan at cost-based rates with all remaining rate of return disparity as well as all contract premiums removed? Thanks, Mark

From: Gosselin, Serge (RTA) [<mailto:Serge.Gosselin@riotinto.com>]
Sent: Monday, October 01, 2012 4:42 PM
To: Mark Bailey
Cc: Greg Starheim
Subject: RE: Meeting w/ Century

Good day Mark,

Thanks for the update. We definitely can meet this Thursday. A good part of our team will be in Frankfort for the PSC presentation.

Jeremy Jenkins, Chuck Coney, Benoit Pepin, David Brown, Pam Schneider and I will be present.

I suggest to meet into our consultant office (John Cooper) meeting room witch will be available for us at 2PM this Thursday. The address is 225 Capital Ave, Frankfort. This is very close to the Capitol.

If there is a workable solution that requires our attention, I would be very interesting to be part of it and support any progress.

Please confirm that the location and the location are suitable for you.

Regards,

Serge

From: Mark Bailey [<mailto:Mark.Bailey@bigrivers.com>]

Sent: Monday, October 01, 2012 7:57 AM

To: Gosselin, Serge (RTA)

Cc: Greg Starheim

Subject: Meeting w/ Century

Good Morning Serge:

I am writing to provide an update regarding Century's latest proposal. Late last week a meeting was requested by Century and has been arranged to take place this afternoon. After receiving our response to their "go-to-market" proposal, I received a call from Mike Bless last Thursday evening indicating they wanted to meet and offer a framework that they believe will work.

If indeed it looks like they may offer a workable solution, there may be some value in our respective teams getting together. I envision that meeting just involving Big Rivers (probably Jim Miller, myself, Bob Berry and/or Billie Richert (our new CFO)), Kenergy (if Greg or someone else is available), and RTA officials. Would your team happen to be in for the legislative committee meeting this Thursday? If so, perhaps something could be set up either before or after that session.

Regards,
Mark

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Mark Bailey

From: Mark Bailey
Sent: Tuesday, October 02, 2012 4:34 PM
To: jmiller@smsmlaw.com; Bob Berry
Subject: FW: Meeting w/ Century
Attachments: Alcan rate estimate.xlsx

FYI. Mark

From: Billie Richert
Sent: Tuesday, October 02, 2012 4:19 PM
To: Mark Bailey
Cc: Travis Siewert; Ralph Ashworth
Subject: FW: Meeting w/ Century

Mark,

Please see attached information you requested re: Alcan. Also, please refer to additional comments provided by Travis re: assumptions. The attached spreadsheet includes the differences in assumptions between this scenario (CoS) and the preliminary 2013 draft budget provided to the smelters last week.

I am participating in a Rate Case meeting at Jim Miller's office tomorrow but you can always reach me by phone. However, Travis and Ralph are in the office tomorrow and are prepared to answer any questions or provide any clarification you require.

Let me know if this meets your needs for the Thursday meeting.

Billie

From: Travis Siewert
Sent: Tuesday, October 02, 2012 3:52 PM
To: Billie Richert
Cc: Ralph Ashworth
Subject: FW: Meeting w/ Century

Here are some additional follow-up notes from our meeting concerning the attached rate estimates:

- Assumed that the base rates obtained in 2013 are sufficient for the following three years
- Assumed the TIER Adjustment Charge (only applicable in 2013 Draft Budget rates) is at the contractual maximum of \$2.95 through 2014 then \$3.55 in 2015 and 2016
- The Environmental Surcharge is higher in the Average Sept-Dec column because of landfill capping in the August to October timeframe
- There are no CSAPR capital costs included in the Environmental Surcharge, however, at the time the PCM was run CSAPR had not been vacated. Therefore, generation is lower in 2015 and back to normal in 2016 when the PCM assumed the capital would be in place. 2015 has lower generation and higher purchased power.
- SEPA returns to normal in 2015 (fixed monthly charge). This results in more purchased power flowing through the Non-FAC PPA rather than the FAC in 2015 and 2016.

Travis Siewert, CPA, CMA
Big Rivers Electric
201 Third Street
P.O. Box 24

Henderson, KY 42419-0024
(270) 844-6160

From: Travis Siewert
Sent: Tuesday, October 02, 2012 12:44 PM
To: Billie Richert
Cc: Ralph Ashworth
Subject: RE: Meeting w/ Century

Billie,

Please find the attached file comparing Alcan's projected rates if Alcan were to go to cost of service upon Century's exit (Removal of \$10 million in interclass subsidy and removal of smelter contractual premiums) versus Alcan's projected rates in the 2013 Draft Budget, which assumed that 1/3 of the interclass subsidy was removed (in keeping with gradualism) and that all smelter contract premiums continued.

I will be glad to go over the numbers with you at your convenience.

Travis Siewert, CPA, CMA
Big Rivers Electric
201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
(270) 844-6160

From: Billie Richert
Sent: Tuesday, October 02, 2012 9:42 AM
To: Ralph Ashworth; Travis Siewert
Subject: FW: Meeting w/ Century

Spoke briefly with Mark and he will want us to compare the results of this forecast with the most recent numbers we have provided to the smelters – via the preliminary 2013 budget - and provide comment as appropriate. Let me know if you want to discuss.

From: Mark Bailey
Sent: Tuesday, October 02, 2012 9:27 AM
To: Billie Richert
Subject: RE: Meeting w/ Century

Thanks.....

From: Billie Richert
Sent: Tuesday, October 02, 2012 8:33 AM
To: Mark Bailey
Cc: jmillersmsmlaw.com; Bob Berry; Travis Siewert; Ralph Ashworth
Subject: RE: Meeting w/ Century

Mark,

Travis is working on this and we will have the requested information for you by the end of today. Shortly, we will provide you with the assumptions we are using for this effort as the latest production cost model is in the process of being completed.

Billie

Alcan (Cost of Service) ¹	2013		2014	2015	2016
	Average				
	July	Sept - Dec			
Base Rate	39.43	49.06	49.06	49.06	49.01
TIER Adjustment	2.95	0.00	0.00	0.00	0.00
Total	42.38	49.06	49.06	49.06	49.01
Non-FAC PPA	(0.59)	(0.37)	(0.56)	0.43	0.28
FAC	4.41	4.54	5.25	7.04	6.68
Environmental Surcharge	2.46	2.83	2.76	2.96	3.72
Surcharge	1.86	0.00	0.00	0.00	0.00
Effective Rate (\$/MWh)	50.52	56.06	56.51	59.49	59.69

Adjusted For Increase in Riders 55.34
Percent Increase (Excluding Change in Riders) 9.5%

Alcan (2013 Draft Budget) ²	2013		2014	2015	2016
	Average				
	July	Sept - Dec			
Base Rate	39.43	48.81	48.81	48.81	48.76
TIER Adjustment	2.95	2.95	2.95	3.55	3.55
Total	42.38	51.76	51.76	52.36	52.31
Non-FAC PPA	(0.59)	(0.37)	(0.56)	0.43	0.28
FAC	4.41	4.54	5.25	7.04	6.68
Environmental Surcharge	2.46	2.87	2.79	3.00	3.77
Surcharge	1.86	1.87	1.87	1.87	1.87
Effective Rate (\$/MWh)	50.52	60.67	61.11	64.70	64.91

Adjusted For Increase in Riders 59.91
Percent Increase (Excluding Change in Riders) 18.6%

¹Assumes removal of \$10 million in interclass subsidies and removal of all smelter contractual premiums

²The 2013 Draft Budget assumed removal of 1/3 of the interclass subsidy in keeping with "Gradualism"
The 2013 Draft Budget also assumed all smelter contractual premiums continued after Century exit

Mark Bailey

From: Mark Bailey
Sent: Tuesday, October 30, 2012 9:25 AM
To: nick.castlen@bigrivers.com
Cc: Billie Richert; Albert Yockey
Subject: Rate Case Meetings

Nick, Would you please include Marty Littrel in future rate case meeting invitations? It's important given his communications responsibilities, that he has the opportunity to stay abreast of latest developments and the reasons driving what we end up doing. Thanks, Mark

Sent from my iPhone

Mark Bailey

From: Mark Bailey
Sent: Wednesday, October 31, 2012 12:20 PM
To: Billie Richert
Subject: RE: Pro-forma Adjustments

Anytime this afternoon is OK. We may want to include both Bob and James in the discussion. Thanks, Mark

From: Billie Richert
Sent: Wednesday, October 31, 2012 12:15 PM
To: Mark Bailey
Subject: Pro-forma Adjustments

Mark,
I'd like to discuss these items with you when you have a moment. We may want to include Bob in the discussion. Also, both the incentive pay and Christmas bonuses are excluded from our budget and rate case.

Billie

From: DeAnna McCormick Speed
Sent: Wednesday, October 31, 2012 12:08 PM
To: Billie Richert
Subject: RC Question

Billie:

For the rate case, Pro Forma adjustments have to be made to the forecasted test period to remove items per 807 KAR 5.001 Sec 10(10)f. These items include charitable contributions, civic/political activities, promotional advertising, and the like. There are a couple of items other than the required items that I think we (Big Rivers) should discuss.

1. Severance pay will be in the budget in DEC 2013. This will be picked up in the TEST PERIOD.
2. Although Wilson is layed up in August 2013 in the budget, we have labor related to targeted employees in the budget until Nov 30, 2013 (performing certain lay up activities, etc.). This will be picked up in the TEST PERIOD.

We need to decide whether or not it is appropriate to remove these items from the forward looking test period. If they are not removed, we need to decide who will sponsor these items in testimony. I need to provide Pro Forma adjustments to John W next week, say Wednesday, so he can complete the COS. Other than these items, I cannot think of any other items that need to be discussed related to Pro Forma adjustments.

Thanks!
DeAnna

DeAnna Speed, C.P.A.
Manager - Budgets
Big Rivers Electric Corporation
Phone 270-844-6042

Paula Mitchell

From: Mark Bailey
Sent: Monday, February 18, 2013 7:06 PM
To: Paula Mitchell
Subject: FW: Board Meeting Presentations
Attachments: Board of Directors - Nov 16 2012 - Lines of Credit Update.pptx; ATT00001.htm; Board of Directors - Nov 16 2012 - Interim Financing for ECP.pptx; ATT00002.htm; Board of Directors - Nov 16 2012 - Series 1983 Pollution Control Bonds Update.pptx; ATT00003.htm; FINAL INCOME STMT FOR BUDGET PPT.xlsx; ATT00004.htm; 2013 Budget 2014-2016 Financial Plan - FINAL 111612.pptx; ATT00005.htm

Paula, Please print. Thanks, Mark

From: Mark Bailey
Sent: Sunday, November 11, 2012 1:45 PM
To: Paula Mitchell
Subject: Fwd: Board Meeting Presentations

Paula, Please print all these. Thanks, Mark

Sent from my iPhone

Begin forwarded message:

From: "Billie Richert" <Billie.Richert@bigrivers.com>
To: "Mark Bailey" <Mark.Bailey@bigrivers.com>
Subject: Board Meeting Presentations

Mark,
Here are the statuses for the following board presentations:

Ready for your review and comments

- 1) Interim Financing for the Environmental Compliance Plan – Attached
- 2) Lines of Credit Update – Attached – I’m going to send Jim a copy for his comments
- 3) PCB Financing – Attached - I’d like to discuss this with you as it relates to our mitigation plan.

Depreciation Study

Ralph and Daniel are preparing this presentation for my review tomorrow. It will be short. - *No attachment for this - mms 2/18/13*

Cost of Service/Rate Design/New Rates

John and Travis are preparing these presentations for my review, hopefully by end of day tomorrow. - *No attachment for this - mms 2/19/13*

2013 Budget/2014-2016 Financial Plan - Attached

DeAnna has submitted a draft presentation. I’m forwarding to you the draft for your initial review. In addition, the attached file named ‘Final Income Stmt for Budget PPT’ is the

walk-across you requested.

Thank you.

Billie

Paula Mitchell

From: Mark Bailey
Sent: Monday, February 18, 2013 7:00 PM
To: Paula Mitchell
Subject: FW: Scenarios
Attachments: From John Wolfram - Rate_Options_v2.xlsx; From John Wolfram - Rate_Options_Alcan_v1.xlsx

Paula, please print. Thanks, Mark

From: Mark Bailey
Sent: Monday, November 12, 2012 4:54 PM
To: Bob Berry; Marty Littrel
Subject: FW: Scenarios

FYI. Mark

From: Billie Richert
Sent: Monday, November 12, 2012 3:24 PM
To: Mark Bailey
Subject: Scenarios

Mark,

Per our discussion. DeAnna and her staff are working on the changes (and explanations) you requested. I'm working on the RUS presentation and reviewing the Depreciation Study presentation for the Board.

Billie

BIG RIVERS ELECTRIC CORPORATION
Rate Case: Subsidization Analysis

	<u>Rurals</u>	<u>Large Indus</u>	<u>Smelter</u>	<u>Total</u>
Before Proposed Rate Increase				
Rate of Return	-2.37%	-2.59%	-0.01%	-1.45%
All-in Energy Charge	\$ 56.69	\$ 48.81	\$ 51.83	\$ 53.21
Subsidy Received (Provided)	\$ 5,348,613	\$ 1,793,084	\$ (7,141,696)	\$ -
Proposed Increase				
Dollars	?	?	?	\$ 74,476,120
Wholesale Percentage	?	?	?	21%
Retail Percentage	?	?		

Eliminate 100% of Subsidy Only Between Rurals and Large Industrials

Proposed Increase				
Dollars	\$ 35,126,794	\$ 9,774,241	\$ 29,575,085	\$ 74,476,120
Wholesale Percentage	25%	21%	18%	21%
Retail Percentage	16%	20%		
Demand Charge (\$/KW)	15.95	13.28	-	
Energy Charge (\$/KWH)	0.030000	0.030000	0.048813	
All-in Rate in \$/MWH	\$ 71.10	\$ 59.17	\$ 61.20	\$ 64.60
After Proposed Increase				
Rate of Return	3.24%	3.23%	5.61%	4.18%
Subsidy Received (Provided)	\$ 5,553,888	\$ 1,495,813	\$ (7,049,700)	\$ -

Maintain Current Subsidy Received by Rurals

Proposed Increase				
Dollars	\$ 35,329,251	\$ 9,718,081	\$ 29,428,788	\$ 74,476,120
Wholesale Percentage	26%	21%	18%	21%
Retail Percentage	16%	20%		
Demand Charge (\$/KW)	15.99	13.25	-	
Energy Charge (\$/KWH)	0.030000	0.030000	0.048769	
All-in Rate in \$/MWH	\$ 71.19	\$ 59.11	\$ 61.15	\$ 64.60
After Proposed Increase				
Rate of Return	3.27%	3.20%	5.58%	4.18%
Subsidy Received (Provided)	\$ 5,351,430	\$ 1,551,973	\$ (6,903,403)	\$ -

Remove 50% of Subsidy Received by Rurals

Proposed Increase				
Dollars	\$ 38,006,090	\$ 8,983,005	\$ 27,487,026	\$ 74,476,120
Wholesale Percentage	28%	20%	17%	21%
Retail Percentage	17%	18%		
Demand Charge (\$/KW)	16.47	12.83	-	
Energy Charge (\$/KWH)	0.030000	0.030000	0.048185	
All-in Rate in \$/MWH	\$ 72.29	\$ 58.33	\$ 60.54	\$ 64.60
After Proposed Increase				
Rate of Return	3.73%	2.73%	5.19%	4.18%
Subsidy Received (Provided)	\$ 2,674,592	\$ 2,287,049	\$ (4,961,641)	\$ -

Remove 100% of Subsidy Received by Rurals

IN BUDGET AND RATE CASE

Proposed Increase				
Dollars	\$ 40,676,278	\$ 8,247,929	\$ 25,551,913	\$ 74,476,120
Wholesale Percentage	29%	18%	16%	21%
Retail Percentage	19%	17%		
Demand Charge (\$/KW)	16.95	12.41	-	
Energy Charge (\$/KWH)	0.030000	0.030000	0.047603	
All-in Rate in \$/MWH	\$ 73.38	\$ 57.55	\$ 59.92	\$ 64.60
After Proposed Increase				
Rate of Return	4.18%	2.27%	4.80%	4.18%
Subsidy Received (Provided)	\$ 4,403	\$ 3,022,125	\$ (3,026,528)	\$ -

BIG RIVERS ELECTRIC CORPORATION

Rate Case: Subsidization Analysis

Alcan 43 Case

	<u>Rurals</u>	<u>Large Indus</u>	<u>Smelter</u>	<u>Total</u>
<u>Before Proposed Rate Increase</u>				
Rate of Return	-2.37%	-2.59%	-0.01%	-1.45%
All-in Energy Charge	\$ 56.69	\$ 48.81	\$ 51.83	\$ 53.21
Subsidy Received (Provided)	\$ 5,314,176	\$ 1,798,852	\$ (7,113,027)	\$ -
<u>Proposed Increase</u>				
Dollars	\$ 80,618,143	\$ 22,141,216	\$ (28,283,239)	\$ 74,476,120
Wholesale Percentage	58%	48%	-17%	21%
Retail Percentage	37%	46%	-	
Demand Charge (\$/KW)	23.37	19.39	-	
Energy Charge (\$/KWH)	0.030000	0.030000	0.036040	0.042882
<u>After Proposed Increase</u>				
Rate of Return	11.00%	11.09%	-6.12%	4.19%
All-In Energy Charge	\$ 89.77	\$ 72.27	\$ 42.88	\$ 64.60
Subsidy Received (Provided)	\$ (39,972,158)	\$ (10,865,351)	\$ 50,837,509	\$ -

Alcan at Current Case

	<u>Rurals</u>	<u>Large Indus</u>	<u>Smelter</u>	<u>Total</u>
<u>Before Proposed Rate Increase</u>				
Rate of Return	-2.37%	-2.59%	-0.01%	-1.45%
All-in Energy Charge	\$ 56.69	\$ 48.81	\$ 51.83	\$ 53.21
Subsidy Received (Provided)	\$ 5,348,613	\$ 1,793,084	\$ (7,141,696)	\$ -
<u>Proposed Increase</u>				
Dollars	\$ 59,708,858	\$ 16,383,398	\$ (1,616,136)	\$ 74,476,120
Wholesale Percentage	43%	36%	-1%	21%
Retail Percentage	27%	34%	-	
Demand Charge (\$/KW)	20.34	17.03	-	
Energy Charge (\$/KWH)	0.030000	0.030000	0.039432	
All-in Rate in \$/MWH	\$ 81.19	\$ 66.17	\$ 51.32	\$ 64.60
<u>After Proposed Increase</u>				
Rate of Return	7.43%	7.43%	-0.71%	4.18%
Subsidy Received (Provided)	\$ (19,028,177)	\$ (5,113,344)	\$ 24,141,521	\$ -

BIG RIVERS ELECTRIC CORPORATION

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**Response to Kentucky Industrial Utility Customers, Inc.'s
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February 28, 2013

1 **Item 9)** *Provide a copy of all correspondence and documents*
2 *between BREC and the three rating agencies since January 1, 2012.*

3

4 **Response)** Big Rivers objects to this request on the grounds that it is overly
5 broad and unduly burdensome. Big Rivers also objects to this request on
6 the grounds that it seeks information that is irrelevant and not likely to lead
7 to the discovery of admissible evidence. Notwithstanding these objections,
8 but without waiving them, please refer to the response to AG 1-54.

9

10 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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1 **Item 10)** *Provide a copy of the Notice of Termination of electric*
2 *service of Century and Alcan.*

3

4 **Response)** Please refer to the response to AG 1-9.

5

6 **Witness)** Mark A. Bailey

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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1 **Item 11)** *What is the effective date of Alcan's termination of its*
2 *electric service agreement?*

3

4 **Response)** Alcan's electric service agreement will terminate effective
5 January 31, 2014. Please refer to the response to AG 1-9.

6

7 **Witness)** Mark A. Bailey

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 12)** *Provide copies of the most recent ratings letter and*
2 *accompanying discussion of its most current rating from each of the*
3 *three credit rating agencies that have issued a credit rating to BREC.*

4

5 **Response)** Please see the response to AG 1-54(c) for copies of the most
6 recent ratings letter and accompanying discussion of Big Rivers' most
7 current rating from each of the three credit rating agencies.

8

9 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 13) *Provide copies of all reports or presentations, including***
2 ***any model runs (with formulas intact) that have been prepared by***
3 ***BREC since January 1, 2012, for use by or presentation to any credit***
4 ***rating agency, investment banking institution, investment advisory***
5 ***service, credit support institution or institutional investment group or***
6 ***entity.***

7
8 **Response)** Big Rivers objects to this request on the grounds that it is overly
9 broad and unduly burdensome. Big Rivers also objects to this request on
10 the grounds that it seeks information that is irrelevant and not likely to lead
11 to the discovery of admissible evidence. Notwithstanding these objections,
12 but without waiving them, please refer to the response to AG 1-10 for copies
13 of all responsive presentations. Also, the spreadsheet models that were
14 used in the presentations for the Statement of Operations, Balance Sheet,
15 Debt Service Coverage Ratio, Smelter and Non-Smelter Rates slides are
16 being provided with a petition for confidential treatment and are on the
17 CONFIDENTIAL CDs accompanying these responses.

