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

COMMISSION STAFF'S SUPPLEMENTAL DATA REQUEST TO BIG RIVERS ELECTRIC CORPORATION

Big Rivers Electric Corporation ("Big Rivers"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 6 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before November 7, 2008. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Big Rivers shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any requests to which Big Rivers fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Provide a schedule showing the costs incurred and benefits received by Big Rivers as a result of the Bank of America leveraged lease. The schedule should separately identify each cost, each benefit, and each associated tax impact, if any, by year for 2000 through 2023.

2. Provide a schedule showing the costs incurred and benefits received by Big Rivers as a result of the Philip Morris Credit Corporation ("PMCC") leveraged lease. The schedule should separately identify each cost, each benefit, and each associated tax impact, if any, by year for 2000 through 2023.

3. At the October 20, 2008 informal conference, Big Rivers distributed a document titled, "Summary of Changes in the Unwind Financial Model, June 2008 vs.

October 2008" ("Financial Model Presentation"). Refer to page 11, line 3, of that document which identifies $0.79 MWh as "Reduced pressure on General Rate Adjustments." Provide a reconciliation of rate increases shown in the June 2008 financial model and in the October 2008 Unwind Financial Model and explain in detail the reasons for each change.

4. Refer to the Financial Model Presentation, page 9. Provide a breakdown of the actual impact for each amount reflected on line 19 and line 20 under the column headed "$/MWh (blended)."

5. Refer to the Financial Model Presentation, Appendix E, page 20 and the October 9, 2008 Motion to Amend and Supplement Application ("10/08 Application"), Exhibit 79. In order to determine the actual dollar amount impact of the "feathering" of the $157 million Non-Smelter Member Economic Reserve on the October Unwind Financial Model, provide revised versions of pages 3 and 4 titled, "Schedule II, Rates, Accrual Based ($/MWh Sold, unless otherwise noted)," showing the amounts on lines 19 through 103 expressed in dollars, rather than $/MWh. Provide one version without gradualism and one version with gradualism.

6. Assume for purposes of answering this question that Big Rivers reacquires operational control of the generating facilities now operated by Western Kentucky Energy Corporation ("WKEC"). Provide a schedule which shows in MWs for each year 2009 through 2023 Big Rivers' maximum peak generating capacity excluding the Southeastern Power Administration ("SEPA") allocation, peak SEPA allocation, maximum peak capacity including SEPA, peak native load, peak smelter load, peak Henderson load, peak committed sales, if any, and reserve margin expressed in MWs

and percent. All load figures should be shown separately for base case and high case where available.

7. Assume both the unwind scenario and no change in retail electric rates for Jackson Purchase Energy Corporation except to pass through the rates proposed by Big Rivers as shown in the 10/08 Application, Exhibit 79, the Unwind Financial Model, at page 3, lines 33-46. Provide a schedule which shows in dollars for each year 2008 through 2023, a monthly electric bill for a residential customer of Jackson Purchase Energy Corporation using 1,300 kWs. The 2008 monthly bill should reflect pre-unwind and all other years should reflect post-unwind. The monthly bill should show separately the amount of the customer charge, base rate charge, fuel adjustment charge, environmental surcharge, any other credit or charge, and the total bill.

8. Provide a schedule showing the same information as requested in Item No. 7 for a residential customer of Kenergy Corp.

9. Provide a schedule showing the same information as requested in Item No. 7 for a residential customer of Meade County Rural Electric Cooperative Corporation.

10. Refer to the 10/08 Application, Exhibit 79.

a. On page 5, line 122, fuel costs increase annually from \$270.6 million in 2009 to \$370.3 million in 2013, but then decrease by \$111.2 million to \$259.1 million in 2014. Explain why fuel costs as modeled decrease so significantly in 2014.

b. On page 5, line 126, environmental costs increase steadily from 2009 through 2023. Explain why environmental costs do not decrease in 2014 as do fuel costs.

c. On page 8, line 235, Fuel Stock and Related, annual balances increase steadily from 2009 through 2013, decrease significantly in 2014, and then resume increasing through 2023. Explain the reason for the sudden drop in fuel inventory in 2014.

