

CASE

NUMBER:

99-354

INDEX FOR CASE: 1999-354
BIG RIVERS ELECTRIC CORPORATION
Tariffs
PURCHASE & SALES TARIFFS FOR COGENERATORS & SMALL POWER PRODUCERS

IN THE MATTER OF BIG RIVERS ELECTRIC CORPORATION'S PURCHASE
AND SALES TARIFFS FOR COGENERATORS AND SMALL POWER
PRODUCERS

SEQ NBR	ENTRY DATE	REMARKS
M0001	08/02/1999	JAMES M. MILLER/BIG RIVERS-PURCHASE & SALES TARIFFS FOR COGENERATORS & SMALL POWER PRODUCER
0001	08/31/1999	Order suspending proposed tariffs up to and including January 31, 2000.
M0002	09/10/1999	WELLS LOVETT WILLAMETTE IND INC-PETITION TO INTERVENE
0002	09/17/1999	Order granting motion of Willamette Industries to intervene.
0003	09/28/1999	Order setting forth the procedural schedule to be followed.
0004	10/08/1999	Data Request Order, response due 10/18/99.
M0003	10/08/1999	ERIC TODDERUD WILLAMETTE IND-INITIAL REQ FOR INFORMATION TO BIG RIVERS
M0004	10/08/1999	FRANK KING KENERGY MEADE CO RURAL EL-MOTION TO INTERVENE
M0005	10/18/1999	DAVID SPAINHOWARD BIG RIVERS-RESPONSE TO DATA REQ IN ORDER OF OCT 8, 99 & REQ OF WILLAMETTE
0005	10/22/1999	Order granting intervention to Kenergy & Meade RECC.
0006	10/22/1999	Order revising procedural schedule
0007	10/29/1999	Data Request Order to Big Rivers; response due 11/10/99.
0008	10/29/1999	Data Request Order to Willamette Industries; response due 11/10/99.
M0006	10/29/1999	BIG RIVERS DAVID SPAINHOWARD-(FAX) INITIAL INFO REQUEST TO WILLAMETTER IND INC
M0007	10/29/1999	ERIC TODDERUD WILLAMETTE IND INC-SUPP REQ FOR INFORMATION TO BIG RIVERS CORP
M0008	11/01/1999	DAVID SPAINHOWARD BIG RIVERS-INITIAL INFORMATION REQ TO WILLAMETTE IND INC
M0013	11/05/1999	JAMES MILLER BIG RIVERS-LETTER IN RESPONSE TO MR TODDERUDS LETTER
M0015	11/05/1999	ERIC TODDERUD-RESPONSE TO MR MILLERS LETTER REGARDING HEARING PROCEDURE
M0016	11/05/1999	JAMES MILLER BIG RIVERS-REQUEST PRO AMENDED PROCEDURAL SCHEDULE (FAX)
M0009	11/08/1999	DAVID SPAINHOWARD BIG RIVERS-RESPONSE TO DATA REQ CONTAINED IN THE COMM ORDER OF OCT 29, 99
M0010	11/08/1999	JAMES MILLER BIG RIVERS-REQUEST TO AMEND PROCEDURAL SCHEDULE TO PROVIDE FOR PREFILING OF TE
M0011	11/08/1999	JAMES MILLER BIG RIVERS-RESPONSE TO MR TODDERUDS LETTER OBJECTING TO BIG RIVERS SUGGESTION
M0012	11/08/1999	ERIC TODDERUD-RESPONSE TO MR MILLERS LETTER REGARDING HEARING PROCEDURE
M0014	11/10/1999	ERIC TODDERUD WILLAMETTE IND INC-RESPONSE TO BIG RIVERSINITIAL RESPONSE FOR INFO & KY PSC I
0009	11/15/1999	Order rescheduling hearing to 12/6/99 at 9:00 in Hearing Room 1.
0010	11/18/1999	Letter granting request for conf. filed 11/10/99 by Willamette Industries.
0011	11/29/1999	Order rescheduling 12/6 hearing to 1/10/2000
M0017	12/30/1999	ERIC TODDERUD-CLARIFICATION OF PROPOSED CONTRACT
0012	01/04/2000	Memorandum regarding conference of 11/23/99.
0013	01/06/2000	Order continuing the 1/10/2000 hearing; status report due from parties 3/7/2000
M0018	01/06/2000	WILLAMETTE INDMICHEAL DOTTEN-MOTION TO POSTPONE HEARING
M0019	01/06/2000	ERIC TODDRUD BIG RIVERS CORP-RESPONSE TO TO DISCUSSION ON NOV 23, 99 TO COMMENTS TO MEMO
M0020	01/06/2000	JAMES MILLER BIG RIVERS-RESPONSE TO WILLAMETTE IND EXPEDITED MOTION TO POSTPONE
M0021	01/07/2000	JAMES MILLER BIG RIVERS-TERM SHEET FOR A LONG TERM BACKUP, COPY OF AGREEMENT
0014	01/13/2000	Letter granting Big Rivers' petition for confidentiality filed 1/7/2000.
M0022	03/06/2000	ERIC TODDERUD BIG RIVERS, KENERGY-JOINT STATUS REPORT IN RESPONSE TO PSC ORDER OF JAN 6.00
0015	03/15/2000	Order extending suspension period to 5/30/2000; hearing is continued generally.
M0023	03/17/2000	JAMES MILLER BIG RIVERS-AFFIDAVITS OF PUBLICATION & TEAR SHEETS FOR HEARING NOTICES
M0024	04/06/2000	ERIC TODDERUD BIG RIVERS, KENERGY-JOINT STATUS REPORT
0016	04/19/2000	Order extending suspension period, continuing hearing; status report due 5/5.
0017	05/10/2000	Order entered, information due 6/5, suspension ends 7/30/2000.
M0025	06/05/2000	ERIC TODDERUD/BIG RIVERS-JOINT STATUS REPORT
0018	06/19/2000	Big Rivers to file within 10 days statement why case should not be terminated.
M0026	06/26/2000	JAMES MILLER/BIG RIVERS ELECTRIC-MOTION TO AMEND APPLICATION
M0027	07/05/2000	ERIC TODDERUD/WILLAMETTE INDUSTRIES-STATEMENT IN SUPPORT OF MOTION TO AMEND TARIFF FILING
0019	07/20/2000	Final Order approving proposed tariffs effective on and after date of Order.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 1999-354
BIG RIVERS ELECTRIC CORPORATION

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on July 20, 2000.

See attached parties of record.

Stephanie J. Bell

Secretary of the Commission

SB/hv
Enclosure

Honorable James M. Miller
Counsel for Big Rivers
Sullivan, Mountjoy, Stainback
& Miller PSC
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P. O. Box 727
Owensboro, KY. 42302 0727

Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
Hogan & Hartson L.L.P.
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Mr. David A. Spainhoward
Vice President, Contract
Administration & Regulatory Affairs
Big Rivers Electric Corporation
201 Third Street
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Honorable Wells T. Lovett
Counsel, Willamette Industries
208 West Third Street
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Honorable Michael C. Dotten
Honorable Eric R. Todderud
Counsel, Willamette Industries
Heller Ehrman White & McAuliffe
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Honorable Frank N. King
Counsel for Kenegy & Meade RECC
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY. 42420

COMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC)	
CORPORATION'S PURCHASE)	
AND SALES TARIFFS FOR)	CASE NO. 99-354
COGENERATORS AND SMALL)	
POWER PRODUCERS)	

O R D E R

On August 31, 1999, Big Rivers Electric Corporation ("Big Rivers") filed an application requesting Commission approval of two new tariffs setting out the terms, rates, and conditions of service for cogenerators and small power producers. One tariff covers Big Rivers' sales to cogenerators and small power producers; the other covers its purchases from them. Intervening in this proceeding were Kenergy Corp. ("Kenergy") and Meade County Rural Electric Cooperative Corporation, two of Big Rivers' member distribution cooperatives, and Willamette Industries, Inc. ("Willamette"), an industrial customer served by Kenergy. Willamette operates a paper manufacturing complex, which is considering installing a cogeneration facility at its manufacturing site in Hawesville, Kentucky.

The Commission established a procedural schedule providing for two rounds of discovery, an informal conference and a formal hearing. The informal conference was held November 23, 1999, at which time Big Rivers and Willamette indicated they were attempting to negotiate certain terms and conditions pertaining to Willamette's potential cogeneration facility. Big Rivers and Willamette indicated that a formal hearing might

not be necessary and they requested sufficient time to pursue their negotiations. The Commission granted this request and continued the hearing for 90 days from its scheduled date of January 10, 2000. The Commission also required that Big Rivers and Willamette file a joint status report on their negotiations.¹

Joint status reports were filed in March, April, May, and June 2000, all indicating that negotiations were progressing but no final agreement had been reached. After receipt of the fourth such report, the Commission, on June 19, 2000, directed Big Rivers to show cause why this case should not be terminated without prejudice to the tariffs being refiled upon conclusion of the negotiations. Big Rivers responded by filing a motion to amend its tariff for sales to cogenerators and small power producers. The amendment would modify the "Availability" section of the sales tariff by limiting it to only those cogenerators and small power producers with a net output of less than 5,000 KW. With this modification, all cogenerators and small power producers with net output of 5,000 KW or greater would purchase backup power under special contract with Big Rivers and the applicable distribution cooperative.

Big Rivers stated that the amendment eliminates Willamette's concerns about the terms of the proposed sales tariff since Willamette's cogeneration facility will exceed the 5,000 KW threshold included in the amendment. Big Rivers also stated that the amendment should allow the Commission to approve the proposed tariffs without any need to further continue this proceeding due to the ongoing negotiations with Willamette. Willamette filed a response in support of Big Rivers' amended tariffs since

¹ Case No. 99-354, Order dated January 6, 2000.

its service arrangements with Big Rivers would be subject to a special contract, rather than the tariffs as amended.

Based on the evidence of record, the Commission finds that Big Rivers' proposed tariffs, with the amendment to the "Availability" section of its sales tariff for cogenerators and small power producers, are reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. Big Rivers' proposed tariffs for sales to, and purchases from, cogenerators and small power producers, as amended by Big Rivers' filing of June 26, 2000, are approved for service effective on and after the date of this Order.

2. Big Rivers shall file its amended tariffs for sales to, and purchases from, cogenerators and small power producers reflecting the effective date as ordered herein within 20 days from the date of this Order.

3. Big Rivers shall file a report on the status of its member distribution cooperatives' preparation of their respective tariffs reflecting their terms for sales to, and purchases from, cogenerators and small power producers consistent with the tariffs approved herein for Big Rivers. Big Rivers shall file the report with its tariffs to be filed within 20 days from the date of this Order.

Done at Frankfort, Kentucky, this 20th day of July, 2000.

By the Commission

ATTEST:

Deputy W. H. Bowler
Executive Director

June 30, 2000

Via Federal Express

Helen C. Helton
Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, KY 40601-1402

RECEIVED

JUL 05 2000

PUBLIC SERVICE
COMMISSION

Eric R. Todderud
etodderud@hewm.com
(503) 795-7409
Main (503) 227-7400
Fax (503) 241-0950

12774-0022

**Re: In the Matter of Big Rivers Electric Corporations's Purchase and Sales Tariffs
For Cogenerators and Small Power Producers; Case No. 99-354**

Dear Ms. Helton:

Enclosed for filing are the original and 10 copies of the Statement of Willamette Industries, Inc. In Support of Motion to Amend Tariff Filing. Also enclosed is a copy to be stamped and returned to me in the enclosed, self-addressed, stamped envelope.

Thank you for your attention to this matter.

Very truly yours,


Eric R. Todderud *by nm*

Enclosure

cc: James M. Miller
Douglas L. Beresford
Frank N. King
Richard G. Raff
David A. Spainhoward

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of BIG RIVERS)
ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS) CASE NO. 99-354
FOR COGENERATORS AND SMALL)
POWER PRODUCERS)
(Rate Schedules 8 and 9))

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JUL 05 2000

PUBLIC SERVICE
COMMISSION

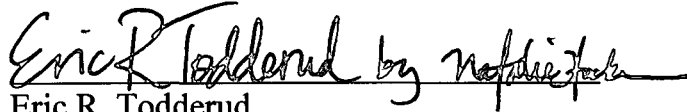
**STATEMENT OF WILLAMETTE INDUSTRIES, INC. IN SUPPORT OF
MOTION TO AMEND TARIFF FILING**

Intervenor Willamette Industries, Inc. ("Willamette") supports the Motion to Amend Tariff Filing filed by Big Rivers Electric Corporation ("Big Rivers"). Willamette intervened in this proceeding primarily because Willamette believed that Big Rivers' proposed rate schedule 9 did not accurately reflect the cost of providing backup service to Willamette's proposed cogeneration unit. Willamette agrees that the rates, terms and conditions for backup service for large cogenerators such as Willamette should be negotiated on a case-by-case basis. Willamette, Big Rivers, and Kenergy Corporation have been negotiating a contract for backup service that meets Willamette's unique needs, and the parties plan to finalize and submit a contract to the Commission soon.

The proposed amendment to rate schedule 9 resolves Willamette's concerns about that tariff. As amended, the tariff will not apply to Willamette, and Willamette no longer will have a need to challenge the rates therein. The parties will be able to continue their

negotiations, and, if necessary, seek the assistance of the Commission to resolve difficult issues regarding backup service. Therefore, Willamette supports the Motion to Amend.

DATED this 30th day of June, 2000.



Eric R. Todderud
HELLER EHRMAN WHITE &
McAULIFFE, LLP
200 SW Market Street, Suite 1750
Portland, OR 97221
Telephone: (503) 227-7400

Wells T. Lovett
208 West Third Street
Owensboro, KY 42303-4121
Telephone: (270) 926-3003

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of BIG RIVERS ELECTRIC)
CORPORATION'S PURCHASE AND)
SALES TARIFFS FOR COGENERATORS) CASE NO. 99-354
AND SMALL POWER PRODUCERS)
(Rate Schedules 8 and 9))
)

CERTIFICATE OF SERVICE

I hereby certify that on this 30th day of June, 2000, I caused copies of the foregoing documents to be served upon all other parties of this proceeding, by U.S Mail, postage pre-paid, addressed as follows:

James M. Miller
Sullivan, Mountjoy, Stainback & Miller, PSC
100 St. Ann Building
Owensboro, KY 42303


David A. Spainhoward
Contract Admin. & Reg. Affairs
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42419-0024

Douglas L. Beresford
Geo. F. Hobday, Jr.
Long Aldridge & Norman, LLP
701 Pennsylvania Avenue, N.W., Suite 600
Washington, D.C. 20004

Frank N. King
Counsel for Kenergy & Meade RECC
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

Richard G. Raff
Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, KY 40601-1402

DATED this 30th day of June, 2000.


Natalie L. Hocken
Heller Ehrman White & McAuliffe LLP
200 S.W. Market St., Suite 1750
Portland, Oregon 97201

Of Attorneys for Willamette Industries, Inc.

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC

ATTORNEYS AT LAW

Ronald M. Sullivan
Jesse T. Mountjoy
Frank Stainback
James M. Miller
Michael A. Fiorella
William R. Dexter
Allen W. Holbrook
R. Michael Sullivan
P. Marcum Willis
Anne H. Shelburne
Bryan R. Reynolds
Mark G. Luckett

June 23, 2000

Martin J. Huelsmann, Jr.
Executive Director
Public Service Commission of KY
211 Sower Blvd., P.O. Box 615
Frankfort, KY 40602-0615

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JUN 26 2000
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COMMISSION

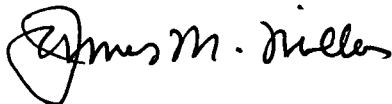
OVERNIGHT COURIER

Re: Big Rivers Electric Corporation's Purchase and Sales Tariffs for
Cogenerators and Small Power Producers (Rate Schedules 8 and 9), P.S.C.
Case No. 99-354

Dear Mr. Huelsmann:

Enclosed are an original and ten (10) copies of Big Rivers Electric Corporation's combined motion to amend its application in the above-styled matter, and response to the Commission's order herein of June 19, 2000. I certify that a copy of this letter and the attached pleading have been mailed on this date to the persons identified on the attached service list, postage prepaid.

Sincerely yours,



James M. Miller

cc: Michael Core

Telephone (270) 926-4000
Telecopier (270) 683-6694

100 St. Ann Building
PO Box 727
Owensboro, Kentucky
42302-0727

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
JUN 26 2000
PUBLIC SERVICE
COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S PURCHASE)
AND SALES TARIFFS FOR COGENERATORS AND) CASE NO. 99-354
SMALL POWER PRODUCERS)

MOTION TO AMEND TARIFF FILING AND
RESPONSE TO ORDER OF JUNE 19, 2000

Big Rivers Electric Corporation ("Big Rivers") files this combined motion to amend its tariff filing herein of July 30, 1999, and response to the order of the Public Service Commission ("Commission") herein dated June 19, 2000.

MOTION TO AMEND TARIFF FILING

Big Rivers moves the Commission pursuant to 807 K.A.R. 5:001, §3(5) for an order permitting Big Rivers to amend its proposed Rate Schedule 9, P.S.C. No 23, Original Sheet No. 48, issued to commence this proceeding on July 30, 1999, to substitute the "Availability" section contained in Exhibit A hereto for the "Availability" section in Schedule 9 in the original filing. For the convenience of the Commission, Big Rivers attaches as Exhibit B hereto, a copy of the "Availability" section contained in Exhibit A compared against the "Availability" section contained in the original filing.

The proposed amendment revises the original Availability section of Rate Schedule 9 by limiting the availability of the rates in Rate Schedule 9 to retail owners of QFs with a net output of less than 5,000 kW. It provides that service arrangements for QFs with a net output equal to or exceeding 5,000 kW will be by special contract. The amendment encourages all QF owners to negotiate a special contract for service. Of course, the Big Rivers tariff applies to its member

ORIGINAL

distribution cooperatives, which in turn contract directly with the owners of QFs.

Big Rivers believes that these revisions establish a more realistic methodology for providing the service requirements of owners of larger QFs at the most appropriate cost. Big Rivers knows from its efforts to provide the wholesale backup power and other service needs for Willamette Industries, Inc. ("Willamette," an intervenor in this proceeding) in connection with Willamette's plans to install a cogenerator, that cost advantages can be obtained when dealing with larger requirements.

RESPONSE TO COMMISSION ORDER OF JUNE 19, 2000

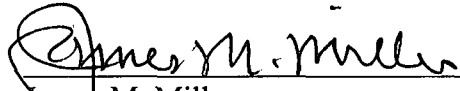
The Commission issued an order on June 19, 2000, requiring that the parties show cause why this action should not be terminated and refiled when Big Rivers, Willamette and Kenergy Corp. have concluded their negotiations of contracts to provide the backup power and other service needs of Willamette after Willamette places its planned cogeneration unit in service. This proceeding has been delayed because the need for a hearing on Willamette's objections to the proposed Schedule 9 will be unnecessary, from the parties' perspective, if the service contract negotiations conclude successfully. Otherwise, Schedule 9 is the default provision for the services Willamette will require. The amendment to Schedule 9 proposed above should eliminate Schedule 9 as an issue for Willamette, and permit the Commission to finalize its consideration of this proceeding. Willamette will, of course, speak for itself in a separate pleading.

WHEREFORE, Big Rivers prays the Commission for an order permitting the amendment to Schedule 9 proposed herein, approving the tariffs proposed herein, as amended, and providing all other relief to which Big Rivers may appear entitled.

This the 23d day of June, 2000.

Respectfully submitted,

Douglas L. Beresford
Hogan & Hartson LLP
555 Thirteenth Street, N.W.
Washington, D.C. 20004
(202) 637-5600


James M. Miller
SULLIVAN, MOUNTJOY, STAINBACK
& MILLER, P.S.C.
100 St. Ann Building
Owensboro, Kentucky 42302-0727
(270) 926-4000
Counsel for
BIG RIVERS ELECTRIC CORPORATION

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing response by mailing a true and correct copy of same upon the following on this 23d day of June, 2000:

Wells T. Lovett
208 West Third Street
Owensboro, KY 42303

Michael C. Dotten
Eric R. Todderud
Heller Ehrman White & McAuliffe
200 S.W. Market Street, Suite 1750
Portland, OR 97201

Counsel for Willamette Industries

Frank N. King, Jr.
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

Counsel for Kenergy & Meade County RECC

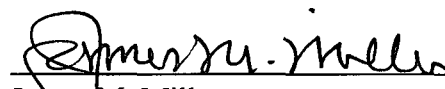

James M. Miller

EXHIBIT A

Amendment to Proposed Tariff, P.S.C. No 23, Original Sheet No. 48

9. BIG RIVERS COGENERATOR AND SMALL POWER PRODUCER SALES TARIFF
- OVER 100 KW

a. Availability:

Available to any Member Cooperative for service to any member of the Member Cooperative with a cogeneration and/or small power production facility (i) that has a net output of less than 5,000 kW and (ii) which meets the criteria for Qualifying Facility of 807 KAR 5:054 - Section 4 and are certified or self-certified pursuant to FERC regulations. Charges for the services under this tariff to any Member Cooperative for service to any member of the Member Cooperative with a cogeneration and/or small power production facility which equals or exceeds 5,000 kW in net output shall be established by special contract. Big Rivers encourages, as an alternative to this tariff and the charges provided herein, that a Member Cooperative negotiate a special contract with Big Rivers to meet the requirements of any retail member for the services provided for in this tariff.

EXHIBIT B

Amendment to Proposed Tariff, P.S.C. No 23, Original Sheet No. 48, Compared to Originally-Proposed Tariff, P.S.C. No 23, Original Sheet No. 48

9. BIG RIVERS COGENERATOR AND SMALL POWER PRODUCER SALES TARIFF - OVER 100 KW

a. Availability:

Available to any Member Cooperative for service to any member of the Member Cooperative with a cogeneration and/or small power production facilityfacility (i) that has a net output of less than 5,000 kW and (ii) which meets the criteria for Qualifying Facility of 807 KAR 5:054 - Section 4 and are certified or self-certified pursuant to FERC regulations. Charges for the services under this tariff to any Member Cooperative for service to any member of the Member Cooperative with a cogeneration and/or small power production facility which equals or exceeds 5,000 kW in net output shall be established by special contract. Big Rivers encourages, as an alternative to this tariff and the charges provided herein, that a Member Cooperative negotiate a special contract with Big Rivers to meet the requirements of any retail member for the services provided for in this tariff.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

June 19, 2000

To: All parties of record

RE: Case No. 1999-354

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/lc
Enclosure

Honorable James M. Miller
Counsel for Big Rivers
Sullivan, Mountjoy, Stainback
& Miller PSC
100 St. Ann Building
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Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
Hogan & Hartson L.L.P.
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Mr. David A. Spainhoward
Vice President, Contract
Administration & Regulatory Affairs
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Honorable Wells T. Lovett
Counsel, Willamette Industries
208 West Third Street
Owensboro, KY 42303

Honorable Michael C. Dotten
Honorable Eric R. Todderud
Counsel, Willamette Industries
Heller Ehrman White & McAuliffe
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200 S.W. Market Street
Portland, OR 97201 5718

Honorable Frank N. King
Counsel for Kenergy & Meade RECC
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS FOR) CASE NO. 99-354
COGENERATORS AND SMALL POWER)
PRODUCERS (Rate Schedules 8 and 9))

O R D E R

The Commission, having considered the Joint Status Report filed on June 5, 2000 and the length of time that the parties have been engaged in negotiations on this tariff, HEREBY ORDERS that Big Rivers Electric Corporation shall file within 10 days of the date of this Order a statement of reasons why this case should not be terminated without prejudice to the tariff being refiled upon conclusion of negotiations by the parties.

Done at Frankfort, Kentucky, this 19th day of June, 2000.

By the Commission

ATTEST:


Executive Director

June 2, 2000

Via Federal Express

Helen C. Helton
Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, KY 40601-1402

RECEIVED
JUN 05 2000
PUBLIC SERVICE
COMMISSION

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12774-0022

**Re: In the Matter of Big Rivers Electric Corporations's Purchase and Sales Tariffs
For Cogenerators and Small Power Producers; Case No. 99-354**

Dear Ms. Helton:

Enclosed for filing are the original and 10 copies of the Joint Status Report of Big Rivers Electric Corporation, Kenergy, and Willamette Industries, Inc. Also enclosed is a copy to be stamped and returned to me in the enclosed, self-addressed, stamped envelope.

Thank you for your attention to this matter.

Very truly yours,



Eric R. Todderud

Enclosure

cc: James M. Miller
Douglas L. Beresford
Frank N. King
Richard G. Raff.
David A. Spainhoward

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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JUN 05 2000
PUBLIC SERVICE
COMMISSION

In the Matter of BIG RIVERS)
ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS) CASE NO. 99-354
FOR COGENERATORS AND SMALL)
POWER PRODUCERS)
(Rate Schedules 8 and 9))

**JOINT STATUS REPORT OF
BIG RIVERS ELECTRIC CORPORATION, KENERGY CORPORATION,
AND WILLAMETTE INDUSTRIES, INC.**

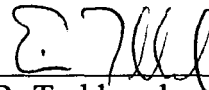
Pursuant to the Commission's Order of May 10, 2000, Big Rivers Electric Corporation, Kenergy Corporation and Willamette Industries, Inc. (collectively, "the Parties") jointly report that the Parties are continuing their negotiations for a standby and back-up rate for cogeneration at Willamette Industries' Hawesville, Kentucky mill to be applied in lieu of Big Rivers Electric Corporation's proposed Rate Schedule 9. The Parties have circulated draft agreements for standby and backup services and presently are incorporating revisions to those agreements. The Parties have scheduled a meeting for June 8, 2000, at which they will attempt to resolve the significant remaining issues.

Negotiating an agreement for standby and back-up service has proved to be more complicated and time-consuming than any of the Parties had anticipated. None of the Parties has significant experience in negotiating an agreement for standby and back-up service. The nature of the service to be provided presents numerous complicated issues,

such as power supply reliability, transmission, and pricing, among others. The Parties must resolve those issues in a way that serves the needs of Willamette Industries, Inc. without exposing Big Rivers Electric Corporation and Kenergy Corporation to unanticipated risks. While the Parties have been proceeding in good faith to finalize an agreement, they have not been able to do so.

Accordingly, the Parties respectfully request (1) that the Commission continue the suspension period for proposed Tariff Schedule 9 for an additional thirty-day period; (2) that the hearing be continued generally, and all other proceedings be held in abeyance during that period; and (3) that the Parties be permitted to submit an additional Joint Status Report no later than July 7, 2000, if the contracts have not been filed with the Commission by that date.

DATED this 2nd day of June, 2000.



Eric R. Todderud
HELLER EHRMAN WHITE &
McAULIFFE, LLP
200 SW Market St., Suite 1750
Portland, OR 97221
Telephone: (503) 227-7400

Wells T. Lovett
208 W. Third Street
Owensboro, KY 42303
Telephone: (270) 926-3003
Of Attorneys for Willamette Industries, Inc.

James M. Miller / ^{by ERT} Per Telephone Authorization
James M. Miller
SULLIVAN, MOUNTJOY, STAINBACK &
MILLER, PSC
100 St. Ann Bldg.
Owensboro, KY 42302
Telephone: (270) 926-4000
*Of Attorneys for Big Rivers Electric
Corporation*

Frank N. King, Jr. / ^{by ERT} Per Telephone Authorization
Frank N. King, Jr.
DORSEY, KING, GRAY & NORMENT
318 Second St.
Henderson, KY 42420
Telephone: (270) 826-3965
Of Attorneys for Kenergy

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of BIG RIVERS ELECTRIC)
CORPORATION'S PURCHASE AND)
SALES TARIFFS FOR COGENERATORS) CASE NO. 99-354
AND SMALL POWER PRODUCERS)
(Rate Schedules 8 and 9))
)

CERTIFICATE OF SERVICE

I hereby certify that on this 2nd day of June, 2000, I caused copies of the foregoing documents to be served upon all other parties of this proceeding, by U.S Mail, postage pre-paid, addressed as follows:

James M. Miller
Sullivan, Mountjcy, Stainback & Miller, PSC
100 St. Ann Building
Owensboro, KY 42303

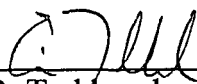
David A. Spainhoward
Contract Admin. & Reg. Affairs
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42419-0024

Douglas L. Beresford
Geo. F. Hobday, Jr.
Long Aldridge & Norman, LLP
701 Pennsylvania Avenue, N.W., Suite 600
Washington, D.C. 20004

Frank N. King
Counsel for Kenergy & Meade RECC
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

Richard G. Raff
Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, KY 40601-1402

DATED this 2nd day of June, 2000.


Eric R. Todderud
Heller Ehrman White & McAuliffe
200 S.W. Market St., Suite 1750
Portland, Oregon 97201

Of Attorneys for Willamette Industries, Inc.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

May 10, 2000

To: All parties of record

RE: Case No. 1999-354

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

Stephanie Bell
Stephanie Bell
Secretary of the Commission

SB/sh
Enclosure

Honorable James M. Miller
Counsel for Big Rivers
Sullivan, Mountjoy, Stainback
& Miller PSC
100 St. Ann Building
P. O. Box 727
Owensboro, KY 42302 0727

Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
Long Aldridge & Norman LLP
701 Pennsylvania Avenue, N.W.
Suite 600
Washington, DC 20004

Mr. David A. Spainhoward
Vice President, Contract
Administration & Regulatory Affairs
Big Rivers Electric Corporation
201 Third Street
P. O. Box 24
Henderson, KY 42419 0024

Honorable Wells T. Lovett
Counsel, Willamette Industries
208 West Third Street
Owensboro, KY 42303

Honorable Michael C. Dotten
Honorable Eric R. Todderud
Counsel, Willamette Industries
Heller Ehrman White & McAuliffe
200 Market Building, Suite 1750
200 S.W. Market Street
Portland, OR 97201 5718

Honorable Frank N. King
Counsel for Kenergy & Meade RECC
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC)
CORPORATION'S PURCHASE AND)
SALES TARIFF FOR COGENERATORS) CASE NO. 99-354
AND SMALL POWER PRODUCERS)

O R D E R

Big Rivers Electric Corporation ("Big Rivers"), Kenergy Corp., and Willamette Industries, Inc. ("Willamette") (collectively, "the Parties") filed, on May 5, 2000, a Joint Status Report on their negotiations for standby and back-up rates for cogeneration at Willamette's Hawesville, Kentucky facility. The rates subject to these negotiations would be applied to Willamette in lieu of the rates contained in Big Rivers' proposed Rate Schedule 9. In the report, filed pursuant to the Commission's Order of April 19, 2000, the Parties indicate that they have circulated draft agreements and are currently incorporating revisions to those agreements. Therefore, the Parties request that the Commission extend the suspension of Big Rivers' proposed Rate Schedule 9 for an additional 30 days. The Parties also request that the hearing be continued generally, that they be permitted to submit an additional Joint Status Report on their negotiations to the Commission no later than June 5, 2000, and that all other matters in this proceeding be held in abeyance pending the filing of their contracts and/or their June 5, 2000 Joint Status Report.

The Commission, having considered the Parties' request and finding good cause,
HEREBY ORDERS that:

1. The suspension period for Big Rivers' proposed Rate Schedule 9 shall be extended for another 30 days, which extends the suspension period to July 30, 2000.


2. The hearing in this proceeding shall be continued generally and all other matters in this proceeding shall be held in abeyance.

3. The Parties shall submit an additional Joint Status Report to the Commission no later than June 5, 2000.

Done at Frankfort, Kentucky, this 10th day of May, 2000.

By the Commission

ATTEST:


Executive Director

RECEIVED

MAY - 5 2000

May 4, 2000

Eric R. Todderud
PUBLIC SERVICE COMMISSION
todderud@hewm.com
(503) 795-7409
Main (503) 227-7400
Fax (503) 241-0950

Honorable Helen C. Helton
Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, KY 40601-1402

12774-0022

**Re: In the Matter of Big Rivers Electric Corporations's Purchase and Sales Tariffs
For Cogenerators and Small Power Producers; Case No. 99-354**

Dear Ms. Helton:

Enclosed for filing are the original and 10 copies of the Joint Status Report of Big Rivers Electric Corporation, Kenergy, and Willamette Industries, Inc. Also enclosed is a copy to be stamped and returned to me in the enclosed, self-addressed, stamped envelope.

Thank you for your attention to this matter.

Very truly yours,



Eric R. Todderud

Enclosure

cc: The Hon. James M. Miller
The Hon. Douglas L. Beresford
Hon. Frank N. King
Richard G. Raff, Esq.
David A. Spainhoward, VP

136259 v01.SE (2X4Z01!.DOC)
5/4/00 12:51 PM (12774.0022)

COMMONWEALTH OF KENTUCKY RECEIVED

BEFORE THE PUBLIC SERVICE COMMISSION MAY - 5 2000

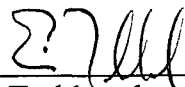
In the Matter of BIG RIVERS) PUBLIC SERVICE
ELECTRIC CORPORATION'S) COMMISSION
PURCHASE AND SALES TARIFFS) CASE NO. 99-354
FOR COGENERATORS AND SMALL)
POWER PRODUCERS)
(Rate Schedules 8 and 9))

**JOINT STATUS REPORT OF
BIG RIVERS ELECTRIC CORPORATION, KENERGY, AND
WILLAMETTE INDUSTRIES, INC.**

Pursuant to the Commission's Order of April 19, 2000, Big Rivers Electric Corporation, Kenergy and Willamette Industries, Inc. (collectively, "the Parties") jointly report that the Parties are continuing their negotiations for a standby and back-up rate for cogeneration at Willamette Industries' Hawesville, Kentucky mill to be applied in lieu of Big Rivers Electric Corporation's proposed Rate Schedule 9. The Parties have circulated draft agreements for standby and backup services and presently are incorporating revisions to those agreements. Accordingly, the Parties respectfully request (1) that the Commission continue the suspension period for proposed Tariff Schedule 9 for an additional thirty-day period; (2) that the hearing be continued generally, and all other proceedings be held in abeyance during that period; and (3) that the Parties be permitted

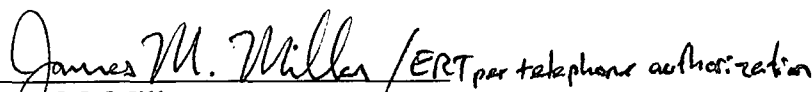
to submit an additional Joint Status Report no later than June 5, 2000, if the contracts have not been filed with the Commission by that date.

DATED this 4th day of May, 2000.

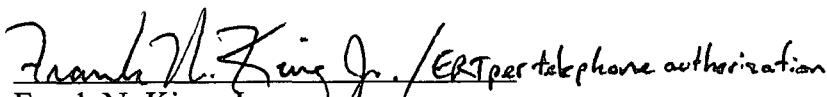


Eric R. Todderud
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Telephone: (503) 227-7400

Wells T. Lovett
208 W. Third Street
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Of Attorneys for Willamette Industries, Inc.



James M. Miller
SULLIVAN, MOUNTJOY, STAINBACK &
MILLER, PSC
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Telephone: (270) 926-4000
Of Attorneys for Big Rivers Electric Corporation



Frank N. King, Jr.
DORSEY, KING, GRAY & NORMENT
318 Second St.
Henderson, KY 42420
Telephone: (270) 826-3965
Of Attorneys for Kenergy

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of BIG RIVERS ELECTRIC)
CORPORATION'S PURCHASE AND)
SALES TARIFFS FOR COGENERATORS) CASE NO. 99-354
AND SMALL POWER PRODUCERS)
(Rate Schedules 8 and 9))
)

CERTIFICATE OF SERVICE

I hereby certify that on this 4th day of May, 2000, I caused copies of the foregoing documents to be served upon all other parties of this proceeding, by U.S Mail, postage pre-paid, addressed as follows:

The Honorable James M. Miller
Sullivan, Mountjoy, Stainback & Miller, PSC
100 St. Ann Building
Owensboro, KY 42303


David A. Spainhoward, VP
Contract Admin. & Reg. Affairs
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42419-0024

The Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
Long Aldridge & Norman, LLP
701 Pennsylvania Avenue, N.W., Suite 600
Washington, D.C. 20004

Honorable Frank N. King
Counsel for Kenergy & Meade RECC
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

Richard G. Raff, Esq.
Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, KY 40601-1402

DATED this 7th day of May, 2000.



Eric R. Todderud
Heller Ehrman White & McAuliffe
200 S.W. Market St., Suite 1750
Portland, Oregon 97201

Of Attorneys for Willamette Industries, Inc.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

April 19, 2000

To: All parties of record

RE: Case No. 1999-354

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Honorable James M. Miller
Counsel for Big Rivers
Sullivan, Mountjoy, Stainback
& Miller PSC
100 St. Ann Building
P. O. Box 727
Owensboro, KY 42302 0727

Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
Long Aldridge & Norman LLP
701 Pennsylvania Avenue, N.W.
Suite 600
Washington, DC 20004

Mr. David A. Spainhoward
Vice President, Contract
Administration & Regulatory Affairs
Big Rivers Electric Corporation
201 Third Street
P. O. Box 24
Henderson, KY 42419 0024

Honorable Wells T. Lovett
Counsel, Willamette Industries
208 West Third Street
Owensboro, KY 42303

Honorable Michael C. Dotten
Honorable Eric R. Todderud
Counsel, Willamette Industries
Heller Ehrman White & McAuliffe
200 Market Building, Suite 1750
200 S.W. Market Street
Portland, OR 97201 5718

Honorable Frank N. King
Counsel for Kenergy & Meade RECC
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC)
CORPORATION'S PURCHASE AND)
SALES TARIFF FOR COGENERATORS) CASE NO. 99-354
AND SMALL POWER PRODUCERS)

O R D E R

Big Rivers Electric Corporation ("Big Rivers"), Kenergy Corp., and Willamette Industries, Inc. ("Willamette") (collectively, "the Parties") filed, on April 6, 2000, a Joint Status Report on their negotiations for standby and back-up rates for cogeneration at Willamette's Hawesville, Kentucky facility. The rates subject to these negotiations would be applied to Willamette in lieu of the rates contained in Big Rivers' proposed Rate Schedule 9. In the report, filed pursuant to the Commission's Order of March 15, 2000, the Parties indicate that they have circulated draft agreements and are currently incorporating revisions to those agreements. Therefore, the Parties request that the Commission extend the suspension of Big Rivers' proposed Rate Schedule 9 for an additional 30 days. The Parties also request that the hearing be continued generally, that they be permitted to submit an additional Joint Status Report on their negotiations to the Commission no later than May 5, 2000, and that all other matters in this proceeding be held in abeyance pending the filing of their contracts and/or their May 5, 2000 Joint Status Report.

The Commission, having considered the Parties' request and finding good cause,
HEREBY ORDERS that:

1. The suspension period for Big Rivers' proposed Rate Schedule 9 shall be extended for another 30 days, which extends the suspension period to June 30, 2000.
2. The hearing in this proceeding shall be continued generally and all other matters in this proceeding shall be held in abeyance.
3. The Parties shall submit an additional Joint Status Report to the Commission no later than May 5, 2000.

Done at Frankfort, Kentucky, this 19th day of April, 2000.

By the Commission

ATTEST:


Executive Director

RECEIVED

APR - 6 2000

PUBLIC SERVICE
COMMISSION

Eric R. Todderud
etodderud@hewm.com
(503) 795-7409
Main (503) 227-7400
Fax (503) 241-0950

April 5, 2000

Honorable Helen C. Helton
Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, KY 40601-1402

12774-0022

**Re: In the Matter of Big Rivers Electric Corporations's Purchase and Sales Tariffs
For Cogenerators and Small Power Producers; Case No. 99-354**

Dear Ms. Helton:

Enclosed for filing are the original and 10 copies of the Joint Status Report of Big Rivers Electric Corporation, Kenergy, and Willamette Industries, Inc. Also enclosed is a copy to be stamped and returned to me in the enclosed, self-addressed, stamped envelope.

Thank you for your attention to this matter.

Very truly yours,



Eric R. Todderud

Enclosure

cc: The Hon. James M. Miller
The Hon. Douglas L. Beresford
Hon. Frank N. King
Richard G. Raff, Esq.
David A. Spainhoward, VP

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RECEIVED

APR - 6 2000

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

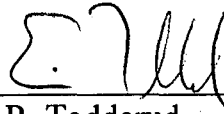
In the Matter of BIG RIVERS)
ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS) CASE NO. 99-354
FOR COGENERATORS AND SMALL)
POWER PRODUCERS)
(Rate Schedules 8 and 9))

**JOINT STATUS REPORT OF
BIG RIVERS ELECTRIC CORPORATION, KENERGY, AND
WILLAMETTE INDUSTRIES, INC.**

Pursuant to the Commission's Order of March 15, 2000, Big Rivers Electric Corporation, Kenergy and Willamette Industries, Inc. (collectively, "the Parties") jointly report that the Parties are continuing their negotiations for a standby and back-up rate for cogeneration at Willamette Industries' Hawesville, Kentucky mill to be applied in lieu of Big Rivers Electric Corporation's proposed Rate Schedule 9. The Parties have circulated draft agreements for standby and backup services and presently are incorporating revisions to those agreements. Accordingly, the Parties respectfully request (1) that the Commission continue the suspension period for proposed Tariff Schedule 9 for an additional thirty-day period; (2) that the hearing be continued generally, and all other proceedings be held in abeyance during that period; and (3) that the Parties be permitted

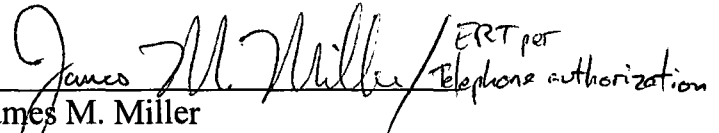
to submit an additional Joint Status Report no later than May 5, 2000, if the contracts have not been filed with the Commission by that date.

DATED this 5 day of April, 2000.

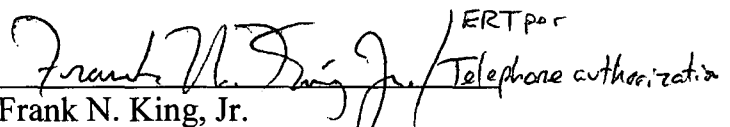


Eric R. Todderud
HELLER EHRMAN WHITE &
McAULIFFE, LLP
200 SW Market St., Suite 1750
Portland, OR 97221
Telephone: (503) 227-7400

Wells T. Lovett
208 W. Third Street
Owensboro, KY 42303
Telephone: (270) 926-3003
Of Attorneys for Willamette Industries, Inc.



James M. Miller
SULLIVAN, MOUNTJOY, STAINBACK &
MILLER, PSC
100 St. Ann Bldg.
Owensboro, KY 42302
Telephone: (270) 926-4000
Of Attorneys for Big Rivers Electric Corporation



Frank N. King, Jr.
DORSEY, KING, GRAY & NORMENT
318 Second St.
Henderson, KY 42420
Telephone: (270) 826-3965
Of Attorneys for Kenergy

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of BIG RIVERS ELECTRIC)
CORPORATION'S PURCHASE AND)
SALES TARIFFS FOR COGENERATORS) CASE NO. 99-354
AND SMALL POWER PRODUCERS)
(Rate Schedules 8 and 9))
)

CERTIFICATE OF SERVICE

I hereby certify that on this 5th day of April, 2000, I caused copies of the foregoing documents to be served upon all other parties of this proceeding, by U.S Mail, postage pre-paid, addressed as follows:

The Honorable James M. Miller
Sullivan, Mountjoy, Stainback & Miller, PSC
100 St. Ann Building
Owensboro, KY 42303

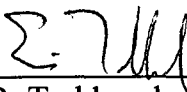
David A. Spainhoward, VP
Contract Admin. & Reg. Affairs
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42419-0024

The Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
Long Aldridge & Norman, LLP
701 Pennsylvania Avenue, N.W., Suite 600
Washington, D.C. 20004

Honorable Frank N. King
Counsel for Kenergy & Meade RECC
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

Richard G. Raff, Esq.
Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, KY 40601-1402

DATED this 5th day of April, 2000.



Eric R. Todderud
Heller Ehrman White & McAuliffe
200 S.W. Market St., Suite 1750
Portland, Oregon 97201

Of Attorneys for Willamette Industries, Inc.

Ronald M. Sullivan
Jesse T. Mountjoy
Frank Stainback
James M. Miller
Michael A. Fiorella
William R. Dexter
Allen W. Holbrook
R. Michael Sullivan
P. Marcum Willis
Bryan R. Reynolds
Mark G. Luckett
Anne H. Shelburne

March 15, 2000

Martin J. Huelsmann, Jr.
Executive Director
Public Service Commission of KY
211 Sower Blvd., P.O. Box 615
Frankfort, KY 40602-0615

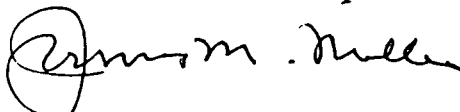
RECEIVED
MAR 17 2000
PUBLIC SERVICE
COMMISSION

Re: Big Rivers Electric Corporation's Purchase and Sales Tariffs for
Cogenerators and Small Power Producers, PSC Case No. 99-354
-and-
The Tariff Filing of Big Rivers Electric Corporation to Revise the Large
Industrial Customer Rate Schedule, PSC Case No. 99-360

Dear Mr. Huelsmann:

Enclosed are the affidavits of publication and tear sheets concerning the published notices of the hearing dates in the above-styled cases. A copy of this letter, without attachments, is being served by mail on each of the parties on the attached service list.

Sincerely yours,



James M. Miller

JMM/ej
Enclosures

cc: Service Lists

Telephone (270) 926-4000
Telecopier (270) 683-6694

100 St. Ann Building
PO Box 727
Owensboro, Kentucky
42302-0727



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

March 15, 2000

To: All parties of record

RE: Case No. 1999-354

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Honorable James M. Miller
Counsel for Big Rivers
Sullivan, Mountjoy, Stainback
& Miller PSC
100 St. Ann Building
P. O. Box 727
Owensboro, KY 42302 0727

Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
Long Aldridge & Norman LLP
701 Pennsylvania Avenue, N.W.
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Washington, DC 20004

Mr. David A. Spainhoward
Vice President, Contract
Administration & Regulatory Affairs
Big Rivers Electric Corporation
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Honorable Wells T. Lovett
Counsel, Willamette Industries
208 West Third Street
Owensboro, KY 42303

Honorable Michael C. Dotten
Honorable Eric R. Todderud
Counsel, Willamette Industries
Heller Ehrman White & McAuliffe
200 Market Building, Suite 1750
200 S.W. Market Street
Portland, OR 97201 5718

Honorable Frank N. King
Counsel for Kenergy & Meade RECC
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFF FOR) CASE NO. 99-354
COGENERATORS AND SMALL POWER)
PRODUCERS)

O R D E R

Big Rivers Electric Corporation ("Big Rivers"), Kenergy, and Willamette Industries, Inc. ("Willamette") (collectively, "the Parties"), filed, on March 6, 2000, a Joint Status Report on their negotiations for standby and back-up rates for cogeneration at Willamette's Hawesville, Kentucky facility. The rates subject to these negotiations would be applied to Willamette in lieu of the rates contained in Big Rivers' proposed Rate Schedule 9. In the report, filed pursuant to the Commission's Order of January 6, 2000, the Parties indicate that they have not finalized their respective agreements, but that they expect to reach agreement in the near future. Therefore, the Parties request that the Commission extend the suspension of Big Rivers' proposed Rate Schedule 9 for 30 days beyond the 90-day extension previously granted. The Parties also request that the hearing be continued generally, that they be permitted to submit a second Joint Status Report on their negotiations to the Commission no later than April 6, 2000, and that all other matters in this proceeding be held in abeyance pending the outcome of their negotiations and the filing of their April 6, 2000 Joint Status Report.

The Commission, having considered the Parties' request and finding good cause,
HEREBY ORDERS that:

1. The suspension period for Big Rivers' proposed Rate Schedule 9 shall be extended for another 30 days, in addition to the 90-day extension previously granted, which extends the suspension period to May 30, 2000.

2. The hearing in this proceeding shall be continued generally and all other matters in this proceeding shall be held in abeyance.

3. The Parties shall submit a second Joint Status Report to the Commission no later than April 6, 2000.

Done at Frankfort, Kentucky, this 15th day of March, 2000.

By the Commission

ATTEST:


Executive Director

March 3, 2000

Honorable Helen C. Helton
Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, KY 40601-1402

RECEIVED
MAR 6 2000
PUBLIC SERVICE
COMMISSION

Eric R. Todderud
etodderud@hewm.com
(503) 795-7409
Main (503) 227-7400
Fax (503) 241-0950

12774-0022

**Re: In the Matter of Big Rivers Electric Corporations's Purchase and Sales Tariffs
For Cogenerators and Small Power Producers; Case No. 99-354**

Dear Ms. Helton:

Enclosed for filing are the original and 10 copies of the Joint Status Report of Big Rivers Electric Corporation, Kenergy, and Willamette Industries, Inc. Also enclosed is a copy to be stamped and returned to me in the enclosed, self-addressed, stamped envelope.

Thank you for your attention to this matter.

Very truly yours,



Eric R. Todderud

Enclosure

cc: The Hon. James M. Miller
The Hon. Douglas L. Beresford
Hon. Frank N. King
Richard G. Raff, Esq.
David A. Spainhoward, VP

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3/3/00 3:31 PM (12774.0022)

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
MAR 6 2000
PUBLIC SERVICE
COMMISSION

In the Matter of BIG RIVERS)
ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS) CASE NO. 99-354
FOR COGENERATORS AND SMALL)
POWER PRODUCERS)
(Rate Schedules 8 and 9))

**JOINT STATUS REPORT OF
BIG RIVERS ELECTRIC CORPORATION, KENERGY, AND
WILLAMETTE INDUSTRIES, INC.**

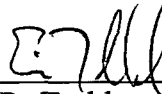
Pursuant to the Commission's Order of January 6, 2000, Big Rivers Electric Corporation, Kenergy and Willamette Industries, Inc. (collectively, "the Parties") jointly report that the Parties are continuing their negotiations for a standby and back-up rate for cogeneration at Willamette Industries' Hawesville, Kentucky mill to be applied in lieu of Big Rivers Electric Corporation's proposed Rate Schedule 9. The Parties have not finalized their respective agreements but believe that they will reach agreement soon. Accordingly, the Parties respectfully request (1) that the Commission continue the suspension period for proposed Tariff Schedule 9 for an additional thirty-day period; (2) that the hearing be continued generally, and all other proceedings be held in abeyance during that period; and (3) that the Parties be permitted to submit a second Joint Status

///

///

Report no later than April 6, 2000.

DATED this 3rd day of March, 2000.



Eric R. Todderud
HELLER EHRMAN WHITE &
McAULIFFE, LLP
200 SW Market St., Suite 1750
Portland, OR 97221
Telephone: (503) 227-7400

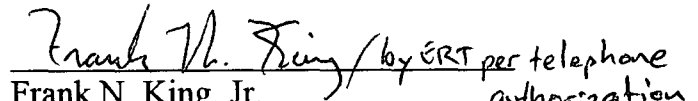
Wells T. Lovett
208 W. Third Street
Owensboro, KY 42303
Telephone: (270) 926-3003

Of Attorneys for Willamette Industries, Inc.



James M. Miller *per telephone authorization*
SULLIVAN, MOUNTJOY, STAINBACK &
MILLER, PSC
100 St. Ann Bldg.
Owensboro, KY 42302
Telephone: (270) 926-4000

Of Attorneys for Big Rivers Electric
Corporation



Frank N. King, Jr. *per telephone authorization*
DORSEY, KING, GRAY & NORMENT
318 Second St.
Henderson, KY 42420
Telephone: (270) 826-3965

Of Attorneys for Kenergy

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of BIG RIVERS ELECTRIC)
CORPORATION'S PURCHASE AND)
SALES TARIFFS FOR COGENERATORS) CASE NO. 99-354
AND SMALL POWER PRODUCERS)
(Rate Schedules 8 and 9))
)

CERTIFICATE OF SERVICE

I hereby certify that on this 3rd day of March, 2000, I caused copies of the foregoing documents to be served upon all other parties of this proceeding, by U.S Mail, postage pre-paid, addressed as follows:

The Honorable James M. Miller
Sullivan, Mountjoy, Stainback & Miller, PSC
100 St. Ann Building
Owensboro, KY 42303

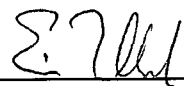
David A. Spainhoward, VP
Contract Admin. & Reg. Affairs
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42419-0024

The Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
Long Aldridge & Norman, LLP
701 Pennsylvania Avenue, N.W., Suite 600
Washington, D.C. 20004

Honorable Frank N. King
Counsel for Kenergy & Meade RECC
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

Richard G. Raff, Esq.
Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, KY 40601-1402

DATED this 3rd day of March, 2000.


Eric R. Todderud
Heller Ehrman White & McAuliffe
200 S.W. Market St., Suite 1750
Portland, Oregon 97201

Of Attorneys for Willamette Industries, Inc.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602
www.psc.state.ky.us
(502) 564-3940
Fax (502) 564-1582

Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Helen Helton
Executive Director
Public Service Commission

Paul E. Patton
Governor

January 13, 2000

James M. Miller, Esq.
Sullivan, Mountjoy, Stainback
& Miller, P.S.C.
100 St. Ann Building
Post Office Box 727
Owensboro, Kentucky 42302-0727

RE: Big Rivers Electric Corporation
Case No. 99 -354
Petition for Confidential Protection

Dear Mr. Miller,

The Commission has received the petition filed January 7, 2000, on behalf of Big Rivers Electric Corporation to protect as confidential that material contained in its petition pertaining to certain special contracts. A review of the information has determined that it is entitled to the protection requested on the grounds relied upon in the petition, and it shall be withheld from public inspection.

If the information becomes publicly available or no longer warrants confidential treatment, you are required by 807 KAR 5:001, Section 7(9)(a) to inform the Commission so that the information may be placed in the public record.

Sincerely,

Helen C. Helton
Executive Director



AN EQUAL OPPORTUNITY EMPLOYER M/F/D

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC

ATTORNEYS AT LAW

Ronald M. Sullivan
Jesse T. Mountjoy
Frank Stainback
James M. Miller
Michael A. Fiorella
William R. Dexter
Allen W. Holbrook
R. Michael Sullivan
P. Marcum Willis
Bryan R. Reynolds
Mark G. Luckett
Anne H. Shelburne

January 6, 2000

Ms. Helen Helton
Executive Director
Public Service Commission
730 Schenkel Lane, P.O. Box 615
Frankfort, Kentucky 40601-0615

RECEIVED

JAN 07 2000

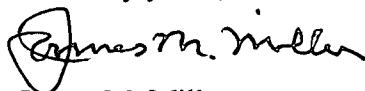
PUBLIC SERVICE
COMMISSION

Re: Big Rivers Electric Corporation, Case No. 99-354

Dear Ms. Helton:

Enclosed for filing in accordance with the commitment made by Big Rivers Electric Corporation at the informal conference in this matter are (1) the Term Sheet for a long term backup power purchase agreement by and among Kenergy, Big Rivers Electric Corporation and Willamette Industries, Inc., and (2) a copy of agreements between Big Rivers Electric Corporation and Reliant Energy Services, Inc., for purchase by Big Rivers of the resources required to perform under the contract outlined by the Term Sheet. Portions of these documents are filed under a Petition for Confidential Treatment, an original and ten copies of which are also enclosed. A copy of this letter and all enclosures have been served on each of the parties of record.

Sincerely yours,



James M. Miller

JMM/ej

Enclosures

Telephone (270) 926-4000
Telecopier (270) 683-6694

100 St. Ann Building
PO Box 727
Owensboro, Kentucky
42302-0727

Service List
Case No. 99-354

Wells T. Lovett
208 West Third Street
Owensboro, KY 42303

Michael C. Dotten
Eric R. Todderud
Heller Ehrman White & McAuliffe
200 S.W. Market Street, Suite 1750
Portland, OR 97201

Counsel for Willamette Industries

Frank N. King, Jr.
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

Counsel for Kenergy & Meade County RECC

1 COMMONWEALTH OF KENTUCKY

2
3 BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED
JAN 07 2000
PUBLIC SERVICE
COMMISSION

4
5 In the Matter of:

6
7 Big Rivers Electric Corporation's)
8 Purchase and Sales Tariffs for)
9 Cogenerators and Small Power)
10 Producers)

Case No. 99-354

11
12
13 PETITION OF
14 BIG RIVERS ELECTRIC CORPORATION
15 FOR CONFIDENTIAL TREATMENT
16

17
18 Pursuant to 807 K.A.R. 5:001 §7, Big Rivers Electric Corporation ("Big Rivers")

19 respectfully petitions the Kentucky Public Service Commission ("Commission") to classify and
20 protect as confidential certain material contained in the January 7, 2000, filing by Big Rivers of
21 the term sheet for an agreement or agreements for electric service between and among Big
22 Rivers, Kenergy, Inc. ("Kenergy") and Willamette Industries, Inc. ("Willamette") (the "Term
23 Sheet"), and the entire contents of the supporting Master Purchase and Sale Agreement,
24 Confirmation and Credit Support Agreements executed on December 30, 1999, between Big
25 Rivers and Reliant Energy Services, Inc. ("Reliant")(the "Reliant Agreements"), the redacted
26 portions of the Term Sheet and the Reliant Agreements being collectively referred to in this
27 petition as the "Confidential Information." In further support of this petition, Big Rivers states:

28 1. The Confidential Information for which Big Rivers seeks confidential treatment, falls
29 within a category of commercial information "generally recognized as confidential or
30 proprietary, which if openly disclosed would permit an unfair commercial advantage to
31 competitors of Big Rivers." KRS 61.878(1)(c)1.

1 2. The Reliant Agreements contain the details of a contractual relationship between Big
2 Rivers and its power marketer, including the pricing, terms, resource availability, marketing
3 strategies, credit support, marketer fees and transmission arrangements for power marketing
4 activities conducted by Reliant on behalf of Big Rivers regarding the arrangements to support the
5 contract among Big Rivers, Kenergy and Willamette contemplated by the Term Sheet. The
6 pervasiveness of confidential information within the Reliant Agreements makes redacting
7 impractical, as very little of the Reliant Agreements is not commercially sensitive and
8 confidential in nature. For potential purchasers from or sellers of power to Big Rivers to know
9 the terms of the Reliant Agreements would be devastating to Big Rivers' attempts to maximize
10 the value of its business activities and to provide power to its members at the lowest reasonable
11 price. Information of that nature about a utility's power marketing and purchasing activities is
12 not made publicly available by any utility. Big Rivers operates in an increasingly competitive
13 marketplace for wholesale power and the public disclosure of sensitive commercial information
14 would place it at a severe competitive disadvantage. Reliant has expressly requested in writing
15 that the contents of the Reliant Agreements be afforded confidential treatment. See copy of
16 January 3, 2000, letter from Reliant to Big Rivers, attached.

17 3. The redacted information in the Term Sheet is similar in nature to some of the
18 information contained in the Reliant Agreements, as it discloses prices at which Big Rivers is
19 been willing to sell long term back up power to Willamette. That information is also
20 commercially sensitive, would provide competitors an advantage in dealing with Big Rivers or
21 Reliant, acting on behalf of Big Rivers, and is not generally available in the public domain.

22 4. The Commission has previously recognized the commercial sensitivity and competitive

1 value of information in the possession of Big Rivers related to its power marketing activities. On
2 November 2, 1998, the Commission issued a letter in Case No. 97-204 granting confidential
3 protection to marketing information from Big Rivers' Power Supply Department. By letter dated
4 November 13, 1998, the Commission granted confidential treatment to material in the Six-Month
5 Arbitrage Report filed by Big Rivers on November 2, 1998. By letter dated May 21, 1999, in
6 Case No. 99-00176 the Commission granted confidential treatment for power marketing
7 information, including the fees paid to Reliant by Big Rivers. By letter dated November 24,
8 1999, in Case No. 99-360, the Commission granted confidential treatment for power marketing
9 information, including the power marketing agreement between Big Rivers and Reliant.