18
19 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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February 28, 2013

- 1 **Item 14) *With respect to BREC's credit relationship with CFC,***
2 ***indicate:***
3
4 ***a. BREC's current outstanding balance under its revolving***
5 ***credit agreement;***
6 ***b. The interest rate that is currently applicable to any***
7 ***outstanding balance or that would be applicable to any***
8 ***future outstanding balance under the revolving credit***
9 ***agreement;***
10 ***c. The amount that is currently unrestricted and available to***
11 ***BREC for advances under its revolving credit agreement;***
12 ***d. Whether BREC's access to its revolving line of credit has***
13 ***been suspended, and if so, the remedial action(s) required***
14 ***of BREC by CFC as a condition to reinstatement of the***
15 ***revolving line of credit;***
16 ***e. The annual fees paid by BREC to CFC with respect to its***
17 ***revolving credit agreement, and whether the obligation for***
18 ***the payment of such fees is waived or suspended when***
19 ***BREC does not have access to advances under its revolving***
20 ***credit agreement;***
21 ***f. Any and all changes in interest rates or other restrictions***
22 ***that have been implemented by CFC since August 1, 2012***

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- 1 *with respect to BREC's secured credit agreement with*
2 *CFC; and*
3 *g. The status of BREC's request to CFC for a bridge loan in*
4 *the amount of approximately \$60 million necessary to*
5 *fund capital expenditures for environmental compliance.*

6

7 **Response)**

8

- 9 a. Big Rivers' current outstanding balance under the CFC
10 revolving credit agreement is \$0
11 b. Big Rivers currently has no outstanding balance under its CFC
12 revolving line of credit. The interest rate on any future
13 advances would be equal to the CFC Line of Credit Rate. The
14 effective date of any interest rate adjustment will be determined
15 from time to time by CFC, and will remain in effect until any
16 subsequent change in the interest rate. The current CFC Line
17 of Credit Rate is 2.90%.
18 c. The current, unrestricted amount available to Big Rivers under
19 its revolving credit agreement with CFC is \$44,624,850.
20 d. Big Rivers' access to its revolving line of credit with CFC has not
21 been suspended.
22 e. The annual facility fee paid by Big Rivers to CFC with respect to
23 its revolving credit agreement is currently equal to 0.15% of the

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1 commitment amount, or \$75,000 (0.15% x \$50,000,000). Prior
2 to July 15, 2012, the annual facility fee was 0.25% of the
3 commitment amount, or \$125,000,000 (0.25% x \$50,000,000).
4 The annual facility fee is prorated for any year in which the
5 agreement is not in effect for the entire year.

6 f. No changes in interest rates or other restrictions have been
7 implemented by CFC since August 1, 2012 with respect to Big
8 Rivers' secured credit agreement with CFC.

9 g. Big Rivers is currently negotiating with CFC regarding the
10 \$60,000,000 senior secured three-year credit facility loan for
11 bridge financing of Big Rivers' 2012 Environmental Compliance
12 Plan.

13

14 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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- 1 **Item 15) *With respect to BREC's credit relationship with CoBank,***
2 ***indicate:***
3
4 ***a. BREC's current outstanding balance under its revolving***
5 ***credit agreement;***
6 ***b. The interest rate that is currently applicable to any***
7 ***outstanding balance or that would be applicable to any***
8 ***future outstanding balance under the revolving credit***
9 ***agreement;***
10 ***c. The amount that is currently unrestricted and available to***
11 ***BREC for advances under its revolving credit agreement;***
12 ***d. Whether BREC's access to its revolving line of credit has***
13 ***been suspended, and if so, the remedial action(s) required***
14 ***of BREC by CoBank as a condition to reinstatement of the***
15 ***revolving line of credit;***
16 ***e. The annual fees paid by BREC to CoBank with respect to***
17 ***its revolving credit agreement, and whether the obligation***
18 ***for the payment of such fees is waived or suspended when***
19 ***BREC does not have access to advances under its revolving***
20 ***line of credit; and***
21 ***f. Any and changes in interest rates or other restrictions***
22 ***that have been implemented by CoBank since August 1,***

BIG RIVERS ELECTRIC CORPORATION

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1 *2012 with respect to BREC's secured credit agreement*
2 *with CoBank?*

3

4 **Response)**

5

6 a. Big Rivers' current outstanding balance under its revolving
7 credit agreement with CoBank is \$0.

8 b. As stated in a. above, Big Rivers currently has no outstanding
9 balance under its revolving credit agreement with CoBank.
10 Effective February 11, 2013, the interest rate that would be
11 applicable to any future LIBOR Loans under the CoBank
12 revolving credit agreement would be equal to the LIBOR Rate,
13 determined for such day, plus a margin of 2.15%. The interest
14 rate that would be applicable to any future Base Rate Loan
15 would be 4.40%.

16 c. The amount currently unrestricted and available to Big Rivers
17 for advances under its revolving credit agreement with CoBank
18 is \$0.

19 d. Big Rivers presently cannot access its revolving line of credit
20 and is involved in on-going negotiations with CoBank.

21 e. Effective February 11, 2013, the annual unused commitment
22 fee paid by Big Rivers to CoBank with respect to its revolving
23 credit agreement is \$300,000 (0.6% x \$50,000,000). Prior to

BIG RIVERS ELECTRIC CORPORATION

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1 February 11, 2013, the annual unused commitment fee was
2 \$125,000 (0.25% x \$50,000,000).

3 f. No changes in interest rates or other restrictions have been
4 implemented by CoBank since August 1, 2012 with respect to
5 Big Rivers' secured credit agreement with CoBank.

6

7 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 16)** *Is Big Rivers presently able to utilize its line of credit with*
2 *CFC to finance non-environmental capital expenditures? Please*
3 *describe the current status of negotiations with CFC to allow*
4 *borrowings under the line of credit for this purpose.*

5
6 **Response)** Yes, Big Rivers is able to utilize its line of credit with CFC to
7 finance non-environmental capital expenditures. Consequently, Big Rivers
8 is not negotiating with CFC to allow borrowings under the line of credit for
9 this purpose.

10 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 17)** *Is Big Rivers presently able to utilize its line of credit with*
2 *CoBank to finance non-environmental capital expenditures? Please*
3 *describe the current status of negotiations with CoBank to allow*
4 *borrowings under the line of credit for this purpose.*

5

6 **Response)** Big Rivers is not presently able to utilize its line of credit with
7 CoBank to finance non-environmental capital expenditures. Big Rivers is
8 not negotiating with CoBank to allow borrowings under the line of credit
9 specifically for this purpose.

10

11 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 18)** *Does Big Rivers need authorization from CoBank in order*
2 *to use the \$60,000,000 of CoBank secured loan proceeds to pay off its*
3 *1983 Bonds?*

4

5 **Response)** Please refer to the response to Alcan 2-1 in Case No. 2012-
6 00492.

7

8 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 19) *If the KPSC authorizes the recovery of 100% of BREC's***
2 ***requested increase in this rate case does BREC believe that it will***
3 ***earn back its investment grade credit rating from any or all of the***
4 ***three rating agencies, and if so, over what period of time? Provide all***
5 ***documentation in support of your response, including, but not limited***
6 ***to, source documents and quantitative analyses.***

7

8 **Response)** Big Rivers objects to this request on the grounds that Big Rivers
9 cannot speculate as to whether a certain event will result in a specific action
10 by a third party. Notwithstanding that objection, but without waiving it, Big
11 Rivers states that it provides updates to the credit rating agencies as events
12 occur that impact its operations, whether positive or negative. If the
13 Kentucky Public Service Commission authorizes the recovery of 100% of Big
14 Rivers' requested increase in this rate case, that positive information would
15 be provided to the credit rating agencies. However, Big Rivers cannot
16 speculate how or over what period of time such information would impact
17 its credit ratings. Please see the response to AG 1-54(c) for recent reports
18 from Standard & Poor's Ratings Services, Fitch Ratings, and Moody's
19 Investor Service.

20

21 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 20)** *Provide a detailed calculation estimating the total revenue*
2 *and total margins (contributions to fixed costs) that will be lost by Big*
3 *Rivers as a result of Alcan's announced departure from the Big Rivers'*
4 *system on or about January 31, 2014 using the twelve months ending*
5 *January 31, 2014 or the date of termination for this purpose. Provide*
6 *all assumptions, data, calculations, and electronic spreadsheets with*
7 *formulas intact. Specifically identify all assumptions regarding*
8 *layups of other power plants, sales to third parties, and new*
9 *customer loads.*

10

11 **Response)** Please refer to the response to PSC 2-1.

12

13 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 21)** *Provide a detailed calculation estimating the total rate*
2 *increase that the Commission would need to approve in order for*
3 *BREC to maintain a 1.10 MFIR in the twelve months following the*
4 *termination of the Alcan electric service agreement. Provide all*
5 *assumptions, data, calculations, and electronic spreadsheets with*
6 *formulas intact.*

7

8 **Response)** Please refer to the response to PSC 2-1.

9

10 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 22) Does BREC plan to file another rate case in 2013 in order**
2 **to address the revenue and margin lost as a result of Alcan's**
3 **announced departure from the Big Rivers' system at the end of**
4 **January of 2014? If yes;**

5

6 **a. What is BREC's best estimate of the filing date for this**
7 **increase? Please confirm that this will result in two**
8 **requested rate increases pending before the Commission at**
9 **the same time.**

10 **b. What is BREC's best estimate of the total revenue increase**
11 **that will be proposed by customer class? Provide all**
12 **assumptions, data, calculations, and electronic**
13 **spreadsheets with formulas intact.**

14 **c. What is BREC's best estimate of the ECR revenue**
15 **requirement that will be transferred and reallocated from**
16 **Alcan to the Rural and Large Industrial classes (separate**
17 **estimates) in the year following Alcan's termination?**
18 **Provide all assumptions, data, calculations, and electronic**
19 **spreadsheets with formulas intact.**

20 **d. What is BREC's best estimate of the lost Smelter surcharge**
21 **revenue requirement that no longer will be provided by**
22 **Alcan and used to reduce the Rural and Large Industrial**
23 **revenue requirement. Provide all assumptions, data,**

BIG RIVERS ELECTRIC CORPORATION

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1 *calculations, and electronic spreadsheets with formulas*
2 *intact.*

3 *e. What is BREC's best estimate of the change in fuel costs*
4 *recoverable from the Rural and Large Industrial classes*
5 *(separate estimates) in the year following Alan's*
6 *termination compared to retaining the Alcan load.*

7

8 **Response)** Please refer to the response to PSC 2-1.

9

10 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 23)** *Is BREC required to file another rate case in 2013 in order*
2 *to address the revenue lost as a result of Alcan's announced*
3 *departure from the Big Rivers' system on or about January 31, 2014*
4 *by the terms of any or all of the financial covenants listed on pages*
5 *18 and 19 of Ms. Richert's Direct Testimony? If so, then please*
6 *identify the specific covenants, describe the requirements set forth in*
7 *the covenant, and explain why the Company believes that the*
8 *covenant requires the Company to file another rate case.*

9

10 **Response)** Please refer to the response to PSC 2-1. For a discussion of Big
11 Rivers' financial covenant obligations, please see pages 18-35 of the Direct
12 Testimony of Billie J. Richert, attached as Tab 64 to Big Rivers' application
13 in this matter.

14

15 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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Dated February 14, 2013**

February 28, 2013

1 **Item 24) Page 26 of Ms. Richert's Direct Testimony discusses Big**
2 **Rivers' plan to spend approximately \$60,000,000 on pollution control**
3 **equipment in 2013 and 2014:**

4

5

a. Has Big Rivers secured financing for these expenditures?

6

b. Please explain Big Rivers' current plan to finance these
expenditures and include all supporting documentation.

7

8

c. If Big Rivers cannot finance the \$60,000,000 in pollution
control equipment, what is Big Rivers' plan for complying
with the MATS rule by April of 2015? Provide this
information for each generating unit at each power
station.

9

10

11

12

13

14 **Response)**

15

16

a. No.

17

b. Big Rivers' current plan to finance these expenditures includes
obtaining interim bridge financing for three years from CFC,
and obtaining long-term financing with RUS prior to or at the
end of the three years. The loan documents for these
transactions have not been drafted or agreed upon.

18

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21

22

c. Big Rivers is in the process of negotiating financing for the
\$60,000,000 pollution control equipment. The current plan is

23

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 to have this financing in place and to be in full compliance with
2 the MATS rule by April 2015.

3

4 **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 Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 25) Page 29, lines 10-12 of Ms. Richert's Direct Testimony**
2 **states, "[i]f Big Rivers fails to maintain an investment grade credit**
3 **rating from at least two ratings agencies, Big Rivers must implement**
4 **a corrective plan satisfactory to RUS, or it is an Event of Default."**

5

6 **a. Provide copies of any notice or notices sent by Big Rivers to**
7 **RUS with respect to the recent downgrade of Big Rivers to**
8 **below investment grade by all three credit rating agencies;**

9 **b. Given the recent downgrade of Big Rivers by all three**
10 **rating agencies to below investment grade, has BREC**
11 **provided a corrective plan satisfactory to the RUS? If yes,**
12 **provide a copy of the corrective plan and any supporting**
13 **documentation, including any correspondence to or from**
14 **RUS. This data request remains active throughout the**
15 **proceeding. If BREC has not yet provided a corrective plan**
16 **to the RUS, please indicate the deadline for providing the**
17 **corrective plan to RUS. If BREC produces or obtains any**
18 **further or supplemental documents or information**
19 **subsequent to the preparation and service of BREC's**
20 **responses hereto, please provide such documents or**
21 **information as part of a supplemental response.**

22

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Response)**

2 a. See attached.

3 b. Please see the responses to AG 1-213, AG 1-214, and AG 1-215.

4

5 **Witness)** Billie J. Richert



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

February 7, 2013

Rural Utilities Service
United States Department of Agriculture
Room No. 5135-S
1400 Independence Avenue, S.W.
Stop 1510
Washington, DC 20250
Attention: RUS Administrator

Re: Notice Pursuant to Section 4.9(e), 4.9(f) and 4.23(b) of the Amended and Consolidated Loan Contract, dated as of July 16th, 2009 (the "Agreement") between Big Rivers Electric Corporation ("Big Rivers") and United States of America acting by and through the Administrator of the Rural Utilities Service ("RUS")

Gentlemen:

Section 4.9(f) of the Agreement provides that Big Rivers shall promptly notify RUS of "any matter that has had or could reasonably be expected to have a "Material Adverse Effect" (as defined in the Agreement). Big Rivers has received a notice of termination from Alcan Primary Products Corporation of its Retail Electric Service Agreement dated July 1, 2009 (the "Alcan Contract") with Kenergy Corporation. A copy of such notice of termination is attached hereto.

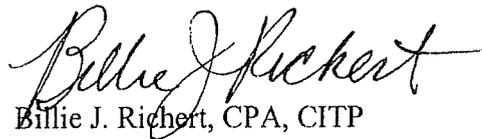
In accordance with Section 4.9(e) of the Agreement we have attached hereto a copy of (i) a press release dated February 6, 2013 from Moody's Investors Service, Inc. related to its downgrade of the rating of \$83,300,000 County of Ohio, Kentucky, Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) (the "Bonds) to Ba1 from Baa2, (ii) a press release from Fitch Ratings dated February 6, 2013 relating to the downgrade of the Bonds to BB from BBB-, and (iii) a credit report from Standard & Poor's Rating Services dated February 4, 2013 relating to the downgrade of its long term rating of Big Rivers and its rating of the Bonds to BB- from BBB-. Such rating actions were taken as a result of the notice of termination of the Alcan Contract.

your local electric energy cooperative

Rural Utilities Service
February 7, 2013
Page 2

As a result of such actions by the rating agencies, we hereby notify you pursuant to Section 4.23(b) of the Agreement that Big Rivers has failed to maintain two Credit Ratings of Investment Grade (as such terms are defined in the Agreement). We are in the process of developing a corrective plan and we look forward to meeting with RUS to discuss the plan.

Very truly yours,



Billie J. Richert, CPA, CITP
Vice President Accounting, Rates, and CFO
Big Rivers Electric Corporation

Attachments

cc: Rural Utilities Service
United States Department of Agriculture
Room No. 0270-S
1400 Independence Avenue, S.W.
Stop: 1568
Washington, DC 20250
Attention: Power Supply Division

ALCAN PRIMARY PRODUCTS CORPORATION

January 31, 2013

Mr. Gregory Starheim
 President and CEO
 Kenergy Corp.
 Post Office Box 18
 Henderson, Kentucky 42419

Mr. Mark Bailey
 President and CEO
 Big Rivers Electric Corporation
 201 Third Street
 Henderson, Kentucky 42420

Re: Retail Electric Service Agreement
NOTICE OF TERMINATION

Gentlemen:

This letter constitutes written Notice of Termination, in accordance with Section 7.3.1 of the Retail Electric Service Agreement, dated July 1, 2009 ("**Agreement**"), between Alcan Primary Products Corporation ("**APPC**"), a wholly-owned subsidiary of Alcan Corporation, and Kenergy Corp. ("**Kenergy**"). APPC is the owner and operator of the aluminum smelter located in Robards, Kentucky (the "**Sebree Smelter**").

On January 15, 2013, Big Rivers Electric Corporation ("**Big Rivers**") filed an Application with the Kentucky Public Service Commission (the "**KPSC**") for an increase in base rates (the "**Application**"). According to Big Rivers, the Application, if approved, would result in a rate increase of nearly 16%. There is already substantial doubt that the Sebree Smelter is sustainable at the current rate being charged to APPC. The increase contemplated by Application would remove all doubt whatsoever and ensure that the Sebree Smelter is unprofitable and therefore unsustainable. Under the circumstances, APPC has no choice but to furnish this Notice of Termination.

As you are aware, Section 7.3.1 of the Agreement requires the President of Alcan Corporation, the corporate parent of APPC, to represent and warrant that (i) the decision to give this Notice of Termination reflects a business judgment made in good faith to terminate and cease all aluminum smelting operations at the Sebree Smelter, and (ii) it has no current intention of re-commencing smelting operations at the Sebree Smelter. Under the present

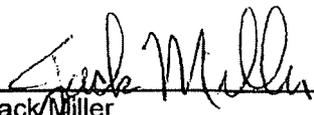
circumstances, Mr. Timothy Guerra, the President of Alcan Corporation, makes those representations and warranties in the Certificate attached hereto.

I am advised that, notwithstanding the notice of Century Aluminum of Kentucky ("**Century**") on August 20, 2012 to terminate its Retail Electric Service Agreement, dated July 1, 2009, Big Rivers and Kenergy have entered into negotiations with Century to waive the obligations of Section 7.3.1 of the Agreement and to otherwise assist Century to access market power in order to keep Century's Hawesville, Kentucky smelter open beyond August 20, 2013. Big Rivers and Kenergy have consistently and routinely indicated that they would keep the Sebree Smelter and Century's Hawesville smelter on equal footing in terms of their respective agreements. Therefore, in the event APPC decides in the future that market power might be an option to keep the Sebree Smelter operational, APPC would expect the same accommodations from Big Rivers and Kenergy on terms no less favorable than those offered to Century.

APPC appreciates the recent efforts of Big Rivers in offering proposals that would restructure the rate formula and other basic terms and conditions of the Agreement. While we are not in agreement at the present time, we welcome continuation of those discussions during the pendency of the rate case in hopes of reaching a mutually acceptable accord. We believe that further discussions would not be inconsistent with this Notice of Termination and indeed are appropriate in order to find ways to retain the jobs and preserve the economic benefits of those jobs for the Commonwealth of Kentucky.

Should you have any questions about this Notice of Termination, please do not hesitate to contact me or any of my colleagues listed below.

ALCAN PRIMARY PRODUCTS CORPORATION

By: 

Jack Miller
President

cc: Mr. Serge Gosselin
Mr. Donald P. Seberger

ALCAN CORPORATION

8770 West Bryn Mawr Avenue
Chicago, Illinois 60631

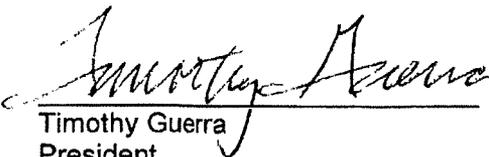
Office of the President

CERTIFICATE

The undersigned, Timothy Guerra, a resident of the State of Illinois, hereby represents and warrants that:

1. He is the duly elected President of Alcan Corporation, a Texas corporation (the "**Company**");
2. The Company is the owner of 100% of the issued and outstanding stock of Alcan Primary Products Corporation, a Texas corporation ("**APPC**"). APPC is the owner and operator of the aluminum smelter located in Robards, Kentucky (the "**Sebree Smelter**").
3. By letter dated and delivered concurrently herewith, APPC has furnished written Notice of Termination in accordance with Section 7.3.1 of the Retail Electric Service Agreement, dated July 1, 2009 ("**Agreement**"), between APPC and Kenergy Corp. (the "**Notice of Termination**").
4. The decision to furnish the Notice of Termination reflects APPC's and the Company's business judgment made in good faith to terminate and cease all aluminum smelting operations at the Sebree Smelter and that they have no current intention of recommencing operations at that location.

Dated as of the 31st day of January, 2013.

By: 
Timothy Guerra
President
ALCAN CORPORATION

Rating Action: Moody's downgrades rating of County of Ohio, Kentucky (Big Rivers Electric Corporation Project) to Ba1 from Baa2; rating remains under review for further downgrade

Global Credit Research - 06 Feb 2013

\$83.3 million of securities affected

New York, February 06, 2013 -- Moody's Investors Service downgraded the senior secured rating of \$83.3 million of County of Ohio, Kentucky (the county) Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) to Ba1 from Baa2. The rating, which had been placed under review for downgrade on August 21, 2012, remains under review for further downgrade.

"The rating downgrade related to the aforementioned bonds, which were previously issued by the county on behalf of Big Rivers Electric Corporation (BREC), reflects the significantly increased financial and operating risks for BREC due to the January 31, 2013 announcement by Alcan Corporation that its subsidiary, Alcan Primary Products Corporation (Rio Tinto Alcan) issued a 12-month notice to terminate its power contract with BREC", said Kevin Rose, Vice President-Senior Analyst. This announcement follows the August 20, 2012 announcement by Century Aluminum Company that its subsidiary, Century Aluminum of Kentucky issued a 12-month notice to terminate its power contract with BREC. Both announcements cite that smelter operations at Rio Tinto Alcan's Sebree smelter and Century's Hawesville smelter are not economically viable with current contract power rates and under current market conditions. "On a combined basis, one of BREC's three member-owners, Kenergy Corp., has been serving the two aluminum smelters comprising roughly two-thirds of BREC's annual energy sales and accounting for just under 60% of its system demand and in excess of 60% of annual revenues", Rose added.

