

RECEIVED

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

OCT 24 2008
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)
CORPORATIONS, (II) APPROVAL OF) CASE NO. 2007-00455
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)**

**ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION TO
JOINT APPLICANTS**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Supplemental Request for Information to Big Rivers Electric Corporation ("Big Rivers"), E.ON U.S., LLC (E.ON), Western Kentucky Energy Corporation (WKEC) and LG&E Energy Marketing, Inc. (LEM) (hereinafter collectively referred to as the "Joint Applicants") to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

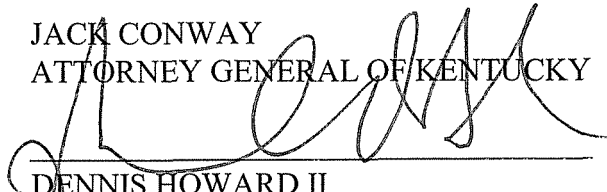
(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

JACK CONWAY
ATTORNEY GENERAL OF KENTUCKY



DENNIS HOWARD II
PAUL D. ADAMS
ASSISTANT ATTORNEYS GENERAL
FRANKFORT KY 40601-8204
(502) 696-5453
FAX: (502) 573-8315
Dennis.Howard@ag.ky.gov
Paul.Adams@ag.ky.gov

CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 24th day of October, 2008, I have filed the original and ten copies of the foregoing Attorney General's Initial Request for Information to Joint Applicants with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to:

C. William Blackburn
Big Rivers Electric Corporation
P. O. Box 24
Henderson, KY 42420

David Brown
Stites & Harbison, PLLC
1800 Providian Center
400 West Market Street
Louisville, KY 40202

Honorable John N. Hughes
124 West Todd Street
Frankfort, KY 40601

Honorable Frank N. King, Jr.
Dorsey, King, Gray, Norment & Hopgood

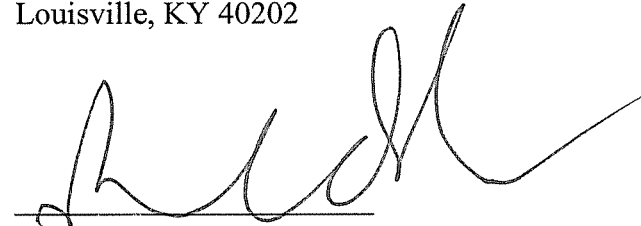
318 Second Street
Henderson, KY 42420

Honorable Michael L. Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street Suite 1510
Cincinnati, OH 45202

Honorable James M. Miller
Sullivan, Mountjoy, Stainback & Miller, PSC
P.O. Box 727
Owensboro, KY 42302-0727

Honorable Kendrick R. Riggs
Stoll Keenon Ogden, PLLC
2000 PNC Plaza
500 W Jefferson Street
Louisville, KY 40202-2828

Honorable Allyson K. Sturgeon
E.ON U.S. Services, Inc.
220 West Main Street
Louisville, KY 40202

A handwritten signature in black ink, appearing to read "A. Sturgeon", written over a horizontal line.

Assistant Attorney General

ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION
Case No. 2007-00455

I. E.ON

1. Please update responses to all previous data requests from the Office of Attorney General with any additional responsive documents and information since the date of the last response to such data requests. If no update exists for a specific question, the responses indicating that fact can be grouped in a joint response.
2. Please refer to the Supplemental Direct Testimony of Paul Thompson at page 12, lines 13-15. Please provide documents which show E.ON's current information, understanding or analysis regarding "certain claims against WKEC" that Henderson may bring against WKEC.
3. Please state whether or not any further agreements or understandings exist between E.ON (or any of its affiliates) and any other party or entity regarding the proposed transaction which have not been explicitly identified or presented to the Commission which could be construed or understood as a "side deal" as that term is commonly understood. If any such "side deal" does exist, identify each one and describe it in detail.
4. Exhibit PWT-9 attached to the Supplemental Testimony of Paul W. Thompson provides the "resolution" of four "Existing Contract Disputes." Provide the current estimated amount, separately, to resolve each of the four disputed items assuming the Unwind Transaction proceeds as proposed by the Joint Applicants. Please also indicate which party or entity would bear those estimated costs.
5. Please provide "what if" Unwind Financial Model runs performed by or for BREC in the period September 1, 2008 to current, to reflect alternative resolutions contemplated to obtain Henderson's consent to the proposed transaction. For each "what if" model run, please specify the input assumptions for the model on the parameters which were assumed to obtain Henderson's consent.
6. Please summarize the key points which define the contractual relationship, rights and responsibilities of Henderson and BREC (separately) with regard to the operation of Station Two, from a business perspective.
7. To what extent does Henderson believe the costs of rectifying its concerns regarding maintenance and condition of Station Two exceed the \$3 million offered by E.ON to meet such concerns.
8. Please assume the Unwind Transaction closes as proposed. For each capital dollar that is necessary to rectify Henderson concerns regarding the operating condition of Station Two, how much of that is BREC obligated to pay?

9. Please assume the Unwind Transaction closes as proposed. For each expense dollar that is necessary to rectify Henderson concerns regarding the operating condition of Station Two, how much of that is BREC obligated to pay?
10. Please provide copies of all communications between Joint Applicants and the City of Henderson and/or HMP&L concerning the proposed unwind transaction.

