

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	)	
CORPORATION, (II) APPROVAL OF	)	
TRANSACTIONS, (III) APPROVAL TO ISSUE	)	CASE NO. 2007-00455
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	)	

COMMISSION STAFF'S SUPPLEMENTAL DATA REQUEST TO  
BIG RIVERS ELECTRIC CORPORATION

Big Rivers Electric Corporation ("Big Rivers"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 6 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before April 17, 2008. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and

accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Big Rivers shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any requests to which Big Rivers fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Provide an original and 3 copies of Big Rivers' 2008-2010 Production Work Plan and its 2008-2010 Business Plan or indicate where in the record each of these documents is located.

2. Are there any data or projections contained in Big Rivers' 2008-2010 Production Work Plan or its 2008-2010 Business Plan that differ from the data or projections incorporated into Big Rivers' Unwind Financial Model filed as Exhibit 8 to the Joint Application ("Exhibit 8") in this case? If yes, explain in detail each difference and file revised copies of Exhibit 8 which reflect those differences.

3. a. For each of the following factors, state whether or not Exhibit 8 reflects the actual historic experience of Western Kentucky Energy Corp. derived from operating the Big Rivers' generating units:

- (1) Heat rate (i.e., Btu/kWh).
- (2) Net capacity factor.
- (3) Equivalent availability factor.
- (4) Equivalent forced outage rate.

b. If yes, provide documentation of the actual historic experience for each generating unit or indicate where in the record the documentation is located.

c. If no, provide a detailed analysis of the basis for the projections, including an explanation of each assumption used, and indicate who prepared each projection.

4. Refer to Big Rivers' response to Commission Staff's Initial Data Request, Item 46, lines 10-13.

a. Explain in detail how the negotiated base fuel cost, rather than the total fuel cost (i.e., base fuel plus fuel adjustment clause ("FAC")), drives the unwind transaction.

b. Explain in detail why the base fuel cost cannot be changed without affecting the other terms of the transaction and the economies of the unwind if any change in the base fuel cost is accompanied by an identical, but opposite, change in the FAC such that the sum of the base fuel and FAC before the change is the same as the sum after the change.

5. Concerning environmental compliance capital expenditures,

a. Specifically identify and describe all environmental compliance capital expenditures included in Exhibit 8 of the Application.

b. Does Big Rivers expect to incur any additional environmental compliance capital expenditures that have not been incorporated into the Unwind Financial Model? If yes, specifically identify and describe each additional environmental compliance capital expenditure anticipated.

c. State whether or not the answer to part (b) above is subject to change based on the final engineering due diligence study. If yes, state when the final engineering due diligence study will be completed.

6. Refer to Big Rivers' response to Commission Staff's Initial Data Request, Item 43(c). In the response, Big Rivers states, "Much of this impact is due to the fact that market value of each allowance is projected to diminish as the ratio of SO<sub>2</sub> allowances to tons mitigated increases in 2010 and 2015."

a. Explain in detail the rationale for the assumption that the market value of emission allowances will decrease as the surrender ratio of allowances increases.

b. Assume for purposes of this question that the market price of one SO<sub>2</sub> emission allowance in both 2009 and 2010 is \$500/ton emitted. Does Big Rivers agree that if it had to purchase allowances in 2009 and 2010 to cover the emission of one ton of sulfur dioxide, that in 2009 it would cost \$500 and in 2010 in \$1,000? Explain the response.

7. Refer to Big Rivers' response to the Attorney General's Initial Data Request, Item 64, the Global Insight "Price Outlook for Coal Delivered to BREC Plants," page 25. The following chart compares the SO<sub>2</sub> allowance price forecast from Global Insight with a SO<sub>2</sub> allowance price forecast included in a document filed by Kentucky Utilities Company ("KU") in Case No. 2004-00426<sup>1</sup> entitled "Update to the 2004 SO<sub>2</sub> Compliance Strategy for E.ON U.S., Subsidiaries Kentucky Utilities and Louisville Gas and Electric, March 2008." All prices are "Nominal \$/ton" and not adjusted to reflect the surrender ratio for allowances.

Forecast by	2008	2009	2010	2011	2012	2013	2014	2015
Global Insight	\$778	\$853	\$881	\$818	\$792	\$747	\$787	\$907
KU	\$457	\$455	\$480	\$624	\$649	\$673	\$733	\$794
Forecast by	2016	2017	2018	2019	2020	2021	2022	2023
Global Insight	\$759	\$618	\$357	\$146	\$137	\$134	\$111	\$105
KU	\$855	\$916	\$977	\$1,038	\$1,099	\$1,160	\$1,221	\$1,282

a. Does Big Rivers agree that there appear to be significant differences between the Global Insight and KU allowance price forecasts?

