ORIGINAL

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

THE APPLICATION OF BIG RIVERS	)	
ELECTRIC CORPORATION FOR	)	Case No.
APPROVAL TO ISSUE EVIDENCE OF	)	2012-00492
INDEBTEDNESS	)	

Response to the Kentucky Industrial Utility Customers'
Initial Request for Information
dated December 19, 2012

Volume 2
Responses to Item Nos. 9 through 22

FILED: January 3, 2013

ORIGINAL

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC
ATTORNEYS AT LAW

ald M. Sullivan
Jesse T. Mountjoy
Frank Stainback
James M. Miller
Michael A. Fiorella
Allen W. Holbrook
R. Michael Sullivan
Bryan R. Reynolds*
Tyson A. Kamuf
Mark W. Starnes
C. Ellsworth Mountjoy

*Also Licensed in Indiana

January 3, 2013

RECEIVED

JAN 03 2013

PUBLIC SERVICE
COMMISSION

Via Federal Express

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

Re: ***In the Matter of: The Application of Big Rivers Electric Corporation for Approval to Issue Evidences of Indebtedness,*** PSC Case No. 2012-00492

Dear Mr. DeRouen:

Enclosed are an original and ten copies of responses of Big Rivers Electric Corporation to the requests for information of Alcan Primary Products Corporation, Kentucky Industrial Utility Customers, Inc., and the Attorney General. Also enclosed are an original and ten copies of a petition for confidential treatment of certain information furnished in response to these information requests. I certify that copies of this letter and enclosures have been served on each person shown on the attached service list.

Sincerely yours,

James M. Miller

James M. Miller

JMM/ej
Enclosures

cc: Albert Yockey
Billie J. Richert

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

100 St. Ann Building
PO Box 727
Owensboro, Kentucky
42302-0727

www.westkylaw.com

Service List
PSC Case No. 2012-00492

Michael L. Kurtz, Esq.
BOEHM, KURTZ & LOWRY
36 E. Seventh Street
Suite 1510
Cincinnati, Ohio 45202

David C. Brown, Esq.
Stites & Harbison
1800 Providian Center
400 West Market Street
Louisville, Kentucky 40202

Donald P. Seberger
Rio Tinto Alcan
8770 West Bryn Mawr Avenue
Chicago, Illinois 60631

Jennifer Hans Black
Dennis G. Howard, II
Lawrence W. Cook
Assistant Attorneys General
1024 Capital Center Dr.
Suite 200
Frankfort, KY 40601

BIG RIVERS ELECTRIC CORPORATION

THE APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS CASE NO. 2012-00492

VERIFICATION

I, Billie J. Richert, 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.

Billie J. Richert

Billie J. Richert

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Billie J. Richert on this the 2nd day of January, 2013.

Paula Mitchell

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

ORIGINAL

Big Rivers

ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

THE APPLICATION OF BIG RIVERS	)	
ELECTRIC CORPORATION FOR	)	Case No.
APPROVAL TO ISSUE EVIDENCE OF	)	2012-00492
INDEBTEDNESS	)	

Response to the Kentucky Industrial Utility Customers' Initial Request for Information dated December 19, 2012

Volume 2
Responses to Item Nos. 9 through 22

FILED: January 3, 2013

ORIGINAL

BIG RIVERS ELECTRIC CORPORATION

THE APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00492

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated December 19, 2012

January 3, 2013

Item 9) ***Provide a copy of all correspondence between BREC and the three rating agencies since January 1, 2012.***

Response) Please see attached copies of all correspondence between Big Rivers and the three rating agencies since January 1, 2012. Some presentations to these rating agencies are being filed under a Petition for Confidential Treatment.

As a result of Big Rivers receiving Century's Notice of Termination on August 20, 2012, Big Rivers has begun implementing its Load Concentration Mitigation Plan that was submitted under petition for confidential treatment to the Commission in Big Rivers' 2012 Environmental Compliance Plan case, Case No. 2012-00063. Please see Big Rivers' response to KIUC's Second Request for Information, dated June 22, 2012, Item 2-44(b). Therefore the Load Concentration Mitigation Plan has not been included in the attached copies of correspondence.

Witness) Billie J. Richert

Billie Richert

From:	Mark Hite
Sent:	Sunday, December 23, 2012 10:49 AM
To:	Billie Richert
Subject:	FW: Big Rivers Electric Corporation
Attachments:	Big Rivers orientation update - 5-2-12.pptx; Big Rivers - Base Case - Financial Forecast 2012-2026 - 4-30-12 .xlsx

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Mark Hite
Sent: Thursday, May 03, 2012 2:51 PM
To: dennis.pidherny@fitchratings.com
Subject: Big Rivers Electric Corporation

As promised, attached hereto are (1) the updated "slide show", generally an introduction to Big Rivers, and (2) the 15-year financial forecast. I believe you now have all items needed to commence your annual rating update process. If need be, I'll be glad to walk you through each file. Upon your request, I stand ready to respond to any question you may have.

Thank you,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
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

Billie Richert

From: Mark Hite
Sent: Sunday, December 23, 2012 11:00 AM
To: Billie Richert
Subject: FW: Big Rivers Electric Corporation
Attachments: Big Rivers orientation update - 5-2-12.pptx; Big Rivers - Base Case - Financial Forecast 2012-2026 - 4-30-12 .xlsx

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Mark Hite
Sent: Thursday, May 03, 2012 2:48 PM
To: Bodek, David (david_bodek@standardandpoors.com)
Subject: Big Rivers Electric Corporation

As promised, attached hereto are (1) the updated "slide show", generally an introduction to Big Rivers, and (2) the 15-year financial forecast. I believe you now have all items needed to commence your annual rating update process. If need be, I'll be glad to walk you through each file. Upon your request, I stand ready to respond to any question you may have.

Thank you,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
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

Billie Richert

From: Mark Hite
Sent: Sunday, December 23, 2012 10:57 AM
To: Billie Richert
Subject: FW: Big Rivers Electric Corporation
Attachments: Big Rivers orientation update - 5-2-12.pptx; Big Rivers - Base Case - Financial Forecast 2012-2026 - 4-30-12 .xlsx

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Mark Hite
Sent: Thursday, May 03, 2012 2:51 PM
To: kevin.rose@moodys.com
Subject: Big Rivers Electric Corporation

As promised, attached hereto are (1) the updated "slide show", generally an introduction to Big Rivers, and (2) the 15-year financial forecast. I believe you now have all items needed to commence your annual rating update process. If need be, I'll be glad to walk you through each file. Upon your request, I stand ready to respond to any question you may have.

Thank you,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
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

Rating Agency Presentation –
Big Rivers Overview Presentation, Prepared May 2, 2012

Overview Presentation

Date Prepared: May 2, 2012

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy Cooperative

Big Rivers

Table of Contents

Big Rivers

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 (KPSC)
- 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, gross of the MRSM $45.29/MWh
Non-Smelter Member MRSM ($6.22)/MWh
Non-Smelter Member Rate, net of the MRSM $39.07/MWh
Smelter Rate $44.48/MWh

** MRSM – Member Rate Stability Mechanism*

Big Rivers

2011 Rate Case – General Adjustment in Base Rates

- On March 1, 2011, Big Rivers filed an application for a general adjustment in base rates with the KPSC
  - Case number 2011-00036
- New Rates were effective September 1, 2011, pending approval from the KPSC
- On November 17, 2011, the KPSC approved a base rate increase of $26.7mm (a 6.17% base rate increase)
  - $10.6 million was assigned to the rural class
  - $ 1.9 million to the large industrial class
  - $14.2 million to the smelters
- The KPSC has granted Big Rivers a rehearing for an additional $2.7mm. The Kentucky Industrial Utility Customers (KIUC) is also seeking rehearing of the KPSC's approval of the depreciation study and cost of service.

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.

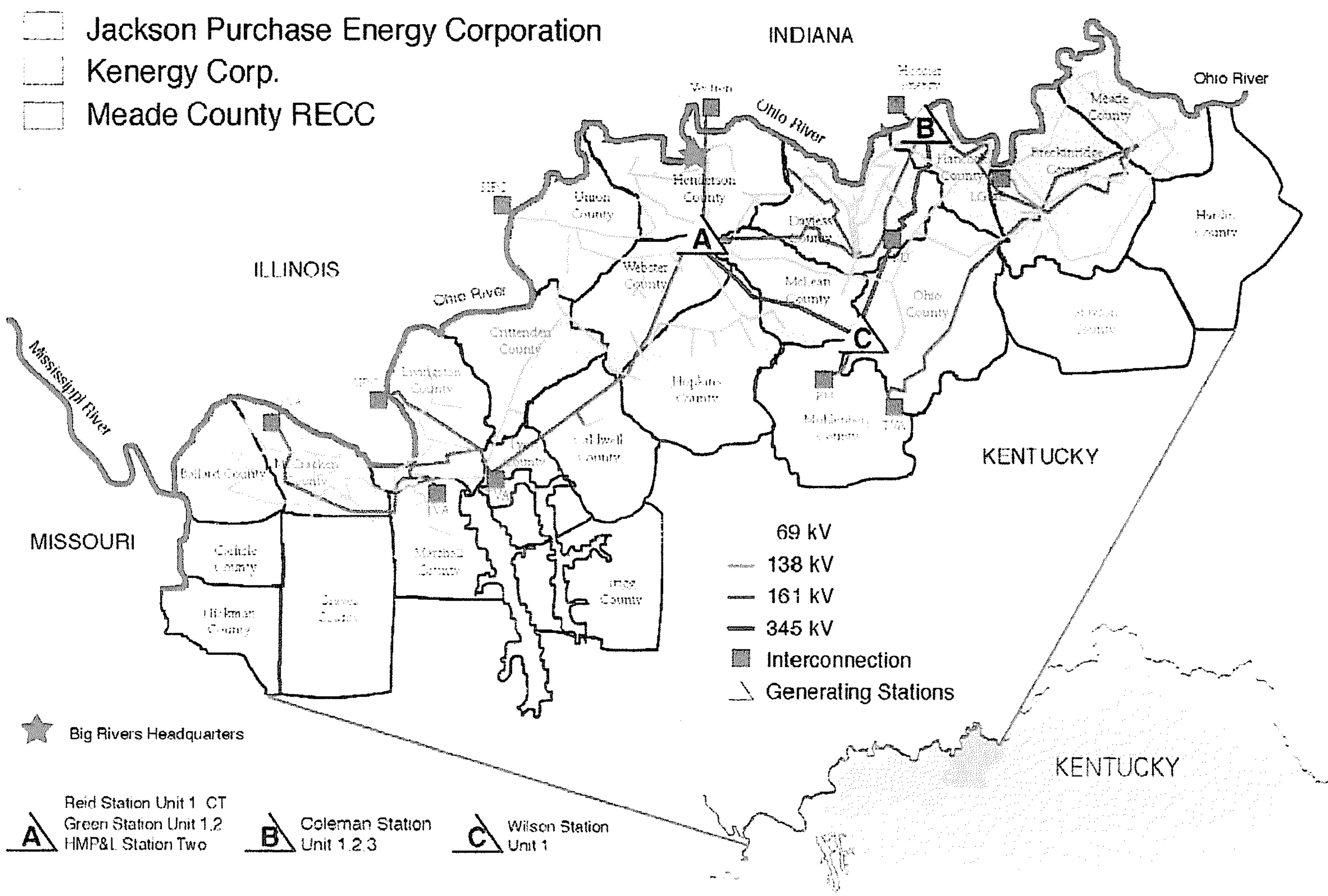
VISION

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 Members' Service Territory



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.

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 & 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 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

Big Rivers' Financing Application with the KPSC

Big Rivers filed n Financing Application with the KPSC on 3/28/12 (Case No. 2012-00119). Big Rivers has requested the KPSC approve the transaction by 5/25/12, enabling Big Rivers to close on 6/29/12. This application seeks approval from the KPSC to refinance a significant portion of the existing RUS Series A Note. Additionally, Big Rivers will replenish the $35 million Transition Reserve and fund $60 million of future capital expenditures.

Big Rivers proposes to borrow $235 million from CoBank in the form of a secured term loan, and a $302 million secured term loan from CFC. These financings are expected to be at all-in rates that are below that of the existing 5.75% RUS Series A Note, and will also extend the final maturity of the associated debt.

Big Rivers plans to use the $537 million proceeds from these borrowings as follows:

- $442 million will be used to prepay a portion of the 5.75% RUS Series A Note
- $60 million will be used for capital expenditures
- $35 million will be used to replenish the Transition Reserve

In connection with the CFC term loan, Big Rivers will also purchase interest bearing Capital Term Certificates (CTCs) from CFC equal to 14.29% of the amount of the CFC secured note, or $43 million. Big Rivers has elected to finance the purchase of the CTCs with CFC in the form of an equity loan note.

Big Rivers anticipates this transaction will reduce its cost $1.5 million annually.

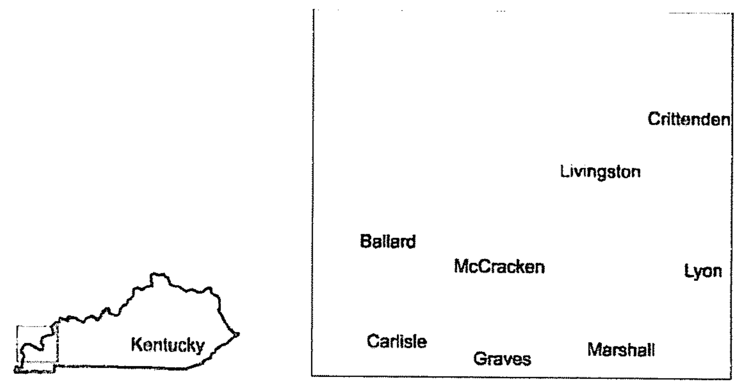
Big Rivers

II. Overview of the 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%



	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	40.4%	43.6%	39.8%

	FY2011		
Customer Type	**MWh**	**Number of Consumers**	**Revenue ($000)**
Residential	411,231	26,054	29,070
Comm. And Ind. (< 1,000 kW)	190,023	3,126	11,916
Comm. And Ind. (<>1,000 kW)	49,397	9	2,909
Public Lighting/Irrigation	888	10	101
Total	**651,539**	**29,199**	**43,996**

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

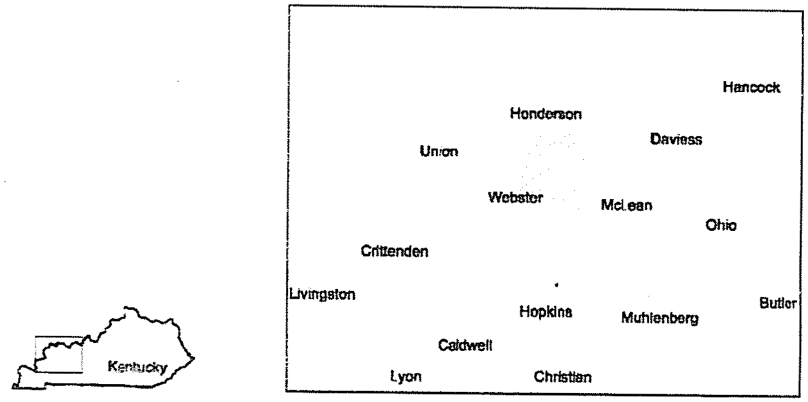
Big Rivers

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

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	1.63 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%



		Consumers	($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**

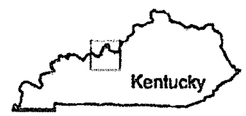
Source: RUS Form 7 [1]Before Depreciation, Taxes & Interest

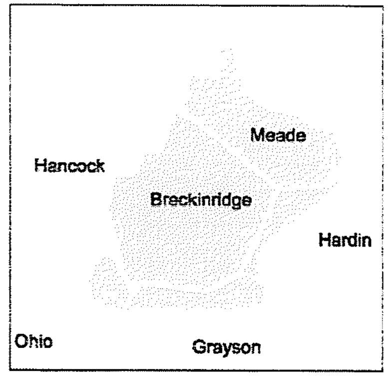
Big Rivers

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	28.4	27.5	24.7
Net Operating Income [1]	7.4	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 (PA) – Adjusts monthly for incremental changes in purchased power costs (non-FAC PPA regulatory account for non-smelter members)
  - TIER Adjustment
  - 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, net of the MRSM	8.06
Big Rivers Rate, gross of the MRSM	8.66

Average Residential Rate – National
December 2011[2]

National Region	Cents / kWh
Pacific Noncontiguous	27.50
New England	16.20
Middle Atlantic	15.30
Pacific Contiguous	12.47
East North Central	11.46
South Atlantic	10.99
East South Central	10.56
West South Central	10.13
Mountain	9.86
West North Central	9.33
Kentucky	9.12
United States Total	**11.52**

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

Big Rivers

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	24.99
New England	13.42
Middle Atlantic	10.12
Pacific Contiguous	8.94
East South Central	8.21
South Atlantic	8.02
East North Central	7.66
Meade County	7.53
Kenergy - excluding Smelters	7.17
Mountain	7.04
West South Central	6.96
West North Central	6.40
Jackson Purchase	6.19
Kenergy - Smelters	4.40
Kentucky	4.18

Source: RUS Form 7 and Energy Information Administration

Big Rivers

III. Operations

Big Rivers

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

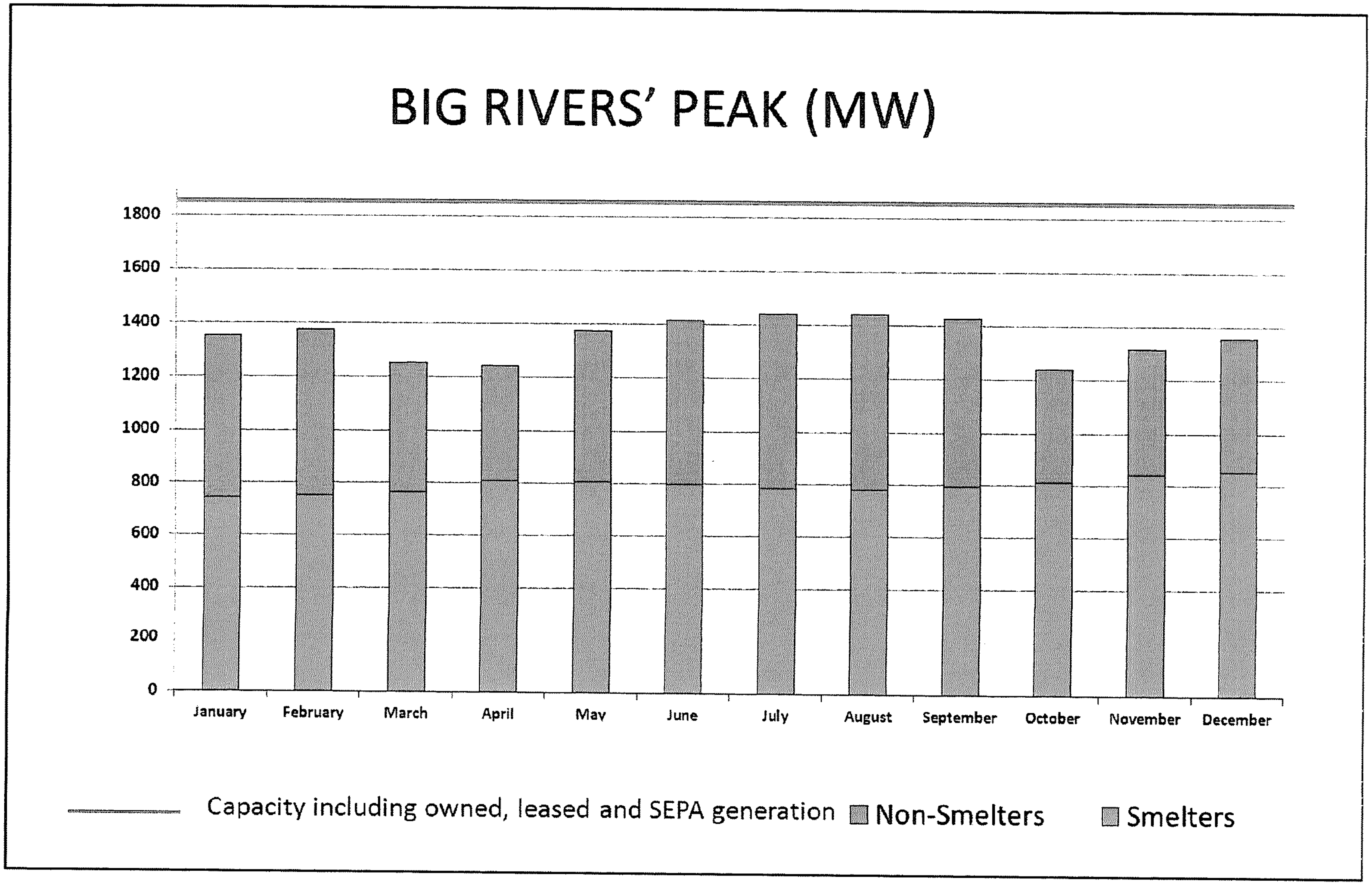
- Eight of the nine coal generating units are equipped with Flue Gas Desulphurization systems (FGDs) to control SO2 emissions
- Wilson 1, HMP&L 1 and HMP&L 2 are equipped with Selective Catalytic Reduction systems (SCRs) to control NOx emissions
- System performance is actively benchmarked against the 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] less than the median cost ([redacted]).

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						
Coleman 2						
Coleman 3						
Green 1						
Green 2						
Henderson 1						
Henderson 2						
Wilson 1						
SYSTEM						

Big Rivers

Big Rivers' Peak 2011 (MW)



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

Big Rivers

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	$						
Green 2	$						
HMP&L 1	$						
HMP&L 2	$						
Coleman 1	$						
Coleman 2	$						
Coleman 3	$						
Wilson 1	$						
Totals	**$**						

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

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 has filed an application on April 2, 2012 with the KPSC seeking approval to comply with environmental requirements (Case No. 2012-00063). Additionally, Big Rivers intends to file an associated financing application for these costs by August 2, 2012. Commission approval is anticipated November 5, 2012. Estimated compliance costs, in $, 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	[redacted]		
Total Annual 2012 ECP Cost in 2016	[redacted]		

Big Rivers

Big Rivers' ECP Revenue and Rate Impact in 2016*

	Base 2012 1	Base 2016 2	Build 2016 3	(3-2) / 2	(3-2) / 1
Gross of MRSM					
Rate $/MWh					
Rural	52.64	58.89	62.98	6.9%	7.8%
Large Industrial	45.46	51.64	54.80	6.1%	6.9%
Smelter Unadjusted	51.08	54.45	58.18	6.8%	7.3%
Smelter Adjusted**	48.13	53.09	55.72	5.0%	5.5%
Net of MRSM					
Rate $/MWh					
Rural	44.32	51.27	51.27	0.0%	0.0%
Large Industrial	37.21	51.64	54.80	6.1%	8.5%
Smelter Unadjusted	51.08	54.45	58.18	6.8%	7.3%
Smelter Adjusted**	48.13	53.09	55.72	5.0%	5.5%

* Rates shown are based on information from the April 2, 2012 filing with the KPSC

**Smelter Adjusted reflects removal of the TIER Adjustment Charge. The Build Case has lower off-system net sales margin in 2016 due to ECP costs, causing the Smelters to move up within the TIER bandwidth.

Big Rivers

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	[redacted]		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

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	606.0	645.6	666.8	713.8
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	610.0	649.6	670.8	717.8
Operating Expense - Excluding Fuel	[redacted]						
Operating Expense Fuel							
Maintenance Expense							
Depreciation and Amortization	34.2	35.4	41.9	43.3	44.7	48.1	52.3
Interest Expense	47.1	45.7	43.4	49.0	54.0	59.7	61.9
Other - Net	(2.8)	(0.4)	(1.4)	(6.0)	(11.2)	(14.5)	(5.8)
Total Expenses	[redacted]						
Net Margins	[redacted]						

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	$ 1,428
Cash & Investments	45	45	58	45	35	39	34
Transition Reserve	35	0	35	35	36	36	36
Economic Reserve	121	100	72	44	17	0	0
Rural Economic Reserve	62	63	64	65	66	59	31
Receivables, Inventories, & Other	117	118	176	180	177	178	182
Total	**$ 1,472**	**$ 1,418**	**$ 1,525**	**$ 1,558**	**$ 1,670**	**$ 1,748**	**$ 1,711**
Equities & Liabilities							
Equities	$ 387	$ 390	$ 395	$ 401	$ 413	$ 428	$ 443
Debt	817	786	927	982	1,098	1,175	1,158
Deferred Revenue - Economic Reserves	181	162	136	109	84	59	31
Line of Credit Advances	10	0	0	0	5	15	5
Payables & Other	77	80	67	66	70	71	74
Total	**$ 1,472**	**$ 1,418**	**$ 1,525**	**$ 1,558**	**$ 1,670**	**$ 1,748**	**$ 1,711**
Equities / Total Capitalization	**32%**	**33%**	**30%**	**29%**	**27%**	**27%**	**28%**

Big Rivers

Debt Service Coverage

	Actual		Projected				
Debt Service Coverage ($mm)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Margins	[redacted]						
Interest Expense	47.1	45.7	43.4	49.0	54.0	59.7	61.9
Depreciation & Amortization	36.3	37.5	44.5	46.0	47.5	51.0	55.5
Numerator for DSCR	[redacted]						
Interest Expense	47.1	45.7	43.4	49.0	54.0	59.7	61.9
Principal Due on Long-Term Debt	14.2	14.9	16.1	19.4	20.1	20.9	26.1
Denominator for DSCR	$ 61.3	$ 60.6	$ 59.5	$ 68.4	$ 74.1	$ 80.6	$ 88.0
Debt Service Coverage Ratio	[redacted]						

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	3.27	3.78	4.75	7.37
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	0	0	0	0	0	0	0
Economic Reserve	(7.91)	(6.22)	(8.69)	(8.39)	(7.93)	(5.07)	0.00
Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	(2.49)	(8.47)
Blended Rate	**36.35**	**39.07**	**42.27**	**43.77**	**47.58**	**49.94**	**52.25**

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	2.95	2.67	2.59
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	2.66	3.14	3.94	6.11
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**	**52.18**	**54.48**	**55.73**	**58.32**

Big Rivers

Big Rivers' Credit Rating

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

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

Standard & Poor's (S&P) – 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.

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

VI. Appendix – Management Information

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

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.

Rating Agency Presentation –
Big Rivers 2011 Financial Report

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy Cooperative

2011 Financial Report

($ in Thousands)

Board Meeting Date: February 21, 2012

Big Rivers

Summary of 2011 Statement of Operations

	2011			2010	
	Actual	**Budget ***	**Fav/(UnFav) Variance**	**Actual**	**Fav/(UnFav) Variance**
Revenues	561,989	544,872	17,117	527,324	34,665
Cost of Electric Service	[redacted]				
Operating Margins	[redacted]				
Interest Income/Other	268	482	(214)	2,734	(2,466)
Margins	[redacted]				

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

Big Rivers

Statement of Operations – December

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	47,411	50,390	(2,979)	558,372	544,848	13,524	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	380	2	378	3,617	24	3,593	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	47,791	50,392	(2,601)	561,989	544,872	17,117	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	[redacted]						[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL							[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY							[A] Pages 7, 12-14, 27
OPERATION EXPENSE-TRANSMISSION							[B], [C] Page 28
OPERATION EXPENSE-RTO/ISO							
CONSUMER SERVICE & INFORMATIONAL EXPENSE							
OPERATION EXPENSE-SALES							[B], [C] Page 30
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL							[C] Page 31
TOTAL OPERATION EXPENSE	[redacted]						
MAINTENANCE EXPENSE-PRODUCTION	[redacted]						[B], [C] Page 32
MAINTENANCE EXPENSE-TRANSMISSION							[B], [C] Page 33
MAINTENANCE EXPENSE-GENERAL PLANT							
TOTAL MAINTENANCE EXPENSE	[redacted]						
DEPRECIATION & AMORTIZATION EXPENSE	3,252	3,054	(198)	35,407	36,228	821	[C] Page 34
TAXES	(30)	21	51	98	249	151	
INTEREST ON LONG-TERM DEBT	3,789	4,023	234	45,715	47,367	1,652	[C] Page 35
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(40)	(2)	38	(548)	(426)	122	
OTHER INTEREST EXPENSE	0	30	30	59	229	170	
OTHER DEDUCTIONS	17	11	(6)	220	137	(83)	
TOTAL COST OF ELECTRIC SERVICE	[redacted]						
OPERATING MARGINS	[redacted]						
INTEREST INCOME	6	33	(27)	150	386	(236)	
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	4	0	4	109	96	13	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	[redacted]						

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

Statement of Operations – December

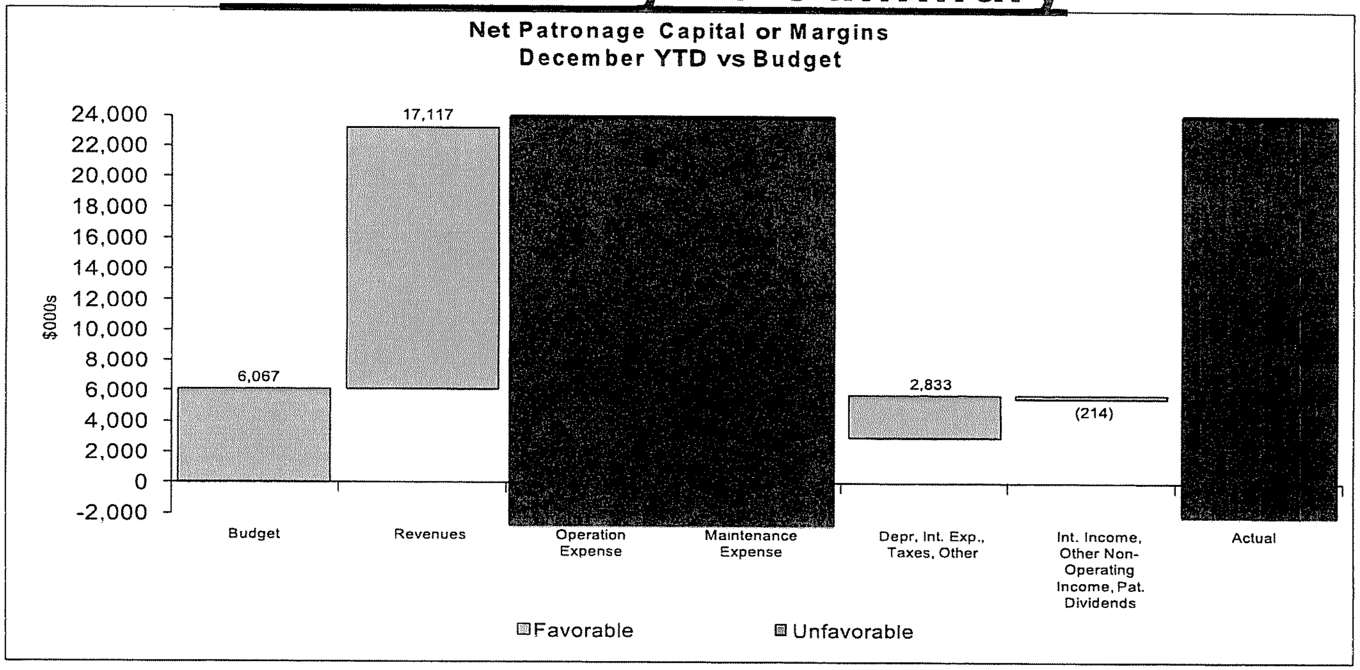
Variance to Prior-Year

	Current Month			Year-to-Date			
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	47,411	47,175	236	558,372	514,490	43,882	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	380	152	228	3,617	12,834	(9,217)	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	47,791	47,327	464	561,989	527,324	34,665	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	[redacted]						[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL							[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY							[A] Pages 7, 12-14, [B] 27
OPERATION EXPENSE-TRANSMISSION							[B],[C] Page 28
OPERATION EXPENSE-RTO/ISO							[B],[C] Page 29
CONSUMER SERVICE & INFORMATIONAL EXPENSE							
OPERATION EXPENSE-SALES							
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL							
TOTAL OPERATION EXPENSE	[redacted]						
MAINTENANCE EXPENSE-PRODUCTION	[redacted]						[C] Page 32
MAINTENANCE EXPENSE-TRANSMISSION							
MAINTENANCE EXPENSE-GENERAL PLANT							
TOTAL MAINTENANCE EXPENSE	[redacted]						
DEPRECIATION & AMORTIZATION EXPENSE	3,252	2,857	(395)	35,407	34,242	(1,165)	[C] Page 34
TAXES	(30)	65	95	98	263	165	
INTEREST ON LONG-TERM DEBT	3,789	4,104	315	45,715	47,064	1,349	[C] Page 35
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(40)	(103)	(63)	(548)	(683)	(135)	
OTHER INTEREST EXPENSE	0	21	21	59	189	130	
OTHER DEDUCTIONS	17	68	51	220	166	(54)	
TOTAL COST OF ELECTRIC SERVICE	[redacted]						
OPERATING MARGINS	[redacted]						
INTEREST INCOME	6	58	(52)	150	391	(241)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	621	(621)	9	2,322	(2,313)	[B],[C] Page 36
OTHER CAPITAL CREDITS & PAT DIVIDENDS	4	0	4	109	21	88	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	[redacted]						

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

Big Rivers

Variance Analysis Summary

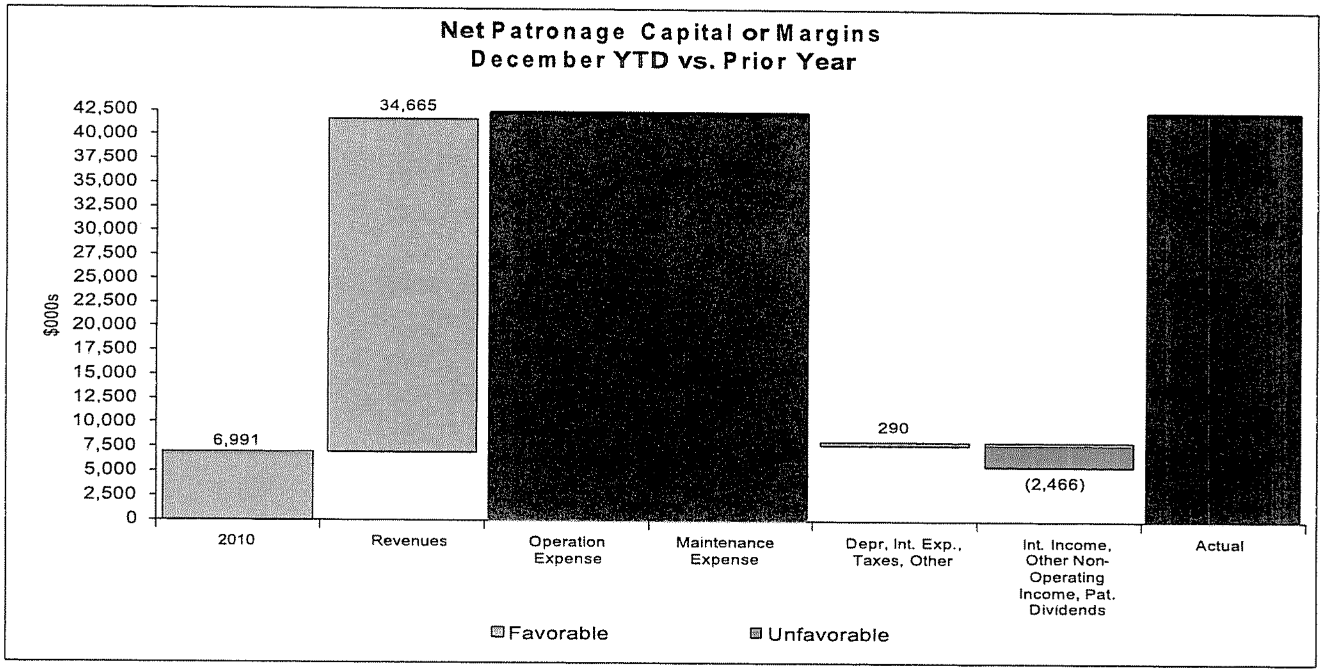


Financial Commentary

- Margins were $467 unfavorable to budget.
  - Electric Energy Revenues were favorable $13,524 primarily due to higher off-system volume (see page 12).
  - Other Revenue was favorable $3,593 due to the power supply transmission reservation (see page 26).
  - [redacted] – driven by higher variable costs $25,287 primarily due to the higher off-system sales volumes and power supply unfavorable transmission reservation, partially offset by the reduction in scope of the HMPL 1 planned outage and favorable operations expense at the plants and transmission (see pages 13, 27-31).
  - [redacted] primarily due to the cancellation of the Green 2 outage and reduction in scope of the Wilson and Green 1 outages (see pages 32 & 33).
  - Depreciation, Taxes, Interest Expense & Other was favorable $2,833 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, 34-35).

Big Rivers

Variance Analysis Summary



Financial Commentary

- Margins were $1,391 unfavorable to 2010.
  - Electric Energy Revenues were favorable $43,882 primarily due to higher off-system volumes (see page 12).
  - Other Revenue was unfavorable $9,217 primarily due to a lower power supply transmission reservation, which is off-set in Operations Expense - Other Power Supply (see page 26).
  - [redacted] – driven by higher variable costs $38,853 and higher MISO expenses, partially offset by lower transmission reservation (see pages 13, 27-29).
  - [redacted] primarily due to higher labor expense (see pages 32).
  - Depreciation and Interest Expense combined was lower $290 (see pages 34-35).
  - Interest Income, Other Non-Operating Income and Pat. Dividends combined were unfavorable $2,466 primarily due to the write-off of the M&S inventory obsolescence reserve and settlement with Alstom related to the Station-Two SCR in 2010 (see page 36).

Big Rivers Electric Corporation

Your Touchstone Energy Cooperative

Member Rate Stability Mechanism

	Actual 2011	Budget 2011	2011 Variance	Actual 2010	2010 Variance
MRSM - $/MWh					
Rural	(6.22)	(7.20)	0.98	(8.08)	1.86
Large Industrial	(6.22)	(7.20)	0.98	(8.08)	1.86
Total	(6.22)	(7.20)	0.98	(8.08)	1.86
MRSM - Thousands of $					
Rural	(14,751)	(18,076)	3,325	(20,044)	5,293
Large Industrial	(6,054)	(6,683)	629	(7,513)	1,459
Total	(20,805)	(24,759)	3,954	(27,557)	6,752

	Actual 2011	Budget 2011	2011 Variance	Actual 2010	2010 Variance
Net Revenue - $/MWh					
Rural	40.56	40.05	0.51	37.07	3.49
Large Industrial	35.46	36.13	(0.67)	33.81	1.65
Total	39.07	39.00	0.07	36.18	2.89
Net Revenue - Thousands of $					
Rural	96,160	100,535	(4,375)	91,989	4,171
Large Industrial	34,506	33,519	987	31,455	3,051
Total	130,666	134,054	(3,388)	123,444	7,222

Economic Reserve Balance

Cumulative-to-Date	Actual	Budget	Variance
Original Deposit	$ 157,000		
Interest Earnings	2,763		
Withdrawals	(59,162)		
Ending Balance 12/31/2011	$ 100,601	$ 98,331	$ 2,270

YTD December 2011			
Beg. Balance 1/1/2011	$ 121,220		
Interest Earnings	899		
Withdrawals	(21,518)		
Ending Balance 12/31/2011	$ 100,601	$ 98,331	$ 2,270

Big Rivers

Cash & Temporary Investments

	Actual	Budget	Fav/(Unfav)	2010 Actual	Fav/(Unfav)
December 31st	44,850	31,916	12,934	44,755	95

The December 31, 2011 cash balance compared to budget is favorable primarily due to lower net capital expenditures of $14,649 and a reduction in fuel inventory of $13,231. As a result, the budgeted line of credit borrowing has not occurred.

Lines of Credit As of December 31st	
Original Amount	$100,000
Letters of Credit Outstanding	(5,375)
Advances Outstanding	0
Available Lines of Credit	$ 94,625

Big Rivers
ELECTRIC CORPORATION

North Star

	2011			2010	
	Actual	Budget*	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service	[redacted]		1,690	[redacted]	(33,588)
Other Operating Revenues & Income	(3,617)	(19,084)	(15,467)	(12,834)	(9,217)
Smelter Avoidable Base Charge	(2,933)	0	2,933	(5,000)	(2,067)
Off-System Sales/Other	[redacted]				
Interest Income	(151)	(386)	(235)	(391)	(240)
Other Non-Operating Income	(9)	0	9	(2,322)	(2,313)
Other Capital Credits & Pat. Dividends	(109)	(96)	13	(21)	88
	[redacted]		32,463	[redacted]	(29,141)
Member MWh	10,199,019	10,729,981	(530,962)	9,759,988	439,031
North Star - $/kWh	[redacted]				

*Reflects power supply transmission reservation in cost of electric service.

TIER

	Actual	Budget	Fav/(Unfav)
Interest on Long-Term Debt	45,715	47,367	1,652
Margins	[redacted]		
TIER	[redacted]		

Notes:

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

Big Rivers
Electric Corporation
Your Touchstone Energy Cooperative

Capital Expenditures*

	Actual	Budget	Fav/(UnFav)
IT	951	994	43
Generation	29,116	36,911	7,795
Transmission	7,781	14,550	6,769
Other	1,798	2,776	978
Total	**39,646**	**55,231**	**15,585**

Explanation:

Generation favorable primarily due to cancellation of projects or scope reductions. Green Station was favorable $3,514 due to the cancellation of the Weld Overlay, as well as favorability of the CT deck, Precipitator Refurbishment and Air Heater Basket projects. Station Two was favorable $2,773 due to reducing the scope of the HMPL1 outage and items removed from the HMPL budget. The Wilson facility was favorable $296 due to the cancellation of the FGD life extension phase 3 and overhead hoist projects. Coleman Station was favorable $1,212 primarily due to the cancellation of the Control Room and ILS control projects.

Transmission was favorable $6,769 primarily due to favorability in the Wilson Line 19F Terminal, Two-Way Radio Replacement and Paradise Terminal Upgrade.

Other favorability of $978 was primarily due to the cancellation of the PCI Software and Fuels Software projects.

* Gross of the City's share of Station Two. Includes capitalized interest.

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

Revenue

	Actual 2011	Budget 2011	Variance	Actual 2010	2010 Variance
MWh Sales					
Rural	2,371,106	2,510,133	(139,027)	2,481,391	(110,285)
Large Industrial	973,092	927,740	45,352	930,168	42,924
Smelter	6,854,819	7,292,108	(437,289)	6,348,431	506,388
Off-System/Other	[redacted]				
Total					
Revenue - $/MWh					
Rural	46.78	47.25	(0.47)	45.15	1.63
Large Industrial	41.68	43.33	(1.65)	41.89	(0.21)
Smelter	44.48	44.92	(0.44)	44.05	0.43
Off-System/Other	[redacted]				
Total					
Revenue - Thousands of $					
Rural	110,911	118,611	(7,700)	112,033	(1,122)
Large Industrial	40,560	40,202	358	38,968	1,592
Smelter	304,880	327,534	(22,654)	279,665	25,215
Off-System/Other	[redacted]				
Total					

Revenue Price / Volume Analysis

	Price / Volume		
	Price v	Volume	Total
Rural	(1,130)	(6,570)	(7,700)
Large Industrial	(1,607)	1,965	358
Smelter	(3,013)	(19,641)	(22,654)
Off-System/Other	[redacted]		

Big Rivers

Variable Operations Cost

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

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

Variable Operations Expense

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

Big Rivers
ELECTRIC CORPORATION

Net Sales Margin

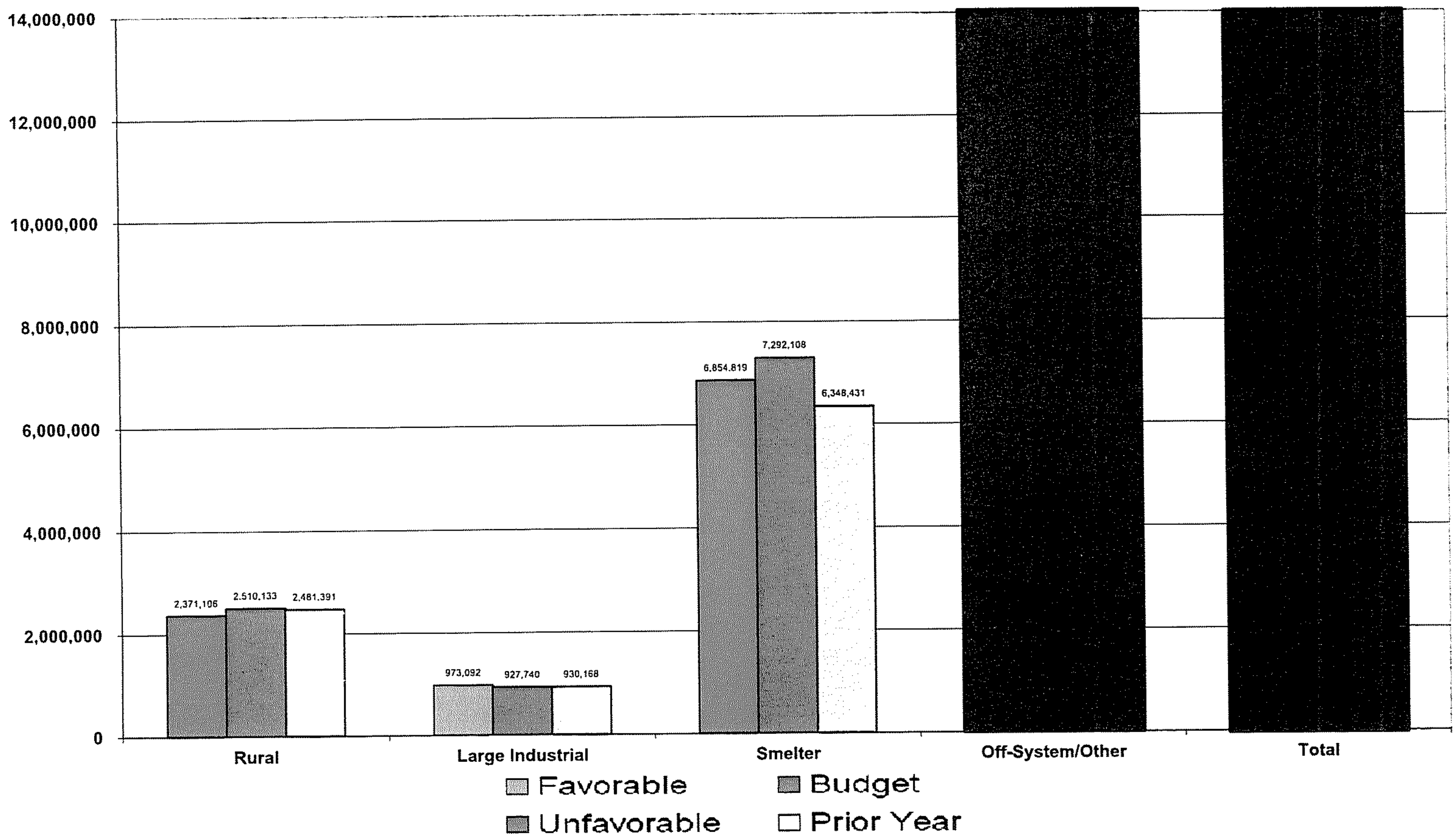
	Actual 2011	Budget 2011	Variance	Actual 2010	2010 Variance
Net Sales Margin - $/MWh					
Rural	[redacted]				
Large Industrial					
Smelter					
Off-System/Other					
Total					

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

Net Sales Margin
Price / Volume Analysis

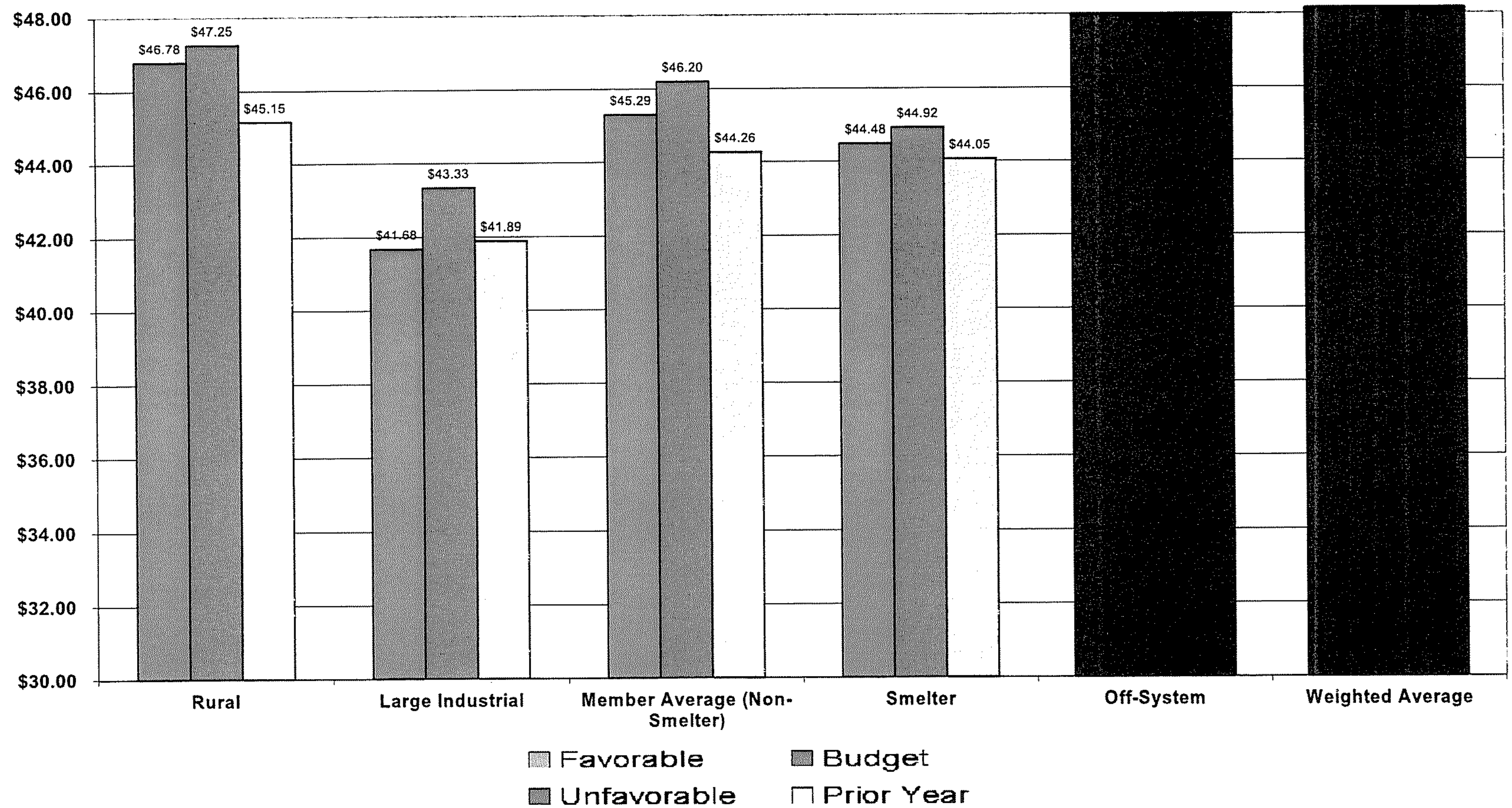
	Price / Volume		
	Price	Volume	Total
Rural	[redacted]		
Large Industrial			
Smelter			
Off-System/Other			

MWH Sales

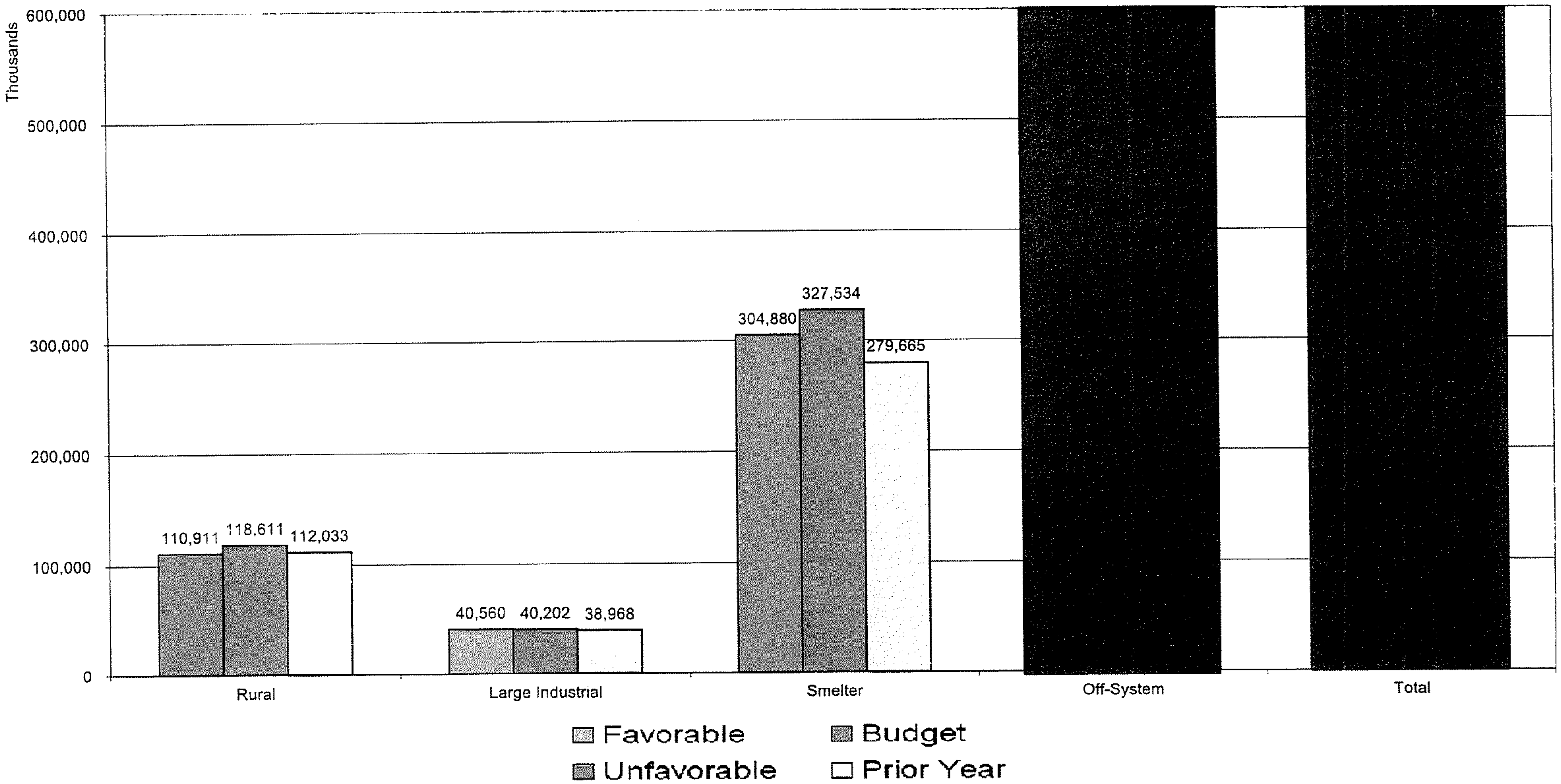


14,000,000
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
0
2,371,106
2,510,133
2,481,391
973,092
927,740
930,168
6,854,819
7,292,108
6,348,431
Rural
Large Industrial
Smelter
Off-System/Other
Total
Favorable
Budget
Unfavorable
Prior Year

Revenue - $/MWh Sold

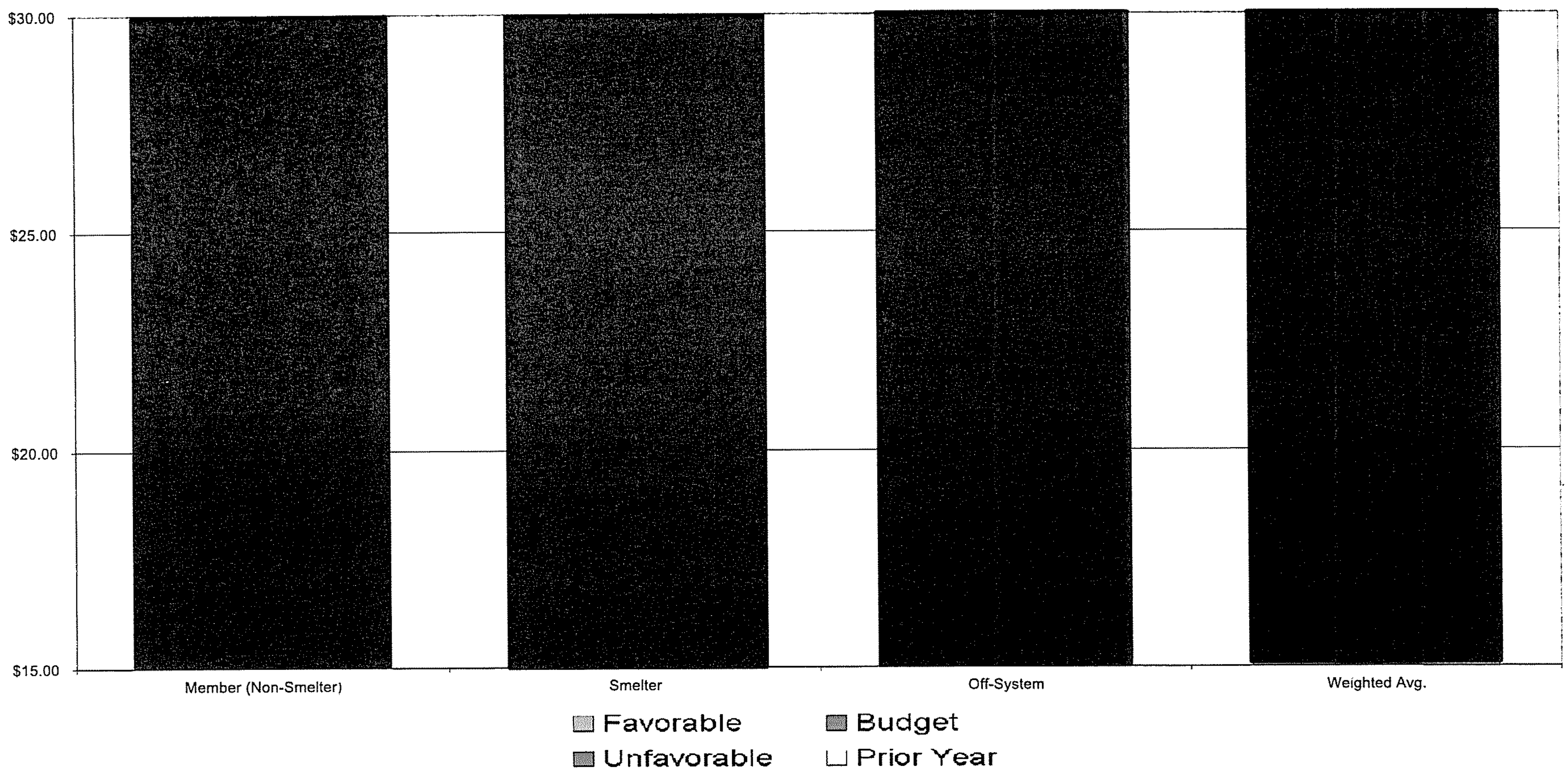


Revenue

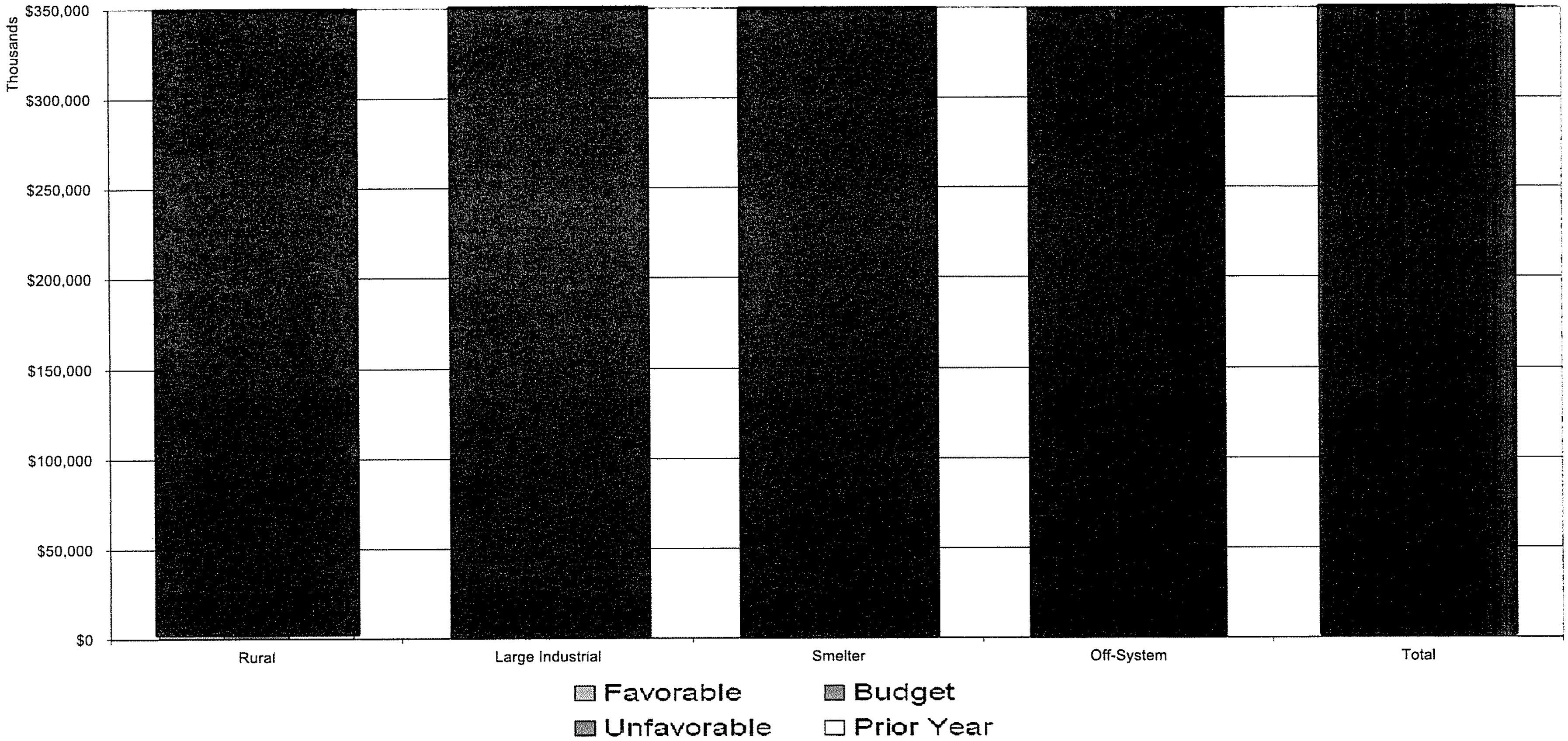


Thousands
600,000
500,000
400,000
300,000
200,000
100,000
0
110,911
118,611
112,033
40,560
40,202
38,968
304,880
327,534
279,665
[redacted]
[redacted]
Rural
Large Industrial
Smelter
Off-System
Total
Favorable
Unfavorable
Budget
Prior Year

