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 CORPORATIONS, (II) APPROVAL OF TRANSACTIONS. (III) APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS, AND (IV) APPROVAL OF AMENDMENTS TO CONTRACTS; AND	)	**CASE NO. 2007-00455**
OF E.ON U.S., LLC, WESTERN KENTUCKY ENERGY CORP. AND LG&E ENERGY MARKETING, INC. FOR APPROVAL OF TRANSACTIONS	)	

ATTORNEY GENERAL'S INITIAL 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 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

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CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 1st day of February, 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
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Assistant Attorney General

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

1. State each material fact which prevents Big Rivers from electing to continue its present mode of operation under the existing Lease Agreement.

2. State each material fact which prevents Big Rivers from electing to continue its present mode of operation under the existing Purchase Power Agreement.

3. Provide the most recent comparison of expected future cash flows to Big Rivers under continuation of the existing Lease Agreement/Purchase Power Agreement versus expected future cash flows as modeled (Exhibit 8) for the proposed Unwind/Lease Agreement Termination transactions, performed by or for Big Rivers.

    a. To the extent Big Rivers does not have the requested comparison of expected future cash flows, "present method of operation" (PMO) under the Lease Agreement/Purchase Power Agreement, versus expected future cash flows as modeled for the proposed Unwind/Lease Agreement Termination transactions:

        i. Please explain why such a comparison was not performed; and,
        ii. Provide the requested comparison.

4. It is stated that Big Rivers "exists for the <u>principal</u> purpose of providing the wholesale electricity requirements of its three distribution cooperative members", (<u>emphasis added</u>).

    a. State each and every other purpose for which Big Rivers exists.

    b. Describe and discuss the nature of each such "other purpose" identified in a, above.

5. Does Big Rivers have committed financing as represented for example by "Commitment Letters" from lenders for the new debt financing to finance the Unwind Transaction?

    a. If so, please provide the Commitment Letters and most current draft loan agreements and documentation.

    b. If not, please state when committed debt financing will be sought by Big Rivers.

6. Provide documents which show most current projected load growth over the next five years for Big Rivers' member cooperatives (Kenergy Corp., Jackson Purchase Energy Corporation, and Meade County Rural Electric Cooperative), including load growth for smelters separately.

7. Please provide information concerning executive succession plans along with a copy of any executive retirement policies of the company. If no such plans or policies exist, please state the reason(s) why.

8. Please provide details as to the positions of the current executives of the company during the company's bankruptcy. Will the same executives that presided over the company during the bankruptcy operate the company after the unwind transaction?

9. Please provide information concerning the unwind transactions' effects on the company's executive retirement plans. Are there any material benefits to the executives which result from the unwind transaction?

10. Provide documents which show Big Rivers' sales on the regional wholesale power market for the past three years.

11. In addition to Exhibit 37, provide the complete CPA audit report for Big Rivers, for 2004 and 2007 when completed.

12. State each material fact and purpose which incents or otherwise motivates Big Rivers to seek or otherwise accept the Unwind Transaction and Lease Agreement termination which is the subject of this proceeding. Discuss each such listed material fact and purpose.

13. Under the existing Lease Agreement, state the entity which is responsible for capital investments necessary to meet "clean air" requirements, emission standards and any other environmental rules and requirements.

    a. State how the costs of those investments are recovered, and which entity pays for those costs ultimately under the Lease Agreement, and how that entity pays for such costs.

14. Under the existing Lease Agreement, state the entity which is responsible for incurrence of operating expenses necessary to meet "clean air" requirements, emission standards and any other environmental rules and requirements.

    a. State how the costs of those operating expenses are recovered, and which entity pays for those costs ultimately under the Lease Agreement, and how that entity pays for such costs.

15. State the reasons why it is not in the public interest to simply continue the Lease Agreement under its present terms. Also, state any necessary revisions to the Lease Agreement that would make it such that it could be continued in the public interest.

16. State the reasons why it is not in the public interest to simply continue the Purchase Power Agreement under its present terms. Also, state any necessary revisions to the Purchase Power Agreement that would make it such that it could be continued in the public interest.

17. Provide any available and current market and industry research on aluminum commodity markets and aluminum smelting that have been reviewed and considered by Big Rivers.

18. Provide all reports or presentations prepared by investment banking advisors (e.g., Goldman Sachs) for Big Rivers pertaining to the Unwind Transaction/Lease Agreement termination, or emergence from bankruptcy reorganization generally.

