SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC

ATTORNEYS AT LAW

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Bryan R. Reynolds
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Mark W. Starnes
C. Ellsworth Mountjoy
Susan Montalvo-Gesser
Mary L. Moorhouse

April 23, 2012

RECEIVED

APR 23 2012

PUBLIC SERVICE COMMISSION

Federal Express

Jeff DeRouen
Executive Director
Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, Kentucky 40602-0615

RE: ***In the Matter of: Application of Big Rivers Electric Corporation for Approval to Issue Evidences of Indebtedness,*** **P.S.C. Case No. 2012-00119**

Dear Mr. DeRouen:

Enclosed for filing on behalf of Big Rivers Electric Corporation ("Big Rivers") are an original and ten copies of Big Rivers' responses to (i) the Commission Staff's First Information Request dated April 11, 2012, and (ii) Kentucky Industrial Utility Customers, Inc.'s First Set of Data Requests dated April 11, 2012 (The "KIUC Data Requests"). Also enclosed are an original and ten copies of a motion for deviation. A copy of this letter, a copy of Big Rivers' responses to the Commission Staff's First Request for Information and the KIUC First Data Requests, and a copy of the motion for a deviation have been served on each of the persons shown on the attached service list.

Big Rivers further encloses a petition seeking confidential treatment pursuant to 807 KAW 5:001, Section 7 for certain material filed in response to the KIUC Data Requests. I certify that a copy of the petition and the material, with only those portions for which confidential treatment is sought obscured, has been served on all parties.

Please contact me with any questions you may have about this filing.

Sincerely yours,

James M. Miller

James M. Miller

JMM/ej
Enclosures

cc: Mark A. Hite
Albert Yockey

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

100 St. Ann Building
PO Box 727
Owensboro, Kentucky
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SERVICE LIST
BIG RIVERS ELECTRIC CORPORATION
PSC CASE NO. 2012-00119

Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OH 45202

Counsel for Kentucky Industrial Utility Customers, Inc.

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS CASE NO. 2012-00119

VERIFICATION

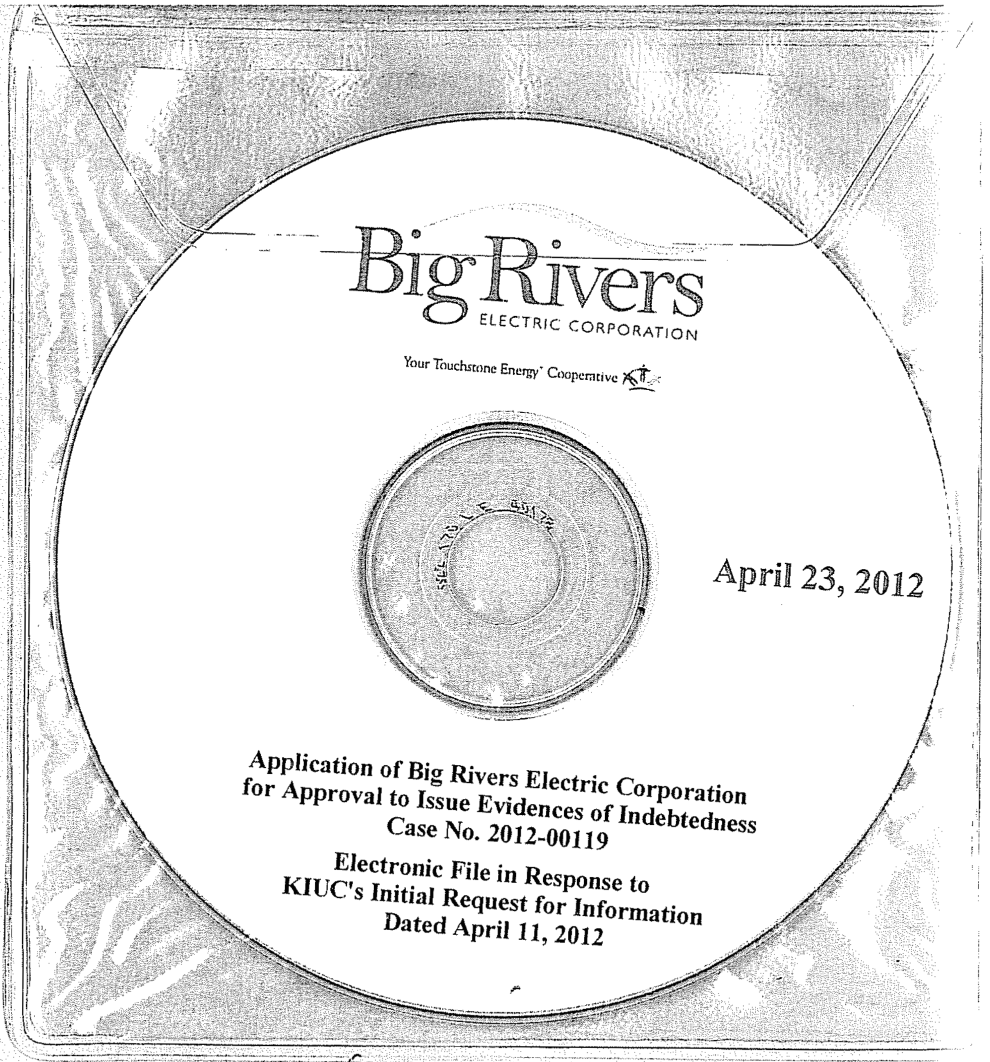
I, Mark A. Hite, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Mark A. Hite
Mark A. Hite

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Mark A. Hite on this the 17th day of April, 2012.

Paula Mitchell
Notary Public, Ky. State at Large
My Commission Expires 1-12-13



BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS CASE NO. 2012-00119

Response to Kentucky Industrial Utility Customers' Initial Request for Information dated April 11, 2012

April 23, 2012

Information filed on CD accompanying responses

Folders included on this CD:

KIUC 1-1 – CoBank Documents	
KIUC 1-2 – CFC Documents	
KIUC 1-3 – RUS Documents	
KIUC 1-4 – Goldman Sachs Documents	
KIUC 1-5 – Internal Correspondence	
KIUC 1-14 – Rating Agency Documents	

ORIGINAL

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS	)))	Case No. 2012-00119

Response to Kentucky Industrial Utility Customers' Initial Request for Information dated April 11, 2012

FILED: April 23, 2012

ORIGINAL

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 1) *Provide a copy of all correspondence between BREC and CoBank regarding the transactions described in the Application.*

Response) Big Rivers objects to this information request on the grounds that it is overly broad, seeks documents that have no relevance to the relief sought by Big Rivers in this proceeding, and is unreasonably burdensome. For example, Big Rivers is seeking approval to issue the evidences of indebtedness in the final forms it has presented, so it is unreasonable to require production of documents created over a period of months related to the negotiation of those evidences of indebtedness. Without waiving these objections, Big Rivers is providing the attached documents and other documents in a folder labeled 'KIUC 1-1 – CoBank Documents' on the CD accompanying these responses. Big Rivers is providing the attached documents under a Petition for Confidential Treatment.

Witness) Mark A. Hite and Counsel

Archived: Friday, April 13, 2012 9:50:56 AM
From: Mark Hite
Sent: Thursday, February 23, 2012 12:18:00 PM
To: Childs, Jeffrey
Subject: Big Rivers
Response requested: No
Importance: Normal
Attachments: CoBank Presentation for 2-28-12.pptx ;

Good afternoon. Will be on the conference call at 2pm central today.

Please see the attached draft PowerPoint presentation planned for you next Tuesday 2/28/12. Please note that it's a draft, as we continue to review and edit it, although time is short. Plan to add a note for APM, MISO, rate case status, etc.

Look forward to seeing you next Monday evening for dinner at Biaggi's.

Mark

Mark A. Hite, CPA

VP Accounting & Interim CFO

Big Rivers Electric Corporation

201 Third St.

Henderson, KY 42420

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812-853-0405 (home)

mhite@bigrivers.com

Big Rivers Electric Corporation

Bank Group Meeting

February 27 & 28, 2012
Evansville, IN and Henderson, KY

Attendee List

Big Rivers Electric Corp.

Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561

Mark Hite, CPA
VP Accounting & Interim CFO

Bob Berry
VP, Production

Eric Robeson
VP, Environmental Services and Construction

Jim Miller
General Counsel, Sullivan, Mountjoy, Stainback & Miller

Bank Group:

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Presentation to CoBank
Big Rivers Electric Corporation

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

February-2012

Big Rivers Electric Corporation

Participants

Big Rivers Electric Corporation

Mark Hite *Vice President Accounting & Interim CFO*

Robert W. Berry *Vice President Production*

Eric Robeson *Vice President Environmental Services and Construction*

Jim Miller *Corporate Counsel*

Big Rivers
ELECTRIC CORPORATION

Table of Contents

Big Rivers
ELECTRIC CORPORATION

I. Overview of Big Rivers Electric Corporation

Big Rivers ELECTRIC CORPORATION

Overview of Big Rivers Electric Corporation

- Big Rivers Electric Corporation ("Big Rivers") was formed in 1961 and is based in Henderson, Kentucky
- Big Rivers supplies wholesale electric generation and transmission service to three electric distribution cooperatives ("Members"):
  - Jackson Purchase Energy Corporation
  - Kenergy Corp. ("Kenergy")
  - Meade County Rural Electric Cooperative Corporation
- Members are local customer-owned cooperatives providing service to approximately 112,500 retail customers on a not-for-profit basis
  - Members serve residential, commercial and industrial customers located in portions of 22 western Kentucky counties
- Big Rivers and its Members are generally regulated by the Kentucky Public Service Commission
- Big Rivers provides capacity and energy to its members through a combination of 5 owned generation stations, one leased generation station and purchased power
  - Net capacity of owned generation – 1,444 MW
  - Net capacity of leased generation from Henderson Municipal Power & Light Station II (HMPL) – 202 MW
  - Power purchased from SEPA – 178 MW
  - 1,266 miles of transmission lines and 22 substations
  - Midwest ISO membership implementation – Dec. 2010

Key 2011 Statistics
Energy Sales - 13,255 GWh
Operating Revenues - $562mm
Total Assets - $1,418mm
Non-Smelter Member Rate (Excluding MRSM Credit) $45.29/MWh
Non-Smelter Member Rate Stability Mechanism ($6.22/MWh)
Non-Smelter Member Wholesale Rate $39.07/MWh
Smelter Effective Rate $44.48/MWh

Big Rivers
ELECTRIC CORPORATION

Rate Case

- On March 1, 2011, Big Rivers filed an application for a general rate adjustment with the Kentucky Public Service Commission ("KPSC")
  - Case number 2011-00036
- New Rates were effective September 1, pending approval from the KPSC.
- Formal approval by the KPSC was granted in November 2011 for a rate increase of $26.7mm
  - $10.6 million was assigned to the rural class
  - $ 1.9 million to the large industrial class
  - $14.2 million to the smelters
- A rehearing has been granted by the KPSC wherein Big Rivers has requested an additional $2.7 mm to be reconsidered
- Kentucky Industrial Utility Customers have appealed the $26.7 mm rate increase granted by the KPSC

Big Rivers

Power Supply - ACES Power Marketing & NRCO

ACES Power Marketing

Big Rivers has been a member/owner of ACES Power Marketing, one of the nation's largest electricity traders, since January 2003. ACES operates as an energy risk management and hedge manager. Member/owners like Big Rivers actively participate by utilizing the ACES infrastructure and resources to assess their risks and execute specific, customized portfolio strategies.

National Renewables Cooperative Organization

In the tradition of working together, cooperatives across the country have formed the National Renewables Cooperative Organization (NRCO) to promote and facilitate the development of renewable energy resources. Membership in the NRCO is open to generation and transmission cooperatives (G&Ts) and distribution cooperatives with the legal ability to buy power in the wholesale market. Big Rivers was one of 24 founding members of the organization, which formed in November 2008.

Big Rivers

Big Rivers' Strategic Plan

NORTH STAR

- North Star will be the cost per kWh of the total Member load, including distribution members and smelters.
- Big Rivers will manage the cost per kWh within the board-approved risk tolerance, always striving to keep costs as low as possible while still meeting the Members' service requirements.

MISSION

Big Rivers' Mission is to safely deliver low cost, reliable, wholesale power and cost-effective shared services desired by our members.

VISION

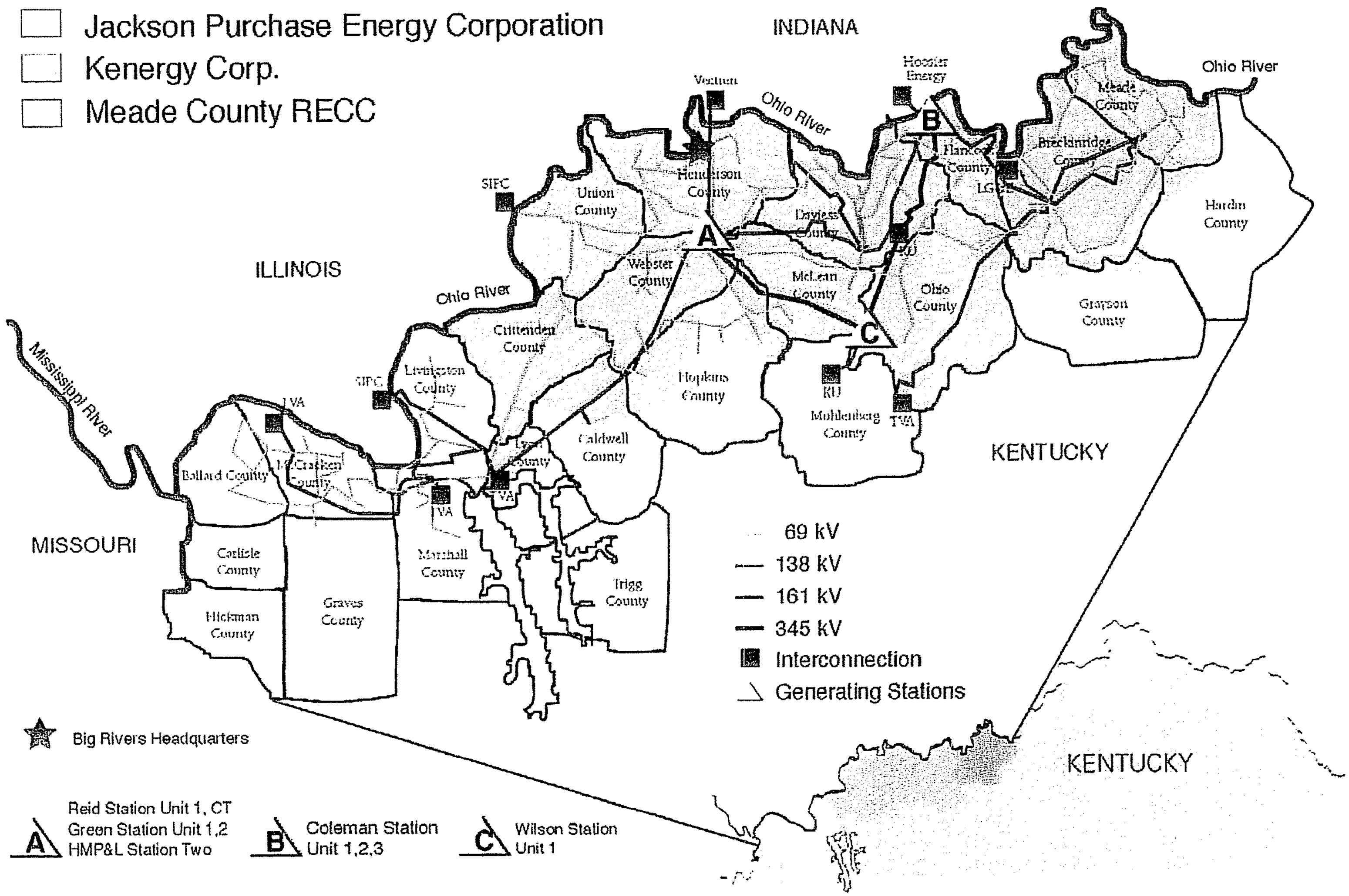
Big Rivers' Vision is to be viewed as one of the top G&T's in the country and will provide services the members desire in meeting future challenges.

VALUES

- Safety
- Integrity
- Excellence
- Member and Community Service
- Respect for the Employee
- Teamwork
- Environmentally Conscious

Big Rivers

Big Rivers Members' Service Territory



Overview of Big Rivers Electric Corporation 9

Big Rivers

Big Rivers' Management

Big Rivers is led by an experienced management team and is governed by a six-member board of directors. The board is comprised of two representatives from each distribution cooperative.

<u>Senior Management Team:</u>

Mark Bailey, President & CEO
Robert Berry, V.P. Production
David Crockett, V.P. System Operations
James Haner, V.P. Administrative Services
Mark Hite, V.P. Accounting & Interim CFO
Eric Robeson, V.P. Environmental Services and Construction
Albert Yockey, V.P. Governmental Relations & Enterprise Risk Management

Big Rivers

Big Rivers' Financing

Big Rivers currently has two $50 million lines of credit available to it, one with CoBank, ACB, expiring July 16, 2012, and the other with National Rural Utilities Cooperative Finance Corporation ("CFC") that expires July 16, 2014.

Long Term Debt Schedule ($mm) - as of December 31, 2011

Debt	Maturity Date	Stated Value	Principal	Notes:
RUS Series A Note, stated interest rate of 5.75%, with an imputed interest rate of 5.84%	July 2021	$ 523.2	$ 521.3	A portion hereof to be refinanced by CoBank and CFC
RUS Series B Note, no stated interest rate, with an imputed interest rate of 5.80%	December 2023	$ 245.5	$ 123.0	
Pollution Control Bonds Series 1983 - County of Ohio, Kentucky with a 3.25% interest rate in 2011	June 2013	$ 58.8	$ 58.8	Plan to refinance in 2013
Pollution Control Bonds Series 2010 , County of Ohio, Kentucky with a 6.0% fixed interest rate	July 2031	$ 83.3	$ 83.3	
TOTAL		**$ 910.8**	**$ 786.4**	

Big Rivers
ELECTRIC CORPORATION

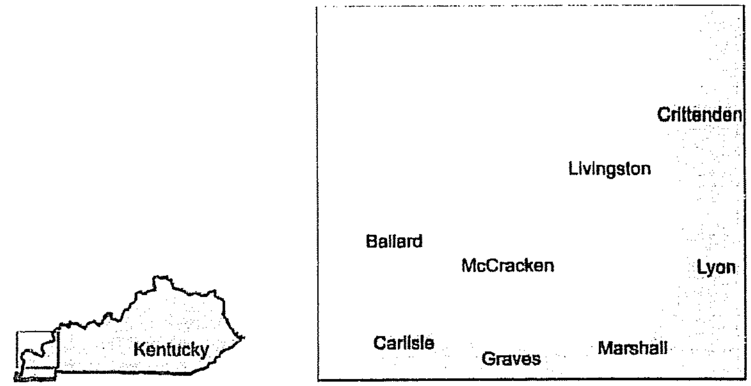
II. Overview of the Members & Customer Base

Big Rivers
ELECTRIC CORPORATION

Overview of Jackson Purchase Energy Corporation

Overview Service Territory

- Established in 1937
- Serves approximately 29,000 accounts in portions of 6 counties in Western Kentucky
- Managed by 8 member/consumer elected board serving four-year staggered terms
- Primarily residential & small commercial customer mix
- Most recent residential retail rate increase: July 2008, 9.5%



Summary Financial Information ($mm)

	Fiscal Year Ended December 31		
Income Statement	**2011**	**2010**	**2009**
Operating Revenues	$45.1	$46.5	$41.9
Operating Expenses	38.0	36.1	34.4
Net Operating Income [1]	7.1	10.4	7.5
Cash Flow			
Debt Service	5.1	4.9	4.9
Debt Service Coverage Ratio	1.50 x	2.32 x	1.62 x
TIER	1.04 x	2.51 x	1.26 x
Balance Sheet			
Net Utility Plant	$92.4	$91.5	$87.3
Equities/Capitalization	39.4%	43.6%	39.8%

Source: RUS Form 7 [1] Before Depreciation, Taxes & Interest

Customer Profile

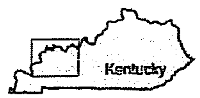
	FY 2011		
Customer Type	**MWh**	**Number of Consumers**	**Revenue ($000)**
Residential	411,231	26,054	29,070
Comm. And Ind. (< 1,000 kW)	190,024	3,126	11,916
Comm. And Ind. (<>1,000 kW)	49,396	9	2,909
Public Lighting/Irrigation	888	10	101
Total	**651,539**	**29,199**	**43,996**

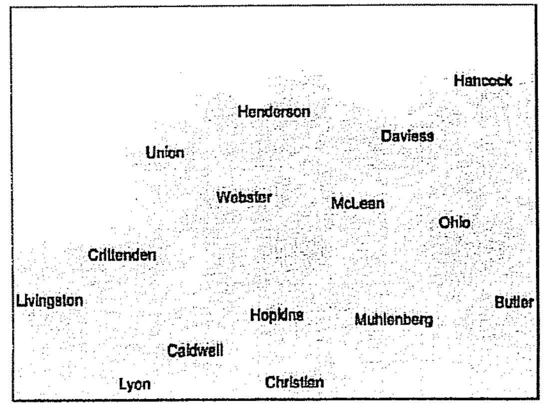
Big Rivers Electric Corporation

Overview of Kenergy Corp.

Overview Service Territory

- Established in July 1999 through the consolidation of – Henderson Union Electric Coop (established 1936), and – Green River Electric Corporation (established 1937)
- Serves approximately 55,000 customers in 14 western Kentucky counties along more than 7,000 miles of line
- Fourth largest electric cooperative in Kentucky (based on customers)
- Managed by 11 member customer-elected board
- Most recent residential retail rate increase: Sept. 2011, 7.49%
- Responsible for supplying Hawesville and Sebree smelters





Summary Financial Information ($mm)

	Fiscal Year Ended December 31		
Income Statement	**2011**	**2010**	**2009**
Operating Revenues	$425.6	$401.0	$349.8
Operating Expenses	407.5	381.3	332.9
Net Operating Income [1]	18.1	19.7	16.9
Cash Flow			
Debt Service	11.5	11.6	11.1
Debt Service Coverage Ratio	1.62 x	1.79 x	1.58x
TIER	1.66 x	1.95 x	1.48 x
Balance Sheet			
Net Utility Plant	$182.9	$179.2	$177.5
Equities/Capitalization	36.3%	33.2%	30.3%

Source: RUS Form 7 [1]Before Depreciation, Taxes & Interest

Customer Profile

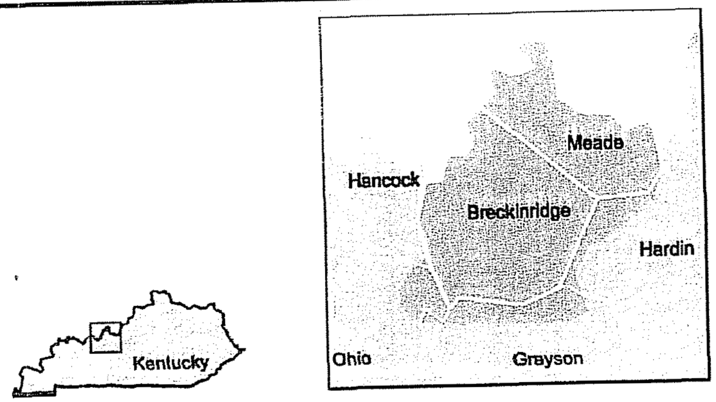
	FY 2011		
Customer Type	MWh	Number of Consumers	Revenue ($000)
Residential	754,124	45,294	56,284
Comm. And Ind. (< 1,000 kW)	314,861	9,803	22,563
Comm. And Ind. (<>1,000 kW)	8,326,066	35	344,888
Public Lighting	1,733	78	282
Total	**9,396,784**	**55,210**	**424,017**

Big Rivers ELECTRIC CORPORATION

Overview of Meade County Rural Electric Cooperative

Overview Service Territory

- Established in 1937
- Serves approximately 28,000 customers in portions of 6 Kentucky counties along approximately 2,900 miles of line
- Managed by 7 member customer-elected board
- Primarily residential customer mix
- Most recent residential retail rate increase: Feb. 2011, 3.92%



Summary Financial Information ($mm)

	Fiscal Year Ended December 31		
Income Statement	**2011**	**2010**	**2009**
Operating Revenues	$35.8	$34.6	$31.1
Operating Expenses	28.3	27.5	24.7
Net Operating Income [1]	7.5	7.1	6.4
Cash Flow			
Debt Service	4.8	4.9	4.8
Debt Service Coverage Ratio	1.58 x	1.55 x	1.37 x
TIER	2.09 x	2.05 x	1.57 x
Balance Sheet			
Net Utility Plant	$72.2	$69.9	$66.6
Equities/Capitalization	33.9%	33.5%	32.3%

Source: RUS Form 7 [1]Before Depreciation, Taxes & Interest

Customer Profile

	FY 2011		
Customer Type	MWh	Number of Consumers	Revenue ($000)
Residential	364,735	26,402	27,480
Comm. And Ind. (< 1,000 kW)	94,657	2,070	7,131
Public Lighting	1,057	6	75
Total	**460,449**	**28,478**	**34,686**

Big Rivers
ELECTRIC CORPORATION

Long-Term Smelter Contracts

- Big Rivers and Kenergy (the Member serving the Smelters) entered into the Smelter Wholesale Power Contracts in which Big Rivers supplies energy to Kenergy for resale to the Smelters through the end of 2023 on a take-or-pay basis, subject to a one-year termination notice from the Smelter(s)
- The two aluminum smelters, owned by Alcan and Century, have a base demand of 850 MW and typically use 98% of the energy
- Energy made available to the Smelters will consist of three types
  - ***Base Monthly Energy:*** 368 MW hourly for Alcan and 482 MW hourly for Century
  - ***Supplemental Energy:*** 10 MW hourly of interruptible energy to each Smelter
  - ***Back-up Energy:*** Imbalance energy for Kenergy made available to the Smelters
- Charges to the Smelters will also include the following adjustments:
  - Base Rate always 25 cents per MWh over Large Industrial
  - Fuel Adjustment Clause ("FAC") – Adjusts monthly for incremental changes in fuel costs
  - Environmental Surcharge ("ES") – Adjusts monthly for incremental changes in non-fuel variable production expenses (emission allowances, reagents and waste disposal)
  - Purchased Power Adjustment ("PPA") – Adjusts monthly for incremental changes in purchased power costs (non-FAC PPA regulatory account for non-smelter members)
  - TIER Adjustment (described on page 29)
  - Surcharges – Mitigate impact of FAC and ES on Non-Smelter Members

Big Rivers Electric Corporation

Overview of Smelters

- Sebree, Kentucky Smelter (Alcan Primary Products Corporation)
  - Alcan is owned by Rio Tinto, an international mining group, and is Rio Tinto's only U.S. aluminum smelter
  - Commenced operation in 1973
  - Produces 186,000 metric tons of primary aluminum annually from its 3 potlines
  - 600 employees
  - Base contract demand: 368 MW and Projected annual energy consumption: 3.1 TWh
  - Recently completed $37mm bake furnace project
- Hawesville, Kentucky Smelter (Century Aluminum of Kentucky General Partnership)
  - Century is a public company and through its various subsidiaries owns and operates aluminum smelters in Kentucky, South Carolina, West Virginia and Iceland
  - Commenced operation in 1970
  - Produces 244,000 metric tons of primary aluminum annually from its 5 potlines
  - 775 employees
  - Base contract demand: 482 MW and Projected annual energy consumption: 4.2 TWh

Big Rivers' Members Provide Some of the Lowest Cost Residential Electricity in the Nation

Average Residential Rate – Kentucky December 2011[1]		Average Residential Rate – National November 2011[2]	
Kentucky Utility	**Cents / kWh**	**National Region**	**Cents / kWh**
East Kentucky Power Cooperative	11.66	Pacific Noncontiguous	27.94
AEP Kentucky Power	9.72	New England	15.90
Duke Energy Kentucky	8.65	Middle Atlantic	15.80
Louisville Gas and Electric Company	8.57	Pacific Contiguous	12.71
Kentucky Utilities Company	7.82	East North Central	12.02
		South Atlantic	11.21
		West South Central	10.60
Big Rivers Rate (including credits)	7.82	East South Central	10.46
Big Rivers Rate (excluding credits)	9.11	Mountain	10.12
		West North Central	9.83
		Kentucky	9.30
		United States Total	**11.88**

1 Source: Kentucky Public Service Commission Orders and Filings
2 Source: Energy Information Administration Table 5.6.A

Big Rivers' Members Provide Some of the Lowest Cost Commercial and Industrial Electricity in the Nation

Average Commercial & Industrial Rate – National 2011

National Region	Cents/kWh
Pacific Noncontiguous	24.67
New England	13.51
Middle Atlantic	10.99
Pacific Contiguous	10.13
East North Central	8.05
South Atlantic	8.14
East South Central	7.96
Meade County	7.53
Mountain	7.52
West South Central	7.39
West North Central	7.21
Kenergy - excluding Smelters	7.17
Kentucky	6.86
Jackson Purchase	6.19
Kenergy - Smelters	4.40

Source: RUS Form 7 and Energy Information Administration

III. Operations

Big Rivers ELECTRIC CORPORATION

Big Rivers' Available Generation Resources

	Fuel Type	Net Capacity (MW)	Commercial Operation
Owned Generation			
Kenneth C. Coleman Plant			
Unit 1	Coal	150	1969
Unit 2	Coal	138	1970
Unit 3	Coal	155	1972
Robert D. Green Plant			
Unit 1	Coal	231	1979
Unit 2	Coal	223	1981
Robert A. Reid Plant			
Unit 1	Coal / Gas	65	1966
Combustion Turbine	Oil / Gas	65	1979
D.B. Wilson Unit 1	Coal	417	1986
Owned Subtotal		1,444	
Leased Generation			
HMP&L Station Two			
Unit 1	Coal	153	1973
Unit 2	Coal	159	1974
City's Current Capacity Allocation[1]		(110)	
Leased Subtotal		202	
Total Owned / Leased Generation		1,646	
Purchased Power			
Member's SEPA Allocation	Hydro	178	
Total Capacity		1,824	

[1] Big Rivers operates Station Two, which is owned by the City of Henderson, and is entitled to all capacity and energy not taken by the City under the terms of a power purchase agreement.

Big Rivers ELECTRIC CORPORATION

Big Rivers' Coal-Fired Power Plants System Performance

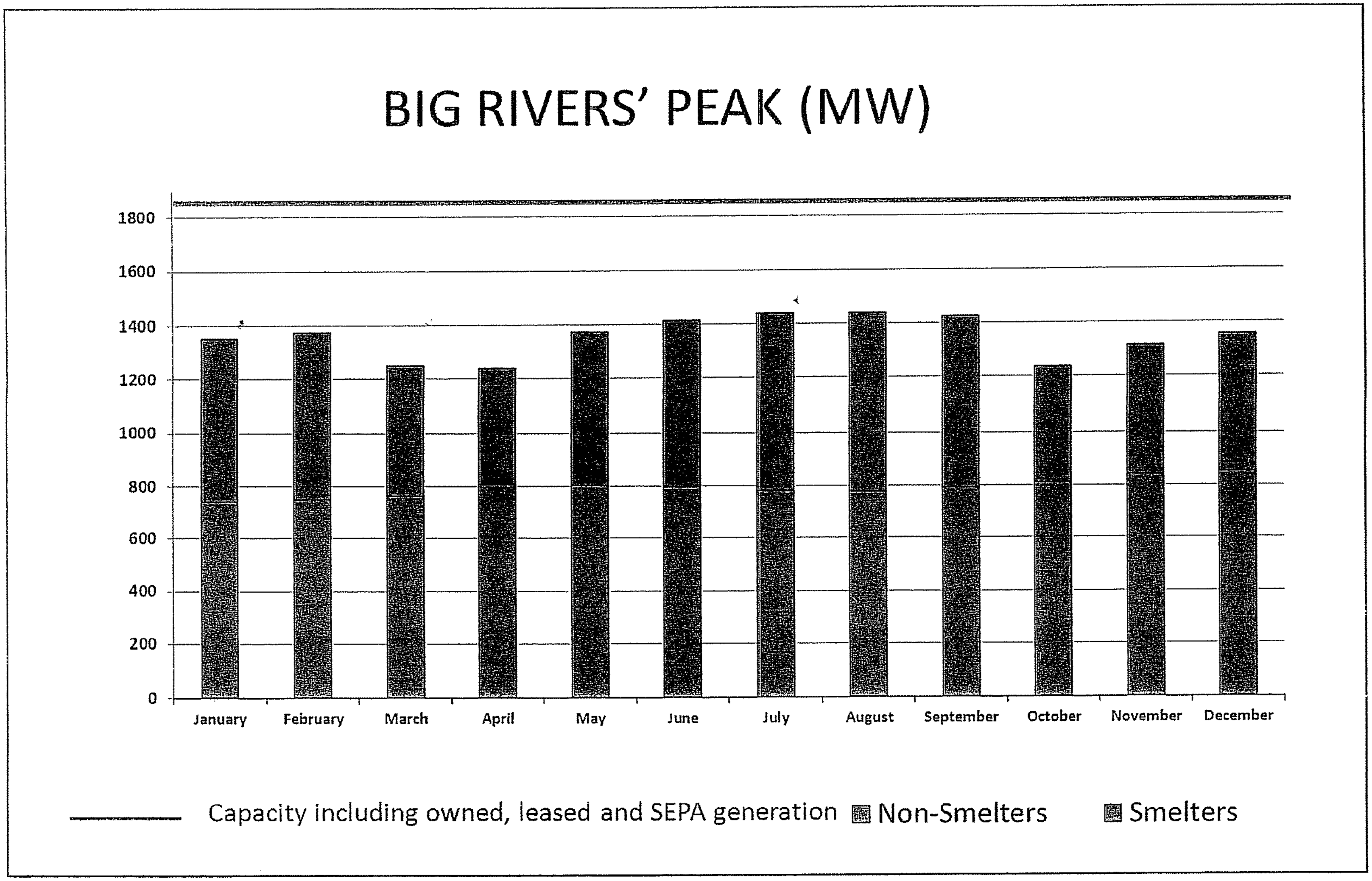
- Eight of the nine coal generating units are equipped with Flue Gas Desulphurization systems (FGDs) to control SO2 emissions
- Wilson 1, HMP&L 1 and HMP&L 2 are equipped with Selective Catalytic Reduction systems (SCRs) to control NOx emissions
- System performance is actively benchmarked against the industry utilizing GKS Navigant services. In the most recent benchmarking survey (2007 to 2011 Q3), Big Rivers displayed the following results when comparing O&M costs including fuel:
  - System capacity weighted O&M cost including fuel was $[redacted] less than the median cost ($[redacted]/MWh vs. $[redacted]/MWh).

Key Performance Indicators per IEEE Standards (6 Year Averages 2006 thru 2011)

Unit	Net Generation (MWHrs)	Net Heat Rate (BTU/kWH)	Gross Capacity Factor (%)	Gross Capacity Output (%)	Equivalent Availability Factor (%)	Equivalent Forced Outage Rate (%)
Coleman 1	981,391	[redacted]	75.2	84.5	89.1	4.9
Coleman 2	904,899	[redacted]	74.8	81.9	90.9	3.1
Coleman 3	1,014,199	[redacted]	75.5	83.4	88.9	6.8
Green 1	1,768,041	[redacted]	88.7	95.5	92.1	2.5
Green 2	1,725,642	[redacted]	89.5	95.1	94.1	1.8
Henderson 1	1,098,054	[redacted]	83.1	93.2	88.4	8.3
Henderson 2	1,093,491	[redacted]	79.3	88.0	88.8	5.2
Wilson 1	3,143,151	[redacted]	86.4	96.8	88.1	4.8
SYSTEM	**11,728,868**	[redacted]	**83.0**	**91.5**	**90.0**	**4.5**

Big Rivers
ELECTRIC CORPORATION

Big Rivers' Peak 2011 (MW)



Big Rivers Electric Corporation

Big Rivers' Coal-Fired Power Plants Variable Cost 2011 – by unit

Ib

BREC Variable Costs*
Period Ending December 31, 2011
Year - to - Date

Unit	Total Fuel	(Reagent) Scrubber	SOx Allowances	NOx Allowances	Total Variable $	Net Generation	$/MWH
Green 1	$ [redacted]	$ [redacted]	$ [redacted]	$ 0	$ [redacted]	[redacted]	$ [redacted]
Green 2	$ [redacted]	[redacted]	$ [redacted]	$ 0	[redacted]	[redacted]	$ [redacted]
HMP&L 1	$ [redacted]	[redacted]	$ [redacted]	$ 0	[redacted]	[redacted]	$ [redacted]
HMP&L 2	$ [redacted]	[redacted]	$ [redacted]	$ 0	[redacted]	[redacted]	$ [redacted]
Coleman 1	$ [redacted]	[redacted]	$ [redacted]	$ 0	[redacted]	[redacted]	$ [redacted]
Coleman 2	$ [redacted]	[redacted]	$ [redacted]	$ 0	[redacted]	[redacted]	$ [redacted]
Coleman 3	$ [redacted]	[redacted]	$ [redacted]	$ 0	[redacted]	[redacted]	$ [redacted]
Wilson 1	$ [redacted]	[redacted]	$ [redacted]	$ 0	[redacted]	[redacted]	$ [redacted]
Totals	$ [redacted]	$ [redacted]	$ [redacted]	$ **0**	$ [redacted]	[redacted]	$ [redacted]

*Does not include Reid 1 and Reid CT which are used for peaking purposes

Big Rivers

Big Rivers' Environmental Compliance Plan (ECP) for CSAPR & MATS

Cross-State Air Pollution Rule (CSAPR) and the Mercury and Air Toxics Standards (MATS) were both finalized in 2011. Both rules will impact Big Rivers' ECP. Big Rivers plans to pass through these costs under the Environmental Surcharge, and will be presenting this information to the Kentucky Public Service Commission in 2012. Compliance costs are as follows:

	CSAPR	MATS	Total
Capital			
Wilson	139,000,000	11,240,000	150,240,000
HMPL (Net of City)	3,850,000	280,000	4,130,000
Reid	1,200,000		1,200,000
Green	81,000,000	18,480,000	99,480,000
Coleman		28,440,000	28,440,000
	225,050,000	58,440,000	283,490,000
Cost of Capital	9.42%	9.42%	9.42%
Capital Cost	21,199,710	5,505,048	26,704,758
O&M Cost	3,220,000	10,010,000	13,230,000
Total Annual 2012 ECP Cost in 2016	24,419,710	15,515,048	39,934,758

Big Rivers Electric Corporation

IV. Indenture/Financial Goals

Big Rivers

Big Rivers' Financial Covenants

Big Rivers is in compliance with all debt covenants associated with both long-term and short-term debt.

- The Company's Indenture and its line of credit with CFC require that Margins for Interest Ratio (MFIR) of at least 1.10 be maintained each fiscal year.
- The CoBank line of credit agreement requires that at the end of each fiscal year the Company have a Debt Service Coverage Ratio (DSCR) of not less than 1.20.
- CoBank and CFC also require an Equity to Assets ratio of 15% or greater at the end of each fiscal year.

Historical Performance against covenants

Ratio	Agreement	Loan Covenant	2011	2010	2009
MFIR	Indenture/NRUCFC	1.10	1.12	1.15	9.87
Debt Service Coverage Ratio*	CoBank	1.20	1.47	1.47	2.44
Equity to Assets	CoBank	15%	27%	26%	25%
Equity to Assets	NRUCFC	12%	27%	26%	25%
TIER		n/a	1.12	1.15	9.85
Debt to Total Capitalization		n/a	67%	68%	69%

**** DSCR not included in the proposed CoBank Revolver***

V. Financials

Big Rivers

Smelter Agreements TIER Support Calculation

($ mm)

- **20XX Rebate**
  - TIER before adjustment (line 4) exceeds 1.24
  - $18.8mm is available for Rebate, split ratably between Non-Smelter Members and Smelters
  - Maximum TIER adjustment available is $1.95/MWh
- **2013 TIER Adjustment**
  - TIER before adjustment (line 4) is below 1.24
  - $20.36mm is contributed by Smelters via TIER adjustment or $2.79/MWh
  - Maximum TIER adjustment available is $2.95/MWh

Sample Rebate and TIER Adjustment Calculation

	20XX	2013
1 **Before Rebate / TIER Adjustment**		
2 Net Margin + Interest Charges	$79.9	$45.7
3 Interest Charges	$49.3	$53.3
4 Contract TIER	1.62x	0.86x
5 **Rebate**		
6 Members	(6.2)	–
7 Smelters	(12.6)	–
8 Total	(18.8)	–
9 **TIER Adjustment**		
10 Smelters	–	$20.4
11 Total	–	$20.4
12 **After Rebate / TIER Adjustment**		
13 Net Margin + Interest Charges	$61.1	$66.1
14 Interest Charges	$49.3	$53.3
15 Contract TIER	1.24x	1.24x

Big Rivers Electric Corporation

Statement of Operations

	Actual		Projected				
Statement of Operations ($mm)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Electric Energy Revenues	$ 514.5	$ 558.4	$ 582.3	$ 622.1	$ 654.0	$ 667.5	$ 712.3
Other Operating Revenue and Income	12.8	3.6	4.0	4.0	4.0	4.0	4.0
Total Operating Revenues	$ 527.3	$ 562.0	$ 586.3	$ 626.1	$ 658.0	$ 671.5	$ 716.3
Operating Expense - Excluding Fuel	$ 187.2	$ 201.8	$ 203.6	$ 208.8	$ 220.7	$ 231.6	$ 252.4
Operating Expense Fuel	207.7	226.2	238.4	259.1	266.6	273.6	282.6
Maintenance Expense	46.9	47.7	53.9	51.6	62.4	57.8	59.7
Depreciation and Amortization	34.2	35.4	41.9	43.3	44.7	48.1	52.5
Interest Expense	47.1	45.7	43.6	59.3	59.5	59.3	59.2
Other - Net	(2.8)	(0.4)	(0.5)	(4.5)	(10.4)	(13.4)	(4.6)
Total Expenses	$ 520.3	$ 556.4	$ 580.9	$ 617.6	$ 643.5	$ 657.0	$ 701.8
Net Margins	**$ 7.0**	**$ 5.6**	**$ 5.4**	**$ 8.5**	**$ 14.5**	**$ 14.5**	**$ 14.5**

Big Rivers
ELECTRIC CORPORATION

Balance Sheet

	Actual		Projected				
Balance Sheet ($mm)	2010	2011	2012	2013	2014	2015	2016
Assets							
Net Utility Plant	$ 1,092	$ 1,092	$ 1,120	$ 1,189	$ 1,339	$ 1,436	$ 1,427
Cash & Investments	45	45	35	241	101	32	32
Transition Reserve	35	0	35	35	36	36	36
Economic Reserve	121	100	72	38	8	0	0
Rural Economic Reserve	62	63	64	65	66	52	23
Receivables, inventories, & Other	117	118	133	141	139	142	149
Total	**$ 1,472**	**$ 1,418**	**$ 1,459**	**$ 1,709**	**$ 1,689**	**$ 1,698**	**$ 1,667**
Equities & Liabilities							
Equities	$ 387	$ 390	$ 395	$ 404	$ 418	$ 433	$ 447
Debt	817	786	859	1,133	1,124	1,114	1,104
Deferred Revenue - Economic Reserves	181	162	136	103	74	52	23
Line of Credit Advances	10	0	0	0	0	25	15
Payables & Other	77	80	69	69	73	74	78
Total	**$ 1,472**	**$ 1,418**	**$ 1,459**	**$ 1,709**	**$ 1,689**	**$ 1,698**	**$ 1,667**
Equities / Total Capitalization	**32%**	**33%**	**31%**	**26%**	**27%**	**28%**	**29%**

Big Rivers
ELECTRIC CORPORATION

Debt Service Coverage

	Actual		Projected				
Debt Service Coverage ($mm)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Margins	$ 7.0	$ 5.6	$ 5.4	$ 8.5	$ 14.5	$ 14.5	$ 14.5
Interest Expense	47.1	45.7	43.6	59.3	59.5	59.3	59.2
Depreciation & Amortization	36.3	37.5	44.5	46.0	47.5	51.0	55.7
Numerator for DSCR	$ 90.4	$ 88.8	$ 93.5	$ 113.8	$ 121.5	$ 124.8	$ 129.4
Interest Expense	47.1	45.7	43.6	59.3	59.5	59.3	59.2
Principal Due on Long-Term Debt	14.2	14.9	16.1	21.6	22.4	23.3	24.3
Denominator for DSCR	$ 61.3	$ 60.6	$ 59.7	$ 80.9	$ 81.9	$ 82.6	$ 83.5
Debt Service Coverage Ratio	**1.47**	**1.47**	**1.57**	**1.41**	**1.48**	**1.51**	**1.55**

Big Rivers

Non-Smelter Member Rates

Rate Derivation ($/MWh)	Actual 2010	Actual 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
Non-Smelter Members							
Base Rate	$ 35.33	$ 42.45	$ 48.69	$ 48.70	$ 50.16	$ 50.19	$ 50.20
Regulatory Account Amortization	0.00	(0.32)	(1.23)	(1.23)	(0.38)	0.17	0.28
FAC	9.98	4.49	5.09	5.47	5.95	6.36	6.80
Environmental Surcharge	2.25	2.16	2.51	4.98	4.94	4.92	7.33
Surcredits	(3.30)	(3.49)	(4.10)	(4.05)	(4.00)	(3.97)	(3.93)
Rebate (Accrual)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rate Stabilization							
Economic Reserve	(7.91)	(6.22)	(8.69)	(10.10)	(9.10)	(2.20)	0.00
Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	(4.68)	(8.44)
Blended Rate	**$ 36.35**	**$ 39.07**	**$ 42.27**	**$ 43.77**	**$ 47.57**	**$ 50.79**	**$ 52.24**

Big Rivers ELECTRIC CORPORATION

Smelter Rates

	Actual		Projected				
Rate Derivation ($/MWh)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Smelters							
Large Industrial Rate @ 98%	$ 29.07	$ 34.70	$ 39.14	$ 39.18	$ 40.36	$ 40.36	$ 40.32
Additional Smelter Charge	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Base Rate	$ 29.32	$ 34.95	$ 39.39	$ 39.43	$ 40.61	$ 40.61	$ 40.57
Tier Adjustment	1.95	1.95	2.95	2.95	2.60	2.55	2.44
Non-FAC PPA	(1.18)	(0.70)	(0.40)	(0.21)	(0.04)	0.28	0.38
FAC	10.13	4.53	5.11	5.48	5.95	6.36	6.80
Environmental Surcharge	2.26	2.18	2.48	4.07	4.11	4.07	6.08
Surcharge	1.57	1.57	1.87	1.87	1.87	1.87	1.87
Rebate (accrued)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Effective Rate	**$ 44.05**	**$ 44.48**	**$ 51.40**	**$ 53.59**	**$ 55.10**	**$ 55.74**	**$ 58.14**

Big Rivers
ELECTRIC CORPORATION

Big Rivers' Credit Rating

Big Rivers had its credit rating evaluated by three credit rating agencies.

<u>Moody's Investor Service</u> – Moody's has assigned a 'Baa1' senior secured rating for the Series 2010A County of Ohio, Kentucky, Pollution Control Bonds.

<u>Standard & Poor's (S&P)</u> – S&P has assigned a 'BBB-' issuer credit rating to Big Rivers and has assigned a "BBB-" long-term rating for its Series 2010A County of Ohio, Kentucky, Pollution Control Bonds.

<u>Fitch Ratings Ltd.</u> – In August, 2011, Fitch has assigned a 'BBB-' rating on the Series 2010A County of Ohio, Kentucky, Pollution Control Bonds.

Big Rivers
ELECTRIC CORPORATION

VI. Appendix – Management Information

Big Rivers

Big Rivers' Management

Senior Management Biographies

Mark A. Bailey, President and Chief Executive Officer, received a Bachelor of Science in Electrical Engineering from Ohio Northern University in 1974, and a Master of Science in Management from the Massachusetts Institute of Technology in 1988. He was employed by American Electric Power Company ("AEP") for nearly 30 years, beginning as an Electrical Engineer in 1974. Mr. Bailey was employed as Vice President of AEP subsidiary Indiana Michigan Power Company until AEP's reorganization in 1996, when he became Director-Regions with American Electric Power Service Corporation ("AEPSC"), also a subsidiary of AEP. He was employed as Vice President of Transmission Asset Management for AEPSC from June 2000 until his employment as President and Chief Executive Officer ("CEO") with Kenergy Corp. in 2004. Mr. Bailey was employed as Executive Vice President and Chief Operating Officer beginning in June 2007 until being elected by the Board of Directors to his current position in October 2008.

Robert W. Berry, Vice President of Production, graduated from the University of Kentucky Community College system with an Associate degree in Mechanical Engineering Technology and Mid-Continent University with a Bachelor of Science in Business Management. He was employed by Big Rivers from 1981 to 1998 and served in various maintenance positions such as Superintendent of Maintenance and Maintenance Manager. In 1998 he was employed by Western Kentucky Energy and served in various positions such as Maintenance Manager, Plant Manager and General Manager until the Unwind transaction closed in July 2009, at which time he assumed his current position.

David G. Crockett, Vice President of System Operations, graduated from the University of Kentucky with a Bachelor of Science in Electrical Engineering in 1972. He has been employed with Big Rivers since 1972. He served in various engineering positions before assuming the responsibility of Manager of Energy Control in 1998. Mr. Crockett assumed his current position as Vice President System Operations in 2006.

James V. Haner, Vice President of Administrative Services, graduated from the University of Kentucky with a Bachelor of Science in Accounting in 1970. He has been employed with Big Rivers since 1972. He served in various accounting and finance capacities prior to transferring to administrative services in 1991. He assumed duties as Manager Human Resources in 1998. Mr. Haner assumed his current position of Vice President Administrative Services in 2005.

Big Rivers' Management

Senior Management Biographies - continued

Mark A. Hite, Vice President of Accounting and Interim Chief Financial Officer, graduated from the University of Evansville with a Bachelor of Science in Accounting in 1980 and a Master of Business Administration in 1985. He is a licensed CPA. Mr. Hite has been employed with Big Rivers since 1983, and has served in various accounting and finance capacities prior to assuming his current position.

Eric Robeson, Vice President of Environmental Services and Construction, graduated from Rose Hulman Institute of Technology in 1977 with a Bachelor of Science in Mechanical Engineering and Ball State University in 1988 with a Masters of Business Administration. He is a registered Professional Engineer in the state of Indiana. Mr. Robeson worked at Vectren (and its predecessor company Sigeco) from 1980 to 2011. He served in a variety of engineering and managerial positions including Plant Manager, Director of Generation Planning, and Director of Infrastructure Services. He joined Big Rivers in 2011 as Vice President of Construction overseeing environmental compliance efforts and assumed his current position in February , 2012

Albert M. Yockey, Vice President of Governmental Relations & Enterprise Risk Management, graduated from the University of Pittsburgh with a Bachelor of Science in Electrical Engineering in 1972, a Master of Science from Lehigh University in 1979, and a Juris Doctor from Capital University Law School in 1994. He is a registered Professional Engineer in Pennsylvania and a licensed attorney in Ohio. Mr. Yockey was employed in operation and planning positions with Pennsylvania Power and Light Co. from 1972 through 1985. He was employed in planning, regulatory, and compliance positions with American Electric Power Company from 1985 until February 2008. Mr. Yockey joined Big Rivers as Vice President of Enterprise Risk Management and Strategic Planning in 2008 and assumed his current position in July 2009.

COBANK

5500 South Quebec Street
Greenwood Village, CO 80111
Phone: (303) 740-4187
Fax: (303) 796-1407

January 12, 2012

Mr. Mark Bailey
President and Chief Executive Officer
Big Rivers Electric Corporation
P.O. Box 24
Henderson, KY 42419-0024

RE: $225,000,000 Credit Facilities

Dear Mr. Bailey:

Big Rivers Electric Corporation (the "**Borrower**") has advised CoBank, ACB ("**CoBank**") that it would like to obtain a term loan of up to $175,000,000, and a Revolving Facility of up to $50,000,000. The facilities will consist of a $175,000,000 twenty year senior secured amortizing Term Loan (the "**Term Facility**") and a $50,000,000 five year senior unsecured Revolving Facility (the "**Revolving Facility**", together with the Term Facility the "**Credit Facilities**"). The terms and conditions of the Credit Facilities are proposed to be substantially as set forth in the Summary of Indicative Terms and Conditions attached hereto as Exhibit A (the "**Term Sheets**"; this letter agreement and the Term Sheets are collectively referred to herein as, the "**Mandate Letter**"). Terms defined or used in the Term Sheets shall have the same respective defined meanings when used herein.

The Borrower hereby engages CoBank, and CoBank hereby confirms its willingness, to act as sole lead arranger (in its capacity as lead arranger, the "**Lead Arranger**"), book runner and administrative agent for the Credit Facilities and, in its capacity as Lead Arranger, to arrange on a best efforts basis consistent with industry practices the Credit Facilities with financial institutions and investors satisfactory to the Borrower and the Lead Arranger. This Mandate Letter does not represent a commitment on the part of CoBank or any of its affiliates to provide the Credit Facilities, or any portion thereof. Any commitment on the part of CoBank to lend all or a portion of the Credit Facilities must be evidenced in a separate writing and will be wholly contingent upon satisfactory completion of due diligence, internal credit approvals and the negotiation, execution and delivery of definitive documentation with respect to the Credit Facilities satisfactory to CoBank, none of which has occurred at this time. The terms and conditions of the Credit Facilities are not limited to those which are set forth herein and in the Term Sheets. Those matters that are not covered by the provisions hereof and in the Term Sheets are subject to the approval and agreement of the Lenders, the Lead Arranger and the Borrower.

It is agreed that the Lead Arranger, in consultation with the Borrower, will perform all functions and exercise all authority customarily performed and exercised by banks and their securities affiliates acting in their respective roles. The Borrower agrees that no other agents, co-agents or arrangers will be appointed, or other titles conferred, by the Borrower without the prior written consent of the Lead Arranger.

To assist the Lead Arranger in its syndication efforts hereunder, the Borrower agrees, upon the Lead Arranger's reasonable request, (a) promptly to provide such financial and other information with respect to the Borrower, its subsidiaries, and the transactions contemplated hereby, including, but not limited to, information and projections relating to the Borrower and its subsidiaries, as the Lead Arranger shall reasonably request, (b) to make its senior officers available to prospective Lenders and participants at reasonable times, and (c) to host, with the Lead Arranger, a meeting or meetings with prospective Lenders and participants.

As consideration for the Lead Arranger's agreements hereunder to structure, arrange and syndicate the Credit Facilities on a best efforts basis, the Borrower agrees to pay the Lead Arranger the nonrefundable fees set forth in the Term Sheets and in the Fee Letter dated the date hereof and delivered herewith (the "**Fee Letter**") at the times and in the manners specified therein. The Borrower agrees that no Lender will receive any compensation for its commitment to, or participation in, the Credit Facilities except as expressly set forth in the Term Sheets or the Fee Letter, or as otherwise agreed to and offered by the Lead Arranger.

The Borrower hereby represents and covenants that all information and data concerning the Borrower, its subsidiaries, and the transactions contemplated hereby (the "**Information**"), other than any projections or forward looking statements (the "**Projections**") (for which the Borrower makes the representations and covenants in the next sentence), that have been or will be prepared by or on behalf of the Borrower or any of its representatives and that have been made or will be made available to the Lead Arranger, CoBank or any other Lenders by the Borrower or any of its representatives in connection with the transactions contemplated hereby, when taken as a whole, will be correct in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made. The Borrower hereby represents and warrants that all Projections that have been or will be prepared by or on behalf of the Borrower or any of its representatives and that have been or will be made available to the Lead Arranger, CoBank or the other Lenders by the Borrower or any of its representatives in connection with the transactions contemplated hereby, will be or have been prepared in good faith based on reasonable assumptions. The Borrower agrees to supplement the Information from time to time until the closing of the Credit Facilities so that the representations and covenants in the preceding sentences remain correct in all material respects. In arranging the Credit Facilities on a best efforts basis, including the syndication of the Credit Facilities hereunder, the Lead Arranger will be using and relying primarily on the Information without independent verification thereof.

The Lead Arranger agrees to keep strictly confidential, and not to publish, use, disclose or otherwise divulge to anyone (and to cause its officers, directors, employees, agents and representatives to keep strictly confidential, and not to publish, use, disclose or otherwise divulge to anyone) the Information (including the Projections), except that the Lead Arranger shall be permitted to disclose Information (including the Projections) (i) to such of its officers, directors, employees, agents and representatives as need to know such Information in connection with its evaluation of its participation in the financing; (ii) to any potential Lender or participant, its officers, directors, employees, agents and representatives in connection with the syndication of the Credit Facilties hereunder (provided, that such potential Lender or participant is bound by substantially similar written confidentiality provisions); (iii) to the extent required by applicable laws and regulations or by any subpoena or similar legal process, in which event the Lead Arranger will inform the Borrower promptly thereof in order to allow the Borrower to contest such disclosure; (iv) to the extent requested by any banking or regulatory authority, in which event the Lead Arranger will inform the Borrower promptly thereof in order to allow the Borrower to contest such disclosure; (v) to the extent such Information (A) becomes publicly available other than as a result of a breach of this agreement or any other agreement to which CoBank or the Lead Arranger are party, (B) becomes available to the Lead Arranger on a non-confidential basis from a source other than the Borrower or its representatives and such source is not known by CoBank or the Lead Arranger, after consultation with the Borrower, to not have the right to disclose such Information, (C) was available to the Lead Arranger on a non-confidential basis prior to its disclosure to the Lead Arranger by the Borrower or its representatives and such source was not known by CoBank or the Lead Arranger, after consultation with the Borrower, to not have the right to disclose such Information; (vi) to the extent the Borrower shall have consented to such disclosure in writing; or (vii) in connection with any legal proceedings between or among the Lead Arranger, CoBank, any other Lender, any participant, the Borrower, any of the Borrower's subsidiaries or any of the Borrower's affiliates, in which event, if CoBank or the Lead Arranger knows of such legal proceedings, the Lead Arranger will inform the Borrower promptly thereof. **CoBank hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act, Title III of Pub. L. 107-56 (signed into law October 26, 2001) (the "Patriot Act"), it and its affiliates are required to obtain, verify and record information that identifies the Borrower, which information includes the name, address, tax identification number and other information regarding the Borrower that will allow CoBank to identify the Borrower in accordance with the Patriot Act. This notice is given in accordance with the requirements of the Patriot Act and is effective for CoBank and its affiliates.**

The Lead Arranger's best efforts undertakings described herein are further subject to (a) its completion of, and its satisfaction in all material respects with the results of, its due diligence investigation with respect to the business, assets, operations, financial condition, prospects and material agreements of the Borrower and its subsidiaries, (b) there not occurring or becoming known to the Lead Arranger since December 31, 2010 any material adverse condition or material adverse change in or affecting the actual or prospective business, assets, operations, financial condition, prospects or contractual arrangements of the Borrower, its subsidiaries or the transactions contemplated hereby, (c) its not becoming aware after the date hereof of any event or circumstance affecting the Borrower, its subsidiaries or the transactions contemplated hereby that is inconsistent in a material and adverse manner with information disclosed to the Lead Arranger by the Borrower or any of its representatives prior to the date hereof, (d) there not having occurred a material disruption of or material adverse change in financial, banking or capital market conditions that, in the Lead Arranger's commercially reasonable judgment, would not reasonably be expected to materially impair the syndication of the Credit Facilities, (e) its satisfaction that prior to and during the syndication of the Credit Facilities hereunder there shall be no competing offering, placement or arrangement of any debt securities or bank financing by or on behalf of the Borrower or any subsidiary thereof that in the Lead Arranger's opinion would adversely affect the financing contemplated hereby, and (f) the other conditions set forth or referred to in the Term Sheets.

The Borrower agrees (a) to indemnify and hold harmless the Lead Arranger, CoBank, the other Lenders, their affiliates and their respective officers, directors, employees, advisors and agents (each, an "**Indemnified Person**") from and against any and all losses, claims, damages and liabilities to which any such Indemnified Person may become subject arising out of or in connection with this Mandate Letter, the Fee Letter, the Credit Facilities, the transactions contemplated hereby and thereby, regardless of whether any Indemnified Person is a party thereto, and to reimburse each Indemnified Person upon demand for any reasonable legal or other expenses incurred in connection with investigating or defending any of the foregoing, provided that the foregoing indemnity will not, as to any Indemnified Person, apply to losses, claims, damages, liabilities or related expenses to the extent they are found by a final, non-appealable judgment of a court to arise from willful misconduct, gross negligence or a bad faith breach of this Mandate Letter (it being understood that the violation by the Lead Arranger, CoBank or any other Lender of an applicable law or regulation shall constitute gross negligence) of such Indemnified Person and (b) to reimburse the Lead Arranger, CoBank and the other Lenders and their affiliates on demand for all out-of-pocket expenses (including due diligence expenses, syndication expenses, travel expenses, and reasonable fees, charges and disbursements of counsel) incurred in connection with the Credit Facilities and any related documentation (including, without limitation, this Mandate Letter, the Fee Letter and the definitive financing documentation) as provided in the Fee Letter or the administration, amendment, modification or waiver thereof. No Indemnified Person shall be liable for any special, indirect, consequential or punitive damages in connection with its activities related to the Credit Facilities.

The Borrower acknowledges that CoBank (in its individual capacity and as Lead Arranger) may be providing debt financing, equity capital or other services (including financial advisory services) to other companies in respect of which the Borrower may have conflicting interests regarding the transactions described herein and otherwise. CoBank (in its individual capacity and as Lead Arranger) will not use confidential information obtained from the Borrower by virtue of the transactions contemplated by this Mandate Letter or its other relationships with the Borrower in connection with the performance by it of services for, or other uses on behalf of, other companies, and CoBank (in its individual capacity and as Lead Arranger) will not furnish any such information to other companies. The Borrower also acknowledges that CoBank (in its individual capacity and as Lead Arranger) has no obligation to use in connection with the transactions contemplated by this Mandate Letter, or to furnish to the Borrower, confidential information obtained by CoBank from other companies.

This Mandate Letter and the Fee Letter shall not be assignable by the Borrower without the prior written consent of the Lead Arranger (and any purported assignment without such consent shall be null and void), are intended to be solely for the benefit of the parties hereto (and Indemnified

Persons) and are not intended to confer any benefits upon, or create any rights in favor of, any person other than the parties hereto (and Indemnified Persons). This Mandate Letter and the Fee Letter may not be amended or waived except by an instrument in writing signed by the Borrower and the Lead Arranger. This Mandate Letter and the Fee Letter may be executed in any number of counterparts, each of which shall be an original, and all of which, when taken together, shall constitute one agreement. Delivery of an executed signature page of this Mandate Letter and the Fee Letter by facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. This Mandate Letter and the Fee Letter are the only agreements that have been entered into among the parties hereto with respect to the best efforts arrangement and syndication of the Credit Facilities hereunder and set forth the entire understanding of the parties with respect thereto. This Mandate Letter and the Fee Letter shall be governed by, and construed in accordance with, the laws of the State of New York.

This Mandate Letter is delivered to the Borrower on the understanding that neither this Mandate Letter nor the Fee Letter nor any of their terms or substance shall be disclosed, directly or indirectly, to any other person except (a) to the Borrower's officers, agents and advisors who are directly involved in the consideration of this matter or (b) as may be compelled in a judicial or administrative proceeding or as otherwise required by law (in which case the Borrower agrees to inform the Lead Arranger promptly thereof).

The reimbursement, indemnification and confidentiality provisions contained herein and in the Fee Letter shall remain in full force and effect regardless of whether definitive financing documentation shall be executed and delivered and notwithstanding the termination of this Mandate Letter; provided that the Borrower's indemnification and reimbursement obligations under this Mandate Letter shall automatically terminate and be superseded by the provisions of the definitive documentation relating to the Credit Facilities upon execution of such definitive documentation relating to the Credit Facilities (the "**Closing Date**").

If the foregoing correctly sets forth the agreement between the parties hereto, please indicate the Borrower's acceptance of the terms of this Mandate Letter and the Fee Letter by returning to CoBank executed counterparts hereof and of the Fee Letter no later than 4:00 p.m. Central Standard Time on January 20, 2012. The Lead Arranger's best efforts undertakings contained herein will expire at such time in the event the Lead Arranger has not received such executed counterparts and fees in accordance with the immediately preceding sentence. In the event that the Closing Date does not occur on or before April 15th, 2012, then this Mandate Letter and the Lead Arranger's best efforts undertakings hereunder shall automatically terminate unless the parties hereto shall, in their discretion, agree to an extension.

We are pleased to have been given the opportunity to assist the Borrower in connection with this important financing.

Very truly yours,

COBANK, ACB

By:________________________
Name:
Title:

Accepted and agreed to
as of January 20, 2012:

BIG RIVERS ENERGY CORPORATION

By: Mark A. Bailey
Name: Mark A. Bailey
Title: President & CEO

CoBANK

5500 South Quebec Street
Greenwood Village, CO 80111
Phone: (303) 740-4187
Fax: (303) 796-1407

January 12, 2012

Mr. Mark Bailey
President and Chief Executive Officer
Big Rivers Electric Corporation
P.O. Box 24
Henderson, KY 42419-0024

RE: $225,000,000 Credit Facilities

Dear Mr. Bailey:

Reference is made to that certain letter agreement and attached Term Loan Facility Summary of Indicative Terms and Conditions (the "**Term Facility Term Sheet**"), and the attached Revolving Facility Summary of Indicative Terms and Conditions (the "**Revolving Facility Term Sheet**", together the "**Term Sheets**"); the letter agreement and the Term Sheets are collectively referred to herein as, the "**Mandate Letter**") of even date herewith from CoBank, ACB ("**CoBank**") to Big Rivers Electric Corporation (the "**Borrower**"). Terms defined or used in the Mandate Letter shall have the same respective defined meanings when used herein. This letter is the "**Fee Letter**" referred to in the Mandate Letter.

By its signature below and in consideration of the best efforts undertakings and other agreements set forth in the Mandate Letter, the Borrower agrees to pay the following **non-refundable fees**:

1. An arrangement fee equal to 0.200% multiplied by the total amount of the Term Loan Loan Facility plus the Revolving Facility (together, the "**Credit Facilities**") to be paid on the Closing Date solely to CoBank in its capacity as Lead Arranger; and

2. Upfront fees to be paid on the Closing Date to all of the financial institutions and investors (including CoBank) that commit to the Term Loan. Upfront fees will be determined based on commitment size and paid on allocations. Please be advised that upfront fees are subject to current market conditions. We estimate that upfront fees will range from 0.150% to 0.250% multiplied by the total amount of the Credit Facilities.

All other fees connected with this transaction are as described in the Mandate Letter. All closing costs, including reasonable outside legal fees, will be for the account of the Borrower and are payable by the Borrower, regardless of whether the transactions described in the Mandate Letter close. The Borrower will pay such closing costs upon the earlier of (i) the closing of the Credit Facilities and (ii) thirty days after the invoicing of such closing costs.

The above fees and costs (and any portion thereof) will be due as provided herein and will be fully earned upon payment and **will not be refundable or rebatable** by reason of repayment, prepayment, acceleration upon event of default under the Term Loan or any other circumstance, and will survive any termination of either of the Credit Facilities.

This Fee Letter is delivered to the Borrower on the understanding that neither this Fee Letter nor the Mandate Letter nor any of their terms or substance shall be disclosed, directly or indirectly, to any other person except as provided in the Mandate Letter.

Very truly yours,

COBANK, ACB

By:______________________
Name:
Title:

Accepted and agreed to
as of January 20, 2012:

BIG RIVERS ELECTRIC CORP.

By: Mark A. Bailey
Name: Mark. A. Bailey
Title: President & CEO

CoBANK
COOPERATIVE CONNECTED COMMITTED

MANDATE VERSION

BIG RIVERS ELECTRIC CORPORATION
$175,000,000 SENIOR SECURED TERM LOAN

Summary of Indicative Terms and Conditions

January 12, 2012

Confidential

This document is not meant to be, nor shall it be construed as, either a binding commitment or an attempt to define all terms and conditions of the transaction described herein. This Summary of Indicative Terms and Conditions (this "Term Sheet") represents a proposal which we may be willing to recommend for approval to senior management, provided that, among other things, all due diligence deemed necessary is completed to our satisfaction. The terms and conditions outlined herein are not intended to be all inclusive, but rather set forth a general framework from which a mutually satisfactory transaction may be structured. Any such financing would be subject to negotiation of definitive documentation, appropriate due diligence, signing of a commitment letter and final credit approval.

Borrower: Big Rivers Electric Corporation (the "Company" or the "Borrower").

Administrative Agent. Lead Arranger and Bookrunner: CoBank, ACB

Lenders: A syndicate of Farm Credit System financial institutions arranged by the Lead Arranger and acceptable to the Borrower

Term Loan Facility: Up to $175 million in a single-advance senior secured term loan (the "Term Loan"). The total aggregate amount of the Term Loan may be increased by up to $50,000,000 on or prior to the closing subject to mutual agreement of the Lead Arranger and the Borrower.

Use of Proceeds: The proceeds of the Term Loan are to be used for debt refinancing and for capital expenditures.

Closing Date: The date of execution and delivery of definitive loan documentation, to occur on or before April 15, 2012 ("Closing Date").

Availability: Upon satisfaction of the Conditions Precedent to Closing, the Loan shall be made available in one single advance (the "Advance") made on the Closing Date.

Maturity/Repayments: The Term Loan will be repaid over a period of up to 20 years with approximately level quarterly payments of principal and interest on the last Banking Day (to be defined) of each March, June, September, and December. The first payment will be due on June 30, 2012 and the final principal payment will be due on March 31, 2032.

Security: The promissory notes evidencing the Term Loan will, on or prior to the date of the Advance, be issued and secured under the Company's Indenture dated July 1, 2009 between the Company and U.S. Bank N.A. (as amended from time to time, the "Indenture") and be secured by a statutory first lien on all equity in CoBank held by the Company.

Interest Rates: The Company may choose from among the following three interest rate options:

- **LIBOR (London Interbank Offered Rate):** At a rate per annum equal to the LIBOR Rate plus the applicable LIBOR Margin (as defined below). Under this option: (1) rates may be fixed for periods of 1, 2, 3, or 6 months (and 9 or 12 months, if available from all Lenders) (an "Interest Period"); (2) rates may be fixed on balances of no less than $1,000,000 at any one time; and (3) the maximum number of balances that may be subject to this option at any one time shall be ten. LIBOR loans will be made subject to availability. "LIBOR Rate" shall mean, for any Interest Period the interest rate per annum (rounded upwards to the nearest 1/100th of 1%) determined by dividing (i) the rate of interest at which deposits in U.S. dollars for such Interest Period are offered (based on information presented by Bloomberg as quoted by the British Bankers' Association as of 11:00 a.m. (London time) two Banking Days prior to the first day of such Interest Period) by (ii) a number equal to 1.00 minus the Reserve Percentage. "Reserve Percentage" shall mean, with respect to the applicable Lender only, for any Interest Period during which such Lender, as determined in its sole discretion, is subject to a Reserve Percentage, the aggregate (but without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on the day which is two Banking Days prior to the beginning of such Interest Period for Eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of such Board) which are required to be maintained by a member bank of the Federal Reserve System (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto, as now and from time to time in effect). New LIBOR Rate Loans will not be available during the continuance of a default. For any Interest Period during which a Lender is not subject to a Reserve Percentage, the Reserve Percentage shall be equal to zero for such Lender. **This option will be available for up to three years from the Closing Date.**

- **Base Rate:** At a rate per annum equal to the Base Rate plus the applicable Base Rate Margin (as defined below). "Base Rate" means, for any day, the rate per annum announced by CoBank on the first Banking Day of each week as the higher of (A) 1.00% greater than one-month LIBOR or (B) the prime rate ("Prime Rate") as published from time to time in the Eastern Edition of the Wall Street Journal as the average primary lending rate for seventy percent (70%) of the United States' ten largest banks, or if the Wall Street Journal shall cease publication or cease publishing the Prime Rate on a regular basis, such other regularly published average prime rate applicable to such commercial banks as is acceptable to the Lender(s) in their reasonable discretion. Solely for the purpose of the definition of "Base

Rate", "LIBOR" shall mean the one (1) month rate (rounded upward to the nearest 1/100 of 1%) as quoted by the British Bankers Association at 11:00 a.m. London time and published by Bloomberg, on the first Banking Day of the week applicable to Borrower's election of the Base Rate.

- **Quoted Fixed Rate**: At a fixed annual interest rate to be established by CoBank in its sole and absolute discretion (the "Quoted Fixed Rate"). Under this option, rates may be fixed for such periods as may be requested by the Company (each a "Quoted Fixed Period") subject to CoBank's approval, provided that (1) such Quoted Fixed Period does not extend beyond the final maturity of the Term Loan; (2) the Quoted Fixed Period must expire on a Banking Day; (3) the minimum Quoted Fixed Period is 180 days; (4) amounts fixed shall be in multiples of $10 million; (5) the maximum number of balances that may be subject to this option at any one time shall be five.

Interest on any Loan bearing interest at LIBOR, the Quoted Fixed Rate, or Base Rate when Base Rate is based on one-month LIBOR will be calculated on the actual number of days elapsed on the basis of a year consisting of 360 days. Interest on any Loan bearing interest at Base Rate when Base Rate is based on Prime Rate will be calculated on the actual number of days elapsed on the basis of 365/366-day year. Interest on Base Rate Loans shall be payable quarterly in arrears on the last Banking Day of each quarter and at final maturity. Interest on Loans bearing interest at LIBOR shall be payable in arrears on the last day of each Interest Period (and on each three-month anniversary of the date of the incurrence of a LIBOR borrowing if an Interest Period is longer than three months).

Applicable Margins and Fees:

The pricing grid below shall be applicable for margins as determined by the Borrower's senior secured debt rating from Standard & Poor's ("S&P"), Moody's Investors Services ("Moody's"), and Fitch, Inc. ("Fitch").

Applicable Margin:

Level	S&P Rating	Moody's Rating	Fitch Rating	LIBOR Margin	Base Rate Margin
1	≥A-	≥A-	≥A-	1.300%	0.300%
2	BBB+	**Baa1**	BBB+	1.425%	0.425%
3	BBB	Baa2	BBB	1.600%	0.600%
4	**BBB-**	Baa3	**BBB-**	1.800%	0.800%
5	BB+	Ba1	BB+	2.200%	1.200%
6	<BB+	<Ba1	<BB+	2.750%	1.750%

In the event that there is a rating by each of the Rating Agencies and there is a split rating, (a) if two of the three ratings are the same, then such rating will apply and (b) if none of the ratings are the same, the middle rating will apply. In the event that there is a credit rating by only two of S&P, Moody's or Fitch (the "Rating Agencies") and there is a split rating, the Applicable Margin and

Unused Commitment Fee shall be at the level corresponding to the higher rating. In the event that there is only one credit rating that rating should be used. If there are no credit ratings from any of the Rating Agencies then pricing level 6 from the table above shall apply. If the Company does not have a secured credit rating, then if the Company has an issuer credit rating or a senior unsecured credit rating, without credit enhancement, then the level immediately above the level corresponding to such unsecured rating will apply.

Yield Protection: The credit documentation shall contain customary provisions (i) protecting the Lenders against increased costs or loss of yield resulting from changes in reserve, tax, capital adequacy and other requirements of law (including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and any requests, rules, guidelines or directives thereunder, which shall be deemed to have gone into effect after the Closing Date regardless of the actual date of enactment, adoption or issuance) and from the imposition of or changes in withholding or other taxes and (ii) indemnifying the Lenders for "breakage costs" incurred in connection with, among other things, any prepayment of a LIBOR Rate loan or Quoted Fixed Rate loan on a day other than the last day of an interest period with respect thereto.

The Company agrees to pay the Administrative Agent, for the ratable benefit of the Lenders, a surcharge (the "Prepayment Surcharge") on any prepayment of a Quoted Fixed Rate or LIBOR balance equal to the present value of the sum of CoBank's funding losses (if any) plus a per annum yield of ½ of 1% on the fixed rate balance being prepaid (calculated through the balance of the fixed rate period).

Default Interest Rate: During an event of default, all outstanding amounts under the Term Loan will bear interest at 2% per annum over the rates otherwise in effect. During the continuation of a default or event of default, LIBOR Rate and Quoted Fixed Rate loans shall not be available.

Voluntary Prepayments: The Company may prepay all or any portion of the Term Loan on one Banking Day's prior written notice for portions bearing interest at the Variable Rate or on five Banking Day's prior written notice for portions bearing interest at the LIBOR Rate or Quoted Fixed Rate options, subject to Yield Protection.

Voluntary prepayments of the Term Loan may be applied ratably or in inverse order of maturity, at the request of the Company, and may not be reborrowed.

Mandatory Prepayments: Mandatory prepayment provisions will be usual and customary for transactions of this type, including without limitation, the Company shall cease to be a generation and transmission cooperative of which a majority of the voting control is owned by rural electric distribution cooperatives.

Mandatory prepayments of the Term Loan will be applied in inverse order of maturity and may not be reborrowed.

Financial Reporting: The Company will furnish, or will cause to be furnished, to the Administrative Agent:

(i) Within 120 days after the close of each fiscal year occurring during the term of the Term Loan, audited financial statements of the Company on a consolidated basis prepared in accordance with GAAP consistently applied. Such financial statements shall be from a nationally recognized independent certified public accountant and be accompanied by an opinion that the financial statements present fairly, in all material respects, the financial position of the Company and results of its operations; and be prepared in reasonable detail and in comparative form;

(ii) Within 60 days after the close of the 1st, 2nd and 3rd fiscal quarter, an unaudited consolidated balance sheet of the Company and an unaudited consolidated statement of operations prepared in accordance with GAAP consistently applied except for normal year end adjustments and the absence of footnotes;

(iii) Within 90 days after the beginning of each fiscal year, annual budgets and forecasts of operations for the Company and its subsidiaries for the ensuing year and for an additional two year period;

(iv) Promptly upon its being filed with the RUS, the RUS Financial and Operating Report (Form 12a or equivalent replacement thereof);

(v) A compliance certificate, to accompany the delivery of the year-end audited financial statements and quarterly consolidated balance sheet and consolidated statement of operations, signed by the Company's chief financial officer (or other officer of the Company acceptable to the Administrative Agent), demonstrating compliance with the terms and conditions and stating that no default or event of default under the Term Facility has occurred and is continuing. Each certificate delivered with the annual financials shall include the calculation of the Company's Margin for Interest Ratio (as defined in the Indenture) and shall set forth the Company's credit ratings from each rating agency that has issued a credit rating on the Company;

(vi) Other reports as reasonably requested.

Financial Covenants: The Company agrees to comply with Section 13.14 of its Indenture.

Affirmative & Negative Covenants: Usual and customary for transactions of this type with appropriate qualifications as to materiality and material adverse effect, to include: (i) delivery of government reports and notices of material adverse change, default, litigation and governmental and environmental proceedings, and notices relating to wholesale power contracts with the Company's members; (ii) compliance with laws (including environmental laws and ERISA matters) and the Indenture, the wholesale power contracts with the Company's members, and the smelter contracts; (iii) use of proceeds, (iv) granting to CoBank the right to inspect books and records; (v) limitations on liens on the Trust Estate other than those permitted by the Indenture, (vi) no distributions except as permitted under the Indenture, and (vii) no changes to the wholesale power contracts with the Company's members, and the smelter contracts other than those changes that could not reasonably be expected to have a material adverse effect.

Representations and Warranties: The definitive credit documentation will contain representations and warranties consistent with those customarily found in similar financings with appropriate qualifications as to materiality and material adverse effect, including, without limitation, corporate organization and power, compliance with laws and organizational documents, obtaining of government approvals and permits, payment of taxes, authorization and enforceability of the credit documents, ERISA matters, Indenture matters, absence of material adverse change as of the Closing Date, absence of litigation as of the Closing Date, absence of default, title to assets, listing of subsidiaries, affiliates and members, compliance with Investment Company Act and margin regulations, insurance, solvency, environmental matters as of the Closing Date, full and accurate disclosure, a listing of indebtedness as of the Closing Date, and a listing of the wholesale power contracts with the Company's members and smelter contracts, and validity and effectiveness thereof.

Conditions Precedent to Closing: The Closing of the Term Loan will be subject to satisfaction of the conditions precedent deemed appropriate by the Lead Arranger, including, but not limited to, the following:

(i) The negotiation, execution and delivery of definitive documentation (including, without limitation, satisfactory legal opinions, corporate formation and authority documents, solvency certificate and other customary closing documents for the Term Loan satisfactory to the Administrative Agent and the Lenders;

(ii) The Lenders shall be satisfied that there shall not have occurred a material adverse change since the date of Company's last audited financial statements in the business, assets, liabilities (actual or contingent), operations, condition (financial or otherwise) of the Company and its subsidiaries taken as a whole;

(iii) Receipt and satisfactory review by the Administrative Agent and the Lenders of such financial information and projections regarding the Company and its subsidiaries as they may reasonably request;

(iv) CoBank shall have received a copy with adequate time to review all Supplemental Indentures and amendments to the Indenture certified by the Company;

(v) Payment of all fees and expenses required to be paid on or before Closing;

(vi) The absence of material litigation, subject to certain exceptions, if any, previously disclosed to the Lenders;

(vii) The Borrower shall be in compliance with all existing material financial obligations;

(viii) No default or event of default shall have occurred and be continuing;

(ix) Receipt of necessary governmental and third party approvals;

(x) All representations and warranties are true and correct in all material respects;

(xi) No member shall have terminated or contested in writing the validity or enforceability of the wholesale power contracts or, after any applicable grace period, failed to make any payment thereunder;

(xii) A written request for such loan has been submitted to CoBank;

(xiii) The Company shall have delivered to the Administrative Agent one or more promissory notes in an aggregate principal amount equal to the Term Loan and such notes shall have been authenticated pursuant to the terms of the Indenture such that the Term Loan shall be secured thereunder; and

(xiv) The Company shall have delivered such other documents, certificates and authorizations as the Administrative Agent shall require.

Events of Default: Events of default under the Term Loan shall include (subject to customary cure periods and materiality qualifiers) (i) the events of default under the Indenture, (ii) covenant violations (including a violation of covenants hereunder and in the Indenture), (iii) breach or termination of the wholesale power contracts or smelter contracts representing more than 20% of the Company's revenues in the prior fiscal year, and (iv) cross-default to all indebtedness owed by the Company to CoBank.

Expenses and Indemnification: The Company will indemnify the Lead Arranger, Administrative Agent and each Lender against all losses, liabilities, claims, damages, or expenses relative to the Term Loan or the use of loan proceeds. All reasonable costs and expenses incurred by the Lead Arranger, Administrative Agent and each Lender in connection with this transaction including, without limitation, all legal fees and expenses for Lead Arranger's legal counsel, shall be paid by the Company, whether or not the Term Loan closes.

Assignments & Participations: If applicable, each Lender will be permitted to make assignments in acceptable minimum amounts ($5 million) to other financial institutions approved by the Company (so long as no event of default under the Term Loan or any incipient default has occurred and is continuing) and the Administrative Agent, which approval shall not be unreasonably withheld; provided, however, that the approval of the Company and the Administrative Agent shall not be required in connection with assignments to other Lender(s), to any affiliate of a Lender. An assignment fee of $3,500 shall be payable by the Lender to the applicable Administrative Agent upon the effectiveness of any such assignment (including, but not limited to, an assignment by a Lender to another Lender).

If applicable, Lenders will be permitted to sell participations with voting rights limited to significant matters such as changes in amount, interest rate, and expiration date. Participations will not require Company approval.

Any bank that is a member of the Farm Credit System that has purchased a participation in the minimum amount of $5 million on or after the Effective Date shall be entitled to vote (and the voting rights of the selling Lender shall be correspondingly reduced), on a dollar for dollar basis, as if such participant were a Lender, on any matter requiring or allowing a Lender to provide or withhold its consent, or otherwise vote on any proposed action.
Notwithstanding the foregoing, notes issued to the Lenders under the Indenture shall be transferred and assigned in accordance with the provisions of the Company's Indenture.

Requisite Lender Voting:	If applicable, amendments and waivers of the provisions of the loan agreement and other definitive credit documentation (other than the Notes, the Indenture and the Supplemental Indenture authorizing the Notes) will require the approval of at least two Lenders and/or Voting Participants holding loans and commitments representing more than 50% of the aggregate amount of loans and commitments under the Term Loan, except that the consent of all Lenders affected thereby shall be required with respect to (i) increases in the commitment of any Lender, (ii) reductions of interest or fees, and (iii) extensions of scheduled maturities or times for fees.
Capitalization:	The Term Loan will be capitalized in accordance with CoBank's respective bylaws and its capital plans. As such the Company will be eligible for patronage refunds on the portion held by CoBank and other institutions which pay patronage. CoBank reserves the right to sell participations on a non-patronage basis.
Waiver of Jury Trial:	The parties will waive any rights to a trial by jury in respect of any litigation arising out of or in connection with this financing.
Confidentiality:	This proposal is delivered on the understanding that it or the substance of it shall not be disclosed, directly or indirectly, to any other person, except your owners and your employees, agents or advisors who are directly involved in consideration of this matter, the Kentucky Public Service Commission and others participating in the Kentucky Public Service Commission proceedings, or as may be required by law.
Term Sheet Expiration:	This Term Sheet and its contents will cease to be valid unless agreed to in writing prior to January 20, 2012.
Lender's Counsel:	Latham & Watkins
Governing Law:	State of New York.

COBANK
COOPERATIVE CONNECTED COMMITTED

MANDATE VERSION

BIG RIVERS ELECTRIC CORPORATION

$50,000,000 SENIOR UNSECURED REVOLVING FACILITY

Summary of Indicative Terms and Conditions

January 12, 2012

Confidential

This document is not meant to be, nor shall it be construed as, either a binding commitment or an attempt to define all terms and conditions of the transaction described herein. This Summary of Indicative Terms and Conditions (this "Term Sheet") represents a proposal which we may be willing to recommend for approval to senior management, provided that, among other things, all due diligence deemed necessary is completed to our satisfaction. The terms and conditions outlined herein are not intended to be all inclusive, but rather set forth a general framework from which a mutually satisfactory transaction may be structured. Any such financing would be subject to negotiation of definitive documentation, appropriate due diligence, signing of a commitment letter and final credit approval.

Borrower: Big Rivers Electric Corporation (the "Company" or the "Borrower").

Administrative Agent. Lead Arranger and Bookrunner: CoBank, ACB

Lenders: A syndicate of Farm Credit System financial institutions arranged by the Lead Arranger and acceptable to the Borrower

Revolving Facility: A $50 million five-year senior unsecured revolving credit facility (the "Revolving Facility" and each loan a "Loan"), which will include a $10 million sublimit available for the issuance of standby letters of credit (each an "L/C") by the L/C Issuer.

Use of Proceeds: The proceeds of the Revolving Facility may be used for working capital, capital expenditures and other general corporate purposes, and for the issuance of L/Cs.

Closing Date: The date of execution and delivery of definitive loan documentation, to occur on or before April 15, 2012 ("Closing Date").

Expiration Date: The Revolving Facility shall terminate and all amounts outstanding shall be due five years after the Closing Date (the "Expiration Date").

Security: The Revolving Facility will be issued on an unsecured basis, except for a statutory first priority lien on all equity that the Company may now or hereafter acquire in CoBank. Lenders, participants or assignees other than CoBank will not have the benefit of investments in any CoBank equities or other proceeds thereof or liens therein.

Availability: Subject to commitment reductions described below, the Revolving Facility will be available from the Closing Date until the Banking Day (to be defined) immediately preceding the Expiration Date. Subject to the terms of the Revolving Facility, the Company may borrow, repay and reborrow.

The borrowing amount for any advance shall not be less than $1,000,000 and in an aggregate amount that is an integral multiple of $500,000.

Letters of Credit: L/Cs may be issued by CoBank (the "L/C Issuer") under the Revolving Facility subject to the customary procedures of the L/C Issuer. Each L/C will reduce availability under the Revolving Facility on a dollar-for-dollar basis. Each Lender shall purchase an irrevocable and unconditional participation in each L/C. L/Cs may not be issued with an expiration date on or after 30 days prior to the Expiration Date. Unless otherwise agreed to by the L/C Issuer, L/Cs may not have an initial term of greater than 12 months, provided that L/Cs may be renewed.

Interest Rates: The Company may choose from among the following two interest rate options:

- **LIBOR (London Interbank Offered Rate):** At a rate per annum equal to the LIBOR Rate plus the applicable LIBOR Margin (as defined below). Under this option: (1) rates may be fixed for periods of 1, 2, 3, or 6 months (and 9 or 12 months, if available from all Lenders) (an "Interest Period"); (2) rates may be fixed on balances of no less than $1,000,000 at any one time; and (3) the maximum number of balances that may be subject to this option at any one time shall be ten. LIBOR loans will be made subject to availability. "LIBOR Rate" shall mean, for any Interest Period the interest rate per annum (rounded upwards to the nearest 1/100th of 1%) determined by dividing (i) the rate of interest at which deposits in U.S. dollars for such Interest Period are offered (based on information presented by Bloomberg as quoted by the British Bankers' Association as of 11:00 a.m. (London time) two Banking Days prior to the first day of such Interest Period) by (ii) a number equal to 1.00 minus the Reserve Percentage. "Reserve Percentage" shall mean, with respect to the applicable Lender only, for any Interest Period during which such Lender, as determined in its sole discretion, is subject to a Reserve Percentage, the aggregate (but without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on the day which is two Banking Days prior to the beginning of such Interest Period for Eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of such Board) which are required to be maintained by a member bank of the Federal Reserve System (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto, as now and from time to time in effect). For any Interest Period during which a Lender is not subject to a Reserve Percentage, the Reserve Percentage shall be equal to zero for such Lender. New LIBOR Rate Loans will not be available during the continuance of a default.

- **Base Rate:** At a rate per annum equal to the Base Rate plus the applicable Base Rate Margin (as defined below). "Base Rate" means, for any day, the rate per annum announced by CoBank on the first

Banking Day of each week as the higher of (A) 1.00% greater than one-month LIBOR or (B) the prime rate ("Prime Rate") as published from time to time in the Eastern Edition of the Wall Street Journal as the average primary lending rate for seventy percent (70%) of the United States' ten largest banks, or if the Wall Street Journal shall cease publication or cease publishing the Prime Rate on a regular basis, such other regularly published average prime rate applicable to such commercial banks as is acceptable to the Lender(s) in their reasonable discretion. Solely for the purpose of the definition of "Base Rate", "LIBOR" shall mean the one (1) month rate (rounded upward to the nearest 1/100 of 1%) as quoted by the British Bankers Association at 11:00 a.m. London time and published by Bloomberg, on the first Banking Day of the week applicable to Borrower's election of the Base Rate.

Interest on any Loan bearing interest at LIBOR or at the Base Rate when the Base Rate is based on one-month LIBOR will be calculated on the actual number of days elapsed on the basis of a year consisting of 360 days. Interest on any Loan bearing interest at Base Rate when the Base Rate is based on Prime Rate will be calculated on the basis of the actual number of days elapsed on the basis of a 365/366-day year. Interest on Base Rate Loans shall be payable quarterly in arrears by the last Banking Day of the calendar quarter and at final maturity. Interest on Loans bearing interest at LIBOR shall be payable in arrears on the last day of each Interest Period (and on each three-month anniversary of the date of the incurrence of a LIBOR borrowing if an Interest Period is longer than three months).

Applicable Margins and Fees:

The pricing grid below shall be applicable for margins and fees as determined by the Borrower's issuer credit rating from Standard & Poor's ("S&P"), Moody's Investors Services ("Moody's"), and Fitch, Inc. ("Fitch", together with S&P and Moody's, the "Rating Agencies" and each individually, a "Rating Agency"), or if the Borrower does not have an issuer credit rating from a Rating Agency, then the Borrower's senior unsecured non-credit enhanced credit rating from such Rating Agency:

Applicable Margin:

Level	S&P Rating	Moody's Rating	Fitch Rating	LIBOR Margin	Base Rate Margin	Facility Fee
1	≥A-	≥A-	≥A-	1.15%	0.15%	0.150%
2	BBB+	Baa1	BBB+	1.25%	0.25%	0.175%
3	BBB	Baa2	BBB	1.40%	0.40%	0.200%
4	BBB-	Baa3	BBB-	1.55%	0.55%	0.250%
5	BB+	Ba1	BB+	1.80%	0.80%	0.400%
6	<BB+	<Ba1	<BB+	2.15%	1.15%	0.600%

If the Borrower has a senior secured debt rating, but not an issuer credit rating or senior unsecured, non-credit enhanced credit rating from any Rating Agency, for purposes of the pricing grid the issuer credit rating or senior, unsecured, non-credit enhanced credit rating of the Borrower from such Rating Agency shall be deemed to be one pricing level below the senior secured debt rating from that Rating Agency.

In the event that there is a rating by each of the Rating Agencies and there is a split rating, (a) if two or more of the three ratings are the same, then such rating will apply and (b) if none of the ratings are the same, the middle rating will apply. In the event that there is a credit rating by only two Rating Agencies and there is a split rating, the applicable margin and Facility Fee shall be at the level corresponding to the higher rating. In the event that there is only one credit rating that rating should be used. If there are no credit ratings from any of the Rating Agencies then pricing level 6 from the table above shall apply.

If as a result of any change, it is determined that a change to the applicable margin is warranted, then such change, if an increase, may be made at any time after the date of determination, and, if a decrease, shall be made not later than five days after written notice from the Borrower requesting the Administrative Agent to decrease the applicable margin. Each change in the applicable margin shall be applicable to all balances subject to the LIBOR option, including balances fixed prior to the date of the adjustment provided, however that changes to the existing balances shall be applied prospectively only.

Facility Fee

The Company will be required to pay a facility fee (the "Facility Fee") based on total amount of the Revolving Facility as of the end of each calendar quarter and on the last day of the term of the Revolving Facility, and shall be payable quarterly in arrears by the last Banking Day of the calendar quarter and on the date the Revolving Facility expires or is terminated, and shall be calculated on the basis of the actual number of days elapsed in a 360-day year. The Facility Fee shall be calculated based upon the grid set forth in the section of this Term Sheet addressing applicable margins and fees.

L/C Participation Fee:

The Company will pay each Lender a participation fee with respect to its pro rata participations in each L/C, which shall accrue at a rate equal to the applicable LIBOR Margin times the average daily amount of the L/Cs that are issued and outstanding. The L/C participation fee shall be payable in arrears on a quarterly basis by the last Banking Day of the calendar quarter.