Variable Operations - $/MWh Sold

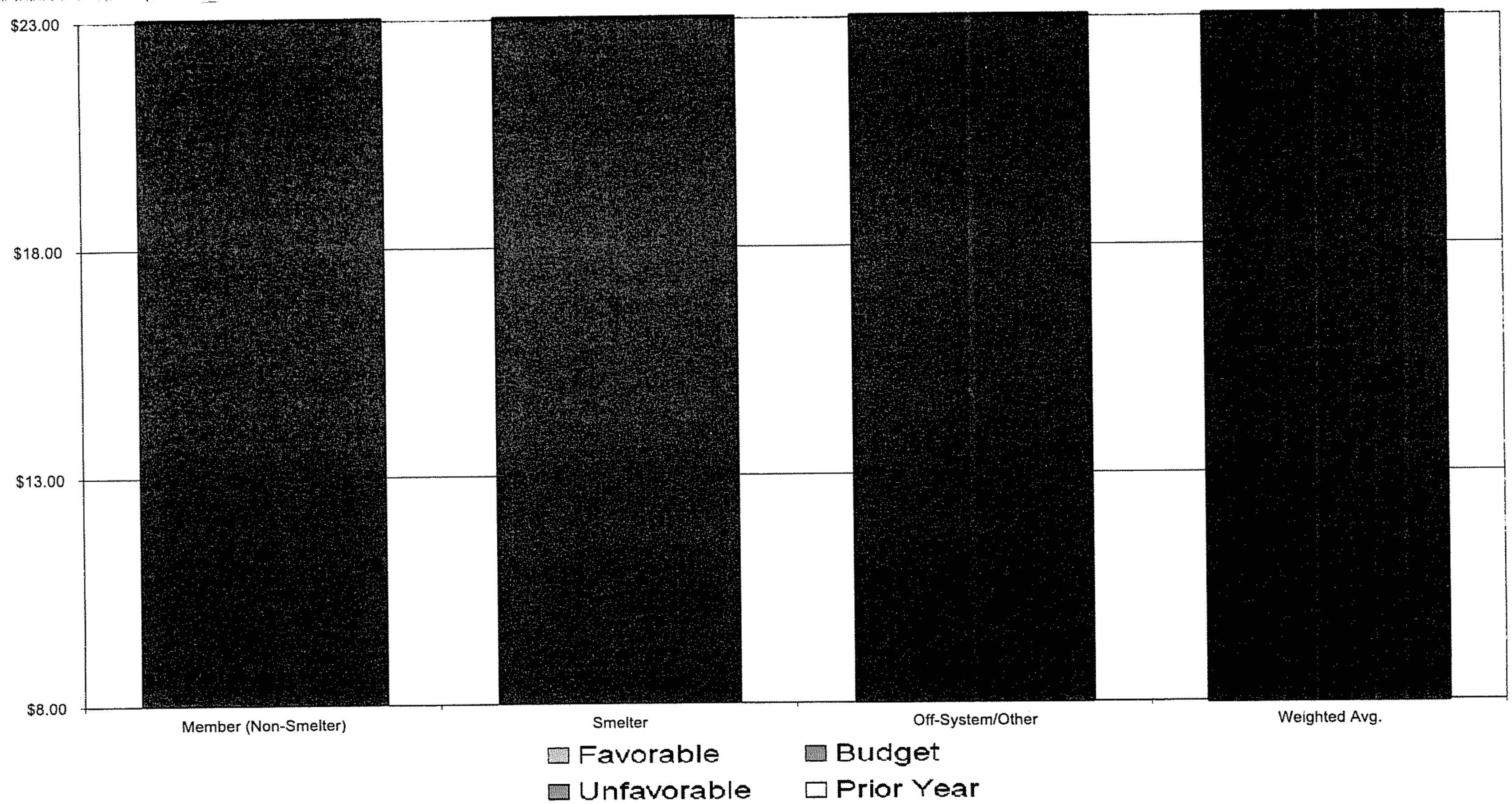


Variable Operations Cost

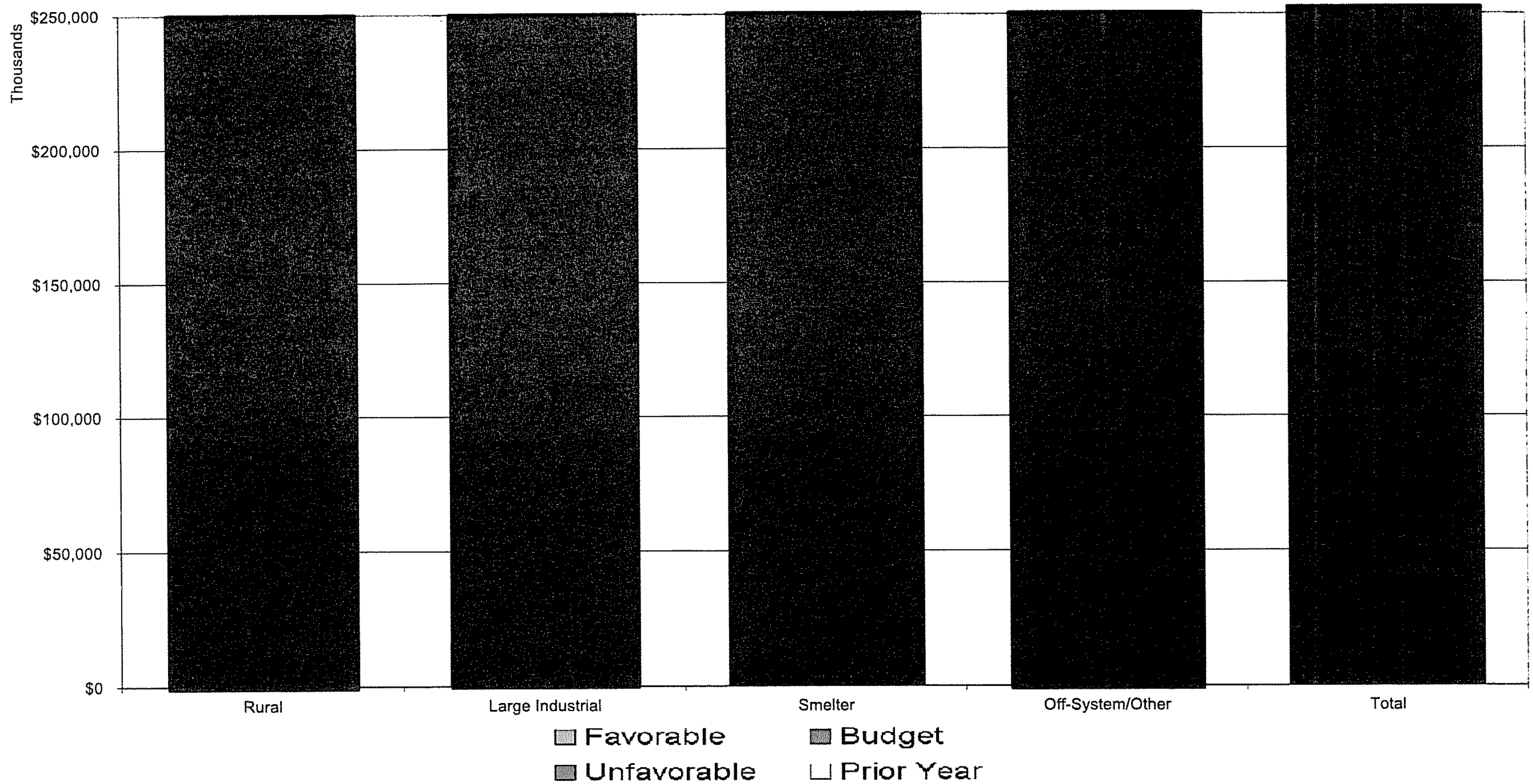


Big Rivers

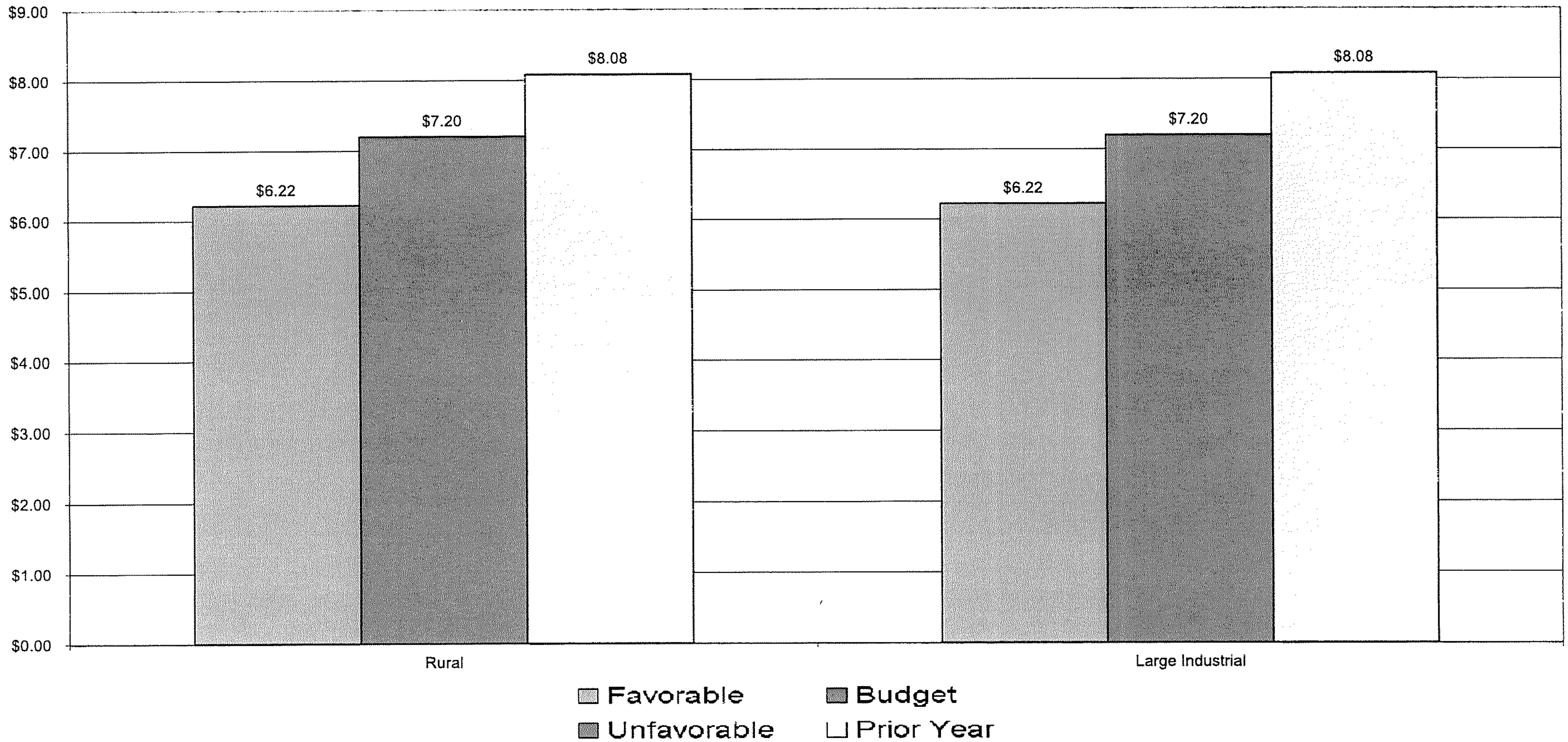
Net Sales Margin - $/MWh



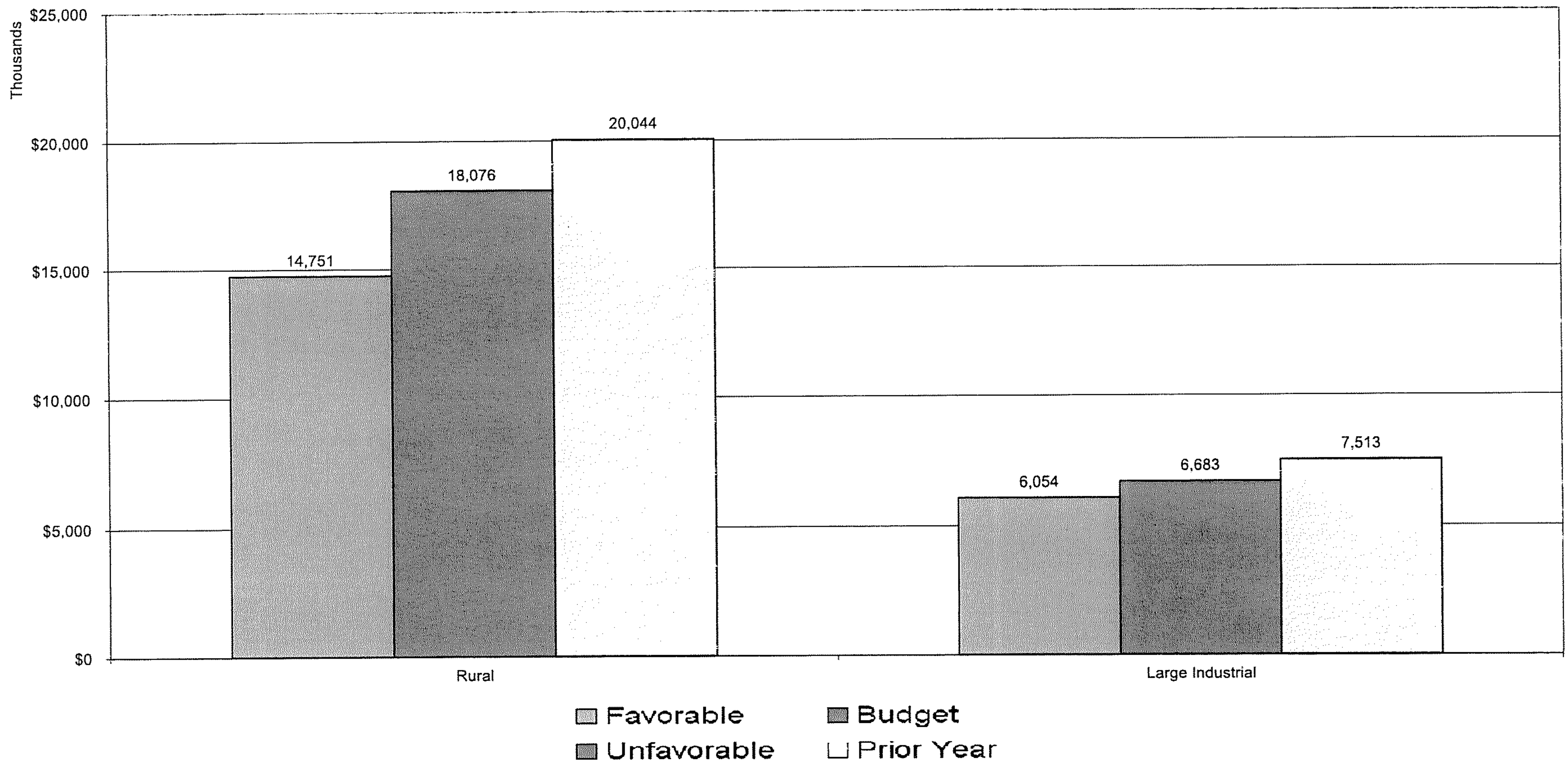
Net Sales Margin



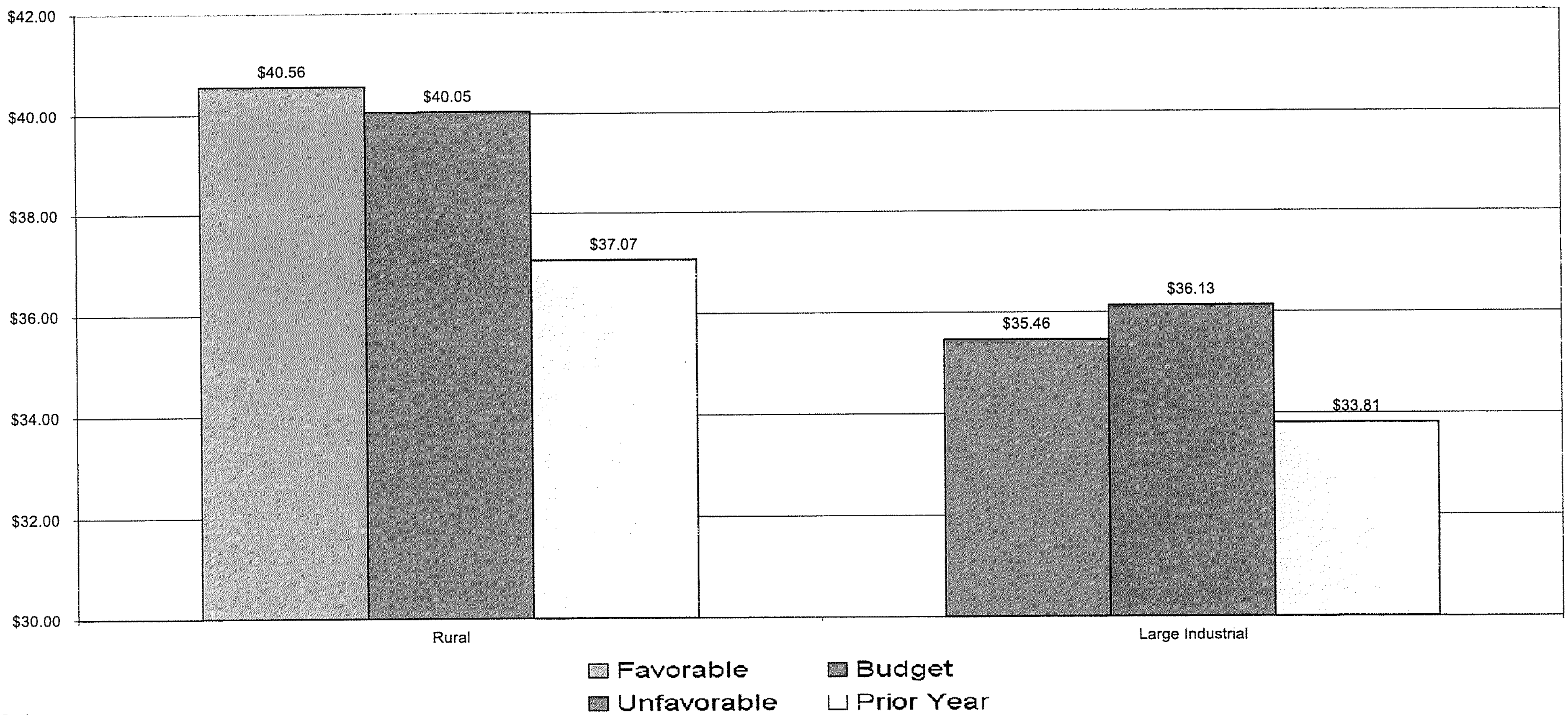
MRSM - $/MWh


$9.00
$8.00
$7.00
$6.00
$5.00
$4.00
$3.00
$2.00
$1.00
$0.00
$6.22
$7.20
$8.08
$6.22
$7.20
$8.08
Rural
Large Industrial
Favorable
Budget
Unfavorable
Prior Year

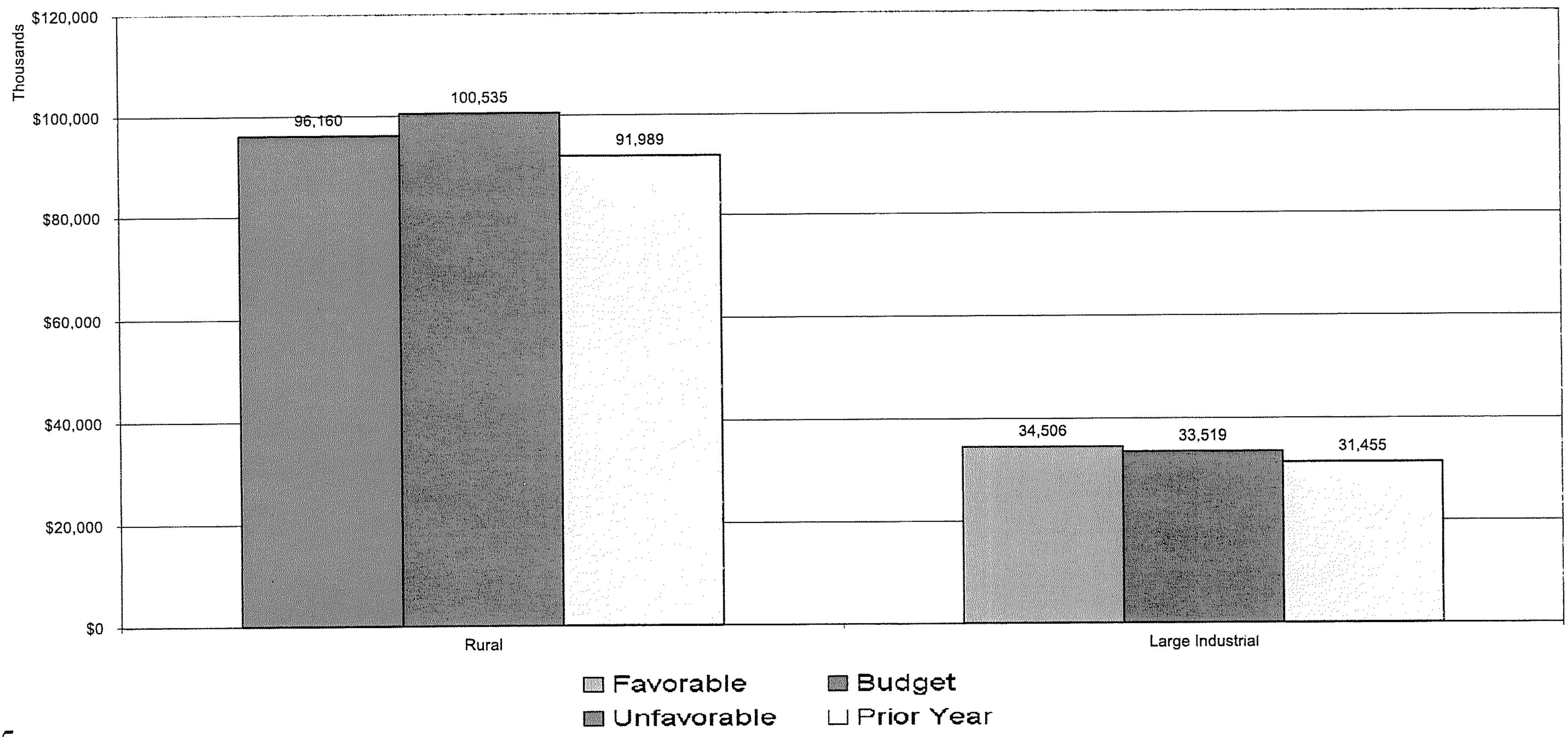
MRSM


Thousands
$25,000
$20,000
$15,000
$10,000
$5,000
$0
14,751
18,076
20,044
6,054
6,683
7,513
Rural
Large Industrial
Favorable
Budget
Unfavorable
Prior Year

Net Revenue (Excl. MRSM) - $/MWh



Net Revenue (Excl. MRSM)



Big Rivers

ELECTRIC CORPORATION

Other Operating Revenue and Income

2011			2010	
Actual	Budget	Variance Fav/(Unfav)	2010 Actual	Variance Fav/(Unfav)
3,617	24	3,593	12,834	(9,217)

Favorable to budget due to (intentional) omission of the power supply transmission reservation (from the budget). This is offset in Other Power Supply Expense.

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

Big Rivers

Non-Variable Production and Other Power Supply – Operations

2011			2010	
Actual	Budget	Variance Fav/(Unfav)	2010 Actual	Variance Fav/(Unfav)
[redacted]	[redacted]	(1,302)	[redacted]	9,628

Current Year Variances	Fav/(UnFav)
Power Supply transmission reservation	(5,577)
HMPL 1 Outage scope reduction	1,436
Plant operations expense reductions (Coleman $756, Green $1,059)	1,815
Station-Two O&M reductions	1,113
Other	(89)
Non-Variable Production and Other Power Supply - Operations	(1,302)

Prior-Year Variances	Fav/(UnFav)
Power Supply transmission reservation	9,908
Station-Two O&M/other	(280)
Non-Variable Production and Other Power Supply - Operations	9,628

Operation Expense – Transmission

2011			2010	
Actual	Budget	Variance Fav/(Unfav)	2010 Actual	Variance Fav/(Unfav)
9,183	12,297	3,114	8,122	(1,061)

Favorable to budget primarily due to 1) lower than anticipated MISO administrative expenses $380, and 2) favorable labor expense as more is being charged to maintenance accounts than operations $1,723 (see slide 33), and 3) various stations and lines fixed departmental expenses $1,011.

Unfavorable to prior year due to MISO administrative expenses.

Big Rivers
ELECTRIC CORPORATION

Operation Expense – RTO/ISO

2011			2010	
Actual	Budget	Variance Fav/(Unfav)	2010 Actual	Variance Fav/(Unfav)
2,530	2,783	253	0	(2,530)

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

Unfavorable to prior year due to MISO administrative expenses.

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

Operation Expense – Sales

2011		
		Variance
Actual	Budget	Fav/(Unfav)
185	919	734

Favorable to budget due to delay in the start of the energy efficiency/demand side management programs.

Operation Expense – Administrative & General

2011		
Actual	Budget	Variance Fav/(Unfav)
26,557	25,728	(829)

Unfavorable to budget primarily due to expenses related to the rate case.

Big Rivers

Maintenance Expense – Production

2011			2010	
Actual	Budget	Variance Fav/(Unfav)	2010 Actual	Variance Fav/(Unfav)
[redacted]	[redacted]	4,338	[redacted]	(739)

Favorable to budget due to various maintenance projects that were reduced in scope or cancelled. These projects include mill overhauls, site maintenance, bar screen repairs and heavy equipment maintenance. The cancellation of the Green 2 outage and reduction in scope of the Green 1 and Wilson outages also contributed to the favorable variance.

The unfavorable 2010 variance is primarily due to higher labor dollars at the plants (wage increases, overtime).

Maintenance Expense – Transmission

2011		
Actual	Budget	Variance Fav/(Unfav)
4,681	3,263	(1,418)

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			2010	
Actual	Budget	Variance Fav/(Unfav)	2010 Actual	Variance Fav/(Unfav)
35,407	36,228	821	34,242	(1,165)

Favorable to budget due to lower capital spending.

Unfavorable to prior-year due to the higher capital balance being depreciated.

Big Rivers
ELECTRIC CORPORATION

Interest on Long-Term Debt

2011			2010	
Actual	Budget	Variance Fav/(Unfav)	2010 Actual	Variance Fav/(Unfav)
45,715	47,367	1,652	47,064	1,349

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)
9	2,322	(2,313)

Other Non-Operating Income was unfavorable $2,313 to prior-year due to the write-off of the M&S inventory obsolescence reserve and settlement with Alstom related to the Station-Two SCR in 2010.

Rating Agency Presentation –
Big Rivers Financial Report May 2012

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Financial Report
May 2012
($ in Thousands)

Board Meeting Date: July 20, 2012

Big Rivers
ELECTRIC CORPORATION

Summary of Statement of Operations
YTD - May

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	228,651	255,610	(26,959)	229,377	(726)
Cost of Electric Service	[redacted]				
Operating Margins	[redacted]				
Interest Income/Other	72	53	19	207	(135)
Net Margins - YTD	[redacted]				

June	[redacted]
YTD June	

Big Rivers

Statement of Operations – May

Variance to Budget

	Current Month			Year-to-Date			
	Actual	Budget	Variance Fav/(UnFav)	Actual	Budget	Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	48,310	58,845	(10,535)	226,744	253,936	(27,192)	Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	380	333	47	1,907	1,674	233	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	48,690	59,178	(10,488)	228,651	255,610	(26,959)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	[redacted]						Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL							Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY							Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION							
OPERATION EXPENSE-RTO/ISO							
CONSUMER SERVICE & INFORMATIONAL EXPENSE							
OPERATION EXPENSE-SALES							Page 25
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL							Page 26
TOTAL OPERATION EXPENSE	[redacted]						
MAINTENANCE EXPENSE-PRODUCTION	[redacted]						Page 27
MAINTENANCE EXPENSE-TRANSMISSION							
MAINTENANCE EXPENSE-GENERAL PLANT							
TOTAL MAINTENANCE EXPENSE	[redacted]						
DEPRECIATION & AMORTIZATION EXPENSE	3,392	3,483	91	16,972	17,260	288	
TAXES	0	0	0	4	1	(3)	
INTEREST ON LONG-TERM DEBT	3,815	3,786	(29)	18,779	18,559	(220)	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(65)	(38)	27	(328)	(203)	125	
OTHER INTEREST EXPENSE	0	0	0	0	0	0	
OTHER DEDUCTIONS	27	43	16	110	119	9	
TOTAL COST OF ELECTRIC SERVICE	[redacted]						
OPERATING MARGINS	[redacted]						
INTEREST INCOME	4	7	(3)	27	28	(1)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	0	0	0	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	45	25	20	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	[redacted]						

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

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

Statement of Operations – May

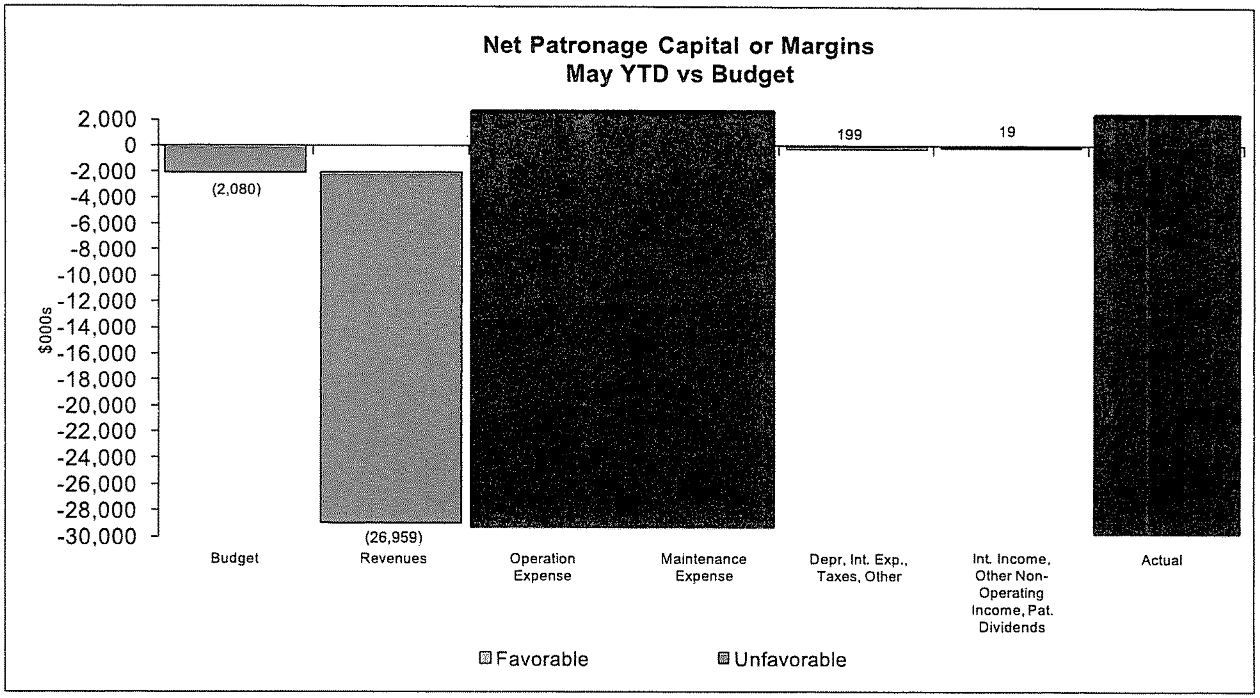
Variance to Prior-Year

	Current Month			Year-to-Date			
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	48,310	50,393	(2,083)	226,744	228,063	(1,319)	Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	380	319	61	1,907	1,314	593	Page 22
TOTAL OPER REVENUES & PATRONAGE CAPITAL	48,690	50,712	(2,022)	228,651	229,377	(726)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	[redacted]						Pages 8, 14-15, 23
OPERATION EXPENSE-PRODUCTION-FUEL							Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY							Pages 8, 14-15, 23
OPERATION EXPENSE-TRANSMISSION							Page 24
OPERATION EXPENSE-RTO/ISO							
CONSUMER SERVICE & INFORMATIONAL EXPENSE							
OPERATION EXPENSE-SALES							
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL							
TOTAL OPERATION EXPENSE	[redacted]						
MAINTENANCE EXPENSE-PRODUCTION	[redacted]						Page 27
MAINTENANCE EXPENSE-TRANSMISSION							
MAINTENANCE EXPENSE-GENERAL PLANT							
TOTAL MAINTENANCE EXPENSE	[redacted]						
DEPRECIATION & AMORTIZATION EXPENSE	3,392	2,878	(514)	16,972	14,436	(2,536)	Page 28
TAXES	0	0	0	4	63	59	
INTEREST ON LONG-TERM DEBT	3,815	3,863	48	18,779	19,244	465	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(65)	(17)	48	(328)	(354)	(26)	
OTHER INTEREST EXPENSE	0	0	0	0	59	59	
OTHER DEDUCTIONS	27	13	(14)	110	105	(5)	
TOTAL COST OF ELECTRIC SERVICE	[redacted]						
OPERATING MARGINS	[redacted]						
INTEREST INCOME	4	9	(5)	27	103	(76)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	3	(3)	0	7	(7)	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	45	97	(52)	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	[redacted]						

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

Big Rivers

Variance Analysis Summary



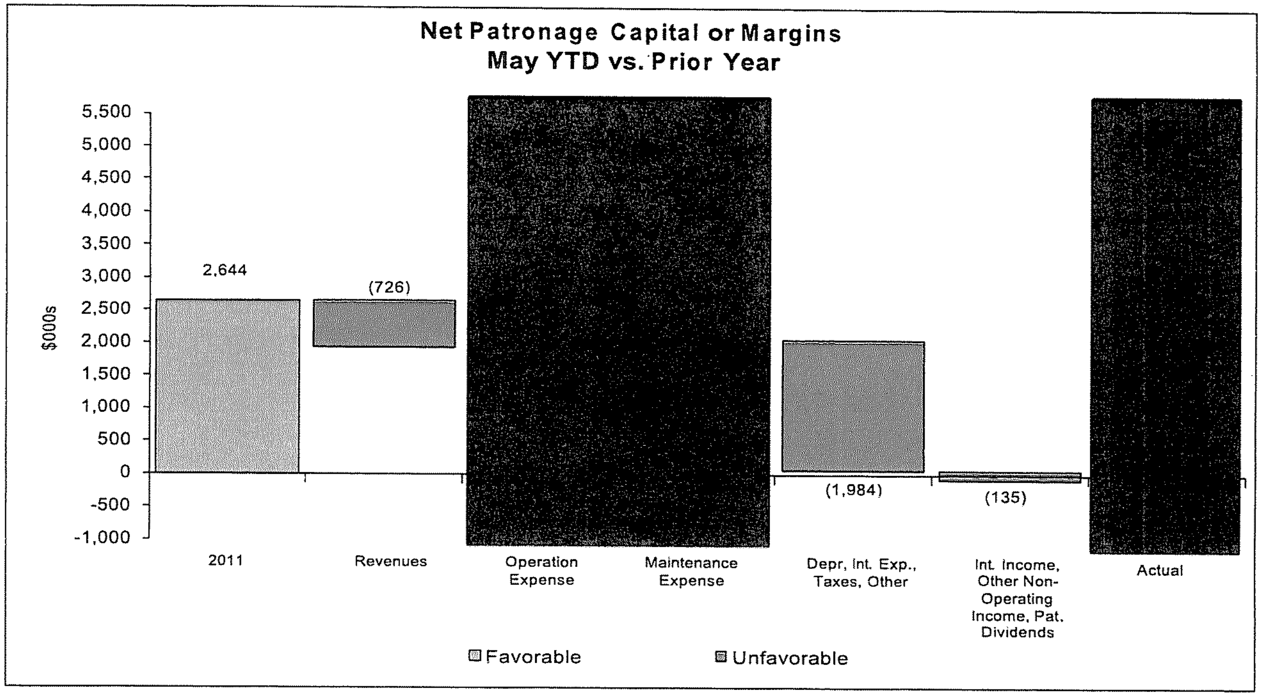
Financial Commentary

Year-to-Date

- May YTD 2012 Margins were $2,011 favorable to budget.
  - Electric Energy Revenues were unfavorable $27,192 primarily due to lower rural volume and lower rates (see page 7).
  - [redacted] – driven by lower variable costs $17,553 primarily due to lower variable costs per MWh (see page 8). The remainder of the variance is made up of favorable plant and fixed departmental expenses (see pages 23, 25-26).
  - [redacted] primarily due to the scope reduction of the Wilson planned outage, cancellation of the Green 2 planned outage and lower expenses at the Coleman facility to offset the lower power market (see page 27).

Big Rivers

Variance Analysis Summary



Financial Commentary

Year-to-Date

- May YTD 2012 margins were $2,713 unfavorable to 2011.
  - Revenues were unfavorable $726 primarily due lower OSS volumes and pricing, partially offset by the 9/1/2011 rate increase, a higher smelter TIER Adjustment Charge ($2.95/MWh vs $1.95/MWh in 2011), and higher transmission revenue
  - [redacted] driven by lower variable costs $6,089, due to volume, partially offset by higher expenses assoicated with Station-Two (see pages 8 & 23-24).
  - [redacted] primarily due to the Wilson planned outage and higher maintenance activities at the plants (see page 27).
  - Depreciation, Interest Expense, Taxes & Other combined was higher $1,984 (see page 28).

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

Revenue
YTD May

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
MWh Sales					
Rural	910,248	945,324	(35,076)	961,586	(51,338)
Large Industrial	403,299	395,369	7,930	394,769	8,530
Smelter	3,088,661	3,038,784	49,877	2,768,246	320,415
Off-System/Other	[redacted]				
Total					
Revenue - $/MWh					
Rural	49.90	53.55	(3.65)	45.64	4.26
Large Industrial	42.82	46.17	(3.35)	41.84	0.98
Smelter	48.40	52.00	(3.60)	43.43	4.97
Off-System/Other	[redacted]				
Total					
Revenue - Thousands of $					
Rural	45,420	50,619	(5,199)	43,889	1,531
Large Industrial	17,269	18,256	(987)	16,518	751
Smelter	149,502	158,016	(8,514)	120,223	29,279
Off-System/Other	[redacted]				
Total					

Revenue Price / Volume Analysis
May 2012

	Price / Volume		
	Price	Volume	Total
Rural	(3,321)	(1,878)	(5,199)
Large Industrial	(1,353)	366	(987)
Smelter	(11,108)	2,594	(8,514)
Off-System/Other	[redacted]		

Variable Operations Cost
YTD May

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Variable Operations (VO) Cost - $/MWh					
Rural	[redacted]				
Large Industrial					
Smelter					
Off-System/Other					
Total					

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
VO Cost - Thousands of $					
Rural	[redacted]				
Large Industrial					
Smelter					
Off-System/Other					
Total					

YTD May 2012
Variable Operations Expense

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

Net Sales Margin
YTD May

	Actual 2012	Budget 2012	Variance	Actual 2011	2011 Variance
Net Sales Margin - $/MWh					
Rural	[redacted]				
Large Industrial					
Smelter					
Off-System/Other					
Total					
Net Sales Margin - Thousands of $					
Rural	[redacted]				
Large Industrial					
Smelter					
Off-System/Other					
Total					

Net Sales Margin
Price / Volume Analysis
May 2012

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

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

Member Rate Stability Mechanism
YTD May

	Actual 2012	Budget 2012	2012 Variance	Actual 2011	2011 Variance
MRSM - $/MWh					
Rural	(6.68)	(9.53)	2.85	(7.28)	0.60
Large Industrial	(6.68)	(9.53)	2.85	(7.28)	0.60
Total	(6.68)	(9.53)	2.85	(7.28)	0.60
MRSM - Thousands of $					
Rural	(6,078)	(9,004)	2,926	(7,003)	925
Large Industrial	(2,692)	(3,763)	1,071	(2,876)	184
Total	(8,770)	(12,767)	3,997	(9,879)	1,109

	Actual 2012	Budget 2012	2012 Variance	Actual 2011	2011 Variance
Net Revenue - $/MWh					
Rural	43.22	44.02	(0.80)	38.36	4.86
Large Industrial	36.14	36.64	(0.50)	34.56	1.58
Total	41.04	41.84	(0.80)	37.26	3.78
Net Revenue - Thousands of $					
Rural	39,342	41,615	(2,273)	36,886	2,456
Large Industrial	14,577	14,493	84	13,642	935
Total	53,919	56,108	(2,189)	50,528	3,391

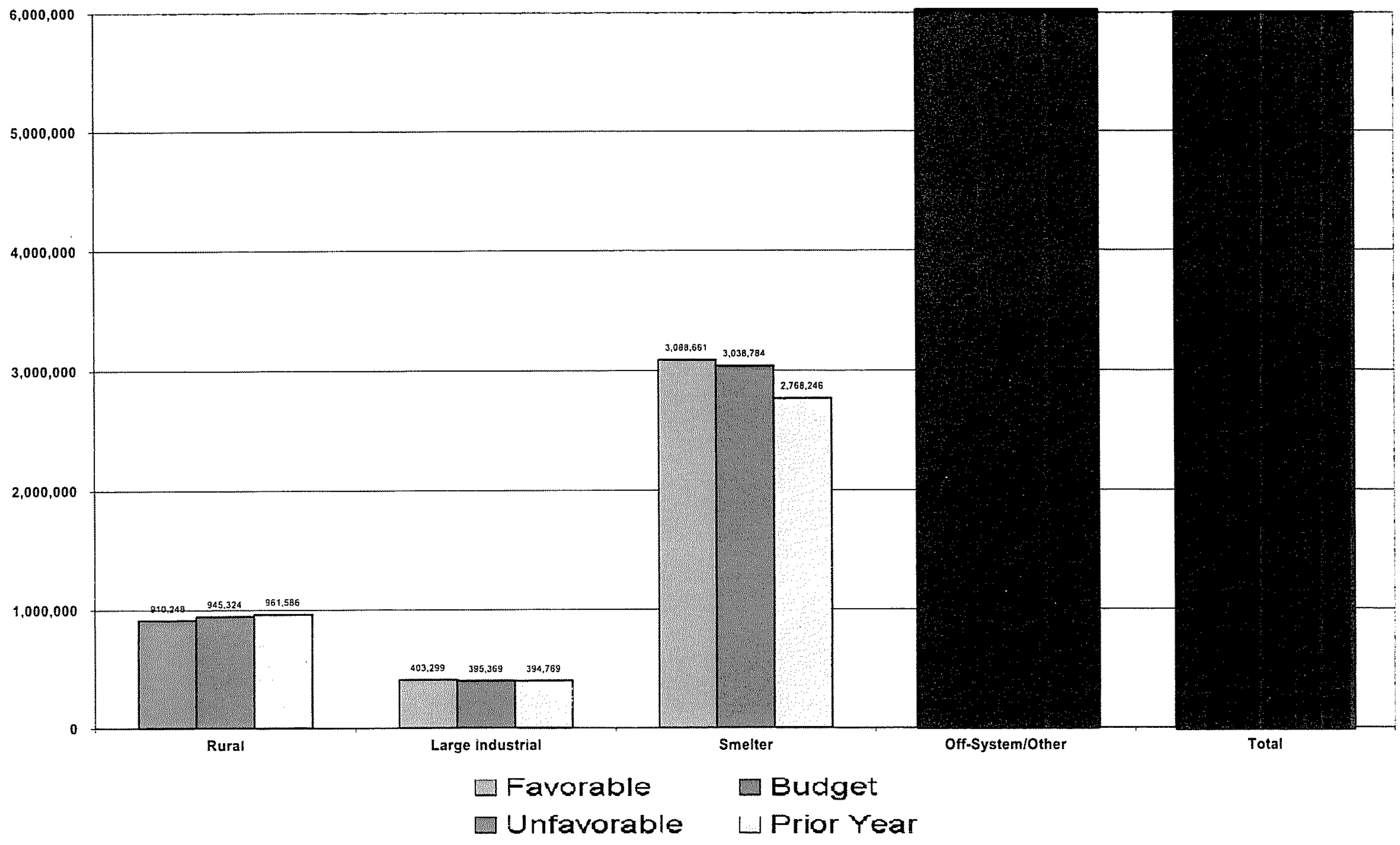
Economic Reserve Balance

Cumulative-to-Date	Actual	Budget	Variance
Original Deposit	$ 157,000		
Interest Earnings	2,983		
Withdrawals	(67,730)		
Ending Balance 5/31/2012	$ 92,253	$ 88,047	$ 4,206
YTD May 2012			
Beg. Balance 1/1/2012	$ 100,601		
Interest Earnings	219		
Withdrawals	(8,567)		
Ending Balance 5/31/2012	$ 92,253	$ 88,047	$ 4,206

Big Rivers Electric Corporation

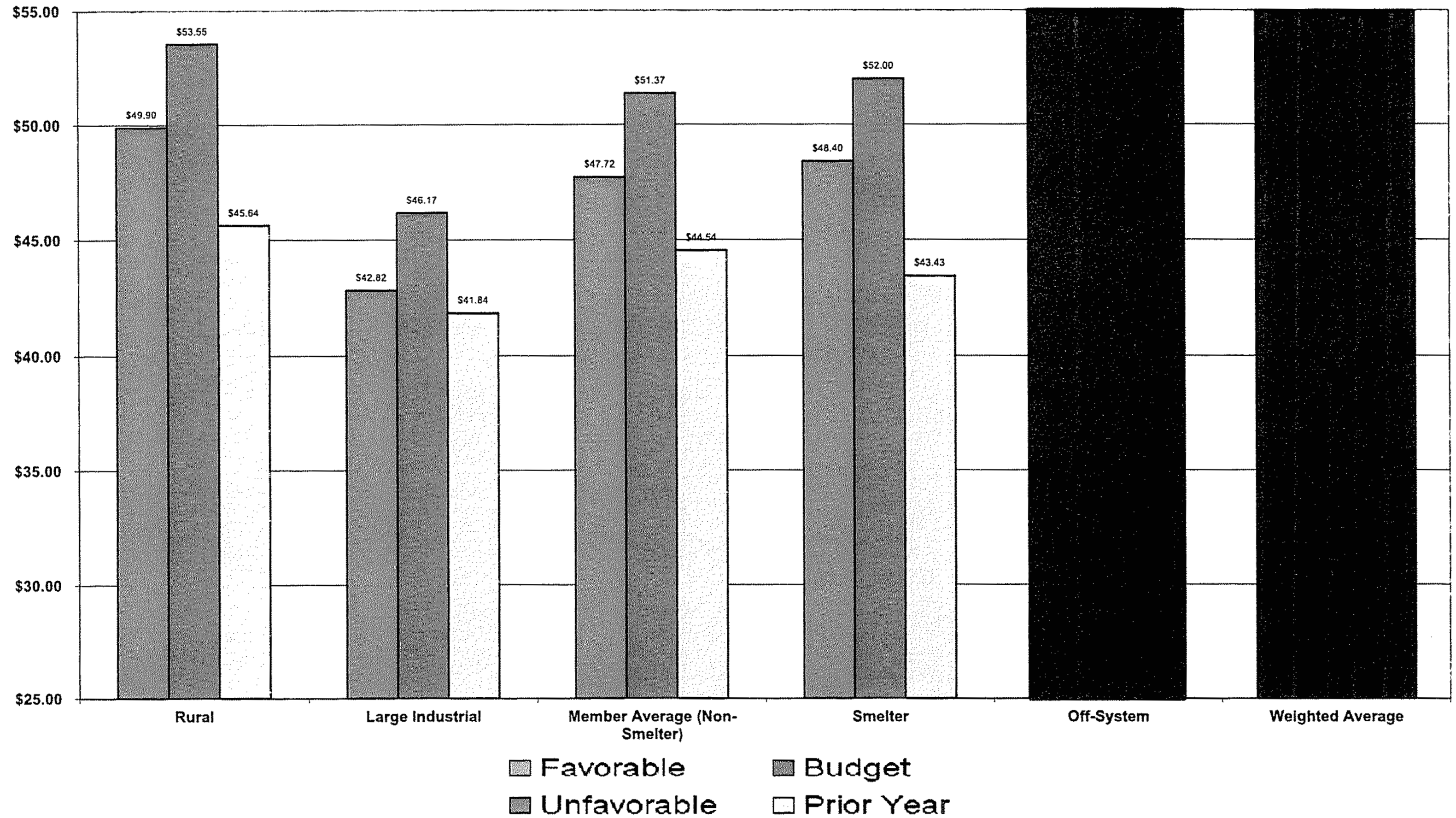
Your Touchstone Energy Cooperative

MWH Sales
YTD - May



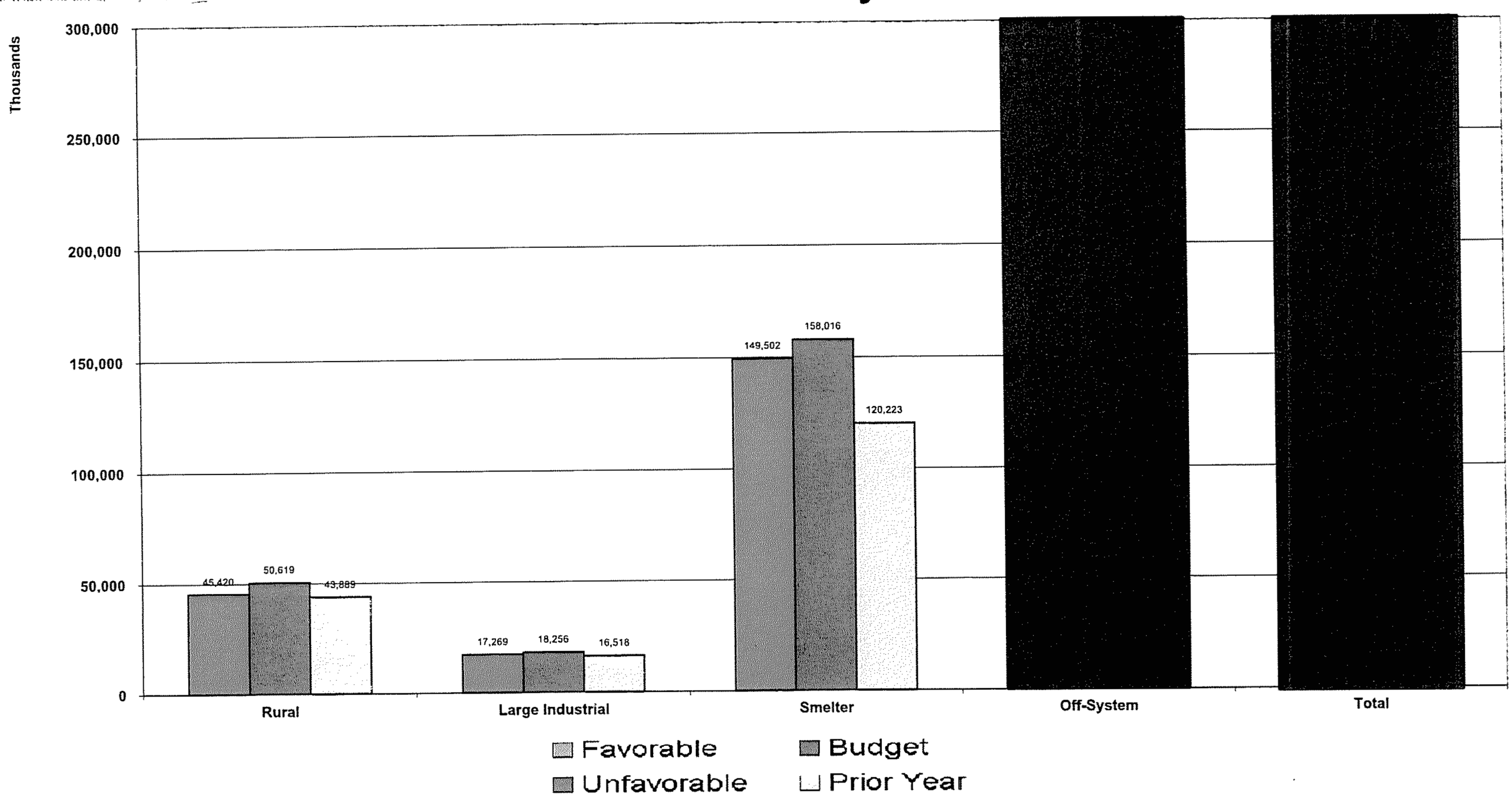
Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

Revenue - $/MWh Sold
YTD - May



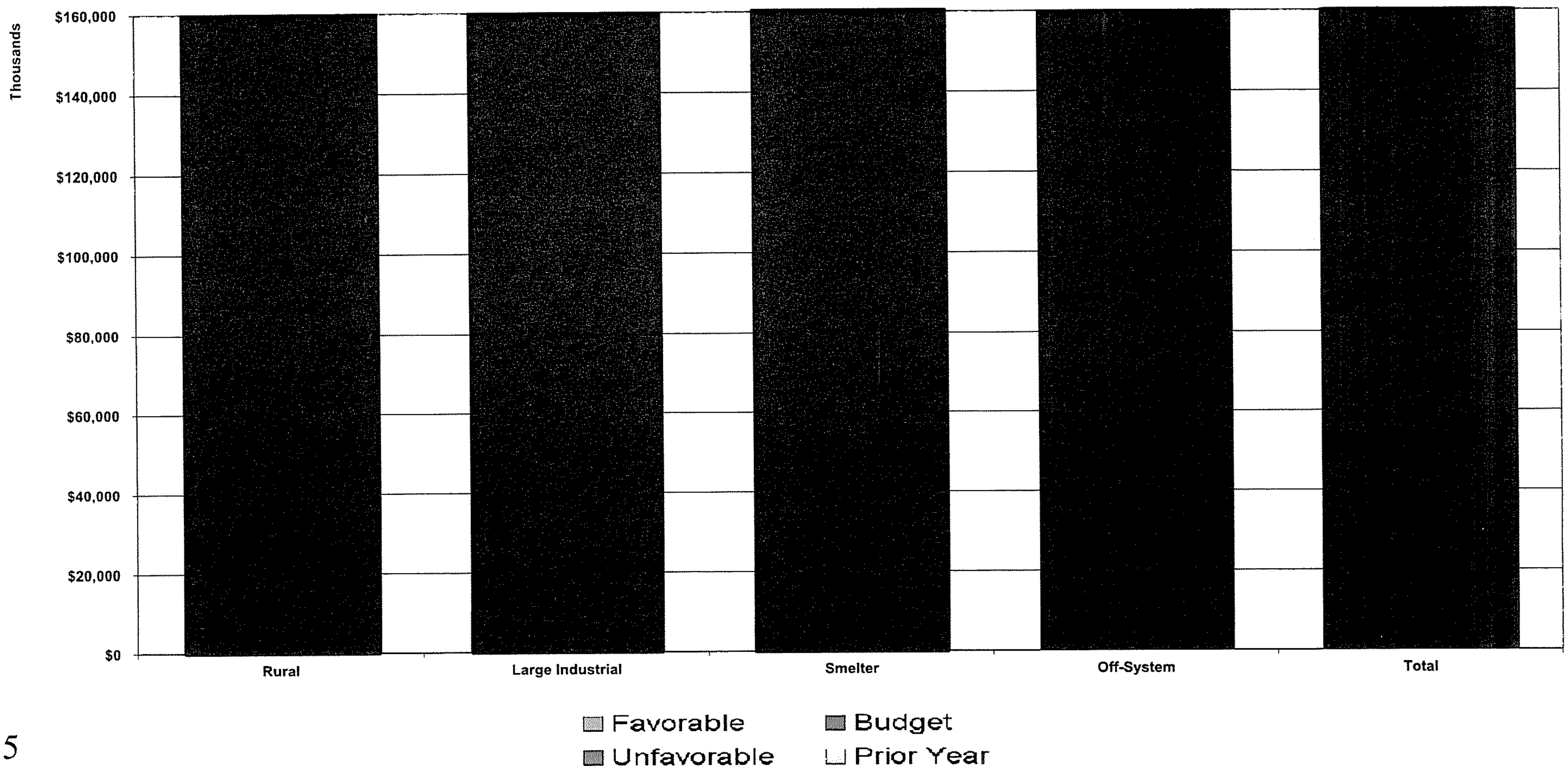
Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

Revenue
YTD - May

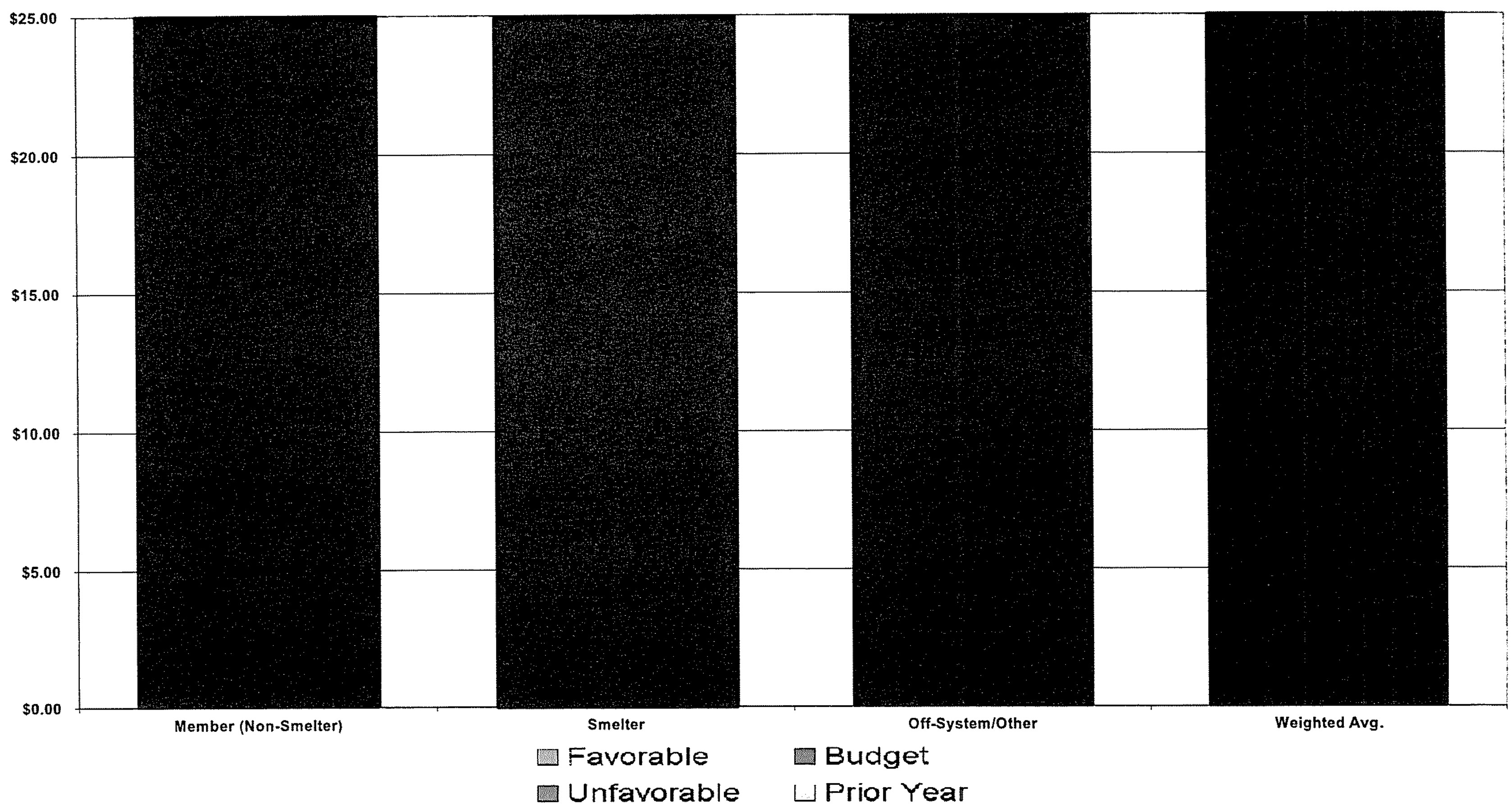


Variable Operations - $/MWh Sold
YTD - May

Variable Operations Cost
YTD - May

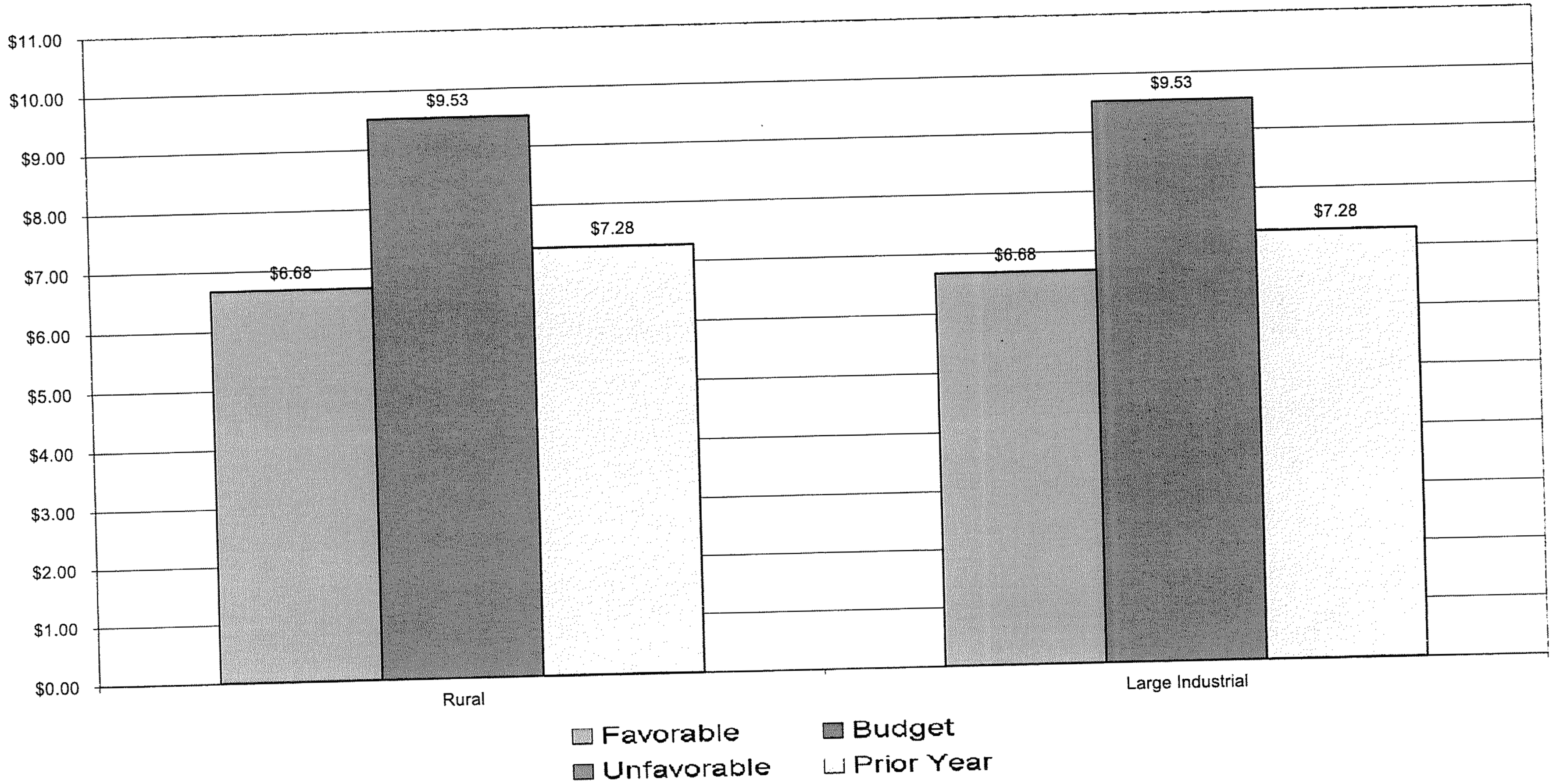


Net Sales Margin - $/MWh
YTD - May

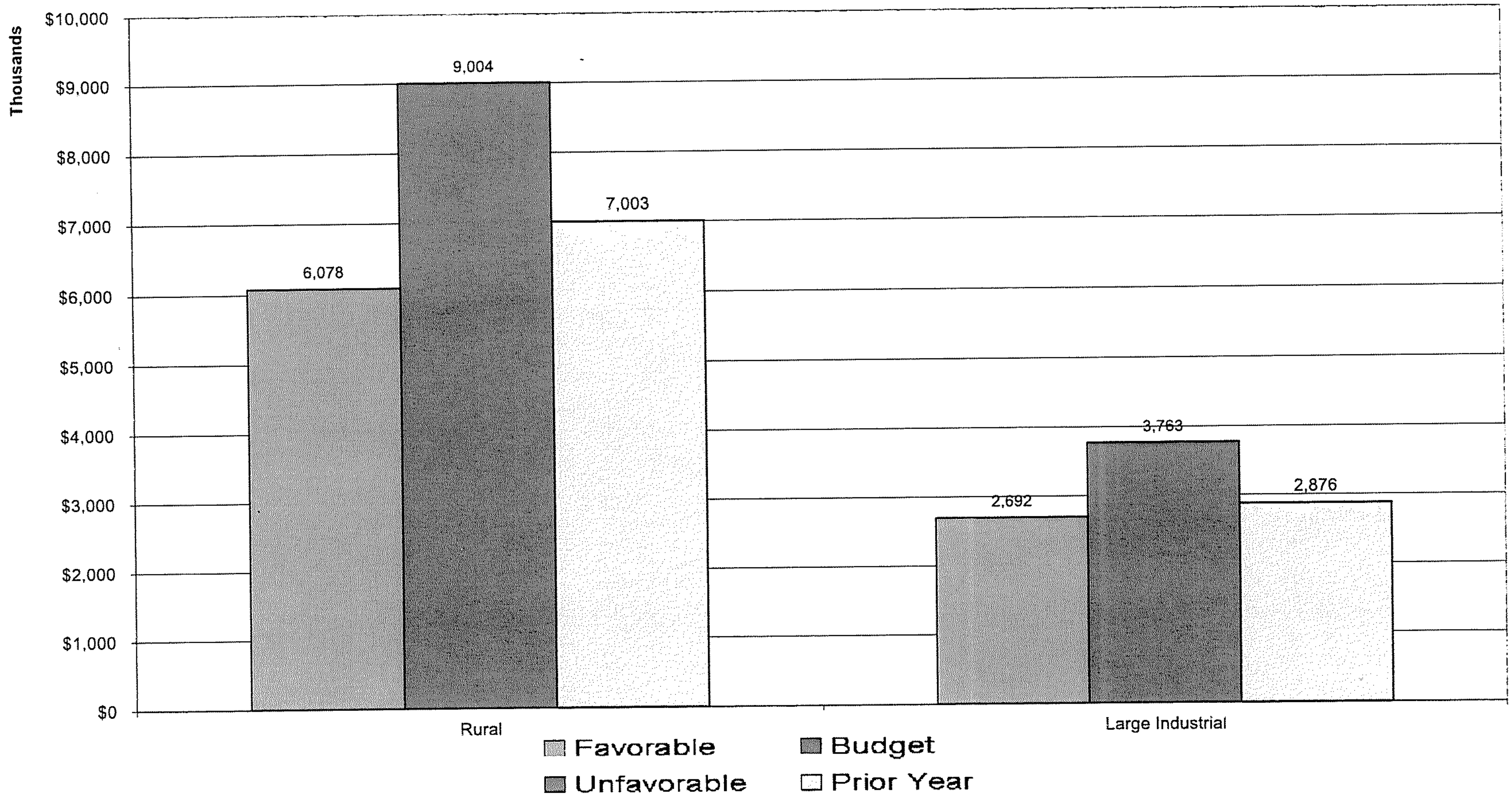


Net Sales Margin
YTD – May

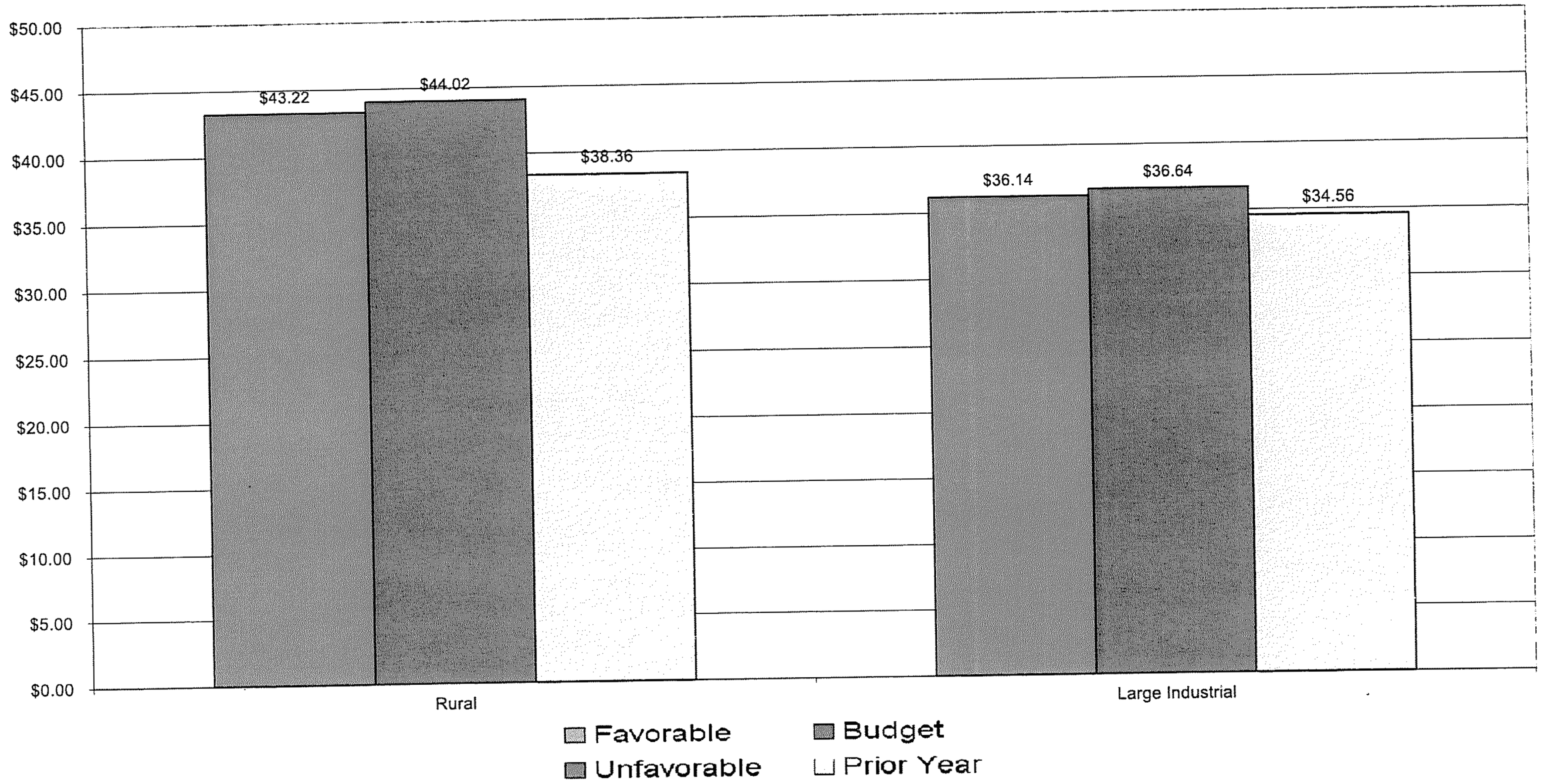
MRSM - $/MWh
YTD - May



MRSM
YTD - May

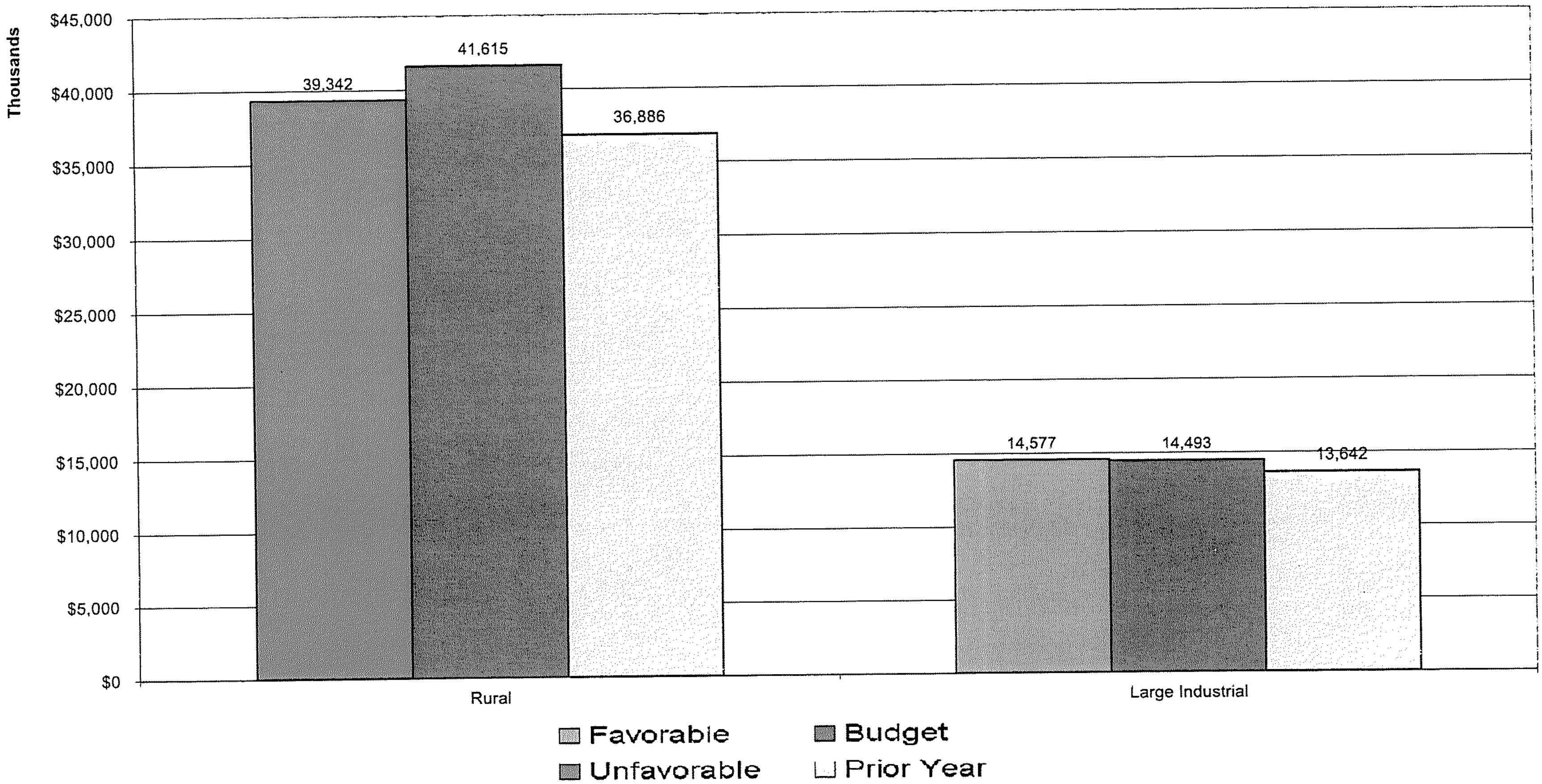

Thousands
$10,000
$9,000
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
6,078
9,004
7,003
2,692
3,763
2,876
Rural
Large Industrial
Favorable
Budget
Unfavorable
Prior Year

Net Revenue (Excl. MRSM) - $/MWh
YTD - May



Big Rivers
ELECTRIC CORPORATION

Net Revenue (Excl. MRSM)
YTD - May



Big Rivers
ELECTRIC CORPORATION

Other Operating Revenue and Income

	2012 Actual	2011 Actual	Variance Fav/(Unfav)
May YTD	1,907	1,314	593

The favorable prior-year variance is due to higher transmission revenue this year.

