

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC)
CORPORATION FOR A GENERAL) CASE NO. 2009-00040
ADJUSTMENT IN RATES)

O R D E R

On March 2, 2009, Big Rivers Electric Corporation ("Big Rivers") filed an application requesting approval to increase its base rates for electric service in order to generate an additional \$24.9 million in annual revenues. In the application, Big Rivers stated that the requested increase would not be necessary if the "Unwind Transaction" that was approved by Commission Order dated March 6, 2009 in Case No. 2007-00455¹ closed. Having closed the "Unwind Transaction" on July 16, 2009, Big Rivers filed a motion to withdraw its rate application on July 20, 2009.

The Commission applauds Big Rivers' successful efforts to regain operating control of its generating facilities through a complex transaction that has resulted in a significant infusion of cash to Big Rivers. While the current economic recession, with its greatly weakened demand and price for wholesale power, threatened to derail Big

¹ Case No. 2007-00455, The Application of Big Rivers Electric Corporation for: 1) Approval of Wholesale Tariff Additions for Big Rivers Electric Corporations, 2) Approval of Transactions, 3) Approval to Issue Evidences of Indebtedness, and 4) 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.

Rivers' Unwind Transaction at the last minute, the E.ON parties² were able to keep the transaction on track. Even though Big Rivers' balance sheet is now greatly improved, its financial fate is still tied to the state of the economy, as that directly impacts the level of operations of its two largest customers, both aluminum smelters, and its ability to remarket power not utilized by the smelters.

It is for this reason that the Commission would be remiss if it did not caution Big Rivers to be diligent in determining future expenditures to ensure that all non-essential spending is eliminated. For example, we note that Big Rivers filed this rate application on March 2, 2009, requesting a 21.6 percent increase, along with a motion to implement the increase on an interim basis 30 days thereafter, claiming that it "will not have sufficient cash to pay its bills as and when due, and its credit or operations will be materially impaired or damaged."³ However, Big Rivers subsequently disclosed that, in the two months immediately prior to its rate filing, it paid a total of \$441,000 in bonus payments to 84 employees.⁴ The timing of these bonuses was clearly inappropriate in light of Big Rivers' cash crisis. Big Rivers must be diligent in determining future expenses, as well as capital investments, to ensure that it is providing a high quality of service at the lowest reasonable cost.

Having considered the motion and being otherwise sufficiently advised, the Commission finds that the motion should be granted.

² The "E.ON parties" are comprised of E.ON U.S., LLC, Western Kentucky Energy Corp., and LG&E Energy Marketing, Inc.

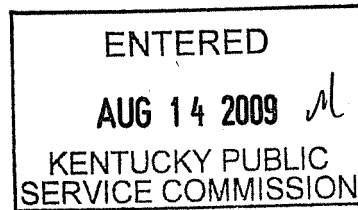
³ Big Rivers Application at 7.

⁴ Big Rivers Response to Kentucky Industrial Utility Customers, Inc.'s May 4, 2009 Second Data Request, item 15.

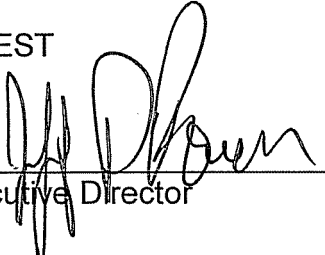
IT IS THEREFORE ORDERED that:

1. Big Rivers' motion to withdraw its application for an increase in base rates is granted.
2. This case is closed and is removed from the Commission's docket.

By the Commission



ATTEST


Executive Director

