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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

THE APPLICATIONS OF BIG RIVERS ELECTRIC CORPORATION FOR: (I) APPROVAL OF WHOLESALE TARIFF ADDITIONS FOR BIG RIVERS ELECTRIC CORPORATION, (II) APPROVAL OF TRANSACTIONS, (III) APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS, AND (IV) APPROVAL OF AMENDMENTS TO CONTRACTS; AND	)	CASE NO. 2007-00455
E.ON-U.S., LLC, WESTERN KENTUCKY ENERGY CORP. AND LG&E ENERGY MARKETING, INC. FOR APPROVAL OF TRANSACTIONS	)	

EXHIBIT 14

Direct Testimony of Michael H. Core

December 2007

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

Case No. 2007-00455

DIRECT TESTIMONY OF MICHAEL H. CORE

ON BEHALF OF
APPLICANTS

DECEMBER 2007

DIRECT TESTIMONY OF
MICHAEL H. CORE

I. INTRODUCTION

Q. Please state your name, address, and employment.

A. My name is Michael H. Core. My business address is 201 Third Street, Henderson, Kentucky, 42419. I am the President and Chief Executive Officer ("CEO") of Big Rivers Electric Corporation ("Big Rivers").

Q. Please briefly describe your education and employment history.

A. I hold an undergraduate degree from Bowling Green State University. Before joining Big Rivers as President and CEO in January 1997, I was the Chief Executive Officer of the Indiana Association of Rural Electric Cooperatives, Inc. From 1986 to 1991, I was Vice President, Statewide Services, for the Ohio Rural Electric Cooperatives, Inc., and from 1983 to 1986, I was the General Manager of the Delaware Rural Electric Cooperative ("Delaware REC"). I also served on the Buckeye Power Board of Trustees for the Delaware REC.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to provide an overview of the proposed unwind ("Unwind Transaction") of the 1998 transactions between Big Rivers and E.ON U.S. LLC ("E.ON") (formerly LG&E Energy Corp.), and certain E.ON affiliates approved by the Kentucky Public Service Commission ("Commission") in Case Nos. 97-204 and 98-265 ("1998 Transactions"). I will describe the negotiations that led to the Unwind Transaction, including negotiations with E.ON and with Alcan Primary Products Corporation ("Alcan") and Century Aluminum of Kentucky General Partnership ("Century") (collectively, "Smelters"). I describe the benefits of the Unwind Transaction for Big Rivers' member systems, as well as the importance to the economy of Western Kentucky of continuing the current Smelter operations. I further explain how proceeds obtained by Big Rivers as a result of the Unwind Transaction will be used. I provide an overview of the agreement that terminates the 1998 Transactions, and finally address who will lead Big Rivers following completion of the Unwind Transaction.

II. OVERVIEW OF UNWIND TRANSACTION NEGOTIATIONS

Q. Would you briefly summarize the effect of the 1998 Transactions on Big Rivers?

A. The 1998 Transactions were entered into as part of Big Rivers' reorganization plan approximately ten years ago. Before the 1998 Transactions, Big Rivers was a generation and transmission company. After the 1998 Transactions were consummated, Big Rivers became a power supply and transmission company. Big Rivers separated its electric generation business from its transmission and energy service business. While Big Rivers continues to own its generation assets, E.ON manages and operates the Big Rivers generation plants through its subsidiary, Western Kentucky Energy Corp. ("WKEC"). Through a Power Purchase Agreement, WKEC, as an assignee of LG&E Energy Marketing Inc. ("LEM"), another subsidiary of E.ON, provides Big Rivers with a set amount of power at fixed prices that Big Rivers uses to serve the loads of its three member systems: Kenergy Corp. ("Kenergy"), Jackson Purchase Energy Corporation ("Jackson Purchase"), and Meade County Rural Electric Cooperative Corporation ("Meade County") (collectively, "Members").

Q. How did the negotiations over the Unwind Transaction begin?

A. In 2003, representatives of E.ON approached Big Rivers seeking to begin discussions on unwinding the 1998 Transactions. E.ON indicated that it no longer wanted to manage and operate Big Rivers' generation plants. Big Rivers saw this as an opportunity to further improve its financial condition for the benefit of itself and its Members, to position itself to be able to obtain financing on better terms, and to be in a better position to manage its long-term power supply to its Members. Accordingly, Big Rivers commenced negotiations with E.ON later in 2003, and the negotiations ultimately resulted in the execution of a Transaction Termination Agreement ("Termination Agreement") among Big Rivers, LEM, and WKEC.

Q. What factors did Big Rivers consider before deciding to enter into negotiations for the Unwind Transaction?

A. Before entering into the negotiations, Big Rivers assessed the risks associated with taking back the operations of the plants. Included in its analysis, Big Rivers considered many risks – chief among them were generation, load concentration, fuel, and financial risks – associated with serving the energy needs of the two Smelter loads from Alcan's Sebree plant and Century's Hawesville plant. Mindful of these risks, Big Rivers entered into negotiations with the other parties to the 1998 Transactions intent on obtaining significant compensation for the risks that Big Rivers' Members would be assuming.

Q. While Big Rivers was negotiating with E.ON, was it also engaged in negotiations with the Smelters?

A. No. But when Big Rivers considered entering into negotiations with E.ON to unwind the 1998 Transactions, it recognized that the Smelters would be an essential part of this process. Big Rivers acknowledged that service to Kenergy for the Smelters would pose a load concentration risk to Big Rivers. However, Big Rivers believed that keeping the Smelters and their direct and indirect jobs in Western Kentucky was worth the effort to negotiate a contract with Kenergy for their service. Once Big Rivers had reached terms with E.ON, it was in a position to negotiate long-term power supply contracts with both Smelters.

These negotiations resulted in a pair of long-term power supply contracts with Kenergy for service to Alcan and Century. When the 1998 Transactions closed, LEM signed power supply contracts with predecessors of Kenergy to provide about two-thirds of the Smelters' power needs (572 MW) at very competitive rates to Century through 2010 and to Alcan through 2011. Both Smelters are now facing the prospect of having to close if forced to seek power at market prices upon the termination of their respective contracts. The new contracts between Big Rivers and Kenergy will provide a total of 850 MW of electric power to Kenergy for service to the Smelters -- 368 MW for Alcan and 482 MW for Century -- through 2023.

Big Rivers felt that its Members needed to be compensated by the Smelters for taking back the risks of operating the power plants as well as the load concentration risk posed by the Smelters. As a result, Alcan and Century will pay rates higher than the other large industrial customers of the Big Rivers member systems. This will add approximately $327 million in present value to the $623 million compensation from E.ON, bringing the total compensation from E.ON and the Smelters to approximately $950 million in present value to Big Rivers and its Members for agreeing to assume the risks of operating the plants. The Termination Agreement setting the terms and conditions for the Unwind Transaction and the Smelter contracts are the keystone agreements for the transaction.

Q. Mr. Core, what is the reason your accounting for the compensation from E.ON to Big Rivers ($623 million) is different from the accounting of E.ON's Mr. Thompson ($700 million)?

A. Mr. Thompson's figure reflects his evaluation of the costs of the Unwind Transaction to E.ON. Big Rivers' figure reflects our evaluation of the benefits of the transaction to Big Rivers. Each party necessarily values the transaction differently from its own unique perspective. The differences between E.ON's valuation of the transaction and Big Rivers' valuation of the transaction are reconciled in the testimony of C. William Blackburn, Exhibit 10.

Q. Do you believe that the proposed rates to Big Rivers' Members for both non-Smelter and Smelter customers under the Unwind Transaction are fair, just and reasonable?

A. Yes, I do. Because Big Rivers has not had a recent history of operating the generating units, and does not have recent experience with the costs of operating those units, the starting points for costs and rates under the Unwind Transaction were the existing E.ON costs and the existing Big Rivers rates. The complex negotiations that led to the specific proposed rate structure (including the Fuel Adjustment Clause ("FAC") and Environmental Surcharge) took into account compensating Big Rivers for the additional risks it was undertaking in operating the generating plants. We diligently modeled the financial consequences of the Unwind Transaction through a deliberate, iterative process. There were extensive, good-faith, full and frank discussions among and between Big Rivers, its Members, E.ON and the Smelters. The result is a delicately balanced transaction and associated rate structure designed to relieve E.ON of its generating obligations, keep the Smelter operations in Kentucky fully viable, raise the debt secured by Big Rivers' generating plants to investment grade, and moderate any adverse rate pressures for the non-Smelter members. The pieces of the Unwind Transaction are all inextricably linked and depend on each other to make a cohesive whole. The overall rates are fair, just and reasonable, in my opinion.

III. BENEFITS OF THE UNWIND TRANSACTION

Q. How did Big Rivers evaluate benefits and risks in deciding to enter into the Unwind Transaction?

A. Big Rivers used a production cost model and a financial model to evaluate the value and risks of the Unwind Transaction. The inputs for the production cost model were provided by Big Rivers and the E.ON U.S. Parties based upon their experience in operating the generating units. The specific inputs are described in the testimony of C. William Blackburn, Exhibit 10. Big Rivers engaged ACES Power Marketing ("APM") to develop a long-term power production simulation model to evaluate the various components of the Unwind Transaction and their value/risk to Big Rivers versus a "Status Quo" scenario. APM used quantitative analytics and the Henwood model -- the gold standard in the industry -- to provide Big Rivers with a range of outcomes based on different production cost assumptions developed by Big Rivers' staff. This modeling process played a key role in the negotiations with both E.ON and the Smelters. APM is an energy risk management and transaction execution company that provides risk management services nationally (www.acespower.com). Big Rivers, along with 15 other generation and transmission cooperatives and one distribution cooperative, is a member-owner of APM.

In addition, Big Rivers engaged CRA International, Inc. to create a complex financial model through 2023 that greatly aided in the negotiations with the parties. The financial model uses inputs from the APM model as well as other inputs and assumptions developed throughout the evaluation and negotiation process to create a total financial picture of the proposed transaction. The financial model, including inputs and results, is described in the testimony of Robert S. Mudge of CRA International, Exhibit 9, and certain inputs are also discussed in the testimony of C. William Blackburn, Exhibit 10. Big Rivers used the financial model continually throughout the process of evaluating and negotiating the Unwind Transaction. The financial model was painstakingly developed and carefully reviewed by Big Rivers' Members and its largest customers, the Smelters. It attempts to provide as complete and realistic a picture as possible of expected future conditions and rates. Big Rivers hopes that the financial model will be a key asset to the record in this case and that it will aid the Commission in its evaluation and approval of the Unwind Transaction.

Q. What are the benefits of the Unwind Transaction for Big Rivers' Members?

A. The Members of Big Rivers benefit from the Unwind Transaction in several ways. The first is financial. At closing, Big Rivers will become one of the financially strongest generation and transmission cooperatives in the United States. Big Rivers' equity will move from a negative 13.6 percent to a positive 24.4 percent. Big Rivers will also have approximately $125 million in unrestricted cash and another $100 million in lines of credit. Attached as Exhibit MHC-1 to my testimony is a comparison of Big Rivers' pre-1998 balance sheet, its current balance sheet, and the projected post-closing balance sheet, which demonstrates the significant improvement in Big Rivers' financial position that results from the Unwind Transaction.

Q. Will the Members' rates be affected by the Unwind Transaction?

A. Yes, the non-Smelter Members will receive substantial rate contributions to their rate stability. Among other things, the Members will benefit from payments made through 2023 by the Smelters as described in their contracts. These payments are in excess of the Big Rivers large industrial tariff rates, and provide approximately $327 million in present value above the large industrial tariff rates at a similar load factor. This $327 million derives from four components. First, the Smelter rates are $0.25 per MWh above the large industrial tariff rates at a similar load factor. Second, the Smelters will make additional payments to help Big Rivers achieve a TIER of 1.24 each fiscal year, which is the TIER level that Big Rivers management and advisors have determined is necessary for Big Rivers to have a reasonable opportunity to obtain and maintain necessary investment grade financial ratings. This determination is discussed in more detail in the testimony of Mark W. Glotfelty of Goldman Sachs, Exhibit 21. This "TIER Adjustment Charge" can move the Smelters' rates from the basic charge upward within a contractually specified bandwidth, which is adjusted upward under a pre-determined schedule. If Big Rivers earns more than a 1.24 TIER, under certain circumstances Big Rivers' Members would receive a rebate.

Third, the Smelters will pay a negotiated surcharge, which begins as an aggregate annual payment of $5,110,000 and rises over the life of the contracts to become an aggregate annual payment of $10,182,813. Finally, the Smelters will pay an additional $0.60 per MWh fixed surcharge, and an additional charge associated with fuel costs that may go as high as $0.60 per MWh. Big Rivers believes that the rates to the Smelters are fair, just and reasonable under the circumstances.

As a result of the Unwind Transaction, Big Rivers' rates to its Members will be competitive at an initial blended rate of approximately $34.30 per MWh to their non-Smelter members, including both rural and large industrial members. In fact, the rates to the non-Smelter Members are expected to remain constant throughout the early years of the Unwind Transaction, due to the surcharge paid by the Smelters and the Economic Reserve discussed below.

There also will be a $75 million Economic Reserve, which will be used in the initial years to dampen any rate increase impacts for the non-Smelter Members. An additional $35 million of Transition Reserve will be held as a cushion against the impact of one or both of the Smelters closing as a result of a downturn in the economy. Both the $75 million Economic Reserve and the $35 million Transition Reserve are in addition to the $125 million in unrestricted cash.

The Members' rates under the Unwind Transaction are discussed in more detail in the testimony of C. William Blackburn, Exhibit 10.

Q. Will Big Rivers and its Members experience other benefits from the Unwind Transaction?

A. Yes. In addition to the financial and rate benefits I have described, Big Rivers will have the flexibility it now lacks under the 1998 Transactions to embrace economic development. Big Rivers will also exercise control in maintaining its generating plants in a manner consistent with its long-term power supply planning. Big Rivers' ability to issue low-cost debt for purposes of financing new capital projects to serve customers and funding upgrades and replacements of existing projects will only be possible if the Unwind Transaction is approved.

When you think of where Big Rivers was pre-reorganization in 1995 and where it will be after closing of the Unwind Transaction, the difference will reflect a successful transformation that few could have foreseen. As I like to say, this will not be your grandfather's Big Rivers.

The ability to issue low-cost forms of debt for purposes of financing new capital projects and making upgrades and replacements is an important benefit that will only be possible if the Unwind Transaction is approved. The 1998 Transactions have been proven to have been very good for Big Rivers, but the Unwind Transaction is now in the best long-term interest of Big Rivers and its Members. Meade County's President and CEO, Burns E. Mercer, provides his assessment of the benefits to Big Rivers' Members in his testimony, Exhibit 26.

Q. Are there other benefits associated with the new power supply arrangements with the Smelters in addition to those you have mentioned?

A. There are significant benefits, not only for Big Rivers and its Members, but also for the economy of Western Kentucky. By having control over all of the output of its generating units under the Unwind Transaction, Big Rivers will be in a position to provide the current power needs of the Smelters, whose existing power supply contracts with Kenergy, and in turn with WKEC, expire in 2010 and 2011, respectively. The Commission summarized the comments of the Smelters on the power supply dilemma they face without the Unwind Transaction in Appendix B to its September 15, 2005 report in *An Assessment of Kentucky's Electric Generation, Transmission and Distribution Needs*, Administrative Case No. 2005-00090, pages 106-109. In that proceeding, the Smelters noted that when their contracts expire, Big Rivers will have insufficient resources to serve their wholesale needs. As they further stated, if Kenergy could only meet their needs with market-priced power, the Smelters would not be able to continue operations.