11. Will a physical inventory of fuel on hand be conducted prior to closing the unwind transaction? If yes, who will conduct the inventory and when will it take place?

12. Refer to the 10/08 Application, Exhibit 78, the Third Supplemental Direct Testimony of C. William Blackburn ("Third Supplemental Blackburn Testimony"). On pages 58-59, Mr. Blackburn states that Big Rivers has begun efforts to construct the "Phase 2" transmission line authorized by the Commission on October 30, 2007, in Case No. 2007-00177.[1] Describe the steps that Big Rivers has taken or will take to commence construction of the Phase 2 transmission line prior to October 30, 2008. If these steps include actual physical construction of the transmission line, provide a current photograph of the project worksite showing the construction work in progress. If these steps include financial commitments, explain the nature and amounts anticipated to be incurred by October 30, 2008.

13. Refer to the 10/08 Application, Exhibit 78, pages 60-62. Provide a detailed discussion of Big Rivers' ability to market excess capacity in the quantities and

---

[1] Case No. 2007-00177, 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.

at the prices set forth in the October Unwind Financial Model. Provide any sensitivity analysis which supports these projected quantities and prices.

14. Refer to the Third Supplemental Blackburn Testimony, page 68. Mr. Blackburn states that Big Rivers requested a ruling from the Kentucky Department of Revenue that neither the payment nor receipt of the termination value payment, nor WKEC's waiver of its right to the Residual Value Payment ("RVP"), would be subject to Kentucky sales and use tax but that the Department of Revenue declined to issue such a ruling without first reviewing the Participation Agreement and the Station Two Agreements.

a. Have the Participation Agreement and the Station Two Agreements been provided to the Department of Revenue to review for purposes of rendering a ruling on the question of the payment of Kentucky sales and use tax for the payment and receipt of the termination value payment and WKEC's waiver of its right to the RVP? If yes, state when the agreements were provided and when a written ruling is anticipated. If no, explain why the agreements have not been so provided.

b. Is it reasonable for Big Rivers to enter into the unwind transaction without receiving a ruling from the Department of Revenue regarding this tax issue? Explain the answer and include a schedule showing for years 2008 through 2023 the annual financial impact on Big Rivers of a ruling that all aspects of the unwind transaction are subject to Kentucky sales and use tax.

c. Explain fully the accounting and legal basis for Big Rivers' opinion that the termination value payment and the RVP are not subject to sales and use tax because they constitute intangible property which is not subject to the sales and use tax.

15. Refer to the 10/08 Application, Exhibit 80, the Third Amendment to Transaction Termination Agreement, Appendix D, "Draft Agreed Order." Has the Draft Agreed Order been executed by WKEC and entered as a final Order by the Energy and Environment Cabinet? If yes, provide a copy of the Order as entered and a narrative description of any changes made prior to its entry, including a description of how such changes, if any, will affect the rights and obligations of Big Rivers with regard to the operation of the Coleman Station and the Wilson Station if the unwind transaction is successfully completed.

16. Refer to the 10/08 Application, Exhibit 92, Affidavit of C. William Blackburn. Attachment 2 to the affidavit is a model which assumes a successful unwind transaction and further assumes an AIG guaranteed investment contract ("GIC") value of approximately $68 million. Page 41 of the affidavit states that this model demonstrates that Big Rivers would remain financially viable, but page 38 of the affidavit states that Big Rivers would not enter into the PMCC buyout unless the value of the AIG GIC is at least $85 million. Explain why Big Rivers would not proceed with the buyout if the AIG GIC was valued more than $68 million and less than $85 million.

Stephanie Stumbo

Stephanie Stumbo
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED: October 24, 2008

cc: Parties of Record