

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

O R D E R

On March 30, 2006, Big Rivers Electric Corporation ("Big Rivers") filed its Notice of Intent to Reduce Revenue, pursuant to KRS 278.455, proposing that the temporary revenue reduction that has been in effect for the past 6 years be extended for 1 additional year, through August 31, 2007. Big Rivers first received authorization in Case No. 2000-00382,¹ to reduce its revenues by \$3.68 million per year through a Member Discount Adjustment Rider ("Discount Adjustment") for a period of 2 years ending August 31, 2002. Four 1-year extensions of the Discount Adjustment² have been authorized, with the most recent extension expiring on August 31, 2006.

The purpose of the revenue reduction is to continue to pass through to Big Rivers' members the benefits received from a sale and leaseback transaction involving three of its generating units. Big Rivers states that the facts supporting this revenue

¹ Case No. 2000-00382, Big Rivers Electric Corporation's Notice of Intent to Reduce Revenue, final Order dated August 30, 2000.

² See Case No. 2002-00100, Big Rivers Electric Corporation's Notice of Intent to Reduce Revenue, final Order dated July 24, 2002; Case No. 2003-00102, Big Rivers Electric Corporation's Notice of Intent to Reduce Revenue, final Order dated August 14, 2003; Case No. 2004-00035, Big Rivers Electric Corporation's Notice of Intent to Reduce Revenue, final Order dated July 9, 2004; Case No. 2005-00115, Big Rivers Electric Corporation's Notice of Intent to Reduce Revenue, final Order dated August 16, 2005.

reduction are the same as those that supported its initial revenue reduction 6 years ago and requests that the record of Case No. 2000-00382 be incorporated by reference into this case. Big Rivers has proposed that the reduction be limited to an additional 1-year period because its long-term financial requirements are difficult to project and it cannot borrow funds to meet capital requirements under its reorganization plan.

On April 28, 2006, Commission Staff issued a data request to determine the impact of the revenue reduction on Big Rivers' current financial condition. Big Rivers provided schedules of projected capital expenditures for 2006 and 2007, significant changes in operating expenses in 2006 and 2007 versus 2005, and future cash flows. Based on these schedules, Big Rivers stated that its financial condition is more than sufficient to continue the revenue reduction for another year.³ On June 13, 2006, Big Rivers notified the Commission that it had received all necessary creditor approvals to extend the revenue reduction through August 31, 2007 as proposed.

Having considered the application and being otherwise sufficiently advised, the Commission finds that the Discount Adjustment as proposed by Big Rivers meets the requirements of KRS 278.455 and should be authorized. The Discount Adjustment will continue to be allocated among and within the consumer classes on a proportional basis and will not result in a change in the rate design currently in effect for Big Rivers' members.

³ Response to the Commission Staff's First Data Request dated April 28, 2006, Item 4.

IT IS THEREFORE ORDERED that:

1. The record of Case No. 2000-00382 is incorporated herein by reference.
2. The proposed Discount Adjustment is approved for 1 year, effective on September 1, 2006.
3. Within 10 days from the date of this Order, Big Rivers shall file its revised tariff showing the date of issue and that it was issued by authority of this Order.

Done at Frankfort, Kentucky, this 14th day of July, 2006.

By the Commission

ATTEST:



Executive Director