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August 20, 2007

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AUG 21 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: The Application of Big Rivers Electric Corporation for a Certificate of Public Convenience and Necessity to Construct a 161 kV Transmission Line in Ohio County, Kentucky, Case No. 2007-00177

Dear Ms. O'Donnell:

Enclosed are an original and seven copies of the response of Big Rivers Electric Corporation to the Commission Staff's first data request in the above referenced matter. I supervised the preparation of the response, and the response is true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry. I certify that a copy of the response has been served on the attached service list.

Sincerely,



Tyson Kamuf

TAK/ej  
Enclosures

cc: Michael H. Core  
David Spainhoward  
David Crockett  
Bill Blackburn  
Mark A. Bailey  
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**SERVICE LIST**  
**PSC CASE NO. 2007-00177**

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**COUNSEL FOR ALCAN ALUMINUM  
AND CENTURY ALUMINUM**

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

**In the Matter of:**

<b>THE APPLICATION OF BIG RIVERS</b>	)	
<b>ELECTRIC CORPORATION FOR A</b>	)	
<b>CERTIFICATE OF PUBLIC CONVENIENCE</b>	)	<b>CASE NO.</b>
<b>AND NECESSITY TO CONSTRUCT A 161</b>	)	<b>2007-00177</b>
<b>kV TRANSMISSION LINE IN OHIO</b>	)	
<b>COUNTY, KENTUCKY</b>	)	

**RESPONSE OF BIG RIVERS ELECTRIC CORPORATION  
TO THE COMMISSION STAFF'S INITIAL  
DATA REQUEST OF AUGUST 10, 2007**

**August 21, 2007**



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**Item 1)** Refer to page 2, paragraph 4 of Big Rivers' application.

**a)** What length of time does Big Rivers estimate will be required to construct the proposed 13-mile transmission line, including final engineering work, the acquisition of easements, obtaining environmental approvals, etc.?

**b)** What length of time does Big Rivers estimate will be required for the actual physical construction of the proposed 13-mile transmission line?

**Response) 1a)** Big Rivers estimates the time required for the construction of the 13-mile transmission line, including all remaining work, to be approximately eighteen (18) months after the CPCN is granted.

**1b)** Big Rivers estimates the time required for the physical construction alone to be approximately nine (9) months. This timing assumes that at the beginning of the nine-month construction period all regulatory approvals have been received, that all right-of-way clearing and construction contracts have been bid and awarded, that Big Rivers has possession of all rights-of-way and permits, and that all materials are on hand.

**Witness)** David Crockett



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**Item 2)** Refer to page 3, paragraph 7 of Big Rivers' application.

**a)** What is the current target date for Big Rivers to apply for Commission approval of the "Unwind Transaction"?

**b)** Provide a detailed description of the relationship between the Unwind Transaction and the Certificate of Public Convenience and Necessity ("CPCN") requested by Big Rivers for the proposed 13-mile transmission line.

**c)** If not included in the previous response, explain why Big Rivers is pursuing the Unwind Transaction, and describe the benefits that will accrue to Big Rivers, its members, and/or the retail customers served by its members as a result of completing the Unwind Transaction.

**Response) 2a)** Big Rivers has not yet filed the Unwind Transaction case because the Big Rivers modeling and the smelter contracts are not complete, after which Big Rivers must obtain the approval of its distribution cooperative members to the Unwind Transaction and to the extensions of their wholesale power contracts. Both those groups need substantial amounts of information in the form of the latest information applied to Big Rivers' unwind financial model in order to make the long-term commitments required of them in the Unwind Transaction. Big Rivers also must reach agreement with the City of Henderson Utility Commission.

Big Rivers is looking to complete its modeling and reach agreement with the smelters in late August or early September. Its members would then consider the Unwind Transaction and the amendments to their contracts in September. Big Rivers would expect to reach agreement with the City of Henderson Utility Commission during that period. Based upon those assumptions, the case seeking the principal Unwind Transaction approvals should be filed sometime in October.

