TABLE OF CONTENTS TO EXHIBITS AND APPENDICES

No. | **Contents**

No. Contents

No. Contents

f. Order dated March 9, 2005 in *Application of Big Rivers Electric Corporation, LG&E Energy Marketing Inc., Western Kentucky energy Corp., WKE Station Two Inc., and WKE Corp. for Approval of Amendments to Transactions Documents*, P.S.C. Case No. 2005-00029

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

DEC 28 2007

PUBLIC SERVICE COMMISSION

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 25

Direct Testimony of William Steven Seelye

December 2007

COMMONWEALTH OF KENTUCKY

BEFORE THE

PUBLIC SERVICE COMMISSION

CASE NO. 2007-00455

AND

CASE NO. 2007-00460

DIRECT TESTIMONY OF
WILLIAM STEVEN SEELYE

PRINCIPAL & SENIOR CONSULTANT
THE PRIME GROUP, LLC

ON BEHALF OF
APPLICANTS

DECEMBER 2007

DIRECT TESTIMONY OF

WILLIAM STEVEN SEELYE

Q. Please state your name and business address.

A. My name is William Steven Seelye, and my business address is The Prime Group, LLC, 6435 West Highway 146, Crestwood, Kentucky, 40014.

Q. By whom are you employed?

A. I am a senior consultant and principal for The Prime Group, LLC, a firm located in Crestwood, Kentucky, providing consulting and educational services in the areas of utility regulatory analysis, revenue requirement support, cost of service, rate design and economic analysis.

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

A. The purpose of my testimony is to sponsor the following five cost adjustment clauses on behalf of Big Rivers Electric Corporation ("Big Rivers"): Fuel Adjustment Clause ("FAC"), Environmental Surcharge, Unwind Surcredit, Rebate Adjustment, and Member Rate Stability Mechanism ("MRSM"). These adjustment clauses, both individually and working in concert with one another, are critical to Big Rivers' efforts to unwind and terminate the lease, purchase power and other arrangements with E.ON U.S. LLC and its affiliates (hereafter "E.ON"). More specifically, these clauses represent essential elements that must be in place to terminate the lease and purchase power arrangement with E.ON, to establish a framework for continuing to provide electric service to the aluminum smelters ("Smelters") indirectly served by Big Rivers (through one of its member systems, Kenergy Corp.) so that the Smelters can be economically viable businesses operating in Western Kentucky, and to establish ratemaking mechanisms which will allow Big Rivers to recover its prudently incurred costs, while at the same time fully considering the interests of its distribution cooperative members/owners ("distribution cooperative member systems" or simply "Member Systems").

The FAC and Environmental Surcharge are standard cost adjustment clauses used by other utilities in Kentucky and would be applicable for service to all members of Big Rivers, including service provided to the distribution cooperative member systems, large industrial customers served by the distribution cooperatives, and the two Smelters served by Kenergy. The Unwind Surcredit and Rebate Adjustment clauses are special purpose clauses designed to pass along credits applicable to Big Rivers' members' non-Smelter. The MRSM is another special purpose clause designed to distribute a finite amount of dollars from an Economic Reserve. The MRSM will be established to offset any net increase in revenue requirements applicable to the members' non-Smelter sales for a period of approximately five years due to the implementation of the FAC and Environmental Surcharge after considering credits received from the Unwind Surcredit and Rebate Adjustment.

Q. Please summarize your testimony.

A. Big Rivers is proposing to implement the following adjustment clauses in connection with its efforts to unwind and terminate the lease, purchase power, and other arrangements with E.ON ("Unwind Transaction"):

1) Fuel Adjustment Clause
2) Environmental Surcharge
3) Unwind Surcredit
4) Rebate Adjustment
5) Member Rate Stability Mechanism

Big Rivers and E.ON are in the process of unwinding the lease, purchased power, and other arrangements with E.ON that were put in place in 1998 ("1998 Transaction"). In 1998, Big Rivers agreed to lease its generating facilities to E.ON's predecessor and to purchase a fixed amount of power from E.ON's predecessor. Under this lease and purchased power arrangement, Big Rivers has been purchasing power pursuant to a fixed price contract subject to periodic rate adjustments. Consequently, it was not necessary for Big Rivers to have an FAC or Environmental Surcharge in place to adjust rates for changes in fuel and environmental costs. Under the arrangement between Big Rivers and E.ON, except under extraordinary circumstances, the rates charged by E.ON are currently not directly affected by changes in fuel and environmental costs, and, in fact, there have not been any adjustments to the purchased power rates charged by E.ON due to changes in fuel or environmental costs since the lease and purchased power arrangement was established in 1998.

Once the agreement with E.ON is terminated, these costs will have an effect on Big Rivers' cost of service. Therefore, it is now necessary for Big Rivers to have an FAC and Environmental Surcharge in place in order to transition back to a cooperative utility that operates, controls and is fully responsible for the cost of its generation assets. Furthermore, it is critically important for Big Rivers to have the FAC and Environmental Surcharge in place in order to restructure its debt under favorable terms and conditions. With proceeds provided by E.ON in connection with terminating the lease and purchase power arrangement, Big Rivers plans to buy down a portion of its debt to the United States Rural Utilities Service ("RUS"), to convert the RUS mortgage to an indenture, and to finance a portion of its remaining debt requirements with public debt. Because fuel adjustment clauses and environmental cost recovery mechanisms are viewed favorably by the investment community, having the FAC and Environmental Surcharge in place should help facilitate Big Rivers' efforts to restructure its debt.

The Unwind Surcredit would transfer funds paid by the two Smelters to the Members through the "Smelter Surcharges" set forth in the wholesale agreements with Kenergy to provide service to the Smelters ("Smelter Special Contracts"). The two Smelters – Alcan Primary Products Corporation ("Alcan") and Century Aluminum of Kentucky General Partnership ("Century ") – are making significant payments in order to ensure that they will continue to be served with wholesale purchased power provided by Big Rivers to Kenergy for resale to the Smelters and to mitigate the risk of the Unwind to the Members.

Subject to Commission approval, the Rebate Adjustment would return to the distribution member cooperatives any refunds authorized by Big Rivers' Board of Directors pursuant to the application of refund provisions set forth in the service agreements with the Smelters. The Rebate Adjustment would therefore return, subject to Commission approval under Subsection 1 of KRS 278.455, any rebate amounts authorized by the Big Rivers Board should Big Rivers' times interest earned ratio ("TIER") exceed the level set forth in the Smelter Special Contracts. The amounts returned to the Member Systems through the Rebate Adjustment would be paid to the members as a lump-sum credit on their power bills.

Big Rivers will establish an Economic Reserve which will be used for a period of time to offset fully the impact of the FAC and Environmental Surcharge after netting out the effects of the Unwind Surcredit and the Rebate Adjustment. Big Rivers is proposing to implement the MRSM to provide a credit to offset fully the effect on the monthly power bills to its Member Systems of any FAC charges and Environmental Surcharges during the month less the Unwind Surcredits and consideration of any rebates under the Rebate Adjustment. The MRSM will draw upon the Economic Reserve to fund the credit to members until the Economic Reserve is fully exhausted. It is anticipated that the Economic Reserve will not be fully drawn down until sometime around 2012 (or approximately five years after the implementation of the MRSM). The initial value of the

Economic Reserve, which will be funded from proceeds received at closing, is expected to be $75 million, although Big Rivers is able to add to this amount at closing.

Q. How will the adjustment clauses you are sponsoring work together to affect Big Rivers' rates?

A. Without considering the other three adjustment clauses, it is anticipated that the FAC and Environmental Surcharge will have the effect of increasing the overall price paid by Big Rivers' Members. However, the Unwind Surcredit, Rebate Adjustment and MRSM – as a group – will fully offset the effect of the FAC and Environmental Surcharge for a period of approximately five years. The Unwind Surcredit, Rebate Adjustment, and MRSM will thus have the effect of canceling out any impact of the FAC and Environmental Surcharge for non-Smelter member sales for approximately five years.

It is important to understand that Big Rivers' proposal, which was developed over a period of more than four years of detailed negotiations, was carefully worked out with the Smelters and with Big Rivers' distribution cooperative members to address their individual concerns. The special contracts with the two Smelters, which operate in concert with the five adjustment clauses addressed in my testimony, will help ensure that the Smelters have an opportunity to continue to operate successfully in Western Kentucky. Under Big Rivers' proposal, there will not be a billing impact on non-Smelter members sales from the FAC and Environmental Surcharge for approximately five years.

Big Rivers' proposal carefully and delicately balances the interests of the Smelters and distribution cooperative members, while allowing Big Rivers to successfully transition out of the lease and purchased power arrangement with E.ON.

Q. Why are you submitting identical testimony in two different cases with the Commission?

A. In Case No. 2007-0455, Big Rivers and E.ON are jointly filing an application for the approval of the unwind arrangement. In that proceeding, Big Rivers is requesting approval of four of the five adjustment clauses described in my testimony – FAC, Unwind Credit, Rebate Adjustment, and MRSM. Big Rivers is requesting approval of the Environmental Surcharge in a separate proceeding – Case No. 2007-00460. As explained earlier, all five of these clauses are connected in terms of the Smelter Agreements and in terms of the operation of the MRSM. Big Rivers determined that describing the proposed clauses as a group would facilitate the understanding of what we are trying to accomplish with these mechanisms.

Q. How is your testimony organized?

A. My testimony is divided into the following sections: (I) Qualifications, (II) Fuel Adjustment Clause (FAC), (III) Environmental Surcharge, (IV) Unwind Surcredit, (V) Rebate Adjustment, and (VI) Member Rate Stability Mechanism (MRSM).

I. QUALIFICATIONS

Q. Please describe your educational background and prior work experience.

A. I received a Bachelor of Science degree in Mathematics from the University of Louisville in 1979. I have also completed 54 hours of graduate level course work in Industrial Engineering and Physics. From May 1979 until July 1996, I was employed by Louisville Gas and Electric Company ("LG&E"). From May 1979 until December, 1990, I held various positions within the Rate Department of LG&E. In December 1990, I became Manager of Rates and Regulatory Analysis. In May 1994, I was given additional responsibilities in the marketing area and was promoted to Manager of Market Management and Rates. I left LG&E in July 1996 to form The Prime Group, LLC, with two other former employees of LG&E. Since leaving LG&E, I have performed cost of service and rate studies for over 130 investor-owned utilities, rural electric distribution cooperatives, generation and transmission cooperatives, and municipal utilities. A more detailed description of my qualifications is included in Exhibit WSS-1.

Q. Have you ever testified before any state or federal regulatory commissions?

A. Yes, on many occasions. A listing of my testimony is included in Exhibit WSS-1.

Q. Do you have experience with fuel adjustment clauses, environmental surcharges, and other cost recovery mechanisms?

A. Yes. I have developed or modified fuel adjustment clauses, purchased power adjustment clauses, and gas supply clauses for over 25 electric and gas utilities, including investor-owned utilities, municipal utilities, generation and transmission cooperatives, and distribution cooperatives. I recently sponsored testimony in support of fuel adjustment clauses proposed by Westar Energy, Kansas Gas and Electric Company, and Nova Scotia Power Company. I have assisted a number of utilities in the development of environmental cost recovery mechanisms, including those implemented by Louisville Gas and Electric Company, Westar Energy, and Kansas Gas and Electric Company. I have also developed or assisted in the development and implementation of other cost adjustment clauses – including transmission cost recovery mechanisms for Vectren Electric Company, Westar Energy Company, and Kansas Gas and Electric Company; performance-based ratemaking mechanisms for Louisville Gas and Electric Company, Westar Energy Company, and Kansas Gas and Electric Company; revenue stabilization-mechanisms for Delta Natural Gas and Electric Company and Mobile Gas Company; and demand-side management cost-recovery mechanisms for Louisville Gas and Electric Company, Delta Natural Gas Company, and Nova Scotia Power Company.

Q. Do you have any cost of service and rate experience with generation and transmission cooperatives?

A. Yes. I have performed cost of service and rate studies for numerous generation and transmission cooperatives, including Hoosier Energy, South Mississippi Electric Cooperative, Alabama Electric Cooperative, Corn Belt Electric Cooperative, Wabash Valley Electric Cooperative, Southern Illinois Electric Cooperative, East Kentucky Power Cooperative, and Dairyland Electric Cooperative.

II. FUEL ADJUSTMENT CLAUSE

Q. Please describe Big Rivers' proposed FAC.

A. In Case No. 2007-00455, Big Rivers is proposing to implement the standard FAC used by other utilities in Kentucky. The proposed clause, which is included in Exhibit WSS-2, fully conforms with the Commission's regulations governing the application of fuel adjustment clauses, as set forth in 807 KAR 5:056.

Under the proposed FAC, the monthly Adjustment Factor would be calculated as follows:

$$\text{Adjustment Factor} = F/S - 1.072\ \text{¢/kWh}$$

where *F* represents the fuel expense in the second preceding month and *S* represents the sales in the second preceding month. Detailed definitions of fuel costs (F) and sales (S) are set forth in the proposed clause.

Q. To what rate schedules would the FAC apply?

A. The FAC would apply to all of Big Rivers' Tariff rates and to Base Energy sales under the Smelter Special Contracts. In particular, the FAC would apply to the Monthly Delivery Point Rate to Members as set forth in Section C, Item 4 of the Big Rivers' Rates Rules and Regulations ("Tariff"), to the Big Rivers Industrial Customer Rate as set forth in Section C, Item 7 of the Tariff, and to Base Energy sales in the Smelter Special Contracts. In other words, the FAC would apply to all rate schedules applicable to native load customers served by Big Rivers in its control area, except Supplemental and Backup sales to the Smelters. Consistent with the practice of other utilities in Kentucky, the FAC would not apply to off-system sales. Items 4 and 7 of Section C of Big Rivers' Proposed Tariff, which is included as Exhibit 23 of the Application in Case No. 2007-00455, have been modified to make it clear that the FAC would apply to these rate schedules. The special contracts with the Smelters include a provision specifying that the FAC would apply to sales made under those agreements. (See Section 4.8.1 of the Agreement with Alcan included as Exhibit 20 of the Application and of the Agreement with Century included as Exhibit 20 of the Application.)

Although the FAC will apply to both the Smelter and the non-Smelter rates, it is important to understand that the MSRM and other credit mechanisms, as proposed, will fully offset the FAC applicable to non-Smelter member sales until the Economic Reserve is drawn down. As mentioned earlier in my testimony, the Members should not see an impact of FAC adjustments on their bills related to non-Smelter member sales for approximately five years, which is when the Economic Reserve is expected to be exhausted as currently projected. Even after the Economic Reserve is fully depleted, the Unwind Surcredit will continue to offset the impact of billings under the FAC and Environmental Surcharge.

Q. What base fuel cost is Big Rivers proposing?

A. Big Rivers is proposing a base fuel cost of 1.072 ¢/kWh. In the FAC, base fuel cost is subtracted from the monthly unit fuel cost (Fm/Sm) to determine the monthly Adjustment Factor.

Q. How was the base fuel cost determined?

A. Big Rivers is proposing a base fuel cost that is representative of its 2007 unit fuel cost, as was projected in 2004. This unit cost was determined early on in discussions with the parties about unwinding the arrangement with E.ON. The base fuel cost estimate was developed largely for purposes of negotiating rate formulas under the power supply agreements with the Smelters. It was important to the settlement process with the Smelters and other parties to agree to a figure that should be used as a base fuel cost. The 1.072 ¢/kWh amount was derived on the basis of production cost modeling performed by ACES Power Marketing using fuel cost, heat rate, forced outage rates, power purchases and line-loss inputs provided by Big Rivers, E.ON, Global Insight, Inc. and by ACES Power Marketing itself.

Q. Does the 1.072 ¢/kWh base fuel represent the level of fuel cost currently included in base rates?

A. Yes, in the following important sense. A base fuel cost of 1.072 ¢/kWh represents a going-forward level of fuel costs reflected in base rates which will allow Big Rivers a fair, just and reasonable recovery of its costs and will permit Big Rivers to maintain a reasonable TIER level until base rates can be determined in a general rate case which will be filed with an effective date sometime after January 1, 2010. Big Rivers has committed to file a general rate case within three years from the date of the Commission's final Order in Case No. 2007-00455, with rates not going into effect prior to January 1, 2010. Because the MRSM and the other credit mechanisms proposed in this proceeding are designed to fully offset the FAC, the level of the base fuel cost utilized in the FAC will not directly affect the non-Smelter member rates until the Economic Reserve is drawn down fully.

However, the level of the base will affect the FAC amount actually paid by the Smelters. Importantly, a base fuel cost of 1.072 ¢/kWh was determined to represent current base fuel costs in negotiations with the Smelters. Furthermore, a base fuel cost of 1.072 ¢/kWh is used in the financial models performed in support of Big Rivers' efforts to refinance its debt.

Big Rivers' current base rates were established at a level that would provide for the recovery of purchased power costs from E.ON along with other costs. The purchase power rate from E.ON was developed through a competitive bidding process in Big Rivers' reorganization proceeding that did not reflect the actual fuel costs used to generate power. Consequently, it is not really possible to accurately determine the level of base fuel costs included in the purchase power price from E.ON. Based on Big Rivers' financial model and on negotiations with the Smelters, we do know, however, that a base fuel cost of 1.072 ¢/kWh will reasonably reflect on a going-forward basis a level of fuel costs adequate for Big Rivers to operate under its current rates and meet target TIER levels until new base rates can be established in a general rate case with an effective date sometime after January 1, 2010.

