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May 11, 2006

RECEIVED

MAY 12 2006

PUBLIC SERVICE
COMMISSION

Via Federal Express

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: In the Matter of: Big Rivers Electric Corporation's
Notice of Intent to Reduce Revenue
PSC Case No. 2006-00137

Dear Ms. O'Donnell:

Enclosed are an original and five copies of the response of Big Rivers Electric Corporation to the First Data Request of Commission Staff to Big Rivers Electric Corporation dated April 28, 2006, in the above styled matter. I certify that I have served a copy of this response upon the attached service list. Please call if you have any questions.

Sincerely yours,



Tyson Kamuf

TAK/ej
Enclosures

cc: Michael H. Core
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Service List

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SERVICE LIST
CASE NO. 2006-00137

Elizabeth Blackford, Esq.
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Office of Rate Intervention
1024 Capital Center Drive
Frankfort, KY 40601

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION
OF KENTUCKY**

RECEIVED

MAY 12 2006

In the Matter of:

**PUBLIC SERVICE
COMMISSION**

**BIG RIVERS ELECTRIC CORPORATION'S)
NOTICE OF INTENT TO REDUCE REVENUE) CASE NO.
2006-00137**

**BIG RIVERS ELECTRIC CORPORATION'S RESPONSE
TO THE FIRST DATA REQUEST OF THE COMMISSION
STAFF TO ORDER OF APRIL 28, 2006**

May 11, 2006

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE COMMISSION STAFF'S FIRST DATA REQUEST
ADMINISTRATIVE CASE NO. 2006-00137
MAY 11, 2006

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Item 1) Refer to the Application, page 3, item 8. Big Rivers states that it has signed a letter of intent with E.ON. U.S. LLC, formerly known as LG&E Energy LLC, and certain of its subsidiaries or affiliates to pursue terminating the various arrangements regarding operational control of Big Rivers' power plants and ownership of the electricity generated by them.

a) Provide the anticipated time-frame for completing the transaction to terminate the agreements.

b) Has Big Rivers performed an analysis to determine whether its existing rates will provide sufficient revenue to pay all its costs, service the debt, and provide a positive margin if the transaction to terminate the agreements is closed?

(1) If yes, provide the analysis and all supporting workpapers.

(2) If no, explain why such an analysis has not been performed.

Response) a) Based upon the latest information, Big Rivers does not believe the unwind transaction can close earlier than the first quarter of 2007. Big Rivers has not yet entered into definitive documents on the basis of which the E.ON U.S. transaction can be unwound.

b) Big Rivers has done, and continues to perform analyses of what Big Rivers wholesale rates would be following an unwind of its transaction with E.ON U.S. under various assumptions. The analyses of Big Rivers' rates going forward has not been finalized because a number of issues that could affect rates continue to be refined. If the unwind transaction progresses, when Big Rivers files with the Commission, it will file all the information requested by the Commission in this item. Until then, Big Rivers would request that it not be required to file information out of its ongoing and changing analyses.

Witness) C. William Blackburn

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Item 2) Provide a schedule of capital projects Big Rivers intends to initiate during 2006 and 2007, assuming Big Rivers regains control of its power plants by December 31, 2006. For each project listed include a description of the project, the total estimated cost, and how Big Rivers intends to fund the project.

Response) Big Rivers plans regarding capital projects following an unwind are still in flux, and are still under study. Much of what Big Rivers intends to initiate in 2006 and 2007 is dependant on the timing of the unwind closing. These plans will also be finalized and filed with the Commission with any request for approval of an unwind transaction. As for future financing of capital projects following an unwind, Big Rivers currently contemplates that projects in the first two years after an unwind would be financed with a combination of current cash flows and proceeds received by Big Rivers from the unwind transaction. Big Rivers requests that it not be required to file information out of its ongoing analyses at this time.

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Item 3) Provide a schedule of any significant operating expenses that Big Rivers anticipates incurring during 2006 and 2007 that were not incurred in 2005. For each expense listed include a description of the expense, the total estimated expense, and how Big Rivers intends to fund the expense.

Response) Big Rivers expects its level of operating expenses in 2006 and 2007 until the unwind transaction closing date to be essentially the same as its operating expenses in 2005. Transmission capital additions for 2006 and 2007 would however, represent cost differences from 2005. A list of Big Rivers' Transmission Capital Projects is attached. The cost of adding the transmission improvements would be funded by internally generated funds absent the unwind transaction. However, those additions will be necessary with or without the unwind transaction.