19. Provide all documents which show financial comparisons (comparisons of financial metrics, e.g., Debt/EBITDA, TIER, DSC, etc.) of Big Rivers to "comparable companies" performed by or for Big Rivers.

20. Identify companies which Big Rivers views as being "comparable" to Big Rivers in terms of business purpose, and operating and financial metrics.

21. State the current interest rates on long term debt that Big Rivers believes it could achieve, in the circumstance in which it possessed "investment grade" credit ratings. Also state the credit rating assumed for purposes of providing this current interest rate, e.g., BBB, A, etc.

22. State the current interest rates on long term debt that Big Rivers believes it could achieve, in the circumstance in which it possessed "non-investment grade" credit ratings. Also state the credit rating assumed for purposes of providing this current interest rate, e.g., BB, B, etc.

23. Provide a sensitivity run of the financial model (Exhibit 8), varying only the assumed interest rates on long term debt to be those consistent with "non-investment grade" credit ratings. Please provide the electronic spreadsheet file version of this sensitivity run, including a description of inputs that were varied to produce it.

24. Provide copies of each (U.S.) Equities analyst report on E.ON since January 1, 2005.

25. Provide documents which show the current size of E.ON's U.S. markets by state as divided between retail, wholesale and other (or other/different market descriptions as applicable).

26. Assume the Application is not approved by the Commission. Identify and describe each material harm that would occur as a result of this non-approval, and the estimated point in time at which it would occur:

    a. To Big Rivers;

   b. To the three member retail cooperatives;

   c. To the Smelters; and,

   d. To E.ON.

27. Please reference the testimony of C. William Blackburn, page 9, It is stated that "Operating experience of the units as regulated assets can be developed during the initial period."

    a. Specifically what operating experience of the units is unknown to BREC at this time; and

    b. Specifically what operating experience of the units "as regulated assets" would be different than 'as unregulated assets.'

28. Please reference the testimony of C. William Blackburn, page 12, lines 8-16. To the extent not previously provided, provide documents showing the "increased purchase power payments from the Smelters".

    a. Provide supporting documents showing the calculation details in determining such increased payments, including the prior amounts for three preceding years against which the increase is determined by comparison.

29. Please reference the testimony of C. William Blackburn, page 20, lines 16-18. Reference is made here to a TIER level to provide "a reasonable opportunity to obtain and maintain an investment grade financial rating." Similarly, please state whether there is a leverage ratio metric (e.g, net debt/EBITDA) that is viewed as a threshold level for investment grade financial ratings. If so, please state that leverage ratio metric threshold. If not, please explain why not.

30. Please reference the testimony of C. William Blackburn, page 29, lines 10-13.Reference is made here to various types of data provided. To the extent not previously provided, please provide this same data, updated as appropriate, in electronic spreadsheet file format.

31. Please reference the testimony of C. William Blackburn, page 71, line 8, regarding "implementation of the new Wholesale Smelter Agreements." To the extent not previously provided, provide a list stating and describing each and every material difference between the "old" smelter agreements, and the "new" smelter agreements.

32. Please reference the testimony of C. William Blackburn, page 109, lines 16-17 at "the Unwind Transaction represents a negotiated transaction with an agreed-upon allocation

of risks between Big Rivers, Big Rivers' members, the Smelters and the E.ON U.S Parties."

a. Identify any other entities outside this negotiation group which bear risks from this transaction, but are not included in the "negotiated transaction" (e.g., City of Henderson);

b. Identify and describe each "risk" that was considered and allocated; and,

c. Which party bears what share of "agreed-upon allocation" of each risk in b, above.

33. Please reference the testimony of C. William Blackburn, page 124, lines 9-10, regarding "Big Rivers has not yet completed negotiations with its existing creditors concerning the provisions of the Indenture and the New Intercreditor Agreement". To the extent not previously provided, please provide copies of all correspondence between Big Rivers and its creditors since the point in time Big Rivers and E.ON decided to pursue the transaction.

34. Please reference the testimony of C. William Blackburn, page 107, lines 8-9, regarding investment grade ratings from Moody's and Standard and Poors. Has Big Rivers sought indicative bond ratings from any rating entity such as Moody's or S&P? If so, please provide those indicative bond rating documents.

35. Please reference the testimony of C. William Blackburn, page 11, lines 8-9, regarding "the Unwind Transaction contemplates system expansion…." Provide documents which show and describe Big Rivers' contemplated system expansion under the Unwind Transaction, and subsequent to it.

