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 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

COMMISSION STAFF'S FIRST 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 February 14, 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, Big Rivers 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. Refer to the Application, Exhibit 3, the Transaction Termination Agreement ("Termination Agreement").

a. Refer to page 15 of 622. Explain the nature and purpose of the March 1, 2006 Farm Lease and Security Agreements referenced in Section 3.2(d). In addition, explain why these agreements are "unrecorded."

b. Refer to page 46 of 622. Explain in detail why Western Kentucky Energy Corp. ("WKEC") is providing Big Rivers an additional 14,000 sulfur dioxide ("SO_2") emission allowances. In addition, state whether WKEC is acquiring these additional emission allowances from either Louisville Gas and Electric Company or Kentucky Utilities Company.

c. Refer to pages 56, 59, 62, and 63 of 622. Describe the consents, approvals, waivers, and tax rulings required from the following entities and provide the status of securing the governmental approvals as of the date of the response to this data request.

(1) Securities and Exchange Commission.

(2) Federal Energy Regulatory Commission.

(3) Federal Trade Commission.

(4) U. S. Department of Justice.

(5) Internal Revenue Service.

(6) Other federal, state, or local tax authorities.

d. Refer to page 61 of 622. Explain the nature and purpose of the Alstom Agreements Release.

e. Refer to page 62 of 622. Describe the January 29, 2007 “H1 Boiler Event.”

f. Refer to page 66 of 622. Explain why the gypsum facilities at Plant Green are being removed.

g. Refer to page 69 of 622. Provide the status of the interconnection and transmission events described in Sections 10.3(nn) and 10.3(oo).

h. Refer to page 78 of 622. Provide the status of the required creditor consents listed in Section 11.2(d).

i. Refer to page 88 of 622. Explain the circumstances related to the Coleman Scrubber Liquidated Damages referenced in Section 14.1. In addition, indicate the potential exposure to Big Rivers related to this event.

j. Refer to page 89 of 622. Explain the purpose of the Woodward-Clyde Agreement referenced in Section 14.3 and nature of the apparent dispute between the parties.

k. Refer to page 91 of 622. Provide the status of Big Rivers' labor contract with the International Brotherhood of Electrical Workers.

l. Refer to page 95 of 622. Provide the status of the Unwind Environmental Audit and Unwind Environmental Audit Report.

m. Refer to pages 100 and 101 of 622. Explain the circumstances related to the Green and Wilson Landfill Issues and the Coleman Ash Pond Issues referenced in Sections 15.3(b)(i) and 15.3(b)(ii).

n. Refer to pages 102 through 104 of 622. Are Big Rivers and WKEC aware of the failure of any generating plant to have complied with the New Source Review provisions of the Clean Air Act as a result of changes in the method of operating, maintaining, repairing, or replacing any generating plant without obtaining a permit or permit amendment covering the change or changes? If yes, provide a description of each occurrence.

o. Refer to pages 104 through 110 of 622. Absent WKEC's agreement to indemnify and hold harmless Big Rivers for the various actions listed on these pages, what would be the potential exposure to Big Rivers?

2. Refer to the Application, Exhibit 3, the Termination Agreement, Exhibit E, page 281 of 622. Identify the limited liability company LCC and explain its involvement with the Termination Agreement.

3. Refer to the Application, Exhibit 3, the Termination Agreement, Exhibit S, pages 393 and 394 of 622. If not already included in the record, provide copies of all the definitive documents listed in this exhibit.

4. Refer to the Application, Exhibit 3, the Termination Agreement, Schedule 5.1 – Assigned Contracts, page 431 of 622. Explain why the contract associated with purchase order 110952 is being assigned to Big Rivers.

5. Refer to the Application, Exhibit 3, the Termination Agreement, Schedule 11.1(g), Part A, pages 462 through 473 of 622. For each contract where the approximate expiration date has passed, indicate if the contract was renewed, replaced, or terminated.

6. Refer to the Application, Exhibit 5, the Direct Testimony of Mark A. Bailey.

a. On page 7 of 27, Mr. Bailey states that Big Rivers' employees are expected to increase from 112 to approximately 630, an increase of 518. He also states that 485 positions will be direct transfers from WKEC. Does Big Rivers anticipate that the increase in employees not coming from WKEC will be working in a specific area or throughout the company? Explain the response.

b. Exhibit MAB-2 is the post-closing organization chart for Big Rivers. Provide the current organization chart for Big Rivers.