L/C Fronting Fee:

The Company will pay the L/C Issuer a fronting fee that shall accrue at the rate of 0.125% per annum on the aggregate stated amount of each L/C. The L/C fronting fee shall be payable on the issuance date of such L/C.

Yield Protection:

The credit documentation shall contain customary provisions (i) protecting the Lenders against increased costs or loss of yield resulting from changes in reserve, tax, capital adequacy and other requirements of law (including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act and any requests, rules, guidelines or directives thereunder, which shall be deemed to have gone into effect after the Closing Date regardless of the actual date of enactment, adoption or issuance) and from the imposition of or changes in withholding or other taxes and (ii) indemnifying the Lenders for "breakage costs" incurred in connection with, among other things, any prepayment of a LIBOR Rate Loan on a day other than the last day of an Interest Period with respect thereto.

The Company shall have the option to replace any Lender if such Lender requests compensation for increased costs due to a change in law, capital requirements or other circumstances set forth in the documents governing the Revolving Facility. (The Company would have similar rights to replace any defaulting lender.)

Default Interest Rate: During an event of default, all outstanding amounts under the Revolving Facility will bear interest at 2% per annum over the rates otherwise in effect. During the continuation of a default or event of default, new LIBOR Rate Loans shall not be available.

Mandatory Repayments: Mandatory prepayment provisions will be usual and customary for transactions of this type, including without limitation, (i) in the event of any over advances in excess of the Revolving Facility commitments; and (ii) the Company shall cease to be a generation and transmission cooperative of which a majority of the voting control is owned by rural electric distribution cooperatives.

Voluntary Prepayments: The Company may on any day prepay all or any portion of the Loans bearing interest at the Base Rate or on three Banking Days' prior written notice prepay all or any portion of the Loans bearing interest at the LIBOR option, subject to payment of any applicable Yield Protection. Voluntary prepayments of the Revolving Facility will not permanently reduce the commitments under the Revolving Facility and may be redrawn during the period from the Closing Date to (but not including) the Expiration Date.

Commitment Reductions: The Company may, on ten Banking Days' prior written notice, permanently terminate or cancel any unused portion of the Revolving Facility provided that each partial reduction must be in minimum increments of $10 million or any whole multiple of $5 million in excess thereof. The Company shall not terminate or reduce the commitments of the Lenders, if, after giving effect to such termination or reduction, the total amount of all outstanding borrowings, together with (a) the aggregated undrawn amount of all outstanding L/Cs at any time plus (b) the aggregate amount of all L/C disbursements that have not yet been reimbursed by or on behalf of the Company at such time under the Revolving Facility, would exceed the total reduced commitment amount.

Patronage Capitalization: The portion of the Revolving Facility held by CoBank will be capitalized in accordance with CoBank's bylaws and its capital plan. As such, the Revolving Facility will be eligible for patronage refunds on the amounts held by CoBank and other FCS institutions that pay patronage. CoBank reserves the right to sell patronage and non-patronage loan participations.

Conditions Precedent to Closing: The Closing of the Revolving Facility will be subject to satisfaction of the conditions precedent deemed appropriate by the Lenders, including, but not limited to, the following:

(i) The negotiation, execution and delivery of definitive documentation (including, without limitation, satisfactory legal opinions, corporate formation and authority documents, solvency certificate and other customary closing documents) for the Revolving Facility satisfactory to the Administrative Agent and the Lenders;

(ii) The Lenders shall be satisfied that there shall not have occurred a material adverse change since the date of Company's last audited financial statements in the business, assets, liabilities (actual or contingent), operations, condition (financial or otherwise) of the Company and its subsidiaries taken as a whole;

(iii) Receipt and satisfactory review by the Administrative Agent and the Lenders of such financial information and projections regarding the Company and its subsidiaries as they may reasonably request;

(iv) Payment of all fees and expenses required to be paid on or before Closing;

(v) The absence of material litigation, subject to certain exceptions, if any, previously disclosed to the Lenders;

(vi) The Borrower shall be in compliance with all existing material financial obligations;

(vii) No default or event of default shall have occurred and be continuing;

(viii) Receipt of necessary governmental and third party approvals; and

(ix) All representations and warranties are true and correct in all material respects.

Conditions Precedent to Each Loan: Each Loan under the Revolving Facility will be subject to satisfaction of the following conditions precedent: (i) all representations and warranties are true and correct in all material respects as of the date of each loan (except those that expressly relate to an earlier date), (ii) no default or event of default under the Revolving Facility has occurred and is continuing or would result from such Loan; (iii) receipt of such additional documents as the L/C Issuer may request in connection with the issuance, amendment, extension or renewal of any L/C; and (iv) a written request for such Loan or L/C has been submitted to the Administrative Agent.

Representations and Warranties: The definitive credit documentation will contain representations and warranties consistent with those customarily found in similar financings with appropriate qualifications as to materiality and material adverse effect, including, without limitation, corporate organization and power, compliance with laws and organizational documents, obtaining of government approvals and permits, payment of taxes, authorization and enforceability of the credit documents, ERISA matters, Indenture (as defined below) matters, absence of material adverse change as of the Closing Date, absence of litigation as of the Closing Date, absence of default, title to assets, listing of subsidiaries, affiliates and members, compliance with Investment Company Act and margin regulations, insurance, solvency, environmental matters as of the Closing Date, full and accurate disclosure as of the Closing Date, a listing of indebtedness as of the Closing Date, and a listing of wholesale power contracts with the Company's members and smelter contracts, and validity and effectiveness thereof. "Indenture" shall refer to the Indenture, dated July 1, 2009, between the Company and U.S. Bank N.A., as amended from time to time.

Financial Reporting: The Company will furnish, or will cause to be furnished, to the Administrative Agent:

(i) Within 120 days after the close of each fiscal year occurring during the term of the Revolving Facility, audited financial statements of the Company on a consolidated basis prepared in accordance with GAAP consistently applied. Such financial statements shall be from a nationally recognized independent certified public accountant and be accompanied by an opinion that the financial statements present fairly, in all material respects, the financial position of the Company and results of its operations; and be prepared in reasonable detail and in comparative form;

(ii) Within 60 days after the close of the 1st, 2nd and 3rd fiscal quarter, an unaudited consolidated balance sheet of the Company and an unaudited consolidated statement of operations prepared in accordance with GAAP consistently applied except for normal year end adjustments and the absence of footnotes;

(iii) Within 90 days after the beginning of each fiscal year, annual budgets and forecasts of operations for the Company and its subsidiaries for the ensuing year and for an additional two year period;

(iv) Promptly upon its being filed with the RUS, the RUS Financial and Operating Report (Form 12a or equivalent replacement thereof);

(v) A compliance certificate, to accompany the delivery of the year-end audited financial statements and quarterly consolidated balance sheet and consolidated statement of operations, signed by the Company's chief financial officer (or other officer of the Company acceptable to the Administrative Agent), demonstrating compliance with the terms and conditions and stating that no default or event of default under the Revolving Facility has occurred and is continuing. Each certificate delivered with the annual financials shall include the calculation of the Company's financial ratios to demonstrate compliance with the Financial Covenants listed below and shall set forth the Company's credit ratings from each Rating Agency that has issued a credit rating on the Company.

(vi) Other reports as reasonably requested.

Financial Covenants: The following financial covenants must be maintained and calculated annually on a consolidated basis for the Revolving Facility:

i. Margins for Interest Ratio of not less than 1.10x (as defined in the Company's Indenture as of the Closing Date); and

ii. Debt to Total Capitalization (to be defined) of not greater than 80%.

Affirmative & Negative Covenants:	Usual and customary for transactions of this type with appropriate qualifications as to materiality and material adverse effect, to include: (i) delivery of government reports and notices of material adverse change, default, litigation and governmental and environmental proceedings, and notices relating to wholesale power contracts; (ii) compliance with laws (including environmental laws and ERISA matters) and the Indenture, the wholesale power contracts with the Company's members, and the smelter contracts); (iii) payment of taxes; (iv) maintenance of property and insurance in accordance with the Company's Indenture as in effect on the Closing Date; (v) preservation of existence and franchises necessary for the conduct of the Company's business; (vi) maintenance of books and records/inspection rights; (vii) use of proceeds; (viii) limitations on changes to nature of business, fiscal year and organizational documents in a materially adverse manner to the Lenders; (ix) limitations on transactions with affiliates other than the Company's members, recognizing cooperative nature of the Borrower; (x) limitations on incurrence of other unsecured indebtedness in an aggregate principal amount in excess of $200 million; (xi) limitations on hedges other than hedges relating to the business of the Borrower; (xii) no change to wholesale power contracts with the Company's members and smelter contracts that would have a material adverse effect on the Company's ability to meet its obligations under the Revolving Facility or other indebtedness; (xiii) no distributions except as permitted under the Indenture as in effect on the Closing Date and (xiv) limitations on liens other than liens not prohibited by the Indenture as in effect on the Closing Date and liens not securing indebtedness.
Events of Default:	Events of default under the Revolving Facility (subject to customary cure periods and materiality qualifiers) shall include: nonpayment of principal, interest, fees or other amounts when due, payment cross-default and cross-acceleration default of other indebtedness, in excess of $10,000,000, covenant violations, judgments in excess of $10,000,000, bankruptcy, insolvency, misrepresentation, certain ERISA events, actual or asserted by the Company invalidity of any loan document, material breach of the Wholesale Power Contracts with the Company's members and smelter contracts in an amount representing more than 20% of the Company's revenues in any fiscal year, and cross-default to all indebtedness owed by the Company to CoBank.
Expenses and Indemnification:	The Company will indemnify the Lead Arranger, Administrative Agent and each Lender against all losses, liabilities, claims, damages, or expenses relative to the Revolving Facility or the use of loan proceeds. All reasonable costs and expenses incurred by the Lead Arranger, Administrative Agent and each Lender in connection with this transaction including, without limitation, all legal fees and expenses for Lead Arranger's legal counsel, shall be paid by the Company, whether or not the Revolving Facility closes.
Assignments & Participations:	If applicable, each Lender will be permitted to make assignments in acceptable minimum amounts ($5 million) to other financial institutions approved by the Company (so long as no event of default under the

Revolving Facility or any incipient default has occurred and is continuing) and the Administrative Agent, which approval shall not be unreasonably withheld; provided, however, that the approval of the Company and the Administrative Agent shall not be required in connection with assignments to other Lender(s), to any affiliate of a Lender. An assignment fee of $3,500 shall be payable by the Lender to the Administrative Agent upon the effectiveness of any such assignment (including, but not limited to, an assignment by a Lender to another Lender).

If applicable, Lender(s) will be permitted to sell participations with voting rights limited to significant matters such as changes in amount, interest rate, and expiration date. Participations will not require Company approval.

Any bank that is a member of the Farm Credit System that has purchased a participation in the minimum amount of $5 million on or after the Closing Date shall be entitled to vote (and the voting rights of the selling Lender shall be correspondingly reduced), on a dollar for dollar basis, as if such participant were a Lender, on any matter requiring or allowing a Lender to provide or withhold its consent, or otherwise vote on any proposed action.

Requisite Lender Voting: If applicable, amendments and waivers of the provisions of the loan agreement and other definitive credit documentation will require the approval of at least two Lenders and/or Voting Participants holding loans and commitments representing more than 50% of the aggregate amount of loans and commitments under the Revolving Facility, except that the consent of all Lender(s) affected thereby shall be required with respect to (i) increases in the commitment of any Lender, (ii) reductions of interest or fees, and (iii) extensions of scheduled maturities or times for payment.

Waiver of Jury Trial: The parties will waive any rights to a trial by jury in respect of any litigation arising out of or in connection with this financing.

Confidentiality: This proposal is delivered on the understanding that it or the substance of it shall not be disclosed, directly or indirectly, to any other person, except your owners and your employees, agents or advisors who are directly involved in consideration of this matter, the Kentucky Public Service Commission and others participating in the Kentucky Public Service Commission proceedings or as may be required by law.

Term Sheet Expiration: This Term Sheet and its contents will cease to be valid unless agreed to in writing prior to January 20, 2012.

Lender's Counsel: Latham & Watkins

Governing Law: State of New York.

c/fe:

CoBANK

5500 South Quebec Street
Greenwood Village, CO 80111
800-542-8072
www.cobank.com

Copy – Mark B.
Ralph A.
Mark D.
Bill B.
copies have been made.
nalg 3/13/11

March 11, 2011

Mr. Mark Bailey
President and Chief Executive Officer
Big Rivers Electric Corporation
P.O. Box 24
Henderson, KY 42419-0024

RE: Limited waiver of Section 5.09(C) of that certain Revolving Credit Agreement between Big Rivers Electric Corporation ("Big Rivers") and CoBank, ACB ("CoBank") dated as of July 16, 2009

Dear Mr. Bailey,

Big Rivers and CoBank are parties to that certain Revolving Credit Agreement, dated as of July 16, 2009, as may be amended from time to time (the "**Revolving Credit Agreement**"). All capitalized terms used herein shall have the meanings assigned to them in the Revolving Credit Agreement. Pursuant to Section 5.09(C) of the Revolving Credit Agreement, Big Rivers is required to maintain a Thirty-Five Million Dollar ($35,000,000) transition reserve which is to be utilized to offset any costs and expenses related to a termination of a Smelter Power Contract (the "**Transition Reserve**"). Big Rivers has requested that CoBank provide a limited waiver of the requirement to maintain the Transition Reserve (the "**Limited Waiver**"), so that it may voluntarily prepay the RUS 2009 Promissory Note Series A, dated as of July 16, 2009 (the "**RUS Note**"), thereby avoiding interest expense on the portion of the RUS Note being prepaid.

To induce CoBank to supply the Limited Waiver, pursuant to Section 5.06(I) of the Revolving Credit Agreement Big Rivers represents and warrants that:

- No event of default currently exists, nor would exist as the result of CoBank and Big Rivers agreeing to, executing, delivering and implementing the Limited Waiver and any subsequent voluntary prepayment of the RUS Note as described above, under (i) the Indenture, dated as of July 1, 2009, by and between Big Rivers and U.S. Bank National Association, as trustee, as may be amended from time to time, (ii) the Revolving Credit Agreement, (iii) the Amended and Consolidated Loan Contract, dated as of July 16, 2009, by and between Big Rivers and the United States of America, as may be amended from time to time, or (iv) any other material agreement or contract to which Big Rivers is a party; and
- The RUS Note permits voluntary prepayment, and Big Rivers has the ability to "claw back" such voluntary prepayments by foregoing quarterly payments under the RUS Note and applying those funds to replenish the Transition Reserve in the event that Big Rivers receives notice that a Smelter Power Contract is being terminated.

Pursuant to the terms of the Revolving Credit Agreement, including without limitation Section 9.01, and based on the foregoing representations, warranties and agreements, CoBank hereby

KIUC-1

Proud Member of the Farm Credit System

provides the Limited Waiver of that Section 5.09(C) of the Revolving Credit Agreement to permit Big Rivers to use the amounts in the Transition Reserve to make voluntary prepayments on the RUS Note as described herein, subject to acceptance and performance by Big Rivers of the following terms, conditions and restrictions:

1. Except as otherwise set forth herein, all of the terms and provisions of the Revolving Credit Agreement are hereby ratified and shall remain in full force and effect.
2. This Limited Waiver shall be limited as expressly set forth herein and shall not be construed to be a waiver of, or obligate CoBank to waive any other provision of the Revolving Credit Agreement at any point in the future.
3. In accordance with Section 9.05 of the Revolving Credit Agreement, Big Rivers shall pay all costs and expenses incurred by CoBank with respect to the negotiation, execution, delivery and performance of this Limited Waiver, including CoBank's attorneys' fees and expenses.
4. Big Rivers shall pay all costs and expenses that it incurs with respect to the negotiation, execution, delivery and performance of this Limited Waiver.
5. The Transition Reserve shall be used by Big Rivers only for the purpose of voluntarily prepaying the RUS Note, except as otherwise provided for in the Revolving Credit Agreement.
6. Big Rivers shall (i) maintain a Transition Reserve of Thirty-Five Million Dollars ($35,000,000) in accordance with Section 5.09(C) of the Revolving Credit Agreement, (ii) voluntarily prepay at least Thirty-Five Million Dollars ($35,000,000) on the RUS Note using the Transition Reserve, or (iii) implement a combination of (i) and (ii) above totaling a minimum of Thirty-Five Million Dollars ($35,000,000).
7. If Big Rivers receives notice that a Smelter Power Contract is being terminated, and the Transition Reserve is less than Thirty-Five Million Dollars ($35,000,000), Big Rivers shall forego all immediately following quarterly payments under the RUS Note, as allowed by the RUS Note, until such time as the Transition Reserve is fully replenished to Thirty-Five Million Dollars ($35,000,000), less any amounts that have been distributed from the Transition Reserve to offset costs and expenses related to termination of a Smelter Power Contract, at which time the Limited Waiver, immediately and without any further action, shall be terminated and of no further effect.
8. Big Rivers shall notify CoBank of any amendments or modifications to the RUS Note, including, but not limited to, such amendments or modifications that would restrict Big Rivers' ability to forego future quarterly payments under the RUS Note.

[Rest of page intentionally left blank]

If you accept this Limited Waiver on the terms offered, please sign one copy and return it to me.

IT IS IMPORTANT THAT THIS DOCUMENT BE KEPT WITH YOUR ORIGINAL LOAN DOCUMENTATION.

Best Regards,

Jeffrey E. Childs

Jeffrey E. Childs
Assistant Vice President
CoBank, ACB

BIG RIVERS ELECTRIC CORPORATION	
Accepted By:	Mark A. Bailey (signature)
Name:	Mark A. Bailey
Title:	President and Chief Executive Office
Date:	3/18/11

c: James M. Miller, Esq., Sullivan, Mountjoy, Stainback & Miller

COBANK

5500 South Quebec Street
Greenwood Village, CO 80111
Phone: (303) 740-4187
Fax: (303) 796-1407

January 12, 2012

Mr. Mark Bailey
President and Chief Executive Officer
Big Rivers Electric Corporation
P.O. Box 24
Henderson, KY 42419-0024

RE: $225,000,000 Credit Facilities

Dear Mr. Bailey:

Reference is made to that certain letter agreement and attached Term Loan Facility Summary of Indicative Terms and Conditions (the "**Term Facility Term Sheet**"), and the attached Revolving Facility Summary of Indicative Terms and Conditions (the "**Revolving Facility Term Sheet**", together the "**Term Sheets**"); the letter agreement and the Term Sheets are collectively referred to herein as, the "**Mandate Letter**") of even date herewith from CoBank, ACB ("**CoBank**") to Big Rivers Electric Corporation (the "**Borrower**"). Terms defined or used in the Mandate Letter shall have the same respective defined meanings when used herein. This letter is the "**Fee Letter**" referred to in the Mandate Letter.

By its signature below and in consideration of the best efforts undertakings and other agreements set forth in the Mandate Letter, the Borrower agrees to pay the following **non-refundable** fees:

1. An arrangement fee equal to 0.200% multiplied by the total amount of the Term Loan Loan Facility plus the Revolving Facility (together, the "**Credit Facilities**") to be paid on the Closing Date solely to CoBank in its capacity as Lead Arranger; and

2. Upfront fees to be paid on the Closing Date to all of the financial institutions and investors (including CoBank) that commit to the Term Loan. Upfront fees will be determined based on commitment size and paid on allocations. Please be advised that upfront fees are subject to current market conditions. We estimate that upfront fees will range from 0.150% to 0.250% multiplied by the total amount of the Credit Facilities.

All other fees connected with this transaction are as described in the Mandate Letter. All closing costs, including reasonable outside legal fees, will be for the account of the Borrower and are payable by the Borrower, regardless of whether the transactions described in the Mandate Letter close. The Borrower will pay such closing costs upon the earlier of (i) the closing of the Credit Facilities and (ii) thirty days after the invoicing of such closing costs.

The above fees and costs (and any portion thereof) will be due as provided herein and will be fully earned upon payment and **will not be refundable or rebatable** by reason of repayment, prepayment, acceleration upon event of default under the Term Loan or any other circumstance, and will survive any termination of either of the Credit Facilities.

Big Rivers Electric
Fee Letter

This Fee Letter is delivered to the Borrower on the understanding that neither this Fee Letter nor the Mandate Letter nor any of their terms or substance shall be disclosed, directly or indirectly, to any other person except as provided in the Mandate Letter.

Very truly yours,

COBANK, ACB

By: [signature]
Name: Jeffrey E. Childs
Title: Assistant Vice President

Accepted and agreed to
as of January 20, 2012:

BIG RIVERS ELECTRIC CORP.

By: [signature]
Name: Mark. A. Bailey
Title: President & CEO

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 2) *Provide a copy of all correspondence between BREC and CFC regarding the transactions described in the Application.*

Response) Big Rivers objects to this information request on the grounds that it is overly broad, seeks documents that have no relevance to the relief sought by Big Rivers in this proceeding, and is unreasonably burdensome. For example, Big Rivers is seeking approval to issue the evidences of indebtedness in the final forms it has presented, so it is unreasonable to require production of documents created over a period of months related to the negotiation of those evidences of indebtedness. Without waiving these objections, Big Rivers is providing the attached documents and other documents in a folder labeled 'KIUC 1-2 – CFC Documents' on the CD accompanying these responses. Big Rivers is providing the attached documents under a Petition for Confidential Treament.

Witness) Mark A. Hite and Counsel

National Rural Utilities Cooperative Finance Corporation
SERVICE | INTEGRITY | EXCELLENCE

20701 Cooperative Way
Dulles, Virginia 20166
703-467-1800 | www.nrucfc.coop

January 11, 2012

Mr. C. William Blackburn
Chief Financial Officer
Big Rivers Electric Corporation
P.O. Box 24
Henderson, KY 42420

Re: **Conditional Offer Letter – Up to $302 million Secured Long-Term Financing (the "Term Loan")**

Dear Mr. Blackburn:

The National Rural Utilities Cooperative Finance Corporation ("CFC") is pleased to extend a conditional offer to provide a secured credit facility for up to $302 million (the "Term Loan") for the benefit of Big Rivers Electric Corporation ("Big Rivers", "Company"). We understand that Big Rivers plans to use the proceeds from the financing to refinance the Company's RUS Note A.

A draft summary of the terms and conditions (the "Term Sheet") of this Credit Facility is attached with this letter agreement. Capitalized terms used herein without definition have the meanings assigned to them in the Term Sheet. CFC's conditional offer expires on January 31, 2012 unless this letter agreement is signed by Big Rivers and returned to CFC on or prior to that date.

By accepting delivery of this letter, the Company agrees that, during the period prior to the date on which the Company files an application with the Kentucky Public Service Commission seeking approval to enter into the Term Loan, this letter is for the Company's confidential use only and that the terms hereof will not be disclosed by the Company to any person other than the Rural Utilities Service, the Company's officers, directors, employees, accountants, attorneys, ratings agencies, members and other advisors, agents and representatives (the "Company Representatives"); provided, however, that the Company may disclose the existence and terms hereof to the extent required, in the opinion of the Company's counsel, by applicable law, or pursuant to judicial or administrative proceedings or orders.

In consideration of providing this conditional offer, the Company agrees that, during the period prior to the date on which the Company files an application with the Kentucky Public Service

Commission seeking approval to enter into the Term Loan, it will not, and will cause its affiliates to not, disclose the Term Sheet to any other lender (except the Rural Utilities Service), without CFC's prior written approval. CFC agrees to keep confidential information regarding the Company and its business.

The terms and conditions outlined herein are for discussion purposes only and do not constitute a commitment to lend. Any offer or extension of credit to the Company is subject to internal approvals and approval by CFC's Board of Directors. Such approvals have not been obtained at this time. A financing commitment, if offered, will be subject to the conditions summarized below. Additional terms, conditions and covenants may be added to the following requirements in order to reflect the market conditions prevailing at the time of the formal consideration of the credit request and before the closing:

- Completion of due diligence related to the underwriting and approval of the proposed financing;
- The Company is not in default concerning its payment obligations on any borrowed money and that no event of default exists on any loan or security agreement to which it is a party;
- The Company's member contracts extend at least through the term of the proposed financing;
- Execution of loan agreement(s) satisfactory to CFC; and
- The Closing of this Term Loan on or before May 15, 2012, and simultaneously with or subsequent to the funding of non-CFC secured financing, of which 100% of the proceeds, or $165 million, whichever is greater, is used to refinance the Company's RUS Note A.

The conditional offer in this letter is subject to the Company agreeing to pay all of CFC's reasonable out-of-pocket expenses, including engineering costs and legal fees, swap breakage costs, or any other costs associated with the Credit Facility regardless of closing, as provided for in the Term Sheet. Payment of expenses will not be subject to counterclaim or set-off for, or be otherwise affected by, any claim or dispute relating to any other matter.

This letter shall be governed by, and construed in accordance with, the laws of Virginia. Each party hereto irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this letter or the transactions contemplated hereby or the actions of the parties hereto in the negotiation, performance or enforcement hereof.

Please indicate the Company's acceptance of the provisions hereof, and agreement to pay the fees, costs, and expenses referenced herein, by signing the enclosed copy of this letter and returning two (2) of these originals to Thomas Hall, Regional Vice President, National Rural Utilities Cooperative Finance Corporation, 20701 Cooperative Way, Dulles, Virginia 20166 (fax: (703) 467-5653) on or before 5:00 p.m. EST on January 31, 2012 after which time this conditional offer will expire. If the Company elects to deliver this letter by telecopier, please arrange for the executed original to follow by next-day courier.

Very truly yours,

National Rural Utilities Cooperative Finance Corporation

By____________________________
Name: John J. List
Title: Senior Vice President, Member Services

ACCEPTED AND AGREED

on Jan 23, 2012:

Big Rivers Electric Corporation

By C. William Blackburn
Name: C. William Blackburn
Title: Chief Financial Officer

Cc: Mark Bailey, Mark Hite, Big Rivers
Allyn Amato, Thomas Hall, Dan Lyzinski, CFC

BIG RIVERS ELECTRIC CORPORATION
SENIOR SECURED TERM LOAN FACILITY
SUMMARY OF INDICATIVE TERMS

LENDER:	National Rural Utilities Cooperative Finance Corporation ("CFC")
BORROWER:	Big Rivers Electric Corporation ("the Company")
FACILITY:	Up to $302 Million Senior Secured Term Loan Facility (the "Facility")
PURPOSE:	To refinance the Company's RUS Note A
SINGLE DRAW:	There will be a single advance of the full amount of the Facility on the Closing Date.
TERM:	Twenty Years from the Closing Date
SECURITY:	Secured *pari passu* under the Company's Indenture
CLOSING DATE:	On or before May 15, 2012, and simultaneously with or subsequent to the funding of non-CFC secured financing, of which 100% of the proceeds, or $165 million, whichever is greater, is used to refinance the Company's RUS Note A.
CAPITAL TERM CERTIFICATES:	The Company will purchase interest bearing Capital Term Certificates ("CTCs") equal to of 12.5% of the Facility amount. The CTC purchased equal to 12.5% of the Facility amount will yield a return equal to 70% of the CFC fixed loan rate for a term equal to the term of the Facility (based on the initial advance) and amortize pursuant to standard CFC policies so as to maintain equity to Facility ratio of 12.5 %. CFC will, at the Company's option, finance the purchase of the CTCs ("CTC Loan"), in which case the Company will purchase CTCs equal to 14.29% of the Facility amount. The CTC purchased equal to 14.29% of the Facility amount will yield a return equal to 70% of the CFC fixed loan rate for a term equal to the term of the Facility (based on the initial advance) and amortize pursuant to standard CFC policies so as to maintain equity to Facility ratio of 14.29%. The CTC Loan will not earn any interest rate discounts.
PATRONAGE CAPITAL:	The Facility and the CTC Loan will be eligible for the allocation of Patronage Capital.

INTEREST RATE; TERMS:

Facility Term Loan: the Company may choose among CFC's long-term variable or fixed interest rates. The interest rates shall be the standard CFC interest rates in effect on the Closing Date. If the Company elects a fixed interest rate, the term of the fixed interest rate cannot exceed the term of the Facility. The Company will also have the option to convert amounts borrowed from one interest rate mode to the other at any time pursuant to standard CFC loan policies in effect at the time of conversion, including applicable conversion fees.

Alternatively, the Company may choose serial interest rate pricing for predetermined annual amortization amounts based upon level debt service.

Indicative rates, for informational purposes only, are set forth on Addendum I.

Interest rate locks may be available at an additional cost.

CTC Loan: If applicable, the CTC loan will be priced at CFC's 20-year standard fixed rate in effect on the Closing Date. The CTC Loan will amortize pursuant to standard CFC policies so as to maintain the equity to Facility ratio specified above.

AMORTIZATION: Level Debt Service

DEFAULT RATE: 2% above the applicable interest rate after the occurrence and during the continuance of an Event of Default.

PREPAYMENTS: Standard CFC prepayment fees will apply to the Facility, including any make-whole premium.

MANDATORY PREPAYMENT: The Company will prepay the Facility upon a change of corporate structure, unless the surviving entity is engaged in the furnishing of electric utility services to its members and is organized as a cooperative, nonprofit corporation, public utility district, municipality, or other public governmental body, and is or becomes a member of CFC.

REPRESENTATIONS AND WARRANTIES: As usual and customary in CFC documentation for secured facilities, to include but not limited to the following:

(i) good standing; subsidiaries and ownership;

(ii) authority, validity & enforceability (subject to standard creditors' rights qualification);

(iii) no conflicting agreements or Indenture defaults (subject to appropriate materiality qualification);

(iv) payment of taxes (subject to appropriate materiality qualification);

(v) licenses & permits (subject to appropriate materiality qualification);

(vi) litigation (subject to appropriate materiality qualification and scheduled exceptions agreed to by CFC);

(vii) no violation of applicable regulations (subject to appropriate materiality qualification);

(viii) accuracy of most recently dated, audited financial statements, with a bring-down to the Closing Date;

(ix) all required approvals received;

(x) compliance with laws (subject to appropriate materiality qualification);

(xi) accuracy of disclosure (subject to appropriate materiality qualification);

(xii) no liens on Trust Estate other than those permitted by the Indenture;

(xiii) environmental matters (subject to appropriate materiality qualification);

(xiv) use of proceeds;

(xv) confirmation of the Company's legal name, address, etc.; and

(xvi) effectiveness and enforceability against the Company of the Company's power supply contracts with its members excluding the power supply contracts or power supply contract amendments described in (a) and (b), below ("Member Wholesale Power Contracts"), and power supply contracts or power supply contract amendments with a member to provide wholesale service for (a) any smelter to which a member of the Company supplies power, and (b) any other customer to which a member of the Company supplies power in excess of 25 megawatts (each of the power supply contracts or power supply contract amendments described in (a) and (b), a "Direct Serve Contract").

LOAN DOCUMENTS: A loan commitment, if issued, will be subject to the preparation, execution and delivery of mutually acceptable loan documentation consistent with the provisions outlined in this Term Sheet. Loan documents will be prepared by CFC.

CONDITIONS PRECEDENT TO CLOSING: The closing of the Facility will be subject to satisfaction of the conditions precedent deemed appropriate by CFC, including but not limited to, the following:

(i) the negotiation, execution and delivery of definitive documentation (including, without limitation, satisfactory legal opinions, corporate formation and authority documents and other customary closing documents) for the Facility satisfactory to CFC;

(ii) all representations and warranties shall be true as if made on the Closing Date;

(iii) CFC shall have received and found satisfactory such financial information regarding the Company and its subsidiaries as CFC may request;

(iv) the Company shall not be in payment default of any material financial obligation;

(v) CFC shall have received a legal opinion from the Company's counsel in form and substance reasonably satisfactory to CFC;

(vi) the Company's payment of all reasonable out of pocket expenses incurred including engineering and legal expenses associated with the Facility;

(vii) CFC shall have received copies of all material amendments to the Member Wholesale Power Contracts;

(ix) CFC shall have received evidence of filing of the Indenture supplement and UCC financing statements as necessary to perfect the security interest in the Trust Estate as collateral for the Facility term loan;

(x) the non-CFC financing described in "Closing Date" shall have been funded; and

(xi) the Company shall have received all approvals and consents necessary to the execution and performance of the credit agreement.

FINANCIAL COVENANT: Compliance with the rate covenant set forth in Section 13.14 of the Indenture.

OTHER COVENANTS: Usual and customary for transactions of this type, including, but not limited to:

(i) compliance with all other Indenture covenants;

(ii) notices of default;

(iii) providing annual compliance certificates from CEO;

(iv) providing audited financial statements (consolidated and consolidating) within 120 days after each fiscal year;

(v) providing an unaudited quarterly consolidated balance sheet and a consolidated statement of operations within 60 days after each of 1st, 2nd and 3rd fiscal quarters;

(vi) maintenance of books & records, inspection rights to be a restatement of the Indenture Covenant, but running directly to CFC

(vii) compliance with laws (subject to appropriate materiality qualification);

(viii) use of proceeds;

(ix) limitation on liens on the Trust Estate (as defined in the Indenture) other than those expressly permitted by Section 13.6 of the Indenture;

(x) limitation on mergers and the sale of substantially all of the Company's assets, other than as permitted by Section 11.1 of the Indenture;

(xi) limitation on change to fiscal year without CFC consent;

(xii) providing prompt notice of material changes to Member Wholesale Power Contracts;

(xiii) providing prompt notice of (a) the permanent shutdown or material curtailment of the operations of any Company member retail customer for which wholesale service is provided under a Direct Serve Contract, (b) any material modification to a Direct Serve Contract, and (c) the termination of any Direct Serve Contract.

(xiv) no termination of Member Wholesale Power Contracts representing 20% of the Company's revenue base (other than at the end of a contract term or a voluntary termination provided for by the contract terms);

(xv) further assurances;

(xvi) notice of environmental law violations (subject to appropriate materiality qualification); and

(xvii) providing a copy of the Company's budgets and financial plans approved by the Company's Board of Directors.

EVENTS OF DEFAULT:

(i) if, within three years of the Closing Date, any representation or warranty proves to be false or misleading in any material respect at the time made if such false or misleading representation or warranty is, in CFC's reasonable judgment, one that a prudent lender would consider material to its decision to extend credit

(ii) failure to meet other loan covenants

(iii) failure to maintain corporate existence, necessary franchises, licenses, etc. to the extent required by the Indenture

(iv) an "Event of Default", as defined in the Indenture, shall have occurred and be continuing, provided such Event of Default has not been waived or cured as provided for under the terms of the Indenture

MISCELLANEOUS:

This term sheet is confidential and shall not be shared with any third party (including other lenders) other than the Company's board of directors, its officers, its financial and legal advisors, the Rural Utilities Service and the Kentucky Public Service Commission.

Any reasonable expenses associated with this loan, regardless of closing or funding, will be the full responsibility of the Company.

GOVERNING LAW: Virginia

This Term Sheet is not a commitment to lend.

A commitment to lend requires CFC internal approvals and approval by the CFC Board of Directors. Such approvals have not been sought or obtained as of this date. Additional terms and conditions not reflected in this term sheet may be added during the approval process and in accordance with CFC polices in place on the Closing Date.

ADDENDUM I

INDICATIVE INTEREST RATES

The Indicative Interest Rates listed below do not include the effects of patronage capital nor interest rate discounts. Interest Rates are subject to change. Indicative Rates quoted below are as of 01/10/2011.

Year	Interest Rate
1	2.950%
2	2.950%
3	2.950%
4	3.150%
5	3.350%
6	3.650%
7	3.950%
8	4.150%
9	4.350%
10	4.550%
11	4.650%
12	4.700%
13	4.800%
14	4.850%
15	4.950%
16	5.500%
17	5.550%
18	5.600%
19	5.650%
20	5.650%

Forward Rate Lock Adders are available and can be quoted as and when Borrower deems appropriate. Rate Lock Adders are typically quoted for 30, 60, and/or 90 day periods.

Confidential Financing Discussion

Big Rivers Electric Corporation

August 12, 2011

National Rural Utilities
Cooperative Finance Corporation

Big Rivers Electric Corporation

CFC

Confidentiality Agreement

The information contained in this presentation is provided to the Big Rivers Electric Corporation solely for its use as reference material. This presentation incorporates information which is either non-public, confidential or proprietary in nature, and is furnished on the express basis that none of this information will be used in a manner inconsistent with its confidential nature or be disclosed to anyone other than as may be required by law or to those who have been informed of the confidential nature of this presentation.

Any terms and conditions outlined herein are for discussion purposes only. Any offer or extension of credit is subject to internal approvals. Such approvals have not been obtained at this time.

Table of Contents

1. Financing Need

National Rural Utilities
Cooperative Finance Corporation

Big Rivers
ELECTRIC CORPORATION

Financing Need

- With the upcoming 2012 RUS $60 million bullet, and the 2016 $200 million bullet, the timing is optimal to explore long-term financing from CFC.
- From our ongoing dialogue with Big Rivers, we understand your desire to move forward in the very near future with:
  - A $60 million dollar refinance of the RUS 2012 Bullet, and
  - A $60 million dollar financing to replenish cash flow associated with maintenance and replacements of your generation assets
- Big Rivers has expressed a desire for 20-year Term Debt to be secured under Big Rivers existing Indenture.
- Big Rivers has expressed a desire for Level Debt Service Amortization, but is open to recommendations from CFC.
- Big Rivers is open to a financing that includes multiple tranches, with the potential to pull in Third Party Programs recently developed by CFC.
- With this understanding, CFC proposes three financing options detailed via this presentation.

2. Financing Proposal

National Rural Utilities
Cooperative Finance Corporation

Big Rivers
ELECTRIC CORPORATION

Financing Proposal –

Flexibility and Cost Savings through Deep Market Relationships

- Given the ongoing pressures that Electric Cooperatives must manage, CFC has leveraged our experience and deep relationships in the capital markets to explore innovative programs to bring additional lending capacity to our Members.
- As various programs were explored and defined, CFC was guided by three overarching goals:
  - Cost Savings through the provision of market based rates,
  - Flexibility in transaction structures and loan terms, and
  - Peace of Mind and Confidence for Electric Cooperative Borrowers by having CFC serve as the Leader of the Transaction.
- To that end, CFC proposes, as one of three financing options, a specific Third Party Program developed with the Dexia Group.

Financing Proposal – *Flexibility not available from other lenders*

- Our second and third financing proposals focus on providing Term Debt held on CFC's balance sheet.
- CFC Term Loans are considerably more flexible than those available from third-party investors
  - Delayed Draw Period – the ability to draw funds when needed versus managing the negative arbitrage of being forced to take all of the funds at once
  - Amortization of Principal – the ability to customize the amortization of principal within the amortization period of the loans
  - Rate Flexibility – within an amortization period, choose any of the rate terms offered by CFC
  - Serial Note Pricing dramatically reducing the blended All-In Rate
- Patronage Capital and Discounts – unlike other third party provided funds, CFC's loans return Patronage Capital and Discounts, lowering the all-in interest rate
- Waivers and Consents - Additional advantage when borrowing secured funds from CFC in that CFC is able to constructively lead discussions with other lenders should waivers or consents be needed

Financing Proposal 1 – $60 million RUS Bullet Refinancing

- CFC and The Dexia Group ("Dexia") have entered into an agreement for the sale and servicing of loans. Loans sold under this agreement will be held by a group of one or more of seven life insurance companies that have committed through their relationships with Dexia.
- Dexia is a Belgian financial institution active in public finance, providing retail banking, commercial banking, investment banking, insurance, and asset management services.
- To be eligible for the Dexia Program, a Borrower must have a public, or shadow, senior secured debt rating of at least BBB-/Baa3.
- Loan Documentation is expected to be similar to the CFC Standard Loan Documentation.
- Loans will be sold to one or more Investors, whose intent will be to hold the loan.
  - Peace of Mind and Confidence for Electric Cooperative Borrowers by having CFC serve as the Leader of the Transaction and Servicer of the Loan
  - Familiar and timely service from CFC for efficient loan maintenance

CFC

Financing Proposal 1 – $60 million RUS Bullet Refinancing

Borrower:	Big Rivers Electric Corporation
Facility:	$60 million
Security:	Secured
Maturity:	20 years
Amortization:	Level Debt Service
Servicer:	CFC
Lender:	One or more of Dexia's group of 7 Institutional Investors
Fees:	100 bps Upfront Origination Fee - Financeable in order to amortize over the life of the loan
Interest Rates:	Interest Rates to be determined on a transaction by transaction basis and will be set based upon market comparable transactions
Covenants:	Covenants to be similar to CFC Standard Loan and Security Agreement
Other Conditions	Dexia Transactions do not require any equity or capital term certificate purchases, nor are they eligible for Pat Cap or CFC Interest Rate Discounts.

Financing Proposal 1 – Market Comparables (Registered Bond Deals)

8/10/2011	10-yr	15-yr	20-yr	25-yr
Benchmark UST	T 3.625%	T 3.625%	T 4.250%	T 4.250%
Benchmark Yield	3.00%	3.00%	4.31%	4.31%
AA+	70	105	80	85
AA	70	105	80	85
AA-	75	110	85	90
A+	80	120	95	100
A	85	125	100	105
A-	90	130	105	110
BBB+	110	155	130	135
BBB	125	170	145	150
BBB-	**145**	**190**	**165**	**170**
BB+	215	265	240	245
BB	240	290	265	270
BB-	265	315	290	295

Financing Proposal 1 – Indicative Pricing

- Investment Grade Spreads are widening given the current market volatility
- An origination fee not to exceed 100 bps will be charged, but is financeable and may be amortized over the term of the loan.
- Indicative Rates for this transaction (determined on a deal by deal basis) are expected to be:

Final Term	Average Life	Amortization	Benchmark	Spread	Upfront Fee + Servicer Fee	All-in Spread
20	13	Quarterly	T10	215 bps	45 bps	260 bps

- Interest Rate will be at a fixed rate for the life of the loan
- Spread above Treasury will be locked approximately 7 days prior to the sale

Financing Proposal 2 – $60 million RUS Bullet Refinancing

- As an alternative to the Dexia option presented above, CFC proposes to provide refinancing for the $60 million RUS Bullet refinancing.
- Via this option, CFC would provide 20-year Level Principal Amortization with Serial Note Pricing.
- Serial Note Pricing offers Big Rivers the entire CFC yield curve, taking advantage of cost effective rates available via shorter tenored principal maturities.
- Comparably, by having CFC held debt, Big Rivers is also able to earn both Patronage Capital as well as earn Interest Rate Discounts.
- Via this pricing scenario, an indicative all-in rate available to Big Rivers as of 08/11/2011 would be equal to:

Scenario	CFC Loan Term	All-In Rate	Average Life
Level Principal Amortization	20 Years	5.08%	10.5

Financing Proposal 3 – $60 million Capex Facility

- CFC also proposes to provide $60 million of Capex Financing.
- Via this option, CFC would allow Big Rivers to draw the funds over a 12-month time period. During the Draw Period, Big Rivers would make quarterly interest payments only, priced at the CFC Long-Term Variable Rate.
- At the end of the Draw Period, CFC would provide 20-year Level Principal Amortization with Serial Note Pricing.
- Serial Note Pricing offers Big Rivers the entire CFC yield curve, taking advantage of cost effective rates available via shorter tenored principal maturities.
- Comparably, by having CFC held debt, Big Rivers is also able to earn both Patronage Capital as well as earn Interest Rate Discounts.
- Via this pricing scenario, an indicative all-in rate available to Big Rivers as of 08/11/2011 would be equal to:

Scenario	CFC Loan Term	All-In Rate	Average Life
Level Principal Amortization	20 Years	5.08%	10.5

3. The CFC Value Proposition

National Rural Utilities
Cooperative Finance Corporation

Big Rivers
ELECTRIC CORPORATION

The CFC Value Proposition –

Committed lender with deep capital markets relationships

CFC is committed to providing innovative, flexible, and cost effective financial solutions to G&T's

- Flexibility - structuring facilities to suit the unique financing needs of each of our member cooperatives
- Commitment - implementing sizeable transactions
- Reach - accessing a broad range of investors
- Influence - negotiating reasonable terms with other lenders, to the benefit of our member cooperatives
- Tenure – educating outside lenders and investors on the cooperative program
- Efficiency - Simple documentation, minimizing issuance costs

CFC

The CFC Value Proposition –

Seasoned Program Lender with a deep commitment to electric cooperatives

- CFC has a long standing relationship with Kentucky G&T's and considers Big Rivers to be one of our highest priority member-owners.
- CFC's business model, like Big Rivers', is the cooperative business model.
- CFC has a long-term commitment to the electric cooperative program, and is not based on a passing affinity to the electric cooperative niche.
- CFC's mission is to provide our members with an assured source of low-cost private capital and state-of-the-art financial services.

Disclaimer

Any terms and conditions reflected in this presentation are for discussion purposes only, and shall not be binding on any party unless and until they are negotiated and contained in a final document executed by such party. Any pricing terms contained herein are only indicative of the current market and are subject to change at any time. All information contained herein is confidential, and the recipient agrees not to disclose any of such information to any other party except to its internal staff and external advisors as necessary to evaluate the proposal set forth herein, or as otherwise required by law. The information contained herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security.

Archived: Friday, April 13, 2012 10:46:23 AM
From: Mark Hite
Sent: Monday, December 19, 2011 1:35:00 PM
To: 'Dan Lyzinski'
Cc: 'Thomas Hall'
Subject: Big Rivers - YTD October 2011 Financial Report presented to the Board 12-16-11
Importance: Normal
Attachments: Financial Report - October 2011.ppt ;

Attached, as promised, is the YTD October 2011 Financial Report, a PowerPoint presentation made to Big Rivers' Board 12/16/11.

Thanks,

Mark

Mark A. Hite, CPA

VP Accounting

Big Rivers Electric Corporation

201 Third St.

Henderson, KY 42420

270-827-2561 (corporate)

270-844-6149 (office)

270-577-6815 (mobile)

812-853-0405 (home)

mhite@bigrivers.com

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Financial Report

October 2011

($ in Thousands)

Board Meeting Date: December 16, 2011

Big Rivers ELECTRIC CORPORATION
Your Touchstone Energy® Cooperative

Summary of Operations
YTD October

	2011			2010	
	Actual	Budget *	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	469,969	449,943	20,026	438,125	31,844
Cost of Electric Service	460,631	446,563	(14,068)	433,833	(26,798)
Operating Margins	9,338	3,380	5,958	4,292	5,046
Interest Income/Other	252	417	(165)	2,022	(1,770)
Net Margins - YTD	9,590	3,797	5,793	6,314	3,276

* Budget Revenues and Cost of Electric Service revised to remove the power supply transmission reservation (off-setting).

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy® Cooperative

Statement of Operations – October

Variance to Budget

	Current Month Actual	Current Month Budget*	Current Month Variance Fav/(UnFav)	Year-to-Date Actual	Year-to-Date Budget*	Year-to-Date Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	44,667	42,198	2,469	466,987	449,923	17,064	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	813	3	810	2,982	20	2,962	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	45,480	42,201	3,279	469,969	449,943	20,026	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,534	4,821	287	41,535	53,322	11,787	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL	17,655	13,915	(3,740)	190,762	172,519	(18,243)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	8,964	8,760	(204)	92,143	75,418	(16,725)	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-TRANSMISSION	718	896	178	7,638	10,257	2,619	[B], [C] Page 28
OPERATION EXPENSE-RTO/ISO	223	76	(147)	2,056	2,368	312	[B] Page 29
CONSUMER SERVICE & INFORMATIONAL EXPENSE	27	74	47	372	731	359	[B] Page 30
OPERATION EXPENSE-SALES	2	68	66	131	810	679	[B], [C] Page 31
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,891	2,206	315	21,871	21,666	(205)	
TOTAL OPERATION EXPENSE	34,014	30,816	(3,198)	356,508	337,091	(19,417)	
MAINTENANCE EXPENSE-PRODUCTION	4,040	5,217	1,177	33,221	36,968	3,747	[B], [C] Page 32
MAINTENANCE EXPENSE-TRANSMISSION	436	242	(194)	3,783	2,776	(1,007)	[B], [C] Page 33
MAINTENANCE EXPENSE-GENERAL PLANT	24	8	(16)	118	88	(30)	
TOTAL MAINTENANCE EXPENSE	4,500	5,467	967	37,122	39,832	2,710	
DEPRECIATION & AMORTIZATION EXPENSE	2,499	3,052	553	28,873	30,120	1,247	[C] Page 34
TAXES	0	21	21	128	208	80	
INTEREST ON LONG-TERM DEBT	3,796	4,023	227	38,246	39,451	1,205	[C] Page 35
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(26)	(33)	(7)	(476)	(423)	53	
OTHER INTEREST EXPENSE	0	30	30	59	170	111	
OTHER DEDUCTIONS	12	12	0	171	114	(57)	
TOTAL COST OF ELECTRIC SERVICE	44,795	43,388	(1,407)	460,631	446,563	(14,068)	
OPERATING MARGINS	685	(1,187)	1,872	9,338	3,380	5,958	
INTEREST INCOME	7	33	(26)	138	321	(183)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	9	0	9	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	105	96	9	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	692	(1,154)	1,846	9,590	3,797	5,793	

Explanations: [A] Net Sales Margin, [B] 10% of line item and $250,000 or [C] 10% of margins and $500,000.

* Budget Revenues and Cost of Electric Service revised to remove the power supply transmission reservation (off-setting).

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

Statement of Operations – October

Variance to Prior-Year

	Current Month Actual	Current Month Prior Year	Current Month Variance Fav/(UnFav)	Year-to-Date Actual	Year-to-Date Prior Year	Year-to-Date Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	44,667	39,943	4,724	466,987	426,611	40,376	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0		0	0		0	
OTHER OPERATING REVENUE AND INCOME	813	1,148	(335)	2,982	11,514	(8,532)	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	45,480	41,091	4,389	469,969	438,125	31,844	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,534	4,626	92	41,535	44,418	2,883	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL	17,655	14,894	(2,761)	190,762	172,789	(17,973)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	8,964	8,680	(284)	92,143	81,756	(10,387)	[A] Pages 7, 12-14, [B] 27
OPERATION EXPENSE-TRANSMISSION	718	685	(33)	7,638	6,426	(1,212)	[B], [C] Page 28
OPERATION EXPENSE-RTO/ISO	223	0	(223)	2,056	0	(2,056)	[B],[C] Page 29
CONSUMER SERVICE & INFORMATIONAL EXPENSE	27	36	9	372	411	39	
OPERATION EXPENSE-SALES	2	0	(2)	131	164	33	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,891	1,928	37	21,871	21,411	(460)	
TOTAL OPERATION EXPENSE	34,014	30,849	(3,165)	356,508	327,375	(29,133)	
MAINTENANCE EXPENSE-PRODUCTION	4,040	7,377	3,337	33,221	34,780	1,559	[C] Page 32
MAINTENANCE EXPENSE-TRANSMISSION	436	347	(89)	3,783	3,955	172	
MAINTENANCE EXPENSE-GENERAL PLANT	24	16	(8)	118	160	42	
TOTAL MAINTENANCE EXPENSE	4,500	7,740	3,240	37,122	38,895	1,773	
DEPRECIATION & AMORTIZATION EXPENSE	2,499	2,840	341	28,873	28,486	(387)	
TAXES	0	0	0	128	198	70	
INTEREST ON LONG-TERM DEBT	3,796	3,952	156	38,246	39,138	892	[C] Page 35
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(26)	(82)	(56)	(476)	(492)	(16)	
OTHER INTEREST EXPENSE	0	21	21	59	147	88	
OTHER DEDUCTIONS	12	13	1	171	86	(85)	
TOTAL COST OF ELECTRIC SERVICE	44,795	45,333	538	460,631	433,833	(26,798)	
OPERATING MARGINS	685	(4,242)	4,927	9,338	4,292	5,046	
INTEREST INCOME	7	33	(26)	138	303	(165)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	6	(6)	9	1,699	(1,690)	[B],[C] Page 36
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	105	20	85	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	692	(4,203)	4,895	9,590	6,314	3,276	

Explanations: [A] Net Sales Margin, [B] 10% of line item and $250,000 or [C] 10% of margins and $500,000.

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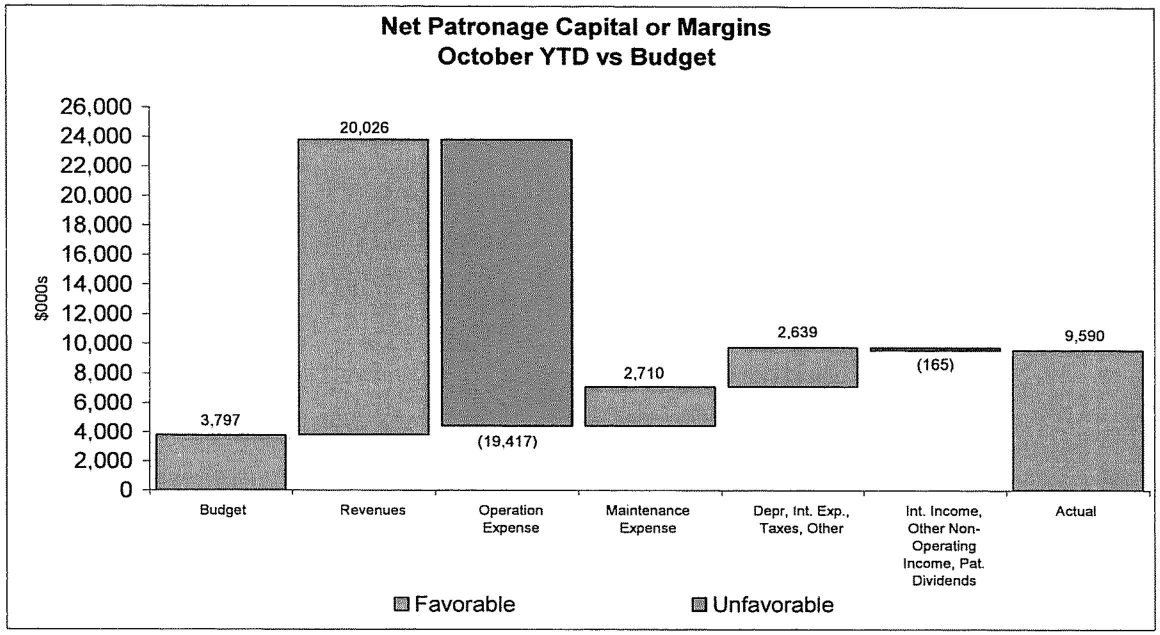
Variance Analysis Summary



Financial Commentary

Year-to-Date

- YTD October 2011 Margins were $5,793 favorable to budget.
  - Electric Energy Revenues were favorable $17,064 primarily due to higher off-system volume (see page 12).
  - Other Revenue was favorable $2,962 due to the power supply transmission reservation (see page 26).
  - Operation Expense was unfavorable $19,417 – driven by higher variable costs $23,400 primarily due to the higher off-system sales volumes, partially offset by the reduction in scope of the HMPL 1 planned outage and favorable operation expense at the plants and transmission (see pages 13, 27-31).
  - Maintenance Expense was favorable $2,710 primarily due to timing of plant expenses and cancellation of the Wilson chemical clean (see pages 32 & 33).
  - Depreciation, Taxes, Interest Expense & Other was favorable $2,639 due to (a) lower capital expenditures and (b) lower interest expense due to payment of the Transition Reserve on the RUS Series A Note (see pages 11, 35).

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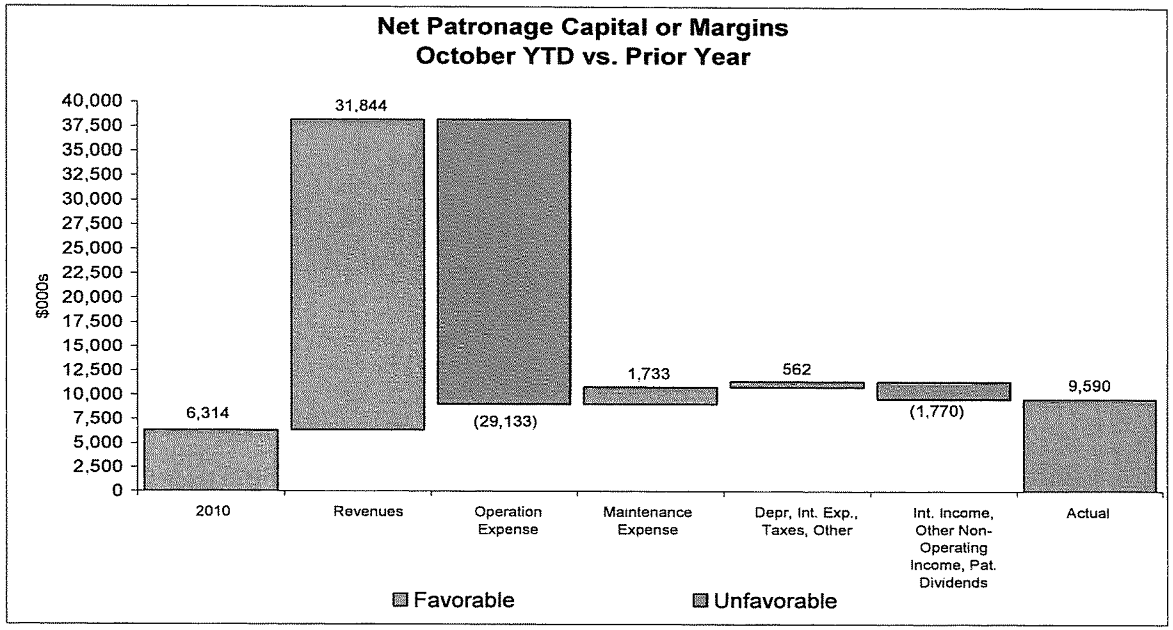
Variance Analysis Summary



Financial Commentary

Year-to-Date

- YTD 2011 margins were $3,276 favorable to YTD 2010.
  - Electric Energy Revenues were favorable $40,376 primarily due to higher off-system volumes (see page 12).
  - Other Revenue was unfavorable $8,532 primarily due to a lower power supply transmission reservation, which is off-set in Operations Expense - Other Power Supply (see page 26).
  - Operation Expense was unfavorable $29,133 – driven by higher variable costs $34,027 and higher MISO expenses, partially offset by lower transmission reservation (see pages 13, 27-29).
  - Maintenance Expense was favorable $1,733 primarily due to higher planned outage expense during 2010 (see pages 32-33).
  - Depreciation and Interest Expense combined was lower $562.
  - Interest Income, Other Non-Operating Income and Pat. Dividends combined were unfavorable $1,770 primarily due to the write-off of the M&S inventory obsolescence reserve in 2010 (see page 36).

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Member Rate Stability Mechanism
YTD October

	Actual 2011	Budget 2011	2011 Variance	Actual 2010	2010 Variance
MRSM - $/MWh					
Rural	(6.36)	(7.21)	0.85	(8.22)	1.86
Large Industrial	(6.36)	(7.21)	0.85	(8.22)	1.86
Total	(6.36)	(7.21)	0.85	(8.22)	1.86
MRSM - Thousands of $					
Rural	(12,642)	(14,907)	2,265	(16,825)	4,183
Large Industrial	(5,218)	(5,622)	404	(6,381)	1,163
Total	(17,860)	(20,529)	2,669	(23,206)	5,346

	Actual 2011	Budget 2011	2011 Variance	Actual 2010	2010 Variance
Net Revenue - $/MWh					
Rural	40.40	39.45	0.95	36.94	3.46
Large Industrial	35.14	35.42	(0.28)	33.53	1.61
Total	38.86	38.35	0.51	36.00	2.86
Net Revenue - Thousands of $					
Rural	80,359	81,581	(1,222)	75,560	4,799
Large Industrial	28,866	27,634	1,232	26,028	2,838
Total	109,225	109,215	10	101,588	7,637

Economic Reserve Balance

Cumulative-to-Date	Actual	Budget	Variance
Original Deposit	$ 157,000		
Interest Earnings	2,645		
Withdrawals	(56,499)		
Ending Balance 10/31/2011	$ 103,146	$ 102,395	$ 751
YTD September 2011			
Beg. Balance 1/1/2011	$ 121,220		
Interest Earnings	780		
Withdrawals	(18,854)		
Ending Balance 10/31/2011	$ 103,146	$ 102,395	$ 751

Cash & Temporary Investments

	Actual	Budget	Fav/(Unfav)	2010 Actual	Fav/(Unfav)
October 31st	58,888	31,554	27,334	53,898	4,990

The October 31st, 2011 cash balance compared to budget is favorable primarily due to lower net capital expenditures of $23,700 and a reduction in fuel inventory of $18,895. As a result, the budgeted line of credit borrowing has not occurred.

The October 31st, 2011 cash balance compared to prior year is favorable primarily due to voluntarily prepaying the RUS Series A Note during 2010.

Lines of Credit As of October 31st	
Original Amount	$100,000
Letters of Credit Outstanding	(6,875)
Advances Outstanding	0
Available Lines of Credit	$ 93,125

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North Star – YTD October

	2011			2010	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service	460,631	462,447	1,816	433,834	(26,797)
Other Operating Revenues & Income	(2,982)	(15,903)	(12,921)	(11,514)	(8,532)
Smelter Avoidable Base Charge	(2,594)	0	2,594	(3,987)	(1,393)
Off-System Sales/Other	(90,831)	(51,008)	39,823	(70,631)	20,200
Interest Income	(138)	(321)	(183)	(303)	(165)
Other Non-Operating Income	(9)	0	9	(1,699)	(1,690)
Other Capital Credits & Pat. Dividends	(105)	(96)	9	(20)	85
	363,972	395,119	31,147	345,680	(18,292)
Member MWh	8,446,810	8,920,921	(474,111)	8,100,780	346,030
North Star - $/kWh	0.043090	0.044291	0.001201	0.042672	(0.000418)

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TIER

	Actual	Budget	Fav/(Unfav)
Interest on Long Term Debt	38,246	39,451	1,205
Net Margins	9,590	3,797	5,793
TIER (10 months ending 10/31)	1.25	1.10	0.15
TIER (12 months ending 10/31)	1.22	1.19	0.03

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt

10

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Capital Expenditures*

	Actual	Budget	Fav/(UnFav)
IT	675	936	261
Generation	20,506	35,049	14,543
Transmission	5,719	14,111	8,392
Other	1,027	2,709	1,682
Total	**27,927**	**52,805**	**24,878**

Explanation:

Generation favorable primarily due to the timing or cancellation of projects. Coleman was favorable $2,570 due to the cancellation of several projects including Interposing Logic System Controls and control room upgrade. The delay of several projects including the C2 Aux Transformer and start-up buss tie added to the favorability. Station Two was favorable $3,411 due to reducing the scope of the HMPL 1 spring outage and timing of various projects. Green Station was favorable $7,574 due to several projects being moved to later in the year. These include FGD rehab, boiler painting and outage related projects. The Wilson facility was favorable $988 due to the delay of the secondary air-heater milestone payment.

Transmission favorable primarily due to the timing of the Wilson Line 19F Terminal, Two-Way Radio Replacement and Wilson 69 KV line to Centertown addition.

Other favorable primarily due to the delay in purchasing the PCI Software, Operator Training Simulator, training facility remodeling and analyzers and a chromatograph for the Environmental Department.

* Gross of the City's share of Station Two.

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Revenue
YTD October

	Actual 2011	Budget 2011	Variance	Actual 2010	2010 Variance
MWh Sales					
Rural	1,988,751	2,067,739	(78,988)	2,045,954	(57,203)
Large Industrial	821,345	780,089	41,256	776,335	45,010
Smelter	5,636,712	6,073,093	(436,381)	5,278,493	358,219
Off-System/Other	2,668,634	1,189,568	1,479,066	1,821,284	847,350
Total	11,115,442	10,110,489	1,004,953	9,922,066	1,193,376
Revenue - $/MWh					
Rural	46.76	46.66	0.10	45.15	1.61
Large Industrial	41.50	42.63	(1.13)	41.75	(0.25)
Smelter	44.19	44.32	(0.13)	43.80	0.39
Off-System/Other	34.04	42.88	(8.84)	38.78	(4.74)
Total	42.01	44.50	(2.49)	43.00	(0.99)
Revenue - Thousands of $					
Rural	93,001	96,488	(3,487)	92,385	616
Large Industrial	34,084	33,256	828	32,409	1,675
Smelter	249,071	269,171	(20,100)	231,186	17,885
Off-System/Other	90,831	51,008	39,823	70,631	20,200
Total	466,987	449,923	17,064	426,611	40,376

Revenue Price / Volume Analysis
YTD October 2011

	Price / Volume		
	Price	Volume	Total
Rural	199	(3,686)	(3,487)
Large Industrial	(931)	1,759	828
Smelter	(759)	(19,341)	(20,100)
Off-System/Other	(23,598)	63,421	39,823
	(25,089)	42,153	17,064

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Variable Operations Cost
YTD October

	Actual 2011	Budget 2011	Variance	Actual 2010	2010 Variance
Variable Operations (VO) Cost - $/MWh					
Rural	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Large Industrial	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Smelter	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Off-System/Other	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
VO Cost - Thousands of $					
Rural	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Large Industrial	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Smelter	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Off-System/Other	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

YTD October 2011
Variable Operations Expense

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Fuel	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Purchased Power	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Non-FAC PPA (Non-Smelter)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

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Net Sales Margin
YTD October

Net Sales Margin - $/MWh	Actual 2011	Budget 2011	Variance	Actual 2010	2010 Variance
Rural	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Large Industrial	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Smelter	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Off-System/Other	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Net Sales Margin - Thousands of $	Actual 2011	Budget 2011	Variance	Actual 2010	2010 Variance
Rural	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Large Industrial	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Smelter	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Off-System/Other	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Total	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Net Sales Margin
Price / Volume Analysis
YTD October 2011

	Price / Volume Price	Price / Volume Volume	Total
Rural	[redacted]	[redacted]	[redacted]
Large Industrial	[redacted]	[redacted]	[redacted]
Smelter	[redacted]	[redacted]	[redacted]
Off-System/Other	[redacted]	[redacted]	[redacted]
	[redacted]	[redacted]	[redacted]

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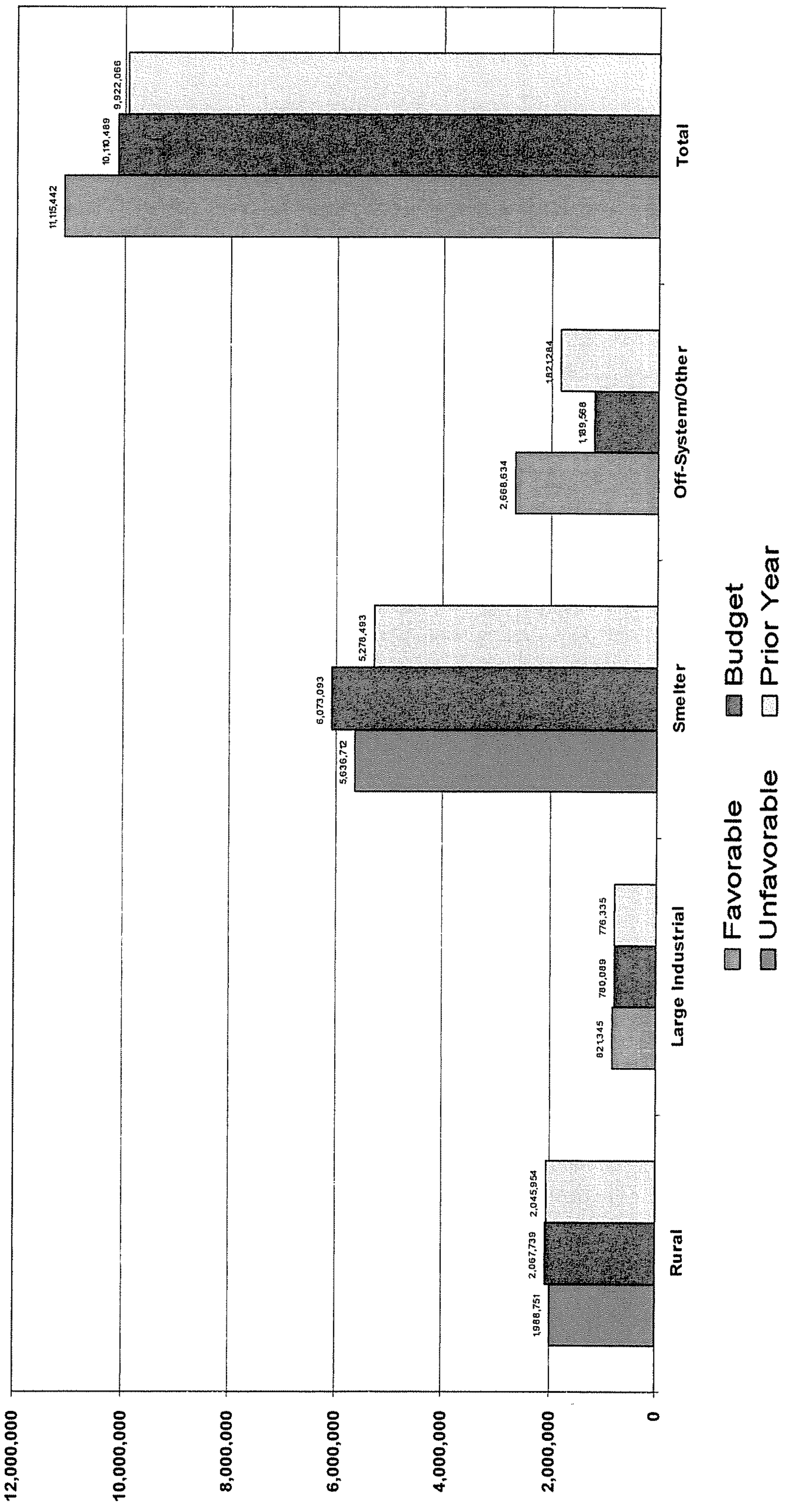
MWH Sales
YTD - October



Case No. 2012-00119
First Additional Attachment for Response to KIUC 1-2
Witness: Mark A. Hite

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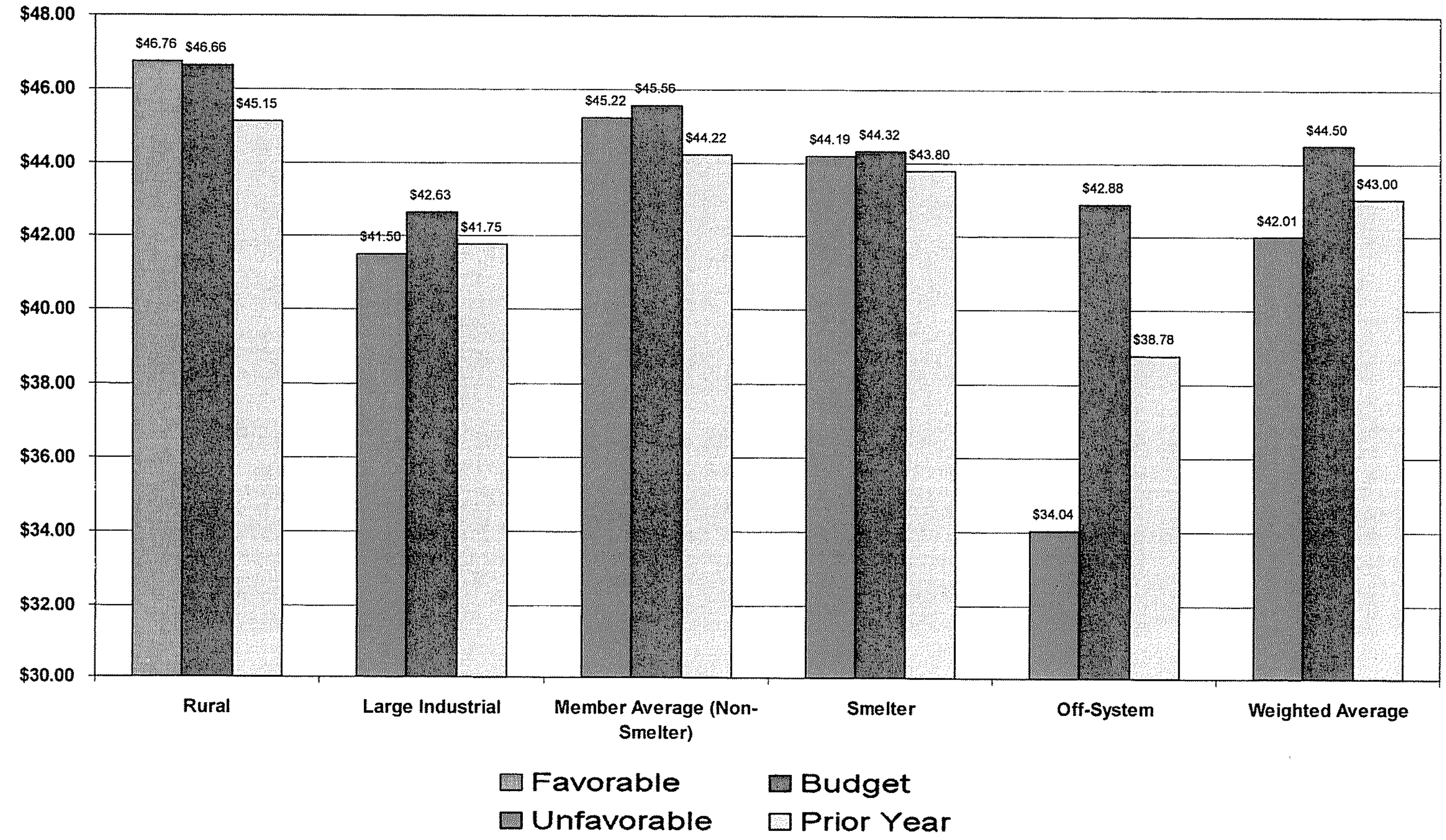
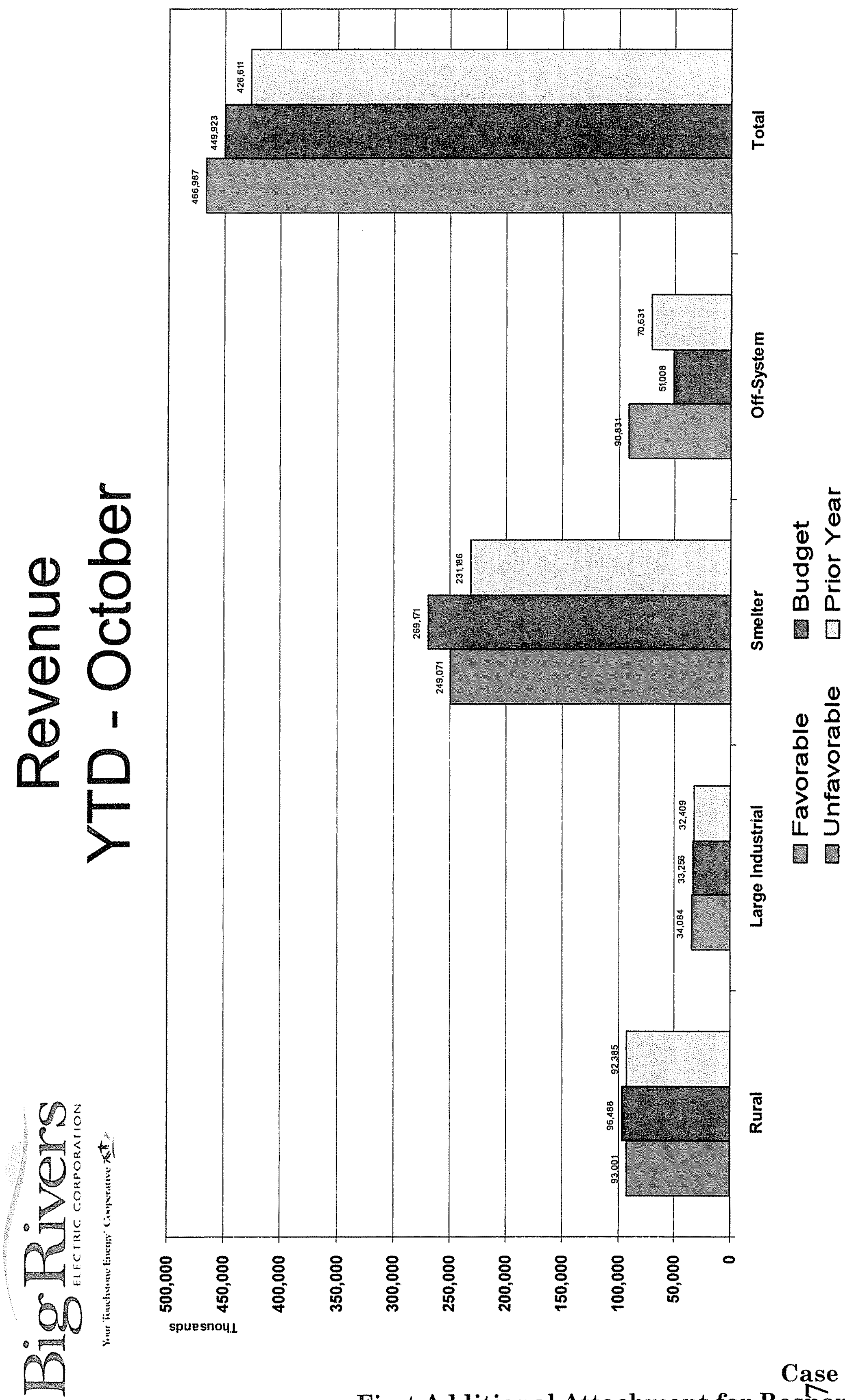
Revenue - $/MWh Sold
YTD - October





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Revenue
YTD - October
Thousands
500,000
450,000
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
93,001
96,488
92,385
34,084
33,255
32,409
249,071
269,171
231,186
90,831
51,008
70,631
466,987
449,923
426,611
Rural
Large Industrial
Smelter
Off-System
Total
Favorable
Unfavorable
Budget
Prior Year

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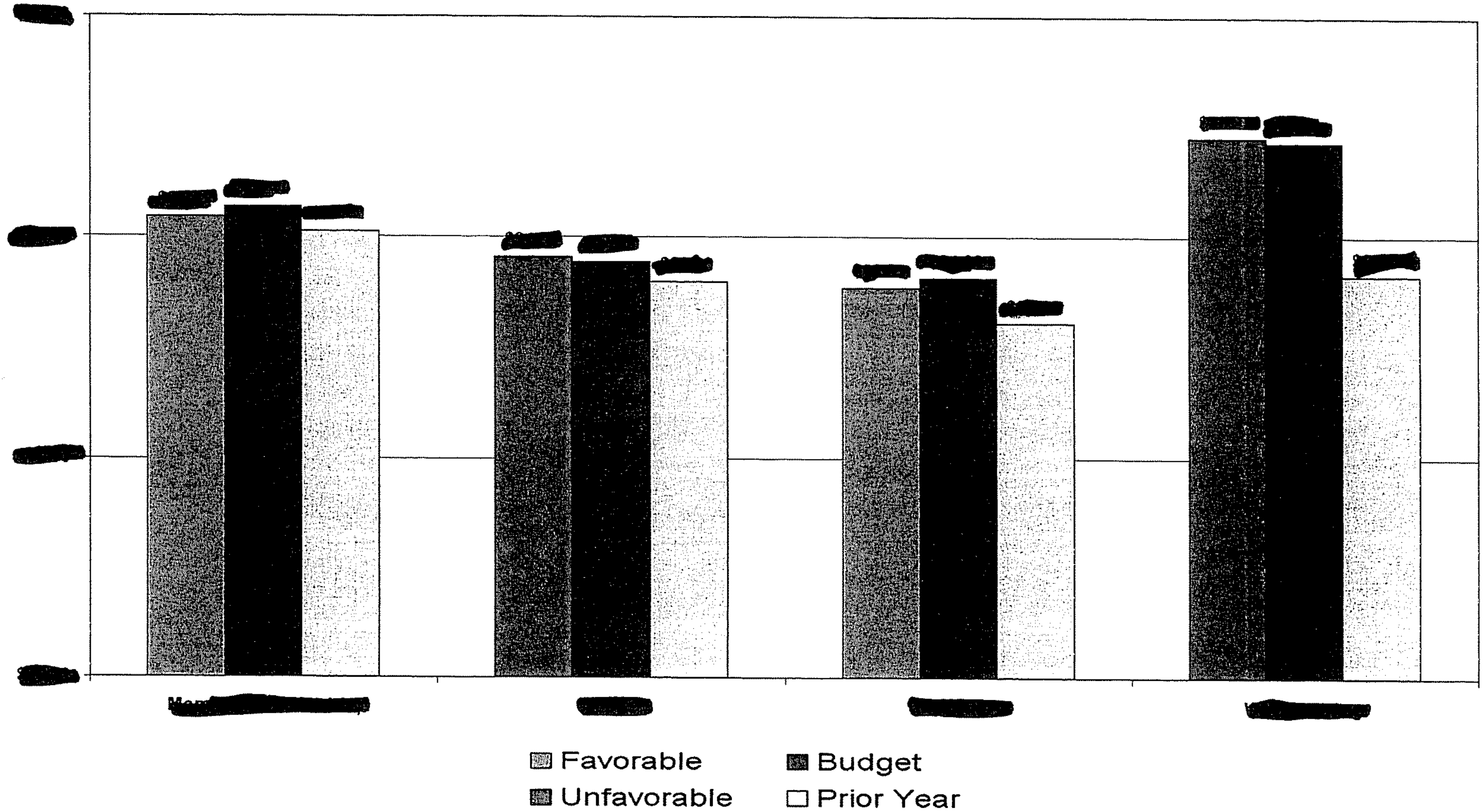
Variable Operations - [redacted] YTD - October



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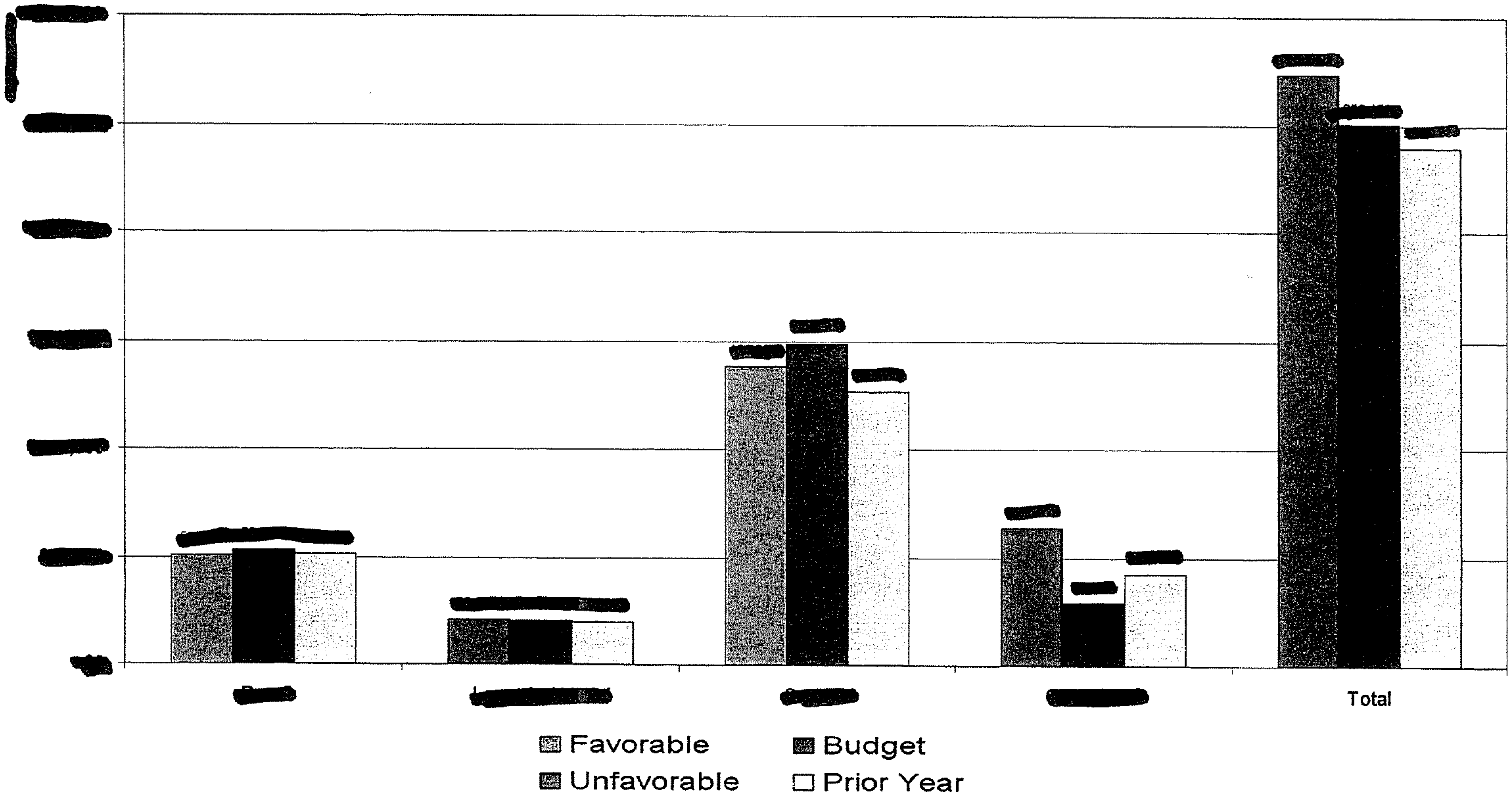
YTD – October



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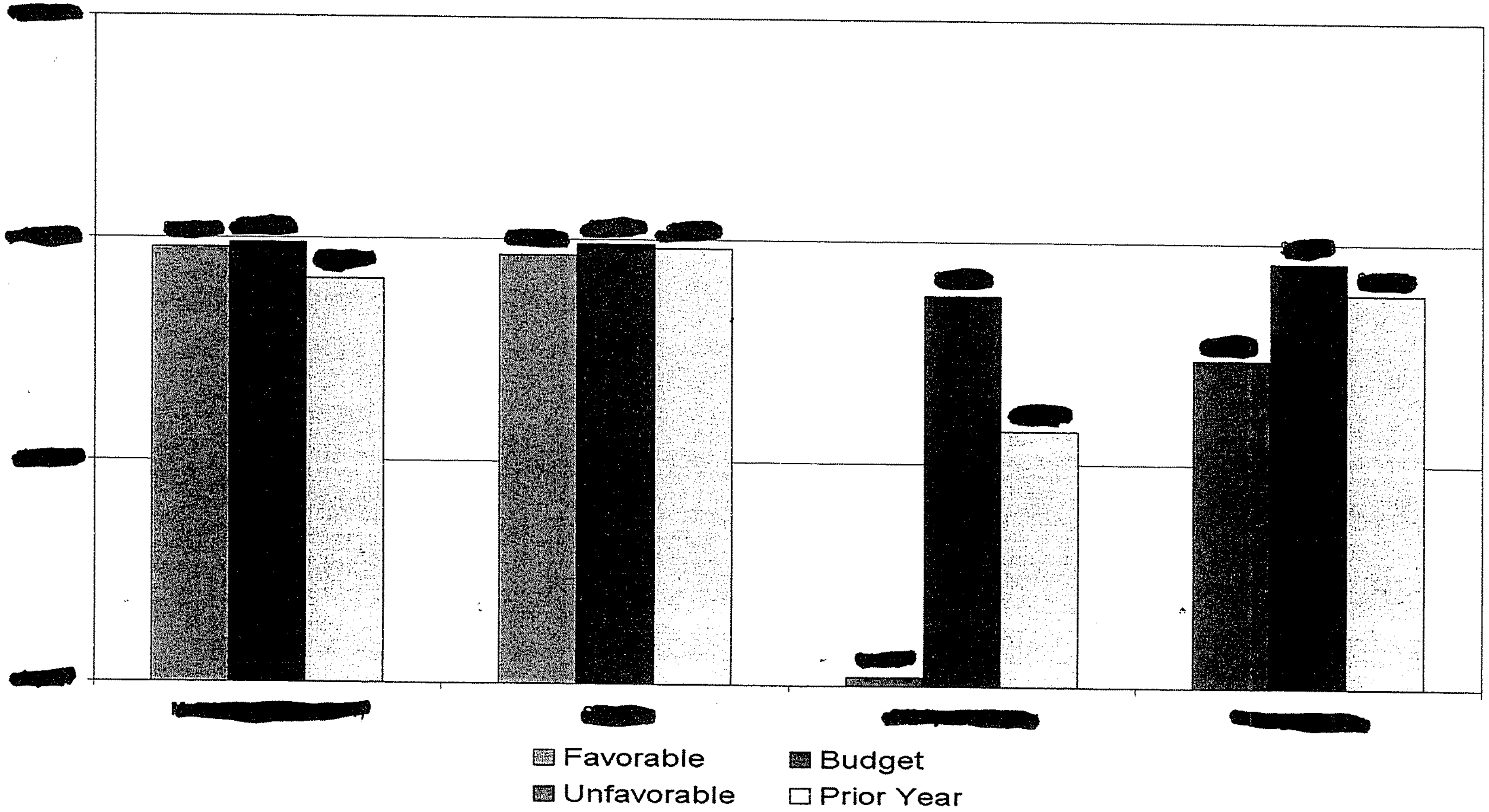
[redacted]

YTD - October



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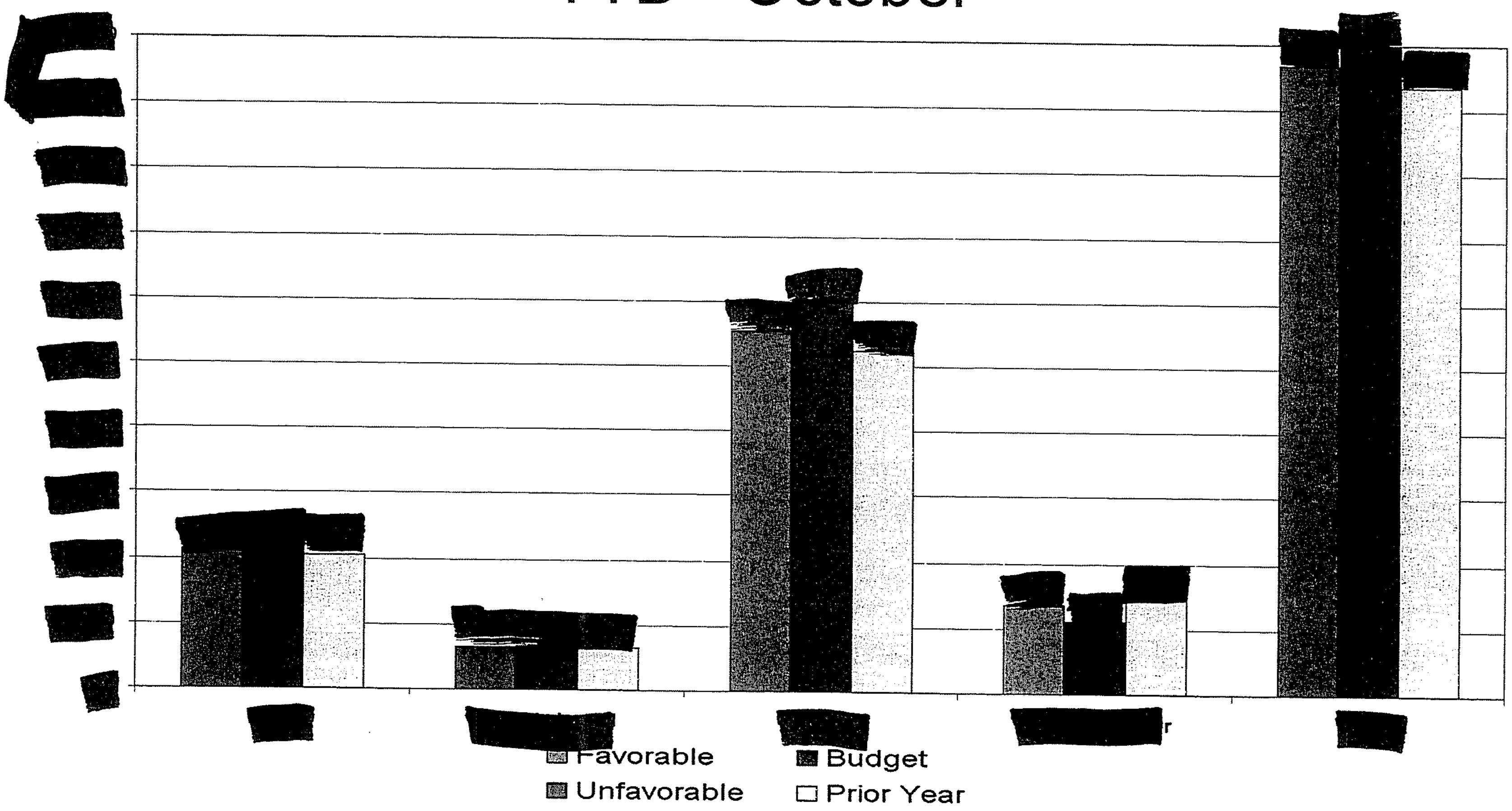
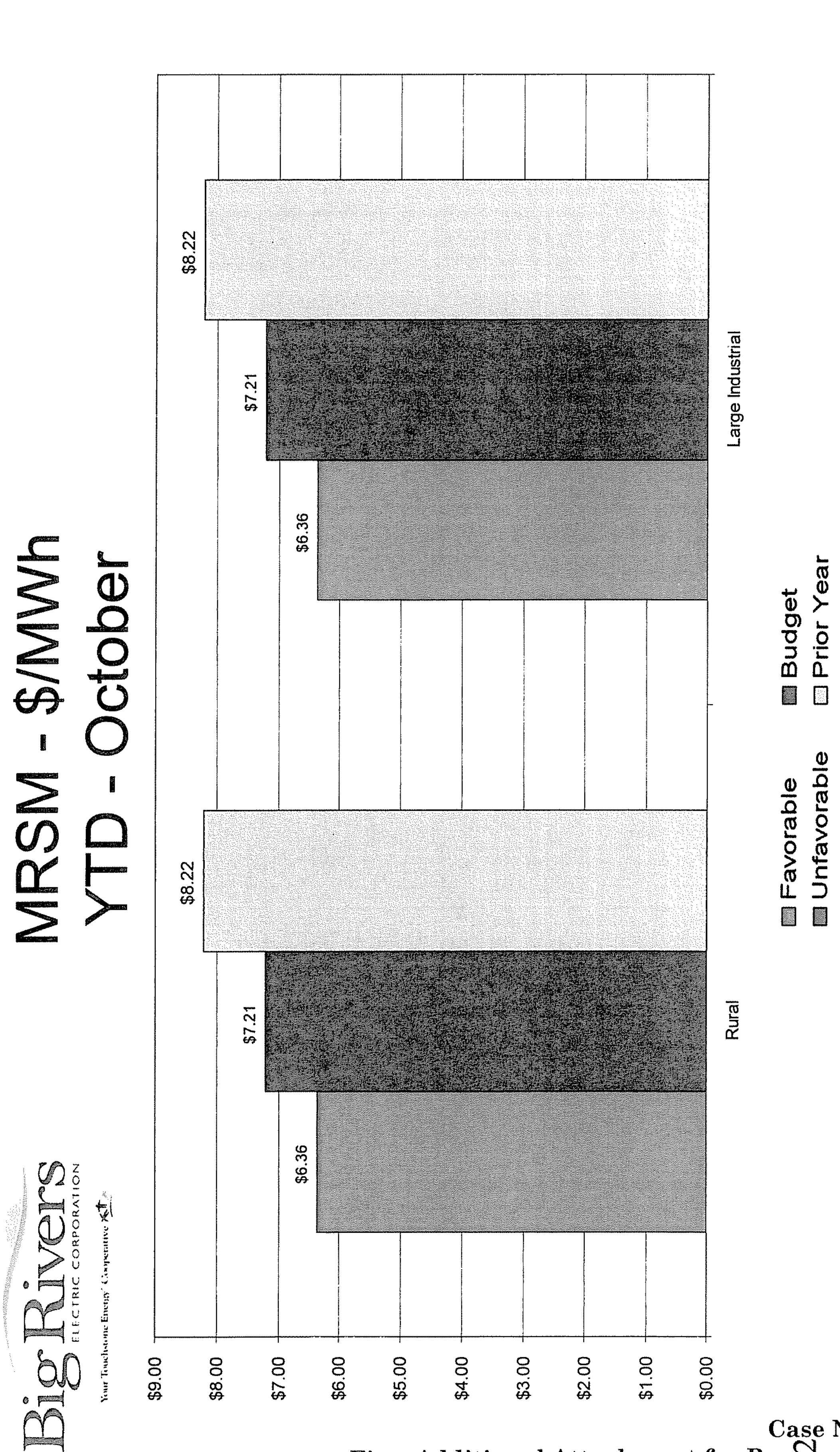
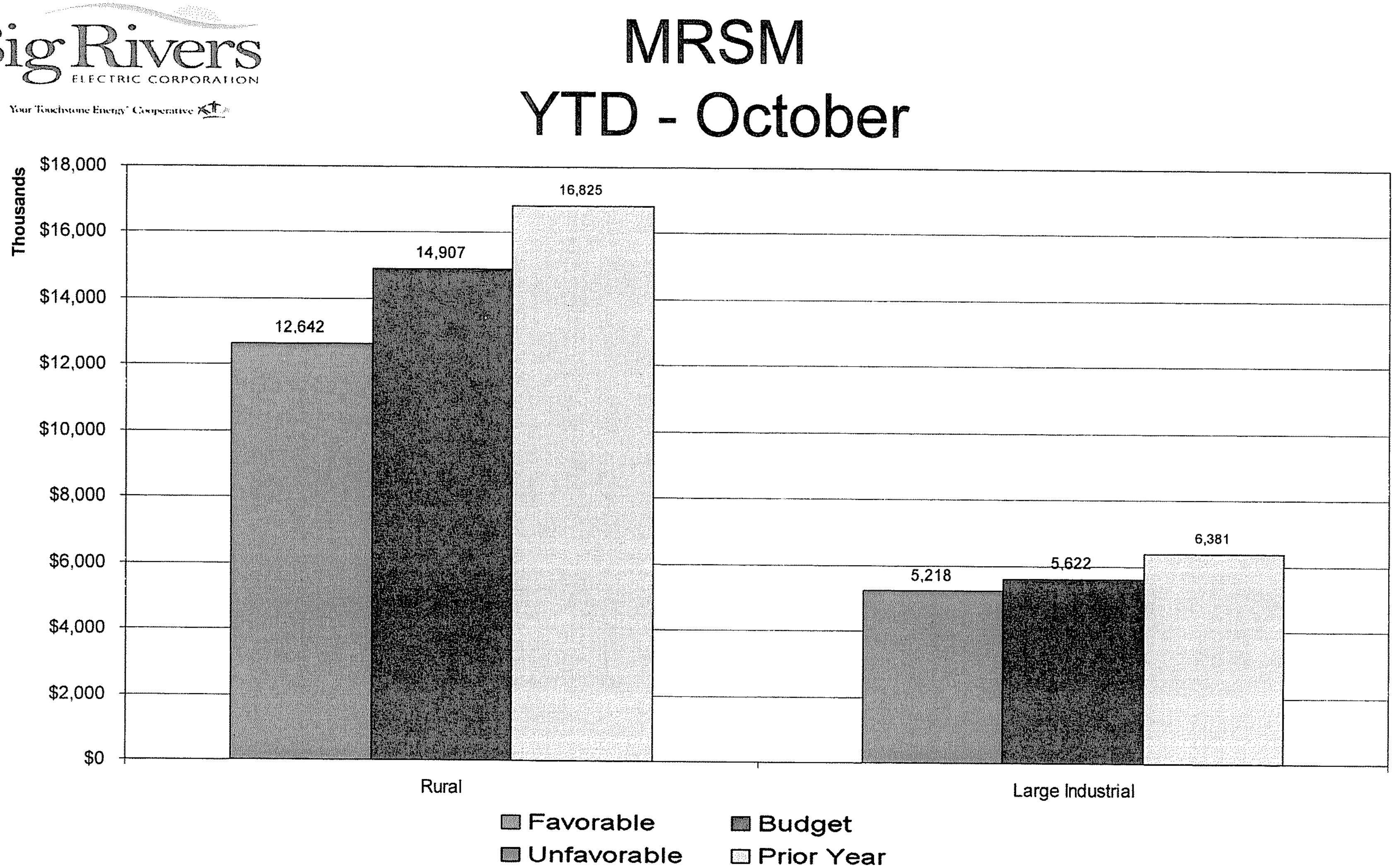
YTD - October





Big Rivers ELECTRIC CORPORATION
MRSM - $/MWh
YTD - October
$9.00
$8.00
$7.00
$6.00
$5.00
$4.00
$3.00
$2.00
$1.00
$0.00
$6.36
$7.21
$8.22
$6.36
$7.21
$8.22
Rural
Large Industrial
Favorable
Unfavorable
Budget
Prior Year


MRSM
YTD - October
Thousands
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
12,642
14,907
16,825
5,218
5,622
6,381
Rural
Large Industrial
Favorable
Unfavorable
Budget
Prior Year

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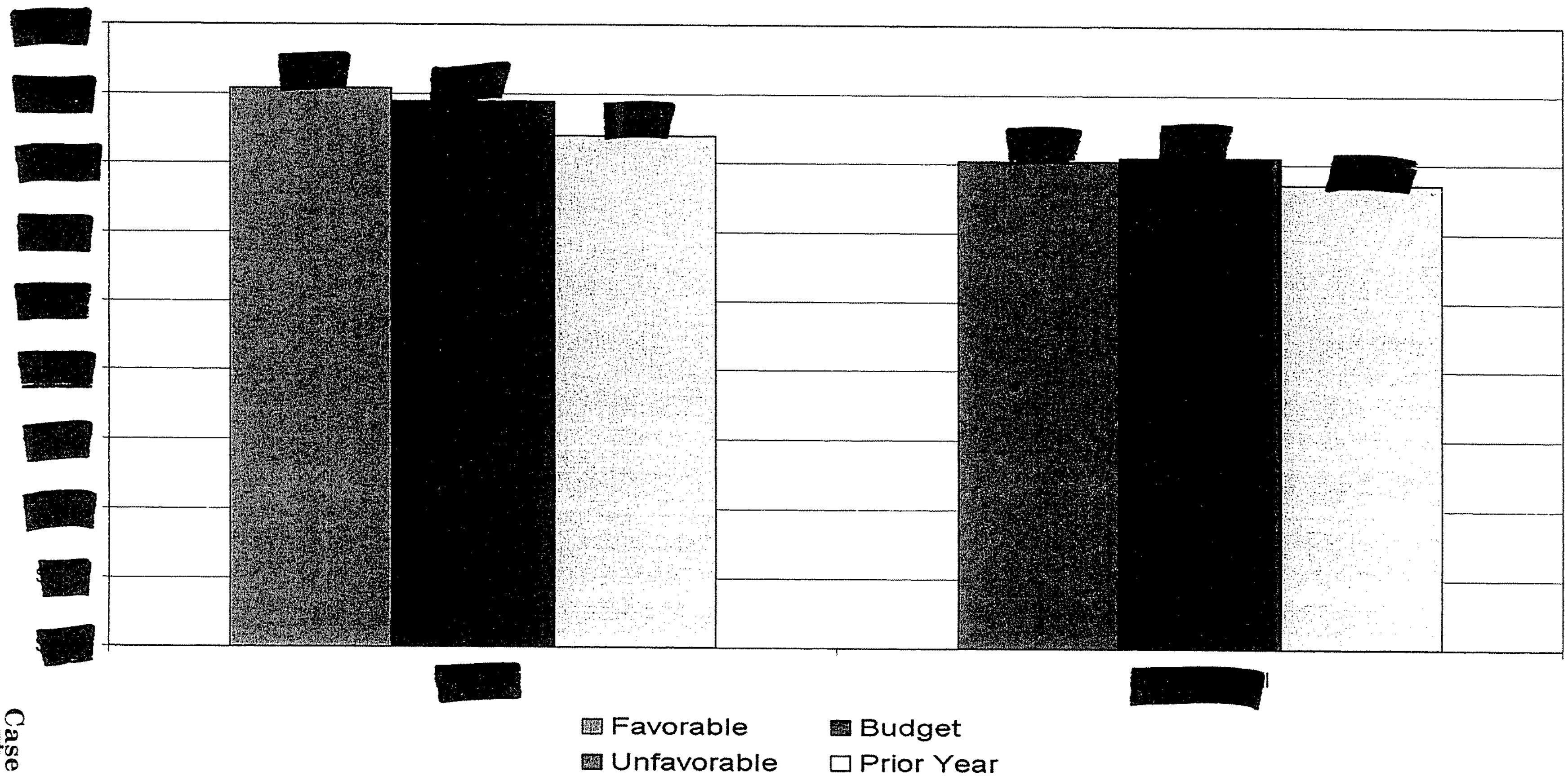
[redacted]

YTD - October



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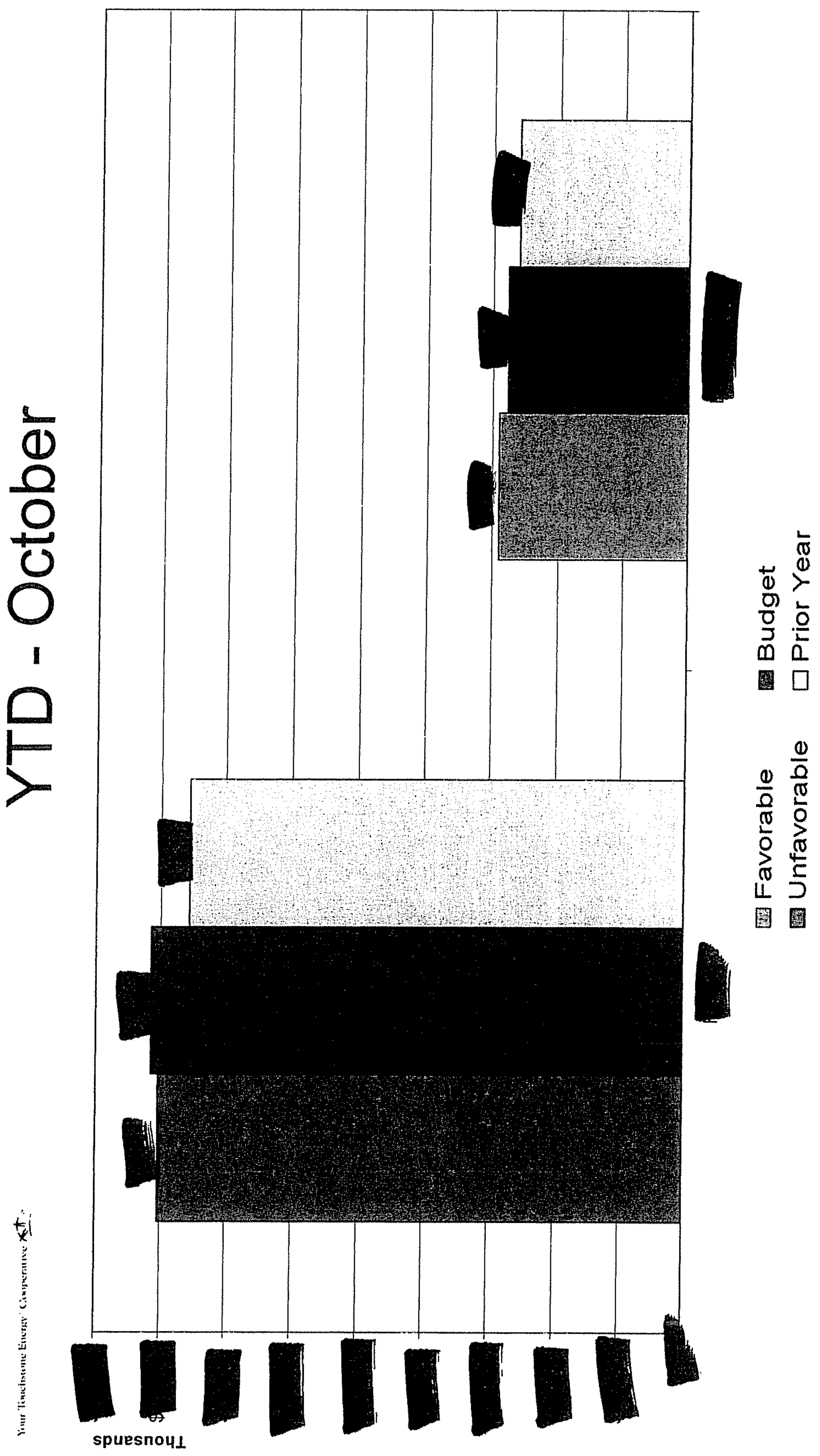

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Other Operating Revenue and Income

	2011			2010	
	Actual	Budget	Variance Fav/(Unfav)	2010 Actual	Variance Fav/(Unfav)
October YTD	2,982	20	2,962	11,514	(8,532)

Favorable to budget due to (intentional) omission of the power supply transmission reservation (from the budget).