Non-Variable Production and Other Power Supply – Operations

Big Rivers ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

	2012			2011	
	Actual	Budget	Variance Fav/(Unfav)	2011 Actual	Variance Fav/(Unfav)
May YTD	[redacted]		1,250	[redacted]	(2,544)

Current Year Variances	Fav/(UnFav)
Power Supply transmission reservation	314
Station-Two O&M (outage timing)	589
Plant operations timing/expense reductions	540
Other	(193)
Non-Variable Production and Other Power Supply - Operations	1,250

Prior-Year Variances	Fav/(UnFav)
Power Supply transmission reservation	(33)
Station-Two O&M [driven by higher outage expense in 2012]	(1,867)
Station-Two [higher depreciation expense]	(516)
Other	(128)
Non-Variable Production and Other Power Supply - Operations	(2,544)

Big Rivers
ELECTRIC CORPORATION

Operation Expense – Transmission

	2012 Actual	2011 Actual	Variance Fav/(Unfav)
May YTD	4,346	3,634	(712)

Unfavorable to prior year due to higher MISO and TVA transmission expenses.

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

Operation Expense – Sales

	2012		
	Actual	Budget	Variance Fav/(Unfav)
May YTD	11	466	455

Favorable to budget due to delay in the start of the energy efficiency/demand side management programs.

Operation Expense – Admin. & General

	2012		
	Actual	**Budget**	**Variance Fav/(Unfav)**
May YTD	10,523	11,166	643

Favorable to budget due to favorable timing of fixed departmental expenses and cost saving measures to offset the lower off-system market.

Big Rivers

Maintenance Expense – Production

	2012			2011	
	Actual	Budget	Variance Fav/(Unfav)	2011 Actual	Variance Fav/(Unfav)
May YTD	[redacted]		8,777	[redacted]	(2,973)

The favorable YTD variance vs. budget is primarily due the to scope reduction of the Wilson planned outage. The Green facility is favorable due to the cancellation of the unit two planned outage. The Coleman station is also favorable due to the timing of a mill overhaul and cost reductions at the plant.

The unfavorable variance to prior-year is driven by the Wilson spring outage and increased maintenance spending at the Green & Coleman locations this year.

Depreciation & Amortization Expense

	2012 Actual	2011 Actual	Variance Fav/(Unfav)
May YTD	16,972	14,436	(2,536)

Unfavorable to prior-year due to the higher depreciation rates that are in effect as a result of the depreciation study and a higher plant in service balance being depreciated.

Big Rivers

North Star – YTD May

	2012			2011	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service	[redacted]		28,951	[redacted]	(1,852)
Other Operating Revenues & Income	(1,906)	(1,674)	232	(1,314)	592
Smelter Avoidable Base Charge	(234)	0	234	(1,241)	(1,007)
Off-System Sales/Other	[redacted]				
Interest Income	(27)	(28)	(1)	(103)	(76)
Other Non-Operating Income	0	0	0	(7)	(7)
Other Capital Credits & Pat. Dividends	(45)	(25)	20	(97)	(52)
	[redacted]		16,944	[redacted]	(35,282)
Member MWh	4,402,208	4,379,477	22,731	4,124,603	277,605
North Star - $/kWh	[redacted]				

TIER

	Actual	Budget	Fav/(Unfav)
Interest on Long-Term Debt	18,779	18,558	(221)
Net Margins	[redacted]		
TIER - YTD May	[redacted]		
TIER (12 months ending 5/31)	[redacted]		

Notes:

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

Big Rivers

Capital Expenditures*

Year-to-Date

	Actual	Budget	Fav/(UnFav)
IT	279	1,441	1,162
Generation	15,800	35,232	19,432
Transmission	1,962	5,962	4,000
Other	368	1,006	638
Total	**18,409**	**43,641**	**25,232**

Explanation:

IT was favorable $1,162 due to the timing of the OSI EMS Hardware/Software projects, as well as the Oracle Extensions project.

Generation was favorable by $19,432. Wilson Station was favorable $8,139 primarily due to outage scope reductions/deferrals. Green Station was favorable by $7,042 due to the G2 outage deferral, as well as the timing of the FGD and Coal Sampler projects. Station-Two was favorable $1,825 largely due to the timing of the H1 Burner Replacement project. Coleman Station was favorable $2,426 due to the C1 and C3 outage deferrals.

Transmission was favorable $4,000 primarily due to timing related to the Two-way Radio project, as well as favorability attributable to the White Oak Substation project.

Other was favorable $638 mainly due to the timing of the Operator Training Simulator and the timing of vehicle purchases.

* Gross of the City's share of Station Two. Includes capitalized interest.

Cash & Temporary Investments

	Actual	Budget	Fav/(Unfav)	2011 Actual	Fav/(Unfav)
May 31st	39,627	56,386	(16,759)	67,027	(27,400)

The May 31, 2012 cash balance compared to budget is unfavorable primarily due to the borrowing that was budgeted, partially offset by lower capital spending.

The variance to prior-year is driven by the year-over-year increase in fuel inventory.

Lines of Credit As of May 31st	
Original Amount	$100,000
Letters of Credit Outstanding	(6,775)
Advances Outstanding	0
Available Lines of Credit	$ 93,225

Billie Richert

From: Mark Hite
Sent: Sunday, December 23, 2012 10:42 AM
To: Billie Richert
Subject: FW: Big Rivers

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Mark Hite
Sent: Friday, February 03, 2012 12:21 PM
To: 'alan.spen@fitchratings.com'
Subject: Big Rivers

Alan, good to briefly chat with you today. As we discussed, Bill Blackburn has retired; his last day was 1/31/12. I have been assigned many of his responsibilities. Below is my contact information.

Have a great weekend,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
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

Billie Richert

From: Mark Hite
Sent: Thursday, August 23, 2012 2:31 PM
To: Billie Richert; Nicholas R. Castlen
Subject: FW: Big Rivers Electric Corporation
Attachments: BREC PART A.pdf; MEADE FORM 7.pdf; KENERGY FORM 7 2011.pdf; JACKSON PURCHASE FORM 7.pdf; JPEC JACKSON PURCHASE Audited FS and Management Letter - 2011.pdf; MEADE Audited Financial Statements.pdf; KENERGY AUDITED FINANCIAL STATEMENT.pdf; KPMG - BREC Finnacial Statements 12-31-2011 2010.pdf

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

-----Original Message-----
From: Mark Hite
Sent: Thursday, April 12, 2012 1:49 PM
To: dennis.pidherny@fitchratings.com
Subject: Big Rivers Electric Corporation

Good afternoon. Hope all is well with you.

As we discussed a month or so ago via telephone and email, attached hereto is Big Rivers' 2011 audited financial statements and it's 2011 RUS financial and operating report. Also attached, as requested, are the 2011 audited financials for each of Big Rivers' 3 member distribution cooperatives (Meade County RECC, Jackson Purchase Energy Corporation, and Kenergy Corp.) and their 2011 RUS Form 7.

Also as we discussed, will be emailing you Big Rivers' long-term financial forecast (2012-2026), in Excel format, by the end of April 2012. Based on these items, we'll commence the annual rating review process, striving to meet your timing.

Comments welcome.

Thank you,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
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

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.

Mark A. Bailey

3/28/12
DATE

☐ 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.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART A - FINANCIAL

BORROWER DESIGNATION
KY0062

PERIOD ENDED
December, 2011

INSTRUCTIONS - See help in the online application.

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

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

Case No. 2012-00492
Attachment for Response to KIUC 1-37
Witness: Billie J. Richert

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

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

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

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	
6	
7	
8	
9	
10	
11	
12	
13	
14	
15	
16	

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

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				1,407,856		1,407,856
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

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	
4	
5	
6	
7	
8	
9	

rcUNITED 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 %	

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART D - STEAM PLANT

INSTRUCTIONS - See help in the online application.

BORROWER DESIGNATION KY0062

PLANT Coleman

PERIOD ENDED December, 2011

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)	SCHED. (j)	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)	$/10⁶ 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

Case No. 2012-00492
Attachment for Response to KIUC 1-~~8~~9
Witness: Billie J. Richert

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART D - STEAM PLANT

INSTRUCTIONS - See help in the online application.

BORROWER DESIGNATION KY0062

PLANT Reid

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	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

Case No. 2012-00492
Attachment for Response to KIUC 1-89
Witness: Billie J. Richert

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART D - STEAM PLANT

INSTRUCTIONS - See help in the online application.

BORROWER DESIGNATION KY0062

PLANT Green

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)	$/10⁶ 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

Case No. 2012-00492
Attachment for Response to KIUC 1-39
Witness: Billie J. Richert

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART D - STEAM PLANT

INSTRUCTIONS - See help in the online application.

BORROWER DESIGNATION KY0062

PLANT Wilson

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	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

Case No. 2012-00492
Attachment for Response to KIUC 1-39
Witness: Billie J. Richert

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

NO.	UNIT NO. *(a)*	SIZE (kW) *(b)*	FUEL CONSUMPTION: OIL (1000 Gals.) *(c)*	GAS (1000 C.F.) *(d)*	OTHER *(e)*	TOTAL *(f)*	OPERATING HOURS: IN SERVICE *(g)*	ON STANDBY *(h)*	OUT OF SERVICE: SCHED. *(i)*	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	[illegible]
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	[illegible]

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)

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 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. 2012-00492
Attachment for Response to KIUC 1-39
Witness: Billie J. Richert

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		

Case No. 2012-00492
Attachment for Response to KIUC 1-39
Witness: Billie J. Richert

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		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE Ib 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 II. LOAN GUARANTEES

No	Organization (a)	Maturity Date (b)	Original Amount ($) (c)	Loan Balance ($) (d)	Rural Development (e)
	TOTAL				
	TOTAL (Included Loan Guarantees Only)				

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				

Case No. 2012-00492
Attachment for Response to KIUC 1-39
Witness: Billie J. Richert

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

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 I. ANNUAL MEETING AND BOARD DATA

1. Date of Last Annual Meeting	2. Total Number of Members	3. Number of Members Present at Meeting	4. Was Quorum Present?
9/15/2011	3	3	Yes
5. Number of Members Voting by Proxy or Mail	**6. Total Number of Board Members**	**7. Total Amount of Fees and Expenses for Board Members**	**8. Does Manager Have Written Contract?**
0	6	$ 189,273	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

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					

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 December, 2011
INSTRUCTIONS - See help in the online application.	

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 VOLTAGE (kV)	MILES
1. 345 KV	68.40
2. 138 KV	14.40
3. 69 KV	833.20
4. 161 KV	349.60
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12. **Total (*1 thru 11*)**	1,265.60

SUBSTATIONS TYPE	CAPACITY(kVA)
13. Distribution Lines	
14. **Total (*12 + 13*)**	1,265.60
15. Stepup at Generating Plants	1,879,800
16. Transmission	3,540,000
17. Distribution	
18. **Total (*15 thru 17*)**	5,419,800

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

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 15 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	BORROWER DESIGNATION KY0065
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	PERIOD ENDED December, 2011
INSTRUCTIONS - See help in the online application.	BORROWER NAME Kenergy Corp.

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)

[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 D of this report.

Sanford Novick

3/1/2012
DATE

PART 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. Operating Revenue and Patronage Capital	401,049,055	425,616,053	447,663,231	40,062,858
Power Production Expense				
Cost of Purchased Power	360,860,154	387,543,342	409,975,781	36,046,304
4. Transmission Expense				
5. Regional Market Expense				
6. Distribution Expense - Operation	4,329,854	3,953,461	4,504,352	420,508
7. Distribution Expense - Maintenance	9,248,313	8,811,763	9,074,457	685,145
8. Customer Accounts Expense	3,375,120	3,442,835	3,349,914	305,570
9. Customer Service and Informational Expense	163,751	210,234	149,866	19,793
10. Sales Expense	98,671	108,224	131,053	7,868
11. Administrative and General Expense	3,243,504	3,447,493	3,407,724	416,218
12. Total Operation & Maintenance Expense (*2 thru 11*)	381,319,367	407,517,352	430,593,147	37,901,406
13. Depreciation and Amortization Expense	8,213,077	8,711,446	8,609,752	774,364
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other	354,389	371,579	351,310	41,593
16. Interest on Long-Term Debt	6,192,766	5,829,601	6,178,570	490,691
17. Interest Charged to Construction - Credit	(33,633)	(43,050)	(36,000)	(13,515)
18. Interest Expense - Other	207,891	287,170	225,310	37,153
19. Other Deductions	68,144	49,226	65,210	(2,176)
20. Total Cost of Electric Service (*12 thru 19*)	396,322,001	422,723,324	445,987,299	39,229,516
21. Patronage Capital & Operating Margins (*1 minus 20*)	4,727,054	2,892,729	1,675,932	833,342
22. Non Operating Margins - Interest	1,006,695	1,036,895	971,100	91,204
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments				
25. Non Operating Margins - Other	(54,056)	(196,951)	(136,142)	(233,362)
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	192,412	135,131	177,000	11,779
Extraordinary Items				
Patronage Capital or Margins (*21 thru 28*)	5,872,105	3,867,804	2,687,890	702,963

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0065
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE LAST YEAR (*a*)	YEAR-TO-DATE THIS YEAR (*b*)	ITEM	YEAR-TO-DATE LAST YEAR (*a*)	YEAR-TO-DATE THIS YEAR (*b*)
1. New Services Connected	721	604	5. Miles Transmission		
2. Services Retired	267	227	6. Miles Distribution – Overhead	6,202.00	6,207.00
3. Total Services in Place	58,792	59,169	7. Miles Distribution - Underground	821.00	840.00
4. Idle Services (*Exclude Seasonals*)	3,676	3,887	**8. Total Miles Energized** *(5 + 6 + 7)*	7,023.00	7,047.00

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	252,823,279	30. Memberships	244,890
2. Construction Work in Progress	1,987,529	31. Patronage Capital	64,844,361
3. Total Utility Plant *(1 + 2)*	254,810,808	32. Operating Margins - Prior Years	78,651
4. Accum. Provision for Depreciation and Amort.	71,916,962	33. Operating Margins - Current Year	0
5. Net Utility Plant *(3 - 4)*	182,893,846	34. Non-Operating Margins	338
6. Non-Utility Property (Net)	3,121	35. Other Margins and Equities	3,796,559
7. Investments in Subsidiary Companies	0	**36. Total Margins & Equities** *(30 thru 35)*	68,964,799
8. Invest. in Assoc. Org. - Patronage Capital	837,594	37. Long-Term Debt - RUS (Net)	52,944,006
9. Invest. in Assoc. Org. - Other - General Funds	394,786	38. Long-Term Debt - FFB - RUS Guaranteed	36,149,366
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	4,372,590	39. Long-Term Debt - Other - RUS Guaranteed	25,339,493
11. Investments in Economic Development Projects	578,240	40. Long-Term Debt Other (Net)	26,110,163
12. Other Investments	6,600	41. Long-Term Debt - RUS - Econ. Devel. (Net)	417,129
Special Funds	201,066	42. Payments – Unapplied	19,854,955
14. Total Other Property & Investments *(6 thru 13)*	6,393,997	**43. Total Long-Term Debt** *(37 thru 41 - 42)*	121,105,202
15. Cash - General Funds	339,640	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	0	45. Accumulated Operating Provisions and Asset Retirement Obligations	834,444
17. Special Deposits	0	**46. Total Other Noncurrent Liabilities** *(44 + 45)*	834,444
18. Temporary Investments	528,989	47. Notes Payable	0
19. Notes Receivable (Net)	0	48. Accounts Payable	37,545,123
20. Accounts Receivable - Sales of Energy (Net)	34,830,190	49. Consumers Deposits	4,885,116
21. Accounts Receivable - Other (Net)	4,593,627		
22. Renewable Energy Credits	0	50. Current Maturities Long-Term Debt	5,929,998
23. Materials and Supplies - Electric & Other	2,739,975	51. Current Maturities Long-Term Debt - Economic Development	161,111
24. Prepayments	572,821	52. Current Maturities Capital Leases	0
25. Other Current and Accrued Assets	10,554,676	53. Other Current and Accrued Liabilities	1,806,154
26. Total Current and Accrued Assets *(15 thru 25)*	54,159,918	**54. Total Current & Accrued Liabilities** *(47 thru 53)*	50,327,502
27. Regulatory Assets	0	55. Regulatory Liabilities	0
28. Other Deferred Debits	68,425	56. Other Deferred Credits	2,284,239
29. Total Assets and Other Debits *(5+14+26 thru 28)*	243,516,186	**57. Total Liabilities and Other Credits** *(36 + 43 + 46 + 54 thru 56)*	243,516,186

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0065
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART D. NOTES TO FINANCIAL STATEMENTS

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0065
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART D. CERTIFICATION LOAN DEFAULT NOTES

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION

BORROWER DESIGNATION KY0065

PERIOD ENDED December, 2011

[INST]RUCTIONS - See help in the online application.

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	224,049,275	9,632,525	1,556,705		232,125,095
2. General Plant	13,272,784	1,651,456	2,045,337		12,878,903
3. Headquarters Plant	7,729,707	92,927	22,708		7,799,926
4. Intangibles	19,355				19,355
5. Transmission Plant	0				0
6. Regional Transmission and Market Operation Plant					
7. All Other Utility Plant	0				0
8. Total Utility Plant in Service (*1 thru 7*)	245,071,121	11,376,908	3,624,750		252,823,279
9. Construction Work in Progress	940,602	1,046,927			1,987,529
10. Total Utility Plant (*8 + 9*)	246,011,723	12,423,835	3,624,750		254,810,808

PART F. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	2,344,632	2,628,547	158,359	2,388,452	53,786	8,235	2,697,535
2. Other	54,976	164,947		175,765		(1,718)	42,440

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE				
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)	TOTAL (e)
1. Present Year	13.615	77.055	5.335	129.635	225.640
[2. F]ive-Year Average	960.623	2,556.166	4.419	136.653	3,657.861

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	147	4. Payroll - Expensed	6,953,137
2. Employee - Hours Worked - Regular Time	304,982	5. Payroll - Capitalized	3,537,405
3. Employee - Hours Worked - Overtime	24,188	6. Payroll - Other	61,503

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements		22,257,195
	b. Special Retirements	174,494	4,530,491
	c. Total Retirements (*a + b*)	174,494	26,787,686
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	0	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	154,444	
	c. Total Cash Received (*a + b*)	154,444	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. Amount Due Over 60 Days	$ 432,006	2. Amount Written Off During Year	$ 237,152

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0065
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2011

PART K. kWh PURCHASED AND TOTAL COST

No	ITEM (a)	SUPPLIER CODE (b)	RENEWABLE ENERGY PROGRAM NAME (c)	RENEWABLE FUEL TYPE (d)	kWh PURCHASED (e)	TOTAL COST (f)	AVERAGE COST (Cents/kWh) (g)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT (h)	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES (i)
1	Big Rivers Electric Corp (KY0062)	1692			9,449,690,476	387,543,341	4.10	(4,122,560)	
	Total				9,449,690,476	387,543,341	4.10	(4,122,560)	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0065
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2011

PART K. kWh PURCHASED AND TOTAL COST

No	Comments
1	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0065
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART L. LONG-TERM LEASES

No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
	TOTAL		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0065
	PERIOD ENDED December, 2011
INSTRUCTIONS - See help in the online application.	

PART M. ANNUAL MEETING AND BOARD DATA

1. Date of Last Annual Meeting	2. Total Number of Members	3. Number of Members Present at Meeting	4. Was Quorum Present?
6/7/2011	46,755	366	Y
5. Number of Members Voting by Proxy or Mail	**6. Total Number of Board Members**	**7. Total Amount of Fees and Expenses for Board Members**	**8. Does Manager Have Written Contract?**
0	11	$ 167,101	N

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0065
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART N. 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	Rural Utilities Service (Excludes RUS - Economic Development Loans)	52,944,006	1,829,039	1,811,548	3,640,587
2	National Rural Utilities Cooperative Finance Corporation				
3	CoBank, ACB	26,110,163	1,242,077	2,458,434	3,700,511
4	Federal Financing Bank	36,149,366	1,680,829	652,151	2,332,980
5	RUS - Economic Development Loans	417,129		161,111	161,111
6	Payments Unapplied	19,854,955			
7	Rural Utilities Serves Treasury Notes	25,339,493	1,249,500	409,386	1,658,886
	TOTAL	121,105,202	6,001,445	5,492,630	11,494,075

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0065 PERIOD ENDED December, 2011

INSTRUCTIONS - See help in the online application.

PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY

CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER *(a)*	AVERAGE NO. CONSUMERS SERVED *(b)*	TOTAL YEAR TO DATE *(c)*
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	45,320	45,294	
	b. kWh Sold			754,123,824
	c. Revenue			56,283,522
2. Residential Sales - Seasonal	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
3. Irrigation Sales	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	9,847	9,803	
	b. kWh Sold			314,860,663
	c. Revenue			22,563,361
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	36	35	
	b. kWh Sold			8,326,066,475
	c. Revenue			344,888,253
6. Public Street & Highway Lighting	a. No. Consumers Served	79	78	
	b. kWh Sold			1,733,331
	c. Revenue			282,096
7. Other Sales to Public Authorities	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
10. Total No. of Consumers ***(lines 1a thru 9a)***		55,282	55,210	
11. Total kWh Sold ***(lines 1b thru 9b)***				9,396,784,293
12. Total Revenue Received From Sales of Electric Energy ***(lines 1c thru 9c)***				424,017,232
13. Transmission Revenue				
14. Other Electric Revenue				1,598,821
15. kWh - Own Use				2,599,956
16. Total kWh Purchased				9,449,690,476
17. Total kWh Generated				
18. Cost of Purchases and Generation				387,543,342
19. Interchange - kWh - Net				
20. Peak - Sum All kW Input (Metered) Non-coincident___ Coincident X				1,285,237

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION KY0065

PERIOD ENDED December, 2011

INSTRUCTIONS - See help in the online application.

PART P. ENERGY EFFICIENCY PROGRAMS

CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1. Residential Sales (excluding seasonal)	10,626	115,475	2,943	10,626	115,475	2,943
2. Residential Sales - Seasonal						
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less	81	29,811	2,242	81	29,811	2,242
5. Comm. and Ind. Over 1000 KVA						
6. Public Street and Highway Lighting						
7. Other Sales to Public Authorities						
8. Sales for Resale – RUS Borrowers						
9. Sales for Resale – Other						
10. Total	10,707	145,286	5,185	10,707	145,286	5,185

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS**	BORROWER DESIGNATION KY0065 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 C. 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.

PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)

No	DESCRIPTION (a)	INCLUDED ($) (b)	EXCLUDED ($) (c)	INCOME OR LOSS ($) (d)	RURAL DEVELOPMENT (e)
1	**Non-Utility Property (NET)**				
	Surge Protectors				
	Wireless Internet Service				
	Fiber Optic Equipment	3,121			
	Totals	3,121			
2	**Investments in Associated Organizations**				
	Big Rivers Electric Corp		25		
	United Utility Supply	545,698			
	Kentucky Assoc of Electrical Coops	143,664			
	CFC		2,683,039		
	CoBank		1,842,687		
	Central Area Data Processing	70			
	Federated Reciprocal Contribution	377,286			
	Cooperative Response Center	12,500			
	Totals	1,079,218	4,525,751		
3	***Investments in Economic Development Projects***				
	Economic Dev Loan-Liberty Plaza				
	Economic Dev Loan-Dapco				
	Economic Dev Loan-Little Ky Smokehouse	104,166			X
	Economic Dev Loan-West Ky Reg Ind				
	Economic Dev Loan-Fresh Meal Solutions	204,166			X
	Economic Dev Loan-Little Ky Smokehouse	269,908			X
	Totals	578,240			
4	**Other Investments**				
	Ohio Co Industrial Foundation	1,500			
	Daviess Co Industrial Foundation	5,000			
	Hancock Co Industrial Foundation	100			
	Totals	6,600			
5	**Special Funds**				
	Deferred Compensation		201,066		
	Totals		201,066		
6	**Cash - General**				
	Cash in various bank accounts	50,943	288,696		
	Totals	50,943	288,696		
8	***Temporary Investments***				
	CFC				
	US Bank	528,989			
	Totals	528,989			
9	***Accounts and Notes Receivable - NET***				
	Accounts Receivable-Other		4,593,628		
	Totals		4,593,628		
11	TOTAL INVESTMENTS (1 thru 10)	2,247,111	9,609,141		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS**	BORROWER DESIGNATION KY0065 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 C. 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.

PART Q. 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)				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS**	BORROWER DESIGNATION KY0065 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 C. 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 III. RATIO

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]	0.88 %

SECTION IV. LOANS

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT ($) (c)	LOAN BALANCE ($) (d)	RURAL DEVELOPMENT (e)
	TOTAL				

Kentucky 20

Jackson Purchase Energy Corporation
Paducah, Kentucky

Audited Financial Statements
December 31, 2011 and 2010

Alan M. Zumstein
Certified Public Accountant
1032 Chetford Drive
Lexington, Kentucky 40509

CONTENTS

ALAN M. ZUMSTEIN
CERTIFIED PUBLIC ACCOUNTANT

1032 CHETFORD DRIVE
LEXINGTON, KENTUCKY 40509
(859) 264-7147
zumstein@windstream.net

MEMBER
• AMERICAN INSTITUTE OF CPA'S
• KENTUCKY SOCIETY OF CPA'S
• INDIANA SOCIETY OF CPA'S
• AICPA DIVISION FOR FIRMS
• TENNESSEE STATE BOARD OF ACCOUNTANCY

Independent Auditor's Report

To the Board of Directors
Jackson Purchase Energy Corporation

I have audited the accompanying balance sheets of Jackson Purchase Energy Corporation, as of December 31, 2011 and 2010, and the related statements of income and patronage capital and cash flows for the years then ended. These financial statements are the responsibility of Jackson Purchase Energy Corporation's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jackson Purchase Energy Corporation as of December 31, 2011 and 2010, and the results of operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated February 8, 2012, on my consideration of Jackson Purchase Energy Corporation's internal control over financial reporting and my 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 my 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 considered in assessing the results of my audits.

Alan M. Zumstein

Alan M. Zumstein, CPA
February 8, 2012

ALAN M. ZUMSTEIN
CERTIFIED PUBLIC ACCOUNTANT

1032 CHETFORD DRIVE
LEXINGTON, KENTUCKY 40509
(859) 264-7147
zumstein@windstream.net

MEMBER
• AMERICAN INSTITUTE OF CPA'S
• KENTUCKY SOCIETY OF CPA'S
• INDIANA SOCIETY OF CPA'S
• AICPA DIVISION FOR FIRMS
• TENNESSEE STATE BOARD OF ACCOUNTANCY

To the Board of Directors
Jackson Purchase Energy Corporation

I have audited the financial statements of Jackson Purchase Energy Corporation as of and for the years ended December 31, 2011 and 2010, and have issued my report thereon dated February 8, 2012. I conducted my audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Corporation's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more that a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, the Rural Utilities Service, and supplemental lenders, and is not intended to be and should not be used by anyone other than these specified parties.

Alan M. Zumstein

Alan M. Zumstein, CPA
February 8, 2012

Jackson Purchase Energy Corporation

Balance Sheets, December 31, 2011 and 2010

Assets	2011	2010
Electric Plant, at original cost:		
In service	$ 134,624,348	$ 127,273,009
Under construction	2,907,866	6,304,491
	137,532,214	133,577,500
Less accumulated depreciation	45,094,854	42,067,013
	92,437,360	91,510,487
Investments in Associated Organizations	2,961,606	2,771,786
Current Assets:		
Cash and cash equivalents	2,970,640	459,514
Accounts receivable, less allowance for 2011 of $94,735 and 2010 of $106,493	2,698,963	3,319,986
Other receivables	2,730,094	4,879,596
Accrued unbilled revenue	1,031,603	2,439,291
Material and supplies, at average cost	1,615,433	1,683,742
Other current assets	403,994	579,944
	11,450,727	13,362,073
Deferred mapping costs	297,973	496,621
Total	$ 107,147,666	$ 108,140,967

Members' Equities and Liabilities	2011	2010
Members' Equities:		
Memberships	$ 157,865	$ 166,760
Patronage capital	39,250,417	40,726,829
Accumulated other comprehensive income	(345,025)	(373,822)
	39,063,257	40,519,767
Long Term Debt	57,641,085	52,460,980
Accumulated Postretirement Benefits	1,700,793	1,576,079
Current Liabilities:		
Notes payable	-	5,500,000
Accounts payable	2,885,594	3,265,429
Consumer deposits	1,759,887	1,660,186
Current portion of long term debt	2,509,000	2,200,000
Accrued expenses	1,441,581	803,852
	8,596,062	13,429,467
Advances for Construction and others	146,469	154,674
Total	$ 107,147,666	$ 108,140,967

The accompanying notes are an integral part of the financial statements.

Statements of Revenue and Patronage Capital

for the years ended December 31, 2011 and 2010

	2011	2010
Operating Revenues	$ 45,135,203	$ 46,534,070
Operating Expenses:		
Cost of power	27,759,591	26,856,527
Distribution - operations	3,110,221	2,610,154
Distribution - maintenance	3,871,294	3,198,253
Consumer accounts	1,055,142	1,147,639
Consumer service and information	108,682	132,314
Administrative and general	2,138,367	2,171,873
Depreciation, excluding $315,642 in 2011 and $393,959 in 2010 charged to clearing accounts	4,695,048	4,566,846
Taxes	48,869	46,300
Other deductions	1,450	4,800
	42,788,664	40,734,706
Operating Margins before Interest Charges	2,346,539	5,799,364
Interest Charges:		
Long-term debt	2,867,944	2,722,675
Other interest	131,427	200,518
	2,999,371	2,923,193
Operating Margins after Interest Charges	(652,832)	2,876,171
Nonoperating Margins		
Interest income	330,626	310,758
Other nonoperating income, net	15,688	19,403
	346,314	330,161
Patronage Capital from Associated Organizations	419,241	898,037
Net Margins	112,723	4,104,369
Patronage Capital - beginning of year	40,726,829	37,081,460
Refund of capital credits	(1,589,135)	-
Nonoperating margins to other equities	-	(459,000)
Patronage Capital - end of year	$ 39,250,417	$ 40,726,829

The accompanying notes are an integral part of the financial statements.

Statements of Cash Flows

for the years ended December 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities:		
Net margins	$ 112,723	$ 4,104,369
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation		
Charged to expense	4,695,048	4,566,846
Charged to clearing	315,642	393,959
Capital credits allocated	(419,241)	(898,037)
Accumulated postretirement benefits	153,511	106,537
Net change in current assets and liabilities:		
Receivables	4,178,213	2,697,247
Material and supplies	68,309	107,071
Other current assets	175,950	(28,064)
Deferred charges	198,648	198,649
Accounts payable	(379,835)	(2,185,996)
Consumer deposits	99,701	189,899
Accrued expenses	537,729	(48,239)
Consumer advances for construction	(8,205)	(24,393)
	9,828,193	9,179,848
Cash Flows from Investing Activities:		
Construction of plant	(5,659,505)	(8,470,534)
Plant removal costs	(768,669)	(953,279)
Salvage recovered from plant	490,611	224,248
Receipts from investments, net	229,421	359,512
	(5,708,142)	(8,840,053)
Net Cash Flows from Financing Activities:		
Net decrease in memberships	(8,895)	(8,960)
Refund capital credits	(1,589,135)	-
Notes payable	(5,500,000)	2,100,000
Additional long-term borrowings	8,000,000	-
Advance payments	(275,868)	(262,172)
Payments on long-term debt	(2,235,027)	(2,198,902)
	(1,608,925)	(370,034)
Net increase in cash balances	2,511,126	(30,239)
Cash and cash equivalents - beginning	459,514	489,753
Cash and cash equivalents - ending	$ 2,970,640	$ 459,514
Supplemental disclosures of cash flow information:		
Interest on long-term debt	$ 2,872,907	$ 2,452,058

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Jackson Purchase Energy Corporation ("the Corporation") maintains its records in accordance with the policies prescribed or permitted by the Kentucky Public Service Commission ("PSC") and the United States Department of Agriculture, Rural Utilities Service ("RUS"), which conform in all material respects with generally accepted accounting principles. The more significant of these policies are as follows:

Electric Plant Electric plant is stated at original cost, which is the cost when first dedicated to public service. Such amount includes applicable supervisory and overhead cost including any construction period interest and taxes. There was no interest required to be capitalized during the year.

The cost of maintenance and repairs, including renewals of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to electric plant. The units of property replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation. Electric plant consists of:

	2011	2010
Distribution plant	$125,691,916	$118,950,665
General plant	8,932,432	8,322,344
Total	$134,624,348	$127,273,009

Depreciation Provision has been made for depreciation on the basis of the estimated lives of assets, using the straight-line method. Depreciation rates range from 1.48% to 12.09%, with a composite rate of 3.73% for distribution plant. General plant rates are as follows:

Structures and improvements	2.5%
Transportation equipment	10% - 20%
Other general plant	5% - 10%

Cash and Cash Equivalents The Corporation considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

Off Balance Sheet Risk The Corporation has off-balance sheet risk in that they maintain cash deposits in financial institutions in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2011, the financial institutions reported deposits in excess of the $250,000 FDIC insured limit on several of the accounts. Deposits and repurchase agreements in excess of the FDIC limits are 100% secured with collateral from each respective financial institution.

Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates used in the preparation of the financial statements.

Advertising The Corporation expenses advertising costs as incurred.

Risk Management The Corporation is exposed to various forms of losses of assets associated with, but not limited to, fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, workers compensation, etc. Each of these areas is covered through the purchase of commercial insurance.

Note 1. Summary of Significant Accounting Policies, continued

Revenue The Corporation records revenue as billed to its consumers based on monthly meter-reading cycles. All consumers are required to pay a refundable deposit that may be waived under certain circumstances. The Corporation's sales are concentrated in a six county area of western Kentucky. There were no consumers whose individual account balance exceeded 10% of outstanding accounts receivable at December 31, 2011 or 2010. Consumers must pay their bill within 20 days of billing, then are subject to disconnect after another 10 days. Accounts are written off when they are deemed to be uncollectible. The allowance for uncollectible accounts is based on the aging of receivables.

Cost of Power The Corporation is one of three (3) members of Big Rivers Electric Corporation, Inc. ("Big Rivers"), a generation and transmission cooperative association. Under a wholesale power agreement, the Corporation is committed to purchase its electric power and energy requirements from Big Rivers until 2043. The rates charged by Big Rivers are subject to approval of the PSC. The cost of purchased power is recorded monthly during the period in which the energy is consumed, based upon billings from Big Rivers. There are certain surcharges, clauses, and credits that Big Rivers includes to the Corporation that are passed on to consumers using a methodology prescribed by the Commission.

Fair Value of Financial Instruments The carrying amounts of the Corporation's cash and cash equivalents, other receivables, investments, inventories, other assets, trade accounts payable, accrued expenses and liabilities, and other liabilities approximate fair value. The carrying value of long term debt approximates the fair value since interest rates approximate the current interest rates. Investments in associated organizations are not considered a financial instrument because they represent nontransferable interests in associated organizations.

The Corporation may, and also does, invest idle funds in local banks and in National Rural Utilities Cooperative Finance Corporation ("CFC") commercial paper. These investments are classified as held-to-maturity in accordance with provisions of the *Financial Instruments Topic* of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"). Held-to-maturity securities are presented at amortized cost. The fair value of held-to-maturity securities approximates cost at 2011 and 2010.

The standard describes three levels of inputs that may be used to measure fair value:

> Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
>
> Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices of similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.
>
> Level 3: Significant unobservable inputs that reflect an organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The only fair values of assets measured on a recurring basis are cash and cash equivalents, which are valued at Level 1 and are recorded at cost.

Commitments The Corporation has various agreements outstanding with local contractors. Under these agreements, the contractors will perform certain construction and maintenance work at specified hourly rates or unit cost, or on an as needed basis. The duration of these contracts are generally one to three years.

Note 1. Summary of Significant Accounting Policies, continued

Generation and Transmission Corporation As discussed in the preceding footnotes, the Corporation purchases electric power from Big Rivers, a generation and transmission cooperative association. The membership of Big Rivers is comprised of The Corporation and two other distribution cooperatives.

On July 16, 2009, Big Rivers consummated an "unwind" transaction with E.ON US under which Big Rivers will assume from E.ON US full responsibility for operating its three generation facilities and the obligation to serve two aluminum smelters through Kenergy Corporation. E.ON US provided cash payments, asset transfers and other benefits to Big Rivers, which resulted in Big Rivers booking extraordinary income of $537,978,000 in 2009. These economic benefits allowed Big Rivers to pay down approximately $140,000,000 of debt, provide $253,000,000 of rate stabilization funds, and increase its equity to a positive $379,391,000 from a deficit of ($154,602,000) at December 31, 2009. After consideration of all relevant facts and information the Corporation has elected to continue valuing the non-cash allocations received from Big Rivers at zero for financial accounting purposes, a practice it has followed since Big Rivers emerged from bankruptcy in 1998 during which all previous booked non-cash allocations were reduced to zero. The Corporation will continue to make memorandum entries in its patronage subsidiary ledger of the face amount of the allocations received from Big Rivers. Refer to the subsequent footnote for the income tax treatment of these non-cash allocations.

Income Tax Status The Corporation is exempt from federal and state income taxes under section 501(c)(12) of the Internal Revenue Code and accordingly, the accompanying financial statements include no provision for such taxes. When applying the 85 percent test of IRC 501(c)(12), the Corporation excludes the Big Rivers non-cash allocations from "gross income".

Effective January 1, 2008, the Corporation adopted the provisions of the *Income Taxes Topic* of the FASB ASC that pertains to accounting for uncertainty in income taxes. The Corporation had no prior unrecognized tax benefits as a result of the implementation. Management evaluates its potential exposures from tax positions taken that have or could be challenged by taxing authorities. These potential exposures result because taxing authorities may take positions that differ from those taken by management in the interpretation and application of statures, regulations, and rules. There are no tax positions for which the ultimate deductibility is highly uncertain included in the accompanying financial statements. The Corporation recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Corporation did not recognize any interest or penalties during the years ended December 31, 2011 or 2010.

Subsequent Events Management has evaluated subsequent events through February 8, 2012, the date the financial statements were available to be issued. There were no significant subsequent events to report.

Note 2. Investments in Associated Organizations

The Corporation records patronage capital assigned by associated organizations in the year in which such assignments are received. The Capital Term Certificates ("CTCs") of CFC are recorded at cost. The CTCs were purchased from CFC as a condition of obtaining long-term financing. The CTCs bear interest at 0%, and 5% and are scheduled to mature at varying times from 2020 to 2080.

Note 2. Investments in Associated Organizations, continued

Investments in associated organizations consist of:

	2011	2010
CFC, CTCs	$941,585	$942,703
CFC, patronage capital	43,969	42,362
CoBank, patronage capital	536,894	496,500
National Rural Telecommunications Cooperative	883,754	699,686
Others	555,404	590,535
Total	$2,961,606	$2,771,786

Note 3. Patronage Capital

Under provisions of the long-term debt agreement, return to patrons of capital contributed by them is limited to amounts which would not allow the total equities and margins to be less than 30% of total assets, except that distributions may be made to estates of deceased patrons. The debt agreement provides, however, that should such distributions to estates not exceed 25% of the net margins for the next preceding year, the Corporation may distribute the difference between 25% and the payments made to such estates. The equity at December 31, 2011 was 36% of total assets. The Corporation adopted a policy whereby it would refund capital credits to its members in any annual period that a Times Interest Earned Ratio ("TIER") of 2.0 is exceeded. There are none anticipated for 2011. Patronage capital consists of:

	2011	2010
Assigned to date	$40,726,829	$36,622,460
Assignable	$112,723	$4,104,369
Retired to date	(1,589,135)	-
Total	$39,250,417	$40,726,829

Note 4. Accumulated Other Comprehensive Income

The changes in accumulated other comprehensive income, which includes the effects of applying the provisions of accumulated postretirement benefits, follows:

	2011	2010
Balance, beginning of period	($373,822)	($402,619)
Current year amortization	28,797	28,797
Adjustments	-	-
Balance, end of period	($345,025)	($373,822)

Note 5. Long Term Debt

All assets, except vehicles, are pledged as collateral on the long term debt to RUS, Federal Financing Bank ("FFB"), CoBank, and CFC under a joint mortgage agreement. The long term debt is due in quarterly and monthly installments of varying amounts through 2039. The Corporation had a loan approved from FFB in the amount of $18,753,000 that will be used for future plant additions. RUS assesses 12.5 basis points to administer the FFB loans. During 2010 the Corporation refinanced $9,265,992 of RUS loans with funds advanced from CoBank. The Corporation refinanced another $9.4 million of RUS loans with CoBank during 2012.

Note 5. Long Term Debt, continued

First mortgage notes are due as follows:

	2011	2010
First mortgage notes due RUS:		
2.50% to 5.53%	$30,546,318	$31,196,291
Advance payment	(5,684,539)	(5,408,671)
	24,861,779	25,787,620
First mortgage notes due FFB:		
2.332% to 5.158%	22,539,835	15,145,661
First mortgage notes due CoBank:		
3.05% to 4.90%	12,174,727	13,094,883
First mortgage notes due CFC		
5.05%	573,744	632,816
	60,150,085	54,660,980
Current portion	2,509,000	2,200,000
Long term portion	$57,641,085	$52,460,980

As of December 31, 2011, the annual principal portion of long term debt outstanding for the next five years are as follows: 2012 - $2,509,000; 2013 - $2,500,000; 2014 - $2,650,000; 2015 - $2,800,000; 2016 - $2,975,000.

Note 6. Short Term Borrowings

The Corporation has a line of credit available from CoBank in the amount of $10,000,000. All advances were repaid during the audit period. The Corporation also has a short term line of credit of $5,000,000 available from CFC. There were no advances against the CFC line of credit during the audit period.

Note 7. Pension Plans

All eligible employees of the Corporation participate in the NRECA Retirement and Security Program, a defined benefit pension plan qualified under section 401 and tax-exempt under section 501(a) of the Internal Revenue Code. Eligible employees include employees hired prior to January 1, 2006. Non-eligible employees are those hired after January 1, 2006. The Corporation makes annual contributions to the Program equal to the amounts accrued for pension expense. Contributions to this plan were $723,428 for 2011 and $796,638 for 2010. In this multiemployer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer.

All eligible union employees participate in the International Brotherhood of Electrical Workers ("IBEW") Savings Plan. The Corporation contributes 10% of base wages to the plan. The Corporation contributions to the plan totaled $203,464 in 2011 and $197,219 in 2010.

Note 8. Retirement Savings Plans

Eligible non-union employees are eligible to participate in the NRECA 401(k) Plan. The Corporation contributes 4% of annual wages to the plan. Non-eligible employees, as defined above, participate in the savings plan, with the Corporation contributing 14% for non-union employees and 10% for union employees. Contributions for these plans totaled $202,256 for 2011 and $194,610 for 2010.

Note 9. Postretirement Benefits

The Corporation sponsors a defined benefit plan that provides medical insurance coverage to retirees. The premiums are paid for a maximum of ten years or until age 65, whichever comes first. For measurement purposes, an annual rate of increase of 8% in 2010, then decreasing by 0.5% per year until 5% per year, in the per capita cost of covered health care benefit was assumed. The discount rate used in determining the accumulated postretirement benefit obligation was 5.75%.

The funded status of the plan is as follows:

	2011	2010
Projected benefit obligation	($1,700,793)	($1,576,079)
Plan assets at fair value	-	-
Funded status	($1,700,793)	($1,576,079)

The components of net periodic postretirement benefit costs are as follows:

	2011	2010
Benefit obligation at beginning of year	$1,576,079	$1,498,339
Net periodic benefit cost:		
Service cost	110,882	108,902
Interest cost	98,306	88,147
	209,188	197,049
Benefits paid	(84,474)	(119,309)
Actuarial gain/loss	-	-
Benefit obligation at end of year	$1,700,793	$1,576,079

Projected retiree benefit payments for the next five years are expected to be as follows: 2012 - $86,000; 2013 - $84,000; 2014 - $8,000; 2015 - $80,000; 2016 - $75,000.

Note 10. Related Party Transactions

Several of the Directors of the Corporation and its President & CEO are on the Boards of Directors of various associated organizations.

Note 11. Labor Force

Approximately 45% of the Corporation's labor force is subject to a collective bargaining agreement. An eight (8) year agreement was negotiated and approved for the period starting November, 2005 between the Corporation and the IBEW.

Note 12. Environmental Contingency

The Corporation from time to time is required to work with and handle PCBs, herbicides, automotive fluids, lubricants, and other hazardous materials in the normal course of business. As a result, there is the possibility that environmental conditions may arise which would require the Corporation to incur cleanup costs. The likelihood of such an event, or the amount of such costs, if any, cannot be determined at this time. However, management does not believe such costs, if any, would materially affect the Corporation's financial position or its future cash flows.

Note 13. Contingencies

The Corporation 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.

* * * * * *

ALAN M. ZUMSTEIN
CERTIFIED PUBLIC ACCOUNTANT

1032 CHETFORD DRIVE
LEXINGTON, KENTUCKY 40509
(859) 264-7147
zumstein@windstream.net

MEMBER
• AMERICAN INSTITUTE OF CPA'S
• KENTUCKY SOCIETY OF CPA'S
• INDIANA SOCIETY OF CPA'S
• AICPA DIVISION FOR FIRMS
• TENNESSEE STATE BOARD OF ACCOUNTANCY

To the Board of Directors
Jackson Purchase Energy Corporation

I have audited the financial statements of Jackson Purchase Energy Corporation for the year ended December 31, 2011, and have issued my report thereon dated February 8, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on audits of the Rural Utilities Service (RUS) Borrowers. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing my audit of the financial statements of the Corporation for the year ended December 31, 2011, I considered its internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting that I consider to be a material weakness.

7 CFR Part 1773.3 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions and other additional matters. I have grouped my comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, I performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, material control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR Part 1773.3(d)(1) related transactions, depreciation rates, a schedule of deferred debits and credits and a schedule of investments, upon which I express an opinion. In addition, my audit of the financial statements also included the procedures specified in 7 CFR Part 1773.38-.45. My objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, I express no opinion thereon.

No reports, other than my independent auditor's report, and my independent auditor's report on internal control over financial reporting and compliance and other matters, all dated February 8, 2012, or summary of recommendations related to my audit have been furnished to management.

To the Board of Directors
Jackson Purchase Energy Corporation – 2

My comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions and other additional matters as required by 7 CFR Part 1773.33 are presented below.

Comments on Certain Specific Aspects of the Internal Control Over Financial Reporting

I noted no matters regarding the Corporation's internal control over financial reporting and its operation that I consider to be a material weakness as previously defined with respect to:

- The accounting procedures and records;
- the process for accumulating and recording labor, material and overhead costs, and the distribution of these costs to construction, retirement, and maintenance and other expense accounts, and;
- the material controls.

Comments on Compliance with Specific RUS Loan and Security Instrument Provisions

At your request, I have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, and contracts. The procedures I performed are summarized as follows:

- Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others for the year ended December 31, 2011, of the Corporation.
  1. The borrower has not entered into any contract during the year for the operation or maintenance of its property, or for the use of its property by others as defined in 1773.33(e)(1)(i).
- Procedures performed with respect to the requirement to submit Financial and Operating Report Electric Distribution to RUS:
  1. Agreed amounts reported in Financial and Operating Report Electric Distribution to the Corporation's records as of December 31, 2011.

The results of my tests indicate that, with respect to the items tested, the Corporation complied in all material respects, with the specific RUS loan and security instrument provisions referred to below. With respect to items not tested, nothing came to my attention that caused me to believe that the Corporation had not complied, in all material respects, with those provisions. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- The borrower has submitted its Financial and Operating Report Electric Distribution to RUS and Financial and Operating Report Electric Distribution, as of December 31, 2011, represented by the borrower as having been submitted to RUS appears to be in agreement with its audited records in all material respects.
- During the period of this review, the borrower received no long term loan fund advances from CFC on loans controlled by the RUS/CFC Mortgage and Loan Agreement.

Comments on Other Additional Matters

In connection with my audit of the Corporation, nothing came to my attention that caused me to believe that the Corporation failed to comply with respect to:

- The reconciliation of continuing property records to controlling general ledger plant accounts addressed at 7 CFR Part 1773.33(c)(1);
- The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR Part 1773.33(c)(2);
- The retirement of plant addressed at 7 CFR 1773.33(c)(3) and (4);
- Approval of the sale, lease, or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap addressed at 7 CFR Part 1773.33(c)(5);
- The disclosure of material related party transactions, in accordance with Statement of Financial Accounting Standard No. 57, Related party Transactions, for the year ended December 31, 2011, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR Part 1773.33(f);
- The depreciation rates addressed at 7 CFR Part 1773.33(g);
- The detailed schedule of deferred debits and deferred credits; and
- The detailed schedule of investments, of which there were none.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of deferred debits and deferred credits required by 7 CFR Part 1773(h) and provided below is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The deferred debits are as follows:

Deferred mapping costs	$297,973

The deferred credits are as follows:

Consumer advances for construction	$131,619
Unlocated checks	14,850
Total	$146,469

This report is intended solely for the information and use of the Board of Directors, management, RUS, and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties.

Alan M. Zumstein

Alan M. Zumstein, CPA
February 8, 2012

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 15 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	BORROWER DESIGNATION KY0018
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	PERIOD ENDED December, 2011
	BORROWER NAME Meade County Rural Electric Cooperative Corpor
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)

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 D of this report.

Burns Mercer

3/19/2012
DATE

PART 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. Operating Revenue and Patronage Capital	34,633,262	35,779,927	36,902,424	3,716,361
2 Power Production Expense				
. Cost of Purchased Power	19,150,753	19,772,602	20,118,973	1,748,165
4. Transmission Expense				
5. Regional Market Expense				
6 Distribution Expense - Operation	2,242,317	2,578,399	2,298,558	255,560
7 Distribution Expense - Maintenance	2,985,071	2,806,763	2,870,741	315,619
8 Customer Accounts Expense	1,318,368	1,363,809	1,328,871	135,875
9. Customer Service and Informational Expense	235,964	288,730	278,335	32,286
10. Sales Expense	1,729	1,745	1,831	1,572
11. Administrative and General Expense	1,526,637	1,540,643	1,656,086	186,872
12. Total Operation & Maintenance Expense (*2 thru 11*)	27,460,839	28,352,691	28,553,395	2,675,949
13. Depreciation and Amortization Expense	3,053,341	3,213,863	3,205,748	274,435
14. Tax Expense - Property & Gross Receipts				
15 Tax Expense - Other	32,794	33,919	33,581	2,933
16. Interest on Long-Term Debt	2,192,938	2,123,835	2,249,469	211,930
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	21,217	11,082	23,653	4,595
19. Other Deductions	11,203	10,650	12,500	1,000
20. Total Cost of Electric Service (*12 thru 19*)	32,772,332	33,746,040	34,078,346	3,170,842
21. Patronage Capital & Operating Margins (*1 minus 20*)	1,860,930	2,033,887	2,824,078	545,519
22 Non Operating Margins - Interest	146,257	179,776	122,490	19,947
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments				
25 Non Operating Margins - Other	130,342	5,584	10,117	11,988
26. Generation and Transmission Capital Credits				
27 Other Capital Credits and Patronage Dividends	174,900	92,150	150,000	0
28. Extraordinary Items				
29. Patronage Capital or Margins (*21 thru 28*)	2,312,429	2,311,397	3,106,685	577,454

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0018
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE LAST YEAR (*a*)	YEAR-TO-DATE THIS YEAR (*b*)	ITEM	YEAR-TO-DATE LAST YEAR (*a*)	YEAR-TO-DATE THIS YEAR (*b*)
1. New Services Connected	520	404	5. Miles Transmission		
2. Services Retired	319	300	6. Miles Distribution – Overhead	2,885.00	2,881.00
3 Total Services in Place	30,731	30,884	7 Miles Distribution - Underground	89.00	93.00
4. Idle Services (*Exclude Seasonals*)	2,315	2,355	**8. Total Miles Energized** (*5 + 6 + 7*)	2,974.00	2,974.00

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1.	Total Utility Plant in Service	98,622,168	30.	Memberships	93,885
2.	Construction Work in Progress	1,920,583	31.	Patronage Capital	20,556,141
3.	**Total Utility Plant** *(1 + 2)*	100,542,751	32.	Operating Margins - Prior Years	77,784
4.	Accum. Provision for Depreciation and Amort.	28,322,224	33.	Operating Margins - Current Year	2,126,037
5.	**Net Utility Plant** *(3 - 4)*	72,220,527	34.	Non-Operating Margins	3,867,708
6.	Non-Utility Property (Net)	0	35	Other Margins and Equities	764,932
7.	Investments in Subsidiary Companies	0	**36.**	**Total Margins & Equities** *(30 thru 35)*	27,486,487
8	Invest in Assoc Org. - Patronage Capital	1,073,850	37.	Long-Term Debt - RUS (Net)	30,903,094
9.	Invest. in Assoc. Org. - Other - General Funds	0	38.	Long-Term Debt - FFB - RUS Guaranteed	17,522,736
10	Invest. in Assoc Org. - Other - Nongeneral Funds	1,256,686	39.	Long-Term Debt - Other - RUS Guaranteed	0
11.	Investments in Economic Development Projects	0	40.	Long-Term Debt Other (Net)	5,096,590
12.	Other Investments	0	41	Long-Term Debt - RUS - Econ. Devel (Net)	0
13.	Special Funds	0	42.	Payments – Unapplied	0
4.	**Total Other Property & Investments** *(6 thru 13)*	2,330,536	43.	**Total Long-Term Debt** *(37 thru 41 - 42)*	53,522,420
15.	Cash - General Funds	4,189,597	44	Obligations Under Capital Leases - Noncurrent	0
16.	Cash - Construction Funds - Trustee	118,500	45.	Accumulated Operating Provisions and Asset Retirement Obligations	1,314,903
17.	Special Deposits	0	**46.**	**Total Other Noncurrent Liabilities** *(44 + 45)*	1,314,903
18.	Temporary Investments	4,897,206	47.	Notes Payable	0
19	Notes Receivable (Net)	0	48.	Accounts Payable	2,378,857
20.	Accounts Receivable - Sales of Energy (Net)	3,254,973	49.	Consumers Deposits	765,897
21.	Accounts Receivable - Other (Net)	355,122			
22.	Renewable Energy Credits	0	50.	Current Maturities Long-Term Debt	2,750,000
23.	Materials and Supplies - Electric & Other	1,429,239	51.	Current Maturities Long-Term Debt - Economic Development	0
24.	Prepayments	130,397	52	Current Maturities Capital Leases	0
25.	Other Current and Accrued Assets	455,168	53.	Other Current and Accrued Liabilities	624,275
26.	**Total Current and Accrued Assets** *(15 thru 25)*	14,830,202	54.	**Total Current & Accrued Liabilities** *(47 thru 53)*	6,519,029
27.	Regulatory Assets	0	55.	Regulatory Liabilities	0
28.	Other Deferred Debits	115,283	56.	Other Deferred Credits	653,709
29.	**Total Assets and Other Debits** *(5+14+26 thru 28)*	89,496,548	57.	**Total Liabilities and Other Credits** *(36 + 43 + 46 + 54 thru 56)*	89,496,548

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0018
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART D. NOTES TO FINANCIAL STATEMENTS

Case No. 2012-00492
Attachment for Response to KIUC 1-~~8~~ 9
Witness: Billie J. Richert

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0018
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART D. CERTIFICATION LOAN DEFAULT NOTES

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION KY0018
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2011

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1 Distribution Plant	86,747,807	8,240,839	4,098,227		90,890,419
2 General Plant	4,146,226	805,764	698,860		4,253,130
3 Headquarters Plant	3,478,620				3,478,620
4 Intangibles	0				0
5 Transmission Plant	0				0
6 Regional Transmission and Market Operation Plant					
7 All Other Utility Plant	0				0
8. Total Utility Plant in Service (*1 thru 7*)	94,372,653	9,046,603	4,797,087		98,622,169
9 Construction Work in Progress	1,910,001	10,582			1,920,583
10. Total Utility Plant (*8 + 9*)	96,282,654	9,057,185	4,797,087		100,542,752

PART F. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	1,221,895	1,670,258	69,705	1,534,335	12,190	13,906	1,429,239
2 Other	(28)	2,279			1,421	(830)	0

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE				
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)	TOTAL (e)
1 Present Year	54.917	122.982	15.463	37.993	231.355
2 Five-Year Average	30.976	1,712.562	12.034	67.573	1,823.145

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1 Number of Full Time Employees	64	4. Payroll - Expensed	3,196,850
2 Employee - Hours Worked - Regular Time	141,053	5. Payroll – Capitalized	965,958
3 Employee - Hours Worked - Overtime	6,669	6 Payroll - Other	69,387

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a General Retirements		7,812,919
	b. Special Retirements	207,721	4,627,826
	c. **Total Retirements (*a + b*)**	207,721	12,440,745
2. Capital Credits - Received	a Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power		
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System		
	c. Total Cash Received (*a + b*)		

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1 Amount Due Over 60 Days	$ 12,176	2. Amount Written Off During Year	$ 54,639

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0018
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2011

PART K. kWh PURCHASED AND TOTAL COST

No	ITEM (a)	SUPPLIER CODE (b)	RENEWABLE ENERGY PROGRAM NAME (c)	RENEWABLE FUEL TYPE (d)	kWh PURCHASED (e)	TOTAL COST (f)	AVERAGE COST (Cents/kWh) (g)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT (h)	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES (i)
1	Big Rivers Electric Corp (KY0062)	1692			480,251,350	19,772,602	4 12	2,225,427	(3,759,037)
	Total				480,251,350	19,772,602	4 12	2,225,427	(3,759,037)

Case No. 2012-00492
Attachment for Response to KIUC 1-~~8~~9
Witness: Billie J. Richert

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0018
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2011

PART K. kWh PURCHASED AND TOTAL COST

No	Comments
1	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION KY0018
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART L. LONG-TERM LEASES

No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
	TOTAL		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0018
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART M. ANNUAL MEETING AND BOARD DATA

1. Date of Last Annual Meeting	2 Total Number of Members	3. Number of Members Present at Meeting	4 Was Quorum Present?
6/27/2011	20,595	536	Y
5. Number of Members Voting by Proxy or Mail	**6 Total Number of Board Members**	**7 Total Amount of Fees and Expenses for Board Members**	**8 Does Manager Have Written Contract?**
	7	$ 111,107	Y

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0018
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART N. 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	Rural Utilities Service (Excludes RUS - Economic Development Loans)	30,903,094	1,278,098	721,964	2,000,062
2	National Rural Utilities Cooperative Finance Corporation	5,096,590	423,365	1,753,781	2,177,146
3	CoBank, ACB				
4	Federal Financing Bank	17,522,736	432,231	234,960	667,191
5	RUS - Economic Development Loans				
6	Payments Unapplied				
	TOTAL	53,522,420	2,133,694	2,710,705	4,844,399

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION KY0018 PERIOD ENDED December, 2011
INSTRUCTIONS - See help in the online application	

PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY

CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	26,419	26,402	
	b. kWh Sold			364,735,373
	c. Revenue			27,479,674
2. Residential Sales - Seasonal	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
3. Irrigation Sales	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	2,069	2,070	
	b. kWh Sold			94,657,470
	c. Revenue			7,131,351
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
6. Public Street & Highway Lighting	a. No. Consumers Served	6	6	
	b. kWh Sold			1,057,133
	c. Revenue			74,925
7. Other Sales to Public Authorities	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
10. Total No. of Consumers (*lines 1a thru 9a*)		28,494	28,478	
11. Total kWh Sold (*lines 1b thru 9b*)				460,449,976
12. Total Revenue Received From Sales of Electric Energy (*lines 1c thru 9c*)				34,685,950
13. Transmission Revenue				
14. Other Electric Revenue				1,093,978
15. kWh - Own Use				1,137,388
16. Total kWh Purchased				480,251,350
17. Total kWh Generated				
18. Cost of Purchases and Generation				19,772,602
19. Interchange - kWh - Net				
20. Peak - Sum All KW Input (Metered) Non-coincident___ Coincident___				120,033

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION KY0018
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2011

PART P. ENERGY EFFICIENCY PROGRAMS

CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1 Residential Sales (excluding seasonal)	119	39,974	756	119	39,974	756
2 Residential Sales - Seasonal						
3 Irrigation Sales						
4 Comm and Ind 1000 KVA or Less	1	11,819	359	1	11,819	359
5. Comm. and Ind. Over 1000 KVA						
6 Public Street and Highway Lighting						
7 Other Sales to Public Authorities						
8 Sales for Resale – RUS Borrowers						
9. Sales for Resale – Other						
10. Total	120	51,793	1,115	120	51,793	1,115

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION KY0018 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 C 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.

PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)

No	DESCRIPTION (a)	INCLUDED ($) (b)	EXCLUDED ($) (c)	INCOME OR LOSS ($) (d)	RURAL DEVELOPMENT (e)
2	**Investments in Associated Organizations**				
	KAEC PATRONAGE CAPITAL		79,021		
	UUS PATRONAGE CAPITAL		485,694		
	CFC PATRONAGE CAPITAL		343,520		
	FEDERATED INSURANCE		108,332		
	NRTC		57,283		X
	CFC CAPITAL TERM CERTIFICATES		944,556		
	CFC MEMBER CAPITAL SECURITY		310,000		
	NRUCFC CAPITAL TERM CERTIFICATES		1,000		
	BIG RIVERS ELECTRIC COOPERATIVE		25		
	GREEN RIVER ELECTRIC-KENERGY		5		
	NATIONAL RURAL TELECOM CORP		1,000		
	NATIONAL COOP SERVICE CORP		100		
	Totals		2,330,536		
6	**Cash - General**				
	MEADE COUNTY BANK	3,280,446	250,000		
	THE FARMERS BANK		104,713		
	FIRST FEDERAL BANK	105,556	250,000		
	LEITCHFIELD DEPOSIT BANK & TRUST		196,481		
	PETTY CASH		2,400		
	Totals	3,386,002	803,594		
7	**Special Deposits**				
	Totals				
8	***Temporary Investments***				
	FIRST STATE BANK	764,837	250,000		
	FARMERS BANK	2,854,488	250,000		
	HANCOCK BANK & TRUST	144,881	250,000		
	COMMONWEALTH COMMUNITY BANK	132,587	250,000		
	MEADE COUNTY BANK		413		
	Totals	3,896,793	1,000,413		
9	**Accounts and Notes Receivable - NET**				
	ACCOUNTS & NOTES		355,122		
	Totals		355,122		
11	TOTAL INVESTMENTS (1 thru 10)	7,282,795	4,489,665		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION KY0018 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 C. 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.

PART Q. 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)				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION KY0018 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 C. 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 III. RATIO

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]	7.24 %

SECTION IV. LOANS

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT ($) (c)	LOAN BALANCE ($) (d)	RURAL DEVELOPMENT (e)
	TOTAL				

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 15 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	BORROWER DESIGNATION KY0018
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	PERIOD ENDED December, 2011
	BORROWER NAME Meade County Rural Electric Cooperative Corpor
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)

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 D of this report.