36. Please reference the testimony of C. William Blackburn, page 13, lines 6-9, "improved financial arrangements will in turn make Big Rivers much more able to respond to changing market circumstances….".

a. Please specifically identify the "changing market circumstances."

b. Assume the Lease Agreement and Purchase Power Agreement is not terminated. Please specifically identify any "changing market circumstances" that Big Rivers would not be able to respond to under its current financial structure.

37. Please reference the testimony of C. William Blackburn, page 19, lines 5-7, consent fees, "discussions with those creditors remain ongoing." Provide all documents to and from Big Rivers' creditors regarding consent fees, restructure of debt to accomplish and support the Unwind Transaction, etc.

38. Please reference the testimony of C. William Blackburn, page 27, line 18 to Page 28, line 10, regarding inputs to the production cost model. For each of the enumerated inputs 1-9, provide documents which show sensitivity analyses addressing the sensitivity of production cost model outputs to changed inputs.

39. Please reference the testimony of C. William Blackburn, page 28, line 11 to Page 29, line 15, regarding inputs to the financial model provided by Big Rivers. Provide the documents (whether paper or electronic, and if electronic in native electronic format—not .pdf) which contain or support the "numerous inputs" referenced here.

40. Please reference the testimony of C. William Blackburn, page 34 line 22 to page 35, line 2, regarding the Hill & Associates review.

    a. Please provide the most recent Hill & Associates review document in its entirety; and,

    b. Provide the updated review document as referenced here.

41. Please reference the testimony of C. William Blackburn, page 124, line 21 to Page 125, line 3, regarding "Big Rivers anticipates [beginning the process of obtaining investment grade credit ratings] will occur in the very near term…." Provide specific dates as to when "the very near term" is anticipated to occur.

42. Please reference the testimony of C. William Blackburn, page 128, lines 1-3 reference "assumed" interest rates. Provide current market interest rates (on a comparable basis) for the same profile of debt obligation as assumed here.

43. Please reference the testimony of C. William Blackburn, page 77, lines 7-10, "one consequence of Big Rivers resuming control over its formerly leased generation assets is that future power supply costs may increase now that a significant portion of Big Rivers' costs are no longer largely fixed under the Lease Agreement." Explain why it is in the public interest to expose Big Rivers and its member cooperatives to increased power supply costs when such costs currently are largely fixed under the Lease Agreement.

44. Please reference the testimony of C. William Blackburn, page 86, line 12, regarding "sensitivity run."

    a. Identify all "sensitivity runs" performed by or for Big Rivers in support of its conclusion to terminate the Lease Agreement and propose the Unwind Transaction.

    b. Provide an electronic copy (.xls file in machine readable format with formulas intact) of each such sensitivity run, above.

45. Please reference the testimony of C. William Blackburn, page 91, lines 6-7, regarding "certain provisions providing for a sharing of the costs of certain large fuel increases…" Specify each such provision referred to here.

46. Please reference the testimony of C. William Blackburn, page 21, lines 9-16: identify each difference in calculation of "TIER" as used or likely to be used by:

    a. Creditors in credit agreements;

    b. Credit rating entities; and,

    c. Smelters via the "Smelter Agreements".

47. Please reference the testimony of Robert S. Mudge, page 5, line 10-11, "at the outset of negotiations relating to the Unwind Transaction in 2003." State each material factor that was an impetus to opening these negotiations.

48. Please reference the testimony of Robert S. Mudge, page 10, line 3, "financing has been modeled to minimize costs." State specifically how the financing as modeled "minimizes costs."

49. Please reference the testimony of Robert S. Mudge, page 17, lines 1-7, regarding capital expenditures. Provide any sensitivity analysis scenarios conducted regarding variation of "capital expenditure assumptions" from that assumed and presented in the Unwind Financial Model (Exhibit 8). Provide these scenarios in electronic spreadsheet file format, along with any description of the sensitivity analysis scenario.

50. Please reference the testimony of Robert S. Mudge. Provide any documents prepared for or provided to Applicants by him or his firm pertaining to matters within this application since being retained in 2003.

51. Please reference the testimony of Robert S. Mudge. Provide any documents in his possession regarding the future costs of complying with environmental regulations related to coal fired plants and their operation.

52. Please reference the testimony of Mark W. Glotfelty, pages 8-9, regarding "credit strengths the ratings agencies will consider." Identify and discuss any other credit strengths the ratings agencies will consider, beyond those listed here.