Q. During the first couple of months, Big Rivers will not have fuel cost experience upon which to establish an FAC Adjustment Factor. How will the Adjustment Factor be determined during those initial couple of months?

A. Because F(m)/S(m) is calculated based on fuel costs *F(m)* and sales *S(m)* for the second month preceding the month during which the FAC Adjustment Factor is billed, for the first two or three months after approval of the FAC, Big Rivers will not have historical fuel cost experience which can be used to compute the FAC Adjustment Factor. The financial model used to evaluate the unwind arrangement with E.ON, the agreements with the Smelters, and Big Rivers' financing plan are predicated on the immediate implementation of an FAC with a fuel cost of $0.01662 per kWh. The $0.01662 per kWh amount corresponds to the projected level of Big Rivers' fuel costs when the FAC is proposed to go into effect. With fuel costs expected to be higher than Big Rivers' base fuel cost when the FAC is initially implemented, not being able to charge the difference between this fuel cost and the 1.072 ¢/kWh base would have a detrimental effect on Big Rivers' coverage ratios during the first year of the unwind agreement. Therefore, it is very important for Big Rivers to begin charging an FAC immediately upon taking over cost responsibility for the facilities. Therefore, we are proposing that a monthly unit fuel cost *F(m)/S(m)* of $0.01662 per kWh be used to compute the FAC Adjustment Factor for the first two or three months after implementation of the FAC, until Big Rivers' has a *full month* of fuel cost information upon which to determine *F(m)/S(m)* based upon actual cost data for the second preceding month.

Q. What monthly forms would be filed with the Commission?

A. Big Rivers would file the standard FAC forms submitted by other utilities in Kentucky. Specifically, at least ten days before the beginning of the upcoming month, Big Rivers would submit the form included in Exhibit WSS-3. Within 45 days after the end of each expense month, Big Rivers would submit the form included in Exhibit WSS-4 providing historical sales and expense information for the prior month. These forms will be filed monthly with the Commission.

Q. Is Big Rivers submitting any other documents in connection with its proposal to implement an FAC?

A. Yes. Big Rivers is submitting its Fuel Procurement Policies and Procedures, which is included as an exhibit to the Direct Testimony of Mark A. Bailey in Case No. 2007-00455, Exhibit 5, and copies of its fuel contracts, which are included in confidential Exhibit 43 to Big Rivers' Application in Case No. 2007-00455.

III. ENVIRONMENTAL SURCHARGE

Q. Please describe Big Rivers' proposed Environmental Surcharge.

A. Big Rivers is proposing an Environmental Surcharge in Case No. 2007-00460 pursuant to KRS 278.183. Big Rivers' proposed Environmental Surcharge is included as Exhibit WSS-5. Under KRS 278.183, utilities in Kentucky are entitled to implement a surcharge mechanism to recover the costs of complying with the Federal Clean Air Act, as amended, and federal, state, or local environmental laws and regulations which apply to coal combustion wastes and by-products from electric generation facilities.

Big Rivers' proposed Environmental Surcharge clause would allow it to recover the revenue requirements of approved environmental programs. As proposed, revenue requirements would include operation and maintenance expenses associated with three environmental programs consisting of reagent and removal expenses, which are energy-related costs varying with the amount of power generated at Big Rivers' power stations. The revenue requirement would also include an over/under recovery component to account for the over- or under-collection of revenue requirements from the previous six-month period.

The Monthly Environmental Surcharge Factor (MESF) would be calculated as follows:

MESF = CESF – BESF

where CESF is the Current Environmental Surcharge Factor which is determined by dividing the net Jurisdictional portion of approved environmental plan revenue requirements for the second preceding month, E(m), by the kWh sales for the second preceding month, S(m), and where BESF is the Base Environmental Surcharge Factor. Jurisdictional sales, S(m), would include all member sales to which the Environmental Surcharge is applicable. Similar to the FAC, we are proposing that a monthly unit environmental cost *E(m)/S(m)* of $0.00049 per kWh be used to compute the CESF for the first two or three months after implementation of the Environmental Surcharge, until Big Rivers has a *full month* of cost information upon which to determine *E(m)/S(m)* based upon actual cost data for the second preceding month. The $0.00049 per kWh amount is the level for these expenses incorporated into the financial models used by Big Rivers to evaluate the feasibility of the Unwind Transaction.

Although other utilities in Kentucky have structured their environmental cost recovery surcharges as percentage-of-revenue factors, Big Rivers is proposing to structure its

Environmental Surcharge as an energy charge (*i.e.,* as a charge per kWh) similar in design to the FAC. In the agreements negotiated with the Smelters, the Purchased Power Adjustment and the Environmental Surcharge were both structured as energy charges; therefore, Big Rivers is proposing to assess the Environmental Charge as an energy charge, consistent with what was negotiated with the Smelters and consistent with the fact that the expenses to be recovered through the mechanism consist *entirely* of variable costs. Importantly, Big Rivers' proposal is not contravened by any provisions of KRS 278.183, which does not prescribe the type of charge that must be used in an environmental cost recovery mechanism. Although KRS 278.183 does not prescribe the type of charge that must be used in the mechanism, we recognize that Big Rivers' proposed methodology represents somewhat of a departure from the environmental cost recovery clauses used by other utilities in Kentucky. Because of the unique circumstances involved with unwinding the lease and purchase arrangement with E.ON, with developing long-term arrangements to provide power to the Smelters, and with developing a mechanism that will prevent Members from seeing increases from the FAC and Environmental Surcharge for approximately five years, we respectfully request that the Commission approve the Environmental Surcharge as proposed by Big Rivers without prejudice to other environmental cost recovery mechanisms in the state or to any future environmental plans which could possibly be submitted by Big Rivers in the future.

Q. What rate schedules would the Environmental Surcharge apply to?

A. The Environmental Surcharge would apply to all of Big Rivers' Tariff rates and to Base Energy sales under the Smelter Special Contracts. Specifically, Environmental Surcharge would apply to the Monthly Delivery Point Rate to Members, the Big Rivers Industrial Customer Rate, and the Base Energy Charges under the Smelter Special Contracts. Under the Smelter Special Contracts, the Smelters would pay amounts by reference to the Environmental Surcharge.

Q. What costs would be included in Big Rivers' proposed environmental plans?

A. As discussed in the Direct Testimony of David A. Spainhoward, Exhibit 18 in Case No. 2007-00455, Big Rivers is proposing to recover the cost of its Environmental Compliance Plan – specifically, an SO2 Compliance Program, an NOX Compliance Program, and an SO3 Compliance Program. For the SO2 Compliance Program, Big Rivers would recover the commodity cost of reagents used by the scrubbers (specifically, the commodity cost of purchasing lime, limestone, and dibasic acid, as applicable), and payments made to third-parties in connection with the disposal of wastes (specifically, scrubber sludge, fly ash, bottom ash, and fixation lime) and the purchase of SO2 allowances. Big Rivers would credit (refund to customers through the Environmental Surcharge) all proceeds from the sale of scrubber waste from the Coleman Generating Station for the production of gypsum and all net proceeds from the sale of SO2 allowances.

For the NOX Compliance Program, Big Rivers would recover the commodity cost of reagents used in connection with NOX compliance (specifically, the commodity cost of purchasing ammonia and sulfur) and the purchase of NOX allowances. Big Rivers would credit all net proceeds from the sale of NOX allowances.

For the SO3 Compliance Program, Big Rivers would recover the commodity cost of reagents used in connection with SO3 compliance, specifically the purchased cost of hydrated lime.

In this Application in Case No. 2007-00460, the only expenses that Big Rivers is proposing to recover through the Environmental Surcharge are the commodity costs of purchasing SO2, NOX, and SO3 reagents, and payments made to third parties to dispose of scrubber and related waste products. Big Rivers is not proposing to recover any other operation and maintenance expenses related to SO2, NOX, and SO3 compliance, nor is it requesting a return on rate base or property taxes related to any facilities in this Application.

Q. Are these expenses and allowance sale proceeds currently included in base rates?

A. No. As mentioned earlier, Big Rivers' current base rates were set at a level sufficient to cover its costs within the context of the lease and purchased power arrangement with E.ON . With Big Rivers assuming responsibility for the operation and maintenance of its generating facilities, the base rates currently charged by Big Rivers are not sufficient to cover these environmental expenses. These expenses are therefore not included in current base rates. Consequently, the Base Environmental Surcharge Factor (BESF) will initially be set at zero cents per kWh.

Big Rivers has agreed not to increase base rates prior to January 1, 2010, but would bill these environmental expenses to the Smelters and would use the Economic Reserve to offset these Environmental Surcharges, along with any FAC charges, applicable to the non-Smelter member sales for a period of approximately five years. Both the distribution cooperative members and the Smelters have agreed to this approach. Big Rivers has also made a commitment to file a general rate case to establish rates that would go into effect within three years from the date of the Commission's final Order in Case No. 2007-00455. When base rates are reviewed in connection with a general rate case proceeding, the Commission will be able to have full assurance that Big Rivers' rates, including any charges recovered through the Environmental Surcharge or FAC, properly reflect the actual cost of providing service. Until that time, because of the Economic Reserve which will have been established to prevent the members from experiencing an increase applicable to non-Smelter sales as a result of these two mechanisms, the non-Smelter members will not see a price increase as a result of setting the BESF at zero.

Q. Have you prepared an exhibit showing the forms that will be filed by Big Rivers with the Commission?

A. Yes. Big Rivers will file the monthly forms included in Exhibit WSS-6 with the Commission. These forms have been modeled after the forms used by other utilities in the state.

Q. Have you prepared an exhibit showing the anticipated Environmental Surcharge factors resulting from the three plans?

A. Yes. Exhibit WSS-7 shows the average Environmental Surcharge factors for the years 2008 through 2012.

IV. UNWIND SURCREDIT

Q. Please describe Big Rivers' proposed Unwind Surcredit.

A. In order to establish well-defined, long-term power supply arrangements with Big Rivers, the Smelters have agreed to pay a Surcharge in addition to any other charges payable under the special contracts. Specifically, Alcan and Century have agreed to pay certain surcharges as set forth in Section 4.11 of the Smelter Special Contracts, consisting of both fixed and variable surcharges. These surcharge amounts would be passed along to the members through the application of the Unwind Surcredit. The Unwind Surcredit, which is included in Exhibit WSS-8, would compute the monthly Unwind Surcredit factor, US(m), applicable to all member non-Smelter kWh sales, as follows:

$$US(m) = \text{Surcredit} + \text{Actual Adjustment} + \text{Balance Adjustment}$$

where Surcredit represents the per kWh factor calculated by dividing (a) the estimated payments that Big Rivers would receive from the Smelters in accordance with Section 4.11 of the Smelter Special Contracts during an upcoming calendar year by (b) the member non-Smelter sales (NSS), including sales made under the Monthly Delivery Point Rate to Members and the Big Rivers Industrial Customer Rate, in the corresponding calendar year. The proposed Unwind Surcharge mechanism includes an Actual Adjustment and a Balance Adjustment to provide for any over- or under-crediting of Smelter surcharge amounts. Similar provisions are included in the Gas Supply Cost (GSC) adjustment mechanisms used by gas distribution companies in Kentucky. Because the Unwind Surcharge amounts to be received from the Smelters would not be subject to significant volatility, we are proposing that the Unwind Surcredit operate on an annual rather than a quarterly adjustment cycle, in contrast to the GSC mechanisms used in the state. Big Rivers is proposing the Unwind Surcredit in Case No. 2007-00455 pursuant to subsection 1 of KRS 278.455.

Q. To what rate schedules would the Unwind Surcredit apply?

A. The Unwind Surcredit would apply to all of Big Rivers' member non-Smelter rates; specifically, the Unwind Surcharge would apply to the Monthly Delivery Point Rate to Members and the Big Rivers Industrial Customer Rate. The Unwind Surcredit would not apply to the Smelters.

Q. Have you prepared an exhibit showing the estimated Surcredit factors that will be applicable to non-Smelter member sales over the next five years?

A. Exhibit WSS-9 shows the average projected Surcredit factors during the first five years of operation of the proposed clause.

Q. Have you prepared an exhibit showing the monthly form that will be filed by Big Rivers with the Commission?

A. Yes. Big Rivers will file the form included in Exhibit WSS-10 with the Commission.

V. REBATE ADJUSTMENT

Q. Please describe the proposed Rebate Adjustment?

A. In the event that there is a rebate to the Smelters under Section 4.9 of the Smelter Special Contracts during a fiscal year, then Big Rivers, subject to Board approval, may also request Commission authorization to provide a cash rebate to its members pursuant to subsection 1 of KRS 278.455. Such a rebate would be subject to the discretion of Big Rivers and its Board, and may not be provided if funds are needed to support capital projects, to increase members' equity, or for other reasons. Any rebate would be provided as a lump-sum credit to the members and would be credited to the power bills to members during a single month of the year. The rebate provided to each member will be computed by allocating the total rebate amount on the basis of total annual base rate revenues received from each member for non-Smelter sales during the fiscal year for which the rebate amount was established. Big Rivers will apply to the Commission for authorization to provide a rebate within six months after the end of the fiscal year. The rebate will then be provided to members upon receipt of Commission approval. The Rebate Adjustment clause is included in Exhibit WSS-11.

Q. What rate schedules would the Rebate Adjustment apply to?

A. The Rebate Adjustment would apply to all of Big Rivers' non-Smelter member Tariff rates; specifically, the Rebate Adjustment would apply to the Monthly Delivery Point Rate to Members and the Big Rivers Industrial Customer Rate. The Rebate Adjustment would not apply to the Smelters. A separate rebate mechanism is included in the Smelter Special Contracts. (See Section 4.9 of the Smelter Special Contracts.)

Q. Have you prepared an exhibit showing the form that will be filed by Big Rivers with the Commission in the event that a rebate is provided to members?

A. Yes. Big Rivers will file the form included in Exhibit WSS-12 with the Commission in the event that Big Rivers provides a rebate.

VI. MEMBER RATE STABILITY MECHANISM (MRSM)

Q. Please describe the Member Rate Stability Mechanism?

A. Big Rivers will establish an Economic Reserve of approximately $75 million which will be used to offset the impact of the FAC and Environmental Surcharge after taking into account the credits received from the Unwind Surcredit and the Rebate Adjustment. Big Rivers' proposed MRSM, which is included in Exhibit WSS-13, will draw on the Economic Reserve to offset the monthly impacts of the FAC and Environmental Surcharge on the members' non-Smelter bills, net of the credits received under the Unwind Surcredit and Rebate Adjustment. Big Rivers is proposing the MRSM in Case No. 2007-00455 pursuant to subsection 1 of KRS 278.455. The MRSM will simply offset the *total dollar impact* of billings under the FAC and Environmental Surcharge *less* the total dollar amounts received under the Unwind Surcredit and *less* a monthly pro-rated portion of any lump sum rebates provided under the Rebate Adjustment. Because rebates under the Rebate Adjustment would be provided as a lump-sum credit to members, the rebate amount will be pro-rated equally (1/12th each month) over 12 billing months (including the month during which the lump-sum rebate occurs) for purposes of calculating monthly credits under the MRSM. In other words, the amount of the MRSM credit provided to each Member System during a month will equal (i) the total dollar amount of FAC charges (or credits) billed to the member during the month, *plus* (ii) the total dollar amount of Environmental Surcharge billed to the member during the month, *less* (iii) the total dollar amount of Unwind Surcredits credited to the member during the month, *less* (iv) one-twelfth (1/12) of any rebates provided under the Rebate Adjustment during the current month or during any of the 11 preceding months; provided that the amounts subtracted in items (iii) and (iv) cannot exceed the total of items (i) and (ii), in which case the monthly MRSM adjustment would be zero. Under the MRSM, Big Rivers' members will not experience any net increase from the application of the FAC and Environmental Surcharge to non-Smelter sales during a 12-month period until the Economic Reserve is drawn down completely. If a rebate is provided under the Rebate Adjustment, then the total cash amounts actually received from the application of the MRSM, Unwind Surcredit and Rebate Adjustment will not match the FAC and Environmental Surcharge amounts during each month; however, the total credits received under the MRSM, Unwind Surcredit and Rebate Adjustment will match the total FAC and Environmental Surcharge amounts over the 12-month period.

Although Big Rivers' members will not experience an increase from the application of the FAC and Environmental Surcharge during the 12 month period, it would be possible for the FAC, Environmental Surcharge, Unwind Surcredit, and Rebate Mechanism to result in a net decrease in the price paid by the members. For example, it would be possible for the Unwind Surcredit to more than offset the FAC and Environmental Surcredit (especially if the FAC happened to be a credit). In that event, MRSM would be set at zero and the members would simply see a net credit to their bills from the application of the mechanisms. In other words, as proposed, the MRSM would never result in a charge to members.

Q. Could you provide an example of how the MRSM would work assuming that there is no rebate under the Rebate Adjustment from the prior fiscal year?

