COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

O R D E R

IT IS ORDERED that Big Rivers Electric Corporation (Big Rivers) shall file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than November 18, 1999. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Concerning the proposed leveraged lease transaction:

a. Provide a diagram of the proposed transaction, clearly showing the relationship between the anticipated participants, the respective documents, and the estimated dollars associated with each document or step of the proposed transaction.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b. Has RUS indicated its position concerning the impact on the restructured RUS debt instruments in the event Big Rivers incurred losses due to an early termination of the lease transaction? Provide any information received from RUS concerning its position regarding this issue.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b. AME Investments, LLC.

c. Ambac Credit Products, LLC.

d. Federal Farm Credit Banks Funding Corporation.

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

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

By the Commission

ATTEST:

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Executive Director