10 5. If and to the extent that any of the Confidential Information becomes generally available
11 to the public, whether through filings required by other agencies or otherwise, Big Rivers will
12 notify the Commission and have its confidential status removed. 807 K.A.R. 5:001, §7(9)(a).

13 6. One (1) copy of the Confidential Information, with the Confidential Information in the
14 Term Sheet highlighted with transparent ink, and ten (10) copies of the response with the
15 Confidential Information redacted, are attached to this petition. 807 K.A.R. 5:001 §7 (2)(a)2 and
16 (2)(b). Because the Reliant Agreements in their entirety are designated as confidential, each is
17 stamped "Confidential" in red ink on the first page.

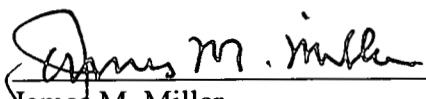
18 7. The Confidential Information is not known outside of Big Rivers, except by the parties to
19 the agreements, and is not disseminated within Big Rivers except to those employees and
20 professionals with a legitimate business need to know and act upon the information.

21 WHEREFORE, Big Rivers respectfully requests that the Commission classify and protect
22 as confidential the Confidential Information filed with this petition, on this the 6th day of

1 January, 2000.

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23

SULLIVAN, MOUNTJOY, STAINBACK
& MILLER, P.S.C.


James M. Miller
100 St. Ann Building, P. O. Box 727
Owensboro, Kentucky 42302-0727
(502) 926-4000

LONG ALDRIDGE & NORMAN LLP
Douglas L. Beresford
George F. "Geof" Hobday, Jr.
701 Pennsylvania Avenue, N.W.
Suite 600
Washington, D.C. 20004
(202) 624-1200

Attorneys for Big Rivers Electric
Corporation



January 3, 2000

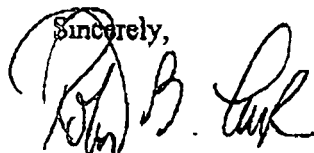
VIA FACSIMILE (502) 827-2101
AND REGULAR MAILMr. C. William Blackburn
Vice-President - Power Supply
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Re: Master Purchase and Sale Agreement

Dear Mr. Blackburn:

Reliant Energy Services, Inc. ("RES") has been advised of your intention to file the Master Purchase and Sale Agreement, Confirmation and Credit Support Agreements executed on December 30, 1999 with the Kentucky Public Service Commission ("Commission"). Please be advised that RES considers this information confidential and would hereby request Big Rivers Electric Corporation to use reasonable efforts to petition the Commission to afford these Agreements confidential treatment.

RES appreciates your assistance in this matter.

Sincerely,


Robert B. Task
Senior Counsel

RBT/aar

H:\NGT\LEGAL\TASK\LETTERS\Letters 2000\Blackburn3.doc

cc: Terry Naulty

The Master Purchase and Sale Agreement, Confirmation and Credit Support Agreements executed on December 30, 1999, between Big Rivers and Reliant Energy Services, Inc. are filed under a Petition for Confidential Treatment.

**Proposed Kenergy, Big Rivers and
Willamette Industries
Long Term Back Up Power Purchase
Term Sheet**

Objective: Provide a long-term supply of back-up power to Kenergy in support of its attempt to conclude a similar sales agreement with Willamette, who is considering the development of an on-site generation project.

Trading Agreement: Big Rivers and Kenergy will commit to supply Willamette with approximately 65 MW plus losses (final number to be agreed upon by all parties upon execution of a contract) of power, at the prices specified below as direct result of an outage at the proposed cogeneration unit at Willamette's Hawesville site (subject to applicable transmission scheduling notice requirements). All scheduled outages to the cogenerator must be coordinated with Kenergy and Big Rivers no less than [REDACTED] in advance in order to maintain the energy pricing provisions herein. In addition, the parties will work together to develop a procedure in which Kenergy and Big Rivers will be given as much notice and good faith information, regarding the nature and duration of both planned and unplanned outages for the unit, as is commercially reasonable to provide.

Power will only be available on a firm basis in conjunction with an unplanned or forced outage of this particular unit.

[REDACTED]

Power supplied hereunder will be firm, but subject to [REDACTED]

[REDACTED]

If during the term of this agreement conditions change such that Willamette wishes to increase the load at this facility, Kenergy and Big Rivers will enter into good faith negotiations with Willamette to determine a mutually agreed upon contract, subject to creditor and regulatory approvals required at that time.

**Proposed Kenergy, Big Rivers and
Willamette Industries
Long Term Back Up Power Purchase
Term Sheet**

Term: 10 years commencing April 1, 2001.

Consideration: (a) a fixed reservation charge of [REDACTED]

(b) base energy charges: [REDACTED]

(c) As part of this back up service, Big Rivers will arrange for and manage all upstream transmission service required to ensure delivery of the back-up power to the delivery point; however, physical delivery is subject to [REDACTED]

**Proposed Kenergy, Big Rivers and
Willamette Industries
Long Term Back Up Power Purchase
Term Sheet**

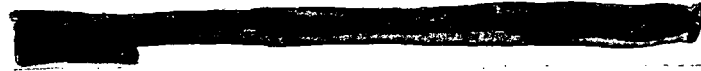
[REDACTED]

[REDACTED]

[REDACTED]

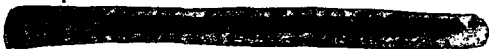
[REDACTED]

Proposed Kenergy, Big Rivers and Willamette Industries Long Term Back Up Power Purchase Term Sheet



Big Rivers Transmission for backup service to Willamette's delivery point will be provided as network transmission service under Big Rivers' OATT, with separate costs chargeable to Kenergy/Willamette. Backup Supply Contract with a third party will be added as a new Network Resource and the entire load served at Willamette will be treated as the Network Load to be charged a monthly amount based on load ratio share of the Network Load compared to the total network transmission load on Big Rivers' system pursuant to the OATT methodology.

Willamette will receive a monthly credit against this charge on a MW per MW basis for the MW supplied by Big Rivers and Kenergy at the standard large industrial customer rate, which already includes the network transmission charge. Accordingly, the net charge to Willamette will be the determined monthly load ratio charge per MW-month multiplied by the total coincidental load less the tariff load at the time of Big Rivers coincidental peak. (As an example, September would have been \$830 times the total Willamette load coincidental with Big Rivers' monthly peak minus \$830 multiplied by Willamette load served by Kenergy served at the tariff rate.)

- Delivery Point:** As specified in the contract between Willamette and Kenergy.
- Credit Risk:** Credit support arrangements mutually acceptable to the parties would be defined in the definitive agreement.
- Ancillary Services:** Willamette will be responsible for all cost associated with ancillary services 
- Other Terms:** As mutually agreed by the parties and normal and customary for similar transactions based on further discussions of the proposed arrangement.

The agreement will contain a provision to track and adjust for prevailing federal, state and/or industry self regulation (NERC/NAERO etc) and industry practices relative to

**Proposed Kenergy, Big Rivers and
Willamette Industries
Long Term Back Up Power Purchase
Term Sheet**

transmission scheduling procedures, reserve sharing, ancillary services and other factors affecting Big Rivers' ability to perform for deliveries set forth above.

The terms in this proposal are also contingent upon Big Rivers gaining an understanding of the specific equipment for which this service is intended to serve as a back-up supply. In addition, Big Rivers will need to understand the maintenance plans for the proposed unit (duration, timing, notice, etc.).

Willamette must abide by and pay all costs associated with meeting the stipulations of Big Rivers' document entitled "Requirements of Connection of Generations Facilities to the Big Rivers Transmission System".

The wholesale contract between Kenergy and Big Rivers will be amended to reflect the terms and conditions of this term sheet.

The retail contract between Kenergy and Willamette will have to be amended or a new contract executed containing materially the same terms and condition as this term sheet, including the Firm portion (Supplementary and Excess demand and related energy), and its related terms, and the Kenergy distribution adder.

Upon execution of this Term Sheet, the Parties shall promptly commence good faith negotiations toward the amendment or execution of contracts.

While it is the goal of the parties to complete such contract negotiations by December 30, 1999, this Term Sheet shall be in force from the date executed by all Parties through

[REDACTED]

Definitive Agreement:

The obligations of the parties are subject to the negotiation and execution of one or more mutually acceptable definitive agreements, and the parties shall have no obligations to each other prior to the execution and delivery of a definitive agreement.

**Proposed Kenergy, Big Rivers and
Willamette Industries
Long Term Back Up Power Purchase
Term Sheet**


Due to the long term nature of the transaction contemplated hereunder, this proposal is also subject to review and approval by Big Rivers' Board of Directors, the RUS and the PSC, which approvals were not able to be secured prior to issuing this proposal.

**Proposed Kenergy, Big Rivers and
Willamette Industries
Long Term Back Up Power Purchase
Term Sheet**



Willamette Industries, Inc.

By: 
Its: Vice President, Corporate Engineering

Kenergy Corp.

By: 
Its: President and CEO

Big Rivers Electric Corporation

By: 
Its: President and CEO


HELLER EHRMAN WHITE & McAULIFFE

ATTORNEYS

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

200 MARKET BUILDING, SUITE 1750
200 S. W. MARKET STREET
PORTLAND
OREGON 97201-5718

TELEPHONE: (503) 227-7400
FACSIMILE: (503) 241-0950

ERIC R. TODDERUD
SPECIAL COUNSEL
(503) 795-7409
etodderud@hewm.com

December 30, 1999

SEATTLE
PORTLAND
TACOMA
ANCHORAGE

SAN FRANCISCO
LOS ANGELES
PALO ALTO

WASHINGTON, D.C.
HONG KONG
SINGAPORE

12774-0022

RECEIVED
JAN 06 2000
PUBLIC SERVICE
COMMISSION

Via Facsimile

Ms. Helen Helton, Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, Kentucky 40602

Re: *Big Rivers Electric Corporation, Case No. 99-354*

Dear Ms. Helton:

In a letter dated December 22, 1999, which we received on December 28, 1999, you enclosed a memorandum prepared by the Commission Staff summarizing the discussion at the November 23, 1999 informal conference and requested that all comments on the contents of that memorandum be submitted within five days of our receipt of your letter.

The only point we wish to clarify is that the proposed contract between Big Rivers and Willamette would not call for sales by Willamette to Big Rivers. Please feel free to contact me if you have any questions regarding this clarification.

Yours very truly,

Eric Todderud by MCO

Eric R. Todderud

cc (via facsimile): Service List
Mike Maloney
Alan Meyer
Dr. Alan Rosenberg

119401.01 .SE (2K4P01!.DOC)
12/30/99 10:12 AM

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC

ATTORNEYS AT LAW

Ronald M. Sullivan
Jesse T. Mountjoy
Frank Stainback
James M. Miller
Michael A. Fiorella
William R. Dexter
Allen W. Holbrook
R. Michael Sullivan
P. Marcum Willis
Bryan R. Reynolds
Mark G. Luckett
Anne H. Shelourne

January 5, 2000

Ms. Helen Helton
Executive Director
Public Service Commission
730 Schenkel Lane, P.O. Box 615
Frankfort, Kentucky 40601-0615

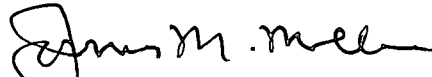
RECEIVED
JAN 06 2000
PUBLIC SERVICE
COMMISSION

Re: Big Rivers Electric Corporation, Case No. 99-354

Dear Ms. Helton:

Enclosed are an original and ten copies of the response of Big Rivers Electric Corporation to Willamette Industries, Inc.'s Expedited Motion to Postpone Hearing. A copy of this letter and attachments have been served upon each party of record.

Sincerely yours,



James M. Miller

JMM/ej

Enclosures

Telephone (270) 926-4000
Telecopier (270) 683-6694

100 St. Ann Building
PO Box 727
Owensboro, Kentucky
42302-0727

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
JAN 06 2000
PUBLIC SERVICE
COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S PURCHASE)
AND SALES TARIFFS FOR COGENERATORS AND) CASE NO. 99-354
SMALL POWER PRODUCERS)

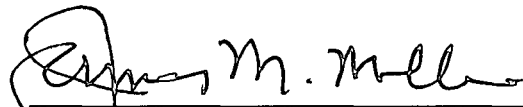
**RESPONSE OF BIG RIVERS ELECTRIC CORPORATION
TO WILLAMETTE INDUSTRIES, INC.'S EXPEDITED
MOTION TO POSTPONE HEARING**

Big Rivers Electric Corporation ("Big Rivers") makes the following response to the January 5, 2000, motion by Willamette Industries, Inc. to postpone the hearing in this matter. Big Rivers has no objection to the postponement requested, and further consents to a similar extension of the suspension period for the proposed Schedule 9.

This the 5th day of January, 2000.

Respectfully submitted,

Douglas L. Beresford
LONG ALDRIDGE & NORMAN LLP
701 Pennsylvania Avenue, N.W.
Suite 600
Washington, D.C. 20004
(202) 624-1200


James M. Miller
SULLIVAN, MOUNTJOY, STAINBACK
& MILLER, P.S.C.
100 St. Ann Building
Owensboro, Kentucky 42302-0727
(270) 926-4000
Counsel for
BIG RIVERS ELECTRIC CORPORATION

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing response by mailing a true and correct copy of same upon the following on this 5th day of January 2000:

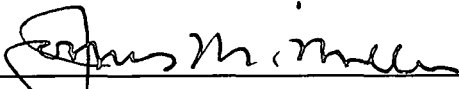
Wells T. Lovett
208 West Third Street
Owensboro, KY 42303

Michael C. Dotten
Eric R. Todderud
Heller Ehrman White & McAuliffe
200 S.W. Market Street, Suite 1750
Portland, OR 97201

Counsel for Willamette Industries

Frank N. King, Jr.
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

Counsel for Kenergy & Meade County RECC


James M. Miller

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JAN 06 2000

PUBLIC SERVICE
COMMISSION

In the Matter of BIG RIVERS)
ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS) CASE NO. 99-354
FOR COGENERATORS AND SMALL)
POWER PRODUCERS)
(Rate Schedules 8 and 9))

**WILLAMETTE INDUSTRIES, INC.'S EXPEDITED MOTION
TO POSTPONE HEARING**

Pursuant to KRS § 278.310, Intervenor Willamette Industries, Inc. (Willamette) moves for an order postponing the hearing on Rate Schedule 9 for a period of 90 days. The purpose of this request is to enable Big Rivers Electric Corporation (BREC), Kenergy and Willamette to complete negotiations for a contract for back-up service to Willamette to be presented to the Commission for approval. In support of this request, Willamette states as follows:

A hearing on BREC's back-up rates presently is scheduled for January 10, 2000. In late December, 1999, Willamette, BREC and Kenergy executed a Long Term Back Up Power Purchase Term Sheet which sets forth the basic terms under which Willamette would purchase, and BREC would supply, back-up service to Willamette's mill at Hawesville, Kentucky. The term sheet obligates the parties to negotiate in good faith

toward a final contract for back-up service. The parties are negotiating in good faith toward a contract.

A contested hearing on BREC's proposed Schedule 9 is unnecessary at this time because Willamette is the only consumer known to be interested in back-up service, and the parties are negotiating a contract to serve Willamette's needs so that BREC would not serve Willamette under the proposed Schedule 9. Willamette believes that participating in a contested hearing while negotiations are pending could have the effect of making a negotiated resolution more difficult. Furthermore, a postponement of the hearing could permit the Commission and the parties to avoid the expense of a hearing on proposed Schedule 9. For these reasons, it is appropriate for the Commission to postpone the hearing for 90 days to permit the parties to complete negotiations of the contract for back-up service to Willamette.

Counsel for for Willamette has contacted Mr. James Miller, counsel for BREC. Mr. Miller reported that BREC will not object to this motion, and that BREC will agree that the Commission may continue the suspension of proposed Schedule 9.

DATED this 5th day of January, 2000.



Michael C. Dotten
Eric R. Todderud
HELLER EHRMAN WHITE & McAULIFFE
200 SW Market St., Suite 1750
Portland, OR 97221
Telephone: (503) 227-7400

Wells T Lovett /ERT

Wells T. Lovett, Esq.
208 W. Third Street
Owensboro, KY 42303
Telephone: (502) 926-3003

Of Attorneys for Willamette Industries, Inc.

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1/5/00 2:48 PM (12774.0022)

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of BIG RIVERS ELECTRIC)
CORPORATION'S PURCHASE AND)
SALES TARIFFS FOR COGENERATORS) CASE NO. 99-354
AND SMALL POWER PRODUCERS)
(Rate Schedules 8 and 9))
)

CERTIFICATE OF SERVICE

I hereby certify that on this 5th day of January, 2000, I caused copies of the foregoing documents to be served upon all other parties of this proceeding, by facsimile transmission and US Mail, addressed as follows:

The Honorable James M. Miller
Sullivan, Mountjoy, Stainback & Miller, PSC
100 St. Ann Building
Owensboro, KY 42303

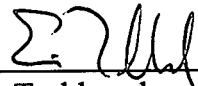
David A. Spainhoward, VP
Contract Admin. & Reg. Affairs
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42419-0024

The Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
Long Aldridge & Norman, LLP
701 Pennsylvania Avenue, N.W., Suite 600
Washington, D.C. 20004

Honorable Frank N. King
Counsel for Kenergy & Meade RECC
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

Richard G. Raff, Esq.
Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, KY 40601-1402

DATED this 5th day of January, 2000.



Eric R. Todderud
Heller Ehrman White & McAuliffe
200 S.W. Market St., Suite 1750
Portland, Oregon 97201

Of Attorneys for Willamette Industries, Inc.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

January 6, 2000

To: All parties of record

RE: Case No. 1999-354

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Honorable James M. Miller
Counsel for Big Rivers
Sullivan, Mountjoy, Stainback
& Miller PSC
100 St. Ann Building
P. O. Box 727
Owensboro, KY 42302 0727

Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
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Honorable Wells T. Lovett
Counsel, Willamette Industries
208 West Third Street
Owensboro, KY 42303

Honorable Michael C. Dotten
Eric R. Todderud
Counsel, Willamette Industries
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Portland, OR 97201 5718

Honorable Frank N. King,
Counsel for Kenergy & Meade RECC
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S)	
PURCHASE AND SALES TARIFFS FOR)	CASE NO.
COGENERATORS AND SMALL POWER)	99-354
PRODUCERS)	

O R D E R

The Commission, having considered Willamette Industries, Inc.'s motion for a 90-day delay in the hearing scheduled on January 10, 2000 to allow the parties to continue negotiations and Big Rivers' consent to the delay and a 90-day extension of the suspension period for proposed tariff Schedule 9, and finding good cause, HEREBY ORDERS that the January 10, 2000 hearing shall be continued generally and the parties shall jointly file a status report no later than March 7, 2000.

Done at Frankfort, Kentucky, this 6th day of January, 2000.

By the Commission

ATTEST:


Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
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FRANKFORT, KENTUCKY 40602
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Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Helen Helton
Executive Director
Public Service Commission

Paul E. Patton
Governor

January 4, 2000

TO: Helen C. Helton
Executive Director

FROM: Case No. 99-354 Team
JS Jeff Shaw, Team Leader

DATE: January 4, 2000

SUBJECT: Memorandum on
Informal Conference

Attached is a memorandum covering the issues discussed at the informal conference held in this case on November 23, 1999. The memorandum, which has already been sent to the parties, should be added to the case record in order that the record will be complete at the conclusion of the proceeding. As you can see from the date of the memorandum, it was sent to the parties approximately two weeks ago. The team has no reasonable excuse for not submitting this sooner and apologizes for the unnecessary delay.



INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

FILED

JAN 04 2000

PUBLIC SERVICE
COMMISSION

TO: Case File No. 99-354

FROM: Jeff Shaw *JS*
Team Leader

DATE: December 22, 1999

RE: Conference of November 23, 1999
Regarding Big Rivers' Proposed Tariffs
Rate Schedules 8 and 9 for Cogenerators

On November 23, 1999, an informal conference was held at the Commission's offices in Frankfort, Kentucky. The parties represented at the conference were Big Rivers Electric Corporation ("Big Rivers"), Willamette Industries ("Willamette"), Kenergy Corporation, Meade County Rural Electric Cooperative Corporation, and the Commission, through its Staff. A list of the attendees is attached to this memorandum. In addition to the list of attendees, Eric Todderud, of Heller, Ehrman, White & McAuliffe, participated in the conference telephonically, as a representative of Willamette.

To begin the conference Big Rivers and Willamette discussed their negotiations on certain issues that had been raised in this proceeding and indicated they were very close to agreement on a special contract. The contract would establish terms for Big Rivers' sales to, and purchases from, Willamette, if and when Willamette begins to operate as a cogenerator. In response to questions from Commission Staff, Big Rivers and Willamette indicated that Willamette was considering installing a cogeneration facility rated at 85 megawatts of capacity and that they would not be able to finalize their contract prior to the scheduled December 6, 1999 hearing date. Big Rivers and Willamette asked Staff if the hearing could be rescheduled to a later date so that they might have the opportunity to finalize the terms of their contract prior to a formal hearing before the Commission. Big Rivers stated that it did not intend to modify its proposed cogeneration tariffs to mirror the terms of its agreement with Willamette. However, Big Rivers indicated its intent to add language to the tariffs to indicate that, in lieu of the standard tariff, Big Rivers and potential cogenerators could enter into special contracts.

Commission Staff inquired about several issues, including Big Rivers' avoided cost calculations used to develop its proposed purchase rate for cogenerators as well as several of the terms in Big Rivers' proposed sales tariff for cogenerators. Staff also inquired about the status of the tariff Big Rivers was developing under which large industrial customers would "voluntarily curtail" their loads when the need for curtailment arose on Big Rivers' system.

At the conclusion of the conference, Commission Staff stated that it would ascertain whether the hearing could be rescheduled to a later date. The hearing was subsequently rescheduled to January 10, 2000.

CASE NO. 99-354
BIG RIVERS - COGENERATION SALES & PURCHASE TARIFFS
INFORMAL CONFERENCE - NOVEMBER 23, 1999

NAME	WITH
Jeff Shaw	COMMISSION STAFF
RICHARD RAFF	PSC - LEGAL
ELIE RUSSELL	PSC
Wells T. Lovett	Willamette Industries, Inc.
Douglas Beresford	Big Rivers - Long Aldridge
JAMES M. MILLER	BR - SULLIVAN MOUNTJOY
David A. Spinboward	Big Rivers
Jack Garris	Southern Engineering Co
Guy Forman	PSC - Financial Analysis
NEAL FITZ	PSC - RESEARCH
MIKE CORE	Big Rivers
Bill Blackburn	" "
David Crockett	" "
Mark A. Hite	Big Rivers
Steve Thompson	Kenergy
DAVID HAMILTON	KENERGY
Frank W. King	KENERGY - ATTORNEY
DEAN STANLEY	KENERGY CORP.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

November 29, 1999

To: All parties of record

RE: Case No. 1999-354

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

Honorable James M. Miller
Counsel for Big Rivers
Sullivan, Mountjoy, Stainback
& Miller PSC
100 St. Ann Building
P. O. Box 727
Owensboro, KY 42302 0727

Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
Long Aldridge & Norman LLP
701 Pennsylvania Avenue, N.W.
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Washington, DC 20004

Mr. David A. Spainhoward
Vice President, Contract
Administration & Regulatory Affairs
Big Rivers Electric Corporation
201 Third Street
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Honorable Wells T. Lovett
Counsel, Willamette Industries
208 West Third Street
Owensboro, KY 42303

Honorable Michael C. Dotten
Eric R. Todderud
Counsel, Willamette Industries
Heller Ehrman White & McAuliffe
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200 S.W. Market Street
Portland, OR 97201 5718

Honorable Frank N. King,
Counsel for Kenergy & Meade RECC
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS FOR) CASE NO.
COGENERATORS AND SMALL POWER) 99-354
PRODUCERS)

and

THE TARIFF FILING OF BIG RIVERS)
ELECTRIC CORPORATION TO REVISE) CASE NO.
THE LARGE INDUSTRIAL CUSTOMER) 99-360
RATE SCHEDULE)

O R D E R

The Commission, on its own motion, HEREBY ORDERS that the December 6, 1999 hearing in the above-named matters is rescheduled to January 10, 2000 at 9:00 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky.

Done at Frankfort, Kentucky, this 29th day of November, 1999.

By the Commission

ATTEST:


Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
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FRANKFORT, KENTUCKY 40602
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Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Helen Helton
Executive Director
Public Service Commission

Paul E. Patton
Governor

November 18, 1999

Wells T. Lovett, Esq.
208 West 3rd Street
Owensboro, Kentucky 42303

RE: Willamette Industries, Inc.
Petition for Confidential Protection
Case No. 99-354

Dear Mr. Lovett:

On November 10, 1999, the Commission received your request to protect as confidential the information on generator reliability on pp. 2 & 3 of Willamette's Response to Request No. 1 Of Big Rivers Electric Corporation's Initial Request for Information. A review of the information has determined that it is entitled to protection requested on the grounds relied upon in the petition, and it shall be withheld from public inspection.

If the information becomes publicly available or no longer warrants confidential treatment, you are required by 807 KAR 5:001 § 7 (9) (a) to inform the Commission so that the information may be placed in the public record.

Sincerely,

A handwritten signature in black ink, appearing to read "Helen C. Helton".

Helen C. Helton
Executive Director





COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602
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(502) 564-3940
Fax (502) 564-3460

Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Helen Helton
Executive Director
Public Service Commission

Paul E. Patton
Governor

November 15, 1999

To: All Parties of Record

Re: Case Nos. 99-354 and 99-360

We enclose one attested copy of the Commission's Order in the
above cases.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure



Honorable James M. Miller
Sullivan, Mountjoy, Stainback
& Miller PSC
100 St. Ann Building
P. O. Box 727
Owensboro, KY 42302

Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
Long Aldridge & Norman LLP
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Mr. David A. Spainhoward
Vice President, Contract
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Wells T. Lovett
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Michael C. Dotten
Eric R. Todderud
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Portland, OR 97201

Honorable Frank N. King,
Counsel for Kenergy & Meade RECC
Dorsey, King, Gray & Norment
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Henderson, KY 42420

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS FOR) CASE NO.
COGENERATORS AND SMALL POWER) 99-354
PRODUCERS)

and

THE TARIFF FILING OF BIG RIVERS)
ELECTRIC CORPORATION TO REVISE) CASE NO.
THE LARGE INDUSTRIAL CUSTOMER) 99-360
RATE SCHEDULE)

O R D E R

The Commission, on its own motion, HEREBY ORDERS that the December 10, 1999 hearing in the above-named matters is rescheduled to December 6, 1999 at 9:00 a.m., Eastern Standard Time, in Hearing Room 1 of the Commission's offices at 730 Schenkel Lane, Frankfort, Kentucky.

Done at Frankfort, Kentucky, this 15th day of November, 1999.

By the Commission

ATTEST:


Executive Director

HELLER EHRMAN WHITE & McAULIFFE

ATTORNEYS
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

200 MARKET BUILDING, SUITE 1750
200 S.W. MARKET STREET
PORTLAND
OREGON 97201-5718

TELEPHONE: (503) 227-7400
FACSIMILE: (503) 241-0950

ERIC R. TODDERUD
(503) 795-7409
etodderud@hewm.com

November 9, 1999

SEATTLE
PORTLAND
TACOMA
ANCHORAGE

SAN FRANCISCO
LOS ANGELES
PALO ALTO

WASHINGTON, D.C.
HONG KONG
SINGAPORE

RECEIVED

NOV 10 1999

FULLY QUALIFIED
CORPORATION

Via UPS Next Day

Ms. Helen Helton
Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

Re: *Big Rivers Electric Corporation; No. 99-354*

Dear Ms. Helton:

Enclosed for filing are the original and eleven copies of Willamette Industries Inc.'s responses to Big Rivers Electric Corporation's Initial Request for Information and the Kentucky Public Service Commission's Initial Request for Information. Please file-stamp the extra copy and return it to me in the enclosed envelope.

I also am filing Willamette's Request for Confidential Treatment and the affidavit of Alan Meyer in support of that Request. Pursuant to 8 KAR 5:001 § 7(2)(b), I have enclosed the original petition, a copy of the material for which confidential treatment is sought, and ten copies of the same documents with the confidential information redacted. Redacted versions of these documents are being served on the parties. Please file-stamp the extra copy and return it to me in the enclosed envelope.

In a letter dated November 8, 1999, Mr. Miller, counsel for Big Rivers, explained Big Rivers' position that the burden of producing evidence has shifted to Willamette. Willamette does not agree with Mr. Miller's assessment of the burden of going forward. The filings that Big Rivers has made to date are, in Willamette's view, inadequate to establish a *prima facie* showing that the rates it has proposed are just and reasonable and non-discriminatory. Moreover, Willamette does not agree that it has the burden of presenting evidence on any issue in this proceeding. Nevertheless, the material that Willamette is submitting today explains in detail Willamette's position as to why Big

Ms. Helen Helton
November 9, 1999
Page 2

HELLER EHRMAN WHITE & McAULIFFE
ATTORNEYS

Rivers' proposed rates are not just and reasonable and are discriminatory. Thus, if Big Rivers is not willing to submit pre-filed testimony stating its case in chief, Willamette is prepared to go to hearing based on the information that has been submitted to date.

Please feel free to contact me if you have any questions about today's filing.

Yours very truly,



Eric R. Todderud

Enclosures

cc: Service List
Mike Maloney
Alan Meyer
Dr. Alan Rosenberg

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11/09/99 3:58 PM

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of BIG RIVERS)
ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS)
FOR COGENERATORS AND SMALL)
POWER PRODUCERS)
(Rate Schedules 8 and 9))

CASE NO. 99-354

NOV 10 1999
PUBLIC SERVICE
COMMISSION

**WILLAMETTE INDUSTRIES, INC.'S
REQUEST FOR CONFIDENTIAL TREATMENT**

Pursuant to KRS 61.878(1)(c)1. and 807 KAR 5:001, § 7, Willamette Industries, Inc. (Willamette) moves for an order of the Commission holding as confidential the information on generator reliability on pages 2 and 3 of Willamette's Response to Request Number 1 of Big Rivers Electric Corporation's Initial Request for Information to Willamette Industries, Inc. Willamette agrees that the parties to this proceeding should have access to this confidential information; Willamette seeks only to have this information withheld from disclosure to the general public. The Affidavit of Alan Meyer (Meyer Affidavit) is submitted in support of this motion.

Big Rivers' Request for Information Number 1 seeks information about the anticipated reliability of a generating unit that may be installed at Willamette's facilities. Willamette's assessment of the anticipated reliability is based on the operating history of a generating unit at Willamette's facility in Red River, Louisiana. Meyer Affidavit ¶ 2.

Information about the operating history of Willamette's cogeneration unit is highly confidential as proprietary information. As addressed in the attached Meyer Affidavit, electricity is a significant component of the production costs at the Red River mill. Meyer Affidavit ¶ 7. Because Willamette generates much of the electricity that it consumes, the reliability of a generation system directly and significantly affects Willamette's production costs. *Id.*

Public dissemination of the reliability of Willamette's on-site generation could give competitors knowledge about Willamette's production costs that otherwise would not be available. A company that knows significant components of a competitor's production costs can gain an unfair advantage in pricing its products and deciding output. Thus, Willamette deems such information proprietary. Meyer Affidavit ¶¶ 8-11.

Financial information about a company's operations is "generally recognized as confidential or proprietary" for purposes of KRS 61.878(1)(c). *Hoy v. Kentucky Indus. Revitalization Auth.*, 907 S.W.2d 766, 768 (Ky. 1995). Kentucky Supreme Court decisions have recognized that financial information such as operating costs are the type of information that KRS 61.878(1)(c) is intended to protect. *E.g., Marina Management Servs., Inc. v. Commonwealth of Kentucky, Cabinet for Tourism*, 906 S.W.2d 318, 319 (Ky. 1995) (financial information that included property values, operating costs, revenues and profits).

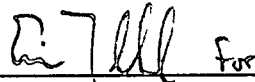
Competitors that have access to information about Willamette's electricity costs could gain an unfair competitive advantage. Thus, information about the reliability of

Willamette's on-site generation, which affects electricity costs, is the type of confidential and proprietary information that KRS 61.878 protects.


This case does not present circumstances in which the public has a compelling interest to review the financial data. Willamette agrees that the parties have a right to view this information, but the general public and, in particular, Willamette's competitors, have no such right. To the extent that the need for disclosure is relevant in assessing a claim of confidentiality, *see, e.g., Marina Management Servs., Inc. v. Commonwealth of Kentucky, Cabinet for Tourism*, 906 S.W.2d at 319, no such need exists in this case.

For the foregoing reasons, Willamette respectfully requests that the Commission issue an Order granting confidential treatment to the information submitted with Willamette's response to Big Rivers' Request for Information No. 1.

DATED this 9th day of November, 1999.



Wells T. Lovett, Esq.
208 W. Third Street
Owensboro, KY 42303
Telephone: (502) 926-3003



Michael C. Dotten
Eric R. Todderud
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Telephone: (503) 227-7400

Of Attorneys for Willamette Industries, Inc.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of BIG RIVERS)	
ELECTRIC CORPORATION'S)	
PURCHASE AND SALES TARIFFS)	CASE NO. 99-354
FOR COGENERATORS AND SMALL)	
POWER PRODUCERS)	
(Rate Schedules 8 and 9))	

**AFFIDAVIT OF ALAN MEYER IN SUPPORT OF
WILLAMETTE INDUSTRIES, INC.'S
REQUEST FOR CONFIDENTIAL TREATMENT**

STATE OF OREGON)
) ss.
County of Multnomah)

I, Alan Meyer, having been duly sworn, make the following affidavit based on personal knowledge.

Introduction

1. I am the Energy Manager for Willamette Industries, Inc. (Willamette). Willamette is a leading manufacturer of paper and building products. It has 100 plants in 23 states, Mexico and Europe. I am responsible for overseeing energy supply at those facilities. As Willamette's Energy Manager, I am generally familiar with Willamette's practices and policies regarding on-site generation, including its policies and practices for the confidentiality of information about operating costs.

2. Willamette's mill in Hawesville, Ky. manufactures paper products, including brown paper, such as the paper used for grocery bags, and business-quality white paper. To estimate the economic benefits of installing cogeneration at that mill, I studied the operational history of Willamette's existing cogeneration unit at its Red River Mill located in Campti, Louisiana. The Red River Mill, like the Hawesville Mill, manufactures brown paper.

3. Big Rivers Electric Corporation (Big Rivers) has requested, and Willamette has agreed to provide, information that I had assembled regarding the reliability of the cogeneration facility at the Red River Mill. Willamette deems such information to be confidential and proprietary. While it is appropriate to provide such information to the parties to this proceeding, Willamette seeks assurances that the information will not be available to the general public and, in particular, Willamette's competitors. I am submitting this affidavit to explain why such information is and should remain confidential.

2. The Market

4. The markets in which Willamette competes are highly competitive. Numerous companies participate in those markets. Willamette not only must compete with numerous other paper companies for sales of its products, but it frequently must compete with many of the same companies in purchasing raw materials, such as pulp for paper manufacturing.

5. Numerous other companies may offer products similar to those manufactured by Willamette. This is particularly true for brown paper. Thus, customer purchasing decisions are driven not only by the high quality of Willamette's products, but also by comparisons between the price of Willamette's products and the price for the products of its competitors.

6. Because price is an important determinant in purchase decisions, particularly for paper products, Willamette must keep its production costs as low as possible.

7. For many of Willamette's plants, including our Hawesville, Kentucky mill, electric power is a significant component of production costs. Willamette constantly strives to lower its production costs, and installing on-site generation is one means to control production costs.

3. Need for Confidentiality

8. Due to the highly competitive environment in which they operate, companies in the paper industry closely monitor the activities of their competitors. When information becomes available about a company's production costs, that company's competitors may gather and analyze such information.

9. Information about a competitor's production costs can give a company a competitive advantage over its competitor. Such information can better enable the company to set prices to maximize profit or beat the competitor's prices to gain market

share. In addition, such information can assist a company in determining its production output.

10. Because information about production costs, including the cost of electric power, can benefit competitors, Willamette keeps such information confidential. Information about its power costs generally is not disclosed to others. Willamette deems such information to be confidential and proprietary.

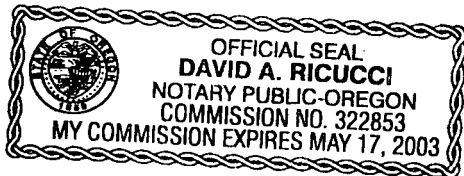
11. To my knowledge, none of the information about the operating history of the Red Rivers generating facility that is being submitted herein has been disclosed to anyone outside of Willamette, other than the turbine manufacturer, Willamette's consultants and attorneys. Willamette would not voluntarily share such information with its competitors.

DATED this 9th day of November, 1999.

Alan Meyer

SIGNED AND SWORN to before me this 9th day of November, 1999

David A. Ricucci



Notary Public for the State of Oregon

My commission expires: 5/17/03

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of BIG RIVERS ELECTRIC)
CORPORATION'S PURCHASE AND)
SALES TARIFFS FOR COGENERATORS) CASE NO. 99-354
AND SMALL POWER PRODUCERS)
(Rate Schedules 8 and 9))
)

CERTIFICATE OF SERVICE

I hereby certify that on this 9th day of November, 1999, I caused copies of the foregoing documents to be served upon all other parties of this proceeding, by overnight courier, addressed as follows:

The Honorable James M. Miller
Sullivan, Mountjoy, Stainback & Miller, PSC
100 St. Ann Building
Owensboro, KY 42303

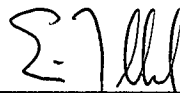
David A. Spainhoward, VP
Contract Admin. & Reg. Affairs
Big Rivers Electric Corporation
201 Third Street
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DATED this 9th day of November, 1999.



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Of Attorneys for Willamette Industries, Inc.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION


In the Matter of BIG RIVERS)
ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS) CASE NO. 99-354
FOR COGENERATORS AND SMALL)
POWER PRODUCERS)
(Rate Schedules 8 and 9))

NOV 10 1999
SERVICE


**WILLAMETTE INDUSTRIES, INC.'S RESPONSES TO BIG RIVERS
ELECTRIC CORPORATION'S INITIAL REQUEST FOR INFORMATION**

Willamette Industries, Inc. (Willamette) hereby submits the following responses to the Initial Requests for Information of Big Rivers Electric Corporation (Big Rivers).

DATED this 9th day of November, 1999.



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Of Attorneys for Willamette Industries, Inc.

Request for Information No. 1:

Has Willamette conducted any probability studies to quantify the risk that a cogenerator of the size and operating characteristics proposed by Willamette will need back-up service? If so, what is the probability that back up service will be required at the time of Big Rivers' system peak? Please provide all documents or studies related to or supporting the response.

RESPONSE TO REQUEST FOR INFORMATION NO. 1:

Yes. Willamette has conducted an Estimated Backup & Maintenance Demand Profile to quantify the risk that a cogenerator of the size and operating characteristics proposed by Willamette would require back-up service. Willamette relied on the operational history of its Red River Paper Mill, located in Campti, Louisiana, to forecast performance of their proposed generator for the Hawesville, Kentucky facility. Estimates of the downtime are attached at Response to Request for Information (RFI) 1, page 2. The Profile included at RFI 1, page 3, was derived from this information.

Willamette deems its reliability estimates and Downtime Profile to be proprietary and confidential. Pursuant to KSA 61.870 *et seq.* and 807 KAR 5:001, § 7, Willamette has redacted information that it considers to be proprietary and is seeking an order from the Commission granting confidential treatment of that information.

Witness: Alan Meyer

ESTIMATE OF NEED FOR
BACK-UP AND MAINTENANCE POWER
AT THE HAWESVILLE MILL

CONFIDENTIAL

Willamette estimates that the generating unit at the Hawesville Mill will be out of operation approximately [REDACTED] of the time. Willamette estimates that, during normal operating years, the generator will be out of operation due to unscheduled outages [REDACTED] of the time, and pre-scheduled maintenance will cause the generator to be out of operation [REDACTED] of the time.

(2FMQ011.DOC)
11/09/99 12:24 PM

Kentucky Mills Cogeneration

Estimated Backup & Maintenance Demand Profile		
Date	Daily Peak Backup & Maintenance kW	Reason
CONFIDENTIAL MATERIAL REDACTED		

Reason Code
Generator Trip
Scheduled Outage
Boiler Shutdown

Notes:

1. Generator Trip dates are only indicative of expected frequency.
2. Scheduled Outages and Boiler Shutdowns can be moved to accommodate system load characteristics.

Request for Information No. 2:

In Willamette's "Petition to Intervene," it states that "Willamette is considering installing a large environmentally-friendly, biomass-fueled cogeneration project at its Hawesville mill. The project would be economical if reasonable cogeneration standby rates, such as those Willamette pays at its other paper mills with cogeneration, were charged in Hawesville." Please respond to the following:

a. Please describe in more detail the operating characteristics of the "environmentally-friendly, biomass-fueled cogeneration project" Willamette states in its Petition to Intervene (¶4) that it intends to install.

RESPONSE TO REQUEST FOR INFORMATION NO. 2.a.:

Willamette proposes to install a steam-turbine generator which will operate in an extraction mode and will generate electricity while reducing steam pressure for process applications. It will become an integral part of the process steam flow. The incremental fuel will be hogged fuel.

Witness: Alan Meyer

b. What size unit is Willamette considering?

RESPONSE TO REQUEST FOR INFORMATION NO. 2.b.:

The generating unit will be capable of producing about 85 MW of electric power, but is expected to produce about 62 MW net (66 MW gross).

Witness: Alan Meyer

c. *What does Willamette consider the reliability of the unit being considered to be? Please explain in detail.*

RESPONSE TO REQUEST FOR INFORMATION NO. 2c.:

Please see Willamette's response to Big Rivers' Request for Information No. 1. Willamette anticipates that the reliability of a cogeneration unit installed at the Hawesville, Kentucky mill will closely match the reliability of the existing cogeneration unit at its Red River Mill in Campti, Louisiana.

Witness: Alan Meyer

d. *What rates does Willamette consider to be reasonable for:*

1. *Supplemental power*

RESPONSE:

Willamette considers a reasonable rate for Supplemental Power to be the same rate that would normally apply to a full requirements customer of similar size and voltage level.

2. *Backup power*

RESPONSE:

Willamette considers a reasonable rate for Backup Power to be one that is commensurate with the cost of providing that service. Typically, a backup rate will entail a demand charge that is a small fraction of the demand charge associated with full requirements service, reflecting the small probability that a reliable generator will require backup at a time that is coincident with the system peak. It is also customary to utilize either an energy charge

or a daily demand charge that recovers backup use above that expected level. Energy charges are usually the same as for full requirements service. Without more information about Big Rivers' cost of service, its transmission costs, and other factors affecting rates, Willamette cannot assign a dollar value to the rate at this time.

3. *Maintenance power*

RESPONSE:

Willamette considers a reasonable rate for Maintenance Power to entail lower demand charges than for backup service to reflect the off-peak nature of the service and the pre-arranged nature of the demand. Without more information about Big Rivers' cost of service, its transmission costs, and other factors affecting rates, Willamette cannot assign a dollar value to the rate at this time.

4. *Excess demand*

RESPONSE:

Willamette considers a reasonable rate for Excess Demand to be the normal demand rate for a full requirements customer.

Please provide all documents or studies from which Willamette has relied upon in determining the above rates.

RESPONSE:

Willamette has not relied on any documents or studies in preparing its response.

Witness: Dr. Alan Rosenberg

e. *Please furnish all rates that Willamette pays at its other paper mills with cogeneration for the type of services in d. above.*

f. *Please furnish a copy of all contracts and/or tariffs under which the rates in c. are based.*

RESPONSE TO REQUESTS FOR INFORMATION 2.e. AND 2.f.:

The type of cogeneration standby service furnished to Willamette varies at each facility. Thus, Willamette's rates at those various facilities are not necessarily rates for the type of services that Willamette seeks from Big Rivers.

Attached hereto at RFI 2, pages 49-95 are the contracts for back-up service for Willamette's cogeneration units at its plants in Kingsport, Tennessee and Campti, Louisiana. Back-up service to Willamette's Albany, Oregon mill is provided pursuant to a special contract that Willamette may not provide to third parties. The salient terms of that contract are summarized in PacifiCorp Schedule 400, a copy of which is attached at RFI 2, pages 7-15. Other applicable tariffs are at RFI 2,, pages 15-19. Willamette's Johnsonburg, Pennsylvania mill and Hueneme Mill in Oxnard, California receive back-up service pursuant to PURPA sales contracts and, therefore, cannot meaningfully be compared to standard rates for standby service. Those contracts and tariffs are attached at RFI 2, pages 20-48.

Witness: Alan Meyer

g. *Please provide a list of all paper mills either owned, operated, or known by Willamette to have cogeneration in the United States.*

RESPONSE TO REQUEST FOR INFORMATION 2.g.:

Willamette has cogeneration facilities at its paper mills in Campti (Red River), Louisiana; Johnsonburg, Pennsylvania; Kingsport, Tennessee; Albany, Oregon; and Oxnard (Port Hueneme), California. To the extent that Request for Information 2.g. asks Willamette to identify all paper mills in the United States that are known by Willamette to have cogeneration capacity, Willamette objects on the ground that the request is unduly burdensome. Big Rivers has the same ability as Willamette to identify all paper mills in the United States that have cogeneration.

Witness: Alan Meyer

Albany Paper Mill

Purpose:

The purpose of this schedule is to describe generally the terms and conditions of service provided by the Company pursuant to special contracts approved by the Oregon Public Utility Commission under OAR 860-22-035. In each case, the rights and obligations of the parties are as specified in detail in the respective special contracts. In the event of any ambiguity or conflict between the summaries in this schedule and the substantive provisions of the special contracts, the terms of the special contracts shall be controlling. A copy of each special contract is available for public inspection at each of the Company's district offices in Oregon.

Available:

In all territory served by Company in Oregon.

Applicable:

For those customers demonstrating that they meet the eligibility criteria established under House Bill 2144, as is now contained under 1987 Session Laws Chapter 900, and Oregon Public Utility Commission Order 87-402. These eligibility criteria are summarized as follows:

Eligibility Criteria Questions

Summarized from House Bill 2144

1. Does the special contract generate revenues at least sufficient to cover relevant short and long run costs of the Company during the term of the contract?
2. Does the special contract generate revenue sufficient to insure that just and reasonable rates are established for remaining customers of the Company?
3. Is it appropriate to incorporate interruption of service in the special contract?
4. Does the special contract require the Company to acquire new resources to serve the load?
5. For service to load not previously served, what is the effect of the special contract on the Company's average system cost through the residential exchange provisions of the Regional Power Act?

Eligibility Criteria

Summarized from Order 87-402

1. The general legal standards for special contracts are:
 - a. Classes of customers must be based on reasonable considerations so that customers receiving "like and contemporaneous service under substantially similar circumstances" are placed in the same class.
 - b. Classes of customers must be open-ended, so that any customer meeting the criteria for the class qualifies for the special contract.
 - c. Special contracts can be offered only for the purpose of providing just and reasonable rates for remaining customers.
2. The purpose of the special contract must be to benefit the Company's other customers by maximizing contribution to the Company's fixed costs from customers receiving the special contract. This implies that the special contracts should be offered only to customers with viable alternatives to the Company's service. Those "discretionary" customers are customers which:
 - a. Use volumes large enough to justify the cost of administering a special contract, and
 - b. Can switch fuels, or
 - c. Can purchase their own supplies and install their own distribution system, or
 - d. Are otherwise so price sensitive that a special contract would increase consumption enough to increase the customer's contribution to the Company's fixed costs.
3. The special contract for discretionary customers must be designed to maximize contribution to fixed costs from customers receiving the special contract. In addition, the contract price must be greater than variable cost plus a minimum contribution to fixed costs. As the Company's system nears capacity, the minimum contract price must reflect the impact of system expansion on average costs.

(continued)

Issued: October 4, 1988
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November 17, 1988

P.U.C. OR No. 34
Original Sheet No. 400-1

Paul G. Lorenzini

TF1 400-1.E

**PACIFIC POWER & LIGHT COMPANY
SPECIAL CONTRACTS**

Applicable:

(continued)

Eligibility Criteria

Summarized from Order 87-402 (continued)

4. Special contracts are permissible subject to the following conditions:
 - a. Similar special contracts must be made available to any customer meeting the criteria for the class; and
 - b. The Commission must be able to change any special contract.
5. The following are permissible classification criteria:
 - a. Volume of use
 - b. End use, at least to the extent difference in end use concisely describes difference in demands placed on the Company.
 - c. Other factors affecting the contract price the customer will pay for the Company's service.
6. The following are not permissible criteria:
 - a. Past usage
 - b. Impacts on social policy goals unrelated to the Commission's mandate.

Special Contracts:

Eligibility criteria listed below under each special contract generally indicate the unique characteristics of each customer which are used in evaluating each special contract in accordance with the eligibility criteria set forth above in the **APPLICABLE** section of this tariff schedule.

1. Wah Chang - Millersburg

Effective Date: September 12, 1997
Term: 5 Years

Price Adjustment:

Years 1-3 \$27.98 per MWh for 8,000-14,000 MWh per month.
\$25.13 per MWh in excess of 14,000 MWh per month.

Years 4-5 Prior monthly average of DJ-COB plus \$11.00 per MWh per month adjusted by one-half the Portland CPI change since September 1997.

Special Conditions:

- Minimum monthly bill of \$223,840 for first three contract years.
- In any month that the Customer's load factor is 65% or below the total bill for the month will be increased by 1.5%.

Eligibility Criteria:

Customers who:

- Qualify for service under Schedule 48T, and
- Demonstrate ability to proceed with municipal acquisition of PacifiCorp's existing electrical system at costs comparable to Wah Chang, and
- Are willing to accept the risk of market-based pricing.

Other eligibility criteria are set forth above in the **APPLICABLE** section of this tariff.

(Continued)

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P.U.C. OR No. 34
Fifth Revision of Sheet No. 400-2
Canceling Fourth Revision of Sheet No. 400-2

Issued by
Anne E. Eakin, Vice President, Regulation

TF1 400-2.E

Advice No. 97-179

Special Contracts:

(continued)

2. Roseburg Forest Products Co. - Oregon Plants

Effective Date: March 24, 1998
Term: 2 Years

Price Adjustment: Energy delivery and price based on millions of British Thermal Units.

Firm Take-or-Pay Service:

Minimum takings of 8.5 million kWh per month and maximum takings of 11.5 million kWh per month. Fixed price is 3.56 cents per kWh.

Non-Firm Take-or-Pay Service:

Minimum takings of 10.2 million kWh per month and maximum takings of 13.5 million kWh per month. Non-firm prices float based on natural gas index with maximum price of 2.50 cents per kWh.

Special Conditions:

- During the term of this Agreement, Pacific shall allow Customer, upon 30 days advance notice, up to three (3) non-consecutive two periods where Non-Firm Take-or-Pay Service may be declined.
- Pacific may impose instantaneous interruption of non-firm service on customer at any time in order to maintain system stability.
- For 5 years after expiration of contract, Pacific has the right to first refusal to provide electric service.

Eligibility Criteria:

Customers who:

- Take partial requirements service;
- Employ significant on-site generation capacity;
- Have a direct connection to wholesale natural gas supplies;
- Demonstrate the ability to maintain complete energy self-sufficiency;
- Contract for Firm Take-or-Pay Service under Standard Tariff Schedule 48T;
- Agree to a master billing arrangement including all of the customer's industrial facilities in the state.

Other eligibility criteria are set forth in the **APPLICABLE** section of this tariff schedule.

3. Eugene F. Burrill Lumber Co. - Medford

Effective Date: January 2, 1996
Term: 3 Years

Price Adjustment: Energy used to a threshold level of 481,500 kWh's is billed on Schedule 48T. Takings above the threshold level are considered Offset Energy. The price for Offset Energy is based on wholesale market activity, with a minimum value of \$.029 per kWh. Actual demand values are used in calculating bills, but not more than 2,253 kW if monthly takings exceed 481,500 kWh's.

(Continued)

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TF1 400-3.E

Advice No. 98-004

Special Contracts

(continued)

3. Eugene F. Burrill Lumber Co. - Medford
(continued)

Special Conditions:

- Energy deliveries available continuously year round.
- Company notifies Burrill Lumber about the price of Offset Energy, five days prior to each monthly billing period.
- Company may suspend service upon 48 hour notice to maintain system integrity.

Eligibility Criteria: Customers who have on-site cogeneration facilities and are looking for a short-term alternative to their generation costs during periods when access to cogeneration fuels is limited or the price is high. Other eligibility criteria are set forth above in the **APPLICABLE** section of this tariff schedule.

4. Boise Cascade Corporation - Medford

Effective Date: July 3, 1996
Term: Two years from the first meter reading date subsequent to approval by Public Utility Commission of Oregon

Price Adjustment: Base Service: Guaranteed monthly minimum takings of 200,000 kWh's, with a demand of 350 kW and reactive power of 550 kvar billed on Schedule 48T rates.

Price Adjustment: Level 1 Offset Service: Guaranteed monthly minimum takings of 1,750,000 kWh's in excess of the Base Service Level. Price for Level 1 service is \$.028 per kWh.

Level 2 Offset Service: \$.026 per kWh for all takings in excess of 2,200,000 kWh's with a monthly guaranteed minimum of 750,000 kWh.

Special Conditions:

- Company may suspend service upon 48 hour notice to maintain system integrity.
- Energy deliveries available continuously year round.

Eligibility Criteria: Customers who have on-site cogeneration facilities and are looking for a short-term alternative to their generation costs during periods when access to cogeneration fuels is limited or the price is high. Other eligibility criteria are set forth above in the **APPLICABLE** section of this tariff schedule.

5. Warm Springs Forest Products Industries

Effective Date: July 29, 1996
Term: 3 Years

Price Adjustment: Basic Service: Energy takings up to a threshold level of 49,000 kWh's are on Schedule 48T. Actual demand values are used in calculating bill, but not more than 1,000 kW if monthly takings exceed 49,000 kWh's.

Level 1 Offset Service: Price for first 450,000 kWh above threshold level is based on wholesale market activity with a minimum value of \$.029 per kWh.

(Continued)

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Anne E. Eakin, Vice President, Regulation

TF1 400-4.E

Advice No. 97-179

Special Contracts:

(continued)

**5. Warm Springs Forest Products Industries
(Continued)**

Level 2 Offset Service: Price for all monthly kWh's exceeding 499,000 is based on wholesale market activity with a minimum value of \$.022 per kWh.

Special Conditions:

- Energy deliveries available continuously year round.
- Company notifies Warm Springs about the Offset Energy price, five days prior to each monthly billing period.
- Company may suspend service upon 48 hour notice to maintain system integrity.

Eligibility Criteria:

Customers who have on-site cogeneration facilities and are looking for a short-term alternative to their generation costs during periods when access to cogeneration fuels is limited or the price is high. Other eligibility criteria are set forth above in the **APPLICABLE** section of this tariff schedule.

6. Weyerhaeuser - North Bend

Effective Date: Effective at the later of the first meter reading date following October 1, 1994, and approval by the Public Utility Commission of Oregon.

Term: Seven years

Price Adjustment: All billings are calculated under Schedule 48T.

Special Conditions:

- Pacific has option to build and own cogeneration facility on customer's site.
- Pacific agrees to inspect customer's plant for and provide consultation services on energy efficiency.
- Service agreement may be terminated upon mutual agreement that terms are commercially obsolete.

Eligibility Criteria:

- Customers who have:
 - on-site cogeneration facilities, and
 - transferred to PacifiCorp rights to develop all currently identifiable cost-effective on-site generation potential, and
 - committed to sole reliance on PacifiCorp as a source of electric service for a significant period of years.

Other eligibility criteria are set forth in the **APPLICABLE** section of this tariff schedule.

7. James River - Halsey

Effective Date: Effective at the later of the first meter reading date following October 1, 1994, and approval by the Public Utility Commission of Oregon.

Term: Seven years

Price Adjustment: All billings are calculated under Schedule 48T.

Special Conditions:

- Pacific has option to build and own cogeneration facility on customer's site.
 - Pacific agrees to inspect customer's plant for and provide consultation services on energy efficiency.
- (Continued)*

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TF1 400-5.E

Advice No. 97-179

Special Contracts:

(continued)

7. James River - Halsey (Continued)

- Service agreement may be terminated upon mutual agreement that terms are commercially obsolete.

Eligibility Criteria: Customers who have:

- on-site cogeneration facilities, and
- transferred to PacifiCorp rights to develop all currently identifiable cost-effective on-site generation potential, and
- committed to sole reliance on PacifiCorp as a source of electric service for a significant period of years.

Other eligibility criteria are set forth in the **APPLICABLE** section of this tariff schedule.

8. Pope & Talbot - Halsey

Effective Date: Effective at the later of the first meter reading date following October 1, 1994, and approval by the Public Utility Commission of Oregon.

Term: Seven years

Price Adjustment: All billings are calculated under Schedule 48T.

- Special Conditions:
- Pacific has option to build and own cogeneration facility on customer's site.
 - Pacific agrees to inspect customer's plant for and provide consultation services on energy efficiency.
 - Service agreement may be terminated upon mutual agreement that terms are commercially obsolete.

- Eligibility Criteria: Customers who have:
- on-site cogeneration facilities, and
 - transferred to PacifiCorp rights to develop all currently identifiable cost-effective on-site generation potential, and
 - committed to sole reliance on PacifiCorp as a source of electric service for a significant period of years.

Other eligibility criteria are set forth in the **APPLICABLE** section of this tariff schedule.

9. James River - Camas

Effective Date: Effective upon commencement of construction of the new generating unit at the site, but no earlier than October 1, 1993.

Term: Twenty years

Price Adjustment: All billings are calculated under Schedule 48T.

- Special Conditions:
- Pacific will own a cogeneration facility under construction on customer's site and has an option to participate in a gas turbine project on the customer's site.

- Eligibility Criteria: Customers who have:
- on-site cogeneration facilities, and
 - transferred to PacifiCorp rights to develop all currently identifiable cost-effective on-site generation potential, and
 - committed to sole reliance on PacifiCorp as a source of electric service for a significant period of years.

Other eligibility criteria are set forth in the **APPLICABLE** section of this tariff schedule.
(Continued)

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P.U.C. OR No. 34
Fourth Revision of Sheet No. 400-6
Canceling Third Revision of Sheet No. 400-6

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Anne E. Eakin, Vice President, Regulation

TF1 400-6.E

Advice No. 97-179

Special Contracts:
(continued)

10. Willamette Industries - Albany

Effective Date: January 1, 1995
Term: Seven years

Price Adjustment: All billings calculated under Schedule 48T until date of commercial operation of customer's cogeneration facility. Thereafter, Schedule 47T prices apply to electric power and energy supplied by PacifiCorp, plus:

- \$1,000 monthly administrative service fee
- \$.010 per kilowatt-hour Stored Energy Return Charge
- \$1.00 credit per kilowatt of on-peak billing demand for Economic Interruption Credit
- \$15 Voltage Support Fee for each hour customer's cogeneration unit is operating

Special Conditions:

- At customer's request, PacifiCorp will store excess energy and capacity generated by customer for future delivery to customer.
- Customer's contract capacity to be specified annually by customer.
- Customer may sell excess cogeneration capacity and energy to PacifiCorp or any non-PacifiCorp retail customer.

Special Conditions:

- Service agreement may be terminated upon mutual agreement that terms are commercially obsolete.
- Pacific agrees to inspect customer's plant for and provide consultation services on energy efficiency.