In support of their position, the Smelters filed a document in that proceeding titled "The Estimated Economic and Fiscal Impacts of a Shut-Down of Kentucky's Two Aluminum Smelters." The study concludes that the direct loss of 1,400 high-paying industrial jobs, an indirect loss of hundreds of jobs, and the loss of other economic benefits that flow from the Smelters' presence in Big Rivers' service area would have a significant, negative impact on Western Kentucky. A principal reason Big Rivers has pursued the Unwind Transaction is because it provides the only opportunity for Big Rivers to participate meaningfully in the effort to preserve the economic benefits of the Smelter operations for the areas served by Big Rivers' Members.

Q. What proceeds will Big Rivers receive from the Unwind Transaction?

A. The Termination Agreement provides compensation from E.ON to Big Rivers in excess of $623 million in value plus a number of indemnities involved in assuming the plant operations. The $623 million comes in various forms. First, there is a cash payment of slightly over $300 million at closing, along with the transfer of inventory, including fuel, in an amount estimated to be $55 million. In addition, Big Rivers receives 14,000 SO2 allowances with an approximate market value of $10.9 million. Additionally, value comes in the form of (i) E.ON contributing certain leasehold improvements constructed by it with respect to which Big Rivers otherwise would have had to make a residual value payment of approximately $150 million, (ii) E.ON contributing a new scrubber installed on the Coleman plant valued at $97.5 million, and (iii) forgiveness of the Settlement Promissory Note of $16.0 million.

Q. How will Big Rivers use the proceeds from the Unwind Transaction?

A. At closing, Big Rivers will have approximately $135 million in cash on hand and, as I mentioned, will receive approximately $300 million in cash from E.ON. Combined, this cash will be used in part to pay off approximately $196 million in United States Rural Utilities Service ("RUS") debt with the remainder making up a large part of the unrestricted cash that Big Rivers will have post-closing. As I explained previously, $75 million will be used as an Economic Reserve to dampen any potential rate increase impacts for the Members in the early years of the Unwind Transaction. Under the financial model, the Economic Reserve is projected to keep rates level by offsetting any net increase in charges to the non-Smelter Members from the FAC and the Environmental Surcharge for approximately the first five years of the Unwind Transaction. An additional $35 million will be held as a Transition Reserve to soften the impact should one or both of the Smelters shut down operations. The remaining $125 million will be treated as uncommitted cash to be used as working capital.

IV. <u>OVERVIEW OF TERMINATION AGREEMENT</u>

Q. Please summarize the significant provisions of the Termination Agreement.

A. The Termination Agreement includes numerous significant provisions addressing, among other matters: (1) the scheduling of the closing date for the Unwind Transaction; (2) payments; (3) valuation of inventory and personal property; (4) assigned contracts; (5) intellectual property; (6) permits; (7) SO_2 and NOx allowances; (8) consents and releases; (9) closing conditions; (10) representations and warranties; (11) agreements for operating the plants prior to closing; (12) tax matters; (13) personnel matters; (14) environmental audit and indemnities; (15) general indemnities; (16) termination of the Termination Agreement; and (17) the E.ON guaranty (which itself is a separate agreement between E.ON and Big Rivers (Exhibit S to the Termination Agreement)). A copy of the Termination Agreement is included as Exhibit 3 to the Application, a summary is included as Exhibit 12, and an analysis of its terms is included as Exhibit 11.

The Termination Agreement also provides for Big Rivers and WKEC to enter into certain agreements for support services. Pursuant to these agreements, WKEC will dispatch the generating facilities for Big Rivers at cost for 18 months following closing of the Unwind Transaction, and will provide information technology ("IT") support services at cost to Big Rivers for up to 18 months following closing. The dispatch agreement is substantially complete, and the IT agreement has been executed. These agreements will aid in the transition as Big Rivers assumes operational control over the generating facilities. The agreements are discussed in more detail in the testimony of Mark A. Bailey, Exhibit 5, and are attached as Exhibit 16 and Exhibit 17.

The Termination Agreement also includes conditions to each party's obligation to close the Unwind Transaction which are fairly conventional in transactions of this nature. Such conditions relate to: (1) the correctness of each party's representations; (2) obtaining the requisite governmental approvals for the Unwind Transaction; and (3) the execution by creditors, vendors, the Smelters and Big Rivers' Members of the implementing documents, consents and releases necessary for the Unwind Transaction to occur.

Q. Please explain the more important conditions in detail.

A. First, it is a condition to the obligation of WKEC and LEM to close the Unwind Transaction that LEM shall have been discharged from its obligation to pay the demand note to the RUS in the amount of $933,333.33, executed in 1998, and that Big Rivers' debt secured by a lien on the generating plants receive a rating of at least BBB by Standard & Poor's ("S&P") and Baa3 by Moody's after the Unwind Transaction.

Second, it is a condition of the obligation of WKEC and LEM to close the Unwind Transaction that there be no environmental conditions associated with any generating plant the remediation of which is reasonably likely to exceed $1,000,000.

Third, it is a condition to the obligation of WKEC and LEM to close the Unwind Transaction that WKEC have received tax rulings from the Internal Revenue Service or the relevant Kentucky or local agencies concerning certain tax aspects of the Unwind Transaction.

Fourth, the Termination Agreement provides that it is a condition to Big Rivers' obligation to close the Unwind Transaction that Big Rivers' debt secured by the generating plants be rated at least BBB by S&P and Baa2 by Moody's after the Unwind Transaction.

Fifth, it is a condition to Big Rivers' obligation to close the Unwind Transaction that no material casualty damage have occurred to any generating plant. Big Rivers' obligation to close the Unwind Transaction is also subject to the identical condition regarding the absence of any environmental condition at any generating plant as described for WKEC and LEM.

Sixth, the Termination Agreement makes it a condition to Big Rivers' obligation to close the Unwind Transaction that new contracts for retail service have been executed by Kenergy and each of the Smelters, and that Big Rivers' wholesale power contracts with its Members be extended as necessary to achieve the required credit rating on Big Rivers' senior debt.

Seventh, the Termination Agreement provides that within 90 days of the scheduled closing date for the Unwind Transaction, WKEC shall demonstrate to Big Rivers' reasonable satisfaction, through performance data or testing, that each of the generating plants is capable of generating net output at levels set forth in the Termination Agreement.

Eighth, it is a condition to Big Rivers' obligation to close the Unwind Transaction that no forced outage of any generating plant have occurred for a period greater than five consecutive days during the 30 days preceding the closing and that there be no forced outage of any generating plant pending on the date of the closing.

Q. Are there any other conditions you would like to mention?

A. Yes. Additional conditions to Big Rivers' obligations to close the Unwind Transaction include: (1) that Big Rivers approve any material deviation from the WKEC operating plan for 2007 prior to closing; (2) that WKEC have cleaned out four ponds at Plant Wilson; (3) that Big Rivers' Wilson to Coleman 345 kV circuit be connected to E.ON's Elmer Smith to Hardin County 345 kV circuit or that an alternative reasonably satisfactory to Big Rivers shall have been effected; and (4) that the Commission approve Big Rivers' construction of a 161 kV transmission line. I note that this last condition has been satisfied by the Commission's order dated October 30, 2007 in *Application of Big Rivers Electric Corporation for a Certificate of Public Convenience and Necessity to Construct a 161 kV Transmission Line in Ohio County, Kentucky*, Case No. 2007-00177.

Q. When do the parties anticipate that the Unwind Transaction will close?

A. At present, the parties anticipate a closing date of April 30, 2008, and are working to ensure that all conditions to closing are satisfied prior to that date.

V. <u>BIG RIVERS' LEADERSHIP FOLLOWING UNWIND TRANSACTION</u>

Q. Will you continue as President and CEO of Big Rivers after the Unwind Transaction is approved?

A. In mid-2006 I informed the Big Rivers Board of Directors that the Unwind Transaction, if approved and completed, would likely be implemented near the time when I had contemplated retirement. In order to ensure a smooth succession plan, I asked the Board to give thought to bringing on a successor to my position so he or she could work with me and the Big Rivers staff during the completion of the Unwind Transaction and the transition to Big Rivers again becoming an operating generation and transmission cooperative.

In late 2006 the Big Rivers Board hired Mark A. Bailey to be my successor upon my retirement. Mr. Bailey is the former President and CEO of Kenergy, and he joined the Big Rivers executive team on June 1 of this year as Executive Vice President of Big Rivers. Mr. Bailey has an extensive background in the electric utility industry through his 30 years of work at American Electric Power Company before joining Kenergy. His resume has been included in his testimony in this case before the Commission, Exhibit 5. You will find that his resume clearly shows his qualifications to lead Big Rivers with his experience in the areas of power production, transmission and distribution. Big Rivers is very fortunate to have Mr. Bailey on its staff, and he will make a fine President and CEO for the organization.

Mr. Bailey and I are working together during the Unwind Transaction approval process and the transition of taking back the operations of the plants. I am focusing on the external efforts with the Commission, creditors, rating agencies, etc. Mr. Bailey's focus is on internal preparations that will take Big Rivers from an organization of slightly more than 100 employees to one of approximately 600 employees, including the establishment of an enterprise risk management program to institute internal controls to ensure that Big Rivers is appropriately managing its business risks. Mr. Bailey describes Big Rivers' post-closing management, organization, and operations in detail in his testimony, Exhibit 5. After the closing of the Unwind Transaction, Mr. Bailey will become the Big Rivers President and CEO, and I will phase into retirement.

Q. Mr. Core, do you recommend that the Commission approve the Unwind Transaction?

A. Yes, without any reservation. The Unwind Transaction will provide Big Rivers flexibility to finance and manage growth, enhance the long-term viability of the aluminum Smelters and their employees, and create a win-win future trajectory for Big Rivers' Members and E.ON.

Q. Does this conclude your testimony at this time?

A. Yes.

VERIFICATION

I verify, state, and affirm that the foregoing testimony is true and correct to the best of my knowledge and belief.

Michael H. Core

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

Subscribed and sworn to before me by Michael H. Core on this the 17th day of December, 2007.

Paula Mitchell
Notary Public, Ky. State at Large
My Commission Expires: 1-12-09

Unwind Transaction Profile, 12/21/07

	1997	2008		
	Audited Financials	*Pre-Transaction*	*Difference*	*Post-Transaction*
Balance Sheet (M$)				
Net Utility Plant	914	923	97	1,021
Sale-Leaseback Investments	-	195	-	195
Cash & Investments				
Transition Reserve		-	35	35
Economic Reserve		-	75	75
Unrestricted	21	135	(10)	125
Receivables, Inventories & Other	61	53	63	116
Assets	996	1,307	260	1,567
Equities	(293)	(171)	548	377
Sale-Leaseback Obligation & Unamortized Gain	-	239	-	239
Debt	1,256	1,051	(193)	858
Payables & Other	33	188	(94)	94
Equities & Liabilities	996	1,307	260	1,567
Equity/ Assets	-29%	-13%		24%

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

THE APPLICATIONS OF BIG RIVERS ELECTRIC CORPORATION FOR: (I) APPROVAL OF WHOLESALE TARIFF ADDITIONS FOR BIG RIVERS ELECTRIC CORPORATION, (II) APPROVAL OF TRANSACTIONS, (III) APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS, AND (IV) APPROVAL OF AMENDMENTS TO CONTRACTS; AND	)))))))))	 CASE NO. 2007-00455
E.ON-U.S., LLC, WESTERN KENTUCKY ENERGY CORP. AND LG&E ENERGY MARKETING, INC. FOR APPROVAL OF TRANSACTIONS	)))	

EXHIBIT 15

Testimony of Paul Thompson

December 17, 2007

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PLLC

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KENDRICK R. RIGGS
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December 14, 2007

FEDERAL EXPRESS

David A. Spainhoward
Vice President, External Relations &
Interim Chief Production Officer
Big Rivers Electric Corporation
201 Third Street
Henderson, Kentucky 42420

RE: Testimony of Paul W. Thompson

Dear Jim:

Enclosed please find the executed original of Paul Thompson's testimony for filing.

Thank you.

Yours very truly,

Kendrick R. Riggs

Kendrick R. Riggs

KRR:ec
Enclosure as mentioned

400001.358719/502827.1

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BIG RIVERS ELECTRIC CORPORATION, E.ON U.S. LLC, WESTERN KENTUCKY ENERGY CORP., AND LG&E ENERGY MARKETING INC. FOR APPROVAL OF TRANSACTION	)	CASE NO: 2007-00455

TESTIMONY OF
PAUL W. THOMPSON
SENIOR VICE PRESIDENT - ENERGY SERVICES
E.ON U.S. LLC

Filed: December 14, 2007

Q. Please state your name, position and business address.

A. My name is Paul W. Thompson. I am the Senior Vice President - Energy Services for E.ON U.S. LLC, which provides services to Western Kentucky Energy Corp. and LG&E Energy Marketing, Inc. My business address is 220 West Main Street, Louisville, Kentucky 40202.

Q. Have you previously testified before this Commission?

A. Yes, I have testified in the merger proceedings of Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") before the Kentucky Public Service Commission ("Commission") in Case No. 97-300 *In the Matter of: Louisville Gas and Electric Company and Kentucky Utilities Company for Approval of a Merger Under KRS 278.020.*

I also testified on behalf of LG&E and KU in Case No. 2003-00266, *In the Matter of: Investigation Into the Membership of Louisville Gas and Electric Company and Kentucky Utilities Company in the Midwest Independent Transmission System Operator, Inc.*

Additionally, I testified on behalf of LG&E in its base rate application *In re the Matter of: Application of Louisville Gas and Electric Company for an Adjustment of its Gas and Electric Rates, Terms and Conditions,* in Case No. 2003-00433, and on behalf of KU in its base rate application *In re the Matter of: Application of Kentucky Utilities Company for an Adjustment of its Electric Rates, Terms and Conditions,* Case No. 2003-00434.

Q. Would you please describe your work experience and education before joining E.ON U.S. LLC?

A. Yes. Prior to joining E.ON U.S. LLC (then known as LG&E Energy Corp.) in 1991, I had acquired eleven years of experience in the oil, gas and energy-related industries in positions of financial management, general management and sales. I received a Bachelor of Science degree in Mechanical Engineering from Massachusetts Institute of Technology in 1979, and a Master of Business Administration from the University of Chicago in Finance and Accounting in 1981. A complete statement of my work experience and education is contained in the Appendix attached to my testimony.

Q. Are you sponsoring any exhibits?

A. Yes, I am sponsoring the following exhibits: Exhibit PWT-1: statewide perspective of Western Kentucky Energy Corp. operations; Exhibit PWT-2: detailed perspective of Western Kentucky Energy Corp. operations; and Exhibit PWT-3: a schedule summarizing the value of the consideration related to the Termination Agreement to be provided directly to Big Rivers by Western Kentucky Energy Corp.

Q. Would you please describe E.ON U.S. LLC?

A. Yes. E.ON U.S. LLC ("E.ON U.S.") is a one hundred percent, indirect, wholly-owned subsidiary of E.ON AG, and is the United States holding company for numerous indirect subsidiaries and related interests of E.ON AG. In addition to owning one hundred percent of the equity stock in LG&E and KU, E.ON U.S. also holds one hundred percent of the stock in E.ON U.S. Capital Corp. and one hundred percent of the stock in LG&E Energy Marketing Inc. ("LEM"), both of which are non-regulated businesses. E.ON U.S. Capital Corp. owns one hundred percent of the stock in Western Kentucky Energy Corp. ("WKEC").

Q. Would you please provide a brief background for and history of the commercial relationship of Big Rivers Electric Corporation, Western Kentucky Energy Corp., LG&E Energy Marketing Inc. and E.ON U.S. LLC?

A. Yes. Big Rivers Electric Corporation ("Big Rivers") is a rural electric cooperative utility which owns certain generating facilities located in Western Kentucky (currently under a long-term lease to WKEC as described below), and which provides wholesale electric power and electric transmission services to its three members and other customers over a transmission system owned by Big Rivers in Western Kentucky. Each of its members is a rural electric cooperative utility which collectively distribute electricity to retail customers in twenty-two Western Kentucky counties.