Despite the fact that BREC will continue receiving revenues from base energy charges over the respective 12 month notice periods (ending August 20, 2013 in the case of Century and January 31, 2014 in the case of Rio Tinto Alcan), the rating remains under review for downgrade, reflecting the uncertainty concerning BREC's mitigation strategies under consideration, including whether BREC will obtain approval from the Kentucky Public Service Commission (KPSC) for significant rate increases to address anticipated revenue shortfalls. Moody's notes that BREC is among the few electric generation and transmission cooperatives subject to rate regulation, which can sometimes pose challenges in implementing timely rate increases. In addition to monitoring the recently filed request for a rate increase at the KPSC, the rating review will also consider BREC's prospects for mitigating the impact from the termination notices through other steps, including through shoring up liquidity, entering into bilateral sales arrangements; making short-term off system sales in the wholesale market; participating in the capacity markets, temporarily idling generation and reducing staff; and possibly selling generating assets.

BREC filed a rate case with the KPSC on January 15, 2013, seeking approval for a \$74.5 million rate increase. While the substantial majority of this sizable request is due to impending load loss when Century's notice period expires, additional amounts would make up for declining margins from off system sales and other cost pressures. The actual percentage rate impact would vary by customer class and we note the availability of funds in the economic and rural economic reserve accounts that can be used to offset the significant impact for the non-smelter customer classes. Since filing its rate case in January, BREC has responded to additional data requests from the KPSC and is requesting that new rates become effective August 20, 2013. If the case is not decided by then, BREC would be permitted under state statutes to implement the rate increase, subject to refund, pending a final KPSC decision in the rate case.

In terms of liquidity, BREC has a cash balance in excess of \$100 million available to repay its impending \$58.8 million tax-exempt debt maturity on June 1, 2013 and external liquidity is currently comprised of \$100 million of multi-year revolving credit facilities evenly split between National Rural Utilities Cooperative Finance Corporation and CoBank. Maintaining bank facilities to supplement its internally generated cash flow in the face of existing challenges will be integral to BREC's credit profile going forward.

In light of the rating review for possible downgrade and the uncertainty at BREC that persists following the announcements by Century and Rio Tinto, the rating is not likely to be upgraded or stabilized in the near term. Several factors are likely to cause us to further lower BREC's rating including our assessment of the likelihood of

success in implementing the numerous mitigation strategies on the drawing board. Of particular interest to the rating review is the degree to which BREC's future financial results will depend upon the margins from the unregulated wholesale power market through both short-term and long-term off-system sales as well as our assessment of the cooperative's ability to secure needed rate increases from the non-smelter member load. The rating could also be negatively affected should efforts to shore up external liquidity sources fail to meet our understanding of BREC's near-term objectives. Further, downward rating pressure could occur should environmental capital requirements increase substantially particularly with the lack of a clear regulatory mechanism in place.

Big Rivers Electric Corporation is an electric generation and transmission cooperative headquartered in Henderson, Kentucky and owned by its three member system distribution cooperatives— Jackson Purchase Energy Corporation, Kenergy Corp; and Meade County Rural Electric Cooperative Corporation. These member system cooperatives provide retail electric power and energy to approximately 113,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

The principal methodology used in this rating was U.S. Electric Generation & Transmission Cooperatives published in December 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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Fitch Downgrades Big Rivers Electric Corp, KY's 2010A Pollution Control Rfdg Rev Bonds to 'BB' Ratings Endorsement Policy
06 Feb 2013 9:08 AM (EST)

Fitch Ratings-New York-06 February 2013: Fitch Ratings has downgraded the rating on Big Rivers Electric Corporation's \$83.3 million County of Ohio, KY's pollution control refunding revenue bonds series 2010A to 'BB' from 'BBB-'.

The Rating Outlook is revised to Negative.

SECURITY

The bonds are secured by a mortgage lien on substantially all of the Big Rivers' owned tangible assets, which include the revenue generated from the sale or transmission of electricity.

SENSITIVITIES/RATING DRIVERS

SPECULATIVE GRADE RISK: The rating downgrade and Outlook revision reflect Fitch's view that the credit quality of Big Rivers has become increasingly speculative, following the recent decisions by Alcan Primary Products Corporation (Alcan) and Century Aluminum Co. (Century) to terminate their respective power supply agreements with Big Rivers.

SALES DOMINATED BY SMELTERS: Alcan and Century both own and operate large aluminum smelting facilities served by Big Rivers, through its largest member Kenergy Corp. Together the two facilities account for approximately 65% and 70% of Big Rivers' total energy sales and revenues, respectively.

INCREASED RELIANCE ON WHOLESALE MARKET: Long-term stability at Big Rivers is likely to become increasingly reliant on less predictable off-system sales and related margins following closure of the smelting facilities. The use of cash reserves will partially mitigate this risk, but prevailing low power prices will stress results.

ABUNDANT LOW COST RESOURCES: Big Rivers benefits from abundant low-cost coal-fired power resources and an average wholesale system rate (\$39.07/MWh in 2011, net of credits) that is regionally competitive and among the lowest in the nation.

SUBJECT TO RATE REGULATION: The electric rates charged by Big Rivers and its members are regulated by the Kentucky Public Service Commission (KPSC), which could limit the cooperative's financial flexibility and may delay the timing or amount of necessary rate increases.

LIQUIDITY SOLID BUT FINANCIAL RESULTS UNCERTAIN: Big Rivers reported cash of \$113.25 million at Sept. 30, 2012, excluding restricted funds available for member rate mitigation. Funds are available to support operations and may be used to meet the cooperative's June 2013 scheduled debt maturity (\$58.8 million). Longer-term financial forecasts are being developed.

WHAT COULD TRIGGER A RATING ACTION

INABILITY TO FIND ACCEPTABLE PURCHASERS: Extended overreliance on short-term power sales as a replacement for the Century and Alcan agreements to meet debt service payments.

INSUFFICIENT REGULATORY SUPPORT: Inadequate or untimely support by the KPSC would be viewed negatively.

IMPLEMENTATION OF REASONABLE MITIGATION PLAN: Implementation of a mitigation plan that maintains reasonable financial and operating stability would be supportive of credit quality.

CREDIT PROFILE

Big Rivers provides wholesale electric and transmission service to three electric distribution cooperatives. These distribution members provide service to a total of about 112,500 retail customers located in 22 western Kentucky counties. Kenergy Corporation, the largest of the three systems, is unique in that its electric load is dominated by two aluminum smelting facilities, owned and operated by Alcan and Century.

CENTURY AGREEMENT TERMINATED AUGUST 2012

Under the power supply agreements between Kenergy and the smelters, which expire in 2023, the smelters are required to take-or-pay for specific quantities of energy, irrespective of their needs. The contracts further provide for termination on one years' notice without penalties subject to certain conditions including the termination and cessation of all aluminum smelting operations at the relevant facilities.

On Aug. 20, 2012, Century issued a notice to terminate its power agreement with Big Rivers and stated its intent to close its Hawesville, KY smelter. Century claimed that the smelter was not economically viable despite electric rates well below the national average.

BIG RIVERS IMPLEMENTS MITIGATION PLAN

Big Rivers began looking into alternative arrangements with other power purchasers to redeploy its excess generating capacity immediately after the Century notice, consistent with the mitigation plan previously developed by management to address the potential loss of aluminum smelter load. In addition, Big Rivers has also filed for an increase in rates with the Kentucky Public Service Commission to eliminate anticipated short-falls in revenue as a result of the loss of the Century smelting load. The filing, submitted on Jan. 15, 2013, requests an increase in total revenue of \$74.5 million or 21.4%.

ALCAN FOLLOWS WITH TERMINATION NOTICE

Alcan delivered notice to Big Rivers' on Jan. 31, 2013 of its decision to terminate its power supply agreement noting, in particular, the Jan. 15, 2013 rate filing and anticipated increase in electric rates. Similar to the Century notice, Alcan stated that the planned rate increase would make the smelting facility in Robards, KY unprofitable, and that all smelting operations would be ceased at the end of the one-year notice period.

Closure of the smelting facilities has significant potential implications for Big Rivers, which has acknowledged that the termination notices are valid. Besides the impact of the loss of some 1,400 plant workers, the remaining residential and commercial customers of Big Rivers will most likely have to absorb meaningfully higher rates, with the increase reflecting the amount, pricing and contractual provisions of surplus power sold to new customers.

Big Rivers has redoubled its efforts to secure alternative power supply customers in the wake of the Alcan notice, but future firm contractual arrangements are unlikely over the near term. As a result, it is expected that Big Rivers will seek to modify its request for rate relief from the KPSC to reflect the loss of the full smelter load over time.

Fitch notes that Big Rivers and Kenergy have also reportedly entered into negotiations with Century to enter into an agreement to assist Century to access market power in order to keep the smelting operations open beyond Aug. 20, 2013. Alcan has requested a similar accommodation. Fitch expects that any such accommodation would be part of broader plan to address the operating and financial effect on Big Rivers.

FUTURE FINANCIAL RESULTS UNCLEAR

Big Rivers margins are expected to remain adequate to service financial obligations through at least August 2013 since both Century and Alcan remain obligated to make all required payments to Kenergy. For the nine months ended Sept. 30, 2012, Big Rivers reported operating revenue, earnings before interest, taxes and depreciation and net margins, that were all largely in line with budget, and the same nine month period through 2011.

Positively, Big Rivers reported cash and cash equivalents of \$113.25 million at Sept. 30, 2012, excluding additional amounts held as special, restricted funds available for member rate mitigation. Big Rivers' unrestricted funds are available to support operations and may be used to meet the cooperative's June 2013 scheduled debt maturity (\$58.8 million).

As time passes, however, it will be necessary for Big Rivers' to develop and implement a revised business and financial plan that captures the related regulatory decisions, contractual negotiations and anticipated revenue volatility, and for Fitch to assess the impact on the cooperative's ability to meet scheduled debt service payments.

For additional information on the rating, see Fitch's report, 'Big Rivers Electric Corporation', dated Aug. 31, 2011.

Contact:

Primary Analyst
Alan Spen
Senior Director
+1-212-908-0594
Fitch Ratings, Inc.
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In addition to the sources of information identified in Fitch's Revenue-Supported Rating Criteria and U.S. Public Power Rating Criteria, this action was informed by information from CreditScope.

Applicable Criteria and Related Research:

- 'U.S. Public Power Rating Criteria' (Dec. 18, 2012);
- 'Revenue-Supported Rating Criteria'(June 12, 2012);
- 'Big Rivers Electric Corporation'(Aug. 31, 2012).

Applicable Criteria and Related Research:

U.S. Public Power Rating Criteria
Revenue-Supported Rating Criteria
Big Rivers Electric Corporation

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Summary:

Big Rivers Electric Corp., Kentucky Ohio County; Rural Electric Coop

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Summary:

Big Rivers Electric Corp., Kentucky Ohio County; Rural Electric Coop

Credit Profile

Big Rivers Electric Corp. ICR

Long Term Rating

BB-/Negative

Downgraded

Ohio Cnty, Kentucky

Big Rivers Electric Corp., Kentucky

Ohio Cnty (Big Rivers Electric Corp.) poll ctrl rfdg rev bnds (Big Rivers Elec Corp Proj) ser 2010A

Long Term Rating

BB-/Negative

Downgraded

Rationale

Standard & Poor's Ratings Services has lowered to 'BB-' from 'BBB-' its rating on Big Rivers Electric Corp., Ky., (BREC) and Ohio County, Ky.'s \$83.3 million pollution control refunding revenue bonds, series 2010A (Big Rivers Electric Corp. Project) issued for Big Rivers' benefit. The outlook is negative.

The downgrade reflects our assessments of the issuer's obligations' heightened vulnerability to nonpayment after the following developments that we view as eroding the strength and stability of the utility's revenue stream:

- In August 2012, BREC's leading customer issued a 12-month notice to terminate its contract. The notice covers Century Aluminum Co.'s Hawesville, Ky., smelter. During the 12 months, Century is required to pay a base energy charge that covers its share of Big Rivers' fixed and variable costs. If it does not operate the plant during the notice period, it must still pay its share of fixed costs. The utility has accepted the termination notice. Century accounted for 36% of BREC's 2012 operating revenues.
- After the utility filed a rate case with the Kentucky Public Service Commission (KPSC) Jan. 15, 2013, and requested rate relief that would, among other things, reallocate costs borne by Century to its remaining customers, a second smelter, Rio Tinto Alcan Inc. (Alcan), issued a 12-month notice to terminate its power contract with BREC. Alcan's Jan. 31, is effective January 2014. The notice covers the company's Sebree smelter, which accounted for 28% of BREC's 2012 operating revenues. BREC's rate filing proposed raising Alcan's rates 16%.
- We believe that losing these two loads will deprive the utility of the substantial anchors that have supported much of its fixed costs. Moreover, we view the extent to which the KPSC will approve reallocating costs to remaining customers as uncertain.
- We believe it might be too onerous for remaining customers to assume the fixed costs that the smelters have historically borne, particularly because many of the counties that BREC serves have income levels that are 20%-30% below the national median household effective buying income.
- If BREC looks to competitive market sales to mitigate load losses, it is our view that sales in competitive wholesale markets could expose the utility to substantial price and volume uncertainty, which is inconsistent with sound credit quality. Moreover, BREC depends almost exclusively on coal units, which also could constrain market sales opportunities. Coal has accounted for close to 90% of its power sales and its coal units are not as economical as competing natural gas-fired resources that are benefiting from the fuel's low prices.

- Although the utility has about \$60 million of unexpended bond proceeds available to retire its \$58.5 million of pollution control bonds that are maturing in June, an eroding customer base might frustrate access to capital markets to replenish those funds. The utility reports the speculative grade rating will not lead to an acceleration of obligations outstanding.
- Big Rivers reports it deferred maintenance in 2012 to control expenses. Although it does not plan to defer maintenance in 2013, it is revisiting its capital program pending more certainty as to the timing and extent of rate relief.

Henderson, Ky.-based Big Rivers is a generation and transmission cooperative that produces and procures electricity for sale to three distribution cooperative members and their 112,900 retail customers. One member, Kenergy Corp., serves the two smelters. In 2011, Kenergy's 9.4 million megawatt-hour (MWh) sales were 8x greater than the sum of the other two members' MWh sales. About 86% of Kenergy's 2011 MWh sales were to industrial customers. Nearly three-quarters of its sales were to the two smelters. They accounted for more than 70% of Kenergy's operating revenues. BREC's other member distribution cooperatives--Jackson Purchase Energy and Meade County Rural Electric Cooperative--principally serve residential customers.

The smelters entered take-or-pay power contracts with Kenergy. However, the contracts allow the smelters to terminate their obligations to the distribution utility and BREC without penalty if they provide one-year's notice and cease operations.

Because the KPSC must approve requests for rate adjustments, the utility and its member distribution cooperatives are distinguishable from many other cooperative utilities that have autonomous ratemaking authority. The KPSC also regulates BREC's members' rates.

The utility is evaluating idling power plants as part of its response to losing loads. Closing plants could reduce costs, reduce market exposure and mitigate the financial impact on remaining customers. Big Rivers might also temper the burdens of cost reallocation if it can remarket some or all of the generation output that had been sold to the smelters. However, market or contract demand and prices would need to be sufficient to recoup the smelters' share of costs. We believe that market sales could transform the utility into a principally merchant generator that faces the risks inherent in being subject to market demand and prices.

BREC sells electricity to the smelters under contracts at prices that are about 30% above the 3.3 cents it earned from sales of surplus energy in wholesale markets in 2011. It sold 3 million MWh of surplus wholesale power into the market for \$100.4 million in 2011.

Big Rivers' concentration in coal resources also expose the utility to potentially higher production costs as Environmental Protection Agency (EPA) regulation of power plant emissions progresses. A recent appellate decision that vacated the EPA's Cross-State Air Pollution rule could provide the utility with at least a temporary reprieve from emissions-related capital spending while the EPA revisits its rules.

The utility reported \$794 million of debt as of June 30, 2012. Debt consisted of Rural Utilities Service loans and the Ohio County bonds. Big Rivers closed a \$537 million loan with CoBank ACB and National Rural Utilities Cooperative Finance Corp. in July. In addition to replenishing \$35 million of transition reserve funds, proceeds restructured a portion of the utility's RUS borrowing to eliminate some of the spikes in debt service requirements.

The debt portfolio exhibits uneven amortization. BREC repaid \$14.2 million of principal in 2010. In 2011, it was required to repay \$7.3 million of principal, but also used \$35.0 million of transition reserve money to accelerate principal reduction. The utility replenished the transition reserve in 2012 with proceeds of July's borrowing from CoBank and National Rural Utilities. Loan proceeds also facilitated debt restructuring that reduced 2012's \$72.1 million scheduled maturity to \$12.1 million, with the remaining \$60 million to be amortized later. However, 2013's maturity remains at \$79.3 million, and that will likely need to be restructured. The utility forecasts about \$22 million of 2014 and 2015 principal payments.

Ohio County sold bonds for the benefit of BREC, which used bond proceeds to refund auction rate securities. We understand that the financing structure obligates the utility to unconditionally pay the county's bonds' debt service. Big Rivers issued a note to the county that provides it with a security interest in the utility's assets under its mortgage indenture. The county's bonds' security interest is on par with the utility's senior-secured debt.

Debt service coverage of 1.45x in 2010 and 1.65x in 2011 was strong for a cooperative utility, in our opinion. We believe strong excess coverage margins provide a cushion against the potential for revenue stream variability.

The strength of 2011's coverage ratio partially reflects the year's very low scheduled principal payment of \$7.3 million. We calculated the ratio using scheduled debt service in the denominator, compared to the \$46 million of principal the utility elected to repay.

The utility maintains \$152.6 million of reserves that it uses for rate stabilization to reduce rates. Because it already projects depleting these reserves by the first quarter of 2018 under a steady-state scenario, we do not view these reserves as adding value under a scenario in which the smelters close.

Outlook

The negative outlook reflects our view that the largest customers' termination notices could degrade BREC's financial performance and credit quality during our one-year outlook horizon. We believe there is significant uncertainty vis-à-vis the extent and timeliness of rate relief, particularly as substantial blocks of fixed costs need to be reallocated. We will monitor the progress of the rate case to assess whether further rating action is appropriate. We believe the customers' notice could expose the utility to the vicissitudes of merchant markets and creates the potential for substantial cost shifting to remaining customers, who might resist such efforts or find that reallocated costs are too onerous to absorb. If these risks, whether in isolation or combination, weaken BREC's business risk profile and erode financial metrics, including the strong debt service coverage that compensated for business risks in recent years, we could further lower the ratings. We do not expect to raise the ratings during our outlook period.

Related Criteria And Research

USPF Criteria: Applying Key Rating Factors To U.S. Cooperative Utilities, Nov. 21, 2007

Temporary telephone contact information: David Bodek (917-992-6466); Jeffrey Panger (646-369-4067).

Summary: Big Rivers Electric Corp., Kentucky Ohio County; Rural Electric Coop

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FEBRUARY 4, 2013 6

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**Case No. 2012-00535
Attachment for Response to KIUC 1-25
Witness: Billie J. Richert
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BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 26) Page 29, lines 10-15 of Ms. Richert's Direct Testimony**
2 **states, "[i]f Big Rivers fails to maintain an investment grade credit**
3 **rating from at least two ratings agencies... The RUS Administrator**
4 **may also impose a lockbox arrangement on Big Rivers' receipts and**
5 **disbursements under Section 4.12 of the RUS Loan Contract, whether**
6 **or not there is an Event of Default."**

7

- 8 **a. Provide a copy of Section 4.12 of the RUS Loan Contract.**
- 9 **b. Given the recent downgrade of Big Rivers by all three**
10 **rating agencies to below investment grade has the RUS**
11 **Administrator imposed, expressed a plan to impose or**
12 **discussed with BREC the possibility of a lockbox**
13 **arrangement? If yes, provide a copy of the Lockbox**
14 **Agreement that is Exhibit A to the Amended and**
15 **Consolidated Loan Contract between BREC and the RUS,**
16 **and any correspondence to or from RUS relating to a**
17 **lockbox arrangement. This data request remains active**
18 **throughout the proceeding. If BREC produces or obtains**
19 **any further or supplemental documents or information**
20 **subsequent to the preparation and service of BREC's**
21 **responses hereto, please provide such documents or**
22 **information as part of a supplemental response.**

23

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Response)**

2

3

a. Attached is a copy of Section 4.12 of the RUS Loan Contract.

4

b. No, the RUS Administrator has not imposed, expressed a plan
to impose or discussed with Big Rivers the possibility of a
lockbox arrangement.

5

6

7

8 **Witness)** Billie J. Richert

(d) *Notice of Application for Competitive Transition Charges.* Promptly, but no later than 60 days prior to submission to any approval authority, including without limitation, any regulatory or legislative authority, written notice of an application for authority to collect Competitive Transition Charges. Without limiting the right of RUS to request other information, RUS has the right to request the Borrower to provide to RUS a written appraisal or other financial assessment of the Competitive Transition Charges.

(c) *Notice of Change of Place of Business.* Promptly in writing, notice of any change in location of its principal place of business or the office where its records concerning accounts and contract rights are kept.

(d) *Regulatory and Other Notices.* Promptly after receipt thereof, copies of any notices or other communications received from any governmental authority with respect to any matter or proceeding which could reasonably be expected to have a Material Adverse Effect.

(e) *Ratings.* Promptly after receipt thereof, copies of Credit Ratings and copies of any reports with respect to the Borrower or its Credit Rating issued by any Rating Agency.

(f) *Material Adverse Effect.* Promptly after becoming aware thereof, notice of any matter that has had or could reasonably be expected to have a Material Adverse Effect.

(g) *Other Information.* Such other information regarding the condition, financial or otherwise, or operations, properties or business of the Borrower as the RUS may, from time to time, reasonably request.

Section 4.10. Variable Rate Indebtedness

In connection with the furnishing of its annual report to the RUS pursuant to Section 4.8, the Borrower shall report to the RUS, in such written format as may be acceptable to the RUS, the specific maturities of all of the Borrower's outstanding indebtedness and, the interest rates applicable thereto, including, without limitation, with respect to any indebtedness not bearing a fixed rate through the maturity of such indebtedness, the method and timing for adjustment and readjustment of the applicable interest rate.

Section 4.11. Compliance with Laws

The Borrower shall operate and maintain the System and its properties in compliance in all material respects with all applicable Laws.