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<sup>1</sup> Case No. 2004-00426, The Application of Kentucky Utilities Company for a Certificate of Public Convenience and Necessity to Construct Flue Gas Desulfurization Systems and Approval of Its 2004 Compliance Plan for Recovery by Environmental Surcharge, final Order dated June 20, 2005. The update study was filed with the Commission on March 31, 2008. The referenced update study can be found on the Commission's Website at [http://psc.ky.gov/pscscf/2004%20cases/2004-00426/KU\\_Response\\_033108.pdf](http://psc.ky.gov/pscscf/2004%20cases/2004-00426/KU_Response_033108.pdf). The emission allowance prices can be found on page 32 of 64 at this link.

b. If the Global Insight prices shown above are not its most recent price forecast, provide the most recent price forecast for 2008 to 2023.

c. Big Rivers' Unwind Financial Model anticipates that it will be selling excess SO<sub>2</sub> emission allowances from 2008 through 2014, and then purchasing SO<sub>2</sub> emission allowances from 2015 through 2023. If KU's forecast of prices is correct and Big Rivers goes forward with the strategy of selling all excess allowances, does Big Rivers agree that compared to the analysis based on the Global Insight forecast it could receive less revenue from the allowance sales and incur significantly higher costs when purchasing allowances? Explain the response.

d. Does Big Rivers agree that there are risks associated with either forecast as to which forecast accurately reflects future allowance prices?

e. Given these risks, explain why Big Rivers believes it is reasonable to assume the risk that allowance prices will generally be higher through 2015 and then steadily declining from 2016 to 2023.

8. Refer to Big Rivers' First Amendment and Supplement to Application, tendered for filing on March 31, 2008 ("First Amended Application") page 8, lines 18 to 22. Exactly how many years does Big Rivers reasonably expect to have within which it will be required to issue public debt?

9. Refer to the First Amended Application, page 12, lines 8 to 10.

a. How much will Big Rivers be required to pay to Bank of America Leasing to terminate the defeased lease transactions?

b. Has this payment already been incorporated into an exhibit of the Application? If yes, state where the payment is reflected.

10. Explain in detail the current status of Big Rivers' efforts to obtain a credit rating. Include a discussion of the remaining steps that must be taken to obtain that rating, the expected date to complete each remaining step, and the date that the rating is reasonably expected to be obtained.

11. Refer to Big Rivers' First Amendment and Supplement to Application filed on March 31, 2008, paragraphs 20 through 30. For each of the documents listed below, state when Big Rivers anticipates it will be filing a draft version of the document for Commission examination. In addition, for each of the documents listed below, state when Big Rivers anticipates it will be filing the final version of the document for Commission review and approval.

a. Paragraph 20 – The Creditor Consent, Termination, and Release Agreement.

b. Paragraph 21 – The Recordable Short Form Releases of Mortgage and Intercreditor Agreement.

c. Paragraph 22 – The Indenture.

d. Paragraph 23 – The New Intercreditor Agreement.

e. Paragraph 25 – Documents to Terminate the FBR-1 Statutory Trust and the FBR-2 Statutory Trust.

f. Paragraph 28 – The Amended and Restated Stock Pledge Agreement.

g. Paragraph 29 – The Amendment to Qualifying Swap and the Amendment to Big Rivers Swap.

h. Paragraph 30 – Three Escrow Agreements associated with the PBR-1, PBR-2, and PBR-3 Transactions.

12. State the dates that Big Rivers anticipates filing each of the following with the Commission:

a. The report prepared for Big Rivers of due diligence on the generating units.

b. Evidence of an investment-grade credit rating.

c. The terms and conditions of an agreement with Henderson Municipal Power and Light consenting to the Unwind Transaction.

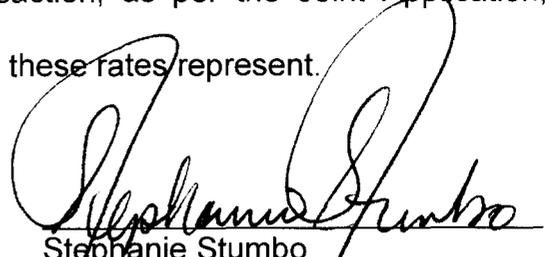
d. The terms and conditions of the RUS agreement(s) consenting to the Unwind Transaction and any debt deferrals, restructuring, refinancing, and lien accommodations.

e. The terms and conditions of each agreement with the non-RUS creditors that must consent to the Unwind Transaction.

f. An updated version of the Unwind Financial Model which reflects all known changes not previously incorporated, including but not limited to the financial impacts of the agreements enumerated above and in Item 11 above.