**2b)** The transmission line for which Big Rivers seeks a certificate of public convenience and necessity is part of a plan to mitigate the risk to Big Rivers, Big Rivers' members, the smelters and Big Rivers' creditors that two large aluminum smelter retail customers on the Big Rivers system could cease smelting operations after the Unwind

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3 Transaction closes. This transmission line project will not be constructed unless the  
4 Unwind Transaction is approved by the Commission, and closes.

5 As is discussed elsewhere in these data request responses, as part of the Unwind  
6 Transaction, Big Rivers will enter into agreements to provide the wholesale power supply  
7 to support retail electric service through its member cooperative, Kenergy Corp., to two  
8 aluminum smelters: Alcan Primary Products Corporation ("Alcan") and Century  
9 Aluminum of Kentucky General Partnership ("Century"). The total smelter load  
10 under the new agreements signed in connection with the Unwind Transaction will be 850  
11 megawatts, compared with the smelter total load of 600 megawatts in 1998, when Big  
12 Rivers last served the full aggregate load of the smelters. Under the new agreements, Big  
13 Rivers anticipates the smelters will have a right to unilaterally terminate their agreements  
14 on one year's notice, with the termination allowed to occur no earlier than December 31,  
15 2011.

16 Big Rivers must restructure its long-term secured debt, refinancing a portion of  
17 that debt, in order to implement the Unwind Transaction. For Big Rivers to accomplish  
18 those tasks it must obtain certain consents and agreements from its existing creditors,  
19 participation of new creditors, and investment grade ratings on its debt from Standard and  
20 Poor's and Moody's.

21 Big Rivers' financial advisor, Goldman Sachs, has told Big Rivers that the risk of  
22 losing the revenue from wholesale sales of power for resale to the smelters in the event of  
23 both smelters ceasing smelting operations would be a major concern for the rating  
24 agencies and Big Rivers' creditors, and that Big Rivers must have a plan to mitigate that  
25 risk. As things currently stand, in the event Big Rivers were to lose both smelters after  
26 the closing of the Unwind Transaction it would have 850MW of additional system  
27 capacity that it would have to take to market. The Phase Two transmission  
28 improvements will enable Big Rivers to sell that 850 MW plus the extra capacity that is  
29 available when the balance of its members' loads are at their lowest levels, for a total of  
30 1380 MW. Today its transmission system would allow it to get only 462 MW of this  
31 surplus capacity to market. With the completion of the first phase of its transmission  
32 plan Big Rivers will be able to export 912 MW of surplus capacity to the market. If the  
33 smelters ceased operation and Big Rivers were only able to sell 912 MW into the market,



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3 Big Rivers' members would be deprived of the revenue that could be generated from sale  
4 of the difference between 912 MW and 1380 MW. If market rates were to drop below  
5 the smelter rates, the inability to get all of its power off system could cause a deficit that  
6 would also lead to a default under its debt instruments and leases in a matter of months.  
7 With this prospect, it will be impossible to get the needed approvals from creditors and  
8 ratings from rating agencies. In order to get such approvals and ratings, the structure of  
9 the Unwind Transaction must protect against this possibility.

10 In order to protect against this possibility, Big Rivers first asked the General  
11 Assembly to amend a section of KRS Chapter 279 to enable a cooperative like Big Rivers  
12 that found itself with a sudden, large drop in system load to remarket that capacity to  
13 non-members without endangering its cooperative status under state law. The General  
14 Assembly adopted that amendment, and it was signed into law by the Governor in 2006.  
15 Second, Big Rivers proposed upgrades for the export capacity of its transmission system  
16 that would allow Big Rivers to move the combined load of both smelters to Big Rivers'  
17 border for resale.

18 When Big Rivers met with its creditors to inform them of the proposed Unwind  
19 Transaction, each of them expressed concern about the concentration of load in the two  
20 aluminum smelters, and Big Rivers' dependence upon the revenue from the smelters.  
21 Big Rivers told its creditors of its plans to upgrade its transmission system, and assured  
22 them that obtaining a CPCN for the final set of transmission upgrades to the Big Rivers  
23 transmission system that were necessary to export the loads of both smelters off the Big  
24 Rivers system would be a condition to closing of the Unwind Transaction. Obtaining the  
25 CPCN sought in this case is a condition to closing in both the Transaction Termination  
26 Agreement between Big Rivers and the 1998 Transaction parties (which is already  
27 signed), and the draft agreements with the smelters.