Western Kentucky Energy Corp.'s, LG&E Energy Marketing Inc.'s and E.ON U.S. LLC's current commercial relationship with Big Rivers arose from a very unusual bankruptcy proceeding almost ten years ago. In February 1997, LG&E Energy Corp. ("LEC") (now known as E.ON U.S. LLC) submitted a bid in the Bankruptcy Court solely on the basis of the lease and power purchase and sale transaction structure then under consideration between Big Rivers and PacifiCorp. On March 19, 1997, the Bankruptcy Court accepted LEC's lease and power purchase and sale bid proposal on the basis that it would, once completed, provide greater value to the Big Rivers' estate than would the proposed transaction with PacifiCorp.

On June 30, 1997, Big Rivers submitted its Plan of Reorganization under Chapter 11 of the Bankruptcy Code to the Kentucky Public Service Commission. Central parts of the Plan of Reorganization were the lease and power purchase and sale transactions among Big Rivers, WKEC and LEM, whereby, for a term of approximately twenty-five years, (a) Big Rivers would lease all of its generating units to WKEC and would assign to an affiliate of WKEC, WKE Station Two Inc. (a Kentucky corporation which was subsequently merged with and into WKEC), all of Big Rivers' contractual rights and obligations to operate the two-unit HMP&L Station Two generating station of the City of Henderson ("HMP&L Station Two"), and to purchase from the City the energy outputs of HMP&L Station Two in excess of the needs of the City and its retail distribution customers, and (b) LEM would have the right and obligation, for that same period, to sell to Big Rivers certain designated quantities of power, within certain specified maximums and minimums, to meet the needs of Big Rivers' members.

Also as a part of the Plan of Reorganization, Big Rivers, LEM and two of Big Rivers' members (since merged to become Kenergy Corp.) further agreed that Big Rivers would no longer be the wholesale provider of power to meet the needs of the two aluminum smelter customers described above. Instead, LEM undertook to sell that power directly to Kenergy Corp., for resale to those smelter customers, pursuant to separate wholesale power purchase and sale agreements earmarked for each of those smelter customers, which are scheduled to expire in 2010 and 2011, respectively.

Also as a part of the transactions described above, LEC (now E.ON U.S. LLC) provided certain parent guarantees to and for the benefit of Big Rivers, the City of Henderson, Kenergy Corp. and the two aluminum smelter customers, providing those entities with assurances of the performance by WKEC and LEM of their respective obligations under the transactions described above.

Each of these transactions was ultimately completed on July 15, 1998, following the receipt of Commission approval of those aspects of the transactions over which it had jurisdiction.

Q. **Did the Commission approve the original lease and power purchase and sale transactions among Big Rivers, WKEC, LEM and E.ON U.S.?**

A. Yes, to the extent it had jurisdiction over such transactions. In its Order of November 15, 1997, in Case No. 97-204, the Commission found that the lease and power purchase and sale transactions constituted a change of control under KRS 278.020 and were subject to its jurisdiction. The Commission approved those transactions in principle, subject to verification that the final transaction documents as executed did not materially deviate from the unexecuted forms of those documents originally filed with the Commission.

Q. **Would you please describe the power stations WKEC currently operates and maintains under the twenty-five year lease agreement with Big Rivers and the transactions with the City of Henderson?**

A. WKEC currently operates and maintains four generation stations which are owned by Big Rivers, with the exception of HMP&L Station Two, which is owned by the City of Henderson Utility Commission (d/b/a Henderson Municipal Power & Light).

The first station is known as the Sebree Station, and is located in Sebree, Kentucky. This complex consists of Reid Station/HMP&L Station Two and the Green Station. The Reid Station/HMP&L Station Two plant began commercial operation in 1966 and has a net generating capacity of 440,000 kilowatts, of which 375,000 kilowatts are from coal and 65,000 kilowatts are from fuel oil/natural gas. This facility has ninety-three employees that operate three coal-fired steam turbines and a dual fuel-fired combustion turbine. HMP&L Station Two units 1 and 2 were retrofitted with scrubbers during the mid-1990s to remove sulfur dioxide from the flue gas stream. Those same units have also been retrofitted for NO_x removal. Reid/HMP&L Station Two currently burn 150 tons of fuel per hour delivered by truck or barge.

The Green Station is also located in Sebree, Kentucky, adjacent to Reid/HMP&L Station Two. The plant began commercial operation in 1979 and has a net generating capacity of 454,000 kilowatts through the operation of two coal-fired steam turbines. It has 117 employees who operate two coal-fired electric generation units.

K.C. Coleman Station is located in Hawesville, Kentucky. The plant began commercial operation in 1969. The three coal-fired electric generating units at this station have a net generation capacity of 440,000 kilowatts retrofitted with an SO_2 scrubber in 2006. The station has 88 employees that operate the three generating units.

Finally, the D.B. Wilson Station is located in Matanzas, Kentucky. The plant began commercial operation in 1986 and consists of one coal-fired generating unit which has a net generating capacity of 417,000 kilowatts retrofitted with NO_x removal.

Q. Do you have a map which shows the facilities that are operated and maintained by WKEC?

A. Yes. Attached to my testimony is Exhibit PWT-1, a map showing the WKEC generation facilities from a statewide perspective, and Exhibit PWT-2, a map showing a more detailed perspective.

Q. When did the negotiations which led to the proposed termination transactions begin?

A. In early 2003, E.ON U.S. approached Big Rivers to determine whether Big Rivers would be interested in the return of operational control and responsibility for its generating assets and HMP&L Station Two, and of responsibility for serving the load of its members (including the loads of the two smelter customers) without the need for continued power purchases from LEM. In November 2005, E.ON U.S., WKEC and LEM entered into a Letter of Intent with Big Rivers regarding a proposed transaction (a) to terminate the lease and power purchase and sale agreements, the parent guarantee of E.ON U.S. and all related agreements or instruments between or among Big Rivers, WKEC, LEM and/or E.ON U.S. (as applicable) that were entered into in 1998 or subsequently, (b) to terminate the separate power purchase and sale transactions (and related parent guarantees) with respect to the load of the smelter customers between or among WKEC (as assignee of LEM), LEM, E.ON U.S., Kenergy Corp. and/or those smelter customers, (c) to terminate the 1998 agreements (and related parent guarantee) between or among WKEC, LEM, E.ON U.S., Big Rivers and the City of Henderson relating to HMP&L Station Two, the operation thereof and the allocation and purchase of power therefrom, and (d) to terminate all related contractual relationships between E.ON U.S., WKEC and/or LEM, on the one hand, and the other secured creditors of Big Rivers, on the other hand. This Letter of Intent was followed by lengthy and complicated negotiations among E.ON U.S., WKEC, LEM, Big Rivers, Kenergy Corp. and the two smelter customers, which themselves led to the development of the Transaction Termination Agreement ("Termination Agreement") and the proposed new power purchase and sale arrangements among Big Rivers, its members and those smelter customers, which are the subject of the instant application.

Q. What are the results of the negotiations?

A. Big Rivers, E.ON U.S., WKEC and LEM have concluded that it is in their mutual best interest to terminate the property interests and contractual relationships between them created by the 1998 New Participation Agreement and other transaction documents contemplated in the Plan of Reorganization, or created subsequent to the confirmation of the Plan of Reorganization. As noted above, those parties have negotiated definitive agreements regarding the transactions which are the subject of the application of this case, including the Termination Agreement. In addition, the smelter customers and Kenergy Corp. recognize the substantial benefits that they, and the Western Kentucky region generally, would derive from a termination of the property interests and contractual relationships described above, and from a termination of the existing power purchase and sale transactions between LEM and Kenergy Corp. to meet the load of the smelters. To facilitate those termination transactions, the smelters, Kenergy Corp. and Big Rivers have negotiated definitive agreements whereby, following the completion of the termination transactions, Big Rivers will sell to Kenergy Corp. power to meet the needs of the smelters through 2023.

In addition, recognizing the benefits of the proposed transactions to them and to their member retail customers, Big Rivers and its three member distribution cooperatives have negotiated definitive agreements to extend their "all-requirements" wholesale power purchase agreements on terms that are satisfactory to them and that will facilitate the completion of those termination transactions.

E.ON U.S., WKEC, LEM, Big Rivers, the City of Henderson and the City of Henderson Utility Commission are currently discussing and negotiating the terms upon which the City of Henderson and the City of Henderson Utility Commission will consent to the termination transactions (as they may relate to HMP&L Station Two) and to provide the releases of E.ON U.S., WKEC, LEM and Big Rivers required for completion of the termination transactions. E.ON U.S., WKEC, and LEM each anticipate that a mutually acceptable agreement will be reached with the City of Henderson and the City of Henderson Utility Commission allowing the termination transactions to proceed as planned, and they commit to file that agreement as a supplement to the instant application when the same becomes substantially complete.

Under the arrangements described above, the approximately twenty-five year lease transaction between Big Rivers and WKEC, the corresponding approximately twenty-five year right of Big Rivers to purchase power, within established minimum and maximum quantities, from LEM, and the approximately twenty-five year right of WKEC to operate HMP&L Station Two and to purchase excess power therefrom, will be terminated. Going forward, Big Rivers will have complete responsibility for the operation and maintenance of the power stations WKEC currently operates and maintains, subject, in the case of HMP&L Station Two, to certain rights of control and direction vested in the City of Henderson or the City of Henderson Utility Commission.

Q. Will any of the current obligations arising from the 1998 transactions survive the closing of the Termination Agreement?

A. While it is possible that certain minor documents (such as easements and subordination arrangements between Big Rivers and the City of Henderson and between Big Rivers and its creditors) will remain effective, the agreements currently proposed between E.ON U.S., WKEC and LEM, on the one hand, and each of Big Rivers, its other secured creditors, the City of Henderson, Kenergy Corp. and the smelters, on the other hand, contemplate complete termination and release of the 1998 transactions (and any subsequent, related transactions) as between those parties. Any obligations between them that would survive the closing of the termination transactions would be new obligations created by the Termination Agreement itself, or by the other new agreements or instruments contemplated in the Termination Agreement. However, the negotiations of the definitive agreements required with those other secured creditors and with the City of Henderson remain ongoing.

Q. Is E.ON U.S. providing a guaranty in support of the transaction?

A. Yes. Certain representations, warranties, indemnities and covenants made by WKEC and LEM in favor of Big Rivers and relating to the proposed termination transactions will survive the closing. For example, certain narrowly tailored business indemnities and similar protections (such as environmental indemnitees and risk allocation provisions) are set forth in the Termination Agreement. These provisions will protect Big Rivers from certain specified risks that could potentially (but are not expected to) arise from the activities of WKEC or LEM during the time WKEC operated the power stations or LEM sold power to Big Rivers. Other customary indemnities will protect Big Rivers in the event WKEC or LEM breaches a covenant or representation contained in the Termination Agreement or in a related document to be executed at the closing. These contractual indemnitees and other commitments on the part of WKEC and LEM have been guaranteed by E.ON U.S. for the benefit of Big Rivers pursuant to a Guaranty dated as of

March 26, 2007, which will survive the closing. Certain mutually-satisfactory deductibles and limitations on liability are, however, set forth in the Termination Agreement and the Guaranty.

Q. What additional consideration will Big Rivers receive from E.ON U.S., WKEC or LEM in support of the transaction?

A. In addition to the contractual indemnities, protections, and guarantees described above, and in addition to a release of Big Rivers from its obligations to WKEC and LEM under the 1998 transaction agreements, WKEC will deliver to Big Rivers at the closing a $301,500,000 cash termination payment, together with substantially all fuel and other inventory and personal property on hand at the generating plants as of the closing. If such inventory and personal property have an aggregate value as of the closing (calculated in the manner set forth in the Termination Agreement) of less than $55 million, WKEC will at the closing pay the difference to Big Rivers in cash. If the aggregate value is more than $55 million, Big Rivers will pay the difference to WKEC in cash at closing. Schedule 4.3 attached to the Termination Agreement identifies the personal property of WKEC on hand as of the date of that agreement (March 26, 2007). That schedule will be updated by the parties shortly before the closing, so that it reflects the personal property to be transferred by WKEC to Big Rivers at the closing.

In addition, value comes in the form of WKEC's abandonment of certain leasehold improvements constructed by it on or at the leased generating plants or HMP&L Station Two, with respect to which Big Rivers otherwise would have had to make a residual value payment to WKEC of approximately $143 million; WKEC's abandonment of a new scrubber that it installed on the Coleman plant and that is valued at $96 million; and forgiveness of the Settlement Promissory Note provided by Big Rivers to LEM at the 1998 closing, the value of which is $16.1 million.

Next, whether or not the termination transactions are completed, WKEC also has agreed to reimburse 75% of certain transaction costs incurred by Big Rivers in connection with the termination transactions. That reimbursement commitment is subject to a cap of $16.5 million if no closing takes place. If a closing does occur, WKEC has agreed to reimburse the remaining 25% of those transaction costs, up to a maximum aggregate cap for all such costs, collectively, of $22 million.

WKEC will also transfer to Big Rivers at the closing all SO_2 and NO_x allowances allocated by the U.S. Environmental Protection Agency to the generating plants , together with 14,000 additional SO_2 allowances.

A schedule summarizing the estimated value of these payments or assets as of the proposed time of closing, or April 30, 2008, is attached to my testimony as PWT- 3.

Q. What is the total approximate value to Big Rivers of the consideration to be furnished to it by WKEC?

A. As of today, a reasonable estimate of the value of the total consideration to be furnished directly to Big Rivers by WKEC at the closing is $700 million.

Q. Has E.ON U.S., WKEC or LEM offered any other consideration in support of the termination transactions?

A. Yes. To address concerns raised by one of Big Rivers' secured creditors, Bluegrass Leasing, an affiliate of Phillip Morris Capital Corp. ("PMCC"), E.ON U.S. has agreed in principle to enter into a "put option" agreement with Bluegrass Leasing at the closing of the termination transactions. The put option agreement provides that if, at anytime between the closing and May of 2027, Big Rivers defaults under its 2000 defeased lease transactions with Bluegrass Leasing, or if E.ON U.S. fails to maintain an agreed-upon net worth or to keep agreed-upon credit support in place, Bluegrass Leasing will be entitled to transfer its beneficial interests in the trusts holding its defeased lease interests to an affiliate of E.ON U.S. for cash in the amount of the then aggregate equity termination values under the Bluegrass Leasing Facility Leases.

The payment obligations of the E.ON U.S. affiliate will be guaranteed by E.ON U.S. and will also be supported by a letter of credit equal, at all times, to the aggregate equity termination portions of the Facility Lease termination payments at the time that the put is exercised. The letter of credit will be obtained by E.ON U.S. for the benefit of Bluegrass Leasing. E.ON U.S. estimates that the present value of the costs and expenses to be incurred by it to obtain and maintain the above-described letter of credit over the life of the put option is in excess of $10 million. In addition, E.ON U.S. has agreed to reimburse the transaction costs incurred by Bluegrass Leasing in connection with its consideration and negotiation of the put option and its due diligence review of the termination transactions and of Big Rivers' post-closing financial condition. It is difficult to estimate those reimbursable transaction costs at this time.

In addition, in exchange for their consent to terminate their power purchase transactions, WKEC has agreed in writing to pay to the smelter customers, collectively, at the closing a sum of money in immediately available funds.

WKEC has also agreed to fund up to $1 million of any fees or charges demanded by any trade creditors of WKEC in exchange for their consent to WKEC's assignment of its contracts, leases, licenses or other agreements with those creditors to Big Rivers at the closing.

Subject to certain contractual limitations, WKEC has also agreed to fund an equal one-third share of any consent fees required to be paid to certain designated creditors of Big Rivers (excluding PMCC and its affiliates) in exchange for the support of those creditors with respect to the termination transactions. Subject to certain contractual limitations, Big Rivers will also fund one third of those consent fees, and the two smelters, acting collectively, will fund the other one third. The amount of those consent fees is not yet known, as the discussions with those creditors remain ongoing.

