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July 8, 2008

RECEIVED
JUL 09 2008
PUBLIC SERVICE COMMISSION

Via Federal Express

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

Re: 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, PSC Case No. 2007-00455

Dear Ms. Stumbo:

Enclosed on behalf of Big Rivers Electric Corporation ("Big Rivers") are an original and ten copies of a signed Affidavit of C. William Blackburn. Please substitute the signed affidavit for the unsigned affidavit that was filed with Big Rivers' Motion for Rehearing and Petition for Confidential Treatment on or about July 7, 2008. I certify that a copy of this letter and a copy of the signed affidavit have been served on the persons listed on the attached service list.

Sincerely,

Tyson Kamuf

TAK/ej
Enclosures

cc: Michael H. Core
David Spainhoward
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PSC CASE NO. 2007-00455

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PSC CASE NO. 2007-00455

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter Of:

THE APPLICATION 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

AFFIDAVIT OF C. WILLIAM BLACKBURN

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

Comes the affiant, C. William Blackburn, and after being duly sworn, states as follows:

1. I am employed by Big Rivers Electric Corporation ("Big Rivers") as its Vice President Financial Services, Chief Financial Officer ("CFO"), and Interim Vice President Power Supply. I have held this position since November 2005. Prior to servicing as CFO, I held the position of Vice President Power Supply for 9 years, and I remain in this position on an interim basis.

2. This affidavit relates to Big Rivers' requests made in this proceeding for confidential treatment of (i) certain terms contained in two revolving line of credit agreements, one between Big Rivers and National Rural Utilities Cooperative Finance Corporation ("CFC"), and the other between Big Rivers and CoBank ACB ("CoBank") (together, the "Revolving

Credit Agreements"); (ii) a description of the confidential terms of the Revolving Credit Agreements that Big Rivers confidentially filed as Exhibit 44 to its First Amendment and Supplement to Application on March 31, 2008; (iii) a letter agreement ("Letter Agreement") between Big Rivers and Bank of America Leasing Corporation ("Bank of America"), which Big Rivers' filed confidentially as Exhibit 67 to its Third Amendment and Supplement to Application ("Third Amendment") on April 23, 2008; (iv) a description of the terms of the Letter Agreement contained in the Supplemental Testimony of C. William Blackburn ("Blackburn Testimony"), attached as Exhibit 77 to the Third Amendment. Bank of America, CFC, and CoBank are hereinafter collectively referred to as the "Creditors." The information contained in those documents for which Big Rivers is seeking confidential treatment is hereinafter referred to as the "Confidential Information."

3. The Confidential Information is the product of extensive negotiations between itself and its Creditors. These commercially sensitive provisions represent the prices, costs, concessions, terms, and conditions that Big Rivers has been able to negotiate for its and its members' benefit. The Confidential Information is derived from Big Rivers and its Creditor's internal examinations, criteria and related analytical methods which should not be disclosed, and it involves estimates and evaluations with respect to financial instruments that are proprietary and should not be disclosed.

4. The Confidential Information is not publicly available, it is not disseminated within Big Rivers except to those employees and professionals with a legitimate business need to know and act upon the information, it is not disseminated to others without a legitimate need to know and act upon the information, and when it is disseminated to others (such as to certain

other parties in this proceeding), it is done so only under a confidentiality agreement. As such, the Confidential Information is generally recognized as confidential and proprietary.

5. Big Rivers competes for the electric service it provides to its Members. Increases in costs at Big Rivers affect Big Rivers' ability to sell more power to its three members ("Members"). The amount of Big Rivers' Members' loads depend upon its Members' retail load level. Those three Members are served by Big Rivers under "all requirements" contracts[1]; if Member load increases, Big Rivers is required to meet that demand, and its load increases. If Member load diminishes, Big Rivers' load decreases without recourse against the Members for the load reduction.

6. The Members are required by contract to pay for the electricity they purchase from Big Rivers at rates set by the Commission based upon Big Rivers' costs. The Member cooperatives compete daily with other electric utilities for new commercial and industrial customers. The competition is stiff for a new industry which brings jobs and economic growth to a utility's service area.

7. A principal factor in the ability of a Member to compete for those commercial and industrial customers is the tariff rate at which the Member can offer service. The wholesale rate a Member is required to pay Big Rivers is a major determinant of the Members' retail rate. If Big Rivers' costs increase, the Member's rates increase, and the Member's ability to increase its load and the load of Big Rivers is diminished. In other words, Big Rivers' ability to compete with other utilities for Member load growth is affected by increases in its expenses. This is a fundamental economic relationship between a G & T and each of its Members.

[1] One of Big Rivers' Members, Kenergy Corp., has a carve-out from its all-requirements contract that authorizes it to purchase power for resale to its aluminum smelter customers from any wholesale source.

8. Big Rivers also directly competes on the basis of price with all other wholesale power sources for Tier 3 Power sales to one of its Members, Kenergy Corp., for resale to Kenergy Corp.'s two aluminum smelter customers.

9. While it has the comfort of contracts with its Members, those contracts are for a defined term, and have expiration dates.

