

CASE

NUMBER:

99-450

Financing
LEVERAGED LEASE OF THREE GENERATING UNITS

IN THE MATTER OF THE BIG RIVERS ELECTRIC CORPORATION'S
APPLICATION FOR APPROVAL OF A LEVERAGED LEASE OF THREE
GENERATING UNITS

SEQ NBR	ENTRY DATE	REMARKS
0001	11/08/1999	Application.
M0002	11/09/1999	ALCAN ALUMINUM DAVID BROWN-PETITION FOR FULL INTERVENTION
0002	11/10/1999	Acknowledgement letter.
M0001	11/12/1999	MICHAEL KURTZ SOUTHWIRE CO-PETITION TO INTERVENE
0003	11/15/1999	Order entered; requests for info to Big Rivers due 11/16; responses due 11/18
M0003	11/15/1999	E BLACKFORD AG-MOTION TO INTERVENE
0004	11/16/1999	Order issuing data request; response due 11/18
M0005	11/16/1999	MIKE KURTZ KIUC-FIRST SET OF JOINT DATA REQ OF ALCAN ALUMINUM CORP
M0006	11/16/1999	E BLACKFORD AG-INITIAL REQ FOR INFORMATION BY THE AG
M0004	11/19/1999	JAMES MILLER BIG RIVERS-RESPONSE TO DATA REQ OF PSC, AG, ALCAN, SOUTHWIRE & PETITION FOR CONF
0005	11/22/1999	Order granting Attorney General intervention
0006	11/22/1999	Order granting Alcan Aluminum Corporation & Southwire Company intervention
0007	11/23/1999	No def. letter
M0007	11/23/1999	ALCAN ALUMINUM SOUTHWIRE-NOTICE OF POSITION & INTEREST
0008	11/24/1999	FINAL ORDER; DENIES MOTION FOR DISCLAIMER OF JURISDICTION OVER PROPOSED LEASE
0009	12/03/1999	Letter granting petition for conf. filed 11/19/99 on behalf of Big Rivers.
M0008	12/08/1999	JAMES MILLER BIG RIVERS-PROPOSED LEASE TRANSACTION WITH REQ OF THE INTERNAL REV CODE
M0009	12/22/1999	JAMES MILLER BIG RIVERS-RESPONSE TO PARAGRAPH 6 OF PSC ORDER OF NOV 24, 99 MINUTES OF MEETING
0010	01/20/2000	First Reminder to Michael H. Core C: Honorable James M. Miller
M0010	01/24/2000	JAMES MILLER BIG RIVERS-MOTION TO REOPEN DOCKET & PETITION FOR CONFIDENTIAL OF EXHIBIT E
0011	01/28/2000	Order authorizing Big Rivers to execute the proposed lease transaction
M0011	01/28/2000	JAMES MILLER BIG RIVERS-RESPONSE TO LETTER OF JAN 20, 00 FOR FIRST REMINDER LETTER
0012	02/03/2000	Letter granting pet. for conf. filed 1/24/2000 on behalf of Big Rivers.
M0012	02/08/2000	JAMES MILLER BIG RIVERS-RESPONSE TO ORDER OF JAN 28, 00
M0013	02/14/2000	JAMES MILLER BIG RIVERS-RESPONSE TO ORDER OF JAN 28, 00 MINUTES OF MEETING OF THE BOARD
M0014	04/28/2000	JAMES MILLER BIG RIVERS-RESPONSE TO ORDERS NOV 24, 99 JAN 28, 00
M0015	05/18/2000	JAMES MILLER BIG RIVERS-MOTION FOR ENLARGEMENT OF TIME
M0016	06/19/2000	JAMES MILLER BIG RIVERS-SUMMARY OF DEFEASED SALE/LEASEBACK TRANSACTION CLOSED ON APRIL 18, 0

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June 17, 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 19 2000
PUBLIC SERVICE
COMMISSION

OVERNIGHT COURIER

Re: *Big Rivers Electric Corporation's Application for Approval of a Leveraged Lease of Three Generating Units*, P.S.C. Case No. 99-450

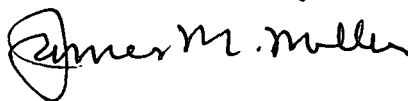
Dear Mr. Huelsmann:

Enclosed as a part of the compliance by Big Rivers Electric Corporation ("Big Rivers") with the orders of the Public Service Commission in this matter dated November 24, 1999, and January 28, 2000, are (i) an original and ten (10) copies of a summary of the defeased sale/leaseback transaction that closed on April 18, 2000, and (ii) two (2) copies of the defeased sale/leaseback transaction documents on CD-ROM in PDF format.

The disk contains a table of contents of the documents. The documents on the disk are word-searchable. Please call if you have any difficulty opening and using the disks.

Please let us know if we may provide any further information which may be of assistance to you. I certify that a copy of this document and attachments has been served this day by mail, postage prepaid, on each party of record.

Sincerely yours,



James M. Miller

cc: Michael Core
David Spainhoward

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**SERVICE LIST
CASE NO. 99-450**

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Big Rivers Electric Corporation

Executive Summary for Lease/Leaseback Transactions

I. Introduction. This Executive Summary is being prepared pursuant to the order dated November 24, 1999 issued by the Public Service Commission of the Commonwealth of Kentucky (the "Commission") in connection with Case No. 1999-450 (the "Order"). The Order requires that Big Rivers Electric Corporation ("Big Rivers"), among other things, prepare and deliver to the Commission an executive summary of the Lease and Leaseback Transaction approved by the Commission in the Order. Although Big Rivers has previously filed with the Commission a description of the Lease and Leaseback Transaction, as amended and supplemented in subsequent filings with the Commission, which description, as so amended and supplemented, remains accurate, we felt it would be more helpful to the Commission to fully describe the completed transaction herein. This Executive Summary describes the Transactions, provides a general description of the basic operative documents entered into in connection with the Transactions and summarizes the economics of the Transactions. Since the structure and documentation of each of the Transactions is virtually identical, this Summary generally will, for ease of reference, discuss the Transactions in terms of only one Transaction.

II. General Description of Lease and Leaseback Transaction. On April 18, 2000 (the "Closing Date"), Big Rivers consummated five virtually identical Lease and Leaseback Transactions (each, a "Transaction" and collectively, the "Transactions") of its ownership interest in (i) D. B. Wilson Unit No. 1 (the "Wilson Unit"); (ii) Plant Robert D. Green Unit 1 and Unit 2 (the "Green Units"); and (iii) the common facilities owned by Big Rivers which are located on the same site as the Green Units, and used in the operation of both Green Units (the "Common Facilities" and, collectively with the Wilson Unit, the Green Units and the Common Facilities, the "Facilities"). Three transactions involved the Green Units and Common Facilities and two transactions involved the Wilson Unit. In addition, in connection with each Transaction, Big Rivers entered into documentation providing for the lease and leaseback of the sites on which the Wilson Unit, the Green Units and the Common Facilities are located (the "Sites"). Although structured as a lease and leaseback of the Facilities, each Transaction is treated as a sale and leaseback for U.S. Federal income tax purposes. As further described herein, Big Rivers economically defeased all of its periodic rent obligations under each of the Transactions and partially secured its potential obligations in each Transaction in the unlikely event of an early termination of such Transaction through the purchase of a credit derivative (the "Lessor Swap") for the benefit of the Equity Investors (as defined below) and the Lenders (as defined below) in such Transaction. Big Rivers provided additional security for its payment in consequence of an early termination of each Transaction through the issuance of three promissory notes (the "Secured Notes"). One such Secured Note was issued to the Credit Enhancer (as defined below) and two such Secured Notes were issued to the Owner Trustee; one Secured Note for the debt portion of Termination Value (as defined below) and one Secured Note for the equity portion of Termination Value; however in no event is the amount to be paid by Big River under either or both Secured Notes issued to the Owner Trustee to exceed Termination Value. The Secured Notes are secured under an amended version of Big Rivers' existing first mortgage (the "Big Rivers Mortgage") with the United States, acting through the Administrator of the Rural Utilities Service ("RUS"), National Rural Utilities Cooperative Finance Corporation ("CFC") and Ambac Indemnity Corporation ("Ambac") and by the granting

by Big Rivers of a new subordinated mortgage on its assets that are subject to the Big Rivers Mortgage (the "Subordinated Mortgage"). Each Secured Note provides that the principal amount thereof is reduced to the extent of certain payments made or obligated to be made thereunder, as more specifically described in each Secured Note.

Big Rivers also has entered into the Subordinated Mortgage with the Owner Trustee, the Equity Investor, the Credit Enhancer and the Lenders to secure the performance of its obligations to pay indemnities to the above entities under the Transaction. As discussed above, the Subordinated Mortgage is subject and subordinate to the Big Rivers Mortgage, and is also subject and subordinate to the Head Lease, the Facilities Lease, the leases of the Site, the LG&E Transaction (as defined below) and Big Rivers' arrangements with the City of Henderson, Kentucky ("Henderson").

A. Leases.

The Transaction consists of (i) a long-term lease (a "Head Lease") of an undivided interest in the Facilities from Big Rivers to the trustee, a Connecticut business trust (the "Owner Trustee"), of a trust (the "Owner Trust") created for the benefit of another Connecticut business trust, which, in turn, was created for the benefit of the Equity Investor,¹ and (ii) a shorter-term lease (a "Facilities Lease") of that interest from the Owner Trustee back to Big Rivers. Separate Head Leases and Facilities Leases were used for the Green Units and the Common Facilities, on the one hand and for the Wilson Unit, on the other.

The Head Lease is considered a sale of the undivided interest in the Facilities for U.S. Federal income tax purposes because the term of the Head Lease extends well beyond the entire expected economic useful life of the Facilities. The Owner Trustee paid all the rent under the Head Lease on the Closing Date of the Transactions. The Owner Trustee financed this rent payment under the Head Lease with a combination of equity contributed by the Equity Investor and the proceeds of non-recourse loans to the Owner Trustee. The non-recourse loans are secured by the Owner Trustee's interest in the Wilson and Green Units under the Head Lease, the Facilities Lease, the Ground Lease, the Ground Sublease and certain other major operative documents entered into in connection with the Transaction.

The Owner Trustee leased the undivided interest in the Facilities back to Big Rivers under the Facilities Lease for a term which extends beyond the expiration of the transactions between Big Rivers and affiliates of LG&E Energy Corp. entered into in July 1998 (the "LG&E Transaction"). The term of the Facilities Lease of the Wilson Unit is approximately 27 years and that of the Green Units is approximately 25 years. The Facilities Lease is a conventional "net" lease under which Big Rivers incurs, *vis-à-vis* the Owner Trustee, the Lenders and the other parties to the Transaction, the obligation to maintain and insure the Facilities and incurs the risk of loss with respect to the Facilities. These obligations are generally consistent with the obligations of Western Kentucky Energy Corporation ("WKEC") to Big Rivers under the LG&E Transaction.

¹ The use of the two Connecticut business trusts provides structural support for the Lenders and the Credit Enhancer should a bankruptcy of the Equity Investor ever occur.

Since the Facilities Lease is subject to the LG&E Transaction, WKEC will continue to operate the Facilities as long as the LG&E Transaction is in effect. The documents for the Transaction provide that at the end of the term or earlier termination of the LG&E Transaction, Big Rivers is responsible for the operation and maintenance of the Facilities through the end of the term of the Facilities Lease. Big Rivers is, however, subject to the sublessee meeting certain criteria, permitted to sublease the Facilities to another entity. At the end of the term of the Facilities Lease, so long as certain defaults have not occurred, Big Rivers may at its option either (i) purchase the remaining leasehold interest of the Owner Trust in the Facilities under the Head Lease for a fixed purchase price plus unpaid rent² or (ii) operate the Facilities on behalf of the Owner Trust and locate a third party unrelated to Big Rivers or its members to purchase power generated from the Facilities under a power purchase agreement, the essential terms of which, including capacity charges, are set forth in the Facilities Lease. If Big Rivers elects the power purchase agreement option set forth in clause (ii) above, the Equity Investor may reject the proposed third party power purchaser and elect to retain possession of the Facilities until the end of the term of the Head Lease. The fixed purchase option price (the "Purchase Option Price") for the Facilities under the Facilities Lease described in clause (i) above, has been economically defeased as described below. If Big Rivers does not elect the fixed price purchase option, the instruments purchased to economically defease the Purchase Option Price will be payable to Big Rivers.

As long as no default exists under the Facilities Lease, Big Rivers has the option to purchase the Equity Investor's interest in the Owner Trust if (i) the Transaction becomes illegal with respect to Big Rivers and cannot be restructured in a manner acceptable to all parties to the Transaction, or (ii) burdensome indemnities become due by Big Rivers. In each case, Big Rivers will pay the Owner Trustee a purchase price for the Owner Trustee interest under the Head Lease equal to a specified amount (the "Termination Value"). The instruments described under "Economic Defeasance" below would be available to pay a substantial portion of Termination Value.

In addition to its interest in the Facilities, the Owner Trustee also leased from Big Rivers an undivided interest in the Sites for a term identical to that of the Head Lease pursuant to the Ground Lease (the "Ground Lease") and subleased its undivided interest in the Sites back to Big Rivers for a term coterminous with the Facilities Lease pursuant to a Ground Sublease (the "Ground Sublease"). For so long as the Ground Sublease is in effect, the rent under the Ground Lease and the Ground Sublease will be identical in timing and amount (and will be offset one against the other).

B. Economic Defeasance

Big Rivers has economically, but not legally, defeased its periodic rent obligations under the Facilities Lease by causing a portion of the rent payment received under the Head Lease on the Closing Date to be used to purchase (i) the Payment Agreement, (ii) the Funding Agreement, and (iii) the Government Securities. The Payment Agreement was entered into between AME

² Pursuant to the Nondisturbance Agreement discussed in Section IV below, WKEC has the right to direct Big Rivers to exercise such purchase option.

Asset Funding, LLC, an affiliate of the Series A Lender (the "Payment Undertaker") and Big Rivers Leasing Corporation, a wholly-owned subsidiary of Big Rivers (the "Big Rivers Subsidiary") wherein the Big Rivers Subsidiary paid to the Payment Undertaker an amount equal to the principal amount of the Series A Loan Certificate on the Closing Date, and the Payment Undertaker agreed to pay to the Big Rivers Subsidiary or its assignee amounts equal in timing and amount to that portion of the Basic Rent, Termination Value and any portion of the Purchase Option Price corresponding to the Owner Trustee's obligations under the Series A Loan Certificate. A default by the Payment Undertaker under the Payment Undertaking Agreement does not, however, relieve Big Rivers of its obligation to pay Basic Rent, Termination Value or the Purchase Option Price under the Facilities Lease. The obligations of the Payment Undertaker are guaranteed by Ambac pursuant to a financial guarantee insurance policy. The Big Rivers Subsidiary assigned the Payment Agreement to the Owner Trustee to secure Big Rivers' obligations under the Facilities Lease and the Owner Trustee, in turn, assigned its interest in the Payment Agreement to the Series A Lender to secure repayment of the Series A Loan Certificate. The Big Rivers Subsidiary also assigned a security interest in the Payment Agreement to (i) to the Credit Enhancer to secure Big Rivers obligations under the Big Rivers Swap and (ii) the mortgagees under the Big Rivers Mortgage.

Pursuant to the Funding Agreement (the "Funding Agreement"), the Big Rivers Subsidiary placed a deposit (the "Equity Security Deposit") with AIG Matched Funding Corp. (the "Equity Funding Agreement Issuer") which is sufficient to pay the equity portion of the Basic Rent and the portion of the Purchase Option Price under the Facilities Lease not otherwise required to pay the outstanding balance of the Loan Certificates the at the end of the term of the Facilities Lease. The obligations of the Equity Funding Agreement Issuer are guaranteed by American International Group under a corporate guarantee and by Ambac under a financial guaranty insurance policy. The Big Rivers Subsidiary pledged the Equity Security Deposit and the supporting guarantees, in order of priority, to (i) the Credit Enhancer to secure the Big Rivers Swap, and (ii) the mortgagees of the Big Rivers Mortgage.

The Series B Loan Certificate was economically defeased through the purchase by the Big Rivers Subsidiary of certain government securities (the "Government Securities") in an amount sufficient to pay interest from time to time equal in timing and amount to that portion of Basic Rent in respect of the Series B Loan Certificate and Termination Value and Purchase Option Price corresponding to the Owner Trustee's obligations in respect to the Series B Loan Certificate, if any. The Government Securities were pledged by the Big Rivers Subsidiary to the Credit Enhancer to secure Big Rivers' obligations under the Big Rivers Swap. Subordinated security interests were created in favor of the Owner Trustee and the mortgagees under the Big Rivers Mortgage.

The acquisition of the Payment Agreement, the Funding Agreement and the Government Securities were made by the Big Rivers Subsidiary in order to limit the impact on the Transaction of certain state and local taxes. Funds for the acquisition of the Payment Agreement, the Funding Agreement and the Government Securities were provided to the Big Rivers Subsidiary by Big Rivers as a capital contribution. Big Rivers used a portion of the prepayment of rent received under the Head Lease to make such capital contributions.

Through the use of the Lessor Swap, Ambac Credit Products, LLC, a subsidiary of Ambac (the "Credit Enhancer"), the obligations of which are unconditionally guaranteed by Ambac pursuant to a surety bond, is providing credit support for Big Rivers' obligation to pay Termination Value if the Facilities Lease is terminated prior to its stated term. Pursuant to the Lessor Swap, following an event of default under the Facilities Lease, the Equity Investor would be entitled to put in its beneficial interest in the Owner Trust (which owns the undivided interest in the Facilities) under the Head Lease (free of debt) to the Credit Enhancer for the full amount of Termination Value. The Credit Enhancer has hedged its exposure to the Lessor Swap by entering into a separate swap with Big Rivers (the "Big Rivers Swap"). This obligation of Big Rivers to pay Termination Value under the Big Rivers Swap is secured by the Payment Agreement, the Funding Agreement and the Government Securities. As a result, if the Facilities Lease is terminated prior to its stated term and the Equity Investor exercises its right to settle the Lessor Swap, Big Rivers will be required to pay the Credit Enhancer the difference between the Termination Value and the amount paid under the Payment Agreement, the Funding Agreement and the Government Securities at such time. Big River's obligations under the Big Rivers Swap is guaranteed by Ambac pursuant to a financial guarantee insurance policy. The Big Rivers Swap also has an alternative cash settlement procedure whereby the Credit Enhancer may seek to assert its claim for up to Termination Value upon the happening of certain event of defaults under the Facilities Lease.

C. Term Out Provisions.

If Termination Value becomes payable under the Facilities Lease, Big Rivers may elect to pay the amounts of Termination Value (or the amounts determined by reference to Termination Value) equal to the difference between the equity portion of Termination Value and the amount payable under the Funding Agreement in installments if (a) no voluntary or involuntary bankruptcy of Big Rivers has occurred and is continuing, (b) no mortgagee under the Big Rivers Mortgage has either declared principal or interest to be immediately due and payable or is exercising dispossessing remedies thereunder and (c) in circumstances where the Equity Investor has exercised the settlement under the Lessor Swap, the Credit Enhancer's obligation to pay all amounts owing to the Equity Investor pursuant to the Lessor Swap has not been accelerated. The installment period is for a period of four years if the termination of the Facilities Lease occurs prior to the end of 2006, and for a period of three years if the initiation of the term out occurs after December 31, 2006. If the Credit Enhancer shall seek to settle the Big Rivers Swap with Big Rivers following an event of default under the Facilities Lease and exercise of the settlement of the Lessor Swap, Big Rivers shall be entitled to pay such obligation on an installment basis identical to that set forth above for the Facilities Lease.

If the Equity Investor exercises its right to settle the Lessor Swap, the Credit Enhancer's obligation to pay Termination Value thereunder will be payable in accordance with the term out schedule set forth therein. In certain circumstances, Big Rivers installment obligation described in the preceding paragraph could be accelerated.

D. Interaction with LG&E Transaction

The Transaction has not affected the operation and maintenance of the Facilities by WKEC pursuant to the LG&E Transaction. The interest of the Owner Trustee in the Facilities

under the Head Lease is expressly subject to the interests of WKEC and other LG&E Energy Corp. subsidiaries during the term of the LG&E Transaction. In addition, the Lessor, the Equity Investor, the Lenders and the Credit Enhancer have entered into a revised Intercreditor, Subordination and Attornment Agreement with Big Rivers, WKEC, and LG&E Energy Marketing, under which the such parties have agreed to attorn to the LG&E entities during the term of the LG&E Transaction on the terms and conditions of the transaction documents in the LG&E Transaction in circumstances where the Facilities Lease terminates prior to its expiration date (e.g., in consequence of a default by Big Rivers under the Facilities Lease). As a result, WKEC will continue to have a right to operate and maintain the Facilities during the term of the LG&E Transaction in accordance with the transaction documents for the LG&E Transaction even if a default has occurred under the Transaction.

Big Rivers has partially assigned to the Owner Trustee the power purchase agreement between Big Rivers and LG&E Energy Marketing Inc. and the right to receive a portion of the rent paid by WKEC under the lease of the Facilities in the LG&E Transaction. The Owner Trustee reassigned such interests back to Big Rivers in the Transaction for the term of the Facilities Lease and the Owner Trustee has no rights or obligations under such assignment unless the Facilities Leases have terminated in consequence (a) Big Rivers' election to terminate the Transaction if the Facilities become obsolete or surplus and the Owner Trustees election to retain the Facilities or (b) a default by Big Rivers under the Transaction.

The Transaction does not affect the obligations of the LG&E entities to supply power to Big Rivers' members for resale to their customers in accordance with the LG&E Transaction.

III. Major Operative Documents

The following summaries describe the other operative documents entered into in connection with the Transaction not previously discussed above. For ease of reference, the following summaries describe the agreements entered into only in terms of one of the Transactions. A chart of the parties to the Transactions as well as the operative documents is attached as Exhibit A hereto.

A. Participation Agreement

Big Rivers entered into a Participation Agreement with (i) State Street Bank and Trust Company of Connecticut, N.A., as Owner Trustee of a trust estate created specifically for the benefit of the Equity Investor; (ii) State Street Bank and Trust Company of Connecticut, N.A., as OP Trustee of the trust estate of the Owner Trustee; (iii) State Street Bank and Trust Company of Connecticut, N.A., in its individual capacity; (iv) either Bluegrass Leasing (an affiliate of Philip Morris Capital Corporation) or Fleet Real Estate, Inc. (an affiliate of Fleet Capital Corporation) depending on the Transaction (the "Equity Investor"); (v) AME Investments, LLC, as Series A Lender (the "Series A Lender"); and (vi) CoBank, ACB, as Series B Lender (the "Series B Lender" and collectively with the Series A Lender, the "Lenders"). The Participation Agreement sets forth the representations of each party to the Transaction, each party's closing conditions to its participation in the Transaction, the parties' agreement with respect to the payment of transaction costs, certain covenants of each party including indemnifications and other general matters relating to the Transaction.

B. Lessee Assignments

Because the Head Lease is subject to the LG&E Transaction (and, in the case of the Head Lease with respect to the Green Units and the Common Facilities, the arrangements with Henderson), Big Rivers has assigned some of its rights and obligations relating to the LG&E Transaction (and, in the case of the Head Lease with respect to the Green Units and the Common Facilities, some of its rights and obligations relating to the arrangements with Henderson) to the Owner Trustee for a term coterminous with the term of the Head Lease. All rights of the Owner Trustee pursuant to these assignments have been reassigned back to Big Rivers as described below. Pursuant to a partial assignment (the "Lessee Assignment"), Big Rivers has partially assigned to the Owner Trustee certain rights and obligation of Big Rivers in (i) the Power Purchase Agreement between Big Rivers and LG&E Energy Marketing, Inc. (the "Power Purchase Agreement"), (ii) the right to receive a portion of the rent paid under the Lease and Operating Agreement between Big Rivers and WKEC (the "WKEC Lease"), and (iii) certain other rights. The Lessee Assignment entitles the Owner Trustee to a pro rata share of the energy delivered under the Power Purchase Agreement. The partial assignment of the WKEC Lease entitles the Owner Trustee to receive a pro rata share of the rent paid by WKEC to Big Rivers.

C. Lessee Reassignment

Pursuant to another assignment (the "Lessee Reassignment"), the Owner Trustee has reassigned all rights it received from Big Rivers in the Lessee Assignment back to Big Rivers. The LG&E Reassignment is for a term coterminous with the Facilities Lease.

D. Leasehold Mortgage and Security Agreement

The Owner Trustee borrowed funds on the Closing Date on a non-recourse basis from the Lenders under two loan certificates (the "Series A Loan Certificate" and the "Series B Loan Certificate," and, collectively, the "Loan Certificates") pursuant to a leasehold mortgage and security agreement (the "Leasehold Mortgage"). The Owner Trustee used these funds to finance a portion of the rent prepaid by the Owner Trustee to Big Rivers pursuant to the Head Lease on the Closing Date. Ninety percent of the principal amount of the loans made by the Lender to the Owner Trustee were represented by the Series A Loan Certificate. Ten percent of the principal amount of the loans made by the Lender to the Owner Trustee were represented by the Series B Loan Certificates. The Loan Certificates have identical commercial terms, final maturities and amortization schedules. Both Loan Certificates bear interest at a fixed rate.

E. Partial Release

RUS, Ambac, CFC, the LG&E entities, the Owner Trustee and the Credit Enhancer entered into a Partial Release on the Closing Date. Pursuant to the Partial Release, these mortgagees under the Big Rivers Mortgage and the LG&E entities released their respective security interests to permit a portion of the proceeds of the rent prepaid by the Owner Trustee under the Head Lease on the Closing Date to be used to purchase the Payment Agreement, the Government Securities and the Funding Agreement independent of the security interests of such secured parties.

F. Amended and Restated Subordination, Nondisturbance, Attornment and Intercreditor Agreement

Big Rivers, RUS, CFC, Ambac, the LG&E entities, the Owner Trustee, the OP Trustee, the Lenders and the Credit Enhancer amended and restated the Subordination, Nondisturbance, Attornment and Intercreditor Agreement ("Nondisturbance Agreement") entered into in connection with the LG&E Transaction. The Nondisturbance Agreement requires the Credit Enhancer to satisfy its claims against Big Rivers from the Funding Agreement, the Payment Agreement and Government Securities prior to seeking to recover any amount due and payable under its Secured Notes from the exercise of remedies under the Big Rivers Mortgage.

G. Rights Sharing Agreement

So long as the Lenders hold their Loan Certificates, a rights sharing agreement (the "Rights Sharing Agreement") provides that the Lenders have the right to cause the Equity Investor to settle the Lessor Swap at any time the Lenders are entitled, pursuant to the Leasehold Mortgage, to exercise dispossessory remedies in connection with an event of default under the Leasehold Mortgage.

H. Stock Pledge Agreement

Big Rivers pledged its interest in the Big Rivers Subsidiary under the Stock Pledge Agreement to the Owner Trustee acting as collateral agent on behalf of the secured parties named therein. On the Closing Date, Big Rivers delivered the pledged stock certificates along with stock powers executed in blank to the collateral agent.

I. Tax Indemnity Agreement

Big Rivers is obligated, on an after-tax basis, to indemnify the Lenders, the Payment Undertaker, the Credit Enhancer, Ambac, the Owner Trustee, the Equity Investor and each of their affiliates (each, an "Indemnitee") against certain taxes and other charges imposed upon any Indemnitee, the Facilities, the Sites, or the Loan Certificates, or upon any operative document or interest therein relating to, among other things, (i) the construction, operation or financing of the Facilities, (ii) the conduct or affairs of Big Rivers, (iii) the manufacture or design of the Facilities, (iv) the execution or delivery of the operative documents relating to the Transaction. (v) the payment of Rent, (vi) the issuance of the Loan Certificates, or (vii) otherwise in connection with the Transaction.

J. Operating and Support Agreement

The Operating and Support Agreement appoints Big Rivers as operating agent for the Owner Trustee for the purposes of operation of the Facilities following the end of the term or earlier termination of the Facilities Lease for the generation of electric energy in circumstances where, at the end of the term of the Facilities Lease, Big Rivers elects the Service Contract Option. The Operating and Support Agreement also provides the Owner Trustee coal, water, limestone and transmission services relating to the Facilities during the term of the Head Lease.

K. Service Contract

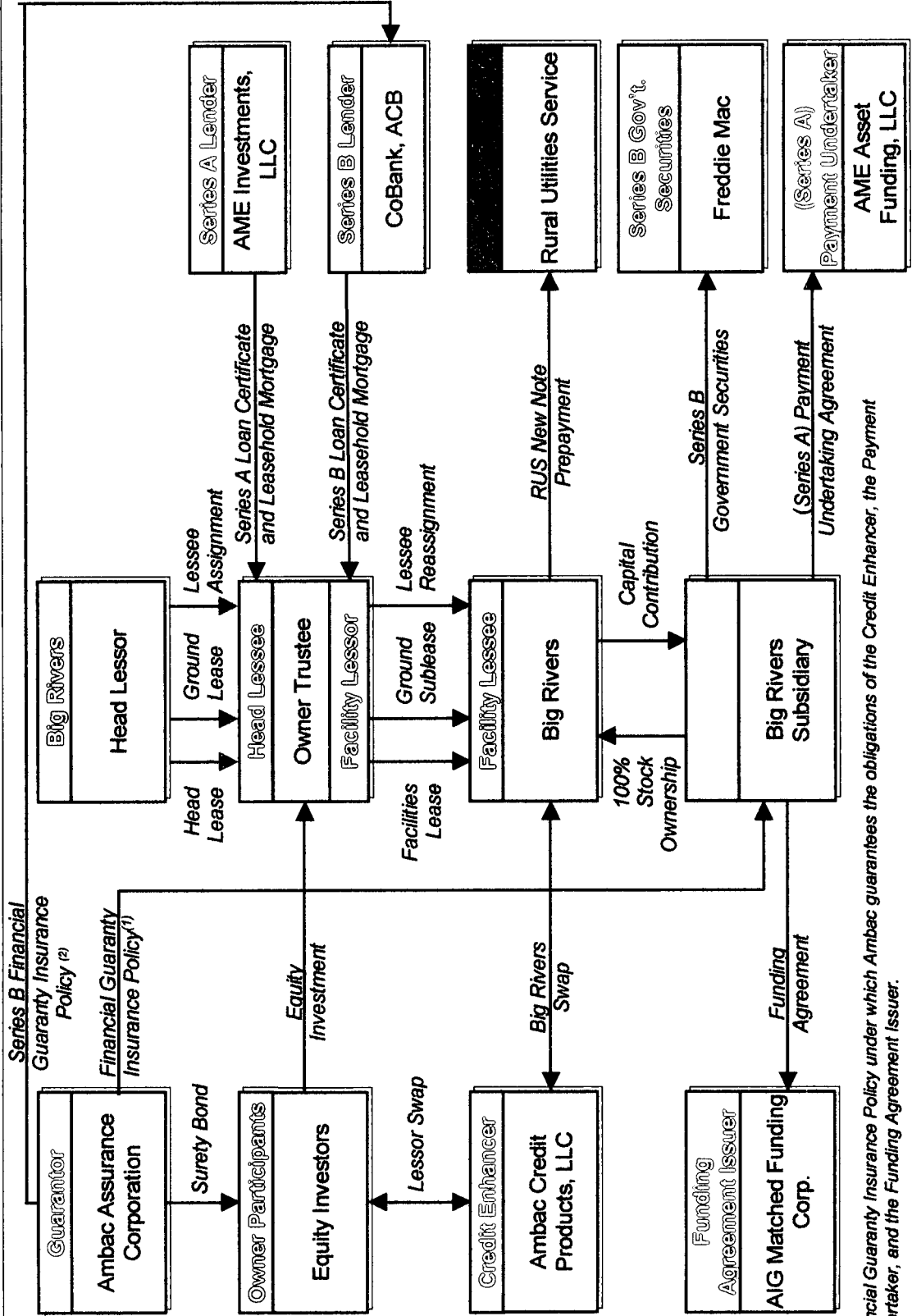
On the Closing Date, a form of a Service Contract was agreed upon by Big Rivers and the Equity Investor. The Service Contract would be entered into by the Owner Trustee and a power purchaser (other than Big Rivers or an affiliate of Big Rivers and acceptable to the Equity Investor meeting agreed standards) if Big Rivers elects the Service Contract Option at the end of the term of the Facilities Lease or if the Facilities Lease is terminated prior to its stated term. The Service Contract requires the power purchaser to purchase power generated from the Facilities for predetermined capacity payments. If Big Rivers elects the Purchase Option at the end of the term of the Facilities Lease, the Service Contract will never be entered into.

IV. Summary of Transaction Economics

A chart of the Closing Date Cash Flows is attached hereto as Exhibit B. The aggregate Head Lease Rent paid to Big Rivers was \$865 million. Big Rivers realized a net cash benefit from the Transactions equal to approximately \$64 million. This represents the difference between (i) the sum of the aggregate Head Lease Rent and the Big Rivers Swap Fee paid to Big Rivers, and (ii) the sum of the cost to purchase the Payment Agreement, the Funding Agreement and the Government Securities. On the Closing Date, Big Rivers made a payment on the new RUS Note issued under the Big Rivers Mortgage in an amount equal to \$70 million which was funded by approximately \$64 million of the net cash benefit and by internally generated funds of approximately \$6 million.

Exhibit A

Transaction Parties and Major Agreements

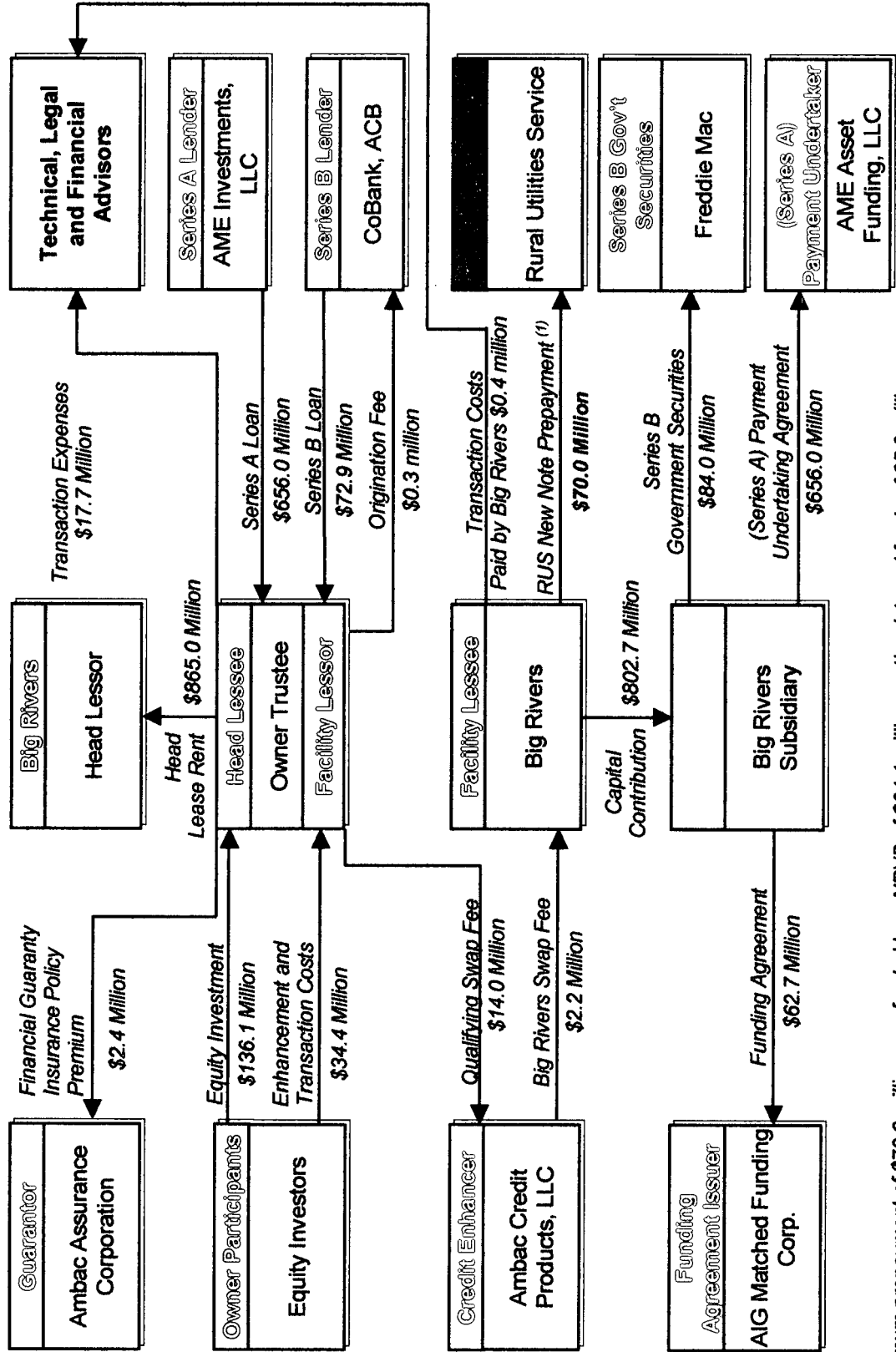


(1) Financial Guaranty Insurance Policy under which Ambac guarantees the obligations of the Credit Enhancer, the Payment Undertaker, and the Funding Agreement Issuer.

(2) Ambac guaranteed principal and interest on Series B Loan in certain limited circumstances.

Exhibit B

Closing Date Cash Flows and Transaction Expenses



(1) Minimum prepayment of \$70.0 million was funded by a NPVB of \$64.1 million + other internal funds of \$5.9 million

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

May 17, 2000

RECEIVED
MAY 18 2000
PUBLIC SERVICE
COMMISSION

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

Re: Big Rivers Electric Corporation, PSC Case No. 99-450

Dear Mr. Huelsmann:

Enclosed are an original and ten copies of a Motion for Enlargement of Time to Comply with Order of Big Rivers Electric Corporation. Copies of this letter and attachments have been served upon all parties of record.

Sincerely yours,


James M. Miller

JMM/ej
Enclosures

cc: Parties of Record

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 OF KENTUCKY

RECEIVED
MAY 18 2000
PUBLIC SERVICE
COMMISSION

In the Matter of:)
)
Big Rivers Electric Corporation's) CASE NO. 99-450
Application for Approval of a Leveraged)
Lease of Three Generating Units)

**MOTION FOR ENLARGEMENT OF TIME
TO COMPLY WITH ORDER**

Big Rivers Electric Corporation ("Big Rivers") moves the Public Service Commission ("Commission") for an enlargement of time of thirty (30) days in which to comply with certain requirements of the Commission's order in this matter dated November 24, 1999. In support of its motion, Big Rivers states:

1. By order in this matter dated November 24, 1999, the Commission approved Big Rivers entering into a sale/leaseback transaction. In ordering paragraph 7 of the November 24, 1999, order, the Commission directed as follows:

Big Rivers shall, within thirty days of the completion of the sale and leaseback transaction, file two copies of all transaction documentation with the Commission. In addition, Big Rivers shall include an executive summary of the terms and conditions of the finalized transaction. The summary shall note and explain any terms and conditions that are different from those described in the application.

2. The sale/leaseback transaction closed on April 18, 2000, making the response to the Commission's directive due May 18, 2000. Big Rivers seeks an enlargement of time until June 18, 2000, to file its compliance.

3. The complete set of documents from the sale/leaseback transaction is voluminous. A stack of one set of the documents must be measured in feet rather than inches. Each paper

copy of the documents will cost hundreds of dollars to reproduce. Big Rivers is placing the documents on CD-ROM using PDF formatting and TIF imaging. That process should begin this week. Big Rivers would propose to comply with the requirement that it file two copies of the transaction documents by filing two copies of the disks containing the documents. That should save money for Big Rivers and storage space for the Commission and for the parties on whom a copy will be served. A paper copy of any document can be printed from the disk.

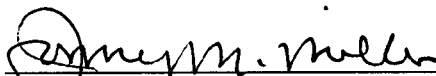
4. Big Rivers' lease counsel is preparing, but has not yet completed, the executive summary of the terms and conditions of the finalized transaction. Big Rivers requests up to an additional thirty (30) days in which to complete this task, which is being performed concurrently with other tasks related to post-closing functions performed by lease counsel.

5. Big Rivers submits that the requested delay will not prejudice any party or interfere with the orderly processes of the Commission and its staff. As a practical matter, the enlargement of time will enable Big Rivers to respond more completely and usefully than if performance were required on the original schedule.

WHEREFORE, Big Rivers requests that the filing date for compliance with ordering paragraph 7 of the Commission's order of November 24, 1999, be enlarged for an additional thirty (30) days, to June 18, 2000, and for all other relief to which it may appear entitled.

This the 17th day of May, 2000.

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



James M. Miller
100 St. Ann Building, P. O. Box 727
Owensboro, Kentucky 42302-0727
(270) 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

Counsel for Big Rivers Electric Corporation

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing Motion for Enlargement of Time upon the following by facsimile transmission, on this the 17th day of May, 2000.

David C. Brown, Esq.
Stites & Harbison
1800 Aegon Center
400 West Market Street
Louisville, KY 40202-3352

Counsel for Alcan Aluminum Company


Allison Wade, Esq.
Holland & Knight
1201 West Peachtree Street NE
Suite 2000
Atlanta, Georgia 30309-3400

Counsel for Southwire Company

Michael L. Kurtz, Esq.
Boehm, Kurtz & Lowry
2110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

**Co-Counsel for Southwire Company
and Alcan Aluminum Corporation**

Elizabeth E. Blackford, Esq.
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY 40601


James M. Miller

April 27, 2000

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

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

RECEIVED

APR 28 2000

PUBLIC SERVICE
COMMISSION

Re: Big Rivers Electric Corporation, PSC Case No. 99-450

Dear Mr. Huelsmann:

Enclosed in compliance with the orders of the Commission in this matter dated November 24, 1999, and January 28, 2000 ("Orders") are the following:

1. Excerpts from minutes dated January 25, 2000, of the board of directors of Jackson Purchase Energy Corporation reaffirming authority for Big Rivers to consummate the leveraged lease transaction.
2. Assurances Agreement dated December 28, 1999, by and among Big Rivers Electric Corporation, Alcan Aluminum Corporation and Southwire Company.
3. Supplemental assurance letter dated February 1, 2000, from Michael H. Core to John Henderson and Alan Eyre.
4. Assurances Agreement dated February 17, 2000, by and between Big Rivers Electric Corporation and Kenergy Corp.
5. The approval of the LG&E parties to the lease transaction is evidenced by the Letter Agreement dated April 18, 2000, which is being filed in PSC Case No. 2000-118. The RUS approval of the transaction is evidenced by its execution of the transaction documents, which will be filed, along with the other information required by ordering paragraph 7 of the November 24, 1999, order, within thirty days after the closing date of April 18, 2000. The information required by ordering paragraph 8 of the November 24, 1999, order will be filed when and as directed by the order.

This letter, and the attachments hereto, brings Big Rivers in compliance with the requirements of the Orders through this date. Copies of this letter and attachments have been served upon the parties shown on the attached service list.

Sincerely yours,

James M. Miller
James M. Miller *by Mark Willis*

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

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

JMM/ej
Enclosures

**SERVICE LIST
CASE NO. 99-450**

David C. Brown, Esq.
Stites & Harbison
1800 Aegon Center
400 West Market Street
Louisville, KY 40202-3352

Counsel for Alcan Aluminum Company

Allison Wade, Esq.
Holland & Knight
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Atlanta, Georgia 30309-3400

Counsel for Southwire Company

Michael L. Kurtz, Esq.
Boehm, Kurtz & Lowry
2110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

**Co-Counsel for Southwire Company
and Alcan Aluminum Corporation**

Elizabeth E. Blackford, Esq.
Assistant Attorney General
1024 Capital Center Drive
Frankfort, KY 40601

**RESOLUTION REAFFIRMING AUTHORITY
FOR BIG RIVERS TO CONSUMMATE LEVERAGED LEASE**

WHEREAS, Jackson Purchase Energy Corporation (Jackson Purchase) adopted a resolution on November 23, 1999, authorizing the board of directors of Big Rivers Electric Corporation ("Big Rivers") to lease certain facilities under a leveraged lease (the "Lease Transaction"), and

WHEREAS, Big Rivers obtained approval from the Kentucky Public Service Commission ("KPSC") to enter into the Lease Transaction by order entered in Case No. 99-450 on November 24, 1999, and

WHEREAS, because of certain requirements of Rural Utilities Service, Big Rivers is required to file another case with KPSC for approval of the Lease Transaction and Jackson Purchase Energy Corporation desires to reaffirm its authorization to the board of directors of Big Rivers to lease pursuant to the Lease Transaction;

NOW, therefore, BE IT RESOLVED that Jackson Purchase Energy Corporation hereby affirms its authority to the board of directors of Big Rivers to lease pursuant to the Lease Transaction the ownership interest of Big Rivers in (i) D.B. Wilson Unit No. 1, (ii) Robert D. Green Unit 1 and Unit 2; and (iii) the common facilities owned by Big Rivers which are located on the same site as the Green Units, and used in the operation of both Green Units.

CERTIFICATE OF SECRETARY

I, WAYNE ELLIOTT, certify that I am Secretary of the JACKSON PURCHASE ENERGY CORPORATION Board of Directors and that the above and foregoing is a true excerpt from the minutes of a meeting of the Board of Directors on the 25th of JANUARY, 2000, at which a quorum was present and that the above portion of the minutes have not been modified nor rescinded.

Wayne Elliott

Signature

2-29-00

Date

ASSURANCES AGREEMENT

(Big Rivers Electric Corporation)

THIS AGREEMENT is entered into this 25th day of December, 1999, by and among **BIG RIVERS ELECTRIC CORPORATION**, a Kentucky rural electric cooperative ("Big Rivers"), **ALCAN ALUMINUM CORPORATION**, doing business in Henderson County, Kentucky ("Alcan") and **SOUTHWIRE COMPANY**, doing business in Hancock County, Kentucky ("Southwire").

Premises:

A. By Order entered June 1, 1998, the United States Bankruptcy Court for the Western District of Kentucky in Case No. 96-41168 approved the First Amended Plan of Reorganization of Big Rivers ("Plan of Reorganization"). Under the Plan of Reorganization, Big Rivers, among other things, (i) leased its generating units to and agreed to purchase annually certain amounts of power from affiliates of LG&E Energy Corp. (collectively, "LG&E") for a term of approximately twenty-five (25) years (the "LG&E Transaction") and (ii) terminated its rights and obligations to supply power to meet the load requirements of either Alcan or Southwire.

B. By Orders entered in KPSC Case Nos. 97-204, 98-267, 97-220 and 97-219, the Kentucky Public Service Commission (the "Commission") approved final documentation (the "Implementing Documents") by and among Big Rivers, LG&E, Alcan, Southwire, Henderson Union Electric Cooperative Corp. ("Henderson Union"), Green River Electric Corporation ("Green River") and others under which the structure, rates, charges, terms and conditions for the supply of power to Alcan and Southwire, as established in the Plan of Reorganization, were implemented such that, among other things, the wholesale supply obligations of Big Rivers to Alcan and Southwire were irrevocably terminated and the electric power services to Alcan and Southwire commenced to be provided by LG&E (through Henderson Union and Green River, respectively) under electric service agreements extending through December 31, 2011 and 2010, respectively. The structure, rates, charges, terms and conditions for the supply of power to Alcan and Southwire established by the Plan of Reorganization and the Implementing Documents are hereafter referred to as the "Smelter Rights."

C. On or about July 1, 1999, Henderson Union and Green River consolidated into Kenergy Corp. ("Kenergy").

D. On or about November 8, 1999, Big Rivers filed an application with the Commission (KPSC Case No. 99-450) for approval of a proposed transaction under which Big Rivers intends to lease and lease back (subject to the LG&E Transaction) certain of its generating facilities under financial terms that are expected to permit Big Rivers to prepay a portion of its long-term debt and to improve its financial condition (the "Sale-Leaseback Transaction"). Alcan and Southwire intervened in KPSC Case No. 99-450. The application requested the Commission and intervenors to expedite the proceeding so that a final order could

be entered by the Commission on or before November 24, 1999 to enable Big Rivers to close the Sale-Leaseback Transaction by December 31, 1999.

E. By letter Agreement dated November 22, 1999 attached hereto as Exhibit A (the "Letter Agreement") Alcan and Southwire agreed not to participate in Case No. 99-450 in exchange for the opportunity to seek certain assurances from Big Rivers, Kenergy and others that the Sale-Leaseback Transaction would not disturb the Smelter Rights. By Order dated November 24, 1999, the Commission approved the Sale-Leaseback Transaction. Alcan and Southwire have received satisfactory assurances from Kenergy. Big Rivers, Alcan and Southwire have now agreed upon the Big Rivers assurances and desire to document their agreement as follows:

NOW, THEREFORE, in consideration of the mutual covenants herein contained, Big Rivers makes the following assurances to Alcan and Southwire and the parties agree as follows:

1. No Disturbance To Plan Of Reorganization or Implementing Documents.
With respect to Alcan and Southwire,

(a) Big Rivers reaffirms all provisions of the Plan of Reorganization as they relate to the Smelter Rights. The terms and conditions of the Sale-Leaseback Transaction will not in any respect change, alter, disturb or interfere with the Smelter Rights as established in the Plan of Reorganization, including the provisions of Schedule 5.4(a) thereto, and the Implementing Documents. Big Rivers agrees with and reaffirms the terms of Section 3 (a) of Schedule 5.4(a) of the Plan of Reorganization, notwithstanding any change that may occur in its financial condition as a result of the Sale-Leaseback Transaction or otherwise.

(b) Big Rivers assures Alcan and Southwire and agrees that the terms and conditions of the Sale-Leaseback Transaction will not in any respect change, alter, disturb or interfere with Big Rivers' ability to perform any of its obligations to Alcan and Southwire under the Implementing Documents approved by the KPSC in Case Nos. 98-267, 97-204, 97-220 and 97-219.

(c) Big Rivers assures Alcan and Southwire and agrees that in closing the Sale-Leaseback Transaction, it will not enter into any agreements or undertakings or execute any documents that adversely affect Big Rivers' ability to perform its obligations respecting the Smelter Rights under the Implementing Documents.

(d) Big Rivers assures Alcan and Southwire and agrees that in closing the Sale-Leaseback Transaction, it will not enter into any agreements, undertakings or execute any documents with LG&E or Kenergy that amend, restate or supplement any of the Smelter Rights under the Implementing Documents.

2. Future Relationship. In the event Alcan or Southwire ceases to be served by Kenergy with LG&E wholesale power, Big Rivers shall not initiate or enter into, and expressly will resist and disavow, any proposal, effort or proceeding to reestablish a supply obligation for power to either Alcan or Southwire in violation of its obligations under the Implementing Documents without the express written consent of either Alcan or Southwire. In addition, Big

Rivers agrees that it will not in any way interfere with the assurances given by Kenergy to Alcan and Southwire as set forth in Section 2 of the Assurances Agreement dated December 16, 1999 by and among Kenergy Corp., Alcan and Southwire.

3. **Reliance on Assurances by Alcan and Southwire.** Big Rivers recognizes and agrees that Alcan and Southwire are receiving no benefit from the Sale-Leaseback Transaction and are relying on the assurances contained herein in lieu of participating in KPSC Case. No. 99-450 and investigating the extent to which the terms and conditions of the Sale-Leaseback Transaction may affect the rights and interests of Alcan or Southwire established under the Plan of Reorganization and the Implementing Documents.

4. **Final Documents.** Upon closing of the Sale-Leaseback Transaction, Big Rivers agrees to provide each of Alcan and Southwire with a complete set of the executed documents. Alcan and Southwire agree to execute reasonable confidentiality agreements in order to maintain the confidentiality of any proprietary information contained therein.

5. **Agreement Not To Appeal.** Alcan and Southwire agree that the assurances of Big Rivers contained herein are satisfactory to them as set forth in the Letter Agreement and that Alcan and Southwire hereby waive their rights to appeal or seek rehearing of the Commission's Order dated November 24, 1999 in KPSC Case No. 99-450.

6. **Notices.** Any notice or consent provided for in this Agreement shall be in writing and shall be properly served if delivered in person or by any qualified and recognized delivery service or sent by United States mail postage prepaid to the persons specified below:

To Big Rivers: Michael H. Core, President and CEO
Big Rivers Electric Corporation
201 Third Street
P.O. Box 24
Henderson, KY 42419

To Alcan: James R. Martin, Plant Manager
Sebree Smelter
Alcan Aluminum Corporation
P. O. Box 44
Henderson, KY 42419

To Southwire: John B. Henderson
Vice President, Aluminum Division
Southwire Company
One Southwire Drive
Carrollton, GA 30119

Either party may at any time, by written notice to the other, change the designation or address of the person specified to receive notices pursuant to this section 6.

7. **Survival of Terms.** The provisions of this Agreement are intended to survive reorganization of either party and shall be binding on the parties, their respective successors and assigns.

8. **Controlling Law.** The construction and enforcement of this Agreement shall be governed by the laws of the Commonwealth of Kentucky.

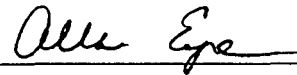
9. **No Amendment of Implementing Documents.** This Agreement does not amend or otherwise alter the rights and obligations of any party hereto under the Implementing Documents, but rather provides the assurances stated above that the Smelter Rights will not be disturbed by the Sale-Leaseback Transaction.

WITNESS the signatures of the parties hereto on this the day first above written.

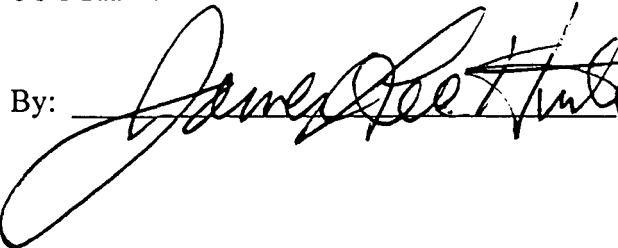
BIG RIVERS ELECTRIC CORPORATION

By: 

ALCAN ALUMINUM CORPORATION

By: 

SOUTHWIRE COMPANY

By: 



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
502-827-2561
www.bigrivers.com

February 1, 2000

John Henderson
Southwire Company
One Southwire Drive
Carrolton, GA 30119

Alan Eyre
Alcan Aluminum Corporation
Sebree Smelter
P. O. Box 44
Henderson, KY 42419

Re: Big Rivers Electric Corporation, PSC Case No. 99-450

Gentlemen:

This letter confirms, on behalf of Big Rivers Electric Corporation, our understanding and agreement that the changes in the terms of the sale/leaseback transaction described in the January 24, 2000, "Motion of Big Rivers Electric Corporation to Reopen Docket to Amend Order of November 24, 1999," and approved by the Public Service Commission by order dated January 28, 2000, shall be considered a part of the "Sale/Leaseback Transaction," which is a defined term in the assurances agreement between and among Big Rivers Electric Corporation, Alcan Aluminum Corporation and Southwire Company dated December 28, 1999.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Michael H. Core', written over a horizontal line.

Michael H. Core
President & CEO

MHC/ej

ASSURANCES AGREEMENT

(Kenergy Corp.)

THIS AGREEMENT is entered into this 17th day of February, 2000, by and between **BIG RIVERS ELECTRIC CORPORATION**, a Kentucky rural electric cooperative ("Big Rivers") and **KENERGY CORP.**, doing business in Henderson County, Kentucky ("Kenergy").

Premises:

A. By Order entered June 1, 1998, the United States Bankruptcy Court for the Western District of Kentucky in Case No. 96-41168 approved the First Amended Plan of Reorganization of Big Rivers ("Plan of Reorganization"). Under the Plan of Reorganization, Big Rivers, among other things, (i) leased its generating units to and agreed to purchase annually certain amounts of power from affiliates of LG&E Energy Corp. (collectively, "LG&E") for a term of approximately twenty-five (25) years (the "LG&E Transaction") and (ii) terminated its rights and obligations to supply power to meet the load requirements of either Alcan or Southwire.

B. By Orders entered in KPSC Case Nos. 97-204, 98-267, 97-220 and 97-219, the Kentucky Public Service Commission (the "Commission") approved final documentation (the "Implementing Documents") by and among Big Rivers, LG&E, Alcan, Southwire, Henderson Union Electric Cooperative Corp. ("Henderson Union"), Green River Electric Corporation ("Green River") and others under which the structure, rates, charges, terms and conditions for the supply of power to Alcan and Southwire, as established in the Plan of Reorganization (the "Smelter Rights"), were implemented such that, among other things, the wholesale supply obligations of Big Rivers to Alcan and Southwire were irrevocably terminated and the electric power services to Alcan and Southwire commenced to be provided by LG&E (through Henderson Union and Green River, respectively) under electric service agreements extending through December 31, 2011 and 2010, respectively. The structure, rates charges, terms and conditions for the supply of power to Alcan and Southwire established by the Plan of Reorganization and the Implementing Documents are hereafter referred to as the "Smelter Rights."

C. On or about July 1, 1999, Henderson Union and Green River consolidated into Kenergy Corp. ("Kenergy").

D. On or about November 8, 1999, Big Rivers filed an application with the Commission (KPSC Case No. 99-450) for approval of a proposed transaction under which Big Rivers intends to lease and lease back (subject to the LG&E Transaction) certain of its generating facilities under financial terms that are expected to permit Big Rivers to prepay a portion of its long-term debt and to improve its financial condition (the "Sale-Leaseback Transaction"). Alcan and Southwire intervened in KPSC Case No. 99-450. The application requested the Commission and intervenors to expedite the proceeding so that a final order could be entered by the Commission on or before November 24, 1999, to enable Big Rivers to close the Sale-Leaseback

Transaction by December 31, 1999.

E. By Letter Agreement dated November 22, 1999, Alcan and Southwire agreed not to participate in Case No. 99-450 in exchange for the opportunity to seek certain assurances from Big Rivers, Kenergy and others that the Sale-Leaseback Transaction would not disturb the Smelter Rights. By Order dated November 24, 1999, the Commission approved the Sale-Leaseback Transaction. Alcan and Southwire have requested and received satisfactory assurances from Kenergy and Big Rivers.

F. By Motion dated January 24, 2000, Big Rivers asked the Commission to amend its Order of November 24, 1999, to acknowledge certain changes to the Sale/Leaseback Transaction and to reauthorize Big Rivers to enter into the Sale/Leaseback Transaction with those changes included. By Order date January 28, 2000, the Commission granted Big Rivers the relief requested. By Letter dated February 1, 2000, Big Rivers acknowledged and agreed that the changes in the Sale/Leaseback Transaction approved by the Commission's Order of January 28, 2000, were included within the scope of the assurances previously given to Alcan and Southwire. Kenergy and Big Rivers have now agreed upon certain assurances from Big Rivers to Kenergy and desire to document their agreement as follows:

NOW THEREFORE, in consideration of the mutual covenants herein contained, Big Rivers makes the following assurances to Kenergy and the parties agree as follows:

I. No Disturbance to Plan of Reorganization. With respect to Alcan and Southwire,

(a) Big Rivers reaffirms all provisions of the Plan of Reorganization as they relate to the Smelter Rights. The terms and conditions of the Sale-Leaseback Transaction will not in any respect change, alter, disturb or interfere with the Smelter Rights as established in the Plan of Reorganization, including the provisions of Schedule 5.4(a) thereto, and in the Implementing Documents. Big Rivers agrees with and reaffirms the terms of Section 3 (a) of Schedule 5.4(a) of the Plan of Reorganization, notwithstanding any change that may occur in its financial condition as a result of the Sale-Leaseback Transaction or otherwise.

(b) Big Rivers assures Kenergy and agrees that the terms and conditions of the Sale-Leaseback Transaction will not in any respect change, alter, disturb or interfere with Big Rivers' ability to perform any of its obligations to Kenergy respecting the Smelter Rights under the Implementing Documents approved by the KPSC in Case Nos. 98-267, 97-204, 97-220 and 97-219.

(c) Big Rivers assures Kenergy and agrees that in closing the Sale-Leaseback Transaction, it will not enter into any agreements or undertakings or execute any documents that adversely affect Big Rivers' ability to perform its obligations to Kenergy respecting the Smelter Rights under the Implementing Documents.

(d) Big Rivers assures Kenergy and agrees that in closing the Sale-Leaseback Transaction, it will not enter into any agreements, undertakings or execute any documents with LG&E or Kenergy that amend, restate or supplement any of the Smelter Rights under the Implementing Documents.

2. **Future Relationship.** In the event Alcan or Southwire ceases to be served by Kenergy with LG&E wholesale power, Big Rivers shall not initiate or enter into, and expressly will resist and disavow, any proposal, effort or proceeding to reestablish a supply obligation for power to either Alcan or Southwire in violation of its obligations under the Implementing Documents without the express written consent of either Alcan or Southwire.

3. **Survival of Terms.** The provisions of this Agreement are intended to survive reorganization of either party and shall be binding on the parties, their respective successors and assigns.

4. **Controlling Law.** The construction and enforcement of this Agreement shall be governed by the laws of the Commonwealth of Kentucky.

5. **No Amendment of Implementing Documents.** This Agreement does not amend or otherwise alter the rights and obligations of any party hereto under the Implementing Documents, but rather provides the assurances stated above that the Smelter Rights will not be disturbed by the Sale-Leaseback Transaction.

WITNESS the signatures of the parties hereto on this the day first above written.

BIG RIVERS ELECTRIC CORPORATION

By:  _____

KENERGY CORP.

By:  _____



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


January 28, 2000

To: All parties of record

RE: Case No. 1999-450

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

Sincerely,


Stephanie Bell
Secretary of the Commission

SB/sh
Enclosure

Michael H. Core
President/CEO
Big Rivers Electric Corporation
201 Third Street
P. O. Box 24
Henderson, KY 42420

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

Honorable Michael L. Kurtz
Attorney for Alcan & Southwire
Boehm, Kurtz & Lowry
2110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

Honorable David C. Brown
Counsel for Alcan Aluminum Corp.
Stites & Harbison
1800 Providian Center
400 West Market Street
Louisville, KY 40202

Honorable Allison Wade
Counsel for Southwire Company
Holland & Knight, LLP
One Atlantic Center, Suite 2000
1203 West Peachtree Street, NE
Atlanta, GA 30309 3400

Elizabeth E. Blackford
Assistant Attorney General
Utility and Rate Intervention
Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601

Honorable Douglas L. Beresford
George F. "Geof" Hobday, Jr.
Long Aldridge & Norman LLP
Attorney for Big Rivers Electric
701 Pennsylvania Avenue, N.W.
Suite 600
Washington, DC 20004

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S)
APPLICATION FOR APPROVAL OF A LEVERAGED) CASE NO. 99-450
LEASE OF THREE GENERATING UNITS)

O R D E R

On November 24, 1999, the Commission authorized Big Rivers Electric Corporation ("Big Rivers") to execute a lease of its D. B. Wilson Unit No. 1 ("Wilson Unit") and its Robert D. Green Units No. 1 and 2 ("Green Units"), along with the associated common facilities at the Green Units' site, pursuant to a sale and leaseback transaction ("lease transaction") as described in Big Rivers' November 8, 1999 application. As the final terms and conditions of the lease transaction had not been finalized, Big Rivers was authorized to agree only to such terms, conditions, and prices that were consistent with the parameters set out in its application. In addition, Big Rivers was advised that the Commission's approval of the lease transaction was predicated upon the inclusion of both an interest rate reduction and a debt service schedule reduction from the Rural Utilities Service ("RUS").¹

On January 24, 2000, Big Rivers filed a motion to reopen this docket for the purpose of reauthorizing the proposed lease transaction, due to the fact that certain assumptions and representations have changed since the Commission's November 24, 1999 Order. Big Rivers also requested that the Commission find that no further

¹ November 24, 1999 Order at 13.

approvals are required for the equity participants or the owner trust to participate in the lease transaction, provided that this finding did not constitute any approval under KRS Chapter 278 that may be required if either group assumed responsibility for the operation of one or more of the generating units. Finally, Big Rivers requested expedited consideration of the motion, noting that the optimum date for it to close the lease transaction was March 1, 2000, which would require Commission approval by January 28, 2000.

Exhibit A to Big Rivers' January 24, 2000 motion includes a description of the specific changes in the term sheet for the lease transaction. The most significant change is related to the reduction of Big Rivers' debt service obligations to the RUS. In its original application, Big Rivers stated that the RUS had agreed to reduce the interest rate on Big Rivers' debt and restructure the debt service in recognition of the total net cash benefit being paid to RUS and applied to the New RUS Note. However, the RUS has informed Big Rivers that because of changes in its debt due to the bankruptcy restructuring, the benefit of an interest rate reduction is not available.² In addition, RUS is requiring as a precondition to its approval of the lease transaction that it be paid at least \$70 million at the closing of the lease transaction, which will be reflected as a permanent reduction in like amount in the principal of the New RUS Note.

Because of the changes in the lease transaction terms, applicable interest rates, and the passage of time, Big Rivers currently estimates that the net cash benefit is

² "Because there is no longer a connection between BREC's direct obligations to RUS and RUS's guarantee of BREC's pre-bankruptcy obligations to FFB, there is no additional benefit to pass on to BREC in the form of an interest rate reduction on its indebtedness to RUS." See January 24, 2000 Motion to Reopen, Exhibit B.

\$68.1 million.³ As this estimate is below the RUS-required minimum of \$70 million, Big Rivers has indicated that it would make up the difference out of available cash or by the application of prepayments already made to RUS. In addition, Big Rivers now anticipates that its annual debt service will be reduced by \$4.0 million.⁴

The Commission, after consideration of the evidence of record and being otherwise sufficiently advised, finds that Big Rivers should be authorized to proceed with the proposed lease transaction as revised. The early payment of \$70 million on the New RUS Note and the associated \$4 million annual reduction in Big Rivers' debt service obligation to the RUS are very significant benefits. The numerous changes to the terms and conditions of the proposed lease transaction do not appear to have increased Big Rivers' potential financial exposure.

The Commission further finds that the leasing of the Wilson and Green Units to the Owner Trust, with an immediate lease back to Big Rivers, does not constitute a change in control of a utility or of the units themselves. Thus, no additional approvals are needed under KRS 278.020(4) or (5). As acknowledged by Big Rivers, this finding does not constitute an approval under KRS Chapter 278, or obviate the need for such approval, if the equity participants, the Owner Trust, or any lender as assignee of the

³ In its November 8, 1999 application, Big Rivers had initially estimated that the net cash benefit would be \$70 million, but indicated it could be as high as \$77 million. See January 24, 2000 Motion to Reopen at 4-5.

⁴ Big Rivers had originally estimated the savings from the debt payment and interest rate reduction was approximately \$5.2 million. Of that total estimate, the interest rate reduction was worth approximately \$1.2 million annually over the balance of the term of the New RUS Note. The current estimate of \$4 million annually assumes a payment to RUS of \$70 million. See January 24, 2000 Motion to Reopen at 4.

Owner Trust, assumes present responsibility for the operation of one or more of the generating units.

IT IS THEREFORE ORDERED that:

1. Big Rivers is authorized to execute the proposed lease transaction, as originally authorized in the November 24, 1999 Order, subject to the changes in assumptions, representations, and term sheet as described in the January 24, 2000 motion to reopen.

2. Big Rivers shall agree only to such terms, conditions, and prices that are consistent with said parameters as set out in the application, as revised by the motion to reopen.

3. No further approvals are required under KRS Chapter 278 for the equity participants, the Owner Trust, or any lender as assignee of the Owner Trust to participate in the proposed lease transaction, as revised by the motion to reopen.

4. Within 10 days of the date of this Order, Big Rivers shall file with the Commission copies of a letter from its lease counsel providing positive assurance that the proposed lease transaction, as revised by the motion to reopen, is in compliance with the applicable sections of the Internal Revenue Service Code and any guidelines, rules, or regulations promulgated by the Internal Revenue Service concerning such lease transactions.

5. Big Rivers shall file with the Commission copies of any rulings or decisions concerning the applicability of the Kentucky real estate transfer tax under KRS 142.050 to the proposed lease transaction, as revised by the motion to reopen. If such ruling or

decision causes Big Rivers to abandon the proposed transaction, notice of that decision should be included with the filing.

6. Ordering Paragraph Nos. 6 through 8 of the November 24, 1999 Order shall remain in full force and effect as if separately ordered herein.

Done at Frankfort, Kentucky, this 28th day of January, 2000.

By the Commission

ATTEST:

Deputy W^m H. Bowker
Executive Director

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC

ATTORNEYS AT LAW

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Jesse T. Mountjoy
Frank Stainback
James M. Miller
Michael A. Fiorella
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R. Michael Sullivan
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Bryan R. Reynolds
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Anne H. Shelburne

January 24, 2000

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

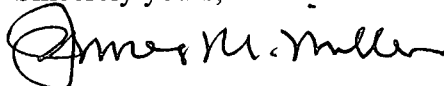
Re: Big Rivers Electric Corporation
PSC Case No. 99-450

Dear Ms. Helton:

Enclosed are an original and ten copies of the motion of Big Rivers Electric Corporation to reopen the docket in the above-styled matter, to amend the Commission order of November 24, 1999, in this matter, and for expedited consideration of those motions. Also enclosed is a petition for confidential treatment of Exhibit E to those motions.

Please call if you have any questions. I certify that copies of this filing have been served upon each of the persons identified on the attached service list.

Sincerely yours,



James M. Miller

JMM/ej

Enclosures

cc: Service List

RECEIVED
JAN 24 2000
PUBLIC SERVICE
COMMISSION

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

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42302-0727

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CASE NO. 99-450**

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4
COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED
JAN 24 2000
PUBLIC SERVICE
COMMISSION

5 In the Matter of:)
6)
7 Big Rivers Electric Corporation's) CASE NO. 99-450
8 Application for Approval of a Leveraged)
9 Lease of Three Generating Units)

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PETITION OF
BIG RIVERS ELECTRIC CORPORATION
FOR CONFIDENTIAL TREATMENT OF
DATA REQUEST RESPONSES

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 January 24, 2000, revisions by Big Rivers to the attachments to the responses of Big Rivers to Items 1.a. and b. of the Commission's Data Requests of November 16, 1999 (the "Data Requests"). In further support of this petition, Big Rivers states:

1. Big Rivers filed in this matter on January 24, 2000, a Motion to Amend the Commission's November 24, 1999, order herein. In support of that motion, Big Rivers filed revisions to its responses to the Data Requests. Big Rivers sought confidential protection for its original responses to the Data Requests by Petition for Confidential Treatment dated November 19, 1999, and confidential treatment was granted by letter dated December 3, 1999. The Confidential Information covered by this petition therefore updates the information for which confidential treatment was previously granted. Big Rivers incorporates herein by reference its November 19, 1999, Petition for Confidential

1 Treatment and states that the reasons for confidential treatment stated therein apply
2 equally to this petition.

3 2. As noted in the Petition for Confidential Treatment dated November 19, 1999, the
4 application of Big Rivers in the above-captioned matter seeks approval of a leveraged
5 lease of certain generating facilities owned by Big Rivers. The financial industry which
6 has developed around leasing transactions is highly competitive, and information about
7 the terms and conditions on which equity participants will participate in such transaction
8 is extremely sensitive. Disclosure of the detailed explanations and descriptions of
9 portions of the leveraged lease transaction proposed by Big Rivers would give
10 competitors of the Big Rivers transaction equity participants an unfair advantage in
11 bidding on other transactions by providing them the detailed terms and conditions,
12 including pricing, which are being used by the Big Rivers equity participants in the
13 current leasing market. The Confidential Information, for which Big Rivers seeks
14 confidential treatment, therefore falls within a category of commercial information
15 "generally recognized as confidential or proprietary, which if openly disclosed would
16 permit an unfair commercial advantage to competitors" of Big Rivers' financial
17 participants and would indirectly adversely impact Big Rivers. KRS 61.878(1)(c)1.

18 3. If and to the extent that any of the Confidential Information becomes generally
19 available to the public Big Rivers will notify the Commission and have its confidential
20 status removed. 807 K.A.R. 5:001, §7(9)(a).

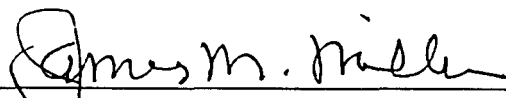
21 4. Seven (7) copies of the Confidential Information, with the word "Confidential"
22 stamped on the cover sheet of each copy, are attached to this petition. 807 K.A.R. 5:001

1 §7 (2)(a)2 and (2)(b). Because the entities who have moved to intervene in this matter
2 have signed agreements to treat the Confidential Information as confidential, pending a
3 ruling by the Commission on the petitions for confidential treatment, Big Rivers is
4 serving each of them with a copy of the Confidential Information.

5 5. The material for which Big Rivers is seeking confidential treatment is not
6 generally known outside of Big Rivers and the parties to its proposed leveraged lease
7 transaction, and is not disseminated within Big Rivers except to those employees and
8 professionals with a legitimate business need to know and act upon the information.

9 WHEREFORE, Big Rivers respectfully requests that the Commission classify and
10 protect as confidential the Confidential Information filed with this petition, on this the
11 24th day of January, 2000.

12
13 SULLIVAN, MOUNTJOY, STAINBACK
14 & MILLER, P.S.C.
15

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29 (202) 624-1200
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31 Attorneys for Big Rivers Electric
32 Corporation

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PUBLIC SERVICE
COMMISSION

1 COMMONWEALTH OF KENTUCKY

2
3 BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

4
5 In the Matter of:)
6)
7 Big Rivers Electric Corporation's) CASE NO. 99-450
8 Application for Approval of a Leveraged)
9 Lease of Three Generating Units)

10
11
12 **MOTIONS OF BIG RIVERS ELECTRIC CORPORATION**
13 **TO REOPEN DOCKET TO AMEND ORDER OF**
14 **NOVEMBER 24, 1999, AND FOR EXPEDITED CONSIDERATION**
15

16
17 Big Rivers Electric Corporation ("Big Rivers") moves the Public Service Commission
18 ("Commission") to reopen this docket for purposes of reauthorizing the proposed leveraged lease
19 transaction (the "Sale/Leaseback Transaction") authorized in its order of November 24, 1999 (the
20 "Order"), as altered by the changes in the assumptions, representations and Term Sheet that have
21 occurred since the date of the Order, and that are described in this motion and the exhibits hereto.
22 Big Rivers also moves the Commission for expedited consideration of the motion to reopen and
23 amend the Order.
24

25 **MOTION TO REOPEN DOCKET AND TO AMEND ORDER**

26 1. Big Rivers moves the Commission to enter an order reopening this docket and
27 reauthorizing the Sale/Leaseback Transaction with the changes described herein. The Sale and
28 Leaseback Transaction proposed by Big Rivers was described in the November 8, 1999,
29 application of Big Rivers which initiated this docket, and in the responses by Big Rivers to data
30 requests from the Commission and intervenors (the application and data request responses being
31 collectively referred to in this motion as the "Application"). The Application described the

1 Sale/Leaseback Transaction, and attached an agreed "Summary of Terms and Conditions"
2 ("Term Sheet"), which established the parameters for the Sale/Leaseback Transaction. In its
3 Order, the Commission authorized Big Rivers to enter into the Sale/Leaseback Transaction "as
4 described in the application." Order at 13. The Commission required that "Big Rivers shall
5 agree only to such terms, conditions, and prices that are consistent with said parameters as set out
6 in the application." Order at 14. Big Rivers further made representations about the benefits it
7 expected from the Sale/Leaseback Transaction that were dependent, in part, on closing the
8 Sale/Leaseback Transaction before the end of 1999.

9 2. The Sale/Leaseback Transaction did not close before the end of 1999, and a number of
10 changes have occurred in the assumptions, representations and Sale/Leaseback Transaction terms
11 stated in the Application. The Participation Agreement contemplated by the Term Sheet has now
12 been substantially negotiated, and is expected to be completed and signed in the near future. Big
13 Rivers had planned to make this filing only after the Participation Agreement was completed and
14 signed. However, as noted in the Motion for Expedited Treatment herein, Big Rivers is seeking
15 the earliest possible closing date to preserve benefits for Big Rivers and its members arising from
16 the Sale/Leaseback Transaction. Based upon the level of completion of the transaction
17 documents, Big Rivers is comfortable that the revised description of the Sale/Leaseback
18 Transaction contained in this motion and the exhibits will not materially change, and that it
19 should move forward to pursue a closing as early as possible in March 2000.¹

¹ At noted later, the optimum date for closing is March 1, 2000.

1 CHANGES IN THE SALE/LEASEBACK TRANSACTION

2 3. Viewed individually, most of the changes which have occurred in the assumptions,
3 representations and the Term Sheet do not alter in any material respect the risk versus reward
4 analysis of the proposed Sale/Leaseback Transaction previously made by Big Rivers. The
5 collective effect of the changes, however, is such that Big Rivers believes a reapproval by the
6 Commission is required before Big Rivers can warrant and represent to the Sale/Leaseback
7 Transaction parties that all required approvals for the Sale/Leaseback Transaction have been
8 obtained. The more significant changes in the assumptions and representations in the
9 Application are described in the body of this motion. The changes in the Term Sheet are
10 described in Exhibit A, which is attached hereto and incorporated herein. To further assist the
11 Commission in its review of the changes to the Sale/Leaseback Transaction, Big Rivers attaches
12 as Exhibit E to this motion an update of the responses of Big Rivers to the Commission's Data
13 Request, Items 1 (a) and (b), which chart the Sale/Leaseback Transaction parties and cash flows.

14 4. The most significant change in the representations made by Big Rivers in the Application
15 is in the benefit that Big Rivers will receive from the Sale/Leaseback Transaction. The principal
16 change in Big Rivers' benefit results from the change in an assumption made by Big Rivers about
17 the agreements it would ultimately obtain from the Rural Utilities Service ("RUS"). For example,
18 Big Rivers did not obtain the agreement of RUS to an interest rate reduction on the RUS New
19 Note, which Big Rivers had anticipated and described in the Application. The Commission made
20 RUS agreement to that interest rate reduction a predicate to the authorizations contained in the
21 Order. Order at 13. The position of RUS is set out in a letter from Blaine Stockton to Michael
22 Core dated December 29, 1999, a copy of which is attached hereto and incorporated herein as

1 Exhibit B. As that letter reflects, RUS will not allow Big Rivers the interest rate reduction Big
2 Rivers had expected. RUS further requires, as a precondition to its approval of the
3 Sale/Leaseback Transaction, that it be paid at least \$70 million at the closing of the
4 Sale/Leaseback Transaction which will be reflected as a permanent reduction in like amount in
5 the principal of the New RUS Note. RUS has reserved the right to reconsider whether it will
6 proceed with the Sale/Leaseback Transaction-for example, if the net cash benefit to Big Rivers is
7 less than \$65 million.

8 5. The interest rate reduction Big Rivers anticipated from RUS had a value of approximately
9 \$1.2 million annually over the balance of the term of the New RUS Note. That calculation was
10 described in Big Rivers' response to Item 3.f. of the Commission's data requests to Big Rivers.
11 Accordingly, based upon the reduction in the annual debt service payments of Big Rivers which
12 would result from an estimated \$70 million payment on the principal of the New RUS Note
13 under the assumptions used in the Application, the annual New RUS Note debt service reduction
14 would now be approximately \$4.0 million, instead of approximately \$5.2 million. If the net cash
15 benefit to Big Rivers at the closing of the Sale/Leaseback Transaction is \$68.1 million, (the latest
16 estimate), Big Rivers' annual New RUS Note debt service reduction would be approximately
17 \$3.92 million, not including the effect on debt service of the additional permanent principal
18 reduction of \$1.9 million that would be required from Big Rivers by RUS.

19 6. The failure of the Sale Leaseback Transaction to close in 1999 will reduce the net cash
20 benefit to Big Rivers. See Big Rivers' response to Item 3.c. of the Commission's Data Requests.
21 The current best estimate is that closing the Sale/Leaseback Transaction on March 1, 2000 (the
22 optimum date for closing under the present circumstances), rather than in December 1999 will

1 reduce the estimated net cash benefit to Big Rivers by approximately \$9 million from the
2 estimate of \$77 million in the Application, assuming no change in market conditions.

3 7. Finally, expenses associated with the Sale/Leaseback Transaction will increase as the
4 result of a delay in the closing from December 1999 to March 2000 and other changes in the
5 Sale/Leaseback Transaction terms. The current best estimate is that expenses will equal three-
6 and-six-tenths percent (3.6%) of the appraised value of the facilities subject to the
7 Sale/Leaseback Transaction rather than two-and-one-half percent (2.5%) as estimated in the
8 Application.

9 8. Since November 24, 1999, there have been both favorable and unfavorable changes in the
10 assumptions used in pricing the Sale/Leaseback Transaction and estimating the net cash benefit
11 to Big Rivers. Based upon current market conditions, current assumptions about expenses and
12 the latest pricing estimates, Babcock & Brown, Big Rivers' lease advisor, estimates that Big
13 Rivers will receive a net cash benefit of \$68.1 million² at closing, assuming that after the date of
14 this motion no material change will occur in market conditions, laws or regulations. Big Rivers
15 believes that this benefit, which will result in an estimated reduction of Big Rivers' debt service
16 obligation by approximately \$4 million annually (assuming that Big Rivers prepays an additional
17 \$1.9 million per the RUS requirement³), easily justifies the Sale/Leaseback Transaction. Big
18 Rivers accordingly asks that the Commission reauthorize the Sale/Leaseback Transaction as
19 altered by the changes in the assumptions, representations and Term Sheet described in this

² The estimated cash benefit of \$68.1 million is net of transaction expenses.

³ Big Rivers will have the ability to satisfy any gap between the net cash benefit it receives at the closing and \$70 million, up to \$5 million, out of available cash or by the application of prepayments already made to RUS.

1 motion and in the exhibits hereto.

2
3 **CLARIFICATION OF APPROVALS REQUIRED FOR TRANSACTION**

4 9. Big Rivers further requests the Commission to clarify its Order to resolve a technical
5 question which has arisen about the scope of approvals required to fully authorize the
6 Sale/Leaseback Transaction. Specifically, counsel for the equity participants has questioned
7 whether the equity participants' role in the Sale/Leaseback Transaction requires any separate,
8 specific approvals by the Commission under KRS Chapter 278, including, but not limited to,
9 KRS 278.020(4) and (5).

10 While there are no decisions construing those statutes, Big Rivers believes that the Order
11 contains all authorizations required from the Commission in connection with the Sale/Leaseback
12 Transaction for any party to the Sale/Leaseback Transaction. Big Rivers' leasing of the three
13 generating units to the Owner Trust, which immediately leases the generating units back to Big
14 Rivers, does not constitute a change in control of a utility, or of the units themselves, and does
15 not otherwise trigger any Commission review requirements under KRS Chapter 278 beyond the
16 review already given. Big Rivers continues to hold title to the units. Affiliates of LG&E
17 continue to operate the units under a separate transaction to which the Sale/Leaseback
18 Transaction is expressly subordinate. Upon the expiration of the LG&E Transaction, Big Rivers
19 will be responsible for the operation of the units. If the Lease from the Owner Trust to Big
20 Rivers terminates for any reason and the Owner Trust, or any lender as assignee of an Owner
21 Trust, is in the position of actually operating the generating units, then the Owner Trust must
22 obtain whatever approvals are required of it (or any operator that it might engage) at the time it

1 undertakes that role. Big Rivers will be required to warrant and represent to the equity
2 participants at the closing that no further approvals are required from the Commission for the
3 Sale/Leaseback Transaction to close. Big Rivers therefore requests that the Commission make
4 an order that no further approvals are required from the Commission for the equity participants or
5 the Owner Trust, or any lender as assignee of the Owner Trust, to participate in the
6 Sale/Leaseback Transaction, with the understanding that the order does not constitute an
7 approval under KRS Chapter 278 that may be required if any of them assumes present
8 responsibility for the operation of one or more of the generating units.

9
10 **COMPLIANCE FILING**

11 10. Big Rivers files herewith as Exhibits C and D, to comply with directions of the
12 Commission contained in its November 24, 1999, Order, copies of the Revenue Cabinet rulings
13 concerning Kentucky tax issues relevant to the Sale/Leaseback Transaction. Order at 14,
14 Ordering Paragraph 5. The ruling is favorable, and accordingly creates no obstacles to Big
15 Rivers closing the Sale/Leaseback Transaction.

16 11. By letter dated December 20, 1999, Big Rivers filed with the Commission copies of the
17 authorizations to enter into the Sale/Leaseback Transaction received from Big Rivers' member
18 cooperatives. Order at 14, Ordering Paragraph 6. No conditions are attached to those
19 authorizations.

20 12. Final approval of the Sale/Leaseback Transaction has not yet been received from the
21 affiliates of LG&E or from RUS.

1 reasonable because the changes to the Sale/Leaseback Transaction are discreet and do not
2 materially change the basis for the original approval. For these reasons, no party to this
3 proceeding will be prejudiced by expedited consideration of the Big Rivers motion. The
4 Sale/Leaseback Transaction is still very advantageous to Big Rivers and to its members, and
5 retains more advantage for Big Rivers and its members if it can be closed on March 1, 2000, or in
6 any event in early March 2000. Big Rivers regrets having to seek additional Commission review,
7 particularly on an expedited basis at a time when the Commission and its staff are engaged in the
8 unenviable task of moving their offices. There is no other choice, however, if Big Rivers is to
9 preserve the maximum value from the Sale/Leaseback Transaction, which will ultimately accrue
10 to the benefit of Big Rivers' members' retail consumers of electricity in Western Kentucky.

11 WHEREFORE, Big Rivers prays that the Commission make an order on an expedited
12 basis granting the following relief to Big Rivers:

13 1. Reopening this docket and reauthorizing the Sale/Leaseback Transaction as altered by the
14 changes in the assumptions, representations and Term Sheet described in this motion and the
15 exhibits and appendices hereto;

16 2. Finding that no further approvals are required from the Commission for the equity
17 participants or the Owner Trust (or any lender as assignee of the Owner Trust) to participate in
18 the Sale/Leaseback Transaction, provided that the order does not constitute any approval under
19 KRS Chapter 278 that may be required if any of them assumes present responsibility for the
20 operation of one or more of the generating units;

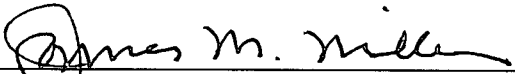
21 3. Expediting consideration of this matter resulting in a final order granting the relief sought
22 herein entered as expeditiously as possible to permit a closing on March 1, 2000, or in any event

1 in early March 2000; and

2 4. All other relief to which Big Rivers may appear entitled.

3 Respectfully submitted on this the 24th day of January, 2000.
4
5
6

7 SULLIVAN, MOUNTJOY, STAINBACK
8 & MILLER, P.S.C.
9

10 
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23 (202) 624-1200
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25

26 Attorneys for Big Rivers Electric
27 Corporation
28
29
30

TABLE OF
CONTENTS

EXHIBITS TO MOTION OF BIG RIVERS

- Exhibit A Schedule of Changes to Term Sheet
- Exhibit B RUS Letter to Big Rivers dated December 29, 1999
- Exhibit C Ruling of Revenue Cabinet
- Exhibit D Supplemental Ruling of Revenue Cabinet
- Exhibit E Update of Response of Big Rivers to Commission Data
Request Items 1(a) and (b).

1 **Exhibit A to Motion of Big Rivers Electric Corporation to**
2 **Reopen Docket to Amend Order of November 24, 1999**

3 The significant changes in the Sale/Leaseback Transaction from the summary terms
4 described in the Term Sheet attached to the original Application are as set forth below. References
5 are to Paragraphs within the Term Sheet attached to the original Application.

6 1. **Paragraphs A2 and D2:**

7 The Lessor in the Sale/Leaseback Transaction will be a Connecticut business trust, the trustee
8 for which will continue to be State Street Bank and Trust Company, National Association. The
9 beneficial owner of the Lessor will, in turn, be another Connecticut business trust, the trustee for
10 which will be State Bank and Trust Company of Connecticut, National Association. The use of two
11 Connecticut business trusts is to provide structural support for the Lenders and the Swap Provider
12 should a bankruptcy of an Equity Investor ever occur.

13 2. **Paragraph A13:**

14 The closing date for the Sale/Leaseback Transaction will be no sooner than 33 days following
15 receipt of a final amendment to the Order from the Commission.

16 3. **Paragraphs A17 and D2**

17 The economic defeasance of the Equity Portion of Basic Rent and the Equity Portion of the
18 Purchase Option Price under the Facility Lease will be provided from a portfolio of fixed rate
19 obligations guaranteed by Ambac Assurance Corporation, other similar AAA- rated bond insurers,
20 certain other securities issued, insured or guaranteed by the U.S. Government and specified agencies

1 and instrumentalities thereof, and certain swap arrangements (the "Eligible Securities"), rather than
2 the prepaid ISDA Swap Agreement described in the Term Sheet. The swap arrangements will be
3 entered into by the Big Rivers Subsidiary and Merrill Lynch Capital Services, Inc. to ensure that
4 there will be sufficient moneys to pay the Equity Portion of Basic Rent under the Facility Lease and
5 to pay the Equity Portion of Termination Value at the expiration of the term of the Facility Lease.
6 These Eligible Securities will be purchased on behalf of the Big Rivers Subsidiary with funds made
7 available by Big Rivers from a portion of Head Lease Rent. In the thirty (30) days subsequent to the
8 closing date, higher yielding Eligible Securities may be sought to provide the economic defeasance
9 of the Equity Portion of Basic Rent and the Equity Portion of the Purchase Option Price. If
10 successful, this will result in additional benefit realized by Big Rivers.

11 These Eligible Securities will provide cash at times and in amounts sufficient to pay
12 the Equity Portion of Basic Rent due under each Facility Lease by Big Rivers and will grow to an
13 amount sufficient to fund the Equity Portion of the Purchase Option Price at the expiration of the
14 term of the Facility Lease. Inasmuch as it may not be possible to procure sufficient Eligible
15 Securities with maturities coinciding with the end of the term of each Facility Lease for the Wilson
16 and Green Units, the economic defeasance of the Equity Portion of Rent will provide sufficient
17 amounts to purchase Eligible Securities in an amount which, at their maturity, will provide an
18 amount equal to the Equity Portion of the Purchase Option Price under the Facility Lease. The credit
19 behind the full amount of the economic defeasance of the Equity Portion of Basic Rent and the
20 Purchase Option Price under the Facility Lease continues to be Ambac Assurance Corporation.