53. Please reference the testimony of Mark W. Glotfelty, page 9, regarding "credit concerns the ratings agencies will likely focus upon." Identify and discuss any other credit concerns the ratings agencies will consider, beyond those listed here.

54. Please reference the testimony of Mark W. Glotfelty. Provide any reports prepared for, provided to, or otherwise created for this matter for the Applicants by him/Goldman Sachs.

55. Please reference the testimony of Mark W. Glotfelty. Provide any documents in his possession regarding the future costs of complying with environmental regulations related to coal fired plants and their operation.

56. Please reference the testimony of Mark W. Glotfelty, page 11. Provide the entire document from which the table on this page was drawn.

57. Please reference the testimony of Mark W. Glotfelty, page 7. Provide the entire document from which the table on this page was drawn.

58. Please reference the testimony of Mark W. Glotfelty, page 10, line 19, regarding the "peer group."

    a. Describe and discuss how these entities were determined to be "peers"; and,

    b. Identify any other companies that were considered for inclusion, but were rejected, and state why such companies were rejected.

59. Please reference the testimony of Mark W. Glotfelty, page 6, regarding "20 rated investment grade G&T's."

    a. Describe and discuss how these 20 G&T's were identified and selected;

    b. Provide the universe of G&T's that were initially considered (from which the 20 were drawn) along with information comparable to that in the table on page 7;

    c. Provide documents showing all G&T's in the U.S. to the extent different than the above.

60. Please reference the testimony of Mark W. Glotfelty, pages 4-6, regarding "key credit factors the rating agencies will focus."

    a. State the extent to which the list of factors presented here is a complete and total list. If not, state and describe any other factors the ratings agencies will likely focus on.

    b. State whether the ratings agencies will also focus on leverage ratios, e.g, net debt/EBITDA.

d. Provide any documents to which you have access which provide and describe the ratings agencies' (e.g, Moody's, S&P, Fitch) key credit ratings factors and methodologies for determining credit ratings for:

    i. Utilities;
    ii. Electric distribution companies; and
    iii. Generation and Transmission companies.

61. To the extent differences exist between the TIER calculations contained in the testimony, and the TIER calculations likely to be utilized by potential creditors or credit rating agencies (e.g, use of "adjustments" to earnings), identify those differences.

62. Please reference the testimony of Mark W. Glotfelty. Provide the formula calculation by which the TIER is calculated for purposes of this testimony.

    a. State the extent to which this formula is identical to that which would be utilized by:
        i. Big Rivers' potential creditors in the loan covenants; and,
        ii. Credit rating agencies.

63. Please reference the testimony of David A. Spainhoward, page 6, line 4 at "Big Rivers is developing a more comprehensive and more global environmental compliance plan…"

    a. List each additional environmental compliance program or issue which this "more comprehensive and more global" plan will likely address; and

    b. Provide broad gauge cost estimates (capital and expense, separately) for each such program or issue in a, above, and the points in time (fiscal year) in which those costs would be estimated to occur.

64. Please reference the testimony of David A. Spainhoward, page 13, line 4 at "Big Rivers projects that it will realize \$14.487 million in revenues from the sale of excess 2008 SO_2 allowances, with this amount declining to \$4.065 million for 2012 SO_2 allowances."

    a. Provide workpapers and associated supporting documents to support these estimations.

    b. Please state the extent to which the estimated declining revenues can be characterized by Big Rivers as "best case", "worst case" or "base case."

65. Please reference the testimony of David A. Spainhoward, page 16, lines 7-12, regarding purchase of NOx allowances. Provide workpapers and associated supporting documents to support these estimated net costs.

66. Please reference the testimony of William Steven Seelye, page 4, line 22. Provide each purchase power rate charged by E.ON to Big Rivers or any of its members, by year, since 1998.

67. Please reference the testimony of Michael H. Core, page 7, where it states the higher rates paid by the Smelters under the new agreement "will add approximately $327 million in present value...." Provide documents and detailed supporting workpapers (in electronic spreadsheet format with formulas intact) that show the derivation and calculations to reach this $327 million figure.

68. Please reference the testimony of Michael H. Core, page 11, where it states "At closing, Big Rivers will become one of the financially strongest generation and transmission cooperatives in the United States." Please provide documents which support this statement.

69. Please reference the testimony of Michael H. Core, page 14, where it references "a number of indemnities." To the extent not previously provided, please list each of these indemnities.