Special Conditions:

- Pacific has option to participate in future generation facilities on customer's site.

Eligibility Criteria:

- Customers who:
- operate on-site cogeneration facilities to supply a portion of their own electricity needs, and
 - transfer to PacifiCorp options to participate in all currently identifiable cost-effective on-site generation potential;
 - are willing to accept interruptible standby service, voltage support and stored energy and capacity service.

Other eligibility criteria are set forth in the **APPLICABLE** section of this tariff schedule.

10. A. Supplemental Agreement

Effective Date: July 9, 1997
Term: 30 months

Price Adjustment: Displacement Power:
DJ-COB plus \$2 per MWh for all MWh

Firm Power: DuraFlake Plant
1997 \$25.00 per MWh for all MWh.

1998- \$11.00 per MWh plus
1999 the weighted average of preceding calendar year's per MWh on-peak and off-peak prices of power and energy delivered at DJ-COB.

(Continued)

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Anne E. Eakin, Vice President, Regulation

TF1 400-7.E

Advice No. 97-179

Special Contracts:

(continued)

10. A. Supplemental Agreement (Continued)

Special Conditions:

- PacifiCorp will make offers of Displacement Power to Customer each Thursday for weekly, monthly, and quarterly time periods.
- Customer may accept or decline offers for Displacement Power.
- Customer must inform PacifiCorp of any bids to supply power, and allow PacifiCorp the ability to offer counter-bid, once Customer Choice is initiated.
- No new generating capacity for 12 months.
- If enhancements of current cogeneration facilities are to be made, Customer must give written notice to PacifiCorp and allow PacifiCorp to submit an offer to supply power and energy to supplant enhancements.

Eligibility Criteria:

- Customers who:
- Qualify for service under Schedules 47T and 48T, and
 - Have on-site cogeneration facilities with sufficient capacity to generate plant's entire electrical load at a similar cost per kWh, and
 - Demonstrate the ability to install a steam turbine for additional capacity, and
 - Contracted with PacifiCorp to provide interruptible standby service, voltage support and energy and capacity storage for cogeneration facility, and
 - Willing to accept risks of market-based pricing.

Other eligibility criteria are set forth above in the **APPLICABLE** section of this tariff.

11. Evanite Fiber Corporation

Effective Date: July 1, 1997
Term: 3 Years

Price Adjustments:	1997	\$37.60 per MWh for first 3,860 MWh per month. \$25.00 per MWh for excess.
	1998	\$37.60 per MWh for first 3,270 MWh per month. \$25.00 per MWh for excess.
	1999	\$37.60 per MWh for first 2,185 MWh per month. \$25.00 per MWh for excess.
	2000	\$25.00 per MWh for all MWh.

Special Conditions:

- Price adjustment threshold applies to Glass Fiber Plant consumption only.
- Hardboard facilities priced at \$37.60 per MWh for all MWh.
- Minimum Monthly billing requirement of \$145,000 for Glass Fiber Plant consumption only.
- Service agreement may be terminated by Customer upon eligibility of entire load for Customer Choice.

(Continued)

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P.U.C. OR No. 34
Original Sheet No. 400-8

Issued by
Anne E. Eakin, Vice President, Regulation

TF1 400-8.E

Advice No. 97-179

Special Contracts:

(continued)

11. Evanite Fiber Corporation (Continued)

Eligibility
Criteria:

Customers who:

- Qualify for service under Schedule 48T, and
- Purchase full requirements from PacifiCorp, and
- Agree to minimum monthly bill requirements based on 100% of historical usage at historical prices, and
- Demonstrate the ability to reduce historic electricity usage and move plant's load to another location.

Other eligibility criteria are set forth above in the **APPLICABLE** section of this tariff.

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P.U.C. OR No. 34
Original Sheet No. 400-9

Issued by
Anne E. Eakin, Vice President, Regulation

TF1 400-9.E

Advice No. 97-179

**PACIFIC POWER & LIGHT COMPANY
LARGE GENERAL SERVICE
PARTIAL REQUIREMENTS SERVICE - METERED TIME OF USE
1,000 KW AND OVER**

**OREGON
SCHEDULE 47T
Page 1**

Available:

In all territory served by Company in Oregon.

Applicable:

To partial requirements, supplementary, or standby electric service furnished for contract capacities of 1,000 kW and over or for takings which have registered 1,000 kW or more, more than once in a preceding 18-month period, having energy sources other than the Company, including on-site generation, at a single point of delivery at Company's locally standard voltage. This schedule will remain applicable until customer fails to exceed 1,000 kW for a subsequent period of 36 consecutive months. Deliveries at more than one point, or more than one voltage and phase classification, will be separately metered and billed. Not applicable to service for: resale, intermittent or highly fluctuating loads, or seasonal use. This schedule is not required where on-site generation is employed only for emergency supply during utility outage.

Monthly Billing:

The Monthly Billing shall be the sum of the Electric Service Charge, the Standby Charge, the Overrun Rate Charge and the Reactive Power Charges.

Electric Service Charge:

The Electric Service Charge shall be computed in accordance with the Basic, Demand, Effective Energy including adjustments, and Minimum Charges of Schedule 48T of this tariff, and adjusted in accordance with the Primary Voltage Metering and Delivery Adjustments therein.

Standby Charge:

Fifty percent (50%) of the applicable Demand Charge of Schedule 48T shall be applied to the kW by which Customer's Contract Capacity or Total Load Demand, as provided by contract, exceeds the Billing Demand.

Overrun (Excess Takings) Rate:

Overrun demand charge: 4 times Schedule 48T Demand Charge
Overrun energy charge: 2 times Schedule 48T Energy Charge

Reactive Power Charges:

The maximum 15-minute reactive demand for the month in kilovolt-amperes in excess of 40% of the monthly measured demand will be billed at 60¢ per kvar of such reactive demand. In addition, all reactive kilovolt-ampere hours (kvarh) which are registered in excess of 40% of the registered monthly kilowatt-hours (kWh) will be billed at 0.08¢ per kvarh.

Reactive Power charges shall be adjusted in accordance with the Primary Voltage Metering and Delivery Adjustments of Schedule 48T where applicable.

Special Conditions:

The contract for service shall specify Customer's selection from stated alternatives of service provisions by which the magnitude of Company's service and of the kW applicable to the standby charge is determined from (a) Customer's Total Load Demand including any coincident power supplied by Customer's on-site generation or, alternatively, by (b) a lesser Contract Capacity expressed as a fixed total number of kW.

(continued)

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Issued by
Anne E. Eakin, Assistant Vice President, Regulation

TF1 47T-1.E

Advice No. 95-136

**PACIFIC POWER & LIGHT COMPANY
LARGE GENERAL SERVICE
PARTIAL REQUIREMENTS SERVICE - METERED TIME OF USE
1,000 KW AND OVER**

**OREGON
SCHEDULE 47T**
Page 2

Special Conditions:

(continued)

In the absence of a currently applicable service contract providing for Total Load Demand billing or for a stated kW of Contract Capacity, the Contract Capacity shall, for purposes of billing this schedule, be deemed to be the average of the monthly measured demands of the most recently completed calendar year, and shall not thereafter change except through mutually agreed to service contract.

Deliveries at a rate of supply in excess of the Contract Capacity are not firm power deliveries and are subject to curtailment.

Company will provide metering and will determine the Overrun Demand and Energy quantities as follows: Overrun Demand, the kW by which the highest monthly measured demand exceeds the Contract Capacity; Overrun Energy, the summation of those kWh by which deliveries exceed the Contract Capacity kW level. Any Overrun quantities will be billed at the Overrun (Excess Takings) Rate. The monthly measured delivery quantities used in determination of Overrun Charges will be reduced by the amount of such billed Overrun Demand and Energy quantities before application of the Basic, Demand and Energy Charges of Schedule 48T.

Metering shall be detented to measure one-way deliveries.

On-Peak Period Billing Demand:

The On-Peak Period kW shown by or computed from the readings of Company's demand meter for the 15-minute period of customer's greatest use during the month, determined to the nearest kW.

Total Load Demand:

The measured kW shown by or computed from Company's demand totalizer meter of the 15-minute period of greatest coincident total of Customer's power use from Customer's generation and from power supplied by Company.

Contract Capacity:

The kW level specified by contract which the Customer expects to be the maximum takings from the Company.

Monthly Measured Demand:

The kW shown by the readings of Company's demand meter for the 15-minute period of Customer's greatest use during the month, determined to the nearest kW.

Term of Contract:

By written service contract for not less than five years.

Rules and Regulations:

Service under this schedule is subject to the General Rules and Regulations contained in the tariff of which this schedule is a part and to those prescribed by regulatory authorities.

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Advice No. 94-104

PACIFIC POWER & LIGHT COMPANY
LARGE GENERAL SERVICE
METERED TIME OF USE - 1,000 KW AND OVER

OREGON
SCHEDULE 48T
 Page 1

Available:

In all territory served by Company in Oregon.

Applicable:

This schedule is applicable to electric service loads which have registered 1,000 kW or more, more than once in a preceding 18-month period. This schedule will remain applicable until customer fails to exceed 1,000 kW for a subsequent period of 36 consecutive months. Deliveries at more than one point, or more than one voltage and phase classification, will be separately metered and billed. Service for intermittent, partial requirements, or highly fluctuating loads, or where service is seasonally disconnected during any one-year period will be provided only by special contract for such service.

Partial requirements service for loads of 1,000 kW and over will be provided only by application of the provisions of Schedule 47T.

Monthly Billing:

The Monthly Billing shall be the sum of the Basic, Demand, Energy, and Reactive Power Charges plus applicable Metering and Delivery Adjustments.

Basic Charge:

If Load Size* Is:	The Monthly Basic Charge* Is:
4,000 kW or less	\$240 plus \$.50 per kW
Over 4,000 kW	\$440 plus \$.45 per kW

* **Note:** kW load size, for the determination of the Basic Charge, shall be the average of the two greatest non-zero monthly demands established anytime during the 12-month period which includes and ends with the current billing month.

Demand Charge:

On-Peak Period Demand

(Monday through Friday: 6:00 a.m. to 10:00 p.m.)

\$2.88 For each kW of Billing Demand

Energy Charge:

Base Rate	Adjustments	Effective Rate	
3.279¢	0.121¢	3.400¢	per kWh

Adjustments:

The Effective Rate includes Adjustments as follows:

	<u>Adjustments</u>
Schedule 191 (Adjustment - System Benefit Charge)	0.078¢ per kWh
Schedule 192 (Adjustment - DSM Incentive Adjustment)	0.019¢ per kWh
Schedule 195 (Adjustment - Decoupling)	<u>0.024¢</u> per kWh
Total	0.121¢ per kWh

Minimum Charge:

The minimum monthly charge shall be the Basic Charge. A higher minimum may be required by contract.

(continued)

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PACIFIC POWER & LIGHT COMPANY
LARGE GENERAL SERVICE
METERED TIME OF USE - 1,000 KW AND OVER

OREGON
SCHEDULE 48T
 Page 2

Reactive Power Charge:

The maximum 15-minute reactive demand for the month in kilovolt-amperes in excess of 40% of the maximum measured kilowatt demand for the same month will be billed, in addition to the above charges, at 60¢ per kvar of such excess reactive demand.

Primary Voltage Metering and Delivery Adjustments:

The above monthly charges are applicable without adjustment for voltage when delivery and metering are at Company's standard secondary voltage.

Metering:

For so long as metering voltage is at Company's available primary distribution voltage of 11 kv or greater, the above charges will be reduced by 1.5%.

Delivery:

For so long as delivery is made at the Company's current locally available primary or transmission voltage, the total of the above charges will be reduced by the following amounts per kW of load size used for the determination of the Basic Charge billed in the month; and where such deliveries are metered at the delivery voltage, the following High Voltage Charges shall be added:

<u>Standard Service Voltage</u>	<u>Reduction</u>	<u>High Voltage Charge</u>
Primary voltage of 11 kv or greater	15¢ per kW	\$ 35 per month
Transmission voltage of 60 kv and greater (57 kv locally in Portland)	27¢ per kW	\$340 per month

When a new delivery or an increase in capacity for an existing delivery is, at request of Customer, made by means of Company-owned transformers at a voltage other than a locally standard distribution voltage, the above charges for any month will be increased by 15¢ per kW of load size used for the determination of the Basic Charge billed in the month.

Company retains the right to change its line voltage or classifications thereof at any time, and after reasonable advance notice to any Customer affected by such change, such Customer then has the option to take service at the new line voltage or to accept service through transformers to be supplied by Company subject to the voltage adjustments above.

On-Peak Period Billing Demand:

The On-Peak Period kW shown by or computed from the readings of Company's demand meter for the 15-minute period of Customer's greatest use during the month, determined to the nearest kW.

Special Conditions:

Customer shall not resell electric service received from Company under provisions of this schedule to any person, except by written permission of Company and where Customer meters and bills any of his tenants at Company's regular tariff rate for the type of service which such tenant may actually receive.

Term of Contract:

Company may require the Customer to sign a written contract which shall have a term of not less than one year.

Rules and Regulations:

Service under this schedule is subject to the General Rules and Regulations contained in the tariff of which this schedule is a part and to those prescribed by regulatory authorities.

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Huemene Paper Mill



Schedule TOU-8
TIME-OF-USE
GENERAL SERVICE - LARGE

Sheet 1 of 16

APPLICABILITY

Applicable to general service including lighting and power, except agricultural water pumping accounts as described in Special Condition No. 14. This schedule is applicable to and mandatory for all customers whose monthly maximum demand, in the opinion of the Company, is expected to exceed 500 kW or has exceeded 500 kW in any three months during the preceding 12 months, except that customers served on this schedule may elect service under any applicable schedules optional hereto. Except for interruptible service customers, any existing customer on this schedule whose monthly maximum demand has registered 500 kW or less for 12 consecutive months is ineligible for service under this schedule (See Special Condition No. 11). Service under this schedule is subject to meter availability.

TERRITORY

Within the entire territory served.

RATES

The following rates are set forth for service metered and delivered at secondary, primary, and subtransmission voltages.

SERVICE METERED AND DELIVERED AT VOLTAGES BELOW 2 KV

	<u>Per Meter Per Month</u>	
	<u>Summer*</u>	<u>Winter</u>
Customer Charge.....	\$298.65	\$298.65
Demand Charge (to be added to Customer Charge):		
Facilities Related Component:		
All kW of Billing Demand, except that the Billing Demand shall not be less than the levels set forth in Special Condition No. 4 below, per kW.....	\$ 6.40	\$ 6.40
Time Related Component (to be added to Facilities Related Component):		
All kW of On-Peak Billing Demand, per kW	\$ 17.55	N/A
Plus all kW of Mid-Peak Billing Demand, per kW	\$ 2.80	\$ 0.00
Plus all kW of Off-Peak Billing Demand, per kW	\$ 0.00	\$ 0.00

(Continued)

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Schedule TOU-8
TIME-OF-USE
GENERAL SERVICE - LARGE
(Continued)

Sheet 2 of 16

RATES (Continued)

SERVICE METERED AND DELIVERED AT VOLTAGES BELOW 2 kV (Continued)

	<u>Per Meter Per Month</u>	
	<u>Summer*</u>	<u>Winter</u>
Energy Charge (to be added to Demand Charge):		
All On-Peak kWh, per kWh	\$0.09485	N/A
Plus all Mid-Peak kWh, per kWh	\$0.05989	\$0.07336
Plus all Off-Peak kWh, per kWh	\$0.03810	\$0.03925

- * During Summer months a Peak Period Rate Limiter of \$1.09530 per kilowattour and Average Rate Limiter of \$0.30844 per kilowattour will apply (See Special Condition Nos. 12 and 13).

The above charges used for customer billing are determined using the components shown in the Rate Components Section following the Special Conditions Section.

SERVICE METERED AND DELIVERED AT VOLTAGES FROM 2 kV THROUGH 50 kV

	<u>Per Meter Per Month</u>	
	<u>Summer*</u>	<u>Winter</u>
Customer Charge	\$299.00	\$299.00
Demand Charge (to be added to Customer Charge):		
Facilities Related Component:		
All kW of Billing Demand, except that the Billing Demand shall not be less than the levels set forth in the Special Condition No. 4 below, per kW	\$ 6.60	\$ 6.60
Time Related Component (to be added to Facilities Related Component):		
All kW of On-Peak Billing Demand, per kW	\$ 17.95	N/A
Plus all kW of Mid-Peak Billing Demand, per kW	\$ 2.70	\$ 0.00
Plus all kW of Off-Peak Billing Demand, per kW	\$ 0.00	\$ 0.00

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Schedule TOU-8
TIME-OF-USE
GENERAL SERVICE - LARGE
(Continued)

Sheet 3 of 16

RATES (Continued)

SERVICE METERED AND DELIVERED AT VOLTAGES FROM 2 KV THROUGH 50 KV
(Continued)

	<u>Per Meter Per Month</u>	
	<u>Summer*</u>	<u>Winter</u>
Energy Charge (to be added to Demand Charge):		
All On-Peak kWh, per kWh	\$0.09422	N/A
Plus all Mid-Peak kWh, per kWh	\$0.05847	\$0.07071
Plus all Off-Peak kWh, per kWh	\$0.03758	\$0.03874

- During Summer months a Peak Period Rate Limiter of \$1.09315 per kilowatthour and Average Rate Limiter of \$0.30844 per kilowatthour will apply (See Special Condition Nos. 12 and 13).

The above charges used for customer billing are determined using the components shown in the Rate Components Section following the Special Conditions Section.

SERVICE METERED AND DELIVERED AT VOLTAGES ABOVE 50 KV

	<u>Per Meter Per Month</u>	
	<u>Summer*</u>	<u>Winter</u>
Customer Charge	\$349.45	\$349.45
Demand Charge (to be added to Customer Charge):		
Facilities Related Component:		
All kW of Billing Demand, except that the Billing Demand shall not be less than the levels set forth in Special Condition No. 4 below, per kW	\$ 0.65	\$ 0.65
Time Related Component (to be added to Facilities Related Component):		
All kW of On-Peak Billing Demand, per kW	\$ 16.15	N/A
Plus all kW of Mid-Peak Billing Demand, per kW	\$ 2.45	\$ 0.00
Plus all kW of Off-Peak Billing Demand, per kW	\$ 0.00	\$ 0.00

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Schedule TOU-8
TIME-OF-USE
GENERAL SERVICE - LARGE
(Continued)

Sheet 4 of 16

RATES (Continued)

SERVICE METERED AND DELIVERED AT VOLTAGES ABOVE 50 KV (Continued)

	<u>Per Meter Per Month</u>	
	<u>Summer*</u>	<u>Winter</u>
Energy Charge (to be added to Demand Charge):		
All On-Peak kWh, per kWh	\$0.07397	N/A
Plus all Mid-Peak kWh, per kWh	\$0.05053	\$0.06093
Plus all Off-Peak kWh, per kWh	\$0.03755	\$0.03872

* During Summer months a Peak Period Rate Limiter of \$0.92250 per kilowatthour will apply (See Special Condition No. 12).

The above charges used for customer billing are determined using the components shown in the Rate Components Section following the Special Conditions Section.

SPECIAL CONDITIONS

1. Time periods are defined as follows:

- On-Peak: Noon to 6:00 p.m. summer weekdays except holidays
- Mid-Peak: 8:00 a.m. to Noon and 6:00 p.m. to 11:00 p.m. summer weekdays except holidays
- Off-Peak: 8:00 a.m. to 9:00 p.m. winter weekdays except holidays
- Off-Peak: All other hours.

Holidays are New Year's Day (January 1), Washington's Birthday (third Monday in February), Memorial Day (last Monday in May), Independence Day (July 4), Labor Day (first Monday in September), Veterans Day (November 11), Thanksgiving Day (fourth Thursday in November), and Christmas (December 25).

See Special Condition No. 15 for Time Periods applicable to Qualifying Facilities.

When any holiday listed above falls on Sunday, the following Monday will be recognized as an off-peak period. No change will be made for holidays falling on Saturday.

The summer season shall commence at 12:00 a.m. on the first Sunday in June and continue until 12:00 a.m. of the first Sunday in October of each year. The winter season shall commence at 12:00 a.m. on the first Sunday in October and continue until 12:00 a.m. of the first Sunday in June of the following year.

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Schedule TOU-8
TIME-OF-USE
GENERAL SERVICE - LARGE
(Continued)

Sheet 5 of 16

SPECIAL CONDITIONS (Continued)

2. Voltage: Service will be supplied at one standard voltage.
3. Maximum Demand: Maximum demands shall be established for the On-Peak, Mid-Peak, and Off-Peak periods. The maximum demand for each period shall be the measured maximum average kilowatt input indicated or recorded by instruments to be supplied by the Company, during any 15-minute metered interval, but, where applicable, not less than the diversified resistance welder load computed in accordance with the section designated Welder Service in Rule No. 2. Where the demand is intermittent or subject to violent fluctuations, a 5-minute interval may be used.
4. Billing Demand: The Billing Demand shall be the kilowatts of Maximum Demand, determined to the nearest kW. The Demand Charge shall include the following billing components. The Time Related Component shall be for the kilowatts of Maximum Demand recorded during (or established for) the monthly billing period for each of the On-Peak, Mid-Peak, and Off-Peak Time Periods. The Facilities Related Component shall be for the greater of the kilowatts of Maximum Demand recorded during (or established for) the monthly billing period or 50% of the highest Maximum Demand established in the preceding eleven months (Ratcheted Demand). However, when the Utility determines the Customer's meter will record little or no energy use for extended periods of time or when the Customer's meter has not recorded a Maximum Demand in the preceding eleven months, the Facilities Related Component of the Demand Charge may be established at 50 percent of the Customer's connected load. Separate Demand Charge(s) for the On-Peak, Mid-Peak, and Off-Peak Time Periods shall be established for each monthly billing period. The Demand Charge for each time period shall be based on the Maximum Demand for that time period occurring during the respective monthly billing period.
5. Excess Transformer Capacity: Excess Transformer Capacity is the amount of transformer capacity requested by a customer, or required by the Company, in excess of that which the Company would normally install to serve the customer's Maximum Demand. Excess Transformer Capacity shall be billed at \$1.00 per kVA per month.

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Schedule TOU-8
TIME-OF-USE
GENERAL SERVICE - LARGE
(Continued)

Sheet 6 of 16

SPECIAL CONDITIONS (Continued)

6. Power Factor Adjustment:

a. Adjustment Rate:

- (1) For service delivered and metered at voltages greater than 50 kV, including Cogeneration and Small Power Production Customers, the billing will be increased by \$0.18 per kilovar of maximum reactive demand imposed on the Company.
- (2) For service delivered and metered at voltages of 50 kV or less, including Cogeneration and Small Power Production Customers, the billing will be increased by \$0.23 per kilovar of maximum reactive demand imposed on the Company.

b. Determining the Reactive Demand:

The maximum reactive demand shall be the highest measured maximum average kilovar demand indicated or recorded by metering to be supplied by the Company during any 15-minute metered interval in the month. The kilovars shall be determined to the nearest unit. A device will be installed on each kilovar meter to prevent reverse operation of the meter.

7. Temporary Discontinuance of Service: Where the use of energy is seasonal or intermittent, no adjustments will be made for a temporary discontinuance of service. Any customer prior to resuming service within twelve months after such service was discontinued will be required to pay all charges which would have been billed if service had not been discontinued.

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Schedule TOU-8
TIME-OF-USE
GENERAL SERVICE - LARGE
(Continued)

Sheet 7 of 16

SPECIAL CONDITIONS (Continued)

8. Supplemental Visual Demand Meter: Subject to availability, and upon written application by the customer, the Company will, within 180 days, supply and install a Company-owned supplemental visual demand meter. The customer shall provide the required space and associated wiring beyond the point of interconnection for such installation. Said supplemental visual demand meter shall be in parallel with the standard billing meter delineated in Special Condition 3 above. The readings measured or recorded by the supplemental visual demand meter are for customer information purposes only and shall not be used for billing purposes in lieu of meter readings established by the standard billing meter. If a meter having visual capability of displaying real time demand is installed by Edison as the standard billing meter, no additional metering will be installed pursuant to this Special Condition.

One of the following types of supplemental visual demand meters will be provided in accordance with provisions above at no additional cost to the customer: Dial Wattmeter or Electronic Demand Monitor.

If the customer desires a supplemental visual demand meter having features not available in any of the above listed meters, such as an electronic microprocessor-based meter, the Company will provide such a supplemental visual demand meter subject to a monthly charge, if the meter and its associated equipment have been approved for use by the Company. Upon receipt from the customer of a written application the Company will design the installation and will thereafter supply, install, and maintain the supplemental visual demand meter subject to all conditions stated in the first and last paragraph of this Special Condition. For purposes of computing the monthly charge, any such supplemental visual demand meter and associated equipment shall be treated as Added Facilities in accordance with Rule No. 2, Paragraph H, Section 1 and 2 of the tariff rules. Added investment for computing the monthly charge shall be reduced by the Company's estimated total installed cost at the customer location of the Electronic Demand Monitor offered otherwise herein at no additional cost.

The Company shall have sole access for purposes of maintenance and repair to any supplemental visual demand meter installed pursuant to this Special Condition and shall provide all required maintenance and repair. Periodic routine maintenance shall be provided at no additional cost to the customer. Such routine maintenance includes making periodic adjustments, lubricating moving parts and making minor repairs. Non-routine maintenance and major repairs or replacement shall be performed on an actual cost basis with the customer reimbursing the Company for such cost.

9. Contracts: An initial three-year facilities contract may be required where applicant requires new or added serving capacity exceeding 2,000 kVA.

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Schedule TOU-8
TIME-OF-USE
GENERAL SERVICE - LARGE
(Continued)

Sheet 8 of 16

SPECIAL CONDITIONS (Continued)

10. **Customer-Owned Electrical Generation Equipment:** Where customer-owned electrical generation equipment is used to meet a part or all of the customer's electrical requirements, service shall be provided concurrently under the terms and conditions of Schedule S and this schedule. Parallel operation of such generation equipment with the Company's electrical system is permitted.

The use of customer-owned electrical generation equipment for auxiliary, emergency, or standby purposes (auxiliary/emergency generation equipment) is permitted under this schedule. However, auxiliary/emergency generation equipment may be used by the customer to serve the customer's load only during a period when the Company's service is unavailable and only when such load is isolated from the service of the Company. Auxiliary/emergency generation equipment may not be operated in parallel with the Company's electrical system, except that upon approval by the Company, momentary parallel operation may be permitted to allow the customer to test the auxiliary/emergency generation equipment. A Momentary Parallel Generation Contract is required for this type of service.

11. **Removal From Schedule:** Customers receiving service under this schedule whose monthly Maximum Demand has registered 500 kW or less for 12 consecutive months shall be changed to an applicable rate schedule effective with the date the customer became ineligible for service under this schedule. This Special Condition is not applicable to customers taking service under Schedule I-6.
12. **Peak Period Rate Limiter:** A firm service customer's total monthly bill under this schedule, excluding the Public Utilities Commission (PUC) Reimbursement Fee, California Alternate Rates for Energy (CARE) Surcharge, as set forth in Preliminary Statement, Part O, Section 5, Power Factor Adjustment, Excess Transformer Capacity charge, Non-Time Related Demand Charge, and customer charges, shall be reduced, if necessary, so that the average rate during the On-Peak Period in a summer month does not exceed the peak period rate limiter for the appropriate service voltage level shown on this schedule. This Special Condition is also applicable to firm service customers taking service under Schedule S. This Special Condition is not applicable to customers taking service under Schedule I-6.
13. **Average Rate Limiter:** For firm service customers with service metered and delivered at voltages 50 kV and below, the customer's total monthly bill under this schedule, excluding the PUC Reimbursement Fee, CARE Surcharge, as set forth in Preliminary Statement, Part O, Section 5, Power Factor Adjustment, Excess Transformer Capacity charge, and customer charges, shall be reduced, if necessary, so that the average rate during a summer month does not exceed the average rate limiter for the appropriate service voltage level shown on this schedule. This Special Condition is not applicable to customers taking service under Schedule I-6.
14. **Agricultural Water Pumping Accounts:** Large individual water agency and other large water pumping accounts with 70% or more of the water pumped used for agricultural purposes are not eligible for service under this schedule and must take service on an agricultural class rate schedule.

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Schedule TOU-8
TIME-OF-USE
GENERAL SERVICE - LARGE
(Continued)

Sheet 9 of 16

SPECIAL CONDITIONS (Continued)

15. Qualifying Facilities Time Periods: Time Periods for power purchase payments to a cogeneration or small power production source which meets the criteria for a Qualifying Facility as defined under 18 CFR, Chapter 1, part 292, subpart B of the Federal Energy Regulatory Commission regulations and whose power purchase payments are based on the time-of-use periods set forth in this schedule, shall be as defined under Special Condition No. 1 herein, except that: 1) consistent with the effective dates listed in the table below, the summer season shall commence at 12:00 a.m. on June 1 and continue until 12:00 a.m. on October 1 of each year; 2) consistent with the effective dates listed in the table below, the winter season shall commence at 12:00 a.m. on October 1 of each year and continue until 12:00 a.m. on June 1 of the following year; 3) for the winter season a Super Off-Peak time period of midnight to 6:00 a.m., everyday, shall apply.

The Summer and Winter Season modifications defined above shall become effective for each Qualifying Facility based on its date of Firm Operation (or initial operation for non-firm Qualifying Facilities) as shown on the table below. Qualifying Facilities that began operation after the end of the Summer Season will be considered to have begun operation in the next year.

<u>Firm Operation</u>	<u>Effective June 1</u>
1985 and prior years	1994
1986	1993
1987	1992
1988	1992
1989	1993
1990	1994
1991	1993
1992 and years beyond	1992

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Schedule TOU-8
TIME-OF-USE
GENERAL SERVICE - LARGE
(Continued)

Sheet 10 of 16

SPECIAL CONDITIONS (Continued)

16. **Compensated Metering.** This provision is applicable to service metered and delivered at voltages above 50 kV. Where customer/applicant requests and Edison agrees, Edison may install a transformer loss compensating device (*Compensated Metering*) acceptable to Edison in order to provide high voltage (over 50 kV) metered service. Where provided, this service will be considered as metered and delivered on Edison's side of the serving transformer. Edison shall rely on transformer loss data provided by the transformer manufacturer or transformer loss tests performed by Edison to calibrate the compensating device. Service under this provision is contingent upon customer/applicant's entering into an agreement which requires payment for the serving transformer and related substation equipment in accordance with Rule 2., Section H, Added Facilities, except where such transformer equipment is owned, operated, and maintained by the customer/applicant. Where the transformer equipment is owned, operated, and maintained by the customer/applicant, the customer/applicant is required to pay for the Compensated Metering and related equipment in accordance with Rule 2.H, Added Facilities, and shall also agree to provide Edison unrestricted access to the serving transformer, metering, and compensating equipment.
17. **Economic Development Rate Discount:** The economic development rate discount is applicable to new customers who agree to a written non-renewable contract and will locate new operations (new electric usage) within: Enterprise Zones designated by the State of California under the Enterprise Zone Act; Economic Incentive Areas designated by the State under the Employment and Economic Incentive Act; Recycling Market Development Zones designated by the California Integrated Waste Management Board under the Public Resource Code relating to solid waste; or federal military bases that are scheduled to be closed. Such new operations shall have loads that exceed 500 kW of monthly Maximum Demand. New customers locating on federal military bases scheduled for closure must declare their intention to continue as a customer of the utility after the base closure. Application will be limited to either a maximum of 50 qualified participants or a combined net load addition for all participants of 50 megawatts. The discount which is limited to a 3-year period, is 15 percent for the first 12 month period, 10 percent for the second 12 month period, and 5 percent for the third 12 month period. It shall be applied to the customer's total monthly bill excluding the PUC Reimbursement Fee, CARE Surcharge, as set forth in Preliminary Statement, Part O, Section 5, and any other applicable taxes and charges as specified in the Contract. For purposes of revenue accounting the discount will be deducted from the distribution component of the total rate.

(Continued)

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Schedule TOU-8
TIME-OF-USE
GENERAL SERVICE - LARGE
(Continued)

Sheet 11 of 16

SPECIAL CONDITIONS (Continued)

17. Economic Development Rate Discount: (Continued)

New electric usage does not represent kWh and kW that already exists within the State of California.

The Contract provides for a delay in the commencement of the three-year economic development rate discount for up to a 24 month period to provide time to establish operations within Enterprise Zones, Economic Incentive Areas, or federal military bases scheduled for closure.

This Special Condition is not applicable to governmental entities, to customers taking service under Schedule S, or existing customers for incremental increases in electric load at existing operations whether or not such operations are located within Enterprise Zones, Economic Incentive Areas, Recycling Market Development Zones, or federal military bases scheduled for closure.

This Special Condition is closed to new customers as of December 31, 1998 and will expire December 31, 2003.

18. Rate Eligibility Criteria for Energy Efficiency (RECEE)

The purpose of the RECEE is to determine a customer's continued eligibility for service under this schedule. The RECEE is applicable to customers currently receiving service under this schedule and who have implemented energy efficiency measures on or after June 5, 1994 which have reduced the customer's monthly Maximum Demand to 500 kW or less. The RECEE is a fixed level of demand, determined by the Utility, based on the customer's permanent demand reduction resulting from the implementation of energy efficiency measures. The RECEE demand is set forth in the Energy Efficiency Declaration, Form No.16-327.

The RECEE demand plus the customer's actual demand will be evaluated each billing period for purposes of determining the customer's continued eligibility for service under this schedule. If the RECEE demand plus the customer's actual demand equals 500 kW or less for 12 consecutive months, the customer is ineligible for service under this schedule and ineligible for application of the RECEE. The RECEE demand will not be used for purposes of calculating the customer's demand charge.

(Continued)

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Schedule TOU-8
TIME-OF-USE
GENERAL SERVICE - LARGE
(Continued)

Sheet 12 of 16

SPECIAL CONDITIONS (Continued)

19. Voltage Discount: For customers receiving service at 220 kV, the customer's total monthly bill for charges under this schedule, excluding the PUC Reimbursement Fee and CARE Surcharge as set forth in Preliminary Statement, Part O, Section 5, shall be reduced by 12.4 percent.
20. Billing: A Customer's bill is first calculated according to the total rates and conditions above. The following adjustments are made depending on the option applicable to the customer.
 - a. Bundled Service Customers receive supply and delivery services solely from Edison. The Customer's bill is based on the total rates set forth above. The Power Exchange (supply) component is equal to the Averaged Power Exchange (PX) Energy Charge as set forth in Schedule PX.
 - b. Direct Access Customers purchase energy from an Energy Service Provider and continue receiving delivery services from Edison. The Averaged PX Energy Charge is determined as specified for a Bundled Service Customer. The customer's bill will be calculated as for a Bundled Service Customer, but the Customer will receive a credit for the Averaged PX Energy Charge. If the Averaged PX Energy Charge is greater than the amount of the Bundled Service bill, the minimum bill for a Direct Access Customer is zero.
 - c. Hourly PX Pricing Option Customers receive supply and delivery services solely from Edison. A Customer taking Hourly PX Pricing Option service must have an interval meter installed at its premise to record hourly usage, since PX Energy Costs change hourly. If such metering is not currently installed, it shall be installed at the customer's expense before Hourly PX Pricing can be provided. Edison's charges for such metering are determined as set forth in Rule 2. The bill for a Hourly PX Pricing Option Customer is determined by calculating the bill as if it were for a Bundled Service Customer, then crediting the bill by the amount of the Averaged PX Energy Charge, as determined for Bundled Service and Direct Access Customers, then adding the hourly PX Energy Cost amount which is determined by multiplying the hourly energy used in the billing period by the hourly PX Energy Cost determined as set forth in Section 1 of Schedule PX, and the appropriate hourly Line Loss Adjustment Factors as set forth in Section 3 of Schedule PX, and the Uncollectibles expense factor of 1.00313.
21. Generation Charge: The generation charge is calculated based on the total rate less the sum of: Distribution, Transmission, Public Purpose Programs, Nuclear Decommissioning, and Fixed Transition Amount (where applicable) charges, the Transmission Revenue Balancing Account Adjustment (TRBAA), and the Public Utilities Commission Reimbursement Fee. The Competition Transition Charge (CTC) is calculated residually by subtracting the Averaged PX Energy Charge calculated as set forth in Schedule PX from the generation charge (See Rate Components Table).
22. Negotiating of CTC Payment Method: Nothing in this rate schedule prohibits a marketer or broker from negotiating with Customers the method by which their Customer will pay the CTC.

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Schedule TOU-8
TIME-OF-USE
GENERAL SERVICE - LARGE
(Continued)

Sheet 13 of 16

RATE COMPONENTS

Rate Components Table

Rate Schedule Summary	Trans ¹	Distrbtn ²	Gen ^{3,4}	NDC ⁵	PPPC ⁶	TRBAA ⁷	PUCRF ⁸	Total
<u>Below 2 kV</u>								
Energy Charge - \$/kWh								
Summer Season								
On-Peak	0.00000	0.00076	0.09085	0.00047	0.00274	(0.00009)	0.00012	0.09485
Mid-peak	0.00000	0.00076	0.05589	0.00047	0.00274	(0.00009)	0.00012	0.05989
Off-Peak	0.00000	0.00076	0.03410	0.00047	0.00274	(0.00009)	0.00012	0.03810
Winter Season								
On-Peak	NA	NA	NA	N/A	N/A	N/A	N/A	N/A
Mid-peak	0.00000	0.00076	0.06936	0.00047	0.00274	(0.00009)	0.00012	0.07336
Off-Peak	0.00000	0.00076	0.03525	0.00047	0.00274	(0.00009)	0.00012	0.03925
Customer Charge - \$/month	0.00	174.67	123.98					298.65
Facilities Related								
Demand Charge - \$/kW	0.13	3.61	2.66					6.40
Time Related								
Demand Charge - \$/kW								
Summer								
On-Peak	2.36	6.28	8.91					17.55
Mid-Peak	0.20	0.54	2.06					2.80
Off-Peak	0.00	0.00	0.00					0.00
Winter								
On-Peak	N/A	N/A	N/A					N/A
Mid-Peak	0.00	0.00	0.00					0.00
Off-Peak	0.00	0.00	0.00					0.00

¹ Trans = Transmission

² Distrbtn = Distribution

³ Gen = Generation

⁴ Competition Transition Charge (CTC) = Total Generation charge minus Averaged Power Exchange (PX) Energy Charge as set forth in Schedule PX.

⁵ NDC = Nuclear Decommissioning Charge

⁶ PPPC = Public Purpose Programs Charge (includes California Alternate Rates for Energy Surcharge where applicable.)

⁷ TRBAA = Transmission Revenue Balancing Account Adjustment (FERC approved).

⁸ PUCRF = The PUC Reimbursement Fee is described in Schedule RF-E.

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Schedule TOU-8
TIME-OF-USE
GENERAL SERVICE - LARGE
(Continued)

Sheet 14 of 16

RATE COMPONENTS (Cont'd)

Rate Components Table

Rate Schedule Summary	Trans ¹	Distrbn ²	Gen ^{3,4}	NDC ⁵	PPPC ⁶	TRBAA ⁷	PUCRF ⁸	Total
<u>From 2 kV to 50 kV</u>								
Energy Charge - \$/kWh								
Summer Season								
On-Peak	0.00000	0.00066	0.09062	0.00041	0.00250	(0.00009)	0.00012	0.09422
Mid-peak	0.00000	0.00066	0.05487	0.00041	0.00250	(0.00009)	0.00012	0.05847
Off-Peak	0.00000	0.00066	0.03398	0.00041	0.00250	(0.00009)	0.00012	0.03758
Winter Season								
On-Peak	NA	NA	NA	N/A	N/A	N/A	N/A	N/A
Mid-peak	0.00000	0.00066	0.06711	0.00041	0.00250	(0.00009)	0.00012	0.07071
Off-Peak	0.00000	0.00066	0.03514	0.00041	0.00250	(0.00009)	0.00012	0.03758
Customer Charge - \$/month	0.00	174.89	124.11					299.00
Facilities Related								
Demand Charge - \$/Kw	0.13	3.74	2.73					6.60
Time Related								
Demand Charge - \$/kW								
Summer								
On-Peak	2.46	6.55	8.94					17.95
Mid-Peak	0.21	0.56	1.93					2.70
Off-Peak	0.00	0.00	0.00					0.00
Winter								
On-Peak	N/A	N/A	N/A					N/A
Mid-Peak	0.00	0.00	0.00					0.00
Off-Peak	0.00	0.00	0.00					0.00

¹ Trans = Transmission

² Distrbn = Distribution

³ Gen = Generation

⁴ Competition Transition Charge (CTC) = Total Generation charge minus Averaged Power Exchange (PX) Energy Charge as set forth in Schedule PX.

⁵ NDC = Nuclear Decommissioning Charge

⁶ PPPC = Public Purpose Programs Charge (includes California Alternate Rates for Energy Surcharge where applicable.)

⁷ TRBAA = Transmission Revenue Balancing Account Adjustment (FERC approved).

⁸ PUCRF = The PUC Reimbursement Fee is described in Schedule RF-E.

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Schedule TOU-8
TIME-OF-USE
GENERAL SERVICE - LARGE
(Continued)

Sheet 15 of 16

RATE COMPONENTS (Cont'd)

Rate Components Table

Rate Schedule Summary	Trans ¹	Distrbtn ²	Gen ^{3,4}	NDC ⁵	PPPC ⁶	TRBAA ⁷	PUCRF ⁸	Total
<u>Above 50 kV</u>								
Energy Charge - \$/kWh								
Summer Season								
On-Peak	0.00000	0.00021	0.07167	0.00025	0.00181	(0.00009)	0.00012	0.07397
Mid-peak	0.00000	0.00021	0.04823	0.00025	0.00181	(0.00009)	0.00012	0.05053
Off-Peak	0.00000	0.00021	0.03525	0.00025	0.00181	(0.00009)	0.00012	0.03755
Winter Season								
On-Peak	NA	NA	NA	N/A	N/A	N/A	N/A	N/A
Mid-peak	0.00000	0.00021	0.05863	0.00025	0.00181	(0.00009)	0.00012	0.06093
Off-Peak	0.00000	0.00021	0.03642	0.00025	0.00181	(0.00009)	0.00012	0.03872
Customer Charge - \$/month	0.00	204.39	145.06					349.45
Facilities Related								
Demand Charge - \$/kW	0.15	0.24	0.26					0.65
Time Related								
Demand Charge - \$/kW								
Summer								
On-Peak	2.89	4.83	8.43					16.15
Mid-Peak	0.24	0.42	1.79					2.45
Off-Peak	0.00	0.00	0.00					0.00
Winter								
On-Peak	N/A	N/A	N/A					N/A
Mid-Peak	0.00	0.00	0.00					0.00
Off-Peak	0.00	0.00	0.00					0.00

¹ Trans = Transmission

² Distrbtn = Distribution

³ Gen = Generation

⁴ Competition Transition Charge (CTC) = Total Generation charge minus Averaged Power Exchange (PX) Energy Charge as set forth in Schedule PX.

⁵ NDC = Nuclear Decommissioning Charge

⁶ PPPC = Public Purpose Programs Charge (includes California Alternate Rates for Energy Surcharge where applicable.)

⁷ TRBAA = Transmission Revenue Balancing Account Adjustment (FERC approved).

⁸ PUCRF = The PUC Reimbursement Fee is described in Schedule RF-E.

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Schedule TOU-8
TIME-OF-USE
GENERAL SERVICE - LARGE
(Continued)

Sheet 16 of 16

RATE COMPONENTS (Cont'd)

Rate Components Table

Rate Schedule Summary	Trans ¹	Distribn ²	Gen ^{3,4}	NDC ⁵	PPPC ⁶	TRBAA ⁷	PUCRF ⁸	Total
Other Charges								
Excess Transformer								
Capacity - \$/kVA/month	0.00	1.00	0.00					1.00
Power Factor Adjustment - \$/kVA								
Greater than 50 kV	0.00	0.18	0.00					0.18
50 kV or less	0.00	0.23	0.00					0.23
Peak Period Rate Limiter - \$/kWh								
Summer only								
Below 2 kV			1.09530					1.09530
From 2 kV to 50 kV			1.09315					1.09315
Above 50 kV			0.92250					0.92250
Average Rate Limiter - \$/kWh								
Summer only								
Below 2 kV			0.30844					0.30844
From 2 kV to 50 kV			0.30844					0.30844
Economic Development Rate								
Discount - %		100.00						100.00*
Voltage Discount, 220 kV - %								
		100.00						100.00*

*The "total" shown above represents 100% of the discount percentage as set forth in the specific rate schedule.

¹ Trans = Transmission

² Distribn = Distribution

³ Gen = Generation

⁴ Competition Transition Charge (CTC) = Total Generation charge minus Averaged Power Exchange (PX) Energy Charge as set forth in Schedule PX.

⁵ NDC = Nuclear Decommissioning Charge

⁶ PPPC = Public Purpose Programs Charge (includes California Alternate Rates for Energy Surcharge and Discount where applicable.)

⁷ TRBAA = Transmission Revenue Balancing Account Adjustment

⁸ PUCRF = The PUC Reimbursement Fee is described in Schedule RF-E.

⁹ FTAC = The Fixed Transition Amount Charge is described in Schedule RRB.

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Schedule S
STANDBY

Sheet 1 of 5

APPLICABILITY

Applicable to customers taking service under a regular service rate schedule and where a part or all of the electrical requirements of the customer can be supplied from a cogeneration or small power production source which meets the criteria for Qualifying Facility as defined under 18 CFR, Chapter 1, part 292, subpart B of the Federal Energy Regulatory Commission (FERC) regulations. The cogeneration or small power production source may be connected for: (1) parallel operation with the service of the Company; or (2) isolated operation with standby or breakdown service provided by the Company by means of a double-throw switch. This schedule is also applicable to standby or breakdown service where the entire electrical requirements on the customer's premises are not regularly supplied by the Company and the generation serving the customer is (1) not a Qualifying Facility, and (2) not in parallel with the service of the Company.

TERRITORY

Within the entire territory served.

RATES

<u>Standby Charge:</u>	<u>Service Voltage</u>	<u>Per Meter Per Month</u>
All kW of Standby Demand, per kW	Below 2 kV	\$6.40
All kW of Standby Demand, per kW	2 kV to 50 kV	\$6.60
All kW of Standby Demand, per kW	Above 50 kV	\$0.65

Generation Reservation Charge (to be added to Standby Charge)

Applicable to customers newly taking service under this schedule as of May 1, 1996:

All kW of Standby Demand, per kW	Below 2 kV	\$0.37
All kW of Standby Demand, per kW	2 kV to 50 kV	\$0.36
All kW of Standby Demand, per kW	Above 50 kV	\$0.35

Applicable Schedule Charges (to be added to Standby Charge and Generation Reservation Charge):

The Facilities Related Component of the Demand Charges designated in the applicable regular service rate schedule shall be applied to all kW of Facilities Related Billing Demand in the current month less Standby Demand but in no case applied to a difference less than zero. All other charges including any minimum charges and provisions of the applicable regular service rate schedule designated in the Generation Agreement or the Contract for Electric Service shall apply.

For customers served under this schedule whose regular service rate is Schedule TOU-8, the Standby and Generation Reservation Charges are excluded from the Peak Period and Average Rate Limiter calculation provided in Schedule TOU-8.

The rate components used for customer billing are determined using the components shown in the Rate Components Section following the Special Conditions Section.

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Schedule S
STANDBY

Sheet 2 of 5

(Continued)

SPECIAL CONDITIONS

1. Contract: A Contract is required for service under this schedule.
2. Generation Agreement: A Generation Agreement with the customer shall be required for service under this schedule where the cogeneration or small power production source is connected for parallel operation with the service of the Company.
3. Standby Demand: The level of standby demand shall be set forth in the Generation Agreement or Contract for Electric Service. The level of standby demand shall be determined by the Company and shall be the lower of (a) the nameplate capacity of the customer's generating facility; or (b) the Company's estimate of the customer's peak demand.

The Company reserves the right to install, at the customer's expense, a demand meter to measure the customer's demand. The highest recorded demand shall be used to determine the customer's level of standby demand.

4. Allowance for Maintenance: After a customer has received service under this schedule for a period of six months, the added demand created by scheduled maintenance outages of the generating facility will be ignored for purposes of determining the Time Related Component of the demand charges under the applicable regular service rate schedule in months acceptable to the Company upon advance notice and subject to prevailing system peak conditions, subject to the conditions stated herein. Such conditions are that customer schedule and perform maintenance in accordance with the advance notice, outage duration, and outage frequency requirements set forth in the Generation Agreement, and following the period of scheduled maintenance, customer shows, to the satisfaction of the Company, what part of the recorded maximum demand utilized for billing in any of the months was added demand due to outage for such scheduled maintenance. This condition is applicable for one continuous outage per year of up to 30 consecutive days.

The Company may, at its option, require that the customer defer scheduled maintenance. If scheduled maintenance is deferred, the Company will allow an outage for maintenance at a later date with allowance for maintenance in accordance herewith. Notice of such deferral, if required, shall be provided to the customer not less than 60 days prior to customer's scheduled outage date, except in the event of emergency. The Allowance for Maintenance applies only to customers served on a rate schedule which has a Time Related Component within the demand charge.

5. Excess Energy: For parallel connections, the customer may sell power to the Company under the terms of the Generation Agreement.

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Schedule S
STANDBY
(Continued)

Sheet 3 of 5

SPECIAL CONDITIONS (Continued)

6. **Billing:** A Customer's bill is first calculated according to the total rates and conditions above. The following adjustments are made depending on the option applicable to the customer.
 - a. Bundled Service Customers receive supply and delivery services solely from Edison. The Customer's bill is based on the total rates set forth above. The Power Exchange (supply) component is equal to the Averaged Power Exchange (PX) Energy Charge as set forth in Schedule PX.
 - b. Direct Access Customers purchase energy from an Energy Service Provider and continue receiving delivery services from Edison. The Averaged PX Energy Charge is determined as specified for a Bundled Service Customer. The customer's bill will be calculated as for a Bundled Service Customer, but the Customer will receive a credit for the Averaged PX Energy Charge. If the Averaged PX Energy Charge is greater than the amount of the Bundled Service bill, the minimum bill for a Direct Access Customer is zero.
 - c. Hourly PX Pricing Option Customers receive supply and delivery services solely from Edison. A Customer taking Hourly PX Pricing Option service must have an interval meter installed at its premise to record hourly usage, since PX Energy Costs change hourly. If such metering is not currently installed, it shall be installed at the customer's expense before Hourly PX Pricing can be provided. Edison's charges for such metering are determined as set forth in Rule 2. The bill for a Hourly PX Pricing Option Customer is determined by calculating the bill as if it were for a Bundled Service Customer, then crediting the bill by the amount of the Averaged PX Energy Charge, as determined for Bundled Service and Direct Access Customers, then adding the hourly PX Energy Cost amount which is determined by multiplying the hourly energy used in the billing period by the hourly PX Energy Cost determined as set forth in Section 1 of Schedule PX, and the appropriate hourly Line Loss Adjustment Factors as set forth in Section 3 of Schedule PX, and the Uncollectibles expense factor of 1.00313.
7. **Generation Charge:** The generation charge is calculated based on the total rate less the sum of: Distribution, Transmission, Public Purpose Programs, Nuclear Decommissioning, and Fixed Transition Amount (where applicable) charges, the Transmission Revenue Balancing Account Adjustment (TRBAA), and the Public Utilities Commission Reimbursement Fee. The Competition Transition Charge (CTC) is calculated residually by subtracting the Averaged PX Energy Charge calculated as set forth in Schedule PX from the generation charge (See Rate Components Table).
8. **Negotiating of CTC Payment Method:** Nothing in this rate schedule prohibits a marketer or broker from negotiating with Customers the method by which their Customer will pay the CTC.

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Schedule S
STANDBY
(Continued)

Sheet 4 of 5

SPECIAL CONDITIONS (Continued)

9. Exemptions under Public Utilities Code, Section 380: "Eligible customers", as defined in Public Utilities (P.U.) Code Section 380, who operate a microgeneration facility are exempt from paying standby charges under this Schedule. An "eligible customer" is defined in P.U. Code Section 380 as a customer who has installed a microgeneration facility as defined in P.U. Code Section 331(f) on or after March 31, 1998 if that facility meets all of the following requirements:

- a. Is operated in parallel with SCE's transmission and distribution system,
- b. Is subject to SCE's Schedule S, Standby, and
- c. Is in full compliance with the best available control technology (BACT).

A microgeneration facility is defined in P.U. Code Section 331(f) as "a cogeneration facility of less than one megawatt."

Such exemptions shall not exceed a cumulative load of one megawatt (1MW) and shall expire on June 30, 2000.

(Continued)

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Schedule S
STANDBY
(Continued)

Sheet 5 of 5

RATE COMPONENTS

Rate Components Table

Rate Schedule Summary	Trans ¹	Distrib ²	Gen ^{3,4}	NDC ⁵	PPPC ⁶	TRBAA ⁷	PUCRF ⁸	Total
Standby Charge - \$/kW								
Below 2 kV	0.13	3.61	2.66					6.40
From 2 kV to 50 kV	0.13	3.74	2.73					6.60
Above 50 kV	0.15	0.24	0.26					0.65
Generation Reservation Charge - \$/kW								
Below 2 kV	0.00	0.00	0.37					0.37
From 2 kV to 50 kV	0.00	0.00	0.36					0.36
Above 50 kV	0.00	0.00	0.35					0.35

¹ Trans = Transmission

² Distribn = Distribution

³ Gen = Generation

⁴ Competition Transition Charge (CTC) = Total Generation charge minus Averaged Power Exchange (PX) Energy Charge as set forth in Schedule PX.

⁵ NDC = Nuclear Decommissioning Charge

⁶ PPPC = Public Purpose Programs Charge (includes California Alternate Rates for Energy Surcharge and Discount where applicable.)

⁷ TRBAA = Transmission Revenue Balancing Account Adjustment

⁸ PUCRF = The PUC Reimbursement Fee is described in Schedule RF-E.

⁹ FTAC = The Fixed Transition Amount Charge is described in Schedule RRB.

(To be inserted by utility)
Advice 1312-E
Decision
CE79-12.DOC

Issued by
John Fielder
Vice President

(To be inserted by Cal. PUC)
Date Filed May 05, 1998
Effective June 14, 1998
Resolution _____

Johnsonburg Paper Mill

ELECTRIC SERVICE AGREEMENT
FORM 13-312 REV. 6 (FRONT)

NO. 92461-2

THIS AGREEMENT, made this 13th day of January, 19 92, by
Willamette Industries, Inc.,
whose mailing address is 3800 First Interstate Tower
Portland, Oregon 97201

hereinafter called "Customer," and WEST PENN POWER COMPANY, a Pennsylvania Corporation, hereinafter called "Company."

WITNESSETH THAT, in consideration of the covenants and agreements herein contained, it is mutually agreed as follows:

1. The Rules and Regulations for electric service included in the Company Tariff on file with the Pennsylvania Public Utility Commission (hereinafter called "Company Rules and Regulations") and the applicable Rate Schedule included in said Company Tariff are expressly made a part of and are incorporated into this Agreement by reference thereto. Copies of Company Tariff are open for Customer inspection at all reasonable times at all Company Division Offices and will be made available to Customer upon request.
2. Company shall supply 60-cycle, Three phase, 13,800 volt electric service to Customer to the capacity of 60,000 (Kw. ~~Kva~~) at Penntech Paper Mill, Johnsonburg, PA.
3. Customer shall take electric service from Company in accordance with Company Rules and Regulations for the term of four years from the date on which electric service is supplied by the Company to the Customer or made available by the Company to the Customer hereunder and shall pay therefor in accordance with Rate Schedule 40 or any revision thereof on file with the Pennsylvania Public Utility Commission. Thereafter, this Agreement shall continue in effect upon the same terms and conditions, subject to cancellation upon thirty days written notice by either party unless a longer cancellation period is required under the applicable Rate Schedule.
4. Customer shall pay Company in full, within fifteen days of the date of issue of the bill, for service offered or supplied hereunder, in accordance with said Rate Schedule and Company Rules and Regulations. In event of default by Customer in the payment of any bill or discontinuance of service, all bills for electric service at the above location, including all minimum charges as well as the entire minimum for the unexpired portion of the term of any guarantee, shall become immediately due and payable.
5. Company shall make a reasonable effort to provide the facilities needed to furnish service in accordance with this Agreement, but Company shall not be liable to Customer in damages or otherwise on account of any delay in furnishing such facilities when the delay is caused by acts of God, a public enemy, fire, riot, strike, inability to secure or delay in securing rights-of-way, privileges, franchises, or permits needed, or on account of inability to secure proper materials and supplies, or on account of any other cause reasonably beyond the control of Company.
6. This Agreement, the said Rate Schedule, and the Company Rules and Regulations constitute the entire contract between Company and Customer governing the supply of and payment for electric service hereunder and supersedes and cancels Agreement No. XXXXXXXXXXXX, dated XXXXXXXXXXXXXXXXXXXX, and all agreements prior thereto, for service at this location, except as otherwise herein provided.

Company does not agree, warrant, or insure that the electric service rendered hereunder shall be continuous except to the extent set forth in Company Rules and Regulations. Customer agrees that Company's liability for failure to supply steady or continuous service shall be limited as set forth in Company Rules and Regulations.

(OVER)

WILLAMETTE'S RESPONSE TO
BIG RIVERS' REQUEST FOR
INFORMATION - RFI 2, PAGE 43

Statements, promises, or representations made by an officer, agent, or employee of Company shall be binding on either party hereto unless made in writing and signed by an officer or a duly authorized representative of Company.

3. If any part of this Agreement should be declared invalid by any lawful tribunal having jurisdiction and if said declaration becomes finally binding, said declaration shall not affect the remainder of the Agreement, but the remaining portions shall be binding upon the parties hereto, and neither of the said parties hereto shall have any redress against the other party for or on account of any provision that may be so declared invalid.
9. Customer will pay monthly charge for maintenance of those facilities included in customer's initial payment of \$1,342,506 in the amount of \$2,685 per month. Above charge is in addition to and independent of any other provision of rate schedule and continues for as long as additional facilities and/or equipment remain in place.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in duplicate and delivered as of the date first above written.

SUBMITTED:

By Keith March *K March*

Willamette Industries, Inc.
(CUSTOMER)

APPROVALS FOR WEST PENN POWER COMPANY:

By P. E. Wharton *P E Wharton*
(MANAGER, DIVISION)

By Steven R Rogel (SEAL)
(SIGNATURE)

By W. G. Altman *W G Altman*
(SUPERVISOR, CREDIT & COLLECTIONS)

Steve Rogel, Executive Vice President
(NAME & TITLE)

By G. A. Musgrave *G A Musgrave*
(RATE APPLICATION SUPERVISOR)

By Duane McDougall (SEAL)
(SIGNATURE)

By C. S. Ault *C S Ault*
(VP, DIVISION OPERATIONS)

Duane McDougall, Vice President, Controller
(NAME & TITLE)

WEST PENN POWER COMPANY

**PRIMARY POWER SERVICE
SCHEDULE 40**

AVAILABILITY

Available for service at 25,000 volts or higher for loads of 2,000 kilowatts or greater, supplied at a single point of delivery. Also available at 12,470 volts where Company elects, at its sole option, to supply service direct from an adjacent 138,000 volt transmission line by a single transformation. An Electric Service Agreement shall be executed.

Riders Available - Opportunity Power, Curtailable Service and Experimental Shoulder-Peak Riders are available under this schedule.

