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February 23, 2007

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

RECEIVED  
FEB 27 2007  
PUBLIC SERVICE  
COMMISSION

Re: In the matter of: The Application of Big Rivers Electric Corporation  
For Approval of an Interconnection Agreement with Kentucky  
Utilities, Case No. 2007-00058

Dear Ms. O'Donnell:

Big Rivers Electric Corporation ("Big Rivers") filed an application with the Public Service Commission in the above-referenced matter on February 2, 2007, seeking approval of an interconnection agreement with Kentucky Utilities ("KU") that calls for an additional 345 kilovolt interconnection between the Big Rivers system and the KU system. In its application, Big Rivers estimated the total cost of the new interconnection project to be \$6,600,000. The application also notes that Big Rivers had recently put out construction bids for the project. Big Rivers has asked that we provide the following updated information on the project.

After reviewing the construction bids that it received, Big Rivers now estimates that the total cost of the project will be \$9,400,000, which represents an increase of \$2,800,000 in the estimated cost. This increase results primarily from stronger market conditions that have resulted in higher costs for nearly all equipment, materials, and labor associated with the switching station and line work than were employed in formulating the initial estimate. Some changes in scope for the communication systems and relaying protection systems are additional factors in the increased cost estimate.

Since the total cost of the project has risen, Big Rivers' share of the estimated cost of operation, which, based on historical averages, is 6.63% of the net book value of the transmission improvement per year and 4.30% of the net book value of the substation improvement per year, will increase from the \$130,000 per year stated in the application to approximately \$198,000 per year.

The application and the exhibits thereto discuss alternatives to the interconnection project that Big Rivers considered. Despite the increased cost estimate for the project, the selected project is still the preferred option. Of the alternatives that provide the required export capability, the selected project is still the least expensive option. Additionally, the project will still be paid for with internally generated funds, the project still does not involve sufficient capital outlay to materially affect the existing financial condition of Big

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Rivers, the project will still not result in increased charges to Big Rivers' customers, and Big Rivers is still convinced that the project is an ordinary extension of an existing system in the usual course of business for which no certificate of public convenience and necessity is required.

We request that you add this updated information on this project to the file in this case. Please contact us if we may provide any further information.

Sincerely,



Tyson Kamuf

TAK/ej