Moreover, WKEC, Big Rivers and the smelters (collectively) have agreed to share equally (that is, in equal one-third shares) in the payment of any transaction costs required to be reimbursed to certain designated creditors of Big Rivers (including the Rural Utilities Service ("RUS"), but excluding PMCC and its affiliates) as a condition to their consideration and support of the termination transactions. Those reimbursable transaction costs cannot be reasonably estimated at this time.

Q. What would be the result if the "put option" described were exercised by Bluegrass Leasing?

A. As noted above, an affiliate of E.ON U.S. would "purchase" the defeased lease interests of Bluegrass Leasing (held through the trusts described above) for a sizeable cash payment. If the put option became exercisable by reason of a default of Big Rivers under its defeased lease transaction agreements with those trusts, then upon its "purchase" of those interests the E.ON U.S. affiliate would be permitted to exercise a separate financial product ("swap") issued by an affiliate of Ambac Assurance Corporation, which would effectively purchase those same defeased lease (trust) interests from the E.ON U.S. affiliate for the same consideration paid to Bluegrass Leasing for those interests. However, if the put option became exercisable due to an E.ON U.S. failure to maintain an agreed net worth or to keep agreed credit support in place for the benefit of Bluegrass Leasing, then the E.ON U.S. affiliate could be forced to retain those defeased lease (trust) interests throughout the remaining term of that transaction (or until an earlier default by Big Rivers that would trigger the "swap").

Q. What is the date for closing the termination transactions?

A. Under the First Amendment to Transaction Termination Agreement dated as of November 1, 2007, the parties have agreed to close this transaction by April 30, 2008, if the conditions precedent set forth in the Termination Agreement have been satisfied.

Q. Will E.ON U.S. LLC, WKEC or LEM provide Big Rivers with any services following the transaction closing?

A. Yes. In order to provide for a smooth and orderly transition of control and operation of the generating plants to Big Rivers, WKEC will furnish certain information technology support services to Big Rivers for up to 18 months after the closing, pursuant to an Information Technology Support Services Agreement. In addition, pursuant to a Generation Support Services Agreement to be executed at the closing, certain generation dispatching, scheduling and related services associated with the generating plants will be provided by LEM to Big Rivers for up to eighteen months after the closing. The Information Technology Support Services Agreement and the Generation Support Services Agreement, pursuant to which these services will be provided, are attached to the Joint Application as exhibits.

Q. If the Commission approves the proposed termination transactions, will they have any adverse impact or effect on the operations or condition on the utility subsidiaries of E.ON U.S. LLC?

A. No. The consummation of the transaction will not have an adverse impact on LG&E or KU.

Q. Has LG&E or KU provided any consideration in support of the proposed termination transactions?

A. No. LG&E and KU have absolutely no involvement in this transaction.

Q. Are these transactions in the public interest?

A. Yes, they certainly are. Big Rivers should be permitted to resume all aspects of its mission as an electric generation and transmission cooperative. Also, it is in the public interest to enable Kenergy Corp. to obtain new, long-term contracts for the benefit of the smelters and their approximate load of 860 megawatts of electricity, so that those smelters will have the stable sources of power at predictable prices necessary for them to continue their operations in Western Kentucky beyond 2010 and 2011, the respective expiration dates of their current power arrangements. The smelters' continued viability, and the viability of the many hundreds of jobs and businesses that are dependent on the smelters' operations, are critical to the Western Kentucky economy. In short, the proposed termination transactions are very much in the public interest.

Q. If the Commission approves the termination transactions should it also remove certain commitments implemented in connection with the Powergen or E.ON mergers?

A. Yes. If the Commission approves the Termination Agreement and related transactions, certain merger commitments offered by Powergen or E.ON in their respective mergers, and accepted by the Commission in those cases, will no longer be necessary. Thus, the Commission in its order should specifically remove merger commitment numbers 40, 41 and 44 (titled "Other Commitments and Assurances") in the E.ON merger proceeding in Case No. 2001-00104 (*In the Matter of: Joint Application of E.ON AG, Powergen plc, LG&E Energy Corp., Louisville Gas and Electric Company, and Kentucky Utilities Company For Approval of An Acquisition*, Order dated August 6, 2001) and merger commitment numbers 5, 6 and 7 (titled "Other Commitments and Assurances") in the Powergen merger proceeding in Case No. 2000-095 (*In the Matter of: Joint Application of PowerGen plc and LG&E Energy Corp., Louisville Gas and Electric Company and Kentucky Utilities Company For Approval of Merger*, Order dated May 15, 2000).

Q. Are there any other regulatory steps that are necessary for E.ON U.S., WKEC or LEM to consummate the termination transactions?

A. Yes. As conditions precedent to the consummation of the termination transactions, E.ON U.S. or WKEC must obtain from the Internal Revenue Service and the Kentucky Revenue Cabinet certain revenue rulings with respect to discrete aspects of the transactions or the consideration being paid in connection with them. Those rulings have been applied for and are pending. Also, the consummation of the transactions is conditioned on the receipt by the parties of a customary waiver from the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvements Act. The parties are preparing their joint application (and supporting documentation) for this waiver, and they do not anticipate any difficulties in obtaining that waiver prior to the anticipated closing date.

In addition, the consummation of the transactions will require the consent and cooperation of the RUS, acting in its capacity as a lender to and secured creditor of Big Rivers, and a party to a certain inter-creditor agreement with WKEC and LEM (among other parties).

Next, as a consequence of the termination transactions, certain licenses and permits held by WKEC in connection with its operation of the generating plants will be transferred to Big Rivers before or following the closing. Those transfers will require various filings or applications with relevant authorities, and may require the prior consent or approval of certain of those authorities.

Lastly, WKEC, together with certain other parties to the transactions, will be seeking certain approvals of, or disclaimer of jurisdiction over, discrete aspects of the termination transactions from the Federal Energy Regulatory Commission ("FERC") under various sections of the Federal Power Act, and will be making certain other administrative filings with the FERC that are necessitated by those transactions. No difficulty in obtaining those FERC approvals is anticipated.

Q. Why is the transaction in the best interest of E.ON U.S.?

A. The proposed transaction serves the interests of E.ON U.S. just as certainly as it serves the interests of Big Rivers. Big Rivers will resume its mission as an electric generation and transmission cooperative, while E.ON U.S. will be freed of current obligations and costs associated with the generating plants and power sales commitments to Big Rivers and Kenergy Corp. By terminating its commitments now, E.ON U.S. will bring financial certainty to what would otherwise be an uneconomic set of contracts that could expose the Company to uncertain and unfavorable financial results through 2023.

Q. What is your recommendation?

A. That the Commission approve the Termination Agreement and related termination transactions in time to allow the parties to close those transactions by the parties' target date of April 30, 2008. To achieve this scheduling, the Commission should issue its order by March 30, 2008.

Q. Does this conclude your testimony?

A. Yes, it does.

VERIFICATION

COMMONWEALTH OF KENTUCKY)
) SS:
COUNTY OF JEFFERSON)

The undersigned, **Paul W. Thompson**, being duly sworn, deposes and says he is the Senior Vice President - Energy Services for E.ON U.S. LLC, that he has personal knowledge of the matters set forth in the foregoing testimony, and that the answers contained therein are true and correct to the best of his information, knowledge and belief.

PAUL W. THOMPSON

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 14th day of December, 2007.

Notary Public

My Commission Expires:
6/3/2010

APPENDIX

PAUL W. THOMPSON
Senior Vice President - Energy Services
E.ON U.S. LLC
220 West Main Street
Louisville, Kentucky 40202
(502) 627-3861

Previous Positions:

LG&E Energy Marketing, Louisville, KY
1998 - 1999 Group Vice President
Louisville Gas and Electric Company, Louisville, KY
1996 - 1999 Vice President, Retail Electric Business
LG&E Energy Corp., Louisville, KY
1994 - 1996 (Sept) Vice President, Business Development
1994 - 1994 (July) Louisville Gas and Electric Company, Louisville, KY
General Manager, Gas Operations
LG&E Energy Corp., Louisville, KY
1991 - 1993 Director, Business Development
Koch Industries Inc.
1990 - 1991 Koch Membrane Systems, Boston, MA
National Sales Manager, Americas
1989 - 1990 John Zink Company, Tulsa, OK
Vice President, International
Lone Star Technologies (a former Northwest Industries subsidiary)
1988 - 1989 John Zink Company, Tulsa, OK
Vice Chairman
1986 - 1988 Hydro-Sonic Systems, Dallas, TX
General Manager
1986 - 1986 (July) Ft. Collins Pipe, Dallas, TX
General Manager
1985 - 1986 Lone Star Technologies, Dallas, TX
Assistant to Chairman
1980 - 1985 Northwest Industries, Chicago, IL
Manager, Financial Planning

Civic Activities:

Friends of the Waterfront Board
Library Foundation Board
Chair, Annual Appeal 2002
Co-Chair, Annual Children's Reading Appeal 1999, 2000 and 2001
March of Dimes
Honorary Chair, 1997 and 1998
Habitat for Humanity - Representing LG&E as co-sponsor

Education:

University of Chicago
MBA in Finance and Accounting, 1981
Massachusetts Institute of Technology (MIT)
MS in Mechanical Engineering, 1979
Leadership Louisville, 1997-98