Burns Mercer

3/19/2012
DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	34,633,262	35,779,927	36,902,424	3,716,361
2. Power Production Expense				
3. Cost of Purchased Power	19,150,753	19,772,602	20,118,973	1,748,165
4. Transmission Expense				
5. Regional Market Expense				
6. Distribution Expense - Operation	2,242,317	2,578,399	2,298,558	255,560
7. Distribution Expense - Maintenance	2,985,071	2,806,763	2,870,741	315,619
8. Customer Accounts Expense	1,318,368	1,363,809	1,328,871	135,875
9. Customer Service and Informational Expense	235,964	288,730	278,335	32,286
10. Sales Expense	1,729	1,745	1,831	1,572
11. Administrative and General Expense	1,526,637	1,540,643	1,656,086	186,872
12. Total Operation & Maintenance Expense (*2 thru 11*)	27,460,839	28,352,691	28,553,395	2,675,949
13. Depreciation and Amortization Expense	3,053,341	3,213,863	3,205,748	274,435
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other	32,794	33,919	33,581	2,933
16. Interest on Long-Term Debt	2,192,938	2,123,835	2,249,469	211,930
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	21,217	11,082	23,653	4,595
19. Other Deductions	11,203	10,650	12,500	1,000
20. Total Cost of Electric Service (*12 thru 19*)	32,772,332	33,746,040	34,078,346	3,170,842
21. Patronage Capital & Operating Margins (*1 minus 20*)	1,860,930	2,033,887	2,824,078	545,519
22. Non Operating Margins - Interest	146,257	179,776	122,490	19,947
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments				
25. Non Operating Margins - Other	130,342	5,584	10,117	11,988
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	174,900	92,150	150,000	0
28. Extraordinary Items				
29. Patronage Capital or Margins (*21 thru 28*)	2,312,429	2,311,397	3,106,685	577,454

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION KY0018
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE LAST YEAR (a)	YEAR-TO-DATE THIS YEAR (b)	ITEM	YEAR-TO-DATE LAST YEAR (a)	YEAR-TO-DATE THIS YEAR (b)
1. New Services Connected	520	404	5. Miles Transmission		
2. Services Retired	319	300	6. Miles Distribution – Overhead	2,885.00	2,881.00
3 Total Services in Place	30,731	30,884	7 Miles Distribution - Underground	89.00	93.00
4. Idle Services (*Exclude Seasonals*)	2,315	2,355	8. **Total Miles Energized** (*5 + 6 + 7*)	2,974.00	2,974.00

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	98,622,168	30. Memberships	93,885
2. Construction Work in Progress	1,920,583	31. Patronage Capital	20,556,141
3. **Total Utility Plant** *(1 + 2)*	100,542,751	32. Operating Margins - Prior Years	77,784
4. Accum. Provision for Depreciation and Amort.	28,322,224	33. Operating Margins - Current Year	2,126,037
5. **Net Utility Plant** *(3 - 4)*	72,220,527	34. Non-Operating Margins	3,867,708
6. Non-Utility Property (Net)	0	35 Other Margins and Equities	764,932
7. Investments in Subsidiary Companies	0	36. **Total Margins & Equities** *(30 thru 35)*	27,486,487
8 Invest. in Assoc. Org. - Patronage Capital	1,073,850	37. Long-Term Debt - RUS (Net)	30,903,094
9. Invest. in Assoc. Org. - Other - General Funds	0	38. Long-Term Debt - FFB - RUS Guaranteed	17,522,736
10 Invest. in Assoc. Org. - Other - Nongeneral Funds	1,256,686	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	0	40. Long-Term Debt Other (Net)	5,096,590
12. Other Investments	0	41 Long-Term Debt - RUS - Econ. Devel. (Net)	0
13. Special Funds	0	42. Payments – Unapplied	0
14. **Total Other Property & Investments** *(6 thru 13)*	2,330,536	43. **Total Long-Term Debt** *(37 thru 41 - 42)*	53,522,420
15. Cash - General Funds	4,189,597	44 Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	118,500	45. Accumulated Operating Provisions and Asset Retirement Obligations	1,314,903
17. Special Deposits	0	46. **Total Other Noncurrent Liabilities** *(44 + 45)*	1,314,903
18. Temporary Investments	4,897,206	47. Notes Payable	0
19 Notes Receivable (Net)	0	48. Accounts Payable	2,378,857
20. Accounts Receivable - Sales of Energy (Net)	3,254,973	49. Consumers Deposits	765,897
21. Accounts Receivable - Other (Net)	355,122		
22. Renewable Energy Credits	0	50. Current Maturities Long-Term Debt	2,750,000
23 Materials and Supplies - Electric & Other	1,429,239	51. Current Maturities Long-Term Debt - Economic Development	0
24. Prepayments	130,397	52 Current Maturities Capital Leases	0
25. Other Current and Accrued Assets	455,168	53. Other Current and Accrued Liabilities	624,275
26. **Total Current and Accrued Assets** *(15 thru 25)*	14,830,202	54. **Total Current & Accrued Liabilities** *(47 thru 53)*	6,519,029
27. Regulatory Assets	0	55. Regulatory Liabilities	0
28. Other Deferred Debits	115,283	56. Other Deferred Credits	653,709
29. **Total Assets and Other Debits** *(5+14+26 thru 28)*	89,496,548	57. **Total Liabilities and Other Credits** *(36 + 43 + 46 + 54 thru 56)*	89,496,548

Case No. 2012-00492
Attachment for Response to KIUC 1-~~8~~ 9
Witness: Billie J. Richert

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0018
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART D. NOTES TO FINANCIAL STATEMENTS

Case No. 2012-00492
Attachment for Response to KIUC 1-~~8~~ 9
Witness: Billie J. Richert

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION KY0018
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART D. CERTIFICATION LOAN DEFAULT NOTES

Case No. 2012-00492
Attachment for Response to KIUC 1-~~8~~ 9
Witness: Billie J. Richert

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION KY0018 PERIOD ENDED December, 2011

INSTRUCTIONS - See help in the online application

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1 Distribution Plant	86,747,807	8,240,839	4,098,227		90,890,419
2 General Plant	4,146,226	805,764	698,860		4,253,130
3 Headquarters Plant	3,478,620				3,478,620
4 Intangibles	0				0
5 Transmission Plant	0				0
6 Regional Transmission and Market Operation Plant					
7 All Other Utility Plant	0				0
8. **Total Utility Plant in Service (1 thru 7)**	94,372,653	9,046,603	4,797,087		98,622,169
9 Construction Work in Progress	1,910,001	10,582			1,920,583
10. **Total Utility Plant (8 + 9)**	96,282,654	9,057,185	4,797,087		100,542,752

PART F. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	1,221,895	1,670,258	69,705	1,534,335	12,190	13,906	1,429,239
2 Other	(28)	2,279			1,421	(830)	0

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE				
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)	TOTAL (e)
1 Present Year	54.917	122.982	15.463	37.993	231.355
2 Five-Year Average	30.976	1,712.562	12.034	67.573	1,823.145

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1 Number of Full Time Employees	64	4. Payroll - Expensed	3,196,850
2 Employee - Hours Worked - Regular Time	141,053	5. Payroll – Capitalized	965,958
3 Employee - Hours Worked - Overtime	6,669	6 Payroll - Other	69,387

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a General Retirements		7,812,919
	b. Special Retirements	207,721	4,627,826
	c. **Total Retirements (a + b)**	207,721	12,440,745
2 Capital Credits - Received	a Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power		
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System		
	c. Total Cash Received (a + b)		

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1 Amount Due Over 60 Days	$ 12,176	2. Amount Written Off During Year	$ 54,639

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0018
INSTRUCTIONS - *See help in the online application*	PERIOD ENDED December, 2011

PART K. kWh PURCHASED AND TOTAL COST

No	ITEM (a)	SUPPLIER CODE (b)	RENEWABLE ENERGY PROGRAM NAME (c)	RENEWABLE FUEL TYPE (d)	kWh PURCHASED (e)	TOTAL COST (f)	AVERAGE COST (Cents/kWh) (g)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT (h)	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES (i)
1	Big Rivers Electric Corp (KY0062)	1692			480,251,350	19,772,602	4.12	2,225,427	(3,759,037)
	Total				480,251,350	19,772,602	4.12	2,225,427	(3,759,037)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE ***FINANCIAL AND OPERATING REPORT*** **ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0018
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2011

PART K. kWh PURCHASED AND TOTAL COST

No	Comments
1	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION KY0018
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2011

PART L. LONG-TERM LEASES

No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
	TOTAL		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION KY0018
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 6/27/2011	2. Total Number of Members 20,595	3. Number of Members Present at Meeting 536	4. Was Quorum Present? Y
5. Number of Members Voting by Proxy or Mail	6. Total Number of Board Members 7	7. Total Amount of Fees and Expenses for Board Members $ 111,107	8. Does Manager Have Written Contract? Y

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION KY0018
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART N. 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	Rural Utilities Service (Excludes RUS - Economic Development Loans)	30,903,094	1,278,098	721,964	2,000,062
2	National Rural Utilities Cooperative Finance Corporation	5,096,590	423,365	1,753,781	2,177,146
3	CoBank, ACB				
4	Federal Financing Bank	17,522,736	432,231	234,960	667,191
5	RUS - Economic Development Loans				
6	Payments Unapplied				
	TOTAL	53,522,420	2,133,694	2,710,705	4,844,399

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION KY0018
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2011

PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY

CLASSIFICATION		CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1 Residential Sales (excluding seasonal)	a	No. Consumers Served	26,419	26,402	
	b	kWh Sold			364,735,373
	c	Revenue			27,479,674
2 Residential Sales - Seasonal	a	No. Consumers Served			
	b	kWh Sold			
	c	Revenue			
3. Irrigation Sales	a	No. Consumers Served			
	b	kWh Sold			
	c	Revenue			
4 Comm. and Ind. 1000 KVA or Less	a	No. Consumers Served	2,069	2,070	
	b	kWh Sold			94,657,470
	c.	Revenue			7,131,351
5 Comm. and Ind. Over 1000 KVA	a	No. Consumers Served			
	b	kWh Sold			
	c	Revenue			
6 Public Street & Highway Lighting	a.	No. Consumers Served	6	6	
	b.	kWh Sold			1,057,133
	c.	Revenue			74,925
7. Other Sales to Public Authorities	a	No. Consumers Served			
	b	kWh Sold			
	c	Revenue			
8 Sales for Resale - RUS Borrowers	a.	No. Consumers Served			
	b.	kWh Sold			
	c	Revenue			
9. Sales for Resale - Other	a	No. Consumers Served			
	b	kWh Sold			
	c.	Revenue			
10. Total No. of Consumers (*lines 1a thru 9a*)			28,494	28,478	
11. Total kWh Sold (*lines 1b thru 9b*)					460,449,976
12. Total Revenue Received From Sales of Electric Energy (*lines 1c thru 9c*)					34,685,950
13. Transmission Revenue					
14 Other Electric Revenue					1,093,978
15. kWh - Own Use					1,137,388
16 Total kWh Purchased					480,251,350
17 Total kWh Generated					
18 Cost of Purchases and Generation					19,772,602
19. Interchange - kWh - Net					
20. Peak - Sum All kW Input (Metered) Non-coincident___ Coincident___					120,033

Case No. 2012-00492
Attachment for Response to KIUC 1-~~8~~9
Witness: Billie J. Richert

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION KY0018 PERIOD ENDED December, 2011
STRUCTIONS - See help in the online application	

PART P. ENERGY EFFICIENCY PROGRAMS

CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers *(a)*	Amount Invested *(b)*	Estimated MMBTU Savings *(c)*	No. of Consumers *(d)*	Amount Invested *(e)*	Estimated MMBTU Savings *(f)*
1 Residential Sales (excluding seasonal)	119	39,974	756	119	39,974	756
2 Residential Sales - Seasonal						
3 Irrigation Sales						
4 Comm and Ind 1000 KVA or Less	1	11,819	359	1	11,819	359
5. Comm. and Ind. Over 1000 KVA						
6 Public Street and Highway Lighting						
7 Other Sales to Public Authorities						
8 Sales for Resale – RUS Borrowers						
9. Sales for Resale – Other						
10. Total	120	51,793	1,115	120	51,793	1,115

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION KY0018 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 C 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.

PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)

No	DESCRIPTION (a)	INCLUDED ($) (b)	EXCLUDED ($) (c)	INCOME OR LOSS ($) (d)	RURAL DEVELOPMENT (e)
2	**Investments in Associated Organizations**				
	KAEC PATRONAGE CAPITAL		79,021		
	UUS PATRONAGE CAPITAL		485,694		
	CFC PATRONAGE CAPITAL		343,520		
	FEDERATED INSURANCE		108,332		
	NRTC		57,283		X
	CFC CAPITAL TERM CERTIFICATES		944,556		
	CFC MEMBER CAPITAL SECURITY		310,000		
	NRUCFC CAPITAL TERM CERTIFICATES		1,000		
	BIG RIVERS ELECTRIC COOPERATIVE		25		
	GREEN RIVER ELECTRIC-KENERGY		5		
	NATIONAL RURAL TELECOM CORP		1,000		
	NATIONAL COOP SERVICE CORP		100		
	Totals		2,330,536		
6	**Cash - General**				
	MEADE COUNTY BANK	3,280,446	250,000		
	THE FARMERS BANK		104,713		
	FIRST FEDERAL BANK	105,556	250,000		
	LEITCHFIELD DEPOSIT BANK & TRUST		196,481		
	PETTY CASH		2,400		
	Totals	3,386,002	803,594		
7	**Special Deposits**				
	Totals				
8	**Temporary Investments**				
	FIRST STATE BANK	764,837	250,000		
	FARMERS BANK	2,854,488	250,000		
	HANCOCK BANK & TRUST	144,881	250,000		
	COMMONWEALTH COMMUNITY BANK	132,587	250,000		
	MEADE COUNTY BANK		413		
	Totals	3,896,793	1,000,413		
9	**Accounts and Notes Receivable - NET**				
	ACCOUNTS & NOTES		355,122		
	Totals		355,122		
11	TOTAL INVESTMENTS (1 thru 10)	7,282,795	4,489,665		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION KY0018 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 C. 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.

PART Q. 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)				

Case No. 2012-00492
Attachment for Response to KIUC 1-~~8~~ 9
Witness: Billie J. Richert

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION KY0018 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 C. 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 III. RATIO

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]	7.24 %

SECTION IV. LOANS

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT ($) (c)	LOAN BALANCE ($) (d)	RURAL DEVELOPMENT (e)
	TOTAL				

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 15 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	BORROWER DESIGNATION KY0020
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	PERIOD ENDED December, 2011 (Prepared with Audited Data)
	BORROWER NAME Jackson Purchase Energy Corporation
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)

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 D of this report.

Kelly Nuckols 3/1/2012

DATE

PART 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. Operating Revenue and Patronage Capital	46,534,070	45,135,203	45,850,011	3,489,495
Power Production Expense	0	0	0	0
Cost of Purchased Power	26,856,527	27,759,591	27,370,896	2,398,042
4. Transmission Expense	0	0	0	0
5. Regional Market Expense				
6. Distribution Expense - Operation	2,610,154	3,110,221	2,009,828	355,821
7. Distribution Expense - Maintenance	3,198,253	3,871,294	4,268,372	479,330
8. Customer Accounts Expense	1,147,639	1,055,142	903,577	121,662
9. Customer Service and Informational Expense	131,312	82,149	234,322	8,220
10. Sales Expense	1,002	26,533	49,657	11,290
11. Administrative and General Expense	2,171,873	2,138,367	2,432,705	194,681
12. Total Operation & Maintenance Expense *(2 thru 11)*	36,116,760	38,043,297	37,269,357	3,569,046
13. Depreciation and Amortization Expense	4,566,846	4,695,048	4,920,575	397,392
14. Tax Expense - Property & Gross Receipts	0	0	0	0
15. Tax Expense - Other	46,300	48,869	47,598	4,218
16. Interest on Long-Term Debt	2,722,675	2,867,944	2,610,903	237,659
17. Interest Charged to Construction - Credit	0	0	0	0
18. Interest Expense - Other	200,518	131,427	253,253	8,932
19. Other Deductions	4,800	1,450	2,100	0
20. Total Cost of Electric Service *(12 thru 19)*	43,657,899	45,788,035	45,103,786	4,217,247
21. Patronage Capital & Operating Margins *(1 minus 20)*	2,876,171	(652,832)	746,225	(727,752)
22. Non Operating Margins - Interest	310,758	330,626	306,900	28,342
23. Allowance for Funds Used During Construction	0	0	0	0
24. Income (Loss) from Equity Investments	0	0	0	0
25. Non Operating Margins - Other	19,403	15,688	600	(8,403)
26. Generation and Transmission Capital Credits	0	0	0	0
27. Other Capital Credits and Patronage Dividends	898,037	419,241	578,000	0
Extraordinary Items	0	0	0	0
Patronage Capital or Margins *(21 thru 28)*	4,104,369	112,723	1,631,725	(707,813)

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION

INSTRUCTIONS - See help in the online application.

BORROWER DESIGNATION
KY0020

PERIOD ENDED
December, 2011

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT

ITEM	YEAR-TO-DATE LAST YEAR (a)	YEAR-TO-DATE THIS YEAR (b)	ITEM	YEAR-TO-DATE LAST YEAR (a)	YEAR-TO-DATE THIS YEAR (b)
1. New Services Connected	369	308	5. Miles Transmission	0.00	0.00
2. Services Retired	127	73	6. Miles Distribution – Overhead	2,393.32	2,393.97
3. Total Services in Place	34,929	35,164	7. Miles Distribution - Underground	516.10	523.66
4. Idle Services (*Exclude Seasonals*)	5,740	6,004	8. **Total Miles Energized** *(5 + 6 + 7)*	2,909.42	2,917.63

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	134,624,348	30. Memberships	157,865
2. Construction Work in Progress	2,907,866	31. Patronage Capital	39,137,694
3. **Total Utility Plant** *(1 + 2)*	137,532,214	32. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort	45,094,854	33. Operating Margins - Current Year	(233,592)
5. **Net Utility Plant** *(3 - 4)*	92,437,360	34. Non-Operating Margins	346,315
6. Non-Utility Property (Net)	0	35. Other Margins and Equities	(345,025)
7. Investments in Subsidiary Companies	0	36. **Total Margins & Equities** *(30 thru 35)*	39,063,257
8. Invest. in Assoc. Org. - Patronage Capital	1,477,087	37. Long-Term Debt - RUS (Net)	29,866,318
9. Invest. in Assoc. Org. - Other - General Funds	5,000	38. Long-Term Debt - FFB - RUS Guaranteed	21,679,835
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	1,479,519	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	0	40. Long-Term Debt Other (Net)	11,779,471
12. Other Investments	0	41. Long-Term Debt - RUS - Econ. Devel. (Net)	0
13. Special Funds	236,115	42. Payments – Unapplied	5,684,539
14. **Total Other Property & Investments** *(6 thru 13)*	3,197,721	43. **Total Long-Term Debt** *(37 thru 41 - 42)*	57,641,085
15. Cash - General Funds	970,640	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	0	45. Accumulated Operating Provisions and Asset Retirement Obligations	1,936,908
17. Special Deposits	0	46. **Total Other Noncurrent Liabilities** *(44 + 45)*	1,936,908
18. Temporary Investments	2,000,000	47. Notes Payable	0
19. Notes Receivable (Net)	0	48. Accounts Payable	2,885,594
20. Accounts Receivable - Sales of Energy (Net)	2,698,963	49. Consumers Deposits	1,759,887
21. Accounts Receivable - Other (Net)	2,730,094		
22. Renewable Energy Credits	0	50. Current Maturities Long-Term Debt	2,509,000
23. Materials and Supplies - Electric & Other	1,615,433	51. Current Maturities Long-Term Debt - Economic Development	0
24. Prepayments	371,426	52. Current Maturities Capital Leases	0
25. Other Current and Accrued Assets	1,043,552	53. Other Current and Accrued Liabilities	1,441,581
26. **Total Current and Accrued Assets** *(15 thru 25)*	11,430,108	54. **Total Current & Accrued Liabilities** *(47 thru 53)*	8,596,062
27. Regulatory Assets	0	55. Regulatory Liabilities	0
28. Other Deferred Debits	318,592	56. Other Deferred Credits	146,469
29. **Total Assets and Other Debits** *(5+14+26 thru 28)*	107,383,781	57. **Total Liabilities and Other Credits** *(36 + 43 + 46 + 54 thru 56)*	107,383,781

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0020
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART D. NOTES TO FINANCIAL STATEMENTS

An accurate estimate of Contributions in Aid of Construction cannot be made. The amount shown reflects contributions made since inception of tracking.

The Corpoation has collected GPS data and has electronically mapped its entire system. Data collection expense has been deferred into account 186 and is being amortized over an eight (8) year life.

Effective with the May 2008 report, the Corporation is reporting line mile data based on GIS data. This line mile data is less than previously reported mileage data.

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0020
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART D. CERTIFICATION LOAN DEFAULT NOTES

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0020 PERIOD ENDED December, 2011
STRUCTIONS - See help in the online application.	

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	118,950,665	7,959,945	1,218,694		125,691,916
2. General Plant	5,933,435	757,688	520,007		6,171,116
3. Headquarters Plant	2,388,909	372,407	0		2,761,316
4. Intangibles	0	0	0		0
5. Transmission Plant	0	0	0		0
6. Regional Transmission and Market Operation Plant					
7. All Other Utility Plant	0	0	0		0
8. **Total Utility Plant in Service (*1 thru 7*)**	127,273,009	9,090,040	1,738,701		134,624,348
9. Construction Work in Progress	6,304,491	(3,396,625)			2,907,866
10. **Total Utility Plant (*8 + 9*)**	133,577,500	5,693,415	1,738,701		137,532,214

PART F. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	1,675,160	1,056,421	79,669	1,194,688	9,975		1,606,587
2. Other	8,582	6,946		6,682			8,846

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE				
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)	TOTAL (e)
1. Present Year	3.216	58.490	1.186	157.490	220.382
Five-Year Average	668.516	2,040.231	1.957	128.437	2,839.141

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	80	4. Payroll - Expensed	3,377,608
2. Employee - Hours Worked - Regular Time	161,522	5. Payroll -- Capitalized	1,583,745
3. Employee - Hours Worked - Overtime	18,935	6. Payroll - Other	391,432

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements	1,589,135	1,589,135
	b. Special Retirements	0	0
	c. **Total Retirements (*a + b*)**	1,589,135	1,589,135
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	0	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	76,625	
	c. **Total Cash Received (*a + b*)**	76,625	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. Amount Due Over 60 Days	$ 140,450	2. Amount Written Off During Year	$ 104,039

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0020
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2011

PART K. kWh PURCHASED AND TOTAL COST

No	ITEM (a)	SUPPLIER CODE (b)	RENEWABLE ENERGY PROGRAM NAME (c)	RENEWABLE FUEL TYPE (d)	kWh PURCHASED (e)	TOTAL COST (f)	AVERAGE COST (Cents/kWh) (g)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT (h)	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES (i)
1	Big Rivers Electric Corp (KY0062)	1692	Biomass	Biomass - wood	6,000	175	2.92	0	174
2	Big Rivers Electric Corp (KY0062)	1692			683,757,836	27,759,416	4.06	3,000,068	(5,350,446)
	Total				683,763,836	27,759,591	4.06	3,000,068	(5,350,272)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0020
INSTRUCTIONS - See help in the online application	PERIOD ENDED December, 2011

PART K. kWh PURCHASED AND TOTAL COST

No	Comments
1	
2	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0020
NSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART L. LONG-TERM LEASES

No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
	TOTAL		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0020
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART M. ANNUAL MEETING AND BOARD DATA

1. Date of Last Annual Meeting	2. Total Number of Members	3. Number of Members Present at Meeting	4. Was Quorum Present?
6/9/2011	22,761	347	Y
5. Number of Members Voting by Proxy or Mail	**6. Total Number of Board Members**	**7. Total Amount of Fees and Expenses for Board Members**	**8. Does Manager Have Written Contract?**
0	8	$ 54,536	N

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0020
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART N. 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	Rural Utilities Service (Excludes RUS - Economic Development Loans)	29,866,318	1,352,070	649,973	2,002,043
2	National Rural Utilities Cooperative Finance Corporation	511,744	30,087	59,071	89,158
3	CoBank, ACB	11,267,727	565,529	920,156	1,485,685
4	Federal Financing Bank	21,679,835	925,221	605,826	1,531,047
5	RUS - Economic Development Loans				
6	Payments Unapplied	5,684,539			
	TOTAL	57,641,085	2,872,907	2,235,026	5,107,933

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION**	BORROWER DESIGNATION KY0020
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY

CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER *(a)*	AVERAGE NO. CONSUMERS SERVED *(b)*	TOTAL YEAR TO DATE *(c)*
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	25,946	26,054	
	b. kWh Sold			411,230,492
	c. Revenue			29,070,144
2. Residential Sales - Seasonal	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
3. Irrigation Sales	a. No. Consumers Served	5	7	
	b. kWh Sold			268,975
	c. Revenue			21,326
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	3,196	3,126	
	b. kWh Sold			190,023,410
	c. Revenue			11,916,111
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	10	9	
	b. kWh Sold			49,396,996
	c. Revenue			2,909,155
6. Public Street & Highway Lighting	a. No. Consumers Served	3	3	
	b. kWh Sold			618,752
	c. Revenue			79,614
Other Sales to Public Authorities	a No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
9. Sales for Resale - Other	a No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
10. Total No. of Consumers *(lines 1a thru 9a)*		29,160	29,199	
11. Total kWh Sold *(lines 1b thru 9b)*				651,538,625
12. Total Revenue Received From Sales of Electric Energy *(lines 1c thru 9c)*				43,996,350
13. Transmission Revenue				0
14. Other Electric Revenue				1,138,853
15. kWh - Own Use				202,210
16. Total kWh Purchased				683,763,836
17. Total kWh Generated				0
18. Cost of Purchases and Generation				27,759,591
19. Interchange - kWh - Net				
20. Peak - Sum All kW Input (Metered) Non-coincident___ Coincident X				163,838

Case No. 2012-00492
Attachment for Response to KIUC 1-~~8~~ 9
Witness: Billie J. Richert

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION KY0020
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011

PART P. ENERGY EFFICIENCY PROGRAMS

CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1. Residential Sales (excluding seasonal)	1,720	11,218	1,438	11,559	76,860	9,672
2. Residential Sales - Seasonal						
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less						
5. Comm and Ind. Over 1000 KVA						
6. Public Street and Highway Lighting						
7. Other Sales to Public Authorities						
8. Sales for Resale – RUS Borrowers						
9. Sales for Resale – Other						
10. Total	1,720	11,218	1,438	11,559	76,860	9,672

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS**	BORROWER DESIGNATION KY0020 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 C. 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.

PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)

No	DESCRIPTION (a)	INCLUDED ($) (b)	EXCLUDED ($) (c)	INCOME OR LOSS ($) (d)	RURAL DEVELOPMENT (e)
2	**Investments in Associated Organizations**				
	NRUCFC-Herndon VA Patronage Capital		43,969	3,214	
	United Utility Supply-Louisville KY Patronage Capital	361,416		13,600	
	Ky Assoc Elec Coops-Lou KY Patronage Capital	62,953			
	NISC-St Peters MO Patronage Capital	2,285			
	KAEC-Lou KY Certificate of Deposit	5,000		20	
	NRUCFC-Herdon VA Capital Term Certificates		941,585	46,407	
	Rural Coop Credit Union-Lou KY Share Account		5	0	
	Big Rivers Electric Corp-Henderson KY Membership	25			
	CoBank-Denver CO Patronage Capital		536,894	115,412	
	Federated Rrl Ins Esc-Lenexa KS Patronage Capital	122,465		20,210	
	NRECA-Arlington VA Membership Certificate	10			
	National Rrl Tel Coop=Herndon VA Patronage Capital	883,754		262,954	
	Ballard Rrl Tel Coop-LaCenter KY Patronage Capital	245			
	NRUCFC-Herndon VA Membership Certificate		1,000		
	Totals	1,438,153	1,523,453	461,817	
5	**Special Funds**				
	Deferred Compensation Assets	236,115			
	Totals	236,115			
6	**Cash - General**				
	Paducah Bank-Paducah KY General Checking	681,111	250,000		
	Credit Card Payments in Transit	37,470			
	e-Payments in Transit	260			
	Cash in Drawers & Petty Cash	1,800			
	Totals	720,641	250,000		
8	**Temporary Investments**				
	NRUCFC-Herndon VA Commercial Paper		2,000,000		
	Totals		2,000,000		
9	**Accounts and Notes Receivable - NET**				
	Accounts Receivable-FEMA	2,627,638			
	Accounts Receivable-Other	102,456			
	Totals	2,730,094			
11	TOTAL INVESTMENTS (1 thru 10)	5,125,003	3,773,453	461,817	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS**	BORROWER DESIGNATION KY0020 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 C. 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.

PART Q. 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)				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS**	BORROWER DESIGNATION KY0020 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 C. 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 III. RATIO

RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]	3.73 %

SECTION IV. LOANS

No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT ($) (c)	LOAN BALANCE ($) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors		0	0	
2	Energy Resources Conservation Loans		0	0	
	TOTAL		0	0	

ALAN M. ZUMSTEIN
CERTIFIED PUBLIC ACCOUNTANT

1032 CHETFORD DRIVE
LEXINGTON, KENTUCKY 40509
(859) 264-7147
zumstein@windstream.net

MEMBER
• AMERICAN INSTITUTE OF CPA'S
• KENTUCKY SOCIETY OF CPA'S
• INDIANA SOCIETY OF CPA'S
• AICPA DIVISION FOR FIRMS
• TENNESSEE STATE BOARD OF ACCOUNTANCY

To the Board of Directors
Meade County Rural Electric Cooperative

I have audited the financial statements of Meade County Rural Electric Cooperative for the year ended October 31, 2011, and have issued my report thereon dated December 19, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on audits of the Rural Utilities Service (RUS) Borrowers. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing my audit of the financial statements of Meade County for the year ended October 31, 2011, I considered its internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be a material weakness. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting that I consider to be a material weakness.

7 CFR Part 1773.3 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions and other additional matters. I have grouped my comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, I performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, material control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR Part 1773.3(d)(1) related transactions, depreciation rates, a schedule of deferred debits and credits and a schedule of investments, upon which I express an opinion. In addition, my audit of the financial statements also included the procedures specified in 7 CFR Part 1773.38-.45. My Objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, I express no opinion thereon.

No reports, other than my independent auditor's report, and my independent auditor's report on internal control over financial reporting and compliance and other matters, all dated December 19, 2011, or summary of recommendations related to my audit have been furnished to management.

To the Board of Directors
Meade County Rural Electric Cooperative - 2

My comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions and other additional matters as required by 7 CFR Part 1773.33 are presented below.

Comments on Certain Specific Aspects of the Internal Control Over Financial Reporting

I noted no matters regarding Meade County's internal control over financial reporting and its operation that I consider to be a material weakness as previously defined with respect to:

1. The accounting procedures and records;
2. the process for accumulating and recording labor, material and overhead costs, and the distribution of these costs to construction, retirement, and maintenance and other expense accounts, and;
3. the material controls.

However, I recommend corrective action be taken in the following area:

1. I noted an excessive difference in one of the inventory items. This item should have been recounted before the adjustment was made the inventory records. This difference would cause the current inventory to be misstated, along with the beginning balance for the next inventory. This item was subsequently recounted and an adjustment made the inventory records to reflect an accurate count.

Comments on Compliance with Specific RUS Loan and Security Instrument Provisions

At your request, I have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, and contracts. The procedures I performed are summarized as follows:

- Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others for the year ended October 31, 2011, of Meade County.
  1. Meade County has not entered into any contract during the year for the operation or maintenance of its property, or for the use of its property by others as defined in 1773.33(e)(1)(i).
- Procedures performed with respect to the requirement to submit RUS *Financial and Operating Report Electric Distribution* to RUS:
  1. Agreed amounts reported in RUS *Financial and Operating Report Electric Distribution* to Meade County's records as of December 31, 2010.

The results of my tests indicate that, with respect to the items tested, Meade County complied in all material respects, with the specific RUS loan and security instrument provisions referred to below. With respect to items not tested, nothing came to my attention that caused me to believe that Meade County had not complied, in all material respects, with those provisions. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- The borrower has submitted its RUS *Financial and Operating Report Electric Distribution* to RUS and the RUS *Financial and Operating Report Electric Distribution*, as of December 31, 2010, represented by the borrower as having been submitted to RUS appears to be in agreement with its audited records in all material respects.
- During the period of this review, Meade County received no long term advances from CFC on loans controlled by the RUS/CFC Mortgage and Loan Agreement.

To the Board of Directors
Meade County Rural Electric Cooperative - 3

Comments on Other Additional Matters

In connection with my audit of Meade County, nothing came to my attention that caused me to believe that Meade County failed to comply with respect to:

- The reconciliation of continuing property records to controlling general ledger plant accounts addressed at 7 CFR Part 1773.33(c)(1);
- The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR Part 1773.33(c)(2);
- The retirement of plant addressed at 7 CFR 1773.33(c)(3) and (4);
- Approval of the sale, lease, or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap addressed at 7 CFR Part 1773.33(c)(5);
- The disclosure of material related party transactions, in accordance with Statement of Financial Accounting Standard No. 57, Related party Transactions, for the year ended October 31, 2011, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR Part 1773.33(f);
- The depreciation rates addressed at 7 CFR Part 1773.33(g);
- The detailed schedule of deferred debits and deferred credits; and
- The detailed schedule of investments, of which there were none.

My audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of deferred debits and deferred credits required by 7 CFR Part 1773(h) and provided below is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The deferred credits are as follows:

Consumer advances for construction	$580,073

This report is intended solely for the information and use of the Board of Directors, management, RUS, and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties.

Alan M. Zumstein

Alan M. Zumstein, CPA
December 19, 2011

Kentucky 18

Meade County Rural Electric Cooperative Corporation

Brandenburg, Kentucky

Audited Financial Statements
October 31, 2011 and 2010

Alan M. Zumstein
Certified Public Acountant
1032 Chetford Drive
Lexington, Kentucky 40509

CONTENTS

ALAN M. ZUMSTEIN
CERTIFIED PUBLIC ACCOUNTANT

1032 CHETFORD DRIVE
LEXINGTON, KENTUCKY 40509
(859) 264-7147
zumstein@windstream.net

MEMBER
• AMERICAN INSTITUTE OF CPA'S
• KENTUCKY SOCIETY OF CPA'S
• INDIANA SOCIETY OF CPA'S
• AICPA DIVISION FOR FIRMS
• TENNESSEE STATE BOARD OF ACCOUNTANCY

Independent Auditor's Report

To the Board of Directors
Meade County Rural Electric Cooperative

I have audited the balance sheets of Meade County Rural Electric Cooperative, as of October 31, 2011 and 2010, and the related statements of income and patronage capital and cash flows for the years then ended. These financial statements are the responsibility of Meade County Rural Electric Cooperative's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meade County Rural Electric Cooperative as of October 31, 2011 and 2010, and the results of operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 19, 2011, on my consideration of Meade County Rural Electric Cooperative's internal control over financial reporting and my 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 my 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 considered in assessing the results of my audits.

Alan M. Zumstein

Alan M. Zumstein, CPA
December 19, 2011

ALAN M. ZUMSTEIN
CERTIFIED PUBLIC ACCOUNTANT

1032 CHETFORD DRIVE
LEXINGTON, KENTUCKY 40509
(859) 264-7147
zumstein@windstream.net

MEMBER
• AMERICAN INSTITUTE OF CPA'S
• KENTUCKY SOCIETY OF CPA'S
• INDIANA SOCIETY OF CPA'S
• AICPA DIVISION FOR FIRMS
• TENNESSEE STATE BOARD OF ACCOUNTANCY

To the Board of Directors
Meade County Rural Electric Cooperative

I have audited the financial statements of Meade County Rural Electric as of and for the years ended October 31, 2011 and 2010, and have issued my report thereon dated December 19, 2011. I conducted my audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Meade County's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Meade County's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Meade County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

To the Board of Directors
Meade County Rural Electric Cooperative
Page - 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meade County's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, the Rural Utilities Service, and supplemental lenders, and is not intended to be and should not be used by anyone other than these specified parties.

Alan M. Zumstein

Alan M. Zumstein, CPA
December 19, 2011

Meade County Rural Electric Cooperative Corporation

Balance Sheets, October 31, 2011 and 2010

Assets	2011	2010
Electric Plant, at original cost:		
In service	$ 97,915,312	$ 93,136,623
Under construction	2,419,896	2,169,785
	100,335,208	95,306,408
Less accumulated depreciation	28,017,908	26,150,475
	72,317,300	69,155,933
Investments in Associated Organizations	2,335,397	2,321,725
Current Assets:		
Cash and cash equivalents	11,616,442	7,129,069
Accounts receivable, less allowance for 2011 of $412,224 and 2010 of $441,646	2,407,536	2,214,590
Other receivables	93,213	234,134
Material and supplies, at average cost	1,220,439	1,224,531
Other current assets	441,618	463,252
	15,779,248	11,265,576
Total	$ 90,431,945	$ 82,743,234

Members' Equities and Liabilities		
Members' Equities:		
Memberships	$ 94,400	$ 98,435
Patronage capital	25,813,645	24,200,187
Other equities	949,821	933,119
Accumulated other comprehensive income	(187,349)	(202,707)
	26,670,517	25,029,034
Long Term Debt	55,924,406	50,507,154
Accumulated Postretirement Benefits	1,299,455	1,130,066
Current Liabilities:		
Accounts payable	1,790,682	1,664,026
Current portion of long term debt	2,750,000	2,700,000
Consumer deposits	753,500	710,266
Accrued expenses	663,312	431,181
	5,957,494	5,505,473
Consumer Advances	580,073	571,507
Total	$ 90,431,945	$ 82,743,234

The accompanying notes are an integral part of the financial statements.

Statements of Revenue and Patronage Capital

for the years ended October 31, 2011 and 2010

	2011	2010
Operating Revenues	$ 35,672,830	$ 33,909,226
Operating Expenses:		
Cost of power	20,171,324	18,559,412
Distribution - operations	2,585,271	2,262,728
Distribution - maintenance	2,885,003	2,977,495
Consumer accounts	1,388,980	1,308,680
Customer services	253,519	225,150
Administrative and general	1,572,561	1,465,258
Depreciation, excluding $274,354 in 2011 and $291,449 in 2010 charged to clearing account	3,186,325	3,030,276
Taxes, other than income	33,467	32,950
Other deductions	9,650	12,855
	32,086,100	29,874,804
Operating margins before interest charges	3,586,730	4,034,422
Interest Charges:		
Long-term debt	2,128,676	2,204,947
Other	6,979	25,497
	2,135,655	2,230,444
Operating margins after interest charges	1,451,075	1,803,978
Nonoperating Margins		
Interest income	157,142	161,647
Others	109,677	20,452
	266,819	182,099
Patronage Capital Credits	92,150	174,900
Net Margins	1,810,044	2,160,977
Patronage Capital, beginning of year	24,200,187	22,200,195
Refunds to estates of deceased members	(196,586)	(160,985)
Patronage Capital, end of year	$ 25,813,645	$ 24,200,187

The accompanying notes are an integral part of the financial statements.

Statements of Cash Flows

for the years ended October 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities:		
Net margins	$ 1,810,044	$ 2,160,977
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation:		
Charged to expense	3,186,325	3,030,276
Charged to clearing accounts	274,354	291,449
Patronage capital credits assigned	(92,150)	(174,900)
Accumulated postretirement benefits	184,747	307,228
Change in assets and liabilities:		
Receivables	(52,025)	756,526
Material and supplies	4,092	161,783
Other assets	21,634	(59,779)
Payables	126,656	(374,609)
Consumer deposits and advances	51,800	7,451
Accrued expenses	232,131	(177,398)
	5,747,608	5,929,004
Cash Flows from Investing Activities:		
Plant additions	(6,194,843)	(5,877,068)
Plant removal costs	(736,564)	(673,804)
Salvage recovered from retired plant	309,361	264,550
Receipts from other investments, net	78,478	90,334
	(6,543,568)	(6,195,988)
Cash Flows from Financing Activities:		
Net increase in memberships	(4,035)	(3,525)
Refund of patronage capital to members	(196,586)	(160,985)
Increase in other equities	16,702	(1,892)
Payments on long term debt	(2,695,152)	(2,658,489)
Advances of long term debt	8,750,000	4,636,000
Advance payment on long term debt	(587,596)	2,496,292
	5,283,333	4,307,401
Net increase in cash	4,487,373	4,040,417
Cash and cash equivalents, beginning of year	7,129,069	3,088,652
Cash and cash equivalents, end of year	$ 11,616,442	$ 7,129,069
Supplemental cash flows information:		
Interest paid on long-term debt	$ 2,148,360	$ 2,225,891

The accompanying notes are an integral part of the financial statements.

Note 1. Summary of Significant Accounting Policies

Meade County Rural Electric Cooperative Corporation ("Meade County") maintains its records in accordance with the policies prescribed or permitted by the Kentucky Public Service Commission ("PSC") and the United States Department of Agriculture, Rural Utilities Service ("RUS"), which conform in all material respects with generally accepted accounting principles. The more significant of these policies are as follows:

Electric Plant Electric plant is stated at original cost, which is the cost when first dedicated to public service. Such amount includes applicable supervisory and overhead cost including any construction period interest and taxes. There was no interest required to be capitalized during the year.

The cost of maintenance and repairs, including renewals of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to electric plant. The units of property replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation. Electric plant consists of:

	2011	2010
Distribution plant	$90,217,156	$85,678,217
General plant	7,698,156	7,458,406
Total	$97,915,312	$93,136,623

Depreciation Provision has been made for depreciation on the basis of the estimated lives of assets, using the straight-line method. Meade County uses a composite depreciation rate of 3.36% for distribution plant. General plant rates are as follows:

Structures and improvements	2.5% - 3%
Transportation equipment	12.5% - 25%
Other general plant	5% - 14.3%

Cash and Cash Equivalents Meade County considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents.

Off Balance Sheet Risk Meade County has off-balance sheet risk in that they maintain cash deposits in financial institutions in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC). At October 31, 2011, the financial institutions reported deposits in excess of the $250,000 FDIC insured limit on several of the accounts.

Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates used in the preparation of the financial statements.

Revenue Meade County records revenue as billed to its consumers based on monthly meter-reading cycles. All consumers are required to pay a refundable deposit, however, it may be waived under certain circumstances. Meade County's sales are concentrated in a six county area of western Kentucky. There were no consumers whose individual account balance exceeded 10% of outstanding accounts receivable at October 31, 2011 or 2010. Consumers must pay their bill within 20 days of billing, then are subject to disconnect after another 10 days. Accounts are written off when they are deemed to be uncollectible. The allowance for uncollectible accounts is based on the aging of receivables.

Note 1. Summary of Significant Accounting Policies, continued

Cost of Power Meade County is one of three (3) members of Big Rivers Electric Corporation, Inc. ("Big Rivers"). Under a wholesale power agreement, Meade County is committed to purchase its electric power and energy requirements from Big Rivers until 2043. The rates charged by Big Rivers are subject to approval of the PSC. The cost of purchased power is recorded monthly during the period in which the energy is consumed, based upon billings from Big Rivers.

Fair Value Measurements The Fair Value Measurements and Disclosures Topic of the 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. The Fair Values Measurements Topic 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 (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
>
> Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices of similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.
>
> Level 3: Significant unobservable inputs that reflect an organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The carrying amounts of Meade County's cash and cash equivalents, other receivables, investments, inventories, other assets, trade accounts payable, accrued expenses and liabilities, and other liabilities approximate fair value due to their short maturity. Investments in associated organizations are not considered a financial instrument because they represent nontransferable interests in associated organizations. Other assets and liabilities are not considered financial instruments because they represent activities specifically related to Meade County. Long term debt can not be traded in the market, and is specifically for electric cooperatives and, therefore, a value other than its outstanding principal cannot be determined.

Meade County may, and also does, invest idle funds in local banks and occasionally in National Rural Utilities Cooperative Finance Corporation ("CFC") commercial paper. These investments are classified as held-to-maturity in accordance with fair value measurements and disclosures topic. Held-to-maturity securities are presented at amortized cost. The fair value of held-to-maturity securities approximates cost at 2011 and 2010.

Environmental Contingency Meade County from time to time is required to work with and handle PCBs, herbicides, automotive fluids, lubricants, and other hazardous materials in the normal course of business. As a result, there is the possibility that environmental conditions may arise which would require Meade County to incur cleanup costs. The likelihood of such an event, or the amount of such costs, if any, cannot be determined at this time. However, management does not believe such costs, if any, would materially affect Meade County's financial position or its future cash flows.

Note 1. Summary of Significant Accounting Policies, continued

Generation and Transmission Corporation As discussed in the preceding notes, Meade County purchases electric power from Big Rivers, a generation and transmission cooperative association. The membership of Big Rivers is comprised of Meade County and two other distribution cooperatives.

On July 16, 2009, Big Rivers consummated an "unwind" transaction with E.ON US under which Big Rivers will assume from E.ON US full responsibility for operating its three generation facilities and the obligation to serve two aluminum smelters through Kenergy Corp. E.ON US provided cash payments, asset transfers and other benefits to Big Rivers, which resulted in Big Rivers booking extraordinary income of $537,978,000 in 2009. These economic benefits allowed Big Rivers to pay down approximately $140,000,000 of debt, provide $253,000,000 of rate stabilization funds, and increase its equity to a positive $379,391,000 from a deficit of ($154,602,000) at December 31, 2009. After consideration of all relevant facts and information Meade County has elected to continue valuing the non-cash allocations received from Big Rivers at zero for financial accounting purposes, a practice it has followed since Big Rivers emerged from bankruptcy in 1998 during which all previous booked non-cash allocations were reduced to zero. Meade County will continue to make memorandum entries in its patronage subsidiary ledger of the face amount of the allocations received from Big Rivers. Refer to the subsequent footnote for the income tax treatment of these non-cash allocations.

Risk Management Meade County is exposed to various forms of losses of assets associated with, but not limited to, fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, workers compensation, etc. Each of these areas is covered through the purchase of commercial insurance.

Advertising Meade County expenses advertising costs as incurred.

Income Tax Status Meade County is exempt from federal and state income taxes under section 501(c)(12) of the Internal Revenue Code and accordingly, the accompanying financial statements include no provision for such taxes. When applying the 85 percent test of IRC 501(c)(12), Meade County excludes the Big Rivers non-cash allocations from "gross income".

Effective January 1, 2008, Meade County adopted the provisions of the *Income Taxes Topic* of the FASB ASC that pertains to accounting for uncertainty in income taxes. Meade County had no prior unrecognized tax benefits as a result of the implementation. Management evaluates its potential exposures from tax positions taken that have or could be challenged by taxing authorities. These potential exposures result because taxing authorities may take positions that differ from those taken by management in the interpretation and application of statures, regulations, and rules. There are no tax positions for which the ultimate deductibility is highly uncertain included in the accompanying financial statements. Meade County recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. Meade County did not recognize any interest or penalties during 2011 or 2010.

Subsequent Events Management has evaluated subsequent events through December 19, 2011, the date the financial statements were available to be issued. There were no significant subsequent events to report.

Note 2. Investments in Associated Organizations

Meade County records patronage capital assigned by associated organizations in the year in which such assignments are received.

Note 2. Investments in Associated Organizations, continued

The Capital Term Certificates ("CTCs") of CFC are recorded at cost. The CTCs were purchased from CFC as a condition of obtaining long-term financing. The CTCs bear interest at 0%, 3%, and 5% and are scheduled to mature at varying times from 2020 to 2080. Member Capital Securities have a 7.5% fixed interest rate and mature 35 years from the issuance date. Interest is paid each April1 and October 1.

Investments in associated organizations consist of:

	2011	2010
CFC, patronage capital	$343,520	$317,287
CFC, CTC's	944,556	975,728
CFC, Member Capital Security	310,000	310,000
Others	737,321	718,710
Total	$2,335,397	$2,321,725

Note 3. Patronage Capital

Under provisions of the long-term debt agreement, return to patrons of capital contributed by them is limited to amounts which would not allow the total equities and margins to be less than 30% of total assets, except that distributions may be made to estates of deceased patrons. The debt agreement provides, however, that should such distributions to estates not exceed 25% of the net margins for the next preceding year, Meade County may distribute the difference between 25% and the payments made to such estates. The equity at October 31, 2011 was 29% of total assets.

Patronage capital consists of:

	2011	2010
Assigned to date	$33,107,578	$31,246,648
Assignable margins	1,458,734	1,961,119
Unassigned	3,760,131	3,308,633
Retirements to date	(12,512,798)	(12,316,213)
Total	$25,813,645	$24,200,187

Note 4. Accumulated Other Comprehensive Income

The changes in accumulated other comprehensive income, which includes the effects of applying accumulated postretirement benefits, follows:

	2011	2010
Balance, beginning of period	($202,707)	($249,457)
Amortization	15,358	46,750
Adjustments	-	-
Total	($187,349)	($202,707)

Note 5. Long Term Debt

All assets, except vehicles, are pledged as collateral on the long term debt to RUS, Federal Financing Bank ("FFB"), and CFC under a joint mortgage agreement. The long term debt is due in quarterly and monthly installments of varying amounts through 2041. Meade County has unadvanced loan funds available from FFB in the amount of $9,810,000 at October 31, 2011. RUS assess 12.5 basis points to administer the FFB loans.

Long term debt consists of:

	2011	2010
RUS:		
1.89% to 5.06%	$34,053,184	$34,776,616
Advance payments unapplied	(580,804)	(3,707)
	33,472,380	34,772,909
FFB, 0.283% to 6.049%	17,812,445	9,294,801
CFC:		
2.9% to 5.85% fixed rate notes	4,452,559	4,733,911
Refinance RUS loans 6.8% to 6.05%	2,937,022	4,405,533
	7,389,581	9,139,444
	58,674,406	53,207,154
Less current portion	2,750,000	2,700,000
Long term portion	$55,924,406	$50,507,154

As of October 31, 2011, the annual principal portion of long term debt outstanding for the next five years are as follows: 2012 - $2,750,000; 2013 - $2,800,000; 2014 - $1,500,000; 2015 - $1,600,000; 2016 - $1,700,000.

Note 6. Short Term Borrowings

At October 31, 2011, Meade County had a short term line of credit of $5,000,000 available from CFC. There were no advances against this line of credit during the audit period.

Note 7. Pension Plans

All eligible employees of Meade County participate in the NRECA Retirement and Security Program, a defined benefit pension plan qualified under section 401 and tax-exempt under section 501(a) of the Internal Revenue Code. Eligible employees include employees hired prior to August 31, 2002. Non-eligible employees are those hired after August 31, 2002. Meade County makes annual contributions to the Program equal to the amounts accrued for pension expense. Contributions to this plan were $591,365 for 2011 and $520,359 for 2010. In this multiemployer plan, which is available to all member corporations of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer. A portion of this cost is allocated to construction of electric plant.

Note 8. Retirement Savings Plans

Meade County participates in the NRECA Savings Plan, a multiemployer, defined contribution master pension plan. All employees are eligible to participate in the Savings Plan upon completion of one month employment. Eligible employees, as defined above, participate in the Savings Plan with Meade County contributing 3% of annual base pay, and the employee contributing from 1% to 3%. Non-eligible employees, as defined above, participate in the Savings Plan with Meade County contributing 12% of annual base pay, and the employee contributing from 1% to 3%. Employer contributions to the plan were $238,889 for 2011 and $201,749 for 2010, and vest immediately. A portion of this cost is allocated to construction of electric plant.

Note 9. Postretirement Benefits

Meade County sponsors a defined benefit plan that provides medical insurance coverage to retirees by contributing 50% of the cost of a single policy. For measurement purposes, an annual rate of increase of 8.5%, then decreasing by 0.5% per year until 5% per year, in the per capita cost of covered health care benefit was assumed. The discount rate used in determining the accumulated postretirement benefit obligation was 6.50%. A portion of the net periodic benefit cost is allocated to construction of electric plant.

The funded status of the plan is as follows:

	2011	2010
Projected benefit obligation	($1,299,455)	($1,130,066)
Plan assets at fair value	-	-
Funded status	($1,299,455)	($1,130,066)

The reconciliation of the benefits obligations of postretirement benefits are as follows:

	2011	2010
Benefit obligation - beginning of period	$1,130,066	$869,588
Adjust comprehensive income		176,310
Net periodic benefit cost:		
Service cost	161,361	58,095
Interest cost	51,388	51,388
Net periodic benefit cost	212,749	109,483
Benefit payments to participants	(43,360)	(25,315)
Benefit obligation - end of period	$1,299,455	$1,130,066

Projected retiree benefit payments for the next five years are expected to be as follows: 2012 - $25,500; 2013 - $27,000; 2014 - $27,000; 2015 - $26,000; 2016 - $26,000.

Note 10. Related Party Transactions

Several of the Directors of Meade County and its President & CEO are on the Boards of Directors of various associated organizations.

Note 11. Commitments

Meade County has various other agreements outstanding with local contractors. Under these agreements, the contractors will perform certain construction and maintenance work at specified hourly rates or unit cost, or on an as needed basis. The duration of these contracts are one to three years.

Note 16. Rate Matters

Meade County was granted a general rate increase by the PSC in the amount of approximately $1,000,000, or 3% of base revenues. Big Rivers increased its base rates to Meade County during September 2011 by approximately 7%. Meade County passed this increase on to its customers using the methodology prescribed by the PSC.

* * * * * * *

Billie Richert

From:	Mark Hite
'ent:	Sunday, December 23, 2012 10:46 AM
ſo:	Billie Richert
Subject:	FW: Big Rivers

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Mark Hite
Sent: Friday, May 11, 2012 8:02 PM
To: dennis.pidherny@fitchratings.com
Subject: Big Rivers

Haven't heard from you since emailing you the updated Big Rivers overview PowerPoint and the 15-year financial ˉorecast on May 3, 2012. Wanted to ensure you received them. Please confirm.

Thanks,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
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

Billie Richert

From:	Mark Hite
`ent:	Sunday, December 23, 2012 10:45 AM
o:	Billie Richert
Subject:	FW: Big Rivers - 1st Qtr 2012 Financial Report
Attachments:	Big Rivers 1st Qtr 2012 Financial Report - 5-21-12.pdf

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Mark Hite
Sent: Monday, May 21, 2012 4:10 PM
To: dennis.pidherny@fitchratings.com
Subject: Big Rivers - 1st Qtr 2012 Financial Report

Please see the attached, a condensed Big Rivers 1st Qtr 2012 Financial Report.

ɔntact me with any questions you may have.

Thank you,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
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

2012 First Quarter Financial Report

Unaudited, in RUS format
(absent normal GAAP reclassifications)

Date Prepared: May 21, 2012

201 Third St.

Henderson, Kentucky 42420

Phone: 270-827-2561

www.bigrivers.com

BIG RIVERS ELECTRIC CORPORATION
Balance Sheet
In Thousands $

ASSETS	March 31, 2012	March 31, 2011
TOTAL UTILITY PLANT IN SERVICE	1,979,276	1,962,336
CONSTRUCTION WORK IN PROGRESS	60,033	43,362
TOTAL UTILITY PLANT	2,039,309	2,005,698
ACCUM PROVISION FOR DEPR & AMORT	(946,277)	(918,033)
NET UTILITY PLANT	1,093,032	1,087,665
INVEST IN ASSOC ORG PATRONAGE CAPITAL	3,677	3,642
INVEST IN ASSOC ORG OTHER GENERAL FUNDS	685	685
OTHER INVESTMENTS	15	15
SPECIAL FUNDS	159,854	178,254
TOTAL OTHER PROPERTY AND INVESTMENTS	164,231	182,596
CASH - GENERAL FUNDS	6	6
SPECIAL DEPOSITS	573	572
TEMPORARY INVESTMENTS	49,461	91,375
ACCOUNTS RECEIVABLE - SALES OF ENERGY	41,620	38,897
ACCOUNTS RECEIVABLE - OTHER NET	(425)	(471)
FUEL STOCK	34,868	29,130
MATERIALS & SUPPLIES - OTHER	25,893	23,796
PREPAYMENTS	3,347	2,933
OTHER CURRENT & ACCRUED ASSETS	486	860
TOTAL CURRENT & ACCRUED ASSETS	155,829	187,098
UNMORT DEBT DISC & EXTRAORD PROP LOSS	2,299	2,160
OTHER DEFERRED DEBITS	1,867	1,205
TOTAL ASSETS AND OTHER DEBITS	1,417,258	1,460,724
EQUITIES AND LIABILITIES		
OPERATING MARGINS - PRIOR YEAR	(241,898)	(247,339)
OPERATING MARGINS - CURRENT YEAR	(2,122)	(188)
NONOPERATING MARGINS - PRIOR YEAR	638,998	638,838
NONOPERATING MARGINS - CURRENT YEAR	18	90
OTHER MARGINS & EQUITIES	(7,279)	(4,923)
TOTAL MARGINS & EQUITIES	387,717	386,478
LONG-TERM DEBT - RUS	653,668	684,954
LONG-TERM DEBT - OTHER	142,100	142,100
TOTAL LONG-TERM DEBT	795,768	827,054
ACCOUNTS PAYABLE	28,908	27,087
TAXES ACCRUED	1,404	1,118
INTEREST ACCRUED	9,220	9,605
OTHER CURRENT & ACCRUED LIABILITIES	6,923	7,758
TOTAL CURRENT & ACCRUED LIABILITIES	46,455	45,568
DEFERRED CREDITS	163,725	181,988
OPERATING RESERVES	23,593	19,636
TOTAL LIABILITIES AND OTHER CREDITS	1,417,258	1,460,724

FINANCIAL HIGHLIGHTS

ELECTRIC PLANT IN SERVICE increased $16.9 million to $2.0 billion as of March 31, 2012. This increase resulted from construction projects to maintain generation, transmission and communication capabilities.

TEMPORARY INVESTMENTS decreased $41.9m primarily due to pre-paying RUS Debt.

SPECIAL FUNDS decreased $18.4m as of March 31, 2012. This decrease resulted from the use of the reserve funds set up for non-smelter member rate mitigation.

LONG-TERM DEBT decreased $31.3 million as of March 31, 2012, primarily due to pre-paying RUS debt.

DEFERRED CREDITS decreased $18.3 million as of March 31, 2012, primarily due to the use of the reserve funds set up for non-smelter member rate mitigation.

BIG RIVERS ELECTRIC CORPORATION
Statement of Operations
In Thousands $

	Three Months Ended March 31, 2012	2011
ELECTRIC ENERGY REVENUES	134,100	133,601
OTHER OPERATING REVENUE AND INCOME	1,205	624
TOTAL OPER REVENUES & PATRONAGE CAPITAL	135,305	134,225
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	11,820	12,149
OPERATION EXPENSE-PRODUCTION-FUEL	49,722	56,326
OPERATION EXPENSE-OTHER POWER SUPPLY	31,526	25,861
OPERATION EXPENSE-TRANSMISSION	2,409	2,250
OPERATION EXPENSE-RTO/ISO	659	580
CONSUMER SERVICE & INFORMATIONAL EXPENSE	104	100
OPERATION EXPENSE-SALES	6	0
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	6,722	6,796
TOTAL OPERATION EXPENSE	102,968	104,062
MAINTENANCE EXPENSE-PRODUCTION	12,134	9,417
MAINTENANCE EXPENSE-TRANSMISSION	1,055	924
MAINTENANCE EXPENSE-GENERAL PLANT	40	2
TOTAL MAINTENANCE EXPENSE	13,229	10,343
DEPRECIATION & AMORTIZATION EXPENSE	10,176	8,681
TAXES	1	(2)
INTEREST ON LONG-TERM DEBT	11,257	11,611
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(200)	(323)
OTHER INTEREST EXPENSE	0	59
OTHER DEDUCTIONS	41	79
TOTAL COST OF ELECTRIC SERVICE	137,472	134,510
OPERATING MARGINS	(2,167)	(285)
INTEREST INCOME	18	86
OTHER NON-OPERATING INCOME - NET	0	4
OTHER CAPITAL CREDITS & PAT DIVIDENDS	45	97
NET PATRONAGE CAPITAL OR MARGINS	(2,104)	(98)

FINANCIAL HIGHLIGHTS

SALES TO MEMBERS increased 172,558 MWh to 2,660,030 MWh for the three-month period ended March 31, 2012. Member sales revenue increased $18.9 million, or 17.5%, to $127.0 million for the three-month period ended March 31, 2012, compared to $108.1 million in 2011, driven by higher sales to the aluminum smelters and the increase in member rates that took effect on September 1, 2011.

SALES TO NON-MEMBERS decreased 477,250 MWh to 271,767 MWh for the three-month period ended March 31, 2012. This decrease, along with a 23.4% decline in price, caused non-member electric sales revenue to decrease 72.2%, to $7.1 million, for the three-month period ended March 31, 2012 compared to $25.5 million for 2011.

PURCHASED POWER expense increased $6.7 million, or 85.8% to $14.5 million for the three-month period ended March 31, 2012, compared to 2011. This was due to a 124.9% increase in MWh purchased, partially offset by a 17.4% decrease in the average cost of purchased power resulting from a reduction in the market price of electricity.

FUEL expense decreased $7.0 million, or 11.0%, to $56.4 million for the three-month period ended March 31, 2012 compared to 2011. The decreased fuel expense was primarily driven by lower generation as the softer power market drove economic purchases.

BIG RIVERS ELECTRIC CORPORATION
Statement of Cash Flows
For The Quarter Ended March 31, 2012
In Thousands $

	Three Months Ended March 31, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin	(2,104)	(98)
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	10,752	9,183
Interest compounded - RUS Series B Note	1,774	1,661
Interest compounded - RUS Series A Note	7,596	8,397
Noncash Member Rate Mitigation Revenue	(5,711)	(4,455)
Changes in certain assets and liabilities:		
Accounts receivable	2,152	6,086
Inventories	(1,572)	7,620
Prepaid expenses	1,618	604
Deferred charges	29	23
Accounts payable	(1,417)	(4,211)
Accrued expenses	(2,731)	(3,279)
Other -- Net	1,514	(58)
Net cash provided by operating activities	11,900	21,473
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures -- net	(11,999)	(5,301)
Proceeds from Restricted Investments and Other Deposits and Investments	4,716	40,428
Net cash used in investing activities	(7,283)	35,127
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term obligations	0	0
Proceeds from long-term obligations	0	0
Principal payments on short-term notes payable	0	(10,000)
Proceeds from short-term notes payable	0	0
Debt Issuance Cost Bond Refunding	0	0
Net cash used in financing activities	0	(10,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,617	46,600
CASH AND CASH EQUIVALENTS -- Beginning of quarter	44,850	44,780
CASH AND CASH EQUIVALENTS -- End of quarter	49,467	91,380
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	2,514	3,027
Cash paid in taxes	0	0

Billie Richert

From: Mark Hite
Sent: Sunday, December 23, 2012 10:51 AM
To: Billie Richert
Subject: FW: 2012 Review

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Mark Hite
Sent: Wednesday, July 11, 2012 4:44 PM
To: 'Dennis.Pidherny@fitchratings.com'
Subject: RE: 2012 Review

So good to hear from you. I'd been telling Mark Bailey that the ball was in your court; that I was awaiting your call as to next step in the annual rating update process. I've requested counsel update a disclosure statement for you right now, and hope to send that to you in the next couple of days. Also, I'm prepared to discuss the Alcan and Century status with you, as I know you've inquired about their operations.

Yes, give me a call Friday morning, the earlier the better.

Thanks,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Wednesday, July 11, 2012 4:31 PM
To: Mark Hite
Subject: 2012 Review

Mark,

Hope all is well.

I have been working through the material you sent earlier in connection with our surveillance review. I have a few topics that I would like to discuss, as well as a few requests for information.

Would you be available for a call on Friday morning. Alternatively we could schedule something for early next week, but I ll be traveling.

Let me know your thoughts.

Dennis M. Pidherny
Senior Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
dennis.pidherny@fitchratings.com

Billie Richert

From: Mark Hite
Sent: Sunday, December 23, 2012 10:50 AM
To: Billie Richert
Subject: FW: 2012 Review

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Mark Hite
Sent: Wednesday, July 11, 2012 4:53 PM
To: 'Dennis.Pidherny@fitchratings.com'
Subject: RE: 2012 Review

Yes. Please call me then, at the office number below. Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Wednesday, July 11, 2012 4:47 PM
To: Mark Hite
Subject: RE: 2012 Review

Would 9:30 be ok?

Topics to discuss include the proposed recapitalization, the environmental compliance plan and a review of the new projections.

Dennis M. Pidherny
Senior Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
dennis.pidherny@fitchratings.com

From: Mark Hite <Mark.Hite@bigrivers.com>
To: "Dennis.Pidherny@fitchratings.com" <Dennis.Pidherny@fitchratings.com>
Date: 07/11/2012 05:44 PM
Subject: RE: 2012 Review

So good to hear from you. I'd been telling Mark Bailey that the ball was in your court; that I was awaiting your call as to next step in the annual rating update process. I've requested counsel update a disclosure statement for you right now, and hope to send that to you in the next couple of days. Also, I'm prepared to discuss the Alcan and Century status with you, as I know you've inquired about their operations.

Yes, give me a call Friday morning, the earlier the better.

Thanks,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

rom: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
nt: Wednesday, July 11, 2012 4:31 PM
To: Mark Hite
Subject: 2012 Review

Mark,

Hope all is well.

I have been working through the material you sent earlier in connection with our surveillance review. I have a few topics that I would like to discuss, as well as a few requests for information.

Would you be available for a call on Friday morning. Alternatively we could schedule something for early next week, but I will be traveling.

Let me know your thoughts.

Dennis M. Pidherny
Senior Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
dennis.pidherny@fitchratings.com

redistribute it by any means. Please delete this e-mail and any attachment(s) and notify us immediately. Unauthorized use, reliance, disclosure or copying of the contents of this e-mail and any attachment(s), or any similar action, is strictly prohibited. Fitch Ratings reserves the right, to the extent permitted by applicable law, retain, monitor and intercept e-mail messages both to and from its systems.

This e-mail has been scanned by the MessageLabs Email Security System. For more information, please visit http://www.messagelabs.com/email.

This email has been scanned by the Symantec Email Security.cloud service.
For more information please visit http://www.symanteccloud.com

---

Confidentiality Notice: The information contained in this e-mail and any attachment(s) is confidential and for the use of the addressee(s) only. If you are not the intended recipient of this e-mail, do not duplicate or redistribute it by any means. Please delete this e-mail and any attachment(s) and notify us immediately. Unauthorized use, reliance, disclosure or copying of the contents of this e-mail and any attachment(s), or any similar action, is strictly prohibited. Fitch Ratings reserves the right, to the extent permitted by applicable law, to retain, monitor and intercept e-mail messages both to and from its systems.

This e-mail has been scanned by the MessageLabs Email Security System. For more information, please visit http://www.messagelabs.com/email.

Billie Richert

From: Mark Hite
ınt: Sunday, December 23, 2012 10:50 AM
. o: Billie Richert
Subject: FW: Conference Call

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Mark Hite
Sent: Thursday, July 12, 2012 6:04 PM
To: 'Dennis.Pidherny@fitchratings.com'
Subject: RE: Conference Call

Thanks. Talk to you then. Mark

ˋ ʻark A. Hite, CPA
.ʼ Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Thursday, July 12, 2012 3:28 PM
To: Mark Hite
Cc: Michael.Murad@fitchratings.com; Alan.Spen@fitchratings.com
Subject: Conference Call

Mark,

We have arranged a call-in number for tomorrow's call at 9:30 am EST:

866-635-8504
Conf. code: 1037 310 458
Leader pin: 2391

ʹll initiate as leader.

Dennis M. Pidherny

Senior Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
›w York, NY 10004
, (212) 908-0738
dennis.pidherny@fitchratings.com

Billie Richert

From: Mark Hite
ent: Sunday, December 23, 2012 10:49 AM
o: Billie Richert
Subject: FW: Big Rivers
Attachments: scan0001.pdf

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Mark Hite
Sent: Friday, July 13, 2012 10:54 AM
To: dennis.pidherny@fitchratings.com
Subject: Big Rivers

As we discussed, the attachment is a recent response, dated July 6, 2012, Big Rivers provided in its environmental ~ompliance plan case before the Kentucky Public Service Commission, attempting to summarily explain/reconcile the .010 compliance capital cost estimate of $785 million to the 2012 compliance capital cost estimate of the $238 million portion of the $283.49 million total.

If this response to your question, to reconcile the 2010 estimate of $785 million to the 2012 estimate of $283.49 million, is inadequate, please let me know, and I'll request Bob Berry and Eric Robeson provide you additional details.

Thanks,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

BIG RIVERS ELECTRIC CORPORATION

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
CASE NO. 2012-00063

**Response to the Office of the Attorney General's
Second Request for Information
Dated June 21, 2012**

July 6, 2012

Item 12) *Reference the Fitch Rating Report attached to BREC's response to AG 1-33, p. 7. Confirm that the report states: "Big Rivers estimates that full compliance with the regulations could require expenditures of $785 million by 2015, and increase wholesale rates and member retail rates by 39% and 20%, respectively."*

a. *Please explain what caused the company to change the above referenced cost estimate of achieving compliance to the cost estimate which is set forth in the instant filing.*

Response) Confirmed.

a. The information in the Fitch Rating Report was based on an October 28, 2010 presentation to the Kentucky Public Service Commission. It included Big Rivers' internal estimates at that time for compliance with the prospective CATR and HAPS MACT regulations.

Big Rivers' Environmental Compliance Plan ("ECP") filing's estimates were based on the CSAPR and MATS regulations that had been issued in final version, and did not include any costs for future regulations. In addition, the cost estimates contained in the instant filing were prepared by an experienced engineering firm with significant expertise in developing capital cost estimates.

Detailed line-item explanations for the differences are shown in the table on the following page.

Explanation of Differences (All Dollars in Millions)			
	Big Rivers ECP Filing	July 14, 2011 E-mail	Explanation
CATR		$138.0	$30M to convert Green 1 and 2 to natural gas; $108M to add SCR at Green 1 and 2; No FGD retrofit at Wilson
CSAPR	$225.0		
HAPS/ MACT		$410.0	$338M-$846M range ($200 - $500/kW); Includes baghouses everywhere
MATS	$58.0		
CCR	0.0	$237.0	Landfill $152M; Dry bottom ash $55M; Dry fly ash $30M
GHG	0.0	0.0	
Total	$238.0	$785.0	

BIG RIVERS ELECTRIC CORPORATION

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
CASE NO. 2012-00063

Response to the Office of the Attorney General's
Second Request for Information
Dated June 21, 2012

July 6, 2012

Witness) Robert W. Berry

Billie Richert

From: Mark Hite
ent: Sunday, December 23, 2012 10:48 AM
.o: Billie Richert
Subject: FW: Big Rivers
Attachments: scan0001.pdf

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Mark Hite
Sent: Friday, July 13, 2012 11:03 AM
To: dennis.pidherny@fitchratings.com
Subject: Big Rivers

Attached hereto is the 2011 comparative Form 7 Statement of Operations for Kenergy Corp., Meade County RECC and ``ckson Purchase Energy Corporation. In comparing 2011 to 2010, I see little variance that's noteworthy.

Should you have specific questions, I'll be happy to address them.