A. Yes. If there is no rebate from the prior fiscal year, then the MRSM will simply offset the net dollar amount billed for non-Smelter member sales during the month to each member under the FAC and Environmental Surcharge less the Unwind Surcredit. For example, suppose that (i) the FAC amount billed to a member for non-Smelter sales is $10,150, (ii) the Environmental Surcharge billed to a member for non-Smelter sales is $20,200, and (iii) the Unwind Surcredit received is $5,000. Then the member's MRSM adjustment for the month would be a credit of $25,350 (or $10,150 + $20,200 - $5,000 = $25,350). In other words, the MRSM of $25,350 would offset the FAC charge of $10,150, *plus* the Environment Surcharge of $20,200, *less* the Unwind Surcredit of $5,000. It should be pointed out that the figures used in this example were developed simply to illustrate how the MRSM will be determined and in no way represent amounts that will likely occur.

Q. Could you also provide an example of how the MRSM would work assuming that there is a rebate under the Rebate Adjustment?

A. Yes. If a rebate is provided under the Rebate Mechanism, then the rebate amount to the member would be prorated over a 12-month period for purposes of calculating the MRSM adjustment for the month. Using the same assumptions outlined in the prior example, assume further that the member was provided a $144,000 rebate under the Rebate Mechanism within the last 12 months. The member's MRSM adjustment for the month would then be a credit of $13,350 (or $10,150 + $20,200 - $5,000 – $144,000/12 = $13,350). In this instance, the MRSM of $13,350 would offset the FAC charge of $10,150, *plus* the Environment Surcharge of $20,200, *less* the Unwind Surcredit of $5,000 *less* 1/12th of the $144,000 rebate amount that the member received. Note that the MRSM of $13,350 would not fully offset the net effect of the FAC, Environmental Surcredit, Unwind Surcredit and the pro-ration of the rebate amount during the month; but, on a 12 month basis the sum of the amounts received under the Unwind Surcredit, Rebate Mechanism, and MRSM would exactly match and thus fully offset the sum of the FAC and Environmental Surcharge.

Q. What will happen when the Economic Reserve is almost completely drawn down and there is only enough left to partially offset the impact of the FAC and Environmental Surcharge after accounting for the Unwind Surcredit and Rebate Adjustment?

A. During the last month of the MRSM, the amount remaining in the Economic Reserve will be prorated to each member on the basis of the total FAC and Environmental Surcharge amounts applicable to non-Smelter sales less credits under the Unwind Surcredits and less monthly prorated amounts under the Rebate Adjustment.

Q. Will the Economic Reserve accrue interest?

A. Yes. The Economic Reserve will be established as a stand-alone investment account, separate from any of Big Rivers' other cash investments. Interest earned or other earnings on the investment account will accrue to the Economic Reserve and will be returned to the members through the normal application of the MRSM. After the fund is initially established at the closing of the unwind arrangement with E.ON, no additional principal amounts will be added to the Economic Reserve. After closing, only interest will be added to the Economic Reserve.

Q. Will the MRSM account for the effect of any FAC or Environmental Surcharge costs being "rolled in" to base rates?

A. Yes. At some point prior to the Economic Reserve being fully drawn down, the Commission may consider moving costs recovered through the FAC and Environmental Surcharge into base rates (resulting in a "roll in"), or, in the case of the FAC, the Commission may consider moving costs recovered through base rates back into the FAC (resulting in a "roll out" of costs from base rates), particularly if Big Rivers were expecting to incur fuel costs lower than base fuel cost subsequent to a two-year FAC review. If there is either a "roll in" of FAC or Environmental Surcharge costs into base rates, or there is a "roll out" of FAC costs from base rates into the FAC, the MRSM, while it is in place, will account for any such effect of the "roll in" or "roll out" so that the Members will not see any impact on their bills, either positive or negative, due to a roll-in. For example, if 0.200 ¢ /kWH of the charge recovered through the Environmental Surcharge is "rolled in" to base rates, then the MRSM will subsequently provide a credit to offset any Environmental Surcharge amounts billed to the Member System *plus* the amount billed to the Member corresponding to the 0.200 ¢ /kWH charge that was "rolled in" to base rates.

Q. What rate schedules would the MRSM apply to?

A. The MRSM would apply to all of Big Rivers' non-Smelter member Tariff rates; specifically, the MRSM would apply to the Monthly Delivery Point Rate to Members and the Big Rivers Industrial Customer Rate. The MRSM will not apply to the Smelters.

Q. Does Big Rivers propose to file a monthly report with the Commission showing the MRSM amounts credited to each non-Smelter member, the interest added to the Economic Reserve, and the balance remaining in the Economic Reserve at the end of the month?

A. Yes. Big Rivers will file the form included in Exhibit WSS-14 within 45 days after the end of the month.

VII. FILING REQUIREMENTS RELATED TO THE PROPOSED CREDIT MECHANISMS

Q. Have you prepared an analysis demonstrating that the proposed rate changes associated with the Unwind Surcredit, Rebate Adjustment and MRSM do not change the rate design currently in effect and demonstrating that the revenue change is to be

allocated to each class within each tariff on a proportional basis, as required by section 1, sub-paragraphs (5)(a) and (b) of 807 KAR 5:007?

A. Yes. Exhibit WSS-15, which is constructed from information supplied in Exhibit CWB-8 of the Direct Testimony of C. William Blackburn in Case No. 2007-00455, shows the effect on member billings of the five adjustment clauses described in my testimony. Specifically, this exhibit shows that the implementation of the FAC, Environmental Surcharge, Unwind Surcredit, Rebate Adjustment and MRSM will not have an initial impact on the revenues collected from members. As can be seen from Exhibit WSS-15, the revenues shown in Column (7), which represents estimated billings prior to the application of the five adjustment clauses, equal the revenues shown in Column (14), which represents the estimated billing subsequent to the application of the five mechanisms. It is evident from this exhibit that the three credit mechanisms – Unwind Surcredit, Rebate Adjustment and MRSM – do not have an effect on Big Rivers' current rate design. Collectively, these three credit mechanism will have the effect of off-setting the impact of the FAC and Environmental Surcharge, thus leaving Big Rivers' rate design *fully* intact over a 12-month period. This exhibit also shows that the billing credits from these three mechanisms are allocated to each tariff on a proportional basis. As discussed earlier in my testimony, credits under the Unwind Surcredit are allocated proportionally on the basis of kWh sales; credits under the Rebate Adjustment are allocated proportionally on the basis of prior year base revenues; and credits under the MRSM are allocated proportionally on the basis of the net impact of the four other adjustment clauses.

Q Do these credit mechanisms apply to the wholesale power sold by Big Rivers to Kenergy for resale to the Smelters?

A. No. Wholesale power supply to the Smelters is provided to Kenergy by Big Rivers under Special Contracts that are treated by Big Rivers as third-party wholesale sales arrangements. Because those Special Contracts do not provide for the Smelters to receive the benefit of these credit mechanisms, it is my understanding that application of those credit mechanisms to the wholesale sales for resale to the Smelters is not allowed under KRS 278.455(3).

Q. Does this conclude your testimony?

A. Yes, it does.

VERIFICATION

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

W. Steven Seelye

COMMONWEALTH OF KENTUCKY)
COUNTY OF OLDHAM)

Subscribed and sworn to before me by W. Steven Seelye on this the 17TH day of December, 2007.

Patsy W. Luttrell
Notary Public, Ky. State at Large
My Commission Expires: 12-02-10

Exhibit WSS-1

organizations (ISOs), including audits of production cost modeling, retail utility tariffs, retail utility billing practices, and ISO billing processes and procedures.

Manager of Rates and Other Positions Louisville Gas & Electric Co. (May 1979 to July 1996)	Held various positions in the Rate Department of LG&E. In December 1990, promoted to Manager of Rates and Regulatory Analysis. In May 1994, given additional responsibilities in the marketing area and promoted to Manager of Market Management and Rates.

Education

Bachelor of Science Degree in Mathematics, University of Louisville, 1979
54 Hours of Graduate Level Course Work in Industrial Engineering and Physics.

Expert Witness Testimony

Alabama:	Testified in Docket 28101 on behalf of Mobile Gas Service Corporation concerning rate design and pro-forma revenue adjustments.
Colorado:	Testified in Consolidated Docket Nos. 01F-530E and 01A-531E on behalf of Intermountain Rural Electric Association in a territory dispute case.
FERC:	Submitted direct and rebuttal testimony in Docket No. EL02-25-000 et al. concerning Public Service of Colorado's fuel cost adjustment.
	Submitted direct and responsive testimony in Case No. ER05-522-001 concerning a rate filing by Bluegrass Generation Company, LLC to charge reactive power service to LG&E Energy, LLC.
	Submitted testimony in Case Nos. ER07-1383-000 and ER08-05-000 concerning Duke Energy Shared Services, Inc.'s charges for reactive power service.
Florida:	Testified in Docket No. 981827 on behalf of Lee County Electric Cooperative, Inc. concerning Seminole Electric Cooperative Inc.'s wholesale rates and cost of service.
Illinois:	Submitted direct, rebuttal, and surrebuttal testimony in Docket No. 01-0637 on behalf of Central Illinois Light Company ("CILCO") concerning the modification of interim supply service and the implementation of black start service in connection with providing unbundled electric service.

Indiana:	Submitted direct testimony and testimony in support of a settlement agreement in Cause No. 42713 on behalf of Richmond Power & Light regarding revenue requirements, class cost of service studies, fuel adjustment clause and rate design.
	Submitted direct and rebuttal testimony in Cause No. 43111 on behalf of Vectren Energy in support of a transmission cost recovery adjustment.
Kansas:	Submitted direct and rebuttal testimony in Docket No. 05-WSEE-981-RTS on behalf of Westar Energy, Inc. and Kansas Gas and Electric Company regarding transmission delivery revenue requirements, energy cost adjustment clauses, fuel normalization, and class cost of service studies.
Kentucky:	Testified in Administrative Case No. 244 regarding rates for cogenerators and small power producers, Case No. 8924 regarding marginal cost of service, and in numerous 6-month and 2-year fuel adjustment clause proceedings.
	Submitted direct and rebuttal testimony in Case No. 96-161 and Case No. 96-362 regarding Prestonsburg Utilities' rates.
	Submitted direct and rebuttal testimony in Case No. 99-046 on behalf of Delta Natural Gas Company, Inc. concerning its rate stabilization plan.
	Submitted direct and rebuttal testimony in Case No. 99-176 on behalf of Delta Natural Gas Company, Inc. concerning cost of service, rate design and expense adjustments in connection with Delta's rate case.
	Submitted direct and rebuttal testimony in Case No. 2000-080, testified on behalf of Louisville Gas and Electric Company concerning cost of service, rate design, and pro-forma adjustments to revenues and expenses.
	Submitted rebuttal testimony in Case No. 2000-548 on behalf of Louisville Gas and Electric Company regarding the company's prepaid metering program.
	Testified on behalf of Louisville Gas and Electric Company in Case No. 2002-00430 and on behalf of Kentucky Utilities Company in Case No. 2002-00429 regarding the calculation of merger savings.
	Submitted direct and rebuttal testimony in Case No. 2003-00433 on behalf of Louisville Gas and Electric Company and in Case No. 2003-00434 on behalf of Kentucky Utilities Company regarding pro-forma revenue, expense and plant adjustments, class cost of service studies, and rate design.
	Submitted direct and rebuttal testimony in Case No. 2004-00067 on behalf of Delta Natural Gas Company regarding pro-forma adjustments, depreciation rates, class cost of service studies, and rate design.

Testified on behalf of Kentucky Utilities Company in Case No. 2006-00129 and on behalf of Louisville Gas and electric Company in Case No. 2006-00130 concerning methodologies for recovering environmental costs through base electric rates.

Testified on behalf of Delta Natural Gas Company in Case No. 2007-00089 concerning cost of service, temperature normalization, year-end normalization, depreciation expenses, allocation of the rate increase, and rate design.

Nevada: Submitted direct and rebuttal testimony in Case No. 03-10001 on behalf of Nevada Power Company regarding cash working capital and rate base adjustments.

Submitted direct and rebuttal testimony in Case No. 03-12002 on behalf of Sierra Pacific Power Company regarding cash working capital.

Submitted direct and rebuttal testimony in Case No. 05-10003 on behalf of Nevada Power Company regarding cash working capital for an electric general rate case.

Submitted direct and rebuttal testimony in Case No. 05-10005 on behalf of Sierra Pacific Power Company regarding cash working capital for a gas general rate case.

Submitted direct and rebuttal testimony in Case Nos. 06-11022 and 06-11023 on behalf of Nevada Power Company regarding cash working capital for a gas general rate case.

Submitted direct and rebuttal testimony on behalf of Sierra Pacific Power Company regarding cash working capital for its 2007 electric general rate case.

Nova Scotia: Testified on behalf of Nova Scotia Power Company in NSUARB – NSPI – P-887 regarding the development and implementation of a fuel adjustment mechanism.

Exhibit WSS-2

FUEL ADJUSTMENT CLAUSE

APPLICABILITY

To all Big Rivers Electric Corporation's ("Big Rivers") Members.

AVAILABILITY

The Fuel Adjustment Clause ("FAC") is a mandatory rider to all wholesale sales by Big Rivers to its Members, including Base Energy sales to the Smelters under the two Wholesale Electric Service Agreements each dated as of __________, 2008, between Big Rivers and Kenergy with respect to service by Kenergy to the Smelters, but excluding Supplemental and Back-Up Energy sales to the Smelters under those two Agreements.

(1) The FAC shall provide for periodic adjustment per kWh of sales when the unit cost of fuel [F(m)/S(m)] is above or below the base unit cost of $0.01072 per kWh [F(b)/S(b)]. The monthly charges shall be increased or decreased by the product of the kWh furnished during the month and the FAC Factor for the month where the FAC Factor is defined below:

$$\text{FAC Factor} = \frac{F(m)}{S(m)} - \frac{F(b)}{S(b)}$$

Where "F" is the expense of fossil fuel in the base (b) and current (m) periods; and S is sales in the base (b) and current (m) periods as defined in 807 KAR 5:056, all defined below:

(2) Fuel cost (F) shall be the most recent actual monthly cost of:

(a) Fossil fuel consumed in the utility's own plants, and the utility's share of fossil and nuclear fuel consumed in jointly owned or leased plants, plus the cost of fuel which would have been used in plants suffering forced generation or transmission outages, but less the cost of fuel related to substitute generation, plus

(b) The actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than identified in paragraph (c) below, but excluding the cost of fuel related to purchases to substitute the forced outages, plus

(c) The net energy cost of energy purchases, exclusive of capacity or demand charges (irrespective of the designation assigned to such transaction) when such energy is purchased on an economic dispatch basis and exclusive of energy purchases directly related to Supplemental and Back-Up Energy sales to the Smelters. Included therein may be such costs as the charges for economy energy purchases and the charges as a result of scheduled outages, also such kinds of energy being purchased by the buyer to substitute for its own higher cost energy; and less

(d) The cost of fossil fuel, as denoted in (2)(a) above, recovered through inter-system sales, including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis, and the cost of fossil fuel recovered through Interruptible, Back-Up or Market Energy sales to the Smelters

(e) All fuel costs shall be based on weighted average inventory costing.

(3) Forced outages are all non-scheduled losses of generation or transmission which require substitute power for a continuous period in excess of six (6) hours. Where forced outages are not as a result of faulty equipment, faulty manufacture, faulty design, faulty installations, faulty operation, or faulty maintenance, but are Acts of God, riot, insurrection or acts of public enemy, the utility may, upon proper showing, with the approval of the Commission, include the fuel cost of substitute energy in the adjustment.

(4) Sales (S) shall be kWh sold, excluding inter-system sales and Supplemental and Back-Up Energy sales to the Smelters. Where for any reason, billed system sales cannot be coordinated with fuel costs for the billing period, sales may be equated to the sum of (i) generation, (ii) purchases, (iii) interchange in, less (iv) energy associated with pumped storage operations, less (v) inter-system sales referred to in subsection (2)(d) above, less (vi) total system losses. Utility-used energy shall not be excluded in the determination of sales (S).

(5) The cost of fossil fuel shall include no items other than the invoice price of fuel less any cash or other discounts. The invoice price of fuel includes the cost of the fuel itself and necessary charges for transportation of the fuel from the point of acquisition to the unloading point, as listed in Account 151 of the FERC Uniform System of Accounts for Public Utilities and Licenses.

(6) Current (m) period shall be the second month preceding the month in which the FAC factor is billed.

(7) Until Big Rivers has actual fuel cost experience for a full calendar month reflecting the operation of its generating facilities, F(m)/S(m) shall be equal to $0.01662 per kWh.

Exhibit WSS-3

BIG RIVERS ELECTRIC CORP

FUEL ADJUSTMENT CLAUSE SCHEDULE

Expense Month :

Fuel "Fm" (Fuel Cost Schedule) / Sales "Sm" (Sales Schedule)	=	______ KWH	= (+)	/ KWH
Proposed Base Fuel Component			= (-)	$ 0.01072 / KWH
	FAC Factor (1)		=	______ / KWH

Note: (1) Five decimal places in dollars for normal rounding.