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2006 Capital Construction

Cumberland Resources 69 kV Line (7 miles)	\$ 900,000
KB Alloys Switching	75,000
Meade Co. 161 kV Line (18 miles)	
CPCN received from KPSC	3,000,000
LG&E (KU) 345 kV Interconnection	3,000,000
Wilson EHV RTU	65,000
Hard-Cloverport (LG&E) PL Corner	60,000
Hard #1 RC Switch	40,000
Meade Co. 161 kV Line Terminal	300,000

2007 Capital Construction

LG&E (KU) 345 kV Interconnection	\$ 3,000,000
Hardinsburg 161 kV Station Modification	500,000
Re-conductor Reid-Onton Junction (10 miles) 69 kV	1,000,000
Reid EHV & Coleman EHV RTU Replacements	100,000
Olivet Church Road Top Switching	35,000
McCracken Co. - Olivet Church Tap 69 kV Line (4 miles)	700,000
McDaniels - Falls of Rough 69 kV Line (5 miles)	750,000
McCracken Co. 69 kV Line Terminal	250,000
Reid, Daviess Co. (2), & Hancock Relay Block Corners	50,000

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Item 4) Concerning Big Rivers' proposal to continue the revenue deduction, has Big Rivers performed a cash flow analysis to determine the impact the revenue reduction will have on its financial condition?

a) If yes, provide a copy of the cash flow analysis and explain whether the analysis reflects Big Rivers regaining control of its power plants and, if so, the anticipated date it regains control of its power plants.

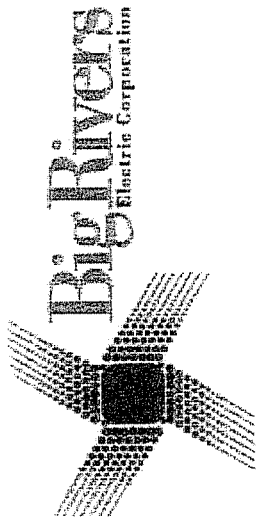
b) If no, explain why such an analysis has not been performed.

Response) Yes, but only for 2006.

a) The cash flow statement for 2006 is attached, and does not anticipate the unwind occurring. Big Rivers "Cash & Temporary Investments and its Voluntarily Prepayment" ("Cushion Status") as of April 3, 2006 was \$115,900,000.00. Big Rivers projected December 31, 2006 Cushion Status is \$114,900,000.00. The requested revenue reduction of \$3,680,000.00 will not have a negative impact on Big Rivers' financial condition. As the Commission is aware, the financial plan approved in 1998 anticipated a significant "Cushion" by 2006 to insure Big Rivers does not exceed the Maximum Allowed Balance as required by the New RUS Note in future years. Big Rivers anticipates some permanent resolution of the current Member revenue discount upon successful completion of the unwind transaction.

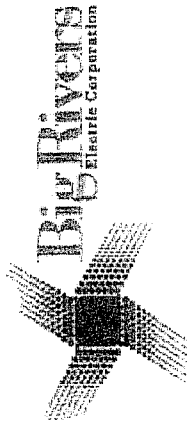
b) Not applicable.

Witness) C. William Blackburn



Cash Flow 2006 Budget

<p>Beginning Balance, January 1, 2006</p> <p>Receipts</p> <p>Disbursements</p> <p>Cash Available for Investment/Debt Prepayments</p> <p>New RUS Note Prepayments:</p> <p style="padding-left: 20px;">January</p> <p style="padding-left: 20px;">April</p> <p style="padding-left: 20px;">July</p> <p style="padding-left: 20px;">October</p> <p>Total New RUS Note Prepayments</p> <p>Ending Balance, December 31, 2006</p>	<p>65,000,000</p> <p>221,100,173</p> <p>(168,916,567)</p> <p>52,183,606</p> <p>-----</p> <p>117,183,606</p> <p>15,000,000</p> <p>17,300,236</p> <p>7,806,173</p> <p>15,379,021</p> <p>-----</p> <p>(55,485,430)</p> <p>-----</p> <p>61,698,176</p>
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“Cushion” Status (In Millions of \$)

2006 Budget

Cash & Investments + Voluntarily Prepaid + Supplemental Amount + Cap X Adj. = “Cushion”

At 12/31/2005:

65.0	55.4	0	0	120.4
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At 12/31/2006, Based Upon the 2006 Budget (results in 72.3 paid on New RUS Note during the year):

61.7	53.2	0	0	114.9
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Reduction in “Cushion” during 2006 —————→ 5.5

Next Required Payment on the New RUS Note-10/01/2007 \$6.5

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Item 5) Has Big Rivers obtained the necessary creditor approvals required to continue the proposed revenue reduction?

- a) If yes, provide a statement that all approvals have been received.
- b) If no, indicate when Big Rivers expects to receive all approvals and provide a statement when all approvals have been received.

Response) Big Rivers has not obtained all of the necessary creditor approvals at this time. Big Rivers has received approvals from: Rural Utilities Service "RUS"; National Rural Utilities Cooperative Finance Corporation "CFC"; US Bank National Association as Trustee; Ambac Assurance Corporation; and Ambac Credit Products, LLC.

- a) Not applicable.
- b) Big Rivers cannot predict when the remaining creditor approvals will be received. However, Big Rivers will notify the Commission when those approvals are received.

Witness) C. William Blackburn