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June 11, 2008

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JUN 11 2008

**PUBLIC SERVICE  
COMMISSION**

**VIA HAND DELIVERY**

Stephanie L. Stumbo  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

**RE: The Application of Big Rivers Electric Corporation for: (i) Approval of Wholesale Tariff Additions for Big Rivers Electric Corporation, (ii) Approval of Transactions, (iii) Approval to Issue Evidences of Indebtedness, and (iv) Approval of Amendments to Contracts; and of E.ON U.S. LLC, Western Kentucky Energy Corp., and LG&E Energy Marketing, Inc. for Approval of Transactions**  
**Case No. 2007-00455**

Dear Ms. Stumbo:

Enclosed please find and accept for filing the original and ten copies of the Revisions to the Testimony of Paul W. Thompson on behalf of E.ON U.S. LLC in the above-referenced matter. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copies and return them to me in the enclosed self-addressed stamped envelope.

Should you have any questions please contact me at your convenience.

Yours very truly,

Kendrick R. Riggs

KRR:ec

cc: Parties of Record

400001.358719/526950.1

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

**In the Matter of:**

**THE APPLICATION OF BIG RIVERS                    )**  
**ELECTRIC CORPORATION, E.ON U.S. LLC,        )**  
**WESTERN KENTUCKY ENERGY CORP.,        )** **CASE NO: 2007-00455**  
**AND LG&E ENERGY MARKETING INC. FOR    )**  
**APPROVAL OF TRANSACTION                    )**

**RECEIVED**  
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**REVISIONS TO THE TESTIMONY OF**  
**PAUL W. THOMPSON**  
**SENIOR VICE PRESIDENT - ENERGY SERVICES**  
**E.ON U.S. LLC**

**Filed: June 11, 2008**

1 **Q. Please state your purpose in filing these revisions to your testimony.**

2 A. The revisions to my testimony are filed for the purpose of updating certain portions of my  
3 original testimony, dated December 17, 2007 and attached to the Application in this case,  
4 that pertain to the consideration to be paid by Western Kentucky Energy Corp.  
5 (“WKEC”) to Big Rivers Electric Corporation as part of the new terms and conditions to  
6 be proposed in settlement of this case.

7 **Q. Has E.ON U.S. L.L.C. (“E.ON U.S.”), WKEC or LG&E Energy Marketing agreed to**  
8 **provide Big Rivers Electric Corporation (“Big Rivers”) additional consideration in**  
9 **addition to the amount identified in your testimony on December 17, 2007**  
10 **testimony?**

11 A. Yes, in addition to the items identified in the data responses filed to date with the  
12 Commission in this proceeding, WKEC will deliver to Big Rivers at the closing an  
13 additional \$82,000,000 bringing the total cash termination payment to the sum of  
14 \$383,500,000. This additional \$82,000,000 sum covers the recent increases in the  
15 forecasted costs of fuel required for the operation of the generation stations owned by Big  
16 Rivers and the City of Henderson Utility Commission and currently operated by WKE  
17 associated with the non-smelter load. In addition, WKE will deliver to a financial  
18 institution at closing a cash payment in the amount of \$70,000,000 to be held in escrow  
19 by a financial institution for a ten-year period following the date of the closing, for the  
20 purpose of providing the smelter load a financial source for monthly rebates associated  
21 with the recent increases in the forecasted costs of fuel required for the operation of the  
22 generation stations to serve the smelter load. This sum is in addition to the payment  
23 identified at page 13, lines 19-20 in my December 17, 2007 testimony. The disposition of

1 subsequent contingencies, calculation of the amount of the monthly rebates and  
2 administrative billing will be determined in accordance with the terms of the Purchase  
3 Power Agreements among Kenergy Corp., Big Rivers, and the two smelter customers.  
4 The Memorandum of Understanding between WKE and the two smelter customers with  
5 respect to these escrow arrangements is attached as Exhibit PWT-4 to my testimony. The  
6 amendments to the Termination Agreement and Purchase Power Agreements reflecting  
7 the matters described above and other subsequent modifications are also being filed,  
8 along with other information, in the record in this proceeding.