Thanks,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION KY0065
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	PERIOD ENDED December, 2011
	BORROWER NAME Kenergy Corp.
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)

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 D of this report

Sanford Novick 3/1/2012

DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE LAST YEAR (*a*)	THIS YEAR (*b*)	BUDGET (*c*)	THIS MONTH (*d*)
1. Operating Revenue and Patronage Capital	401,049,055	425,616,053	447,663,231	40,062,858
Power Production Expense				
. Cost of Purchased Power	360,860,154	387,543,342	409,975,781	36,046,304
4. Transmission Expense				
5. Regional Market Expense				
6. Distribution Expense - Operation	4,329,854	3,953,461	4,504,352	420,508
7. Distribution Expense - Maintenance	9,248,313	8,811,763	9,074,457	685,145
8. Customer Accounts Expense	3,375,120	3,442,835	3,349,914	305,570
9. Customer Service and Informational Expense	163,751	210,234	149,866	19,793
10. Sales Expense	98,671	108,224	131,053	7,868
11. Administrative and General Expense	3,243,504	3,447,493	3,407,724	416,218
12. Total Operation & Maintenance Expense (*2 thru 11*)	381,319,367	407,517,352	430,593,147	37,901,406
13. Depreciation and Amortization Expense	8,213,077	8,711,446	8,609,752	774,364
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other	354,389	371,579	351,310	41,593
16. Interest on Long-Term Debt	6,192,766	5,829,601	6,178,570	490,691
17. Interest Charged to Construction - Credit	(33,633)	(43,050)	(36,000)	(13,515)
18. Interest Expense - Other	207,891	287,170	225,310	37,153
19. Other Deductions	68,144	49,226	65,210	(2,176)
20. Total Cost of Electric Service (*12 thru 19*)	396,322,001	422,723,324	445,987,299	39,229,516
21. Patronage Capital & Operating Margins (*1 minus 20*)	4,727,054	2,892,729	1,675,932	833,342
22. Non Operating Margins - Interest	1,006,695	1,036,895	971,100	91,204
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments				
25. Non Operating Margins - Other	(54,056)	(196,951)	(136,142)	(233,362)
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	192,412	135,131	177,000	11,779
28. Extraordinary Items				
. Patronage Capital or Margins (*21 thru 28*)	5,872,105	3,867,804	2,687,890	702,963

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION KY0020
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	PERIOD ENDED December, 2011 (Prepared with Audited Data)
INSTRUCTIONS - See help in the online application.	BORROWER NAME Jackson Purchase Energy 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)

[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 D of this report.

Kelly Nuckols

3/1/2012
DATE

PART 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. Operating Revenue and Patronage Capital	46,534,070	45,135,203	45,850,011	3,489,495
Power Production Expense	0	0	0	0
Cost of Purchased Power	26,856,527	27,759,591	27,370,896	2,398,042
4. Transmission Expense	0	0	0	0
5. Regional Market Expense				
6. Distribution Expense - Operation	2,610,154	3,110,221	2,009,828	355,821
7. Distribution Expense - Maintenance	3,198,253	3,871,294	4,268,372	479,330
8. Customer Accounts Expense	1,147,639	1,055,142	903,577	121,662
9. Customer Service and Informational Expense	131,312	82,149	234,322	8,220
10. Sales Expense	1,002	26,533	49,657	11,290
11. Administrative and General Expense	2,171,873	2,138,367	2,432,705	194,681
12. Total Operation & Maintenance Expense (*2 thru 11*)	36,116,760	38,043,297	37,269,357	3,569,046
13. Depreciation and Amortization Expense	4,566,846	4,695,048	4,920,575	397,392
14. Tax Expense - Property & Gross Receipts	0	0	0	0
15. Tax Expense - Other	46,300	48,869	47,598	4,218
16. Interest on Long-Term Debt	2,722,675	2,867,944	2,610,903	237,659
17. Interest Charged to Construction - Credit	0	0	0	0
18. Interest Expense - Other	200,518	131,427	253,253	8,932
19. Other Deductions	4,800	1,450	2,100	0
20. Total Cost of Electric Service (*12 thru 19*)	43,657,899	45,788,035	45,103,786	4,217,247
21. Patronage Capital & Operating Margins (*1 minus 20*)	2,876,171	(652,832)	746,225	(727,752)
22. Non Operating Margins - Interest	310,758	330,626	306,900	28,342
23. Allowance for Funds Used During Construction	0	0	0	0
24. Income (Loss) from Equity Investments	0	0	0	0
25. Non Operating Margins - Other	19,403	15,688	600	(8,403)
26. Generation and Transmission Capital Credits	0	0	0	0
27. Other Capital Credits and Patronage Dividends	898,037	419,241	578,000	0
28. Extraordinary Items	0	0	0	0
Patronage Capital or Margins (*21 thru 28*)	4,104,369	112,723	1,631,725	(707,813)

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION KY0018
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	PERIOD ENDED December, 2011
INSTRUCTIONS - See help in the online application.	BORROWER NAME Meade County Rural Electric Cooperative Corpor

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)

[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 D of this report.

Burns Mercer

3/19/2012
DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	THIS MONTH (d)
1. Operating Revenue and Patronage Capital	34,633,262	35,779,927	36,902,424	3,716,361
Power Production Expense				
.. Cost of Purchased Power	19,150,753	19,772,602	20,118,973	1,748,165
4. Transmission Expense				
5. Regional Market Expense				
6. Distribution Expense - Operation	2,242,317	2,578,399	2,298,558	255,560
7. Distribution Expense - Maintenance	2,985,071	2,806,763	2,870,741	315,619
8. Customer Accounts Expense	1,318,368	1,363,809	1,328,871	135,875
9. Customer Service and Informational Expense	235,964	288,730	278,335	32,286
10. Sales Expense	1,729	1,745	1,831	1,572
11. Administrative and General Expense	1,526,637	1,540,643	1,656,086	186,872
12. Total Operation & Maintenance Expense (*2 thru 11*)	27,460,839	28,352,691	28,553,395	2,675,949
13. Depreciation and Amortization Expense	3,053,341	3,213,863	3,205,748	274,435
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other	32,794	33,919	33,581	2,933
16. Interest on Long-Term Debt	2,192,938	2,123,835	2,249,469	211,930
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	21,217	11,082	23,653	4,595
19. Other Deductions	11,203	10,650	12,500	1,000
20. Total Cost of Electric Service (*12 thru 19*)	32,772,332	33,746,040	34,078,346	3,170,842
21. Patronage Capital & Operating Margins (*1 minus 20*)	1,860,930	2,033,887	2,824,078	545,519
22. Non Operating Margins - Interest	146,257	179,776	122,490	19,947
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments				
25. Non Operating Margins - Other	130,342	5,584	10,117	11,988
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	174,900	92,150	150,000	0
28. Extraordinary Items				
. Patronage Capital or Margins (*21 thru 28*)	2,312,429	2,311,397	3,106,685	577,454

Billie Richert

From:	Mark Hite
Sent:	Sunday, December 23, 2012 10:48 AM
To:	Billie Richert
Subject:	FW: Big Rivers

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Mark Hite
Sent: Friday, July 13, 2012 11:23 AM
To: dennis.pidherny@fitchratings.com
Subject: Big Rivers

Regarding your question on the status of the Phase II transmission projects, please see the excerpt below, which is from the Disclosure Statement I hope to send you later today, as it's being reviewed by counsel now.

The Company has completed or substantially completed six of the seven system improvements identified as phase two transmission projects. The Company has a construction work agreement with the TVA whereby TVA will pursue the completion of the one remaining project. The Company's available transfer capability for exporting power off system is approximately 1,202 MW with the completion of the six phase two transmission improvements. The current firm transmission capability is sufficient to allow the Company to export all available excess generation capacity plus an amount equal to the peak demand of both Smelters on its system. With the completion of the TVA construction projects currently estimated to be in 2014-2015, the Company's export capability will be increased to approximately 1,263 MW to TVA and 1,210 MW to MISO in 2016.

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

Billie Richert

From:	Mark Hite
Sent:	Sunday, December 23, 2012 10:48 AM
To:	Billie Richert
Subject:	FW: Big Rivers
Attachments:	Load Concentration Analysis and Mitigation Plan 6-18-2012.pdf

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

-----Original Message-----
From: Mark Hite
Sent: Friday, July 13, 2012 11:40 AM
To: dennis.pidherny@fitchratings.com
Subject: Big Rivers

Attached hereto is the recent load concentration analysis and mitigation plan. It was presented to Big Rivers' board of directors in June 2012.

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

Billie Richert

From: Mark Hite
`ent: Sunday, December 23, 2012 10:48 AM
.o: Billie Richert
Subject: FW: Big Rivers Electric Corporation
Attachments: Big Rivers Electric Corporation Disclosure Statement (7-12-12).pdf

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

-----Original Message-----
From: Mark Hite
Sent: Friday, July 13, 2012 12:17 PM
To: dennis.pidherny@fitchratings.com
Subject: Big Rivers Electric Corporation

Attached hereto is the last item on my list to send to you... the Disclosure Statement.

Thanks,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

Billie Richert

From: Mark Hite
ent: Sunday, December 23, 2012 10:50 AM
o: Billie Richert
Subject: FW: Follow Up

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Mark Hite
Sent: Thursday, July 19, 2012 12:54 PM
To: 'Dennis.Pidherny@fitchratings.com'
Cc: Billie Richert
Subject: RE: Follow Up

Yes. Can you phone me in 10 minutes? There's a matter I wish to discuss with you too. I have an in-house meeting at :30pm central.

Thanks,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Thursday, July 19, 2012 11:52 AM
To: Mark Hite
Subject: Follow Up

Mark,

Any time today for some quick follow up?

ennis M. Pidherny
Senior Director, Sector Head
Public Finance - U.S. Public Power

Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
ınnis.pidherny@fitchratings.com

Billie Richert

From:	Mark Hite
Sent:	Sunday, December 23, 2012 10:50 AM
To:	Billie Richert
Subject:	FW: Follow Up

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Mark Hite
Sent: Thursday, July 19, 2012 1:00 PM
To: 'Dennis.Pidherny@fitchratings.com'
Subject: RE: Follow Up

My meeting is scheduled to last until 3pm central, then I should be back in my office. Please call at that time, if you are able.

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Thursday, July 19, 2012 12:55 PM
To: Mark Hite
Subject: RE: Follow Up

I just jumped on a conference call. Can I phone you in about an hour?

Dennis M. Pidherny
Senior Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
1 (212) 908-0738
dennis.pidherny@fitchratings.com

From: Mark Hite <Mark.Hite@bigrivers.com>

To: "Dennis.Pidherny@fitchratings.com" <Dennis.Pidherny@fitchratings.com>
Cc: Billie Richert <Billie.Richert@bigrivers.com>
Date: 07/19/2012 01:54 PM
Subject: RE: Follow Up

Yes. Can you phone me in 10 minutes? There's a matter I wish to discuss with you too. I have an in-house meeting at 1:30pm central.

Thanks,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Thursday, July 19, 2012 11:52 AM
To: Mark Hite
Subject: Follow Up

ark,

Any time today for some quick follow up?

Dennis M. Pidherny
Senior Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
dennis.pidherny@fitchratings.com

This email has been scanned by the Symantec Email Security.cloud service.
For more information please visit http://www.symanteccloud.com

Confidentiality Notice: The information contained in this e-mail and any attachment(s) is confidential and for the use of the addressee(s) only. If you are not the intended recipient of this e-mail, do not duplicate or redistribute it by any means. Please delete this e-mail and any attachment(s) and notify us immediately. Unauthorized use, reliance, disclosure or copying of the contents of this e-mail and any attachment(s), or any similar action, is strictly prohibited. Fitch Ratings reserves the right, to the extent permitted by applicable law, to retain, monitor and intercept e-mail messages both to and from its systems.

This e-mail has been scanned by the MessageLabs Email Security System. For more information, please visit http://www.messagelabs.com/email.

Billie Richert

From:	Mark Hite
Sent:	Sunday, December 23, 2012 10:48 AM
To:	Billie Richert
Subject:	FW: Big Rivers Electric Corporation

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

-----Original Message-----
From: Mark Hite
Sent: Friday, July 20, 2012 7:16 AM
To: dennis.pidherny@fitchratings.com
Subject: RE: Big Rivers Electric Corporation

Dennis, I am working on your two information requests... peak load and wholesale rates. Will strive to get them to you later today. Have a board meeting this morning beginning 8am central.

Thanks,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

-----Original Message-----
From: Mark Hite
Sent: Friday, July 13, 2012 12:17 PM
To: dennis.pidherny@fitchratings.com
Subject: Big Rivers Electric Corporation

Attached hereto is the last item on my list to send to you... the Disclosure Statement.

Thanks,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
01 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

Billie Richert

From:	Dennis.Pidherny@fitchratings.com
Sent:	Friday, July 20, 2012 7:59 AM
To:	Billie Richert
Subject:	Re: Contact Information for Billie Richert

Thank you Billie. My information is below.

We look forward to working with you.

Dennis M. Pidherny
Senior Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
dennis.pidherny@fitchratings.com

From:	Billie Richert <Billie.Richert@bigrivers.com>
To:	"Dennis.Pidherny@fitchratings.com" <Dennis.Pidherny@fitchratings.com>
Date:	07/19/2012 05:57 PM
Subject:	Contact Information for Billie Richert

Dennis,
My title will change officially on July 27th, but for now here is my contact information. Nice speaking with you today.

Billie Richert, CPA, CITP
Manager Business Systems Infrastructure
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Cell: (812) 319-4503

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you receive this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

This email has been scanned by the Symantec Email Security.cloud service.
For more information please visit http://www.symanteccloud.com

---

Confidentiality Notice: The information contained in this e-mail and any attachment(s) is confidential and for the use of the addressee(s) only. If you are not the intended recipient of this e-mail, do not duplicate or redistribute it by any means. Please delete this e-mail and any attachment(s) and notify us immediately. Unauthorized use, reliance, disclosure or copying of the contents of this e-mail and any attachment(s), or any similar action, is strictly prohibited. Fitch Ratings reserves the right, to the extent permitted by applicable law, to retain, monitor and intercept e-mail messages both to and from its systems.

This e-mail has been scanned by the MessageLabs Email Security System. For more information, please visit http://www.messagelabs.com/email.

Billie Richert

From: Mark Hite
Sent: Friday, July 20, 2012 1:04 PM
To: dennis.pidherny@fitchratings.com
Cc: Billie Richert; Chris Bradley
Subject: Big Rivers - Coincident Peak (CP)/Load Data

Dennis, pursuant to your request, please see below.

2011
Total CP: 1463 MW – smelter = 684 MW

2012 (through June)
Total CP: 1504 MW – smelter = 651 MW

Please phone should you have additional questions.

Thanks,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

Billie Richert

From: Dennis.Pidherny@fitchratings.com
ɔnt: Monday, July 23, 2012 11:26 AM
.o: Mark Hite; Billie Richert
Subject: Press Release
Attachments: Big Rivers 7.23[1].pdf

Mark and Billie,

Please find attached a draft of the Fitch Press Release on Big Rivers. Please review the release for factual accuracy and to ensure that we have not included any confidential information. Please provide me with any comments in writing or indicate your approval by email.

Thanks for your assistance.

Dennis M. Pidherny
Senior Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
dennis.pidherny@fitchratings.com

Fitch Affirms Big Rivers Electric Corp, KY's 2010A Pollution Control Rfdg Rev Bonds at 'BBB-'

Fitch Ratings-New York-July 23, 2012: Fitch Ratings has affirmed the 'BBB-' rating on the $83.3 million County of Ohio, KY's pollution control refunding revenue bonds (Big Rivers Electric Corporation Project) series 2010A.

The Rating Outlook is Stable.

SECURITY

The bonds are secured by a mortgage lien on substantially all of the Big Rivers Electric Corporation's owned tangible assets, which include the revenue generated from the sale or transmission of electricity.

KEY RATING DRIVERS

HEAVY CUSTOMER CONCENTRATION: Big Rivers 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) following the termination of its generating asset lease in 2009. The smelters accounted for a sizable 69% of total energy sales in 2011.

ABUNDANT LOW COST RESOURCES: Big Rivers benefits from abundant low-cost power resources and an average wholesale system rate ($39.07/MWh in 2011, net of credits) that is regionally competitive and among the lowest in the nation. Member retail rates are similarly low and competitive.

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: Fitch-calculated financial metrics for 2011 include debt service coverage (DSC) of 1.53x and total debt/funds available for debt service (FADS) of 11.2x, which are acceptable for the current rating category. Including revenues from member rate stability (MRS) reserves, metrics improve to 1.95x (DSC) and 8.8x (debt/FADS).

ENVIRONMENTAL COMPLIANCE PLAN SUBMITTED: Big Rivers has submitted an environmental compliance plan (ECP) to the KPSC for approval that will ensure the cooperative's ability to operate its units for the long term. The estimated cost of compliance has declined from initial estimates but will be partially debt funded increasing leverage and limiting improvement in liquidity.

RELIANCE ON WHOLESALE MARKET: Long-term stability at Big Rivers will rely heavily on off-system sales and related margins despite the continued use of MRS reserves and a rate adjustment mechanism included in the smelter power sale agreements. Near-term metrics will be stressed by ECP expenditures, low power prices and higher leverage.

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.

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 2011 financial performance was relatively solid and generally on budget. Electric operating margins ($47.7 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 ($5.6 million). Actual figures reported by Big Rivers for conventional TIER (1.12x), DSC (1.47x) and equity/capitalization (33%) were also solidly in line with forecasted performance.

Fitch-calculated ratios for DSC (1.53x) and total debt/FADS (11.2x) were acceptable for the current rating category and do not reflect the inclusion of withdrawals from reserves. Including those revenues, the metrics improve to 1.95x and 8.8x, respectively. Metrics for cash on hand (35 days, excluding reserves) and total liquidity on hand (108 days) remained somewhat low for the cooperative's operating profile.

For additional information please see Fitch's full rating report for Big Rivers dated Aug. 31, 2011.

Contact:

Primary Analyst
Dennis M. Pidherny
Senior Director
+1-212-908-0738

Fitch, Inc.
One State Street Plaza
New York, NY 10004

Secondary Analyst
Michael Mohammad Murad
Associate Director
+1-212-908-0757

Committee Chairperson
Amy Laskey
Managing Director
+1-212-908-0568

Media Relations: Elizabeth Fogerty, New York, Tel: +1-212-908-0526, Email: elizabeth.fogerty@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

In addition to the sources of information identified in Fitch's Revenue-Supported Rating Criteria and U.S. Public Power Rating Criteria, this action was informed by information from CreditScope.

Applicable Criteria and Related Research:
--'Revenue-Supported Rating Criteria' (June 12, 2012);
--'U.S. Public Power Rating Criteria' (Jan. 11, 2012).

Billie Richert

From:	Mark Hite
ent:	Sunday, December 23, 2012 10:47 AM
o:	Billie Richert
Subject:	FW: Big Rivers
Attachments:	FITCH.pdf

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Mark Hite
Sent: Monday, July 23, 2012 1:49 PM
To: dennis.pidherny@fitchratings.com
Cc: Billie Richert
Subject: Big Rivers

Dennis, please see Big Rivers' comments attached. Regarding the Fitch-calculated DSC and FADS, please send me your calculations if you wish for us to confirm. Otherwise, go to go.

Thank you, and have a great afternoon,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

Fitch Affirms Big Rivers Electric Corp, KY's 2010A Pollution Control Rfdg Rev Bonds at 'BBB-'

Fitch Ratings-New York-July 23, 2012: Fitch Ratings has affirmed the 'BBB-' rating on the $83.3 million County of Ohio, KY's pollution control refunding revenue bonds (Big Rivers Electric Corporation Project) series 2010A.

The Rating Outlook is Stable.

SECURITY

The bonds are secured by a mortgage lien on substantially all of the Big Rivers Electric Corporation's owned tangible assets, which include the revenue generated from the sale or transmission of electricity.

KEY RATING DRIVERS

HEAVY CUSTOMER CONCENTRATION: Big Rivers 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) following the termination of its generating asset lease in 2009. The smelters accounted for a sizable 6~~2~~7% of ~~total~~ member energy sales revenue in 2011.

ABUNDANT LOW COST RESOURCES: Big Rivers benefits from abundant low-cost power resources and an average rural and large industrial wholesale system rate ($39.07/MWh in 2011, net of credits) that is regionally competitive and among the lowest in the nation. Member retail rates are similarly low and competitive.

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: Fitch-calculated financial metrics for 2011 include debt service coverage (DSC) of 1.53x and total debt/funds available for debt service (FADS) of 11.2x, which are acceptable for the current rating category. Including revenues from member rate stability (MRS) reserves, metrics improve to 1.95x (DSC) and 8.8x (debt/FADS).

ENVIRONMENTAL COMPLIANCE PLAN SUBMITTED: Big Rivers has submitted an environmental compliance plan (ECP) to the KPSC for approval that will ensure the cooperative's ability to operate its units for the long term. The estimated cost of compliance has declined from initial estimates but will be ~~partially~~ debt funded, increasing leverage ~~and limiting improvement in liquidity~~.

continues to rely on

RELIANCE ON WHOLESALE MARKET: Long-term stability at Big Rivers will ~~rely heavily~~ on off-system sales and related margins despite the continued ~~use~~ benefit of MRS reserves and a rate adjustment mechanism included in the smelter power sale agreements. Near-term metrics will be stressed by ECP expenditures, low power prices and higher leverage.

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.

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

1819

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 ~~(10%)~~ (<17%> at 12/31/08 to ~~approximately 20%~~ 33% at 12/31/11.

Financial Performance Acceptable for Rating Category

Fiscal 2011 financial performance was relatively solid and generally on budget. Electric operating margins (~~$47.7~~ $50.9 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 ($5.6 million). Actual 2011 figures reported by Big Rivers for conventional TIER (1.12x), DSC (1.47x) and equity/capitalization (33%) were also solidly in line with forecasted performance.

Fitch-calculated ratios for DSC (1.53x) and total debt/FADS (11.2x) were acceptable for the current rating category and do not reflect the inclusion of withdrawals from reserves. Including those revenues, the metrics improve to 1.95x and 8.8x, respectively. Metrics for cash on hand (35 days, excluding reserves) and total liquidity on hand (108 days) remained somewhat low for the cooperative's operating profile.

For additional information please see Fitch's full rating report for Big Rivers dated Aug. 31, 2011.

Contact:

Primary Analyst
Dennis M. Pidherny
Senior Director
+1-212-908-0738

Fitch, Inc.
One State Street Plaza
New York, NY 10004

Secondary Analyst
Michael Mohammad Murad
Associate Director
+1-212-908-0757

Committee Chairperson
Amy Laskey
Managing Director
+1-212-908-0568

Media Relations: Elizabeth Fogerty, New York, Tel: +1-212-908-0526, Email: elizabeth.fogerty@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

In addition to the sources of information identified in Fitch's Revenue-Supported Rating Criteria and U.S. Public Power Rating Criteria, this action was informed by information from CreditScope.

Applicable Criteria and Related Research:
--'Revenue-Supported Rating Criteria' (June 12, 2012);
--'U.S. Public Power Rating Criteria' (Jan. 11, 2012).

Billie Richert

"rom:	Dennis.Pidherny@fitchratings.com
nt:	Tuesday, July 24, 2012 7:54 AM
ıo:	Mark Hite; Billie Richert
Subject:	Final Release
Attachments:	BREC Final RAC July 2012.pdf
Follow Up Flag:	Follow up
Flag Status:	Flagged

Attached is a final copy of the press release.

Thanks again.

Dennis M. Pidherny
Senior Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
dennis.pidherny@fitchratings.com

FitchRatings

FITCH AFFIRMS BIG RIVERS ELECTRIC CORP, KY'S 2010A POLLUTION CONTROL RFDG REV BONDS AT 'BBB-'

Fitch Ratings-New York-24 July 2012: Fitch Ratings has affirmed the 'BBB-' rating on the $83.3 million County of Ohio, KY's pollution control refunding revenue bonds (Big Rivers Electric Corporation Project) series 2010A.

The Rating Outlook is Stable.

SECURITY

The bonds are secured by a mortgage lien on substantially all of the Big Rivers Electric Corporation's owned tangible assets, which include the revenue generated from the sale or transmission of electricity.

KEY RATING DRIVERS

HEAVY CUSTOMER CONCENTRATION: Big Rivers 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) following the termination of its generating asset lease in 2009. The smelters accounted for a sizable 67% of total member revenue in 2011.

ABUNDANT LOW COST RESOURCES: Big Rivers benefits from abundant low-cost power resources and an average wholesale rate for rural and large industrial members ($39.07/MWh in 2011, net of credits) that is regionally competitive and among the lowest in the nation. Member retail rates are similarly low and competitive.

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: Fitch-calculated financial metrics for 2011 include debt service coverage (DSC) of 1.53x and total debt/funds available for debt service (FADS) of 11.2x, which are acceptable for the current rating category. Including revenues from member rate stability (MRS) reserves, metrics improve to 1.95x (DSC) and 8.8x (debt/FADS).

ENVIRONMENTAL COMPLIANCE PLAN SUBMITTED: Big Rivers has submitted an environmental compliance plan (ECP) to the KPSC for approval that will ensure the cooperative's ability to operate its units for the long term. The estimated cost of compliance has declined from initial estimates but will be debt funded, increasing leverage.

RELIANCE ON WHOLESALE MARKET: Long-term stability at Big Rivers continues to rely heavily on off-system sales and related margins despite the continued benefit of MRS reserves and a rate adjustment mechanism included in the smelter power sale agreements. Near-term metrics will be stressed by ECP expenditures, low power prices and higher leverage.

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.

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 1,819 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% at the time of closing.

Financial Performance Acceptable for Rating Category

Fiscal 2011 financial performance was relatively solid and generally on budget. Electric operating margins ($50.9 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 on budget ($5.6 million). Actual 2011 figures reported by Big Rivers for conventional TIER (1.12x), DSC (1.47x) and equity/capitalization (33%) were also solidly in line with forecasted performance.

Fitch-calculated ratios for DSC (1.53x) and total debt/FADS (11.2x) were acceptable for the current rating category and do not reflect the inclusion of withdrawals from reserves. Including those revenues, the metrics improve to 1.95x and 8.8x, respectively. Metrics for cash on hand (35 days, excluding reserves) and total liquidity on hand (108 days) remained somewhat low for the cooperative's operating profile.

For additional information please see Fitch's full rating report for Big Rivers dated Aug. 31, 2011.

Contact:

Primary Analyst
Dennis M. Pidherny
Senior Director
+1-212-908-0738
Fitch, Inc.
One State Street Plaza
New York, NY 10004

Secondary Analyst

Michael Mohammad Murad
Associate Director
+1-212-908-0757

Committee Chairperson
Amy Laskey
Managing Director
+1-212-908-0568

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com.

Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

In addition to the sources of information identified in Fitch's Revenue-Supported Rating Criteria and U.S. Public Power Rating Criteria, this action was informed by information from CreditScope.

Applicable Criteria and Related Research:
--'Revenue-Supported Rating Criteria' (June 12, 2012);
--'U.S. Public Power Rating Criteria' (Jan. 11, 2012).

Applicable Criteria and Related Research:
Revenue-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=681015
U.S. Public Power Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=665815

Billie Richert

From: Dennis.Pidherny@fitchratings.com
ent: Tuesday, August 21, 2012 12:40 PM
o: Billie Richert
Cc: Alan.Spen@fitchratings.com
Subject: Re: 2012 Second Quarter Financial Report

Billie,

Would you and Mark be available for a quick follow up call this afternoon?

Dennis M. Pidherny
Senior Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
dennis.pidherny@fitchratings.com

From: Billie Richert <Billie.Richert@bigrivers.com>
To: "Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)" <Dennis.Pidherny@fitchratings.com>
Date: 08/18/2012 12:57 PM
Subject: 2012 Second Quarter Financial Report

Dennis,
Attached is our condensed Second Quarter Financial Report. Please let me know if there are questions.

Thanks.

Billie Richert, CPA, CITP
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of nfidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or .ttities other than the intended recipient is not allowed. If you receive this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

This email has been scanned by the Symantec Email Security.cloud service.
For more information please visit http://www.symanteccloud.com

---

[attachment "Second Quarter 2012 Financial Report.pdf" deleted by Dennis Pidherny/pf/NYC/F-I]

Confidentiality Notice: The information contained in this e-mail and any attachment(s) is confidential and for the use of the addressee(s) only. If you are not the intended recipient of this e-mail, do not duplicate or redistribute it by any means. Please delete this e-mail and any attachment(s) and notify us immediately. Unauthorized use, reliance, disclosure or copying of the contents of this e-mail and any attachment(s), or any similar action, is strictly prohibited. Fitch Ratings reserves the right, to the extent permitted by applicable law, to retain, monitor and intercept e-mail messages both to and from its systems.

This e-mail has been scanned by the MessageLabs Email Security System. For more information, please visit http://www.messagelabs.com/email.

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

2012 Second Quarter Financial Report

Unaudited, in RUS format
(absent normal GAAP reclassifications)

Date Prepared: August 12, 2012

201 Third St.
Henderson, Kentucky 42420
Phone: 270-827-2561
www.bigrivers.com

BIG RIVERS ELECTRIC CORPORATION
Balance Sheet
In Thousands $

ASSETS	June 30, 2012	June 30, 2011
TOTAL UTILITY PLANT IN SERVICE	1,980,198	1,962,829
CONSTRUCTION WORK IN PROGRESS	64,799	48,852
TOTAL UTILITY PLANT	2,044,997	2,011,681
ACCUM PROVISION FOR DEPR & AMORT	(953,691)	(926,415)
NET UTILITY PLANT	1,091,306	1,085,266
INVEST IN ASSOC ORG PATRONAGE CAPITAL	3,677	3,642
INVEST IN ASSOC ORG OTHER GENERAL FUNDS	685	685
OTHER INVESTMENTS	15	15
SPECIAL FUNDS	154,600	172,604
TOTAL OTHER PROPERTY AND INVESTMENTS	158,977	176,946
CASH - GENERAL FUNDS	6	6
SPECIAL DEPOSITS	623	573
TEMPORARY INVESTMENTS	47,653	76,437
ACCOUNTS RECEIVABLE - SALES OF ENERGY	42,426	40,436
ACCOUNTS RECEIVABLE - OTHER NET	452	(864)
FUEL STOCK	35,425	24,234
MATERIALS & SUPPLIES - OTHER	26,295	24,473
PREPAYMENTS	2,499	2,057
OTHER CURRENT & ACCRUED ASSETS	851	1,219
TOTAL CURRENT & ACCRUED ASSETS	156,230	168,571
UNMORT DEBT DISC & EXTRAORD PROP LOSS	2,574	2,133
OTHER DEFERRED DEBITS	1,725	1,279
TOTAL ASSETS AND OTHER DEBITS	1,410,812	1,434,195
EQUITIES AND LIABILITIES		
OPERATING MARGINS - PRIOR YEAR	(241,898)	(247,339)
OPERATING MARGINS - CURRENT YEAR	1,603	576
NONOPERATING MARGINS - PRIOR YEAR	638,998	638,838
NONOPERATING MARGINS - CURRENT YEAR	32	120
OTHER MARGINS & EQUITIES	(7,279)	(4,924)
TOTAL MARGINS & EQUITIES	391,456	387,271
LONG-TERM DEBT - RUS	651,478	659,199
LONG-TERM DEBT - OTHER	142,100	142,100
TOTAL LONG-TERM DEBT	793,578	801,299
ACCOUNTS PAYABLE	23,009	26,911
TAXES ACCRUED	2,269	1,717
INTEREST ACCRUED	9,924	10,243
OTHER CURRENT & ACCRUED LIABILITIES	8,273	7,754
TOTAL CURRENT & ACCRUED LIABILITIES	43,475	46,625
DEFERRED CREDITS	157,856	178,159
OPERATING RESERVES	24,447	20,841
TOTAL LIABILITIES AND OTHER CREDITS	1,410,812	1,434,195

FINANCIAL HIGHLIGHTS

ELECTRIC PLANT IN SERVICE increased $17.4 million to $2.0 billion as of June 30, 2012. This increase resulted from construction projects to maintain generation, transmission and communication capabilities.

TEMPORARY INVESTMENTS decreased $28.8m primarily due to a higher fuel inventory this year and construction projects.

SPECIAL FUNDS decreased $18.0m as of June 30, 2012. This decrease resulted from the use of the reserve funds set up for non-smelter member rate mitigation.

LONG-TERM DEBT decreased $7.7 million as of June 30, 2012, primarily due to principal payments on RUS debt.

DEFERRED CREDITS decreased $20.3 million as of June 30, 2012, primarily due to the use of the reserve funds set up for non-smelter member rate mitigation.

BIG RIVERS ELECTRIC CORPORATION
Statement of Operations
In Thousands $

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
ELECTRIC ENERGY REVENUES	139,612	139,950	273,712	273,551
OTHER OPERATING REVENUE AND INCOME	1,204	896	2,409	1,520
TOTAL OPER REVENUES & PATRONAGE CAPITAL	140,816	140,846	276,121	275,071
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	12,017	12,073	23,837	24,222
OPERATION EXPENSE-PRODUCTION-FUEL	57,168	57,856	106,890	114,182
OPERATION EXPENSE-OTHER POWER SUPPLY	26,649	29,158	58,175	55,019
OPERATION EXPENSE-TRANSMISSION	2,570	2,397	4,979	4,647
OPERATION EXPENSE-RTO/ISO	566	687	1,225	1,267
CONSUMER SERVICE & INFORMATIONAL EXPENSE	95	90	199	190
OPERATION EXPENSE-SALES	15	23	21	23
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	7,071	6,881	13,793	13,677
TOTAL OPERATION EXPENSE	106,151	109,165	209,119	213,227
MAINTENANCE EXPENSE-PRODUCTION	8,292	9,512	20,426	18,929
MAINTENANCE EXPENSE-TRANSMISSION	1,279	1,216	2,334	2,140
MAINTENANCE EXPENSE-GENERAL PLANT	53	56	93	58
TOTAL MAINTENANCE EXPENSE	9,624	10,784	22,853	21,127
DEPRECIATION & AMORTIZATION EXPENSE	10,188	8,633	20,364	17,314
TAXES	3	130	4	128
INTEREST ON LONG-TERM DEBT	11,227	11,385	22,484	22,996
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(185)	(52)	(385)	(375)
OTHER INTEREST EXPENSE	0	0	0	59
OTHER DEDUCTIONS	82	37	123	116
TOTAL COST OF ELECTRIC SERVICE	137,090	140,082	274,562	274,592
OPERATING MARGINS	3,726	764	1,559	479
INTEREST INCOME	13	24	31	110
OTHER NON-OPERATING INCOME - NET	0	5	0	9
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	45	97
NET PATRONAGE CAPITAL OR MARGINS	3,739	793	1,635	695

FINANCIAL HIGHLIGHTS

SALES TO MEMBERS increased 319,916 MWh to 5,298,635 MWh for the six-month period ended June 30, 2012. Member sales revenue increased $39.0 million, or 18.0%, to $256.3 million for the six-month period ended June 30, 2012, compared to $217.3 million in 2011, driven by higher sales to the aluminum smelters and the increase in member rates that took effect on September 1, 2011.

SALES TO NON-MEMBERS decreased 995,000 MWh to 643,125 MWh for the six-month period ended June 30, 2012. This decrease, along with a 21.1% decline in price, caused non-member electric sales revenue to decrease 69.0%, to $17.4 million, for the six-month period ended June 30, 2012 compared to $56.3 million for 2011.

PURCHASED POWER expense increased $7.5 million, or 40.6% to $26.1 million for the six-month period ended June 30, 2012, compared to 2011. This was due to a 60.1% increase in MWh purchased, partially offset by a 12.2% decrease in the average cost of purchased power resulting from a reduction in the market price of electricity.

FUEL expense decreased $10.0 million, or 7.8%, to $118.2 million for the six-month period ended June 30, 2012 compared to 2011. The decreased fuel expense was primarily driven by lower generation as the softer power market drove economic purchases.

BIG RIVERS ELECTRIC CORPORATION
Statement of Cash Flows
For The Quarter Ended June 30, 2012
In Thousands $

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net margin	3,739	793	1,635	695
Adjustments to reconcile net margin to net cash provided by operating activities:				
Depreciation and amortization	10,715	9,136	21,467	18,319
Interest compounded - RUS Series B Note	1,800	1,704	3,574	3,365
Interest compounded - RUS Series A Note	0	0	7,596	8,397
Noncash Member Rate Mitigation Revenue	(6,270)	(4,365)	(11,981)	(8,820)
Changes in certain assets and liabilities:				
Accounts receivable	(1,683)	(1,146)	469	4,940
Inventories	(959)	4,218	(2,531)	11,838
Prepaid expenses	483	518	2,101	1,122
Deferred charges	28	42	57	65
Accounts payable	(5,899)	(176)	(7,316)	(4,387)
Accrued expenses	2,918	1,233	187	(2,046)
Other – Net	739	1,180	2,253	1,122
Net cash provided by operating activities	5,611	13,137	17,511	34,610
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures – net	(9,106)	(6,828)	(21,105)	(12,129)
Proceeds from Restricted Investments and Other Deposits and Investments	5,677	6,213	10,393	46,641
Net cash used in investing activities	(3,429)	(615)	(10,712)	34,512
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal payments on long-term obligations	(3,990)	(27,459)	(3,990)	(27,459)
Proceeds from long-term obligations	0	0	0	0
Principal payments on short-term notes payable	0	0	0	(10,000)
Proceeds from short-term notes payable	0	0	0	0
Debt Issuance Cost Bond Refunding	0	0	0	0
Net cash used in financing activities	(3,990)	(27,459)	(3,990)	(37,459)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,808)	(14,937)	2,809	31,663
CASH AND CASH EQUIVALENTS -- Beginning	49,467	91,380	44,850	44,780
CASH AND CASH EQUIVALENTS -- Ending	47,659	76,443	47,659	76,443
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest	8,672	8,973	11,186	12,000
Cash paid in taxes	0	130	0	130

Billie Richert

From: Dennis.Pidherny@fitchratings.com
`ent: Thursday, August 23, 2012 3:46 PM
,o: Billie Richert
Cc: Alan.Spen@fitchratings.com; Michael.Murad@fitchratings.com
Subject: Fitch Press Release
Attachments: Big Rivers (RWN) 8-23-12.pdf

Billie,

Please find attached the proposed Press Release. Please review it for factual accuracy and to ensure that we have not included any confidential information.

We look forward to receiving your comments.

Dennis M. Pidherny
Senior Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
dennis.pidherny@fitchratings.com

,om: Billie Richert <Billie.Richert@bigrivers.com>
To: "Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)" <Dennis.Pidherny@fitchratings.com>
Cc: "alan.spen@fitchratings.com" <alan.spen@fitchratings.com>
Date: 08/21/2012 02:20 PM
Subject: Re: Call with Mark this afternoon

Dennis,
As a follow-up to our earlier conversation, I've called and left a message for Mark to call you at 212-908-0738 after 2:00 CST/3:00 EST.

Thanks,

Billie Richert, CPA, CITP
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
^ffice Direct: (270) 844-6190
ɔbile: (270) 577-6221

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or ›tities other than the intended recipient is not allowed. If you receive this message and the information contained therein by error, please contact the sender and lete the material from your/any storage medium.

Confidentiality Notice: The information contained in this e-mail and any attachment(s) is confidential and for the use of the addressee(s) only. If you are not the intended recipient of this e-mail, do not duplicate or redistribute it by any means. Please delete this e-mail and any attachment(s) and notify us immediately. Unauthorized use, reliance, disclosure or copying of the contents of this e-mail and any attachment(s), or any similar action, is strictly prohibited. Fitch Ratings reserves the right, to the extent permitted by applicable law, to retain, monitor and intercept e-mail messages both to and from its systems.

FITCH PLACES BIG RIVERS ELECTRIC CORP, KY's 2010A POLLUTION CONTROL RFDG REV BONDS ON RATING WATCH NEGATIVE

Fitch Ratings—New York-23, August 2012: Fitch Ratings has placed the 'BBB-' rating on the $83.3 million County of Ohio, KY's pollution control refunding revenue bonds (Big Rivers Electric Corporation Project) series 2010A on Rating Watch Negative.

The rating action reflects the decision by Century Aluminum Co. (Century) to terminate its power contract with Big Rivers Electric Corporation and the uncertain effect that the termination will have on the electric cooperative's financial position and its ability to meet debt service payments.

SECURITY

The bonds are secured by a mortgage lien on substantially all of the Big Rivers' owned tangible assets, which include the revenue generated from the sale or transmission of electricity.

WHAT COULD TRIGGER A RATING ACTION

INABILITY TO FIND ACCEPTABLE PURCHASERS: Extended overreliance on short-term power sales as a replacement for the Century contract to meet debt service would likely result in a downward rating action.

INSUFFICIENT REGULATORY SUPPORT: Inadequate or untimely support by the Kentucky Public Service Commission (KPSC) would be viewed negatively.

IMPLEMENTATION OF REASONABLE MITIGATION PLAN: Implementation of a mitigation plan that maintains financial and operating stability would be supportive of credit quality.

CREDIT PROFILE

Big Rivers provides wholesale electric and transmission service to three electric distribution cooperatives. These distribution members provide service to a total of about 112,500 retail customers located in 22 western Kentucky counties. Kenergy Corporation, the largest of the three systems, is unique in that its electric load is dominated by two aluminum smelters, Rio Tinto Alcan (Alcan) and Century Aluminum Co. (Century), which together account for more than one-half of Big River's operating revenues.

Century Terminates Contract

Under the power sales contracts between Kenergy and the smelters, which expire in 2023, the smelters are required to take-or-pay for specific quantities of energy, irrespective of their needs. The contracts further provide for termination on one years' notice without penalties subject to certain conditions including the termination and cessation of all aluminum smelting operations at the relevant facilities.

On August 20, 2012, Century issued a notice to terminate its power contract with Big Rivers and stated its intent to close its Hawesville, KY smelter. Century claims that the smelter is not economically viable despite electric rates well below the national average and no apparent reduction in production.

Closure of the smelter has significant potential implications for Big Rivers, which has acknowledged the termination notice is valid. Besides the impact of the loss of some 700 plant employees, the remaining customers of Big Rivers will most likely have to absorb meaningfully higher rates, with the increase reflecting the amount, pricing and contractual provisions of surplus power sold to new customers.

Implementation of Mitigation Plan

Big Rivers management had previously developed a mitigation plan for the potential loss of the aluminum smelter loads and is presently looking into alternative arrangements with other power purchasers. However, implementation of future firm contractual arrangements will likely not occur immediately. As a result, it is likely that Big Rivers will begin the process of seeking emergency rate relief from the KPSC to help soften any negative effects from the expected loss of the smelter. According to Big Rivers, Alcan, the other larger smelter, has not expressed any interest in closing its facility.

Future Financial Results Unclear

Big Rivers margins are expected to remain adequate to service financial obligations over the next twelve-months, even with the expected closure of Century's facility, since Century remains obligated to make all required payments to Kenergy. However, as time passes, it will be necessary to decipher Big

Rivers' revised business and financial plan and the effect on bond investors.

For additional information on the rating, see Fitch's report, 'Big Rivers Electric Corporation', dated Aug. 31, 2011.

Primary Analyst
Alan Spen
Senior Director
+1-212-908-0594
Fitch, Inc.
One State Street Plaza
New York, NY 10004

Secondary Analyst
Michael Murad
Associate Director
+1-212-908-0757

Committee Chairperson
Dennis Pidherny
Senior Director
+1-212-908-0738

Media Relations: Elizabeth Fogerty, New York, Tel: +1-212-908-0526, Email: elizabeth.fogerty@fitchratings.com.

Additional information is available at 'www.fitchratings.com'.

In addition to the sources of information identified in Fitch's Revenue-Supported Rating Criteria and U.S. Public Power Rating Criteria, this action was informed by information from CreditScope.

Applicable Criteria and Related Research:
--'Revenue-Supported Rating Criteria', June 12, 2012;
--'U.S. Public Power Rating Criteria', Jan. 11, 2012;
--'Big Rivers Electric Corporation', Aug. 31, 2012.

Billie Richert

From:	Dennis.Pidherny@fitchratings.com
`ent:	Thursday, August 23, 2012 3:49 PM
,o:	Billie Richert
Subject:	RE: Fitch Press Release

Thank you

Dennis M. Pidherny
Senior Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
dennis.pidherny@fitchratings.com

From:	Billie Richert <Billie.Richert@bigrivers.com>
To:	"Dennis.Pidherny@fitchratings.com" <Dennis.Pidherny@fitchratings.com>
Cc:	"Alan.Spen@fitchratings.com" <Alan.Spen@fitchratings.com>, "Michael.Murad@fitchratings.com" <Michael.Murad@fitchratings.com>
Date:	08/23/2012 04:48 PM
Subject:	RE: Fitch Press Release

Received. Reviewing now.

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Thursday, August 23, 2012 3:46 PM
To: Billie Richert
Cc: Alan.Spen@fitchratings.com; Michael.Murad@fitchratings.com
Subject: Fitch Press Release

Billie,

Please find attached the proposed Press Release. Please review it for factual accuracy and to ensure that we have not included any confidential information.

We look forward to receiving your comments.

Dennis M. Pidherny
Senior Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
''ew York, NY 10004
(212) 908-0738
dennis.pidherny@fitchratings.com
From: Billie Richert <Billie.Richert@bigrivers.com>

To: "Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)" <Dennis.Pidherny@fitchratings.com>
Cc: "alan.spen@fitchratings.com" <alan.spen@fitchratings.com>
Date: 08/21/2012 02:20 PM
Subject: Re: Call with Mark this afternoon

Dennis,
As a follow-up to our earlier conversation, I've called and left a message for Mark to call you at 212-908-0738 after 2:00 CST/3:00 EST.

Thanks,

Billie Richert, CPA, CITP
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

Billie Richert

From: Alan.Spen@fitchratings.com
Sent: Thursday, August 23, 2012 3:56 PM
To: Billie Richert
Subject: RE: Fitch Press Release

Billie,

Should you have any questions regarding Fitch's rating process or meaning of Rating Watch, please give Dennis or me a call.

Thanks,

Alan

From: Billie Richert <Billie.Richert@bigrivers.com>
To: "Dennis.Pidherny@fitchratings.com" <Dennis.Pidherny@fitchratings.com>
Cc: "Alan.Spen@fitchratings.com" <Alan.Spen@fitchratings.com>, "Michael.Murad@fitchratings.com" <Michael.Murad@fitchratings.com>
Date: 08/23/2012 04:48 PM
Subject: RE: Fitch Press Release

Received. Reviewing now.

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Thursday, August 23, 2012 3:46 PM
To: Billie Richert
Cc: Alan.Spen@fitchratings.com; Michael.Murad@fitchratings.com
Subject: Fitch Press Release

Billie,

Please find attached the proposed Press Release. Please review it for factual accuracy and to ensure that we have not included any confidential information.

We look forward to receiving your comments.

Dennis M. Pidherny
Senior Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
'ew York, NY 10004
I (212) 908-0738
dennis.pidherny@fitchratings.com

From: Billie Richert <Billie.Richert@bigrivers.com>

To: "Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)" <Dennis.Pidherny@fitchratings.com>
Cc: "alan.spen@fitchratings.com" <alan.spen@fitchratings.com>
Date: 08/21/2012 02:20 PM
Subject: Re: Call with Mark this afternoon

Dennis,
As a follow-up to our earlier conversation, I've called and left a message for Mark to call you at 212-908-0738 after 2:00 CST/3:00 EST.

Thanks,

Billie Richert, CPA, CITP
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

This e-mail has been scanned by the MessageLabs Email Security System. For more information, please visit http://www.messagelabs.com/email.

This email has been scanned by the Symantec Email Security.cloud service.
For more information please visit http://www.symanteccloud.com

---

Confidentiality Notice: The information contained in this e-mail and any attachment(s) is confidential and for the use of the addressee(s) only. If you are not the intended recipient of this e-mail, do not duplicate or redistribute it by any means. Please delete this e-mail and any attachment(s) and notify us immediately. Unauthorized use, reliance, disclosure or copying of the contents of this e-mail and any attachment(s), or any similar action, is strictly prohibited. Fitch Ratings reserves the right, to the extent permitted by applicable law, to retain, monitor and intercept e-mail messages both to and from its systems.

This e-mail has been scanned by the MessageLabs Email Security System. For more information, please visit http://www.messagelabs.com/email.

Billie Richert

From: Dennis.Pidherny@fitchratings.com
ent: Thursday, August 23, 2012 4:46 PM
o: Billie Richert
Cc: Alan.Spen@fitchratings.com; Michael.Murad@fitchratings.com
Subject: RE: Fitch Press Release

Thank you. Given the hour, the release will be issued tomorrow. We will keep you posted.

Dennis M. Pidherny
Senior Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
dennis.pidherny@fitchratings.com

From: Billie Richert <Billie.Richert@bigrivers.com>
To: "Dennis.Pidherny@fitchratings.com" <Dennis.Pidherny@fitchratings.com>
Cc: "Alan.Spen@fitchratings.com" <Alan.Spen@fitchratings.com>, "Michael.Murad@fitchratings.com" <Michael.Murad@fitchratings.com>
Date: 08/23/2012 05:42 PM
Subject: RE: Fitch Press Release

Dennis,
We have reviewed the Press Release and have no changes to any factual data and confirm there is no confidential information in the Press Release.

Thank you.

Billie

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Thursday, August 23, 2012 3:46 PM
To: Billie Richert
Cc: Alan.Spen@fitchratings.com; Michael.Murad@fitchratings.com
Subject: Fitch Press Release

Billie,

Please find attached the proposed Press Release. Please review it for factual accuracy and to ensure that we have not included any confidential information.

We look forward to receiving your comments.

Dennis M. Pidherny
Senior Director, Sector Head

Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
1 (212) 908-0738
_ennis.pidherny@fitchratings.com

From: Billie Richert <Billie.Richert@bigrivers.com>
To: "Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)" <Dennis.Pidherny@fitchratings.com>
Cc: "alan.spen@fitchratings.com" <alan.spen@fitchratings.com>
Date: 08/21/2012 02:20 PM
Subject: Re: Call with Mark this afternoon

Dennis,
As a follow-up to our earlier conversation, I've called and left a message for Mark to call you at 212-908-0738 after 2:00 CST/3:00 EST.

Thanks,

Billie Richert, CPA, CITP
ʾ Accounting & Interim CFO
_ig Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

Billie Richert

From:	Dennis.Pidherny@fitchratings.com
`ent:	Friday, August 24, 2012 9:28 AM
,o:	Billie Richert
Cc:	Alan.Spen@fitchratings.com
Subject:	RE: Fitch Press Release
Attachments:	BREC RWN RAC Aug 2012.pdf

Billie,

Please find attached the final press release. We look forward to working with Big Rivers to resolve the Rating Watch over the near term. In the meantime please keep us posted on any developments and feel free to call Alan or I if you have any questions.

Dennis M. Pidherny
Senior Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
dennis.pidherny@fitchratings.com

ɔm:	Billie Richert <Billie.Richert@bigrivers.com>
.ɔ:	"Dennis.Pidherny@fitchratings.com" <Dennis.Pidherny@fitchratings.com>
Cc:	"Alan.Spen@fitchratings.com" <Alan.Spen@fitchratings.com>, "Michael.Murad@fitchratings.com" <Michael.Murad@fitchratings.com>
Date:	08/23/2012 05:47 PM
Subject:	RE: Fitch Press Release

Thank you. Have a nice evening.

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Thursday, August 23, 2012 4:46 PM
To: Billie Richert
Cc: Alan.Spen@fitchratings.com; Michael.Murad@fitchratings.com
Subject: RE: Fitch Press Release

Thank you. Given the hour, the release will be issued tomorrow. We will keep you posted.

Dennis M. Pidherny
Senior Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
ɿe State Street Plaza
ɩew York, NY 10004
+1 (212) 908-0738
dennis.pidherny@fitchratings.com

From: Billie Richert <Billie.Richert@bigrivers.com>
To: "Dennis.Pidherny@fitchratings.com" <Dennis.Pidherny@fitchratings.com>
Cc: "Alan.Spen@fitchratings.com" <Alan.Spen@fitchratings.com>, "Michael.Murad@fitchratings.com" <Michael.Murad@fitchratings.com>
Date: 08/23/2012 05:42 PM
Subject: RE: Fitch Press Release

Dennis,
We have reviewed the Press Release and have no changes to any factual data and confirm there is no confidential information in the Press Release.

Thank you.

Billie

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Thursday, August 23, 2012 3:46 PM
To: Billie Richert
Cc: Alan.Spen@fitchratings.com; Michael.Murad@fitchratings.com
Subject: Fitch Press Release

Billie,

Please find attached the proposed Press Release. Please review it for factual accuracy and to ensure that we have not included any confidential information.

We look forward to receiving your comments.

Dennis M. Pidherny
Senior Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
dennis.pidherny@fitchratings.com

From: Billie Richert <Billie.Richert@bigrivers.com>
To: "Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)" <Dennis.Pidherny@fitchratings.com>
Cc: "alan.spen@fitchratings.com" <alan.spen@fitchratings.com>
Date: 08/21/2012 02:20 PM
Subject: Re: Call with Mark this afternoon

Dennis,
As a follow-up to our earlier conversation, I've called and left a message for Mark to call you at 212-908-0738 after 2:00 CST/3:00 EST.

Thanks,

Billie Richert, CPA, CITP
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

This email has been scanned by the Symantec Email Security.cloud service.
For more information please visit http://www.symanteccloud.com

---

Confidentiality Notice: The information contained in this e-mail and any attachment(s) is confidential and for the use of the addressee(s) only. If you are not the intended recipient of this e-mail, do not duplicate or redistribute it by any means. Please delete this e-mail and any attachment(s) and notify us immediately. Unauthorized use, reliance, disclosure or copying of the contents of this e-mail and any attachment(s), or any similar action, is strictly prohibited. Fitch Ratings reserves the right, to the extent permitted by applicable law, to retain, monitor and intercept e-mail messages both to and from its systems.

This e-mail has been scanned by the MessageLabs Email Security System. For more information, please visit http://www.messagelabs.com/email.

This email has been scanned by the Symantec Email Security.cloud service.
For more information please visit http://www.symanteccloud.com

---

Confidentiality Notice: The information contained in this e-mail and any attachment(s) is confidential and for the use of the addressee(s) only. If you are not the intended recipient of this e-mail, do not duplicate or redistribute it by any means. Please delete this e-mail and any attachment(s) and notify us immediately. Unauthorized use, reliance, disclosure or copying of the contents of this e-mail and any attachment(s), or any similar action, is strictly prohibited. Fitch Ratings reserves the right, to the extent permitted by applicable law, to retain, monitor and intercept e-mail messages both to and from its systems.

This e-mail has been scanned by the MessageLabs Email Security System. For more information, please visit http://www.messagelabs.com/email.

FitchRatings

FITCH PLACES BIG RIVERS ELECTRIC CORP, KY'S 2010A POLLUTION CONTROL RFDG REVS ON NEGATIVE WATCH

Fitch Ratings-New York-24 August 2012: Fitch Ratings has placed the 'BBB-' rating on the $83.3 million county of Ohio County, KY's pollution control refunding revenue bonds (Big Rivers Electric Corporation Project) series 2010A on Rating Watch Negative.

The rating action reflects the decision by Century Aluminum Co. (Century) to terminate its power contract with Big Rivers Electric Corporation and the uncertain effect that the termination will have on the electric cooperative's financial position and its ability to meet debt service payments.

SECURITY

The bonds are secured by a mortgage lien on substantially all of Big Rivers' owned tangible assets, which include the revenue generated from the sale or transmission of electricity.

WHAT COULD TRIGGER A RATING ACTION

INABILITY TO FIND ACCEPTABLE PURCHASERS: Extended over-reliance on short-term power sales as a replacement for the Century contract to meet debt service would likely result in a downward rating action.

INSUFFICIENT REGULATORY SUPPORT: Inadequate or untimely support by the Kentucky Public Service Commission (KPSC) would be viewed negatively.

IMPLEMENTATION OF REASONABLE MITIGATION PLAN: Implementation of a mitigation plan that maintains financial and operating stability would be supportive of credit quality.

CREDIT PROFILE

Big Rivers provides wholesale electric and transmission service to three electric distribution cooperatives. These distribution members provide service to a total of about 112,500 retail customers located in 22 western Kentucky counties. Kenergy Corporation, the largest of the three systems, is unique in that its electric load is dominated by two aluminum smelters, Rio Tinto Alcan (Alcan) and Century, which together account for more than one-half of Big River's operating revenues.

Century Terminates Contract

Under the power sales contracts between Kenergy and the smelters, which expire in 2023, the smelters are required to take-or-pay for specific quantities of energy, irrespective of their needs. The contracts further provide for termination on one years' notice without penalties subject to certain conditions including the termination and cessation of all aluminum smelting operations at the relevant facilities.

On Aug. 20, 2012, Century issued a notice to terminate its power contract with Big Rivers and stated its intent to close its Hawesville, KY smelter. Century claims that the smelter is not economically viable despite electric rates well below the national average and no apparent reduction in production.

Closure of the smelter has significant potential implications for Big Rivers, which has acknowledged the termination notice is valid. Besides the impact of the loss of some 700 plant employees, the remaining customers of Big Rivers will most likely have to absorb meaningfully higher rates, with the increase reflecting the amount, pricing and contractual provisions of surplus power sold to new customers.

Implementation of Mitigation Plan

Big Rivers management had previously developed a mitigation plan for the potential loss of the aluminum smelter loads and is presently looking into alternative arrangements with other power purchasers. However, implementation of future firm contractual arrangements will not likely occur immediately. As a result, it is likely that Big Rivers will begin the process of seeking emergency rate relief from the KPSC to help soften any negative effects from the expected loss of the smelter. According to Big Rivers, Alcan, the other larger smelter, has not expressed any intent to close its facility.

Future Financial Results Unclear

Big Rivers margins are expected to remain adequate to service financial obligations over the next 12 months, even with the expected closure of Century's facility, since Century remains obligated to make all required payments to Kenergy. However, as time passes, it will be necessary to decipher Big Rivers' revised business and financial plan and the effect on bond investors.

For additional information on the rating, see Fitch's report, 'Big Rivers Electric Corporation', dated Aug. 31, 2011, available at www.fitchratings.com.

Contact:

Primary Analyst
Alan Spen
Senior Director
+1-212-908-0594
Fitch, Inc.
One State Street Plaza
New York, NY 10004

Secondary Analyst
Michael Murad
Associate Director
+1-212-908-0757

Committee Chairperson
Dennis Pidherny
Senior Director
+1-212-908-0738

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com.

Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

In addition to the sources of information identified in Fitch's Revenue-Supported Rating Criteria and U.S. Public Power Rating Criteria, this action was informed by information from CreditScope.

Applicable Criteria and Related Research:
--'Revenue-Supported Rating Criteria', June 12, 2012;
--'U.S. Public Power Rating Criteria', Jan. 11, 2012;
--'Big Rivers Electric Corporation', Aug. 31, 2011.

Applicable Criteria and Related Research:

Revenue-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=681015
U.S. Public Power Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=665815
Big Rivers Electric Corporation
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=649829

Billie Richert

From: Billie Richert
Sent: Monday, November 19, 2012 5:26 PM
To: Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)
Cc: Ralph Ashworth; Nicholas R. Castlen
Subject: 2012 Third Quarter Financial Report
Attachments: Third Quarter Financial Report.pdf

Dennis,

Attached is our condensed Third Quarter Financial Report. Please let me know if there are questions.

Thanks.

Billie

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

2012 Third Quarter Financial Report

Unaudited, in RUS format
(absent normal GAAP reclassifications)

Date Prepared: November 13, 2012

201 Third St.
Henderson, Kentucky 42420
Phone: 270-827-2561
www.bigrivers.com

BIG RIVERS ELECTRIC CORPORATION
Balance Sheet
In Thousands $

ASSETS	September 30, 2012	September 30, 2011
TOTAL UTILITY PLANT IN SERVICE	1,997,625	1,964,817
CONSTRUCTION WORK IN PROGRESS	44,936	54,555
TOTAL UTILITY PLANT	2,042,561	2,019,372
ACCUM PROVISION FOR DEPR & AMORT	(955,855)	(933,802)
NET UTILITY PLANT	1,086,706	1,085,570
INVEST IN ASSOC ORG PATRONAGE CAPITAL	3,681	3,645
INVEST IN ASSOC ORG OTHER GENERAL FUNDS	43,841	685
OTHER INVESTMENTS	15	15
SPECIAL FUNDS	184,966	168,181
TOTAL OTHER PROPERTY AND INVESTMENTS	232,503	172,526
CASH - GENERAL FUNDS	5	6
SPECIAL DEPOSITS	598	573
TEMPORARY INVESTMENTS	113,244	77,683
ACCOUNTS RECEIVABLE - SALES OF ENERGY	42,902	45,456
ACCOUNTS RECEIVABLE - OTHER NET	1,221	(2,102)
FUEL STOCK	32,353	27,134
MATERIALS & SUPPLIES - OTHER	26,017	24,662
PREPAYMENTS	1,549	1,302
OTHER CURRENT & ACCRUED ASSETS	713	634
TOTAL CURRENT & ACCRUED ASSETS	218,602	175,348
UNMORT DEBT DISC & EXTRAORD PROP LOSS	3,983	2,106
OTHER DEFERRED DEBITS	2,988	1,798
TOTAL ASSETS AND OTHER DEBITS	1,544,782	1,437,348
EQUITIES AND LIABILITIES		
OPERATING MARGINS - PRIOR YEAR	(241,898)	(247,339)
OPERATING MARGINS - CURRENT YEAR	7,722	8,757
NONOPERATING MARGINS - PRIOR YEAR	638,998	638,838
NONOPERATING MARGINS - CURRENT YEAR	403	141
OTHER MARGINS & EQUITIES	(7,279)	(4,923)
TOTAL MARGINS & EQUITIES	397,946	395,474
LONG-TERM DEBT - RUS	208,479	657,620
LONG-TERM DEBT - OTHER	720,480	142,100
TOTAL LONG-TERM DEBT	928,959	799,720
ACCOUNTS PAYABLE	27,000	28,980
TAXES ACCRUED	824	671
INTEREST ACCRUED	3,812	9,519
OTHER CURRENT & ACCRUED LIABILITIES	8,292	8,320
TOTAL CURRENT & ACCRUED LIABILITIES	39,928	47,490
DEFERRED CREDITS	152,737	173,685
OPERATING RESERVES	25,212	20,979
TOTAL LIABILITIES AND OTHER CREDITS	1,544,782	1,437,348

FINANCIAL HIGHLIGHTS

ELECTRIC PLANT IN SERVICE increased $32.8 million to $2.0 billion as of September 30, 2012. This increase resulted from construction projects to maintain generation, transmission and communication capabilities.

TEMPORARY INVESTMENTS increased $35.6m primarily due to the borrowing that took place this year to fund construction projects, partially offset by a higher fuel inventory this year and construction projects.

SPECIAL FUNDS increased $16.8m as of September 30, 2012. This increased resulted from replenishing the transition reserve, partially offset by the use of the reserve funds set up for non-smelter member rate mitigation.

LONG-TERM DEBT increased $129.2 million as of September 30, 2012, primarily due to borrowing for capital projects and replenish the $35.0 million transition reserve formerly used to pre-pay RUS debt.

DEFERRED CREDITS decreased $20.9 million as of September 30, 2012, primarily due to the use of the reserve funds set up for non-smelter member rate mitigation.

2

BIG RIVERS ELECTRIC CORPORATION
Statement of Operations
In Thousands $

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
ELECTRIC ENERGY REVENUES	145,471	148,770	419,183	422,321
OTHER OPERATING REVENUE AND INCOME	1,450	648	3,859	2,168
TOTAL OPER REVENUES & PATRONAGE CAPITAL	146,921	149,418	423,042	424,489
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	12,555	12,779	36,392	37,001
OPERATION EXPENSE-PRODUCTION-FUEL	58,943	58,925	165,833	173,107
OPERATION EXPENSE-OTHER POWER SUPPLY	26,106	28,160	84,281	83,179
OPERATION EXPENSE-TRANSMISSION	2,384	2,273	7,363	6,920
OPERATION EXPENSE-RTO/ISO	438	565	1,663	1,832
CONSUMER SERVICE & INFORMATIONAL EXPENSE	192	155	391	345
OPERATION EXPENSE-SALES	81	106	102	129
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	6,585	6,303	20,378	19,980
TOTAL OPERATION EXPENSE	107,284	109,266	316,403	322,493
MAINTENANCE EXPENSE-PRODUCTION	10,446	10,253	30,872	29,182
MAINTENANCE EXPENSE-TRANSMISSION	1,402	1,208	3,736	3,348
MAINTENANCE EXPENSE-GENERAL PLANT	35	35	128	93
TOTAL MAINTENANCE EXPENSE	11,883	11,496	34,736	32,623
DEPRECIATION & AMORTIZATION EXPENSE	10,488	9,060	30,852	26,374
TAXES	0	0	4	128
INTEREST ON LONG-TERM DEBT	11,235	11,454	33,719	34,450
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(193)	(75)	(578)	(450)
OTHER INTEREST EXPENSE	55	1	55	60
OTHER DEDUCTIONS	64	42	187	158
TOTAL COST OF ELECTRIC SERVICE	140,816	141,244	415,378	415,836
OPERATING MARGINS	6,105	8,174	7,664	8,653
INTEREST INCOME	372	22	403	132
OTHER NON-OPERATING INCOME - NET	0	(1)	0	8
OTHER CAPITAL CREDITS & PAT DIVIDENDS	14	8	59	105
NET PATRONAGE CAPITAL OR MARGINS	6,491	8,203	8,126	8,898

FINANCIAL HIGHLIGHTS

SALES TO MEMBERS increased 446,265 MWh to 8,053,207 MWh for the nine-month period ended September 30, 2012. Member sales revenue increased $52.7 million, or 18.0%, to $391.4 million for the nine-month period ended September 30, 2012, compared to $338.8 million in 2011, driven by higher sales to the aluminum smelters and the increase in member rates that took effect on September 1, 2011.

SALES TO NON-MEMBERS decreased 1,454,096 MWh to 971,890 MWh for the nine-month period ended September 30, 2012. This decrease, along with a 17.1% decline in price, caused non-member electric sales revenue to decrease 66.8%, to $27.8 million, for the nine-month period ended September 30, 2012 compared to $83.6 million for 2011.

PURCHASED POWER expense increased $6.5 million, or 22.3% to $35.3 million for the nine-month period ended September 30, 2012, compared to 2011. This was due to a 41.4% increase in MWh purchased, partially offset by a 13.5% decrease in the average cost of purchased power resulting from a reduction in the market price of electricity.

FUEL expense decreased $10.4 million, or 5.3%, to $184.7 *million for the nine-month period ended September 30, 2012* compared to 2011. The decreased fuel expense was primarily driven by lower generation as the softer power market drove economic purchases.

BIG RIVERS ELECTRIC CORPORATION
Statement of Cash Flows
For The Quarter Ended September 30, 2012
In Thousands $

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net margin	6,490	8,203	8,126	8,898
Adjustments to reconcile net margin to net cash provided by operating activities:				
Depreciation and amortization	10,697	9,617	32,164	27,936
Interest compounded - RUS Series B Note	1,846	1,747	5,420	5,112
Interest compounded - RUS Series A Note	0	0	7,596	8,397
Noncash Member Rate Mitigation Revenue	(5,504)	(4,973)	(17,485)	(13,793)
Changes in certain assets and liabilities:				
Accounts receivable	(1,245)	(3,782)	(776)	1,158
Inventories	3,352	(3,088)	821	8,750
Prepaid expenses	1,089	1,339	3,190	2,461
Deferred charges	11	29	68	94
Accounts payable	3,991	2,069	(3,325)	(2,318)
Accrued expenses	(7,538)	(1,205)	(7,351)	(3,251)
Other – Net	837	162	3,089	1,284
Net cash provided by operating activities	14,026	10,118	31,537	44,728
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures – net	(6,850)	(10,488)	(27,955)	(22,617)
Proceeds from Restricted Investments and Other Deposits and Investments	(38,118)	4,920	(27,725)	51,561
Purchase of Restricted Investments and Other Deposits and investments	(35,002)	21	(35,002)	21
Net cash used in investing activities	(79,970)	(5,547)	(90,682)	28,965
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal payments on long-term obligations	(446,621)	(3,325)	(450,611)	(30,784)
Proceeds from long-term obligations	580,156	0	580,156	0
Principal payments on short-term notes payable	0	0	0	(10,000)
Debt Issuance Cost	(2,000)	0	(2,000)	0
Payments on obligations under long-term lease	0	0	0	0
Net cash used in financing activities	131,535	(3,325)	127,545	(40,784)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	65,591	1,246	68,400	32,909
CASH AND CASH EQUIVALENTS – Beginning	47,659	76,443	44,850	44,780
CASH AND CASH EQUIVALENTS -- Ending	113,250	77,689	113,250	77,689
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest	15,439	10,379	26,625	22,379
Cash paid in taxes	0	0	0	130

Billie Richert

From: Mark Hite
Sent: Thursday, August 23, 2012 2:32 PM
To: Nicholas R. Castlen; Billie Richert
Subject: FW: Big Rivers Electric Corporation
Attachments: BREC PART A.pdf; MEADE FORM 7.pdf; KENERGY FORM 7 2011.pdf; JACKSON PURCHASE FORM 7.pdf; JPEC JACKSON PURCHASE Audited FS and Management Letter - 2011.pdf; MEADE Audited Financial Statements.pdf; KENERGY AUDITED FINANCIAL STATEMENT.pdf; KPMG - BREC Finnacial Statements 12-31-2011 2010.pdf

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

-----Original Message-----
From: Mark Hite
Sent: Thursday, April 12, 2012 1:48 PM
To: Kevin Rose (kevin.rose@modys.com)
Subject: Big Rivers Electric Corporation

Good afternoon. Hope all is well with you.