MONTHLY RATE

(C)

DISTRIBUTION CHARGES:

Demand Charge (kW)

First Block kilowatts (0 to 2000) \$0.010 per kilowatt
Second Block kilowatts (Over 2000)..... \$0.007 per kilowatt

Transformer Charge (kW)

First Block kilowatts (0 to 2000) \$0.40 per kilowatt
Second Block kilowatts (Over 2000)..... \$0.20 per kilowatt

Voltage discount (kW)

First Block kilowatts (0 to 10000) \$0.70 per kilowatt
Second Block kilowatts (Over 10000)..... \$0.22 per kilowatt

Reactive kilovolt-ampere charge

Reactive kilovolt-ampere charge is applied to the Customer's reactive kilovolt-ampere capacity requirement in excess of 35% of the Customer's kilowatt capacity.

Billing reactive kilovolt-amperes \$0.40 per reactive kilovolt-ampere

Energy Charges (kWh)

First Block (0 to 400 kWh/kW) \$0.00004 per kilowatt-hour
Second Block (over 400 kWh/kW) \$0.00002 per kilowatt-hour

Voltage Discount

For loads of 10,000 kilowatts or greater, the Company will furnish service at voltages above 100,000 volts if such service is provided at a single delivery point from the Company's transmission system and in the sole judgment of the Company the necessary capacity is available. When such service is supplied and the Customer owns and maintains all required facilities, above discounts will be allowed, but in no case will the amount of the minimum bill be hereby reduced.

(C) Indicates Change

Continued on Page No. 13-2

Issued November 3, 1998

Effective January 1, 1999

WEST PENN POWER COMPANY

**PRIMARY POWER SERVICE
SCHEDULE 40 (Continued)**

To qualify for this transmission voltage service, the Customer must be billed for at least 10,000 kilowatts at least once in every 12-month period.

Transformer Charge

(C)

When Customer desires to take service under this Schedule at a voltage between 1,000 and 15,000 volts, Company shall provide one transformation at charges set forth above based on the highest on-peak or off-peak demand for the month, but not less than any such demand previously established during the Term of the Electric Service Agreement nor less than the capacity specified therein. This transformer charge does not apply for those connections supplied at 12,470 volts by a single transformation from an adjacent 138,000 volt line.

TRANSMISSION CHARGES

Demand Charge (kW)

First Block kilowatts (0 to 2000) \$0.208 per kilowatt
Second Block kilowatts (Over 2000)..... \$0.199 per kilowatt

Ancillary Services:

Scheduling, System Control & Dispatch \$0.000 per kilowatt
Energy Imbalance..... \$0.000 per kilowatt
Reactive & Voltage Control \$0.066 per kilowatt
Regulation & Frequency Response..... \$0.070 per kilowatt
Spinning Reserve..... \$0.189 per kilowatt
Supplemental Reserve..... \$0.169 per kilowatt

Energy Charges (kWh)

First Block (0 to 400 kWh/kW) \$0.00200 per kilowatt-hour
Second Block (over 400 kWh/kW) \$0.00194 per kilowatt-hour

The transmission charges are based on the Company's Pro Forma Open Access Transmission Tariff which will change from time to time and is subject to Federal Energy Regulatory Commission (FERC) approval.

COMPETITIVE TRANSITION CHARGE

Demand Charge (kW)

First Block kilowatts (0 to 2000) \$1.127 per kilowatt
Second Block kilowatts (Over 2000)..... \$1.112 per kilowatt

Energy Charges (kWh)

First Block (0 to 400 kWh/kW) \$0.00321 per kilowatt-hour
Second Block (over 400 kWh/kW) \$0.00311 per kilowatt-hour

Competitive Transition Charge kilowatts and kilowatt-hours shall not exceed Customer's 1998 average monthly billed kilowatts and kilowatt-hours for Customers served hereunder as of January 1, 1998.

(C) Indicates Change

Continued on Page No. 13-3

Issued November 3, 1998

Effective January 1, 1999

WEST PENN POWER COMPANY

SCHEDULE 40 (Continued)

GENERATION CHARGE

Demand Charge (kW)

First Block kilowatts (0 to 2000) \$6.138 per kilowatt
Second Block kilowatts (Over 2000)..... \$6.058 per kilowatt

Energy Charges (kWh)

First Block (0 to 400 kWh/kW) \$0.01749 per kilowatt-hour
Second Block (over 400 kWh/kW) \$0.01694 per kilowatt-hour

This generation charge applies only to Customers receiving PLR service from Company. The generation charge does not apply to Customers obtaining Competitive Energy Supply.

Tax Adjustment Surcharge

(C)

The Tax Adjustment Surcharge included in this Tariff applies to charges under this Schedule.

Late Payment Charge

The above net rates apply if the current bill is paid in full within 15 days of the date of such bill and if all previous undisputed bills have been paid in full. A late payment charge of 1.25% per month of the unpaid balance of a bill will be made for failure to make payment in full by the due date. These charges are to be calculated on the overdue portions of the bill only. Such interest rate, when annualized, shall not exceed 15% simple interest per annum.

Compensating for Transmission and Distribution Losses.

(N)

For service between 15,000 and 100,000 volts, multiplying Customers' on peak metered energy by 1.05091 and off-peak metered energy by 1.04128 produces the generation energy that must be delivered to the West Penn system. For service at other voltages, Customer should contact Company for loss factor. The transmission losses included in these factors are based on the Company's Pro Forma Open Access Transmission Tariff which will change from time to time and is subject to Federal Energy Regulatory Commission (FERC) approval.

DETERMINATION OF CUSTOMER'S DEMAND

Customer's Kilowatt Demand:

The Customer's kw demand for any month shall be the maximum fifteen-minute on-peak demand plus 20% of the amount the off-peak demand exceeds 150% of the on-peak demand. The on-peak demand shall be the maximum fifteen-minute kilowatt demand of the on-peak period plus 25% of the excess of the maximum instantaneous kilowatt operating peak of the on-peak period over 140% of the maximum fifteen-minute demand. The off-peak demand shall be determined for the off-peak period in the same manner as the on-peak demand.

The on-peak period shall be from 7 a.m. until 10 p.m. Monday through Saturday, provided, however, that the designated on-peak hours may be changed from time to time to conform to Company's system load upon 60 days written notice to Customers affected. The off-peak period shall include all other times not designated as on-peak.

(C) Indicates Change

(N) Indicates New

Concluded on Page No. 13-4

Issued November 3, 1998

Effective January 1, 1999

WEST PENN POWER COMPANY

SCHEDULE 40 (Concluded)

The Customer's Demand shall not be less than the highest of the following:

- (a) 2,000 kilowatts.
- (b) 50% of the kilowatt capacity specified in the Electric Service Agreement. +
- (c) 50% of the highest Customer's Demand established during the most recent ten-year period or during the Term of the Electric Service Agreement whichever is the lesser time.

Customer's Reactive Kilovolt-Ampere Demand

The Customer's Reactive Kilovolt-Ampere Demand for any month shall be the maximum fifteen-minute leading or lagging reactive kilovolt-ampere demand.

TERM

The minimum Term of the Electric Service Agreement required by Company under Rule 29 shall be four years when construction is involved without construction cost advance paid by Customer. Otherwise, term shall be determined in accordance with Customer's kilowatt requirements as set forth in the following table:

Customer's Requirements	Minimum Term of Agreement
2,000 - 5,000 kilowatts	2 years
5,001 - 7,500 kilowatts	3 years
Over 7,500 kilowatts	4 years

Agreements shall remain in force until a one-year written cancellation notice has been given and the initial Term and Cancellation Notice Period have been expired, except:

- (a) When a Customer increases capacity beyond the capacity specified in the Agreement, a new Agreement based on the new conditions may be required by the Company, or
- (b) When a Customer decreases capacity after having satisfied the initial Term of the Agreement and cancellation notice and no change is made by the Company in its service facilities, a new Agreement may be written for a Term of one year less than those specified above.

Issued November 3, 1998

Effective January 1, 1999

Kingsport Paper Mill

This Agreement* entered into this 14th day of August, 1998, by and between the **KINGSPORT POWER COMPANY**, hereafter called the Company, and **Willamette Industries, Inc., 1300 S.W. Fifth Avenue, Portland, Oregon**, or his or its heirs, successors or assigns, hereafter called the Customer,

Witnesseth:

For and in consideration of the mutual covenants and agreements hereinafter contained, the parties hereto agree with each other as follows:

The Company agrees to furnish to the Customer, during the term of this Agreement, and the Customer agrees to take from the Company, subject to Company's standard Terms and Conditions of Service as regularly filed with the Tennessee Regulatory Authority, all the electric energy of the character specified herein that shall be purchased by the Customer in the premises located at 100 Clinchfield St., Kingsport, TN.

The Company is to furnish and the Customer is to take electric energy under the terms of this Agreement for a period of five (5) years from the time such service is commenced, and thereafter in successive periods of not less than one (1) year each, until either party shall give the other not less than one (1) year notice in writing of his or its election to discontinue service. The date that service shall be deemed to have commenced under this Agreement shall be the first day of the first billing month following the approval of the Addenda attached hereto, without change or condition, by the Tennessee Regulatory Authority.

The electric energy delivered hereunder shall be alternating current at approximately 138 kV, 3-wire, 3-phase and it shall be delivered at the Company-owned dead-ends on Customer's 138 kV structure in Industry Drive Station which shall constitute the point of delivery under this Agreement. The said electric energy shall be delivered at reasonably close maintenance to constant potential and frequency and it shall be measured by a meter or meters owned and installed by the Company and located on the Customer's 13.8 kV bus inside Industry Drive Station.

The reservation of capacity contracted for by Customer under the tariff named herein is hereby fixed at 12,000 KW.

The Customer hereby agrees to pay the Company monthly for electric energy delivered hereunder according to Tariff Schedule IP, and under all other provisions of Company's Terms and Conditions of Service as regularly filed with the Tennessee Regulatory Authority, said schedule being selected by the Customer, as long as said tariff is in effect; and in the event said tariff is replaced by a new or revised schedule incorporating higher or lower rates than those stipulated in the aforementioned schedule, the Company will continue to furnish service as stipulated in the Agreement and the Customer will pay for such service at the higher or lower rates from and after the date when such rates are made effective. The Customer's obligation to pay any sums owed the Company shall survive the termination or expiration of this Agreement.

There are no unwritten understandings or agreements relating to the service hereinabove provided.

This Agreement cancels and supersedes all previous agreements relating to the purchase by Customer and sale by Company of electric energy at Customer's premises as referred to above.

This Agreement shall be in full force and effect on the first day of the first billing month following the approval of the Addenda attached hereto, without change or condition, by the Tennessee Regulatory Authority.

*Supplement 1 attached hereto is incorporated herein as part of this Agreement.

*Addenda A, B, C and D attached hereto are incorporated herein as part of this Agreement.

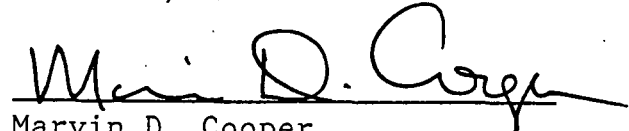
KINGSPORT POWER COMPANY
d/b/a **AMERICAN ELECTRIC POWER**

Willamette Industries, Inc.

By


Daniel E. Vaught

By


Marvin D. Cooper

Title

Manager of Business Services-Transmission

Title

Executive Vice President
Pulp and Paper Mills

Privileged and Confidential; Prepared for Settlement Discussions

WILLAMETTE'S RESPONSE TO
BIG RIVERS' REQUEST FOR
INFORMATION - RFI 2, PAGE 50

SUPPLEMENT 1 is a part of the Agreement entered into on August 14, 1998, by and between Kingsport Power Company d/b/a American Electric Power (the "Company") and Willamette Industries, Inc. (the "Customer").


Supplement 1: TEMPORARY POWER SOURCE

It is recognized that the Customer requires a temporary power source should it experience a failure of transformation and related equipment (Customer-owned) internal to the Kingsport paper mill. It is understood that as additional transformation and related electrical equipment is installed by the Customer, the Customer's need for the existing 34.5 kV delivery point will be eliminated. Therefore, the Customer has requested and the Company has agreed to leave these Company-owned 34.5 kV facilities in place (de-energized) for a temporary period through March 31, 2000. Should the Customer request the Company to re-energize these 34.5 kV facilities, it is understood that the Customer shall be billed under the temporary service provisions of the L.G.S. tariff for energy used from this source. After March 31, 2000, some or all of the 34.5 kV Mead Switching Station may be removed at the Company's discretion and at the Company's expense. If the Company incurs any additional or incremental removal expenses solely as a result of the Customer's actions, failure to act, or special requests, then the Customer agrees to reimburse the Company for such expenses. If, during the term of this Agreement, the Mead Switching Station is removed, and the Company determines, in its sole discretion, that its interest in the property on which the Mead Switching Station is located is no longer needed and will not be needed in the future, then the Company agrees to transfer or release its interest to the Customer.


The Customer agrees that in the event the 34.5 kV facilities are re-energized, they will not be operated in parallel with the new 138 kV delivery (i.e., the Customer agrees that it will take energy from both substations only if the substations are electrically isolated). Customer agrees to retain suitable equipment capable of isolating the 34.5 kV backup source from the new 138 kV delivery point.

KINGSPORT POWER COMPANY
d/b/a **AMERICAN ELECTRIC POWER**

WILLAMETTE INDUSTRIES, INC.

By 
Title Manager of Business Services -
Transmission

Date August 14, 1998

By 
Title Executive Vice President
Pulp and Paper Mills

Date August 10, 1998

ADDENDUM A

**BACK-UP SERVICE ADDENDUM
TO WILLAMETTE INDUSTRIES, INC.
SERVICE AGREEMENT**

This Addendum supplements and amends the Electric Service Agreement dated August 14, 1998, by and between Kingsport Power Company, d/b/a American Electric Power, and Willamette Industries, Inc., providing for back-up service to power production facilities at Customer's premises located at Kingsport, Tennessee.

KINGSPORT POWER COMPANY, d/b/a AMERICAN ELECTRIC POWER,
(Company), consents to the operation by WILLAMETTE INDUSTRIES, INC.
(Customer), of:

<u>Generator Description</u>	<u>Back-Up KW Capacity Requirement</u>
Steam Generator No. 4	4,500
Steam Generator No. 6	6,500
Steam Generator No. 7	12,000

in parallel with the Company's system at the location shown on the Service Agreement. Company's consent is on the condition that the Customer installs, operates, and maintains suitable and sufficient equipment, as reasonably specified by the Company, to protect the Customer's facilities and the Company's system from damages resulting from such parallel operation, and upon the further condition that the Company shall not be liable to the Customer for any loss, cost, damage, or expense which the Customer may suffer by reason of damage to or destruction of any property, including the loss of use thereof, arising out of or in any manner connected with such parallel operation, unless such loss, cost, damage, or expense is caused by the negligence of the Company, its agents, or employees, and upon further condition that the Customer shall

not be liable to the Company for any loss, cost, damage, or expense which the Company may suffer by reason of damage to or destruction of any property, including the loss of use thereof, arising out of, or in any manner connected with, such parallel operation, unless such loss, cost, damage, or expense is caused by the negligence of the Customer, its agents, or employees.

This Addendum is intended to comply with all applicable statutes, and regulations and orders of the Tennessee Regulatory Authority (TRA) or any successor thereto. If such statutes, regulations, or orders should be modified or determined to be ineffective in judicial proceedings such that in the good faith opinion of the Company, this Addendum will be inconsistent with the then effective statutes, regulations, or orders, this Addendum will be made consistent with the effective statutes, regulations, or orders.

It is further expressly understood and agreed that the Company shall be entitled, unilaterally, at any time and from time to time during the term of this Addendum, to file, or to make application for, or to propose, or to take any other action to make effective, with any regulatory agency having jurisdiction in the premises, any tariff, rate schedule, term or condition, charge, classification, service, or rule or regulation relating to this Addendum, designed to supersede in whole or in part any provision of this Addendum, or designed to supersede in whole or in part any such superseding provision; provided, however, that the Company shall furnish the Customer with not less than twelve (12) months' advance notice, in writing, of its intention to seek authority, as permitted under this Paragraph, to modify this Addendum. Subject to this provision, the Parties agree

that the monthly back-up charge under this Addendum shall be fixed during the term of this Addendum at the rates set forth in Section V.

It is further agreed the Customer is contracting to purchase supplementary power from the Company under Tariff I.P. for its net load requirements as determined by appropriate meters. Detents shall be used on the necessary metering to prevent reverse rotation. The cost of any required meter modifications shall be paid by the Customer as a one-time charge. Additional reasonable charges to cover the cost of necessary safety equipment and other local facilities installed by the Company shall be reasonably determined by the Company and paid by the Customer. The Customer shall make a one-time payment for such charges upon completion of the required facilities.

It is further agreed the Company will supply to the Customer capacity and energy (back-up) under the provisions of this Addendum, regardless of the contract capacity established under Tariff I.P., in the event the Customer's generators are unavailable due to forced outages. In addition to the Company's Terms and Conditions of Service applicable to Tariff I.P., which are from time to time superseded or amended and as regularly filed with the TRA, the following back-up service provisions shall apply:

I. BACK-UP SERVICE RESERVATION

- A. The Customer may reserve back-up service by giving at least 12-months' advance written notice to the Company. Such notice shall include the amount to the nearest one hundred (100) KW, not to exceed the Customer's maximum back-up service requirements during forced outages, the service reliability level requirement as specified in Section V,

and the effective date for the reserved amount of back-up service. Upon receipt of such notice of reservation, the Company shall within sixty (60) days either concur with such reservation in writing or shall inform the Customer of any conditions or limitations related to such reservation. Those conditions and limitations include, but are not limited to, the available capacity of the Company's transmission and related facilities, the possibility of causing any undue interference with the Company's obligations to provide service to any of its other customers and the extent to which such back-up service will impose a burden on the Company's system or any system interconnected with the Company.

- B. The 12-months' advance written notice is waived for the initial back-up service reservation under this Addendum.
- C. The initial back-up service reservation is 12,000 KW at Reliability Level A.

II. TERM OF BACK-UP SERVICE ADDENDUM

The term of the Back-up Service Addendum shall commence on the first day of the first billing month following the approval of this Addendum by the TRA, or any successor thereto, and shall run for an initial period of five (5) years, and thereafter in successive periods of not less than one (1) year each, until either party shall give the other not less than one (1) year notice in writing of his or its election to discontinue service.

III. BACK-UP SERVICE NOTIFICATION

- A. Whenever back-up service is needed, the Customer shall verbally notify the Company no later than one (1) hour after back-up service has begun and shall specify the KW amount of back-up service required. Such notification shall be confirmed in writing within five (5) working days and shall specify the KW amount, time and date such use commenced and termination time and date.
- B. If such verbal and written notification as specified above is not received, the Customer shall be subject to an increase in contract capacity according to the provisions of Tariff I.P. and such back-up service load shall be considered as firm load in the determination of the billing demands under Tariff I.P. for that month.

IV. DEMAND DETERMINATION

- A. During any hour, when back-up service is supplied to the Customer for use during forced outages, the Customer's metered demands shall be adjusted by subtracting the amount of back-up service supplied by the Company. The maximum adjusted metered demand shall be used in the determination of the monthly billing demands under Tariff I.P.
- B. If back-up and/or maintenance and/or surplus power are utilized during the same billing period, the Customer's metered demands shall be adjusted for back-up and/or maintenance and/or surplus power in the appropriate hours. Maintenance service shall be subject to the terms and conditions set forth in the Maintenance Service Addendum B and surplus

power shall be subject to the terms and conditions set forth in the Surplus Power Addendum C.

- C. Whenever the maximum metered demand at any time during the billing period exceeds the total of the Tariff I.P. contract capacity and the specific request for back-up and/or maintenance and/or surplus service, the excess demand shall be considered as firm load in the determination of the billing demands under Tariff I.P. for that month.
- D. The adjusted demands as defined in Sections IV.A and B shall not be less than zero (0).

V. MONTHLY BACK-UP CHARGE

In addition to the monthly charges as established under Tariff I.P, the Customer shall pay the Company each billing month for its back-up service reservation as follows:

SERVICE RELIABILITY LEVEL	% FORCED OUTAGE RATE	ALLOWED OUTAGE HOURS	MONTHLY BACK-UP RATE \$/KW
A	5	438	.42
B	10	876	.83
C	15	1,314	1.25
D	20	1,752	1.66
E	25	2,190	2.08
F	30	2,628	2.49

The monthly back-up charge is equal to the monthly back-up rate selected times the back-up service reservation.

Whenever the allowed outage hours for the service reliability level selected by the Customer are exceeded during any twelve (12) month period ending on the anniversary of the effective date of this Addendum (back-up service reservation year),

the Customer's metered demands, unadjusted for back-up service, shall be used for Tariff I.P. billing purposes for the remainder of that twelve (12) month period for the Customer.

A discount of 1.5 percent will be allowed if the account is paid in full within fifteen (15) days of date of bill.

Except as modified hereby, the terms and conditions of the Service Agreement and any other addenda shall remain in full force and effect.

This Addendum shall be in full force and effective upon the first day of the first billing month following the approval of this Addendum, without change or condition, by the TRA, or any successor thereto.

**KINGSPORT POWER COMPANY
d/b/a AMERICAN ELECTRIC POWER**

WILLAMETTE INDUSTRIES, INC.

By 

By 
Marvin D. Cooper

Title Manager of Business Services - Transmission

Executive Vice President
Title Pulp and Paper Mills

Date August 14, 1998

Date August 10, 1998

**MAINTENANCE SERVICE ADDENDUM
TO WILLAMETTE INDUSTRIES, INC.
SERVICE AGREEMENT**

This Addendum supplements and amends the Electric Service Agreement dated August 14, 1998, by and between Kingsport Power Company, d/b/a American Electric Power, and Willamette Industries, Inc., providing for maintenance service to power production facilities at Customer's premises located at Kingsport, Tennessee.

KINGSPORT POWER COMPANY, d/b/a AMERICAN ELECTRIC POWER,
(Company) consents to the operation by WILLAMETTE INDUSTRIES, INC. (Customer),
of:

<u>Generator Description</u>	<u>Maintenance KW Capacity Requirement</u>
Steam Generator No. 4	4,500
Steam Generator No. 6	6,500
Steam Generator No. 7	12,000

in parallel with the Company's system at the location shown on the Service Agreement. Company's consent is on the condition that the Customer installs, operates, and maintains suitable and sufficient equipment, as reasonably specified by the Company, to protect the Customer's facilities and the Company's system from damages resulting from such parallel operation, and upon the further condition that the Company shall not be liable to the Customer for any loss, cost, damage, or expense which the Customer may suffer by reason of damage to or destruction of any property, including the loss of use thereof, arising out of or in any manner connected with such parallel operation, unless such loss, cost, damage, or expense is caused by the negligence of the Company, its agents, or employees, and upon further condition that the Customer shall

not be liable to the Company for any loss, cost, damage, or expense which the Company may suffer by reason of damage to or destruction of any property, including the loss of use thereof, arising out of, or in any manner connected with, such parallel operation, unless such loss, cost, damage, or expense is caused by the negligence of the Customer, its agents, or employees.

This Addendum is intended to comply with all applicable statutes, and regulations and orders of the Tennessee Regulatory Authority (TRA) or any successor thereto. If such statutes, regulations, or orders should be modified or determined to be ineffective in judicial proceedings such that in the good faith opinion of the Company, this Addendum will be inconsistent with the then effective statutes, regulations, or orders, this Addendum will be made consistent with the effective statutes, regulations, or orders.

It is further expressly understood and agreed that the Company shall be entitled, unilaterally, at any time and from time to time during the term of this Addendum, to file, or to make application for, or to propose, or to take any other action to make effective, with any regulatory agency having jurisdiction in the premises, any tariff, rate schedule, term or condition, charge, classification, service, or rule or regulation relating to this Addendum, designed to supersede in whole or in part any provision of this Addendum, or designed to supersede in whole or in part any such superseding provision; provided, however, that the Company shall furnish the Customer with not less than twelve (12) months' advance notice, in writing, of its intention to seek authority, as permitted under this Paragraph, to modify this Addendum. Subject to this provision, the Parties agree that the charge specified in Section VII for each kWh of

maintenance energy taken during the term of this Addendum shall be fixed, subject to Tariff I.P.'s Fuel Clause Provision.

It is further agreed the Customer is contracting to purchase supplementary power from the Company under Tariff I.P. for its net load requirements as determined by appropriate meters. Detents shall be used on the necessary metering, to prevent reverse rotation. The cost of any required meter modifications shall be paid by the Customer as a one-time charge. Additional reasonable charges to cover the cost of necessary safety equipment and other local facilities installed by the Company shall be reasonably determined by the Company and paid by the Customer. The Customer shall make a one-time payment for such charges upon completion of the required facilities.

It is further agreed the Company will supply to the Customer capacity and energy (maintenance) under the provisions of this Addendum, regardless of the contract capacity established under Tariff I.P., in the event the Customer's generators are unavailable due to planned maintenance outages. In addition to the Company's Terms and Conditions of Service applicable to Tariff I.P., which are from time to time superseded or amended and as regularly filed with the TRA, the following maintenance service provisions shall apply:

I. MAINTENANCE SERVICE RESERVATION

- A. The Customer may reserve maintenance service by giving at least 12-months' advance written notice to the Company. Such notice shall specify the amount to the nearest one hundred (100) KW, not to exceed the Customer's maximum maintenance service requirements

during planned maintenance outages, and the effective date for the reserved amount of maintenance service. Upon receipt of such notice of reservation, the Company shall within sixty (60) days either accept such reservation in writing or shall inform the Customer of any conditions or limitations related to such reservation. Those conditions and limitations include, but are not limited to, the available capacity of the Company's transmission and related facilities, the possibility of causing any undue interference with the Company's obligations to provide service to any of its other Customers and the extent to which such maintenance service will impose a burden on the Company's system or any system interconnected with the Company.

- B. The 12-months' advance written notice is waived for the initial maintenance service reservation under this Addendum.
- C. The initial maintenance service reservation is fixed at 12,000 KW.

II. TERM OF MAINTENANCE SERVICE ADDENDUM

The term of the Maintenance Service Addendum shall commence on the first day of the first billing month following the approval of this Addendum by the TRA, or any successor thereto, and shall run for an initial period of five (5) years, and thereafter in successive periods of not less than one (1) year each, until either party shall give the other not less than one (1) year notice in writing of his or its election to discontinue service.

III. MAINTENANCE SERVICE NOTIFICATION

- A. A major maintenance outage shall be considered as any maintenance service request greater than 5,000 KW or for longer than seven (7) days and may be scheduled at a time consented to by the Company, which such consent shall not be unreasonably withheld. Written notice shall be provided by the Customer at least six (6) months in advance of such scheduled outages or a lesser period by mutual agreement and shall specify the KW amount of maintenance service required as well as the dates and times such use will commence and terminate. During the first six (6) months of the term of this Addendum, the parties agree that written notice shall be provided by the Customer at least three (3) months in advance of such scheduled outage. The major maintenance service request shall not exceed the KW capacity of the specific generators, listed on Page 1, that are being maintained during the period.
- B. A minor maintenance outage shall be considered as any maintenance service request of 5,000 KW or less and for a period of seven (7) days or less and may be scheduled at a time consented to by the Company, which such consent shall not be unreasonably withheld. Written notice shall be provided by the Customer at least thirty (30) days in advance of such outage or a lesser period by mutual agreement.
- C. If such notification is not received, the Customer shall be subject to an increase in contract capacity according to the provisions of Tariff I.P.

and such maintenance service load shall be considered as firm load in the determination of the billing demands under Tariff I.P. for that month.

IV. MAJOR MAINTENANCE SERVICE

The Customer shall be limited to one major maintenance outage of 30-days' duration for each generator listed on Page 1 hereof during each twelve (12) month period ending on the anniversary of the effective date of this Addendum (maintenance service reservation year). Additional major maintenance outages or outages exceeding 30-days' duration may be requested by the Customer under the provisions of Section III and shall be subject to approval by the Company. At the time in which any such additional or prolonged maintenance occurs, the Customer shall provide to the Company notarized verification that energy provided under this Addendum is for maintenance use only.

V. DEMAND DETERMINATION

- A. Whenever a specific request for maintenance service is made by the Customer pursuant to Section III A or B, the Customer's metered demands shall be adjusted by subtracting the maintenance service requested in the hours specified by the Customer. The maximum adjusted metered demand shall be used in the determination of the monthly billing demands under Tariff I.P.
- B. If back-up and/or maintenance and/or surplus power are utilized during the same billing period, the Customer's metered demands shall be adjusted for back-up and/or maintenance and/or surplus power in the

appropriate hours. Back-up service shall be subject to the terms and conditions set forth in the Back-Up Service Addendum A, and Surplus Power shall be subject to the terms and conditions set forth in the Surplus Power Addendum C.

- C. Whenever the maximum metered demand at any time during the billing period exceeds the total of the Tariff I.P. contract capacity and the specific request for back-up and/or maintenance and/or surplus service, the excess demand shall be considered as firm load in the determination of the billing demands under Tariff I.P. for that month.
- D. The adjusted demands as defined in Sections V.A and V.B shall not be less than zero (0).

VI. ENERGY DETERMINATION

Whenever maintenance service is used, maintenance energy shall be calculated as the lesser of (a) the KW of maintenance service requested multiplied by the number of hours of maintenance use or (b) total metered energy. Metered energy for the purposes of billing under Tariff I.P. shall be derived by subtracting the maintenance energy from the total metered energy for the billing period as adjusted for surplus power energy provided under Addendum C.

VII. MONTHLY MAINTENANCE CHARGE

In addition to the monthly charges as established under Tariff I.P., the Customer shall pay the Company 2.332¢ for each KWH of maintenance

energy taken. Billings under this Addendum are also subject to Tariff I.P.'s Fuel Clause provision.

A discount of 1.5 percent will be allowed if the account is paid in full within fifteen (15) days of date of bill.

Except as modified hereby, the terms and conditions of the Service Agreement and any other addenda shall remain in full force and effect.

This Addendum shall be in full force and effective upon the first day of the first billing month following the approval of this Addendum, without change or condition, by the TRA, or any successor thereto.

KINGSPORT POWER COMPANY
d/b/a AMERICAN ELECTRIC POWER

WILLAMETTE INDUSTRIES, INC.

By 

By 
Marvin D. Cooper

Title Manager of Business Services - Transmission

Title Executive Vice President
Pulp and Paper Mills

Date August 14, 1998

Date August 10, 1998

**SURPLUS POWER ADDENDUM
TO WILLAMETTE INDUSTRIES, INC.
SERVICE AGREEMENT**

This Addendum supplements and amends the Electric Service Agreement dated August 14, 1998, by and between Kingsport Power Company, d/b/a American Electric Power, and Willamette Industries, Inc., providing for surplus power service at Customer's premises located at Kingsport, Tennessee.

It is agreed that KINGSPOINT POWER COMPANY, d/b/a AMERICAN ELECTRIC POWER, (Company), will supply to WILLAMETTE INDUSTRIES, INC. (Customer) surplus power capacity and energy (surplus power) when available and requested by the Customer, in excess of the Customer's Monthly Base Demand as defined herein, to meet temporary increases in the Customer's on-peak production requirements. In addition to the Company's Terms and Conditions of Service applicable to Tariff I.P., which are from time to time superseded or amended and as regularly filed with the Tennessee Regulatory Authority (TRA), the following surplus power service provisions shall apply:

I. AVAILABILITY

A. The Company, at its sole discretion, may sell surplus power, at such times and in such quantities, as determined by the Company, to the Customer to meet temporary increases in the Customer's on-peak production requirements.

II. CONDITIONS OF SERVICE

A. Surplus power shall be reserved on a non-firm daily basis.

- B. Initial Monthly Base Demand shall be defined as 12,000 kW for the first twelve months following the effective date of this Addendum. As of the first anniversary of the effective date of this Addendum, and annually thereafter, Initial Monthly Base Demand shall be defined as either the greater of (a) 12,000 kW or (b) the average of the Customer's twelve (12) previous monthly Tariff I.P. billing demands, rounded to the nearest whole megawatt (MW). For purposes of this provision only, the Customer's twelve (12) previous monthly Tariff I.P. billing demands shall exclude any incremental demands resulting from the Customer exceeding the allowed outage hours for Back-up Service, as specified in Article V of the Back-up Service Addendum (Addendum A), or from the Customer's failure to provide verbal and written notification, as specified in Article III(A) of the Back-up Service Addendum (Addendum A). Customer shall provide supporting written documentation that shall include identification of the specific 30-minute intervals and the incremental demand to be excluded for purposes of determining the Initial Monthly Base Demand. Monthly Base Demand shall be the greater of the Initial Monthly Base Demand or the Customer's monthly billing demand under Tariff I.P.
- C. The sale of surplus power shall be limited to demands in excess of the Customer's Monthly Base Demand.
- D. The minimum surplus power purchase by the Customer allowed under the terms of this Addendum shall be 1,000 KW (1 MW). All surplus power purchases made by the Customer shall be in whole megawatts (MW).

- E. The Company reserves the right to recall the sale of surplus power to the Customer at any time. The Company will endeavor to provide as much advance notice as possible of a recall of surplus power. The Company will provide at least ten (10) minutes' notice of a recall of surplus power.
- F. If the sale of surplus power to the Customer is recalled, the terms of this Addendum shall not apply during the recall period and the Customer shall be billed in accordance with all other provisions of the Service Agreement. If the sale of surplus power to the Customer is recalled, unauthorized demand shall be the difference between the maximum 30-minute integrated demand recorded after surplus power is recalled, adjusted for demands recorded under provisions of Back-up Service Addendum A and/or Maintenance Service Addendum B, and the Monthly Base Demand. The Company reserves the right to discontinue service to the Customer under this Addendum if unauthorized demand occurs twice during any 12-month period.
- G. The Customer shall own and maintain all computer hardware required to meet the specifications of the Customer Communications System. Computer hardware shall include any communications equipment required between the Customer's computer(s) and the Company's metering and/or central computer. All software associated with the Customer Communications System will be provided by the Company. The Customer will agree to execute any documents necessary to license the use of the software by the Customer.

- H. No responsibility or liability of any kind shall attach to or be incurred by the Company for, or on account of, any loss, cost, expense or damage caused by or resulting from either directly or indirectly, a recall of surplus power service under this Addendum.

III. MONTHLY CHARGES

- A. The Daily Demand and Energy Charges shall be determined on a daily basis by the Company's wholesale supplier. The Customer may contact the appropriate Company-designated personnel and arrange to reserve such surplus power, if available, at any time prior to 4 p.m. (EST) of the day immediately preceding the reservation date. Such arrangements shall specify the reservation date and the Surplus Power Reservation in whole megawatts (MW).
- B. The Daily Demand Charge will be adjusted for Kingsport Power Company losses, transmission demand costs, prompt payment discount, gross receipts tax, TRA Inspection Fee and any other applicable riders, adjustments or taxes. The Daily Energy Charge will be adjusted for Kingsport Power Company losses, prompt payment discount, gross receipts tax, TRA Inspection Fee and any other applicable riders, adjustments or taxes.
- C. If the sale of surplus power to the Customer is recalled, the Daily Demand Charge shall be reduced by an amount equal to 1/15th of the Daily Demand Charge for each hour or portion of an hour that the sale of surplus power to the Customer is recalled.

- D. For each 30-minute interval during the on-peak period, as specified in Tariff I.P., adjusted for back-up and/or maintenance service, the Surplus Demand in KW shall be derived by the following formula:

(Interval KW - Monthly Base Demand)

In no event shall the calculated Surplus Demand in KW in any 30-minute interval be less than zero (0) nor greater than the Surplus Power Reservation.

- E. Surplus Billing Energy shall be the sum of the Surplus Demand in KW for each 30-minute interval during the on-peak period divided by two (2). Monthly Energy, as defined in Tariff I.P., shall exclude Surplus Billing Energy and/or Maintenance Energy.
- F. Surplus Demand in KW shall be deducted from the Customer's 30-minute integrated demand in KW for Tariff I.P. billing purposes, provided that the 30-minute integrated demand so adjusted shall not be less than the Monthly Base Demand as specified in Section II.B above.
- G. The charges for surplus power purchased by the Customer shall be the sum of the following:
1. The product of the Surplus Power Reservation and the adjusted Daily Demand Charge;
 2. The product of the Surplus Billing Energy and the adjusted Daily Energy Charge; and
 3. Any applicable adjustment clauses which may be approved by the TRA in the future.

IV. TERM OF SURPLUS POWER ADDENDUM

The term of the Surplus Power Addendum shall commence on the first day of the first billing month following the approval of this Addendum by the TRA, or any successor thereto, and shall run for an initial period of five (5) years, and thereafter in successive periods of not less than one (1) year each, until either party shall give the other not less than one (1) year notice in writing of his or its election to discontinue service.

This Addendum is intended to comply with all applicable statutes, and regulations and orders of the TRA or any successor thereto. If such statutes, regulations, or orders should be modified or determined to be ineffective in judicial proceedings such that in the good faith opinion of the Company, this Addendum will be inconsistent with the then effective statutes, regulations, or orders, this Addendum will be made consistent with the effective statutes, regulations, or orders.

It is further expressly understood and agreed that the Company shall be entitled, unilaterally, at any time and from time to time during the term of this Addendum, to file, or to make application for, or to propose, or to take any other action to make effective, with any regulatory agency having jurisdiction in the premises, any tariff, rate schedule, term or condition, charge, classification, service, or rule or regulation relating thereto, designed to supersede in whole or in part any provision of this Addendum, or designed to supersede in whole or in part any such superseding provision.

Except as modified hereby, the terms and conditions of the Service Agreement and any other addenda shall remain in full force and effect.

This Addendum shall be in full force and effective on the first day of the first billing month following the approval of this Addendum, without change or condition, by the TRA, or any successor thereto.

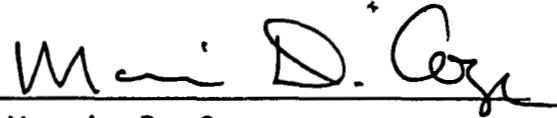
**KINGSPORT POWER COMPANY
d/b/a AMERICAN ELECTRIC POWER**

By 

Title Manager of Business Services - Transmission

Date August 14, 1998

WILLAMETTE INDUSTRIES, INC.

By 
Marvin D. Cooper

Executive Vice President
Title Pulp and Paper Mills

Date August 10, 1998

**BUY-OUT ADDENDUM*
TO WILLAMETTE INDUSTRIES, INC.
SERVICE AGREEMENT**

*This Addendum supplements and amends the Electric Service Agreement dated August 14, 1998, by and between Kingsport Power Company, d/b/a American Electric Power, and Willamette Industries (Service Agreement), by providing an opportunity to buy-out that Service Agreement under certain circumstances.

KINGSPORT POWER COMPANY, d/b/a AMERICAN ELECTRIC POWER (Company), and WILLAMETTE INDUSTRIES, INC. (Customer) recognize and agree that the Company agreed to build, and in fact built, a new 138 kV transmission line and associated facilities (the 138 kV facilities) for the Customer based upon a stream of revenues expected to be produced under Tariff I.P., assuming an increase in the Customer's average annual Tariff I.P. billing demand from 12,000 kW to 16,000 kW during the five (5) year term of the Service Agreement. In order to fairly compensate the Company for its investment in the 138 kV facilities, yet provide the Customer with flexibility under certain circumstances, the Company and the Customer agree as follows:

I. If, anytime during the term of the Service Agreement, the Customer obtains the legal right to receive generation service from an alternative supplier, and provides the Company with written notice at least six (6) months before 1.) the second anniversary of the effective date of this Addendum (Addendum Effective Date or AED), or 2.) any subsequent anniversary of the Addendum Effective Date, then the Parties agree that the Customer may avail itself of that right by paying the Company, upon demand and not as a penalty but as liquidated damages, an amount in accordance with the following schedule:

Schedule I.

Notice Given at Least Six (6) Months Before The Anniversary Of The AED In:	Dollar Amount Owed to the Company at Different Average Tariff I.P. Billing Demands (Rounded to the Nearest Whole MW):					
	<12MW	12MW	13MW	14MW	15MW	+ ≥16MW
2000	600,000	540,000	480,000	420,000	360,000	300,000
2001	600,000	510,000	420,000	330,000	240,000	150,000
2002	600,000	480,000	360,000	240,000	120,000	0

II. If, anytime during the term of the Service Agreement, the Tennessee Regulatory Authority (TRA) approves any new Company tariff or tariffs for which the Customer is eligible, and, thereafter, the Customer provides the Company with written notice at least six (6) months before 1.) the second anniversary of the Addendum Effective Date, or 2.) any subsequent anniversary of the Addendum Effective Date, then the Parties agree that the Customer may elect to take service under any such tariff by executing a new Service Agreement and paying the Company, upon demand and not as a penalty but as liquidated damages, an amount in accordance with Schedule I.

III. If the Customer's average Tariff I.P. billing demand, rounded to the nearest whole MW, is less than 16MW over the five-year initial term of the Service Agreement, then the Customer further agrees to pay the Company, upon demand and not as a penalty but as liquidated damages, an amount in accordance with the following schedule:

Schedule III.

Avg Tariff I.P. Billing Demands:	<12MW	12MW	13MW	14MW	15MW	≥16MW
Dollar Amt Owed the Co:	600,000	450,000	300,000	150,000	0	0

IV. Beginning on the second anniversary of the effective date of this Addendum, and annually thereafter through the end of the term of this Addendum, the Customer may elect to purchase the "138 kV transmission line," but not the "associated facilities," for \$300,000.00 (three hundred thousand dollars). Upon receipt of that sum, the Company agrees to convey to the Customer good title to the "138 kV transmission line," but not the "associated facilities." The Parties agree that the "138 kV transmission line" referred to above consists of all poles, structures, and conductors that 1.) originate at the Company's West Kingsport Station, beginning at the line dead-ends located on the load side of the Company's Motor Operated Air Break (MOAB) switch; 2.) extend approximately ½ mile to the Customer's new Industry Drive 138 kV substation; and 3.) terminate in that substation. As part of any conveyance of the "138 kV transmission line," the Company agrees to transfer to the Customer any associated right-of-way that is transferable. In the event that the "138 kV transmission line" is conveyed to the Customer, the Company and the Customer further agree that the metering will remain in the Customer's Industry Drive 138 kV substation, with ownership being retained by the Company, and that, following such conveyance, the delivery point shall be the point at which the Customer's facilities interconnect with the Company's facilities (i.e. at the line dead-ends located on the load side of the Company's MOAB switch in West Kingsport Station), and the Customer shall have complete responsibility for the "138 kV transmission line",

including, but not limited to, all responsibility for maintenance, liability, fees, assessments and right-of-way.

V. The term of this Addendum shall commence on the first day of the first billing month following the approval of this Addendum by the TRA, or any successor thereto, and shall run through the end of the initial five (5) year term of the Service Agreement.


This Addendum is intended to comply with all applicable statutes, and regulations and orders of the TRA or any successor thereto. If such statutes, regulations, or orders should be modified or determined to be ineffective in judicial proceedings such that in the good faith opinion of the Company, this Addendum will be inconsistent with the then effective statutes, regulations or orders, this Addendum will be made consistent with the effective statutes, regulations, or orders.

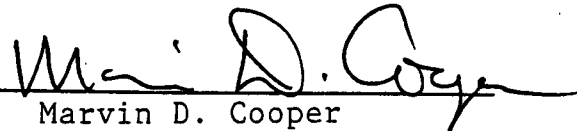
Except as modified hereby, the terms and conditions of the Service Agreement and any other addenda shall remain in full force and effect.

This Addendum shall be in full force and effective the first day of the first billing month following the approval of this Addendum, without change or condition, by the TRA, or any successor thereto.

KINGSPORT POWER COMPANY
d/b/a AMERICAN ELECTRIC POWER

WILLAMETTE INDUSTRIES, INC.

By 
Title Manager of Business Services -
Transmission

By 
Title Marvin D. Cooper
Executive Vice President
Pulp and Paper Mills

Date August 14, 1998

Date August 10, 1998

**TARIFF I.P.
(Industrial Power)**

AVAILABILITY OF SERVICE

Available to industrial and large commercial customers. Customers shall contract for a definite amount of electrical capacity in KW which shall be sufficient to meet normal maximum requirements but in no case shall the capacity contracted for be less than 3,000 KW. Contract capacities will be specified in multiples of 100 KW.

MONTHLY RATE

<u>Tariff Code</u>	<u>Service Voltage</u>	<u>Demand Charge per KW</u>	<u>Off-Peak Excess Demand Charge per KW</u>	<u>Energy Charge per KWH</u>	<u>Service Charge</u>
322	Primary	\$8.70	\$2.57	2.302 cents	\$ 240.00
323	Subtransmission	\$7.79	\$1.61	2.269 cents	\$ 730.00
324	Transmission	\$7.60	\$1.40	2.241 cents	\$1,930.00

Reactive Demand Charge for each Kilovar of Lagging Reactive Demand
in excess of 50 percent of the KW of monthly metered demand \$0.75 per KVAR

MINIMUM CHARGE

This tariff is subject to a minimum monthly charge equal to the sum of the service charge, the product of the demand charge and the monthly billing demand and the fuel clause adjustment.

FUEL CLAUSE

When the unit cost of fuel in the charges for power purchased from Appalachian Power Company under Federal Energy Regulatory Commission rate schedule No. 23 is above or below a base unit price of 15.8563 mills per KWH, adjusted for losses, the bill for service shall be increased or decreased respectively at a rate per KWH equal to the amount that such cost of fuel is above or below the unit base cost of 15.8563 mills per KWH, adjusted for losses, applied to the KWH measured in the period for which the bill is rendered. The adjustment shall be based on the most recent calendar month for which fuel cost data is available.

PROMPT PAYMENT DISCOUNT

A discount of 1.5 percent will be allowed if account is paid in full within 15 days of date of bill.

DETERMINATION OF DEMAND

The billing demand in KW shall be taken each month as the single highest 30-minute integrated peak in KW as registered during the on-peak period by a demand meter or indicator. The monthly billing demand so established shall in no event be less than 60% of the greater of (a) the customer's contract capacity or (b) the customer's highest previously established monthly billing demand during the past 11 months nor less than 3,000 KW. The off-peak excess demand shall be the amount by which the demand created during the off-peak period exceeds the monthly billing demand.

The reactive demand in KVARs shall be taken each month as the single highest 30-minute integrated peak in KVARs as registered during the month by a demand meter or indicator, or, at the Company's option, as the highest registration of a thermal type demand meter or indicator.

For the purpose of this provision, the on-peak billing period is defined as 6 a.m. to 9 p.m. local time for all weekdays, Monday through Friday. The off-peak billing period is defined as 9 p.m. to 6 a.m. for all weekdays, all hours of the day on Saturdays and Sundays, and the legal holidays of New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

METERED VOLTAGE

The rates set forth in this tariff are based upon the delivery and measurement of energy at the same voltage, thus measurement will be made at or compensated to the delivery voltage. At the sole discretion of the Company, such compensation may be achieved through the use of loss compensating equipment, the use of formulas to calculate losses or the application of multipliers to the metered quantities. In such cases, the metered KWH and KW values will be adjusted for billing purposes. If the Company elects to adjust KWH and KW based on multipliers, the adjustment shall be in accordance with the following:

1. Measurements taken at the low-side of a customer-owned transformer will be multiplied by 1.01.
2. Measurements taken at the high-side of a Company-owned transformer will be multiplied by 0.98.

Issued:
By: R. D. Carson, Vice President
Kingsport, Tennessee

Effective: For Bills Rendered On and
After December 22, 1997.
Pursuant to an order in
Docket No. 97-01417

**TARIFF I.P.
(Industrial Power)**

TERM OF CONTRACT

Contracts under this tariff will be made for an initial period of not less than 5 years and shall remain in effect thereafter until either party shall give at least 12 months' written notice to the other of the intention to discontinue service under the terms of this tariff. Where new Company facilities are required, the Company reserves the right to require initial contracts for periods of greater than 5 years.

A new initial contract period will not be required for existing customers who increase their contract requirements after the original initial period unless new or additional facilities are required.

The Company shall not be required to supply capacity in excess of that contracted for except by mutual agreement.

SPECIAL TERMS AND CONDITIONS

This tariff is subject to the Company's Terms and Conditions of Service.

This tariff is also available to customers having other sources of energy who desire to purchase standby or back-up service from the Company. Where such service is required, the customer shall contract for the maximum amount of demand in KW which the Company might be required to furnish, but not less than 3,000 KW. The Company shall not be obligated to supply demands in excess of that contracted for. Where service is supplied under the provisions of this paragraph, the billing demand each month shall be the highest determined for the current and previous two billing periods, and the minimum monthly charge shall be as set forth under paragraph "Minimum Charge" above.

Customers having other sources of energy who desire to purchase standby or back-up service from the Company may also purchase such service under Special Contract with the Company.

A customer's plant is considered as one or more buildings which are served by a single electrical distribution system provided and operated by customer. When the size of the customer's load necessitates the delivery of energy to the customer's plant over more than one circuit, the Company may elect to connect it circuits to different points on the customer's system irrespective of contrary provisions in Terms and Conditions of Service.

Issued:
By: R. D. Carson, Vice President
Kingsport, Tennessee

Effective: For Bills Rendered On and
After December 22, 1997.
Pursuant to an order in
Docket No. 97-01417

Red River Paper Mill

AGREEMENT FOR ELECTRIC SERVICE

by and between

CENTRAL LOUISIANA ELECTRIC COMPANY, INC.

and

WILLAMETTE INDUSTRIES, INC.

CENTRAL LOUISIANA ELECTRIC COMPANY, INC. (Company) and WILLAMETTE INDUSTRIES, INC. (Customer) entered into an Agreement on **October 1, 1995** an Agreement whereby the Company will sell and deliver to the Customer and the Customer will take and pay for electric service under the terms and conditions as hereinafter set forth.

SECTION 1

CONTRACT POWER

For the purpose of this Agreement, the Contract Power shall be **thirty-eight thousand (38,000) kilowatts**. Firm purchase power requirements in excess of **38,000 kilowatts** shall require written agreement of the Company and the Customer. Changes in the Contract Power must be made in increments of no less than 1,000 kw.

SECTION 2

RATE AND CONDITIONS

Customer agrees to pay monthly for all electric service furnished hereunder in accordance with RATE SCHEDULE LPS and RIDER SCHEDULE IDS attached to and made a part hereof. Company and Customer recognize that during the initial five (5) year term of this Agreement, Customer's requirement for steam associated with the papermaking process may change and that Customer may increase its steam-electric generation (Additional Generation) as a result thereof. In such event and commencing with the operation of any such additional Generation, the Contract Power shall be reduced in increments of no less than 1000 kw of Additional Generation installed by Customer, but in no event shall the Contract Power be reduced below 20,500 kw. In any event, Rider Schedule IDS will apply to all kw demands above the base period demand of 20,000 kw. If the Willamette

load should drop below 20,000 kw, Willamette would pay to CLECO the full amount of all discounts which it previously received under the IDS Rider. Electric service will be delivered and received hereunder in accordance with the Standard Terms and Conditions for Electric Service as approved by the Louisiana Public Service Commission which are attached hereto and made a part of this agreement, and Customer agrees to observe and be bound by them. It is understood and agreed that the rate and Standard Terms and Conditions under which service is being furnished is expressly subject to change insofar as such change may be legally ordered by the Louisiana Public Service Commission, or other governmental body having jurisdiction in the premises.

SECTION 3

SCHEDULED ADDITIONAL POWER

It is recognized by both parties that Customer's steam-electric generating unit (including steam-boiler and associated equipment) will require maintenance from time to time and that during such maintenance periods the unit will be incapable of producing electric power at its accustomed level and Customer may wish to purchase additional electric power from Company over and above the Contract Power set forth in this Agreement.

It is the intent of the Company to make such additional power available hereunder subject to the following provisions:

- (a.) All additional power required by the Customer in excess of the Contract Power shall be furnished on an if, as and when available basis and subject to interruption and such additional power shall be termed SCHEDULED ADDITIONAL POWER (SAP) for the purposes of this agreement.
- (b.) The amount of such additional power and the time and duration of its availability shall be at the sole discretion of the Company.
- (c.) The SCHEDULED ADDITIONAL POWER shall be billed conjunctively with all other power and energy used.
- (d.) Billing for Scheduled Additional Power shall be based on the customer's maximum kilowatts per day in excess of Contract Power. The SAP charge shall be equal to the daily proration of 150% of the then applicable demand charge of the LPS rate schedule.
- (e.) The Company shall not be required to increase existing substation capacity or provide additional on-site facilities solely for the purpose of furnishing Scheduled Additional Power to the Customer.

SECTION 4

CONTROL EQUIPMENT AND FACILITIES

Customer will continue to pay for expenses of a leased telephone line associated with supervisory equipment for control of Company's substation.

SECTION 5

FACILITIES CHARGES

The Large Power Service rate schedule, as established and approved by the Louisiana Public Service Commission, requires the Customer to contract for electric power with the Company based on either of the following criteria:

- (1.) Customer must accept electric service at Company's interconnected transmission voltage (138,000 volt or 230,000 volt).
- (2.) Customer may pay the Company a monthly Facilities Charge based on installed cost and anticipated annual charges required for those facilities necessary to provide service below transmission voltage.

In order to comply with the previous requirements and insure the Company is compensated for the use of its facilities, Customer agrees to pay to the Company, in addition to all other charges for service furnished under the Agreement, a Facilities Charge in the amount of **eighteen thousand six hundred sixty-one (\$18,661.00)** dollars per month based on the following calculation: substation cost (\$1,244,099) x rate (1.5% per month) = \$18,661.00 per month.

SECTION 6

TERM

The Customer will receive and pay for service under this Agreement for a period of five (5) years beginning October 1, 1995 and this Agreement shall continue thereafter for succeeding periods of five (5) years unless and until terminated by written notice to the contrary by either party at least one (1) year prior to the expiration of the original term or any renewal thereof.

SECTION 7

GENERAL

This Agreement, upon its date of taking effect, shall supersede all previous agreements between the Company and the Customer relative to the purchase and sale of the electric service covered by this Agreement.

In TESTIMONY WHEREOF, witness signature of the Customer and the Company in duplicate originals, in presence of undersigned competent witnesses.

WILLAMETTE INDUSTRIES, INC.

Witnesses:

W. B. Hammond
Keith L. Edler

By: Steven P. Rogel
Title: President

**CENTRAL LOUISIANA ELECTRIC
COMPANY, INC.**

Witnesses:

Michael J. Lybell
Deborah Jaffrion

By: Robert L. Duncan
Title: V.P. Customer operations

**STANDARD TERMS AND CONDITIONS
FOR
ELECTRIC SERVICE**

(1) GENERAL

The term "Company" as used herein shall mean the CENTRAL LOUISIANA ELECTRIC COMPANY, INC., its successors or assigns; the term "Customer" shall mean each present or prospective user of electric service supplied by the Company.

The "Standard Terms and Conditions for Electric Service" shall supersede all previous Terms and Conditions or Rules and Regulations under which the Company or its predecessors have supplied electric service.

All electric service furnished by the Company shall be subject to the provisions of these Standard Terms and Conditions and to the applicable provisions of Company's electric service rate and rider schedules.

(2) APPLICATION FOR SERVICE

At the option of the Company a written application for service may be required from any Customer and a separate application may be required for each point of delivery of service.

(3) CONNECTION CHARGE

In order to partially cover the cost of making service available, and subject to the limitations hereinafter set forth, the Customer shall pay to the Company, as a connection charge, the amount set forth in its schedule of charges on file with the Louisiana Public Service Commission.

Limitations

This charge shall be applicable only to Customers classified as residential and commercial, or industrial, excepting: contract customers, churches, schools, nonprofit institutions, and governmental agencies.

(4) AVAILABILITY OF SERVICE

Service is available in all areas served by the Company where existing distribution lines of adequate capacity and suitable phase and voltage to furnish Customer's requirements are located adjacent to the premises to be served.

(5) EXTENSIONS OF AND ADDITIONS TO EXISTING FACILITIES

When extensions of or additions to the Company's facilities are necessary to make service available to the Customer, the Company will bear the cost of such extensions or additions to the extent that the additional investment in facilities required provides a reasonable return to the Company. Cost as used herein shall include the entire cost necessary to make service available, including, but not limited to, the cost of rights-of-way and the cost of all lines, transformers, services and any other equipment necessary to deliver service.

**STANDARD TERMS AND CONDITIONS
FOR
ELECTRIC SERVICE**

For customers with an anticipated load of less than 300 KVA, the Company will bear the cost of such extensions and additions up to three (3) times the anticipated continuing annual revenue (exclusive of all fuel allocable) to be received from the Customer. For customers with an anticipated load of more than 300 KVA, the Company will perform an economic analysis for each Customer to determine the additional investment justified by the customer's anticipated continuing annual revenue (exclusive of all fuel allocable). In the event the cost to provide service exceeds these amounts, the Company may require, as a condition of service, that the Customer contribute toward such cost or guarantee payment of bills for service in sufficient amount and for a sufficient length of time to justify the additional cost.

Company shall be the sole judge as to cost of extensions of facilities and the amount and adequacy of anticipated continuing and guaranteed revenues as well as the term of such guarantees. In case of dispute, Customer may be furnished with evidence of good faith by receiving details of the estimates for purposes of appeal.

(6) RIGHTS-OF-WAY AND FRANCHISES

The Company's obligation to furnish service shall be contingent upon its ability to secure and retain all necessary franchises, rights-of-way, permits, etc., at costs which the Company considers reasonable.

Customer shall furnish to the Company, free of all costs, all necessary rights-of-way over land owned or controlled by the Customer, and over intervening private property when requested to do so by the Company.

(7) INSPECTION AND PERMITS

Where municipal or other governmental regulations require an inspection certificate or permit approving the Customer's installation, such certificate or permit shall be obtained by the Customer before service is made available.

(8) POINT OF DELIVERY

For residential service, unless otherwise specified in a service agreement, the point of delivery of service shall be at a point outside of the residential structure where the service lines of the Company connect with the electrical wires of the residential structure. For commercial and industrial service, the Company, at its option, may set the point of delivery of service at the property line, at the transformer, on the customer's building, or any other place the Company may deem necessary. In either case, the point of delivery shall conform to the Electric Service Standards of the Company. The Company's rate schedules, unless otherwise stated in the schedules, contemplate that all connections between the Company's lines and the point of delivery will be aerial (overhead) wire by the shortest and most direct route. If a Customer having a right to make such choice desires underground connections or other overhead wire arrangements, the cost of which is greater than that of such direct overhead route, then the Customer will pay to the Company the difference between the cost of the shortest and most direct overhead facilities and the type of connection chosen.

**STANDARD TERMS AND CONDITIONS
FOR
ELECTRIC SERVICE**

(9) ACCESS TO CUSTOMER'S PREMISES

The Company shall have access to the Customer's premises at all reasonable times, and free of all tolls or other charges, for the purpose of installing, reading, testing, repairing or removing its meters or other facilities, and for all other purposes required by the Company to render proper service to the Customer and to its other Customers. Should the Company be prevented from routinely reading an electric meter because of a locked gate or other reasons related to a customer's premise, the Company shall, at the customer's expense, have the right to relocate the electric meter to a readily accessible location or to install special metering equipment to allow reading of the meter.

(10) USE OF SERVICE

All facilities, including lines, wiring, apparatus and appliances, beyond the point of delivery shall be furnished, installed, owned and maintained by the Customer. Such facilities shall be installed and maintained in a safe and efficient manner and in accordance with good practice and all lawful regulations. The Company, however, does not assume the responsibility of inspecting the Customer's facilities.

The Customer shall not use the service furnished in any manner that interferes with the provision of proper service to the Company's other Customers.

All service furnished is for the exclusive use of the Customer and shall not be resold or shared with others without the Company's written consent.