Section 4.12. Separate Accounts

The Borrower shall execute and deliver, with a financial institution approved by the RUS, a lockbox agreement or agreements substantially in the form of Exhibit A attached hereto ("Lockbox Agreement") and shall at all times maintain such Lockbox Agreement in full force and effect. The Borrower shall not, without first complying with the requirements of

Section 8.1, amend, supplement or otherwise modify the Lockbox Agreement. In the event: (a) the Borrower no longer has two *Investment Grade* credit ratings from at least two Rating Agencies; (b) the Borrower's total current and accrued liabilities exceed the Borrower's total current and accrued assets; (c) the Administrator determines the System is incapable of providing reliable service to the members of the Borrower pursuant to the terms of the Wholesale Power Contracts; (d) the Administrator determines that as a consequence of any change in the condition, financial or otherwise, operations, properties or business of the Borrower, the Borrower will be unable to perform its material obligations under (i) this Agreement, (ii) the Wholesale Power Contracts, (iii) the RUS Notes, or (iv) the Indenture; or (e) there is an Event of Default under the Indenture, or any event that with the passage of time or giving of notice, or both, would constitute an Event of Default under the Indenture, the Borrower shall, if so directed in writing by the Administrator of the RUS, (a) deposit, pursuant to the Lockbox Agreement, all cash proceeds of the Trust Estate, including, without limitation, checks, money and the like (other than cash proceeds deposited or required to be deposited with the Trustee pursuant to the Indenture), which cash proceeds shall include, without limitation, all payments by members of the Borrower on account of the Wholesale Power Contracts, in separate deposit or other accounts, segregated from all other monies, revenues and investments of the Borrower, and (b) take all such other actions as the RUS shall request to continue perfection of the lien of the Indenture in such proceeds for the benefit of all Holders of the Outstanding Secured Obligations.

Section 4.13. Property Maintenance

The Borrower shall maintain and preserve its System in compliance in all material respects with the provisions of the Indenture, RUS Regulations, all applicable Laws, and Prudent Utility Practice.

Section 4.14. Load Forecast

The Borrower shall prepare and use load forecasts with respect to its electric loads and future energy and capacity requirements in conformance with RUS Regulations.

Section 4.15. Long Range Engineering Plans and Construction Work Plans

The Borrower shall develop, maintain and use up-to-date long-range engineering plans and construction work plans in conformance with RUS Regulations.

Section 4.16. Design Standards, Construction Standards and List of Materials

The Borrower shall use design standards, construction standards, and lists of acceptable materials in conformance with RUS Regulations.

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 27) *Has BREC or any of its Members retained bankruptcy***
2 ***counsel or a bankruptcy consultant? If yes:***

3

4 ***a. Identify counsel or the consultant and the nature of their***
5 ***services***

6 ***b. Provide all correspondence and documents between BREC***
7 ***and/or its Members and bankruptcy counsel and/or***
8 ***consultant***

9

10 **Response)** Big Rivers objects to this request on the grounds that it is
11 irrelevant and seeks information that is protected by the attorney-client and
12 attorney work product privileges.

13

14 **Witness)** Counsel

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 28)** *Provide a detailed calculation of the effect (show both*
2 *total dollars and \$/kWh) of Century's termination of its electric*
3 *service contract on August 20, 2013 for the first 12 months that new*
4 *rates will be in effect, on:*

5

6

a. BREC's Base Rates;

7

b. BREC's Fuel Adjustment Clause;

8

c. BREC's Non-FAC Purchased Power Rider;

9

d. BREC's Environmental Surcharge Rider

10

*e. The Surcredit paid to Rural and Large Industrial
customers funded by the Smelters (See Siewert Exhibit 2
page 1, line 27)*

11

12

13

14 **Response)** Because Big Rivers performed all of its rate calculations based
15 on the Big Rivers Financial Model, which included the Century contract
16 termination and other factors described in the direct testimony of company
17 witnesses, Big Rivers does not have the information requested, as it relates
18 exclusively to the Century contract termination.

19

20 **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 Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 29) Provide a detailed calculation of the effect (show both**
2 **total dollars and \$/kWh) of Alcan's termination of its electric service**
3 **contract on or about January 31, 2014 for the first 12 months that**
4 **new rates will be in effect, on:**

5

- 6 **a. BREC's Rural and Large Industrial Base Rates;**
7 **b. BREC's Rural and Large Industrial Fuel Adjustment**
8 **Clause;**
9 **c. BREC's Rural and Large Industrial Non-FAC Purchased**
10 **Power Rider;**
11 **d. BREC's Rural and Large Industrial Environmental**
12 **Surcharge Rider**
13 **e. The Surcredit paid to Rural and Large Industrial**
14 **customers funded by the Smelters (See Siewert Exhibit 2**
15 **page 1, line 27)**

16

17 **Response)** Please see the response to PSC 2-1.

18

19 **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 Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 30) Refer to the information provided in Tab 59 of the**
2 **Company's filing wherein the Company provided billing determinants**
3 **and revenue by customer class for the base year ending April 30,**
4 **2013 and for the test year ending August 31, 2014.**

5

6 **a. Provide similar information in the same format for the**
7 **calendar year 2012 using actual data.**

8 **b. Provide similar information in the same format for the**
9 **twelve months ending August 2013 comprised of actual**
10 **data for September 2012 through December 2012 and**
11 **budgeted data for January 2013 through August 2013.**

12 **c. Please disaggregate the various components of the rates**
13 **and revenues for all four 12 month periods (calendar year**
14 **2012, base year ending April 30, 2013, twelve months**
15 **ending August 31, 2013 as defined in part (b) of this**
16 **question, and test year ending August 31, 2014) into base,**
17 **fuel and non-FAC PPA in base, and environmental in base**
18 **for those base components that include rolled-in fuel, non-**
19 **FAC PPA, and environmental surcharge amounts.**

20

21 **Response)**

22 a. Please see attached.

23 b. Please see attached.

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
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Dated February 14, 2013**

February 28, 2013

1 c. Please see attached. While performing this analysis it was
2 discovered that a change was necessary to the environmental
3 surcharge for the Large Industrial billing analysis during the
4 base period in the filing of this case. This information was
5 originally presented on page 4 of Tab 59 [807 KAR 5:001
6 Section 10(10)m]. The updated information is included in the
7 attachment to this response.

8

9 **Witness)** Billie J. Richert

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
January - December 2012

Actual Revenue January - December 2012
Revenue Summary

	Total Forecasted Year Revenue (000s)	
Rural	\$	117,417
Large Industrial		41,476
Smelter		360,208
Total	\$	<u>519,102</u>

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
January - December 2012

Billing Analysis Base Year
Actual Billing Determinants and Revenue 1/1/2012 - 12/31/2012

<u>Smelter Rate</u>	Billing Units		Rate	Revenue \$
Base Fixed Energy (kWh)	7,317,072,000	\$	0.039402	288,306,838
Base Variable Energy	85,473,979	\$	0.021806	1,863,846
Back-Up Energy	27,080,549	\$	0.037549	1,016,836
Surplus Energy	(5,495,884)	\$	0.033194	(182,429)
Supplemental Energy	342,000	\$	0.032007	10,946
TIER Adjustment	7,317,072,000	\$	0.002751	20,127,734
Non-FAC PPA	7,402,545,979	\$	(0.000272)	(2,014,760)
FAC	7,402,545,979	\$	0.002921	21,620,836
Environmental Surcharge	7,402,545,979	\$	0.002140	15,845,015
Surcharge Adjustment	7,402,545,979	\$	0.001848	13,680,482 (67,083)
Effective Rate		\$	<u>0.048516</u>	<u>360,208,261</u>

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
January - December 2012

Billing Analysis Base Year
Actual Billing Determinants and Revenue 1/1/2012 - 12/31/2012

<u>Rural Rate</u>	Billing Units	Rate	Billing \$	Revenue \$
Demand (kW)	5,141,696	\$ 9.50	48,846,112	48,846,112
Energy (kWh)	2,321,477,598	\$ 0.029736	69,031,458	69,031,458
Base Rate (\$/ kWh)	2,321,477,598	<u>\$ 0.050777</u>	<u>117,877,570</u>	<u>117,877,570</u>
Non-Smelter Non-FAC PPA	2,321,477,598	\$ (0.001139)	(2,643,338)	(2,643,338)
FAC	2,321,477,598	\$ 0.002891	6,711,835	6,711,835
Environmental Surcharge	2,321,477,598	\$ 0.002252	5,226,875	5,226,875
Surcredit	2,321,477,598	\$ (0.004202)	(9,755,902)	(9,755,902)
Economic Reserve	2,321,477,598	\$ (0.006116)	(14,197,020)	
Billed Rate (\$/ kWh)		<u>\$ 0.044463</u>	<u>103,220,021</u>	<u>117,417,040</u>

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
January - December 2012

Billing Analysis Base Year
Actual Billing Determinants and Revenue 1/1/2012 - 12/31/2012

<u>Large Industrial Rate</u>	Billing Units	Rate	Billing \$	Revenue \$
	1,708,506	\$ 10.50	17,939,313	17,939,313
Demand (kW)	961,298,194	\$ 0.024505	<u>23,556,612</u>	<u>23,556,612</u>
Energy (kWh)	961,298,194	<u>\$ 0.043167</u>	<u>41,495,925</u>	<u>41,495,925</u>
Base Rate (\$/ kWh)				
Non-Smelter Non-FAC PPA	961,298,194	\$ (0.001144)	(1,099,715)	(1,099,715)
FAC	961,298,194	\$ 0.002921	2,807,761	2,807,761
Environmental Surcharge	961,298,194	\$ 0.002178	2,093,764	2,093,764
Surcredit	961,298,194	\$ (0.004203)	(4,040,089)	(4,040,089)
Economic Reserve	961,298,194	\$ (0.006110)	(5,873,410)	(5,873,410)
Power Factor Penalty/Adjustments			218,590	218,590
Billed Rate (\$/ kWh)		<u>\$ 0.037036</u>	<u>35,602,826</u>	<u>41,476,236</u>

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
January - December 2012

Actual Revenue January - December 2012
Revenue Summary

	Total Forecasted Year Revenue (000s)
Rural	\$ 117,417
Large Industrial	41,476
Smelter	360,208
Total	<u>\$ 519,102</u>

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
January - December 2012

Billing Analysis Base Year
Actual Billing Determinants and Revenue 1/1/2012 - 12/31/2012

<u>Smelter Rate</u>	Billing Units		Rate	Revenue \$
Base Fixed Energy (kWh)	7,317,072,000	\$	0.039402	288,306,838
Base Variable Energy	85,473,979	\$	0.021806	1,863,846
Back-Up Energy	27,080,549	\$	0.037549	1,016,836
Surplus Energy	(5,495,884)	\$	0.033194	(182,429)
Supplemental Energy	342,000	\$	0.032007	10,946
TIER Adjustment	7,317,072,000	\$	0.002751	20,127,734
Non-FAC PPA	7,402,545,979	\$	(0.000272)	(2,014,760)
FAC	7,402,545,979	\$	0.002921	21,620,836
Environmental Surcharge	7,402,545,979	\$	0.002140	15,845,015
Surcharge Adjustment	7,402,545,979	\$	0.001848	13,680,482
				(67,083)
Effective Rate		\$	<u>0.048516</u>	<u>360,208,261</u>

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
January - December 2012

Billing Analysis Base Year
Actual Billing Determinants and Revenue 1/1/2012 - 12/31/2012

Rural Rate	Billing Units	Rate	Billing \$	Revenue \$
	5,141,696	\$ 9.50	48,846,112	48,846,112
Demand (kW)	2,321,477,598	\$ 0.029736	69,031,458	69,031,458
Energy (kWh)	2,321,477,598	\$ 0.050777	117,877,570	117,877,570
Base Rate (\$/ kWh)				
Non-Smelter Non-FAC PPA	2,321,477,598	\$ (0.001139)	(2,643,338)	(2,643,338)
FAC	2,321,477,598	\$ 0.002891	6,711,835	6,711,835
Environmental Surcharge	2,321,477,598	\$ 0.002252	5,226,875	5,226,875
Surcredit	2,321,477,598	\$ (0.004202)	(9,755,902)	(9,755,902)
Economic Reserve	2,321,477,598	\$ (0.006116)	(14,197,020)	
Billed Rate (\$/ kWh)		\$ 0.044463	103,220,021	117,417,040

Big Rivers Electric Corporation
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January - December 2012

Billing Analysis Base Year
Actual Billing Determinants and Revenue 1/1/2012 - 12/31/2012

Large Industrial Rate	Billing Units	Rate	Billing \$	Revenue \$
	1,708,506	\$ 10.50	17,939,313	17,939,313
Demand (kW)	961,298,194	\$ 0.024505	23,556,612	23,556,612
Energy (kWh)	961,298,194	\$ 0.043167	41,495,925	41,495,925
Base Rate (\$/ kWh)				
Non-Smelter Non-FAC PPA	961,298,194	\$ (0.001144)	(1,099,715)	(1,099,715)
FAC	961,298,194	\$ 0.002921	2,807,761	2,807,761
Environmental Surcharge	961,298,194	\$ 0.002178	2,093,764	2,093,764
Surcredit	961,298,194	\$ (0.004203)	(4,040,089)	(4,040,089)
Economic Reserve	961,298,194	\$ (0.006110)	(5,873,410)	(5,873,410)
Power Factor Penalty/Adjustments			218,590	218,590
Billed Rate (\$/ kWh)		\$ 0.037036	35,602,826	41,476,236

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
January - December 2012

Actual Revenue January - December 2012
Revenue Summary

	Total Forecasted Year Revenue (000s)
Rural	\$ 117,417
Large Industrial	41,476
Smelter	360,208
Total	<u>\$ 519,102</u>

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
January - December 2012

Billing Analysis Base Year
Actual Billing Determinants and Revenue 1/1/2012 - 12/31/2012

<u>Smelter Rate</u>	Billing Units		Rate	Revenue \$
Base Fixed Energy (kWh)	7,317,072,000	\$	0.017596	128,750,766
Fuel in Base (kWh)	7,317,072,000		0	153,160,951
Purchased Power in Base (kWh)	7,317,072,000	\$	0.000874	6,395,121
Environmental in Base (kWh)	7,317,072,000	\$	0.000000	0
Base Variable Energy	85,473,979	\$	0.021806	1,863,846
Back-Up Energy	27,080,549	\$	0.037549	1,016,836
Surplus Energy	(5,495,884)	\$	0.033194	(182,429)
Supplemental Energy	342,000	\$	0.032007	10,946
TIER Adjustment	7,317,072,000	\$	0.002751	20,127,734
Non-FAC PPA	7,402,545,979	\$	(0.000272)	(2,014,760)
FAC	7,402,545,979	\$	0.002921	21,620,836
Environmental Surcharge	7,402,545,979	\$	0.002140	15,845,015
Surcharge Adjustment	7,402,545,979	\$	0.001848	13,680,482 (67,083)
Effective Rate		\$	<u>0.048516</u>	<u>360,208,261</u>

Big Rivers Electric Corporation
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Billing Determinants and Revenue
January - December 2012

Billing Analysis Base Year
Actual Billing Determinants and Revenue 1/1/2012 - 12/31/2012

Rural Rate	Billing Units	Rate	Billing \$	Revenue \$
	5,141,696	\$ 9.50	48,846,112	48,846,112
Demand (kW)	2,321,477,598	\$ 0.007930	18,409,317	18,409,317
Energy (kWh)	2,321,477,598	0	48,593,169	48,593,169
Fuel in Base (kWh)	2,321,477,598	\$ 0.000874	2,028,971	2,028,971
Purchased Power in Base (kWh)	2,321,477,598	\$ 0.000000	0	0
Environmental in Base (kWh)	2,321,477,598	\$ 0.050777	117,877,570	117,877,570
Base Rate (\$/ kWh)			<u>117,877,570</u>	<u>117,877,570</u>
Non-Smelter Non-FAC PPA	2,321,477,598	\$ (0.001139)	(2,643,338)	(2,643,338)
FAC	2,321,477,598	\$ 0.002891	6,711,835	6,711,835
Environmental Surcharge	2,321,477,598	\$ 0.002252	5,226,875	5,226,875
Surcredit	2,321,477,598	\$ (0.004202)	(9,755,902)	(9,755,902)
Economic Reserve	2,321,477,598	\$ (0.006116)	(14,197,020)	
Billed Rate (\$/ kWh)		\$ 0.044463	<u>103,220,021</u>	<u>117,417,040</u>

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
January - December 2012

Billing Analysis Base Year
Actual Billing Determinants and Revenue 1/1/2012 - 12/31/2012

<u>Large Industrial Rate</u>	Billing Units	Rate	Billing \$	Revenue \$
Demand (kW)	1,708,506	\$ 10.50	17,939,313	17,939,313
Energy (kWh)	961,298,194	\$ 0.002699	2,594,544	2,594,544
Fuel in Base (kWh)	961,298,194	0	20,121,894	20,121,894
Purchased Power in Base (kWh)	961,298,194	\$ 0.000874	840,175	840,175
Environmental in Base (kWh)	961,298,194	\$ 0.000000	0	0
Base Rate (\$/ kWh)	961,298,194	<u>\$ 0.043167</u>	<u>41,495,925</u>	<u>41,495,925</u>
Non-Smelter Non-FAC PPA	961,298,194	\$ (0.001144)	(1,099,715)	(1,099,715)
FAC	961,298,194	\$ 0.002921	2,807,761	2,807,761
Environmental Surcharge	961,298,194	\$ 0.002178	2,093,764	2,093,764
Surcredit	961,298,194	\$ (0.004203)	(4,040,089)	(4,040,089)
Economic Reserve	961,298,194	\$ (0.006110)	(5,873,410)	(5,873,410)
Power Factor Penalty/Adjustments			218,590	218,590
Billed Rate (\$/ kWh)		<u>\$ 0.037036</u>	<u>35,602,826</u>	<u>41,476,236</u>

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
January - December 2012

Base Year 5/1/2012 - 4/30/2013
Revenue Summary

	Total Base Year Revenue (000s)
Rural	124,786
Large Industrial	41,746
Smelter	363,712
Total \$	530,244

Big Rivers Electric Corporation
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Billing Determinants and Revenue
January - December 2012

Billing Analysis Base Year
Actual Billing Determinants and Revenue 5/1/2012 - 10/31/2012
Forecasted Billing Determinants and Revenue 11/1/2012 - 12/31/2012
Budgeted Billing Determinants and Revenue 1/1/2013 - 4/30/2013

<u>Smelter Rate</u>	Billing Units		Rate	Revenue \$
Base Fixed Energy (kWh)	7,325,304,000	\$	0.017599	128,920,141
Fuel in Base (kWh)	7,325,304,000		0	153,333,263
Purchased Power in Base (kWh)	7,325,304,000	\$	0.000874	6,402,316
Environmental in Base (kWh)	7,325,304,000	\$	0.000000	0
Base Variable Energy	34,591,103	\$	0.021806	754,294
Back-Up Energy	12,573,778	\$	0.039529	497,024
Surplus Energy	(2,493,184)	\$	0.034709	(86,535)
Supplemental Energy	217,000	\$	0.030114	6,535
TIER Adjustment	7,325,304,000	\$	0.002942	21,550,670
Non-FAC PPA	7,359,895,103	\$	(0.000505)	(3,714,688)
FAC	7,359,895,103	\$	0.003492	25,702,084
Environmental Surcharge	7,359,895,103	\$	0.002263	16,652,656
Surcharge	7,359,895,103	\$	0.001860	13,690,361
Adjustment				4,276
Rate (\$/kWh)		\$	<u>0.049349</u>	<u>363,712,397</u>

Big Rivers Electric Corporation
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Billing Determinants and Revenue
January - December 2012

Billing Analysis Base Year
Actual Billing Determinants and Revenue 5/1/2012 - 10/31/2012
Forecasted Billing Determinants and Revenue 11/1/2012 - 12/31/2012
Budgeted Billing Determinants and Revenue 1/1/2013 - 4/30/2013

Rural Rate	Billing Units	Rate	Billing \$	Revenue \$
	5,388,931	\$ 9.50 #	51,194,844 #	51,194,844
Demand (kW)	2,420,925,805	\$ 0.007930	19,197,942	19,197,942
Energy (kWh)	2,420,925,805	0	50,674,819	50,674,819
Fuel in Base (kWh)	2,420,925,805	\$ 0.000874	2,115,889	2,115,889
Purchased Power in Base (kWh)	2,420,925,805	\$ 0.000000	0	0
Environmental in Base (kWh)	2,420,925,805	\$ 0.050883	123,183,494	123,183,494
Base Rate (\$/kWh)				
Non-Smelter Non-FAC PPA	2,420,925,805	\$ (0.001242)	(3,006,668)	(3,006,668)
FAC	2,420,925,805	\$ 0.003480	8,423,775	8,423,775
Environmental Surcharge	2,420,925,805	\$ 0.002534	6,135,605	6,135,605
Surcredit	2,420,925,805	\$ (0.004110)	(9,950,155)	(9,950,155)
Economic Reserve	2,420,925,805	\$ (0.006442)	(15,596,792)	
Rate (\$/kWh)		\$ 0.045102	109,189,259	124,786,051

Big Rivers Electric Corporation
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Billing Determinants and Revenue
January - December 2012

Billing Analysis Base Year
Actual Billing Determinants and Revenue 5/1/2012 - 10/31/2012
Forecasted Billing Determinants and Revenue 11/1/2012 - 12/31/2012
Budgeted Billing Determinants and Revenue 1/1/2013 - 4/30/2013

Large Industrial Rate	Billing Units	Rate	Billing \$	Revenue \$
Demand (kW)	1,700,070	\$ 10.50	17,850,735	17,850,735
Energy (kWh)	953,161,521	\$ 0.002699	2,572,583	2,572,583
Fuel in Base (kWh)	953,161,521	0	19,951,577	19,951,577
Purchased Power in Base (kWh)	953,161,521	\$ 0.000874	833,063	833,063
Environmental in Base (kWh)	953,161,521	\$ 0.000000	0	0
Base Rate (\$/kWh)	953,161,521	<u>\$ 0.043233</u>	<u>41,207,958</u>	<u>41,207,958</u>
Non-Smelter Non-FAC PPA	953,161,521	\$ (0.001249)	(1,190,863)	(1,190,863)
FAC	953,161,521	\$ 0.003490	3,326,542	3,326,542
Environmental Surcharge	953,161,521	\$ 0.002364	2,252,893	2,252,893
Surcredit	953,161,521	\$ (0.004156)	(3,961,493)	(3,961,493)
Economic Reserve	953,161,521	\$ (0.006241)	(5,948,917)	(5,948,917)
Power Factor Penalty/Adjustments			111,014	111,014
Rate (\$/kWh)		<u>\$ 0.037556</u>	<u>35,797,133</u>	<u>41,746,051</u>