As we discussed a month or so ago via telephone and email, attached hereto is Big Rivers' 2011 audited financial statements and it's 2011 RUS financial and operating report. Also attached, as requested, are the 2011 audited financials for each of Big Rivers' 3 member distribution cooperatives (Meade County RECC, Jackson Purchase Energy Corporation, and Kenergy Corp.) and their 2011 RUS Form 7.

Also as we discussed, will be emailing you Big Rivers' long-term financial forecast (2012-2026), in Excel format, by the end of April 2012. Based on these items, we'll commence the annual rating review process, striving to meet your timing.

Comments welcome.

Thank you,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
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

Billie Richert

From: Mark Hite
Sent: Sunday, December 23, 2012 10:57 AM
To: Billie Richert
Subject: FW: Big Rivers - 1st Qtr 2012 Financial Report
Attachments: Big Rivers 1st Qtr 2012 Financial Report - 5-21-12.pdf

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Mark Hite
Sent: Monday, May 21, 2012 4:09 PM
To: kevin.rose@moodys.com
Subject: Big Rivers - 1st Qtr 2012 Financial Report

Please see the attached, a condensed Big Rivers 1st Qtr 2012 Financial Report.

Contact me with any questions you may have.

Thank you,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
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

2012 First Quarter Financial Report

Unaudited, in RUS format
(absent normal GAAP reclassifications)

Date Prepared: May 21, 2012

201 Third St.
Henderson, Kentucky 42420
Phone: 270-827-2561
www.bigrivers.com

BIG RIVERS ELECTRIC CORPORATION
Balance Sheet
In Thousands $

ASSETS	March 31, 2012	March 31, 2011
TOTAL UTILITY PLANT IN SERVICE	1,979,276	1,962,336
CONSTRUCTION WORK IN PROGRESS	60,033	43,362
TOTAL UTILITY PLANT	2,039,309	2,005,698
ACCUM PROVISION FOR DEPR & AMORT	(946,277)	(918,033)
NET UTILITY PLANT	1,093,032	1,087,665
INVEST IN ASSOC ORG PATRONAGE CAPITAL	3,677	3,642
INVEST IN ASSOC ORG OTHER GENERAL FUNDS	685	685
OTHER INVESTMENTS	15	15
SPECIAL FUNDS	159,854	178,254
TOTAL OTHER PROPERTY AND INVESTMENTS	164,231	182,596
CASH - GENERAL FUNDS	6	6
SPECIAL DEPOSITS	573	572
TEMPORARY INVESTMENTS	49,461	91,375
ACCOUNTS RECEIVABLE - SALES OF ENERGY	41,620	38,897
ACCOUNTS RECEIVABLE - OTHER NET	(425)	(471)
FUEL STOCK	34,868	29,130
MATERIALS & SUPPLIES - OTHER	25,893	23,796
PREPAYMENTS	3,347	2,933
OTHER CURRENT & ACCRUED ASSETS	486	860
TOTAL CURRENT & ACCRUED ASSETS	155,829	187,098
UNMORT DEBT DISC & EXTRAORD PROP LOSS	2,299	2,160
OTHER DEFERRED DEBITS	1,867	1,205
TOTAL ASSETS AND OTHER DEBITS	1,417,258	1,460,724
EQUITIES AND LIABILITIES		
OPERATING MARGINS - PRIOR YEAR	(241,898)	(247,339)
OPERATING MARGINS - CURRENT YEAR	(2,122)	(188)
NONOPERATING MARGINS - PRIOR YEAR	638,998	638,838
NONOPERATING MARGINS - CURRENT YEAR	18	90
OTHER MARGINS & EQUITIES	(7,279)	(4,923)
TOTAL MARGINS & EQUITIES	387,717	386,478
LONG-TERM DEBT - RUS	653,668	684,954
LONG-TERM DEBT - OTHER	142,100	142,100
TOTAL LONG-TERM DEBT	795,768	827,054
ACCOUNTS PAYABLE	28,908	27,087
TAXES ACCRUED	1,404	1,118
INTEREST ACCRUED	9,220	9,605
OTHER CURRENT & ACCRUED LIABILITIES	6,923	7,758
TOTAL CURRENT & ACCRUED LIABILITIES	46,455	45,568
DEFERRED CREDITS	163,725	181,988
OPERATING RESERVES	23,593	19,636
TOTAL LIABILITIES AND OTHER CREDITS	1,417,258	1,460,724

FINANCIAL HIGHLIGHTS

ELECTRIC PLANT IN SERVICE increased $16.9 million to $2.0 billion as of March 31, 2012. This increase resulted from construction projects to maintain generation, transmission and communication capabilities.

TEMPORARY INVESTMENTS decreased $41.9m primarily due to pre-paying RUS Debt.

SPECIAL FUNDS decreased $18.4m as of March 31, 2012. This decrease resulted from the use of the reserve funds set up for non-smelter member rate mitigation.

LONG-TERM DEBT decreased $31.3 million as of March 31, 2012, primarily due to pre-paying RUS debt.

DEFERRED CREDITS decreased $18.3 million as of March 31, 2012, primarily due to the use of the reserve funds set up for non-smelter member rate mitigation.

BIG RIVERS ELECTRIC CORPORATION
Statement of Operations
In Thousands $

	Three Months Ended March 31, 2012	2011
ELECTRIC ENERGY REVENUES	134,100	133,601
OTHER OPERATING REVENUE AND INCOME	1,205	624
TOTAL OPER REVENUES & PATRONAGE CAPITAL	135,305	134,225
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	11,820	12,149
OPERATION EXPENSE-PRODUCTION-FUEL	49,722	56,326
OPERATION EXPENSE-OTHER POWER SUPPLY	31,526	25,861
OPERATION EXPENSE-TRANSMISSION	2,409	2,250
OPERATION EXPENSE-RTO/ISO	659	580
CONSUMER SERVICE & INFORMATIONAL EXPENSE	104	100
OPERATION EXPENSE-SALES	6	0
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	6,722	6,796
TOTAL OPERATION EXPENSE	102,968	104,062
MAINTENANCE EXPENSE-PRODUCTION	12,134	9,417
MAINTENANCE EXPENSE-TRANSMISSION	1,055	924
MAINTENANCE EXPENSE-GENERAL PLANT	40	2
TOTAL MAINTENANCE EXPENSE	13,229	10,343
DEPRECIATION & AMORTIZATION EXPENSE	10,176	8,681
TAXES	1	(2)
INTEREST ON LONG-TERM DEBT	11,257	11,611
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(200)	(323)
OTHER INTEREST EXPENSE	0	59
OTHER DEDUCTIONS	41	79
TOTAL COST OF ELECTRIC SERVICE	137,472	134,510
OPERATING MARGINS	(2,167)	(285)
INTEREST INCOME	18	86
OTHER NON-OPERATING INCOME - NET	0	4
OTHER CAPITAL CREDITS & PAT DIVIDENDS	45	97
NET PATRONAGE CAPITAL OR MARGINS	(2,104)	(98)

FINANCIAL HIGHLIGHTS

SALES TO MEMBERS increased 172,558 MWh to 2,660,030 MWh for the three-month period ended March 31, 2012. Member sales revenue increased $18.9 million, or 17.5%, to $127.0 million for the three-month period ended March 31, 2012, compared to $108.1 million in 2011, driven by higher sales to the aluminum smelters and the increase in member rates that took effect on September 1, 2011.

SALES TO NON-MEMBERS decreased 477,250 MWh to 271,767 MWh for the three-month period ended March 31, 2012. This decrease, along with a 23.4% decline in price, caused non-member electric sales revenue to decrease 72.2%, to $7.1 million, for the three-month period ended March 31, 2012 compared to $25.5 million for 2011.

PURCHASED POWER expense increased $6.7 million, or 85.8% to $14.5 million for the three-month period ended March 31, 2012, compared to 2011. This was due to a 124.9% increase in MWh purchased, partially offset by a 17.4% decrease in the average cost of purchased power resulting from a reduction in the market price of electricity.

FUEL expense decreased $7.0 million, or 11.0%, to $56.4 million for the three-month period ended March 31, 2012 compared to 2011. The decreased fuel expense was primarily driven by lower generation as the softer power market drove economic purchases.

BIG RIVERS ELECTRIC CORPORATION
Statement of Cash Flows
For The Quarter Ended March 31, 2012
In Thousands $

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin	(2,104)	(98)
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	10,752	9,183
Interest compounded - RUS Series B Note	1,774	1,661
Interest compounded - RUS Series A Note	7,596	8,397
Noncash Member Rate Mitigation Revenue	(5,711)	(4,455)
Changes in certain assets and liabilities:		
Accounts receivable	2,152	6,086
Inventories	(1,572)	7,620
Prepaid expenses	1,618	604
Deferred charges	29	23
Accounts payable	(1,417)	(4,211)
Accrued expenses	(2,731)	(3,279)
Other -- Net	1,514	(58)
Net cash provided by operating activities	11,900	21,473
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures -- net	(11,999)	(5,301)
Proceeds from Restricted Investments and Other Deposits and Investments	4,716	40,428
Net cash used in investing activities	(7,283)	35,127
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term obligations	0	0
Proceeds from long-term obligations	0	0
Principal payments on short-term notes payable	0	(10,000)
Proceeds from short-term notes payable	0	0
Debt Issuance Cost Bond Refunding	0	0
Net cash used in financing activities	0	(10,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,617	46,600
CASH AND CASH EQUIVALENTS -- Beginning of quarter	44,850	44,780
CASH AND CASH EQUIVALENTS -- End of quarter	49,467	91,380
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	2,514	3,027
Cash paid in taxes	0	0

Billie Richert

From: Mark Hite
Sent: Sunday, December 23, 2012 10:56 AM
To: Billie Richert
Subject: FW: Big Rivers Electric Corporation
Attachments: Big Rivers Electric Corporation Disclosure Statement (7-12-12).pdf

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

-----Original Message-----
From: Mark Hite
Sent: Friday, July 20, 2012 2:05 PM
To: kevin.rose@moodys.com
Cc: Billie Richert
Subject: Big Rivers Electric Corporation

In connection with your annual rating review and update of Big Rivers, attached hereto is an updated Disclosure Statement. Hope to hear from you soon.

Thanks,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Friday, August 10, 2012 1:42 PM
To: Billie Richert
Subject: liquidity and update on smelter load

Importance: High

Hi Billie:

Could you please provide me with an update on the status of your credit facilities with CFC and CoBank. My records indicate that the CoBank facility was scheduled to expire back in July 2012, so I wonder whether that was renewed and, if so, on what terms and conditions and for what amount and how long. Also, have there been any changes with respect to the CFC facility, which I understand expires in July 2014.

As for the smelter load, I have noticed several news reports and other information that covered recent discussions at meetings with the customers. Ideally, I would appreciate an opportunity to have a conversation about this on Monday. Is there a particular time that works for you. I have a busy morning, but could be available in the afternoon.

I look forward to reply on the liquidity by e-mail. And any other sources of information on the relationships with the smelters would be helpful.

Regards,

Kevin

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

as any attachment thereto, for viruses. We take no responsibility and have no liability for any computer virus which may be transferred via this e-mail message.

Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Friday, August 10, 2012 1:54 PM
To: Billie Richert
Subject: RE: liquidity and update on smelter load

Thanks. Anytime after 12:00 noon NY time works Ok for me .

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Friday, August 10, 2012 2:51 PM
To: Rose, Kevin
Subject: RE: liquidity and update on smelter load

Kevin,
I'm out of the office today but will call you Monday.
Billie.

Sent via the Samsung Galaxy S™III, an AT&T 4G LTE smartphone

"Rose, Kevin" <Kevin.Rose@moodys.com> wrote:
Hi Billie:

Could you please provide me with an update on the status of your credit facilities with CFC and CoBank. My records indicate that the CoBank facility was scheduled to expire back in July 2012, so I wonder whether that was renewed and, if so, on what terms and conditions and for what amount and how long. Also, have there been any changes with respect to the CFC facility, which I understand expires in July 2014.

As for the smelter load, I have noticed several news reports and other information that covered recent discussions at meetings with the customers. Ideally, I would appreciate an opportunity to have a conversation about this on Monday. Is there a particular time that works for you. I have a busy morning, but could be available in the afternoon.

I look forward to reply on the liquidity by e-mail. And any other sources of information on the relationships with the smelters would be helpful.

Regards,

Kevin

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

The information contained in this e-mail message, and any attachment thereto, is confidential and may not be disclosed without our express permission. If you are not the intended recipient or an employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that you have received this message in error and that any review, dissemination, distribution or copying of this message, or any attachment thereto, in whole or in part, is strictly prohibited. If you have received this message in error, please immediately notify us by telephone, fax or e-mail and delete the message and all of its attachments. Thank you. Every effort is made to keep our network free from viruses. You should, however, review this e-mail message, as well as any attachment thereto, for viruses. We take no responsibility and have no liability for any computer virus which may be transferred via this e-mail message.

Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Friday, August 10, 2012 1:55 PM
To: Billie Richert
Subject: RE: liquidity and update on smelter load

Thanks.

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Friday, August 10, 2012 2:54 PM
To: Rose, Kevin
Subject: RE: liquidity and update on smelter load

Kevin,
We did refinance with both entities on July 27th and I will provide details Monday.

Sent via the Samsung Galaxy S™III, an AT&T 4G LTE smartphone

"Rose, Kevin" <Kevin.Rose@moodys.com> wrote:
Hi Billie:

Could you please provide me with an update on the status of your credit facilities with CFC and CoBank. My records indicate that the CoBank facility was scheduled to expire back in July 2012, so I wonder whether that was renewed and, if so, on what terms and conditions and for what amount and how long. Also, have there been any changes with respect to the CFC facility, which I understand expires in July 2014.

As for the smelter load, I have noticed several news reports and other information that covered recent discussions at meetings with the customers. Ideally, I would appreciate an opportunity to have a conversation about this on Monday. Is there a particular time that works for you. I have a busy morning, but could be available in the afternoon.

I look forward to reply on the liquidity by e-mail. And any other sources of information on the relationships with the smelters would be helpful.

Regards,

Kevin

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

The information contained in this e-mail message, and any attachment thereto, is confidential and may not be disclosed without our express permission. If you are not the intended recipient or an employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that you have received this message in error and that any review, dissemination, distribution or copying of this message, or any attachment thereto, in whole or in part, is strictly prohibited. If you have received this message in error, please immediately notify us by telephone, fax or e-mail and delete the message and all of its attachments. Thank you. Every effort is made to keep our network free from viruses. You should, however, review this e-mail message, as well as any attachment thereto, for viruses. We take no responsibility and have no liability for any computer virus which may be transferred via this e-mail message.

The information contained in this e-mail message, and any attachment thereto, is confidential and may not be disclosed without our express permission. If you are not the intended recipient or an employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that you have received this message in error and that any review, dissemination, distribution or copying of this message, or any attachment thereto, in whole or in part, is strictly prohibited. If you have received this message in error, please immediately notify us by telephone, fax or e-mail and delete the message and all of its attachments. Thank you. Every effort is made to keep our network free from viruses. You should, however, review this e-mail message, as well as any attachment thereto, for viruses. We take no responsibility and have no liability for any computer virus which may be transferred via this e-mail message.

Billie Richert

From: Billie Richert
Sent: Tuesday, August 14, 2012 6:30 PM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject: Follow-up on remaining questions

Kevin,

As we discussed the smelter agreement includes a required twelve month notification for terminating the agreement and the smelter would then be responsible at a minimum for the base demand in the contract. As a follow-up to this statement you had asked what is the base demand for Century. It is as follows:

The *base demand* is defined in Section 1.1.14 of the smelter agreement. *Base demand* is stated in MW (megawatts). For example, the Century agreement provides for a contractual base demand of 482 MW.

This base demand is a negotiated value and is static for the life of the agreement, unless the smelter obtains the written consent of Kenergy and Big Rivers.

Each smelter agreement contains a load factor. For example, the Century agreement includes a .98 load factor and this value is static during the life of the agreement. The *load factor* is used to determine the *base fixed energy.* For example, 482,000 *base demand* kilowatts times number of hours determined for the month equals the total kilowatt hours for the billing month. This result is multiplied times the .98 *load factor* to determine the *base fixed energy.*

Regarding your question as to how we would make up any relief granted by Big Rivers to Century (and to Alcan as any relief offered includes both smelters), there would be an increase to the other rate classes, including both rural and other large industrial customers. For the proposal made by Big Rivers to Century (which was declined), Big Rivers offered an initial $24m annual relief which over a ten to twelve year period would grow annually to $27m; again shared by the two smelters. The increase in rates to the other two rate classes are estimated to be approximately 11% with a net decrease to the two smelters of approximately 7%.

Kevin, please let me know if I have provided you with the information you requested. If you need any additional information or clarification, please let me know.

Regards,

Billie

Billie Richert

From: Billie Richert
Sent: Thursday, November 15, 2012 1:46 PM
To: Nicholas R. Castlen
Subject: FW: 2012 Second Quarter Financial Report
Attachments: Second Quarter 2012 Financial Report.pdf

From: Billie Richert
Sent: Saturday, August 18, 2012 12:03 PM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject: 2012 Second Quarter Financial Report

Kevin,

Attached is our condensed Second Quarter Financial Report. Please let me know if there are questions.

Thanks.

Billie Richert, CPA, CITP
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

2012 Second Quarter Financial Report

Unaudited, in RUS format
(absent normal GAAP reclassifications)

Date Prepared: August 12, 2012

201 Third St.
Henderson, Kentucky 42420
Phone: 270-827-2561
www.bigrivers.com

BIG RIVERS ELECTRIC CORPORATION
Balance Sheet
In Thousands $

ASSETS	June 30, 2012	June 30, 2011
TOTAL UTILITY PLANT IN SERVICE	1,980,198	1,962,829
CONSTRUCTION WORK IN PROGRESS	64,799	48,852
TOTAL UTILITY PLANT	2,044,997	2,011,681
ACCUM PROVISION FOR DEPR & AMORT	(953,691)	(926,415)
NET UTILITY PLANT	1,091,306	1,085,266
INVEST IN ASSOC ORG PATRONAGE CAPITAL	3,677	3,642
INVEST IN ASSOC ORG OTHER GENERAL FUNDS	685	685
OTHER INVESTMENTS	15	15
SPECIAL FUNDS	154,600	172,604
TOTAL OTHER PROPERTY AND INVESTMENTS	158,977	176,946
CASH - GENERAL FUNDS	6	6
SPECIAL DEPOSITS	623	573
TEMPORARY INVESTMENTS	47,653	76,437
ACCOUNTS RECEIVABLE - SALES OF ENERGY	42,426	40,436
ACCOUNTS RECEIVABLE - OTHER NET	452	(864)
FUEL STOCK	35,425	24,234
MATERIALS & SUPPLIES - OTHER	26,295	24,473
PREPAYMENTS	2,499	2,057
OTHER CURRENT & ACCRUED ASSETS	851	1,219
TOTAL CURRENT & ACCRUED ASSETS	156,230	168,571
UNMORT DEBT DISC & EXTRAORD PROP LOSS	2,574	2,133
OTHER DEFERRED DEBITS	1,725	1,279
TOTAL ASSETS AND OTHER DEBITS	1,410,812	1,434,195
EQUITIES AND LIABILITIES		
OPERATING MARGINS - PRIOR YEAR	(241,898)	(247,339)
OPERATING MARGINS - CURRENT YEAR	1,603	576
NONOPERATING MARGINS - PRIOR YEAR	638,998	638,838
NONOPERATING MARGINS - CURRENT YEAR	32	120
OTHER MARGINS & EQUITIES	(7,279)	(4,924)
TOTAL MARGINS & EQUITIES	391,456	387,271
LONG-TERM DEBT - RUS	651,478	659,199
LONG-TERM DEBT - OTHER	142,100	142,100
TOTAL LONG-TERM DEBT	793,578	801,299
ACCOUNTS PAYABLE	23,009	26,911
TAXES ACCRUED	2,269	1,717
INTEREST ACCRUED	9,924	10,243
OTHER CURRENT & ACCRUED LIABILITIES	8,273	7,754
TOTAL CURRENT & ACCRUED LIABILITIES	43,475	46,625
DEFERRED CREDITS	157,856	178,159
OPERATING RESERVES	24,447	20,841
TOTAL LIABILITIES AND OTHER CREDITS	1,410,812	1,434,195

FINANCIAL HIGHLIGHTS

ELECTRIC PLANT IN SERVICE increased $17.4 million to $2.0 billion as of June 30, 2012. This increase resulted from construction projects to maintain generation, transmission and communication capabilities.

TEMPORARY INVESTMENTS decreased $28.8m primarily due to a higher fuel inventory this year and construction projects.

SPECIAL FUNDS decreased $18.0m as of June 30, 2012. This decrease resulted from the use of the reserve funds set up for non-smelter member rate mitigation.

LONG-TERM DEBT decreased $7.7 million as of June 30, 2012, primarily due to principal payments on RUS debt.

DEFERRED CREDITS decreased $20.3 million as of June 30, 2012, primarily due to the use of the reserve funds set up for non-smelter member rate mitigation.

BIG RIVERS ELECTRIC CORPORATION
Statement of Operations
In Thousands $

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
ELECTRIC ENERGY REVENUES	139,612	139,950	273,712	273,551
OTHER OPERATING REVENUE AND INCOME	1,204	896	2,409	1,520
TOTAL OPER REVENUES & PATRONAGE CAPITAL	140,816	140,846	276,121	275,071
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	12,017	12,073	23,837	24,222
OPERATION EXPENSE-PRODUCTION-FUEL	57,168	57,856	106,890	114,182
OPERATION EXPENSE-OTHER POWER SUPPLY	26,649	29,158	58,175	55,019
OPERATION EXPENSE-TRANSMISSION	2,570	2,397	4,979	4,647
OPERATION EXPENSE-RTO/ISO	566	687	1,225	1,267
CONSUMER SERVICE & INFORMATIONAL EXPENSE	95	90	199	190
OPERATION EXPENSE-SALES	15	23	21	23
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	7,071	6,881	13,793	13,677
TOTAL OPERATION EXPENSE	106,151	109,165	209,119	213,227
MAINTENANCE EXPENSE-PRODUCTION	8,292	9,512	20,426	18,929
MAINTENANCE EXPENSE-TRANSMISSION	1,279	1,216	2,334	2,140
MAINTENANCE EXPENSE-GENERAL PLANT	53	56	93	58
TOTAL MAINTENANCE EXPENSE	9,624	10,784	22,853	21,127
DEPRECIATION & AMORTIZATION EXPENSE	10,188	8,633	20,364	17,314
TAXES	3	130	4	128
INTEREST ON LONG-TERM DEBT	11,227	11,385	22,484	22,996
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(185)	(52)	(385)	(375)
OTHER INTEREST EXPENSE	0	0	0	59
OTHER DEDUCTIONS	82	37	123	116
TOTAL COST OF ELECTRIC SERVICE	137,090	140,082	274,562	274,592
OPERATING MARGINS	3,726	764	1,559	479
INTEREST INCOME	13	24	31	110
OTHER NON-OPERATING INCOME - NET	0	5	0	9
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	45	97
NET PATRONAGE CAPITAL OR MARGINS	3,739	793	1,635	695

FINANCIAL HIGHLIGHTS

SALES TO MEMBERS increased 319,916 MWh to 5,298,635 MWh for the six-month period ended June 30, 2012. Member sales revenue increased $39.0 million, or 18.0%, to $256.3 million for the six-month period ended June 30, 2012, compared to $217.3 million in 2011, driven by higher sales to the aluminum smelters and the increase in member rates that took effect on September 1, 2011.

SALES TO NON-MEMBERS decreased 995,000 MWh to 643,125 MWh for the six-month period ended June 30, 2012. This decrease, along with a 21.1% decline in price, caused non-member electric sales revenue to decrease 69.0%, to $17.4 million, for the six-month period ended June 30, 2012 compared to $56.3 million for 2011.

PURCHASED POWER expense increased $7.5 million, or 40.6% to $26.1 million for the six-month period ended June 30, 2012, compared to 2011. This was due to a 60.1% increase in MWh purchased, partially offset by a 12.2% decrease in the average cost of purchased power resulting from a reduction in the market price of electricity.

FUEL expense decreased $10.0 million, or 7.8%, to $118.2 million for the six-month period ended June 30, 2012 compared to 2011. The decreased fuel expense was primarily driven by lower generation as the softer power market drove economic purchases.

BIG RIVERS ELECTRIC CORPORATION
Statement of Cash Flows
For The Quarter Ended June 30, 2012
In Thousands $

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net margin	3,739	793	1,635	695
Adjustments to reconcile net margin to net cash provided by operating activities:				
Depreciation and amortization	10,715	9,136	21,467	18,319
Interest compounded - RUS Series B Note	1,800	1,704	3,574	3,365
Interest compounded - RUS Series A Note	0	0	7,596	8,397
Noncash Member Rate Mitigation Revenue	(6,270)	(4,365)	(11,981)	(8,820)
Changes in certain assets and liabilities:				
Accounts receivable	(1,683)	(1,146)	469	4,940
Inventories	(959)	4,218	(2,531)	11,838
Prepaid expenses	483	518	2,101	1,122
Deferred charges	28	42	57	65
Accounts payable	(5,899)	(176)	(7,316)	(4,387)
Accrued expenses	2,918	1,233	187	(2,046)
Other -- Net	739	1,180	2,253	1,122
Net cash provided by operating activities	5,611	13,137	17,511	34,610
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures -- net	(9,106)	(6,828)	(21,105)	(12,129)
Proceeds from Restricted Investments and Other Deposits and Investments	5,677	6,213	10,393	46,641
Net cash used in investing activities	(3,429)	(615)	(10,712)	34,512
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal payments on long-term obligations	(3,990)	(27,459)	(3,990)	(27,459)
Proceeds from long-term obligations	0	0	0	0
Principal payments on short-term notes payable	0	0	0	(10,000)
Proceeds from short-term notes payable	0	0	0	0
Debt Issuance Cost Bond Refunding	0	0	0	0
Net cash used in financing activities	(3,990)	(27,459)	(3,990)	(37,459)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,808)	(14,937)	2,809	31,663
CASH AND CASH EQUIVALENTS -- Beginning	49,467	91,380	44,850	44,780
CASH AND CASH EQUIVALENTS -- Ending	47,659	76,443	47,659	76,443
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest	8,672	8,973	11,186	12,000
Cash paid in taxes	0	130	0	130

Billie Richert

From: Billie Richert
Sent: Monday, August 20, 2012 11:33 AM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject: Follow-up to our conversation this morning

Kevin,
For the year ending December 31, 2011, Century accounted for 30.25% and Alcan accounted for 24.35% of our total electric energy revenues of $558,372,354.13. Total billings to Century totaled $168,906,623.12 and total billings to Alcan were $135,972,841.53. Base demand for Century per their agreement is 482 MW and for Alcan it is 368. Both agreements have a 98% load factor.

I believe this is the additional information you requested. I will be in touch as we learn/confirm more about the termination notice which was faxed to us today.

Regards,

Billie Richert, CPA, CITP
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Tuesday, August 21, 2012 2:57 PM
To: Billie Richert
Subject: draft Press Release for review
Attachments: Big Rivers Draft Press Release to Company for review Aug 2012.docx

Billie:

As we discussed, the attached is for your review prior to our releasing later today.

I am sending the attached press release for your review, to give you the opportunity to draw attention to any factual errors and/or inadvertent disclosure of confidential information. However, please note that under our policies, MIS retains ultimate editorial control over the form and content of all its publications. MIS will not accept other changes from an issuer that would alter the meaning or tone of our opinions or credit rating announcements. Please note that this draft press release is strictly confidential and you may not disclose it to any other person except: (i) to your legal counsel acting in their capacity as such; (ii) to your other authorized agents acting in their capacity as such; and (iii) as required by law or regulation.

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

DRAFT/CONFIDENTIAL COPY AS OF August 21, 2012

Moody's downgrades rating of County of Ohio, Kentucky (Big Rivers Electric Corporation Project) to Baa2 from Baa1; reviews rating for further downgrade

$83.3 million of securities affected

Moody's Investors Service downgraded the senior secured rating of $83.3 million of County of Ohio, Kentucky (the county) Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) to Baa2 from Baa1. Concurrently, the rating for the bonds, which were previously issued by the county on behalf of Big Rivers Electric Corporation (BREC), was placed under review for further downgrade.

The rating actions primarily reflect increased financial and operating risks for BREC due to the August 20, 2012 announcement by Century Aluminum Company (Caa1 senior unsecured; stable) that its subsidiary, Century Aluminum of Kentucky issued a 12-month notice to terminate its power contract with BREC for its Hawesville, Kentucky smelter. In its announcement, Century cited that its smelter is not economically viable with its current power rate and under current market conditions. "On a combined basis, one of BREC's three member-owners, Kenergy Corp., has been serving two aluminum smelters (Century and Rio Tinto Alcan, A3 senior unsecured; stable) comprising roughly two-thirds of BREC's annual energy sales and accounting for just under 60% of its system demand", said Kevin Rose, Vice President-Senior Analyst. "Energy sales to Century alone accounted for approximately 30% of BREC's 2011 electric energy revenues of approximately $562 million", Rose added.

Although Century is required to pay a fixed demand charge for power (482 MW at 98% capacity factor) during the 12-month notice period, it is not required to continue operating the smelter plant. Despite the fact that BREC will continue receiving fixed demand revenues over the next 12 months, the review for possible downgrade will consider the extent to which it can overcome revenue shortfalls to be created by the anticipated loss of a significant portion of its energy load. Among the possible mitigating steps BREC might take would be using cash reserves established to partially compensate for loss of smelter load; entering into bilateral sales arrangements; making short-term off system sales in the wholesale market; participating in the capacity markets; temporarily idling generation; selling generating assets; and seeking emergency rate increases through filings with the Kentucky Public Service Commission (KPSC). With respect to the latter possibility, Moody's notes that BREC is among the few electric generation and transmission cooperatives subject to rate regulation, which can sometimes pose challenges in implementing timely rate increases.

Century's announcement comes at a time when BREC is also challenged by sizable costs to comply with eventual environmental regulations. BREC is in midst of regulatory proceedings at the KPSC relating to an environmental compliance plan. The extent to which timely and adequate regulatory support for recovery of environmental compliance costs appears evident will also be an integral part of the rating review process. The KPSC decision in this filing is expected in the fourth quarter of 2012.

Meanwhile BREC's ratings continue to reflect its considerable generation resource base, including generating capacity ownership of about 1,444 megawatts (MW) in four substantially coal-fired plants. The cooperative's 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 revenues derived under BREC's long-term wholesale contracts with its members for non-smelter load will continue to serve the cooperative well as the contracts were extended by an additional 20 years to December 31, 2043 when the unwind of certain transactions were completed in 2009. BREC supplements its internally generated cash flow with $100 million of external bank lines evenly split with CoBank and National Rural Utilities Cooperative Finance Corporation. These facilities expire in July 2017 and July 2014, respectively.

Big Rivers Electric Corporation is an electric generation and transmission cooperative 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 approximately 113,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Tuesday, August 21, 2012 4:15 PM
To: Billie Richert
Subject: FW: draft Press Release for review
Attachments: Big Rivers Draft Press Release to Company for review Aug 2012.docx

Billie:

Thank you for your call to discuss the draft report and I made the one factual change you suggested to reflect approximately 112,000 customers instead of the 113,000. I will proceed from here to publish the Press release and send you a pdf version once it is posted to moodys.com

Regards,

Kevin

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

From: Rose, Kevin
Sent: Tuesday, August 21, 2012 3:57 PM
To: Billie Richert (billie.richert@bigrivers.com)
Subject: draft Press Release for review

Billie:

As we discussed, the attached is for your review prior to our releasing later today.

I am sending the attached press release for your review, to give you the opportunity to draw attention to any factual errors and/or inadvertent disclosure of confidential information. However, please note that under our policies, MIS retains ultimate editorial control over the form and content of all its publications. MIS will not accept other changes from an issuer that would alter the meaning or tone of our opinions or credit rating announcements. Please note that this draft press release is strictly confidential and you may not disclose it to any other person except: (i) to your legal counsel acting in their capacity as such; (ii) to your other authorized agents acting in their capacity as such; and (iii) as required by law or regulation.

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

DRAFT/CONFIDENTIAL COPY AS OF August 21, 2012

Moody's downgrades rating of County of Ohio, Kentucky (Big Rivers Electric Corporation Project) to Baa2 from Baa1; reviews rating for further downgrade

$83.3 million of securities affected

Moody's Investors Service downgraded the senior secured rating of $83.3 million of County of Ohio, Kentucky (the county) Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) to Baa2 from Baa1. Concurrently, the rating for the bonds, which were previously issued by the county on behalf of Big Rivers Electric Corporation (BREC), was placed under review for further downgrade.

The rating actions primarily reflect increased financial and operating risks for BREC due to the August 20, 2012 announcement by Century Aluminum Company (Caa1 senior unsecured; stable) that its subsidiary, Century Aluminum of Kentucky issued a 12-month notice to terminate its power contract with BREC for its Hawesville, Kentucky smelter. In its announcement, Century cited that its smelter is not economically viable with its current power rate and under current market conditions. "On a combined basis, one of BREC's three member-owners, Kenergy Corp., has been serving two aluminum smelters (Century and Rio Tinto Alcan, A3 senior unsecured; stable) comprising roughly two-thirds of BREC's annual energy sales and accounting for just under 60% of its system demand", said Kevin Rose, Vice President-Senior Analyst. "Energy sales to Century alone accounted for approximately 30% of BREC's 2011 electric energy revenues of approximately $562 million", Rose added.

Although Century is required to pay a fixed demand charge for power (482 MW at 98% capacity factor) during the 12-month notice period, it is not required to continue operating the smelter plant. Despite the fact that BREC will continue receiving fixed demand revenues over the next 12 months, the review for possible downgrade will consider the extent to which it can overcome revenue shortfalls to be created by the anticipated loss of a significant portion of its energy load. Among the possible mitigating steps BREC might take would be using cash reserves established to partially compensate for loss of smelter load; entering into bilateral sales arrangements; making short-term off system sales in the wholesale market; participating in the capacity markets; temporarily idling generation; selling generating assets; and seeking emergency rate increases through filings with the Kentucky Public Service Commission (KPSC). With respect to the latter possibility, Moody's notes that BREC is among the few electric generation and transmission cooperatives subject to rate regulation, which can sometimes pose challenges in implementing timely rate increases.

Century's announcement comes at a time when BREC is also challenged by sizable costs to comply with eventual environmental regulations. BREC is in midst of regulatory proceedings at the KPSC relating to an environmental compliance plan. The extent to which timely and adequate regulatory support for recovery of environmental compliance costs appears evident will also be an integral part of the rating review process. The KPSC decision in this filing is expected in the fourth quarter of 2012.

Meanwhile BREC's ratings continue to reflect its considerable generation resource base, including generating capacity ownership of about 1,444 megawatts (MW) in four substantially coal-fired plants. The cooperative's 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 revenues derived under BREC's long-term wholesale contracts with its members for non-smelter load will continue to serve the cooperative well as the contracts were extended by an additional 20 years to December 31, 2043 when the unwind of certain transactions were completed in 2009. BREC supplements its internally generated cash flow with $100 million of external bank lines evenly split with CoBank and National Rural Utilities Cooperative Finance Corporation. These facilities expire in July 2017 and July 2014, respectively.

Big Rivers Electric Corporation is an electric generation and transmission cooperative 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 approximately 113,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

DRAFT/CONFIDENTIAL COPY AS OF August 21, 2012

Moody's downgrades rating of County of Ohio, Kentucky (Big Rivers Electric Corporation Project) to Baa2 from Baa1; reviews rating for further downgrade

$83.3 million of securities affected

Moody's Investors Service downgraded the senior secured rating of $83.3 million of County of Ohio, Kentucky (the county) Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) to Baa2 from Baa1. Concurrently, the rating for the bonds, which were previously issued by the county on behalf of Big Rivers Electric Corporation (BREC), was placed under review for further downgrade.

The rating actions primarily reflect increased financial and operating risks for BREC due to the August 20, 2012 announcement by Century Aluminum Company (Caa1 senior unsecured; stable) that its subsidiary, Century Aluminum of Kentucky issued a 12-month notice to terminate its power contract with BREC for its Hawesville, Kentucky smelter. In its announcement, Century cited that its smelter is not economically viable with its current power rate and under current market conditions. "On a combined basis, one of BREC's three member-owners, Kenergy Corp., has been serving two aluminum smelters (Century and Rio Tinto Alcan, A3 senior unsecured; stable) comprising roughly two-thirds of BREC's annual energy sales and accounting for just under 60% of its system demand", said Kevin Rose, Vice President-Senior Analyst. "Energy sales to Century alone accounted for approximately 30% of BREC's 2011 electric energy revenues of approximately $562 million", Rose added.

Although Century is required to pay a fixed demand charge for power (482 MW at 98% capacity factor) during the 12-month notice period, it is not required to continue operating the smelter plant. Despite the fact that BREC will continue receiving fixed demand revenues over the next 12 months, the review for possible downgrade will consider the extent to which it can overcome revenue shortfalls to be created by the anticipated loss of a significant portion of its energy load. Among the possible mitigating steps BREC might take would be using cash reserves established to partially compensate for loss of smelter load; entering into bilateral sales arrangements; making short-term off system sales in the wholesale market; participating in the capacity markets; temporarily idling generation; selling generating assets; and seeking emergency rate increases through filings with the Kentucky Public Service Commission (KPSC). With respect to the latter possibility, Moody's notes that BREC is among the few electric generation and transmission cooperatives subject to rate regulation, which can sometimes pose challenges in implementing timely rate increases.

Century's announcement comes at a time when BREC is also challenged by sizable costs to comply with eventual environmental regulations. BREC is in midst of regulatory proceedings at the KPSC relating to an environmental compliance plan. The extent to which timely and adequate regulatory support for recovery of environmental compliance costs appears evident will also be an integral part of the rating review process. The KPSC decision in this filing is expected in the fourth quarter of 2012.

Meanwhile BREC's ratings continue to reflect its considerable generation resource base, including generating capacity ownership of about 1,444 megawatts (MW) in four substantially coal-fired plants. The cooperative's 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 revenues derived under BREC's long-term wholesale contracts with its members for non-smelter load will continue to serve the cooperative well as the contracts were extended by an additional 20 years to December 31, 2043 when the unwind of certain transactions were completed in 2009. BREC supplements its internally generated cash flow with $100 million of external bank lines evenly split with CoBank and National Rural Utilities Cooperative Finance Corporation. These facilities expire in July 2017 and July 2014, respectively.

Big Rivers Electric Corporation is an electric generation and transmission cooperative 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 approximately 113,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Tuesday, August 21, 2012 5:55 PM
To: Billie Richert
Subject: Press release Published
Attachments: Big Rivers Press Release Aug 21 2012.pdf

Billie:

The attached pdf version for your files was posted to moodys.com earlier today.

Regards,

Kevin

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's downgrades rating of County of Ohio, Kentucky (Big Rivers Electric Corporation Project) to Baa2 from Baa1; reviews rating for further downgrade

Global Credit Research - 21 Aug 2012

$83.3 million of securities affected

New York, August 21, 2012 -- Moody's Investors Service downgraded the senior secured rating of $83.3 million of County of Ohio, Kentucky (the county) Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) to Baa2 from Baa1. Concurrently, the rating for the bonds, which were previously issued by the county on behalf of Big Rivers Electric Corporation (BREC), was placed under review for further downgrade.

RATINGS RATIONALE

The rating actions primarily reflect increased financial and operating risks for BREC due to the August 20, 2012 announcement by Century Aluminum Company (Caa1 senior unsecured; stable) that its subsidiary, Century Aluminum of Kentucky issued a 12-month notice to terminate its power contract with BREC for its Hawesville, Kentucky smelter. In its announcement, Century cited that its smelter is not economically viable with its current power rate and under current market conditions. "On a combined basis, one of BREC's three member-owners, Kenergy Corp., has been serving two aluminum smelters (Century and Rio Tinto, A3 senior unsecured; stable) comprising roughly two-thirds of BREC's annual energy sales and accounting for just under 60% of its system demand", said Kevin Rose, Vice President-Senior Analyst. "Energy sales to Century alone accounted for approximately 30% of BREC's 2011 electric energy revenues of approximately $562 million", Rose added.

Although Century is required to pay a fixed demand charge for power (482 MW at 98% capacity factor) during the 12-month notice period, it is not required to continue operating the smelter plant. Despite the fact that BREC will continue receiving fixed demand revenues over the next 12 months, the review for possible downgrade will consider the extent to which it can overcome revenue shortfalls to be created by the anticipated loss of a significant portion of its energy load. Among the possible mitigating steps BREC might take would be using cash reserves established to partially compensate for loss of smelter load; entering into bilateral sales arrangements; making short-term off system sales in the wholesale market; participating in the capacity markets; temporarily idling generation; selling generating assets; and seeking emergency rate increases through filings with the Kentucky Public Service Commission (KPSC). With respect to the latter possibility, Moody's notes that BREC is among the few electric generation and transmission cooperatives subject to rate regulation, which can sometimes pose challenges in implementing timely rate increases.

Century's announcement comes at a time when BREC is also challenged by sizable costs to comply with eventual environmental regulations. BREC is in midst of regulatory proceedings at the KPSC relating to an environmental compliance plan. The extent to which timely and adequate regulatory support for recovery of environmental compliance costs appears evident will also be an integral part of the rating review process. The KPSC decision in this filing is expected in the fourth quarter of 2012.

Meanwhile BREC's ratings continue to reflect its considerable generation resource base, including generating capacity ownership of about 1,444 megawatts (MW) in four substantially coal-fired plants. The cooperative's 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 revenues derived under BREC's long-term wholesale contracts with its members for non-smelter load will continue to serve the cooperative well as the contracts were extended by an additional 20 years to December 31, 2043 when the unwind of certain transactions were completed in 2009. BREC supplements its internally generated cash flow with $100 million of external bank lines evenly split with CoBank and National Rural Utilities Cooperative Finance Corporation. These facilities expire in July 2017 and July 2014, respectively.

Big Rivers Electric Corporation is an electric generation and transmission cooperative 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 approximately 112,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

The principal methodology used in this rating was U.S. Electric Generation & Transmission Cooperatives published in December 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

The Global Scale Credit Ratings on this press release that are issued by one of Moody's affiliates outside the EU are endorsed by Moody's Investors Service Ltd., One Canada Square, Canary Wharf, London E 14 5FA, UK, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that has issued a particular Credit Rating is available on www.moodys.com.

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

Information sources used to prepare the rating are the following : parties involved in the ratings, parties not involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

Moody's considers the quality of information available on the rated entity, obligation or credit satisfactory for the purposes of issuing a rating.

Moody's adopts all necessary measures so that the information it uses in assigning a rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Please see the ratings disclosure page on www.moodys.com for general disclosure on potential conflicts of interests.

Please see the ratings disclosure page on www.moodys.com for information on (A) MCO's major shareholders (above 5%) and for (B) further information regarding certain affiliations that may exist between directors of MCO and rated entities as well as (C) the names of entities that hold ratings from MIS that have also publicly reported to the SEC an ownership interest in MCO of more than 5%. A member of the board of directors of this rated entity may also be a member of the board of directors of a shareholder of Moody's Corporation; however, Moody's has not independently verified this matter.

Please see Moody's Rating Symbols and Definitions on the Rating Process page on www.moodys.com for further information on the meaning of each rating category and the definition of default and recovery.

Please see ratings tab on the issuer/entity page on www.moodys.com for the last rating action and the rating history.

The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moodys.com for further information.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Kevin G. Rose
Vice President - Senior Analyst
Infrastructure Group
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

A.J. Sabatelle
Senior Vice President
Infrastructure Group
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

MOODY'S
INVESTORS SERVICE

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings

Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.

Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Wednesday, August 22, 2012 7:41 AM
To: Billie Richert
Subject: Draft Credit Opinion for review
Attachments: Big Rivers Draft Credit Opinion Aug_22_2012 to company for review.docx

Importance: High

Hi Billie:

As we discussed, attached is a draft update of a credit opinion we will publish later today following yesterday's rating action on Big Rivers. I look forward to hearing back from you after your review.

I am sending the attached draft research for your review, to give you the opportunity to draw attention to any factual errors and/or inadvertent disclosure of confidential information. However, please note that under our policies, MIS retains ultimate editorial control over the form and content of all its publications. MIS will not accept other changes from an issuer that would alter the meaning or tone of our opinions or credit rating announcements. Please note that this draft research is strictly confidential and you may not disclose it to any other person except: (i) to your legal counsel acting in their capacity as such; (ii) to your other authorized agents acting in their capacity as such; and (iii) as required by law or regulation.

Regards,

Kevin

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

DRAFT CREDIT OPINION AS OF AUGUST 22, 2012

Rating Drivers

» High industrial concentration to two aluminum smelters and dependence on off-system sales

» Rates subject to regulation by the Kentucky Public Service Commission (KPSC)

» Revenues from electricity sold under long-term wholesale power contracts with member owners

» Stronger balance sheet resulting from deleveraging following the unwinding of 1998 vintage transactions, which was completed in 2009

» Ownership of generally competitive coal-fired generation plants; pursuing environmental compliance plan, pending regulatory decision

Corporate Profile

Big Rivers Electric Corporation (Big Rivers) 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 about 113,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

Recent Events

Effective August 21, 2012 we downgraded the senior secured rating of $83.3 million of County of Ohio, Kentucky (the county) Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) to Baa2 from Baa1. Concurrently, the rating for the bonds, which were previously issued by the county on behalf of Big Rivers Electric Corporation, was placed under review for further downgrade. The rating actions primarily reflect increased financial and operating risks for Big Rivers due to the August 20, 2012 announcement by Century Aluminum Company (Caa1 senior unsecured; stable) that its subsidiary, Century Aluminum of Kentucky issued a 12-month notice to terminate its power contract with Big Rivers for its Hawesville, Kentucky smelter. See press release of August 21, 2012 posted to moodys.com for further details relating to this action.

Summary Rating Rationale

The Baa2 senior secured rating considers credit risk related to the fact that Big Rivers' largest member owner, Kenergy Corp., makes a high concentration of its sales to two aluminum smelters (Century Aluminum Company: senior unsecured Caa1; stable) and Rio Tinto Alcan: senior unsecured A3; stable), 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. As noted above, Century exercised this option effective August 20, 2012. Big Rivers' rating is further constrained because its rates are regulated by the KPSC, which is atypical for the G&T coop sector. The Baa2 rating also reflects 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 reasonably competitive power sold to non-smelter customers under long-term wholesale contracts with the three member owners continue to support Big Rivers' financial performance. A $26.7 million (6.17%) base rate increase approved by the KPSC in September 2011 was also generally supportive in nature. The outcome of a pending filing before the KPSC related to future environmental related capital expenditures will be integral to Big Rivers' future financial performance as new debt financing will play a role in the financing strategy, particularly as it also copes with Century's recent contract termination notice.

Detailed Rating Considerations

High Smelter Load Concentration; Credit Challenge Tied to Potential Loss Of Smelter Load

Under historical operating conditions, the two smelters served by Kenergy have been consuming nearly 7 million MWh of energy annually, representing a substantial load concentration risk (e.g. about two-thirds of member energy

load and close to 60% of member revenues for Big Rivers in 2011). This risk is a significant constraint to Big Rivers' rating, making its financial and operating risk profile unique compared to peers. One of Big Rivers' two transmission capacity upgrade projects is now complete and the second is expected to be completed later this year. Also, Big Rivers became a transmission owning member of the Midwest Independent Transmission System Operator (MISO) in December 2010. As a result, Big Rivers has enhanced its reliability and transmission capability helping to ensure compliance with mandated emergency reserve requirements established by regulators. Also, these steps along with legislation that permits sales to non-members provide additional flexibility for Big Rivers to move excess power off system following Century's announcement.

Although Century is required to pay a fixed demand charge for power (482 MW at 98% capacity factor) during the 12-month notice period, it is not required to continue operating the smelter plant. Despite the fact that Big Rivers will continue receiving fixed demand revenues over the next 12 months, Big Rivers' rating is under review for downgrade as we consider the extent to which it can overcome revenue shortfalls to be created by the anticipated loss of a significant portion of its energy load. Among the possible mitigating steps Big Rivers might take would be using cash reserves established to partially compensate for loss of smelter load; entering into bilateral sales arrangements; making short-term off system sales in the wholesale market; participating in the capacity markets; temporarily idling generation; selling generating assets; and seeking emergency rate increases through filings with the KPSC. With respect to the latter possibility, we note that Big Rivers being rate regulated has in the past posed challenges in implementing timely rate increases.

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 has been selling to Kenergy 850 MW in aggregate for resale to the two aluminum smelters. This arrangement represents 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 $389.8 million as of December 31, 2011 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.

Under a contract times interest earned ratio (TIER) arrangement with the two smelters, Big Rivers targets a minimum TIER of 1.24x, which is above the level required under its financial covenants. Under current market conditions, we expect that Big Rivers would file for rate relief as necessary, as we would anticipate that the TIER drops below the 1.24x target should the contract with Century be terminated.

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 4.7 cents per kWh (including the beneficial effects of the member rate stability mechanism). This compares to the average wholesale rate of 4.4 cents per kWh to serve the two smelter loads in 2011.

Because Big Rivers is substantially dependent on coal-fired generation, it faces uncertainty with regard to future environmental regulations, including the final 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. Big Rivers received KPSC approval for a $26.7 million (6.17%) base rate increase effective November 17, 2011. We consider this a reasonably good outcome versus the approximate $30 million rate increase that was requested. The rate increase is intended to bolster wholesale margins, address increased depreciation costs, administrative costs tied to joining the Midwest Independent Transmission System Operator (MISO), and maintenance costs incurred during generation plant outages.

Big Rivers is in midst of regulatory proceedings at the KPSC relating to an environmental compliance plan. The extent to which timely and adequate regulatory support for recovery of environmental compliance costs appears evident will also be an integral part of the rating review process. The KPSC decision in this filing is expected in the fourth quarter of 2012.

Wholesale Power Contracts Support Big Rivers' Credit Profile

The revenues derived under Big Rivers' long-term wholesale contracts with its members for sales to non-smelter customers 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 relatively low cost power provided under the contracts makes member disenchantment unlikely, even following recent base rate increases approved by the KPSC in 2011 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 2011 reflected a modest decline versus 2010 as results in 2011 reflect the net effects of higher expenses in 2011 due to full year membership in MISO and the absence of one-time items that benefitted 2010 results, largely offset by an increase in 2011 net sales margin.

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. Even with 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 will decline moderately as new debt is added over the next couple of years to fund a capital program currently estimated at $550 million for 2012-2015. 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.

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 expire on July 16, 2014 and July 27, 2017, respectively. 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 following the completion of the unwind transaction in 2009 as credit positive. As of June 30, 2012 Big Rivers had approximately $48 million of cash and temporary investments and it currently has full capacity available under the two credit facilities. 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 adequately meet its short-term working capital needs and modest current maturities of long-term debt. However, new debt financing is anticipated over the next few years to fund expected negative free cash flow resulting from the planned capital program. Big Rivers recently received KPSC approval to pursue about $537 million of financing transactions in aggregate with CoBank and NRUCFC to prepay as planned a significant portion of its 5.75% RUS Series A note, fund a portion of its capital expenditures and to replenish its $35 million Transition Reserve balance. Approximately $235 million of this financing activity has been completed through a 20-year senior secured term loan with CoBank and the remainder with NRUCFC is expected to close in the near term.

The quality of the alternate liquidity provided by the bank revolvers benefits from the multi-year tenors 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. 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. 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 rating is under review for downgrade as we assess the financial and operating effects and what mitigating strategies Big Rivers will pursue following Century's decision to submit its 12-month notice that it will terminate its power supply agreement with Big Rivers for its Hawesville, KY smelter plant.

What Could Change the Rating – Up

A rating upgrade is unlikely given the review for downgrade for reasons cited above. Success in mitigating the effects of load loss due to Century's announcement, regulatory support for environmental cost recovery and other future rate increases that may be necessary due to load loss could help stabilize the outlook. Moreover, structural changes that 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 due to Century's announcement that is not otherwise compensated for through off system power sales or other measures could contribute to a negative action, as would the inability to secure needed rate increases from the non-smelter member load. From a regulatory perspective, the lack of a coherent recovery mechanism for environmental capital requirements, should they be incurred, could place downward pressure on the rating. 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 is based on historical data through December 31, 2011. 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. The Indicated Rating under the Methodology largely reflects 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 in 2009. Notwithstanding the current A2 Indicated Rating for Big Rivers under the Methodology, its actual senior secured rating of Baa2 reflects 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 persist and represent significant constraints to its rating level.

Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Wednesday, August 22, 2012 3:50 PM
To: Billie Richert
Subject: RE: Draft Credit Opinion for review
Attachments: Big Rivers Draft Credit Opinion Aug_22_2012 to company for review with factual changes.docx

Importance: High

Billie:

Thanks for the opportunity to discuss your comments. I have attached an updated version, which I believe captures the points of fact. Please see those in the Track Changes mode and let me know if this is OK from your perspective.

I am sending the attached draft research for your review, to give you the opportunity to draw attention to any factual errors and/or inadvertent disclosure of confidential information. However, please note that under our policies, MIS retains ultimate editorial control over the form and content of all its publications. MIS will not accept other changes from an issuer that would alter the meaning or tone of our opinions or credit rating announcements. Please note that this draft research is strictly confidential and you may not disclose it to any other person except: (i) to your legal counsel acting in their capacity as such; (ii) to your other authorized agents acting in their capacity as such; and (iii) as required by law or regulation.

I look forward to a prompt reply so we can proceed to publish today. THANKS!

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Wednesday, August 22, 2012 3:34 PM
To: Rose, Kevin
Subject: RE: Draft Credit Opinion for review

Kevin,
Please see the following comments and corrections to the Draft Credit Opinion you provided this morning.

1) Pertaining to Century's termination notice and Century's 482 MWh * 98% load factor: The rate billed to Century for the Base Energy Charge (Based Fixed Energy) covers BOTH Big Rivers' fixed and variable costs as defined by our large industrial tariff. Every MWh above this is billed at our variable rate and covers our variable costs. So there is **both** a fixed and variable rate included in our MWh billing to Century for this Base Energy Charge. Any MWh above the 482 are billed at our variable tariff rate thus covering our increased variable costs.
2) If the load were to go to 0 MWh, the base energy charge would be reduced by the amount included for the variable portion of fuel, reagent and purchase power. This leaves revenues (and cash flow) to cover our fixed costs and margins. Even if load goes below 482 MWh *.98% load factor, Big Rivers will always recover our fixed portion via our tariff rate.
3) Big Rivers transmission projects (total of 7) are in two phases: 100% of Phase 1 was completed in 2008; Phase 2 comprised 7 projects, 6 of which are completed. The 7th project involves work to be completed by TVA with an estimated completion date of 2014/2015. However, today Big Rivers can meet all of the transmission requirements to export any of our excess generation created by smelter closures. In other words, this excess generation is not captive within our system and we can get it off our system without any additional investment.
4) On Tuesday, August 21, the U.S. Court of Appeals for the D.C. Circuit ruled the U.S. Environmental Protection Agency (EPA) violated the Clean Air Act in its Cross-State Air Pollution Rule (CSAPR), vacating the ruling. This reduces Big Rivers cost to comply in its Environmental Compliance Plan (ECP) from approximately $283 million to approximately $58 million. The hearing for approval of our ECP is before the Kentucky Public Service Commission (PSC) this week. We anticipate approval for the remaining Mercury and Air Toxics Standards (MATS) projects before the commission which comprise the $58 million capital expenditures.
5) Our recent refinancing with **BOTH** CoBank and CFC was finalized on July 27, 2012. The total refinancing was for $537 million, $417 million of which was used to reduce our RUS Series A Note. We now have a 20 year First Mortgage Notes Series 2012A with CoBank for $235 million and a 20 year term loan with CFC for $302 million. In addition, we replaced our $50 million revolving credit facility with CoBank with a new five-year revolving credit facility for up to $50 million. The CoBank line facility would cease to be available if and when the Century contract terminates. We intend to seek CoBank's approval to continue the facility once we put in place our rate relief or other mitigation plans which we expect to be prior to the termination of the Century contract. No changes were made to the existing credit facility of $50 million with CFC. In addition from our refinancing we have obtained an additional $60 million for capital expenditures.
6) The transition reserve of $35m helps with any cash flow requirements.
7) We will obtain rate relief in our next general rate case. Rate relief is our focus. We intend to file for rate relief in time to have in place by Century's contract termination. Relief requested will be sufficient to make us whole from revenues that will be lost from Century. Also, there is a rehearing, tentatively scheduled during September 2012, for our 2011 rate case (Case 2011-00036) which can provide an additional approximately $2.7 million of revenue, $2 million of which represents additional annual revenue.
8) There is no evidence of imminent closing by Century as we are not aware of the company issuing a notice under the WARN act or are we aware of any notice of termination to Century's customer, Southwire. Additionally, there has been no sudden reduction in load.

Thank you, Kevin. Please note the corrections to the refinancing comments in the Draft Credit Opinion.

Regards,
Billie

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Wednesday, August 22, 2012 7:41 AM

To: Billie Richert
Subject: Draft Credit Opinion for review
Importance: High

Hi Billie:

As we discussed, attached is a draft update of a credit opinion we will publish later today following yesterday's rating action on Big Rivers. I look forward to hearing back from you after your review.

I am sending the attached draft research for your review, to give you the opportunity to draw attention to any factual errors and/or inadvertent disclosure of confidential information. However, please note that under our policies, MIS retains ultimate editorial control over the form and content of all its publications. MIS will not accept other changes from an issuer that would alter the meaning or tone of our opinions or credit rating announcements. Please note that this draft research is strictly confidential and you may not disclose it to any other person except: (i) to your legal counsel acting in their capacity as such; (ii) to your other authorized agents acting in their capacity as such; and (iii) as required by law or regulation.

Regards,

Kevin

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

The information contained in this e-mail message, and any attachment thereto, is confidential and may not be disclosed without our express permission. If you are not the intended recipient or an employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that you have received this message in error and that any review, dissemination, distribution or copying of this message, or any

attachment thereto, in whole or in part, is strictly prohibited. If you have received this message in error, please immediately notify us by telephone, fax or e-mail and delete the message and all of its attachments. Thank you. Every effort is made to keep our network free from viruses. You should, however, review this e-mail message, as well as any attachment thereto, for viruses. We take no responsibility and have no liability for any computer virus which may be transferred via this e-mail message.

DRAFT CREDIT OPINION AS OF AUGUST 22, 2012

Rating Drivers

» High industrial concentration to two aluminum smelters and dependence on off-system sales

» Rates subject to regulation by the Kentucky Public Service Commission (KPSC)

» Revenues from electricity sold under long-term wholesale power contracts with member owners

» Stronger balance sheet resulting from deleveraging following the unwinding of 1998 vintage transactions, which was completed in 2009

» Ownership of generally competitive coal-fired generation plants; pursuing environmental compliance plan, pending regulatory decision

Corporate Profile

Big Rivers Electric Corporation (Big Rivers) 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 about 113,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

Recent Events

Effective August 21, 2012 we downgraded the senior secured rating of $83.3 million of County of Ohio, Kentucky (the county) Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) to Baa2 from Baa1. Concurrently, the rating for the bonds, which were previously issued by the county on behalf of Big Rivers Electric Corporation, was placed under review for further downgrade. The rating actions primarily reflect increased financial and operating risks for Big Rivers due to the August 20, 2012 announcement by Century Aluminum Company (Caa1 senior unsecured; stable) that its subsidiary, Century Aluminum of Kentucky issued a 12-month notice to terminate its power contract with Big Rivers for its Hawesville, Kentucky smelter. See press release of August 21, 2012 posted to moodys.com for further details relating to this action.

Summary Rating Rationale

The Baa2 senior secured rating considers credit risk related to the fact that Big Rivers' largest member owner, Kenergy Corp., makes a high concentration of its sales to two aluminum smelters (Century Aluminum Company: senior unsecured Caa1; stable) and Rio Tinto~~-Alcan~~: senior unsecured A3; stable), 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. As noted above, Century exercised this option effective August 20, 2012. Big Rivers' rating is further constrained because its rates are regulated by the KPSC, which is atypical for the G&T coop sector. The Baa2 rating also reflects 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 reasonably competitive power sold to non-smelter customers under long-term wholesale contracts with the three member owners continue to support Big Rivers' financial performance. A $26.7 million (6.17%) base rate increase approved by the KPSC in September 2011 was also generally supportive in nature. The outcome of a pending filing before the KPSC related to future environmental related capital expenditures will be integral to Big Rivers' future financial performance as new debt financing will play a role in the financing strategy, particularly as it also copes with Century's recent contract termination notice.

Detailed Rating Considerations

High Smelter Load Concentration; Credit Challenge Tied to Potential Loss Of Smelter Load

Under historical operating conditions, the two smelters served by Kenergy have been consuming nearly 7 million MWh of energy annually, representing a substantial load concentration risk (e.g. about two-thirds of member energy

load and close to 60% of member revenues for Big Rivers in 2011). This risk is a significant constraint to Big Rivers' rating, making its financial and operating risk profile unique compared to peers. All but one of ~~One of~~ Big Rivers' ~~two~~multiple transmission capacity upgrade projects undertaken in recent years ~~is now~~ are now complete, with the last remaining project estimated for completion in 2014 or 2015. ~~and the second is expected to be completed later this year~~. Also, Big Rivers became a transmission owning member of the Midwest Independent Transmission System Operator (MISO) in December 2010. As a result, Big Rivers has enhanced its reliability and transmission capability helping to ensure compliance with mandated emergency reserve requirements established by regulators. Also, these steps along with legislation that permits sales to non-members provide additional flexibility for Big Rivers to move excess power off system following Century's announcement.

Although Century is required to pay a ~~fixed demand~~ base energy charge (as defined in its agreement with Big Rivers) for power (482 MW at 98% capacity factor) during the 12-month notice period, it is not required to continue operating the smelter plant. Despite the fact that Big Rivers will continue receiving fixed energy charge ~~demand~~ revenues over the next 12 months, Big Rivers' rating is under review for downgrade as we consider the extent to which it can overcome revenue shortfalls to be created by the anticipated loss of a significant portion of its energy load. Among the possible mitigating steps Big Rivers might take would be using cash reserves established to partially compensate for loss of smelter load; entering into bilateral sales arrangements; making short-term off system sales in the wholesale market; participating in the capacity markets; temporarily idling generation; selling generating assets; and seeking emergency rate increases through filings with the KPSC. With respect to the latter possibility, we note that Big Rivers being rate regulated has in the past posed challenges in implementing timely rate increases.

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 has been selling to Kenergy 850 MW in aggregate for resale to the two aluminum smelters. This arrangement represents 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 $389.8 million as of December 31, 2011 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.

Under a contract times interest earned ratio (TIER) arrangement with the two smelters, Big Rivers targets a minimum TIER of 1.24x, which is above the level required under its financial covenants. Under current market conditions, we expect that Big Rivers would file for rate relief as necessary, as we would anticipate that the TIER drops below the 1.24x target should the contract with Century be terminated.

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 4.7 cents per kWh (including the beneficial effects of the member rate stability mechanism). This compares to the average wholesale rate of 4.4 cents per kWh to serve the two smelter loads in 2011.

Because Big Rivers is substantially dependent on coal-fired generation, it faces uncertainty with regard to future environmental regulations, including the final 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. Big Rivers received KPSC approval for a $26.7 million (6.17%) base rate increase effective November 17, 2011. We consider this a reasonably good outcome versus the approximate $30 million rate increase that was requested. The rate increase is intended to bolster wholesale margins, address increased depreciation costs, administrative costs tied to joining the Midwest Independent Transmission System Operator (MISO), and maintenance costs incurred during generation plant outages.

Big Rivers is in midst of regulatory proceedings at the KPSC relating to an environmental compliance plan. The extent to which timely and adequate regulatory support for recovery of environmental compliance costs appears evident will also be an integral part of the rating review process. The KPSC decision in this filing is expected in the fourth quarter of 2012.

Wholesale Power Contracts Support Big Rivers' Credit Profile

The revenues derived under Big Rivers' long-term wholesale contracts with its members for sales to non-smelter customers 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 relatively low cost power provided under the contracts makes member disenchantment unlikely, even following recent base rate increases approved by the KPSC in 2011 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 2011 reflected a modest decline versus 2010 as results in 2011 reflect the net effects of higher expenses in 2011 due to full year membership in MISO and the absence of one-time items that benefitted 2010 results, largely offset by an increase in 2011 net sales margin.

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. Even with 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 will decline moderately as new debt is added over the next couple of years to fund a capital program ~~currently~~originally estimated at $550 million for 2012-2015, but which is likely to be reduced in the near term given recent developments related to environmental regulations. 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.

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 expire on July 16, 2014 and July 27, 2017, respectively. 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 following the completion of the unwind transaction in 2009 as credit positive. As of June 30, 2012 Big Rivers had approximately $48 million of cash and temporary investments and it currently has full capacity available under the two credit facilities. 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 adequately meet its short-term working capital needs and modest current maturities of long-term debt. However, new debt financing is anticipated over the next few years to fund ~~expected~~any negative free cash flow resulting from the planned capital program. ~~Big Rivers recently received~~ Following KPSC financing approval, Big Rivers completed ~~to pursue~~ about $537 million of financing transactions in aggregate with CoBank and NRUCFC on July 27, 2012 to prepay as planned a significant portion of its 5.75% RUS Series A note, fund a portion of its capital expenditures and to replenish its $35 million Transition Reserve balance. Approximately $235 million of this financing activity ~~has been~~ was completed through a 20-year senior secured term loan with CoBank and $302 million was completed through a 20-year senior secured term loan with ~~the remainder with~~ NRUCFC~~ is expected to close in the near term~~.

The quality of the alternate liquidity provided by the bank revolvers benefits from the multi-year tenors 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. 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. 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 rating is under review for downgrade as we assess the financial and operating effects and what mitigating strategies Big Rivers will pursue following Century's decision to submit its 12-month notice that it will terminate its power supply agreement with Big Rivers for its Hawesville, KY smelter plant.

What Could Change the Rating – Up

A rating upgrade is unlikely given the review for downgrade for reasons cited above. Success in mitigating the effects of load loss due to Century's announcement, regulatory support for environmental cost recovery and other future rate increases that may be necessary due to load loss could help stabilize the outlook. Moreover, structural changes that 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 due to Century's announcement that is not otherwise compensated for through off system power sales or other measures could contribute to a negative action, as would the inability to secure needed rate increases from the non-smelter member load. From a regulatory perspective, the lack of a coherent recovery mechanism for environmental capital requirements, should they be incurred, could place downward pressure on the rating. 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 is based on historical data through December 31, 2011. 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. The Indicated Rating under the Methodology largely reflects 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 in 2009. Notwithstanding the current A2 Indicated Rating for Big Rivers under the Methodology, its actual senior secured rating of Baa2 reflects 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 persist and represent significant constraints to its rating level.

Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Wednesday, August 22, 2012 4:17 PM
To: Billie Richert
Subject: Big Rivers Draft Credit Opinion Aug_22_2012 to company for review with factual changes (2)
Attachments: Big Rivers Draft Credit Opinion Aug_22_2012 to company for review with factual changes (2).docx

Billie: Thanks for the follow up conversation. The attached captures the further factual clarifications and I will proceed from here to publish. I will share a final version with you once it is published.

