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. 2007-00111

O R D E R

On March 16, 2007, Big Rivers Electric Corporation ("Big Rivers") filed its Notice of Intent to Reduce Revenue ("Notice"), pursuant to KRS 278.455, proposing that the temporary revenue reduction that has been in effect for the past 7 years be extended for an additional year, through August 31, 2008. Big Rivers first received authorization in Case No. 2000-00382,[1] to reduce its revenues by $3.68 million per year through a Member Discount Adjustment Rider ("Discount Adjustment") for a period of 2 years ending August 31, 2002. Five 1-year extensions of the Discount Adjustment[2] have been authorized, with the most recent extension expiring on August 31, 2007.

The purpose of the revenue reduction is to continue to pass through to Big Rivers' members the benefits received from a sale and leaseback transaction involving

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[1] Case No. 2000-00382, Big Rivers Electric Corporation's Notice of Intent to Reduce Revenue, final Order dated August 30, 2000.

[2] See Case No. 2002-00100, Big Rivers Electric Corporation's Notice of Intent to Reduce Revenue, final Order dated July 24, 2002; Case No. 2003-00102, Big Rivers Electric Corporation's Notice of Intent to Reduce Revenue, final Order dated August 14, 2003; Case No. 2004-00035, Big Rivers Electric Corporation's Notice of Intent to Reduce Revenue, final Order dated July 9, 2004; Case No. 2005-00115, Big Rivers Electric Corporation's Notice of Intent to Reduce Revenue, final Order dated August 16, 2005; Case No. 2006-00137, Big Rivers Electric Corporation's Notice of Intent to Reduce Revenue, final Order dated July 14, 2006.

three of its generating units. Big Rivers states that the facts supporting this revenue reduction are essentially the same as those that supported its initial revenue reduction 7 years ago and requests that the record of Case No. 2000-00382 be incorporated by reference into this case. Big Rivers proposes that the reduction be limited to an additional 1-year period as its long-term financial requirements are difficult to project and it cannot borrow funds to meet capital requirements under its reorganization plan.

In its Notice, Big Rivers states that is has signed a letter of intent with E.ON U.S. LLC[3] and certain of its subsidiaries or affiliates ("E.ON affiliates") to pursue terminating the various agreements in place since 1998 that gave the E.ON affiliates operational control of Big Rivers' power plants and ownership of the electricity generated. This lease termination, if successfully negotiated and closed, would result in Big Rivers resuming control of its generation facilities and the ownership of all generated power. If the termination of the lease is accomplished, Big Rivers anticipates that it will propose some permanent resolution of the Discount Adjustment.[4] However, the termination of the lease agreement with the E.ON affiliates is not expected to occur before the current Discount Adjustment expires on August 31, 2007.

On April 18, 2007, Commission Staff issued a data request to determine the impact of the revenue reduction on Big Rivers' current financial condition. Big Rivers provided schedules of projected capital expenditures for 2007, outlined the significant changes in operating expenses in 2007 compared to 2006, and outlined projected future

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[3] E.ON U.S. LLC was formerly known as LG&E Energy LLC.

[4] Notice at 2-3.

cash flows.[5] Based on these schedules, Big Rivers states that its financial condition is more than sufficient to continue the revenue reduction for another year.[6] On July 20, 2007, Big Rivers notified the Commission that it had received all necessary creditor approvals to extend the proposed revenue reduction through August 31, 2008.

Having considered the application and being otherwise sufficiently advised, 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 will continue to be allocated among and within the consumer classes on a proportional basis and will not result in a change in the rate design currently in effect for Big Rivers' members.

IT IS THEREFORE ORDERED that:

1. The record of Case No. 2000-00382 is incorporated herein by reference.

2. The proposed Discount Adjustment is approved for 1 year, effective for service rendered on and after September 1, 2007.

3. 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.

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[5] Big Rivers was requested to provide projected capital expenditures for 2008 and significant changes in operating expenses in 2008. Big Rivers responded that projections of capital expenditures and anticipated operating expenses for 2008 were currently being developed in conjunction with the lease termination financial model and were not available. Big Rivers stated that capital expenditures related to the lease termination would be financed with a combination of current cash flows and proceeds received from this transaction, while operating expenses for generating facilities would be financed with current cash flows. See Response to the Commission Staff's First Data Request dated April 18, 2007, Items 2 and 3.

[6] Response to the Commission Staff's First Data Request dated April 18, 2007, Item 4.

Done at Frankfort, Kentucky, this 29th day of August, 2007.

By the Commission

ATTEST:

Executive Director