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September 23, 2005

**Via Federal Express**

Ms. Elizabeth O'Donnell  
Executive Director  
Public Service Commission  
211 Sower Boulevard, P.O. Box 615  
Frankfort, Kentucky 40602-0615

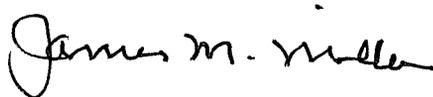
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SEP 26 2005  
PUBLIC SERVICE  
COMMISSION

Re: In the matter of: Application of Big Rivers Electric Corporation  
for Approval of Electrical Interconnection Service to  
Thoroughbred Generating Company, LLC, PSC Case No. 2005-00300

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. I certify that copies of this response have been served on the parties of record. If you have any questions, please call me.

Sincerely yours,



James M. Miller

JMM/ej  
Enclosures

cc: David A. Spainhoward

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

**RECEIVED**

SEP 26 2005

PUBLIC SERVICE  
COMMISSION

**In the Matter of:**

**APPLICATION OF BIG RIVERS ELECTRIC )  
CORPORATION FOR APPROVAL OF )  
ELECTRICAL INTERCONNECTION SERVICE TO )  
THOROUGHbred GENERATING COMPANY, )  
LLC**

**CASE NO.  
2005-00300**

**BIG RIVERS ELECTRIC CORPORATION'S RESPONSE TO  
THE FIRST DATA REQUEST OF THE COMMISSION STAFF  
TO THE ORDER OF SEPTEMBER 12, 2005**

**September 23, 2005**

BIG RIVERS ELECTRIC CORPORATION'S  
RESPONSE TO THE FIRST DATA REQUEST OF THE COMMISSION  
STAFF TO ORDER OF SEPTEMBER 12, 2005  
CASE NO. 2005-00300  
September 23, 2005

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**Item 1)** Refer to Exhibit 1 of the Application, page 9. Concerning the provisions contained in Article 2.1 of the Interconnection and Operating Agreement (“IOA”):

**a)** Has Big Rivers sought the approval of the Rural Utilities Service (“RUS”)? If yes, provide a copy of the request to the RUS.

**b)** Has Big Rivers received RUS approval of the IOA?  
(1) If yes, provide a copy of the approval letter from RUS.  
(2) If no, indicate when Big Rivers anticipates it will receive RUS approval.

**Response) a)** No. Big Rivers included RUS approval in Section 2.1 of the IOA in the event approval was necessary. After review of RUS requirements, Big Rivers and its legal counsel determined that no approval is required from RUS. Consequently, Big Rivers has not sought RUS approval for the IOA.

**b)** Same as answer to a) above.

**Witness)** David A. Spainhoward

BIG RIVERS ELECTRIC CORPORATION'S  
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CASE NO. 2005-00300  
September 23, 2005

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**Item 2)** Refer to Exhibit 1 of the Application, page 12, Article 2.4.2. Explain the purpose of the following section of Article 2.4.2:

In the event the KPSC approves Provider's application for authorization to take ownership of unfinished Network Upgrades but grants Provider rate treatment that will not permit Provider to reimburse Customer its costs of constructing such unfinished Network Upgrades and Customer's cost of maintaining such Network Upgrades through the date they are transferred to Provider's ownership, Customer may refuse to transfer such Network Upgrades to Provider, in which case Customer will bear Provider's costs of obtaining the foregoing approvals and rate treatment from the KPSC.

**Response)** Under Section 2.4 of the IOA, in the event the IOA terminates after Thoroughbred has commenced the construction of Network Upgrades but before Thoroughbred has completed them and transferred them to Big Rivers' ownership, Big Rivers has the right to acquire some or all of the unfinished Network Upgrades. In the event Big Rivers elects to acquire some or all of the unfinished Network Upgrades, it will reimburse Customer for the cost of constructing and maintaining such unfinished Network Upgrades. This provision of the IOA provides Big Rivers with the right to acquire potentially valuable network transmission facilities that it can use to serve its customers. If Big Rivers seeks to acquire unfinished Network Upgrades, it must first seek KPSC approval for the acquisition and rate treatment that will allow Big Rivers to recover its costs of acquiring, owning, operating, and maintaining such Network Upgrades. If Big Rivers obtains such approval and rate treatment, Big Rivers will purchase the unfinished Network Upgrades from Thoroughbred at Thoroughbred's cost of constructing the facilities and maintaining them through the date they are transferred to Big Rivers.

The purpose of the provision of Article 2.4.2 quoted above is to balance the rights and liabilities of Big Rivers and Thoroughbred in the event the KPSC does not grant Big

BIG RIVERS ELECTRIC CORPORATION'S  
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STAFF TO ORDER OF SEPTEMBER 12, 2005

CASE NO. 2005-00300

September 23, 2005

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Rivers rate treatment that will permit it to reimburse Thoroughbred its costs of building and maintaining unfinished Network Upgrades. The IOA contemplates that Big Rivers will need two forms of relief from the KSPC to acquire unfinished Network Upgrades from Thoroughbred and own, operate, and maintain them. First, the KPSC must authorize Big Rivers to acquire unfinished Network Upgrades including the cost of reimbursing Customer for the construction and maintenance of the unfinished Network Upgrades. Second, the KPSC must approve rate treatment that will allow Big Rivers to recover its costs of acquiring, owning, operating, and maintaining such Network Upgrades. If the KPSC were to authorize Big Rivers to acquire unfinished Network Upgrades but did not grant either (i) approval of the cost of acquiring the unfinished Network Upgrades or (ii) Big Rivers' rate treatment that would allow Big Rivers to recover its costs of acquiring, owning, operating, and maintaining such Network Upgrades, then Thoroughbred would be relieved of any obligation to transfer the unfinished Network Upgrades to Big Rivers. In that case Thoroughbred would reimburse Big Rivers its costs of seeking KPSC authority to acquire the unfinished Network Upgrades and appropriate rate treatment.