1 4. Paragraph A19 and F1

2 The Series B Investment Contract Provider will not be the Federal Farm Credit Banks
3 Funding Corporation as described in the Term Sheet. Big Rivers will use a portion of the Head
4 Lease Rent to provide the Big Rivers Subsidiary with sufficient funds to purchase U.S. Government
5 agency obligations (other than obligations of the Federal Farm Credit Banks Funding Corporation)
6 which will provide for interest payments at the times and in the amounts roughly equivalent to the
7 interest payments on the Series B Loan Certificates and will mature at the end of the term of the
8 Facility Lease in amounts at least equal to the portion of the Purchase Option Price equal to the
9 outstanding principal balance of the Series B Loan Certificate at such time. Some of these U.S.
10 Government agency obligations may not be backed by the full faith and credit of the United States.
11 Since it may be impossible to acquire U.S. Government agency obligations which yield payments
12 on each Rent Payment Date under the Facility Lease precisely equal to the interest payments on the
13 Series B Loan Certificates, the Big Rivers Subsidiary will enter into a prepaid ISDA swap agreement
14 with Merrill Lynch Capital Services, Inc. which will address this "mismatching" of payments and
15 ensure that sufficient amounts are available on the expiration of the term of the Facility Lease to pay
16 the portion of the Purchase Option Price under the Facility Lease (if the Purchase Option is
17 exercised) equal to the outstanding principal balance of the Series B Loan Certificate. The
18 obligations of Merrill Lynch Capital Services, Inc. will be guaranteed by Merrill Lynch Derivative
19 Products, Inc., an entity the obligations of which are rated "AAA" by both Moody's Investors
20 Service and Standard & Poor's Corporation. The exposure to the credit of Merrill Lynch Capital
21 Services, Inc. should not exceed approximately 5% of the maximum outstanding principal amount

1 of the Series B Loan Certificate. The Series B Loan Certificate will require payment of a premium
2 upon prepayment equal to any funding losses suffered by CoBank resulting from such prepayment.
3 The use of U.S. Government agency obligations that will have to be sold at their market value if sold
4 prior to their maturity could expose Big Rivers to possible breakage risk in the event of an early
5 termination of the Facility Lease.

6 5. **Paragraph A28:**

7 There will be two Lessor Secured Notes with respect to each Facility Lease rather than one
8 as described in the Term Sheet. The aggregate maximum principal amount under the two Lessor
9 Secured Notes will continue to be Termination Value. One such Lessor Secured Note will recite a
10 maximum principal amount equal to the debt portion of Termination Value and the other will recite
11 a maximum principal amount equal to the Equity Portion of Termination Value. The amounts
12 payable under the Lessor Secured Notes will be subject to reduction for nonperformance by Ambac
13 under the equity defeasance arrangements and the Payment Undertaking Agreement but not for
14 nonperformance by the U.S. Government agency obligations used for the economic defeasance of
15 the Series B Loan Certificate.

16 6. **Paragraphs B6, C13, C14 and C15**

17 Upon an early termination of a Facility Lease the Loan Certificates will be callable at the
18 option of the holders thereof rather than mandatorily called as described in the Term Sheet.

1 7. Paragraph C6

2 Each Facility Lease will provide that if the Lessor shall in good faith conclude that the
3 Facility is not being maintained in accordance with the standard required by such Facility Lease it
4 may request that an independent engineer be appointed to prepare a report as to whether such Facility
5 has been maintained in accordance with the standard required by such Facility Lease. If such
6 independent engineer concludes that such Facility has not been maintained in accordance with such
7 standard, Big Rivers will be required to use its best efforts to pursue its available remedies under the
8 WKEC Lease to insure compliance with the recommendations of such independent engineer,
9 including commencing arbitration proceedings as provided for under the terms of the WKEC Lease.
10 Any conclusion reached in accordance with the relevant procedures pursued in accordance with the
11 WKEC Lease with respect to whether each Facility has been maintained in accordance with the
12 standard required by the WKEC Lease shall be conclusive for purposes of each respective Facility
13 Lease.



United States Department of Agriculture
Rural Development

Rural Business-Cooperative Service • Rural Housing Service • Rural Utilities Service
Washington, DC 20250

December 29, 1999

Mr. Michael H. Core
President
Big Rivers Electric Corporation
201 Third Avenue
Henderson, Kentucky 42420

Dear Mike:

I am writing this letter to follow up on our recent meeting of December 20, 1999, and my earlier letter dated November 23, 1999. Within that context, the intent is to specifically address Big Rivers Electric Corporation's (BREC) request to the Rural Utilities Service (RUS) to receive benefits resulting from the prepayment of RUS debt with the estimated \$70 million of proceeds from the defeased lease and leaseback transactions relating to D.B. Wilson Unit 1, Units 1 and 2 of Plant Robert D. Green and Plant Green Common Facilities (the "Facilities") and the real property on which the Facilities are located (the "Sites") in addition to the reduced interest payments resulting from early principal retirement. BREC has specifically requested that the interest rate on the New RUS Note be reduced from the current 5.75%.

BREC requests that RUS subordinate its position under the BREC mortgage to notes reflecting BREC's obligation to pay Termination Value under or in connection with the defeased lease and leaseback transactions. In order for RUS to provide a subordination of its rights under the BREC mortgage, RUS is required to find a compensating benefit which it would receive in exchange for the subordination. The prepayment made to RUS at closing would be the foundation of the RUS compensating benefit. This payment would reduce the outstanding principal balance on BREC's outstanding indebtedness to RUS, allowing BREC to accrue annual interest savings of \$4,025,000 over the next 22 years in the case of a \$70,000,000 prepayment. The lower debt service payments may reduce the amount BREC may have to borrow for capital improvements and may enable BREC to borrow on improved terms. The benefit to RUS is a more stable borrower.

Under the 1997 bankruptcy restructuring, BREC's obligations to FFB were recast as obligations to RUS. RUS's obligations to FFB under its guarantees of BREC notes to FFB remain in place, but bifurcated from BREC's new direct obligations to RUS. Because there is no longer a connection between BREC's direct obligations to RUS and RUS's guarantee of BREC's pre-bankruptcy obligations to FFB, there is no additional benefit to pass on to BREC in the form of an interest rate reduction on its indebtedness to RUS.

Rural Development is an Equal Opportunity Lender
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, DC 20250

I want to reiterate Mr. McLean's remarks at the close of our December 20th meeting that RUS was prepared to go forward this calendar year on the basis that RUS would subordinate its position in exchange for \$70 - \$85 million principal prepayment to RUS, provided that RUS and its counsel were satisfied with the terms and conditions of the transactions. It is our understanding that the transaction will not close in 1999.

At our December 20th meeting, you also asked for guidance on the minimum prepayment that RUS would be willing to accept in exchange for granting the requested subordination and approving the transaction in 2000. At the time the transaction was presented to RUS, we were told that the transaction would result in net proceeds of \$70 to \$85 million that would be applied to permanently reduce BREC's indebtedness to RUS. RUS recognizes that the net proceeds may be reduced because the transaction will close at the beginning of the tax year rather than at the end of the tax year.

As a condition for granting the requested subordination in the first quarter of 2000, RUS will require that (i) the "Allowed Balances" under the RUS Maximum Debt Balance Schedule to the \$1,022,583,000 Promissory Note dated July 15, 1998 (the "Note"), for dates subsequent to closing be reduced by the greater of (A) \$70 million or (B) the net proceeds from the defeased lease transaction; and (ii) the net proceeds of the transaction total at least \$65 million, [which net proceeds will be applied at closing to prepay the Note]. If the net proceeds are less than \$70 million, BREC will augment the net proceeds payment to bring it up to \$70 million. If the net proceeds are less than \$65 million, RUS will need to undertake a bottom-up review of the entire transaction to determine whether it is in the government's interest to proceed.

The transaction has not been fully structured and documented at this time. We and our counsel are continuing to review the transaction, the transaction documents, and related issues and reserve the right to require any changes or modifications in the transaction and transaction documents and to impose any additional terms or requirements as condition to our approval. Please note that this letter does not constitute a pre-approval of the proposed defeased lease transaction and the letter does not obligate the Government in any way to approve the proposed transaction and to subordinate its lien.

Sincerely,



BLAINE D. STOCKTON
Assistant Administrator
Electric Program

KENTUCKY REVENUE CABINET
DIVISION OF TAX POLICY
200 FAIR OAKS LANE
FRANKFORT, KENTUCKY 40620
PHONE 502-564-6843
FAX 502-564-9365

December 21, 1999

Mr. Jesse T. Mountjoy
Sullivan, Mountjoy, Stainback & Miller PSC
Attorneys at Law
P. O. Box 727
Owensboro, Kentucky 42302-0727

Dear Mr. Mountjoy:

This is in response to your letter dated September 1, 1999, requesting on behalf of Big Rivers Electric Cooperative (Big Rivers) various rulings from the Revenue Cabinet regarding a proposed economically defeased sale leaseback transaction. Due to the lengthy description of this transaction, they are not being restated in this response. However, it should be noted that the responses given are based solely upon the information provided. In addition, the Cabinet is not ruling whether the property is properly classified under the FERC uniform standard account classification.

A. KENTUCKY TRANSFER TAX.

A ruling is requested that the Head Lease and Ground Lease from Big Rivers (as Head Lessor) to the Owner Trust relative to the real estate (the Ground Lease) and all tangible assets (the Head Lease) comprising the Facilities, as well as the Facilities Lease and other leases and subleases set forth in the request, do not constitute deeds and/or instruments of conveyance and transfers of title of or relating to real property for purposes of Kentucky's real estate transfer tax under KRS 142.050.

Since the Revenue Cabinet does not administer the real estate transfer tax, it is the Cabinet's opinion that it is not the proper party to address this part of your request. The Cabinet suggests that you contact the County Attorney for advice on this issue.

B. KENTUCKY SALES AND USE TAX.

Ruling request No. 1: That the Head Lease and the Ground Lease by and from Big Rivers to the Owner Trust of and relating to all tangible property and assets comprising the Facilities are exempt from Kentucky Sales and Use Tax as a sale



for resale, provided that Big Rivers provides appropriate resale certificates to the Owner Trust.

The lease or rental of tangible personal property for consideration in Kentucky is treated as if it were a sale or purchase for purposes of the Kentucky sales and use tax. Tangible personal property purchased exclusively for lease/rental may be purchased without payment of the sales and use tax pursuant to the resale provision of KRS 139.270. As outlined in Kentucky Administrative Regulation 103 KAR 28:051, the lessor must execute Revenue Form 51A105, Resale Certificate, to Big Rivers.

Ruling request No. 2: That the Facilities Lease and Ground Sublease from the Owner Trust to Big Rivers are exempt from Kentucky sales and use tax to the extent that the property subject to the leases is classified in a tax-exempt category pursuant to Revenue Circular 51C007, or in the alternative, are exempt from taxation pursuant to KRS 139.170, as machinery for new and expanded industry.

The lease payments will not be subject to sales and use tax provided they are properly classified under the Federal Energy Regulatory Commission's uniform standard account classification and fall into a nontaxable account as outlined in Revenue Circular 51C007. This part of the ruling will remain in effect until such time that the Circular is no longer valid or the Cabinet is forced to abandon its use by members of the electric industry.

Ruling request No. 3: That in the event of Big River's repurchase of the Facilities at the end of the Facilities Lease Term or otherwise, the purchase and sale of the Lessor's interest in the Facilities under the Head Lease, would be exempt from Kentucky Sales and Use Tax.

If Big Rivers repurchases the Facilities at the end of the Facilities Lease Term or otherwise, the transaction would not be subject to sales or use tax for the reason set forth under Ruling Request 2 above.

C. KENTUCKY INCOME TAX.

Ruling Request No. 1: That the Ambac Affiliates will not be subject to Kentucky income tax by virtue of the Kentucky "nexus" doctrine as to payments received by them under the transaction documents.

It is the ruling of the Revenue Cabinet that based solely on the facts as set forth in the ruling request the Ambac affiliates are not subject to Kentucky income tax in accordance with the current provisions of KRS 141.040. This ruling will expire in the event of future changes to the nexus standards of KRS141.040, or in the event of changes of the facts as specified in the ruling request.

D. PROPERTY TAX.

Ruling Request No. 1: That Big Rivers will continue to be classified as a public service company.

In response to this request, under the current statutory system (KRS 136.120), Big Rivers will continue to be classified as a public service company for property tax purposes.

Ruling Request No. 2: That Big Rivers should continue to report the Facilities being leased under the Facilities Lease on its property tax returns (as opposed to the Owner Trust or Equity Investor).

In response to this request, Big Rivers' reporting requirements are unchanged, and it should continue to report the Facilities being leased under the Facilities Lease on its property tax returns.

Ruling Request No. 3: That for purposes of classifying property as real estate, personalty, and manufacturing machinery the classifications of 103 KAR 8:090 will apply.

In response to this request, the classification of Big Rivers' property shall continue to fall under the requirements of Kentucky Administrative Regulation 103 KAR 8:090, Classification of property; public service corporations.

E. INTANGIBLE PROPERTY TAX.

Ruling Request No. 1: That the Kentucky state intangible tax does not apply to the value of assets held by the Owner Trust under and pursuant to 103 KAR 7:050.

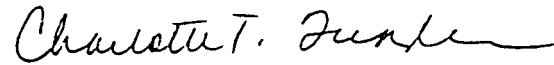
In response to this request, based on the information provided which indicates that the Equity Investor of the revocable trust is a nonresident, the revocable trust would not have situs in Kentucky for the purposes of intangible property taxation.

Ruling Request No. 2: That the Big Rivers Subsidiary's rights and benefits under the Payment Undertaking Agreement, the Deposit and Equity Funding Agreement will not have situs in Kentucky for purposes of the property tax under KRS 132.010.

In response to this request, based on the statement that "Big Rivers Subsidiary is a separate legal entity outside of Kentucky," it would not have situs in Kentucky for the purpose of intangible property taxation.

Should you require further assistance, please do not hesitate to contact the undersigned at 502-564-6843 ext. 4525.

Sincerely,



Charlotte T. Quarles
Director
Division of Tax Policy

KENTUCKY REVENUE CABINET
DIVISION OF TAX POLICY
200 FAIR OAKS LANE
FRANKFORT, KENTUCKY 40620
PHONE 502-564-6843
FAX 502-564-9565

December 28, 1999

Mr. Jesse T Mountjoy
Sullivan, Mountjoy, Stainback & Miller PSC
Attorneys at Law
P. O. Box 727
Owensboro, Kentucky 42302-0727

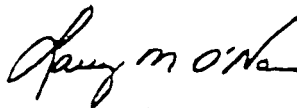
Dear Mr. Mountjoy:

This letter is a supplement to the Revenue Cabinet's December 21, 1999 ruling. The Cabinet's ruling was based on the following:

1. The information provided by Big Rivers with its September 1, 1999 ruling request;
2. The supplemental information submitted by Big Rivers on November 19, 1999; and
3. The information submitted on December 9, 1999.

Should you need additional assistance with this matter, please do not hesitate to contact me at 502-564-6843 ext. 4441.

Sincerely,



Larry M. O'Nan
Tax Consultant
Division of Tax Policy

Exhibit D
Page 1 of 1



EXHIBIT E

**SUBJECT TO PENDING PETITION FOR
CONFIDENTIAL TREATMENT**



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

Paul E. Patton
Governor

January 20, 2000

Mr. Michael H. Core
President/CEO
Big Rivers Electric Corporation
201 Third St.
P.O. Box 24
Henderson, KY 42420

Re: Case No. 99-450
First Reminder Letter

Dear Mr. Core:

The Commission entered its Final Order in this case on November 24, 1999. Among other things, the Commission ordered that within 10 days from the date of this Order, Big Rivers shall file with the Commission, copies of a letter from its lease counsel that the proposed lease transaction is in compliance with the applicable sections of the Internal Revenue Service Code and any guidelines, rules, or regulations promulgated by the Internal Revenue Service concerning such lease transactions. Big Rivers shall file with the Commission copies of the Revenue Cabinet determination concerning Kentucky tax issues within 10 days of its receipt. If the Revenue Cabinet determination causes Big Rivers to abandon the proposed transaction, notice of that decision should be included with the filing. Big Rivers shall file with the Commission copies of the final approvals of the lease transaction from its member cooperatives, the LG&E Parties, and the RUS within 10 days of their receipt. Any conditions included in the final approvals that were not a part of the record in this proceeding shall be identified and the effect of the conditions summarized. Big Rivers shall, within 30 days of the completion of the sale and leaseback transaction, file two copies of all transaction documentation with the Commission. In addition, Big Rivers shall include an executive summary of the terms and conditions of the finalized transaction. The summary shall note and explain any terms and conditions that are different from those described in the application. These documents must be filed to fully comply with the Commission's Order. Please make this filing, referencing the case number 99-450.



Page Two
Big Rivers Electric Corporation
First Reminder Letter

If you have questions concerning this letter, please contact Howell Brady, Principal Assistant to the Executive Director at 502-564-3940, extension 265. Otherwise, please mail the required filing to Helen C. Helton, Executive Director, Public Service Commission, 730 Schenkel Lane, Post Office Box 615, Frankfort, Kentucky 40602.

Sincerely,



Stephanie Bell
Secretary to the Commission

SB/lc

C: The Honorable James M. Miller



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

December 20, 1999

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

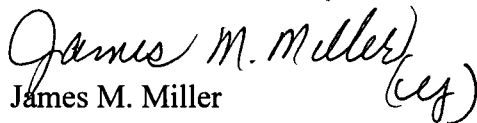
RECEIVED
DEC 22 1999
PUBLIC SERVICE
COMMISSION

Re: Big Rivers Electric Corporation
PSC Case No. 99-450

Dear Ms. Helton:

Enclosed, in compliance with Paragraph No. 6 of the Commission's November 24, 1999, Order in this matter, are an original and five copies of excerpts from the minutes of meetings of the boards of directors of each of Big Rivers' member cooperatives evidencing their authorization for the sale/leaseback transaction. A copy of this letter and attachments has been served upon each of the persons shown on the attached service list.

Sincerely yours,


James M. Miller

JMM/ej

Enclosures

cc: Michael H. Core
Doug Beresford
Service List

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

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

**SERVICE LIST
CASE NO. 99-450**

David C. Brown, Esq.
Stites & Harbison
1800 Aegon Center
400 West Market Street
Louisville, KY 40202-3352

Counsel for Alcan Aluminum Company

Allison Wade, Esq.
Holland & Knight
1201 West Peachtree Street NE
Suite 2000
Atlanta, Georgia 30309-3400

Counsel for Southwire Company

Michael L. Kurtz, Esq.
Boehm, Kurtz & Lowry
2110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

**Co-Counsel for Southwire Company
and Alcan Aluminum Corporation**

Elizabeth E. Blackford, Esq.
Assistant Attorney General
Utility and Rate Intervention
Division
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601

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P.O. Box 1389 • 3111 Fairview Drive
Owensboro, Kentucky 42302-1389
(270) 926-4141 • FAX (270) 685-2279
(800) 844-4732

EXCERPT FROM THE MINUTES OF A SPECIAL MEETING OF
THE BOARD OF DIRECTORS OF KENERGY CORP.
ON NOVEMBER 11, 1999

WHEREAS, Big Rivers Electric Corporation ("Big Rivers") has given this Corporation due notice that it proposes to consummate a leveraged lease of its ownership in (i) D. B. Wilson Unit No. 1, (ii) Robert D. Green Unit 1 and Unit 2; and (iii) the common facilities owned by Big Rivers which are located on the same site as the Green Units, and used in the operation of both Green Units (the "Lease Transaction"); and

WHEREAS, Big Rivers has requested that the Corporation, as a cooperative member of Big Rivers, authorize the board of directors of Big Rivers, pursuant to KRS 279.140(1), to enter into the Lease Transaction;

BE IT RESOLVED, that the Corporation hereby authorizes the board of directors of Big Rivers to lease, pursuant to the Lease Transaction, the ownership interest of Big Rivers in (i) D. B. Wilson Unit No. 1, (ii) Robert D. Green Unit 1 and 2; and (iii) the common facilities owned by Big Rivers which are located on the same site as the Green Units.

I, Debra Hayden, Assistant Secretary, hereby certify that the foregoing is a true and correct excerpt from the minutes of a meeting of the board of directors on November 11, 1999.


Assistant Secretary

EXCERPT FROM MINUTES NOVEMBER 18, 1999

I, Linda C. Barr, do hereby certify that: I am the assistant secretary of Meade County Rural Electric Cooperative Corporation (hereinafter called the "Cooperative"), the following is a true and correct copy of a resolution duly adopted by the board of directors of the Cooperative at the regular meeting held November 18, 1999 and entered in the minute book of the Cooperative; the meeting was duly and regularly called and held in accordance with the bylaws of the Cooperative.

"WHEREAS, Big Rivers Electric Corporation ("Big Rivers") has given this Corporation due notice that it proposes to consummate a leveraged lease of its ownership interest in (i) D. B. Wilson Unit No. 1; (ii) Robert D. Green Unit 1 and Unit 2; and (iii) the common facilities owned by Big Rivers which are located on the same site as the Green Units, and used in the operation of both Green Units (the "Lease Transaction"); and

"WHEREAS, Big Rivers has requested that the Corporation, as a cooperative member of Big Rivers, authorize the board of directors of Big Rivers, pursuant to KRS 279.140(1), to enter into the Lease Transaction;

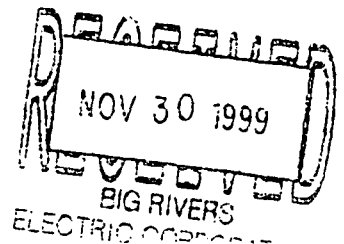
"BE IT RESOLVED, that the Corporation hereby authorizes the board of directors of Big Rivers to lease pursuant to the Lease Transaction the ownership interest of Big Rivers in (i) D. B. Wilson Unit No. 1; (ii) Robert D. Green Unit 1 and Unit 2; and (iii) the common facilities owned by Big Rivers which are located on the same site as the Green Units."

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal of the Cooperative this twenty-ninth day of November 1999.

Linda C. Barr

Assistant Secretary

(Corporate Seal)



BIG RIVERS LEASE TRANSACTION

WHEREAS, Big Rivers Electric Corporation ("Big Rivers") has given this Corporation due notice that it proposes to consummate a leveraged lease of its ownership interest in (i) D.B. Wilson Unit No. 1, (ii) Robert D. Green Unit 1 and Unit 2; and (iii) the common facilities owned by Big Rivers which are located on the same site as the Green Units, and used in the operation of both Green Units (the "Lease Transaction"); and

WHEREAS, Big Rivers has requested that the Corporation, as a cooperative member of Big Rivers, authorize the board of directors of Big Rivers, pursuant to KRS 270.140(1), to enter into the Lease Transaction;

BE IT RESOLVED, that the Corporation hereby authorizes the board of directors of Big Rivers to lease pursuant to the Lease Transaction the ownership interest of Big Rivers in (i) D.B. Wilson Unit No. 1, (ii) Robert D. Green Unit 1 and Unit 2; and (iii) the common facilities owned by Big Rivers which are located on the same site as the Green Units.

CERTIFICATE OF SECRETARY

I, WAYNE ELLIOTT, certify that I am Secretary of the JACKSON PURCHASE ENERGY CORPORATION Board of Directors and that the above and foregoing is a true excerpt from the minutes of a meeting of the Board of Directors on the 23RD of NOVEMBER, 1999, at which a quorum was present and that the above portion of the minutes have not been modified nor rescinded.

Wayne Elliott
Signature

11-23-99
Date



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
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

December 3, 1999

James M. Miller
Sullivan, Mountjoy, Stainback
& Miller, P.S.C.
100 St. Ann Building, P.O. Box 727
Owensboro, KY 42302-0727

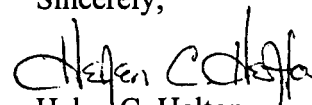
RE: Big Rivers Electric Corporation
Case No. 99-450
Petition for Confidential Protection

Dear Mr. Miller:

On November 19, 1999, the Commission received the petition filed on behalf of Big Rivers Electric Corporation to protect as confidential the responses of Big Rivers to P.S. C. data requests in order dated November 16, 1999, regarding leveraged lease of three generating units. 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 will 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

cc: All parties of record.



AN EQUAL OPPORTUNITY EMPLOYER M/F/D



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

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

CERTIFICATE OF SERVICE

RE: Case No. 1999-450
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 November 24, 1999.

See attached parties of record.

Stephanie J. Bell

Secretary of the Commission

SB/sa
Enclosure

Michael H. Core
President/CEO
Big Rivers Electric Corporation
201 Third Street
P. O. Box 24
Henderson, KY. 42420

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

Honorable Michael L. Kurtz
Attorney for Alcan & Southwire
Boehm, Kurtz & Lowry
2110 CBLD Center
36 East Seventh Street
Cincinnati, OH. 45202

Honorable David C. Brown
Counsel for Alcan Aluminum Corp.
Stites & Harbison
1800 Providian Center
400 West Market Street
Louisville, KY. 40202

Honorable Allison Wade
Counsel for Southwire Company
Holland & Knight, LLP
One Atlantic Center, Suite 2000
1203 West Peachtree Street, NE
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Elizabeth E. Blackford
Assistant Attorney General
Utility and Rate Intervention
Division
1024 Capital Center Drive
Suite 200
Frankfort, KY. 40601

Honorable Douglas L. Beresford
George F. "Geof" Hobday, Jr.
Long Aldridge & Norman LLP
Attorney for Big Rivers Electric
701 Pennsylvania Avenue, N.W.
Suite 600
Washington, DC. 20004

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S)
APPLICATION FOR APPROVAL OF A LEVERAGED) CASE NO. 99-450
LEASE OF THREE GENERATING UNITS)

O R D E R

On November 8, 1999, Big Rivers Electric Corporation ("Big Rivers") filed an application seeking authority, if needed, to implement a sale and leaseback transaction ("lease transaction") involving certain generating facilities owned by Big Rivers.¹ The application requested the Commission to disclaim jurisdiction over the lease transaction and the documents to be issued in connection with the lease transaction. In the alternative, Big Rivers sought Commission approval of the lease transaction and the documents considered to be "evidences of indebtedness," including amendments to the documents approved by the Commission in 1998 in conjunction with the LG&E Energy

¹ Specifically, Big Rivers proposed to consummate a leveraged lease of its ownership interest in the D. B. Wilson Unit No. 1 ("Wilson Unit"), the Robert D. Green Units No. 1 and 2 ("Green Units"), and the common facilities owned by Big Rivers that are located at the Green Units site. The Wilson Unit, Green Units, and the common facilities at the Green Units site are referenced as the "Facilities."

Corp. lease transaction ("LEC transaction").² Additionally, Big Rivers requests permission to deviate from the filing requirements of 807 KAR 5:001, Section 11, to the extent its application was not in compliance with that regulation. Finally, due to the complexity and timing of the lease transaction, Big Rivers requests that the Commission expedite its review of the proposed lease transaction and grant the requested approvals no later than November 24, 1999.

The Attorney General, Southwire Company, and Alcan Aluminum Corporation were granted intervention in this proceeding. An informal conference was held at the Commission's offices on October 21, 1999 to provide additional explanations about the proposed transaction.

The Wilson Unit is located in Ohio County, Kentucky, and was placed into commercial operation in November 1986. The Green Units are located in Webster County, Kentucky, and were placed into commercial operation in December 1979 and January 1981. The units are coal-fired steam electric generating stations that are equipped with sulfur dioxide scrubbers. The combined net rated capability of the units is 874 MW.

² 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, final Order dated April 30, 1998, and Case No. 98-267, The Application of Big Rivers Electric Corporation for Approval of the 1998 Amendments to Station Two Contracts Between Big Rivers Electric Corporation and the City of Henderson, Kentucky and the Utility Commission of the City of Henderson, final Order dated July 14, 1998. Under the terms of the LEC transaction, Big Rivers leases its generating assets to subsidiaries or affiliates of LG&E Energy Corp. Big Rivers has been operating under the terms of that agreement since July 15, 1998, the closing date of the LEC transaction.

Big Rivers states in the application that the purpose of the proposed lease transaction is to simultaneously sell and lease back certain ownership rights, and use the net cash benefit from the lease transaction to pay down approximately \$70 million of its debt. The proposed lease transaction will consist of up to six sales and leasebacks involving two equity investors and separate undivided interests in Big Rivers' ownership interest in the Facilities.

The form of the lease transaction will be a long-term lease ("Head Lease") of an undivided interest in the Facilities from Big Rivers to the trustee³ of a trust estate created for the benefit of the equity investor. The trustee will also lease from Big Rivers an undivided interest in the sites the Facilities are located on for a term identical to that of the Head Lease ("Ground Lease"). A Participation Agreement will set forth the terms of the closing conditions, the payment of transaction costs, certain covenants and indemnification of the parties, and other general matters relating to the lease transaction.

The Head Lease will be considered a sale of the undivided interest in the Facilities for federal income tax purposes because the term of the Head Lease extends beyond the entire expected economic useful life of the Facilities. The trustee will pay all the rent under the Head Lease on the closing date. The trustee will finance the rent

³ Exhibit 3 of the application identifies the trustee as the State Street Bank and Trust Company of Connecticut, N.A.

payment with a combination of equity from the equity investor and the proceeds of non-recourse loans to the trustee.⁴

The trustee will lease the trust's undivided interest in the Facilities back to Big Rivers under a shorter-term lease ("Facilities Lease") for a term that extends beyond the expiration of the LEC transaction.⁵ The Facilities Lease will be a conventional "triple net" lease, under which Big Rivers will have the obligation to maintain and insure the Facilities and will incur the risk of loss with respect to the Facilities. The trustee will also lease the Facilities' sites back to Big Rivers for the term of the Facilities Lease ("Ground Sublease").

The Facilities Lease will be subject to the terms of the LEC transaction. The lease transaction documents will provide that at the end of the term of the LEC transaction, or its early termination, Big Rivers will be responsible for the operation and maintenance of the Facilities through the end of the Facilities Lease term. At the end of the Facilities Lease, Big Rivers will have the option to either purchase the remaining leasehold interest of the trust under the Head Lease or operate the Facilities on behalf

⁴ These non-recourse loans will be secured by the trustee's interest in the Facilities under the Head Lease, the Facilities Lease, the Ground Lease and Sublease, Big Rivers' payment of rent, certain investment instruments purchased by Big Rivers and assigned to the trustee, and the trustee's interest in the Big Rivers Mortgage.

⁵ The term of the Facilities Lease for the Wilson Unit will be approximately 27 years and for the Green Units approximately 25 years.

of the trust and locate an unrelated, third party to purchase power generated from the Facilities.⁶

Big Rivers will economically defease its periodic rent obligations under the Facilities Lease by using a portion of the rent payment received under the Head Lease on the closing date to purchase investment instruments⁷ from affiliates of Ambac Assurance Corporation ("Ambac") and another institution. The payments under these investment instruments in the aggregate will be equal in timing and amount to Big Rivers' basic rent obligation under the Facilities Lease.⁸ In addition, these investments will provide for payment of an amount sufficient to fund Big Rivers' right to purchase the trustee's interest in the Facilities at the end of the Facilities Lease term.

Big Rivers will have the option to purchase the equity investor's interest in the trust if either the lease transaction becomes illegal with respect to Big Rivers and cannot be restructured in a manner acceptable to the parties or burdensome indemnities become due by Big Rivers. Big Rivers will pay the trustee a purchase price for the trustee's interest under the Head Lease equal to a specified amount ("Termination

⁶ Under the purchase option, Big Rivers would pay a fixed purchase price plus unpaid rent. The fixed purchase option price will be economically defeased. Under the continued operations option, the terms and conditions for the operation of the Facilities and the associated power purchase agreement will be governed by two additional documents, an Operating and Support Agreement and a Service Contract.

⁷ The investment instruments will take the form of guaranteed investment contracts, prepaid swap agreements, or interest bearing deposits.

⁸ In its application, Big Rivers states that the acquisition of the investment instruments will be made by a wholly owned, limited purpose corporate subsidiary of Big Rivers created for this transaction in order to limit the impact of certain state and local taxes. Big Rivers will use a portion of the rent payment under the Head Lease as a capital infusion to the new subsidiary, in order for the subsidiary to acquire these investment instruments.

Value"). In addition, involuntary termination of the Facilities Lease can occur in the event of loss or an event of default.⁹ Generally, a termination of the Facilities Lease due to an event of loss will require that Big Rivers purchase the equity investor's interest in the trust by payment of an amount equal to the Termination Value plus all unpaid rent. Following an event of default under the Facilities Lease, the equity investor will be entitled to put its beneficial interest in the trust under the Head Lease to an Ambac subsidiary for the full amount of Termination Value. Under the terms of an arrangement called a Lessor Swap, the obligations of the Ambac subsidiary will be guaranteed by Ambac pursuant to a surety bond. The Ambac subsidiary would then be entitled to put this beneficial interest in the trust to Big Rivers for the full amount of the Termination Value or an alternate cash settlement procedure. Under the terms of an arrangement called the Big Rivers Swap, Ambac will guarantee Big Rivers' obligations pursuant to a financial guarantee insurance policy.

Big Rivers will issue a promissory note to the trustee to evidence its obligation to pay the Termination Value under the Facilities Lease and to the Ambac subsidiary to pay the Termination Value under the Big Rivers Swap. Big Rivers will also grant to the trustee, the equity investor, the Ambac subsidiary, and the lenders, a mortgage and security agreement in Big Rivers' ownership interest in all of its property that is subject to the Big Rivers Mortgage to secure the performance of its obligations to pay certain contractual, tort, and other indemnities under the lease transaction. This mortgage and

⁹ An event of loss refers to either the physical destruction of the assets without rebuilding, condemnation by eminent domain, or public utility regulation of the equity investor by reason of the lease transaction. An event of default refers to performance defaults by various parties to the lease transaction agreements or the downgrading of Ambac. See the Response to the Commission's November 16, 1999 Order, Item 14.

security agreement will be subject and subordinate to the Big Rivers Mortgage, the Head Lease, the Facilities Lease, the Ground Lease and Sublease, the LEC transaction, and Big Rivers' arrangements with the city of Henderson, Kentucky ("Henderson").

The lease transaction will not affect the operation and maintenance of the Facilities by Western Kentucky Energy Corp. ("WKEC") pursuant to the LEC transaction. The affiliates of LG&E Energy Corp. associated with the LEC transaction ("LG&E Parties") have raised 11 specific concerns about the proposed lease transaction. Based on the information provided and statements made by Big Rivers, the LG&E Parties have stated that they have no objection to Big Rivers proceeding with the development of the proposed lease transaction.¹⁰

The LG&E Parties required as a condition to consenting to the proposed lease transaction that the parties to the transaction agree to subordinate their interest under the Head Lease to the interests of the LG&E Parties under the LEC transaction. In consideration for the subordination of interest, and in order for the equity investor and the associated lenders to enjoy the full economic benefit of the investments and loans, Big Rivers will partially assign the Power Purchase Agreement between Big Rivers and LG&E Energy Marketing, Inc. to the trustee. Big Rivers will also assign the right to receive a portion of the rent paid by WKEC under the lease of the Facilities in the LEC transaction to the trustee. The trustee will reassign these interests back to Big Rivers in

¹⁰ The LG&E Parties have reserved the right to withhold their final approval of the transaction until such time as the transaction documentation has been finalized and the concerns of the LG&E Parties have been satisfactorily addressed. See Response to the Commission's November 16, 1999 Order, Item 9.

the lease transaction for the term of the Facilities Lease and the trustee will have no rights or obligations under this assignment unless the Facilities Lease is terminated under specific circumstances.

The common facilities located at the Green Units' site are used jointly in the operation of the Green Units and the Station Two Facility owned by Henderson. The proposed lease transaction will not affect the continued access to these common facilities by Henderson or the LG&E Energy Corp. affiliate that operates the Station Two Facility under the LEC transaction. No consents or approvals will be required from Henderson for the proposed transaction.

Based on current information, Big Rivers has estimated that as a result of the lease transaction, it will receive approximately \$913 million. Payments to establish the debt and equity defeasance instruments are estimated to cost approximately \$825 million. Enhancement fees and expenses for legal, advisory, appraisal, and miscellaneous services are estimated to cost approximately \$18 million.¹¹ This results in a net cash benefit of \$70 million.¹² The final amount of the net cash benefit will vary based upon the interest rate obtained on the closing date for the defeasance deposits and changes in other assumptions.

Big Rivers' accumulated net operating losses will be used to offset federal income taxes that would be recognized on the net gain realized by Big Rivers as a

¹¹ The estimated proceeds and associated costs are shown in the Response to the Commission's November 16, 1999 Order, Item 14.

¹² Big Rivers has indicated that it will record the net cash benefit in Account No. 253 – Other Deferred Credits, and amortize the amount on a straight-line basis over the expected lease term of 27 years. See Response to the Commission's November 16, 1999 Order, Item 3.

result of the transaction. The total amount of the net cash benefit will be paid to the Rural Utilities Service ("RUS") and applied to the RUS New Note as a condition of receiving RUS consent to the lease transaction. The RUS New Note debt service schedule will be recalculated to reflect the lower principal balance.¹³ Big Rivers anticipates that this recalculation will reduce its annual debt service by approximately \$5 million. The Big Rivers' board of directors has deferred a decision on the use of the savings until the transaction is completed and the annual debt service savings can be accurately determined.

Big Rivers is seeking a written determination from the Kentucky Revenue Cabinet ("Revenue Cabinet") concerning certain state tax issues. As of the filing of its application, Big Rivers had not received this determination. In addition, Big Rivers' member cooperatives must approve the lease transaction. The proposed lease transaction will be submitted to the member cooperatives between November 8 and 20, 1999.

Big Rivers included with its application a motion requesting the Commission to disclaim jurisdiction over the proposed leveraged lease transaction. The motion states that the transaction is not a financing subject to Commission jurisdiction because no securities or evidences of indebtedness will be issued. Big Rivers asserts that, although it will execute two notes, an amendment to its existing mortgage, and a new subordinated mortgage, such documents only secure its performance under the

¹³ In its application, Big Rivers indicated it anticipated that RUS would also allow Big Rivers to receive a reduction in debt service costs that RUS would realize by using the net cash benefit it received to prepay high interest notes to the Federal Financing Bank on the underlying RUS debt. However, no written verification of this benefit has been received by Big Rivers.

leveraged lease and do not evidence current new or refinanced debt or securities. Alternatively, Big Rivers claims that the transaction falls within the exemption to the Commission's financing authority under KRS 278.300(10) because the financing is subject to the control of an agency of the federal government, the RUS.

The Commission finds no merit in this motion. Even though the purpose of the two new notes is to secure Big Rivers' performance of certain contractual obligations, the notes are evidences of indebtedness that require prior Commission approval under KRS 278.300(1). Furthermore, the mortgage amendment and new subordinated mortgage to be executed by Big Rivers must also be approved since they are modifications to documents previously reviewed and approved by the Commission.

Although the Commission has previously disclaimed jurisdiction over financings that are subject to the control of a federal agency, such as RUS, the leverage lease proposed here is not under the control of RUS. The terms and conditions of the transaction are not being established by RUS, but by private banks and non-governmental investors. The participation of RUS has been limited to granting requisite approval of the transaction and lien accommodations, activities that do not rise to the level of control that exists when RUS is the lender for the transaction.

In addition, the proposed transaction will require modifications to many of the documents previously approved by the Commission in conjunction with Big Rivers' 1998 lease of its generating assets to a subsidiary of LG&E Energy Corp.¹⁴ As such, these modifications to previously approved documents will need Commission approval.

¹⁴ Case No. 98-267, final Order dated July 14, 1998.

Big Rivers also included a motion for expedited consideration, stating that the Commission will need to approve the transaction by November 24, 1999 for a closing to be held by the end of the year. If the transaction does not close by the end of 1999, the benefits to Big Rivers and its members will be reduced by an estimated \$6-\$8 million. While this potential reduction in benefits amounts to only approximately 10 percent of the total estimated benefits, the absolute amount is very significant, particularly in light of Big Rivers' financial condition and its debt service requirements.

Based on the significant benefit reduction if a decision is not issued by November 24, 1999, the Commission has given this application a high priority status to ensure that a final decision is issued by that date. The Commission notes that at the suggestion of its Staff, an informal conference was held at our offices on October 21, 1999 to allow Big Rivers an opportunity to explain the details of the transaction to Staff and intervenors. The application was then filed on November 8, 1999, giving the Commission and intervenors only 16 days to investigate a highly complex and detailed financial transaction.

While Big Rivers maintains that its application could not have been filed earlier because the transaction was "susceptible to change" and "in flux,"¹⁵ the record demonstrates that on September 1, 1999, Big Rivers provided the Revenue Cabinet with a very detailed, written description of the proposed transaction.¹⁶ Had such a description been provided to the Commission at that time, our investigation would have been greatly facilitated and our attention would not have had to be diverted from other

¹⁵ Response to the Commission's November 16, 1999 Order, Item 7.

¹⁶ Id., Item 6.

pending cases. The Commission admonishes Big Rivers that such dilatory conduct will not be tolerated in the future. Big Rivers is put on notice that time-sensitive applications must be filed as early as possible, not weeks after the major parameters of the transaction are known with reasonable certainty.

The Commission has concerns about Big Rivers' potential financial exposure due to an early termination of the Facilities Lease. Based on the documents and responses in this record, it appears that adequate provisions have been made concerning the potential exposure from an early termination due to an event of loss or event of default. Big Rivers has acknowledged that an early termination at its direction would result in a financial exposure of as much as \$218 million.¹⁷

An example of an early termination initiated voluntarily by Big Rivers would be the situation where under the defeased lease transaction, burdensome indemnities become due by Big Rivers. Such a situation implies that Big Rivers' financial condition has deteriorated and it may not possess the financial resources to pay the Termination Value. However, Big Rivers has stated that it could only exercise this option if it possessed sufficient financial resources to pay the Termination Value. Big Rivers notes that the RUS has been kept apprised of all aspects of the proposed lease transaction, and the RUS is well aware that the potential early termination exposure exceeds the upfront net proceeds to be paid to the RUS. Big Rivers has concluded that it would be extremely unlikely RUS would acquiesce to the proposed lease transaction if it perceived there to be a significant possibility of an early termination of the Facilities

¹⁷ Id., Item 4.

Lease.¹⁸ Given Big Rivers' statements and assurances of the RUS's understanding of the potential exposure, the Commission finds this potential exposure to be reasonably addressed.

The Commission, after consideration of the evidence of record and being otherwise sufficiently advised, finds that Big Rivers should be authorized to proceed with the proposed transaction. Based on the description of the proposed transaction, the primary benefit of the proposed lease transaction is the \$70 million net cash benefit and the estimated \$5 million reduction in Big Rivers' debt service obligations to the RUS. The reduction in debt service obligations results from both an additional interest rate reduction and a restructured debt service schedule. The RUS has given verbal assurances in face-to-face meetings with Big Rivers as recently as November 16, 1999 that both the interest rate reduction and the restructured debt service schedule will be reflected in the appropriate documents.¹⁹ The Commission advises Big Rivers that the Commission's approval of the lease transaction is predicated upon the inclusion of both an interest rate reduction and a debt service schedule restructuring.

IT IS THEREFORE ORDERED that:

1. The motion for a disclaimer of jurisdiction over the proposed lease transaction is denied.
2. Big Rivers is authorized to execute a lease of its Wilson and Green Units, along with the associated common facilities at the Green Units' site, pursuant to a sale and leaseback transaction as described in the application.

¹⁸ Id., Item 5.

¹⁹ Id., Item 3(d).

3. Big Rivers shall agree only to such terms, conditions, and prices that are consistent with said parameters as set out in the application.

4. Within 10 days of the date of this Order, Big Rivers shall file with the Commission copies of a letter from its lease counsel that the proposed lease transaction is in compliance with the applicable sections of the Internal Revenue Service Code and any guidelines, rules, or regulations promulgated by the Internal Revenue Service concerning such lease transactions.

5. Big Rivers shall file with the Commission copies of the Revenue Cabinet determination concerning Kentucky tax issues within 10 days of its receipt. If the Revenue Cabinet determination causes Big Rivers to abandon the proposed transaction, notice of that decision should be included with the filing.

6. Big Rivers shall file with the Commission copies of the final approvals of the lease transaction from its member cooperatives, the LG&E Parties, and the RUS within 10 days of their receipt. Any conditions included in the final approvals that were not a part of the record in this proceeding shall be identified and the effect of the conditions summarized.

7. Big Rivers shall, within 30 days of the completion of the sale and leaseback transaction, file two copies of all transaction documentation with the Commission. In addition, Big Rivers shall include an executive summary of the terms and conditions of the finalized transaction. The summary shall note and explain any terms and conditions that are different from those described in the application.

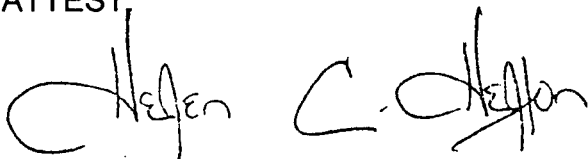
8. Big Rivers shall, in the first monthly financial report filed with the Commission after the booking of the benefits from the sale and leaseback transaction,

include notes to its respective financial statements explaining the determination of the benefits recognized from the transaction. This shall include the disclosure of the final transaction price, the gross up-front benefit amount received by Big Rivers, the total expenses to achieve the transaction, the total amount applied to the RUS New Note, and an explanation of any debt service revisions provided by the RUS.

Done at Frankfort, Kentucky, this 24th day of November, 1999.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Stephen C. Coffey". The signature is written in a cursive style with a large initial "S".

Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

NOV 23 1999

PUBLIC SERVICE
COMMISSION

In The Matter Of Big Rivers Electric Corporation for : Case No. 99-450
Approval of A Leveraged Lease of Three Generating Units :

NOTICE OF POSITION AND INTEREST BY
ALCAN ALUMINUM CORPORATION AND SOUTHWIRE COMPANY

The Intervenors, Alcan Aluminum Corporation ("Alcan") and Southwire Company ("Southwire") (collectively, the "Smelters") hereby give notice of the following:

1. The Application of Big Rivers for Approval of the Defeased Sale-Leaseback Transaction presents to the Commission an innovative but extremely complex set of transactions that are represented to improve Big Rivers' operating margins and reduce its RUS debt.
2. Alcan and Southwire have moved for full intervention, but their motions have not been ruled on.
3. The Application was filed on November 8, 1999. The only prior information provided to the Smelters about the transaction was at the informal staff conference held October 24, 1999. The Applicant has requested the Commission to expedite its approval process to two weeks, or until November 24, 1999.
4. Big Rivers has stated that it cannot make any representation regarding the realization of any potential benefit Alcan and/or Southwire will receive from the transaction. The Smelters agree with this conclusion and accordingly the Smelters are only concerned that the transaction and remedies flowing therefrom do not affect the Smelters' interests. Therefore, the Smelters do not oppose Big

Rivers in attaining the objectives set forth in paragraph 1 and do not desire to interfere in the Commission's approval process so long as the Smelters are given satisfactory written assurances from Big Rivers, Kenergy and LG&E Energy Corp. that the transaction will not affect the Smelters' interests in the rates, charges, terms and conditions for electric service as approved by the Commission in PSC Case Nos. 97-204, 97-219, 97-220 and 98-267, and the other agreements established as a result of the Big Rivers Plan of Reorganization. Within the abbreviated time frame requested by Big Rivers the Smelters do not have adequate time to independently analyze the transaction or receive written assurances from Big Rivers and other participants. The Smelters state that it is inherently unreasonable and would be a denial of due process for the Smelters to be required to work within this time frame.

5. The Smelters are in discussions with Big Rivers, Kenergy Corporation and LG&E Energy Corp. with respect to the transaction and receiving the reasonable assurances they desire. The parties are proceeding in good faith and the Smelters anticipate that their reasonable requests will be accommodated. Big Rivers has already provided certain assurances verbally, and the Smelters' have relied upon such oral assurances in order to agree on the procedure outlined below without making their own independent investigation. To that end, the Smelters hereby notify the Commission and other Intervenors as follows:

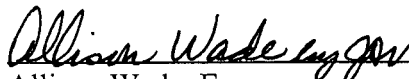
As an accommodation to Big Rivers, the Smelters have no objection to the Commission proceeding with its review and approval process within the time frame proposed by Big Rivers; on the conditions agreed to by Big Rivers that:

1. Big Rivers will provide the Smelters with reasonable assurances that the Lease Transaction will not disturb the Smelters' rights as defined and implemented in accordance with the Big Rivers Bankruptcy Plan of Reorganization and approved by the Commission. The Smelters will not expect Big Rivers to provide assurances about what cost will or will not be included in any wholesale rates that may be made available to Kenergy in the future for service to the Smelter loads.

2. If no agreement on the assurances outlined in Paragraph 1 are reached, Big Rivers understands that the Smelters may desire to seek rehearing of or appeal (within the statutory time limits) the Commission's Order in Case No. 99-450. In that event, Big Rivers agrees as follows: (i) Big Rivers will not object to the petition for rehearing or the appeal on the grounds of when it is filed, or on the grounds of waiver, estoppel or similar defense that the Smelters did not raise before the Commission the issue or issues they may raise in such a petition or such an appeal; and (ii) Big Rivers will not claim that the Smelters are proceeding in bad faith by the timing of the filing of such a petition for rehearing or appeal, or by raising in good faith substantive issues regarding the impact of the Lease Transaction on the Smelters' interests as defined above including due process objections to the Commission proceedings on the basis of the time period allowed for the Commission and Intervenors' review.
3. The Smelters will not actively participate in the Lease Transaction approval case but will remain parties to the case as intervenors, assuming that the Commission grants their motions to intervene, which Big Rivers has not opposed.
4. Big Rivers will continue to respond informally to reasonable requests for information at the Big Rivers level made by the Smelters outside of a formal Commission proceeding regarding the impact of the Lease Transaction on the Smelters' interests as defined above. All information that passes between Big Rivers and the Smelters regarding these negotiations or the subject of information requests will be made available to the Commission and the Attorney General, if they request it.
5. If the assurances provided by Big Rivers, LG&E and Kenergy are satisfactory, then the Smelters will promptly provide Big Rivers with an acknowledgement to that effect along with a written waiver of their rights to appeal and to seek rehearing of the order in the Lease Transaction approval case.

WHEREFORE, Alcan Aluminum Corporation and Southwire Company hereby give notice of the above.

Respectfully submitted,



Allison Wade, Esq.
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David C. Brown, Esq.

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**Co-Counsel for Southwire Company and
Alcan Aluminum Corporation**

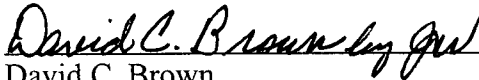
November 23, 1999

CERTIFICATE OF SERVICE

It is hereby certified that a copy of the foregoing Notice was served on the counsel listed below by U.S. Mail, posted this 23rd day of November, 1999:

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

Elizabeth E. Blackford
Assistant Attorney General
Utility and Rate Intervention Division
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601



David C. Brown



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

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

November 23, 1999


To: All parties of record

RE: Case No. 1999-450
BIG RIVERS ELECTRIC CORPORATION

The Commission staff has reviewed your application in the above case and finds that it meets the minimum filing requirements. Enclosed please find a stamped filed copy of the first page of your filing. This case has been docketed and will be processed as expeditiously as possible.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,


Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

Michael H. Core
President/CEO
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Honorable Douglas L. Beresford
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Attorney for Big Rivers Electric
701 Pennsylvania Avenue, N.W.
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Washington, DC. 20004

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC
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Bryan R. Reynolds
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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

FILED
NOV 08 1999
PUBLIC SERVICE
COMMISSION

RECEIVED
NOV - 8 1999
PUBLIC SERVICE
COMMISSION

Re: Big Rivers Electric Corporation's Application for Approval
of a Leveraged Lease of Three Generating Units

CASE 99-450

Dear Ms. Helton:

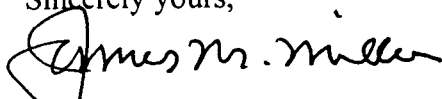
Enclosed are an original and ten (10) copies of the Application of Big Rivers Electric Corporation for approval of a leveraged lease for three of its generating units. The application also contains a motion for disclaimer of jurisdiction, a motion for deviation from rules, and a motion for expedited consideration.

Also enclosed is a Petition for Confidential Treatment of Exhibit 5 to the foregoing application. Because Big Rivers is seeking expedited review of its application in this matter, we are enclosing eleven (11) copies of the Confidential Information with the Petition for Confidential Treatment, rather than the usual single copy.

We are in the process of acquiring confidentiality agreements from representatives of Southwire Company, Alcan Aluminum Corporation and the Attorney General so we can make the entire application available to them immediately.

Today we have served a copy of this letter and all enclosures (other than the information for which confidential treatment is sought) by overnight courier on the persons shown on the attached service list.

Sincerely yours,



James M. Miller

JMM/ej

cc: Michael H. Core
David Spainhoward
Service List

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

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

November 22, 1999

To: All parties of record

RE: Case No. 1999-450

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

Sincerely,

A handwritten signature in black ink that reads "Stephanie J. Bell".

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

Michael H. Core
President/CEO
Big Rivers Electric Corporation
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Utility and Rate Intervention
Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601

Honorable Douglas L. Beresford
George F. "Geof" Hobday, Jr.
Long Aldridge & Norman LLP
Attorney for Big Rivers Electric
701 Pennsylvania Avenue, N.W.
Suite 600
Washington, DC 20004

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S)
APPLICATION FOR APPROVAL OF A) CASE NO.
LEVERAGED LEASE OF THREE GENERATING) 99-450
UNITS)

O R D E R

This matter arises upon the motions of Alcan Aluminum Corporation and Southwire Company ("Petitioners") for full intervention. It appears to the Commission that Petitioners have 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. Petitioners must accept the existing procedural schedule set forth in our November 15, 1999 Order. That Order established dates for discovery, with a final decision by November 24, 1999.

This Commission being otherwise sufficiently advised, IT IS HEREBY ORDERED that:


1. The motions of Petitioners to intervene are granted, and each Petitioner shall accept the existing procedural schedule.
2. Each 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 any Petitioner file documents of any kind with the Commission in the course of these proceedings, said Petitioner shall also serve a copy of said documents on all other parties of record.

Done at Frankfort, Kentucky, this 22nd day of November, 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

November 22, 1999

To: All parties of record

RE: Case No. 1999-450

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

Michael H. Core
President/CEO
Big Rivers Electric Corporation
201 Third Street
P. O. Box 24
Henderson, KY 42420

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

Honorable Michael L. Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
2110 CBLD Center
69 East Seventh Street
Cincinnati, OH 45202

Honorable David C. Brown
Attorney at Law
Stites & Harbison
400 West Market Street
Suite 1800
Louisville, KY 40202 3352

Honorable Allison Wade
Attorney at Law
Holland & Knight
1201 West Peachtree Street NE
Suite 2000
Atlanta, GA 30309 3400

Elizabeth E. Blackford
Assistant Attorney General
Utility and Rate Intervention
Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601

Honorable Douglas L. Beresford
George F. "Geof" Hobday, Jr.
Long Aldridge & Norman LLP
Attorney for Big Rivers Electric
701 Pennsylvania Avenue, N.W.
Suite 600
Washington, DC 20004

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S)
APPLICATION FOR APPROVAL OF A) CASE NO.
LEVERAGED LEASE OF THREE GENERATING) 99-450
UNITS)

O R D E R

This matter arises upon the motion of the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("Attorney General"), filed November 15, 1999, pursuant to KRS 367.150(8), for full intervention. The Attorney General must accept the existing procedural schedule set forth in our November 15, 1999 Order. That Order established dates for discovery, with a final decision due by November 24, 1999.

IT IS THEREFORE ORDERED that the motion is granted, the Attorney General is hereby made a party to these proceedings, and he shall accept the existing procedural schedule.

Done at Frankfort, Kentucky, this 22nd day of November, 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

November 16, 1999

To: All parties of record

RE: Case No. 99-450

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

Sincerely,

A handwritten signature in black ink that reads "Stephanie J. Bell".

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

Michael H. Core
President/CEO
Big Rivers Electric Corporation
201 Third Street
P. O. Box 24
Henderson, KY 42420

Honorable James M. Miller
Attorney at Law
Sullivan, Mountjoy, Stainback
& Miller PSC
100 St. Ann Building
P. O. Box 727
Owensboro, KY 42302 0727

Honorable Michael L. Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
2110 CBLD Center
69 East Seventh Street
Cincinnati, OH 45202

Honorable David C. Brown
Attorney at Law
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400 West Market Street
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Louisville, KY 40202 3352

Honorable Allison Wade
Attorney at Law
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1201 West Peachtree Street NE
Suite 2000
Atlanta, GA 30309 3400

Elizabeth E. Blackford
Assistant Attorney General
Utility and Rate Intervention
Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S)
APPLICATION FOR APPROVAL OF A LEVERAGED) CASE NO. 99-450
LEASE OF THREE GENERATING UNITS)

O R D E R

IT IS ORDERED that Big Rivers Electric Corporation ("Big Rivers") shall file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than November 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. Concerning the proposed leveraged lease transaction:
 - a. Provide a diagram of the proposed transaction, clearly showing the relationship between the anticipated participants, the respective documents, and the estimated dollars associated with each document or step of the proposed transaction.

For purposes of this request, anticipated participants may be identified as "equity investor," "owner trustee," or other generic labels, as necessary.

b. Using Big Rivers' current assumptions and estimates, prepare a schedule listing each transaction document and all associated payments to or payments made by Big Rivers under the proposed transaction. Where not previously provided, include the calculations showing how the amounts were determined.

2. Provide a brief summary of the purpose and effect of each document or agreement associated with the proposed lease transaction. These summaries should cover the 22 documents and agreements referenced in Exhibit 3 of the application and other supporting documents and agreements discussed in Exhibit 5 of the application.

3. Concerning the expected benefits to Big Rivers from the proposed lease transaction, pages 5 and 6 of the application:

a. Provide all assumptions and calculations that support the currently estimated net cash benefit of \$70 million.

b. Where not already provided, enumerate all the benefits to Big Rivers if the proposed lease transaction is completed by the end of 1999.

c. Enumerate the benefits to Big Rivers if the proposed lease transaction were completed in December 2000, rather than December 1999. Explain the reason(s) for any significant differences between the level of benefits expected in 1999 and 2000.

d. Explain the basis for Big Rivers' statement on page 6 of the application concerning the actions anticipated from the Rural Utilities Service ("RUS").

e. Explain why Big Rivers anticipates, rather than has written verification, that RUS will allow Big Rivers to receive the benefit of the reduction in debt service costs that RUS will realize by using the net cash benefit. Provide copies of any correspondence or documentation from RUS supporting Big Rivers' assumptions.

f. Provide the assumptions and calculations supporting Big Rivers' estimated annual debt service reduction of \$5 million. Indicate whether this annual reduction is due solely to a lowered principal balance, a reduction in interest rates, or a combination of factors.

g. Provide the accounting entries Big Rivers expects to make to its books to reflect the total net benefit of \$70 million and the estimated annual debt service reduction of \$5 million.

4. Provide a detailed description of Big Rivers' potential exposure due to early termination of the transaction that is not covered by the arrangements described in the application. For any exposure of Big Rivers not covered by an arrangement included in the proposed transaction, explain how Big Rivers intends, as of this time, to fund such an exposure.

5. Concerning Big Rivers' potential exposure due to an early termination of the transaction:

a. Has RUS expressed any concerns or stated a position this potential exposure? Provide any information received from RUS concerning its position regarding this issue.

b. Has RUS indicated its position concerning the impact on the restructured RUS debt instruments in the event Big Rivers incurred losses due to an

early termination of the lease transaction? Provide any information received from RUS concerning its position regarding this issue.

6. Refer to page 21 of the application. Big Rivers has stated that the proposed lease transaction is contingent upon receiving favorable rulings from the Kentucky Revenue Cabinet ("Revenue Cabinet").

a. Describe the nature of the rulings being sought from the Revenue Cabinet. Indicate the impact an unfavorable ruling would have on the proposed lease transaction.

b. Has Big Rivers made any filings or submitted any written requests to the Revenue Cabinet concerning these rulings? If so, provide copies of the filings or requests. If not, indicate when these rulings will be sought and explain why this process has not already been started.

7. Big Rivers filed its application on November 8, 1999 and has requested the Commission rule on the application by November 24, 1999. Big Rivers made a presentation of the proposed lease transaction to the Commission Staff and potential intervenors at an informal conference held on October 21, 1999. Explain why Big Rivers was unable to file this application prior to November 8, 1999.

8. Provide a schedule of Big Rivers' income tax net operating losses ("NOLs") as of October 31, 1999. The schedule should show the NOL generated for each corporate tax year, and when the carryforward of that year's NOL will expire.

9. Refer to page 15 of the application, the discussion of the effect of the proposed lease transaction on the LG&E Energy Transaction.

a. Have LG&E Energy Corp. ("LG&E Energy") and its affiliated companies who are parties to the LG&E Energy Transaction expressed any concerns with the proposed lease transaction? If yes, describe the nature of the concerns.

b. Do LG&E Energy and its affiliated companies support or consent to the proposed lease agreement? If yes, provide any documentation concerning this support or consent. If no, explain how this situation impacts the proposed lease transaction.

10. Explain in detail why it is necessary for Big Rivers to assign certain rights and obligations under the LG&E Energy Marketing, Inc. Power Purchase Agreement to the Owner Trustee. Describe in detail what rights and obligations are being assigned and state the dollar value, for either revenues or expenses, associated with the rights and obligations.

11. The various documents and agreements have not been prepared in final form. Identify any items as presented in the term sheets in Exhibit 5 to the application that could change when the documents and agreements are in their final form, which would result in a significant change in the proposed lease transaction. For purposes of this response, significant change means a plus or minus 5 percent change in the revenues or expenses associated with the transaction and/or a change in the level of Big Rivers' exposure to termination charges.

12. Provide the following information for Wilson Unit No. 1, Green Units No. 1 and 2, and the Common Facilities:

a. The original in service date for each unit of facility.

b. The service life of that plant based on the current depreciation schedule.

c. The difference, in years, between the estimated service life of the plant and the corresponding lease term.

13. Identify the following entities referenced in Exhibit 3 of the application:

a. State Street Bank and Trust Company of Connecticut, N.A.

b. AME Investments, LLC.

c. Ambac Credit Products, LLC.

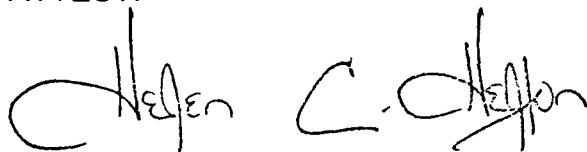
d. Federal Farm Credit Banks Funding Corporation.

14. Provide the handout presented by Big Rivers at the October 21, 1999 informal conference.

Done at Frankfort, Kentucky, this 16th day of November, 1999.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Helen C. Coffey". The signature is written in a cursive style with a horizontal line underneath the name.

Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

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

November 15, 1999

To: All parties of record

RE: Case No. 99-450

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

Sincerely,

A handwritten signature in black ink that reads "Stephanie J. Bell".

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

Michael H. Core
President/CEO
Big Rivers Electric Corporation
201 Third Street
P. O. Box 24
Henderson, KY 42420

Honorable James M. Miller
Attorney at Law
Sullivan, Mountjoy, Stainback
& Miller PSC
100 St. Ann Building
P. O. Box 727
Owensboro, KY 42302 0727

Honorable Michael L. Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
2110 CBLD Center
69 East Seventh Street
Cincinnati, OH 45202

Honorable David C. Brown
Attorney at Law
Sitties & Harbison
400 West Market Street
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Louisville, KY 40202 3352

Honorable Allison Wade
Attorney at Law
Holland & Knight
1201 West Peachtree Street NE
Suite 2000
Atlanta, GA 30309 3400

Elizabeth E. Blackford
Assistant Attorney General
Utility and Rate Intervention
Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S)	
APPLICATION FOR APPROVAL OF A)	CASE NO.
LEVERAGED LEASE OF THREE GENERATING)	99-450
UNITS)	

O R D E R

The Commission, having considered the application of Big Rivers Electric Corporation ("Big Rivers") for approval of a leveraged lease transaction by November 24, 1999 and the financial ramifications of a delay in this matter, HEREBY ORDERS that all requests for information to Big Rivers shall be filed by November 16, 1999, and Big Rivers shall file its responses with copies to all parties of record by November 18, 1999.

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

By the Commission

ATTEST:


Executive Director

BOEHM, KURTZ & LOWRY

ATTORNEYS AT LAW
2110 CBD CENTER
36 EAST SEVENTH STREET
CINCINNATI, OHIO 45202
TELEPHONE (513) 421-2255
TELECOPIER (513) 421-2764

NOV 12 1999

Via Overnight Mail

November 10, 1999

Hon. Helen Helton
Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, Kentucky 40601

Re: In The Matter Of: Big Rivers Electric Corporation for Approval of a Leveraged Lease of Three Generating Units, Case No. 99-450

Dear Ms. Helton:

Please find enclosed the original and ten copies of the Petition to Intervene of Southwire Company in the above-referenced matter.

By copy of this letter, all parties listed on the Certificate of Service have been served. Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Attachment
cc:

Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by regular U.S. mail (unless otherwise noted) to all parties on this 10th day of November, 1999.

Michael H. Core
President/CEO
Big Rivers Electric Corporation
201 Third Street, P.O. Box 24
Henderson, KY 42420

Hon. James M. Miller
Attorney At Law
Sullivan, Mountjoy, Stainback
& Miller PSC
100 St. Ann Building, P.O. Box 727
Owensboro, KY 42302-0727

Hon. David C. Brown
Attorney At Law
Stites & Harbison
400 West Market Street, Suite 1800
Louisville, KY 40202-3352

Hon. Allison Wade
Attorney At Law
Holland & Knight
1201 West Peachtree Street N.E.
Suite 2000
Atlanta, Ga. 30309-3400

Elizabeth E. Blackford
Assistant Attorney General
Utility And Rate Intervention
Division
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601


Michael L. Kurtz, Esq.

FILED

NOV 12 1993

PUBLIC SERVICE
COMMISSION

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In The Matter Of Big Rivers Electric Corporation for : Case No. 99-450
Approval of A Leveraged Lease of Three Generating Units :

**PETITION TO INTERVENE OF
SOUTHWIRE COMPANY**

Pursuant to K.R.S. §278.310 and 807 KAR 5:001 Section 3(8), Southwire Company ("Southwire") requests that it be granted full intervenor status in the above-captioned proceeding and states in support thereof as follows:

1. Big Rivers Electric Corporation ("Big Rivers") is an electric generating and transmission cooperative established under the laws of the Commonwealth of Kentucky. It is headquartered in Henderson, Kentucky. Big Rivers is owned by, and sells electric power at wholesale to, three electric distribution cooperatives (the "Members"), including Kenergy Corporation (formally Green River Electric Corporation and Henderson Union Electric Cooperative Corporation). The Members sell electric power at retail to approximately 92,000 ultimate customers located in twenty two counties in western Kentucky.

2. Southwire is contractually served by Kenergy Corporation. Southwire is operationally served directly from Big Rivers' transmission system. Southwire is a member and customer of Kenergy Corporation and receives transmission service from Big Rivers.

3. The matters being decided by the Commission in this case may result in the modification or amendment of various contracts or agreements previously approved by the Commission among or between Big Rivers, Southwire, Green River Electric and/or entities owned by LG&E Energy Corporation. Therefore, this case may affect Southwire's contractual right to electric service and may

also impact the electric rates paid by Southwire. Electric service represents a significant cost of doing business for Southwire. The attorneys for Southwire authorized to represent it in this proceeding and to take service of all documents are:


Allison Wade, Esq.
Holland and Knight, LLP
One Atlantic Center, Suite 2000
1201 West Peachtree Street, NE
Atlanta, GA 30309-3400
Counsel for Southwire Company


Michael L. Kurtz, Esq.
Boehm, Kurtz & Lowry
2110 CBLD Center
36 East Seventh Street
Cincinnati, Ohio 45202
Co-Counsel for Southwire Company

4. The position of Southwire cannot be adequately represented by any existing party. Southwire intends to play a constructive role in the Commission's decision making process herein and its participation will not unduly prejudice any party.

WHEREFORE, Southwire requests that it be granted full intervenor status in the above captioned proceeding.

Respectfully submitted,


Allison Wade, Esq.
Holland and Knight, LLP
One Atlantic Center, Suite 2000
1201 West Peachtree Street, NE
Atlanta, GA 30309-3400
Counsel for Southwire Company


Michael L. Kurtz, Esq.
Boehm, Kurtz & Lowry
2110 CBLD Center
36 East Seventh Street
Cincinnati, Ohio 45202
Co-Counsel for Southwire Company

November 10, 1999



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

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

November 10, 1999

To: All parties of record

RE: Case No. 99-450
BIG RIVERS ELECTRIC CORPORATION
(Financing) LEVERAGED LEASE OF THREE GENERATING UNITS

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received November 8, 1999 and has been assigned Case No. 99-450. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

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

Stephanie Bell
Secretary of the Commission

SB/jc

Michael H. Core
President/CEO
Big Rivers Electric Corporation
201 Third Street
P. O. Box 24
Henderson, KY. 42420

Honorable James M. Miller
Attorney at Law
Sullivan, Mountjoy, Stainback
& Miller PSC
100 St. Ann Building
P. O. Box 727
Owensboro, KY. 42302 0727

Honorable Michael L. Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
2110 CBLD Center
69 East Seventh Street
Cincinnati, OH. 45202

Honorable David C. Brown
Attorney at Law
Sitties & Harbison
400 West Market Street
Suite 1800
Louisville, KY. 40202 3352

Honorable Allison Wade
Attorney at Law
Holland & Knight
1201 West Peachtree Street NE
Suite 2000
Atlanta, GA. 30309 3400

Elizabeth E. Blackford
Assistant Attorney General
Utility and Rate Intervention
Division
1024 Capital Center Drive
Suite 200
Frankfort, KY. 40601

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
NOV - 9 1999
PUBLIC SERVICE
COMMISSION

In The Matter of:

Big Rivers Electric Corporation's
Application for Approval of a Leveraged
Lease of Three Generating Units:

CASE NO.. 99-450

PETITION FOR FULL INTERVENTION
OF
ALCAN ALUMINUM CORPORATION

Pursuant to K.R.S. §278.310 and 807 KAR 5:001 Section 3(8), Alcan Aluminum Corporation ("Alcan") requests that it be granted full intervenor status in the above captioned proceeding and states in support thereof as follows:

1. Big Rivers Electric Corporation ("Big Rivers") is an electric generating and transmission cooperative established under the laws of the Commonwealth of Kentucky. It is headquartered in Henderson, Kentucky. Big Rivers is owned by, and sells electric power at wholesale to, three electric distribution cooperatives (the "Members"), including Kenergy Corporation (formally Green River Electric Corporation and Henderson Union Electric Cooperative Corporation). The Members sell electric power at retail to approximately 92,000 ultimate customers located in twenty two counties in western Kentucky.

2. Alcan operates an aluminum smelter that is contractually served by Kenergy and operationally served directly from Big Rivers' transmission system. Alcan also has several other non-smelter commercial accounts for electric service that are served by Kenergy and Big Rivers. Alcan is a member and customer of Kenergy for its smelter and non-smelter operations.

3. Electric service represents a significant cost of doing business for Alcan. Alcan therefore has a special interest in this proceeding in order to determine whether its electric rates and other terms and conditions of electric service will be affected by the transactions associated with the leveraged lease. In addition, the matters to be decided by the Commission in this proceeding may result in the modification of Commission approved structures or agreements by or among Big Rivers, Alcan, Henderson Union, affiliates of LG&E Energy Corporation and/or others. The attorneys for Alcan authorized to represent it in this proceeding and to take service of all documents are:

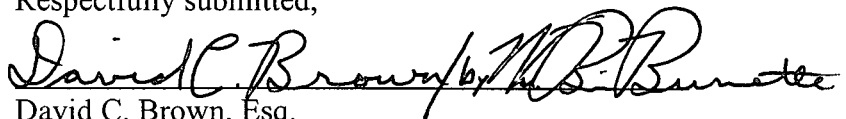
David C. Brown, Esq.
Stites & Harbison
1800 Aegon Center, 400 West Market Street
Louisville, KY 40202
Counsel for Alcan Aluminum Corporation

Michael L. Kurtz, Esq.
Boehm, Kurtz & Lowry
2110 CBLD Center
36 East Seventh Street
Cincinnati, Ohio 45202
Co-Counsel for Alcan Aluminum Corporation

4. The position of Alcan cannot be adequately represented by any existing party. Alcan intends to play a constructive role in the Commission's decision making process herein and its participation will not unduly prejudice any party.

WHEREFORE, Alcan requests that it be granted full intervenor status in the above captioned proceeding.

Respectfully submitted,



David C. Brown, Esq.
Stites & Harbison
1800 Aegon Center
400 West Market Street
Louisville, KY 40202
Counsel for Alcan Aluminum Corporation

Michael L. Kurtz / by M.B. Burnette

Michael L. Kurtz, Esq.
Boehm, Kurtz & Lowry
2110 CBLD Center
36 East Seventh Street
Cincinnati, Ohio 45202

Co-Counsel for Alcan Aluminum Corporation

CERTIFICATE

A copy of the foregoing Petition for Full Intervention has been served by United States mail on the following persons this the 9th day of November, 1999

James M. Miller, Esq.
Sullivan, Mountjoy, Stainback & Miller
100 St. Ann Building
Owensboro, Kentucky 42302

Allison Wade, Esq.
Holland & Knight
1201 Peachtree Street NE
Suite 2000
Atlanta, Georgia 30309

Elizabeth E. Blackford, Esq.
Assistant Attorney General
Utility and rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, Kentucky 40601

M.B. Burnette

David C. Brown

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC

ATTORNEYS AT LAW

FILED

NOV 08 1999

PUBLIC SERVICE
COMMISSION

RECEIVED

NOV - 8 1999

PUBLIC SERVICE
COMMISSION

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 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's Application for Approval
of a Leveraged Lease of Three Generating Units

CASE 99-450

Dear Ms. Helton:

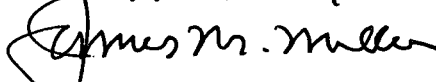
Enclosed are an original and ten (10) copies of the Application of Big Rivers Electric Corporation for approval of a leveraged lease for three of its generating units. The application also contains a motion for disclaimer of jurisdiction, a motion for deviation from rules, and a motion for expedited consideration.

Also enclosed is a Petition for Confidential Treatment of Exhibit 5 to the foregoing application. Because Big Rivers is seeking expedited review of its application in this matter, we are enclosing eleven (11) copies of the Confidential Information with the Petition for Confidential Treatment, rather than the usual single copy.

We are in the process of acquiring confidentiality agreements from representatives of Southwire Company, Alcan Aluminum Corporation and the Attorney General so we can make the entire application available to them immediately.

Today we have served a copy of this letter and all enclosures (other than the information for which confidential treatment is sought) by overnight courier on the persons shown on the attached service list.

Sincerely yours,


James M. Miller

JMM/ej

cc: Michael H. Core
David Spainhoward
Service List

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

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

SERVICE LIST

Michael L. Kurtz, Esq.
Boehm, Kurtz & Lowry
2110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

David C. Brown, Esq.
Stites & Harbison
400 West Market Street
Suite 1800
Louisville, KY 40202-3352

Allison Wade, Esq.
Holland & Knight
1201 West Peachtree Street NE
Suite 2000
Atlanta, Georgia 30309-3400

Elizabeth E. Blackford, Esq.
Assistant Attorney General
Utility and Rate Intervention
Division
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:)
)
Big Rivers Electric Corporation's)
Application for Approval of a Leveraged)
Lease of Three Generating Units)

CASE NO. 99-450

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 "Summary of Terms and Conditions" ("Term Sheet"), which has been filed with the Commission by Big Rivers on November 8, 1999, as Exhibit 5 in this matter. In further support of this petition, Big Rivers states:

1. The application of Big Rivers in the above-captioned matter seeks approval of a leveraged lease of certain generating facilities owned by Big Rivers. The financial industry which has developed around leasing transactions is highly competitive, and information about the terms and conditions on which equity participants will participate in such transaction is extremely sensitive. Disclosure of the 100+ page Term Sheet in the leveraged lease transaction proposed by Big Rivers would give competitors of the Big Rivers transaction equity participants an unfair advantage in bidding on other transactions by providing them the detailed terms and conditions, including pricing, which are being used by the Big Rivers equity participants in the current leasing market. Moreover, if the

transaction proposed by Big Rivers does not close by year end as currently planned, disclosure of the Confidential Information would likely adversely impact the pricing available to Big Rivers to pursue the leveraged lease transaction early in 2000. The Confidential Information, for which Big Rivers seeks confidential treatment, therefore 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’ financial participants and would indirectly adversely impact Big Rivers. KRS 61.878(1)(c)1.

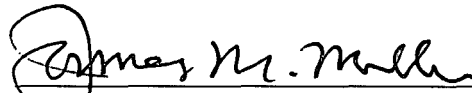
2. If and to the extent that any of the Confidential Information becomes generally available to the public Big Rivers will notify the Commission and have its confidential status removed. 807 K.A.R. 5:001, §7(9)(a).

3. Eleven (11) copies of the Confidential Information, with the word “Confidential” stamped on the cover sheet of each copy, are attached to this petition. 807 K.A.R. 5:001 §7 (2)(a)2 and (2)(b).

6. The material for which Big Rivers is seeking confidential treatment is not generally known outside of Big Rivers and the parties to its proposed leveraged lease transaction, 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 8th day of November, 1999.

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NOV - 3 1999
PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:)
)
Big Rivers Electric Corporation's)
Application for Approval of a Leveraged)
Lease of Three Generating Units)

CASE NO. 99-450

**APPLICATION, MOTION FOR DISCLAIMER OF JURISDICTION
MOTION FOR DEVIATION FROM RULES,
AND MOTION FOR EXPEDITED CONSIDERATION.**

1. Big Rivers Electric Corporation ("Big Rivers") is a rural electric cooperative corporation organized pursuant to KRS Chapter 279. Its mailing address is P.O. Box 24, 201 Third Street, Henderson, Kentucky, 42420.

2. Big Rivers owns generating assets, and purchases, transmits and sells electricity at wholesale. Its principal purpose is to provide the wholesale electricity requirements of its three distribution cooperative members ("Distribution Cooperatives" or "Members"), which are: Kenergy Corp. ("Kenergy"), Meade County Rural Electric Cooperative Corporation ("Meade County"), and Jackson Purchase Energy Corp. ("Jackson Purchase"). The Distribution Cooperatives in turn provide retail electric service to approximately 97,000 consumer/members located in 22 Western Kentucky Counties, to wit: Ballard, Breckenridge, Caldwell, Carlisle, Crittenden, Daviess, Graves, Grayson, Hancock, Hardin, Henderson, Hopkins, Livingston, Lyon, Marshall, McCracken, McLean, Meade, Muhlenberg, Ohio, Union and Webster.

1 3. Big Rivers leases its generating assets to subsidiaries or affiliates of LG&E
2 Energy Corp. under a transaction which implemented Big Rivers' plan of reorganization
3 under Chapter 11 of the United States Bankruptcy Code in In Re: Big Rivers Electric
4 Corporation, Debtor, United States Bankruptcy Court for the Western District of
5 Kentucky, Owensboro Division, Case No. 96-41168 (the "LG&E Transaction"). The
6 LG&E Transaction was approved by the Public Service Commission ("Commission") in
7 orders entered in P.S.C. Case Nos. 97-204 and 98-267. That plan of reorganization was
8 consummated and the LG&E Transaction was closed effective July 15, 1998. Big Rivers
9 has been operating under the terms of the LG&E Transaction since that date.

10 4. This application and the supporting exhibits contain fully the facts on which this
11 application and the included motions are based. The relief requested by Big Rivers, and
12 the authority for that relief, are [807 K.A.R. 5:001§8(1)]:

13 a. Motion for Disclaimer of Jurisdiction over the subject matter of this
14 application (paragraph 28);

15 b. Alternative Application for Relief Pursuant to KRS 278.300 (paragraphs
16 29 through 33);

17 c. Motion to Deviate from Rules (paragraph 34); and

18 d. Motion for Expedited Consideration (paragraph 35).

19 5. The Articles of Incorporation of Big Rivers are attached as Exhibit 1 to the
20 Application of Big Rivers in P.S.C. Case No. 97-204. 807 K.A.R. 5:001§8(3).

1 **Statement of Purpose**

2 6. The purpose of this application is to obtain no later than November 24, 1999, the
3 authorizations, if any, required from the Commission for Big Rivers to implement a
4 leveraged lease of its Green Generating Units and its Wilson Generating Unit. The
5 leveraged lease transaction, its benefits and risks are described with particularity in this
6 application and the exhibits hereto. The principal transaction documents which will
7 evidence Big Rivers' obligations under the transaction are described in this application
8 and in the "Summary of Principal Transaction Documents," attached as Exhibit 3. The
9 business terms of the transaction, which have been agreed to by the parties to the
10 transaction and which set the parameters for drafting of the detailed transaction
11 documents, are set out in the "Summary of Terms and Conditions" ("Term Sheet"),
12 attached hereto as Exhibit 5, which is subject to a Petition for Confidential Treatment.

13 7. Although the transaction described in this application is complex, the concept as it
14 relates to Big Rivers is simple: Big Rivers simultaneously leases and leases back certain
15 rights it owns, and uses the net cash benefit from that transaction to pay down
16 approximately \$70 million of its debt.

17 **Description of the Leveraged Lease Transaction**

18 **Introduction**

19 8. Big Rivers proposes to consummate a leveraged lease of its ownership interest in
20 (i) D. B. Wilson Unit No. 1 (the "Wilson Unit"); (ii) Robert D. Green Unit 1 and Unit 2
21 (the "Green Units"); (iii) the common facilities owned by Big Rivers which are located on

1 the same site as the Green Units, and used in the operation of both Green Units (the
2 “Common Facilities” and, collectively with the Wilson Unit and the Green Units, the
3 “Facilities”). In addition, consummation of the proposed leveraged lease transaction will
4 involve a lease and leaseback by Big Rivers of the sites on which the Wilson Unit, the
5 Green Units and the Common Facilities are located (the “Sites”)¹. Although structured as
6 a lease and leaseback of the subject facilities, the transaction (the “Sale and Leaseback
7 Transaction”) will be treated as a sale and leaseback for U.S. Federal income tax
8 purposes. As further described herein, Big Rivers will economically defease all of its
9 periodic rent obligations under the Sale and Leaseback Transaction. In addition, Big
10 Rivers will partially secure its obligations in the Sale and Leaseback Transaction in the
11 event of an early termination of the Sale and Leaseback Transaction through the purchase
12 of a credit derivative (a “Swap”)² for the benefit of the equity investors (each an “Equity
13 Investor”) and the lenders in the Sale and Leaseback Transaction. Big Rivers will
14 provide additional security for a portion of its obligations in the Sale and Leaseback
15 Transaction through the issuance of two promissory notes which will be secured under an
16 amended version of Big Rivers’ existing first mortgage (the “Big Rivers Mortgage”)³
17 with the United States, acting through the Administrator of the Rural Utilities Service
18 (“RUS”), National Rural Utilities Cooperative Finance Corporation (“CFC”) and Ambac

¹See Exhibit 3, paragraph 3

²See Exhibit 3, paragraph 12.

³See Exhibit 3, paragraph 9.

1 Assurance Corporation (“Ambac”) and by the granting of a new subordinated mortgage
2 on its assets that are subject to the Big Rivers Mortgage.⁴

3 9. This summary describes the Sale and Leaseback Transaction, economic
4 defeasance of obligations in connection therewith and the effect of the Sale and
5 Leaseback Transaction on Big Rivers’ existing agreements with affiliates of LG&E
6 Energy Corp. under the LG&E Transaction and with the City of Henderson, Kentucky
7 (“Henderson”). This summary is supplemented by the “Summary of Principal
8 Transaction Documents,” attached hereto as Exhibit 3, and by the Term Sheet, attached
9 hereto as Exhibit 5. The Sale and Leaseback Transaction will consist of up to six sales
10 and leasebacks involving two equity investors and separate undivided interests in Big
11 Rivers’ ownership interest in the Facilities. Because the structure and documentation of
12 each of the transactions will be virtually identical, this summary will, for ease of
13 reference, discuss the Sale and Leaseback Transaction in terms of only one transaction
14 and one equity investor.

15 **Benefit to Big Rivers of the Sale and Leaseback Transaction**

16 10. Big Rivers will realize a net cash benefit from the Sale and Leaseback Transaction
17 of approximately \$70 million, based upon current assumptions. The net cash benefit is
18 the difference between the rent under the Head Lease paid on the Closing Date (the sale
19 proceeds), and the cost to purchase certain investment instruments and other transaction
20 costs. The final amount of the net cash benefit will vary based upon the interest rate

⁴See Exhibit 3, paragraph 22

1 obtained on the Closing Date for the defeasance deposits and changes in other
2 assumptions, if any. Big Rivers' accumulated net operating losses will be used to offset
3 Federal income taxes which will otherwise be recognized on the net gain realized by Big
4 Rivers from the sale of the facilities for Federal income tax purposes. The total amount of
5 the net cash benefit received by Big Rivers will be paid to RUS and applied to the RUS
6 New Note as a condition of receiving the consent of RUS to the Sale and Leaseback
7 Transaction. The debt service schedule on the RUS New Note will be recalculated to
8 reflect the lower principal balance. In addition, Big Rivers anticipates that RUS will
9 allow Big Rivers to receive the benefit of the reduction in debt service costs that RUS
10 will realize by using the net cash benefit it receives at closing to prepay high interest
11 notes to the Federal Financing Bank on the RUS underlying debt. With the combination
12 of these benefits, Big Rivers anticipates that its annual debt service will be reduced by
13 approximately \$5 million. The use of that savings is a subject that Big Rivers' board of
14 directors has deferred until the transaction is completed and the annual debt service
15 savings can be accurately determined.

16 **Sale and Leaseback Transaction**

17 11. The form of the Sale and Leaseback Transaction will be a long-term lease (a
18 "Head Lease")⁵ of an undivided interest in the Facilities from Big Rivers to the trustee
19 (the "Owner Trustee") of a trust (the "Owner Trust") created for the benefit of the Equity

⁵See Exhibit 3, paragraph 2.

1 Investor and a shorter-term lease (a "Facilities Lease")⁶ of that interest from the Owner
2 Trustee back to Big Rivers. The Owner Trustee will acquire an interest in the Wilson
3 Unit, both Green Units and the Common Facilities, but separate Head Leases and
4 Facilities Leases may be used for the Wilson Unit, on one hand, and the Green Units and
5 Common Facilities, on the other. The agreement of the parties regarding the terms of the
6 closing conditions to the transaction, the payment of transaction costs, certain covenants
7 and indemnifications of the parties and other general matters relating to the Sale and
8 Leaseback Transaction will be contained in a Participation Agreement.⁷

9 12. Sale. The Head Lease will be considered a sale of the undivided interest in the
10 Facilities for U.S. Federal income tax because the term of the Head Lease will extend
11 well beyond the entire expected economic useful life of the Facilities. The Owner
12 Trustee will pay all the rent under the Head Lease on the Closing Date. The Owner
13 Trustee will finance this rent payment under the Head Lease with a combination of equity
14 contributed by the Equity Investor and the proceeds of non-recourse loans to the Owner
15 Trustee.⁸ The non-recourse loans will be secured by the Owner Trustee's interest in the
16 Facilities under the Head Lease, the Facilities Lease, Ground Lease and Ground Sublease
17 described below, including Big Rivers' payment of rent thereunder (excluding certain
18 excepted payments), certain investment instruments purchased by Big Rivers and

⁶See Exhibit 3, paragraph 5.

⁷See Exhibit 3, paragraph 1.

⁸See Exhibit 3, paragraph 8.

1 assigned to the Owner Trustee and the Owner Trustee's interest in the Big Rivers
2 Mortgage.⁹ In addition to its interest in the Facilities, the Owner Trustee also will lease
3 an undivided interest in the Sites from Big Rivers for a term identical to that of the Head
4 Lease.¹⁰

5 13. Leaseback. The Owner Trustee will lease the Owner Trust's undivided interest in
6 the Facilities back to Big Rivers under the Facilities Lease for a term which extends
7 beyond the expiration of the LG&E Transaction.¹¹ The term of the Facilities Lease of the
8 Wilson Unit will be approximately 27 years and that of the Green Units will be
9 approximately 25 years. The Facilities Lease will be a conventional "triple net" lease
10 under which Big Rivers will incur, *vis-à-vis* the Owner Trustee, the lender to the Owner
11 Trustee and the other parties to the Sale and Leaseback Transaction, the obligation to
12 maintain and insure the Facilities and will incur the risk of loss with respect to the
13 Facilities. These obligations are generally consistent with the obligations of Western
14 Kentucky Energy Corporation ("WKEC") to Big Rivers under the LG&E Transaction.
15 The Owner Trustee also will lease the Sites back to Big Rivers for the term of the
16 Facilities Lease.¹²

⁹See Exhibit 3, paragraph 8.

¹⁰See Exhibit 3, paragraph 3.

¹¹See Exhibit 3, paragraph 5.

¹²See Exhibit 3, paragraph 6.