Regards,

Kevin

DRAFT CREDIT OPINION AS OF AUGUST 22, 2012

Rating Drivers

» High industrial concentration to two aluminum smelters and dependence on off-system sales

» Rates subject to regulation by the Kentucky Public Service Commission (KPSC)

» Revenues from electricity sold under long-term wholesale power contracts with member owners

» Stronger balance sheet resulting from deleveraging following the unwinding of 1998 vintage transactions, which was completed in 2009

» Ownership of generally competitive coal-fired generation plants; pursuing environmental compliance plan, pending regulatory decision

Corporate Profile

Big Rivers Electric Corporation (Big Rivers) 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 about 113,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

Recent Events

Effective August 21, 2012 we downgraded the senior secured rating of $83.3 million of County of Ohio, Kentucky (the county) Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) to Baa2 from Baa1. Concurrently, the rating for the bonds, which were previously issued by the county on behalf of Big Rivers Electric Corporation, was placed under review for further downgrade. The rating actions primarily reflect increased financial and operating risks for Big Rivers due to the August 20, 2012 announcement by Century Aluminum Company (Caa1 senior unsecured; stable) that its subsidiary, Century Aluminum of Kentucky issued a 12-month notice to terminate its power contract with Big Rivers for its Hawesville, Kentucky smelter. See press release of August 21, 2012 posted to moodys.com for further details relating to this action.

Summary Rating Rationale

The Baa2 senior secured rating considers credit risk related to the fact that Big Rivers' largest member owner, Kenergy Corp., makes a high concentration of its sales to two aluminum smelters (Century Aluminum Company: senior unsecured Caa1; stable) and Rio Tinto Alcan: senior unsecured A3; stable), 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. As noted above, Century exercised this option effective August 20, 2012. Big Rivers' rating is further constrained because its rates are regulated by the KPSC, which is atypical for the G&T coop sector. The Baa2 rating also reflects 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 reasonably competitive power sold to non-smelter customers under long-term wholesale contracts with the three member owners continue to support Big Rivers' financial performance. A $26.7 million (6.17%) base rate increase approved by the KPSC in September 2011 was also generally supportive in nature. The outcome of a pending filing before the KPSC related to future environmental related capital expenditures will be integral to Big Rivers' future financial performance as new debt financing will play a role in the financing strategy, particularly as it also copes with Century's recent contract termination notice.

Detailed Rating Considerations

High Smelter Load Concentration; Credit Challenge Tied to Potential Loss Of Smelter Load

Under historical operating conditions, the two smelters served by Kenergy have been consuming nearly 7 million MWh of energy annually, representing a substantial load concentration risk (e.g. about two-thirds of member energy

load and close to 60% of member revenues for Big Rivers in 2011). This risk is a significant constraint to Big Rivers' rating, making its financial and operating risk profile unique compared to peers. One of Big Rivers' two transmission capacity upgrade projects is now complete and the second is expected to be completed later this year. Also, Big Rivers became a transmission owning member of the Midwest Independent Transmission System Operator (MISO) in December 2010. As a result, Big Rivers has enhanced its reliability and transmission capability helping to ensure compliance with mandated emergency reserve requirements established by regulators. Also, these steps along with legislation that permits sales to non-members provide additional flexibility for Big Rivers to move excess power off system following Century's announcement.

Although Century is required to pay a fixed demand charge for power (482 MW at 98% capacity factor) during the 12-month notice period, it is not required to continue operating the smelter plant. Despite the fact that Big Rivers will continue receiving fixed demand revenues over the next 12 months, Big Rivers' rating is under review for downgrade as we consider the extent to which it can overcome revenue shortfalls to be created by the anticipated loss of a significant portion of its energy load. Among the possible mitigating steps Big Rivers might take would be using cash reserves established to partially compensate for loss of smelter load; entering into bilateral sales arrangements; making short-term off system sales in the wholesale market; participating in the capacity markets; temporarily idling generation; selling generating assets; and seeking emergency rate increases through filings with the KPSC. With respect to the latter possibility, we note that Big Rivers being rate regulated has in the past posed challenges in implementing timely rate increases.

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 has been selling to Kenergy 850 MW in aggregate for resale to the two aluminum smelters. This arrangement represents 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 $389.8 million as of December 31, 2011 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.

Under a contract times interest earned ratio (TIER) arrangement with the two smelters, Big Rivers targets a minimum TIER of 1.24x, which is above the level required under its financial covenants. Under current market conditions, we expect that Big Rivers would file for rate relief as necessary, as we would anticipate that the TIER drops below the 1.24x target should the contract with Century be terminated.

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 4.7 cents per kWh (including the beneficial effects of the member rate stability mechanism). This compares to the average wholesale rate of 4.4 cents per kWh to serve the two smelter loads in 2011.

Because Big Rivers is substantially dependent on coal-fired generation, it faces uncertainty with regard to future environmental regulations, including the final 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. Big Rivers received KPSC approval for a $26.7 million (6.17%) base rate increase effective November 17, 2011. We consider this a reasonably good outcome versus the approximate $30 million rate increase that was requested. The rate increase is intended to bolster wholesale margins, address increased depreciation costs, administrative costs tied to joining the Midwest Independent Transmission System Operator (MISO), and maintenance costs incurred during generation plant outages.

Big Rivers is in midst of regulatory proceedings at the KPSC relating to an environmental compliance plan. The extent to which timely and adequate regulatory support for recovery of environmental compliance costs appears evident will also be an integral part of the rating review process. The KPSC decision in this filing is expected in the fourth quarter of 2012.

Wholesale Power Contracts Support Big Rivers' Credit Profile

The revenues derived under Big Rivers' long-term wholesale contracts with its members for sales to non-smelter customers 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 relatively low cost power provided under the contracts makes member disenchantment unlikely, even following recent base rate increases approved by the KPSC in 2011 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 2011 reflected a modest decline versus 2010 as results in 2011 reflect the net effects of higher expenses in 2011 due to full year membership in MISO and the absence of one-time items that benefitted 2010 results, largely offset by an increase in 2011 net sales margin.

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. Even with 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 will decline moderately as new debt is added over the next couple of years to fund a capital program currently estimated at $550 million for 2012-2015. 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.

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 expire on July 16, 2014 and July 27, 2017, respectively. 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 following the completion of the unwind transaction in 2009 as credit positive. As of June 30, 2012 Big Rivers had approximately $48 million of cash and temporary investments and it currently has full capacity available under the two credit facilities. 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 adequately meet its short-term working capital needs and modest current maturities of long-term debt. However, new debt financing is anticipated over the next few years to fund expected negative free cash flow resulting from the planned capital program. Big Rivers recently received KPSC approval to pursue about $537 million of financing transactions in aggregate with CoBank and NRUCFC to prepay as planned a significant portion of its 5.75% RUS Series A note, fund a portion of its capital expenditures and to replenish its $35 million Transition Reserve balance. Approximately $235 million of this financing activity has been completed through a 20-year senior secured term loan with CoBank and the remainder with NRUCFC is expected to close in the near term.

The quality of the alternate liquidity provided by the bank revolvers benefits from the multi-year tenors 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. 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. 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 rating is under review for downgrade as we assess the financial and operating effects and what mitigating strategies Big Rivers will pursue following Century's decision to submit its 12-month notice that it will terminate its power supply agreement with Big Rivers for its Hawesville, KY smelter plant.

What Could Change the Rating – Up

A rating upgrade is unlikely given the review for downgrade for reasons cited above. Success in mitigating the effects of load loss due to Century's announcement, regulatory support for environmental cost recovery and other future rate increases that may be necessary due to load loss could help stabilize the outlook. Moreover, structural changes that 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 due to Century's announcement that is not otherwise compensated for through off system power sales or other measures could contribute to a negative action, as would the inability to secure needed rate increases from the non-smelter member load. From a regulatory perspective, the lack of a coherent recovery mechanism for environmental capital requirements, should they be incurred, could place downward pressure on the rating. 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 is based on historical data through December 31, 2011. 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. The Indicated Rating under the Methodology largely reflects 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 in 2009. Notwithstanding the current A2 Indicated Rating for Big Rivers under the Methodology, its actual senior secured rating of Baa2 reflects 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 persist and represent significant constraints to its rating level.

Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Wednesday, August 22, 2012 5:03 PM
To: Billie Richert
Subject: Credit Opinion Published
Attachments: Big Rivers Credit Opinion Aug 22 2012.pdf

Billie:

Attached for your files is a copy of the credit opinion we published this afternoon.

Regards,

Kevin

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

MOODY'S
INVESTORS SERVICE

Issuer Comment: Big Rivers Electric Corporation -- Credit Opinion

Global Credit Research - 22 Aug 2012

Rating Drivers

» High industrial concentration to two aluminum smelters and dependence on off-system sales

» Rates subject to regulation by the Kentucky Public Service Commission (KPSC)

» Revenues from electricity sold under long-term wholesale power contracts with member owners

» Stronger balance sheet resulting from deleveraging following the unwinding of 1998 vintage transactions, which was completed in 2009

» Ownership of generally competitive coal-fired generation plants; pursuing environmental compliance plan, pending regulatory decision

Corporate Profile

Big Rivers Electric Corporation (Big Rivers) 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 about 113,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

Recent Events

Effective August 21, 2012 we downgraded the senior secured rating of $83.3 million of County of Ohio, Kentucky (the county) Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) to Baa2 from Baa1. Concurrently, the rating for the bonds, which were previously issued by the county on behalf of Big Rivers Electric Corporation, was placed under review for further downgrade. The rating actions primarily reflect increased financial and operating risks for Big Rivers due to the August 20, 2012 announcement by Century Aluminum Company (Caa1 senior unsecured; stable) that its subsidiary, Century Aluminum of Kentucky issued a 12-month notice to terminate its power contract with Big Rivers for its Hawesville, Kentucky smelter. See press release of August 21, 2012 posted to moodys.com for further details relating to this action.

Summary Rating Rationale

The Baa2 senior secured rating considers credit risk related to the fact that Big Rivers' largest member owner, Kenergy Corp., makes a high concentration of its sales to two aluminum smelters (Century Aluminum Company: senior unsecured Caa1; stable) and Rio Tinto: senior unsecured A3; stable), 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. As noted above, Century exercised this option effective August 20, 2012. Big Rivers' rating is further constrained because its rates are regulated by the KPSC, which is atypical for the G&T coop sector. The Baa2 rating also reflects 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 reasonably competitive power sold to non-smelter customers under long-term wholesale contracts with the three member owners continue to support Big Rivers' financial performance. A $26.7 million (6.17%) base rate increase approved by the KPSC in September 2011 was also generally supportive in nature. The outcome of a pending filing before the KPSC related to future environmental related capital expenditures will be integral to Big Rivers' future financial performance as new debt financing will play a role in the financing strategy, particularly as it also copes with Century's recent contract termination notice.

Detailed Rating Considerations

High Smelter Load Concentration; Credit Challenge Tied to Potential Loss Of Smelter Load

Under historical operating conditions, the two smelters served by Kenergy have been consuming nearly 7 million MWh of energy annually, representing a substantial load concentration risk (e.g. about two-thirds of member energy load and close to 60% of member revenues for Big Rivers in 2011). This risk is a significant constraint to Big Rivers' rating, making its financial and operating risk profile unique compared to peers. All but one of Big Rivers' multiple transmission capacity upgrade projects undertaken in recent years are now complete, with the last remaining project estimated for completion in 2014 or 2015.. Also, Big Rivers became a transmission owning member of the Midwest Independent Transmission System Operator (MISO) in December 2010. As a result, Big Rivers has enhanced its reliability and transmission capability helping to ensure compliance with mandated emergency reserve requirements established by regulators. Also, these steps along with legislation that permits sales to non-members provide additional flexibility for Big Rivers to move excess power off system following Century's announcement.

Although Century is required to pay a base fixed energy charge (as defined to cover fixed and variable costs) for power (482 MW at 98% capacity factor) during the 12-month notice period, it is not required to continue operating the smelter plant. Despite the fact that Big Rivers will continue receiving base fixed energy charge revenues over the next 12 months, Big Rivers' rating is under review for downgrade as we consider the extent to which it can overcome revenue shortfalls to be created by the anticipated loss of a significant portion of its energy load. Among the possible mitigating steps Big Rivers might take would be using cash reserves established to partially compensate for loss of smelter load; entering into bilateral sales arrangements; making short-term off system sales in the wholesale market; participating in the capacity markets; temporarily idling generation; selling generating assets; and seeking emergency rate increases through filings with the KPSC. With respect to the latter possibility, we note that Big Rivers being rate regulated has in the past posed challenges in implementing timely rate increases.

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 has been selling to Kenergy 850 MW in aggregate for resale to the two aluminum smelters. This arrangement represents 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 $389.8 million as of December 31, 2011 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.

Under a contract times interest earned ratio (TIER) arrangement with the two smelters, Big Rivers targets a minimum TIER of 1.24x, which is above the level required under its financial covenants. Under current market conditions, we expect that Big Rivers would file for rate relief as necessary, as we would anticipate that the TIER drops below the 1.24x target should the contract with Century be terminated.

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 4.7 cents per kWh (including the beneficial effects of the member rate stability mechanism). This compares to the average wholesale rate of 4.4 cents per kWh to serve the two smelter loads in 2011.

Because Big Rivers is substantially dependent on coal-fired generation, it faces uncertainty with regard to future environmental regulations, including the final 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. Big Rivers received KPSC approval for a $26.7 million (6.17%) base rate increase effective November 17, 2011. We consider this a reasonably good outcome versus the approximate $30 million rate increase that was requested. The rate increase is intended to bolster wholesale margins, address increased depreciation costs, administrative costs tied to joining the Midwest Independent Transmission System Operator (MISO), and maintenance costs incurred during generation plant outages.

Big Rivers is in midst of regulatory proceedings at the KPSC relating to an environmental compliance plan. The extent to which timely and adequate regulatory support for recovery of environmental compliance costs appears evident will also be an integral part of the rating review process. The KPSC decision in this filing is expected in the fourth quarter of 2012.

Wholesale Power Contracts Support Big Rivers' Credit Profile

The revenues derived under Big Rivers' long-term wholesale contracts with its members for sales to non-smelter customers 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 relatively low cost power provided under the contracts makes member disenchantment unlikely, even following recent base rate increases approved by the KPSC in 2011 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 2011 reflected a modest decline versus 2010 as results in 2011 reflect the net effects of higher expenses in 2011 due to full year membership in MISO and the absence of one-time items that benefitted 2010 results, largely offset by an increase in 2011 net sales margin.

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. Even with 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 will decline moderately as new debt is added over the next couple of years to fund a capital program originally estimated at $550 million for 2012-2015, but which is likely to be reduced in the near term given recent developments related to environmental regulations. 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.

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 expire on July 16, 2014 and July 27, 2017, respectively. 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 following the completion of the unwind transaction in 2009 as credit positive. As of June 30, 2012 Big Rivers had approximately $48 million of cash and temporary investments and it currently has full capacity available under the two credit facilities. 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 adequately meet its short-term working capital needs and modest current maturities of long-term debt. However, new debt financing is anticipated over the next few years to fund any negative free cash flow resulting from the planned capital program. Following KPSC financing approval, Big Rivers completed about $537 million of financing transactions in aggregate with CoBank and NRUCFC on July 27, 2012 to prepay as planned a significant portion of its 5.75% RUS Series A note, fund a portion of its capital expenditures and to replenish its $35 million Transition Reserve balance. Approximately $235 million of this financing activity was completed through a 20-year senior secured term loan with CoBank and $302 million was completed through a 20-year senior secured term loan with NRUCFC.

The quality of the alternate liquidity provided by the bank revolvers benefits from the multi-year tenors 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. 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. 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 rating is under review for downgrade as we assess the financial and operating effects and what mitigating strategies Big Rivers will pursue following Century's decision to submit its 12-month notice that it will terminate its power supply agreement with Big Rivers for its Hawesville, KY smelter plant.

What Could Change the Rating - Up

A rating upgrade is unlikely given the review for downgrade for reasons cited above. Success in mitigating the effects of load loss due to Century's announcement, regulatory support for environmental cost recovery and other future rate increases that may be necessary due to load loss could help stabilize the outlook. Moreover, structural changes that 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 due to Century's announcement that is not otherwise compensated for through off system power sales or other measures could contribute to a negative action, as would the inability to secure needed rate increases from the non-smelter member load. From a regulatory perspective, the lack of a coherent recovery mechanism for environmental capital requirements, should they be incurred, could place downward pressure on the rating. 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 is based on historical data through December 31, 2011. 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. The Indicated Rating under the Methodology largely reflects 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 in 2009. Notwithstanding the current A2 Indicated Rating for Big Rivers under the Methodology, its actual senior secured rating of Baa2 reflects 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 persist and represent significant constraints to its rating level.

Contacts	**Phone**
Kevin G. Rose/New York	12125530389
A.J. Sabatelle/New York	12125534136
Chee Mee Hu/New York	12125533665

MOODY'S
INVESTORS SERVICE

discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK". MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.

Billie Richert

From: Billie Richert
Sent: Monday, November 19, 2012 5:24 PM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Cc: Ralph Ashworth; Nicholas R. Castlen
Subject: 2012 Third Quarter Financial Report
Attachments: Third Quarter Financial Report.pdf

Kevin,

Attached is our condensed Third Quarter Financial Report. Please let me know if there are questions.

Thanks.

Billie

2012 Third Quarter Financial Report

Unaudited, in RUS format
(absent normal GAAP reclassifications)

Date Prepared: November 13, 2012

201 Third St.
Henderson, Kentucky 42420
Phone: 270-827-2561
www.bigrivers.com

BIG RIVERS ELECTRIC CORPORATION
Balance Sheet
In Thousands $

ASSETS	September 30, 2012	September 30, 2011
TOTAL UTILITY PLANT IN SERVICE	1,997,625	1,964,817
CONSTRUCTION WORK IN PROGRESS	44,936	54,555
TOTAL UTILITY PLANT	2,042,561	2,019,372
ACCUM PROVISION FOR DEPR & AMORT	(955,855)	(933,802)
NET UTILITY PLANT	1,086,706	1,085,570
INVEST IN ASSOC ORG PATRONAGE CAPITAL	3,681	3,645
INVEST IN ASSOC ORG OTHER GENERAL FUNDS	43,841	685
OTHER INVESTMENTS	15	15
SPECIAL FUNDS	184,966	168,181
TOTAL OTHER PROPERTY AND INVESTMENTS	232,503	172,526
CASH - GENERAL FUNDS	5	6
SPECIAL DEPOSITS	598	573
TEMPORARY INVESTMENTS	113,244	77,683
ACCOUNTS RECEIVABLE - SALES OF ENERGY	42,902	45,456
ACCOUNTS RECEIVABLE - OTHER NET	1,221	(2,102)
FUEL STOCK	32,353	27,134
MATERIALS & SUPPLIES - OTHER	26,017	24,662
PREPAYMENTS	1,549	1,302
OTHER CURRENT & ACCRUED ASSETS	713	634
TOTAL CURRENT & ACCRUED ASSETS	218,602	175,348
UNMORT DEBT DISC & EXTRAORD PROP LOSS	3,983	2,106
OTHER DEFERRED DEBITS	2,988	1,798
TOTAL ASSETS AND OTHER DEBITS	1,544,782	1,437,348
EQUITIES AND LIABILITIES		
OPERATING MARGINS - PRIOR YEAR	(241,898)	(247,339)
OPERATING MARGINS - CURRENT YEAR	7,722	8,757
NONOPERATING MARGINS - PRIOR YEAR	638,998	638,838
NONOPERATING MARGINS - CURRENT YEAR	403	141
OTHER MARGINS & EQUITIES	(7,279)	(4,923)
TOTAL MARGINS & EQUITIES	397,946	395,474
LONG-TERM DEBT - RUS	208,479	657,620
LONG-TERM DEBT - OTHER	720,480	142,100
TOTAL LONG-TERM DEBT	928,959	799,720
ACCOUNTS PAYABLE	27,000	28,980
TAXES ACCRUED	824	671
INTEREST ACCRUED	3,812	9,519
OTHER CURRENT & ACCRUED LIABILITIES	8,292	8,320
TOTAL CURRENT & ACCRUED LIABILITIES	39,928	47,490
DEFERRED CREDITS	152,737	173,685
OPERATING RESERVES	25,212	20,979
TOTAL LIABILITIES AND OTHER CREDITS	1,544,782	1,437,348

FINANCIAL HIGHLIGHTS

ELECTRIC PLANT IN SERVICE increased $32.8 million to $2.0 billion as of September 30, 2012. This increase resulted from construction projects to maintain generation, transmission and communication capabilities.

TEMPORARY INVESTMENTS increased $35.6m primarily due to the borrowing that took place this year to fund construction projects, partially offset by a higher fuel inventory this year and construction projects.

SPECIAL FUNDS increased $16.8m as of September 30, 2012. This increased resulted from replenishing the transition reserve, partially offset by the use of the reserve funds set up for non-smelter member rate mitigation.

LONG-TERM DEBT increased $129 2 million as of September 30, 2012, primarily due to borrowing for capital projects and replenish the $35.0 million transition reserve formerly used to pre-pay RUS debt.

DEFERRED CREDITS decreased $20.9 million as of September 30, 2012, primarily due to the use of the reserve funds set up for non-smelter member rate mitigation.

BIG RIVERS ELECTRIC CORPORATION
Statement of Operations
In Thousands $

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
ELECTRIC ENERGY REVENUES	145,471	148,770	419,183	422,321
OTHER OPERATING REVENUE AND INCOME	1,450	648	3,859	2,168
TOTAL OPER REVENUES & PATRONAGE CAPITAL	146,921	149,418	423,042	424,489
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	12,555	12,779	36,392	37,001
OPERATION EXPENSE-PRODUCTION-FUEL	58,943	58,925	165,833	173,107
OPERATION EXPENSE-OTHER POWER SUPPLY	26,106	28,160	84,281	83,179
OPERATION EXPENSE-TRANSMISSION	2,384	2,273	7,363	6,920
OPERATION EXPENSE-RTO/ISO	438	565	1,663	1,832
CONSUMER SERVICE & INFORMATIONAL EXPENSE	192	155	391	345
OPERATION EXPENSE-SALES	81	106	102	129
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	6,585	6,303	20,378	19,980
TOTAL OPERATION EXPENSE	107,284	109,266	316,403	322,493
MAINTENANCE EXPENSE-PRODUCTION	10,446	10,253	30,872	29,182
MAINTENANCE EXPENSE-TRANSMISSION	1,402	1,208	3,736	3,348
MAINTENANCE EXPENSE-GENERAL PLANT	35	35	128	93
TOTAL MAINTENANCE EXPENSE	11,883	11,496	34,736	32,623
DEPRECIATION & AMORTIZATION EXPENSE	10,488	9,060	30,852	26,374
TAXES	0	0	4	128
INTEREST ON LONG-TERM DEBT	11,235	11,454	33,719	34,450
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(193)	(75)	(578)	(450)
OTHER INTEREST EXPENSE	55	1	55	60
OTHER DEDUCTIONS	64	42	187	158
TOTAL COST OF ELECTRIC SERVICE	140,816	141,244	415,378	415,836
OPERATING MARGINS	6,105	8,174	7,664	8,653
INTEREST INCOME	372	22	403	132
OTHER NON-OPERATING INCOME - NET	0	(1)	0	8
OTHER CAPITAL CREDITS & PAT DIVIDENDS	14	8	59	105
NET PATRONAGE CAPITAL OR MARGINS	6,491	8,203	8,126	8,898

FINANCIAL HIGHLIGHTS

SALES TO MEMBERS increased 446,265 MWh to 8,053,207 MWh for the nine-month period ended September 30, 2012. Member sales revenue increased $52.7 million, or 18.0%, to $391.4 million for the nine-month period ended September 30, 2012, compared to $338.8 million in 2011, driven by higher sales to the aluminum smelters and the increase in member rates that took effect on September 1, 2011.

SALES TO NON-MEMBERS decreased 1,454,096 MWh to 971,890 MWh for the nine-month period ended September 30, 2012. This decrease, along with a 17.1% decline in price, caused non-member electric sales revenue to decrease 66.8%, to $27.8 million, for the nine-month period ended September 30, 2012 compared to $83.6 million for 2011.

PURCHASED POWER expense increased $6.5 million, or 22.3% to $35.3 million for the nine-month period ended September 30, 2012, compared to 2011. This was due to a 41.4% increase in MWh purchased, partially offset by a 13.5% decrease in the average cost of purchased power resulting from a reduction in the market price of electricity.

FUEL expense decreased $10.4 million, or 5.3%, to $184.7 million for the nine-month period ended September 30, 2012 compared to 2011. The decreased fuel expense was primarily driven by lower generation as the softer power market drove economic purchases.

BIG RIVERS ELECTRIC CORPORATION
Statement of Cash Flows
For The Quarter Ended September 30, 2012
In Thousands $

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net margin	6,490	8,203	8,126	8,898
Adjustments to reconcile net margin to net cash provided by operating activities:				
Depreciation and amortization	10,697	9,617	32,164	27,936
Interest compounded - RUS Series B Note	1,846	1,747	5,420	5,112
Interest compounded - RUS Series A Note	0	0	7,596	8,397
Noncash Member Rate Mitigation Revenue	(5,504)	(4,973)	(17,485)	(13,793)
Changes in certain assets and liabilities:				
Accounts receivable	(1,245)	(3,782)	(776)	1,158
Inventories	3,352	(3,088)	821	8,750
Prepaid expenses	1,089	1,339	3,190	2,461
Deferred charges	11	29	68	94
Accounts payable	3,991	2,069	(3,325)	(2,318)
Accrued expenses	(7,538)	(1,205)	(7,351)	(3,251)
Other – Net	837	162	3,089	1,284
Net cash provided by operating activities	14,026	10,118	31,537	44,728
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures – net	(6,850)	(10,488)	(27,955)	(22,617)
Proceeds from Restricted Investments and Other Deposits and Investments	(38,118)	4,920	(27,725)	51,561
Purchase of Restricted Investments and Other Deposits and investments	(35,002)	21	(35,002)	21
Net cash used in investing activities	(79,970)	(5,547)	(90,682)	28,965
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal payments on long-term obligations	(446,621)	(3,325)	(450,611)	(30,784)
Proceeds from long-term obligations	580,156	0	580,156	0
Principal payments on short-term notes payable	0	0	0	(10,000)
Debt Issuance Cost	(2,000)	0	(2,000)	0
Payments on obligations under long-term lease	0	0	0	0
Net cash used in financing activities	131,535	(3,325)	127,545	(40,784)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	65,591	1,246	68,400	32,909
CASH AND CASH EQUIVALENTS – Beginning	47,659	76,443	44,850	44,780
CASH AND CASH EQUIVALENTS – Ending	113,250	77,689	113,250	77,689
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest	15,439	10,379	26,625	22,379
Cash paid in taxes	0	0	0	130

Billie Richert

From: Mark Hite
Sent: Sunday, December 23, 2012 11:00 AM
To: Billie Richert
Subject: FW: Big Rivers Electric Corporation - 4th Quarter Financial Report
Attachments: Big Rivers - 4th Qtr. Financial Report - 2-29-12.pdf

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Mark Hite
Sent: Tuesday, March 06, 2012 6:44 AM
To: David Bodek (david_bodek@sandp.com)
Subject: Big Rivers Electric Corporation - 4th Quarter Financial Report

Good morning. Attached hereto you will find a 4th Quarter Financial Report for Big Rivers Electric Corporation. It's in pdf format and will print on 5 pages. The intent is to prospectively provide you a similar such report quarterly, approximately 2 months following calendar quarter end. Please direct any questions or comments to my attention.

Thank you, and have a great day,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
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

2011 Fourth Quarter Financial Report

Unaudited, in RUS format
(absent normal GAAP reclassifications)

Date Prepared: February 29, 2012

201 Third St.
Henderson, Kentucky 42420
Phone: 270-827-2561
www.bigrivers.com

BIG RIVERS ELECTRIC CORPORATION
Balance Sheet
In Thousands $

ASSETS	December 31, 2011	December 31, 2010
TOTAL UTILITY PLANT IN SERVICE	1,979,268	1,946,193
CONSTRUCTION WORK IN PROGRESS	49,150	54,874
TOTAL UTILITY PLANT	2,028,418	2,001,067
ACCUM PROVISION FOR DEPR & AMORT	(936,355)	(909,501)
NET UTILITY PLANT	1,092,063	1,091,566
INVEST IN ASSOC ORG PATRONAGE CAPITAL	3,648	3,595
INVEST IN ASSOC ORG OTHER GENERAL FUNDS	685	685
OTHER INVESTMENTS	15	15
SPECIAL FUNDS	164,152	218,167
TOTAL OTHER PROPERTY AND INVESTMENTS	168,500	222,462
CASH - GENERAL FUNDS	6	6
SPECIAL DEPOSITS	573	572
TEMPORARY INVESTMENTS	44,844	44,774
ACCOUNTS RECEIVABLE - SALES OF ENERGY	43,114	43,733
ACCOUNTS RECEIVABLE - OTHER NET	232	778
FUEL STOCK	33,894	37,328
MATERIALS & SUPPLIES - OTHER	25,295	23,218
PREPAYMENTS	4,508	3,001
OTHER CURRENT & ACCRUED ASSETS	943	1,398
TOTAL CURRENT & ACCRUED ASSETS	153,409	154,808
UNMORT DEBT DISC & EXTRAORD PROP LOSS	2,079	2,185
OTHER DEFERRED DEBITS	1,871	1,164
TOTAL ASSETS AND OTHER DEBITS	1,417,922	1,472,185
EQUITIES AND LIABILITIES		
OPERATING MARGINS - PRIOR YEAR	(247,339)	(251,617)
OPERATING MARGINS - CURRENT YEAR	5,441	4,278
NONOPERATING MARGINS - PRIOR YEAR	638,838	636,125
NONOPERATING MARGINS - CURRENT YEAR	160	2,713
OTHER MARGINS & EQUITIES	(7,279)	(4,924)
TOTAL MARGINS & EQUITIES	389,821	386,575
LONG-TERM DEBT - RUS	644,298	674,896
LONG-TERM DEBT - OTHER	142,100	142,100
TOTAL LONG-TERM DEBT	786,398	816,996
NOTES PAYABLE	-	10,000
ACCOUNTS PAYABLE	30,325	31,298
TAXES ACCRUED	957	659
INTEREST ACCRUED	9,899	11,134
OTHER CURRENT & ACCRUED LIABILITIES	9,423	9,968
TOTAL CURRENT & ACCRUED LIABILITIES	50,604	63,059
DEFERRED CREDITS	169,001	185,893
OPERATING RESERVES	22,098	19,662
TOTAL LIABILITIES AND OTHER CREDITS	1,417,922	1,472,185

FINANCIAL HIGHLIGHTS

ELECTRIC PLANT IN SERVICE increased $33.1 million to $2.0 billion as of December 31, 2011. This increase resulted from construction projects to maintain generation, transmission and communication capabiltites.

SPECIAL FUNDS decreased $54.0m as of December 31, 2011. This decrease resulted from the use of the reserve funds set up for non-smelter member rate mitigation, and to pre-pay RUS debt.

LONG-TERM DEBT decreased $30.6 million as of December 31, 2011, primarily due to pre-paying RUS debt.

TOTAL CURRENT & ACCRUED LIABILITES decreased $12.5 million as of December 31, 2011, primarily due to repaying $10.0 million under the line of credit.

BIG RIVERS ELECTRIC CORPORATION
Statement of Operations
In Thousands $

	Three Months Ended December 31,		*Twelve Months Ended December 31,*	
	2011	**2010**	**2011**	**2010**
ELECTRIC ENERGY REVENUES	136,051	127,822	558,372	514,490
OTHER OPERATING REVENUE AND INCOME	1,449	2,468	3,617	12,834
TOTAL OPER REVENUES & PATRONAGE CAPITAL	137,500	130,290	561,989	527,324
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	13,409	12,715	50,410	52,507
OPERATION EXPENSE-PRODUCTION-FUEL	53,122	49,853	226,229	207,748
OPERATION EXPENSE-OTHER POWER SUPPLY	29,083	26,345	112,262	99,421
OPERATION EXPENSE-TRANSMISSION	2,263	2,381	9,183	8,122
OPERATION EXPENSE-RTO/ISO	698	0	2,530	0
CONSUMER SERVICE & INFORMATIONAL EXPENSE	287	71	632	446
OPERATION EXPENSE-SALES	56	76	185	240
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	6,577	6,979	26,557	26,462
TOTAL OPERATION EXPENSE	105,495	98,420	427,988	394,946
MAINTENANCE EXPENSE-PRODUCTION	13,714	14,754	42,896	42,157
MAINTENANCE EXPENSE-TRANSMISSION	1,333	865	4,681	4,473
MAINTENANCE EXPENSE-GENERAL PLANT	48	106	141	250
TOTAL MAINTENANCE EXPENSE	15,095	15,725	47,718	46,880
DEPRECIATION & AMORTIZATION EXPENSE	9,033	8,596	35,407	34,242
TAXES	(30)	65	98	263
INTEREST ON LONG-TERM DEBT	11,265	11,878	45,715	47,064
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(98)	(273)	(548)	(683)
OTHER INTEREST EXPENSE	(1)	63	59	189
OTHER DEDUCTIONS	62	93	220	166
TOTAL COST OF ELECTRIC SERVICE	140,821	134,567	556,657	523,067
OPERATING MARGINS	(3,321)	(4,277)	5,332	4,257
INTEREST INCOME	18	121	150	391
OTHER NON-OPERATING INCOME - NET	1	628	9	2,322
OTHER CAPITAL CREDITS & PAT DIVIDENDS	4	1	109	21
NET PATRONAGE CAPITAL OR MARGINS	(3,298)	(3,527)	5,600	6,991

FINANCIAL HIGHLIGHTS

SALES TO MEMBERS increased 439,027 MWh to 10,199,017 MWh for the twelve-month period ended December 31, 2011. Member sales revenue increased $25.7 million, or 6.0%, to $456.4 million for the twelve-month period ended December 31, 2011, compared to $430.7 million in 2010, driven by higher sales to the aluminum smelters and the increase in member rates that took effect on September 1, 2011.

SALES TO NON-MEMBERS increased 846,676 MWh to 3,056,108 MWh for the twelve-month period ended December 31, 2011. This increase, partially offset by a 12.0% reduction in the market price of electricity, caused non-member electric sales revenue to increase 21.7%, to $102.0 million, for the twelve-month period ended December 31, 2011 compared to $83.8 million for 2010.

PURCHASED POWER expense increased $19.7 million, or 94.7% to $40.5 million for the twelve-month period ended December 31, 2011, compared to 2010. This was due to a 131.3% increase in MWh purchased, partially offset by a 15.8% decrease in the average cost of purchased power resulting from a reduction in the market price of electricity.

FUEL expense increased $19.0 million, or 8.0%, to $255.7 million for the twelve-month period ended December 31, 2011 compared to 2010. This was due to a 4.8% increase in the price of fuel and 3.2% higher volume.

BIG RIVERS ELECTRIC CORPORATION
Statement of Cash Flows
For the Fourth Quarter Ended December 31, 2011
In Thousands $

	Three Months Ended December 31, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin	(3,298)	(3,526)
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	9,664	11,116
Interest compounded - RUS Series B Note	1,773	1,673
Noncash Member Rate Mitigation Revenue	(5,154)	(5,644)
Changes in certain assets and liabilities:		
Accounts receivable	7	(4,657)
Inventories	(7,393)	(4,430)
Prepaid expenses	(3,515)	(1,216)
Deferred charges	28	62
Accounts payable	1,345	3,426
Accrued expenses	1,769	922
Other -- Net	(1,354)	212
Net cash provided by operating activities	(6,128)	(2,062)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures -- net	(16,130)	(16,636)
Proceeds from Restricted Investments and Other Deposits and Investments	4,513	6,334
Purchase of Restricted Investments and Other Deposits and Investments	0	67
Net cash used in investing activities	(11,617)	(10,235)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term obligations	(15,094)	(3,332)
Debt Issuance Cost Bond Refunding	0	(2,002)
Net cash used in financing activities	(15,094)	(5,334)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(32,839)	(17,631)
CASH AND CASH EQUIVALENTS -- Beginning of year	77,688	62,411
CASH AND CASH EQUIVALENTS -- End of year	44,849	44,780
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	9,060	9,250
Cash paid in taxes	0	65

BIG RIVERS ELECTRIC CORPORATION
Statement of Cash Flows
For The Years Ended Dececmber 31, 2011
In Thousands $

	Twelve Months Ended December 31, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin	5,600	6,991
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	37,600	36,367
Interest compounded - RUS Series B Note	6,884	6,499
Interest compounded - RUS Series A Note	8,398	0
Noncash Member Rate Mitigation Revenue	(18,947)	(23,953)
Changes in certain assets and liabilities:		
Accounts receivable	1,165	672
Inventories	1,357	(2,304)
Prepaid expenses	(1,053)	2,929
Deferred charges	121	1,251
Purchased power payable	362	0
Accounts payable	(1,336)	(2,721)
Accrued expenses	(1,482)	2,798
Other -- Net	(70)	557
Net cash provided by operating activities	38,599	29,086
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures -- net	(38,746)	(42,682)
Proceeds from Restricted Investments and Other Deposits and Investments	56,095	28,302
Net cash used in investing activities	17,349	(14,380)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term obligations	(45,879)	(121,354)
Proceeds from long-term obligations	0	83,300
Principal payments on short-term notes payable	(10,000)	0
Proceeds from short-term notes payable	0	10,000
Debt Issuance Cost Bond Refunding	0	(2,002)
Net cash used in financing activities	(55,879)	(30,056)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	69	(15,350)
CASH AND CASH EQUIVALENTS -- Beginning of year	44,780	60,130
CASH AND CASH EQUIVALENTS -- End of year	44,849	44,780
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	31,441	37,268
Cash paid in taxes	130	260

Billie Richert

From: Mark Hite
Sent: Thursday, August 23, 2012 2:46 PM
To: Billie Richert
Subject: FW: Big Rivers Electric Corporation

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

-----Original Message-----
From: Mark Hite
Sent: Friday, April 20, 2012 7:34 AM
To: 'Bodek, David'
Subject: RE: Big Rivers Electric Corporation

Understood. By the way, the smelters are currently operating in excess of full load, 867MW in March 2012 vs. the 850MW contract demand. The rate they paid for March 2012 was approx. $49/MWh, below that projected for this time in the so-called October 2008 "Unwind" financial model, the "decision" model. We'll work to provide the appropriate sensitivities to meet your needs.

Thank you,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
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

-----Original Message-----
From: Bodek, David [mailto:david_bodek@standardandpoors.com]
Sent: Thursday, April 19, 2012 5:19 PM
To: Mark Hite
Subject: RE: Big Rivers Electric Corporation

Mark,

Thanks for sharing this information and we are looking forward to receiving the utility's financial forecast.

In light of the approximately 25% decline in aluminum commodity prices over the past 12 months and sharp increases in aluminum inventories, as part of our review, we are particularly interested in discussing with you Big Rivers' expectations for the performance of the smelter customers on which Big Rivers depends for a substantial portion of revenues.

Sincerely,

David

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

-----Original Message-----
From: Mark Hite [mailto:Mark.Hite@bigrivers.com]
Sent: Thursday, April 12, 2012 2:49 PM
To: Bodek, David
Subject: Big Rivers Electric Corporation

Good afternoon. Hope all is well with you.

As we discussed a month or so ago via telephone and email, attached hereto is Big Rivers' 2011 audited financial statements and it's 2011 RUS financial and operating report. Also attached, as requested, are the 2011 audited financials for each of Big Rivers' 3 member distribution cooperatives (Meade County RECC, Jackson Purchase Energy Corporation, and Kenergy Corp.) and their 2011 RUS Form 7.

Also as we discussed, will be emailing you Big Rivers' long-term financial forecast (2012-2026), in Excel format, by the end of April 2012. Based on these items, we'll commence the annual rating review process, striving to meet your timing.

Comments welcome.

Thank you,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
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

Billie Richert

From: Mark Hite
Sent: Thursday, August 23, 2012 2:45 PM
To: Billie Richert
Subject: FW: Big Rivers Electric Corporation

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

-----Original Message-----
From: Mark Hite
Sent: Wednesday, May 02, 2012 10:03 AM
To: 'Bodek, David'
Subject: RE: Big Rivers Electric Corporation

On April 1, 2011, Big Rivers opted to use the $35 million Transition Reserve investment account amount to pay down the RUS Series A Note. As you may recall, the Transition Reserve is an element of smelter one year termination/closure notice mitigation. In the event of a smelter notice, the $35 million may be "clawed back" from RUS over 3 quarters, by avoiding the quarterly debt service payments, and the Transition Reserve investment account replenished. The reasons for Big Rivers' management opting to do so was that the investment account, comprised of a pool of generally short-term investments, was yielding only approximately 77bp, whereas the RUS Series A Note bears a stated rate of 5.75%. The annualized benefit to Big Rivers was approximately $1.7 million. Big Rivers also voluntarily paid an additional prepayment on the RUS Series A Note in 2011, which it has since "clawed back".

Should you desire additional information, please let me know.

By the way, I intend to email you the "slide show" update and the financial forecast shortly.

Thanks,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
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

-----Original Message-----
From: Bodek, David [mailto:david_bodek@standardandpoors.com]
Sent: Wednesday, May 02, 2012 9:47 AM
To: Mark Hite
Subject: RE: Big Rivers Electric Corporation

Mark,

The statement of cash flows in BREC's 2011 audit shows a principal payment of $45.9 million. The notes to the 2010 financial statements indicate that the scheduled debt maturity for 2011 was to be $7.3 million.

Did BREC refinance debt in 2011? Was it a redemption in connection with a refinancing that led to the additional $38 million of principal repayment in 2011?

Sincerely,

David

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

From: Mark Hite
Sent: Sunday, December 23, 2012 11:00 AM
To: Billie Richert
Subject: FW: Big Rivers

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Mark Hite
Sent: Friday, May 11, 2012 8:01 PM
To: Bodek, David (david_bodek@standardandpoors.com)
Subject: Big Rivers

Haven't heard from you since emailing you the updated Big Rivers overview PowerPoint and the 15-year financial forecast on May 3, 2012. Wanted to ensure you received them. Please confirm.

Thanks,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
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

Billie Richert

From: Mark Hite
Sent: Sunday, December 23, 2012 10:59 AM
To: Billie Richert
Subject: FW: Big Rivers - 1st Qtr 2012 Financial Report
Attachments: Big Rivers 1st Qtr 2012 Financial Report - 5-21-12.pdf

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

From: Mark Hite
Sent: Monday, May 21, 2012 4:10 PM
To: Bodek, David (david_bodek@standardandpoors.com)
Subject: Big Rivers - 1st Qtr 2012 Financial Report

Please see the attached, a condensed Big Rivers 1st Qtr 2012 Financial Report.

Contact me with any questions you may have.

Thank you,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
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

2012 First Quarter Financial Report

Unaudited, in RUS format
(absent normal GAAP reclassifications)

Date Prepared: May 21, 2012

201 Third St.
Henderson, Kentucky 42420
Phone: 270-827-2561
www.bigrivers.com

BIG RIVERS ELECTRIC CORPORATION
Balance Sheet
In Thousands $

ASSETS	March 31, 2012	March 31, 2011
TOTAL UTILITY PLANT IN SERVICE	1,979,276	1,962,336
CONSTRUCTION WORK IN PROGRESS	60,033	43,362
TOTAL UTILITY PLANT	2,039,309	2,005,698
ACCUM PROVISION FOR DEPR & AMORT	(946,277)	(918,033)
NET UTILITY PLANT	1,093,032	1,087,665
INVEST IN ASSOC ORG PATRONAGE CAPITAL	3,677	3,642
INVEST IN ASSOC ORG OTHER GENERAL FUNDS	685	685
OTHER INVESTMENTS	15	15
SPECIAL FUNDS	159,854	178,254
TOTAL OTHER PROPERTY AND INVESTMENTS	164,231	182,596
CASH - GENERAL FUNDS	6	6
SPECIAL DEPOSITS	573	572
TEMPORARY INVESTMENTS	49,461	91,375
ACCOUNTS RECEIVABLE - SALES OF ENERGY	41,620	38,897
ACCOUNTS RECEIVABLE - OTHER NET	(425)	(471)
FUEL STOCK	34,868	29,130
MATERIALS & SUPPLIES - OTHER	25,893	23,796
PREPAYMENTS	3,347	2,933
OTHER CURRENT & ACCRUED ASSETS	486	860
TOTAL CURRENT & ACCRUED ASSETS	155,829	187,098
UNMORT DEBT DISC & EXTRAORD PROP LOSS	2,299	2,160
OTHER DEFERRED DEBITS	1,867	1,205
TOTAL ASSETS AND OTHER DEBITS	1,417,258	1,460,724
EQUITIES AND LIABILITIES		
OPERATING MARGINS - PRIOR YEAR	(241,898)	(247,339)
OPERATING MARGINS - CURRENT YEAR	(2,122)	(188)
NONOPERATING MARGINS - PRIOR YEAR	638,998	638,838
NONOPERATING MARGINS - CURRENT YEAR	18	90
OTHER MARGINS & EQUITIES	(7,279)	(4,923)
TOTAL MARGINS & EQUITIES	387,717	386,478
LONG-TERM DEBT - RUS	653,668	684,954
LONG-TERM DEBT - OTHER	142,100	142,100
TOTAL LONG-TERM DEBT	795,768	827,054
ACCOUNTS PAYABLE	28,908	27,087
TAXES ACCRUED	1,404	1,118
INTEREST ACCRUED	9,220	9,605
OTHER CURRENT & ACCRUED LIABILITIES	6,923	7,758
TOTAL CURRENT & ACCRUED LIABILITIES	46,455	45,568
DEFERRED CREDITS	163,725	181,988
OPERATING RESERVES	23,593	19,636
TOTAL LIABILITIES AND OTHER CREDITS	1,417,258	1,460,724

FINANCIAL HIGHLIGHTS

ELECTRIC PLANT IN SERVICE increased $16.9 million to $2.0 billion as of March 31, 2012. This increase resulted from construction projects to maintain generation, transmission and communication capabilities.

TEMPORARY INVESTMENTS decreased $41.9m primarily due to pre-paying RUS Debt.

SPECIAL FUNDS decreased $18.4m as of March 31, 2012. This decrease resulted from the use of the reserve funds set up for non-smelter member rate mitigation.

LONG-TERM DEBT decreased $31.3 million as of March 31, 2012, primarily due to pre-paying RUS debt.

DEFERRED CREDITS decreased $18.3 million as of March 31, 2012, primarily due to the use of the reserve funds set up for non-smelter member rate mitigation.

BIG RIVERS ELECTRIC CORPORATION
Statement of Operations
In Thousands $

	Three Months Ended March 31, 2012	2011
ELECTRIC ENERGY REVENUES	134,100	133,601
OTHER OPERATING REVENUE AND INCOME	1,205	624
TOTAL OPER REVENUES & PATRONAGE CAPITAL	135,305	134,225
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	11,820	12,149
OPERATION EXPENSE-PRODUCTION-FUEL	49,722	56,326
OPERATION EXPENSE-OTHER POWER SUPPLY	31,526	25,861
OPERATION EXPENSE-TRANSMISSION	2,409	2,250
OPERATION EXPENSE-RTO/ISO	659	580
CONSUMER SERVICE & INFORMATIONAL EXPENSE	104	100
OPERATION EXPENSE-SALES	6	0
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	6,722	6,796
TOTAL OPERATION EXPENSE	102,968	104,062
MAINTENANCE EXPENSE-PRODUCTION	12,134	9,417
MAINTENANCE EXPENSE-TRANSMISSION	1,055	924
MAINTENANCE EXPENSE-GENERAL PLANT	40	2
TOTAL MAINTENANCE EXPENSE	13,229	10,343
DEPRECIATION & AMORTIZATION EXPENSE	10,176	8,681
TAXES	1	(2)
INTEREST ON LONG-TERM DEBT	11,257	11,611
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(200)	(323)
OTHER INTEREST EXPENSE	0	59
OTHER DEDUCTIONS	41	79
TOTAL COST OF ELECTRIC SERVICE	137,472	134,510
OPERATING MARGINS	(2,167)	(285)
INTEREST INCOME	18	86
OTHER NON-OPERATING INCOME - NET	0	4
OTHER CAPITAL CREDITS & PAT DIVIDENDS	45	97
NET PATRONAGE CAPITAL OR MARGINS	(2,104)	(98)

FINANCIAL HIGHLIGHTS

SALES TO MEMBERS increased 172,558 MWh to 2,660,030 MWh for the three-month period ended March 31, 2012. Member sales revenue increased $18.9 million, or 17.5%, to $127.0 million for the three-month period ended March 31, 2012, compared to $108.1 million in 2011, driven by higher sales to the aluminum smelters and the increase in member rates that took effect on September 1, 2011.

SALES TO NON-MEMBERS decreased 477,250 MWh to 271,767 MWh for the three-month period ended March 31, 2012. This decrease, along with a 23.4% decline in price, caused non-member electric sales revenue to decrease 72.2%, to $7.1 million, for the three-month period ended March 31, 2012 compared to $25.5 million for 2011.

PURCHASED POWER expense increased $6.7 million, or 85.8% to $14.5 million for the three-month period ended March 31, 2012, compared to 2011. This was due to a 124.9% increase in MWh purchased, partially offset by a 17.4% decrease in the average cost of purchased power resulting from a reduction in the market price of electricity.

FUEL expense decreased $7.0 million, or 11.0%, to $56.4 million for the three-month period ended March 31, 2012 compared to 2011. The decreased fuel expense was primarily driven by lower generation as the softer power market drove economic purchases.

BIG RIVERS ELECTRIC CORPORATION
Statement of Cash Flows
For The Quarter Ended March 31, 2012
In Thousands $

	Three Months Ended March 31, 2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margin	(2,104)	(98)
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation and amortization	10,752	9,183
Interest compounded - RUS Series B Note	1,774	1,661
Interest compounded - RUS Series A Note	7,596	8,397
Noncash Member Rate Mitigation Revenue	(5,711)	(4,455)
Changes in certain assets and liabilities:		
Accounts receivable	2,152	6,086
Inventories	(1,572)	7,620
Prepaid expenses	1,618	604
Deferred charges	29	23
Accounts payable	(1,417)	(4,211)
Accrued expenses	(2,731)	(3,279)
Other -- Net	1,514	(58)
Net cash provided by operating activities	11,900	21,473
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures -- net	(11,999)	(5,301)
Proceeds from Restricted Investments and Other Deposits and Investments	4,716	40,428
Net cash used in investing activities	(7,283)	35,127
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term obligations	0	0
Proceeds from long-term obligations	0	0
Principal payments on short-term notes payable	0	(10,000)
Proceeds from short-term notes payable	0	0
Debt Issuance Cost Bond Refunding	0	0
Net cash used in financing activities	0	(10,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,617	46,600
CASH AND CASH EQUIVALENTS -- Beginning of quarter	44,850	44,780
CASH AND CASH EQUIVALENTS -- End of quarter	49,467	91,380
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	2,514	3,027
Cash paid in taxes	0	0

Billie Richert

From: Mark Hite
Sent: Sunday, December 23, 2012 10:59 AM
To: Billie Richert
Subject: FW: Big Rivers Electric Corporation
Attachments: Big Rivers Electric Corporation Disclosure Statement (7-12-12).pdf

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

-----Original Message-----
From: Mark Hite
Sent: Friday, July 20, 2012 2:03 PM
To: Bodek, David (david_bodek@standardandpoors.com)
Cc: Billie Richert
Subject: Big Rivers Electric Corporation

In connection with your annual rating review and update of Big Rivers, attached hereto is an updated Disclosure Statement. Hope to hear from you soon.

Thanks,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

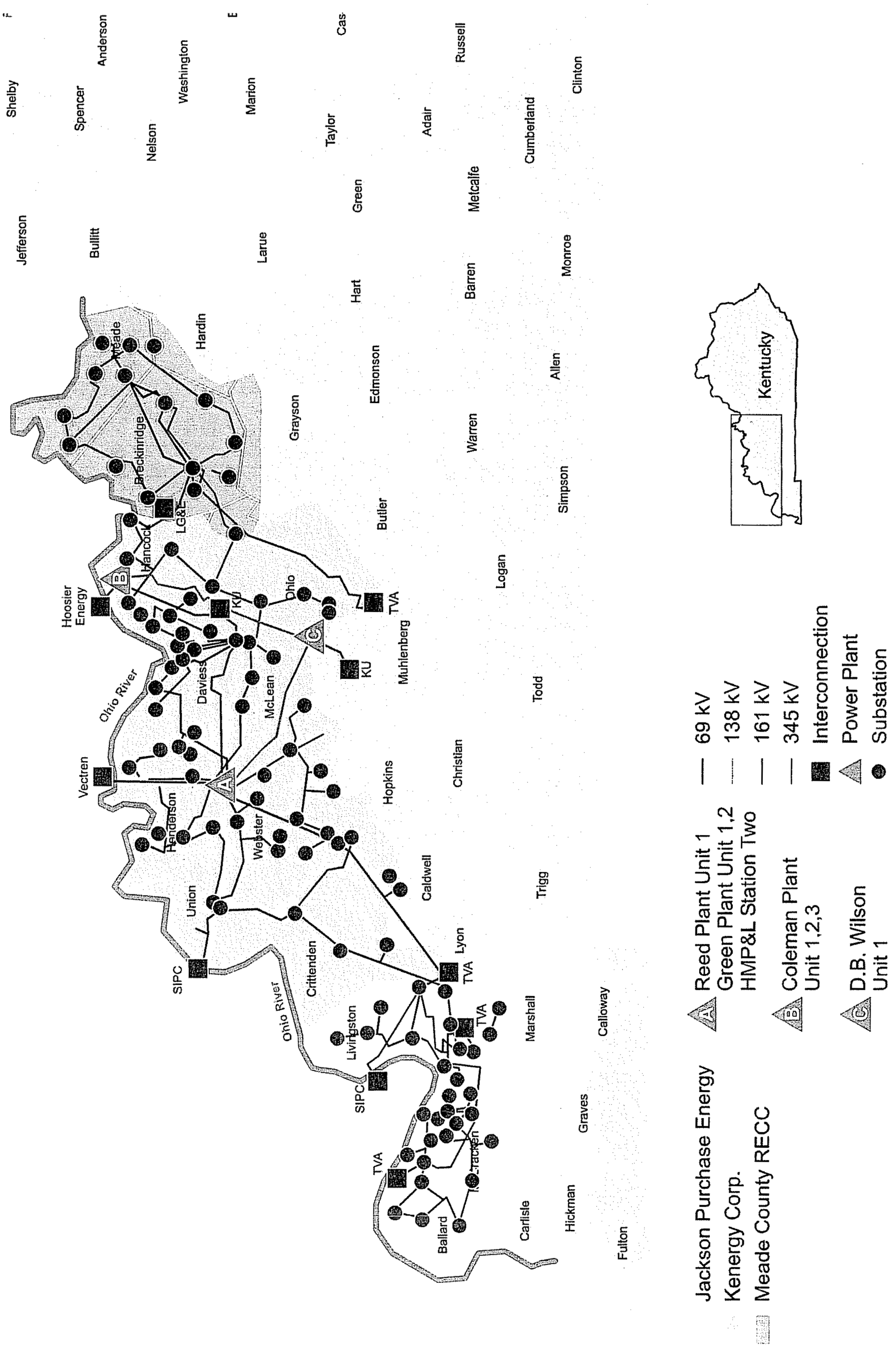
Confidential

BIG RIVERS ELECTRIC CORPORATION

DISCLOSURE STATEMENT

July 12, 2012

TABLE OF CONTENTS


Jackson Purchase Energy
Kenergy Corp.
Meade County RECC
69 kV
138 kV
161 kV
345 kV
Interconnection
Power Plant
Substation
A Reed Plant Unit 1
Green Plant Unit 1,2
HMP&L Station Two
B Coleman Plant
Unit 1,2,3
C D.B. Wilson
Unit 1
Kentucky
Ohio River
Ohio River
Hoosier Energy
Vectren
SIPC
SIPC
TVA
TVA
TVA
TVA
KU
KU
LG&E
Meade
Hardin
Breckinridge
Hancock
Daviess
McLean
Ohio
Muhlenberg
Henderson
Webster
Hopkins
Union
Crittenden
Caldwell
Livingston
Lyon
Christian
Trigg
Todd
Logan
Butler
Grayson
Edmonson
Warren
Simpson
Allen
Barren
Hart
Green
Metcalfe
Monroe
Larue
Taylor
Adair
Cumberland
Clinton
Russell
Marion
Washington
Nelson
Anderson
Spencer
Shelby
Jefferson
Bullitt
Marshall
Calloway
Graves
Ballard
Carlisle
Hickman
Fulton

Big Rivers Electric Corporation
201 Third Street
Henderson, Kentucky 42420

Officers

Mark A. Bailey, President and Chief Executive Officer
Robert W. Berry, Vice President of Production

Senior Staff

David G. Crockett, Vice President of System Operations
James V. Haner, Vice President of Administrative Services
Mark A. Hite, Vice President of Accounting and Interim Chief Financial Officer
Eric M. Robeson, Vice President of Environmental Services and Construction
Albert M. Yockey, Vice President of Governmental Relations & Enterprise Risk Management

Directors

James G. Sills, Chair
Louis Wayne Elliott, Vice Chair
Larry F. Elder, Secretary-Treasurer
Lee Bearden
Paul Edd Butler
William C. Denton

Members

Kenergy Corp.
Jackson Purchase Energy Corporation
Meade County Rural Electric Cooperative Corporation

BIG RIVERS ELECTRIC CORPORATION

INTRODUCTION

General

Big Rivers Electric Corporation ("Big Rivers" or the "Company") is an electric generation and transmission ("G&T") rural electric cooperative corporation. It was organized as a not-for-profit rural electric cooperative under the laws of Kentucky in June, 1961 to enable its Members (as defined herein) to pool their resources and provide for the power and transmission needs of their combined service territories. The Company currently operates as a taxable cooperative. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Critical Accounting Policies – Accounting for Income Taxes." Big Rivers provides wholesale electric service to its three Members under a number of wholesale power contracts which contracts, in the aggregate, supply the total wholesale power requirements of the Members (see "Wholesale Power Contracts"), except the requirements of Kenergy Corp. ("Kenergy") for service to two aluminum smelters required by the Smelters Agreements (as defined herein). The two aluminum smelters are Rio Tinto Alcan ("Alcan"), a product group of Rio Tinto, and Century Aluminum of Kentucky General Partnership ("Century"), a wholly-owned subsidiary of Century Aluminum Company. Alcan and Century are referred to herein as the "Smelters." For a discussion of certain recent statements made on behalf of the Smelters, see the discussion under the caption "THE SMELTER AGREEMENTS."

Big Rivers owns 1,444 net MW of electric generating facilities, described herein under "GENERATION AND TRANSMISSION ASSETS – Generation Resources" and approximately 1,266 miles of transmission lines and 22 substations, described herein under "GENERATION AND TRANSMISSION ASSETS – Transmission."

In addition to its owned electric generation and transmission facilities, Big Rivers operates the 312 net MW Henderson Municipal Power and Light ("HMP&L") Station Two Generating Facility ("Station Two") in accordance with a Power Plant Construction and Operation Agreement dated August 1, 1970 between HMP&L and Big Rivers (the "Station Two Operation Agreement"), and purchases all the power and energy from Station Two not used by HMP&L to serve the needs of the City of Henderson, Kentucky (the "City" or the "City of Henderson"), in accordance with a Power Sales Contract between HMP&L and Big Rivers dated August 1, 1970 (the "Station Two Power Sales Contract"). See "GENERATION AND TRANSMISSION ASSETS – Other Power Supply Resources – *Station Two Facility*."

In 2011, the Company's average wholesale revenue per kWh to the Members, including amounts withdrawn from the economic reserve, was $.04678 per kWh for rural loads and $.04168 per kWh for large industrial loads (exclusive of the Smelter loads and Domtar cogenerator backup served by Kenergy). The Company's average wholesale revenue per kWh to Kenergy to serve the two Smelter loads in 2011 was $.04448 per kWh on sales of 6.9 million MWh. Excluding the Smelters, sales to its Members were 3.3 million MWh in 2011, 2.4 million MWh for rural loads and 0.9 million MWh for large industrial loads. Member Non-Smelter MWh sales in 2011 decreased by 2.0% from 2010. Rural loads in 2011 decreased by 4.4% from 2010 while large industrial loads increased by 4.3%. To the extent surplus capacity and energy are available, Big Rivers may sell electricity to non-Member utilities and power marketers ("Non-Members"). During 2011, the Company sold approximately 3.1 million MWh to Non-Members.

Cooperative Structure

In general, a cooperative is a business organization owned by its members, which are also its customers. Cooperatives provide goods or services to their members on a not-for-profit basis, in part by eliminating the need to produce profits or a return on equity in excess of required margins. Generally, electric cooperatives design rates on an overall basis to recover cost-of-service and collect a reasonable amount of revenue in excess of expenses (i.e., margins). Margins are typically repaid to the members in subsequent years on the basis of their patronage during the years the margins were earned.

A G&T cooperative is a cooperative engaged primarily in providing wholesale electricity to its members, which may be either wholesale or retail power suppliers. Electricity sold by a G&T cooperative is provided from its own generating facilities or through power purchase agreements with its wholesale power suppliers. A distribution cooperative is a local membership cooperative whose members are the individual retail customers of an electric distribution system.

The Members

The Members of Big Rivers are Kenergy, Meade County Rural Electric Cooperative Corporation ("Meade") and Jackson Purchase Energy Corporation ("Jackson Purchase", and collectively with Kenergy and Meade, the "Members"). The Members of Big Rivers are local consumer-owned distribution cooperatives providing retail electric service on a not-for-profit basis to their customers, who are their members. The customer base of the Members generally consists of residential, commercial and industrial consumers within specific geographic areas. The Members provide electric power and energy to customers located in portions of 22 western Kentucky counties. As of December 31, 2011, the Members served approximately 113,000 member-customers (meters). Kenergy has approximately 55,300 retail members, Meade has approximately 28,500 retail members and Jackson Purchase has approximately 29,200 retail members. See APPENDIX B – "MEMBER FINANCIAL AND STATISTICAL INFORMATION."

Bankruptcy and Subsequent Operation

In September 1996, Big Rivers filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. The filing was precipitated largely by the Company's inability to sell its capacity in excess of that required to serve its Members at prices sufficient to cover all of its costs, which shortfall was exacerbated by long-term coal contracts under which prices had escalated well above market prices. In July 1998, a bankruptcy court-approved Plan of Reorganization (the "Plan of Reorganization") became effective. The Plan of Reorganization fundamentally changed the operations of the Company and resulted in the restructuring of the Company's long-term debt.

In accordance with the Plan of Reorganization, the Company leased all of its generating facilities to Western Kentucky Energy Corp. ("WKEC"), a wholly-owned subsidiary of LG&E Energy Corp. (LG&E, and subsequently E.ON U.S., LLC ("E.ON"). WKEC assumed and agreed to perform and discharge all of the Company's obligations under these assets that first arose or accrued on or after the effective date of the Plan of Reorganization. In addition to assuming responsibility for operation of the generating facilities owned by the Company, WKE Station Two Inc. ("WKE Station Two"), another wholly owned subsidiary of LG&E, assumed responsibility for the operation of Station Two and the Company's obligation to purchase power from Station Two under the Station Two Power Sales Contract. Pursuant to the Plan of Reorganization, WKEC and WKE Station Two (which was subsequently merged into WKEC) became responsible for the Company's prior responsibilities to operate and maintain the generating facilities owned by the Company and Station Two. Capital costs for these generating facilities were shared by WKEC and the Company in several different ratios depending upon whether or not the capital expenditures were incurred in order to comply with a state law enacted after the effective date of the Plan of Reorganization or a revision or change of an existing law enacted after such date. Operation and maintenance costs, including fuel, were, for the most part, the responsibility of WKEC.

The Plan of Reorganization (the "LG&E Arrangements") also included a power purchase agreement (the "LEM Power Purchase Agreement") between the Company and LG&E Energy Marketing Inc. ("LEM"). The LEM Power Purchase Agreement established minimum hourly and annual power purchase amounts that Big Rivers was required to take and certain maximum hourly and annual power purchase amounts that LEM was required to make available to the Company. The Company paid specified fixed rates for power purchased under the LEM Power Purchase Agreement that were not dependent upon market prices for electric power and energy nor the costs associated with power and energy generated by the generating facilities owned by the Company and operated by WKE Station Two.

Throughout the duration of the LG&E Arrangements Big Rivers received lease payments from WKEC of approximately $31 million annually. These lease payments were subject to adjustment for certain environmental costs and changes in the amount of power available to Big Rivers from LEM. The Company was responsible for 70% of all property taxes on the generating facilities leased to WKE Station Two during the LG&E Arrangements and WKEC paid 30%.

The Plan of Reorganization required LEM to pay Big Rivers an average of approximately $18 million annually, which amount corresponded to the estimated margins the Company had anticipated to realize from sales to its Members to supply the loads of the Smelters. The Plan of Reorganization also required the transfer of responsibility for providing the wholesale power and energy to Kenergy necessary to serve the needs of the Smelters from Big Rivers to LEM.

The Company provided transmission service to the Members and Non-Members pursuant to its Open Access Transmission Tariff ("OATT"). Under the LG&E Arrangements, LEM paid Big Rivers a minimum $5 million annually for transmission service.

Unwind of LG&E Arrangements

In March 2007, Big Rivers executed a Transaction Termination Agreement (the "Termination Agreement") among LEM, WKEC and Big Rivers setting forth the term and conditions upon which the Company and E.ON agreed to terminate the LG&E Arrangements (the "Unwind"). Protracted negotiations with creditors, governmental agencies, the Smelters and others followed the execution of the Termination Agreement. The closing of the Unwind took place on July 16, 2009.

Summary of Major Provisions of Unwind

In connection with the closing of the Unwind, E.ON compensated Big Rivers with approximately $864.6 million of value and Big Rivers took certain other actions as set forth below:

- E.ON made a cash payment to the Company of approximately $506.7 million. This amount represented (1) a termination payment by WKEC to the Company to compensate it for the risks associated with assuming responsibility for the operation of the Company's owned generating facilities and Station Two and (2) the netted amount of various payment obligations by both WKEC and the Company contemplated by the Termination Agreement.

- WKEC waived the requirement in the LG&E Arrangements that the Company make a payment at the expiration or early termination of the LG&E Arrangements in respect of the residual value of WKEC's capital contributions to the Company's owned generating facilities and Station Two. Additionally, WKEC conveyed to the Company certain utility plant assets used in connection with the operation of the Company's owned generating plants previously leased to WKEC. The value of these items was approximately $188.0 million.

- The Company established three reserves, (1) an economic reserve with an initial principal amount equal to $157 million (the "Economic Reserve"), (2) a second economic reserve with an initial principal amount equal to $60.9 million (the "Rural Economic Reserve"), and (3) a transition reserve with an initial principal amount equal to $35 million (the "Transition Reserve"). The Economic Reserve and Rural Economic Reserve accounts were established to help the Company cushion the effect of any potential future rate increases for fuel, environmental, and purchase power expenses on its rates to the Members for service to their non-Smelter members. The Transition Reserve account was established as a financial reserve account that would help the Company mitigate financial costs, if any, associated with the termination of the Smelter Agreements by a Smelter. In 2011 Big Rivers used the $35 million from the Transition Reserve to prepay a portion of its Rural Utilities Service ("RUS") related debt and Big Rivers will use a portion of the proceeds of a bank loan to replenish the Transition Reserve. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Executive Overview."

- WKEC conveyed to the Company a flue gas desulphurization ("FGD") system which had recently been constructed at the Company's Kenneth C. Coleman Plant (the "Coleman Plant"). The value ascribed to the flue gas desulphurization facility was approximately $98.5 million.

- WKEC conveyed to the Company personal property and inventories of coal, petroleum coke, fuel oil, lime, limestone and spare parts, and materials and supplies. The value of these items was approximately $55.0 million.

- WKEC forgave a promissory note of approximately $15.4 million the Company owed to LEM.

- WKEC conveyed to the Company 14,000 sulfur dioxide ("SO_2") allowances allotted by the United States Environmental Protection Agency ("EPA") with a fair market value of approximately $1.0 million on July 16, 2009.

- The lease of the generating facilities to WKEC and all the other property interests of WKEC and LEM in the generating facilities previously leased to WKEC were terminated.

- The Station Two Agreement was terminated and the Company resumed its responsibility to operate Station Two and to purchase the output of Station Two in excess of the City's requirements in accordance with the Station Two Power Sales Contract.