Unfavorable to prior year due to a lower power supply transmission reservation.

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Non-Variable Production and Other Power Supply – Operations

	2011			2010	
	Actual	Budget	Variance Fav/(Unfav)	2010 Actual	Variance Fav/(Unfav)
October YTD	50,884	51,103	219	59,434	8,550

Current Year Variances	Fav/(UnFav)
Power Supply transmission reservation	(4,638)
HMPL 1 Outage scope reduction	1,436
Plant operations expense timing/reductions (Coleman $772, Green $668 & Wilson $863)	2,303
Station-Two O&M timing/reductions	1,275
Other	(157)
Non-Variable Production and Other Power Supply - Operations	219

Prior-Year Variances	Fav/(UnFav)
Power Supply transmission reservation	8,659
Station-Two O&M/other	(109)
Non-Variable Production and Other Power Supply - Operations	8,550

27

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Operation Expense – Transmission

	2011			2010	
	Actual	Budget	Variance Fav/(Unfav)	2010 Actual	Variance Fav/(Unfav)
October YTD	7,638	10,257	2,619	6,426	(1,212)

Favorable to budget primarily due to 1) lower than anticipated MISO administrative expenses $169, and 2) favorable labor expense as more is being charged to maintenance accounts than operations $1,399 (see slide 33), and 3) various stations and lines fixed departmental expenses $1,051.

Unfavorable to prior year due to MISO administrative expenses.

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Operation Expense – RTO/ISO

	2011			2010	
	Actual	Budget	Variance Fav/(Unfav)	2010 Actual	Variance Fav/(Unfav)
October YTD	2,056	2,368	312	0	(2,056)

Favorable to budget primarily due to lower than anticipated MISO administrative expenses.

Unfavorable to prior year due to MISO administrative expenses.

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Consumer Service & Informational Expense

	2011		
	Actual	Budget	Variance Fav/(Unfav)
October YTD	372	731	359

Favorable to budget due to timing of fixed expenses in energy efficiency/demand side management area.

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Operation Expense – Sales

	2011		
	Actual	Budget	Variance Fav/(Unfav)
October YTD	131	810	679

Favorable to budget primarily due to timing of fixed departmental expenses in the marketing area.

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Maintenance Expense – Production

	2011			2010	
	Actual	Budget	Variance Fav/(Unfav)	2010 Actual	Variance Fav/(Unfav)
October YTD	33,221	36,968	3,747	34,780	1,559

Favorable to budget due to various maintenance projects that have been delayed, reduced in scope or cancelled. These projects include mill overhauls, site maintenance, bar screen repairs, the Wilson chemical clean and heavy equipment maintenance.

Favorable to prior year driven by higher planned outage expenses at Coleman last year.

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy® Cooperative

Maintenance Expense – Transmission

	2011		
	Actual	Budget	Variance Fav/(Unfav)
October YTD	3,783	2,776	(1,007)

Unfavorable to budget primarily due to more labor being charged to maintenance than operations (The favorable labor variance in Operation Expense – Transmission offsets this unfavorable labor variance in maintenance).

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy® Cooperative

Depreciation & Amortization Expense

	2011		
	Actual	Budget	Variance Fav/(Unfav)
October YTD	28,873	30,120	1,247

Favorable to budget due to lower capital spending.

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy® Cooperative

Interest on Long-Term Debt

	2011			2010	
	Actual	Budget	Variance Fav/(Unfav)	2010 Actual	Variance Fav/(Unfav)
October YTD	38,246	39,451	1,205	39,138	892

Interest on long-term debt is lower than budget and prior-year due to the payment of the Transition Reserve on the RUS Series A Note.

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy® Cooperative

Other Non-Operating Income - Net

	2010		
	Actual	2010 Actual	Variance Fav/(Unfav)
October YTD	8	1,693	(1,685)

Other Non-Operating Income was unfavorable $1,685 due to the write-off of the M&S inventory obsolescence reserve in 2010.

36

Archived: Friday, April 13, 2012 10:46:24 AM
From: Mark Hite
Sent: Monday, December 19, 2011 12:33:00 PM
To: 'Dan Lyzinski'
Cc: 'Thomas Hall'
Subject: RE: Board Approved 2012-2015 Model
Importance: Normal
Attachments: 2012 Budget 2013-2015 Financial Plan - 12-13-11.ppt ;

Attached hereto is the PowerPoint presentation made during the 12/16/11 Board meeting of the 2012 Budget and 2013-2015 Financial Plan.

Thanks,

Mark

Mark A. Hite, CPA

VP Accounting

Big Rivers Electric Corporation

201 Third St.

Henderson, KY 42420

270-827-2561 (corporate)

270-844-6149 (office)

270-577-6815 (mobile)

812-853-0405 (home)

mhite@bigrivers.com

From: Mark Hite
Sent: Monday, December 19, 2011 11:08 AM
To: 'Dan Lyzinski'
Cc: Thomas Hall; Bill Blackburn
Subject: FW: Board Approved 2012-2015 Model

As requested, attached hereto is the **Financial Model** of the **2012 Budget and 2013-2015 Financial Plan** which the Big Rivers' Board approved 12-16-11. As noted earlier, until Big Rivers' concludes its EPA compliance plan, no forecast is available beyond 2015. The majority of the information you will need should be on the sheet titled "Stmts RUS" (from such sheet, simply select "print", and that entire sheet will print). I'll be happy to "walk you through" the file via phone.

Thanks,

Mark

Mark A. Hite, CPA

VP Accounting

Big Rivers Electric Corporation

201 Third St.

Henderson, KY 42420

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mhite@bigrivers.com

Big Rivers Electric Corporation

2012 Budget
2013-2015 Financial Plan

Date Presented: December 15, 2011

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

North Star

Big Rivers will strive to keep the "North Star" (cost per kWh) below that of the October 2008 Unwind Model.

- **<u>Cost per kWh</u>** (A divided by B)
  - A = Total Cost of Electric Service Minus Non-Member Revenues
  - B = Smelter and Non-Smelter Member kWh

  - North Star per Financial Plan
    2012: $[redacted]
    2013: $[redacted]
    2014: $[redacted]
    2015: $[redacted]

  - North Star per October 2008 Unwind Model
    2012: $567,789,368/11,077,175,000 = **$0.051258**
    2013: $589,912,441/11,148,815,000 = **$0.052913**
    2014: $514,318,024/11,235,582,000 = **$0.045776** *

* Reflects fuel cost declining to $[redacted]MWh from $[redacted]

Mission, Vision and Values

Mission

- Big Rivers will safely deliver low cost, reliable wholesale power, and the cost-effective shared services desired by our Members

Vision

- Big Rivers will be viewed as one of the top G&Ts in the country, and will provide the services our Members desire in meeting future challenges

Values

- Safety
- Integrity
- Excellence
- Member and Community Service
- Respect for the Employee

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Noteworthy Assumptions ($ in Thousands)

* The Member (including Smelter) base rate revenue is based on the PSC Order received in November 2011. A base rate increase of 6.4% for Rurals and 3.8% for Large Industrials occurs 1/1/14 partly due to lower Order and partly due to environmental compliance costs. The overall increase is 4.5%.
* Smelters are at the ceiling of the TIER Adjustment Charge each year ($2.95/MWh in 2012-2014, $3.55/MWh in 2015).
* Off-System sales price average for each year:

	2012	2013	2014	2015	2011 Forecast (9+3)
$/MWh	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
MWh	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

* Total MWh sales for each year:

	2012	2013	2014	2015	2011 Forecast (9+3)
MWh	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

* Big Rivers' MWh net generation for each year:

	2012	2013	2014	2015	2011 Forecast (9+3)
MWh	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

* Purchased power price average for each year:

	2012	2013	2014	2015	2011 Forecast (9+3)
$/MWh	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
MWh	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Noteworthy Assumptions ($ in Thousands)

(Continued)

* 2% wage increase for non-bargaining employees in January, for Production bargaining employees in September and for Transmission bargaining employees in October each year. (For each incremental 1% wage rate increase, Statement of Operations expense for 2012 would increase by approximately $225 for non-bargaining and $90 for bargaining.)

* Headcount for each year:

	2012	2013	2014	2015	2011 Forecast (9+3)
Headcount	633	648	654	654	624

Headcount increases related to Production retirement planning are 4, 4, and 2 for the years 2012-2014, respectively. When retirement planning is complete, headcount will reduce by 22 through attrition. Headcount increase related to SCR at Green Station is 4 in 2014. Labor dollar calculations reflect turnover of 12 employees in 2012 and 6 employees each year thereafter.

* City's MW share of Station Two is 110 through 5/31/12, then increases by 5MW in June of each year.

* 2010 Depreciation Study rates are reflected.

* Capital Expenditures for 2012-2015, excluding City's share of Station Two and including capitalized interest:

	2012	2013	2014	2015	2011 Forecast (9+3)
Env. Compliance	14,112	104,320	135,161	71,576	0
Base CAPEX	69,193	59,599	63,062	46,128	42,379
Total $	83,305	163,919	198,223	117,704	42,379

This includes a total of $325,169 for environmental compliance (CSAPR and HAPS/MACT) assets.

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Noteworthy Assumptions ($ in Thousands)

(Continued)

* New borrowing of $415,000 and refinancing of $563,800 during the period 2012 through 2015.

	2012	2013	2014	2015
New Borrowing	65,000	135,000	215,000	0
Refinancing	505,000	58,800	0	0

* MISO administrative fees:

	2012	2013	2014	2015
$	4,844	4,661	4,718	4,712

2011 Forecast (9+3)
4,933

Outage Schedule – 2012-2013

Start	End	Number of Days	Unit/Outage
		2012	
[redacted]			
	Total	[redacted]	
		2013	
[redacted]			
	Total	[redacted]	

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Outage Schedule – 2014-2015

Start	End	Number of Days	Unit/Outage
2014			
[redacted]	[redacted]	[redacted]	[redacted]
	Total	[redacted]	
2015			
[redacted]	[redacted]	[redacted]	[redacted]
	Total	[redacted]	

Financing/Refinancing

04/02/2012
- $125 million at 4.5% for 20 year term ($60 million refinancing; $65 million new borrowing)
- Level debt service
- Fund RUS Series A Note bullet payment and ongoing CAPEX

04/02/2012
- $445 million at 5.0% for 20 year term (refinancing)
- Level debt service
- Retire 5.75% RUS Series A Note

01/02/2013
- $135 million at 5.0% for 30 year term (new borrowing)
- Level debt service
- Fund CSAPR related CAPEX

06/01/2013
- $58.8 million at 4.5% for 20 year term (refinancing)
- Interest only payments for 20 years then bullet principal payment
- Refinance PC Bond

01/02/2014
- $215 million at 5.0% for 30 year term (new borrowing)
- Level debt service
- Fund remainder of CSAPR, HAPS/MACT and ongoing CAPEX

1.3% debt issuance costs amortized over the term of each debt issue.
Lines of credit are renewed on existing terms (CoBank by 7/16/12; CFC by 7/16/14).
Language in CoBank agreement concerning the Transition Reserve removed (July 2012 renewal).

Big Rivers ELECTRIC CORPORATION
Your Touchstone Energy® Cooperative

BIG RIVERS ELECTRIC CORPORATION
STATEMENT OF REVENUES AND EXPENSES
(in Thousands of $)

	2011 Forecast (9+3)*	2011 Approved Budget	2012 Budget	2013 Financial Plan	2014 Financial Plan	2015 Financial Plan
ELECTRIC ENERGY REVENUES	558,324	544,848	614,725	643,733	698,045	739,412
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0
OTHER OPERATING REVENUE AND INCOME	3,486	19,084	4,012	4,012	4,012	4,012
TOTAL OPER REVENUES & PATRONAGE CAPITAL	561,810	563,932	618,737	647,745	702,057	743,424
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	52,056	64,789	54,962	57,598	63,671	73,453
OPERATION EXPENSE-PRODUCTION-FUEL	224,256	206,690	240,841	256,340	265,437	284,697
OPERATION EXPENSE-OTHER POWER SUPPLY	108,019	109,893	126,165	136,408	150,057	165,424
OPERATION EXPENSE-TRANSMISSION	9,769	12,297	10,723	10,488	10,792	11,101
OPERATION EXPENSE-RTO/ISO	2,471	2,783	2,471	2,377	2,406	2,403
CONSUMER SERVICE & INFORMATIONAL EXPENSE	552	864	724	1,009	1,034	1,062
OPERATION EXPENSE-SALES	391	919	1,102	1,124	1,147	1,181
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	26,907	25,728	25,926	31,435	30,180	30,574
TOTAL OPERATION EXPENSE	424,421	423,963	462,914	496,779	524,724	569,895
MAINTENANCE EXPENSE-PRODUCTION	42,868	47,234	58,890	49,195	56,827	51,819
MAINTENANCE EXPENSE-TRANSMISSION	4,519	3,263	3,932	5,265	5,414	5,631
MAINTENANCE EXPENSE-GENERAL PLANT	117	103	102	111	115	116
TOTAL MAINTENANCE EXPENSE	47,504	50,600	62,924	54,571	62,356	57,566
DEPRECIATION & AMORTIZATION EXPENSE	35,118	36,228	41,910	43,253	46,825	50,778
TAXES	128	249	1	1	1	1
INTEREST ON LONG-TERM DEBT	45,718	47,367	44,647	48,076	59,158	58,438
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(476)	(426)	(678)	(4,305)	(5,724)	(2,016)
OTHER INTEREST EXPENSE	59	229	0	0	0	0
OTHER DEDUCTIONS	195	137	418	605	700	696
TOTAL COST OF ELECTRIC SERVICE	552,667	558,347	612,136	638,980	688,040	735,358
OPERATING MARGINS	9,143	5,585	6,601	8,765	14,017	8,066
INTEREST INCOME	148	386	63	218	58	144
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0
OTHER NON-OPERATING INCOME - NET	9	0	0	0	0	0
OTHER CAPITAL CREDITS & PAT DIVIDENDS	104	96	33	0	0	0
EXTRAORDINARY ITEMS	0	0	0	0	0	0
NET PATRONAGE CAPITAL OR MARGINS	9,404	6,067	6,697	8,983	14,075	8,210
North Star $/kWh	0.043638	0.044766	0.050925	0.052114	0.055123	0.058853
Conventional TIER	1.21	1.13	1.15	1.19	1.24	1.14

*Does not reflect 2011 incentive pay accrual estimate of $1 million.

BIG RIVERS ELECTRIC CORPORATION
STATEMENT OF REVENUES AND EXPENSES
(in thousands of $)

	JAN 2012	FEB 2012	MAR 2012	APR 2012	MAY 2012	JUN 2012	JUL 2012	AUG 2012	SEP 2012	OCT 2012	NOV 2012	DEC 2012	TOTAL 2012
ELECTRIC ENERGY REVENUES	53,734	49,459	47,003	44,894	58,845	47,810	52,888	52,784	47,510	59,931	45,309	54,558	614,725
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER OPERATING REVENUE AND INCOME	338	334	334	334	334	334	334	334	334	334	334	334	4,012
TOTAL OPER REVENUES & PATRONAGE CAPITAL	54,072	49,793	47,337	45,228	59,179	48,144	53,222	53,118	47,844	60,265	45,643	54,892	618,737
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,889	4,421	4,249	4,146	4,331	5,021	5,023	4,890	4,541	4,652	4,257	4,542	54,962
OPERATION EXPENSE-PRODUCTION-FUEL	23,893	20,178	13,564	18,388	18,278	20,415	23,336	23,691	19,363	18,417	17,939	23,379	240,841
OPERATION EXPENSE-OTHER POWER SUPPLY	7,335	9,105	15,747	9,858	17,990	7,551	7,310	6,881	8,490	19,152	8,555	8,191	126,165
OPERATION EXPENSE-TRANSMISSION	929	904	927	832	895	911	894	953	849	900	825	904	10,723
OPERATION EXPENSE-RTO/ISO	230	207	195	190	193	217	227	227	189	185	184	227	2,471
CONSUMER SERVICE & INFORMATIONAL EXPENSE	78	69	65	60	57	56	51	60	56	63	58	51	724
OPERATION EXPENSE-SALES	78	73	169	73	73	85	73	73	175	85	72	73	1,102
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,141	1,977	2,615	2,043	2,390	2,654	2,009	2,133	1,908	2,223	1,867	1,966	25,926
TOTAL OPERATION EXPENSE	39,573	36,934	37,531	35,590	44,207	36,910	38,923	38,908	35,571	45,677	33,757	39,333	462,914
MAINTENANCE EXPENSE-PRODUCTION	2,705	4,124	9,630	4,449	5,616	7,032	4,516	3,469	3,556	6,686	4,468	2,639	58,890
MAINTENANCE EXPENSE-TRANSMISSION	304	303	359	289	350	354	349	388	298	353	280	305	3,932
MAINTENANCE EXPENSE-GENERAL PLANT	9	8	11	9	8	8	8	9	8	8	8	8	102
TOTAL MAINTENANCE EXPENSE	3,018	4,435	10,000	4,747	5,974	7,394	4,873	3,866	3,862	7,047	4,756	2,952	62,924
DEPRECIATION & AMORTIZATION EXPENSE	3,439	3,431	3,442	3,465	3,483	3,492	3,508	3,517	3,522	3,525	3,539	3,547	41,910
TAXES	0	0	0	1	0	0	0	0	0	0	0	0	1
INTEREST ON LONG-TERM DEBT	3,769	3,552	3,768	3,547	1,690	7,212	1,696	1,696	7,176	1,701	1,659	7,181	44,647
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(1)	(12)	(54)	(98)	(38)	(51)	(68)	(32)	(50)	(77)	(88)	(109)	(678)
OTHER INTEREST EXPENSE	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER DEDUCTIONS	12	11	12	42	43	42	43	43	42	43	42	43	418
TOTAL COST OF ELECTRIC SERVICE	49,810	48,351	54,699	47,294	55,359	54,999	48,975	47,998	50,123	57,916	43,665	52,947	612,136
OPERATING MARGINS	4,262	1,442	(7,362)	(2,066)	3,820	(6,855)	4,247	5,120	(2,279)	2,349	1,978	1,945	6,601
INTEREST INCOME	5	6	4	7	7	6	5	5	5	5	5	3	63
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER NON-OPERATING INCOME - NET	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	25	0	0	0	8	0	0	0	0	33
EXTRAORDINARY ITEMS	0	0	0	0	0	0	0	0	0	0	0	0	0
NET PATRONAGE CAPITAL OR MARGINS	4,267	1,448	(7,358)	(2,034)	3,827	(6,849)	4,252	5,133	(2,274)	2,354	1,983	1,948	6,697
North Star $/kWh													0.050925
Conventional TIER													1.15

Cash Position * (in Thousands of $)

	Budget	Financial Plan		
	2012	2013	2014	2015
Beginning Balance	47,190	32,443	40,055	107,106
Cash Receipts	618,831	647,962	702,112	743,572
Cash Disbursements	(614,666)	(711,398)	(774,866)	(742,437)
Debt Service	(18,912)	71,048	139,805	(75,320)
Ending Balance	32,443	40,055	107,106	32,921

*** General Fund and Temporary Investments**

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Electric Energy Revenue – 2012

($ in Thousands)

	MWH	$	$/MWH
MEMBER REVENUES:			
GROSS:			
Rurals	[redacted]	[redacted]	[redacted]
Industrials			
LESS MRSM:			
Rurals	[redacted]	[redacted]	[redacted]
Industrials			
NET MEMBER REVENUES:			
Rurals	[redacted]	[redacted]	[redacted]
Industrials			
SMELTER REVENUES:			
Smelters	[redacted]	[redacted]	[redacted]
MARKET REVENUES:			
Market Sales	[redacted]	[redacted]	[redacted]
ELECTRIC ENERGY REVENUES	[redacted]	[redacted]	[redacted]

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Electric Energy Revenue – 2013

($ in Thousands)

	MWH	$	$/MWH
MEMBER REVENUES:			
GROSS:			
Rurals	[redacted]	[redacted]	[redacted]
Industrials	[redacted]	[redacted]	[redacted]
LESS MRSM:			
Rurals	[redacted]	[redacted]	[redacted]
Industrials	[redacted]	[redacted]	[redacted]
NET MEMBER REVENUES:			
Rurals	[redacted]	[redacted]	[redacted]
Industrials	[redacted]	[redacted]	[redacted]
SMELTER REVENUES:			
Smelters	[redacted]	[redacted]	[redacted]
MARKET REVENUES:			
Market Sales	[redacted]	[redacted]	[redacted]
ELECTRIC ENERGY REVENUES	[redacted]	[redacted]	[redacted]

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Electric Energy Revenue – 2014

($ in Thousands)

	MWH	$	$/MWH
MEMBER REVENUES:			
GROSS:			
Rurals	[redacted]	[redacted]	[redacted]
Industrials			
LESS MRSM:			
Rurals	[redacted]	[redacted]	[redacted]
Industrials			
NET MEMBER REVENUES:			
Rurals	[redacted]	[redacted]	[redacted]
Industrials			
SMELTER REVENUES:			
Smelters	[redacted]	[redacted]	[redacted]
MARKET REVENUES:			
Market Sales	[redacted]	[redacted]	[redacted]
ELECTRIC ENERGY REVENUES	[redacted]	[redacted]	[redacted]

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Electric Energy Revenue – 2015

($ in Thousands)

	MWH	$	$/MWH
MEMBER REVENUES:			
GROSS:			
Rurals	[redacted]	[redacted]	[redacted]
Industrials	[redacted]	[redacted]	[redacted]
LESS MRSM:			
Rurals	[redacted]	[redacted]	[redacted] *
Industrials	[redacted]	[redacted]	[redacted]
NET MEMBER REVENUES:			
Rurals	[redacted]	[redacted]	[redacted]
Industrials	[redacted]	[redacted]	[redacted]
SMELTER REVENUES:			
Smelters	[redacted]	[redacted]	[redacted]
MARKET REVENUES:			
Market Sales	[redacted]	[redacted]	[redacted]
ELECTRIC ENERGY REVENUES	[redacted]	[redacted]	[redacted]

* Corrected for the Rural Economic Reserve

Big Rivers ELECTRIC CORPORATION Your Touchstone Energy® Cooperative

Production - Variable Costs - 2012

	Wilson	Green	Coleman	Station Two	Reid Steam	Reid CT	Total
Generation MWh (Net)	[redacted]						
Heat Rate	[redacted]						
MMbtu Burn (Coal)	[redacted]						
$/Mmbtu (Coal)	[redacted]						
Total Fuel Cost	[redacted]						
Fuel Cost (Cents / kWh)	[redacted]						
Non-Fuel VO Cost	[redacted]						
Non-Fuel VO (Cents / kWh)	[redacted]						
Total Variable Cost (Fuel & Non-Fuel)	[redacted]						
Total Variable (Cents / kWh)	[redacted]						

*Station Two Variable Costs are included in Other Power Supply Expense as Purchased Power.

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Production - Variable Costs - 2013

	Wilson	Green	Coleman	Station Two	Reid Steam	Reid CT	Total
Generation MWh (Net)	[redacted]						
Heat Rate	[redacted]						
MMbtu Burn (Coal)	[redacted]						
$/Mmbtu (Coal)	[redacted]						
Total Fuel Cost	[redacted]						
Fuel Cost (Cents / kWh)	[redacted]						
Non-Fuel VO Cost	[redacted]						
Non-Fuel VO (Cents / kWh)	[redacted]						
Total Variable Cost (Fuel & Non-Fuel)	[redacted]						
Total Variable (Cents / kWh)	[redacted]						

*Station Two Variable Costs are included in Other Power Supply Expense as Purchased Power.

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Production - Variable Costs - 2014

	Wilson	Green	Coleman	Station Two	Reid Steam	Reid CT	Total
Generation MWh (Net)	[redacted]						
Heat Rate	[redacted]						
MMbtu Burn (Coal)	[redacted]						
$/Mmbtu (Coal)	[redacted]						
Total Fuel Cost	[redacted]						
Fuel Cost (Cents / kWh)	[redacted]						
Non-Fuel VO Cost	[redacted]						
Non-Fuel VO (Cents / kWh)	[redacted]						
Total Variable Cost (Fuel & Non-Fuel)	[redacted]						
Total Variable (Cents / kWh)	[redacted]						

*Station Two Variable Costs are included in Other Power Supply Expense as Purchased Power.

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Production - Variable Costs - 2015

	Wilson	Green	Coleman	Station Two	Reid Steam	Reid CT	Total
Generation MWh (Net)	[redacted]						
Heat Rate							
MMbtu Burn (Coal)	[redacted]						
$/Mmbtu (Coal)	[redacted]						
Total Fuel Cost	[redacted]						
Fuel Cost (Cents / kWh)	[redacted]						
Non-Fuel VO Cost	[redacted]						
Non-Fuel VO (Cents / kWh)	[redacted]						
Total Variable Cost (Fuel & Non-Fuel)	[redacted]						
Total Variable (Cents / kWh)	[redacted]						

*Station Two Variable Costs are included in Other Power Supply Expense as Purchased Power.

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Operation Expense-Other Power Supply

(in Thousands of $)

	Budget	Financial Plan		
	2012	2013	2014	2015
PURCHASED POWER:				
SEPA	9,615	9,828	11,882	12,422
Market	45,186	52,215	59,565	67,124
HMP&L Station Two Excess Energy	549	610	672	735
Member Passthrough	(3,695)	(3,483)	(2,775)	(975)
Purchased Power	51,655	59,170	69,344	79,306
OTHER POWER SUPPLY COSTS:				
HMP&L Station Two				
Depreciation	2,598	2,731	2,845	2,966
Labor	7,720	7,905	8,109	8,085
Fuel	40,585	42,031	46,704	50,764
Variable Operation Expense	6,306	6,696	7,278	8,187
Property Insurance	382	393	405	418
Property Tax	253	255	258	260
O&M Nonlabor	12,416	12,977	10,864	11,188
Power Supply Reservation	4,250	4,250	4,250	4,250
	74,510	77,238	80,713	86,118
Total Operation Expense - Other Power Supply	126,165	136,408	150,057	165,424

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Labor and Labor Overheads ($ in Thousands)

	Budget				Financial Plan					
	2011		2012		2013		2014		2015	
	$	Headcount	$	Headcount	$	Headcount	$	Headcount	$	Headcount
Production	46,416	437	46,015	441	47,844	445	49,963	451	51,338	451
Transmission	3,079	33	3,083	34	3,239	34	3,341	34	3,481	34
Support	19,652	156	19,583	158	21,606	169	22,346	169	23,175	169
Total	69,147	626	68,681	633	72,689	648	75,650	654	77,994	654

Big Rivers' share of expense

Headcount will reduce by 22 through attrition when retirement planning is complete.

"Churn" of 12 employees in 2012 and 6 employees in all other years is assumed in the labor dollar calculations.

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Capital Expenditures * (in Thousands of $)

	Budget		Financial Plan		
	2011	2012	2013	2014	2015
Production	34,728	52,359	50,672	50,741	41,555
Transmission	14,550	12,459	6,716	5,830	2,611
Environmental Compliance Projects	0	14,112	104,320	135,161	71,576
Administration	2,777	2,259	1,081	5,522	264
IT	994	2,116	1,130	969	1,698
Total Capital Expenditures	53,049	83,305	163,919	198,223	117,704

*Big Rivers' share, includes capitalized interest.

Big Rivers ELECTRIC CORPORATION Your Touchstone Energy® Cooperative

Major Capital Expenditures* (in Thousands of $)

Project	Budget 2012	Financial Plan 2013	Financial Plan 2014	Financial Plan 2015
CSAPR	14,112	104,320	85,161	21,576
Transmission 2-way Radio	2,797			
Transmission White Oak Substation	2,503	2,758		
Coleman 1 Tube Replacement Hot Reheat Section	2,500			
Green 1 & 2 FGD Rehab	4,528	2,760		
Wilson Finishing Superheater Replacement	3,000			
Wilson Secondary Air Heater Replacement	3,019			
Coleman WWTF Dike Elevation		2,000	2,000	
Coleman 2 Primary Superheater		2,000		
Coleman 2 Hot Reheater Tube Replacement		2,500		
Wilson Burner Replacement		2,500	3,000	
HAPS/MACT			50,000	50,000
HAPS and Transport Rule Monitors			5,000	
Coleman 1 Primary Superheater			2,000	
Wilson Waterwall Tube Replacement			2,000	
Wilson A Platen Superheater Replacement			2,500	
Coleman 3 Secondary Superheater				3,000
Green 1 Primary Superheat Tubes				2,600

*Big Rivers' share, includes capitalized interest

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 3) *Provide a copy of all correspondence between BREC and RUS regarding the transactions described in the Application.*

Response) Please see the attached documents and the documents in the folder labeled 'KIUC 1-3 – RUS Documents' on the CD accompanying these responses. Big Rivers is providing the attached documents under a Petition for Confidential Treatment.

Witness) Mark A. Hite

Big Rivers
ELECTRIC CORPORATION

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

March 21, 2012

Mr. John Sanders
Power Supply Division
Electric Program
United States Department of Agriculture
Rural Development Utilities Program
1400 Independence Avenue, SW
Washington, DC 20250-0700

RE: KY 62 Big Rivers Electric Corporation – Financing Plans

Dear John:

Big Rivers Electric Corporation ("*Big Rivers*") writes this letter to follow-up on our face-to-face meeting with you and other Rural Utilities Service ("*RUS*") representatives yesterday, March 20, 2012, during which we further described a planned reduction of $477 million in the Maximum Principal Balance Schedule of the RUS 2009 Promissory Note Series A (the "Series A Note"). A copy of the Series A Note is attached hereto as Exhibit 1. This letter also serves to update our letter to Victor Vu, dated March 6, 2012, regarding this matter, attached hereto as Exhibit 2.

Big Rivers has an offer from the National Rural Utilities Cooperative Finance Corporation ("*CFC*") for CFC to provide Big Rivers a secured term loan for $302 million (the "*CFC Term Loan*"). Big Rivers has an offer from CoBank, ACB ("*CoBank*") for CoBank to provide Big Rivers a secured term loan of $235 million (the "*CoBank Term Loan*"). The structure of both the CFC Term Loan and the CoBank Term Loan are essentially fixed rate, 20 year, level debt service. The CFC Term Loan and the CoBank Term Loan will each be secured under the Big Rivers Indenture dated as of July 1, 2009, as supplemented (the "*Indenture*") on a parity with other secured debt of Big Rivers.

Big Rivers plans to use the entire $302 million CFC Term Loan and $140 million of the CoBank Term Loan to refinance $442 million of the Series A Note. As of April 2, 2012, Big Rivers anticipates the Series A Note outstanding principal balance will be $526,603,000, while the Maximum Principal Balance is $561,603,000. The $35 million prepaid status resulted from the April 1, 2011, prepayment of the $35 million Transition Reserve on the Series A Note . That $35 million prepayment is included in the $477 million reduction in the Maximum

Principal Balance ($302 million + $140 million + $35 million). Accordingly, as a result of the CFC Term Loan, the CoBank Term Loan, and the prepaid status, the Maximum Principal Balance will become $84,603,000.00 ($561,603,000.00 minus $477 million).

Big Rivers is obligated to make a payment on the Series A Note of $60 million by October 1, 2012, and to make another payment on the Series A Note of $200 million by January 1, 2016. The aforementioned transactions will more than cover those two obligations. And, the cost of both the CFC Term Loan and the CoBank Term Loan is less than the 5.75% Series A Note. In total, the CoBank Term Loan is for $235 million, of which $60 million may be used by Big Rivers for capital expenditures, and $35 million is to be used by Big Rivers to replenish the $35 million Transition Reserve (investment account).

We plan to file the details of the CFC Term Loan and CoBank Term Loan financings with the Kentucky Public Service Commission by March 28, 2012, seeking their approval, and plan to close the financings June 29, 2012.

We seek RUS approval of the Series A Note revised Maximum Principal Balance Schedule, attached hereto as Exhibit 3. In essence, the revised Maximum Principal Balance Schedule calls for the RUS receiving $477 million of the $561,603,000 earlier than otherwise, and receiving the remaining $84,603,000 when originally contemplated. The Series A Note provides that "any amounts under this Note may be prepaid at any time without penalty or prepayment premium."

Please contact me with any questions you may have, or any information you may provide, in connection with this matter.

Sincerely,

Mark A. Hite

Mark A. Hite
Vice President & Interim CFO

Attachments:
Exhibit 1 – RUS 2009 Promissory Notes Series A
Exhibit 2 – Letter to Victor Vu dated March 6, 2012
Exhibit 3 – Maximum Principal Balance Schedule

cc: Mark Bailey
Jim Miller

COPY

Execution Version

RUS 2009 PROMISSORY NOTE SERIES A

$602,573,536 July 16, 2009

FOR VALUE RECEIVED, the undersigned, BIG RIVERS ELECTRIC CORPORATION ("Big Rivers"), a Kentucky corporation, hereby unconditionally promises to pay to the United States of America, acting through the United States Department of Agriculture, Rural Utilities Service, (the "RUS"), at the office of the RUS located in St. Louis, Missouri, in lawful money of the United States of America and in immediately available funds, the principal amount of SIX HUNDRED TWO MILLION FIVE HUNDRED SEVENTY-THREE THOUSAND FIVE HUNDRED THIRTY-SIX AND 00/100 DOLLARS ($602,573,536) together with interest from July 1, 2009 on so much of the principal amount as is from time to time outstanding and unpaid at the rate of 5.75% per annum simple interest as set forth below.

Big Rivers shall make quarterly payments of interest and/or principal commencing on October 1, 2009, and continuing on the first day of January, April, July and October of each year through and including July 1, 2021 such that, after each such payment, the outstanding amount under this Note, including principal and all accrued interest, if any, does not exceed the Allowed Balance amount shown on the RUS Maximum Debt Balance Schedule, attached hereto and hereby made a part hereof, for the applicable date. If any such payment is insufficient to retire all interest accrued during the period ending with such payment and beginning with the last previous payment, then the amount of accrued but unpaid interest relating to such period shall be added to the principal amount of this Note. If the day upon which any payment hereunder is due falls on a day that is not a Business Day (as defined in the Indenture (as defined below)), then such payment shall be due on the next Business Day.

On July 1, 2021, the entire outstanding principal hereof, together with all accrued but unpaid interest thereon, shall be due and payable in full.

This Note is secured by the lien of that certain Indenture dated as of July 1, 2009 between Big Rivers and U.S. Bank National Association, as trustee (the "Indenture").

Any amounts under this Note may be prepaid at any time without penalty or prepayment premium.

Upon the occurrence of any one or more Events of Default specified in the Indenture all amounts then remaining unpaid on this Note may be declared to be immediately due and payable all as provided therein.

Presentment, demand, protest and all other notices of any kind are hereby expressly waived by the undersigned.

COPY

This Note shall be governed by and construed in accordance with federal law.

BIG RIVERS ELECTRIC CORPORATION

By: Mark A. Bailey
Title: President and Chief Executive Officer

[Corporate Seal]

Attest:

By: Lee Bearden
Secretary

OHS East.:160405031 10

COPY

BIG RIVERS ELECTRIC CORPORATION

RUS MAXIMUM DEBT BALANCE SCHEDULE
Balance After Quarterly Payment

YEAR	1st OF THE MONTH	ALLOWED BALANCE ($1,000'S)
2009	October	599,462
2010	January	596,257
2010	April	592,252
2010	July	588,566
2010	October	584,920
2011	January	581,405
2011	April	577,289
2011	July	573,388
2011	October	569,702
2012	January	565,692
2012	April	561,603
2012	July	557,456
2012	October	493,249
2013	January	488,280
2013	April	482,949
2013	July	477,696
2013	October	472,443
2014	January	467,188
2014	April	461,562
2014	July	456,002
2014	October	450,435
2015	January	444,858
2015	April	438,918
2015	July	433,034
2015	October	427,134
2016	January	221,349
2016	April	212,607
2016	July	203,845
2016	October	195,053
2017	January	186,040
2017	April	176,905
2017	July	167,639
2017	October	158,240
2018	January	148,732
2018	April	139,038
2018	July	129,230
2018	October	119,280
2019	January	109,226

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COPY

YEAR	1st OF THE MONTH	ALLOWED BALANCE ($1,000'S)
2019	April	98,955
2019	July	88,572
2019	October	78,053
2020	January	67,395
2020	April	56,546
2020	July	45,552
2020	October	34,409
2021	January	23,120
2021	April	11,635
2021	July	0

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COPY

This is one of the Existing Obligations referred to in the Indenture, dated as of July 1, 2009, between Big Rivers Electric Corporation and U.S. Bank National Association.

U.S. Bank National Association
as Trustee

By: ____________________
Authorized Signatory

OHS East:160405031.10

Big Rivers
ELECTRIC CORPORATION

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

March 6, 2012

Mr. Victor T. Vu, Director
Power Supply Division
Electric Program
United States Department of Agriculture
Rural Development Utilities Program
Stop 1568, Room 0270
1400 Independence Avenue, SW
Washington, DC 20250-0700

RE: KY 62 Big Rivers Electric Corporation – Financing Plans

Dear Victor:

Big Rivers Electric Corporation ("*Big Rivers*") writes this letter to follow-up on our telephone conversation of February 9, 2012, during which we described a planned refinancing of a significant portion of Big Rivers' Rural Utilities Service ("*RUS*") 2009 Promissory Note Series A (the "Series A Note"), having a stated maturity date of July 1, 2021, and inquired about the extent to which RUS must be involved in that refinancing. You suggested that we write you with the details of the proposed refinancing, and set out the questions we have for you. Accordingly, this letter:

- Describes the proposed refinancing;
- Describes why Big Rivers believes no RUS approvals are required for the proposed refinancing (and seeks the concurrence of RUS in that conclusion); and
- Requests RUS assistance with the details of implementing the proposed refinancing on the closing date of the new borrowings.

Please note that the following information is considered by the parties to be confidential, at least until Big Rivers files this information with the Kentucky Public Service Commission for its approval, planned to occur mid-March 2012. Big Rivers has a conditional offer from the National Rural Utilities Cooperative Finance

Corporation ("*CFC*") for CFC to provide Big Rivers a secured term loan for $302 million (the "*CFC Term Loan*"). Big Rivers has also received from CoBank, ACB ("*CoBank*") a letter agreement offering Big Rivers a secured term loan of $175,000,000 (the "*CoBank Term Loan*") and a $50,000,000 five year unsecured revolving credit facility (the "*CoBank Revolver*"). The term sheet for the CoBank Term Loan provides that the amount of the term loan may, by mutual agreement of CoBank and Big Rivers, be increased $50,000,000 prior to the closing. The structure of both the CFC Term Loan and the CoBank Term Loan are essentially fixed rate, 20 year, level debt service. With respect to the CoBank Term Loan and the CoBank Revolver, CoBank will act as lead arranger and will put together a syndicate of Farm Credit System financial institutions acceptable to Big Rivers to proportionally participate.

The CFC Term Loan and the CoBank Term Loan will each be secured under the Big Rivers Indenture dated as of July 1, 2009, as supplemented (the "*Indenture*") on a parity with other secured debt of Big Rivers. The CoBank Revolver will be an unsecured obligation, replacing and immediately terminating the existing $50 million CoBank revolver that became effective July 16, 2009, with a stated termination date of July 16, 2012.

Big Rivers plans to use a portion of the proceeds of the CFC Term Loan and the CoBank Term Loan to refinance $467 million of the Series A Note. As of April 2, 2012, Big Rivers anticipates the Series A Note outstanding principal amount will be $538,279,010.63, while the Maximum Debt Balance is $561,603,000.00, resulting in a $23,323,989.37 prepaid status. Big Rivers intends to "claw back" the remaining prepayment. Accordingly, as a result of the planned refinancing, the Maximum Debt Balance would be revised to reflect $94,603,000.00 ($561,603,000.00 minus $467 million). Big Rivers is obligated to make a payment on the Series A Note of $60 million by October 1, 2012, and to make another payment on the Series A Note of $200 million by January 1, 2016. The $467 million of the proceeds from the CFC Term Loan and the CoBank Term Loan that will be paid on the Series A Note will more than cover those two obligations. And, the cost of both the CFC Term Loan and the CoBank Term Loan is less than the 5.75% Series A Note. Big Rivers estimates the annualized benefit from the refinancing to be $5.3 million. The additional $10 million or $60 million of CoBank Term Loan, depending on whether the CoBank Term Loan is for $175 million or $225 million, may be used by Big Rivers for capital expenditures. The new CoBank Revolver, similar to the existing CoBank revolver, will be used, as needed, to provide working capital, pay capital expenditures, and for general corporate purposes.

We currently anticipate that the CFC Term Loan, the CoBank Term Loan and the CoBank Revolver closings will occur June 29, 2012. We believe no RUS approvals are required in connection with the prepayment of the Series A Note described in this letter. The Series A Note provides that "[a]ny amounts under this Note may be prepaid at any time without penalty or prepayment premium." We are not aware of any approvals of RUS that are required under either the Amended and Restated Loan Contract dated as of July 16, 2009, or the RUS bulletins and regulations. Please advise as soon as possible if RUS has a different view of the RUS requirements.

We would appreciate you identifying the person or persons with whom we will need to coordinate this prepayment, and obtaining evidence of the receipt of such prepayment by the government for purposes of the closing activities.

We look forward to meeting with you and other RUS representatives on March 20, 2012, to further discuss this matter. Please contact me with any questions you may have, or any information you may provide, as a result of this letter.

Sincerely yours,

Mark A. Hite

Mark A. Hite
Vice President and Interim CFO

c: Mark Bailey
Jim Miller

Big Rivers Electric Corporation
RUS 2009 Promissory Note Series A
Maximum Principal Balance Schedule
Balance After Quarterly Payment on the 1st Business Day of the Month
* Closing Date occurs after 4/2/12 and on or prior to 6/29/12
Origninal/Initital Amount: $602,673,536 Date Prepared: 3/21/12

	In Thousands of $		
Date	Current Maximum Principal Balance	Reduction	**Revised Maximum Principal Balance**
Closing Date*	561,603	477,000	**84,603**
July-12	557,456	472,853	**84,603**
October-12	493,249	408,646	**84,603**
January-13	488,280	403,677	**84,603**
April-13	482,949	398,346	**84,603**
July-13	477,696	393,093	**84,603**
October-13	472,443	387,840	**84,603**
January-14	467,188	382,585	**84,603**
April-14	461,562	376,959	**84,603**
July-14	456,002	371,399	**84,603**
October-14	450,435	365,832	**84,603**
January-15	444,858	360,255	**84,603**
April-15	438,918	354,315	**84,603**
July-15	433,034	348,431	**84,603**
October-15	427,134	342,531	**84,603**
January-16	221,349	136,746	**84,603**
April-16	212,607	128,004	**84,603**
July-16	203,845	119,242	**84,603**
October-16	195,053	110,450	**84,603**
January-17	186,040	101,437	**84,603**
April-17	176,905	92,302	**84,603**
July-17	167,639	83,036	**84,603**
October-17	158,240	73,637	**84,603**
January-18	148,732	64,129	**84,603**
April-18	139,038	54,435	**84,603**
July-18	129,230	44,627	**84,603**
October-18	119,280	34,677	**84,603**
January-19	109,226	24,623	**84,603**
April-19	98,955	14,352	**84,603**
July-19	88,572	3,969	**84,603**
October-19	78,053	0	**78,053**
January-20	67,395	0	**67,395**
April-20	56,546	0	**56,546**
July-20	45,552	0	**45,552**
October-20	34,409	0	**34,409**
January-21	23,120	0	**23,120**
April-21	11,635	0	**11,635**
July-21	0	0	**0**

Big Rivers Presentation to Rural Utilities Service – March 20, 2012

Meeting with Rural Utilities Service on March 20, 2012

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy Cooperative

Big Rivers

Participants

Big Rivers Electric Corporation

Mark Bailey, *President & CEO*

Mark Hite, *Vice President Accounting & Interim CFO*

Robert Berry, *Vice President Production*

James Miller, *Corporate Counsel, Sullivan Mountjoy Stainback & Miller*

Key Topics for Today's Discussion

- Plans to refinance a portion of the RUS 2009 Promissory Note Series A (the "RUS Series A Note"), as described in the letter dated March 6, 2012
- 2012 Environmental Compliance Plan (the "ECP"), as described in the letter dated March 6, 2012
- General Adjustment in Member Rates effective September 1, 2011
- Status of the aluminum smelter operations (Alcan and Century)
- MISO membership update

Table of Contents

I. Overview of Big Rivers Electric Corporation

Big Rivers

Overview of Big Rivers Electric Corporation

- Big Rivers Electric Corporation ("Big Rivers") was formed in 1961 and is based in Henderson, Kentucky
- Big Rivers supplies wholesale electric generation and transmission service to three electric distribution cooperatives ("Members"):
  - Jackson Purchase Energy Corporation
  - Kenergy Corp. ("Kenergy")
  - Meade County Rural Electric Cooperative Corporation
- Members are local customer-owned cooperatives providing service to approximately 112,500 retail customers on a not-for-profit basis
  - Members serve residential, commercial and industrial customers located in portions of 22 western Kentucky counties
- Big Rivers and its Members are generally regulated by the Kentucky Public Service Commission
- Big Rivers provides capacity and energy to its members through a combination of 5 owned generation stations, one leased generation station and purchased power
  - Net capacity of owned generation – 1,444 MW
  - Net capacity of leased generation from Henderson Municipal Power & Light Station II (HMPL) – 202 MW
  - Power purchased from SEPA – 178 MW
  - 1,266 miles of transmission lines and 22 substations
  - Midwest ISO membership implementation – Dec. 2010

Key 2011 Statistics
Energy Sales - 13,255 GWh
Operating Revenues - $562mm
Total Assets - $1,418mm
Non-Smelter Member Rate (Excluding MRSM Credit) $45.29/MWh
Non-Smelter Member Rate Stability Mechanism ($6.22/MWh)
Non-Smelter Member Wholesale Rate $39.07/MWh
Smelter Effective Rate $44.48/MWh

Big Rivers

Rate Case

- On March 1, 2011, Big Rivers filed an application for a general rate adjustment with the Kentucky Public Service Commission ("KPSC")
  - Case number 2011-00036
- New Rates were effective September 1, pending approval from the KPSC.
- Formal approval by the KPSC was granted in November 2011 for a rate increase of $26.7mm
  - $10.6 million was assigned to the rural class
  - $ 1.9 million to the large industrial class
  - $14.2 million to the smelters
- A rehearing has been granted by the KPSC wherein Big Rivers has requested an additional $2.7 mm to be reconsidered
- Kentucky Industrial Utility Customers have appealed the $26.7 mm rate increase granted by the KPSC

Big Rivers

Power Supply - ACES Power Marketing & NRCO

ACES Power Marketing

Big Rivers has been a member/owner of ACES Power Marketing, one of the nation's largest electricity traders, since January 2003. ACES operates as an energy risk management and hedge manager. Member/owners like Big Rivers actively participate by utilizing the ACES infrastructure and resources to assess their risks and execute specific, customized portfolio strategies.

National Renewables Cooperative Organization

In the tradition of working together, cooperatives across the country have formed the National Renewables Cooperative Organization (NRCO) to promote and facilitate the development of renewable energy resources. Membership in the NRCO is open to generation and transmission cooperatives (G&Ts) and distribution cooperatives with the legal ability to buy power in the wholesale market. Big Rivers was one of 24 founding members of the organization, which formed in November 2008.

Big Rivers

Big Rivers' Strategic Plan

<u>NORTH STAR</u>

- North Star will be the cost per kWh of the total Member load, including distribution members and smelters.
- Big Rivers will manage the cost per kWh within the board-approved risk tolerance, always striving to keep costs as low as possible while still meeting the Members' service requirements.

<u>MISSION</u>

Big Rivers' Mission is to safely deliver low-cost, reliable, wholesale power and cost-effective shared services desired by our members.

<u>VISION</u>

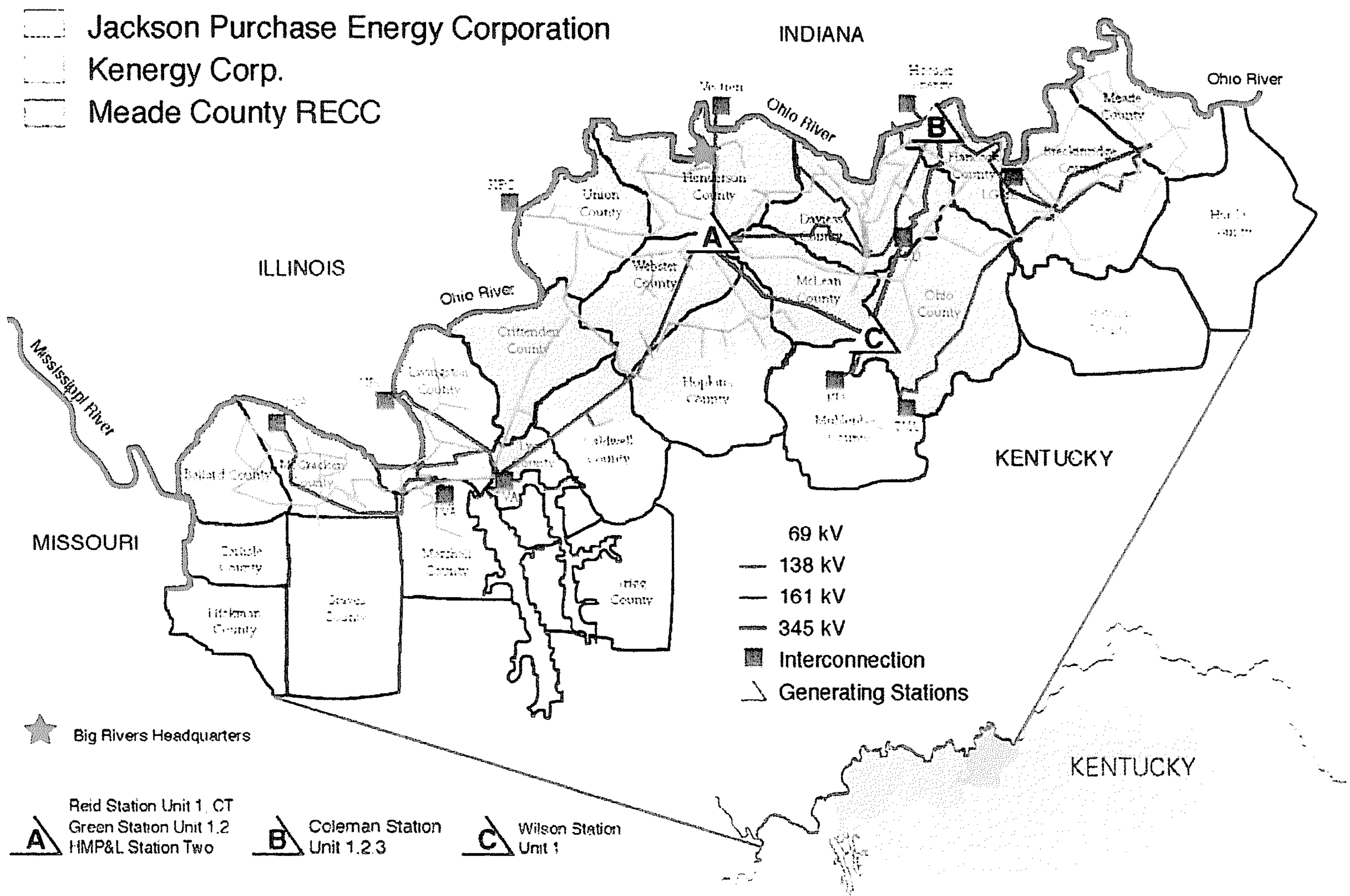
Big Rivers' Vision is to be viewed as one of the top G&Ts in the country and will provide services the members desire in meeting future challenges.

<u>VALUES</u>

- Safety
- Integrity
- Excellence
- Member and Community Service
- Respect for the Employee
- Teamwork
- Environmentally Conscious

Big Rivers

Big Rivers Members' Service Territory



Big Rivers

Big Rivers' Senior Management

Big Rivers is led by an experienced senior management team and is governed by a six-member board of directors. The board is comprised of two representatives from each distribution cooperative.

Senior Management Team:

Mark Bailey, President & CEO
Robert Berry, V.P. Production
David Crockett, V.P. System Operations
James Haner, V.P. Administrative Services
Mark Hite, V.P. Accounting & Interim CFO
Eric Robeson, V.P. Environmental Services and Construction
Albert Yockey, V.P. Governmental Relations & Enterprise Risk Management

Big Rivers

Big Rivers' Financing

Big Rivers currently has two $50 million lines of credit available to it, one with CoBank, ACB, expiring July 16, 2012, and the other with National Rural Utilities Cooperative Finance Corporation ("CFC") that expires July 16, 2014.

Long Term Debt Schedule ($mm) - as of December 31, 2011

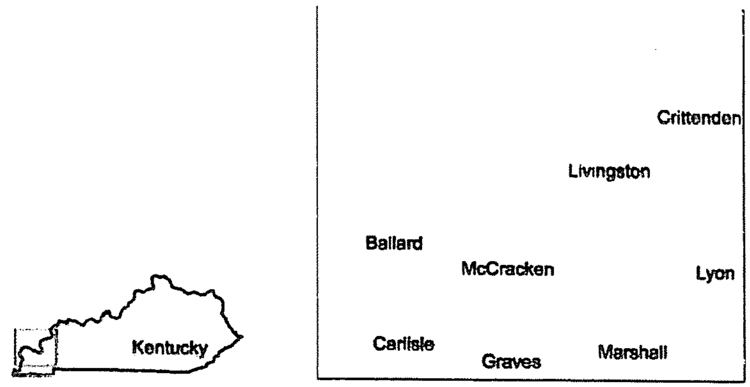
Debt	Maturity Date	Stated Value	Principal	Notes:
RUS Series A Note, stated interest rate of 5.75%, with an imputed interest rate of 5.84%	July 2021	$ 523.2	$ 521.3	A portion hereof to be refinanced by CoBank and CFC
RUS Series B Note, no stated interest rate, with an imputed interest rate of 5.80%	December 2023	$ 245.5	$ 123.0	
Pollution Control Bonds Series 1983 - County of Ohio, Kentucky with a 3.25% interest rate in 2011	June 2013	$ 58.8	$ 58.8	Plan to refinance in 2013
Pollution Control Bonds Series 2010 , County of Ohio, Kentucky with a 6.0% fixed interest rate	July 2031	$ 83.3	$ 83.3	
TOTAL		**$ 910.8**	**$ 786.4**	

II. Overview of Members & Customer Base

Overview of Jackson Purchase Energy Corporation

Overview Service Territory

- Established in 1937
- Serves approximately 29,000 accounts in portions of 6 counties in Western Kentucky
- Managed by 8 member/consumer elected board serving four-year staggered terms
- Primarily residential & small commercial customer mix
- Most recent residential retail rate increase: July 2008, 9.5%



Summary Financial Information ($mm)

	Fiscal Year Ended December 31		
Income Statement	**2011**	**2010**	**2009**
Operating Revenues	$45.1	$46.5	$41.9
Operating Expenses	38.0	36.1	34.4
Net Operating Income [1]	7.1	10.4	7.5
Cash Flow			
Debt Service	5.1	4.9	4.9
Debt Service Coverage Ratio	1.50 x	2.32 x	1.62 x
TIER	1.04 x	2.51 x	1.26 x
Balance Sheet			
Net Utility Plant	$92.4	$91.5	$87.3
Equities/Capitalization	39.4%	43.6%	39.8%

Source: RUS Form 7 [1]Before Depreciation, Taxes & Interest

Customer Profile

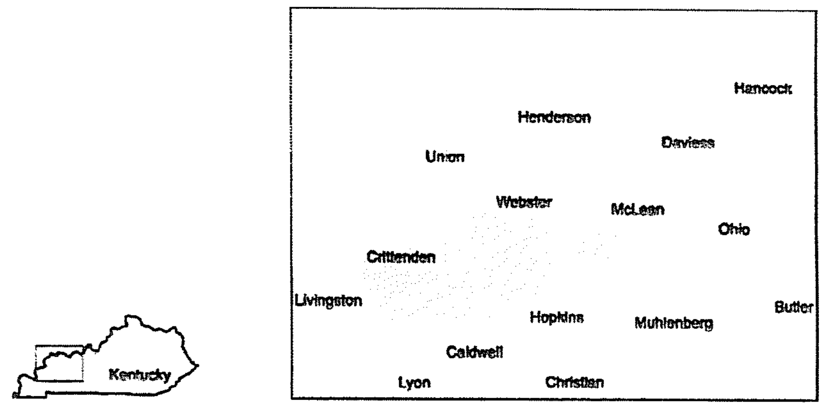
	FY 2011		
Customer Type	**MWh**	**Number of Consumers**	**Revenue ($000)**
Residential	411,231	26,054	29,070
Comm. And Ind. (< 1,000 kW)	190,024	3,126	11,916
Comm. And Ind. (<>1,000 kW)	49,396	9	2,909
Public Lighting/Irrigation	888	10	101
Total	**651,539**	**29,199**	**43,996**

Big Rivers

Overview of Kenergy Corp.

Overview Service Territory

- Established in July 1999 through the consolidation of – Henderson Union Electric Coop (established 1936), and – Green River Electric Corporation (established 1937)
- Serves approximately 55,000 customers in 14 western Kentucky counties along more than 7,000 miles of line
- Fourth largest electric cooperative in Kentucky (based on customers)
- Managed by 11 member customer-elected board
- Most recent residential retail rate increase: Sept. 2011, 7.49%
- Responsible for supplying Hawesville and Sebree smelters



Summary Financial Information ($mm)

	Fiscal Year Ended December 31		
Income Statement	**2011**	**2010**	**2009**
Operating Revenues	$425.6	$401.0	$349.8
Operating Expenses	407.5	381.3	332.9
Net Operating Income [1]	18.1	19.7	16.9
Cash Flow			
Debt Service	11.5	11.6	11.1
Debt Service Coverage Ratio	1.62 x	1.79 x	1.58x
TIER	1.66 x	1.95 x	1.48 x
Balance Sheet			
Net Utility Plant	$182.9	$179.2	$177.5
Equities/Capitalization	36.3%	33.2%	30.3%

Source: RUS Form 7 [1]Before Depreciation, Taxes & Interest

Customer Profile

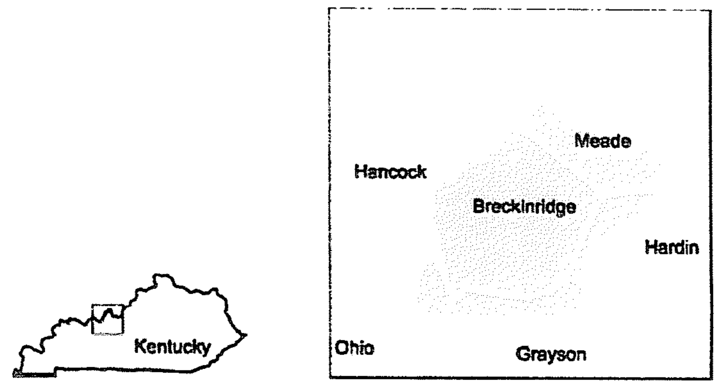
	FY 2011		
Customer Type	MWh	Number of Consumers	Revenue ($000)
Residential	754,124	45,294	56,284
Comm. And Ind. (< 1,000 kW)	314,861	9,803	22,563
Comm. And Ind. (<>1,000 kW)	8,326,066	35	344,888
Public Lighting	1,733	78	282
Total	**9,396,784**	**55,210**	**424,017**

Big Rivers

Overview of Meade County Rural Electric Cooperative

Overview Service Territory

- Established in 1937
- Serves approximately 28,000 customers in portions of 6 Kentucky counties along approximately 2,900 miles of line
- Managed by 7 member customer-elected board
- Primarily residential customer mix
- Most recent residential retail rate increase: Feb. 2011, 3.92%



Summary Financial Information ($mm)

	Fiscal Year Ended December 31		
Income Statement	**2011**	**2010**	**2009**
Operating Revenues	$35.8	$34.6	$31.1
Operating Expenses	28.3	27.5	24.7
Net Operating Income [1]	7.5	7.1	6.4
Cash Flow			
Debt Service	4.8	4.9	4.8
Debt Service Coverage Ratio	1.58 x	1.55 x	1.37 x
TIER	2.09 x	2.05 x	1.57 x
Balance Sheet			
Net Utility Plant	$72.2	$69.9	$66.6
Equities/Capitalization	33.9%	33.5%	32.3%

Customer Profile

	FY 2011		
Customer Type	MWh	Number of Consumers	Revenue ($000)
Residential	364,735	26,402	27,480
Comm. And Ind. (< 1,000 kW)	94,657	2,070	7,131
Public Lighting	1,057	6	75
Total	**460,449**	**28,478**	**34,686**

Source: RUS Form 7 [1]Before Depreciation, Taxes & Interest

Big Rivers

Long-Term Smelter Contracts

- Big Rivers and Kenergy (the Member serving the Smelters) entered into the Smelter Wholesale Power Contracts in which Big Rivers supplies energy to Kenergy for resale to the Smelters through the end of 2023 on a take-or-pay basis, subject to a one-year termination notice from the Smelter(s)
- The two aluminum smelters, owned by Alcan and Century, have a base demand of 850 MW and typically use 98% of the energy
- Energy made available to the Smelters will consist of three types
  - ***Base Monthly Energy:*** 368 MW hourly for Alcan and 482 MW hourly for Century
  - ***Supplemental Energy:*** 10 MW hourly of interruptible energy to each Smelter
  - ***Back-up Energy:*** Imbalance energy for Kenergy made available to the Smelters
- Charges to the Smelters will also include the following adjustments:
  - Base Rate always 25 cents per MWh over Large Industrial
  - Fuel Adjustment Clause ("FAC") – Adjusts monthly for incremental changes in fuel costs
  - Environmental Surcharge ("ES") – Adjusts monthly for incremental changes in non-fuel variable production expenses (emission allowances, reagents and waste disposal)
  - Purchased Power Adjustment ("PPA") – Adjusts monthly for incremental changes in purchased power costs (non-FAC PPA regulatory account for non-smelter members)
  - TIER Adjustment (described on page 29)
  - Surcharges – Mitigate impact of FAC and ES on Non-Smelter Members

Big Rivers

Overview of Smelters

- Sebree, Kentucky Smelter (Alcan Primary Products Corporation)
  - Alcan is owned by Rio Tinto, an international mining group, and is Rio Tinto's only U.S. aluminum smelter
  - Commenced operation in 1973
  - Produces 186,000 metric tons of primary aluminum annually from its 3 potlines
  - 600 employees
  - Base contract demand: 368 MW and Projected annual energy consumption: 3.1 TWh
  - Recently completed $37mm bake furnace project

- Hawesville, Kentucky Smelter (Century Aluminum of Kentucky General Partnership)
  - Century is a public company and through its various subsidiaries owns and operates aluminum smelters in Kentucky, South Carolina, West Virginia and Iceland
  - Commenced operation in 1970
  - Produces 244,000 metric tons of primary aluminum annually from its 5 potlines
  - 775 employees
  - Base contract demand: 482 MW and Projected annual energy consumption: 4.2 TWh

Big Rivers' Members Provide Some of the Lowest Cost Residential Electricity in the Nation

Average Residential Rate – Kentucky December 2011[1]

Kentucky Utility	Cents / kWh
East Kentucky Power Cooperative	11.66
AEP Kentucky Power	9.72
Duke Energy Kentucky	8.65
Louisville Gas and Electric Company	8.57
Kentucky Utilities Company	7.82
Big Rivers Rate (including credits)	7.82
Big Rivers Rate (excluding credits)	9.11

Average Residential Rate – National November 2011[2]

National Region	Cents / kWh
Pacific Noncontiguous	27.94
New England	15.90
Middle Atlantic	15.80
Pacific Contiguous	12.71
East North Central	12.02
South Atlantic	11.21
West South Central	10.60
East South Central	10.46
Mountain	10.12
West North Central	9.83
Kentucky	9.30
United States Total	**11.88**

1 *Source: Kentucky Public Service Commission Orders and Filings*
2 *Source: Energy Information Administration Table 5.6.A*

Big Rivers' Members Provide Some of the Lowest Cost Commercial and Industrial Electricity in the Nation

Average Commercial & Industrial Rate – National 2011

National Region	Cents/kWh
Pacific Noncontiguous	24.67
New England	13.51
Middle Atlantic	10.99
Pacific Contiguous	10.13
East North Central	8.05
South Atlantic	8.14
East South Central	7.96
Meade County	7.53
Mountain	7.52
West South Central	7.39
West North Central	7.21
Kenergy - excluding Smelters	7.17
Kentucky	6.86
Jackson Purchase	6.19
Kenergy - Smelters	4.40

Source: RUS Form 7 and Energy Information Administration

III. Operations

Big Rivers' Available Generation Resources

	Fuel Type	Net Capacity (MW)	Commercial Operation
Owned Generation			
Kenneth C. Coleman Plant			
Unit 1	Coal	150	1969
Unit 2	Coal	138	1970
Unit 3	Coal	155	1972
Robert D. Green Plant			
Unit 1	Coal	231	1979
Unit 2	Coal	223	1981
Robert A. Reid Plant			
Unit 1	Coal / Gas	65	1966
Combustion Turbine	Oil / Gas	65	1979
D.B. Wilson Unit 1	Coal	417	1986
Owned Subtotal		1,444	
Leased Generation			
HMP&L Station Two			
Unit 1	Coal	153	1973
Unit 2	Coal	159	1974
City's Current Capacity Allocation[1]		(110)	
Leased Subtotal		202	
Total Owned / Leased Generation		1,646	
Purchased Power			
Member's SEPA Allocation	Hydro	178	
Total Capacity		1,824	

[1] Big Rivers operates Station Two, which is owned by the City of Henderson, and is entitled to all capacity and energy not taken by the City under the terms of a power purchase agreement.

Big Rivers

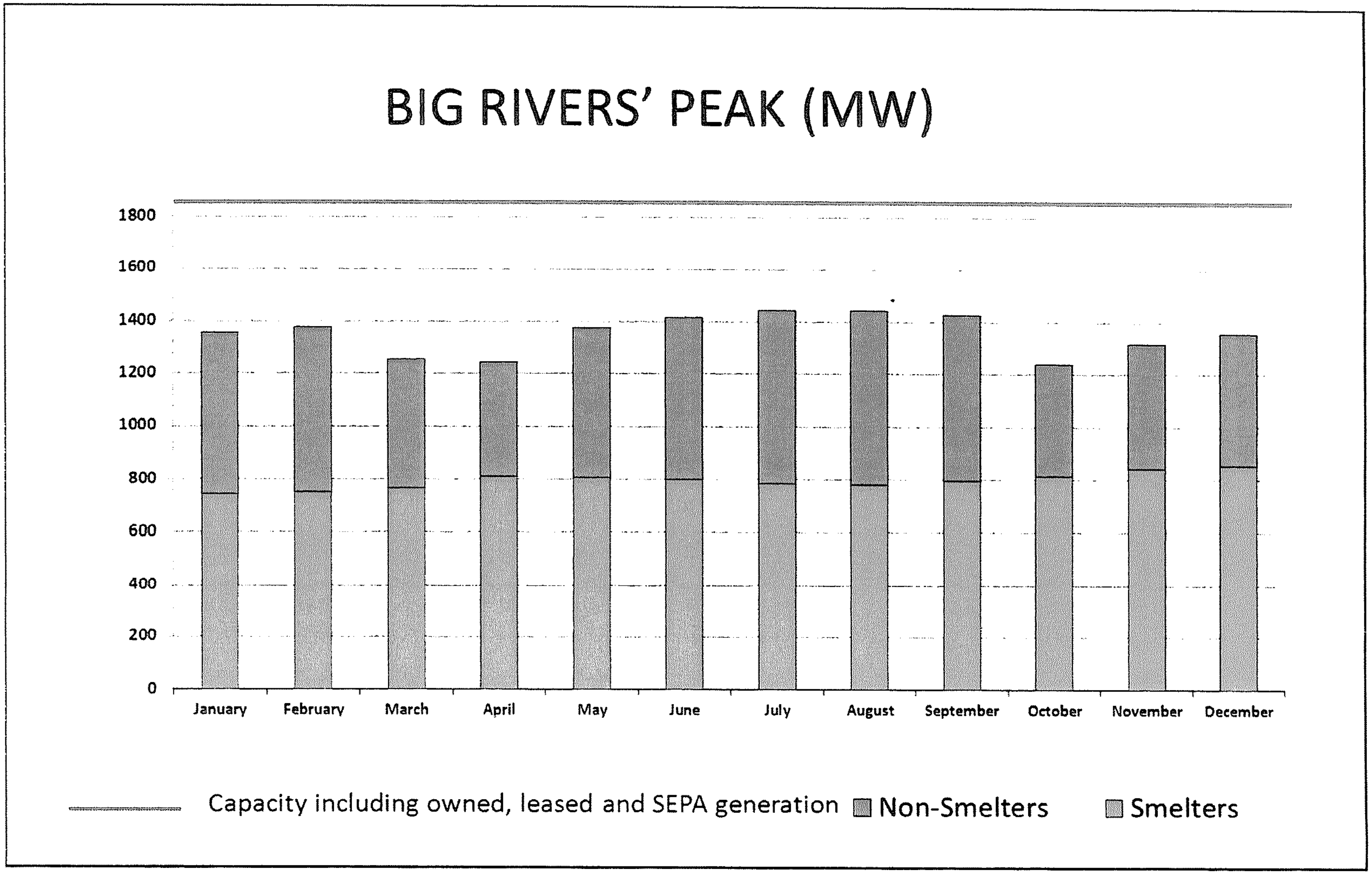
Big Rivers' Coal-Fired Power Plants System Performance

- Eight of the nine coal generating units are equipped with Flue Gas Desulphurization systems (FGDs) to control SO2 emissions
- Wilson 1, HMP&L 1 and HMP&L 2 are equipped with Selective Catalytic Reduction systems (SCRs) to control NOx emissions
- System performance is actively benchmarked against the industry utilizing GKS Navigant services. In the most recent benchmarking survey (2007 to 2011 Q3), Big Rivers displayed the following results when comparing O&M costs including fuel:
  - System capacity weighted O&M cost including fuel was [redacted]/MWh less than the median cost ([redacted]/MWh vs. [redacted]/MWh).

Key Performance Indicators per IEEE Standards (6 Year Averages 2006 thru 2011)

Unit	Net Generation (MWHrs)	Net Heat Rate (BTU/kWH)	Gross Capacity Factor (%)	Gross Capacity Output (%)	Equivalent Availability Factor (%)	Equivalent Forced Outage Rate (%)
Coleman 1	981,391	[redacted]	75.2	84.5	89.1	4.9
Coleman 2	904,899	[redacted]	74.8	81.9	90.9	3.1
Coleman 3	1,014,199	[redacted]	75.5	83.4	88.9	6.8
Green 1	1,768,041	[redacted]	88.7	95.5	92.1	2.5
Green 2	1,725,642	[redacted]	89.5	95.1	94.1	1.8
Henderson 1	1,098,054	[redacted]	83.1	93.2	88.4	8.3
Henderson 2	1,093,491	[redacted]	79.3	88.0	88.8	5.2
Wilson 1	3,143,151	[redacted]	86.4	96.8	88.1	4.8
SYSTEM	**11,728,868**	[redacted]	**83.0**	**91.5**	**90.0**	**4.5**

Big Rivers' Peak 2011 (MW)



Big Rivers' Coal-Fired Power Plants Variable Cost 2011 – by unit

BREC Variable Costs*
Period Ending December 31, 2011
Year - to - Date

Unit	Total Fuel	(Reagent) Scrubber	SOx Allowances	NOx Allowances	Total Variable $	Net Generation	$/MWH
Green 1	$ [redacted]	$ [redacted]	$ [redacted]	$ 0	$ [redacted]	[redacted]	$ [redacted]
Green 2	$ [redacted]	[redacted]	$ [redacted]	$ 0	[redacted]	[redacted]	$ [redacted]
HMP&L 1	$ [redacted]	[redacted]	$ [redacted]	$ 0	[redacted]	[redacted]	$ [redacted]
HMP&L 2	$ [redacted]	[redacted]	$ [redacted]	$ 0	[redacted]	[redacted]	$ [redacted]
Coleman 1	$ [redacted]	[redacted]	$ [redacted]	$ 0	[redacted]	[redacted]	$ [redacted]
Coleman 2	$ [redacted]	[redacted]	$ [redacted]	$ 0	[redacted]	[redacted]	$ [redacted]
Coleman 3	$ [redacted]	[redacted]	$ [redacted]	$ 0	[redacted]	[redacted]	$ [redacted]
Wilson 1	$ [redacted]	[redacted]	$ [redacted]	$ 0	[redacted]	[redacted]	$ [redacted]
Totals	$ [redacted]	$ [redacted]	$ [redacted]	$ 0	$ [redacted]	[redacted]	$ [redacted]

**Does not include Reid 1 and Reid CT which are used for peaking purposes*

Big Rivers

Big Rivers' Environmental Compliance Plan (ECP) for CSAPR & MATS

Cross-State Air Pollution Rule (CSAPR) and the Mercury and Air Toxics Standards (MATS) were both finalized in 2011. Both rules will impact Big Rivers' ECP. Big Rivers plans to pass through these costs under the Environmental Surcharge, and will be presenting this information to the Kentucky Public Service Commission in 2012. The estimated compliance costs are as follows:

	CSAPR	MATS	Total
Capital			
Wilson	139,000,000	11,240,000	150,240,000
HMPL (Net of City)	3,850,000	280,000	4,130,000
Reid	1,200,000		1,200,000
Green	81,000,000	18,480,000	99,480,000
Coleman		28,440,000	28,440,000
	225,050,000	58,440,000	283,490,000
Cost of Capital	9.42%	9.42%	9.42%
Annual Capital Cost	21,199,710	5,505,048	26,704,758
Annual O&M Cost	3,220,000	10,010,000	13,230,000
Total Annual 2012 ECP Cost in 2016	24,419,710	15,515,048	39,934,758

IV. Indenture/Financial Goals

Big Rivers' Financial Covenants

Big Rivers is in compliance with all debt covenants associated with both long-term and short-term debt.

- The Company's Indenture and its line of credit with CFC require that Margins for Interest Ratio (MFIR) of at least 1.10 be maintained each fiscal year.
- The CoBank line of credit agreement requires that at the end of each fiscal year the Company have a Debt Service Coverage Ratio (DSCR) of not less than 1.20.
- CoBank and CFC also require an Equity to Assets ratio of 15% or greater at the end of each fiscal year.

Historical Performance against covenants

Ratio	Agreement	Loan Covenant	2011	2010	2009
MFIR	Indenture/NRUCFC	1.10	1.12	1.15	9.87
Debt Service Coverage Ratio*	CoBank	1.20	1.47	1.47	2.44
Equity to Assets	CoBank	15%	27%	26%	25%
Equity to Assets	NRUCFC	12%	27%	26%	25%
TIER		n/a	1.12	1.15	9.85
Debt to Total Capitalization		n/a	67%	68%	69%

**** DSCR not included in the proposed CoBank Revolver***

Big Rivers

Smelter Agreements TIER Support Calculation

($ mm)

- **20XX Rebate**
  - TIER before adjustment (line 4) exceeds 1.24
  - $18.8mm is available for Rebate, split ratably between Non-Smelter Members and Smelters
  - Maximum TIER adjustment available is $1.95/MWh
- **2013 TIER Adjustment**
  - TIER before adjustment (line 4) is below 1.24
  - $20.36mm is contributed by Smelters via TIER adjustment or $2.79/MWh
  - Maximum TIER adjustment available is $2.95/MWh

Sample Rebate and TIER Adjustment Calculation

	20XX	2013
1 **Before Rebate / TIER Adjustment**		
2 Net Margin + Interest Charges	$79.9	$45.7
3 Interest Charges	$49.3	$53.3
4 Contract TIER	1.62x	0.86x
5 **Rebate**		
6 Members	(6.2)	–
7 Smelters	(12.6)	–
8 Total	(18.8)	–
9 **TIER Adjustment**		
10 Smelters	–	$20.4
11 Total	–	$20.4
12 **After Rebate / TIER Adjustment**		
13 Net Margin + Interest Charges	$61.1	$66.1
14 Interest Charges	$49.3	$53.3
15 Contract TIER	1.24x	1.24x

V. Financials

Big Rivers

Statement of Operations

	Actual		Projected				
Statement of Operations ($mm)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Electric Energy Revenues	$ 514.5	$ 558.4	$ 582.3	$ 622.1	$ 654.0	$ 667.5	$ 712.3
Other Operating Revenue and Income	12.8	3.6	4.0	4.0	4.0	4.0	4.0
Total Operating Revenues	$ 527.3	$ 562.0	$ 586.3	$ 626.1	$ 658.0	$ 671.5	$ 716.3
Operating Expense - Excluding Fuel	$ 187.2	$ 201.8	$ 203.6	$ 208.8	$ 220.7	$ 231.6	$ 252.4
Operating Expense Fuel	207.7	226.2	238.4	259.1	266.6	273.6	282.6
Maintenance Expense	46.9	47.7	53.9	51.6	62.4	57.8	59.7
Depreciation and Amortization	34.2	35.4	41.9	43.3	44.7	48.1	52.5
Interest Expense	47.1	45.7	43.6	59.3	59.5	59.3	59.2
Other - Net	(2.8)	(0.4)	(0.5)	(4.5)	(10.4)	(13.4)	(4.6)
Total Expenses	$ 520.3	$ 556.4	$ 580.9	$ 617.6	$ 643.5	$ 657.0	$ 701.8
Net Margins	**$ 7.0**	**$ 5.6**	**$ 5.4**	**$ 8.5**	**$ 14.5**	**$ 14.5**	**$ 14.5**
TIER	**1.15**	**1.12**	**1.12**	**1.14**	**1.24**	**1.24**	**1.24**

Big Rivers

Balance Sheet

	Actual		Projected				
Balance Sheet ($mm)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Assets							
Net Utility Plant	$ 1,092	$ 1,092	$ 1,120	$ 1,189	$ 1,339	$ 1,436	$ 1,427
Cash & Investments	45	45	35	241	101	32	32
Transition Reserve	35	0	35	35	36	36	36
Economic Reserve	121	100	72	38	8	0	0
Rural Economic Reserve	62	63	64	65	66	52	23
Receivables, Inventories, & Other	117	118	133	141	139	142	149
Total	**$ 1,472**	**$ 1,418**	**$ 1,459**	**$ 1,709**	**$ 1,689**	**$ 1,698**	**$ 1,667**
Equities & Liabilities							
Equities	$ 387	$ 390	$ 395	$ 404	$ 418	$ 433	$ 447
Debt	817	786	859	1,133	1,124	1,114	1,104
Deferred Revenue - Economic Reserves	181	162	136	103	74	52	23
Line of Credit Advances	10	0	0	0	0	25	15
Payables & Other	77	80	69	69	73	74	78
Total	**$ 1,472**	**$ 1,418**	**$ 1,459**	**$ 1,709**	**$ 1,689**	**$ 1,698**	**$ 1,667**
Equities / Total Capitalization	**32%**	**33%**	**31%**	**26%**	**27%**	**28%**	**29%**

Big Rivers

Debt Service Coverage

	Actual		Projected				
Debt Service Coverage ($mm)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Margins	$ 7.0	$ 5.6	$ 5.4	$ 8.5	$ 14.5	$ 14.5	$ 14.5
Interest Expense	47.1	45.7	43.6	59.3	59.5	59.3	59.2
Depreciation & Amortization	36.3	37.5	44.5	46.0	47.5	51.0	55.7
Numerator for DSCR	$ 90.4	$ 88.8	$ 93.5	$ 113.8	$ 121.5	$ 124.8	$ 129.4
Interest Expense	47.1	45.7	43.6	59.3	59.5	59.3	59.2
Principal Due on Long-Term Debt	14.2	14.9	16.1	21.6	22.4	23.3	24.3
Denominator for DSCR	$ 61.3	$ 60.6	$ 59.7	$ 80.9	$ 81.9	$ 82.6	$ 83.5
Debt Service Coverage Ratio	**1.47**	**1.47**	**1.57**	**1.41**	**1.48**	**1.51**	**1.55**

Big Rivers

Non-Smelter Member Rates

	Actual		Projected				
Rate Derivation ($/MWh)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Non-Smelter Members							
Base Rate	$ 35.33	$ 42.45	$ 48.69	$ 48.70	$ 50.16	$ 50.19	$ 50.20
Regulatory Account Amortization	0.00	(0.32)	(1.23)	(1.23)	(0.38)	0.17	0.28
FAC	9.98	4.49	5.09	5.47	5.95	6.36	6.80
Environmental Surcharge	2.25	2.16	2.51	4.98	4.94	4.92	7.33
Surcredits	(3.30)	(3.49)	(4.10)	(4.05)	(4.00)	(3.97)	(3.93)
Rebate (Accrual)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rate Stabilization							
Economic Reserve	(7.91)	(6.22)	(8.69)	(10.10)	(9.10)	(2.20)	0.00
Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	(4.68)	(8.44)
Blended Rate	**$ 36.35**	**$ 39.07**	**$ 42.27**	**$ 43.77**	**$ 47.57**	**$ 50.79**	**$ 52.24**

Big Rivers

Smelter Rates

	Actual		Projected				
Rate Derivation ($/MWh)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Smelters							
Large Industrial Rate @ 98%	$ 29.07	$ 34.70	$ 39.14	$ 39.18	$ 40.36	$ 40.36	$ 40.32
Additional Smelter Charge	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Base Rate	$ 29.32	$ 34.95	$ 39.39	$ 39.43	$ 40.61	$ 40.61	$ 40.57
Tier Adjustment	1.95	1.95	2.95	2.95	2.60	2.55	2.44
Non-FAC PPA	(1.18)	(0.70)	(0.40)	(0.21)	(0.04)	0.28	0.38
FAC	10.13	4.53	5.11	5.48	5.95	6.36	6.80
Environmental Surcharge	2.26	2.18	2.48	4.07	4.11	4.07	6.08
Surcharge	1.57	1.57	1.87	1.87	1.87	1.87	1.87
Rebate (accrued)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Effective Rate	**$ 44.05**	**$ 44.48**	**$ 51.40**	**$ 53.59**	**$ 55.10**	**$ 55.74**	**$ 58.14**

Big Rivers

Big Rivers' Credit Rating

Big Rivers maintains investment grade credit ratings…

<u>Moody's Investor Service</u> – Moody's has assigned a 'Baa1' senior secured rating for the Series 2010A County of Ohio, Kentucky, Pollution Control Bonds.