9 **Q. Please specifically state the revisions to your testimony.**

10 A. At page 11, lines 8-9 of my December 17 testimony, I stated that “WKEC will deliver to  
11 Big Rivers at the closing a \$301,500,000 cash termination payment.” That cash payment  
12 to be delivered to Big Rivers by WKEC at closing has been increased to \$383,500,000.  
13 The \$383,500,000 figure should also be substituted for the \$301,500,000 figure specified  
14 as the “Termination Payment” on Exhibit PWT-3 to my testimony which summarizes the  
15 Financial Consideration to be paid to Big Rivers by WKEC. The “total consideration”  
16 figure on that Exhibit, and the “reasonable estimate of the value of the total consideration  
17 to be furnished directly to Big Rivers by WKEC,” provided at page 12, line 17 of my  
18 December 17 testimony, should be revised upward accordingly.

19 **Q. Does this conclude the revisions to your testimony?**

20 A. Yes.



## MEMORANDUM OF UNDERSTANDING

This Memorandum is entered into this \_\_\_ day of June, 2008 by and among E.ON U.S., LLC, a Kentucky limited liability company ("E.ON"), ALCAN PRIMARY PRODUCTS CORPORATION, a Texas corporation ("Alcan"), and CENTURY ALUMINUM OF KENTUCKY GENERAL PARTNERSHIP, a Kentucky general partnership ("Century") (Alcan and Century together, the "Smelters"), to set forth the understanding of the parties relating to the administration of monies to be funded by E.ON and Big Rivers Electric Corporation ("Big Rivers") to defray incremental fuel costs once the transactions contemplated by the Transaction Termination Agreement dated as of March 26, 2007, as amended, among Big Rivers and certain affiliates of E.ON have been consummated (the "Unwind Transaction"). E.ON, Alcan and Century are collectively referred to herein as the "Parties."

1. Incremental Fuel Costs. In April 2008, Big Rivers and Western Kentucky Energy Corporation, a subsidiary of E.ON, confirmed from new bids received from coal suppliers that the price of coal for 2009-11 had risen significantly over the projected cost set forth in the financial model prepared by Big Rivers and filed with the Kentucky Public Service Commission ("KPSC") in Case No. 2007-00455 (the "December Model"), which costs were also carried over to the April, 2008 financial model. The incremental fuel costs presented an impediment for both the Smelters and the Non-Smelter Members of Big Rivers (the "Members") to proceed with the Unwind Transaction. Good faith negotiations were undertaken which concluded with the following agreements to become effective with consummation of the Unwind Transaction (but not before): (i) E.ON would fund a fuel reserve of \$82,000,000 for the benefit of the Members, (ii) E.ON would fund a fuel reserve of \$70,000,000 for the benefit of the Smelters, and (iii) Big Rivers would supplement the fuel reserve for the benefit of the Smelters by \$7,000,000.

2. Off-set Against Incremental Fuel Costs. The Parties have agreed that monies from each of the fuel reserves will be applied following the Unwind Transaction, until depleted, only to offset the higher cost of fuel of both the Members and the Smelters in amounts equal to the actual cost of fuel less the forecasted cost of fuel set forth in the December Model. To implement this agreement, Big Rivers, E.ON and the Smelters have made the following additional agreements: (i) the \$82,000,000 fuel reserve to be funded by E.ON for the benefit of the Members will be paid by E.ON to Big Rivers at the closing of the Unwind Transaction (the "Closing"), and will thereafter be held in and applied from the Economic Reserve referenced in lines 41, 62 and 80 of the December Model (Pro Forma) and corresponding lines of the financial model filed with the KPSC on June 11, 2008; (ii) the \$70,000,000 fuel reserve to be funded by E.ON for the benefit of the Smelters will be paid by E.ON to the Smelters at the Closing, and will thereafter be held in and applied from an interest bearing third party depository reserve account (the "Smelter Escrow"); and (iii) the \$7,000,000 fuel reserve to be funded by Big Rivers for the benefit of the Smelters will be held by Big Rivers in two interest bearing reserve accounts, \$3,030,588.24 in the Alcan FAC Reserve referenced in Section 1.1.5 of the Alcan Retail Agreement and \$3,969,411.76 in the Century FAC Reserve referenced in Section 1.1.30 of the Century Retail Agreement.