(11) BILLS FOR SERVICE

Customer shall pay monthly for all service furnished in accordance with the rate schedule applicable to the type of service furnished. Bills will be rendered monthly and are payable within 20 days from date of bill. The terms month and monthly as used herein and in Company's rate schedules shall designate the period between any two consecutive readings of the Company's meters at approximately 30 day intervals.

(12) DEPOSITS

The Company may, at any time, require the Customer to make and maintain a cash deposit as security for payment of bills for service. The amount of such deposit shall be determined by the Company but shall not be more than an amount equal to two (2) times the estimated maximum monthly bill. Such deposits will be refunded to the Customer upon final discontinuance of service and after all indebtedness of the Customer to the Company has been paid. Interest, at the rate of five per cent (5%) per annum, will be paid annually on the amount of any such deposit held for six months or more.

(13) METERING

All metering equipment necessary to properly measure the electricity furnished shall be installed, owned and maintained by the Company. A meter socket will be provided by the Company and must be installed by the customer.

**STANDARD TERMS AND CONDITIONS
FOR
ELECTRIC SERVICE**

Customer shall furnish a suitable space, acceptable to the Company, for installation of meters, and other equipment necessary to deliver and measure the electricity supplied by the Company. Customer shall not injure or tamper with said meters, and other equipment and shall take all reasonable precaution to prevent others from injuring or tampering with any of Company's equipment located on Customer's premises.

The Company, at its expense, shall test its meters at such intervals as may be required by good operating practice and all lawful regulations and at other times when requested to do so by the Customer. However, when a test is requested by the Customer at any time other than the Company's standard testing period, and the meter is found to be accurate within two per cent (2%) the cost of such test shall be borne by the Customer.

(14) ADJUSTMENT OF BILLS

Whenever a meter is tested and found to be inaccurate by more than two per cent (2%) the Company shall adjust past bills for service to compensate for such inaccuracy. Adjustments shall cover the period of inaccurate registration if the length of such period can be determined. Otherwise adjustments shall cover an estimated period as may be mutually agreeable to the Customer and to the Company; however, in no event, shall an adjustment cover an estimated period of more than six (6) months.

(15) LIABILITY

The Customer shall be solely responsible for the use and disposition of electricity on the Customer's side of the point of delivery. The Customer shall protect and save the Company harmless and indemnified from injury or damage to persons or property occasioned by the presence, absence, use and disposition of such electricity on the Customer's side of the point of delivery, except where said injury or damage shall be shown to have been caused by the sole negligence of the Company.

The Company shall not be responsible for damages, losses or injuries occasioned by Customer or any other persons who tamper with or attempt to repair or replace any facilities owned or maintained by the Company.

(16) SERVICE INTERRUPTIONS

The Company shall use due diligence in the operation and maintenance of its facilities so as to provide safe, adequate and uninterrupted service. However, the Company shall not be liable to the Customer, nor shall the Customer be liable to the Company by reason of the failure of the Company to deliver, or the Customer to receive, electricity as a result of injunction, fire, riot, strike, explosion, flood, accident, breakdown, acts of God or the public enemy or other acts or conditions reasonably beyond the control of the party affected.

The Company shall not be liable for damages occasioned by interruptions of service, when such interruptions are necessary, to make repairs or changes in the Company's equipment and facilities.

**STANDARD TERMS AND CONDITIONS
FOR
ELECTRIC SERVICE****(17) SUSPENSION OF SERVICE**

The Company may suspend service at any time that the Customer fails to comply with these Terms and Conditions or with the provisions of any contract between the Customer and the Company. At least five (5) days notice will be given to the Customer by the Company of its intent to so suspend service except in cases of emergency or fraud.

When service is suspended for nonpayment of bills it will not be restored until the Customer pays all such bills plus the cost of restoring service (except as described below). Should Customer request permanent discontinuance of service during any period of suspension for nonpayment of bills, the cost above referred to shall be paid to the Company before service is again made available to the Customer.

When service is suspended for any other cause it will not be restored until the cause of the suspension has been removed or remedied.

The Company shall not be liable for damage occasioned by suspension of service when such suspension is effected in accordance with these provisions.

Except in cases of emergency or fraud, service to a customer shall not be terminated when the Company has been advised in writing by the customer that the termination of service would be especially dangerous to the health of the customer or a permanent member of the customer's household, and, further, when such customer can also establish that he is unable to pay for such service in accordance with the requirements of the utility's billing but is able to pay for such service only in installments and agrees to do so in the following manner. Such customer shall sign an installment agreement which will provide for payment of such service along with timely payments for subsequent monthly billing and shall provide that the agreement will terminate and all remaining amounts due thereunder will become due when the health condition giving rise thereto shall cease. The Company may, at its discretion, require the customer to furnish the statement of a medical doctor to establish that termination of service would be especially dangerous to such customer or a permanent member of the household prior to entering into an installment agreement and each month while the agreement is in effect.

(18) RATE SCHEDULES

The rate schedule applicable to the Customer's service will be the Company's standard rate schedule in effect for like conditions of service to the class of service furnished the Customer. If the Company should apply for an increase or decrease in the rate applicable to the class of service furnished the Customer, and Company's requested change is approved by the regulatory body having jurisdiction thereof, the increased or decreased rate shall be applicable to the bills rendered thereunder from and after the effective date of such rate change.

When more than one of the Company's rate schedules are applicable to the Customer's service the Company will, upon request of the Customer, give such assistance as it reasonably can to enable the Customer to select the most favorable rate schedule. Such assistance and advice will be based upon the Customer's representations as to use of service and the Company shall not be responsible for any difference that may later arise because of the provisions or effect of any rate schedule so selected. Any alternate schedule, once selected by the customer, shall remain in effect for at least one year unless (a) the schedule is lawfully modified, (b) a permanent change in the Customer's load or condition of service render the schedule inapplicable, or (c) any contract with the Company is terminated in accordance with its provisions.

**STANDARD TERMS AND CONDITIONS
FOR
ELECTRIC SERVICE**

(19) MODIFICATIONS

No agent of the Company has the power to amend, modify, alter or waive any of these Terms and Conditions or to bind the Company by making any promises or representations that conflict with the provisions of these Terms and Conditions.

Whenever there is a conflict between the provisions of any of the requirements herein and the specific provisions of any rate schedule, the provisions of the rate schedule shall govern.

Effective: January 1, 1992

Supersedes: Standard Terms and
Conditions for
Electric Service
(1/88)

050098BE.SAM

**EXPERIMENTAL RIDER
FOR INCREMENTAL EMPLOYMENT AND ECONOMIC DEVELOPMENT SERVICE**

I. AVAILABILITY

This rider is available under the regular terms and conditions of the Company to new Customers engaged in industrial or other developmental businesses who contract for not less than 500 KW of firm service and to existing customers engaged in industrial or other developmental businesses served by the Company whose average KW load of firm service during the preceding 12 months was not less than 250 KW and who contract for the application of this rider for a term of not less than five (5) years. This rider is not available for temporary service for construction power nor is it applicable to service rendered prior to the date on which the Company determines initial qualification under the rider.

The Company reserves the right to modify or limit the availability of this service to new business where such additional service may impair the Company's ability to deliver reliable service to its existing Customers. Regardless, this rider will be closed to new business as of December 31, 1996.

II. APPLICATION

This rider is applicable to the total actual KW demand of a new Customer or to the increased actual KW demand of an existing Customer, during the non-summer months of October through May, provided: a) any new or increased KW demand is accompanied by additional full-time permanent jobs over and above the Customer's full-time permanent employment as of the end of the base period, or b) any new or increased actual KW demand is at least 500 KW above the base period demand.

The base period shall be the eight non-summer months of October through May immediately preceding the month that the Company contracts for service with the Customer for this rider.

The base period demand shall be the average of the actual measured KW peak demands experienced during the base period.

Increased KW demand shall be the actual measured KW peak demand experienced during the eight non-summer months of October through May in excess of the base period demand.

For new customers taking service under this rider, permanent employment as of the end of the base period shall be zero and the base period demand shall be zero.

No other (or additional) riders will apply to a Customer taking service under this rider with the sole exception of Rider FA.

III. MODIFICATIONS TO THE REGULAR RATE SCHEDULE

The Demand Charge included in the Net Monthly Rate section of the then effective and applicable rate schedule will be reduced for all increased KW demand billed under Option A or for increases in demand of at least 500 KW under Option B (but not both) as follows:

Option A - Employment

Increase in Number
of Full-time
Permanent Jobs over
Base Period

Discount to Demand Charge During Non-summer
Billing Months

	<u>First Year</u>	<u>Second Year</u>	<u>Third Year</u>	<u>Fourth Year</u>	<u>Fifth Year</u>	<u>Sixth Year and Beyond</u>
15-25 jobs	15%	10%	10%	5%	5%	0%
26-100 jobs	25%	20%	15%	10%	5%	0%
101 or more jobs	50%	40%	30%	20%	10%	0%

Option B - Economic Development

Discount to Demand Charge During Non-summer
Billing Months

	<u>First Year</u>	<u>Second Year</u>	<u>Third Year</u>	<u>Fourth Year</u>	<u>Fifth Year</u>	<u>Sixth Year and Beyond</u>
For increases in demand of at least 500KW	50%	40%	30%	20%	10%	0%

Under either option, all other charges and/or provisions of the applicable rate schedule will remain unchanged.

IV. CONDITIONS OF SERVICE

When a new Customer assumes operations of a previous Customer's facilities, the new customer shall be considered an existing customer and the billing history and number of full-time permanent employees of the previous customer shall be used to determine the base period demand and employment levels. A customer that assumes another metering point shall not be considered a new customer.

If a Customer taking service under Option A of this rider does not have an increase in the actual KW demand in excess of their base period demand during a billing month where this rider is applicable, then no discount will be allowed for that month's bill. If a Customer taking service under Option B of this rider does not have an increase in the actual KW demand in excess of 500 KW above their base period demand during a billing month where this rider is applicable, then no discount will be allowed for that month's bill. Service under this rider will permanently cease with the next monthly billing period for any Customer under this rider who fails to qualify for a discount for at least one month within the preceding eight (8) non-summer billing months.

Prior to service being rendered under Option A, the Customer will furnish the Company a notarized report of the number of full-time permanent employees as of the end of the base period. Additionally, the Customer will furnish the Company the number of full-time permanent employees as of December 31 of each subsequent year. Such information will be submitted to the Company, in writing, no later than January 31 of the following year. The Company may also, at any time, request and the customer will provide, within forty-five (45) days of the request, the number of full-time permanent employees as of the end of any given month, or the average number of full-time permanent employees during any given month since service commenced under this rider. In the case of a new Customer, an estimate of the number of full-time permanent employees shall be submitted to the Company two (2) months prior to the in-service date of the customer's plant with a statement of the actual number of permanent employees to be submitted to the Company no later than one (1) month following the in-service date.

If a Customer taking service under Option A of this rider changes the number of full-time permanent jobs which would change the amount of the discount, then beginning with the next monthly billing period, the amount of the discount will be subject to redetermination, per Section III above, based on the new level of full-time permanent jobs.

Effective: JANUARY 1, 1993

Supersedes: IDR (6/89)

LARGE POWER SERVICE

AVAILABILITY

Service under this schedule is available at any point on Company's interconnected 138,000 volt or 230,000 volt transmission system.

APPLICATION

This schedule is applicable to service furnished to large power customers for all electric service requirements. Service will be supplied at one point of delivery, measured through one metering installation, and shall not be shared or resold.

Customer must contract for not less than 20,000 KW of electric service under terms of an agreement for service with the Company.

TYPE OF SERVICE

Three-phase alternating current at a nominal voltage of 138,000 volts or 230,000 volts. At the Company's option, substation and associated facilities to deliver service at a lower voltage may be provided subject to payment of a Facilities Charge.

NET MONTHLY RATE

(a)	Customer Charge of	\$5,000.00
(b)	Plus Demand Charge, per KW, of	\$ 8.20
(c)	Plus Energy Charge, per KWH, of	\$ 0.00245
(d)	Plus Fuel Cost Adjustment as determined under Adjustment Clause FA	
(e)	Plus Facilities Charge	
(f)	Plus the proportionate part of any new tax or increased rate of tax, or governmental imposition (except state, parish, city and special district ad valorem taxes and any income taxes) levied on assessed against the Company or upon its electric business, as the result of any new or amended laws that may become effective and operative after January 1, 1986.	

DEMAND

The Demand shall be the highest amount determined in accordance with any of the following provisions:

- (1) The highest average KW demand measured during any 30-minute period of the current month, plus 10% of the concurrent average reactive KVA demand in excess of 48% of the KW demand.
- (2) The highest Demand similarly established during any preceding month.
- (3) 90% of the Contract Power specified in the Agreement for Electric Service.
- (4) 20,000 KW.

LARGE POWER SERVICE
(continued)

FACILITIES CHARGE

The Facilities Charge to provide service below transmission voltage shall be agreed upon between the Company and the Customer based on the cost of the Facilities and the anticipated annual charges required. Such agreement shall be in writing and made a part of the electric agreement.

METERING

All service will generally be metered at transmission voltage; at the Company's option, service may be metered at Customer's utilization voltage with compensation for transformer losses. Compensation shall be based on the operating characteristics of the transformer serving the customer.

MINIMUM MONTHLY CHARGE

The Customer Charge plus any applicable Demand Charge, but not less than the minimum charge specified in the Agreement for Electric Service

SERVICE PERIOD

As specified in the Agreement for Electric Service, but not less than 10 years.

PAYMENT

Bills for service furnished hereunder shall be rendered Net and Gross. The net Bill is due when rendered and if not paid within 20 days the Gross Bill becomes due. The Gross Bill is the Net Bill plus 5% of the first \$1,000.00 and 2% of any amount greater than \$1,000.00.

TERMS AND CONDITIONS

Service furnished under this schedule is subject to the Company's Standard Terms and Conditions for Electric Service and to all applicable rider schedules and adjustment clauses.

Effective: January 1, 1988

Supersedes: LPS (1/87)

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Request for Information No. 3.

Can Willamette determine the exact time of the need for back-up service with its proposed generator? Or, in the alternative, is Willamette willing to assume the risk of its manufacturing plant's loss of load during those times of forced outage of its proposed cogenerator?

RESPONSE TO REQUEST FOR INFORMATION NO. 3:

Willamette objects to this Request for Information on the ground that the two questions posed are not alternative questions and, therefore, the clause "in the alternative," which prefaces the second question, is ambiguous. Subject to that objection, Willamette states that it cannot determine the exact time of the need for unscheduled back-up service, but it can determine the reasonable probability of needing such service and can determine the timing of the need for maintenance service. Willamette is not willing to assume the risk of its manufacturing plant's loss of load during those times of forced outage of its proposed cogenerator.

Witness: Dr. Alan Rosenberg.

Request for Information No. 4.

Does Willamette contend that Big Rivers should reserve power for any of Willamette's "Excess Demand?" If so, why? Please explain the response in detail.

RESPONSE TO REQUEST FOR INFORMATION NO. 4:

Willamette does not contend that Big Rivers should reserve power for Willamette's "excess demand." However, Big Rivers is obligated under the Public Utility Regulatory Policies Act of 1978 (PURPA) to provide firm back-up service to Willamette if Willamette requires such service.

Request for Information No. 5.

In its Petition to Intervene, Willamette states (§14.b) that Big Rivers should be willing to permit cogenerators to acquire market based power at market-based rates. Is Willamette proposing that the Commission order retail wheeling? Why or why not?

RESPONSE TO REQUEST FOR INFORMATION NO. 5:

Willamette is not proposing that the Commission order retail wheeling. If Big Rivers is unable to provide its self-generating customers with a cost-based rate for standby service, then Big Rivers should facilitate the acquisition of such service from parties that are willing to provide that service at a cost-based rate. This is not the same as ordering retail wheeling. Market based rates may be provided through tariffs for "real time" pricing, under which Big Rivers would sell power at rates that reflect market conditions prevailing at the time of the sale.

Witness: Dr. Alan Rosenberg

Request for Information No. 6.

Would Willamette be willing to pay market rates for standby service at times when the market experiences a price spike?

RESPONSE TO REQUEST FOR INFORMATION NO. 6:

If provided with current, accurate pricing information, Willamette would be willing to agree to pay market rates for standby service when those rates are acceptable to Willamette, and shed its load when those rates become too high, but if Willamette bears that market risk, its base standby rates should be significantly lower.

Witnesses: Mike Maloney, Ray Biskopink

Request for Information No. 7.

Is Willamette willing to accept interruptible standby service?

RESPONSE TO REQUEST FOR INFORMATION NO. 7:

Willamette would be willing to accept interruptible standby service if Willamette, rather than Big Rivers, determines when interruptions would occur. That is, Willamette would accept service at market based rates if it has the ability to shed its load when rates become too high.

See Willamette's Response to Big Rivers' Request for Information No. 6.

Witnesses: Mike Maloney, Ray Biskopink

Request for Information No. 8.

Is Willamette aware of any customer or potential customer on the Big Rivers' system, other than Willamette, that is considering installing cogeneration? If so, please identify them and state the size of such cogenerator, if known.

RESPONSE TO REQUEST FOR INFORMATION NO. 8:

Willamette is not aware of any customer or potential customer on the Big Rivers system, other than Willamette, that is considering installing cogeneration.

Witnesses: Mike Maloney, Ray Biskopink

Request for Information No. 9.

Please identify all potential purchasers with whom Willamette has discussed purchasing the output of its cogeneration including the nature and details of those discussions, and state the price and terms at which such output would be purchased.

RESPONSE TO REQUEST FOR INFORMATION NO. 9:

Willamette objects to Request for Information No. 9 on the grounds that the information sought is not relevant to any issue in this proceeding and is not reasonably calculated to lead to the discovery of admissible evidence. Willamette further states that the information sought is highly proprietary and confidential.

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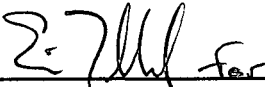
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of BIG RIVERS)
ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS) CASE NO. 99-354
FOR COGENERATORS AND SMALL)
POWER PRODUCERS)
(Rate Schedules 8 and 9))


**WILLAMETTE INDUSTRIES, INC.'S RESPONSES TO KENTUCKY
PUBLIC SERVICE COMMISSION'S INITIAL REQUEST FOR INFORMATION**

Willamette Industries, Inc. (Willamette) hereby submits the following responses to
Kentucky Public Service Commission's (KPSC) Initial Requests for Information.

DATED this 9th day of November, 1999.



Wells T. Lovett, Esq.
208 W. Third Street
Owensboro, KY 42303
Telephone: (502) 926-3003



Michael C. Dotten
Eric R. Todderud
HELLER EHRMAN WHITE & McAULIFFE
200 S.W. Market St., Suite 1750
Portland, OR 97201
(503) 227-7400

Of Attorneys for Willamette Industries, Inc.

Request for Information No.1.

Refer to Willamette's Petition to Intervene at Paragraphs 9, 10, 11, and 12. Those paragraphs refer to the requirements set out in the Public Utilities Regulatory Policy Act of 1978 ("PURPA"), the regulations of the Federal Energy Regulatory Commission ("FERC"), and the Commission's regulation governing cogeneration which all indicate that rates for sales to qualifying facilities shall be just and reasonable, and shall not discriminate against the qualifying facility in comparison to the rates charged to other customers. Willamette contends that Big Rivers' proposed tariff for the provision of supplemental service and back-up service is discriminatory and departs from cost-based rate-making.

a. Provide a more detailed narrative description of how Big Rivers' proposed sales tariff departs from cost-based rate-making.

b. Provide a more detailed narrative description of how Big Rivers' proposed sales tariff is discriminatory to a qualifying facility in comparison to the rates charged to other customers.

RESPONSE TO REQUEST FOR INFORMATION NO. 1.a. AND 1.b.:

Attached hereto is a copy of a letter that Willamette's counsel sent to Big Rivers at the outset of this proceeding. The purpose of the letter is to explain Willamette's position on why the rates proposed by Big Rivers are not just and reasonable and are discriminatory.

Because the Request calls for legal conclusions, Willamette cannot identify a witness for this Response.

HELLER EHRMAN WHITE & McAULIFFE

ATTORNEYS

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September 30, 1999

SEATTLE
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WASHINGTON, D.C.
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SINGAPORE

Via Federal Express

Mr. Michael H. Core
President and Chief Executive Officer
BIG RIVERS ELECTRIC CORPORATION
201 Third Street
P.O. Box 24
Henderson, KY 42419-0024

**Re: *Big Rivers Electric Corporation Proposed Sales Tariffs for Cogenerators
and Small Power Producers***

Dear Mr. Core:

As you know, Willamette Industries, Inc. ("Willamette") has intervened in the Kentucky Public Service Commission proceedings addressing Big Rivers Electric Corporation's ("BREC") proposed rates for service to cogenerators. I am writing on behalf of Willamette to explain our concerns about BREC's proposed Rate Schedule 9. Willamette appreciates BREC's effort in preparing these tariffs and responding to Willamette's request for back-up and maintenance rates. Yet we are concerned that the proposed rates may make cogeneration uneconomical for Willamette.

In the paragraphs below, I attempt to identify the significant legal issues that the proposed tariffs raise. I also explain Willamette's position on why the tariffs are deficient. Please understand that we may identify other issues as we continue our review of the proposed tariffs, but I want to convey our initial concerns early in the process. Willamette hopes that we can work together with BREC to resolve these concerns.

- 1. BREC's proposed back-up rates fail to consider the likelihood that outages would not occur during times of peak demand.**

By basing its back-up rates on the total amount of back-up capacity reserved by a cogenerator, BREC's proposed Schedule 9 would violate FERC's rules implementing

PURPA. Rates for back-up power, “[s]hall not be based upon an assumption (unless supported by factual data) that forced outages or other reductions in electrical output . . . will occur . . . during the system peak. . . .” 18 C.F.R. § 292.305(c)(1). In its Order promulgating 18 C.F.R. § 292.305, FERC explained the purpose of that rule:

A qualifying facility is entitled to purchase back-up or standby power at a nondiscriminatory rate which reflects the probability that the qualifying facility will or will not contribute to the need for and the use of utility capacity. . .

* * * The Commission believes that probabilistic analyses of the demand of qualifying facilities will show that a utility will probably not need to reserve capacity on a one-to-one basis to meet back-up requirements.

FERC Order No. 69, Docket No. RM79-55, *Small Power Production and Cogeneration Facilities; Regulations Implementing Section 210 of the Public Utility Regulatory Policies Act of 1978*, FERC Statutes and Regulations, Regulations Preambles 1977-1981 ¶ 30,128, at 30,889 (1980) (hereinafter, “Order 69”).

A back-up rate may reflect the cost of reserving some additional capacity, but the utility cannot charge a back-up customer a rate based on the cost of securing additional capacity that would be available at all times in an amount sufficient to serve that customer’s entire load. *E.g. Niagara Mohawk Power Corp.*, 1996 WL 583503, *2 (N.Y.P.S.C. 1996) (18 C.F.R. § 292.305 gives cogenerators “partial immunity from the capacity charges imposed on full requirements customers.”); *Pennsylvania Public Util. Comm’n v. Citizens’ Elec. Co.*, 1993 WL 599089 (Pa.P.U.C. 1993) (discussed below); *Western Massachusetts Elec. Co.*, 93 PUR4th 550 (Mass.D.P.U. 1988) (rejecting cogeneration back-up rates that did not reflect the magnitude and frequency of back-up power actually taken); *Consolidated Edison Co.*, 48 PUR4th 94 (N.Y.P.S.C. 1982) (discussed below). One state court, summarizing the findings of an Administrative Law Judge, explained the purpose of FERC’s “probabilistic analysis” as follows:

[T]here is a small probability that any one cogenerator would have a need for back-up power during system peak, . . . there is even a smaller probability that *all* cogenerators would suffer an outage during system peak, and . . ., as a result, there is a relatively small capacity cost responsibility for back-up power.

Albert Einstein Healthcare Found. v. Pennsylvania Public Util. Comm'n, 548 A.2d 339, 342 (Pa. Commw. Ct. 1988) (emphasis in original).

The flaw in BREC's proposed Schedule 9 is that the demand component of the back-up rate reflects an assumption that an unscheduled outage will occur during times of peak demand, and, therefore, BREC needs to maintain a block of capacity that would be available at all times. Willamette anticipates that, if it installs cogeneration, unscheduled outages would be rare--perhaps less than three percent of operating time. Thus, it is unlikely that BREC would have to secure additional capacity to furnish back-up service because unscheduled outages will be infrequent, and they probably would occur during off-peak times, when BREC could serve the load from its existing capacity. See 18 C.F.R. § 292.305(c)(1). Because BREC's rates fail to consider whether a cogenerator will or will not need to rely on BREC's capacity, those rates are inconsistent with PURPA.

Regulatory commissions in several states have addressed how to design rates for back-up service that are consistent with PURPA and Order 69. For example, the New York Public Service Commission applied the probability analysis suggested by FERC in Order 69 in *Consolidated Edison Co.*, *supra*, 48 PUR4th at 115-118. The New York Commission upheld its staff's recommendation that the utility capture the anticipated costs of additional capacity for back-up service to cogenerators through an energy charge, rather than a demand charge. An energy charge better reflected the probability that a cogenerator will or will not have forced outages during system peaks because it was based on actual consumption, and "the likelihood that any individual customer's demand will occur during the cost-causing peak increases with the duration of that demand." 48 PUR4th at 116.

The Pennsylvania Public Utility Commission's decision in *Pennsylvania Public Utility Comm'n v. Citizens' Elec. Co.*, *supra*, 1993 WL 599089, adopted a different approach to ensure that back-up rates are based on actual costs. In that case, as here, the utility was a full-requirements customer of a wholesale supplier. Unscheduled outages could have increased the system-wide peak, triggering additional demand charges from the wholesale supplier. The Pennsylvania Commission held that cogenerators should be responsible for any such costs that they cause. If, however, cogenerators' outages did not trigger increased demand-charge liability to the wholesale supplier, the revenue generated by the monthly rate for back-up service would, in effect, be a windfall because the utility would not incur any additional cost in furnishing the back-up service. The Pennsylvania

Commission suggested that the revenue generated from the monthly back-up rate should be credited against the cogenerator's liability for any costs that on-peak outages would impose on the utility's system. *Pennsylvania Public Util. Comm'n v. Citizens' Elec. Co.*, 1993 WL 599089, at *6; *see also Albert Einstein Healthcare Found. v. Pennsylvania Public Util. Comm'n*, 548 A.2d at 344 (upholding back-up rates under which monthly demand charge is credited against the cost of energy actually consumed).

BREC's rates must reflect that unscheduled outages will not always occur during times of peak demand on BREC's system. To the extent that BREC can furnish back-up service without securing additional capacity, FERC rules bar BREC from charging the cogenerator the full cost of reserving such capacity. Yet, that is exactly what BREC's proposed Schedule 9 would do. The demand component of BREC's back-up rate must either be eliminated (as was done in New York) or be significantly reduced to reflect the probability that only on rare occasions would BREC have to secure additional capacity to furnish back-up service due to unscheduled outages.

2. The rate for maintenance service is overstated.

FERC's PURPA regulations provide that rates for maintenance power must take into account "the extent to which a qualifying facility can usefully coordinate periods of scheduled maintenance with an electric utility." Order 69, at 30,889-30,890, *see* 18 C.F.R. § 292.305(c). Not only does BREC's proposed rate for maintenance service ignore that requirement, but the overall rate could have customers paying *more* for maintenance power than they would for Supplementary Power and Unscheduled Back-Up Demand.

The principal flaw in BREC's proposed maintenance rate is that it is the same as the rate for Supplementary Service and Back-Up Service--the only difference is that the demand component is charged weekly rather than monthly, and the rate for on-peak Maintenance Service could escalate to meet market costs.¹ FERC and a few state regulatory commissions have found comparable rates deficient because, under FERC

¹ The demand component of the rate for maintenance power is a minimum of \$1.835 per week and could be higher during on-peak periods. For an extended scheduled outage, the minimum rate would be nearly \$8 per kW per month (\$1.835 per week times 4.3 weeks per month). A cogenerator would have no incentive to pre-schedule long-term (*i.e.*, longer than one month) maintenance outages if that cogenerator had reserved sufficient Unscheduled Back-Up Demand to supply its entire load.

rules, the maintenance rate must reflect the ability to schedule outages. *E.g., Oglethorp Power Corp.*, 35 FERC ¶ 61,069, at 61,137 (1986) (rates for maintenance power must be designed so that “the qualifying facility can decide when to schedule its maintenance based on the financial impact of buying maintenance power at different times.”); *Pennsylvania Public Util. Comm’n v. Citizens’ Elec. Co.*, *supra*, 1993 WL 599089, at *8 (discussed below); *Western Massachusetts Elec. Co.*, *supra*, 1988 WL 391311, *280 (rejecting maintenance rate that was the same as the back-up rate, and requiring utility to file rates that “reflect the lower cost of providing replacement power for a unit under maintenance when that maintenance is coordinated with the utility.”).

FERC explained the relationship between back-up and maintenance rates as follows:

If a QF schedules maintenance power for a predetermined quantity at a prearranged time, the utility's costs, both capital and operating, should be reasonably ascertainable. The energy component, and perhaps the capital component, can be expected to vary with the time service is requested. However, if a QF requires back-up power due to a forced outage, the timing will typically be unknown and may not be entirely subject to a QF's control. For these reasons, a probabilistic analysis should typically be employed to determine the real economic costs incurred. Of course, it is possible through coincidence that the costs resulting from both types of service may be the same. However, we would consider this possibility very unlikely. In sum, absent a showing that the costs to provide back-up and maintenance are the same, separate rates must be provided.

Industrial Cogenerators v. Florida Public Serv. Comm’n, 43 FERC ¶ 61,545, at 62,351 (1988), *vacated*, 61 FERC ¶ 61,202 (1992), *rehearing denied*, 63 FERC ¶ 61,168 (1993), *rev. dismissed*, 47 F.3d 1231 (D.C. Cir. 1995).²

² FERC vacated its decision in *Industrial Cogenerators* after the Florida Supreme Court issued its decision in *C.F. Industries, Inc. v. Nichols*, 536 So.2d 234 (Fla. 1988), which was a state court appeal of the rates implicated in the FERC proceeding. *Industrial Cogenerators v. Florida Public Serv. Comm’n*, 61 FERC ¶ 61,202 (1992). The Florida courts resolved certain factual issues relating to the proposed rates in that case in a way that rendered FERC's decision moot. While FERC's decision cannot be relied on as precedent, it demonstrates FERC's views on the application of its rules governing rates for maintenance service.

BREC's proposed rate for maintenance power does not reflect the lower cost of pre-scheduled power, and it does not appear that BREC could demonstrate that there is no cost difference between the rate for unscheduled power and scheduled power. Thus, BREC must modify its rate for maintenance power.

For maintenance power that contributes to BREC's system-wide peak, it may be appropriate for BREC to impose a demand charge equivalent to its actual cost of securing pre-scheduled capacity. If BREC includes a demand charge for on-peak maintenance power, it should base that charge on daily, rather than weekly demand, in order to maximize the cogenerator's incentive to resume generation as quickly as possible. See *Qualifying Cogeneration and Small Power Production Facilities*, 90 PUR4th 273, 286 (R.I.P.U.C. 1988) ("The daily demand charge will provide an incentive to QFs to return to service as soon as possible after an outage, so as to avoid an accrual of the demand charge.").

BREC should eliminate the demand component of its rate for off-peak maintenance power because there would be no additional capacity requirements added to the system during off-peak periods. The rationale for an energy-only off-peak maintenance rate is explained in *Pennsylvania Public Utility Comm'n v. Citizens' Elec. Co.*, *supra*, 1993 WL 599089, at *8:

For maintenance power taken only during off-peak hours, (weekends and nights), there should be no demand charge and all energy purchases should be at the tail block rates. This would reflect the fact that the usage is by definition scheduled, and is in addition to normal customer usage, so that even at the tail-block rate there would be a revenue contribution to Citizens' above the Citizens' energy costs.

An appropriate off-peak rate for BREC's maintenance service would not have a demand charge component, because the pre-scheduled off-peak power would not require BREC to purchase additional capacity. In addition, the energy component of the rate should reflect BREC's lowest incremental energy rate, because the energy consumption is an additional increment that contributes to BREC's system-wide costs.

As proposed, BREC's maintenance rate restates the back-up rate (with a shorter demand interval) and does not truly reflect the cost of service. The proposed rate, therefore, does not comply with PURPA.

3. Penalties do not belong in cogeneration rates.

BREC candidly acknowledges that its Excess Demand Charge is not a cost-based rate but, instead, is a penalty. Such a rate is impermissible under PURPA and regulations of the Kentucky Public Service Commission. 18 C.F.R. § 292.305(a)(2); 807 KAR 5:054 § 6(5).

The Excess Demand Charge has little, if any, relationship to BREC's cost of service. A cogenerator would pay the Supplemental Demand Charge for all measured demand, regardless of the amount of Maximum Unscheduled Capacity that is reserved. However, any amount of the customer's demand in excess of the Maximum Unscheduled Capacity will trigger an additional Excess Demand Charge. Thus, the customer must pay twice for the increment of Excess Demand.

Moreover, the Excess Demand Charge permits BREC to recover more than its actual cost. BREC may purchase energy and capacity from other sources and charge its actual cost plus a 10% premium. If BREC elects not to buy energy and capacity from other sources, BREC can collect 110% of the highest rate at which BREC sold power at any time during that month. Such rates would have no relation to the so-called "opportunity costs" that BREC would experience. Instead, they could result in a windfall to BREC.

Subjecting cogenerators to penalties that greatly exceed the costs that they impose on BREC's system constitutes discrimination against cogenerators. Discrimination is unlawful under federal and state law, and it is poor policy.

BREC's purported rationale for these penalties is to discourage reliance on BREC's system. But the impact of such penalties is to discourage cogeneration. The policy of the Kentucky Public Service Commission is to encourage cogeneration. In the past, it has eliminated rates that discourage the development and growth of cogeneration. *See Kentucky Utils.*, 52 PUR4th 408, 431 (Ky.P.S.C. 1983) (eliminating rate schedule rider that Kentucky PSC viewed as "hindrance to the growth and development of cogeneration and small power production."). The Excess Demand Charge penalty achieves no purpose other than forcing cogenerators to pay BREC's inflated rates for Unscheduled Back-up Service or risk shutting down their plants. It stifles the development of cogeneration capacity. The Excess Demand Charge violates PURPA and state policy and must be eliminated.

Mr. Michael H. Core
September 30, 1999
Page 8

HELLER EHRHART & WHITE & McAULIFFE
ATTORNEYS

A rate design that discourages cogeneration seems particularly inappropriate for BREC's system. BREC has acknowledged that it has insufficient low-cost power to serve significant load growth. Willamette's installation of cogeneration capacity would free a portion of BREC's supply of low-cost power for the benefit of other customers. Rather than punishing Willamette for installing cogeneration, BREC should recognize the benefits of cogeneration and design rates that will foster the development of cogeneration.

I hope these comments will help you understand Willamette's position and will provide the framework for discussions between Willamette and BREC on revisions to Schedule 9. I would welcome your views on the issues addressed in this letter and would gladly review any authorities that you believe support BREC's position. Also, we would appreciate the opportunity to review any work papers or analyses that BREC has prepared in connection with its filing of Schedule 9. These materials would assist Willamette representatives in preparing for their meeting with BREC next week.

Thank you for your attention to these important issues.

Very truly yours,



Eric R. Todderud

cc: Michael Maloney, Willamette Industries, Inc.
Alan Meyer, Willamette Industries, Inc.

Request for Information No. 2.

In Paragraph 4 of its Petition to Intervene, Willamette makes reference to “reasonable cogeneration standby rates, such as those Willamette pays at its other paper mills with cogeneration.” Provide the tariffs for the cogeneration standby rates that Willamette pays at its other mills with cogeneration.

RESPONSE TO REQUEST FOR INFORMATION NO. 2:

Please refer to Willamette’s Response to Big Rivers Request for Information No. 2.e.

Request for Information No. 3.

Refer to Paragraph 14(b) of Willamette's Petition to Intervene. The paragraph indicates that Willamette believes Big Rivers should be willing to allow cogenerators access to acquire market-based power at market-based rates rather than charge "high fixed supplementary, maintenance, back-up, and excess demand charged to cogenerators on its system."

a. Do any other Willamette paper mills operate under a provision that allows its cogenerators access to market-based power at market-based rates? If yes, provide the tariffs and/or contracts under which those cogenerators are served by their utility.

b. If the response in part (a) is no, explain in detail how Willamette anticipates such a rate mechanism would be designed and implemented.

RESPONSE TO REQUESTS FOR INFORMATION NO. 3.a. and 3.b.

Willamette's mill in Albany, Oregon purchases power at market-based rates. Copies of the relevant tariff are attached to Willamette's Response to Big Rivers Electric Corporation's Initial Request for Information, Request No. 2.e. In Albany, the market-based rate serves as a cogeneration displacement rate as well as a back-up rate, and it is based on a reported index. The market-based rate that Willamette envisions for its Hawesville Mill could be based on "real time" pricing, as described in Willamette's Response to Big Rivers' Request for Information No. 5.

Witness: Alan Meyer

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of BIG RIVERS ELECTRIC)
CORPORATION'S PURCHASE AND)
SALES TARIFFS FOR COGENERATORS) CASE NO. 99-354
AND SMALL POWER PRODUCERS)
(Rate Schedules 8 and 9))
)

CERTIFICATE OF SERVICE

I hereby certify that on this 9th day of November, 1999, I caused copies of the foregoing documents to be served upon all other parties of this proceeding, by overnight courier, addressed as follows:

The Honorable James M. Miller
Sullivan, Mountjoy, Stainback & Miller, PSC
100 St. Ann Building
Owensboro, KY 42303

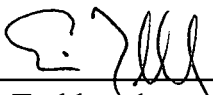
David A. Spainhoward, VP
Contract Admin. & Reg. Affairs
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42419-0024

The Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
Long Aldridge & Norman, LLP
701 Pennsylvania Avenue, N.W., Suite 600
Washington, D.C. 20004

Honorable Frank N. King
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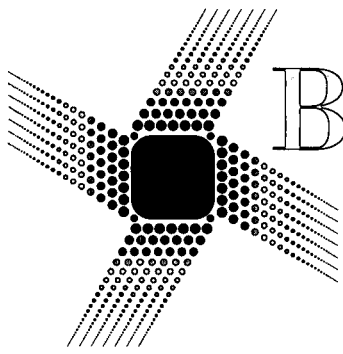
Richard G. Raff, Esq.
Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, KY 40601-1402

DATED this 9th day of November, 1999.



Eric R. Todderud
Heller Ehrman White & McAuliffe
200 S.W. Market St., Suite 1750
Portland, Oregon 97201

Of Attorneys for Willamette Industries, Inc.



Big Rivers
Electric Corporation

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November 8, 1999

RECEIVED

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PUBLIC SERVICE
COMMISSION

Ms. Helen Helton
Executive Director
Public Service Commission
730 Schenkel Lane
Frankfort, KY 40601

RE: Big Rivers Electric Corporation
PSC Case No. 99-354

Dear Ms. Helton:

Enclosed are an original and eight copies of the response of Big Rivers Electric Corporation to the data requests contained in the Commission's Order dated October 29, 1999, and the requests of Willamette Industries, Inc. dated October 28, 1999.

I certify that I have served a copy of this letter and attachments on each of the individuals shown on the enclosed service list.

Sincerely,

BIG RIVERS ELECTRIC CORPORATION

David A. Spainhoward
Vice President
Contract Administration and Regulatory Affairs

pm
Enclosures

c: Service List
Mr. Kelly Nuckols
Mr. Dean Stanley

Mr. Burns Mercer
Elizabeth Blackford, Esq.
David Denton, Esq.

**SERVICE LIST
CASE NO. 99-354**

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**Counsel for Kenergy Corp. and Meade
County R.E.C.C.**

**COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY**

In the Matter of:

**Big Rivers Electric Corporation's Purchase)
and Sales Tariffs for Cogenerators and Small)
Power Producers)**

Case No. 99-354

**BIG RIVERS ELECTRIC CORPORATION
RESPONSE TO THE COMMISSION'S
SUPPLEMENTAL REQUEST FOR INFORMATION
OF OCTOBER 29, 1999**

Items 1-4

November 8, 1999

BIG RIVERS ELECTRIC CORPORATION
RESPONSE TO THE COMMISSION'S
SUPPLEMENTAL REQUEST FOR INFORMATION OF OCTOBER 29, 1999
CASE NO. 99-354

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4 **Item 1)** Refer to Item 3 of Big Rivers' response to the Commission's October 8,
5 1999, Order. The response references the definition of avoided costs pursuant to 807
6 KAR 5:051 and states that Big Rivers will determine avoided capacity costs in excess of
7 those available under the Purchase Power Agreement ("PPA") "if and when it becomes
8 necessary to procure such additional supplies." Big Rivers' response to Item 4 of the
9 Commission's October 15, 1999, Order in Case 99-360¹ indicates it has immediate
10 concerns that new large loads will come on its system between now and 2003 that could
11 consume the available "Excess Base Power" under the PPA prior to 2003.

12
13 a. At the very earliest, when does Big Rivers anticipate that a specific
14 new large load might be added to its system that would consume a portion of the "Excess
15 Base Power" available under the PPA?

16
17 b. Also in Item 4 of the response to the Commission's Order in Case
18 No. 99-360, Big Rivers indicates that the requests for pricing proposals it has received
19 from its member cooperatives indicate the requests are for load service to begin in mid to
20 late 2000. If some of these loads materialize, would the period between now and mid
21 2000 be the time when it would become necessary for Big Rivers to "procure such
22 additional supplies"?

23
24 **Response)** a. The earliest a customer that Big Rivers has knowledge of that
25 would add a new large load to Big Rivers' system is September 2000.

26
27 b. Big Rivers intends to procure additional supplies for new loads as
28 these loads materialize. Big Rivers believes that three to six months would be necessary
29 to secure a power purchase agreement to parallel the new load contract.

30
31
32 _____
33 ¹ Case No. 99-360, The tariff filing of Big Rivers Electric Corporation to Revise the Large Industrial
Customer Rate Schedule.

BIG RIVERS ELECTRIC CORPORATION
RESPONSE TO THE COMMISSION'S
SUPPLEMENTAL REQUEST FOR INFORMATION OF OCTOBER 29, 1999
CASE NO. 99-354

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Witness) C. William Blackburn

BIG RIVERS ELECTRIC CORPORATION
RESPONSE TO THE COMMISSION'S
SUPPLEMENTAL REQUEST FOR INFORMATION OF OCTOBER 29, 1999
CASE NO. 99-354

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Item 2) Given the current situation regarding "Excess Base Power" under the PPA, and the circumstances that led Big Rivers to make the filing that has been docketed as Case No. 99-360, explain why Big Rivers chose to file its proposed Rate Schedules 8 and 9 for the purchase from, and sale of power to, cogenerators and small power producers in August 1999 rather than in the spring or summer of calendar year 2000.

Response) Big Rivers chose to file its proposed Rate Schedules 8 and 9 for the purchase from, and sale of power to, cogenerators and small power producers in August 1999 rather than in the spring or summer of calendar year 2000 because Willamette stated that it intended to install a qualifying facility and requested avoided cost information and pricing for standby power. Big Rivers would have preferred to wait until the spring or summer of 2000 to make such a filing and to have agreed to a special contract with Willamette. Given the insistence of Willamette's request, however, Big Rivers concluded that it should file with the Commission at this time.

Witness) David A. Spainhoward

BIG RIVERS ELECTRIC CORPORATION
RESPONSE TO THE COMMISSION'S
SUPPLEMENTAL REQUEST FOR INFORMATION OF OCTOBER 29, 1999
CASE NO. 99-354

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Item 3) Refer to the response to Item 6 of the Commission's October 8, 1999, Order. The response refers to Big Rivers' market exposure, both from purchases and lost sales opportunities, and to severe financial consequences that it could incur as a result of Excess Demand as set out in Rate Schedule 8.

a. Provide detailed descriptions of the market exposure, from both purchases and lost sales opportunities, to which Big Rivers could be exposed in the event of an occurrence of Excess Demand.

b. Describe and provide examples of the severe financial consequences that an event of Excess Demand could cause Big Rivers to incur under the proposed tariff.

Response) a. and b. The "Excess Demand" feature of Rate Schedule 9 is designed to provide an incentive to a cogeneration customer to purchase adequate back up or maintenance service to replace load in the event of generator outage. Otherwise, a customer could initially rely on Big Rivers to provide back up without advance notice of such a requirement or compensation for the commitment of capacity. Should a customer not purchase sufficient back-up service, Big Rivers would not plan for the back-up load should the customer's generator fail. Therefore, Big Rivers would naturally seek to sell to the market all available energy, including energy made available under the PPA because a customer's load is being self served by its QF. If that customer's generator fails at a time when Big Rivers' load was at or near its maximum hourly limit under the PPA requiring Big Rivers to deliver unreserved back-up service, Big Rivers would either (a) default on an off-system sales transaction or (b) purchase replacement power in the hourly market. Either event would have severe financial consequences to Big Rivers.

Witness) Jack Gaines

BIG RIVERS ELECTRIC CORPORATION
RESPONSE TO THE COMMISSION'S
SUPPLEMENTAL REQUEST FOR INFORMATION OF OCTOBER 29, 1999
CASE NO. 99-354

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4 **Item 4)** Given the following choices, how would Big Rivers characterize its
5 proposed tariffs for cogenerators and small power producers? Provide a detailed
6 narrative explanation in support of the selected characterization.

- 7
8 a. Cogeneration "friendly."
9
10 b. Cogeneration "neutral."
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12 c. Cogeneration "un-friendly."
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14 **Response)** Big Rivers would characterize its proposed tariffs for cogenerators and
15 small power producers as cogeneration "friendly." For example, Big Rivers is proposing
16 a lower demand charge to cogenerators and small power producers than that reflected in
17 its standard industrial rate for sales for resale. The proposed energy charge is higher
18 than the standard industrial rate energy charge, which would make energy produced by
19 the cogenerator more valuable for self-use. Moreover, Big Rivers has assumed risk
20 associated with providing Unscheduled Back-up service by only charging \$7.37 per
21 kW/mo. to reserve system resources. Big Rivers has not proposed to convey all of the
22 risk of market prices which could materialize should Unscheduled Back-up service be
23 required during a price spike period. Big Rivers desires to encourage additional power in
24 its control area, but Big Rivers is unwilling and unable to subsidize cogeneration and
25 small power producers. While endeavoring to design its proposed tariffs for cogenerators
26 and small power producers to be cogeneration and small power producer "friendly," Big
27 Rivers has followed the statutory and regulatory requirements related to qualifying
28 facilities and has proposed to charge nondiscriminatory, just and reasonable rates which
29 should protect the interests of both its members and qualifying facilities.

30
31 **Witness)** Jack Gaines
32
33

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC
ATTORNEYS AT LAW

Ronald M. Sullivan
Jesse T. Mountjoy
Frank Stainback
James M. Miller
Michael A. Fiorella
William R. Dexter
Allen W. Holbrook
R. Michael Sullivan
P. Marcum Willis
Bryan R. Reynolds
Mark Luckett

November 5, 1999

Via Facsimile

Ms. Helen Helton
Executive Director
Public Service Commission
730 Schenkel Lane, P.O. Box 615
Frankfort, Kentucky 40601-0615

RECEIVED
NOV - 8 1999
PUBLIC SERVICE
COMMISSION

Re: Big Rivers Electric Corporation, Case No. 99-354

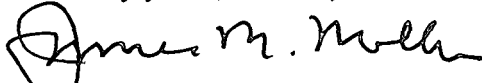
Dear Ms. Helton:

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The Commission's procedural schedule does not provide for filing of testimony before the scheduled hearing. The position of Big Rivers in this matter is set out in its application and its responses to numerous data requests. Big Rivers believes it would be helpful to both the Commission and to Big Rivers if the Commission would amend its procedural schedule to provide for the pre-filing of testimony by Willamette, stating its position in this matter, and of rebuttal testimony, if any, by Big Rivers. The procedural schedule is tight, and the brief time scheduled for the hearing obviously does not allow for extensive original direct and rebuttal testimony by the parties.

Because of the time schedule under which the parties and the Commission are operating, Big Rivers is filing and serving this letter on this date by facsimile.

Sincerely yours,



James M. Miller

JMM/ej

cc: Michael H. Core
Doug Beresford
Jack Gaines
Frank King, Jr., Esq.
Service List (attached)

Telephone (270) 926-4000
Telecopier (270) 683-6694

100 St. Ann Building
PO Box 727
Owensboro, Kentucky
42302-0727

Service List
Case No. 99-354

Wells T. Lovett
208 West Third Street
Owensboro, KY 42303

Michael C. Dotten
Eric R. Todderud
Heller Ehrman White & McAuliffe
200 S.W. Market Street, Suite 1750
Portland, OR 97201

Counsel for Willamette Industries

Frank N. King, Jr.
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

Counsel for Kenergy & Meade County RECC

HELLER EHRMAN WHITE & McAULIFFE

ATTORNEYS
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

200 MARKET BUILDING, SUITE 1750
200 S.W. MARKET STREET
PORTLAND
OREGON 97201-5718

TELEPHONE: (503) 227-7400
FACSIMILE: (503) 241-0950

ERIC R. TODDERUD
(503) 795-7409
etodderud@hewm.com

November 5, 1999

SEATTLE
PORTLAND
TACOMA
ANCHORAGE

SAN FRANCISCO
LOS ANGELES
PALO ALTO

WASHINGTON, D.C.
HONG KONG
SINGAPORE

Via Facsimile

Ms. Helen Helton
Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

RECEIVED
NOV - 8 1999
PUBLIC SERVICE
COMMISSION

Re: **Big Rivers Electric Corporation, Case No. 99-354**

Dear Ms. Helton:

I am writing to respond to Mr. Miller's letter regarding the hearing procedure in this matter. Willamette does not agree with Mr. Miller's suggestion that Willamette pre-file testimony stating its position, with Big Rivers having the option to file rebuttal testimony.

Big Rivers has the burden of demonstrating that its proposed rates are just and reasonable, and it has the burden of going forward and presenting its initial case to the Commission. KRS 278.190(3). If the Commission deems pre-filed testimony to be appropriate, Big Rivers should file opening testimony, to which Willamette's witnesses would respond. Big Rivers then would have the opportunity to file rebuttal testimony. Presenting testimony in that order would be consistent with Big Rivers' burden of proof in this case and would better assist all of the parties in preparing for the hearing.

Willamette has made its position known to Big Rivers, through discussions, informal correspondence and through responses to requests for information. We do not believe, however, that Big Rivers has adequately explained how its proposed rates are consistent with state and federal law. Requiring Willamette to explain its position, when Big Rivers has not done so, would improperly shift the burden to Willamette to establish that the proposed rates are not just and reasonable. State law assigns that burden to Big Rivers. Thus, Willamette opposes Mr. Miller's suggested procedure.

Ms. Helen Helton
November 5, 1999
Page 2

HELLER EHRMAN WHITE & MCAULIFFE
ATTORNEYS

Mr. Lovett and I will make ourselves available next week if the hearings officer wishes to discuss these issues with the parties.

Yours very truly,



Eric R. Todderud

cc: James M. Miller
Frank N. King, Jr.
Douglas L. Beresford
Willamette Industries, Inc.
Dr. Alan Rosenberg
Wells T. Lovett

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11/05/99 11:33 AM

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC

ATTORNEYS AT LAW

Ronald M. Sullivan
Jesse T. Mountjoy
Frank Stainback
James M. Miller
Michael A. Fiorella
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Mark Luckett

November 8, 1999

Ms. Helen Helton
Executive Director
Public Service Commission
730 Schenkel Lane, P.O. Box 615
Frankfort, Kentucky 40601-0615

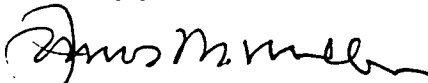
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NOV - 8 1999
PUBLIC SERVICE
COMMISSION

Re: Big Rivers Electric Corporation, Case No. 99-354

Dear Ms. Helton:

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Sincerely yours,



James M. Miller

JMM/ej

cc: Michael H. Core
Doug Beresford
Jack Gaines
Frank King, Jr., Esq.
Service List (attached)

Telephone (270) 926-4000
Telecopier (270) 683-6694

100 St. Ann Building
PO Box 727
Owensboro, Kentucky
42302-0727

Service List
Case No. 99-354

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Owensboro, KY 42303

Michael C. Dotten
Eric R. Todderud
Heller Ehrman White & McAuliffe
200 S.W. Market Street, Suite 1750
Portland, OR 97201

Counsel for Willamette Industries

Frank N. King, Jr.
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

Counsel for Kenergy & Meade County RECC

HELLER EHRMAN WHITE & McAULIFFEATTORNEYS
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS200 MARKET BUILDING, SUITE 1750
200 S. W. MARKET STREET
PORTLAND
OREGON 97201-5718TELEPHONE: (503) 227-7400
FACSIMILE: (503) 241-0950ERIC R. TODD BRUD
(503) 795-7409
etodderud@hewm.com

November 5, 1999

NOV 5 1999

SEATTLE
PORTLAND
TACOMA
ANCHORAGESAN FRANCISCO
LOS ANGELES
PALO ALTOWASHINGTON, D.C.
HONG KONG
SINGAPORE*Via Facsimile*Ms. Helen Helton
Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602Re: **Big Rivers Electric Corporation, Case No. 99-354**

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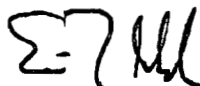
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Ms. Helen Helton
November 5, 1999
Page 2

HELLER EHRMAN WHITE & MCAULIFFE
ATTORNEYS

Mr. Lovett and I will make ourselves available next week if the hearings officer wishes to discuss these issues with the parties.

Yours very truly,



Eric R. Todderud

cc: James M. Miller
Frank N. King, Jr.
Douglas L. Beresford
Willamette Industries, Inc.
Dr. Alan Rosenberg
Wells T. Lovett

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11/05/99 11:33 AM

Fax

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC
ATTORNEYS AT LAW

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Jesse T. Mountjoy
Frank Stainback
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R. Michael Sullivan
P. Marcum Willis
Bryan R. Reynolds
Mark Luckett

November 5, 1999

Via Facsimile

Ms. Helen Helton
Executive Director
Public Service Commission
730 Schenkel Lane, P.O. Box 615
Frankfort, Kentucky 40601-0615

RECEIVED

NOV - 5 1999

PUBLIC SERVICE
COMMISSION

Re: Big Rivers Electric Corporation, Case No. 99-354

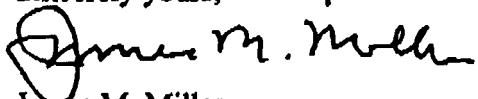
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Sincerely yours,



James M. Miller

JMM/ej

cc: Michael H. Core
Doug Beresford
Jack Gaines
Frank King, Jr., Esq.
Service List (attached)

Telephone (270) 926-4000
Telecopier (270) 683-6694

100 St. Ann Building
PO Box 727
Owensboro, Kentucky
42302-0727

**Service List
Case No. 99-354**

Wells T. Lovett
208 West Third Street
Owensboro, KY 42303

Michael C. Dotten
Eric R. Todderud
Heller Ehrman White & McAuliffe
200 S.W. Market Street, Suite 1750
Portland, OR 97201

Counsel for Willamette Industries

Frank N. King, Jr.
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

Counsel for Kenergy & Meade County RECC

FAX

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC
ATTORNEYS AT LAW

Ronald M. Sullivan
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November 8, 1999

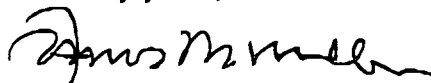
Ms. Helen Helton
Executive Director
Public Service Commission
730 Schenkel Lane, P.O. Box 615
Frankfort, Kentucky 40601-0615

Re: Big Rivers Electric Corporation, Case No. 99-354

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JMM/ej

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PO Box 727
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RECEIVED
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Case No. 99-354

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Owensboro, KY 42303

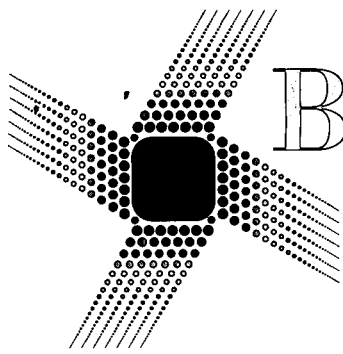
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Counsel for Willamette Industries

Frank N. King, Jr.
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

Counsel for Kenergy & Meade County RECC

bcc: Coop Managers



Big Rivers
Electric Corporation

201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
502-827-2561
www.bigrivers.com

October 29, 1999

RECEIVED

NOV - 1 1999

PUBLIC SERVICE
COMMISSION

Ms. Helen Helton
Executive Director
Public Service Commission
730 Schenkel Lane
Frankfort, KY 40601

RE: Big Rivers Electric Corporation
PSC Case No. 99-354

Dear Ms. Helton:

Enclosed are an original and eight copies of Big Rivers Electric Corporation's Initial Information Request to Willamette Industries, Inc.

I certify that I have this day served a copy of this letter and enclosures on the persons identified on the enclosed service list.

Sincerely,

BIG RIVERS ELECTRIC CORPORATION

David A. Spainhoward
Vice President
Contract Administration and Regulatory Affairs

pm
Enclosures

c: Service List
Mr. Burns Mercer
Mr. Kelly Nuckols
Mr. Dean Stanley

David Denton, Esq.
Elizabeth Blackford, Esq.

A Touchstone EnergySM Partner



**SERVICE LIST
CASE NO. 99-354**

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NOV - 1 1999

PUBLIC SERVICE
COMMISSION

James M. Miller, Esq.
Sullivan, Mountjoy, Stainback & Miller
100 St. Ann Building
P. O. Box 727
Owensboro, KY 42302-0727

**Counsel for Big Rivers Electric
Corporation**

Douglas L. Beresford, Esq.
Geo. F. Hobday, Esq.
Long, Aldridge & Norman LLP
701 Pennsylvania Avenue, N.W., Suite 600
Washington, DC 20004

**Counsel for Big Rivers Electric
Corporation**

Wells T. Lovett, Esq.
208 West Third Street
Owensboro, KY 42303

Counsel for Willamette Industries, Inc.

Michael C. Dotten, Esq.
Eric R. Todderud, Esq.
Heller, Ehrman, White & McAuliffe
200 S. W. Market Street, Suite 1750
Portland, OR 97201

Counsel for Willamette Industries, Inc.

Frank N. King, Esq.
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

**Counsel for Kenergy Corp. and Meade
County R.E.C.C.**

DEFINITIONS

“Document” means the original and all copies (regardless of origin and whether or not including additional writing thereon or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium, including computerized memory or magnetic media.

“Study” means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion.

INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Big Rivers Electric Corporation. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.
7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.

**COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY**

In the Matter of:

**Big Rivers Electric Corporation's Purchase)
and Sales Tariffs for Cogenerators and Small)
Power Producers)**

Case No. 99-354

**BIG RIVERS ELECTRIC CORPORATION'S
INITIAL REQUEST FOR INFORMATION
TO WILLAMETTE INDUSTRIES, INC.**

Pursuant to the Kentucky Public Service Commission's Order of October 22, 1999, Big Rivers Electric Corporation ("Big Rivers") hereby submits the following Request for Information to Intervenor Willamette Industries, Inc. ("Willamette"):

1. Has Willamette conducted any probability studies to quantify the risk that a cogenerator of the size and operating characteristics proposed by Willamette will need back-up service? If so, what is the probability that back up service will be required at the time of Big Rivers' system peak? Please provide all documents or studies related to or supporting the response.
2. In Willamette's "Petition to Intervene," it states that "Willamette is considering installing a large environmentally-friendly, biomass-fueled cogeneration project at its Hawesville mill. The project would be economical if reasonable cogeneration standby rates, such as those Willamette pays at its other paper mills with cogeneration, were charged in Hawesville." Please respond to the following:

a. Please describe in more detail the operating characteristics of the “environmentally-friendly, biomass-fueled cogeneration project” Willamette states in its Petition to Intervene (¶4) that it intends to install.

b. What size unit is Willamette considering?

c. What does Willamette consider the reliability of the unit being considered to be? Please explain the response in detail.

d. What rates does Willamette consider to be reasonable for:

1. Supplemental power
2. Backup power
3. Maintenance power
4. Excess demand

Please provide all documents or studies from which Willamette has relied upon in determining the above rates.

e. Please furnish all rates that Willamette pays at its other paper mills with cogeneration for the type of services in d. above.

f. Please furnish a copy of all contracts and/or tariffs under which the rates in e. are based.

g. Please provide a list of all paper mills either owned, operated, or known by Willamette to have cogeneration in the United States.

3. Can Willamette determine the exact time of the need for back-up service with its proposed generator? Or, in the alternative, is Willamette willing to assume the risk of its manufacturing plant’s loss of load during those times of forced outage of its proposed cogenerator?

4. Does Willamette contend that Big Rivers should reserve power for any of Willamette's "Excess Demand"? If so, why? Please explain the response in detail.

5. In its Petition to Intervene, Willamette states (§14.b) that Big Rivers should be willing to permit cogenerators to acquire marked-based power at market-based rates. Is Willamette proposing that the Commission order retail wheeling? Why or why not?

6. Would Willamette be willing to pay market rates for standby service at times when the market experiences a price spike?

7. Is Willamette willing to accept interruptible standby service?

8. Is Willamette aware of any customer or potential customer on the Big Rivers' system, other than Willamette, that is considering installing cogeneration? If so, please identify them and state the size of such cogenerator, if known.

9. Please identify all potential purchasers with whom Willamette has discussed purchasing the output of its cogeneration including the nature and details of those discussions, and state the price and terms at which such output would be purchased.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

October 22, 1999

To: All parties of record

RE: Case No. 99-354

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

Honorable James M. Miller
Sullivan, Mountjoy, Stainback
& Miller PSC
100 St. Ann Building
P. O. Box 727
Owensboro, KY 42302

Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
Long Aldridge & Norman LLP
701 Pennsylvania Avenue, N.W.
Suite 600
Washington, DC 20004

Mr. David A. Spainhoward
Vice President, Contract
Administration & Regulatory Affairs
Big Rivers Electric Corporation
201 Third Street
P. O. Box 24
Henderson, KY 42419 0024

Wells T. Lovett
Counsel, Willamette Industries
208 West Third Street
Owensboro, KY 42303

Michael C. Dotten
Eric R. Todderud
Counsel, Willamette Industries
Heller Ehrman White & McAuliffe
200 S.W. Market Street, Suite 1750
Portland, OR 97201

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS FOR) CASE NO. 99-354
COGENERATORS AND SMALL POWER)
PRODUCERS)

O R D E R

On September 28, 1999, the Commission established a procedural schedule for this proceeding. The Commission finds it necessary to modify that schedule in order to allow the Commission to develop a more thorough record prior to the informal conference scheduled for November 23, 1999.

IT IS THEREFORE ORDERED that:

1. The procedural schedule previously established in this case shall be modified to allow for data requests to intervenors that shall be served on intervenors by no later than October 29, 1999.

2. Intervenor responses shall be filed with the Commission and served on all parties of record no later than November 10, 1999.

Done at Frankfort, Kentucky, this 22nd day of October, 1999.

By the Commission

ATTEST:


Executive Director

HELLER EHRMAN WHITE & MCAULIFFE

ATTORNEYS
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

200 MARKET BUILDING, SUITE 1750
200 S.W. MARKET STREET
PORTLAND
OREGON 97201-5718
TELEPHONE: (503) 227-7400
FACSIMILE: (503) 241-0950

October 7, 1999

ERIC R. TODDERUD
(503) 795-7409
etodderud@hewm.com

SEATTLE
PORTLAND
TACOMA
ANCHORAGE

SAN FRANCISCO
LOS ANGELES
PALO ALTO

WASHINGTON, D.C.
HONG KONG
SINGAPORE

Via Federal Express

Ms. Helen Helton
Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

RECEIVED
OCT 08 1999
PUBLIC SERVICE
COMMISSION

Re: *In the Matter of Big Rivers Electric Corporation's Purchase and Sales
Tariffs for Cogenerators and Small Power Producers, Case No. 99-354*

Dear Ms. Helton:

Enclosed for filing are the original and eleven copies of Willamette Industries, Inc.'s Initial Request for Information to Big Rivers Electric Corporation. Please file-stamp the extra copy and return it to me in the enclosed self-addressed stamped envelope.

Thank you for your assistance.

Yours very truly,



Eric R. Todderud

Enclosures

cc: All Parties (w/enclosure)

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

FILED
OCT 03 1999
PUBLIC SERVICE
COMMISSION

In the Matter of BIG RIVERS)
ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS) CASE NO. 99-354
FOR COGENERATORS AND SMALL)
POWER PRODUCERS)
(Rate Schedules 8 and 9))

**WILLAMETTE INDUSTRIES, INC.'S
INITIAL REQUEST FOR INFORMATION
TO BIG RIVERS ELECTRIC CORPORATION**

Pursuant to KRS § 278.310 and the Kentucky Public Service Commission's Order of September 28, 1999, Intervenor Willamette Industries, Inc. ("Willamette") hereby submits the following Requests for Information to Big Rivers Electric Corporation ("BREC").

1. Please provide all workpapers prepared in connection with BREC's proposed Rate Schedule 9.
2. Please provide a full and complete copy of BREC's most recent fully allocated class cost of service study and explain the use to which this study was put.
3. Please explain the cost basis for each rate included in BREC's proposed Rate Schedule 9.

4. Please provide the following information about BREC's system-wide peak demand:

a. Please identify BREC's monthly system-wide peak demands for the previous five years;

b. For each peak demand identified in response to question 4.a., please identify when the peak occurred;

c. Please furnish a chart or graph showing daily system-wide peaks for the 1998 calendar year and when those peaks occurred;

d. Does BREC anticipate any change in the pattern of system-wide peaks? Please explain your answer.

5. Please identify the level of BREC's capacity reserves for the past five years.

6. What is BREC's projected system-wide load growth for the next five years? What is the basis for that projection? Please furnish all studies, analyses, work papers or other documentation on which BREC's projection of future load growth is based.

7. Please provide the following information about Willamette's power consumption:

a. Please identify Willamette's monthly peak demands for the previous five years;

b. For each peak demand identified in response to question 7.a., please identify when the peak occurred.

8. Has BREC conducted any probability studies to quantify the risk that a cogenerator will need back-up service at the time of BREC's system peak? If so, please provide all documentation of such studies.

9. Please provide the following information about interruptibility of customer loads. For purposes of this Request for Information, the right to curtail deliveries of any portion of a customer's load should be considered interruptible service.

a. Does any customer of BREC or its Member Cooperatives receive interruptible service?

b. If so, please identify which customers receive interruptible service, and the size of the load that may be interrupted;

c. Please identify the terms and conditions governing the right to interrupt service to each interruptible customer;

d. Please identify when service to each interruptible customer has been interrupted in the previous five years.

10. Does BREC currently serve cogenerators or small power producers, either directly or through its Member Cooperatives? If so, please furnish the following information:

a. What cogenerators or small power producers does BREC or a Member Cooperative serve?

b. What entity (*i.e.*, BREC or a specific Member Cooperative) serves each cogenerator or small power producer?

- c. What is each cogenerator's or small power producer's generating capacity?
- d. What type of fuel does each cogenerator or small power producer use?
- e. For each cogenerator and small power producer on BREC's system, please identify:
 - i. When (date and time) during the years 1997, 1998, and 1999 that cogenerator or small power producer experienced unscheduled outages requiring back-up service;
 - ii. The duration of such outages;
 - iii. The peak back-up demand taken during that outage;
 - iv. BREC's system demand at the time of the demand cited in part iii of this question;
 - v. The source of the back-up power provided by BREC.

11. Is BREC aware of any customer, other than Willamette, or potential customer of BREC or a Member Cooperative that is considering installing cogeneration? If so, please identify the customer or potential customer and, if known, the cogeneration capacity that the customer may install. Have any of these customers or potential customers inquired as to the availability or pricing of standby, maintenance, back-up or supplemental service?

12. Please identify all of BREC's energy and/or capacity purchases for the previous two years other than purchases pursuant to the Power Purchase Agreement Between Big Rivers Electric Corporation and LG&E Energy Marketing, Inc., dated July 15, 1998. Your answer should identify:

- a. The seller;
- b. The quantity of capacity and/or energy purchased; and
- c. The price paid.

13. Please identify all of BREC's off-system energy and/or capacity sales for the previous two years. Your answer should identify:

- a. The buyer;
- b. The quantity of capacity and/or energy sold; and
- c. The price received.

14. Please provide all manuals, treatises, and/or regulatory decisions relied upon by BREC in the preparation of proposed Rate Schedule 9.

15. Please identify any outside consultants BREC retained or consulted with in connection with the preparation of proposed Rate Schedule 9.

16. Please provide all invoices from LG&E (or any affiliate) to BREC and from BREC to LG&E (or any affiliate) during the twelve months ended July 31, 1999.

17. Please provide the most recent copy of BREC's generation and/or transmission expansion plan.

18. How much of Willamette's current full requirements rate is intended to recover:

- a. Generation, production or supply costs?
- b. Transmission costs?
- c. Distribution and/or customer related costs?

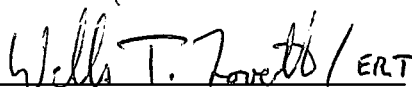
19. With respect to the Power Purchase Agreement Between Big Rivers Electric Corporation and LG&E Energy Marketing, Inc., dated July 15, 1998, please provide the following information:


- a. Any minimum monthly or annual amounts of energy that must be purchased from LG&E;
- b. The pricing consequences to BREC if less than the minimum is purchased;
- c. Any maximum daily contract demands and or maximum monthly or annual energy quantities;
- d. The pricing consequences to BREC if the maximum demands or energies specified in part c of this question is exceeded;
- e. Any unit demand charges that are predicated on some measure of coincident demand, non-coincident demand, and/or contract demand;
- f. Any fixed monthly charges that are assessed independent of any demand or energy taken and the termination date of these charges.

20. Please provide copies of BREC's annual reports for 1997, 1998 and (if available) 1999.

21. Please provide copies of all documents that BREC has filed with the Federal Energy Regulatory Commission since the beginning of 1997.

Dated this 7th day of October, 1999.


Wells T. Lovett
208 W. Third St.
Owensboro, KY 42303
(502) 926-3003


Michael C. Dotten
Eric Todderud
HELLER EHRMAN WHITE & McAULIFFE
200 SW Market St., Suite 1750
Portland, OR 97201
(503) 227-7400

Attorneys for Willamette Industries, Inc.

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of BIG RIVERS)
ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS) CASE NO. 99-354
FOR COGENERATORS AND SMALL)
POWER PRODUCERS)
(Rate Schedules 8 and 9))

CERTIFICATE OF SERVICE

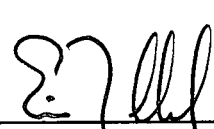
I hereby certify that on this 7th day of October, 1999, I caused copies of the foregoing pleading to be served upon all other parties of this proceeding as follows:

The Honorable James M. Miller
Sullivan, Mounjoy, Stainback & Miller PSC
100 St. Ann Building
Owensboro, KY 42302
(Via U.S. Mail)

David A. Spainhoward, VP
Contract Admin. & Reg. Affairs
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42419-0024
(Via Facsimile and U.S. Mail)

The Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
Long Aldridge & Norman, LLP
701 Pennsylvania Avenue, N.W., Suite 600
Washington, D.C. 20004
(Via U.S. Mail)

DATED this 7th day of October, 1999.



Eric R. Todderud
200 SW Market St., Suite 1750
Portland, OR 972010
(503) 227-7400

Of Attorneys for Willamette Industries, Inc.

DORSEY, KING, GRAY & NORMENT

ATTORNEYS-AT-LAW

318 SECOND STREET

HENDERSON, KENTUCKY 42420

JOHN DORSEY (1920-1986)
FRANK N. KING, JR.
STEPHEN D. GRAY
WILLIAM B. NORMENT, JR.
J. CHRISTOPHER HOPGOOD

RECEIVED
OCT 08 1999
PUBLIC SERVICE
COMMISSION
TELEPHONE (270) 826-3965
TELEFAX (270) 826-6672

October 6, 1999

RECEIVED
OCT 08 1999
PUBLIC SERVICE
COMMISSION

Ms. Helen Helton, Executive Director
Public Service Commission of Kentucky
730 Schenkel Lane
Post Office Box 615
Frankfort, Kentucky 40602

Re: Case No. 99-354

Dear Ms. Helton:

Enclosed for filing please find motion to intervene being made on behalf of Kenegy Corp. and Meade County Rural Electric Cooperative Corporation.

The Commission's file will show that Willamette Industries, Inc. has moved to intervene in this case. However, we understand that an order allowing the intervention has not been entered yet. As noted below a copy of the enclosed motion is being sent to Willamette's counsel Wells T. Lovett and Michael C. Dotten for information.

Thank you for your assistance.

Very truly yours,

DORSEY, KING, GRAY & NORMENT

By


Frank N. King, Jr.

FNKJr/cds

Encls.

Copy/w/encls.: Mr. Dean Stanley
Mr. Burns Mercer
Mr. Wells T. Lovett
Mr. Michael C. Dotten

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

OCT 08 1999

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:)

BIG RIVERS ELECTRIC CORPORATION'S)

PURCHASE AND SALES TARIFFS FOR)

COGENERATORS AND SMALL POWER)

PRODUCERS)

CASE NO. 99-354

MOTION TO INTERVENE OF
KENERGY CORP. AND MEAD COUNTY
RURAL ELECTRIC COOPERATIVE CORPORATION

Now come KENERGY CORP., Post Office Box 18, Henderson, Kentucky 42419-018, and MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION, Post Office Box 489, Brandenburg, Kentucky 40108, by counsel, and respectfully move the Commission pursuant to 807 KAR 5:001 Sec. 3(8) for order permitting each of them full intervention herein.

In support of this motion movants state that each of them is a member-owner of applicant BIG RIVERS ELECTRIC CORPORATION; that the proposed tariffs pertain to the purchase from and sale to qualifying facility cogenerators and small power producers served by movants; and that the movants therefore have special interests in this proceeding which may not be otherwise adequately represented.

WHEREFORE, KENERGY CORP. and MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION move for order permitting full intervention.

**DORSEY, KING, GRAY & NORMENT
318 Second Street
Henderson, Kentucky 42420
(270) 826-3965 Telephone
(270) 826-6672 Telefax
Attorneys for Kenergy Corp. and
Meade County Rural Electric
Cooperative Corporation**

By

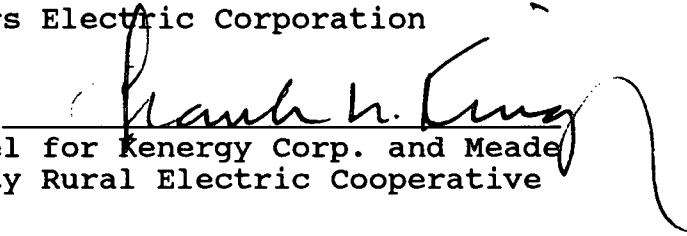

FRANK N. KING, JR.

I hereby certify that the foregoing was served by mailing a true and correct copy of same, postage prepaid, to the following on this 6th day of October, 1999:

Hon. James M. Miller
100 St. Ann Building
Post Office Box 727
Owensboro, Kentucky 42302
counsel for Big Rivers Electric Corporation

and

Hon. Douglas L. Beresford
Hon. George F. Hobday, Jr.
Suite 600
701 Pennsylvania Avenue, N.W.
Washington, D. C. 20004
counsel for Big Rivers Electric Corporation


Counsel for Kenergy Corp. and Meade
County Rural Electric Cooperative



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

October 8, 1999

To: All parties of record

RE: Case No. 99-354

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,
Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Honorable James M. Miller
Sullivan, Mountjoy, Stainback
& Miller PSC
100 St. Ann Building
P. O. Box 727
Owensboro, KY 42302

Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
Long Aldridge & Norman LLP
701 Pennsylvania Avenue, N.W.
Suite 600
Washington, DC 20004

Mr. David A. Spainhoward
Vice President, Contract
Administration & Regulatory Affairs
Big Rivers Electric Corporation
201 Third Street
P. O. Box 24
Henderson, KY 42419 0024

Wells T. Lovett
Counsel, Willamette Industries
208 West Third Street
Owensboro, KY 42303

Michael C. Dotten
Eric R. Todderud
Counsel, Willamette Industries
Heller Ehrman White & McAuliffe
200 S.W. Market Street, Suite 1750
Portland, OR 97201

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS FOR) CASE NO. 99-354
COGENERATORS AND SMALL POWER)
PRODUCERS)

O R D E R

IT IS ORDERED that Big Rivers Electric Corporation ("Big Rivers") shall file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than October 18, 1999. Each copy of the data 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 that it is legible. Where information requested herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Section d(1) of Rate Schedule 8 states that Big Rivers has no avoided capacity costs and, therefore, the capacity purchase rate is zero. This is discussed further at pages 2-3 of the transmittal letter.

a. Explain why it is appropriate for Big Rivers to treat 100 percent of the purchase price under its contract with LG&E Energy Marketing ("LEM") as energy costs when Mr. Frank Graves testified on behalf of Big Rivers in Case No. 97-204¹ that its post-restructuring variable costs were somewhat artificial due to the "all-energy" nature of the purchase terms of the contract with LEM.

b. Mr. Graves stated that an "artificially large portion of Big Rivers' post-restructuring revenue requirement appears to be variable. Had the deal been struck with a two-part charge to Big Rivers, splitting the demand and energy terms that correspond to fixed and variable plant costs, then Big Rivers would have faced much lower variable costs." Given this testimony, explain why some portion of the energy charges paid to LEM should not be considered to be fixed (capacity) costs for purposes of developing Big Rivers' avoided costs.

c. Mr. Graves also testified that even with the terms of the LEM contract being what they were, that Big Rivers' variable costs were only \$15.37 per Megawatt-hour, net of the take-or-pay obligation included in the contract. Explain why this testimony has not been relied upon by Big Rivers in developing its avoided costs.

2. For the period of time that Big Rivers has been purchasing power from LEM provide the approximate fuel cost component of the energy charges that Big Rivers has incurred. If Big Rivers doesn't possess the requested information or cannot

¹ Case No. 97-204, The Application of Big Rivers Electric Corporation, Louisville Gas and Electric Company, Western Kentucky Energy Corp., Western Kentucky Leasing Corp., and LG&E Station Two, Inc. for Approval of Wholesale Rate Adjustment for Big Rivers Electric Corporation and for Approval of Transaction.

obtain the information from LEM, provide Big Rivers' best estimate of the fuel cost component based on its knowledge of: (1) the quality of coal that the Big Rivers' generating units are designed to burn; (2) the operating characteristics of the units; and (3) Big Rivers' knowledge of the prices currently being paid for high sulfur coal by utilities with generating plants in the same region in which Big Rivers operates, including, but not limited to, Tennessee Valley Authority, Owensboro Municipal Utilities, Southern Indiana Gas and Electric Company, and AEP-Indiana.

3. In Case No. 99-360² presently pending before the Commission, Big Rivers has proposed Expansion Demand and Expansion Energy Rates based on the market cost of power purchased from third-party power suppliers to serve new and expanded loads. Explain why the costs incurred under these power purchase arrangements could not reasonably be recognized as Big Rivers' avoided costs.

4. Explain why an On-peak Maintenance Service rate charged at 110 percent of the price at the time of scheduling of a block of energy obtainable in the futures market is a fair, just, and reasonable rate.

5. On page six of its transmittal letter, Big Rivers claims that interruptible unscheduled back-up and interruptible scheduled maintenance power will not be made available "given uncertainties involved in such a transaction." Describe these uncertainties and why they prevent Big Rivers from filing a formal tariff for such power.

6. Explain why the proposed Excess Demand charge is fair, just, and reasonable.

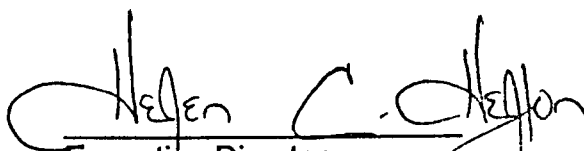
² Case No. 99-360, The Tariff Filing of Big Rivers Electric Corporation to Revise the Large Industrial Customer Rate Schedule.

7. Provide a detailed explanation why Supplemental, Unscheduled, and Maintenance charges are "equivalent to the approved rural rates" and not the large customer rates.

Done at Frankfort, Kentucky, this 8th day of October, 1999.

By the Commission

ATTEST:


Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

September 28, 1999

To: All parties of record

RE: Case No. 99-354

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Honorable James M. Miller
Sullivan, Mountjoy, Stainback
& Miller PSC
100 St. Ann Building
P. O. Box 727
Owensboro, KY 42302

Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
Long Aldridge & Norman LLP
701 Pennsylvania Avenue, N.W.
Suite 600
Washington, DC 20004

Mr. David A. Spainhoward
Vice President, Contract
Administration & Regulatory Affairs
Big Rivers Electric Corporation
201 Third Street
P. O. Box 24
Henderson, KY 42419 0024

Wells T. Lovett
Counsel, Willamette Industries
208 West Third Street
Owensboro, KY 42303

Michael C. Dotten
Eric R. Todderud
Counsel, Willamette Industries
Heller Ehrman White & McAuliffe
200 S.W. Market Street, Suite 1750
Portland, OR 97201

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS FOR) CASE NO. 99-354
COGENERATORS AND SMALL POWER)
PRODUCERS)

O R D E R

On August 2, 1999, Big Rivers Electric Corporation ("Big Rivers") filed proposed tariffs for the purchase from and sale to qualifying facility cogenerators and small power producers served by its member distribution cooperatives. The Commission finds that a procedural schedule should be established to facilitate the processing of this case.

IT IS THEREFORE ORDERED that:

1. The procedural schedule set forth in the Appendix to this Order shall be followed.
2. All requests for information and responses thereto shall be appropriately indexed. All responses shall include the name of the person who will be responsible for responding to questions related to the information provided, with copies to all parties of record and 10 copies to the Commission.
3. At the public hearing in this matter neither opening statements nor summarization of direct testimony shall be permitted.
4. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

5. All documents that this Order requires to be filed with the Commission shall be served upon all other parties by first class mail or by express mail.

6. Service of any document or pleading shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 3(7), and Kentucky Civil Rule 5.02.

Done at Frankfort, Kentucky, this 28th day of September, 1999.

By the Commission

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 99-354 DATED SEPTEMBER 28, 1999

Initial requests for information to Big Rivers shall be served upon
Big Rivers no later than10/08/99

Big Rivers shall file with the Commission and serve upon all parties of
record its responses to the initial requests for information no later than 10/18/99

Supplemental requests for information to Big Rivers shall be
served upon Big Rivers no later than10/29/99

Big Rivers shall file with the Commission and serve upon all parties of record
its responses to the supplemental requests for information no later than11/10/99

An informal conference between Big Rivers, Commission Staff,
and all parties of record shall begin at 9:30 a.m., Eastern
Standard Time, in Hearing Room 2 of the Commission's offices
at 677 Comanche Trail, Frankfort, Kentucky 11/23/99

Last day for Big Rivers to publish notice of hearing date12/03/99

Public Hearing is to begin at 9:00 a.m., Eastern Standard Time, in
Hearing Room 1 of the Commission's offices at 730 Schenkel Lane,
Frankfort, Kentucky, for the purpose of cross-examination of witnesses 12/10/99



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

September 17, 1999

To: All parties of record

RE: Case No. 99-354

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

Honorable James M. Miller
Sullivan, Mountjoy, Stainback
& Miller PSC
100 St. Ann Building
P. O. Box 727
Owensboro, KY 42302

Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
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701 Pennsylvania Avenue, N.W.
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Washington, DC 20004

Mr. David A. Spainhoward
Vice President, Contract
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Heller Ehrman White & McAuliffe
200 S.W. Market Street, Suite 1750
Portland, OR 97201

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS FOR) CASE NO.
COGENERATORS AND SMALL POWER) 99-354
PRODUCERS)

O R D E R

This matter arising upon the motion of Willamette Industries, Inc. ("Willamette"), filed September 10, 1999, for full intervention, and it appearing to the Commission that Willamette has a special interest which is not otherwise adequately represented, and that such intervention is likely to present issues and develop facts that will assist the Commission in fully considering the matter without unduly complicating or disrupting the proceedings, and this Commission being otherwise sufficiently advised,

IT IS HEREBY ORDERED that:

1. The motion of Willamette to intervene is granted.
2. Willamette shall be entitled to the full rights of a party and shall be served with the Commission's Orders and with filed testimony, exhibits, pleadings, correspondence, and all other documents submitted by parties after the date of this Order.
3. Should Willamette file documents of any kind with the Commission in the course of these proceedings, it shall also serve a copy of said documents on all other parties of record.

Done at Frankfort, Kentucky, this 17th day of September, 1999.

By the Commission

ATTEST:


Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of BIG RIVERS ELECTRIC)
CORPORATION'S PURCHASE AND SALES)
TARIFFS FOR COGENERATORS AND)
SMALL POWER PRODUCERS (Rate Schedules)
8 and 9)

CASE NO. 99-354

RECEIVED
SEP 10 1999
PUBLIC SERVICE
COMMISSION

**WILLAMETTE INDUSTRIES, INC.'s
PETITION TO INTERVENE**

Pursuant to KRS § 278.310 and 807 KAR 5:001 Section 3(8), Willamette Industries, Inc. ("Willamette"), by its attorneys, hereby files this Petition to Intervene in the above-captioned proceeding. In support of its Petition, Willamette states as follows:

1. Willamette is an Oregon corporation with its principal office located at 3800 Wells Fargo Bank Tower, 1300 S.W. Fifth Avenue, Portland, OR 97201. Willamette manufactures paper at its complex in Hawesville, Kentucky. Willamette's Kentucky post office address is P.O. Box 130, Hawesville, KY 42348. Willamette currently receives its electric power requirements from Kenergy (formerly Green River Electric Corporation), an electric cooperative which purchases its electric power requirements from applicant Big Rivers Electric Corporation ("Big Rivers"). Kenergy's rates are basically a pass-through of Big Rivers' rates, so Willamette's electric power costs are significantly affected by changes in Big Rivers' rates.

2. Willamette's ability successfully to compete in the pulp and paper industry is largely determined by the costs of production, such as the significant cost of electric energy. Willamette has been investigating whether a portion of its energy requirements at the Hawesville complex could be met

more efficiently through the installation and operation of a cogeneration facility at the site. As part of this investigation, Willamette requested that Big Rivers provide both its avoided cost data and the terms and conditions on which Big Rivers would, through Kenergy, provide supplemental, backup and maintenance power service, as required by the federal Public Utility Regulatory Policies Act of 1978 (PURPA) [16 U.S.C. § 824a-3], the Federal Energy Regulatory Commission's (FERC's) regulations [18 C.F.R. Part 292], and this Commission's implementing regulations [807 KAR 5:001 Section 3(8)].

3. Big Rivers had no current avoided cost information, and power service terms and conditions assembled, so Big Rivers prepared the proposed tariffs which are the subject of this present docket, in part, to respond to Willamette's request.

4. Willamette is considering installing a large environmentally-friendly, biomass fueled cogeneration project at its Hawesville mill. The project would be economical if reasonable cogeneration standby rates, such as those Willamette pays at its other paper mills with cogeneration, were charged in Hawesville.

5. The terms of Big Rivers' proposed tariff for supplemental, backup and maintenance power service for cogenerators would discourage use of those services and would, hence, discourage installation of cogeneration. Big Rivers admits that its proposed backup service tariff (Rate Schedule 9) is designed to "properly give incentives to such customers [cogenerators] to prevent them from leaning on Big Rivers' system when the qualifying facility does not generate the agreed upon self-supplied amounts causing Big Rivers to be the supplier of last resort." Explanatory Letter, submitted by Big Rivers Electric Corporation with Proposed Rates Schedules 8 and 9, dated July 30, 1999, at 5.

6. Big Rivers achieves its goal of "preventing [cogenerators] from leaning on the system" through a series of demand components for its proposed backup service. Under proposed Rate

Schedule 9, Big Rivers would collect a monthly demand charge equivalent to \$7.37 per kilowatt for specified Maximum Unscheduled Capacity, regardless of whether any energy is delivered, plus an energy charge for any energy consumed. This demand charge would apply whether power is deemed to be Supplementary Service, Unscheduled Back-Up Service, or Maintenance Service. The result is that cogenerators taking no energy from Big Rivers would be charged the same amount for demand as is charged to non-industrial customers that take their full energy requirements from Big Rivers. Big Rivers' Proposed Schedule 9, at Original Sheets 51-54. In effect, the customer is paying for capacity that Big Rivers does not provide.

7. If a cogenerator does not specify Maximum Unscheduled Capacity equal to its entire plant load, including the portion normally met by cogeneration, and if it takes demand in excess of its Maximum Unscheduled Capacity during any hour of that month, the customer would incur a severe penalty for "Excess Demand." Big Rivers proposes to charge, not only the \$7.37 for every kilowatt of actual demand incurred in that month (*i.e.* the Maximum Unscheduled Capacity *plus* the amount of Excess Demand), but also an additional charge for the "Excess Demand." The "Excess Demand" penalty is equal to 110 percent of Big Rivers' actual cost, including transmission service, to import energy from a third party supplier. If Big Rivers is not importing energy, the "Excess Demand Penalty" is the higher of an additional \$7.37 per kilowatt of Excess Demand or 110 percent of the highest price received by Big Rivers from off-system sales transactions during the month in question. The result is that Big Rivers would double-charge a cogenerator for capacity. Such an Excess Demand Charge is wholly unrelated to (and greatly in excess of) Big Rivers' cost of providing the service.

8. By discouraging use of backup service necessary to cogeneration, Big Rivers discourages cogeneration. Indeed, such onerous costs of backup service may prevent Willamette from installing cogeneration facilities by eliminating any possible financial incentive to install cogeneration.

9. Big Rivers' backup power service pricing scheme violates both the letter and spirit of PURPA, FERC's regulations under PURPA, and the Commission's rules encouraging cogeneration and proscribing discrimination against cogenerating customers. PURPA requires FERC to prescribe rules "necessary to encourage cogeneration . . . rules which require electric utilities to — (1) sell electric power to qualifying facilities." 16 U.S.C. § 824a-3(a). PURPA requires FERC's rules to insure that the rates for such sale — (1) shall be just and reasonable and in the public interest, and (2) shall not discriminate against the qualifying cogenerators. 16 U.S.C. § 824a-3(c).

10. FERC's rules require electric utilities (such as Big Rivers) to provide supplementary power, back-up power, maintenance power, and interruptible power at rates that "(i) [s]hall be just and reasonable and in the public interest; and (ii) [s]hall not discriminate against any qualifying facility in comparison to rates for sales to other customers served by the electric utility." 18 C.F.R. § 292.305(a)(1).

11. FERC allows a utility to recover costs in a non-discriminatory manner: "(2) [r]ates for sales which are based on accurate data and consistent systemwide costing principles shall not be considered to discriminate against any qualifying facility to the extent that such rates apply to the utility's other customers with similar load or other cost-related characteristics." 18 C.F.R. § 292.305(B). This Commission's rules follow FERC's rules, adding "[i]f a utility provides back-up or supplementary power to a qualifying facility, the costs associated with the capacity reservation are properly recoverable from the qualifying facility." 807 KAR 5:054 Section 5.

12. Yet, contrary to FERC's and this Commission's rules, Big Rivers' proposed tariff for the provision of supplemental and backup services is discriminatory and departs from cost-based ratemaking. Under proposed Rate Schedule 9, a cogenerator would pay more than cost-based rates for capacity. No other class of customers on the Big Rivers' system must pay severe penalties for "leaning on Big Rivers' system." Willamette is unaware of any other utility in Kentucky that has such a complicated and punitive demand charge for backup service.

13. On August 26, 1999 Big Rivers filed with the Commission, a new Rate Schedule 10 and proposed revisions to Rate Schedule 7 by which direct service customers who place new loads exceeding 5 megawatts on Big Rivers (or whose loads grow by more than 5 megawatts) would pay rates designed to allow Big Rivers to recover the actual cost of serving such new loads. The objective of the proposal is to preserve the benefit of Base Power (purchased by big Rivers from LG&E Energy Marketing, Inc.) for smaller customers.

14. Big Rivers' August 26, 1999 filing reveals two factors that should be considered by the Commission in evaluating Big Rivers' proposed Schedule 9:

- a. Big Rivers is running out of Base Power capacity and energy and should be encouraging, not discouraging, cogeneration by its direct service customers, and;
- b. Big Rivers is willing to allow new customers access to acquire market based power at market based rates and should be willing to permit cogenerators to do so in lieu of charging high fixed supplementary, maintenance, back-up and excess demand charges to cogenerators on its

system that would discourage or even make entirely uneconomic,
cogeneration.

15. Willamette desires to participate in this proceeding to assist the Commission in addressing Big Rivers' proposed Rate Schedule 9 for itself and all similarly situated customers that may desire to pursue cogeneration. It also seeks to intervene in order to work with the Commission staff and Big Rivers to develop alternative cogeneration back-up rates that will encourage cogeneration.

16. Willamette will be represented in this proceeding by the following counsel, who should be placed on the Commission's service list and receive copies of all correspondence and other documents:

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WHEREFORE, for the foregoing reasons, Willamette respectfully requests that the

Commission grant it full intervenor status in these proceedings.

DATED at Owensboro, Kentucky, this 9th day of September, 1999.

Respectfully submitted,

Wells T. Lovett

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Attorneys for Willamette Industries, Inc.

CERTIFICATE OF SERVICE

I hereby certify that on this 9th day of September, 1999, I caused copies of the foregoing pleading to be served upon all other parties of this proceeding, by U.S. mail, addressed as follows:

The Honorable James M. Miller
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David A. Spainhoward, VP
Contract Admin. & Reg. Affairs
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42419-0024

The Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
Long Aldridge & Norman, LLP
701 Pennsylvania Avenue, N.W., Suite 600
Washington, D.C. 20004

DATED this 9th day of September, 1999.

Wells T. Lovett

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COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

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August 31, 1999

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Administration & Regulatory Affairs
Big Rivers Electric Corporation
201 Third Street
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Henderson, KY. 42419 0024

RE: Case No. 99-354

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,
Stephanie Bell

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS FOR) CASE NO. 99-354
COGENERATORS AND SMALL POWER)
PRODUCERS)

O R D E R

On August 2, 1999, Big Rivers Electric Corporation ("Big Rivers") filed proposed tariffs for the purchase from and sale to qualifying facility cogenerators and small power producers served by its member distribution cooperatives. Among other reasons cited in its filing, Big Rivers filed the tariffs to allow the Commission to calculate and determine Big Rivers' avoided costs pursuant to 807 KAR 5:054, Section 5, which sets out the filing requirements for utilities proposing to establish rates for cogenerators and small power producers.

The Commission, having reviewed the filing and being advised, finds that further proceedings are necessary to determine the reasonableness of the proposed tariffs.

IT IS THEREFORE ORDERED that:

1. Big Rivers' proposed tariffs are suspended for five months from the proposed effective date of September 1, 1999 up to and including January 31, 2000.
2. Nothing contained herein shall preclude the Commission from entering further Orders in this matter prior to the end of the suspension period set forth above.

Done at Frankfort, Kentucky, this 31st day of August, 1999.

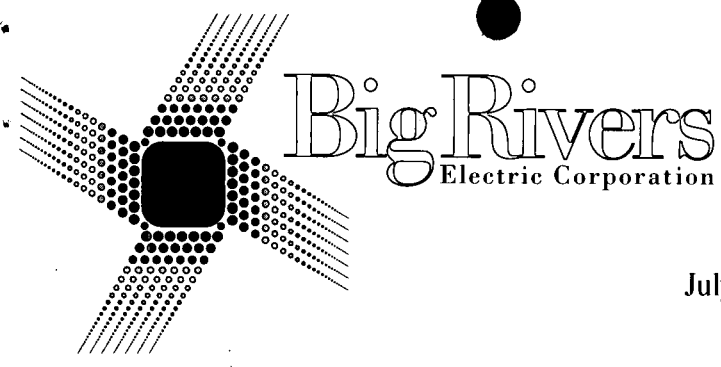
By the Commission

ATTEST:


Executive Director

Case No
99-354

201 Third Street
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July 30, 1999

RECEIVED
AUG 02 1999
PUBLIC SERVICE
COMMISSION

Helen C. Helton
Executive Director
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: Big Rivers Electric Corporation Purchase and Sales Tariffs for Cogenerators and Small Power Producers (Rate Schedules 8 and 9)

Pursuant to 807 K.A.R. 5:054, Big Rivers Electric Corporation ("Big Rivers") hereby submits for filing with the Kentucky Public Service Commission ("KPSC") the following:

1. Two (2) copies of this cover letter and four (4) copies of proposed Rate Schedules 8 and 9 providing for tariffs for the purchase from and sale to qualifying facility cogenerators and small power producers that are members/customers of Big Rivers' member distribution cooperatives ("Member Cooperative(s)");
2. A copy of the Power Purchase Agreement between Big Rivers and LG&E Energy Marketing, Inc., dated as of July 15, 1998 (the "PPA"), along with a Petition for Confidential Treatment of a portion of that document.

This filing is allowed by, and is consistent with, the requirements of KRS 278.180, and related sections, and 807 K.A.R. 5:001 Sections 6 and 9, and related sections. This filing is specifically made pursuant to the procedural option of 807 K.A.R. 5:001 Section 6(3)(b). This is not a request for a general adjustment in existing rates.

Big Rivers is filing these tariffs with the KPSC, among other reasons, to allow the KPSC to calculate and determine Big Rivers' appropriate avoided costs pursuant to section 5 of 807 K.A.R. 5:054. The included tariffs and this transmittal letter together contain the information required under that section. Big Rivers requests that the KPSC allow these rate schedules to become effective as of September 1, 1999. Copies of these rate schedules have been provided to Big Rivers' three Member Cooperatives, as well as to the Attorney General of Kentucky, and to Willamette Industries, which has previously requested such material from the KPSC and Big Rivers.

Rate Schedule 8 is denoted Big Rivers Cogeneration and Small Power Production Purchase Tariff - Over 100 kW, and is available to any customer of a Member Cooperative that qualifies as a cogenerator or small power producer pursuant to the KPSC's regulations at 807 K.A.R. 5:054. This rate schedule applies to Big Rivers' required purchases from such entities under the Public Utility

Regulatory Policies Act of 1978, Pub. L. No. 95-617, 92 Stat. 3117 (codified as amended at 16 U.S.C. §§ 2601-2645) ("PURPA"). To be eligible for this tariff, such entities must have a total design capacity of over 100 kW. The rate schedule provides that such electric service must be provided pursuant to an executed sales agreement and that such power and energy sold to Big Rivers must be of appropriate quality, within reasonable ranges of voltage, frequency, flicker, harmonic currents, and power factor. In addition to a sales agreement, the rate schedule specifies that an executed interconnection agreement involving Big Rivers, the respective Member Cooperative, and the qualifying facility concerned also needs to be entered into to provide the terms and conditions for interconnected operations. Such interconnection will be made consistent with section 6(6) of 807 K.A.R. 5:054. Among other things, the qualifying facility must (i) provide reasonable protection for Big Rivers' and the Member Cooperative's systems; (ii) design, construct, install, own, operate and maintain the facility in accordance with all applicable codes, laws, regulations, and generally accepted utility practices; and (iii) reimburse Big Rivers and the applicable Member Cooperative for all costs incurred as a result of interconnecting with it, including amounts incurred for operation, maintenance, administration, and billing.

The KPSC's regulations at 807 K.A.R. 5:054 and PURPA provide that purchases by Big Rivers from qualifying facilities are to be made at Big Rivers' avoided costs, both for capacity and energy. As the KPSC is aware, Big Rivers has entered into a twenty-five year long-term lease transaction wherein Big Rivers has leased its generation to Western Kentucky Energy Company ("WKEC") and has established related contractual relationships with other subsidiaries of LG&E Energy Corp., including LG&E Energy Marketing, Inc. ("LEM"). As part of this lease transaction, Big Rivers has a right to purchase from LEM certain quantities of power within specified ranges ("Base Power") under the PPA. Section 6.3(a) of the PPA contractually fixes the price at which Big Rivers is entitled to purchase such energy from LEM, subject to certain limited adjustments specified in section 6.3(b) regarding future changes in certain indices. In addition, in the event Big Rivers fails to make certain minimum purchases of Base Power during each hour as specified in the PPA, Big Rivers must pay an hourly penalty to LEM pursuant to section 6.4(b) of the PPA.

At present, all of Big Rivers' power needs are met through one of three sources: (1) purchases of preference power from the Southeastern Power Administration ("SEPA") scheduled under the PPA; (2) purchases of Base Power from LEM under the PPA or (3) purchases from third-party suppliers in certain hours when it is more economical for Big Rivers to purchase portions of its requirements from such third-party suppliers in some situations while paying LEM the applicable penalty rate for not purchasing the full amount of its Member Cooperatives' covered power requirements from LEM. Although there may come a time in future years in which the amount of Base Power available for purchase by Big Rivers under the PPA may be insufficient to meet Big Rivers' Members Cooperatives' covered requirements thus requiring Big Rivers to obtain additional resources on the market, Big Rivers at present is not required to purchase power from third-party suppliers except during periods when it may be advantageous to arbitrage the power available from

LEM. Accordingly, the costs which Big Rivers will be avoiding by virtue of purchases from a potential qualifying facility located on its system will be pegged to the costs to Big Rivers arising under the PPA, SEPA and any third-party purchases.

Section 8.d applies the above circumstances of Big Rivers' current purchases to determine Big Rivers' avoided costs for capacity and energy. As stated in Section 8.d(1), Big Rivers at present has no avoided capacity costs because Big Rivers' Member Cooperatives' load requirements are met through the sources described above, which provide only for energy charges and non-avoidable capacity costs. Purchases from LEM under the PPA are at a fixed energy charge with no demand charge. Purchases of power from SEPA are at a fixed contract price for the kW and kWh concerned, and such amount is owing whether or not power is taken. There is thus no way of avoiding the costs of the SEPA contract short of canceling it. Accordingly, there is no avoided capacity cost as a result of a purchase from a qualifying facility until such time as it may become necessary for Big Rivers to purchase baseload capacity other than from SEPA or LEM under the PPA. As Rate Schedule 8 indicates, at such time as Big Rivers is so required to purchase baseload capacity other than from SEPA or LEM, Big Rivers will need to determine different avoided costs based on its costs to procure power from third-party suppliers.

With respect to the avoided cost for energy, section 8.d(2) indicates that Big Rivers' avoided energy costs in each hour will vary depending on whether it is economically advantageous in that hour to purchase power from LEM as Base Power under the PPA or from a third-party power supplier while paying LEM the PPA specified MWh penalty for not meeting all of its Member Cooperatives' then existing covered load requirements with Base Power. One of two costs thus will be avoided if Big Rivers in a given hour is required to purchase energy from a qualifying facility. If it is LEM Base Power that is supplanted in a given hour by a purchase from a qualifying facility, the avoided cost is the amount Big Rivers would have paid LEM for that power (the applicable Base Power rate specified in section 6.3(a) of the PPA plus any Base Power Rate Adjustment, as specified in section 6.3(b) of the PPA) minus the hourly penalty amount Big Rivers will owe LEM for not meeting its members' full load requirements with Base Power. If the Base Power cost alone were used without the subtraction of the hourly penalty, Big Rivers' costs would increase in the amount of the penalty as a result of purchasing from a qualifying facility, a consequence the regulations do not intend.

Conversely, if it is already economical for Big Rivers to purchase power from a third-party supplier in a given hour because the combined price for third-party supplier power plus the hourly penalty amount owing to LEM for not taking Base Power is less in the aggregate than the applicable price of Base Power, then the avoided energy cost is the actual price in \$ per MWh paid by Big Rivers in that hour to a third-party supplier. In such a situation the qualifying facility would supplant a third-party supplier transaction in which the economics of paying the applicable penalty to LEM would have already been factored into the decision by Big Rivers to take the price offered by the third-party supplier.

Rate Schedule 8 also incorporates several protections for Big Rivers. Section 8.e provides for indemnification to Big Rivers for any and all additional costs incurred as a result of a qualifying facility's failure to generate, including without limitation costs of ancillary services necessary to maintain reliability on Big Rivers' system. The inclusion of such ancillary services costs is important to Big Rivers as a result of the terms of the transaction with LEM. Under the PPA, so long as Big Rivers is meeting its loads with Base Power, all required ancillary services are incorporated as part of the cost of that power with no additional charge (see Section 4.1(c) of the PPA). However, section 5.5(b) of the PPA establishes certain limitations on the load following that LEM will provide without additional charge to Big Rivers to the extent that Big Rivers purchases power from third-party resources. Other ancillary services similarly may not be covered. Accordingly, to the extent there is a failure to deliver by a qualifying facility, it is imperative that Big Rivers be indemnified for any additional costs it incurs to obtain power from LEM or otherwise to meet the loads of its Member Cooperatives it is supplying with qualifying facility power. Section 8.f also provides for discontinuance of purchases from the qualifying facility during system emergencies per 807 K.A.R. 5:054 section 6(3).

Rate Schedule 9 is denoted the Big Rivers Cogenerator and Small Power Producer Sales Tariff - Over 100 kW. It provides the rates that Big Rivers will offer to its Member Cooperatives for electric service to any of their members that has a qualifying facility meeting the criteria of 807 K.A.R. 5:054. To be eligible, the qualifying facility concerned must have a total capacity requirement of 100 kW or more with on-site generation of 100 kW or more operating in excess of 200 hours per year. Big Rivers envisions two possible scenarios where one of its Member Cooperatives' members has an on-site qualifying facility. In the first scenario, such a qualifying facility could be installed solely to sell wholesale power to Big Rivers or for off-system sales. In such an instance, Big Rivers would be under no obligation to sell back-up power to a Member Cooperative for such a facility to back-up its exports, and there would be no need for Big Rivers to alter the manner in which it plans for and meets the load of the customer at that site. Accordingly, existing loads of such customers with on-site qualifying facilities would be served by the Member Cooperatives using purchases from Big Rivers under the terms and conditions of Big Rivers' otherwise applicable standard rates for the load requirements and type of service, or under the terms and conditions of any existing special contract.

In the second scenario, a qualifying facility could be installed to meet all or a portion of one of Big Rivers' Member Cooperatives' member customers' existing loads. To clarify, a member of one of Big Rivers' Member Cooperatives might install a qualifying facility to self-supply all or a portion of its own electric requirements. In this instance, Big Rivers, the Member Cooperative, and the customer need to determine how much of this existing load Big Rivers will be required to provide firm service to, including, most importantly, how much of the self-supplied load will be backed up by Big Rivers on a firm basis. For instance, if Big Rivers is to continue to be responsible for backing

up on a firm basis the full load of a member/customer of a Member Cooperative with an on-site qualifying facility, Big Rivers will need to hold such capacity in reserve and not sell it on a firm basis on the wholesale market. Accordingly, if one of these existing loads of a Member Cooperative intends to self-supply all or a portion of its load with a qualifying facility, it is necessary that all of its service be taken under Rate Schedule 9 so that the parties concerned adequately can provide for the appropriate back-up power arrangements and properly give incentives to such customers to prevent them from leaning on Big Rivers' system when the qualifying facility does not generate the agreed upon self-supplied amounts causing Big Rivers to be the supplier of last resort. Rate Schedule 9 thus applies only to the second scenario of customers that meet all or a portion of their own loads with qualifying facility power and energy.

Because of the complexity surrounding such an arrangement to supply back-up power and unscheduled power, Section 9.d provides for a number of conditions for taking service under the tariff. Of primary importance is the requirement that any Member Cooperative seeking to purchase power from Big Rivers for one of its member/customers with a qualifying facility must first enter into an executed, written contract with that customer setting forth the various terms and conditions under which service will be provided to the customer load that is to be served all or in part by the qualifying facility. More importantly, because it will be Big Rivers that shall have ultimate responsibility for supplying such power that the qualifying facility does not supply, it is imperative that the contract between the Member Cooperative and its customer contain terms acceptable to Big Rivers. Such terms will then be reflected in either a new Member Cooperative contract with Big Rivers or an amendment to an existing Member Contract with Big Rivers, under which Big Rivers will supply the wholesale power to be sold at retail by the Member Cooperative to the qualifying facility and appurtenant load. Although it is impossible to set forth all of the situations that might need to be addressed in such contracts, Section 9.d sets forth certain basic requirements. Additional terms and conditions will depend upon the nature of the use taken by a qualifying facility, the quality of service used, the quantity used, the time used, and the purpose for which such power is used. Several terms and conditions must be provided however, as discussed below.

First, it is necessary for the customer with the qualifying facility to specify the Maximum Unscheduled Capacity that it will look to its Member Cooperative and Big Rivers to supply on a firm basis in any given hour, including any instances in which the qualifying facility does not or cannot supply such power. While it is not necessary that a given customer designate its entire load as Maximum Unscheduled Capacity, it is necessary that the customer served in part by the qualifying facility understand that any amounts of energy provided by Big Rivers to the Member Cooperative for the customer's use on an unscheduled basis that are not within the amount specified as Maximum Unscheduled Capacity will be considered as Excess Demand. Excess Demand will not be planned for by Big Rivers, but instead will be provided from market resources at a potentially high cost or by Big Rivers with an associated opportunity cost, where applicable. Conversely, amounts provided for as part of Maximum Unscheduled Capacity will be reserved by Big Rivers and provided on a firm

basis by Big Rivers when needed by the customer up to the specified level, with all amounts above that sold as Excess Demand.

Second, the contract between the Member Cooperative and the member/customer with a qualifying facility should set forth the terms and conditions for firm Maintenance Service to be supplied by Big Rivers on a scheduled basis at times when it is necessary to take the qualifying facility out of service for maintenance or repairs. As offered by section 9.f(3) of the tariff, Maintenance Service is available only if scheduled in advance by a Member Cooperative with Big Rivers. Up to four full weeks a year of such Maintenance Service may be scheduled, with the rate for such service as scheduled to depend upon whether it is required on an on-peak or off-peak basis. Off-peak usage allows such service to be made available anytime except between 6 a.m. and 10 p.m. weekdays during the periods May 1 through September 30 and December 1 through March 31 of each year. On-peak usage allows such service to be made available at anytime. Charges for off-peak service are likely to be on the whole less expensive, but offer less flexibility to the qualifying facility in scheduling maintenance. On-peak usage allows maximum flexibility for scheduling such services, but charges are correspondingly likely to be more expensive because they impose a potential opportunity cost on Big Rivers due to amounts of power otherwise available for off-system sale being limited. As a result, rates for on-peak maintenance service are established as the greater of the standard off-peak rates or 110% of the price at the time of scheduling of a block of energy obtainable by Big Rivers in the futures market in the amount sufficient to meet the requirements for such Maintenance Service.

A third issue to be addressed in the contract between the Member Cooperative and the qualifying facility member is the possibility for interruptible unscheduled back-up and interruptible scheduled maintenance power. At present, Big Rivers does not intend to offer either of these services on a formal tariff basis given the uncertainties involved in such a transaction. Instead, such interruptible services will be made available upon request under terms and conditions negotiated under special contract according to the terms of 807 K.A.R. 5:054.

Operationally, the Monthly Charges to each Member Cooperative for service to the load requirements of their members with qualifying facilities will be computed based on the amount of service taken, as determined by the highest actual kW demand in that month ("Supplementary Demand") and the actual measured energy in kWh (as adjusted for distribution losses) ("Supplementary Energy") (in both cases excluding power and energy supplied as Maintenance Service). A separate charge for Unscheduled Back-up Demand will apply only in the event that the highest actual kW demand in a month is less than the contractually specified Maximum Unscheduled Capacity for which Big Rivers has undertaken a planning obligation, in which case the Maximum Unscheduled Capacity shall serve as the demand. A third penalty charge will apply in addition to the charges for Supplementary Demand and Supplementary Energy for any Excess Demand, which is defined as any actual demand taken from Big Rivers in a given hour that is in excess of the contractually specified Maximum Unscheduled Capacity (excluding Maintenance Service). Excess

Demand represents that power for which Big Rivers has no planning responsibility that is taken on an unscheduled basis by a customer causing Big Rivers to incur additional costs to find such supplies. Accordingly, to prevent an over reliance on such unscheduled power by such customers, any power taken in excess of Maximum Unscheduled Capacity is charged the standard Supplementary Demand and Supplementary Energy rates plus a penalty Excess Demand rate.

What portion of service to a particular customer ordinarily will constitute Supplementary Demand, Unscheduled Back-up Demand, and Excess Demand will depend upon the individual risk allocation selected by such customer and manifested in its contractually specified Maximum Unscheduled Capacity. For example, if a customer has overall load requirements of 50 MW, of which 15 MW are intended to be served by its qualifying facility's output, it ordinarily would expect to take 35 MW of Supplementary Demand from Big Rivers through its Member Cooperative supplier. It would then have the option of specifying any amount for its Maximum Unscheduled Capacity, but Big Rivers would expect that it would designate at least 35 MW (else service ordinarily expected to be taken as Supplementary Demand will constitute Excess Demand), and more likely 50 MW to ensure that its full load would be capable of being met on a firm basis. Payment for the remaining 15 MW of demand ordinarily met by the qualifying facility's output would then depend upon how firm the customer would want such service to be supplied by Big Rivers to its distribution cooperative in the event of an outage. If the maximum firmness is desired, the customer would specify a Maximum Unscheduled Capacity of 50 MW and thus would be required to pay for 35 MW of Supplementary Demand and 15 MW of Unscheduled Backup Demand each month in which the qualifying facility remains fully operational, with the portion served as Supplementary Demand rising in months when the qualifying facility is out of service for part of the month. If the customer instead does not want that 15 MW of power to be supplied on a firm basis at times when the qualifying facility is out of service, it could attempt to arrange for interruptible sources, but would be liable for payment for Excess Demand and Supplementary Demand on all amounts above 35 MW not met by interruptible sources.

In any event, all amounts of energy taken during a particular month will be charged as Supplementary Energy at the same Supplementary Energy rate and all amounts of demand taken during a particular month will be charged as Supplementary Demand. The costs to acquire Excess Demand, including potentially some energy charges, also will be recovered as part of the penalty rate for Excess Demand, which will be paid in addition to the Supplementary Energy and Supplementary Demand charges for such power and energy supplied. It also should be noted that none of the above discussion applies to amounts prescheduled as Maintenance Service. Maintenance Service is subtracted from actual metered demand and energy in any month in which it is scheduled such that it does not get billed as Supplementary Demand or Supplementary Energy. Similarly, Maintenance Service scheduled in any hour is subtracted from the actual demand in any given hour for purposes of determining whether any Excess Demand has been taken. Instead, Maintenance Service is billed as scheduled in advance between Big Rivers and the Member Cooperative at the tariff rates.

In terms of rates, Big Rivers proposes to charge a monthly rate of \$7.37 per kW of Supplementary Demand and a rate of \$0.0204 per kWh of Supplementary Energy. Unscheduled Back-up Demand would be charged at an identical monthly rate of \$7.37 per kW of Back-up Demand, thus causing a customer not to be penalized for calling on the capacity it has contractually requested Big Rivers to reserve for its firm use. Amounts taken as Excess Demand will be charged either: (1) 110% of Big Rivers' actual costs (including transmission service) to import energy from a third-party supplier to supply Excess Demand requirements (if it is deemed necessary in Big Rivers' sole discretion to import such energy), or (2) if it is not necessary for Big Rivers to import energy from a third-party supplier to meet Excess Demand, a rate that is the higher of (a) \$7.37 per kW times the highest Excess Demand recorded during the month or (b) 110% of the highest price received by Big Rivers for an off-system sale made by Big Rivers during the month times the Excess Demand measured during the month. Excess Demand thus covers any cost to Big Rivers caused by the unscheduled consumption of power by a customer and constitutes a penalty to such customer for failing to arrange for Unsheduled Backup Demand or curtailing its load. If Big Rivers does not have capacity available to supply Excess Demand and Big Rivers is required to obtain such supplies on the market, the customer pays the full cost of such acquisition in addition to the normal charge for Supplementary Demand and Supplementary Energy. If Big Rivers has such capacity available under the PPA or otherwise then Big Rivers either recovers as an additional penalty the standard demand charge of \$7.37 if it has no market for such power or receives recompense for the opportunity cost of supplying such power to the customer instead of selling it on the market.

The \$7.37 per kW of demand and \$0.0204 per kWh of energy rates selected for Supplementary Demand, Supplementary Energy, Unsheduled Backup Demand, and Maintenance Service are equivalent to the approved rural rates from Big Rivers' last rate case and consequently represent a just and reasonable rate. Because the goal of these rates is to properly give customers with qualifying facilities an incentive to operate such facilities as agreed upon by contract, Big Rivers believes it is more appropriate to charge such customers these rates than the large industrial customer rates that otherwise might apply, since the large industrial customer rates have a higher demand charge of \$10.15 per kW and a lower energy charge of \$0.013715 per kWh. Because of the way that Unsheduled Back-up Service and Excess Demand will be charged, Big Rivers believes that it is more appropriate to have in place a higher energy charge and a lower demand charge for this service. Otherwise customers would have a disincentive to purchase firm Unsheduled Backup Service (due to the high demand charge) and no incentive to restart their qualifying facility during any month in which an out of service condition has occurred (because of a relatively low energy charge applicable once the high demand charge has been triggered). Big Rivers believes that a load that has chosen to be supplied in part by a qualifying facility should have an economic incentive to restart that generation as soon as possible after an out-of-service condition so not to lean on Big Rivers' system in a manner disruptive to Big Rivers' operation. Incorporating a higher energy charge and a lower demand charge meets this goal, as a qualifying facility's energy rates likely may be lower than this

energy rate, giving them an incentive to restart their generation promptly. The approved rates for the rural customer class seem to better correspond to this circumstance than the approved large industrial customer rates. Accordingly, any customer seeking to purchase part of its requirements from a qualifying facility must take service under these rates in lieu of the large industrial customer rates.

Any interruptible service scheduled by a customer will be charged in accordance with the contract between the parties. Finally, each month Big Rivers will bill the distribution cooperative for any and all costs incurred by Big Rivers as a result of the QF's failure to generate, including, without limitation, ancillary services necessary to maintain reliability on the Big Rivers' system. As specified in the Rate Schedule 8 purchase tariff, certain ancillary services may not be provided to loads on Big Rivers' system in the event that Big Rivers does not meet those loads' requirements using Base Power. To the extent any such ancillary services are needed for a customer meeting all or part of its load with a qualifying facility's output, Big Rivers will charge the distribution cooperative for such customer the cost of the services supplied.

As with the Rate Schedule 8 Purchase Tariff, the Rate Schedule 9 Sales Tariff also requires an interconnection agreement and provides for discontinuation of sales in the event of system emergencies. As 807 K.A.R. 5:054 makes clear, an interconnection agreement is a requirement for interconnected operations.

