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May 3, 2007

RECEIVED

MAY 04 2007

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~~ 2007-00111

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 18, 2007, 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
David Spainhoward
Mark A. Bailey
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Service List

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100 St. Ann Building
PO Box 727
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Service List
Case No. 2007-00111

Hon. Dennis G. Howard, II
Hon. Lawrence W. Cook
Assistant Attorneys General
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Frankfort, Kentucky 40601-8204

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

RECEIVED

MAY 04 2007

PUBLIC SERVICE
COMMISSION

In the Matter of:

**BIG RIVERS ELECTRIC CORPORATION'S) CASE NO.
NOTICE OF INTENT TO REDUCE REVENUE) 2007-00111**

**RESPONSE OF BIG RIVERS ELECTRIC CORPORATION
TO THE COMMISSION STAFF'S
FIRST DATA REQUEST OF APRIL 18, 2007**

Items 1-5

May 3, 2007

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE COMMISSION STAFF'S FIRST DATA REQUEST
CASE NO. 2007-00111
April 18, 2007

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Item 1) Refer to the Application, pages 2 and 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 agreements 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) Describe any analyses or studies Big Rivers has performed to determine whether its existing rates would 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.

c) Page 3 of the Application states that if the transaction to terminate the agreements occurs, Big Rivers anticipates it will make some permanent resolution of the Member Discount Adjustment Rider. Has this resolution of the Rider been reflected in the analyses or studies referenced in part (b) above? Explain the response.

d) The proposed amendment to the Rider makes it effective from September 1, 2007 through August 31, 2008. Assuming for purposes of this question that the Commission approves the proposed amendment and the transaction to terminate the agreements occurs between September 1, 2007 and August 31, 2008. Will the Rider remain in effect through August 31, 2008? Explain the response.

Response) a) Since the filing of this case, as anticipated in the term sheet referred to in this data request, Big Rivers, LG&E Energy Marketing, Inc., and Western Kentucky Energy Corp. have executed a "Transaction Termination Agreement" dated as of March 26, 2007 (the "Termination Agreement"). The Termination Agreement states that the parties can walk away from that agreement if the transaction described in it (the "Unwind Transaction") does not close by September 30, 2007. As was discussed at an informal conference with Commission staff on April 4, 2007, the parties to the Termination Agreement are striving to achieve a closing on that

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date, although everyone acknowledges that the September 30, 2007 date is very aggressive.

b) As was mentioned in the April 4, 2007, informal conference at the Commission regarding the Unwind Transaction, Big Rivers is in the process of preparing the updated, final financial model that will determine whether the rates in its existing tariff will have to change upon the closing of the Unwind Transaction. Big Rivers will not know the answer to this question until the final financial model is complete, which is not expected until early June.

c) Yes. The final financial model will reflect the Member Discount Adjustment remaining in effect indefinitely. Big Rivers would anticipate incorporating the effect of the Member Discount Adjustment into its base rates at the first general review of Big Rivers' rates by the commission after the closing of the Unwind Transaction. Big Rivers will commit in its application for the Unwind Transaction approvals to initiate that general rate review within three years after the closing and until such time Big Rivers contemplates the Member Discount Adjustment stays in effect. The Big Rivers filing with the Commission for the Unwind Transaction approvals will include a request for this treatment of the Member Discount Adjustment. Big Rivers requests that it not be required to file information out of its ongoing analyses at this time.

d) See response to Item 1. c.

Witness) C. William Blackburn

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Item 2) Provide a schedule of capital projects Big Rivers intends to initiate during 2007 and 2008, assuming Big Rivers regains control of its power plants by December 31, 2007. For each project listed include a description of the project, the total estimated cost, and how Big Rivers intends to fund the project.