<u>Standard & Poor's (S&P)</u> – S&P has assigned a 'BBB-' issuer credit rating to Big Rivers and has assigned a "BBB-" long-term rating for its Series 2010A County of Ohio, Kentucky, Pollution Control Bonds.

<u>Fitch Ratings Ltd.</u> – Fitch has assigned a 'BBB-' rating on the Series 2010A County of Ohio, Kentucky, Pollution Control Bonds.

VI. Appendix – Senior Management Brief Biographies

Big Rivers

Big Rivers' Senior Management

Senior Management Brief Biographies

Mark A. Bailey, President & Chief Executive Officer, received a Bachelor of Science in Electrical Engineering from Ohio Northern University in 1974, and a Master of Science in Management from the Massachusetts Institute of Technology in 1988. He was employed by American Electric Power Company ("AEP") for nearly 30 years, beginning as an Electrical Engineer in 1974. Mr. Bailey was employed as Vice President of AEP subsidiary Indiana Michigan Power Company until AEP's reorganization in 1996, when he became Director-Regions with American Electric Power Service Corporation ("AEPSC"), also a subsidiary of AEP. He was employed as Vice President of Transmission Asset Management for AEPSC from June 2000 until his employment as President and Chief Executive Officer ("CEO") with Kenergy Corp. in 2004. Mr. Bailey was employed as Executive Vice President and Chief Operating Officer of Big Rivers beginning in June 2007 until being elected by the Board of Directors to his current position in October 2008.

Robert W. Berry, Vice President of Production, graduated from the University of Kentucky Community College system with an Associate degree in Mechanical Engineering Technology and Mid-Continent University with a Bachelor of Science in Business Management. He was employed by Big Rivers from 1981 to 1998 and served in various maintenance positions such as Superintendent of Maintenance and Maintenance Manager. In 1998 he was employed by Western Kentucky Energy and served in various positions such as Maintenance Manager, Plant Manager and General Manager until the Unwind transaction closed in July 2009, at which time he assumed his current position at Big Rivers.

David G. Crockett, Vice President of System Operations, graduated from the University of Kentucky with a Bachelor of Science in Electrical Engineering in 1972. He has been employed with Big Rivers since 1972. He served in various engineering positions before assuming the responsibility of Manager of Energy Control in 1998. Mr. Crockett assumed his current position as Vice President System Operations in 2006.

James V. Haner, Vice President of Administrative Services, graduated from the University of Kentucky with a Bachelor of Science in Accounting in 1970. He has been employed with Big Rivers since 1972. He served in various accounting and finance capacities prior to transferring to administrative services in 1991. He assumed duties as Manager Human Resources in 1998. Mr. Haner assumed his current position of Vice President Administrative Services in 2005.

Big Rivers' Senior Management

Senior Management Brief Biographies - continued

Mark A. Hite, Vice President of Accounting & Interim Chief Financial Officer, graduated from the University of Evansville with a Bachelor of Science in Accounting in 1980 and a Master of Business Administration in 1985. He is a licensed CPA. Mr. Hite has been employed with Big Rivers since 1983, and has served in various accounting and finance capacities prior to assuming his current position.

Eric Robeson, Vice President of Environmental Services and Construction, graduated from Rose Hulman Institute of Technology in 1977 with a Bachelor of Science in Mechanical Engineering and Ball State University in 1988 with a Masters of Business Administration. He is a registered Professional Engineer in the state of Indiana. Mr. Robeson worked at Vectren (and its predecessor company Sigeco) from 1980 to 2011. He served in a variety of engineering and managerial positions including Plant Manager, Director of Generation Planning, and Director of Infrastructure Services. He joined Big Rivers in 2011 as Vice President of Construction overseeing environmental compliance efforts and assumed his current position in February 2012.

Albert M. Yockey, Vice President of Governmental Relations & Enterprise Risk Management, graduated from the University of Pittsburgh with a Bachelor of Science in Electrical Engineering in 1972, a Master of Science from Lehigh University in 1979, and a Juris Doctor from Capital University Law School in 1994. He is a registered Professional Engineer in Pennsylvania and a licensed attorney in Ohio. Mr. Yockey was employed in operation and planning positions with Pennsylvania Power and Light Co. from 1972 through 1985. He was employed in planning, regulatory, and compliance positions with American Electric Power Company from 1985 until February 2008. Mr. Yockey joined Big Rivers as Vice President of Enterprise Risk Management and Strategic Planning in 2008 and assumed his current position in July 2009.

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 4) *Provide a copy of all correspondence between BREC and Goldman Sachs regarding the transactions described in the Application.*

Response) Big Rivers objects to this information request on the grounds that it is overly broad, seeks documents that have no relevance to the relief sought by Big Rivers in this proceeding, and is unreasonably burdensome. Without waiving these objections, Big Rivers is providing the documents in the folder labeled 'KIUC 1-4 – Goldman Sachs Documents' on the CD accompanying these responses.

Witness) Mark A. Hite and Counsel

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 5) *Provide a copy of all correspondence internally within BREC regarding the transactions described in the Application.*

Response) Big Rivers objects to this information request on the grounds that it is overly broad, seeks documents that have no relevance to the relief sought by Big Rivers in this proceeding, is unreasonably burdensome, and seeks documents that are protected from production by one or both of the attorney-client privilege and the attorney work product privilege. Without waiving these objections, Big Rivers is providing the documents in a folder labeled 'KIUC 1-5 – Internal Correspondence' on the CD accompanying these responses.

Witness) Mark A. Hite and Counsel

Big Rivers

ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Refinancing RUS Series A Note, Additional Borrowing and Unsecured Revolving Credit Facility

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

CoBank, ACB

$175,000,000 Senior Secured Term Loan, Fixed Rate, 20 year term with level debt service amortization.

• Term Loan my be increased by $50,000,000 on or prior to closing by mutual agreement.

•Unsecured Revolving Credit Facility of $50,000,000, Variable Rate and Facility Fee, 5 year term

1. Including $10,000,000 sublimit for issuance of letters of credit
2. Seeking to exclude current Transition Reserve requirement
3. Excluding current No Material Adverse Change for each advance

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy Cooperative

CoBank, ACB

Expenses Associated with $225M Term Loan and $50 Revolver:

1.	Arrangement Fee 0.20%	$ 550,000	Fixed Rate
2.	Upfront Fee ranges 15 – 25 basis points	$ 600,000	Estimated
3.	CoBank Counsel Latham & Watkins	$ 140,000	Estimated
4.	Big Rivers Counsel Orrick, Herrington	$ 140,000	Estimated
5.	Big Rivers Counsel SMSM	$ 30,000	Estimated
	Total	$1,460,000	

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

CoBank, ACB

- Interest Rate Savings on the Senior Secured Term Loan

• RUS Series A Note	5.75%
• Approximate Effective Interest Rate	4.20%
• Net Interest Rate Reduction	1.55%

- Assuming the Secured Term Loan is $225 million, annual interest rate reduction of $3,487,500.

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

CFC

- $302,000,000 Senior Secured Term Loan, Fixed Rate, 20 year term with level principal amortization.

- Term Loan is simultaneous with or subsequent to funding of at least $225,000,000 non-CFC refinancing of RUS Series A Note.

- Current Unsecured Revolving Credit Facility of $50,000,000, due to expire July 16, 2014 is not amended.

Big Rivers ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

CFC

Expenses Associated with $302M Term Loan:

1. CFC Counsel (Internal Counsel $0.00)	$ 140,000	Estimated
2. Big Rivers Counsel Orrick, Herrington	$ 140,000	Estimated
3. Big Rivers Counsel SMSM	$ 30,000	Estimated
Total	$ 310,000	

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

CFC

- Interest Rate Savings on the Senior Secured Term Loan
  - RUS Series A Note 5.75%
  - Approximate Effective Interest Rate <u>4.60%</u>

  - Net Interest Rate Reduction 1.15%

  - Assuming the Secured Term Loan is $302 million, annual interest rate reduction of $3,473,000.

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

Recommendation

- Management recommends that the Board of Directors approve the CoBank and CFC resolutions to enable management to negotiate the proposed transactions and terms.

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Refinancing RUS Series A Note, Additional Borrowing and Unsecured Revolving Credit Facility

Changes to December 2011 presentation are shown in red

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

CoBank, ACB

$175,000,000 Senior Secured Term Loan, Fixed Rate, 20 year term with level debt service amortization. Syndication of Farm Credit System

- **Term Loan my be increased by $50,000,000 on or prior to closing by mutual agreement.**
- **Unsecured Revolving Credit Facility of $50,000,000, Variable Rate and Facility Fee, 5 year term** Syndication of Farm Credit System
    1. **Including $10,000,000 sublimit for issuance of letters of credit**
    2. **Seeking to exclude current Transition Reserve requirement**
    3. **Excluding current No Material Adverse Change for each advance**

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy Cooperative

CoBank, ACB

Expenses Associated with $225M Term Loan and $50 Revolver:

1.	Arrangement Fee 0.20%	$ 550,000	Fixed Rate
2.	Upfront Fee ranges 15 – 25 basis points	$ 600,000	Estimated
3.	CoBank Counsel Latham & Watkins	$ 140,000	Estimated
4.	Big Rivers Counsel Orrick, Herrington	$ 140,000	Estimated
5.	Big Rivers Counsel SMSM	$ 30,000	Estimated
	Total	$1,460,000	

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

CoBank, ACB

- Interest Rate Savings on the Senior Secured Term Loan
  - RUS Series A Note — 5.75%
  - Approximate Effective Interest Rate — 4.20%
  - Net Interest Rate Reduction — 1.55%
  - Assuming the Secured Term Loan is $225 million, annual interest rate reduction of $3,487,500.
  - Effective Interest Rate changes daily and will become final/locked on the closing date.

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

CFC

- $302,000,000 Senior Secured Term Loan, Fixed Rate, 20 year term with level principal amortization.

- Term Loan is simultaneous with or subsequent to funding of at least $165,000,000 $225,000,000 non-CFC refinancing of RUS Series A Note.

- Current Unsecured Revolving Credit Facility of $50,000,000, due to expire July 16, 2014 is not amended.

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy Cooperative

CFC

Expenses Associated with $302M Term Loan:

1. CFC Counsel (Internal Counsel $0.00)	$ 140,000	Estimated
2. Big Rivers Counsel Orrick, Herrington	$ 140,000	Estimated
3. Big Rivers Counsel SMSM	$ 30,000	Estimated
Total	$ 310,000	

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

CFC

- **Interest Rate Savings on the Senior Secured Term Loan**
  - **RUS Series A Note** — **5.75%**
  - **Approximate Effective Interest Rate** — **4.60%**
  - **Net Interest Rate Reduction** — **1.15%**
  - **Assuming the Secured Term Loan is $302 million, annual interest rate reduction of $3,473,000.**
  - **Effective Interest Rate changes daily and will become final/locked on the closing date.**

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

Recommendation

- Management recommends that the Board of Directors approve the CoBank and CFC resolutions to enable management to negotiate the proposed transactions and terms.

- Management recommends that the Board of Directors authorize Management to execute the terms sheet and final documents

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Status Report - CoBank and CFC Term Loans and CoBank Revlover

Date: 2/21/12

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

CoBank, ACB

$175,000,000 Senior Secured Term Loan, Fixed Rate, 20 year term with level debt service amortization. A syndication of Farm Credit institutions. $10,000,000 may be used for CapX.

• Term Loan my be increased by $50,000,000, to $225,000,000, on or prior to closing by mutual agreement. May be used for CapX.

•Unsecured Revolving Credit Facility of $50,000,000, Variable Rate and Facility Fee, 5 year term. A syndication of Farm Credit Institutions.

1. Includes $10,000,000 sublimit for issuance of letters of credit
2. Transition Reserve requirement eliminated
3. Excludes current No Material Adverse Change for each advance

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

CFC

- $302,000,000 Senior Secured Term Loan, Fixed Rate, 20 year term with level principal amortization. Serial Note pricing structure.

- Term Loan is simultaneous with or subsequent to funding of at least $165,000,000 non-CFC refinancing of RUS Series A Note.

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy® Cooperative

Timeline

- Negotiations continue.
- Financing Application filing to the PSC by mid-March 2012.
- Closing by mid-June 2012.

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy® Cooperative

Financing Update - CoBank and CFC Term Loans

Date: 3/16/12

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy Cooperative

Financing Update

- **The planned CFC Term Loan is for $302.0m and the planned CoBank Term Loan is for $225.0m (the CoBank Term Loan may only be $175.0m).**
- **$467.0m of the CFC and CoBank Term Loans must be used to refinance the RUS Series A Note.**
- **The *annualized* cost savings from the refinancing is estimated to be $5.3m (effective rate of 5.845% vs. 4.700%) [*annualized* cost being the life rate multiplied by the initial principal amount].**
- **The CoBank Term Loan amount in excess of $165.0m may be used for CapX.**

Big Rivers ELECTRIC CORPORATION

Your Touchstone Energy Cooperative

Financing Update

- The current RUS Series A Note principal balance is \$530.7m.
- The RUS Series A Note prepaid status is \$35.0m due to the 4/1/11 Transition Reserve payment.
- Due to a heightened awareness of the potential for a smelter shut-down, and the planned refinancing of \$467.0m of the RUS Series A Note, the Transition Reserve prepayment will begin being "clawed" back from RUS beginning 4/2/12 (the next quarterly payment date), and the Transition Reserve investment account replenished.

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 6) ***Provide a copy of all studies, analyses, and correspondence that considered or addressed various financing alternatives, including the alternative selected and presented in this proceeding.***

Response) Please see the relevant items included in Big Rivers' responses to KIUC 1-1, KIUC 1-2, KIUC 1-4 and KIUC 1-5.

Witness) Mark A. Hite

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 7) *Provide a copy of BREC's 2011 Annual Report as soon as it is available. If the 2011 Annual Report is not available, provide a copy of BREC's audited financial statements for 2011.*

Response) Big Rivers' audited financial statements for 2011 are attached. The 2011 Annual Report is not yet available.

Witness) Mark A. Hite

BIG RIVERS ELECTRIC CORPORATION

Financial Statements

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Directors and Members
Big Rivers Electric Corporation:

We have audited the accompanying balance sheets of Big Rivers Electric Corporation (the Company) as of December 31, 2011 and 2010, and the related statements of operations, equities, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The accompanying financial statements of the Company for the year ended December 31, 2009 were audited by other auditors whose report thereon dated March 26, 2010, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Rivers Electric Corporation as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2012, on our consideration of Big Rivers Electric Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

KPMG LLP

March 26, 2012

BIG RIVERS ELECTRIC CORPORATION

Balance Sheets

December 31, 2011 and 2010

(Dollars in thousands)

Assets	2011	2010
Utility plant – net	$ 1,092,063	$ 1,091,566
Restricted investments – member rate mitigation	163,162	217,562
Other deposits and investments – at cost	5,911	5,473
Current assets:		
Cash and cash equivalents	44,849	44,780
Accounts receivable	44,287	45,905
Fuel inventory	33,894	37,328
Nonfuel inventory	25,295	23,218
Prepaid expenses	4,217	2,502
Total current assets	152,542	153,733
Deferred charges and other	4,244	3,851
Total	$ 1,417,922	$ 1,472,185
Equities and Liabilities		
Capitalization:		
Equities	$ 389,820	$ 386,575
Long-term debt	714,254	809,623
Total capitalization	1,104,074	1,196,198
Current liabilities:		
Current maturities of long-term obligations	72,145	7,373
Notes payable	—	10,000
Purchased power payable	1,878	1,516
Accounts payable	28,446	29,782
Accrued expenses	10,380	10,627
Accrued interest	9,899	11,134
Total current liabilities	122,748	70,432
Deferred credits and other:		
Regulatory liabilities – member rate mitigation	169,001	185,893
Other	22,099	19,662
Total deferred credits and other	191,100	205,555
Commitments and contingencies (see note 14)		
Total	$ 1,417,922	$ 1,472,185

See accompanying notes to financial statements.

BIG RIVERS ELECTRIC CORPORATION

Statements of Operations

Years ended December 31, 2011, 2010, and 2009

(Dollars in thousands)

	2011	2010	2009
Operating revenue	$ 561,989	$ 527,324	$ 341,333
Lease revenue	—	—	32,027
Total operating revenue	561,989	527,324	373,360
Operating expenses:			
Operations:			
Fuel for electric generation	226,229	207,749	80,655
Power purchased and interchanged	112,262	99,421	116,883
Production, excluding fuel	50,410	52,507	22,381
Transmission and other	39,085	35,273	35,444
Maintenance	47,718	46,880	29,820
Depreciation and amortization	35,407	34,242	32,485
Total operating expenses	511,111	476,072	317,668
Electric operating margin	50,878	51,252	55,692
Interest expense and other:			
Interest	45,226	46,570	59,898
Amortization of loss from termination of long-term lease	—	—	2,172
Income tax expense	100	259	1,025
Other – net	220	166	112
Total interest expense and other	45,546	46,995	63,207
Operating margin	5,332	4,257	(7,515)
Nonoperating margin:			
Gain on unwind transaction (see note 2)	—	—	537,978
Interest income and other	268	2,734	867
Total nonoperating margin	268	2,734	538,845
Net margin	$ 5,600	$ 6,991	$ 531,330

See accompanying notes to financial statements.

BIG RIVERS ELECTRIC CORPORATION

Statements of Equities (Deficit)

Years ended December 31, 2011, 2010, and 2009

(Dollars in thousands)

	Total equities (deficit)	Accumulated margin (deficit)	Other equities: Donated capital and memberships	Other equities: Consumers' contributions to debt service	Accumulated other comprehensive income
Balance – December 31, 2008	$ (154,602)	$ (146,823)	$ 764	$ 3,681	$ (12,224)
Comprehensive income:					
Net margin	531,330	531,330	—	—	—
Defined benefit plans	2,664	—	—	—	2,664
Total comprehensive income	533,994	531,330	—	—	2,664
Balance – December 31, 2009	379,392	384,507	764	3,681	(9,560)
Comprehensive income:					
Net margin	6,991	6,991	—	—	—
Defined benefit plans	192	—	—	—	192
Total comprehensive income	7,183	6,991	—	—	192
Balance – December 31, 2010	386,575	391,498	764	3,681	(9,368)
Comprehensive income:					
Net margin	5,600	5,600			
Defined benefit plans	(2,355)				(2,355)
Total comprehensive income	3,245	5,600	—	—	(2,355)
Balance – December 31, 2011	$ 389,820	$ 397,098	$ 764	$ 3,681	$ (11,723)

See accompanying notes to financial statements.

BIG RIVERS ELECTRIC CORPORATION

Statements of Cash Flows

Years ended December 31, 2011, 2010, and 2009

(Dollars in thousands)

	2011	2010	2009
Cash flows from operating activities:			
Net margin	$ 5,600	$ 6,991	$ 531,330
Adjustments to reconcile net margin to net cash provided by operating activities:			
Depreciation and amortization	37,808	37,650	37,084
Amortization of deferred loss (gain) on sale-leaseback – net	—	—	2,172
Deferred lease revenue	—	—	(3,768)
Residual value payments obligation gain	—	—	(3,881)
Interest compounded – RUS Series A Note	8,398	—	—
Interest compounded – RUS Series B Note	6,884	6,499	6,136
Noncash gain on unwind transaction		—	(269,441)
Cash received for member rate mitigation		—	217,856
Noncash member rate mitigation revenue	(18,947)	(23,953)	(12,033)
Changes in certain assets and liabilities:			
Accounts receivable	1,618	1,588	(26,049)
Inventories	1,357	(2,304)	(3,497)
Prepaid expenses	(1,715)	731	(2,783)
Deferred charges	121	1,251	(1,538)
Purchased power payable	362	(1,846)	(5,973)
Accounts payable	(1,336)	(875)	24,825
Accrued expenses	(1,481)	2,800	7,881
Other – net	(70)	555	6,852
Net cash provided by operating activities	38,599	29,087	505,173
Cash flows from investing activities:			
Capital expenditures	(38,746)	(42,683)	(58,388)
Proceeds from restricted investments	56,095	28,143	8,982
Purchases of restricted investments and other deposits and investments		—	(252,798)
Net cash provided by (used in) investing activities	17,349	(14,540)	(302,204)
Cash flows from financing activities:			
Principal payments on long-term obligations	(45,879)	(121,355)	(168,956)
Proceeds from long-term obligations	—	83,300	—
Principal payments on short-term notes payable	(10,000)	—	(12,380)
Proceeds from short-term notes payable	—	10,000	—
Debt issuance cost on bond refunding	—	(2,002)	(246)
Net cash used in financing activities	(55,879)	(30,057)	(181,582)
Net increase (decrease) in cash and cash equivalents	69	(15,510)	21,387
Cash and cash equivalents – beginning of year	44,780	60,290	38,903
Cash and cash equivalents – end of year	$ 44,849	$ 44,780	$ 60,290
Supplemental cash flow information:			
Cash paid for interest	$ 31,441	$ 37,268	$ 51,078
Cash paid for income taxes	130	260	626

See accompanying notes to financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) General Information

Big Rivers Electric Corporation (Big Rivers or the Company), an electric generation and transmission cooperative, supplies wholesale power to its three member distribution cooperatives (Kenergy Corp., Jackson Purchase Energy Corporation, and Meade County Rural Electric Cooperative Corporation) under all requirements contracts, excluding the power needs of two large aluminum smelters (the Aluminum Smelters). Additionally, Big Rivers sells power under separate contracts to Kenergy Corp. for the Aluminum Smelters load and markets power to nonmember utilities and power marketers. The members provide electric power and energy to industrial, residential, and commercial customers located in portions of 22 western Kentucky counties. The wholesale power contracts with the members remain in effect until December 31, 2043. Rates to Big Rivers' members are established by the Kentucky Public Service Commission (KPSC) and are subject to approval by the Rural Utilities Service (RUS). The financial statements of Big Rivers include the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 980, *Certain Types of Regulation*, which was adopted by the Company in 2003, and gives recognition to the ratemaking and accounting practices of the KPSC and RUS.

Management evaluated subsequent events up to and including March 26, 2012, the date the financial statements were available to be issued.

(b) Principles of Consolidation

The financial statements of Big Rivers include the accounts of Big Rivers and its wholly owned subsidiary, Big Rivers Leasing Corporation (BRLC). All significant intercompany transactions have been eliminated. BRLC was dissolved July 7, 2009.

(c) Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates.

(d) System of Accounts

Big Rivers' maintains its accounting records in accordance with the Uniform System of Accounts as prescribed by the RUS Bulletin 1767B-1, as adopted by the KPSC. These regulatory agencies retain authority and periodically issue orders on various accounting and ratemaking matters. Adjustments to RUS accounting have been made to make the financial statements consistent with generally accepted accounting principles in the United States of America.

(Dollars in thousands)

(e) ***Revenue Recognition***

Revenues generated from the Company's wholesale power contracts are based on month-end meter readings and are recognized as earned. Prior to its termination, in accordance with FASB ASC 840, *Leases*, Big Rivers' revenue from the Lease Agreement was recognized on a straight-line basis over the term of the lease. The major components of this lease revenue include the annual lease payments and the Monthly Margin Payments (described in note 2).

(f) ***Utility Plant and Depreciation***

Utility plant is recorded at original cost, which includes the cost of contracted services, materials, labor, overhead, and an allowance for borrowed funds used during construction. Replacements of depreciable property units, except minor replacements, are charged to utility plant.

Allowance for borrowed funds used during construction is included on projects with an estimated total cost of $250 or more before consideration of such allowance. The interest capitalized is determined by applying the effective rate of Big Rivers' weighted average debt to the accumulated expenditures for qualifying projects included in construction in progress.

Depreciation of utility plant in service is recorded using the straight-line method over the estimated remaining service lives, as approved by the RUS and KPSC. During 2010, the Company commissioned a depreciation study to evaluate the remaining economic lives of its assets. In 2011, the study was completed and approved by the RUS and KPSC. The annual composite depreciation rates used to compute depreciation expense were as follows:

	Jan-Nov 2011	**Dec 2011**
Electric plant	1.60 – 2.47%	0.50 – 20.22%
Transmission plant	1.76 – 3.24	1.42 – 2.23
General plant	1.11 – 5.62	2.84 – 17.12

For 2011, 2010, and 2009, the average composite depreciation rates were 1.91%, 1.86%, and 1.85%, respectively. At the time plant is disposed of, the original cost plus cost of removal less salvage value of such plant is charged to accumulated depreciation, as required by the RUS.

(g) ***Impairment Review of Long-Lived Assets***

Long-lived assets are reviewed as facts and circumstances indicate that the carrying amount may be impaired. FASB ASC 360, *Property, Plant, and Equipment*, requires the evaluation of impairment by comparing an asset's carrying value to the estimated future cash flows the asset is expected to generate over its remaining life. If this evaluation were to conclude that the future cash flows were not sufficient to recover the carrying value of the asset, an impairment charge would be recorded based on the difference between the asset's carrying amount and its fair value (less costs to sell for assets to be disposed of by sale) as a charge to net margin.

(h) *Inventory*

Inventories are carried at average cost and include coal, petroleum coke, lime, limestone, oil and gas used for electric generation, and materials and supplies used for utility operations. Emission allowances are carried in inventory at a weighted average cost by each vintage year. Issuances of allowances are accounted for on a vintage basis using a monthly weighted average cost.

(i) *Restricted Investments*

Investments are restricted under KPSC order to establish certain reserve funds for member rate mitigation in conjunction with the Unwind Transaction. These investments have been classified as held-to-maturity and are carried at amortized cost (see note 9).

(j) *Cash and Cash Equivalents*

Big Rivers considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

(k) *Income Taxes*

Big Rivers was formed as a tax-exempt cooperative organization as described in Internal Revenue Code Section 501(c)(12). To retain tax-exempt status under this section, at least 85% of the Big Rivers' receipts must be generated from transactions with the Company's members. In 1983, sales to nonmembers resulted in Big Rivers failing to meet the 85% requirement. Until Big Rivers can meet the 85% member income requirement, the Company will not be eligible for tax-exempt status and will be treated as a taxable cooperative.

As a taxable cooperative, Big Rivers is entitled to exclude the amount of patronage allocations to members from taxable income. Income and expenses related to non-patronage sourced operations are taxable to Big Rivers. Big Rivers files a federal income tax return and certain state income tax returns.

Under the provisions of FASB ASC 740, *Income Taxes*, Big Rivers is required to record deferred tax assets and liabilities for temporary differences between amounts reported for financial reporting purposes and amounts reported for income tax purposes. Deferred tax assets and liabilities are determined based upon these temporary differences using enacted tax rates for the year in which these differences are expected to reverse. Deferred income tax expense or benefit is based on the change in assets and liabilities from period to period, subject to an ongoing assessment of realization. Tax benefits associated with income tax positions taken, or expected to be taken, in a tax return are recorded only when the more-likely than-not recognition threshold is satisfied and measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement.

(l) Patronage Capital

As provided in the bylaws, Big Rivers accounts for each year's patronage-sourced income, both operating and nonoperating, on a patronage basis. Notwithstanding any other provision of the bylaws, the amount to be allocated as patronage capital for a given year shall not be less than the greater of regular taxable patronage-sourced income or alternative minimum taxable patronage-sourced income.

(m) Derivatives

Management has reviewed the requirements of FASB ASC 815, *Derivatives and Hedging*, and has determined that certain contracts the Company is party to may meet the definition of a derivative under FASB ASC 815. The Company has elected the Normal Purchase and Normal Sale exception for these contracts and, therefore, the contracts are not required to be recognized at fair value in the financial statements.

(n) Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal, or most advantageous, market for the asset or liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs when possible. The three levels of inputs used to measure fair value are as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data; and
- Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets or liabilities, including certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

(Dollars in thousands)

(2) LG&E Lease Agreement

Big Rivers, LG&E and KU, Western Kentucky Energy Corporation (WKEC), and LG&E Energy Marketing (LEM), closed effective July 17, 2009, a transaction resulting in a mutually acceptable early termination of the 1998 LG&E Lease Agreement (referred herein as the Unwind Transaction or Unwind). LG&E and KU, WKEC, and LEM are collectively referred to in the notes as "LG&E and KU Entities." This transaction was approved by the KPSC and the RUS. The Unwind Transaction resulted in Big Rivers recognizing a net gain of $537,978. This transaction resulted in the acquisition of assets, the assumption of liabilities, the forgiveness of liabilities, and the establishment of a regulatory reserve prescribed by the KPSC in their approval of the transaction. Assets and liabilities in the unwind transaction were accounted for at fair value or recorded value, as appropriate. The gain from the Unwind Transaction is summarized as follows:

		Unwind gain
Assets received:		
Cash	$	506,675
Coleman scrubber		98,500
Inventory		55,000
Construction in progress		23,074
Utility plant assets		19,679
SO2 allowances		980
Liabilities (assumed) forgiven:		
Economic reserve		(157,000)
Rural economic reserve		(60,856)
Post-retirement benefits liability		(8,768)
Residual value payments obligation		145,251
LEM Settlement Note		15,440
Recognition of (expenses) income:		
Deferred lease income		7,187
Deferred loss from termination of sale/leaseback		(73,829)
Deferred loss from LEM Marketing Payment/Settlement Note		(14,520)
Unwind transaction costs		(18,991)
Other		156
Gain on unwind transaction	$	537,978

The terms of the LG&E Lease Agreement as originally structured are outlined in the following text.

On July 15, 1998 (Effective Date), a lease was consummated (Lease Agreement), whereby Big Rivers leased its generating facilities to Western Kentucky Energy Corporation (WKEC), a wholly owned subsidiary of LG&E and KU. Pursuant to the Lease Agreement, WKEC operated the generating facilities and maintained title to all energy produced. Throughout the lease term, in order for Big Rivers to fulfill its obligation to supply power to its members, the Company purchased substantially all of its power requirements from LG&E Energy Marketing Corporation (LEM), a wholly owned subsidiary of LG&E and KU, pursuant to a power purchase agreement.

Big Rivers continued to operate its transmission facilities and charged LEM tariff rates for delivery of the energy produced by WKEC and consumed by LEM's customers. The significant terms of the Lease Agreement were as follows:

a. WKEC was to lease and operate Big Rivers' generation facilities through 2023.

b. Big Rivers retained ownership of the generation facilities both during and at the end of the lease term.

c. WKEC paid Big Rivers an annual lease payment of $30,965 over the lease term, subject to certain adjustments.

d. On the Effective Date, Big Rivers received $69,100 representing certain closing payments and the first two years of the annual lease payments. In accordance with FASB ASC 840, *Leases*, the Company amortized these payments to revenue on a straight-line basis over the life of the lease.

e. Big Rivers continued to provide power for its members, excluding the member loads serving the Aluminum Smelters, through its power purchase agreements with LEM and the Southeastern Power Administration, based on a pre-determined maximum capacity. When economically feasible, the Company also obtained the power necessary to supply its member loads, excluding the Aluminum Smelters, in the open market. Kenergy Corp.'s retail service for the Aluminum Smelters was served by LEM and other third-party providers that included Big Rivers. To the extent the power purchased from LEM did not reach pre-determined minimums, the Company was required to pay certain penalties. Also, to the extent additional power was available to Big Rivers under the LEM contract, Big Rivers made sales to nonmembers.

f. LEM reimbursed Big Rivers the margins expected from the Aluminum Smelters, defined as the net cash flows that Big Rivers anticipated receiving if the Company had continued to serve the Aluminum Smelters' load, as filed in the Rate Hearing (the Monthly Margin Payments).

g. WKEC was responsible for the operating costs of the generation facilities; however, Big Rivers was partially responsible for ordinary capital expenditures (Nonincremental Capital Costs) for the generation facilities over the term of the Lease Agreement, generally up to predetermined annual amounts. At the end of the lease term, Big Rivers was obligated to fund a "Residual Value Payment" to LG&E and KU for such capital additions during the lease (see note 1). Adjustments to the Residual Value Payment were made based upon actual capital expenditures. Additionally, WKEC made required capital improvements to the facilities to comply with new laws or changes to existing laws (Incremental Capital Costs) over the lease life (the Company was partially responsible for such costs—20% prior to termination of the lease) and the Company was required to submit another Residual Value Payment to LG&E and KU for the undepreciated value of WKEC's 80% share of these costs, at the end of the lease. The Company had title to these assets during the lease and upon lease termination.

h. Big Rivers entered into a note payable with LEM for $19,676 (the LEM Settlement Note) to be repaid over the term of the Lease Agreement, with an interest rate at 8% per annum, in consideration for LEM's assumption of the risk related to unforeseen costs with respect to power to be supplied to the Aluminum Smelters and the increased responsibility for financing capital improvements. The Company recorded this obligation as a component of deferred charges with the related payable recorded as long-term debt in the accompanying balance sheets. This deferred charge was amortized on a straight-line basis up to the Effective Date of the Unwind Transaction.

i. On the Effective Date, Big Rivers paid a nonrefundable marketing payment of $5,933 to LEM, which was recorded as a component of deferred charges. This amount was amortized on a straight-line basis up to the Effective Date of the Unwind Transaction.

j. During the lease term, Big Rivers was entitled to certain "billing credits" against amounts the Company owed LEM under the power purchase agreement. Each month during the first 55 months of the lease term, Big Rivers received a credit of $89. For the year 2011, Big Rivers was to receive a credit of $2,611 and for the years 2012 through 2023, the Company was to receive a credit of $4,111 annually.

In accordance with the power purchase agreement with LEM, the Company was allowed to purchase power in the open market rather than from LEM, incurring penalties when the power purchased from LEM did not meet certain minimum levels, and to sell excess power (power not needed to supply its jurisdictional load) in the open market (collectively referred to as Arbitrage). Pursuant to the New RUS Promissory Note (currently the RUS Series A Note) and the RUS ARVP Note (currently the RUS Series B Note), the benefit, net of tax, as defined, derived from Arbitrage had to be divided as follows: one-third, adjusted for capital expenditures, was used to make principal payments on the New RUS Promissory Note; one-third was used to make principal payments on the RUS ARVP Note; and the remaining value was retained by the Company.

(Dollars in thousands)

(3) Utility Plant

At December 31, 2011 and 2010, utility plant is summarized as follows:

		2011		2010
Classified plant in service:				
Production plant	$	1,706,243	$	1,689,024
Transmission plant		238,738		237,689
General plant		33,744		18,937
Other		543		543
		1,979,268		1,946,193
Less accumulated depreciation		936,355		909,501
		1,042,913		1,036,692
Construction in progress		49,150		54,874
Utility plant – net	$	1,092,063	$	1,091,566

Interest capitalized for the years ended December 31, 2011, 2010, and 2009, was $548, $684, and $133, respectively.

The Company has not identified any material legal asset retirement obligations, as defined in FASB ASC 410, *Asset Retirement and Environmental Obligations*. In accordance with regulatory treatment, the Company records an estimated net cost of removal of its utility plant through normal depreciation. As of December 31, 2011 and 2010, the Company had approximately $41,449 and $38,000, respectively, related to nonlegal removal costs included in accumulated depreciation.

(Dollars in thousands)

(4) Debt and Other Long-Term Obligations

A detail of long-term debt at December 31, 2011 and 2010 is as follows:

		2011		2010
RUS Series A Promissory Note, stated amount of $523,192, stated interest rate of 5.75%, with an imputed interest rate of 5.84% maturing July 2021	$	521,250	$	558,731
RUS Series B Promissory Note, stated amount of $245,530, no stated interest rate, with interest imputed at 5.80%, maturing December 2023		123,049		116,165
County of Ohio, Kentucky, promissory note, fixed interest rate of 6.00%, maturing in July 2031		83,300		83,300
County of Ohio, Kentucky, promissory note, variable interest rate (average interest rate of 3.30% and 3.27% in 2011 and 2010, respectively), maturing in June 2013		58,800		58,800
Total long-term debt		786,399		816,996
Current maturities		72,145		7,373
Total long-term debt – net of current maturities	$	714,254	$	809,623

The following are scheduled maturities of long-term debt at December 31:

		Amount
Year:		
2012	$	72,145
2013		79,260
2014		21,661
2015		22,955
2016		231,882
Thereafter		358,496
Total	$	786,399

(a) RUS Notes

On July 15, 1998, Big Rivers recorded the New RUS Promissory Note and the RUS ARVP Note at fair value using the applicable market rate of 5.82%. On the Unwind Closing Date, the New RUS Note and the ARVP Note were replaced with the RUS 2009 Promissory Note Series A and the RUS 2009 Promissory Note Series B, respectively. After an Unwind Closing Date payment of $140,181, the RUS 2009 Promissory Note Series A is recorded at an interest rate of 5.84%. The RUS 2009 Series B Note is recorded at an imputed interest rate of 5.80%. The RUS Notes are collateralized by substantially all assets of the Company and secured by the Indenture dated July 1, 2009 between the Company and U.S. Bank National Association.

(b) *Pollution Control Bonds*

In June 2010, the County of Ohio, Kentucky, issued $83,300 of Pollution Control Refunding Revenue Bonds, Series 2010A (Series 2010A Bonds), the proceeds of which are supported by a promissory note from Big Rivers, which bears the same interest rate. These bonds bear interest at a fixed rate of 6.00% and mature in July 2031.

The County of Ohio, Kentucky, issued $58,800 of Pollution Control Variable Rate Demand Bonds, Series 1983 (Series 1983 Bonds), the proceeds of which are supported by a promissory note from Big Rivers, which bears the same interest rate as the bonds. These bonds bear interest at a variable rate and mature in June 2013.

The Series 1983 Bonds are supported by a liquidity facility issued by Credit Suisse First Boston, which was assigned to Dexia Credit in 2006. In addition, the Series 1983 Bonds are supported by a municipal bond insurance and surety policy issued by Ambac Assurance Corporation. Big Rivers has agreed to reimburse Ambac Assurance Corporation for any payments under the municipal bond insurance policy or the surety policy. Both Series are secured by the Indenture dated July 1, 2009 between the company and U.S. Bank National Association.

The Series 1983 Bonds are subject to a maximum interest rate of 13.00%. The December 31, 2011 interest rate on the Series 1983 Pollution Control Bonds was 3.25%.

(c) *Notes Payable*

Notes payable represent the Company's borrowing on its line of credit with the National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank, ACB (CoBank). The maximum borrowing capacity on the lines of credit is $100,000 consisting of $50,000 each for CFC and CoBank. In March 2011, Big Rivers paid down the $10,000 of borrowings outstanding on the CoBank line of credit at December 31, 2010. The Company had no borrowings outstanding on the lines of credit at December 31, 2011. Letters of credit issued under an associated Letter of Credit Facility with CFC reduced the borrowing capacity on the CFC line of credit by $5,375 and $5,928 at December 31, 2011 and 2010, respectively. Advances on the CFC line of credit bear interest at a variable rate and outstanding balances are payable in full by the maturity date of July 16, 2014. The CFC variable rate is equal to the CFC Line of Credit Rate, which is defined as "the rate published by CFC from time to time, by electronic or other means, for similarly classified lines of credit, but if not published, then the rate determined for such lines of credit by CFC from time to time." Advances on the CoBank line of credit bear interest at a variable rate and outstanding balances are payable in full by the maturity date of July 16, 2012. The CoBank variable rate is a fixed rate per annum (for interest periods of 1, 2, 3, and 6 months) equal to LIBOR plus the Applicable Margin as determined by the Company's credit rating. On February 25, 2011, a $2,500 CFC line of credit, available to the Company to finance storm emergency repairs and expenses related to electric utility operations, matured.

(d) Covenants

Big Rivers is in compliance with all debt covenants associated with both long-term and short-term debt. The Company's Indenture and its line of credit with CFC require that a Margins for Interest Ratio (MFIR) of at least 1.10 be maintained for each fiscal year. The CoBank line of credit agreement requires that at the end of each fiscal year the Company have a Debt Service Coverage Ratio (DSCR) of not less than 1.20. Big Rivers' lines of credit with CFC and CoBank require Equity to Asset ratios of 12% and 15%, respectively. Big Rivers' 2011 MFIR was 1.12, its DSCR was 1.47 and the Asset to Equity Ratio was 27%.

(5) Rate Matters

The rates charged to Big Rivers' members consist of a demand charge per kilowatt (kW) and an energy charge per kilowatt hour (kWh) consumed as approved by the KPSC. The rates include specific demand and energy charges for its members' two classes of customers, the large industrial customers and the rural customers under its jurisdiction. For the large industrial customers, the demand charge is generally based on each customer's maximum demand during the current month. Effective September 1, 2011, the Company received approval from the KPSC to base the member rural demand charge on its Maximum Adjusted Net Local Load (as defined in Big Rivers tariff).

Prior to the Unwind Transaction the demand and energy charges were not subject to adjustments for increases or decreases in fuel or environmental costs. In conjunction with the Unwind Transaction, the KPSC approved the implementation of certain tariff riders; including a fuel adjustment clause and an environmental surcharge, offset by an unwind surcredit (a refund to tariff members of certain charges collected from the Aluminum Smelters in accordance with the contract terms). The net effect of these tariffs is recognized as revenue on a monthly basis with a partial offset to the regulatory liability – member rate mitigation described below.

The net impact of the tariff riders to members rates is currently mitigated by a Member Rate Stability Mechanism (MRSM) that was funded by certain cash amounts received from the E.ON Entities in connection with the Unwind Transaction (the Economic and Rural Economic Reserves) and held by Big Rivers as restricted investments. An offsetting regulatory liability – member rate mitigation was established with the funding of these accounts.

In its order approving the Unwind Transaction, the KPSC stipulated that Big Rivers file a rate case within three years of the Unwind Closing Date or by July 2012. On March 1, 2011, the Company filed an application with the KPSC requesting, among other things, authority to adjust its rates for wholesale electric service. The KPSC entered an order on November 17, 2011, granting Big Rivers an annual revenue increase of $26,745. One of the intervenors in the case has filed an appeal seeking, among other things, an approximate $6,200 reduction in the revenue relief granted in the order, and will presumably ask that any relief obtained be retroactive to the effective date of the rates approved in the order (September 1, 2011). Big Rivers has also sought rehearing on certain matters raised in the order that could increase Big Rivers' annual revenue by $2,735.

The wholesale rates established for the members nonsmelter large direct-served industrial customers (the Large Industrial Rate) provide the basis for pricing the energy consumed by the Aluminum Smelters.

(Dollars in thousands)

The primary component of the pricing used for the Aluminum Smelters is an energy charge in dollars per megawatt hour (MWh) determined by applying the Large Industrial Rate to a load with a 98% load factor, and adding an additional charge of $0.25 per MWh. The other components reflected in the pricing of the Aluminum Smelters' energy usage are certain charges and credits as provided for under the terms of the Aluminum Smelters' wholesale electric service agreements between Big Rivers and Kenergy Corp. (Kenergy Corp. is the retail provider for the Aluminum Smelters load).

(6) Income Taxes

At December 31, 2011, Big Rivers had a Nonpatron Net Operating Loss Carryforward of approximately $32,434 expiring at various times between 2011 and 2031, and an Alternative Minimum Tax Credit Carryforward of approximately $7,138, which carries forward indefinitely.

The Company has not recorded any regular income tax expense for the years ended December 31, 2011, 2010, and 2009, as the Company has utilized federal net operating losses to offset any regular taxable income during those years. Had the Company not had the benefit of a net operating loss carryforward, the Company would have recorded $3,613, $3,846, and $19,619 in current regular tax expense for the years ended December 31, 2011, 2010 and 2009, respectively.

The components of the net deferred tax assets as of December 31, 2011 and 2010 were as follows:

	2011	2010
Deferred tax assets:		
Net operating loss carryforward	$ 12,812	$ 16,730
Alternative minimum tax credit carryforwards	7,138	6,038
Member rate mitigation	10,326	10,326
Fixed asset basis difference	3,980	10,752
RUS Series B Note	19,689	14,767
Total deferred tax assets	53,945	58,613
Deferred tax liabilities:		
RUS Series B Note	—	—
Bond refunding costs	(9)	(8)
Total deferred tax liabilities	(9)	(8)
Net deferred tax asset (prevaluation allowance)	53,936	58,605
Valuation allowance	(53,936)	(58,605)
Net deferred tax asset	$ —	$ —

(Dollars in thousands)

A reconciliation of the Company's effective tax rate for 2011, 2010, and 2009 follows:

	2011	2010	2009
Federal rate	35.0%	35.0%	35.0%
State rate – net of federal benefit	4.5	4.5	4.5
Permanent differences	0.9	0.5	—
Patronage allocation to members	(40.8)	(38.8)	(35.4)
Tax benefit of operating loss carryforwards and other	0.4	(1.2)	(4.1)
Alternative minimum tax	3.5	3.0	0.2
Effective tax rate	3.5%	3.0%	0.2%

The Company files a federal income tax return, as well as certain state income tax returns. The years currently open for federal tax examination are 2007 through 2011 and 1996 through 1997, due to unused net operating loss carryforwards. The major state tax jurisdiction currently open for tax examination is Kentucky for years 2004 through 2011 and years 2001 through 2003, also due to unused net operating loss carryforwards. The Company has not recorded any unrecognized tax benefits or liabilities related to federal or state income taxes.

The Company classifies interest and penalties as an operating expense on the income statement and accrued expense in the balance sheet. No material interest or penalties have been recorded during 2011, 2010, or 2009.

(7) Power Purchased

Prior to the Unwind Transaction and in accordance with the Lease Agreement, Big Rivers supplied all of the members' requirements for power to serve their customers, other than the Aluminum Smelters. Contract limits were established in the Lease Agreement and included minimum and maximum hourly and annual power purchase amounts. Big Rivers could not reduce the contract limits by more than 12 MW in any year or by more than a total of 72 MW over the lease term. In the event Big Rivers failed to take the minimum requirement during any hour or year, Big Rivers was liable to LEM for a certain percentage of the difference between the amount of power actually taken and the applicable minimum requirement.

Although Big Rivers was required by the Lease Agreement to purchase minimum hourly and annual amounts of power from LEM, the lease did not prevent Big Rivers from paying the associated penalty in certain hours to purchase lower cost power, if available, in the open market or reselling a portion of its purchased power to a third party. The power purchases made under this agreement for the year ended December 31, 2009, was $51,592 and is included in power purchased and interchanged on the statement of operations.

(8) Pension Plans

(a) Defined Benefit Plans

Big Rivers has noncontributory defined benefit pension plans covering substantially all employees who meet minimum age and service requirements and who were employed by the Company prior to the plans closure dates cited below. The plans provide benefits based on the participants' years of service and the five highest consecutive years' compensation during the last ten years of employment. Big Rivers' policy is to fund such plans in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

The salaried employees defined benefit plan was closed to new entrants effective January 1, 2008, and the bargaining employees defined benefit plan was closed to new hires effective November 1, 2008. The Company simultaneously established base contribution accounts in the defined contribution thrift and 401(k) savings plans, which were renamed as the retirement savings plans. The base contribution account for an eligible employee, which is one who meets the minimum age and service requirements, but for whom membership in the defined benefit plan is closed, is funded by employer contributions based on graduated percentages of the employee's pay, depending on his or her age.

The Company has adopted FASB ASC 715, *Compensation – Retirement Benefits*, including the requirement to recognize the funded status of its pension plans and other postretirement plans (see note 11 – Postretirement Benefits Other Than Pensions). FASB ASC 715 defines the funded status of a defined benefit pension plan as the fair value of its assets less its projected benefit obligation, which includes projected salary increases, and defines the funded status of any other postretirement plan as the fair value of its assets less its accumulated postretirement benefit obligation.

FASB ASC 715 also requires an employer to measure the funded status of a plan as of the date of its year-end balance sheet and requires disclosure in the notes to the financial statements certain additional information related to net periodic benefit costs for the next fiscal year. The Company's pension and other postretirement benefit plans are measured as of December 31, 2011 and 2010.

(Dollars in thousands)

The following provides an overview of the Company's noncontributory defined benefit pension plans.

A reconciliation of the Company's benefit obligations of its noncontributory defined benefit pension plans at December 31, 2011 and 2010 follows:

		2011		2010
Benefit obligation – beginning of period	$	28,804	$	25,493
Service cost – benefits earned during the period		1,279		1,289
Interest cost on projected benefit obligation		1,296		1,368
Benefits paid		(481)		(806)
Actuarial loss		845		1,460
Benefit obligation – end of period	$	31,743	$	28,804

The accumulated benefit obligation for all defined benefit pension plans was $25,482 and $21,977 at December 31, 2011 and 2010, respectively.

A reconciliation of the Company's pension plan assets at December 31, 2011 and 2010 follows:

		2011		2010
Fair value of plan assets – beginning of period	$	25,267	$	22,270
Actual return on plan assets		324		2,707
Employer contributions		2,890		1,096
Benefits paid		(481)		(806)
Fair value of plan assets – end of period	$	28,000	$	25,267

The funded status of the Company's pension plans at December 31, 2011 and 2010 follows:

		2011		2010
Benefit obligation – end of period	$	(31,743)	$	(28,804)
Fair value of plan assets – end of period		28,000		25,267
Funded status	$	(3,743)	$	(3,537)

(Dollars in thousands)

Components of net periodic pension costs for the years ended December 31, 2011, 2010, and 2009 were as follows:

	2011	2010	2009
Service cost	$ 1,279	$ 1,289	$ 1,241
Interest cost	1,296	1,368	1,466
Expected return on plan assets	(1,737)	(1,533)	(1,332)
Amortization of prior service cost	14	19	19
Amortization of actuarial loss	461	584	834
Settlement loss	—	—	1,690
Net periodic benefit cost	$ 1,313	$ 1,727	$ 3,918

A reconciliation of the pension plan amounts in accumulated other comprehensive income at December 31, 2011 and 2010 follows:

	2011	2010
Prior service cost	$ (26)	$ (40)
Unamortized actuarial loss	(11,151)	(9,354)
Accumulated other comprehensive income	$ (11,177)	$ (9,394)

In 2012, $14 of prior service cost and $696 of actuarial loss is expected to be amortized to periodic benefit cost.

The recognized adjustments to other comprehensive income (loss) at December 31, 2011 and 2010 follows:

	2011	2010
Prior service cost	$ 14	$ 19
Unamortized actuarial gain (loss)	(1,797)	297
Other comprehensive income (loss)	$ (1,783)	$ 316

At December 31, 2011 and 2010, amounts recognized in the balance sheets were as follows:

	2011	2010
Deferred credits and other	$ (3,743)	$ (3,537)

(Dollars in thousands)

Assumptions used to develop the projected benefit obligation and determine the net periodic benefit cost were as follows:

	2011	2010	2009
Discount rate – projected benefit obligation	4.26%	4.95%	5.59%
Discount rate – net periodic benefit cost	4.95	5.59	6.38
Rates of increase in compensation levels	4.00	4.00	4.00
Expected long-term rate of return on assets	7.25	7.25	7.25

The expected long-term rate of return on plan assets for determining net periodic pension cost for each fiscal year is chosen by the Company from a best estimate range determined by applying anticipated long-term returns and long-term volatility for various asset categories to the target asset allocation of the plans, as well as taking into account historical returns.

Using the asset allocation policy adopted by the Company noted in the paragraph below, we determined the expected rate of return at a 50% probability of achievement Level based on (a) forward-looking rate of return expectations for passively managed asset categories over a 20-year time horizon and (b) historical rates of return for passively managed asset categories. Applying an approximately 80%/20% weighting to the rates determined in (a) and (b), respectively, produced an expected rate of return of 7.28%, which was rounded to 7.25%.

Big Rivers utilizes a third party investment manager for the plan assets, and has communicated thereto the Company's Retirement Plan Investment Policy, including a target asset allocation mix of 50% U.S. Equities (an acceptable range of 45%-55%), 15% International Equities (an acceptable range of 10%-20%), and 35% fixed income (an acceptable range of 30%-40%). As of December 31, 2011 and 2010, the investment allocation was 56% and 58%, respectively, in U.S. Equities, 8% and 9%, respectively, in International Equities, and 36% and 33%, respectively, in fixed income. The objective of the investment program seeks to (a) maximize return on investment, (b) minimize volatility, (c) minimize company contributions, and (d) provide the employee benefit in accordance with the plans. The portfolio is well diversified and of high quality. The average quality of the fixed income investments must be "A" or better. The equity portfolio must also be of investment grade quality. The performance of the investment manager is reviewed semi-annually.

(Dollars in thousands)

At December 31, 2011 and 2010, the fair value of Big Rivers' defined benefit pension plan assets by asset category are as follows:

	Level 1	Level 2	December 31, 2011
Cash and money market	$ 2,129	$ —	$ 2,129
Equity securities:			
U.S. large-cap stocks	10,178	—	10,178
U.S. mid-cap stock mutual funds	3,365	—	3,365
U.S. small-cap stock mutual funds	1,666	—	1,666
International stock mutual funds	2,168	—	2,168
Preferred stock	493	—	493
Fixed:			
TIPS bond fund	723	—	723
U.S. government agency bonds	—	1,085	1,085
Taxable U.S. municipal bonds	—	3,258	3,258
U.S. corporate bonds	—	2,630	2,630
Global bond fund	—	305	305
	$ 20,722	$ 7,278	$ 28,000

	Level 1	Level 2	December 31, 2010
Cash and money market	$ 1,517	$ —	$ 1,517
Equity securities:			
U.S. large-cap stocks	9,731	—	9,731
U.S. mid-cap stock mutual funds	2,926	—	2,926
U.S. small-cap stock mutual funds	1,448	—	1,448
International stock mutual funds	2,194	—	2,194
Preferred stock	490	—	490
Fixed:			
TIPS bond fund	161	—	161
U.S. government agency bonds	—	1,843	1,843
Taxable U.S. municipal bonds	—	2,635	2,635
U.S. corporate bonds	—	2,322	2,322
	$ 18,467	$ 6,800	$ 25,267

(Dollars in thousands)

Expected retiree pension benefit payments projected to be required during the years following 2011 are as follows:

		Amount
Years ending December 31:		
2012	$	2,330
2013		4,386
2014		1,799
2015		3,196
2016		3,265
2017 – 2020		10,986
Total	$	25,962

In 2012, the Company expects to contribute $970 to its pension plan trusts.

(b) Defined Contribution Plans

Big Rivers has two defined contribution retirement plans covering substantially all employees who meet minimum age and service requirements. Each plan has a thrift and 401(k) savings section allowing employees to contribute up to 75% of pay on a pre-tax and/or after-tax basis, with employer matching contributions equal to 60% of the first 6% contributed by the employee on a pre-tax basis.

A base contribution retirement section was added and the plan name changed from thrift and 401(k) savings to retirement savings, effective January 1, 2008, for the salaried plan and November 1, 2008, for the bargaining plan. The base contribution account is funded by employer contributions based on graduated percentages of pay, depending on the employee's age.

The Company's expense under these plans was $4,464 and $4,389 for the years ended December 31, 2011 and 2010, respectively.

(c) Deferred Compensation Plan

Big Rivers sponsors a nonqualified deferred compensation plan for its eligible employees who are members of a select group of management or highly compensated employees. The purpose of the plan is to allow participants to receive contributions or make deferrals that they could not receive or make under the salaried employees qualified defined contribution retirement savings plan (formerly the thrift and 401(k) savings plan) as a result of nondiscrimination rules and other limitations applicable to the qualified plan under the Internal Revenue Code. The nonqualified plan also allows a participant to defer a percentage of his or her pay on a pre-tax basis.

The nonqualified deferred compensation plan is unfunded, but the Company has chosen to finance its obligations under the plan, including any employee deferrals, through a rabbi trust. The trust assets remain a part of the Company's general assets, subject to the claims of its creditors. The 2011 employer contribution was $58 and deferred compensation expense was $81. As of December 31, 2011, the trust asset was $283 and the deferred liability was $202.

(Dollars in thousands)

(9) Restricted Investments

The amortized costs and fair values of Big Rivers restricted investments held for member rate mitigation at December 31, 2011 and 2010 are as follows:

	2011		2010	
	Amortized costs	Fair values	Amortized costs	Fair values
Cash and money market	$ 12,765	$ 12,764	$ 12,812	$ 12,812
Debt securities:				
U.S. Treasuries	62,073	63,917	60,941	62,582
U.S. government agency	88,324	88,485	143,809	143,922
Total	$ 163,162	$ 165,166	$ 217,562	$ 219,316

Gross unrealized gains and losses on restricted investments at December 31, 2011 and 2010 were as follows:

	2011		2010	
	Gains	Losses	Gains	Losses
Cash and money market	$ —	$ —	$ —	$ —
Debt securities:				
U.S. Treasuries	1,843	—	1,641	—
U.S. government agency	161	—	331	217
Total	$ 2,004	$ —	$ 1,972	$ 217

Debt securities at December 31, 2011 and 2010 mature, according to their contractual terms, as follows (actual maturities may differ due to call or prepayment rights):

	2011		2010	
	Amortized costs	Fair values	Amortized costs	Fair values
In one year or less	$ 43,021	$ 43,092	$ 71,111	$ 71,193
After one year through five years	120,141	122,074	146,451	148,123
Total	$ 163,162	$ 165,166	$ 217,562	$ 219,316

(Dollars in thousands)

Gross unrealized losses on investments and the fair values of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2011 and 2010 were as follows:

	2011		2010	
	Less than 12 months		Less than 12 months	
	Losses	Fair values	Losses	Fair values
Debt securities:				
U.S. Treasuries	$ —	$ —	$ —	$ —
U.S. government agency	—	—	217	15,783
Total	$ —	$ —	$ 217	$ 15,783

The unrealized loss positions were primarily caused by interest rate fluctuations. The number of investments in an unrealized loss position as of December 31, 2011 and 2010 was zero and one, respectively. Since the Company does not intend to sell and will more likely than not maintain each debt security until its anticipated recovery, and no significant credit risk is deemed to exist, these investments are not considered other-than-temporarily impaired.

(10) Fair Value of Other Financial Instruments

FASB ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measures. It applies under other accounting standards that require or permit fair value measurements and does not require any new fair value measurements.

The carrying value of accounts receivable, and accounts payable approximate fair value due to their short maturity. At December 31, the Company's cash and cash equivalents included short-term investments in an institutional money market government portfolio account classified as trading securities under ASC 320, *Investments – Debt and Equity Securities,* that were recorded at fair value which were determined using quoted market prices for identical assets without regard to valuation adjustment or block discount (a Level 1 measure), as follows:

	2011	2010
Institutional money market government portfolio	$ 44,844	$ 44,774

It was not practical to estimate the fair value of patronage capital included within other deposits and investments due to these being untraded companies.

Big Rivers' long-term debt at December 31, 2011 consists of RUS notes totaling $644,299, variable rate pollution control bonds in the amount of $58,800, and fixed rate pollution control bonds in the amount of $83,300 (see note 4). The RUS debt cannot be traded in the market and, therefore, a value other than its outstanding principal amount cannot be determined. The fair value of the Company's variable rate pollution control debt is par value, as each variable rate reset effectively prices such debt to the current market. At December 31, 2011, the fair value of Big Rivers' fixed rate pollution control debt was determined based on quoted prices in active markets of identical liabilities (Level 1 measure) and totaled $86,399.

(Dollars in thousands)

(11) Postretirement Benefits Other than Pensions

Big Rivers provides certain postretirement medical benefits for retired employees and their spouses. Generally, except for generation bargaining retirees, Big Rivers pays 85% of the premium cost for all retirees age 62 to 65. The Company pays 25% of the premium cost for spouses under age 62. For salaried retirees age 55 to age 62, Big Rivers pays 25% of the premium cost. Beginning at age 65, the Company pays 25% of the premium cost if the retiree is enrolled in Medicare Part B. For each generation bargaining retiree, Big Rivers establishes a retiree medical account at retirement equal to $1,200 per year of service up to 30 years ($1,250 per year for those retiring on or after January 1, 2012). The account balance is credited with interest based on the 10-year treasury rate subject to a minimum of 4% and a maximum of 7%. The account is to be used for the sole purpose of paying the premium cost for the retiree and spouse.

The discount rates used in computing the postretirement benefit obligation and net periodic benefit cost were as follows:

	2011	2010	2009
Discount rate – projected benefit obligation	4.29%	4.96%	5.78%
Discount rate – net periodic benefit cost	4.96	5.78	6.32

The health care cost trend rate assumptions as of December 31, 2011 and 2010 were as follows:

	2011	2010
Initial trend rate	7.40%	7.60%
Ultimate trend rate	4.50	4.50
Year ultimate trend is reached	2028	2028

A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	2011	2010
One-percentage-point decrease:		
Effect on total service and interest cost components	$ (211)	$ (201)
Effect on year end benefit obligation	(1,056)	(1,131)
One-percentage-point increase:		
Effect on total service and interest cost components	254	236
Effect on year end benefit obligation	1,226	1,306

(Continued)

(Dollars in thousands)

A reconciliation of the Company's benefit obligations of its postretirement plan at December 31, 2011 and 2010 follows:

		2011		2010
Benefit obligation – beginning of period	$	15,864	$	13,864
Service cost – benefits earned during the period		1,253		1,313
Interest cost on projected benefit obligation		754		743
Participant contributions		160		85
Benefits paid		(611)		(313)
Actuarial loss		620		172
Benefit obligation – end of period	$	18,040	$	15,864

A reconciliation of the Company's postretirement plan assets at December 31, 2011 and 2010 follows:

		2011		2010
Fair value of plan assets – beginning of period	$	—	$	—
Employer contributions		451		228
Participant contributions		160		85
Benefits paid		(611)		(313)
Fair value of plan assets – end of period	$	—	$	—

The funded status of the Company's postretirement plan at December 31, 2011 and 2010 follows:

		2011		2010
Benefit obligation – end of period	$	(18,040)	$	(15,864)
Fair value of plan assets – end of period		—		—
Funded status	$	(18,040)	$	(15,864)

The components of net periodic postretirement benefit costs for the years ended December 31, 2011, 2010, and 2009 were as follows:

		2011		2010		2009
Service cost	$	1,253	$	1,313	$	878
Interest cost		754		743		464
Amortization of prior service cost		17		17		17
Amortization of actuarial (gain)		—		—		(17)
Amortization of transition obligation		31		31		31
Net periodic benefit cost	$	2,055	$	2,104	$	1,373

(Dollars in thousands)

A reconciliation of the postretirement plan amounts in accumulated other comprehensive income (loss) at December 31, 2011 and 2010 follows:

		2011		2010
Prior service cost	$	(130)	$	(147)
Unamortized actuarial gain (loss)		(385)		235
Transition obligation		(31)		(62)
Accumulated other comprehensive income (loss)	$	(546)	$	26

In 2012, $18 of prior service cost, $0 of actuarial gain, and $31 of the transition obligation is expected to be amortized to periodic benefit cost.

The recognized adjustments to other comprehensive loss at December 31, 2011 and 2010 follows:

		2011		2010
Prior service cost	$	17	$	18
Unamortized actuarial loss		(620)		(172)
Transition obligation		31		30
Other comprehensive loss	$	(572)	$	(124)

At December 31, 2011 and 2010, amounts recognized in the balance sheets were as follows:

		2011		2010
Accounts payable	$	(762)	$	(600)
Deferred credits and other		(17,278)		(15,264)
Net amount recognized	$	(18,040)	$	(15,864)

Expected retiree benefit payments projected to be required during the years following 2011 are as follows:

		Amount
Year:		
2012	$	761
2013		963
2014		1,148
2015		1,277
2016		1,383
2017 – 2021		8,754
Total	$	14,286

In addition to the postretirement plan discussed above, in 1992 Big Rivers began a postretirement benefit plan, which vests a portion of accrued sick leave benefits to salaried employees upon retirement or death. To the extent an employee's sick leave hour balance exceeds 480 hours such excess hours are paid at 20% of the employee's base hourly rate at the time of retirement or death. The accumulated obligation recorded for the postretirement sick leave benefit is $579 and $391 at December 31, 2011 and 2010, respectively. The postretirement expense recorded was $191, $21, and $45 for 2011, 2010, and 2009, respectively, and the benefits paid were $3, $5, and $78 for 2011, 2010, and 2009, respectively.

(12) Related Parties

For the years ended December 31, 2011, 2010, and 2009, Big Rivers had tariff sales to its members of $151,472, $151,001, and $125,826, respectively. In addition, for the years ended December 31, 2011, 2010, and 2009, Big Rivers had certain sales to Kenergy for the Aluminum Smelters and Domtar Paper loads of $306,420, $281,473, and $167,885, respectively.

At December 31, 2011 and 2010, Big Rivers had accounts receivable from its members of $40,314 and $36,636, respectively.

(13) Commitments and Contingencies

Big Rivers is involved in litigation arising in the normal course of business. While the results of such litigation cannot be predicted with certainty, management, based upon advice of counsel, believes that the final outcome will not have a material adverse effect on the financial statements.

Big Rivers plans to seek KPSC approval for its 2012 environmental compliance plan (ECP) in an April 2012 filing. This ECP will consist of $283,490 of capital projects, primarily for a new scrubber at the D.B. Wilson station and a new selective catalytic reduction facility at the R.D. Green station, and certain additional operations and maintenance costs. The purpose of the ECP is to allow Big Rivers to comply, in the most cost-effective manner, with the U.S. Environmental Protection Agency Cross-State Air Pollution Rule, and Mercury and Other Air Toxics Standards. Among other things, the ECP filing will seek to recover the costs of the ECP through an amendment to Big Rivers' existing environmental surcharge tariff rider, an automatic cost-recovery mechanism that is similar in function to the fuel adjustment clause. The regulatory process is expected to last six months after the filing date.

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 8) *Provide a copy of BREC's RUS Form 12 (inclusive of all schedules) for the year ended December 31, 2011.*

Response) Big Rivers' RUS Financial and Operating Report Electric Power Supply (formerly RUS Form 12) for the year ended December 31, 2011, is attached.

Witness) Mark A. Hite

Big Rivers ELECTRIC CORPORATION

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

FINAL

April 2, 2012

Mr. Victor T. Vu
Director, Power Supply Division
USDA/RUS
1400 Independence Avenue, SW, Stop 1568
Washington, DC 20250 1568

RE: RUS Form 12

Dear Mr. Vu:

Enclosed is the original signed Certification page of the electronically submitted Annual Operating Reports, Parts A, B, C, D, F, H, and I for the year ending December 31, 2011.

A copy of this Part A filing has been mailed to each of the parties listed below.

If you have any questions, please contact Donna Windhaus, Manager General Accounting at (270) 844-6167.

Sincerely,
BIG RIVERS ELECTRIC CORPORATION

Mark A. Hite

Mark A. Hite, CPA
Vice President Accounting and Interim CFO

MH/msb
Enclosures

00002

C: Big Rivers' Board of Directors
Chairman – Kentucky Public Service Commission
Jeff Cline – Kentucky Public Service Commission
James M. Miller, Esq. – Sullivan, Mountjoy, Stainback & Miller, P.S.C.
Mr. Sandy Novick – Kenergy
Mr. Burns Mercer – Meade County R.E.C.C.
Mr. G. Kelly Nuckols – Jackson Purchase Energy Corporation
Ms. Kelli McClellan – EP-MN-WS3C – US. Bank Corporate Trust Services
Mr. Philip G. Kane Jr. – U. S. Bank National Association
Ms. Suk-Ling Ng – U. S. Bank National Association
Mr. John List - NRUCFC
Mr. Mark Glotfelty – Goldman, Sachs & Co.
Mr. Jeffrey Childs – CoBank, ACB
Mr. Fil Agusti – Steptoe & Johnson, LLP
Mr. Ryan Baynes – Midwest ISO
Mr. Jeremy Jenkins – Alcan Primary Products
Mr. Tim Martin – Century Aluminum
Mr. Doug Nelson – Wadell & Reed
Joseph P. Charles – KPMG LLP
Scott A. Heiser – KPMG LLP
Kevin Lyons – KPMG LLP
Email only: CRM.StructuredFinance@dexia-us.com
Email only: tbruckman@ambac.com
Email only: document_management@ambac.com

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 21 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY**	BORROWER DESIGNATION KY0062 PERIOD ENDED December, 2011
INSTRUCTIONS - See help in the online application.	BORROWER NAME Big Rivers Electric Corporation

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

☑ All of the obligations under the RUS loan documents have been fulfilled in all material respects.

☐ There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part A Section C of this report.

Mark A. Bailey 3/28/12
DATE

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT** **ELECTRIC POWER SUPPLY** **PART A - FINANCIAL**	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	(d)
1. Electric Energy Revenues	514,490,437	558,372,354	544,848,212	47,411,310
2. Income From Leased Property (Net)				
3. Other Operating Revenue and Income	12,834,016	3,616,878	19,083,996	379,876
4. Total Operation Revenues & Patronage Capital *(1 thru 3)*	527,324,453	561,989,232	563,932,208	47,791,186
5. Operating Expense – Production - Excluding Fuel	52,506,942	50,410,485	64,788,729	4,672,988
6. Operating Expense – Production - Fuel	207,748,520	226,229,050	206,689,669	19,074,410
7. Operating Expense – Other Power Supply	99,421,265	112,261,892	109,893,232	9,728,939
8. Operating Expense – Transmission	7,888,483	9,183,058	12,297,288	841,338
9. Operating Expense – RTO/ISO	233,099	2,529,532	2,783,040	211,850
10. Operating Expense – Distribution				
11. Operating Expense – Customer Accounts				
12. Operating Expense – Customer Service & Information	446,300	631,535	863,960	193,230
13. Operating Expense – Sales	239,803	185,004	918,500	44,078
14. Operating Expense – Administrative & General	26,461,943	26,557,242	25,728,474	2,854,518
15. Total Operation Expense *(5 thru 14)*	394,946,355	427,987,798	423,962,892	37,621,351
16. Maintenance Expense – Production	42,156,863	42,896,418	47,234,025	3,894,676
17. Maintenance Expense – Transmission	4,473,124	4,680,625	3,262,807	563,893
18. Maintenance Expense – RTO/ISO				
19. Maintenance Expense – Distribution				
20. Maintenance Expense – General Plant	250,361	140,534	103,595	7,010
21. Total Maintenance Expense *(16 thru 20)*	46,880,348	47,717,577	50,600,427	4,465,579
22. Depreciation and Amortization Expense	34,242,192	35,406,806	36,227,624	3,252,184
23. Taxes	262,798	98,389	249,228	(30,000)
24. Interest on Long-Term Debt	47,064,226	45,715,144	47,366,652	3,788,739
25. Interest Charged to Construction – Credit	(683,535)	(548,206)	(425,884)	(40,372)
26. Other Interest Expense	189,162	59,249	228,904	9
27. Asset Retirement Obligations				
28. Other Deductions	166,390	220,434	137,395	17,651
29. Total Cost Of Electric Service *(15 + 21 thru 28)*	523,067,936	556,657,191	558,347,238	49,075,141
30. Operating Margins *(4 less 29)*	4,256,517	5,332,041	5,584,970	(1,283,955)
31. Interest Income	391,494	150,516	385,669	6,179
32. Allowance For Funds Used During Construction				
33. Income (Loss) from Equity Investments				
34. Other Non-operating Income (Net)	2,321,612	9,288		
35. Generation & Transmission Capital Credits				
36. Other Capital Credits and Patronage Dividends	21,292	108,536	96,438	3,883
37. Extraordinary Items				
38. Net Patronage Capital Or Margins *(30 thru 37)*	6,990,915	5,600,381	6,067,077	(1,273,893)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART A - FINANCIAL**	BORROWER DESIGNATION KY0062
INSTRUCTIONS – See help in the online application.	PERIOD ENDED December, 2011

SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1.	Total Utility Plant in Service	1,979,267,724	33.	Memberships	75
2.	Construction Work in Progress	49,150,583	34.	Patronage Capital	
3.	**Total Utility Plant (*1 + 2*)**	2,028,418,307		a. Assigned and Assignable	0
4.	Accum. Provision for Depreciation and Amortization	936,354,953		b. Retired This year	0
				c. Retired Prior years	0
5.	**Net Utility Plant (*3 - 4*)**	1,092,063,354		**d. Net Patronage Capital (*a - b - c*)**	0
6.	Non-Utility Property (Net)	0	35.	Operating Margins - Prior Years	(247,338,928)
7.	Investments in Subsidiary Companies	0	36.	Operating Margin - Current Year	5,440,576
8.	Invest. in Assoc. Org. - Patronage Capital	3,648,303	37.	Non-Operating Margins	638,997,537
9.	Invest. in Assoc. Org. - Other - General Funds	684,993	38.	Other Margins and Equities	(7,278,745)
10.	Invest. in Assoc. Org. - Other - Nongeneral Funds	0	39.	**Total Margins & Equities (*33 +34d thru 38*)**	389,820,515
11.	Investments in Economic Development Projects	10,000			
12.	Other Investments	5,334	40.	Long-Term Debt - RUS (Net)	572,153,789
13.	Special Funds	164,151,431	41.	Long-Term Debt - FFB - RUS Guaranteed	0
14.	**Total Other Property And Investments (*6 thru 13*)**	168,500,061	42.	Long-Term Debt - Other - RUS Guaranteed	0
			43.	Long-Term Debt - Other (Net)	142,100,000
15.	Cash - General Funds	5,698	44.	Long-Term Debt - RUS - Econ. Devel. (Net)	0
16.	Cash - Construction Funds - Trustee	0	45	Payments – Unapplied	0
17.	Special Deposits	572,679	46.	**Total Long-Term Debt (*40 thru 44 - 45*)**	714,253,789
18.	Temporary Investments	44,843,791	47.	Obligations Under Capital Leases Noncurrent	0
19.	Notes Receivable (Net)	0	48.	Accumulated Operating Provisions and Asset Retirement Obligations	22,098,788
20.	Accounts Receivable - Sales of Energy (Net)	43,114,276	49.	**Total Other NonCurrent Liabilities (*47 + 48*)**	22,098,788
21.	Accounts Receivable - Other (Net)	232,280			
22.	Fuel Stock	33,894,014	50.	Notes Payable	0
23.	Renewable Energy Credits	0	51.	Accounts Payable	30,324,950
24.	Materials and Supplies - Other	25,295,264	52.	Current Maturities Long-Term Debt	72,144,640
25.	Prepayments	4,507,736	53.	Current Maturities Long-Term Debt - Rural Devel.	0
26.	Other Current and Accrued Assets	943,684	54.	Current Maturities Capital Leases	0
27.	**Total Current And Accrued Assets (*15 thru 26*)**	153,409,422	55.	Taxes Accrued	956,559
			56.	Interest Accrued	9,898,751
28.	Unamortized Debt Discount & Extraordinary Property Losses	2,079,214	57	Other Current and Accrued Liabilities	9,423,267
29.	Regulatory Assets	0	58.	**Total Current & Accrued Liabilities (*50 thru 57*)**	122,748,167
30.	Other Deferred Debits	1,870,225	59	Deferred Credits	169,001,017
31.	Accumulated Deferred Income Taxes	0	60.	Accumulated Deferred Income Taxes	0
32.	**Total Assets and Other Debits (*5+14+27 thru 31*)**	1,417,922,276	61.	**Total Liabilities and Other Credits (*39 + 46 + 49 + 58 thru 60*)**	1,417,922,276

00006

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY**	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

SECTION C. NOTES TO FINANCIAL STATEMENTS

Footnote to RUS Financial and Operating Report Electric Power Supply - Part A

Financial Ratios: 2011

Margins For Interest Ratio (MFIR) 1.12

00007

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY**	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

SECTION C. CERTIFICATION LOAN DEFAULT NOTES

00008

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY**	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2011

PART B SE - SALES OF ELECTRICITY

Sale No.	Name Of Company or Public Authority (a)	RUS Borrower Designation (b)	Statistical Classification (c)	Renewable Energy Program Name (d)	Primary Renewable Fuel Type (e)	Average Monthly Billing Demand (MW) (f)	Actual Average Monthly NCP Demand (g)	Actual Average Monthly CP Demand (h)
1	Ultimate Consumer(s)		AD					
2	Jackson Purchase Energy Corp	KY0020	RQ			126	138	123
3	Kenergy Corporation (KY0065)	KY0065	RQ			366	381	337
4	Kenergy Corporation (KY0065)	KY0065	IF					
5	Kenergy Corporation (KY0065)	KY0065	LF					
6	Meade County Rural E C C	KY0018	RQ			92	98	86
7	PowerSouth Energy Cooperative	AL0042	OS					
8	American Electric Power (AEP)		OS					
9	Cargill-Alliant LLC		OS					
10	Constellation Energy Commodities		OS					
11	EDF Trading North America, LLC		OS					
12	Henderson Munic Power & Light		OS					
13	Kentucky Utilities Company		OS					
14	Midwest Independent		OS					
15	PJM Interconnection (PA)		OS					
16	Southern Company Services		OS					
	Total for Ultimate Consumer(s)							
	Total for Distribution Borrowers					584	617	546
	Total for G&T Borrowers					0	0	0
	Total for Other					0	0	0
	Grand Total					584	617	546

00009

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE *FINANCIAL AND OPERATING REPORT* **ELECTRIC POWER SUPPLY**	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2011

PART B SE - SALES OF ELECTRICITY

Sale No	Electricity Sold (MWh) (i)	Revenue Demand Charges (j)	Revenue Energy Charges (k)	Revenue Other Charges (l)	Revenue Total (j + k + l) (m)
1					
2	683,764	12,183,246	19,812,058		31,995,304
3	2,180,184	39,374,026	57,356,716		96,730,742
4	41,321		1,540,045		1,540,045
5	6,854,820		304,879,465		304,879,465
6	480,251	8,815,839	13,930,221		22,746,060
7	1,160		55,208		55,208
8	178,400		6,705,620		6,705,620
9	122,774		5,349,087		5,349,087
10	188,615		6,153,968		6,153,968
11	63,156		1,901,554		1,901,554
12	2,540		77,292		77,292
13	23		835		835
14	2,454,645		80,150,811		80,150,811
15			(18,213)		(18,213)
16	3,472		104,576		104,576
	10,240,340	60,373,111	397,518,505	0	457,891,616
	1,160	0	55,208	0	55,208
	3,013,625	0	100,425,530	0	100,425,530
	13,255,125	60,373,111	497,999,243	0	558,372,354

00010

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY**	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2011

PART B SE - SALES OF ELECTRICITY

Sale No	Comments
1	
2	
3	
4	
5	
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7	
8	
9	
10	
11	
12	
13	
14	
15	
16	

00011

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY**	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART B PP - PURCHASED POWER

Purchase No.	Name Of Company or Public Authority (a)	RUS Borrower Designation (b)	Statistical Classification (c)	Renewable Energy Program Name (d)	Primary Renewable Fuel Type (e)	Average Monthly Billing Demand (MW) (f)	Actual Average Monthly NCP Demand (g)	Actual Average Monthly CP Demand () (h)
1	Ameren Missouri (MO)		OS					
2	American Electric Power (AEP)		OS					
3	Cargill-Alliant LLC		OS					
4	EDF Trading North America, LLC (TX)		OS					
5	Henderson Munic Power & Light		RQ					
6	Midwest Independent Transmission System Operator (IN)		OS					
7	PJM Interconnection (PA)		OS					
8	RRI Energy Services (TX)		SF					
9	Southeastern Power Admin		LF					
	Total for Distribution Borrowers					0	0	0
	Total for G&T Borrowers					0	0	0
	Total for Other					0	0	0
	Grand Total					0	0	0

00012

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY**	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART B PP - PURCHASED POWER

Purchase No	Electricity Purchased (MWh) (i)	Electricity Received (MWh) (j)	Electricity Delivered (MWh) (k)	Demand Charges (l)	Energy Charges (m)	Other Charges (n)	Total (l + m + n) (o)
1	49,776				1,407,656		1,407,656
2	126,272				3,600,672		3,600,672
3	61,332				1,742,720		1,742,720
4	38,856				1,006,349		1,006,349
5	1,565,268				64,456,947		64,456,947
6	717,898				22,966,799		22,966,799
7					4,556		4,556
8	3,030				428,969		428,969
9	435,929				9,164,377		9,164,377
	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
	2,998,361	0	0	0	104,779,045	0	104,779,045
	2,998,361	0	0	0	104,779,045	0	104,779,045

00013

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY**	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART B PP - PURCHASED POWER

Purchase No	Comments
1	
2	
3	
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00014

reUNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT** **ELECTRIC POWER SUPPLY** **PART C - SOURCES AND DISTRIBUTION OF ENERGY**	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

SOURCES OF ENERGY *(a)*	**NO. OF PLANTS** *(b)*	**CAPACITY (kW)** *(c)*	**NET ENERGY RECIEVED BY SYSTEM (MWh)** *(d)*	**COST ($)** *(e)*
Generated in Own Plant ***(Details on Parts D, E, F IC, F CC, and G)***				
1. Fossil Steam	4	1,489,000	10,277,356	385,412,876
2. Nuclear	0	0	0	0
3. Hydro	0	0	0	0
4. Combined Cycle	0	0	0	0
5. Internal Combustion	1	70,000	6,994	1,532,409
6 Other	0	0	0	0
7. Total in Own Plant ***(1 thru 6)***	5	1,559,000	10,284,350	386,945,285
Purchased Power				
8. Total Purchased Power			2,998,361	104,779,045
Interchanged Power				
9. Received Into System (Gross)			3,715,300	0
10. Delivered Out of System (Gross)			3,614,830	0
11. Net Interchange ***(9 - 10)***			100,470	0
Transmission For or By Others - (Wheeling)				
12. Received Into System			29,536	44,304
13. Delivered Out of System			29,536	44,304
14. Net Energy Wheeled ***(12 - 13)***			0	0
15. Total Energy Available for Sale ***(7 + 8 + 11 + 14)***			13,383,181	
Distribution of Energy				
16. Total Sales			13,255,125	
17. Energy Furnished to Others Without Charge			0	
18. Energy Used by Borrower *(Excluding Station Use)*			0	
19. Total Energy Accounted For ***(16 thru 18)***			13,255,125	
Losses				
20. Energy Losses - MWh ***(15 - 19)***			128,056	
21. Energy Losses - Percentage ***((20 / 15) * 100)***			.95 %	

00015

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART D - STEAM PLANT

BORROWER DESIGNATION KY0062

PLANT Coleman

PERIOD ENDED December, 2011

INSTRUCTIONS - See help in the online application.

SECTION A. BOILERS/TURBINES

			FUEL CONSUMPTION					OPERATING HOURS			
NO.	UNIT NO. (a)	TIMES STARTED (b)	COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE SCHED. (j)	OUT OF SERVICE UNSCH. (k)
1.	1	9	1,059,231.60		40,398.40			8,204			556
2.	2	8	1,045,340.70		50,637.00			8,339	48		373
3.	3	15	1,078,355.60		53,123.20			8,245	31		484
4.											
5.											
6.	**Total**	32	3,182,928	0.00	144,158.60	0.00		24,788	79	0	1,413
7.	Average BTU		11,304		1,000.00						
8.	Total BTU (10^6)		35,979,817.00		144,159.00		36,123,976				
9.	Total Del. Cost ($)		79,757,925		808,640.00						

SECTION A. BOILERS/TURBINES (*Continued*)

NO.	UNIT NO. (l)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)
1.	1	160,000	1,200,851.00	
2.	2	160,000	1,188,035.00	
3.	3	165,000	1,236,305.00	
4.				
5.				
6.	**Total**	485,000	3,625,191.00	9,965
7.	Station Service (MWh)		316,831.00	
8.	Net Generation (MWh)		3,308,360.00	10,919.00
9	Station Service (%)		8.74	

SECTION B. LABOR REPORT

NO.	ITEM	VALUE
1.	No. Employees Full-Time (Include Superintendent)	111
2.	No. Employees Part-Time	
3.	**Total Employee Hours Worked**	255,230
4.	Operating Plant Payroll ($)	7,604,886
5.	Maintenance Plant Payroll ($)	4,751,034
6.	Other Accts. Plant Payroll ($)	
7.	**Total Plant Payroll ($)**	12,355,920

SEC. C. FACTORS & MAX. DEMAND

NO.	ITEM	VALUE
1.	Load Factor (%)	84.31%
2.	Plant Factor (%)	85.33%
3.	Running Plant Capacity Factor (%)	90.46%
4.	15 Minute Gross Max. Demand (kW)	490,820
5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT ($) (a)	MILLS/NET kWh (b)	$/10^6 BTU (c)
1.	Operation, Supervision and Engineering	500	1,661,905		
2.	Fuel, Coal	501.1	83,214,365		2.31
3.	Fuel, Oil	501.2	3,455		
4.	Fuel, Gas	501.3	808,640		5.60
5.	Fuel, Other	501.4			
6.	**Fuel SubTotal (*2 thru 5*)**	501	84,026,460	25.39	2.32
7.	Steam Expenses	502	5,469,557		
8.	Electric Expenses	505	1,979,865		
9.	Miscellaneous Steam Power Expenses	506	2,224,903		
10.	Allowances	509	194,453		
11.	Rents	507			
12.	**Non-Fuel SubTotal (*1 + 7 thru 11*)**		11,530,683	3.48	
13.	**Operation Expense (*6 + 12*)**		95,557,143	28.88	
14.	Maintenance, Supervision and Engineering	510	1,518,977		
15.	Maintenance of Structures	511	1,433,848		
16.	Maintenance of Boiler Plant	512	6,976,891		
17.	Maintenance of Electric Plant	513	1,002,864		
18.	Maintenance of Miscellaneous Plant	514	1,798,844		
19.	**Maintenance Expense (*14 thru 18*)**		12,731,424	3.84	
20.	**Total Production Expense (*13 + 19*)**		108,288,567	32.73	
21.	Depreciation	403.1, 411.10	4,893,767		
22.	Interest	427	7,031,566		
23.	**Total Fixed Cost (*21 + 22*)**		11,925,333	3.60	
24.	**Power Cost (*20 + 23*)**		120,213,900	36.33	

Remarks

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART D - STEAM PLANT

BORROWER DESIGNATION KY0062

PLANT Reid

PERIOD ENDED December, 2011

INSTRUCTIONS - See help in the online application.

SECTION A. BOILERS/TURBINES

			FUEL CONSUMPTION					OPERATING HOURS			
NO.	UNIT NO. (a)	TIMES STARTED (b)	COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE SCHED. (j)	OUT OF SERVICE UNSCH. (k)
1.	1	16	115,490.80	172.88				2,458	5,833		469
2.											
3.											
4.											
5.											
6.	**Total**	16	115,491	172.88	0.00	0.00		2,458	5,833	0	469
7.	Average BTU		12,259	138,003.23							
8.	Total BTU (10^6)		1,415,802.00	23,858			1,439,660				
9.	Total Del. Cost ($)		3,207,070	517,523.00							

SECTION A. BOILERS/TURBINES (*Continued*)

NO.	UNIT NO. (l)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)
1.	1	72,000	121,633.00	
2.				
3.				
4.				
5.				
6.	**Total**	72,000	121,633.00	11,836
7.	Station Service (MWh)		26,609.00	
8.	Net Generation (MWh)		95,024.00	15,150.49
9.	Station Service (%)		21.88	

SECTION B. LABOR REPORT

NO.	ITEM	VALUE
1	No. Employees Full-Time (Include Superintendent)	22
2	No. Employees Part-Time	
3.	**Total Employee Hours Worked**	51,196
4.	Operating Plant Payroll ($)	1,147,828
5.	Maintenance Plant Payroll ($)	739,159
6.	Other Accts. Plant Payroll ($)	
7.	**Total Plant Payroll ($)**	1,886,987

SEC. C. FACTORS & MAX. DEMAND

NO.	ITEM	VALUE
1.	Load Factor (%)	23.76%
2.	Plant Factor (%)	19.28%
3.	Running Plant Capacity Factor (%)	68.73%
4.	15 Minute Gross Max. Demand (kW)	58,435
5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT ($) (a)	MILLS/NET kWh (b)	$/10^6 BTU (c)
1.	Operation, Supervision and Engineering	500	265,083		
2.	Fuel, Coal	501.1	3,585,190		2.53
3.	Fuel, Oil	501.2	517,523		21.69
4.	Fuel, Gas	501.3			
5.	Fuel, Other	501.4			
6.	**Fuel SubTotal (*2 thru 5*)**	501	4,102,713	43.17	2.84
7.	Steam Expenses	502	526,818		
8.	Electric Expenses	505	274,077		
9.	Miscellaneous Steam Power Expenses	506	284,301		
10.	Allowances	509	37,441		
11.	Rents	507			
12.	**Non-Fuel SubTotal (*1 + 7 thru 11*)**		1,387,720	14.60	
13.	**Operation Expense (*6 + 12*)**		5,490,433	57.77	
14.	Maintenance, Supervision and Engineering	510	246,427		
15.	Maintenance of Structures	511	99,652		
16.	Maintenance of Boiler Plant	512	1,277,048		
17.	Maintenance of Electric Plant	513	156,722		
18.	Maintenance of Miscellaneous Plant	514	180,414		
19.	**Maintenance Expense (*14 thru 18*)**		1,960,263	20.62	
20.	**Total Production Expense (*13 + 19*)**		7,450,696	78.40	
21.	Depreciation	403.1, 411.10	402,217		
22.	Interest	427	726,112		
23.	**Total Fixed Cost (*21 + 22*)**		1,128,329	11.87	
24.	**Power Cost (*20 + 23*)**		8,579,025	90.28	

Remarks

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART D - STEAM PLANT**	BORROWER DESIGNATION KY0062
	PLANT Green
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

SECTION A. BOILERS/TURBINES

NO.	UNIT NO. (a)	TIMES STARTED (b)	FUEL CONSUMPTION: COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	OPERATING HOURS: IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE: SCHED. (j)	UNSCH. (k)
1.	1	10	1,661,797.40	392.28				7,903	143	482	232
2.	2	6	1,723,021.00	229.38				8,367	191		202
3.											
4.											
5.											
6.	**Total**	16	3,384,818	621.66	0.00	0.00		16,270	334	482	434
7.	Average BTU		11,500	137,999.87							
8.	Total BTU (10^6)		38,925,412.00	85,789			39,011,201				
9.	Total Del. Cost ($)		69,826,963	1,936,956.00							

SECTION A. BOILERS/TURBINES (*Continued*)

NO.	UNIT NO. (l)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)
1.	1	250,000	1,882,734.00	
2.	2	242,000	1,937,441.00	
3.				
4.				
5.				
6.	**Total**	492,000	3,820,175.00	10,212
7.	Station Service (MWh)		350,009.70	
8.	Net Generation (MWh)		3,470,165.30	11,241.89
9.	Station Service (%)		9.16	

SECTION B. LABOR REPORT

NO.	ITEM	VALUE
1.	No. Employees Full-Time (Include Superintendent)	114
2.	No. Employees Part-Time	
3.	**Total Employee Hours Worked**	265,411
4.	Operating Plant Payroll ($)	8,077,217
5.	Maintenance Plant Payroll ($)	5,535,355
6.	Other Accts. Plant Payroll ($)	
7.	**Total Plant Payroll ($)**	13,612,572

SEC. C. FACTORS & MAX. DEMAND

NO.	ITEM	VALUE
1.	Load Factor (%)	86.37%
2.	Plant Factor (%)	88.64%
3.	Running Plant Capacity Factor (%)	95.49%
4.	15 Minute Gross Max. Demand (kW)	504,900
5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT ($) (a)	MILLS/NET kWh (b)	$/10^6 BTU (c)
1.	Operation, Supervision and Engineering	500	1,531,063		
2.	Fuel, Coal	501.1	72,500,705		1.86
3.	Fuel, Oil	501.2	1,936,956		22.57
4.	Fuel, Gas	501.3			
5.	Fuel, Other	501.4			
6.	**Fuel SubTotal (*2 thru 5*)**	501	74,437,661	21.45	1.90
7.	Steam Expenses	502	12,911,566		
8.	Electric Expenses	505	3,204,146		
9.	Miscellaneous Steam Power Expenses	506	2,130,546		
10.	Allowances	509	163,724		
11.	Rents	507			
12.	***Non-Fuel SubTotal (1 + 7 thru 11)***		19,941,045	5.74	
13.	**Operation Expense (*6 + 12*)**		94,378,706	27.19	
14.	Maintenance, Supervision and Engineering	510	1,564,693		
15.	Maintenance of Structures	511	962,694		
16.	Maintenance of Boiler Plant	512	9,666,586		
17.	Maintenance of Electric Plant	513	1,996,858		
18.	Maintenance of Miscellaneous Plant	514	551,867		
19.	**Maintenance Expense (*14 thru 18*)**		14,742,698	4.24	
20.	**Total Production Expense (*13 + 19*)**		109,121,404	31.44	
21.	Depreciation	403.1, 411.10	6,999,419		
22.	Interest	427	8,254,568		
23.	**Total Fixed Cost (*21 + 22*)**		15,253,987	4.39	
24.	**Power Cost (*20 + 23*)**		124,375,391	35.84	

Remarks

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART D - STEAM PLANT

BORROWER DESIGNATION KY0062

PLANT Wilson

PERIOD ENDED December, 2011

INSTRUCTIONS - See help in the online application.

