COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BIG RIVERS ELECTRIC CORPORATION, LOUISVILLE GAS AND ELECTRIC COMPANY, WESTERN KENTUCKY ENERGY CORP., WESTERN KENTUCKY LEASING CORP., AND LG&E STATION TWO INC. FOR APPROVAL OF WHOLESALE RATE ADJUSTMENT FOR BIG RIVERS ELECTRIC CORPORATION AND FOR APPROVAL OF TRANSACTION	) CASE NO. 97-204

O R D E R

IT IS ORDERED that Big Rivers Electric Corporation ("Big Rivers") shall file the original and 10 copies of the following information with the Commission no later than March 9, 1998 with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. If the information cannot be provided by the stated date, Big Rivers should submit a motion for an extension of time stating the reason a delay is necessary and a date by which the information will be furnished. Such a motion will be considered by the Commission.

1. Indicate whether the following have approved the various agreements filed with the Commission on February 27, 1998, concerning the power supplier of the

smelters. If approved, state when approval was secured and provide any available documentation. If not approved, indicate when approval is expected.

a. Henderson Union Electric Cooperative Corp.'s ("Henderson Union") Board of Directors.

b. Green River Electric Corporation's ("Green River") Board of Directors.

c. LG&E Energy Marketing, Inc. ("LEM").

d. LG&E Energy Corporation.

e. Alcan Aluminum Corporation ("Alcan").

f. Southwire Company ("Southwire").

g. Rural Utilities Service ("RUS").

h. AMBAC Indemnity Corporation ("AMBAC").

2. Prepare a summary of the terms, conditions, rights, and responsibilities contained in the Agreement for Electric Service between Henderson Union and LEM ("HU/LEM Agreement") and the Agreement for Electric Service between Green River and LEM ("GR/LEM Agreement").

3. Refer to Section 7.05 of both the HU/LEM Agreement and the GR/LEM Agreement. Define "stranded investment costs."

4. Refer to Section 7.05 of both the HU/LEM Agreement and the GR/LEM Agreement. Based on the language in this section of the agreements, explain who is liable for the payment of any stranded investment costs, exit fees, or other costs of a similar nature related to:

a. The financing, construction, operation, or maintenance of the Big Rivers Electric Corporation's ("Big Rivers") generating assets.

b. Henderson Union's, Green River's, or Big Rivers' transmission and distribution systems or other assets.

c. Henderson Union's or Green River's status as members of Big Rivers.

d. Henderson Union's contractual obligations to Big Rivers or Alcan.

e. Green River's contractual obligations to Big Rivers or Southwire.

5. Refer to Section 19.05(b) of both the HU/LEM Agreement and GR/LEM Agreement. Concerning the information in the possession of LEM relating to its service to Henderson Union or Green River under the agreements:

a. Will the Commission be provided the opportunity to review the same information? If no, explain the response.

b. What is the regular document retention time period for this information by LEM?

c. How long does the Federal Energy Regulatory Commission ("FERC") require LEM to retain this information?

d. If the regular or FERC-required retention time is something other than 3 years, explain why 3 years was selected for these agreements.

6. Refer to Schedule A of both the HU/LEM Agreement and the GR/LEM Agreement. Explain the purpose of the "Transmission Credit Offset" and how the offset is to operate.

7. How will either the HU/LEM Agreement or the GR/LEM Agreement be affected if Alcan or Southwire terminates its power supply contract prior to its expiration date?

8. Prepare a summary of the terms, conditions, rights, and responsibilities contained in the Agreement for Electric Service between Henderson Union and Alcan ("HU/Alcan Agreement") and the Agreement for Electric Service between Green River and Southwire ("GR/Southwire Agreement").

9. Refer to Section 7.3 of both the HU/Alcan Agreement and the GR/Southwire Agreement. Define "standard investment costs."

10. Refer to Section 7.3 of both the HU/Alcan Agreement and the GR/Southwire Agreement. Based on the language in this section of the agreements, explain who is liable for stranded investment costs, exit fees, or other costs, whether or not foreseeable, of any kind whatsoever related to:

a. The financing, construction, operation, or maintenance of Big Rivers' generating assets.

b. The financing, construction, operation, or maintenance of Big Rivers' transmission system.

c. Henderson Union's or Green River's contractual obligations to Big Rivers.