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
January - December 2012

Actual Revenue September - December 2012
Budgeted Revenue January - August 2013

	<u>Revenue (000s)</u>
Rural	125,023
Large Industrial	42,120
Smelter	359,823
Total \$	<u>526,966</u>

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
January - December 2012

Billing Analysis
Actual Billing Determinants and Revenue 9/1/2012 - 12/31/2012
Budgeted Billing Determinants and Revenue 1/1/2013 - 8/31/2013

<u>Smelter Rate</u>	Billing Units		Rate	Revenue \$
Base Fixed Energy (kWh)	7,204,444,520	\$	0.017699	127,512,485
Fuel in Base (kWh)	7,204,444,520		0	150,803,433
Purchased Power in Base (kWh)	7,204,444,520	\$	0.000874	6,296,685
Environmental in Base (kWh)	7,204,444,520	\$	0.000000	0
Base Variable Energy	27,240,491	\$	0.021806	594,006
Back-Up Energy	8,805,677	\$	0.039229	345,438
Surplus Energy	(1,609,798)	\$	0.034268	(55,165)
Supplemental Energy	0	\$	-	-
TIER Adjustment	7,204,444,520	\$	0.002747	19,793,026
Non-FAC PPA	7,231,685,011	\$	(0.000458)	(3,310,404)
FAC	7,231,685,011	\$	0.003748	27,106,463
Environmental Surcharge	7,231,685,011	\$	0.002388	17,269,288
Surcharge	7,231,685,011	\$	0.001862	13,463,167
Adjustment				4,276
Rate (\$/kWh)		\$	0.049707	359,822,698

Big Rivers Electric Corporation
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Billing Determinants and Revenue
January - December 2012

Billing Analysis
Actual Billing Determinants and Revenue 9/1/2012 - 12/31/2012
Budgeted Billing Determinants and Revenue 1/1/2013 - 8/31/2013

Rural Rate	Billing Units	Rate	Billing \$	Revenue \$
Demand (kW)	5,221,320	\$ 9.77 #	51,012,812 #	51,012,812
Energy (kWh)	2,369,479,404	\$ 0.007939	18,811,908	18,811,908
Fuel in Base (kWh)	2,369,479,404	0	49,597,943	49,597,943
Purchased Power in Base (kWh)	2,369,479,404	\$ 0.000874	2,070,925	2,070,925
Environmental in Base (kWh)	2,369,479,404	\$ 0.000000	0	0
Base Rate (\$/kWh)	2,369,479,404	<u>\$ 0.051274</u>	<u>121,493,589</u>	<u>121,493,589</u>
Non-Smelter Non-FAC PPA	2,369,479,404	\$ (0.001357)	(3,215,384)	(3,215,384)
FAC	2,369,479,404	\$ 0.003789	8,977,716	8,977,716
Environmental Surcharge	2,369,479,404	\$ 0.003026	7,170,359	7,170,359
Surcredit	2,369,479,404	\$ (0.003968)	(9,402,903)	(9,402,903)
Economic Reserve	2,369,479,404	\$ (0.006857)	(16,248,001)	
Rate (\$/kWh)		<u>\$ 0.045907</u>	<u>108,775,376</u>	<u>125,023,377</u>

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
January - December 2012

Billing Analysis
Actual Billing Determinants and Revenue 9/1/2012 - 12/31/2012
Budgeted Billing Determinants and Revenue 1/1/2013 - 8/31/2013

Large Industrial Rate	Billing Units	Rate	Billing \$	Revenue \$
Demand (kW)	1,686,797	\$ 10.56	17,808,654	17,808,654
Energy (kWh)	944,746,442	\$ 0.002869	2,710,078	2,710,078
Fuel in Base (kWh)	944,746,442	0	19,775,433	19,775,433
Purchased Power in Base (kWh)	944,746,442	\$ 0.000874	825,708	825,708
Environmental in Base (kWh)	944,746,442	\$ 0.000000	0	0
Base Rate (\$/kWh)	944,746,442	<u>\$ 0.043525</u>	<u>41,119,873</u>	<u>41,119,873</u>
Non-Smelter Non-FAC PPA	944,746,442	\$ (0.001357)	(1,282,021)	(1,282,021)
FAC	944,746,442	\$ 0.003765	3,556,705	3,556,705
Environmental Surcharge	944,746,442	\$ 0.002613	2,468,918	2,468,918
Surcredit	944,746,442	\$ (0.004040)	(3,816,464)	(3,816,464)
Economic Reserve	944,746,442	\$ (0.006376)	(6,023,303)	(6,023,303)
Power Factor Penalty/Adjustments			72,976	72,975.99
Rate (\$/kWh)		<u>\$ 0.038208</u>	<u>36,096,684</u>	<u>42,119,987</u>

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
January - December 2012

Forecasted Year 9/1/2013 - 8/31/2014
Revenue Summary

	Total Forecasted Year Revenue (000s)
Rural	\$ 179,193
Large Industrial	54,433
Smelter	189,502
Total	\$ 423,128

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
January - December 2012

Billing Analysis Forecasted Year
Budgeted Billing Determinants and Revenue 9/1/2013 - 8/31/2014

<u>Smelter Rate</u>	Billing Units		Rate	Revenue \$
Base Fixed Energy (kWh)	3,159,206,400	\$	0.003985	81,478,899
Fuel in Base (kWh)	3,159,206,400		0	66,128,508
Purchased Power in Base (kWh)	3,159,206,400	\$	0.000874	2,761,146
Environmental in Base (kWh)	3,159,206,400	\$	0.000000	0
TIER Adjustment	3,159,206,400	\$	0.002945	9,303,467
Non-FAC PPA	3,159,206,400	\$	(0.000369)	(1,165,347)
FAC	3,159,206,400	\$	0.005121	16,176,808
Environmental Surcharge	3,159,206,400	\$	0.002818	8,905,812
Surcharge	3,159,206,400	\$	0.001872	5,912,468
Rate (\$/kWh)		\$	<u>0.059984</u>	<u>189,501,761</u>

Big Rivers Electric Corporation
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Billing Determinants and Revenue
January - December 2012

Billing Analysis Forecasted Year
Budgeted Billing Determinants and Revenue 9/1/2013 - 8/31/2014

Rural Rate	Billing Units	Rate	Billing \$	Revenue \$
	5,322,297	\$ 16.95	90,212,932	90,212,932
Demand (kW)	2,436,557,000	\$ 0.008194	19,965,148	19,965,148
Energy (kWh)	2,436,557,000	0	51,002,011	51,002,011
Fuel in Base (kWh)	2,436,557,000	\$ 0.000874	2,129,551	2,129,551
Purchased Power in Base (kWh)	2,436,557,000	\$ 0.000000	0	0
Environmental in Base (kWh)	2,436,557,000	\$ 0.067025	163,309,642	163,309,642
Base Rate (\$/kWh)				
Non-Smelter Non-FAC PPA	2,436,557,000	\$ (0.000781)	(1,903,467)	(1,903,467)
FAC	2,436,557,000	\$ 0.005141	12,526,275	12,526,275
Environmental Surcharge	2,436,557,000	\$ 0.003897	9,496,100	9,496,100
Surcredit	2,436,557,000	\$ (0.001738)	(4,235,358)	(4,235,358)
Economic Reserve	2,436,557,000	\$ (0.010114)	(24,642,915)	
Rate (\$/kWh)		\$ 0.063430	154,550,277	179,193,192

Big Rivers Electric Corporation
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Billing Determinants and Revenue
January - December 2012

Billing Analysis Forecasted Year
Budgeted Billing Determinants and Revenue 9/1/2013 - 8/31/2014

Large Industrial Rate	Billing Units	Rate	Billing \$	Revenue \$
	1,674,594	\$ 12.41	20,781,712	20,781,712
Demand (kW)	943,698,679	\$ 0.008194	7,732,667	7,732,667
Energy (kWh)	943,698,679	0	19,753,501	19,753,501
Fuel in Base (kWh)	943,698,679	\$ 0.000874	824,793	824,793
Purchased Power in Base (kWh)	943,698,679	\$ 0.000000	0	0
Environmental in Base (kWh)	943,698,679	\$ 0.052022	49,092,672	49,092,672
Base Rate (\$/ kWh)			<u>49,092,672</u>	<u>49,092,672</u>
Non-Smelter Non-FAC PPA	943,698,679	\$ (0.000781)	(737,229)	(737,229)
FAC	943,698,679	\$ 0.005125	4,836,245	4,836,245
Environmental Surcharge	943,698,679	\$ 0.003092	2,918,280	2,918,280
Surcredit	943,698,679	\$ (0.001777)	(1,677,110)	(1,677,110)
Economic Reserve	943,698,679	\$ (0.009302)	(8,778,318)	(8,778,318)
Rate (\$/kWh)		<u>\$ 0.048379</u>	<u>45,654,540</u>	<u>54,432,858</u>

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
January - December 2012

Base Year 5/1/2012 - 4/30/2013
Revenue Summary

	Total Base Year Revenue (000s)
Rural	124,786
Large Industrial	41,746
Smelter	363,712
Total \$	530,244

Big Rivers Electric Corporation
Case No. 2012-00535
Billing Determinants and Revenue
January - December 2012

Billing Analysis Base Year
Actual Billing Determinants and Revenue 5/1/2012 - 10/31/2012
Forecasted Billing Determinants and Revenue 11/1/2012 - 12/31/2012
Budgeted Billing Determinants and Revenue 1/1/2013 - 4/30/2013

<u>Smelter Rate</u>	Billing Units		Rate	Revenue \$
Base Fixed Energy (kWh)	7,325,304,000	\$	0.039405	288,655,720
Base Variable Energy	34,591,103	\$	0.021806	754,294
Back-Up Energy	12,573,778	\$	0.039529	497,024
Surplus Energy	(2,493,184)	\$	0.034709	(86,535)
Supplemental Energy	217,000	\$	0.030114	6,535
TIER Adjustment	7,325,304,000	\$	0.002942	21,550,670
Non-FAC PPA	7,359,895,103	\$	(0.000505)	(3,714,688)
FAC	7,359,895,103	\$	0.003492	25,702,084
Environmental Surcharge	7,359,895,103	\$	0.002263	16,652,656
Surcharge	7,359,895,103	\$	0.001860	13,690,361
Adjustment				4,276
Rate (\$/kWh)		\$	0.049349	363,712,397

Big Rivers Electric Corporation
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Budgeted Billing Determinants and Revenue 1/1/2013 - 4/30/2013

Rural Rate	Billing Units	Rate	Billing \$	Revenue \$
	5,388,931	\$ 9.50 #	51,194,844 #	51,194,844
Demand (kW)	2,420,925,805	\$ 0.029736	71,988,650	71,988,650
Energy (kWh)	2,420,925,805	\$ 0.050883	123,183,494	123,183,494
Base Rate (\$/kWh)				
Non-Smelter Non-FAC PPA	2,420,925,805	\$ (0.001242)	(3,006,668)	(3,006,668)
FAC	2,420,925,805	\$ 0.003480	8,423,775	8,423,775
Environmental Surcharge	2,420,925,805	\$ 0.002534	6,135,605	6,135,605
Surcredit	2,420,925,805	\$ (0.004110)	(9,950,155)	(9,950,155)
Economic Reserve	2,420,925,805	\$ (0.006442)	(15,596,792)	
Rate (\$/kWh)		\$ 0.045102	109,189,259	124,786,051

Big Rivers Electric Corporation
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Billing Determinants and Revenue
January - December 2012

Billing Analysis Base Year
Actual Billing Determinants and Revenue 5/1/2012 - 10/31/2012
Forecasted Billing Determinants and Revenue 11/1/2012 - 12/31/2012
Budgeted Billing Determinants and Revenue 1/1/2013 - 4/30/2013

Large Industrial Rate	Billing Units	Rate	Billing \$	Revenue \$
	1,700,070	\$ 10.50	17,850,735	17,850,735
Demand (kW)	953,161,521	\$ 0.024505	23,357,223	23,357,223
Energy (kWh)	953,161,521	\$ 0.043233	41,207,958	41,207,958
Base Rate (\$/kWh)				
Non-Smelter Non-FAC PPA	953,161,521	\$ (0.001249)	(1,190,863)	(1,190,863)
FAC	953,161,521	\$ 0.003490	3,326,542	3,326,542
Environmental Surcharge	953,161,521	\$ 0.002364	2,252,893	2,252,893
Surcredit	953,161,521	\$ (0.004156)	(3,961,493)	(3,961,493)
Economic Reserve	953,161,521	\$ (0.006241)	(5,948,917)	
Power Factor Penalty/Adjustments			111,014	111,014
Rate (\$/kWh)		\$ 0.037556	35,797,133	41,746,051

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
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February 28, 2013

1 **Item 31) Page 22 of Mr. Berry's Direct Testimony states: "Since it is**
2 **likely that Big Rivers will be unable to replace the Century load before**
3 **August 20, 2013, Big Rivers intends to continue to implement its Load**
4 **Concentration Analysis and Mitigation Plan and curtail production to**
5 **reduce the expense of full production in a depressed market. The**
6 **current plan is to idle one of its generating plants to eliminate the**
7 **variable cost of production and reduce the FDE cost to Big Rivers'**
8 **members. In its 2013 budget, Big Rivers assumed Wilson Station will**
9 **be idled. Big Rivers continues to evaluate a range of options to arrive**
10 **at the most cost-effective alternative possible for Big Rivers'**
11 **members."**

12

13 **a. Provide a copy of the Load Concentration Analysis and**
14 **Mitigation Plan.**

15 **b. Provide a copy of all studies, analyses, and**
16 **correspondence that considered or addressed various**
17 **alternatives to curtail production, including the**
18 **alternative selected and presented in this proceeding.**

19

20 **Response)**

21

22 a. Please see the response to AG 1-89.

23 b. Please see the responses to AG 1-89 and AG 1-91.

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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**Response to Kentucky Industrial Utility Customers, Inc.'s
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February 28, 2013

1

2 **Witness)** Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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February 28, 2013

1 **Item 32)** *What is Big Rivers' plan for reducing production-related*
2 *costs given Alcan's notice of termination of its electric service*
3 *agreement? Provide a copy of all studies, analyses, and*
4 *correspondence that consider or address various alternatives to*
5 *reduce expense in response to the loss of the Alcan load in January of*
6 *2013.*

7

8 **Response)** Please see the response to PSC 2-1.

9

10 **Witness)** Robert W. Berry

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February 28, 2013

1 **Item 33)** *Explain specifically what actions BREC is taking to*
2 *mitigate the effects of the Century contract termination as referenced*
3 *on page 12 of Mr. Bailey's Direct Testimony.*

4

5 **Response)** Please refer to the response to PSC 2-18.

6

7 **Witness)** Robert W. Berry

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1 **Item 34)** *Provide Big Rivers' Annual Reports for each year beginning*
2 *in 1980 through the most recent Annual Report.*

3

4 **Response)** Big Rivers objects to this request on the grounds that it is overly
5 broad and unduly burdensome. Big Rivers also objects to this request on
6 the grounds that it seeks information that is irrelevant and not likely to lead
7 to the discovery of admissible evidence. Notwithstanding these objections,
8 but without waiving them, Big Rivers states as follows.

9 Please see the attached documents for Big Rivers' annual reports for
10 1980 to 1995 and 1998 to 2006. Please see Tab 35 of the Application for
11 Big Rivers' financial report for 2007 and Big Rivers' annual reports for 2008-
12 2011. Big Rivers does not have annual reports for 1996 or 1997.

13

14 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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February 28, 2013

1 **Item 35)** *Has Big Rivers conducted a study or given consideration to*
2 *the price elasticity of demand of the rate increase proposed in this*
3 *case? If no, explain why Big Rivers has not undertaken such a study.*
4 *If yes;*

5

6 *a. Provide the study/analysis (with formulas intact) and all*
7 *supporting documentation.*

8 *b. Does the rate increase requested by Big Rivers take the*
9 *results of the price elasticity of demand into account?*
10 *Explain in detail.*

11

12 **Response)** Big Rivers' 2011 Load Forecast included price elasticity in the
13 residential SAE models used; however, the rate increase proposed in this
14 case was not specifically projected at the time the models were completed.
15 Thus, the 2011 Load Forecast included price elasticity for residential
16 customers on normal projected increases anticipated at the time, using a
17 price elasticity coefficient of -0.26, but did not give consideration to
18 customer consumption changes that may result from the specific rate
19 increase proposed in this case. Please see all documentation from the 2011
20 Load Forecast provided in response to AG 1-233.

21

22 **Witness)** Lindsay N. Barron

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 36) A February 7, 2013 article in the Evansville Courier &**
2 **Press stated: "If Century closes, (Mark) Bailey said Big Rivers might**
3 **want to shut down its higher-cost Coleman generating station in**
4 **Hancock County. But if Century remains in operation using power**
5 **from other providers, Big Rivers might be forced to keep the Coleman**
6 **plant in operation to ensure power reliability. That would cost other**
7 **customers an estimated \$10 million per year, he said."**

8

9 **a. Provide an explanation, in narrative form, of the**
10 **statement attributed to Mr. Bailey, that BREC will be**
11 **forced to keep Coleman running if Century remains in**
12 **operation and that keeping Coleman running will cost**
13 **other customers approximately \$10 million per year.**
14 **Provide all assumptions, data, calculations, and electronic**
15 **spreadsheets with formulas intact.**

16 **b. Is the approximately \$10 million per year referenced in**
17 **the Courier & Press included in base rates in this rate**
18 **case filing? If yes, provide all supporting data,**
19 **calculations, and electronic spreadsheets with formulas**
20 **intact. If no, how does BREC propose to recover this**
21 **approximately \$10 million per year? Provide all**
22 **assumptions, data, calculations, and electronic**
23 **spreadsheets with formulas intact.**

Case No. 2012-00535

Response to KIUC 1-36

Witnesses: Robert W. Berry (a-e, h-i) David G. Crockett (f-g)

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BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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- 1 c. *What is BREC's plan for the closure of Big Rivers'*
2 *generating capacity if Century closes? Indicate the date*
3 *upon which any closed generating capacity would be re-*
4 *opened.*
- 5 d. *What is BREC's plan for the closure of Big Rivers'*
6 *generating capacity if Century continues to operate but*
7 *Alcan closes? Indicate the date upon which any closed*
8 *generating capacity would be re-opened.*
- 9 e. *What is BREC's plan for the closure of Big Rivers'*
10 *generating capacity if both Century and Alcan close?*
11 *Indicate the date upon which any closed generating*
12 *capacity would be re-opened.*
- 13 f. *Describe the differences in reliability on Big Rivers'*
14 *electric system if Big Rivers were to close the single unit*
15 *Wilson station versus the three unit Coleman station.*
- 16 g. *Describe the differences in reliability on the transmission*
17 *systems operated by MISO if the single unit Wilson station*
18 *were to close versus a closure of the three unit Coleman*
19 *station. Provide any documentation exchanged between*
20 *Big River and MISO with respect to MISO's analysis of the*
21 *closure of the Wilson station versus the Coleman Station.*

Case No. 2012-00535

Response to KIUC 1-36

Witnesses: Robert W. Berry (a-e, h-i) David G. Crockett (f-g)

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**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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1 *h. Indicate whether the closure of either Century or Alcan, or*
2 *both, will cause any reduction in the amount of capacity*
3 *and energy made available to Big Rivers by SEPA.*

4 *i. Describe the circumstances under which Big Rivers would*
5 *attempt to sell all or any part of its generating capacity*
6 *that has been idled and that would remain idle for an*
7 *extended period of time.*

8
9 **Response)** Big Rivers objects to this request on the grounds that it is overly
10 broad and unduly burdensome. Notwithstanding this objection, but
11 without waiving it, Big Rivers states as follows.

12
13 a. In the referenced February 7, 2013 article, Mr. Bailey was
14 describing the potential effects of House Bill 211 and Senate Bill
15 71 if they were to pass as originally proposed. If Century
16 Aluminum continues to operate and obtains its power from the
17 wholesale power markets, power flow studies indicate MISO
18 may require Big Rivers to operate all or part of its Coleman
19 generating station. House Bill 211 and Senate Bill 71 as
20 originally proposed do not include provisions for Big Rivers to
21 recover this incremental cost from Century. Therefore, if these
22 two Bills pass as proposed, this incremental cost might be
23 shifted to Big Rivers' remaining members.

Case No. 2012-00535

Response to KIUC 1-36

Witnesses: Robert W. Berry (a-e, h-i) David G. Crockett (f-g)

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**Response to Kentucky Industrial Utility Customers, Inc.'s
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February 28, 2013

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- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- g. Big Rivers is well aware that the reliability impact of these potential plant closures extends beyond the borders of the Big Rivers system to other MISO member systems. Big Rivers has requested that MISO perform studies to assess the reliability impact of the Coleman station closure versus the Wilson station closure. MISO has as yet provided no information to Big Rivers regarding the study results.
- h. Neither the departure of Century nor Alcan will have any impact on the amount of capacity and energy made available to Big Rivers by SEPA.
- i. Please see the responses to PSC 2-18 and AG 1-108(a).

