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NEWS RELEASE

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PSC Denies Interim Rate Increase to Big Rivers Electric Corp. *Utility did not prove need for emergency rate relief*

FRANKFORT, Ky. (May 27, 2009) – The Kentucky Public Service Commission (PSC) today denied a request by Big Rivers Electric Corp. for an immediate increase of 21.6 percent in the price of electricity it provides to three electric cooperatives in western Kentucky.

While acknowledging that Big Rivers is in a difficult financial position, the PSC said the utility had not proven it needs the interim rate increase at this time. The utility has an available short-term line of credit and has not fully explored other short-term loans for raising the cash it needs to make debt payments, the PSC said in an order issued today.

Big Rivers filed for the rate increase in March and asked that the rates take effect April 1. The PSC typically delays the effective date for new rates for at least five months while it reviews the application.

In its application, Big Rivers said it will have insufficient cash by the end of the year and will not be able to make two debt payments totaling \$28.2 million. Putting the higher rates into effect April 1 was intended to give Big Rivers an additional \$16.6 million in income this year.

But Big Rivers also said it would withdraw its application for both an interim and a permanent rate increase if it completes a complex transaction to regain control of its power plants. Since 1998, when Big Rivers emerged from bankruptcy, the company that is now E.ON U.S. has leased and operated four electric generating plants owned or controlled by Big Rivers Electric Corp.

If the “unwinding” of the lease is completed, E.ON will provide more than \$800 million in cash payments, asset transfers and other benefits to Big Rivers to improve the electric cooperative’s financial condition.

On the other hand, Big Rivers testified it would need to permanently raise its rates by at least the 21.6 percent it requested if the unwind does not close.

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The cash payments at the completion of the unwind would improve Big Rivers' financial condition, the PSC said, noting that Big Rivers has said it is optimistic that the unwind transaction will be completed.

The PSC also noted that at a March 29 hearing, Big Rivers provided evidence that even without the cash infusion from the unwind transaction, it would be able to make its debt payments and have cash on hand if the rate increase were delayed until August 1.

Moreover, Big Rivers has other potential sources of credit it could use to meet its debt obligations and maintain cash reserves in the short term, the PSC said.

The PSC dismissed the request for an immediate rate increase "at this time without prejudice," meaning that Big Rivers can renew the request for an interim rate increase at any time. Meanwhile, the PSC will continue the normal process of reviewing Big Rivers' application for a permanent rate increase in the event that the unwind transaction is not completed.

Big Rivers is owned by and provides electric power to three electric distribution cooperatives – Kenergy Corp., Meade County Rural Electric Cooperative Corp., and Jackson Energy Corp. Together, the three cooperatives have 110,000 customers in 22 counties in western Kentucky.

After it is passed through to retail customers, a 21.6 percent increase in Big Rivers' wholesale rates would translate into an increase of \$9 to \$12 in the average monthly bill for a residential customer served by the three distribution cooperatives.

Today's order and other documents in this and related cases are available on the PSC Web site, psc.ky.gov. The Big Rivers rate case is case number 2009-00040. The accompanying pass-through cases for the three distribution cooperatives are 2009-00060 (Kenergy), 2009-00073 (Meade County) and 2009-00087 (Jackson Purchase). The unwind transaction is case number 2007-00455.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.