28  
29 **2c)** Big Rivers is pursuing the Unwind Transaction because it will enable Big  
30 Rivers to regain control of the operation, maintenance and generation output of its  
31 generating units now rather than in 2023, and to manage those assets in the best interests  
32 of Big Rivers and its members. The consideration received by Big Rivers from the E.ON  
33 parties for the Unwind Transaction puts Big Rivers in the financial position that enables it

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3 to take back and operate its assets at this time. At the closing, WKEC will give Big  
4 Rivers cash and other consideration that will change Big Rivers' equity on the date of  
5 closing from a negative equity of approximately 17% to a positive equity of more than  
6 22%.

7         The improvement in Big Rivers' financial condition and the restructuring of its  
8 debt in connection with the Unwind Transaction will enable Big Rivers to borrow money  
9 on a long-term secured basis, something that has been virtually impossible for Big Rivers  
10 to accomplish under its credit arrangements in place since 1998, which include a "no  
11 further advances" loan agreement with the Rural Utilities Service. This will position Big  
12 Rivers to respond in the most economic manner to future demands for growth on Big  
13 Rivers' system, and to manage its generating assets for the long-term.

14         By giving Big Rivers control over all the output of its generating units, under the  
15 Unwind Transaction Big Rivers will be in a position to provide the current power needs  
16 of the smelters, whose existing power supply contracts with Kenergy Corp. and in turn  
17 with Western Kentucky Energy expire in 2010 and 2011, respectively. The Commission  
18 summarized the comments of the smelters on the power supply dilemma they face  
19 without the Unwind Transaction in Appendix B to its September 15, 2005, report in *An*  
20 *Assessment of Kentucky's Electric Generation, Transmission and Distribution Needs*,  
21 Administrative Case No. 2005-00090, pages 106-109. In that proceeding, the smelters  
22 noted that when their contracts expire, Big Rivers will have insufficient resources to  
23 serve their wholesale needs. And they further stated that if Kenergy could only meet  
24 their needs with market priced power, they would not be able to continue operations. The  
25 smelters filed in that proceeding a document titled "*The Estimated Economic and Fiscal*  
26 *Impacts of a Shut-Down of Kentucky's Two Aluminum Smelters.*" The study concludes  
27 that the direct loss of 1,400 high-paying industrial jobs and the other economic benefits  
28 that flow from the smelters' presence in the Big Rivers service area would have a  
29 significant, negative impact on Western Kentucky. A principal reason Big Rivers has  
30 pursued the Unwind Transaction is because it provides the only opportunity for Big  
31 Rivers to participate meaningfully in the effort to preserve the economic benefits of the  
32 smelter operations for the areas served by Big Rivers' members.

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These are the general reasons that Big Rivers is pursuing the Unwind Transaction. Big Rivers will explain these reasons in more detail in its completed application for approval of the Unwind Transaction.

**Witness)** Michael H. Core



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**Item 3)** Paragraph 7 on page 4 of the application states that the combined loads of the two aluminum smelters are approximately 850 MW.

**a)** What percentage of Big Rivers' total system demand does the 850 MW represent? How much of the 850 MW load is used by each of the two smelters?

**b)** Is Big Rivers aware of whether other Kentucky jurisdictional electric utilities serve individual loads comparable in size to the smelter loads or have one or two customers that represent a comparable percentage of the utilities' total system demand? If yes, identify the utilities and the customer(s).

**Response 3a)** Approximately 55%. The Alcan smelter is 368 MW and the Century smelter is 482 MW of the total prospective smelter load of 850 MW.

**3b)** Big Rivers is neither aware of any other individual loads in Kentucky comparable in size to the smelter loads, nor aware of one or two loads comprising a comparable percentage of another Kentucky utility's total system demand.