Witnesses) Robert W. Berry (a-e, h-i) and David G. Crockett (f-g)

BIG RIVERS ELECTRIC CORPORATION

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**Response to Kentucky Industrial Utility Customers, Inc.'s
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1 **Item 37) *If Century and/or Alcan stay open, but take electric***
2 ***generation service from a provider other than BREC, will BREC be***
3 ***forced to keep one or more of the Coleman generating units operating***
4 ***for reliability or MISO-related reasons? Please explain in narrative***
5 ***form. If yes:***

6

7 ***a. Describe which units will be required to continue***
8 ***operating.***

9 ***b. Provide a detailed quantification of the costs BREC will***
10 ***incur annually to keep Coleman running. Provide all***
11 ***assumptions, data, calculations, and electronic***
12 ***spreadsheets with formulas intact.***

13 ***c. Are these costs in addition to the \$74.5 million rate***
14 ***increase that BREC has requested in this rate case?***

15 ***d. How will BREC recover or will it propose to recover these***
16 ***costs? Address the extent to which BREC will be***
17 ***compensated by MISO for these costs, if at all.***

18

19 **Response)** Big Rivers objects to this request on the grounds that it is overly
20 broad and unduly burdensome. Notwithstanding this objection, but
21 without waiving it, Big Rivers believes that if Century remains in operation,
22 MISO may require one or more of the Coleman generating units to remain in
23 operation; however, Big Rivers will not be certain of this until MISO has

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
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1 completed its analysis. Please see Big Rivers' response to AG 1-110 for a
2 copy of the study requests submitted to MISO.

3

4 a. MISO is currently performing a flow analysis to determine
5 which Coleman unit or units will be required to run if Century
6 continues to operate the Hawesville smelter. Big Rivers expects
7 to have more information about this issue in March 2013 when
8 it receives the results of the MISO study.

9 b. Big Rivers does not have a detailed quantification of the costs
10 that it will incur annually to keep Coleman running. If MISO
11 designates the Coleman units as System Support Resources
12 (SSR) units, then Big Rivers and MISO may enter into
13 negotiations to establish a detailed quantification of the cost
14 and establish how these costs would be allocated back to the
15 Load Serving Entity (LSE).

16 c. The incremental cost Big Rivers may incur annually to keep
17 Coleman running were not included in the \$74.5 Million rate
18 increase requested in this rate case.

19 d. Big Rivers believes that MISO will reimburse Big Rivers for the
20 incremental costs of keeping Coleman running for system
21 reliability purposes; however, Big Rivers also understands that
22 MISO will then allocate the costs it paid to Big Rivers to loads in
23 the area. Big Rivers believes that it is possible MISO will

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
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February 28, 2013

1 allocate a portion of the cost to Big Rivers. Big Rivers did not
2 include these costs in this rate case because Big Rivers believes
3 that Century will be obligated to pay any incremental costs Big
4 Rivers' Members incur as a result of Century obtaining access
5 to the wholesale priced power.

6

7 **Witness)** Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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**Response to Kentucky Industrial Utility Customers, Inc.'s
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February 28, 2013

1 **Item 38)** *Please provide BREC's best estimate of the ECR revenue*
2 *requirement that will be transferred and reallocated from Alcan to*
3 *the Rural and Large Industrial classes (separate estimates) in the test*
4 *year due to Century's termination. Provide all assumptions, data,*
5 *calculations, and electronic spreadsheets with formulas intact.*

6
7 **Response)** The attached schedule shows the forecasted test period ECR
8 allocation absent any rate increase compared to the ECR allocation with the
9 proposed rates. Because the ECR revenue requirement is allocated based
10 on Total Adjusted Revenue, the change in revenue created by the proposed
11 rates changes the amount of ECR revenue requirement allocated to each of
12 Big Rivers' customer classes. The attached schedule shows that more ECR
13 revenue requirement will be allocated to the Rural class and less ECR
14 revenue requirement will be allocated to the Large Industrial class, Alcan,
15 and off-system sales. Note that these allocations are gross of the Member
16 Rate Stability Mechanism ("MRSM"), which would serve to offset the
17 increased allocation to the Rural class.

18

19 **Witness)** Travis A. Siewert

Big Rivers Electric Corporation
Case No. 2012-00535
Attachment to Response for KIUC 1-38
Test Period ECR Revenue Requirement

	Absent		
	Rate Increase	Proposed Rates	Difference
Rural	8,773,112	9,496,100	722,988
Large Industrial	2,952,451	2,918,279	(34,172)
Alcan	8,996,308	8,905,812	(90,496)
Off-System			
Total ECR Cost			

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1 **Item 39) *Please provide BREC's best estimate of the change in fuel***
2 ***costs recoverable from the Rural and Large Industrial classes***
3 ***(separate estimates) in the test year due to Century's termination***
4 ***compared to retaining the Century load.***

5
6 **Response)** The specific change in budgeted fuel costs in the test year with
7 and without the Century load is not available because Big Rivers did not
8 perform budget runs or financial models for the test period that included
9 the retention of Century load. However, Big Rivers did perform production
10 cost models of several scenarios, as described in the response to AG 1-236.
11 Using "raw" production cost model outputs (net of HMP&L but unadjusted
12 by factors incorporated in the Big Rivers Financial Model), the best estimate
13 of test period system fuel costs (without startup fuel), comparing (i) the case
14 with Wilson idled and the Century contract terminated to (ii) the case with
15 Wilson operating and Century served by Big Rivers, is tabulated below. The
16 production cost model does not distinguish the fuel costs by rate class, and
17 the values shown do not represent the final cost recoverable from the Rural
18 and Large Industrial classes.

19
20
21

BIG RIVERS ELECTRIC CORPORATION

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Item	Wilson Idled, Without Century	Wilson Available, With Century	Variance
Total Generation MWH	██████████	██████████	██████████
Total Fuel Cost \$	██████████	██████████	██████████
Total Fuel Cost \$/MWH	██████████	██████████	██████████

1

2 **Witness)** John Wolfram

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1 **Item 40)** *Please provide the depreciation expense for the Wilson*
2 *plant included in the Company's revenue requirement (separately for*
3 *base rates and ECR rates). Provide the computations of the*
4 *depreciation expense provided showing the gross plant by plant*
5 *account, the depreciation rates used, and the depreciation expense*
6 *computed.*

7

8 **Response)** Please see attached document.

9

10 **Witness)** Billie J. Richert

**Big Rivers Electric Coproation
Case No. 2012-00535
Wilson Depreciation
For the Forecasted Test Period 12ME 8/31/2014**

Type of Filing: Original - X ; Updated - ; Revised -

9/1/2013 10/1/2013 11/1/2013 12/1/2013 1/1/2014 2/1/2014

Gross Plant						
<u>Account</u>	<u>9/1/2013</u>	<u>10/1/2013</u>	<u>11/1/2013</u>	<u>12/1/2013</u>	<u>1/1/2014</u>	<u>2/1/2014</u>
3104	2,218,858	2,218,858	2,218,858	2,218,858	2,218,858	2,218,858
3114	73,609,725	73,609,725	73,609,725	73,609,725	73,609,725	73,609,725
3124	405,391,793	405,916,975	410,143,821	410,683,512	410,683,512	410,683,512
312E	262,941,852	262,941,852	262,941,852	262,941,852	262,941,852	262,941,852
312P	6,615,946	6,615,946	6,615,946	6,615,946	6,615,946	6,615,946
312Y	0	0	0	0	0	0
3129	-	-	-	-	-	-
3144	129,205,258	129,205,258	129,248,787	129,248,787	129,248,787	129,248,787
3154	35,319,436	35,319,436	35,319,436	35,319,436	35,319,436	35,319,436
3164	1,332,611	1,354,375	1,354,375	1,354,375	1,354,375	1,354,375
	916,635,479	917,182,425	921,452,801	921,992,492	921,992,492	921,992,492

**Big Rivers Electric Coproation
Case No. 2012-00535
Wilson Depreciation
For the Forecasted Test Period 12ME 8/31/2014**

Type of Filing: Original - X ; Updated - ; Revised -

3/1/2014 4/1/2014 5/1/2014 6/1/2014 7/1/2014 8/1/2014

Gross Plant

<u>Account</u>	<u>3/1/2014</u>	<u>4/1/2014</u>	<u>5/1/2014</u>	<u>6/1/2014</u>	<u>7/1/2014</u>	<u>8/1/2014</u>
3104	2,218,858	2,218,858	2,218,858	2,218,858	2,218,858	2,218,858
3114	73,609,725	73,609,725	73,609,725	73,645,999	73,645,999	73,645,999
3124	410,683,512	410,701,649	410,701,649	410,756,061	410,828,610	410,828,610
312E	262,941,852	262,941,852	262,959,990	262,959,990	262,959,990	262,959,990
312P	6,615,946	6,615,946	6,615,946	6,615,946	6,615,946	6,615,946
312Y	0	0	0	0	0	0
3129	-	-	-	-	-	-
3144	129,248,787	129,248,787	129,248,787	129,248,787	129,248,787	129,248,787
3154	35,319,436	35,319,436	35,319,436	35,319,436	35,319,436	35,319,436
3164	1,354,375	1,354,375	1,354,375	1,361,630	1,361,630	1,361,630
	921,992,492	922,010,630	922,028,767	922,126,708	922,199,257	922,199,257

**Big Rivers Electric Coproation
Case No. 2012-00535
Wilson Depreciation
For the Forecasted Test Period 12ME 8/31/2014**

Type of Filing: Original - X ; Updated - ; Revised -

9/1/2013 10/1/2013 11/1/2013 12/1/2013 1/1/2014 2/1/2014

Depreciation Rates

<u>Account</u>	<u>Rate</u>
3104	0.000000
3114	0.001152
3124	0.001681
312E	0.002022
312P	0.013292
312Y	0.021153
3129	0.000000
3144	0.001631
3154	0.001690
3164	0.003369
3524	0.001617
3534	0.001909
3565	0.001511

**Big Rivers Electric Coproation
Case No. 2012-00535
Wilson Depreciation
For the Forecasted Test Period 12ME 8/31/2014**

Type of Filing: Original - X ; Updated - ; Revised -

3/1/2014 4/1/2014 5/1/2014 6/1/2014 7/1/2014 8/1/2014

Depreciation Rates

Account

- 3104
- 3114
- 3124
- 312E
- 312P
- 312Y
- 3129
- 3144
- 3154
- 3164
- 3524
- 3534
- 3565

**Big Rivers Electric Coproation
Case No. 2012-00535
Wilson Depreciation
For the Forecasted Test Period 12ME 8/31/2014**

Type of Filing: Original - X ; Updated - ; Revised -

9/1/2013 10/1/2013 11/1/2013 12/1/2013 1/1/2014 2/1/2014

Gross Plant Depreciation Expense

Account

3104	-	-	-	-	-	-
3114	84,798	84,798	84,798	84,798	84,798	84,798
3124	681,464	682,346	689,452	690,359	690,359	690,359
312E	531,668	531,668	531,668	531,668	531,668	531,668
312P	87,939	87,939	87,939	87,939	87,939	87,939
312Y	-	-	-	-	-	-
3129	-	-	-	-	-	-
3144	210,734	210,734	210,805	210,805	210,805	210,805
3154	59,690	59,690	59,690	59,690	59,690	59,690
3164	4,490	4,563	4,563	4,563	4,563	4,563
	1,660,783	1,661,738	1,668,915	1,669,822	1,669,822	1,669,822

Central Lab / Barges Split

Account

3120	127,281	127,281	127,281	127,281	127,281	127,281
3128	741,408	741,408	741,408	741,408	741,408	741,408
3140	0	0	0	0	0	0
3160	56,008	56,008	56,008	56,008	56,008	56,008
312A	731,401	731,401	731,401	731,401	731,401	731,401

Case No. 2012-00535

Attachment to Response for KIUC 1-40

Witnesses: Billie J Richert

**Big Rivers Electric Coproation
Case No. 2012-00535
Wilson Depreciation
For the Forecasted Test Period 12ME 8/31/2014**

Type of Filing: Original - X ; Updated - ; Revised -

3/1/2014 4/1/2014 5/1/2014 6/1/2014 7/1/2014 8/1/2014

Gross Plant Depreciation Expense

<u>Account</u>	<u>3/1/2014</u>	<u>4/1/2014</u>	<u>5/1/2014</u>	<u>6/1/2014</u>	<u>7/1/2014</u>	<u>8/1/2014</u>	
3104	-	-	-	-	-	-	
3114	84,798	84,798	84,798	84,840	84,840	84,840	
3124	690,359	690,389	690,389	690,481	690,603	690,603	
312E	531,668	531,668	531,705	531,705	531,705	531,705	
312P	87,939	87,939	87,939	87,939	87,939	87,939	
312Y	-	-	-	-	-	-	
3129	-	-	-	-	-	-	
3144	210,805	210,805	210,805	210,805	210,805	210,805	
3154	59,690	59,690	59,690	59,690	59,690	59,690	
3164	4,563	4,563	4,563	4,587	4,587	4,587	Total
	<u>1,669,822</u>	<u>1,669,852</u>	<u>1,669,889</u>	<u>1,670,047</u>	<u>1,670,169</u>	<u>1,670,169</u>	<u>20,020,850</u>

Central Lab / Barges Split

<u>Account</u>	<u>3/1/2014</u>	<u>4/1/2014</u>	<u>5/1/2014</u>	<u>6/1/2014</u>	<u>7/1/2014</u>	<u>8/1/2014</u>	
3120	127,281	127,281	127,281	127,281	127,281	127,281	65 Reid
3128	741,408	741,408	741,408	741,408	741,408	741,408	455 Coleman
3140	0	0	0	0	0	0	454 Green
3160	56,008	56,008	56,008	56,008	56,008	56,008	420 Wilson
312A	731,401	803,950	981,695	981,695	981,695	981,695	192 HMPL
						<u>1586</u>	

Case No. 2012-00535

Attachment to Response for KIUC 1-40

Witnesses: Billie J Richert

**Big Rivers Electric Coproation
Case No. 2012-00535
Wilson Depreciation
For the Forecasted Test Period 12ME 8/31/2014**

Type of Filing: Original - X ; Updated - ; Revised -

9/1/2013 10/1/2013 11/1/2013 12/1/2013 1/1/2014 2/1/2014

Depreciation Rates

<u>Account</u>	
3120	0.001681
3128	0.001681
3140	0.001631
3160	0.003369
312A	0.002022

Depreciation Expense

<u>Account</u>						
3120	214	214	214	214	214	214
3128	1,246	1,246	1,246	1,246	1,246	1,246
3140	-	-	-	-	-	-
3160	189	189	189	189	189	189
312A	1,479	1,479	1,479	1,479	1,479	1,479
	3,128	3,128	3,128	3,128	3,128	3,128

**Big Rivers Electric Coproation
Case No. 2012-00535
Wilson Depreciation
For the Forecasted Test Period 12ME 8/31/2014**

Type of Filing: Original - ; Updated - ; Revised -

3/1/2014 4/1/2014 5/1/2014 6/1/2014 7/1/2014 8/1/2014

Depreciation Rates

Account
3120
3128
3140
3160
312A

Depreciation Expense

<u>Account</u>							
3120	214	214	214	214	214	214	214
3128	1,246	1,246	1,246	1,246	1,246	1,246	1,246
3140	-	-	-	-	-	-	-
3160	189	189	189	189	189	189	189
312A	1,479	1,626	1,985	1,985	1,985	1,985	1,985
	3,128	3,275	3,634	3,634	3,634	3,634	3,634

**Big Rivers Electric Coproation
Case No. 2012-00535
Wilson Depreciation
For the Forecasted Test Period 12ME 8/31/2014**

Type of Filing: Original - X ; Updated - ; Revised -

9/1/2013 10/1/2013 11/1/2013 12/1/2013 1/1/2014 2/1/2014

Wilson Depreciation Split

Account

3120	57	57	57	57	57	57
3128	330	330	330	330	330	330
3140	0	0	0	0	0	0
3160	50	50	50	50	50	50
312A	392	392	392	392	392	392
	829	829	829	829	829	829

**Big Rivers Electric Coproation
Case No. 2012-00535
Wilson Depreciation
For the Forecasted Test Period 12ME 8/31/2014**

Type of Filing: Original - X ; Updated - ; Revised -

3/1/2014 4/1/2014 5/1/2014 6/1/2014 7/1/2014 8/1/2014

Wilson Depreciation Split

<u>Account</u>	<u>3/1/2014</u>	<u>4/1/2014</u>	<u>5/1/2014</u>	<u>6/1/2014</u>	<u>7/1/2014</u>	<u>8/1/2014</u>	
3120	57	57	57	57	57	57	57
3128	330	330	330	330	330	330	330
3140	0	0	0	0	0	0	0
3160	50	50	50	50	50	50	50
312A	392	431	526	526	526	526	526
	829	868	963	963	963	963	963
							Total
							10,523
							20,031,373

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 41)** *Please provide the interest expense and related TIER for*
2 *the Wilson plant included in the Company's revenue requirement*
3 *(separately for base rates and ECR rates). Such annual interest*
4 *expense and related TIER should include not only the asset values for*
5 *net depreciated plant and equipment and land costs, but also the*
6 *asset values for fuel inventory, consumable scrubber materials,*
7 *materials and supplies, and rolling stock on the Wilson plant site.*
8 *Provide all assumptions, data, and computations.*

9

10 **Response)** Big Rivers objects to this request on the grounds that it is overly
11 broad and unduly burdensome. Notwithstanding this objection, but
12 without waiving it, Big Rivers states as follows. The Big Rivers financial
13 model does not track assets, inventory, or rolling stock by individual plant
14 location. However, Big Rivers does allocate actual gross interest expense by
15 location based on actual gross plant balances (note that the HMP&L Station
16 Two assets on Big Rivers' books are not included in this allocation). In
17 2012, Big Rivers' total gross interest expense was \$45,032,787 of which
18 \$21,608,777, or approximately 48%, was allocated to Wilson. If this same
19 percentage is applied to the forecasted test period gross interest expense of
20 \$46,983,291, then the amount allocated to Wilson would be \$22,544,717.
21 Applying a 1.24 TIER to the allocated test period interest expense would
22 result in \$27,955,449 being allocated to Wilson.

23 **Witness)** Travis A. Siewert

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc's
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 42)** *Please provide the operation and maintenance expense by*
2 *RUS O&M expense account for the Wilson plant included in the*
3 *Company's revenue requirement (separately for base and ECR rates).*
4 *Provide all assumptions, data, and computations.*

5

6 **Response)** Please see the attachment for the non-fuel O & M Expenses by
7 RUS expense account for the Wilson plant that are included in the
8 Company's revenue requirement. Please see PSC 1-57 for assumptions,
9 data, and computations Big Rivers used to develop the forecasted test period
10 and financial information.

11

12 **Witness)** Robert W. Berry

**Big Rivers Electric Corporation
Case No. 2012-00535**

**Attachment to Response KIUC 1-42
Non fuel Operation and Maintenance Expense by RUS O&M Expense Account
(Separately for Base and ECR rates)
Test Period September 2013-August 2014
Wilson Plant**

	Base Rates	Pro Forma Adjustment	Total Base Rates	ECR Rates
Fixed Departmental Expense (FDE)				
50120000				
50010000				
50210000				
50230000				
50211000				
50510000				
50610000				
50610600				
51010000				
51110000				
51210000				
51211000				
51212000				
51214000				
51310000				
51410000				
50135000				
Total FDE		\$ -		

**Big Rivers Electric Corporation
Case No. 2012-00535**

**Attachment to Response KIUC 1-42
Non fuel Operation and Maintenance Expense by RUS O&M Expense Account
(Separately for Base and ECR rates)
Test Period September 2013-August 2014
Wilson Plant**

Labor & Labor Related Costs (LRC)					
50010000	767,881	(338,586.14)		429,294.95	
50120000	330,531	(295,998.14)		34,533.07	
50210000	513,152	(273,352.05)		239,799.58	
50211000	288,938	(180,941.07)		107,997.32	
50510000	464,703	(202,626.84)		262,076.46	
50610000	141,567	(61,978.67)		79,588.25	
51010000	486,452	(312,318.97)		174,132.61	
51110000	85,586	(59,610.32)		25,975.39	
51210000	384,276	(327,016.06)		57,259.80	
51211000	57,057	(39,740.21)		17,316.93	
51212000	236,022	(162,351.04)		73,671.05	
51214000	14,264	(9,935.05)		4,329.23	
51310000	207,494	(142,480.93)		65,012.58	
51410000	28,529	(19,870.11)		8,658.46	
Total Labor/LRC	\$ 4,006,451	\$ (2,426,806)	\$	1,579,646	\$ -
Property Insurance					
50210000	604,678			604,678.00	
50510000	604,678			604,678.00	
Total Property Insurance	\$ 1,209,356	\$ -	\$	1,209,356	\$ -

**Big Rivers Electric Corporation
Case No. 2012-00535**

**Attachment to Response KIUC 1-42
Non fuel Operation and Maintenance Expense by RUS O&M Expense Account
(Separately for Base and ECR rates)
Test Period September 2013-August 2014
Wilson Plant**

Property Tax				
50120000	284,232		284,232	
50210000	419,028		419,028	
50211000	127,812		127,812	
50510000	3,876		3,876	
50610000	249,712		249,712	
Total Property Tax	\$ 1,084,660	\$ -	\$ 1,084,660	\$ -
<hr/>				
Total	6,300,467	(2,426,806)	3,873,662	-

Wilson Station is layed up beginning August 21, 2013. Labor reduction is effective December 1, 2013.

Pro Forma Adjustment for Wilson Layup: This adjustment removes the non-recurring labor for Wilson Station employees during the test period. To determine the amount of labor to remove, 86/102 was multiplied by the monthly labor budget SEP-NOV and distributed by account consistent with August's distribution.

Please note the following related to property tax: An amount of \$32,198 of total property tax is ECR related but cannot be distinguished by plant.

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 44)** *Please provide the property tax expense for the Wilson*
2 *plant included in the Company's revenue requirement (separately for*
3 *base and ECR rates). Provide all assumptions, data, and*
4 *computations.*

5
6 **Response)** Please see the response to KIUC 1-42, which includes the
7 property tax expense for the Wilson plant included in the Company's
8 revenue requirement.

9 The 2013-2016 property tax budget assumptions are that all capital
10 and construction budgeted projects are completed in the year budgeted and
11 are included in the following year's property tax calculations. The
12 assumptions also include that annual local tax increases resulting in 4% or
13 less in additional revenue will be allowed without special provisions (KRS
14 132.0225). Big Rivers conservatively estimates that local rates will increase
15 3% annually and escalates the local rates accordingly. For data and
16 computations, please see the response to AG 1-267.

