



Steven L. Beshear  
Governor

Robert D. Vance, Secretary  
Environmental and Public  
Protection Cabinet

Timothy J. LeDonne  
Commissioner  
Department of Public Protection

Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

Mark David Goss  
Chairman

John W. Clay  
Vice Chairman

Caroline Pitt Clark  
Commissioner

January 17, 2008

**PARTIES OF RECORD:**

Case No. 2007-00455

Big Rivers Electric Corporation

Attached is a copy of the informal conference memorandum which is being filed in the record of the above-referenced case. If you wish to make any comments regarding the contents of the memorandum, please do so within five days of receipt of this letter. Should you have any questions regarding the memorandum, please contact Richard Raff at 502/564-3940, Extension 263.

Sincerely,


A large, stylized handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell  
Executive Director

vh/

**INTRA-AGENCY MEMORANDUM**  
**KENTUCKY PUBLIC SERVICE COMMISSION**

**TO:** Case File No. 2007-00455

**FROM:** Richard G. Raff, Staff Attorney 

**DATE:** January 16, 2008

**SUBJECT:** Informal Conference  
Big Rivers Electric Corporation

Pursuant to the request of the Joint Applicants, an informal conference was held at the Commission's offices on January 10, 2008. A list of the attendees is attached hereto.

The purpose of the conference was to discuss the issues raised in the application, which requests approval to unwind the 1998 lease of Big Rivers' generating units to Western Kentucky Energy and to discuss a proposed procedural schedule for processing this case. Big Rivers made a formal presentation regarding the contents of the application and a copy of the PowerPoint presentation was distributed to each attendee and a copy is attached hereto.

Although the application includes a request for approval of financing, Big Rivers acknowledged that the details of its proposed financing have not yet been finalized and, thus, are not set forth in the application. It anticipates completing those details by mid-March 2008 and then filing the requisite documents as an amendment to the pending application. Also not included in the filing are necessary amendments to the contracts between Big Rivers and Henderson Municipal Power & Light regarding the Station Two generating units. Those contracts are still being negotiated and will be filed as soon as they are complete. In addition, there are minor issues outstanding with Alcan and Century Aluminum and, although draft versions of their respective new rate contracts were included with the application, executed copies will not be filed until a number of outstanding issues are resolved, including the details of Big Rivers' financing.

Big Rivers indicated that the overall impact of the proposed unwind transaction would be a reduction in rates for the non-smelter customers for at least five years. Although it proposes to implement a fuel adjustment clause and an environmental surcharge, the increases from these two charges are projected to be more than offset by rate reductions that will flow through to customers under three new surcredits, consisting of an unwind surcredit, a member rate stability surcredit, and a rebate adjustment.

In discussing the proposal to establish an environmental surcharge, which was filed separately in Case No. 2007-00460, Big Rivers indicated that such a tariff was a

necessary and integral part of the unwind transaction and that the unwind transaction could not close without approval of that tariff. Although the statutory procedure for establishing an environmental surcharge, KRS 278.183, provides for a six-month review period, there was an agreement that the environmental surcharge needed to be decided concurrent with the decision in the unwind application.

Big Rivers indicated that, as a result of the recent turmoil in the financial markets, its original proposal to issue private debt in the near future will likely not be feasible due to significant increases in interest rates. As a result, Big Rivers is attempting to negotiate with its primary lender, the Rural Utilities Service, to revise certain existing amortization schedules and obtain the ability to issue the private placement debt sometime over the course of the next five years.

Regarding the procedural schedule proposed by the Joint Applicants, Commission Staff indicated that, since Western Kentucky Energy was not a utility subject to the Commission's jurisdiction, its transfer of control of the generating units back to Big Rivers was not governed by KRS 278.020(5) and (6). Consequently, the 120-day time limit set forth in KRS 278.020(6) was not applicable. Staff referenced the December 18, 2007 Order in Case No. 2007-00374 regarding South Kentucky RECC's purchase of the non-jurisdictional assets of the Monticello Electric Plant Board. After further discussion, there was a general agreement that, due to the significance of the issues in this case and the need for expedited resolution, a final Order would be issued by May 23, 2008. In addition, Alcan and Century Aluminum agreed to file their respective prepared testimonies by January 25, 2008. Big Rivers' three distribution cooperatives indicated that testimony on their behalf had already been included in the application and that no further direct testimony would be filed.

Staff indicated that there would probably be a need for additional informal conferences to discuss in detail the financial model being utilized by Big Rivers, the proposed new rate contracts with Alcan and Century Aluminum, and the new tariff proposals for the non-smelter load.

cc: Parties of record (with list of attendees, but not PowerPoint presentation)

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATIONS 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

=====  
January 10, 2008 Informal Conference  
=====

Please sign in:

NAME

REPRESENTING

RICKARD RAFF

PSC - LEGAL

ISAAC S. SCOTT

PSC - FINANCIAL ANALYSIS

AARON D. GREENWELL

PSC - FA

JEFF JOHNSON

PSC

Quang D. Nguyen

PSC

Daryl Newby

PSC

Melissa Gates

PEC and Meade

Andrew Melhykovich

PSC

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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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ADDITIONS FOR BIG RIVERS ELECTRIC )  
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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

=====  
January 10, 2008 Informal Conference  
=====

Please sign in:

NAME

REPRESENTING

JIM MILLER

BREC

Julie Riggs

STO EON

Allison Sturgeon

E.ON US

RALPH BOWLING

EON-US

Patrick Northam

EON-US

Lennie Bellar

E.ON-US

David Sinclair

EON-US

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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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

=====  
January 10, 2008 Informal Conference  
=====

Please sign in:

NAME

REPRESENTING

Mike Kurtz

Alcan/Century + KUC

HENRY FAYNE

Century

DAVID BROWN

Century/Rio Tinto Alcan

Allan Eyres

ALCAN

Jack Nyker

NMP&L

Larry Cook

OAG

BOB MUDGE

ERA INTL.