7. Refer to the Application, Exhibit 7, the Documents Affected by the Termination, pages 16 and 20. Has any decision been reached as to whether Big Rivers, Kenergy Corp. ("Kenergy"), Alcan Primary Products Corporation ("Alcan"), and Century Aluminum of Kentucky General Partnership ("Century") will execute new Systems Disturbance Agreements? Explain the response.

8. Provide a schedule listing all the capital additions made by WKEC and its affiliates to the generating assets leased from Big Rivers since the inception of the lease transaction.

a. For each capital addition provide a brief description of the addition, the total cost of the addition, and an explanation of how the addition was recorded on either WKEC's or Big Rivers' books.

b. For each capital addition, explain how each addition has been treated in the Termination Agreement. Include in the discussion how each addition has been or has not been reflected in Exhibit 8 of the Application, the Unwind Financial Model ("Unwind Model").

9. Refer to the Application, Exhibit 8, the Unwind Model.

a. Does the version of the Unwind Model submitted as Exhibit 8 reflect a "base case" scenario for Big Rivers?

b. Has Big Rivers performed any sensitivity analyses for the Unwind Model? If yes, describe all sensitivity analyses performed, specifically noting the variable or variables examined in each analysis.

c. Explain why the results of any performed sensitivity analyses were not included in the Application.

10. Provide alternative versions of the Unwind Model reflecting the following scenarios. For each alternative version, provide hard copy printouts of the Unwind Model and copies in electronic format with all formulae and calculations intact.

a. Scenario One – Assume the cancellation of the Century retail and wholesale power contracts and the loss of the entire Century load. Assume cancellation at the earliest possible date provided in the retail and wholesale power contracts. Note in the Unwind Model results the operation of the Transition Reserve Account.

b. Scenario Two – Assume the cancellation of both the Century and Alcan retail and wholesale power contracts and the loss of the entire load of both Century and Alcan. Assume cancellation at the earliest possible date provided in the retail and wholesale power contracts, with Century providing the first notice. Note in the Unwind Model results the operation of the Transition Reserve Account.

11. Refer to the Unwind Model, page 3 of 37, lines 33, 36, 53, and 57.

a. Refer to the column for 2011. In order to convert the demand rate to an equivalent dollar per MWh rate, the demand rate is divided by 0.73 and then divided by the load factor. Explain why there is a division by 0.73 and how this factor was determined.

b. The formula utilized for lines 36 and 57 is the same for all years except 2012, 2016, and 2020. Explain in detail why the formula is different for these years.

c. For years 2012, 2016, and 2020, describe the formula utilized for the calculation, identifying the components and the source of information.

12. Refer to the Unwind Model, pages 3 and 4 of 37.

a. Using the data shown for 2009, show how the Smelter Surcharge 1 and Surcharge 2, lines 94 and 95, are related to the Rural Surcredit and Large Industrial Surcredit, lines 40 and 61.

b. Explain in detail why the Times Interest Earned Ratio ("TIER") Related Rebate, as shown on lines 45, 66, and 96, and the TIER Adjustment on line 89 are fixed inputted amounts rather than formula-driven amounts based on the terms and conditions of the applicable Smelter contract provisions.

13. Refer to the Unwind Model, pages 9 and 10 of 37.

a. Compare the Conventional TIER and "DSCR" calculations with the determination of TIER and Debt Service Coverage requirements in Big Rivers' Rural Utilities Service ("RUS") Mortgage. Explain all differences between the calculations.

b. Does Big Rivers intend for the Conventional TIER to reflect the TIER awarded for rate-making purposes ("rate-making TIER") by the Commission? Explain the response.

c. In previous electric cooperative rate cases, the Commission has determined rate-making TIER by dividing the sum of the net margins and interest on long-term debt by interest on long-term debt. Comparing rate-making TIER with the Conventional TIER as shown in the Unwind Model reveals several additional components in the Conventional TIER determination. For each additional component in the Conventional TIER, explain in detail why it is reasonable to include the component.

d. Explain in detail why the Economic Reserve Account, Taxes, and the Sale-Leaseback Interest should be included in the determination of the DSCR.

14. Refer to the Unwind Model, page 10 of 37. Explain why the Transition Reserve Account was not included as a line item in the "Days Cash on Hand" analysis.

15. Refer to the Unwind Model, page 11 of 37.

a. Does the Debt Service Detail reflected on this page accurately reflect Big Rivers' current expectations and financing plans?

b. If no to part (a) above, describe all changes to the information presented on page 11 of 37.

c. Provide a revised Unwind Model reflecting Big Rivers' current expectations and financing plans. All other variables, assumptions, and inputs as reflected in the originally filed Unwind Model should remain the same. Provide a hard copy printout of the revised Unwind Model as well as one in electronic format with all formulae and calculations in tact.