SECTION A. BOILERS/TURBINES

NO.	UNIT NO. (a)	TIMES STARTED (b)	FUEL CONSUMPTION: COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	OPERATING HOURS: IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE: SCHED. (j)	UNSCH. (k)
1.	1	14	3,101,964.40	641.70				8,362		164	234
2.											
3.											
4.											
5.											
6.	**Total**	14	3,101,964	641.70	0.00	0.00		8,362	0	164	234
7.	Average BTU		11,785	138,000.62							
8.	Total BTU (10^6)		36,556,650.00	88,555			36,645,205				
9.	Total Del. Cost ($)		57,023,465	1,814,978.00							

SECTION A. BOILERS/TURBINES (*Continued*)

NO.	UNIT NO. (l)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)
1.	1	440,000	3,647,700.30	
2.				
3				
4.				
5.				
6.	**Total**	440,000	3,647,700.30	10,046
7.	Station Service (MWh)		243,893.60	
8	Net Generation (MWh)		3,403,806.70	10,765.95
9	Station Service (%)		6.69	

SECTION B. LABOR REPORT

NO.	ITEM	VALUE
1.	No. Employees Full-Time (Include Superintendent)	110
2.	No. Employees Part-Time	
3.	**Total Employee Hours Worked**	249,878
4.	Operating Plant Payroll ($)	6,907,841
5.	Maintenance Plant Payroll ($)	4,916,290
6.	Other Accts. Plant Payroll ($)	
7.	**Total Plant Payroll ($)**	11,824,131

SEC. C. FACTORS & MAX. DEMAND

NO.	ITEM	VALUE
1.	Load Factor (%)	88.36%
2.	Plant Factor (%)	94.64%
3	Running Plant Capacity Factor (%)	99.14%
4.	15 Minute Gross Max. Demand (kW)	471,243
5	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT ($) (a)	MILLS/NET kWh (b)	$/10^6 BTU (c)
1.	Operation, Supervision and Engineering	500	1,722,309		
2.	Fuel, Coal	501.1	60,913,409		1.66
3.	Fuel, Oil	501.2	1,814,978		20.49
4.	Fuel, Gas	501.3			
5.	Fuel, Other	501.4			
6.	**Fuel SubTotal (*2 thru 5*)**	501	62,728,387	18.42	1.71
7.	Steam Expenses	502	10,852,212		
8.	Electric Expenses	505	1,226,160		
9.	Miscellaneous Steam Power Expenses	506	3,576,262		
10.	Allowances	509	140,177		
11.	Rents	507			
12.	**Non-Fuel SubTotal (*1 + 7 thru 11*)**		17,517,120	5.14	
13.	**Operation Expense (*6 + 12*)**		80,245,507	23.57	
14.	Maintenance, Supervision and Engineering	510	1,403,947		
15.	Maintenance of Structures	511	1,152,399		
16.	Maintenance of Boiler Plant	512	8,359,331		
17.	Maintenance of Electric Plant	513	1,643,203		
18.	Maintenance of Miscellaneous Plant	514	752,428		
19.	**Maintenance Expense (*14 thru 18*)**		13,311,308	3.91	
20.	**Total Production Expense (*13 + 19*)**		93,556,815	27.48	
21.	Depreciation	403.1, 411.10	16,584,283		
22.	Interest	427	22,103,462		
23.	**Total Fixed Cost (*21 + 22*)**		38,687,745	11.36	
24.	**Power Cost (*20 + 23*)**		132,244,560	38.85	

Remarks

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART F IC - INTERNAL COMBUSTION PLANT**	BORROWER DESIGNATION KY0062
	PLANT Reid
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

			FUEL CONSUMPTION				OPERATING HOURS					
NO.	UNIT NO. *(a)*	SIZE (kW) *(b)*	OIL (1000 Gals.) *(c)*	GAS (1000 C.F.) *(d)*	OTHER *(e)*	TOTAL *(f)*	IN SERVICE *(g)*	ON STANDBY *(h)*	OUT OF SERVICE SCHED. *(i)*	OUT OF SERVICE UNSCH. *(j)*	GROSS GENER.(MWh) *(k)*	BTU PER kWh *(l)*
1.	1	70,000		180,243.00			372	8,166		222	7,901	
2.												
3.												
4.												
5.												
6.	**Total**	70,000	0.00	180,243.00	0.00		372	8,166	0	222	7,901	
7.	Average BTU			1,000.00			Station Service (MWh)				906.70	22,813.84
8.	Total BTU (10^6)			180,243.00		180,243.00	Net Generation (MWh)				6,993.90	
9.	Total Del. Cost ($)			933,555.00			Station Service % of Gross				11.48	25,771.46

SECTION B. LABOR REPORT

NO.	ITEM	VALUE	NO.	ITEM	VALUE
1.	No. Employees Full Time (Include Superintendent)		5	Maintenance Plant Payroll ($)	56,719
2	No. Employees Part Time		6	Other Accounts Plant Payroll ($)	
3.	**Total Employee Hours Worked**	1,096	7.	**Total Plant Payroll ($)**	59,744
4.	Operating Plant Payroll ($)	3,025			

SECTION C. FACTORS & MAXIMUM DEMAND

NO.	ITEM	VALUE
1.	Load Factor (%)	1.29%
2.	Plant Factor (%)	1.29%
3	Running Plant Capacity Factor (%)	30.34%
4.	15 Min. Gross Max. Demand (kW)	69,882
5.	Indicated Gross Max. Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT ($) *(a)*	MILLS/NET (kWh) *(b)*	$/10^6 BTU *(c)*
1.	Operation, Supervision and Engineering	546	0		
2.	Fuel, Oil	547.1	0		
3.	Fuel, Gas	547.2	933,829		
4.	Fuel, Other	547.3	0		
5.	Energy for Compressed Air	547.4	0	0.00	
6.	**Fuel SubTotal *(2 thru 5)***	547	933,829	133.52	
7.	Generation Expenses	548	33,917		
8.	Miscellaneous Other Power Generation Expenses	549	0		
9.	Rents	550	0		
10.	**Non-Fuel SubTotal *(1 + 7 thru 9)***		33,917	4.85	
11.	**Operation Expense *(6 + 10)***		967,746	138.37	
12.	Maintenance, Supervision and Engineering	551	0		
13.	Maintenance of Structures	552	0		
14.	Maintenance of Generating and Electric Plant	553	150,725		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0		
16.	**Maintenance Expense *(12 thru 15)***		150,725	21.55	
17.	**Total Production Expense *(11 + 16)***		1,118,471	159.92	
18.	Depreciation	403.4, 411.10	200,021		
19.	Interest	427	213,917		
20.	**Total Fixed Cost *(18 + 19)***		413,938	59.19	
21.	**Power Cost *(17 + 20)***		1,532,409	219.11	

Remarks (including Unscheduled Outages)

00020

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART H - ANNUAL SUPPLEMENT

BORROWER DESIGNATION KY0062

PERIOD ENDED December, 2011

INSTRUCTIONS - See help in the online application.

SECTION A. UTILITY PLANT

ITEM	BALANCE BEGINNING OF YEAR (*a*)	ADDITIONS (*b*)	RETIREMENTS (*c*)	ADJUSTMENTS AND TRANSFERS (*d*)	BALANCE END OF YEAR (*e*)
1. Total Intangible Plant (301 thru 303)	66,895				66,895
2. Total Steam Production Plant (*310 thru 317*)	1,681,030,128	24,349,993	7,136,548		1,698,243,573
3. Total Nuclear Production Plant (*320 thru 326*)	0				0
4. Total Hydro Production Plant (*330 thru 337*)	0				0
5. Total Other Production Plant (*340 thru 347*)	7,993,514	49,200	43,725		7,998,989
6. **Total Production Plant (*2 thru 5*)**	1,689,023,642	24,399,193	7,180,273		1,706,242,562
7. Land and Land Rights (*350*)	13,856,815	2,087			13,858,902
8. Structures and Improvements (*352*)	6,859,818	12,489			6,872,307
9. Station Equipment (*353*)	122,103,111	1,095,090	192,774		123,005,427
10. Other Transmission Plant (*354 thru 359.1*)	94,869,205	139,404	6,968		95,001,641
11. **Total Transmission Plant (*7 thru 10*)**	237,688,949	1,249,070	199,742		238,738,277
12. Land and Land Rights (*360*)	0				0
13. Structures and Improvements (*361*)	0				0
14. Station Equipment (*362*)	0				0
15. Other Distribution Plant (*363 thru 374*)	0				0
16. **Total Distribution Plant (*12 thru 15*)**	0				0
17. RTO/ISO Plant (380 thru 386)					
18. Total General Plant (*389 thru 399.1*)	18,937,573	15,300,241	496,217	2,425	33,744,022
19. **Electric Plant in Service (*1 + 6 + 11 + 16 thru 18*)**	1,945,717,059	40,948,504	7,876,232	2,425	1,978,791,756
20. Electric Plant Purchased or Sold (*102*)	0				0
21. Electric Plant Leased to Others (*104*)	0				0
22. Electric Plant Held for Future Use (*105*)	475,968				475,968
23. Completed Construction Not Classified (*106*)	0				0
24. Acquisition Adjustments (*114*)	0				0
25. Other Utility Plant (*118*)	0				0
26. Nuclear Fuel Assemblies (*120.1 thru 120.4*)	0				0
27. **Total Utility Plant in Service (*19 thru 26*)**	1,946,193,027	40,948,504	7,876,232	2,425	1,979,267,724
28. *Construction Work in Progress (107)*	54,874,458	(5,723,875)			49,150,583
29. **Total Utility Plant (*27 + 28*)**	2,001,067,485	35,224,629	7,876,232	2,425	2,028,418,307

SECTION B. ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION - UTILITY PLANT

ITEM	COMP. RATE (%) (*a*)	BALANCE BEGINNING OF YEAR (*b*)	ANNUAL ACCRUALS (*c*)	RETIREMENTS LESS NET SALVAGE (*d*)	ADJUSTMENTS AND TRANSFERS (*e*)	BALANCE END OF YEAR (*f*)
1. Depr. of Steam Prod. Plant (108.1)	1.81	768,648,373	28,980,457	8,364,578		789,264,252
2. Depr. of Nuclear Prod. Plant (108.2)		0				0
3. Depr. of Hydraulic Prod. Plant (108.3)		0				0
4. Depr. of Other Prod. Plant (108.4)	2.50	5,589,699	200,608	63,725		5,726,582
5. Depr. of Transmission Plant (108.5)	2.46	108,275,958	5,269,291	181,312	209	113,364,146
6. Depr. of Distribution Plant (108.6)		0				0
7. Depr. of General Plant (108.7)		6,371,644	903,363	494,771		6,780,236
8. Retirement Work in Progress (108.8)		(288,535)		977,244		(1,265,779)
9. **Total Depr. for Elec. Plant in Serv. (*1 thru 8*)**		888,597,139			209	913,869,437
10. Depr. of Plant Leased to Others (109)		0				0
11. Depr. of Plant Held for Future Use (110)		0				0
12. Amort. of Elec. Plant in Service (111)		20,904,263	2,108,639	527,386		22,485,516
13. Amort. of Leased Plant (112)		0				0
14. Amort. of Plant Held for Future Use		0				0
15. Amort. of Acquisition Adj. (115)		0				0
16. Depr. & Amort. Other Plant (119)		0				0
17. Amort. of Nuclear Fuel (120.5)		0				0
18. **Total Prov. for Depr. & Amort. (*9 thru 17*)**		909,501,402	37,462,358	10,609,016	209	936,354,953

Case No. 2012-00119
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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT**	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

SECTION B. ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION - UTILITY PLANT (*Continued*)

19. Amount of Annual Accrual Charged to Expense $ 35,406,806	20. Amount of Annual Accrual Charged to Other Accounts $ 2,055,552	21 Book Cost of Property Retired $ 7,876,232
22 Removal Cost of Property Retired $ 2,820,150	23 Salvage Material from Property Retired $ 87,366	24. Renewal and Replacement Cost $ 14,937,824

SECTION C. NON-UTILITY PLANT

ITEM	BALANCE BEGINNING OF YEAR (*a*)	ADDITIONS (*b*)	RETIREMENTS (*c*)	ADJUSTMENTS AND TRANSFERS (*d*)	BALANCE END OF YEAR (*e*)
1. NonUtility Property (121)					
2. Provision For Depr. & Amort. (122)					

SECTION D. DEMAND AND ENERGY AT POWER SOURCES

MONTH	PEAK DEMAND (MW) (*a*)	MONTHLY PEAKS DATE (*b*)	TIME (*c*)	TYPE OF READING (*d*)	ENERGY OUTPUT (MWh) (*e*)
1. January	1,368	01/13/2011	8	Coincident	1,144,445
2. February	1,375	02/10/2011	6	Coincident	1,010,947
3. March	1,252	03/10/2011	19	Coincident	1,116,717
4. April	1,244	04/19/2011	20	Coincident	1,071,920
5. May	1,377	05/31/2011	17	Coincident	1,215,079
6. June	1,414	06/08/2011	16	Coincident	1,113,556
7. July	1,478	07/27/2011	16	Coincident	1,196,309
8 August	1,440	08/03/2011	17	Coincident	1,159,836
9. September	1,426	09/02/2011	16	Coincident	1,091,151
10. October	1,237	10/21/2011	6	Coincident	1,094,369
11. November	1,323	11/29/2011	17	Coincident	1,042,921
12. December	1,357	12/08/2011	6	Coincident	1,125,931
13. Annual Peak	1,478			**Annual Total**	13,383,181

SECTION E. DEMAND AND ENERGY AT DELIVERY POINTS

MONTH	DELIVERED TO RUS BORROWERS DEMAND (MW) (*a*)	ENERGY (MWh) (b)	DELIVERED TO OTHERS DEMAND (MW) (*c*)	ENERGY (MWh) (*d*)	TOTAL DELIVERED DEMAND (MW) (*e*)	ENERGY (MWh) (*f*)
1. January	587	888,166	85	243,858	672	1,132,024
2. February	661	769,390	99	233,244	760	1,002,634
3. March	480	834,019	60	267,811	540	1,101,830
4. April	430	793,666	0	282,691	430	1,076,357
5. May	650	846,697	100	357,060	750	1,203,757
6. June	593	855,344	490	244,898	1,083	1,100,242
7. July	638	921,487	199	265,398	837	1,186,885
8. August	732	895,036	251	253,666	983	1,148,702
9. September	765	839,907	148	240,589	913	1,080,496
10. October	410	844,382	98	238,133	508	1,082,515
11. November	573	839,366	194	190,807	767	1,030,173
12. December	554	914,040	0	195,470	554	1,109,510
13. Peak or Total	765	10,241,500	490	3,013,625	1,083	13,255,125

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT	BORROWER DESIGNATION KY0062 PERIOD ENDED December, 2011

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part A Section B. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS
SUB SECTION I. INVESTMENTS

No	Description (a)	Included ($) (b)	Excluded ($) (c)	Income Or Loss ($) (d)	Rural Development (e)
2	**Investments in Associated Organizations**				
	United Utility Supply Capital Credit	31,773	0		
	Ky Assn for Electric Coops Capital Credit	15,200	0		
	Jackson Purchase Capital Credit	0	4,274		
	Kenergy Capital Credit	0	20,698		
	Meade County Capital Credit	0	1,166		
	Rural Cooperatives Credit Union Deposit	5	0		
	Touchstone Energy (NRECA) Capital Credit	1,742	0		
	CoBank Capital Credit	0	3,501,953		
	NRUCFC	0	2,039		
	Cooperative Membership Fees	2,280	0		
	ACES Power Marketing Membership Fees	678,000	0		
	Federated Rural Electric Insurance Exchange Capital Credit	4,713	60,853		
	National Renewables Cooperative Organization Capital Credit	0	8,600		
	Totals	733,713	3,599,583		
3	**Investments in Economic Development Projects**				
	Breckinridge Co. Development Corp. Stock	5,000	0		X
	Hancock Co. Industrial Foundation Stock	5,000	0		X
	Totals	10,000	0		
4	**Other Investments**				
	Southern States Coop Capital Credit	5,334	0		
	Totals	5,334	0		
5	**Special Funds**				
	Other Special Funds-Deferred Compensation	0	283,400		
	Other Special Funds-Economic Reserve	11,986,433	88,323,834		
	Other Special Funds-Rural Economic Reserve	778,664	62,073,072		
	Other Special Funds-Station Two O&M Fund	150,000	250,000		
	Other Special Funds-Liberty Mutual	0	306,028		
	Totals	12,915,097	151,236,334		
6	**Cash - General**				
	General Fund	0	973		
	Right of Way Fund	0	1,000		
	Working Fund	3,725	0		
	Totals	3,725	1,973		
7	**Special Deposits**				
	TVA Transmission Reservation	572,679	0		
	Totals	572,679	0		
8	**Temporary Investments**				
	Fidelity-U.S. Treasury Only (#057)	0	44,843,791		
	Totals	0	44,843,791		
9	**Accounts and Notes Receivable - NET**				
	Accts Receivable-Employees-Other	7,376	0		
	Accts Receivable-Employees-Computer Assist Program	21,652			
	Other Accts Receivable-Misc	461,420	0		
	Accts Receivable-HMP&L Sta Two Operation	(1,200,161)	0		00023

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT**	BORROWER DESIGNATION KY0062 PERIOD ENDED December, 2011

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part A Section B. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS
SUB SECTION I. INVESTMENTS

	Accts Receivable-HMP&L Sta Two Other	836,898	0		
	Accts Receivable-HMP&L Litigation	56,824	0		
	Accts Receivable-Westlake Chemical	48,271	0		
	Totals	232,280	0		
11	**TOTAL INVESTMENTS (1 thru 10)**	14,472,828	199,681,681		

00024

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT**	BORROWER DESIGNATION KY0062 PERIOD ENDED December, 2011

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SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS
SUB SECTION II. LOAN GUARANTEES

No	Organization (a)	Maturity Date (b)	Original Amount ($) (c)	Loan Balance ($) (d)	Rural Development (e)
	TOTAL				
	TOTAL (Included Loan Guarantees Only)				

00025

Case No. 2012-00119
Attachment for Response to KIUC 1-8
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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT**	BORROWER DESIGNATION KY0062 PERIOD ENDED December, 2011

INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part A Section B. Identify all investments in Rural Development with an "X" in column (e). Both "Included" and "Excluded" Investments must be reported. See help in the online application.

SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS
SUB SECTION III. RATIO

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Sub Section I, 11b) and Loan Guarantees - Loan Balance (Sub Section II, 5d) to Total Utility Plant (Part A, Section B, Line 3 of this report)]	0.71 %

SECTION F. INVESTMENTS, LOAN GUARANTEES AND LOANS
SUB SECTION IV. LOAN

No	Organization (a)	Maturity Date (b)	Original Amount ($) (c)	Loan Balance ($) (d)	Rural Development (e)
	TOTAL				

00026

Case No. 2012-00119
Attachment for Response to KIUC 1-8
Witness: Mark A. Hite
Page 25 of 31

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT**	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

SECTION G. MATERIALS AND SUPPLIES INVENTORY

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED & SALVAGED (b)	USED & SOLD (c)	BALANCE END OF YEAR (d)
1. Coal	28,610,258	237,811,600	236,291,157	30,130,701
2. Other Fuel	8,718,183	15,000,147	19,955,018	3,763,312
3. Production Plant Parts and Supplies	20,783,578	8,618,330	7,128,463	22,273,445
4. Station Transformers and Equipment	0			0
5. Line Materials and Supplies	669,645	324,896	233,541	761,000
6. Other Materials and Supplies	1,764,429	17,244,677	16,748,286	2,260,820
7. **Total (1 thru 6)**	60,546,093	278,999,650	280,356,465	59,189,278

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT**	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

SECTION H. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS

No	Item	Balance End Of Year (a)	Interest (Billed This Year) (b)	Principal (Billed This Year) (c)	Total (Billed This Year) (d)
1	RUS (Excludes RUS - Economic Development Loans)	644,298,429	23,931,304	45,879,127	69,810,431
2	National Rural Utilities Cooperative Finance Corporation	0	0	0	0
3	CoBank, ACB	0	0	0	0
4	Federal Financing Bank	0	0	0	0
5	RUS - Economic Development Loans	0	0	0	0
6	Payments Unapplied	0			
7	Ohio County Kentucky Bonds - Series 1983	58,800,000	1,996,342		1,996,342
8	Ohio County Kentucky Bonds - Series 2010A	83,300,000	5,511,683		5,511,683
9	LEM Settlement Promissionary Note	0		0	0
10	PMCC Promissory Note	0	0	0	0
	TOTAL	786,398,429	31,439,329	45,879,127	77,318,456

00028

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT**	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

SECTION I. ANNUAL MEETING AND BOARD DATA

1. Date of Last Annual Meeting 9/15/2011	2. Total Number of Members 3	3. Number of Members Present at Meeting 3	4. Was Quorum Present? Yes
5. Number of Members Voting by Proxy or Mail 0	6. Total Number of Board Members 6	7. Total Amount of Fees and Expenses for Board Members $ 189,273	8. Does Manager Have Written Contract? No

SECTION J. MAN-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	628	4. Payroll Expensed	46,222,175
2. Man-Hours Worked - Regular Time	1,068,347	5. Payroll Capitalized	744,036
3. Man-Hours Worked – Overtime	145,058	6. Payroll Other	2,865,906

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT**	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

SECTION K. LONG-TERM LEASES

No	Name Of Lessor (a)	Type Of Property (b)	Rental This Year (c)
1	Louisville Gas & Electric	Interconnect Facilities - Cloverport Sub	21,111
	TOTAL		21,111

00030

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART H - ANNUAL SUPPLEMENT**	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

SECTION L. RENEWABLE ENERGY CREDITS

ITEM	BALANCE BEGINNING OF YEAR (*a*)	ADDITIONS (*b*)	RETIREMENTS (*c*)	ADJUSTMENTS AND TRANSFER (*d*)	BALANCE END OF YEAR (*e*)
1. Renewable Energy Credits					

00031

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART I - LINES AND STATIONS

INSTRUCTIONS - See help in the online application.

BORROWER DESIGNATION: KY0062

PERIOD ENDED: December, 2011

SECTION A. EXPENSES AND COSTS

	ITEM	ACCOUNT NUMBER	LINES (a)	STATIONS (b)
	Transmission Operation			
1.	Supervision and Engineering	560	285,740	381,549
2.	Load Dispatching	561	3,674,737	
3.	Station Expenses	562		743,341
4.	Overhead Line Expenses	563	1,007,289	
5.	Underground Line Expenses	564		
6.	Miscellaneous Expenses	566	233,416	425,708
7.	**Subtotal (*1 thru 6*)**		5,201,182	1,550,598
8.	Transmission of Electricity by Others	565	2,408,336	
9.	Rents	567		22,942
10.	**Total Transmission Operation (*7 thru 9*)**		7,609,518	1,573,540
	Transmission Maintenance			
11.	Supervision and Engineering	568	273,612	253,831
12.	Structures	569		16,607
13.	Station Equipment	570		1,578,393
14.	Overhead Lines	571	1,915,700	
15.	Underground Lines	572		
16.	Miscellaneous Transmission Plant	573	221,381	421,101
17.	**Total Transmission Maintenance (*11 thru 16*)**		2,410,693	2,269,932
18.	**Total Transmission Expense (*10 + 17*)**		10,020,211	3,843,472
19.	RTO/ISO Expense – Operation	575.1-575.8	2,529,532	
20.	RTO/ISO Expense – Maintenance	576.1-576.5		
21.	**Total RTO/ISO Expense (*19 + 20*)**		2,529,532	
22.	Distribution Expense - Operation	580-589		
23.	Distribution Expense - Maintenance	590-598		
24.	**Total Distribution Expense (*22 + 23*)**			
25.	**Total Operation And Maintenance (*18 + 21 + 24*)**		12,549,743	3,843,472
	Fixed Costs			
26.	Depreciation – Transmission	403.5	2,561,778	2,707,513
27.	Depreciation – Distribution	403.6		
28.	Interest – Transmission	427	2,749,512	3,361,611
29.	Interest – Distribution	427		
30.	**Total Transmission (*18 + 26 + 28*)**		15,331,501	9,912,596
31.	**Total Distribution (*24 + 27 + 29*)**			
32.	**Total Lines And Stations (*21 + 30 + 31*)**		17,861,033	9,912,596

SECTION B. FACILITIES IN SERVICE

TRANSMISSION LINES			SUBSTATIONS	
	VOLTAGE (kV)	MILES	TYPE	CAPACITY(kVA)
1.	345 KV	68.40	13. Distribution Lines	
2.	138 KV	14.40		
3.	69 KV	833.20	**14. Total (*12 + 13*)**	1,265.60
4.	161 KV	349.60		
5.			15. Stepup at Generating Plants	1,879,800
6.				
7.			16. Transmission	3,540,000
8.				
9.			17. Distribution	
10.				
11.			**18. Total (*15 thru 17*)**	5,419,800
12. Total (*1 thru 11*)		1,265.60		

SECTION C. LABOR AND MATERIAL SUMMARY

1. Number of Employees: 55

ITEM	LINES	STATIONS
2. Oper. Labor	1,605,241	931,093
3. Maint. Labor	1,341,908	1,601,919
4. Oper. Material	8,533,809	642,447
5. Maint. Material	1,068,785	668,013

SECTION D. OUTAGES

1. Total	36,540.90
2. Avg. No. of Distribution Consumers Served	112,887.00
3. Avg. No. of Hours Out Per Consumer	.30

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 9) ***Provide copies of BREC's RUS Form 12 (inclusive of all schedules) for the periods ended February 29, 2012 and March 31, 2012 (if not yet available, provide as soon as it become available).***

Response) Big Rivers' RUS Financial and Operating Report Electric Power Supply (formerly RUS Form 12) for the period ended February 29, 2012, is attached. Such report for the period ended March 31, 2012, is not yet available.

Witness) Mark A. Hite

Big Rivers
ELECTRIC CORPORATION

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

March 27, 2012

Mr. Victor T. Vu
Director, Power Supply Division
USDA/RUS
1400 Independence Avenue, SW, Stop 1568
Washington, DC 20250 1568

RE: PART A

Dear Mr. Vu:

For your information, enclosed are the Operating Reports, Parts A, B, C, D, F and I for the month ending February 29, 2012.

If you have any questions, please contact Donna Windhaus, Manager General Accounting, at (270) 844-6167.

Sincerely,
BIG RIVERS ELECTRIC CORPORATION

Mark A. Hite

Mark A. Hite, CPA
Vice President Accounting and Interim CFO

MAH/msb
Enclosures

000002

C: Big Rivers' Board of Directors
Chairman – Kentucky Public Service Commission
Jeff Cline – Kentucky Public Service Commission
James M. Miller, Esq. – Sullivan, Mountjoy, Stainback & Miller, P.S.C.
Mr. Sandy Novick – Kenergy
Mr. Burns Mercer – Meade County R.E.C.C.
Mr. G. Kelly Nuckols – Jackson Purchase Energy Corporation
Ms. Kelli McClellan – EP-MN-WS3C – US. Bank Corporate Trust Services
Mr. Philip G. Kane Jr. – U. S. Bank National Association
Ms. Suk-Ling Ng – U. S. Bank National Association
Mr. John List - NRUCFC
Mr. Mark Glotfelty – Goldman, Sachs & Co.
Mr. Jeffrey Childs – CoBank, ACB
Mr. Fil Agusti – Steptoe & Johnson, LLP
Mr. Ryan Baynes – Midwest ISO
Mr. Jeremy Jenkins – Alcan Primary Products
Mr. Tim Martin – Century Aluminum
Mr. Doug Nelson – Wadell & Reed
Joseph P. Charles – KPMG LLP
Scott A. Heiser – KPMG LLP
Kevin Lyons – KPMG LLP
Email only: CRM.StructuredFinance@dexia-us.com
Email only: tbruckman@ambac.com
Email only: document_management@ambac.com

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 21 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY**	BORROWER DESIGNATION KY0062 PERIOD ENDED February -2012
INSTRUCTIONS - See help in the online application *This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552).*	BORROWER NAME **Big Rivers Electric Corporation**

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

X All of the obligations under the RUS loan documents have been fulfilled in all material respects.

__ There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part A Section C of this report.

Mark A. Bailey 3/16/12

SIGNATURE OF PRESIDENT AND CEO DATE

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART A - FINANCIAL**	BORROWER DESIGNATION KY0062 PERIOD ENDED Feb-12
INSTRUCTIONS - See help in the online application.	

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE LAST YEAR (a)	YEAR-TO-DATE THIS YEAR (b)	YEAR-TO-DATE BUDGET (c)	THIS MONTH (d)
1. Electric Energy Revenues	87,206,119.02	88,954,042.58	103,193,820.00	42,451,839.00
2. Income From Leased Property (Net)	0.00	0.00	0.00	0.00
3. Other Operating Revenue and Income	389,425.74	856,710.80	672,334.00	482,837.84
4. **Total Operation Revenues & Patronage Capital** *(1 thru 3)*	**87,595,544.76**	**89,810,753.38**	**103,866,154.00**	**42,934,676.84**
5. Operating Expense - Production - Excluding Fuel	8,061,931.66	7,474,262.65	9,309,824.00	3,501,522.53
6. Operating Expense - Production - Fuel	37,978,752.02	33,211,481.67	44,070,405.00	16,307,602.87
7. Operating Expense - Other Power Supply	15,268,854.66	19,567,911.58	16,440,158.00	9,333,853.55
8. Operating Expense - Transmission	1,517,067.99	1,610,970.13	1,832,359.00	792,944.39
9. Operating Expense - RTO/ISO	373,349.89	425,677.65	436,276.00	216,766.31
10. Operating Expense - Distribution	0.00	0.00	0.00	0.00
11. Operating Expense - Customer Accounts	0.00	0.00	0.00	0.00
12. Operating Expense - Customer Service & Information	69,531.89	36,383.76	146,272.00	21,182.87
13. Operating Expense - Sales	<11,546.97>	<3,938.52>	151,408.00	0.00
14. Operating Expense - Administrative & General	4,649,795.21	4,145,694.64	4,118,199.00	2,119,429.77
15. **Total Operation Expense** *(5 thru 14)*	**67,907,736.35**	**66,468,443.56**	**76,504,901.00**	**32,293,302.29**
16. Maintenance Expense - Production	5,648,547.55	6,452,585.34	6,829,211.00	3,293,650.30
17. Maintenance Expense - Transmission	563,448.19	619,462.50	606,587.00	304,375.91
18. Maintenance Expense - RTO/ISO	0.00	0.00	0.00	0.00
19. Maintenance Expense - Distribution	0.00	0.00	0.00	0.00
20. Maintenance Expense - General Plant	35,948.35	29,177.93	17,570.00	11,768.65
21. **Total Maintenance Expense** *(16 thru 20)*	**6,247,944.09**	**7,101,225.77**	**7,453,368.00**	**3,609,794.86**
22. Depreciation and Amortization Expense	5,717,733.14	6,786,122.04	6,870,449.00	3,389,714.58
23. Taxes	<2,321.00>	0.00	0.00	0.00
24. Interest on Long-Term Debt	7,623,971.91	7,430,257.06	7,320,664.00	3,606,346.94
25. Interest Charged to Construction - Credit	<311,146.00>	<134,100.00>	<13,087.00>	<64,260.00>
26. Other Interest Expense	40,421.78	23.76	0.00	9.96
27. Asset Retirement Obligations	0.00	0.00	0.00	0.00
28. Other Deductions	24,685.72	25,125.60	22,612.00	12,048.42
29. **Total Cost Of Electric Service** *(15 + 21 thru 28)*	**87,249,025.99**	**87,677,097.79**	**98,158,907.00**	**42,846,957.05**
30. **Operating Margins** *(4 less 29)*	**346,518.77**	**2,133,655.59**	**5,707,247.00**	**87,719.79**
31. Interest Income	56,731.10	11,364.72	10,303.00	5,709.69
32. Allowance For Funds Used During Construction	0.00	0.00	0.00	0.00
33. Income (Loss) from Equity Investments	0.00	0.00	0.00	0.00
34. Other Non-operating Income (Net)	4,644.24	0.00	0.00	0.00
35. Generation & Transmission Capital Credits	0.00	0.00	0.00	0.00
36. Other Capital Credits and Patronage Dividends	0.00	0.00	0.00	0.00
37. Extraordinary Items	0.00	0.00	0.00	0.00
38. **Net Patronage Capital Or Margins** *(30 thru 37)*	**407,894.11**	**2,145,020.31**	**5,717,550.00**	**93,429.48**

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION KY0062
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART A - FINANCIAL	PERIOD ENDED Feb-12
INSTRUCTIONS - See help in the online application.	

SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	1,979,275,404.53	33. Memberships	75.00
2. Construction Work in Progress	56,353,261.60	34. Patronage Capital	
3. **Total Utility Plant *(1 + 2)***	**2,035,628,666.13**	a. Assigned and Assignable	
4. Accum. Provision for Depreciation and Amort.	943,223,146.05	b. Retired This year c. Retired Prior years	
5. **Net Utility Plant *(3 - 4)***	**1,092,405,520.08**	**d. Net Patronage Capital (a-b-c)**	0.00
6. Non-Utility Property (Net)	0.00	35. Operating Margins - Prior Years	<241,898,352.19>
7. Investments in Subsidiary Companies	0.00	36. Operating Margin - Current Year	2,133,655.59
8. Invest. in Assoc. Org. - Patronage Capital	3,648,302.71	37. Non-Operating Margins	639,008,901.92
9. Invest. in Assoc. Org. - Other - General Funds	684,993.00	38. Other Margins and Equities	<7,278,744.80>
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	0.00	39. **Total Margins & Equities *(33 + 34d thru 38)***	**391,965,535.52**
11. Investments in Economic Development Projects	10,000.00	40. Long-Term Debt - RUS (Net)	574,868,736.28
		41. Long-Term Debt - FFB - RUS Guaranteed	0.00
12. Other Investments	5,333.85	42. Long-Term Debt - Other - RUS Guaranteed	0.00
13. Special Funds	161,551,154.31	43. Long-Term Debt - Other (Net)	142,100,000.00
14. **Total Other Property And Investments *(6 thru 13)***	**165,899,783.87**	44. Long-Term Debt - RUS - Econ. Devel. (Net)	0.00
		45. Payments - Unapplied	0.00
15. Cash - General Funds	5,767.04	46. **Total Long-Term Debit *(40 thru 44-45)***	**716,968,736.28**
16. Cash - Construction Funds - Trustee	0.00	47. Obligations Under Capital Leases - Noncurrent	0.00
17. Special Deposits	572,679.44		
18. Temporary Investments	49,465,745.85	48. Accumulated Operating Provisions and Asset Retirement Obligations	23,464,061.99
19. Notes Receivable (Net)	0.00		
20. Accounts Receivable - Sales of Energy (Net)	38,623,887.02	49. **Total Other NonCurrent Liabilities *(47 +48)***	**23,464,061.99**
21. Accounts Receivable - Other (Net)	<216,138.15>	50. Notes Payable	0.00
22. Fuel Stock	33,619,994.91	51. Accounts Payable	24,073,232.61
23. Renewable Energy Credits	0.00		
24. Materials and Supplies - Other	26,113,605.72	52. Current Maturities Long-Term Debt	77,025,594.12
25. Prepayments	3,686,488.49	53. Current Maturities Long-Term Debt - Rural Development	0.00
26. Other Current and Accrued Assets	280,758.15		
27. **Total Current And Accrued Assets *(15 thru 26)***	**152,152,788.47**	54. Current Maturities Capital Leases	0.00
		55. Taxes Accrued	1,106,573.41
28. Unamortized Debt Discount & Extraor. Prop. Losses	2,253,602.47	56. Interest Accrued	7,199,949.42
		57. Other Current and Accrued Liabilities	7,346,502.40
29. Regulatory Assets	0.00		
30. Other Deferred Debits	1,874,167.97	58. **Total Current & Accrued Liabilities *(50 thru 57)***	**116,751,851.96**
31. Accumulated Deferred Income Taxes	0.00	59. Deferred Credits	165,435,677.11
		60. Accumulated Deferred Income Taxes	0.00
32. **Total Assets And Other Debits *(5+14+27 thru 31)***	1,414,585,862.86	61. **Total Liabilities and Other Credits *(39 + 46 + 49 + 58 thru 60)***	**1,414,585,862.86**

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY**	BORROWER DESIGNATION KY0062 PERIOD ENDED Feb-12
INSTRUCTIONS - See help in the online application.	

Part B SE - Sales of Electricity

Sale No.	Name of Company or Public Authority (a)	RUS Borrower Designation (b)	Statistical Classification (c)	Renewable Energy Program Name (d)	Primary Renewable Fuel Type (e)	Average Monthly Billing Demand (MW) (f)	Actual Average Monthly NCP Demand (g)	Actual Average Monthly CP Demand (h)
	Ultimate Consumer(s)							
	Distribution Borrowers							
1	Jackson Purchase Energy Corp	KY0020	RQ			121	130	120
2	Kenergy Corporation	KY0065	IF					
3	Kenergy Corporation	KY0065	LF					
4	Kenergy Corporation	KY0065	RQ			364	378	322
5	Meade County Rural ECC	KY0018	RQ			100	109	99
	G&T Borrowers							
	Others							
6	Midwest Independent Trans. Sys. Op.		OS					
7	PJM Interconnection		OS					
8	PowerSouth Energy Coop		OS					
9								
Total for Ultimate Consumer(s)						0	0	0
Total for Distribution Borrowers						585	617	541
Total for G&T Borrowers						0	0	0
Total for Others						0	0	0
Grand Total						585	617	541

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY**	BORROWER DESIGNATION KY0062 PERIOD ENDED Feb-12
INSTRUCTIONS - See help in the online application.	

Part B SE - Sales of Electricity

Sale No.	Electricity Sold (MWh) (i)	Revenue Demand Charges (j)	Revenue Energy Charges (k)	Revenue Other Charges (l)	Revenue Total (j + k + l) (m)
1	113,452.805	2,305,734.50	3,229,026.16		5,534,760.66
2	10,134.536		283,523.63		283,523.63
3	1,209,593.520		57,836,851.17		57,836,851.17
4	370,316.884	7,239,589.21	9,720,468.05		16,960,057.26
5	92,063.990	1,892,495.00	2,623,086.33		4,515,581.33
6	139,840.300		3,805,942.91		3,805,942.91
7			0.22		0.22
8	460.000		17,325.40		17,325.40
9			0.00		
	0	0	0	0	0
	1,795,561.735	11,437,818.71	73,692,955.34	0.00	85,130,774.05
	0.000	0.00	0.00	0.00	0.00
	140,300.300	0.00	3,823,268.53	0.00	3,823,268.53
	1,935,862.035	**11,437,818.71**	**77,516,223.87**	**0.00**	**88,954,042.58**

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY**	BORROWER DESIGNATION KY0062 PERIOD NAME Feb-12
INSTRUCTIONS - See help in the online application.	

PART B PP - Purchased Power

Purchase No.	Name of Company or Public Authority (a)	RUS Borrower Designation (b)	Statistical Classification (c)	Renewable Energy Program Name (d)	Primary Renewable Energy Type (e)	Average Monthly Billing Demand (MW) (f)	Average Monthly NCP Demand (g)	Average Monthly CP Demand (h)
	Distribution Borrowers							
	G&T Borrowers							
	Others							
1	Henderson Municipal Power & Light		RQ					
2	Midwest Independent Trans. Sys. Op.		OS					
3	Southeastern Power Admin.		LF					
4								
Total for Distribution Borrowers						0	0	0
Total for G&T Borrowers						0	0	0
Total for Others						0	0	0
Grand Total						0	0	0

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT** **ELECTRIC POWER SUPPLY**	BORROWER DESIGNATION KY0062 PERIOD NAME Feb-12
INSTRUCTIONS - See help in the online application.	

PART B PP - Purchased Power

Purchase No.	Electricity Purchased (MWh) (i)	Electricity Received (MWh) (j)	Electricity Delivered (MWh) (k)	Demand Charges (l)	Energy Charges (m)	Other Charges (n)	Total (l + m + n) (o)
1	224,717.290				10,482,380.38		10,482,380.38
2	248,422.300				6,135,198.73		6,135,198.73
3	101,805.000				2,322,804.59		2,322,804.59
4					0.00		
	0.000				0.00		0.00
	0.000				0.00		0.00
	574,944.590				18,940,383.70		18,940,383.70
	574,944.590				**18,940,383.70**		**18,940,383.70**

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART C - SOURCES AND DISTRIBUTION OF ENERGY**	BORROWER DESIGNATION KY0062 PERIOD ENDED Feb-12			
INSTRUCTIONS - See help in the online application.				
SOURCES OF ENERGY (a)	**NO. OF PLANTS (b)**	**CAPACITY (kW) (c)**	**NET ENERGY RECEIVED BY SYSTEM (MWh) (d)**	**COST ($) (e)**
Generated in Own Plant *(Details on Parts D and F IC)*				
1. Fossil Steam	4	1,489,000	1,365,139.174	58,776,040.12
2. Nuclear				
3. Hydro				
4. Combined Cycle				
5. Internal Combustion	1	70,000	96.880	139,366.97
6. Other				
7. Total in Own Plant *(1 thru 6)*	5	1,559,000	1,365,236.054	58,915,407.09
Purchased Power **8. Total Purchased Power**			574,944.590	18,940,383.70
Interchanged Power 9. Received Into System (Gross)			356,368.000	
10. Delivered Out of System (Gross)			323,210.000	
11. Net Interchange *(9 minus 10)*			33,158.000	
Transmission For or By Others - (Wheeling) 12. Received Into System			0.000	
13. Delivered Out of System			0.000	
14. Net Energy Wheeled *(12 minus 13)*			0.000	
15. Total Energy Available for Sale (7 + 8 + 11 + 14)			1,973,338.644	
Distribution of Energy				
16. Total Sales			1,935,862.035	
17. Energy Furnished to Others Without Charge				
18. Energy Used by Borrower *(Excluding Station Use)*				
19. Total Energy Accounted For *(16 thru 18)*			1,935,862.035	
Losses **20. Energy Losses - MWh *(15 minus 19)***			37,476.609	
21. Energy Losses - Percentage ((20 divided by 15) * 100)			1.90 %	

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE
FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART D - STEAM PLANT

BORROWER DESIGNATION: KY0062
PLANT: COLEMAN
PERIOD ENDED: Feb-12

INSTRUCTIONS - See help in the online application.

SECTION A. BOILERS/TURBINES

NO.	UNIT NO. (a)	TIMES STARTED (b)	COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE Scheduled (j)	OUT OF SERVICE Unsched (k)
1.	1	1	164,248.0	0.000	4,101.5			1,337.5	24.0	0.0	78.5
2.	2	0	166,574.2	0.000	2,263.7			1,415.7	24.3	0.0	0.0
3.	3	0	184,209.7	0.000	3,258.6			1,440.0	0.0	0.0	0.0
4.											
5.											
6.	Total	1	515,031.9	0.000	9,623.8			4,193.2	48.3	0.0	78.5
7.	Average BTU		11,365	0	1,000						
8.	Total BTU(10^6)		5,853,338	0	9,624		5,862,961				
9.	Total Del.Cost ($)		13,289,585.52	0.00	51,448.68						

SECTION A. BOILERS/TURBINES (CONT.)

NO.	UNIT NO. (l)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)
1.	1	160,000	186,451.000	
2.	2	160,000	190,704.000	
3.	3	165,000	211,409.000	
4.				
5.				
6.	Total	485,000	588,564.000	9,961
7.	Station Service (MWh)		50,983.180	
8.	Net Generation (MWh)		537,580.820	10,906
9.	Station Service (%)		8.66	

SECTION B. LABOR REPORT

NO.	ITEM	VALUE
1	No. Employees Full-Time (Inc. Superintendent)	110
2.	No. Employees Part-Time	
3.	**Total Empl. - Hrs. Worked**	
4.	Oper. Plant Payroll ($)	
5.	Maint. Plant Payroll ($)	
6.	Other Accts. Plant Payroll ($)	
7.	**Total Plant Payroll ($)**	

SECTION C. FACTORS & MAX. DEMAND

NO.	ITEM	VALUE
1.	Load Factor (%)	84.02
2.	Plant Factor (%)	84.27
3.	Running Plant Capacity Factor (%)	86.79
4.	15 Minute Gross Maximum Demand (kW)	486,435
5.	Indicated Gross Maximum Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT ($) (a)	MILLS/NET kWh (b)	$/10^6 BTU (c)
1.	Operation, Supervision and Engineering	500	273,243.61		
2.	Fuel, Coal	501.1	13,864,236.53		2.37
3.	Fuel, Oil	501.2	0.00		
4.	Fuel, Gas	501.3	51,448.68		5.35
5.	Fuel, Other	501.4			
6.	**Fuel Sub Total (2 thru 5)**	501	13,915,685.21	25.89	2.37
7.	Steam Expenses	502	952,064.86		
8.	Electric Expenses	505	330,426.65		
9.	Miscellaneous Steam Power Expenses	506	352,915.67		
10.	Allowances	509	10,105.14		
11.	Rents	507	0.00		
12.	**Non-Fuel Sub Total (1 + 7 thru 11)**		1,918,755.93	3.57	
13.	**Operation Expense (6 + 12)**		15,834,441.14	29.45	
14.	Maintenance, Supervision and Engineering	510	232,840.45		
15.	Maintenance of Structures	511	182,306.17		
16.	Maintenance of Boiler Plant	512	1,124,487.53		
17.	Maintenance of Electric Plant	513	131,797.80		
18.	Maintenance of Miscellaneous Plant	514	248,804.28		
19.	**Maintenance Expense (14 thru 18)**		1,920,236.23	3.57	
20.	**Total Production Expense (13 + 19)**		17,754,677.37	33.03	
21.	Depreciation	403.1	916,883.78		
22.	Interest	427	1,147,979.41		
23.	**Total Fixed Cost (21 + 22)**		2,064,863.19	3.84	
24.	**Power Cost (20 + 23)**		19,819,540.56	36.87	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PLANT D - STEAM PLANT**	BORROWER DESIGNATION KY0062 PLANT REID PERIOD ENDED Feb-12
INSTRUCTIONS - See help in the online application.	

SECTION A. BOILERS/TURBINES

NO.	UNIT NO. (a)	TIMES STARTED (b)	FUEL CONSUMPTION COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	OPERATING HOURS IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE Scheduled (j)	Unsched (k)
1.	1	0	.0	.000	.0			.0	1,353.3	.0	86.7
2.											
3.											
4.											
5.											
6.	Total	0	.0	.000	.0			.0	1,353.3	.0	86.7
7.	Average BTU		0	0	0						
8.	Total BTU(10^6)		0	0	0		0				
9.	Total Del..Cost ($)		0.00	0.00	0.00						

SECTION A. BOILERS/TURBINES (CONT.)

NO.	UNIT NO. (l)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)
1.	1	72,000	.000	
2.				
3.				
4.				
5.				
6.	Total	72,000	.000	0
7.	Station Service (MWh)		3,163.000	
8.	Net Generation (MWh)		<3,163.000>	0
9.	Station Service (%)		0	

SECTION B. LABOR REPORT

NO.	ITEM	VALUE
1	No. Employees Full-Time (Inc. Superintendent)	17
2.	No. Employees Part-Time	
3.	**Total Empl. - Hrs. Worked**	
4.	Oper. Plant Payroll ($)	
5.	Maint. Plant Payroll ($)	
6.	Other Accts. Plant Payroll ($)	
7.	**Total Plant Payroll ($)**	

SECTION C. FACTORS & MAX. DEMAND

NO.	ITEM	VALUE
1.	Load Factor (%)	.00
2.	Plant Factor (%)	.00
3.	Running Plant Capacity Factor (%)	.00
4.	15 Minute Gross Maximum Demand (kW)	0
5.	Indicated Gross Maximum Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT ($) (a)	MILLS/NET kWh (b)	$/10^6 BTU (c)
1.	Operation, Supervision and Engineering	500	46,386.38		
2.	Fuel, Coal	501.1	68,337.55		0
3.	Fuel, Oil	501.2	0.00		0
4.	Fuel, Gas	501.3	0.00		0
5.	Fuel, Other	501.4			0
6.	**Fuel Sub Total (2 thru 5)**	501	68,337.55		0
7.	Steam Expenses	502	84,530.53		
8.	Electric Expenses	505	46,815.52		
9.	Miscellaneous Steam Power Expenses	506	36,172.02		
10.	Allowances	509	3.36		
11.	Rents	507	0.00		
12.	**Non-Fuel Sub Total (1 + 7 thru 11)**		213,907.81		
13.	**Operation Expense (6 + 12)**		282,245.36		
14.	Maintenance, Supervision and Engineering	510	41,997.81		
15.	Maintenance of Structures	511	16,882.49		
16.	Maintenance of Boiler Plant	512	68,898.71		
17.	Maintenance of Electric Plant	513	34,608.79		
18.	Maintenance of Miscellaneous Plant	514	28,297.94		
19.	**Maintenance Expense (14 thru 18)**		190,685.74		
20.	**Total Production Expense (13 + 19)**		472,931.10		
21.	Depreciation	403.1	79,736.39		
22.	Interest	427	118,443.51		
23.	**Total Fixed Cost (21 + 22)**		198,179.90	0	
24.	**Power Cost (20 + 23)**		671,111.00		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PLANT D - STEAM PLANT**	BORROWER DESIGNATION KY0062 PLANT GREEN PERIOD ENDED Feb-12
INSTRUCTIONS - See help in the online application.	

SECTION A. BOILERS/TURBINES

NO.	UNIT NO. (a)	TIMES STARTED (b)	FUEL CONSUMPTION: COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	OPERATING HOURS: IN SERVICE (h)	ON STANDBY (i)	OUT OF SERVICE: Scheduled (j)	Unsched (k)
1.	1	2	170,235.9	64.109	.0			919.4	520.6	.0	.0
2.	2	3	104,332.4	63.092	.0			545.5	894.5	.0	.0
3.											
4.											
5.											
6.	Total	5	274,568.3	127.201	.0			1,464.9	1,415.1	.0	.0
7.	Average BTU		11,143	138,000	0						
8.	Total BTU(10^6)		3,059,515	17,554	0		3,077,068				
9.	Total Del..Cost ($)		6,808,999.57	391,272.36	0.00						

SECTION A. BOILERS/TURBINES (CONT.)

NO.	UNIT NO. (l)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)
1.	1	250,000	192,633.760	
2.	2	242,000	111,361.000	
3.				
4.				
5.				
6.	Total	492,000	303,994.760	10,122
7.	Station Service (MWh)		35,923.528	
8.	Net Generation (MWh)		268,071.232	11,479
9.	Station Service (%)		11.82	

SECTION B. LABOR REPORT

NO.	ITEM	VALUE
1	No. Employees Full-Time (Inc. Superintendent)	114
2.	No. Employees Part-Time	
3.	**Total Empl. - Hrs. Worked**	
4.	Oper. Plant Payroll ($)	
5.	Maint. Plant Payroll ($)	
6.	Other Accts. Plant Payroll ($)	
7.	**Total Plant Payroll ($)**	

SECTION C. FACTORS & MAX. DEMAND

NO.	ITEM	VALUE
1.	Load Factor (%)	42.58
2.	Plant Factor (%)	42.91
3.	Running Plant Capacity Factor (%)	84.01
4.	15 Minute Gross Maximum Demand (kW)	495,771
5.	Indicated Gross Maximum Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT ($) (a)	MILLS/NET kWh (b)	$/10^6 BTU (c)
1.	Operation, Supervision and Engineering	500	267,725.74		
2.	Fuel, Coal	501.1	7,146,023.03		2.34
3.	Fuel, Oil	501.2	391,272.36		22.29
4.	Fuel, Gas	501.3	0.00		0
5.	Fuel, Other	501.4			
6.	**Fuel Sub Total (2 thru 5)**	501	7,537,295.39	28.12	2.45
7.	Steam Expenses	502	1,371,386.90		
8.	Electric Expenses	505	525,926.61		
9.	Miscellaneous Steam Power Expenses	506	275,012.31		
10.	Allowances	509	4,651.37		
11.	Rents	507	0.00		
12.	**Non-Fuel Sub Total (1 + 7 thru 11)**		2,444,702.93	9.12	
13.	**Operation Expense (6 + 12)**		9,981,998.32	37.24	
14.	Maintenance, Supervision and Engineering	510	250,129.66		
15.	Maintenance of Structures	511	194,585.25		
16.	Maintenance of Boiler Plant	512	1,339,545.93		
17.	Maintenance of Electric Plant	513	289,823.42		
18.	Maintenance of Miscellaneous Plant	514	127,315.42		
19.	**Maintenance Expense (14 thru 18)**		2,201,399.68	8.21	
20.	**Total Production Expense (13 + 19)**		12,183,398.00	45.45	
21.	Depreciation	403.1	1,301,552.58		
22.	Interest	427	1,335,369.92		
23.	**Total Fixed Cost (21 + 22)**		2,636,922.50	9.84	
24.	**Power Cost (20 + 23)**		14,820,320.50	55.29	

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE
FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PLANT D - STEAM PLANT

BORROWER DESIGNATION
KY0062
PLANT
WILSON
PERIOD ENDED
Feb-12

INSTRUCTIONS - See help in the online application.

SECTION A. BOILERS/TURBINES

			FUEL CONSUMPTION					OPERATING HOURS			
										OUT OF SERVICE	
NO.	UNIT NO. (a)	TIMES STARTED (b)	COAL (1000 Lbs.) (c)	OIL (1000 Gals.) (d)	GAS (1000 C.F.) (e)	OTHER (f)	TOTAL (g)	IN SERVICE (h)	ON STANDBY (i)	Scheduled (j)	Unsched (k)
1.	1	1	508,644.6	52.900	.0			1,400.7	.0	.0	39.3
2.											
3.											
4.											
5.											
6.	Total	1	508,644.6	52.900	.0			1,400.7	.0	.0	39.3
7.	Average BTU		11,617	138,000	0						
8.	Total BTU(10^6)		5,908,924	7,300	0		5,916,224				
9.	Total Del..Cost ($)		10,980,938.38	161,122.13	0.00						

SECTION A. BOILERS/TURBINES (CONT.)

NO.	UNIT NO. (1)	SIZE (kW) (m)	GROSS GEN. (MWh) (n)	BTU PER kWh (o)
1.	1	440,000	602,768.520	
2.				
3.				
4.				
5.				
6.	Total	440,000	602,768.520	9,815
7.	Station Service (MWh)		40,118.398	
8.	Net Generation (MWh)		562,650.122	10,515
9.	Station Service (%)		6.66	

SECTION B. LABOR REPORT

NO.	ITEM	VALUE
1	No. Employees Full-Time (Inc. Superintendent)	112
2.	No. Employees Part-Time	
3.	**Total Empl. - Hrs. Worked**	
4.	Oper. Plant Payroll ($)	
5.	Maint. Plant Payroll ($)	
6.	Other Accts. Plant Payroll ($)	
7.	**Total Plant Payroll ($)**	

SECTION C. FACTORS & MAX. DEMAND

NO.	ITEM	VALUE
1.	Load Factor (%)	92.76
2.	Plant Factor (%)	95.13
3.	Running Plant Capacity Factor (%)	97.80
4.	15 Minute Gross Maximum Demand (kW)	451,262
5.	Indicated Gross Maximum Demand (kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO.	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT ($) (a)	MILLS/NET kWh (b)	$/10^6 BTU (c)
1.	Operation, Supervision and Engineering	500	319,719.08		
2.	Fuel, Coal	501.1	11,514,160.69		1.95
3.	Fuel, Oil	501.2	161,122.13		22.07
4.	Fuel, Gas	501.3	0.00		0
5.	Fuel, Other	501.4			0
6.	**Fuel Sub-Total (2 thru 5)**	501	11,675,282.82	20.75	1.97
7.	Steam Expenses	502	1,952,424.84		
8.	Electric Expenses	505	215,790.78		
9.	Miscellaneous Steam Power Expenses	506	391,367.80		
10.	Allowances	509	10,935.50		
11.	Rents	507	0.00		
12.	**Non-Fuel Sub-Total (1 + 7 thru 11)**		2,890,238.00	5.14	
13.	**Operation Expense (6 + 12)**		14,565,520.82	25.89	
14.	Maintenance, Supervision and Engineering	510	240,908.53		
15.	Maintenance of Structures	511	241,373.23		
16.	Maintenance of Boiler Plant	512	1,313,839.65		
17.	Maintenance of Electric Plant	513	145,024.68		
18.	Maintenance of Miscellaneous Plant	514	166,743.26		
19.	**Maintenance Expense (14 thru 18)**		2,107,889.35	3.75	
20.	**Total Production Expense (13 + 19)**		16,673,410.17	29.63	
21.	Depreciation	403.1	3,216,323.62		
22.	Interest	427	3,575,334.27		
23.	**Total Fixed Cost (21 + 22)**		6,791,657.89	12.07	
24.	**Power Cost (20 + 23)**		23,465,068.06	41.70	

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART F IC - INTERNAL COMBUSTION PLANT

BORROWER DESIGNATION: KY0062
PLANT: REID
PERIOD ENDED: Feb-12

INSTRUCTIONS - See help in the online application.

SECTION A. INTERNAL COMBUSTION GENERATING UNITS

NO.	UNIT NO. (a)	SIZE (kW) (b)	FUEL CONSUMPTION: OIL (1000 Gals.) (c)	FUEL CONSUMPTION: GAS (1000 C.F.) (d)	FUEL CONSUMPTION: OTHER (e)	FUEL CONSUMPTION: TOTAL (f)	OPERATING HOURS: IN SERVICE (g)	OPERATING HOURS: ON STANDBY (h)	OUT OF SERVICE: Sche. (i)	OUT OF SERVICE: Unsched (j)	GROSS GENERATION (MWh) (k)	BTU PER kWh (1)
1.	1	70,000	.000	3,945			9.0	1,418.4	.0	12.6	215.720	
2.												
3.												
4.												
5.												
6.	Total	70,000	.000	3,945			9.0	1,418.4	.0	12.6	215.720	18,288
7.	Average BTU		0	1,000			Station Service (MWh)				118.840	
8.	Total BTU(10^6)		0	3,945		3,945	Net Generation (MWh)				96.880	40,720
9.	Total Del..Cost ($)		0.00	14,832.70			Station Service % of Gross				55.09	

SECTION B. LABOR REPORT

NO.	ITEM	VALUE	NO.	ITEM	VALUE
1	No. Employees Full-Time (Inc. Superintendent)	0	5.	Maint. Plant Payroll ($)	
2.	No. Employees Part-Time		6.	Other Accounts. Plant Payroll ($)	
3.	**Total Empl. - Hrs. Worked**				
4.	Oper. Plant Payroll ($)		7.	**Total Plant Payroll ($)**	

SECTION C. FACTORS & MAXIMUM DEMAND

NO.	ITEM	VALUE
1.	Load Factor (%)	.49
2.	Plant Factor (%)	.21
3.	Running Plant Capacity Factor (%)	34.24
4.	15 Minute Gross Maximum Demand (kW)	30,400
5.	Indicated Gross Maximum Demand kW)	

SECTION D. COST OF NET ENERGY GENERATED

NO	PRODUCTION EXPENSE	ACCOUNT NUMBER	AMOUNT ($) (a)	MILLS/NET kWh (b)	$/10^6 BTU (c)
1.	Operation, Supervision and Engineering	546	0.00		
2.	Fuel, Oil	547.1	0.00		
3.	Fuel, Gas	547.2	14,880.70		3.77
4.	Fuel, Other	547.3			
5.	Energy for Compressed Air	547.4			
6.	**Fuel Sub-Total *(2 thru 5)***	547	14,880.70	153.60	3.77
7.	Generation Expenses	548	6,657.98		
8.	Miscellaneous Other Power Generation Expenses	549	0.00		
9.	Rents	550	0.00		
10.	**Non-Fuel Sub-Total *(1 + 7 thru 9)***		6,657.98	68.72	
11.	**Operation Expense *(6+ 10)***		21,538.68	222.32	
12.	Maintenance, Supervision and Engineering	551	0.00		
13.	Maintenance of Structures	552	0.00		
14.	Maintenance of Generating and Electric Plant	553	32,374.34		
15.	Maintenance of Miscellaneous Other Power Generating Plant	554	0.00		
16.	**Maintenance Expense *(12 thru 15)***		32,374.34	334.17	
17.	**Total Production Expense *(11 + 16)***		53,913.02	556.49	
18.	Depreciation	403.1,411.10	50,945.18		
19.	Interest	427	34,508.77		
20.	**Total Fixed Cost *(18+ 19)***		85,453.95	882.06	
21.	**Power Cost *(17 + 20)***		139,366.97	1,438.55	

REMARKS *(including Unscheduled Outages)*

000016

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART I - LINES AND STATIONS	BORROWER DESIGNATION KY0062 PERIOD ENDED Feb-12
INSTRUCTIONS - See help in the online application.	

SECTION A. EXPENSE AND COSTS

ITEM	ACCOUNT NUMBER	LINES (a)	STATIONS (b)
Transmission Operation			
1. Supervision and Engineering	560	42,760.85	59,928.55
2. Load Dispatching	561	672,081.53	
3. Station Expenses	562		135,182.36
4. Overhead Line Expenses	563	183,835.62	
5. Underground Line Expenses	564	0.00	
6. Miscellaneous Expenses	566	39,211.01	68,622.64
7. **Subtotal *(1 thru 6)***		937,889.01	263,733.55
8. Transmission of Electricity by Others	565	405,230.71	
9. Rents	567	0.00	4,116.86
10. **Total Transmission Operation *(7 thru 9)***		1,343,119.72	267,850.41
Transmission Maintenance			
11. Supervision and Engineering	568	37,902.58	39,750.63
12. Structures	569		745.99
13. Station Equipment	570		254,122.78
14. Overhead Lines	571	215,005.06	
15. Underground Lines	572	0.00	
16. Miscellaneous Transmission Plant	573	23,747.00	48,188.46
17. **Total Transmission Maintenance *(11 thru 16)***		276,654.64	342,807.86
18. **Total Transmission Expense *(10 + 17)***		1,619,774.36	610,658.27
19. RTO/ISO Expense - Operation	575	425,677.65	
20. RTO/ISO Expense - Maintenance	576	0.00	
21. **Total RTO/ISO Expense *(19 + 20)***		425,677.65	
22. Distribution Expense - Operation	580-589	0.00	0.00
23. Distribution Expense - Maintenance	590-598	0.00	0.00
24. **Total Distribution Expense *(22 + 23)***		0.00	0.00
25. **Total Operation And Maintenance *(18 + 21 +24)***		2,045,452.01	610,658.27
Fixed Costs			
26. Depreciation - Transmission	403.5	287,586.36	453,999.22
27. Depreciation - Distribution	403.6	0.00	0.00
28. Interest - Transmission	427	429,281.37	555,618.06
29. Interest - Distribution	427	0.00	0.00
30. **Total Transmission *(18 + 26 + 28)***		2,336,642.09	1,620,275.55
31. **Total Distribution *(24 +27 +29)***		0.00	0.00
32. **Total Lines And Stations *(21 + 30 + 31)***		2,762,319.74	1,620,275.55

SECTION B. FACILITIES IN SERVICE

TRANSMISSION LINES VOLTAGE (kV)	MILES	SUBSTATIONS TYPE	CAPACITY (kVA)
1.69 kV	833.20		
2.345 kV	68.40	13. Distr. Lines	0
3.138 kV	14.40		
4.161 kV	349.60	14. Total *(12 + 13)*	1,265.60
5.			
6.		15. Step up at Generating Plants	1,879,800
7.			
8.		16. Transmission	3,540,000
9.			
10.		17. Distribution	0
11.			
12. **Total *(1 thru 11)***	1,265.60	18. **Total *(15 thru 17)***	5,419,800

SECTION C. LABOR AND MATERIAL SUMMARY

ITEM	LINES	STATIONS
1. Number of Employees		55
2. Oper. Labor	249,531.85	168,616.89
3. Maint. Labor	248,509.16	271,332.82
4. Oper. Material	1,519,265.52	99,233.52
5. Maint. Material	28,145.48	71,475.04

SECTION D. OUTAGES

1. Total	0.00
2. Avg. No. Dist. Cons. Served	112,887.00
3. Avg. No. Hours Out Per Cons.	0.00

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 10) *Provide a copy of BREC's current By-Laws, marked to show all amendments, modifications, deletions or additions since January 19, 2007.*

Response) Big Rivers does not have the 2007 bylaws in a form that permits electronic comparison with the current bylaws. Copies of the 2007 bylaws and the current bylaws are attached.

Witness) Mark A. Hite

Big Rivers Electric Corporation By-Laws – As of January 19, 2007

Current Bylaws (Last amended by the Board of Directors on January 19, 2007)

AMENDED BYLAWS
OF
BIG RIVERS ELECTRIC CORPORATION

ARTICLE I

MEMBERSHIP: The fee for membership in this corporation is fixed at twenty-five dollars ($25.00).

The members must be accepted by a vote of a majority of the Board of Directors and only upon payment of the aforesaid fee accompanied by application containing the agreements referred to in Section 2 of Article VII of the Articles of Incorporation. Membership in the corporation shall not be transferable.

The Board of Directors may suspend the rights of a member, when such member ceases to be eligible for membership under the law, Articles of Incorporation, Bylaws or rules or regulations, for such period of time as the said member is ineligible for membership. The Board of Directors may terminate the membership of a member by expulsion when a member knowingly and intentionally fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules or regulations adopted by the Board of Directors, but only after such member shall have been given written notice by the Secretary of the Corporation that such failure shall be contained for at least ten (10) days after such notice is received. An affirmative vote of not less than two-thirds of all the directors shall be required to suspend or expel a member. An affirmative vote of a majority of all the directors shall be required to terminate a suspension of the members' rights or to reinstate a member once expelled.

When membership in the cooperative corporation has been terminated, under the laws of the State of Kentucky, the Articles of Incorporation as amended, or as provided in this Article I, as hereinabove stated, it shall be subject to the capital credits provision contained in Article VIII of these bylaws. The termination shall operate as a release of all right, title and interest of the member in the property and assets of the corporation, provided, however, that such termination of membership shall not release the member from the debts or the liabilities of such member to the cooperative corporation.

ARTICLE II

MEETINGS OF MEMBERS: The annual meeting of the members shall be held on the third Friday of each September, or on such other day in September as may be selected by the Board of Directors of the corporation, at an hour to be designated in the notice of the annual meeting, at the principal office of the corporation in Henderson, Henderson County, Kentucky, or at such other place in Kentucky as may be directed by the Chair of the corporation. Each member of the Board of Directors of a Big Rivers' member distribution cooperative shall be invited to attend the annual meeting of members of Big Rivers.

Special meetings of the members may be called at such times and places within the area aforesaid as may be ordered by the Board of Directors or by two (2) of the three (3) members.

Written notice of both the annual and special meetings of the members shall be given each member appearing on the books of the corporation by mailing the same to his last known address at least ten (10) days before such meeting. The notice of the special meeting shall set forth the purpose of which the meeting is called.

Each member shall designate one (1) delegate to represent it at each membership meeting. The Secretary of the corporation shall include with the written notice of the meeting a form on which each member shall certify the name and address of the delegate so designated. Such form shall be returned to the Secretary prior to or at the beginning of the meeting. In the event a waiver of notice is executed as herein provided, a representative of each member may orally report to the Secretary at the beginning of the meeting the name and address of the delegate who has been designated to represent the member at such meeting.

The delegates may at any special membership meeting held within thirty (30) days of the date for the required annual meeting elect by a two-thirds (2/3) vote to substitute such special meeting for the required annual meeting if delegates representing all members are present at such special meeting.

A waiver of notice containing the time, place and purpose of any membership meeting, signed by all the delegates representing all members and attached to the minutes of the meeting, shall satisfy the written notice requirement for a meeting in this Article.

Delegates representing a majority of the members shall constitute a quorum for the transaction of business.

Only delegates so designated shall vote on matters coming before the meeting.

ARTICLE III

DIRECTORS:

SECTION 1. Number. The number of directors shall be six (6). Each director shall be elected by a majority vote of the delegates at the annual meeting of the members or at a special meeting of the members called for the purpose. Each member distribution cooperative shall be entitled to have two (2) directors on the Board of Directors of the corporation at all times, provided however, that at least one (1) of the two (2) directors from each member distribution cooperative shall also have been, at the time of his election, a director of such member distribution cooperative.

SECTION 2. Term.

A. The term of service of a person on the Board of Directors shall be limited to a total of 18 years, whether served consecutively or non-consecutively.

B. The Board of Directors shall be reconstituted at the 1998 annual meeting of members to be held on September 10, 1998. At that meeting, the membership shall elect two (2) directors from each cooperative as provided in Article III, Section 1, above, one of whom shall serve for a term of two (2) years and until his or her successor is elected and qualified, and the other of whom shall serve for a term of three (3) years and until his or her successor is elected and qualified. The terms of all directors serving prior to the 1998 annual meeting of members shall terminate with the adjournment of that meeting.

C. The terms of directors shall be staggered such that two (2) directors from different member cooperatives are elected each year. Each director elected on and after September 1, 2000, shall be elected for a term of three (3) years and shall serve until his or her successor is elected and qualified, except that at the 2001 annual meeting of members, one (1) of the three (3) directors elected at that meeting shall be elected for a term of one (1) year.

SECTION 3. Qualifications. A person is qualified to stand for election to the Board of Directors of the corporation if that person satisfies the general requirements and limitations on board service in Article III, and each of the following requirements:

A. A director of Big Rivers Electric Corporation shall be a member of a member distribution cooperative and shall reside in the service territory of a Big Rivers Electric Corporation member distribution cooperative.

B. No employee of Big Rivers Electric Corporation or of its member cooperatives shall be a director during the term of such employment. No member of the immediate family of an employee of Big Rivers Electric Corporation shall serve as a director of the corporation during the term of such employment. For purposes of this requirement, the "immediate family" of an employee is any person (a) who is a spouse, parent, child, or sibling of that employee, or of that employee's spouse or of an individual living in the same home as the employee, (b) any person who is living in the same home as the employee, and (c) any person who is married to or lives in the same home as any of the persons listed in (a) and (b).

C. A director must have the legal capacity to enter into a binding contract.

D. Each director shall have a high school diploma or its equivalent.

E. A person who serves a term on the Board of Directors of the corporation after September 1, 1997, shall be qualified to serve a subsequent term if, in addition to meeting the other qualifications for board membership, that person has completed all orientation and continuing education requirements imposed by Board policy during his or her tenure on the Board. Each director shall have achieved the National Rural Electric Cooperative Association Credentialed Cooperative Director (CCD) certification by the end of his or her sixth consecutive year of service after September 1, 1997.

<u>SECTION 4. Removal.</u> Any member may bring charges against a director by filing with the Secretary of the corporation such charges in writing and request the removal of such director by reason thereof. Such director shall be informed in writing by the Secretary of the charges at least ten (10) days prior to the meeting at which the charges are to be considered. Such director shall have an opportunity at the meeting to be heard and to present evidence respecting the charges. The question of the removal of such director shall be considered and voted upon by the remaining directors with the director under charges excluded from the meeting room at the time of the vote.

<u>SECTION 5. Meetings.</u> Regular monthly meetings of the Board of Directors shall be held

upon the third Friday of each month at an hour to be designated from month to month.

Special meetings of the Board of Directors may be called by the Chair or Secretary at such time and place as may be determined by the person calling the meeting. At least five (5) days' written notice shall be given each director of the special meeting by the person calling same. A waiver of notice containing the time, place, and purpose of the meeting, signed by all directors and attached to the minutes of the meeting, shall satisfy the written notice requirement for a meeting in this Article.

The directors may at any special meeting held within thirty (30) days of the date for the required annual or monthly meeting, elect by a two-thirds (2/3) vote of all the directors to substitute such special meeting for the required annual or monthly meeting if all directors are present at such special meeting.

A majority of the Board of Directors shall constitute a quorum at all meetings.

SECTION 6. Vacancies. In case of any vacancy on the Board of Directors caused by death, resignation, or otherwise, such vacancy shall be filled for the unexpired term by a majority of the Board of Directors within sixty (60) days.

SECTION 7. Meetings by Telephone or Similar Communications. Any or all directors may participate in any regular or special meeting by, or conduct a meeting through the use of, any means of communication by which all directors participating in such meeting can simultaneously hear each other, and participation in such meeting by a director shall constitute the presence in person by such director at such meeting.

SECTION 8. Consolidation of Members. If two or more members of the corporation consolidate pursuant to KRS 279.170 to form a new entity and member of the corporation, the positions on the corporation's Board of Directors for that entity shall be filled for a term ending with the next annual meeting of the members of the corporation by a majority vote of the Board of Directors within sixty (60) days. At the first annual meeting of the members of the corporation following the effective date of the consolidation, the membership shall elect two (2) directors from the new entity, as provided in Article III, Section 1, above, for terms consistent with Article III, Section 3, which establishes staggered terms for directors.

ARTICLE IV

OFFICERS:

SECTION 1. Officers Authorized. The officers of the corporation shall be a Chair, Vice Chair, President, Secretary-Treasurer, Vice President and Chief Financial Officer, and Vice President-External Relations. The Chair, Vice Chair and Secretary-Treasurer shall be elected by and from the membership of the Board of Directors. The President shall be elected by the Board of Directors. The Vice President and Chief Financial Officer and the Vice President-External Relations shall be appointed by the President. The Board of Directors may appoint an Executive Secretary and one or more Assistant Secretaries, who need not be members of the Board of Directors, to perform such duties and to have such powers of the secretary as shall from time to time be assigned to the Executive Secretary or to any Assistant Secretary by the Board of Directors or by the Secretary.

SECTION 2. Election and Terms of Officers. At the first meeting following the annual meeting of the members, each officer required by these Bylaws to be chosen by election shall be elected by a majority vote by the Board of Directors by a secret ballot, provided the result of such election is determined by ballot vote, and shall hold office for one (1) year, or until that officer's successor is elected and qualified. All officers of the corporation serve at the pleasure of the Board and may be removed as an officer without cause by an affirmative vote of a majority of all the directors, unless otherwise expressly provided in a written contract of employment between the corporation and an officer who is also an employee of the corporation.

ARTICLE V

DUTIES OF OFFICERS:

SECTION 1. Chair and Vice-Chair. The Chair shall preside at all meetings of the members and of the Board of Directors. The Chair may sign, with the Secretary-Treasurer, certificates of membership of the corporation, and the Chair may also sign any deeds, mortgages, bonds, contracts or other instruments in writing authorized by the Board of Directors or by these Bylaws or that are required by law to be otherwise signed or executed. The Chair shall perform generally all duties incident to the office of Chair and such other duties as may be prescribed by the Board of Directors from time to time.

In the absence of the Chair, or in the event of the Chair's inability or refusal to act, the Vice Chair shall perform the duties of the Chair. When so acting, the Vice Chair shall have all the powers of and be subject to all the restrictions upon the Chair. The Vice Chair shall perform such other duties as may be assigned from time to time by the Board of Directors.

SECTION 2. Secretary. The Secretary of the Corporation shall keep, or cause to be kept, the minutes of the meetings of the Board of Directors and members in one or more books provided for that purpose and shall authenticate records of the Corporation. The Secretary shall see that all notices are duly given in accordance with these Bylaws, or as required by law. The Secretary shall be the custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all certificates of membership prior to the issue thereof and to all documents requiring a seal. The Secretary of the Corporation shall keep, or cause to be kept, a register of the post office address of each member. The Secretary shall sign, with the Chair, certificates of membership and have general charge of the books of the Corporation. The Secretary shall perform in general all duties incident to the office of the Secretary and such other duties as from time to time may be assigned by the Board of Directors.

SECTION 3. Treasurer. The Treasurer of the Corporation, or such other person or persons delegated by the Board, shall have charge and custody of and be responsible for all funds and securities of the Corporation. The Treasurer shall in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board of Directors.

SECTION 4. President. The President shall act as the general manager and chief executive officer of the Corporation. The President may sign, with the Secretary, certificates of membership of the Corporation, and any deeds, mortgages, bonds, contracts or other instruments in writing authorized by the Board of Directors, or by these Bylaws, or that are required by law to be otherwise signed or executed by the president of a rural electric cooperative corporation. The President shall perform generally all duties incident to the office of president and to the position of general manager and chief executive officer, and such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 5. Vice President and Chief Financial Officer. The Vice President and Chief Financial Officer of the Corporation shall act as the manager of the financial affairs, financial reporting and tax compliance for the Corporation, and shall perform generally all duties incident to the office of vice president and chief financial officer, along with such other duties as may be prescribed by the Board of Directors from time to time. The Vice President and Chief Financial Officer may exercise any duties of the Treasurer, except for signing certificates of membership of the corporation, and may sign any deeds, mortgages, bonds, contracts or other instruments in writing authorized by the Board of Directors, or by these Bylaws, or that are required by law to be otherwise signed or executed.

SECTION 6. Vice President-External Relations. The Vice President-External Relations of the Corporation shall act as the manager of the external relations, federal, state and local governmental affairs, federal, state and local regulatory affairs, and monitoring of regulatory compliance for the Corporation, and shall perform generally all duties incident to the office of vice president of external relations, along with such other duties as may be prescribed by the Board of Directors from time to time. The Vice President-External Relations may sign any deeds, mortgages, bonds, contracts or other instruments in writing authorized by the Board of Directors, or by these Bylaws, or that are required by law to be otherwise signed or executed.

SECTION 7. Absence or Disability of President. If the President is absent or becomes disabled, the Vice President and Chief Financial Officer and the Vice President-External Relations shall have all the powers and be subject to all the duties of the President so long as such absence or disability continues.

SECTION 8. Compensation of Officers. The compensation of the officers of the corporation shall be fixed from time to time by the Board of Directors, except the compensation of the Vice President and Chief Financial Officer and the Vice President-External Relations, whose compensation shall be fixed by the President.

SECTION 9. Annual Reports of Officers. The officers of the Corporation shall submit at each annual meeting of the members reports covering the business of the corporation for the previous fiscal year and showing the condition of the corporation at the close of such fiscal year.

SECTION 10. Secretary-Treasurer. The Secretary-Treasurer shall have the duties of both the Secretary and the Treasurer.

ARTICLE VI

FISCAL YEAR: The fiscal year of the corporation shall commence on January 1st of each year.

ARTICLE VII

SEAL: The corporate seal of the corporation shall be circular with the words "BIG RIVERS ELECTRIC CORPORATION" and "HENDERSON, KENTUCKY" surrounding the word "SEAL".

ARTICLE VIII

NON-PROFIT OPERATION:

SECTION 1. Interest or Dividends on Capital Prohibited.

The cooperative shall at all times be operated on a non-profit basis for the mutual benefit of its patrons. As used in these Bylaws, "patron" shall include members and non-members alike, who have expressly contracted in writing to do business with the cooperative on a patronage basis on the terms contained in these Bylaws. No interest or dividends shall be paid or payable by the cooperative on any capital furnished by its patrons.

SECTION 2. Patronage Capital in Connection with Furnishing Electric Service.

In the furnishing of electric energy, the cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the cooperative.

In order to induce patronage and to assure that the cooperative will operate on a non-profit basis, the cooperative is obligated to account each year on a patronage basis to all its patrons for all positive patron patronage-sourced margins, both operating and non-operating. The cooperative is obligated to allocate all such positive amounts to a capital account for each patron. The books and records of the cooperative shall be set up and kept in such manner that at the end of each fiscal year, the amount of capital allocated and credited to each patron is clearly reflected in an appropriate record to the capital account of each patron, and the cooperative shall within a reasonable time after the close of the fiscal year notify each patron of the amount of capital so allocated to his account. All such amounts allocated to the capital account of any patron shall be in pursuance of a legal obligation to do so.

Notwithstanding any other provision of this Article VIII, the amount to be allocated as patronage capital for a given year shall not be less than the greater of regular taxable patron patronage-sourced margins or alternative minimum taxable patron patronage-sourced margins (both as determined for federal income tax purposes).

All other tax margins received by the cooperative from operating and nonoperating sources shall, insofar as permitted by law, be (a) used to offset any such remaining tax loss carry forward amounts incurred during any prior fiscal year since 1982 and (b) to the extent not needed for that purpose, retained by the cooperative as a permanent source of after-tax equity.

In the event of dissolution or liquidation of the cooperative, after all outstanding indebtedness of the cooperative shall have been paid, the net of each member's outstanding membership fee and capital account balance shall be retired without priority on a pro-rata basis before any payments are made on account of property rights of members. The property rights of each member shall be determined based upon historical patronage measured by kilowatt-hours purchased from Big Rivers over the life of the cooperative. The life of the cooperative is defined to begin at the date Big Rivers was formed in 1961 and is not redefined or otherwise modified by Big Rivers' bankruptcy filing, reorganization, confirmation of the plan of reorganization, or otherwise.

If, at any time prior to dissolution or liquidation, the board of directors shall determine that the financial condition of the cooperative will not be impaired thereby, the patrons' capital accounts may be retired in full or in part except that no distribution that violates any financial covenants shall be made. Generally, such retirements of capital shall be made in order of priority according to the year in which the capital was allocated, the capital first received by the cooperative being first retired. Notwithstanding any other provision of these bylaws, the board of directors shall have the discretion to determine the method of allocation, basis, and order of priority of retirement, if any, for all amounts furnished as patronage capital.

The capital in the account of each patron shall be assignable only on the books of the cooperative pursuant to written instructions from the assignor and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the cooperative unless the board of directors, acting under policies of general application, shall determine otherwise.

SECTION 3. Patronage Allocation.

The aggregate method will continue to be used for patronage capital accounting until the historical cumulative patron patronage-sourced tax margin deficit, beginning in 1983 when the cooperative became non-exempt, is overcome. Then the assignment method will be used for each subsequent year which renders a positive patron patronage-sourced tax margin. The Big Rivers' net sales margin from the sale of electricity to each patron shall be the basis for allocating the total patron patronage-sourced tax margin. At the time of adoption of this policy, all patron sales of electricity are pursuant to either Rate Schedule C.4.d. or C.7. Until such time as Big Rivers' board of directors determines any such margin contains other amounts (for example, a positive transmission component), it shall not be necessary to differentiate such amount and determine the equitable assignment basis therefore. Each year's patron patronage-sourced tax margin will be allocated as follows:

(a) Determine each patron's electricity sales revenue (RUS Form 12)

(b) Determine each patron's MWh sales (RUS Form 12)

(c) Determine each patron's power supply cost, on an average member MWH cost basis (RUS Form 12)

(d) Subtract (c) from (a) to arrive at each patron's net sales margin

(e) Compute each patron's patronage capital allocation on a net sales margin pro-rata basis.

ARTICLE IX

ORDER OF BUSINESS: The order of business at the annual meeting of the members, and so far as possible at all other meetings of the members, shall be as follows:

1. Call of the Roll
2. Reading of the notice of the meeting together with proof of service.
3. Presentation and reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of, and acting upon reports of officers, directors, and committees.
5. The election of directors.

6. Unfinished business.

7. New business.

8. Adjournment.

ARTICLE X

CONTRACTS, CHECKS AND DEPOSITS: The Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the corporation and such authority may be general or confined to specific instances.

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

All funds of the corporation shall be deposited from time to time to the credit of the corporation in such bank or banks as the Board of Directors may select.

ARTICLE XI

DIRECTORS FEES AND EXPENSES:

SECTION 1: A director is entitled to such fees and to reimbursement of such expenses as may be provided in the written policy of the Board on Directors' Fees and Expenses. Compliance with that policy shall be monitored by the Board of Directors.

SECTION 2: Nothing contained herein shall limit the right of the Board of Directors to contract with or pay any individual director for additional services or duties rendered outside his normal functions as director.

ARTICLE XII

AMENDMENT OF BYLAWS:

These Bylaws may be altered, modified, amended, or replaced by an affirmative vote of a majority of the members of the Board of Directors at any regular or special meeting.

All Bylaws previously adopted by this Board which are inconsistent herewith are hereby altered or repealed in the above respects.

ARTICLE XIII

INDEMNIFICATION AND INSURANCE:

A. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact he or she, or a person of whom he or she is a legal representative, is or was a director, or while a director, serves or served at the corporation's request as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the Kentucky Business Corporation Act, as the same exists or may hereafter be amended (but in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than the Kentucky Business Corporation Act permitted the corporation to provide prior to such amendment), against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA, excise taxes or penalties, and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such director in connection with any such proceeding. Such indemnification shall continue as to a director who has ceased to be a director and shall inure to the benefit of the director's heirs, executors, and administrators. Except with respect to proceedings to enforce rights to indemnification by a director, the corporation shall indemnify any such director in connection with a proceeding (or part thereof) initiated by such director only if such proceeding (or part thereof) was authorized by the Board of Directors of the corporation. The right to indemnification conferred in this Article shall be a contract right.

B. Advance of Expenses. The corporation shall pay for or reimburse the actual and reasonable expenses incurred by a director who is a party to a proceeding in advance of final disposition of the proceeding if a determination is made that the facts then known to those making the determination would not preclude indemnification under KRS 271B.8-500 to 271B.8-580, and if the director furnishes the corporation: (i) a written affirmation of the director's good faith belief that the director's conduct met the standard of conduct described in Kentucky Revised Statutes 271B.8-510 or successor provisions; and (ii) a written undertaking, executed personally or on the director's behalf, to repay any advances if it is ultimately determined that the director is not entitled to indemnification for such expenses under this Article or otherwise. The undertaking must be an unlimited general obligation of the director, but need not be secured and may be accepted without reference to the director's financial ability to make repayment.

C. Indemnification of Officers, Employees and Agents. The corporation may indemnify and advance expenses to an officer, employee or agent who is not a director to the extent permitted by the Articles of Incorporation, the Bylaws, or by law.

D. Indemnification of Officers, Employees and Agents. The corporation shall indemnify and advance expenses to officers to the same extent as directors, and may indemnify employees or agents who are not directors or officers to the extent permitted by the Articles of Incorporation, the Bylaws, or by law.

E. Insurance. The corporation may purchase and maintain insurance, at its expense, on behalf of an individual who is or was a director, officer, employee or agent of the corporation, or who while a director, officer, employee or agent of the corporation is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, against liability asserted against or incurred by him or her in any such capacity or arising from his status as a director, officer, employee or agent, whether or not the corporation would have power to indemnify him or her against the same liability under this Article.

Big Rivers Electric Corporation By-Laws – As of February 21, 2012

Current Bylaws (Last amended by the Board of Directors on February 21, 2012)

AMENDED BYLAWS
OF
BIG RIVERS ELECTRIC CORPORATION

ARTICLE I

MEMBERSHIP: The fee for membership in this corporation is fixed at twenty-five dollars ($25.00).

The members must be accepted by a vote of a majority of the Board of Directors and only upon payment of the aforesaid fee accompanied by application containing the agreements referred to in Section 2 of Article VII of the Articles of Incorporation. Membership in the corporation shall not be transferable.

The Board of Directors may suspend the rights of a member, when such member ceases to be eligible for membership under the law, Articles of Incorporation, Bylaws or rules or regulations, for such period of time as the said member is ineligible for membership. The Board of Directors may terminate the membership of a member by expulsion when a member knowingly and intentionally fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules or regulations adopted by the Board of Directors, but only after such member shall have been given written notice by the Secretary of the Corporation that such failure shall be contained for at least ten (10) days after such notice is received. An affirmative vote of not less than two-thirds of all the directors shall be required to suspend or expel a member. An affirmative vote of a majority of all the directors shall be required to terminate a suspension of the members' rights or to reinstate a member once expelled.

When membership in the cooperative corporation has been terminated, under the laws of the State of Kentucky, the Articles of Incorporation as amended, or as provided in this Article I, as hereinabove stated, it shall be subject to the capital credits provision contained in Article VIII of these bylaws. The termination shall operate as a release of all right, title and interest of the member in the property and assets of the corporation, provided, however, that such termination of membership shall not release the member from the debts or the liabilities of such member to the cooperative corporation.

ARTICLE II

MEETINGS OF MEMBERS: The annual meeting of the members shall be held on the third Friday of each September, or on such other day in September as may be selected by the Board of Directors of the corporation, at an hour to be designated in the notice of the annual meeting, at the principal office of the corporation in Henderson, Henderson County, Kentucky, or at such other place in Kentucky as may be directed by the Chair of the corporation. Each member of the Board of Directors of a Big Rivers' member distribution cooperative shall be invited to attend the annual meeting of members of Big Rivers.

Special meetings of the members may be called at such times and places within the area aforesaid as may be ordered by the Board of Directors or by two (2) of the three (3) members.

Written notice of both the annual and special meetings of the members shall be given each member appearing on the books of the corporation by mailing the same to his last known address at least ten (10) days before such meeting. The notice of the special meeting shall set forth the purpose of which the meeting is called.

Each member shall designate one (1) delegate to represent it at each membership meeting. The Secretary of the corporation shall include with the written notice of the meeting a form on which each member shall certify the name and address of the delegate so designated. Such form shall be returned to the Secretary prior to or at the beginning of the meeting. In the event a waiver of notice is executed as herein provided, a representative of each member may orally report to the Secretary at the beginning of the meeting the name and address of the delegate who has been designated to represent the member at such meeting.

The delegates may at any special membership meeting held within thirty (30) days of the date for the required annual meeting elect by a two-thirds (2/3) vote to substitute such special meeting for the required annual meeting if delegates representing all members are present at such special meeting.

A waiver of notice containing the time, place and purpose of any membership meeting, signed by all the delegates representing all members and attached to the minutes of the meeting, shall satisfy the written notice requirement for a meeting in this Article.

Delegates representing a majority of the members shall constitute a quorum for the transaction of business.

Only delegates so designated shall vote on matters coming before the meeting.

ARTICLE III

DIRECTORS:

SECTION l. Number. The number of directors shall be six (6). Each director shall be elected by a majority vote of the delegates at the annual meeting of the members or at a special meeting of the members called for the purpose. Each member distribution cooperative shall be entitled to have two (2) directors on the Board of Directors of the corporation at all times, provided however, that at least one (1) of the two (2) directors from each member distribution cooperative shall also have been, at the time of his election, a director of such member distribution cooperative.

SECTION 2. Term. The terms of directors shall be staggered such that two (2) directors from different member cooperatives are elected each year. Each director elected on and after September 1, 2000, shall be elected for a term of three (3) years and shall serve until his or her successor is elected and qualified.

SECTION 3. Qualifications. A person is qualified to stand for election to the Board of Directors of the corporation if that person satisfies the general requirements and limitations on board service in Article III, and each of the following requirements:

A. A director of Big Rivers Electric Corporation shall be a member of a member distribution cooperative and shall reside in the service territory of a Big Rivers Electric Corporation member distribution cooperative.

B. No employee of Big Rivers Electric Corporation or of its member cooperatives shall be a director during the term of such employment. No member of the immediate family of an employee of Big Rivers Electric Corporation shall serve as a director of the corporation during the term of such employment. For purposes of this requirement, the "immediate family" of an employee is any person (a) who is a spouse, parent, child, or sibling of that employee, or of that employee's spouse or of an individual living in the same home as the employee, (b) any person who is living in the same home as the employee, and (c) any person who is married to or lives in the same home as any of the persons listed in (a) and (b).

C. A director must have the legal capacity to enter into a binding contract.

D. Each director shall have a high school diploma or its equivalent.

E. A person who serves a term on the Board of Directors of the corporation after September 1, 1997, shall be qualified to serve a subsequent term if, in addition to meeting the other qualifications for board membership, that person has completed all orientation and continuing education requirements imposed by Board policy during his or her tenure on the

Board. Each director shall have achieved the National Rural Electric Cooperative Association Credentialed Cooperative Director (CCD) certification by the end of his or her sixth consecutive year of service after September 1, 1997.

SECTION 4. Removal. Any member may bring charges against a director by filing with the Secretary of the corporation such charges in writing and request the removal of such director by reason thereof. Such director shall be informed in writing by the Secretary of the charges at least ten (10) days prior to the meeting at which the charges are to be considered. Such director shall have an opportunity at the meeting to be heard and to present evidence respecting the charges. The question of the removal of such director shall be considered and voted upon by the remaining directors with the director under charges excluded from the meeting room at the time of the vote.

SECTION 5. Meetings. Regular monthly meetings of the Board of Directors shall be held upon the third Friday of each month at an hour to be designated from month to month.

Special meetings of the Board of Directors may be called by the Chair or Secretary at such time and place as may be determined by the person calling the meeting. At least five (5) days' written notice shall be given each director of the special meeting by the person calling same. A waiver of notice containing the time, place, and purpose of the meeting, signed by all directors and attached to the minutes of the meeting, shall satisfy the written notice requirement for a meeting in this Article.

The directors may at any special meeting held within thirty (30) days of the date for the required annual or monthly meeting, elect by a two-thirds (2/3) vote of all the directors to substitute such special meeting for the required annual or monthly meeting if all directors are present at such special meeting.

A majority of the Board of Directors shall constitute a quorum at all meetings.

SECTION 6. Vacancies. In case of any vacancy on the Board of Directors caused by death, resignation, or otherwise, such vacancy shall be filled for the unexpired term by a majority of the Board of Directors within sixty (60) days.

SECTION 7. Meetings by Telephone or Similar Communications. Any or all directors may participate in any regular or special meeting by, or conduct a meeting through the use of, any means of communication by which all directors participating in such meeting can simultaneously hear each other, and participation in such meeting by a director shall constitute the presence in person by such director at such meeting.

SECTION 8. Consolidation of Members. If two or more members of the corporation consolidate pursuant to KRS 279.170 to form a new entity and member of the corporation, the positions on the corporation's Board of Directors for that entity shall be filled for a term ending with the next annual meeting of the members of the corporation by a majority vote of the Board of Directors within sixty (60) days. At the first annual meeting of the members of the corporation following the effective date of the consolidation, the membership shall elect two (2) directors from the new entity, as provided in Article III, Section 1, above, for terms consistent with Article III, Section 3, which establishes staggered terms for directors.

ARTICLE IV

OFFICERS:

SECTION 1. Officers Authorized. The officers of the corporation shall be a Chair, Vice Chair, President, Secretary-Treasurer, and Vice President Production. The Chair, Vice Chair and Secretary-Treasurer shall be elected by and from the membership of the Board of Directors. The President shall be elected by the Board of Directors. The Vice President Production shall be appointed by the President. The Board of Directors may appoint an Executive Secretary and one or more Assistant Secretaries, who need not be members of the Board of Directors, to perform such duties and to have such powers of the secretary as shall from time to time be assigned to the Executive Secretary or to any Assistant Secretary by the Board of Directors or by the Secretary.

SECTION 2. Election and Terms of Officers. At the first meeting following the annual meeting of the members, each officer required by these Bylaws to be chosen by election shall be elected by a majority vote by the Board of Directors by a secret ballot, provided the result of such election is determined by ballot vote, and shall hold office for one (1) year, or until that officer's successor is elected and qualified. All officers of the corporation serve at the pleasure of the Board and may be removed as an officer without cause by an affirmative vote of a majority of all the directors, unless otherwise expressly provided in a written contract of employment between the corporation and an officer who is also an employee of the corporation.

SECTION 3. There shall be no limit on the number of terms a director may serve in any office of the Corporation, provided, however, that beginning with the elections at the 2011 annual board meeting, a director elected to an office of the Corporation may serve no more than three consecutive terms in that office.