For the reasons set forth above, Big Rivers Electric Corporation requests the KPSC to allow its two rate schedules to become effective September 1, 1999. If these tariffs are suspended or the Commission takes any other action, Big Rivers will be represented by the following counsel, and we request that copies of all pleadings, communications, and orders be directed to them:

James M. Miller
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Kentucky Public Service Commission
July 30, 1999
Page 10

Very truly yours,

BIG RIVERS ELECTRIC CORPORATION

By: *David A. Spainhoward*

David A. Spainhoward

Vice President, Contract Administration and Regulatory Affairs

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

AUG 02 1999

PUBLIC SERVICE
COMMISSION

In the Matter of:

Big Rivers Electric Corporation

Case No. _____

PETITION OF
BIG RIVERS ELECTRIC CORPORATION
FOR CONFIDENTIAL TREATMENT

Pursuant to 807 K.A.R. 5:001 §7, Big Rivers Electric Corporation ("Big Rivers") respectfully petitions the Kentucky Public Service Commission ("Commission") to classify and protect as confidential certain material (the "Confidential Information") contained in the copy of the Purchased Power Agreement between Big Rivers and LG&E Energy Marketing ("LEM"), dated as of July 15, 1998 ("PPA"), which has been filed with the Commission by Big Rivers in redacted form on August 2, 1999, in conjunction with a proposed revision to Big Rivers' tariff. In further support of this petition, Big Rivers states:

1. The Confidential Information, for which Big Rivers seeks confidential treatment, falls within a category of commercial information "generally recognized as confidential or proprietary, which if openly disclosed would permit an unfair commercial advantage to competitors of Big Rivers." KRS 61.878(1)(c)1.
2. If and to the extent that any of the Confidential Information becomes generally available to the public Big Rivers will notify the Commission and have its confidential status removed. 807 K.A.R. 5:001, §7(9)(a).
3. One (1) copy of the response containing the Confidential Information, with the

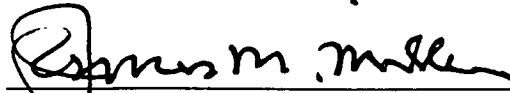
Confidential Information highlighted with transparent ink, and ten (10) copies of the response with the Confidential Information redacted, are attached to this petition. 807 K.A.R. 5:001 §7 (2)(a)2 and (2)(b).

4. The Confidential Information contains sensitive commercial information regarding penalties associated with the Base Power Pricing from LEM. The public disclosure of this information would provide Big Rivers' competitors with an unfair advantage by injuring the ability of Big Rivers to buy and sell wholesale power at the most competitive prices, and by disclosing proprietary information on the pricing of the power resources of Big Rivers. By letters dated July 31 1997, and April 13 1998, the Commission granted confidential treatment to the Confidential Information, along with other information, in Case No. 97-204. Copies of those letters are attached hereto for the convenience of the Commission. The reasons for which confidential treatment has previously been afforded remain viable today. Big Rivers operates in an increasingly competitive marketplace for wholesale power and the public disclosure of sensitive commercial information would place it at a severe competitive disadvantage.

6. The material for which Big Rivers is seeking confidential treatment is not generally known outside of Big Rivers, and is not disseminated within Big Rivers except to those employees and professionals with a legitimate business need to know and act upon the information.

WHEREFORE, Big Rivers respectfully requests that the Commission classify and protect as confidential the Confidential Information filed with this petition, on this the 30th day of July, 1999.

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SECTION 6.4(b) OF THIS DOCUMENT CONTAINS CONFIDENTIAL PROTECTED INFORMATION -
SUBJECT TO PROTECTIVE ORDER

POWER PURCHASE AGREEMENT BETWEEN
BIG RIVERS ELECTRIC CORPORATION AND LG&E ENERGY MARKETING INC.

POWER PURCHASE AGREEMENT

BETWEEN

BIG RIVERS ELECTRIC CORPORATION,

AND

LG&E ENERGY MARKETING INC.

July 15, 1998

REDACTED

POWER PURCHASE AGREEMENT BETWEEN
BIG RIVERS ELECTRIC CORPORATION AND LG&E ENERGY MARKETING INC.

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POWER PURCHASE AGREEMENT BETWEEN
BIG RIVERS ELECTRIC CORPORATION AND LG&E ENERGY MARKETING INC.

POWER PURCHASE AGREEMENT
BETWEEN
BIG RIVERS ELECTRIC CORPORATION
AND
LG&E ENERGY MARKETING INC.

This POWER PURCHASE AGREEMENT ("Agreement") dated this 15th day of July, 1998, is between Big Rivers Electric Corporation, a Kentucky rural electric cooperative ("Big Rivers"), and LG&E Energy Marketing Inc., an Oklahoma corporation ("LEM"). LEM and Big Rivers are sometimes referred to herein collectively as "Parties" and individually as "Party."

RECITALS

WHEREAS, Big Rivers and LEM are parties to certain other agreements as are set forth in the New Participation Agreement dated April 6, 1998 among Big Rivers, LEM, WKEC, Leaseco, and Station Two Subsidiary ("Participation Agreement"), which contemplates the execution and delivery of this Agreement;

WHEREAS, Big Rivers and LEM wish to enter into a unit power sales agreement for the duration of Phase I pursuant to which Big Rivers will sell and LEM will purchase the net output of each of the Generating Plants (exclusive of the portion of the net output of Station Two reserved for HMP&L);

WHEREAS, during Phase II, Big Rivers will lease the Tangible Assets to Leaseco and assign its right to operate Station Two and purchase Station Two Power to Station Two Subsidiary, and LEM may purchase from Leaseco and Station Two Subsidiary the net output of each of the Generating Plants (exclusive of the portion of the net output of Station Two reserved for HMP&L); and

WHEREAS, throughout the Term of this Agreement, Big Rivers wishes to purchase and LEM wishes to sell firm power in the quantities and in accordance with the terms specified herein;

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Agreement, the Parties agree as follows:

Section 1: Definitions

As used herein, the terms set forth in Exhibit X attached to the Participation Agreement have the meanings set forth therein when used with initial capitalization, whether singular or plural,

POWER PURCHASE AGREEMENT BETWEEN
BIG RIVERS ELECTRIC CORPORATION AND LG&E ENERGY MARKETING INC.

unless that term is also expressly defined in this Agreement, in which event the definition in this Agreement shall control.

Section 2: Effective Date and Termination

2.1 Term of this Agreement. This Agreement will be effective on the Effective Date and shall terminate on the earlier of (a) the December 31 of that Year which is closest to the twenty-fifth (25th) anniversary of the Effective Date; or (b) the date of a termination of this Agreement pursuant to Section 2.2 or pursuant the relevant provisions of the Guaranty or the Station Two Agreement.

2.2 Default and Termination.

(a) Subject to the terms and conditions of this Section 2.2 and of Section 12, the occurrence of any of the following events, unless otherwise excused pursuant to the terms of this Agreement, shall constitute a default under this Agreement:

- (i) Failure by a Party to make any payments as and when due hereunder;
- (ii) Failure of a Party to perform any material duty imposed on it by this Agreement;
- (iii) Any attempt by a Party to transfer an interest in this Agreement in breach of Article 16 of the Participation Agreement;
- (iv) Failure of Big Rivers during Phase I to deliver all Unit Output to LEM in accordance with this Agreement including without limitation Section 3.2, for more than 30 days, whether or not consecutive, in any 365 day period;
- (v) Failure of LEM to deliver to Big Rivers all amounts of Power which Big Rivers is entitled to receive from LEM in accordance with this Agreement for more than 30 days, whether or not consecutive, in any 365 day period;
- (vi) Except with respect to the Chapter 11 Case, any filing of a petition in bankruptcy or insolvency, or for reorganization or arrangement under any bankruptcy or insolvency laws, or voluntarily taking advantage of any such laws by answer or otherwise or the commencement of involuntary proceedings under any such laws by a Party if such proceedings

POWER PURCHASE AGREEMENT BETWEEN
BIG RIVERS ELECTRIC CORPORATION AND LG&E ENERGY MARKETING INC.

- are not withdrawn or dismissed within 60 days after such institution (in which case default occurs on the 61st day after filing);
- (vii) Assignment by a Party for the benefit of creditors;
 - (viii) Allowance by a Party of the appointment of a receiver or trustee of all or a material part of its property if such receiver or trustee is not discharged within 60 days after appointment (in which case default occurs on the 61st day after appointment); or
 - (ix) Failure, inability or refusal of a Party to cure a default or breach under (a) during Phase I, the Cost Sharing Agreement, the Facilities Operating Agreement, the Transmission Service and Interconnection Agreement or the Participation Agreement which gives rise to a termination of such other Phase I Agreement or (b) during Phase II, the Lease, the Transmission Service and Interconnection Agreement or the Participation Agreement which gives rise to a termination of such Phase II Agreement; or during either Phase I or Phase II, any termination by a Party of any of the Agreements described above in breach or default thereof.

Any Party in default under any provision of this Agreement shall be referred to as the "Defaulting Party" and the other Party shall be referred to as the "Non-Defaulting Party."

(b) The Non-Defaulting Party shall have the right to give the Defaulting Party a written notice of default ("Notice of Default"), which shall describe the default in reasonable detail and state the date by which the default must be cured, which shall be at least 30 days after receipt of the Notice of Default, except as to a default under Section 2.2(a)(i) which shall be 3 days after receipt of notice, and under Section 2.2(a)(iii) through (ix), inclusive, as to which there will be no cure right. If within the 3 day period with respect to a default under Section 2.2(a)(i) the Defaulting Party cures the default, or if within the 30 day period with respect to defaults under Section 2.2(a)(ii) (that are not also defaults under Sections 2.2(a)(iii) through (viii), inclusive) the Defaulting Party cures the default, or if the default under Section 2.2(a)(ii) is one that cannot in good faith be corrected within such 30 day period and the Defaulting Party certifies to the Non-Defaulting Party that it

POWER PURCHASE AGREEMENT BETWEEN
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agrees to cure such default, certifies a reasonable date by which the cure will be effected, begins to correct the default within the 30 day period and continues corrective efforts with diligence until a cure is effected, the Notice of Default shall be inoperative and the rights of the Non-Defaulting Party under Section 2.2(c) shall not be triggered with respect to such default under Section 2.2(a)(i) or Section 2.2(a)(ii), provided that the cure is effected within the period allotted or such extension as to which the Parties in good faith consent.

(c) If the Defaulting Party's default is one for which there is no cure right, or if the Defaulting Party fails or refuses to cure a default for which a cure right is available hereunder within the period described hereunder, the Non-Defaulting Party shall have, in addition to any rights such Party may have by law or otherwise, the right to terminate this Agreement upon 30 days' notice to the Defaulting Party of its intent to do so. The termination rights provided for in this Section 2.2 are in addition to, and not in lieu of, any rights to terminate this Agreement as are set forth in the Guaranty or the Station Two Agreement, which termination rights shall be cumulative.

(d) Notwithstanding anything contained elsewhere in this Agreement to the contrary and without extending any period otherwise specified in this Agreement for cure or remedy, in the event (1) a breach or default by the Defaulting Party under this Agreement is curable as contemplated in Section 2.2(b) of this Agreement and (2) such breach or default is of such a nature that it cannot be remedied or cured by repair to or replacement of or construction of Tangible Assets or properties the use or enjoyment of which are required in order for the Non-Defaulting Party to enjoy all of its material rights or interests as contemplated in this Agreement, then such breach or default must be cured within 180 days after notice thereof is delivered by the Non-Defaulting Party(s) or the Non-Defaulting Party(s) shall have the right to terminate this Agreement upon two (2) Business Days prior written notice delivered to the Defaulting Party. Any re-occurrence of a breach or default of the type described in the preceding sentence that arises from a common cause or a continuation of the same event or legal proceeding as the first occurrence following its remedy or cure by the Defaulting Party shall also be grounds for termination of this Agreement if not once again cured or remedied within thirty (30) Business Days after notice thereof delivered by the Non-Defaulting Party. In the event the breach or default of the type described in the first sentence of this Section 2.2(d) reoccurs more than twice in any consecutive 365-day period, it shall be deemed to be no longer curable and the Non-Defaulting Party shall be entitled to exercise its termination rights provided for in (c) above, in addition to all of its other rights and remedies hereunder.

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(e) Except as expressly set forth elsewhere in this Section 2.2, in Section 9 of this Agreement, in Sections 8.2 and 8.3 of the Participation Agreement, or in any other Operative Document (including without limitation, any provision of such Operative Document that may permit a Party or any of its Affiliates to set-off amounts that it may be owed under that document against amounts that it may owe to the other Party or any of its Affiliates under this Agreement), the obligations and rights of the Parties under this Agreement shall be independent and not be affected by either Party's performance or failure to perform under the Facilities Operating Agreement, the Transmission Services and Interconnection Agreement, the Cost Sharing Agreement, the Lease, the Participation Agreement and any other Operative Document or other contract or agreement contemplated therein. Notwithstanding anything in this Agreement to the contrary, Big Rivers' failure to purchase required minimum quantities of Power hereunder shall not constitute a default but shall simply give rise to the rights of LEM under Section 6.4(b).

(f) Notwithstanding anything contained herein to the contrary, during Phase I, upon the occurrence of a total condemnation with respect to all or substantially all of the Assets, which condemnation causes the termination of the Cost Sharing Agreement, Section 3 of this Agreement (Unit Power Sales) and all related provisions of this Agreement implementing the Parties' rights and obligations with respect to the Unit Power Sales Agreement set forth in Section 3 shall be null and void and all remaining provisions of this Agreement shall remain in full force and effect.

Section 3: Unit Power Sales Agreement

3.1 Phase I Only. The provisions of this Section 3, Unit Power Sales Agreement, will terminate as of the termination of Phase I. In the event that the Effective Date of this Agreement is the Phase II Effective Date, the Unit Power Sales contemplated herein will never occur and this Section 3 will never become effective.

3.2 Purchase of Unit Output. During Phase I, Big Rivers will sell to LEM and LEM will purchase from Big Rivers the Unit Output under the terms and conditions set forth in this Agreement from the generating units that constitute the Generating Plants. Big Rivers is obligated to sell the Unit Output only when the dedicated generating units are operational. LEM is entitled to all Unit Output including, but not limited to, the Generating Plants' capability to provide generation-based Ancillary Services. Big Rivers agrees to direct the Operator of the Generating Plants (during Phase I) to use its commercially reasonable efforts, consistent with Prudent Utility Practice to maximize the amount of Unit Output available for sale to LEM, and consistent with Big Rivers' obligations and rights under the

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Facilities Operating Agreement and the Station Two Agreement, Big Rivers agrees it will not interfere with the Operator's attempts, consistent with Prudent Utility Practice and Big Rivers' rights and obligations under the Facilities Operating Agreement and the Station Two Agreement, to maximize the efficiency and output of the Generating Plants. Big Rivers, through its Operator, will deliver Unit Output to LEM at the Points of Delivery specified in Exhibit A with the output of each Generating Plant to be delivered to its respective Point of Delivery.

3.3 Payments Due. LEM's sole payment obligations with respect to the Unit Output to be purchased by it pursuant to this Unit Power Sales Agreement, and Big Rivers' sole entitlement to payment for such Unit Output, is as set forth in this Section 3.3 as adjusted pursuant to Section 6.6, if applicable.

(a) Initial Fixed Payment; Annual Fixed Payments; Monthly Margin Payments.

- (i) LEM shall pay to Big Rivers on the Phase I Effective Date an Initial Fixed Payment of \$57.0 million as adjusted pursuant to Section 9.3 of the Participation Agreement (PP Price adjustment).
- (ii) Beginning on the second anniversary of the Phase I Effective Date and each subsequent Year during Phase I, LEM shall pay Big Rivers an Annual Fixed Payment of \$31.5 million as adjusted pursuant to Section 9.3 of the Participation Agreement (PP Price adjustment), as follows: LEM shall pay the Annual Fixed Payments in equal monthly installments of \$2,625,000 as adjusted pursuant to Section 9.3 of the Participation Agreement, with the first monthly installment to be paid on the second anniversary of the Phase I Effective Date and each remaining monthly installment to be paid on the first day of each calendar month up to and including the first day of the calendar month in which Phase I terminates; provided that, if the first installment is due on a day other than the first day of the month, LEM shall prorate that installment by the ratio that the remaining number of days in the month bears to the total number of days in that month. If Phase II commences prior to the second anniversary of the Phase I Effective Date, LEM shall be entitled to a refund of the Initial Fixed Payment prorated by the ratio that the remaining number of days

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until the second anniversary of the Phase I Effective Date bears to the total number of days between the Phase I Effective Date and the second anniversary of the Phase I Effective Date. If Phase II commences after the second anniversary of the Phase I Effective Date and Phase I terminates on a day other than the last day of a month, LEM shall be entitled to a refund of the installment of the Annual Fixed Payment paid for such month prorated by the ratio that the remaining number of days in the month bears to the total number of days in that month. If Big Rivers elects to reduce the Contract Limits pursuant to Section 4.3(e) of this Agreement, the Annual Fixed Payment provided for in this Section 3.3(a) as adjusted pursuant to Section 9.3 of the Participation Agreement shall be increased effective on January 1 of the Year in which the reduction becomes effective to an amount equal to the product of the Annual Fixed Payment as adjusted pursuant to Section 9.3 of the Participation Agreement multiplied by the sum of one (1) plus the CCAP. The monthly installment of the Annual Fixed Payment due on such January 1 and on the first day of each month during the remainder of Phase I shall be adjusted accordingly. The Parties acknowledge that Big Rivers may elect to reduce the Contract Limits under Section 4.3(e) of this Agreement on more than one occasion, and that the Annual Fixed Payment and associated monthly installments shall be adjusted as provided in this Section 3.3(a) on each such occasion. Subject to the right of set-off provided for in Section 9.3 of this Agreement or in any other Operative Document (which shall not be an abatement), except as expressly provided in Section 3.3(a)(iv) or Section 12.2 of this Agreement, Section 16.3 of the Transmission Service and Interconnection Agreement and Section 9.1.2 and 9.2.2 of the Cost-Sharing Agreement, and except as provided in the Station Two Agreement, there is to be no abatement in the obligation of LEM to make the payments specified in this Section 3.3(a) and in Section 3.3(b), regardless of the actual Unit Output of the Generating Plants or whether there has been any damage or destruction of any portion or all of the Tangible Assets.

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(iii) LEM shall also pay to Big Rivers a Monthly Margin Payment during Phase I as follows: The first Monthly Margin Payment shall be due from LEM to Big Rivers on the second occurrence of a 25th day of a month after the Effective Date, and a Monthly Margin Payment will be due from LEM to Big Rivers on each 25th day of the month thereafter until and including the earlier of January 25, 2012 (at which time no further Monthly Margin Payments will accrue), or the 25th day of the month immediately preceding the Phase II Effective Date. Each Monthly Margin Payment is due in the amount set forth in the Schedule of Monthly Margin Payments attached to this Agreement as Schedule 3.3(a); provided, that if the Effective Date occurs on other than the first day of a month, then the Monthly Margin Payment applicable to the month in which the Effective Date occurs will be the amount designated on Schedule 3.3(a) for the month in which the Effective Date occurred, multiplied by the ratio of (A) the number of days between the Effective Date and the last day of the month to (B) the total number of days in that month. In the event the Term shall end prior to January 25, 2012, but on a date other than the last day of a month, then LEM shall pay to Big Rivers a prorated share of the Monthly Margin Payment for the month in which the Term ended based on the ratio by which the number of days in that month through and including the date on which the Term ended bears to the total number of days in that month.

(iv) Notwithstanding any provisions of Section 3.3(a)(iii) to the contrary, in the event during Phase I: (A) this Agreement shall be terminated but the Station Two Agreement shall thereafter continue in effect, then so long as the Station Two Agreement shall continue in effect (through January 25, 2012 in accordance with Schedule 3.3(a)), LEM shall continue to pay to Big Rivers a portion of the Monthly Margin Payments equal to (x) the relevant Monthly Margin Payment, multiplied by (y) a fraction, the numerator of which is the amount determined by subtracting from 312 the total number of megawatts of capacity from Station Two that are reserved for use by Henderson during that month, and the denominator of which is the amount determined by

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subtracting from 1771 the total number of megawatts of capacity from Station Two that are reserved for use by Henderson during that month, and (B) the Station Two Agreement shall be terminated but this Agreement shall thereafter continue in effect, then the Monthly Margin Payments that shall thereafter be owing by LEM to Big Rivers shall be reduced by the amount established by multiplying (x) by (y), as described in Subclause (A), above. No cessation or modification of the Monthly Margin Payments pursuant to this Subsection 3.3(a)(iv) shall constitute or be construed as a waiver or bar to any right of Big Rivers to seek to recover any damages resulting from any breach or default by LEM hereunder, or by any other LG&E Party under any of the other Operative Documents, to which Big Rivers otherwise would be entitled.

- (v) Notwithstanding anything contained in Section 3.3.(a)(iv) of this Agreement to the contrary, upon any termination of the Station Two Agreement that would otherwise result in a reduction in the Monthly Margin Payments pursuant to that Section 3.3(a)(iv), such reduction shall be suspended, and the relevant Monthly Margin Payments shall once again become payable by LEM hereunder, if, within 60 days after the termination of the Station Two Agreement, Big Rivers shall have taken such actions, in compliance with Section 13.8 of the Station Two Agreement, as shall be necessary to prevent the LG&E Parties (or any of them) from having the right, pursuant to Section 13.8 of that agreement, to an abatement against the Annual Fixed Payments or the Rental Payments (as applicable) due by them to Big Rivers, to a reimbursement of the Initial Fixed Payment or Initial Rental Payment, to a reduction in the Contract Limits, or to terminate any of the Operative Documents other than the Station Two Agreement, each as contemplated in Section 13.8 of that agreement; provided, that in the event those LG&E Parties shall at any time thereafter have the immediate right to take any of the foregoing actions or exercise any of the foregoing rights or remedies in accordance with Section 13.8, then the provisions of this Subsection 3.3(a)(v) shall no longer suspend operation of Subsection 3.3(a)(iv)(B).

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(vi) Big Rivers agrees with LEM that LEM shall have the right to set-off against the Monthly Margin Payments that may become due and owing to Big Rivers hereunder, at any time following the second anniversary of the Effective Date, the monthly installments of principal and interest that may be due and owing by Big Rivers to LEM under the Promissory Note (LEM Advances) in accordance with the terms and conditions of such note, and any such set-off by LEM shall be deemed to satisfy its obligations to Big Rivers hereunder with respect to the Monthly Margin Payments (or any portions thereof) so set-off.

(vii) (1) If the Monthly Margin Payment has been adjusted pursuant to Section 3.3(a)(iv)(B) of this Agreement and Big Rivers is permitted pursuant to the Station Two Power Sales Agreement (as defined in the Station Two Agreement) to purchase energy or capacity from Station Two, then: (A) Big Rivers will sell to LEM and LEM will buy Bundled Ancillary Services (as defined in Section 3.3(a)(vii)(3) below) for resale to Henderson Union for the benefit of Alcan and (B) the Monthly Margin Payment will be reduced by an amount equal to the amount due to Big Rivers from LEM for such services during that month; provided, however, that LEM will continue to make payments to Big Rivers in the same amount as the regularly scheduled Monthly Margin Payment that is otherwise due pursuant to the Operative Documents (taking into consideration, *inter alia*, any adjustment required by Section 3.3(a)(iv)) and Big Rivers will accept such payment as payment, in full, of the amount owed to Big Rivers by Leaseco for the Monthly Margin Payment then due and by LEM for the services described above for such month. Pursuant to this paragraph, Big Rivers must provide such services to LEM in the same quantities as LEM is required to provide such services to Henderson Union to meet the requirements of Alcan.

(2) If the Monthly Margin Payment has been adjusted pursuant to Section 3.3(a)(iv)(A) of this Agreement, then (A) Big Rivers will sell to LEM and LEM will buy Bundled Ancillary Services (as defined in Section 3.3(a)(vii)(3) below) for resale to Green River Electric for the benefit of

POWER PURCHASE AGREEMENT BETWEEN
BIG RIVERS ELECTRIC CORPORATION AND LG&E ENERGY MARKETING INC.

Southwire and (B) the Monthly Margin Payment will be reduced by an amount equal to the amount due to Big Rivers from LEM for such services during that month; provided, however, that Leaseco will continue to make payments to Big Rivers in the same amount as the regularly scheduled Monthly Margin Payment that is otherwise due pursuant to the Operative Documents (taking into consideration, *inter alia*, any adjustment required by Section 3.3(a)(iv)) and Big Rivers will accept such payment as payment, in full, of the amount owed to Big Rivers by Leaseco for the Monthly Margin Payment then due and by LEM for such month (regardless of whether LEM's actual amount due that month for Bundled Ancillary Services exceeds the amount paid by Leaseco during that month pursuant to this Section 3.3(a) during that month). Pursuant to this paragraph, Big Rivers must provide such services to LEM in the same quantities as LEM must provide such services to Green River Electric to meet the power requirements of Southwire.

(3) The Bundled Ancillary Services are (A) those services described by Big Rivers in Schedules 3, 4, 5, and 6 of the Open Access Transmission Service Tariff attached as Exhibit 1 to the Transmission Services and Interconnection Agreement, or (B) such services that the FERC determines transmission providers must provide in lieu of or as extensions of the services described in subpart (A) of this sentence.

(b) Operating Pass-Through Costs. In addition to amounts due under Section 3.3(a), throughout Phase I, LEM shall pay to Big Rivers an amount each month equal to the Operating Pass-Through Costs. Billing and payment of the Operating Pass-Through Costs is to be made in accordance with Section 6.5.

Section 4: Big Rivers' Purchases from LEM

4.1 Power Sales to Big Rivers. During the Term of this Agreement, Big Rivers will purchase from LEM, and LEM will sell to Big Rivers, Power in amounts as follows (where each of the following are independent and cumulative):

(a) Base Power. During the Term of this Agreement, LEM shall be obligated to supply to Big Rivers and Big Rivers shall be

POWER PURCHASE AGREEMENT BETWEEN
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obligated to purchase at a cost equal to the amounts set forth in Section 6.2(d) from LEM Base Power as follows:

- (i) in each hour,
 - (A) no less than the Minimum Requirement;
 - (B) no more than the Maximum Hourly Power Purchase Amount; and
- (ii) in each Year or Partial Year,
 - (A) no less than the Minimum Annual Power Purchase Amount; and
 - (B) no more than the Maximum Annual Power Purchase Amount.

All deliveries of Base Power shall be made at the Points of Delivery as set forth in Exhibit B.

(b) Oglethorpe, Hoosier & HMP&L Power. During the Term of this Agreement, LEM shall provide and Big Rivers shall purchase from LEM all its requirements for Oglethorpe Power, HMP&L Power and Hoosier Power at a cost equal to the amounts set forth in Sections 6.2(a) through (c). As used in this Agreement, Big Rivers' requirements for Oglethorpe Power, HMP&L Power and Hoosier Power shall constitute the amount of Power which Big Rivers, at a given moment, sells to Oglethorpe, HMP&L or Hoosier (as applicable) pursuant to the Oglethorpe Contract, the HMP&L Contract and the Hoosier Contracts, respectively. Unless LEM has provided written consent, Big Rivers will not amend, extend or renew any of the contracts pursuant to which it provides Oglethorpe Power, HMP&L Power or Hoosier Power or assign, waive or limit any of its rights or interests pursuant to such contracts throughout the remainder of their terms (and any extensions thereto). To the extent that Big Rivers, under the terms of such contracts, has any existing rights to extend or renew such contracts, Big Rivers shall not extend or renew such contracts without LEM's prior consent, and Big Rivers agrees to so extend or renew those contracts upon the request of LEM and in accordance with the terms of these contracts; provided, however, that Big Rivers shall have no obligation to extend such contracts for any period beyond the end of the Term. Big Rivers agrees to perform each and every obligation for which it is responsible under the Hoosier Contracts, HMP&L Contract and the Oglethorpe Contract and to fully enforce all of its rights under those agreements. Without limiting the foregoing sentences, Big Rivers agrees to use commercially reasonable efforts (which shall not include a requirement to engage the services of any collection agency or institute litigation) to collect all amounts due to Big Rivers for Oglethorpe Power, Hoosier Power and HMP&L Power, and to assign to LEM without cost collection rights and all such receivables not collected within 120 days, so that LEM shall be entitled to attempt to collect the same for its own account. LEM will deliver, or arrange for

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delivery of, all Oglethorpe Power at either (a) the interconnection between the TVA and Big Rivers systems or (b) the point or points connecting the Georgia Integrated Transmission System and the TVA transmission system or other transmission system or systems from or through which the capacity and energy subject to the Oglethorpe Contract is delivered; all HMP&L Power at Henderson's 161 kV interconnection and the 69kV interconnections with Big Rivers; and all Hoosier Power at the 161 kV interconnection between Hoosier and Big Rivers. All of the foregoing deliveries shall be according to the rates, terms and conditions of Big Rivers' Open Access Transmission Tariff to the extent delivery of such power utilizes Big Rivers' Transmission System; provided, that such Open Access Transmission Tariff exists and continues to exist during all applicable periods, or that transmission access is provided on a non-discriminatory basis under another cost-based transmission tariff on terms comparable to those under which Big Rivers provides transmission service to itself. LEM shall indemnify and hold Big Rivers harmless from and against any and all liabilities, losses, claims, damages, costs and expenses (including reasonable attorneys' fees) suffered or incurred by Big Rivers as a result of (i) any breach by Big Rivers of any of its obligations under the Hoosier Contracts, the Oglethorpe Contract, or the HMP&L Contract which result from any failure by LEM to perform its obligations hereunder, (ii) any and all reasonable costs incurred by Big Rivers in enforcing its rights under the Hoosier Contracts, the Oglethorpe Contract, or the HMP&L Contract, (iii) any and all reasonable costs incurred by Big Rivers in collecting (or attempting to collect) amounts due to Big Rivers for Hoosier Power, Oglethorpe Power, or HMP&L Power and (iv) any and all reasonable costs incurred by Big Rivers in exercising its rights, upon the prior request of LEM, to extend or renew the Hoosier Contracts, the Oglethorpe Contract or the HMP&L Contract.

(c) Generation-Based Ancillary Services. During the Term of this Agreement, Big Rivers shall be entitled to receive from LEM those generation-based Ancillary Services which constitute Transmission Support Services, dispatch, Load Following, reactive power support and operating reserve services as specified in Section 5 of this Agreement; and such generation-based services as Big Rivers is required to provide to meet ECAR automatic reserve requirements. As specified in this Agreement, certain generation-based Ancillary Services and certain Load Following services will be provided by LEM to Big Rivers without adjustment to the Power Value Amount; and additional generation-based Ancillary Services and Load Following services will be available at a cost equal to the amounts set forth in Section 6.2(f). Notwithstanding any other provision of this Agreement, LEM shall be required to provide the services identified in this Section 4.1(c) only to the extent that such services can be provided from the Generating Plants, consistent with Prudent Utility Practice and any applicable limitations on the use of Station Two

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power, and shall be excused in the event that an Uncontrollable Force prevents LEM from providing such services from the Generating Plants to the extent such Uncontrollable Force affects such Generating Plants. Notwithstanding the preceding sentence, to the extent feasible, LEM may elect, at its sole discretion, to meet its obligations under this Section 4.1(c) using whatever resources it chooses.

4.2 Additional Provisions Regarding Member Power. During the Term of this Agreement, Big Rivers shall supply all of the Members' Requirements for Member Power and shall not amend any Member Contract to permit any Member to acquire its requirements for Power to serve its non-Smelter customers from any Person other than Big Rivers except as specifically provided in this Section 4.2.; provided that Henderson Union and Green River Electric, (x) subject to Section 4.4, may enter into agreements with LEM to purchase Power needed to serve any or all Smelter Requirements, and with any supplier to purchase Energy after December 31, 2000 necessary to meet the Smelters' Tier 3 Energy requirements, and (y) are permitted to resell power in accordance with the LEM/Henderson Union Agreement and the LEM/Green River Agreement, respectively and in accordance with the Agreements for Electric Service between those Members and the Smelters. In the event that Big Rivers defaults under a Member Contract and such default could be cause for termination of such Member Contract, then, notwithstanding any other provision of this Agreement, Big Rivers agrees to permit (but not require) LEM, in LEM's sole discretion, to attempt to cure such default. If a Member terminates a Member Contract as a result of a default by Big Rivers (regardless of whether LEM attempts to cure that default), but which default is not the direct result of an act or omission by any LG&E Party, then a "Minimum Requirement Revision Event" will be deemed to have occurred and thereafter, the Minimum Requirement shall be the Minimum Hourly Power Purchase Amount. Big Rivers acknowledges and agrees that any failure or refusal of any Member to purchase Power from Big Rivers by reason of Big Rivers' breach or default under any Member Contract is not an excusable cause for failure of Big Rivers to meet the Minimum Requirement or Minimum Annual Power Purchase Amount and therefore at any time at which Big Rivers fails to meet its Minimum Requirement or Minimum Annual Power Purchase Amount LEM will be entitled to the minimum payments contemplated in Section 6.4(b). Big Rivers may enter into a contract for the sale or resale of Power purchased from LEM to any non-Member or for the purchase or sale of Power from or to Parties other than LEM without limitation provided that nothing in this sentence shall be construed to alter in any manner LEM's obligations to supply or Big Rivers' obligation to purchase Power as otherwise set forth herein.

4.3 Base Power Contract Limits. Throughout the Term of this Agreement, Base Power is subject to the following Contract Limits:

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(a) Minimum Hourly Power Purchase Amount. During any hour through December 31, 2000, the Minimum Hourly Power Purchase Amount is 272 megawatt-hours of Base Power and during any hour of any Year between January 1, 2001 and December 31, 2010 (inclusive), the Minimum Hourly Power Purchase Amount is 297 megawatt-hours of Base Power. During any hour during the Year 2011, the Minimum Hourly Power Purchase Amount is 517 megawatt hours of Base Power, and during any hour of any Year following December 31, 2011, the Minimum Hourly Power Purchase Amount is 600 megawatt-hours of Base Power.

(b) Minimum Annual Power Purchase Amount is as follows:

- (i) During each full Year during the period beginning on the Effective Date through December 31, 2000, the Minimum Annual Power Purchase Amount is 2,687,750 megawatt-hours of Base Power.
- (ii) During each full Year during the period beginning on January 1, 2001 through December 31, 2010(inclusive), the Minimum Annual Power Purchase Amount is 2,902,285 megawatt-hours of Base Power.
- (iii) During the Year 2011, the Minimum Annual Power Purchase Amount is 3,699,741 megawatt-hours of Base Power and during each Year following December 31, 2011, the Minimum Annual Power Purchase Amount is 4,300,000 megawatt-hours.
- (iv) During any Partial Year, the Minimum Annual Power Purchase Amount is the Minimum Annual Power Purchase Amount for that Year, multiplied by a fraction whose numerator is the number of days in such Partial Year and whose denominator is 365.

(c) Maximum Hourly Power Purchase Amount. During any hour through December 31, 2000, the Maximum Hourly Power Purchase Amount is not more than 572 megawatt-hours of Base Power and during any hour of any Year between January 1, 2001 and December 31, 2010 (inclusive), the Maximum Hourly Power Purchase Amount is not more than 597 megawatt-hours of Base Power. During any hour during the Year 2011, the Maximum Hourly Power Purchase Amount is not more than 717 megawatt-hours of Base Power, and during any hour of any Year following December 31, 2011, the Maximum Hourly Power Purchase Amount is not more than 800 megawatt-hours of Base Power.

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(d) Maximum Annual Power Purchase Amount is as follows:

- (i) During each full Year during the period beginning on the Effective Date through December 31, 2000, the Maximum Annual Power Purchase Amount is 5,112,750 megawatt-hours of Base Power.
- (ii) During each full Year during the period beginning on January 1, 2001 through December 31, 2010 (inclusive), the Maximum Annual Power Purchase Amount is 5,327,285 megawatt-hours of Base Power.
- (iii) During the Year 2011, the Maximum Annual Power Purchase Amount is 6,321,741 megawatt-hours of Base Power and during each Year following December 31, 2011, the Maximum Annual Power Purchase Amount is 7,008,000 megawatt-hours of Base Power.
- (iv) During any Partial Year, the Maximum Annual Power Purchase Amount is the Maximum Annual Power Purchase Amount for that Year, multiplied by a fraction whose numerator is the number of days in such Partial Year and whose denominator is 365.

(e) Reduction in Contract Limits. At any time during the Term of this Agreement, subsequent to the later to occur of the Effective Date or December 31, 1998, Big Rivers may decrease the Contract Limits by giving written notice to LEM of its election to decrease the Contract Limits, subject to the following:

- (i) Any such reduction (pursuant to this Section 4.3(e)) shall be made as a uniform decrease, measured in megawatt-hours, to all the Contract Limits in all Years, such that upon a change in the Contract Limits that is required by Section 4.3(a) through (d), the changed Contract Limits will be adjusted downward prior to becoming effective by the cumulative number of megawatt-hour reductions elected pursuant to this Section 4.3(e) (assuming such election is effective, consistent with the other requirements of this Section 4.3(e), as of the date the new Contract Limits designated in Section 4.3(a), (b), (c) and (d) become effective).

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- (ii) Any such reduction (pursuant to this Section 4.3(e)) shall remain effective for the balance of the Term of this Agreement;
 - (iii) Any notice of a reduction (pursuant to this Section 4.3(e)) shall not become effective until the expiration of two consecutive Years after it is given (for example a notice given in 2001 shall result in Contract Limit reductions starting January 1, 2004);
 - (iv) The cumulative amount of Contract Limit reductions (pursuant to this Section 4.3(e)) during the Term of the Agreement shall not exceed 72 megawatts;
 - (v) No annual reduction (pursuant to this Section 4.3(e)) shall exceed 12 megawatts; and
 - (vi) Any reduction (pursuant to this Section 4.3(e)) of the Minimum Annual Power Purchase Amount shall not result in a Minimum Annual Power Purchase Amount which is less than 102% of actual requirements for Base Power for the Year prior to the effective date of the reduction (notwithstanding any adjustments for Partial Years); provided, that in the event that any notice of a reduction specifies a reduction in the Minimum Annual Power Purchase Amount greater than is permitted pursuant to this Section 4.3(e)(vi), the Minimum Annual Power Purchase Amount shall be reduced each year by the maximum amount permissible until such time as the Minimum Annual Power Purchase Amount has been reduced to the full extent specified in such notice of reduction.
- (f) The Contract Limits shall be subject to further adjustments as provided in the Station Two Agreement.
- (g) Notwithstanding anything in this Agreement to the contrary, Base Power shall not include Hoosier Power, Oglethorpe Power or HMP&L Power.

4.4 Exclusivity.

- (a) In consideration of Big Rivers' agreements as set forth herein, LEM agrees that during the Term of this Agreement, Big Rivers shall be the exclusive distributor (through the Members) of

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Power furnished directly or indirectly to end-users located, or for use within the boundaries of the Members' Franchised Service Territories; provided that Big Rivers shall not be the exclusive distributor with respect to Power to be supplied, directly or indirectly, to meet the Smelter Requirements. LEM and its Affiliates will not, directly or indirectly, sell or furnish, or offer or agree to sell or furnish, Power to or for the benefit or account of any such end user, other than Power to be supplied by LEM to certain Members to meet the Smelter Requirements, except through Big Rivers' exclusive distributorship in accordance with this Agreement, as otherwise expressly permitted by this Agreement, or as expressly permitted in the Station Two Agreement. Notwithstanding the foregoing:

- (i) LEM or its Affiliates shall be permitted to sell, directly or indirectly, to the Members any Power required to serve the Smelter Requirements during the Term of this Agreement;
- (ii) LEM or its Affiliates shall be permitted to sell Power, directly or indirectly, to the Smelters to the extent that the Smelters are free to purchase such Power from entities other than the Members under applicable Law and any agreement existing between any Smelter and any Member; and
- (iii) LEM or its Affiliates shall be permitted (but not required) to sell to Big Rivers for resale to the Members, or to the Members (to the extent the Members are permitted by law and contract to purchase from a Person other than Big Rivers), Power required by the Members to enable the Members to supply Power to certain of their non-Smelter industrial customers.

(b) Big Rivers agrees that until December 31, 2011, it will not, directly or indirectly, sell or furnish, or offer or agree to sell or furnish, Power to Henderson Union for sale to Alcan, or to Alcan, other than with respect to the portions of Tier 3 Energy which Henderson Union is explicitly permitted to purchase from a supplier other than LEM, unless the obligation of LEM (during Phase I) or Leaseco (during Phase II) to pay Monthly Margin Payments to Big Rivers under this Agreement or the Lease has terminated, or unless and for the period that LEM or Leaseco (as applicable) has failed to pay such Monthly Margin Payments in breach of this Agreement or the Lease. The provisions of this Section 4.4(b) shall survive any termination of this Agreement for any reason and shall continue to be binding on Big Rivers for so long as the Lease or the Station Two Agreement shall continue in force and effect, and then only in the event Big Rivers

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continues to receive the Monthly Margin Payments (or portions thereof) in accordance with the Lease.

(c) Big Rivers agrees that until December 31, 2010, it will not, directly or indirectly, sell or furnish, or offer or agree to sell or furnish, Power to Green River for sale to Southwire, or to Southwire, other than with respect to the portions of Tier 3 Energy which Green River is explicitly permitted to purchase from a supplier other than LEM, unless the obligation of LEM (during Phase I) or Leaseco (during Phase II) to pay Monthly Margin Payments to Big Rivers under this Agreement or the Lease has terminated or unless and for the period that LEM or Leaseco (as applicable) has failed to pay such Monthly Margin Payments in breach of this Agreement or the Lease. The provisions of this Section 4.4.(c), shall survive any termination of this Agreement for any reason and shall continue to be binding on Big Rivers for so long thereafter as the Lease or the Station Two Agreement shall continue in force and effect, and then only in the event Big Rivers continues to receive the Monthly Margin Payments (or portions thereof) in accordance with the Lease.

Section 5: Scheduling and Ancillary Services

5.1 Projected Monthly Schedules. At least 30 days prior to the expected Effective Date and each October 1 thereafter during the Term of this Agreement, Big Rivers shall submit to LEM in writing the projected monthly amounts of Base Power, Oglethorpe Power, HMP&L Power, Hoosier Power, Transmission Support Services and other generation-based Ancillary Services it expects to require during the following Partial Year or Year. Such projections shall represent a good faith estimate by Big Rivers of its anticipated requirements hereunder; provided, that such estimates shall not be binding and shall be used by LEM for planning and information purposes only. The estimates by Big Rivers shall be for all Power and generation-based Ancillary Services to be purchased by Big Rivers pursuant to this Agreement, with a gross up for average annual transmission losses associated with Base Power. Big Rivers shall have full freedom of schedule, subject to the provisions of Section 5.1 and 5.3 and the Contract Limits.

5.2 SEPA Contract. At least 30 days prior to the expected Effective Date and each October 1 thereafter during the Term of this Agreement, Big Rivers shall submit to LEM a schedule showing the amount of Power Big Rivers wishes to have delivered to it under the SEPA Contract during each month ("SEPA Schedule") of the following Partial Year or Year. LEM shall act as Big Rivers' agent for the scheduling of Power under the SEPA Contract and shall have the right to determine (consistent with the provisions of the SEPA Contract) the timing of deliveries of such Power during each month; provided, however, for purposes of the administration of this contract, such

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deliveries shall be deemed, after-the-fact, to have occurred consistent with the SEPA Schedule and, to the maximum extent allowable under the SEPA Contract, during hours of the Members' demand on Big Rivers' system.

5.3 Daily Preschedules. Big Rivers shall preschedule all deliveries of Power no later than 9:00 a.m., Central Time, on the Business Day immediately preceding the day or days of delivery, or as otherwise mutually agreed by the Parties' dispatchers and schedulers. Big Rivers' preschedule shall specify for each hour of each day scheduled its best estimate of its requirements for Base Power, Oglethorpe Power, HMP&L Power, Hoosier Power, Transmission Support Services and other generation-based Ancillary Services as Big Rivers is entitled to receive pursuant to this Agreement. Big Rivers shall provide its preschedule to LEM and the operator responsible for the dispatch and real-time control of the Generating Plants. Following receipt of Big Rivers' preschedule, LEM shall provide its own preschedule to the operator responsible for the dispatch and real-time control of the Generating Plants specifying for each hour of each day scheduled its best estimate of its requirement for Unit Output. Within three hours of receipt of Big Rivers' preschedule, LEM will provide Big Rivers with a schedule showing the Point(s) of Delivery at which Big Rivers' Base Power, Oglethorpe Power, HMP&L Power, Hoosier Power and other scheduled services will be delivered. The Parties shall make reasonable efforts to minimize changes in Big Rivers' and LEM's preschedules and delivery schedules, but such changes shall be accommodated by the Parties up to 30 minutes prior to the hour of delivery.

5.4 Redispatch. If delivery of Big Rivers' Power requirements, amounts of Power scheduled to be provided by LEM to Green River Electric and Henderson Union to meet the Smelter Requirements and LEM's off-system sales at LEM's specified Points of Delivery is not consistent with operation of Big Rivers' Transmission System in accordance with Prudent Utility Practice, or is not consistent with allowing all requested, otherwise feasible wheeling transactions to occur in Big Rivers' system, then, to the extent consistent with Prudent Utility Practice, LEM will permit Big Rivers to direct redispatch of the Generating Plants as needed (i) to maintain Firm Point-to-Point Transmission Service and Network Integration Transmission Service, including the transmission of Member Power to the Members' Franchised Service Territories, under emergency conditions, and (ii) to permit additional Firm Point-to-Point Transmission Service and Network Integration Transmission Service to be scheduled over congested transmission paths. LEM shall modify the specified Points of Delivery to allow Big Rivers' Transmission System to operate in accordance with Prudent Utility Practice, provided that such redispatch permits LEM to continue to meet its energy delivery commitments. Big Rivers shall pay LEM the incremental cost, if any,

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of such redispatch, with such cost to be as quoted by Big Rivers or its Operator (during Phase I) or Leaseco (during Phase II) at the time the redispatch service is requested. Big Rivers' obligation pursuant to the preceding sentence is not to be subsumed by or diminished by LEM's separate obligation during Phase I to pay the Operating Pass-Through Costs, but rather requires that throughout the Term, Big Rivers, not LEM or any of its Affiliates, bear the cost of redispatch; provided, that LEM or any of its Affiliates shall be required to pay any increased transmission charge assessed by Big Rivers reflecting the incremental cost of such redispatch where that entity's use of the Transmission System necessitates such redispatch to create the additional transmission capacity used by it. The quoted charge for such redispatch shall be calculated by Big Rivers or its Operator (during Phase I), and by Leaseco (during Phase II), in a manner consistent with the FERC's policies for the calculation of redispatch costs.

5.5 Load Following.

(a) Metering. In order to facilitate the provision of Load Following services, LEM, at its sole expense, shall install, or cause to have installed, and cause to be monitored, metering and telemetry equipment, which may include the use of loss compensators, and which in combination with existing metering equipment, if any, is of metering grade accuracy, for measuring power flows at each of the Points of Delivery identified in Exhibit A.

(b) Load Following.

- (i) LEM will provide all of Big Rivers' Load Following requirements with respect to Member Power, without adjustment to the Power Value Amount for the applicable period, subject to the following conditions:
- (A) LEM shall not be obligated to provide Load Following services for Big Rivers, that, when combined with the provision of Base Power requirements (after adjustment for the SEPA Contract pursuant to Section 5.2), would exceed the Maximum Hourly Power Purchase Amount at any time; and
 - (B) LEM shall not be obligated to provide Load Following services for loss of generation under the control of Big Rivers, or any third-party resource serving Big Rivers, other than from the Generating Plants; and

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- (C) LEM shall not be obligated to provide Load Following services for any of Big Rivers' loads that are added to the Big Rivers' system after 1996, and that require Load Following services that are materially different than the aggregate of all loads that were served by Big Rivers as of December 31, 1996 exclusive of the Smelter Requirements.
- (ii) During the Term of this Agreement, LEM will provide all of Big Rivers' Load Following requirements, if any, with respect to Oglethorpe Power, Hoosier Power and HMP&L Power without adjustment to the Power Value Amount for the applicable period.
- (iii) Any additional amounts of Load Following required by Big Rivers for the load of its Members that it serves or any transmission customer serving load within Big Rivers' control area shall be supplied to Big Rivers by LEM with a corresponding adjustment to the Power Value Amount equivalent to the LEM rates for such Load Following Service, in accordance with in Section 6.2(f).

5.6 Operating Reserves. LEM will maintain sufficient spinning and non-spinning reserves consistent with reliability guides, principles, and responsibilities set forth in ECAR documents and guides and NERC criteria to support that portion of the Base Power that is consumed in Big Rivers' control area, and such other spinning and non-spinning reserves as may be required pursuant to the Oglethorpe Contract, HMP&L Contract and Hoosier Contracts, each on terms in accordance with this Agreement. With respect to use of the Generating Plants by Big Rivers pursuant to this Section 5.6, there will be no adjustment to the Power Value Amount for the applicable period.

5.7 Reactive Power. LEM shall provide in any hour from its entitlement to the Unit Output of the Generating Plants, at Big Rivers' request and without adjustment to the Power Value Amount, an amount of megavars for Control Area operations up to the electrical net output of such Generating Plants in such hour, multiplied by 0.329 but in no event an amount of megavars equal to less than 608 megawatts multiplied by 0.329. For example, if the electrical output of such Generating Plants in an hour is 1000 MW, up to 329 megavars will be so provided. Subject to the above aggregate limit, Big Rivers shall be entitled to request and receive an amount of megavars up to the maximum net dependable capacity of the Generating Plant unit expressed

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in megawatts multiplied by 0.329 from any specific unit of any Generating Plant specified by Big Rivers and in operation during the hour; provided that Big Rivers will identify the specific Generating Plant unit required to produce megavars only if such specification is necessitated by localized voltage problems. The current maximum net dependable capacity of each Generation Plant unit, expressed in megawatts, is set forth in Exhibit 6 of the Transmission Service and Interconnection Agreement. However, the Parties shall at all times use the then applicable maximum net dependable capacity of the Generation Plant units, which amount may change from time to time over the course of this Agreement; provided, that in the event that two or more Generating Plant units are off-line and Big Rivers is experiencing low voltage problems, the Operator of the Generating Plants will, without adjustment in the Power Value Amount, operate the Generating Plant units down to the design lagging power factor without a loss of megawatt output, but only to the extent necessary to produce an amount of megavars equal to .329 multiplied by the net output of the Generating Plants that would exist if the units that are off-line at the time the calculation was made are operating. At any time, any additional megavars requested by Big Rivers in excess of .329 multiplied by the net output of the Generating Plants, assuming no units are off-line, if available from the Generating Plants without loss of megawatt output capabilities, shall be provided to Big Rivers from LEM at LEM's rates for sale of reactive power set forth in its tariff for the sale of ancillary services (as filed with FERC and revised from time-to-time). LEM may also elect (but is not obligated) to provide, in any hour at Big Rivers' request, megavars in such quantities that their production adversely impacts the Generating Plants' capability to produce megawatts at the rated lagging power factor, but shall do so only at the rate set forth in LEM's tariff for the sale of ancillary services (as filed with FERC and revised from time-to-time) or such other rates as FERC may accept for filing.

5.3 Transmission Support Services. Upon Big Rivers' request, LEM shall obtain and provide from the Generating Plants, to the extent available from the Generating Plants, to all users of Big Rivers' Transmission System and to Big Rivers, in its capacity as both a Transmission System user when requiring Ancillary Services in excess of the level of such services otherwise provided in this Agreement, and to meet Big Rivers' own Ancillary Services requirements to third-parties as a transmission services provider, any generation-based Ancillary Services that the FERC requires from time to time to be provided by a transmission provider similarly situated to Big Rivers and owning and operating the Generating Plants ("Transmission Support Services"). A request by Big Rivers for Transmission Support Services of the type that cannot be physically provided by a generator located outside of Big Rivers' Control area shall be given first priority by LEM relative to other uses of the Generating Plants. Such generation-based Ancillary Services shall be provided at such rates as LEM

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establishes, subject to any applicable regulatory policies, for such generation-based Ancillary Services, and LEM will charge such amounts to Big Rivers by adjustment to the Power Value Amount. Neither Big Rivers nor any third-party user of Big Rivers' Transmission System shall be required to purchase such Ancillary Services from LEM to the extent they are able to provide those services themselves or acquire them from an alternative supplier.

5.9 System Logs. All deliveries shall be made in accordance with the Parties' schedules which are in effect 30 minutes prior to each hour of delivery, except deliveries associated with Load Following service which shall reflect the integrated amount accumulated over the hour and shall be deemed to be made during the hours and in the amounts as accounted for in LEM's and Big Rivers' system logs. If scheduled deliveries are interrupted due to an Uncontrollable Force as defined in Section 12, such schedules shall be adjusted to reflect actual deliveries.

Section 6: Metering, Pricing and Billing

6.1 Metering. The amounts of Unit Output, Oglethorpe Power, HMP&L Power, Hoosier Power and Base Power delivered during the prior month and the Transmission Support Services and other services provided pursuant to Section 4.1(c) that are provided during the prior month shall be metered at the Points of Delivery and at the Points of Metering and, on a monthly basis, reported by Big Rivers to LEM in accordance with Section 12 of the Transmission Service and Interconnection Agreement. Such information will be used as a basis for determining the Power Value Amount, as defined in Section 6.2. Pursuant to Section 6.5, Big Rivers will issue a statement to LEM once per month, and LEM will issue a statement to Big Rivers once per month, each based on such metered information. LEM shall be entitled to have a representative present when meters are read or to institute other reasonable measures to verify meter readings. Disputes concerning the accuracy of meter reading will be subject to the dispute resolution, mediation and arbitration provisions applicable to this Agreement as set forth in the Participation Agreement.

6.2 In addition to such amounts which Big Rivers may be obligated to pay to LEM pursuant to Sections 8 and 9.2, Big Rivers will pay to LEM each month the "Power Value Amount," which equals the sum of the following:

(a) An amount equal to Big Rivers' total revenues actually collected for Oglethorpe Power sold to Oglethorpe by Big Rivers during the prior month (exclusive of any revenue received by Big Rivers from Oglethorpe pursuant to Section 5.3 of the Oglethorpe Contract).

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(b) An amount equal to Big Rivers' total revenues actually collected for Hoosier Power sold to Hoosier by Big Rivers during the prior month.

(c) An amount equal to Big Rivers' total revenues actually collected for HMP&L Power sold to HMP&L by Big Rivers during the prior month.

(d) An amount equal to the Base Power Price for such month as determined pursuant to Section 6.4.

(e) An amount equal to the redispatch costs incurred by Big Rivers pursuant to Section 5.4 during the prior month.

(f) An amount based upon the quantity of generation-based Ancillary Services, ECAR reserves or Transmission Support Services provided by LEM to Big Rivers during the prior month in excess of the type and quantity of such services which are explicitly to be provided pursuant to this Agreement without adjustment to the Power Value Amount, priced in accordance with LEM's rates for such services.

(g) To the extent that Big Rivers purchases from a third-party ECAR automatic reserves or generation-based emergency services necessary to support operation of its Transmission System, the Power Value Amount shall be reduced by an amount equal to Big Rivers' actual cost of such purchases during the prior month; provided that ECAR automatic reserves or generation-based emergency services shall not be purchased in amounts greater than the minimum amount required under ECAR regulations.

6.3 Base Power Rates.

(a) Base Power. During the first Partial Year through December 31, 2001, the rate per megawatt-hour of Base Power is \$18.917. For the balance of the Term of this Agreement, the following rates per megawatt-hour for Base Power apply:

2002	\$19.117
2003	\$19.217
2004	\$19.317
2005	\$19.417
2006	\$19.517
2007	\$19.717
2008	\$20.017
2009	\$20.327
2010	\$20.627
2011	\$20.947
2012	\$20.267
2013	\$20.587

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2014	\$20.917
2015	\$21.247
2016	\$21.587
2017	\$21.927
2018	\$22.277
2019	\$22.627
2020	\$22.987
2021	\$23.357
2022	\$23.717
2023	\$24.082
2024	\$24.452

(b) Base Power Rate Adjustments. Prior to February 1 of the Years 2004, 2011 and 2018, the Parties shall perform the following calculations:

Let P_n represent the rate for Base Power for year n as defined in Section 6.3(a).

Define $Q_n = 9.52x + 7.25y + 3.23$ where, for each year n of 2004, 2011, and 2018:

$x =$ The ratio of the value of the Coal Index (DRI Price of Coal to Electric Utilities - National) at January 1 of year n to the value at January 1 of the seventh preceding year; and

$y =$ The ratio of the value of the Labor Index (DRI Unit Labor Cost - National) at January 1 of year n to the value at January 1 of the seventh preceding year.

(i) 2004 Adjustment

(A) If Q_{2004} is less than 16.69, then set $F_{2004} = Q_{2004} \div 16.69$

(B) If Q_{2004} is greater than 35.32, then set $F_{2004} = Q_{2004} \div 35.32$

(C) If neither determination (1) or (2) is made, then set $F_{2004} = 1.0$.

(D) The adjusted rate for Base Power, P'_n for each year n from 2004 through 2010 shall be determined as $P'_n = P_n \cdot F_{2004}$

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(ii) 2011 Adjustment

- (A) If Q2011 is less than $20.66 \cdot F2004$, then set $F2011 = Q2011 \div 20.66$
- (B) If Q2011 is greater than $43.73 \cdot F2004$, then set $F2011 = Q2011 \div 43.73$
- (C) If neither determination (1) or (2) is made, then set $F2011 = F2004$
- (D) The adjusted rate for Base Power, $P'n$ for each year n from 2011 through 2017 shall be determined as $P'n = Pn \cdot F2011$

(iii) 2018 Adjustment

- (A) If Q2018 is less than $25.59 \cdot F2004 \cdot F2011$, then set $F2018 = Q2018 \div 25.59$
- (B) If Q2018 is greater than $54.15 \cdot F2004 \cdot F2011$, then set $F2018 = Q2018 \div 54.15$
- (C) If neither determination (1) or (2) is made, then set $F2018 = F2004 \cdot F2011$
- (D) The adjusted rate for Base Power, $P'n$, for each year n from 2018 through the Term of this Agreement shall be determined as $P'n = Pn \cdot F2018$

- (iv) Base Power rate adjustments will be effective on January 1 of the Year the calculation is performed.

(c) In the event that the Effective Date does not occur on or before December 31, 1998 then Section 6.3(a) will be modified, effective January 1, 1999, and on each January 1 thereafter until the Effective Date occurs (after which time the Section will remain fixed in the form then current), subject to an earlier termination of the Participation Agreement, as follows: each Year stated will be increased by one, such that the rate in the first Partial Year that the Agreement is in effect and through the three calendar years immediately following the first Partial Year will be \$18.917 and the remainder of the rates will become effective in the corresponding Year indicated after such modification is made.

SECTION 6.4(b) OF THIS DOCUMENT CONTAINS CONFIDENTIAL PROTECTED INFORMATION -
SUBJECT TO PROTECTIVE ORDER

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6.4 Calculation of the Base Power Price

(a) Base Power Price. For the purposes of Section 6.2(d), the Base Power Price is equal to the sum of (i) the Base Power rates established in Sections 6.3 multiplied by the number of megawatt-hours of Base Power delivered to Big Rivers during the prior month and (ii) such other amount as determined pursuant to Section 6.4(b). Base Power delivered to Big Rivers during the prior month shall be determined as the total metered load delivered by Big Rivers to Members during the prior month at the Points of Metering as set forth in Exhibit C, plus the total megawatt-hours of Base Power Big Rivers scheduled from LEM during the previous month for resale to third parties other than Members metered at the applicable Point(s) of Delivery as set forth in Exhibit B, plus average annual transmission losses imputed to Power delivered by Big Rivers to the Members and Power delivered for resale to third parties (with such losses to be equal to the effective annual loss rate applied to transmission service during the same period, as calculated pursuant to the Transmission Service and Interconnection Agreement), minus any purchases from SEPA or other third-parties delivered through the Points of Metering. In no event shall the amount of Power priced in accordance with this Section 6.4 exceed the amount of Base Power available pursuant to Section 4.1(a).