1 14. Because the Facilities Lease will be subject to the LG&E Transaction, WKEC will
2 continue to operate the Facilities as long as the LG&E Transaction is in effect. The
3 documents for the Sale and Leaseback Transaction will provide that at the end of the term
4 or earlier termination of the LG&E Transaction, Big Rivers will be responsible for the
5 operation and maintenance of the Facilities through the end of the term of the Facilities
6 Lease. Big Rivers will, however, subject to the sublessee meeting certain criteria, be
7 permitted to sublease the Facilities to another entity at the expiration of the LG&E
8 Transaction. At the end of the term of the Facilities Lease, as long as certain defaults
9 have not occurred, Big Rivers may at its option either (i) purchase the remaining
10 leasehold interest of the Owner Trust in the Facilities under the Head Lease for a fixed
11 purchase price plus unpaid rent, or (ii) operate the Facilities on behalf of the Owner Trust
12 and locate a third party unrelated to Big Rivers or its members to purchase power
13 generated from the Facilities under a power purchase agreement, the essential terms of
14 which, including capacity charges, will be set forth in the Facilities Lease¹³. If Big Rivers
15 elects the power purchase agreement option set forth in (ii) above, the Equity Investor
16 may reject the proposed third party power purchaser and elect to retain possession of the
17 Facilities until the end of the term of the Head Lease. The fixed purchase option price for
18 the Facilities under the Facilities Lease will be economically defeased as described below.
19 If Big Rivers does not elect the fixed price purchase option, the instruments purchased to
20 economically defease the purchase option will be payable to Big Rivers.

¹³See Exhibit 3, paragraphs 20 and 21.

1 15. As long as no default exists under the Facilities Lease, Big Rivers will have the
2 option to purchase the Equity Investor's interest in the Owner Trust if (i) the Sale and
3 Leaseback Transaction becomes illegal with respect to Big Rivers and cannot be
4 restructured in a manner acceptable to all parties to the Sale and Leaseback Transaction,
5 or (ii) burdensome indemnities become due by Big Rivers. In each case, Big Rivers will
6 pay the Owner Trustee a purchase price for the Owner Trustee interest under the Head
7 Lease equal to a specified amount ("Termination Value"). The investment instruments
8 described under "Economic Defeasance" below would be available to pay a substantial
9 portion of such purchase price.

10 **Economic Defeasance**

11 16. Big Rivers will economically, but not legally, defease its periodic rent obligations
12 to the Owner Trust under the Facilities Lease by using a portion of the rent payment
13 received from the Owner Trustee under the Head Lease on the closing date to purchase (i)
14 investment instruments from affiliates of Ambac, the claims paying ability of which is
15 rated in the highest rating categories by both Standard & Poor's and Moody's, and (ii) an
16 investment instrument of another institution ("Defeasance Provider"), the payments under
17 which investment instruments are in the aggregate equal in timing and amount to Big
18 Rivers' basic rent obligation under the Facilities Lease.¹⁴ In addition, these investment

¹⁴ The acquisition of the investment instruments will actually be made by a wholly owned limited purpose corporate subsidiary of Big Rivers created for this transaction in order to limit the impact on the transaction of certain state and local taxes. The subsidiary will acquire these instruments with the proceeds of a capital infusion from Big Rivers, the funds for which represent a portion of the rent payment under the Head Lease.

1 instruments will provide for payment of an amount sufficient to fund Big Rivers' right to
2 purchase the interest of the Owner Trustee in the Facilities at the end of the term of the
3 Facilities Lease.¹⁵

4 17. Through the use of a credit derivative between the Credit Enhancer and the Equity
5 Investor (the "Lessor Swap"), a subsidiary of Ambac (the "Credit Enhancer"), the
6 obligations of which are unconditionally guaranteed by Ambac, will provide credit
7 support for Big Rivers' obligation to pay Termination Value if the Facilities Lease is
8 terminated prior to its stated term. Pursuant to the Lessor Swap¹⁶, following an event of
9 default under the Facilities Lease, the Equity Investor would be entitled to put its
10 beneficial interest in the Owner Trust (which owns the undivided interest in the Facilities)
11 under the Head Lease (free of debt) to the Credit Enhancer for the full amount of
12 Termination Value. The Credit Enhancer would then be entitled to put such beneficial
13 interest in the Owner Trust to Big Rivers for the full amount of Termination Value
14 pursuant to a separate swap with Big Rivers (the "Big Rivers Swap")¹⁷. This obligation
15 of Big Rivers to pay Termination Value will be secured by certain investment
16 instruments. As a result, if the Facilities Lease is terminated prior to its stated term and
17 the Equity Investor exercises its right to settle the Lessor Swap, Big Rivers will be
18 required to pay the Credit Enhancer the difference between Termination Value and the

¹⁵ The instruments provided by Ambac and the Defeasance Provider will take the form of guaranteed investment contracts, prepaid swap agreements or interest bearing deposits.

¹⁶ See Exhibit 3, paragraph 12.

¹⁷ See Exhibit 3, paragraph 13.

1 amount paid by Ambac and the Defeasance Provider under investment instruments at
2 such time. The amount of Big Rivers' exposure on the Termination Value deficiency in
3 the unlikely event of an early termination of the transaction varies over time, and is
4 shown graphically, based upon assumptions available as of November 5, 1999, on Exhibit
5 4, attached hereto and incorporated herein.

6 **Secured Notes of Big Rivers**

7 18. Secured Notes. Big Rivers will issue a promissory note to (i) the Owner Trustee
8 to evidence its obligation to pay Termination Value under the Facilities Lease (the
9 "Lessor Secured Note") and (ii) the Credit Enhancer to pay Termination Value under the
10 Big Rivers Swap ("Credit Enhancer Secured Note," and together with the Lessor Secured
11 Note, the "Secured Notes")¹⁸. The Secured Notes will be secured under the Big Rivers
12 Mortgage and each will state a principal amount payable thereunder of up to Termination
13 Value.¹⁹ Each Secured Note will provide that the principal amount which will be entitled
14 to be secured under the Big Rivers Mortgage will be reduced by (i) all amounts paid by
15 Big Rivers to the Owner Trustee or the Credit Enhancer under the Facilities Lease or the

¹⁸See Exhibit 3, paragraph 9.

¹⁹The Secured Notes actually secure the same obligation of Big Rivers depending upon whether or not the Equity Investor has put its interest in the Owner Trust to the Credit Enhancer under the Lessor Swap. Certain intercreditor agreements will make it clear that the total amount which can be outstanding under both Secured Notes cannot exceed Termination Value plus amounts payable under the alternative cash settlement of the Big Rivers Swap. However, the Credit Enhancer is required to pay to RUS for the benefit of the mortgagees under the Big Rivers Mortgage the sum of the amount recovered by the Owner Trustee of amounts secured by the Secured Notes plus the amount realized by the Credit Enhancer under the alternative cash settlement less Termination Value.

1 Big Rivers Swap, respectively, (ii) all amounts paid on behalf of Big Rivers in respect of
2 those amounts pursuant to the investment instruments provided by Ambac and the
3 Defeasance Provider and (iii) all amounts payable but unpaid in respect of such
4 investment instruments in consequence of a default by the obligor thereunder.

5 19. Term Out of Big Rivers and Swap Provider Obligations. If Termination Value
6 becomes payable under the Facilities Lease, Big Rivers may elect to pay the equity
7 portion of Termination Value in excess of the amounts payable at such time under the
8 investment instruments related to the equity portion or Termination Value²⁰ in
9 installments if (a) no voluntary or involuntary bankruptcy of Big Rivers has occurred and
10 is continuing, (b) no other mortgagee under the Big Rivers Mortgage is exercising its
11 rights against the assets thereunder and (c) in circumstances where the Equity Investor has
12 exercised the settlement under the Lessor Swap, the Credit Enhancer's obligation to pay
13 all amounts owing to the Equity Investor pursuant to the Lessor Swap has not been
14 accelerated. The installment period will be for a period of four years if the initiation of
15 the term out occurs on or prior to December 31, 2006, and for a period of three years if
16 the initiation of the term out occurs after December 31, 2006. If the Credit Enhancer
17 seeks to settle the Big Rivers Swap with Big Rivers following exercise of the settlement
18 of the Lessor Swap, Big Rivers will be entitled to pay such obligation on an installment
19 basis identical to that set forth above for the Facilities Lease.

²⁰Big Rivers would not, however, have its obligation to pay Termination Value reduced if the obligor under one of the investment instruments defaults on its obligation thereunder.

1 20. If the Equity Investor exercises its right to settle the Lessor Swap, the Credit
2 Enhancer may elect to pay the amount payable thereunder in accordance with the term out
3 schedule which may be different than that for Big Rivers' obligations under the Facilities
4 Lease. In certain circumstances, such as the acceleration of the Credit Enhancer's
5 schedule of payments, the bankruptcy of Big Rivers, the exercise of remedies by another
6 mortgagee under the Big Rivers Mortgage or failure of Big Rivers to make an installment
7 payment of Termination Value owed by it, Big Rivers' installment obligation described in
8 the preceding paragraph could be accelerated.

9 **Subordinated Mortgage and Security Agreement**

10 21. Big Rivers also will grant to the Owner Trustee, the Equity Investor, the Credit
11 Enhancer and the lenders, a mortgage and security agreement in Big Rivers' ownership
12 interest in all of its property - real, personal, tangible and intangible - that is subject to the
13 Big Rivers Mortgage to secure the performance of its obligations to pay certain
14 contractual, tort, and other indemnities (including costs associated with early termination
15 of the investment instruments described above) to the above entities under the Sale and
16 Leaseback Transaction²¹. Such mortgage and security agreement will be subject and
17 subordinate to the Big Rivers Mortgage, the Head Lease, the Facilities Lease, the leases
18 of the Site, the LG&E Transaction and Big Rivers' arrangements with Henderson.

²¹See Exhibit 3, paragraph 22.

1 **Effect On LG&E Transaction**

2 22. The Sale and Leaseback Transaction will not affect the operation and maintenance
3 of the Facilities by WKEC pursuant to the LG&E transaction. The interest of the Owner
4 Trustee in the Facilities under the Head Lease will be expressly subject to the interests of
5 WKEC and other LG&E Energy Corp. subsidiaries during the term of the LG&E
6 Transaction. In addition, the Owner Trustee, the Equity Investor, the lenders and the
7 Credit Enhancer (the "Sale and Leaseback Transaction Parties") will enter into a Restated
8 Subordination, Nondisturbance, Attornment and Intercreditor Agreement with Big Rivers,
9 RUS, CFC, WKEC, and LG&E Energy Marketing Inc., under which the Sale and
10 Leaseback Transaction Parties will agree to attorn to the LG&E entities during the term of
11 the LG&E Transaction on the terms and conditions of the transaction documents in the
12 LG&E Transaction in circumstances where the Facilities Lease terminates prior to its
13 expiration date (*e.g.*, in consequence of a default by Big Rivers under the Facilities
14 Lease)²². As a result, WKEC will continue to have a right to operate and maintain the
15 Facilities during the term of the LG&E Transaction in accordance with the transaction
16 documents for the LG&E Transaction even if a default has occurred under the Sale and
17 Leaseback Transaction.

18 23. Big Rivers will partially assign to the Owner Trustee the Power Purchase
19 Agreement between Big Rivers and LG&E Energy Marketing Inc. and the right to receive
20 a portion of the rent paid by WKEC under the lease of the Facilities in the LG&E

²²See Exhibit 3, paragraph 11.

1 Transaction.²³ The Owner Trustee will reassign such interests back to Big Rivers in the
2 Sale and Leaseback Transaction for the term of the Facilities Lease and the Owner
3 Trustee will have no rights or obligations under such assignment unless the Facilities
4 Leases shall have terminated in consequence of (a) Big Rivers' election to terminate the
5 Sale and Leaseback Transaction if the Facilities become obsolete or surplus and the
6 Owner Trustee's election to retain the Facilities or (b) a default by Big Rivers under the
7 Sale and Leaseback Transaction. If the Facilities Lease terminates for either of these two
8 reasons, the Owner Trustee will essentially step into the position of Big Rivers under the
9 Power Purchase Agreement, and will have the right to sell a designated amount of power
10 roughly equal to the output of the Facilities.

11 24. The Sale and Leaseback Transaction will not affect the obligations of the LG&E
12 Entities to supply power to Big Rivers' members for resale to their smelter customers in
13 accordance with the LG&E Transaction.

14 **Effect on City of Henderson Arrangements**

15 25. The Common Facilities are used jointly in the operation of the Green Units and
16 the Station Two Facility which is owned by Henderson. The Sale and Leaseback
17 Transaction will not affect the continued access to the Common Facilities by Henderson
18 or the LG&E Station Two Subsidiary which operates the Station Two Facility pursuant to
19 the LG&E Transaction. No consents or approvals will be required from Henderson for
20 the Sale and Leaseback Transaction.

²³See Exhibit 3, paragraph 4.

1 **Effect on Members**

2 26. The Sale and Leaseback Transaction will not change the obligations of Big
3 Rivers to its members under their respective wholesale power contracts.

4 **Other Risks Related to the Transaction**

5 27. The other major risks to Big Rivers under the Sale and Leaseback Transaction,
6 though highly unlikely to occur, are:

7 a. exposure to the credit of the providers of the investment instruments used
8 for the economic defeasance of Big Rivers' rent obligations under the Facilities Lease
9 (Ambac and the Federal Farm Credit Banks Funding Corporation) for performance of
10 their obligations thereunder;

11 b. exposure to a deterioration in the claims paying ability of Ambac and the
12 Credit Enhancer. If Ambac's and the Credit Enhancer's claims paying ability falls below
13 "AA" by Standard & Poor's and "Aa2" by Moody's (the "Qualified Rating"), Big Rivers
14 will be obligated to replace the Lessor Swap with (a) another swap identical to the Lessor
15 Swap and supported by a surety bond or letter of credit the issuer of which maintains the
16 Qualified Rating, (b) a surety bond identical to the Surety Bond supporting the Lessor
17 Swap, the issuer of which has the Qualified Rating, or (c) a letter of credit issued by a
18 bank or financial institution with the Qualified Rating. Failure to provide such a
19 replacement could lead to a default under the Facilities Lease;

20 c. operational constraints resulting from covenants in the Sale and Leaseback
21 Transaction (i.e., merger, sales of assets); and

1 d. exposure to indemnity payments, particularly tax indemnities. This should
2 not occur in the absence of changes in federal or Kentucky tax law.

3 **Motion for Disclaimer of Jurisdiction**

4 28. Big Rivers moves the Commission to make an order disclaiming jurisdiction over
5 the Sale and Leaseback Transaction and the documents issued by Big Rivers in
6 connection with the Sale and Leaseback Transaction. The Sale and Leaseback
7 Transaction is a hybrid transaction which is not expressly covered by the Commission's
8 statutory jurisdiction. For example, there is no change of control of Big Rivers under
9 KRS 278.020(4) or (5), because Big Rivers continues to own the facilities that are the
10 subject of the Sale and Lease Transaction, and in fact, leases back all interests leased to
11 the Owner Trustee in the transaction. Big Rivers is also not issuing any securities or
12 evidences of indebtedness, or assuming any obligation or liability in respect of the
13 securities or evidences of indebtedness of any other person. KRS 278.300. While Big
14 Rivers will execute two notes, an amendment to the Big Rivers Mortgage, and a new
15 subordinated mortgage, those instruments do not evidence current new or refinanced debt
16 or securities, but rather secure the performance by Big Rivers of its contractual
17 obligations under the Sale and Leaseback Transaction. Moreover, the RUS, an agency of
18 the federal government and Big Rivers' principal creditor, is "controlling" the Sale and
19 Leaseback Transaction in the sense that it is reviewing and consenting to the Sale and
20 Leaseback Transaction, and is subordinating its lien on Big Rivers' assets to the security
21 for the contractual obligations of Big Rivers created under the Sale and Leaseback

1 Transaction. KRS 278.300(10). For these reasons, Big Rivers requests that the
2 Commission make an order finding that it has no jurisdiction over the Sale and Leaseback
3 Transaction.

4 **Application for Relief Pursuant to KRS 278.300**

5 29. Big Rivers seeks, as an alternative to its motion for disclaimer of jurisdiction,
6 appropriate orders from the Commission granting approvals for Big Rivers to enter into
7 the Sale and Leaseback Transaction and to issue the documents that the Commission
8 considers to be “evidences of indebtedness,” including the amendments to the LG&E
9 Documents which were previously approved in the LG&E Transaction. See Exhibit 3,
10 Summary of Principal Transaction Documents.

11 30. The relief sought is authorized by KRS 278.300, and related sections, and 807
12 K.A.R. 5:001 § 11, and related sections.

13 31. Big Rivers has complied with the requirements of 807 K.A.R. 5:001 § 11 as
14 follows:

15 a. Information which meets the requirements of 807 K.A.R. 5:001, § 8, is set
16 out in paragraphs 1 through 7, above.

17 b. A general description of Big Rivers’ property and its field of operation,
18 together with a statement of the original cost of the same and the cost to Big Rivers is set
19 out in Exhibit 1, attached hereto and incorporated herein. 807 K.A.R. 5:001 § 11(1)(a).

20 c. Big Rivers does not propose to issue either stock or bonds. Big Rivers is
21 incurring no current indebtedness in the Sale and Leaseback Transaction; it is providing

1 security for the obligations of Big Rivers under the terms of the Sale and Leaseback
2 Transaction as more fully described in paragraphs 8 through 27, above. 807 K.A.R.
3 5:001 § 11(1)(b).

4 d. Net funds which Big Rivers receives as a net cash benefit under the Sale
5 and Leaseback Transaction will be paid on the outstanding RUS Note, and the RUS debt
6 service schedule will be adjusted accordingly. 807 K.A.R. 5:001 § 11(1)(c).

7 e. No tangible property is being acquired, constructed, improved or extended
8 with the funds received by Big Rivers under the Sale and Leaseback Transaction. No
9 contracts have been made for the acquisition of tangible property or for the construction
10 of any improvements with the benefits received by Big Rivers under the Sale and
11 Leaseback Transaction. 807 K.A.R. 5:001 § 11(1)(d).

12 f. Big Rivers does not propose to discharge or refund obligations with the net
13 cash benefits received by it under the Sale and Leaseback Transaction, other than
14 prepaying a portion of the RUS New Note. See also, paragraphs 28 and 31.d., above. 807
15 K.A.R. 5:001 § 11(1)(e).

16 g. A financial exhibit containing the information required by 807 K.A.R.
17 5:001 § 6 is attached as Exhibit 2, and incorporated herein. 807 K.A.R. 5:001 § 11(2)(a).

18 h. The documents which will be issued by Big Rivers in connection with the
19 Sale and Leaseback Transaction are described in paragraphs 8 through 27, above, and in
20 Exhibit 3, attached hereto. The Big Rivers Mortgage, which will be amended in the Sale

1 and Leaseback Transaction, was filed in P.S.C. Case No. 98-267. 807 K.A.R. 5:001 §
2 11(2)(b).

3 i. No tangible property is being acquired or construction proposed in
4 connection with the Sale and Leaseback Transaction. 807 K.A.R. 5:001 § 11(2)(c).

5 32. As demonstrated in paragraph nine, above, the Sale and Leaseback Transaction
6 has substantial benefits for Big Rivers and its Members. The Sale and Leaseback
7 Transaction is subject to Member approval, and will be submitted to Big Rivers'
8 Members for such approval between the date of this filing and November 20, 1999.
9 Completion of the Sale and Leaseback Transaction is also contingent upon Big Rivers
10 receiving favorable rulings from the Kentucky Revenue Cabinet on certain state tax
11 issues. The purpose for the Sale and Leaseback Transaction is for a lawful object within
12 the corporate purposes of Big Rivers, and is consistent with Big Rivers' goal of providing
13 wholesale electric service to its Members at the lowest reasonable cost. As shown
14 throughout this application, the risks associated with the Sale and Leaseback Transaction
15 are remote and reasonable. Completion of the transaction will not impair Big Rivers'
16 ability to perform its service to the public, and in fact, will enable Big Rivers to perform
17 its service to the public at a lower cost.

18 33. Several other generating and transmission cooperatives have entered into
19 transactions similar to the transaction proposed by Big Rivers. The only one of those
20 transactions that required regulatory approval from a state commission was the
21 transaction done by Old Dominion Electric Cooperative. Big Rivers attaches hereto as

1 Exhibit 6 a copy of the order of the Virginia State Corporation Commission approving
2 that transaction. While the statutory approval requirements in Virginia are different from
3 those in Kentucky, the Virginia State Corporation Commission was required to approve
4 generally a similar sale and lease transaction.

5 **Motion for Deviation from Rules**

6 34. Big Rivers moves the Commission pursuant to 807 K.A.R. 5:001 § 14 to permit it
7 to deviate from the requirements of 807 K.A.R. 5:001 § 11 to the extent that this filing
8 does not comply with that regulation. As noted elsewhere in this application, the Sale and
9 Leaseback Transaction actually will consist of up to six transactions. Currently, four
10 transactions are scheduled to close on December 28, 1999, and two transactions are
11 scheduled to close at the beginning of January, 2000. If Big Rivers is to have the required
12 final and nonappealable order of the Commission authorizing Big Rivers to enter into
13 approving the Sale and Leaseback Transaction by December 28, 1999, that order must be
14 entered by the Commission on or before November 24, 1999. Big Rivers has been
15 informed by its lease advisors and lease counsel that, as is always the case with
16 transactions of this type, the documentation of the Sale and Leaseback Transaction will
17 not be completed until just before the closing. Big Rivers therefore cannot comply with
18 the provisions of 807 K.A.R. 5:001 § 11, if that section is read to require as a part of this
19 application the tendering of proposed documents. Moreover, transactions of this nature
20 are not contemplated by the statutes and the Commission's regulations, and the
21 regulations do not provide procedures by which such a transaction can be completed in a

1 commercially feasible manner. This application contains an elaborate description of the
2 Sale and Leaseback Transaction, including a copy of the detailed Term Sheet which sets
3 out the principal business terms for the transaction. See Exhibit 5. The final documents
4 must be completed within the parameters of the Term Sheet. For these reasons, Big
5 Rivers submits that good cause exists to grant Big Rivers a deviation from the
6 Commission's rules.

7 **Motion for Expedited Consideration**

8 35. Big Rivers requests expedited review of the proposed Sale and Leaseback
9 Transaction. As noted above, Big Rivers is striving to close four of the six parts of the
10 Sale and Leaseback Transaction on or before December 28, 1999. If those parts of the
11 Sale and Leaseback Transaction cannot be closed in 1999, the benefit to Big Rivers and
12 its Members from the transaction will decrease by an estimated \$6-8 million. Big Rivers
13 therefore respectfully requests the Commission to expedite its review of the Sale and
14 Leaseback Transaction and to enter an order granting the approvals sought herein no later
15 than November 24, 1999.

16 WHEREFORE, Big Rivers respectfully requests that the Commission make
17 orders granting Big Rivers the following relief:

18 a. Disclaimer of jurisdiction over the Sale and Leaseback Transaction or, in
19 the alternative, authority pursuant to KRS 278.300 to enter into the Sale and Lease
20 Transaction and to issue the documents considered by the Commission to constitute
21 "evidences of indebtedness" under KRS 278.300;

1 b. Deviation from the Commission's regulations regarding this application as
2 set out above;

3 c. Expedited consideration of this matter resulting in a final order entered no
4 later than November 24, 1999, granting the relief sought herein; and

5 d. All other relief to which Big Rivers may appear entitled.

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

8
9
10
11 

12 James M. Miller
13 100 St. Ann Building, P. O. Box 727
14 Owensboro, Kentucky 42302-0727
15 (502) 926-4000

16
17 LONG ALDRIDGE & NORMAN LLP
18 Douglas L. Beresford
19 George F. "Geof" Hobday, Jr.
20 701 Pennsylvania Avenue, N.W.
21 Suite 600
22 Washington, D.C. 20004
23 (202) 624-1200

24
25
26 Attorneys for Big Rivers Electric
27 Corporation
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VERIFICATION

I, Michael H. Core, President/CEO of Big Rivers Electric Corporation, verify that the statements contained in the foregoing Application are true and correct to the best of my knowledge and belief.

BIG RIVERS ELECTRIC CORPORATION

BY: 
Michael H. Core, President/CEO

COMMONWEALTH OF KENTUCKY
COUNTY OF HENDERSON

The foregoing verification was subscribed, sworn to and acknowledged before me by Michael H. Core, President/CEO of Big Rivers Electric Corporation, on this 8th day of November, 1999.



Notary Public, Ky. State at Large
My commission expires: 1-12-01

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for Approval of a Defeased Lease/Leaseback of Generating Units

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EXHIBIT 2	Financial Exhibit Pursuant to 807 K.A.R. 5:001 § 6
EXHIBIT 3	Summary of Principal Transaction Documents
EXHIBIT 4	Chart: "Early Termination Projected Exposure"
EXHIBIT 5	Summary of Terms and Conditions
EXHIBIT 6	Order in <u>Application of Old Dominion Electric Cooperative</u> , Commonwealth of Virginia, State Corporation Commission, December 5, 1995

BIG RIVERS ELECTRIC CORPORATION
DESCRIPTION OF PROPERTY

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Big Rivers Electric Corporation is a generation and transmission cooperative (G&T) headquartered in Henderson, Kentucky. The Corporation meets the electric power needs of three member distribution cooperatives, which, in turn, sell electricity to more than 97,000 residential, commercial, and industrial consumers in 22 western Kentucky counties.

On July 17, 1998, Big Rivers completed a transaction with LG&E Energy Corp. and certain of its affiliates (LEC) to lease its 1394 MW of coal-fired steam and 65 MW of oil fired internal combustion generating capacity. In addition, Big Rivers' current capacity rights to 232 MW in the Henderson Municipal Power and Light (HMPL) Station Two facility was assigned to LEC.

Big Rivers owns and operates its transmission system and provides transmission services to its members, LG&E Energy Marketing, Inc., and other third parties in accordance with its open access transmission tariff. Big Rivers owns and maintains 1,191 miles of line and has interconnections with seven utilities and interchange agreements with twelve utilities. Also, we own and maintain 5,144,800 kVA substation capacity.

1. Big Rivers' utility plant in service and materials and supplies inventory, as of September 30, 1999, consisting of intangible plant, electric power generating plants (leased to LEC), land right-of-ways, transmission stations and lines, land, buildings, office furniture and equipment, transportation equipment, storage equipment, tools, shop and garage equipment, laboratory equipment, power operated equipment, communication equipment and transmission material and supplies inventory. The original cost of these properties as of September 30, 1999 is \$1,515,490,797. The net (depreciated) value of the property is \$851,541,944.

BIG RIVERS ELECTRIC CORPORATION
DESCRIPTION OF PROPERTY

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4 2. As of September 30, 1999, Big Rivers' intangible plant included
5 organization, franchise, and training costs of \$190,247 with a net (amortized) value of
6 \$115,518.

7
8 3. Big Rivers owns but leases to LEC the Reid, Coleman, Green and Wilson
9 generating plants costing \$1,268,707,533, excluding switchyards, with a net (depreciated)
10 value of \$690,340,342, at September 30, 1999.

11
12 (a) The Robert A. Reid Plant, located near Sebree, Kentucky, is a
13 coal-fired steam electric generating unit with a net rated capability
14 of 65 MW. Also located at the Reid Plant is a combustion turbine
15 with a net rated capability of 65 MW.

16
17 (b) The Kenneth C. Coleman Plant is a three-unit, coal-fired steam
18 electric generating station located near Hawesville, Kentucky.
19 Units 1 and 2 each have a net rated capability of 150 MW and Unit
20 3 has a net rated capability of 155 MW.

21
22 (c) The Robert D. Green Plant is a two-unit, coal-fired steam electric
23 generating station located adjacent to Reid and is equipped with
24 sulfur dioxide scrubbers. Unit 1 has a net rated capability of 231
25 MW, while Unit 2 has a net rated capability of 223 MW.

26
27 (d) The D. B. Wilson Plant, located near Centertown, Kentucky, is a
28 coal-fired steam electric generating unit equipped with sulfur
29 dioxide scrubbers. The unit has a net rated capability of 420 MW.

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32 4. Big Rivers has interconnections with seven power suppliers: HMPL,
33 Southern Illinois Power Cooperative, Louisville Gas and Electric Company/Kentucky

BIG RIVERS ELECTRIC CORPORATION
DESCRIPTION OF PROPERTY

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Utilities, Southern Indiana Gas and Electric, Hoosier Energy Rural Electric Cooperative, Southeastern Power Administration, and the Tennessee Valley Authority. Big Rivers, however, cannot purchase power from the Tennessee Valley Authority.

5. Transmission facilities as of September 30, 1999 include land, right-of-ways, station equipment and lines costing \$189,008,577 with a net (depreciated) value of \$117,732,569. The miles of transmission line by size are as follows: 774 miles of 69 kV, 14 miles of 138 kV, 335 miles of 161 kV and 68 miles of 345 kV. The substation kVA capacity consists of 1,879,800 stepup at generating plants and 3,265,000 transmission. An acquisition adjustment is also included herein, as described in Item 7 below.

6. Big Rivers owns general plant assets costing \$13,207,742 as of September 30, 1999 with a net (depreciated) value of \$5,289,679. General plant consists of land, structures and improvements, office furniture and equipment, transportation equipment, storage equipment, tools, shop and garage equipment, laboratory equipment, power operated equipment, communication equipment and other miscellaneous equipment used to provide service to member cooperatives.

7. Big Rivers has recorded an acquisition adjustment of \$1,106,174 with a net (amortized) value of \$297,786 as of September 30, 1999, for the purchase price paid in excess of the original cost of certain transmission facilities acquired from Jackson Purchase.

8. As of September 30, 1999, Big Rivers has a transmission material and supplies inventory costing \$695,030.

9. Big Rivers' investment in construction work in progress as of September 30, 1999 is \$6,125,435. An additional \$4,150,154 is in a special deposit account

BIG RIVERS ELECTRIC CORPORATION
DESCRIPTION OF PROPERTY

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representing capital construction project expenditures paid to Western Kentucky Energy Corporation.

10. As of September 30, 1999, Big Rivers did not own any non-utility property. In May 1999, non-utility property costing \$145,618 with a net (depreciated) value of \$124,418 was sold for \$101,200 less commission and taxes.

BIG RIVERS ELECTRIC CORPORATION
FINANCIAL EXHIBIT
AS OF SEPTEMBER 30, 1999

Big Rivers states that:

1. No amounts or kinds of stock have been authorized.
2. No amounts or kinds of stock have been issued and none is outstanding.
3. No preferred stock has been authorized or is outstanding.
4. All of Big Rivers' property, except motor vehicles, is pledged as security

under the following mortgages:

a. Restated Mortgage and Security Agreement (New RUS Mortgage)

The Restated Mortgage and Security Agreement, made by and among Big Rivers Electric Corporation, the United States of America acting through the Administrator of the Rural Utilities Service (RUS), Ambac Assurance Corporation, and National Rural Utilities Cooperative Finance Corporation, modifies the Existing RUS Mortgage, and is dated as follows:

Original Mortgage	April 10, 1963
Supplemental Mortgage	July 25, 1963
Supplemental Mortgage	July 25, 1964
Mortgage	August 6, 1965
Mortgage	January 4, 1966
Supplemental Mortgage	September 11, 1973
Instrument (to correct by adding descriptions)	November 9, 1973
Supplemental Mortgage and Security Agreement	April 9, 1976
Supplement to Supplemental Mortgage and Security Agreement	April 9, 1976

BIG RIVERS ELECTRIC CORPORATION
FINANCIAL EXHIBIT
AS OF SEPTEMBER 30, 1999

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Supplement to Supplemental Mortgage and Security Agreement	August 12, 1977
Amendment to Supplement to Supplemental Mortgage and Security Agreement	August 30, 1977
Supplement to Supplemental Mortgage and Security Agreement	November 17, 1980
Amendment to Supplemental Mortgage and Security Agreement	September 15, 1987
Mortgage Release (LBC)	September 24, 1987
Amendment to Supplemental Mortgage and Security Agreement	February 1, 1988
Restated Mortgage and Security Agreement	March 30, 1988
Supplement to Restated Mortgage and Security Agreement	October 1, 1995
Restated Mortgage and Security Agreement	July 15, 1998
Release of Mortgage and Security Interests (BNY/Chase)	July 15, 1998

Big Rivers has executed and delivered to the United States of America (acting through the RUS) the following Loan Contracts, Amendments and Agreements:

Date of Loan Contract, Amendment or Agreement	Authorized Amount
July 6, 1962	\$18,000,000.00
February 6, 1964	1,839,000.00
August 5, 1965	3,352,000.00
November 30, 1965	598,469.23
November 30, 1965	42,243.30
December 14, 1965	53,990,000.00
August 31, 1968	953,957.93
November 30, 1968	70,615.83
December 23, 1968	27,400,000.00
May 20, 1971	6,090,000.00
July 3, 1972	1,987,000.00
April 11, 1973	3,298,000.00
December 26, 1974	6,483,000.00
December 31, 1975	168,000,000.00
October 20, 1976	6,928,000.00

BIG RIVERS ELECTRIC CORPORATION
FINANCIAL EXHIBIT
AS OF SEPTEMBER 30, 1999

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Date of Loan Contract, Amendment or Agreement	Authorized Amount
September 10, 1976	6,493,000.00
May 3, 1977	1,111,000.00
May 2, 1977	7,100,000.00
August 5, 1977	173,364,000.00
March 9, 1979	35,477,000.00
April 13, 1979	3,030,000.00
November 7, 1979	21,075,000.00
November 17, 1980	1,110,740,000.00
TOTAL	\$1,657,422,286.29

The July 15, 1998, Restated Mortgage and Security Agreement limits Big Rivers' indebtedness to the United States of America to the New RUS Note (\$1,022,583,000) and the ARVP Note (\$265,000,000).

Commission approval authorizing execution and delivery of RUS mortgage notes are as follows:

CASE NO.	INDEBTEDNESS AUTHORIZED
4097	\$ 18,000,000.00
4354	1,839,000.00
4529	640,712.53
4578	836,373.48
4579	3,352,000.00
4698	53,990,000.00
5096	28,252,000.00
5110	70,615.83
5514	6,000,000.00
5662	2,000,000.00
5881	3,298,000.00
6106	6,483,000.00
6150	275,803,000.00

BIG RIVERS ELECTRIC CORPORATION
FINANCIAL EXHIBIT
AS OF SEPTEMBER 30, 1999

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CASE NO.	INDEBTEDNESS AUTHORIZED
6499	14,743,000.00
6719	91,480,000.00
6751	11,500,000.00
7317	35,477,000.00
7343	3,030,000.00
7590	21,075,000.00
7990	1,110,740,000.00
10033	250,804,699.78
10155	319,426,094.98

The Commission also approved the execution of the Total Government Debt Note in the amount of \$1,192,309,124.02 in Case 10217. On the Effective Date of the LG&E Transaction, the Total Government Debt Note was rescinded and replaced by the New RUS Note in the amount of \$1,022,583,000.00 and the ARVP Note in the amount of \$265,000,000.00. The Commission approved the execution of these two notes in Case 97-204 and gave final approval in Case 98-267.

Big Rivers' obligations owed to Ambac Assurance Corporation under the 1983 Reimbursement Agreement and 1985 Reimbursement Agreement are secured by the lien provided by the Restated Mortgage and Security Agreement (New RUS Mortgage). The 1983 Reimbursement Agreement covers reimbursement to Ambac any payments made relating to the \$58,800,000 County of Ohio, Kentucky, Pollution Control Floating Rate Demand Bonds, Series 1983. The 1985 Reimbursement Agreement covers reimbursement to Ambac for any payments made relating to the \$83,300,000 County of Ohio, Kentucky, Variable Rate Demand Pollution Control Refunding Bonds, Series 1985. Currently there is no outstanding obligation to Ambac.

BIG RIVERS ELECTRIC CORPORATION
FINANCIAL EXHIBIT
AS OF SEPTEMBER 30, 1999

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4 National Rural Utilities Cooperative Finance Corporation's (CFC) rights
5 under the New RUS Mortgage relate to a Bank Loan Agreement which provides Big
6 Rivers a \$15,000,000 line of credit. Currently there is no outstanding obligation to CFC.
7

8 b. Mortgage and Security Agreement (LEM Mortgage)

9 The Mortgage and Security Agreement (LEM Mortgage), dated as
10 of July 15, 1998, between Big Rivers and the Mortgagees referenced in c. below secures
11 only (i) payments due according to the terms of the Settlement Promissory Note in the
12 original principal amount of \$19,675,603.00, (ii) all payments, sums and debts due and
13 owing WKEC under the provisions of Section 24.1 of the New Participation Agreement
14 dated April 6, 1998, and (iii) all payments, sums and debts due and owing to WKEC in
15 respect to Enhancements and Major Capital Improvements under the provisions of the
16 Operative Documents (as defined in the New Participation Agreement). The maximum
17 amount of the Obligations secured by this Mortgage is \$1,000,000,000.
18

19 c. Mortgage and Security Agreement (LG&E Transaction
20 Contracts & Agreements)

21 The Mortgage and Security Agreement, dated as of July 15, 1998,
22 between Big Rivers (the Mortgager), Western Kentucky Energy Corporation, LG&E
23 Energy Marketing, Inc., and WKE Station Two Inc. (collectively, the Mortgagees)
24 secures all payments, sums and debts owed by Big Rivers to the Mortgagees pursuant to
25 the secured agreements as defined in the New Participation Agreement dated as of April
26 6, 1998. The maximum amount of the obligations secured by this Mortgage is
27 \$1,000,000,000.
28

29 5. Big Rivers has financed certain pollution control facilities at the D. B.
30 Wilson Station with pollution control bonds issued by Ohio County, Kentucky. Big
31 Rivers has two issues outstanding – the Series 1983 Bonds and the Series 1985 Bonds.
32 At the time of the original issue, the Series 1983 Bonds and the Series 1985 Bonds were
33

BIG RIVERS ELECTRIC CORPORATION
FINANCIAL EXHIBIT
AS OF SEPTEMBER 30, 1999

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4 supported by irrevocable letters of credit issued by Manufacturers Hanover Trust
5 Company, predecessor to The Chase Manhattan Bank, and Irving Trust Company,
6 currently known as The Bank of New York, respectively. On the Effective Date of the
7 LG&E Lease Transaction (July 15, 1998), the Bonds were remarketed following the
8 mandatory tender of the Bonds by the holders thereof in connection with the substitution
9 of new credit enhancement and liquidity facilities for the outstanding letters of credit.
10 Payment of the principal of and the premium, if any, and interest on the Bonds when due
11 is insured by municipal bond insurance policies issued by Ambac Assurance Corporation.
12 Payment of the purchase price of the Bonds that are optionally or mandatorily tendered
13 for purchase and not remarketed will be made from funds drawn under two Standby Bond
14 Purchase Agreements between Big Rivers, U. S. Bank Trust National Association, as
15 trustee, and Credit Suisse First Boston, as the liquidity provider. Both issues are secured
16 under the July 15, 1998, Restated Mortgage and Security Agreement (New RUS
17 Mortgage).

18
19 The Series 1983 Bonds, originally dated June 30, 1983, now dated June 1,
20 1998, in the amount of \$58,800,000.00 was remarketed as floating rate bonds bearing an
21 interest rate representing the minimum rate of interest, as determined by the remarketing
22 agent with the approval of Big Rivers, necessary to remarket the bonds at par. The base
23 rate may not be less than 40 percent nor more than 110 percent a variable interest index.
24 The interest rate at October 20, 1999, was 3.45 percent. This issue is dated to mature
25 June 1, 2013, but is subject to optional redemption by Big Rivers on any interest payment
26 date.

27
28 The Series 1985 Bonds, originally dated October 31, 1985, now dated July
29 1, 1998, in the amount of \$83,300,000.00 was remarketed as variable rate bonds bearing
30 a variable interest rate representing the minimum rate of interest, as determined by the
31 remarketing agent with the approval of Big Rivers, necessary to remarket the bonds at
32 par. The variable rate may not be more than 110 percent of the weighted per annum
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BIG RIVERS ELECTRIC CORPORATION
FINANCIAL EXHIBIT
AS OF SEPTEMBER 30, 1999

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4 discount rate for direct obligations of the United States with maturities of 13 weeks on
5 the basis of a 365- or 366-day year, as applicable. The interest rate at October 20, 1999,
6 was 3.45 percent. This issue is dated to mature October 1, 2015, but is subject to optional
7 redemption by Big Rivers on any interest payment date. This issue has a \$5,000,000
8 annual sinking fund requirement beginning October 1, 2001.
9

10 Interest expense on these pollution control bonds for the 12-month period
11 ended September 30, 1999, was \$4,644,139.44.
12

13 6. On July 15, 1998, in accordance with the First Amended Plan of
14 Reorganization Proposed by Debtor Big Rivers Electric Corporation under Chapter 11 of
15 the Bankruptcy Code as Modified and Restated June 9, 1997, as modified by the
16 Modifications to the First Amended Plan of Reorganization, the indebtedness and other
17 obligations of Big Rivers to the government were restructured such that the only
18 indebtedness and obligations of Big Rivers to the Government are those evidenced by the
19 New RUS Loan Documents. These documents include the New RUS Note, the ARVP
20 Note and the Restated Mortgage and Security Agreement dated July 15, 1998, between
21 Big Rivers, the government, the National Rural Utilities Cooperative Finance
22 Corporation, and Ambac Assurance Corporation.
23

24 The New RUS Note is a Promissory Note in the principal amount of
25 \$1,022,583,000.00. Payments are made at the times and in the amounts provided for in
26 the Promissory Note Document (Volume V, Section D of the Big Rivers and LG&E
27 Energy Corporation Transaction). Interest expense is booked at the effective interest rate
28 to maturity based upon the fair value interest rate; such rate was 5.829 percent at
29 September 30, 1999. The principal balance of the New RUS Note at September 30,
30 1999, was \$985,906,456.40. Interest expense on the New RUS note for the 12 months
31 ending September 30, 1999, was \$57,884,108.00. Annualized interest expense on
32 September 30, 1999, is \$57,518,803.56.
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BIG RIVERS ELECTRIC CORPORATION
FINANCIAL EXHIBIT
AS OF SEPTEMBER 30, 1999

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The ARVP Note is a Promissory Note in the principal amount of \$265,000,000.00. This Note is non-interest bearing and does not require any payments and matures the December 31, 2023, when the outstanding principal amount shall be due and payable in full, provided that quarterly payments equal to one-third of the "Arbitrage Amount" will be made each February 15, May 15, August 15 and November 15. All payments on this Note shall reduce the principal balance on this Note on a dollar for dollar basis. For financial reporting purposes, this note is stated at \$64,854,991.94, bearing an imputed fair value interest rate of 5.865% at September 30, 1999. Interest expense for the 12 months ending September 30, 1999, was \$5,563,334.50. Annualized interest expense at September 30, 1999 was \$5,514,444.55.

On the "Effective Date" of the LG&E Lease Transaction (July 15, 1998), Big Rivers and LG&E Energy Marketing, Inc. executed the Settlement Promissory Note and the Promissory Note (LEM Advances).

The Settlement Promissory Note, in the principal amount of \$19,675,303.00, is secured by the Mortgage and Security Agreement (LEM Mortgage). This Note bears interest at 8 percent per annum and matures July 25, 2023. Payments are made in 299 monthly payments of principal and interest with a final installment equal to the entire outstanding principal balance at the maturity date. The principal balance of the Note at September 30, 1999, was \$19,373,067.49. Interest expense for the 12 months ending September 30, 1999, was \$1,561,004.01. Annualized interest expense at September 30, 1999, is \$1,555,742.88.

The Promissory Note (LEM Advances) is an unsecured Note in the principal amount of \$50,000,000.00. LG&E Energy Marketing, Inc. shall advance the total principal amount to Big Rivers through 24 monthly installments, payable directly to the Department of Agriculture (RUS). Big Rivers' repayment of the Note shall begin in the 25th month following the date of execution of this Note. LG&E Energy Marketing, Inc. shall be entitled to collect the amounts due under this Note solely through offsetting

BIG RIVERS ELECTRIC CORPORATION
FINANCIAL EXHIBIT
AS OF SEPTEMBER 30, 1999

1
2
3
4 the installments, including principal and interest, against the Monthly Margin Payments
5 pursuant to the terms of the Power Purchase Agreement and the Lease. Interest on this
6 Note shall accrue at a rate of 7.164631182 per annum. The principal balance on this Note
7 at September 30, 1999, was \$26,058,108.71. Interest expense for the 12 months ending
8 September 30, 1999, was \$1,029,061.97. Annualized interest at September 30, 1999, is
9 \$1,459,937.86.

10
11 7. Big Rivers is also liable for remarketing fees, insurance premiums and
12 liquidity provider's fees (interest) relating to the \$58,800,000 and the \$83,300,000
13 County of Ohio, Kentucky, Pollution Control Bonds incurred by or on behalf of the RUS,
14 Ambac Assurance Corporation and Credit Suisse First Boston in the enforcement of any
15 rights under the Restated Mortgage and Security Agreement.

16
17 The interest balances at September 30, 1999, were as follows:

18
19

	Interest	Total
Accrued Interest on Bonds	\$889,356.75	\$889,356.75
Remarketing Fees	-0-	-0-
Total	\$889,356.75	\$889,356.75

20
21
22
23
24

25
26 8. No dividends have ever been paid.

27
28 9. The balance sheets and the operating statements for each of the 12 months
29 ended September 1999 are attached hereto.



30
31 September 1999 Pages 11 - 17 of 105
32 August 1999 Pages 18 - 24 of 105
33 July 1999 Pages 25 - 31 of 105

BIG RIVERS ELECTRIC CORPORATION
FINANCIAL EXHIBIT
AS OF SEPTEMBER 30, 1999

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June 1999	Pages 32 - 38 of 105
May 1999	Pages 39 - 45 of 105
April 1999	Pages 46 - 52 of 105
March 1999	Pages 53 - 59 of 105
February 1999	Pages 60 - 66 of 105
January 1999	Pages 67 - 73 of 105
1998 Annual	Pages 74 - 89 of 105
November 1998	Pages 90 - 97 of 105
December 1998	Pages 98 - 105 of 105

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062 BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42419-0000	
INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-3	PERIOD ENDED 1999 September	RUS USE ONLY
CERTIFICATION We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief. ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.		
SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT 	10/19/1999 DATE	
SIGNATURE OF MANAGER 	10/19/1999 DATE	

SECTION A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues.....	197,803,979	111,297,156	97,809,631	11,416,051
2. Income From Leased Property (Net).....	3,336,796	23,811,805	23,127,782	13,166,663
3. Other Operating Revenue and Income.....	2,325,651	6,597,626	5,478,218	877,592
4. Total Oper. Revenues & Patronage Capital(1 thru 3).....	203,466,426	141,706,587	126,415,631	25,460,306
5. Operating Expense - Production - Excluding Fuel.....	15,985,209	(6,923)	0	(7,088)
6. Operating Expense - Production - Fuel.....	51,874,647	6,600	0	0
7. Operating Expense - Other Power Supply.....	39,879,681	65,218,157	55,044,942	6,300,412
8. Operating Expense - Transmission.....	3,226,688	2,016,653	2,164,180	250,075
9. Operating Expense - Distribution.....	0	0	0	0
10. Operating Expense - Customer Accounts.....	0	0	0	0
11. Operating Expense - Customer Service & Information..	543,275	515,974	637,795	79,533
12. Operating Expense - Sales.....	0	42,176	52,623	10,672
13. Operating Expense - Administrative & General.....	16,491,005	5,769,134	5,515,006	731,706
14. Total Operation Expense (5 thru 13).....	128,000,505	73,561,771	63,414,546	7,365,310
15. Maintenance Expense - Production.....	16,420,096	138,405	0	(204)
16. Maintenance Expense - Transmission.....	2,125,707	1,634,623	2,097,384	167,415
17. Maintenance Expense - Distribution.....	0	0	0	0
18. Maintenance Expense - General Plant.....	115,812	86,928	122,775	6,683
19. Total Maintenance Expense (15 thru 18).....	18,661,615	1,859,956	2,220,159	173,894
20. Depreciation and Amortization Expense.....	20,410,901	3,266,606	3,294,709	111,523
21. Taxes.....	236,519	726,262	883,602	80,515
22. Interest on Long-Term Debt.....	57,343,450	53,969,229	54,646,780	6,775,946
23. Interest Charged to Construction - Credit.....	(10,152)	(61,984)	(104,411)	(2,929)
24. Other Interest Expense.....	0	8,500	0	1,674
25. Other Deductions.....	(5,110,183)	49,816	51,417	4,873
26. Total Cost of Electric Service (14+19 thru 25).....	219,532,655	133,380,156	124,406,802	14,510,806
27. Operating Margins (4 less 26).....	(16,066,229)	8,326,431	2,008,829	10,949,500
28. Interest Income.....	917,917	750,712	404,240	124,767
29. Allowance For Funds Used During Construction.....	0	0	0	0
30. Income (Loss) from Equity Investments.....	0	0	0	0
31. Other Nonoperating Income (Net).....	(8,060,272)	(93,526)	0	(126)
32. Generation & Transmission Capital Credits.....	0	0	0	0
33. Other Capital Credits and Patronage Dividends.....	0	2,675	0	681
34. Extraordinary Items.....	(40,527,417)	0	0	0
35. Net Patronage Capital or Margins(27 thru 34).....	(63,736,001)	8,986,292	2,413,069	11,074,822
ITEM	Mills/kWh (Optional Use by Borrower)			
36. Electric Energy Revenue per kWh Sold.....		34.43	34.75	
37. Total Operation & Maintenance Expense Per kWh Sold.....		N/A	N/A	
38. Total Cost of Electric Service per kWh Sold.....		N/A	N/A	
39. Purchased Power Cost Per kWh Purchased.....		19.74	19.17	

Exhibit 2

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062		
	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:70%;">PERIOD ENDED 1999 September</td> <td style="width:30%;">RUS USE ONLY</td> </tr> </table>	PERIOD ENDED 1999 September	RUS USE ONLY
PERIOD ENDED 1999 September	RUS USE ONLY		

SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service.....	32. Memberships.....
1,514,795,767	75
2. Construction Work in Progress.....	33. Patronage Capital
6,125,435	0
3. Total Utility Plant (+2).....	a. Assigned and Assignable.....
1,520,921,202	0
4. Accum. Provision for Depreciation and Amort	b. Retired This Year.....
663,948,854	0
5. Net Utility Plant (3-4).....	c. Retired Prior Years.....
856,972,348	0
6. Non-Utility Property (Net).....	d. Net Patronage Capital.....
0	0
7. Investments in Subsidiary Companies.....	34. Operating Margins - Prior Years.....
0	(346,122,786)
8. Invest. In Assoc. Org. - Patronage Capital.....	35. Operating Margins - Current Year.....
55,861	8,329,106
9. Invest. In Assoc. Org. - Other - General Funds	36. Non-Operating Margins.....
56,280	(22,530,612)
10. Invest. In Assoc. Org. - OTH - NonGEN Funds	37. Other Margins and Equities.....
0	4,444,502
11. Investments in Economic Development Projects	38. Total Margins & Equities (32+33d thru 37).....
10,000	(355,879,715)
12. Other Investments.....	39. Long-Term Debt - REA (Net).....
5,391	1,050,761,448
13. Special Funds.....	(Payments-Unapplied \$ 0)
8,151,575	
14. Total Other Property and Investments (6 thru 13)	40. Long-Term Debt - REA - Econ. Devel. (Net).....
8,279,107	0
15. Cash - General Funds.....	41. Long-Term Debt - FFB - REA Guaranteed.....
2,943	0
16. Cash - Construction Funds - Trustee.....	42. Long-Term Debt - Other - REA Guaranteed.....
0	0
17. Special Deposits.....	43. Long-Term Debt - Other (Net).....
4,150,154	190,434,989
18. Temporary Investments.....	44. Total Long-Term Debt (39 thru 43).....
29,036,700	1,241,196,437
19. Notes Receivable (Net).....	45. Obligations Under Capital Leases - Noncurrent
0	0
20. Accounts Receivable - Sales of Energy (Net)..	46. Accumulated Operating Provisions.....
16,717,495	4,957,130
21. Accounts Receivable - Other (Net).....	47. Total Other Noncurrent Liabilities (45+46).....
965,019	4,957,130
22. Fuel Stock.....	48. Notes Payable.....
0	0
23. Materials and Supplies - Other.....	49. Accounts Payable.....
695,030	12,390,893
24. Prepayments.....	50. Taxes Accrued.....
8,076,047	1,576,824
25. Other Current and Accrued Assets.....	51. Interest Accrued.....
91,701	4,285,496
26. Total Current and Accrued Assets (15 thru 25)	52. Other Current and Accrued Liabilities.....
59,735,089	3,064,967
27. UNAMO Debt DISC & Extraor. Prop. Losses....	53. Total Current & Accrued Liabilities (48 thru 52)
0	21,318,180
28. Regulatory Assets.....	54. Deferred Credits.....
0	36,803,386
29. Other Deferred Debits.....	55. Accumulated Deferred Income Taxes.....
23,408,874	0
30. Accumulated Deferred Income Taxes.....	56. Total Liabilities and Other Credits
0	948,395,418
31. Total Assets and Other Debits (5+14+26 thru 30)	(38+44+47+53 thru 55).....
948,395,418	948,395,418

SECTION C. NOTES TO FINANCIAL STATEMENTS

- 12B, Page 1 of 2, Regular Sales to RUS Borrowers:
- 2-Green River Rural
 - 3-Industrial-Alcoa Hawesville Works
 - 4-Industrial-Commonwealth Aluminum
 - 5-Industrial-Kimberly-Clark Corporation
 - 6-Industrial-Willamette Industries
 - 7-Industrial-Arvin Roll Coater, Inc.
 - 8-Industrial-A-CMI
 - 9-Henderson Union Rural
 - 10-Industrial-Accuride
 - 11-Industrial-Black Diamond Mine
 - 12-Industrial-Breckinridge
 - 13-Industrial-Lodestar Energy
 - 14-Industrial-Dotiki #3
 - 15-Industrial-CR Mining
 - 16-Industrial-Hudson Foods
 - 17-Industrial-KB Alloys, Inc.
 - 18-Industrial-Patriot Coal
 - 19-Industrial-Pittsburg & Midway

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062	
	PERIOD ENDED 1999 September	RUS USE ONLY

SECTION C. NOTES TO FINANCIAL STATEMENTS(CONTINUED)

- 20-Industrial-New Hope LLC
- 21-Industrial-Smith Coal Co.
- 22-Industrial-Valley Grain
- 23-Industrial-Cardinal River
- 24-Meade County Rural
- 25-Jackson Purchase Rural
- 26-Industrial-Shell Oil
- 27-Kenergy Rural

The July 14, 1998 Depreciation Study was implemented September 1999 with retroactive application to July 1, 1998.

USDA-RUS
OPERATING REPORT - SALES OF ELECTRICITY

BORROWER DESIGNATION
 KY062

This data will be used by RUS to review your financial situation. Your response is required
 (7 U.S.C. 901 et seq.) and is not confidential.

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.

YEAR ENDING
 1999 September

RUS USE ONLY

PURCHASER (e)	NO. OF PURCHASERS (b)	1999 September			MILLS PER kWh (f)
		ANNUAL PEAK DEMAND (kW) (c)	MWh BILLED (d)	AMOUNT BILLED (\$) (e)	
1. Sales to Ultimate Consumers (Totals only for this item.)		0	0	0	0.00
2. SALES FOR RESALE - REGULAR SALES TO RUS BORROWERS (List separately)					
3. KY 33 GREEN RIVER ELECTRIC CORP		338	296,449	10,677,347	36.02
4. 99 999 KY 33/65 GREEN RIVER EC/KENERGY		1,881	1,881	64,232	34.15
5. 99 999 KY 33/65 GREEN RIVER EC/KENERGY		38,282	188,507	6,108,678	32.41
6. 99 999 KY 33/65 GREEN RIVER EC/KENERGY		3,651	190,885	5,084,476	26.84
7. 99 999 KY 33/65 GREEN RIVER EC/KENERGY		83,268	509,712	14,596,572	28.64
8. 99 999 KY 33/65 GREEN RIVER EC/KENERGY		4,536	23,901	754,047	31.55
9. 99 999 KY 33/65 GREEN RIVER EC/KENERGY		34,258	19,073	608,206	31.89
10. KY 55 HENDERSON UNION ELEC COOP CORP		6,056	175,627	6,362,700	36.23
11. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		67	28,918	925,989	32.02
12. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		10,099	936	44,960	48.03
13. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		7,554	35,894	1,535,396	42.78
14. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		638	35,252	1,178,152	33.42
15. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		501	3,084	94,251	30.56
16. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		9,772	273	37,530	137.47
17. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		2,001	42,508	1,114,976	26.23
18. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		2,495	6,276	272,524	43.42
19. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		1,500	7,473	329,952	44.15
20. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		30	1,434	156,698	109.27
21. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		2,001	891	58,154	65.27
22. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		1,572	5,586	339,128	60.71
23. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		2,001	6,973	258,922	37.13
24. KY 18 MEADE COUNTY RUR ELEC COOP CORP		84,304	3,315	228,252	68.85
25. KY 20 JACKSON PURCHASE ELEC COOP CORP		142,955	273,689	10,134,539	37.03
26. 99 999 JACKSON PURCHASE ELEC COOP CORP		8,543	440,593	16,155,464	36.67
27. 99 999 KY 65 KENERGY RURALS		242,135	41,955	1,482,401	35.33
28.			297,150	11,005,566	37.04
29.					
30.					
31.					
32.					
33.					
34.					
35.					
36.					
37.					
38.					
39. TOTAL Regular Sales to RUS Borrowers (Sum of lines 2 thru 31)	26	688,557	2,638,235	89,609,112	33.97

Exhibit 2
 Page 14 of 105

USDA-RUS OPERATING REPORT - SALES OF ELECTRICITY		BORROWER DESIGNATION KY062		YEAR ENDING 1999 September		RUS USE ONLY					
PURCHASER (a)		NO. OF PURCHASERS (b)		ANNUAL PEAK DEMAND (KW) (c)		MWH BILLED (d)		AMOUNT BILLED (\$) (e)		MILLS PER KWH (f)	
SALES FOR RESALE - SPECIAL SALES TO RUS BORROWERS (List separately)											
40. IN 106 HOOSIER ENERGY REC INC						43,271		2,190,383		50.62	
41.											
42.											
43.											
44.											
45.											
46.											
47.											
48.											
49.											
50.											
51. TOTAL Special Sales to RUS Borrowers (Sum of lines 40 thru 50)		1		0		43,271		2,190,383		50.62	
52. TOTAL Sales to RUS Borrowers (Sum of lines 39 + 51)		27		688,557		2,681,506		91,799,495		34.23	
SALES FOR RESALE OTHER THAN RUS BORROWERS (List separately)											
53. N P ENERGY INC.								524		21.50	
54. CINERGY						131,200		2,820,600		21.50	
55. RELIANT ENERGY						383,711		13,441,012		35.03	
56. DUKE ENERGY						34,400		3,011,720		87.55	
57. SOUTHERN INDIANA GAS & ELECTRIC CO.						353		37,093		105.08	
58. LOUISVILLE GAS & ELECTRIC CO.						290		29,798		102.75	
59. LG&E MARKETING						1,573		156,914		99.75	
60.											
61.											
62.											
63.											
64.											
65.											
66.											
67.											
68.											
69.											
70.											
71.											
72.											
73.											
74.											
75. TOTAL Sales to Other Than RUS Borrowers (Sum of lines 53 thru 74)		7		0		551,527		19,497,661		35.35	
76. TOTAL Sales for Resale (Sum of lines 52 + 75)		34		688,557		3,233,033		111,297,156		34.43	
77. TOTAL Sales (Sum of lines 1 + 76)		34		688,557		3,233,033		111,297,156		34.43	

Exhibit 2
Page 15 of 105

**USDA-RUS
OPERATING REPORT -
SOURCES AND DISTRIBUTION OF ENERGY**

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.

BORROWER DESIGNATION
KY062

YEAR ENDING
1999 September

RUS USE ONLY

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

SOURCE OF ENERGY (a)	NO. OF PLANTS (b)	NAMEPLATE CAPACITY (KWh) (c)	ANNUAL PEAK DEMAND (KW) (d)	NET ENERGY RECEIVED BY SYSTEM (MWh) (e)	COST (\$) (f)	MILLS PER KWH (g)
GENERATED IN OWN PLAN (Details of Forms 12d, e, f, and g)						
1. Fossil Steam	0		0	0	0	0.00
2. Nuclear	0		0	0	0	0.00
3. Hydro	0		0	0	0	0.00
4. Internal Combustion and Other	0		0	0	0	0.00
5. TOTAL In Own Plant (Sum of lines 1 thru 4)	0		0	0	0	0.00
PURCHASED POWER (List each supplier separately)						
6. SOUTHEASTERN POWER ADMIN		68155		235,010	5,288,042	22.50
7. DUKE ENERGY				131,200	2,814,240	21.45
8. HOOSIER ENERGY REC		43700		202	19,124	94.67
9. HENDERSON MUNIC PWR & LIGHT		53689			26,558	
10. SOUTHERN INDIANA GAS & ELEC CO		18222		336	33,312	99.14
11. LOUISVILLE GAS & ELECTRIC CO		14955		1,100	111,842	101.67
12. RELIANT ENERGY				418,754	9,055,647	21.63
13. LG & E MARKETING		14730		2,503,255	47,608,814	19.02
14.						
15.						
16.						
17.						
18.						
19.						
20.						
21. TOTAL Power Purchased (Sum of lines 6 thru 20)			0	3,289,857	64,957,579	19.74
INTERCHANGED POWER						
22. Received Into System (Gross)			0	0	0	0.00
23. Delivered Out of System (Gross)			0	0	0	0.00
24. Net Interchange (Line 22 minus 23)			0	0	0	0.00
TRANSMISSION FOR OR BY OTHERS - (WHEELING)						
25. Received Into System			0	0	0	0.00
26. Delivered Out of System			0	0	0	0.00
27. Net Energy Wheeled (Line 25 minus 26)			0	0	0	0.00
28. TOTAL Energy Available for Sale (Sum of lines 5 + 21 + 24 + 27)				3,289,857		
29. TOTAL Sales (Form 12b, line 77)				3,233,033		
30. Energy Furnished to Others Without Charge				0		
31. Energy Used by Borrower (Excluding Station Use)				0		
32. TOTAL Energy Accounted For (Sum of lines 29 thru 31)				3,233,033		
33. Energy Losses - MWh (Line 28 minus 32)				56,824		
34. Energy Losses - Percentage [(Line 33 divided by line 28) x 100]				1.73 %		

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

USDA-RUS OPERATING REPORT - LINES AND STATIONS				BORROWER DESIGNATION KY062		
				BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42419-0000		
INSTRUCTIONS - Submit an original and two copies to RUS. For details, see RUS Bulletin 1717B-3.				YEAR ENDING 1999 September		RUS USE ONLY
SECTION A. EXPENSE AND COSTS						
ITEMS		ACCOUNT NUMBER	LINES (a)	STATIONS (b)		
TRANSMISSION OPERATION						
1.	SUPERVISION AND ENGINEERING.....	560	174,561	103,443		
2.	LOAD DISPATCHING.....	561	521,074			
3.	STATION EXPENSES.....	562		527,072		
4.	OVERHEAD LINE EXPENSES.....	563	474,481			
5.	UNDERGROUND LINE EXPENSES.....	564	0			
6.	MISCELLANEOUS EXPENSES.....	566	98,516	101,673		
7.	SUBTOTAL (1 thru 6)		1,268,632	732,188		
8.	TRANSMISSION OF ELECTRICITY BY OTHERS.....	565	0			
9.	RENTS.....	567	0	15,833		
10.	TOTAL TRANSMISSION OPERATION (7 thru 9)		1,268,632	748,021		
TRANSMISSION MAINTENANCE						
11.	SUPERVISION AND ENGINEERING.....	568	101,153	115,267		
12.	STRUCTURES.....	569		25,183		
13.	STATION EQUIPMENT.....	570		836,908		
14.	OVERHEAD LINES.....	571	530,594			
15.	UNDERGROUND LINES.....	572	0			
16.	MISCELLANEOUS TRANSMISSION PLANT.....	573	15,525	9,992		
17.	TOTAL TRANSMISSION MAINTENANCE (11 thru 16)		647,272	987,350		
18.	TOTAL TRANSMISSION EXPENSE (10 +17)		1,915,904	1,735,371		
19.	DISTRIBUTION EXPENSE - OPERATION.....	580 thru 589	0	0		
20.	DISTRIBUTION EXPENSE - MAINTENANCE.....	590 thru 598	0	0		
21.	TOTAL DISTRIBUTION EXPENSE (19 +20)		0	0		
22.	TOTAL OPERATION AND MAINTENANCE (18 +21)		1,915,904	1,735,371		
FIXED COSTS						
23.	DEPRECIATION - TRANSMISSION.....	403.5	1,315,288	1,848,925		
24.	DEPRECIATION - DISTRIBUTION.....	403.6	0	0		
25.	TAXES - TRANSMISSION.....	408	0	0		
26.	TAXES - DISTRIBUTION.....	408	0	0		
27.	INTEREST - TRANSMISSION.....	427	2,883,822	3,941,248		
28.	INTEREST - DISTRIBUTION.....	427	0	0		
29.	INSURANCE - TRANSMISSION.....	924,925,926	0	0		
30.	INSURANCE - DISTRIBUTION.....	924,925,926	0	0		
31.	TOTAL TRANSMISSION (18+23+25+27+29).....		6,115,014	7,525,544		
32.	TOTAL DISTRIBUTION (21+24+26+28+30).....		0	0		
33.	TOTAL LINES AND STATIONS (31+32)		6,115,014	7,525,544		
SECTION B. FACILITIES IN SERVICE				SECTION C. LABOR AND MATERIAL SUMMARY		
TRANSMISSION LINES		SUBSTATIONS		1. NUMBER OF EMPLOYEES		50
VOLTAGE (kV)	MILES	TYPE	CAPACITY (kVA)	ITEM	LINES	STATIONS
1. 69	773.98	9. STEP UP AT GEN-	1,879,800	2. OPER. LABOR	301,647	870,692
2. 161	335.30	ERATING PLANTS		3. MAINT. LABOR	327,153	683,487
3. 138	14.40	10. TRANSMISSION	3,265,000	4. OPER. MATERIAL	418,654	348,208
4. 345	67.40			5. MAINT. MATERIAL	68,100	293,920
5. 0	0.00	11. DISTRIBUTION	0	SECTION D. OUTAGES		
6. TOTAL	1,191.08			12. TOTAL	1. TOTAL	
7. DISTR. LINES	0.00		2. AVG. NO. DISTR. CONS. SERVED		96,116.00	
8. TOTAL (6+7)	1,191.08	(9 thru 11)	5,144,800	3. AVG. NO. HOURS OUT PER CONS.		0.90

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062 BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42419-0000
INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-3	PERIOD ENDED 1999 August
CERTIFICATION We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief. ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.	
_____ SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT	_____ DATE 09/20/1999
_____ SIGNATURE OF MANAGER	_____ DATE 09/20/1999

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues.....	186,419,493	99,881,104	86,931,290	16,893,576
2. Income From Leased Property (Net).....	2,174,652	10,645,143	10,780,237	1,362,877
3. Other Operating Revenue and Income.....	1,230,689	5,720,034	4,863,084	820,067
4. Total Oper. Revenues & Patronage Capital(1 thru 3).....	189,824,834	116,246,281	102,574,611	19,076,520
5. Operating Expense - Production - Excluding Fuel.....	16,000,673	165	0	0
6. Operating Expense - Production - Fuel.....	51,873,262	6,600	0	0
7. Operating Expense - Other Power Supply.....	33,046,068	58,917,745	48,816,966	9,299,203
8. Operating Expense - Transmission.....	3,023,539	1,766,578	1,895,281	207,344
9. Operating Expense - Distribution.....	0	0	0	0
10. Operating Expense - Customer Accounts.....	0	0	0	0
11. Operating Expense - Customer Service & Information..	504,543	436,442	563,914	56,176
12. Operating Expense - Sales.....	0	31,504	49,076	29,430
13. Operating Expense - Administrative & General.....	15,396,937	5,037,428	5,003,706	815,347
14. Total Operation Expense (5 thru 13).....	119,845,022	66,196,462	56,328,943	10,407,500
15. Maintenance Expense - Production.....	16,350,206	138,609	0	1,997
16. Maintenance Expense - Transmission.....	1,954,378	1,467,208	1,867,386	224,156
17. Maintenance Expense - Distribution.....	0	0	0	0
18. Maintenance Expense - General Plant.....	108,594	80,245	112,181	7,565
19. Total Maintenance Expense (15 thru 18).....	18,413,178	1,686,062	1,979,567	233,718
20. Depreciation and Amortization Expense.....	20,018,952	3,155,083	3,164,032	394,197
21. Taxes.....	142,615	645,747	785,424	80,515
22. Interest on Long-Term Debt.....	50,823,695	47,193,283	47,791,440	5,761,399
23. Interest Charged to Construction - Credit.....	0	(59,059)	(100,751)	(2,146)
24. Other Interest Expense.....	0	6,826	0	1,216
25. Other Deductions.....	(5,114,472)	44,943	46,044	4,960
26. Total Cost of Electric Service (14+19 thru 25).....	204,128,990	118,869,351	109,994,699	16,881,359
27. Operating Margins (4 less 26).....	(14,304,156)	(2,623,070)	(7,420,088)	2,195,161
28. Interest Income.....	701,460	625,945	375,470	89,313
29. Allowance For Funds Used During Construction.....	0	0	0	0
30. Income (Loss) from Equity Investments.....	0	0	0	0
31. Other Nonoperating Income (Net).....	(8,239,404)	(93,399)	0	(126)
32. Generation & Transmission Capital Credits.....	0	0	0	0
33. Other Capital Credits and Patronage Dividends.....	0	1,994	0	0
34. Extraordinary Items.....	(40,527,418)	0	0	0
35. Net Patronage Capital or Margins(27 thru 34).....	(62,369,518)	(2,088,530)	(7,044,618)	2,284,348
ITEM	Mills/kWh (Optional Use by Borrower)			
36. Electric Energy Revenue per kWh Sold.....		34.34	34.80	
37. Total Operation & Maintenance Expense Per kWh Sold.....		N/A	N/A	
38. Total Cost of Electric Service per kWh Sold.....		N/A	N/A	
39. Purchased Power Cost Per kWh Purchased.....		19.82	19.16	

Exhibit 2

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062		
	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:70%;">PERIOD ENDED 1999 August</td> <td style="width:30%;">RUS USE ONLY</td> </tr> </table>	PERIOD ENDED 1999 August	RUS USE ONLY
PERIOD ENDED 1999 August	RUS USE ONLY		

SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service.....	32. Memberships.....
1,515,101,666	75
2. Construction Work in Progress.....	33. Patronage Capital
5,772,336	a. Assigned and Assignable
3. Total Utility Plant ⁽¹⁺²⁾	b. Retired This Year.....
1,520,874,002	c. Retired Prior Years.....
4. Accum. Provision for Depreciation and Amort	d. Net Patronage Capital.....
673,459,115	(346,122,786)
5. Net Utility Plant ⁽³⁻⁴⁾	35. Operating Margins - Current Year.....
847,414,887	(2,621,076)
6. Non-Utility Property (Net).....	36. Non-Operating Margins.....
0	(22,655,253)
7. Investments in Subsidiary Companies.....	37. Other Margins and Equities.....
0	4,444,502
8. Invest. In Assoc. Org. - Patronage Capital.....	38. Total Margins & Equities ^(32+33d thru 37)
55,316	(366,954,538)
9. Invest. In Assoc. Org. - Other - General Funds	39. Long-Term Debt - REA (Net).....
56,280	1,049,735,746
10. Invest. In Assoc. Org. - OTH - NonGEN Funds	(Payments-Unapplied \$ 0)
0	40. Long-Term Debt - REA - Econ. Devel. (Net).....
11. Investments in Economic Development Projects	0
10,000	41. Long-Term Debt - FFB - REA Guaranteed.....
12. Other Investments.....	0
5,424	42. Long-Term Debt - Other - REA Guaranteed.....
13. Special Funds.....	0
7,976,797	43. Long-Term Debt - Other (Net)
14. Total Other Property and Investments ^(6 thru 13)	187,808,971
8,103,817	44. Total Long-Term Debt ^(39 thru 43)
15. Cash - General Funds.....	1,237,544,717
4,417	45. Obligations Under Capital Leases - Noncurrent
16. Cash - Construction Funds - Trustee.....	0
0	46. Accumulated Operating Provisions.....
17. Special Deposits.....	4,893,784
3,024,389	47. Total Other Noncurrent Liabilities ⁽⁴⁵⁺⁴⁶⁾
18. Temporary Investments.....	4,893,784
23,099,700	48. Notes Payable.....
19. Notes Receivable (Net).....	0
0	49. Accounts Payable.....
20. Accounts Receivable - Sales of Energy (Net)..	15,914,285
22,886,240	50. Taxes Accrued.....
21. Accounts Receivable - Other (Net).....	1,394,039
1,125,170	51. Interest Accrued.....
22. Fuel Stock.....	3,913,609
0	52. Other Current and Accrued Liabilities.....
23. Materials and Supplies - Other.....	2,932,429
664,720	53. Total Current & Accrued Liabilities ^(48 thru 52)
24. Prepayments.....	24,154,362
8,168,467	54. Deferred Credits.....
25. Other Current and Accrued Assets.....	38,796,701
89,352	55. Accumulated Deferred Income Taxes.....
26. Total Current and Accrued Assets (15 thru 25)	0
59,062,455	56. Total Liabilities and Other Credits
27. UNAMO Debt DISC & Extraor. Prop. Losses....	938,435,026
0	(38+44+47+53 thru 55).....
28. Regulatory Assets.....	
0	
29. Other Deferred Debits.....	
23,853,867	
30. Accumulated Deferred Income Taxes.....	
0	
31. Total Assets and Other Debits (5+14+26 thru 30)	
938,435,026	

SECTION C. NOTES TO FINANCIAL STATEMENTS

- 12B, Page 1 of 2, Regular Sales to RUS Borrowers:
- 2-Green River Rural
 - 3-Industrial-Alcoa Hawesville Works
 - 4-Industrial-Commonwealth Aluminum
 - 5-Industrial-Kimberly-Clark Corporation
 - 6-Industrial-Willamette Industries
 - 7-Industrial-Arvin Roll Coater, Inc.
 - 8-Industrial-A-CMI
 - 9-Henderson Union Rural
 - 10-Industrial-Accuride
 - 11-Industrial-Black Diamond Mine
 - 12-Industrial-Breckinridge
 - 13-Industrial-Lodestar Energy
 - 14-Industrial-Dotiki #3
 - 15-Industrial-CR Mining
 - 16-Industrial-Hudson Foods
 - 17-Industrial-KB Alloys, Inc.
 - 18-Industrial-Patriot Coal
 - 19-Industrial-Pittsburg & Midway

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062	
	PERIOD ENDED 1999 August	RUS USE ONLY

SECTION C. NOTES TO FINANCIAL STATEMENTS(CONTINUED)

- 20-Industrial-New Hope LLC
- 21-Industrial-Smith Coal Co.
- 22-Industrial-Valley Grain
- 23-Industrial-Cardinal River
- 24-Meade County Rural
- 25-Jackson Purchase Rural
- 26-Industrial-Shell Oil
- 27-Kenergy Rural

USDA-RUS
OPERATING REPORT - SALES OF ELECTRICITY

Borrower Designation
 KY062

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.

PURCHASER (a)	NO. OF PURCHASERS (b)	1999 August			RUS USE ONLY	
		ANNUAL PEAK DEMAND (KW) (c)	MWh BILLED (d)	AMOUNT BILLED (\$) (e)	MILLS PER kWh (f)	
1. Sales to Ultimate Consumers (Totals only for this item.)		0	0	0	0.00	
SALES FOR RESALE - REGULAR SALES TO RUS BORROWERS (list separately)						
2. KY 33 GREEN RIVER ELECTRIC CORP		338	298,449	10,677,347	36.02	
3. 99 999 KY 33/65 GREEN RIVER EC/KENERGY			1,676	56,942	33.97	
4. 99 999 KY 33/65 GREEN RIVER EC/KENERGY		38,282	168,047	5,446,249	32.41	
5. 99 999 KY 33/65 GREEN RIVER EC/KENERGY		3,651	168,326	4,473,350	26.58	
6. 99 999 KY 33/65 GREEN RIVER EC/KENERGY		83,268	456,729	13,015,753	28.50	
7. 99 999 KY 33/65 GREEN RIVER EC/KENERGY		4,536	21,254	672,701	31.65	
8. 99 999 KY 33/65 GREEN RIVER EC/KENERGY		34,258	16,729	533,391	31.88	
9. KY 55 HENDERSON UNION ELEC COOP CORP			175,627	6,362,700	36.23	
10. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		6,056	25,821	825,123	31.96	
11. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		67	920	44,090	47.92	
12. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		10,099	31,784	1,365,567	42.96	
13. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		7,554	31,401	1,042,171	33.19	
14. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		638	2,684	82,240	30.64	
15. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		501	245	36,059	147.18	
16. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		9,772	37,549	950,175	25.30	
17. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		2,001	5,693	244,211	42.90	
18. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		2,495	6,825	299,714	43.91	
19. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		1,500	1,323	139,949	105.78	
20. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		30	878	57,667	65.68	
21. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		2,001	5,375	315,919	58.78	
22. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		1,572	6,111	225,443	36.89	
23. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY		2,001	3,113	205,180	65.91	
24. 99 999 KY 18 MEADE CO RURAL ELEC COOP		84,304	246,779	9,032,758	36.60	
25. 99 999 KY 20 JACKSON PURCHASE ENERGY CORP		142,955	395,339	14,332,943	36.25	
26. 99 999 KY 20 JACKSON PURCHASE ENERGY CORP		8,543	37,091	1,307,926	35.26	
27. 99 999 65 KENERGY RURALS		242,135	217,323	7,821,057	35.99	
28.						
29.						
30.						
31.						
32.						
33.						
34.						
35.						
36.						
37.						
38.						
39. TOTAL Regular Sales to RUS Borrowers (Sum of lines 2 thru 38)	26	688,557	2,361,091	79,566,625	33.70	

Exhibit 2
 Page 21 of 105

USDA-RUS
OPERATING REPORT - SALES OF ELECTRICITY

PURCHASER (a)	BORROWER DESIGNATION KY062	YEAR ENDING 1999 August			RUS USE ONLY	
		NO. OF PURCHASERS (b)	ANNUAL PEAK DEMAND (kW) (c)	MWh BILLED (d)	AMOUNT BILLED (\$) (e)	MILLS PER kWh (f)
SALES FOR RESALE - SPECIAL SALES TO RUS BORROWERS (List separately)						
40. IN 106 HOOSIER ENERGY REC INC				43,271	2,190,383	50.62
41.						
42.						
43.						
44.						
45.						
46.						
47.						
48.						
49.						
50.						
51. TOTAL Special Sales to RUS Borrowers (Sum of lines 40 thru 50)		1	0	43,271	2,190,383	50.62
52. TOTAL Sales to RUS Borrowers (Sum of lines 39 + 51)		27	688,557	2,404,362	81,757,008	34.00
SALES FOR RESALE OTHER THAN RUS BORROWERS (List separately)						
53. NP ENERGY INC					524	21.50
54. CINERGY				116,800	2,511,000	21.50
55. RELIANT ENERGY				351,238	12,421,728	35.37
56. DUKE ENERGY				34,400	3,011,720	87.55
57. SOUTHERN INDIANA GAS & ELECTRIC CO				338	35,550	105.18
58. LOUISVILLE GAS & ELECTRIC CO				272	27,948	102.75
59. LOUISVILLE GAS & ELECTRIC CO MARKETING				1,373	115,626	84.21
60.						
61.						
62.						
63.						
64.						
65.						
66.						
67.						
68.						
69.						
70.						
71.						
72.						
73.						
74.						
75. TOTAL Sales to Other Than RUS Borrowers (Sum of lines 53 thru 74)		7	0	504,421	18,124,096	35.93
76. TOTAL Sales for Resale (Sum of lines 52 + 75)		34	688,557	2,908,783	99,881,104	34.34
77. TOTAL Sales (Sum of lines 1 + 76)		34	688,557	2,908,783	99,881,104	34.34

Exhibit 2
Page 22 of 105

OPERATING REPORT - SOURCES AND DISTRIBUTION OF ENERGY

BORROWER DESIGNATION

KY062

This data will be used by RUS to review your financial situation. Your response is required
(7 U.S.C. 901 et seq.) and is not confidential.

YEAR ENDING

1999 August

RUS USE ONLY

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.

SOURCE OF ENERGY

(a)

NAMEPLATE CAPACITY (kw/h) (c)

NO. OF PLANTS (b)

ANNUAL PEAK DEMAND (kW) (d)

NET ENERGY RECEIVED BY SYSTEM (MWh) (e)

COST (\$) (f)

MILLS PER kWh (g)

GENERATED IN OWN PLANT (Details of Forms 12d, e, f, and g)

1. Fossil Steam	0	0	0	0	0	0.00
2. Nuclear	0	0	0	0	0	0.00
3. Hydro	0	0	0	0	0	0.00
4. Internal Combustion and Other	0	0	0	0	0	0.00
5. TOTAL in Own Plant (Sum of lines 1 thru 4)	0	0	0	0	0	0.00

PURCHASED POWER (List each supplier separately)

RUS USE ONLY CODE

6. SOUTHEASTERN POWER ADMIN	68155			205,010	4,592,042	22.40
7. DUKE ENERGY				116,800	2,505,360	21.45
8. HOOSIER ENERGY REC	43700			183	17,391	95.03
9. HENDERSON MUNIC PWR & LIGHT	53689				26,558	
10. SOUTHERN INDIANA GAS & ELEC CO	18222			300	29,692	98.97
11. LOUISVILLE GAS & ELECTRIC CO	14955			954	96,993	101.67
12. RELIANT ENERGY				374,886	8,408,752	22.43
13. LG & E MARKETING	14730			2,261,879	42,980,379	19.00
14.						
15.						
16.						
17.						
18.						
19.						
20.						
21. TOTAL Power Purchased (Sum of lines 6 thru 20)				2,960,012	58,657,167	19.82

INTERCHANGED POWER

22. Received into System (Gross)	0	0	0	0	0	0.00
23. Delivered Out of System (Gross)	0	0	0	0	0	0.00
24. Net Interchange (Line 22 minus 23)	0	0	0	0	0	0.00

TRANSMISSION FOR OR BY OTHERS - (WHEELING)

25. Received into System	0	0	0	0	0	0.00
26. Delivered Out of System	0	0	0	0	0	0.00
27. Net Energy Wheeled (Line 25 minus 26)	0	0	0	0	0	0.00
28. TOTAL Energy Available for Sale (Sum of lines 5 + 21 + 24 + 27)				2,960,012		
29. TOTAL Sales (Form 12b, line 77)				2,908,783		

30. Energy Furnished to Others Without Charge

31. Energy Used by Borrower (Excluding Station Use)

32. TOTAL Energy Accounted For (Sum of lines 29 thru 31)

33. Energy Losses - MWh (Line 28 minus 32)

34. Energy Losses - Percentage [(Line 33 divided by line 28) x 100]

				2,908,783		
				51,229		
				1.73 %		

USDA-RUS OPERATING REPORT - LINES AND STATIONS	BORROWER DESIGNATION KY062 BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42419-0000
INSTRUCTIONS - Submit an original and two copies to RUS. For details, see RUS Bulletin 1717B-3.	YEAR ENDING 1999 August

SECTION A. EXPENSE AND COSTS

ITEMS	ACCOUNT NUMBER	LINES (a)	STATIONS (b)
TRANSMISSION OPERATION			
1. SUPERVISION AND ENGINEERING.....	560	155,563	92,412
2. LOAD DISPATCHING.....	561	453,138	
3. STATION EXPENSES.....	562		460,777
4. OVERHEAD LINE EXPENSES.....	563	422,219	
5. UNDERGROUND LINE EXPENSES.....	564	0	
6. MISCELLANEOUS EXPENSES.....	566	85,111	83,283
7. SUBTOTAL (1 thru 6)		1,116,031	636,472
8. TRANSMISSION OF ELECTRICITY BY OTHERS.....	565	0	
9. RENTS.....	567	0	14,074
10. TOTAL TRANSMISSION OPERATION (7 thru 9)		1,116,031	650,546
TRANSMISSION MAINTENANCE			
11. SUPERVISION AND ENGINEERING.....	568	90,311	102,521
12. STRUCTURES.....	569		21,967
13. STATION EQUIPMENT.....	570		729,285
14. OVERHEAD LINES.....	571	506,692	
15. UNDERGROUND LINES.....	572	0	
16. MISCELLANEOUS TRANSMISSION PLANT.....	573	11,424	5,008
17. TOTAL TRANSMISSION MAINTENANCE (11 thru 16)		608,427	858,781
18. TOTAL TRANSMISSION EXPENSE (10 +17)		1,724,458	1,509,327
19. DISTRIBUTION EXPENSE - OPERATION.....	580 thru 589	0	0
20. DISTRIBUTION EXPENSE - MAINTENANCE.....	590 thru 598	0	0
21. TOTAL DISTRIBUTION EXPENSE (19 +20)		0	0
22. TOTAL OPERATION AND MAINTENANCE (18 +21)		1,724,458	1,509,327
FIXED COSTS			
23. DEPRECIATION - TRANSMISSION.....	403.5	1,160,152	1,795,723
24. DEPRECIATION - DISTRIBUTION.....	403.6	0	0
25. TAXES - TRANSMISSION.....	408	0	0
26. TAXES - DISTRIBUTION.....	408	0	0
27. INTEREST - TRANSMISSION.....	427	2,520,642	3,441,798
28. INTEREST - DISTRIBUTION.....	427	0	0
29. INSURANCE - TRANSMISSION.....	924,925,926-	0	0
30. INSURANCE - DISTRIBUTION.....	924,925,926	0	0
31. TOTAL TRANSMISSION (18+23+25+27+29).....		5,405,252	6,746,848
32. TOTAL DISTRIBUTION (21+24+26+28+30).....		0	0
33. TOTAL LINES AND STATIONS (31+32)		5,405,252	6,746,848

SECTION B. FACILITIES IN SERVICE

SECTION C. LABOR AND MATERIAL SUMMARY

TRANSMISSION LINES				SUBSTATIONS		1. NUMBER OF EMPLOYEES		
VOLTAGE (kV)	MILES	TYPE	CAPACITY (kVA)	ITEM	LINES	STATIONS		
1. 69	773.98	9. STEPUP AT GEN.	1,879,800	2. OPER. LABOR	266,534	745,801		
2. 161	335.30	ERATING PLANTS		3. MAINT. LABOR	302,448	589,626		
3. 138	14.40	10. TRANSMISSION	3,265,000	4. OPER. MATERIAL	371,246	313,006		
4. 345	67.40			5. MAINT. MATERIAL	67,909	259,545		
5. 0	0.00	11. DISTRIBUTION	0	SECTION D. OUTAGES				
6. TOTAL	1,191.08			12. TOTAL	5,144,800	1. TOTAL		47,667
7. DISTR. LINES	0.00			2. AVG. NO. DISTR. CONS. SERVED		96,116.00		
8. TOTAL (6+7)	1,191.08	(9 thru 11)		3. AVG. NO. HOURS OUT PER CONS.		0.50		

Exhibit 2

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

<p>USDA-RUS</p> <p>OPERATING REPORT - FINANCIAL</p>	<p>BORROWER DESIGNATION KY062</p> <p>BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42419-0000</p>
<p>INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-3</p>	<p>PERIOD ENDED 1999 July</p> <p style="text-align: right;">RUS USE ONLY</p>
<p>CERTIFICATION</p> <p>We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.</p> <p>ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.</p>	
<p><i>[Signature]</i> SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT</p> <p><i>[Signature]</i> SIGNATURE OF MANAGER</p>	<p style="text-align: right;">09/10/1999 DATE</p> <p style="text-align: right;">09/10/1999 DATE</p>

SECTION A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues.....	174,396,683	82,987,528	74,045,730	17,785,544
2. Income From Leased Property (Net).....	763,594	9,282,266	9,429,255	1,308,860
3. Other Operating Revenue and Income.....	424,617	4,899,967	4,287,785	770,247
4. Total Oper. Revenues & Patronage Capital(1 thru 3).....	175,584,894	97,169,761	87,762,770	19,864,651
5. Operating Expense - Production - Excluding Fuel.....	16,033,202	165	0	0
6. Operating Expense - Production - Fuel.....	51,871,794	6,600	0	0
7. Operating Expense - Other Power Supply.....	26,402,569	49,618,542	42,290,631	10,291,487
8. Operating Expense - Transmission.....	2,815,728	1,559,234	1,666,744	229,738
9. Operating Expense - Distribution.....	0	0	0	0
10. Operating Expense - Customer Accounts.....	0	0	0	0
11. Operating Expense - Customer Service & Information..	463,618	380,265	496,654	68,946
12. Operating Expense - Sales.....	0	2,074	45,529	636
13. Operating Expense - Administrative & General.....	15,138,297	4,222,081	4,526,464	968,947
14. Total Operation Expense (5 thru 13).....	112,725,208	55,788,961	49,026,022	11,559,754
15. Maintenance Expense - Production.....	16,212,139	136,612	0	0
16. Maintenance Expense - Transmission.....	1,690,439	1,243,051	1,583,620	250,207
17. Maintenance Expense - Distribution.....	0	0	0	0
18. Maintenance Expense - General Plant.....	97,448	72,680	103,348	8,782
19. Total Maintenance Expense (15 thru 18).....	18,000,026	1,452,343	1,686,968	258,989
20. Depreciation and Amortization Expense.....	19,627,021	2,760,885	2,762,300	395,571
21. Taxes.....	0	565,232	687,246	80,515
22. Interest on Long-Term Debt.....	44,870,450	41,431,884	41,758,330	5,894,738
23. Interest Charged to Construction - Credit.....	0	(56,909)	(96,821)	(2,764)
24. Other Interest Expense.....	0	5,610	0	1,262
25. Other Deductions.....	(5,119,605)	39,984	37,971	4,712
26. Total Cost of Electric Service (14+19 thru 25).....	190,103,100	101,987,990	95,862,016	18,192,777
27. Operating Margins (4 less 25).....	(14,518,206)	(4,818,229)	(8,099,246)	1,671,874
28. Interest Income.....	537,751	536,631	345,740	61,527
29. Allowance For Funds Used During Construction.....	0	0	0	0
30. Income (Loss) from Equity Investments.....	0	0	0	0
31. Other Nonoperating Income (Net).....	(8,236,976)	(93,274)	0	(126)
32. Generation & Transmission Capital Credits.....	0	0	0	0
33. Other Capital Credits and Patronage Dividends.....	0	1,994	0	0
34. Extraordinary Items.....	(40,527,418)	0	0	0
35. Net Patronage Capital or Margins(27 thru 34).....	(62,744,849)	(4,372,878)	(7,753,506)	1,733,275
ITEM	Mills/kWh (Optional Use by Borrower)			
36. Electric Energy Revenue per kWh Sold.....		33.25	34.19	
37. Total Operation & Maintenance Expense Per kWh Sold.....		N/A	N/A	
38. Total Cost of Electric Service per kWh Sold.....		N/A	N/A	
39. Purchased Power Cost Per kWh Purchased.....		19.44	19.14	

Exhibit 2

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062		
	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:70%;">PERIOD ENDED 1999 July</td> <td style="width:30%;">RUS USE ONLY</td> </tr> </table>	PERIOD ENDED 1999 July	RUS USE ONLY
PERIOD ENDED 1999 July	RUS USE ONLY		

SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service..... 1,516,012,922	32. Memberships..... 100
2. Construction Work in Progress..... 5,639,944	33. Patronage Capital
3. Total Utility Plant (2)..... 1,521,652,866	a. Assigned and Assignable 0
4. Accum. Provision for Depreciation and Amort 671,240,204	b. Retired This Year..... 0
5. Net Utility Plant (4) 850,412,662	c. Retired Prior Years..... 0
6. Non-Utility Property (Net)..... 0	d. Net Patronage Capital..... 0
7. Investments in Subsidiary Companies..... 0	34. Operating Margins - Prior Years..... (346,122,786)
8. Invest. In Assoc. Org. - Patronage Capital..... 55,316	35. Operating Margins - Current Year..... (4,816,236)
9. Invest. In Assoc. Org. - Other - General Funds 56,280	36. Non-Operating Margins..... (22,744,440)
10. Invest. In Assoc. Org. - OTH - NonGEN Funds 0	37. Other Margins and Equities..... 4,444,502
11. Investments in Economic Development Projects 10,000	38. Total Margins & Equities (32+33d thru 37) (369,238,860)
12. Other Investments..... 5,424	39. Long-Term Debt - REA (Net)..... 1,049,812,933
13. Special Funds..... 7,975,593	(Payments-Unapplied \$ 0)
14. Total Other Property and Investments (6 thru 13) 8,102,613	40. Long-Term Debt - REA - Econ. Devel. (Net)..... 0
15. Cash - General Funds..... 4,282	41. Long-Term Debt - FFB - REA Guaranteed..... 0
16. Cash - Construction Funds - Trustee..... 0	42. Long-Term Debt - Other - REA Guaranteed..... 0
17. Special Deposits..... 3,024,389	43. Long-Term Debt - Other (Net) 185,193,482
18. Temporary Investments..... 17,274,300	44. Total Long-Term Debt (39 thru 43) 1,235,006,415
19. Notes Receivable (Net)..... 0	45. Obligations Under Capital Leases - Noncurrent 0
20. Accounts Receivable - Sales of Energy (Net).. 23,906,270	46. Accumulated Operating Provisions..... 4,855,372
21. Accounts Receivable - Other (Net)..... 958,085	47. Total Other Noncurrent Liabilities (45+46) 4,855,372
22. Fuel Stock..... 0	48. Notes Payable..... 0
23. Materials and Supplies - Other..... 647,240	49. Accounts Payable..... 17,582,224
24. Prepayments..... 8,261,658	50. Taxes Accrued..... 1,218,030
25. Other Current and Accrued Assets..... 51,164	51. Interest Accrued..... 3,749,232
26. Total Current and Accrued Assets (15 thru 25) 54,127,388	52. Other Current and Accrued Liabilities..... 3,016,563
27. UNAMO Debt DISC & Extraor. Prop. Losses... 0	53. Total Current & Accrued Liabilities (48 thru 52) 25,566,049
28. Regulatory Assets..... 0	54. Deferred Credits..... 40,790,016
29. Other Deferred Debits..... 24,336,329	55. Accumulated Deferred Income Taxes..... 0
30. Accumulated Deferred Income Taxes..... 0	56. Total Liabilities and Other Credits
31. Total Assets and Other Debits (5+14+26 thru 30) 936,978,992	(38+44+47+53 thru 55)..... 936,978,992

SECTION C. NOTES TO FINANCIAL STATEMENTS

- 12B, Page 1 of 2, Regular Sales to RUS Borrowers:
- 2-Green River Rural
 - 3-Industrial-Alcoa Hawesville Works
 - 4-Industrial-Commonwealth Aluminum
 - 5-Industrial-Kimberly-Clark Corporation
 - 6-Industrial-Willamette Industries
 - 7-Industrial-Arvin Roll Coater, Inc.
 - 8-Industrial-A-CMI
 - 9-Henderson Union Rural
 - 10-Industrial-Accuride
 - 11-Industrial-Black Diamond Mine
 - 12-Industrial-Breckinridge
 - 13-Industrial-Lodestar Energy
 - 14-Industrial-Dotiki #3
 - 15-Industrial-CR Mining
 - 16-Industrial-Hudson Foods
 - 17-Industrial-KB Alloys, Inc.
 - 18-Industrial-Patriot Coal
 - 19-Industrial-Pittsburg & Midway

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062	
	PERIOD ENDED 1999 July	RUS USE ONLY

SECTION C. NOTES TO FINANCIAL STATEMENTS(CONTINUED)

- 20-Industrial-New Hope LLC
- 21-Industrial-Smith Coal Co.
- 22-Industrial-Valley Grain
- 23-Industrial-Cardinal River
- 24-Meade County Rural
- 25-Jackson Purchase Rural
- 26-Industrial-Shell Oil
- 27-Kenergy Rural

USDA-RUS
OPERATING REPORT - SALES OF ELECTRICITY

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

1999 July

RUS USE ONLY

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.