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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ELECTRIC CORPORATION FOR: )  
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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 )

=====  
January 10, 2008 Informal Conference  
=====

Please sign in:

NAME

REPRESENTING

CARL LYON

Big Rivers

Kyle Drefke

Big Rivers

Doug Beresford

Big Rivers

Mark Bailey

Big Rivers

BURNS MERCER

MEADE CO. B.E.C.C.

Frank N. King, Jr.

Kenergy Corp.

Jack Gaines

BREC Members

G. KELLY NUORDS

JPEC

Mark Hite

Big Rivers

Tyson Kamm

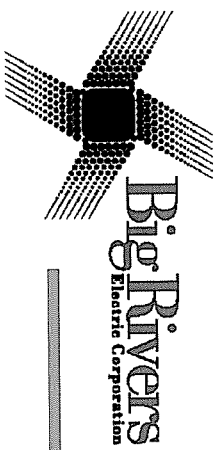
Big Rivers

JOHN TALBERT

Big Rivers

Chuck Buechel

Big Rivers

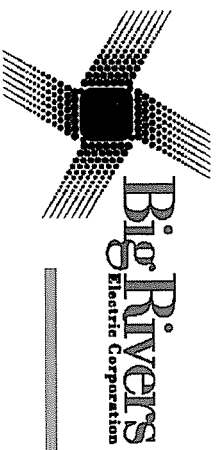


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**Informal Conference**  
**Kentucky Public Service Commission**  
**Case No. 2007-00455**  
**January 10, 2008**







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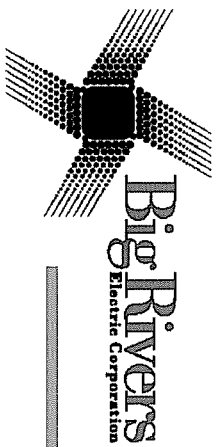
# Introductions



# PURPOSES OF CONFERENCE

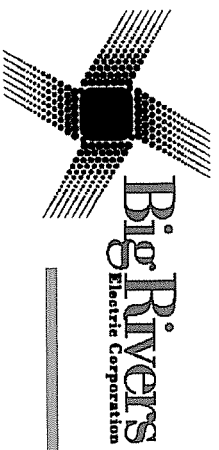
- o Path from April 4, 2008<sup>7</sup>, to December 28, 2007
- o Review of Application
- o Current Status of Unwind Transaction
- o Procedural Schedule
- o Answer Questions





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The path from April 4, 2007,  
to December 28, 2007



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# RATES

## Change in Control



# RATES

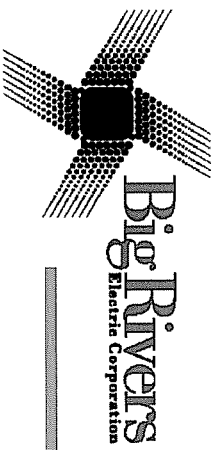
- o PCA Eliminated
- o Fuel Adjustment Clause (FAC)
- o Environmental Surcharge
- o Unwind Surcredit
- o Rebate Adjustment
- o Member Rate Stability Mechanism (MRSM)



# RATES

## Smelter Contracts

- o Examples
- o PCA
- o Patronage Capital
- o Henderson
- o Corporate Approvals



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# RATES

OATT -- FERC Order No. 890-A



## FINANCING

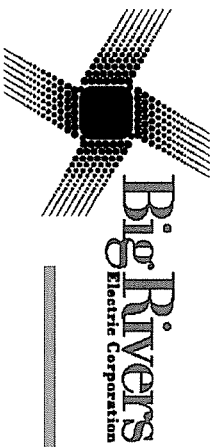
- o Prepayment of Debt
- o Possible Postponement of Capital Market Financing
- o Indenture
- o Loan Contracts
- o Amendment to RUS ARVP Note
- o Intercreditor Agreement
- o Additional Credit Facilities





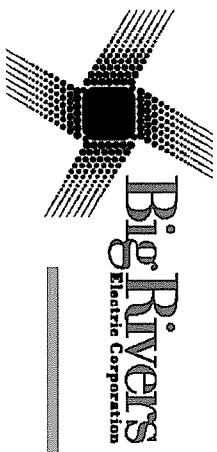
# CURRENT STATUS OF UNWIND

- o Smelters
- o Creditors
- o HMP&L
- o HSR
- o FERC



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# PROCEDURAL SCHEDULE



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# QUESTIONS?