EXHIBIT PWT-1 STATEWIDE PERSPECTIVE

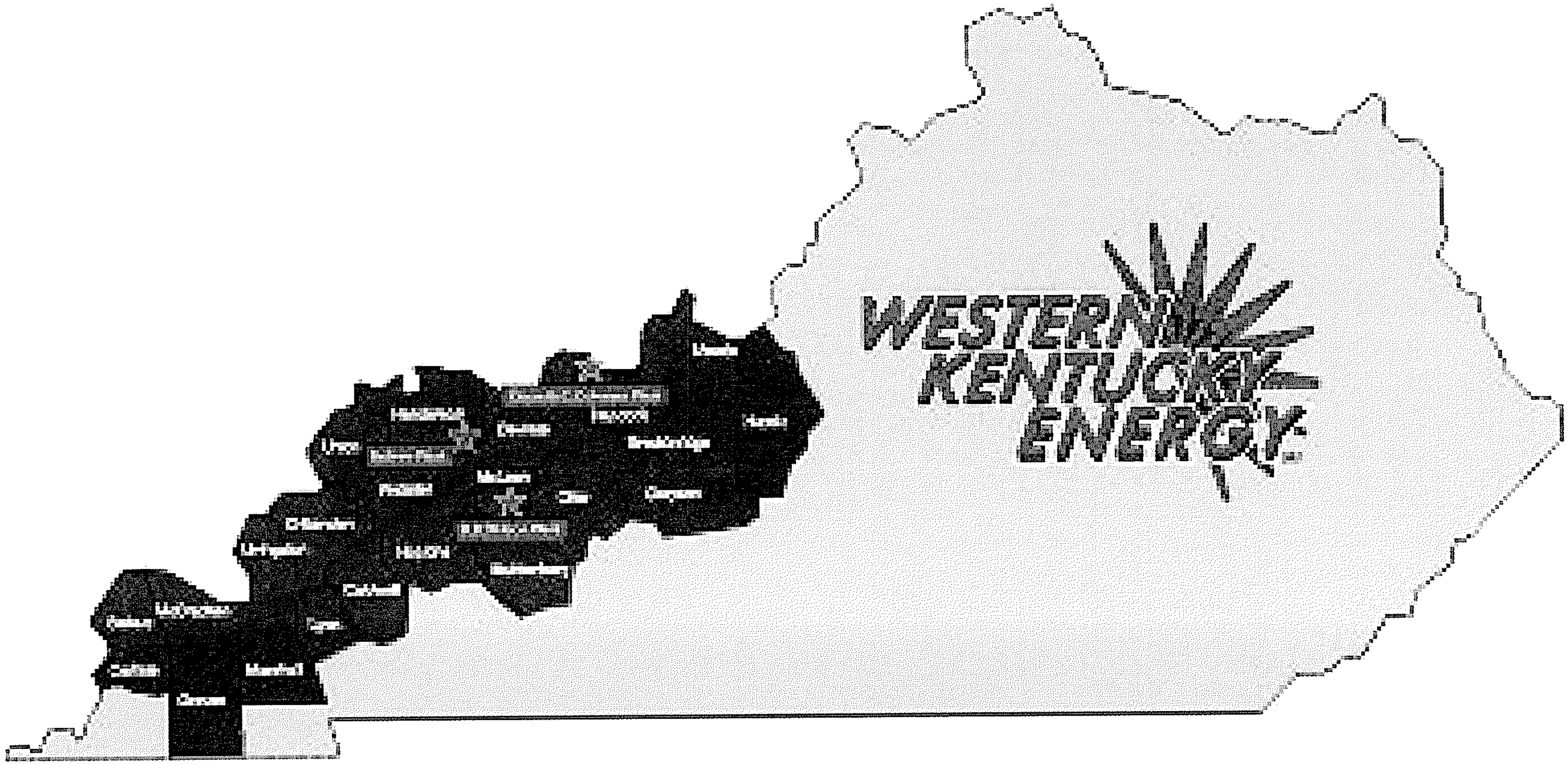

EXHIBIT PWT-2 DETAILED PERSPECTIVE

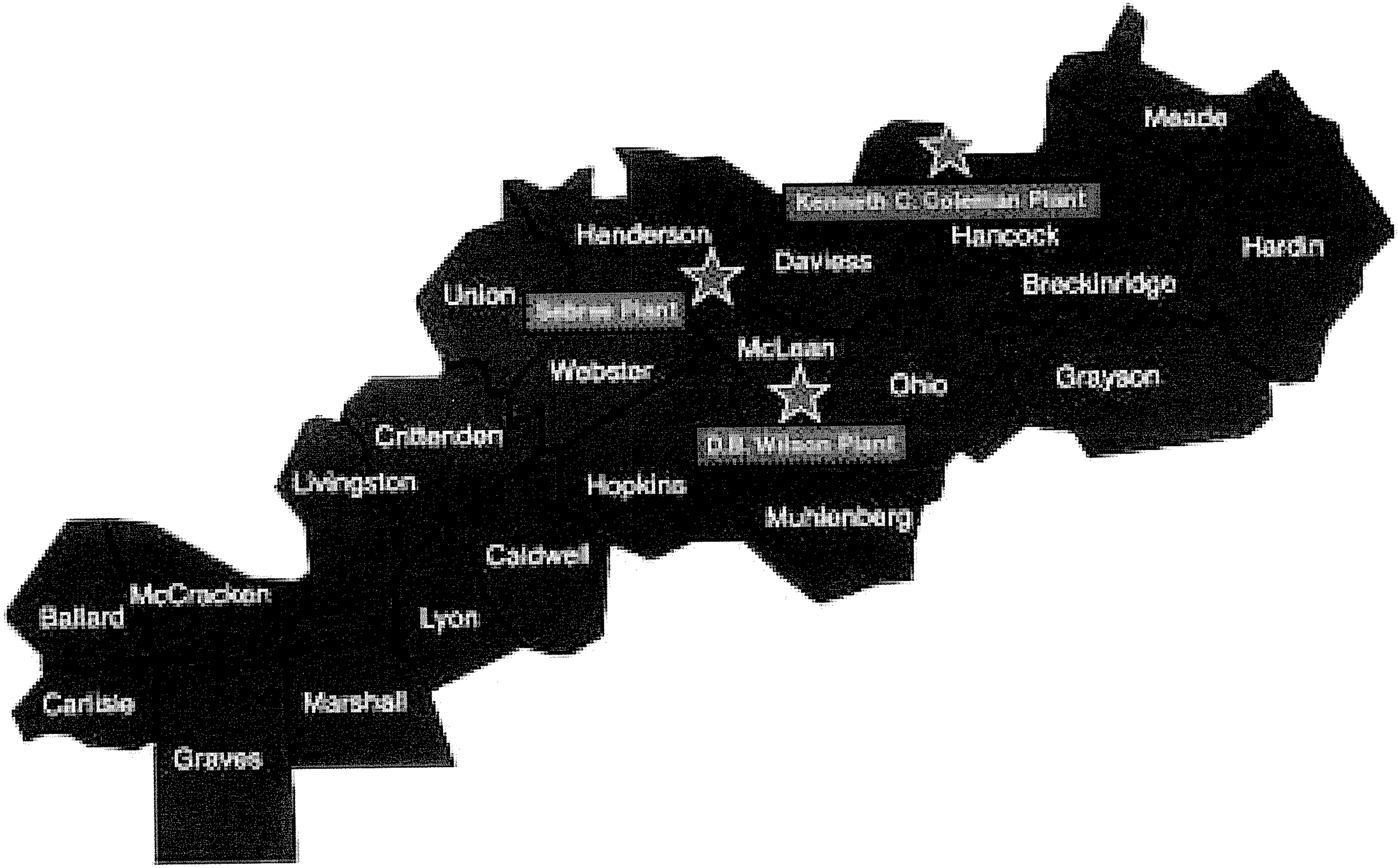

EXHIBIT PWT-3

Summary of WKE Financial Consideration to BREC

Based on April 30, 2008 Unwind Date

Dollars in $000's

Description	Amount	Comments
Termination Payment	301,500	Cash Payment from WKE to BREC.
Inventory (part of $55m)	49,002	Remaining portion of $55m after personal property (see below).
Personal Property (part of $55m)	5,998	Personal property that qualifies as part of the $55m threshold.
Forgiveness of Promisory Note	16,071	Remaining balance at 4-30-08.
Shared incremental (due to law changes)	98,617	Represents the 9/30/07 net book value of "incremental" assets, including the three SCR's.
Shared non-incremental	43,982	Represents the 9/30/07 net book value of "shared" assets.
Elected Non-shared (in addition to Coleman Scrubber)	3,028	Represents the 9/30/07 net book value of all "elected non-shared" assets other than the Coleman Scrubber.
Coleman Scrubber	95,988	Represents the 9/30/07 net book value of all "non-shared" assets associated with the Coleman scrubber.
Construction work in progress	17,511	Balance at 9-30-07.
Construction work in progress projected through 4-08	19,635	Projected property additions from 10-1-07 thru 4-30-08.
Transaction costs of Big Rivers	22,000	Maximum amount of reimbursement to BREC for their transaction costs.
SO2 Allowances Purchased	21,100	Cost of 15k allowances purchased in the first quarter of 2006.
Continuing IT Support following Transaction	5,588	Cost incurred to establish 18 month period of IT services post-unwind.
Total Consideration	700,020	

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

THE APPLICATIONS OF BIG RIVERS ELECTRIC CORPORATION FOR: (I) APPROVAL OF WHOLESALE TARIFF ADDITIONS FOR BIG RIVERS ELECTRIC CORPORATION, (II) APPROVAL OF TRANSACTIONS, (III) APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS, AND (IV) APPROVAL OF AMENDMENTS TO CONTRACTS; AND	)	CASE NO. 2007-00455
E.ON-U.S., LLC, WESTERN KENTUCKY ENERGY CORP. AND LG&E ENERGY MARKETING, INC. FOR APPROVAL OF TRANSACTIONS	)	

EXHIBIT 16

Generation Dispatch Support Services Agreement
Dated as of December 1, 2007

December 2007

GENERATION DISPATCH SUPPORT SERVICES AGREEMENT

Dated as of December 1, 2007

by and between

Big Rivers Electric Corporation

and

LG&E Energy Marketing Inc.

GENERATION DISPATCH SUPPORT SERVICES AGREEMENT

This Generation Dispatch Support Services Agreement (this "Agreement"), dated as of December 1, 2007, is entered into by and between Big Rivers Electric Corporation, a Kentucky rural electric generation and transmission cooperative ("Big Rivers"), and LG&E Energy Marketing Inc., an Oklahoma corporation ("LEM"). Big Rivers and LEM may be individually referred to herein as a "Party" or collectively as the "Parties."

WHEREAS, Big Rivers owns certain electric generating plants in the Commonwealth of Kentucky, including the three-unit Plant Coleman, the two-unit Plant Green, the one-unit Plant Wilson, and Plant Reid (collectively, the "Big Rivers' Plants"), and is a party to a contract with the City of Henderson, Kentucky (the "City") to operate and maintain a two-unit electric generating plant owned by the City (the "City's Plant") and to purchase certain quantities of power from the City. The Big Rivers' Plants, the City's Plant, and all existing additions to and replacements of those plants, are collectively referred to herein as the "Generating Plants;"

WHEREAS, Big Rivers owns and operates a transmission system and is the Balancing Authority for the Big Rivers North American Electric Reliability Corporation ("NERC") Balancing Authority Area;

WHEREAS, in accordance with the First Amended Plan of Reorganization in Big Rivers' bankruptcy proceeding, as modified and restated on June 9, 1997 (as so modified, the "Plan of Reorganization"), Big Rivers, LEM, and the following LEM affiliates, Western Kentucky Leasing Corp., WKE Station Two Inc., and Western Kentucky Energy Corp. (LEM and its affiliates, the "LG&E Parties") entered into that certain Original Participation Agreement, which was subsequently superseded by the New Participation Agreement, dated as of April 6, 1998, as amended, among Big Rivers and the LG&E Parties (the "Participation Agreement"), which entitled certain of the LG&E Parties to lease, operate and maintain Big Rivers' Plants and assume Big Rivers' rights and obligations with respect to the City's Plant;

WHEREAS, pursuant to the Operative Documents (as such term is defined in the Termination Agreement, defined below), from the period July 15, 1998 through the present, in addition to operating the Generating Plants and selling capacity, energy and ancillary services for its own account, the LG&E Parties have, *inter alia*, provided various generation support services necessary for control area operations (including generation unit commitment, generation dispatch, generation maintenance scheduling, the provision of generation-based ancillary services as required pursuant to other Operative Documents, emergency generation curtailment, allocation of spinning and operating reserves among generation units, balancing the area control inadvertence account and informing the control area operator of generation loading, loss of units and recovery);

WHEREAS, Big Rivers and the LG&E Parties concluded that it is in their mutual best interest to terminate the property interests and contractual relationships created by the Operative Documents and other transactions contemplated by the Plan of Reorganization and/or the Participation Agreement, and, to effect such termination, have entered into that certain

Transaction Termination Agreement, dated as of March 26, 2007 (the "Termination Agreement");

WHEREAS, subsequent to termination of the LG&E Parties' interests in the Generating Plants and Big Rivers' re-assumption of control over such plants, including the operation of the Generating Plants and the sale of energy and ancillary services, Big Rivers will require certain temporary generation support services from LEM necessary for the coordinated operation of the Generating Plants within Big Rivers' control area. This temporary service to be provided by LEM is necessary to allow Big Rivers the time required to transition to take on this responsibility at the end of the transition period;

WHEREAS, as a condition to the execution, delivery and consummation of the transactions contemplated by the Termination Agreement, the Parties agreed to enter into this Agreement, pursuant to which LEM agrees to provide to Big Rivers a transition service for a period of eighteen (18) months, as more fully described herein. The date upon which the transactions contemplated by the Termination Agreement are consummated is herein called the "Transaction Closing Date;"

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein, the Parties agree as follows:

ARTICLE I
DEFINITIONS

Unless otherwise stated, capitalized terms used in this Agreement shall have the meanings set forth herein. Reference in this Agreement to sections, paragraphs and clauses are to sections, paragraphs and clauses in this Agreement unless otherwise indicated.

ARTICLE II
GENERATION SUPPORT SERVICES

2.1 Description of Services. Commencing on the Transaction Closing Date, LEM shall provide the following generation support services (collectively, the "Services"), at the direction of, and for the account of, Big Rivers, in connection with Big Rivers' operation of the Generating Plants, subject to the terms and conditions of this Agreement, and in accordance with the Procedures set forth in Section 2.2, the SERC's and NERC's reliability standards, supplements, or guidelines, and good utility practice:

(a) Monitor output signals from the Generating Plants;

(b) Monitor Big Rivers' Balancing Authority Area Control Error ("ACE");

(c) Assist Big Rivers in regulating the Generating Plants' economic dispatch;

(d) Assist Big Rivers in allocating spinning and operating reserves among the Generating Plants;

(e) Assist Big Rivers in taking any corrective action during the loss of generation resources from the Generating Plants;

(f) Assist Big Rivers in implementing generation-based ancillary services from the Generating Plants; and

(g) Assist Big Rivers in balancing its inadvertent account.

2.2 The Procedures. LEM will provide the Services in accordance with the following procedures (the "Procedures"):

(a) Data Exchange

(i) Net Capability prior to hour of flow

(A) LEM will contact the control room of each Generating Plant and will request the net capability of each Generating Plant for the next hour 30 minutes prior to the hour of flow;

(B) LEM will notify Big Rivers of the total net system capability for the next hour 25 minutes prior to the hour of flow;

(C) Big Rivers will notify LEM of the total net system capability needed for the next hour of flow 15 minutes prior to the hour of flow; and

(D) LEM will notify the control room of each Generating Plant of the anticipated loading level for each unit for the next hour of flow 10 minutes prior to the hour of flow for operational planning purposes.

(ii) Changes to Net Capability during the hour of flow

(A) LEM will promptly notify Big Rivers of any changes to the total net capability of the system that requires corrective action and report the amount of change in net capability; and

(B) Big Rivers will promptly notify LEM of any corrective action that has been taken or will be taken by Big Rivers in response to the notice given by LEM as described in (A) above.

(iii) Changes impacting energy demand during hour of flow

(A) LEM will promptly notify Big Rivers when the generating resources are not sufficient to supply Big Rivers' obligations;

(B) Big Rivers will promptly notify LEM of any corrective action that has been taken or will be taken by Big Rivers in response to the notice given by LEM as described in (A) above.

(C) Big Rivers will promptly notify LEM of any changes or modifications impacting energy demand during the hour of flow; and

(D) LEM will use best efforts to coordinate changes in smelter load in order to minimize control performance violations.

(b) Regulation of the Generating Plants

(i) During the hour of flow

(A) LEM will continually monitor Big Rivers' Area Control Error ("ACE").

(B) LEM will keep all Generating Plants in AGC ("Automatic Generation Control") mode when capable of AGC control as determined by the Generating Plant's control room operator; and

(C) LEM will request the control room operator to manually adjust the output of the Generation Plant when AGC is not available for regulation of the Generation Plant.

(c) Economic Dispatch

(i) Economic dispatch during the hour of flow

(A) Big Rivers will submit to LEM the economic dispatch stacking order for each Generating Plant(s) prior to the month of flow;

(B) LEM will use the economic stacking order submitted by Big Rivers to regulate/dispatch the Generating Plant(s); and

(C) Modifications or changes to the economic stacking order during the month will be submitted to LEM with the effective start date and time.

(d) Spinning and Operating Reserve Calculations

(i) Prior to the day of flow

(A) Big Rivers will determine the amount of reserves required for the next day of flow;

(B) Big Rivers will notify LEM of the total amount of reserves required, the Generating Plants(s) on which the reserves are to be carried, and the amount of reserves to be carried on each Generating Plant(s) for the next day; and

(C) LEM will maintain the reserve amount on each Generating Plant as submitted by Big Rivers.

(ii) Modifications to spinning and operating reserve allocation

(A) LEM will promptly notify Big Rivers of any curtailments, limitations or restrictions impacting LEM's ability to carry reserves on a Generating Plant as submitted by Big Rivers prior to the day of flow; and

(B) Big Rivers will promptly notify LEM of the alternate Generating Plant(s) and the amount of reserves to be carried on the Generating Plant(s).

(e) Emergency Generation Dispatch

(i) During the hour of flow

(A) When emergency corrective action is necessary due to the loss of a generating resource or the reduction of output of the generating resource, LEM will request an amount of automatic reserve sharing ("ARS") from the Big Rivers' transmission operator sufficient to cover the reduction of generation minus the reserves being carried on the Big Rivers system;

(B) LEM will promptly notify Big Rivers by identifying the Generating Plant, the amount of generation lost or reduced, the amount of ARS requested, and the length of time of the ARS request;

(C) Big Rivers will promptly notify LEM of the corrective action taken or that will be taken to reduce or cancel the ARS request;

(D) If no corrective action is taken by Big Rivers, LEM will use its best judgment of the amount of ARS needed for the period of time after the current ARS request is to expire; and

(E) If ARS is to be continued, LEM will promptly notify Big Rivers of the new ARS amount requested and the length of time of the new request.

(f) Generation Based Ancillary Services

(i) During the hour of flow

(A) LEM will cause Big Rivers' generation resources to provide the Generation Based Ancillary Services within the generating resources limitations as requested by the Big Rivers transmission system operators.

(g) Balance Inadvertent Account

(i) Day of flow

(A) LEM will use best efforts to regulate the output of the Generating Plants to decrease the imbalance from zero in the Big Rivers' Balancing Authority Area inadvertent accounting with its interconnected neighboring Balancing Authorities.

The Procedures may be amended as needed by addition, deletion, or revision by mutual agreement of the Parties during the term of this Agreement.

2.3 Limitations to LEM's Provision of the Services. Unless LEM shall otherwise agree in writing, LEM's provision of the Services is subject to the following:

(a) LEM is not obligated to provide the Services if there are any outages, delays or other unavailability of assets, equipment, properties or resources of LEM used to provide the Services resulting from: (i) any scheduled maintenance or repair of such assets, equipment, properties or resources, or (ii) the occurrence of Force Majeure (as such term is defined in Section 6.2).

(b) LEM is not obligated to provide the Services to the extent that they conflict with any restrictions or requirements now or hereafter imposed by any applicable federal, state or local law, rule, regulation or governmental entity.

2.4 Accuracy of Data. Big Rivers acknowledges and agrees that in order for LEM to provide the Services, Big Rivers must disclose to LEM certain data. Big Rivers further acknowledges and agrees that it is solely responsible for disclosing to LEM and validating all such data and is responsible for the accuracy thereof, and in no event shall LEM have any liability or responsibility for any such data or any consequential results thereof.

2.5 LEM's Limited Rights. In the event that Big Rivers fails to disclose to LEM any dispatch or operational data within the required period set forth in the Procedures, which failure is likely to result in: (i) imbalance errors of the Generating Plants' units inconsistent with NERC requirements; (ii) the Generating Plant's inability to meet control area requirements, including automatic reserve sharing, LEM shall have the right, but not the obligation, to dispatch and operate the Generating Plants' units, in accordance with each unit's requirement, SERC's and NERC's reliability guidelines, control area-reserve sharing requirements, and good utility practice, until such time as Big Rivers discloses to LEM timely data to allow LEM to provide the Services. The Parties agree that LEM shall not be liable to Big Rivers, its affiliates, or any third party, for any damages resulting from, or in any way associated with, LEM's exercise of its limited rights to dispatch and operate the Generating Plants set forth in this Section 2.5.

2.6 Emergency Suspension of Services. In the event LEM shall reasonably determine that the continued provision of the Services could result in a danger to person or property, LEM shall be entitled to suspend the provision of the Services until such time as the impairment or danger has been eliminated to LEM's reasonable satisfaction. Where possible, LEM shall provide Big Rivers reasonable prior notice of any suspension of the Services, in accordance with the requirements set forth in the Procedures.

ARTICLE III
TERM; CONDITIONS PRECEDENT; AND TERMINATION

3.1 Term. Subject to the terms and conditions hereof, including but not limited to the conditions precedent set forth in Section 3.2, this Agreement shall be effective for a period of eighteen (18) months following the Transaction Closing Date (the "Term").