17
18 **Witness)** DeAnna M. Speed

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 45)** *Please provide the payroll tax expense for the Wilson plant*
2 *included in the Company's revenue requirement (separately for base*
3 *and ECR rates). This request includes the payroll tax expense on*
4 *payroll incurred directly for plant employees and for incurred for*
5 *employees in other departments that provide support services and/or*
6 *whose payroll expense is included in A&G expense. Provide all*
7 *assumptions, data, and computations.*

8

9 **Response)** Please see the attached schedule for the calculation of the
10 Wilson plant payroll tax expense included in the Company's revenue
11 requirement (for the base rate only -- Wilson plant payroll tax expense is not
12 included in the ECR rate). This calculation is based on payroll incurred
13 directly for plant employees only. Payroll for support services is not
14 available, as Big Rivers does not assign A&G costs to the plants in the
15 budget.

16

17 **Witness)** DeAnna M. Speed

Big Rivers Electric Corporation
Case No. 2012-00535

Wilson Payroll Tax Expense
Forecasted Test Period (9/1/2013 - 8/31/2014)

Type of Filing: Original - ; Updated - ; Revised -

Line No.	DESCRIPTION	2013				2014								TOTAL
		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	
1	Wilson Straight Time Labor	\$ 69,490	\$ 82,813	\$ 68,424	\$ 56,109	\$ 62,382	\$ 59,634	\$ 65,679	\$ 61,832	\$ 66,778	\$ 55,238	\$ 61,832	\$ 66,778	\$ 776,990
2	Wilson Overtime Labor	\$ 10,639	\$ 12,622	\$ 10,124	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	Wilson Total Labor	\$ 80,128	\$ 95,436	\$ 78,548	\$ 56,109	\$ 62,382	\$ 59,634	\$ 65,679	\$ 61,832	\$ 66,778	\$ 55,238	\$ 61,832	\$ 66,778	\$ 810,375
4														
5	FICA Straight Time Rate	8.88%	8.88%	8.88%	8.88%	8.88%	8.88%	8.88%	8.88%	8.88%	8.88%	8.88%	8.88%	
6	FICA Overtime Rate	8.11%	8.11%	8.11%	8.11%	7.91%	7.91%	7.91%	7.91%	7.91%	7.91%	7.91%	7.91%	
7	FUTA/SUTA Rate	0.34%	0.34%	0.34%	0.34%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	0.33%	
8														
9	FICA Taxes	\$ 7,037	\$ 8,382	\$ 6,900	\$ 4,985	\$ 5,537	\$ 5,293	\$ 5,830	\$ 5,488	\$ 5,927	\$ 4,903	\$ 5,488	\$ 5,927	\$ 71,698
10	FUTA/SUTA Taxes	\$ 236	\$ 281	\$ 232	\$ 190	\$ 209	\$ 200	\$ 220	\$ 207	\$ 224	\$ 185	\$ 207	\$ 224	\$ 2,614
11	Total Wilson Payroll Tax Expense	\$ 7,273	\$ 8,662	\$ 7,133	\$ 5,175	\$ 5,746	\$ 5,493	\$ 6,050	\$ 5,695	\$ 6,151	\$ 5,088	\$ 5,695	\$ 6,151	\$ 74,311
12														

NOTES:

Based on Wilson labor expense (includes the September through November 2013 pro forma adjustment).
Excluding paid time off.

Tax rates are write-off rates applied to ST and OT dollars.

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 46) Identify the amount of all employment termination**
2 **expenses that have been included in BREC's revenue request, and**
3 **explain why any amount of such non-recurring expenses should be**
4 **recoverable under BREC's revenue request.**

5

6 **Response)** Big Rivers objects to this request on the grounds that it seeks
7 information that is protected by the attorney-client and attorney work
8 product privileges. Notwithstanding these objections but without waiving
9 them Big Rivers states that Big Rivers has included severance expenses in
10 the fully forecasted test period, for the reasons described in the Direct
11 Testimony of Mr. Robert W. Berry. In the budget, a regulatory account is
12 set up for these costs in August 2013, and the costs are amortized over sixty
13 months beginning in September 2013. The total cost is \$4.6 million.

14 This amount should be recovered because it has been the
15 Commission's practice to amortize prudently-incurred "extraordinary"
16 expenses over a five-year period. Historically, the Commission has
17 exercised its discretion to approve regulatory assets where a utility has
18 incurred (1) an extraordinary, nonrecurring expense which could not have
19 reasonably been anticipated or included in the utility's planning; (2) an
20 expense resulting from a statutory or administrative directive; (3) an
21 expense in relation to an industry sponsored initiative; or (4) an
22 extraordinary or nonrecurring expense that over time will result in a saving
23 that fully offsets the cost. Some examples include expenses related to storm

Case No. 2012-00535

Response to KIUC 1-46

Witnesses: James V. Haner, John Wolfram

Page 1 of 2

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
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February 28, 2013

1 damage, workforce reduction initiatives, write-offs for retired mechanical
2 meters, and post-merger retirement/benefit packages.

3 It is appropriate for the Commission to allow Big Rivers to establish a
4 regulatory asset and to recover its proposed severance costs as an
5 extraordinary expense "that over time will result in a saving that fully offsets
6 the cost" because the one-time expense of \$4.6 million for severance costs
7 results in over \$10 million in annual labor savings for Big Rivers, for as long
8 as the Wilson unit is idled. Please see the response to PSC 2-20. As such,
9 the Commission should allow Big Rivers to establish a regulatory asset for
10 these costs and to recover the amortized amount in its rates.

11

12 **Witnesses)** James V. Haner, John Wolfram

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 47)** *Provide a narrative description of how BREC will*
2 *terminate or otherwise manage any existing contracts for fuel, fuel*
3 *transportation, or consumable scrubber products if the expiration*
4 *date of any such contract extends beyond December 31, 2013.*
5 *Identify the amount of any and all contract termination expenses that*
6 *have been included in BREC's revenue request, and explain why any*
7 *amount of such non-recurring expenses should be recoverable under*
8 *BREC's revenue request.*

9

10 **Response)** Big Rivers states that it will re-direct any fuel-related contracts
11 to alternative generating stations via either truck or barge transportation.
12 Big Rivers anticipates no contract termination expenses at this time;
13 therefore, it did not include any expense in this subject case.

14

15 **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 Kentucky Industrial Utility Customers, Inc.'s
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February 28, 2013

1 **Item 48)** *Refer to Page 12 lines 4-8 of Ms. Richert's Direct*
2 *Testimony. Please provide the information necessary to reconstruct*
3 *the Company's calculations of actual off-system sales revenues and*
4 *margins for 2010, 2011, 2012, each month for which actual*
5 *information is available in 2013, and all projected amounts from*
6 *January 2013 through August 2014. This should be considered an*
7 *ongoing request and the response should be supplemented as actual*
8 *information is available for each month until the decision in this*
9 *proceeding.*

10

11 **Response)** Please refer to the response to AG 1-62. To the extent this
12 request seeks continuous or ongoing updates, Big Rivers objects on the
13 grounds that it is overbroad and unduly burdensome. Notwithstanding this
14 objection, but without waiving it, Big Rivers states that it will only update
15 its response as required by law, as ordered by the Commission, or as it
16 otherwise deems appropriate.

17

18 **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 Kentucky Industrial Utility Customer, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 49)** *Please describe any and all accounting effects and entries*
2 *that will be required due to the layup of the Wilson plant. For*
3 *example, does the Company plan to transfer the amounts that are*
4 *presently recorded in accounts 101 and 108 to account 105? Please*
5 *explain your response and provide a copy of all analyses and/or*
6 *research that address the accounting related to the layup of the*
7 *Wilson plant as well as all analyses and/or opinions obtained from*
8 *professional advisors.*

9

10 **Response)** Big Rivers is currently working with MISO to evaluate the
11 options for the Wilson plant on a going-forward basis. At this time, Big
12 Rivers has not yet evaluated the accounting effects of a possible layup of the
13 Wilson plant.

14

15 **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 Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 50)** *Please describe all attempts that Big Rivers has made to*
2 *sell any of its power plants during the last two years and describe the*
3 *present status of each such attempt. In addition, please provide a*
4 *copy of all related documents, including, but not limited to,*
5 *correspondence, contracts, and requests for bids.*

6

7 **Response)** Big Rivers objects to this request on the grounds that it is overly
8 broad and unduly burdensome. Notwithstanding this objection, but
9 without waiving it, please see the responses to PSC 2-18, KIUC 1-7, AG 1-4,
10 AG 1-114, and AG 1-205.

11

12 **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 Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 51)** *Please describe all attempts that Big Rivers has made to*
2 *sell the capacity and energy from any of its power plants under a unit*
3 *power sale agreement during the last two years and describe the*
4 *present status of each such attempt. In addition, please provide a*
5 *copy of all related documents, including, but not limited to,*
6 *correspondence, contracts, and requests for bids.*

7

8 **Response)** Big Rivers objects to this request on the grounds that it is overly
9 broad and unduly burdensome. Notwithstanding this objection, but
10 without waiving it, please see Big Rivers' response to PSC 2-18 and KIUC 1-
11 50.

12

13 **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 Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 52)** *Please describe all attempts that Big Rivers has made to*
2 *sell firm power for at least a 12 month term during the last two years*
3 *and describe the present status of each such attempt. In addition,*
4 *please provide a copy of all related documents, including, but not*
5 *limited to, correspondence, contracts, and requests for bids.*

6

7 **Response)** Big Rivers objects to this request on the grounds that it is overly
8 broad and unduly burdensome. Notwithstanding this objection, but
9 without waiving it, please see Big Rivers' response to PSC 2-18 and KIUC 1-
10 50.

11

12 **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 Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 53) Refer to page 12 lines 16-21 of Mr. Wolfram's Direct**
2 **Testimony.**

3

4 **a. Please confirm that the effects of the Rural Economic**
5 **Reserve, the Economic Reserve, and the Transition Reserve**
6 **were included in Big Rivers' net margin in conjunction**
7 **with the Unwind Transaction. Please explain your**
8 **response and provide a copy of all support and/or**
9 **authorities relied on for your response.**

10 **b. Please confirm that if the principal amounts included in**
11 **the Rural Economic Reserve, the Economic Reserve, and**
12 **the Transition Reserve that previously were included in**
13 **Big Rivers' net margin in conjunction with the Unwind**
14 **Transaction were subsequently included in Big Rivers' net**
15 **margin, then this would improperly count these amounts**
16 **in net margins a second time. Please explain your**
17 **response.**

18 **c. Please confirm that this provision was included in the**
19 **Smelter Agreements to preclude such a double counting.**
20 **Please provide a copy of all support and/or authorities**
21 **relied on for your response.**

22

23

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Response)**

2 a. The Transition Reserve funds were included in Big Rivers'
3 net margins in conjunction with the Unwind Transaction.
4 The Economic Reserve ("ER") and the Rural Economic
5 Reserve ("RER") were not included in Big Rivers' net margins
6 in conjunction with the Unwind Transaction. Revenue
7 related to the ER and the RER was deferred and is being
8 recognized as the funds are drawn down to offset the Rural
9 and Large Industrial bills. Exhibit CWB-14 in Big Rivers'
10 Motion to Amend and Supplement the Application in Case
11 No 2007-00455 (see attached) details the proposed Unwind
12 Transaction journal entries. Note that the RER did not exist
13 at the time this exhibit was prepared, but the RER was
14 recorded in the same manner as the ER. Lines 39 and 40 of
15 Exhibit CWB-14 show the amounts for the Transition
16 Reserve and the ER being placed in the Other Special Funds
17 accounts. Line 20 shows the deferral of the ER revenue.
18 The revenue related to the Transition Reserve is included in
19 the Extraordinary Income on line 21.

20 b. Please see the response to (a) above.

21 c. The provision was included in the Smelter Agreements to
22 ensure that all of the benefit derived from the reserve funds
23 accrued to the non-smelter members. Because interest

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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February 28, 2013

1 income on the ER and RER is deferred, just like the original
2 principal amount, there is no required adjustment related to
3 the ER and RER when calculating contract TIER. However,
4 interest income on the Transition Reserve is recognized as
5 income on Big Rivers' books, just like the original principal
6 amount, and therefore must be adjusted out of the contract
7 TIER calculation, per section 4.7.5(f) of the Smelter
8 Agreements.

9
10 **Witness)** Travis A. Siewert

Big Rivers Electric Corporation
Case No. 2012-00535

BIG RIVERS ELECTRIC CORPORATION
REVISION TO CWB-7, PROPOSED JOURNAL ENTRIES

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Journal Entry 1 - Record Value Received from WKE Parties

	<u>DR</u>	<u>CR</u>	
131.10000 Cash General Fund	387,675,000.00		Transaction Termination Agreement
253.20000 Deferred Credit - Lease Income	11,222,201.63		Section 3.3 (a)
253.25000 Deferred Credit - Cap Asset Residual Value	55,042,016.94		Exhibit B, Section 2.1
253.25100 Deferred Credit - Incremental Residual Value	86,313,604.26		Exhibit B, Section 2.1 & 2.4
224.14100 LEM Settlement Promissory Note	15,659,261.00		Exhibit B, Section 2.1 & 2.4
101.0312C Boiler Plant Equipment - Clean Air - Coleman	98,520,087.44		Exhibit B, Section 2.1 & 2.4
101.0316_ Miscellaneous Power Plant Equipment (Personal Property)	5,745,000.00		Section 3.3 (a)
151.00000 Fuel Stock	31,444,000.00		Section 3.3 (a)
154.00000 Plant Materials and Operating Supplies	13,847,000.00		Section 3.3 (a)
174.10000 Miscellaneous Asset - Allowances Receivable	1,960,000.00		Section 8.2 (d)
186.50000 Deferred Debit - Marketing PMT/Settlement		15,068,000.00	Exhibit B Section 2.1 & 2.4
232.00000 Accounts Payable - Smelter Payment - Assurances Agreement		1,525,000.00	Financial Model Line 167
253.00000 Deferred Credit - Member Economic Reserve		157,000,000.00	Financial Model Line 169
434.00000 Extraordinary Income		533,835,171.27	
Total	<u>707,428,171.27</u>	<u>707,428,171.27</u>	

Journal Entry 2 - Record Payment to the RUS and Smelters

	<u>DR</u>	<u>CR</u>	
224.35000 RUS New Note	147,004,256.96		Financial Model Line 166
232.00000 Accounts Payable - Smelter Payment - Assurances Agreement	1,525,000.00		Coordination Agreements Section 3.3
253.35000 Deferred Credit - Century Excess Reactive Power	99,967.58		Financial Model Line 167
253.36000 Deferred Credit - Alcan Excess Reactive Power	102,032.42		Financial Model Line 167
435.00000 Extraordinary Deductions	7,000,000.00		Financial Model Line 170
131.10000 Cash General Fund		155,731,256.96	
Total	<u>155,731,256.96</u>	<u>155,731,256.96</u>	

Journal Entry 3 - Establish Special Funds and Recognize Tax Asset

	<u>DR</u>	<u>CR</u>	
190.10000 Accumulated Deferred Income Taxes	1,336,386.78		Financial Model Line 167
128.70000 Other Special Funds - Member Economic Reserve	157,000,000.00		Wholesale Electric Agreements Section 1.1.34
128.80000 Other Special Funds - Member Transition Reserve	35,000,000.00		Wholesale Electric Agreements Section 1.1.119
131.10000 Cash General Fund		193,336,386.78	
Total	<u>193,336,386.78</u>	<u>193,336,386.78</u>	

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 54)** *Please indicate if Big Rivers has retained bankruptcy*
2 *counsel and/or the services of other outside professional advisors to*
3 *address restructuring options. If so, please provide the dates at*
4 *which it did so and provide a copy of the purchase orders and*
5 *contracts.*

6

7 **Response)** Big Rivers objects to this request on the grounds that it is
8 irrelevant and seeks information that is protected by the attorney-client and
9 attorney work product privileges.

10

11 **Witness)** Counsel

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 55)** *Please provide the actual cost by month by firm and by*
2 *RUS account incurred by Big Rivers for bankruptcy counsel and/or the*
3 *services of other outside professional advisors to address*
4 *restructuring options from January 2011 through the most current*
5 *month for which actual information is available. This request should*
6 *be considered continuing in nature and the amounts for each*
7 *subsequent month provided as actual information is available.*

8

9 **Response)** Big Rivers objects to this request on the grounds that it is
10 irrelevant and seeks information that is protected by the attorney-client and
11 attorney work product privileges. To the extent this request seeks
12 continuous or ongoing updates, Big Rivers also objects on the grounds that
13 it is overbroad and unduly burdensome.

14

15 **Witness)** Counsel

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 56)** *Please provide the projected cost by month for bankruptcy*
2 *counsel and/or the services of other outside professional advisors to*
3 *address restructuring options included in the Company's financial*
4 *model presented by Mr. Siewert from January 2013 through the end*
5 *of the forecast period.*

6

7 **Response)** Big Rivers objects to this request on the grounds that it seeks
8 information that is protected by the attorney-client and attorney work
9 product privileges.

10

11 **Witness)** Counsel

BIG RIVERS ELECTRIC CORPORATION

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

**Response Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 57)** *Please provide the projected cost by month for bankruptcy*
2 *counsel and/or the services of other outside professional advisors to*
3 *address restructuring options included in the Company's test year*
4 *cost of service presented by Mr. Wolfram.*

5

6 **Response)** Big Rivers objects to this request on the grounds that it is
7 irrelevant and seeks information that is protected by the attorney-client and
8 attorney work product privileges.

9

10 **Witness)** Counsel

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 58)** *Please provide a live functional copy of the Company's*
2 *financial model used to prepare Exhibit Siewert-2. In addition, please*
3 *provide a copy of all assumptions and support for the inputs used in*
4 *the financial model, including computations and other live functional*
5 *versions of the electronic workpapers used for this purpose.*

6

7 **Response)** Big Rivers objects to this request on the grounds that it is overly
8 broad and unduly burdensome. Notwithstanding these objections, but
9 without waiving them, please refer to the electronic attachments to the
10 response to PSC 1-57 and the response to AG-239.

11

12 **Witness)** Travis A. Siewert

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 59)** *Please provide a live functional copy of all of the*
2 *Company's work papers, schedules, and exhibits. In addition, please*
3 *provide a copy of all assumptions and support for the inputs into*
4 *these workpapers, schedules, and exhibits, including computations*
5 *and live functional versions of the electronic workpapers used for this*
6 *purpose.*

7
8 **Response)** Big Rivers objects to this request on the grounds that it is overly
9 broad and unduly burdensome. Notwithstanding these objections, but
10 without waiving them, please refer to the electronic attachments to the
11 response to PSC 1-57 and the response to AG-239.

12
13 **Witness)** Travis A. Siewert

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s,
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 60) *Indicate whether the Smelter Notices of Termination, the***
2 ***recent downgrades of Big Rivers to below investment grade by the***
3 ***three credit rating agencies or any other event or circumstance has***
4 ***resulted in, or will likely result in, a request by MISO for a***
5 ***modification in payment terms or for third party credit assurances?***
6 ***If so, provide all correspondence or other exchange of information***
7 ***detailing any such demand or request by MISO. This data request***
8 ***remains active throughout this proceeding. If Big Rivers produces or***
9 ***obtains any further or supplemental documents or information***
10 ***subsequent to the preparation and service of Big Rivers' responses.***

11

12 **Response)** Big Rivers objects to this request on the grounds that it cannot
13 speculate as to whether a certain event “will likely result in” a specific action
14 by MISO. Notwithstanding this objection, but without waiving it, Big Rivers
15 states as follows.

16 The recent credit rating downgrades resulted in Big Rivers being
17 required to post an additional \$3 million letter of credit with MISO. Please
18 see the attached documents.

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

**Case No. 2012-00535
Response to KIUC 1-60
Witness: Billie J. Richert
Page 1 of 2**

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s,
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1

2 **Witness)** Billie J. Richert



Nathan Falkmann
Analyst, Credit & Risk Management
11/21/12 4:43
n.falkmann@miso.org

February 8, 2013

Billie Richert
BIG RIVERS ELECTRIC CORPORATION
201 Third Street
Henderson, KY 42419

Re: Creditworthiness Assessment

Dear Billie:

MISO recently completed an assessment of the creditworthiness of BIG RIVERS ELECTRIC CORPORATION in accordance with the provisions of the MISO Credit Policy (Attachment L of the Transmission, Energy and Operating Reserve Markets Tariff).

Based on this assessment, MISO has reduced the Unsecured Credit Limit from \$4,500,000 to \$2,300,000 for BIG RIVERS ELECTRIC CORPORATION.

Please do not hesitate to contact me if I may provide you with any additional information.

Sincerely,

Nathan Falkmann

Nathan Falkmann
Analyst, Credit & Risk Management

Billie Richert

From: Nathan Falkmann <nfalkmann@misoenergy.org>
Sent: Friday, February 08, 2013 2:56 PM
To: Billie Richert
Cc: Ralph Ashworth; Nicholas R. Castlen
Subject: RE: Notification to MISO re: downgrades of any debt rating and issuer rating per the MISO Credit Policy - Page 16
Attachments: BIG RIVERS ELECTRIC CORPORATION 2-8-13 Credit Assessment.pdf

Billie

Thanks, this notification of the downgrades satisfies the tariff requirement for Big Rivers to do so.

Good to speak with you today, as discussed, please see the attached letter formalizing MISO Credit's \$2,300,000 unsecured credit approval for Big Rivers Electric Corp (herein referred to as "BRPS") effective tomorrow, February 9, 2013.