13. Refer to the Joint Response to the Attorney General's Supplemental Request For Information to the Member Cooperatives, filed on March 6, 2008. Contained therein is an exhibit titled, "Proposed Transaction—Updated Economics, 8/07 Base Case—Rate Comparison," a copy of which is attached hereto as Appendix A. Is it true that in 2023, Big Rivers' non-smelter member blend effective rate would be \$40.66 without the Unwind Transaction, as per the "Existing Transaction Rates" shown in

Appendix A, and \$51.64 with the Unwind Transaction, as per the Joint Application, page 4 of 37, line 85? If no, explain in detail what these rates represent.



Stephanie Stumbo  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

DATED: April 10, 2008

cc: Parties of Record

Case No. 2007-00455

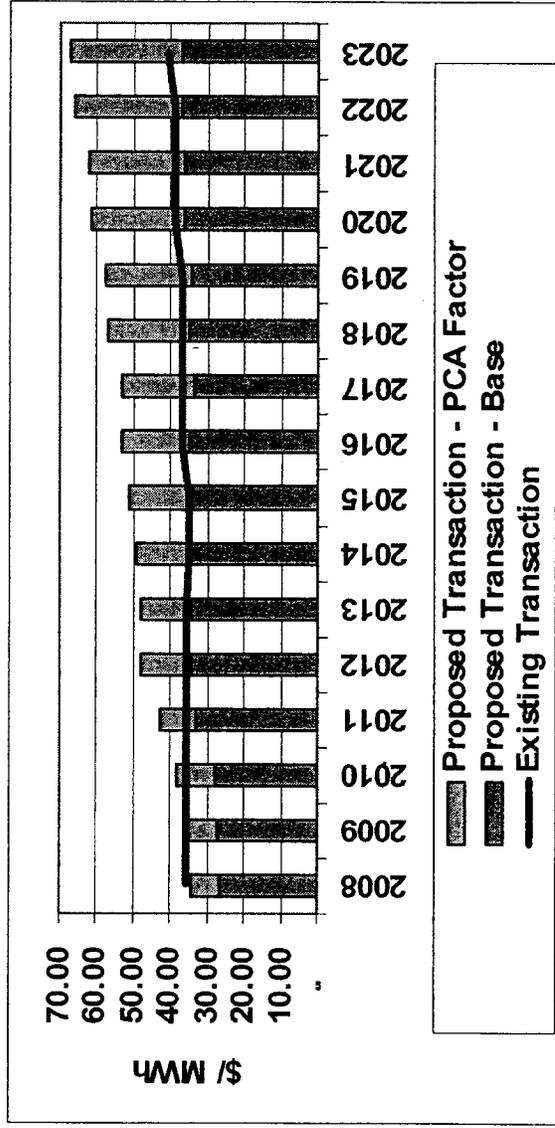
APPENDIX A

APPENDIX TO A DATA REQUEST OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2007-00455 DATED APRIL 10, 2008

# Proposed Transaction – Updated Economics, 8/07

## Base Case - Rate Comparison

Rate increases currently modeled for Proposed Transaction are driven primarily by the PCA factor



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Cumulative Rate Increases</b>																
<b>Proposed Transaction Rates</b>																
PCA Factor	7.91	8.54	10.05	9.42	13.39	13.99	14.80	17.16	18.27	19.62	21.78	22.82	25.07	26.36	28.99	30.91
Base	26.52	27.31	27.94	32.08	34.55	34.06	34.75	34.27	34.90	33.64	35.05	34.66	36.52	36.15	36.91	37.73
Total	34.43	36.65	37.99	42.49	47.94	48.05	49.55	51.33	53.16	53.16	56.83	57.78	61.58	61.51	65.89	67.55
Rate Increases	0.00%	0.00%	2.00%	0.00%	2.80%	0.00%	0.00%	0.00%	0.13%	0.00%	1.24%	0.10%	3.38%	0.08%	1.15%	0.10%
<b>Existing Transaction Rates</b>																
Rate Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	0.00%