Effective Date for Billing:

Submitted by ______________________

Title:

BIG RIVERS ELECTRIC CORP
FUEL COST SCHEDULE

Expense Month:

(A)	Company Generation		
	Coal Burned	(+)	
	Oil Burned	(+)	
	Gas Burned	(+)	
	Fuel (assigned cost during Forced Outage)	(+)	
	Fuel (substitute cost for Forced Outage)	(-)	
	SUB-TOTAL		
(B)	Purchases		
	Net energy cost - economy purchases	(+)	
	Identifiable fuel cost - other purchases	(+)	
	Identifiable fuel cost (substitute for Forced Outage)	(-)	
	Less Purchases Above Highest Cost Units	(-)	
	Internal Economy	(+)	
	Internal Replacement	(+)	
	SUB-TOTAL		
(C)			
	Inter-System Sales		
	Including Interchange-out	(+)	
	Internal Economy	(+)	
	Internal Replacement	(+)	
	Supplemental Sales to Smelters	(+)	
	Backup Sales to Smelters	(+)	
	Dollars Assigned to Inter-System Sales Losses	(+)	
	SUB-TOTAL		
(D)			
	Over or (Under) Recovery		
	From Page 4, Line 13		
	TOTAL FUEL RECOVERY (A+B-C-D) =		

BIG RIVERS ELECTRIC CORP

SALES SCHEDULE (KWH)

Expense Month:

(A)	Generation (Net)	(+)	
	Purchases including interchange-in	(+)	
	Internal Economy	(+)	
	Internal Replacement	(+)	
	SUB-TOTAL		

(B)	Inter-system Sales including interchange-out	(+)	
	Internal Economy	(+)	
	Internal Replacement	(+)	
	Supplemental Sales to Smelters	(+)	
	Backup Sales to Smelters	(+)	
	System Losses (KWH times)	(+)	
	SUB-TOTAL		

TOTAL SALES (A-B)

BIG RIVERS ELECTRIC CORP

FUEL ADJUSTMENT CLAUSE
OVER OR (UNDER) RECOVERY SCHEDULE

Expense Month:

1.	Last FAC Rate Billed		
2.	KWH Billed at Above Rate		______
3.	FAC Revenue/(Refund)	(Line 1 x Line 2)	______
4.	KWH Used to Determine Last FAC Rate		
5.	Non-Jurisdictional KWH (Included in Line 4)		______
6.	Kentucky Jurisdictional KWH	(Line 4 - Line 5)	______
7.	Revised FAC Rate Billed, if prior period adjustment is needed (See Note 1)		
8.	Recoverable FAC Revenue/(Refund)	(Line 1 x Line 6)	______
9.	Over or (Under) Recovery	(Line 3 - Line 8)	______
10.	Total Sales "Sm" (From Page 3 of 5)		______
11.	Kentucky Jurisdictional Sales		______
12.	Total Sales Divided by Kentucky Jurisdictional Sales	(Line 10 / Line 11)	______
13	Total Company Over or (Under) Recovery	(Line 9 x Line 12)	______ To Page 2, Line D

Note: An over/under recovery adjustment will not be calculated until the FAC Factor billed is determined using Big Rivers' actual fuel costs and sales.

Exhibit WSS-4

Company: Big Rivers Electric Corp

FUEL INVENTORY SCHEDULE

Plant:

Month Ended:

Fuel Coal

Plant A

	Amount	MMBTU	Per Unit	Tons	Per Unit
Beginning Inventory			¢		
Purchases			¢		
Adjustments					
Sub-Total			¢		
Less Fuel Burned			¢		
Ending Inventory			¢		

Plant B

	Amount	MMBTU	Per Unit	Tons	Per Unit
Beginning Inventory			¢		
Purchases			¢		
Adjustments					
Sub-Total			¢		
Less Fuel Burned			¢		
Ending Inventory			¢		

Coal In Transit

	Amount	MMBTU	Per Unit	Tons	Per Unit
Coal In Transit (1)			¢		
Total Combined Inventory			¢		

Company:........................ Big Rivers Electric Corp

FUEL INVENTORY SCHEDULE

Plant:..

Month Ended:................................

Fuel No. 2 Fuel Oil

Plant A

	Units (Gal.)	Amount	Amount Per Unit
Beginning Inventory			¢
Less Fuel Burned (1)			¢
Other Uses (2)			¢
Ending Inventory			¢

Plant B

	Units (Gal.)	Amount	Amount Per Unit
Beginning Inventory			¢
Purchases			
Sub-Total			¢
Less Fuel Burned-Jurisdictional			¢
Non-Jurisdictional			¢
Ending Inventory			¢
Total Combined Inventory			¢

Company:................ Big Rivers Electric Corp

FUEL INVENTORY SCHEDULE

Plant:....................................

Month Ended:....................................

Fuel Natural Gas

Plant A

	Units (MCF)	Amount	Amount Per Unit
Beginning Inventory			
Purchases			¢
Sub-Total			¢
Less Fuel Burned			¢
Ending Inventory			

Plant B

	Units (MCF)	Amount	Amount Per Unit
Beginning Inventory			¢
Purchases			¢
Sub-Total			¢
Less Fuel Burned			¢
Ending Inventory			¢
Total Combined Inventory			¢

Big Rivers Electric Corp

POWER TRANSACTION SCHEDULE

Month Ended:

	Type of Transaction	KWH	Billing Components: Demand($)	Fuel Charges($)	Other Charges($)	Total Charges($)
Company						
Purchases						
SUB-TOTAL						
LESS: PURCHASED FOR SUPPLEMENAL OR BACKUP SALES						
TOTAL						
Sales						
SUBTOTAL						
LOSSES ACROSS OTHER SYSTEMS (NOT BILLED)						
TOTAL						

BIG RIVERS ELECTRIC CORP
ANALYSIS OF OTHER FUEL PURCHASES
FOR THE MONTH OF

Fuel & Supplier (a)	PBDU (b)	POCN (c)	MT (d)	Station Name (e)	Gal. or MCF Purchased (f)	BTU Per Unit (g)	Delivered Cost ($) (h)	Cents Per MMBTU (i)	% Sulfur (j)
Oil									
Natural Gas									
Total Natural Gas									

(b) Designated by Symbol
P = Producer
B = Broker
D = Distributor
U = Utility

(c) POCN = Purchase Order or Contract Number

(d) MT = Mode of Transportation Designated by Symbol
R = Rail
B = Barge
T = Truck
P = Pipeline

Company Name: Big Rivers Electric Corp

Station Name - Unit Number:

For the Month of:

Line No.	Item Description	Unit # 1	Unit # 2	Unit # 3	Total Station
1.	Unit Performance:				
	a. Capacity (name plate rating) (MW)				
	b. Capacity (average load) (L2c/L3a) (MW)				
	c. Net Demonstrated Capability (MW)				
	d. Net Capability Factor (L1b/L1c) (%)				
2.	Heat Rate:				
	a. BTU Consumed (MMBTU)				
	b. Gross Generation (MWH)				
	c. Net Generation (MWH)				
	d. Heat Rate (L2a/L2c) (BTU/KWH)				
3.	Operation Availability:				
	a. Hours Unit Operated				
	b. Hours Available				
	c. Hours During the Period				
	d. Availability Factor (L3b/L3c) (%)				
4.	Cost per KWH:				
	a. Gross Generation - FAC Basis (cents/KWH)				
	b. Net Generation - FAC Basis (cents/KWH)				
5.	Inventory Analysis:				
	a. Number of Days Supply based on actual burn at the station (1)				

Exhibit WSS-5

ENVIRONMENTAL SURCHARGE

APPLICABILITY

To all Big Rivers Electric Corporation's ("Big Rivers") Members.

AVAILABILITY

The Environmental Surcharge ("ES") is a mandatory rider to all sales by Big Rivers to its Members, including Base Energy sales to the Smelters under the two Wholesale Electric Service Agreements each dated as of __________, 2008, between Big Rivers and Kenergy with respect to service by Kenergy to the Smelters, but excluding Supplemental and Back-Up Energy sales to the Smelters under those two Agreements.

RATE

The ES shall provide for monthly adjustments based on a charge per kWh equal to the difference between the environmental compliance costs in the base period and in the current period based on the following formula:

$$CESF = \text{Net } E(m)/S(m)$$

$$MESF = CESF - BESF$$

MESF = Monthly Environmental Surcharge Factor
CESF = Current Environmental Surcharge Factor
BESF = Base Environmental Surcharge Factor of $0.00000/kWh

Where E(m) is the total of each approved environmental compliance plan revenue requirement of environmental costs for the current expense month and S(m) is the kWh sales for the current expense month as set forth below.

DEFINITIONS

(1) $E(m) = OE - BAS + \text{(Over)Under Recovery}$

Where:

(a) OE represents the Monthly Pollution Control Operating Expenses, defined as the operating and maintenance expense and emission allowance expense of approved environmental compliance plans;

(b) BAS is the net proceeds from By-Products and Emission Allowance Sales, and;

(c) (Over) or Under recovery amount as amortized from prior six-month period.

(2) Total E(m) is multiplied by the Jurisdictional System Allocation Ratio to arrive at Net E(m). The Jurisdictional System Allocation Ratio is the ratio of the kWh sales to Member Systems to which the Surcharge will be applied, ending with the current expense month, divided by the kWh sales related to jurisdictional sales, off-system sales, and Supplemental or Back-Up sales to the Smelters supplied from Big Rivers' generation resources during the month.

(3) Jurisdictional sales S(m) is the kWh sales for Big Rivers for the current expense month.

(4) The current expense month (m) shall be the second month preceding the month in which the Environmental Surcharge is billed.

(5) Until Big Rivers has actual cost experience for a full calendar month reflecting the operation of its generating facilities, E(m)/S(m) shall be equal to $0.00049 per kWh.

Exhibit WSS-6

BIG RIVERS ELECTRIC CORP
ENVIRONMENTAL SURCHARGE REPORT

Calculation of Monthly Billed Environmental Surcharge Factor - MESF
For the Expense Month

MESF = CESF - BESF

Where:

CESF	=	Current Environmental Surcharge Factor
BESF	=	Base Environmental Surcharge Factor

Calculation of MESF:

CESF, from ES Form 1.10	=
BESF	=
MESF	=

Effective Date for Billing:

Submitted by: ______________________

Title:

Date Submitted: ______________________

BIG RIVERS ELECTRIC CORP
ENVIRONMENTAL SURCHARGE REPORT

Calculation of Total E(m) and Jurisdictional Surcharge Billing Factor

For the Expense Month

Calculation of Total E(m)

E(m) = OE - BAS, where

OE	=	Pollution Control Operating Expenses for Expense Month
BAS	=	Total Proceeds from By-Product and Allowance Sales

		Environmental Compliance Plans
OE	=	
BAS	=	
E(m)	=	

Calculation of Jurisdictional Environmental Surcharge Billing Factor

Jurisdictional Allocation Ratio for Expense Month	=	
Jurisdictional E(m) = E(m) x Jurisdictional Allocation Ratio	=	
Adjustment for Monthly True-up (from Form 2.00)	=	
Adjustment for Under-collection,	=	
Prior Period Adjustment (if necessary)	=	
Net Jurisdictional E(m) = Jurisdictional E(m) minus Adjustment for Monthly True-up plus/minus Prior Period Adjustment	=	
Jurisdictional S(m) = Monthly Jurisdictional Kwh Sales for the Month	=	
Jurisdictional Environmental Surcharge Billing Factor: Net Jurisdictional E(m) / Jurisdictional S(m) ; Per Kwh	=	

BIG RIVERS ELECTRIC CORP
ENVIRONMENTAL SURCHARGE REPORT

Revenue Requirements of Environmental Compliance Costs
For the Expense Month

Determination of Pollution Control Operating Expenses

	Enviromental Compliance Plan
Operations & Maintenance Expense for Expense Month	
Emission Allowance Expense for Expense Month from ES Form 2.31, 2.32 and 2.33	
Total Pollution Control Operations Expense for Expense Month	

Proceeds From By-Product and Allowance Sales

	Total Proceeds
Allowance Sales	
Scrubber By-Products Sales	
Total Proceeds from Sales	

True-up Adjustment: Over/Under Recovery of Monthly Surcharge Due to Timing Differences

A. MESF for two months prior to Expense Month	
B. Net Jurisdictional E(m) for two months prior to Expense Month	
C. Environmental Surcharge Revenue, current month (from ES Form 3.00)	
D. E(m) recovered through base rates	
E. Over/(Under) Recovery due to Timing Differences ((D + C) - B)	
Over-recoveries will be deducted from the Jurisdictional E(m); under-recoveries will be added to the Jurisdictional E(m)	

BIG RIVERS ELECTRIC CORP
ENVIRONMENTAL SURCHARGE REPORT
Inventory of Emission Allowances

For the Month Ended:

Vintage Year	Number of Allowances			Total Dollar Value Of Vintage Year			Comments and Explanations
	SO_2	NOx Annual	NOx Ozone Season	SO_2	NOx Annual	NOx Ozone Season	
Current Year							
2008							
2009							
2010							
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
2025							
2026							
2027 - 2036							

In the "Comments and Explanation" Column, describe any allowance inventory adjustment other than the assignment of allowances by EPA. Inventory adjustments include, but are not limited to, purchases, allowances acquired as part of other purchases, and the sale of allowances.

BIG RIVERS ELECTRIC CORP
ENVIRONMENTAL SURCHARGE REPORT
Inventory of Emission Allowances (SO_2) - Current Vintage Year

For the Expense Month

	Beginning Inventory	Allocations/ Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity							
Dollars							
$/Allowance							
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity							
Dollars							
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity							
Dollars							
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity							
Dollars							
$/Allowance							
From Big Rivers							
Quantity							
Dollars							
$/Allowance							

Emission Allowance Expense for Other Power Generation is excluded from expense reported on Form 2.00 for recovery through the monthly billing factor

BIG RIVERS ELECTRIC CORP
ENVIRONMENTAL SURCHARGE REPORT
Inventory of Emission Allowances (NOx) - Ozone Season Allowance Allocation

For the Expense Month

	Beginning Inventory	Allocations/ Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity							
Dollars							
$/Allowance							
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity							
Dollars							
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity							
Dollars							
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity							
Dollars							
$/Allowance							
From Big Rivers:							
Quantity							
Dollars							
$/Allowance							

Emission Allowance Expense for Other Power Generation is excluded from expense reported on Form 2.00 for recovery through the monthly billing factor.

BIG RIVERS ELECTRIC CORP
ENVIRONMENTAL SURCHARGE REPORT
Inventory of Emission Allowances (NOx) - Annual Allowance Allocation

For the Expense Month

	Beginning Inventory	Allocations/ Purchases	Utilized (Coal Fuel)	Utilized (Other Fuels)	Sold	Ending Inventory	Allocation, Purchase, or Sale Date & Vintage Years
TOTAL EMISSION ALLOWANCES IN INVENTORY, ALL CLASSIFICATIONS							
Quantity	0	0	0	0	0	0	
Dollars	$ -	$ -	$ -	$ -	$ -	$ -	
$/Allowance	$ -	$ -	$ -	$ -	$ -	$ -	
ALLOCATED ALLOWANCES FROM EPA: COAL FUEL							
Quantity	-	-	-	-	-	0	
Dollars	$ -	$ -	$ -	$ -	$ -	$ -	
ALLOCATED ALLOWANCES FROM EPA: OTHER FUELS							
Quantity	0	0	0	0	0	0	
Dollars	$ -	$ -	$ -	$ -	$ -	$ -	
ALLOWANCES FROM PURCHASES:							
From Market:							
Quantity	0	0	0	0	0	0	
Dollars	$ -	$ -	$ -	$ -	$ -	$ -	
$/Allowance	$ -	$ -	$ -	$ -	$ -	$ -	
From Big Rivers:							
Quantity	0	0	0	0	0	0	
Dollars	$ -	$ -	$ -	$ -	$ -	$ -	
$/Allowance	$ -	$ -	$ -	$ -	$ -	$ -	

Emission Allowance Expense for Other Power Generation is excluded from expense reported on Form 2.00 for recovery through the monthly billing factor.