Summarizing our phone conversation earlier today

- The main reason for the scoring model recommendation decreasing to a \$2.3M unsecured credit limit was the rating downgrade.
- In addition to the \$2.3M unsecured credit limit (which can only be used to cover Non-FTR exposure), BRPS has a \$2M Letter of Credit with MISO, which first must be used to cover FTR exposure (that currently includes a \$1.6M FTR Auction Allocation for which BRPS can request be reduced for the purpose of lowering BRPS' exposure).
- The \$2.3M unsecured credit limit and any remaining financial security is then used to cover Non-FTR exposure.
- MISO Credit will contact BRPS on March 25, 2013 to assess the FYE12 Audit and reassess BRPS' \$2.3M unsecured credit limit.
- Per your request and in an effort to assist Big Rivers determine whether additional financial security should be posted, I've included below the 57 days out of the past 365, with which BRPS would have been in a Margin Call had Big Rivers only had a \$2.3M Unsecured Credit Limit in addition to the \$2M Letter of Credit.
 - Below BRPS can see the largest Margin Call would have been May 8, 2012 for \$2.68M.
 - Also note there were no dates in the past year, with which the \$2M Letter of Credit was insufficient to cover FTR exposure.
 - You can also see that the largest FTR exposure in the past 365 days was \$366K on April 28, 2012, indicating the \$1.6M FTR Auction Allocation is probably too high for Big River's needs.
 - If the \$1.6M FTR Auction Allocation were reduced, this would increase Big River's overall ability to cover their exposures without Big River's posting additional financial security.

Source Date	FTR Auction Allocation	Total FTR TPE	Letter of Credit	Remaining Financial Security	Unsecured Credit Lin
11/3/2012	\$1,600,000	\$125,390	\$2,000,000	\$274,610	\$2,300,000
10/30/2012	\$1,600,000	\$153,959	\$2,000,000	\$246,041	\$2,300,000
10/29/2012	\$1,600,000	\$177,548	\$2,000,000	\$222,452	\$2,300,000
10/28/2012	\$1,600,000	\$180,051	\$2,000,000	\$219,949	\$2,300,000
10/27/2012	\$1,600,000	\$111,335	\$2,000,000	\$288,665	\$2,300,000
10/26/2012	\$1,600,000	\$112,439	\$2,000,000	\$287,561	\$2,300,000
10/25/2012	\$1,600,000	\$110,181	\$2,000,000	\$289,819	\$2,300,000
10/24/2012	\$1,600,000	\$0	\$2,000,000	\$400,000	\$2,300,000
10/23/2012	\$1,600,000	\$0	\$2,000,000	\$400,000	\$2,300,000
10/22/2012	\$1,600,000	\$0	\$2,000,000	\$400,000	\$2,300,000
10/21/2012	\$1,600,000	\$0	\$2,000,000	\$400,000	\$2,300,000
5/15/2012	\$1,600,000	\$0	\$2,000,000	\$400,000	\$2,300,000
5/14/2012	\$1,600,000	\$0	\$2,000,000	\$400,000	\$2,300,000
5/13/2012	\$1,600,000	\$0	\$2,000,000	\$400,000	\$2,300,000
5/12/2012	\$1,600,000	\$0	\$2,000,000	\$400,000	\$2,300,000
5/11/2012	\$1,600,000	\$0	\$2,000,000	\$400,000	\$2,300,000

5/10/2012	\$1,600,000	\$0	\$2,000,000	\$400,000	\$2,300,000
5/9/2012	\$1,600,000	\$0	\$2,000,000	\$400,000	\$2,300,000
5/8/2012	\$1,600,000	\$0	\$2,000,000	\$400,000	\$2,300,000
5/7/2012	\$1,600,000	\$0	\$2,000,000	\$400,000	\$2,300,000
5/6/2012	\$1,600,000	\$0	\$2,000,000	\$400,000	\$2,300,000
5/5/2012	\$1,600,000	\$115,113	\$2,000,000	\$284,887	\$2,300,000
5/4/2012	\$1,600,000	\$115,654	\$2,000,000	\$284,346	\$2,300,000
5/3/2012	\$1,600,000	\$119,427	\$2,000,000	\$280,573	\$2,300,000
5/2/2012	\$1,600,000	\$126,025	\$2,000,000	\$273,975	\$2,300,000
5/1/2012	\$1,600,000	\$358,050	\$2,000,000	\$41,950	\$2,300,000
4/30/2012	\$1,600,000	\$360,213	\$2,000,000	\$39,787	\$2,300,000
4/29/2012	\$1,600,000	\$363,554	\$2,000,000	\$36,446	\$2,300,000
4/28/2012	\$1,600,000	\$365,972	\$2,000,000	\$34,028	\$2,300,000
4/27/2012	\$1,600,000	\$2,746	\$2,000,000	\$397,254	\$2,300,000
4/26/2012	\$1,600,000	\$5,225	\$2,000,000	\$394,775	\$2,300,000
4/25/2012	\$1,600,000	\$7,052	\$2,000,000	\$392,948	\$2,300,000
4/24/2012	\$1,600,000	\$0	\$2,000,000	\$400,000	\$2,300,000
4/23/2012	\$1,600,000	\$0	\$2,000,000	\$400,000	\$2,300,000
4/22/2012	\$1,600,000	\$0	\$2,000,000	\$400,000	\$2,300,000
4/21/2012	\$1,600,000	\$0	\$2,000,000	\$400,000	\$2,300,000
3/21/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000
3/20/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000
3/19/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000
3/18/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000
3/17/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000
3/16/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000
3/15/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000
3/14/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000
3/13/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000
3/12/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000
3/11/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000
3/10/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000
3/9/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000
3/8/2012	\$1,000,000	\$90,986	\$2,000,000	\$909,014	\$2,300,000
2/15/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000
2/14/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000
2/13/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000
2/12/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000
2/11/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000
2/10/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000
2/9/2012	\$1,000,000	\$0	\$2,000,000	\$1,000,000	\$2,300,000

Feel free to call or email me should you have questions or if I can be of any assistance.

Best Regards

Nathan Falkmann
Credit & Risk Management
MISO | P.O. Box 4202 | Carmel, IN 46082-4202
317.249.5103 (d) 317.249.5899 (f)
www.misoenergy.org

For UPS or FedEx, please send to:
720 City Center Drive Carmel, IN 46032

From: Billie Richert [<mailto:Billie.Richert@bigrivers.com>]
Sent: Thursday, February 07, 2013 6:46 PM
To: Nathan Falkmann
Cc: Ralph Ashworth; Nicholas R. Castlen
Subject: Notification to MISO re: downgrades of any debt rating and issuer rating per the MISO Credit Policy - Page 16
Importance: High

Nathan,

Per the MISO Credit Policy, page 16, each tariff customer is responsible for notifying MISO of a downgrade to any debt rating and issuer rating within five (5) business days. Please refer to the attached ratings from Fitch, Moody's and S&P in response to this requirement. I'd like to speak with you tomorrow if you are available. In addition, if I should forward this information to another person within MISO, please let me know.

Thank you.

Billie

From: Nathan Falkmann [<mailto:nfalkmann@misoenergy.org>]
Sent: Thursday, January 31, 2013 1:34 PM
To: Billie Richert
Subject: MISO Credit's Review of Big Rivers Electric Corp's 12/31/11 Results

Billie

Please see the attached letter formalizing MISO Credit's \$4,500,000 unsecured credit approval for Big Rivers Electric Corp (herein referred to as "BRPS") effective tomorrow, February 1, 2013.

Summarizing the Q&A during our phone conversation earlier today

- The main reason for the scoring model recommendation decreasing to \$4.5M at 12/31/11 was CPLTD increasing from \$7.4M at 12/31/10 to \$72M at 12/31/11.
- In addition, to the \$4.5M unsecured credit limit (which can only be used to cover Non-FTR exposure), BRPS has a \$2M Letter of Credit with MISO, which first must be used to cover FTR exposure (that currently includes a \$1.6M FTR Auction Allocation for which BRPS can request be reduced for the purpose of lowering BRPS' exposure).
- The \$4.5M unsecured credit limit and any remaining financial security is then used to cover Non-FTR exposure.
- BRPS' max trailing 12 month total potential exposure (does not include FTR Auction Allocation) was \$5.9M on March 13, 2012.
- MISO Credit will contact BRPS on March 25, 2013 to assess the FYE12 Audit and reassess BRPS' \$4.5M unsecured credit limit.

Feel free to call or email me should you have questions or if I can be of any assistance.

Best Regards
Nathan Falkmann
Credit & Risk Management
MISO | P.O. Box 4202 | Carmel, IN 46082-4202
317.249.5103 (d) 317.249.5899 (f)
www.misoenergy.org

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Billie Richert

From: Nathan Falkmann <nfalkmann@misoenergy.org>
Sent: Monday, February 11, 2013 1:39 PM
To: Billie Richert
Subject: RE: Conference call today

Billie

3pm EST works for me, but bear in mind I am still relatively new here at MISO and my colleagues are in meeting during this time. I will probably be able to answer most of their questions but may need to touch base with my coworkers after the meeting if there are any outstanding items.

Regards

Nathan Falkmann
Credit & Risk Management
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www.misoenergy.org

For UPS or FedEx, please send to:
720 City Center Drive Carmel, IN 46032

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Monday, February 11, 2013 2:32 PM
To: Nathan Falkmann
Subject: RE: Conference call today

Nathan,

Energy Services staff are looking for specifics as to the best way to provide financial security for our FTR and Non-FTR exposure so we don't encounter any emergency margin calls. How about 2:00 CST which is 3:00 EST? Does this work for you?

I'm still trying to confirm with Energy Services but wanted to give you a heads up.

Thanks,

Billie

From: Nathan Falkmann [mailto:nfalkmann@misoenergy.org]
Sent: Monday, February 11, 2013 8:29 AM
To: Billie Richert
Subject: RE: Conference call today

Billie

Early afternoon works, but would you mind providing the items covered so I am prepared to answer?

Regards

Nathan Falkmann
Credit & Risk Management
MISO | P.O. Box 4202 | Carmel, IN 46082-4202
317.249.5103 (d) 317.249.5899 (f)
www.misoenergy.org

For UPS or FedEx, please send to:
720 City Center Drive Carmel, IN 46032

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Monday, February 11, 2013 8:58 AM
To: Nathan Falkmann
Subject: Conference call today

Nathan,
Good morning. Do you have time for a conference call with us today; early afternoon?

Thank you.

Billie Richert, CPA, CFTP

VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

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Billie Richert

From: Nathan Falkmann <nfalkmann@misoenergy.org>
Sent: Tuesday, February 12, 2013 8:06 AM
To: Billie Richert
Subject: RE: Thank you

Billie

You're welcome, I hope to provide the follow-up items as well as a FTR Auction Allocation and Financial Security recommendation by end of business today.

Regards

Nathan Falkmann
Credit & Risk Management
MISO | P.O. Box 4202 | Carmel, IN 46082-4202
317.249.5103 (d) 317.249.5899 (f)
www.misoenergy.org

For UPS or FedEx, please send to:
720 City Center Drive Carmel, IN 46032

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Tuesday, February 12, 2013 9:01 AM
To: Nathan Falkmann
Subject: Thank you

Nathan,

Thank you very much for your time today. We look forward to continuing our discussions. We really appreciate your help.

Have a great day.

Billie Richert, CPA, CFP

VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

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Billie Richert

From: Nathan Falkmann <nfalkmann@misoenergy.org>
Sent: Tuesday, February 12, 2013 11:19 AM
To: Billie Richert; Bob Berry; Lindsay Barron; Michael Mattox; Mike Thompson
Subject: RE: Call with Nathan Falkmann - MISO
Attachments: FTR Auction Participation.pdf

All

Good to speak with each of you earlier today. Per your request, I have attempted to address all of the follow up items as well as provide a recommendation. Feel free to call or email me with additional questions.

Cash Collateral Agreement

I was not able to locate a cash collateral agreement in Big Rivers' file. Therefore, here is a link to a [cash collateral agreement](#), but please remember that if Big Rivers decides to post additional financial security, Big Rivers can amend their \$2M Letter of Credit in place of posting cash collateral.

FTR Auction Allocation

Market Participants' bids can be rejected should the FTR Auction Allocation prove insufficient as described in the Credit Policy located at <https://www.midwestiso.org/Library/Repository/Tariff%20Documents/Attachment%20L.pdf> or more specifically in the attached except of the Credit Policy (beginning with 4) and ending at 5)).

Gross FTR Auction Bids (Value of Successful & Unsuccessful Bids)

The largest FTR Gross Bid value was \$838,958.43 and occurred April 20, 2012.

365 Day History of Margin Calls Cured within 2 Business Days

Of the 57 days in the past 365 for which a \$2M Letter of Credit and a \$2.3M unsecured credit limit was not sufficient to cover exposure, only 1 day (November 3, 2012) would the call have been cured within 2 business days, due to exposure falling. This is not to say that exposure did not fall from one day to the next within the 57 day period, but to say that exposure did not fall to a level that would cure the margin call.

Recommendation

Taking into account Big River's preference to enter into Margin Calls / Warnings as little as possible, my recommendation (table below) is

- Reducing the FTR Auction Allocation to the largest FTR Gross Bid value of \$838,958.43 plus
- The sum of the max Non-FTR and FTR exposures Big Rivers has had throughout the entire history with MISO
- Less Big Rivers \$2.3M unsecured credit limit
- Less Big Rivers \$2M Letter of Credit.

	Max	Date
Reduce FTR Auction Allocation to	\$838,958.43	
Non-FTR Exposure	\$5,931,545.18	3/13/12
FTR Exposure	\$483,175.46	1/5/11
Unsecured Credit Limit	\$2,300,000.00	
Letter of Credit	\$2,000,000.00	
Recommend Additional Financial Security	\$2,953,679.07	

Regards

Nathan Falkmann

Credit & Risk Management

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-----Original Appointment-----

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]

Sent: Monday, February 11, 2013 5:28 PM

To: Nathan Falkmann; Bob Berry; Lindsay Barron; Michael Mattox; Mike Thompson

Subject: Call with Nathan Falkmann - MISO

When: Tuesday, February 12, 2013 8:30 AM-9:00 AM (GMT-05:00) Eastern Time (US & Canada).

Where: Bob's Office

We will call Nathan from Bob's office. 317-249-5103

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BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 61) *Indicate whether the Smelter Notices of Termination, the***
2 ***recent downgrades of Big Rivers to below investment grade by the***
3 ***three credit rating agencies or any other event or circumstance has***
4 ***resulted in, or will likely result in, a request by any of Big Rivers'***
5 ***current or potential coal suppliers, coal transportation suppliers,***
6 ***other fuel supplier or other trade creditors for a modification in***
7 ***payment terms or for third party credit assurances? If so, provide all***
8 ***correspondence or other exchange of information detailing any such***
9 ***demand or request by each such party demanding or requesting a***
10 ***modification. This data request remains active throughout this***
11 ***proceeding. If BREC produces or obtains any further or supplemental***
12 ***documents or information subsequent to the preparation and service***
13 ***of BREC's responses hereto, please provide such documents or***
14 ***information as part of a supplemental response.***

15
16 **Response)** Big Rivers objects to this request on the grounds that it cannot
17 speculate as to whether a certain event "will likely result in" a specific action
18 by a third party. Notwithstanding this objection, but without waiving it, Big
19 Rivers states that, to date, it has received no request for credit enhancement
20 from any of its fuel and/or transportation suppliers. There are three coal
21 supply contracts which contain a specific section referring to Buyer's Credit
22 and the ability for the coal supplier to request additional credit
23 enhancements (letter of credit, guaranty, etc.). To date, the coal suppliers

**Case No. 2012-00535
Response to KIUC 1-61
Witness: Robert W. Berry
Page 1 of 2**

BIG RIVERS ELECTRIC CORPORATION

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February 28, 2013

1 have not exercised such request for credit enhancement; however, the
2 suppliers have elected to retain the right to exercise such credit
3 enhancement at a future date.

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

9

10 **Witness)** Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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February 28, 2013

1 **Item 62) *Indicate whether the Smelter Notices of Termination, the***
2 ***recent downgrades of Big Rivers to below investment grade by the***
3 ***three credit rating agencies or any other event or circumstance has***
4 ***resulted in, or will likely result in, a request by any of Big Rivers'***
5 ***current or potential counterparties to wholesale power contracts for a***
6 ***modification in payment terms or for third party credit assurances?***
7 ***If so, provide all correspondence or other exchange of information***
8 ***detailing any such demand or request by each such counterparty***
9 ***demanding or requesting a modification. This data request remains***
10 ***active throughout this proceeding. If BREC produces or obtains any***
11 ***further or supplemental documents or information subsequent to the***
12 ***preparation and service of BREC's responses hereto, please provide***
13 ***such documents or information as part of a supplemental response.***

14

15 **Response)** Big Rivers objects to this request on the grounds that it cannot
16 speculate as to whether a certain event "will likely result in" a specific action
17 by a third party. Notwithstanding this objection, but without waiving it, Big
18 Rivers states as follows. The terms of a particular agreement specify what
19 event(s) could result in a request for modification in payment terms or
20 additional credit assurances. Except as noted in the Response to KIUC 1-
21 60, Big Rivers has not received any such requests for modification in
22 payment terms or additional credit assurances. While an agreement may

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1 give a counterparty certain rights, Big Rivers cannot speculate on whether a
2 counterparty may nor may not act upon those rights.

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

8

9 **Witness)** Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION

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

**Response to Kentucky Industrial Utility Customers, Inc.'s
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February 28, 2013

1 **Item 63) Please provide a description of each of the effects in the**
2 **event that Big Rivers receives a “going concern” qualification from**
3 **KPMG in its audit opinion on the Company’s 2012 financial**
4 **statements. These potential effects may include, but are not limited**
5 **to: accounting entries to reflect revaluations of assets and liabilities,**
6 **accounting entries to reflect income statement reclassifications**
7 **and/or writeoffs/writedowns, credit and loan agreement triggers**
8 **and/or events of default, unavailability of funds under existing credit**
9 **and loan agreements, etc. Cite to specific provisions of GAAP, the**
10 **credit and loan agreements, and other relevant documents.**

11

12 **Response)** Big Rivers objects to this request on the grounds that it is overly
13 broad and unduly burdensome. Notwithstanding this objection, but
14 without waiving it, Big Rivers states that its audit for fiscal year 2012 is in
15 progress. At this time, Big Rivers does not expect that KPMG will issue a
16 “going concern” qualification; however, the result of the audit will not be
17 final until KPMG issues its audit opinion. In the event Big Rivers receives a
18 “going concern” qualification, the possible effects include causing an event
19 of default pursuant to Sections 5.01 C (i) and 6.01 B of the CFC secured
20 loan agreement, Section 6.01(a) of the CoBank secured loan agreement, and
21 Section 6.01 of the CoBank revolver loan agreement. It may also result in
22 an event of default pursuant to Section 5.01 D of the CFC Revolver loan

BIG RIVERS ELECTRIC CORPORATION

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**Response to Kentucky Industrial Utility Customers, Inc.'s
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February 28, 2013

1 agreement if the audit result is not "in form and substance satisfactory to
2 CFC."

3

4 **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 Kentucky Industrial Utility Customers, Inc.'s
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Dated February 14, 2013**

February 28, 2013

1 **Item 64)** *Provide an electronic copy of BREC's cost of service study*
2 *and workpapers with formulas intact in Excel format.*

3

4 **Response)** Please see the response to PSC 1-57.

5

6 **Witness)** John Wolfram

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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Dated February 14, 2013**

February 28, 2013

1 **Item 65) Please see the testimony of BREC Witness Wolfram at**
2 **pages 33 and 34.**

3

4 **a. Provide an analysis of allocated costs, with specific**
5 **reference to the cost of service study, that shows that the**
6 **proposed energy charge approximates BREC's annual**
7 **production cost on a per-unit basis.**

8 **b. Explain how non-fuel production costs were allocated**
9 **between fixed and variable components, and further**
10 **explain whether the production allocators in the cost of**
11 **service study in this rate case remain unchanged from the**
12 **production allocators used in BREC's prior base rate case.**
13 **If the production allocators have been changed, please**
14 **explain the reason for such change.**

15 **c. Indicate whether fixed production costs and fixed**
16 **transmission costs, or either of them, were included in the**
17 **determination of the proposed energy charge. If fixed**
18 **costs of production or transmission are included in the**
19 **costs underlying the proposed energy rates, explain the**
20 **rationale for including non-variable charges in the**
21 **proposed energy rates.**

22 **d. Calculate and provide a revised set of proposed demand**
23 **charges and energy charges for the Rural and Industrial**

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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**Response to Kentucky Industrial Utility Customers, Inc.'s
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Dated February 14, 2013**

February 28, 2013

1 *Classes that is consistent with the cost allocations set*
2 *forth in the cost of service study and that reflects a rate*
3 *design where all of Big Rivers' fixed operational and*
4 *maintenances costs, including administrative and general*
5 *costs, are included in the proposed demand components*
6 *for each rate class.*

7
8 **Response)**

- 9
- 10 a. Please see the response to PSC 2-34. The analysis of allocated
11 costs is included in the cost of service study ("COSS") provided
12 in Exhibit Wolfram-3 and Exhibit Wolfram-4.
- 13 b. In the COSS in this case, the production costs are classified on
14 the same basis as they were in Big Rivers' last rate case, Case
15 No. 2011-00036. The classification of production O&M costs
16 are shown in Exhibit Wolfram-3, beginning on Page 3 of 14.
17 The accounts classified with the "PROFIX" vector are classified
18 entirely to Production Demand (or as fixed costs) and the
19 accounts classified with the "Energy" vector are classified
20 entirely to Production Energy (or as variable costs), consistent
21 with the FERC Predominance Methodology. The only accounts
22 classified to Production Energy (or as "variable") include 501 -
23 Fuel, 509 - Allowances, 510 - Maintenance Supervision &

BIG RIVERS ELECTRIC CORPORATION

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1 Engineering, 512 - Maintenance of Boiler Plant, and 513 -
2 Maintenance of Electric Plant. Account 555 - Purchased Power
3 was allocated to Production Energy, as was the energy-related
4 portion of purchased power associated with Big Rivers' share of
5 HMP&L Station Two.

6 c. Fixed costs for production and transmission were not included
7 in the determination of the proposed energy charge.

8 d. All of Big Rivers' fixed operational and maintenance costs,
9 including fixed administrative and general costs, are included in
10 the proposed demand components for each rate class. The
11 models necessary to perform any additional rate calculations
12 were provided in electronic form with formulas intact in the file
13 entitled "Big Rivers 2013 Cost of Service Study Confidential.xls"
14 in response to PSC 1-57.

15

16 **Witness)** John Wolfram