**Witness)** David Crockett



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3 **Item 4)** Paragraph 7 on page 4 of the application states that, under their new  
4 service contracts, the aluminum smelters "will be able to terminate their contemplated  
5 new service contracts on relatively short notice."

6 a) What amount of notice does Big Rivers anticipate will be included in the  
7 smelters' new service contracts?

8 b) What does Big Rivers anticipate will be the term (length) of the smelters'  
9 new service contracts?

10 c) Describe how the amount of notice anticipated for the new service  
11 contracts compares to the amount of notice included in the smelters' post-1998 service  
12 contracts with E.ON U.S. LLC and to the amount of notice contained in the smelters' pre-  
13 1998 contracts with Big Rivers.

14  
15 **Response) 4a)** Big Rivers anticipates that under the new retail electric service  
16 agreements being negotiated between the smelters and Kenergy Corp., which will be  
17 supported by wholesale power supply agreements between Big Rivers and Kenergy  
18 Corp., the smelters will have a right to unilaterally terminate their contracts on one year's  
19 notice, with the termination allowed to occur no earlier than December 31, 2011.

20 **4b)** Big Rivers anticipates that the smelters' new retail electric service  
21 agreements will have terms ending December 31, 2023.

22 **4c)** The smelter retail electric service agreements entered into in 1982 had  
23 principal terms ending in 2010, and contained no right to unilateral termination by the  
24 smelters during the principal term. Termination by either party following any extension  
25 of the principal term required a five-year notice.

26 The smelter retail electric service agreements entered into in 1998 have  
27 termination dates of 2010 and 2011, respectively, and contain no right to unilateral  
28 termination by the smelters. These retail agreements between the smelters and Kenergy  
29 Corp. are supported in part by wholesale agreements with LG&E Energy Marketing, Inc.,  
30 and in part by market contracts for the portion of the power supply obligation designated  
31 as "Tier 3 Energy ."

32  
33 **Witness)** Bill Blackburn





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3 **Item 5)** The request for the proposed transmission line appears to be almost totally  
4 dependent on Big Rivers' need to export power in the event it loses the smelter loads.

5 **a)** Identify and describe any other reasons for Big Rivers' plans to construct  
6 the proposed transmission line.

7 **b)** Describe the likelihood that either of the smelter loads might be lost under  
8 the terms of their new service contracts.

9 **c)** Provide outage data from 1977 to the present for both smelter loads,  
10 including the length of each outage period.

11  
12 **Response) 5a)** Generally speaking, all transmission system improvements provide a  
13 benefit in the day to day operation of the system. External influences on the system  
14 power flows can be extreme. The proposed line would provide benefits during times of  
15 high parallel flows through the Big Rivers system.

16  
17 **5b)** The smelters expressly negotiated for the right to terminate their contracts  
18 on one year's notice after 2011. Big Rivers' assumption is that the smelters will not close  
19 unless required to do so by the economies of their business. The economies of smelter  
20 operation, particularly as they are affected by power rates, are publicly known. The  
21 smelters filed an economic study in the Commission's Administrative Case No. P.S.C.  
22 Case No. 2005-00090 that discusses that very issue. Because those economies are  
23 affected by multiple factors, many of which are not in the control of the aluminum  
24 companies themselves, there is no way to predict the likelihood of whether and when a  
25 smelter will close. It is that unpredictability that produces the risk that must be mitigated  
26 with this project.

27  
28 **5c)** Big Rivers has compiled the available outage data for the smelter loads  
29 from 1990 to the present. The data is provided in an attached table (Table 5c). As noted  
30 in the outage data, in nearly every case, the outage affected only a portion of the smelter  
31 load.

32  
33 **Witness)** David Crockett for parts (a) and (c); Bill Blackburn for part (b).