BORROWER DESIGNATION KY062	PURCHASER (a)	NO. OF PURCHASERS (b)	1999 July			MILLS PER kWh (f)
			ANNUAL PEAK DEMAND (kW) (c)	MWh BILLED (d)	AMOUNT BILLED (\$) (e)	
1. Sales to Ultimate Consumers (Totals only for this item)			0	0	0	0.00
SALES FOR RESALE - REGULAR SALES TO RUS BORROWERS (List separately)						
2. 99 999 KY 33 GREEN RIVER ELECTRIC CORP			338	296,449	10,677,347	36.02
3. 99 999 KY 33/65 GREEN RIVER EC/KENERGY			1,471	1,471	49,940	33.94
4. 99 999 KY 33/65 GREEN RIVER EC/KENERGY			38,282	146,768	4,764,114	32.46
5. 99 999 KY 33/65 GREEN RIVER EC/KENERGY			3,651	145,315	3,870,441	26.63
6. 99 999 KY 33/65 GREEN RIVER EC/KENERGY			83,268	398,029	11,360,878	28.54
7. 99 999 KY 33/65 GREEN RIVER EC/KENERGY			4,536	18,481	589,702	31.91
8. 99 999 KY 33/65 GREEN RIVER EC/KENERGY			34,258	14,326	458,160	31.98
9. 99 999 KY 55 HENDERSON UNION ELEC COOP			6,056	175,627	6,362,701	36.23
10. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY			67	22,248	715,959	32.18
11. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY			10,099	27,208	1,184,081	43.52
12. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY			7,554	27,919	914,296	32.75
13. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY			638	2,262	69,827	30.87
14. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY			501	212	38,503	181.62
15. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY			9,772	32,240	820,064	25.44
16. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY			2,001	4,951	213,728	43.17
17. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY			2,495	6,222	268,655	43.18
18. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY			1,500	1,209	123,153	101.86
19. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY			30	865	57,254	68.19
20. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY			2,001	5,151	292,534	56.79
21. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY			1,572	5,300	195,274	36.84
22. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY			2,001	2,943	182,541	62.03
23. 99 999 KY 55/65 HENDERSON UNION EC/KENERGY			84,304	212,229	7,764,081	36.58
24. 99 999 KY 18 MEADE CO RURAL ELEC COOP			142,955	336,467	12,110,489	35.99
25. 99 999 KY 20 JACKSON PURCHASE ENERGY CORP			8,543	32,130	1,132,146	35.24
26. 99 999 KY 20 JACKSON PURCHASE ENERGY CORP			242,135	116,447	4,160,042	35.72
27. 99 999 KY 65 KENERGY RURALS						
28.						
29.						
30.						
31.						
32.						
33.						
34.						
35.						
36.						
37.						
38.						
39. TOTAL Regular Sales to RUS Borrowers (Sum of lines 2 thru 38)		26	688,557	2,033,375	68,419,161	33.65

Exhibit 2
Page 28 of 105

OPERATING REPORT - SALES OF ELECTRICITY

BORROWER DESIGNATION

KY062

YEAR ENDING

1999 July

RUS USE ONLY

	PURCHASER (a)	NO. OF PURCHASERS (b)	ANNUAL PEAK DEMAND (KW) (c)	MWh BILLED (d)	AMOUNT BILLED (\$) (e)	RUS USE ONLY	
						MILLS PER kWh (f)	
SALES FOR RESALE - SPECIAL SALES TO RUS BORROWERS (List separately)							
40.	IN 106 HOOSIER ENERGY REC INC			20,648	1,133,225		54.88
41.							
42.							
43.							
44.							
45.							
46.							
47.							
48.							
49.							
50.							
51.	TOTAL Special Sales to RUS Borrowers (Sum of lines 40 thru 50)	1	0	20,648	1,133,225		54.88
52.	TOTAL Sales to RUS Borrowers (Sum of lines 39 + 51)	27	688,557	2,054,023	69,552,386		33.86
SALES FOR RESALE OTHER THAN RUS BORROWERS (List separately)							
53.	NP ENERGY INC				524		
54.	CINERGY			102,400	2,201,400		21.50
55.	RELIANT ENERGY			320,662	9,583,459		29.89
56.	DUKE ENERGY			16,800	1,470,840		87.55
57.	SOUTHERN INDIANA GAS & ELECTRIC CO			336	35,344		105.19
58.	LOUISVILLE GAS & ELECTRIC CO			272	27,948		102.75
59.	LG&E MARKETING			1,162	115,627		99.51
60.							
61.							
62.							
63.							
64.							
65.							
66.							
67.							
68.							
69.							
70.							
71.							
72.							
73.							
74.							
75.	TOTAL Sales to Other Than RUS Borrowers (Sum of lines 53 thru 74)	7	0	441,632	13,435,142		30.42
76.	TOTAL Sales for Resale (Sum of lines 52 + 75)	34	688,557	2,495,655	82,987,528		33.25
77.	TOTAL Sales (Sum of lines 1 + 76)	34	688,557	2,495,655	82,987,528		33.25

OPERATING REPORT - SOURCES AND DISTRIBUTION OF ENERGY

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

YEAR ENDING 1999 July

RUS USE ONLY

Borrower Designation		1999 July		RUS USE ONLY		
KY062						
INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.						
SOURCE OF ENERGY	NO. OF PLANTS (b)	NAMEPLATE CAPACITY (KWh) (c)	ANNUAL PEAK DEMAND (KW) (d)	NET ENERGY RECEIVED BY SYSTEM (MWh) (e)	COST (\$) (f)	MILLS PER KWh (g)
GENERATED IN OWN PLANT (Details of Forms 12d, e, f, and g)						
1. Fossil Steam		0	0	0	0	0.00
2. Nuclear		0	0	0	0	0.00
3. Hydro		0	0	0	0	0.00
4. Internal Combustion and Other		0	0	0	0	0.00
5. TOTAL In Own Plant (Sum of lines 1 thru 4)		0	0	0	0	0.00
PURCHASED POWER (List each supplier separately)						
6. SOUTHEASTERN POWER ADMIN		RUS USE ONLY CODE 68155		165,850	3,683,530	22.21
7. DUKE ENERGY		43700		102,400	2,196,480	21.45
8. HOOSIER ENERGY REC		53689		162	15,406	95.10
9. HENDERSON MUNIC PWR & LIGHT		18222		253	5,056	98.78
10. SOUTHERN INDIANA GAS & ELEC CO		14955		811	82,290	101.47
11. LOUISVILLE GAS & ELECTRIC CO				321,342	6,357,528	19.78
12. RELIANT ENERGY				1,949,145	37,001,537	18.98
13. LG & E MARKETING		14730				
14.						
15.						
16.						
17.						
18.						
19.						
20.						
21. TOTAL Power Purchased (Sum of lines 6 thru 20)			0	2,539,963	49,366,819	19.44
INTERCHANGED POWER						
22. Received Into System (Gross)			0	0	0	0.00
23. Delivered Out of System (Gross)			0	0	0	0.00
24. Net Interchange (Line 22 minus 23)			0	0	0	0.00
TRANSMISSION FOR OR BY OTHERS - (WHEELING)						
25. Received Into System			0	0	0	0.00
26. Delivered Out of System			0	0	0	0.00
27. Net Energy Wheeled (Line 25 minus 26)			0	0	0	0.00
28. TOTAL Energy Available for Sale (Sum of lines 5 + 21 + 24 + 27)				2,539,963		
29. TOTAL Sales (Form 12b, line 77)				2,495,655		
30. Energy Furnished to Others Without Charge			0	0		
31. Energy Used by Borrower (Excluding Station Use)			0	0		
32. TOTAL Energy Accounted For (Sum of lines 29 thru 31)				2,495,655		
33. Energy Losses - MWh (Line 28 minus 32)				44,308		
34. Energy Losses - Percentage [(Line 33 divided by line 28) x 100]				1.74 %		

Exhibit 2
Page 30 of 105

USDA-RUS

**OPERATING REPORT -
LINES AND STATIONS**

BORROWER DESIGNATION

KY062

BORROWER NAME AND ADDRESS

BIG RIVERS ELECTRIC CORP
P O BOX 24
HENDERSON, KY42419-0000

INSTRUCTIONS - Submit an original and two copies to RUS. For details, see RUS Bulletin 1717B-3.

YEAR ENDING

1999 July

RUS USE ONLY

SECTION A. EXPENSE AND COSTS

ITEMS	ACCOUNT NUMBER	LINES (a)	STATIONS (b)
TRANSMISSION OPERATION			
1. SUPERVISION AND ENGINEERING.....	560	137,155	82,311
2. LOAD DISPATCHING.....	561	400,651	
3. STATION EXPENSES.....	562		405,317
4. OVERHEAD LINE EXPENSES.....	563	367,622	
5. UNDERGROUND LINE EXPENSES.....	564	0	
6. MISCELLANEOUS EXPENSES.....	566	77,838	76,025
7. SUBTOTAL(1 thru 6)		983,266	563,653
8. TRANSMISSION OF ELECTRICITY BY OTHERS.....	565	0	
9. RENTS.....	567	0	12,315
10. TOTAL TRANSMISSION OPERATION (7 thru 9)		983,266	575,968
TRANSMISSION MAINTENANCE			
11. SUPERVISION AND ENGINEERING.....	568	80,378	91,120
12. STRUCTURES.....	569		20,204
13. STATION EQUIPMENT.....	570		624,227
14. OVERHEAD LINES.....	571	412,233	
15. UNDERGROUND LINES.....	572	0	
16. MISCELLANEOUS TRANSMISSION PLANT.....	573	10,710	4,179
17. TOTAL TRANSMISSION MAINTENANCE (11 thru 16)		503,321	739,730
18. TOTAL TRANSMISSION EXPENSE (10 +17)		1,486,587	1,315,698
19. DISTRIBUTION EXPENSE - OPERATION.....	580 thru 589	0	0
20. DISTRIBUTION EXPENSE - MAINTENANCE.....	590 thru 598	0	0
21. TOTAL DISTRIBUTION EXPENSE (19 +20)		0	0
22. TOTAL OPERATION AND MAINTENANCE (18 +21)		1,486,587	1,315,698
FIXED COSTS			
23. DEPRECIATION - TRANSMISSION.....	403.5	1,015,183	1,571,203
24. DEPRECIATION - DISTRIBUTION.....	403.6	0	0
25. TAXES - TRANSMISSION.....	408	0	0
26. TAXES - DISTRIBUTION.....	408	0	0
27. INTEREST - TRANSMISSION.....	427	2,211,516	3,017,563
28. INTEREST - DISTRIBUTION.....	427	0	0
29. INSURANCE - TRANSMISSION.....	924,925,926	0	0
30. INSURANCE - DISTRIBUTION.....	924,925,926	0	0
31. TOTAL TRANSMISSION (18+23+25+27+29).....		4,713,286	5,904,464
32. TOTAL DISTRIBUTION (21+24+26+28+30).....		0	0
33. TOTAL LINES AND STATIONS (31+32)		4,713,286	5,904,464

SECTION B. FACILITIES IN SERVICE

SECTION C. LABOR AND MATERIAL SUMMARY

TRANSMISSION LINES				SUBSTATIONS		1. NUMBER OF EMPLOYEES		
VOLTAGE (kV)	MILES	TYPE	CAPACITY (kVA)	ITEM	LINES	STATIONS		
1. 69	773.98	9. STEPUP AT GENERATING PLANTS	1,879,800	2. OPER. LABOR	236,560	657,070		
2. 161	335.30			3. MAINT. LABOR	278,718	516,884		
3. 138	14.40	10. TRANSMISSION	3,265,000	4. OPER. MATERIAL	324,638	278,146		
4. 345	67.40			5. MAINT. MATERIAL	182,330	213,782		
5. 0	0.00	11. DISTRIBUTION	0	SECTION D. OUTAGES				
6. TOTAL	1,191.08			1. TOTAL		41,221		
7. DISTR. LINES	0.00	12. TOTAL	5,144,800	2. AVG. NO. DISTR. CONS. SERVED		96,116.00		
8. TOTAL (6+7)	1,191.08	(9 thru 11)	Exhibit 2	3. AVG. NO. HOURS OUT PER CONS.		0.43		

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

USDA-RUS <h2 style="text-align: center;">OPERATING REPORT - FINANCIAL</h2>	BORROWER DESIGNATION KY062 BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42419-0000
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INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-3	PERIOD ENDED 1999 June	RUS USE ONLY
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CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT	07/20/1999 DATE
SIGNATURE OF MANAGER	07/20/1999 DATE

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues.....	151,543,680	65,201,984	61,339,272	12,484,225
2. Income From Leased Property (Net).....	0	7,973,406	8,078,273	1,332,723
3. Other Operating Revenue and Income.....	30,614	4,129,720	3,729,771	1,413,750
4. Total Oper. Revenues & Patronage Capital(1 thru 3).....	151,574,294	77,305,110	73,147,316	15,230,698
5. Operating Expense - Production - Excluding Fuel.....	13,230,707	165	0	165
6. Operating Expense - Production - Fuel.....	47,923,905	6,600	0	0
7. Operating Expense - Other Power Supply.....	20,660,808	39,327,055	35,819,988	6,879,159
8. Operating Expense - Transmission.....	2,455,825	1,329,496	1,408,681	220,025
9. Operating Expense - Distribution.....	0	0	0	0
10. Operating Expense - Customer Accounts.....	0	0	0	0
11. Operating Expense - Customer Service & Information..	403,818	311,320	417,140	50,320
12. Operating Expense - Sales.....	0	1,438	35,082	1,438
13. Operating Expense - Administrative & General.....	7,216,100	3,253,134	3,547,312	695,091
14. Total Operation Expense (5 thru 13).....	91,891,163	44,229,208	41,228,203	7,846,198
15. Maintenance Expense - Production.....	13,723,790	136,612	0	41,126
16. Maintenance Expense - Transmission.....	1,377,916	992,845	1,244,661	140,553
17. Maintenance Expense - Distribution.....	0	0	0	0
18. Maintenance Expense - General Plant.....	74,700	63,898	85,714	5,664
19. Total Maintenance Expense (15 thru 18).....	15,176,406	1,193,355	1,330,375	187,343
20. Depreciation and Amortization Expense.....	17,972,696	2,365,314	2,361,104	394,190
21. Taxes.....	0	484,717	589,068	80,515
22. Interest on Long-Term Debt.....	30,795,225	35,537,146	35,739,800	6,695,283
23. Interest Charged to Construction - Credit.....	0	(54,145)	(81,328)	(10,218)
24. Other Interest Expense.....	0	4,348	0	1,156
25. Other Deductions.....	(213,841)	35,271	32,578	4,582
26. Total Cost of Electric Service (14+19 thru 25).....	155,621,649	83,795,214	81,199,800	15,199,049
27. Operating Margins (4 less 26).....	(4,047,355)	(6,490,104)	(8,052,484)	31,649
28. Interest Income.....	437,883	475,104	316,010	69,072
29. Allowance For Funds Used During Construction.....	0	0	0	0
30. Income (Loss) from Equity Investments.....	0	0	0	0
31. Other Nonoperating Income (Net).....	(2,813)	(93,147)	0	(126)
32. Generation & Transmission Capital Credits.....	0	0	0	0
33. Other Capital Credits and Patronage Dividends.....	0	1,994	0	1,994
34. Extraordinary Items.....	0	0	0	0
35. Net Patronage Capital or Margins(27 thru 34).....	(3,612,285)	(6,106,153)	(7,736,474)	102,589

ITEM	Mills/kWh (Optional Use by Borrower)		
36. Electric Energy Revenue per kWh Sold.....	31.77	33.40	
37. Total Operation & Maintenance Expense Per kWh Sold.....	N/A	N/A	
38. Total Cost of Electric Service per kWh Sold.....	N/A	N/A	
39. Purchased Power Cost Per kWh Purchased.....	18.83	19.12	

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNINATION KY062
	PERIOD ENDED 1999 June
RUS USE ONLY	

SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service.....	32. Memberships.....
1,515,923,764	100
2. Construction Work in Progress.....	33. Patronage Capital
5,626,924	
3. Total Utility Plant (+2).....	a. Assigned and Assignable.....
1,521,550,688	0
4. Accum. Provision for Depreciation and Amort	b. Retired This Year.....
668,137,152	0
5. Net Utility Plant (-4).....	c. Retired Prior Years.....
853,413,536	0
6. Non-Utility Property (Net).....	d. Net Patronage Capital.....
0	0
7. Investments in Subsidiary Companies.....	34. Operating Margins - Prior Years.....
0	(346,122,786)
8. Invest. In Assoc. Org. - Patronage Capital.....	35. Operating Margins - Current Year.....
55,316	(6,488,110)
9. Invest. In Assoc. Org. - Other - General Funds	36. Non-Operating Margins.....
56,280	(22,805,841)
10. Invest. In Assoc. Org. - OTH - NonGEN Funds	37. Other Margins and Equities.....
0	4,444,502
11. Investments in Economic Development Projects	38. Total Margins & Equities (32+33d thru 37).....
10,000	(370,972,135)
12. Other Investments.....	39. Long-Term Debt - REA (Net).....
5,424	1,052,483,748
13. Special Funds.....	(Payments-Unapplied \$ 0)
10,582,135	
14. Total Other Property and Investments (6 thru 13)	40. Long-Term Debt - REA - Econ. Devel. (Net).....
10,709,155	0
15. Cash - General Funds.....	41. Long-Term Debt - FFB - REA Guaranteed.....
4,218	0
16. Cash - Construction Funds - Trustee.....	42. Long-Term Debt - Other - REA Guaranteed.....
0	0
17. Special Deposits.....	43. Long-Term Debt - Other (Net).....
3,024,389	183,427,920
18. Temporary Investments.....	44. Total Long-Term Debt (39 thru 43).....
17,833,900	1,235,911,668
19. Notes Receivable (Net).....	45. Obligations Under Capital Leases - Noncurrent
0	0
20. Accounts Receivable - Sales of Energy (Net)..	46. Accumulated Operating Provisions.....
17,241,221	4,994,676
21. Accounts Receivable - Other (Net).....	47. Total Other Noncurrent Liabilities (45+46).....
1,054,704	4,994,676
22. Fuel Stock.....	48. Notes Payable.....
0	0
23. Materials and Supplies - Other.....	49. Accounts Payable.....
614,551	15,084,449
24. Prepayments.....	50. Taxes Accrued.....
8,311,779	1,037,339
25. Other Current and Accrued Assets.....	51. Interest Accrued.....
64,887	5,369,001
26. Total Current and Accrued Assets (15 thru 25)	52. Other Current and Accrued Liabilities.....
48,149,649	2,911,304
27. UNAMO Debt DISC & Extraor. Prop. Losses....	53. Total Current & Accrued Liabilities (48 thru 52)
0	24,402,093
28. Regulatory Assets.....	54. Deferred Credits.....
0	42,742,195
29. Other Deferred Debits.....	55. Accumulated Deferred Income Taxes.....
24,806,157	0
30. Accumulated Deferred Income Taxes.....	56. Total Liabilities and Other Credits
0	
31. Total Assets and Other Debits (5+14+26 thru 30)	(38+44+47+53 thru 55).....
937,078,497	937,078,497

SECTION C. NOTES TO FINANCIAL STATEMENTS

- 12b. Page 1 of 2, Regular Sales to RUS Borrowers:
- 2-Green River Rural
 - 3-Industrial-Alcoa Hawesville Works
 - 4-Industrial-Commonwealth Aluminum
 - 5-Industrial-Kimberly-Clark Corporation
 - 6-Industrial-Willamette Industries
 - 7-Industrial-Arvin Roll Coater, Inc.
 - 8-Industrial-A-CMI
 - 9-Henderson Union Rural
 - 10-Industrial-Accuride
 - 11-Industrial-Black Diamond Mine
 - 12-Industrial-Breckinridge
 - 13-Industrial-Lodestar Energy
 - 14-Industrial-Dotiki #3
 - 15-Industrial-CR Mining
 - 16-Industrial-Hudson Foods
 - 17-Industrial-KB Alloys, Inc.
 - 18-Industrial Patriot Coal
 - 19-Industrial-Pittsburg & Midway

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062	
	PERIOD ENDED 1999 June	RUS USE ONLY

SECTION C. NOTES TO FINANCIAL STATEMENTS(CONTINUED)

- 20-Industrial-New Hope LLC
- 21-Industrial-Smith Coal Co.
- 22-Industrial-Valley Grain
- 23-Industrial-Cardinal River
- 24-Meade County Rural
- 25-Jackson Purchase Rural
- 26-Industrial-Shell Oil

USDA-RUS
OPERATING REPORT - SALES OF ELECTRICITY

BORROWER DESIGNATION
KY062

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

	PURCHASER (a)	NO. OF PURCHASERS (b)	YEAR ENDING		AMOUNT BILLED (\$) (e)	MILLS PER AWh (f)
			1999	June		
1.	Sales to Ultimate Consumers (Totals only for this item.)	0	0	0	0	0.00
2.	SALES FOR RESALE - REGULAR SALES TO RUS BORROWERS (list separately)					
3.	KY 33 GREEN RIVER ELECTRIC CORP	134,409	296,449	10,677,347	36.02	
4.	KY 33 GREEN RIVER ELECTRIC CORP	345	1,257	42,766	34.02	
5.	KY 33 GREEN RIVER ELECTRIC CORP	39,510	125,320	4,081,385	32.57	
6.	KY 33 GREEN RIVER ELECTRIC CORP	32,573	122,138	3,253,964	26.64	
7.	KY 33 GREEN RIVER ELECTRIC CORP	83,030	339,166	9,708,427	28.62	
8.	KY 33 GREEN RIVER ELECTRIC CORP	4,476	15,699	505,509	32.20	
9.	KY 55 HENDERSON UNION ELEC COOP CORP	3,576	12,075	387,098	32.06	
10.	KY 55 HENDERSON UNION ELEC COOP CORP	76,997	175,627	6,362,701	36.23	
11.	KY 55 HENDERSON UNION ELEC COOP CORP	5,957	18,902	608,601	32.20	
12.	KY 55 HENDERSON UNION ELEC COOP CORP	65	891	42,362	47.54	
13.	KY 55 HENDERSON UNION ELEC COOP CORP	9,689	23,472	1,018,034	43.37	
14.	KY 55 HENDERSON UNION ELEC COOP CORP	7,957	24,129	785,644	32.56	
15.	KY 55 HENDERSON UNION ELEC COOP CORP	613	1,838	57,346	31.20	
16.	KY 55 HENDERSON UNION ELEC COOP CORP	501	183	33,016	180.42	
17.	KY 55 HENDERSON UNION ELEC COOP CORP	9,415	26,841	686,502	25.58	
18.	KY 55 HENDERSON UNION ELEC COOP CORP	2,035	4,226	183,470	43.41	
19.	KY 55 HENDERSON UNION ELEC COOP CORP	2,428	5,414	232,247	42.90	
20.	KY 55 HENDERSON UNION ELEC COOP CORP	1,500	1,094	106,358	97.22	
21.	KY 55 HENDERSON UNION ELEC COOP CORP	30	852	56,775	66.64	
22.	KY 55 HENDERSON UNION ELEC COOP CORP	2,001	4,923	269,095	54.86	
23.	KY 55 HENDERSON UNION ELEC COOP CORP	1,508	4,583	167,419	38.53	
24.	KY 55 HENDERSON UNION ELEC COOP CORP	2,001	2,827	160,632	56.82	
25.	KY 18 MEADE COUNTY RUR ELEC COOP CORP	71,524	172,111	6,324,348	36.75	
26.	KY 20 JACKSON PURCHASE ELEC COOP CORP	120,123	269,343	9,687,570	35.97	
27.	KY 20 JACKSON PURCHASE ELEC COOP CORP	8,575	27,045	975,694	36.08	
28.						
29.						
30.						
31.						
32.						
33.						
34.						
35.						
36.						
37.						
38.						
39.	TOTAL Regular Sales to RUS Borrowers (Sum of lines 2 thru 38)	620,838	1,676,405	56,414,310	33.65	

Exhibit 2
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USDA-RUS
OPERATING REPORT - SALES OF ELECTRICITY

BORROWER DESIGNATION
 KY062

YEAR ENDING
 1999 June

RUS USE ONLY

PURCHASER (a)	NO OF PURCHASERS (b)	ANNUAL PEAK DEMAND (KW) (c)	MWh BILLED (d)	AMOUNT BILLED (\$) (e)	MILLS PER kWh (f)
SALES FOR RESALE - SPECIAL SALES TO RUS BORROWERS (List separately)					
40. IN 106 HOOSIER ENERGY REC INC			188	11,211	59.63
41.					
42.					
43.					
44.					
45.					
46.					
47.					
48.					
49.					
50.					
51. TOTAL Special Sales to RUS Borrowers (Sum of lines 40 thru 50)	1	0	188	11,211	59.63
52. TOTAL Sales to RUS Borrowers (Sum of lines 39 + 51)	26	620,839	1,676,593	56,425,521	33.65
SALES FOR RESALE OTHER THAN RUS BORROWERS (List separately)					
53. NP ENERGY, INC.				524	
54. CINERGY			86,400	1,857,400	21.50
55. RELIANT ENERGY			287,569	6,761,874	23.51
56. SOUTHERN INDIANA GAS & ELECTRIC CO.			299	31,529	105.45
57. LOUISVILLE GAS & ELECTRIC CO.			193	19,831	102.75
58. LG&E MARKETING			1,052	105,305	100.10
59.					
60.					
61.					
62.					
63.					
64.					
65.					
66.					
67.					
68.					
69.					
70.					
71.					
72.					
73.					
74.					
75. TOTAL Sales to Other Than RUS Borrowers (Sum of lines 53 thru 74)	6	0	375,513	8,776,463	23.37
76. TOTAL Sales for Resale (Sum of lines 52 + 75)	32	620,839	2,052,106	65,201,984	31.77
77. TOTAL Sales (Sum of lines 1 + 76)	32	620,839	2,052,106	65,201,984	31.77

Exhibit 2
 Page 36 of 105

USDA-RUS
BORROWER DESIGNATION
KY062

OPERATING REPORT - SOURCES AND DISTRIBUTION OF ENERGY

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.

SOURCE OF ENERGY (a)	NO. OF PLANTS (b)	NAMEPLATE CAPACITY (kWh) (c)	YEARENDING		NET ENERGY RECEIVED BY SYSTEM (MWh) (e)	COST (\$) (f)	MILLS PER KWh (g)
			1999	June			
GENERATED IN OWN PLANT (Details of Forms 12d, e, f, and g)							
1. Fossil Steam		0	0	0	0	0	0.00
2. Nuclear		0	0	0	0	0	0.00
3. Hydro		0	0	0	0	0	0.00
4. Internal Combustion and Other		0	0	0	0	0	0.00
5. TOTAL In Own Plant (Sum of lines 1 thru 4)		0	0	0	0	0	0.00
PURCHASED POWER (List each supplier separately)							
6. SOUTHEASTERN POWER ADMIN		68155			126,690	2,775,018	21.90
7. DUKE ENERGY		43700			86,400	1,853,280	21.45
8. HOOSIER ENERGY REC		53689			149	14,104	94.66
9. HENDERSON MUNIC PWR & LIGHT		18222			221	21,792	98.61
10. SOUTHERN INDIANA GAS & ELEC CO		14955			711	72,938	102.58
11. LOUISVILLE GAS & ELECTRIC CO					268,621	4,087,475	15.22
12. RELIANT ENERGY					1,606,184	30,497,446	18.99
13. LG&E MARKETING							
14.							
15.							
16.							
17.							
18.							
19.							
20.							
21. TOTAL Power Purchased (Sum of lines 6 thru 20)				0	2,088,976	39,327,056	18.83
INTERCHANGED POWER							
22. Received Into System (Gross)				0	0	0	0.00
23. Delivered Out of System (Gross)				0	0	0	0.00
24. Net Interchange (Line 22 minus 23)				0	0	0	0.00
TRANSMISSION FOR OR BY OTHERS - (WHEELING)							
25. Received Into System				0	0	0	0.00
26. Delivered Out of System				0	0	0	0.00
27. Net Energy Wheeled (Line 25 minus 26)				0	0	0	0.00
28. TOTAL Energy Available for Sale (Sum of lines 5 + 21 + 24 + 27)					2,088,976		
29. TOTAL Sales (Form 12b, line 77)					2,052,106		
30. Energy Furnished to Others Without Charge					0		
31. Energy Used by Borrower (Excluding Station Use)					0		
32. TOTAL Energy Accounted For (Sum of lines 29 thru 31)					2,052,106		
33. Energy Losses - MWh (Line 28 minus 32)					36,870		
34. Energy Losses - Percentage [(Line 33 divided by line 28) x 100]					1.76 %		

USDA-RUS				BORROWER DESIGNATION KY062		
OPERATING REPORT - LINES AND STATIONS				BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42419-0000		
INSTRUCTIONS - Submit an original and two copies to RUS. For details, see RUS Bulletin 1717B-3.				YEAR ENDING 1999 June		RUS USE ONLY
SECTION A. EXPENSE AND COSTS						
ITEMS		ACCOUNT NUMBER	LINES (a)	STATIONS (b)		
TRANSMISSION OPERATION						
1.	SUPERVISION AND ENGINEERING.....	560	115,787	70,769		
2.	LOAD DISPATCHING.....	561	336,319			
3.	STATION EXPENSES.....	562		346,789		
4.	OVERHEAD LINE EXPENSES.....	563	316,546			
5.	UNDERGROUND LINE EXPENSES.....	564	0			
6.	MISCELLANEOUS EXPENSES.....	566	66,748	65,982		
7.	SUBTOTAL (1 thru 6)		835,400	483,540		
8.	TRANSMISSION OF ELECTRICITY BY OTHERS.....	565	0			
9.	RENTS.....	567	0	10,556		
10.	TOTAL TRANSMISSION OPERATION (7 thru 9)		835,400	494,096		
TRANSMISSION MAINTENANCE						
11.	SUPERVISION AND ENGINEERING.....	568	68,961	78,682		
12.	STRUCTURES.....	569		12,321		
13.	STATION EQUIPMENT.....	570		541,637		
14.	OVERHEAD LINES.....	571	279,490			
15.	UNDERGROUND LINES.....	572	0			
16.	MISCELLANEOUS TRANSMISSION PLANT.....	573	8,895	2,858		
17.	TOTAL TRANSMISSION MAINTENANCE (11 thru 16)		357,346	635,498		
18.	TOTAL TRANSMISSION EXPENSE (10 +17)		1,192,746	1,129,594		
19.	DISTRIBUTION EXPENSE - OPERATION.....	580 thru 589	0	0		
20.	DISTRIBUTION EXPENSE - MAINTENANCE.....	590 thru 598	0	0		
21.	TOTAL DISTRIBUTION EXPENSE (19 +20)		0	0		
22.	TOTAL OPERATION AND MAINTENANCE (18 +21)		1,192,746	1,129,594		
FIXED COSTS						
23.	DEPRECIATION - TRANSMISSION.....	403.5	869,025	1,346,609		
24.	DEPRECIATION - DISTRIBUTION.....	403.6	0	0		
25.	TAXES - TRANSMISSION.....	408	0	0		
26.	TAXES - DISTRIBUTION.....	408	0	0		
27.	INTEREST - TRANSMISSION.....	427	1,895,369	2,584,188		
28.	INTEREST - DISTRIBUTION.....	427	0	0		
29.	INSURANCE - TRANSMISSION.....	924,925,926	0	0		
30.	INSURANCE - DISTRIBUTION.....	924,925,926	0	0		
31.	TOTAL TRANSMISSION (18+23+25+27+29).....		3,957,140	5,060,391		
32.	TOTAL DISTRIBUTION (21+24+26+28+30).....		0	0		
33.	TOTAL LINES AND STATIONS (31+32)		3,957,140	5,060,391		
SECTION B. FACILITIES IN SERVICE				SECTION C. LABOR AND MATERIAL SUMMARY		
TRANSMISSION LINES		SUBSTATIONS		1. NUMBER OF EMPLOYEES		51
VOLTAGE (KV)	MILES	TYPE	CAPACITY (KVA)	ITEM	LINES	STATIONS
1. 69	773.98	9. STEPUP AT GEN-	1,879,800	2. OPER. LABOR	201,554	548,404
2. 161	335.30	ERATING PLANTS		3. MAINT. LABOR	255,124	430,274
3. 138	14.40	10. TRANSMISSION	3,265,000	4. OPER. MATERIAL	279,675	244,558
4. 345	67.40			5. MAINT. MATERIAL	63,026	196,770
5. 0	0.00	11. DISTRIBUTION	0	SECTION D. OUTAGES		
6. TOTAL	1,191.08	12. TOTAL	5,144,800	1. TOTAL	39,699	
7. DISTR. LINES	0.00	Exhibit 2		2. AVG. NO. DISTR. CONS. SERVED	96,116.00	
8. TOTAL (6+7)	1,191.08			(9 thru 11)	3. AVG. NO. HOURS OUT PER CONS.	0.41

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

<p>USDA-RUS</p> <p>OPERATING REPORT - FINANCIAL</p>	<p>BORROWER DESIGNATION KY062</p> <p>BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42419-0000</p>
<p>INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-3</p>	<p>PERIOD ENDED 1999 May</p> <p style="text-align: right;">RUS USE ONLY</p>
<p>CERTIFICATION</p> <p>We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.</p> <p>ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.</p>	
<p>SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT</p> <p>SIGNATURE OF MANAGER</p>	<p>DATE 06/18/1999</p> <p>DATE 06/18/1999</p>

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues.....	120,659,140	52,717,759	50,637,072	10,540,580
2. Income From Leased Property (Net).....	0	6,640,683	6,727,291	1,328,829
3. Other Operating Revenue and Income.....	24,655	2,715,970	3,171,758	605,736
4. Total Oper. Revenues & Patronage Capital(1 thru 3).....	120,683,795	62,074,412	60,536,121	12,475,145
5. Operating Expense - Production - Excluding Fuel.....	10,975,448	0	0	0
6. Operating Expense - Production - Fuel.....	40,252,582	6,600	0	6,600
7. Operating Expense - Other Power Supply.....	16,759,864	32,447,896	29,933,370	6,532,031
8. Operating Expense - Transmission.....	2,055,176	1,109,471	1,192,868	199,041
9. Operating Expense - Distribution.....	0	0	0	0
10. Operating Expense - Customer Accounts.....	0	0	0	0
11. Operating Expense - Customer Service & Information..	327,294	261,000	350,109	53,450
12. Operating Expense - Sales.....	0	0	31,535	0
13. Operating Expense - Administrative & General.....	5,649,211	2,558,043	3,027,408	705,987
14. Total Operation Expense (5 thru 13).....	76,019,575	36,383,010	34,535,290	7,497,109
15. Maintenance Expense - Production.....	11,431,097	95,486	0	0
16. Maintenance Expense - Transmission.....	1,045,938	852,292	986,395	138,529
17. Maintenance Expense - Distribution.....	0	0	0	0
18. Maintenance Expense - General Plant.....	63,003	58,233	77,163	6,094
19. Total Maintenance Expense (15 thru 18).....	12,540,038	1,006,011	1,063,558	144,623
20. Depreciation and Amortization Expense.....	14,989,833	1,971,125	1,965,872	394,122
21. Taxes.....	0	404,202	490,890	93,306
22. Interest on Long-Term Debt.....	27,674,230	28,841,863	29,718,350	5,952,034
23. Interest Charged to Construction - Credit.....	0	(43,927)	(65,250)	(10,918)
24. Other Interest Expense.....	0	3,192	0	1,159
25. Other Deductions.....	(219,650)	30,689	27,805	4,423
26. Total Cost of Electric Service (14+19 thru 25).....	131,004,026	68,596,165	67,736,515	14,075,858
27. Operating Margins (4 less 26).....	(10,320,231)	(6,521,753)	(7,200,394)	(1,600,713)
28. Interest Income.....	362,494	406,032	287,240	127,959
29. Allowance For Funds Used During Construction.....	0	0	0	0
30. Income (Loss) from Equity Investments.....	0	0	0	0
31. Other Nonoperating Income (Net).....	(2,402)	(93,022)	0	(28,441)
32. Generation & Transmission Capital Credits.....	0	0	0	0
33. Other Capital Credits and Patronage Dividends.....	0	0	0	0
34. Extraordinary Items.....	0	0	0	0
35. Net Patronage Capital or Margins(27 thru 34).....	(9,960,139)	(6,208,743)	(6,913,154)	(1,501,195)
ITEM	Mills/kWh (Optional Use by Borrower)			
36. Electric Energy Revenue per kWh Sold.....		31.04	32.93	
37. Total Operation & Maintenance Expense Per kWh Sold.....		N/A	N/A	
38. Total Cost of Electric Service per kWh Sold.....		N/A	N/A	
39. Purchased Power Cost Per kWh Purchased.....	Exhibit 2	18.77	19.09	

USDA-RUS	BORROWER DESIGNATION KY062	
OPERATING REPORT - FINANCIAL	PERIOD ENDED 1999 May	RUS USE ONLY

SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service.....	1,515,904,813	32. Memberships.....	100
2. Construction Work in Progress.....	4,956,519	33. Patronage Capital	
3. Total Utility Plant (2).....	1,520,861,332	a. Assigned and Assignable.....	0
4. Accum. Provision for Depreciation and Amort	664,977,657	b. Retired This Year.....	0
5. Net Utility Plant (3-4).....	855,883,675	c. Retired Prior Years.....	0
6. Non-Utility Property (Net).....	0	d. Net Patronage Capital.....	0
7. Investments in Subsidiary Companies.....	0	34. Operating Margins - Prior Years.....	(346,122,786)
8. Invest. In Assoc. Org. - Patronage Capital.....	53,322	35. Operating Margins - Current Year.....	(6,521,753)
9. Invest. In Assoc. Org. - Other - General Funds	56,280	36. Non-Operating Margins.....	(22,874,787)
10. Invest. In Assoc. Org. - OTH - NonGEN Funds	0	37. Other Margins and Equities.....	4,444,502
11. Investments in Economic Development Projects	10,000	38. Total Margins & Equities (32+33d thru 37).....	(371,074,724)
12. Other Investments.....	5,424	39. Long-Term Debt - REA (Net).....	1,051,555,175
13. Special Funds.....	10,569,463	(Payments-Unapplied \$ 0)	
14. Total Other Property and Investments (6 thru 13)	10,694,489	40. Long-Term Debt - REA - Econ. Devel. (Net).....	0
15. Cash - General Funds.....	4,127	41. Long-Term Debt - FFB - REA Guaranteed.....	0
16. Cash - Construction Funds - Trustee.....	0	42. Long-Term Debt - Other - REA Guaranteed.....	0
17. Special Deposits.....	3,024,389	43. Long-Term Debt - Other (Net).....	181,675,132
18. Temporary Investments.....	16,672,300	44. Total Long-Term Debt (39 thru 43).....	1,233,230,307
19. Notes Receivable (Net).....	0	45. Obligations Under Capital Leases - Noncurrent	0
20. Accounts Receivable - Sales of Energy (Net)..	13,672,439	46. Accumulated Operating Provisions.....	4,986,068
21. Accounts Receivable - Other (Net).....	1,150,773	47. Total Other Noncurrent Liabilities (45+46).....	4,986,068
22. Fuel Stock.....	0	48. Notes Payable.....	0
23. Materials and Supplies - Other.....	586,485	49. Accounts Payable.....	11,802,179
24. Prepayments.....	8,404,133	50. Taxes Accrued.....	875,711
25. Other Current and Accrued Assets.....	69,221	51. Interest Accrued.....	5,066,040
26. Total Current and Accrued Assets (15 thru 25)	43,583,867	52. Other Current and Accrued Liabilities.....	3,005,521
27. UNAMO Debt DISC & Extraor. Prop. Losses....	0	53. Total Current & Accrued Liabilities (48 thru 52)	20,749,451
28. Regulatory Assets.....	0	54. Deferred Credits.....	47,382,531
29. Other Deferred Debits.....	25,111,602	55. Accumulated Deferred Income Taxes.....	0
30. Accumulated Deferred Income Taxes.....	0	56. Total Liabilities and Other Credits	
31. Total Assets and Other Debits (5+14+26 thru 30)	935,273,633	(38+44+47+53 thru 55).....	935,273,633

SECTION C. NOTES TO FINANCIAL STATEMENTS

12b, Page 1 of 2, Regular Sales to RUS Borrowers:

- 2-Green River Rural
- 3-Industrial-Alcoa Hawesville Works
- 4-Industrial-Commonwealth Aluminum
- 5-Industrial-Kimberly-Clark Corporation
- 6-Industrial-Willamette Industries
- 7-Industrial-Arvin Roll Coater, Inc.
- 8-Industrial-A-CMI
- 9-Henderson Union Rural
- 10-Industrial-Accuride
- 11-Industrial-Black Diamond Mine
- 12-Industrial-Breckinridge
- 13-Industrial-Lodestar Energy
- 14-Industrial-Dotiki #3
- 15-Industrial-CR Mining
- 16-Industrial-Hudson Foods
- 17-Industrial-KB Alloys, Inc.
- 18-Industrial-Patriot Coal
- 19-Industrial-Pittsburg & Midway
- 20-Industrial-New Hope LLC

Exhibit 2

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062	
	PERIOD ENDED 1999 May	RUS USE ONLY

SECTION C. NOTES TO FINANCIAL STATEMENTS(CONTINUED)

- 21-Industrial-Smith Coal Co.
- 22-Industrial-Valley Grain
- 23-Industrial-Cardinal River
- 24-Meade County Rural
- 25-Jackson Purchase Rural
- 26-Industrial-Shell Oil

OPERATING REPORT - SALES OF ELECTRICITY

BORROWER DESIGNATION

KY062

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

RUS USE ONLY

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.

PURCHASER (a)	NO. OF PURCHASERS (b)	1999 May		AMOUNT BILLED (\$) (e)	MILLS PER kWh (f)
		ANNUAL PEAK DEMAND (kW) (c)	MWh BILLED (d)		
1. Sales to Ultimate Consumers (Totals only for this item.)	0	0	0	0	0.00
SALES FOR RESALE - REGULAR SALES TO RUS BORROWERS (List separately)					
2. KY 33 GREEN RIVER ELECTRIC CORP	122,077	238,526	8,505,112	35.66	
3. KY 33 GREEN RIVER ELECTRIC CORP	388	1,053	35,700	33.92	
4. KY 33 GREEN RIVER ELECTRIC CORP	37,678	104,517	3,395,044	32.48	
5. KY 33 GREEN RIVER ELECTRIC CORP	30,931	99,889	2,656,405	26.59	
6. KY 33 GREEN RIVER ELECTRIC CORP	83,095	283,959	8,108,501	28.56	
7. KY 33 GREEN RIVER ELECTRIC CORP	4,271	12,835	420,299	32.74	
8. KY 33 GREEN RIVER ELECTRIC CORP	3,160	9,865	316,956	32.13	
9. KY 55 HENDERSON UNION ELEC COOP CORP	75,842	142,800	5,125,559	35.89	
10. KY 55 HENDERSON UNION ELEC COOP CORP	5,534	15,640	503,408	32.19	
11. KY 55 HENDERSON UNION ELEC COOP CORP	1,107	875	41,484	47.41	
12. KY 55 HENDERSON UNION ELEC COOP CORP	11,397	20,729	871,249	42.03	
13. KY 55 HENDERSON UNION ELEC COOP CORP	8,212	20,296	652,300	32.14	
14. KY 55 HENDERSON UNION ELEC COOP CORP	501	1,474	45,812	31.08	
15. KY 55 HENDERSON UNION ELEC COOP CORP	501	159	27,607	173.63	
16. KY 55 HENDERSON UNION ELEC COOP CORP	8,359	22,149	564,818	25.50	
17. KY 55 HENDERSON UNION ELEC COOP CORP	2,179	3,559	153,666	43.18	
18. KY 55 HENDERSON UNION ELEC COOP CORP	2,659	4,581	196,177	42.82	
19. KY 55 HENDERSON UNION ELEC COOP CORP	1,500	978	89,540	91.55	
20. KY 55 HENDERSON UNION ELEC COOP CORP	1,962	840	56,298	67.02	
21. KY 55 HENDERSON UNION ELEC COOP CORP	4,118	4,703	245,771	52.26	
22. KY 55 HENDERSON UNION ELEC COOP CORP	1,653	3,819	139,786	36.60	
23. KY 55 HENDERSON UNION ELEC COOP CORP	2,001	2,708	138,691	51.22	
24. KY 18 MEADE COUNTY RUR ELEC COOP CORP	80,491	141,909	5,181,104	36.51	
25. KY 20 JACKSON PURCHASE ELEC COOP CORP	111,666	217,912	7,753,092	35.58	
26. KY 20 JACKSON PURCHASE ELEC COOP CORP	10,800	22,275	823,229	36.96	
27.					
28.					
29.					
30.					
31.					
32.					
33.					
34.					
35.					
36.					
37.					
38.					
39. TOTAL Regular Sales to RUS Borrowers (Sum of lines 2 thru 38)	612,082	1,378,050	46,047,608	33.42	

Exhibit 2
Page 42 of 105

USDA-RUS OPERATING REPORT - SALES OF ELECTRICITY		BORROWER DESIGNATION		YEAR ENDING		RUS USE ONLY	
PURCHASER (a)		KY062		1999 May			
SALES FOR RESALE - SPECIAL SALES TO RUS BORROWERS (List separately)		NO. OF PURCHASERS (b)	ANNUAL PEAK DEMAND (kW) (c)	MWh BILLED (d)	AMOUNT BILLED (\$) (e)	MILLS PER kWh (f)	
40. IN 106 HOOSIER ENERGY REC INC				92	11,211	121.86	
41.							
42.							
43.							
44.							
45.							
46.							
47.							
48.							
49.							
50.							
51. TOTAL Special Sales to RUS Borrowers (Sum of lines 40 thru 50)		1	0	92	11,211	121.86	
52. TOTAL Sales to RUS Borrowers (Sum of lines 39 + 51)		26	612,082	1,378,142	46,058,819	33.42	
SALES FOR RESALE OTHER THAN RUS BORROWERS (List separately)							
53. NP ENERGY INC					524		
54. CINERGY				73,600	1,582,200	21.50	
55. RELIANT ENERGY				245,521	4,982,537	20.29	
56. SOUTHERN INDIANA GAS & ELECTRIC COMPANY				177	18,187	102.75	
57. LOUISVILLE GAS & ELECTRIC COMPANY				179	18,392	102.75	
58. LG&E MARKETING				572	57,100	99.83	
59.							
60.							
61.							
62.							
63.							
64.							
65.							
66.							
67.							
68.							
69.							
70.							
71.							
72.							
73.							
74.							
75. TOTAL Sales to Other Than RUS Borrowers (Sum of lines 53 thru 74)		6	0	320,049	6,658,940	20.81	
76. TOTAL Sales for Resale (Sum of lines 52 + 75)		32	612,082	1,698,191	52,717,759	31.04	
77. TOTAL Sales (Sum of lines 1 + 76)		32	612,082	1,698,191	52,717,759	31.04	

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.

SOURCE OF ENERGY (a)	NO. OF PLANTS (b)	NAMEPLATE CAPACITY (kW/h) (c)	YEAR ENDING		ANNUAL PEAK DEMAND (kW) (d)	NET ENERGY RECEIVED BY SYSTEM (MWh) (e)	COST (\$) (f)	MILLS PER kWh (g)
			1999	May				
GENERATED IN OWN PLANT (Details of Forms 12d, e, f, and g)								
1. Fossil Steam					0	0	0	0.00
2. Nuclear					0	0	0	0.00
3. Hydro					0	0	0	0.00
4. Internal Combustion and Other					0	0	0	0.00
5. TOTAL In Own Plant (Sum of lines 1 thru 4)					0	0	0	0.00
PURCHASED POWER (List each supplier separately)								
6. SOUTHEASTERN POWER ADMIN		RUS USE ONLY CODE 68155				95,286	2,087,145	21.90
7. NP ENERGY INC		43700				73,600	1,578,720	21.45
8. HOOSIER ENERGY REC		53689				103	9,860	95.73
9. HENDERSON MUNIC PWR & LIGHT		18222				118	11,492	97.39
10. SOUTHERN INDIANA GAS & ELEC CO		14955				376	38,070	101.25
11. LOUISVILLE GAS & ELECTRIC CO						233,326	3,572,324	15.31
12. RELIANT ENERGY						1,326,068	25,145,282	18.96
13. LG & E MARKETING		14730						
14. _____								
15. _____								
16. _____								
17. _____								
18. _____								
19. _____								
20. _____								
21. TOTAL Power Purchased (Sum of lines 6 thru 20)					0	1,728,877	32,447,896	18.77
INTERCHANGED POWER								
22. Received Into System (Gross)					0	0	0	0.00
23. Delivered Out of System (Gross)					0	0	0	0.00
24. Net interchange (Line 22 minus 23)					0	0	0	0.00
TRANSMISSION FOR OR BY OTHERS - (WHEELING)								
25. Received Into System					0	0	0	0.00
26. Delivered Out of System					0	0	0	0.00
27. Net Energy Wheeled (Line 25 minus 26)					0	0	0	0.00
28. TOTAL Energy Available for Sale (Sum of lines 5 + 21 + 24 + 27)						1,728,877		
29. TOTAL Sales (Form 12b, line 77)						1,698,191		
30. Energy Furnished to Others Without Charge						0		
31. Energy Used by Borrower (Excluding Station Use)						1,698,191		
32. TOTAL Energy Accounted For (Sum of lines 29 thru 31)						30,686		
33. Energy Losses - MWh (Line 28 minus 32)						1,77 %		
34. Energy Losses - Percentage [(Line 33 divided by line 28) x 100]								

USDA-RUS OPERATING REPORT - LINES AND STATIONS	BORROWER DESIGNATION KY062 BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42419-0000
INSTRUCTIONS - Submit an original and two copies to RUS. For details, see RUS Bulletin 1717B-3.	YEAR ENDING 1999 May
RUS USE ONLY	

SECTION A. EXPENSE AND COSTS			
ITEMS	ACCOUNT NUMBER	LINES (a)	STATIONS (b)
TRANSMISSION OPERATION			
1. SUPERVISION AND ENGINEERING.....	560	95,574	59,304
2. LOAD DISPATCHING.....	561	274,591	
3. STATION EXPENSES.....	562		306,093
4. OVERHEAD LINE EXPENSES.....	563	266,237	
5. UNDERGROUND LINE EXPENSES.....	564	0	
6. MISCELLANEOUS EXPENSES.....	566	49,642	49,234
7. SUBTOTAL (1 thru 6).....		686,044	414,631
8. TRANSMISSION OF ELECTRICITY BY OTHERS.....	565	0	
9. RENTS.....	567	0	8,796
10. TOTAL TRANSMISSION OPERATION (7 thru 9).....		686,044	423,427
TRANSMISSION MAINTENANCE			
11. SUPERVISION AND ENGINEERING.....	568	57,778	66,695
12. STRUCTURES.....	569		10,599
13. STATION EQUIPMENT.....	570		455,862
14. OVERHEAD LINES.....	571	251,656	
15. UNDERGROUND LINES.....	572	0	
16. MISCELLANEOUS TRANSMISSION PLANT.....	573	7,856	1,846
17. TOTAL TRANSMISSION MAINTENANCE (11 thru 16).....		317,290	535,002
18. TOTAL TRANSMISSION EXPENSE (10 + 17).....		1,003,334	958,429
19. DISTRIBUTION EXPENSE - OPERATION.....	580 thru 589	0	0
20. DISTRIBUTION EXPENSE - MAINTENANCE.....	590 thru 598	0	0
21. TOTAL DISTRIBUTION EXPENSE (19 + 20).....		0	0
22. TOTAL OPERATION AND MAINTENANCE (18 + 21).....		1,003,334	958,429
FIXED COSTS			
23. DEPRECIATION - TRANSMISSION.....	403.5	724,196	1,122,013
24. DEPRECIATION - DISTRIBUTION.....	403.6	0	0
25. TAXES - TRANSMISSION.....	408	0	0
26. TAXES - DISTRIBUTION.....	408	0	0
27. INTEREST - TRANSMISSION.....	427	1,538,170	2,097,220
28. INTEREST - DISTRIBUTION.....	427	0	0
29. INSURANCE - TRANSMISSION.....	924,925,926	0	0
30. INSURANCE - DISTRIBUTION.....	924,925,926	0	0
31. TOTAL TRANSMISSION (18+23+25+27+29).....		3,265,700	4,177,662
32. TOTAL DISTRIBUTION (21+24+26+28+30).....		0	0
33. TOTAL LINES AND STATIONS (31+32).....		3,265,700	4,177,662

SECTION B. FACILITIES IN SERVICE				SECTION C. LABOR AND MATERIAL SUMMARY		
TRANSMISSION LINES		SUBSTATIONS		1. NUMBER OF EMPLOYEES		50
VOLTAGE (kV)	MILES	TYPE	CAPACITY (kVA)	ITEM	LINES	STATIONS
69	773.98	9. STEP UP AT GENERATING PLANTS	1,879,800	2. OPER. LABOR	172,775	458,207
161	335.30			3. MAINT. LABOR	222,161	362,436
138	14.40	10. TRANSMISSION	3,265,000	4. OPER. MATERIAL	226,123	210,319
345	67.40			5. MAINT. MATERIAL	56,890	165,304
0	0.00	11. DISTRIBUTION	0	SECTION D. OUTAGES		
6. TOTAL		1,191.08		1. TOTAL		37,363
7. DISTR. LINES		0.00		2. AVG. NO. DISTR. CONS. SERVED		96,116.00
8. TOTAL (6+7)		1,191.08	5,144,800	3. AVG. NO. HOURS OUT PER CONS.		0.39

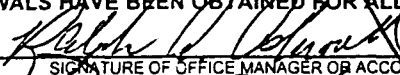
This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

<p>USDA-RUS</p> <p>OPERATING REPORT - FINANCIAL</p>	<p>BORROWER DESIGNATION KY062</p> <p>BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42419-0000</p>
<p>INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-3</p>	<p>PERIOD ENDED 1999 April</p> <p style="text-align: right;">RUS USE ONLY</p>


CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.



 SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT



 SIGNATURE OF MANAGER

05/28/1999

 DATE
 05/28/1999

 DATE

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues.....	95,147,944	42,177,180	40,630,912	10,618,078
2. Income From Leased Property (Net).....	0	5,311,854	5,386,349	1,332,703
3. Other Operating Revenue and Income.....	20,688	2,110,234	2,589,339	635,865
4. Total Oper. Revenues & Patronage Capital(1 thru 3).....	95,168,632	49,599,268	48,606,600	12,586,646
5. Operating Expense - Production - Excluding Fuel.....	8,520,864	0	0	0
6. Operating Expense - Production - Fuel.....	32,621,618	0	0	0
7. Operating Expense - Other Power Supply.....	13,031,109	25,915,865	24,006,004	7,000,139
8. Operating Expense - Transmission.....	1,643,240	910,430	969,993	240,050
9. Operating Expense - Distribution.....	0	0	0	0
10. Operating Expense - Customer Accounts.....	0	0	0	0
11. Operating Expense - Customer Service & Information..	270,166	207,550	283,056	53,969
12. Operating Expense - Sales.....	0	0	27,988	0
13. Operating Expense - Administrative & General.....	4,366,733	1,852,056	2,434,271	183,088
14. Total Operation Expense (5 thru 13).....	60,453,730	28,885,901	27,721,312	7,477,246
15. Maintenance Expense - Production.....	8,679,580	95,486	0	2,726
16. Maintenance Expense - Transmission.....	718,736	713,763	822,005	179,286
17. Maintenance Expense - Distribution.....	0	0	0	0
18. Maintenance Expense - General Plant.....	51,691	52,139	67,710	14,935
19. Total Maintenance Expense (15 thru 18).....	9,450,007	861,388	889,715	196,947
20. Depreciation and Amortization Expense.....	11,989,903	1,577,003	1,571,010	394,099
21. Taxes.....	0	310,896	392,712	77,724
22. Interest on Long-Term Debt.....	20,866,084	22,889,829	23,725,600	5,704,731
23. Interest Charged to Construction - Credit.....	0	(33,009)	(50,766)	(9,502)
24. Other Interest Expense.....	0	2,033	0	1,161
25. Other Deductions.....	28,589	26,266	22,632	4,573
26. Total Cost of Electric Service (14+19 thru 25).....	102,788,313	54,520,307	54,272,215	13,846,979
27. Operating Margins (4 less 26).....	(7,619,681)	(4,921,039)	(5,665,615)	(1,260,333)
28. Interest Income.....	276,124	278,073	257,510	10,096
29. Allowance For Funds Used During Construction.....	0	0	0	0
30. Income (Loss) from Equity Investments.....	0	0	0	0
31. Other Nonoperating Income (Net).....	(1,991)	(64,581)	0	(389)
32. Generation & Transmission Capital Credits.....	0	0	0	0
33. Other Capital Credits and Patronage Dividends.....	0	0	0	0
34. Extraordinary Items.....	0	0	0	0
35. Net Patronage Capital or Margins(27 thru 34).....	(7,345,548)	(4,707,547)	(5,408,105)	(1,250,626)

ITEM	Mills/kWh (Optional Use by Borrower)	
36. Electric Energy Revenue per kWh Sold.....	31.11	32.98
37. Total Operation & Maintenance Expense Per kWh Sold.....	N/A	N/A
38. Total Cost of Electric Service per kWh Sold.....	N/A	N/A
39. Purchased Power Cost Per kWh Purchased.....	18.78	19.10

Exhibit 2

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062
	PERIOD ENDED 1999 April
RUS USE ONLY	

SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service.....	32. Memberships.....
1,515,869,076	100
2. Construction Work in Progress.....	33. Patronage Capital
4,476,209	a. Assigned and Assignable.....
3. Total Utility Plant (2).....	0
1,520,345,285	b. Retired This Year.....
4. Accum. Provision for Depreciation and Amort	0
661,815,745	c. Retired Prior Years.....
5. Net Utility Plant (4).....	0
858,529,540	d. Net Patronage Capital.....
6. Non-Utility Property (Net).....	0
123,646	34. Operating Margins - Prior Years.....
7. Investments in Subsidiary Companies.....	(346,122,786)
0	35. Operating Margins - Current Year.....
8. Invest. In Assoc. Org. - Patronage Capital.....	(4,921,040)
53,322	36. Non-Operating Margins.....
9. Invest. In Assoc. Org. - Other - General Funds	(22,974,305)
56,280	37. Other Margins and Equities.....
10. Invest. In Assoc. Org. - OTH - NonGEN Funds	4,444,502
0	38. Total Margins & Equities (32+33d thru 37).....
11. Investments in Economic Development Projects	(369,573,529)
10,000	39. Long-Term Debt - REA (Net).....
12. Other Investments.....	1,051,598,319
5,424	(Payments-Unapplied \$ 0)
13. Special Funds.....	40. Long-Term Debt - REA - Econ. Devel. (Net).....
7,740,927	0
14. Total Other Property and Investments (6 thru 13)	41. Long-Term Debt - FFB - REA Guaranteed.....
7,989,599	0
15. Cash - General Funds.....	42. Long-Term Debt - Other - REA Guaranteed.....
4,133	0
16. Cash - Construction Funds - Trustee.....	43. Long-Term Debt - Other (Net).....
0	179,929,066
17. Special Deposits.....	44. Total Long-Term Debt (39 thru 43).....
2,095,000	1,231,527,385
18. Temporary Investments.....	45. Obligations Under Capital Leases - Noncurrent
17,712,000	0
19. Notes Receivable (Net).....	46. Accumulated Operating Provisions.....
0	4,827,684
20. Accounts Receivable - Sales of Energy (Net).....	47. Total Other Noncurrent Liabilities (45+46).....
14,193,140	4,827,684
21. Accounts Receivable - Other (Net).....	48. Notes Payable.....
987,606	0
22. Fuel Stock.....	49. Accounts Payable.....
0	12,038,057
23. Materials and Supplies - Other.....	50. Taxes Accrued.....
584,466	707,013
24. Prepayments.....	51. Interest Accrued.....
8,582,156	3,743,241
25. Other Current and Accrued Assets.....	52. Other Current and Accrued Liabilities.....
75,825	2,993,030
26. Total Current and Accrued Assets (15 thru 25)	53. Total Current & Accrued Liabilities (48 thru 52)
44,234,326	19,481,341
27. UNAMO Debt DISC & Extraor. Prop. Losses....	54. Deferred Credits.....
0	49,421,672
28. Regulatory Assets.....	55. Accumulated Deferred Income Taxes.....
0	0
29. Other Deferred Debits.....	56. Total Liabilities and Other Credits
24,931,088	935,684,553
30. Accumulated Deferred Income Taxes.....	(38+44+47+53 thru 55).....
0	935,684,553
31. Total Assets and Other Debits (5+14+26 thru 30)	
935,684,553	

SECTION C. NOTES TO FINANCIAL STATEMENTS

12b, Page 1 of 2, Regular Sales to RUS Borrowers:

- 2-Green River Rural
- 3-Industrial-Alcoa Hawesville Works
- 4-Industrial-Commonwealth Aluminum
- 5-Industrial-Kimberly-Clark Corporation
- 6-Industrial-Willamette Industries
- 7-Industrial-Arvin Roll Coater, Inc.
- 8-Industrial-A-CMI
- 9-Henderson Union Rural
- 10-Industrial-Accuride
- 11-Industrial-Black Diamond Mine
- 12-Industrial-Breckinridge
- 13-Industrial-Lodestar Energy
- 14-Industrial-Dotiki #3
- 15-Industrial-CR Mining
- 16-Industrial-Hudson Foods
- 17-Industrial-KB Alloys, Inc.
- 18-Industrial-Patriot Coal
- 19-Industrial-Pittsburg & Midway

Exhibit 2

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062	
	PERIOD ENDED 1999 April	RUS USE ONLY

SECTION C. NOTES TO FINANCIAL STATEMENTS(CONTINUED)

- 20-Industrial-New Hope LLC
- 21-Industrial-Smith Coal Co.
- 22-Industrial-Valley Grain
- 23-Industrial-Cardinal River
- 24-Meade County Rural
- 25-Jackson Purchase Rural
- 26-Industrial-Shell Oil

Exhibit 2

USDA-RUS OPERATING REPORT - SALES OF ELECTRICITY		BORROWER DESIGNATION KY062		YEAR ENDING 1999 April		RUS USE ONLY					
PURCHASER (a)		NO. OF PURCHASERS (b)		ANNUAL PEAK DEMAND (KW) (c)		MWH BILLED (d)		AMOUNT BILLED (\$) (e)		MILLS PER KWH (f)	
SALES FOR RESALE - SPECIAL SALES TO RUS BORROWERS (List separately)											
40. IN 106 HOOSIER ENERGY REC INC						92		11,211		121.86	
41.											
42.											
43.											
44.											
45.											
46.											
47.											
48.											
49.											
50.											
51. TOTAL Special Sales to RUS Borrowers (Sum of lines 40 thru 50)		1		0		92		11,211		121.86	
52. TOTAL Sales to RUS Borrowers (Sum of lines 39 + 51)		26		612,082		1,120,843		37,361,692		33.33	
SALES FOR RESALE OTHER THAN RUS BORROWERS (List separately)											
53. N P ENERGY INC.								524		21.50	
54. CINERGY						56,000		1,203,800		19.84	
55. RELIANT ENERGY						178,203		3,534,897		102.75	
56. SOUTHERN INDIANA GAS & ELECTRIC CO.						140		14,385		102.75	
57. LOUISVILLE GAS & ELECTRIC CO.						160		16,440		102.75	
58. LG&E MARKETING						455		45,442		99.87	
59.											
60.											
61.											
62.											
63.											
64.											
65.											
66.											
67.											
68.											
69.											
70.											
71.											
72.											
73.											
74.											
75. TOTAL Sales to Other Than RUS Borrowers (Sum of lines 53 thru 74)		6		0		234,958		4,815,488		20.50	
76. TOTAL Sales for Resale (Sum of lines 52 + 75)		32		612,082		1,355,801		42,177,180		31.11	
77. TOTAL Sales (Sum of lines 1 + 76)		32		612,082		1,355,801		42,177,180		31.11	

Exhibit 2
Page 50 of 105

**OPERATING REPORT -
SOURCES AND DISTRIBUTION OF ENERGY**

KY062

This data will be used by RUS to review your financial situation. Your response is required
(7 U.S.C. 901 et seq.) and is not confidential.

YEAR ENDING

1999 April

RUS USE ONLY

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.

SOURCE OF ENERGY	NO. OF PLANTS (b)	NAMEPLATE CAPACITY (kW) (c)	ANNUAL PEAK DEMAND (kW) (d)	NET ENERGY RECEIVED BY SYSTEM (MWh) (e)	COST (\$) (f)	MILLS PER kWh (g)
GENERATED IN OWN PLANT (Details of Forms 12d, e, f, and g)						
1. Fossil Steam		0	0	0	0	0.00
2. Nuclear		0	0	0	0	0.00
3. Hydro		0	0	0	0	0.00
4. Internal Combustion and Other		0	0	0	0	0.00
5. TOTAL In Own Plant (Sum of lines 1 thru 4)		0	0	0	0	0.00
PURCHASED POWER (List each supplier separately)						
6. SOUTHEASTERN POWER ADMIN		68155		84,606	1,853,210	21.90
7. NP ENERGY INC				56,000	1,201,200	21.45
8. HOOSIER ENERGY REC		43700		85	8,252	97.08
9. HENDERSON MUNIC PWR & LIGHT		53689			16,439	
10. SOUTHERN INDIANA GAS & ELEC CO		18222		94	9,092	96.73
11. LOUISVILLE GAS & ELECTRIC CO		14955		301	30,420	101.06
12. RELIANT ENERGY				195,186	3,003,195	15.39
13. LG & E MARKETING		14730		1,044,337	19,801,236	18.96
14.						
15.						
16.						
17.						
18.						
19.						
20.						
21. TOTAL Power Purchased (Sum of lines 6 thru 20)			0	1,380,609	25,923,044	18.78
INTERCHANGED POWER						
22. Received Into System (Gross)			0	0	0	0.00
23. Delivered Out of System (Gross)			0	0	0	0.00
24. Net Interchange (Line 22 minus 23)			0	0	0	0.00
TRANSMISSION FOR OR BY OTHERS - (WHEELING)						
25. Received Into System			0	0	0	0.00
26. Delivered Out of System			0	0	0	0.00
27. Net Energy Wheelled (Line 25 minus 26)			0	0	0	0.00
28. TOTAL Energy Available for Sale (Sum of lines 5 + 21 + 24 + 27)				1,380,609		
29. TOTAL Sales (Form 12b, line 77)				1,355,801		
30. Energy Furnished to Others Without Charge				0		
31. Energy Used by Borrower (Excluding Station Use)				0		
32. TOTAL Energy Accounted For (Sum of lines 29 thru 31)				1,355,801		
33. Energy Losses - MWh (Line 28 minus 32)				24,808		
34. Energy Losses - Percentage [(Line 33 divided by line 28) x 100]				1.80 %		

Exhibit 2
Page 51 of 105

USDA-RUS OPERATING REPORT - LINES AND STATIONS	BORROWER DESIGNATION KY062 BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42419-0000
INSTRUCTIONS - Submit an original and two copies to RUS. For details, see RUS Bulletin 1717B-3.	YEAR ENDING 1999 April

SECTION A. EXPENSE AND COSTS

ITEMS	ACCOUNT NUMBER	LINES (a)	STATIONS (b)
TRANSMISSION OPERATION			
1. SUPERVISION AND ENGINEERING.....	560	76,811	48,365
2. LOAD DISPATCHING.....	561	224,392	
3. STATION EXPENSES.....	562		259,402
4. OVERHEAD LINE EXPENSES.....	563	215,170	
5. UNDERGROUND LINE EXPENSES.....	564	0	
6. MISCELLANEOUS EXPENSES.....	566	39,658	39,595
7. SUBTOTAL(1 thru 6)		556,031	347,362
8. TRANSMISSION OF ELECTRICITY BY OTHERS.....	565	0	
9. RENTS.....	567	0	7,037
10. TOTAL TRANSMISSION OPERATION (7 thru 9)		556,031	354,399
TRANSMISSION MAINTENANCE			
11. SUPERVISION AND ENGINEERING.....	568	47,084	55,124
12. STRUCTURES.....	569		9,881
13. STATION EQUIPMENT.....	570		370,425
14. OVERHEAD LINES.....	571	223,037	
15. UNDERGROUND LINES.....	572	0	
16. MISCELLANEOUS TRANSMISSION PLANT.....	573	6,551	1,661
17. TOTAL TRANSMISSION MAINTENANCE (11 thru 16)		276,672	437,091
18. TOTAL TRANSMISSION EXPENSE (10 +17)		832,703	791,490
19. DISTRIBUTION EXPENSE - OPERATION.....	580 thru 589	0	0
20. DISTRIBUTION EXPENSE - MAINTENANCE.....	590 thru 598	0	0
21. TOTAL DISTRIBUTION EXPENSE (19 +20)		0	0
22. TOTAL OPERATION AND MAINTENANCE (18 +21)		832,703	791,490
FIXED COSTS			
23. DEPRECIATION - TRANSMISSION.....	403.5	579,368	897,471
24. DEPRECIATION - DISTRIBUTION.....	403.6	0	0
25. TAXES - TRANSMISSION.....	408	0	0
26. TAXES - DISTRIBUTION.....	408	0	0
27. INTEREST - TRANSMISSION.....	427	1,220,830	1,666,058
28. INTEREST - DISTRIBUTION.....	427	0	0
29. INSURANCE - TRANSMISSION.....	924,925,926	0	0
30. INSURANCE - DISTRIBUTION.....	924,925,926	0	0
31. TOTAL TRANSMISSION (18+23+25+27+29).....		2,632,901	3,355,019
32. TOTAL DISTRIBUTION (21+24+26+28+30).....		0	0
33. TOTAL LINES AND STATIONS (31+32)		2,632,901	3,355,019

SECTION B. FACILITIES IN SERVICE

TRANSMISSION LINES		SUBSTATIONS	
VOLTAGE (kV)	MILES	TYPE	CAPACITY (kVA)
1. 69	773.98	9. STEPUP AT GENERATING PLANTS	1,879,800
2. 161	335.30		
3. 138	14.40	10. TRANSMISSION	3,265,000
4. 345	67.40		
5. 0	0.00	11. DISTRIBUTION	0
6. TOTAL	1,191.08		
7. DISTR. LINES	0.00	12. TOTAL (9 thru 11)	5,144,800
8. TOTAL (6+7)	1,191.08		

SECTION C. LABOR AND MATERIAL SUMMARY

1. NUMBER OF EMPLOYEES		
ITEM	LINES	STATIONS
2. OPER. LABOR	138,358	365,269
3. MAINT. LABOR	185,690	300,654
4. OPER. MATERIAL	182,511	180,447
5. MAINT. MATERIAL	53,237	129,525

SECTION D. OUTAGES

1. TOTAL	22,790
2. AVG. NO. DISTR. CONS. SERVED	96,116.00
3. AVG. NO. HOURS OUT PER CONS.	0.24

Exhibit 2

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

<p>USDA-RUS</p> <p style="font-size: 1.2em; font-weight: bold;">OPERATING REPORT - FINANCIAL</p>	<p>BORROWER DESIGNATION KY062</p>
	<p>BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42419-0000</p>
<p>INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-3</p>	<p>PERIOD ENDED 1999 March</p>

RUS USE ONLY

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

[Signature]
SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT

[Signature]
SIGNATURE OF MANAGER

04/30/1999
DATE

04/30/1999
DATE

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues.....	72,246,907	31,559,102	31,832,672	10,590,864
2. Income From Leased Property (Net).....	0	3,979,151	4,045,407	1,317,114
3. Other Operating Revenue and Income.....	14,145	1,474,369	2,143,446	544,120
4. Total Oper. Revenues & Patronage Capital(1 thru 3).....	72,261,052	37,012,622	38,021,525	12,452,098
5. Operating Expense - Production - Excluding Fuel.....	6,121,840	0	0	0
6. Operating Expense - Production - Fuel.....	24,554,135	0	0	0
7. Operating Expense - Other Power Supply.....	10,075,993	18,915,726	18,805,430	6,626,207
8. Operating Expense - Transmission.....	1,224,257	670,380	740,800	253,715
9. Operating Expense - Distribution.....	0	0	0	0
10. Operating Expense - Customer Accounts.....	0	0	0	0
11. Operating Expense - Customer Service & Information..	196,033	153,581	210,079	65,319
12. Operating Expense - Sales.....	0	0	17,541	0
13. Operating Expense - Administrative & General.....	2,853,721	1,668,969	1,770,394	704,308
14. Total Operation Expense (5 thru 13).....	45,025,979	21,408,656	21,544,244	7,649,549
15. Maintenance Expense - Production.....	5,307,144	92,759	0	0
16. Maintenance Expense - Transmission.....	512,215	534,477	577,824	251,104
17. Maintenance Expense - Distribution.....	0	0	0	0
18. Maintenance Expense - General Plant.....	30,930	37,203	45,701	20,774
19. Total Maintenance Expense (15 thru 18).....	5,850,289	664,439	623,525	271,878
20. Depreciation and Amortization Expense.....	8,991,351	1,182,904	1,176,773	394,081
21. Taxes.....	0	233,172	294,534	77,724
22. Interest on Long-Term Debt.....	18,264,231	17,185,098	17,929,750	6,025,032
23. Interest Charged to Construction - Credit.....	0	(23,507)	(35,244)	(8,330)
24. Other Interest Expense.....	0	872	0	0
25. Other Deductions.....	20,557	21,694	15,939	4,673
26. Total Cost of Electric Service (14+19 thru 25).....	78,152,407	40,673,328	41,549,521	14,414,607
27. Operating Margins (4 less 26).....	(5,891,355)	(3,660,706)	(3,527,996)	(1,962,509)
28. Interest Income.....	212,269	267,977	228,740	100,525
29. Allowance For Funds Used During Construction.....	0	0	0	0
30. Income (Loss) from Equity Investments.....	0	0	0	0
31. Other Nonoperating Income (Net).....	(1,224)	(64,192)	0	(389)
32. Generation & Transmission Capital Credits.....	0	0	0	0
33. Other Capital Credits and Patronage Dividends.....	0	0	0	0
34. Extraordinary Items.....	0	0	0	0
35. Net Patronage Capital or Margins(27 thru 34).....	(5,680,310)	(3,456,921)	(3,299,256)	(1,862,373)
ITEM	Mills/kWh (Optional Use by Borrower)			
36. Electric Energy Revenue per kWh Sold.....	31.83	33.02		
37. Total Operation & Maintenance Expense Per kWh Sold.....	22.26	22.99		
38. Total Cost of Electric Service per kWh Sold.....	41.02	43.10		
39. Purchased Power Cost Per kWh Purchased.....	18.74	19.12		

Exhibit 2

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062		
	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width:70%;">PERIOD ENDED 1999 March</td> <td style="width:30%;">RUS USE ONLY</td> </tr> </table>	PERIOD ENDED 1999 March	RUS USE ONLY
PERIOD ENDED 1999 March	RUS USE ONLY		

SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service.....	1,515,820,526
2. Construction Work in Progress.....	4,321,452
3. Total Utility Plant (+2).....	1,520,141,978
4. Accum. Provision for Depreciation and Amort.....	658,654,720
5. Net Utility Plant (-4).....	861,487,258
6. Non-Utility Property (Net).....	123,839
7. Investments in Subsidiary Companies.....	0
8. Invest. In Assoc. Org. - Patronage Capital.....	53,414
9. Invest. In Assoc. Org. - Other - General Funds.....	56,280
10. Invest. In Assoc. Org. - OTH - NonGEN Funds.....	0
11. Investments in Economic Development Projects.....	10,000
12. Other Investments.....	5,424
13. Special Funds.....	7,664,825
14. Total Other Property and Investments (6 thru 13).....	7,913,782
15. Cash - General Funds.....	13,261
16. Cash - Construction Funds - Trustee.....	0
17. Special Deposits.....	2,095,000
18. Temporary Investments.....	24,821,000
19. Notes Receivable (Net).....	0
20. Accounts Receivable - Sales of Energy (Net).....	12,702,857
21. Accounts Receivable - Other (Net).....	896,241
22. Fuel Stock.....	0
23. Materials and Supplies - Other.....	512,991
24. Prepayments.....	8,590,936
25. Other Current and Accrued Assets.....	92,935
26. Total Current and Accrued Assets (15 thru 25).....	49,725,221
27. UNAMO Debt DISC & Extraor. Prop. Losses.....	0
28. Regulatory Assets.....	0
29. Other Deferred Debits.....	24,884,352
30. Accumulated Deferred Income Taxes.....	0
31. Total Assets and Other Debits (5+14+26 thru 30).....	944,010,613
32. Memberships.....	100
33. Patronage Capital	
a. Assigned and Assignable.....	0
b. Retired This Year.....	0
c. Retired Prior Years.....	0
d. Net Patronage Capital.....	0
34. Operating Margins - Prior Years.....	(346,122,786)
35. Operating Margins - Current Year.....	(3,660,706)
36. Non-Operating Margins.....	(22,984,012)
37. Other Margins and Equities.....	4,444,502
38. Total Margins & Equities (32+33d thru 37).....	(368,322,902)
39. Long-Term Debt - REA (Net).....	1,059,468,938
(Payments-Unapplied \$.....)	0
40. Long-Term Debt - REA - Econ. Devel. (Net).....	0
41. Long-Term Debt - FFB - REA Guaranteed.....	0
42. Long-Term Debt - Other - REA Guaranteed.....	0
43. Long-Term Debt - Other (Net).....	178,196,187
44. Total Long-Term Debt (39 thru 43).....	1,237,665,125
45. Obligations Under Capital Leases - Noncurrent.....	0
46. Accumulated Operating Provisions.....	4,793,331
47. Total Other Noncurrent Liabilities (45+46).....	4,793,331
48. Notes Payable.....	0
49. Accounts Payable.....	11,106,814
50. Taxes Accrued.....	538,646
51. Interest Accrued.....	3,911,359
52. Other Current and Accrued Liabilities.....	2,969,157
53. Total Current & Accrued Liabilities (48 thru 52).....	18,525,976
54. Deferred Credits.....	51,349,083
55. Accumulated Deferred Income Taxes.....	0
56. Total Liabilities and Other Credits.....	944,010,613
(38+44+47+53 thru 55).....	

SECTION C. NOTES TO FINANCIAL STATEMENTS

12b, Page 1 of 2, Regular Sales to RUS Borrowers:

- 2-Green River Rural
- 3-Industrial-Alcoa Hawesville Works
- 4-Industrial-Commonwealth Aluminum
- 5-Industrial-Kimberly-Clark Corporation
- 6-Industrial-Willamette Industries
- 7-Industrial-Arvin Roll Coater, Inc.
- 8-Industrial-A-CMI
- 9-Henderson Union Rural
- 10-Industrial-Accuride
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- 19-Industrial-Pittsburg & Midway

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062	
	PERIOD ENDED 1999 March	RUS USE ONLY

SECTION C. NOTES TO FINANCIAL STATEMENTS(CONTINUED)

- 20-Industrial-Victory Process
- 21-Industrial-Smith Coal Co.
- 22-Industrial-Valley Grain
- 23-Industrial-Cardinal River
- 24-Meade County Rural
- 25-Jackson Purchase Rural
- 26-Industrial-Shell Oil

USDA-RUS OPERATING REPORT - SALES OF ELECTRICITY

BORROWER DESIGNATION
KY062

This data will be used by RUS to review your financial situation. Your response is required
(7 U.S.C. 901 et seq.) and is not confidential.

RUS USE ONLY

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.

1999 March

PURCHASER (a)	NO OF PURCHASERS (b)	YEAR ENDING			MILLS PER kWh (f)
		ANNUAL PEAK DEMAND (kW) (c)	MWh BILLED (d)	AMOUNT BILLED (\$) (e)	
1. Sales to Ultimate Consumers (Totals only for this item.)		0	0	0	0.00
SALES FOR RESALE - REGULAR SALES TO RUS BORROWERS (List separately)					
2. KY 33 GREEN RIVER ELECTRIC CORP		122,077	154,903	5,489,655	35.44
3. KY 33 GREEN RIVER ELECTRIC CORP		388	646	21,855	33.86
4. KY 33 GREEN RIVER ELECTRIC CORP		37,678	62,675	2,029,387	32.38
5. KY 33 GREEN RIVER ELECTRIC CORP		30,931	62,444	1,617,613	25.91
6. KY 33 GREEN RIVER ELECTRIC CORP		83,095	170,199	4,866,720	28.59
7. KY 33 GREEN RIVER ELECTRIC CORP		4,271	7,852	249,307	31.75
8. KY 33 GREEN RIVER ELECTRIC CORP		3,160	5,646	183,285	32.46
9. KY 55 HENDERSON UNION ELEC COOP CORP		75,842	95,085	3,404,540	35.8
10. KY 55 HENDERSON UNION ELEC COOP CORP		5,534	9,456	300,030	31.73
11. KY 55 HENDERSON UNION ELEC COOP CORP		1,107	822	37,241	45.31
12. KY 55 HENDERSON UNION ELEC COOP CORP		11,397	13,511	546,228	40.43
13. KY 55 HENDERSON UNION ELEC COOP CORP		8,212	11,869	380,655	32.07
14. KY 55 HENDERSON UNION ELEC COOP CORP		501	863	27,093	31.39
15. KY 55 HENDERSON UNION ELEC COOP CORP		501	113	16,810	148.76
16. KY 55 HENDERSON UNION ELEC COOP CORP		8,359	13,351	338,433	25.35
17. KY 55 HENDERSON UNION ELEC COOP CORP		2,179	2,242	94,985	42.37
18. KY 55 HENDERSON UNION ELEC COOP CORP		2,659	2,898	121,822	42.04
19. KY 55 HENDERSON UNION ELEC COOP CORP		1,500	742	55,858	75.28
20. KY 55 HENDERSON UNION ELEC COOP CORP		1,962	785	54,519	69.45
21. KY 55 HENDERSON UNION ELEC COOP CORP		4,118	3,578	165,225	46.18
22. KY 55 HENDERSON UNION ELEC COOP CORP		1,653	2,303	86,311	37.48
23. KY 55 HENDERSON UNION ELEC COOP CORP		2,001	2,055	89,108	43.36
24. KY 18 MEADE COUNTY RUR ELEC COOP CORP		80,491	96,342	3,510,133	36.43
25. KY 20 JACKSON PURCHASE ELEC COOP CORP		111,666	141,168	5,008,082	35.48
26. KY 20 JACKSON PURCHASE ELEC COOP CORP		10,800	13,221	486,187	36.7
27.					
28.					
29.					
30.					
31.					
32.					
33.					
34.					
35.					
36.					
37.					
38.					
39. TOTAL Regular Sales to RUS Borrowers (Sum of lines 2 thru 38)	25	612,082	874,769	29,181,082	33.36

Exhibit 2
Page 56 of 105

**USDA-RUS
OPERATING REPORT - SALES OF ELECTRICITY**

BORROWER DESIGNATION
KY062

YEAR ENDING
1999 March

RUS USE ONLY

PURCHASER (a)	NO. OF PURCHASERS (b)	ANNUAL PEAK DEMAND (kW) (c)	MWh BILLED (d)	AMOUNT BILLED (\$) (e)	RUS USE ONLY	
					MILES PER kWh (f)	
SALES FOR RESALE - SPECIAL SALES TO RUS BORROWERS (List separately)						
40. IN 106 HOOSIER ENERGY REC INC			92	11,211		121.86
41.						
42.						
43.						
44.						
45.						
46.						
47.						
48.						
49.						
50.						
51. TOTAL Special Sales to RUS Borrowers (Sum of lines 40 thru 50)	1	0	92	11,211		121.86
52. TOTAL Sales to RUS Borrowers (Sum of lines 39 + 51)	26	612,082	874,861	29,192,293		33.37
SALES FOR RESALE OTHER THAN RUS BORROWERS (List separately)						
53. N P ENERGY INC.				525		21.50
54. CINERGY			43,200	928,600		19.22
55. RELIANT ENERGY			73,201	1,407,241		102.75
56. SOUTHERN INDIANA GAS & ELECTRIC CO.			88	9,042		102.75
57. LOUISVILLE GAS & ELECTRIC			99	10,172		99.37
58. LG&E MARKETING			113	11,229		
59.						
60.						
61.						
62.						
63.						
64.						
65.						
66.						
67.						
68.						
69.						
70.						
71.						
72.						
73.						
74.						
75. TOTAL Sales to Other Than RUS Borrowers (Sum of lines 53 thru 74)	6	0	116,701	2,366,809		20.28
76. TOTAL Sales for Resale (Sum of lines 52 + 75)	32	612,082	991,562	31,559,102		31.83
77. TOTAL Sales (Sum of lines 1 + 76)	32	612,082	991,562	31,559,102		31.83

Exhibit 2

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.