16. Refer to the Unwind Model, page 16 of 37, lines 1 and 2.

a. Explain how Big Rivers determined that its Sales will exceed its Production in every year included in the Unwind Model.

b. Provide a schedule of Big Rivers' annual Sales for calendar years 2000 through 2007.

17. Refer to the Unwind Model, page 18 of 37, lines 55 through 76. Explain the references to Generally Accepted Accounting Principles ("GAAP") basis for the RUS New Note. Compare and explain the accounting differences between the GAAP RUS new Note and the Stated RUS New Note.

18. Refer to the Unwind Model, page 19 of 37. Provide a detailed explanation of the Assumptions listed on lines 111 through 125. Include in the explanation why the Assumption is reasonable, how the Assumption was determined or developed, and explain how the Assumption affects the Unwind Model.

19. Refer to the Unwind Model, page 22 of 37, line 110. Explain in detail the purpose of the Blended Depreciation Adjustment in 2011 through 2016. Include in the

explanation how this amount was determined and why this adjustment would be necessary in these years.

20. Refer to the Unwind Model, page 26 of 37. Explain the ACE Adjustment on line 40 and TMT on line 44. Include in the explanation the nature of the item and why it needs to be taken into consideration in the alternative minimum tax determination.

21. Refer to the Unwind Model, page 27 of 37. Explain in detail why book depreciation is at 60 years while tax depreciation is at 20 years.

22. Refer to the Unwind Model, pages 32 through 37 of 37. Concerning the sources of input information:

a. Where the input source is another analysis or model, provide copies of the analysis or model. Copies should be hard copy printouts as well as electronic formats with all formulae and calculations in tact.

b. Where the input source is a contract, schedule, or other document, provide copies of the item, if not already filed in this proceeding. In addition, for all contracts include a reference to the applicable section or page.

c. On lines 117, 118, 120, 132, 135, and 136 the reference is "Goldman." Provide documentation of the inputs provided by Goldman.

d. Significant sections of the Unwind Model inputs have no source of information referenced. Provide the sources of information omitted from these pages and explain in detail why the source was not originally provided.

e. Were sensitivity analyses performed for the following Unwind Model inputs? If yes, provide the results of the sensitivity analyses. If no, explain in detail why sensitivity analyses were not performed.

(1) Sales to Rural and Large Industrial customers.

(2) Off-system sales.

(3) Market prices for off-system sales.

23. Refer to the Application, Exhibit 9, the Direct Testimony of Robert S. Mudge ("Mudge Testimony"), page 6 of 20. Mr. Mudge states that Big Rivers' equity to asset ratio will go from a negative 13 percent to a positive 24 percent as a result of the Unwind Transaction. Provide the corresponding change in the equity to total capitalization ratio.

24. Refer to the Mudge Testimony, page 12 of 20. Identify Global Insight, Inc. and briefly describe the expertise the firm has in estimating fuel and emission allowance market prices.

25. Refer to the Mudge Testimony, page 15 of 20. Provide Big Rivers' depreciation reserve ratios for calendar years 2005, 2006, and 2007.

26. Refer to the Application, Exhibit 10, the Direct Testimony of C. William Blackburn ("Blackburn Testimony"), page 14 of 130. Mr. Blackburn states that Big Rivers will receive the Coleman Scrubber and plans to record the scrubber on its books at $97.5 million. In Case No. 2002-00195,[1] the Commission approved a specific

[1] Case No. 2002-00195, Application of Big Rivers Electric Corporation, LG&E Energy Marketing, Inc., Western Kentucky Energy Corporation, WKE Station Two Inc., and WKE Corporation for Approval of Amendments to Transaction Documents, final Order dated October 30, 2002.

accounting treatment for the Coleman Scrubber. Explain in detail how the accounting treatment for the Coleman Scrubber changes as a result of the Unwind Transaction. Include applicable references to the RUS Uniform System of Accounts ("USoA"). In addition, explain why the previously approved accounting treatment is no longer applicable for the Coleman Scrubber.

27. Refer to the Blackburn Testimony, page 15 of 130. Explain the difference in accounting techniques used to determine the value of the Coleman Scrubber as referenced on this page.

28. Refer to the Blackburn Testimony, page 16 of 130. Explain why Big Rivers believes it is appropriate to record the 14,000 SO_2 emission allowances at the market value at closing. Include applicable references to the RUS USoA.