70. Please reference the testimony of Mark A. Bailey, page 11, regarding support services agreements with WEKC. Are the prices to Big Rivers for services under these agreements entirely fixed for the 18 month duration?

    a. If not, identify the services for which prices are not fixed, and the materiality of those non-fixed prices to the cost of services for a fiscal year in their entirety under the support agreements.

    b. To the extent not previously provided, provide a table showing services under the service agreements, cost/price of each service, and whether or not the pricing of those services to Big Rivers is fixed in nature.

    c. Provide documents which show estimated costs to Big Rivers from:
        i. The Generation Dispatch Support Services Agreement; and
        ii. The IT Support Services Agreement.

    d. Provide documents which show where these costs are included and addressed in the financial model (Exhibit 8).

71. Please identify each and every non-recurring expenditure for Big Rivers associated with this transaction in excess of $250,000 to a single vendor, e.g, Black and Veach, Hill & Associates, etc, by purpose and amount.

    a. Provide documents which show where these costs are included and addressed in the financial model (Exhibit 8).

72. Regarding Fuel Procurement Policies and Procedures, describe how these policies and procedures impacted financial model inputs and assumptions.

73. Regarding Smelters' review of Big Rivers annual capital and operating budgets, explain why it is necessary for the Smelters to conduct an annual review of Big Rivers' budgets.

74. Provide documents which show the extent to which the Smelters concur in Big Rivers financial projections provided in this Application as Exhibit 8.

75. Provide documents which show the extent to which the Smelters have differing views on Big Rivers financial projections provided in this Application as Exhibit 8.

76. Regarding Base Monthly Energy Charges to the smelters, provide a detailed pro forma calculation of a monthly bill to a smelter, assuming the new agreements, for a) December 2007 and b) June 2007, to demonstrate the "complexity" of the calculation of these charges. Also, provide actual billed amounts for these months based on the existing agreements. Finally, indicate the extent to which the smelter concurs in the pro forma calculations.

77. Provide an analysis which shows the proportion of cost necessary to ensure achievement of 1.24 TIER that is borne by the smelters if TIER in 2012 prior to imposition of TIER adjustment charges is:

    a. 1.20,
    b. 1.10, and
    c. 1.0.

78. Clearly state all applicable terms, conditions and circumstances under which a Smelter would be allowed to terminate its retail agreement with Kenergy after the agreement becomes effective, but prior to the scheduled termination date of December 31, 2023.

79. Clearly state all applicable terms, conditions and circumstances under which a Smelter would be allowed to terminate its retail agreement with Kenergy prior to KPSC action on the Application in this matter.

80. Please reference the testimony of Paul W. Thompson, page 3. Provide all documents which relate to, analyze data, and support "LEC's lease and power purchase and sale bid proposal" to the Bankruptcy Court in February 1997, including documents prepared internally by E.ON or any of its subsidiaries or affiliates, or prepared by outside consultants, investment bankers, etc.

81. Please reference the testimony of Paul W. Thompson, page 3. Provide "LEC's lease and power purchase and sale bid proposal."

82. Please reference the testimony of Paul W. Thompson, page 7. To the extent not previously provided, provide the "November 2005 Letter of Intent."

83. Please reference the testimony of Paul W. Thompson, page 13, regarding "WKEC has agreed to pay to the smelter customers, collectively, at the closing a sum of money in immediately available funds." State the amount of that sum of money.

84. Please state when E.ON anticipates it will receive the requested tax rulings from IRS and Kentucky Revenue Cabinet.

85. Provide the complete joint application and supporting documentation for the parties waiver from the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvements Act ("HSR Filing"). If the filing has not yet been made, please state when it is anticipated the HSR filing will be made.

    a. If the HSR filing has not yet been made, provide each document that is being considered for inclusion when the filing is made.

86. Identify and provide the filings before the Federal Energy Regulatory Commission necessitated by this proposed transaction.

87. Please reference the testimony of Paul W. Thompson, page 18, regarding "By terminating its commitments now, E.ON U.S. will bring financial certainty to what would otherwise be an uneconomic set of contracts that could expose the Company to uncertain and unfavorable financial results through 2023."

    a. Provide the estimated present value of these unfavorable financial results through 2023 (or any shorter period evaluated by the Company).
    b. State specifically each and every fact or circumstance that makes the "set of contracts" "uneconomic".
    c. For each and every fact or circumstance that makes the set of contracts uneconomic, quantify its contribution to "unfavorable financial results."

88. Provide any and all internal E.ON documents which address the subject of the existing agreements which are the subject of the "Unwind Transaction" and "Termination Transaction", including any financial analyses and strategic analyses.

