COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION, LG&E ENERGY MARKETING INC., WESTERN KENTUCKY ENERGY CORP., WKE STATION TWO INC., AND WKE CORP. FOR APPROVAL OF AMENDMENTS TO TRANSACTION DOCUMENTS	)	CASE NO. 2000-118

O R D E R

IT IS ORDERED that Big Rivers Electric Corporation ("Big Rivers") shall file the original and 10 copies of the following information with the Commission no later that March 21, 2000, with a copy to all parties of record. Each copy of the information requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure its legibility. 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 Order.

1. On page 1 of its application, Big Rivers states that it is seeking approval of Sections I through V, VII, and IX of the Letter Agreement. Section VI appears to modify the terms of or replaces the Lease and Option Agreement, and Section VIII appears to relate to provisions of the Third Amendment to the New Participation Agreement. Big

Rivers acknowledges in its application at page 5 that amendments to the LG&E Transaction documents would require Commission approval. Given these facts, explain in detail why Big Rivers is not seeking Commission approval of Sections VI and VIII of the Letter Agreement. In addition, indicate when Big Rivers intends to seek Commission approval of these sections.

2. Have Western Kentucky Energy Corp. ("WKEC"), WKE Station Two Inc., LG&E Energy Marketing Inc. ("LEM"), and WKE Corp. (collectively "LG&E Affiliates") approved the Letter Agreement as submitted in Exhibit A of Big Rivers' application? If yes, provide written documentation of the LG&E Affiliates' acceptance. If no, indicate when this acceptance is expected.

3. Refer to page 6 of the application. Big Rivers states that it and the LG&E Affiliates are currently operating under the Transaction Documents in such a manner that the changes contained in the Letter Agreement can be implemented retroactively to January 1, 2000.

a. Indicate when Big Rivers and the LG&E Affiliates modified operations to be consistent with the revisions contained in the Letter Agreement.

b. Since Big Rivers has acknowledge that the Commission's approval is needed for the majority of the changes contained in the Letter Agreement, explain why it has in effect implemented those changes without prior Commission approval.

c. Explain the basis for the assumption that it is proper and reasonable to implement the changes contained in the Letter Agreement retroactively.

4. Concerning Big Rivers' pending sale and leaseback transaction, which the Commission approved in Case No. 99-450:[1]

a. Was Big Rivers aware that the LG&E Affiliates were requiring the approval of the changes contained in the Letter Agreement before consenting to the sale and leaseback transaction when Big Rivers filed its motion on January 24, 2000 to reopen Case No. 99-450?

b. If yes to part (a), explain in detail why Big Rivers did not disclose this fact in its January 24, 2000 motion to reopen Case No. 99-450.

c. In Case No. 99-450, the Commission granted Big Rivers' request to enter into a sale and leaseback transaction involving three of its generating units. On page 9 of the application, it is stated that the sale and leaseback transaction involves only two of the generating units. Explain why there is a difference and indicate which is correct.

d. In the January 24, 2000 motion to reopen, Big Rivers estimated an on-going annual reduction of $4 million in the debt service obligation if the sale and leaseback transaction took place by the end of March 2000. Based on current estimates, what is the on-going annual reduction in the debt service obligation if this transaction occurs by March 31, 2000?

e. On page 10 of the application, Big Rivers estimates that if the sale and leaseback transaction does not close at the end of March, the benefits from the transaction will decrease at the rate of $1.2 million to $2 million per month. Based on

[1] Case No. 99-450, Big Rivers Electric Corporation's Application for Approval of a Leveraged Lease of Three Generating Units, final Orders dated November 24, 1999 and January 28, 2000.

this statement, and the level of interest expense savings stated by Big Rivers in January 2000, will Big Rivers proceed with the sale and leaseback transaction if it fails to close the transaction by the end of March 2000? Explain the response.

5. Refer to page 7 of the application. Big Rivers states that several additional amendments to the Transaction Documents are expected in the near future. Indicate when Big Rivers expects to finalize these additional amendments, and state whether the LG&E Affiliates will be requiring the approval of those additional amendments before agreeing to the sale and leaseback transaction.

6. Provide a chart that summarizes the changes contained in Sections I through IX of the Letter Agreement. The summary chart should include the following information for the changes:

a. Cross-reference to the applicable Transaction Document and section.

b. A brief summary which clearly describes the nature of the change.

c. The dollar impact of the change from Big Rivers' perspective.

7. Refer to page 8 of the application. Concerning the other parties that will need to approve the Transaction Document amendments:

a. Identify the parties.

b. As of the date of Big Rivers' response, indicate whether the approval has been received. If approval has not been received, indicate when a response is anticipated.

c. Describe the impact if one or more of the other parties either refuses to approve the amendments or fails to grant approval by March 28, 2000.

8. Using the most current version of Big Rivers' financial model, identified as PSC2-38R in Case No. 98-267,[2] show the financial impact of the changes contained in the Letter Agreement. The analysis refers to the impact of the Letter Agreement in total, and is not limited to the impacts of Sections I through V, VII, and IX. This will require presenting the results from the financial model excluding and including the effects of the Letter Agreement.

9. Refer to Exhibit A of the application, page 6. Provide examples of the utility plant additions or improvements the Letter Agreement classifies as "Reduction Assets."

10. Refer to Exhibit A of the application, page 30.

a. Provide copies of the letter agreement between Big Rivers and LEM dated September 30, 1999, concerning the Southeastern Power Administration power scheduling.

b. Summarize the changes between Section 5.2 of the Power Purchase Agreement, the September 30, 1999 letter agreement, and Section IV of the Letter Agreement in Exhibit A of the application. Include the dollar impacts on Big Rivers of these changes.

[2] Case No. 98-267, The Application of Big Rivers Electric Corporation for Approval of the 1998 Amendments to Station Two Contracts Between Big Rivers Electric Corporation and the City of Henderson, Kentucky and the Utility Commission of the City of Henderson.

11. Refer to Exhibit A of the application, page 32. Provide the following information concerning the proposed sale of Big Rivers' central laboratory building, print shop, and communications building:

a. The original cost and the net book value of each structure.

b. The most current appraisal or assessment of each structure.

c. Indicate how Big Rivers classified these structures in its accounting records.

d. If the proposed sales price to WKEC does not at least equal the net book value of the structures, explain in detail why Big Rivers proposes to sell these structures at a loss.

12. Refer to Exhibit A of the application, Exhibits C and D of the Letter Agreement. Explain how the discount factor of 82.77 percent was determined. Include all calculations and assumptions.

Done at Frankfort, Kentucky, this 17th day of March, 2000.

By the Commission

ATTEST:

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Executive Director