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Table 5c

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SMELTER OUTAGES 1990 TO PRESENT					
Year	Date	Smelter	Duration (minutes)	Load	Customer Caused
2007	None				
2006	4/22/2006	Alcan	68	Alcan Line 2 - 109MW	
	4/22/2006	Alcan	80	Alcan Line 3 - 117MW	
2005	7/21/2005	Century	5	Century Line 4 - 102MW	
2004	3/1/2004	Alcan	4	Alcan Line 2 - 111MW	
	3/1/2004	Alcan	8	Alcan Line 3 - 113MW	
	3/15/2004	Century	28	Century Line 0 - 5MW	
	3/15/2004	Century	28	Century Line 2 - 91MW	
2003	9/8/2003	Alcan	39	Alcan Line 2 - 111MW	X
2002	None				
2001	5/7/2001	Alcan	75	Alcan Line 2 - 111MW	
	5/8/2001	Alcan	1	Alcan Line 2 - 112MW	
	5/9/2001	Alcan	4	Alcan Line 2 - 111MW	
	7/22/2001	Alcan	15	Alcan Line 3 - 120MW	
2000	3/15/2000	Century	21	Century Line 1 - 90MW	
	3/15/2000	Century	1	Century Line 2 - 88MW	
	3/15/2000	Century	4	Century Line 0 - 184MW	
	9/11/2000	Alcan	102	Alcan Standby -37MW	
	9/11/2000	Alcan	70	Alcan Line 2 - 110MW	
	9/11/2000	Alcan	29	Alcan Standby -37MW	
	9/11/2000	Alcan	132	Alcan Line 3 - 117MW	
	9/11/2000	Alcan	17	Alcan Line 1 - 5MW	
	11/19/2000	Alcan	21	Alcan Standby -80MW	X
1999	1/25/1999	Alcan	8	Alcan Line 3 - 115MW	
	2/6/1999	Century	58	Century Line 0 - 5MW	
	2/6/1999	Century	58	Century Line 1 - 95MW	
	2/6/1999	Century	58	Century Line 2 - 86MW	
	2/6/1999	Century	58	Century Line 3 - 85MW	
	3/8/1999	Century	9	Century Line 2 - 85MW	X
	3/8/1999	Century	60	Century Line 0 - 90MW	X
	3/8/1999	Century	25	Century Line 1 - 98MW	X
	3/8/1999	Century	255	Century Line 0 - 90MW	X
	11/19/1999	Century	4	Century Line 1 - 95MW	
1998	2/11/1998	Alcan	19	Alcan Line 2 - 103MW	X
	5/28/1998	Alcan	3	Alcan Line 2 - 103MW	
1997	None				
1996	4/29/1996	Century	15	Century Line 3 - 85MW	
	4/29/1996	Century	46	Century Line 0 - 96MW	
	4/29/1996	Century	25	Century Line 1 - 89MW	
	4/29/1996	Century	46	Century Line 2 - 83MW	

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<b>SMELTER OUTAGES 1990 TO PRESENT</b>					
<b>Year</b>	<b>Date</b>	<b>Smelter</b>	<b>Duration (minutes)</b>	<b>Load</b>	<b>Customer Caused</b>
	5/25/1996	Alcan	151	Alcan Line 1 - 5MW	X
	5/26/1996	Century	0	Century Line 1 - 95MW	X
	8/7/1996	Alcan	97	Alcan Line 3 - 103MW	
	8/7/1996	Alcan	182	Alcan Line 2 - 103MW	
	8/7/1996	Alcan	27	Alcan Line 1 - 6MW	
	8/29/1996	Alcan	6	Alcan Line 2 - 108MW	X
	9/27/1996	Alcan	96	Alcan Line 2 - 112MW	X
	9/27/1996	Alcan	23	Alcan Line 3 - 90MW	X
	10/1/1996	Alcan	99	Alcan Standby -96MW	X
<b>1995</b>	3/19/1995	Alcan	13	Alcan Line 3 - 106MW	
	3/28/1995	Alcan	54	Alcan Line 3 - 106MW	X
	6/29/1995	Alcan	19	Alcan Line 2 - 100MW	X
<b>1994</b>	1/17/1994	Alcan	98	Alcan Line 1 - 112MW	
	1/17/1994	Alcan	115	Alcan Line 2 - 112MW	
	1/17/1994	Alcan	235	Alcan Line 3 - 112MW	
	2/22/1994	Century	2	Century Line 0 - 5MW	
	4/13/1994	Alcan	10	Alcan Line 2 - 92MW	
	5/26/1994	Alcan	20	Alcan Line 3 - 109MW	X
	8/15/1994	Alcan	10	Alcan Line 3 - 113MW	X
<b>1993</b>	6/9/1993	Century	35	Century Line 3 - 90MW	
	12/27/1993	Century	18	Century Line 2 - 92MW	
<b>1992</b>	3/10/1992	Century	7	Century Line 4 - 87MW	
	3/16/1992	Century	4	Century Line 3 - 86MW	
	6/17/1992	Alcan	21	Alcan Line 1 - 113MW	
	7/20/1992	Century	25	Century Line 4 - 94MW	X
<b>1991</b>	3/22/1991	Alcan	6	Alcan Line 2 - 104MW	
	3/23/1991	Alcan	18	Alcan Line 2 - 110MW	X
	3/29/1991	Alcan	13	Alcan Line 1 - 115MW	X
	6/13/1991	Alcan	42	Alcan Line 1 - 105MW	X
	7/24/1991	Century	12	Century Line 4 - 90MW	
	11/5/1991	Century	175	Century Line 1 - 87MW	
	11/5/1991	Century	5	Century Line 2 - 11MW	
<b>1990</b>	11/13/1990	Century	221	Century Line 0 - 8MW	
	11/13/1990	Century	34	Century Line 2 - 95MW	