89. Provide any and all documents created for E.ON, or at its direction, which address the subject of the existing agreements which are the subject of the "Unwind Transaction" and "Termination Transaction", including any financial analyses and strategic analyses.

90. Provide E.ON's strategic plan for generation assets and operations in Kentucky, or at any necessary higher level (geographic or business) if such a plan does not exist for Kentucky.

91. Provide any and all documents and materials considered by E.ON senior management and Board of Directors (or its equivalent) in acting to:

    a. Initiate discussions with Big Rivers on the subjects of the Unwind and Lease Agreement Termination transactions; and,

    b. Approve and authorize the proposed transactions before the Commission in this matter.

92. Please reference Exhibit 8, the Unwind Financial Model dated as of December 22, 2007, regarding the 10% rate increase projected for 2017. Does the company believe this increase is a reasonable assumption based on past Commission decisions? If so, why?

93. Please reference Exhibit 8, the Unwind Financial Model dated as of December 22, 2007, regarding the "Inputs" tab worksheet.

    a. Column C is labeled "source", and contains reference to various things including .xls spreadsheet files.

        i. To the extent not previously provided, provide copies of each indicated "source" item; and,

        ii. Provide machine readable working electronic file copies of each referenced .xls file, with working formulas.

    b. Columns D, E, and F contain numeric inputs that in some cases (e.g, rows 146-199, 308-324, etc) do not have referenced sources. Provide documents which support these inputs.

94. State each material fact which prevents E.ON from electing to continue its present mode of operation, including provision of power to Big Rivers under the existing Lease Agreement and Purchase Power Agreement.

95. State each material fact and purpose which incents or otherwise motivates E.ON to seek the Unwind Transaction and Lease Agreement termination which is the subject of this proceeding. Discuss each such listed material fact and purpose.

96. Provide any available and current market and industry research on aluminum commodity markets and aluminum smelting that have been reviewed and considered by E.ON.

97. Identify and provide any filings before the Securities & Exchange Commission (SEC) which reference this proposed transaction.

98. Please provide the most recent 10-K filings with the SEC, to the extent they exist for:

a. E.ON
b. LG&E
c. LEC
d. WKEC
e. LEM, and,
f. any other subsidiaries or affiliates involved in the Lease Agreement or Power Purchase Agreement.

99. Provide the amount and date of any asset book value write downs or other valuation write downs since 1997, which exceed $500k, and pertain to Lease Agreement facilities.

100. Provide E.ON/LEM current view of operating budgets (cost and revenues, multi year forward looking) for facilities operated under the Lease Agreement.

a. Calculate and state the extent to which unit costs of power produced by the leased facilities are projected increase or decrease under this operating budget view.

101. Provide E.ON/LEM current capital budget (multi year, forward looking) for facilities operated under the Lease Agreement.

a. Calculate and state the extent to which unit costs of power produced by the leased facilities are projected increase or decrease under this capital budget view.

102. Provide documents which show the prices of power provided to Big Rivers by E.ON under the relevant purchase power agreements versus the cost of producing that power, for the years 2005 to current.

103. Provide all reports or presentations prepared by investment banking advisors for E.ON pertaining to the Unwind Transaction/Lease Agreement termination.

104. Provide all E.ON management reports and analyses prepared internally pertaining to the Unwind Transaction/Lease Agreement termination which is the subject of this application.

105. Please reference the Application at page 11, paragraph 21. Explain in detail why the transactions with Big Rivers "had not proven to be advantageous to E.ON US."

106. Explain in detail why the Joint Applicants chose not to include the Attorney General, who represents consumers in matters before the Commission, in the unwind transaction presently filed.

107. Please reference the Application at page 17, paragraph 33. Describe the negotiations to date with Henderson. In the description include dates, people involved, and all matters discussed.

108. Please reference the Application at page 17, paragraph 33e. Explain what the Joint Applicants mean when they state that the negotiations are "on-going."

109. Please reference the Application at page 20, paragraph 37d. Explain why Big Rivers believes it is prudent to continue with the transaction when it is has yet to complete the due diligence of the generating facilities?

110. Does Big Rivers agree that the heart of the ability for an electric company to exist is to have reliable generation?

   a. If so, then why would Big Rivers agree to resume control over the generators unless due diligence has been completed to clearly show that the generators are reliable?

111. Why is the agreement so time sensitive with the financing that additional time for regulatory review will presumably jeopardize the transaction?