Response) The capital projects that Big Rivers anticipates for 2007, are shown on the attachment to this response, and will be financed from current cash flows. The list of capital projects that will be undertaken if the Unwind Transaction closes is being revised in connection with the development of the final financial model, and is not yet completed. Capital projects related to the unwind will not be started prior to Big Rivers taking over control of the plant operations. That list of capital projects will be financed with a combination of current cash flows and proceeds received by Big Rivers from the Unwind Transaction.

Witness) C. William Blackburn

2007 Capital Construction

Transmission:

LGEE(KU) 345kV Line Interconnection	\$9,000,000
Microwave Loop Expansion	4,500,000
Meade Co. Substation 161kV Line (18 miles)	2,000,000
CoalTek Calvert City 161kV Line (2.3 miles)	1,100,000
McDaniels-Falls of Rough 69kV Line (6 miles)	900,000
McCracken Co.-Olivet Church 69kV Line (4 miles)	700,000
Hancock Co. Capacitor Bank (30 MVAR)	300,000
Henderson Co.-A.B Brown 138kV Line Reroute	300,000
McCracken Co. 69kV Line Terminal	250,000
Meade Co. 161kV Line Terminal	200,000
Two-Way Radio System Replacement	100,000
Olivet Church Rd. Tap RC Switching	50,000
Hardinsburg No. 1 Radio Controlled Switch	40,000

Generation -- Obligations Under the E.ON U.S. Lease Transaction:

Pursuant to Section 20.6.3 of the Second Amendent to the New Participation Agreement -- Non-Incremental	6,572,000
Pursuant to Section 8.4(a) of the Lease and Operating Agreement -- Incremental	<u>1,146,000</u>
Total Capital Construction	<u><u>\$27,158,000</u></u>

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Item 3) Provide a schedule of any significant operating expenses that Big Rivers anticipates incurring during 2007 or 2008 that were not incurred in 2006. 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 2007 prior to the unwind transaction closing date to be essentially the same as its operating expenses in 2006 except for expenses related to the Unwind. Those expenses will be financed from current cash flows and will have no effect on Big Rivers' ability to fund the revenue reduction. The anticipated expenses for operation of the generation facilities upon closing of the unwind transaction are in the process of development, and not yet finalized. Big Rivers will fund the operating expenses of the generation facilities from current cash flows. Big Rivers requests that it not be required to file information regarding operating expenses at this time.

Witness) C. William Blackburn

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Item 4) Concerning Big Rivers' proposal to continue the revenue reduction, 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.

a) The cash flow analysis for 2007 is attached. Big Rivers projected December 31, 2007, "Cash and Temporary Investments and its Voluntary Prepayment" ("Cushion Status") is \$143,100,000. The requested revenue reduction of \$3,680,000 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 Status by 2007 to insure Big Rivers does not exceed the Maximum Allowed Balance as required by the New RUS Note in future years.

b) Not applicable.

Cash Flow

2007 Budget

Beginning Balance, January 1, 2007	99,991,629
Receipts	226,539,507
Disbursements	(157,843,114)

	68,696,393

	168,688,022
Cash Available for Investment/New RUS Note Payments	
New RUS Note Minimum Required Payments:*	
July	6,647,472
October	18,987,289

	(25,634,761)

	143,053,261

Total New RUS Note Minimum Payments

Ending Balance, December 31, 2007

*2007 Budget assumes no New RUS Note Prepayments.

"Cushion" Status (In Millions of \$)

2007 Budget

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

At 12/31/2006:			
100.0	35.0	0	0
			135.0

At 12/31/2007, Based Upon the 2007 Budget (results in 42.6 paid on New RUS Note during the year):

143.1	0	0	0	143.1
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Increase in "Cushion" during 2007 $\xrightarrow{\hspace{1.5cm}}$ 8.1

Next Required Payment on the New RUS Note-07/02/2007 \$6.6

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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: Ambac Assurance Corporation ("Ambac"); U.S. Bank National Association as Trustee; National Rural Utilities Cooperative Finance Corporation ("CFC"); Dexia Credit Local, New York Branch; and U.S. Bank National Association.

- 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