BIG RIVERS ELECTRIC CORP
ENVIRONMENTAL SURCHARGE REPORT

***Pollution Control* - Operations & Maintenance Expenses**
For the Month Ended:

O&M Expense Account	Generating Station	Generating Station	Generating Station	**Total All Stations**
Nox Plan				
Individual Expense Account Items				
Individual Expense Account Items				
Individual Expense Account Items				
Total NOx Plan O&M Expenses				
S02 Plan				
Individual Expense Account Items				
Individual Expense Account Items				
Individual Expense Account Items				
Total S02 Plan O&M Expenses				
S03 Plan				
Individual Expense Account Items				
Individual Expense Account Items				
Individual Expense Account Items				
Total S02 Plan O&M Expenses				

Current Month O&M Expense for All Plans				

BIG RIVERS ELECTRIC CORP
ENVIRONMENTAL SURCHARGE REPORT
Kwh Sales Computation of S (m)

For the Expense Month:

(1)	Member Sales (kWh)	
(2)	Base Energy Sales to Smelters (kWh)	
(3)	Subtotal Jurisdictional Sales (kWh)	
(4)	Off-System Sales (kWh)	
(5)	Supplemental and Backup Sales to Smelters Supplied from Big Rivers' Generation Resources (kWh)	
(6)	Total	
(7)	Jurisdictional Allocation Percentage for Current Month Expense Month Kentucky Jurisdictional kWhs dividded by Expense Month Total kWh Sales [(3)/(6)]	

Note: Off-System Sales excludes brokered sales
Total for Month = ______________________

Exhibit WSS-7

Big Rivers Electric Cooperative, Inc.
Estimate of
Monthly Environmental Surcharge Factor
2008 - 2012

	May - Dec 2008	2009	2010	2011	2012
NOX Plan					
HMPL Station Two (BREC Share)					
Sulfur	$ 36,418	$ 91,042	$ 93,243	$ 91,378	$ 90,794
Ammonia	331,366	828,379	848,411	831,442	826,138
HMPL Total	$ 367,784	$ 919,421	$ 941,654	$ 922,820	$ 916,932
Wilson					
Sulfur	$ 22,731	$ 30,807	$ 35,635	$ 34,238	$ 37,519
Ammonia	645,165	1,417,763	1,639,463	1,576,091	1,721,546
Wilson Total	$ 667,896	$ 1,448,570	$ 1,675,098	$ 1,610,329	$ 1,759,065
Nox Subtotal	$ 1,035,680	$ 2,367,991	$ 2,616,752	$ 2,533,149	$ 2,675,997
Allowances Costs	$ 214,723	$ 7,226,338	$ 6,104,003	$ 3,974,074	$ 3,647,901
Nox Grand Total	$ 1,250,403	$ 9,594,329	$ 8,720,755	$ 6,507,224	$ 6,323,898

Big Rivers Electric Cooperative, Inc.
Estimate of
Monthly Environmental Surcharge Factor
2008 - 2012

		May - Dec 2008		2009		2010		2011		2012
SO2 Plan										
Coleman Station										
Limestone	$	2,463,212	$	4,109,802	$	4,508,418	$	5,013,165	$	5,310,758
Fly Ash		1,023,852		994,487		1,026,123		1,054,684		1,033,332
Bottom Ash		255,963		248,622		256,531		263,671		258,333
Gypsum Disposal		136,887		132,961		137,190		141,009		138,154
Di-Basic Acid		-		-		-		-		-
Coleman Total	$	3,879,914	$	5,485,872	$	5,928,261	$	6,472,529	$	6,740,577
Green Station										
Lime	$	5,494,432	$	8,591,986	$	8,868,152	$	9,854,970	$	11,709,808
Sludge Disposal		870,386		1,398,801		1,570,495		1,479,672		1,567,453
Fly Ash		375,768		603,898		678,023		638,813		676,710
Bottom Ash		93,942		150,975		169,506		159,703		169,177
Fixation Lime		436,622		671,683		707,606		690,269		731,219
Di-Basic Acid		-		-		-		-		-
Coleman Total	$	7,271,150	$	11,417,342	$	11,993,782	$	12,823,427	$	14,854,367
HMPL Station (BREC Portion)										
Lime	$	1,865,183	$	3,180,689	$	3,351,677	$	3,761,377	$	4,079,903
Sludge Disposal		297,966		522,204		598,580		569,527		550,746
Fly Ash		97,011		170,017		194,883		185,424		179,310
Bottom Ash		24,253		42,504		48,721		46,356		44,827
Fixation Lime		138,390		232,163		249,702		245,987		244,419
Di-Basic Acid		-		-		-		-		-
Coleman Total	$	2,422,803	$	4,147,578	$	4,443,564	$	4,808,671	$	5,099,206
Reid										
Limestone	$	-	$	-	$	-	$	-	$	-
Sludge Disposal		-		-		-		-		-
Fly Ash		-		-		-		-		-
Bottom Ash		3,685		-		-		-		-
Fixation Lime		-		-		-		-		-
Di-Basic Acid		-		-		-		-		-
Coleman Total	$	3,685	$	-	$	-	$	-	$	-
Wilson Station										
Limestone	$	2,112,400	$	2,894,220	$	3,346,521	$	3,216,347	$	3,280,793
Sludge Disposal		357,434		489,817		566,083		547,225		564,497
Fly Ash		97,880		134,131		155,016		149,852		181,545
Bottom Ash		24,470		33,533		38,754		37,463		45,386
Fixation Lime		178,614		392,445		453,859		436,332		445,876
Di-Basic Acid		750,246		1,005,712		1,159,509		1,117,715		1,222,931
Coleman Total	$	3,521,044	$	4,949,857	$	5,719,742	$	5,504,933	$	5,741,028
Sale of byproducts (Gypsum)		(226,765)		(344,008)		(343,098)		(340,674)		(322,286)
Net Allowance (Sales) Cost		(14,486,822)		(25,742,816)		(4,059,765)		(4,636,491)		(4,063,132)
S02 Grand Total	$	2,385,009	$	(86,174)	$	23,682,486	$	24,632,395	$	28,049,759

Error

An error occurred while processing this page. See the system log for more details.

Big Rivers
Average Revenue Computation
In Millions of Dollars

Year	Member Twh	Smelter Twh	Subtotal Twh	Off-System Twh	Total Twh	Jurisdictional Allocation Percentage
2008	3.409	7.317	10.726	1.691	12.417	86.38%
2009	3.501	7.297	10.798	1.715	12.512	86.30%
2010	3.584	7.297	10.881	1.420	12.302	88.45%
2011	3.674	7.297	10.971	1.445	12.416	88.36%
2012	3.760	7.317	11.077	1.091	12.168	91.03%

Big Rivers
Estimate of Environmental Surcharge Factor

	May - Dec 2008	2009	2010	2011	2012
Net Pollution Control Operating Expenses	4,056,405	10,433,282	33,473,093	32,168,087	35,497,025
Jurisdictional Allocation Ratio	86.38%	86.30%	88.45%	88.36%	91.03%
Jurisdictional Expenses	3,504,034	9,003,600	29,608,363	28,425,021	32,314,523
Jurisdictional Sales (Twh) (8/12 of 2008)	7.150	10.798	10.881	10.971	11.077
Jurisdictional Environmental Surcharge Per kWh	$ 0.0005	$ 0.0008	$ 0.0027	$ 0.0026	$ 0.0029

Exhibit WSS-8

UNWIND SURCREDIT

APPLICABILITY

To all sales under Big Rivers Electric Corporation's ("Big Rivers"") Monthly Delivery Point Rate to Members as set forth in Section C.4 and Big Rivers Industrial Customer Rate as set forth in Section C.7 of Big Rivers' Rate, Rules and Regulations.

AVAILABILITY

This Unwind Surcredit (US) schedule is a rider for application to non-Smelter wholesale sales by Big Rivers Electric Corporation (Big Rivers) under Section C.4 and Section C.7. The funding for the Unwind Surcredit is made available through the Surcharge provisions of the Smelter Agreements at Sections 4.11.

DEFINITIONS

"Members" are Jackson Purchase Energy Corporation, Kenergy Corp. ("Kenergy"), and Meade County Rural Electric Cooperative Corporation.

"Smelters" are the aluminum reduction facilities of Alcan Primary Products Corporation and Century Aluminum of Kentucky General Partnership, as further described under the Wholesale Smelter Agreements.

"Smelter Agreements" are the two Wholesale Electric Service Agreements each dated as of __________, 2008, between Big Rivers and Kenergy with respect to service by Kenergy to a Smelter.

DETERMINATION OF THE US

(1) The billing amount computed for all non-smelter wholesale sales to which this US is applicable shall be decreased at a rate per kWh in accordance with the following formula:

US = Surcredit + Actual Adjustment + Balance Adjustment

Where

Surcredit is the per kWh factor calculated by dividing (a) the estimated Surcharge value for the upcoming calendar year (or for remaining months in the current calendar year for the initial implementation of this Unwind Surcredit) by (b) Big Rivers' estimated non-smelter sales (NSS) to its Members for the corresponding calendar year. The Surcredit factor shall be re-determined annually with an effective date of January 1 of each calendar year.

Actual Adjustment is an adjustment which compensates for the difference between (a) the amount returned to Members through the application of the Surcredit factor and (b) the Surcharge amounts paid by the Smelters during the preceding calendar year as adjusted for any over- or under-recoveries as specified in the Smelter Agreements. The Actual Adjustment factor shall be re-determined annually with an effective date of April 1 of each calendar year.

Balance Adjustment is an adjustment that compensates for any over- or under-recoveries through application of the previous Actual Adjustment and previous Balance Adjustments. The Balance Adjustment factor shall be re-determined annually with an effective date of July 1 of each calendar year.

(2) The estimated Surcharge value is the annual payments that Big Rivers expects to receive from the Smelters during the upcoming calendar year in accordance with the Wholesale Smelter Agreements at Sections 4.11.

(3) Non-Smelter Sales (NSS) shall be the estimated kilowatt-hour sales for the upcoming calendar year made at wholesale by Big Rivers to its Members under Section C.4 and Section C.7, including the Large Industrial Rate, for resale to Kentucky ratepayers specifically excluding all sales for resale to the Smelters.

(4) The applicability of the US shall terminate when the funds provided under Sections 4.11 of the Wholesale Smelter Agreements are exhausted.

Exhibit WSS-9

Big Rivers
Estimate of Unwind Surcredits

	May - Dec 2008	2009	2010	2011	2012
Estimated Unwind Surcredits	9,300,000	10,330,000	13,870,000	13,870,000	16,080,000
Non-Smelter Member Sales (Twh) (8/12 of 2008)	2.323	3.501	3.584	3.674	3.760
Estimated Unwind Surcredit Per kWh	$ 0.0040	$ 0.0030	$ 0.0039	$ 0.0038	$ 0.0043

Exhibit WSS-10

BIG RIVERS ELECTRIC CORP

UNWIND SURCREDIT SCHEDULE

Current Month :

US Factor (1) =

Surcharges "Surcharge(m)" (Surcharge Schedule)
-- = ------------------------- = (+) / KWH
Non-Smelter Sales "NSS(m)" (Sales Schedule) KWH

Note: (1) Five decimal places in dollars for normal rounding.

Effective Date for Billing:

Submitted by ____________________________________

Title:

BIG RIVERS ELECTRIC CORP
UNWIND SURCHARGES

Current Month:

Surcharges Collected From Smelters Under Smelter Agreements

Section 4.11(a)

Section 4.11(b)

Section 4.11(c)

Total Surcharges Collected From Smelters "Surcharge(m)"

BIG RIVERS ELECTRIC CORP

NON-SMELTER SALES SCHEDULE (KWH)

Current Month:

Non-Smelter Sales to Members

Kenergy	
Meade County	
Jackson Purchase	
Total Non-Smelter Sales "NSS(m)")	

Exhibit WSS-11

REBATE ADJUSTMENT

APPLICABILITY:

Applicable in all territory served by Big Rivers' Member Cooperatives.

AVAILABILITY:

Available pursuant to Section A.7. of this tariff for electric service provided by Big Rivers to its Member Rural Electric Cooperatives for all Rural Delivery Points and Large Industrial Customer Delivery Points, served under Rate Schedule C.4.d. and Rate Schedule C.7., respectively.

DEFINITIONS

"Members" are Jackson Purchase Energy Corporation, Kenergy Corp. ("Kenergy"), and Meade County Rural Electric Cooperative Corporation.

"Smelters" are the aluminum reduction facilities of Alcan Primary Products Corporation and Century Aluminum of Kentucky General Partnership, as further described under the Wholesale Smelter Agreements.

"Smelter Agreements" are the two Wholesale Electric Service Agreements each dated as of __________, 2008, between Big Rivers and Kenergy with respect to service by Kenergy to a Smelter.

REBATE ADJUSTMENT

In the event that there is a Rebate to the Smelters during a fiscal year under Section 4.9 of the Smelter Agreements, then Big Rivers, subject to approval from its Board of Directors, may request Kentucky Public Service Commission ("Commission") authorization to provide a cash rebate to its members pursuant to subsection 1 of KRS 278.455. The amount of a Rebate Adjustment, if any, will be the amount approved by order of the Commission. The Rebate Adjustment will be provided as a lump-sum credit to Members. Any rebate would be credited to the power bills to Members during a single month of the year. Rebates to Members shall be computed by allocating the total rebate amount to each Member system on the basis of total annual unadjusted billing Revenues received from each Member during the fiscal year for which the rebate amount was established. Big Rivers will apply to the Commission for authorization to provide a rebate to Members within six months after the end of the fiscal year. The rebate would then be provided to Members upon receipt of Commission approval.

Exhibit WSS-12

BIG RIVERS ELECTRIC CORP

REBATE ADJUSTMENT

Total Rebate Amount to be Credited on Members' Bills	$ -

(1) Member System	(2) Non-Smelter Fiscal Year Base Rate Revenue	(3) Percentage of Total	(4) Rebate Amount Allocated to Members	(5) Rebate to Members to be Included on Bills	(6) Rebate Amount Pro-rated Monthly For MRSM
			(3) x Rebate Amount	= (4)	(5) ÷ 12 months
Kenergy					
Meade County					
Jackson Purchase					
Total		100%			

Exhibit WSS-13

MEMBER RATE STABILITY MECHANISM (MRSM)

APPLICABILITY:

Applicable in all territory served by Big Rivers' Member Cooperatives.

AVAILABILITY:

Available pursuant to Section A.7. of this tariff for electric service provided by Big Rivers to its Member Rural Electric Cooperatives for all Rural Delivery Points and Large Industrial Customer Delivery Points, served under Rate Schedule C.4.d. and Rate Schedule C.7., respectively.

DEFINITIONS

"Members" are Jackson Purchase Energy Corporation, Kenergy Corp. ("Kenergy"), and Meade County Rural Electric Cooperative Corporation.

"Smelters" are the aluminum reduction facilities of Alcan Primary Products Corporation and Century Aluminum of Kentucky General Partnership, as further described under the Wholesale Smelter Agreements.

"Smelter Agreements" are the two Wholesale Electric Service Agreements each dated as of __________, 2008, between Big Rivers and Kenergy with respect to service by Kenergy to a Smelter.

MEMBER RATE STABILITY MECHANISM (MRSM)

Big Rivers will establish an Economic Reserve of $75 million, plus any additional amounts added at the time of closing the unwind arrangement with E.ON, which will be used to offset the effect of billing the FAC and Environmental Surcharge to non-Smelter sales, after taking into account the credits received from the Unwind Surcredit and the Rebate Adjustment. The Economic Reserve will be established as a stand-alone investment account, accruing interest. The MRSM will draw on the Economic Reserve to offset the monthly impacts of the FAC and Environmental Surcharge on each non-Smelter bill, net of the credits received under the Unwind Surcredit and Rebate Adjustment. The MRSM will offset the *total dollar impact* of billings under the FAC and Environmental Surcharge *less* the total dollar amounts received under the Unwind Surcredit and *less* a monthly pro-rata portion of any lump sum rebates provided under the Rebate Adjustment.

The amount of the MRSM credit provided to each member system during a month will each equal (i) the total dollar amount of FAC charges billed to the member during the month, *plus* (ii) the total dollar amount of Environmental charges billed to the member during the month, *less* (iii) the total dollar amount of Unwind Surcredits credited to the member during the month, *less* (iv) one-twelfth (1/12) of any rebates provided under the Rebate Adjustment during the current month or during any of the 11 preceding months; provided that the amounts subtracted in items (iii) and (iv) cannot exceed the total of items (i) and (ii), in which case the monthly MRSM adjustment would be zero.

If any portion of FAC or Environmental Surcharge costs are transferred to base rates, or if any portion of the FAC costs are transferred from base rates to the FAC, then the MRSM will account for any effect of the such transfers so that the Members will not see any impact on their bills, either positive or negative, of such transfers.

The MRSM shall be no longer applicable and shall be withdrawn once the Economic Reserve is exhausted. During the last month of the MRSM, the amount remaining in the Economic Reserve will be prorated to each member on the basis of the total FAC and Environmental Surcharge charges applicable to non-Smelter sales less credits under the Unwind Surcredits and less monthly prorated amounts under the Rebate Adjustment.

Exhibit WSS-14

BIG RIVERS ELECTRIC CORP

MEMBER RATE STABILITY SCHEDULE

Current Month :

(1) Member System	(2) Non-Smelter FAC Applied During Month	(3) Non-Smelter Environmental Surcharge Applied During Month	(4) Unwind Surcredit Applied During Month	(5) Non-Smelter Rebates Applied During Month	(6) MRSM Credited During Month (2) + (3) - (4) - (5)
Kenergy					
Meade County					
Jackson Purchase					
Total					

Notes: Rebate amounts applied during month represents 1/12 of any rebates provided pursuant to the Rebate Adjustment during current or previous 11 months.