ARTICLE V

DUTIES OF OFFICERS:

SECTION 1. Chair and Vice-Chair. The Chair shall preside at all meetings of the members and of the Board of Directors. The Chair may sign, with the Secretary-Treasurer, certificates of membership of the corporation, and the Chair may also sign any deeds, mortgages, bonds, contracts or other instruments in writing authorized by the Board of Directors or by these Bylaws or that are required by law to be otherwise signed or executed. The Chair shall perform generally all duties incident to the office of Chair and such other duties as may be prescribed by the Board of Directors from time to time.

In the absence of the Chair, or in the event of the Chair's inability or refusal to act, the Vice Chair shall perform the duties of the Chair. When so acting, the Vice Chair shall have all the powers of and be subject to all the restrictions upon the Chair. The Vice Chair shall perform such other duties as may be assigned from time to time by the Board of Directors.

SECTION 2. Secretary. The Secretary of the Corporation shall keep, or cause to be kept, the minutes of the meetings of the Board of Directors and members in one or more books provided for that purpose and shall authenticate records of the Corporation. The Secretary shall see that all notices are duly given in accordance with these Bylaws, or as required by law. The Secretary shall be the custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all certificates of membership prior to the issue thereof and to all documents requiring a seal. The Secretary of the Corporation shall keep, or cause to be kept, a register of the post office address of each member. The Secretary shall sign, with the Chair, certificates of membership and have general charge of the books of the Corporation. The Secretary shall perform in general all duties incident to the office of the Secretary and such other duties as from time to time may be assigned by the Board of Directors.

SECTION 3. Treasurer. The Treasurer of the Corporation, or such other person or persons delegated by the Board, shall have charge and custody of and be responsible for all funds and securities of the Corporation. The Treasurer shall in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board of Directors.

SECTION 4. President. The President shall act as the general manager and chief executive officer of the Corporation. The President may sign, with the Secretary, certificates of membership of the Corporation, and any deeds, mortgages, bonds, contracts, tariffs or other instruments in writing authorized by the Board of Directors, or by these Bylaws, or that are required by law to be otherwise signed or executed by the president of a rural electric cooperative corporation. The President shall perform generally all duties incident to the office of president and to the position of general manager and chief executive officer, and such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 5. Vice President Production. The Vice President Production shall direct all activities related to operation and maintenance of the Corporation's generating facilities, including fuels procurement and management and power plant engineering; manage the energy services functions of the Corporation, including responsibility for generation and purchase resources, and wholesale power marketing activities; and perform generally all duties incident to the office of Vice President Production, along with such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 6. (Intentionally left blank.)

SECTION 7. Absence or Disability of President. If the President is absent or becomes disabled, the Vice President Production shall have all the powers and be subject to all the duties of the President so long as such absence or disability continues.

SECTION 8. Compensation of Officers. The compensation of the officers of the corporation shall be fixed from time to time by the Board of Directors, except the compensation of the Vice President Production whose compensation shall be fixed by the President.

SECTION 9. Annual Reports of Officers. The officers of the Corporation shall submit at each annual meeting of the members reports covering the business of the corporation for the previous fiscal year and showing the condition of the corporation at the close of such fiscal year.

SECTION 10. Secretary-Treasurer. The Secretary-Treasurer shall have the duties of both the Secretary and the Treasurer.

ARTICLE VI

FISCAL YEAR: The fiscal year of the corporation shall commence on January 1st of each year.

ARTICLE VII

SEAL: The corporate seal of the corporation shall be circular with the words "BIG RIVERS ELECTRIC CORPORATION" and "HENDERSON, KENTUCKY" surrounding the word "SEAL".

ARTICLE VIII

SECTION 1. Operation on a Cooperative Basis. The cooperative shall at all times be operated on a non-profit, cooperative basis for the mutual benefit of its patrons. As used in these Bylaws, "patron" shall include members and non-members alike, who have expressly contracted in writing to do all or a portion of their business with the cooperative on a patronage basis on the terms contained in these Bylaws. No interest or dividends shall be paid or payable by the cooperative on any capital furnished by its patrons.

SECTION 2. Patronage Net Earnings.

(a) The patronage net earnings of the cooperative (1) attributable to that portion of the year during which the closing of the Unwind Transaction occurs (the "Unwind Year") that commences on January 1 of such year and ends on the last day of the month preceding the month in which the closing of the Unwind Transaction occurs (the "Initial unwind Period") and (2) attributable to 2008 if the Unwind Year shall not be 2008) and all subsequent years preceding the Unwind Year shall be determined and allocated to the patrons in accordance with the bylaws as in effect on January 1, 2008. The patronage net earnings of the cooperative attributable to that portion of the Unwind Year that commences on the first day of the month in which the closing of the Unwind Transaction occurs and ends on December 31 of such year (the "Subsequent Unwind Period") (and all subsequent years) shall be determined and allocated to the patrons in accordance with the bylaws currently in effect. The patronage net earnings attributable to each of the Initial Unwind Period and the Subsequent Unwind Period will be determined by closing the books of the cooperative as of the last day of the Initial Unwind Period and by treating each of the Initial Unwind Period and the Subsequent Unwind Period as a short period taxable year; provided, that, the patronage net earnings of the cooperative attributable to the Unwind Transaction will be allocated solely as provided in clause (c)(2) below.

(b) The taxable income or loss of the cooperative from business done with or for its patrons on a cooperative basis, as computed for U.S. federal income tax purposes for purposes of calculating regular taxable income tax and alternative minimum taxable income, prior to taking into account any deduction for patronage dividends but after offset (if applicable) by any available tax loss carryforward amounts attributable to a deficit in patronage earnings from prior taxable years ("patronage net earnings") shall, if positive, be allocated in an amount no less than the greater of such patronage net earnings as computed for regular income tax purposes and such patronage net earnings as computed for alternative minimum tax purposes to the patrons of the cooperative in the manner detailed in clause (c) below and, if negative, be treated in the manner detailed in clause (d) below.

(c)(1) As of the end of each taxable year, the amount of the patronage net earnings of the cooperative (except as provided in clauses (c)(2) and (c)(3) below relating to the Unwind Transaction and Extraordinary Transactions) shall be allocated to the patrons of the cooperative based on the ratio of the patronage net book earnings attributable to each such patron for the year over the patronage net book earnings attributable to all of the patrons for that year provided, however, that for the Subsequent Unwind Period, the allocation shall be made based on the ratio of the patronage net book earnings attributable to each such patron for the Subsequent Unwind Period over the patronage net book earnings attributable to all of the patrons for the Subsequent Unwind Period. For this purpose, the patronage net book earnings attributable to each patron with respect to any year shall be MRural + MLargeIndustrial + MSmelters, where

MRural = the greater of zero or ((RRural – A) * KRural);

MLarge Industrial = the greater of zero or ((RLargeIndustrial – A) * KLargeIndustrial);

MSmelters = the greater of zero or ((RSmelters – A) * KSmelters).

For purposes of the foregoing:

RRural = the cooperative's system-average revenue per kWh for that year from sales to the applicable patron for resale to rural consumers (as determined pursuant to GAAP);

RLargeIndustrial = the cooperative's system-average revenue per kWh for that year from sales to the applicable patron for resale to large industrial consumers (as determined pursuant to GAAP);

RSmelters = the cooperative's system-average revenue per kWh for that year from sales to the applicable patron for resale to smelter consumers 9as determined pursuant to GAAP);

A = the cooperative's system-average cost per kWh for that year (based on the Total Cost of Electric Service, as set forth in the cooperative's RUS Form 12a for the year, and the Sales of Electricity (Grand Total), as set forth in the cooperative's RUS Form 12b for the year, and, hence, determined pursuant to GAAP);

KRural = the number of kWh purchased by the applicable patron during that year for resale to rural consumers;

KLargeIndustrial = the number of kWh purchased by the applicable patron during that year for resale to large industrial consumers;

KSmelters = the number of kWh purchased by the applicable patron during that year for resale to smelter consumers (if any).

Notwithstanding the foregoing, if the patronage net book earnings attributable to all of the patrons is negative for any year, the allocation of the patronage net earnings for that year shall instead be based on the ratio of (i) the cumulative patronage net earnings of the cooperative allocated to each of the patrons in all prior years subsequent to 1998, which is the year in which Big Rivers' bankruptcy reorganization closed, to (ii) the cumulative patronage net earnings allocated to all of the patrons during such years.

(2) The patronage net earnings of the cooperative attributable to the Unwind Transaction will be allocated amongst the patrons of the cooperative based on the ratio of the historic patronage allocations made to each of the patrons to the historic patronage allocations made to all of the patrons with respect to the period commencing with January 1, 1999, which is the year subsequent to the year in which Big Rivers' bankruptcy reorganization closed, and terminating on the last day of the month preceding the month in which the closing of the Unwind Transaction occurs.

(3) In the event that an Extraordinary Transaction occurs as the result of the sale of generation or transmission assets, the patronage net earnings of the cooperative attributable to such sale of assets (but not in excess of the patronage net earnings for the year of such sale) will be allocated among the patrons of the cooperative based on the ratio of the historic patronage

allocations made to each of the patrons (other than allocations made pursuant to (i) the 2000 Patronage Capital Allocation, (ii) the Unwind Transaction, and (iii) this Article VIII, Section 2(c)(3)) to the historic patronage allocations made to all of the patrons (other than allocations made pursuant to (i) the 2000 Patronage Capital Allocation, (ii) the Unwind Transaction, and (iii) this Article VIII, Section 2(c)(3)) for the period commencing on the first day of the year during which depreciation allowances were first allowed for federal income tax purposes with respect to the assets sold and terminating on the last day of the year during which such assets were sold. In the event that an Extraordinary Transaction occurs other than as the result of the sale of generation or transmission assets, the patronage net earnings of the cooperative attributable to such Extraordinary Transaction (but not in excess of the patronage net earnings for the year of such Extraordinary Transaction) will be allocated among the patrons of the cooperative based on the ratio of the historic patronage allocations made to each of the patrons (other than allocations made pursuant to (i) the 2000 Patronage Capital Allocation, (ii) the Unwind Transaction, and (iii) this Article VIII, Section 2(c)(3)) to the historic patronage allocations made to all of the patrons (other than allocations made pursuant to (i) the 2000 patronage Capital Allocation, (ii) the Unwind Transaction, and (iii) this Article VIII, Section 2(c)(3)) for the period that most equitably relates to the income or gain arising from the Extraordinary Transaction, taking into account all relevant facts and circumstances.

(d) If the patronage net earnings of the cooperative for any taxable year is negative, the deficit shall be carried forward and applied as an offset against future positive patronage net earnings (in accordance with clause (b) above).

(e) If patronage net earnings of the cooperative shall be adjusted (by the IRS on audit or otherwise) for any year, the amount of patronage net earnings allocated to each patron pursuant to this Article VIII, Section 2 for that year shall be automatically adjusted in accordance with this

Article VIII, Section 2 to reflect the recomputed patronage net earnings, with each member being notified within a reasonable time thereafter of the amount of the adjustment allocated to the patron's capital account.

SECTION 3. Nonpatronage Net Earnings. The taxable income or loss of the cooperative from business not done with or for its patrons on a cooperative basis for any taxable year, as computed for U.S. federal income tax purposes ("nonpatronage net earnings"), after offset (if applicable) by any available tax loss carryforward amounts attributable to a deficit in nonpatronage net earnings from prior taxable years, shall, if positive, be retained by the cooperative as a permanent source of equity and, if negative, shall be carried forward to be applied as an offset against future positive nonpatronage net earnings. If the nonpatronage net earnings of the cooperative shall be adjusted (by the IRS on audit or otherwise) for any year, the calculations made pursuant to this Article VIII, Section 3 for that year shall be automatically adjusted in accordance with this Article VIII, Section 3 to reflect the recomputed nonpatronage net earnings.

SECTION 4. Record-Keeping. The membership fee paid and the amount of patronage net earnings allocated to each patron shall be credited to a capital account maintained for such patron, with the books and records of the cooperative being set up and kept in such manner that, at the end of each taxable year, the amount of capital allocated and credited to each patron is clearly reflected in an appropriate record to the capital account of each patron (with the cooperative notifying each patron within a reasonable time after the close of the taxable year notify the amount of the patronage net earnings allocated to the patron's account with respect to such taxable year). All such amounts allocated to the capital account of any patron in accordance with this Article VIII shall be in pursuance of a legal obligation to do so. The capital account of each patron shall be assignable only on the books of the cooperative pursuant to written instructions from the assignor and only to successors in interest or successors in occupancy of all or a part of such patron's premises served by the cooperative unless the board of directors, acting under policies of general application, shall otherwise determine.

SECTION 5. Retirement of Patronage Capital. If, at any time prior to the liquidation of the cooperative, the board of directors shall determine that the financial condition of the cooperative will not be impaired thereby, the patrons' capital accounts may be retired in full or in part (except that no distribution shall be made that would result in a violation of any financial covenant of the cooperative). Generally, such retirements of capital shall be made in order of priority according to the year in which the patronage net earnings were allocated. Notwithstanding the foregoing, however, the board of directors shall have the discretion to determine the method of allocation, basis and order of priority of repayment for all amounts furnished as patronage capital.

Upon the liquidation of the cooperative, the assets of the cooperative shall be distributed in the following order: (i) all debts and obligations of the cooperative shall be paid in accordance with lawful priorities; (ii) each patron's capital account balance shall be paid without priority on a pro rata basis until all such capital accounts (as determined subsequent to adjusting such accounts by allocations of patronage net earnings for the year of liquidation) have been reduced to zero and (iii) any remaining assets of the cooperative shall be paid to the current and former patrons of the cooperative based upon the amount of their historic patronage with the cooperative measured by kilowatt-hours purchased from Big Rivers over the life of the cooperative. The life of the cooperative is defined to begin at the date Big Rivers was formed in 1961 and to continue uninterrupted through Big Rivers' bankruptcy reorganization to the date of liquidation.

SECTION 6. Definitions. For purposes of this Article VIII, the "Unwind Transaction" shall mean the transactions contemplated by that certain Transaction Termination Agreement dated as of March 26, 2007 to which the cooperative is a party, and an "Extraordinary Transaction" shall mean any transaction or event occurring after the completion of the Unwind Transaction and other than in the ordinary course of the business of the cooperative (including without limitation a sale of generation or transmission assets) where the patronage net earnings from such transaction or event are in excess of $30 million.

ARTICLE IX

ORDER OF BUSINESS: The order of business at the annual meeting of the members, and so far as possible at all other meetings of the members, shall be as follows:

1. Call of the Roll
2. Reading of the notice of the meeting together with proof of service.
3. Presentation and reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of, and acting upon reports of officers, directors, and committees.
5. The election of directors.
6. Unfinished business.
7. New business.
8. Adjournment.

ARTICLE X

CONTRACTS, CHECKS AND DEPOSITS: The Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the corporation and such authority may be general or confined to specific instances.

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

All funds of the corporation shall be deposited from time to time to the credit of the corporation in such bank or banks as the Board of Directors may select.

ARTICLE XI

DIRECTORS FEES AND EXPENSES:

SECTION 1: A director is entitled to such fees and to reimbursement of such expenses as may be provided in the written policy of the Board on Directors' Fees and Expenses. Compliance with that policy shall be monitored by the Board of Directors.

SECTION 2: Nothing contained herein shall limit the right of the Board of Directors to contract with or pay any individual director for additional services or duties rendered outside his normal functions as director.

ARTICLE XII

AMENDMENT OF BYLAWS:

These Bylaws may be altered, modified, amended, or replaced by an affirmative vote of a majority of the members of the Board of Directors at any regular or special meeting.

All Bylaws previously adopted by this Board which are inconsistent herewith are hereby altered or repealed in the above respects.

ARTICLE XIII

INDEMNIFICATION AND INSURANCE:

A. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact he or she, or a person of whom he or she is a legal representative, is or was a director, or while a director, serves or served at the corporation's request as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the Kentucky Business Corporation Act, as the same exists or may hereafter be amended (but in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than the Kentucky Business Corporation Act permitted the corporation to provide prior to such amendment), against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA, excise taxes or penalties, and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such director in connection with any such proceeding. Such indemnification shall continue as to a director who has ceased to be a director and shall inure to the benefit of the director's heirs, executors, and administrators. Except with respect to proceedings to enforce rights to indemnification by a director, the corporation shall indemnify any such director in connection with a proceeding (or part thereof) initiated by such director only if such proceeding (or part thereof) was authorized by the Board of Directors of the corporation. The right to indemnification conferred in this Article shall be a contract right.

B. Advance of Expenses. The corporation shall pay for or reimburse the actual and reasonable expenses incurred by a director who is a party to a proceeding in advance of final disposition of the proceeding if a determination is made that the facts then known to those making the determination would not preclude indemnification under KRS 271B.8-500 to 271B.8-580, and if the director furnishes the corporation: (i) a written affirmation of the director's good faith belief that the director's conduct met the standard of conduct described in Kentucky Revised Statutes 271B.8-510 or successor provisions; and (ii) a written undertaking, executed personally or on the director's behalf, to repay any advances if it is ultimately determined that the director is not entitled to indemnification for such expenses under this Article or otherwise. The undertaking must be an unlimited general obligation of the director, but need not be secured and may be accepted without reference to the director's financial ability to make repayment.

C. Indemnification of Officers, Employees and Agents. The corporation may indemnify and advance expenses to an officer, employee or agent who is not a director to the extent permitted by the Articles of Incorporation, the Bylaws, or by law.

D. Indemnification of Officers, Employees and Agents. The corporation shall indemnify and advance expenses to officers to the same extent as directors, and may indemnify employees or agents who are not directors or officers to the extent permitted by the Articles of Incorporation, the Bylaws, or by law.

E. Insurance. The corporation may purchase and maintain insurance, at its expense, on behalf of an individual who is or was a director, officer, employee or agent of the corporation, or who while a director, officer, employee or agent of the corporation is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, against liability asserted against or incurred by him or her in any such capacity or arising from his status as a director, officer, employee or agent, whether or not the corporation would have power to indemnify him or her against the same liability under this Article.

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 11) ***Provide copies of the following documents referenced in BREC's First Supplemental Indenture dated as of June 1, 2010:***

*a. **the First Mortgage Note, Series 2010A,***
*b. **the 2010 Indenture,***
*c. **the 2010 Financing Agreement, and***
*d. **the Series 2010A Bonds.***

Response) Big Rivers objects generally to providing the documents requested in this information request because they lack relevancy to the authorizations requested by Big Rivers in this proceeding. Without waiving that objection, Big Rivers states as follows:

a. A copy of the Big Rivers Electric Corporation First Mortgage Note, Series 2010A is attached.
b. A copy of the Trust Indenture between County of Ohio, Kentucky and U.S. Bank National Association, as Bond Trustee, dated as of June 1, 2010 (the "2010 Indenture") is attached.
c. A copy of the Loan Agreement between the County of Ohio, Kentucky and Big Rivers Electric Corporation dated as of June 1, 2010, is attached.
d. Big Rivers does not have a copy of the 2010 bonds. The form of bond may be found in the 2010 Indenture at pages 45-50.

Witness) Mark A. Hite

Big Rivers Electric Corporate First Mortgage Bonds, Series 2010A

THIS FIRST MORTGAGE NOTE, SERIES 2010A IS NONTRANSFERABLE EXCEPT AS MAY BE REQUIRED TO EFFECT ANY TRANSFER TO ANY SUCCESSOR TRUSTEE UNDER THE TRUST INDENTURE, DATED AS OF JUNE 1, 2010, BETWEEN THE COUNTY OF OHIO, KENTUCKY AND U.S. BANK NATIONAL ASSOCIATION, AS BOND TRUSTEE.

No. R- $83,300,000

BIG RIVERS ELECTRIC CORPORATION
FIRST MORTGAGE NOTE, SERIES 2010A

BIG RIVERS ELECTRIC CORPORATION ("Big Rivers"), a cooperative corporation organized under the laws of the Commonwealth of Kentucky, for value received, promises to pay to U.S. Bank National Association, as trustee (the "Bond Trustee"), or its successors in trust, the principal sum of $83,300,000 and interest thereon as follows: Big Rivers shall pay, during the term of the Loan Agreement, dated as of June 1, 2010 (the "Financing Agreement"), between the County of Ohio, Kentucky (the "County") and Big Rivers, for deposit into the Bond Fund, (i) on or prior to each date on which interest is due on the County's Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project), (the "Series 2010A Bonds") issued by the County under the Trust Indenture, dated as of June 1, 2010 (the "Bond Indenture"), between the County and the Bond Trustee, as the same may be amended and supplemented from time to time, the amount of interest due on the Series 2010A Bonds on such date, computed in the manner described in the Bond Indenture, (ii) on the stated maturity date of the Series 2010A Bonds (or earlier date to which the maturity of the Series 2010A Bonds has been accelerated as a result of an event of default), a sum which will equal the principal amount of the Series 2010A Bonds which will become due on such date and (iii) on or prior to any redemption date for the Series 2010A Bonds, an amount equal to the principal of (premium, if any) and interest on the Series 2010A Bonds which are to be redeemed on such date.

This First Mortgage Note, Series 2010A is issued under, is described in and is subject to the Financing Agreement, and is secured by an Indenture, dated as of July 1, 2009 (the "Big Rivers Indenture"), between Big Rivers and U.S. Bank National Association, as trustee (the "Indenture Trustee"), as supplemented and amended.

All payments required pursuant hereto shall be made to the Bond Trustee at its principal office in St. Paul, Minnesota, in lawful money of the United States of America. As set forth in Section 5.7 of the Financing Agreement, the obligation of Big Rivers to make the payments required hereunder shall be absolute and unconditional.

This First Mortgage Note, Series 2010A may be prepaid upon the terms and conditions set forth in Article X of the Financing Agreement.

Big Rivers shall be entitled to credits against payments required hereby as provided in Section 5.2 of the Financing Agreement.

If the maturity date of the Series 2010A Bond shall be accelerated as a result of an event of default, the principal of this First Mortgage Note, Series 2010A shall become due and payable in the manner and with the effect provided in the Financing Agreement. The Financing Agreement provides that, under certain conditions, such acceleration shall be rescinded.

No recourse shall be had for the payments required hereby or for any claim based herein or on the Financing Agreement or on the Big Rivers Indenture against any officer, director or stockholder, past, present or, future, of Big Rivers as such, either directly or through Big Rivers, or under any constitution and provision, statute or rule of law or by the enforcement of any assessment or by any legal or equitable proceedings or otherwise.

This First Mortgage Note, Series 2010A shall not be entitled to any benefit under the Big Rivers Indenture and shall not become valid or obligatory for any purpose until the Indenture Trustee shall have signed the form of authentication certificate endorsed hereon.

All terms use in this First Mortgage Note, Series 2010A which are not defined herein shall have the meanings assigned to them in the Financing Agreement or the Bond Indenture.

IN WITNESS WHEREOF, Big Rivers has caused this First Mortgage Note, Series 2010A to be duly executed, attested and delivered the 8th day of June, 2010.

(SEAL)

BIG RIVERS ELECTRIC CORPORATION

Mark A. Bailey

Mark A. Bailey
President and Chief Executive Officer

Attest:

C. William Blackburn

C. William Blackburn
Senior Vice President of Financial
& Energy Services and Chief Financial Officer

Trust Indenture between County of Ohio, Kentucky and U.S. Bank National Association – Dated June 1, 2010

TRUST INDENTURE

Between

COUNTY OF OHIO, KENTUCKY

and

U.S. BANK NATIONAL ASSOCIATION

as Bond Trustee

Dated as of June 1, 2010

Authorizing

$83,300,000
COUNTY OF OHIO, KENTUCKY
Pollution Control Refunding Revenue Bonds, Series 2010A
(Big Rivers Electric Corporation Project)

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

TRUST INDENTURE

This **TRUST INDENTURE** (this "Indenture"), is made and entered into as of June 1, 2010, by and between **COUNTY OF OHIO, KENTUCKY**, a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky (together with any successor to its duties and functions, the "County"), acting by and through its Fiscal Court which is the governing body of the County, and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association duly organized and existing under the laws of the United States of America and authorized to accept and execute trusts of the character herein set out (together with any successor to its duties and functions, the "Bond Trustee").

WITNESSETH:

WHEREAS, the County is a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky and is authorized and empowered by law, including particularly the provisions of the Industrial Building Revenue Bond Act (Sections 103.200 through 103.285, inclusive) of the Kentucky Revised Statutes, as amended (collectively with all future acts supplemental thereto or amendatory thereof, the "Act"), to issue bonds and loan the proceeds thereof to a rural electric cooperative corporation to refund bonds previously issued by the County to finance the acquisition of pollution control facilities; and

WHEREAS, by a resolution adopted by the Fiscal Court of the County on September 9, 1980, the County agreed to finance the Facilities for Big Rivers Electric Corporation ("Big Rivers"); and

WHEREAS, the County initially financed the Facilities by issuing the 1982 Bonds and loaning to Big Rivers the proceeds thereof which Big Rivers used to pay a portion of the costs of the Facilities; and

WHEREAS, the County financed the refunding of the 1982 Bonds by issuing the 1985 Bonds and loaning to Big Rivers the proceeds thereof which Big Rivers used to retire the 1982 Bonds; and

WHEREAS, the County financed the refunding of the 1985 Bonds by issuing the 2001 Bonds and loaning to Big Rivers the proceeds thereof which Big Rivers used to retire the 1985 Bonds; and

WHEREAS, Big Rivers has requested the County to issue $83,300,000 aggregate principal amount of its "Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project)" (the "Bonds") and to loan the proceeds thereof to Big Rivers for the purpose of providing funds to refund by redemption the 2001 Bonds; and

WHEREAS, the County and Big Rivers propose that the County so refund the 2001 Bonds by depositing into escrow the proceeds of the Bonds and certain other funds in sufficient amounts to effect such refunding by redemption of the 2001 Bonds on June 23, 2010 in accordance with the terms of the 2001 Indenture and an Escrow Deposit Agreement, dated as of June 1, 2010 (the "Escrow Deposit Agreement"), among the County, Big Rivers and the trustee named therein; and

WHEREAS, the County will issue the Bonds under this Indenture and loan the proceeds thereof to Big Rivers under a Loan Agreement, dated as of June 1, 2010 (the "Financing Agreement"), pursuant to which (i) the County will loan to Big Rivers the proceeds of the Bonds and (ii) Big Rivers will agree to repay such loan by paying to the County an amount sufficient to pay the principal of the Bonds when due at maturity, the interest on the Bonds when due and any other expenses incurred by the County in connection with the Bonds, and the Bonds shall be secured by, among other things, a pledge of the Financing Agreement, certain revenues of the County received pursuant to the Financing Agreement and a note issued by Big Rivers to evidence its payment obligations under the Financing Agreement (the "Note"), which Note will be issued pursuant to the First Supplemental Indenture, dated as of June 1, 2010, supplemental to the Indenture, dated as of July 1, 2009, between Big Rivers and U.S. Bank National Association, as trustee (the "Big Rivers Indenture"), and secured on a parity basis with all other obligations secured thereunder; and

WHEREAS, the refunding by redemption of the 2001 Bonds shall also result in the prepayment of the 2001 Note issued to evidence Big Rivers' obligation to repay the loan made by the County to Big Rivers under the 2001 Financing and Loan Agreement; and

WHEREAS, Big Rivers, by executing and delivering the Financing Agreement, has consented to the issuance of the Bonds and the loan of the proceeds thereof to Big Rivers; and

WHEREAS, the execution and delivery of this Indenture and the Financing Agreement and the issuance of the Bonds have been in all respects duly and validly authorized by an ordinance of the Fiscal Court of the County; and

WHEREAS, the Kentucky Department of Natural Resources and Environmental Protection has certified that the Facilities, as designed, are in furtherance of the purposes of abating or controlling atmospheric pollutants or contaminants or water pollution; and

WHEREAS, the County makes the following findings and determinations: (a) the Facilities constitute "pollution control facilities" within the meaning of Section 103.246 of the Act, (b) the acquisition and financing of the Facilities inures to the public interest and constitutes the performance of a proper governmental purpose with the result that atmospheric, solid waste and water pollution in the Commonwealth of Kentucky may be abated and controlled to the maximum possible extent, (c) the issuance of the Bonds is and will be for a public purpose and tends to further the purpose of the Act and, in addition, aids in the retention of existing industry through the control of pollution, (d) the Facilities are located wholly within the geographic boundaries of the County, (e) title to the Facilities is held by Big Rivers and will not be acquired by the County, (f) the statutory mortgage lien provided for by Section 103.250 of the Act shall not apply to the Facilities, (g) the principal amount of the Bonds (together with funds provided and to be provided by Big Rivers) is necessary to effect the refunding of the 2001 Bonds and to pay all premiums, expenses and commissions required to be paid in connection with the issuance of the Bonds and the refunding of the 2001 Bonds, and (h) the issuance of the Bonds, the refunding of the 2001 Bonds, the loan of the proceeds of the Bonds to Big Rivers for this purpose and the execution, delivery and performance of the Bonds, this Indenture and the Financing Agreement are, in all respects, permitted by the Act and conform to the requirements of the Act.

WHEREAS, all other things necessary to make the Bonds, when issued, executed and delivered by the County and authenticated by the Bond Trustee pursuant to this Indenture, the valid and binding obligations of the County, and to constitute this Indenture a valid pledge of certain income and revenues derived from the Financing Agreement and the Note for the payment of the principal of and interest on the Bonds authenticated and delivered under this Indenture, have been performed, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the Bonds, subject to the terms hereof, have all been duly authorized;

NOW, THEREFORE:

The County, in consideration of the premises and the acceptance by the Bond Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Owners thereof and of the sum of One Dollar ($1.00), lawful money of the United States of America, to it duly paid by the Bond Trustee at or before the execution and delivery of these presents and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and interest on the Bonds according to their tenor and effect and the performance and observance by the County of all the obligations and covenants expressed or implied herein and in the Bonds, does hereby grant, convey, pledge, transfer and assign to the Bond Trustee, and to its successors in trust, the following (herein called the "Trust Estate"):

First, the amounts required from time to time to be deposited in or credited to the account of the Bond Fund in accordance with this Indenture and the Financing Agreement and the Note from time to time held by the Bond Trustee or a Co-Paying Agent for the benefit of the Owners of the Bonds pursuant to this Indenture, together, as provided herein, with any investments and reinvestments made with such amounts and moneys and the proceeds thereof; and

Second, all of the County's right, title and interest in and to the Note, and payments made thereon, delivered by Big Rivers to the Bond Trustee pursuant to the Financing Agreement; and

Third, all of the County's right, title and interest in and to the Receipts and Revenues of the County from the Financing Agreement and all of the County's right, title and interest in and to the Financing Agreement together with all powers, privileges, options and other benefits of the County contained in the Financing Agreement which are not specifically described in the First Granting Clause above other than the rights of the County set forth in Sections 5.4, 5.6 and 9.4 of the Financing Agreement; *provided*, *however*, that nothing in this clause shall impair, diminish or otherwise affect the County's obligations under the Financing Agreement or, except as otherwise provided in this Indenture, impose any such obligations on the Bond Trustee; and

Fourth, any and all property of every kind or description which may from time to time hereafter be sold, transferred, conveyed, assigned, hypothecated, endorsed, deposited, pledged, mortgaged, granted or delivered to, or deposited with, the Bond Trustee as additional security hereunder by the County or anyone on its behalf or with its written consent, or which pursuant to any of the provisions hereof or of the Financing Agreement may come into the possession or control of the Bond Trustee, or of a lawfully appointed receiver, as such additional security; and the Bond Trustee is hereby authorized to receive any and all such property as and for additional security for the payment of the Bonds and to hold and apply all such property subject to the terms hereof.

TO HAVE AND TO HOLD the said Trust Estate, whether now owned or held or hereafter acquired, unto the Bond Trustee, its successors and assigns, forever.

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit and security of all present and future Owners of the Bonds without preference of any Bond over any other, and for enforcement of the payment of the Bonds, in accordance with their terms, and all other sums payable hereunder or on the Bonds and for the performance of and compliance with the obligations, covenants and conditions of this Indenture, as if all the Bonds at any time outstanding had been authenticated, executed and delivered simultaneously with the execution and delivery of this Indenture, all as herein set forth.

IT IS HEREBY COVENANTED, DECLARED AND AGREED that this Indenture creates a continuing lien to secure equally and ratably the payment in full of the principal of and interest on all Bonds which may, from time to time, be outstanding hereunder, and that the Bonds are to be issued, authenticated and delivered, and that the Trust Estate is to be held, dealt with and disposed of by the Bond Trustee, upon and subject to the terms, covenants, conditions, uses, agreements and trusts set forth in this Indenture, as follows:

ARTICLE I

DEFINITIONS

The terms defined in this Article I shall, for all purposes of this Indenture, have the meanings herein specified, unless the context clearly requires otherwise:

"*Act*" shall mean the Industrial Building Revenue Bond Act (Sections 103.200 through 103.285, inclusive) of the Kentucky Revised Statutes, as amended, and all acts supplemental thereto or amendatory thereof.

"*Administration Expenses*" shall mean the reasonable and necessary expenses incurred by the County with respect to the Financing Agreement, this Indenture and any transaction or event contemplated by the Financing Agreement or this Indenture, including the compensation and expenses paid to the Bond Trustee.

"*Big Rivers*" shall mean Big Rivers Electric Corporation, a nonprofit rural electric cooperative corporation organized and existing under the laws of the Commonwealth of Kentucky, and its lawful successors and assigns.

"*Big Rivers Indenture*" shall mean the Indenture, dated as of July 1, 2009, between Big Rivers and U.S. Bank National Association, as trustee, as supplemented or amended from time to time, including as supplemented by the First Supplemental Indenture, providing for the issuance of the Note, and as also amended and supplemented by any alternate indenture or mortgage.

"*Big Rivers Representative*" shall mean any one of the following officers and/or employees of Big Rivers: (i) the President and Chief Executive Officer, (ii) the Senior Vice President, Financial and Energy Services and Chief Financial Officer or (iii) any other officer or employee of Big Rivers at the time designated to act on behalf of Big Rivers by a written certificate furnished to the County and the Bond Trustee containing the specimen signature of such person and signed on behalf of Big Rivers by any one of the above-described officers and/or employees. Such certificate may designate one or more alternates.

"*Bond Fund*" shall mean the fund created by Section 4.01 hereof.

"*Bond Trustee*" shall mean U.S. Bank National Association, and its successor or successors hereunder, as trustee and Paying Agent under this Indenture.

"*Bondowner*" or "*Owner*" shall mean the person in whose name a Bond of any series is registered upon the registration books maintained by the Registrar.

"*Bonds*" or "*Bond*" shall mean the County's "Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project)," authorized under Section 2.02 hereof.

"*Book Entry Bond*" shall mean a Bond of any series authorized to be issued hereunder and issued to and, except as provided in Section 2.11(d) hereof, restricted to being registered in the name of, a Securities Depository for the participants in such Securities Depository or the beneficial owners of such Bond.

"*Business Day*" shall mean any day on which (i) banks located in New York, New York, and the city in which the principal office of the Bond Trustee is located is not required or authorized to be closed and (ii) The New York Stock exchange is open.

"*Co-Paying Agent*" shall mean any co-paying agent appointed in accordance with Sections 9.20 and 9.21 hereof.

"*County*" shall mean County of Ohio, Kentucky, a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky.

"*Escrow Deposit Agreement*" shall mean the Escrow Deposit Agreement dated as of June 1, 2010 among Big Rivers, the County and the Escrow Deposit Trustee.

"*Escrow Deposit Trustee*" shall mean U.S. Bank National Association, in its capacity as trustee under the Escrow Deposit Agreement.

"*Event of Default*" shall have the meaning specified in Section 8.01 hereof.

"*Facilities*" shall mean those air and water pollution control and sewage and solid waste disposal facilities located at the Plant which were financed with the proceeds of the 1982 Bonds. The Facilities are listed on Exhibit A to the Financing Agreement.

"*Financing Agreement*" shall mean the Loan Agreement, dated as of June 1, 2010, between the County and Big Rivers, as amended or supplemented by any and all Supplemental Financing Agreements.

"*First Supplemental Indenture*" shall mean the First Supplemental Indenture, dated as of June 1, 2010, between Big Rivers and U.S. Bank National Association, as trustee.

"*Fiscal Court*" shall mean the Fiscal Court of the County or any successor governing body of the County.

"*Indenture*" shall mean this Trust Indenture of the County, as amended or supplemented by any and all Supplemental Indentures.

"*Interest Payment Date*" shall mean January 15 and July 15 of each year, commencing January 15, 2011.

"*Investment Securities*" shall mean the following obligations or securities (only to the extent investment therein would not violate the laws of the Commonwealth of Kentucky), maturing or redeemable at the option of the holder thereof at such time or times as to enable disbursements to be made from the Bond Fund in accordance with the terms hereof, or which shall be marketable prior to the maturities thereof:

(i) Direct obligations of, or obligations guaranteed by, the United States of America;

(ii) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America:

- Export-Import Bank,
- Farm Credit System Financial Assistance Corporation,
- Farmers Home Administration,
- General Services Administration,
- U.S. Maritime Administration,
- Small Business Administration,
- Government National Mortgage Association (GNMA),
- U.S. Department of Housing & Urban Development (PHA's), and
- Federal Housing Administration;

(iii) U.S. dollar denominated certificates of deposit (whether negotiable or non-negotiable), demand deposits, time deposits and banker's acceptances with any bank or trust company organized under the laws of any state of the United States of America or any national banking association whose deposit obligations on the date of purchase are rated either "A-1" or better by Standard & Poor's Rating Group, a division of The McGraw-Hill Companies, Inc. ("S&P") and "P-1" or better by Moody's Investors

Service, Inc. ("Moody's") (provided that a rating on a holding company shall not be deemed to be such rating on a subsidiary bank);

(iv) Commercial paper which is rated at the time of purchase either "A-1" or better by S&P and "P-1" or better by Moody's and which matures not more than 270 days after the date of purchase;

(v) Senior debt obligations rated "AAA" by S&P and "Aaa" by Moody's issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation;

(vi) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(vii) Pre-refunded Municipal Obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(1) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(2) (A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate and (B) which escrow is sufficient, as verified by a nationally recognized firm of independent certified public accountants, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

"*Maturity Date*" shall mean, with respect to the Bonds, July 15, 2031.

"*1954 Code*" shall mean the Internal Revenue Code of 1954, as amended, and the regulations promulgated thereunder.

"*1982 Bonds*" shall mean the $82,500,000 aggregate principal amount of the County's "Pollution Control Interim Bonds, Series 1982 (Big Rivers Electric Corporation Project)" previously issued by the County to finance a portion of the cost of the Facilities. The 1982 Bonds were retired with the proceeds of the 1985 Bonds and are no longer outstanding.

"*1985 Bonds*" shall mean the $83,300,000 aggregate principal amount of the County's "Variable Rate Demand Pollution Control Refunding Bonds, Series 1985 (Big Rivers Electric Corporation Project)" previously issued by the County to refund the 1982 Bonds. The 1985 Bonds were retired with the proceeds of the 2001 Bonds and are no longer outstanding.

"*1986 Act*" means the Tax Reform Act of 1986.

"*1986 Code*" shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"*Note*" shall mean the first mortgage note issued by Big Rivers under the First Supplemental Indenture and the Financing Agreement, which Note is secured by the Big Rivers Indenture on a parity with all other notes secured by the Big Rivers Indenture.

"*Offering Statement*" shall mean the Offering Statement, dated May 27, 2010, relating to the Bonds.

"*Opinion of Bond Counsel*" shall mean an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds and who is acceptable to the Bond Trustee.

"*Outstanding under this Indenture*," "*Outstanding hereunder*," or "*Outstanding*" when used in reference to the Bonds shall mean, as at any particular date, the aggregate of all Bonds authenticated and delivered under this Indenture except:

(a) Bonds cancelled at or prior to such date or delivered to or acquired by the Bond Trustee at or prior to such date for cancellation or, in the case of Book Entry Bonds, to the extent provided in Section 2.11(f) hereof, portions of Bonds deemed to have been cancelled;

(b) Bonds (or, in the case of Book Entry Bonds, as provided in Section 2.11(f) hereof, portions thereof) for the payment of which cash shall have been theretofore deposited with the Bond Trustee in an amount equal to the principal amount thereof and interest thereon to maturity;

(c) Bonds otherwise deemed to be paid in accordance with Article VII hereof; and

(d) Bonds in lieu of or in exchange or substitution for which other Bonds shall have been authenticated and delivered pursuant to this Indenture, unless proof satisfactory to the Bond Trustee and Big Rivers is presented that such Bonds are held by a bona fide holder in due course.

"*Plant*" shall mean the D.B. Wilson Plant Unit No. 1, a coal-fired steam electric generating plant located within the geographic boundaries of the County and wholly-owned by Big Rivers.

"*Principal Office*" shall mean, (i) for the Bond Trustee and Registrar, the principal corporate trust office of the Bond Trustee, which office at the date of acceptance by the Bond

Trustee of the duties and obligations imposed on the Bond Trustee by this Indenture is located at 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103, Attention: Philip G. Kane, Jr. (Big Rivers 2010 Indenture), and (ii) for a Co-Paying Agent, the office of such Co-Paying Agent designated in writing to the Bond Trustee.

"*Purchase Contract*" shall mean that certain Purchase Contract providing for the purchase by Goldman, Sachs & Co., as underwriter, of the Bonds from the County.

"*Receipts and Revenues of the County from the Financing Agreement*" shall mean all moneys paid to the County by Big Rivers pursuant to Section 5.1 of the Financing Agreement, and pursuant to the Note, and all receipts of the Bond Trustee credited under the provisions of this Indenture against such payments.

"*Record Date*" shall mean the fifteenth (15th) day (whether or not a Business Day) next preceding an Interest Payment Date.

"*Registrar*" shall mean the Bond Trustee acting in its capacity as Registrar of the Bonds.

"*Securities Depository*" shall mean, with respect to a Book Entry Bond, the person, firm, association or corporation specified to serve as the securities depository for such Book Entry Bond, or its nominee, and its successor or successors and any other person, firm, association or corporation which may at any time be substituted in its place pursuant to this Indenture.

"*Supplemental Financing Agreement*" shall mean any agreement between the County and Big Rivers amending or supplementing the Financing Agreement in accordance with the terms of this Indenture.

"*Supplemental Indenture*" shall mean any Indenture of the County modifying, altering, amending, supplementing or confirming this Indenture.

"*Tax Certificate and Agreement*" shall mean the Tax Certificate and Agreement by and between the County and Big Rivers.

"*2001 Bonds*" shall mean the $83,300,000 aggregate principal amount of the County's "Pollution Control Refunding Revenue Bonds, Series 2001A (Big Rivers Electric Corporation Project), Periodic Auction Reset Securities (PARS)".

"*2001 Financing And Loan Agreement*" shall mean that certain Financing And Loan Agreement dated as of August 1, 2001 between the County and Big Rivers relating to the 2001 Bonds.

"*2001 Indenture*" shall mean the Trust Indenture dated as of August 1, 2001 between the County and U.S. Bank Trust National Association, as trustee, under which the 2001 Bonds were issued and secured.

"*2001 Trustee*" shall mean U.S. Bank Trust National Association, the current trustee (as successor) under the 2001 Indenture.

ARTICLE II

THE BONDS

SECTION 2.01 *Limited Obligations Of County; Payment And Security.* All Bonds issued under this Indenture and at any time Outstanding shall in all respects be equally and ratably secured hereby, without preference, priority or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Bonds, so that all Bonds at any time issued and Outstanding hereunder shall have the same right, lien and preference under and by virtue of this Indenture. The Bonds shall not be payable from or charged upon any funds other than the revenues pledged to the payment thereof, nor shall the County be subject to any liability thereon. No holder or holders of any of the Bonds shall ever have the right to compel any exercise of the taxing power of the County to pay any such Bonds or the interest thereon, nor to enforce payment thereon against any property of the County. The Bonds shall not constitute a charge, lien nor encumbrance, legal or equitable, upon any property of the County. Each Bond shall recite in substance that the Bond, including interest thereon, is payable solely from the revenue pledged to the payment thereof, as authorized in the Act, and that the Bond does not constitute a debt of the County within the meaning of any constitutional or statutory limitation.

SECTION 2.02 *Authorization And Terms Of Bonds.* The Bonds entitled to the benefit, protection and security of this Indenture are hereby authorized in the aggregate principal amount of $83,300,000 and shall be designated "Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project)." The Bonds shall be dated their date of issuance and shall mature (subject to provisions for prior redemption upon the terms and conditions hereinafter set forth) on the Maturity Date. The Bonds shall bear interest (computed on the basis of a 360-day year consisting of twelve 30-day months) from the date of delivery thereof, or from the most recent Interest Payment Date to which interest has been paid, and shall be payable on January 15 and July 15 of each year, commencing January 15, 2011 until the Maturity Date or until the date fixed for redemption, and until payment of the principal or redemption price thereof shall have been made or provided for in accordance with the provisions of this Indenture, at the rate of 6.00% per annum.

The Bonds shall be issued as fully registered bonds without coupons in the denomination of $5,000 and integral multiples thereof and shall be numbered from 1 consecutively upwards prefixed by the letter "R".

For the payment of interest on the Bonds, the County shall cause to be deposited in the Bond Fund, at the Principal Office of the Bond Trustee on or prior to each Interest Payment Date, out of the Receipts and Revenues of the County from the Financing Agreement and other moneys pledged therefor, an amount sufficient to pay the interest to become due on such Interest Payment Date. Any amount in the Bond Fund available for the payment of interest on such Bonds shall be credited against any amount required to be caused to be so deposited in the Bond Fund.

For the payment of the principal of the Bonds upon maturity, the County shall cause to be deposited in the Bond Fund, at the Principal Office of the Bond Trustee on or prior to the Maturity Date of the Bonds, out of the Receipts and Revenues of the County from the Financing

Agreement and other moneys pledged therefor, an amount sufficient to pay the principal of the Bonds on the Maturity Date. Any amount in the Bond Fund available for the payment of the principal of the Bonds shall be credited against any amount required to be caused to be so deposited in the Bond Fund.

Subject to Section 2.11 hereof with respect to Book Entry Bonds, principal of and interest on the Bonds shall be payable at the Principal Office of the Bond Trustee or, at the option of the Owner, at the Principal Office of the Co-Paying Agent. Payment as aforesaid shall be made in such coin or currency of the United States of America as, at the respective times of payment, shall be legal tender for the payment of public and private debts; *provided, however*, that, subject to Section 2.11 hereof, interest may be payable, at the option of the Bond Trustee, by check or draft drawn upon the Bond Trustee and mailed to the registered address of the Owner as it shall appear on the registration books maintained by the Registrar as of the close of business on the Record Date for a particular Interest Payment Date, or, at the written request of any Owner of Bonds in an aggregate principal amount greater than or equal to $1,000,000 delivered to the Bond Trustee on or prior to such Record Date prior to such Interest Payment Date, by wire transfer per the instructions of such Owner as set forth in such request.

Any Bond issued on or subsequent to the first Interest Payment Date thereon shall be dated as of the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication shall be an Interest Payment Date to which interest on such Bond has been paid in full or duly provided for, in which case it shall be dated as of such date of authentication; *provided, however*, that if, as shown by the records of the Bond Trustee, interest on such Bond shall be in default, the Bond issued in exchange for such Bond surrendered for transfer or exchange shall be dated as of the date to which interest has been paid in full on the Bond surrendered.

SECTION 2.03 ***Application Of Proceeds Of The Bonds.*** The proceeds from the sale of the Bonds shall be transferred to the Escrow Deposit Trustee for deposit pursuant to the Escrow Deposit Agreement and used to pay the principal of the 2001 Bonds on the date fixed for their redemption.

SECTION 2.04 ***Execution Of Bonds; Signatures.***

(a) The Bonds shall be executed on behalf of the County by the County Judge/Executive of the County and shall have affixed, impressed or reproduced thereon the seal of the County, attested by the Fiscal Court Clerk. Each of such officers of the County may execute or cause to be executed the Bonds with a facsimile signature in lieu of his or her manual signature provided that the signature of such officer, certified by such officer under oath, is on file with the Auditor of the County. Except as provided in the preceding sentence, the signatures of the said officers of the County on Bonds shall be manual signatures.

(b) In case any officer of the County whose signature or a facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the authentication by the Bond Trustee and delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he had remained in office until delivery; and any Bond may be signed on behalf of the County by such persons as, at the time of execution of such Bond or coupon, shall be the proper officers of the County, even though at the date of such Bond or of the adoption of this Indenture any such person was not such officer.

SECTION 2.05 ***Authentication of Bonds by Bond Trustee.*** Only such Bonds as shall have endorsed thereon a certificate of authentication substantially in the form hereinafter set forth manually executed by the Bond Trustee shall be entitled to any right or benefit under this Indenture. No Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Bond Trustee, and such executed certificate of the Bond Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. The Bond Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed with an authorized signature of the Bond Trustee, but it shall not be necessary that the same person sign the certificate of authentication on all of the Bonds issued hereunder.

SECTION 2.06 ***Prerequisites to Authentication of Bonds.*** The County shall execute and deliver to the Bond Trustee and the Bond Trustee shall authenticate the Bonds and deliver the Bonds to the initial purchasers thereof as may be directed hereinafter pursuant to this Section 2.06. Prior to the delivery by the Bond Trustee of any authenticated Bonds, there shall be or have been delivered to the Bond Trustee:

(a) A duly certified copy of this Indenture.

(b) A duly certified copy of the Financing Agreement.

(c) The Note in an aggregate principal amount equal to the aggregate principal amount of the Bonds.

(d) A duly certified copy of the Big Rivers Indenture.

(e) Reserved.

(f) A duly certified copy of the Escrow Deposit Agreement executed by the Escrow Deposit Trustee, the County and Big Rivers.

(g) A request and authorization to the Bond Trustee on behalf of the County and signed by Big Rivers Representative to authenticate and deliver the Bonds to the purchaser or purchasers therein identified upon payment to the Bond Trustee, but for the account of the County, of a sum specified in such request and authorization, in the aggregate principal amount determined by this Indenture.

(h) A copy of the notice from Big Rivers instructing the 2001 Trustee under the 2001 Indenture to redeem the 2001 Bonds and establishing the redemption date therefor.

(i) A written statement on behalf of Big Rivers, executed by a Big Rivers Representative, (i) approving the issuance and delivery of the Bonds and (ii) consenting to each and every provision of this Indenture.

(j) A copy of the Opinion of Bond Counsel addressed to the County in the form set forth as Appendix G to the Offering Statement, together with a reliance letter addressed to the Bond Trustee solely for the benefit of the Bond Trustee as if the Bond Trustee were one of the Owners of the Bonds.

(k) A copy of the opinion of counsel to Big Rivers addressed to the underwriter for the Bonds as described in the Purchase Contract.

(l) A copy of the opinion of counsel to the County addressed to the underwriter for the Bonds as described in the Purchase Contract.

SECTION 2.07 ***Bonds Mutilated, Lost, Stolen Or Destroyed.*** In the event any Bond is mutilated, lost, stolen or destroyed, the County may execute and the Bond Trustee may authenticate a new Bond of like date, maturity and denomination and bearing the same number (supplemented to permit specific identification of such new Bond) as that mutilated, lost, stolen or destroyed, provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Bond Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Bond Trustee evidence of such loss, theft or destruction satisfactory to the Bond Trustee, together with indemnity satisfactory to the Bond Trustee and Big Rivers. Upon the issuance of any substitute Bond, the County and the Bond Trustee may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto. In the event any such Bond shall have matured or is about to mature, or has been called for redemption, instead of issuing a substitute Bond the County may, with the consent of the Bondowner, pay the same without surrender thereof if there shall be first furnished to the Bond Trustee evidence of such loss, theft or destruction satisfactory to the Bond Trustee, together with indemnity satisfactory to the Bond Trustee and Big Rivers. The Bond Trustee may charge the Owner of such Bond with the Bond Trustee's reasonable fees and expenses in connection with any transaction described in this Section 2.07. Every substitute Bond issued pursuant to the provisions of this Section 2.07 by virtue of the fact that any Bond is lost, stolen or destroyed shall constitute an additional contractual obligation of the County, whether or not the lost, stolen or destroyed Bond shall be at any time enforceable, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Bonds duly issued hereunder.

SECTION 2.08 ***Transfer, Registration And Exchange.*** All the Bonds issued under this Indenture shall be negotiable, subject to the provisions for registration and transfer contained in this Indenture and in the Bonds. The Bond Trustee shall be the Registrar for the Bonds. So long as any of the Bonds shall remain Outstanding, the Registrar shall, on behalf of the County, maintain and keep, at its Principal Office, books for the registration and transfer of Bonds; and, upon presentation thereof for such purpose at said Principal Office, the Registrar shall register or cause to be registered therein, and permit to be transferred thereon, under such reasonable regulations as the Registrar may prescribe, any Bond entitled to registration or transfer. So long as any of the Bonds remain Outstanding, the Registrar shall make all necessary provisions to permit the exchange of Bonds at its Principal Office.

Each Bond shall be transferable only upon the books of the Registrar, which shall be kept for that purpose at the Principal Office of the Registrar, at the written request of the Owner thereof or its attorney duly authorized in writing, upon surrender thereof at said office, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Owner or its duly authorized attorney. Upon the transfer of any Bond or Bonds, the County shall issue in the name of the transferee, in authorized denominations, a new Bond or Bonds of the same series, aggregate principal amount, maturity and interest rate as the surrendered Bond or Bonds.

The County, the Bond Trustee and any Co-Paying Agent may deem and treat the Owner of any Bond as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such Owner or upon its order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and none of the County, the Bond Trustee or any Co-Paying Agent shall be affected by any notice to the contrary.

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the County shall execute and the Bond Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Indenture. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled and destroyed by the Bond Trustee. Counterparts of the certificates of destruction evidencing such destruction shall be furnished by the Bond Trustee to the County and Big Rivers. For every such exchange or transfer of Bonds, whether temporary or definitive, the County, the Registrar or the Bond Trustee may make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. The Registrar shall not be obliged to make any such exchange or transfer of Bonds during the fifteen (15) days next preceding an Interest Payment Date on the Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the mailing of notice of such redemption. The Registrar shall not be required to make any transfer or exchange of any Bonds called for redemption.

SECTION 2.09 ***Temporary Bonds.*** Pending the preparation of definitive Bonds, the County may execute and the Bond Trustee shall authenticate and deliver temporary Bonds (printed, lithographed or typewritten). Temporary Bonds shall be issuable as registered Bonds without coupons, of any authorized denomination, and substantially in the form of the definitive Bonds but with such omissions, insertions and variations as may be appropriate for temporary Bonds, all as may be determined by the County. Temporary Bonds may be issued without specific redemption prices and may contain such reference to any provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the County and be authenticated by the Bond Trustee upon the same conditions and in substantially the same manner, and with like effect, as the definitive Bonds. As promptly as practicable the County shall execute and shall furnish definitive fully registered Bonds and thereupon temporary Bonds may be surrendered in exchange therefor without charge at the Principal Office of the Bond Trustee, and the Bond Trustee shall authenticate and deliver in exchange for such temporary Bonds a like aggregate principal amount of definitive Bonds of authorized denominations and of the same series. Until so exchanged the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds.

SECTION 2.10 ***Bonds Or Other Obligations Under Other Indentures.*** The County expressly reserves the right to issue, to the extent permitted by law, additional or refunding bonds or other obligations under another indenture to provide for additional costs of construction or for additional facilities or to refund any of the Outstanding Bonds, or any combination thereof.

SECTION 2.11 ***Book Entry Bonds.***

(a) Anything in this Indenture to the contrary notwithstanding, the Bonds shall be issued as Book Entry Bonds.

(b) For all purposes of this Indenture, the Owner of a Book Entry Bond shall be the Securities Depository therefor and none of the County, the Bond Trustee, the Registrar or any Co-Paying Agent shall have any responsibility or obligation to the beneficial owner of such Bond or to any direct or indirect participant in such Securities Depository. Without limiting the generality of the foregoing, none of the County, the Bond Trustee, the Registrar or any Co-Paying Agent shall have any responsibility or obligation to any such participant or to the beneficial owner of a Book Entry Bond with respect to (i) the accuracy of the records of the Securities Depository or any participant with respect to any beneficial ownership interest in such Bond, (ii) the delivery to any participant of the Securities Depository, the beneficial owner of such Bond or any other person, other than the Securities Depository, of any notice with respect to such Bond, including any notice of the redemption thereof, or (iii) the payment to any participant of the Securities Depository, the beneficial owner of such Bond or any other person, other than the Securities Depository, of any amount with respect to the principal or redemption price of, or interest on, such Bond. The County, the Registrar, the Bond Trustee and any Co-Paying Agent may treat the Securities Depository as the absolute owner of a Book Entry Bond for all purposes whatsoever, including, but not limited to, (w) payment of the principal or redemption price of, and interest on, such Bond, (x) giving notices of redemption and of other matters with respect to such Bond, (y) registering transfers with respect to such Bond and (z) giving to the County or the Bond Trustee any notice, consent, request or demand pursuant to this Indenture for any purpose whatsoever. The Bond Trustee and any Paying Agent shall pay the principal or redemption price of, and interest on, a Book Entry Bond only to or upon the order of the Securities Depository therefor, and all such payments shall be valid and effective to satisfy fully and discharge the County's obligations with respect to such principal or redemption price, and interest, to the extent of the sum or sums so paid. Except as otherwise provided in subsection (d) of this Section 2.11, no person other than the Securities Depository shall receive a Bond or other instrument evidencing the County's obligation to make payments of the principal thereof and interest thereon.

(c) Subject to Section 2.12 hereof, the County, in its sole discretion and without the consent of any other person, may, by notice to the Bond Trustee and a Securities Depository, terminate the services of such Securities Depository with respect to the Book Entry Bonds for which such Securities Depository serves as securities depository if the County determines that (i) the Securities Depository is unable to discharge its responsibilities with respect to such Bonds or (ii) a continuation of the requirement that all of the Bonds issued as Book Entry Bonds be registered in the registration books of the County in the name of the Securities Depository is not in the best interests of the beneficial owners of such Bonds or of the County.

(d) Upon the termination of the services of a Securities Depository with respect to a Book Entry Bond pursuant to clause (ii) of subsection (c) of this Section 2.11, such Bond no longer shall be restricted to being registered in the registration books kept by the Registrar in the name of a Securities Depository. Upon the termination of the services of a Securities Depository with respect to a Book Entry Bond pursuant to clause (i) of subsection (c) of this Section 2.11, the County may within 90 days thereafter appoint a substitute securities depository which, in the opinion of the County, is willing and able to undertake the functions of Securities Depository under this Indenture upon reasonable and customary terms. If no such successor can be found within such period, such Book Entry Bond shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of a Securities Depository. In the event that a Book Entry Bond shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of a Securities Depository, (i) the County shall execute and the Bond Trustee shall authenticate and deliver, upon presentation and surrender of the Book Entry Bond, Bond certificates as requested by the Securities Depository so terminated of like series, principal amount, maturity and interest rate, in authorized denominations, to the identifiable beneficial owners in replacement of such beneficial owners' beneficial ownership interests in such Book Entry Bond and (ii) the Bond Trustee shall notify the Registrar and any Co-Paying Agents that such Bond is no longer restricted to being registered in the registration books kept by the Registrar in the name of a Securities Depository.

(e) Anything in this Indenture to the contrary notwithstanding, payment of the redemption price of a Book Entry Bond, or portion thereof, called for redemption prior to maturity may be paid to the Securities Depository by check or draft mailed to the Securities Depository or by wire transfer. Anything in this Indenture to the contrary notwithstanding, such redemption price may be paid without presentation and surrender to the Bond Trustee of the Book Entry Bond, or portion thereof, called for redemption; *provided, however*, that payment of (i) the principal payable at maturity of a Book Entry Bond and (ii) the redemption price of a Book Entry Bond as to which the entire principal amount thereof has been called for redemption shall be payable only upon presentation and surrender of such Book Entry Bond to the Bond Trustee; and *provided, further*, that no such redemption price shall be so payable without presentation and surrender unless such Book Entry Bond shall contain or have endorsed thereon a legend substantially to the following effect (provided that such legend may be modified as may be determined necessary or desirable by the County or a particular Securities Depository):

> "AS PROVIDED IN THE INDENTURE REFERRED TO HEREIN, UNTIL THE TERMINATION OF THE SYSTEM OF BOOK-ENTRY-ONLY TRANSFERS THROUGH [NAME OF SECURITIES DEPOSITORY] (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE INDENTURE, "THE SECURITIES DEPOSITORY"), AND NOTWITHSTANDING ANY OTHER PROVISION OF THE INDENTURE TO THE CONTRARY, (A) THIS BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO A NOMINEE OF THE SECURITIES DEPOSITORY, OR BY A NOMINEE OF THE SECURITIES DEPOSITORY TO THE SECURITIES DEPOSITORY OR A NOMINEE OF THE SECURITIES DEPOSITORY TO ANY

SUCCESSOR SECURITIES DEPOSITORY OR ANY NOMINEE THEREOF AND (B) A PORTION OF THE PRINCIPAL AMOUNT OF THIS BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE TRUSTEE. THE SECURITIES DEPOSITORY OR A NOMINEE, TRANSFEREE OR ASSIGNEE OF THE SECURITIES DEPOSITORY OF THIS BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID. THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID SHALL FOR ALL PURPOSES BE THE AMOUNT DETERMINED IN THE MANNER PROVIDED IN THE INDENTURE."

Anything in this Indenture to the contrary notwithstanding, upon any such payment to the Securities Depository without presentation and surrender, for all purposes of (i) the Book Entry Bond as to which such payment has been made and (ii) this Indenture, the unpaid principal amount of such Book Entry Bond Outstanding shall be reduced automatically by the principal amount so paid. In such event, the Bond Trustee shall notify forthwith the Registrar as to the particular Book Entry Bond as to which such payment has been made, and the principal amount of such Bond so paid, the Registrar shall note such payment on the registration books maintained by it, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book Entry Bond Outstanding as provided in this subsection (e).

(f) For all purposes of this Indenture authorizing or permitting the purchase of Bonds, or portions thereof, by, or for the account of, the County for cancellation, and anything in this Indenture to the contrary notwithstanding, a portion of a Book Entry Bond may be deemed to have been purchased and cancelled without surrender thereof upon delivery to the Registrar of a certificate executed by the County and a participant of the Securities Depository therefor to the effect that a beneficial ownership interest in such Bond, in the principal amount stated therein, has been purchased by, or for the account of, the County through the participant of the Securities Depository executing such certificate; *provided, however*, that any purchase for cancellation of the entire principal amount of a Book Entry Bond shall be effective for purposes of this Indenture only upon surrender of such Book Entry Bond to the Bond Trustee; and *provided, further*, that no portion of a Book Entry Bond may be deemed to have been so purchased and cancelled without surrender thereof unless such Book Entry Bond shall contain or have endorsed thereon the legend(s) referred to in subsection (e) of this Section 2.11. Anything in this Indenture to the contrary notwithstanding, upon delivery of any such certificate to the Registrar, for all purposes of (i) the Book Entry Bond to which such certificate relates and (ii) this Indenture, the unpaid principal amount of such Book Entry Bond Outstanding shall be reduced automatically by the principal amount so purchased. In such event, the Registrar shall notify forthwith the Bond Trustee as to the particular Book Entry Bond as to which a beneficial ownership interest therein has been so purchased, and the principal amount of such Bond so purchased, and the Registrar shall note such reduction in principal amount of such Book Entry Bond Outstanding on the registration books maintained by it, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book Entry Bond Outstanding as provided in this subsection (f).

(g) Anything in this Indenture to the contrary notwithstanding, a Securities Depository may make a notation on a Book Entry Bond (i) redeemed in part or (ii) purchased by, or for the account of, the County in part for cancellation, to reflect, for informational purposes only, the date of such redemption or purchase and the principal amount thereof redeemed or deemed cancelled, but failure to make any such notation shall not affect the automatic reduction of the principal amount of such Book Entry Bond Outstanding as provided in subsection (e) or (f) of this Section 2.11 as the case may be.

(h) Anything in this Indenture to the contrary notwithstanding, in the case of a Book Entry Bond, the County shall be authorized to redeem or purchase (by or for the account of the County), or issue additional or refunding bonds or other obligations to refund, all or less than all of the entire Outstanding principal amount thereof (in portions thereof of $5,000 or integral multiples thereof), and in the event of such partial defeasance, redemption, purchase or refunding, the provisions of this Indenture relating to the defeasance, redemption or purchase refunding of a Bond or Bonds shall be deemed to refer to the redemption, purchase or refunding of a portion of a Bond.

SECTION 2.12 ***The Depository Trust Company As Initial Securities Depository For The Bonds.***

(a) The Depository Trust Company, New York, New York ("DTC"), is hereby appointed as the initial Securities Depository for the Bonds.

(b) The Bonds shall be initially issued in the form of a single fully registered bond in the aggregate principal amount thereof. So long as DTC serves as Securities Depository for the Bonds, the registered holder of all Bonds shall be, and each of the Bonds shall be registered in the name of, Cede & Co. ("Cede"), as nominee of DTC. Upon delivery by DTC to the Bond Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede, and subject to the transfer provisions of this Indenture, the word "Cede" in this Indenture shall refer to such new nominee of DTC. So long as any Bonds are registered in the name of Cede, as nominee of DTC in its capacity as Securities Depository for the Bonds, all payments with respect to the principal or redemption price of, and interest on, such Bonds and all notices with respect to such Bonds shall be made or given, as the case may be, to DTC as provided in the representation letter of the County and the Bond Trustee, dated the date of the issuance of such Bonds and addressed to DTC, with respect to such Bonds, as such representation letter may be amended and supplemented from time to time.

(c) (i) DTC may determine to discontinue providing its services as Securities Depository for the Bonds at any time by giving reasonable notice thereof to the County or the Bond Trustee, which notice shall include a certification that DTC has discharged its responsibilities with respect to the Bonds under applicable law. Upon the discontinuance of the services of DTC as Securities Depository for the Bonds pursuant to the immediately preceding sentence of this paragraph, the County may within 90 days thereafter appoint a substitute securities depository which, in the opinion of the County, is willing and able to undertake the functions of Securities Depository under this Indenture upon reasonable and customary terms. If no such successor can be found within such period, the Bonds shall no longer be restricted to being registered in the registration on books kept by the Registrar in the name of a Securities Depository.

(ii) If the Bonds no longer shall be restricted to being registered in the registration books kept by the Registrar in the name of a Securities Depository as provided in paragraph (i) of this subsection (c), (A) the County shall execute and the Bond Trustee shall authenticate and deliver, upon presentation and surrender of the Bonds, the applicable Bond certificates as requested by the Securities Depository therefor of like series, aggregate principal amount, maturity and interest rate, in authorized denominations, to the identifiable beneficial owners in replacement of such beneficial owners' beneficial ownership interests in such Bonds, if applicable and (B) the Bond Trustee shall notify the Registrar and any Paying Agent that the Bonds are no longer restricted to being registered on the books kept by the Registrar in the name of a Securities Depository.

ARTICLE III

REDEMPTION

SECTION 3.01 ***Optional Redemption.*** The Bonds are subject to redemption in whole or in part (and if less than all of the Bonds are to be redeemed, by lot or in such manner as shall be determined by the Bond Trustee) prior to maturity at any time on or after July 15, 2020 by the County, upon the exercise by Big Rivers of its option to prepay all or a part of the unpaid balance of the Note, at a redemption price of 100 percent of the principal amount thereof, together with interest accrued thereon to the date fixed for redemption.

SECTION 3.02 ***Selection of Bonds To Be Redeemed.*** If less than all of the Bonds shall be called for redemption pursuant to Section 3.01 hereof, the applicable Bonds or portions of registered Bonds of such maturity to be redeemed shall be selected by the Bond Trustee by lot or in such manner as the Bond Trustee in its discretion may deem proper; *provided, however*, that the portion of any such Bonds to be redeemed shall be in the principal amount of $5,000 or any integral multiple thereof and that, in selecting the applicable Bonds for redemption, the Bond Trustee shall treat each such Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by $5,000. Subject to Section 2.11 hereof, if it is determined that one or more, but not all of the $5,000 units of principal amount represented by any such Bonds is to be called for redemption, then upon notice of intention to redeem such $5,000 unit or units, the Owner of any such Bonds shall forthwith surrender such Bond or Bonds to the Bond Trustee for (1) payment of the redemption price (including the interest to the date fixed for redemption) of the $5,000 unit or units of principal amount called for redemption and (2) exchange for a new Bond or Bonds, of the aggregate principal amount of the unredeemed balance of the principal amount of such Bonds and of like maturity and interest rate, and such new Bond or Bonds shall be numbered corresponding to the numbers of the $5,000 units of principal amount not called for redemption. New Bonds representing the unredeemed balance of the principal amount of such Bonds shall be issued to the registered Owner thereof, without charge therefor. Subject to Section 2.11 hereof, if the Owner of any such a denomination greater than $5,000 shall fail to present such Bonds to the Bond Trustee for payment and exchange as aforesaid, such Bonds shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the $5,000 unit or units of principal amount called for redemption (and to that extent only).

SECTION 3.03 ***Procedure for Redemption.***

(a) Any Bonds may be called for redemption pursuant to Section 3.01 hereof only upon the written notice of Big Rivers, and from amounts representing prepayment of the Note in accordance with the terms of the Note and the Financing Agreement. Such notice shall be given by Big Rivers to the County and the Bond Trustee at any time during the period beginning with (and including) the 45th day prior to the date of redemption and ending with (and including) the 30th day prior to the date of redemption. Such notice shall specify that Big Rivers is electing to prepay the Note and have the amount of such prepayment applied to the redemption of the principal amount of the Bonds specified in the notice (together with any required premium) on the date for their redemption specified in such notice (which must be a date permitted by Section 3.01 hereof). If, at the time Big Rivers gives this notice, the Bond Trustee does not have on deposit sufficient available funds to pay the principal of, premium, if any, and interest accrued and to accrue through the redemption date on the Bonds so called for redemption, then Big Rivers' notice of redemption is conditional and revocable; that is, Big Rivers is under no obligation to provide, or cause to be provided, to the Bond Trustee funds to effect such redemption and, if it does not elect to do so by 12:00 noon, New York City time, on the redemption date, then the Bonds called for redemption shall not be redeemed pursuant to the above-mentioned notice of redemption or the notice of redemption given by the Bond Trustee pursuant to subsection (b) of this Section 3.03. Neither Big Rivers nor the County shall be liable to any Bondowner if Big Rivers does not provide, or cause to be provided, funds sufficient to effect redemption of any such Bonds with the result that such Bonds are not redeemed on the redemption date specified in such notices. If, at the time Big Rivers gives this notice, the Bond Trustee has on deposit sufficient funds to effect such redemption, then Big Rivers' notice is unconditional and irrevocable and the Bonds specified in the notice of Big Rivers and given by the Bond Trustee pursuant to subsection (b) of this Section 3.03 shall become due and payable at the specified redemption price on the specified redemption date.

(b) In the event any Bonds are called for redemption, the Bond Trustee shall give notice to the Bondowners of those Bonds subject to redemption, in the name of the County, of the redemption of such Bonds, which notice shall specify the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable, which shall be the Principal Office of the Bond Trustee as Paying Agent for the Bonds, and the Principal Office of any Co-Paying Agent for such Bonds, and, if less than all of the Bonds are to be redeemed, the numbers of such Bonds to be redeemed. Such notice shall be given by mailing a copy of the redemption notice by first-class, postage prepaid, mail at least thirty (30) days prior to the date fixed for redemption to the Bondowners of the Bonds to be redeemed at the addresses shown on the registration books maintained by the Bond Trustee, as Registrar; *provided*, *however*, that failure duly to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of such Bonds. If Big Rivers' notice of redemption for such Bonds given pursuant to subsection (a) of this Section 3.03 is conditional and revocable, then the notice of redemption given by the Bond Trustee pursuant to this subsection (b) shall so state and shall further state (i) that the redemption of such Bonds is conditional upon Big Rivers providing, or causing to be provided, to the Bond Trustee, by 12:00

noon, New York City time, on the redemption date, funds sufficient to effect such redemption, (ii) that if such funds are not so provided, such Bonds will not be redeemed on such date and the Bond Trustee's notice of the redemption of such Bonds given pursuant to this subsection (b) will be of no force or effect, (iii) that Big Rivers is under no obligation to provide, or cause to be provided, such funds and, (iv) that neither Big Rivers nor the County shall be liable to any Bondowner if Big Rivers does not provide, or cause to be provided, funds sufficient to effect such redemption with the result that such Bonds are not redeemed on the redemption date specified in such notice. If the Big Rivers notice is unconditional and irrevocable, then the Bond Trustee's notice shall so state, and shall also state (i) that the Bond Trustee has on deposit sufficient funds to effect such redemption and (ii) that such Bonds shall become due and payable at the specified redemption price (plus accrued interest) on the redemption date specified in the notice. If such moneys shall not have been so received, the Bond Trustee shall give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. Subject to Section 2.11 hereof, on presentation and surrender of such Bonds so called for redemption at the place or places of payment, such Bonds shall be paid and redeemed.

(c) Any Bonds so called for redemption which are deemed to be not Outstanding under the provisions of Section 7.01 hereof, will cease to bear interest on the specified redemption date and shall no longer be protected under this Indenture.

(d) On or prior to the date the Bond Trustee first gives to the Bondowners any notice of redemption of Bonds, the Bond Trustee shall provide the County and Big Rivers a copy of such notice.

SECTION 3.04 ***Cancellation and Destruction Of Bonds.*** All Bonds which have been redeemed or delivered to or acquired by the Bond Trustee for cancellation shall be cancelled and destroyed by the Bond Trustee and shall not be reissued. Counterparts of the certificates of destruction evidencing such destruction shall be furnished by the Bond Trustee to Big Rivers.

SECTION 3.05 ***Partial Redemption after Default; Minimum Sum.*** No redemption of less than all of the Bonds at the time Outstanding shall be made pursuant hereto unless the total amount of funds available and to be used for such partial redemption is equal to or more than $50,000. Anything in this Indenture to the contrary notwithstanding, if there shall have occurred and be continuing an Event of Default defined in clause (a) or (b) of Section 8.01 hereof, there shall be no redemption of less than all of the Bonds at the time Outstanding, except in the case of any Bonds notice of the redemption of which has been given pursuant to Section 3.02 hereof and moneys or obligations for the payment of which have been deposited with or paid to the Bond Trustee prior to the occurrence of such Event of Default.

SECTION 3.06 ***Payment to Bond Trustee upon Redemption.*** For the redemption of any Bonds, the County shall cause to be deposited in the Bond Fund, before 12:00 noon, New York City time, at the Principal Office of the Bond Trustee on the redemption date, but only out of the Receipts and Revenues of the County from the Financing Agreement (and subject to the right of Big Rivers to elect not to provide funds sufficient for such redemption as provided in Section 3.02 hereof), an amount sufficient to pay the principal of, premium, if any, and interest to become due on such redemption date. Any amount in the Bond Fund available to pay such redemption price shall be credited against any amount required to be caused to be so deposited in the Bond Fund.

ARTICLE IV

THE BOND FUND

SECTION 4.01 ***Creation Of Bond Fund.*** There is hereby created and established with the Bond Trustee a trust fund in the name of the County to be designated "County of Ohio, Kentucky, Pollution Control Refunding Revenue Bonds, Bond Fund (Big Rivers Electric Corporation Project)," which shall be used by the Bond Trustee to pay the principal of the Bonds when due at maturity and interest on the Bonds when due.

SECTION 4.02 ***Receipts And Revenues To Be Remitted To Bond Trustee.*** The Receipts and Revenues of the County from the Financing Agreement are to be remitted directly to the Bond Trustee for the account of the County and deposited in the Bond Fund as provided in this Indenture. Said payments shall be sufficient in amount to pay the principal of the Bonds when due at maturity and interest on the Bonds when due. The entire amount of Receipts and Revenues of the County from the Financing Agreement are pledged to the payment of the principal of the Bonds when due at maturity and interest on the Bonds when due. The County hereby covenants and agrees that it will not create any lien upon the Receipts and Revenues of the County from the Financing Agreement other than the lien hereby created.

SECTION 4.03 *Deposits Into Bond Fund.* There shall be paid into the Bond Fund:

(a) all payments by Big Rivers on the Note; and

(b) all other moneys received by the Bond Trustee under and pursuant to any of the provisions of the Financing Agreement when accompanied by written directions by Big Rivers that such moneys are to be paid into the Bond Fund. The County hereby covenants and agrees that so long as any of the Bonds issued hereunder are Outstanding, it will deposit, or cause to be deposited, in the Bond Fund sufficient sums from the Receipts and Revenues of the County from the Financing Agreement promptly to meet and pay the principal of the Bonds when due at maturity and interest on the Bonds when due.

SECTION 4.04 ***Use Of Moneys In Bond Fund.***

(a) Except as provided in this Section 4.04, moneys in the Bond Fund shall be used solely for the payment of the principal of the Bonds when due at maturity and interest on the Bonds when due. Notwithstanding anything to the contrary contained herein, if moneys have been deposited into the Bond Fund sufficient to pay the principal of, premium, if any, and interest due on the Bonds to the date such Bonds had been called for redemption in accordance with the terms of this Indenture, and are at the time available for such purpose, then such moneys shall be applied to the redemption of such Bonds.

(b) Any amounts remaining in the Bond Fund after payment in full of the principal of and interest on all Bonds (or provision for payment thereof as provided in this Indenture), the fees, charges and expenses of the Bond Trustee and the Co-Paying Agent, and the fees and expenses of the Registrar, and all other amounts required to be paid hereunder, shall be paid to Big Rivers.

SECTION 4.05 *Custody And Application Of Bond Fund.* The Bond Fund shall be in the custody of the Bond Trustee but in the name of the County and the County hereby authorizes and directs the Bond Trustee to withdraw sufficient funds from the Bond Fund to pay the principal of the Bonds when due at maturity, the interest on the Bonds when due and any other amounts payable from the Bond Fund as the same shall become due and payable.

SECTION 4.06 ***Bonds Not Presented When Due.***

(a) Subject to Section 2.11 hereof, in the event any Bonds shall not be presented for payment when the principal thereof and premium, if any, becomes due, either at maturity or at the date fixed for redemption thereof or otherwise, if moneys sufficient to pay such Bonds are on deposit in the Bond Fund for the benefit of the Owners thereof, all liability of the County to the Owners thereof for the payment of such Bonds shall forthwith cease, terminate and be completely discharged, and it shall be the duty of the Bond Trustee to segregate and to hold such moneys in trust, without liability for interest thereon, for the benefit of Owners of such Bonds, who shall thereafter be restricted exclusively to such fund or funds for the satisfaction of any claim of whatever nature on their part under this Indenture or relating to such Bonds. Such segregated funds shall not be subject to investment.

(b) Any money deposited with the Bond Trustee or any Co-Paying Agent in trust for the payment of the principal of or interest on any Bond and remaining unclaimed for two years and eleven months after such principal or interest has become due and payable shall, upon Big Rivers' request to the Bond Trustee, be paid to Big Rivers; *provided*, *however*, that before the Bond Trustee or such Co-Paying Agent shall be required to make any such repayment, the Bond Trustee may at the written request and expense of Big Rivers cause to be mailed by first class mail, postage prepaid, to each of the Bondowners at the addresses thereof as listed on the registration books kept by the Registrar, a notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than thirty (30) days from the date of such mailing, any unclaimed balance of such money then remaining will be repaid to Big Rivers. After the payment of such unclaimed moneys to Big Rivers, the Owner of such Bond shall thereafter look only to Big Rivers for the payment thereof, and all liability of the Bond Trustee or such Co-Paying Agent with respect to such money shall thereupon cease.

ARTICLE V

INVESTMENTS

SECTION 5.01 ***Investment Of Moneys Held In Bond Fund.*** The moneys in the Bond Fund shall be invested and reinvested by the Bond Trustee in such Investment Securities as Big Rivers shall direct in writing by a Big Rivers Representative; *provided*, *however*, that such moneys shall not be invested in such manner as will violate the provisions of Section 6.09 hereof. All income or other gain from such investments shall be carried to the credit of the Bond Fund, and any loss resulting from such investments shall be charged to the Bond Fund.

As and when any amounts thus invested may be needed for disbursements from the Bond Fund, the Bond Trustee shall cause a sufficient amount of Investments Securities to be sold or otherwise converted into cash to the credit of the Bond Fund. So long as no Event of Default (as defined in Section 8.01 hereof) shall have occurred and be continuing, Big Rivers shall have the right to designate the investments to be sold and to otherwise direct the Bond Trustee in writing with respect to the sale or conversion to cash of the investments made with the moneys in the Bond Fund.

Moneys credited to any account or fund maintained hereunder which are uninvested pending disbursement or receipt of proper investment directions or as directed herein, may be deposited to and held in a non-interest bearing demand deposit account established with the commercial banking department of the Bond Trustee or with any bank affiliated with the Bond Trustee, without the pledge of securities to or other collateralization of such deposit accounts. The Bond Trustee may invest in Investment Securities through its own trust department and such moneys may be deposited in time deposits, or certificates of deposit issued by the Bond Trustee or its affiliates.

ARTICLE VI

GENERAL COVENANTS

SECTION 6.01 ***No General Obligation, Pecuniary Liability, Or Charge Against General Credit Or Taxing Powers Of County***. Each and every covenant herein made, including all covenants made in the various sections of this Article VI, is predicated upon the condition that any obligation for the payment of money incurred by the County shall not be the general obligation of the County and shall never constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers, but shall be payable solely from the Receipts and Revenues of the County from the Financing Agreement, which are required to be set apart and transferred to the Bond Fund, and which, along with the balance of the Trust Estate, are hereby specifically pledged to the payment thereof in the manner and to the extent in this Indenture specified, and nothing in the Bonds or in this Indenture shall be considered as pledging any other funds or assets of the County.

The Bonds shall not constitute an indebtedness of the County within the meaning of the Constitution of Kentucky, but shall be payable as to principal and interest solely from the revenues derived from the payments made by Big Rivers under the Note and from the other Receipts and Revenues of the County from the Financing Agreement.

The County will promptly cause to be paid solely from the sources stated herein the principal of and interest on every Bond issued under this Indenture at the place, on the dates and in the manner provided herein and in said Bond, according to the true intent and meaning thereof.

SECTION 6.02 ***County Will Perform Obligations; Due Authorization And Enforceability Thereof.*** The County will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder, and in all proceedings pertaining thereto. The

County covenants that it is duly authorized under the Constitution and laws of the Commonwealth of Kentucky to issue the Bonds authorized hereby, to enter into the Financing Agreement, and to pledge to the Bond Trustee the Receipts and Revenues of the County from the Financing Agreement and to pledge and assign to the Bond Trustee all the County's right, title and interest under the Financing Agreement, and that the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the County according to the import thereof.

SECTION 6.03 ***Corporate Existence Of County; Compliance With Laws.*** The County will at all times maintain its corporate existence or assure the assumption of its obligations under this Indenture by any public body succeeding to its powers under the Act, and it will use its best efforts to maintain, preserve and renew all the rights and powers provided to it by the Act; and it will comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the Financing Agreement.

SECTION 6.04 ***County Will Enforce And Not Amend Obligations Of Big Rivers.*** So long as any Bonds are Outstanding, upon receipt of written notification from the Bond Trustee the County will enforce the obligation of Big Rivers to pay, or cause to be paid, all the payments and other costs and charges payable by Big Rivers under the Financing Agreement and the Note. The County will not enter into any agreement with Big Rivers amending the Financing Agreement or the Note without the prior written consent of the Bond Trustee and compliance with Sections 11.06 and 11.07 hereof.

SECTION 6.05 ***Execution And Delivery Of Instruments By County.*** The County will, upon the reasonable request of the Bond Trustee, from time to time execute and deliver such further instruments and take such further action as may be reasonable and as may be required to carry out the purpose of this Indenture; *provided, however*, that no such instruments or actions shall pledge the credit or taxing power of the Commonwealth of Kentucky, the County, or any other political subdivision of said State.

SECTION 6.06 ***No Other Disposition Of Receipts And Revenues.*** Except for the pledge and assignment to the Bond Trustee, the County will not sell, lease, pledge, assign or otherwise dispose of or encumber its interest in the Receipts and Revenues of the County from the Financing Agreement or any interest in the Note, or its rights and interest under the Financing Agreement or the Note; and will promptly pay or cause to be discharged or make adequate provision to satisfy and discharge any lien or charge on any part thereof.

SECTION 6.07 ***Bond Trustee's Access To County Books.*** All books and documents in the possession of the County relating to the Facilities and the Financing Agreement and the moneys, revenues and receipts derived from the Financing Agreement shall at all reasonable times be open to inspection by such accountants or other agencies as the Bond Trustee may from time to time designate.

SECTION 6.08 ***Filing Of Financing Statements By County.*** In order to perfect the interest of the Bond Trustee in the Receipts and Revenues of the County from the Financing Agreement, the County will cause appropriate financing statements, naming the Bond Trustee as pledgee of the Receipts and Revenues of the County from the Financing Agreement and of the other moneys pledged under this Indenture for the payment of the principal of and interest on the Bonds, and as pledgee and assignee of certain of the County's rights and interest under the Financing Agreement, to be duly filed and recorded in the appropriate state and county offices as required by the provisions of the Uniform Commercial Code or other similar law as adopted in the Commonwealth of Kentucky and any other applicable jurisdiction, as from time to time amended. The Bond Trustee, at the sole expense of Big Rivers, will file and record, with such assistance as necessary from the County, such necessary continuation statements from time to time as may be required pursuant to the provisions of said Uniform Commercial Code or other similar law to protect the interest of the Bond Trustee.

SECTION 6.09 *Tax Covenants Of The County.*

(a) The County covenants to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the 1954 Code, and will take, or require to be taken, such acts as may from time to time be required under applicable law and regulation to continue the exclusion of the interest on the Bonds from gross income for federal income tax purposes; and in furtherance of such covenants, the County agrees to comply with the Tax Certificate and Agreement executed in connection with the Bonds and the provisions of the 1954 Code as amended by the 1986 Act.

(b) The County covenants that it will not take any action or fail to take any action with respect to the Bonds which would cause the Bonds to be "arbitrage bonds" within the meaning of such term as used in Section 148 of the 1986 Code, as incorporated into the 1954 Code by the 1986 Act.

(c) The County shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Bonds pursuant to Section 148(f) of the 1986 Code, as incorporated into the 1954 Code by the 1986 Act, from amounts on deposit in the funds and accounts established under this Indenture and available therefor.

(d) The County covenants that it will not use or permit the use of any property financed or refinanced with the proceeds of the Bonds by any person (other than a state or local governmental unit) in such manner or to such extent as would result in a loss of exclusion of the interest on the Bonds from gross income for federal income tax purposes (other than during the period the Bonds are held by a "substantial user" of the facilities financed or refinanced with proceeds of the Bonds or a "related person" within the meaning of Section 103(b)(6)(C) of the 1954 Code).

(e) Notwithstanding any other provisions of this Indenture to the contrary, so long as necessary in order to maintain the exclusion of interest on the Bonds from gross income under Section 103(a) of the 1954 Code, the covenants in this Section 6.09 shall survive the payment of the Bonds and the interest thereon, including any payment or defeasance thereof pursuant to Section 7.01 hereof.

SECTION 6.10 ***Supplemental Indentures; Recordation Of Indenture And Supplemental Indentures.*** The County will execute and deliver all Supplemental Indentures, and will cause this Indenture, the Financing Agreement and all supplements thereto as well as all security instruments as may be required at all times to be recorded, registered, filed and to be kept recorded, registered and filed in such manner and in such places as may be required by law in order fully to preserve and protect the security of the Bondowners and all rights of the Bond Trustee hereunder.

SECTION 6.11 *Notices By Bond Trustee.* The Bond Trustee shall give the same notices to the County that it is required to give to Big Rivers pursuant to any of the terms of this Indenture.

ARTICLE VII

DEFEASANCE

SECTION 7.01 *Defeasance.*

(a) If and when the Bonds secured hereby shall become due and payable in accordance with their terms or through redemption proceedings as provided in this Indenture, or otherwise, and the whole amount of the principal of, premium, if any, and interest so due and payable upon all of the Bonds shall be paid, or provision shall have been made for the payment of the same, together with all other sums payable hereunder by the County, including the payment of the fees and expenses of the Bond Trustee, then and in that case, the right, title and interest of the Bond Trustee in and to the Trust Estate and all covenants, agreements and other obligations of the County to the Bondowners shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, upon request of the County or Big Rivers, the Bond Trustee shall assign and transfer to Big Rivers all property and funds then held by the Bond Trustee pursuant to this Indenture and shall execute and deliver such documents as may be reasonably required by the County or Big Rivers for such purpose. If and when the Bond Trustee shall hold sufficient moneys hereunder to provide for payment of the whole amount of the principal of, premium, if any, and interest due and payable and thereafter to become due and payable upon all the Bonds, together with all other sums payable or which may thereafter become payable hereunder by the County, notwithstanding that all the Bonds have not yet become due and payable and that consequently the right, title and interest of the Bond Trustee in and to the Trust Estate shall not have ceased, terminated and become void pursuant to the foregoing provisions of this Section 7.01, the Bond Trustee, on demand of the County or Big Rivers, shall turn over to Big Rivers any surplus in the Bond Fund and in any other fund created under this Indenture in excess of the sum sufficient to pay the whole amount of the principal of, premium, if any, and interest due and payable and thereafter to become due and payable upon all the Bonds, together with all other sums payable or which may thereafter become payable hereunder by the County, including the payment of the fees and expenses of the Bond Trustee.

(b) Any Bond shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in this Section 7.01 if (i) in case such Bond is to be redeemed on any date prior to its maturity, Big Rivers and the County shall have given to the Bond Trustee in form satisfactory to it unconditional and irrevocable instructions and notice to give on a date in accordance with the provisions of Section 3.03 hereof notice of redemption of such Bond on said redemption date, such notice to be given in accordance with the provisions of Section 3.03 hereof, (ii) there shall have been deposited with the Bond Trustee either moneys in an amount which shall be sufficient, or obligations of or guaranteed as to principal and interest by the United States of America, or certificates of an ownership interest in the principal of or interest on obligations of or guaranteed as to principal and interest by the United States of America, which shall not contain provisions permitting the redemption thereof at the option of the issuer, the principal of, premium, if any, and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Bond Trustee or any Co-Paying Agent at the same time, shall be sufficient to pay when due the principal of and interest due and to become due on such Bond on and prior to the redemption date or maturity date thereof, as the case may be, and (iii) in the event such Bond does not mature or is not by its terms subject to redemption within the next succeeding 60 days, Big Rivers and the County shall have given the Bond Trustee in form satisfactory to it irrevocable instructions to give, as soon as practicable in the same manner as a notice of redemption is given pursuant to Section 3.03 hereof, a notice to the Owners of such Bond that the deposit required by (ii) above has been made with the Bond Trustee and that said Bond is deemed to have been paid in accordance with this Section 7.01 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of and interest on such Bond. Neither the obligations nor moneys deposited with the Bond Trustee pursuant to this Section 7.01 nor principal or interest payments on any such obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of, premium, if any, and interest on such Bond; provided that any cash received from such principal or interest payments on such obligations deposited with the Bond Trustee, (x) to the extent such cash will not be required at any time for such purpose, shall be paid over to Big Rivers as received by the Bond Trustee, free and clear of any trust, lien or pledge, and (y) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in obligations or certificates of the type described in clause (ii) of this subsection (b) maturing at times and in amounts sufficient to pay when due the principal of and interest to become due on such Bond on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to Big Rivers, as received by the Bond Trustee, free and clear of any trust, lien or pledge.

(c) Any release of the obligations of the County under this Section 7.01 shall be without prejudice to the right of the Bond Trustee to be paid reasonable compensation for all services rendered by it hereunder and all its reasonable expenses, charges and other disbursements and those of its attorneys, agents and employees, incurred on and about the administration of the trusts hereby created and the performance of its powers and duties hereunder.

ARTICLE VIII

DEFAULTS AND REMEDIES

SECTION 8.01 ***"Events Of Default" Enumerated; Acceleration.*** Each of the following events shall constitute and is referred to in this Indenture as an "Event of Default":

(a) payment of the principal of any of the Bonds (whether by maturity, upon a call for redemption or otherwise) or interest on any of the Bonds shall not be made within one Business Day of when due with the result that such principal or interest remains unpaid as of such date; or

(b) an "event of default" as defined in Section 9.1(a) of the Financing Agreement shall have occurred and be continuing; or

(c) acceleration of payment of any Obligation (as defined in the Big Rivers Indenture) secured by the Big Rivers Indenture pursuant to an "event of default" as such term is defined in Section 8.1 of Article VIII of the Big Rivers Indenture; or

(d) Big Rivers shall file a petition in bankruptcy or is adjudicated as bankrupt or insolvent, or makes an assignment for the benefit of its creditors, or consents to the appointment of a receiver of itself or of its property, or institutes proceedings for its reorganization, or proceedings instituted by others for its reorganization are not dismissed within thirty (30) days after the institution thereof, or a receiver or liquidator of Big Rivers or of any substantial portion of its property is appointed and the order appointing such receiver or liquidator shall not be vacated within thirty (30) days after the entry thereof.

Upon the occurrence and continuance of an Event of Default described in clause (c) of this Section 8.01, and subject to Section 9.05 hereof, the Bond Trustee shall, and upon the occurrence and continuance of any other Event of Default, the Bond Trustee may, and upon the written request of the Owners of not less than 25% in aggregate principal amount of Bonds then Outstanding, the Bond Trustee shall, declare the principal amount of all Bonds then Outstanding and the interest accrued thereon to be immediately due and payable and said principal and interest shall thereupon become immediately due and payable, and the Bond Trustee shall give notice thereof in writing to the County and Big Rivers, and notice to Bondowners in the same manner as a notice of redemption under Section 3.03 hereof. Upon any declaration of acceleration hereunder, the County and the Bond Trustee shall immediately declare all payments due on the Note to be immediately due and payable as provided in Section 9.2 of the Financing Agreement.

If at any time after such declaration, but before the Bonds shall have matured by their terms, all overdue installments of principal and interest upon the Bonds, together with interest on such overdue installments of principal and interest to the extent permitted by law and the reasonable and proper charges, expenses and liabilities of the Bond Trustee, and all other sums then payable by the County under this Indenture (except the principal of and interest accrued since the next preceding Interest Payment Date on the Bonds due and payable solely by virtue of such declaration) shall either be paid by or for the account of the County or provision satisfactory to the Bond Trustee shall be made for such payment, and all defaults under the Bonds or under this Indenture (other than the payment of principal and interest due and payable solely by reason of such declaration) shall be made good or be secured to the satisfaction of the Bond Trustee or provision deemed by the Bond Trustee to be adequate shall be made therefor, then by written notice of the Owners of 50% in aggregate principal amount of the Bonds Outstanding to the County and to the Bond Trustee, the Bond Trustee shall rescind such declaration and annul such default in its entirety. In such event, the Bond Trustee shall rescind any declaration of acceleration of the maturity of the Note and the interest thereon as provided in Section 9.5 of the Financing Agreement.