29. Refer to the Blackburn Testimony, pages 23 and 24 of 130.

a. Assuming that the Unwind Transaction is approved, Big Rivers states that in its financial model, the existing rural energy rate of $20.40/MWh in 2008 is projected to increase to $23.12 in the period 2017 through 2023, and the existing rural demand rate of $7.37/kW-month is projected to increase to $8.35 over the same period. The existing non-Smelter large industrial energy rate of $13.72/MWh in 2008 is projected to increase to $15.54/MWh for the period 2017 through 2023, and the existing large industrial customer demand rate of $10.15/kW-month in 2008 is projected to increase to $11.50/kW-month from 2017 through 2023.

(1) If the Unwind Transaction is not approved, are the rates for the above classes projected to increase in the 2017 through 2023 time period?

(2) If the answer to part (a)(1) above is yes, what are the rates for the above classes projected to be absent the Unwind Transaction for the same 2017 through 2023 time period?

30. Refer to the Blackburn Testimony, page 40 of 130. Provide the status of the contract with Kenergy concerning wholesale service for the Southwire Company's Rod and Cable Mill ("Southwire") load.

a. Provide for 2007 Southwire's peak load, load factor, and annual MWh consumption.

b. Have future sales and revenues attributable to Southwire been incorporated into the Large Industrial class figures reflected in the Unwind Model?

31. Refer to the Blackburn Testimony, page 60 of 130. Was an Equity Development Credit incorporated into the Unwind Model? Explain the response.

32. Refer to the Blackburn Testimony, page 74 of 130. Big Rivers states that L. Robert Kimball and Associates, Inc. has been retained to make the valuation of the existing coal inventory. Explain whether the valuation will be based upon actual fuel costs, or if a current market price is to be used.

33. Refer to the Blackburn Testimony, pages 74 and 75 of 130.

a. Provide Schedule 3.15 to the Coordination Agreements with the Smelters.

b. Explain in detail why the Coordination Agreements address how Big Rivers will account for and capitalize the assets received from the E.ON US Parties.

c. Would Big Rivers agree that the accounting for assets and capitalization requirements should conform to the provisions of the RUS USoA and GAAP? Explain the response.

d. Explain in detail how Big Rivers concluded that it was premature to perform a new depreciation study in conjunction with the Unwind Transaction and why it is reasonable to perform the new depreciation study at the time of the 2010 general rate case.

34. Refer to the Blackburn Testimony, pages 80 through 84 of 130.

a. Given the complexity of the proposed Purchased Power Account ("PPA"), the need to adjust Smelter rates to avoid double counting, and Big Rivers' apparent willingness to apply the non-Fuel Adjustment Clause ("FAC") PPA to non-Smelter sales, explain in detail why Big Rivers proposed the PPA mechanism including the establishment of regulatory asset and regulatory liability accounts.

b. Explain how Big Rivers would apply the non-FAC PPA to non-Smelter sales. Include a description of how this charge would be presented in the Unwind Model.

c. Would the other parties to the Unwind Transaction accept a change to charging the non-FAC PPA to non-Smelter sales rather than establishing regulatory asset and regulatory liability accounts as originally proposed? Explain the response.

35. Refer to the Blackburn Testimony, pages 85 through 87 of 130.

a. For how long does Big Rivers anticipate maintaining the Transition Reserve Account? Explain how it has reached this determination.

b. Provide a schedule showing Big Rivers' marketing of off-system power during the past 10 years. This schedule should at a minimum show the amount of power available for sale and the actual amounts of power actually sold.

36. Refer to the Blackburn Testimony, pages 99 and 100 of 130. Provide a description of the factors Big Rivers would evaluate to determine if it is financially reasonable to offer a Member Rebate to customers.

37. Refer to the Blackburn Testimony, page 118 of 130. Describe the differences between the RUS Mortgage, the Intercreditor Agreement, and the proposed Indenture. The description should address the conceptual and functional differences between the three financial instruments.

38. Refer to the Application, Exhibit 12. On page 14 Big Rivers states that offers of employment will be made to all WKEC employees whose normal location is Henderson or at one of the generating plants. Explain whether any WKEC employees that currently perform their duties at locations other than Henderson, or at one of the generating plants. If there are employees working at other locations, provide the following information for each employee:

a. The name of the employee.

b. The job title of the employee.

c. The current work location of the employee.

d. Whether the employee is to be retained by Big Rivers.

e. If the employee is not to be retained, explain whether the work is to be outsourced, or is to be performed by an existing employee of Big Rivers.