During the last month of the MRSM, the remaining balance of the Economic Reserve will be pro-rated to the Members on the basis of columns (2) plus (3) less (4) & (5)

BIG RIVERS ELECTRIC CORP

ECONOMIC RESERVE

Current Month :

Economic Reserve at Beginning of Month	
Less: MRSM Amount Credited During Month (from Page 1)	
Plus: Interest Accrued During Month	
Economic Reserve at End of Month	

Exhibit WSS-15

Big Rivers Electric Corporation
Present Rates
Actual for 12 Months Ending October 2007

	KW	kWh	Demand Revenue	Base Energy Revenue	Power Factor Penalty	Member Discount Adjustment	Total Revenue
JACKSON PURCHASE RURALS	1,493,544	692,062,515	11,005,271 *	14,118,075		(781,793)	24,341,553
KENERGY RURALS	2,680,466	1,231,720,814	19,755,034	25,127,105		(1,401,803)	43,480,336
MEADE COUNTY RURALS	1,079,325	471,228,700	7,954,625	9,613,065		(551,707)	17,015,983
TOTAL RURALS	5,253,335	2,395,012,029	38,714,930	48,858,245	0	(2,735,303)	84,837,872
KI-ACCURIDE	70,423	28,061,478	714,793	384,863		(35,403)	1,064,253
KI-ALCOA	25,377	1,124,020	306,901 **	15,416	(11,459)	(5,962)	304,896
KI-ALERIS	339,402	187,601,720	3,444,930	2,572,958		(191,830)	5,826,058
KI-ALLIED	63,005	24,617,468	639,501	337,629		(30,820)	946,310
KI-ARMSTRONG	10,299	3,420,400	104,535	46,911	32,530	(5,860)	178,116
KI-CARDINAL RIVER	8,022	2,040,170	81,423	27,981	1,533	(3,430)	107,507
KI-DOMTAR PAPER CO.	325,000	215,731,279	3,298,750	2,958,754		(200,171)	6,057,333
KI-DOTIKI #3	8,296	5,772,110	84,204	79,164	1,056	(5,206)	159,218
KI-DYSON CREEK MINE	6,600	195,270	66,990	2,678		(2,587)	67,081
KI-HOPKINS CO. COAL	4,304	2,471,384	43,686	33,895	1,472	(2,605)	76,448
KI-KB ALLOYS, INC.	26,898	8,758,200	273,015	120,119		(12,655)	380,479
KI-KIMBERLY-CLARK	424,095	292,427,100	4,304,564	4,010,638		(264,889)	8,050,313
KI-KMMC, LLC	41,883	14,473,910	425,112	198,510		(20,132)	603,490
KI-PATRIOT COAL, LP	60,035	24,453,320	609,355	335,377	13,894	(30,150)	928,476
KI-ROLL COATER	48,165	22,967,080	488,875	314,994		(25,701)	778,168
KI-TYSON FOODS	119,477	63,561,090	1,212,692	871,740	1,289	(66,347)	2,019,374
KI-VALLEY GRAIN	22,456	8,961,092	227,928	122,901	35,506	(11,256)	375,079
JPI-SHELL OIL	61,775	22,902,180	627,016	314,103		(29,693)	911,426
TOTAL INDUSTRIALS	1,665,512	929,539,271	16,954,270	12,748,631	75,821	(944,697)	28,834,025
GRAND TOTAL	6,918,847	3,324,551,300	55,669,200	61,606,876	75,821	(3,680,000)	113,671,897

* Includes an adjustment of $2,149 given to JP due to an under billing during the period of May 2006-August 20 corrected in accordance with the Kentucky Administrative Regulations Title 807, Chapter 5, Section 10.

** 2006 - October 2006.
The under billing has been corrected in accordance with the Kentucky Administrative Regulations Title 807,
In addition, the power factor penalty reflects an adjustment related to the under billing.

Big Rivers Electric Corporation
Initial Impact of Five Adjustment Clauses

	(1) KW	(2) kWh	(3) Demand Revenue	(4) Base Energy Revenue	(5) Power Factor Penalty	(6) Member Discount Adjustment	(7) Sub-Total Revenues	(8) Fuel Adjustment Charge	(9) Environmental Surcharge	(10) Unwind Surcredit	(11) Rebate Adjustment	(12) Member Rate Stability Mechanism	(13) Sub-Total of Five Adjustment Clauses	(14) Total Revenue	(15) Percentage Impact of Five Adjustment Mechanisms
JACKSON PURCHASE RURALS	1,493,544	692,062,515	11,005,271	14,118,075		(781,793)	24,341,553	4,083,169	339,111	(2,768,250)	(173,016)	(1,481,014)	0	24,341,553	0.00%
KENERGY RURALS	2,680,466	1,231,720,814	19,755,034	25,127,105		(1,401,803)	43,480,336	7,267,153	603,543	(4,926,883)	(307,930)	(2,635,883)	0	43,480,336	0.00%
MEADE COUNTY RURALS	1,079,325	471,228,700	7,954,625	9,613,065		(551,707)	17,015,983	2,780,249	230,902	(1,884,915)	(117,807)	(1,008,429)	0	17,015,983	0.00%
TOTAL RURALS	5,253,335	2,395,012,029	38,714,930	48,858,245	0	(2,735,303)	84,837,872	14,130,571	1,173,556	(9,580,048)	(598,753)	(5,125,326)	0	84,837,872	0.00%
KI-ACCURIDE	70,423	28,061,478	714,793	384,863		(35,403)	1,064,253	165,563	13,750	(112,246)	(7,015)	(60,052)	0	1,064,253	0.00%
KI-ALCOA	25,377	1,124,020	306,901	15,416	(11,459)	(5,962)	304,896	6,632	551	(4,496)	(281)	(2,406)	0	304,896	0.00%
KI-ALERIS	339,402	187,601,720	3,444,930	2,572,958		(191,830)	5,826,058	1,106,850	91,925	(750,407)	(46,900)	(401,468)	0	5,826,058	0.00%
KI-ALLIED	63,005	24,617,468	639,501	337,629		(30,820)	946,310	145,243	12,063	(98,470)	(6,154)	(52,682)	0	946,310	0.00%
KI-ARMSTRONG	10,299	3,420,400	104,535	46,911	32,530	(5,860)	178,116	20,180	1,676	(13,682)	(855)	(7,319)	0	178,116	0.00%
KI-CARDINAL RIVER	8,022	2,040,170	81,423	27,981	1,533	(3,430)	107,507	12,037	1,000	(8,161)	(510)	(4,366)	0	107,507	0.00%
KI-DOMTAR PAPER CO.	325,000	215,731,279	3,298,750	2,958,754		(200,171)	6,057,333	1,272,815	105,708	(862,925)	(53,933)	(461,665)	0	6,057,333	0.00%
KI-DOTIKI #3	8,296	5,772,110	84,204	79,164	1,056	(5,206)	159,218	34,055	2,828	(23,088)	(1,443)	(12,352)	0	159,218	0.00%
KI-DYSON CREEK MINE	6,600	195,270	66,990	2,678		(2,587)	67,081	1,152	96	(781)	(49)	(418)	0	67,081	0.00%
KI-HOPKINS CO. COAL	4,304	2,471,384	43,686	33,895	1,472	(2,605)	76,448	14,581	1,211	(9,886)	(618)	(5,288)	0	76,448	0.00%
KI-KB ALLOYS, INC.	26,898	8,758,200	273,015	120,119		(12,655)	380,479	51,673	4,292	(35,033)	(2,190)	(18,742)	0	380,479	0.00%
KI-KIMBERLY-CLARK	424,095	292,427,100	4,304,564	4,010,638		(264,889)	8,050,313	1,725,320	143,289	(1,169,708)	(73,107)	(625,794)	0	8,050,313	0.00%
KI-KMMC, LLC	41,883	14,473,910	425,112	198,510		(20,132)	603,490	85,396	7,092	(57,896)	(3,618)	(30,974)	0	603,490	0.00%
KI-PATRIOT COAL, LP	60,035	24,453,320	609,355	335,377	13,894	(30,150)	928,476	144,275	11,982	(97,813)	(6,113)	(52,331)	0	928,476	0.00%
KI-ROLL COATER	48,165	22,967,080	488,875	314,994		(25,701)	778,168	135,506	11,254	(91,868)	(5,742)	(49,150)	0	778,168	0.00%
KI-TYSON FOODS	119,477	63,561,090	1,212,692	871,740	1,289	(66,347)	2,019,374	375,010	31,145	(254,244)	(15,890)	(136,021)	0	2,019,374	0.00%
KI-VALLEY GRAIN	22,456	8,961,092	227,928	122,901	35,506	(11,256)	375,079	52,870	4,391	(35,844)	(2,240)	(19,177)	0	375,079	0.00%
JPI-SHELL OIL	61,775	22,902,180	627,016	314,103		(29,693)	911,426	135,123	11,222	(91,609)	(5,726)	(49,010)	0	911,426	0.00%
TOTAL INDUSTRIALS	1,665,512	929,539,271	16,954,270	12,748,631	75,821	(944,697)	28,834,025	5,484,281	455,475	(3,718,157)	(232,384)	(1,989,215)	0	28,834,025	0.00%
GRAND TOTAL	6,918,847	3,324,551,300	55,669,200	61,606,876	75,821	(3,680,000)	113,671,897	19,614,852	1,629,031	(13,298,205)	(831,137)	(7,114,541)	0	113,671,897	0.00%

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 26

Testimony of Burns E. Mercer

December 2007

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

Case No. 2007-00455

DIRECT TESTIMONY OF
BURNS E. MERCER

ON BEHALF OF
APPLICANTS

DECEMBER 2007

DIRECT TESTIMONY OF
BURNS E. MERCER

I. INTRODUCTION

Q. Please state your name, address and employment.

A. My name is Burns E. Mercer. My business address is 1351 Highway 79, Brandenburg, Kentucky 40108. I am the President and Chief Executive Officer of Meade County Rural Electric Cooperative Corporation ("Meade County"), one of three Member Distribution Cooperatives of Big Rivers Electric Corporation ("Big Rivers").

Q. Please describe your qualifications and prior testimony before the Kentucky Public Service Commission ("KPSC").

A. I have been employed by Meade County for 31 years and have been the President and CEO of Meade County since June 1, 1994. I have testified before the KPSC on numerous occasions.

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

A. The purpose of my testimony is to provide the Kentucky Public Service Commission ("Commission") with the views of Big Rivers' Member Distribution Cooperatives (Meade County, Kenergy Corp., and Jackson Purchase Electric Corporation) concerning Big Rivers' proposed unwind of its lease and power purchase transactions (collectively, the "Lease Transaction") with E.ON U.S. LLC and its various affiliates (collectively, the "E.ON U.S. Parties") (the "Unwind Transaction").

Q. **Do Big Rivers' Member Distribution Cooperatives support the Unwind Transaction?**

A. Yes. Big Rivers' Member Distribution Cooperatives ("Members") support the Unwind Transaction and view it as an opportunity to restore Big Rivers to a level of financial health it has not achieved in many years. The Members believe that the Unwind Transaction will provide Big Rivers with the financial ability to control its own destiny in future years. Through the Unwind Transaction, Big Rivers will gain an investment grade credit rating that will provide it with a much higher degree of financial flexibility to meet future challenges.

The Unwind Transaction also will keep jobs in the local community by retaining the electric loads of Century Aluminum of Kentucky General

Partnership and Alcan Primary Products Corporation (collectively, the "Smelters") and their significant local presences. Absent the rate path offered by Big Rivers through the capacity restored to it by the Unwind Transaction there would be a higher chance that the Smelters could discontinue operations. New economic development activities also will be possible by virtue of the Unwind Transaction.

Moreover, Big Rivers' Members believe that significant protections and safeguards have been built into the Unwind Transaction to keep Member rural and large industrial customer rates as close as possible to existing rates under the Lease Transaction. Although restoring the capacity subject to the Lease Transaction to Big Rivers' operation involves a greater risk of rate increases, Big Rivers' Members are confident that the increased financial health of Big Rivers is an adequate trade-off.

II. <u>BIG RIVERS' MEMBERS HAVE BEEN ACTIVE PARTICIPANTS IN THE UNWIND TRANSACTION NEGOTIATIONS</u>.

Q. Did Big Rivers' Members actively participate in the negotiation of the Unwind Transaction?

A. Yes. Big Rivers notified its Members regarding its initial contacts with the E.ON U.S. Parties in 2003. Because of Big Rivers' interest in continuing these negotiations, Big Rivers invited participation by the Members in the negotiation process. Big Rivers' Members met after receiving this notice and selected me to be their representative on the Big Rivers negotiating team with the E.ON U.S. Parties. Thereafter, I attended negotiations as often as possible during the next four years.

Q. Did Big Rivers' Members obtain any expert advice while in the course of these negotiations?

A. Yes. As the negotiations with the E.ON U.S. Parties and the two Smelters became more serious, significant substantive issues arose. In order to better protect the Members' interests, we decided to employ a professional representative as part of the negotiating process. While I and the other Members' Presidents are well versed in Big Rivers' rate and operational issues, the extent and depth of the negotiations required a greater time commitment than was possible given our other ongoing duties. By selecting an expert consultant the Members ensured that their interests would be adequately represented at all negotiations.

Q. Who did the Members select as their representative?

A. The Members selected Jack Gaines of JDG Consulting LLC to be their representative in the ongoing negotiations surrounding the Unwind Transaction. Each of the Member Distribution Cooperatives had at one point or another in the past employed Mr. Gaines on rate issues. We were familiar with Mr. Gaines' work and comfortable that he could ably represent the Members' interests in the negotiations. We are satisfied that we made a good selection and that Mr. Gaines has well represented the Members' interests in these negotiations.

Q. Did Big Rivers' Members have adequate input into the negotiating process?

A. Absolutely. Mr. Gaines represented the Members on an ongoing basis and kept us informed regarding all significant developments. Where appropriate, I was in communication with Big Rivers' President and CEO Mike Core and Big Rivers' future President and CEO Mark Bailey to reinforce the Members' views. The final terms of the Unwind Transaction reflect this involvement throughout.

III. A FINANCIALLY HEALTHY BIG RIVERS IS HIGHLY ADVANTAGEOUS FOR THE MEMBERS DESPITE SOME INCREASED RISK.

Q. Currently, Big Rivers' power purchases from the E.ON U.S. Parties are at partially fixed rates. Isn't it risky for the Members to terminate this arrangement?

A. To a certain extent I agree that the Unwind Transaction changes the risk profile for the Members and increases some risks. But the issue is one of magnitude and likely consequences. In return for a greater potential risk of fuel and environmental cost increases, the Members believe they have helped Big Rivers secure a financially stable future that ultimately will be of greater value to the Members.

To be sure, under the current Lease Transaction arrangement Big Rivers is entitled to strictly limited amounts of energy from the leased generating units, and this energy is provided to Big Rivers at a largely fixed cost, with some adjustment for fuel cost increases if prices exceed certain specified levels. But in large part the E.ON U.S. Parties are required to bear the initial risk of fuel cost increases. This is not the case with the Unwind Transaction. Upon resuming control over the leased generating units, Big Rivers will be entitled to the full output of the units, but will be exposed to the portion of the fuel cost increase risks and environmental cost increase risks not met by the Smelters. The Members are aware of these risks, but we feel that we have been thorough in identifying and analyzing them. The final terms of the Unwind Transaction reflect the significant efforts that were made to cushion the Members and their non-Smelter customers from the financial effects of these risks.

Q. What measures are in place to minimize risk to the Members?

A. I am informed that these issues are discussed in greater detail in the testimony of Mr. Blackburn. A variety of mechanisms are in place to protect Members against rate increases. First, the Smelters pay a surcharge on each month's bill that is used to reduce non-Smelter Member rates. The Smelter surcharge payments are a significant benefit to the Members, amounting to approximately $327 million. Second, Big Rivers has established an Economic Reserve Account initially to be funded by at least $75 million. These funds, which will be passed through a Member Rate Stability Mechanism ("MRSM") to the non-Smelter Members, will be used to offset future potential rate increases that may arise under Big Rivers' Fuel Adjustment Charge and Environmental Surcharge. By this means, the Members initially will be cushioned against some of the risks of increased fuel and environmental costs.

Q. Are there any other Member rate protections built into the Unwind Transaction?

A. Yes. The terms of the Smelter agreements provide for the Smelters to make additional payments each year as necessary to assist Big Rivers to achieve a 1.24 TIER. These payments will help forestall the need for rate increases.

Q. Under the conditions modeled by Big Rivers in its financial model, is it your understanding that the Member rates under the Unwind Transaction will rise over the rates that would have been in place under the existing Lease Transaction?

A. Yes, under the conditions modeled I believe this is the case. Even taking into account the rate cushioning effect of the Economic Reserve Account and the Smelter surcharge payments, Big Rivers' financial model shows that the Member base rates may rise over the course of the period modeled, years 2008 through 2023. In addition, after the Economic Reserve is depleted, fuel and environmental costs will fluctuate up or down depending on actual costs.

Q. Why would the Members support a potential rate increase?

A. To begin, the potential increase in the Member rates is all relative and takes place over an extended period of time. As projected by the model, Member rates will increase if fuel and environmental costs increase, and even then such increases will be offset under the MRSM as the Economic Reserve

Account is drawn down. (The MRSM is described in detail in the testimony of William Steven Seelye, Exhibit 25). After the Economic Reserve is drawn down, Big Rivers' Member rates will increase because of these costs, but likely so too will the rates of the majority of electric consumers nationwide. Thus, while Big Rivers' Members may be in a less advantageous rate position than they might have been under the Lease Transaction, depending on the magnitude of the fuel and environmental cost increases, they still will be enjoying lower rates than other suppliers make available to their customers. From an economic development perspective, this is still a positive for Western Kentucky as our relative rate position will not change materially. In addition, the projected increase in base rates to the Members is very modest.

Even more important, we believe that the increased likelihood of higher rates is a small, and very worthwhile, tradeoff made in return for the vastly increased financial stability and flexibility that the Unwind Transaction provides for Big Rivers. As Mike Core has stated, the effect of the Unwind Transaction is dramatic. The Unwind Transaction shifts Big Rivers' equity from a negative 13.6 percent to a positive 24 percent. To put this into numbers, Big Rivers had a negative equity of $288.4 million as of October 31, 2007. On the date of closing, Big Rivers is expected to have a positive equity of $ 377 million. In addition to the infusion of cash, Big Rivers will be able to attain an investment grade financial rating, a status otherwise unattainable under the 1998 Lease Transaction.