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3 **Item 6)** Page 3 of Big Rivers' Bulk Transmission System Assessment

4 ("assessment") contains a list of six bullet points showing the required improvements to  
5 Big Rivers' system, based on the assessment.

6 **a)** Provide a detailed explanation demonstrating the dates by which each of  
7 these additional improvements must be completed before the proposed 161 kV  
8 transmission line is constructed.

9 **b)** Provide a detailed explanation of the reason(s) for each required  
10 improvement.

11 **c)** Provide the estimated cost of each improvement.

12 **d)** For each improvement other than the construction of the proposed 161 kV  
13 transmission line, would each of those improvements be made but for the proposed  
14 construction of the 161 kV transmission line?  
15

16 **Response) 6a)** Big Rivers proposes to construct the first three bullet projects  
17 concurrently during the same eighteen month time period as the proposed 161kV line.  
18 The fourth bullet project is being designed now and is set for construction during 2008.  
19 The fifth and sixth bullet projects are tentatively set for 2010 construction as needed.  
20

21 **6b)** Big Rivers has included both the proposed 161kV line and its line  
22 terminal addition on the Wilson end in the first bullet project. The second bullet project  
23 provides an upgrade of the existing transmission to the TVA Paradise interconnection  
24 point, which is consistent with the rating of the proposed new line design and meets or  
25 exceeds the maximum power flows seen in the assessment studies. The third bullet  
26 project is the existing TVA Paradise line terminal rating upgrade to achieve the same  
27 rating as the projects described above and completing the entire interconnection. The  
28 fourth bullet project is required to meet contingency power flows on the system with or  
29 without the smelter load losses. The fifth and sixth bullet projects are required to meet  
30 the contingency power flows on the system as shown in the assessment generally for the  
31 loss of the Century smelter.  
32  
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3           **6c)** Big Rivers estimates the cost of the Wilson 161kV line terminal  
4 addition included in the first bullet project to be \$1,700,000. The 8 mile Hardinsburg-  
5 Paradise 161kV line upgrade cost estimate is \$2,100,000. The TVA Paradise 161kV line  
6 terminal upgrade cost estimate is \$1,000,000. The Coleman-Newtonville 161kV line  
7 upgrade cost estimate is \$1,000,000. The Coleman EHV-Coleman 161kV lines upgrade  
8 cost estimate is \$600,000. The proposed 13 mile 161kV line cost estimate is \$4,700,000.  
9

10           **6d)** Big Rivers would pursue construction of the first three bullet projects  
11 only in conjunction with the proposed 161kV line construction. The last three bullet  
12 projects would either be done or likely be done regardless of the status of the proposed  
13 line construction as needed to meet the normal and contingency flow conditions shown in  
14 the assessment.  
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17 **Witness)**     David Crockett  
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**Item 7)** Provide actual coincident peak demands versus projected coincident peak demands for Big Rivers' system, including the Alcan and Century Aluminum smelter loads, for the years 1998 to 2007, with the annual load growth percentage identified.