SOURCE OF ENERGY (a)	NO. OF PLANTS (b)	NAMEPLATE CAPACITY (kW) (c)	ANNUAL PEAK DEMAND (kW) (d)	NET ENERGY RECEIVED BY SYSTEM (MWh) (e)	COST (\$) (f)	MILLS PER kWh (g)
GENERATED IN OWN PLANT (Details of Forms 12d, e, f, and g)						
1. Fossil Steam		0	0	0	0	0.00
2. Nuclear		0	0	0	0	0.00
3. Hydro		0	0	0	0	0.00
4. Internal Combustion and Other		0	0	0	0	0.00
5. TOTAL In Own Plant. (Sum of lines 1 thru 4)		0	0	0	0	0.00
PURCHASED POWER (List each supplier separately)						
6. SOUTHEASTERN POWER ADMIN		68155		67,606	1,480,842	21.90
7. N P ENERGY, INC.				43,200	926,640	21.45
8. HOOSIER ENERGY REC		43700		25	2,438	97.52
9. HENDERSON MUMIC PWR & LIGHT		53689		24	13,648	96.55
10. SOUTHERN INDIANA GAS & ELEC CO		18222		89	2,317	98.83
11. LOUISVILLE GAS & ELECTRIC CO		14955		159,026	2,455,421	15.44
12. RELIANT ENERGY				740,044	14,032,803	18.96
13. LG & E MARKETING		14730				
14.						
15.						
16.						
17.						
18.						
19.						
20.						
21. TOTAL Power Purchased. (Sum of lines 6 thru 20)			0	1,010,014	18,922,905	18.74
INTERCHANGED POWER						
22. Received Into System (Gross)			0	0	0	0.00
23. Delivered Out of System (Gross)			0	0	0	0.00
24. Net Interchange (Line 22 minus 23)			0	0	0	0.00
TRANSMISSION FOR OR BY OTHERS - (WHEELING)						
25. Received Into System			0	0	0	0.00
26. Delivered Out of System			0	0	0	0.00
27. Net Energy Wheelled (Line 25 minus 26)			0	0	0	0.00
28. TOTAL Energy Available for Sale (Sum of lines 5 + 21 + 24 + 27)				1,010,014		
29. TOTAL Sales (Form 12b, line 77)				991,562		
30. Energy Furnished to Others Without Charge				0		
31. Energy Used by Borrower (Excluding Station Use)				0		
32. TOTAL Energy Accounted For (Sum of lines 29 thru 31)				991,562		
33. Energy Losses - MWh (Line 28 minus 32)				18,452		
34. Energy Losses - Percentage (Line 33 divided by line 28) x 100]				1.83 %		

USDA-RUS OPERATING REPORT - LINES AND STATIONS	BORROWER DESIGNATION KY062 BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42419-0000
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INSTRUCTIONS - Submit an original and two copies to RUS. For details, see RUS Bulletin 17:79-3.	YEAR ENDING 1999 March	RUS USE ONLY
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SECTION A. EXPENSE AND COSTS

ITEMS	ACCOUNT NUMBER	LINES (a)	STATIONS (b)
TRANSMISSION OPERATION			
1. SUPERVISION AND ENGINEERING.....	560	56,509	36,336
2. LOAD DISPATCHING.....	561	162,856	
3. STATION EXPENSES.....	562		186,715
4. OVERHEAD LINE EXPENSES.....	563	162,112	
5. UNDERGROUND LINE EXPENSES.....	564	0	
6. MISCELLANEOUS EXPENSES.....	566	30,659	29,914
7. SUBTOTAL (1 thru 6)		412,136	252,965
8. TRANSMISSION OF ELECTRICITY BY OTHERS.....	565	0	
9. RENTS.....	567	0	5,278
10. TOTAL TRANSMISSION OPERATION (7 thru 9)		412,136	258,243
TRANSMISSION MAINTENANCE			
11. SUPERVISION AND ENGINEERING.....	568	35,273	42,073
12. STRUCTURES.....	569		9,619
13. STATION EQUIPMENT.....	570		250,357
14. OVERHEAD LINES.....	571	190,472	
15. UNDERGROUND LINES.....	572	0	
16. MISCELLANEOUS TRANSMISSION PLANT.....	573	5,935	748
17. TOTAL TRANSMISSION MAINTENANCE (11 thru 16)		231,680	302,797
18. TOTAL TRANSMISSION EXPENSE (10 +17)		643,816	561,040
19. DISTRIBUTION EXPENSE - OPERATION.....	580 thru 589	0	0
20. DISTRIBUTION EXPENSE - MAINTENANCE.....	590 thru 598	0	0
21. TOTAL DISTRIBUTION EXPENSE (19 +20)		0	0
22. TOTAL OPERATION AND MAINTENANCE (18 +21)		643,816	561,040
FIXED COSTS			
23. DEPRECIATION - TRANSMISSION.....	403.5	434,539	672,953
24. DEPRECIATION - DISTRIBUTION.....	403.6	0	0
25. TAXES - TRANSMISSION.....	408	0	0
26. TAXES - DISTRIBUTION.....	408	0	0
27. INTEREST - TRANSMISSION.....	427	916,762	1,251,875
28. INTEREST - DISTRIBUTION.....	427	0	0
29. INSURANCE - TRANSMISSION.....	924,925,926	0	0
30. INSURANCE - DISTRIBUTION.....	924,925,926	0	0
31. TOTAL TRANSMISSION (18+23+25+27+29).....		1,995,117	2,485,868
32. TOTAL DISTRIBUTION (21+24+26+28+30).....		0	0
33. TOTAL LINES AND STATIONS (31+32)		1,995,117	2,485,868

SECTION B. FACILITIES IN SERVICE

SECTION C. LABOR AND MATERIAL SUMMARY

TRANSMISSION LINES				SUBSTATIONS		1. NUMBER OF EMPLOYEES		
VOLTAGE (KV)	MILES	TYPE	CAPACITY (KVA)	ITEM	LINES	STATIONS		
1. 69	773.98	9. STEPUP AT GEN-	1,879,800	2. OPER. LABOR	103,659	267,318		
2. 161	335.30	ERATING PLANTS		3. MAINT. LABOR	144,909	231,212		
3. 138	14.40	10. TRANSMISSION	3,265,000	4. OPER. MATERIAL	137,515	126,703		
4. 345	67.40			5. MAINT. MATERIAL	49,135	64,991		
5. 0	0.00	11. DISTRIBUTION		SECTION D. OUTAGES				
6. TOTAL	1,191.08			1. TOTAL		17,481		
7. DISTR. LINES	0.00	12. TOTAL	5,144,800	2. AVG. NO. DISTR. CONS. SERVED		96,116.00		
8. TOTAL (6+7)	1,191.08	(9 thru 11)		3. AVG. NO. HOURS OUT PER CONS.	Exhibit 2	0.18		

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.


USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062 BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42419-0000
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INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-3	PERIOD ENDED 1999 February	RUS USE ONLY
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CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.



 SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT


 SIGNATURE OF MANAGER

03/23/1999

 DATE
 03/23/1999

 DATE

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues.....	46,847,273	20,968,238	21,441,608	9,399,755
2. Income From Leased Property (Net).....	0	2,662,037	2,696,938	1,329,380
3. Other Operating Revenue and Income.....	10,988	930,249	1,583,312	470,344
4. Total Oper. Revenues & Patronage Capital (1 thru 3).....	46,858,261	24,560,524	25,721,858	11,199,479
5. Operating Expense - Production - Excluding Fuel.....	3,956,596	0	0	0
6. Operating Expense - Production - Fuel.....	16,266,666	0	0	0
7. Operating Expense - Other Power Supply.....	6,448,758	12,289,519	12,513,780	5,375,685
8. Operating Expense - Transmission.....	786,999	416,665	441,575	192,586
9. Operating Expense - Distribution.....	0	0	0	0
10. Operating Expense - Customer Accounts.....	0	0	0	0
11. Operating Expense - Customer Service & Information..	135,167	88,262	136,352	47,000
12. Operating Expense - Sales.....	0	0	13,994	0
13. Operating Expense - Administrative & General.....	1,662,268	964,661	1,189,396	643,561
14. Total Operation Expense (5 thru 13).....	29,256,454	13,759,107	14,295,097	6,258,832
15. Maintenance Expense - Production.....	2,815,361	92,760	0	92,760
16. Maintenance Expense - Transmission.....	336,768	283,372	354,395	166,654
17. Maintenance Expense - Distribution.....	0	0	0	0
18. Maintenance Expense - General Plant.....	19,013	16,429	35,872	11,551
19. Total Maintenance Expense (15 thru 18).....	3,171,142	392,561	390,267	270,965
20. Depreciation and Amortization Expense.....	5,992,989	788,823	784,290	394,360
21. Taxes.....	735	155,448	196,356	77,724
22. Interest on Long-Term Debt.....	12,642,567	11,160,067	11,865,750	5,269,805
23. Interest Charged to Construction - Credit.....	0	(15,177)	(21,732)	(7,679)
24. Other Interest Expense.....	0	872	0	0
25. Other Deductions.....	12,906	17,021	10,966	4,373
26. Total Cost of Electric Service (14+19 thru 25).....	51,076,793	26,258,722	27,520,994	12,268,380
27. Operating Margins (4 less 26).....	(4,218,532)	(1,698,198)	(1,799,136)	(1,068,901)
28. Interest Income.....	130,125	167,453	149,950	84,367
29. Allowance For Funds Used During Construction.....	0	0	0	0
30. Income (Loss) from Equity Investments.....	0	0	0	0
31. Other Nonoperating Income (Net).....	(809)	(63,803)	0	(389)
32. Generation & Transmission Capital Credits.....	0	0	0	0
33. Other Capital Credits and Patronage Dividends.....	0	0	0	0
34. Extraordinary Items.....	0	0	0	0
35. Net Patronage Capital or Margins (27 thru 34).....	(4,089,216)	(1,594,548)	(1,649,186)	(984,923)
ITEM	Mills/kWh (Optional Use by Borrower)			
36. Electric Energy Revenue per kWh Sold.....		32.63	33.52	
37. Total Operation & Maintenance Expense Per kWh Sold.....		22.02	22.96	
38. Total Cost of Electric Service per kWh Sold.....		40.86	43.02	
39. Purchased Power Cost Per kWh Purchased.....		Exhibit 2 18.77	19.18	

USDA-RUS

OPERATING REPORT - FINANCIAL

BORROWER DESIGNATION
KY062

PERIOD ENDED
1999 February

RUS USE ONLY

SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service.....	1,515,809,828	32. Memberships.....	100
2. Construction Work in Progress.....	4,099,706	33. Patronage Capital	
3. Total Utility Plant (1+2).....	1,519,909,534	a. Assigned and Assignable	0
4. Accum. Provision for Depreciation and Amort	655,493,270	b. Retired This Year.....	0
5. Net Utility Plant (3-4)	864,416,264	c. Retired Prior Years.....	0
6. Non-Utility Property (Net).....	124,031	d. Net Patronage Capital.....	0
7. Investments in Subsidiary Companies.....	0	34. Operating Margins - Prior Years.....	(344,012,222)
8. Invest. In Assoc. Org. - Patronage Capital.....	53,414	35. Operating Margins - Current Year.....	(1,698,197)
9. Invest. In Assoc. Org. - Other - General Funds	56,280	36. Non-Operating Margins.....	(23,084,148)
10. Invest. In Assoc. Org. - OTH - NonGEN Funds	0	37. Other Margins and Equities.....	4,444,502
11. Investments in Economic Development Projects	10,000	38. Total Margins & Equities (32+33d thru 37)	(364,349,965)
12. Other Investments.....	5,424	39. Long-Term Debt - REA (Net).....	1,058,571,230
13. Special Funds.....	7,588,523	(Payments-Unapplied \$	0)
14. Total Other Property and Investments (6 thru 13)	7,837,672	40. Long-Term Debt - REA - Econ. Devel. (Net).....	0
15. Cash - General Funds.....	4,286	41. Long-Term Debt - FFB - REA Guaranteed.....	0
16. Cash - Construction Funds - Trustee.....	0	42. Long-Term Debt - Other - REA Guaranteed.....	0
17. Special Deposits.....	1,290,643	43. Long-Term Debt - Other (Net)	176,470,582
18. Temporary Investments.....	28,131,600	44. Total Long-Term Debt (39 thru 43)	1,235,041,812
19. Notes Receivable (Net).....	0	45. Obligations Under Capital Leases - Noncurrent	0
20. Accounts Receivable - Sales of Energy (Net)..	11,415,018	46. Accumulated Operating Provisions.....	4,776,809
21. Accounts Receivable - Other (Net).....	998,439	47. Total Other Noncurrent Liabilities (45+46)	4,776,809
22. Fuel Stock.....	0	48. Notes Payable.....	0
23. Materials and Supplies - Other.....	506,357	49. Accounts Payable.....	15,065,406
24. Prepayments.....	8,687,609	50. Taxes Accrued.....	368,834
25. Other Current and Accrued Assets.....	87,692	51. Interest Accrued.....	3,207,545
26. Total Current and Accrued Assets (15 thru 25)	51,121,644	52. Other Current and Accrued Liabilities.....	856,487
27. UNAMO Debt DISC & Extraor. Prop. Losses....	0	53. Total Current & Accrued Liabilities (48 thru 52)	19,498,272
28. Regulatory Assets.....	0	54. Deferred Credits.....	53,194,061
29. Other Deferred Debits.....	24,785,409	55. Accumulated Deferred Income Taxes.....	0
30. Accumulated Deferred Income Taxes.....	0	56. Total Liabilities and Other Credits	
31. Total Assets and Other Debits (5+14+26 thru 30)	948,160,989	(38+44+47+53 thru 55).....	948,160,989

SECTION C. NOTES TO FINANCIAL STATEMENTS

12b. Page 1 of 2, Regular Sales to RUS Borrowers:

- 2-Green River Rural
- 3-Industrial-Alcoa Hawesville Works
- 4-Industrial-Commonwealth Aluminum
- 5-Industrial-Kimberly-Clark Corporation
- 6-Industrial-Willamette Industries
- 7-Industrial-Arvin Roll Coater, Inc.
- 8-Industrial-A-CMI
- 9-Henderson Union Rural
- 10-Industrial-Accuride
- 11-Industrial-Black Diamond Mine
- 12-Industrial-Breckinridge
- 13-Industrial-Lodestar Energy
- 14-Industrial-Dotiki #3
- 15-Industrial-CR Mining
- 16-Industrial-Hudson Foods
- 17-Industrial-KB Alloys, Inc.
- 18-Industrial-Patriot Coal
- 19-Industrial-Pittsburg & Midway

Exhibit 2

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062	
	PERIOD ENDED 1999 February	RUS USE ONLY

SECTION C. NOTES TO FINANCIAL STATEMENTS(CONTINUED)

- 20-Industrial-Victory Process
- 21-Industrial-Smith Coal Co.
- 22-Industrial-Valley Grain
- 23-Industrial-Cardinal River
- 24-Meade County Rural
- 25-Jackson Purchase Rural
- 26-Industrial-Shell Oil

USDA-RUS
OPERATING REPORT - SALES OF ELECTRICITY

BORROWER DESIGNATION

KY062

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

RUS USE ONLY

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.

1999 February

PURCHASER (a)	NO. OF PURCHASERS (b)	ANNUAL PEAK DEMAND (KW) (c)	MWH BILLED (d)	AMOUNT BILLED (\$) (e)	MILLS PER KWH (f)
1. Sales to Ultimate Consumers (Totals only for this item.)	0	0	0	0	0.00
SALES FOR RESALE - REGULAR SALES TO RUS BORROWERS (List separately)					
2. KY 33 GREEN RIVER ELECTRIC CORP		122,077	104,122	3,737,703	35.90
3. KY 33 GREEN RIVER ELECTRIC CORP		388	426	14,855	34.39
4. KY 33 GREEN RIVER ELECTRIC CORP		37,678	41,095	1,341,550	32.64
5. KY 33 GREEN RIVER ELECTRIC CORP		30,931	41,121	1,072,122	26.07
6. KY 33 GREEN RIVER ELECTRIC CORP		83,095	112,000	3,224,441	28.79
7. KY 33 GREEN RIVER ELECTRIC CORP		4,271	5,207	156,661	30.09
8. KY 33 GREEN RIVER ELECTRIC CORP		3,160	3,613	118,385	32.77
9. KY 55 HENDERSON UNION ELEC COOP CORP		75,842	63,918	2,325,380	36.38
10. KY 55 HENDERSON UNION ELEC COOP CORP		5,534	6,065	196,058	32.33
11. KY 55 HENDERSON UNION ELEC COOP CORP		1,107	656	31,697	48.32
12. KY 55 HENDERSON UNION ELEC COOP CORP		11,397	8,972	368,634	41.09
13. KY 55 HENDERSON UNION ELEC COOP CORP		8,212	7,809	252,408	32.32
14. KY 55 HENDERSON UNION ELEC COOP CORP		501	564	17,909	31.75
15. KY 55 HENDERSON UNION ELEC COOP CORP		501	80	11,264	140.80
16. KY 55 HENDERSON UNION ELEC COOP CORP		8,359	8,771	223,653	25.50
17. KY 55 HENDERSON UNION ELEC COOP CORP		2,179	1,480	62,721	42.38
18. KY 55 HENDERSON UNION ELEC COOP CORP		2,659	1,850	80,214	43.36
19. KY 55 HENDERSON UNION ELEC COOP CORP		1,500	509	37,436	73.55
20. KY 55 HENDERSON UNION ELEC COOP CORP		1,962	672	48,962	72.86
21. KY 55 HENDERSON UNION ELEC COOP CORP		4,118	2,500	113,029	45.21
22. KY 55 HENDERSON UNION ELEC COOP CORP		1,653	1,491	56,497	37.89
23. KY 55 HENDERSON UNION ELEC COOP CORP		2,001	1,341	59,007	44.00
24. KY 18 MEADE COUNTY RUR ELEC COOP CORP		80,491	65,028	2,407,350	37.02
25. KY 20 JACKSON PURCHASE ELEC COOP CORP		111,666	95,055	3,418,153	35.96
26. KY 20 JACKSON PURCHASE ELEC COOP CORP		10,800	8,484	335,162	39.51
27.					
28.					
29.					
30.					
31.					
32.					
33.					
34.					
35.					
36.					
37.					
38.					
39. TOTAL Regular Sales to RUS Borrowers (Sum of lines 2 thru 38)	25	612,082	582,829	19,711,051	33.82

Exhibit 2
Page 63 of 105

PURCHASER (e)	NO. OF PURCHASERS (b)	ANNUAL PEAK DEMAND (KW) (c)	MWh BILLED (d)	AMOUNT BILLED (\$) (e)	MILLS PER kWh (f)
40. IN 106 HOOSIER ENERGY REC INC			63	628	9.97
41.					
42.					
43.					
44.					
45.					
46.					
47.					
48.					
49.					
50.					
51. TOTAL Special Sales to RUS Borrowers (Sum of lines 40 thru 50)	1	0	63	628	9.97
52. TOTAL Sales to RUS Borrowers (Sum of lines 39 + 51)	26	612,082	582,892	19,711,679	33.82
SALES FOR RESALE OTHER THAN RUS BORROWERS (List separately)					
53. NP ENERGY INC.				524	21.50
54. CINERGY			30,400	653,600	20.03
55. RELIANT ENERGY			29,200	584,809	102.75
56. SOUTHERN INDIANA GAS & ELECTRIC CO.			67	6,884	102.75
57. LOUISVILLE GAS & ELECTRIC CO.		2,000	80	8,220	102.75
58. LG&E MARKETING				2,522	
59.					
60.					
61.					
62.					
63.					
64.					
65.					
66.					
67.					
68.					
69.					
70.					
71.					
72.					
73.					
74.					
75. TOTAL Sales to Other Than RUS Borrowers (Sum of lines 53 thru 74)	6	2,000	59,747	1,256,559	21.03
76. TOTAL Sales for Resale (Sum of lines 52 + 75)	32	614,082	642,639	20,968,238	32.63
77. TOTAL Sales (Sum of lines 1 + 76)	32	614,082	642,639	20,968,238	32.63

Exhibit 2
 Page 64 of 105

OPERATING REPORT - SOURCES AND DISTRIBUTION OF ENERGY

KY062

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.

SOURCE OF ENERGY (a)	NO. OF PLANTS (b)	NAMEPLATE CAPACITY (kWh) (c)	1999 February			MILLS PER kWh (g)
			ANNUAL PEAK DEMAND (kW) (d)	NET ENERGY RECEIVED BY SYSTEM (MWh) (e)	COST (\$) (f)	
GENERATED IN OWN PLANT (Details of Forms 12d, e, f, and g)						
1. Fossil Steam	0	0	0	0	0	0.00
2. Nuclear	0	0	0	0	0	0.00
3. Hydro	0	0	0	0	0	0.00
4. Internal Combustion and Other	0	0	0	0	0	0.00
5. TOTAL In Own Plant (Sum of lines 1 thru 4)	0	0	0	0	0	0.00
PURCHASED POWER (List each supplier separately)						
6. SOUTHEASTERN POWER ADMIN		POST USE ONLY CODE 68155		53,331	1,168,162	21.90
7. NP ENERGY INC				30,400	652,080	21.45
8. HENDERSON MUNIC PWR & LIGHT		53689		3	10,830	100.00
9. SOUTHERN INDIANA GAS & ELEC CO		18222		22	2,022	91.91
10. LOUISVILLE GAS & ELECTRIC CO		14955		110,046	1,711,601	15.55
11. RELIANT ENERGY				461,196	8,752,350	18.98
12. LG&E MARKETING						
13.						
14.						
15.						
16.						
17.						
18.						
19.						
20.						
21. TOTAL Power Purchased (Sum of lines 6 thru 20)			0	654,998	12,297,345	18.77
INTERCHANGED POWER						
22. Received Into System (Gross)			0	0	0	0.00
23. Delivered Out of System (Gross)			0	0	0	0.00
24. Net Interchange (Line 22 minus 23)			0	0	0	0.00
TRANSMISSION FOR OR BY OTHERS - (WHEELING)						
25. Received Into System			0	0	0	0.00
26. Delivered Out of System			0	0	0	0.00
27. Net Energy Wheelled (Line 25 minus 26)			0	0	0	0.00
28. TOTAL Energy Available for Sale (Sum of lines 5 + 21 + 24 + 27)				654,998		
29. TOTAL Sales (Form 12b, line 77)				642,639		
30. Energy Furnished to Others Without Charge				0		
31. Energy Used by Borrower (Excluding Station Use)				0		
32. TOTAL Energy Accounted For (Sum of lines 29 thru 31)				642,639		
33. Energy Losses - MWh (Line 28 minus 32)				12,359		
34. Energy Losses - Percentage ((Line 33 divided by line 28) x 100)				1.89 %		

Exhibit 2
Page 65 of 105

USDA-RUS

**OPERATING REPORT -
LINES AND STATIONS**

BORROWER DESIGNATION

KY062

BORROWER NAME AND ADDRESS

BIG RIVERS ELECTRIC CORP

P O BOX 24

HENDERSON, KY42419-0000

INSTRUCTIONS - Submit an original and two copies to RUS. For details, see RUS Bulletin 1717B-3.

YEAR ENDING

1999 February

RUS USE ONLY

SECTION A. EXPENSE AND COSTS

ITEMS	ACCOUNT NUMBER	LINES (a)	STATIONS (b)
TRANSMISSION OPERATION			
1. SUPERVISION AND ENGINEERING.....	560	34,408	22,397
2. LOAD DISPATCHING.....	561	88,654	
3. STATION EXPENSES.....	562		125,928
4. OVERHEAD LINE EXPENSES.....	563	104,105	
5. UNDERGROUND LINE EXPENSES.....	564	0	
6. MISCELLANEOUS EXPENSES.....	566	18,553	19,101
7. SUBTOTAL(1thru 6)		245,720	167,426
8. TRANSMISSION OF ELECTRICITY BY OTHERS.....	565	0	
9. RENTS.....	567	0	3,519
10. TOTAL TRANSMISSION OPERATION (7thru 9)		245,720	170,945
TRANSMISSION MAINTENANCE			
11. SUPERVISION AND ENGINEERING.....	568	21,441	27,207
12. STRUCTURES.....	569		2,471
13. STATION EQUIPMENT.....	570		141,548
14. OVERHEAD LINES.....	571	86,023	
15. UNDERGROUND LINES.....	572	0	
16. MISCELLANEOUS TRANSMISSION PLANT.....	573	4,207	474
17. TOTAL TRANSMISSION MAINTENANCE(11 thru 16)		111,671	171,700
18. TOTAL TRANSMISSION EXPENSE (10 +17)		357,391	342,645
19. DISTRIBUTION EXPENSE - OPERATION.....	580 thru 589	0	0
20. DISTRIBUTION EXPENSE - MAINTENANCE.....	590 thru 598	0	0
21. TOTAL DISTRIBUTION EXPENSE (19 +20)		0	0
22. TOTAL OPERATION AND MAINTENANCE (18 +21)		357,391	342,645
FIXED COSTS			
23. DEPRECIATION - TRANSMISSION.....	403.5	289,710	448,452
24. DEPRECIATION - DISTRIBUTION.....	403.6	0	0
25. TAXES - TRANSMISSION.....	408	0	0
26. TAXES - DISTRIBUTION.....	408	0	0
27. INTEREST - TRANSMISSION.....	427	595,329	813,085
28. INTEREST - DISTRIBUTION.....	427	0	0
29. INSURANCE - TRANSMISSION.....	924,925,926	0	0
30. INSURANCE - DISTRIBUTION.....	924,925,926	0	0
31. TOTAL TRANSMISSION (18+23+25+27+29).....		1,242,430	1,604,182
32. TOTAL DISTRIBUTION (21+24+26+28+30).....		0	0
33. TOTAL LINES AND STATIONS (31+32)		1,242,430	1,604,182

SECTION B. FACILITIES IN SERVICE

TRANSMISSION LINES		SUBSTATIONS	
VOLTAGE (KV)	MILES	TYPE	CAPACITY (KVA)
1. 69	773.20	9. STEPUP AT GEN-	1,804,400
2. 161	335.30	ERATING PLANTS	
3. 138	14.40		
4. 345	67.40	10. TRANSMISSION	
5. 0	0.00		3,220,000
6. TOTAL	1,190.30	11. DISTRIBUTION	0
7. DISTR. LINES	0.00	12. TOTAL	5,024,400
8. TOTAL (6+7)	1,190.30	(9 thru 11)	

SECTION C. LABOR AND MATERIAL SUMMARY

1. NUMBER OF EMPLOYEES			46
ITEM	LINES	STATIONS	
2. OPER. LABOR	457,771	1,731,574	
3. MAINT. LABOR	481,440	963,615	
4. OPER. MATERIAL	90,853	89,514	
5. MAINT. MATERIAL	3,417	22,444	

SECTION D. OUTAGES

1. TOTAL	17,345
2. AVG. NO. DISTR. CONS. SERVED	96,116.00
3. AVG. NO. HOURS OUT PER CONS.	0.18

Exhibit 2

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062 BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42419-0000
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INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-3	PERIOD ENDED 1999 January	RUS USE ONLY
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CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT	03/03/1999 DATE
SIGNATURE OF MANAGER	03/03/1999 DATE

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR <small>(a)</small>	THIS YEAR <small>(b)</small>	BUDGET <small>(c)</small>	
1. Electric Energy Revenues.....	24,028,146	11,568,483	10,867,803	11,568,483
2. Income From Leased Property (Net).....	0	1,332,657	1,348,469	1,332,657
3. Other Operating Revenue and Income.....	7,908	459,905	508,013	459,905
4. Total Oper. Revenues & Patronage Capital(1 thru 3).....	24,036,054	13,361,045	12,724,285	13,361,045
5. Operating Expense - Production - Excluding Fuel.....	1,637,220	0	0	0
6. Operating Expense - Production - Fuel.....	8,911,456	0	0	0
7. Operating Expense - Other Power Supply.....	3,203,755	6,913,834	6,489,560	6,913,834
8. Operating Expense - Transmission.....	319,031	224,079	201,211	224,079
9. Operating Expense - Distribution.....	0	0	0	0
10. Operating Expense - Customer Accounts.....	0	0	0	0
11. Operating Expense - Customer Service & Information..	62,409	41,262	69,065	41,262
12. Operating Expense - Sales.....	0	0	10,447	0
13. Operating Expense - Administrative & General.....	756,193	321,100	630,418	321,100
14. Total Operation Expense (5 thru 13).....	14,890,064	7,500,275	7,400,701	7,500,275
15. Maintenance Expense - Production.....	1,281,483	0	0	0
16. Maintenance Expense - Transmission.....	195,462	116,718	184,648	116,718
17. Maintenance Expense - Distribution.....	0	0	0	0
18. Maintenance Expense - General Plant.....	7,999	4,878	22,078	4,878
19. Total Maintenance Expense (15 thru 18).....	1,484,944	121,596	206,726	121,596
20. Depreciation and Amortization Expense.....	2,995,065	394,463	391,858	394,463
21. Taxes.....	186,560	77,724	98,178	77,724
22. Interest on Long-Term Debt.....	3,900,265	5,890,261	6,000,490	5,890,261
23. Interest Charged to Construction - Credit.....	0	(7,498)	(10,476)	(7,498)
24. Other Interest Expense.....	0	872	0	872
25. Other Deductions.....	6,044	12,648	6,393	12,648
26. Total Cost of Electric Service (14+19 thru 25).....	23,462,942	13,990,341	14,093,870	13,990,341
27. Operating Margins (4 less 26).....	573,112	(629,296)	(1,369,585)	(629,296)
28. Interest Income.....	66,948	83,085	78,790	83,085
29. Allowance For Funds Used During Construction.....	0	0	0	0
30. Income (Loss) from Equity Investments.....	0	0	0	0
31. Other Nonoperating Income (Net).....	(395)	(63,414)	0	(63,414)
32. Generation & Transmission Capital Credits.....	0	0	0	0
33. Other Capital Credits and Patronage Dividends.....	0	0	0	0
34. Extraordinary Items.....	0	0	0	0
35. Net Patronage Capital or Margins(27 thru 34).....	639,665	(609,625)	(1,290,795)	(609,625)
ITEM	Mills/kWh (Optional Use by Borrower)			
36. Electric Energy Revenue per kWh Sold.....		32.16	34.58	
37. Total Operation & Maintenance Expense Per kWh Sold.....		21.19	24.21	
38. Total Cost of Electric Service per kWh Sold.....		38.89	44.85	
39. Purchased Power Cost Per kWh Purchased.....		18.84	19.26	

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062 PERIOD ENDED 1999 January RUS USE ONLY
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SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1.Total Utility Plant in Service..... 1,515,798,808	32.Memberships..... 100
2. Construction Work in Progress..... 3,871,924	33. Patronage Capital
3. Total Utility Plant(2)..... 1,519,670,732	a. Assigned and Assignable 0
4. Accum. Provision for Depreciation and Amort 652,347,466	b. Retired This Year..... 0
5. Net Utility Plant(3-4) 867,323,266	c. Retired Prior Years..... 0
6. Non-Utility Property (Net)..... 124,224	d. Net Patronage Capital..... 0
7. Investments in Subsidiary Companies..... 0	34. Operating Margins - Prior Years..... (344,012,222)
8. Invest. In Assoc. Org. - Patronage Capital..... 53,414	35. Operating Margins - Current Year..... (629,296)
9. Invest. In Assoc. Org. - Other - General Funds 56,280	36. Non-Operating Margins..... (23,168,127)
10. Invest. In Assoc. Org. - OTH - NonGEN Funds 0	37. Other Margins and Equities..... 4,444,502
11. Investments in Economic Development Projects 10,000	38.Total Margins & Equities(32+33d thru 37) (363,365,043)
12. Other Investments..... 5,424	39. Long-Term Debt - REA (Net)..... 1,058,950,406
13. Special Funds..... 7,513,709	(Payments-Unapplied \$ 0)
14. Total Other Property and Investments(6 thru 13) 7,763,051	40. Long-Term Debt - REA - Econ. Devel. (Net)..... 0
15. Cash - General Funds..... 4,768	41. Long-Term Debt - FFB - REA Guaranteed..... 0
16. Cash - Construction Funds - Trustee..... 0	42. Long-Term Debt - Other - REA Guaranteed..... 0
17. Special Deposits..... 1,284,808	43. Long-Term Debt - Other (Net) 174,761,895
18. Temporary Investments..... 19,883,000	44. Total Long-Term Debt(39 thru 43) 1,233,712,301
19. Notes Receivable (Net)..... 0	45. Obligations Under Capital Leases - Noncurrent 0
20. Accounts Receivable - Sales of Energy (Net).. 13,374,699	46. Accumulated Operating Provisions..... 4,833,943
21. Accounts Receivable - Other (Net)..... 1,020,863	47. Total Other Noncurrent Liabilities(45+46) 4,833,943
22. Fuel Stock..... 0	48. Notes Payable..... 0
23. Materials and Supplies - Other..... 509,025	49. Accounts Payable..... 10,423,858
24. Prepayments..... 8,775,261	50. Taxes Accrued..... 552,397
25. Other Current and Accrued Assets..... 92,389	51. Interest Accrued..... 2,978,635
26. Total Current and Accrued Assets (15 thru 25) 44,944,813	52. Other Current and Accrued Liabilities..... 658,713
27. UNAMO Debt DISC & Extraor. Prop. Losses... 0	53. Total Current & Accrued Liabilities(48 thru 52) 14,613,603
28. Regulatory Assets..... 0	54. Deferred Credits..... 55,238,276
29. Other Deferred Debits..... 25,001,950	55. Accumulated Deferred Income Taxes..... 0
30. Accumulated Deferred Income Taxes..... 0	56. Total Liabilities and Other Credits
31. Total Assets and Other Debits (5+14+26 thru 30) 945,033,080	(38+44+47+53 thru 55)..... 945,033,080

SECTION C. NOTES TO FINANCIAL STATEMENTS

12b. Page 1 of 2, Regular Sales to RUS Borrowers:

- 2-Green River Rural
- 3-Industrial-Alcoa Hawesville Works
- 4-Industrial-Commonwealth Aluminum
- 5-Industrial-Kimberly-Clark Corporation
- 6-Industrial-Willamette Industries
- 7-Industrial-Arvin Roll Coater, Inc.
- 8-Industrial-A-CMI
- 9-Henderson Union Rural
- 10-Industrial-Accuride
- 11-Industrial-Black Diamond Mine
- 12-Industrial-Breckinridge
- 13-Industrial-Lodestar Energy
- 14-Industrial-Dotiki #3
- 15-Industrial-CR Mining
- 16-Industrial-Hudson Foods
- 17-Industrial-KB Alloys, Inc.
- 18-Industrial-Patriot Coal
- 19-Industrial-Pittsburg & Midway

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062	
	PERIOD ENDED 1999 January	RUS USE ONLY

SECTION C. NOTES TO FINANCIAL STATEMENTS (CONTINUED)

- 20-Industrial-Victory Process
- 21-Industrial-Smith Coal Co.
- 22-Industrial-Valley Grain
- 23-Industrial-Cardinal River
- 24-Meade County Rural
- 25-Jackson Purchase Rural
- 26-Industrial-Shell Oil

USDA-RUS
OPERATING REPORT - SALES OF ELECTRICITY

BORROWER DESIGNATION
 KY062

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

PURCHASER (a)	NO. OF PURCHASERS (b)	1999 January		AMOUNT BILLED (\$) (e)	MILLS PER kWh (f)
		ANNUAL PEAK DEMAND (kW) (c)	MWh BILLED (d)		
1. Sales to Ultimate Consumers (Totals only for this item.)		0	0	0	0.00
SALES FOR RESALE - REGULAR SALES TO RUS BORROWER (List separately)					
2. KY 33 GREEN RIVER ELECTRIC CORP		122,077	58,294	2,088,909	35.83
3. KY 33 GREEN RIVER ELECTRIC CORP		388	228	7,568	33.14
4. KY 33 GREEN RIVER ELECTRIC CORP		37,678	21,749	680,720	31.30
5. KY 33 GREEN RIVER ELECTRIC CORP		30,931	21,270	543,597	25.56
6. KY 33 GREEN RIVER ELECTRIC CORP		83,095	58,458	1,645,164	28.14
7. KY 33 GREEN RIVER ELECTRIC CORP		4,271	2,734	80,850	29.57
8. KY 33 GREEN RIVER ELECTRIC CORP		3,160	1,896	59,572	31.42
9. KY 55 HENDERSON UNION ELEC COOP CORP		75,842	35,974	1,292,818	35.94
10. KY 55 HENDERSON UNION ELEC COOP CORP		5,534	3,041	97,877	32.19
11. KY 55 HENDERSON UNION ELEC COOP CORP		1,107	344	15,961	46.40
12. KY 55 HENDERSON UNION ELEC COOP CORP		11,397	4,698	188,217	40.06
13. KY 55 HENDERSON UNION ELEC COOP CORP		8,212	4,287	133,810	31.21
14. KY 55 HENDERSON UNION ELEC COOP CORP		501	297	9,155	30.82
15. KY 55 HENDERSON UNION ELEC COOP CORP		501	44	5,692	129.36
16. KY 55 HENDERSON UNION ELEC COOP CORP		8,359	4,481	112,357	25.07
17. KY 55 HENDERSON UNION ELEC COOP CORP		2,179	783	32,855	41.96
18. KY 55 HENDERSON UNION ELEC COOP CORP		2,659	964	40,212	41.71
19. KY 55 HENDERSON UNION ELEC COOP CORP		1,500	265	18,864	71.18
20. KY 55 HENDERSON UNION ELEC COOP CORP		1,962	392	25,287	64.51
21. KY 55 HENDERSON UNION ELEC COOP CORP		4,118	1,423	61,321	43.09
22. KY 55 HENDERSON UNION ELEC COOP CORP		1,653	754	27,960	37.08
23. KY 55 HENDERSON UNION ELEC COOP CORP		2,001	672	29,524	43.93
24. KY 18 MEADE COUNTY RUR ELEC COOP CORP		80,491	36,634	1,340,546	36.59
25. KY 20 JACKSON PURCHASE ELEC COOP CORP		111,666	53,598	1,916,369	35.75
26. KY 20 JACKSON PURCHASE ELEC COOP CORP		10,800	3,947	163,748	41.49
27.					
28.					
29.					
30.					
31.					
32.					
33.					
34.					
35.					
36.					
37.					
38.					
39. TOTAL Regular Sales to RUS Borrowers (Sum of lines 2 thru 38)	25	612,082	317,227	10,618,953	33.47

USDA-RUS OPERATING REPORT - SALES OF ELECTRICITY		BORROWER DESIGNATION	YEAR ENDING		RUS USE ONLY		
PURCHASER (a)		KY062	1999 January		AMOUNT BILLED (\$)	MILLS PER kWh (f)	
SALES FOR RESALE - SPECIAL SALES TO RUS BORROWERS (List separately)		NO. OF PURCHASERS (b)	ANNUAL PEAK DEMAND (kW)	MWh BILLED (d)			
40.	IN 106 HOOSIER ENERGY REC INC			20	628	31.40	
41.							
42.							
43.							
44.							
45.							
46.							
47.							
48.							
49.							
50.							
51.	TOTAL Special Sales to RUS Borrowers (Sum of lines 40 thru 50)	1	0	20	628	31.40	
52.	TOTAL Sales to RUS Borrowers (Sum of lines 39 + 51)	26	612,082	317,247	10,619,581	33.47	
SALES FOR RESALE OTHER THAN RUS BORROWERS (List separately)							
53.	NP ENERGY INC.						
54.	CINERGY						
55.	RELIANT ENERGY						
56.	SOUTHERN INDIANA GAS & ELECTRIC CO.						
57.	LOUISVILLE GAS & ELECTRIC CO.		2,000				
58.							
59.							
60.							
61.							
62.							
63.							
64.							
65.							
66.							
67.							
68.							
69.							
70.							
71.							
72.							
73.							
74.							
75.	TOTAL Sales to Other Than RUS Borrowers (Sum of lines 53 thru 74)	5	2,000	42,496	948,902	22.33	
76.	TOTAL Sales for Resale (Sum of lines 52 + 75)	31	614,082	359,743	11,568,483	32.16	
77.	TOTAL Sales (Sum of lines 1 + 76)	31	614,082	359,743	11,568,483	32.16	

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.

SOURCE OF ENERGY (a)	NO. OF PLANTS (b)	NAMEPLATE CAPACITY (kWh) (c)	1999 January			MILLS PER kWh (g)
			ANNUAL PEAK DEMAND (kW) (d)	NET ENERGY RECEIVED BY SYSTEM (MWh) (e)	COST (\$) (f)	
GENERATED IN OWN PLAN (Details of Forms 12d, e, f, and g)						
1. Fossil Steam	0		0	0	0	0.00
2. Nuclear	0		0	0	0	0.00
3. Hydro	0		0	0	0	0.00
4. Internal Combustion and Other	0		0	0	0	0.00
5. TOTAL In Own Plant (Sum of lines 1 thru 4)	0		0	0	0	0.00
PURCHASED POWER (List each supplier separately)						
6. SOUTHEASTERN POWER ADMIN		RUS USE ONLY 68155		24,921	545,870	21.90
7. NP ENERGY INC.				17,600	377,520	21.45
8. HENDERSON MUNIC PWR & LIGHT		53689		51,396	787,619	15.32
9. RELIANT ENERGY		14730		272,683	5,187,193	19.02
10. LG & E MARKETING						
11.						
12.						
13.						
14.						
15.						
16.						
17.						
18.						
19.						
20.						
21. TOTAL Power Purchased (Sum of lines 6 thru 20)			0	366,600	6,906,241	18.84
INTERCHANGED POWER						
22. Received Into System (Gross)			0	0	0	0.00
23. Delivered Out of System (Gross)			0	0	0	0.00
24. Net Interchange (Line 22 minus 23)			0	0	0	0.00
TRANSMISSION FOR OR BY OTHERS - (WHEELING)						
25. Received Into System			0	0	0	0.00
26. Delivered Out of System			0	0	0	0.00
27. Net Energy Wheelled (Line 25 minus 26)			0	0	0	0.00
28. TOTAL Energy Available for Sale (Sum of lines 5 + 21 + 24 + 27)				366,600		
29. TOTAL Sales (Form 12b, line 77)				359,743		
30. Energy Furnished to Others Without Charge				0		
31. Energy Used by Borrower (Excluding Station Use)				0		
32. TOTAL Energy Accounted For (Sum of lines 29 thru 31)				359,743		
33. Energy Losses - MWh (Line 28 minus 32)				6,857		
34. Energy Losses - Percentage ((Line 33 divided by line 28) x 100)				1.87 %		

<p>USDA-RUS</p> <p>OPERATING REPORT - LINES AND STATIONS</p>	<p>BORROWER DESIGNATION KY062</p> <p>BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42419-0000</p>
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<p>INSTRUCTIONS - Submit an original and two copies to RUS. For details, see RUS Bulletin 1717B-3.</p>	<p>YEAR ENDING 1999 January</p>	<p>RUS USE ONLY</p>
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SECTION A. EXPENSE AND COSTS

ITEMS	ACCOUNT NUMBER	LINES (a)	STATIONS (b)
TRANSMISSION OPERATION			
1. SUPERVISION AND ENGINEERING.....	560	14,944	10,031
2. LOAD DISPATCHING.....	561	55,954	
3. STATION EXPENSES.....	562		70,509
4. OVERHEAD LINE EXPENSES.....	563	52,790	
5. UNDERGROUND LINE EXPENSES.....	564	0	
6. MISCELLANEOUS EXPENSES.....	566	8,942	9,149
7. SUBTOTAL (1 thru 6)		132,630	89,689
8. TRANSMISSION OF ELECTRICITY BY OTHERS.....	565	0	
9. RENTS.....	567	0	1,759
10. TOTAL TRANSMISSION OPERATION (7 thru 9)		132,630	91,448
TRANSMISSION MAINTENANCE			
11. SUPERVISION AND ENGINEERING.....	568	9,251	12,174
12. STRUCTURES.....	569		549
13. STATION EQUIPMENT.....	570		58,607
14. OVERHEAD LINES.....	571	35,238	
15. UNDERGROUND LINES.....	572	0	
16. MISCELLANEOUS TRANSMISSION PLANT.....	573	701	198
17. TOTAL TRANSMISSION MAINTENANCE (11 thru 16)		45,190	71,528
18. TOTAL TRANSMISSION EXPENSE (10 +17)		177,820	162,976
19. DISTRIBUTION EXPENSE - OPERATION.....	580 thru 589	0	0
20. DISTRIBUTION EXPENSE - MAINTENANCE.....	590 thru 598	0	0
21. TOTAL DISTRIBUTION EXPENSE (19 +20)		0	0
22. TOTAL OPERATION AND MAINTENANCE (18 +21)		177,820	162,976
FIXED COSTS			
23. DEPRECIATION - TRANSMISSION.....	403.5	144,576	223,976
24. DEPRECIATION - DISTRIBUTION.....	403.6	0	0
25. TAXES - TRANSMISSION.....	408	0	0
26. TAXES - DISTRIBUTION.....	408	0	0
27. INTEREST - TRANSMISSION.....	427	314,394	429,589
28. INTEREST - DISTRIBUTION.....	427	0	0
29. INSURANCE - TRANSMISSION.....	924,925,926	0	0
30. INSURANCE - DISTRIBUTION.....	924,925,926	0	0
31. TOTAL TRANSMISSION (18+23+25+27+29).....		636,790	816,541
32. TOTAL DISTRIBUTION (21+24+26+28+30).....		0	0
33. TOTAL LINES AND STATIONS (31+32)		636,790	816,541

SECTION B. FACILITIES IN SERVICE	SECTION C. LABOR AND MATERIAL SUMMARY
---	--

TRANSMISSION LINES				SUBSTATIONS		1. NUMBER OF EMPLOYEES		
VOLTAGE (kV)	MILES	TYPE	CAPACITY (kVA)	ITEM	LINES	STATIONS		
1. 69	773.20	9. STEPUP AT GEN-	1,804,400	2. OPER. LABOR	30,532	99,596		
2. 161	335.30	ERATING PLANTS		3. MAINT. LABOR	29,120	74,300		
3. 138	14.40	10. TRANSMISSION	3,220,000	4. OPER. MATERIAL	45,068	51,083		
4. 345	67.40			5. MAINT. MATERIAL	(3,108)	(2,892)		
5. 0	0.00	11. DISTRIBUTION		SECTION D. OUTAGES				
6. TOTAL	1,190.30			12. TOTAL	5,024,400	1. TOTAL		14,550
7. DISTR. LINES	0.00			2. AVG. NO. DISTR. CONS. SERVED		96,116.00		
8. TOTAL (6+7)	1,190.30			3. AVG. NO. HOURS OUT PER CONS.		0.15		

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

USDA-RUS	BORROWER DESIGNATION KY062
OPERATING REPORT - FINANCIAL	BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42419-0000
INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-3	PERIOD ENDED 1998 Annual
	RUS USE ONLY

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

Ralph L. Edwards
SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT

Mark A. Tate
SIGNATURE OF MANAGER

04/29/1999

DATE

04/29/1999

DATE

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues.....	304,187,902	226,398,692	224,865,245	10,293,778
2. Income From Leased Property (Net).....	0	7,566,755	7,615,500	1,593,412
3. Other Operating Revenue and Income.....	351,617	3,909,072	3,244,596	431,284
4. Total Oper. Revenues & Patronage Capital(1 thru 3).....	304,539,519	237,874,519	235,725,341	12,318,474
5. Operating Expense - Production - Excluding Fuel.....	22,397,384	16,037,881	15,888,860	26,112
6. Operating Expense - Production - Fuel.....	94,659,956	51,875,939	55,180,382	(1,121)
7. Operating Expense - Other Power Supply.....	42,990,928	57,684,719	56,281,442	6,389,535
8. Operating Expense - Transmission.....	4,225,524	4,116,041	4,089,390	419,293
9. Operating Expense - Distribution.....	0	0	0	0
10. Operating Expense - Customer Accounts.....	0	0	0	0
11. Operating Expense - Customer Service & Information..	526,810	710,780	828,909	83,788
12. Operating Expense - Sales.....	169	0	111	0
13. Operating Expense - Administrative & General.....	36,585,806	19,550,082	21,341,496	(457,933)
14. Total Operation Expense (5 thru 13).....	201,386,577	149,975,442	153,610,590	6,459,674
15. Maintenance Expense - Production.....	28,860,036	16,648,867	15,586,096	82,958
16. Maintenance Expense - Transmission.....	2,041,903	3,215,659	4,529,448	398,898
17. Maintenance Expense - Distribution.....	0	0	0	0
18. Maintenance Expense - General Plant.....	166,661	149,164	230,098	19,292
19. Total Maintenance Expense (15 thru 18).....	31,068,600	20,013,690	20,345,642	501,148
20. Depreciation and Amortization Expense.....	35,860,233	21,614,378	21,950,395	416,760
21. Taxes.....	4,310,224	529,832	519,000	105,505
22. Interest on Long-Term Debt.....	41,185,884	75,035,736	83,834,048	6,052,369
23. Interest Charged to Construction - Credit.....	0	(26,384)	(47,000)	(7,065)
24. Other Interest Expense.....	86,242	11,283	0	11,283
25. Other Deductions.....	(180,900)	(5,096,495)	(5,088,729)	4,818
26. Total Cost of Electric Service (14+19 thru 25).....	313,716,860	262,057,482	275,123,946	13,544,492
27. Operating Margins (4 less 26).....	(9,177,341)	(24,182,963)	(39,398,605)	(1,226,018)
28. Interest Income.....	1,032,344	1,319,384	544,127	140,711
29. Allowance For Funds Used During Construction.....	0	0	0	0
30. Income (Loss) from Equity Investments.....	0	0	0	0
31. Other Nonoperating Income (Net).....	(6,834)	(8,921,892)	(8,238,477)	(769,104)
32. Generation & Transmission Capital Credits.....	0	0	0	0
33. Other Capital Credits and Patronage Dividends.....	11,262	0	0	0
34. Extraordinary Items.....	85,790	(40,527,417)	(40,527,000)	0
35. Net Patronage Capital or Margins(27 thru 34).....	(8,054,779)	(72,312,888)	(87,619,955)	(1,854,411)
ITEM	Mills/kWh (Optional Use by Borrower)			
36. Electric Energy Revenue per kWh Sold.....		29.34	29.12	
37. Total Operation & Maintenance Expense Per kWh Sold.....		22.03	22.53	
38. Total Cost of Electric Service per kWh Sold.....		33.96	35.63	
39. Purchased Power Cost Per kWh Purchased.....		19.39	19.47	

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNINATION KY062
	PERIOD ENDED 1998 Annual
RUS USE ONLY	

SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service.....	32. Memberships.....
1,515,947,937	100
2. Construction Work in Progress.....	33. Patronage Capital
3,772,458	a. Assigned and Assignable.....
3. Total Utility Plant (2).....	0
1,519,720,395	b. Retired This Year.....
4. Accum. Provision for Depreciation and Amort.....	0
649,267,531	c. Retired Prior Years.....
5. Net Utility Plant (3-4).....	0
870,452,864	d. Net Patronage Capital.....
6. Non-Utility Property (Net).....	0
124,417	34. Operating Margins - Prior Years.....
7. Investments in Subsidiary Companies.....	(321,939,824)
0	35. Operating Margins - Current Year.....
8. Invest. In Assoc. Org. - Patronage Capital.....	(24,182,962)
53,633	36. Non-Operating Margins.....
9. Invest. In Assoc. Org. - Other - General Funds.....	(23,187,798)
56,280	37. Other Margins and Equities.....
10. Invest. In Assoc. Org. - OTH - NonGEN Funds.....	4,444,502
0	38. Total Margins & Equities (32+33d thru 37).....
11. Investments in Economic Development Projects.....	(364,865,982)
10,000	39. Long-Term Debt - REA (Net).....
12. Other Investments.....	1,066,195,186
5,424	(Payments-Unapplied \$ 0)
13. Special Funds.....	40. Long-Term Debt - REA - Econ. Devel. (Net).....
7,438,792	0
14. Total Other Property and Investments (6 thru 13).....	41. Long-Term Debt - FFB - REA Guaranteed.....
7,688,546	0
15. Cash - General Funds.....	42. Long-Term Debt - Other - REA Guaranteed.....
3,950	0
16. Cash - Construction Funds - Trustee.....	43. Long-Term Debt - Other (Net).....
0	173,056,488
17. Special Deposits.....	44. Total Long-Term Debt (39 thru 43).....
1,284,808	1,239,251,674
18. Temporary Investments.....	45. Obligations Under Capital Leases - Noncurrent.....
32,012,000	0
19. Notes Receivable (Net).....	46. Accumulated Operating Provisions.....
0	4,871,807
20. Accounts Receivable - Sales of Energy (Net).....	47. Total Other Noncurrent Liabilities (45+46).....
12,495,336	4,871,807
21. Accounts Receivable - Other (Net).....	48. Notes Payable.....
1,119,892	0
22. Fuel Stock.....	49. Accounts Payable.....
0	15,895,671
23. Materials and Supplies - Other.....	50. Taxes Accrued.....
545,476	668,073
24. Prepayments.....	51. Interest Accrued.....
8,765,667	3,744,584
25. Other Current and Accrued Assets.....	52. Other Current and Accrued Liabilities.....
123,244	2,859,694
26. Total Current and Accrued Assets (15 thru 25).....	53. Total Current & Accrued Liabilities (48 thru 52).....
56,350,373	23,168,022
27. UNAMO Debt DISC & Extraor. Prop. Losses.....	54. Deferred Credits.....
0	57,208,960
28. Regulatory Assets.....	55. Accumulated Deferred Income Taxes.....
0	0
29. Other Deferred Debits.....	56. Total Liabilities and Other Credits.....
25,142,698	959,634,481
30. Accumulated Deferred Income Taxes.....	(38+44-47+53 thru 55).....
0	959,634,481
31. Total Assets and Other Debits (5+14+26 thru 30).....	
959,634,481	

SECTION C. NOTES TO FINANCIAL STATEMENTS

- 12b, Page 1 of 2, Regular Sales to RUS Borrowers:
- 2-Green River Rural
 - 3-Industrial-Alcoa Hawesville Works
 - 4-Industrial-Commonwealth Aluminum
 - 5-Industrial-National Southwire Aluminum
 - 6-Industrial-Scott Paper
 - 7-Industrial-Willamette Industries
 - 8-Industrial-World Source
 - 9-Industrial-A-CMI
 - 10-Henderson Union Rural
 - 11-Industrial-Accuride
 - 12-Industrial-Alcan Aluminum
 - 13-Industrial-Black Diamond Mine
 - 14-Industrial-Breckinridge
 - 15-Industrial-Lodestar Energy
 - 16-Industrial-Dotiki #3
 - 17-Industrial-CR Mining
 - 18-Industrial-Hudson Foods
 - 19-Industrial-KB Alloys, Inc.

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062	
	PERIOD ENDED 1998 Annual	RUS USE ONLY

SECTION C. NOTES TO FINANCIAL STATEMENTS (CONTINUED)

- 20-Industrial-Patriot Coal
- 21-Industrial-Pittsburg & Midway
- 22-Industrial-Victory Process
- 23-Industrial-Smith Coal Co.
- 24-Industrial-Valley Grain
- 25-Industrial-Cardinal River
- 26-Industrial-Wolf Creek
- 27-Meade County Rural
- 28-Jackson Purchase Rural
- 29-Industrial-Shell Oil

On July 17, 1998 (Effective Date July 15, 1998), Big Rivers completed a transaction with Louisville Gas & Electric Energy Corporation (LEC) to lease the 1,459 MW of generating capacity it owns. In addition, Big Rivers' capacity rights in the Henderson Municipal Power and Light (HMP&L) Station Two facility (under an operating agreement with HMP&L) was assigned to LEC. All information reported on RUS Form 12 related to Big Rivers' generating facilities and HMP&L Station Two purchased power is reflective of the period from January 1 through July 15 at 1:00 p.m. (Effective Time of the LEC Lease Transaction).

USDA-RUS
OPERATING REPORT - SALES OF ELECTRICITY

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.

PURCHASER (a)	NO. OF PURCHASERS (b)	1998 Annual		AMOUNT BILLED (\$) (e)	MILLS PER kWh (f)
		ANNUAL PEAK DEMAND (KW) (c)	MWh BILLED (d)		
1. Sales to Ultimate Consumers (Totals only for this item.)		0	0	0	0.00
SALES FOR RESALE - REGULAR SALES TO RUS BORROWERS (List separately)					
2. KY 33 GREEN RIVER ELECTRIC CORP		141,552	610,655	22,372,787	36.64
3. KY 33 GREEN RIVER ELECTRIC CORP		320	2,256	79,821	35.38
4. KY 33 GREEN RIVER ELECTRIC CORP		40,556	245,023	7,673,172	31.32
5. KY 33 GREEN RIVER ELECTRIC CORP		364,608	1,686,123	41,223,839	24.45
6. KY 33 GREEN RIVER ELECTRIC CORP		31,406	244,522	6,595,459	26.97
7. KY 33 GREEN RIVER ELECTRIC CORP		79,812	568,646	16,444,593	28.92
8. KY 33 GREEN RIVER ELECTRIC CORP		4,528	32,365	1,014,538	31.35
9. KY 33 GREEN RIVER ELECTRIC CORP		2,548	16,712	537,989	32.19
10. KY 55 HENDERSON UNION ELEC COOP CORP		78,854	357,708	13,122,641	36.69
11. KY 55 HENDERSON UNION ELEC COOP CORP		5,693	35,725	1,201,233	33.62
12. KY 55 HENDERSON UNION ELEC COOP CORP		235,786	1,087,406	27,256,798	25.07
13. KY 55 HENDERSON UNION ELEC COOP CORP		1,075	4,624	201,930	43.67
14. KY 55 HENDERSON UNION ELEC COOP CORP		9,261	45,505	1,883,455	41.39
15. KY 55 HENDERSON UNION ELEC COOP CORP		6,914	47,563	1,512,921	31.81
16. KY 55 HENDERSON UNION ELEC COOP CORP		501	3,728	117,933	31.63
17. KY 55 HENDERSON UNION ELEC COOP CORP		1,065	2,438	151,926	62.32
18. KY 55 HENDERSON UNION ELEC COOP CORP		9,759	55,807	1,566,980	28.08
19. KY 55 HENDERSON UNION ELEC COOP CORP		2,001	8,594	361,019	42.01
20. KY 55 HENDERSON UNION ELEC COOP CORP		2,501	10,571	467,530	44.23
21. KY 55 HENDERSON UNION ELEC COOP CORP		2,076	9,456	382,338	40.43
22. KY 55 HENDERSON UNION ELEC COOP CORP		1,659	4,425	270,958	61.23
23. KY 55 HENDERSON UNION ELEC COOP CORP		3,055	15,099	658,789	43.63
24. KY 55 HENDERSON UNION ELEC COOP CORP		1,531	8,628	321,585	37.27
25. KY 55 HENDERSON UNION ELEC COOP CORP		2,001	9,338	378,408	40.52
26. KY 55 HENDERSON UNION ELEC COOP CORP				(6,707)	
27. KY 18 MEADE COUNTY RUR ELEC COOP CORP		75,683	342,393	12,618,026	36.85
28. KY 20 JACKSON PURCHASE ELEC COOP CORP		128,946	550,295	20,229,279	36.76
29. KY 20 JACKSON PURCHASE ELEC COOP CORP		10,552	56,768	2,017,750	35.54
30.					
31.					
32.					
33.					
34.					
35.					
36.					
37.					
38.					
39. TOTAL Regular Sales to RUS Borrowers (Sum of lines 2 thru 38)	28	1,244,243	6,062,373	180,656,990	29.80

USDA-RUS
OPERATING REPORT - SALES OF ELECTRICITY

PURCHASER (a)	BORROWER DESIGNATION KY062	YEAR ENDING 1998 Annual	RUS USE ONLY				
			NO. OF PURCHASERS (b)	ANNUAL PEAK DEMAND (kW) (c)	MWh BILLED (d)	AMOUNT BILLED (\$) (e)	MILLS PER kWh (f)
SALES FOR RESALE - SPECIAL SALES TO RUS BORROWERS (List separately)							
40. IN 106 HOOSIER ENERGY REC INC					38,420	2,959,604	77.03
41. GA 109 OGLETHORPE POWER CORPORATION					227,193	10,402,326	45.79
42.							
43.							
44.							
45.							
46.							
47.							
48.							
49.							
50.							
51. TOTAL Special Sales to RUS Borrowers (Sum of lines 40 thru 50)			2	309,000	265,613	13,361,930	50.31
52. TOTAL Sales to RUS Borrowers (Sum of lines 39 + 51)			30	1,553,243	6,327,986	194,018,920	30.66
SALES FOR RESALE OTHER THAN RUS BORROWERS (List separately)							
53. SONAT POWER					2,105	5,638	2.68
54. HENDERSON MUNICIPAL POWER & LIGHT				10,000	17,766	760,154	42.79
55. SOUTHERN INDIANA GAS & ELECTRIC CO.					638	60,947	95.53
56. LOUISVILLE GAS & ELECTRIC CO.				1,000	47,541	815,518	17.15
57. KENTUCKY UTILITIES					2,997	723	0.24
58. LG&E MARKETING				150,000	1,124,392	23,607,805	21.00
59. NP ENERGY INC.				68,000	176,260	7,019,125	39.82
60. NESI POWER MARKET					75	206	2.75
61. SOUTHERN COMPANY					500	1,375	2.75
62. KOCH POWER					854	1,029	1.20
63. NORAM ENERGY					3,449	75,960	22.02
64. ENRON POWER					921	2,018	2.19
65. ELECTRIC CLEARINGHOUSE					1,768	3,094	1.75
66. RAINBOW ENERGY					886	2,437	2.75
67. CNG POWER SERVICE					100	275	2.75
68. LOUIS DREYFUS POWER INC.					32		
69. THE POWER COMPANY OF AMERICA					250	688	2.75
70. FEDERAL ENERGY					3,950	9,262	2.34
71. PACIFICORP					800	2,200	2.75
72. ACQUILLA POWER					3,906	11,016	2.82
73. CORAL POWER					110	302	2.75
74.							
75. TOTAL Sales to Other Than RUS Borrowers (Sum of lines 53 thru 74)			21	229,000	1,389,300	32,379,772	23.31
76. TOTAL Sales for Resale (Sum of lines 52 + 75)			51	1,782,243	7,717,286	226,398,692	29.34
77. TOTAL Sales (Sum of lines 1 + 76)			51	1,782,243	7,717,200	226,398,002	29.34

Exhibit 2
Page 78 of 105

**OPERATING REPORT -
SOURCES AND DISTRIBUTION OF ENERGY**

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

BORROWER DESIGNATION

KY062

YEAR ENDING

1998 Annual

RUS USE ONLY

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.

SOURCE OF ENERGY (a)	NO. OF PLANTS (b)	NAMEPLATE CAPACITY (kWh) (c)	ANNUAL PEAK DEMAND (kW) (d)	NET ENERGY RECEIVED BY SYSTEM (MWh) (e)	COST (\$) (f)	MILLS PER KWH (g)
GENERATED IN OWN PLANT (Details of Forms 12a, e, f, and g)						
1. Fossil Steam		0	1,310,900	4,893,818	165,924,194	33.90
2. Nuclear		0	0	0	0	0.00
3. Hydro		0	0	0	0	0.00
4. Internal Combustion and Other		0	57,000	3,005	596,448	0.00
5. TOTAL In Own Plant (Sum of lines 1 thru 4)		0	1,367,900	4,896,823	166,520,642	34.01
PURCHASED POWER (List each supplier separately)						
6. SOUTHEASTERN POWER ADMIN		12420	150,000	292,746	5,997,534	20.49
7. NP ENERGY INC		48201		114,589	1,999,453	17.45
8. SOUTHERN ILLINOIS POWER COOP				55	990	18.00
9. CORAL POWER				110		
10. ACQUILLA POWER				4,006	34,376	61.83
11. HOOSIER ENERGY REC		43700		556		20.43
12. HENDERSON MUNIC PWR & LIGHT		53689	220,000	887,004	18,125,143	
13. LOUIS DREYFUS		14890		32		
14. KENTUCKY UTILITIES COMPANY		14415		362	13,500	37.29
15. SOUTHERN INDIANA GAS & ELEC CO		18222		490	45,055	91.95
16. PACIFICORP				800		
17. SONAT POWER				2,105		
18. LOUISVILLE GAS & ELECTRIC CO		14955		7,635	342,892	44.91
19. NORAM ENERGY SERVICES		16300		33,977	537,435	15.82
20. ELECTRIC CLEARINGHOUSE		12420		1,768		
21. TOTAL Power Purchased (Sum of lines 6 thru 20)			370,000	2,950,979	57,233,614	19.39
INTERCHANGED POWER						
22. Received Into System (Gross)			0	2,300	0	0.00
23. Delivered Out of System (Gross)			1,000	1,333	0	0.00
24. Net Interchange (Line 22 minus 23)			-1,000	967	0	0.00
TRANSMISSION FOR OR BY OTHERS - (WHEELING)						
25. Received Into System			0	973,917	0	0.00
26. Delivered Out of System			0	973,917	0	0.00
27. Net Energy Wheeled (Line 25 minus 26)			0	0	0	0.00
28. TOTAL Energy Available for Sale (Sum of lines 5 + 21 + 24 + 27)				7,848,769		
29. TOTAL Sales (Form 12b, line 77)				7,717,286		
30. Energy Furnished to Others Without Charge				0		
31. Energy Used by Borrower (Excluding Station Use)				0		
32. TOTAL Energy Accounted For (Sum of lines 29 thru 31)				7,717,286		
33. Energy Losses - MWh (Line 28 minus 32)				131,483		
34. Energy Losses - Percentage ((Line 33 divided by line 28) x 100)				1.68 %		

USDA-RUS
**OPERATING REPORT -
 SOURCES AND DISTRIBUTION OF ENERGY**

SOURCE OF ENERGY (a)	NO. OF PLANTS (b)	NAMEPLATE CAPACITY (kWh) (c)	YEAR ENDING		RUS USE ONLY		
			1998	Annual	NET ENERGY RECEIVED BY SYSTEM (MWh) (e)	COST (\$) (f)	MILLS PER kWh (g)
PURCHASED POWER (List each supplier separately) (CONTINUED)							
21. LG & E MARKETING		14730			1,597,208	30,137,236	18.87
22. ENRON		12500			921		
23. RAINBOW ENERGY					886		
24. KOCH POWER SERVICES		14437			854		
25. THE POWER COMPANY OF AMERICA					250		
26. CNG POWER SERVICE					100		
27. NESI POWER MARKET					75		
28. FEDERAL ENERGY					3,950		
29. SOUTHERN COMPANY		18197			500		

OPERATING REPORT - ANNUAL SUPPLEMENT

This data will be used to determine your operating results and financial situation. Your response is required (7 U.S.C.901 et seq.) and is not confidential.

BORROWER DESIGNATION
KY062

RUS USE ONLY

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.

YEAR ENDING
1998 Annual

SECTION A. UTILITY PLANT

ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Total Intangible Plant (301 thru 303).....	190,247	0	0	(123,351)	66,896
2. Total Steam Production Plant (310 thru 316)....	1,323,613,337	117,092	17,399,131	(1,306,331,298)	0
3. Total Nuclear Production Plant (320 thru 325)...	0	0	0	0	0
4. Total Hydro Production Plant (330 thru 336)....	0	0	0	0	0
5. Total Other Production Plant (340 thru 346).....	5,979,237	0	0	(5,979,237)	0
6. Total Production Plant (2 thru 5).....	1,329,592,574	117,092	17,399,131	(1,312,310,535)	0
7. Land and Land Rights (350).....	9,624,854	58,258	0	(670)	9,682,442
8. Structures and Improvements (352).....	5,947,791	101,156	10,364	41,068	6,079,651
9. Station Equipment (353).....	101,887,663	246,401	151,889	0	101,982,175
10. Other Transmission Plant (354 thru 359).....	67,389,113	147,015	54,109	0	67,482,019
11. Total Transmission Plant (7 thru 10).....	184,849,421	552,830	216,362	40,398	185,226,287
12. Land and Land Rights (360).....	0	0	0	0	0
13. Structures and Improvements (361).....	0	0	0	0	0
14. Station Equipment (362).....	0	0	0	0	0
15. Other Distribution Plant (363 thru 373).....	0	0	0	0	0
16. Total Distribution Plant (12 thru 15).....	0	0	0	0	0
17. Total General Plant (389 thru 399).....	18,228,714	988,492	4,532,758	28,067	14,712,515
18. Electric Plant in Service (1 + 6 + 11 + 16 + 17)...	1,532,860,956	1,658,414	22,148,251	(1,312,365,421)	200,005,698
19. Electric Plant Purchased or Sold (102).....	0	0	0	0	0
20. Electric Plant Leased to Others (104).....	0	34,102	52,608	1,312,364,352	1,312,345,846
21. Electric Plant Held for Future Use (105).....	0	0	0	0	0
22. Completed Construction Not Classified (106)...	1,678,806	811,413	0	0	2,490,219
23. Acquisition Adjustments (114).....	1,106,174	0	0	0	1,106,174
24. Other Utility Plant (118).....	0	0	0	0	0
25. Nuclear Fuel Assemblies (120.1 thru 120.4)....	0	0	0	0	0
26. Total Utility Plant in Service (18 thru 25).....	1,535,645,936	2,503,929	22,200,859	(1,069)	1,515,947,937
27. Construction Work in Progress (107).....	1,709,476	2,062,982	0	0	3,772,458
28. Total Utility Plant (26 + 27).....	1,537,355,412	4,566,911	22,200,859	(1,069)	1,519,720,395

SECTION B. ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION - UTILITY PLANT

ITEM	COMPOSITE RATE (%) (a)	BALANCE BEGINNING OF YEAR (b)	ANNUAL ACCRUALS (c)	RETIREMENTS LESS NET SALVAGE (d)	ADJUSTMENTS AND TRANSFERS (e)	BALANCE END OF YEAR (f)
1. Depr. of Steam Prod. Plant (108.1).....	2.46%	535,646,119	31,260,187	11,937,487	4,948,108	559,916,927
2. Depr. of Nuclear Prod. Plant (108.2)....	0.00%	0	0	0	0	0
3. Depr. of Hydraulic Prod. Plant (108.3).....	0.00%	0	0	0	0	0
4. Depr. of Other Prod. Plant (108.4).....	1.45%	3,436,122	86,399	45,634	17,281	3,494,168
5. Depr. of Transmission Plant (108.5).....	2.49%	63,253,854	4,435,913	226,336	33,919	67,497,350
6. Depr. of Distribution Plant (108.6).....	0.00%	0	0	0	0	0
7. Depr. of General Plant (108.7).....		13,177,892	413,162	4,149,922	(394,633)	9,046,499
8. Retirement Work in Progress (108.8).....		(8,634)	0	49,944	0	(58,578)
9. Total Depr. for Elec. Plant in Serv. (1-8).....		615,505,353			4,604,675	639,896,366
10. Depr. of Plant Leased to Others (109).....	0.00%	0	0	0	0	0
11. Depr. of Plant Held for Future Use(110).....	0.00%	0	0	0	0	0
12. Amort. of Elec. Plant in Service (111)....	4.44%	6,703,377	1,943,403	57,749	12,653	8,601,684
13. Amort. of Leased Plant (112).....	0.00%	0	0	0	0	0
14. Amort. of Plant Held for Future.....	0.00%	0	0	0	0	0
15. Amort. of Acquisition Adj. (115).....	4.69%	717,606	51,875	0	0	769,481
16. Depr. & Amort. Other Plant (119).....	0.00%	0	0	0	0	0
17. Amort. of Nuclear Fuel (120.5).....	0.00%	0	0	0	0	0
18. Total Prov. for Depr. & Amort. (9 - 17).....		622,926,336	38,190,939	16,467,072	4,617,328	649,267,531

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SECTION B. ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION - UTILITY PLANT (Continued)

19. Amount of Annual Accrual Charged to Expense \$ 36,844,623	20. Amount of Annual Accrual Charged to Other Accounts \$ 1,346,316	21. Book Cost of Property Retired \$ 22,200,859
22. Removal Cost of Property Retired \$ 62,032	23. Salvage Material from Property Retired \$ 5,795,819	24. Renewal and Replacement Cost \$ 781,365

SECTION C. NONUTILITY PLANT

ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. NONUTILITY PROPERTY (121).....	145,618	0	0	0	145,618
2. PROVISION FOR DEPR. & AMORT (122).....	18,888	2,313	0	0	21,201

SECTION D. DEMAND AND ENERGY AT POWER SOURCES

MONTH	PEAK DEMAND (MW) (a)	MONTHLY PEAKS				ENERGY OUTPUT (MWh) (f)	LOAD FACTOR (%) (g)
		DAY OF WEEK (b)	DAY OF MONTH (c)	HOUR OF DAY (d)	TYPE OF READING (e)		
1. JANUARY.....	1,504	7	11	8:00	60	915,237	81.79%
2. FEBRUARY.....	1,461	1	2	20:00	60	870,228	88.64%
3. MARCH.....	1,602	2	3	19:00	60	965,750	81.03%
4. APRIL.....	1,282	2	28	10:00	60	904,456	98.12%
5. MAY.....	1,688	2	19	18:00	60	924,996	73.65%
6. JUNE.....	1,450	6	27	17:00	60	944,683	90.49%
7. JULY.....	1,284	2	28	14:00	60	704,636	73.76%
8. AUGUST.....	750	1	10	13:00	60	373,509	66.94%
9. SEPTEMBER.....	724	1	28	20:00	60	353,095	67.74%
10. OCTOBER.....	678	5	16	16:00	60	287,466	56.91%
11. NOVEMBER.....	736	4	5	18:00	60	287,095	54.18%
12. DECEMBER.....	707	3	23	18:00	60	317,618	60.38%
13. ANNUAL PEAK.....	1,688				ANNUAL TOTAL	7,848,769	53.08%

REMARKS:

SECTION E. DEMAND AND ENERGY AT DELIVERY POINTS

MONTH	DELIVERED TO RUS BORROWERS			DELIVERED TO OTHERS		TOTAL DELIVERED		
	DEMAND (MW) (a)	ENERGY (MWh) (b)	LOAD FACT. (%) (c)	DEMAND (MW) (d)	ENERGY (MWh) (e)	DEMAND (MW) (f)	ENERGY (MWh) (g)	LOAD FACT. (%) (h)
1. JANUARY.....	1,100	733,915	89.68%	486	169,977	1,586	903,892	76.60%
2. FEBRUARY.....	1,151	656,079	84.82%	403	202,265	1,554	858,344	82.19%
3. MARCH.....	1,256	727,442	77.85%	434	224,866	1,690	952,308	75.74%
4. APRIL.....	1,100	674,392	85.27%	300	217,725	1,400	892,117	88.63%
5. MAY.....	1,263	730,862	77.78%	490	180,205	1,753	911,067	69.85%
6. JUNE.....	1,409	791,664	78.04%	136	136,971	1,545	928,635	83.48%
7. JULY.....	1,574	593,009	50.64%	229	92,989	1,803	685,998	51.14%
8. AUGUST.....	654	318,987	65.56%	243	47,402	897	366,389	54.90%
9. SEPTEMBER.....	635	293,524	64.20%	280	52,498	915	346,022	52.52%
10. OCTOBER.....	535	249,465	62.59%	306	32,430	841	281,895	44.99%
11. NOVEMBER.....	516	259,232	69.78%	309	22,151	825	281,383	47.37%
12. DECEMBER.....	607	299,415	66.30%	157	9,821	764	309,236	54.40%
13. ANNUAL PEAK.....	1,574	6,327,986	45.89%	490	1,389,300	1,803	7,717,286	48.86%

REMARKS:

OPERATING REPORT - ANNUAL SUPPLEMENT

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RUS USE ONLY

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N identify investments primarily for Rural Development with "RD" in column (e).

SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS - POWER SUPPLY

PART I. INVESTMENTS

DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RD (e)
1. NON-UTILITY PROPERTY (NET)				
a. Apartment Building and Land next to Hdqt	124,417	0		
b.	0	0		
c.	0	0		
d.	0	0		
e. Totals	124,417	0		
2. INVESTMENTS IN ASSOCIATED ORGANIZATIONS				
a. KY Assn for Electric Coops CD	50,000	0	2,647	
b. KY Assn for Electric Coops CD	5,000	0	278	
c. United Utility Supply Capital Credit	30,985	0	0	
d. KY Assn for Electric Coops Cap. Credit	3,735	0	0	
e. Totals	91,005	18,908	2,925	
3. INVESTMENTS IN ECONOMIC DEVELOPMENT PROJECTS				
a. Breckinridge Co. Development Corp. Stock	5,000	0	0	
b. Hancock Co. Industrial Foundation Stock	5,000	0	0	
c.	0	0	0	
d.	0	0	0	
e. Totals	10,000	0	0	
4. OTHER INVESTMENTS				
a. Southern States Coop Capital Credit	5,424	0	0	
b.	0	0	0	
c.	0	0	0	
d.	0	0	0	
e. Totals	5,424	0	0	
5. SPECIAL FUNDS				
a. Station Two O&M/R&R Fund	4,070,185	0		
b. Deferred Compensation	0	576,122		
c. Buy/Lease Bids Escrow II	0	219,742		
d. Green River Coal Bankruptcy Escrow	0	26,006		
e. Totals	4,070,185	3,368,607		
6. CASH - GENERAL				
a. General Fund	0	825		
b. Working Fund	3,125	0		
c.	0	0		
d.	0	0		
e. Totals	3,125	825		
7. SPECIAL DEPOSITS				
a. LG&E Lease Capital Account	0	1,284,808		
b.	0	0		
c.	0	0		
d.	0	0		
e. Totals	0	1,284,808		

USDA-RUS INVESTMENTS, LOAN GUARANTEES AND LOANS CONTINUATION SHEET	BORROWER DESIGNATION KY062	
	YEAR ENDING 1998 Annual	RUS USE ONLY

INVESTMENTS, LOAN GUARANTEES AND LOANS

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N identify investments primarily for Rural Development with "RD" in column (e).

PART	ITEM	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RD (e)
I	2	Jackson Purchase Capital Credit	0	1,752	0	
I	2	Henderson Union Capital Credit	0	14,109	0	
I	2	Meade County Capital Credit	0	988	0	
I	2	Green River Capital Credit	0	1,967	0	
I	2	Air Gas (Voucher Coding Error)	0	92	0	
I	2	Rural Cooperatives Credit Union Deposit	5	0	0	
I	2	Cooperative Membership Fees	1,280	0	0	

USDA-RUS		BORROWER DESIGNINATION				
INVESTMENTS, LOAN GUARANTEES AND LOANS		KY062				
CONTINUATION SHEET		YEAR ENDING		RUS USE ONLY		
		1998 Annual				
INVESTMENTS, LOAN GUARANTEES AND LOANS						
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N identify investments primarily for Rural Development with "RD" in column (e).						
PART	ITEM	DESCRIPTION	INCLUDED (\$)	EXCLUDED (\$)	INCOME OR LOSS (\$)	RD
		(a)	(b)	(c)	(d)	(e)
I	5	Coal Fraud Restitution Refund Escrow		2,546,737		

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SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS - POWER SUPPLY (Continued)

PART I. INVESTMENTS (Continued)

DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RD (e)
8. TEMPORARY INVESTMENTS				
a. Fidelity U.S. Treasury Only (#680)	0	32,012,000		
b.	0	0		
c.	0	0		
d.	0	0		
e. Totals	0	32,012,000		
9. ACCOUNTS & NOTES RECEIVABLE (NET)				
a. Acct. Receivable-Employees-Other	1,528	0	0	
b. Acct. Receivable-Employees-W/C	8,913	0	0	
c. Other Acct. Receivable-Misc.	851,465	0	0	
d. Acct. Receivable-HMP&L Station Other	2,915	0	0	
e. Totals	1,119,892	0	0	
10. COMMITMENTS TO INVEST WITHIN 12 MONTHS BUT NOT ACTUALLY PURCHASED				
a.	0	0		
b.	0	0		
c.	0	0		
d.	0	0		
e. Totals	0	0		
11. TOTAL OF INVESTMENTS (1 thru 10)	5,424,048	36,685,148	2,925	

PART II. LOAN GUARANTEES

ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RD (e)
1.	0	0	0	
2.	0	0	0	
3.	0	0	0	
4. TOTALS		0	0	
5. TOTALS (Include Loan Guarantees Only)		0	0	

PART III. RATIO

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Part I, 11b) and Loan Guarantees - Loan Balance (Part II, 5d) to Total Utility Plant (Form 12a, Section B, Line 3)] 0.36 %

PART IV. LOANS

ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RD (e)
1. Employees, Officers, Directors	0	0	0	
2. Energy Resource Conservation Loans	0	0	0	
3.	0	0	0	
4.	0	0	0	
5.	0	0	0	
6.	0	0	0	
7. TOTALS		0	0	

USDA-RUS INVESTMENTS, LOAN GUARANTEES AND LOANS CONTINUATION SHEET	BORROWER DESIGNATION KY062	
	YEAR ENDING 1998 Annual	RUS USE ONLY

INVESTMENTS, LOAN GUARANTEES AND LOANS

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N identify investments primarily for Rural Development with "RD" in column (e).

PART	ITEM	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RD (e)
I	9	Acct. Receivable-WKE/Transmission	10,868	0	0	
I	9	Acct. Receivable-LG&E Lease	3,975	0	0	
I	9	Acct. Receivable-WKE Medical Premium	174,632	0	0	
I	9	Acct. Receivable-WKE Medical Subsidy	1,800	0	0	
I	9	Acct. Rec.-Prop. Txn on Leased Assets	63,796	0	0	

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INSTRUCTIONS - See RUS Bulletin 1717B-3

SECTION G. MATERIALS AND SUPPLIES INVENTORY

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED & SALVAGED (b)	USED & SOLD (c)	BALANCE END OF YEAR (d)
1. Coal.....	16,089,647	57,458,515	73,548,162	0
2. Other Fuel.....	1,238,669	852,479	2,091,148	0
3. Production Plant Parts and Supplies.....	14,624,756	2,827,393	17,452,149	0
4. Station Transformers and Equipment.....	0	0	0	0
5. Line Materials and Supplies.....	491,638	309,828	255,990	545,476
6. Other Materials and Supplies.....	555,191	4,240,363	4,795,554	0
7. TOTAL (Sum of lines 1 thru 6)	32,999,901	65,688,578	98,143,003	545,476

SECTION H. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS

ITEM	BALANCE END OF YEAR (a)	BILLED THIS YEAR			RUS USE ONLY (e)
		INTEREST (b)	PRINCIPAL (c)	TOTAL (d)	
1. RUS (Exclude RUS-Econ. Dev. Loans)	1,066,195,186	69,753,341	91,343,578	161,096,919	1
2. National Rural Util. Co-op Finance Corp.,	0	0	0	0	2
3. Bank for Cooperatives	0	0	0	0	3
4. Federal Financing Bank	0	0	0	0	4
5. RUS-Economic Development Loans	0	0	0	0	5
6. Other	30,956,488	654,465	104,833	759,298	6
7. Ohio County KY Bonds-Series 1983	58,800,000	1,641,592	0	1,641,592	
8. Ohio County KY Bonds-Series 1985	83,300,000	2,734,647	0	2,734,647	
9. TOTAL (Sum of 1 thru 8)	1,239,251,674	74,784,045	91,448,411	166,232,456	9

SECTION I. ANNUAL MEETING AND BOARD DATA

1. Date of Last Annual Meeting 09/10/1998	2. Total Number of Eligible Voters 4	3. Was Quorum Present? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	4. Number of Members Voting by Proxy or Mail 0
5. Number of Members Present at Meeting 4	6. Total Number of Board Members 8	7. Annual Cost of Directors' Fees and Expenses \$ 191,570	8. Does Manager Have Written Contract? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

SECTION J. MAN-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees 626	4. Payroll Expensed 15,687,406
2. Man-Hours Worked - Regular Time 698,357	5. Payroll Capitalized 579,761
3. Man-Hours Worked - Overtime 59,512	6. Payroll Other 2,357,943

SECTION K. LONG TERM LEASES (If additional space is needed, use separate sheet.)

LIST BELOW ALL RESTRICTED PROPERTY * HELD UNDER LONG TERM ** LEASE (If NONE, state NONE)		RENTAL THIS YEAR
NAME OF LESSOR	TYPE OF PROPERTY	
1. Louisville Gas & Electric Co.	Interconnect Facilities-Cloverport Sub	21,111
2.		0
3.		0
4. TOTAL		21,111

* "RESTRICTED PROPERTY" means all properties other than automobiles, trucks, trailers, tractors, other vehicles (including without limitation aircraft and ship), office, garage and warehouse space and office equipment (and without limitation computers).
 ** "LONG-TERM" means leases having unexpired terms of more than 12 months (taking into account terms of rental at the option of the lessor, whether or not such leases have been renewed).

SECTION L. NOTES

IF ADDITIONAL SPACE IS NEEDED, USE SEPARATE SHEET

Section I, Item 6 - On September 10, 1998, the total number of board members were reduced from 12 to 8.

USDA-RUS OPERATING REPORT - LINES AND STATIONS	BORROWER DESIGNATION KY062 BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42419-0000
INSTRUCTIONS - Submit an original and two copies to RUS. For details, see RUS Bulletin 1717B-3.	YEAR ENDING 1998 Annual

RUS USE ONLY

SECTION A. EXPENSE AND COSTS

ITEMS	ACCOUNT NUMBER	LINES (a)	STATIONS (b)
TRANSMISSION OPERATION			
1. SUPERVISION AND ENGINEERING.....	560	194,874	174,740
2. LOAD DISPATCHING.....	561	580,166	
3. STATION EXPENSES.....	562		799,115
4. OVERHEAD LINE EXPENSES.....	563	706,830	
5. UNDERGROUND LINE EXPENSES.....	564	0	
6. MISCELLANEOUS EXPENSES.....	566	172,526	187,806
7. SUBTOTAL (1 thru 6)		1,654,396	1,161,661
8. TRANSMISSION OF ELECTRICITY BY OTHERS.....	565	1,278,873	
9. RENTS.....	567	0	21,111
10. TOTAL TRANSMISSION OPERATION (7 thru 9)		2,933,269	1,182,772
TRANSMISSION MAINTENANCE			
11. SUPERVISION AND ENGINEERING.....	568	147,173	157,940
12. STRUCTURES.....	569		64,712
13. STATION EQUIPMENT.....	570		2,036,129
14. OVERHEAD LINES.....	571	764,693	
15. UNDERGROUND LINES.....	572	0	
16. MISCELLANEOUS TRANSMISSION PLANT.....	573	19,144	25,868
17. TOTAL TRANSMISSION MAINTENANCE (11 thru 16)		931,010	2,284,649
18. TOTAL TRANSMISSION EXPENSE (10 +17)		3,864,279	3,467,421
19. DISTRIBUTION EXPENSE - OPERATION.....	580 thru 589	0	0
20. DISTRIBUTION EXPENSE - MAINTENANCE.....	590 thru 598	0	0
21. TOTAL DISTRIBUTION EXPENSE (19 +20)		0	0
22. TOTAL OPERATION AND MAINTENANCE (18 +21)		3,864,279	3,467,421
FIXED COSTS			
23. DEPRECIATION - TRANSMISSION.....	403.5	1,742,103	2,693,810
24. DEPRECIATION - DISTRIBUTION.....	403.6	0	0
25. TAXES - TRANSMISSION.....	408	0	0
26. TAXES - DISTRIBUTION.....	408	0	0
27. INTEREST - TRANSMISSION.....	427	3,966,952	5,502,440
28. INTEREST - DISTRIBUTION.....	427	0	0
29. INSURANCE - TRANSMISSION.....	924,925,926	0	0
30. INSURANCE - DISTRIBUTION.....	924,925,926	0	0
31. TOTAL TRANSMISSION (18+23+25+27+29).....		9,573,334	11,663,671
32. TOTAL DISTRIBUTION (21+24+26+28+30).....		0	0
33. TOTAL LINES AND STATIONS (31+32)		9,573,334	11,663,671

SECTION B. FACILITIES IN SERVICE

SECTION C. LABOR AND MATERIAL SUMMARY

TRANSMISSION LINES				SUBSTATIONS		1. NUMBER OF EMPLOYEES			
VOLTAGE (kV)	MILES	TYPE	CAPACITY (kVA)	ITEM	LINES	STATIONS			
1. 69	773.98	9. STEPUP AT GEN-	1,879,800	2. OPER. LABOR	457,771	1,731,574			
2. 161	335.30	ERATING PLANTS		3. MAINT. LABOR	481,440	963,615			
3. 138	14.40	10. TRANSMISSION	3,265,000	4. OPER. MATERIAL	594,066	425,951			
4. 345	67.40			5. MAINT. MATERIAL	80,652	1,293,434			
5. 0	0.00	11. DISTRIBUTION	0	SECTION D. OUTAGES					
6. TOTAL	1,191.08			1. TOTAL			42,134		
7. DISTR. LINES	0.00	12. TOTAL	5,144,800	2. AVG. NO. DISTR. CONS. SERVED			96,116.00		
8. TOTAL (6+7)	1,191.08			(9 thru 11)	3. AVG. NO. HOURS OUT PER CONS.			0.44	

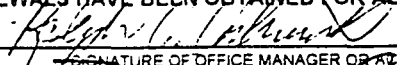
This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.


USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062 <hr/> BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42420-0000
INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-3	PERIOD ENDED 1998 November

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.



 SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT


 SIGNATURE OF MANAGER

12/29/1998

 DATE
 12/29/1998

 DATE

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues.....	278,838,553	216,104,913	213,649,045	8,951,963
2. Income From Leased Property (Net).....	0	5,973,344	6,251,400	1,306,371
3. Other Operating Revenue and Income.....	344,377	3,477,789	2,720,536	598,041
4. Total Oper. Revenues & Patronage Capital (1 thru 3).....	279,182,930	225,556,046	222,620,981	10,856,375
5. Operating Expense - Production - Excluding Fuel.....	19,949,285	16,011,769	15,888,860	1,229
6. Operating Expense - Production - Fuel.....	86,486,601	51,877,061	55,180,382	(24)
7. Operating Expense - Other Power Supply.....	39,503,832	51,295,184	50,055,732	5,662,462
8. Operating Expense - Transmission.....	3,784,619	3,696,747	3,808,090	223,598
9. Operating Expense - Distribution.....	0	0	0	0
10. Operating Expense - Customer Accounts.....	0	0	0	0
11. Operating Expense - Customer Service & Information..	467,491	626,992	744,979	36,720
12. Operating Expense - Sales.....	170	0	111	0
13. Operating Expense - Administrative & General.....	32,396,501	17,897,451	20,538,326	628,658
14. Total Operation Expense (5 thru 13).....	182,588,499	141,405,204	146,216,480	6,552,643
15. Maintenance Expense - Production.....	26,401,892	16,565,909	15,586,096	139,354
16. Maintenance Expense - Transmission.....	1,771,292	2,816,761	4,059,418	85,173
17. Maintenance Expense - Distribution.....	0	0	0	0
18. Maintenance Expense - General Plant.....	128,416	129,872	208,738	6,766
19. Total Maintenance Expense (15 thru 18).....	28,301,600	19,512,542	19,854,252	231,293
20. Depreciation and Amortization Expense.....	32,846,225	21,197,619	21,487,095	392,344
21. Taxes.....	3,960,273	424,327	424,600	93,904
22. Interest on Long-Term Debt.....	35,922,973	68,983,367	77,810,048	5,710,088
23. Interest Charged to Construction - Credit.....	0	(19,319)	(42,800)	(5,470)
24. Other Interest Expense.....	85,790	0	0	0
25. Other Deductions.....	(186,874)	(5,101,313)	(5,089,629)	4,548
26. Total Cost of Electric Service (14+19 thru 25).....	283,518,486	246,402,427	260,660,046	12,979,350
27. Operating Margins (4 less 26).....	(4,335,556)	(20,846,381)	(38,039,065)	(2,122,975)
28. Interest Income.....	923,652	1,178,673	516,927	115,099
29. Allowance For Funds Used During Construction.....	0	0	0	0
30. Income (Loss) from Equity Investments.....	0	0	0	0
31. Other Nonoperating Income (Net).....	(6,448)	(8,152,789)	(8,238,477)	(92,102)
32. Generation & Transmission Capital Credits.....	0	0	0	0
33. Other Capital Credits and Patronage Dividends.....	11,262	0	0	0
34. Extraordinary Items.....	85,790	(40,527,417)	(40,527,000)	0
35. Net Patronage Capital or Margins (27 thru 34).....	(3,321,300)	(68,347,914)	(86,287,615)	(2,099,978)
ITEM	Mills/kWh (Optional Use by Borrower)			
36. Electric Energy Revenue per kWh Sold.....		29.17	28.90	
37. Total Operation & Maintenance Expense Per kWh Sold.....		21.72	22.47	
38. Total Cost of Electric Service per kWh Sold.....		33.26	35.27	
39. Purchased Power Cost Per kWh Purchased.....		19.33	19.62	

USDA-RUS

OPERATING REPORT - FINANCIAL

BORROWER DESIGNATION
KY062

PERIOD ENDED
1998 November

RUS USE ONLY

SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service.....	1,514,965,939	32. Memberships.....	100
2. Construction Work in Progress.....	4,839,057	33. Patronage Capital	
3. Total Utility Plant(1+2).....	1,519,804,996	a. Assigned and Assignable	0
4. Accum. Provision for Depreciation and Amort	645,489,188	b. Retired This Year.....	0
5. Net Utility Plant(3-4)	874,315,808	c. Retired Prior Years.....	0
6. Non-Utility Property (Net).....	124,610	d. Net Patronage Capital.....	0
7. Investments in Subsidiary Companies.....	0	34. Operating Margins - Prior Years.....	(321,939,824)
8. Invest. In Assoc. Org. - Patronage Capital.....	53,633	35. Operating Margins - Current Year.....	(20,846,380)
9. Invest. In Assoc. Org. - Other - General Funds	56,280	36. Non-Operating Margins.....	(22,559,405)
10. Invest. In Assoc. Org. - OTH - NonGEN Funds	0	37. Other Margins and Equities.....	4,444,502
11. Investments in Economic Development Projects	10,000	38. Total Margins & Equities (32+33d thru 37)	(360,901,007)
12. Other Investments.....	5,424	39. Long-Term Debt - REA (Net).....	1,065,278,699
13. Special Funds.....	7,338,425	(Payments-Unapplied \$	0)
14. Total Other Property and Investments (6 thru 13)	7,588,372	40. Long-Term Debt - REA - Econ. Devel. (Net).....	0
15. Cash - General Funds.....	4,854	41. Long-Term Debt - FFB - REA Guaranteed.....	0
16. Cash - Construction Funds - Trustee.....	0	42. Long-Term Debt - Other - REA Guaranteed.....	0
17. Special Deposits.....	1,284,808	43. Long-Term Debt - Other (Net)	171,975,117
18. Temporary Investments.....	31,917,000	44. Total Long-Term Debt (39 thru 43)	1,237,253,816
19. Notes Receivable (Net)	0	45. Obligations Under Capital Leases - Noncurrent	0
20. Accounts Receivable - Sales of Energy (Net)..	11,424,401	46. Accumulated Operating Provisions.....	5,040,027
21. Accounts Receivable - Other (Net).....	1,197,995	47. Total Other Noncurrent Liabilities (45+46)	5,040,027
22. Fuel Stock.....	0	48. Notes Payable.....	0
23. Materials and Supplies - Other.....	588,444	49. Accounts Payable.....	16,430,947
24. Prepayments.....	8,725,122	50. Taxes Accrued.....	737,872
25. Other Current and Accrued Assets.....	129,054	51. Interest Accrued.....	4,138,442
26. Total Current and Accrued Assets (15 thru 25)	55,271,678	52. Other Current and Accrued Liabilities.....	618,200
27. UNAMO Debt DISC & Extraor. Prop. Losses....	0	53. Total Current & Accrued Liabilities (48 thru 52)	21,925,461
28. Regulatory Assets.....	0	54. Deferred Credits.....	59,088,943
29. Other Deferred Debits.....	25,231,382	55. Accumulated Deferred Income Taxes.....	0
30. Accumulated Deferred Income Taxes.....	0	56. Total Liabilities and Other Credits	
31. Total Assets and Other Debits (5+14+26 thru 30)	962,407,240	(38+44+47+53 thru 55).....	962,407,240

SECTION C. NOTES TO FINANCIAL STATEMENTS

12b, Page 1 of 2, Regular Sales to RUS Borrowers:

- 2-Green River Rural
- 3-Industrial-Alcoa Hawesville Works
- 4-Industrial-Commonwealth Aluminum
- 5-Industrial-National Southwire Aluminum
- 6-Industrial-Scott Paper
- 7-Industrial-Willamette Industries
- 8-Industrial-World Source
- 9-Industrial-A-CMI
- 10-Henderson Union Rural
- 11-Industrial-Accuride
- 12-Industrial-Alcan Aluminum
- 13-Industrial-Black Diamond Mine
- 14-Industrial-Breckinridge
- 15-Industrial-Lodestar Energy
- 16-Industrial-Dotiki #3
- 17-Industrial-CR Mining
- 18-Industrial-Hudson Foods
- 19-Industrial-KB Alloys, Inc.

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062	
	PERIOD ENDED 1998 November	RUS USE ONLY

SECTION C. NOTES TO FINANCIAL STATEMENTS (CONTINUED)

- 20-Industrial-Patriot Coal
- 21-Industrial-Pittsburg & Midway
- 22-Industrial-Victory Process
- 23-Industrial-Smith Coal Co.
- 24-Industrial-Valley Grain
- 25-Industrial-Cardinal River
- 26-Meade County Rural
- 27-Jackson Purchase Rural
- 28-Industrial-Shell Oil

USDA-RUS
OPERATING REPORT - SALES OF ELECTRICITY

BORROWER DESIGNATION

KY062

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

RUS USE ONLY

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 17117B-3.

1998 November

PURCHASER (a)	NO. OF PURCHASERS (b)	ANNUAL PEAK DEMAND (kW) (c)	MWh BILLED (d)	AMOUNT BILLED (\$) (e)	MILLS PER kWh (f)
1. Sales to Ultimate Consumers (Totals only for this item)		0	0	0	0.00
SALES FOR RESALE - REGULAR SALES TO RUS BORROWERS (List separately)					
2. KY 33 GREEN RIVER ELECTRIC CORP		141,552	556,673	20,413,865	36.67
3. KY 33 GREEN RIVER ELECTRIC CORP		320	2,076	73,233	35.27
4. KY 33 GREEN RIVER ELECTRIC CORP		40,556	226,619	7,037,179	31.05
5. KY 33 GREEN RIVER ELECTRIC CORP		364,608	1,686,123	41,223,839	24.45
6. KY 33 GREEN RIVER ELECTRIC CORP		31,406	223,218	6,064,509	27.17
7. KY 33 GREEN RIVER ELECTRIC CORP		79,812	510,256	14,801,896	29.01
8. KY 33 GREEN RIVER ELECTRIC CORP		4,528	29,965	936,462	31.25
9. KY 33 GREEN RIVER ELECTRIC CORP		2,548	16,001	483,409	32.23
10. KY 55 HENDERSON UNION ELEC COOP CORP		78,854	324,757	11,904,828	36.66
11. KY 55 HENDERSON UNION ELEC COOP CORP		6,693	32,968	1,105,098	33.52
12. KY 55 HENDERSON UNION ELEC COOP CORP		235,786	1,087,406	27,256,798	25.07
13. KY 55 HENDERSON UNION ELEC COOP CORP		1,075	4,283	185,561	43.33
14. KY 55 HENDERSON UNION ELEC COOP CORP		9,261	40,994	1,696,195	41.38
15. KY 55 HENDERSON UNION ELEC COOP CORP		6,914	43,260	1,378,522	31.87
16. KY 55 HENDERSON UNION ELEC COOP CORP		501	3,419	108,602	31.76
17. KY 55 HENDERSON UNION ELEC COOP CORP		1,065	2,390	146,180	61.16
18. KY 55 HENDERSON UNION ELEC COOP CORP		9,759	51,459	1,452,237	28.22
19. KY 55 HENDERSON UNION ELEC COOP CORP		2,001	7,743	327,270	42.27
20. KY 55 HENDERSON UNION ELEC COOP CORP		2,501	9,642	428,059	44.40
21. KY 55 HENDERSON UNION ELEC COOP CORP		2,076	9,201	363,621	39.52
22. KY 55 HENDERSON UNION ELEC COOP CORP		1,659	3,965	244,242	61.60
23. KY 55 HENDERSON UNION ELEC COOP CORP		3,055	13,808	601,659	43.57
24. KY 55 HENDERSON UNION ELEC COOP CORP		1,531	7,902	294,631	37.29
25. KY 55 HENDERSON UNION ELEC COOP CORP		2,001	8,667	347,896	40.14
26. KY 18 MEADE COUNTY RUR ELEC COOP CORP		75,683	309,397	11,403,697	36.86
27. KY 20 JACKSON PURCHASE ELEC COOP CORP		128,946	500,108	18,403,275	36.80
28. KY 20 JACKSON PURCHASE ELEC COOP CORP		10,552	51,669	1,838,974	35.59
29.					
30.					
31.					
32.					
33.					
34.					
35.					
36.					
37.					
38.					
39. TOTAL Regular Sales to RUS Borrowers (Sum of lines 2 thru 38)	27	1,244,243	5,762,969	170,521,737	29.69

**USDA-RUS
OPERATING REPORT - SALES OF ELECTRICITY**

PURCHASER (a)	BORROWER DESIGNATION KY062	YEAR ENDING		RUS USE ONLY	
		1998	November	AMOUNT BILLED (\$) (c)	MILLS PER KWh (f)
SALES FOR RESALE - SPECIAL SALES TO RUS BORROWERS (List separately)					
40. IN 106 HOOSIER ENERGY REC INC				38,409	77.07
41. GA 109 OGLETHORPE POWER CORPORATION				227,193	45.79
42.					
43.					
44.					
45.					
46.					
47.					
48.					
49.					
50.					
51. TOTAL Special Sales to RUS Borrowers (Sum of lines 40 thru 50)			309,000	265,602	50.31
52. TOTAL Sales to RUS Borrowers (Sum of lines 39 + 51)			1,553,243	6,028,571	30.50
SALES FOR RESALE OTHER THAN RUS BORROWERS (List separately)					
53. SONAT POWER				2,105	2.68
54. HENDERSON MUNICIPAL POWER & LIGHT			10,000	17,766	42.79
55. SOUTHERN INDIANA GAS & ELECTRIC COMPANY				663	94.57
56. LOUISVILLE GAS & ELECTRIC COMPANY			1,000	47,535	17.14
57. KENTUCKY UTILITIES				2,997	0.24
58. LG&E MARKETING			150,000	1,124,372	21.25
59. NP ENERGY INC			68,000	169,889	39.21
60. NESI POWER MARKET				75	2.75
61. SOUTHERN COMPANY				500	2.75
62. KOCH POWER				854	1.20
63. NORAM ENERGY				100	2.75
64. ENRON POWER				921	2.19
65. ELECTRIC CLEARINGHOUSE				1,768	1.75
66. RAINBOW ENERGY				886	2.75
67. CNG POWER SERVICE				100	2.75
68. LOUIS DREYFUS POWER INC				32	
69. THE POWER COMPANY OF AMERICA				250	2.75
70. FEDERAL ENERGY				3,950	2.34
71. PACIFICORP				800	2.75
72. ACQUILLA POWER				3,906	2.82
73. CORAL POWER				110	2.75
74.					
75. TOTAL Sales to Other Than RUS Borrowers (Sum of lines 53 thru 74)			229,000	1,379,479	23.36
76. TOTAL Sales for Resale (Sum of lines 52 + 75)			1,782,243	7,408,050	29.17
77. TOTAL Sales (Sum of lines 1 + 76)			1,782,243	7,408,050	29.17

OPERATING REPORT - SOURCES AND DISTRIBUTION OF ENERGY

KY062

BURKJEWER DESIGN, INC.

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

YEAR ENDING 1998 November

RUS USE ONLY

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.

SOURCE OF ENERGY (a)	NO. OF PLANTS (b)	NAMEPLATE CAPACITY (kWh) (c)	ANNUAL PEAK DEMAND (kW) (d)	NET ENERGY RECEIVED BY SYSTEM (MWh) (e)	COST (\$) (f)	MILLS PER kWh (g)
GENERATED IN OWN PLANT (Details of Forms 12d, e, f, and g)						
1. Fossil Steam		0	1,310,900	4,893,818	160,531,507	32.80
2. Nuclear		0	0	0	0	0.00
3. Hydro		0	0	0	0	0.00
4. Internal Combustion and Other		0	57,000	3,005	562,052	0.00
5. TOTAL In Own Plant (Sum of lines 1 thru 4)		0	1,367,900	4,896,823	161,093,559	32.90
PURCHASED POWER (List each supplier separately)						
6. SOUTHEASTERN POWER ADMIN		12420	150,000	272,116	6,361,004	19.70
7. NP ENERGY INC		48201		97,438	1,659,910	16.01
8. SOUTHERN ILLINOIS POWER COOP				55	990	18.00
9. CORAL POWER				4,006		
10. ACQUILLA POWER		43700		552	33,975	61.55
11. HOOSIER ENERGY REC		53689	220,000	887,004	18,054,730	20.35
12. HENDERSON MUNIC PWR & LIGHT		14890		32		
13. LOUIS DREYFUS		14415		362	13,600	37.29
14. KENTUCKY UTILITIES COMPANY		18222		486	44,755	92.09
15. SOUTHERN INDIANA GAS & ELEC CO				800		
16. PACIFICORP				2,105		
17. SONAT POWER		14955		7,623	341,568	44.81
18. LOUISVILLE GAS & ELECTRIC CO		16300		100		
19. NORAM ENERGY SERVICES				1,768		
20. ELECTRIC CLEARINGHOUSE		12420	370,000	2,633,361	50,904,174	19.33
INTERCHANGED POWER						
21. TOTAL Power Purchased (Sum of lines 6 thru 20)						
22. Received into System (Gross)			0	2,300	0	0.00
23. Delivered Out of System (Gross)			1,000	1,333	0	0.00
24. Net Interchange (Line 22 minus 23)			-1,000	967	0	0.00
TRANSMISSION FOR OR BY OTHERS - (WHEELING)						
25. Received into System			0	973,917	0	0.00
26. Delivered Out of System			0	973,917	0	0.00
27. Net Energy Wheeled (Line 25 minus 26)			0	0	0	0.00
28. TOTAL Energy Available for Sale (Sum of lines 5 + 21 + 24 + 27)				7,531,151		
29. TOTAL Sales (Form 12b, line 77)				7,408,050		
30. Energy Furnished to Others Without Charge				0		
31. Energy Used by Borrower (Excluding Station Use)				0		
32. TOTAL Energy Accounted For (Sum of lines 29 thru 31)				7,408,050		
33. Energy Losses - MWh (Line 28 minus 32)				123,101		
34. Energy Losses - Percentage ((Line 33 divided by line 28) x 100)				1.63 %		

USDA-RUS
**OPERATING REPORT -
 SOURCES AND DISTRIBUTION OF ENERGY**

SOURCE OF ENERGY (a)		BORROWER DESIGNATION		YEAR ENDING		RUS USE ONLY		
		NO. OF PLANTS (b)	NAMEPLATE CAPACITY (kWh) (c)	1998	November	NET ENERGY RECEIVED BY SYSTEM (MWh) (e)	COST (\$) (f)	MILLS PER kWh (g)
PURCHASED POWER (List each supplier separately) (CONTINUED)			RUS USE ONLY CODE					
21.	LG & E MARKETING		14730			1,351,268	25,493,742	18.87
22.	ENRON		12500			921		
23.	RAINBOW ENERGY					886		
24.	KOCH POWER SERVICES		14437			854		
25.	THE POWER COMPANY OF AMERICA					250		
26.	CNG POWER SERVICE					100		
27.	NESI POWER MARKET					75		
28.	FEDERAL ENERGY					3,950		
29.	SOUTHERN COMPANY		18197			500		

Exhibit 2
 Page 96 of 105

USDA-RUS

**OPERATING REPORT -
LINES AND STATIONS**

BORROWER DESIGNATION

KY062

BORROWER NAME AND ADDRESS

BIG RIVERS ELECTRIC CORP

P O BOX 24

HENDERSON, KY42420-0000

INSTRUCTIONS - Submit an original and two copies to RUS. For details, see RUS Bulletin 1717B-3.

YEAR ENDING

1998 November

RUS USE ONLY

SECTION A. EXPENSE AND COSTS

ITEMS	ACCOUNT NUMBER	LINES (a)	STATIONS (b)
TRANSMISSION OPERATION			
1. SUPERVISION AND ENGINEERING.....	560	159,410	150,801
2. LOAD DISPATCHING.....	561	476,322	
3. STATION EXPENSES.....	562		661,498
4. OVERHEAD LINE EXPENSES.....	563	627,544	
5. UNDERGROUND LINE EXPENSES.....	564	0	
6. MISCELLANEOUS EXPENSES.....	566	154,917	168,031
7. SUBTOTAL (1 thru 6)		1,418,193	980,330
8. TRANSMISSION OF ELECTRICITY BY OTHERS.....	565	1,278,873	
9. RENTS.....	567	0	19,352
10. TOTAL TRANSMISSION OPERATION (7 thru 9)		2,697,066	999,682
TRANSMISSION MAINTENANCE			
11. SUPERVISION AND ENGINEERING.....	568	123,618	130,808
12. STRUCTURES.....	569		54,554
13. STATION EQUIPMENT.....	570		1,793,659
14. OVERHEAD LINES.....	571	671,390	
15. UNDERGROUND LINES.....	572	0	
16. MISCELLANEOUS TRANSMISSION PLANT.....	573	17,383	25,348
17. TOTAL TRANSMISSION MAINTENANCE (11 thru 16)		812,391	2,004,369
18. TOTAL TRANSMISSION EXPENSE (10 +17)		3,509,457	3,004,051
19. DISTRIBUTION EXPENSE - OPERATION.....	580 thru 589	0	0
20. DISTRIBUTION EXPENSE - MAINTENANCE.....	590 thru 598	0	0
21. TOTAL DISTRIBUTION EXPENSE (19 +20)		0	0
22. TOTAL OPERATION AND MAINTENANCE (18 +21)		3,509,457	3,004,051
FIXED COSTS			
23. DEPRECIATION - TRANSMISSION.....	403.5	1,572,366	2,467,861
24. DEPRECIATION - DISTRIBUTION.....	403.6	0	0
25. TAXES - TRANSMISSION.....	408	(152)	(20)
26. TAXES - DISTRIBUTION.....	408	0	0
27. INTEREST - TRANSMISSION.....	427	3,647,089	5,061,020
28. INTEREST - DISTRIBUTION.....	427	0	0
29. INSURANCE - TRANSMISSION.....	924,925,926	0	0
30. INSURANCE - DISTRIBUTION.....	924,925,926	0	0
31. TOTAL TRANSMISSION (18+23+25+27+29).....		8,728,760	10,532,912
32. TOTAL DISTRIBUTION (21+24+26+28+30).....		0	0
33. TOTAL LINES AND STATIONS (31+32)		8,728,760	10,532,912

SECTION B. FACILITIES IN SERVICE

SECTION C. LABOR AND MATERIAL SUMMARY

TRANSMISSION LINES				SUBSTATIONS		1. NUMBER OF EMPLOYEES				
VOLTAGE (KV)	MILES	TYPE	CAPACITY (KVA)	ITEM	LINES	STATIONS				
1. 69	773.20	9. STEPUP AT GENERATING PLANTS	1,804,400	2. OPER. LABOR	382,721	1,462,321				
2. 161	335.30			3. MAINT. LABOR	404,307	790,501				
3. 138	14.40			10. TRANSMISSION	3,220,000	4. OPER. MATERIAL	539,394	352,683		
4. 345	67.40					5. MAINT. MATERIAL	75,888	1,193,390		
5. 0	0.00	11. DISTRIBUTION	0	SECTION D. OUTAGES						
6. TOTAL	1,190.30			1. TOTAL			42,134			
7. DISTR. LINES	0.00			12. TOTAL			93,853.00			
8. TOTAL (6+7)	1,190.30	(9 thru 11)	5,024,400	3. AVG. NO. HOURS OUT PER CONS.			0.45			

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

<p>USDA-RUS</p> <p style="font-size: 1.2em; font-weight: bold;">OPERATING REPORT - FINANCIAL</p>	<p>BORROWER DESIGNATION KY062</p> <p>BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42420-0000</p>
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<p>INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717B-3</p>	<p>PERIOD ENDED 1998 October</p>	<p>RUS USE ONLY</p>
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CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

<p style="text-align: center;"><i>Ralph [Signature]</i> SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT</p>	<p>12/01/1998 DATE</p>
<p style="text-align: center;"><i>[Signature]</i> SIGNATURE OF MANAGER</p>	<p>12/01/1998 DATE</p>

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues.....	254,701,351	207,152,951	203,809,845	9,348,972
2. Income From Leased Property (Net).....	0	4,666,972	4,797,300	1,330,176
3. Other Operating Revenue and Income.....	341,297	2,879,747	2,211,256	554,096
4. Total Oper. Revenues & Patronage Capital (1 thru 3).....	255,042,648	214,699,670	210,818,401	11,233,244
5. Operating Expense - Production - Excluding Fuel.....	17,980,957	16,010,539	15,888,860	25,330
6. Operating Expense - Production - Fuel.....	77,880,415	51,877,085	55,180,382	2,438
7. Operating Expense - Other Power Supply.....	36,265,814	45,632,722	43,979,042	5,753,041
8. Operating Expense - Transmission.....	3,446,133	3,473,150	3,599,260	246,462
9. Operating Expense - Distribution.....	0	0	0	0
10. Operating Expense - Customer Accounts.....	0	0	0	0
11. Operating Expense - Customer Service & Information..	407,000	590,271	676,419	46,996
12. Operating Expense - Sales.....	169	0	111	0
13. Operating Expense - Administrative & General.....	30,566,182	17,268,793	19,899,306	777,787
14. Total Operation Expense (5 thru 13).....	166,546,670	134,852,560	139,223,380	6,852,054
15. Maintenance Expense - Production.....	24,471,631	16,426,555	15,586,096	6,459
16. Maintenance Expense - Transmission.....	1,563,359	2,731,588	3,558,858	605,881
17. Maintenance Expense - Distribution.....	0	0	0	0
18. Maintenance Expense - General Plant.....	120,246	123,106	195,318	7,294
19. Total Maintenance Expense (15 thru 18).....	26,155,236	19,281,249	19,340,272	619,634
20. Depreciation and Amortization Expense.....	29,853,223	20,805,274	21,023,795	394,374
21. Taxes.....	3,624,476	330,423	330,200	93,904
22. Interest on Long-Term Debt.....	30,867,882	63,273,279	71,980,648	5,929,829
23. Interest Charged to Construction - Credit.....	0	(13,849)	(38,700)	(3,697)
24. Other Interest Expense.....	85,790	0	0	0
25. Other Deductions.....	(193,459)	(5,105,861)	(5,090,529)	4,323
26. Total Cost of Electric Service (14+19 thru 25).....	256,939,818	233,423,075	246,769,066	13,890,421
27. Operating Margins (4 less 26).....	(1,897,170)	(18,723,405)	(35,950,665)	(2,657,177)
28. Interest Income.....	847,436	1,063,574	490,627	145,656
29. Allowance For Funds Used During Construction.....	0	0	0	0
30. Income (Loss) from Equity Investments.....	0	0	0	0
31. Other Nonoperating Income (Net).....	(6,030)	(8,060,687)	(8,238,477)	(414)
32. Generation & Transmission Capital Credits.....	0	0	0	0
33. Other Capital Credits and Patronage Dividends.....	11,262	0	0	0
34. Extraordinary Items.....	85,790	(40,527,418)	(40,527,000)	0
35. Net Patronage Capital or Margins (27 thru 34).....	(958,712)	(66,247,936)	(84,225,515)	(2,511,935)
ITEM	Mills/kWh (Optional Use by Borrower)			
36. Electric Energy Revenue per kWh Sold.....	29.07	28.74		
37. Total Operation & Maintenance Expense Per kWh Sold.....	21.63	22.36		
38. Total Cost of Electric Service per kWh Sold.....	32.75	34.80		
39. Purchased Power Cost Per kWh Purchased.....	19.30	19.60		

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062
	PERIOD ENDED 1998 October
RUS USE ONLY	

SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS
1. Total Utility Plant in Service.....	32. Memberships.....
1,514,962,342	100
2. Construction Work in Progress.....	33. Patronage Capital
4,622,541	
3. Total Utility Plant(1+2).....	a. Assigned and Assignable
1,519,584,883	0
4. Accum. Provision for Depreciation and Amort	b. Retired This Year.....
642,334,223	0
5. Net Utility Plant(3-4)	c. Retired Prior Years.....
877,250,660	0
6. Non-Utility Property (Net).....	d. Net Patronage Capital.....
124,803	0
7. Investments in Subsidiary Companies.....	34. Operating Margins - Prior Years.....
0	(321,939,824)
8. Invest. In Assoc. Org. - Patronage Capital.....	35. Operating Margins - Current Year.....
53,633	(18,723,405)
9. Invest. In Assoc. Org. - Other - General Funds	36. Non-Operating Margins.....
56,280	(22,582,402)
10. Invest. In Assoc. Org. - OTH - NonGEN Funds	37. Other Margins and Equities.....
0	4,444,502
11. Investments in Economic Development Projects	38. Total Margins & Equities (32+33d thru 37)
10,000	(358,801,029)
12. Other Investments.....	39. Long-Term Debt - REA (Net).....
5,424	1,066,105,411
13. Special Funds.....	(Payments-Unapplied \$ 0)
5,966,694	
14. Total Other Property and Investments (6 thru 13)	40. Long-Term Debt - REA - Econ. Devel. (Net).....
6,216,834	0
15. Cash - General Funds.....	41. Long-Term Debt - FFB - REA Guaranteed.....
5,077	0
16. Cash - Construction Funds - Trustee.....	42. Long-Term Debt - Other - REA Guaranteed.....
0	0
17. Special Deposits.....	43. Long-Term Debt - Other (Net)
0	170,290,989
18. Temporary Investments.....	44. Total Long-Term Debt (39 thru 43)
35,256,177	1,236,396,400
19. Notes Receivable (Net)	45. Obligations Under Capital Leases - Noncurrent
0	0
20. Accounts Receivable - Sales of Energy (Net)..	46. Accumulated Operating Provisions.....
12,878,619	5,097,119
21. Accounts Receivable - Other (Net).....	47. Total Other Noncurrent Liabilities (45+46)
1,291,414	5,097,119
22. Fuel Stock.....	48. Notes Payable.....
0	0
23. Materials and Supplies - Other.....	49. Accounts Payable.....
571,741	19,594,760
24. Prepayments.....	50. Taxes Accrued.....
8,812,935	1,933,160
25. Other Current and Accrued Assets.....	51. Interest Accrued.....
150,033	3,195,822
26. Total Current and Accrued Assets (15 thru 25)	52. Other Current and Accrued Liabilities.....
58,965,996	558,503
27. UNAMO Debt DISC & Extraor. Prop. Losses....	53. Total Current & Accrued Liabilities (48 thru 52)
0	25,282,245
28. Regulatory Assets.....	54. Deferred Credits.....
0	59,760,394
29. Other Deferred Debits.....	55. Accumulated Deferred Income Taxes.....
25,301,639	0
30. Accumulated Deferred Income Taxes.....	56. Total Liabilities and Other Credits
0	(38+44+47+53 thru 55).....
31. Total Assets and Other Debits (5+14+26 thru 30)	967,735,129
967,735,129	

SECTION C. NOTES TO FINANCIAL STATEMENTS

12b, Page 1 of 2, Regular Sales to RUS Borrowers:

- 2-Green River Rural
- 3-Industrial-Alcoa Hawesville Works
- 4-Industrial-Commonwealth Aluminum
- 5-Industrial-National Southwire Aluminum
- 6-Industrial-Scott Paper
- 7-Industrial-Willamette Industries
- 8-Industrial-World Source
- 9-Industrial-A-CMI
- 10-Henderson Union Rural
- 11-Industrial-Accuride
- 12-Industrial-Alcan Aluminum
- 13-Industrial-Black Diamond Mine
- 14-Industrial-Breckinridge
- 15-Industrial-Lodestar Energy
- 16-Industrial-Dotiki #3
- 17-Industrial-CR Mining
- 18-Industrial-Hudson Foods
- 19-Industrial-KB Alloys, Inc.

USDA-RUS OPERATING REPORT - FINANCIAL	BORROWER DESIGNATION KY062	
	PERIOD ENDED 1998 October	RUS USE ONLY

SECTION C. NOTES TO FINANCIAL STATEMENTS (CONTINUED)

- 20-Industrial-Patriot Coal
- 21-Industrial-Pittsburg & Midway
- 22-Industrial-Victory Process
- 23-Industrial-Smith Coal Co.
- 24-Industrial-Valley Grain
- 25-Industrial-Cardinal River
- 26-Meade County Rural
- 27-Jackson Purchase Rural
- 28-Industrial-Shell Oil

USDA-RUS

OPERATING REPORT - SALES OF ELECTRICITY

BORROWER DESIGNATION
KY062

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

YEAR ENDING

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.

1998 October

RUS USE ONLY

PURCHASER (a)	NO. OF PURCHASERS (b)	1998 October			MILLS PER KWh (f)
		ANNUAL PEAK DEMAND (KW) (c)	MWh BILLED (d)	AMOUNT BILLED (\$) (e)	
1. Sales to Ultimate Consumers (Totals only for this item.)		0	0	0	0.00
SALES FOR RESALE - REGULAR SALES TO RUS BORROWERS (List separately)					
2. KY 33 GREEN RIVER ELECTRIC CORP		141,552	613,327	18,901,457	36.82
3. KY 33 GREEN RIVER ELECTRIC CORP		320	1,907	67,014	35.14
4. KY 33 GREEN RIVER ELECTRIC CORP		40,556	207,477	6,393,276	30.81
5. KY 33 GREEN RIVER ELECTRIC CORP		364,608	1,686,123	41,223,839	24.46
6. KY 33 GREEN RIVER ELECTRIC CORP		31,406	202,864	6,556,080	27.39
7. KY 33 GREEN RIVER ELECTRIC CORP		79,812	454,216	13,198,866	29.06
8. KY 33 GREEN RIVER ELECTRIC CORP		4,528	27,316	867,070	31.38
9. KY 33 GREEN RIVER ELECTRIC CORP		2,548	13,407	429,646	32.06
10. KY 55 HENDERSON UNION ELEC COOP CORP		78,854	298,979	10,989,634	36.76
11. KY 55 HENDERSON UNION ELEC COOP CORP		6,693	30,266	1,011,803	33.43
12. KY 55 HENDERSON UNION ELEC COOP CORP		235,786	1,087,406	27,256,798	25.07
13. KY 55 HENDERSON UNION ELEC COOP CORP		1,075	3,918	168,668	43.06
14. KY 55 HENDERSON UNION ELEC COOP CORP		9,261	37,160	1,526,214	41.07
15. KY 55 HENDERSON UNION ELEC COOP CORP		6,914	38,988	1,244,732	31.93
16. KY 55 HENDERSON UNION ELEC COOP CORP		501	3,121	99,419	31.85
17. KY 55 HENDERSON UNION ELEC COOP CORP		1,065	2,338	140,384	60.04
18. KY 55 HENDERSON UNION ELEC COOP CORP		9,769	47,173	1,335,603	28.31
19. KY 55 HENDERSON UNION ELEC COOP CORP		2,001	7,078	297,848	42.08
20. KY 55 HENDERSON UNION ELEC COOP CORP		2,501	8,861	392,602	44.30
21. KY 55 HENDERSON UNION ELEC COOP CORP		2,076	8,844	341,435	38.61
22. KY 55 HENDERSON UNION ELEC COOP CORP		1,559	3,589	220,210	61.36
23. KY 55 HENDERSON UNION ELEC COOP CORP		3,055	12,843	660,626	42.87
24. KY 55 HENDERSON UNION ELEC COOP CORP		1,531	7,249	269,895	37.23
25. KY 55 HENDERSON UNION ELEC COOP CORP		2,001	8,043	319,022	39.66
26. KY 18 MEADE COUNTY RUR ELEC COOP CORP		75,683	283,624	10,500,877	37.04
27. KY 20 JACKSON PURCHASE ELEC COOP CORP		128,946	461,690	17,030,383	36.89
28. KY 20 JACKSON PURCHASE ELEC COOP CORP		10,552	46,031	1,651,473	35.88
29.					
30.					
31.					
32.					
33.					
34.					
35.					
36.					
37.					
38.					
39. TOTAL Regular Sales to RUS Borrowers (Sum of lines 2 thru 38)	27	1,244,243	6,603,736	161,874,774	29.43

Page 101 of 105
Exhibit 2

USDA-RUS
OPERATING REPORT - SALES OF ELECTRICITY

PURCHASER (a)		BORROWER DESIGNATION KY062	YEAR ENDING 1998 October	RUS USE ONLY		
PURCHASER (a)		NO. OF PURCHASERS (b)	ANNUAL PEAK DEMAND (KW) (c)	MWh BILLED (d)	AMOUNT BILLED (\$) (e)	MILLS PER KWh (f)
SALES FOR RESALE - SPECIAL SALES TO RUS BORROWERS (List separately)						
40. IN 106 HOOSIER ENERGY REC INC			207,000	38,409	2,958,280	77.02
41. GA 109 OGLETHORPE POWER CORPORATION			102,000	227,193	10,402,326	46.79
42.						
43.						
44.						
45.						
46.						
47.						
48.						
49.						
50.						
51. TOTAL Special Sales to RUS Borrowers (Sum of lines 40 thru 50)		2	309,000	266,602	13,360,606	50.30
52. TOTAL Sales to RUS Borrowers (Sum of lines 39 + 51)		29	1,653,243	6,769,338	175,335,380	30.39
SALES FOR RESALE OTHER THAN RUS BORROWERS (List separately)						
53. SONAT POWER				2,106	5,639	2.68
54. HENDERSON MUNICIPAL POWER & LIGHT			10,000	17,766	760,164	42.79
55. SOUTHERN INDIANA GAS & ELECTRIC CO.				532	60,056	94.09
56. LOUISVILLE GAS & ELECTRIC COMPANY			1,000	47,531	814,490	17.14
57. KENTUCKY UTILITIES				2,997	723	0.24
58. LG&E MARKETING			150,000	1,124,082	23,862,436	21.23
59. NP ENERGY INC.			68,000	148,063	6,289,896	42.48
60. NESI POWER MARKET				76	206	2.76
61. SOUTHERN COMPANY				500	1,375	2.76
62. KOCH POWER				854	1,029	1.20
63. NORAM ENERGY				100	276	2.76
64. ENRON POWER				921	2,018	2.19
65. ELECTRIC CLEARING				1,768	3,094	1.76
66. RAINBOW ENERGY				886	2,437	2.76
67. CNG POWER SERVICE				100	276	2.76
68. LOUIS DREYFUS POWER				32		
69. THE POWER COMPANY OF AMERICA				260	688	2.76
70. FEDERAL ENERGY				3,960	9,262	2.34
71. PACIFICORP				800	2,200	2.76
72. ACQUILLA POWER				3,906	11,016	2.82
73. CORAL POWER				110	302	2.76
74.						
75. TOTAL Sales to Other Than RUS Borrowers (Sum of lines 53 thru 74)		21	229,000	1,367,328	31,817,671	23.44
76. TOTAL Sales for Resale (Sum of lines 52 + 75)		60	1,782,243	7,126,666	207,162,961	29.07
77. TOTAL Sales (Sum of lines 1 + 76)		60	1,782,243	7,126,666	207,162,961	29.07

**USDA-RUS
OPERATING REPORT -
SOURCES AND DISTRIBUTION OF ENERGY**

BORROWER DESIGNATION

KY062

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

INSTRUCTIONS - Submit an original and two copies to RUS. For detailed instructions, see RUS Bulletin 1717B-3.	YEAR ENDING		RUS USE ONLY			
	1998	October				
SOURCE OF ENERGY (a)	NO. OF PLANTS (b)	NAMEPLATE CAPACITY (kW) (c)	ANNUAL PEAK DEMAND (kW) (d)	NET ENERGY RECEIVED BY SYSTEM (MWh) (e)	COST (\$) (f)	MILLS PER kWh (g)
GENERATED IN OWN PLANT (Details of Forms 12d, e, f, and g)						
1. Fossil Steam		0	1,310,900	4,893,818	155,398,981	31.75
2. Nuclear		0	0	0	0	0.00
3. Hydro		0	0	0	0	0.00
4. Internal Combustion and Other		0	57,000	3,005	538,594	0.00
5. TOTAL In Own Plant (Sum of lines 1 thru 4)		0	1,367,900	4,896,823	155,937,575	31.84
PURCHASED POWER (List each supplier separately)						
6. SOUTHEASTERN POWER ADMIN		RUS USE ONLY 12420	150,000	259,482	4,873,640	18.78
7. NP ENERGY, INC.				73,503	1,189,330	16.18
8. SOUTHERN ILLINOIS POWER COOP		48201		55	990	18.00
9. CORAL POWER				110		
10. ACQUILLA POWER				4,006		
11. HOOSIER ENERGY REC		43700		505	30,043	59.49
12. HENDERSON MUNIC PWR & LIGHT		63689	220,000	887,004	18,054,673	20.35
13. LOUIS DREYFUS		14890		32		
14. KENTUCKY UTILITIES COMPANY		14415		362	13,600	37.29
15. SOUTHERN INDIANA GAS & ELEC CO		18222		426	39,739	93.28
16. PACIFICORP POWER MARKETING				800		
17. SONAT POWER				2,106		
18. LOUISVILLE GAS & ELECTRIC CO		14955		7,440	322,902	43.40
19. NORAM ENERGY SERVICES		16300		100		
20. ELECTRIC CLEARINGHOUSE		12420		1,768		
21. TOTAL Power Purchased (Sum of lines 6 thru 20)			370,000	2,346,266	45,273,047	19.30
INTERCHANGED POWER						
22. Received Into System (Gross)			0	2,300	0	0.00
23. Delivered Out of System (Gross)			1,000	1,333	0	0.00
24. Net Interchange (Line 22 minus 23)			-1,000	967	0	0.00
TRANSMISSION FOR OR BY OTHERS - (WHEELING)						
25. Received Into System			0	973,917	0	0.00
26. Delivered Out of System			0	973,917	0	0.00
27. Net Energy Wheelled (Line 25 minus 26)			0	0	0	0.00
28. TOTAL Energy Available for Sale (Sum of lines 5 + 21 + 24 + 27)				7,244,056		
29. TOTAL Sales (Form 12b, line 77)				7,126,566		
30. Energy Furnished to Others Without Charge				0		
31. Energy Used by Borrower (Excluding Station Use)				0		
32. TOTAL Energy Accounted For (Sum of lines 29 thru 31)				7,126,566		
33. Energy Losses - MWh (Line 28 minus 32)				117,390		
34. Energy Losses - Percentage ((Line 33 divided by line 28) x 100)				1.62 %		

**USDA-RUS
OPERATING REPORT -
SOURCES AND DISTRIBUTION OF ENERGY**

SOURCE OF ENERGY (a)		BORROWER DESIGNATION		YEAR ENDING		RUS USE ONLY	
		NO. OF PLANTS (b)	NAMEPLATE CAPACITY (kW/h) (c)	ANNUAL PEAK DEMAND (kW) (d)	NET ENERGY RECEIVED BY SYSTEM (MW/h) (e)	COST (\$) (f)	MILLS PER kWh (g)
PURCHASED POWER (List each supplier separately) (CONTINUED)							
21.	LG&E MARKETING				1,101,032	20,748,230	18.84
22.	ENRON		12500		921		
23.	RAINBOW ENERGY				886		
24.	KOCH POWER SERVICES		14437		854		
25.	THE POWER COMPANY OF AMERICA				250		
26.	CNG POWER SERVICE				100		
27.	NESI POWER MARKET				75		
28.	FEDERAL ENERGY				3,950		
29.	SOUTHERN COMPANY		18197		500		

Exhibit 2
Page 104 of 105

USDA-RUS OPERATING REPORT - LINES AND STATIONS	BORROWER DESIGNATION KY062 BORROWER NAME AND ADDRESS BIG RIVERS ELECTRIC CORP P O BOX 24 HENDERSON, KY42420-0000
INSTRUCTIONS - <i>Submit an original and two copies to RUS. For details, see RUS Bulletin 1717B-3.</i>	YEAR ENDING 1998 October

SECTION A. EXPENSE AND COSTS			
ITEMS	ACCOUNT NUMBER	LINES (a)	STATIONS (b)
TRANSMISSION OPERATION			
1. SUPERVISION AND ENGINEERING.....	560	137,883	137,887
2. LOAD DISPATCHING.....	561	418,373	
3. STATION EXPENSES.....	562		602,098
4. OVERHEAD LINE EXPENSES.....	563	577,233	
5. UNDERGROUND LINE EXPENSES.....	564	0	
6. MISCELLANEOUS EXPENSES.....	566	144,602	158,608
7. SUBTOTAL (1 thru 6)		1,278,091	898,593
8. TRANSMISSION OF ELECTRICITY BY OTHERS.....	565	1,278,873	
9. RENTS.....	567	0	17,593
10. TOTAL TRANSMISSION OPERATION (7 thru 9)		2,556,964	916,186
TRANSMISSION MAINTENANCE			
11. SUPERVISION AND ENGINEERING.....	568	110,920	116,464
12. STRUCTURES.....	569		52,287
13. STATION EQUIPMENT.....	570		1,777,750
14. OVERHEAD LINES.....	571	635,031	
15. UNDERGROUND LINES.....	572	0	
16. MISCELLANEOUS TRANSMISSION PLANT.....	573	15,006	24,130
17. TOTAL TRANSMISSION MAINTENANCE (11 thru 16)		760,957	1,970,631
18. TOTAL TRANSMISSION EXPENSE (10 +17)		3,317,921	2,886,817
19. DISTRIBUTION EXPENSE - OPERATION.....	580 thru 589	0	0
20. DISTRIBUTION EXPENSE - MAINTENANCE.....	590 thru 598	0	0
21. TOTAL DISTRIBUTION EXPENSE (19 +20)		0	0
22. TOTAL OPERATION AND MAINTENANCE (18 +21)		3,317,921	2,886,817
FIXED COSTS			
23. DEPRECIATION - TRANSMISSION.....	403.5	1,429,370	2,243,590
24. DEPRECIATION - DISTRIBUTION.....	403.6	0	0
25. TAXES - TRANSMISSION.....	408	(152)	(20)
26. TAXES - DISTRIBUTION.....	408	0	0
27. INTEREST - TRANSMISSION.....	427	3,344,975	4,643,708
28. INTEREST - DISTRIBUTION.....	427	0	0
29. INSURANCE - TRANSMISSION.....	924,925,926	0	0
30. INSURANCE - DISTRIBUTION.....	924,925,926	0	0
31. TOTAL TRANSMISSION (18+23+25+27+29).....		8,092,114	9,774,095
32. TOTAL DISTRIBUTION (21+24+26+28+30).....		0	0
33. TOTAL LINES AND STATIONS (31+32)		8,092,114	9,774,095

SECTION B. FACILITIES IN SERVICE				SECTION C. LABOR AND MATERIAL SUMMARY		
TRANSMISSION LINES		SUBSTATIONS		1. NUMBER OF EMPLOYEES		46
VOLTAGE (kV)	MILES	TYPE	CAPACITY (kVA)	ITEM	LINES	STATIONS
1. 69	773.20	9. STEP UP AT GENERATING PLANTS	1,804,400	2. OPER. LABOR	347,145	1,331,729
2. 161	335.30			3. MAINT. LABOR	379,050	759,825
3. 138	14.40	10. TRANSMISSION	3,220,000	4. OPER. MATERIAL	496,697	314,765
4. 345	67.40			5. MAINT. MATERIAL	76,666	1,191,025
5. 0	0.00	11. DISTRIBUTION	0	SECTION D. OUTAGES		
6. TOTAL	1,190.30			1. TOTAL		
7. DISTR. LINES	0.00	12. TOTAL (9 thru 11)	5,024,400	2. AVG. NO. DISTR. CONS. SERVED	93,853.00	
8. TOTAL (6+7)	1,190.30			3. AVG. NO. HOURS OUT PER CONS.	0.23	

EXHIBIT 3

1
2 **Summary of Principal Transaction Documents for Big Rivers Electric Corporation's**
3 **Lease/Leaseback of D.B. Wilson Unit No. 1 and Plant Robert D. Green Units Nos. 1 and**
4 **2 and the Common Facilities**
5
6

7 The following summaries describe the transaction documents relating to the
8 lease/leaseback by Big Rivers of its ownership interests in the Wilson Facility, the Green
9 Facility, and the Common Facilities.

10 The transaction actually will consist of up to six transactions. This is possible because
11 Big Rivers will lease and leaseback up to six undivided interests in its ownership interest in
12 the Facilities. The documentation for each undivided interest will be virtually identical.
13 Currently, four transactions are scheduled to close at the end of December, 1999, and two
14 transactions are scheduled to close at the beginning of January, 2000 (each a "Closing Date").
15 For ease of reference, the following summaries describe the agreements to be entered into by
16 Big Rivers only in terms of one of the transactions.

17 **1. Participation Agreement**

18 Big Rivers will enter into a Participation Agreement with (i) State Street Bank and
19 Trust Company of Connecticut, N.A., as trustee (the "Owner Trustee") of a trust estate
20 created specifically for the benefit of the Equity Investor (the "Owner Trust"); (ii) the equity
21 investor of the transaction (the "Equity Investor"); and (iii) AME Investments, LLC and
22 CoBank, ACB, as lenders (the "Lenders"). The Participation Agreement will set forth the
23 terms of the closing conditions to the transaction, the payment of transaction costs, certain
24 covenants and indemnifications of the parties and other general matters relating to the
25 transaction.

EXHIBIT 3

1 **2. Head Lease**

2 Under the Head Lease, Big Rivers will lease to the Owner Trustee an undivided
3 interest in the Facilities for a term in excess of the appraised estimated economic useful life
4 of the Facilities. If the useful life is longer than originally estimated, the Head Lease will
5 contain evergreen renewal rights at no additional rent. The Owner Trustee will acquire, for
6 Federal income tax purposes, ownership of the Facilities because the Owner Trustee will
7 prepay all rent under the Head Lease on the Closing Date. The amount of the prepayment
8 will equal the undivided interest percentage of the appraised value of the Facilities on the
9 Closing Date (the "Facility Cost"). The Facility Cost is expected to be approximately \$895
10 million.

11 Under the Head Lease, legal title to the Facilities and ownership of the Facilities for
12 all purposes other than Federal income tax purposes will continue to be vested in Big Rivers
13 and the Facilities will remain subject to the lien and security interests of Big Rivers' existing
14 mortgages. In addition, the interest of the Owner Trustee in the Facilities under the Head
15 Lease will be subject to (i) the interest of the affiliates of LG&E Energy Corp. (the "LG&E
16 Entities") under the transactions between Big Rivers and the LG&E Entities (the "LG&E
17 Transaction"), and (ii) Big Rivers' arrangements with the City of Henderson, Kentucky
18 ("Henderson") for the operation of Henderson's Station Two Facility (the "Henderson
19 Arrangements").

20 **3. Ground Lease**

21 Big Rivers will lease to the Owner Trustee a nonexclusive leasehold interest in each

EXHIBIT 3

1 of the sites on which the Facilities are located (the "Sites") for a term coterminous with that
2 of the Head Lease pursuant to a ground lease (the "Ground Lease").

4. Lessee Assignment

3
4 Because the Head Lease will be subject to the LG&E Transaction and the Henderson
5 Arrangements, Big Rivers will assign some of its rights and obligations relating to the LG&E
6 Transaction and the Henderson Arrangements to the Owner Trustee for a term coterminous
7 with the Head Lease. All rights of the Owner Trustee pursuant to these assignments will be
8 reassigned back to Big Rivers as described below. Pursuant to an assignment (the "Lessee
9 Assignment"), Big Rivers will partially assign to the Owner Trustee certain rights and
10 obligations of Big Rivers in (i) the Power Purchase Agreement between Big Rivers and
11 LG&E Energy Marketing, Inc. (the "Power Purchase Agreement"), (ii) the right to receive
12 a portion of the rent paid under the Lease and Operating Agreement between Big Rivers and
13 Western Kentucky Energy Corp. (the "WKEC Lease") and (iii) certain other rights. The
14 Lessee Assignment will entitle the Owner Trustee to a pro rata share of the energy delivered
15 under the Power Purchase Agreement. The partial assignment of the WKEC Lease will
16 entitle the Owner Trustee to receive a pro rata share of the rent paid by WKEC to Big Rivers.

5. Facilities Lease

17
18 Pursuant to the Facilities Lease (the "Facilities Lease"), the Owner Trustee will
19 sublease the Facilities to Big Rivers for a term commencing on the Closing Date
20 (approximately 27 years with respect to the Wilson Facility and 25 years with respect to the
21 Green Facility). Big Rivers will pay to the Owner Trustee annual installments of rent during

EXHIBIT 3

1 the term of the Facilities Lease ("Basic Rent"). Under certain circumstances, including among
2 other things upon the occurrence of an event of loss or an event of default, Big Rivers will
3 be obligated to pay certain additional amounts in the form of supplemental rent
4 ("Supplemental Rent"). Big Rivers' obligation to pay all rent payable under each Facilities
5 Lease will be absolute and unconditional.

6 The Facilities Lease will be a net lease and will contain customary covenants of Big
7 Rivers to, among other things, maintain insurance on the Facilities, maintain the Facilities in
8 good condition and make certain modifications to the Facilities. During the LG&E
9 Transaction Term, it is anticipated that the LG&E Entities will perform these covenants
10 coincident with its compliance with the corresponding covenants in the LG&E Transaction.

11 Big Rivers shall have the option at the end of the term of the Facilities Lease, (i) to
12 exercise an option (the "Purchase Option") to acquire the Owner Trustee's interest in the
13 Facilities under the Head Lease for a certain amount (the "Purchase Option Price") plus
14 unpaid Basic Rent and Supplemental Rent (collectively, "Rent"), or (ii) require another power
15 purchaser (other than Big Rivers or an affiliate of Big Rivers) to enter into an agreed form of
16 power purchase agreement with the Owner Trustee with predetermined capacity payments
17 for power (the "Service Contract Option").

18 **6. Ground Sublease**

19 The Owner Trustee will sublease its undivided interest in each of the Sites to Big
20 Rivers for a term coterminous with the Facilities Lease pursuant to a Ground Sublease (the
21 "Ground Sublease"). For so long as the Ground Sublease is in effect, the rent under the

EXHIBIT 3

1 Ground Lease and the Ground Sublease will be identical in timing and amount (and will be
2 offset one against the other).

3 **7. Lessee Reassignment**

4 Pursuant to another assignment (the "Lessee Reassignment"), the Owner Trustee will
5 reassign all rights it received from Big Rivers in the Lessee Assignment back to Big Rivers.
6 The Lessee Reassignment will be for a term coterminous with the Facilities Lease.

7 **8. Leasehold Mortgage**

8 The Owner Trustee will borrow funds on the Closing Date on a non-recourse basis
9 from the Lenders under two loan certificates (the "Series A Loan Certificate" and the "Series
10 B Loan Certificate," and, collectively, the "Loan Certificates") pursuant to a loan and security
11 agreement and leasehold mortgage (the "Leasehold Mortgage"). The Owner Trustee will use
12 these funds to finance a portion of the rent prepaid by the Owner Trustee to Big Rivers
13 pursuant to the Head Lease on the Closing Date. Ninety percent of the principal amount of
14 the loans made by the Lender to the Owner Trustee will be represented by the Series A Loan
15 Certificate. Ten percent of the principal amount of the loans made by the Lender to the
16 Owner Trustee will be represented by the Series B Loan Certificates. The Loan Certificates
17 generally will have identical commercial terms, final maturities and amortization schedules.
18 Both Loan Certificates will bear interest at a fixed rate.

19 The Leasehold Mortgage will secure the Owner Trustee's payment obligations with
20 respect to the Loan Certificates and constitutes a lien and security interest in such Owner
21 Trustee's interest in the Head Lease, Facilities Lease, Ground Lease and Ground Sublease,

EXHIBIT 3

1 including all payments of Rent under such Facilities Lease (subject to certain "excepted
2 payments" and "excepted rights") and, in the case of the Series A Loan Certificates, such
3 Owner Trustee's interest in the Payment Undertaking Agreement (defined below) and the
4 pledges thereof. The Leasehold Mortgage will stipulate the full amount of the Loan
5 Certificates as the amount secured thereunder, except that the Payment Undertaking
6 Agreement will secure only the Series A Loan Certificate.

9. Supplement to Big Rivers' Mortgage

8 The Restated Mortgage and Security Agreement, dated as of July 15, 1998 (the "Big
9 Rivers Mortgage"), made by and among Big Rivers, as mortgagor, and the United States of
10 America, acting through the Administrator of the Rural Utilities Service ("RUS"), Ambac
11 Assurance Corporation ("Ambac") and the National Rural Utilities Cooperative Finance
12 Corporation ("CFC"), as mortgagees, will be supplemented to secure (i) a promissory note
13 (the "Lessor Secured Note") evidencing a portion of Big Rivers' obligations to the Owner
14 Trustee under the Facilities Lease and (ii) a promissory note (the "Credit Enhancer Secured
15 Note" and, collectively with the Lessor Secured Note, the "Secured Notes") evidencing a
16 portion of Big Rivers' obligations to Ambac Credit Products, LLC (the "Credit Enhancer")
17 under the Big Rivers Swap (defined below).

18 The stated principal amount of each Secured Note will be equal to amounts owed to
19 the Owner Trustee under the Facilities Lease ("Termination Value"). However, the principal
20 amounts outstanding under the Lessor Secured Note and the Credit Enhancer Secured Note
21 will be reduced by any amounts (i) paid by Big Rivers to the Owner Trustee pursuant to the

EXHIBIT 3

1 Facilities Lease in respect of Termination Value or to the Credit Enhancer pursuant to the Big
2 Rivers Swap, respectively; (ii) recovered by any such persons pursuant to the Payment
3 Undertaking Agreement, the Series B Investment Contract or the Funding Agreement (each
4 as defined below); or (iii) payable but unpaid by Ambac under financial guarantee policies
5 covering the Payment Undertaking Agreement or the Funding Agreement; or (iv) amounts
6 due and payable but unpaid by the Series B Investment Contract Provider under the Series
7 B Investment Contract (collectively, the "Secured Note Credits").

8 **10. Partial Release**

9 RUS, Ambac, CFC, the LG&E Entities, the Owner Trustee and the Credit Enhancer
10 will enter into a Partial Release on the Closing Date. Pursuant to the Partial Release, these
11 mortgagees under the Big Rivers Mortgage will permit a portion of the proceeds of the rent
12 prepaid by the Owner Trustee under the Head Lease on the Closing Date to be used to
13 purchase the Payment Undertaking Agreement, Series B Investment Contract, the Lessor
14 Swap and the Funding Agreement.

15 **11. Restated Subordination, Nondisturbance, Attornment and Intercreditor**
16 **Agreement**

17 Big Rivers, RUS, CFC, Ambac, the LG&E Entities, the Owner Trustee, the Lenders
18 and the Credit Enhancer will amend and restate the Subordination, Nondisturbance,
19 Attornment and Intercreditor Agreement ("Nondisturbance Agreement") entered into in
20 connection with the LG&E Transaction. The Nondisturbance Agreement will require the
21 Credit Enhancer to use due diligence for a reasonable time to satisfy its claims against Big

EXHIBIT 3

1 Rivers from the Big Rivers Swap, from the Funding Agreement, the Payment Undertaking
2 Agreement and the Series B Investment Contract prior to seeking to recover any amount due
3 and payable under the applicable Secured Note from the exercise of remedies under the Big
4 Rivers Mortgage. Although the principal amount of each Secured Note will be equal to
5 Termination Value, the Nondisturbance Agreement will limit the total amount secured by both
6 Secured Notes under the Big Rivers Mortgage to Termination Value plus all amounts payable
7 pursuant to the alternative cash settlement under the Big Rivers Swap (as defined below) less
8 all Secured Note Credits.

9 **12. Lessor Swap**

10 On the Closing Date, the Equity Investor and the Credit Enhancer will enter into a
11 swap agreement on a standard International Swap Dealers Association form (the "Lessor
12 Swap"). Under the Lessor Swap, upon the occurrence of an event of default under the
13 Facilities Lease, the Equity Investor will have the right to deliver its entire beneficial interest
14 in the Owner Trust to the Credit Enhancer in exchange for the payment of an amount
15 specified in the Lessor Swap. The obligations of the Credit Enhancer under the Lessor Swap
16 will be guaranteed by Ambac pursuant to a surety bond.

17 **13. Big Rivers Swap**

18 On the Closing Date, Big Rivers and the Credit Enhancer will enter into a swap
19 agreement on a standard International Swap Dealers Association forms (the "Big Rivers
20 Swap" and, collectively with the Lessor Swap, the "Swaps"). Under the Big Rivers Swap,
21 the Credit Enhancer will have the right to put the beneficial interest in the Owner Trust

EXHIBIT 3

1 conveyed to it under the Lessor Swap to Big Rivers in exchange for the payment of the
2 amount specified in the Big Rivers Swap or pursuant to an alternate cash settlement
3 procedure. Big Rivers' obligations under the Big Rivers Swap will be guaranteed by Ambac
4 pursuant to a financial guarantee insurance policy.

5 **14. Rights Sharing Agreement**

6 A rights sharing agreement (the "Rights Sharing Agreement") will be entered into
7 among the Equity Investor, the Owner Trustee, the Credit Enhancer and the Lenders,
8 pursuant to which the Lenders will have agreed rights to cause the Equity Investor to settle
9 the Lessor Swap at any time following a specified time period at which time the Lenders will
10 be entitled, pursuant to the Leasehold Mortgage, to exercise remedies in connection with an
11 event of default thereunder.

12 **15. Payment Undertaking Agreement**

13 A wholly owned subsidiary of Big Rivers (the "Big Rivers Subsidiary") will enter into
14 an agreement (the "Payment Undertaking Agreement") with an affiliate of the Lender (the
15 "Payment Undertaker") wherein the Big Rivers Subsidiary will pay the Payment Undertaker
16 an amount (the "Specified Sum") equal to the principal amount of the Series A Loan
17 Certificate on the Closing Date, and the Payment Undertaker will agree to pay to the Owner
18 Trustee, on behalf of Big Rivers, amounts equal in timing and amount to that portion of the
19 Basic Rent, Termination Value and any portion of the Purchase Option price corresponding
20 to the Owner Trustee's obligations under the Series A Loan Certificate. A default by the
21 Payment Undertaker under the Payment Undertaking Agreement will not, however, relieve

EXHIBIT 3

1 Big Rivers of its obligation to pay Basic Rent under the Facilities Lease. The obligations of
2 the Payment Undertaker will be guaranteed by Ambac pursuant to a financial guarantee
3 insurance policy. Funds for the acquisition of the Payment Undertaking Agreement will be
4 provided to the Big Rivers Subsidiary by Big Rivers as a capital contribution. Big Rivers will
5 use a portion of the prepayment of rent received under the Head Lease to make such capital
6 contribution.

7 Big Rivers will assign the Payment Undertaking Agreement to the Owner Trustee to
8 secure Big Rivers' obligations under the Facilities Lease, and the Owner Trustee will assign
9 its interest in the Payment Undertaking Agreement to the Lender to secure repayment of the
10 Series A Loan Certificate. Big Rivers also will assign a security interest in the Payment
11 Undertaking Agreement to (i) to the Credit Enhancer to secure Big Rivers obligations under
12 the Big Rivers Swap, and (ii) the mortgagees under Big Rivers Mortgage.

13 **16. Series B Investment Contract**

14 The Big Rivers Subsidiary will place a deposit or purchase a guaranteed investment
15 contract similar to the Payment Undertaking Agreement (the "Series B Investment Contract")
16 with the Federal Farm Credit Banks Funding Corporation (the "Series B Investment Contract
17 Provider") paying interest from time to time equal in timing and amount to that portion of
18 Basic Rent in respect of the Series B Loan Certificate and Termination Value and Purchase
19 Option Price corresponding to the Owner Trustee's obligations in respect to the Series B
20 Loan Certificate, if any. A default by the Series B Investment Contract Provider will not
21 relieve Big Rivers of its obligation to pay any Rent under the Facilities Lease. There will be

EXHIBIT 3

1 no release of Big Rivers under the Facilities Lease as a result of the Series B Investment
2 Contract unless and until payment of all amounts due and payable under the Facilities Lease
3 have been made. The obligations of the Series B Investment Contract Provider will be
4 guaranteed by Ambac pursuant to a financial guarantee insurance policy.

5 Funds for the acquisition of the Series B Investment Contract will be provided to the
6 Big Rivers Subsidiary by Big Rivers as a capital contribution. Big Rivers will use a portion
7 of the prepayment of rent received under the Head Lease to make such capital contribution.
8 Big Rivers will pledge the Series B Investment Contract to (i) the Credit Enhancer to secure
9 Big Rivers obligation under the Big Rivers Swap; (ii) to the Owner Trust; and (iii) the
10 mortgagees under Big Rivers Mortgage.

11 **17. Funding Agreement**

12 The Big Rivers Subsidiary will place a deposit (the "Security Deposit") with a
13 financial institution with a specified credit rating (the "Funding Agreement Issuer") which is
14 sufficient to pay that portion of the equity portion of the Basic Rent and the Purchase Option
15 price not otherwise required to pay the outstanding balance of the Loan Certificates at the
16 end of the term of the Facilities Lease. The obligations of the Funding Agreement Issuer will
17 be guaranteed by Ambac under a financial guarantee insurance policy. Big Rivers will pledge
18 the Security Deposit and the supporting financial guarantee insurance policy to (i) the Credit
19 Enhancer to secure the Big Rivers Swap, and (ii) the mortgagees of the Big Rivers Mortgage.
20 Funds for the acquisition of the Security Deposit will be provided to the Big Rivers Subsidiary
21 by Big Rivers as a capital contribution. Big Rivers will use a portion of the prepayment of

EXHIBIT 3

1 rent received under the Head Lease to make such capital contribution.

2 **18. Stock Pledge Agreement**

3 Big Rivers will pledge its interest in the Big Rivers Subsidiary in the Stock Pledge
4 Agreement to the Owner Trustee. On the Closing Date, Big Rivers will deliver the pledged
5 stock certificates along with stock powers executed in blank. The Owner Trustee, the
6 Lender, the Credit Enhancer and the Equity Investor will enter into a Collateral Agency
7 Agreement pursuant to which (i) a collateral agent will be appointed to hold the pledged stock
8 certificates, (ii) the priority of the respective security interests in the pledged stock will be
9 established and (iii) limitations will be placed on the exercise of rights against the pledged
10 stock.

11 **19. Tax Indemnity Agreement**

12 Big Rivers will, on an after-tax basis, indemnify the Lender, the Payment Undertaker,
13 the Credit Enhancer, Ambac, the Owner Trustee, the Equity Investor and each of their
14 affiliates (each an "Indemnitee") against certain taxes and other charges imposed upon any
15 Indemnitee, the Facilities, the Sites or the Loan Certificates, or upon any operative document
16 or interest therein, relating to, among other things, (i) the construction, operation or financing
17 of the Facilities, (ii) the conduct or affairs of Big Rivers, (iii) the manufacture or design of the
18 Facilities, (iv) the execution or delivery of the operative documents relating to the transaction,
19 (v) the payment of Rent, (vi) the issuance of the Loan Certificates, or (vii) otherwise in
20 connection with the transaction.

21 **20. Operating and Support Agreement**

EXHIBIT 3

1 The Operating and Support Agreement will appoint Big Rivers as operating agent for
2 the Owner Trustee for the purposes of operation of the Facilities following the end of the
3 term or earlier termination of the Facilities Lease for the generation of electric energy in
4 circumstances where, at the end of the term of the Facilities Lease, Big Rivers elects the
5 Service Contract Option. The Operating and Support Agreement also will provide the Owner
6 Trustee support and access rights relating to the Facilities and the Site during the term of the
7 Head Lease.

8 **21. Service Contract**

9 On the Closing Date, the essential terms and conditions of a Service Contract will be
10 agreed upon by Big Rivers and the Equity Investor. The Service Contract would be entered
11 into by the Owner Trustee and a power purchaser (other than Big Rivers or an affiliate of Big
12 Rivers and meeting agreed standards in the operative documents) if Big Rivers elects the
13 Service Contract Option at the end of the term of the Facilities Lease or if the Facilities Lease
14 is terminated prior to its stated term. The Service Contract will require the power purchaser
15 to purchase power generated from the Facilities for predetermined capacity payments. If Big
16 Rivers elects the Purchase Option at the end of the term of the Facilities Lease, the Service
17 Contract will never be entered into.

18 **22. Subordinated Mortgage**

19 Big Rivers will execute and deliver a Subordinated Mortgage to the Owner Trustee,
20 Equity Investor, the Credit Enhancer and Lender covering Big Rivers' right, title and interest
21 in all of the assets subject to the Big Rivers Mortgage. This Subordinated Mortgage will

EXHIBIT 3

1 secure any potential indemnity obligations owed to the Owner Trustee, Equity Investor and
2 Lender and will be subordinated to the Big Rivers Mortgage, the Head Lease, the Facilities
3 Lease, the Ground Lease, the Ground Sublease and LG&E's interests in such property,
4 including the two mortgages on Big Rivers' generating facilities in favor of various LG&E
5 Entities.

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Early Termination Projected Exposure

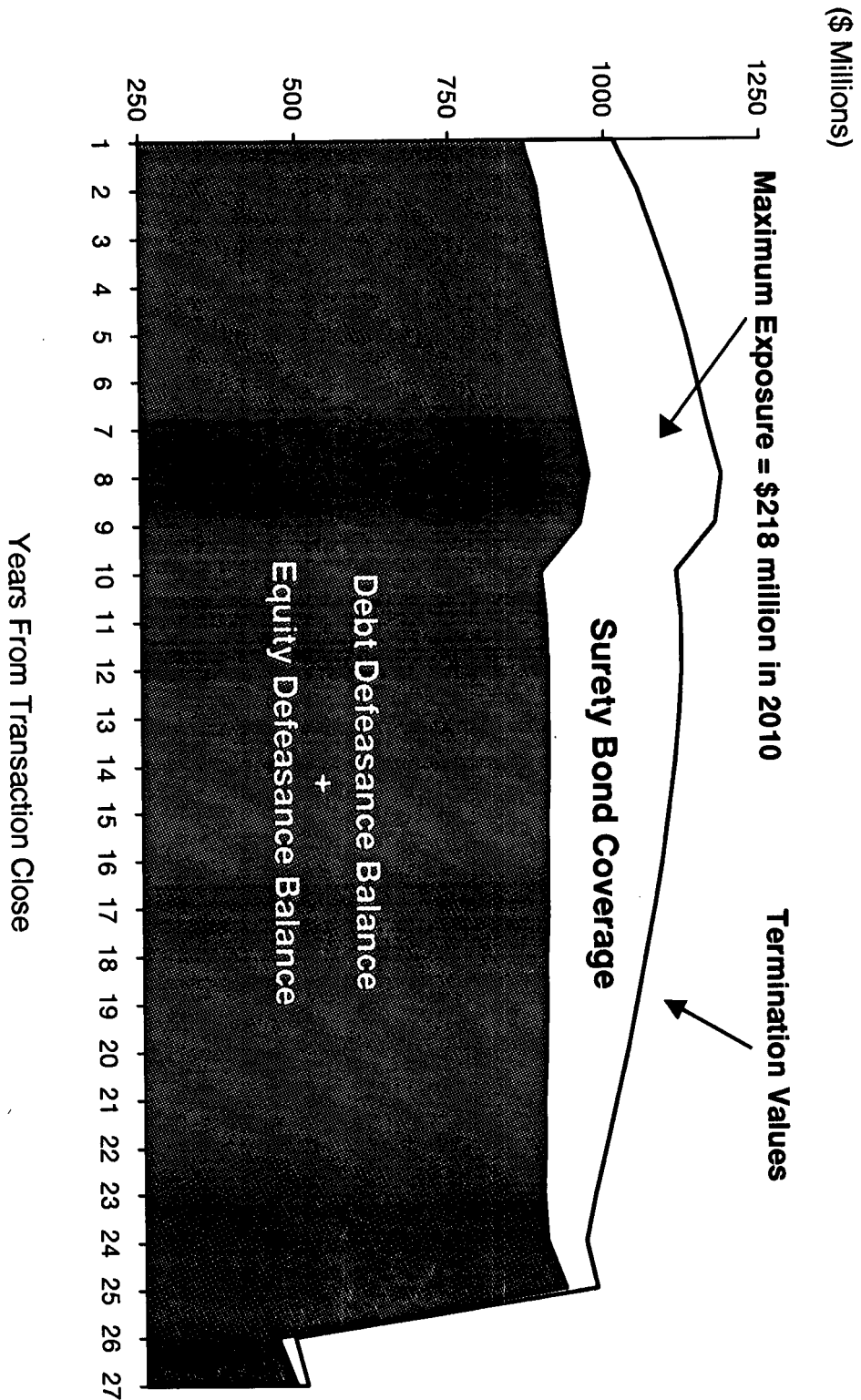


Exhibit 4

EXHIBIT 5

SUMMARY OF TERMS AND CONDITIONS

This exhibit has been filed with the Public Service Commission under a Petition for Confidential Treatment.

DOCUMENT CONTROL
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AT RICHMOND, DECEMBER 5, 1995

APPLICATION OF

CASE NO. PUA950049

OLD DOMINION ELECTRIC
COOPERATIVE

For authority to dispose of and to acquire utility
assets and motion for expedited consideration

ORDER GRANTING AUTHORITY

On October 16, 1995, Old Dominion Electric Cooperative ("ODEC,"
"Company," "Applicant") filed an application with the Commission under the
Utility Transfers Act for authority to enter into a lease/leaseback arrangement
involving Company's Clover Unit One (1) and certain common facilities.

Old Dominion Electric Cooperative represents that it owns facilities within
the Commonwealth of Virginia for the generation of electric energy for sale,
including a fifty percent (50%) undivided ownership interest in two (2) 393 MW
coal-fired generating units at the Clover Power Station ("Clover") in Halifax
County, Virginia. ODEC states in its application that Clover Unit One (1) achieved

County, Virginia. ODEC states in its application that Clover Unit One (1) achieved commercial operation on October 7, 1995, and Clover Unit Two (2) is under construction. ODEC operates on a not-for-profit basis and is exempt from federal income taxes under Section 501(c)12 of the Internal Revenue Code. Therefore, ODEC cannot directly avail itself of some of the tax benefits associated with owning depreciable property.

To realize a portion of the value of these tax benefits, Company proposes a transaction whereby it will enter into a long-term lease of its ownership in its fifty percent (50%) undivided interest (the "Undivided Interest") in Clover Unit One (1) and certain common facilities (the "Facility") to a tax-sensitive investor (the "Investor"), while retaining operation control over the Undivided Interest by simultaneously entering into a leaseback of the Undivided Interest.

The proposed transaction will be structured as a lease and leaseback. Pursuant to this structure, title to the Facility does not pass, but the Investor will nonetheless be entitled to the benefits of recognizing the tax depreciation with respect to the Undivided Interest. ODEC will realize a portion of the value of the tax benefits recognized by the Investor through leaseback pricing terms.

ODEC further represents in its application that during the entire term of the proposed transaction, ODEC will retain both title ownership of the Undivided

Interest and, at least for the first twenty-three (23) years of the transaction, actual control over the Undivided Interest. Company states that the proposed transaction is in the public interest. Depending on the appraised value of the Undivided Interest, ODEC will realize a cash benefit of between \$17 million and \$25 million.

ODEC represents that this will reduce its members' revenue requirements.

Company further represents that adequate service to the public at just and reasonable rates will not be impaired or jeopardized by granting the prayer of the petition. Company requests expedited consideration in this case to maximize the economic benefits of the proposed transaction.

As stated by Company in its application, Clover is a two (2)-unit, coal-fired, steam electric generating facility. ODEC and Virginia Electric and Power Company ("Virginia Power") each owns a fifty percent (50%) undivided interest in Clover. The basic structure of the proposed lease and leaseback transaction involves the lease of the Undivided Interest for a term exceeding one hundred ten percent (110%) of the estimated useful tax life of the Facility (the "Head Lease") and a simultaneous leaseback of the Undivided Interest by ODEC for a shorter period than the Head Lease (the "Operating Lease").

Under the Head Lease, the Investor will obtain, subject to the Clover ownership and operating agreements between ODEC and Virginia Power (the

"Clover Agreements"), a leasehold interest constituting ownership for income tax purposes. To satisfy requisite federal income tax requirements, the Head Lease will contain evergreen renewal rights for renewal terms equal to at least one hundred ten percent (110%) of the then estimated useful life of the Facility.

Upon closing, ODEC will assign to the Investor for the term of the Head Lease all of its rights with respect to the Undivided Interest under the Clover Agreements. The Investor simultaneously will reassign to ODEC all such interest in the Clover Agreements for the term of the Head Lease, which reassignment will be terminable by the Investor upon termination of the Operating Lease (whether upon expiration or early termination).

Legal title to the Undivided Interest (other than assets subject to the Dutch Lease previously authorized by the Commission) will continue to be vested in ODEC throughout the term of the Head Lease. The interest of the Investor under the Head Lease will at all times remain subject to the lien of the ODEC Indenture on the Undivided Interest and the Clover Agreements.

Company states that rent payable to ODEC under the Head Lease will be based on an appraisal of the fair market value of the Undivided Interest as of the closing date (the "Facility Cost"). Company estimates that the Facility Cost will be between \$300 million and \$400 million. On the closing date, all rent due under the

Head Lease will be prepaid to ODEC in an amount equal to the Facility Cost. The funds for the payment of the Facility Cost will come from the Investor contributing at least ten percent (10%) of the Facility Cost with ninety percent (90%) or less to be borrowed on a non-recourse basis by the Investor. Up to ninety percent (90%) of the loans will be provided by ODEC or a related entity with the remaining ten percent of the loans provided by a third-party lender unrelated to ODEC. The loans will be secured under a trust indenture (the "Lease Indenture") with a security interest in the Investor's interest in the Head Lease, the Clover Agreements, and the Operating Lease and all payments of rent thereunder.

As stated by ODEC, under the Operating Lease, the Investor will sublease the Undivided Interest to Company for a term beginning on the closing date and extending for a term not to exceed twenty-three (23) years. ODEC will pay to the Investor semi-annual or annual installments of rent (the "Basic Rent") during the Operating Lease term. The Basic Rent will be sufficient to service principal and interest payments with respect to the loans. The Operating Lease will be a net lease, and ODEC'S obligations to pay rent will be absolute and unconditional.

During the term of the Operating Lease, ODEC may acquire the Investor's leasehold interest in the Head Lease and terminate the Operating Lease by paying on any rent payment date the higher of the fair market value or a predetermined

amount sufficient to pay off the loan and maintain the Investor's net economic return (the "Termination Value"). This would happen if the Operating Lease becomes illegal or if certain events occur which obligate ODEC to pay or indemnify the Investor under the operative documents of the transaction. ODEC will pay all rent, all costs and expenses, and all sales, value-added, and similar taxes associated with the exercise of its rights under the previously described buyout provision. The Operating Lease also provides for termination for obsolescence and describes events of loss and events of default.

As indicated in the application, assuming that ODEC has not otherwise acquired the Investor's leasehold interest prior to the end of the Operating Lease term, at the end of the Operating Lease term, ODEC will acquire the Investor's leasehold interest in the Undivided Interest under the remaining term of the Head Lease for a predetermined amount equal to the appraiser's estimate of the fair market value of the Undivided Interest at the end of the Operating Lease (the "Purchase Option Price"); or arrange one (1) or more wholesale power agreements with entities which agreements constitute service contracts within the meaning of Section 7701(e) of the Internal Revenue Code; or pay the Investor a predetermined liquidated damage amount, after which the Investor will retain possession and control of the Undivided Interest under the Head Lease. If ODEC does not

affirmatively exercise one of the options described, it will be deemed to have exercised the last option described.

At the end of the Operating Lease term, in any circumstances in which possession and control of the Undivided Interest is delivered to the Investor, ODEC will be required to relinquish possession of the Undivided Interest free and clear of liens other than liens which ODEC is not required to discharge under the Operating Lease, which includes the lien of the ODEC Indenture. In addition to other return conditions, the Undivided Interest will be in at least the condition it would have been had it been maintained and repaired in compliance with the Operating Lease.

As stated by Company, ODEC will use a portion of the Investor's prepayment of rent under the Head Lease to establish a deposit with a financial institution having a credit rating of investment grade or better. This deposit will be sufficient to pay the "free cash" portion of the Basic Rent and the "free cash" portion of the Purchase Option Price. ODEC will pledge the deposit to the Investor to secure its obligations to the Investor under the Operating Lease to pay the Basic Rent, the Termination Value, and the Purchase Option Price.

ODEC will, also from the Investor's prepayment of rent, place a deposit with an affiliate of the lender of the ten percent (10%) referred to earlier sufficient to pay that portion of the Basic Rent and the Purchase Option Price under the Operating

Lease corresponding to the obligations under the loan. ODEC may pledge the deposit to the Investor to secure its obligations under the Operating Lease. The Investor, in turn, may pledge the deposit to the lender to secure the loan. Alternatively, the deposit would not be pledged and repledged as previously described. Instead, ODEC would agree with the lender not to withdraw such deposits until the loan is discharged. Although the above-referenced deposits will be invested in a manner designed to predict their yield, ODEC will be responsible for any shortfall in these deposits.

Under the Operating Lease, ODEC will make payments to the Investor sufficient to indemnify, on an after-tax basis, the Investor and its affiliates for any loss, damage, cost, claim, or expense which may be imposed on or asserted against such indemnified party arising from certain occurrences as enumerated in the application. Moreover, the Investor may demand that Company purchase the Investor's interest in the Undivided Interest in the event that the Investor or its affiliate is declared to be a public utility as a result of its participation in the transaction.

Company represents that the proposed transaction will not have any significant effect on the adequacy of service to the public because the leaseback

(together with the repurchase option) will ensure that ODEC will retain all of its rights in, responsibilities for, and benefits from the Facility. Moreover, ODEC expects to realize a net cash gain of between \$17 million and \$25 million. ODEC indicates that the gain will be used to enhance its equity and reduce its revenue requirements. ODEC represents that in the long-term, an enhanced equity position should bolster Company's financial stability and credit ratings. In addition, this increased income will be amortized into rates over a period of time to reduce ODEC's revenue requirements and cost to its member cooperatives. Company, therefore, maintains that the proposed transaction will have a beneficial effect on just and reasonable rates. Company further contends that adequate service to the public will have additional protection because ODEC will preserve Virginia Power's contractual rights under the transaction.

THE COMMISSION, upon consideration of the application and representations of Applicant and having been advised by its Staff, is of the opinion and finds that the above-described transfer of utility assets would not impair or jeopardize the provision of adequate service to the public at just and reasonable rates and should be approved.

Accordingly,

IT IS ORDERED:

- 1) That, pursuant to §§56-89 and 56-90 of the Code of Virginia, Old Dominion Electric Cooperative is hereby granted authority to transfer the utility assets in the form of the lease and leaseback arrangement as described herein;
- 2) That, on or before February 29, 1996, Applicant shall file a Report of Action regarding the action taken pursuant to the authority granted herein, such Report to include the accounting entries reflecting the transaction, an executed copy of the Head Lease, an executed copy of the Operating Lease, and other significant details of the transaction to include the total value of the assets involved and the net benefit to Applicant from the arrangement; and
- 3) That this matter shall be continued generally subject to the continuing review and appropriate directive of this Commission.

AN ATTESTED COPY hereof shall be sent to Applicant, care of James B. Guy, II, Esquire, LeClair Ryan, Attorneys at Law, 4201 Dominion Boulevard, Suite 200, Glen Allen, VA 23060; and delivered to the Director of Public Utility Accounting of the Commission.

A True Copy
Teste:

William J. Bridge
Clerk of the
State Corporation Commission

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

February 9, 2000

Martin J. Huelsmann, Jr.
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, Kentucky 40601

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COMMISSION

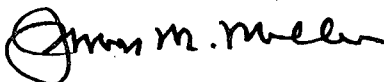
Re: Big Rivers Electric Corporation, PSC Case No. 99-450

Dear Mr. Huelsmann:

Enclosed on behalf of Big Rivers Electric Corporation ("Big Rivers") in compliance with requirements of the January 28, 2000, order of the Commission in the above-styled matter are eleven copies of the excerpt from the minutes of the meeting of the Board of Directors of Kenergy reaffirming authority for Big Rivers to consummate the leverage lease transaction.

I certify that copies of this letter and attachments have been served upon each of the persons identified on the attached service list, postage prepaid.

Sincerely yours,



James M. Miller

JMM/ej
Enclosures

cc: Service List

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

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

**SERVICE LIST
CASE NO. 99-450**

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FEB 14 2009
**PUBLIC SERVICE
COMMISSION**

David C. Brown, Esq.
Stites & Harbison
1800 Aegon Center
400 West Market Street
Louisville, KY 40202-3352

Counsel for Alcan Aluminum Company

Allison Wade, Esq.
Holland & Knight
1201 West Peachtree Street NE
Suite 2000
Atlanta, Georgia 30309-3400

Counsel for Southwire Company

Michael L. Kurtz, Esq.
Boehm, Kurtz & Lowry
2110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

**Co-Counsel for Southwire Company
and Alcan Aluminum Corporation**

Elizabeth E. Blackford, Esq.
Assistant Attorney General
Utility and Rate Intervention
Division
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601



P.O. Box 1389 ♦ 3111 Fairview Drive
Owensboro, Kentucky 42302-1389
(270) 926-4141 ♦ FAX (270) 685-2279
(800) 844-4732

EXCERPT FROM THE MINUTES OF A MEETING OF
THE BOARD OF DIRECTORS OF KENERGY CORP.
ON JANUARY 4, 2000

WHEREAS, Kenergy Corp. ("Kenergy") adopted a resolution on November 11, 1999, authorizing the board of directors of Big Rivers Electric Corporation ("Big Rivers") to lease certain facilities under a leveraged lease (the "Lease Transaction"), and

WHEREAS, Big Rivers obtained approval from the Kentucky Public Service Commission ("KPSC") to enter into the Lease Transaction by order entered in Case No. 99-450 on November 24, 1999, and

WHEREAS, because of certain requirements of Rural Utilities Service, Big Rivers is required to file another case with KPSC for approval of the Lease Transaction and Kenergy desires to reaffirm its authorization to the board of directors of Big Rivers to lease pursuant to the Lease Transaction;

NOW, THEREFORE, BE IT RESOLVED, that Kenergy hereby reaffirms its authority to the board of directors of Big Rivers to lease pursuant to the Lease Transaction the ownership interest of Big Rivers in (i) D. B. Wilson Unit No. 1, (ii) Robert D. Green Unit 1 and Unit 2; and (iii) the common facilities owned by Big Rivers which are located on the same site as the Green Units.

I, Debra Hayden, Assistant Secretary, hereby certify that the foregoing is a true and correct excerpt from the minutes of a meeting of the board of directors on January 4, 2000.


Assistant Secretary

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. Lockett
Anne H. Shelburne

February 7, 2000

Martin J. Huelsmann, Jr.
Executive Director
Public Service Commission
211 Sauer Lane
Frankfort, Kentucky 40601

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PUBLIC SERVICE
COMMISSION

Re: Big Rivers Electric Corporation, PSC Case No. 99-450

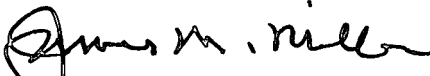
Dear Mr. Huelsmann:

Enclosed on behalf of Big Rivers Electric Corporation ("Big Rivers") in compliance with requirements of the January 28, 2000, order of the Commission in the above-styled matter are eleven copies of each of the following documents:

1. Letter dated February 1, 2000, from Big Rivers' lease counsel in response to ordering paragraph number 4; and
2. Excerpt from minutes dated January 26, 2000, of the Board of Directors of Meade County Rural Electric Cooperative Corporation reaffirming authority for Big Rivers to consummate the leverage lease transaction.

I certify that copies of this letter and attachments have been served upon each of the persons identified on the attached service list, postage prepaid.

Sincerely yours,



James M. Miller

JMM/ej
Enclosures

cc: Service List

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

100 St. Ann Building
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Owensboro, Kentucky
42302-0727

**SERVICE LIST
CASE NO. 99-450**

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FEB 08 2000
PUBLIC SERVICE
COMMISSION

David C. Brown, Esq.
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Counsel for Alcan Aluminum Company

Allison Wade, Esq.
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Counsel for Southwire Company

Michael L. Kurtz, Esq.
Boehm, Kurtz & Lowry
2110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

**Co-Counsel for Southwire Company
and Alcan Aluminum Corporation**

Elizabeth E. Blackford, Esq.
Assistant Attorney General
Utility and Rate Intervention
Division
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601

ORRICK, HERRINGTON
& SUTCLIFFE LLP

February 1, 2000

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FEB 08 2000
PUBLIC SERVICE
COMMISSION

Michael H. Core
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Dear Mike:

You have asked that we give you a letter stating whether the proposed leveraged lease transaction ("Lease Transaction"), described by Big Rivers Electric Corporation ("Big Rivers") in its application and data request responses in Kentucky Public Service Commission (the "KPSC") Case No. 99-450, which description of the Lease Transaction was modified as set forth in Big Rivers Motion to Reopen Docket and Amend Order filed with the KPSC on January 24, 2000, "is in compliance with the applicable sections of the Internal Revenue Service Code and any guidelines, rules, or regulations promulgated by the Internal Revenue Service concerning such lease transactions."

Neither the Internal Revenue Code nor the Treasury regulations promulgated thereunder set forth any list of requirements or prerequisites that must be satisfied in order for a transaction to be recognized as a sale-leaseback for Federal income tax purposes. Approximately 25 years ago the Internal Revenue Service ("IRS") promulgated certain lease guidelines which must be satisfied if a taxpayer intends to request an advance ruling from the IRS as to the characterization of a leveraged lease as a "true lease" for Federal income tax purposes. Compliance with these guidelines was not viewed as necessary by Big Rivers or the equity investors because no party to

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Michael H. Core
February 1, 2000
Page Two

the Lease Transaction is seeking an advance ruling and because the guidelines are not utilized by the IRS for audit purposes. Indeed, many if not most large leveraged lease transactions do not comply with the guidelines, and advance rulings are virtually never sought in these types of transactions.

As you know, the failure of the Lease Transaction to be respected as a true lease by the IRS will not result in an early termination of the Facilities Lease or give rise to any indemnity obligation on the part of Big Rivers (unless the failure is attributable to a misrepresentation by Big Rivers or to an act or failure to act by Big Rivers). The agreement regarding Federal income tax indemnities is contained in the Income Tax Indemnity Agreement section in the "Summary of Terms and Conditions" of the Lease Transaction dated November 8, 1999 (pages 81 through 103), which Big Rivers filed with its application in KPSC Case No. 99-450. No significant changes to this agreement regarding Federal income tax indemnities have since occurred.