3.2 Conditions Precedent to Services Commencement. Notwithstanding the provisions of Section 3.1, LEM shall only commence providing the Services to Big Rivers following the "Closing" of the transactions contemplated by the Termination Agreement (as such term is defined in Section 2.2 of the Termination Agreement).

3.3 Termination if Closing Does Not Occur. In the event the Termination Agreement is terminated pursuant to the provisions thereof prior to Closing, then this Agreement shall terminate effective as of the date of such termination of the Termination Agreement and neither Party shall have any further obligation to the other hereunder.

3.4 Termination by LEM. LEM may terminate this Agreement at any time prior to the expiration of the Term in the event Big Rivers fails to pay any undisputed amount when due hereunder, and such default remains uncured following the expiration of a thirty (30)-day period commencing on the date of the written notice of such non-payment from LEM to Big Rivers.

3.5 Termination by Big Rivers. Big Rivers may terminate this Agreement for reasons other than uncured default or breach of this Agreement by LEM at any time prior to the expiration of the Term by providing LEM at least sixty (60) days written notice prior to the effective date of such termination. Big Rivers may terminate this Agreement for any uncured default or breach of this Agreement by LEM if such default or breach remains uncured following the expiration of a thirty (30) day period commencing on the date written notice of such default or breach from Big Rivers to LEM. Subject to Article V and except as provided in the next sentence, termination is the exclusive remedy of Big Rivers for any cause of action under this Agreement, including, without limitation, the only remedy for uncured default for breach of this Agreement by LEM. Notwithstanding the foregoing, in the event of an uncured default for non-performance of a material obligation of LEM to provide Services under Section 2.1 hereof, Big Rivers shall be entitled to its direct monetary damages resulting from such non-performance in the amount equal to its direct provable monetary damages, not to exceed $1,500,000 in the aggregate. In no event shall Big Rivers be entitled to any indirect damages, including, without limitation, consequential, incidental, special, or exemplary damages.

3.6 Survival of Payment Obligations and Indemnities. The provisions of Section 4.2 and Article 5 shall survive the expiration of the Term or the early termination of this Agreement.

ARTICLE IV
COMPENSATION

4.1 Fees. LEM shall provide the Services through the use of its existing assets, equipment, properties or resources, including engineering support for associated hardware and software, and only the fees specified in this Section may be assessed for or in connection with LEM's provision of the Services. Specifically, as compensation for the Services received under this Agreement, Big Rivers shall pay LEM a fee equal to the actual costs incurred by LEM; provided that such fee shall not include (a) any margin or mark-up, (b)any inter-LEM affiliate allocation of costs, other than the actual costs incurred by such affiliate of LEM in procuring and providing such services to LEM or to Big Rivers directly on behalf of LEM, or (c) any allocation to Big Rivers (through such fees) of any home office or headquarters general or administrative costs or expenses of WKEC. It is anticipated that LEM's actual costs shall include, but shall not be limited to, all out-of-pocket expenses and labor costs, including benefits and costs to maintain any certifications or training needed for LEM's employees to remain qualified to provide the Services hereunder. Listed below are the full-time positions of LEM or its affiliates which LEM anticipates will be included in the cost of LEM to be included in the compensation paid to LEM pursuant to this Section 4.1:

Director Non Utility Marketing
Manager of Operation
Power Dispatcher
Power Dispatcher
Power Dispatcher
Power Dispatcher.

4.2 Invoice and Payment. Once a month, LEM shall provide Big Rivers an invoice containing a monthly report with information necessary for Big Rivers to identify LEM's actual costs for providing the Services during the previous month. Big Rivers shall pay LEM all undisputed charges billed to it within thirty (30) days of the receipt of the invoice.

ARTICLE V
INDEMNIFICATION

Big Rivers, on the one hand, and LEM, on the other hand, shall defend, indemnify and hold harmless the other party, its affiliates, and their respective directors, officers and employees from any liability, loss, damage, claim, costs and expenses (including reasonable attorneys' fees) on account of injury to persons (including death) or damage or destruction of property, occasioned by or related to the gross negligence or willful misconduct of such indemnifying party and its officers, directors, employees, agents or contractors in the performance of this Agreement. Big Rivers shall further defend, indemnify and hold harmless LEM, its affiliates, and their respective directors, officers and employees from any liability, loss, damage, claim, costs and expenses (including reasonable attorney's fees) associated with any reliability penalties assessed by the Federal Energy Regulatory Commission, SERC or NERC to LEM in providing the Services hereunder (other than with respect to any such penalties directly resulting from gross negligence or willful misconduct of LEM in providing the Services hereunder). Notwithstanding the foregoing, neither party shall be liable to the other party, its affiliates, and their respective directors, officers and employees for any loss of earnings, revenues, indirect, consequential or special damages that may occur to either party.

ARTICLE VI
CERTAIN COVENANTS

6.1 Independent Contractor Relationship. LEM shall be an independent contractor of Big Rivers, with full power and authority to select the means, method and manner of providing the Services. No employees or agents of LEM providing the Services shall be considered to be agents, principals or employees of Big Rivers or any of its affiliates. Neither LEM, on the one hand, nor Big Rivers, on the other hand, shall have the authority, whether express, implied or apparent, to bind or commit the other Party or any of such other Party's affiliates to any obligation or liability whatsoever, and neither Party shall represent to any other person or entity that it has such authority. It is not the purpose or intention of this Agreement or of the Parties to create, and the same shall not be construed as creating, any employment, partnership, partnership relationship, joint venture or agency relationship. Neither Party, nor any of its employees, officers, agents or representatives, shall represent to any other person or entity that it is acting on behalf of, or as an agent or broker for, the other Party or any of its affiliates, without the prior written consent of such other Party.

6.2 Force Majeure. No Party shall be considered in breach or default of its obligations hereunder if and to the extent that such Party is prevented from performing such obligations by reason of Force Majeure. The term "Force Majeure" shall mean any cause beyond the control of either Party, including but not limited to an act of God, fire, flood, sinkholes, explosion, earthquake, hurricane, tornado, tidal wave, strike or other work stoppage or slow down, sabotage, pestilence, an act of a public enemy, civil or military authority, including court orders, injunctions and orders of governmental entities of competent jurisdiction prohibiting, or the failure of any such governmental entities to issue orders permitting, acts necessary to perform hereunder or permitting any such act only subject to unreasonable conditions, insurrection or riot, an act of the elements or inability to obtain or ship materials or equipment because of similar causes affecting the suppliers or carriers.

6.3 Confidentiality. Each Party acknowledges that the business of the other Party and its affiliates is highly competitive and that each other's books, records, documents and technical information all comprise confidential business information and trade secrets which are valuable, special and unique assets of the Party to whom they belong. Accordingly, each Party agrees that it will not, and that its affiliates will not, at any time during the Term and expiring on the second (2nd) anniversary of the expiration or early termination of this Agreement, for any reason, and except as required by law, judicial or regulatory process, disclose to unaffiliated third parties any confidential business information or trade secrets of the other Party or its affiliates (which was disclosed to such receiving Party or otherwise obtained by such receiving Party as a result of its performance under this Agreement), or make any use thereof except for the benefit of and on behalf of such other Party, or its affiliates; provided, however, that in the event any Party shall be required by law or judicial or regulatory process to disclose confidential business information or trade secrets of the other Party or its affiliates, the disclosing Party shall first give reasonable prior notice of the proposed disclosure to the Party owning such information, so that the same may seek a protective order to prevent such disclosure. The foregoing covenants shall not apply to information previously known to the receiving Party (other than information known as a result of disclosure subject to another confidentiality agreement), or that is or becomes a part of the public domain through no fault of the receiving Party. Each Party shall cause all of its directors, officers, employees, agents and representatives to comply with the confidentiality covenants provided for herein.

ARTICLE VII
MISCELLANEOUS

7.1 General Notices. Except for the operational, data disclosure and exchange, and dispatch notices covered by the Procedures, all notices, requests, demands, claims, and other communications hereunder shall be in writing and shall be deemed duly given two (2) business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

If to LEM:	c/o E.ON U.S. LLC 220 West Main Street Louisville, KY 40202 Attention: President Facsimile: (502) 627-2995 Telephone: (502) 627-3861
Copy to:	
John R. McCall Executive Vice President & General Counsel E.ON U.S. LLC 220 West Main Street Louisville, KY 40202 Facsimile: (502) 627-4622 Telephone: (502) 627-3665	Patrick R. Northam, Esq. Greenebaum Doll & McDonald PLLC 3500 National City Tower 101 South Fifth Street Louisville, KY 40202 Facsimile: (502) 540-2296 Direct Telephone: (502) 587-3774 Mail Telephone: (502) 589-4200
If to Big Rivers:	Big Rivers Electric Corporation 201 Third Street P.O. Box 24 Henderson Kentucky 42419 Attention: President & CEO Attention: Vice President of External Relations Facsimile: (502) 827-2558 Telephone: (502) 827-2561
Copy to:	James M. Miller, Esq. Sullivan, Mountjoy, Stainback & Miller, P.S.C. 100 St. Ann Building P.O. Box 727 Owensboro, Kentucky 42302-0727 Facsimile: (502) 683-6694

Telephone: (502) 936-4000

Any Party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it is actually received by the intended recipient. Any Party may change the address set forth above by giving the other Party written notice as set forth in this Section.

7.2 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

7.3 Amendments and Waivers. This Agreement shall not be modified or amended except pursuant to an instrument in writing executed and delivered on behalf of LEM and Big Rivers. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provision hereof. No delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver hereof.

7.4 Assignment. No Party may assign this Agreement or any of its rights or interests, or delegate any of its obligations hereunder without the prior written consent of the other Party, and any attempt to make any such assignment or delegation without such consent shall be null and void. Notwithstanding the foregoing, LEM may assign its rights and obligations hereunder to its affiliates without Big Rivers' prior written consent so long as the Guaranty of E.ON U.S. LLC dated March 26, 2007 shall continue to apply to all the obligations of any such affiliate which is an assignee. All references in this Agreement to LEM shall mean LEM or permitted assignee of LEM hereunder.

7.5 Third Party Beneficiary. This Agreement shall be binding upon and inure solely to the benefit of the Parties and their respective successors and permitted assigns, and none of the provisions of this Agreement shall inure to the benefit of any third party.

7.6 Severability. Any term or provision of this Agreement that is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction.

7.7 Headings. The articles and section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

7.8 Entire Agreement. This Agreement and the Termination Agreement constitute the final agreement between the Parties. This Agreement and the Termination Agreement are the complete and exclusive expression of the Parties' agreement on the matters contained herein. All prior and contemporaneous negotiations and agreements, written or oral, between the Parties on the matters contained in this Agreement are expressly merged into and superseded by this Agreement. In entering into this Agreement, no Party has relied upon any statement, representation, warranty, or agreement of the other Party except for those expressly contained in this Agreement.

7.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

7.10 Effectiveness. The obligations of the parties under this Agreement are conditioned on receipt of the approval of this Agreement by the Kentucky Public Service Commission and the Federal Energy Regulatory Commission (except to the extent FERC has dismissed its jurisdiction of this Agreement).

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the dates and year set forth below.

BIG RIVERS ELECTRIC CORPORATION

By: Mark A. Bailey
Name: Mark A. Bailey
Title: Executive Vice President
Date: 12-27-07

LG&E ENERGY MARKETING INC.

By: [signature]
Name: Paul W. Thompson
Title: Senior Vice President
Date: December 27, 2007

OHS East:160361467.4

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

THE APPLICATIONS OF BIG RIVERS ELECTRIC CORPORATION FOR: (I) APPROVAL OF WHOLESALE TARIFF ADDITIONS FOR BIG RIVERS ELECTRIC CORPORATION, (II) APPROVAL OF TRANSACTIONS, (III) APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS, AND (IV) APPROVAL OF AMENDMENTS TO CONTRACTS; AND	)	CASE NO. 2007-00455
E.ON-U.S., LLC, WESTERN KENTUCKY ENERGY CORP. AND LG&E ENERGY MARKETING, INC. FOR APPROVAL OF TRANSACTIONS	)	

EXHIBIT 17

Information Technology Support Services Agreement Dated as of December 1, 2007

December 2007

INFORMATION TECHNOLOGY SUPPORT SERVICES AGREEMENT

BY AND BETWEEN

BIG RIVERS ELECTRIC CORPORATION

AND

WESTERN KENTUCKY ENERGY CORP.

December 1, 2007

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EXHIBITS

INFORMATION TECHNOLOGY
SUPPORT SERVICES AGREEMENT

THIS INFORMATION TECHNOLOGY SUPPORT SERVICES AGREEMENT (this "Agreement") is entered into as of the 1st day of December, 2007, by and between (i) **BIG RIVERS ELECTRIC CORPORATION**, a Kentucky rural electric cooperative ("Big Rivers") and (ii) **WESTERN KENTUCKY ENERGY CORP.**, a Kentucky corporation ("WKEC").

RECITALS:

A. Big Rivers owns certain electric generating plants in the Commonwealth of Kentucky, including the three unit Coleman Plant, the two unit Plant Green, the one unit D.B. Wilson Plant, and Plant Reid.

B. Prior to the effectiveness of the Plan of Reorganization (defined below), Big Rivers operated a two unit electric Generating Plant owned by the City of Henderson, Kentucky (the "City Plant"), and purchased a certain portion of the output of such facility.

C. In accordance with the First Amended Plan of Reorganization in Big Rivers' bankruptcy proceeding, as modified and restated on June 9, 1997 (as so modified, the "Plan of Reorganization"), Big Rivers, LG&E Energy Marketing Inc., an Oklahoma corporation ("LEM"), Western Kentucky Leasing Corp., WKE Station Two, Inc., a Kentucky corporation ("Station Two Subsidiary"), and WKEC entered into the Original Participation Agreement which was subsequently superseded by the New Participation Agreement, dated April 6, 1998 (as amended, the "Participation Agreement") and certain other documents.

D. In accordance with the Participation Agreement, Big Rivers leased the power plants described in Recital A above to WKEC and Station Two Subsidiary had assumed most of Big Rivers' operational responsibilities with respect to the Generating Plant described in Recital B above, and various LG&E parties and Big Rivers have executed and delivered numerous agreements and amendments to agreements, including letter agreements in conjunction with the transactions contemplated by the Plan of Reorganization and the Participation Agreement.

E. Big Rivers and WKEC and its affiliates concluded that it is in their mutual best interests to terminate the property interests and contractual relationships created by the Participation Agreement and other operative documents in the transactions contemplated by the Plan of Reorganization and the Participation Agreement, and have executed and delivered that certain Transaction Termination Agreement, dated as of March 26, 2007, as amended (the "Termination Agreement"), setting forth the terms and conditions under which Big Rivers and WKEC and its affiliates will terminate such property interests and contractual relationships.

F. As a condition to the execution, delivery and consummation of the transactions contemplated by the Termination Agreement, Big Rivers and WKEC agreed to enter into this Agreement, pursuant to which WKEC shall provide certain information technology and other services to Big Rivers, as more particularly described herein. The date upon which the transactions contemplated by the Termination Agreement are consummated is herein called the "Unwind Closing Date."