As set forth in Section 9.7 of the Financing Agreement, if at any time following a declaration of acceleration pursuant to an Event of Default under Section 8.01(c) hereof, and prior to payment of the Bonds pursuant to such acceleration, the Bond Trustee shall receive written notice that the acceleration of the Obligations under the Big Rivers Indenture has been rescinded, then the Bond Trustee shall rescind any declaration of acceleration of the maturity of principal of and interest on the Bonds. In the event of such rescission of a declaration of acceleration of the Bonds, the Bond Trustee shall also rescind any declaration of acceleration of the maturity of the Note.

In case of any rescission, then and in every such case the County, the Bond Trustee and the Bondowners shall be restored to their former positions and rights hereunder respectively, but no such rescission shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon, nor shall such rescission extend to any instance in which the holder of any Obligation under the Big Rivers Indenture other than the Note has subsequent to a request for rescission declared all unpaid principal of and accrued interest on such other Obligation to be due and payable immediately.

SECTION 8.02 ***Exercise Of Remedies By Bond Trustee.*** Upon the happening of any Event of Default or upon the failure by the County to observe and perform any covenant, condition, agreement or provision contained in the Bonds or this Indenture, then and in every such case the Bond Trustee in its discretion may, and upon the written request of the Bondowners of not less than 25% in principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name and as the Bond Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondowners, and require the County or Big Rivers to carry out any agreements with or for the benefit of the Bondowners and to perform its or their duties under the Act, the Financing Agreement, the Note and this Indenture;

(ii) bring suit upon the Bonds;

(iii) by action or suit in equity require the County to account as if it were the trustee of an express trust for the Bondowners; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondowners.

SECTION 8.03 ***Restoration To Former Position.*** In case any proceeding taken by the Bond Trustee to enforce any right under this Indenture shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Bond Trustee, then and in every case the County, the Bond Trustee and the Bondowners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Bond Trustee shall continue as though no such proceeding had been taken.

SECTION 8.04 ***Bondowner Direction Of Remedial Proceedings.*** Anything in this Indenture to the contrary notwithstanding, the Holders of a majority in aggregate principal amount of the Bonds then Outstanding hereunder shall have the right, by an instrument in writing executed and delivered to the Bond Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Bond Trustee under this Indenture or exercising any trust or power conferred on the Bond Trustee by this Indenture.

SECTION 8.05 ***Limitations On Proceedings By Bondowners.*** No Bondowner shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power hereunder, or any other remedy hereunder or on said Bonds, unless such Bondowner previously shall have given to the Bond Trustee written notice of an Event of Default as hereinabove provided and unless the Bondowners of not less than 25% in principal amount of the Bonds then Outstanding shall have made written request of the Bond Trustee so to do, after the right to institute said suit, action or proceeding shall have accrued, and shall have afforded the Bond Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also shall have been offered to the Bond Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Bond Trustee shall not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Bond Trustee, to be conditions precedent to the institution of said suit, action or proceeding; it being understood and intended that no one or more of the Bondowners shall have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right hereunder or under the Bonds, except in the manner herein provided, and that all suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Bondowners.

SECTION 8.06 ***No Impairment Of Certain Rights Of Bondowners.*** Notwithstanding any other provision in this Indenture, the right of any Bondowner to receive payment of the principal of and interest on any Bond on or after the respective due dates expressed therein, or to institute suit for the enforcement of any such payment on or after such respective date, shall not be impaired or affected without the consent of such Bondowner.

SECTION 8.07 ***Bond Trustee May Act Without Possession Of Bonds.*** All rights of action under this Indenture or under any of the Bonds secured hereby which are enforceable by the Bond Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof on the trial or other proceedings relative thereto, and any such suit, action or proceeding instituted by the Bond Trustee shall be brought in its name for the equal and ratable benefit of the Bondowners, subject to the provisions of this Indenture.

SECTION 8.08 *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the Bond Trustee or to Bondowners is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

SECTION 8.09 *No Waiver Of Remedies.* No delay or omission of the Bond Trustee or of any Bondowner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by this Article VIII to the Bond Trustee and to the Bondowners may be exercised from time to time and as often as may be deemed expedient.

SECTION 8.10 *Application Of Moneys Recovered.* Any moneys received by the Bond Trustee, by any receiver or by any Bondowner pursuant to any right given or action taken under the provisions by this Article VIII, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Bond Trustee, shall be deposited in the Bond Fund and all moneys so deposited in the Bond Fund during the continuance of an Event of Default (other than moneys for the payment of Bonds that have matured or otherwise become payable prior to such Event of Default or for the payment of interest due prior to such Event of Default) shall be applied as follows:

(i) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied (i) first, to the payment to the persons entitled thereto of all installments of interest then due on the Bonds, with interest on overdue installments, if lawful, at the same rate or rates per annum as specified in the Bonds, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment with such interest, then to the payment ratably, according to the amounts due on such installment, and (ii) second, to the payment to the persons entitled thereto of the unpaid principal of the Bonds which shall have become due at maturity (other than Bonds called for redemption for the payment of which money is held pursuant to the provisions of this Indenture), in the order of their due dates, with interest on such Bonds at their respective rates from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

(ii) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with interest on overdue interest and principal, as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(iii) If the principal of all the Bonds shall have become due and payable, and if such event shall thereafter have been rescinded and annulled under the provisions of this

Article VIII then, subject to the provisions of paragraph (ii) of this Section 8.10 which shall be applicable in the event that the principal of all the Bonds shall later become due and payable, the moneys shall be applied in accordance with the provisions of paragraph (i) of this Section 8.10.

Whenever moneys are to be applied pursuant to the provisions of this Section 8.10, such moneys shall be applied at such times, and from time to time, as the Bond Trustee shall determine having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Bond Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal, premium and interest to be paid on such dates shall cease to accrue. The Bond Trustee shall give such notice by mailing as it may deem appropriate of the deposit with it of any such moneys and of the filing of any such date to any Bondowner until such Bond shall be presented to the Bond Trustee for appropriate endorsement or for cancellation if fully paid.

SECTION 8.11 *Severability Of Remedies.* It is the purpose and intention of this Article VIII to provide rights and remedies to the Bond Trustee and Bondowners which may be lawfully granted under the provisions of the Act, but should any right or remedy herein granted be held to be unlawful, the Bond Trustee and the Bondowners shall be entitled, as above set forth, to every other right and remedy provided in this Indenture and by law.

ARTICLE IX

TRUSTEE AND CO-PAYING AGENTS

SECTION 9.01 *Acceptance Of Trusts By Bond Trustee.* By executing the certificate of authentication endorsed upon the Bonds, the Bond Trustee shall signify its acceptance and agree to execute the trusts hereby created, but only upon the additional terms set forth in this Article IX, to all of which the County agrees and the respective Bondowners agree by their acceptance of delivery of any of the Bonds. The Bond Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Bond Trustee.

SECTION 9.02 ***Bond Trustee Not Responsible For Recitals, Statements And Representations In Indenture.*** The recitals, statements and representations contained in this Indenture or in the Bonds, other than the Bond Trustee's authentication upon the Bonds, shall be taken and construed as made by and on the part of the County, and not by the Bond Trustee and the Bond Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof. The Bond Trustee makes no representations as to the validity or condition of the Trust Estate or any part thereof, or as to the title of the County thereto or as to the security afforded thereby or hereby, or as to the validity or genuineness of any securities at any time pledged and deposited with the Bond Trustee hereunder or as to the validity or sufficiency of this Indenture or any of the Bonds.

SECTION 9.03 ***Bond Trustee Not Liable Except For Own Negligence Or Bad Faith.*** The Bond Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, receivers or employees, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Bond Trustee shall not be answerable for the default or misconduct of any such attorney, agent, or employee selected by it with reasonable care and the written advice of such counsel selected by the Trustee with due care or any Opinion of Bond Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon. The Bond Trustee shall not be answerable for the exercise of any discretion or power under this Indenture or for anything whatever in connection with the trust except only for its own negligence or bad faith.

SECTION 9.04 ***Compensation And Reimbursement Of Bond Trustee.*** The Bond Trustee shall be entitled to reasonable compensation for its services rendered hereunder and to reimbursement for its actual out-of-pocket expenses (including counsel fees) necessarily incurred in connection therewith except as a result of its negligence or bad faith. In the Financing Agreement, Big Rivers has agreed that it will pay to the Bond Trustee such compensation and reimbursement but Big Rivers may, without creating a default hereunder, contest in good faith the necessity for and reasonableness of any such fees or expenses.

SECTION 9.05 ***Limitations On Required Notice By Bond Trustee.*** The Bond Trustee shall not be required to take notice, or be deemed to have notice, of any Event of Default under subsection (c) of Section 8.01 hereof, unless specifically notified in writing of such Event of Default by the Bondowners of at least 25% in principal amount of the Bonds then Outstanding. The Bond Trustee shall be required to take notice, or be deemed to have notice, of any Event of Default under subsections (a) of Section 8.01 hereof. The Bond Trustee may, however, at any time, in its discretion, require of the County full information and advice as to the performance of any of the covenants, conditions and agreements contained herein.

In the event the Bond Trustee does not timely receive any payment on the Note in accordance with Section 5.1 of the Financing Agreement, the Bond Trustee shall immediately give telephonic or electronic notice thereof to Big Rivers, but the Bond Trustee shall incur no liability for failure to give such notice and such failure shall have no effect on the rights of the Bond Trustee or the Bondowners set forth in this Indenture or any Bond.

SECTION 9.06 ***Limitations On Obligations Of Bond Trustee.*** The Bond Trustee shall be under no obligation to take any action in respect of any default, Event of Default or otherwise, or toward the execution or enforcement of any of the trusts hereby created, or to institute, appear in or defend any suit or other proceeding in connection therewith, unless requested so to do by Owners of at least 25% in principal amount of the Bonds then Outstanding, and if in its opinion such action may tend to involve it in expense or liability, unless furnished, from time to time as often as it may require, with security and indemnity satisfactory to it; but the foregoing provisions are intended only for the protection of the Bond Trustee, and shall not affect any discretion or power given by any provisions of this Indenture to the Bond Trustee to take action in respect of any default without such notice or request from the Bondowners, or without such security or indemnity.

SECTION 9.07 ***Bond Trustee Protected In Relying Upon Communications And Actions Believed Genuine.*** The Bond Trustee shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board, body or person or to have been prepared and furnished pursuant to any of the provisions of this Indenture or the Financing Agreement, and the Bond Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Bond Trustee shall not be bound to recognize any person as a Bondowner or to take any action at its request unless such person's Bond shall be deposited with the Bond Trustee or satisfactory evidence of the ownership of such Bond shall be furnished to the Bond Trustee.

SECTION 9.08 ***Bond Trustee May Deal In Bonds And With County And Big Rivers.*** The Bond Trustee may in good faith buy, sell, own, hold and deal in any of the Bonds issued hereunder and secured by this Indenture, and may join in any action which any Bondowner may be entitled to take with like effect as if the Bond Trustee were not a party to this Indenture. The Bond Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the County or Big Rivers, and may act as depository, trustee or agent for any committee or body of Bondowners secured hereby or other options of the County as freely as if it were not Bond Trustee hereunder.

SECTION 9.09 ***Construction Of Indenture By Bond Trustee.*** The Bond Trustee may construe any of the provisions of this Indenture insofar as the same may appear to be ambiguous or inconsistent with any other provision hereof, and any construction of any such provisions hereof by the Bond Trustee in good faith shall be binding upon the Bondowners.

SECTION 9.10 ***Resignation Of Bond Trustee.*** No resignation of the Bond Trustee will be effective until the appointment of, and acceptance of such appointment by, a successor Bond Trustee. The Bond Trustee may resign and be discharged of the trusts created by this Indenture at any time by executing any instrument in writing resigning such trust, and filing the same with the Clerk of the County, and by giving notice of such resignation mailed by first class mail, postage prepaid, to Big Rivers and the Bondowners at their addresses as they appear on the registration books maintained by the Registrar. If an instrument of acceptance by a successor Bond Trustee is not delivered to the resigning Bond Trustee with 45 days after the giving of such notice of resignation, the resigning Bond Trustee may petition any court of competent jurisdiction for the appointment of a successor Bond Trustee.

SECTION 9.11 ***Removal Of Bond Trustee.*** (a) The Bond Trustee may be removed at any time by filing with the Bond Trustee so removed, with the County and with Big Rivers an instrument in writing, appointing a successor, executed by the Bondowners of not less than a majority in principal amount of the Bonds then Outstanding.

(b) At any time other than during the continuance of an Event of Default, the Bond Trustee may be removed for any reason by an instrument in writing, executed by an authorized officer of the County, removing the Bond Trustee and appointing a successor, filed with the Bond Trustee so removed and Big Rivers, provided that prior to the appointment of such successor Bond Trustee, the County shall consult in good faith with Big Rivers regarding such appointment. Other than during the continuance of an Event of Default, the Bond Trustee may also be removed for any reason by Big Rivers with the approval of the County (which consent shall not be unreasonably withheld), by an instrument in writing, executed by a Big Rivers Representative, removing the Bond Trustee and designating a successor Bond Trustee, filed with the Bond Trustee so removed and the County.

SECTION 9.12 *Appointment Of Successor Bond Trustee.* In case at any time the Bond Trustee shall be removed, or be dissolved, or if its property or affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or for any other reason, then a vacancy shall forthwith and ipso facto exist in the office of Bond Trustee and a successor may be appointed, and in case at any time the Bond Trustee shall resign, then or may be appointed, by filing with the County and Big Rivers an instrument in writing, executed by the Bondowners of not less than a majority in principal amount of Bonds then outstanding. Copies of such instrument shall be promptly delivered by the County to the predecessor Bond Trustee and to the Bond Trustee so appointed.

Until a successor Bond Trustee shall be appointed by the Bondowners as herein authorized, Big Rivers may appoint a successor Bond Trustee. After any appointment by Big Rivers, it shall cause notice of such appointment to be mailed by first class mail, postage paid, to the County and the Bondowners at their addresses as they appear on the registration books maintained by the Registrar. Any successor Bond Trustee so appointed by Big Rivers shall immediately and without further act be superseded by a Bond Trustee appointed by the Bondowners in the manner above provided.

SECTION 9.13 *Qualifications Of Successor Bond Trustee.* Every successor Bond Trustee shall be a bank or trust company or a national bank with trust powers, having a combined capital stock, undivided profits and surplus of at least $100,000,000 if there be such a trust company, bank and trust company or national bank willing and able to accept the trust on reasonable and customary terms.

SECTION 9.14 *Acceptance Of Trusts By Successor Bond Trustee.* Any successor appointed hereunder shall execute, acknowledge and deliver to the County an instrument accepting such appointment hereunder, and thereupon such successor Bond Trustee, without any further act, deed or conveyance, shall become duly vested with all the estates, property, rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder, with like effect as if originally named Bond Trustee herein. Upon request of such Bond Trustee, such predecessor Bond Trustee and the County shall execute and deliver an instrument transferring to such successor Bond Trustee all the estates, property, rights, powers and trusts hereunder of such predecessor Bond Trustee and such predecessor Bond Trustee shall pay over to the successor Bond Trustee all moneys and other assets at the time held by it hereunder.

SECTION 9.15 *Successor Bond Trustee Upon Merger, Consolidation Or Succession.* Any corporation into which any Bond Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Bond Trustee hereunder shall be a party or any corporation succeeding to all or substantially all of the corporate trust business of the Bond Trustee, shall be the successor Bond Trustee under this Indenture, without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 9.16 *Standard Of Care In Exercise Of Rights And Power.* Notwithstanding any other provisions of this Article IX, the Bond Trustee shall, during the existence of an Event of Default as to which the Bond Trustee has actual notice, exercise such of the rights and powers vested in it by this Indenture and use the same degree of skill and care in their exercise as a prudent man would use and exercise under the circumstances in the conduct of his own affairs.

SECTION 9.17 *Bond Trustee To Notify Registered Owners Of Event Of Default.* If an Event of Default occurs of which the Bond Trustee by Section 9.05 hereof is required to take notice and deemed to have notice, or any other Event of Default as so defined occurs of which the Bond Trustee has been specifically notified in accordance with Section 9.05 hereof, and any such Event of Default shall continue for at least two Business Days after the Bond Trustee acquires actual notice thereof, the Bond Trustee shall give written notice thereof by first-class mail to the last known Owners of all registered Bonds then Outstanding addressed to such Owners at their addresses appearing on the registration books maintained by the Registrar.

SECTION 9.18 *Intervention By Bond Trustee In Certain Litigation.* In any judicial proceeding to which the County is a party and which in the opinion of the Bond Trustee and its counsel has a substantial bearing on the interests of Bondowners, the Bond Trustee may intervene on behalf of the Bondowners, and shall, upon receipt of indemnity satisfactory to it, do so if requested in writing by the Owners of at least 25% in principal amount of Bonds then Outstanding if permitted by the court having jurisdiction in the premises.

SECTION 9.19 *Bond Trustee; The Paying Agent; Co-Paying Agents.* The Bond Trustee shall be the Paying Agent for the Bonds. The County may at any time or from time to time, with the approval of Big Rivers, appoint one or more Co-Paying Agents for the Bonds, in the manner and subject to the conditions set forth in Section 9.20 hereof for the appointment of a Co-Paying Agent. Each Co-Paying Agent shall designate to the Bond Trustee its Principal Office and signify its acceptance of the duties and obligations imposed upon it by written instrument of acceptance deposited with the County and the Bond Trustee under which such Co-Paying Agent will agree with the Bond Trustee that such Co-Paying Agent will:

(i) hold all sums held by it for the payment of the principal of and premium, if any, or interest on Bonds in trust for the benefit of the Bondowners until such sums shall be paid to such Bondowners or otherwise disposed of as herein provided; and

(ii) upon the written request of the Bond Trustee, forthwith pay to the Bond Trustee all sums so held in trust by such Co-Paying Agent.

The County hereby covenants and agrees to cooperate with the Bond Trustee to cause the necessary arrangements to be made through the Bond Trustee and to be thereafter continued whereby funds derived from the sources specified in Section 4.03 hereof will be made available for the payment of such of the Bonds as are presented when due at the appropriate offices of the Co-Paying Agents.

SECTION 9.20 ***Qualifications Of Co-Paying Agent; Resignation; Removal.*** Any Co-Paying Agent appointed by the County, with the approval of Big Rivers, shall be a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof, having a combined capital stock, surplus and undivided profits of at least $100,000,000 and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture. Any Co-Paying Agent may at any time resign and be discharged of the duties and obligations created by Indenture by giving at least sixty (60) days written notice to the County, Big Rivers and the Bond Trustee. Any Co-Paying Agent may be removed at any time with the consent of Big Rivers by an instrument filed with such Co-Paying Agent and the Bond Trustee and signed by the County. In the event of the resignation or removal of any Co-Paying Agent, such Co-Paying Agent shall pay over, assign and deliver any moneys held by it as Co-Paying Agent to its successor, or if there be no successor, to the Bond Trustee.

SECTION 9.21 ***Moneys Held by Trustee.*** Money and investments held in trust by the Bond Trustee or any paying agent hereunder shall be held in one or more trust accounts hereunder but need not be segregated from other funds except to the extent required in this Indenture or required by law. The Bond Trustee or any paying agent shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the County or otherwise specifically provided in this Indenture.

ARTICLE X

EXECUTION OF INSTRUMENTS BY BONDOWNERS AND PROOF OF OWNERSHIP OF BONDS

SECTION 10.01 ***Execution Of Instruments By Bondowners And Proof Of Ownership Of Bonds.***

(a) Any request, direction, consent or other instrument in writing whether or not required or permitted by this Indenture to be signed or executed by Bondowners, may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondowners in person or by agent appointed by an instrument in writing. Proof of the execution of any such instrument shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Bond Trustee with regard to any action taken by it under such instrument if the fact and date of the execution by any person of any such in instrument shall be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments within such jurisdiction, to the effect that the person signing such instrument acknowledged before him the execution thereof, or by an affidavit of a witness to such execution. Nothing contained in this Article X shall be construed as limiting the Bond Trustee to such proof, it being intended that the Bond Trustee may accept any other evidence of matters herein stated which to it may seem sufficient.

(b) The ownership of Bonds, the amount, number and other identification thereof and the date of ownership shall be proved by the registration books maintained by the Registrar.

(c) Any request or consent of any Bondowner shall bind every future Owner of the same Bond or any Bond or Bonds issued in lieu thereof in respect of anything done by the Bond Trustee or the County in pursuance of such request or consent.

ARTICLE XI

MODIFICATION OF THIS INDENTURE, THE FINANCING AGREEMENT, THE BIG RIVERS INDENTURE AND THE NOTE

SECTION 11.01 *No Modification Except Pursuant To Article XI.* Neither this Indenture, the Financing Agreement, nor the Note shall be modified or amended in any respect subsequent to the first issuance of the Bonds except as provided in and in accordance with and subject to the provisions of this Article XI.

SECTION 11.02 *Supplemental Indenture Without Bondowner Consent.*

(a) The County and the Bond Trustee may, from time to time and at any time, without the consent of or notice to Bondowners, enter into Supplemental Indentures as follows:

(i) To specify and determine any matters and things relative to the Bonds which are not contrary to or inconsistent with this Indenture and which shall not adversely affect the interests of the Bondowners; or

(ii) To cure any ambiguity, or to cure, correct or supplement any defect, omission or inconsistent provisions contained in this Indenture, the Financing Agreement, the Big Rivers Indenture or the Note or to make any provisions with respect to matters arising under this Indenture or for any other purpose if such provisions are necessary or desirable and if such action does not in the sole opinion of the Bond Trustee adversely affect the interests of the Bondowners; or

(iii) To grant to or confer upon the Bond Trustee for the benefit of the Bondowners any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with this Indenture as theretofore in effect; or

(iv) To add to the covenants and agreements of the County in this Indenture, other covenants and agreements to be observed by the County which are not contrary to or inconsistent with this Indenture as theretofore in effect; or

(v) To add to the limitations and restrictions in this Indenture, other limitations and restrictions to be observed by the County which are not contrary to or inconsistent with this Indenture as theretofore in effect; or

(vi) To confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, this Indenture, of the Receipts and Revenues of the County from the Financing Agreement or of any other moneys, securities or funds; or

(vii) To comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended; or

(viii) To subject to this Indenture additional revenues; or

(ix) To make any other changes which do not in the sole opinion of the Bond Trustee materially adversely affect the interests of the Bondowners.

The Bond Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment the interests of any Bondowners would be adversely affected by any modification or amendment of this Indenture and any such determination shall be binding and conclusive on the County, Big Rivers and all Bondowners, and the Bond Trustee shall have no liability as a result of any such determination made in good faith. The interests of a Bondowner shall be deemed to be adversely affected by any modification or amendment of this Indenture if such modification or amendment adversely affects or diminishes the rights of such Bondowner.

(b) Before the County shall enter into any Supplemental Indenture pursuant to this Section 11.02 there shall have been filed with the Bond Trustee an Opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by this Indenture and complies with its terms, and that it will be valid and binding upon the County in accordance with its terms; *provided*, *however*, that such opinion may take exception for limitations imposed by or resulting from bankruptcy, insolvency, moratorium, reorganization or other similar laws, judicial decisions and principles of equity relating to or affecting creditors' rights or contractual obligations generally.

SECTION 11.03 ***Supplemental Indentures With Bondowner Consent.***

(a) Except for any Supplemental Indenture entered into pursuant to Section 11.02 hereof, subject to the terms and provisions contained in this Section 11.03 and not otherwise, (i) the Bondowners of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, and (ii) in case of a change in the terms of any sinking fund installment (except as provided in clause (A) of the proviso of this Section 11.03(a) below), the Bondowners of not less than a majority in aggregate principal amount of each maturity of Bonds so affected and Outstanding shall have the right, from time to time, to consent to and approve the execution by the County and the Bond Trustee of any Supplemental Indenture as shall be deemed necessary or desirable by the County for the purposes of modifying, altering, amending, supplementing or rescinding in any particular, any of the terms or provisions contained in this Indenture; *provided*, *however*, that, unless approved in writing by the Bondowners of all affected Bonds then Outstanding, nothing herein contained shall permit, or be construed as permitting, (A) a change in the times, amounts or currency of payment of the principal of and interest on any Outstanding Bond, or a reduction in the principal amount or redemption price of any Outstanding Bond or the rate of interest thereon or in any maturity with respect thereto or any sinking fund payment with respect to any Bond, or (B) the creation of a claim or lien upon, or a pledge of, the Receipts and Revenues of the County from the Financing Agreement ranking prior to or on a parity with the claim, lien or pledge created by this Indenture, or (C) a preference or priority of any Bonds over any other Bonds, or (D) a reduction in the aggregate principal amount of Bonds the consent of the Bondowners of which is required for any such Supplemental Indenture.

(b) If at any time the County shall determine to enter into any Supplemental Indenture for any of the purposes of this Section 11.03, it shall cause notice of the proposed Supplemental Indenture to be mailed, postage prepaid, to all Owners of the Bonds. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the Principal Office of the Bond Trustee for inspection by all Bondowners.

(c) Within one year after the date of such notice, the County may enter into such Supplemental Indenture in substantially the form described in such notice only if there shall have first been filed with the Bond Trustee (i) the written consents of Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding or, if required hereunder, all Bondowners and (ii) an Opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by this Indenture and complies with its terms, and that upon execution and delivery it will be valid and binding upon the County in accordance with its terms; *provided, however*, that such opinion may take exception for limitations imposed by or resulting from bankruptcy, insolvency, moratorium, reorganization or other similar laws, judicial decisions and principles of equity relating to or affecting creditors' rights or contractual obligations generally.

(d) If the Bondowners of not less than the percentage of Bonds required by this Section 11.03 shall have consented to and approved the execution thereof as herein provided, no Bondowner shall have any right to object to the execution and delivery of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the County from executing and delivering the same or from taking any action pursuant to the provisions thereof.

SECTION 11.04 ***Effect Of Supplemental Indenture.*** Upon the execution and delivery of any Supplemental Indenture pursuant to the provisions of this Article XI, this Indenture shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the County, the Bond Trustee and all Owners of Bonds then Outstanding shall thereafter be determined, exercised, and enforced under this Indenture subject in all respects to such modifications and amendments.

SECTION 11.05 ***When Big Rivers Consent Required.*** Anything herein to the contrary notwithstanding, any Supplemental Indenture under this Article XI which affects any rights, powers and authority of Big Rivers under this Indenture or the Financing Agreement or the Note or requires a revision of the Financing Agreement, the Note or the Big Rivers Indenture shall not become effective unless and until Big Rivers shall have consented in writing to such Supplemental Indenture.

SECTION 11.06 ***Amendment Of Financing Agreement Or The Note without Bondowner Consent.*** Without the consent of or notice to the Bondowners, the County and the Bond Trustee may consent to any amendment, change or modification of the Financing Agreement or the Note as may be required (i) by the provisions of the Financing Agreement, the Note and this Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) to conform to any modifications to or alterations permitted by the Big Rivers Indenture or this Indenture, if such provisions are necessary or desirable and do not in the sole opinion of the Bond Trustee materially adversely affect the interests of the Bondowners, or (iv) in connection with any other change therein which, in the judgment of the Bond Trustee, is not to the prejudice of the Bond Trustee, or materially adverse to the interests of the Bondowners. The Bond Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment the interests of the Owners of the Bonds would be adversely affected by any such modification or amendment, and any such determination by the Bond Trustee shall be binding and conclusive on the County, Big Rivers and all Bondowners; and the Bond Trustee shall have no liability as a result of any such determination made in good faith.

SECTION 11.07 ***Other Amendments Of Financing Agreement.*** Except in the case of amendments, changes or modifications referred to in Section 11.06 hereof, the County and the Bond Trustee shall not consent to any amendment, change or modification of the Financing Agreement, without first giving notice and receipt of the written approval or consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding given and procured as in Section 11.03 hereof provided. If at any time the County or Big Rivers shall request the consent of the Bond Trustee to any such proposed amendment, change or modification of the Financing Agreement, the Bond Trustee shall cause notice of such proposed amendment, change or modification to be given in the same manner as provided by Section 11.03 hereof with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the Principal Office of the Bond Trustee for inspection by all Bondowners.

SECTION 11.08 ***Amendments To Big Rivers Indenture.*** The Bond Trustee shall not exercise any of the rights of a holder of the Note under the Big Rivers Indenture to permit any amendment, modification, supplement or consolidation of the Big Rivers Indenture or said Note, whereby any such amendment, modification, supplement or consolidation results in changing the times, amounts or currency of payment of the payments due, on the Note, without the prior consent of the Bondowners adversely affected thereby. The Bond Trustee may otherwise consent to the amendment or modification of the Big Rivers Indenture or exercise any other rights thereunder of a holder of the Note either (i) without notice to or consent of any Bondowner if the Bond Trustee, in its sole discretion, deems the effects of such exercise, taken as a whole, to be not materially adverse to the interests of the Bondowners or (ii) in any event, upon notice by the Bond Trustee to the Bondowners of the action proposed to be taken and the consent thereto of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding; *provided, however,* that no such notice to or consent of the Bondowners shall be required in connection with any supplemental Indenture or other instrument as may be required by the provisions of the Big Rivers Indenture. The Bond Trustee hereby agrees to execute and deliver all such further instruments as may be required by the provisions of the Big Rivers Indenture.

The Bond Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment the interests of the Owners of the Bonds would be adversely affected by any such modification or amendment, and any such determination by the Bond Trustee shall be binding and conclusive on the County, Big Rivers and all Bondowners; and the Bond Trustee shall have no liability as a result of any such determination made in good faith.

ARTICLE XII

RESERVED

ARTICLE XIII

MISCELLANEOUS

SECTION 13.01 ***Indenture To Bind and Inure To Benefit Of Successors To County.*** In the event of the termination of the existence of the County, all the covenants, stipulations, promises and agreements contained in this Indenture, by or on behalf of, or for the benefit of, the County, shall bind or inure to the benefit of the successors of the County from time to time and any entity, officer, board, commission, agency or instrumentality to whom or to which any power or duty of the County shall be transferred.

SECTION 13.02 ***Indenture To Benefit Only County, Bond Trustee And Bondowners.*** Except as herein otherwise specifically provided, nothing in this Indenture expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the County, the Bond Trustee and the Bondowners, any right, remedy or claim under or by reason of this Indenture, this Indenture being intended to be for the sole and exclusive benefit of the County, the Bond Trustee and the Bondowners.

SECTION 13.03 ***Severability.*** In case any one or more of the provisions of this Indenture or of the Financing Agreement or of the Bonds issued hereunder shall, for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Indenture or of the Financing Agreement or of said Bonds and this Indenture and the Financing Agreement and the Bonds shall be construed and enforced as if such illegal or invalid provisions had not been contained herein or therein.

SECTION 13.04 ***No Personal Liability Of County Officials Under Indenture.*** No covenant or agreement contained in the Bonds or in this Indenture shall be deemed to be the covenant or agreement of any official, officer, agent, or employee of the County in its individual capacity, and neither the members of the Board of County Commissioners of the County nor any official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 13.05 ***Bonds Owned By County Or Big Rivers Disregarded For Certain Purposes.*** In determining whether the Bondowners of the requisite aggregate principal amount of Bonds have concurred in any direction, consent or waiver under this Indenture, Bonds which are owned by the County or Big Rivers or by any person directly or indirectly controlling or controlled by or under direct or indirect common control with Big Rivers shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that for the purpose of determining whether the Bond Trustee shall be protected in relying on any such direction, consent or waiver, only Bonds which the Bond Trustee knows are so owned shall be so disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Bond Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the County or Big Rivers or any person directly or indirectly controlling or controlled by or under direct or indirect common control with Big Rivers. In case of a dispute as to such right, any decision by the Bond Trustee taken upon the advice of counsel shall be full protection to the Bond Trustee.

SECTION 13.06 *Counterparts.* This Indenture may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

SECTION 13.07 *Kentucky Law to Govern.* **THE LAWS OF THE COMMONWEALTH OF KENTUCKY SHALL GOVERN THE CONSTRUCTION OF THIS INDENTURE AND OF ALL BONDS, WITHOUT REFERENCE TO THE CHOICE OF LAW PROVISIONS OF THE COMMONWEALTH OF KENTUCKY.**

SECTION 13.08 *Notices.* Except as otherwise provided in this Indenture, all notices, certificates, requests or other communications by the County, the Bond Trustee or Big Rivers pursuant to this Indenture shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, addressed as follows: If to the County, to: Ohio County Fiscal Court, 301 South Main, Hartford, Kentucky 42347, Attention: County Judge/Executive; if to Big Rivers, to: Big Rivers Electric Corporation, 201 Third Street, Henderson, Kentucky 42420, Attention: President and Chief Executive Officer; if to the Bond Trustee, to: U.S. Bank National Association, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103, Attention: Philip G. Kane, Jr. (Big Rivers 2010 Indenture). A duplicate copy of each notice, certificate, request or other communication given hereunder by the County or the Bond Trustee shall also be given to Big Rivers. Any of the foregoing may, by notice given hereunder to each of the others, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent hereunder.

SECTION 13.09 *Holidays.* If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, shall be a legal holiday or a day on which banking institutions in the city in which is located the Principal Office of the Bond Trustee are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Indenture, and no interest shall accrue for the period after such nominal date.

SECTION 13.10 *Captions.* The captions or headings in this Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Indenture.

ARTICLE XIV
FORMS OF BONDS AND TRUSTEE'S CERTIFICATE OF AUTHENTICATION

Subject to the provisions of this Indenture, the Bonds and the certificate of authentication to be executed thereon by the Bond Trustee are to be in substantially the following forms, with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture.

(Form of Legends for All Bonds)

THIS BOND IS NOT A GENERAL OBLIGATION OF THE COUNTY AND DOES NOT CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OF THE COUNTY OR A CHARGE AGAINST ITS GENERAL CREDIT OR TAXING POWERS.

THIS BOND SHALL NOT CONSTITUTE AN INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF THE CONSTITUTION OF KENTUCKY, BUT SHALL BE PAYABLE AS TO PRINCIPAL AND INTEREST SOLELY FROM THE REVENUES DERIVED FROM THE PAYMENTS MADE BY BIG RIVERS ELECTRIC CORPORATION UNDER THE NOTE (AS DEFINED HEREIN) AND FROM THE OTHER RECEIPTS AND REVENUES OF THE COUNTY FROM THE FINANCING AGREEMENT (AS DEFINED HEREIN). THE BONDS ARE ISSUED UNDER THE PROVISIONS OF SECTIONS 103.200 THROUGH 103.285, INCLUSIVE, OF THE KENTUCKY REVISED STATUTES, AS AMENDED.

[Until such time as the Bonds are no longer restricted to being registered in the registration books kept by the Registrar in the name of a Securities Depository, each Bond shall contain or have endorsed thereon the following legends:]

AS PROVIDED IN THE INDENTURE REFERRED TO HEREIN, UNTIL THE TERMINATION OF THE SYSTEM OF BOOK-ENTRY ONLY TRANSFERS THROUGH THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK, TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE INDENTURE ("DTC"), AND NOTWITHSTANDING ANY OTHER PROVISION OF THE INDENTURE TO THE CONTRARY, (A) THIS BOND MAY BE TRANSFERRED, IN WHOLE BUT NOT IN PART, ONLY TO A NOMINEE OF DTC, OR BY A NOMINEE OF DTC TO DTC OR NOMINEE THEREOF AND (B) A PORTION OF THE PRINCIPAL AMOUNT OF THIS BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE TRUSTEE. DTC OR A NOMINEE, TRANSFEREE OR ASSIGNEE OF DTC OF THIS BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID. THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID SHALL FOR ALL PURPOSES BE THE AMOUNT NOT THERETOFORE PAID AS DETERMINED IN THE MANNER PROVIDED IN THE INDENTURE.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED OFFICER OF DTC (A) TO THE REGISTRAR FOR REGISTRATION OF TRANSFER OR EXCHANGE OR (B) TO THE PAYING AGENT FOR PAYMENT OF PRINCIPAL OR REDEMPTION PRICE, AND ANY

BOND ISSUED IN REPLACEMENT HEREOF OR SUBSTITUTION HEREFOR IS REGISTERED IN THE NAME OF DTC OR ITS NOMINEE OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO DTC OR ITS NOMINEE, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL BECAUSE ONLY THE REGISTERED OWNER HEREOF, CEDE & CO., AS NOMINEE OF DTC, HAS AN INTEREST HEREIN.

[FORM OF BOND]

No. R- $

COUNTY OF OHIO, KENTUCKY
POLLUTION CONTROL REFUNDING REVENUE BONDS, SERIES 2010A
(BIG RIVERS ELECTRIC CORPORATION PROJECT)

REGISTERED OWNER:
PRINCIPAL AMOUNT:
BOND DATE:
INTEREST RATE:
CUSIP: **DOLLARS**

County of Ohio, Kentucky, a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky, United States of America (together with any successor to its duties and functions, the "County"), for value received hereby promises to pay (but only out of the "Receipts and Revenues of the County from the Financing Agreement" as herein defined and out of the other security pledged therefor) to the registered owner named above or registered assigns, on July 15, 2031 upon the presentation and surrender hereof, the principal sum set forth above and to pay (but only out of the Receipts and Revenues of the County from the Financing Agreement and out of the other security pledged therefor) interest on said principal sum from the date hereof until payment of said principal sum has been made or duly provided for, at the rate of 6.00% per annum (computed on the basis of a 360-day year consisting of twelve 30-day months), semiannually on January 15 and July 15 each year, commencing on January 15, 2011. The principal of and interest on this Bond are payable at the principal corporate trust office of U.S. Bank National Association (the "Bond Trustee"), or of its successor as Bond Trustee, or, at the option of the owner of this Bond, at the principal office of any co-paying agent appointed in accordance with the Indenture (as hereinafter defined); *provided*, *however*, that, subject to the next succeeding paragraph, interest may be payable, at the option of the Bond Trustee, by check or draft drawn upon the Bond Trustee and mailed to the registered address of the registered owner of this Bond as of the close of business on the fifteenth (15th) day prior to the applicable interest payment date, or, at the written request of the registered owner of Bonds (as defined herein) in an aggregate principal amount greater than or equal to $1,000,000 delivered to the Bond Trustee on or prior to such fifteenth (15th) day prior to such payment date, by wire transfer per the instructions of such registered owner as set forth in such request. Payment of the principal of and interest on this Bond shall be in any coin or currency of the United States of America as, at the respective times of payment, shall be legal tender for the payment of public and private debts.

Notwithstanding any other provision of this Bond to the contrary, so long as this Bond shall be restricted to being registered on the registration on books of the County kept by the Registrar in the name of the Securities Depository (as defined in the hereinafter defined Indenture) for this Bond, the provisions of the Indenture governing Book Entry Bonds (as defined in the Indenture) shall govern the manner of payment of the principal of and interest on this Bond.

This Bond is one of a duly authorized series of the County's revenue bonds designated as "Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project)" (the "Bonds") aggregating in outstanding principal amount upon original issuance of $83,300,000 issued or to be issued under and pursuant to the Constitution and laws of the Commonwealth of Kentucky, particularly the Industrial Building Revenue Bond Act (Sections 103.200 through 103.285, inclusive) of the Kentucky Revised Statutes, as amended (the "Act"), and the Trust Indenture, dated as of June 1, 2010 (the "Indenture"; capitalized terms used herein and not otherwise defined herein are as defined in the Indenture) between the County and the Bond Trustee. The Bonds are being issued to refund bonds previously issued by the County to refund bonds previously issued by the County to finance certain pollution control facilities (the "Facilities") for Big Rivers Electric Corporation, a nonprofit rural electric cooperative corporation organized and existing under the laws of the Commonwealth of Kentucky ("Big Rivers"). The Facilities are located at Big Rivers' D.B. Wilson Plant Unit No. 1, a coal-fired steam electric generating plant located within the geographic boundaries of the County and wholly-owned by Big Rivers (the "Plant").

The Bonds are equally and ratably secured, to the extent provided in the Indenture, by the pledge thereunder of the "Receipts and Revenues of the County from the Financing Agreement," which term is used herein as defined in the Indenture and which as therein defined means all payments to the County by Big Rivers under the Loan Agreement, dated as of June 1, 2010, between the County and Big Rivers (the "Financing Agreement") and the corresponding note (the "Note") of Big Rivers delivered pursuant to the Financing Agreement to the County, and all receipts of the Bond Trustee credited by the provisions of the Indenture against such payments and by the other security pledged therefor under the Indenture. The County has also pledged and assigned to the Bond Trustee as security for the Bonds other rights and interests of the County under the Financing Agreement. The Note is secured, on a parity basis with certain outstanding indebtedness of Big Rivers, by assets of Big Rivers under the Indenture, dated as of July 1, 2009, between Big Rivers and U.S. Bank National Association, as trustee, as supplemented and amended.

As more fully provided in the Indenture, this Bond does not constitute an obligation to which the full faith and credit of the County is pledged but is a limited obligation of the County, which is obligated to pay the principal of and interest on this Bond only out of the Receipts and Revenues of the County from the Financing Agreement and the other security pledged therefor under the Indenture. No holder of this Bond shall ever have the right to compel any exercise of the taxing power of the County to pay this Bond or interest thereon, nor to enforce payment thereon against any property of the County. This Bond shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the County. This Bond, including interest hereon, is payable solely from the revenue pledged to the payment hereof, as authorized in the Act, and does not constitute a debt of the County within the meaning of any constitutional or statutory limitation.

The Bonds shall not constitute an indebtedness of the County within the meaning of the Constitution of Kentucky, but shall be payable as to principal and interest solely from the revenues derived from the payments made by Big Rivers under the Note and from the other Receipts and Revenues of the County from the Financing Agreement.

Reference is hereby made to the Indenture and the Financing Agreement, copies of which are on file with the Bond Trustee, for the provisions, among others, with respect to the nature and extent of the rights, duties and obligations of the County, Big Rivers, the Bond Trustee and the owner of this Bond, the terms upon which this Bond is issued and secured, and the modification or amendment of the Indenture or the Financing Agreement, to all of which the registered owner of this Bond assents by the acceptance of this Bond.

This Bond is transferable, as provided in the Indenture, only upon the registration books maintained by the Registrar, which shall be the Bond Trustee, kept at its principal office, upon presentation at said office of this Bond with the written request of the registered owner hereof or its attorney duly authorized in writing, and a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its duly authorized attorney. The Registrar shall not be obliged to make any exchange or transfer of this Bond during the fifteen (15) days next preceding an interest payment date or, in the case of any proposed redemption of the Bonds, next preceding the date of the mailing of the notice of such redemption. The Registrar shall not be required to make any exchange or transfer of this Bond if it has been called for redemption.

The Bonds are issuable in the form of fully registered Bonds without coupons in the denomination of $5,000 each or integral multiples thereof. Upon payment of any required tax or other governments charge and subject to such conditions, Bonds, upon the surrender thereof at the principal office of the Registrar, with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or its duly authorized attorney, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same interest rate and in any other authorized denominations.

The Bonds are subject to redemption in whole or in part (and if less than all of the Bonds are to be redeemed, by lot or in such manner as shall be determined by the Bond Trustee) prior to maturity at any time on or after July 15, 2020 by the County, upon the exercise by Big Rivers of its option to prepay all or a part of the unpaid balance of the Note, at a redemption price of 100 percent of the principal amount thereof, together with interest accrued thereon to the date fixed for redemption.

In the manner and with the effect provided in the Indenture, upon any prepayment of the Note by Big Rivers under the provisions of Article X of the Financing Agreement, the Bonds shall be redeemed out of the amounts received in prepayment of the Note, prior to maturity as a whole, or in part, at any time at the principal amount thereof plus accrued interest to the redemption date.

In the event any Bonds are called for redemption, the Bond Trustee shall give notice, in the name of the County, of the redemption of such Bonds, which notice shall specify the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable, which shall be the principal corporate trust office of the Bond Trustee as paying agent for the Bonds, and the principal office of any co-paying agent for such Bonds, and, if less than all of the Bonds are to be redeemed, the numbers of such Bonds to be redeemed. Such notice shall be given by mailing a copy of the redemption notice by first-class mail, postage prepaid, at least thirty (30) days prior to the date fixed for redemption to the owners of the Bonds to be redeemed at the addresses shown on the registration books maintained by the Bond Trustee, as Registrar; *provided*, *however*, that failure duly to give such notice by mailing, or any defect therein, shall not affect the validity of any proceedings for the redemption of such Bonds. All Bonds so called for redemption shall be deemed not to be outstanding under the provisions of the Indenture from the date upon which there shall have been deposited with the Bond Trustee moneys or obligations as specified by the Indenture sufficient to pay when due the principal of, premium, if any, and interest due and to become due on or prior to the redemption date. All Bonds so deemed to be not outstanding will cease to bear interest on the specified redemption date. On presentation and surrender of Bonds so called for redemption at the place or places of payment, such Bonds shall be paid and redeemed.

The Bonds may be redeemed by the County only at the direction of Big Rivers. Big Rivers may elect to exercise such direction on a conditional and revocable basis, or on an unconditional and irrevocable basis. If the direction and call for redemption is on a conditional and revocable basis, then Big Rivers is under no obligation to provide the funds necessary to effect such redemption and, if it elects not to do so, then the Bonds called for redemption will not be redeemed, and neither Big Rivers nor the County shall be liable to any Bondowner for this failure to redeem, all as provided for in the Indenture.

Pursuant to the Financing Agreement, payments sufficient for the prompt payment when due of the principal of and interest on the Bonds are to be paid to the Bond Trustee for the account of the County and deposited in a special account created by the County and have been pledged for that purpose.

The registered owner of this Bond shall have no right to enforce the provisions of the Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

All acts, conditions and things required by the Constitution and statutes of the Commonwealth of Kentucky, the governing rules and procedures of the County and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed.

No covenant or agreement contained in this Bond or the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the County in his or her individual capacity, and neither the members of the Board of County Commissioners of the County nor any official executing this Bond shall be liable personally on this Bond or be subject to any personal liability or accountability by reason of the issuance of this Bond.

This Bond shall not be entitled to any benefit under the Indenture or be valid until this Bond shall have been authenticated by the execution by the Bond Trustee, or its successor as Bond Trustee, of the Certificate of Authentication inscribed hereon.

IN WITNESS WHEREOF, County of Ohio, Kentucky, has caused this Bond to be executed by the Judge/Executive of the County by his or her signature, and has caused the corporate seal of the County to be affixed, impressed or reproduced hereon and attested by the Fiscal Court Clerk of the County with his or her signature.

COUNTY OF OHIO, KENTUCKY

By:___________________________________
County Judge/Executive

[SEAL]

ATTEST:

By:___________________________________
Fiscal Court Clerk

(Form of Bond Trustee's Certificate of Authentication)

This is to certify that this Bond is one of the Bonds described in the within mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION,
as Bond Trustee

By:___________________________________
Authorized Officer

Date of Authentication:

IN WITNESS WHEREOF, as of June 8, 2010, County of Ohio, Kentucky, has caused these presents to be signed in its name and behalf by the Judge/Executive of the County and its official seal to be hereunto affixed and attested by the County Court Clerk, and to evidence its acceptance of the trusts hereby created, U.S. Bank National Association has caused these presents to be signed in its name and on its behalf by one of its Trust Officers and the same to be attested by its Secretary or an Assistant Secretary.

(SEAL)

COUNTY OF OHIO, KENTUCKY

By: David G. Jones

David G. Jones
Judge/Executive

Attest:

By: Cheryl Morris

Cheryl Morris
Fiscal Court Clerk, County of Ohio, Kentucky

U.S. BANK NATIONAL ASSOCIATION

By: ______________________
Authorized Officer

COMMONWEALTH OF KENTUCKY)
) SS.
COUNTY OF OHIO)

The foregoing instrument was acknowledged before me this 8th day of June, 2010, by David G. Jones, as Judge/Executive of the County of Ohio, Kentucky, and by Cheryl Morris, as Fiscal Court Clerk of the County of Ohio, Kentucky.

(SEAL)

Notary Public for the Commonwealth of Kentucky

My Commission Expires: 10-5-2011

STATE OF NEW YORK)
) SS.
COUNTY OF NEW YORK)

The foregoing instrument was acknowledged before me this 8th day of June, 2010, by Philip G. Kane, Jr., as Authorized Officer of U.S. Bank National Association.

(SEAL)

NOTARY PUBLIC

Notary Public for the State of New York

My Commission Expires: 5/19/2011

JOSE L. DeJESUS
Notary Public, State of New York
No. 01DE5078255
Qualified in Queens County
Certificate Filed in New York County
Commission Expires May 19, 2011

Loan Agreement between County of Ohio, Kentucky and Big Rivers Electric Corporation – Dated June 1, 2010

LOAN AGREEMENT

Between

COUNTY OF OHIO, KENTUCKY

and

BIG RIVERS ELECTRIC CORPORATION

Dated as of June 1, 2010

Relating to

$83,300,000
COUNTY OF OHIO, KENTUCKY
Pollution Control Refunding Revenue Bonds, Series 2010A
(Big Rivers Electric Corporation Project)

TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

LOAN AGREEMENT

This **LOAN AGREEMENT** (this "Agreement"), dated as of June 1, 2010, between **COUNTY OF OHIO, KENTUCKY**, a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky (together with any successor to its duties and functions, the "County") acting by and through its Fiscal Court which is the governing body of the County, and **BIG RIVERS ELECTRIC CORPORATION**, a nonprofit rural electric cooperative corporation organized and existing under the laws of the Commonwealth of Kentucky ("Big Rivers").

WITNESSETH:

WHEREAS, the County is a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and laws of the Commonwealth of Kentucky and is authorized and empowered by law, including particularly the provisions of the Industrial Building Revenue Bond Act (Sections 103.200 through 103.285, inclusive) of the Kentucky Revised Statutes, as amended (such Act, and collectively with all future acts supplemental thereto or amendatory thereof, the "Act"), to issue bonds and loan the proceeds thereof to a rural electric cooperative corporation to refund bonds previously issued by the County to finance the acquisition of pollution control facilities; and

WHEREAS, by a resolution adopted by the Fiscal Court of the County on September 9, 1980, the County agreed to finance the Facilities for Big Rivers; and

WHEREAS, the County initially financed the Facilities by issuing the 1982 Bonds and loaning to Big Rivers the proceeds thereof which Big Rivers used to pay a portion of the costs of the Facilities; and

WHEREAS, the County financed the refunding of the 1982 Bonds by issuing the 1985 Bonds and loaning to Big Rivers the proceeds thereof which Big Rivers used to retire the 1982 Bonds; and

WHEREAS, the County financed the refunding of the 1985 Bonds by issuing the 2001 Bonds and loaning to Big Rivers the proceeds thereof which Big Rivers used to retire the 1985 Bonds; and

WHEREAS, Big Rivers has requested the County to issue $83,300,000 aggregate principal amount of its "Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project)" (the "Bonds") and to loan the proceeds thereof to Big Rivers for the purpose of providing funds to refund by redemption the 2001 Bonds; and

WHEREAS, the County and Big Rivers propose that the County so refund the 2001 Bonds by depositing into escrow the proceeds of the Bonds and certain other funds provided by Big Rivers in sufficient amounts to effect such refunding by redemption of the 2001 Bonds on June 23, 2010 in accordance with the terms of the 2001 Indenture and an Escrow Deposit Agreement, dated as of June 1, 2010 (the "Escrow Deposit Agreement"), among the County, Big Rivers and the trustee named therein; and

WHEREAS, the County will issue the Bonds under the Indenture and loan the proceeds thereof to Big Rivers under this Agreement, and the Bonds shall be secured by, among other things, a pledge of this Agreement, certain revenues of the County received pursuant to this Agreement and a note issued to evidence Big Rivers' payment obligations hereunder (the "Note"), which Note will be issued pursuant to the First Supplemental Indenture, dated as of June 1, 2010, supplemental to the Indenture, dated as of July 1, 2009, between Big Rivers and U.S. Bank National Association, as trustee (the "Big Rivers Indenture"), and secured on a parity basis with all other obligations secured thereunder; and

WHEREAS, the execution and delivery of this Agreement and the Indenture and the issuance of the Bonds have been in all respects duly and validly authorized by an ordinance of the Fiscal Court of the County; and

WHEREAS, the Kentucky Department of Natural Resources and Environmental Protection has certified that the Facilities, as designed, are in furtherance of the purposes of abating or controlling atmospheric pollutants or contaminants or water pollution; and

WHEREAS, the County makes the following findings and determinations: (a) the Facilities constitute "pollution control facilities" within the meaning of Section 103.246 of the Act, (b) the acquisition and financing of the Facilities inures to the public interest and constitutes the performance of a proper governmental purpose with the result that atmospheric, solid waste and water pollution in the Commonwealth may be abated and controlled to the maximum possible extent, (c) the issuance of the Bonds is and will be for a public purpose and tends to further the purpose of the Act and, in addition, aids in the retention of existing industry through the control of pollution, (d) the Facilities are located wholly within the geographic boundaries of the County, (e) title to the Facilities is held by Big Rivers and will not be acquired by the County, (f) the statutory mortgage lien provided for by Section 103.250 of the Act shall not apply to the Facilities, (g) the principal amount of the Bonds (together with funds provided and to be provided by Big Rivers) is necessary to effect the refunding of the 2001 Bonds and to pay all premiums, expenses and commissions required to be paid in connection with the issuance of the Bonds and the refunding of the 2001 Bonds, and (h) the issuance of the Bonds, the refunding of the 2001 Bonds, the loan of the proceeds of the Bonds to Big Rivers for this purpose and the execution, delivery and performance of the Bonds, the Indenture and this Agreement are, in all respects, permitted by the Act and conform to the requirements of the Act.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1. Definitions. In addition to terms otherwise defined in this Agreement, when used in this Agreement, the following capitalized terms shall have, except where the context indicates otherwise, the respective meanings set forth below.

"*Act*" means the Industrial Building Revenue Bond Act (Sections 103.200 through 103.285, inclusive) of the Kentucky Revised Statutes, as amended, and all acts supplemental thereto or amendatory thereof.

"*Administration Expenses*" shall mean the reasonable and necessary expenses incurred by the County with respect to this Agreement, the Indenture and any transaction or event contemplated by this Agreement or the Indenture, including the compensation and expenses paid to the Bond Trustee.

"*Agreement*" shall mean this Loan Agreement and any amendments and supplements hereto.

"*Big Rivers*" shall mean Big Rivers Electric Corporation, a nonprofit rural electric cooperative corporation organized and existing under the laws of the Commonwealth of Kentucky, and its lawful successors and assigns.

"*Big Rivers Indenture*" shall mean the Indenture, dated as of July 1, 2009, between Big Rivers and U.S. Bank National Association, as trustee, as supplemented or amended from time to time, including as supplemented by the First Supplemental Indenture, providing for the issuance of the Note, and as also amended and supplemented by any alternate indenture or mortgage.

"*Big Rivers Representative*" shall mean any one of the following officers and/or employees of Big Rivers: (i) the President and Chief Executive Officer, (ii) the Senior Vice President, Financial and Energy Services and Chief Financial Officer or (iii) any other officer or employee of Big Rivers at the time designated to act on behalf of Big Rivers by a written certificate furnished to the County and the Bond Trustee containing the specimen signature of such person and signed on behalf of Big Rivers by any one of the above-described officers and/or employees. Such certificate may designate one or more alternates.

"*Bond Fund*" shall mean the fund created by Section 4.01 of the Indenture.

"*Bond Trustee*" shall mean the trustee under the Indenture, or any successor corporate trustee.

"*Bonds*" shall mean the County's "Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project)" authorized under the Indenture.

"*Business Day*" shall mean any day on which (i) banks located in New York, New York, and the city in which the principal office of the Bond Trustee is located is not required or authorized to be closed and (ii) The New York Stock exchange is open.

"*County Representative*" shall mean the County Judge/Executive of the County or any other person at the time designated to act on behalf of the County by written certificate furnished to Big Rivers and the Bond Trustee containing the specimen signature of such person and signed on behalf of the County by the County Judge/Executive. Such certificate may designate one or more alternates.

"*Escrow Deposit Agreement*" shall mean the Escrow Deposit Agreement dated as of June 1, 2010 among Big Rivers, the County and the Escrow Deposit Trustee.

"*Escrow Deposit Trustee*" shall mean U.S. Bank National Association, in its capacity as trustee under the Escrow Deposit Agreement.

"*Facilities*" shall mean those air and water pollution control and sewage and solid waste disposal facilities located at the Plant which were financed with the proceeds of the 1982 Bonds. The Facilities are listed on Exhibit A hereto.

"*First Supplemental Indenture*" shall mean the First Supplemental Indenture, dated as of June 1, 2010, between Big Rivers and U.S. Bank National Association, as trustee under the Big Rivers Indenture.

"*Fiscal Court*" shall mean the Fiscal Court of the County or any successor governing body of the County.

"*Indenture*" shall mean the Trust Indenture for the Bonds, dated as of June 1, 2010, between the County and the Bond Trustee, including any indentures supplemental thereto or amendatory thereof.

"*Interest Payment Date*" shall have the meaning set forth in the Indenture.

"*1954 Code*" shall mean the Internal Revenue Code of 1954, as amended, and the regulations promulgated thereunder.

"*1982 Bonds*" shall mean the $82,500,000 aggregate principal amount of the County's "Pollution Control Interim Bonds, Series 1982 (Big Rivers Electric Corporation Project)" previously issued by the County to finance a portion of the cost of the Facilities. The 1982 Bonds were retired with the proceeds of the 1985 Bonds and are no longer outstanding.

"*1985 Bonds*" shall mean the $83,300,000 aggregate principal amount of the County's "Variable Rate Demand Pollution Control Refunding Bonds, Series 1985 (Big Rivers Electric Corporation Project)" previously issued by the County to refund the 1982 Bonds. The 1985 Bonds were retired with the proceeds of the 2001 Bonds and are no longer outstanding.

"*1986 Act*" means the Tax Reform Act of 1986.

"*1986 Code*" shall mean the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

"*Note*" shall mean the first mortgage note issued by Big Rivers under the First Supplemental Indenture and this Agreement, which Note is secured by the Big Rivers Indenture on a parity with all other notes secured by the Big Rivers Indenture.

"*Opinion of Bond Counsel*" shall mean an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds and who is acceptable to the Bond Trustee.

"*Outstanding*," when used with respect to the Bonds, shall have the meaning set forth in the Indenture.

"*Plant*" shall mean the D.B. Wilson Plant Unit No. 1, a coal-fired steam electric generating plant located within the geographic boundaries of the County and wholly-owned by Big Rivers.

"*Tax Certificate and Agreement*" shall mean the Tax Certificate and Agreement by and between the County and Big Rivers.

"*2001 Bonds*" shall mean the $83,300,000 aggregate principal amount of the County's "Pollution Control Refunding Revenue Bonds, Series 2001A (Big Rivers Electric Corporation Project), Periodic Auction Reset Securities (PARS)".

"*2001 Indenture*" shall mean the Trust Indenture dated as of August 1, 2001 between the County and U.S. Bank Trust National Association, as trustee, under which the 2001 Bonds were issued and secured.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

SECTION 2.1. *Representations And Warranties By The County.* The County represents and warrants that:

(a) The County is a public body corporate and politic duly created and existing as a county and political subdivision under the Constitution and the laws of the Commonwealth.

(b) The County has the corporate power to execute, deliver and perform this Agreement and the Indenture and to make the loan to Big Rivers hereunder, and has taken all necessary corporate action to authorize such loan on the terms and conditions hereof and to authorize the execution, delivery and performance of this Agreement and the Indenture, and the issuance, execution and delivery of the Bonds.

(c) The County is not in default under any of the provisions of the laws of the Commonwealth which would affect its existence, or its powers referred to in the preceding paragraph (b), and the execution, delivery and performance by the County of this Agreement and the Indenture (i) to the best knowledge of the County, will not violate any provision of any applicable law or regulation or of any order, writ, judgment or decree of any court, arbitrator or governmental authority, and (ii) will not violate any provision of, or constitute a default under, or (except as provided in the Indenture) result in the creation or imposition of any lien on any of the assets of the County pursuant to the provisions of, any mortgage, indenture, contract, agreement or other undertaking to which the County is a party or which, to the best knowledge of the County, purports to be binding upon the County or upon any of its assets.

(d) Under existing statutes and decisions, no Federal, state or local taxes on income or profits are imposed on the County.

(e) The Facilities constitute and will constitute "pollution control facilities" within the meaning of Section 103.246 of the Act.

SECTION 2.2. *Representations And Warranties By Big Rivers.* Big Rivers represents and warrants that:

(a) Big Rivers is a nonprofit rural electric cooperative corporation duly organized, validly existing and in good standing under the laws of the Commonwealth, and has the corporate power to own its assets and to transact the business in which it is engaged, and the conduct of Big Rivers' business does not make necessary the qualification or licensing of Big Rivers as a foreign corporation in any other state or jurisdiction.

(b) Big Rivers has the corporate power to enter into, and to perform and observe the covenants and agreements on its part contained in, this Agreement, the Big Rivers Indenture, the First Supplemental Indenture, the Escrow Deposit Agreement and the Note, and by proper corporate action has duly authorized the execution and delivery of this Agreement, the Big Rivers Indenture, the First Supplemental Indenture, the Escrow Deposit Agreement and the Note. The execution and delivery of this Agreement, the Big Rivers Indenture, the First Supplemental Indenture and the Escrow Deposit Agreement do not, and the execution and delivery of the Note and the consummation of the transactions contemplated hereby and thereby and the fulfillment of the terms hereof and thereof will not, conflict with or result in a breach of any of the terms, conditions or provisions of any restriction or any agreement or instrument to which Big Rivers is now a party or by which it is bound, or constitute a default under any of the foregoing or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of Big Rivers under the terms of any instrument or agreement.

(c) Synchronization of the Plant was completed on September 24, 1984.

(d) The Facilities (i) are designed to meet or exceed applicable federal, Commonwealth and local requirements now in effect for the control of air and water pollution and are used to abate or control air and water pollution or contamination by removing, altering, disposing of or storing pollutants, contaminants, wastes or heat and the Facilities as designed constitute "air or water pollution control facilities" within the meaning of Section 103(b)(4)(F) of the 1954 Code or (ii) are used for the collection, storage, treatment, utilization, processing or final disposal of sewage or solid waste and constitute "sewage or solid waste disposal facilities" within the meaning of Section 103(b)(4)(E) of the 1954 Code.

(e) The Facilities consist of either land or property subject to the allowance for depreciation under Section 167 of the 1986 Code.

(f) The Facilities constitute "pollution control facilities" within the meaning of Section 103.246 of the Act.

(g) The Commonwealth's Department of National Resources and Environmental Protection (predecessor of National Resources and Environmental Protection Cabinet), having appropriate jurisdiction, has certified that the Facilities, as designed, are in furtherance of the purposes of abating or controlling atmospheric pollutants or contaminants or water pollution.

(h) The information furnished by Big Rivers and filed by the County with the Internal Revenue Service pursuant to Section 103(1) of the 1954 Code was true and correct as of the date of filing of said information.

ARTICLE III

TERM OF AGREEMENT

SECTION 3.1. *Term of This Agreement.* This Agreement shall remain in full force and effect from the date of delivery hereof until such time as all of the Bonds shall have been fully paid or provision made for such payment pursuant to the Indenture, and all reasonable and necessary Administration Expenses and fees and expenses of the Bond Trustee and any paying agent accrued and to accrue through final payment of the Bonds and all other Administration Expenses and other liabilities of Big Rivers accrued and to accrue through final payment of the Bonds hereunder have been paid.

ARTICLE IV

ISSUANCE OF BONDS AND LOAN OF PROCEEDS

SECTION 4.1. *Issuance of the Bonds; Loan of Proceeds to Big Rivers; Prepayment of 2001 Note and Redemption of 2001 Bonds; Use of Proceeds.*

(a) The County agrees to deposit with the Escrow Deposit Trustee pursuant to the Escrow Deposit Agreement funds necessary, together with funds provided by Big Rivers, to refund by redemption the 2001 Bonds on June 23, 2010, resulting in a prepayment of the 2001 Note relating to the 2001 Bonds. In order to provide funds for such purpose, the County agrees to sell and cause to be delivered to the initial purchasers thereof the Bonds.

(b) The County will deposit such amount of the proceeds of the Bonds with the Escrow Deposit Trustee in accordance with the 2001 Indenture and the Escrow Deposit Agreement.

(c) Simultaneously with the issuance and delivery of the Bonds to the purchasers thereof, Big Rivers will cause to be transferred to the Escrow Deposit Trustee such amounts as Big Rivers shall be required to provide to effect the refunding of the 2001 Bonds.

SECTION 4.2. *Agreement as to Ownership and Use of the Facilities.* The County and Big Rivers agree that title to the Facilities shall be in and remain in Big Rivers and that the Facilities shall be the sole property of Big Rivers in which the County shall have no interest.

SECTION 4.3. *Investment of Moneys*. All moneys held as a part of the Bond Fund shall be invested or reinvested and transferred to other funds by the Bond Trustee as provided in Article V of the Indenture.

ARTICLE V

PROVISION FOR REPAYMENT OF LOAN BY BIG RIVERS

SECTION 5.1. *Repayments By Big Rivers*. Big Rivers agrees to repay the loan made by the County to Big Rivers hereunder of the proceeds of the Bonds by paying to the County an amount sufficient to pay, when due, all principal of and interest on the Bonds, which obligation will be evidenced by the Note. In satisfaction of its obligation under this Section 5.1, Big Rivers agrees to pay to the Bond Trustee for the account of the County all payments when due on the Note; provided, however, that if for any reason the amounts paid to the Bond Trustee by Big Rivers on the Note, together with any other amounts available in the Bond Fund, are not sufficient to pay the principal of or interest on the Bonds when due, Big Rivers agrees to pay the amount required to make up such deficiency.

SECTION 5.2. *Credits*. Any amounts which are in the Bond Fund at the close of business of the Bond Trustee on the Business Day immediately preceding any payment date on the Note shall be credited against the payments due by Big Rivers on such payment date on the Note.

If any or all of the Bonds then Outstanding are called for redemption, any amounts contained in the Bond Fund on such redemption date shall be credited against the payments due by Big Rivers on the Note.

The principal amount of any Bonds held by the Bond Trustee on the maturity date of the Note which are to be applied by the Bond Trustee as a credit against the next required sinking fund redemption pursuant to the Indenture shall, to the extent not previously credited as provided for in this paragraph, be credited against the obligation of Big Rivers with respect to payment of principal of the Note due on such maturity date.

SECTION 5.3. *Execution And Delivery Of The Note*. Concurrently with the sale and delivery by the County of the Bonds, in order to evidence the obligation of Big Rivers to pay an amount sufficient to pay the principal of and interest on the Bonds when due, Big Rivers shall execute and deliver to the Bond Trustee the Note substantially in the form attached as Exhibit B to the First Supplemental Indenture. The Note shall be nontransferable by the Bond Trustee except as required to effect assignment thereof to any successor Bond Trustee under the Indenture.

SECTION 5.4. *Payment Of Certain Fees And Expenses*. Big Rivers agrees to pay the reasonable fees and actual out-of-pocket expenses (including counsel fees) necessarily incurred by the County in connection with the Bonds, the issuance and sale thereof and the transactions contemplated by the Indenture, the Big Rivers Indenture, the Note and this Agreement and in connection with the services of the Bond Trustee and any co-paying agents designated pursuant to Sections 9.19 and 9.20 of the Indenture (except those incurred as a result of the negligence or bad faith of the County or the Bond Trustee or co-paying agent), as and when the same become due, upon submission by the Bond Trustee or any paying agent of a statement therefor; provided, however, that Big Rivers may, without creating a default hereunder, contest in good faith the necessity for and reasonableness of any such fees or expenses.

SECTION 5.5. *Payees Of Payments.* The payments to be made on the Note pursuant to Section 5.1 hereof shall be paid directly to the Bond Trustee for the account of the County and shall be deposited into the Bond Fund in accordance with this Agreement, the Note and the Indenture. The payments to be made to the Bond Trustee or any paying agent pursuant to Section 5.4 hereof shall be paid directly to the Bond Trustee or such paying agent for its own use.

SECTION 5.6. *Taxes And Other Governmental Charges.* Big Rivers will pay promptly, as the same become due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Facilities. Compliance by Big Rivers with the provisions of the Big Rivers Indenture shall constitute compliance with this Section 5.6.

SECTION 5.7. *Obligations Of Big Rivers Unconditional.* The obligations of Big Rivers to make the payments pursuant to this Agreement and the Note shall be absolute and unconditional and shall not be subject to any defense (other than payment) or any right of setoff, counterclaim or recoupment arising out of any breach by the County of any obligation to Big Rivers, whether hereunder or otherwise, or out of any indebtedness or liability at any time owed to Big Rivers by the County. Until such time as the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Indenture, Big Rivers (i) will not suspend or discontinue, or permit the suspension or discontinuance of, any payment provided for herein or in the Note, (ii) will perform and observe all of its other agreements contained in this Agreement and in the Note and (iii) except as provided in Section 5.8 hereof, will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Facilities, commercial frustration of purpose, any change in the tax or other laws or administrative rulings of or administrative actions by the United States of America or the Commonwealth of Kentucky or any political subdivision of either, or any failure of the County to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with this Agreement, whether express or implied. Nothing contained in this Section 5.7 shall be construed to release the County from the performance of any agreements on its part herein contained; and in the event the County shall fail to perform any such agreement, Big Rivers may institute such action against the County as it deems necessary to compel performance, provided that no such action shall violate the agreements on the part of Big Rivers contained herein. Big Rivers may, however, at its own cost and expense prosecute or defend any action or proceeding or take any other action involving third persons which it deems reasonably necessary in order to secure or protect its right of possession, occupancy and use of the Facilities or the Plant, and in such event the County hereby agrees to cooperate fully with Big Rivers.

SECTION 5.8. *Termination Of Obligations Under Note.* At the time when all of the Bonds cease to be Outstanding under the Indenture, the Note issued in connection with the issuance of the Bonds shall become void and shall be returned to Big Rivers.

ARTICLE VI

MAINTENANCE; INSURANCE; CONDEMNATION

SECTION 6.1. *Maintenance; Improvements; Disposition.* During the term of this Agreement, Big Rivers will, at its own expense, cause the Facilities to be maintained, preserved and kept in good repair, working order and condition and will from time to time cause to be made all proper repairs, renewals and replacements thereof. Big Rivers may also, at its own expense, make from time to time any modifications or improvements to the Facilities, provided such modifications or improvements do not impair the character of the Facilities as a "project" within the meaning of the Act or impair the exclusion of interest on the Bonds from gross income for federal income tax purposes. All such modifications and improvements shall become a part of the Facilities.

Big Rivers may sell or otherwise dispose of its interest in any element of the Facilities (in whole or in part), upon compliance with the provisions of the Big Rivers Indenture to the extent it is applicable to the Facilities. In the event that the Bond Trustee receives any moneys pursuant to the Big Rivers Indenture as the result of any such sale or disposition, upon compliance with the provisions of the Big Rivers Indenture, such moneys shall be deposited by the Bond Trustee into the Bond Fund and applied in accordance with the Indenture.

SECTION 6.2. *Insurance.* Big Rivers will, at its own expense, provide or cause to be provided insurance against loss or damage, less appropriate deductibles, to its interest in the Facilities. Compliance with Section 13.8 of the Big Rivers Indenture shall be deemed compliance with this Section 6.2.

SECTION 6.3. *Use of Insurance and Condemnation Proceeds.* Any moneys received by the Bond Trustee pursuant to the Big Rivers Indenture from any payment in respect of any insurance described in Section 6.2 hereof or condemnation award, upon compliance with the Big Rivers Indenture, shall be forthwith deposited into the Bond Fund and applied in accordance with the Indenture.

ARTICLE VII

SPECIAL COVENANTS

SECTION 7.1. *No Warranty Of Condition Or Suitability By The County.* The County makes no warranty, either express or implied, as to the Facilities or that they will be suitable for Big Rivers' purposes or needs.

SECTION 7.2. *Further Assurances.* The County and Big Rivers agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonabl y be required for carrying out the intention of or facilitating the performance of this Agreement.

SECTION 7.3. *Authority Of Big Rivers Representative.* Whenever under the provisions of this Agreement the approval of Big Rivers is required or the County is required to take some action at the request of Big Rivers, such approval or such request shall be made by the Big Rivers Representative unless otherwise specified in this Agreement, and the County or the Bond Trustee are each authorized to act on any such approval or request. Big Rivers shall have no complaint against the County or the Bond Trustee as a result of any such action taken.

SECTION 7.4. *Authority Of County Representative.* Whenever under the provisions of this Agreement the approval of the County is required, or Big Rivers is required to take some action at the request of the County, such approval or such request shall be made by the County Representative unless otherwise specified in this Agreement, and Big Rivers or the Bond Trustee are each authorized to act on any such approval or request. The County shall have no complaint against Big Rivers or the Bond Trustee as a result of any such action taken.

SECTION 7.5. *Use of Facilities.* So long as Big Rivers operates the Facilities, the Facilities shall be used for the purpose of air or water pollution control as described in Section 103(b)(4)(F) of the 1954 Code or the disposal of sewage or solid waste within the meaning of Section 103(b)(4)(E) of the 1954 Code.

SECTION 7.6. *No Abatement Of Note Payments.* It is understood and agreed that Big Rivers shall be obligated to continue to pay the amounts specified in Article V hereof and in the Note whether or not the Facilities are damaged, destroyed, taken in condemnation or become obsolete (including economic obsolescence) and that there shall be no abatement or postponement of any such payments by reason thereof.

SECTION 7.7. *Amendments To Indenture.* The County shall not execute or permit any amendment or supplement to the Indenture which affects any rights, powers and authority of Big Rivers under this Agreement or under the Note or requires a revision of this Agreement, the Note or the Big Rivers Indenture without the prior written consent of Big Rivers.

SECTION 7.8. *Tax Covenants.*

(a) Big Rivers covenants that it will not take any action which would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the 1954 Code, and will take, or require to be taken, such acts as may from time to time be required under applicable law or regulation to continue the exclusion of the interest on the Bonds from gross income for federal income tax purposes. In furtherance of those covenants, Big Rivers agrees to comply with the Tax Certificate and Agreement.

(b) Big Rivers covenants that it will not take any action or fail to take any action with respect to the Bonds which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the 1986 Code, as incorporated into the 1954 Code by the 1986 Act.

(c) Big Rivers covenants that it will not use or permit the use of any property financed or refinanced with the proceeds of the Bonds by any person (other than the

Commonwealth or local governmental unit) in such manner or to such extent as would result in loss of the exclusion of the interest on the Bonds from gross income for federal income tax purposes (other than during the period the Bonds are held by a "substantial user" of the facilities financed or refinanced with the proceeds of the Bonds or a "related person" within the meaning of Section 103(b)(6)(C) of the 1954 Code).

Notwithstanding any other provisions of this Agreement to the contrary, so long as necessary in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes under Section 103(a) of the 1954 Code, the covenants in this Section shall survive the payment for the Bonds and the interest thereon, including any payment or defeasance thereof pursuant to the Indenture.

SECTION 7.9. *Reserved.*.

ARTICLE VIII

ASSIGNMENT

SECTION 8.1. *Assignment By Big Rivers.* This Agreement may be assigned by Big Rivers without the necessity of obtaining the consent of either the County or the Bond Trustee, subject, however, to each of the following conditions:

(a) No assignment shall relieve Big Rivers from primary liability for any of its obligations hereunder, and in the event of any such assignment Big Rivers shall continue to remain primarily liable for payments of the amounts specified in the Note and in Article V hereof and for performance and observance of the other agreements on its part herein provided to be performed and observed by it to the same extent as though no assignment had been made.

(b) The assignee shall assume the obligations of Big Rivers hereunder to the extent of the interest assigned.

(c) Big Rivers shall, within fifteen (15) days after the delivery thereof, furnish or cause to be furnished to the County, Standard & Poor's, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc., or their respective successors, and to the Bond Trustee a true and complete copy of each such assignment and assumption of obligation.

SECTION 8.2. *Assignment And Pledge By County; Indenture Provisions.* Solely pursuant to the Indenture, the County shall assign its interest in and pledge any moneys receivable under Section 5.1 of this Agreement and the Note, including the right of possession of the Note, to the Bond Trustee as security for payment of the principal of and premium, if any, and interest on the Bonds, but each such assignment or pledge shall be subject to this Agreement. Big Rivers consents to such assignment and pledge. Big Rivers also agrees to be bound by, observe, and perform its obligations under, the provisions in the Indenture referring to Big Rivers or imposing conditions, obligations or requirements on Big Rivers under this Agreement, the Note or the Big Rivers Indenture.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

SECTION 9.1. *Events Of Default Defined.* The following shall be "events of default" under this Agreement and the term "event of default" shall mean, whenever used in this Agreement, any one of the following events:

(a) Failure by Big Rivers to pay when due any amount required to be paid under the Note to the Bond Trustee for deposit into the Bond Fund.

(b) Acceleration of payment of any Obligation (as defined in the Big Rivers Indenture) secured by the Big Rivers Indenture pursuant to an "event of default" as such term is defined in Article VIII of the Big Rivers Indenture.

(c) Big Rivers files a petition in bankruptcy or is adjudicated as bankrupt or insolvent, or makes an assignment for the benefit of its creditors, or consents to the appointment of a receiver of itself or of its property, or institutes proceedings for its reorganization, or proceedings instituted by others for its reorganization are not dismissed within thirty (30) days after the institution thereof, or a receiver or liquidator of Big Rivers or of any substantial portion of its property is appointed and the order appointing such receiver or liquidator shall not be vacated within thirty days after the entry thereof.

SECTION 9.2. *Remedies On Default.* Whenever any event of default referred to in Section 9.1 hereof shall have happened and be continuing, the County, or the Bond Trustee as provided in the Indenture:

(a) shall, by written notice to Big Rivers, upon the acceleration of maturity of the Bonds as provided in Section 8.01 of the Indenture, declare an amount equal to the principal of and accrued interest on the Note to have matured and therefore to be immediately due and payable, whereupon the same shall mature and become immediately due and payable; and

(b) may take whatever action at law or in equity may appear necessary or desirable to collect the amounts payable by Big Rivers hereunder and under the Note, then due and thereafter to be due, or to enforce performance and observance of any obligation, agreement or covenant of Big Rivers under this Agreement or under the Note, whether for specific performance of any covenant or agreement contained herein or therein or in aid of the execution of any power herein granted.

Any amounts collected pursuant to action taken under this Section 9.2 shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture.

SECTION 9.3. *No Remedy Exclusive.* No remedy herein conferred upon or reserved to the County or the Bond Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute, subject to the provisions of the Indenture. No delay or omission to exercise any right or power accruing upon any event of default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the County to exercise any remedy reserved to it in this Article IX, it shall not be necessary to give any notice, other than notice required herein. Such rights and remedies given the County hereunder shall also extend to the Bond Trustee and the holders of the Bonds, subject to the provisions of the Indenture and the Big Rivers Indenture.

SECTION 9.4. *Agreement To Pay Attorneys' Fees And Expenses.* In the event Big Rivers should default under any of the provisions of this Agreement and the County or the Bond Trustee or their agents should employ attorneys or incur other expenses for the collection of amounts payable hereunder or the enforcement of the performance or observance of any obligation or agreement on the part of Big Rivers herein or in the Note contained, Big Rivers will on demand therefor pay to the County or the Bond Trustee, as the case may be, the reasonable fee of such attorneys and such other reasonable expenses incurred by the County or the Bond Trustee.

SECTION 9.5. *Waiver And Rescission Of Acceleration Under Indenture.* In the event any agreement contained in this Agreement or in the Note should be breached by Big Rivers or the County and thereafter waived by the other party, such waiver shall be limited to the particular breach waived and shall not be deemed to waive any other breach hereunder or thereunder. Notwithstanding the foregoing, a waiver of an Event of Default under the Indenture or a rescission of a declaration of acceleration of the Bonds and a rescission and annulment of its consequences shall constitute a waiver of the corresponding event of default under this Agreement and a rescission and annulment of its consequences, including any acceleration of maturity of principal of and interest on the Note; provided, that no such waiver or rescissions shall extend to or affect any subsequent or other default hereunder or impair any right consequent thereon.

SECTION 9.6. *Remedial Rights Assigned To Bond Trustee.* All rights and remedies conferred upon or reserved to the County in this Article IX, including the right to waive events of default, shall upon the execution and delivery of the Indenture be deemed to have been assigned to the Bond Trustee and the Bond Trustee shall have the exclusive right to exercise such rights and remedies in the same manner and under the limitations and conditions that the Bond Trustee is entitled to exercise rights and remedies upon the occurrence of an Event of Default pursuant to Article VIII of the Indenture.

SECTION 9.7. *Rescission Of Acceleration Required By Big Rivers Indenture.*

(a) If at any time following a declaration of acceleration pursuant to an Event of Default under Section 8.01(c) of the Indenture, and prior to payment of the Bonds pursuant to such acceleration, the Bond Trustee shall receive written notice that the acceleration of the Obligations under the Big Rivers Indenture has been rescinded, then the Bond Trustee shall rescind any declaration of acceleration of the maturity of principal of and interest on the Bonds. In the event of such rescission of a declaration of acceleration of the Bonds, the Bond Trustee shall also rescind any declaration of acceleration of the maturity of the Note.

(b) In case of any such rescission, then and in every such case the County, the Bond Trustee and Big Rivers shall be restored to their former positions and rights hereunder respectively, but no such rescission shall extend to any subsequent or other default or event of default, or impair any right consequent thereon, nor shall such rescission extend to any instance in which the holder of any note secured by the Big Rivers Indenture other than the Note has subsequent to a request for rescission declared all unpaid principal of and accrued interest on such other note to be due and payable immediately.

ARTICLE X

PREPAYMENT OF THE NOTE

SECTION 10.1. *Optional Prepayments.* Big Rivers shall have, and is hereby granted, subject to the provisions of the Big Rivers Indenture, the option to prepay all or any portion of the unpaid balance of the Note at any time by taking the actions required by the Indenture (a) to discharge the lien thereof through the redemption of all or part of the Bonds under Section 3.01 of the Indenture, or (b) to effect the partial redemption of all or a part of such Bonds under Section 3.01 of the Indenture.

SECTION 10.2. *Exercise Of Optional Prepayment.* To exercise an option granted in Section 10.1 hereof to prepay the Note and thereby redeem some or all of the Bonds, Big Rivers shall give written notice to the County and the Bond Trustee at any time during the period beginning with (and including) the 45th day prior to the date of redemption and ending with (and including) the 30th day prior to the date of redemption. Such notice shall specify (i) that the Bonds are being redeemed pursuant to Section 3.01 of the Indenture, (ii) the principal amount of Bonds to be redeemed and the premium, if any, payable on such redemption, and (iii) the date such Bonds are to be redeemed (which must be a date permitted by Section 3.01 of the Indenture). If, at the time Big Rivers gives this notice, the Bond Trustee does not have on deposit sufficient available funds to pay the principal of, premium, if any, and interest accrued and to accrue through the redemption date on the Bonds so called for redemption, then Big Rivers' notice of redemption is conditional and revocable, that is, Big Rivers is under no obligation to provide, or cause to be provided, to the Bond Trustee funds to effect such redemption and, if it does not elect to do so by 12:00 noon, New York City time, on the redemption date, then the Bonds called for redemption shall not be redeemed pursuant to the above-mentioned notice of redemption or the notice of redemption given by the Bond Trustee pursuant to subsection (b) of Section 3.03 of the Indenture. Neither of Big Rivers nor the County or shall be liable to any Bondowner if Big Rivers does not provide, or cause to be provided, funds sufficient to effect redemption of any such Bonds with the result that such Bonds are not redeemed on the redemption date specified in such notices. If, at the time Big Rivers gives this notice, the Bond Trustee has on deposit sufficient funds to effect such redemption, then Big Rivers' notice is unconditional and irrevocable and the Bonds specified in the notice of Big Rivers and given by the Bond Trustee pursuant to subsection (b) of Section 3.03 of the Indenture shall become due and payable at the specified redemption price (plus accrued interest) on the specified redemption date.

Upon receipt of a notice furnished pursuant to this Section 10.2, the County and the Bond Trustee, as provided in the Indenture, shall forthwith take or cause to be taken all actions necessary under the Indenture to discharge the lien of the Indenture or effect the redemption of Bonds in accordance with such notice, as the case may be.

SECTION 10.3. *Mandatory Prepayments.* Big Rivers shall prepay all or a portion of the Note at the time or times and in the principal amount required to redeem all or such portions of the applicable Bonds required to be redeemed pursuant to Section 3.01 of the Indenture.

ARTICLE XI

MISCELLANEOUS

SECTION 11.1. *Notices.* All notices, certificates, requests or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, addressed as follows: if to the County, to: Ohio County Fiscal Court, 301 South Main, Hartford, Kentucky 42347, Attention: County Judge/Executive; if to Big Rivers, to: Big Rivers Electric Corporation, 201 Third Street, Henderson, Kentucky 42420, Attention: President and Chief Executive Officer; and if to the Bond Trustee, to: U.S. Bank National Association, Corporate Trust Services, 225 Asylum Street, 23rd Floor, Hartford, Connecticut 06103, Attention: Philip G. Kane, Jr. (Big Rivers 2010 Indenture). A duplicate copy of each notice, certificate, request or other communication given hereunder by the County or Big Rivers shall also be given to the Bond Trustee, the County and Big Rivers. A party may, by notice given hereunder to each of the others, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent.

SECTION 11.2. *Binding Effect.* This Agreement shall inure to the benefit of and shall be binding upon the County, Big Rivers and their respective successors and assigns.

SECTION 11.3. *Severability.* In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 11.4. *Amounts Remaining In Funds.* It is agreed by the parties hereto that any amounts remaining in the Bond Fund upon expiration or sooner termination of this Agreement, as provided in this Agreement, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture), the fees, charges and expenses of the Bond Trustee and any paying agent in accordance with the Indenture and all other amounts required to be paid under this Agreement and the Indenture, shall belong to and be paid to Big Rivers by the Bond Trustee.

SECTION 11.5. *Bond Trustee Powers Under Big Rivers Indenture.* The Bond Trustee is authorized in connection with the Big Rivers Indenture to execute and deliver all such further instruments as may be required by the provisions thereof and to exercise all the rights of a holder of the Note as it in its sole discretion deems to be in the best interests of the Bondowners and without the prior consent of the Bondowners or the County.

SECTION 11.6. *Amendments, Changes And Modifications.* Except as otherwise provided in this Agreement or in the Indenture, subsequent to the initial issuance of Bonds and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), this Agreement and the Note may not be effectively amended, changed, modified, altered or terminated without the written consent of the Bond Trustee, given in accordance with the Indenture.

SECTION 11.7. *Execution In Counterparts.* This Agreement may be executed in several counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

SECTION 11.8. *Governing Law.* THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF KENTUCKY, WITHOUT REFERENCE TO THE CHOICE OF LAWS PROVISIONS OF THE COMMONWEALTH OF KENTUCKY.

SECTION 11.9. *Captions.* The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

SECTION 11.10. *Pecuniary Liability Of The County.* No provision, covenant or agreement contained in this Agreement or any obligations herein imposed upon the County, or the breach thereof, shall constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers. In making the agreements, provisions and covenants set forth in this Agreement, the County has not obligated itself except with respect to this Agreement and the application of the revenues, income and all other property therefrom, as hereinabove provided. The Bonds shall not be payable from nor charged upon any funds other than the revenue pledged to the payment thereof, nor shall the County be subject to any liability thereon. No holder or holders of any of the Bonds shall ever have the right to compel any exercise of the taxing power of the County to pay any such Bonds or the interest thereon, nor to enforce payment thereon against any property of the County. The Bonds shall not constitute a charge, lien nor encumbrance, legal or equitable, upon any property of the County.

SECTION 11.11. *Payments Due On Holidays.* If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Agreement or the Note, shall be a legal holiday or a day on which banking institutions in the city in which is located the principal office of the Bond Trustee are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed with the same force and effect as if done on the nominal date provided in this Agreement or the Note and no interest shall accrue for the period after such nominal date.

SECTION 11.12.. *Reserved.*.

IN WITNESS WHEREOF, the County and Big Rivers have caused this Agreement to be executed in their respective corporate names by their duly authorized officers and have caused their corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

(SEAL)

COUNTY OF OHIO, KENTUCKY

By: David Jones
County Judge/Executive

Attest:

By: Cheryl Morris
Fiscal Court Clerk

(SEAL)

BIG RIVERS ELECTRIC CORPORATION

By: Mark A. Bailey

Mark A. Bailey
President and Chief Executive Officer

Attest:

By: C. William Blackburn

C. William Blackburn
Senior Vice President of Financial
& Energy Services and Chief
Financial Officer

COMMONWEALTH OF KENTUCKY)
) ss
COUNTY OF OHIO)

I, the undersigned Notary Public in and for the Commonwealth and County aforesaid, do hereby certify that on the 8th day of June, 2010, the foregoing instrument was produced to me in said County by David G. Jones and Cheryl Morris, personally known to me and personally known by me to be the County Judge/Executive and Fiscal Court Clerk, respectively, of the COUNTY OF OHIO, KENTUCKY, and acknowledged before me by them and each of them to be their free act and deed as County Judge/Executive and Fiscal Court Clerk of such County, and the free act and deed of such County, as authorized by an ordinance of the Fiscal Court of such County.

WITNESS my hand and seal this 8th day of June, 2010. My commission expires 10-5-2011.

(SEAL)

Notary Public
Ohio, Kentucky

STATE OF NEW YORK)
) ss
COUNTY OF NEW YORK)

I, the undersigned Notary Public in and for the State and County aforesaid, do hereby certify that on the 8th day of June, 2010, the foregoing instrument was produced to me in said County by Mark A. Bailey and C. William Blackburn, personally known to me and personally known by me to be President and Chief Executive Officer and Senior Vice President of Financial & Energy Services and Chief Financial Officer, respectively, of BIG RIVERS ELECTRIC CORPORATION, a nonprofit rural electric cooperative corporation incorporated under the laws of the Commonwealth of Kentucky, who being by me duly sworn, did say that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said respective persons acknowledged before me said instrument to be the free act and deed of said corporation and to be their free act and deed as such officers of such corporation.

WITNESS my hand and seal this 8th day of June, 2010. My commission expires May 19, 2011.

(SEAL)

Notary Public
__________, New York

JOSE L. DeJESUS
Notary Public, State of New York
No. 01DE5078255
Qualified in Queens County
Certificate Filed in New York County
Commission Expires May 19, 2011

EXHIBIT A

THE FACILITIES

The following are the air and water pollution control facilities, sewage and solid waste disposal facilities and other facilities installed at or in connection with the Plant:

1. Electrostatic Precipitator System - designed to remove flyash from the flue gases emitted from Unit 1's boiler. Such facilities consist of two precipitators and transitional ducting.

2. Sulphur Dioxide Removal Facility - consists of a "wet spray type scrubber" system to remove sulphur from the flue gases emitted from Unit 1's boiler. Such facilities consist of sulphur dioxide spray absorbers, lime and limestone receiving, storage, conveying and handling facilities, flue gas reheat facilities, and transitional ducting.

3. Run-off Retention Ponds - designed to provide settling of rain water suspended solids prior to discharge through normal drainage system.

4. Waste Water Treatment Facility - consists of pH trim tank and clarifier to treat and process liquids from the following Items 6 , 7 , and 8.

5. Coal Pile Run-off Pond - designed to collect acidic water run-off from the station's coal storage area. The facility includes a pond and pumping equipment.

6. Waste Water Pond - designed to collect various Plant waste streams. The facility includes a pond and pumping equipment.

7. Waste Impoundment Pond - designed to collect highly contaminated liquid wastes. The facility includes a pond and pumping equipment.

8. Solid Waste Treatment Facility - designed to concentrate and process waste slurry from the dewatering system of the Sulphur Dioxide Removal Facility by addition of flyash and lime to produce a suitable landfill material.

9. Sanitary Waste System - designed to process station sanitary wastes.

10. Solid Waste Landfill Area - land required for placement of all Plant solid wastes.

11. Flyash Collection Facility - designed to transport ash collected by the Electrostatic Precipitator System and consists of blowers, air locks and an ash transport and silo vent piping system.

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 12) ***Provide copies of any and all agreements or contracts, or any modifications or amendments to any existing agreements or contracts, that have been entered into by BREC, or are contemplated to be entered into by BREC, related to or in conjunction with BREC's proposed new indebtedness to CoBank and CFC, with:***

a. RUS,
b. any entity providing credit or liquidity support to either the Series 2010A Bonds, or the $58.8 million in Series 1983 Pollution Control Bonds,
c. any investment banking institution,
d. or any other party.

Response)

a. Please see the attached amended Maximum Debt Balance Schedule for the RUS 2009 Promissory Series Note A.
b. None.
c. None.
d. None.

Witness) Mark A. Hite

Big Rivers Electric Corporation
RUS 2009 Promissory Series Note A
Maximum Debt Balance Schedule
Balance After Quarterly Payment
Revised June 29, 2012

Year	1st of Month	Allowed Balance ($000s)
2012	July	84,603
2012	October	84,603
2013	January	84,603
2013	April	84,603
2013	July	84,603
2013	October	84,603
2014	January	84,603
2014	April	84,603
2014	July	84,603
2014	October	84,603
2015	January	84,603
2015	April	84,603
2015	July	84,603
2015	October	84,603
2016	January	84,603
2016	April	84,603
2016	July	84,603
2016	October	84,603
2017	January	84,603
2017	April	84,603
2017	July	84,603
2017	October	84,603
2018	January	84,603
2018	April	84,603
2018	July	84,603
2018	October	84,603
2019	January	84,603
2019	April	84,603
2019	July	84,603
2019	October	78,053
2020	January	67,395
2020	April	56,546
2020	July	45,552
2020	October	34,409
2021	January	23,120
2021	April	11,635
2021	July	0

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers'
Initial Request for Information
Dated April 11, 2012

April 23, 2012

Item 13) *Provide copies of the most recent ratings letter and accompanying discussion of its most current rating from each of the three credit rating agencies that have issued a credit rating to BREC.*

Response) Please see the attached documents.