**Response)** The actual and projected Big Rivers' system peak demands for each year between 1998 and 2007 and the annual load growth percentages are provided in the table below.

Big Rivers Coincident Transmission Peak Demand

Year	Projected	Actual	Annual Load Growth
1998	1260 MW	1237 MW	—
1999	1369 MW	1336 MW	+8.0%
2000	1403 MW	1403 MW	+5.0%
2001	1466 MW	1430 MW	+1.9%
2002	1475 MW	1486 MW	+3.9%
2003	1493 MW	1476 MW	-0.7%
2004	1504 MW	1468 MW	-0.6%
2005	1520 MW	1513 MW	+3.1%
2006	1541 MW	1533 MW	+1.3%
2007	1557 MW	1554 MW	+1.4%

**Witness)** David Crockett





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**Item 8)** Provide coincident peak demand load forecasts for Big Rivers' system, including the Alcan and Century Aluminum smelter loads, for the years 2007 to 2015, with the annual load growth percentage identified.

**Response)** The Big Rivers' system coincident transmission peak demand load forecasts for the years 2007 to 2015 with the annual load growth percentages are provided in the table below.

**Big Rivers Coincident Transmission Peak Demand**

Year	Forecast	Annual Load Growth
2007	1557 MW	-
2008	1568 MW	0.7%
2009	1579 MW	0.7%
2010	1590 MW	0.7%
2011	1601 MW	0.7%
2012	1612 MW	0.7%
2013	1624 MW	0.7%
2014	1635 MW	0.7%
2015	1647 MW	0.7%

**Witness)** David Crockett



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3 **Item 9)** Have the creditors of Big Rivers, including RUS, conditioned their  
4 approval of the financing for the Unwind Transaction specifically on the Commission's  
5 approval of the CPCN for the 161 kV transmission line?

6 a) If so, what specific statements have Big Rivers' creditors made to Big  
7 Rivers with regard to conditioning their approval of the financing for the Unwind  
8 Transaction on the Commission's approval of the CPCN for the 161 kV line?

9 b) Provide copies of any written statements, if any, that the creditors have  
10 made to Big Rivers regarding such conditional approval.

11  
12 **Response)** None of Big Rivers' creditors have given their consent to the Unwind  
13 Transaction as yet. Because Big Rivers has not completed all of its modeling, and has not  
14 completed negotiations with the smelters, Big Rivers has not been able to furnish its  
15 creditors with sufficient information to determine whether or not they will consent.

16 On a preliminary basis, Big Rivers' creditors have indicated concern over how  
17 Big Rivers would meet its financial obligations in the event one or both smelters  
18 terminated their contracts. Those creditors have asked whether Big Rivers will have  
19 sufficient transmission capability to deliver the smelter power to the market. Big Rivers  
20 has uniformly told them that with the completion of an initial transmission project, Big  
21 Rivers will have sufficient capacity to export the power being taken by either smelter,  
22 and with the completion of the second transmission project will have sufficient capacity  
23 to export the power being taken by both smelters. Big Rivers has further advised them  
24 that the closing of the Unwind Transaction is conditioned upon the completion of the first  
25 transmission project and having regulatory approval for the second transmission project.  
26 Big Rivers has told them that the second transmission project can be constructed within  
27 approximately 18 months after closing of the Unwind Transaction, and that the smelter  
28 contracts will prohibit more than one smelter terminating its contract prior to 2011 unless  
29 the second transmission project has been completed.