39. Refer to the Application, Exhibit 18, the Direct Testimony of David A. Spainhoward ("Spainhoward Testimony"), pages 5 through 10 of 48. What is the current status of the Henderson Station Two issues?

40. Refer to the Spainhoward Testimony, page 13 of 48. Explain why Big Rivers believes it is necessary to add language to the Members' power factor calculation.

41. Refer to the Spainhoward Testimony, page 17 of 48. Are the changes to the capacity resource avoided costs and purchased power options based on Big Rivers' actual avoided costs or do they reflect the Unwind Transaction negotiations? Explain the response.

42. Refer to the Spainhoward Testimony, page 33 of 48.

a. Indicate when Big Rivers expects to complete its development of a "more comprehensive and more global environmental compliance plan."

b. When does Big Rivers anticipate it would file an application to seek Commission approval of this environmental compliance plan and to amend its environmental surcharge mechanism? Explain the response.

43. Refer to the Spainhoward Testimony, page 40 of 48.

a. Provide an analysis of Big Rivers' SO_2 emission allowance inventory. This analysis should cover the years 2008 through 2023 and include the following information for each year of the analysis:

(1) Total SO_2 emission allowances in inventory as of the beginning of the year.

(2) Total SO_2 emission allowances received from the Environmental Protection Agency ("EPA").

(3) Total SO_2 emission allowances surrendered to EPA to cover emissions.

(4) Number of SO_2 emission allowances Big Rivers anticipates it will sell.

(5) Number of SO_2 emission allowances Big Rivers anticipates it will purchase.

(6) Total SO_2 emission allowances in inventory as of the end of the year.

b. Mr. Spainhoward states that during the period from 2008 through 2012 Big Rivers plans to sell any excess SO_2 emission allowances and use the revenues from these sales to reduce the level of the environmental surcharge. The Unwind Model shows that beginning in 2015 Big Rivers expects its SO_2 emissions to exceed its allocation of emission allowances. In light of this situation, and the fact that SO_2 emission allowances can be banked, explain in detail why Big Rivers believes that its proposal to sell excess allowances over the next 4 years is reasonable.

c. Assume for purposes of this question that the Commission required Big Rivers to bank its excess SO_2 emission allowances during 2008 through 2012 rather than allowing the allowances to be sold. Explain in detail the effect of such a requirement on the Unwind Transaction.

44. Refer to the Application, Exhibit 20, the Smelter Agreements.

a. Refer to the Alcan and Century Retail Electric Service Agreements ("Smelter Retail Agreements"), Section 5.5 – Release and Indemnification, part (b). Explain the reason and purpose for this section of the Retail Agreements, specifically why Kenergy should provide a power-of-attorney to either Alcan or Century.

b. Refer to the Smelter Retail Agreements, Section 13.1.2.

(1) Provide the Kenergy Retail Fee from Alcan and from Century.

(2) Explain why it is reasonable that the Kenergy Retail Fee is fixed for a period of 10 years.

c. Refer to the Smelter Retail Agreements, Section 13.3.

(1) Do the parent companies of Alcan and Century currently have investment ratings at the levels required in this section?

(2) If no, have either Alcan or Century initiated the process of securing the required letters of credit? Explain the response.

(3) What is the status of the Alcan Guarantee and the Century Guarantee?

d. Refer to the Century Retail Agreement, Sections 13.4.1 through 13.4.4. Explain why Alcan is referenced in these sections instead of Century.

e. Refer to the Smelter Retail Agreements, Exhibit A. Using the information contained in the Unwind Model for calendar year 2009, provide completed versions of Exhibit A for both Alcan and Century.

f. Refer to the Alcan and Century Wholesale Electric Service Agreements ("Smelter Wholesale Agreements"), Section 1.1.112 – TIER. Explain why the definition of TIER does not reflect the detail that has been included in the Unwind Model.

g. Refer to the Smelter Wholesale Agreements, Section 13.4.1. Provide the referenced Appendix B.

h. Refer to the Alcan and Century Coordination Agreements ("Coordination Agreements"), Section 3.3. Explain the nature and purpose of the Assurances Agreement payments.

i. Refer to the Coordination Agreements, Section 3.10. Given the terms and conditions in this section, will Big Rivers still be able to perform a depreciation study by 2010 whose results are not predetermined? Explain the response.