Moreover, in the unlikely event that the IRS were to challenge successfully Big Rivers' treatment of the transaction as a sale-leaseback for Federal income tax purposes, the amount of taxable income recognized by Big Rivers over the term of the Facilities Lease (both on an aggregate and net present value basis) would almost certainly be reduced from the amount which Big Rivers intends to report and, therefore, the tax position of Big Rivers should benefit from the recharacterization.

Michael H. Core
February 1, 2000
Page Three

The equity investors and Big Rivers intend to report the transaction in a manner that is consistent with, and appropriate for, a transaction that qualifies as a sale-leaseback for Federal income tax purposes. Thus, Big Rivers will treat itself as having sold undivided interests in the Facilities to the equity investors, and as making payments of rent (and receiving indirectly, through its subsidiary, payments of interest from the investment instruments) over the terms of the Facility Leases. Big Rivers will deduct the rent under Section 162 of the Code and its subsidiary will include the interest in income under Section 61 of the Code. Similarly, each of the equity investors will treat itself as having purchased an undivided interest in the Facilities and, over the terms of the Facility Leases, as receiving payments of rent and making payments of interest on the nonrecourse loans incurred by the equity investors in connection with their acquisition of the undivided interests. The equity investors will claim depreciation deductions with respect to the undivided interests under Sections 167 and 168 of the Code, will include the rent in income under Section 61 of the Code and will deduct the interest on the nonrecourse loans under Section 163 of the Code.

Please let us know if we may be of any further assistance on this subject.

Sincerely,



Clayton S. Reynolds

EXCERPT FROM MINUTES DATED JANUARY 26, 2000**RESOLUTION REAFFIRMING AUTHORITY FOR BIG RIVERS TO
CONSUMMATE LEVERAGED LEASE**

"WHEREAS, Meade County Rural Electric Cooperative Corporation ("Meade County RECC") adopted a resolution on November 18, 1999, authorizing the board of directors of Big Rivers Electric Corporation ("Big Rivers") to lease certain facilities under a leveraged lease (the "Lease Transaction"), and

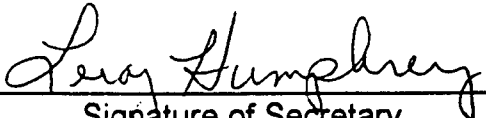
"WHEREAS, Big Rivers obtained approval from the Kentucky Public Service Commission ("KPSC") to enter into the Lease Transaction by order entered in Case No. 99-450 on November 24, 1999, and

"WHEREAS, because of certain requirements of Rural Utilities Service, Big Rivers is required to file another case with KPSC for approval of the Lease Transaction and Meade County RECC desires to reaffirm its authorization to the board of directors of Big Rivers to lease pursuant to the Lease Transaction;

"NOW, THEREFORE, BE IT RESOLVED that Meade County RECC hereby reaffirms its authority to the board of directors of Big Rivers to lease pursuant to the Lease Transaction the ownership interest of Big Rivers in (i) D. B. Wilson Unit No. 1, (ii) Robert D. Green Unit 1 and Unit 2; and (iii) the common facilities owned by Big Rivers which are located on the same site as the Green Units."

CERTIFICATE OF SECRETARY

I, Leroy Humphrey, certify that I am Secretary of the Meade County Rural Electric Cooperative Corporation and that the above and foregoing is a true excerpt from the minutes of a meeting of the Board of Directors on the twenty-sixth day of January, 2000, at which a quorum was present and that the above portion of the minutes have not been modified or rescinded.



Signature of Secretary



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) 564-3460

Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Martin J. Huelsmann
Executive Director
Public Service Commission

Paul E. Patton
Governor

February 03, 2000

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

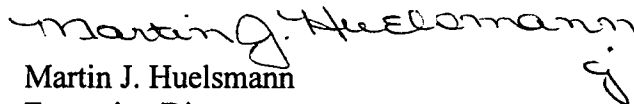
RE: Big Rivers Electric Corporation
Case No. 99-450
Petition for Confidential Protection

Dear Mr. Miller:

The Commission has received the petition filed January 24, 2000, on behalf of Big Rivers Electric Corporation to protect as confidential the revisions of Big River's responses to items 1 a & b of the Public Service Commission data request of November 16, 1999. 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 will 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,


Martin J. Huelsmann
Executive Director



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. Lockett
Anne H. Shelburne

January 26, 2000

Ms. Helen Helton
Executive Director
Public Service Commission
730 Schenkel Lane, P.O. Box 615
Frankfort, KY 40602-0615

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COMMISSION

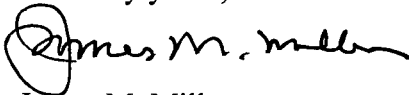
Re: Big Rivers Electric Corporation, Case No. 99-450

Dear Ms. Helton:

This letter responds to the January 20, 2000, "First Reminder Letter" in Case No. 99-450 from Stephanie Bell to Michael H. Core. Big Rivers Electric Corporation ("Big Rivers") has already responded to the items mentioned in the letter and in the Commission's November 24, 1999, order which are currently due.

More specifically, the letter from Big Rivers' lease counsel regarding the compliance of the transaction with the Internal Revenue Service Code was filed with the Commission by letter dated December 6, 1999. A copy of that filing is attached. The remaining items are either not yet due or are addressed in paragraphs 10 through 12 of the Big Rivers' Motion to Amend the November 24, 1999 Order, which was filed January 24, 2000.

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

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC
ATTORNEYS AT LAW

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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

December 6, 1999

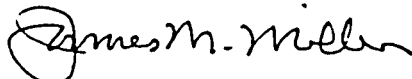
Ms. Helen Helton
Executive Director
Public Service Commission
730 Schenkel Lane, P.O. Box 615
Frankfort, Kentucky 40601-0615

Re: Big Rivers Electric Corporation
Case No. 99-450

Dear Ms. Helton:

Enclosed, pursuant to the requirement in the Commission Order in this matter of November 24, 1999, are an original and ten copies of a letter from Big Rivers' lease counsel, Orrick Herrington & Sutcliffe, regarding the compliance of the proposed lease transaction with the requirements of the Internal Revenue Code. A copy of this letter has been served on each of the parties shown on the attached service list.

Sincerely yours,



James M. Miller

JMM/ej
Enclosure

cc: Michael H. Core
Douglas Beresford
Clayton Reynolds
Service List

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

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

**SERVICE LIST
CASE NO. 99-450**

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400 West Market Street
Louisville, KY 40202-3352

Counsel for Alcan Aluminum Company

Allison Wade, Esq.
Holland & Knight
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Atlanta, Georgia 30309-3400

Counsel for Southwire Company

Michael L. Kurtz, Esq.
Boehm, Kurtz & Lowry
2110 CBLD Center
36 East Seventh Street
Cincinnati, OH 45202

**Co-Counsel for Southwire Company
and Alcan Aluminum Corporation**

Elizabeth E. Blackford, Esq.
Assistant Attorney General
Utility and Rate Intervention
Division
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601

ORRICK, HERRINGTON
& SUTCLIFFE LLP

December 3, 1999

Internet
clyon@orrick.com

Direct Dial
212-506-5180

Michael H. Core
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Dear Mike:

You have asked that we give you a letter stating whether the proposed leveraged lease transaction ("Lease Transaction"), described by Big Rivers Electric Corporation ("Big Rivers") in its application and data request responses in Kentucky Public Service Commission Case No. 99-450, "is in compliance with the applicable sections of the Internal Revenue Service Code and any guidelines, rules, or regulations promulgated by the Internal Revenue Service concerning such lease transactions."

Neither the Internal Revenue Code nor the Treasury regulations promulgated thereunder set forth any list of requirements or prerequisites that must be satisfied in order for a transaction to be recognized as a sale-leaseback for Federal income tax purposes. Approximately 25 years ago the Internal Revenue Service ("IRS") promulgated certain lease guidelines which must be satisfied if a taxpayer intends to request an advance ruling from the IRS as to the characterization of a leveraged lease as a "true lease" for Federal income tax purposes. Compliance with these guidelines was not viewed as necessary by Big Rivers or the equity investors because no party to the Lease Transaction is seeking an advance ruling and because the guidelines are not utilized by the IRS for audit purposes. Indeed, many if not most large leveraged lease transactions do not

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8814-2 CR1

Michael H. Core
December 3, 1999
Page Two

comply with the guidelines, and advance rulings are virtually never sought in these types of transactions.

As you know, the failure of the Lease Transaction to be respected as a true lease by the IRS will not result in an early termination of the Facilities Lease or give rise to any indemnity obligation on the part of Big Rivers (unless the failure is attributable to a misrepresentation by Big Rivers or to an act or failure to act by Big Rivers). The agreement regarding Federal income tax indemnities is contained in the Income Tax Indemnity Agreement section in the "Summary of Terms and Conditions" of the Lease Transaction dated November 8, 1999 (pages 81 through 103), which Big Rivers filed with its application in P.S.C. Case No. 99-450. Moreover, in the unlikely event that the IRS were to challenge successfully Big Rivers' treatment of the transaction as a sale-leaseback for Federal income tax purposes, the amount of taxable income recognized by Big Rivers over the term of the Facilities Lease (both on an aggregate and net present value basis) would almost certainly be reduced from the amount which Big Rivers intends to report and, therefore, the tax position of Big Rivers should benefit from the recharacterization.

The Equity investors and Big Rivers intend to report the transaction in a manner that is consistent with, and appropriate for, a transaction that qualifies as a sale-leaseback for Federal income tax purposes. Thus, Big Rivers will treat itself as having sold undivided interests in the Facilities to the equity investors, and as making payments of rent (and receiving indirectly,

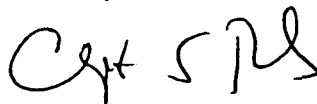
**ORRICK, HERRINGTON
& SUTCLIFFE LLP**

Michael H. Core
December 3, 1999
Page Three

through its subsidiary, payments of interest from the investment instruments) over the terms of the Facilities Leases. Big Rivers will deduct the rent under Section 162 of the Code and its subsidiary will include the interest in income under Section 61 of the Code. Similarly, each of the equity investors will treat itself as having purchased an undivided interest in the Facilities and, over the terms of the Facilities Leases, as receiving payments of rent and making payments of interest on the nonrecourse loans incurred by the equity investors in connection with their acquisition of the undivided interests. The equity investors will claim depreciation deduction with respect to the undivided interests under Sections 167 and 168 of the Code, will include the rent in income under Section 61 of the Code and will deduct the interest on the nonrecourse loans under Section 163 of the Code.

Please let us know if we may be of any further assistance on this subject.

Sincerely,



Clayton S. Reynolds

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

December 6, 1999

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

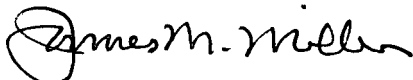
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DEC 08 1999
PUBLIC SERVICE
COMMISSION

Re: Big Rivers Electric Corporation
Case No. 99-450

Dear Ms. Helton:

Enclosed, pursuant to the requirement in the Commission Order in this matter of November 24, 1999, are an original and ten copies of a letter from Big Rivers' lease counsel, Orrick Herrington & Sutcliffe, regarding the compliance of the proposed lease transaction with the requirements of the Internal Revenue Code. A copy of this letter has been served on each of the parties shown on the attached service list.

Sincerely yours,



James M. Miller

JMM/ej
Enclosure

cc: Michael H. Core
Douglas Beresford
Clayton Reynolds
Service List

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

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

ORRICK, HERRINGTON
& SUTCLIFFE LLP

December 3, 1999

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clyon@orrick.com

Direct Dial
212-506-5180

RECEIVED
DEC 08 1999
PUBLIC SERVICE
COMMISSION

Michael H. Core
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Dear Mike:

You have asked that we give you a letter stating whether the proposed leveraged lease transaction ("Lease Transaction"), described by Big Rivers Electric Corporation ("Big Rivers") in its application and data request responses in Kentucky Public Service Commission Case No. 99-450, "is in compliance with the applicable sections of the Internal Revenue Service Code and any guidelines, rules, or regulations promulgated by the Internal Revenue Service concerning such lease transactions."

Neither the Internal Revenue Code nor the Treasury regulations promulgated thereunder set forth any list of requirements or prerequisites that must be satisfied in order for a transaction to be recognized as a sale-leaseback for Federal income tax purposes. Approximately 25 years ago the Internal Revenue Service ("IRS") promulgated certain lease guidelines which must be satisfied if a taxpayer intends to request an advance ruling from the IRS as to the characterization of a leveraged lease as a "true lease" for Federal income tax purposes. Compliance with these guidelines was not viewed as necessary by Big Rivers or the equity investors because no party to the Lease Transaction is seeking an advance ruling and because the guidelines are not utilized by the IRS for audit purposes. Indeed, many if not most large leveraged lease transactions do not

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Michael H. Core
December 3, 1999
Page Two

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As you know, the failure of the Lease Transaction to be respected as a true lease by the IRS will not result in an early termination of the Facilities Lease or give rise to any indemnity obligation on the part of Big Rivers (unless the failure is attributable to a misrepresentation by Big Rivers or to an act or failure to act by Big Rivers). The agreement regarding Federal income tax indemnities is contained in the Income Tax Indemnity Agreement section in the "Summary of Terms and Conditions" of the Lease Transaction dated November 8, 1999 (pages 81 through 103), which Big Rivers filed with its application in P.S.C. Case No. 99-450. Moreover, in the unlikely event that the IRS were to challenge successfully Big Rivers' treatment of the transaction as a sale-leaseback for Federal income tax purposes, the amount of taxable income recognized by Big Rivers over the term of the Facilities Lease (both on an aggregate and net present value basis) would almost certainly be reduced from the amount which Big Rivers intends to report and, therefore, the tax position of Big Rivers should benefit from the recharacterization.

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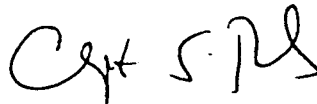
ORRICK, HERRINGTON
& SUTCLIFFE LLP

Michael H. Core
December 3, 1999
Page Three

through its subsidiary, payments of interest from the investment instruments) over the terms of the Facilities Leases. Big Rivers will deduct the rent under Section 162 of the Code and its subsidiary will include the interest in income under Section 61 of the Code. Similarly, each of the equity investors will treat itself as having purchased an undivided interest in the Facilities and, over the terms of the Facilities Leases, as receiving payments of rent and making payments of interest on the nonrecourse loans incurred by the equity investors in connection with their acquisition of the undivided interests. The equity investors will claim depreciation deduction with respect to the undivided interests under Sections 167 and 168 of the Code, will include the rent in income under Section 61 of the Code and will deduct the interest on the nonrecourse loans under Section 163 of the Code.

Please let us know if we may be of any further assistance on this subject.

Sincerely,



Clayton S. Reynolds

**SERVICE LIST
CASE NO. 99-450**

David C. Brown, Esq.
Stites & Harbison
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400 West Market Street
Louisville, KY 40202-3352

Counsel for Alcan Aluminum Company

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Holland & Knight
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November 18, 1999

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

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COMMISSION

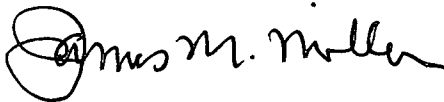
Re: Big Rivers Electric Corporation's Application for Approval
of a Leveraged Lease of Three Generating Units, P.S.C. Case No. 99-450

Dear Ms. Helton:

Enclosed are an original and ten (10) copies of the responses of Big Rivers Electric Corporation ("Big Rivers") to the data requests of the Commission Staff, the Attorney General, Alcan Aluminum Corporation and Southwire Company. Also enclosed is a Petition for Confidential Treatment of certain information contained in those responses. Because Big Rivers is seeking expedited review of its application in this matter, we are enclosing seven (7) copies of the Confidential Information with the Petition for Confidential Treatment, rather than the usual single copy.

We have obtained confidentiality agreements from representatives of Southwire Company, Alcan Aluminum Corporation and the Attorney General, and have accordingly served copies of the Confidential Information on them today, along with a copy of this letter and all enclosures, by overnight courier as shown on the attached service list.

Sincerely yours,



James M. Miller

JMM/ej

cc: Michael H. Core
David Spainhoward
Service List

Telephone (502) 926-4000
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100 St. Ann Building
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CASE NO. 99-450**

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COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

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COMMISSION

In the Matter of:)
)
Big Rivers Electric Corporation's) CASE NO. 99-450
Application for Approval of a Leveraged)
Lease of Three Generating Units)

PETITION OF
BIG RIVERS ELECTRIC CORPORATION
FOR CONFIDENTIAL TREATMENT OF
DATA REQUEST RESPONSES

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 attachments to the responses of Big Rivers to the data requests, identified below, that are included in the November 16, 1999, order of the Commission in this matter (the "Data Requests"). In further support of this petition, Big Rivers states:

1. Big Rivers has pending before the Commission a Petition for Confidential Treatment of the "Summary of Terms and Conditions" ("Term Sheet"), which was filed with the Commission by Big Rivers on November 8, 1999, as Exhibit 5 to the Application of Big Rivers. The attachments to the responses of Big Rivers to Items 1.a. and b. and 3.a. of the Data Requests describe aspects of the Term Sheet in great detail, as is required to be responsive to the Commission's questions .
2. As noted in the earlier Petition for Confidential Treatment, the application of Big Rivers in the above-captioned matter seeks approval of a leveraged lease of certain generating facilities owned by Big Rivers. The financial industry which has developed

around leasing transactions is highly competitive, and information about the terms and conditions on which equity participants will participate in such transaction is extremely sensitive. Disclosure of the detailed explanations and descriptions of portions of the Term Sheet in the leveraged lease transaction proposed by Big Rivers would give competitors of the Big Rivers transaction equity participants an unfair advantage in bidding on other transactions by providing them the detailed terms and conditions, including pricing, which are being used by the Big Rivers equity participants in the current leasing market. Moreover, if the transaction proposed by Big Rivers does not close by year end as currently planned, disclosure of the Confidential Information would likely adversely impact the pricing available to Big Rivers to pursue the leveraged lease transaction early in 2000. The Confidential Information, for which Big Rivers seeks confidential treatment, therefore 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' financial participants and would indirectly adversely impact Big Rivers. KRS 61.878(1)(c)1.

3. 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).

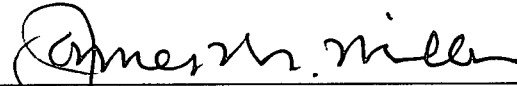
4. Seven (7) copies of the Confidential Information, with the word "Confidential" stamped on the cover sheet of each copy, are attached to this petition. 807 K.A.R. 5:001 §7 (2)(a)2 and (2)(b). Because the entities who have moved to intervene in this matter have signed agreements to treat the Confidential Information as confidential, pending a

ruling by the Commission on the petitions for confidential treatment, Big Rivers is serving each of them with a copy of the Confidential Information.

5. The material for which Big Rivers is seeking confidential treatment is not generally known outside of Big Rivers and the parties to its proposed leveraged lease transaction, 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 18th day of November, 1999.

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



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Attorneys for Big Rivers Electric
Corporation

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COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

NOV 19 1999

PUBLIC SERVICE
COMMISSION

In the Matter of:

Big Rivers Electric Corporation's)
Application for Approval of a Leveraged) Case No. 99-450
Lease of Three Generating Units)

**BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S
INITIAL REQUEST FOR INFORMATION OF
NOVEMBER 16, 1999**

Item 1

November 18, 1999

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S
INITIAL REQUEST FOR INFORMATION OF NOVEMBER 16, 1999

CASE NO. 99-450

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Item 1) Does the proposed transaction involve or include the transmission system of Big Rivers Electric Corporation? If the answer is yes, please describe the nature and extent of the involvement in detail, including any impact that involvement might have on the rights of those now utilizing the transmission system.

Response) The proposed transaction does not include any part of the transmission system of Big Rivers. The facilities that will be subject to the Head Lease will consist only of the generating assets at the Wilson unit and the Green units. The transmission system of Big Rivers will remain subject to the lien of Big Rivers' systemwide first mortgage, as amended in connection with this transaction, and, in addition, will be subject to a subordinated mortgage to secure, among other things, indemnities owed to the parties to the proposed transaction.

At the end of the term of the Facilities Lease (approximately 27 years in the case of the Wilson unit and 25 years in the case of the Green units), if Big Rivers does not exercise its purchase option or in the event of early termination, Big Rivers will be obligated to provide transmission services to the equity investors at Big Rivers' then existing open access tariff.

Witness) David Spainhoward

**COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY**

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NOV 19 1999

PUBLIC SERVICE
COMMISSION

In the Matter of:

**Big Rivers Electric Corporation's)
Application for Approval of a Leveraged)
Lease of Three Generating Units)**

Case No. 99-450

**BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO ALCAN ALUMINUM CORPORATION AND
SOUTHWIRE COMPANY'S
FIRST SET OF JOINT DATA REQUESTS OF
NOVEMBER 15, 1999**

Items 1-9

November 18, 1999

BIG RIVERS ELECTRIC CORPORATION'S
 RESPONSE TO ALCAN ALUMINUM CORPORATION
 AND SOUTHWIRE COMPANY
 FIRST SET OF JOINT DATA REQUESTS OF NOVEMBER 15, 1999

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Item 1) Please provide a schedule by vintage of Big Rivers' Net Operating Loss ("NOL") Carryforwards, and separately reflect those amounts attributable both to members and non-members.

Response) Big Rivers Member/Non-Member Regular U.S. Federal Tax Loss Carryforward Schedule based on tax returns filed with the Internal Revenue Service for tax years through December 31, 1998 follows:

	<u>Losses Generated</u>	<u>Losses Utilized</u>	<u>Total</u>	<u>§277 Member Loss Carryforwards</u>	<u>Non-Member Net Operating Loss (\$172) Carryforwards</u>
1984	77,153,182		77,153,182	47,521,669	29,631,514
1985	150,438,879		150,438,879	83,152,487	67,286,392
1986	154,589,986		154,589,986	98,391,518	56,198,468
1987	94,634,914		94,634,914	19,066,990	75,567,924
1988	14,442,198		14,442,198	(29,872,958)	44,315,156
1989	54,756,877		54,756,877	31,937,132	22,819,745
1990	79,465,681		79,465,681	42,513,412	36,952,269
1991	78,330,250		78,330,250	48,883,817	29,446,433
1992	73,617,623		73,617,623	58,968,823	14,648,800
1993	67,320,735		67,320,735	37,100,157	30,220,578
1994	99,935,112		99,935,112	63,544,837	36,390,275
1995	1,175,234		1,175,234	(42,456,765)	43,631,999
1996	75,767,871		75,767,871	63,054,483	12,713,387
1997	0	(4,194,847)	(4,194,847)	(34,141,220)	29,946,373
1998	0	(8,342,510)	(8,342,510)	(7,341,829)	(1,000,681)
Totals	1,021,628,542	(12,537,357)	1,009,091,185	480,322,553	528,768,632

Witness) Mark Hite

BIG RIVERS ELECTRIC CORPORATION'S
 RESPONSE TO ALCAN ALUMINUM CORPORATION
 AND SOUTHWIRE COMPANY
 FIRST SET OF JOINT DATA REQUESTS OF NOVEMBER 15, 1999

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Item 2) Please provide a calculation of the expected gain on sale of assets, from both a financial accounting and tax accounting perspective, that will arise from Big Rivers' proposed defeased sale/leaseback transactions, and the associated expected use of the NOL Carryforwards to mitigate federal income tax liabilities that would otherwise arise from the proposed transactions.

Response) Estimated regular U.S. federal tax gain on the defeased sale/leaseback transaction is:

	<u>Green</u>	<u>Wilson</u>	<u>Total</u>
Projected Sales Proceeds	465,000,000	430,000,000	895,000,000
Less: Net Tax Basis	(128,169,946)	321,917	(127,848,029)
Tax Gain	336,830,054	430,321,917	767,151,971

Estimated Member/Non-Member federal tax gain allocation is:

	<u>Green</u>	<u>Wilson</u>	<u>Total</u>
Member Gain (Section 1245)	136,324,748	318,517,304	454,842,052
Non-Member Gain (Section 1245)	55,020,693	111,804,613	166,825,306
Non-Member Gain (Section 1231)	145,484,613	-	145,484,613
Total Gain	336,830,054	430,321,917	767,151,971

Note: See Revenue Ruling 74-84 (1974-1 CB 244)

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO ALCAN ALUMINUM CORPORATION
AND SOUTHWIRE COMPANY
FIRST SET OF JOINT DATA REQUESTS OF NOVEMBER 15, 1999

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Utilization of Member and Non-member loss carryforwards:

	<u>Member</u>	<u>Non-Member</u>	<u>Total</u>
Big Rivers' Cumulative Losses	(480,322,553)	(528,768,632)	(1,009,091,185)
Projected Gain on the Transaction	454,842,052	312,309,919	767,151,971
Estimated Net Cumulative			
Losses Subsequent			
to the transaction	(25,480,501)	(216,458,713)	(241,939,214)

Witness) Mark Hite

BIG RIVERS ELECTRIC CORPORATION
RESPONSE TO ALCAN ALUMINUM CORPORATION
AND SOUTHWIRE COMPANY
FIRST SET OF JOINT DATA REQUESTS OF NOVEMBER 15, 1999

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5 **Item 3)** Please cite the federal regulations, revenue rulings, or other federal tax
6 authorities that would govern Big Rivers' recognition for accounting and federal tax
7 purposes of patronage capital arising from the proposed defeased sale/leaseback
8 transactions. Please provide a copy of all federal regulations, revenue rulings, or other
9 tax authorities cited in response to this data request item.

10
11 **Response)** As the calculations in Big Rivers' Response to Alcan Aluminum
12 Corporation and Southwire Company's First Set of Joint Data Request in Item #2 show,
13 Big Rivers estimates that there will be no net patronage capital arising from the sale of
14 the assets in the defeased sale/leaseback transaction.

15
16 Federal income tax authorities control the classification (for Federal
17 income tax purposes) of a cooperative's income and expenses as patronage or
18 nonpatronage sourced, respectively. Because the rules relating to the Federal income
19 taxation of rural electric cooperatives have never been codified, there are no statutes or
20 regulations that directly address the classification issue (although many authorities
21 analogize to the rules provided in Sections 1381-1388 of the Internal Revenue Code and
22 the regulations promulgated thereunder, notwithstanding that these rules by their terms
23 do not apply to rural electric cooperatives). Instead, the Federal income tax authorities
24 dealing with the classification issue are embodied in numerous cases and administrative
25 releases. Set forth below is a list of some of the principal Federal income tax authorities
26 that address this issue: Astoria Plywood Corp. v. United States, 79-1 U.S.T.C. 9197, 37
27 A.F.T.R.2d 1168 (Or. 1979); Certified Grocers of Cal. v. Commissioner, 88 T.C. 238
28 (1987); Cotter & Co. v. United States, 765 F.2d 1102 (Fed. Cir. 1985); Dundee Citrus
29 Growers Ass'n, 62 T.C.M. (CCH) 879, 1991 T.C.M. (RIA) 91,487; G.C.M. 37,743
30 (Nov. 9, 1978); Illinois Grain Corp. v. Commissioner, 87 T.C. 435 (1986), acq. in part,
31 nonacq in part, 1990-2 C.B. 1; Indus. v. Commissioner, 995 F.2d 101 (7th Cir. 1993), on
32 remand, 67 T.C.M. 2397 (1994); Land O'Lakes v. United States, 675 F.2d 988 (8th Cir.
33 1982); Linnton Plywood Assoc. v. United States, 410 F. Supp. 1100, 1108 (Or. 1976);

BIG RIVERS ELECTRIC CORPORATION
RESPONSE TO ALCAN ALUMINUM CORPORATION
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FIRST SET OF JOINT DATA REQUESTS OF NOVEMBER 15, 1999

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4 P.L.R. 83-40-012 (June 24, 1983) and 85-31-002 (Feb. 28, 1985); P.L.R. 90-33-006
5 (May 14, 1990); P.L.R. 92-08-004 (Oct. 31, 1991); P.L.R. 92-24-007 (Mar. 6, 1992);
6 P.L.R. 92-36-001 (May 20, 1992); Rev. Rul. 69-576, 1969-2 C.B. 166; Rev. Rul. 74-160,
7 1974-1 C.B. 245; Rev. Rul. 74-84, 1974-1 C.B. 244; Rev. Rul. 75-228, 1975-1 C.B. 278;
8 St. Louis Bank for Coop. v. United States, 624 F.2d 1041 (1980); Twin County Grocers
9 v. United States, 2 Cl. Ct. 657 (1983); Washington-Oregon Shippers Coop. v.
10 Commissioner, 52 T.C.M. (CCH) 1406, 1987 T.C.M. (P-H) 87,032.

11
12 Similarly, the rules relating to the deduction (or exclusion) that is
13 permitted for patronage allocations by a rural electric cooperative to its patrons are
14 embodied in numerous cases and administrative releases (and, again, not by statute or
15 regulation). Set forth below is a list of some of the principal Federal income tax
16 authorities addressing the deduction/exclusion issue: Anamosa Farmers Creamery Co. v.
17 Commissioner, 13 B.T.A. 907 (1928), acq., 1929-1 C.B. 2; Buckeye Countrymark Inc. v.
18 Commissioner, 103 T.C. 547 (1994); Certified Grocers of Fla., v. United States, 66-2
19 U.S.T.C. 9493 (M.D. Fla. 1966); Clover Farm Stores Coop. v. Commissioner, 17 T.C.
20 1265 (1952), acq., 1952-1 C.B. 1; Colony Farm Coop. Dairy v. Commissioner, 17 T.C.
21 688, 693-94 (1951); Columbus Fruit & Vegetable Coop. v. United States, 7 Cl. Ct. 561
22 (1985); Carpenter v. Commissioner, 219 F.2d 635, 636-37 (5th Cir. 1955); Dr. P. Phillips
23 Coop. v. Commissioner, 17 T.C. 1002 (1951); Farm Service Coop. v. Commissioner, 619
24 F.2d 718 (8th Cir. 1980); Farmers Coop. Co. v. Birmingham, 86 F. Supp. 201 (N.D. Iowa
25 1949); Farmers Coop. Co. v. Commissioner, 288 F.2d 315 (8th Cir. 1961); Farmers'
26 Union Coop. Ass'n v. Commissioner, 13 B.T.A. 969, 970, acq., 1929-1 C.B. 14 (1928);
27 Fruit Growers Supply Co. v. Commissioner, 21 B.T.A. 315 (1930), aff'd, 56 F.2d 90 (9th
28 Cir. 1932); G.C.M. 12,393, 12-2 C.B. 398; G.C.M. 17,895, 1937-1 C.B. 56, 56; G.C.M.
29 17,895, 1937-1 C.B. 56; Home Builders Shipping Ass'n v. Commissioner, 8 B.T.A. 903,
30 909 (1927), nonacq., 1968-2 C.B. 48; I.T. 1499, I-2 C.B. 189 (1922); I.T. 1566, 2-1 C.B.
31 85 (1923); I.T. 3208, 1938-2 C.B. 127; Iberia Sugar Coop. v. Commissioner, 360 F.
32 Supp. 967 (W.D. La. 1972), aff'd per curiam, 480 F.2d 548 (5th Cir. 1973); Long Poultry
33

BIG RIVERS ELECTRIC CORPORATION
RESPONSE TO ALCAN ALUMINUM CORPORATION
AND SOUTHWIRE COMPANY
FIRST SET OF JOINT DATA REQUESTS OF NOVEMBER 15, 1999

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Farms v. Commissioner, 249 F.2d 726, 731 (4th Cir. 1957), acq., 1958-1 C.B. 4; Midland
Coop. Wholesale v. Commissioner, 44 B.T.A. 824 (1941), acq., 1941-2 C.B. 9;
Mississippi Chemical Co. v. Commissioner, 326 F.2d 569 (5th Cir. 1964); Peoples Gin
Co. v. Commissioner, 2 T.C.M. (CCH) 325, 1943 T.C.M. (RIA) 43,304; Pomeroy Coop.
Grain Co. v. Commissioner, 288 F.2d 326 (8th Cir. 1961); Producers Gin Co. v.
Commissioner, 18 T.C.M. 469 (1959); Rev. Rul. 54-10, 1954-1 C.B. 24; Rev. Rul. 57-59,
1957-1 C.B. 24; Rev. Rul. 59-107, 1959-1 C.B. 20; Rev. Rul. 63-58, 1963-1 C.B. 109;
Rev. Rul. 83-135, 1983-2 C.B. 149; S.M. 2595, 3-2 C.B. 238 (1924); San Joaquin Valley
Poultry Prod. Ass'n v. Commissioner, 136 F.2d 382, 385 (9th Cir. 1943); Smith &
Wiggins Gin v. Commissioner, 341 F.2d 341 (5th Cir. 1965); Southwest Hardware Co. v.
Commissioner, 24 T.C. 75, 85 (1955), acq., 1955-2 C.B. 9; Trego County Coop. Ass'n v.
Commissioner, 6 B.T.A. 1275 (1927); Uniform Printing & Supply Co. v. Commissioner,
88 F.2d 75 (7th Cir. 1937); Union Equity Coop. Exchange v. Commissioner, 481 F.2d
812 (10th Cir. 1973), cert. denied, 414 U.S. 1028 (1973); Valparaiso Grain & Lumber
Co. v. Commissioner, 44 B.T.A. 125 (1941).

Also, please see attachments.

Witness) Wesley G. Scheibel and Clay Reynolds

Sec. 277. Deductions incurred by certain membership organizations in transactions with members

[Sec. 277(a)]

(a) GENERAL RULE.-- In the case of a social club or other membership organization which is operated primarily to furnish services or goods to members and which is not exempt from taxation, deductions for the taxable year attributable to furnishing services, insurance, goods, or other items of value to members shall be allowed only to the extent of income derived during such year from members or transactions with members (including income derived during such year from institutes and trade shows which are primarily for the education of members). If for any taxable year such deductions exceed such income, the excess shall be treated as a deduction attributable to furnishing services, insurance, goods, or other items of value to members paid or incurred in the succeeding taxable year. The deductions provided by sections 243 , 244 , and 245 (relating to dividends received by corporations) shall not be allowed to any organization to which this section applies for the taxable year.

[Sec. 277(b)]

(b) EXCEPTIONS.-- Subsection (a) shall not apply to any organization--

(1) which for the taxable year is subject to taxation under subchapter H or L,

(2) which has made an election before October 9, 1969, under section 456(c) or which is affiliated with such an organization,

(3) which for each day of any taxable year is a national securities exchange subject to regulation under the Securities Exchange Act of 1934 or a contract market subject to regulation under the Commodity Exchange Act, or

(4) which is engaged primarily in the gathering and distribution of news to its members for publication.

Section 1.1382-3(c)(2) of the Income Tax Regulations defines the term "income derived from sources other than patronage" to mean incidental income derived from sources not directly related to the marketing, purchasing, or service activities of the cooperative association. For example, income derived from the lease of premises, from investment and securities, or from the sale or exchange of capital assets, is income derived from sources other than patronage.

Section 1388(a) of the Code provides that for the purpose of subchapter T of the Code, the term "patronage dividend" means an amount paid to a patron by an organization to which part 1 of subchapter T of the Code applies (1) On the basis of quantity or value of business done with or for such patron, (2) under an obligation of such organization to pay such amount, which obligation existed before the organization received the amount so paid and, (3) which is determined by reference to the net earnings of the organization from business done with or for its patrons. The term patronage dividend does not include any amount paid to a patron to the extent that (A) such amount is out of earnings other than from business done with or for patrons, or (B) such amount is out of earnings from business done with or for other patrons to whom no amounts are paid, or to whom smaller amounts are paid with respect to substantially identical transactions.

Accordingly, in the instant case, that portion of the gain from the sale of machinery treated as ordinary income under section 1245 of the Code is considered patronage sourced income because, in effect, the taxpayer is merely recapturing income that otherwise would have been available for distribution as a patronage dividend. That portion of the gain treated under section 1231 as gain from the sale of a capital asset held for more than six months is considered income derived from sources other than patronage and, thus, does not give rise to a deduction to the cooperative when distributed to its patrons.

Furthermore, under the provisions of section 1382(f) of the Code the portion of the above gain treated as patronage sourced income should be allocated between working members of the cooperative and the employees of the cooperative who are not members in accordance with the applicable method, either quantity or value, utilized in those prior years in which the depreciation deductions were taken. See Rev. Rul. 74-20, page 242, this Bulletin. The distribution of that part of the income allocable to the working members in those respective years will, to that extent, qualify as a patronage dividend. Section 1382(f) provides that if any portion of the earnings from business done with or for patrons is includible in the taxpayer's gross income for a taxable year after the taxable year during which the patronage occurred, then, for the purposes of applying section 1382(b) to such portion, patronage shall be considered to have occurred during the organization's taxable year during which such earnings are includible in its gross income. If the years in which the depreciation deduction was taken were not years in which the taxpayer qualified as a cooperative the income resulting from the application of section 1245 will be considered nonpatronage sourced income.

Rev. Rul. 74-84, 1974-1 CB 244, IRC Sec(s). 1388

Rev. Rul. 74-84, 1974-1 CB 244 -- IRC Sec. 1388 (Also Section 1245; 1.1245-1.)

Reference(s): ¶ ??; Code Sec. 1388 Reg § 1.1388-1

Nonexempt cooperative; patronage income.

The ordinary income portion of gain realized from the sale of section 1245 property by a nonexempt cooperative is patronage sourced income to be allocated between member and nonmember workers in accordance with the applicable method of allocation utilized in those prior years in which depreciation deductions were taken on the property sold and to the extent allocated to member workers qualifies as a patronage dividend. However, the portion of such gain attributable to depreciation deducted in years the cooperative did not qualify under section 1381(a) of the Code and the portion of the gain treated under section 1231 as gain from the sale of a capital asset are not patronage income.

Full Text:

Advice has been requested whether the gain from the sale of a depreciable asset under the circumstances described <Page 245> below is patronage or nonpatronage sourced income and whether the distribution of such qualifies as a patronage dividend under section 1388(a) of the Internal Revenue Code of 1954.

During the current taxable year the taxpayer, a nonexempt cooperative within the meaning of section 1381(a) of the Code, employing both members and nonmembers, sold, at a gain, machinery it used in the manufacture of wood products. The taxpayer had charged depreciation on this machinery to operations thus reducing the amount available for distribution as patronage dividends in prior taxable years. The sale of the machinery was the only transaction that qualified under section 1231 during the year.

Section 1231 of the Code provides, in part, that if the gain from sales or exchanges of property used in a trade or business exceeds the losses from such sales or exchanges, the gains and losses shall be considered as gains and losses from the sales and exchanges of capital assets held for more than six months. However, the section 1231 gain is reduced by the amount of ordinary income recognized under section 1245.

Section 1245(a) of the Code provides, that if "section 1245 property" is disposed of during the taxable year the amount by which the lower of (1) the recomputed basis of the property or (2) in the case of a sale, exchange, or involuntary conversion, the amount realized or (3) in the case of any other disposition, the fair market value of such property, exceeds the adjusted basis of such property shall be treated as a gain from the sale or exchange of property which is neither a capital asset nor property described in section 1231. Such gain shall be recognized notwithstanding any of the provisions of subtitle A of the Code.

Section 1245(b) of the Code defines "section 1245 property" to mean any property which is or has been property of a character subject to allowance for depreciation provided in section 167.

Pomeroy Cooperative Grain Company, A Corporation v. Commissioner

Docket No. 64590, 31 TC —, No. 71, 31 TC 674, Filed December 31, 1958

[1939 Code Sec. 101(12)(B)—similar to 1954 Code Sec. 522]

[Farmers' cooperative: Allocation of patronage dividends: Income from transactions with nonmembers: Equitable allocation.]—Petitioner is an Iowa corporation which operated as a farmers' cooperative association. It did not qualify for exemption from Federal income tax, under either section 101(12) of the 1939 Code or under section 521 of the 1954 Code. During the taxable years involved, it allocated patronage dividends to its members only, out of compensation that it had received from the Commodity Credit Corporation (not a member of the cooperative), for handling and storing grain which producers of such grain (including both members and nonmembers) had surrendered to said agency at petitioner's elevator, in satisfaction of government crop loans. It also allocated patronage dividends to its members only, out of compensation received from persons and business organizations other than the C. C. C. (including both members and nonmembers), for storing grain owned by such persons and organizations. *Held*:1. That the amounts allocated for members only, out of the compensation received from the C. C. C., do not qualify as true patronage dividends; and that the same are not excludable from petitioner's gross income.2. That the amounts allocated for members only, out of the compensation received from nonmember persons and nonmember business organizations other than the C. C. C., likewise do not qualify as true patronage dividends, and are not excludable from petitioner's gross income.3. That the amounts allocated for members only, out of compensation received from members for storing grain owned by them, do qualify as true patronage dividends, to the extent that the amounts allocated to the particular members who stored the grain were proportionate to their shares of the total member storage business which produced the compensation allocated.

James M. Stewart, Esq., and Rolland E. Grefe, Esq., Central National Building, Des Moines, Ia., for the petitioner. Ivan L. Onnen, Esq., for the respondent.

PIERCE, Judge:

Respondent determined deficiencies in petitioner's income taxes as follows:

Year ended	Deficiency
June 30, 1953	\$1,191.96
June 30, 1954	4,159.00
June 30, 1955	6,211.09

The issues for decision are whether the petitioner, a non-tax-exempt farmers' cooperative association, is entitled to exclude from its gross income, as part of its "patronage dividends,"¹ amounts allocated for credit and subsequent distribution to its "members" only, out of the following:

- (1) Compensation received by petitioner from the Commodity Credit Corporation (not a member of the cooperative), for handling and storing grain which producers of such grain (including both members and nonmembers of the cooperative) had surrendered to such government agency at petitioner's elevator, in satisfaction of government crop loans.
- (2) Compensation received by petitioner from others than the Commodity Credit Corporation (including both members and nonmembers), for storing grain owned by such persons. The allocations of patronage dividends out of this compensation were not proportionate to the amounts of storage business transacted with the members for whose benefit such allocations were made.

All other issues raised in the pleadings were abandoned by petitioner at the trial. Such abandoned issues pertained to determinations of respondent, that petitioner, in computing its patronage dividends, (1) had improperly allocated expenses with respect to its Merchandise Department, and (2) was not entitled to exclude from its gross income certain savings and income of its Grain Department, which were derived from cleaning grain, from rents, from patronage refunds received, and from patronage refund adjustments.

Findings of Fact

Some of the facts have been stipulated. The stipulation of facts, together with the exhibits attached thereto, is incorporated herein by this reference.

The petitioner, Pomeroy Cooperative Grain Corporation, is an Iowa corporation, which has its principal place of business at Pomeroy, Iowa. During all taxable years involved, it qualified and was operated as a farmers' "cooperative association" under Chapter 499 of the Codes of Iowa, 1950 and 1954. ² It did not qualify (which it concedes) as a tax-exempt cooperative, under section 101(12) of the Internal Revenue Code of 1939, or under section 521 of the Internal Revenue Code of 1954. It kept its books of account and filed its Federal income tax returns on the basis of fiscal years ended June 30, and in accordance with an accrual method of accounting. Its returns for all the taxable years involved were filed with the district director of internal revenue for the District of Iowa.

Facts re Capital Structure, Operations and Facilities

Petitioner had authorized capital stock of \$30,000, divided into 600 shares of Class A voting common stock of the par value of \$25 per share, 100 shares of Class B nonvoting common stock of the par value of \$25 per share, and 2,500 shares of nonvoting preferred stock of the par value of \$5 per share. The numbers of shares outstanding at the close of each of the taxable years involved, were as follows:

Year ended	Common shares (both classes)	Preferred shares	Total par value
June 30, 1953	351	708	\$12,315
June 30, 1954	356	690	12,350
June 30, 1955	357	600	11,925

Under petitioner's articles of incorporation, as amended and in force during the taxable years, only holders of the common stock (Class A and Class B) were "Members" of the association; and it was only to members that "patronage dividends," hereinafter described, could be allocated or paid. No one was permitted to hold more than one share of common stock, either of one class or the other. The Class A voting common stock could be held only, (a) by farm operators who engaged in the production of farm products, or who consumed supplies handled by petitioner, or who used services rendered by petitioner; and (b) by landlords who received shares of agricultural products as rent. The Class B nonvoting common stock was held by other persons who desired to obtain the benefits of patronage dividends allocated or paid by petitioner. The preferred stock was issued primarily for the purpose of raising capital; and it could be issued at such times and in such amounts as petitioner's board of directors determined. Noncumulative ordinary dividends (as distinguished from patronage dividends) were paid from time to time both on the common stock of each class, and on the preferred stock; and such dividends when declared were at the rate of four per cent per annum. The board of directors was composed of nine members who were elected each year by the Class A stockholders from among themselves; and the officers of the corporation were elected by the directors from their own number.

The business activities of petitioner were carried on through two departments, known as the Grain Department and the Merchandise Department; and each of these departments transacted business both with members and with nonmembers. Through the Grain Department, petitioner bought and sold grain, including corn, oats and soybeans; and it also performed various services related to the handling, storing and conditioning of grain. The principal facility employed in performing such functions was an elevator structure located adjacent to a rail siding, which was equipped for receiving, weighing, testing, conditioning, and loading grain. Through the Merchandise Department, petitioner sold fencing, hardware, and other supplies used principally by farmers. As before indicated, only certain income received through the Grain Department is here involved.

Petitioner received grain through its Grain Department under three distinct circumstances: (1) A portion of such grain was purchased by it from producers, including both members and nonmembers, at the time of the delivery of this grain at petitioner's elevator; (2) another portion was delivered to it by producers, including both members and nonmembers, in satisfaction of crop loans theretofore made to them by the Commodity Credit Corporation--and this grain was thereafter handled and in some instances stored by petitioner on behalf of said government agency which became

the owner thereof at the time of its delivery at petitioner's elevator; and (3) still another portion was delivered to it by persons other than the Commodity Credit Corporation (including both member and nonmember producers, and by three business organizations which were neither members nor producers), for storage on behalf of these parties who owned such grain. Petitioner's activities with respect to grain received in these three ways are more fully described as follows.

Facts re Grain Purchased Directly by Petitioner

Grain which petitioner purchased from producers at the time of its delivery at petitioner's elevator (herein called "direct purchase grain") was, at the time of such delivery, weighed, tested, and unloaded. A scale ticket was prepared; and, if the grain was purchased from one of petitioner's members, he was given credit on petitioner's patronage ledger for the number of bushels which he sold. Title to such grain passed to petitioner at the time of delivery at the elevator; and the grain was then included in petitioner's inventory. The seller was, either at this time or shortly thereafter, paid the current market price for the grain.

Following such purchase, petitioner either shipped out the grain at once, for sale on the terminal markets where it was purchased by mills or other processors; or retained and sold it locally; or sold it for future delivery, in which event it was held in storage by petitioner until the delivery date specified in the futures contract. Petitioner selected whichever method of marketing it believed would yield the greatest profit.

The amounts of grain of all kinds which petitioner acquired by direct purchase from members and nonmembers during the taxable years, were:

Year ended	Bushels	Bushels	Total bushels
	purchased from members	purchased from nonmembers	
June 30, 1953	374,906	37,850	412,756
June 30, 1954	314,944	63,444	378,388
June 30, 1955	194,375	166,219	360,594

Such grain was of the following kinds:

Year ended	Corn	Oats	Soybeans	Total
	(Bushels)	(Bushels)	(Bushels)	
June 30, 1953	218,962	98,352	95,442	412,756
June 30, 1954	231,332	46,376	100,680	378,388
June 30, 1955	234,684	44,415	81,495	360,594

The gross profits from sales of grain obtained by direct purchase from producers, which petitioner realized in the taxable years, were:

Year ended	Gross Profits
June 30, 1953	\$10,775.93
June 30, 1954	13,753.01
June 30, 1955	16,155.21

These gross profits were included by petitioner in the so-called "gross savings and income" of its Grain Department, for the purpose of computing patronage dividends.

Facts re Grain Handled and Stored for the Commodity Credit Corporation

For many years, including the taxable years involved, the United States Government has, in connection with the price support program of the U. S. Department of Agriculture, made loans to farmers on grain produced by them. At all times here material, such loans were made by the Commodity Credit Corporation (hereinafter called C. C. C.), and agency of the United States; and they were secured by chattel mortgages on such grain. Each loan was evidenced by a Producer's Note and Supplemental Loan Agreement, which provided in part as follows:

"Upon maturity of the note (i. e., the date specified therein or such earlier date as the Corporation may make written demand for payment), the note shall be satisfied by payment and/or by delivery of the commodity subject to the provisions of this section. If a producer desires to deliver the commodity to the Corporation, he should prior to maturity give the county committee which approved the loan written notice of his intention to deliver. The producer shall bear any expenses incurred in connection with the delivery of the commodity to the delivery points shown in the delivery instructions issued to him, such delivery point to be, insofar as practicable, the customary shipping point of the producer, or, shall pay to the holder of the note any costs incurred by the holder as a result of such failure to deliver the commodity to the designated delivery point. * * *"

Grain on which the C. C. C. had a loan outstanding was usually stored on the producer's farm until the producer either sold it, or delivered it for the account of the C. C. C. in satisfaction of the loan.

Both during and prior to each of the taxable years here involved, there was in force a Uniform Grain Storage Agreement between petitioner, as a warehouseman, and the C. C. C., under which petitioner agreed to receive for the account of such agency, grain which producers might surrender to the agency at petitioner's elevator in satisfaction of such government loans (which grain is herein called "Government grain"). Under such contract petitioner also agreed to perform certain services for said agency in connection with the handling and storing of such grain, at rates of compensation to be paid by the C. C. C. in accordance with rate schedules in force at times when such services were performed. Petitioner also had other agreements, during said period, with certain county committees which acted as local representatives of the C. C. C., relating to the loading and unloading of Government grain into and out of government-owned bins.

During each of the taxable years involved, grain was voluntarily surrendered by producers to the C. C. C. at petitioner's elevator, in satisfaction of government crop loans. The deliveries at petitioner's elevator were made pursuant to written

instructions issued to the producers by the county committees which had approved the loans on behalf of the C. C. C. Upon receipt of any such grain, petitioner weighed the same and prepared a scale ticket; and if the grain was delivered by one of petitioner's members, petitioner credited such member on its patronage ledger with the number of bushels delivered. Thereafter, pursuant to written instructions issued to petitioner by one of the county committees, the grain was either shipped out at once to a point designated by such committee, or was stored in petitioner's facilities, or was placed in government-owned storage bins situated in the locality. If the grain was stored in petitioner's facilities, it was usually commingled with other grain of the same kind; the C. C. C. generally required only that petitioner have available at all times the number of bushels delivered to it for storage, and that the quality of such grain be at least equal to that which had been so delivered.

Whenever petitioner received such Government grain, it sent a written notice to the appropriate county committee, which showed among other things the date of receipt, the kind of grain, and the quantity and grade thereof. Also, if such grain was stored in petitioner's facilities, a warehouse receipt therefor was issued by petitioner for the C. C. C.

Title to all grain delivered to petitioner by producers in satisfaction of C. C. C. loans passed to said government agency at the time of such delivery. Petitioner at no time owned any of this Government grain; and it at no time included any of the same in its inventory.

The number of bushels of Government grain so delivered to petitioner during the taxable years, by members and nonmembers of the cooperative, were:

Year ended	Member (bushels)	Nonmember (bushels)	Total (bushels)
June 30, 1953	12,758	None	12,758
June 30, 1954	237,871	36,260	274,131
June 30, 1955	269,476	18,269	287,745

Most of such Government grain was corn.

The amounts of compensation received by petitioner from the C. C. C. during the taxable years for handling and storing Government grain, and also the net profits which petitioner realized therefrom after deduction of certain direct expenses, were as follows:

Services Performed	Compensation received for years ended June 30		
	1953	1954	1955
Taking into petitioner's elevator, grain designated for immediate shipment; and then loading same into boxcars	None	\$ 542.56	\$ 634.60
Weighing and putting into petitioner's elevator, grain designated for storage therein	\$ 543.30	2,028.54	4,010.65
Storing grain in petitioner's own facilities	4,371.00	5,145.48	18,585.93
Removing grain from storage in petitioner's facilities, and loading same into boxcars	176.77	None	None
Placing grain in government-owned bins	None	6,291.66	5,364.39
Removing grain from government-owned bins, transporting same to petitioner's elevator, and weighing it	642.40	4,870.97	3,233.69
Taking into petitioner's elevator, grain removed from government-owned bins; and loading same into boxcars	1,925.36	9,938.55	5,341.81
Total compensation received for handling and storing Government grain	\$7,653.33	\$28,817.76	\$37,171.07
Less: Direct expenses	441.76	3,750.48	2,733.03

The above net profits were included by petitioner in the "gross savings and income" of its Grain Department, for the purpose of computing patronage dividends.

Neither the C. C. C., nor any of the county committees, was a member of the petitioner cooperative association.

Facts re Grain Stored for Others Than Commodity Credit Corporation

During all taxable years involved, petitioner received grain at its elevator for storage therein on behalf of others than the C. C. C. In all of such taxable years, storing was done for producers, including both members and nonmembers of the cooperative; and, in the first of such taxable years, storing was done also for three business organizations which were neither producers of grain nor members of the cooperative. Fees were charged by petitioner, and received from the owners of the grain for such storage.

Grain so stored for *producers* during the taxable years was, with possibly one or two exceptions, subsequently purchased by the petitioner. If such stored grain was purchased from one of petitioner's members, he was at the time of such purchase given credit in petitioner's patronage ledger for the number of bushels which he sold; but no credit was at any time given to him in said patronage ledger, either for the number of bushels which he stored, or for the length of time that the same was stored, or for the amount of storage fees which he paid. A record was kept, however, of the identity of each person for whom grain was stored; and of the amounts of storage fees paid by such person.

As regards the grain stored for the three above-mentioned nonproducer business organizations which were not members, this grain had originally been purchased by petitioner from producers, and then had been sold by petitioner to said organizations. The organizations had thereupon, at the time of so acquiring the grain, arranged to have petitioner store the same for them until such time as they might order it to be shipped out.

The amounts of storage fees (herein called "storage income") which petitioner received for storing grain from producers and from the above-mentioned organizations, were as follows:

Year ended	Storage income received from producers	Storage income received from nonproducer organizations
June 30, 1953	\$3,192.66	\$2,591.07
June 30, 1954	4,071.90	None
June 30, 1955	2,345.99	None

The evidence does not establish what portions of the above storage income were received by petitioner from members of the cooperative, or from any particular member.

The kinds of grain stored, in respect of which the above amounts of storage income were received, and the percentage of said storage income attributable to each kind of grain, were:

Year ended	Percentage of Storage Income Attributable to		
	Soybeans	Oats	Corn
June 30, 1953	.9487	.0510	.0003
June 30, 1954	.945	.051	.004
June 30, 1955	.965	.035	None

All of the above amounts of storage income were included by petitioner in the "gross savings and income" of its Grain Department, for the purpose of computing patronage dividends.

Facts re Computation of Patronage Dividends

During the taxable years involved, Chapter 499 of the pertinent Iowa Codes contained the following provisions applicable to farmers' cooperative associations:

"499.30 *Distribution of Earnings.* The directors shall annually dispose of the earnings of the association in excess of its operating expenses as follows:

"To provide a reasonable reserve for depreciation, obsolescence, bad debts, or contingent losses or expenses.

"At least ten percent of the remaining earnings must be added to surplus until surplus equals either thirty percent of the total of all capital paid in for stock or memberships, plus all unpaid patronage dividends, plus certificates of indebtedness payable upon liquidation, or one thousand dollars, whichever is greater. No additions shall be made to surplus whenever it exceeds either fifty percent of such total, or one thousand dollars, whichever is greater.

"Not less than one percent nor more than five percent of such earnings in excess of reserves may be placed in an educational fund, to be used as the directors deem suitable for teaching or promoting co-operation.

"After the foregoing, to pay fixed dividends on stock or memberships, if any.

"All remaining net earnings shall be allocated to a revolving fund and shall be credited to the account of each *member* including subscribers * * * ratably in proportion to the business he has done with the association during such year. Such

credits are herein referred to as "deferred patronage dividends." [Italics supplied.]"

Provisions of substantially the same wording were included in petitioner's articles of incorporation.

The petitioner, in computing the amounts of the patronage dividends which it excluded from gross income in its Federal income tax returns for the taxable years involved, proceeded as follows. First, as hereinafter shown, it set forth under three distinct headings the amounts, of so-called "gross savings and income" (representing in substance, gross profits per books) which it had classified on its books as follows: (1) That derived from business transacted through its Grain Department; (2) that derived from business transacted through its Merchandise Department; and (3) "Other Income" which included such items as cleaning fees, and patronage dividends received from other cooperatives. It then deducted from the amount set forth under each of these headings (in accordance with requirements of the Iowa Codes and its articles of incorporation), allocated portions of certain expenses, ordinary dividends paid on its common and preferred stock, and additions to its educational fund. The balances remaining in respect of the Grain and Merchandise Departments represented that portion of the gross savings and income of each, which, according to petitioner's computation, would have been available for patronage dividend allocation if patronage dividends were allocable both to members and to nonmembers of the cooperative. Petitioner, however, allocated patronage dividends only to its members. Accordingly, the above-mentioned balances were adjusted, so as to reflect the portions thereof which petitioner regarded to be available for patronage dividends to members.

Patronage dividends allocated by petitioner from its Grain Department were computed on the basis of *bushels*, i.e.: The amount allocated to a particular member was determined by comparing the number of bushels of grain which he either had sold to petitioner or had delivered to petitioner's elevator in satisfaction of C. C. C. crop loans, with the total number of bushels so sold or delivered by all members. On the other hand, the patronage dividends allocated from the Merchandise Department were computed on the basis of *dollars*, by comparing the dollar amount of purchases made by a particular member, with the total dollars of purchases made by all members. No patronage dividends were allocated from the so-called "Other Income."

Petitioner's computation of the amount of patronage dividends which it excluded from gross income on its Federal income tax return for the taxable year ended June 30, 1953, (which computation is similar to that made for each of the other taxable years involved), was in substance as follows:

	Grain Department	Merchandise Department	Other Income	Total
Gross Savings and Income	\$23,776.73	\$14,133.73	\$530.39	\$38,440.85
Less: Expenses, ordinary dividends, etc., as allocated	15,995.52	9,507.21	388.37	25,891.10
Eliminate: "Other Income"	\$ 7,781.21	\$ 4,626.52	\$192.02	\$12,599.75
Balance available for patronage dividends.				192.02

if allocable to both members and nonmembers	\$ 7,781.21	\$ 4,626.52	\$12,407.73
Bushels of grain purchased by petitioner	412,756 bu.		
Government grain received for account of C. C. C.	12,758 bu.		
Total bushels received by Grain Dept.	425,514 bu.		
Dollar volume of sales of Merchandise Dept.		\$107,014.08	
Business done with members only	387,664 bu.	\$ 87,512.01	
Per cent of member business to total business	91%	82%	
Patronage dividends excluded from gross income on petitioner's income tax return	\$ 7,080.90	\$ 3,793.65	\$10,874.55
Rate for computing share per member (in cents per bushel of grain sold to petitioner or delivered for C. C. C., or in per cent of the member's purchases)	1.83¢	4.3%	

Amounts comparable to those shown in the last two items of the above table, as computed by petitioner for the other two taxable years, were:

	Grain Dept.	Merchandise Dept.	Total
Patronage dividends excluded from gross income on petitioner's income tax return, for			
Year ended 6/30/54	\$19,348.53	\$7,372.87	\$26,721.40
Year ended 6/30/55	25,971.09	9,020.64	33,991.73
Rate for computing share per member, for			
Year ended 6/30/54	3.5¢	7.4%	
Year ended 6/30/55	5.6¢	7.44%	

The method used by petitioner to exclude the above-mentioned amounts of patronage dividends from gross income on its income tax returns, was to add the patronage dividends for each year to its cost of goods purchased. This effected an increase in its cost of goods sold, and a corresponding decrease in its gross profit from sales.

The respondent, in his notice of deficiency, determined that the amount of patronage dividends excludible from petitioner's gross income for each of the taxable years was less than the amount excluded by petitioner on its returns. In computing such reduced amounts, he made the following adjustments relating to the Grain Department which are here in dispute: He eliminated from the gross savings and income of the Grain Department, for the purpose of computing patronage dividends, all compensation received from the C. C. C. for handling and storing Government grain, and all compensation received from persons and organizations other than the C. C. C. for storing grain owned by them; and he included these eliminated items in the category of "Other Income," in respect of which no patronage dividends were allowed. As a complementary adjustment in computing the portion of the Grain Department business transacted with members, he eliminated all Government grain both from the total bushel-volume of business and also from the total bushelvolume of member business. Further, he reduced the amounts deducted from the gross savings and income of the Grain Department for expenses, ordinary dividends, and additions to the educational fund.

Opinion

The issues here presented involve the right of an Iowa corporation (which at all times material operated under the laws of said state as a farmers' cooperative association, but

which concededly did not qualify for exemption from Federal income tax)³ to exclude from its gross income for Federal income tax purposes, as part of its "patronage dividends," amounts allocated out of certain portions of its earnings for distribution to "members" only. Such portions of its earnings consisted of compensation received for services in handling and storing grain; they were for the most part received from nonmembers of the cooperative; and they were not allocated in proportion to the amounts of storage business transacted with the members for whom the allocations were made. Since this is a problem of Federal taxation, it is controlled by Federal law. *Burnet v. Harmel*, 287 U. S. 103, 110 [3 USTC ¶990]. Thus, notwithstanding that the Iowa Codes provided *how* and *to whom* the earnings of a cooperative association, such as petitioner, should be distributed, we must look to the provisions of the pertinent Internal Revenue Codes, and to Federal court decisions and administrative rulings relative to the application of such Codes, in deciding what if any portions of said earnings are not subject to Federal income tax.

Neither the 1939 Internal Revenue Code nor the 1954 Code provides specifically for the exclusion or deduction of patronage dividends, refunds, or rebates, by a non-taxexempt cooperative. However, it has been the administrative practice of the Treasury Department and its Internal Revenue Service, for many years, to exclude true patronage dividends of non-exempt cooperatives, under certain conditions. I. T. 1499, I-2 C. B. 189, 191 (1922); A. R. R. 6967, III-1 C. B. 287 (1924); S. M. 2595, III-2 C. B. 238 (1924); G. C. M. 12393, XII-2 C. B. 398 (1933); G. C. M. 17895, 1937-1 C. B. 56; I. T. 3208, 1938-2 C. B. 127; Rev. Rul. 57-59, 1957-1 C. B. 24. And such administrative practice is recognized, at least indirectly, both in section 104(12)(B) of the 1939 Code and in section 522(b)(2) of the 1954 Code, wherein it is stated: "Patronage dividends, refunds, and rebates to patrons with respect to their patronage * * * shall be taken into account in computing net income [of an exempt cooperative] in the same manner as in the case of a cooperative association not exempt * * *."

The propriety of such administrative practice in allowing exclusions for patronage dividends to non-exempt cooperatives, in the absence of any specifically expressed statutory authority, was questioned by the Court of Appeals for the Ninth Circuit in *Cooperative Oil Association, Inc. v. Commissioner*, 115 Fed. (2d) 666 [40-2 USTC ¶9797], affirming a Memorandum Opinion of this Court. However, the Treasury Department and its Internal Revenue Service have adhered to such practice, on the theory that true patronage dividends are, in reality, either (a) additions to the prices initially paid by the cooperative to its patrons for products which the patrons had marketed through the cooperative, or (b) refunds to patrons of part of the prices initially paid by them for merchandise or services which they had obtained through the cooperative. Thus, the administrative practice is to treat true patronage dividends as *corrective and deferred price adjustments*, which serve to reduce the amount of the cooperative's gross profit from sales, and which actually never became part of its gross income. I. T. 3208, *supra*, 128. This administrative practice, and the theory on which it is based, have been recognized and approved by this and other courts. *Clover Farm Stores Corporation*, 17 T. C. 1265,

1277 [Dec. 18,771]; *Dr. P. Phillips Cooperative*, 17 T. C. 1002, 1010 [Dec. 18,665]; *United Cooperatives, Inc.*, 4 T. C. 93, 106 [Dec. 14,145]; *Midland Cooperative Wholesale*, 44 B. T. A. 824, 830 [Dec. 11,869]; *Fruit Growers Supply Co.*, 21 B. T. A. 315, 326 [Dec. 6482], affirmed 56 Fed. (2d) 90 [3 USFC ¶877]; and *Farmers Cooperative Co. v. Birmingham*. (N. D. Iowa) 86 Fed. Supp. 201 [49-2 USFC ¶9400].

The judicial authorities and administrative rulings indicate that, in order for an allocation of earnings by a cooperative association to qualify as a true corrective and deferred price adjustment, and hence as a true patronage dividend, at least three prerequisites must be met: *First*, the allocation must have been made pursuant to a preexisting legal obligation; that is to say, it must have been made pursuant to a legal obligation which existed at the time when the participating patrons transacted their business with the cooperative, and not pursuant to an obligation created after the allocated amount was earned. ⁴ *Southwest Hardware Co.*, 24 T. C. 75, 82 [Dec. 20,977]. *Second*, the allocation must have been made out of profits or income realized from transactions with the particular patrons for whose benefits the allocations were made, and not out of profits or income realized from transactions with other persons or organizations which were not entitled to participate in such allocations. *Clover Farm Stores Corporation*, *supra*. 1277; *Valpariso Grain & Lumber Co.*, 44 B. T. A. 125, 126, 127 [Dec. 11,749]; Regs. 45, Art. 522; I. T. 1499, *supra*; A. R. P. 6967, *supra*; S. M. 2595, *supra*; G. C. M. 12393, *supra*; Rev. Rul. 57-59, *supra*. And *Third*, the allocations must have been made equitably; so that profits realized on the one hand from selling merchandise or services to patrons, and those realized on the other hand from marketing products purchased from patrons, were allocated ratably to the particular patrons whose patronage created each particular type of profit. See I. T. 1499, *supra*; I. T. 3208, *supra*; *Clover Farm Stores Corporation*, *supra*; *Farmers Cooperative Co. v. Birmingham*, *supra*. See also, George J. Waas and Daniel G. White, "Application of the Federal Income Tax Statutes to Farmers' Cooperatives" (November 1942), *Farm Credit Administrative Bulletin* No. 53, page 70.

With further regard to the second and third of such prerequisites, it is to be observed that the only references to patronage dividends of cooperatives, made in the Internal Revenue Codes of 1939 and 1954, indicate that the principles governing the allowance of such patronage dividends are the same, in the case of tax-exempt cooperatives and in the case of non-exempt cooperatives; for, as hereinbefore noted, section 101(12)(B) of the 1939 Code and section 522(b)(2) of the 1954 Code each provides that, "Patronage dividends, refunds, and rebates to patrons with respect to *their patronage* * * * shall be taken into account in computing the net income [of a tax-exempt cooperative] in the *same manner* as in the case of a cooperative not exempt * * *." [Italics supplied.] And, under section 101(12)(A) of the 1939 Code and section 521 of the 1954 Code, the only tax-exempt cooperatives to whom allowances for patronage dividends may be made, are those which, in respect of their marketing activity, turn back to their marketing patrons the net profits of such activity, "on the basis of either quantity or the value of the products furnished by them"; or which, in the case of their activity in selling

supplies and equipment to their patrons, turn over such supplies and equipment "to them at actual cost, less necessary expenses."

We have found no statutory or judicial authority, and no published ruling of the Internal Revenue Service, which would warrant the allowance of patronage dividends to a non-exempt cooperative association, other than in accordance with the foregoing principles. All of the authorities relied upon by petitioner to support a contrary position are distinguishable; principal among such authorities are: *Greene County Farmers Sales Association v. United States*, (Ct. Cls.) 55 Fed. Supp. 123 [44-1 USTC ¶9303]; and an unpublished letter from a deputy commissioner of internal revenue to a taxpayer, other than petitioner, which is quoted in petitioner's brief. In the *Greene County* case, the Court of Claims held that, notwithstanding the taxpayer had been authorized to act as a cooperative, it "was not a cooperative, but a corporation organized for profit;" that "the persons to whom the rebates were paid were not 'members'" of the taxpayer; and that "cases dealing with farmers' cooperative associations * * * are inapplicable * * *." Furthermore, two dissenting judges concluded that the rebates involved represented distributions of profits to a selected group of customers, out of that portion of its net income remaining after payment of an eight per cent dividend to stockholders; that "The taxing acts do not authorize deductions of such distributions in determining taxable income;" and that "Claimed deductions from net income which are not authorized specifically, either by the revenue acts or by any regulation applying to them, cannot be allowed."

As regards the above-mentioned letter of the deputy commissioner, this has never been officially published so as to constitute an official ruling, but represents merely advice given to a particular taxpayer (other than the petitioner) in respect of particular facts represented by such taxpayer. Such represented facts are not clearly shown in the quotation from such letter, which is set forth in petitioner's brief; and petitioner has not shown that such facts are on all-fours with those in the instant case. In any event, advice given to a particular taxpayer in an unpublished ruling of such character has no binding effect on the respondent; and it can not be deemed to have overturned the long-established administrative practice of the Treasury Department and its Internal Revenue Service, as disclosed in the published official rulings hereinabove cited.

Applying the principles established by the authorities which we have hereinabove cited to the facts of the instant case, we reach the following conclusions:

1. *Allocations made for members only, out of compensation received from Commodity Credit Corporation for services in handling and storing Government grain.*—The Commodity Credit Corporation was not a member of the petitioner cooperative; and none of petitioner's patronage dividends were allocated for its benefit. The grain which petitioner stored on behalf of said government agency was owned by the agency throughout the period of its storage and at all times after it had been delivered to petitioner's elevator in satisfaction of government crop loans. Such Government grain was at no time included

by petitioner in its inventory, and was not marketed by petitioner for anyone. Also, all of the compensation which petitioner received for its services in handling and storing this grain was paid by said government agency, pursuant to specific contracts existing between petitioner and either the C. C. C. or the county committees which represented said agency. None of such compensation was paid to petitioner by any of its members.

In view of the foregoing, it is obvious that the allocations made by petitioner for its members only, out of such compensation, did not and could not represent *corrective and deferred price adjustments* to members, in respect of any grain purchased by petitioner from such members, or in respect of any storage charges paid by them. Accordingly, as regards the allocations made out of Government grain income, petitioner failed to meet the second of the prerequisites above mentioned; and the amounts so allocated do not qualify as true patronage dividends.

Petitioner contends that such allocated amounts were true patronage dividends, to the extent that the Government grain was *produced* by its members. It has cited no authority in support of such position; and our examination of the authorities has revealed no such support, either statutory or judicial. The determinative factors, in our opinion, are who owned the grain which was handled and stored, and who paid the charges for these services. We regard it to be wholly immaterial who may have originally produced such grain; or who may have owned it prior to the time when it was surrendered to the C. C. C., and was then handled and stored for such agency, as such agency's property and at its expense.

We hold that the amounts allocated by petitioner to its members only, out of the compensation which it received from the C. C. C. for handling and storing Government grain, are not excludible from petitioner's gross income, as part of its patronage dividends. We approve the determinations of the respondent as to this issue.

2. *Allocations made for members only, out of compensation received from persons and organizations other than the Commodity Credit Corporation, for storing grain owned by them.*... The compensation received by petitioner from persons and organizations other than the C. C. C. (including both members and nonmembers), for storing grain owned by such persons and organizations, was of three classes: (1) Part of such compensation was received from three business organizations which were neither producers of the grain nor members of the petitioner cooperative; (2) another part was received from nonmember-producers; and (3) the remainder was received from member-producers.

As regards the first two of these classes of compensation, they are similar to the compensation received from the C. C. C. above mentioned; for these also represent compensation for services rendered to, and paid for by, nonmembers of the cooperative. As to these, we hold, consistent with our above holding, that the allocations do not qualify as true patronage dividends; and that the same are not excludible from petitioner's gross income.

As to the third class of compensation above mentioned, this represents amounts received by petitioner from its members, for storing grain owned by such members. It is our opinion that, under the principles above stated, allocations out of such compensation, if made equitably to the *particular* members from whom the compensation was received, would qualify as true patronage dividends.

Petitioner, however, allocated the compensation falling within this third class, not with regard to the amounts of storage business transacted with the particular members for whose benefit the allocations were made, but rather with respect to the number of bushels of grain which its members had delivered to its elevator, either for purchase by petitioner or for surrender to the C. C. C. in satisfaction of government crop loans. The particular members with whom this storage business was transacted are not shown to compose the entire group of members who delivered grain to petitioner's elevator for the other purposes above stated. Indeed, over 94 per cent of the stored grain consisted of soybeans; while, on the other hand, most of the grain delivered to petitioner's elevator for the other purposes above mentioned was corn. Also, the amounts of business done by these two groups of members have not been shown to have produced profits which were allocable at the same rates. Accordingly, the petitioner, in making the allocations out of the third class of storage income, failed in part to meet the third prerequisite above mentioned.

We hold that the amounts allocated to members only, out of compensation received from members for storing grain owned by them, are excludible from petitioner's gross income as part of its patronage dividends, only to the extent that the amounts which were allocated to the particular members who stored grain, represented their proportionate shares of total member storage business which produced the compensation of such class, less the necessary expenses applicable thereto.

Decision will be entered under Rule 50.

¹ Such "patronage dividends," which are hereinafter more fully described, are also commonly referred to as "Patronage Rebates" or "Patronage Refunds." Petitioner, in its income tax returns, used the designation "Patronage Refunds."

² This chapter of said Iowa Codes provides that: "Association" [as used therein] means a corporation formed under this chapter."

³ Section 101(12) of the 1939 Code and section 521 of the 1954 Code grant limited exemption from Federal income tax to certain farmers' cooperative associations which allocate patronage dividends, refunds, or rebates for the benefit of *all* their patrons, including both members and nonmembers. Petitioner concedes that it does not qualify for tax exemption under these sections, because it provides patronage dividends only for those of its patrons who are members of the cooperative. Accordingly, petitioner

files corporate income tax returns (Form 1120); and it concedes that its net income is subject to Federal income tax under sections 13 and 15 of the 1939 Code and under section 11(b) and (c) of the 1954 Code.

⁴ The parties have stipulated that, in the instant case, this prerequisite has been met.

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO ALCAN ALUMINUM CORPORATION
AND SOUTHWIRE COMPANY
FIRST SET OF JOINT DATA REQUESTS OF NOVEMBER 15, 1999

CASE NO. 99-450

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5 **Item 4)** With respect to Big Rivers' proposed defeased sale/leaseback transactions,
6 please provide calculations of the expected allocations of patronage capital assignable to
7 each member and non-member. Please show the underlying bases for all such
8 calculations.

9
10 **Response)** Big Rivers estimates, as set forth in Big Rivers' Response to Alcan
11 Aluminum Corporation and Southwire Company's First Set of Joint Data Request in
12 Items #2 and #3, there will be no net patronage capital allocated with respect to the sale
13 of the assets in the defeased sale/leaseback transaction.

14
15 Big Rivers allocates tax margins as set forth in its bylaws. In determining
16 taxable margins Big Rivers must apply its cumulative loss carryforwards (§277 member
17 loss carryforwards and/or §172 non-member net operating loss carryforwards) against
18 any subsequent years' income/gain prior to allocating any patronage capital.

19
20 **Witness)** Mark Hite
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BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO ALCAN ALUMINUM CORPORATION
AND SOUTHWIRE COMPANY
FIRST SET OF JOINT DATA REQUESTS OF NOVEMBER 15, 1999

CASE NO. 99-450

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Item 5) With respect to Big Rivers' expected allocations of patronage capital to each member, please show a breakdown of the amounts attributable to prior retail service by the members of Alcan Aluminum Corporation ("Alcan"), Southwire Company ("Southwire", for service to both the Smelter and the Rod Mill), and the aggregate amounts for non-smelter direct serve industrial customers and rural customers.

Response) As stated in Big Rivers' Response to Alcan Aluminum Corporation and Southwire Company's First Set of Joint Data Request in Items #2, #3, and #4, Big Rivers estimates that there will not be any net patronage capital allocation resulting from the sale of the assets in the defeased sale/leaseback transaction. Also, Big Rivers' member patrons include only Kenergy, Meade County and Jackson Purchase. Big Rivers has not historically allocated patronage on a members' customer class basis. Any allocation from Big Rivers' members to the member's ultimate patrons and/or members would be based on the respective members' bylaws.

Witness) Mark Hite

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO ALCAN ALUMINUM CORPORATION
AND SOUTHWIRE COMPANY
FIRST SET OF JOINT DATA REQUESTS OF NOVEMBER 15, 1999

CASE NO. 99-450

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5 **Item 6)** With respect to Big Rivers' proposed defeased sale/leaseback transactions,
6 please explain the methodology by which the patronage capital arising from the prior
7 patronage of non-members will be allocated to members.

8
9 **Response)** Big Rivers only allocates true "patronage dividends" as defined in
10 Pomeroy Cooperation Grain Company, 31 T. C., 674 (1958), (see attached Response to
11 Alcan Aluminum Corporation and Southwire Company's First Set of Joint Data Request
12 Item #3). Big Rivers, as stated in Big Rivers' Response to Alcan Aluminum Corporation
13 and Southwire Company's First Set of Joint Data Request in Items #2, #3, #4 and #5,
14 estimates that there will not be any net patronage capital allocated with respect to the sale
15 of the assets in the defeased sale/leaseback transaction.

16
17 **Witness)** Mark Hite
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BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO ALCAN ALUMINUM CORPORATION
AND SOUTHWIRE COMPANY
FIRST SET OF JOINT DATA REQUESTS OF NOVEMBER 15, 1999

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5 **Item 7)** Please describe any existing restrictions in Big Rivers' loan covenants or
6 other contracts (other than restrictions or provisions existing within Big Rivers' By-
7 Laws) pertaining to the distribution by Big Rivers to its members of patronage capital.

8
9 **Response)** Article II, Section 14 of the Restated Mortgage and Security Agreement
10 made by and among Big Rivers Electric Corporation, United States of America, Ambac
11 Assurance Corporation and National Rural Utilities Cooperative Finance Corporation
12 dated as of July 15, 1998, prohibits distribution by Big Rivers of Patronage Capital at any
13 time,

14
15 "if after giving effect to any such Distribution the total
16 Equity of the Mortgagor will not equal or exceed 40% of its
17 total assets and other debits; provided, however, that the
18 Mortgagor may nevertheless make Distributions in any
19 year up to 25% of the patronage capital and margins
20 received by the Mortgagor in the next preceding year where
21 after giving effect to any such Distribution the total Equity
22 of the Mortgagor will equal or exceed 20% of its total
23 assets and other debits, and provided, further, however, that
24 in no event will the Mortgagor make any Distributions if
25 there is unpaid when due any installment of principal of or
26 interest on the Notes, if the Mortgagor is otherwise in
27 default hereunder or if, after giving effect to any such
28 Distribution, the Mortgagor's total current and accrued
29 assets would be less than its total current and accrued
30 liabilities."

31 For purposes of these provisions "Equity" means the "aggregate of Equities and
32 Margins (as such terms are defined in the Uniform System of Accounts) and
33 Subordinated Indebtedness." "Subordinated Indebtedness" means "unsecured
indebtedness of the Mortgagor, payment of which shall be subordinated to the prior
payment of the Notes in form and substance satisfactory to the Mortgagees."

33 **Witness)** Mark Hite

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO ALCAN ALUMINUM CORPORATION
AND SOUTHWIRE COMPANY
FIRST SET OF JOINT DATA REQUESTS OF NOVEMBER 15, 1999

CASE NO. 99-450

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5 **Item 8)** With respect to Big Rivers' proposed defeased sale/leaseback transactions,
6 please describe the means, if any, by which Alcan and Southwire will realize any benefit
7 from the patronage capital that is allocated by Big Rivers to Kenergy Corporation
8 ("Kenergy") for reallocation by Kenergy to Alcan and Southwire (by reason of the prior
9 patronage of Kenergy's predecessors for resale to Alcan and Southwire).

10
11 **Response)** First, Big Rivers, as set forth in Big Rivers' Response to Alcan Aluminum
12 Corporation and Southwire Company's First Set of Joint Data Requests in Items #2, #3,
13 #4 and #5, estimates that there will not be any net patronage capital allocated with respect
14 to the sale of the assets in the defeased sale/leaseback transaction. Second, the means by
15 which Alcan and Southwire may realize a benefit from any patronage capital that might
16 be allocated by Big Rivers to Kenergy is unknown to Big Rivers. Any reallocation of
17 Big Rivers' patronage by Kenergy is presumably done in accordance with its bylaws.
18 Therefore, Big Rivers cannot make any representations regarding the realization of any
19 potential benefits by Alcan and/or Southwire.

20
21 **Witness)** Mark Hite
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BIG RIVERS ELECTRIC CORPORATION
RESPONSE TO ALCAN ALUMINUM CORPORATION
AND SOUTHWIRE COMPANY
FIRST SET OF JOINT DATA REQUESTS OF NOVEMBER 15, 1999

CASE NO. 99-450

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Item 9) Please describe any and all amendments or modifications to Big Rivers' By-Laws that are contemplated by Big Rivers and/or its members in conjunction with Big Rivers' proposed defeased sale/leaseback transaction.

Response) None

Witness) David A. Spainhoward

**COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY**

RECEIVED

NOV 19 1999

PUBLIC SERVICE
COMMISSION

In the Matter of:

Big Rivers Electric Corporation's)
Application for Approval of a Leveraged)
Lease of Three Generating Units)

Case No. 99-450

**BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE COMMISSION'S
INITIAL REQUEST FOR INFORMATION OF
NOVEMBER 16, 1999**

Items 1-14

November 18, 1999

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE COMMISSION'S
INITIAL REQUEST FOR INFORMATION OF NOVEMBER 16, 1999

CASE NO. 99-450

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4 **Item 1)** Concerning the proposed leveraged lease transaction:

5
6 a. Provide a diagram of the proposed transaction, clearly showing the
7 relationship between the anticipated participants, the respective documents, and the
8 estimated dollars associated with each document or step of the proposed transaction. For
9 purposes of this request, anticipated participants may be identified as "equity investor,"
10 "owner trustee," or other generic labels, as necessary.

11
12 b. Using Big Rivers' current assumptions and estimates, prepare a
13 schedule listing each transaction document and all associated payments to or payments
14 made by Big Rivers under the proposed transaction. Where not previously provided,
15 include the calculations showing how the amounts were determined.

16
17 **Response)** a. Please see response, attached as pages 2 of 13 through 11 of 13.

18
19 b. Big Rivers would not be expected to receive or be obligated to
20 make scheduled payments under any operative documents other than those set forth in the
21 response to this No. 1 b. including those described in the Commission's Initial Request
22 for Information, Item No. 2.

23
24 Please see response, attached as pages 12 of 13 through 13 of 13.

25
26 **Witness)** William Cordiano

The attachments for Items 1.a. and 1.b. are filed separately pursuant to a Petition for Confidential Treatment.

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE COMMISSION'S
INITIAL REQUEST FOR INFORMATION OF NOVEMBER 16, 1999

CASE NO. 99-450

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4 **Item 2)** Provide a brief summary of the purpose and effect of each document or
5 agreement associated with the proposed lease transaction. These summaries should cover
6 the 22 documents and agreements referenced in Exhibit 3 of the application and other
7 supporting documents and agreements discussed in Exhibit 5 of the application.

8
9 **Response)** Exhibit 3 of the application sets forth the major documents and
10 agreements necessary to implement the proposed leveraged lease transaction. Other
11 documents identified in the definition of Operative Documents (paragraph 27 of Part A of
12 Exhibit 5, attached to the application) which were not identified in Exhibit 3 of the
13 application are:

14 (a) Payment Undertaking Pledge Agreement. This is the agreement by
15 which the Big Rivers Subsidiary will pledge its interest in the Payment Undertaking
16 Agreement to the Owner Trust to secure Big Rivers' obligations under the Facilities
17 Lease (for repledge by the Owner Trust to the Series A Lender to secure the Series A
18 Loan). A subordinated security interest will be created in favor of the mortgagees under
19 the Big Rivers Mortgage.

20 (b) Series B Investment Contract Pledge Agreement. This is the
21 agreement by which the Big Rivers Subsidiary will pledge its interest in the Series B
22 Investment Contract to the Swap Provider to secure Big Rivers' obligations under the Big
23 Rivers Swap. Subordinated security interests will be created in favor of the Owner Trust
24 and the mortgagees under the Big Rivers Mortgage.

25 (c) Funding Pledge Agreement. This is the agreement by which the
26 Big Rivers Subsidiary will pledge its interest in the Funding Agreement to the Swap
27 Provider to secure Big Rivers' obligations under the Big Rivers Swap. A subordinated
28 security interest will be created in favor of the mortgagees under the Big Rivers
29 Mortgage.

30 (d) Loan Certificates. These are the loan certificates made by the
31 Owner Trust and issued under the Leasehold Mortgage which evidence the Series A Loan
32 and the Series B Loan.
33

BIG RIVERS ELECTRIC CORPORATION'S
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4 (e) Secured Notes. These will consist of a Lessor Secured Note and a
5 Swap Provider Secured Note. The Secured Notes will evidence the unfunded portion of
6 Big Rivers' Termination Value payment obligation under the Facilities Lease or the Big
7 Rivers Swap, as the case may be. (See response to Item 4 below).

8
9 While the documents necessary to implement the proposed leveraged lease
10 are numerous and complex, at its core, the transaction is a leveraged lease, under which
11 an asset (the Wilson and Green generating units) is sold (the Head Lease) to an investor
12 and leased back to the original owner (the Facilities Lease). The investor's purchase
13 price consists of an equity investment and non-recourse notes (the Series A and B Loan
14 Certificates) issued under a security agreement (the Leasehold Mortgage). With a portion
15 of the proceeds of the sale, the lessee, through its wholly-owned subsidiary (the Big
16 Rivers Subsidiary), will purchase certain financial assets (the Funding Agreement, the
17 Payment Undertaking Agreement and the Series B Investment Contract) with which it
18 will economically defease its rent obligation and fixed price purchase option under the
19 Facilities Lease. In addition, in order to provide security for the equity investor in the
20 leveraged lease, the lessee will arrange for a credit derivative (the Lessor Swap) to be
21 entered into by the equity investor and a creditworthy swap counterparty whereby, upon
22 the occurrence of a default under the Facilities Lease, the equity investor may swap its
23 beneficial interest in the trust owning the Head Lease interest for an amount equal to
24 Termination Value under the Facilities Lease. In order to hedge its position under the
25 Lessor Swap, the swap counterparty will enter into a credit derivative with Big Rivers
26 (the Big Rivers Swap) which can be settled on one of two bases in circumstances where
27 the equity investor would be entitled to settle the Lessor Swap.

28
29 At the end of the term of the Facilities Lease, the lessee will be obligated
30 to operate the assets for the equity investor (the Operating and Support Agreement). The
31 lessee's option at the end of the term of the Facilities Lease, in addition to the fixed price
32 purchase option under the Facilities Lease, is to arrange on behalf of the equity investor
33

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE COMMISSION'S
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4 for an acceptable power purchaser to purchase power generated by the assets under a
5 power sales contract at agreed capacity charges (the Service Agreement).

6
7 In addition to providing security for its obligations under the Facilities
8 Lease in the form of financial assets, the lessee has arranged for potential claims against
9 it resulting from the leveraged lease to be secured (the Secured Notes) under the lessee's
10 system-wide first mortgage (the Big Rivers Mortgage).

11
12 The various leasehold interests created in the assets under the leveraged
13 lease will be subject to the leasehold and other interests of an existing lessee of the assets
14 (LG&E Parties) which also enjoys a priority under the system-wide mortgage. In order
15 to collateralize its obligations under the Facilities Lease, the lessee will partially assign
16 certain contract rights it has with the current lessee of the assets proposed for sale (the
17 Lessee Assignment) which will be reassigned to the lessee for the term of the Facilities
18 Lease (the Lessee Reassignment). Because of the various leasehold and security interests
19 of existing creditors of the lessee and the parties to the proposed leveraged lease, an
20 intercreditor agreement (the Restated Subordination, Nondisturbance, Attornment and
21 Intercreditor Agreement) will define the rights and priorities of each.

22
23 Witness) Robert Michel
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BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE COMMISSION'S
INITIAL REQUEST FOR INFORMATION OF NOVEMBER 16, 1999

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4 **Item 3)** Concerning the expected benefits to Big Rivers from the proposed lease
5 transaction, pages 5 and 6 of the application:

6
7 a. Provide all assumptions and calculations that support the currently
8 estimated net cash benefit of \$70 million.

9
10 b. Where not already provided, enumerate all the benefits to Big
11 Rivers if the proposed lease transaction is completed by the end of 1999.

12
13 c. Enumerate the benefits to Big Rivers if the proposed lease
14 transaction were completed in December 2000, rather than December 1999. Explain the
15 reason(s) for any significant differences between the level of benefits expected in 1999
16 and 2000.

17
18 d. Explain the basis for Big Rivers' statement on page 6 of the
19 application concerning the actions anticipated from the Rural Utilities Service ("RUS").

20
21 e. Explain why Big Rivers anticipates, rather than has written
22 verification, that RUS will allow Big Rivers to receive the benefit of the reduction in debt
23 service costs that RUS will realize by using the net cash benefit. Provide copies of any
24 correspondence or documentation from RUS supporting Big Rivers' assumptions.

25
26 f. Provide the assumptions and calculations supporting Big Rivers'
27 estimated annual debt service reduction of \$5 million. Indicate whether this annual
28 reduction is due solely to a lowered principal balance, a reduction in interest rates, or a
29 combination of factors.