112. The 2005 Annual Report to Members (Exhibit 41) states at page 2 "The signing of the [Letter of Intent] begins a process to seek all of the necessary approvals for an unwind by early 2007." Explain why despite this goal Joint Applicants filed an arguably incomplete filing between Christmas and New Years Eve, 2007.

113. Please reference the Application at page 21, paragraph 39. Has the "outstanding issue with Kenergy been resolved"?

   a. Regardless of the answer, please describe the issue.

   b. If it has been resolved, please describe the resolution.

   c. If it has not been resolved, explain why.

   d. If it has not been resolved, please explain why it is prudent for the transaction to be considered by the Commission.

114. Please reference the Application at page 31, paragraph 57. Describe in detail what financial, technical and managerial capabilities Big Rivers will have that are materially different than when it went into bankruptcy.

115. In regard to each materially different difference, explain in detail why Big Rivers believes it will allow the company to remain viable on an on-going basis.

116. For each year 2008-2013, please provide the computed rate of return on rate base inherent in the financial model projections (Exhibit 8).

117. Assuming the 2008 capital structure projected in the financial model (Exhibit 8), please provide Big Rivers' current weighted average cost of capital, showing computations and the cost attributed to each source of capital.

118. Please reference the testimony of Burns E. Mercer, page 4, regarding "absent the rate path offered by Big Rivers through the capacity restored to it by the Unwind Transaction there would be a higher chance that the Smelters could discontinue operations." Please explain in detail why E.ON/LEM would not be able to offer the smelters the same or similar "rate path" under the current status and structure, including the Lease Transaction and Purchase Power agreements.

119. Provide all correspondence to and from Jack Gaines/JDG Consulting pertaining to the negotiations surrounding the Unwind Transaction.

120. Please reference the testimony of Burns E. Mercer, page 7. Provide the financial analysis which demonstrates "in return for a greater potential risk of fuel and environmental cost increases, the members believe they have helped Big Rivers secure a financially stable future that ultimately will be of a greater value to the Members."

121. Please reference the testimony of Burns E. Mercer, page 7, regarding "Big Rivers is entitled to strictly limited amounts of energy...."

a. state this "strictly limited amount of energy" to Big Rivers, and quantify its downstream impact of "strictly limited amounts of energy" for each of the retail cooperatives;

b. provide projected energy needs of the retail cooperatives for the next five years; and,

c. show the difference between the "strictly limited amount of energy" and the projected energy needs of the retail cooperatives.

122. Please reference the testimony of Burns E. Mercer, page 9, regarding "fuel and environmental costs will fluctuate up or down depending on actual costs."

a. Provide documents which show the variation in fuel costs, by type of fuel, that has been experienced by E.ON since the inception of the Lease Transaction; and,

b. Provide documents which show the extent to which environmental costs are expected to fluctuate downward.

123. Please reference the testimony of Burns E. Mercer, page 10, regarding "[Big Rivers' Members] still will be enjoying lower rates than other suppliers make available to their customers." Provide documents which demonstrate the truth of this contention.

124. Provide the current credit ratings for the three Distribution Cooperatives that are Big Rivers members.

125. Provide the current credit ratings for E.ON U.S. Parties.

126. Provide the most current SFAS No. 144 impairment review pertaining to the Big Rivers generation facilities.

127. Please reference Exhibit 37/Independent Auditors' Annual Opinion states at page 10, paragraph VII that "WKEC will make required capital improvements to the facilities to comply with a new law or change to existing law ('Incremental Capital Costs') …" Provide the current view and estimation of such "Incremental Capital Costs" for

a. the next five years; and,

b. the next ten years, by type/function of capital cost.

128. Provide a document which extends the "Statement of Cash Flows" contained on page 5 of Exhibit 37 to include 2007 and 2008 on a pro forma basis as necessary, assuming current operations continue per current structure of agreements.

129. Provide copies of the three Distribution Cooperatives financial annual reports for 2005 to present.

130. Regarding the "Financial Highlights", "Cost of Capital" on page 2 of the 2006 Annual Report to Members (Exhibit 41). Assuming the calculation methodology to be the same for all years, provide the calculations underlying the 7.82% "Cost of Capital" reported for 2006.