10. Big Rivers also competes in the wholesale power market to sell energy excess to its Members' needs at the highest possible price, which will produce the highest possible sales margin. By definition, that margin is the difference between its cost of the energy sold and the sales price of that energy. Big Rivers' ability to successfully compete in the wholesale power market is dependent upon a combination of its ability to get the maximum price for the power sold, and keeping the cost of producing that power as low as possible. Fundamentally, if Big Rivers' cost of producing a kilowatt hour increases, its ability to sell that kilowatt hour in competition with other utilities is adversely affected.

11. These basic economic principals did not change because Big Rivers publicly disclosed the financial information it has filed in this proceeding. Big Rivers is currently and actively in competition with other utilities to sell energy in the wholesale market at the highest price. A potential buyer of energy from Big Rivers in the wholesale power market cannot take the information Big Rivers has filed in this case and predict the price at which Big Rivers will sell energy in any particular wholesale transaction. In any event, the ability of Big Rivers to reduce an expense that affects the cost of producing that energy can only make Big Rivers more competitive in its ability to obtain a sale of energy, and the best margin on a sale of energy in the wholesale power market.

12. Big Rivers is refiling the Letter Agreement with only the Bank of America lease total purchase price redacted, and refiling the section of the Blackburn Testimony, redacting only the total purchase price and the estimated value of the GIC, because other information contained in the Letter Agreement and the Blackburn Testimony has already been publicly disclosed. The redacted information in the refiled Letter Agreement and Blackburn Testimony has not been disclosed, and is the most sensitive information for which confidential treatment was sought in the petition for confidential treatment that Big Rivers filed on April 23, 2008. Using that information, Big Rivers' other lease equity party, Philip Morris Capital Corporation ("PMCC"), could determine the exact price at which Big Rivers is willing to buy out its lease. This is highly confidential information, particularly when Big Rivers is in the beginning stages of trying to resolve the effects of the financial rating downgrade of Ambac Assurance Corporation on the PMCC leveraged lease. One option to resolve that problem is for Big Rivers to buy out the PMCC lease as it did, with the assistance of E.ON U.S. LLC ("E.ON"), in the case of the Bank of America lease. Giving PMCC the exact price at which Big Rivers and E.ON were willing to agree to buy out the Bank of America lease would be fatal to any attempts by Big Rivers to better the those terms in a buyout of the PMCC lease. Any adverse financial impact of that disclosure on the terms on which Big Rivers might buy out the PMCC lease, will obviously be reflected in Big Rivers' costs, which in turn have a direct effect on its competitiveness in the wholesale power market, whether it is selling to its Members, to Kenergy Corp. for resale to the smelters, or to some other counterparty in the wholesale market. The total purchase price of the Bank of America lease, and the value of the GIC in that transaction are immaterial to Big Rivers' request for approval of the B of A Cost Share Letter Agreement made in this proceeding.

13. Based on discussions with the Creditors and other financial institutions and on my experience as Big Rivers' CFO and Vice President Power Supply, the Creditors and others in the financial industry would not favor public disclosure of the pricing and concessions that they agreed to because those contractual terms could then be used against them in future negotiations with other customers. The confidentiality of the Letter Agreement was a requirement for Bank of America to enter into that agreement, and it is a requirement for many other financial institutions to enter into similar agreements. Financial institutions often rely on the confidentiality of their agreements, and if they believed that the Commission would deny confidential treatment for their agreements with Big Rivers, and that those agreements would be publicly disclosed, it is likely that many of them would not enter into future agreements with Big Rivers. As such, public disclosure of the Confidential Information would likely reduce the pool of financial institutions willing to enter into agreements with Big Rivers, resulting in increased prices for Big Rivers and its members and less favorable contracts for Big Rivers.

14. Public disclosure of the Confidential Information would put other financial institutions in a position to determine which terms and conditions Big Rivers is willing to accept. Those financial institutions still willing to negotiate with Big Rivers would then have an important competitive advantage because they could use that information in future negotiations or proposals with Big Rivers. Financial institutions could use the amounts and terms agreed upon Big Rivers in the Letter Agreement and the Revolving Credit Agreements as a benchmark or starting point in their negotiations (since they would know Big Rivers is willing to accept them), which would likely lead to higher prices for Big Rivers and its members and less favorable agreements for Big Rivers. For an example, the Commission need only look to the Revolving Credit Agreements. The Revolving Credit Agreements have different terms. If each

of the banks in those agreements had known the terms Big Rivers had given the other, Big Rivers would have been terribly disadvantaged in its negotiations, and would certainly not have achieved terms as financially favorable as those reflected in the Revolving Credit Agreements.

15. Big Rivers competes in the wholesale power market, and as its costs rise (including financing costs), and with less favorable agreements, it is less competitive in that market. As such, public disclosure of the Confidential Information would permit an unfair commercial advantage to Big Rivers' competitors.

C. William Blackburn

C. William Blackburn

SUBSCRIBED AND SWORN TO before me by C. William Blackburn on this the 7th day of July, 2008.

Vickie G. King

Notary Public, Ky. State at Large
My Commission Expires 03/03/2010