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BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE COMMISSION'S
INITIAL REQUEST FOR INFORMATION OF NOVEMBER 16, 1999

CASE NO. 99-450

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4 g. Provide the accounting entries Big Rivers expects to make to its
5 books to reflect the total net benefit of \$70 million and the estimated annual debt service
6 reduction of \$5 million.
7

8 **Response)** a. Based on Pricing Assumptions set forth in Exhibit C to the
9 Summary of Terms and Conditions (Exhibit 5 to the Application) and restated as Exhibit
10 3(a), pages 6 of 9 through 9 of 9, the net cash benefit of the lease financing to Big Rivers
11 would be approximately \$77.1 million. The net cash benefit is calculated using complex
12 lease analysis software pursuant to which the Equity Investor optimizes the transaction
13 (based on the Pricing Assumptions) to maximize the net cash benefit to Big Rivers while
14 preserving its net economic return as defined in Section C(4) on page 16 of the Summary
15 of Terms and Conditions.
16

17 b. The benefit to Big Rivers of closing the transaction by the end of
18 1999 consists of the net cash benefit of approximately \$77.1 million (based on the
19 Pricing Assumptions) which results in an approximately \$5 million annual reduction in
20 its debt service to the RUS as described in 3(f) below.
21

22 c. There is no commitment or obligation on the part of any of the
23 parties to the lease transaction to close any portion of the financing beyond early 2000. A
24 closing in December 2000 would be subject to a multitude of factors, including, but not
25 limited to, (1) then current market conditions in respect of interest rates, equity returns,
26 deposit rates, etc., (2) no proposed or actual changes having occurred in accounting rules
27 or tax law affecting the transaction, (3) the ability of Big Rivers to solicit interested
28 equity investors, lenders and credit enhancers, and (4) the then current financial condition
29 of Big Rivers.
30

31 While it is impossible to determine with any degree of accuracy the net
32 cash benefit that Big Rivers would likely realize from a closing late in 2000, we have
33

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3
4 estimated that a closing around March 15, 2000, would result in a reduction in the net
5 cash benefit to Big Rivers of between \$8 million and \$10 million, assuming no material
6 change has occurred in market conditions, laws or regulation from those assumed for a
7 December 1999 closing.

8
9 d. Big Rivers has negotiated with RUS for the additional interest rate
10 reduction referred to in Item 3.d., and the restructuring of the debt service schedule,
11 referred to in Item 3.e. RUS has given verbal assurances in face-to-face meetings as late
12 as November 16, 1999, that those items will be reflected in the definitive documents. Big
13 Rivers has been told by RUS that RUS will not give piecemeal written assurances about
14 the terms that will be contained in the definitive documents. This is consistent with Big
15 Rivers' considerable experience with RUS. However, that experience with RUS also
16 gives Big Rivers the confidence to proceed with the transaction on the basis of the verbal
17 assurances.

18
19 e. Please see the response to the Commission's Initial Request for
20 Information, Item 3.d.

21
22 f. Both. Big Rivers has had many discussions with the RUS, dating
23 from March 1999 regarding the debt service reduction to be allowed Big Rivers from the
24 defeased sale/leaseback. The assumed net upfront cash benefit of \$70.0 million will be
25 paid to the RUS for application on the New RUS Note. The RUS will allow Big Rivers
26 the full benefit of their use of such proceeds to retire certain high-cost FFB debt, bearing
27 a cost of 9.12 percent. The resulting RUS debt service relief, discounted at 5.750
28 percent, the New RUS Note rate, equals \$82.5 million, an additional \$12.5 million
29 benefit to be allowed Big Rivers via a reduction in the New RUS Note rate. The present
30 value of a .135 percent reduction in the New RUS Note rate, from 5.750 percent to 5.615
31 percent, on the remaining outstanding balance, estimated to be \$911.2 million at
32 December 31, 1999, equals \$12.5 million. Accordingly, the \$5.2 million estimated
33

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annual debt service reduction is due to both a lowered principal balance and a reduced interest rate, calculated as follows:

$\$70.0 \text{ million} \times 5.750\% = \4.0 million

$\$911.2 \text{ million} \times .135\% = \underline{\$1.2 \text{ million}}$

$\$5.2 \text{ million}$

g.

Debit – Account 224 – Long-Term Debt –
New RUS Note $\$70.0 \text{ million}$

Credit – Account 253 – Other Deferred Credits –
Defeased Sale/Leaseback – Gain $\$70.0 \text{ million}$

To record the payment to the RUS of the assumed \$70.0 million upfront net cash benefit for application on the New RUS Note, and to defer the \$70.0 million gain.

Debit – Account 253 – Other Deferred Credits –
Defeased Sale/Leaseback – Gain $\$2.6 \text{ million}$

Credit – Account 425 – Miscellaneous
Amortization – Defeased Sale/Leaseback $\$2.6 \text{ million}$

To amortize the gain on a straight-line basis over the lease term (27 years).

Debit – Account 131 – Cash $\$5.2 \text{ million}$

Credit – Account 427 – Interest on
Long-Term Debt $\$5.2 \text{ million}$

To effectively record the estimated interest cost reduction resulting from the transaction.

BIG RIVERS ELECTRIC CORPORATION'S
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Witness) Mark A. Hite and William Cordiano

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**The attachment for Item 3.a. is filed separately pursuant to a
Petition for Confidential Treatment.**

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4 **Item 4)** Provide a detailed description of Big Rivers' potential exposure due to
5 early termination of the transaction that is not covered by the arrangements described
6 in the application. For any exposure of Big Rivers not covered by an arrangement
7 included in the proposed transaction, explain how Big Rivers intends, as of this time, to
8 fund such an exposure.

9
10 **Response)** The Facilities Lease under which Big Rivers will lease the Wilson and
11 Green Facilities back from the Owner Trustee may terminate prior to its anticipated
12 expiration date, two volitional reasons by Big Rivers and others nonvolitional. With
13 respect to those circumstances in which the Facilities Lease would be terminated only at
14 the direction of Big Rivers (i.e., if the Facilities are obsolete or the defeased lease
15 transaction becomes burdensome), Big Rivers will be permitted to exercise such
16 termination option only if it possesses sufficient financial resources at the time to pay the
17 Termination Value under the Facilities Lease. Hence, no unanticipated exposure to
18 Termination Value payments can result. The circumstances in which the Facilities Lease
19 can terminate prior to its anticipated expiration with an unanticipated exposure to
20 termination value fall into two categories – Events of Loss and Events of Default. Events
21 of loss result from the physical destruction of the Facilities, condemnation of the
22 Facilities by federal, state or local governmental authorities under the power of eminent
23 domain or otherwise and the imposition of public utility regulation on the Owner Trust or
24 Equity Investor.

25
26 The measure of Big Rivers' payment under the Facilities Lease in the
27 event of an early termination thereof is Termination Value plus breakage costs under the
28 Funding Agreement. Much of Big Rivers' Termination Value payment would be funded
29 through the proceeds of the defeasance instruments purchased at the closing to
30 economically defease Big Rivers' rent payments (i.e., the Payment Undertaking
31 Agreement, the Series B Investment Contract and the Funding Agreement). The
32 maximum Termination Value under the Facilities Lease minus the proceeds of the
33

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aforementioned defeasance instruments which would be payable at such time is \$218,000,000 based upon the current Pricing Assumptions.

Termination of the Facilities Lease in consequence of destruction of the Facilities would only occur if the Facilities are not rebuilt. The current arrangements between Western Kentucky Energy Corporation ("WKEC") and Big Rivers require the Wilson and Green units to be repaired unless both parties agree otherwise, and require the proceeds of property insurance to be devoted to such rebuilding. The level of property insurance currently required by the arrangements between WKEC and Big Rivers is full replacement value. Big Rivers will have a right to repair any part of the Facilities suffering damage or destruction under the proposed leveraged lease transaction, subject to satisfaction of certain conditions in the leveraged lease transaction relating to the technical feasibility and economic viability of rebuilding. If Big Rivers and WKEC were to agree not to rebuild the Facilities following catastrophic damage, Big Rivers would utilize its portion of the proceeds of property insurance to defray the unfunded portion of the Termination Value payment. It should also be pointed out that catastrophic damage to a coal fired generating station operated by an electric utility leaving the unit beyond repair has not occurred in the history of the electric utility industry in this country.

Termination of the Facilities Lease in consequence of condemnation by a governmental entity is extraordinarily unlikely. Furthermore, if such an event were to occur, condemnation proceeds would be made available to the owner as compensation for its loss. These proceeds would be used by Big Rivers to defray its unfunded Termination Value payment.

Termination of the Facilities Lease in consequence of the imposition of public utility regulation upon the Owner Trust or the equity investor at the federal or state level is also extremely unlikely. At the federal level, investors participating in transactions such as the proposed leveraged lease currently are exempt from regulation under the Public Utility Holding Company Act by express regulation. Rule 7(d) under

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4 the Public Utility Holdings Company Act of 1935. Neither the Owner Trustee nor the
5 equity investor would be subject to public utility regulation in Kentucky under any
6 existing provision of Kentucky law. Big Rivers views the likelihood of a change in law
7 at the federal or state level as would cause such entities to be regulated as public utilities
8 to be remote.

9
10 Termination of the Facilities Lease in consequence of an Event of Default
11 under the Facilities Lease could result from a number of causes, none of them likely. Big
12 Rivers will incur operational covenants with respect to the Facilities (e.g. maintenance,
13 insurance, making of capital improvements) which will largely mirror those of WKEC
14 under its lease with Big Rivers. Default by both WKEC and Big Rivers under these
15 obligations is extremely improbable. Big Rivers will also incur an obligation to maintain
16 a security arrangement in favor of the equity investors, the obligor under which must
17 have a claims paying ability (or unsecured debt rating) of "AA" by Standard & Poor's
18 and "Aa2" by Moody's Investors Service. This role will be provided by Ambac
19 Assurance Corporation ("Ambac") which currently has a claims paying ability of "AAA"
20 by both agencies. If the claims paying ability of Ambac were to fall below the prescribed
21 levels, Big Rivers would be obligated to replace it as the provider of this security
22 arrangement. An Event of Default under the Facilities Lease could also occur in
23 consequence of a bankruptcy of Big Rivers.

24
25 Big Rivers has not made any arrangements at this time to fund the
26 unfunded portion of any Termination Value payment resulting from the early termination
27 of the Facilities Lease. Big Rivers believes the possibility of a significant unfunded
28 liability resulting from an Event of Loss to be very remote. Big Rivers also views the
29 likelihood of an Event of Default occurring under the proposed transaction to be very
30 remote. Indeed, Big Rivers has made no funding arrangements for accelerated claims
31 under any part of its capital structure, as, for instance, could occur if its debt obligations
32 were accelerated by RUS or Ambac in consequence of a default under Big Rivers'
33 mortgage and loan contracts with those entities, or Big Rivers defaulted under its

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4 arrangements with the subsidiaries of LG&E under the existing arrangements with LG&E
5 and its subsidiaries. Indeed, Big Rivers' most critical responsibility in the proposed
6 transaction, the obligation to pay rent under the Facilities Lease, will be economically
7 defeased. One final point with respect to this Item #4. The subject application in Case
8 No. 99-450 is to permit Big Rivers to enter into the necessary documentation for the
9 proposed leveraged lease transaction. No approval is sought in this application for any
10 permission to modify wholesale electric rates whatsoever in consequence of any aspect of
11 this transaction.

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13 Witness) Robert Michel
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4 **Item 5)** Concerning Big Rivers' potential exposure due to an early termination of
5 the transaction:

6
7 a. Has RUS expressed any concerns or stated a position on this
8 potential exposure? Provide any information received from RUS concerning its position
9 regarding this issue.

10
11 b. Has RUS indicated its position concerning the impact on the
12 restructured RUS debt instruments in the event Big Rivers incurred losses due to an early
13 termination of the lease transaction? Provide any information received from RUS
14 concerning its position regarding this issue.

15
16 **Response)** a. Big Rivers has kept RUS apprised of all aspects of this proposed
17 leveraged lease transaction throughout its implementation of the transaction. RUS staff
18 and counsel have participated in negotiation of the Term Sheet. Indeed, it was
19 recognized early in this process that a successful consummation of the transaction would
20 require RUS to subordinate its claim under Big Rivers' system-wide first mortgage to the
21 potential claims of parties to the proposed leveraged lease transaction for the unfunded
22 portion of a Termination Value claim against Big Rivers. The potential unfunded portion
23 of Termination Value (a maximum of \$218 million plus breakage costs, if any, on the
24 Funded Agreement) exceeds the upfront net proceeds to be paid to the RUS (assumed to
25 be \$70 million), a fact of which RUS is well aware. Hence, it is extremely unlikely RUS
26 would acquiesce in the proposed transaction if it perceived there to be a significant
27 possibility of early termination of the Facilities Lease. Conversations with RUS staff
28 have convinced Big Rivers that RUS will take the necessary action to facilitate the
29 proposed leveraged lease transaction including subordination of its lien under the system-
30 wide first mortgage.

31
32 b. As stated in the response to the Commission's Initial Request for
33 Information, Item 5 a., the RUS staff has indicated a willingness to recommend the

BIG RIVERS ELECTRIC CORPORATION'S
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4 proposed leveraged lease transaction to the Administrator of the RUS. As is RUS'
5 practice, however, no final approval will be forthcoming until the end of the
6 documentation process. RUS has indicated a willingness to subordinate its claim under
7 the Big Rivers system-wide first mortgage to the claims of certain parties to the leveraged
8 lease. It is expected such amount to which the RUS subordinates will not exceed
9 Termination Value (with certain offsets and credits which will result in the effective
10 subordination being only to the unfunded portion of Termination Value). RUS has made
11 it clear that its consent to the proposed transaction will be given only if the net proceeds
12 of the transaction to Big Rivers are paid to RUS. RUS has insisted, however, that Big
13 Rivers be permitted to pay any unfunded portion of a Termination Value payment it may
14 owe under the leveraged lease transaction which is to be secured under the system-wide
15 first mortgage over a reasonable period in installments rather than an immediate lump
16 sum payment. The "term-out" will be for a period of four years for an early termination
17 of the Facilities Lease which occurs through 2006 and three years thereafter. This will
18 permit the unfunded portion of Termination Value to be paid from revenues available to
19 Big Rivers which would otherwise have been used to service RUS debt obligations. RUS
20 has given absolutely no assurance of forbearance in such a situation, however, and a
21 failure by Big Rivers to service the RUS guaranteed debt could lead to an event of default
22 under the system-wide first mortgage. Certain events could cause the "termed-out"
23 unfunded Termination Value claim against Big Rivers to be accelerated. However, such
24 an acceleration will not lead to foreclosure or other actions by secured creditors under the
25 system-wide first mortgage so long as (i) Big Rivers makes the required payment of the
26 "term-out" amounts, (ii) no Big Rivers bankruptcy has occurred, and (iii) no other
27 mortgagee under the prior system-wide mortgage initiates dispossessing remedies
28 thereunder. The commitments by the RUS have been oral.

29
30 Witness) Mark A. Hite
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BIG RIVERS ELECTRIC CORPORATION'S
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4 **Item 6)** Refer to page 21 of the application. Big Rivers has stated that the
5 proposed lease transaction is contingent upon receiving favorable rulings from the
6 Kentucky Revenue Cabinet ("Revenue Cabinet").

7
8 a. Describe the nature of the rulings being sought from the Revenue
9 Cabinet. Indicate the impact an unfavorable ruling would have on the proposed lease
10 transaction.

11
12 b. Has Big Rivers made any filings or submitted any written requests
13 to the Revenue Cabinet concerning these rulings? If so, provide copies of the filings or
14 requests. If not, indicate when these rulings will be sought and explain why this process
15 has not already been started.

16
17 **Response)** a. Please see the copy of the written request for a ruling from the
18 Revenue Cabinet, attached. If an unfavorable ruling is received on one or more of the
19 items requested, Big Rivers will have to evaluate whether the cost to Big Rivers of
20 completing the transaction is justified.

21
22 b. Yes. Please see the response to the Commission's Initial Request
23 for Information, Item 6.a.

24
25 **Witness)** Counsel
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SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC
ATTORNEYS AT LAW

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P. Matcum Willis
Bryan R. Reynolds
Mark Luckert

September 1, 1999

VIA FEDERAL EXPRESS MAIL

Dr. James Coffman
Director
Division of Tax Policy
Department of Law
Kentucky Revenue Cabinet
200 Fair Oaks Lane
Frankfort, Kentucky 40620

RE: Ruling Request - Big Rivers Electric Corporation
Proposed Economically Defeased Sale/Leaseback Transaction

Dear Dr. Coffman:

A ruling is requested on behalf of Big Rivers Electric Corporation, a rural electric cooperative, on the tax consequences of a proposed economically defeased sale leaseback transaction, described more fully below. Various rulings concerning the Kentucky tax consequences arising from the transaction are hereby requested.

A. Facts and Background.

As more fully detailed in the attached Summary Of Terms And Conditions, Big Rivers Electric Corporation ("Big Rivers" or the "Lessee") is proposing to enter into a leveraged lease financing of the D.B. Wilson generating plant (the "Wilson Facility"), the Robert D. Green generating plant (the "Green Facility") and certain common facilities owned by Big Rivers which are utilized in the operating of the Green Facility and other electric generating facilities (the "Common Facilities" and, together with the Green Facility and the Wilson Facility, the "Facilities") with one or more Equity Investors that are yet to be selected. Under the contemplated structure, (i) Big Rivers will lease the Facilities to an owner trust created for the benefit of the Equity Investor (the "Owner Trust" or the "Lessor") under a long-term lease which for Federal income tax purposes will be treated as a sale of the Facilities by Big Rivers (the "Head Lease") and (ii) the Owner Trusts will simultaneously lease the Facilities to Big Rivers under a true lease with a term equal to no more than 80% of the appraised remaining economic life of the Facilities (the "Facilities Lease")

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PO Box 727
Owensboro, Kentucky
42302-0727

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1. Head Lease. Under the Head Lease, the Owner Trust will acquire, for Federal income tax purposes, ownership of the Facilities. To satisfy requisite Federal income tax requirements, the Head Lease will have a term in excess of the appraised estimated economic useful life of the Facilities. In the event that the useful life of the Facilities is longer than originally estimated, the Head Lease will contain evergreen renewal rights, at no additional rent. All rent under the Head Lease will be paid on the closing date, with the amount of the payment being equal to the appraised value of the Facilities on the closing date (the "Facility Cost"). Facility Cost is expected to be approximately \$850 million, subject to appraisal.

The funds for the payment of the Facility Cost will come from up to three sources. The Equity Investor will contribute at least 13%-20% of the Facility Cost, with the remainder being borrowed on a non-recourse basis by the Owner Trust (the "Loans") from one or more lenders (the "Lenders"). The "Series A Loan" will be provided by an affiliate of Ambac Assurance Corporation ("Ambac") that is actively engaged in making loans of this type (the "Series A Lender"). The Series A Loan will constitute up to 70%-87% of the Facility Cost. The remaining Loans will be provided by a third party Lender (the "Series B Lender") as the "Series B Loan". The Series A Loan and the Series B Loan will be secured by the Owner Trust's Interest in the Head Lease, the Facility Lease and payments of Basic Rent thereunder. The Series B Lender may be the same entity as the Series A Lender. The Series A Loan will also be secured by the Payment Undertaking Agreement as described below.

Legal title to the Facilities for all purposes other than Federal income tax purposes will continue to be vested in Big Rivers, and the Facilities will remain subject to the lien and security interest of the RUS Mortgage, the LG&E Mortgage and the Subordinated Mortgage throughout the term of the Head Lease (as more fully detailed in the Summary Of Terms And Conditions).

2. Ground Lease. Big Rivers will convey to the Lessor a non-exclusive leasehold interest in each of the sites on which the Facilities are located (the "Sites") for a term coterminous with that of the Head Lease pursuant to the ground lease (the "Ground Lease"). The Ground Lease will provide each Lessor with satisfactory access to the Facilities. Each Lessor will, in turn, sublease its interest in each of the Sites to Big Rivers for the term of the Facilities Lease pursuant to a separate Ground Sublease (the "Ground Sublease"). For so long as the Ground Sublease is in effect, the rent under the Ground Lease and the Ground Sublease will be identical in timing and amount (and will be offset one against the other).

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3. **Facility Lease.** Under the Facility Lease the Owner Trust will sublease the Facilities to Big Rivers for a term commencing on the closing date. The Lessee will pay to the Owner Trust semiannual or annual installments of rent during the term of the Facility Lease ("Basic Rent"). Under certain circumstances, including among other things upon the occurrence of an event of loss or an event of default, Big Rivers will be obligated to pay certain additional amounts in the form of supplemental rent ("Supplemental Rent") in an amount equal to Termination Value. Big Rivers' obligation to pay all rent payable under each Facility Lease shall be absolute and unconditional.

The Owner Trust and the Series A Lender will agree that with respect to that portion of Basic Rent or termination value and amounts computed by reference to termination value under the Facility Lease, they will first pursue due diligence to obtain payment from the Payment Undertaker under the Payment Undertaking Agreement before they will pursue Big Rivers under the Facility Lease or any other operative document for such amounts. If the Payment Undertaker has fully performed its obligations under the Payment Undertaking Agreement in respect of such amounts, the Owner Trust and the Series A Lender shall be conclusively presumed to have satisfied the foregoing requirement.

The Facility Lease will be a net lease and will contain customary covenants of Big Rivers to, among other things, maintain insurance on the Facility, maintain the Facility in good condition and make certain modifications to the Facility. During the term of the LG&E Lease (as detailed, again, in the Summary Of Terms And Conditions), it is anticipated that LG&E will be obligated under covenants very similar to the operational covenants made by Big Rivers under the Facilities Lease.

Big Rivers shall have the option at the end of the Facilities Lease Term (i) to purchase (the "Purchase Option") the Lessor's interest in the Facilities under the Head Lease for an amount at least equal to the appraiser's estimate, on the closing date, of the fair market value of that interest as of the end of the Facilities Lease Term (the "Purchase Option Price") plus unpaid Rent or (ii) to return possession and control of the Facilities to the Lessor under the Head Lease (the "Return Option"). If Big Rivers shall not exercise the Purchase Option, it will be deemed to have exercised the Return Option. If Big Rivers shall elect (or be deemed to have elected) the Return Option, the Lessor may elect either to cause Big Rivers to return the Facilities to the Lessor (the "Retention Option") or require Big Rivers to locate a power purchaser acceptable to the Equity Investor to enter into an agreed form of

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power purchase agreement with the Lessor, or its successor in interest, meeting the criteria for a "service contract" within the meaning of Section 7701(e) of the Internal Revenue Code for a period and with predetermined capacity payments designed to permit the Equity Investor to realize its anticipated net economic return (the "Service Contract Option"). Any failure by Big Rivers to locate such a power purchaser would give rise to a default under the Facilities Lease. If the Equity Investor elects the Retention Option or the Service Contract Option, Big Rivers will enter into an Operating Agreement containing operational covenants similar to those in the Facilities Lease. If the Lessor has elected the Retention Option, the Lessor shall be obligated to prepay the Loans at the end of the Facilities Lease Term. If the Lessor fails to do so, it will be deemed to have elected the Service Contract Option.

4. Payment Undertaking Agreement. A wholly owned subsidiary of Big Rivers, organized and having its principal place of business outside of Kentucky, (the "Big Rivers Subsidiary") will enter into an agreement (the "Payment Undertaking Agreement") with an affiliate of Ambac (the "Payment Undertaker") whereunder the Big Rivers Subsidiary will pay the Payment Undertaker an amount (the "Specified Sum") slightly in excess of the principal amount of the Series A Loan on the Closing Date, and the Payment Undertaker will agree to pay to the Owner Trust, on behalf of the Lessee, amounts equal in timing and amount to that portion of the Basic Rent, termination value and any Purchase Option Price corresponding to the Owner Trust's obligations under the Series A Loan. A default by the Payment Undertaker under the Payment Undertaking Agreement will not, however, relieve Big Rivers of its obligation to pay Basic Rent under the Facilities Lease. The obligations of the Payment Undertaker will be guaranteed by Ambac pursuant to a financial guarantee insurance policy. Funds for the acquisition of the Payment Undertaking Agreement will be provided to the Big Rivers Subsidiary by Big Rivers as a capital contribution. Big Rivers will use a portion of the payment of rent received under the Head Lease to make such capital contribution.

The Big Rivers Subsidiary will assign the Payment Undertaking Agreement (and it is possible that Big Rivers may pledge the stock of the Big Rivers Subsidiary) to the Owner Trust to secure the Lessee's obligations under the Facilities Lease, and the Owner Trust, in turn, will assign its interest in the Payment Undertaking Agreement (and, possibly, pledge the stock of the Big Rivers Subsidiary) to the Series A Lender to secure repayment of the Series A Loan.

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5. Deposit. The Big Rivers Subsidiary will place a deposit or purchase a guaranteed investment contract similar to the Payment Undertaking Agreement (the "Deposit") with a financial institution that is not affiliated to the Series B Lender paying interest from time to time equal in timing and amount to that portion of Basic Rent and termination value and Purchase Option Price corresponding to the Owner Trust's obligations in respect of the Series B Loan. The obligations of the Depositor will be guaranteed by Ambac pursuant to a financial guarantee insurance policy. Funds for the acquisition of the Deposit will be provided to the Big Rivers Subsidiary by Big Rivers as a capital contribution. Big Rivers will use a portion of the payment of rent received under the Head Lease to make such capital contribution.

6. Equity Security Deposit. The Big Rivers Subsidiary will place a deposit with a financial institution with a specified credit rating (the "Equity Funding Agreement Issuer") which are sufficient to pay the equity portion of Basic Rent and the equity portion of the Purchase Option Price at the end of the term of the Facilities Lease (the "Equity Funding Agreement"). The Big Rivers Subsidiary will pledge the Equity Funding Agreement to the Beneficial Interest Purchaser to secure Big Rivers' obligations under the Big Rivers Swap (defined below). The obligations of the Equity Funding Agreement Issuer will be guaranteed by Ambac under a financial guarantee insurance policy. Funds for the acquisition of the Equity Funding Agreement will be provided to the Big Rivers Subsidiary by Big Rivers as a capital contribution. Big Rivers will use a portion of the payment of rent received under the Head Lease to make such capital contribution.

7. Swaps. On the Closing Date, swap agreements on standard International Swap Dealers Association forms will be entered into as follows: (i) a credit default swap (the "Equity Swap") between the Beneficial Interest Purchaser (which might be an affiliate of Ambac) and the Equity Investor, and (ii) a credit default swap between the Beneficial Interest Purchaser and the Big Rivers Subsidiary (the "Big Rivers Swap" and, collectively with the Equity Swap, the "Swaps"). Under the Equity Swap, upon the occurrence of a Facilities Lease Event of Default, the Equity Investor will have the right to deliver its entire beneficial interest in the Owner Trust to the Beneficial Interest Purchaser in exchange for payment of an amount specified in the Equity Swap (that is, termination value under the Facilities Lease). Under the Big Rivers Swap, the Beneficial Interest Purchaser will have the right to put the beneficial interest conveyed to it under the Equity Swap to the Big Rivers Subsidiary in exchange for payment of the amount specified in the Big Rivers Swap (again, termination value). The obligations of the Beneficial Interest Purchaser under

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the Equity Swap, and possibly the Big Rivers Subsidiary under the Big Rivers Swap, will each be guaranteed by Ambac pursuant to a financial guarantee insurance policy. Big Rivers will either be a guarantor or co-obligor of the obligations of the Big Rivers Subsidiary under the Big Rivers Swap and/or the obligation of the Big Rivers Subsidiary under the reimbursement agreement with Ambac.

8. Additional Facts. The Series A Lender, the Payment Undertaker, the Equity Funding Agreement Issuer and, possibly, the Beneficial Interest Purchaser and the Series B Lender are expected to be affiliates of Ambac (the "Ambac Affiliates"). None of these entities, nor the Big Rivers Subsidiary, will have any employees, or own or lease property, or maintain any office within the State of Kentucky. For purposes of this ruling, it should be assumed that each of the Ambac Entities' only contact with Kentucky will be limited to those described in this letter and the attached Summary Of Terms And Conditions (or other similar transactions entered into by the Ambac Entities with respect to similar leveraged lease transactions).

B. Kentucky Transfer Tax.

Ruling Request. That the Head Lease and Ground Lease from Big Rivers (as Head Lessor) to the Owner Trust relative to the real estate (the Ground Lease) and all tangible assets (the Head Lease) comprising the Facilities, as well as the Facilities Lease and the other leases and subleases set forth above, do not constitute deeds and/or instruments of conveyance and transfers of title of or relating to real property for purposes of Kentucky's real estate transfer tax under KRS 142.050.

The proposed Lease transaction(s) will not be subject to the transfer tax. KRS 142.050 provides, in part, the following:

- (1) As used in this section, unless the context otherwise requires:
 - (a) "Deed" means any document, instrument, or writing other than a will and other than a lease or easement, regardless of where made, executed, or delivered, by which any real property in Kentucky, or any interest therein, is conveyed, vested, granted, bargained, sold, transferred, or assigned . . .

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KRS 142.050. Thus, based on the foregoing statute, if such transaction is a lease, then the Kentucky real estate transfer tax does not apply.

The Kentucky Attorney General opined in OAG 82-529 that the transfer tax would not apply in the following transaction because the "instrument to transfer" ownership was an assignment of a lease and by definition was not a deed. The transaction at issue in that opinion was the lease of thirty-nine condos to Vine Development Corp. by Vine Co. for forty years. This lease was recorded. Vine Development was to sell the individual condos and transfer ownership by executing "an instrument of conveyance". The question posed to the Attorney General was whether transfer tax was imposed when these conveyances were recorded. The Attorney General concluded that the real estate transfer tax did not apply because the instrument used to transfer ownership was an assignment of a lease and was not, by definition, a deed.

C. Kentucky Sales and Use Tax.

Ruling Request No. 1: That the Head Lease and the Ground Lease by and from Big Rivers to the Owner Trust of and relating to all tangible property and assets comprising the Facilities are exempt from Kentucky Sales and Use Tax as a sale for resale, provided that Big Rivers provides appropriate resale certificates to the Owner Trust.

Every person selling taxable tangible personal property in Kentucky must collect either sales or use taxes due Kentucky or obtain a certificate for resale from the purchaser. KRS 139.270. Sales for resale are nontaxable for purposes of the Kentucky sales and use tax. If a seller makes a sale to another person for resale, the seller must obtain a resale certificate from the purchaser. A resale certificate is a statement signed by the purchaser to the effect that the property purchased by him will be resold, leased or rented.

The lease or rental of tangible personal property for consideration in Kentucky is treated as if it were a taxable purchase or sale for purposes of the Kentucky sales and use taxes. Tangible personal property purchased exclusively for lease may be purchased for resale without tax payment at the time of purchase. 103 KAR 28:051. The Lessor must execute Revenue Form 51A105, Resale Certificate, to Big Rivers (as its supplier).

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Ruling Request No. 2: That the Facilities Lease and Ground Sublease from the Owner Trust to Big Rivers are exempt from Kentucky sales and use taxation to the extent that the property subject to the Leases is classified in a tax-exempt category pursuant to Rev. Cir. 51C007 or, in the alternative, are exempt from taxation pursuant to KRS 139.170, as machinery for new and expanded industry.

In order to assist utility companies in applying the sales and use tax, the Revenue Cabinet developed guidelines for determining the taxability of a purchase. Such guidelines are found in Rev. Cir. 51C007. Thus, if the leased assets fall into a nontaxable category then the lease of these assets is not subject to the sales and use tax. In the alternative, the assets should be classified as new and expanded industry. Machinery for new and expanded industry is defined by KRS 139.170(1) as machinery used directly in the manufacturing or processing production process, which is incorporated for the first time into plant facilities established in this state, and which does not replace machinery in the plants, or that machinery purchased to replace existing machinery which will increase the consumption of recycled materials at a facility by not less than ten percent.

Ruling Request No. 3: That in the event of Big Rivers' repurchase of the Facilities at the end of the Facilities Lease Term or otherwise, the purchase and sale of the Lessor's interest in the Facilities under the Head Lease, would be exempt from Kentucky Sales and Use Taxes.

If Big Rivers repurchases the Facilities at the end of the Facilities Lease Term or otherwise, the Lessor's interest in the Facilities under the Head Lease would not be subject to taxation for the reason set forth in the discussion under Ruling Request Nos. 1 and 2.

D. Kentucky Income Tax.

Ruling Request No. 1: That the Ambac Affiliates will not be subject to Kentucky income tax by virtue of the Kentucky "nexus" doctrine as to payments received by them under the transaction documents.

Kentucky imposes a corporation income tax on the following organizations:

- 1) Every corporation organized in Kentucky;
- 2) Every corporation having its commercial domicile in Kentucky;

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Page 9

- 3) Every corporation owning or leasing property in Kentucky;
- 4) Every corporation having one or more individuals employed in Kentucky; or
- 5) Every corporation that is a partner in a partnership.

KRS 141.040(1).

The Ambac Affiliates are neither organized nor domiciled in Kentucky. None of the Ambac Affiliates will own and/or lease property in Kentucky, or have any employees in Kentucky. Accordingly, each such Affiliate will not be subject to Kentucky income tax relative to payments it receives under the transaction documents. In this regard, Kentucky's "nexus" rules (under KRS 141.010 et. seq.) do not extend Kentucky's income tax to lenders whose only contact with Kentucky are loans secured and collateralized by real estate located in Kentucky.

E. Property Tax.

Ruling Request No. 1: That Big Rivers will continue to be classified as a public service company.

Although Big Rivers will enter into a lease with the Owner Trust, Big Rivers will continue to provide a public service of the generation and transmission of electricity. KRS 136.120 provides as follows:

Every railway company, sleeping car company, chair car company, dining car company, gas company, water company, ferry company, bridge company, street railway company, interurban electric railroad company, express company, electric light company, electric power company, telephone company, telegraph company, commercial air carrier, air freight carrier, pipeline company, common carrier water transportation company, privately owned regulated sewer company, cable television company, principal solid waste disposal facility, as defined by KRS 224.01-010(15), where solid waste is disposed by land filling, railroad car line company, which means any company other than a railroad company, which owns, uses, furnishes, leases, rents, or operates to, from, through, in, or across this state or any part

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thereof, any kind of railroad car including, but not limited to, flat, tank, refrigerator, passenger, or similar type car, and every other like company or business performing any public service, except bus line companies, regular and irregular route common carrier trucking companies, and taxicab companies, shall annually pay a tax on its operating property to the state and to the extent the property is liable to taxation shall pay a local tax thereon to the county, incorporated city, and taxing district in which its operating property is located.

KRS 136.120.

Based on the foregoing statute, any corporation that is performing a "public service" will be classified as a public service company and is, therefore, required to pay a tax to the Commonwealth on its operating property. KRS 136.120 also provides that the Revenue Cabinet shall value and assess all of the property of every organization performing any public service. KRS 136.120(3). The presence of non-public services does not exempt an entity from the public service company provisions of KRS 136.020 et. seq. Big Rivers will ultimately "leaseback" the facilities from the Owner Trust and continue the same operations they have carried on before this transaction.

Ruling Request No. 2: That Big Rivers should continue to report the Facilities being leased under the Facilities Lease on its property tax returns (as opposed to the Owner Trust or Equity Investor).

In Commonwealth v. Ingalls, Ky., 89 S.W. 156, 157 (1905) the Court held that all property of a public service company, whether owned or leased, is deemed one piece of property. Thus, all property used by a public service company shall be reported by the public service company, whether owned or leased. Furthermore, KRS 132.220(4) provides real property shall be assessed in the name of the owner. Big Rivers will continue to have title to the Facilities during the term of the Facilities Lease.

Ruling Request No. 3: That for purposes of classifying property as real estate, personalty, and manufacturing machinery the classifications of 103 KAR 8:090 will apply.

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103 KAR 8:090 prescribes certain classifications of property to be used by public service corporations in reporting under KRS 136.120 et seq. The regulation classifies specific property as real estate, personalty, and manufacturing machinery. Since Big Rivers will continue to be a public service corporation, Big Rivers may rely on the classifications of this regulation.

F. Intangible Property Tax.

Ruling Request No. 1: That the Kentucky state intangible tax does not apply to the value of assets held by the Owner Trust under and pursuant to 103 KAR 7:050.

103 KAR 7:050 provides that the corpus of a trust held in Kentucky is subject to a state property tax rate of 25¢ per \$100 of value. For irrevocable trusts whose corpus is held outside of Kentucky by a nonresident trustee, the right to receive income is taxable at .001 (one-tenth of one cent) per \$100, state rate only. The corpus is not taxed. As to revocable trusts, the fair market value of the corpus is taxed at 25¢ per \$100 of value, state rate only, if the seller is a Kentucky resident. Thus, as the Owner Trust in the above described transaction is an revocable trust with the Equity Investor as nonresident settlor and beneficiary, the Owner Trust is not subject to the Kentucky state intangible property tax. The Owner Trust is a revocable trust, although the Equity Investor will covenant not to revoke the Trust while the Loans are outstanding, or without the consent of Big Rivers.

Ruling Request No. 2: That the Big Rivers Subsidiary's rights and benefits under the Payment Undertaking Agreement, the Deposit and Equity Funding Agreement will not have situs in Kentucky for purposes of the property tax under KRS 132.010.

KRS 132.020(2) provides that an annual ad valorem tax of 1 1/2¢ upon each \$100.00 of value shall be paid upon certain intangible personal properties when the personal properties have not acquired a taxable situs without this state. Intangible personal property of individuals residing in this state and of corporations organized under the laws of this state is taxable by Kentucky unless it has acquired a business situs without the state. KRS 132.190. For purposes of determining the situs of intangible personal property, it is the residence of the real or beneficial owner, unless they have become an integral part of some local independent and separate business activity and their possession and control are localized in a nondomiciliary state. KRS

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132.190. Generally, intangibles are taxable to the legal domicile of the owner. Comm. of Ky. v. Louisville & N.R. Co., 479 S.W.2d 15 (1972).

To acquire a business situs without this state, the intangible property must become an integral part of some local independent and separate business activity. This is a facts and circumstances test but the following elements will generally establish a localized business:

- 1) There must be a general or more or less continuous course of business;
- 2) A permanency of location of the intangibles;
- 3) Independent control and management of the intangibles;
- 4) Possession and control by an independent local agent; and
- 5) The investment in the nondomiciliary state must be so established and used in such a fashion that the substantial use and value of the intangibles become attached to and become an asset of the business outside the domicile of the owner.

Comm. of Ky. v. Louisville & N.R. Co., Ky., 479 S.W.2d 15 (1972).

Since the Big Rivers Subsidiary is a separate legal entity outside of Kentucky the situs of its intangible personal property is the state of its incorporation, and therefore, the property is subject to tax in that state only. In the alternative, the Big Rivers Subsidiary would be the real or beneficial owner of the intangible personal property and, thus, the situs would be the state where the Big Rivers Subsidiary is incorporated. The Big Rivers Subsidiary has the responsibility and, thus, total control of the business of managing the rights and benefits under the Payment Undertaking Agreement and Equity Funding Agreement, (including the Deposit and the Equity Security Deposit), all of which will be performed outside of Kentucky and all of which will, of course, be subject to assignments for the full term of the Facilities Lease.

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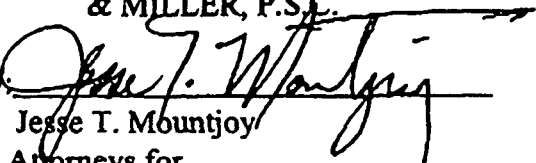
G. Conclusion.

Big Rivers respectfully asks that the Revenue Cabinet consider the above described requests and issue the requested rulings based on the foregoing reasons. Should the Revenue Cabinet determine that a conference with Big Rivers would be beneficial, Big Rivers and its advisors are available to meet with the Revenue Cabinet relative to the transactions and issues outlined above. Please contact the undersigned in these regards.

RESPECTFULLY SUBMITTED:

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

By:


Jesse T. Mountjoy
Attorneys for
Big Rivers Electric Corporation

Copies to: Big Rivers Electric Corporation
Orrick, Harrington, & Sutcliffe, LLP

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE COMMISSION'S
INITIAL REQUEST FOR INFORMATION OF NOVEMBER 16, 1999

CASE NO. 99-450

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4 **Item 7)** Big Rivers filed its application on November 8, 1999 and has requested
5 the Commission rule on the application by November 24, 1999. Big Rivers made a
6 presentation of the proposed lease transaction to the Commission Staff and potential
7 intervenors at an informal conference held on October 21, 1999. Explain why Big Rivers
8 was unable to file this application prior to November 8, 1999.

9
10 **Response)** Big Rivers commenced an investigation of the feasibility of an
11 economically defeased leveraged lease transaction in March 1999. Various threshold
12 issues had to be resolved, including compatibility with the existing arrangements with
13 LG&E Energy (see response to the Commission's Initial Request for Information, Item 9,
14 below) and the willingness of the RUS to agree to a subordination of its claim under the
15 system-wide first mortgage (see response to the Commission's Initial Request for
16 Information, Item 5 above). Negotiations with LG&E Energy as well as preliminary
17 discussions with the appraiser concerning the estimated fair market values, useful lives
18 and value curves for the Wilson and Green generating facilities consumed much of the
19 late spring and summer. Discussions on Big Rivers' behalf with equity investors and
20 credit enhancers began in August. Negotiations on the basis of a detailed Summary of
21 Terms began with the current equity investors and credit enhancer in September.
22 Because of the complexity of the proposed transaction, these negotiations continued
23 through the first week of November, with letter agreements concerning the transaction
24 and the Summary of Terms being signed on the morning of November 8th. Prior to such
25 execution, any representations or documents Big Rivers might have provided the
26 Commission would have been susceptible to change in the course of the negotiations.
27 Rather than provide the Commission with an application describing a transaction
28 structure then in flux, Big Rivers thought it most prudent to present the Commission with
29 an agreed upon structure. This was not possible until November 8, 1999.

30
31 **Witness)** Mark A. Hite
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33

BIG RIVERS ELECTRIC CORPORATION'S
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4 **Item 8)** Provide a schedule of Big Rivers' income tax net operating losses
5 ("NOLs") as of October 31, 1999. The schedule should show the NOL generated for
6 each corporate tax year, and when the carry forward of that year's NOL will expire.

7
8
9 **Response)** While not available as of October 31, 1999, Big Rivers' Member/Non-
10 Member Regular U. S. Federal Tax Loss Carryforward Schedule based on tax returns
11 filed with the Internal Revenue Service for tax years through December 31, 1998, is
12 attached.

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14 **Witness)** Mark A. Hite
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	<u>Losses Generated</u>	<u>Losses Utilized</u>	<u>Total</u>	<u>§277 Member Loss Carryforwards</u>	<u>Non-Member Net Operating Loss (\$172) Carryforwards</u>	<u>Year NOL Expires</u>
1984	77,153,182		77,153,182	47,521,669	29,631,514	1999
1985	150,438,879		150,438,879	83,152,487	67,286,392	2000
1986	154,589,986		154,589,986	98,391,518	56,198,468	2001
1987	94,634,914		94,634,914	19,066,990	75,567,924	2002
1988	14,442,198		14,442,198	(29,872,958)	44,315,156	2003
1989	54,756,877		54,756,877	31,937,132	22,819,745	2004
1990	79,465,681		79,465,681	42,513,412	36,952,269	2005
1991	78,330,250		78,330,250	48,883,817	29,446,433	2006
1992	73,617,623		73,617,623	58,968,823	14,648,800	2007
1993	67,320,735		67,320,735	37,100,157	30,220,578	2008
1994	99,935,112		99,935,112	63,544,837	36,390,275	2009
1995	1,175,234		1,175,234	(42,456,765)	43,631,999	2010
1996	75,767,871		75,767,871	63,054,483	12,713,387	2011
1997	0	(4,194,847)	(4,194,847)	(34,141,220)	29,946,373	2012
1998	0	(8,342,510)	(8,342,510)	(7,341,829)	(1,000,681)	2018
Totals	<u>1,021,628,542</u>	<u>(12,537,357)</u>	<u>1,009,091,185</u>	<u>480,322,553</u>	<u>528,768,632</u>	

BIG RIVERS ELECTRIC CORPORATION'S
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4 **Item 9)** Refer to page 15 of the application, the discussion of the effect of the
5 proposed lease transaction on the LG&E Energy Transaction.

6
7 a. Have LG&E Energy Corp. ("LG&E Energy") and its affiliated
8 companies who are parties to the LG&E Energy Transaction expressed any concerns with
9 the proposed lease transaction? If yes, describe the nature of the concerns.

10
11 b. Do LG&E Energy and its affiliated companies support or consent
12 to the proposed lease agreement? If yes, provide any documentation concerning this
13 support or consent. If no, explain how this situation impacts the proposed lease
14 transaction.

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16 **Response)** a. See attached letter.

17
18 b. See attached letter.

19
20 **Witness)** David Spainhoward
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George W. Basinger
Senior Vice President
Power Operations

LG&E Energy Corp.
220 West Main Street
Louisville, Kentucky 40202
502-627-4891
502-627-2585 FAX

November 18, 1999

Big Rivers Electric Corporation
201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
Attn: Michael H. Core
President and CEO

Via Facsimile

RE: Defeased Lease Transaction

Gentlemen:

Big Rivers has advised us that it is considering a defeased lease (lease/leaseback) transaction (the "Transaction") involving certain of the Assets leased to WKEC and the Power Purchase Agreement between Big Rivers and LEM, and has requested the conditional approval of the LG&E Parties for Big Rivers to proceed with that Transaction. Big Rivers has also advised that the Kentucky Public Service Commission (the "Commission") has requested information regarding the current position of the LG&E Parties with respect to the Transaction, and whether they have expressed any concerns with the Transaction to Big Rivers.

Big Rivers previously acknowledged that the proposed Transaction does not comply with each of the requirements set forth in §23.1 of the New Participation Agreement, as amended (the "New Participation Agreement"), and will therefore require the approval of the LG&E Parties prior to its consummation. In seeking that approval, Big Rivers has presented to the LG&E Parties a Summary of Terms and Conditions regarding the Transaction, Big Rivers' application for approval of the Transaction and supporting documentation filed with the Commission, and other written information and oral explanations regarding the structure and effects of the Transaction, estimates of the relative economics of the Transaction, and the impact of the Transaction on the rights and interests of the LG&E Parties under the New Participation Agreement, the Lease and Operating Agreement, the Power Purchase Agreement and the other Operative Documents. Capitalized terms used but not defined in this letter will have their same respective meanings as in the New Participation Agreement.

In our previous discussions with Big Rivers, we expressed various concerns that the proposed transaction could adversely affect the rights and interests of the LG&E Parties, absent certain agreements of Big Rivers, the RUS, AMBAC and the other parties to the Transaction for the benefit of the LG&E Parties. In general, those concerns centered on:

(a) the relative priority of the mortgages and security interests currently held by the LG&E Parties in the Assets, and the extent to which the new mortgages and security interests

Big Rivers Electric Corporation

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(and the related indebtedness of Big Rivers) resulting from the Transaction would have priority over those mortgages and security interests, or either of them (thereby making recovery by the LG&E Parties of their Residual Value Payment, Settlement Note and/or other future damage claims against Big Rivers more uncertain), and the extent to which the liens in the Assets held by the LG&E Parties would survive a foreclosure sale initiated by the other Transaction parties, and would continue to encumber those Assets (assuming the LG&E Parties are not themselves participating in that foreclosure action);

(b) whether the leasehold and other interests of Big Rivers under the "head lease", the "ground lease" and the "facilities lease" included in the Transaction would be pledged as additional collateral to the LG&E Parties pursuant to the Mortgage and Security Agreement and the Settlement Mortgage;

(c) the potential disruption of the LG&E Parties' use and enjoyment of the Assets under the Lease, or of their rights under or with respect to the Power Purchase Agreement, the other Operative Documents, the "all requirements" power contracts with Kenergy, the Hoosier Contracts, the Oglethorpe Contract, the HMP&L Contract or the SEPA Contract (collectively, the "Other Agreements"), in the event the other parties to the Transaction succeed to Big Rivers' title or other rights in the Assets or the Power Purchase Agreement upon a foreclosure, etc.;

(d) the additional burdens that the Transaction could have on the day-to-day operation and maintenance of the relevant Assets by WKEC (and on the operating, tax and other costs associated with the Assets), including any burdens resulting from the new operation and maintenance commitments to be made by Big Rivers to the "head lessee" under the facilities lease;

(e) the potential adverse impact on the value of those Assets upon a foreclosure sale initiated or participated in by the LG&E Parties, resulting from their being subject at that time to the "head lease", the "ground lease" and the "facilities lease" proposed in the Transaction;

(f) the potential that damage claims of Big Rivers against one or more LG&E Parties arising by reason of their breach of an Operative Document could include damages of Big Rivers arising from a resulting "cross-default" under the Transaction agreements (a result not anticipated or agreed to by the LG&E Parties);

(g) whether the Transaction or any foreclosure action by the other Transaction parties could have an adverse impact on the ability of the LG&E Parties to fully exercise their "right of first refusal" with respect to the Assets and related rights under Section 24.2 of the New Participation Agreement, or could adversely affect the "value" of those rights;

Big Rivers Electric Corporation
Page 3
November 18, 1999

(h) whether the required performance by Big Rivers of a commitment under the Transaction would necessitate a Big Rivers default under one or more of the Operative Documents with the LG&E Parties;

(i) whether future amendments of the Transaction agreements could potentially adversely impact the rights of the LG&E Parties under or with respect to the Operative Documents or the Other Agreements;

(j) whether the liens held by the other Transaction parties would be expressly subject and subordinate to future liens on the Assets imposed in connection with any borrowing by Big Rivers to fund the LG&E Parties Residual Valuc Payment and/or the RUS ARVP Note; and

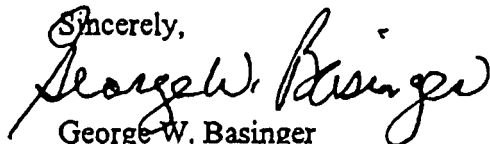
(k) whether the transaction would adversely affect any of the tax rulings that were previously obtained in connection with the Operative Document transactions.

Based on the information provided and statements made to date by Big Rivers and its representatives, the LG&E Parties understand that each of these concerns will be addressed to their satisfaction in the definitive agreements relating to the Transaction or in the amendments to the Non-Disturbance Agreement required to effect the Transaction. With this understanding, the LG&E Parties have no objection to Big Rivers proceeding with the development of the Transaction as outlined for them.

However, the LG&E Parties reserve the right to withhold their final approval of the transaction until such time as (1) Big Rivers presents definitive agreements and final economics for the proposed Transaction to the LG&E Parties, (2) the LG&E Parties, Big Rivers, the RUS, AMBAC, and the other Transaction parties have negotiated and executed mutually satisfactory amendments to the Non-Disturbance Agreement that accommodate the proposed Transaction to their satisfaction, and (3) the LG&E Parties confirm that those definitive agreements are consistent with the summary descriptions and oral statements previously delivered or made by Big Rivers and its representatives (or are otherwise acceptable to the LG&E Parties) and, together with the amended Non-Disturbance Agreement, adequately address the concerns of the LG&E Parties expressed above.

If you have any questions, or if you would like to discuss any aspect of this letter, please call me.

Sincerely,



George W. Basinger
On behalf of all LG&E Parties

BIG RIVERS ELECTRIC CORPORATION'S
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CASE NO. 99-450

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4 **Item 10)** Explain in detail why it is necessary for Big Rivers to assign certain
5 rights and obligations under the LG&E Energy Marketing, Inc. Power Purchase
6 Agreement to the Owner Trustee. Describe in detail what rights and obligations are
7 being assigned and state the dollar value, for either revenues or expenses, associated
8 with the rights and obligations.

9
10 **Response)** As discussed in the response to the Commission's Initial Request for
11 Information, Item 9, LG&E Energy will require as a condition to its consent to the
12 proposed leveraged lease that the parties to the leveraged lease transaction agree to
13 subordinate their interest under the Head Lease to the interests of the LG&E entities
14 under the LG&E Transaction and agree to attorn to the LG&E entities on the basis of
15 the documentation for the LG&E Transaction if they ever come into possession and
16 control of the Wilson and Green units under their Head Lease, as would be the case
17 upon an early termination of the Facilities Lease prior to the expiration of the LG&E
18 Transaction (e.g. upon an Event of Default under the Facilities Lease). This will
19 deprive the equity investors and their creditors, the Lenders, of any access to the
20 economic benefit and collateral value available from access to the Wilson and Green
21 units until the expiration of the LG&E Transaction, an untenable result. In order to
22 permit the equity investors and Lenders to enjoy the economic benefit of their
23 investments and loans in the unlikely event of a termination of the Facilities Lease prior
24 to the expiration of the term of the LG&E Transaction, it will be necessary to partially
25 assign to the Owner Trust Big Rivers' interest in the lease to WKEC and the Power
26 Agreement with LG&E Energy Marketing ("LEM"). The portion of such contracts
27 assigned will be equal to the ratio of the estimated rated capacities of the Wilson and
28 Green units to the estimated rated capacities of all the Big Rivers generating facilities
29 subject to the WKEC lease from time to time. The assigned portions of the WKEC
30 lease and LEM Power Purchase Agreement will be reassigned by the Owner Trust to
31 Big Rivers for the term of the Facilities Lease. WKEC and LEM will consent to such
32 assignment and reassignment and agree that, upon an early termination of the Facilities
33 Lease where Big Rivers does not reacquire the Head Lease interest in the Facilities,

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE COMMISSION'S
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WKEC will pay the assigned portion of the rent, and LEM will sell power, to the Owner Trust under the terms of the WKEC lease and LEM Power Purchase Agreement, respectively. The maximum amount of annual rent under the WKEC lease assigned will be \$19,765,123, and the maximum annual amount of power under the LEM Power Purchase Agreement assigned to the Owner Trust will be 451 MW.

Witness) Robert Michel
Mark Hite

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE COMMISSION'S
INITIAL REQUEST FOR INFORMATION OF NOVEMBER 16, 1999

CASE NO. 99-450

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4 **Item 11)** The various documents and agreements have not been prepared in final
5 form. Identify any items as presented in the term sheets in Exhibit 5 to the application
6 that could change when the documents and agreements are in their final form, which
7 would result in a significant change in the proposed lease transaction. For purposes of
8 this response, significant change means a plus or minus 5 percent change in the revenues
9 or expenses associated with the transaction and/or a change in the level of Big Rivers'
10 exposure to termination charges.

11
12 **Response)** Although the documents are not in final form, the Summary of Terms and
13 Conditions (Exhibit 5 of the Application) sets forth the agreements among the parties in
14 substantial detail. Big Rivers believes the only variables which could result in a change
15 in the net upfront cash benefit to Big Rivers of more than 5 percent are:

- 16
17 a. Market interest rates,
18 b. The facilities appraisal, or
19 c. A change in tax law, enacted and effected.

20
21 **Witness)** Mark A. Hite
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BIG RIVERS ELECTRIC CORPORATION'S
 RESPONSE TO THE COMMISSION'S
 INITIAL REQUEST FOR INFORMATION OF NOVEMBER 16, 1999

CASE NO. 99-450

Item 12) Provide the following information for Wilson Unit No. 1, Green Units No. 1 and 2, and the Common Facilities:

- a. The original in service date for each unit of facility.
- b. The service life of that plant based on the current depreciation schedule.
- c. The difference, in years, between the estimated service life of the plant and the corresponding lease term.

Response) a.:

<u>Unit</u>	<u>In-Service (Commercial) Date</u>
Wilson Unit No. 1	November 1986
Green Unit No. 1	December 1979
Green Unit No. 2	January 1981

b.:

<u>Unit</u>	<u>Estimate Remaining Service Life*</u> <u>As of January 1, 2000</u>
Wilson Unit No. 1	50 years
Green Unit No. 1	45 years
Green Unit No. 2	45 years

*Based on the depreciation schedule contained in the preliminary appraisal performed by the Deloitte & Touche LLP Valuation Group for this defeased sale/leaseback transaction, Item 3a., page 4 of 5 and 5 of 5.

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE COMMISSION'S
INITIAL REQUEST FOR INFORMATION OF NOVEMBER 16, 1999

CASE NO. 99-450

c.:

<u>Unit</u>	<u>Estimate Remaining Service Life As of January 1, 2000</u>	<u>Facilities Lease Term</u>	<u>Difference</u>
Wilson Unit No. 1	50 years	27 years	23 years
Green Unit No. 1	45 years	25 years	20 years
Green Unit No. 2	45 years	25 years	20 years

Witness) Mark Hite

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE COMMISSION'S
INITIAL REQUEST FOR INFORMATION OF NOVEMBER 16, 1999

CASE NO. 99-450

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4 **Item 13)** Identify the following entities referenced in Exhibit 3 of the application:

5
6 a. State Street Bank and Trust Company of Connecticut, N.A.

7
8 b. AME Investments, LLC.

9
10 c. Ambac Credit Products, LLC.

11
12 d. Federal Farm Credit Banks Funding Corporation.

13
14 **Response)** a. State Street Bank and Trust Company of Connecticut, N.A. is a
15 national banking association organized under the laws of the United States of America
16 will act as trustee in a Connecticut business trust which will act as owner trust in the
17 proposed transaction. The owner trusts will hold the Head Lease interest and other
18 property and contract right interests which will be held on behalf of the equity investors
19 in the proposed transaction. State Street Bank and Trust Company of Connecticut,
20 N.A. will not make any investment in the Facilities for its own account.

21
22 b. AME Investments, LLC is a Delaware limited liability company
23 which will provide the Series A Loan in the proposed leveraged lease. AME
24 Investments, LLC has served a similar role in other transactions similar to the proposed
25 leveraged lease.

26
27 c. Ambac Credit Products, LLC is a Delaware limited liability
28 company which engages in the market for credit derivative products similar to the
29 Lessor Swap and Big Rivers Swap which will be utilized to provide credit enhancement
30 in the proposed leveraged lease transaction. The obligations of Ambac Credit
31 Products, LLC under the Big Rivers Swap will be supported by a surety bond in favor
32 of the equity investors provided by Ambac Assurance Corporation ("Ambac"). The
33 obligations of Ambac Credit Products, LLC under the Big Rivers Swap will be

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE COMMISSION'S
INITIAL REQUEST FOR INFORMATION OF NOVEMBER 16, 1999

CASE NO. 99-450

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4 supported by a financial guarantee insurance policy provided by Ambac in favor of Big
5 Rivers.

6
7 d. The Federal Farm Credit Banks Funding Corporation manages
8 the sale of Federal Farm Credit System bonds and notes in capital markets. Federal
9 Farm Credit System systemwide securities are the joint and several liabilities of all
10 Federal Farm Credit System banks, which consists of over 200 lending institutions.
11 These lending institutions include Federal Land Bank Associations, Federal Land Credit
12 Associations, Production Credit Associations, Agriculture Credit Associations and
13 CoBank. The Farm Credit Administration is the independent federal regulator
14 responsible for examining and ensuring the soundness of the institutions in the Federal
15 Farm Credit System. The obligations of the Federal Farm Credit Banks Funding
16 Corporation are not, however, backed by the full faith and credit of the United States.

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18 Witness) Robert Michel
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BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE COMMISSION'S
INITIAL REQUEST FOR INFORMATION OF NOVEMBER 16, 1999

CASE NO. 99-450

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Item 14) Provide the handout presented by Big Rivers at the October 21, 1999,
informal conference.

Response) A copy of the handout presented by Big Rivers at the October 21, 1999,
informal conference is attached.

Witness) David A. Spainhoward

BOEHM, KURTZ & LOWRY

ATTORNEYS AT LAW
2110 CBLD CENTER
36 EAST SEVENTH STREET
CINCINNATI, OHIO 45202
TELEPHONE (513) 421-2255
TELECOPIER (513) 421-2764

NOV 16 1999

Via Overnight Mail

November 15, 1999

Hon. Helen Helton
Executive Director
Kentucky Public Service Commission
730 Schenkel Lane
Frankfort, Kentucky 40601

Re: In The Matter Of: Big Rivers Electric Corporation for Approval of a Leveraged Lease of Three Generating Units, Case No. 99-450

Dear Ms. Helton:

Please find enclosed the original and ten copies of the First Set of Joint Data Requests of Alcan Aluminum Corporation and Southwire Company in the above-referenced matter.

By copy of this letter, all parties listed on the Certificate of Service have been served. Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY

MLKkew
Attachment
cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by regular U.S. mail (unless otherwise noted) to all parties on this 15th day of November, 1999.


Michael H. Core
President/CEO
Big Rivers Electric Corporation
201 Third Street, P.O. Box 24
Henderson, KY 42420

Hon. James M. Miller
Attorney At Law
Sullivan, Mountjoy, Stainback
& Miller PSC
100 St. Ann Building, P.O. Box 727
Owensboro, KY 42302-0727
VIA TELEFAX TRANSMISSION

Hon. David C. Brown
Attorney At Law
Stites & Harbison
400 West Market Street, Suite 1800
Louisville, KY 40202-3352

Hon. Allison Wade
Attorney At Law
Holland & Knight
1201 West Peachtree Street N.E.
Suite 2000
Atlanta, Ga. 30309-3400

Elizabeth E. Blackford
Assistant Attorney General
Utility And Rate Intervention
Division
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601


Michael L. Kurtz, Esq.

NOV 16 1999
PUBLIC SERVICE
COMMISSION

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In The Matter Of Big Rivers Electric Corporation for : Case No. 99-450
Approval of A Leveraged Lease of Three Generating Units :

**FIRST SET OF
JOINT DATA REQUESTS OF
ALCAN ALUMINUM CORPORATION AND
SOUTHWIRE COMPANY TO
BIG RIVERS ELECTRIC CORPORATION**

Dated: NOVEMBER 15, 1999

DEFINITIONS

1. "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.
2. "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.
3. "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
4. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.
5. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number of code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company's possession or subject to its control, state what disposition was made of it.
6. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.
7. "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
8. "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.
9. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.
10. "You" or "your" means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, "you" or "your" may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness' testimony.
11. "BREC" or "Big Rivers" means Big Rivers Electric Corporation and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.

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 Alcan Aluminum Corporation ("Alcan") and Southwire Company ("Southwire"). 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.
8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total company as well as Intrastate data, unless otherwise requested.

**FIRST SET OF JOINT DATA REQUESTS OF
ALCAN ALUMINUM CORPORATION AND SOUTHWIRE COMPANY
TO BIG RIVERS ELECTRIC CORPORATION
CASE NO. 99-450**

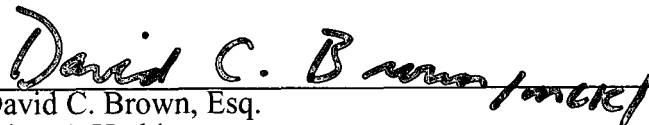
1. Please provide a schedule by vintage of Big Rivers' Net Operating Loss ("NOL") Carryforwards, and separately reflect those amounts attributable both to members and non-members.
2. Please provide a calculation of the expected gain on sale of assets, from both a financial accounting and tax accounting perspective, that will arise from Big Rivers' proposed defeased sale/leaseback transactions, and the associated expected use of the NOL Carryforwards to mitigate federal income tax liabilities that would otherwise arise from the proposed transactions.
3. Please cite the federal regulations, revenue rulings, or other federal tax authorities that would govern Big Rivers' recognition for accounting and federal tax purposes of patronage capital arising from the proposed defeased sale/leaseback transactions. Please provide a copy of all federal regulations, revenue rulings, or other tax authorities cited in response to this data request item.
4. With respect to Big Rivers' proposed defeased sale/leaseback transactions, please provide calculations of the expected allocations of patronage capital assignable to each member and non-member. Please show the underlying bases for all such calculations.
5. With respect to Big Rivers' expected allocations of patronage capital to each member, please show a breakdown of the amounts attributable to prior retail service by the members to Alcan Aluminum Corporation ("Alcan"), Southwire Company ("Southwire", for service to both the Smelter and the Rod Mill), and the aggregate amounts for non-smelter direct serve industrial customers and rural customers.
6. With respect to Big Rivers' proposed defeased sale/leaseback transactions, please explain the methodology by which the patronage capital arising from the prior patronage of non-members will be allocated to members.

7. Please describe any existing restrictions in Big Rivers' loan covenants or other contracts (other than restrictions or provisions existing within Big Rivers' By-Laws) pertaining to the distribution by Big Rivers and/or its members in conjunction with Big Rivers' proposed defeased sale/leaseback transaction.
8. With respect to Big Rivers' proposed defeased sale/leaseback transactions, please describe the means, if any, by which Alcan and Southwire will realize any benefit from the patronage capital that is allocated by Big Rivers to Kenergy Corporation ("Kenergy") for reallocation by Kenergy to Alcan and Southwire (by reason of the prior patronage of Kenergy's predecessors for resale to Alcan and Southwire.)

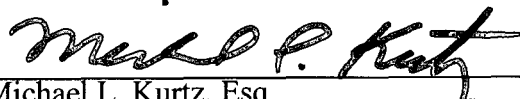
Respectfully submitted,



Allison Wade, Esq.
Holland and Knight, LLP
One Atlantic Center, Suite 2000
1201 West Peachtree Street, NE
Atlanta, GA 30309-3400
Counsel for Southwire Company

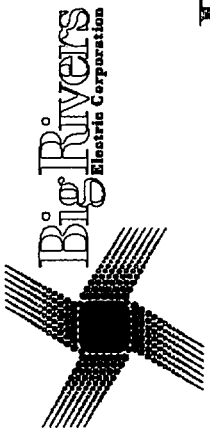


David C. Brown, Esq.
Stites & Harbison
1800 Providian Center
400 West Market Street
Louisville, KY 40202
Counsel for Alcan Aluminum Corporation



Michael L. Kurtz, Esq.
Boehm, Kurtz & Lowry
2110 CBLD Center
36 East Seventh Street
Cincinnati, Ohio 45202
**Co-Counsel for Southwire Company and
Alcan Aluminum Corporation**

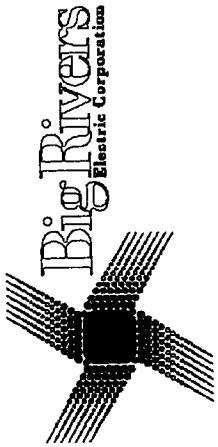
November 15, 1999



**Defeased Sale/Leaseback Of The
D. B. Wilson And Robert D. Green Facilities**

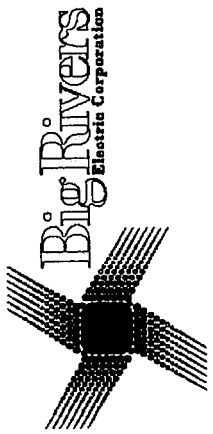
**Informal Conference
Before The Kentucky Public Service Commission**

October 21, 1999



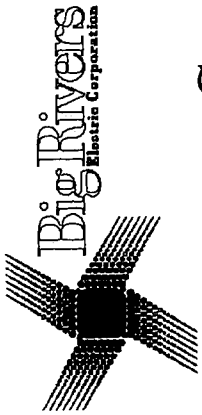
Presentation Participants

<input type="checkbox"/> David Spainhoward	Big Rivers	VP of Contract Administration & Regulatory Affairs
<input type="checkbox"/> Mark Hite	Big Rivers	VP of Finance & Administrative Services
<input type="checkbox"/> Jim Miller	Sullivan, Mountjoy, Stainback & Miller	General Counsel to Big Rivers
<input type="checkbox"/> Doug Beresford	Long, Aldridge & Norman	Regulatory Counsel to Big Rivers
<input type="checkbox"/> Al Robison	Wheeler Peak Consulting	Financial Consultant
<input type="checkbox"/> Carl Lyon	Orrick, Herrington & Sutcliffe	Lease Counsel
<input type="checkbox"/> Bob Michel	Orrick, Herrington & Sutcliffe	Lease Counsel
<input type="checkbox"/> Bill Cordiano	Babcock & Brown	Lease Advisor



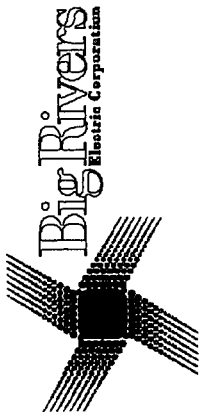
Agenda

- Opening remarks**
- Overview of proposed defeased sale/leaseback**
 - Leasing background**
 - Defeased sale/leaseback structure**
- Benefit to Big Rivers and its members**
- What Big Rivers requests of the Commission**
- Concluding remarks**



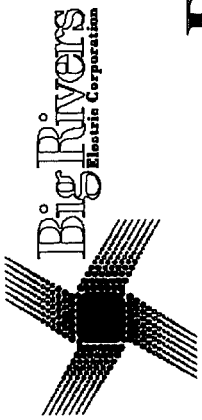
Summary Of Defeased Sale/Leaseback Benefits

- Makes Big Rivers financially stronger**
- Monetizes unutilized tax benefits**
- Generates up-front cash benefit assumed to be \$70 million**
- Up-front benefit will be used to pay-down the RUS note**
 - RUS to reduce interest rate on note
 - RUS annual debt service drops approximately \$5 million
- Improves Big Rivers' competitive position**



Reasons For Defeased Sale/Leaseback

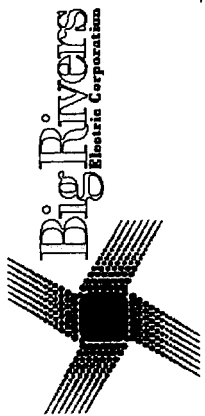
- Electric Generation & Transmission Cooperatives are inefficient users of income tax benefits**
 - Highly capital intensive business generates substantial depreciation and interest deductions**
 - Not-for-profit status minimizes taxable income against which to use tax deductions**
 - Results in creation of significant NOLs**



Reasons For Defeased Sale/Leaseback

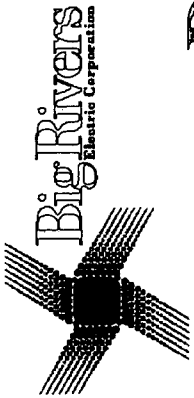
- Cooperatives have historically relied on leasing to monetize unutilized tax benefits
 - Safe harbor leases in the early 1980s – pure sale of tax benefits
 - Sale/leasebacks in the late 1980s and early 1990s – true financing with ongoing payment obligations
 - Defeased sale/leasebacks in the late 1990s – combine aspects of safe harbor leases and sale/leasebacks





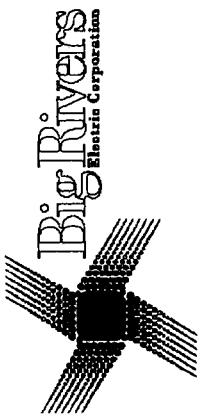
Electric G&T Cooperatives Participating In Lease Transactions

<u>Safe Harbor Leases</u>	<u>Sale/Leasebacks</u>	<u>Defeased Sale/Leaseback</u>
Associated Electric	Allegheny Electric	<i>Big Rivers (Proposed)</i>
Basin Electric	Arkansas Electric	Oglethorpe Power
Cajun Electric	Basin Electric	Old Dominion
Hoosier Energy	Colorado-Ute	Seminole Electric
Oglethorpe Power	Dairyland Power	Cooperative Power
Seminole Electric	Deseret	
Sunflower Electric	Hoosier Energy	
Tri-State Generation	Minnkota Power	
United Power	Oglethorpe Power	
Western Farmers	Seminole Electric	



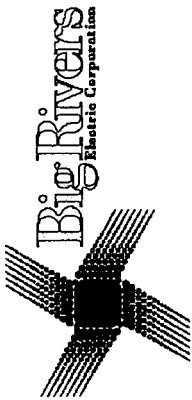
Defeased Sale/Leaseback Structure

- Structured as a leveraged lease with ALL of the lessee's (Big Rivers') scheduled rent payments and its end-of-term purchase option economically defeased
 - Head lease of Wilson and Green facilities from Big Rivers to lessor
 - Treated as sale for federal income tax purposes
 - Title remains with Big Rivers
- Sublease of Wilson and Green facilities from lessor to Big Rivers
 - Wilson facility – 27 year lease term
 - Green facility – 25 year lease term
- All structural Federal tax risk is assumed by the equity investor

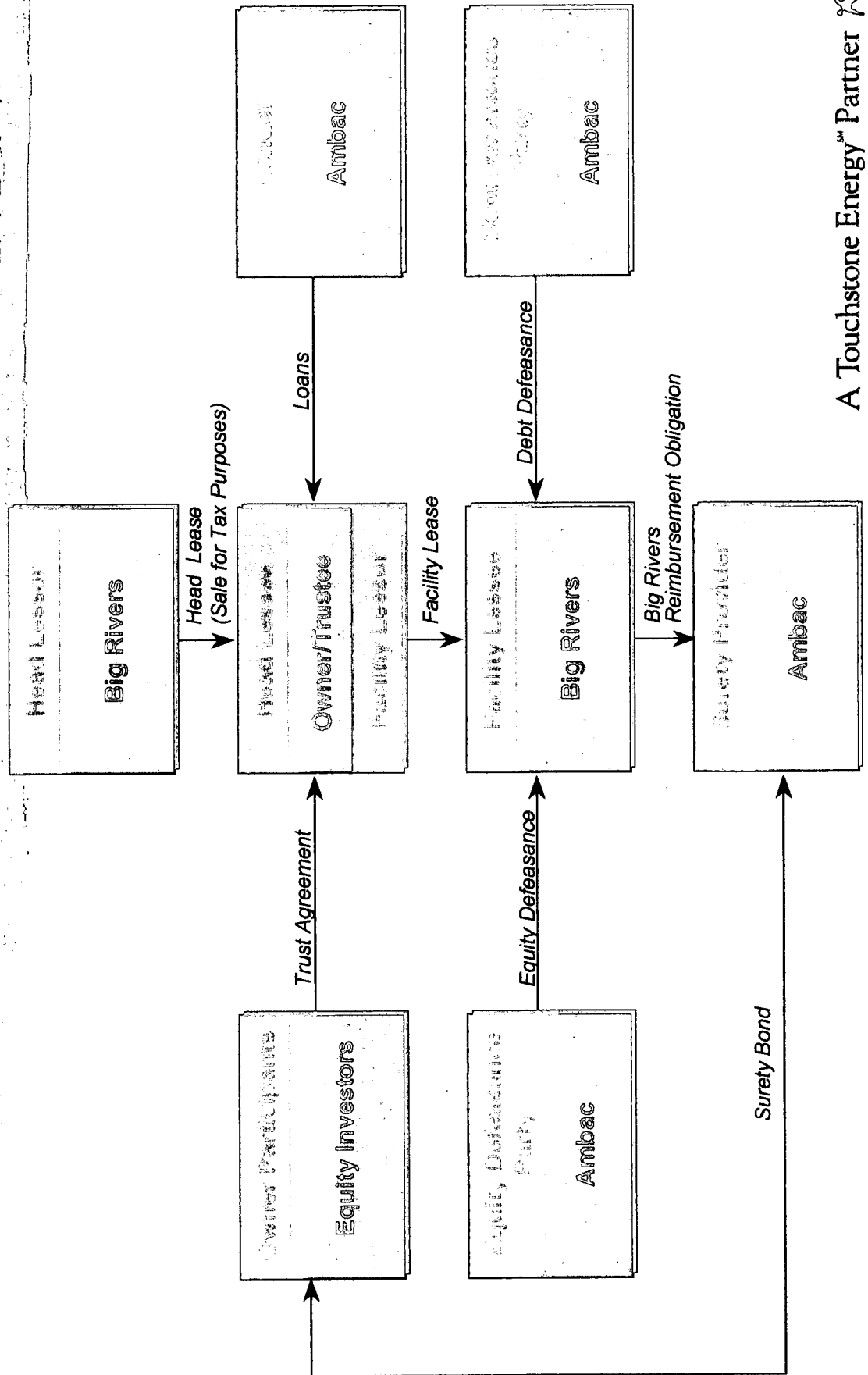


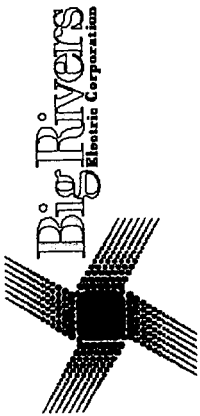
Defeased Sale/Leaseback Structure

- All defeasance obligations placed with Aaa rated entities at closing
- Deposited funds plus interest earnings pay all scheduled future obligations
- Proceeds from the sale of assets less the amount of the defeasance deposits and expenses is the net cash benefit to Big Rivers
- Absent an early termination, Big Rivers has *NO* unfunded scheduled payment obligations under the lease



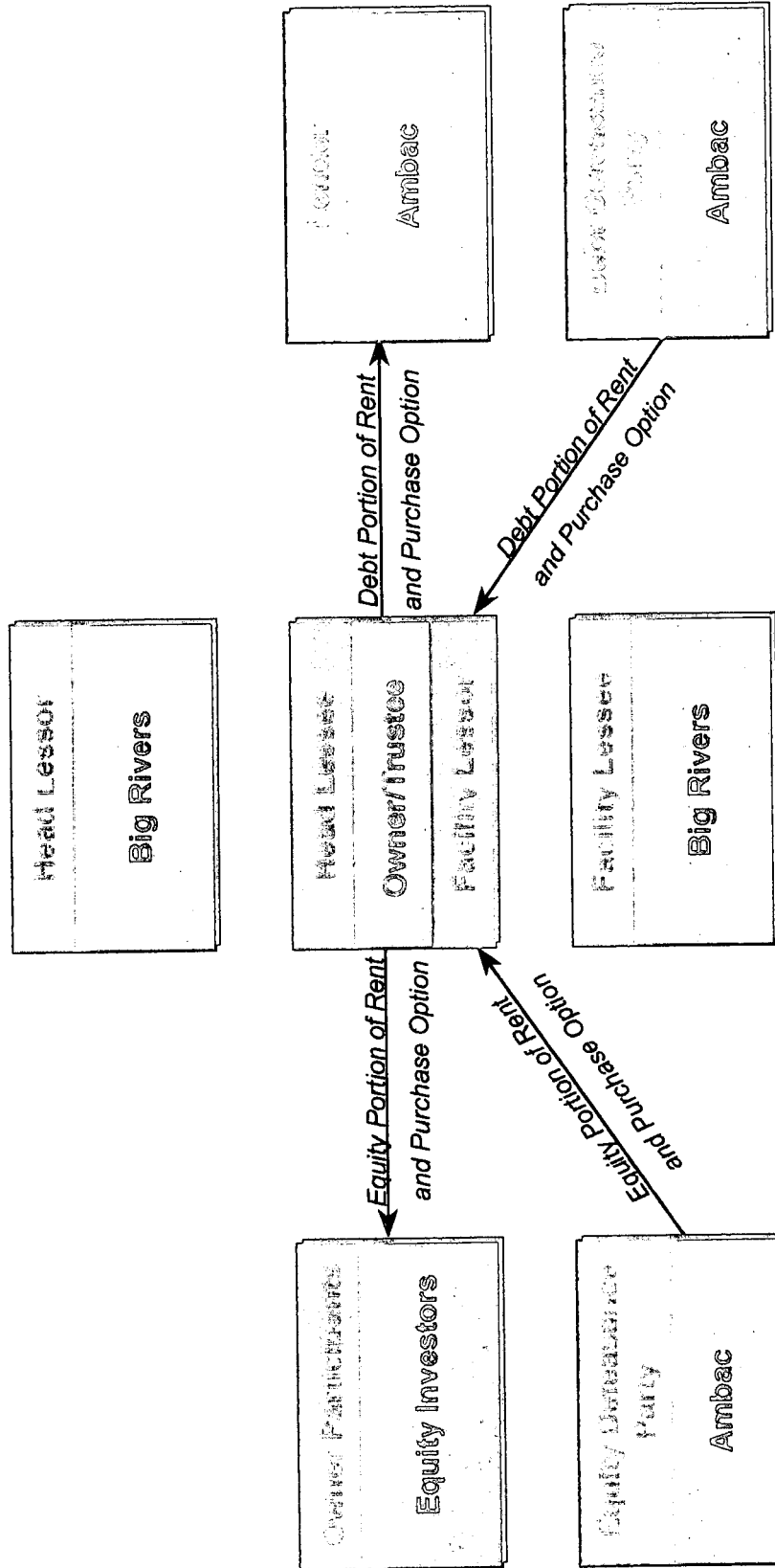
Defeased Sale/Leaseback Structure Transaction Structure

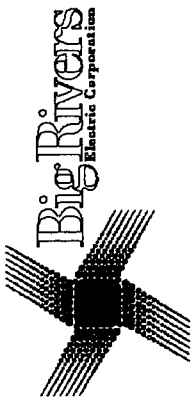




Defeased Sale/Leaseback Structure

Scheduled Basic Rent and Purchase Option Payments

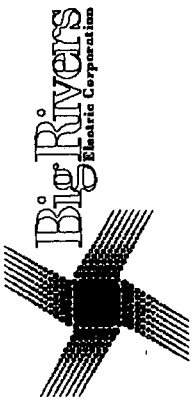




Defeased Sale/Leaseback Structure

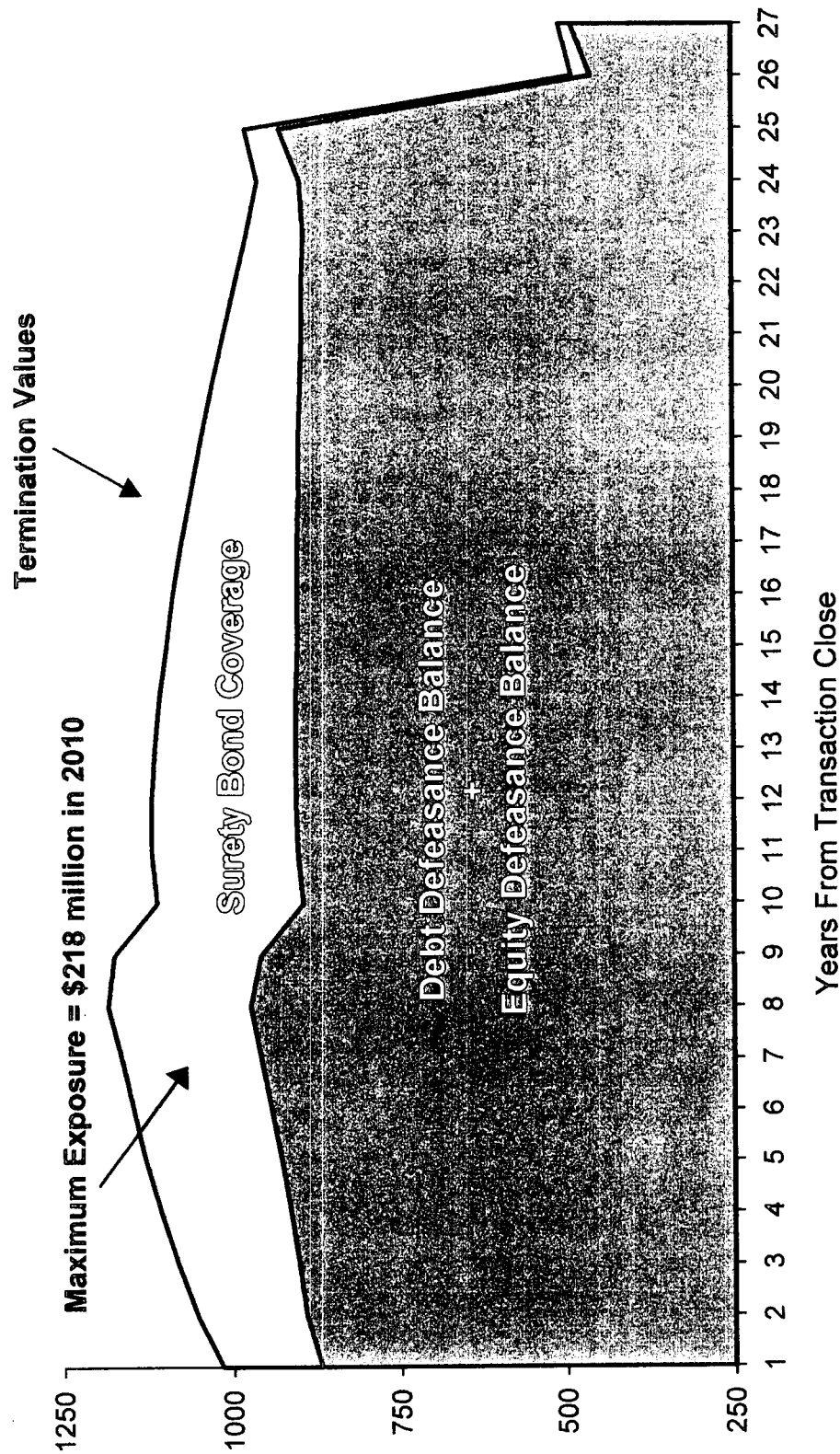
Full Debt Defeasance/Leaseback Structure

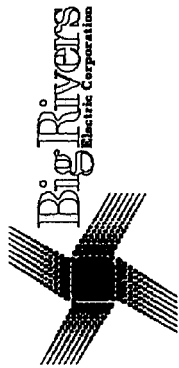
	Assumed Sources and Uses of Funds	\$ Amount in Millions
	Payment From/To	
	Sources of Funds	
	Lender (Ambac)	\$745
	Equity Investors	150
	Equity Investors	18
	Total Sources	\$913
	Uses of Funds	
	Debt Defeasance Party (Ambac)	\$745
	Equity Defeasance Party (Ambac)	80
	Fees and Expenses	18
	Net Proceeds to Big Rivers	70
	Total Uses	\$913



Early Termination Projected Exposure

(\$ Millions)





Involuntary Termination of the Lease is Remote

Possible Reasons for Involuntary Termination

Probability of Occurring

1. Involuntary Termination caused by event of loss

- a. Physical destruction of the plants and election not to rebuild
- b. Condemnation by eminent domain
- c. Public utility regulation of the equity investor by reason of the lease transaction

Highly unlikely - Insurance proceeds would likely mitigate any loss

Highly unlikely - Condemnation proceeds would likely mitigate any loss

Highly unlikely

2. Involuntary Termination caused by event of default

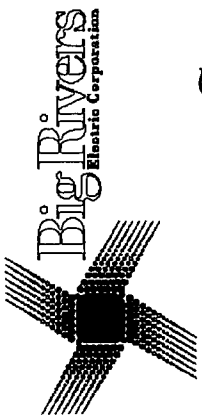
- a. Default by debt and/or equity defeasance parties
- b. Ambac downgraded without replacement
- c. Operational covenant default
- d. Rent payment default

All defeasance parties rated Aaa. Documents provide for credit downgrade protection

Big Rivers obligated to replace Ambac if downgraded below Aa2.

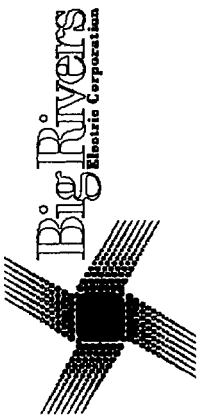
Big Rivers covenants expected to mirror LG&E operational covenants to Big Rivers

Scheduled rents are economically defeased



Summary Of Defeased Sale/Leaseback Benefits

- Makes Big Rivers financially stronger**
- Monetizes unutilized tax benefits**
- Generates up-front cash benefit assumed to be \$70 million**
- Up-front benefit will be used to pay-down the RUS note**
 - RUS to reduce interest rate on note
 - RUS annual debt service drops approximately \$5 million
- Improves Big Rivers' competitive position**



Big Rivers Electric Corporation
Defeased Sale/Leaseback Benefit Utilization

Options

- Further accelerate the retirement of RUS debt**
- Cash reserve for future contingencies**
- Avoid NOX SIP Call rate increase**
- Member wholesale rate reduction**

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION

RECEIVED

NOV 16 1999

PUBLIC SERVICE
COMMISSION

IN RE THE MATTER OF:

BIG RIVERS ELECTRIC CORPORATION'S APPLICATION)
FOR APPROVAL OF A LEVERAGED LEASE OF THREE)
GENERATING UNITS)

Case No. 99-450

**INITIAL REQUEST FOR INFORMATION
BY THE ATTORNEY GENERAL**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office for Rate Intervention, and submits these Requests for Information to Big Rivers Electric Corporation., to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.
- (2) Please identify the company witness who will be prepared to answer questions concerning each request.

Respectfully Submitted,



ELIZABETH E. BLACKFORD
ASSISTANT ATTORNEY GENERAL
1024 CAPITAL CENTER DRIVE
FRANKFORT KY 40601
(502) 696-5453
FAX: (502) 573-4814

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION

1. Does the proposed transaction involve or include the transmission system of Big Rivers Electric Corporation. If the answer is yes, please describe the nature and extent of the involvement in detail, including any impact that involvement might have on the rights of those now utilizing the transmission system.

NOTICE OF FILING AND CERTIFICATE OF SERVICE

I hereby certify that on this the 16th day of November, 1999, the original and ten true copies of the foregoing have been filed with the Kentucky Public Service Commission at 730 Schenkel Lane, Frankfort, Kentucky, 40601, and that same has been served upon Big Rivers by e-mail sent to David Spainhoward and to James Miller, and by mailing same, postage prepaid to the following:

MICHAEL H CORE
PRESIDENT/CEO BIG RIVERS ELECTRIC CORP
201 THIRD STREET
P O BOX 24
HENDERSON KY 42420

JAMES M MILLER
SULLIVAN MOUNTJOY STAINBACK & MILLER PSC
100 ST ANN BUILDING
P O BOX 727
OWENSBORO KY 42302 0727

MICHAEL L KURTZ
BOEHM KURTZ & LOWRY
2110 CLBD CENTER
69 EAST SEVENTH STREET
CINCINNATI OH 45202

DAVID C BROWN
STITES & HARBISON
400 WEST MARKET STREET SUITE 1800
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COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION


RECEIVED
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PUBLIC SERVICE
COMMISSION

IN RE THE MATTER OF:

BIG RIVERS ELECTRIC CORPORATION'S APPLICATION)
FOR APPROVAL OF A LEVERAGED LEASE OF THREE) Case No. 99-450
GENERATING UNITS)

MOTION TO INTERVENE

Comes the Attorney General, A. B. Chandler, III, pursuant to KRS 367.150 (8) which grants him the right and obligation to appear before regulatory bodies of the Commonwealth of Kentucky to represent the consumers' interests, and moves the Public Service Commission to grant him full intervener status in this action pursuant to 807 KAR 5:001(8).



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NOTICE OF FILING AND CERTIFICATE OF SERVICE

I hereby give notice that the original and ten copies of the foregoing were filed this the 15th day of November, 1999, with the Kentucky Public Service Commission at 730 Schenkel Lane, Frankfort, Kentucky, 40601, and certify that on this same date true copies were served on the parties by mailing same, postage prepaid to:

Big Rivers 99-450

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