131. Regarding the "Environmental Matters" and "significant financial impacts on the use of fossil fuels for power generation" referenced in the Big Rivers 2005 Annual Report to Members (Exhibit 41), please provide the current best estimates of costs to Big Rivers broken down by fiscal year and capital versus operating expense associated with compliance with:

a. The EPA's Clean Air Mercury Rule (CAMR);

b. The EPA's Clean Air Interstate Rule (CAIR);

c. Performance goals of the Clean Water Act Section 316(b);

d. Regulation of carbon dioxide as a pollutant under the Clean Air Act; and,

e. Any other state or federal rules likely to cause additional cost in order to meet pollution standards or otherwise comply with those rules.

132. Provide documents compiled or written by national associations of which Big Rivers is a member (e.g., NRECA, National Rural Electric Environmental Association) which address potential costs of electric generating company compliance with current and future regulations pertaining to the environment, pollution and/or air/water quality, since January, 2005, that are in Big Rivers' possession or available to it as an association member.

133. Regarding the "Environmental Matters" and "significant financial impacts on the use of fossil fuels for power generation" referenced in the Big Rivers 2005 Annual Report to Members (Exhibit 41), please provide any documents or studies performed by or for Big Rivers since January 2005 which address and/or estimate costs associated with the Big Rivers generating facilities and compliance with:

a. The EPA's Clean Air Mercury Rule (CAMR);

b. The EPA's Clean Air Interstate Rule (CAIR);

c. Performance goals of the Clean Water Act Section 316(b);

d. Regulation of carbon dioxide as a pollutant under the Clean Air Act; and,

e. Any other state or federal rules likely to cause additional cost in order to meet pollution standards or otherwise comply with those rules.

134. Regarding the "Environmental Matters" and "significant financial impacts on the use of fossil fuels for power generation" referenced in the Big Rivers 2005 Annual Report to Members (Exhibit 41), please provide any documents or studies performed by or for E.ON since January 2005 which address and/or estimate costs associated with the Big Rivers generating facilities and compliance with:

a. The EPA's Clean Air Mercury Rule (CAMR);

b. The EPA's Clean Air Interstate Rule (CAIR);

c. Performance goals of the Clean Water Act Section 316(b);

d. Regulation of carbon dioxide as a pollutant under the Clean Air Act; and,

e. Any other state or federal rules likely to cause additional cost in order to meet pollution standards or otherwise comply with those rules.

135. Identify each of the circumstances that contributed to Big Rivers filing for bankruptcy in 1996, and describe how each of those circumstances have been addressed since then or are otherwise not problematic at the current time.

136. Identify the circumstances that led to Big Rivers owning and operating facilities up to the time of the bankruptcy filing which had excess capacity that was unable to be sold elsewhere, and describe how each of those circumstances have been addressed since then or are otherwise not problematic at the current time.

137. Provide a diagram which depicts and describes the relationship of each legal entity including subsidiaries which are involved in the Lease Agreement, and including the City of Henderson/City of Henderson Utility Commission.

138. Provide a diagram which depicts and describes the relationship of each legal entity including subsidiaries which are involved in the Purchase Power Agreement.

139. For the most recent three year period, provide graphs which show Big Rivers actual power purchased under the Purchase Power Agreement, versus:

a. Big Rivers' required minimum hourly and annual power purchase amounts; and,

b. The maximum hourly and annual power purchase amounts that LEM is required to make available to Big Rivers.

140. Compare the current minimum and maximum hourly and annual purchase power amounts versus those expected to be in effect under the Lease Agreement in:

a. 2011; and,

b. 2012.

141. Provide documents (in electronic spreadsheet file format, e.g, .xls) which show on a monthly basis for the past three years, payments (by type, e.g, monthly lease payments, smelter margins, transmission services, and showing any adjustment items separately):

a. To Big Rivers from any E.ON subsidiary or entity under the Lease Agreement;

b. From Big Rivers to any E.ON subsidiary or entity under the Lease Agreement;

c. To Big Rivers from any E.ON subsidiary or entity under the Purchase Power Agreement; and,

d. From Big Rivers to any E.ON subsidiary or entity under the Purchase Power Agreement.

142. Provide documents which show comparison of Big Rivers in size compared to other entities operating generation and transmission facilities, based on:

a. Net assets;

b. Revenues;

c. Number of residential customers served;

d. Generation capacity; and,

e. Capitalization.

143. Please refer to Exhibit 40, page 42. Please provide a document which updates this "average residential rate" comparison for the entities depicted to the current time.

144. Please refer to Exhibit 40, pages 44-47. Please provide documents which update the statistics in each table to include the years 2005-2007.

145. Provide the Examiner's Reports from the Big Rivers Chapter 11 bankruptcy proceeding.