45. Refer to the Application, Exhibit 25, the Direct Testimony of William Steven Seelye ("Seelye Testimony"), pages 6 and 7 of 34. Big Rivers states that the initial value of the Economic Reserve is expected to be $75 million, although Big Rivers is able to add to this amount at closing. Clarify the statement "although Big Rivers is able to add to this amount at closing."

a. Does Big Rivers expect the Economic Reserve to be greater than $75 million? If yes, can Big Rivers estimate the anticipated value of the Economic Reserve?

b. If Big Rivers expects the Economic Reserve to be greater than $75 million, explain the factors that determine whether the Economic Reserve will be greater than $75 million.

46. Refer to the Seelye Testimony, page 13 of 34. Big Rivers states that it is "proposing a base fuel cost representative of its 2007 fuel cost, as was projected in 2004." Explain why the base fuel cost is based upon projections from 2004, rather than upon actual fuel costs experienced by WKEC. Also provide a comparison of Big Rivers' proposed base fuel cost and the current actual fuel cost experienced by WKEC.

47. Refer to the Seelye Testimony, page 18 of 34. Big Rivers proposes that the monthly unit environmental costs to be used in the environmental surcharge for the first two or three months reflect estimates utilized in the Unwind Model rather than actual costs. Explain why the actual applicable environmental costs are not available.

48. Refer to the Seelye Testimony, Exhibit WSS-7, page 2 of 5. If the gypsum facilities at Coleman are being removed, explain how Big Rivers will be able to make sales of the gypsum byproduct, as shown in this exhibit.

49. WKEC requested and was subsequently granted confidential protection for fuel and fuel-related contracts until the Unwind Transaction is complete and the contracts are assumed by Big Rivers. Is it Big Rivers understanding that if the contracts are assumed by Big Rivers, and Big Rivers' proposal to adopt a fuel adjustment clause is approved, the contracts will then be subject to public disclosure?

50. Explain whether all of WKEC's coal contracts are assignable to Big Rivers and whether Big Rivers intends to assume all of the contracts. If the contracts are assignable, explain whether Big Rivers expects additional costs to be incurred if the contracts are assigned to Big Rivers.

51. Provide the final due diligence report on the physical condition of the Big Rivers generating units.

52. Refer to the Unwind Model, page 4 of 37.

a. Explain why no rates are shown in columns 2007 and 2008H1 for the Smelters.

b. Explain the derivation and provide supporting documentation of the prices shown on line 99, labeled “Market,” for each year 2007 through 2023.

53. In Case No. 2007-00177,[2] Big Rivers estimated that it would cost $4.7 million to construct 13.2 miles of 161 kV transmission line needed to export 850 MW of power in the event that the unwind transaction is completed and both of the smelters elect to terminate their power contracts after 2010. Provide an updated estimate of the total cost of the transmission line.

54. Refer to the Unwind Model, page 6 of 37. Line 141 shows transmission upgrades of $3.7 million in 2008, $6.0 million in 2009, and $1.7 million in 2010. State the amount of each of these three annual expenditures that is directly related to the transmission project approved in Case No. 2007-00177. For each portion of the annual expenditures that are not attributable to that transmission project, explain in detail the nature of the project, the location of any new facilities, and the length and voltage of any transmission lines, if any.

55. Refer to the Blackburn Testimony, pages 107-110. If the transmission facilities conditionally authorized in Case No. 2007-00177 will be needed only if the power supply obligations for the smelters are shifted to Big Rivers, explain in detail

[2] Case No. 2007-00177, Application of Big Rivers Electric Corporation For a Certificate of Public Convenience and Necessity to Construct a 161 kV Transmission Line in Ohio County, Kentucky.

whether or not the total cost of these transmission facilities will be paid for by the smelters.

56. The proposed smelter rate contracts include a number of provisions that will allow each smelter to reduce its load and have that power sold off-system to the smelter's credit. Will the credit for such power sold off-system be offset by a specific charge to recover the cost of the transmission facilities approved in Case No. 2007-00177?

a. If yes, explain in detail the amount of the offset attributable to the cost of the transmission facilities and provide specific references to where in the application this offset is discussed.

b. If no, explain in detail why the costs of the transmission facilities are not proposed to be recovered through such an offset.

57. Explain whether or not Big Rivers considered requiring the smelters to pay, by December 31, 2010, the full cost of the transmission facilities authorized in Case No. 2007-00177, with some portion of that cost credited back to the smelters in each year that they remain in operation between 2011 and the expiration date of their rate contracts in 2023?

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DATED: February 1, 2008

cc: Parties of Record