Q. What benefit do the Members see in Big Rivers having an investment grade financial rating?

A. I think the Members see a chance for Big Rivers and its Members to achieve much greater stability and an opportunity to control their own destinies. We live in an uncertain world, and the electric industry is no exception. At present, Big Rivers is financially hamstrung in its operations under the Lease Transaction should an unexpected event require significant financial expenditures. The financial terms of the various agreements Big Rivers is subject to limit Big Rivers' ability to readily borrow funds to meet new challenges or to explore available opportunities. In essence, Big Rivers has little flexibility and little protection against unplanned-for costs. Operating without a financial cushion is inherently a less stable and a less attractive alternative to the Unwind Transaction.

Q. Are there any other ways in which an improvement in Big Rivers' financial condition benefits the Members?

A. Apart from having a greater financial ability to weather an unexpected adverse financial event, Big Rivers will also have a greater ability to capitalize on available financial opportunities. Should the Members' loads increase significantly, be it from a new industrial customer or increases in existing customers' loads, Big Rivers will have the financial ability to consider new investments in generation assets to meet these load increases as warranted. This course of action simply would not be available under the Lease Transaction. Restoring Big Rivers' financial health to a strong and stable footing is a very desirable goal for the Members.

IV. THE UNWIND TRANSACTION BENEFITS THE LOCAL ECONOMY IN WESTERN KENTUCKY.

Q. Are there any other benefits for the Members from the Unwind Transaction?

A. I think there are a number of direct economic benefits for Western Kentucky as a whole. Providing a stable rate path for the two Smelters past the expiration of their current agreements with the E.ON U.S. Parties' sourced wholesale power is a large benefit of this transaction. We want the Smelters to stay in business. The Smelters are large regional employers who pay taxes for schools and civic improvements. Plus, keeping their good-paying jobs in the local community is an excellent ancillary benefit of the Unwind Transaction.

Q. Does that conclude your testimony?

A. Yes.

VERIFICATION

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

Burns E. Mercer

Burns E. Mercer

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

Subscribed and sworn to before me by Burns E. Mercer on this the 20th day of December, 2007.

Paula Mitchell

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

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 E.ON U.S., LLC, WESTERN KENTUCKY ENERGY CORP. AND LG&E ENERGY MARKETING, INC. FOR APPROVAL OF TRANSACTIONS	))))))))))))	CASE NO. 2007-00455

EXHIBIT 27

Amendments to Wholesale Power Contracts between Big Rivers and its Member Distribution Cooperatives

December 2007

AMENDMENT NO. 3

dated as of December 26 2007

to

WHOLESALE POWER CONTRACT

dated June 11, 1962

between

BIG RIVERS ELECTRIC CORPORATION

and

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

AMENDMENT NO. 3 TO WHOLESALE POWER CONTRACT

AMENDMENT No. 3, dated as of December __, 2007, (this "Amendment") to WHOLESALE POWER CONTRACT, between Big Rivers Electric Corporation, a Kentucky rural electric cooperative corporation, ("Seller") and MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION ("Member"), a Kentucky rural electric cooperative corporation.

WHEREAS, Seller and Member entered into a Wholesale Power Contract, dated June 11, 1962 to provide for the furnishing of electric service by Seller to Member, as supplemented and amended by a Supplemental Agreement dated as of June 8, 1962, an Amendment to Wholesale Power Contract, made as of December 15, 1975, and Amendment 2 to Wholesale Power Contract, made as of May 9, 1980 (such June 11, 1962 Wholesale Power Contract, as heretofore supplemented and amended, the "Contract").

WHEREAS, the Seller and the Member now deem it mutually advantageous to amend the Contract to extend its term and to add certain provisions limiting the ability of the Member to reorganize, consolidate, merge or sell all or a substantial portion of its assets.

NOW, THEREFORE, in consideration of the premises and the mutual undertakings herein contracted, the Seller and the Member agree as follows:

SECTION 1. Amendment of Term.

Section 10 of the Contract is hereby amended in its entirety to read as follows:

> "TERM. This Agreement remain in effect until December 31, 2043, and thereafter until terminated by either party's giving to the other not less than six months' written notice of its intention to terminate."

SECTION 2. Consolidations, Mergers, Sales of Assets by Member.

The Contract is amended by adding a new Section 11 reading in its entirety as follows:

> "11. CONSOLIDATION, MERGER, SALE OF ASSETS.
>
> (a) The Member agrees that, for so long as any of the notes or other obligations of the Seller incurred by the Seller in connection with the Seller's agreement to sell and deliver electric power and energy to its members (the "Seller's Obligations") are outstanding, the Member will not, without the approval in writing of the Seller and the Administrator, take or suffer to be taken any steps for reorganization or dissolution or to consolidate with or merge into any corporation, or to sell, lease or transfer (or make any agreement therefore) all or a substantial portion of its assets,

whether now owned or hereafter acquired. The Seller will not unreasonably withhold or condition its consent to any such reorganization, dissolution, consolidation, or merger, or to any such sale, lease or transfer (or any agreement therefore) of assets. The Seller will not withhold or condition its consent except in cases where to do otherwise would result in rate increases for the other members of the Seller or impair the ability of the Seller to repay the Seller's obligations in accordance with their terms, or adversely affect system performance in a material way.

(b) Notwithstanding paragraph (a) of this Section 11, the Member may take or suffer to be taken any steps for reorganization or dissolution or to consolidate with or merge into any corporation or to sell, lease or transfer (or make any agreement therefore) all or a substantial portion of its assets, whether now owned or hereafter acquired, without the Seller's consent, so long as the Member shall pay such portion of the outstanding indebtedness on the Seller's Obligations as shall be reasonably determined by the Seller with the prior written consent of the Administrator and shall otherwise comply with such reasonable terms and conditions as the Administrator and Seller may require, either:

(1) to eliminate any adverse effect that such action seems likely to have on the rates of the other members of the Seller; or

(2) to assure that the Seller's ability to repay the Seller's Obligations in accordance with their terms is not impaired.

(c) The Administrator may require, among other things, that any payment owed under clause (b)(2) of this Section 11 that represents a portion of the Seller's Obligations shall be paid by the Member in the manner necessary to accomplish a defeasance of those Obligations in accordance with the loan or security documents relating thereto, or be paid directly to the holders of the Seller's Obligations for application by them as prepayments in accordance with the provisions of such documents, or be paid to the Seller and held and invested in a manner satisfactory to the Administrator."

SECTION 3. Conditions to Effectiveness of this Amendment.

This Amendment to the Contract shall become effective only after satisfaction of each of the following conditions:

(a) Approval in writing of this Amendment by the Administrator;

(b) Acceptance or approval in writing of this Amendment by the Kentucky Public Service Commission; and

(c) The occurrence of the "Closing" as defined in the Transaction Termination Agreement dated as of March 26, 2007 among the Seller, LG&E Energy Marketing Inc. and Western Kentucky Energy Corp.

SECTION 4. Contract to Remain in Full Force and Effect.

Except as expressly herein amended, the Contract shall remain in full force and effect.

IN WITNESS WHEREOF, Seller and Member have caused this Amendment to be signed in their respective corporate names and their respective seals to be hereto affixed and attested by their duly authorized officers, all as of the day and year first above written.

BIG RIVERS ELECTRIC CORPORATION

By: ______________________

ATTEST:
Paula Mitchell
____

MEADE COUNTY RURAL ELECTRIC COOPERATIVE CORPORATION

By: ______________________

ATTEST:
____

AMENDMENT TO WHOLESALE POWER CONTRACTS

dated as of December 26 2007

between

BIG RIVERS ELECTRIC CORPORATION

and

KENERGY CORP.

Amending the Wholesale Power Contracts
made as of June 11, 1962

OHS East:160319037.1

AMENDMENT TO WHOLESALE POWER CONTRACTS

AMENDMENT TO WHOLESALE POWER CONTRACTS, dated as of December __, 2007 (this "Amendment"), between Big Rivers Electric Corporation (hereinafter called the "Seller", a Kentucky rural electric cooperative corporation and Kenergy Corp. (hereinafter called the "Member"), a Kentucky rural electric cooperative corporation.

WHEREAS, the Seller and the Member, as successor by consolidation to Henderson Union Electric Cooperative Corp., have entered into a Wholesale Power Contract, made as of June 11, 1962, as such Wholesale Power Contract has heretofore been supplemented and amended, including as supplemented and amended by supplements and amendments between Seller and Member subsequent to the consolidation of Henderson Union Electric Cooperative Corp. and Green River Electric Corporation (such Wholesale Power Contract dated June 11, 1962, as heretofore supplemented and amended, the "Henderson Union Partial Requirements Contract");

WHEREAS, the Seller and Member, as successor by consolidation to Green River Electric Corporation, have entered into a Wholesale Power Contract, made as of June 11, 1962, as such Wholesale Power Contract has heretofore been supplemented and amended, including as supplemented and amended by supplements and amendments between Seller and Member subsequent to the consolidation of Henderson Union Electric Cooperative Corp. and Green River Electric Corporation (such Wholesale Power Contract dated June 11, 1962, as heretofore supplemented and amended, the "Green River Partial Requirements Contract");

WHEREAS, the Seller, LG&E Energy Marketing Inc. and Western Kentucky Energy Corp. ("WKEC") entered into a Transaction Termination Agreement, dated as of March 26, 2007 (the "Termination Agreement"), setting forth the terms and conditions under which possession and control of the generating facilities owned by the Seller and leased to WKEC will be returned to Seller and certain other contractual relationship among such parties will be terminated (the transactions contemplated by the Termination Agreement hereinafter called the "Unwind");

WHEREAS, the Seller and the Member desire to amend the provisions of the Henderson Union Partial Requirements Contract and the Green River Partial Requirements Contract to (a) extend the term of the Henderson Union Partial Requirements Contract and the Green River Partial Requirements Contract, and (b) add certain provisions limiting the ability of the Member to reorganize, consolidate, merge or sell all or a substantial portion of its assets.

NOW, THEREFORE, in consideration of the mutual undertakings herein contained the parties hereto agree that the Henderson Union Partial Requirements Contract and the Green River Partial Requirements Contract are each amended as follows:

Section 1. Amendment of Term.

Section 10 of the Henderson Union Partial Requirements Contract and Section 10 of the Green River Partial Requirements Contract are each amended to read as follows:

"Section 10. Term.

This Agreement shall remain in effect until December 31, 2043, and thereafter until terminated by either party's giving to the other not less than six months' written notice of its intention to terminate."

Section 2. Consolidation, Merger, Sale of Assets.

The Henderson Union Partial Requirements Contract and the Green River Partial Requirements Contract are each amended to add the following section:

"Consolidation, Merger, Sale of Assets.

(a) The Member agrees that, for so long as any of the notes or other obligations of the Seller incurred by the Seller in connection with the Seller's agreement to sell and deliver electric power and energy to its members (the "Seller's Obligations") are outstanding, the Member will not, without the approval in writing of the Seller and the Administrator, take or suffer to be taken any steps for reorganization or dissolution or to consolidate with or merge into any corporation, or to sell, lease or transfer (or make any agreement therefore) all or a substantial portion of its assets, whether now owned or hereafter acquired. The Seller will not unreasonably withhold or condition its consent to any such reorganization, dissolution, consolidation, or merger, or to any such sale, lease or transfer (or any agreement therefore) of assets. The Seller will not withhold or condition its consent except in cases where to do otherwise would result in rate increases for the other members of the Seller or impair the ability of the Seller to repay the Seller's obligations in accordance with their terms, or adversely affect system performance in a material way.

(b) Notwithstanding paragraph (a) of this Section, the Member may take or suffer to be taken any steps for reorganization or dissolution or to consolidate with or merge into any corporation or to sell, lease or transfer (or make any agreement therefore) all or a substantial portion of its assets, whether now owned or hereafter acquired, without the Seller's consent, so long as the Member shall pay such portion of the outstanding indebtedness on the Seller's Obligations as shall be reasonably determined by the Seller with the prior written consent of the Administrator and shall otherwise comply with such reasonable terms and conditions as the Administrator and Seller may require, either:

(1) to eliminate any adverse effect that such action seems likely to have on the rates of the other members of the Seller; or

(2) to assure that the Seller's ability to repay the Seller's Obligations in accordance with their terms is not impaired.

(c) The Administrator may require, among other things, that any payment owed under clause (b)(2) of this Section that represents a portion of the Seller's Obligations shall be paid by the Member in the manner necessary to accomplish a defeasance of those Obligations in accordance with the loan or security documents relating thereto, or be paid directly to the holders of the Seller's Obligations for application by them as prepayments in accordance with the provisions of such documents, or be paid to the Seller and held and invested in a manner satisfactory to the Administrator."

Section 3. Conditions to Effectiveness of this Amendment.

This Amendment shall become effective only after satisfaction of each of the following conditions:

(a) Approval in writing of this Amendment by the Administrator;

(b) Acceptance or approval in writing of this Amendment by the Kentucky Public Service Commission; and

(c) The occurrence of the "Closing" (as defined in the Termination Agreement) of the Unwind.

Section 4. Contract to Remain in Full Force and Effect.

Except as expressly herein amended, the Contract shall remain in full force and effect.

EXECUTED the day and year first above mentioned.

BIG RIVERS ELECTRIC CORPORATION

By: [signature]

ATTEST:
Paula Mitchell

KENERGY CORP.

By: Sanford Novick

ATTEST:

Debra Hayden

Rate Schedule A

AMENDMENT NO. 2

dated as of December 26, 2007

to

WHOLESALE POWER CONTRACT

dated October 14, 1977

between

BIG RIVERS ELECTRIC CORPORATION

and

JACKSON PURCHASE ENERGY CORPORATION

AMENDMENT NO. 2 TO WHOLESALE POWER CONTRACT

AMENDMENT No. 2, dated as of December __, 2007, (this "Amendment") to WHOLESALE POWER CONTRACT, between Big Rivers Electric Corporation, a Kentucky rural electric cooperative corporation, ("Seller") and Jackson Purchase Energy Corporation ("Member"), a Kentucky rural electric cooperative corporation.

WHEREAS, Seller and Member entered into a Wholesale Power Contract, dated October 14, 1977 to provide for the furnishing of electric service by Seller to Member, as supplemented and amended by a Supplemental Agreement entered into as of October 14, 1977 and Amendment 1 to Wholesale Power Contract, made as of May 9, 1980 (such October 14, 1977 Wholesale Power Contract, as heretofore supplemented and amended, the "Contract").

WHEREAS, the Seller and the Member now deem it mutually advantageous to amend the Contract to extend its term and to add certain provisions limiting the ability of the Member to reorganize, consolidate, merge or sell all or a substantial portion of its assets.

NOW, THEREFORE, in consideration of the premises and the mutual undertakings herein contracted, the Seller and the Member agree as follows:

SECTION 1. Amendment of Term.

Section 10 of the Contract is hereby amended in its entirety to read as follows:

"TERM. This Agreement shall remain in effect until December 31, 2043, and thereafter until terminated by either party's giving to the other not less than six months' written notice of its intention to terminate."

SECTION 2. Consolidations, Mergers, Sales of Assets by Member.

The Contract is amended by adding a new Section 14 reading in its entirety as follows:

"14. Consolidation, Merger, Sale of Assets.

(a) The Member agrees that, for so long as any of the notes or other obligations of the Seller incurred by the Seller in connection with the Seller's agreement to sell and deliver electric power and energy to its members (the "Seller's Obligations") are outstanding, the Member will not, without the approval in writing of the Seller and the Administrator, take or suffer to be taken any steps for reorganization or dissolution or to consolidate with or merge into any corporation, or to sell, lease or transfer (or make any agreement therefore) all or a substantial portion of its assets, whether now owned or hereafter acquired. The Seller will not unreasonably withhold or condition its consent to any such reorganization, dissolution, consolidation, or merger, or to any such sale, lease or transfer (or any agreement therefore) of assets. The Seller will not withhold or condition its consent except in cases where to do otherwise would result in rate increases for the other members of the Seller or impair the ability of the Seller to repay the Seller's obligations in accordance with their terms, or adversely affect system performance in a material way.

(b) Notwithstanding paragraph (a) of this Section 14, the Member may take or suffer to be taken any steps for reorganization or dissolution or to consolidate with or merge into any corporation or to sell, lease or transfer (or make any agreement therefore) all or a substantial portion of its assets, whether now owned or hereafter acquired, without the Seller's consent, so long as the Member shall pay such portion of the outstanding indebtedness on the Seller's Obligations as shall be reasonably determined by the Seller with the prior written consent of the Administrator and shall otherwise comply with such reasonable terms and conditions as the Administrator and Seller may require, either:

(1) to eliminate any adverse effect that such action seems likely to have on the rates of the other members of the Seller; or

(2) to assure that the Seller's ability to repay the Seller's Obligations in accordance with their terms is not impaired.

(c) The Administrator may require, among other things, that any payment owed under clause (b)(2) of this Section 14 that represents a portion of the Seller's Obligations shall be paid by the Member in the manner necessary to accomplish a defeasance of those Obligations in accordance with the loan or security documents relating thereto, or be paid directly to the holders of the Seller's Obligations for application by them as prepayments in accordance with the provisions of such documents, or be paid to the Seller and held and invested in a manner satisfactory to the Administrator."

SECTION 3. Conditions to Effectiveness of this Amendment.