AGREEMENT:

NOW, THEREFORE, the parties hereby agree as follows:

1. SERVICES.

1.1 Provision of Services. During the eighteen (18) month period commencing on the Unwind Closing Date (the "Term"), and subject to the terms and conditions hereof, WKEC agrees to provide or cause to be provided to Big Rivers, and Big Rivers shall purchase from WKEC, information technology services (the "Services") to support Big Rivers' performance of those business processes (the "Processes") described on Exhibit A attached hereto for those corresponding periods described on such Exhibit A using the corresponding applications described on such Exhibit A:

(a) WKEC shall provide a segregated network for the use by Big Rivers of WKEC's (or its affiliate's) information technology system (the segregated network, together with the applications described on Exhibit A hereto, is herein called the "System") for purposes of Big Rivers inputting and extracting Big Rivers' data and other information ("Data"), in connection with Big Rivers' performance of the Processes, with System availability being provided in conformance with the requirements set forth on Exhibit B;

(b) WKEC shall cause the System to be available (with certain specified exceptions) to Big Rivers as more particularly described in Section 2.1 below; and

(c) WKEC shall provide to the "Big Rivers Help Desk" (as defined in Section 3.3 below) reasonable help desk support, including technical support relating to the System, on Monday through Friday, between the hours of 7:00 a.m. and 6:00 p.m. EST.

1.2 Fees.

(a) As part of the compensation for the Services to be rendered by WKEC, Big Rivers shall pay to WKEC a fixed fee in an amount computed as provided herein, not to exceed $1,500,000 (the "Fixed Fee"). The Fixed Fee shall be payable in 12 consecutive equal monthly installments each in the amount of 1/12th the Fixed Fee, with the first such installment being paid on the Unwind Closing Date, and each succeeding installment being due and payable on the first day of each calendar month thereafter, starting with the first day of the calendar month that is at least thirty (30) days after the Unwind Closing Date until the Fixed Fee is paid in full. Except as specifically set forth in Section 5.1 hereof, Big Rivers' obligation to pay installments of the Fixed Fee shall not be affected by any termination of this Agreement or by the termination by Big Rivers of any Services as provided in Section 5.3 hereof. The Fixed Fee shall consist of 40% of the actual costs to WKEC for hardware and 100% of third party labor costs expended to build the System, and $1,500,000 represents WKEC's reasonable estimate of such costs that shall be expended prior to the Unwind Closing Date. WKEC agrees that if its actual costs are less than $1,500,000, then it shall reduce the amount of such Fixed Fee and installment payments thereof accordingly. The parties agree that WKEC's records detailing such costs shall be conclusive as to the amount of the Fixed Fee; provided, that the Fixed Fee shall not exceed $1,500,000.

(b) As additional compensation for the Services to be rendered by WKEC, Big Rivers shall pay to WKEC those monthly fees ("Service Fees") set forth for each category of Processes listed on Exhibit A attached hereto. Big Rivers shall pay such Service Fees within thirty (30) days of the date of invoice therefor, each invoice covering the provision of Services for the prior calendar month. If applicable, the amount of Service Fees shall be prorated for partial months.

1.3 Additional Fees. In addition to the Fixed Fee and the Service Fees, pursuant to Section 9.2 of the Termination Agreement, Big Rivers shall pay to WKEC any royalties and other payments that WKEC may be required to pay to third party software or other applicable vendors in order to obtain such third party's consent to the provision of the Services by WKEC to Big Rivers ("Vendor Payments"), but only to the extent that such Vendor Payments, when aggregated with the amount of payments made by the "WKE Parties" (as defined in the Termination Agreement), exceed the "Consent Commitment," all as described in Section 9.2 of the Termination Agreement. Any such additional fees shall be identified with reasonable detail by WKEC as far in advance of the Unwind Closing Date as reasonably possible.

1.4 Ownership of the System and Ownership of the Data. Ownership of the System and all intellectual property rights and other property rights relating thereto shall remain the property of WKEC (or its affiliates), and neither the provisions of this Agreement nor Big Rivers' rights to use the System during the Term shall be construed to confer upon Big Rivers any right, license or any other property rights with respect to the System or any part thereof. Ownership of the Data and all intellectual property rights and other property rights relating thereto shall remain the property of Big Rivers (or its affiliates), and neither the provisions of this Agreement nor WKEC's provision of the Services during the Term shall be construed to confer upon WKEC any right, license or any other property rights with respect to the Data or any part thereof.

2. OTHER DUTIES AND OBLIGATIONS OF WKEC.

2.1 Operation of the System. WKEC, at its expense, agrees to maintain the System; provided Big Rivers shall promptly reimburse WKEC for any repairs necessitated by the actions of Big Rivers personnel, whether intentional or unintentional, except to the extent that the actions in question by Big Rivers personnel are in accordance with use of the System in the manner in which the System is intended to be used. Any changes or modifications made by WKEC to the System shall not materially and adversely impact the performance of the Services by WKEC in accordance with the provisions of this Agreement.

2.2 System and Services Availability. WKEC shall cause the System and the Services to be available to Big Rivers at all times during the Term in accordance with Exhibit B. Any scheduled and unscheduled maintenance of the Service shall not materially and adversely affect Big Rivers' access to the System or its ability to utilize the Services and perform the Processes. Without limiting the generality of the foregoing, Big Rivers acknowledges that WKEC may schedule maintenance to the System upon at least twenty-four (24) hours electronic notice to the Big Rivers Help Desk. WKEC shall use reasonable commercial efforts to schedule maintenance to the System at times, and at frequencies, convenient to Big Rivers. Big Rivers also acknowledges that unscheduled outages can occur on such System and that WKEC will use diligent good faith efforts to restore the System from tape backup to an available status as promptly as possible from any such events.

2.3 ***Training.*** Prior to the Unwind Closing Date, WKEC shall provide personnel of Big Rivers (and personnel of WKEC who may become personnel of Big Rivers) such training as WKEC and Big Rivers jointly reasonably determine is necessary for such personnel to access the System and to perform those functions of Big Rivers associated with the Processes. Such training shall occur at those times and places to be reasonably agreed by WKEC and Big Rivers. WKEC and Big Rivers shall ensure that a sufficient number of its personnel are available for such training at those places and times. Such training is being provided as an accommodation to Big Rivers, and WKEC makes no representations or warranties, whether express or implied, with respect to such training, and notwithstanding anything to the contrary in this Agreement, WKEC shall have no liability with respect to such training or the use of it by Big Rivers or its personnel.

2.4 ***IT Security Policies.*** WKEC and its personnel having access to the Data shall comply with all of WKEC's and its applicable affiliates' information technology security policies which may be in effect from time to time during the Term, as they relate to the Services.

2.5 ***Transition Cooperation.*** WKEC shall reasonably cooperate with Big Rivers and with any third parties designated by Big Rivers, with respect to transition of the Data from WKEC to Big Rivers or a third party as designated by Big Rivers. Additionally, WKEC will use reasonable diligence to make its IT personnel available to Big Rivers for the purpose of answering questions related to the transition of Processes and Services to Big Rivers, provided that Big Rivers shall pay to WKEC the actual labor rates ($43.00-$101.00/hour) of the WKEC personnel made available to Big Rivers pursuant to this Section.

3. DUTIES AND OBLIGATIONS OF BIG RIVERS.

3.1 ***Accuracy of Data***. Big Rivers acknowledges that it is solely responsible for inputting and validating all Data and is solely responsible for the accuracy thereof, and in no event shall WKEC have any liability or responsibility for data, processing accuracy, or any consequential results thereof.

3.2 ***Usage Policies***. Big Rivers and its personnel having access to the System shall comply with the reasonable usage policies established by WKEC from time to time during the Term.

3.3 ***Training; Big Rivers Help Desk***. Big Rivers shall take such action as necessary to ensure that all of its personnel having access to the System shall be adequately trained in the use of the System (in addition to the training to be conducted by WKEC pursuant to Section 2.2). Additionally, Big Rivers shall establish for the benefit and use of such personnel a help desk ("Big Rivers Help Desk"), to assist and otherwise advise such personnel with respect to access to the System. In the event Big Rivers Help Desk encounters problems with respect to System usage that it is otherwise reasonably unable to resolve, then the Big Rivers Help Desk shall seek such support from WKEC, as contemplated by Section 1.1(c) hereof.

3.4 ***Prohibited Activities***. In utilizing the System, Big Rivers shall take no action which has the effect of modifying or expanding, directly or indirectly, the applications or the network (whether belonging to WKEC or Big Rivers) used to provide the services to Big Rivers. Big Rivers may suggest changes to the applications and the network via the WKEC Help Desk. Changes to either are to be jointly approved prior to implementation. Without limiting the generality of the foregoing, Big Rivers shall have access to the System solely from those plants described in Recitals A and B of this Agreement, and for the limited purpose of consolidating reports from such plants and from Big Rivers' corporate accounting offices. At no time shall Big Rivers permit or enable third parties to access the System or the Services.

3.5 IT Security Policies. Big Rivers and its personnel having access to the System shall comply with all of WKEC's and its applicable affiliates' information technology security policies which may be in effect from time to time during the Term, as they relate to the Services, and as WKEC otherwise directs, including, without limitation, security policies relating to personal identification, passwords and virus protection.

4. CHANGES AND MODIFICATIONS.

4.1 By WKEC. Big Rivers acknowledges that, from time to time during the Term, it may be necessary to modify the usage procedures to be followed by Big Rivers in accessing the System and inputting Data into the System. In such event, WKEC shall provide reasonable notice of such modifications to Big Rivers so as to enable Big Rivers, with the reasonable assistance of WKEC, to provide any necessary training to its personnel who may have access to the System.

4.2 By Big Rivers. Big Rivers acknowledges that its use of the System shall not enable Big Rivers to change or otherwise modify any part of the System and that Big Rivers' sole rights with respect to the System are to input Data and receive the reports and other information contemplated by the Processes.

4.3 Additional Requests. Big Rivers may, from time to time, request WKEC to perform other Data services or Data conversion that is not otherwise provided in or contemplated by the Services. In the event WKEC agrees to perform such other Data services or Data conversion, and provided Big Rivers agrees in advance as to the scope and quantity of such Data services or Data conversion work, Big Rivers shall pay WKEC the actual labor rates ($43-$101/hr) of the WKEC personnel performing such Data services or Data conversion work.

5. TERMINATION.

5.1 Termination if Closing Does Not Occur. In the event that the Unwind Closing Date does not occur as a result of the termination of the Termination Agreement pursuant to the provisions thereof prior to the consummation of the transactions contemplated by the Termination Agreement, then this Agreement shall terminate effective as of the date of such termination of the Termination Agreement.

5.2 Termination by WKEC. WKEC's obligation to provide the Services to Big Rivers shall terminate automatically upon the expiration of the Term. Additionally, with respect to those Services described as thirty (30) days services on Exhibit A, WKEC's obligation to perform such Service shall terminate at the expiration of the thirty (30) day period commencing on the Unwind Closing Date.

5.3 Termination by Big Rivers. Big Rivers may terminate WKEC's obligations to provide the Services, in whole or in part, at any time prior to the expiration of the Term by providing WKEC at least sixty (60) days notice prior to the effective date of such termination, which notice shall specify in detail which Services Big Rivers desires to terminate. In the event of any partial termination, Big Rivers acknowledges that the termination of Services constituting less than an entire Process (as shown on Exhibit A), shall not affect the amount of Service Fees due for such Process and the entire amount of such Service Fees shall continue to be due and payable until such time as the affected entire Process is terminated. Big Rivers acknowledges responsibility and assumes the risks associated with any partial or complete termination of any Process and any indirect consequence such termination may have on continuing Processes and Services. WKEC, following its termination by Big Rivers of a Service, shall not thereafter be obligated to provide such Service to Big Rivers.

5.4 Termination for Default. Either Big Rivers or WKEC may terminate this Agreement in the event the other is in default of any material obligation hereunder and such default remains uncured following the expiration of a thirty (30) day period commencing on the date of written notice of such default from the non-defaulting party. Without limiting the generality of the foregoing, the non-payment by Big Rivers of (i) any invoice for Service Fees within forty-five (45) days the invoice otherwise became due, or (ii) the non-payment by Big Rivers of any installments of the Fixed Fee when due or (iii) the nonpayment of any additional fees which may become payable hereunder, including without limitation, those fees described in Section 1.3 and Section 4.3 hereof, within forty-five days of the due date shall constitute a material default by Big Rivers of its obligations under this Agreement.

5.5 Obligations Upon Termination. Upon the termination or expiration of this Agreement (or Services pursuant to Section 5.3) then, upon payment of all Service Fees and other fees hereunder otherwise payable by Big Rivers to WKEC then due under this Agreement, WKEC shall transfer to Big Rivers, at Big Rivers expense (based upon WKEC's actual labor rates of personnel performing the transfer, $43-$101 per hour), Data related to the Services as the parties shall reasonably agree, and the parties shall have no further obligations hereunder; provided, however, in the event of a termination pursuant to Section 5.4, then each party shall retain all rights and remedies to which it otherwise might be entitled with respect to the default. The parties shall agree to the Data to be transferred and the required format of such Data at least sixty (60) days prior to the termination or expiration of WKEC's obligations to provide Services, in whole or in part with respect to the early termination of any category of Services as provided in Section 5.3 above. Except as set forth in Section 5.1, and except for termination by Big Rivers for a material default by WKEC as set forth in Section 5.4, no termination of this Agreement or of the obligation of WKEC to provide the Services prior to the end of the Term shall affect Big Rivers' obligation to pay installments of the Fixed Fee as and when otherwise payable pursuant to Section 1.2(a).

6. WARRANTIES AND DISCLAIMERS.

(a) WKEC WARRANTS THAT THE SERVICES WILL BE PERFORMED IN A WORKMANLIKE MANNER AND WITH REASONABLE CARE.

(b) EXCEPT AS SET FORTH IN SECTION 6(A) ABOVE, WKEC MAKES NO WARRANTIES, WHETHER EXPRESS OR IMPLIED, REGARDING THE SERVICES, AND HEREBY DISCLAIMS ANY AND ALL OTHER WARRANTIES, INCLUDING WITHOUT LIMITATION, ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. Notwithstanding anything to the contrary in this Agreement, in the event of any defect or deficiency in any of the Services hereunder, including, without limitation, any defect or deficiency caused by defective software, WKEC's sole liability, at Big Rivers' option, and Big Rivers' sole remedy shall be correction of the defect in the Services or refund to Big Rivers of the amount of Service Fees paid for that particular Service. In no event shall either party be liable to the other for any consequential, special, exemplary, indirect or incidental damages or losses.

(c) Each party shall indemnify the other and their respective affiliates, officers, employees, directors and agents, and hold them harmless from and against, any actions, suits, causes of action, claims, judgments and costs and expenses of any nature whatsoever, including, without limitation, attorneys' fees arising out of or connected with claims made by third parties related to the performance or non-performance by the indemnifying party of its obligations under this Agreement.

7. **CERTAIN AGREEMENTS.**

7.1 Independent Contractor Relationship. WKEC shall be an independent contractor of Big Rivers, with full power and authority to select the means, method and manner of providing the Services. No employees or agents of WKEC providing Services shall be considered to be agents, principals or employees of Big Rivers or any of its affiliates. Neither WKEC, on the one hand, nor Big Rivers, on the other hand, shall have the authority, whether express, implied or apparent, to bind or commit the other party or any of such other party's affiliates to any obligation or liability whatsoever, and neither party shall represent to any other person or entity that it has such authority. It is not the purpose or intention of this Agreement or of the parties hereto to create, and the same shall not be construed as creating, any employment, partnership, partnership relationship, joint venture or agency relationship. Neither party, nor any of its employees, officers, agents or representatives, shall represent to any other person or entity that it is acting on behalf of, or as an agent or broker for, the other party or any of its affiliates, without the prior written consent of such other party or its affiliate.

7.2 Force Majeure. A party shall not be considered in default in the performance of any of its obligations if the failure of performance shall be due to "Force Majeure." The term "Force Majeure" shall mean any cause beyond the control of a party, including but not limited to an act of God, fire, flood, sinkholes, explosion, earthquake, hurricane, tornado, tidal wave, strike or other work stoppage or slow down, sabotage, pestilence, an act of a public enemy, civil or military authority, including court orders, injunctions and orders of governmental entities of competent jurisdiction prohibiting, or the failure of any such governmental entities to issue orders permitting, acts necessary to perform hereunder or permitting any such act only subject to unreasonable conditions, insurrection or riot, an act of the elements or inability to obtain or ship materials or equipment because of similar causes affecting the suppliers or carriers.