Witness) Mark A. Hite

MOODY'S
INVESTORS SERVICE

ISSUER COMMENT

Big Rivers Electric Corporation

Table of Contents:

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Key Indicators [1]

Big Rivers Electric Corporation

	2010	2009	2008	3-Year Avg
TIER [2]	1.2x	0.9x	1.5x	1.2x
DSCR [2]	1.5x	0.9x	1.2x	1.2x
FFO / Debt	2.5%	59.1%	5.9%	22.5%
FFO + Interest / Interest	1.4x	9.1x	1.8x	4.2x
Equity / Capitalization	31.8%	30.8%	-17.4%	15.1%

[1] All ratios calculated in accordance with Moody's Electric G&T Cooperative Rating Methodology using Moody's standard adjustments

[2] Moody's definitions may differ from indenture covenants

Rating Drivers

» Stronger balance sheet resulting from deleveraging following the unwinding of 1998 vintage transactions, which was completed in 2009

» Ownership of competitively advantaged coal-fired generation plants

» High industrial concentration to two aluminum smelters

» Rates subject to regulation by the Kentucky Public Service Commission (KPSC); General rate case pending

» Revenues from electricity sold under long-term wholesale power contracts with member owners

Corporate Profile

Big Rivers Electric Corporation is an electric generation and transmission cooperative (G&T) headquartered in Henderson, Kentucky and owned by its three member system distribution cooperatives— Jackson Purchase Energy Corporation; Kenergy Corp; and Meade County Rural Electric Cooperative Corporation. These member system cooperatives provide retail electric power and energy to more than 112,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

Summary Rating Rationale

The Baa1 senior secured rating considers the financial benefits of several steps taken by Big Rivers to unwind a lease and other transactions in 2008 and 2009 wherein its prior deficit net worth turned substantially positive, cash receipts were utilized to reduce debt, and two committed bank credit facilities aggregating $100 million were established to improve liquidity. Revenues generated from competitively priced power sold under long-term wholesale contracts with the three member owners should continue to support Big Rivers financial performance in keeping with its current rating level, while allowing capital expenditures to be largely met with internally generated funds.

A significant constraint to Big Rivers' rating is that one of its member owners, Kenergy Corp., makes a high concentration of its sales to two aluminum smelters (Century Aluminum Company: Corporate Family Rating B3; stable outlook and Rio Tinto Alcan: senior unsecured rating A3; stable outlook), both of whom face credit challenges due to the significant volatility in both metal prices and demand. In addition, these smelters have the option to terminate their respective power purchase arrangements, subject to a one-year notice and other conditions. Big Rivers' rating is further constrained because its rates are regulated by the KPSC, which is atypical for the G&T coop sector.

Detailed Rating Considerations

Financial Flexibility Improved Following Completion Of Unwind Of Historical Transactions In 2009

In 2008, Big Rivers bought out two leveraged lease transactions and in 2009 completed a series of other steps to terminate another lease and other long-term transactions previously involving E.ON U.S. LLC (formerly known as: LG&E Energy Marketing Inc.) and Western Kentucky Energy Corp. These entities previously leased and operated the generating units owned by Big Rivers. In turn, Big Rivers was purchasing the power from these units at generally fixed below market rates to use in servicing the requirements of its three members, exclusive of the load requirements of Kenergy's two large aluminum smelters. At the same time, Big Rivers terminated other agreements and entered into various new arrangements whereby it now sells to Kenergy 850 MW in aggregate for resale to the two aluminum smelters. This arrangement reintroduced a concentration of load risk for Big Rivers. Key credit positives resulting from consummation of all the unwind transactions were as follows: elimination of Big Rivers' deficit net worth, with equity of $379.4 million at December 31, 2009, which increased to $386.6 million as of December 31, 2010 compared to a negative $155 million at 12/31/2008, and partial utilization of the $505.4 million in cash payments received from E.ON to repay about $140.2 million of debt owed to the Rural Utilities Service (RUS) and to establish $252.9 million of reserves. The reserves were comprised of: a $157 million Economic Reserve for future environmental and fuel cost increases; a $35 million Transition Reserve to mitigate potential costs if the smelters decide to terminate their agreements or otherwise curtail their load due to reduced aluminum production; and a $60.9 million Rural Economic Reserve, which would be used over two years to provide credits to rural customers upon full utilization of the Economic Reserve.

As part of the unwind process, Big Rivers completed the buyout of leveraged leases with Bank of America and Phillip Morris Capital Corporation (PMCC) during 2008. Among the positive credit effects of the buyouts were removal of $922 million of defeased obligations (about $735 million of which was off-balance sheet), and removal of exposure to Ambac, albeit at a net cost of $120 million, including a $12 million PMCC note. We note, however, that part of the cash payment from E.ON upon consummation of unwinding all the various transactions included full reimbursement of Big Rivers' lease buyout costs, and the $16 million remaining deferred loss on reacquired debt was written off.

Under a contract times interest earned ratio (TIER) arrangement with the two smelters, Big Rivers is targeting a minimum TIER of 1.24x, which would leave ample cushion under its financial covenants and positioning itself favorably among its similarly rated peers. Under current market conditions, we expect that Big Rivers would file for rate relief as necessary, in the event that TIER drops below the 1.24x target.

Coal-Fired Plants Represent Valuable Assets Even As Environmental Costs Loom

Big Rivers owns generating capacity of about 1,444 megawatts (MW) in four substantially coal-fired plants. Total power capacity is about 1,824 MW, including rights to about 202 MW of coal-fired capacity from Henderson Municipal Power and Light (HMP&L) Station Two and about 178 MW of contracted hydro capacity from Southeastern Power Administration. The economics of power produced from these sources enables Big Rivers to maintain a solid competitive advantage in the Southeast and even more so when compared to other regions around the country. The consistently high capacity factors and efficient operations of the assets results in average system wholesale rates to members around $36 per MWh (including the beneficial effects of the member rate stability mechanism), which translates to member retail rates to residential customers around 8 cents per kWh.

Because Big Rivers is substantially dependent on coal-fired generation, it faces a high degree of uncertainty with regard to future environmental regulations, including the form and substance those will take, the timing for implementation, and the amount of related costs to comply. We note that the Economic Reserve should help mitigate some of the need for initial rate increases to cover future compliance costs.

Regulatory Risk Exists; However, Offsets Are Present

Big Rivers is subject to regulation for rate setting purposes by the KPSC, which is atypical for the sector and can pose challenges in getting timely rate relief if and when needed. We view the existence of certain fuel and purchased power cost adjustment mechanisms available to Big Rivers as favorable to its credit profile since they can temper risk of cost recovery shortfalls if there is a mismatch relative to existing rate levels. Although Big Rivers did not file for a general rate increase in 2010, additional revenues were generated under the fuel adjustment clause and through use of a portion of the various reserve funds. In keeping with the KPSC order issued on March 6, 2009 requiring Big Rivers to file for a general review of its financial operations and rates by July 16, 2012 (i.e. three years from the closing of the unwind transaction), Big Rivers filed a wholesale tariff rate case with the KPSC on March 1, 2011. The rate case is intended to bolster wholesale margins, while also addressing increased depreciation costs, administrative costs tied to joining the Midwest Independent Transmission System Operator (MISO) as outlined in more detail below, and maintenance costs incurred during scheduled generation plant outages. According to the filing, the requested increase in member wholesale tariff rates would equate to an estimated 6.85% (approximately $30 million) increase in total member revenue. Hearings have been scheduled for July 26th and 27th and a decision is expected in August 2011, with new rates to be effective September 1, 2011. If the case is not decided in this time line, the regulatory process allows for interim rates to be put into effect, subject to refund. According to management at Big Rivers, the cooperative has not had a wholesale tariff rate increase in 20 years and its existing depreciation study and tariffs have been in place since July 1998. We will continue to monitor the proceedings in the pending case to determine the degree of supportiveness the KPSC provides for this request. Significant shortfalls that compromise Big Rivers ability to achieve timely and full recovery of its costs of service and anticipated financial results could pressure its credit quality. The timing of future rate cases is likely to be influenced primarily by the outcome of future environmental assessments.

Wholesale Power Contracts Are A Linchpin To Sound Credit Profile

The substantial revenues derived under Big Rivers' long-term wholesale contracts with its members will continue as the contracts were extended by an additional 20 years to December 31, 2043 when the unwind of transactions were completed in 2009. The low cost power provided under the contracts makes member disenchantment unlikely, even in the face of potential rate increases in the near term associated with the pending rate case and, in the medium to longer term, due to environmental compliance costs. The currently overall sound member profile provides assurance of this revenue stream, which is integral to servicing Big Rivers' debt. The potential for degradation in the creditworthiness of the smelters is a particular credit concern, only tempered in part by assurances of two month's worth of payment obligations covered by letters of credit from an A1 rated financial institution (or some other form acceptable to Big Rivers) under certain circumstances.

Big Rivers' net margins for 2010 reflected improvement over 2009 results (exclusive of the effects of the unwind transactions on 2009 results) as fundamental results in 2009 were negatively affected by costs related to a planned generation plant outage at the D.B. Wilson plant in Centertown, Kentucky, which included a turbine overhaul. Also, during 2010 a considerable reduction in annual interest expense in line with substantially reduced debt following the unwind and non-operating margins resulting from accounting treatment for certain materials and supplies more than compensated for the effects of lower market prices for off-system sales during 2010 compared to 2009.

On a historical basis, Big Rivers dramatically improved its equity position whereby its equity to total capitalization is now over 30% thanks to significant debt reductions following the unwind. At this level, Big Rivers equity to total capitalization maps to the A category for this metric under the rating Methodology. Based on expected continuation of management's current practice of not returning patronage capital back to members (a credit positive strategy in our view) we anticipate that the equity ratio should continue to improve as net margins are fully retained and little if any new debt is added over the next couple of years. We also note that Big Rivers' historical three-year average metrics such as funds from operations (FFO) to debt and FFO to interest are particularly strong due to the one time effects of the unwind, and are therefore not sustainable at those levels. Assuming the KPSC is supportive of Big Rivers' pending request for an increase in member wholesale tariff rates, then we anticipate that Big Rivers should map on average to the A or Baa ranges for other key metrics, such as the times interest earned, the debt service coverage, FFO to interest and FFO to debt ratios. We would view a lack of substantial support for timely and full recovery of costs of service in rate case proceedings as a credit negative, which could cause downward pressure on the ratings for Big Rivers.

Concerns About Potential Loss Of Smelter Load Cannot Be Ignored

Under historical operating conditions, the two smelters served by Kenergy can be expected to consume over 7 million MWh of energy annually, representing a substantial load concentration risk. As noted above, this risk is a significant constraint to Big Rivers' rating, making its operating and risk profile rather unique compared to peers. With Big Rivers' ongoing transmission capacity upgrade projects nearing completion (expected by Q-4 2011), either of the two smelters could serve a one-year notice of

Case No. 2012-00119
Attachment for Response to KIUC 1-13
Witness: Mark A. Hite
Page 4 of 32

termination of their contract at any time. Given the cost effective power being provided by Big Rivers to allow Kenergy to service this load, we do not currently expect the smelters to exercise this option. Moreover, in December 2010 Big Rivers became a transmission owning member of the Midwest Independent Transmission System Operator (MISO), thereby enhancing its reliability and ensuring compliance with mandated emergency reserve requirements established by regulators. This step, the anticipated completion of expansion of its own transmission lines in Q-4 2011 and legislation to permit sales to non-members, when coupled with the low cost of the power, should enhance Big Rivers' ability to move excess power off system in the event that the smelters cancel their contracts or otherwise reduce load due to curtailment of aluminum production due to market and economic conditions. To the latter point, during 2009, Century Aluminum of Kentucky arranged for the orderly curtailment of one of its five potlines, pending improvement in economic conditions. Following improved economic and market conditions, Century completed its restart of the fifth potline in May 2011. During the period of time that Century Aluminum's potline was shut down, Big Rivers moved to sell into the open market the approximately 87 megawatts of capacity it would otherwise have been providing to Kenergy for service to the one Century Aluminum pot line.

Liquidity

Big Rivers supplements its internally generated funds with $100 million of unsecured committed revolver capacity, with National Rural Utilities Cooperative Finance Corporation (NRUCFC) and CoBank providing $50 million each. The NRUCFC and CoBank facilities, which expire on July 16, 2014 and July 16, 2012, respectively, replaced the smaller $15 million facility previously provided by NRUCFC, which was terminated upon completion of the unwind transactions in 2009. The $50 million NRUCFC facility provides for issuance of up to $10 million of letters of credit. We view the significant increase in available bank credit as credit positive. As of May 31, 2011 Big Rivers had approximately $67 million of unrestricted cash and equivalents on its books, and had substantial unused capacity under the two credit facilities as the only usage related to $5.6 million of letters of credit outstanding with NRUCFC. Assuming little change to future usage of the bank facilities and the cash position, as well as no change to management's current policy of not returning patronage capital back to members, we anticipate that Big Rivers should be able to largely fund its anticipated short-term working capital needs, capital expenditures of about $52 million, and current maturities of long term debt of around $7 million during 2011 without the need for new debt. Big Rivers does, however, face a more material RUS long-term debt maturity of about $76 million in 2012, most of which we anticipate will be refinanced and the balance retired. We also note that the CoBank facility expires within the next 12 months and we anticipate that Big Rivers will renew the facility well ahead of the expiration date.

The quality of the alternate liquidity provided by the bank revolvers benefits from the multi-year tenor at the time they were arranged and the absence of any onerous financial covenants, which largely mirror the financial covenants in existing debt documents. Big Rivers is in compliance with those covenants and we expect that to remain so in the foreseeable future. Additionally, the NRUCFC facility benefits from no ongoing material adverse change (MAC) clause; however, the CoBank facility is considered of lesser quality because of the ongoing nature of its MAC clause related to each drawdown. We would view an amendment to the CoBank revolver to eliminate the ongoing applicability of the MAC clause as part of the renewal and extension process to be a credit positive step. There are no applicable rating triggers in any of the facilities that could cause acceleration or puts of obligations; however, a ratings based pricing grid applies.

Structural Considerations

As part of the unwinding of various transactions completed in 2009, Big Rivers replaced the previously existing RUS mortgage with a new senior secured indenture. Under the current senior secured indenture RUS and all senior secured debt holders are on equal footing in terms of priority of claim and lien on assets. The current senior secured indenture provides Big Rivers with the flexibility to access public debt markets without first obtaining a case specific RUS lien accommodation, while retaining the right to request approval from the RUS for additional direct borrowings under the RUS loan program, if they choose to do so. Given persistent questions about the availability of funds under the federally subsidized RUS loan program, we consider the added flexibility of the current senior secured indenture to be credit positive.

Rating Outlook

The stable rating outlook is based on Big Rivers' successful completion of the unwind transactions, thereby improving its financial profile and repositioning itself to continue efficiently meeting the needs of its members in the future.

What Could Change the Rating - Up

Given the rating constraints linked to customer load concentration at Kenergy, rate regulation, and looming pressures tied to environmental issues, a rating upgrade is unlikely in the foreseeable future. Changes to eliminate rate regulation of cooperatives in Kentucky could contribute to a positive action, especially if it coincides with improvement in market conditions for the aluminum smelters and sustained improvement of FFO to interest and debt metrics to near 2.3x and 8%, respectively, on average.

What Could Change the Rating - Down

Loss of significant load (i.e. the smelters) that is not otherwise compensated for through off system power sales could contribute to a negative action, as would lack of regulatory support for substantial and timely recovery of costs. In terms of credit metrics, if FFO to interest and debt falls below 2x and 5%, respectively, for a sustained period of time, then rating pressure could result.

Other Considerations

Mapping To Moody's U.S. Electric Generation & Transmission Cooperatives Rating Methodology

Big Rivers' mapping under Moody's U.S. Electric Generation &Transmission Cooperative rating Methodology appears below and is based on historical data through December 31, 2010. The Indicated Rating for Big Rivers' senior most obligations under the Methodology is currently A2 and relies on the aforementioned historical quantitative data and qualitative assessments. In particular we note that the A2 Indicated Rating reflects improvement over the Baa2 Indicated Rating level from historical published reports, which were based on historical data only through 2008. We note that the improvement in the Indicated Rating under the Methodology largely stems from better scores for the factors relating to dependence on purchased power and financial metrics such as equity as a percentage of capitalization, FFO to debt and FFO to interest, all of which improved upon completion of the unwind transactions. Notwithstanding a currently higher Indicated Rating for Big Rivers under the Methodology compared to its actual rating, the unique risks relating to Big Rivers load concentration to the smelters and the fact that it is subject to rate regulation by the KPSC will likely persist and continue to constrain its rating level in the future.

Rating Factors:

Big Rivers Electric Corporation						
U.S. Electric Generation & Transmission Cooperatives	Aaa	Aa	A	Baa	Ba	B
Factor 1: Wholesale Power Contracts & Regulatory Status (20%)						
a) % Member Load Served & Regulatory Status			X			
Factor 2: Rate Flexibility (20%)						
a) Board Involvement / Rate Adjustment Mechanism				X		
b) Purchased Power / Sales %		19%				
c) New Build Capex (% Net PP&E)		X				
d) Rate Shock Exposure						X
Factor 3: Member / Owner Profile (10%)						
a) Residential Sales / Total Sales						16%
b) Members' Consolidated Equity / Capitalization				36%		
Factor 4: 3-Year Average Financial Metrics (40%)						
a) TIER				1.2x		
b) DSC			1.2x			
c) FFO / Debt	22.5%					
d) FFO / Interest	4.2x					
e) Equity / Capitalization				15.1%		
Factor 5: Size (10%)						
a) MWh Sales (Millions of MWhs)			12.0			
b) Net PP&E ($billions)			$1.1			
Rating:						
a) Indicated Rating from Methodology			A2			
b) Actual Rating Assigned (Senior Secured)				Baa1		

Report Number: 134388

Author
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July 6, 2011

Big Rivers Electric Corp., Kentucky Ohio County; Rural Electric Coop

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Table Of Contents

Big Rivers Electric Corp., Kentucky Ohio County; Rural Electric Coop

Credit Profile		
Big Rivers Electric Corp. ICR		
Long Term Rating	BBB-/Stable	Affirmed
Ohio Cnty, Kentucky		
Big Rivers Electric Corp., Kentucky		
Ohio Cnty (Big Rivers Electric Corp.) poll ctrl rfdg rev bnds (Big Rivers Elec Corp Proj) ser 2010A		
Long Term Rating	BBB-/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services has affirmed its 'BBB-' issuer credit rating on Big Rivers Electric Corp., Ky., and its 'BBB-' long-term rating on Ohio County, Ky.'s $83.3 million pollution control refunding revenue bonds, series 2010A (Big Rivers Electric Corp. Project). The outlook is stable.

Ohio County sold the bonds for the benefit of Big Rivers, which used bond proceeds to refund auction rate securities. We understand that the financing structure obligates the utility to unconditionally pay the county's bonds' debt service. Big Rivers issued a note to the county that provides it with a security interest in Big Rivers' assets under its mortgage indenture. The county's bonds' security interest is on par with the utility's senior-secured debt. Big Rivers' long-term debt totaled $817 million as of December 31, 2010.

The ratings reflect our view of the following credit weaknesses:

- We believe that the utility's extreme level of customer concentration and its leading customers' credit profiles represent meaningful credit exposures. The cooperative relies on two customers for about 65% of energy sales to members and 53% of total member and non-member energy sales. These two customers are aluminum smelters whose operations are vulnerable to economic cycles.
- In our opinion, the take-or-pay features of the retail power sales contracts between Big Rivers' distribution cooperative, Kenergy Corp., and the smelters are weak because the smelters can terminate their obligations with one-year's notice.
- The cooperative and its member distribution cooperatives are subject to state rate regulation that distinguishes Big Rivers from many other cooperatives that have autonomous ratemaking authority. Rate regulation could potentially expose the utilities' financial performance to delayed rate relief or cost disallowances, particularly if Big Rivers needs to reallocate the smelters' shares of fixed costs to its nonsmelter customers.
- Surplus energy sales in volatile wholesale markets account for about 16% of energy sales, are important to the utility's revenue stream, and help support its financial obligations.
- The cooperative is adding transmission capacity to increase physical access to wholesale markets. However, even with the additions, we believe the utility lacks the certainty of firm contractual transmission arrangements, which could frustrate the surplus power sales Big Rivers would need to make if the smelters reduce operations meaningfully or close.
- Nearly one-third of the utility's debt either does not amortize before maturity or has limited amortization, which

produces highly uneven debt service coverage ratios (DSCRs) and presents refinancing risk.
- In July 2009, Big Rivers regained operational control over generation assets it had not operated for more than a decade and has a limited track record of generation operations.

We believe these strengths temper the exposures:

- The long-term wholesale power contracts between the utility and its three member distribution cooperatives provide a measure of revenue stream security.
- Members have exclusive rights to sell electricity in defined territories.
- We believe that Big Rivers' members' retail rates are competitive and they could contribute to financial flexibility. However, members' favorable rates depend on the smelters' operating at high load factors that help absorb high fixed costs. Rate levels also benefit from the subsidies that more than $200 million of rate mitigation reserves provide.

Henderson, Ky.-based Big Rivers is a generation and transmission cooperative that produces and procures electricity for sale to three member distribution cooperatives and their more than 112,000 retail customers. It relies on two aluminum smelters for more than half of operating revenues, which erodes revenue stream stability and predictability and distinguishes the utility from most cooperative utilities that generally earn the bulk of revenues from residential customers. Moreover, Big Rivers projects that it needs to sell surplus energy into competitive wholesale markets to support its financial obligations. Nonmember revenues accounted for about 16% of 2010's operating revenues. We believe that reductions in the smelters' operations and electricity consumption could increase market reliance. Also, declines in wholesale market electricity prices due to weak natural gas prices or abundant supplies could erode margins from market sales and place upward pressure on the costs that the utility's nonsmelter customers bear.

Outlook

The stable outlook reflects our expectations that the sound debt service coverage Big Rivers projects could provide a financial cushion to service debt obligations under adverse conditions that could arise from the operational, financial and regulatory challenges the utility faces. We believe management needs to actively oversee these challenges to preserve credit quality. In our view, the ratings' upward potential is limited in the near term because the utility must refinance considerable bullet maturities, depends on volatile smelter loads for substantial revenues, and relies on volatile wholesale energy markets for meaningful portions of its revenue requirements.

Customer Concentration Creates Concerns

We believe Big Rivers faces an extreme level of customer concentration and it leading customers' credit profiles represent meaningful credit exposures. In 2010, two of the more than 112,000 end-use customers accounted for more than half of operating revenues. These two, Rio Tinto Alcan Inc. (Alcan; A-/Stable/A-2) and Century Aluminum Co. (B/Stable/--), are aluminum smelters whose operations and financial performance are exposed to extreme commodity price volatility. We believe these companies' economic viability hinges on aluminum prices and the economy's strength, among other things. Big Rivers expects Century's electricity purchases to provide about 36% of its revenues, which meaningfully exposes the cooperative's financial performance to a single speculative-grade customer's cash flows.

If Alcan or Century reduces or ceases operations at their Kentucky facilities, Big Rivers would need to sell surplus electricity in competitive wholesale markets in a bid to recover substantial portions of its fixed costs. The several agreements that Big Rivers, Kenergy, and the smelters signed provide that certain profits from market sales following curtailment inure to the smelters' benefit. The agreements also provide that the smelters must cover the cooperative's losses resulting from market sales following curtailment.

Given Century's weak credit quality, its ability to make up shortfalls is questionable. If the smelters terminate operations, their Big Rivers obligations end. While the cooperative might retain profits from off-system sales in this scenario it will also bear the risk of losses.

We believe that selling electricity in wholesale markets to cover debt service presents meaningful credit challenges because wholesale market sales represent speculative and unpredictable revenue streams. Wholesale markets expose utilities to volatile prices, competing market participants, operational uncertainties such as acquiring physical access to transmission capacity, and potentially higher liquidity needs.

Retail Power Sales Contracts

We believe that the take-or-pay features of the retail power sales contracts between Kenergy and the smelters are weak.

Kenergy is one of Big Rivers' three member distribution cooperatives. It resells the cooperative's electricity to the smelters under power supply contracts expiring in 2023. These contracts have take-or-pay elements that require the smelters to pay for specific quantities of energy, irrespective of whether they need it. Yet we believe that these contracts' take-or-pay features are weak and do not provide meaningful credit protections. For example, the smelters can terminate their contracts on one year's notice without penalties if they close their Kentucky facilities.

Financial Performance

We believe Big Rivers' financial performance could suffer if the Kentucky Public Service Commission (PSC) does not provide timely rate relief or disallows costs, particularly if the utility needs to reallocate the smelters' shares of fixed costs to its nonsmelter customers.

In our view, if the smelters close their operations and Big Rivers cannot fully recoup the smelters' share of fixed costs through surplus electricity sales in competitive wholesale markets, its nonsmelter retail customers might need to bear substantial additional costs. The cooperative will not have control over revenues from electricity sales in competitive wholesale markets to compensate for eroded smelter activity. Moreover, it can only recover shortfalls from the nonsmelter retail customers if it and its distribution cooperative members can obtain rate relief from the Kentucky PSC.

Big Rivers and its member distribution cooperatives are unlike many other cooperative utilities because they cannot autonomously raise rates to respond to increasing costs or to reallocate costs. The Kentucky PSC regulates these utilities' wholesale and retail electricity rates. Rate regulation presents credit concerns because rate proceedings can be lengthy and delay cost recovery. Moreover, rate-regulated utilities do not have cost recovery guarantees. Nevertheless, in recent rate proceedings, the Kentucky PSC provided Big Rivers' distribution cooperatives with rate relief that was closely aligned with the utilities' requests. Also, the commission took steps in connection with the

Case No. 2012-00119
Attachment for Response to KIUC 1-13
Witness: Mark A. Hite
Page 12 of 32

E.ON generation asset lease termination that we view as supporting credit quality, including directing E.ON to fund rate-stabilization accounts benefiting the cooperative members' nonsmelter, retail customers.

We believe that Big Rivers' 2010 nonsmelter member wholesale rates of $36 per megawatt-hour (MWh) indicate capacity for further rate increases as necessary to reallocate costs to the cooperative's nonsmelter customers. Big Rivers applied in March 2011 for rate increases effective Sept. 1, 2011. The filing requests a 5.94% rate increase for large industrial customers and a 5.47% rate increase for the smelters. Big Rivers is requesting a 10.71% increase for the nonsmelter, nonindustrial customers. The blended requests represent a 6.85% rate increase. The utility expects that lower purchase power adjustment factor costs will reduce the blended effective rate increase to 6.17%.

Debt Service Coverage

Based on Big Rivers' fiscal 2010 financial statements, Standard & Poor's calculated accrual and cash from operations debt service coverage of 1.4x, which was strong but about 20 basis points below projected coverage levels. While off-system sales volumes exceeded expectations, the sales were made at lower-than-expected prices due to weak wholesale electricity markets. Big Rivers' experience with low wholesale markets in 2010 underscores the considerable risks of wholesale market activity.

The cooperative achieved 2010's DSCR by reducing expenses, including deferring maintenance. It also applied reserve monies to the prepayment of a portion of its Rural Utility Service debt to reduce interest expense inasmuch as the benefits of maintaining reserves in a low interest rate environment paled in comparison to the cost of servicing debt.

Based on Big Rivers' financial forecast, we have calculated accrual-basis DSCRs that fluctuate considerably through 2013. The variability reflects the cooperative's use of nonamortizing debt that underlies highly uneven 2011-2013 debt service. Our calculations indicate DSCRs of 2.6x in 2011, 1.3x in 2012, and 2013 and 2.3x in 2014. The forecast assumes Big Rivers receives the full rate relief it requested earlier this year.

About one-third of debt is nonamortizing. Scheduled principal repayments for 2011 are a low $7 million, but jump to $76 million in 2012 and $79 million in 2013 before returning to a more moderate $22 million in 2014 and $23 million in 2015. Consequently, the imminent bullet maturities highlight the relative importance of market access for refinancing compared to debt service coverage as important credit factors through 2013.

Generation Assets Could Pose Problems

We believe that Big Rivers' few vintage, coal-fired generation assets present operational exposures that can affect financial performance. The cooperative sells the electricity it produces at its seven owned coal plants and the two coal plants it operates that Henderson's Municipal Power and Light utility own. Big Rivers operates and has contractual rights to nearly 1,800 megawatts (MW) of generation capacity. Its and Henderson's power plants range in age from 24-41 years, with a weighted average age of 32 years, based on contributions to overall generating capacity.

Big Rivers' wholesale electric rates include automatic fuel and purchased power cost adjustment mechanisms that we believe mitigate some credit concerns surrounding the mature fleet's ability to serve native load customers reliably. These true-up mechanisms shift some of the operational risks of operating older units to the smelter and nonsmelter

Case No. 2012-00119
Attachment for Response to KIUC 1-13
Witness: Mark A. Hite
Page 13 of 32

customers by making them responsible for replacement power costs if units are not running.

While the fuel adjustment is an automatic, formulaic, monthly adjustment, the purchased power cost adjustment is only automatic for the smelters. Before they are eligible for recovery in rates, the PSC must review the power purchase costs Big Rivers incurs on behalf of its nonsmelter customers. All costs recoverable under the adjustment mechanisms are subject to PSC prudence reviews.

There is a two-month lag for the fuel adjustment clause between when costs are incurred and when the cooperative recovers the member portion through rates. Similarly, the purchase power adjustment for the smelters also entails a two-month cost recovery lag. The purchase power adjustment covering the smelters applies to only approximately two-thirds of the costs. The remaining third of is deferred as a regulatory account for recovery in base rates in a general rate case.

Some of Big Rivers' plants have what we believe are high heat rates. Its fleet's heat rates range from 10,600-13,382 BTU per kilowatt-hour with a weighted average heat rate of 11,100, reflecting the small percentage of the fleet with the highest heat rates. We are concerned that portions of the fleet might not dispatch to support market sales that compensate for losses of smelter sales.

Big Rivers projects using coal to produce 95% of the electricity it sells, exposing the utility and its customers to potentially higher operating costs as the regulation of carbon and other emissions progresses. The plants' heat rates contribute to carbon intensity in the range of 1.1 tons of coal per MWh. Their ages, heat rates, and carbon intensity raise questions about their ability to compete against potentially more efficient and less carbon-intensive units in wholesale markets if the smelters reduce or end their cooperative electric purchases. In our view, the extent of carbon regulation will determine the effects of this level of carbon intensity on Big Rivers' production facilities' economics.

Because aluminum smelting is a carbon-intensive process, we believe a combination of costly carbon constraints on aluminum production and carbon charges levied on the smelters' electricity purchases could impair their operations and heighten the likelihood that the cooperative's generating assets might have to compete in wholesale markets.

Transmission Expansion Plans

Big Rivers' expects to complete transmission upgrades in the fall of 2011. Until completed, the utility lacks sufficient capacity to market the smelters' power if both sharply reduce or discontinue operations. Even once completed, we believe that the cooperative's lack of firm contractual access rights could frustrate its ability to move power across others' transmission systems, including, the Tennessee Valley Authority (TVA) system.

Big Rivers only has contracts for 100 MW of firm transmission capacity across the TVA system. Management views the high cost of securing firm transmission access for a contingent exposure as unwarranted. The utility has physical interconnections with other power markets beyond TVA, such as the Midwest Independent System Operator and E.ON. However, Big Rivers' electricity needs to cross TVA's transmission system to access key markets such as Southern Co. and Entergy Corp. Lack of transmission access due to fully loaded lines during peak periods could frustrate the cooperative's ability to capture the most robust power prices for surplus power it might need to sell if it loses smelter loads.

Case No. 2012-00119
Attachment for Response to KIUC 1-13
Witness: Mark A. Hite
Page 14 of 32

Power Contracts Provide Some Revenue Stability

In our opinion, the long-term wholesale power contracts between Big Rivers and its three member distribution cooperatives provide a measure of revenue stream security.

The cooperative and its members extended their wholesale power sales contracts 20 years to 2043 in connection with the E.ON generation asset lease unwind transaction. We view this long tenor as contributing to credit quality because we understand that terms of wholesale power contracts between the utility and its three members require the members to purchase their electricity needs from Big Rivers. Furthermore, the members have exclusive rights to sell electricity within defined service territories, which shields the cooperative and its members from competition.

Big Rivers' long-term wholesale power contracts also contribute to credit quality because they extend beyond its debt's final maturity. Debt outstanding matures by 2031. However, about 11% of debt matures after the contracts with the smelters expire in 2023. Debt that matures after the smelter contracts roll off could lead to heightened wholesale market exposure, which we view as a credit weakness. Furthermore, Big Rivers expects that imminent refinancings of bullet maturities could extend debt even further beyond the smelter contracts' expiration.

Generally, lengthy requirements contracts, such as those of the cooperative, provide meaningful revenue predictability and credit support. However, the members' substantial reliance on two industrial loads that are vulnerable to commodity price cycles erodes the contracts' credit support and distinguishes Big Rivers from most other cooperative utilities. Rate regulation also dilutes the benefits of the long-term wholesale power contracts since the cooperative, unlike most others, cannot unilaterally impose additional costs on its captive customers, which could frustrate a reallocation of fixed costs if it loses smelter loads. Also, Big Rivers lacks control over prices for market sales it may need to make if the smelters' operations falter, tempering the wholesale power contracts' benefits.

Highly Competitive Rates

We view Big Rivers' members' retail rates as highly competitive, and they could contribute to financial flexibility.

Energy Information Administration data shows that the cooperative's members' retail rates compare very favorably with average rates for the residential, commercial, and industrial sectors in Kentucky. Members' 2009 average residential and commercial rates were about 15% below the state's average. Industrial rates for Kenergy, the member with the smelter, and other industrial loads were about 25% below the state's in 2009.

We believe the smelters' high load factors are likely contributors to the favorable rate competitiveness across the system because their high electricity consumption provides a robust platform for spreading fixed costs over many MWh. Here too, the exposure to the smelters can become a liability if commodity prices or economic conditions compromise the smelters' operations.

Rates also benefit from the more than $200 million of rate mitigation reserves from the proceeds of the E.ON lease unwind transaction. The utility plans to deploy an average $24 million of the reserves' balances each year through 2017 to subsidize rate levels. The cooperative's forecast shows that this will enhance operating revenues by about 5% each year and we believe that there could be meaningful upward rate pressure once the reserves are exhausted.

Related Criteria And Research

USPF Criteria: Applying Key Rating Factors To U.S. Cooperative Utilities, Nov. 21, 2007

Big Rivers Electric Corporation

Full Rating Report

Ratings

Outstanding Debt

$83,300,000 County of Ohio, KY Pollution Control Revenue Bonds Series 2010A	BBB–

Rating Outlook

Stable

Key Utility Statistics

Fiscal Year Ended 12/31/10

	Wholesale
System type	Electric
NERC Region	MISO
Number of Customers	3
Annual Revenues ($ Mil.)	530.06
Top User (% of Revenues)	53
Primary Fuel Source	Coal
Peak Demand (MW)	1,391
Energy Growth (%)	53.6
Debt Service Coverage (x)	1.32
Days Operating Cash	216.72
Equity/Capitalization (%)	31.85

Related Research

U.S. Public Power Peer Study — June 2011, June 20, 2011

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Key Rating Drivers

Risk Profile Reshaped: The recent termination of its generating asset lease transaction has reshaped the risks surrounding Big Rivers Electric Corporation (Big Rivers), effectively reducing leverage and financial risk in exchange for increased reliance on a concentrated customer base and the wholesale marketplace.

Abundant Low-Cost Resources: Big Rivers benefits from abundant low-cost power resources and an average wholesale system rate of $36.35 per MWh in 2010, net of credits, that is regionally competitive and among the lowest in the nation. Member retail rates are similarly low and competitive.

Heavy Customer Concentration: Big Rivers has resumed electric service to two local aluminum smelters through its largest member, Kenergy Corp. (Kenergy). The two smelters have a combined demand of 850 MW, and together account for approximately 53% of total energy sales.

Subject to Rate Regulation: The electric rates charged by Big Rivers and its members are regulated by the Kentucky Public Service Commission (KPSC), which limits the cooperative's financial flexibility, and may delay the timing or amount of necessary rate increases.

Acceptable Financial Metrics: Acceptable financial metrics for the rating category include fiscal 2010 debt service coverage (DSC) of 1.32x, and total debt to funds available for debt service (FADS) of 12.2x. Metrics improve to 1.78x (DSC) and 9.0x (debt to FADS) when revenues from member rate stability (MRS) reserves are included.

Forecast Stability: FADS and times interest earned ratios (TIER) are expected to remain relatively stable going forward, aided by the continued use of MRS reserves and a TIER-adjustment mechanism included in the cooperative's power sale agreements with the smelters.

What Could Trigger a Rating Action

Restrictive Rate Regulation: Future regulatory decisions that prevent the cooperative from adequately recovering costs would likely result in downward pressure on the rating or Outlook.

Onerous Environmental Regulation: Environmental regulations proposed by the U.S. Environmental Protection Agency (EPA), if adopted, could result in a much higher cost of compliance for the cooperative, versus other utilities with newer, more diversified resources.

Deteriorating Operating Conditions: Declining nonsmelter member sales, weak surplus energy sales, or constrained smelter operations that reduce financial margins and liquidity could also put downward pressure on the rating or Outlook.

Rating History

Rating	Action	Outlook/ Watch	Date
BBB–	Affirmed	Stable	8/12/11
BBB–	Assigned	Stable	7/2/09

Related Criteria

Revenue-Supported Rating Criteria, June 20, 2011

U.S. Public Power Rating Criteria, March 28, 2011

Credit Profile

Big Rivers is a generation and transmission cooperative based in Henderson, KY. Big Rivers supplies wholesale electric and transmission from its total capacity of 1,824 MW to three distribution cooperatives: Meade County Rural Electric Cooperative Corporation, Jackson Purchase Energy Corporation, and Kenergy. These members provide service to a total of approximately 112,500 retail customers located in 22 western Kentucky counties.

Each of the three Big Rivers members purchases power pursuant to a wholesale power contract (WPC) that extends through Dec. 31, 2043, well beyond the final maturity date of the cooperative's outstanding debt. Under the terms of the WPCs, the members are required to purchase all of the power required to meet the needs of their systems, except Kenergy's requirements for the smelters (*see the Smelter Agreements section on page 4*).

Bankruptcy

In September 1996, Big Rivers filed for voluntary Chapter 11 relief under the U.S. Bankruptcy Code, due to an inability to sell power produced from its excess capacity at prices sufficient to cover its above-market costs.

After emerging from bankruptcy in 1998, and in accordance with its plan of reorganization, Big Rivers entered into a 25-year lease of all of its generating assets with Western Kentucky Energy Corp. (WKEC), at the time a wholly owned subsidiary of LG&E Energy Corp. (LG&E). The transaction essentially transferred the operational responsibilities of the assets and related risks in exchange for annual lease payments, and a fixed-price purchase power contract with LG&E Energy Marketing, Inc. (LEM), another subsidiary of LG&E.

The Unwind Transaction

In 2009, the lease with WKEC was effectively unwound, resulting in Big Rivers receiving cash and consideration with a value of $865 million, and gaining back control of its generation fleet. Big Rivers also resumed electric service to two local aluminum smelters that have historically dominated the service area's electric demand, and were supplied by LEM following the reorganization. The smelters will again represent a significant portion of the cooperative's electric demand

The consideration received in connection with the unwind allowed Big Rivers to pay down approximately $140 million of debt, establish $253 million of rate-stabilization reserves, and improve system equity from negative 19% to approximately 30%.

Management, Governance, and Business Strategy

The board of Big Rivers consists of six members, comprised of two from each of the member cooperatives. Two members are elected each year, and serve three-year terms. There are full board meetings once a month, often supplemented with more informal meetings when necessary. There are no specific committees given the small size of the board. According to Big Rivers, management has an excellent working relationship with the board.

Since completing the unwind transaction, Big Rivers has expanded its senior management team to include two new vice presidents for production, and governmental relations and enterprise risk management, to oversee the expanded responsibilities related to power supply. The cooperative's employee base has also grown to approximately 630 employees, including

Case No. 2012-00119
Attachment for Response to KIUC 1-13
Witness: Mark A. Hite

the production personnel acquired with the generating facilities, many of whom were employed by Big Rivers prior to the bankruptcy.

Fitch Ratings believes that the cooperative's post-unwind transition has progressed very well, due in large part to the many years of preparation undertaken by the Big Rivers management team in anticipation of the transaction.

Big Rivers assumed full operating responsibilities earlier this year without any disruption, although E.ON provided some initial support to the post-unwind transition, particularly in the areas of information technology and generation dispatch. In December 2000, Big Rivers became a fully integrated member of the Midwest Independent System Operator (MISO).

Regulation

Big Rivers and its members are subject to oversight by the KPSC, which constrains the board's rate-setting ability, compared to other public power and cooperative utilities that are self-regulated. The KPSC is an independent agency that regulates gas, water, sewer, electric, and telecommunications utilities in Kentucky.

Fitch views external rate regulation as limiting to financial flexibility, but the KPSC has been responsive to the needs of Big Rivers in recent years, particularly during the unwind approval process. The recent inclusion of rate tariffs, designed to allow the monthly recovery of fluctuations in the cost of fuel, purchased power, and costs related to environmental compliance, are credit positive, and are expected to lower the frequency of formal rate cases.

Big Rivers has also adopted a very proactive approach to rate setting (*see the Rates and Cost Structure section on page 7*), which is designed to anticipate the need for rate relief well in advance of the timetable required by the KPSC, and should increase the likelihood of timely rate relief. The KPSC will also allow utilities to file for emergency or interim rate relief that can be implemented within 30 days, if necessary, under certain circumstances. Corresponding retail rate increase requests are typically coordinated with those of Big Rivers, but members must file separately with the KPSC.

Member Profile and Service Area

Big Rivers serves three electric cooperatives, which together provide electric service to approximately 112,500 customers. While the operating profiles of Jackson Purchase and Meade are largely typical of rural electric cooperatives, including a heavy concentration of residential customer and electric sales, Kenergy's profile is somewhat unique because its electric load is dominated by two aluminum smelters. One smelter is owned by Rio Tinto Alcan Primary Products Corporation (Alcan), located in Sebree, KY, and the other is owned by Century Aluminum of Kentucky General Partnership (Century) in Hawesville, KY.

The Alcan and Century smelters accounted for 87.7% and 80.0% of the distribution cooperative's total energy sales and revenue, respectively, in 2010. By comparison, Jackson Purchase's entire large industrial load accounted for only 7.1% of its energy sales and 5.5% of revenue. An overview of the three members is provided on the next page.

Case No. 2012-00119
Attachment for Response to KIUC 1-13
Witness: Mark A. Hite

Overview of the Big Rivers Members

	Jackson	Kenergy	Meade
Number of Consumers	29,152	54,991	28,267
Total MWh Sales	683,481	9,318,498	479,367
Total Revenues ($)	45,400	399,473	33,648
Number of Residential Consumers	26,053	45,201	26,213
MWh — % Residential	64.6	8.7	78.2
Revenues — % Residential	68.8	14.3	77.8
Number of Small Commercial/Industrial Consumers (1,000 KVA or Less)	3,080	9,680	2,048
MWh — % Small Commercial	28.1	3.6	21.5
Revenues — % Small Commercial	25.5	5.6	22.0
Number of Large Commercial/Industrial Consumers (1,000 KVA or Less)	7	34	0
MWh — % Large Commercial	7.1	87.7	0.0
Revenues — % Large Commercial	5.5	80.0	0.0

KVA – Kilovolt-ampere.
Source: Big Rivers.

The Aluminum Smelters

Aluminum smelting is energy-intensive, with power costs accounting for approximately 33% of a smelter's production costs. Access to Big River's low-cost power has therefore been positive for the smelters, as both operations are adjacent to the Big Rivers generating facilities. The aluminum smelters have been fixtures in the Big Rivers service territory since the 1970s, and remain the dominant employers in western Kentucky, with 1,375 employees in total. A brief discussion of each facility and its owner is provided below.

Alcan is owned by Rio Tinto (IDR 'A–'/Stable), an international mining group. Its Kentucky facility is the company's only U.S. aluminum smelter. Alcan has been operating at that facility since 1973. The company produces 186,000 metric tons of primary aluminum annually from its three potlines. The base contract demand under its agreement with Big Rivers is 368 MW, which results in annual energy consumption projected at 3.1 terawatt-hours (TWh), assuming 24/7 operations and a 98% load factor.

Century Aluminum Company, the general partnership's parent, is a public company that owns and operates aluminum smelters in Kentucky, South Carolina, West Virginia, and Iceland. Operations at the facility in Hawesville began in 1970, and it currently produces 244,000 metric tons of primary aluminum from five potlines annually. The Century smelter's base contract demand is 482 MW, with projected annual consumption of 4.2 TWh.

Production at the smelting facilities has historically been relatively steady, although production at the Century facility was reduced from five potlines to four in the wake of declining aluminum prices in 2009–2010. Century's energy requirements fell from 4.1 TWh to approximately 3.3 TWh as a result. The fifth potline was recently returned to full utilization, and energy requirements have increased through 2011.

Smelter Agreements

In July 2009, as part of the unwind transaction, Big Rivers and Kenergy began supplying the sizable load requirements of the smelters, which had previously been the responsibility of LEM. Under the terms of various agreements, Big Rivers has agreed to supply energy to Kenergy, for resale to the smelters on a take-or-pay basis through the end of 2023, subject to certain termination conditions.

Case No. 2012-00119
Attachment for Response to KIUC 1-13
Witness: Mark A. Hite
Page 21 of 32

The smelter agreements are designed to provide all of their aggregate energy requirements, including base monthly energy (850 MW hourly), supplemental energy (10 MW hourly of interruptible energy to each smelter), and back-up energy (imbalance energy for Kenergy made available to the smelters). Surplus capacity is generally marketed off-system by Big Rivers for the ultimate benefit of the smelters.

Charges under the smelter agreements are designed to provide a slight premium (25 cents per MWh) over the rates charged to Kenergy's other large industrial customers. They also incorporate the cooperative's standard recovery clauses for fuel, environmental compliance expenditures, and purchased power.

The smelter agreements also include certain provisions that allow for adjustments in the amounts paid by the smelters, designed to enable Big Rivers to achieve a TIER of 1.24x for each fiscal year. During years in which the cooperative's ratio falls below the 1.24x threshold, additional payments are required by the smelters, subject to limitations. If the cooperative's TIER exceeds 1.24x during any fiscal year, amounts contributing to the excess coverage may be rebated to the members, with a pro rata portion allocated to the smelters.

Fitch views the smelter agreements as supportive to credit quality, but also notes that the support is somewhat limited, given the ability of the smelters to terminate the agreements upon one-year notice. Some additional comfort is derived from the conditional nature of the termination provision, which would also require that a smelter cease all smelting operations within the Kenergy service area to terminate the agreement, but the ability to rely on contract revenues over the long term is still limited.

Big Rivers Demand and Energy Sales

(MWhs)	2010	2009	2008	2007
Member Peak Demand (MW)	657	668	614	654
Total Peak Demand (MW)	1,391	1,308	614	654
Electric Sales — Members	3,411,558	3,159,032	3,312,709	3,327,805
Growth (%)	7.99	(4 64)	(0.45)	4 38
Electric Sales — Other	2,209,431	1,746,438	1,844,677	2,835,789
Growth (%)	26.51	(5.33)	(34 95)	37 51
Electric Sales — Smelter Contracts	6,348,431	2,885,491	0	0
Growth (%)	120 01	NM	NM	NM
Total Electric Sales	**11,969,420**	**7,790,961**	**5,157,386**	**6,163,594**
Growth (%)	53 63	51.06	(16.33)	17 39

NM – Not meaningful.
Source: Big Rivers.

Member energy demand has remained relatively stable since 2007, following a decline in 2009, due to unfavorable weather and economic weakness, and a subsequent rebound in 2010, as illustrated in the table above. However, member sales have become increasingly dominated by off-system sales of excess generating capacity and sales to the smelters following the unwind.

In 2010, member sales accounted for only 28.5% of total energy sales, reflecting a full year of sales under the smelter agreements. Big Rivers expects member load growth of approximately 1.4% per annum and declining market sales, as capacity is used to meet growing member demand. However, member sales are not expected to exceed 31% of total energy sales through 2019.

Assets and Operations

The Big Rivers resource portfolio and power supply is dominated by coal-fired generation, both owned and leased. Although coal-fired capacity accounts for 87% of the cooperative's resource capacity, coal-fired generation accounted for approximately 97% of total power supply in 2010. Purchases from the cooperative's Southeastern Power Administration allocation supplied most of the remaining power supply.

The current portfolio of assets and related capacity comfortably exceeds the forecast peak demand of the membership, including the massive smelter demand, and should remain adequate through the load forecast period (2025). No additional resources are contemplated at this time. The cooperative's current resources are summarized below.

Big Rivers Generating Resources

Owned Generation	Fuel Type	Capacity (MW)	Commercial Operation
Kenneth Coleman Plant			
Unit 1	Coal	150	1969
Unit 2	Coal	138	1970
Unit 3	Coal	155	1972
Robert D. Green Plant			
Unit 1	Coal	231	1979
Unit 2	Coal	223	1981
Robert A. Reid Plant			
Unit 1	Coal/Gas	65	1966
Combustion Turbine	Oil/Gas	65	1979
D.B. Wilson			
Unit 1	Coal	417	1986
Leased Generation			
HMP&L Station Two			
Unit 1	Coal	153	1973
Unit 2	Coal	159	1974
(City of Henderson Capacity Allocation)		(110)	
Total Owned/Leased Generation		**1,651**	
Purchased Power			
SEPA Allocation		178	
Total Capacity		**1,824**	

HMP&L – Henderson Municipal Power & Light SEPA – Southeastern Power Administration
Source: Big Rivers.

Despite the changes in ownership and operating responsibility following the unwind, the Big Rivers plants have continued to perform well when compared to similarly sized and equipped units. For the period 2007–2010, six of the eight units reported equivalent availability factors (EAF) in the top quartile. The EAF for the entire system in 2010 was a record 93.7%.

Environmental Compliance

Big Rivers reports that all of its units are in compliance with current environmental standards. Currently, eight of the cooperative's nine coal units are equipped with flue gas desulphurization systems to control SO2, and three of the units are equipped with selective catalytic reduction systems to control NOx emissions.

The cooperative could face greater-than-average challenges with respect to environmental regulations proposed by the EPA, given its near full reliance on coal-fired capacity and

Case No. 2012-00119
Attachment for Response to KIUC 1-13
Witness: Mark A. Hite

generation, and the characteristics of its fleet. Big Rivers estimates that full compliance with the regulations could require expenditures of approximately $785 million by 2015, and increase wholesale rates and member retail rates by 39% and 20%, respectively.

The cooperative has acknowledged that it may seek to mothball certain units or explore fuel conversion to natural gas as an alternative, given the advanced age and relatively small size of certain generating units. Any shortfall in capacity necessary to serve its load, including that of the smelters, would likely be purchased initially, until a longer term strategy is adopted.

There is no renewable portfolio standard at this time in the state of Kentucky.

Transmission

Big Rivers is nearing the completion of a significant transmission expansion project that was initiated in concert with the unwind transaction. The $20 million dual-phase project is designed to increase the cooperative's capability to export power off-system from 912 MW to approximately 1380 MW. This transfer capability is large enough to export excess generation, including the peak demand of both smelters.

Phase one of the transmission expansion project, which included a 345-kV tie with Kentucky Utilities Company, providing eastern path access to the Southwest Power Pool, was completed in April 2008 Big Rivers has recently been completing phase two expansion projects. The final project, construction of a 13-mile transmission line between the cooperative's D.B. Wilson generating facility and the Tennessee Valley Authority transmission system, is expected to be completed by year-end 2011.

Fitch views the cooperative's expanded export capability favorably, particularly given the prospect of significant excess capacity and reliance on off-system sales if the smelters were to discontinue operations. While the completion of the projects does not ensure the sale of excess capacity, it removes the physical constraints.

Coal Supply

The Big Rivers generating units are located nearby in the heart of the western Kentucky portion of Illinois Basin coal fields. Half of its coal supply is delivered by truck and half by barge, significantly reducing transportation costs and ultimate production costs. Big Rivers also assumed all of the WKEC coal supply contracts, many of which were favorably priced and have lowered the cost of production.

Capital Resource and Expenditure Plan

The Big Rivers' capital plan for 2011–2019 totals $460.7 million, and will largely be financed with internally generated funds. Nearly all of the remaining expenditures will be related to modest improvements at the cooperative's generating units, with the exception of the transmission expenditures noted above. The current capital plan does not incorporate any major expenditures for additional environmental compliance.

Rates and Cost Structure

Pursuant to the terms of the WPCs and the indenture, the Big Rivers board is required to review its wholesale rate at least annually and seek revisions to ensure covenant compliance, as necessary. Any change in rates charged by Big Rivers is subject to the approval of the KPSC.

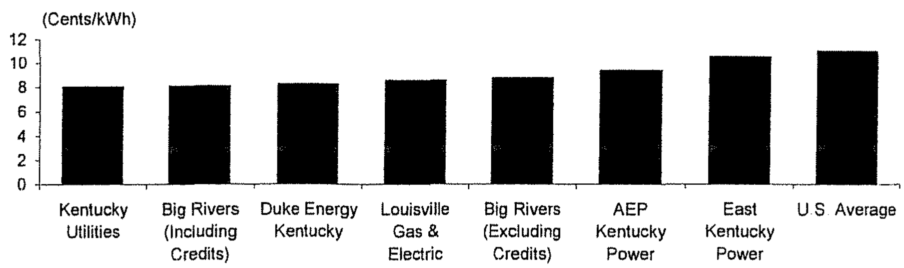
A number of factors mitigate the risks related to rate-regulation, including Big Rivers' proactive policies dictating annual reviews of the cooperative's annual budget and financial forecast. Big Rivers seeks to anticipate the need for rate relief well in advance of any projected revenue shortfall, given the anticipated seven-month time frame for KPSC approval and implementation of rate increases.

The rate structure flexibility approved by the KPSC as part of the unwind has also improved the timeliness of rate recovery. The KPSC has most notably implemented a fuel-adjustment clause, which allows Big Rivers to track changes in fuel costs and adjust rates accordingly on a monthly basis without further approval. The KPSC has also implemented an environmental surcharge to recover costs related to programs limiting the emissions of coal-fired generation.

The very competitive cost structure exhibited by Big Rivers, and the resulting wholesale and retail rates, among the lowest in the nation, are further mitigating regulatory risk. Although the competitiveness of the cooperative's wholesale and member retail rates are currently subsidized as a result of the MRS credit, charges excluding the credit are still relatively attractive. In 2010, Big Rivers reported a nonsmelter member wholesale rate of $36.35 per MWh. Excluding the MRS credit, the rate was $44.26 per MWh, comfortably below the average member revenue per MWh for cooperatives nationwide.

Member retail rates similarly remain equally competitive with the region's other power suppliers, and nationwide, largely due to low power costs. Retail rates for the smelters and Kenergy's other large industrial customers averaged 4.4 cents per kWh in 2010, well below the Kentucky state average of 6.0 cents per kWh. Residential rates across the membership are also solidly in line with neighboring utilities as shown below.

Average Residential Electric Rate — April 2011



Source: Big Rivers.

Big Rivers filed for a general rate increase of 6.85% with the KPSC on March 1, 2011. Discovery, testimony, and public hearings were completed in July 2011, and a final order is expected from the KPSC in August, with new rates effective Sept. 1, 2011. The filing also seeks to redistribute certain costs across the various customer classes. Under the terms of the KPSC order approving the unwind, Big Rivers was required to file a rate case within three years of the closing. Big Rivers is filing for a rate increase sooner than expected, keeping with the policies noted earlier, and in response to lower than anticipated off-system revenues.

The cooperative's current financial forecast incorporates somewhat modest base rate increases, but actual wholesale rates are projected to increase significantly over time, due to a forecast increase in coal costs and the depletion of the MRS reserves. While the resulting 2019

Case No. 2012-00119
Attachment for Response to KIUC 1-13
Witness: Mark A. Hite

rates for the smelters and non-smelter members are still expected to be regionally competitive, the higher cost of power to be borne by members may introduce some economic strain. The cooperative's current forecast does not include the potential cost effect of further environmental compliance, which would most likely introduce more strain.

Managing its power supply operations and the ultimate cost of its wholesale power in the wake of escalating costs, diminishing reserves, and potentially burdensome environmental regulations will be the single greatest challenge for Big Rivers, and the most important factor in the cooperative's future creditworthiness.

Financial Position

The significant changes in the operating profile of Big Rivers in recent years, particularly the effect of the unwind, make the comparison of historical financial metrics difficult. Fitch's assessment of Big Rivers' financial position is largely based on fiscal 2010 performance against budget (the first full year of post-unwind operations) and the cooperative's projected performance under both base case and stressed scenarios.

Financial performance for fiscal 2010 was relatively solid and virtually on budget. Operating margins for the year were slightly lower than forecast ($51.3 million versus $54.6 million forecast), as weaker wholesale prices for power were nearly offset by increased, but more efficient, generation. Net margins for the year were almost exactly on budget ($7.0 million versus $7.1 million budgeted). Actual figures reported by Big Rivers for TIER (1.14x), DSC (1.47x), and equity to capitalization (32%) were also solidly in-line with forecast performance.

Fitch-calculated ratios for DSC (1.32x) and total debt to FADS (12.2x) were commensurate with the current rating, and do not reflect the inclusion of withdrawals from the MRS reserve. Including those revenues, the metrics improve to 1.78x and 9.0x, respectively. Metrics for cash on hand (37 days, excluding the MRS reserves) and total liquidity on hand (109 days) were somewhat low for the cooperative's operating profile.

Fitch has reviewed Big River's financial forecast, and believes the near-term targets are achievable and based on reasonable assumptions. Maintenance of a TIER in excess of 1.0x, coupled with the absence of significant capital expenditures and the anticipated refunding of maturing debt, should allow the cooperative to gradually improve its liquidity and equity ratios to levels commensurate for the current rating.

Fitch has also reviewed Big Rivers' sensitivity analysis, which assumes the loss of both smelters at the end of 2012 and the sale of excess capacity at base case wholesale price projections. Maintaining coverage and cash levels consistent with the cooperative's goals would require average base rates approximately 15% higher than the base case projections for the period 2013–2017, based on the expectation that market-based sales can be executed. An increase of this magnitude is not unreasonable, but would likely strain the members and draw scrutiny from the KPSC. The current rating adequately reflects these risks.

Debt

At Dec. 31, 2010, Big Rivers reported total long-term debt of $817.0 million, the largest portion of which is the Rural Utilities Service (RUS) Series A note for $558.7 million, which has a final maturity of 2021, but requires payments of $60 million in 2012 and $200 million in 2016 as negotiated with the RUS. The cooperative's remaining long-term debt includes a RUS Series B note for $116.2 million, maturing in 2023, and two series of County of Ohio, KY, tax-exempt pollution control bonds, series 1983 and series 2010 A, totaling $58.8 million and $83.3 million, respectively.

The series 2010 A bonds were remarketed in June 2010 as fixed-rate bonds, with a final maturity of July 2031. The series 1983 bonds are currently held as bank bonds by the liquidity provider (Dexia Credit), bear interest at a variable rate, and mature in June 2013. As with the scheduled 2012 and 2016 RUS payments, Big Rivers expects to refinance the series 1983 maturity, introducing a moderate degree of refinancing risk, and reinforcing the importance of continued access to the capital markets. Fitch believes this risk is manageable.

Liquidity

Big Rivers maintains lines of credit totaling $100 million with CoBank, ACB ($50 million), and National Rural Utilities Cooperative Finance Corporation ($50 million), which provide additional liquidity for operations. The current lines of credit expire in 2012 and 2014, respectively, and are expected to be renewed upon expiration.

Member Cooperatives

The consolidated financial profile of the Big Rivers membership has improved marginally in recent years, and is supportive of the cooperative's rating. For the year ended Dec. 31, 2010, the members reported consolidated operating income before depreciation, interest, and taxes of $37.3 million on total revenues of $482.2 million, and an aggregate ratio for debt service coverage of 1.84x, as calculated by Big Rivers. The improved performance is due, in part, to the approval of rate increases at both Jackson Purchase and Kenergy. At year-end 2010, the members reported total net worth of $131 million, and an aggregate ratio of equity to capitalization of 35.9%. A summary of aggregate metrics for 2008–2010 is provided below.

Big Rivers Member Aggregate Financial Metrics

($ Mil.)	2008	2009	2010
Operating Revenues	434.0	422.8	482.2
Operating Income Before Depreciation, Interest, and Taxes	28.5	30.8	37.3
DSC (x)	1.46	1.52	1.84
TIER (x)	1.37	1.44	2.11
Net Debt	220.1	236.7	233.9
Total Margins Plus Equities	111.9	117.9	131.0
Equity/Capitalization (%)	33.7	33.2	35.9

DSC – Debt service coverage. TIER – Times interest earned ratios.
Source: Big Rivers.

Financial Summary — Big Rivers Electric Cooperative

($000, Fiscal Years Ended Dec. 31)	2006	2007	2008	2009	2010
Cash Flow (x)					
Debt Service Coverage	2.93	2.64	1.24	3.52	1.78
Adjusted Debt Service Coverage with General Fund Transfer	2.93	2.64	1.24	3.52	1.78
Coverage of Full Obligations	2.01	1.87	1.19	2.88	1.49
Liquidity					
Days Cash On Hand	257	275	98	78	37
Days Liquidity On Hand	297	302	130	201	109
Leverage					
Debt/Funds Available for Debt Service (x)	7.6	7.0	7.3	2.3	9.0
Equity/Capitalization (%)	(26.0)	(19.6)	(17.5)	30.9	31.9
Equity/Adjusted Capitalization (%)	(18.4)	(13.4)	(13.3)	25.2	26.6
Net Debt/Net Utility Plant (x)	1.04	1.00	1.10	0.73	0.72
Other (%)					
Operating Margin	34.2	29.7	34.6	14.9	9.7
General Fund Transfer/Total Revenue	0.0	0.0	0.0	0.0	0.0
Capex/Depreciation	39.3	55.2	66.3	157.4	113.4
Income Statement					
Total Operating Revenues	**258,588**	**329,870**	**273,181**	**373,360**	**527,324**
Total Operating Expenses	170,260	231,836	178,542	317,668	476,072
Operating Income	88,328	98,034	94,639	55,692	51,252
Adjustment to Operating Income for Debt Service Coverage	50,176	53,963	47,075	37,951	40,384
Funds Available for Debt Service	138,504	151,997	141,714	362,180	91,636
Total Annual Debt Service	**47,277**	**57,559**	**114,211**	**102,849**	**51,453**
Balance Sheet					
Unrestricted Funds	96,143	148,914	38,903	60,290	44,780
Restricted Funds	186,690	192,932	—	243,225	217,562
Total Debt	**1,053,034**	**1,061,737**	**1,039,120**	**848,552**	**826,996**
Equity and/or Retained Earnings	(217,371)	(174,137)	(154,602)	379,392	386,575

Source: Fitch Ratings and CreditScope.

FITCH AFFIRMS BIG RIVERS ELECTRIC CORP, KY'S 2010A POLLUTION CONTROL RFDG REV BONDS AT 'BBB-'

Fitch Ratings-New York-12 August 2011: As part of ongoing surveillance, Fitch Ratings affirms the 'BBB-' rating on the $83.3 million County of Ohio, KY's pollution control refunding revenue bonds (Big Rivers Electric Corporation Project).

The Rating Outlook is Stable.

Fitch is also withdrawing its issuer credit rating for Big Rivers, which was assigned prior to Fitch assigning a rating on any of Big Rivers' publicly held bonds.

SECURITY

The bonds are secured by a mortgage lien on substantially all of the corporation's owned tangible assets, which include the revenue generated from the sale or transmission of electricity.

KEY RATING DRIVERS

Risk Profile Reshaped: The recent termination of its generating asset lease transaction has reshaped the risks surrounding Big Rivers, effectively reducing leverage and financial risk in exchange for increased reliance on a concentrated customer base and the wholesale marketplace.

Abundant Low-Cost Resources: Big Rivers benefits from abundant low-cost power resources and an average wholesale system rate ($36.35/MWh [megawatt hour] in 2010, net of credits) that is among the lowest in the nation. Member retail rates are similarly low and competitive.

Heavy Customer Concentration: Big Rivers has resumed electric service, through its largest member Kenergy Corp., to two local aluminum smelters (a combined demand of 850 MW at a 98% load factor) that account for approximately 53% of total energy sales.

Subject to Rate Regulation: Big Rivers' and its members' electric rates are regulated by the Kentucky Public Service Commission (KPSC), which limits the cooperative's financial flexibility and may hinder necessary rate increases.

Acceptable Financial Metrics: Acceptable financial metrics for the rating category include fiscal 2010 debt service coverage (DSC) of 1.32 times (x) and total debt/funds available for debt service (FADS) of 12.2x. Including revenues from member rate stability (MRS) reserves, metrics improve to 1.78x (DSC) and 9.0x (debt/FADS).

Forecasted Stability: FADS and times interest earned ratios (TIER) are expected to remain relatively stable going forward, aided by the continued use of MRS reserves and a TIER adjustment mechanism included in the cooperative's power sale agreements with the smelters.

WHAT COULD TRIGGER A RATING ACTION
Restrictive Rate Regulation: Future regulatory decisions that prevent the cooperative from adequately recovering costs would likely result in downward pressure on the rating or Outlook.

Onerous Environmental Regulation: Environmental regulations proposed by the U.S. Environmental Protection Agency (EPA), if adopted, could result in a much higher cost of compliance for the cooperative versus other utilities with newer, more diversified resources.

Deteriorating Operating Conditions: Declining non-smelter member sales, weak surplus energy sales, or constrained smelter operations that reduce financial margins and liquidity could also put downward pressure on the rating or Outlook.

CREDIT PROFILE

Big Rivers is a generation and transmission cooperative based in Henderson, Kentucky. Big Rivers supplies wholesale electric and transmission from its total capacity of 1,829 MW to three distribution cooperatives - Meade County Rural Electric Cooperative Corporation, Jackson Purchase Energy Corporation and Kenergy Corp. Combined, these members provide service to approximately 112,500 retail customers located in 22 western Kentucky counties.

Emergence from Bankruptcy

In September 1996, Big Rivers filed for voluntary Chapter 11 relief under the U.S. Bankruptcy code, generally due to an inability to sell power produced from its excess capacity at prices sufficient to cover its above-market costs. After emerging from bankruptcy in 1998, and in accordance with its plan of reorganization, Big Rivers entered into a 25-year lease of all its generating assets with Western Kentucky Energy Corp. (WKEC). The transaction essentially transferred the operational responsibilities of the assets and related risks in exchange for annual lease payments, and a fixed price purchase power contract with LG&E Energy Marketing, Inc. (LEM).

Unwinding the Lease Transaction

In 2009, the lease with WKEC was effectively 'unwound, resulting in Big Rivers receiving cash and consideration totaling $865 million and resuming control of its generation fleet. Big Rivers also resumed electric service to two local aluminum smelters that have historically dominated the service area's electric demand and were supplied by LEM following the reorganization. Going forward, the smelters will again represent a significant portion of the cooperative's electric demand.

The consideration received in connection with the unwind allowed Big Rivers to pay down approximately $140 million of debt, establish $253 million of rate stabilization reserves and improve system equity from (19%) to approximately 30%.

Financial Performance Acceptable for Rating Category

Fiscal 2010 financial performance was relatively solid and generally on budget. Electric operating margins ($51.3 million) for the year were slightly lower than forecasted. Weaker wholesale prices for power were nearly offset by increased, but more efficient, generation. Net margins for the year were almost exactly on budget ($7 million). Actual figures reported by Big Rivers for conventional TIER (1.15x), DSC (1.47x) and equity/capitalization (32%) were also solidly in line with forecasted performance.

Fitch-calculated ratios for DSC (1.32x) and total debt/FADS (12.2x) were acceptable for the current rating category and do not reflect the inclusion of withdrawals from reserves. Including those revenues, the metrics improve to 1.78x and 9.0x, respectively. Metrics for cash on hand (37 days, excluding reserves) and total liquidity on hand (109 days) were somewhat low for the cooperative's operating profile.

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Additional information is available at 'www.fitchratings.com'.

In addition to the sources of information identified in Fitch's Revenue-Supported Rating Criteria, this action was additionally informed by information from CreditScope.

Applicable Criteria and Related Research:

--'Revenue-Supported Rating Criteria', June 20, 2011;
--'U.S. Public Power Rating Criteria', March 28, 2011.

For information on Build America Bonds, visit 'www.fitchratings.com/BABs.'

Applicable Criteria and Related Research:
U.S. Public Power Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=613065
Revenue-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=637130

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 14) ***Provide copies of all correspondence between BREC and each of the three credit rating agencies that have been exchanged since the date of issuance of each rating agency's most recent ratings letter applicable to BREC.***

Response) Please see the recent, relevant documents provided in the folder labeled 'KIUC 1-14 – Rating Agency Documents' on the CD accompanying these responses.

Witness) Mark A. Hite

Archived: Monday, April 16, 2012 6:37:38 AM
From: Mark Bailey
Sent: Wednesday, March 07, 2012 3:29:13 PM
To: Mark Hite
Cc: Jim Miller
Subject: Re: Moody's
Importance: Normal

OK. Thanks...

Sent from my iPhone

On Mar 7, 2012, at 4:25 PM, "Mark Hite" <Mark.Hite@bigrivers.com> wrote:

> Just got off the phone with Kevin Rose of Moody's. I briefly summarized the story of the Transition Reserve... its history, current status, and question about its future. Discussed the CFC and CoBank term loans, the RUS Series A Note, the refinancing, the "claw" back of the Transition Reserve, etc. I then inquired as to the extent to which the Transition Reserve factored into Moody's credit rating of Big Rivers, and whether permanently eliminating it would be viewed adversely. Bottom line, Kevin said the $35m Transition Reserve was only one small piece of the large pie, one small piece of the 1,000 piece puzzle. He said that while he was the lead analyst assigned to Big Rivers, it's a matter for their credit committee to review and opine upon, and that would only be done in totality... a completely updated review of the Big Rivers credit. He said that while this one issue wouldn't seem to be cause for great concern, related matters such as the current state of the smelters operations, the power rates they pay, their competitiveness, the LME, the current state of the off-system power market, Big Rivers' plans for replacing the smelter load, etc., etc., etc., would be viewed all together... not piece by piece.
>
> Kevin spoke for a couple of hours. I mostly listened. Kevin said that Big Rivers last visited Moody's in May 2011, and they published their rating update in July 2011. He indicated the need to commence the rating update work the last week of April or the first week of May. I noted the upcoming ECP filing, and associated Financing Application, including the timeline. Kevin requested Big Rivers provide him a presentation (what he called a slide show) and long-term financial forecast shortly prior thereto. He said that Moody's desired to meet face-to-face with me for an update not less than annually. Noting the timeline for the potential public or private placement ECP financing, and the potential for a rating on such new debt, Kevin said that perhaps best to schedule the late April or early May meeting telephonically, then plan the face-to-face visit later in 2012.

Based on this feedback from Kevin, I think it appropriate to refrain from phoning Fitch or S&P, proceed with the plan to replenish the Transition Reserve, and leave the Financing Update for the Board as you saw it this morning.

Comments welcome.

Thanks,

Mark

Mark A. Hite, CPA

VP Accounting & Interim CFO

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APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 15) ***Provide copies of all reports or presentations that have been prepared by BREC since January 1, 2011, for use by or presentation to any credit rating agency, investment banking institution, investment advisory service, credit support institution or institutional investment group or entity.***

Response) Please see the relevant documents in the responses to KIUC 1-1, KIUC 1-3 and KIUC 1-14 which are provided on the CD accompanying these responses.

Witness) Mark A. Hite

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 16) *Provide copies of all correspondence between BREC and Goldman Sachs, or between BREC and any other investment banking institution or any other investment advisory entity, with respect to the possible issuance by BREC of negotiable or non-negotiable first mortgage bonds or other evidences of long term indebtedness, and the terms and conditions, including pricing of such instruments, that BREC's institutional advisors believe could likely be achieved by BREC upon the issuance of such indebtedness.*

Response) Please see the response to KIUC 1-4.

Witness) Mark A. Hite

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 17) ***Provide from your records or the records of your investment advisor, Goldman Sachs, a list that is as comprehensive as possible of all first mortgage bonds and pollution control bonds that have been publicly issued or privately placed since January 1, 2010, by electric utilities in the United States (inclusive of investor owned, municipal, or cooperative electric utilities) that carry credit ratings in the BBB or Baa category. Such list should show the issuance date, the maturity date, the amount, and the interest rate on each debt obligation.***

Response) Please see the attached list, compiled by Goldman Sachs, of private placement and investor owned utility (IOU) first mortgage bond (FMB) issuances and fixed rate pollution control bond (PCB) issuances since January 1, 2010, by electric utilities in the BBB or Baa category, in the requested format.

Witness) Mark A. Hite

FMB and PCB List

As of 4.17.2012

Issuer	Type	Credit Quality NAIC	Moody's	S&P	Size Deal	Issue	Maturity Final	Avg Life	Offer	Coupon
FMB Private Placements										
Empire District Electric Co	FMB	NAIC-2	A3	BBB+	88	88	15	15	Feb-12	3.58%
Duquesne Light Co	FMB	NAIC-2	A3	BBB+	200	200	30	30	Oct-11	4.76%
Consumers Energy	FMB	NAIC-2	A3	BBB	300	50	5	5	Aug-10	2.60%
Consumers Energy	FMB	NAIC-2	A3	BBB		100	7	7	Aug-10	3.21%
Consumers Energy	FMB	NAIC-2	A3	BBB		100	10	10	Aug-10	3.77%
Consumers Energy	FMB	NAIC-2	A3	BBB		50	30	30	Aug-10	4.97%
Consumers Energy	FMB	NAIC-2	A3	BBB	300	250	12	12	Mar-10	5.30%
Consumers Energy	FMB	NAIC-2	A3	BBB		50	30	30	Mar-10	6.17%
FMB IOU Issuance										
Southern California Edison	FMB		A3	BBB+	400	400	30		Mar-12	4.05%
Westar Energy Inc	FMB		A3	BBB+	250	250	30		Feb-12	4.13%
Commonwealth Edison Co	FMB		Baa1	A-	600	250	5		Aug-11	1.95%
Commonwealth Edison Co	FMB		Baa1	A-	600	350	10		Aug-11	3.40%
Oglethorpe Power Corp	FMB		Baa1	A	300	300	39		Aug-11	5.25%
Commonwealth Edison Co	FMB		Baa1	A-	600	600	3		Jan-11	1.63%
Oglethorpe Power Corp	FMB		Baa1	A	450	450	30		Nov-10	5.38%
Tristate Gen&Trans Association	FMB		Baa1	A	500	100	30		Oct-10	6.00%
Entergy Gulf States	FMB		A3	BBB+	250	250	10		Sep-10	3.95%

Fixed Rate Pollution Control Bond Issuance

Beneficiary	Type	Put?	Credit Quality Moody's	S&P	Size	Maturity Final	Put	Offer	Coupon	Issuer
Tucson Electric Power Co	PCB		Baa3	BBB-	177	18		Mar-12	4.50%	Apache Co Industrial Dev Auth
NYS Elec & Gas	PCB		NR	BBB+	132	4		Sep-11	2.25%	NYS Energy Research & Dev Auth
Indianapolis P & L Co	PCB		Aa3	BBB	95	10		Aug-11	3.88%	Indiana Finance Authority
Appalachian Power Company	PCB	Yes	NR	BBB	65	30	1	Feb-11	2.00%	West Virginia Economic Dev Auth
Indian River Power	PCB		Baa3	NR	57	30		Dec-10	6.00%	Sussex Co-Delaware
FirstEnergy Nuclear Gen Corp	PCB	Yes	Baa2	BBB-	26	23	4	Dec-10	3.75%	Ohio Air Quality Dev Authority
Waste Management Inc	PCB	Yes		BBB	12	8	1	Nov-10	2.30%	Miami-Dade Co Indus Dev Auth
Indian River Power LLC	PCB		Baa3	NR	190	35		Oct-10	5.38%	Delaware Economic Dev Auth
FirstEnergy Nuclear Gen Corp	PCB	Yes	Baa2	BBB-	8	23	5	Sep-10	3.38%	Ohio Air Quality Dev Authority
FirstEnergy Nuclear Gen Corp	PCB	Yes	Baa2	BBB-	99	23	5	Sep-10	3.38%	Ohio Water Development Authority
Entergy Gulf States Inc	PCB		A3	BBB+	116	18		Sep-10	5.00%	Louisiana Public Facs Auth (LPFA)
Tucson Electric Power Co	PCB		Baa3	BBB-	100	30		Sep-10	5.25%	Pima Co Industrial Dev Auth
Ohio Power Company	PCB	Yes	Baa1	BBB	39	4	4	Aug-10	2.88%	Ohio Air Quality Dev Authority
Pub Svc Co of New Mexico	PCB		Baa3	BB+	344	30		Jun-10	5.90%	Farmington City-New Mexico
Pub Svc Co of New Mexico	PCB	Yes	Baa3	BB+	60	33	10	Jun-10	5.20%	Maricopa Co Pollution Ctl Corp
Big Rivers Electric Corp	PCB		Baa1	BBB-	83	21		May-10	6.00%	Ohio Co-Kentucky
Ohio Power Company	PCB	Yes	NR	BBB	79	31	4	May-10	3.25%	Ohio Air Quality Dev Authority
Tucson Electric Power Co	PCB		Baa3	BB+	12	30		May-10	6.25%	Farmington City-New Mexico
Tucson Electric Power Co	PCB		Baa3	BB+	255	30		May-10	5.90%	Farmington City-New Mexico
Appalachian Power Company	PCB		Baa2	BBB	50	29		May-10	5.38%	West Virginia Economic Dev Auth
International Paper Company	PCB		Baa3	BBB	20	24		May-10	5.70%	Columbus Co Ind Fac & PC Fin Auth
Pacific G & E	PCB	Yes	A3	BBB+	50	17	2	Apr-10	2.25%	California Infrstr & Eco Dev Bank
Ohio Power Company	PCB	Yes	Baa1	BBB	86	33	5	Mar-10	3.13%	West Virginia Economic Dev Auth
Southwestern Elec Power	PCB	Yes	Baa3	BBB	54	9	5	Mar-10	3.25%	DeSoto Parish-Louisiana
Appalachian Power Co	PCB		Baa2	BBB	18	12		Mar-10	4.63%	Russell Co Industrial Dev Auth
United Illuminating Co	PCB	Yes	Baa2	BBB	28	17	5	Jan-10	4.50%	New Hampshire Business Fin Auth

Sources:

Private Placement Issuance - Private Placement Monitor
FMB IOU Issuance - Bloomberg, Thomson Reuters IFR
PCB Issuance - SDC Platinum, Thomson Financial

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 18) ***Indicate whether the interest rates contemplated to be paid by BREC on its term indebtedness to CoBank and CFC are comparable to the interest rates that are paid by electric utilities that carry comparable institutional credit ratings. If the interest rates to be paid by BREC on the indebtedness to CoBank and CFC are higher than those of its rating peer group, please explain in detail the reasons for such interest rate differentials.***

Response) Yes, Big Rivers' believes the all-in effective cost of the CoBank and CFC term loans are comparable, and competitive. But in reference to the response to KIUC 1-17, it is important to note that unlike Big Rivers, the majority of the issuers on the provided schedule regularly frequent the capital markets, are regularly followed by the investors and are generally well known credits. Their securities are actively traded. For the most part, they are SEC reporting entities. Big Rivers possesses none of those characteristics. For these reasons, and others, it is difficult to compare any of those issue rates to a unique credit like Big Rivers, and difficult to draw meaningful conclusions for Big Rivers. Also note that that the listed rates do not include the cost of financing, including but not limited to underwriting fees and fees of bond counsel. Also please see the response to KIUC 1-19.

Witness) Mark A. Hite

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 19) ***Explain in narrative form why BREC is proposing to issue term debt to and through CoBank and CFC rather than to undertake market based issuances of indebtedness?***

Response) The estimated CoBank and CFC all-in term loan cost is competitive. For various other reasons, including timing, opportunity and added certainty, Big Rivers chose to pursue the term loans with CoBank and CFC. For a market-based financing, while price and capacity discovery for a credit such as Big Rivers is uncertain, Big Rivers' estimates the long-term spread to U.S. Treasury for a company with split investment grade ratings of Baa1 from Moody's and BBB- from S&P and Fitch is currently 250bp to 275bp. And, as the capital markets continue to be volatile, although the trend shows improvement, Big Rivers opted to defer pursuit of its next market-based financing. Please see the response to KIUC 1-17, which illustrates the competitive all-in cost of the CoBank and CFC term loans. Understandably, it would take considerably more time and additional expense to consummate a market-based financing for several reasons, including but not limited to developing and presenting a comprehensive presentation to educate investors on Big Rivers, determining best execution strategy for Big Rivers (i.e. private placement or public offering), preparing a disclosure document, negotiating documents, having the transaction rated, paying bond counsel, and paying underwriting fees.

Witness) Mark A. Hite

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 20) ***Explain in narrative form why BREC proposes to use the proceeds from its issuance of indebtedness to CoBank and CFC to reduce the outstanding balance of the RUS Series A Note, bearing an interest rate of 5.75%, instead of reducing in whole or in part the outstanding balance on the Series 201A Bonds, bearing an interest rate of 6.00%.***

Response) Section 3.01 *Optional Redemption*, of the Series 2010A Bonds Trust Indenture sets forth July 15, 2020, as the earliest partial or whole redemption date for the Series 2010A Bonds.

Witness) Mark A. Hite

Item 21) ***Explain in narrative form whether BREC believes, and the reasons underlying such beliefs, that BREC will be able to finance its capital expenditures for environmental compliance and, if so, how BREC plans to structure that financing.***

Response) Yes, Big Rivers believes that it will be able to finance the capital expenditures for its 2012 Environmental Compliance Plan ("ECP"), currently estimated to be $283,500,000. Big Rivers has a strong balance sheet as evidenced by its December 31, 2011, equity to total capitalization ratio of 33%. Big Rivers has achieved a margins for interest ratio (MFIR) in excess of its minimum Indenture requirement each calendar year since the so-called "Unwind" transaction closed, on July 16, 2009. At January 31, 2012, Big Rivers had $284,276,757 excess borrowing capacity, based on the calculation of Bondable Additions, as defined in the Indenture. After appropriately reducing that amount for the transactions proposed in this Financing Application, the excess capacity becomes $146,120,957. Prospective plant additions, such as capital expenditures for the ECP, and other routine capital expenditures in the ordinary course of business, serve to further increase Big Rivers' borrowing capacity (i.e. Bondable Additions). Big Rivers has investment grade credit ratings of Baa1 from Moody's, and BBB- from Standard & Poor's and Fitch.

Big Rivers has commenced efforts to finance its ECP. Those efforts have included discussions with the RUS, CFC and Goldman Sachs, as well as face-to-face meetings with RUS and CFC. For example, Big Rivers may utilize a construction revolver to fund its ECP construction, bridging to permanent financing at a later date, perhaps following the ECP assets being placed into service. As Big Rivers' all-requirements contracts with its members extend through December 31, 2043, it is likely that Big Rivers will seek permanent ECP financing of an approximate 30 year term, and generally level debt service, but structured to accommodate Big Rivers' other long-term debt obligations. Note that while Big Rivers is borrowing $580,155,800 from CoBank and CFC, the long-term debt outstanding only increases $138,155,800, as $442,000,000 is a refinancing of the RUS Series A Note.

Witness) Mark A. Hite

Item 22) ***Explain in narrative form how the subject refinancing will affect BREC's capacity to finance, or the cost to finance, its anticipated capital expenditures for environmental compliance. Please include in your answer BREC's plans for this financing.***

Response) As stated in the response to KIUC 1-21, Big Rivers' current Bondable Additions, as defined in its Indenture, provide significant borrowing capacity. And, net additions to Big Rivers' total utility plant, including the 2012 environmental compliance plan and other routine capital expenditures in the ordinary course of business, serve to increase borrowing capacity, as they will increase Bondable Additions.

The refinancing of the RUS Series A Note proposed in this Financing Application should serve to enhance Big Rivers' future ability to borrow because it lowers Big Rivers'current cost of debt. In addition, the proposed refinancing meets the required $60,000,000 principal payment due on the RUS Series A Note by October 1, 2012, and the required $200,000,000 principal payment on the RUS Series A Note by January 4, 2016, and allows for a more level debt service for Big Rivers, which is a credit positive.

Please see the response to KIUC 1-21, and the Direct Testimony of Mark A. Hite beginning at page 15 of Big Rivers' ECP filing of April 2, 2012, Case No. 2012-00063[1], for additional information regarding Big Rivers' plans for its

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[1] Case No. 2012-00063, *Application of Big Rivers Electric Corporation for Approval of its 2012 Environmental Compliance Plan, for Approval of its Amended Environmental Cost Recovery Surcharge Tariff, for Certificates of Public Convenience and Necessity, and for Authority to Establish a Regulatory Account,* filed April 2, 2012.

ECP financing. Again, note that while Big Rivers is borrowing $580,155,800 from CoBank and CFC, the long-term debt outstanding only increases $138,155,800, as $442,000,000 is a refinancing of the RUS Series A Note.

Witness) Mark A. Hite

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information
Dated April 11, 2012

April 23, 2012

Item 23) *Explain in narrative form whether BREC believes, and the reasons underlying such beliefs, that future issuances of debt that may be necessary to fund BREC's capital expenditures for environmental compliance can be obtained at an interest rate lower than 5.75%, the interest rate on the RUS Series A Note.*

a. If BREC believes that the interest rate on future debt issuances to fund environmentally related capital expenditures will be less than 5.75%, then explain why BREC believes that new environmentally related debt can be issued at interest rates lower than the Series 2010A Bonds.

b. If BREC believes that the interest rate on future debt issuances to fund environmentally related capital expenditures will be greater than 5.75%, then explain why BREC intends to use the preponderance of the proceeds of its CoBank and CFC borrowings to reduce the principal balance of the RUS Series A Note (costing 5.75%) rather than to fund environmentally related capital expenditures (anticipated to cost greater than 5.75%).

Response)

a. It cannot be known with certainty what interest rates will be at the time Big Rivers will be in a position to close on financing its 2012 ECP. However, Big Rivers' currently believes it is reasonable to assume it will be able to borrow funds for its ECP at an interest rate of approximately 5.75%, as discussed beginning on page 17 of the Direct Testimony of Mark A. Hite in Big Rivers' ECP filing of April 2, 2012, Case No. 2012-00063[2]. As regards the 6% fixed rate from the June 8, 2010, financing of the Series 2010A Bonds, the municipal and taxable interest rates have declined significantly since that time.

b. As noted in the response to a. above, Big Rivers currently believes it is reasonable to assume it will be able to borrow funds for its ECP at an interest rate of approximately 5.75%. Big Rivers cannot know with certainty what the timing for, nor the interest rate of, its ECP financing will be. At the same time, Big Rivers believes the final all-in effective rates of the CoBank and CFC term loans proposed in this Financing Application will be less than the 5.75% rate on the RUS Series A Note. Big Rivers believes that the CoBank and CFC term loans present a timely opportunity to meet its required $60,000,000 principal payment by October 1, 2012, $200,000,000 principal payment by January 4, 2016, plus refinance an additional $182,000,000, at a rate below the current 5.75%, and also enables Big Rivers to achieve a more level debt service, a credit positive. It should also be noted that

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[2] Case No. 2012-00063, *Application of Big Rivers Electric Corporation for Approval of its 2012 Environmental Compliance Plan, for Approval of its Amended Environmental Cost Recovery Surcharge Tariff, for Certificates of Public Convenience and Necessity, and for Authority to Establish a Regulatory Account*, filed April 2, 2012.

the proposed CoBank and CFC term loans require $442,000,000 of the proceeds be applied to the RUS Series A Note and that the Maximum Debt Balance Schedule be amended to reflect a corresponding reduction.

Witness) Mark A. Hite

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APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers'
Initial Request for Information
Dated April 11, 2012

April 23, 2012

Item 24) *With respect to BREC's RUS Series A Note:*

a. *Show the stated amounts, the financial accounting amounts, the difference between the stated amounts and the financial accounting amounts, and the imputed interest rates for December 31, 2010 and 2011. If the imputed interest rate at December 31, 2011 was different than the imputed interest rate at December 31, 2010, please provide a complete explanation of such change.*

b. *Assuming that BREC will use $442 million in proceeds from the term debt to CoBank and CFC to reduce the RUS Series A Note to $84.603 million, show the anticipated amounts as of December 31, 2012, for the stated amount, the financial accounting amount, and the imputed interest rate. If the imputed interest rate at December 31, 2012 will be different than the imputed interest rate at December 31, 2010, please provide a complete explanation of such change. If the imputed interest rate is unchanged from December 31, 2011 to December 31, 2012, please explain why the lower cost refunding of the RUS Series A Note does not cause a change in the imputed interest rate for financial accounting purposes.*

c. *Explain why the imputed interest rate on the New RUS Promissory Note (bearing a stated interest rate of 5.75%) was 5.82%, while the imputed interest rate on the RUS*

Series A Note (the successor instrument to the New RUS Promissory Note, also bearing a stated interest rate of 5.75%) is 5.84%.

d. Show the amount of the gain or loss that will be recognized by BREC for financial accounting purposes when $442 million is paid to reduce the principal balance of the RUS Series A Note. If the imputed interest rate on the RUS Series A Note is changed because of the cost of the new debt with CoBank and CFC or for any other reason, please disaggregate the gain or loss to show the amounts attributable to (i) the debt repayment amount of $442 million, and (ii) the change in the imputed interest rate. Also, explain whether this gain or loss will be expensed

1. during 2012,
2. over the remaining term of the RUS Series A Note, or
3. over the term of the debt issued to CoBank and CFC, and explain the reasoning for BREC's choice of accounting treatment for such gain or loss.

Response)

a. The 5.75% stated amount, the financial accounting amount, the difference between the stated amount and the financial accounting amount, and the imputed, or effective, interest rate on the RUS Series A Note as of December 31, 2010, and December 31, 2011, were as follows:

Year End	Stated	GAAP	Difference	Imputed Rate
2010	$561,061,340	$558,731,205	$2,330,135	5.84%
2011	$523,192,168	$521,249,857	$1,942,311	5.85%

Because the RUS Series A Note fair value for GAAP and RUS accounting purposes differs from its stated value, an imputed interest rate is determined that differs from its 5.75% stated interest rate. The imputed interest rate is a function of the note's actual debt service, or cash flow. Accordingly, a change in cash flow, timing or amount, may result in a prospective change in the effective interest rate. As shown in the table above, the difference in the imputed interest rate of 5.84% at December 31, 2010, vs. 5.85% at December 31, 2011, was due to three cash flow changes during 2011. The first cash flow change occurred January 3, 2011, when Big Rivers "clawed back" a prepayment that had been made in 2010. The second cash flow change occurred April 1, 2011, when Big Rivers utilized the $35,000,000 Transition Reserve to prepay the RUS Series A Note. The third cash flow change occurred October 3, 2011, when Big Rivers made a prepayment.

b. Please see the chart below which shows the stated amount, the financial accounting amount, and the imputed interest rate on the 5.75% RUS Series A Note as of December 31, 2012:

Year End	Stated	GAAP	Difference	Imputed Rate
2012	$84,603,000	$84,094,227	$508,773	5.85%

RUS Bulletin Section 1767.15(q)(3) states "When the redemption of one issue or series of bonds or other long-term obligations is financed by another issue or series before the maturity date of the first issue, the difference between the amount paid upon refunding and the face value; plus any unamortized premium less related debt expense or less any unamortized discount and related debt expense, applicable to the debt refunded, shall be included in Account 189, Unamortized Loss on Reacquired Debt, or Account 257, Unamortized Gain on Reacquired Debt, as appropriate." This section goes on to say that "The Utility may elect to account for such amounts as follows: (A) Write them off immediately when the amounts are insignificant; (B) Amortize them by equal monthly amounts over the remainder of the original life of the issue retired; or (C) Amortize them by equal monthly amounts over the life of the new issue."

Big Rivers will utilize option (C) and amortize the loss due to refinancing $442,000,000 of the RUS Series A Note in equal monthly amounts over the life of the CoBank and CFC Term Loans. This option most accurately matches the cost of the refinancing with the benefit of the refinancing. This is also historically consistent with previous and similar Big Rivers' transactions.

Because this transaction is a reacquisition of debt with refunding rather than an ordinary prepayment or "claw back", and because the loss due to refinancing the RUS Series A Note will be amortized over the life of the new debt issued, there will be no resulting change in the imputed interest rate for GAAP and RUS accounting purposes when compared to December 31, 2011. December 31, 2011, vs. December 31, 2010, was described in the response to part a. above.

c. As stated in the response to part a. above, a change in the cash flow on the 5.75% RUS Series A Note may necessitate a prospective change in the imputed interest rate. The most notable cash flow change occurred July 16, 2009, when a portion of the "Unwind" transaction proceeds were applied to the note. None of the cash flow changes in the note from 2009 to the present were the result of a refinancing accompanied by the issuance of new debt, which is a distinguishing factor in determining the accounting treatment for the RUS Series A Note in this Financing Application.

d. The loss resulting from refinancing $442,000,000 of the RUS Series A Note on June 29, 2012 is $1,225,589, which, as described in the response to b. above, will be amortized in equal monthly amounts over the term of the CoBank and CFC term loans. Such accounting treatment most accurately matches the cost of the refinancing to the benefit of the refinancing. Similarly, the cost of issuing the new debt, including closing fees, will also be amortized over the life of the associated debt.

Witness) Mark A. Hite

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers'
Initial Request for Information
Dated April 11, 2012

April 23, 2012

Item 25) *Please explain whether the lower cost refunding that BREC intends to obtain from CoBank and CFC, in part to make a significant reduction to the RUS Series A Note, will have any effect on the imputed interest rate used to calculate the balance of the RUS Series B Note for financial accounting purposes. If so, what change will occur in the financial accounting balance of the RUS Series B Note, and how will the gain or loss upon such change be handled for financial accounting purposes? If there will be no change, please explain why no change will occur to the imputed interest rate of the RUS Series B Note.*

Response) The proposed refinancing of $442,000,000 of the 5.75% RUS Series A Note has no effect on the financial accounting treatment for the non-interest bearing RUS Series B Note.

Witness) Mark A. Hite

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00119

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated April 11, 2012

April 23, 2012

Item 26) ***Provide a calculation of the net reduction in the smelter rate once financing is closed and for the next five years.***

Response) The specific timing and amount of Big Rivers next request to the Commission for a general adjustment in base tariff rates is unknown. Inevitably, a reduction in Big Rivers' revenue requirement resulting from refinancing a portion of the RUS Series A Note with the term loans from CoBank and CFC will serve to reduce member rates below what they would otherwise be. Any reduction in Big Rivers' fixed costs could improve Big Rivers' TIER, and improve the smelters' chances for a reduction in the TIER Adjustment Charge.

Witness) Mark A. Hite