COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S NOTICE OF INTENT TO REDUCE REVENUE	))	CASE NO. 2000-382

O R D E R

On July 31, 2000, Big Rivers Electric Corporation ("Big Rivers") filed its application, pursuant to KRS 278.455, to reduce its operating revenues by means of a Member Discount Adjustment Rider ("Rider"). The proposed operating revenue reduction totals $3.68 million per year, and would be in effect for 2 years. The reduction is a result of a sale and leaseback transaction that Big Rivers has undertaken with three of its generating units.

The Commission in Case Nos. 99-450[1] and 2000-118[2] approved the sale and leaseback transaction, which Big Rivers consummated on April 18, 2000. This transaction resulted in a net cash benefit of approximately $64.0 million, which was paid by Big Rivers to the Rural Utilities Service ("RUS") for application on the New RUS Note. RUS restructured the debt service schedule for the New RUS Note to reflect the

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[1] Case No. 99-450, Big Rivers Electric Corporation's Application for Approval of a Leveraged Lease of Three Generating Units, final Orders dated November 24, 1999 and January 28, 2000.

[2] Case No. 2000-118, The 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 Transaction Documents, final Order dated March 29, 2000.

prepayment. The restructuring reduced Big Rivers' debt service obligations by approximately $3.68 million annually.

Big Rivers leases its generating assets to subsidiaries of LG&E Energy Corp. ("LG&E Energy") under a transaction that implemented Big Rivers' plan of reorganization under Chapter 11 of the United States Bankruptcy Code. The lease transaction with LG&E Energy obligates Big Rivers to fund certain portions of capital and operating and maintenance incurred by LG&E Energy during the term of the lease. However, the reorganization plan provides that the obligations under the lease transaction, as well as capital requirements for improvements and maintenance to Big Rivers' transmission system, cannot be funded by additional long-term debt incurred by Big Rivers. Big Rivers stated that the need to finance these capital requirements out of current revenues was the major reason the revenue reduction and Rider were limited to a 2-year period.[3]

Big Rivers has proposed an effective date for the Rider and corresponding tariff of September 1, 2000. Big Rivers notes that the Rider does not change Big Rivers' existing tariff rates, and that the discount adjustment mechanism is already contemplated in its existing tariff. Big Rivers also notes that its billing forms provide lines where the discount adjustment can be entered.

The amount of the discount adjustment in each of the 24 months is fixed at $306,666.67. This amount will be divided among the members each month in proportion to the revenue billed for service under Rate Schedules C.4.d. and C.7. The calculation of the discount adjustment will be made on a per-bill basis. The design of

[3] Application at 3.

the discount adjustment eliminates the possibility of over- or under-crediting in any month, while the use of the Rider eliminates the need to change tariff rates or rate design in Rate Schedules C.4.d. and C.7. The revenue change has been allocated to each class of customer, within each tariff, on a proportional basis. Big Rivers submitted an analysis demonstrating the operation of the Rider using actual member billing units and revenue information for the 12 months ended June 30, 2000. The analysis shows that for each member, both rural and large industrial rate classifications, the percentage changes in revenue and power costs are equal.[4]

The Commission finds that the discount adjustment as proposed by Big Rivers meets the requirements of KRS 278.455 and should be authorized. The discount adjustment has been allocated among and within the consumer classes on a proportional basis. The use of the Rider provides that the discount adjustment will result in no change in the rate design currently in effect for Big Rivers' members.

IT IS THEREFORE ORDERED that:

1. The discount adjustment as proposed is hereby authorized and made effective on September 1, 2000.

2. Within 10 days from the date of this Order, Big Rivers shall file its revised tariff showing the date of issue and that it was issued by authority of this Order.

Done at Frankfort, Kentucky, this 30th day of August, 2000.

By the Commission

ATTEST:

Thomas M. Dorman

Executive Director

[4] Application Exhibit C.