II. Big Rivers

11. Please update responses to all previous data requests from the Office of Attorney General with any additional responsive documents and information since the date of the last response to such data requests. If no update exists for a specific question, the responses indicating that fact can be grouped in a joint response.
12. Please state whether or not any further agreements or understandings exist between BREC and any other party or entity regarding the proposed transaction which have not been explicitly identified or presented to the Commission which could be construed or understood as a “side deal” as that term is commonly understood. If any such “side deal” does exist, identify each one and describe it in detail.
13. Please provide a demonstration that Rural sales (e.g, 2.44 TWH for 2009) are in fact synchronized with Rural operating receipts (e.g., \$90.8 million for 2009), such that the operating receipts would in fact be received within the calendar year as shown.
 - a. Please identify and estimate any factors which might or would cause BREC’s operating receipts as modeled for Rural consumers to be different than actual receipts (assuming identical volumes).
14. Please provide a demonstration that Smelter sales (e.g, 7.30 TWH for 2009) are in fact synchronized with Smelter operating receipts (e.g., \$314.6 million for 2009), such that the operating receipts would in fact be received within the calendar year as shown.
 - a. Please identify and estimate any factors which might or would cause BREC’s operating receipts as modeled for Smelter consumers to be different than actual receipts (assuming identical volumes).
15. The Unwind Financial Model includes projections of cash balances, which appear to be determined on a net basis from modeled receipts, costs, investing, and modeling assumptions and processes.
 - a. Does BREC agree with this statement and characterization? If not, please state why not.
 - b. Please compare and contrast the model’s projected cash balances to the minimum cash cushion that BREC will need for purposes of operating the business going forward.
 - c. Please estimate and quantify the minimum cash cushion that BREC will need to operate the business over the next five years, as compared to the model’s projected cash balances for the same period.

16. Has BREC modeled projected future rates for Rural consumers, assuming current BREC circumstances and position, and that the Unwind Transaction does not occur? If so, please provide this financial modeling including the projected future rates for Rural consumers (unblended).
17. Please provide the effective rate as paid by the smelters in 2008, similar to that presented for Rural and Large industrial customers on page 3 of the Unwind Financial Model.
18. Please refer to the October 2008 presentation “Summary of Changes in the Unwind Financial Model, June 2008 vs. October 2008, pages 10 and 12. Please provide graphs augmented to also include and depict rates from the “errata version” of the Unwind Financial Model as filed in this matter in February 2008.
19. Identify each item identified by BREC in its due diligence activities since April 2008 for which action and expenditure of resources will be required by BREC, following assumed closing of the proposed Unwind Transaction.
 - a. For each item, identify the action necessary and expenditure of resources anticipated to be required, and the source of funds for those expenditures.
20. Identify each item which remains open and subject to further due diligence evaluation and review by BREC.
21. State the extent to which the “resolution” of the fuel issue by an increased termination payment of \$82 million from E.ON is intended to wholly insulate rural consumers from increased rates due to increased fuel costs over an applicable time period.
 - a. Please describe and quantify why the \$82 million amount is the appropriate amount to resolve the “fuel issue”, as opposed to some other amount (e.g., \$100 million; \$150 million; etc.).
22. Please refer to the Supplemental Direct Testimony of Robert Mudge, at page 5, where it references “changes to non-labor fixed costs and capital expenditures.” Please provide a document or schedule which shows the revisions to these items on an individual basis within the enumerated “four major categories.”
23. Please refer to the Supplemental Direct Testimony of Robert Mudge, at page 11, where an “Overall Revenue Requirements” table is provided for the period 2009 – 2023. Please provide a table displaying the same information, but on an annual basis with each year 2009 – 2023 depicted.
24. Please refer to the Supplemental Direct Testimony of Michael Core at page 7, where it is stated “the anticipated benefits of the Unwind Transaction significantly outweigh the potential costs.” Please identify and describe each item that is viewed as a “potential cost” in this statement.

25. Does BREC understand the proposed electric supply agreements with the smelters to permit the rate charged to the smelters to vary to the extent the Commission later varies the Large Industrial rate? If not, please explain why not?
26. Please produce a “what if” run of the model provided as Exhibit 79, varying inputs only as necessary to include an additional \$400 million in generation plant capital expenditure added over four years beginning in 2012, which capital expenditure is entirely funded with increased debt.
27. Exhibit PWT-9 attached to the Supplemental Testimony of Paul W. Thompson provides the “resolution” of four “Existing Contract Disputes.” Provide the current estimated amount, separately, to resolve each of the four disputed items assuming the Unwind Transaction proceeds as proposed by the Joint Applicants. Please also indicate which party or entity would bear those estimated costs.
28. Please provide “what if” Unwind Financial Model runs performed by or for BREC in the period September 1, 2008 to current, to reflect alternative resolutions contemplated to obtain Henderson’s consent to the proposed transaction. For each “what if” model run, please specify the input assumptions for the model on the parameters which were assumed to obtain Henderson’s consent.
29. Please summarize the key points which define the contractual relationship, rights and responsibilities of Henderson and BREC (separately) with regard to the operation of Station Two, from a business perspective.
30. To what extent does Henderson believe the costs of rectifying its concerns regarding maintenance and condition of Station Two exceed the \$3 million offered by E.ON to meet such concerns.
31. Please assume the Unwind Transaction closes as proposed. For each capital dollar that is necessary to rectify Henderson concerns regarding the operating condition of Station Two, how much of that is BREC obligated to pay?
32. Please assume the Unwind Transaction closes as proposed. For each expense dollar that is necessary to rectify Henderson concerns regarding the operating condition of Station Two, how much of that is BREC obligated to pay?
33. Please provide copies of all communications between Joint Applicants and Henderson and the City of Henderson and/or HMP&L concerning the proposed unwind transaction.
34. Please refer to the Potline Reduction Sales section of the proposed Retail Electric Service Agreement. Please estimate the net proceeds to the smelter if a Potline Reduction Sale was implemented at the full amount for the calendar year 2010. Please show and provide the supporting calculations.