11. Refer to Section 7.4 of both the HU/Alcan Agreement and the GR/Southwire Agreement. Based on the language in this section of the agreements:

a. If either agreement is terminated early, explain who is liable for stranded investment costs, exit fees, or other costs, whether or not foreseeable, of any kind whatsoever related to the financing, construction, operation, or maintenance of the Henderson Union or Green River distribution systems or other assets.

b. Identify the portion of the Henderson Union distribution system or its other assets which serve the Alcan facilities.

c. Identify the portion of the Green River distribution system or its other assets which serve the Southwire facilities.

12. Refer to Section 9.5 of both the HU/Alcan Agreement and the GR/Southwire Agreement. Based on the language in this section:

a. Explain what would happen if Henderson Union or Green River cites one of the listed reasons to refuse a Tier 3 transaction and the smelter disagrees with this decision.

b. Will the dispute resolution procedures in Section 24 apply to this situation? Explain the response.

13. Refer to Section 12.2 of both the HU/Alcan Agreement and the GR/Southwire Agreement. Included in this section is the statement, "[T]he provisions of Section 21 and Schedule A with respect to reactive power and energy imbalances shall govern in all instances where there is a conflict or apparent conflict with FERC rules or regulations respecting reactive power and energy imbalances." Explain why the provisions of Section 21 and Schedule A should govern over FERC rules or regulations in these areas.

14. Refer to Section 22.5 of both the HU/Alcan Agreement and the GR/Southwire Agreement. It is stated that the provisions of Section 22 will survive any expiration or termination of the agreements and will continue to be binding on the parties. Explain the purpose of this section and how it relates to the unforeseen cost issue resolution.

15. Refer to Section 27.2 of both the HU/Alcan Agreement and the GR/Southwire Agreement. If the circumstances described in Sections 27.1 and 27.2 do occur, explain why it is reasonable for Alcan or Southwire to have the option to purchase all of its energy needs under Tier 3 terms and conditions.

16. Refer to Section 32.1.4 of both the HU/Alcan Agreement and the GR/Southwire Agreement. Has Henderson Union or Green River received the referenced written agreements or RUS approvals referenced in this section? If yes, when were these received? If no, when are these documents expected?

17. The Supplemental Testimony of Russell L. Klepper, at page 2, states that LEM has agreed to manage and absorb the risk of unforeseen future environmental, legislative, and regulatory costs associated with the smelter's Tier 1 and Tier 2 power requirements. However, the Henderson Union and Green River Smelter Tariffs, at d.(1), state that the smelter rates and charges are fixed, except for the transmission provider's open access transmission tariff, and will not be adjusted to reflect expenditures due to legislation, regulatory, or legal action. If Mr. Klepper's characterization of LEM's agreement is correct, explain in detail why the smelter tariffs contain a prohibition of rate and charge adjustments due to legislation, regulatory, or legal action.

18. Indicate where in either the HU/LEM Agreement or the HU/Alcan Agreement there is a reference to or discussion of the sale of energy to Alcan as provided for in the "Agreement and Amendments to Agreements by and Among City of Henderson, Kentucky, City of Henderson Utility Commission, Big Rivers Electric Corporation, WKE Station Two, Inc., LG&E Energy Marketing, Inc., and Western Kentucky Leasing Corp.," at Section 10.5 - Two County Restriction.

19. Indicate whether the GR/LEM Agreement and the GR/Southwire Agreement reflect the addition of another potline for Southwire, as was announced by Southwire and Green River at the November 1997 hearing.

20. Determine the total value of the minimum contract obligation for Alcan if it terminates its power supply contract in:

a. December 2002.

b. December 2005.

c. December 2010.

21. Determine the total value of the minimum contract obligation for Southwire if it terminates its power supply contract in:

a. December 2002.

b. December 2005.

c. December 2010.

Done at Frankfort, Kentucky, this 5th day of March, 1998.

PUBLIC SERVICE COMMISSION

For the Commission

ATTEST:

Helen C. Helton

Executive Director