7.3 Confidentiality.

(a) Each party to this Agreement acknowledges that the business of the other party and its affiliates is highly competitive and that each other's books, records, documents and technical information all comprise confidential business information and trade secrets which are valuable, special and unique assets of the party to whom they belong (including, but not limited to Data which shall be considered confidential information of Big Rivers). Accordingly, each party agrees that it will not, and that its affiliates will not, at any time during the Term of this Agreement and expiring on the third (3rd) anniversary of the expiration or early termination of this Agreement (provided, WKEC's confidentiality obligations with respect to social security numbers of Big Rivers' employees which may be contained in any Data shall not expire or terminate), for any reason, and except as required by law, judicial or regulatory process, make any disclosure to unaffiliated third parties of any confidential business information or trade secrets of the other party or its affiliates (which was disclosed to such receiving party or otherwise obtained by such receiving party as a result of its performance under this Agreement or as a result of its use of or access to the System), or make any use thereof except for the benefit of and on behalf of such other party, or its affiliates; provided, however, that in the event any party shall be required by law or judicial or regulatory process, to make any disclosure of confidential business information or trade secrets of the other party or its affiliates, the disclosing party shall first give reasonable prior notice of the proposed disclosure to the party owning such information, so that the same may seek a protective order to prevent such disclosure. The foregoing covenants shall not apply to information previously known to the receiving party (other than information known as a result of disclosure subject to another confidentiality agreement), or that is or becomes a part of the public domain through no fault of the receiving party. Each party hereto shall cause all of its directors, officers, employees, agents and representatives to comply with the confidentiality covenants provided for herein.

(b) The parties acknowledge that it is unlikely that Big Rivers' access to the System will permit Big Rivers to access any information of WKEC or any of its affiliates. Nonetheless, and without limiting the generality of the provisions of Section 7.3(a), Big Rivers agrees that in the event it gains access to any data or any other information of WKEC or any of its affiliates, including, without limitation, E.ON U.S. Services, Inc., then such information shall be deemed confidential information of WKEC for purposes of this Agreement, and Big Rivers shall promptly report to WKEC the fact that Big Rivers gained access to such information. Similarly, the parties acknowledge that it is unlikely that WKEC will obtain access to confidential information of Big Rivers other than Data in connection with performance of the Services, and without limiting the generality of the provisions of Section 7.3(a), WKEC agrees that in the event it gains access to any additional data or any other information of Big Rivers or any of its affiliates, then such information shall be deemed confidential information of Big Rivers for purposes of this Agreement.

7.4 Right to Audit. During the Term, WKEC shall have the right to periodically audit the security policies, practices, standards and information technology systems of Big Rivers as they pertain to this Agreement and access to the System by Big Rivers pursuant to the provisions hereof. Big Rivers shall provide reasonable resources in support of performance of any such audit at no cost to WKEC. Big Rivers agrees to provide WKEC reasonable access to Big Rivers' systems and related equipment and facilities in order to facilitate WKEC's audit, as requested by WKEC from time to time during the Term. Modifications to security policies, practices, and standards may be required from time to time by WKEC to address its security issues, vulnerabilities, or areas of concern. Big Rivers shall have a reciprocal right to audit WKEC's security policies, practices and standards as they relate to the provision of Services.

8. MISCELLANEOUS PROVISIONS.

8.1 ***Successors and Assigns***. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assign; provided Big Rivers may not, whether directly or indirectly, by operation of law, sale of assets, sale of stock, merger or otherwise, assign this Agreement or any of its rights, interests, or delegate any of its obligations hereunder without the prior written consent of WKEC (which consent may be withheld at the sole discretion of WKEC for any reason or for no reason) , and any attempt to make any such transfer, assignment or delegation without such consent shall be null and void.

8.2 Notices. All notices, requests, demands, claims, and other communications hereunder shall be in writing and shall be deemed duly given if (and then two business days after) sent by registered or certified mail, return receipt requested, postage prepaid, and addressed to the intended recipient as set forth below:

<u>If to WKEC</u>:	Western Kentucky Energy Corp. c/o E.ON U.S. LLC 220 West Main Street Louisville, KY 40202 Facsimile: 502-627-2995 Telephone: 502-627-3861 Attention: President
Copy to:	John R. McCall Executive Vice President & General Counsel E.ON U.S. LLC 220 West Main Street Louisville, KY 40202 Facsimile: 502-627-4622 Telephone: 502-627-3665
Copy to:	Patrick R. Northam, Esq. Greenebaum Doll & McDonald PLLC 3500 National City Tower Louisville, KY 40202 Facsimile: 502-540-2296 Telephone: 502-587-3774

If to Big Rivers: Big Rivers Electric Corporation
201 Third Street
P.O. Box 24
Henderson Kentucky 42419
Attention: CEO and President
Attention: Vice President of External Relations
Facsimile: 502-827-2558
Telephone: 502-827-2561

Copy to: James M. Miller, Esq.
Sullivan, Mountjoy, Stainback & Miller, P.S.C.
100 St. Ann Building
Post Office Box 727
Owensboro, Kentucky 42302-0727
Facsimile: 502-683-6694
Telephone: 502-926-4000

Any party may send any notice, request, demand, claim, or other communication hereunder to the intended recipient at the address set forth above using any other means (including personal delivery, expedited courier, messenger service, telecopy, telex, ordinary mail, or electronic mail), but no such notice, request, demand, claim, or other communication shall be deemed to have been duly given unless and until it actually is received by the intended recipient. Any party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other party notice in the manner herein set forth.

8.3 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF KENTUCKY.

8.4 Amendments and Waivers. This Agreement shall not be modified or amended except pursuant to an instrument in writing executed and delivered on behalf of each of WKEC and Big Rivers. No waiver of any of the provisions of this Agreement shall be deemed to or shall constitute a waiver of any other provision hereof (whether or not similar). No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof.

8.5 Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction

8.6 Incorporation. The Exhibits identified in this Agreement are incorporated herein by reference and made a part hereof.

8.7 Headings. The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

8.8 Conditions to Obligations. The obligations of the parties under this Agreement are conditioned upon the receipt of the approval of this Agreement by the Kentucky Public Service Commission, to the extent such approval is required.

8.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

[*Remainder of page left intentionally blank.*]

IN WITNESS WHEREOF, the parties hereto have caused this Information Technology Support Services Agreement to be executed as of the date and year first above written.

BIG RIVERS ELECTRIC CORPORATION

By: ______________________

Name: Michael H. Core

Title: Pres/CEO

WESTERN KENTUCKY ENERGY CORP.

By: ______________________

Name: Paul W. Thompson

Title: President

EXHIBIT A -- PROCESSES AND SERVICES

[redacted]				
[illegible]				
Time Entry	VOLTS	18 Months	System provided by WKEC; business process performed by Big Rivers	
Payroll Processing	PeopleSoft Payroll	18 Months	System provided by WKEC; business process performed by Big Rivers	
Employee Payments	PeopleSoft Payroll	18 Months	System provided by WKEC; business process performed by Big Rivers	
Tax/Deduction Payments	PeopleSoft Payroll	18 Months	System provided by WKEC; business process performed by Big Rivers	
[illegible]				
Maintain Employee Records	PeopleSoft HR	18 Months	System provided by WKEC; business process performed by Big Rivers	
[illegible]				
Maintain Employee Benefits	PeopleSoft Benefits	18 Months	System provided by WKEC; business process performed by Big Rivers	
[illegible]				
Requisitions	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers	
Purchase Order Generation	Oracle Applications, Optio	18 Months	System provided by WKEC; business process performed by Big Rivers	

Receiving	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers
Warehouse reorders	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers
A/P Processing (excluding 1099s)	Oracle Applications, Filenet	18 Months	System provided by WKEC; business process performed by Big Rivers
A/P Payments	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers
A/P Weekly and Monthly Reporting	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers
Financials			
Capital Expenditures – Financials			
Budgeting	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers
Authorization	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers
CWIP	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers
Forecasting	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers
Monthly closing of projects	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers

Monthly reporting	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers
O&M Expense - Financials			
Budgeting	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers
Project creation	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers
Project monitoring	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers
Forecasting	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers
Reporting/Variance Analysis	Oracle Applications, Discoverer, Noetix Views	18 Months	System provided by WKEC; business process performed by Big Rivers
Month-end Closing			
Burdens	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers
Mass Allocations	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers
Interfaces with Sub ledgers	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers
Journal Entries	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers

Financial Statement Preparation	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers	
Management Report Preparation	Oracle Applications, Discoverer	18 Months	System provided by WKEC; business process performed by Big Rivers	
Reconciliations	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers	
Tax Returns				
Monthly Sales and Use Tax	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers	
Quarterly Fuel Tax Returns	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers	
New & Expanded Industry Certificates on Capital	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers	
Petty Cash Funds				
Plant Custodians	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers	
Periodic Audits of Funds	Oracle Applications	18 Months	System provided by WKEC; business process performed by Big Rivers	
[illegible]				
Planning and tracking of equipment maintenance	Computerized Maintenenance Management System (MRO)	18 Months	System provided by WKEC; business process performed by Big Rivers	
Scheduling work activities including planned maint.	Computerized Maintenenance Management System (MRO)	18 Months	System provided by WKEC; business process performed by Big Rivers	

I&E Calibrations	Custom application integrated with Maximo	18 Months	System provided by WKEC; business process performed by Big Rivers	
[illegible]				
Work management for IT incidents/requests	WKEC	18 Months	WKEC Help Desk will work with Big Rivers Help Desk to facilitate incident reporting.	
[illegible]				
Fiber Connectivity – Network Transport to Louisville	WKEC	18 Months	WKEC will provide network transport for connectivity to the hosted Systems via Citrix.	
[illegible]				
Network Administration Support	Cisco	18 Months	Service includes support fees for routers and switches. BREC will not have administrative access to routers and switches.	
Network Management	WKEC	18 Months	Management of router, switches, and network infrastructure. Can be transitioned to BREC during 18 months.	
[illegible]				
File and Print Management	Windows Server 2003	30 days	BREC will take over file and print management upon closing.	
[illegible]				

Network Authentication	WKEC	30 days	Personal Computers will be configured to access BREC's network within thirty days after close date. Personal Computers will not authenticate to WKEC after this period. WKEC Personal user-ID domain accounts will be disabled upon closing.	
Internet Access	Peak10 Internet Service Provider	30 days	Personal Computers will be configured to access BREC's internet service within thirty days after close date. Intranet and Internet access through WKEC network will cease on closing date.	
Intranet	WKEC	30 days	Personal Computers will need to be rebuilt by BREC within thirty days after the close date. Intranet and Internet access through WKEC will cease on closing date.	
[illegible]				
Windows Environment & Office Automation Tools	Microsoft Windows, Office Professional	30 days	Personal Computers to be rebuilt by BREC within thirty days after the close date. MS Licensing rights will be transferred.	
[illegible]				

Anti-Virus Protection	Trend Micro	30 days	Anti-Virus software will need to be procured and installed on personal computers. Personal Computers will need to be rebuilt by BREC within thirty days after the close date.	
Personal Firewall Protection (Laptops Only)	ISS Desktop Protector	30 days	Personal firewall software should be procured and installed for Laptop computers. PC workstations will need to be rebuilt by BREC within thirty days after the close date.	
Windows Updates	Microsoft SUS	30 days	Security updates from WKEC to PC workstations will end on closing date.	
Safety Tagging				
Track equipment isolated for repair or replacement	Hold Card System	30 days	System provided by WKEC; business process performed by Big Rivers	
OSHA compliance for lock out/tag out	Hold Card System	30 days	System provided by WKEC; business process performed by Big Rivers	
Telephone [illegible] (Voice Services)				
Cellular Phone Management Services	Cingular, Verizon, Nextel	30 days	BREC will convert cellular services to BREC agreement within 30 days of close.	
Corporate Voice Service	WKEC	30 days	Phone service to facilities via WKEC network will be terminated 30 days after the close date.	

Long Distance, Calling Cards, 800 Service	AT&T	30 days	BREC will select a long-distance service provider within 30 days after close date.	
Local Telephone Access	Bell South	30 days	BREC will select a local telephone carrier within 30 days after close date.	
Voice Mail	Communite'	30 days	BREC will assume voice mail support within 30 days of close.	
[illegible]				[illegible]
WKE SOAPER Building Close and Equipment Relocations	Joint WKEC and BREC Telecomm	30 days	Telecommunication equipment will move to BREC headquarters	
[illegible]				[illegible]

Legend

Process Category	
Services-Category	
Services	

Example #1

Process	Payroll
Service	Time Entry
Service	Payroll Processing
Service	Employee Payments
Service	Tax/Deduction Payments

Example #2

[illegible]	
Services Category	Capital Expenditures Financials
Service	Budgeting
Service	Authorization
Service	CWIP
Service	Forecasting
Service	Monthly closing of projects
Service	Monthly reporting
Services Category	O&M Expense Financials

Service	Budgeting
Service	Project creation
Service	Project monitoring
Service	Forecasting
Service	Reporting/Variance Analysis
Services Category	Month-end Closing
Service	Burdens
Service	Mass Allocations
Service	Interfaces with Sub ledgers
Service	Journal Entries
Service	Financial Statement Preparation
Service	Management Report Preparation
Service	Reconciliations
Services Category	Tax Returns
Service	Monthly Sales and Use Tax
Service	Quarterly Fuel Tax Returns
Service	New & Expanded Industry Certificates on Capital
Services Category	Petty Cash Funds
Service	Plant Custodians
Service	Periodic Audits of Funds

EXHIBIT B – SERVICE LEVELS

Network Availability: Typically available 24 hours a day other than scheduled and unscheduled downtime. Incidents are reported through the WKEC Help Desk.

Server Availability: Typically available 24 hours a day other than scheduled and unscheduled downtime. Operating System and Hardware patching is performed via the change process.

Application Availability: Typically available 24 hours a day other than scheduled and unscheduled downtime. Incidents are reported through the WKEC Help Desk.

Big Rivers also acknowledges that the System generally will not be available during the following periods in connection with scheduled maintenance:

Oracle 11i Application, Sundays, 1:00 - 2:00 p.m. EST
Oracle Discoverer, daily from 4:00 to 5:00 a.m. EST
Filenet, daily from 8:00 – 8:30 p.m. EST

Software Patches: Application patches are considered based on their relevance to the installation. Each patch is considered on its own merit by the respective WKEC IT professionals supporting the environment. If it is deemed that a patch is applicable to the environment, installation is scheduled via the change process. In some instances, it can be necessary to perform an emergency change to alleviate a problem or protect data and computing assets.

Incidents – This is a Help Desk-to-Help Desk support model. Big Rivers Help Desk will be the point of contact for Big Rivers employees. Big Rivers Help Desk will contact the WKEC Help Desk function when appropriate. Incidents are characterized by whether service is totally broken or is a work-around for the issue available. A ticket on a broken service with no work-around takes priority over tickets where the end user has a work-around. WKEC Help Desk availability is Monday through Friday, between the hours of 7:00 a.m. and 6:00 p.m. EST.

Changes - Changes apply only to the 18 month services that are offered in Exhibit A of this Agreement. Changes involving additional functionality, such as new application code or new interfaces, are not included in the service levels supporting the items in Exhibit A. Requests for changes outside of the service level are considered on a case-by-case basis and if accepted, involve additional costs to Big Rivers.

Changes are submitted, reviewed, approved/denied, and then scheduled for implementation. If outages are required, notices are sent to alert clients of the outage window. Outage windows are negotiated with Big Rivers agreement on scheduling. Non-outage changes are made as can be scheduled by the individual(s) performing the change.