30 Big Rivers would point out that even if its creditors did not insist upon the  
31 proposed transmission upgrades, Big Rivers, the smelters and its members would make  
32 obtaining the CPCN in this case a condition to closing the Unwind Transaction. The  
33 anticipated annual revenue from the smelters will be approximately \$400 million

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beginning 2012. Big Rivers and its members do not want to delay construction of the transmission upgrades covered by the CPCN until the upgrades are required, and then have Big Rivers' ability to move the smelter load off-system for sale to be stalled by unanticipated delays caused by changes in laws, regulatory delays, unavailability of contractors or materials, litigation, or any number of other matters. This puts the risk of delays back on Big Rivers' members.

The smelters also require approval of the transmission line as a condition to going forward with the Unwind Transaction. They will have substantial take-or-pay obligations under their new agreements, and want Big Rivers to have the ability to sell any and all power that the smelters do not take to mitigate the obligations of the smelters in the event they have not terminated but are unable to take the power.

- a) See above.
- b) See above.

**Witness)** Bill Blackburn



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**Item 10)** Could Big Rivers build the 161 kV transmission line without including the construction cost for the line in its base rates? Explain the answer in detail.

**Response)** Big Rivers could build the 161 kV transmission line without including the construction cost in its current base rates. However, this non-ratebase expenditure could have a detrimental affect on its members. Unlike some other one time expenditures, the depreciation for construction cost for this 161kv line is used to calculate the Open Access Transmission Tariff rate used to charge customers who use the transmission system. Member rates are bundled rates, consequently a higher transmission rate will have no effect on member rates until or unless there is a general rate case involving transmission costs. On the other hand, non-members would pay a higher transmission rate for use of the Big Rivers transmission facilities.

While the projected construction cost is \$4.7 million, and would not have a major affect on wholesale rates to its members, the detriment occurs thru non-members getting a free ride at the detriment of members.

**Witness)** Bill Blackburn





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3 **Item 11)** If the Commission were to deny the present application for the 161 kV  
4 transmission line, would Big Rivers be unable to go through with the contemplated  
5 Unwind Transaction?

6 a) If Big Rivers is unable to go through the Unwind Transaction, would the  
7 smelters be likely to cancel their service contracts with Big Rivers after 2011? If so, how  
8 soon after 2011?

9 b) If the smelters were to cancel their service contracts with Big Rivers after  
10 2011 due to the Unwind Transaction not being completed, how would Big Rivers' non-  
11 smelter customers be affected?

12 c) If the smelters were to cancel their service contracts with Big Rivers after  
13 2011 due to the Unwind Transaction not being completed, how would Big Rivers'  
14 financial condition be affected?

15  
16 **Response)** If the Commission were to deny the present application for the 161 kW  
17 transmission line, Big Rivers would not be able to go through with the Unwind  
18 Transaction on the currently negotiated terms.

19  
20 **11a)** Big Rivers has no contracts for wholesale service to the smelters that  
21 could be cancelled after 2011. The smelters' retail electric supplier is Kenergy Corp.  
22 Big Rivers has not been the principal wholesale supplier of wholesale power to Kenergy  
23 Corp. for resale to the smelters since 1998. Big Rivers has periodically entered into  
24 short-term "Tier 3 Energy " contracts with Kenergy Corp. for resale of relatively small  
25 amounts of energy to the smelters, but all those contracts expire at the end of 2007.

26  
27 **11b)** See response to 11a). If the smelters cease smelting operations, the effect  
28 on the non-smelter retail customers of Big Rivers' members will be felt through the  
29 general impact on the economy of Western Kentucky. Kenergy Corp., the retail electric  
30 supplier to the smelters, would also lose the net revenue it receives and retains on its sales  
31 of power to the smelters. Also, please see the response to Item 2c).

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**11c)** See response to 11 a). If the smelters were to purchase no power from Big Rivers (through Kenergy Corp.) after 2011, whether the smelters continued smelting operations or not would probably not adversely affect Big Rivers' financial condition. If the adverse effects of the smelters closing on the economy of Big Rivers' service area caused a reduction in Big Rivers' system load, Big Rivers could probably sell that reduced amount in the wholesale power market. Big Rivers' member cooperatives would certainly suffer financially from the economic effects of the smelters closing. Please see the response to Item 2c).

**Witness)** Bill Blackburn.