(b) Minimum Power Purchase Obligation. In each month, if the amount of Base Power purchased by Big Rivers in any hour is less than the applicable Minimum Requirement for that hour,

REDACTED

SECTION 6.4(b) OF THIS DOCUMENT CONTAINS CONFIDENTIAL PROTECTED INFORMATION -
SUBJECT TO PROTECTIVE ORDER

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REDACTED

6.5 Billing and Payment. Big Rivers and LEM shall reconcile all monthly amounts due and owing other than the Initial Fixed Payment or Annual Fixed Payment as soon after the month's end as detailed information is available. Each month, Big Rivers shall bill LEM for the Operating Pass-Through Costs due pursuant to Section 3.3(b) within two days of receipt of an invoice for such Operating Pass-Through Costs from its Operator, if any, and, separately, for any other amounts due hereunder, if any, and LEM shall bill Big Rivers for the Power Value Amount and any other amounts due hereunder, if any, after adjusting for the credits set forth in Section 6.5 which may apply for that month. Each Party shall bill the other by facsimile (with the original of such bill transmitted to LEM or to Big Rivers, as applicable, by certified mail) for amounts owing pursuant to this Section 6 or as otherwise specified in this Agreement. Payment shall be made for the amount of such bill, including any disputed amounts, by electronic wire transfer by the later of 15 days after facsimile receipt of such bill or the last Business Day of the month except with respect to the Operating Pass-Through Costs which LEM shall pay no later than the Monthly Payment Date; provided, however, Big Rivers shall not be required to pay any amounts under this Section 6.5 to LEM unless all Operating Pass-Through Costs due and owing by LEM to Big Rivers, and for which LEM has been properly billed, shall have first been paid in full. Payments rendered to Big Rivers with respect to the Operating Pass-Through Costs shall be made to (not applicable) or such other financial institution or account number as Big Rivers and its Operator may specify from time to time in writing. Payments rendered to Big Rivers with respect to other than the Operating Pass-Through Costs shall be made to Farmers Bank of Henderson, Kentucky, ABA No. 033900533 for the credit of Big Rivers General Fund, Account No. 1035559, or such other financial institution or account number as Big Rivers may specify from time to time in writing. Payments rendered to LEM shall be made to PNC Bank, Kentucky, ABA No. 033000103, for the credit of LG&E Marketing, Inc., Account No. 3100532665, or such other financial institution or account number as LEM may specify from time to time in writing. Simple interest shall accrue on any unpaid amounts or any credits at a rate equal to the

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Default Rate during the period, if any, of delinquency or outstanding credit.

6.6 Credits.

(a) At the end of Year 2011, LEM shall credit Big Rivers' account \$2,610,557 and at the end of each Year following December 31, 2011, LEM shall credit Big Rivers' account \$4,110,750.

(b) In the event that any credit due to Big Rivers for any Year pursuant to subparagraph (a) above (a "Load Reduction Credit") exceeds the Power Value Amount during the final month of such Year (as determined pursuant to Section 6.6(a)), then, LEM shall, at Big Rivers' option either (i) pay to Big Rivers, within thirty (30) days after receiving a request from Big Rivers, an amount equal to the difference between the Load Reduction Credit for such Year and the Power Value Amount due for the final month of such Year or (ii) apply the excess credit against the Power Value Amount due during subsequent months until the excess credit has been reduced to zero.

(c) With respect to any year for which LEM owes to Big Rivers pursuant to Section 9.6 of the Participation Agreement a Transmission Use Credit, LEM shall, on February 1 of the following year, credit to Big Rivers' account the full amount of such Transmission Use Credit, which credit will satisfy LEM's obligations under Section 9.6 of the Participation Agreement.

(d) [Reserved]

(e) On the first day of each month beginning with the first month following the Effective Date and continuing for fifty-five (55) months, LEM shall credit Big Rivers' account \$89,000.

Section 7: Audit Rights

During the Term of this Agreement, each Party may review accounting records and supporting documents of the other Party relevant to the determination of any rate charged pursuant to this Agreement which is not fixed, of amounts of Power, Load Following service or generation-based Ancillary Services provided or received together with the loads and resources involved in such service, and of average loss rates applied hereunder during the prior thirty-six months, provided that each Party may conduct no more than one such audit during any consecutive six month period. If a Party believes there are any errors in the determination of a bill including prices, it shall pay the full amount of such bill and the Parties shall meet to review the accounting records and supporting documents and agree on any adjustments that may be appropriate. If the Parties agree that the billing is incorrect, a corrected bill shall be prepared and the

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difference between the incorrect bill and corrected bill, including simple interest at a rate equal to the Default Rate for the period of under or overpayment. Each Party shall take all steps reasonably available to secure the confidentiality of the other Party's accounting records and supporting documents and shall use them only for the purpose of confirming the accuracy of billings under this Agreement. Disclosure of accounting records and supporting documents to the other Party is not intended to, and shall not be interpreted to, waive a Party's right to maintain that such records and supporting documents are privileged, confidential, proprietary, or otherwise protected from disclosure to the public. In the event such information is required in a legal or regulatory proceeding, the Party affected shall advise the other Party of the requirement to disclose such information prior to disclosing it and at the Party's request shall ask that the confidentiality of any such information be maintained.

Section 8: Cost Determination Changes

The cost methodologies utilized for pricing purposes in this Agreement and the rates and rate formulae specified herein shall remain in effect through the Term of this Agreement and neither Party shall petition the FERC or any other governmental agency pursuant to the provisions of Section 205 or 206 of the Federal Power Act or any other provision of law to amend such methodologies or formulae absent the agreement in writing of the other Party or support such a petition filed by any third party. Notwithstanding the foregoing, if a tax on plant emissions should be enacted, LEM may increase the Power Value Amount to reasonably reflect the increased cost associated with the Power sold to Big Rivers hereunder due to the imposition of such tax.

Section 9: Remedies

9.1 Rights and Remedies Cumulative. A Party's right to damages or other relief resulting from a breach on the part of any other Party under this Agreement accrues as of the first day of the breach without regard to whether such breach leads to a default under Section 2.2(a). Upon the breach by either Party of its obligations under this Agreement, whether or not such breach is or becomes a default for purposes of Section 2.2(a), the other Party shall have all of the rights and remedies available hereunder, under any other agreement between the Parties as otherwise applicable, and under all applicable laws, all of which rights and remedies shall be cumulative and nonexclusive to the extent permitted by law; provided, however, that:

(a) neither Party shall be entitled to recover any loss of earnings, revenues (except as provided in Sections 2.2 or 9.2 of this Agreement), indirect, consequential, incidental or special damages (except as provided in Section 15.2);

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(b) LEM's exclusive right and remedy for Big Rivers' failure to utilize the Minimum Requirements or the Minimum Annual Power Purchase Amount of Base Power hereunder shall be the remedy set forth in Section 6.4(b);

(c) except as provided in Sections 2.2 and 15.2 of this Agreement, a Party's sole right to damages for a failure by the other Party to deliver Power as required by this Agreement shall be the remedies and rights set forth in Section 9.2; and

(d) the provisions of Subsection 9.1(a), above, shall not bar or constitute any waiver of any claim by Big Rivers for any Monthly Margin Payments as its damages arising by reason of a default by LEM under this Agreement; provided, that nothing contained herein shall be deemed to be an admission by LEM that the loss of such payments by Big Rivers is or shall be an actual or direct damage incurred by Big Rivers arising out of such a default by LEM.

9.2 Failure to Deliver Power. From time to time, but not more frequently than once each month, LEM may invoice Big Rivers for its damages arising from any failure of Big Rivers to deliver to LEM that Unit Output which through the willful or negligent action of Big Rivers, or through any voluntary or involuntary bankruptcy proceeding involving Big Rivers, was withheld from LEM or delivered other than as directed by LEM in breach of this Agreement, except as such failure may be excused by an Uncontrollable Force or made impossible due to LEM's own negligence or willful act or omission. From time to time, but not more frequently than once each month, Big Rivers may invoice LEM for its damages arising from any failure of LEM to deliver in accordance with this Agreement Base Power, Oglethorpe Power, HMP&L Power, Hoosier Power or any of the services to which Big Rivers is entitled pursuant to Section 4.1(c) except as such failure may be excused by an Uncontrollable Force or made impossible due to Big Rivers' own negligence or willful act or omission. In each of the preceding circumstances in which damages are due, such damages shall equal the damaged Party's reasonably incurred replacement Power costs (including costs of any related Ancillary Services). An invoice rendered in accordance with this Section 9.2 shall be paid, in full, by the receiving party within 30 days of its receipt.

9.3 Offsets. In addition to the rights and remedies described above and elsewhere in this Agreement, but subject to the limitations set forth in Sections 9.1(a), (b) and (c), above, Big Rivers and LEM each agree that if Big Rivers, on the one hand, or LEM, on the other hand, ("X") shall fail to make any payment or shall fail to perform any obligation under this Agreement, then the other Party ("Y") or any of its Affiliates will have the right (but not the obligation) without prior notice to X to perform such obligations and set-off the costs of

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such performance or the amount of any such past due payment owing to Y against any obligation of Y or any of its Affiliates owing to X or any of its Affiliates hereunder or, during Phase II, under any of the other Operative Documents.

Section 10: Governing Law

This Agreement shall be subject to and be construed under the laws of the Commonwealth of Kentucky, exclusive of choice of law provisions.

[Section 11: Reserved]

Section 12: Uncontrollable Forces

12.1 Neither Party to this Agreement shall be considered to be in default in performance of any obligation hereunder if failure of performance shall be due to an Uncontrollable Force. The term "Uncontrollable Force" means any cause beyond the control of the Party affected, including, but not limited to, flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance, labor disturbance, sabotage, and restraint by court order or public authority (other than any filing of a petition in bankruptcy or reorganization or arrangement under any bankruptcy or insolvency laws), which by exercise of due foresight such Party could not reasonably have been expected to avoid, and to the extent that by exercise of due diligence it shall be unable to overcome. A Party shall not, however, be relieved of liability for failure of performance if such failure is due to causes arising out of removable or remediable causes which it fails to remove or remedy with reasonable dispatch. Furthermore, no Party claiming an Uncontrollable Force shall be relieved or excused by reason of such Uncontrollable Force from any payment obligation it may have. Any Party rendered unable to fulfill any obligation by reason of an Uncontrollable Force shall exercise due diligence to remove such inability with all reasonable dispatch. Nothing contained herein, however, shall be construed to require a Party to prevent or settle a strike against its will. Notwithstanding anything in this Section 12 to the contrary, (a) any obligation of Big Rivers to purchase Power under this Agreement (or to make any payment based on a deemed delivery of Power pursuant to Section 6.4(b)) shall be excused to the extent, and only to the extent, that LEM's failure to provide such Power is excused pursuant to this Section 12 and (b) subject to Section 4.1(c), LEM's failure to supply Power to Big Rivers pursuant to this Agreement shall not be excused under this Section 12 unless such Uncontrollable Force prevents LEM from supplying such Power not only from the Generating Plants but also from any other resource or supply.

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12.2 Notwithstanding anything contained elsewhere in this Agreement to the contrary and without extending any period otherwise specified in this Agreement for remedy, in the event (1) Big Rivers fails to deliver or is prevented from delivering to LEM the Unit Output as is required pursuant to Section 3 of this Agreement or is restrained from permitting one or more of the Generating Plants to be operated, (2) such failure or restraint is caused by an Uncontrollable Force which is of such a nature that it cannot be remedied or cured by repair to or replacement of or construction of tangible assets or properties the use or enjoyment of which are required in order for LEM to receive those amounts of Unit Output to which it is entitled under this Agreement, then such failure of performance or restraint must be remedied within 180 days after notice thereof is delivered by LEM or LEM shall have the right to reduce its Annual Fixed Payment obligations under Section 3.3(a) as follows. For each month following the 180th day after the commencement of such Uncontrollable Force and continuing until such time as the failure of performance or restraint is remedied (prorated for each partial month), LEM's Annual Fixed Payment obligation for such month under Section 3.3(a) shall be equal to the Annual Fixed Payment amount due under Section 3.3(a) during such month multiplied by the ratio of AR to UOP (provided that if AR divided by UOP is equal to or greater than 1 it shall be deemed to equal 1), where each of AR and UOP are measured in megawatt-hours and AR is set equal to the amount of Unit Output actually received by LEM from Big Rivers at the Points of Delivery, as specified in Exhibit A, during such month and UOP is the average monthly Unit Output as determined over the shorter of (i) the 12 full months immediately preceding the commencement of such Uncontrollable Force or (ii) all of the months between the Effective Date and up to and including the last full month immediately preceding the commencement of such Uncontrollable Force. Following the occurrence and remedy of a failure of performance or restraint of the type described in the first sentence of this Section 12.2, any re-occurrence of the failure of performance or restraint that arises from a common cause or a continuation of the same event or legal proceeding as the first occurrence shall also be grounds for LEM to reduce the payment due in Section 3.3(a) in the same manner as described in the preceding sentence, but which right of reduction shall be effective thirty (30) Business Days after notice of the failure of performance or restraint delivered by LEM to BREC and only if such failure of performance or restraint is not cured within such 30 day period.

12.3 Nothing in this Section 12 relieves LEC of its obligations to indemnify Big Rivers pursuant to Section 9 of the Guaranty Agreement.

[Section 13: Reserved]

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[Section 14: Reserved]

Section 15: Liability and Indemnity

15.1 General Indemnity. Each Party shall indemnify and save the other Party and the directors, officers, and employees of such other Party harmless from liability, loss, damage, claim, costs, and expenses (including attorneys' fees) on account of injury to persons (including death) or damage or destruction of property, occasioned by the negligence, whether active or passive, or willful misconduct of such indemnifying Party and its officers, directors, employees, or contractors in the performance of this Agreement; provided, however, that:

(a) Each Party shall be solely responsible to its own employees for all claims or benefits due for injuries occurring in the course of their employment or arising out of any workers compensation law. Neither Party shall seek reimbursement or subrogation from the other Party for any benefits paid to the employees of either Party pursuant to any workers compensation law except as necessary to prevent double recovery by the employee.

(b) Neither Party and its directors, officers, and employees shall be liable for any loss of earnings, revenues (except as provided in Sections 2.2 or 9.2 of this Agreement), indirect, consequential, incidental or special damages (except as provided in Section 15.2), or injury which may occur to the other Party as a result of outages in delivery of services hereunder by reason of any cause whatsoever, including negligence.

15.2 Indemnity With Respect to Customer Claims. Each Party shall indemnify and save the other Party, and its directors, officers, and employees harmless for any liability, loss, claim, cost (including attorneys' fees) for any claims made by the indemnified Party's electric service customers as a result of any failure of the indemnifying Party to provide electric Power contemplated by this Agreement for any reason or any cause whatsoever including the willful or negligent act of the indemnifying Party or its breach of this Agreement, or any of the Operative Documents, except to the extent that the indemnifying Party's failure to provide Power is excused pursuant to Section 12 or is the result of the negligent or willful actions or omissions of the indemnified Party or its agents or employees. Further, neither Party shall have any indemnification obligation with respect to claims made by the other Party's electric service customers pursuant to any agreement or amendment entered into by such other party after the Effective Date, unless the Party from whom indemnification is sought has agreed to such new contract or

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amendment, in writing, which consent shall not be unreasonably withheld.

Section 16: Entire Agreement

16.1 The Parties' obligations pursuant to this Agreement will be further governed by the Participation Agreement and the other Operative Documents to the extent indicated therein. The requirements of the Participation Agreement and the other Operative Documents and this Agreement are to be interpreted to be in accord wherever possible, but in the event of a direct conflict between the requirements of the Participation Agreement and the other Operative Documents and this Agreement, the provisions of this Agreement govern.

16.2 This Agreement and such applicable portions of the Participation Agreement and the other Operative Documents constitutes the entire agreement of the Parties hereto with respect to the transaction addressed herein and supersedes all prior agreements, whether oral or written. This Agreement may be amended only by a written document signed by both Parties hereto.

Section 17: Continuation of Agreement

17.1 Big Rivers recognizes and acknowledges that the RUS, the Members and the LG&E Parties have in good faith entered into the transactions to which this Agreement and the other Operative Documents relate and have agreed to consummate those transactions in specific reliance upon the fact that the transactions contemplated in the Operative Documents shall continue for the stated Term (i.e., approximately 25 years). Big Rivers has informed the RUS, the Members and the LG&E Parties that Big Rivers has in good faith entered into this Agreement in reliance upon and with the specific intent of continuing this transaction through the stated Term (i.e., approximately 25 years). In order to enable Big Rivers to comply with certain requirements of the KPSC related to approval of its proposed rates, and to provide additional assurances of its good faith and commitment, and without in any way intending to reduce or otherwise avoid abiding by this Agreement throughout its stated Term (i.e., approximately 25 years), and without any implication by any of the Parties that Big Rivers is or would be entitled to attempt to reduce or otherwise avoid the terms of this Agreement, Big Rivers additionally commits and undertakes that for the period prior to January 1, 2012, in the event of any filing by Big Rivers of a petition or similar filing for bankruptcy or reorganization or arrangement under any federal or state bankruptcy or insolvency or similar Law, or the commencement of involuntary proceedings against Big Rivers under any such Law, neither Big Rivers nor its successors or assigns, if any, shall file, direct the filing of, join in, consent to, or otherwise support any other party to any such proceedings in a

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motion, complaint, pleading, statement, testimony or otherwise make any attempt to terminate, reject or modify this Agreement (other than in accordance with its terms) under Section 365 of the United States Bankruptcy Code, 11 U.S.C. § 101, et seq., as it subsequently may be amended, modified or supplemented or any other similar, applicable federal or state bankruptcy or insolvency Laws (the "Insolvency Assurance"). Thereafter, Big Rivers shall continue the Insolvency Assurance unless and until the RUS, in the exercise of its discretion, were to consent to any of the foregoing. In all events and throughout the Term, each of the RUS, the Members and the LG&E Parties shall be entitled to rely upon the specific provisions of this Agreement, including but not limited to the stated Term (i.e., approximately 25 years), and shall be entitled to take whatever actions may prove to be necessary or appropriate to maintain the benefit of their bargain in the event that Big Rivers ever attempts to cause the rejection or termination of this Agreement (other than in accordance with its terms) in a subsequent bankruptcy or reorganization proceeding or otherwise.

17.2 LEM recognizes and acknowledges that the RUS, the Members and Big Rivers have in good faith entered into the transactions to which this Agreement and the other Operative Documents relate, and have agreed to consummate those transactions in specific reliance upon the fact that the transaction contemplated in the Operative Documents shall continue for the stated Term (i.e., approximately 25 years). LEM has informed the RUS, the Members and Big Rivers that LEM has in good faith entered into this Agreement in reliance upon and with the specific intent of continuing this transaction through the stated Term (i.e., approximately 25 years). In order to facilitate the approval of the proposed rates of Big Rivers and to provide additional assurances of its good faith and commitment, and without in any way intending to reduce or otherwise avoid abiding by this Agreement throughout its stated Term (i.e., approximately 25 years), and without any implication by any of the Parties that LEM is or would be entitled to attempt to reduce or otherwise avoid the terms of this Agreement, LEM additionally commits and undertakes that for the period prior to January 1, 2012, in the event of any filing by LEM of a petition or similar filing for bankruptcy or reorganization or arrangement under any federal or state bankruptcy or insolvency or similar Law, or the commencement of involuntary proceedings against LEM under any such Law, neither LEM nor its successors or assigns, if any, shall file, direct the filing of, join in, consent to, or otherwise support any other party to any such proceedings in a motion, complaint, pleading, statement, testimony or otherwise make any attempt to terminate, reject or modify this Agreement (other than in accordance with its terms) under Section 365 of the United States Bankruptcy Code, 11 U.S.C. § 101, et seq., as it subsequently may be amended, modified or supplemented or any other similar, applicable federal or state bankruptcy or insolvency Laws (the "Insolvency Assurance").

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Thereafter, LEM shall continue the Insolvency Assurance unless and until the RUS, in the exercise of its discretion, were to consent to any of the foregoing. In all events and throughout the Term, each of the RUS, the Members and Big Rivers shall be entitled to rely upon the specific provisions of this Agreement, including but not limited to the stated Term (i.e., approximately 25 years), and shall be entitled to take whatever actions may prove to be necessary or appropriate to maintain the benefit of their bargain in the event that LEM ever attempts to cause the rejection or termination of this Agreement (other than in accordance with its terms) in a subsequent bankruptcy or reorganization proceeding or otherwise.

17.3 Nothing in this Section 17 shall modify, reduce or diminish: (i) the rights of the RUS under the New RUS Loan Documents (as defined in that certain New RUS Loan Agreement between Big Rivers and the RUS to be executed and delivered on the Effective Date); or (ii) the rights of the mortgagees under the New RUS Mortgage (as defined in said New RUS Loan Agreement); including without limitation, any right to withhold consent with respect to any sale or disposition of Big Rivers' property except on terms acceptable to the RUS and/or such mortgagees; but subject, the case of (i) and (ii) above, in all cases to the Non-Disturbance Agreement of even date herewith among Big Rivers, RUS, AMBAC and the LG&E Parties.

17.4 The provisions of this Section 17 shall survive any expiration or termination of this Agreement for any reason and shall continue to be binding on the Parties.

Section 18: General Provisions

18.1 Notices. All provisions set forth in the Participation Agreement with respect to notices (Section 21.1) shall apply hereto.

18.2 Waiver. The failure of a Party to insist on the strict performance of any provision of this Agreement or to exercise any right, power or remedy upon a breach of any provision of this Agreement shall not constitute a waiver of any provision of this Agreement or limit the Party's right thereafter to enforce any provision or exercise any right.

18.3 Amendment and Modification. No amendment or modification of this Agreement shall be valid unless made in writing and duly executed by the Parties.

18.4 Governing Law. This Agreement shall be governed by and interpreted in accordance with the internal laws of the Commonwealth of Kentucky but without giving effect to the conflict of law rules of such jurisdiction.

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18.5 Further Assurances. Each Party shall take from time to time, for no additional consideration, such actions and execute such additional instruments as may be reasonably (a) necessary to implement and carry out the intent and purpose of this Agreement or (b) desirable but not necessary to implement and carry out the intent and purpose of this Agreement without incurring material cost.

18.6 Survival of Terms and Conditions. The provisions of this Agreement related to the recovery of damages sustained hereunder and the exercise of remedies generally shall survive its termination to the full extent necessary for their enforcement and the protection of the Party in whose favor they run.

18.7 Successors and Assigns. This Agreement shall bind and inure to the benefit of the Parties and their respective successors and permitted assigns.

18.8 Time of the Essence. A material consideration of the Parties entering into this Agreement is that the Parties will make all required payments as and when due and will perform all other obligations under this Agreement in a timely manner. Except as otherwise specifically provided in this Agreement, time is of the essence of each and every provision of this Agreement.

18.9 Counterparts. This Agreement may be executed in counterparts, both of which taken together shall constitute a single agreement.

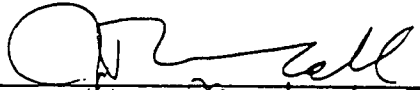
18.10 Dispute Resolution. The Parties agree that any disputes arising with respect to this Agreement shall be resolved in accordance with Section 15 of the Participation Agreement.

18.11 Construction. This Agreement was the product of negotiations between the Parties, and therefore the rule of contract construction that an agreement shall be construed against the drafter shall not be applied to this Agreement.

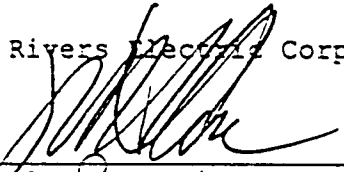
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IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed in their respective names by their respective officers thereunder duly authorized.

LG&E Energy Marketing Inc.

By 
Title: Vice President & Secretary

Big Rivers Electric Corporation

By 
Title: President and CEO

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EXHIBIT A
POINTS OF DELIVERY FOR UNIT POWER

The Points of Delivery at which Big Rivers may deliver and LEM shall accept all Unit Output from the Generating Plants hereunder shall be at the following generating plant disconnect switches for the high voltage side of the unit step up transformer in amounts up to the net plant capacity at any time.

PLANTS

Robert D. Reid
Reid Gas Turbine
D.B. Wilson
Kenneth C. Coleman
Robert D. Green
Henderson Municipal Power and Light
- Station Two

POWER PURCHASE AGREEMENT BETWEEN
BIG RIVERS ELECTRIC CORPORATION AND LG&E ENERGY MARKETING INC.

EXHIBIT B
POINTS OF DELIVERY FOR PURCHASES BY BIG RIVERS

The Points of Delivery at which LEM may deliver and Big Rivers shall accept all Base Power hereunder shall be as follows:

A. At the following generating plant disconnect switches for high voltage side of the unit step up transformer in amounts up to the net plant capacity at any time:

PLANTS

Robert D. Reid
Reid Gas Turbine
D.B. Wilson
Kenneth C. Coleman
Robert D. Green
Henderson Municipal Power and Light - Station Two

B. At the points of interchange between the Big Rivers Electric Corporation system and the following entities in amounts not to exceed 90% of the then-effective transfer capability of each individual point of delivery:

Tennessee Valley Authority
Shawnee Plant
Marshall (2)
Barkley (3) (SEPA)
Paradise

Southern Illinois Power Cooperative
Morganfield
Livingston County

Louisville Gas and Electric Company
Cloverport

Kentucky Utilities Company
Hardinsburg
D.B. Wilson

POWER PURCHASE AGREEMENT BETWEEN
BIG RIVERS ELECTRIC CORPORATION AND LG&E ENERGY MARKETING INC.

Southern Indiana Gas and Electric Company
Henderson County Substation
Hoosier Energy Rural Electric Cooperative
Kenneth C. Coleman

C. At any new point of interchange that may be established during the Term of this Agreement in amounts equal to 50% of the then-effective transfer capability.

POWER PURCHASE AGREEMENT BETWEEN
BIG RIVERS ELECTRIC CORPORATION AND LG&E ENERGY MARKETING INC.

EXHIBIT C
POINTS OF METERING

The Points of Metering, which are those points at which Big Rivers delivers Power to the Members, shall be as set forth below.

GREEN RIVER ELECTRIC

All 27 rural delivery points are metered at 12,470 volts

Industrials' delivery point metering voltage

- ACMI	13,800 volts
- Commonwealth Aluminum #1	13,800 volts
- Commonwealth Aluminum #2	13,800 volts
- Commonwealth Aluminum #3	13,800 volts
- Alcoa-Hawesville Works	13,800 volts
- Kimberly-Clark #1	161,000 volts
- Kimberly-Clark #2	161,000 volts
- Willamette #1	12,470 volts
- Willamette #2	12,470 volts
- Willamette #3	12,470 volts
- Worldsource #1	13,800 volts
- Worldsource #2	13,800 volts

HENDERSON UNION ELECTRIC

14 rural delivery points are measured at 12,470 volts

1 rural delivery point is measured at 25,000 volts

Industrials' delivery point metering voltage

- Accuride	12,470 volts
- Black Diamond Mine	7,200 volts
- C.R. Mining	69,000 volts
- Cardinal River Resources	7,200 volts
- Dotiki #3	12,470 volts
- Hudson Foods #1	25,000 volts
- Hudson Foods #2	25,000 volts
- KBA #1	4,160 volts
- KBA #2	4,160 volts
- Lodestar Energy	69,000 volts
- Peabody Breckenridge	69,000 volts
- P&M Mine	69,000 volts
- Patriot Mine	69,000 volts
- Smith Coal	69,000 volts
- Valley Grain	12,470 volts
- Victory Processing	7,200 volts

POWER PURCHASE AGREEMENT BETWEEN
BIG RIVERS ELECTRIC CORPORATION AND LG&E ENERGY MARKETING INC.

JACKSON PURCHASE ELECTRIC

All 23 rural delivery points are metered at 12,470 volts

Industrials' delivery point metering voltage:
- Shell Oil 4,160 volts

MEADE COUNTY ELECTRIC

All 14 rural delivery points are metered at 12,470 volts

No industrial delivery points

POWER PURCHASE AGREEMENT BETWEEN
BIG RIVERS ELECTRIC CORPORATION AND LG&E ENERGY MARKETING INC.

POWER PURCHASE AGREEMENT (Schedule 3.3(a))
MONTHLY MARGIN PAYMENTS

	Monthly Margin Payment (\$1,000's)
1998	\$2,276
1999	\$2,276
2000	\$2,276
2001	\$2,219
2002	\$2,202
2003	\$1,448
2004	\$1,423
2005	\$1,419
2006	\$1,410
2007	\$1,418
2008	\$1,397
2009	\$1,384
2010	\$1,363
2011	\$643

RULES AND REGULATIONS

8. BIG RIVERS COGENERATION AND SMALL POWER
PRODUCTION PURCHASE TARIFF - OVER 100 KW

a. Availability:

Available to any customer of a Member Cooperative who qualifies as a cogenerator or small power producer pursuant to Regulation 807 KAR 5:054 of the Kentucky Public Service Commission.

b. Terms and Conditions:

- (1) The cogeneration or small power production facility must have a total design capacity over 100 KW.
- (2) All power from a QF purchased under this tariff will be sold to Big Rivers.
- (3) The QF must provide good quality electric power within a reasonable range of voltage, frequency, flicker, harmonic currents, and power factor.
- (4) QF shall provide reasonable protection for Big Rivers and the Member Cooperative's system.
- (5) QF shall design, construct, install, own, operate, and maintain the Qualifying Facility in accordance with all applicable codes, laws, regulations, and generally accepted utility practices.
- (6) QF shall reimburse Big Rivers and the Member Cooperative for all costs incurred as a result of interconnecting with the QF, including operation, maintenance, administration, and billing.

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- (7) QF shall enter into a written contract with Big Rivers. Such contract shall set forth any specific arrangements between the parties based on the individual circumstances so involved.

c. Definitions:

- (1) Big Rivers – “Big Rivers” shall mean Big Rivers Electric Corporation.
- (2) LEM – “LEM” means LG&E Energy Marketing, Inc.
- (3) Member Cooperatives – As of the effective date of this tariff, “Member Cooperatives” means collectively, Kenergy Corp., Jackson Purchase Energy Corporation and Meade County Rural Electric Cooperative Corporation.
- (4) Power Purchase Agreement – “Power Purchase Agreement” means the Power Purchase Agreement between Big Rivers and LEM dated July 1998.
- (5) QF – “QF” means a cogeneration or small power production facility meeting the criteria for Qualifying Facility of Section 4 of 807 KAR 5:054.
- (6) Third Party Supplier – “Third Party Supplier” means any supplier of wholesale electric service to Big Rivers other than SEPA or LEM pursuant to the Power Purchase Agreement.

d. Rates for Purchases from QFs:

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(1) Capacity Purchase Rates:

Big Rivers presently has no avoided capacity costs and the Capacity Purchase Rate is, therefore, zero. At such time when it becomes necessary for Big Rivers to procure additional system capacity or energy beyond that available under the Power Purchase Agreement and from SEPA, then Big Rivers will determine its avoided costs for capacity, energy, or both for power requirements in excess of those amounts available under the Power Purchase Agreement and from SEPA.

(2) Firm Energy Purchase Rates:

The Energy Purchase Rates in each month shall be based upon Big Rivers' actual avoided cost for energy in each hour of the month, plus applicable losses, and shall be the lesser of:

- (i) The applicable Base Power rate as specified in Section 6.3(a) of the Power Purchase Agreement; plus Base Power Rate Adjustment, if any, as specified in Section 6.3(b) of the Power Purchase Agreement; minus, applicable penalty to the Base Power rate in any hour in which an Hourly Deficit occurs pursuant to Section 6.4(b) of the Power Purchase Agreement; or,
- (ii) The actual price in \$ per MWh paid by Big Rivers for energy purchased from a Third Party Supplier in each hour of the month.

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e. Failure to Generate:

The QF shall indemnify Big Rivers for any and all additional costs incurred as a result of the QF's failure to generate, including without limitation, costs of ancillary services necessary to maintain reliability on the Big Rivers' system.

f. System Emergencies:

During system emergencies, Big Rivers may discontinue purchases or the QF may be required to provide energy or capacity in accordance with 807 KAR 5:054 – Section 6.

g. Interconnections:

Big Rivers requires a three party interconnection agreement between the QF Member, Big Rivers, and the Member Cooperative prior to service under this tariff. Big Rivers shall make interconnections with the Member Cooperative, the QF Member, or both as required and the QF Member will pay for the interconnection costs in accordance with 807 KAR 5:054 – Section 6 and the interconnection agreement.

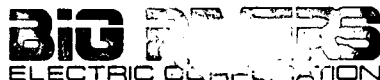
h. Loss Compensation:

Power and energy purchased by Big Rivers pursuant to this rate schedule which must be transmitted to Big Rivers' transmission system across or through utilities owned by a Member Cooperative shall be subject to an adjustment to reflect losses between the QF and the point of delivery to the Big Rivers transmission system.

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9. BIG RIVERS COGENERATOR AND SMALL POWER PRODUCER
SALES TARIFF - OVER 100 KW

a. Availability:

Available to any Member Cooperative for service to any member of the Member Cooperative with cogeneration and/or small power production facilities which meet the criteria for Qualifying Facility of 807 KAR 5:054 - Section 4 and are certified or self-certified pursuant to FERC regulations.

b. Applicability:

Applicable to purchases made by a Member Cooperative for service to any QF Member of a Member Cooperative with a total capacity requirement of 100 kW or more with on-site generation of 100 kW or more operating in excess of 200 hours per year, electrically engineered so that it can meet part or all of its load with its own generation, for service not covered by one of Big Rivers' other rates. The QF Member shall have the option to provide all or part of its load with its own generation in which case that portion of the QF Member's load requirements not met by the QF, shall be provided to the Member Cooperative under this tariff and all requirements for back-up or maintenance service for the QF Member shall be provided under this tariff. Otherwise, the QF Member may sell all of the output of its QF in which case the QF Member's load requirements shall be provided to the Member Cooperative under the terms and conditions of one or more of Big Rivers' standard rates applicable to the load requirements and type of service of the QF Member.

c. Definitions:

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- (1) Big Rivers – “Big Rivers” shall mean Big Rivers Electric Corporation.
- (2) LEM – “LEM” means LG&E Energy Marketing, Inc.
- (3) Member Cooperative – As of the effective date of this tariff, “Member Cooperatives” means collectively, Kenergy Corp., Jackson Purchase Energy Corporation and Meade County Rural Electric Cooperative Corporation.
- (4) Off-System Sales Transaction – “Off-System Transaction” means sales of electric energy by Big Rivers other than to the Member Cooperatives, Oglethorpe Power, HMP&L, and Hoosier Energy pursuant to the Power Purchase Agreement.
- (5) Power Purchase Agreement – “Power Purchase Agreement” means the Power Purchase Agreement between Big Rivers and LEM dated July 1998.
- (6) QF – “QF” means a cogeneration or small power production facility meeting the criteria for Qualifying Facility of Section 4 of 807 KAR 5:054 and are certified or self-certified pursuant to FERC regulations.
- (7) QF Member – “QF Member” means a member of a Member Cooperative with a QF.
- (8) Third Party Supplier – “Third Party Supplier” means any supplier of wholesale electric service to Big Rivers other than SEPA or LEM pursuant to the Power Purchase

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Agreement.

d. Conditions of Service:

To receive service hereunder, the Member Cooperative must:

(1) Obtain from the QF Member an executed, written contract for electric service hereunder on terms acceptable to Big Rivers. Such contract shall set forth any specific arrangements between the parties based on individual circumstances and shall:

- (i) Specify the maximum capacity to be made available to the QF Member on an unscheduled basis in any hour (Maximum Unscheduled Capacity), and
- (ii) If desired by the QF Member, specify the terms and conditions for the delivery of Maintenance Service, and
- (iii) If desired by the QF Member, specify the capacity of on-site generation for which interruptible unscheduled back-up and interruptible scheduled maintenance power may be provided, and
- (iv) Specify any other term or condition which the Member Cooperative or Big Rivers may require for service used by a QF Member, taking into account the nature of use, the quality used, the quantity used, the time when used, the purpose for which used,

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and any other reasonable consideration, and

- (2) Enter into a contract with Big Rivers, or amend an existing contract with Big Rivers, to specify the terms and conditions of service between Big Rivers and the Member Cooperative regarding the power supply for the QF Member.

e. For each QF Member, the Member Cooperative will be billed monthly for:

- (1) Supplementary Service (capacity and energy).
- (2) Unscheduled Back-up Service, if any (capacity charge only).
- (3) Maintenance Service (capacity and energy), if any.
- (4) Excess Demand, if any.
- (5) Additional charges, if any.

f. Monthly Charges for Sales to a Member Cooperative for Service to a QF Member:

- (1) Supplementary Service:

Supplementary demand shall be the QF Member's highest actual demand (adjusted for distribution losses if applicable) measured during the month, excluding Scheduled Maintenance Demand up to but not exceeding the actual measured demands in each demand interval during a Maintenance Schedule, and supplementary

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energy shall be the actual measured energy (adjusted for distribution losses if applicable), excluding Maintenance Energy sold to the QF by the Member Cooperative in each month. The monthly charges for supplementary demand and energy shall be:

\$7.37 per kW of Supplementary Demand

\$0.0204 per kWh of Supplementary Energy

(2) **Unscheduled Back-up Service:**

Unscheduled Back-up Demand is the QF Member's Maximum Unscheduled Capacity minus the Supplementary Billing Demand for the month. In months in which Maintenance Service has been Scheduled, appropriate credit for Scheduled Maintenance Demand shall be applied to the Unscheduled Back-up Demand such that the Member Cooperative will not be charged for Unscheduled Back-up Demand in addition to Scheduled Maintenance Demand when Scheduled Maintenance Service is being provided. The monthly charges to a Member Cooperative for Unscheduled Back-up Demand shall be:

\$7.37 per kW of Unscheduled Back-up Demand

Maximum Unscheduled Capacity shall initially be the amount as specified by the QF Member per contract with the Member Cooperative, but in no case less than the actual demand delivered in any month, including the current month. Big Rivers will accept a reduction in the Maximum Unscheduled Capacity upon twelve (12) months advance

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notice from the Member Cooperative. Said notice must specify the reduction in kW's and the basis for the lower requirement. All energy shall be billed as either supplementary energy or maintenance energy.

(3) Maintenance Service:

Maintenance Service shall be available to a Member Cooperative to back-up a QF Member's QF only if the Member Cooperative has scheduled delivery of the maintenance services in advance with Big Rivers. The Member Cooperative may schedule up to four weeks of seven consecutive days each per year of such service for a QF Member, subject to scheduling of such usage by Big Rivers. The Member Cooperative may reschedule at anytime by giving forty-eight (48) hours notice to Big Rivers. Scheduled Maintenance Demand may not exceed the design capacity of the QF Member's QF. Maintenance Service will be available on an on-peak or off-peak basis. The selection of on-peak Maintenance Service entitles the Member Cooperative to schedule the service for the QF Member at any time. The selection of off-peak Maintenance Service entitles the Member Cooperative to schedule the service for the QF Member only during those hours not designated as on-peak. The designated on-peak hours are as follows:

- (i) Summer on-peak usage is defined as power requirements occurring between the hours beginning 6:00 am and ending 10:00 pm on any weekday from May 1 through September 30.

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- (ii) Winter on-peak usage is defined as power requirements occurring between the hours beginning 6:00 am and ending 10:00 pm on any weekday from December 1 through March 31.
- (iii) Off-peak usage is defined as all power requirements not included in paragraph (i) or (ii).

The charges for On-peak Maintenance Service shall be the greater of:

- (1) \$1.835 per kW of Scheduled Maintenance Demand per week, plus
\$0.0204 per kWh of Maintenance Energy; or
- (2) 110% of the price at the time of scheduling of a block of energy obtainable by Big Rivers in the futures market which is sufficient to meet the Member Cooperative's scheduled Maintenance Service requirements.

The charges for Off-peak Maintenance Service shall be:

\$1.835 per kW of Scheduled Maintenance Demand per week, plus
\$0.0204 per kWh of Maintenance Energy.

Maintenance Energy shall be the amount of energy purchased by the Member Cooperative for the QF Member

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in each hour during Scheduled Maintenance Service up to but not exceeding the Scheduled Maintenance Demand in each hour.

(4) Excess Demand:

Excess Demand is the amount in any hour by which the actual demand, less any Maintenance Demand, exceeds the previously established Maximum Unscheduled Capacity. Charges for Excess Demand shall be in addition to the charges for Supplementary Service and shall be either:

- (i) One hundred-ten percent (110%) of Big Rivers' actual cost, including transmission service, to import energy from a Third Party supplier to supply the Excess Demand of the Member Cooperative for the QF Member; or
- (ii) If it is not necessary for Big Rivers to import energy from a Third Party Supplier, charges for Excess Demand shall be the greater of: a) \$7.37 per kW times the highest Excess Demand recorded during the month; or b) 110% of the highest price received by Big Rivers during an Off-System Sales Transactions during the month times the sum of the Excess Demands measured during the month.

Big Rivers shall be the sole determinant of when and under what circumstances it is required to import energy from a Third Party Supplier to

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provide Excess Demand.

(5) Additional Charges:

Any and all costs incurred by Big Rivers as a result of the QF's failure to generate, including, without limitation, ancillary services necessary to maintain reliability on the Big Rivers' system, shall be charged to the Member Cooperative in addition to all other charges.

(6) Interruptible Service:

Interruptible Supplementary Service or Interruptible Back-up Service will be made available, upon request. Terms and conditions of interruptible service will be as negotiated under special contract according to the terms of 807 KAR 5:054.

g. Interconnections:

Big Rivers requires a three party interconnection agreement between the QF Member, Big Rivers, and the Member Cooperative prior to service under this tariff. Big Rivers shall make interconnections with the Member Cooperative, or the QF Member, or both as required and the QF Member will pay for the interconnection costs in accordance with 807 KAR 5:054 – Section 6 and the interconnection agreement.

h. System Emergencies:

During System Emergencies, Big Rivers may discontinue sales in accordance with 807 KAR 5:054 – Section 6.

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RULES AND REGULATIONS

i. Loss Compensation:

Power and energy delivered by Big Rivers pursuant to this rate schedule shall be metered at or compensated to Big Rivers' point of delivery to the Member Cooperative. Where metering of the QF Member's load is at a point of delivery on a Member Cooperative's distribution system, metered demand and energy shall be adjusted to compensate for distribution losses prior to billing hereunder.

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RULES AND REGULATIONS

f. BILLING FORM:

INVOICE

BIG RIVERS ELECTRIC CORP., P.O. BOX 24, HENDERSON, KY 42420

TO: COGENERATOR AND SMALL POWER PRODUCER SALES	ACCOUNT
DELIVERY POINTS	SERVICE FROM / / THRU / /
USAGE:	
DEMAND /	TIME / DAY METER MULT. kW DEMAND
POWER FACTOR	BASE PEAK AVERAGE BILLED
SUPPLEMENTAL DEMAND	kw BILLED
UNSCHEDULED BACK-UP DEMAND	kw BILLED
MAINTENANCE DEMAND	kw BILLED
EXCESS DEMAND	kw BILLED
CUMULATIVE EXCESS DEMAND	kw BILLED
ENERGY PREVIOUS PRESENT	DIFFERENCE MULT. kwh USED
SUPPLEMENTAL ENERGY	kwh USED
MAINTENANCE ENERGY	kwh USED

SUPPLEMENTARY SERVICE

DEMAND	kw TIMES \$	EQUALS \$
P/F PENALTY	kw TIMES \$	EQUALS \$
ENERGY	kwh TIMES \$	EQUALS \$
SUBTOTAL		\$

UNSCHEDULED BACK-UP SERVICE

DEMAND	kw TIMES \$	EQUALS \$
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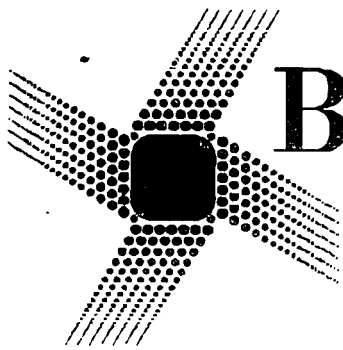
MAINTENANCE SERVICE ON-PEAK

DEMAND PER-WEEK (IF APPLICABLE)	kw TIMES \$	EQUALS \$
ENERGY (IF APPLICABLE)	kwh TIMES \$	EQUALS \$
SCHEDULED ENERGY BLOCK (IF APPLICABLE)		
TOTAL AMOUNT DUE		\$

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Issued By *MAH* Big Rivers Electric Corporation, P.O. Box 24, Henderson, KY 42420

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Big Rivers

Electric Corporation

201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
502-827-2561
www.bigrivers.com

RECEIVED
OCT 29 1999
PUBLIC SERVICE
COMMISSION

October 29, 1999

Ms. Helen Helton
Executive Director
Public Service Commission
730 Schenkel Lane
Frankfort, KY 40601

RE: Big Rivers Electric Corporation
PSC Case No. 99-354

Dear Ms. Helton:

Enclosed are an original and eight copies of Big Rivers Electric Corporation's Initial Information Request to Willamette Industries, Inc.

I certify that I have this day served a copy of this letter and enclosures on the persons identified on the enclosed service list.

Sincerely,

BIG RIVERS ELECTRIC CORPORATION

David A. Spainhoward
Vice President
Contract Administration and Regulatory Affairs

pm
Enclosures

c: Service List
Mr. Burns Mercer
Mr. Kelly Nuckols
Mr. Dean Stanley

David Denton, Esq.
Elizabeth Blackford, Esq.

**SERVICE LIST
CASE NO. 99-354**

James M. Miller, Esq.
Sullivan, Mountjoy, Stainback & Miller
100 St. Ann Building
P. O. Box 727
Owensboro, KY 42302-0727

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Corporation**

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Geo. F. Hobday, Esq.
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**Counsel for Big Rivers Electric
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Counsel for Willamette Industries, Inc.

Michael C. Dotten, Esq.
Eric R. Todderud, Esq.
Heller, Ehrman, White & McAuliffe
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Portland, OR 97201

Counsel for Willamette Industries, Inc.

Frank N. King, Esq.
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

**Counsel for Kenergy Corp. and Meade
County R.E.C.C.**

DEFINITIONS

“Document” means the original and all copies (regardless of origin and whether or not including additional writing thereon or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium, including computerized memory or magnetic media.

“Study” means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion.

INSTRUCTIONS

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Big Rivers Electric Corporation. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.
7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.

**COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY**

In the Matter of:

**Big Rivers Electric Corporation's Purchase)
and Sales Tariffs for Cogenerators and Small)
Power Producers)**

Case No. 99-354

**BIG RIVERS ELECTRIC CORPORATION'S
INITIAL REQUEST FOR INFORMATION
TO WILLAMETTE INDUSTRIES, INC.**

Pursuant to the Kentucky Public Service Commission's Order of October 22, 1999, Big Rivers Electric Corporation ("Big Rivers") hereby submits the following Request for Information to Intervenor Willamette Industries, Inc. ("Willamette"):

1. Has Willamette conducted any probability studies to quantify the risk that a cogenerator of the size and operating characteristics proposed by Willamette will need back-up service? If so, what is the probability that back up service will be required at the time of Big Rivers' system peak? Please provide all documents or studies related to or supporting the response.

2. In Willamette's "Petition to Intervene," it states that "Willamette is considering installing a large environmentally-friendly, biomass-fueled cogeneration project at its Hawesville mill. The project would be economical if reasonable cogeneration standby rates, such as those Willamette pays at its other paper mills with cogeneration, were charged in Hawesville." Please respond to the following:

a. Please describe in more detail the operating characteristics of the "environmentally-friendly, biomass-fueled cogeneration project" Willamette states in its Petition to Intervene (¶4) that it intends to install.

b. What size unit is Willamette considering?

c. What does Willamette consider the reliability of the unit being considered to be? Please explain the response in detail.

d. What rates does Willamette consider to be reasonable for:

1. Supplemental power
2. Backup power
3. Maintenance power
4. Excess demand

Please provide all documents or studies from which Willamette has relied upon in determining the above rates.

e. Please furnish all rates that Willamette pays at its other paper mills with cogeneration for the type of services in d. above.

f. Please furnish a copy of all contracts and/or tariffs under which the rates in e. are based.

g. Please provide a list of all paper mills either owned, operated, or known by Willamette to have cogeneration in the United States.

3. Can Willamette determine the exact time of the need for back-up service with its proposed generator? Or, in the alternative, is Willamette willing to assume the risk of its manufacturing plant's loss of load during those times of forced outage of its proposed cogenerator?

4. Does Willamette contend that Big Rivers should reserve power for any of Willamette's "Excess Demand"? If so, why? Please explain the response in detail.
5. In its Petition to Intervene, Willamette states (§14.b) that Big Rivers should be willing to permit cogenerators to acquire marked-based power at market-based rates. Is Willamette proposing that the Commission order retail wheeling? Why or why not?
6. Would Willamette be willing to pay market rates for standby service at times when the market experiences a price spike?
7. Is Willamette willing to accept interruptible standby service?
8. Is Willamette aware of any customer or potential customer on the Big Rivers' system, other than Willamette, that is considering installing cogeneration? If so, please identify them and state the size of such cogenerator, if known.
9. Please identify all potential purchasers with whom Willamette has discussed purchasing the output of its cogeneration including the nature and details of those discussions, and state the price and terms at which such output would be purchased.

HELLER EHRMAN WHITE & McAULIFFE

ATTORNEYS
A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

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October 28, 1999

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1999
OCT 29 1999
PUBLIC SERVICE
COMMISSION

SEATTLE
PORTLAND
TACOMA
ANCHORAGE
SAN FRANCISCO
LOS ANGELES
PALO ALTO
WASHINGTON, D.C.
HONG KONG
SINGAPORE
12774-0022

Via Federal Express

Ms. Helen Helton
Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, KY 40602

**Re: *In the Matter of Big Rivers Electric Corporation's Purchase and Sales
Tariffs for Cogenerators and Small Power Producers, Case No. 99-354***

Dear Ms. Helton:

Enclosed for filing are the original and eleven copies of Willamette Industries, Inc.'s Supplemental Request for Information to Big Rivers Electric Corporation. Please file-stamp the extra copy and return it to me in the enclosed self-addressed stamped envelope.

Thank you for your assistance.

Yours very truly,



Eric R. Todderud

Enclosures

cc: All Parties (w/enclosure)

OCT 29 1999
PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of BIG RIVERS)
ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS) CASE NO. 99-354
FOR COGENERATORS AND SMALL)
POWER PRODUCERS)
(Rate Schedules 8 and 9))

**WILLAMETTE INDUSTRIES, INC.'S
SUPPLEMENTAL REQUEST FOR INFORMATION
TO BIG RIVERS ELECTRIC CORPORATION**

Pursuant to KRS § 278.310 and the Kentucky Public Service Commission's Order of September 28, 1999, Intervenor Willamette Industries, Inc. ("Willamette") hereby submits the following Supplemental Requests for Information to Big Rivers Electric Corporation ("BREC").

22. Please identify when BREC anticipates completion of its 1999 Power Requirements Study. Please furnish a copy of that study when it is completed.

23. Please provide all manuals, treatises, and/or regulatory decisions that were relied upon by BREC in the preparation of proposed Rates Schedule 9 and that are not privileged and/or immune from disclosure under the work product doctrine.

24. Please prepare a log of all documents that are responsive to a request for information but have been withheld on the basis of the attorney-client privilege, attorney work product or other privilege or immunity from disclosure. The log should identify each document by a general description of the document, the date it was prepared, its author, recipients of the document, and the basis for the privilege or immunity under which the document has been withheld.

25. Please identify the circumstances that necessitated the purchase of emergency power as reflected in the invoices at Item 16, pages 7 and 10.

26. Please provide a copy of BREC's Integrated Resource Plan identified in response to Request for Information Item 17.

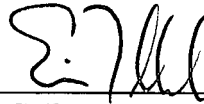
27. Please provide a copy of each transmission service agreement with a term greater than one year to which Big Rivers is a party.

28. Please provide Big Rivers' Total Transmission Capability (TTC), Firm Available Transmission Capability (Firm ATC), Non-Firm Available Transmission Capability (Non-Firm ATC), Capacity Benefit Margin (CBM) and Transmission Reliability Margin (TRM) for imports into the Big Rivers system from adjacent utilities on a monthly basis for the next five years to the extent these values are known. If not known, please provide Big Rivers' best estimate of these values.

29. Please provide Big Rivers' monthly coincident peak loads for 1998.

30. Please provide a brief narrative describing Big Rivers' method for determining the Capacity Benefit Margin (CBM) and Transmission Reliability Margin (TRM) components of its Available Transmission Capability calculations.

Dated this 28th day of October, 1999.



Michael C. Dotten
Eric Todderud
HELLER EHRMAN WHITE & McAULIFFE
200 SW Market St., Suite 1750
Portland, OR 97201
(503) 227-7400

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Attorneys for Willamette Industries, Inc.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of BIG RIVERS)
ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS) CASE NO. 99-354
FOR COGENERATORS AND SMALL)
POWER PRODUCERS)
(Rate Schedules 8 and 9))

CERTIFICATE OF SERVICE

I hereby certify that on this 28th day of October, 1999, I caused copies of the foregoing pleading to be served upon all other parties of this proceeding, by overnight courier, addressed as follows:


The Honorable James M. Miller
Sullivan, Mounjoy, Stainback & Miller PSC
100 St. Ann Building
Owensboro, KY 42302

David A. Spainhoward, VP
Contract Admin. & Reg. Affairs
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42419-0024

The Honorable Douglas L. Beresford
Geo. F. Hobday, Jr.
Long Aldridge & Norman, LLP
701 Pennsylvania Avenue, N.W., Suite 600
Washington, D.C. 20004

Honorable Frank N. King
Counsel for Kenergy & Meade RECC
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

DATED this 28th day of October, 1999.


Eric R. Todderud
Heller Ehrman White & McAuliffe
200 S.W. Market St., Suite 1750
Portland, Oregon 97201

Of Attorneys for Willamette Industries, Inc.



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

October 29, 1999

To: All parties of record

RE: Case No. 99-354

We enclose one attested copy of the Commission's Orders in
the above case.

Sincerely,

A handwritten signature in black ink that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
Enclosures

Honorable James M. Miller
Sullivan, Mountjoy, Stainback
& Miller PSC
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Vice President, Contract
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Honorable Frank N. King,
Counsel for Kenergy & Meade RECC
Dorsey, King, Gray & Norment
318 Second Street
Henderson, KY 42420

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS FOR) CASE NO. 99-354
COGENERATORS AND SMALL POWER)
PRODUCERS)

O R D E R

IT IS ORDERED that Big Rivers Electric Corporation ("Big Rivers") shall file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due no later than November 10, 1999. Each copy of the data 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 that it is legible. Where information requested herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to Item 3 of Big Rivers' response to the Commission's October 8, 1999 Order. The response references the definition of avoided costs pursuant to 807 KAR 5:051 and states that Big Rivers will determine avoided capacity costs in excess of those available under the Purchase Power Agreement ("PPA") "if and when it becomes

necessary to procure such additional supplies." Big Rivers' response to Item 4 of the Commission's October 15, 1999 Order in Case No. 99-360¹ indicates it has immediate concerns that new large loads will come on its system between now and 2003 that could consume the available "Excess Base Power" under the PPA prior to 2003.

a. At the very earliest, when does Big Rivers anticipate that a specific new large load might be added to its system that would consume a portion of the "Excess Base Power" available under the PPA?

b. Also in Item 4 of the response to the Commission's Order in Case No. 99-360, Big Rivers indicates that the requests for pricing proposals it has received from its member cooperatives indicate the requests are for load service to begin in mid to late 2000. If some of these loads materialize, would the period between now and mid 2000 be the time when it would become necessary for Big Rivers to "procure such additional supplies"?

2. Given the current situation regarding "Excess Base Power" under the PPA, and the circumstances that led Big Rivers to make the filing that has been docketed as Case No. 99-360, explain why Big Rivers chose to file its proposed Rate Schedules 8 and 9 for the purchase from, and sale of power to, cogenerators and small power producers in August 1999 rather than in the spring or summer of calendar year 2000.

3. Refer to the response to Item 6 of the Commission's October 8, 1999 Order. The response refers to Big Rivers' market exposure, both from purchases and

¹ Case No. 99-360, The Tariff filing of Big Rivers Electric Corporation to Revise the Large Industrial Customer Rate Schedule.

lost sales opportunities, and to severe financial consequences that it could incur as a result of Excess Demand as set out in Rate Schedule 8.

a. Provide detailed descriptions of the market exposure, from both purchases and lost sales opportunities, to which Big Rivers could be exposed in the event of an occurrence of Excess Demand.

b. Describe and provide examples of the severe financial consequences that an event of Excess Demand could cause Big Rivers to incur under the proposed tariff.

4. Given the following choices, how would Big Rivers characterize its proposed tariffs for cogenerators and small power producers? Provide a detailed narrative explanation in support of the selected characterization.

- a. Cogeneration "friendly."
- b. Cogeneration "neutral."
- c. Cogeneration "un-friendly."

Done at Frankfort, Kentucky, this 29th day of October, 1999.

By the Commission

ATTEST:


Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S)
PURCHASE AND SALES TARIFFS FOR) CASE NO. 99-354
COGENERATORS AND SMALL POWER)
PRODUCERS)

O R D E R

IT IS ORDERED that Willamette Industries, Inc. ("Willamette") shall file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due no later than November 10, 1999. Each copy of the data 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 that it is legible. Where information requested herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to Willamette's Petition to Intervene at Paragraphs 9, 10, 11, and 12. Those paragraphs refer to the requirements set out in the Public Utilities Regulatory Policy Act of 1978 ("PURPA"), the regulations of the Federal Energy Regulatory Commission ("FERC"), and the Commission's regulation governing cogeneration which

all indicate that rates for sales to qualifying facilities shall be just and reasonable, and shall not discriminate against the qualifying facility in comparison to the rates charged to other customers. Willamette contends that Big Rivers' proposed tariff for the provision of supplemental service and back-up service is discriminatory and departs from cost-based rate-making.

a. Provide a more detailed narrative description of how Big Rivers' proposed sales tariff departs from cost-based rate-making.

b. Provide a more detailed narrative description of how Big Rivers' proposed sales tariff is discriminatory to a qualifying facility in comparison to the rates charged to other customers.

2. In Paragraph 4 of its Petition to Intervene, Willamette makes reference to "reasonable cogeneration standby rates, such as those Willamette pays at its other paper mills with cogeneration." Provide the tariffs for the cogeneration standby rates that Willamette pays at its other mills with cogeneration.

3. Refer to Paragraph 14(b) of Willamette's Petition to Intervene. The paragraph indicates that Willamette believes Big Rivers should be willing to allow cogenerators access to acquire market-based power at market-based rates rather than charge "high fixed supplementary, maintenance, back-up, and excess demand charged to cogenerators on its system."

a. Do any other Willamette paper mills operate under a provision that allows its cogenerators access to market-based power at market-based rates? If yes, provide the tariffs and/or contracts under which those cogenerators are served by their utility.

b. If the response in part (a) is no, explain in detail how Willamette anticipates such a rate mechanism would be designed and implemented.

Done at Frankfort, Kentucky, this 29th day of October, 1999.

By the Commission

ATTEST:


Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

October 22, 1999

To: All parties of record

RE: Case No. 99-354

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

Stephanie Bell
Stephanie Bell
Secretary of the Commission

SB/sh
Enclosure

Honorable James M. Miller
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