3. Application of Funds From the Alcan FAC Reserve and Century FAC Reserve. Section 4.13.5 of the Alcan Retail Agreement and Section 4.13.5 of the Century Retail Agreement set forth the method for crediting the monthly bill of each smelter from the Alcan FAC Reserve and Century FAC Reserve. The factor of 0.090909 is determined by the quotient of \$7,000,000 over \$77,000,000.

4. Application of Funds From the Smelter Escrow. With respect to each monthly bill to the Smelters, the Smelters will each draw down from the Smelter Escrow only the amounts determined by the formula set forth in Section 4.13.5 of each smelter retail agreement, except that the factor set forth in Section 4.13.5 (a)(3) shall be 0.909091, determined by the quotient of \$70,000,000 over \$77,000,000. For the month in which the draw depletes the Smelter Escrow entirely, the amount distributed shall be prorated between the Smelters. The Parties agree that the escrow instrument will provide for the distribution of the escrow in the remote event there are funds remaining in escrow at the tenth anniversary of the Closing. Once E.ON has made its initial funding of \$70,000,000 into the Smelter Escrow as contemplated herein, E.ON shall have no further obligation to fund additional amounts into the Smelter Escrow, nor shall E.ON have any further responsibility for the maintenance, upkeep or preservation of the amounts held by the Smelter Escrow, it being understood and agreed that the Smelters shall be solely responsible for any losses to those amounts resulting from any cause whatsoever, including without limitation, losses incurred by virtue of the investment of all or any portion of those amounts.

5. Creation of Smelter Escrow. E.ON, Alcan and Century will cooperate in the establishment of the Smelter Escrow as of the Closing, including the selection of the depository and the terms and conditions of the escrow instrument. The cost of establishing and maintaining the Smelter Escrow shall be borne by Alcan and Century.

5. Reporting. On an annual or more frequent basis if requested, Alcan and Century shall provide documentation confirming that the amounts drawn from the Smelter Escrow during the prior period are in accord with the escrow instrument and this Memorandum of Understanding.

6. Inter-Smelter Agreement. Alcan and Century contemplate that both Smelters will operate at full load during the period in which the Smelter Escrow is available to offset incremental fuel costs. However, in the event of unforeseen developments that could cause one or both Smelters to operate at less than full load, Alcan and Century shall be free to make appropriate adjustments to assure an equitable distribution of the Smelter Escrow, provided that the aggregate monthly amount drawn down is based on Schedule 4.13.5 of the Alcan Retail Agreement and the Century Retail Agreement, respectively, and on the aggregate Base Monthly Energy during the billing month.

7. Definitions. Any term not specifically defined in this Memorandum shall have the meaning set forth in Article I of the Alcan Retail Agreement and the Century Retail Agreement, respectively..

8. Big Rivers. E.ON, Alcan and Century represent to each other that, to their knowledge, Big Rivers is in agreement with the terms of this Memorandum of Understanding.

9. Miscellaneous. This Memorandum shall expire and become null and void at such time, prior to the closing, as the Transaction Termination Agreement referred to above shall expire or be terminated. Neither E.ON nor the Smelters make any representation, warranty, guarantee or other assurance to the other Parties that Big Rivers will administer, manage, make disbursements from, hold or apply the reserve funds described in sub clauses 2(i) and 2(iii) above in the manner and for the purpose(s) described in this Memorandum, it being understood that nothing contained in this Memorandum, shall obligate any Party in any manner with respect to those reserve funds.

E.ON US, LLC

By \_\_\_\_\_

Its \_\_\_\_\_

ALCAN PRIMARY PRODUCTS  
CORPORATION

By \_\_\_\_\_

Its \_\_\_\_\_

CENTURY ALUMINUM OF KENTUCKY  
GENERAL PARTNERSHIP

By: METALSCO, LLC, General Partner

By: \_\_\_\_\_