**Witness)**      Travis H. Housley, P.E.  
                         David Spainhoward

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RESPONSE TO THE FIRST DATA REQUEST OF THE COMMISSION  
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CASE NO. 2005-00300  
September 23, 2005

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**Item 3)** Refer to Exhibit 1 of the Application, page 30, Article 4.9.3. Indicate which party will be responsible for any costs resulting from a planned or unplanned outage.

**Response)** In general, each party is responsible for the costs associated with its own facilities.

**Witness)** Travis H. Housley, P.E.

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CASE NO. 2005-00300

September 23, 2005

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**Item 4)** Refer to Exhibit 1 of the Application, page 43, Article 9.2. Which party determines that upgrades are necessary to comply with Good Utility Practice? Does the agreement provide for an arbitration process?

**Response)** Through its interconnection-related study process, Big Rivers has identified the Network Upgrades that are necessary to safely and reliably interconnect the Thoroughbred generating facility with the Big Rivers transmission system. The Network Upgrades are identified and described in Appendix B to the IOA.

Pursuant to IOA Section 9.2, Thoroughbred is obligated to “engineer, procure equipment, and construct the Network Upgrades using Good Utility Practice and using standards and specifications provided in advance” by Big Rivers. Pursuant to Section 9.2.3, Big Rivers will not be required to interconnect Thoroughbred’s generating facility with the Big Rivers transmission system if Thoroughbred does not specify, design, install, and construct the Network Upgrades in accordance with applicable safety and/or engineering codes, Applicable Reliability Standards, and Applicable Laws and Regulations.

Moreover, pursuant to IOA Section 9.2.9, if Thoroughbred fails to engineer and construct the Network Upgrades in a manner consistent with IOA Section 9.2, which includes an obligation to perform consistent with Good Utility Practice, Big Rivers need not approve or accept ownership of the Network Upgrades. Big Rivers may determine in its discretion whether Thoroughbred has satisfied the requirements of IOA Section 9.2, subject only to Big Rivers’ obligation under Kentucky common law to act in good faith.

The IOA, at Article 22, provides for a dispute resolution process that can provide for arbitration in the event the parties are not able to resolve the dispute through other means.

**Witness)** Travis H. Housley, P.E.

BIG RIVERS ELECTRIC CORPORATION'S  
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CASE NO. 2005-00300  
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**Item 5)** Refer to Exhibit 1 of the Application, Appendix G. Provide a breakdown of the estimated \$100,000 in costs Big Rivers expects to incur to provide oversight with respect to design, construction, and installation of the proposed interconnection facilities.

**Response)** The oversight costs charged to Thoroughbred will be based on actual expenses. The \$100,000 cost included in the agreement is a general estimate based on engineering salary and overheads (approximately one man-year). Big Rivers has no further breakdown at this time.

**Witness)** Travis H. Housley, P.E.

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STAFF TO ORDER OF SEPTEMBER 12, 2005  
CASE NO. 2005-00300  
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**Item 6)** Refer to Exhibit 1 of the Application, Appendix I. Provide a breakdown of the \$50,000 in O&M security obligations Big Rivers estimates it will incur.

**Response)** The ongoing operation and maintenance expenses for the Network Upgrades will be paid through the variable cost portion of the Big Rivers transmission rate. If, during the transmission refund period (the initial seven-year period after the commercial operation date), the amount of transmission service from the Thoroughbred generating facility is insufficient to enable Big Rivers to recover its operation and maintenance costs for the Network Upgrades, Thoroughbred will make up the difference between the operation and maintenance revenues and the actual costs. See IOA, *Article 6*. The IOA requires Thoroughbred to maintain \$50,000 in security for its operations and maintenance costs obligations. While a detailed breakdown of the \$50,000 is not available, the amount is expected to be sufficient to fund all expenses associated with right-of-way maintenance, circuit breaker and other substation equipment testing and maintenance, and transmission line inspections that may occur in any one year.

**Witness)** Travis H. Housley, P.E.

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CASE NO. 2005-00300  
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**Item 7)** Article 15 of the IOA requires the customer to obtain and maintain several insurance policies. What is the remedy if it fails to do so?

**Response)** The insurance-related provisions of IOA Article 15 are material terms and conditions of the IOA. Thoroughbred's failure to satisfy the requirements of Article 15 would constitute a breach of the IOA pursuant to Article 17. Such breach, if uncured pursuant to IOA Section 17.4, would constitute a default of the IOA. Big Rivers' remedy for Thoroughbred's default of the IOA includes termination of the agreement pursuant to IOA Section 18.2.

**Witness)** Travis H. Housley, P.E.