This Amendment to the Contract shall become effective only after satisfaction of each of the following conditions:

(a) Approval in writing of this Amendment by the Administrator;

(b) Acceptance or approval in writing of this Amendment by the Kentucky Public Service Commission; and

(c) The occurrence of the "Closing" as defined in the Transaction Termination Agreement dated as of March 26, 2007 among the Seller, LG&E Energy Marketing Inc. and Western Kentucky Energy Corp.

SECTION 4. Contract to Remain in Full Force and Effect.

Except as expressly herein amended, the Contract shall remain in full force and effect.

IN WITNESS WHEREOF, Seller and Member have caused this Amendment to be signed in their respective corporate names and their respective seals to be hereto affixed and attested by their duly authorized officers, all as of the day and year first above written.

BIG RIVERS ELECTRIC CORPORATION

By: ______________________

ATTEST:

Paula Mitchell

JACKSON PURCHASE ENERGY CORPORATION

By: ______________________

ATTEST:

____

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 28

Letter dated May 2, 2007, from Beth O'Donnell, Executive Secretary of KPSC, to Michael H. Core, and Response of Big Rivers

December 2007

Ernie Fletcher
Governor

Teresa J. Hill, Secretary
Environmental and Public
Protection Cabinet

Timothy J. LeDonne
Commissioner
Department of Public Protection

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd
P O Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc ky gov

Mark David Goss
Chairman

John W. Clay
Commissioner

May 2, 2007

Mr. Michael H. Core
President and CEO
Big Rivers Electric Corporation
201 Third Street
P. O. Box 24
Henderson, Kentucky 42419-0024

RE: Application to "Unwind" Lease Transaction

Dear Mr. Core,

During the meeting held at the Commission's offices on April 4, 2007, the Commission Staff indicated they would try to prepare a list of information that would assist in the review of the application to "unwind" the lease transaction between Big Rivers and E.ON U.S. LLC. The Commission Staff have come up with the following items that should be provided at the time the application is submitted:

1. The "Unwinding" financial model, including all assumptions and supporting documentation. The financial model should also be provided in Excel format on CD-ROM, with all formulae intact.

2. A summary of the terms and conditions of the *Termination Agreement*, including any associated agreements that may not be part of the actual Termination Agreement document.

3. An analysis comparing the termination clauses contained in each of the documents comprising the 1998 Lease Transaction with the provisions of the Termination Agreement. Include a discussion of how each termination clause is addressed by the applicable provision of the Termination Agreement. When possible, include a calculation of the potential cost exposure of Big Rivers or E.ON U.S., LLC under the termination clause and how that exposure is address in the Termination Agreement. Because this could be a voluminous response, an original and two copies of this information should be filed with the Commission, with copies to all parties.

4. In the event amendments are required to the leveraged lease transaction documents, identify all amendments and include a description of the change and why it is necessary. Include the effects of the amendments on the parties.

5. A discussion of the statutory authority supporting the establishment of a Power Cost Adjustment Clause ("PCA") outside of a general rate case Include a description of how the PCA is to operate for each affected rate class.

6. A discussion of the rebate mechanism and an explanation of how it is to operate for each affected rate class.

7. Identify all amendments to the following documents, with a description of each amendment and why it is necessary. Provide red-lined versions of all amended documents. Include the effects on the parties.

a. The HMP&L Station Two Contracts

b. The Member contracts

c. The wholesale power contracts for wholesale service to Kenergy for resale to the smelters

d The Open Access Transmission Tariff.

8 A detailed description of the proposed changes in financing for Big Rivers. Include a discussion of the financial situation under the 1998 Lease Transaction and what is expected to change after the Termination Agreement.

9. A proposed procedural schedule.

This list is not intended to be all inclusive, but reflects the information that Staff believes will help facilitate the processing of the filing based on the information presented at the meeting. If you have any questions, please let me know.

Sincerely,

Beth O'Donnell
Executive Director

cc: Hon James Miller
Attorney General's Office
Hon Frank King, Jr
Paul Thompson, E ON
Hon Michael L Kurtz
Hon Tom Brite
Hon Kendrick Riggs
Hon W David Denton

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 29

Summary Chart of Approvals Requested

December 2007

REFERENCES FOR APPROVALS REQUESTED				
APPROVALS REQUESTED	**PARAGRAPH(S) IN APPLICATION WHERE APPROVAL REQUESTED**	**LOCATION OF DOCUMENT(S)**	**LOCATION OF CITATION TO AUTHORITY FOR APPROVAL**	**LOCATION WHERE APPROVAL SUPPORTED OR DISCUSSED**
1. Termination Agreement and conditions for closing	Paragraphs 58, 63	Exhibit 3	Paragraphs 59-60	Paragraphs 27-31, 34-37, 58, 63; Exhibits 5, 10, 11, 12, 14, 15
2. Generation Dispatch Support Services Agreement	Paragraph 32	Exhibit 16	Application page 1	Paragraph 32; Exhibit 5
3. Information Technology Support Services Agreement	Paragraph 32	Exhibit 17	Application page 1	Paragraph 32; Exhibit 5
4. Amendments to the Station Two Contracts (if any)	Paragraphs 33, 58		Paragraphs 59-60	Paragraphs 33, 58, 64; Exhibit 18
5. Alcan Wholesale Agreement	Paragraphs 38, 70, 84	Exhibit 20	Paragraph 70	Paragraphs 38-48, 70, 82; Exhibits 10, 14, 19
6. Century Wholesale Agreement	Paragraphs 38, 70, 84	Exhibit 20	Paragraph 70	Paragraphs 38-48, 70, 82; Exhibits 10, 14, 19
7. Rebate Adjustment	Paragraphs 68, 70, 76	Exhibit 25	Paragraphs 70, 76	Paragraphs 68, 70, 76; Exhibit 25
8. Fuel Adjustment Clause	Paragraphs 68, 70, 73	Exhibit 25	Paragraphs 70, 73	Paragraphs 47, 68, 70, 73; Exhibit 25
9. Environmental Surcharge	Paragraphs 1, 15 of the Application in PSC Case No. 2007-00460	Exhibit WSS-5 to Exhibit B to the Application filed in PSC Case No. 2007-00460	Paragraph 15 of the Application in PSC Case No. 2007-00460	Application in PSC Case No. 2007-00460
10. Unwind Surcredit	Paragraphs 68, 70	Exhibit 25	Paragraphs 70, 80	Paragraphs 68, 70, 80; Exhibits 10, 25
11. Member Rate Stability Mechanism	Paragraphs 68, 70	Exhibit 25	Paragraphs 70, 78	Paragraphs 68, 70, 78; Exhibits 10, 25

12. Amendments to Big Rivers' Member Wholesale Power Contracts	Paragraphs 68, 70, 81	Exhibit 27	Paragraph 70	Paragraphs 50, 68, 70, 81
13. Termination of existing wholesale power contracts between Big Rivers and Kenergy regarding Tier 3 Service to the Smelters	Paragraphs 85	Appendix E	Application page 1; Paragraph 59	Paragraphs 42, 85
14. An Order finding that Big Rivers will have the financial, technical and managerial ability to provide reasonable service to its Members and that the proposed change in control is consistent with the public interest	Paragraph 57		Paragraph 59	Paragraphs 51, 57, 61-62; Exhibits 5, 10
15. All modifications to or terminations of previously approved documents	Paragraph 34, 58	Appendices A-C	Paragraphs 59, 60	Paragraphs 28, 58, 60; Exhibits 7, 13
16. Necessary revisions to Big Rivers' tariff	Paragraphs 68, 70	Exhibit 23	Paragraph 70	Paragraphs 68, 70, 71-78; Exhibits 10, 18, 24, 25
17. Establishment of three regulatory accounts that are needed to successfully implement the Smelter agreements	Paragraphs 70, 78		Paragraph 70	Paragraphs 68, 70, 78
18. Revisions to Big Rivers' Open Access Transmission Tariff	Paragraphs 70, 86	Exhibit 33	Paragraphs 70, 86	Paragraphs 70, 86; Exhibits 10, 18, 34, 35
19. Amendments to Big Rivers' Member Discount Adjustment schedule in its tariff.	Paragraph 74	Exhibit 23	Paragraph 70	Paragraph 74; Exhibit 10

20. Alcan Agreements	Paragraph 84	Exhibit 20	Paragraph 70	Paragraphs 82-84; Exhibits 10, 19
21. Century Agreements	Paragraph 84	Exhibit 20	Paragraph 70	Paragraphs 82-84; Exhibits 10, 19
22. Termination and Rescheduling of IRP case	Exhibit 18		Application page 1	Exhibit 18
23. Termination of certain reporting requirements for Big Rivers	Paragraph 87		Application page 1	Paragraph 87; Exhibit 18
24. Termination of certain commitments for the E.ON Entities	Paragraph 89		Application page 1	Paragraph 89

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 30

Notice to Commission of Proposed Filing for Approval of Unwind Transaction

December 2007

2007-00455

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC

ATTORNEYS AT LAW

Ronald M. Sullivan
Jesse T. Mountjoy
Frank Stainback
James M. Miller
Michael A. Fiorella
William R. Dexter
Allen W. Holbrook
R. Michael Sullivan
Bryan R. Reynolds
Tyson A. Kamuf
Mark W. Starnes
C. Ellsworth Mountjoy
Susan Montalvo-Gesser

RECEIVED
OCT 19 2007
PUBLIC SERVICE COMMISSION

October 18, 2007

Via Federal Express

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, Kentucky 40602-0615

Dear Ms. O'Donnell:

Representatives of Big Rivers Electric Corporation ("Big Rivers") and E.ON U.S. LLC ("E.ON") met with the Public Service Commission ("Commission") staff in an informal conference on April 4, 2007, to discuss their plans to "unwind" the lease and power purchase transactions between them that the Commission had approved in 1998. Those present included representatives of the Attorney General's office, and other interested parties.

The presentations made by the representatives of Big Rivers and E.ON described in varying levels of detail the approvals the parties anticipated seeking from the Commission, the proposed new arrangements to sell power to two aluminum smelters in Western Kentucky, the remaining obstacles to finalizing the various aspects of the "unwind transaction" and the potential timetables for the approvals required from the Commission. Big Rivers verbally committed that it would give the Commission staff at least 30 days advance notice of the filing of the application seeking the bulk of the approvals of the transactions it would require.

Following a 30-day notice, Big Rivers made the first of the filings in connection with the unwind transaction on July 2, 2007, in P.S.C. Case No. 2007-000177 seeking a certificate of public convenience and necessity for construction of a transmission line that is critical to its financing and risk planning in connection with the unwind transaction. That case is scheduled for decision on October 30, 2007.

Since that informal conference, Big Rivers, its members, E.ON and the smelters have achieved several critical milestones in connection with the various aspects of the unwind transaction. Based upon these achievements, Big Rivers and E.ON are now advising the Commission that at the end of 30 days from the date of this letter, or soon thereafter, Big Rivers and E.ON, LG&E Energy Marketing, Inc. and Western Kentucky Energy Corporation expect to file a joint application with the Commission seeking approvals of the proposed unwind transaction.

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

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

Big Rivers and E.ON are pleased to be in a position to bring to the Commission a series of transactions that are advantageous for all parties, and that provide positive economic benefits for the economy of Western Kentucky. We look forward to the opportunity to present those transactions to you.

Sincerely yours,

James M. Miller

James M. Miller

cc: Dennis Howard
Office of the Attorney General
Utility Rate and Intervention Division
Michael H. Core
Kelly Nuckols
Sandy Novick
Burns Mercer
Kendrick Riggs
Allyson Sturgeon

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 31

Notice to Customers of Proposed Tariff Changes

December 2007

BIG RIVERS ELECTRIC CORPORATION'S
CERTIFICATE OF NOTICE

I, Mark A. Bailey, Executive Vice President and Chief Operating Officer for Big Rivers Electric Corporation ("Big Rivers"), certify that Big Rivers mailed a typewritten notice letter prior to the filing of its applications in PSC Case Nos. 2007-00455 and 2007-00460, to each of its three customers (Jackson Purchase Energy Corporation, Kenergy Corp., and Meade County Rural Electric Cooperative Corporation). The letter included notice of five proposed new tariffs (the Member Rate Stability Mechanism, Fuel Adjustment Clause, Environmental Surcharge, Unwind Surcredit, and Rebate Adjustment), proposed amendments to Big Rivers' existing Rate Schedules 4, 5, 6, 7, 10, and 11 and to its Open Access Transmission Tariff ("OATT"), and all information required by 807 KAR 5:007 Section 3 and 807 KAR 5:011 Section 8. A copy of the notice letter is attached hereto. Big Rivers has additionally sent a complete copy of the filing it has made in the above cases to the Attorney General's Office of Rate Intervention, and has posted at its place of business, 201 Third Street, Henderson, Kentucky, the notice letter, the proposed new and amended tariffs, and all other information required to be posted by the above regulations.

Mark A. Bailey

Mark A. Bailey
Executive Vice President and COO
Big Rivers Electric Corporation

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN to before me by Mark A. Bailey, as Executive Vice President and COO for Big Rivers Electric Corporation, on this the 28th day of December, 2007.

Paula Mitchell

Notary Public, State at Large KY
My commission expires: 1-12-09

EXHIBIT 31

Big Rivers Electric Corporation

201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

December 28, 2007

Mr. Sandy Novick
President and CEO
Kenergy Corp.
P. O. Box 18
Henderson, KY 42419

Mr. Burns Mercer
President and CEO
Meade County RECC
P. O. Box 489
Brandenburg, KY 40108

Mr. Kelly Nuckols
President and CEO
Jackson Purchase Energy Corp.
P. O. Box 4030
Paducah, KY 42002

Gentlemen:

Big Rivers Electric Corporation ("Big Rivers") gives notice pursuant to 807 KAR 5:007 Section 3 and 807 KAR 5:011 Section 8 that it will, within the next thirty (30) days, file an application with the Kentucky Public Service Commission ("PSC" or "Commission") for approval of four (4) new rate schedules (a Fuel Adjustment Clause tariff, an Unwind Surcredit tariff, a Rebate Adjustment tariff, and a Member Rate Stability Mechanism tariff), and of amendments to its existing general tariff and its Open Access Transmission Tariff ("OATT"). Big Rivers will file this application (the "Unwind Application") on December 28, 2007, in *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 of E.ON U.S., LLC, Western Kentucky Energy Corp. and LG&E Energy Marketing, Inc. for Approval of Transactions*, PSC Case Number 2007-00455. The amendments to Big Rivers' existing tariffs are more fully described in pages 11-19 of the Testimony of David A. Spainhoward, attached as Exhibit 18 to the Unwind Application, and in Exhibits 24 and 34 to the Unwind Application. Big Rivers will also file, at the same time, a separate application with the Commission for approval of an additional new rate schedule (an Environmental Surcharge tariff). Big Rivers will file this second application (the "Environmental Surcharge Application") in *In the Matter of: The Application of Big Rivers Electric Corporation for Approval of Environmental Compliance Plan and Environmental Surcharge Tariff*, PSC Case Number 2007-00460.

A copy of each new tariff and of each amended tariff sheet is included in the exhibits to the Unwind Application, a copy of which is enclosed with this letter. A copy of the Environmental Surcharge tariff is also included in the exhibits to the Environmental Surcharge Application, a copy of which is also enclosed with this letter. The Unwind Application and the exhibits thereto include an explanation of each new or amended tariff sheet, and the Environmental Surcharge Application and the exhibits thereto include a description of the Environmental Surcharge tariff. As Big Rivers' proposed new tariffs constitute new rates, there are no existing rates to compare with the new tariffs. For the revised tariffs, the Unwind Application includes exhibits showing the existing tariff sheets that are affected by the amended tariffs and a black-line comparison of the amended and existing tariff sheets. For each new or revised tariff, the amount of the change

Mr. Sandy Novick
Mr. Burns Mercer
Mr. Kelly Nuckols
December 28, 2007
Page Two

in both dollar amounts and percentage change for each customer classification to which the proposed rate change will apply, and the effect of the rate change, stated both in dollars and as a percentage, upon the average bill for each customer class is set forth in Unwind Application Exhibit 10, Testimony of C. William Blackburn, Exhibit CWB-8, and Unwind Application Exhibit 25, Testimony of William Steven Seelye, Exhibit WSS-15. For the rate schedules that constitute a reduction in rates, the rate reduction is being made at the sole discretion of Big Rivers, pursuant to KRS 278.455(1).

The rates contained in this notice are the rates proposed by Big Rivers; however, the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice. Such action may result in rates for consumers other than the rates in this notice. Any corporation, association, body politic, or person may, by written request, within thirty (30) days after the mailing of this notice of the proposed rate changes request to intervene; intervention may be granted beyond the thirty (30) day period for good cause shown. The request to intervene shall be submitted to the Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the request including the status and interest of the party. Any person who has been granted intervention by the Commission may obtain copies of the rate application and any other filings made by Big Rivers by contacting John Talbert, Big Rivers Electric Corporation, P.O. Box 24, Henderson, Kentucky 42419, phone: (270) 827-2561. Any person may examine the rate application and any other filings made by Big Rivers at its main office, 201 Third Street, Henderson, Kentucky, or at the Commission's office , 211 Sower Boulevard, Frankfort, Kentucky, phone: (502) 564-3940.

Sincerely yours,

BIG RIVERS ELECTRIC CORPORATION

David A. Spainhoward
Vice President External Relations
& Interim Chief Production Officer

c: Mr. Michael H. Core w/enclosure