Change in Capital Structure Resulting from Unwind

On July 16, 2009, the Company prepaid $140.2 million of the indebtedness it owed to the RUS and the schedule of maximum permitted outstanding balances on the amortizing debt the Company owed to the RUS was adjusted. The non-interest bearing RUS Series B Note was also restructured in concert with the Unwind into a single "bullet" payment due December 31, 2023. The Company's debt to RUS was incurred primarily to finance its generating assets. In connection with the Unwind the Company obligated itself to reduce the maximum permitted outstanding balances of its RUS debt by $60.0 million by October 1, 2012 and $200.0 million by January 1, 2016. The Company is using the proceeds of certain bank loans to satisfy these obligations. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Executive Overview."

The chart set forth below shows the impact of the Unwind on the Company's outstanding debt.

Debt Instrument	Pre-Unwind Balance	Unwind Close Transaction	Post-Unwind Balance
		(In millions of dollars)	
RUS Series A Note	$ 740.0	$140.2[1]	$599.8
RUS Series B Note	106.5	0.0	106.5
LEM Settlement Note	15.4	15.4[2]	0.0
PMCC Note	12.4	12.4[3]	0.0
County of Ohio, Kentucky, promissory note (1983 Series) 1983 Series Pollution Control Bonds	58.8	0.0	58.8
County of Ohio, Kentucky, promissory note (2001A Series) 2001A Series Pollution Control Bonds	83.3	0.0	83.3
	$1,016.4	$168.0	$848.4

(1) Big Rivers payment to RUS on Unwind closing date.
(2) Forgiveness of debt by E.ON.
(3) Big Rivers payment to Philip Morris Capital Corporation on Unwind closing date.

As a result of the Unwind, the Company went from an equity to total capitalization ratio of -19% as of December 31, 2008, to 35.3% as of December 31, 2011.

Resumption of Operational Responsibilities in Connection with Generating Facilities

In connection with the Unwind, the lease of the Company generating facilities to WKEC was terminated and the Company resumed responsibility for the operation of its generating facilities. Thus, the Company assumed responsibility for the risks associated with such operation (e.g. fuel, capital costs associated with change in law). The Company intends to use the output of its generating facilities to supply the needs of the Members, including approximately 850 MW of power that is necessary for Kenergy to supply its contractual obligations to the Smelters, which were primarily serviced by LEM prior to the Unwind. See "THE SMELTER AGREEMENTS" and APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS." Power and energy generated above the Members' requirements will be sold into the wholesale power market.

Wholesale Power Contracts with Members

Each of Meade, Jackson Purchase and Kenergy is party to a wholesale power contract with Big Rivers (the "All Requirements Contracts") providing that Big Rivers sells and delivers to the Member, and the Member purchase and receive from Big Rivers, all the electric power and energy which the Member requires for the operation of the Member's system (except Kenergy's requirements for the Smelters) to the extent that Big Rivers has power and energy and facilities available. The term of each All Requirements Contract extends through December 31, 2043 and neither of the parties may unilaterally terminate the contract, without cause, prior to such date. Each All Requirements Contract may be terminated by either party thereto after December 31, 2043, upon six months' notice.

The All Requirements Contracts require each Member to pay the Company monthly for capacity and energy furnished. The All Requirements Contracts provide that if a Member fails to pay any bill by the first business day following the twenty-fourth day of the month, the Company may, upon five (5) business days' written notice, discontinue delivery of electric power and energy. The All Requirements Contracts also provide that, so long as any notes and note guarantees are outstanding from the Company to the RUS, the Member may not reorganize, dissolve, consolidate, merge, or sell, lease or transfer all or a substantial portion of its assets unless it has either (i) obtained the Company's written consent and the written consent of the RUS, or (ii) paid a portion of the outstanding indebtedness on the notes and the Company's other commitments and obligations then outstanding, such portion to be determined by the Company with RUS approval. The All Requirements Contracts may only be amended with the approval of the RUS and upon compliance with such other reasonable terms and conditions as the Company and RUS may agree.

Each Member is required to pay the Company for capacity and energy furnished under its All Requirements Contract in accordance with the Company's established rates as approved by the Kentucky Public Service Commission ("KPSC"). All Requirements Contracts with the Members provide that the Company's board of directors (the "Board of Directors") establish rates to produce revenue sufficient, but only sufficient, together with all of the Company's other revenue, to pay the cost of operation and maintenance of all of the Company's generation, transmission and related facilities, to pay the cost of capacity and energy purchased by the Company for resale, to pay the cost of transmission service, to pay the principal of and interest on all the Company's indebtedness and to provide for the establishment and maintenance of reasonable financial reserves.

The All Requirements Contracts require the Company's Board of Directors to review the rates at least annually and to revise such rates as necessary to produce revenue as described above. Big Rivers must give Members no less than thirty (30) days' or more than forty-five (45) days' written notice of every rate revision. The Company's electric rate revisions are subject to the approval of the RUS and the KPSC, after which the Members are permitted to incorporate such rate changes into their own rate structures. See "RATE AND ENVIRONMENTAL REGULATION – Kentucky Rate Regulation" for information relating to rate regulation by the KPSC.

Smelter Agreements with Kenergy

In addition to the All Requirements Contracts, Big Rivers and Kenergy are parties to two wholesale electric service agreements under which the Company provides a fixed amount of power and energy of 850 MW that is necessary for Kenergy to supply its contractual obligations to the Smelters through December 31, 2023. These agreements are exceptions to the "all requirements" obligations in the All Requirements Contracts with Kenergy. See "THE SMELTER AGREEMENTS" and APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS."

Existing Generation and Transmission Resources

The Company owns interests in seven base load coal-fired generating units and one oil- or natural gas-fired combustion turbine generating unit, all of which are in commercial operation. These units provide the Company with approximately 1,444 MW of capacity. See "GENERATION AND TRANSMISSION ASSETS – Generation Resources" for a discussion of the Company's existing generation facilities. The Company also has a variety of purchase arrangements, including the Station Two Power Sales Contract with the City of Henderson and a contract with (the "SEPA Contract") the Southeastern Power Administration ("SEPA"), which together supply the Company with up to 375 MW of power. The Company purchases 197 MW from HMP&L pursuant to the Station Two Power Purchase Agreement and up to 178 MW under the SEPA Contract. The Company normally uses its entitlement under the SEPA Contract for peaking; however, as a result of problems with certain dams on the Cumberland River hydro system, the Company's capacity entitlement has been suspended and the Company currently is receiving only energy. See "GENERATION AND TRANSMISSION ASSETS – Other Power Supply Resources" for a discussion of the Company's power purchase arrangements. The Company also owns 1,266 miles of transmission lines and 22 substations and has additional access to approximately 100 MW of firm transmission service through an agreement with another utility. The Company is a participant in the Midwest Independent System Operator, Inc. ("MISO"). MISO is a non-profit regional transmission organization operating in 13 states in the Midwest United States and Manitoba, Canada. MISO has functional control of the operation of its participants transmission facilities of 100 kilovolts ("kV"). In addition to operating the bulk transmission system of its participants, MISO also operates the Midwest Market (the "MISO Market"). In the MISO Market, the Company and other participants submit day-ahead or real-time bids and offers for the purchase or sale of energy at various locations. MISO then directs each MISO Market participant whether to operate its generation facilities and determines the price of energy at each location for a particular time period.

SELECTED FINANCIAL DATA

The following financial data present selected information relating to the Company's financial condition and results of operations. The Balance Sheet data as of December 31, 2011 and 2010 and the Statement of Revenues and Expenses data for years ended December 31, 2011, 2010 and 2009 were derived from the Company's audited financial statements included in APPENDIX A. The Balance Sheet data as of December 31, 2009 and the Statement of Revenues and Expenses data for the years ended December 31, 2008 and 2007 were derived from the Company's audited financial statements for those years. The information shown below should be read in conjunction with the financial statements and the related notes thereto in Appendix A. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS."

BIG RIVERS
STATEMENT OF REVENUES AND EXPENSES
(dollars in thousands)

	Year Ended December 31, (Audited)				
	2011	2010	2009	2008	2007
Operating revenues:					
Member tariff electric energy revenues	$456,351	$432,100	$259,579	$114,513	$113,281
Other electric energy revenues	102,021[1]	82,390	67,151	90,006	148,611
Lease revenue	---	---	32,027	58,423	58,265
Other operating revenues	3,617	12,834	14,603	10,239	9,713
Total operating revenues	561,989	527,324	373,360	273,181	329,870
Operating expenses:					
Operations:					
Fuel for electric generation	226,229	207,749	80,655	---	---
Power purchased and interchanged	112,262	99,421	116,883	114,643	169,768
Production, excluding fuel	50,410	52,507	22,381	---	---
Transmission and other	39,085	35,273	35,444	28,600	27,196
Maintenance	47,718	46,880	29,820	4,258	4,240
Depreciation and amortization	35,407	34,242	32,485	31,041	30,632
Total operating expenses	511,111	476,072	317,668	178,542	231,836
Electric operating margins	50,878	51,252	55,692	94,639	98,034
Interest expense and other:					
Interest, net of capitalized interest	45,226	46,570	59,898	65,719	60,932
Interest on obligations related to long-term lease	---	---	---	6,991	9,919
Amort. of loss from termination of lease	---	---	2,172	811	---
Income tax expense	100	259	1,025	5,934	---
Other, net	220	166	112	123	103
Total interest expense and other	45,546	46,995	63,207	79,578	70,954
Operating margin before non-operating margin	5,332	4,257	(7,515)	15,061	27,080
Non-operating margin:					
Interest income on restricted investments under long-term lease	---	---	---	8,742	12,481
Gain on "Unwind" Transaction	---	---	537,978	---	---
Interest income and other	268	2,734	867	4,013	7,616
Total non-operating margin	268	2,734	538,845	12,755	20,097
Net margin	$5,600	$6,991	$531,330	$ 27,816	$ 47,177

[1] Includes Domtar cogenerator backup power revenues.

BALANCE SHEET
(dollars in thousands)

	December 31, (Audited) 2011	2010	2009
Assets:			
Utility plant, net	$1,092,063	$1,091,566	$1,078,274
Restricted investments under long-term lease	–	–	–
Restricted Investments – Member rate mitigation	163,162	217,562	243,225
Other deposits and investments, at cost	5,911	5,473	5,342
Current Assets:			
Cash and cash equivalents	44,849	44,780	60,290
Accounts receivable	44,287	45,905	47,493
Fuel inventory	33,894	37,328	37,830
Non-fuel inventory	25,295	23,218	20,412
Prepaid expenses	4,217	2,502	3,233
Total current assets	152,542	153,733	169,258
Deferred loss–termination of sale-leaseback	–	–	–
Deferred charges and other	4,244	3,851	9,384
Total assets	$1,417,922	$1,472,185	$1,505,483
Equities (Deficit) and Liabilities:			
Capitalization:			
Equities (deficit)	$389,820	$386,575	$379,392
Long-term debt	714,254	809,623	834,367
Total capitalization	1,104,074	1,196,198	1,213,759
Current liabilities:			
Current maturities of long-term debt and obligations	72,145[2]	7,373	14,185
Notes payable	–	10,000	–
Purchased power payable	1,878	1,516	3,362
Accounts payable	28,446	29,782	30,657
Accrued expenses	10,380	10,627	9,864
Accrued interest	9,899	11,134	9,097
Total current liabilities	122,748	70,432	67,165
Deferred credits and other:			
Regulatory liabilities – Member rate mitigation	169,001	185,893	207,348
Other	22,099	19,662	17,211
Total deferred credits and other	191,100	205,555	224,559
Total equities and liabilities	$1,417,922	$1,472,185	$1,505,483

[2] Includes $60 million due to the RUS by October 1, 2012, that the Company intends to refinance with the proceeds of certain bank loans.

CAPITALIZATION

The Company's capitalization derived from the financial statements included in APPENDIX A is as follows:

	December 31, (Audited) 2011
	(in thousands)
Long-Term debt:	
Secured by the Mortgage Indenture:	
RUS Series A Note	$521,250
RUS Series B Note	123,049
1983 Series Pollution Control Bonds	58,800
2001A Series Pollution Control Bonds	83,300
Total long-term debt	$786,399
Less: current portion	72,145[3]
Total long-term debt, excluding current portion	714,254
Equity:	
Accumulated Margins	397,098
Other Equities and Accumulated Other Comprehensive Income	(7,278)
Total Equities	$389,820
Total capitalization	$1,104,074

[Remainder of page intentionally left blank]

3 Includes $60 million due to the RUS by October 1, 2012, that the Company intends to refinance with the proceeds of certain bank loans.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Caution Regarding Forward Looking Statements

This Disclosure Statement contains forward-looking statements regarding matters that could have an impact on the Company's business, financial condition and future operations. These include statements regarding expected capital expenditures, sales to Members, and liquidity and capital resources. Some forward-looking statements can be identified by use of terms such as "may," "will," "expects," "anticipates," "believes," "intends," "projects," "plans," or similar terms. These forward-looking statements, based on the Company's expectations and estimates, are not guarantees of future performance and are subject to risks, uncertainties, and other factors that could cause actual events or results to differ materially from those expressed in these statements. These risks, uncertainties, and other factors include, but are not limited to, general business conditions, changes in demand for power, federal and state legislative and regulatory actions and legal and administrative proceedings, changes in and compliance with environmental laws and policies, weather conditions, the cost of commodities used in Big Rivers' industry and unanticipated changes in operating expenses, capital expenditures and tax liabilities. Some of the factors that could cause the Company's actual results to differ from those anticipated by these forward-looking statements are described under the caption "RATE AND ENVIRONMENTAL REGULATIONS." Any forward-looking statement speaks only as of the date on which the statement is made, and the Company undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which the statement is made even if new information becomes available or other events occur in the future.

Executive Overview

Under the Unwind, the Company obligated itself to reduce the maximum permitted balances of its RUS Series A Note by $60.0 million on October 1, 2012 and $200.0 million on January 1, 2016. The Company expects to meet these obligations through the issuance of long-term debt. The Company also has significant projected capital expenditures including approximately $283.5 million in pollution control expenditures in order to keep its coal-fired units in compliance with various EPA standards. Big Rivers sought KPSC approval for its 2012 environmental compliance plan ("ECP") in an April 2012 filing. Big Rivers expects to finance the costs of the ECP using an unsecured line of credit as bridge financing to permanent, long-term financing. The Company also has a $50.0 million unsecured revolving credit agreement with CoBank ACB ("CoBank") that expires July 16, 2012, that it is seeking to renew for a five year term as described below.

The Company has entered into letters of intent with CoBank and the National Rural Utilities Cooperative Finance Corporation ("CFC"). Big Rivers will borrow $235 million from CoBank in the form of a secured term loan. Also, Big Rivers will enter into an unsecured revolving credit agreement with CoBank to replace its current revolving credit agreement with CoBank. Big Rivers will borrow $302 million from CFC under a secured term loan. On July 2, 2012 Big Rivers borrowed $25 million under the existing CFC revolving credit agreement and prepaid that amount on the RUS Series A Note. Big Rivers plans to repay this borrowing in connection with the closing of the bank loans. The proceeds of both the CFC and the CoBank loans will be used primarily to prepay a portion of the RUS Series A Note. It is expected that the application of the prepayment, together with the use of a portion of the proceeds of the CFC and the CoBank loans will result in the reduction of the maximum debt balance on the RUS Series A Note from $561.6 million to $84.6 million. A portion of the CoBank loan will also be used to replenish the Transition Reserve investment account in the amount of $35 million. Big Rivers expects to use a combination of loan proceeds, cash flows from operations, secured debt offerings in the public debt market and/or loans from the Federal Financing Bank ("FFB") guaranteed by RUS to finance its operating costs and its capital expenditures, including the ECP, through 2015.

On March 28, 2012, Big Rivers filed an application to the KPSC seeking approval to issue both secured and unsecured debt in connection with the CoBank and the CFC loans. The application was approved May 25, 2012, and Big Rivers plans to close the loans July 27, 2012. Since the closing is not scheduled until later this month, the Company and CoBank have extended the term of the expiring CoBank revolving credit agreement for a period of six months.

The Company is currently forecasting a MFI Ratio (as defined herein under the caption "Cooperative Operations – Coverage Ratio") of 1.10 for 2012, as required by the Indenture dated as of July 1, 2009, as supplemented and amended (the "Mortgage Indenture"), which MFI Ratio will result in net margins of $4.5 million. During the year ended December 31, 2011, Big Rivers achieved net margins of approximately $5.6 million and the MFI Ratio was 1.12.

Critical Accounting Policies

General

The Company prepares its financial statements in conformity with accounting principles generally accepted in the United States. Management exercises judgment in the selection and application of these principles, including making certain estimates and assumptions that impact the Company's results of operations and the amount of its total assets and liabilities reported in the Company's financial statements. The Company considers critical accounting policies to be those policies that, when applied by management under a particular set of assumptions or conditions, could materially impact the Company's financial results if such assumptions or conditions were different than those considered by management. Set forth below are certain accounting policies that are considered by management to be critical and to possibly involve significant risk, which means that they typically require difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Other significant accounting policies and recently issued accounting standards are discussed in Note One – "Significant Accounting Policies" of Notes to Financial Statements in APPENDIX A.

Use of Accounting Policies and Estimates

The application of accounting policies and estimates is a continuing process. As the Company's operations change and accounting guidance evolve, its accounting policies and estimates may be revised. The Company has identified a number of critical accounting policies and estimates that require significant judgments. The Company bases its judgments and estimates on experience and various other assumptions that the Company believes are reasonable at the time of application. The Company's judgments and estimates may change as time passes and more information about the environment in which it operates becomes available. If actual results are different than the estimated amounts recorded, adjustments are made taking the new information into consideration. The Company discusses its critical accounting policies, significant estimates and other certain accounting policies with the Board of Directors, as appropriate. The Company's critical accounting policies and significant estimates are discussed below.

Regulatory Accounting

The Company's accrual basis accounting policies follow the Uniform System of Accounts as prescribed by RUS Bulletin 1767B-1, as adopted by the KPSC. These regulatory agencies retain authority over the Company and periodically issue orders and instructions on various accounting and ratemaking matters. The Company's operations meet the criteria for application of regulatory accounting treatment. As a result, the Company records approved regulatory assets and liabilities that result from the regulated ratemaking process that would not ordinarily be recorded under Generally Accepted Accounting Principles. The Company had no Regulatory Assets at December 31, 2011 and the Company's Regulatory Liabilities were $169.0 million. Regulatory assets generally represent incurred costs that have been deferred because such costs are probable of future recovery in Member rates. Regulatory liabilities generally represent amounts established by the Company's regulator to mitigate the net effect on the Members of fuel and environmental surcharges and surcredits. These amounts are recorded in revenue as the underlying fuel and environmental costs are incurred. The Company continually assesses whether any regulatory account it has is probable of future recovery or refund by considering factors such as applicable regulatory environment changes, historical regulatory treatment for similar costs, recent rate orders to other regulated entities and the status of any pending or potential legislation. Based on this continual assessment, the Company believes its existing regulatory liabilities are probable of future refund. This assessment reflects the current political and regulatory climate at the state level, and is subject to change in the future. If future recovery of a regulatory asset or refund of a regulatory liability ceases to be probable, the asset or liability write-off would be recognized in operating income.

Revenue Recognition

Revenues on sales of electricity are recognized as earned when the electricity is provided. Revenues under the wholesale power contracts for sales to Members including the Smelter Agreements are based on month-end meter readings and billed the month following the month of service.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as of December 31, 2011.

Accounting for Loss Contingencies

The Company is involved in certain legal and environmental matters that arise in the normal course of business. In the preparation of its financial statements, the Company makes judgments regarding the future outcome of contingent events and records a loss contingency when it is determined that it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Company regularly reviews current information available to determine whether any such accruals should be adjusted and whether new accruals are required. Contingent liabilities are often resolved over long periods of time. Amounts recorded in the financial statements may differ from the actual outcome once the contingency is resolved, which could have a material impact on the Company's future operating results, financial position or cash flows. The Company had no contingent matters requiring accrual at December 31, 2011.

Depreciation of Utility Plant

Utility plant is recorded at original cost. Replacements of depreciable property units are also charged to utility plant. Replacements of minor items of property are charged to maintenance expense. The Company performed a depreciation study in 1998 that resulted in depreciation rates based on extended remaining service lives. Depreciation of utility plant is recorded using the straight-line method and rates based on the estimated remaining years of service determined by such study. This study, which significantly reduced depreciation expenses, was approved by the KPSC and the RUS in 1998 and made effective as of July 1, 1998. These depreciation rates remained in effect up to December 1, 2011.

On March 1, 2011, the Company filed a new depreciation study with the KPSC as part of a request for approval of an increase in member rates. The new depreciation study, which was approved by the KPSC in its order dated November 17, 2011, resulted in an 11% increase in depreciation expense and became effective December 1, 2011.

Accounting for Income Taxes

The Company was formed in 1961 as a tax exempt cooperative under section 501(c)(12) of the Internal Revenue Code. To retain exempt status, at least 85% of the Company's receipts must be generated from transactions with the Members. In 1983, sales to Members did not meet the 85% requirement due to sales to Non-Members. Since 1983, the Internal Revenue Service ("IRS") considers the Company a taxable organization. Beginning with 2010, post-Unwind, the Company believes that its sales to Members satisfy the 85% requirement and the Company now could qualify for exempt status. In order to qualify for exempt status the Company would need to apply to the IRS. The Company has no current intentions of applying for exempt status. The Company is also subject to Kentucky income tax.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the book basis and tax basis of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse, be recovered or be settled. The probability of realizing deferred tax assets in the future is based on forecasts of future taxable income and the use of tax planning that could impact the Company's ability to realize deferred tax assets. If future utilization of deferred tax assets is uncertain, a valuation allowance may be recorded against them.

In assessing the likelihood of realization of its deferred tax assets, the Company considers estimates of the amount and character, patronage or non-patronage, of future taxable income. Actual income taxes could vary from estimated amounts due to the impacts of various items, including changes in income tax laws, the Company's forecasted financial condition and results of operations in future periods, as well as results of audits and examinations of filed tax returns by taxing authorities. Although the Company believes its assessment of its income tax estimates are reasonable, actual results could differ from the estimates.

At December 31, 2011, the Company reported deferred tax assets of $53.9 million, of which $12.8 million related to net operating losses and $19.7 million related to the RUS Series B Note. At December 31, 2011, accrued net operating losses totaled $32.4 million, expiring at various times between years 2011 and 2031. Additionally, at December 31, 2011, the Company reported deferred tax liabilities of $9 thousand resulting from pollution control bond refunding costs.

Pension and Other Postretirement Benefits

The Company has noncontributory defined benefit pension plans covering approximately 100 of its 627 member work force. The salaried employees defined benefit pension plan was closed to new entrants effective January 1, 2008, and the bargaining employees defined benefit pension plan was closed to new hires effective November 1, 2008. For those not covered in the defined benefit plans, the Company established base contribution accounts in the defined contribution thrift and 401(k) savings plans, which were renamed the retirement savings plans. The base contribution account is funded by employer contributions based on graduated percentages of the employee's pay, depending on age.

The Company also provides certain postretirement medical benefits for retired employees and their spouses. Generally, except for retirees who were part of the generation union, the Company pays 85% of the premium cost for all retirees age 62 to age 65. It pays 25% of the premium cost for spouses under age 62. For salaried retirees age 55 to age 62, the Company 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, the Company 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 100% of the premium cost for the retiree and spouse.

The calculations of defined benefit pension expenses, other postretirement benefit expenses, and pension and other postretirement benefit liabilities, require the use of assumptions. Changes in these assumptions can result in different expenses and reported liability amounts, and future actual experience can differ from the assumptions. The Company believes the most critical assumptions are the expected long-term rate of return on plan assets and the assumed discount rate. Additionally, medical and prescription drug cost trend rate assumptions are critical in estimating other postretirement benefits.

Funding requirements for defined benefit pension plans are determined by government regulations. The Company's defined benefit pension plans are fully funded for the purposes of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Company has made additional voluntary contributions. At December 31, 2011, for the defined benefit pension plans, the fair value of plan assets exceeded the present value of the accumulated benefit obligation by $2.5 million. The Company funds it's other postretirement benefit plan obligations on a pay-as-you-go basis, on a cash basis as benefits are paid. No assets have been segregated and restricted to provide for the other postretirement benefits. At December 31, 2011, the present value of the projected benefit obligation for the other postretirement benefit plans was $18.0 million.

Cooperative Operations

Utility Margins

The Company operates its electric business on a not-for-profit basis and, accordingly, seeks to generate revenue sufficient to recover its cost of service and produce net margins sufficient to establish reasonable financial reserves, meet financial coverage requirements and accumulate additional equity as determined by the Board of Directors. Revenue in excess of expenses in any year is designated as net margins in the Company's Statements of Operations. The Company designates retained net margins in its Balance Sheets as patronage capital which it assigns to each of its patrons, including the Members, on the basis of its business with the Company. Any distributions of patronage capital are subject to the discretion of the Board of Directors and restrictions contained in the Mortgage Indenture. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE – Covenants."

Rate Structure

Under the wholesale power contracts, the Members pay the Company for all power and energy supplied at rates approved by the KPSC. The rates to all Members are bundled and include rates for capacity (also referred to as demand), energy, transmission, ancillary service and other special rates. In addition to the demand and energy rates, the Company has a fuel adjustment clause, an environmental surcharge clause, and a purchased power adjustment clause for purchased power not recovered in the fuel adjustment clause above a base amount under which it can increase or decrease charges to the Members based on the variance between the Company's actual cost and the cost included in its base rates. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS."

Coverage Ratio

Subject to any necessary regulatory approvals, such as KPSC approval and RUS approval, if required, the Mortgage Indenture requires the Company to establish and collect rates for the use or the sale of the output, capacity or service of its electric generation and transmission system which are reasonably expected to yield margins for interest, for the twelve-month period commencing with the effective date of the rates, equal to at least 1.10 times total interest charges on debt secured under the Mortgage Indenture during that twelve-month period (the "MFI Ratio"). The MFI Ratio is calculated by dividing the Margins for Interest for a period by the Interest Charges for such period. For the definition of "Margins for Interest" and "Interest Charges" see APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE – Covenants." A failure by the Company to actually achieve a 1.10 MFI Ratio will not itself constitute an Event of Default under the Mortgage Indenture. A failure to establish Rates reasonably expected to achieve a 1.10 MFI Ratio, however, will be an Event of Default if such failure continues for 30 days after the Company receives notice thereof from either the Indenture Trustee or the holders of not less than 20% in principal amount of the outstanding Mortgage Indenture Obligations, unless such failure results from the Company's inability to obtain regulatory approval. However, in order to issue additional Obligations under the Mortgage Indenture, the Company must certify that its MFI Ratio was at least 1.10 during the immediately preceding fiscal year (or, if the certification is made within 90 days of the end of a fiscal year, the second preceding fiscal year) or during any consecutive 12-month period within the 15 month period immediately preceding the request for the issuance of additional Mortgage Indenture Obligations. The 2011 net margins were $5.6 million and the MFI Ratio was 1.12.

Results of Operations

Sales to Members

Electric sales to the Members are made pursuant to wholesale power contracts with each Member. The table below sets forth the Sales to Members in MWhs for 2011, 2010 and 2009. The Smelter sales are shown both before and after the closing of the Unwind. Before the closing of the Unwind, the Company supplied only a small portion of the Smelters' needs. Since the Unwind, the Company supplies 850 MW of the Smelters' needs. The wholesale rate to Kenergy for the Smelters averaged $44.48 per MWh for 2011, $44.05 per MWh for 2010 and $46.22 per MWh for 2009.

Rural Member sales include residential and commercial loads. The 2011 rural Member sales reflect a .11 million MWh decline or a 4.44% decrease from 2010. This decline is attributable to the mild weather in 2011. The 2010 rural member sales reflect a .24 million MWh increase or a 10.71% increase from 2009 primarily due to the hot summer weather. Industrial Member sales were relatively flat over the three year period.

Smelter sales in 2011 were .50 million MWh or 7.87% higher than 2010. The increase is primarily due to restarting an idle potline at Century. Smelter sales in 2010 were 2.88 million MWh or 83.00% higher than 2009, reflecting a full year of post-Unwind sales.

	Sales to Members (in millions of MWhr)		
	2011	**2010**	**2009**
Rural Member	2.37	2.48	2.24
Industrial Member*	0.97	0.93	0.92
Smelter (Pre-Unwind)	0.00	0.00	0.58
Smelter (Post-Unwind)	6.85	6.35	2.89
	10.19	9.76	6.63

*Excludes Domtar cogeneration backup power.

Sales to Non-Members

The table below sets forth the Sales to Non-Members in megawatt-hours for 2011, 2010 and 2009. After the closing of the Unwind on July 16, 2009, the Company had access to all of the generation available from its production assets, which enabled it to sell any excess on the open market. The excess generation was sold in the market to third parties. Non-Member sales in 2011 reflect a .85 million MWh or 38.46% increase from 2010 due to a full year of MISO membership. The 2010 Non-Member sales are 1.04 million MWh or 88.89% higher than 2009, reflective of a full year of post-Unwind operations.

Sales to Non-Members
(in millions of MWhr)

	2011	**2010**	**2009**
Non-Member.............................	3.06	2.21	1.17

*Includes Domtar cogeneration backup power.

Other Revenue

The table below sets forth the Other Revenue for 2011, 2010 and 2009. After the closing of the Unwind on July 16, 2009, the lease payments from E.ON for the Company's generation assets were terminated, resulting in a decrease of $32.0 million in 2010. In December 2010, Big Rivers became a member of MISO. As a result, other operating revenue declined in the subsequent year. Other operating revenue in 2011 was $9.2 million or 71.82% lower than 2010 due to the first full year of MISO membership. Prior to MISO membership, other operating revenue was an equal off-set to certain related operating expenses below. Increases and decreases were due to changes in transmission revenue from the Company's internal Non-Member energy services departmental activities. Since entrance into MISO, other operating revenue provides only a partial offset to the related operating expenses.

Other Revenue
(in thousands)

	2011	**2010**	**2009**
Lease revenue...........................	---	---	$32,027
Other operating revenue............	$3,617	$12,834	14,603
	$3,617	$12,834	$46,630

Operating Expenses

The table below sets forth the Operating Expenses for 2011, 2010 and 2009. Fuel, production and maintenance expenses in 2011 were $17.2 million or 5.61% higher than in 2010. Higher fuel expense resulting from increased generation and higher fuel pricing was the primary driver. These expenses were $174.3 million or 131.18% higher in 2010 than in 2009 due to the first full year of post-Unwind operation. After the closing of the Unwind on July 16, 2009, the Company became responsible for the operating expenses for the generating fleet. The 2011 power purchased was $12.8 million or 12.92% higher than 2010 as a result of the first full year of MISO membership. The 2010 power purchased was $17.5 million or 14.94% lower than in 2009. Prior to the Unwind, the Company purchased all of its power while post-Unwind the Company primarily purchased replacement power. Transmission expenses for 2011 were $3.81 million or 10.81% higher than 2010 as a result of the first full year of membership fees due to membership in MISO. Depreciation expense increased during the last 3 years as a result of a higher capital balance being depreciated.

Operating Expenses
(in thousands)

	2011	2010	2009
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	35,407	34,242	32,485
	$511,111	$476,072	$317,668

Interest and Other Charges

The table below sets forth Interest and Other Charges for 2011, 2010 and 2009. The Company paid RUS $140.2 million at closing of the Unwind, which served to decrease the Company's interest expense going forward. The Company continued to make debt service payments in 2010 and 2011, including utilizing the $35 million from the Transition Reserve to prepay the RUS Series A Note in 2011.

Interest and Other Charges
(in thousands)

	2011	2010	2009
Interest, net of capitalized interest	$45,226	$46,570	$59,898
Amort. of loss from termination of lease	-	-	2,172
Income tax expense	100	259	1,025
Other, net	220	166	112
	$45,546	$46,995	$63,207

Operating Margin

The table below sets forth the Operating Margin for 2011, 2010 and 2009. Operating Margin for 2011 was $1.1 million or 25.25% higher than 2010. During 2011 the KPSC issued an order approving an increase in Member base electric rates resulting in a 6.19% increase in total Member revenue. The increase was effective as of September 1, 2011. During 2011 Big Rivers also completed its first full year of membership with MISO. The MISO administration fees largely offset the increase in net sales margin in 2011. Operating Margin for 2010 was $11.8 million higher than 2009. After the closing of the Unwind on July 16, 2009, a major 8.5 week planned outage for the D.B. Wilson Unit No. 1 Plant ("Wilson Plant")was completed in the fall. This expense, coupled with lower Member sales due to the weather, resulted in the lower operating margin in 2009 versus 2010.

Operating Margin
(in thousands)

	2011	2010	2009
Operating Margin	$5,332	$4,257	$(7,515)

Non-Operating Margin

The table below sets forth the amount of Non-Operating Margins for 2011, 2010 and 2009. The Non-Operating Margin in 2011 included interest income and patronage allocations. In addition to interest income and patronage allocations, the Non-Operating Margin in 2010 also included a write-off of the reserve for obsolescence that was established for certain materials and supplies inventory upon the Unwind closing. The Non-Operating Margin in 2009 resulted predominantly from the closing of the Unwind.

Non-Operating Margin
(in thousands)

	2011	2010	2009
Gain on Unwind	-	-	$537,978
Interest income and other	268	$2,734	867
	$268	$2,734	$538,845

Net Margin

The 2011 net margin was $1.4 million or 19.90% lower than 2010. Three items account for the majority of the decline in 2011 net margin. First, 2011 reflects an additional expense of $4.6 million related to a full year of MISO membership fees. Second, following a thorough analysis during 2010, the balance of the reserve for obsolescence that was established for certain materials and supplies inventory upon the Unwind closing was written off, resulting in a positive impact of $1.9 million to the 2010 net margin. Third, largely offsetting the unfavorable expense variance is a $5.0 million increase in net sales margin (electric sales revenue less variable cost) in 2011. This is principally due to the Member rate increase and higher Smelter and off-system sales volumes in 2011, largely offset by lower market pricing in off-system sales.

The 2010 net margin was $524.3 or 98.68% lower than 2009. While the 2009 net margin was $531.3 million, when the one-time $538 million Unwind gain is excluded, 2009 reflected a $6.6 million loss. There are three items that explain the majority of the $13.6 million net improvement, excluding Unwind gain, in the 2010 net margin. First, interest expense reflected a $16.2 million favorable variance, primarily due to a $222.1 million reduction in long-term debt since 2008. Second, the balance of the reserve for obsolescence that was previously discussed was written off, resulting in a non-operating margin of $1.9 million. Third, electric operating margin reflected a $4.4 million unfavorable variance for the first full year of post-Unwind operations, principally due to a depressed market price for off-system sales.

Net Margin
(in thousands)

	2011	2010	2009
Net Margin....................................	$5,600	$6,991	$531,330

Financial Condition

As of December 31, 2011 compared to December 31, 2010

The Company's total assets decreased $54.3 million, to $1,417.9 million as of December 31, 2011, from $1,472.2 million as of December 31, 2010. The primary reasons are that in 2011 Big Rivers used $35 million from the Transition Reserve to prepay a portion of its RUS Series A Note, and the continuing use of the Economic Reserve to mitigate the non-smelter member rate impact stemming from the fuel adjustment clause and the environmental surcharge. Regarding long-term debt, a $60 million bullet payment on the RUS Series A Note is due by October 1, 2012 and was reclassified from long-term debt to current maturities in the balance sheet. As a result, working capital at December 31, 2011, decreased $53.5 million and long-term obligations decreased by $95.3 million from 2010 primarily due to the debt prepayment and current maturities. The Company will refinance the payment relating to the RUS Series A Note with the proceeds of a bank loan.

Operating revenues for the year ended December 31, 2011, were $34.7 million higher than the year ended December 31, 2010, as a result of a combination of off-system sales, Century restarting a potline, and the Member base rate increase effective September 1, 2011. Operating expenses for 2011 increased to $511.1 as compared to $476.1 in 2010. Additional fuel expenses resulting from increased generation and higher fuel pricing was the primary driver. Net margins were $5.6 million in 2011, a $1.4 million decline from 2010 primarily due to a full year of MISO membership fees, largely offset by the improved net sales margin (electric sales revenues less variable costs) resulting from the Member base rate increase.

As of December 31, 2010 compared to December 31, 2009

The Company's total assets decreased to $1,472.2 million as of December 31, 2010, from $1,505.5 million as of December 31, 2009, reflecting a voluntary prepayment of $23.9 million in 2010 on the RUS Series A Note, which the Company has since clawed back by avoiding quarterly debt service payments. As a result, working capital at December 31, 2010, decreased $18.8 million and long-term obligations decreased by $24.8 million from 2009.

Operating revenues for the year ended December 31, 2010, were $153.9 million higher than the year ended December 31, 2009, as a result of the first full year of operation after the Unwind. Operating expenses for 2010 increased to $476.1 as compared to $317.7 in 2009, also the result of the first full year of operation after the Unwind. Net margins were $7.0 million in 2010, a $524.3 million decline from 2009 resulting from the $538 million gain recorded in 2009 due to the July 16, 2009, Unwind closing.

As of December 31, 2009 compared to December 31, 2008

The Company's total assets increased to $1,505.5 million as of December 31, 2009, from $1,074.4 million as of December 31, 2008, reflecting cash and other compensation it received in connection with the Unwind. Working capital at December 31, 2009 increased $119.6 million from that of 2008 as a result of the Unwind. The Company's long-term obligations decreased by $153.0 million primarily reflecting the payment of $140.2 million on its 5.75% RUS Series A Note on the closing date of the Unwind. The Company's equity increased to $379.4 million as of December 31, 2009, from $(154.6) million as of December 31, 2008, again reflecting compensation to the Company in connection with the Unwind.

Operating revenues for the year ended December 31, 2009 were $373.4 million as compared to $273.2 million for the year ended December 31, 2008 as a result of the increase in sales to the Smelters after the Unwind Operating expenses for 2009 increased to $317.7 million as compared to $178.5 million in 2008 as a result of increases in fuel, production, transmission and maintenance expenses after the Unwind. Net margins were $531.3 million in 2009 compared to $27.8 million in 2008, primarily a result of the Unwind.

Liquidity and Capital Resources

At December 31, 2011, the Company held cash and cash equivalents of approximately $44.8 million. The Company expects to rely upon its cash flows from operations and existing cash and cash equivalents, revolving credit agreements, and loan proceeds to fund its operating costs and capital requirements during 2012.

In July 2009, the Company entered into a three year, $50.0 million unsecured revolving credit agreement with CoBank. The CoBank credit agreement may be used for capital expenditures and general corporate purposes. On April 30, 2012, the Company had no outstanding amount under the CoBank credit agreement. Since the closing on its new revolving credit agreement with CoBank is not scheduled until later this month, the Company has recently extended this facility until January 16, 2013. This agreement will be replaced with a similar CoBank revolving credit agreement with a five year term discussed under "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Executive Overview."

In July 2009, the Company entered into a five year, $50.0 million unsecured revolving credit facility with CFC. The CFC credit agreement may be used for capital expenditures, general corporate purposes or the issuance of letters of credit. As of April 30, 2012, letters of credit in the aggregate amount of $6.8 million were outstanding under the CFC credit agreement. The Company recently drew down $25 million under this facility and applied it to a portion of the $60.0 million reduction in the maximum permitted balances of the RUS Series A Note due on October 1, 2012. The Company plans to repay this borrowing in connection with the closing of the bank loans under "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Executive Overview."

Amounts available under these revolving credit facilities are accessible should there be a need for additional short-term financing. The Company expects that a combination of loan proceeds, cash flows from operations, the existing cash and cash equivalents balance, revolving credit agreements and secured debt offerings in the public debt market and/or RUS-guaranteed loans from the FFB will be sufficient to fund its operating costs and capital requirements during 2012 through 2015.

For a discussion of financing for the Company's projected capital expenditures, see "*Budgeted Capital Expenditures of Big Rivers Electric Corporation*" and "*Capital Requirements*" below.

Budgeted Capital Expenditures of Big Rivers Electric Corporation

The Company annually budgets expenditures required for additional electric generation and transmission facilities and capital for enhancement of existing facilities. The Company reviews these projections frequently in order to update its calculations to reflect changes in future plans, construction costs, market factors and other items affecting its forecasts. The actual capital expenditures could vary significantly from the budget because of unforeseen construction, changes in resource requirements, changes in actual or forecasted load growth or other issues. The Company's 2012 approved budget for capital expenditures, excluding the City's share of Station Two and capitalized interest, is $82.6 million. The Company's long range capital plan details actual and projected construction requirements and system upgrades of approximately $550.4 million, excluding the City's share of Station Two and capitalized interest, for the years 2012 through 2015 as follows:

Budgeted Capital Expenditures*

	2012	2013	2014	2015	Total
Environmental Additions	$13,894,230	$100,464,745	$130,000,000	$70,000,000	$314,358,975
Transmission	11,998,799	6,266,285	5,266,884	2,170,387	25,702,355
Generation	52,359,189	50,672,121	50,740,554	41,554,812	195,326,676
Administration	4,374,393	2,210,864	6,491,000	1,962,164	15,038,421
	$82,626,611	$159,614,015	$192,498,438	$115,687,363	$550,426,427

**Excludes the City's share of Station Two and capitalized interest.*

Some of the more significant capital investments in generation and environmental additions that are represented in the table above for each year are as follows:

For 2012, major capital investments in the budget include $13.9 million on Cross-State Air Pollution Rule ("CSAPR") and Mercury and Other Air Toxins ("MATS") related assets for environmental compliance; $4.5 million for the Robert D. Green Plant ("Green Plant") Units No. 1 and 2 FGD refurbishment project; $3.0 million for the finishing superheater project and $3.0 million for the secondary air heater project at the Wilson Plant; $2.5 million is included for the Coleman Plant Unit No. 1 hot reheat section tube replacement. Additionally, transmission expenditures include the two-way radio project budgeted for $2.8 million and the White Oak substation project for $2.5 million.;

In 2013, major capital investments in the budget include $100.5 million on continued costs related to the CSAPR and MATS projects to meet environmental standards; $2.8 million for the continuation of the White Oak substation relating to transmission; $2.8 million for continued costs on the Green Plant Units No. 1 and 2 FGD refurbishment project; $2.5 million for the Wilson Plant burner replacement project. Additionally, the Coleman Plant had 3 major projects: $2.0 million for the water treatment facility dike elevation, $2.0 million for the Coleman Unit No. 2 primary superheater and $2.5 million for the Coleman Unit No. 2 hot reheat tube replacement.

For 2014 and 2015, the major emphasis of capital spending in the budget will be the environmental projects relating to the CSAPR and MATS. Budgeted spending for these environmental projects will be $130.0 million in 2014 and $70.0 million in 2015.

Big Rivers expects to spend approximately $283.5 million from 2012 thru 2016 for projects identified in its 2012 ECP submitted to the KPSC on April 2, 2012. Major components of this plan include replacement of the FGD system at the Wilson Plant and installation of selective catalytic reduction ("SCR") equipment at Green Plant Unit No. 2.

Historically, RUS loan guarantees have provided the principal source of financing for generation and transmission cooperatives. The availability and magnitude of RUS-guaranteed loan funds are subject to annual federal budget appropriations and thus cannot be assured. Currently, RUS-guaranteed loan funds are subject to increased uncertainty because of budgetary and political pressures faced by Congress. The President's budget proposal for fiscal year 2013 provides for $6.1 billion in loans – a reduction of less than 10% from 2012 levels. Not more than $2 billion could be made available for environmental improvements to fossil-fueled generation that would reduce emissions, with the remaining funding limited to renewable energy, transmission, distribution and carbon-capture projects on generation facilities, and low emission peaking units affiliated with energy facilities that produce electricity from solar, wind and other intermittent sources of energy. Although Congress has historically rejected proposals to dramatically curtail the RUS loan program, there can be no assurance that it will continue to do so. Because of these factors, the Company cannot predict the amount or cost of RUS-guaranteed loans that may be available to it in the future. In addition, RUS has a moratorium on any loans for new base load coal or nuclear generation. The Company also seeks borrowing opportunities to issue secured debt in the public market, private and public, including tax-exempt bond financing, and borrowing from banks.

Capital Requirements

The Company expects to finance substantially all of its projected capital expenditures for the years 2012 through 2015 with a combination of loan proceeds, internally generated funds, revolving credit agreements, secured debt offerings in the capital market and/or RUS-guaranteed loans.

Debt and Lease Obligations

Big Rivers' long-term debt totaling $786.4 million as of December 31, 2011 is detailed in Note 4 (Debt and Other Long-Term Obligations) of the audited financial statements included in APPENDIX A. Outstanding debt consists of the RUS Series A Note ($521.3 million), the RUS Series B Note ($123.0 million), and two pollution control issues (totaling $142.1 million) as described below.

The Company has outstanding $58.8 million County of Ohio, Kentucky Pollution Control Refunding Bonds, Series 1983 (Big Rivers Electric Corporation Project) (the "Series 1983 Bonds"), which bear interest at a variable rate. Currently, the Series 1983 Bonds are being held as bank bonds by the liquidity provider, bearing an interest rate of 3.25%, as the remarketing agent has been unsuccessful at marketing them at the prescribed maximum rate, 120% of the variable rate index. The Company also has outstanding $83.3 million County of Ohio, Kentucky Pollution Control Refunding Revenue Bonds (Big Rivers Corporation Project), Series 2010 Bonds which bear interest at a fixed interest rate of 6% per annum.

The scheduled maturities of the Company's long-term debt at December 31, 2011 were as follows:

Payments Due by Period

	Total	2012	2013	2014 (in millions)	2015	Thereafter
Long-Term Debt(1)(2)	$786.4	$72.1	$79.3	$21.7	$23.0	$590.3

(1) In the operation of its business the Company has various other contracts for the purchase of electricity that are not included in the table above but are described elsewhere herein. For a discussion of the Company's long-term power purchase obligations, see "GENERATION AND TRANSMISSION ASSETS – Other Power Supply Resources."

(2) Payments do not reflect the planned prepayment of the RUS Series A Note and the reduction of the maximum debt balance on such Note from $561,603,000 to $84,603,000 expected to take place on June 29, 2012.

Ratings Triggers

The Company's credit ratings as of the date of this Disclosure Statement are Baa1, stable outlook, from Moody's Investor Service ("Moody's"), BBB-, stable outlook, from Fitch Ratings ("Fitch") and BBB-, stable outlook, from Standard & Poor's Credit Market Services, a division of the McGraw-Hill Companies ("S&P").

Under the loan agreement with RUS, if the Company fails to maintain two investment grade credit ratings, it must notify RUS in writing to that effect within five days after becoming aware of such failure. Next, within 30 days of the date of failing to maintain two investment grade credit ratings, the Company must, in consultation with RUS, provide a written plan satisfactory to the RUS setting forth the actions that will be taken that are reasonably expected to achieve two investment grade credit ratings. Before the Company would be impacted by this restriction, both Fitch and S&P would have to downgrade it one rating step. In the case of Moody's, its rating would have to be lowered three rating steps coupled with at least one rating downgrade from Fitch or S&P.

A change in the Company's credit rating also would have an impact on the current CoBank revolving credit agreement. This agreement contains an adjustment to the annual fees and interest rate paid on any advances based on Big Rivers' existing credit rating. An improvement in the credit rating would lower the Company's cost and a deterioration in the Company's credit rating would increase its cost under this agreement. This agreement allows the Company to utilize its highest unsecured credit rating in setting fees and interest rates. Currently, Moody's is the Company's highest secured credit rating and sets the costs under this agreement at the rating level equal to one notch lower. A one-step downgrade by Moody's would result in a .0250% increase in the unused fee and a .50% increase in the interest rate margin.

RATE AND ENVIRONMENTAL REGULATIONS

General

Many aspects of the Company's business are subject to a complex set of energy, environmental and other governmental laws and regulations at the federal, state and local level.

Kentucky Rate Regulation

The KPSC regulates the Company's rates for the sale of wholesale power to the Members. Among other things, Kentucky law authorizes the KPSC to (i) approve the Company's rates on a "fair, just and reasonable" standard, (ii) regulate the Company's construction of new generation and transmission facilities by issuing certificates of public convenience and necessity, (iii) approve changes in ownership or control of the Company through sales of assets or otherwise, (iv) approve the issuance or assumption of securities or evidence of indebtedness, other than to RUS, and (v) administer the state laws assigning each jurisdictional electric utility the exclusive right to provide electric service within specified geographic boundaries.

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 $26.7 million. After several appeals and procedural events, this case is back before the KPSC for rehearing on four issues raised by Big Rivers, and three issues raised by an intervenor. The intervenor in the case seeks, among other things, an approximate $6.2 million reduction in the revenue relief granted in the order in connection with the depreciation study, and will presumably ask that any relief obtained be retroactive to the effective date of the rates approved in the order (September 1, 2011). The matters raised by Big Rivers on rehearing could increase Big Rivers' annual revenue by $2.7 million.

On March 28, 2012, Big Rivers submitted its application to the KPSC seeking approval to issue a term note secured under the Indenture to CoBank in the amount of $235 million, issue an unsecured note to CoBank in the amount of $50 million, issue a term note secured under the Indenture to CFC in the amount of $302 million and, in connection with the CFC term loan, to purchase interest bearing capital term certificates from CFC in the amount of approximately $43.2 million. The application with the KPSC was approved on May 25, 2012, and the planned closing date for these transactions with CoBank and CFC is June 29, 2012.

Big Rivers submitted an application on April 2, 2012, seeking KPSC approval for its 2012 ECP. This ECP will consist of $283.5 million of capital projects, primarily for a new scrubber at the Wilson Plant and a new SCR facility at the Green Plant, 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 EPA's rules for CSAPR and MATS.. Among other things, the ECP filing will seek to recover the costs of the ECP through the 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.

RUS Regulation

In addition to the KPSC's direct regulation of the Company, RUS has certain rights through its loan documents with the Company that impact its operations (i.e., RUS must consent to the construction of new facilities which are part of the electric system, certain sales or dispositions of property, the execution of certain types of contracts and the making of loans or investments).

Environmental Regulations

Big Rivers is subject to various federal, state and local laws, rules and regulations with regard to air quality, water quality, waste management and other environmental matters.

These laws, rules and regulations often require Big Rivers to undertake considerable efforts and substantial costs to obtain licenses, permits and approvals from various federal, state and local agencies. If Big Rivers fails to comply with these laws, regulations, licenses, permits or approvals, Big Rivers could be held civilly or criminally liable. Big Rivers' operations are subject to environmental laws and regulations that are complex, change frequently and have tended to become more stringent over time. An inability to comply with environmental standards could result in reduced operating levels or the complete shutdown of facilities that are not in compliance.

Federal, state and local standards and procedures that regulate the environmental impact of Big Rivers' operations are subject to change. These changes may arise from continuing legislative, regulatory and judicial actions regarding such standards and procedures. Consequently, there is no assurance that environmental regulations applicable to Big Rivers' facilities will not become materially more stringent, or that Big Rivers will always be able to obtain and renew all required operating permits. Big Rivers cannot predict at this time whether any additional legislation or rules will be enacted that will affect its operations, and if such laws or rules are enacted, what the cost to Big Rivers might be in the future because of such actions.

From time to time, Big Rivers may be alleged to be in violation of or in default under orders, statutes, rules, regulations, permits or compliance plans relating to the environment. From time to time, Big Rivers may be defending notices of violation, enforcement proceedings or challenges to draft or final construction or operating permits. In addition, Big Rivers may be involved in legal proceedings arising in the ordinary course of business.

Clean Air

Clean Air Act. The Clean Air Act, as amended (the "Clean Air Act"), regulates emissions of air pollutants, establishes national air quality standards for major pollutants, and requires permitting of both new and existing sources of air pollution. Many of the existing and proposed regulations under the Clean Air Act could have a disproportionate impact on coal-based power plants, in particular older plants such as Big Rivers', because older plants may not have originally been required to install the same pollution control equipment as newer facilities. On the other hand, as retrofits become available and feasible, the

Company may incur greater costs than competing generating sources to bring facilities up to current standards. Several of the Company's facilities have, in the past decade, been retrofitted with new pollution control equipment, including flue gas desulfurization and selective catalytic reduction equipment, in response to regulatory changes.

Acid Rain Program. The acid rain program requires nationwide reductions of SO_2 emissions using a cap-and-trade program reducing allowable emission rates and allocating emission allowances to power plants for SO_2 emissions based on historical or calculated levels. The Company has sufficient SO_2 allowances to comply for the foreseeable future according to the Company's modeled emissions and allowance allocations.

Cross-State Air Pollution Rule. On July 11, 2008, the United States Court of Appeals for the D.C. Circuit ("D.C. Circuit") vacated the Clean Air Interstate Rule ("CAIR"), which was promulgated by the EPA in March 2005 to reduce nitrogen oxides ("NO_x") and SO_2 air emissions that move across certain state boundaries, primarily in the eastern United States. The CAIR would have been applicable in 28 eastern states, including Kentucky. The D.C. Circuit remanded the CAIR to EPA to promulgate a rule that is consistent with the court's opinion. On December 23, 2008, the court held that the original CAIR program will remain in effect until EPA promulgates such a new regulation.

On July 6, 2010, EPA published a proposed rule, known as the Transport Rule, as the replacement to the CAIR. On July 7, 2011, EPA published the final rule, now known as CSAPR. The CSAPR requires 27 states in the eastern half of the United States, including Kentucky, to significantly improve air quality by reducing power plant emissions that cross state lines and contribute to ground-level ozone and fine particulate pollution in other states. The final rule maintains the January 1, 2012 and January 1, 2014 phase-in dates that were in the proposed Transport Rule. The CSAPR imposes tighter emissions caps than the proposed Transport Rule. The CSAPR emission limits may be further reduced as the EPA finalizes more restrictive ozone and particulate matter National Ambient Air Quality Standards ("NAAQS") in the 2012-2013 timeframe.

The CSAPR is being challenged in the D.C. Circuit. On December 30, 2011, the court granted a stay of the CSAPR and directed the EPA to continue the administration of CAIR program in the interim. The court subsequently ordered an expedited schedule and heard oral arguments in April 2012. It is unknown when the court will issue its decision on the merits, but under the expedited schedule, the decision may be issued in the next few months. Big Rivers is in compliance with the current version of CAIR, Big Rivers projects it will have to reduce SO_2 emissions approximately 50% during Phase 3 of CSAPR and NO_x annual emissions by 16%. Big Rivers filed the ECP with the KPSC on April 2, 2012. Included in the filing are projects to replace the FGD at Wilson Plant and install an SCR at Green Plant Unit No. 2. Big Rivers believes that these two projects, along with other minor improvements, should allow Big Rivers to comply with the emission reductions contemplated in the CSAPR. Big Rivers has not yet obtained the necessary regulatory approval of its plans or environmental permits for these projects.

Mercury. In May 2005, EPA issued the Clean Air Mercury Rule ("CAMR") to permanently cap and reduce mercury emissions from fossil-fuel-fired electric utility steam generating units. CAMR was expected to reduce utility emissions of mercury from 48 tons per year to 38 tons per year in 2010 then to 15 tons per year in 2018. On February 8, 2008, the D.C. Circuit vacated CAMR, and reinstated the status of mercury as a hazardous air pollutant under the Clean Air Act. The result of this decision is that mercury emissions from such generating units are subject to the more stringent requirements of maximum achievable control technology ("MACT") applicable to hazardous air pollutants. In resolution of the CAMR litigation, the EPA entered into a consent decree that requires it to publish final hazardous air pollutants regulations for emissions from fossil-fuel-fired electric utility steam generating units by November 15, 2011.

On February 16, 2012, the final rule to reduce emissions of toxic air pollutants from fossil-fuel-fired electric utility steam generating units and to revise the new source performance standards ("NSPS") for fossil-fuel-fired electric utility steam generating units was published. The final rule, known as the MATS rule, requires coal-fired electric generation plants to achieve high removal rates of mercury, acid gases and other metals from air emissions. To achieve these standards, coal units with no pollution control equipment installed (i.e., uncontrolled coal units) will have to make capital investments and incur higher operating expenses. Coal units with existing controls that do not meet the required standards may need to upgrade existing controls or add new controls to comply. The MATS rule requires generating stations to meet the new standards three years after the rule takes effect, with specific guidelines for an additional one or two years in limited cases. The rule took effect on April 16, 2012. Big Rivers also included plans in its ECP filing that would address the mercury reductions contained in MATS. Big Rivers plans on installing activated carbon and dry sorbent injection systems at its Wilson, Coleman and Green Plants to meet these emission reductions. Big Rivers has not yet obtained the necessary regulatory approval of its plans or environmental permits for these projects.

Multi-Pollutant Legislation. In recent years, bills proposing mandatory emission reductions of NO_x, SO_2 and mercury and in some cases, carbon dioxide ("CO_2"), from electric utilities, have been introduce to the United States Senate. The proposed emission reductions were ultimately more stringent than the emission controls under prior Clean Air Act regulatory programs, CAIR and CAMR. The Senate did not pass any of these bills, but similar bills could be introduced and considered in the future. The Company cannot predict whether it or similar multi-pollutant legislation will ultimately become law. As a result, it is too early to determine what impact, if any, such a law and any implementing regulations may have on the Company.

Regional Haze. On June 15, 2005, the EPA issued the Clean Air Visibility Rule, amending regulations governing visibility in national parks and wilderness areas throughout the United States. Under the amended rule, certain types of older sources may be required to install best available retrofit technology ("BART"). The amended rules could result in requirements for newer and cleaner technologies and additional controls for particulate matter ("PM"), SO_2 and NO_x emissions from utility sources. Under the Clean Air Visibility Rule, the states were required to develop regional haze plans as part of their state implementation plans ("SIPs"), and identify the facilities that would have to reduce emissions and then set BART emissions limits for those facilities.

Kentucky submitted its regional haze SIP revisions to EPA on June 25, 2008. Kentucky submitted revisions to its regional haze SIP revisions to EPA on May 28, 2010. On March 30, 2012, EPA issued a final rule concluding its review of Kentucky's regional haze SIP revisions. In that final rule, EPA issued a limited approval of the revisions, which results in approval of Kentucky's entire regional haze SIP and all the elements. The EPA also issued a limited disapproval of the SIP revisions to the extent that the revisions rely on the CAIR program to address the impact of emissions from Kentucky's fossil-fuel-fired electric utility steam generating units. The issuance of the limited disapproval provides EPA with the authority to issue a federal implementation plan ("FIP") at any time.

On December 30, 2011, EPA proposed to find that the trading program in the CSAPR would achieve greater reasonable progress towards visibility goals than would BART in the states in which CSAPR applies. Based on this proposed finding, EPA also proposed to revise the regional haze rule to allow states to substitute participation in the CSAPR trading programs for source-specific BART. In order to address the deficiencies in SIPs that rely on their participation in CAIR to satisfy certain regional haze requirements, EPA also proposed a FIP, which allow states to replace reliance on the CAIR requirements in those SIPs with reliance on the CSAPR as an alternative to BART. EPA has not taken final action on this proposed rule yet.

Under Kentucky's regional haze SIP, the Company's facilities are exempt from the requirement to install BART for SO_2, NO_x and PM emissions. The exemption for SO_2 and NO_x emissions is based on Kentucky's participation in the CAIR program. Because the CAIR program was invalidated, states cannot rely on their participation in the CAIR program as a substitute for meeting BART requirements. As discussed above, EPA has proposed to allow states subject to CSAPR to rely on their participation in the CSAPR trading programs to substitute source-specific BART. If that rule is not finalized, states, including Kentucky, may have to evaluate SO_2 and NO_x emissions from fossil-fuel-fired electric utility steam generating units, including Big Rivers' facilities. It is therefore possible that the Company will be required to install BART for SO_2 and NO_x emissions at certain facilities. The determination under the regional haze SIP to exempt the Company's facilities from BART for PM emissions was based on air quality modeling information submitted by the Company in May 2007. At that time, the modeling information showed that PM emissions from the Company's facilities were not contributing to regional haze at any Class I area.

National Ambient Air Quality Standards. The Clean Air Act also requires EPA to establish NAAQS for certain air pollutants. When a NAAQS has been established, each state must identify areas in its state that do not meet the EPA standard (known as "non-attainment areas") and develop regulatory measures in its SIP to reduce or control the emissions of that air pollutant in order to meet the standard and become an "attainment area." EPA is in the process of reviewing NAAQS for certain air pollutants that are emitted by power plants including NO_x, SO_2, ozone, and PM. When a stricter NAAQS is finalized and becomes effective, air pollution sources including power plants, could face stricter emission standards. The impact of any new standards under the NAAQS program will depend on the final federal regulations and resulting revisions to Kentucky's SIP, so Big Rivers cannot determine such impacts at this time.

Opacity. PM emissions from the Company's facilities have, in the past, resulted in notices of violation and occasional complaints from neighbors and local government agencies. The complaints have declined in recent years, following the installation of SCR and/or FGD air pollution controls at the Wilson Plant, the Green Plant, the Henderson Plant and the Coleman Plant. Even though there have been improvements in some of the emissions characteristics, plume opacity and other impacts may continue to arise in connection with the installation and the operation of the SCR and FGD controls. Additionally, the scrubbed units at the Green, Coleman and Wilson plants are "wet scrubbed" units with "wet stacks." A phenomenon commonly associated with wet scrubbers is the occasional and unexpected appearance of a visible plume that begins some distance after the exhaust exits the stack. The actual cause of the plume is unknown. The Company continues to monitor the occurrence of the plumes and address notices of violations or other agency actions as they arise. Although no material fines or penalties have been assessed against the Company, the Company has sought permit amendments to address this issue. It is possible that additional investment or pollution controls may be required to reduce these impacts.

New Source Review. In 1999-2000, the U.S. Justice Department, acting on behalf of the EPA, filed a number of complaints and notices of violation against multiple utilities across the country for alleged violations of the New Source Review ("NSR") provisions of the Clean Air Act. Generally, the government alleged that projects performed at various coal-fired units were major modifications, as defined in the Clean Air Act, and that the utilities violated the Clean Air Act when they undertook these projects without obtaining major source permits under the Prevention of Significant Deterioration ("PSD") and/or Title V programs. As part of the enforcement effort, the EPA also sent requests for information letters to numerous other utilities requesting extensive and detailed information on the repairs and modifications made by those utilities to their coal fired boilers. In 2000, WKE received an information request from EPA, when it was the operator of the facilities, and WKE submitted the requested information to EPA. To date, EPA has not requested any additional information.

In 2007, the U.S. Supreme Court upheld EPA's definition of a major modification as one that increases the actual annual emission of a pollutant from a facility above the actual average for the two prior years, and, under President Obama's administration, EPA has announced plans to enforce the NSR provisions. The Company cannot predict whether EPA or other governmental authorities will consider any of the past maintenance projects or capital improvements at its facilities to have violated NSR requirements as a result of the uncertain interpretation of this program and recent court decisions. If violations are established, the Company could be required to install new pollution control equipment in addition to the modifications that have already been completed or planned, and be liable for other payments or penalties.

Global Climate Change

CO_2, a major constituent of emissions from fossil-fuel combustion, and other greenhouse gases ("GHG") are generally believed to be linked to global warming resulting in climate change. Control of such emissions is the subject of debate in the United States, on local, state and national levels. In the United States, no federal legislation limiting GHG emissions has yet been enacted, but there have been significant developments relating to monitoring and regulation of GHG emissions by EPA, certain state governments and regional governmental organizations. In addition, the United States Congress is considering federal legislation that could impose a cap-and-trade system or other measures to reduce GHG emissions, such as carbon tax.

EPA Regulatory Action under the Clean Air Act

On April 2, 2007, the United States Supreme Court issued a decision in Massachusetts v. EPA holding that EPA has the authority to regulate GHG emissions under the Clean Air Act. Air pollutants, including GHGs, which are regulated by actually controlling emissions under any Clean Air Act program, must be taken into account when considering permits issued under other programs, such as the PSD Permit Program or the Title V Permit Program. A PSD permit is required before commencement of construction of new major stationary sources or major modifications of such sources and contains requirements including but not limited to the application of BACT. Title V permits must be applied for within one year a source becomes subject to the program. Title V permits are operating permits for major sources that consolidate all Clean Air Act requirements (arising, for example, under the Acid Rain, New Source Performance Standards, National Emission Standards for Hazardous Air Pollutants, and/or PSD programs) into a single document, provide for review of the documents by EPA, state agencies and the public, and contain monitoring, reporting and certification requirements.

On May 13, 2010, EPA issued a final rule for determining the applicability of the PSD and Title V programs to GHG emissions from major stationary sources. The rule, known as the "Tailoring Rule," establishes criteria for identifying facilities required to obtain PSD permits and the emissions thresholds at which permitting and other regulatory requirements apply. The applicability threshold levels established by this rule include both a mass-based calculation and a metric known as the carbon dioxide equivalent, or "CO_2e", which incorporates the global warming potential for each of the six individual gases that comprise the collective GHG defined by EPA. The Tailoring Rule established two initial steps for phasing in the GHG permitting requirements and indicated a third phase would be established at a later date.

The first step became effective on January 2, 2011, and requires sources subject to PSD and/or Title V permits due to their non-GHG emissions (such as fossil-fuel based electric generating facilities for their NO_x, SO_2 and other emissions) to address GHG emissions in new permit applications or renewals. Construction or modification of major sources will become subject to PSD requirements for their GHG emissions if the construction or modification results in a net increase in the overall mass of GHG emissions exceeding 75,000 tons per year ("tpy") on a CO_2e basis. New and modified major sources required to obtain a PSD permit would be required to conduct a BACT review for their GHG emissions. According to EPA guidance, most of the initial permitting decisions will focus on improved energy efficiency.

With respect to Title V requirements under the first step of the Tailoring Rule, effective January 2, 2011, sources required to have Title V permits for non-GHG pollutants are required to address GHGs as part of their Title V permitting. When any source applies for, renews, or revises a Title V permit, Clean Air Act requirements for monitoring, recordkeeping and reporting will be included in the renewed permit. This part of the rule does not create any new emissions controls or limitations for GHGs; it only creates the requirement for these sources to monitor, record and report their GHG emissions. In the Tailoring Rule, EPA notes that the existing requirements created by the October 30, 2009, final rule for mandatory monitoring and annual reporting of GHGs from various categories of facilities including electric generating facilities will generally be sufficient to satisfy these new Title V requirements. The GHG monitoring and reporting rule requires facilities to have begun data collection on January 1, 2010. On March 18, 2011, EPA issued a final rule extending the deadline to submit the first annual reports from March 31, 2011, to September 30, 2011. The second step of the Tailoring Rule was effective July 1, 2011, and is applicable to new facilities or modification to existing facilities that exceed certain GHG emission thresholds, even if the facility is not subject to PSD or non-GHG emissions. The second phase requirements apply to any new, major sources as well as to any major modification of existing facilities, depending on their levels of emissions of both GHG and non-GHG pollutants

On March 8, 2012, EPA's proposed rule for the third step in the Tailoring Rule was published. EPA proposes to maintain the applicability thresholds for GHG-emitting sources at the current levels. EPA also proposes two permitting streamlining approaches to improve the administration of the PSD and Title V permitting programs.

In addition to the PSD permit program, EPA is also in the process of developing a GHG regulatory program under the NSPS provisions of the Clean Air Act. On December 23, 2010, EPA entered a settlement agreement and agreed to issue NSPS and emission guidelines for GHG emissions from new and modified fossil-fuel-fired fossil-fuel-fired electric utility steam generating units. On April 13, 2012, EPA's proposed rule for standards of performance for GHG emissions for new fossil-fuel-fired electric utility steam generating units was published. EPA may issue more rulemakings in order to meet the terms of the settlement agreement.

The Company's costs of compliance with these new regulations are not fully known at this time. The requirements for monitoring, reporting and record keeping with respect to GHG emissions from existing units should not have a material adverse effect, but the consequences of new permit requirements in connection with new units or modifications of existing units could be significant, as could any new proposed regulations affecting permitting and controls for the Company's existing units.

Federal Legislation

In addition to EPA's regulatory actions establishing federal regulation of GHG emissions, the United States Congress has considered several energy and climate change-related pieces of legislation that proposed, among other things, a cap-and-trade system to regulate and reduce the emission of CO_2 and other GHGs and a federal renewable energy portfolio standard. The 112th Congress may consider new GHG proposals and it is possible that Congress will agree to set limits on GHG emissions or set clean or renewable energy standards for the electric utility sector. The timeline and impact of climate change legislation cannot be accurately assessed at this time, but it is expected that any enactment of statutes to regulate GHG emissions will have a significant impact on fossil-fueled generation facilities.

Litigation

Many of the issues raised by global climate change are being litigated in courts throughout the United States. Plaintiffs have asserted in some cases that GHG emissions from electric generation are causing a public nuisance and should be abated by electric generation facilities. The Company cannot currently predict how GHG emissions issues will arise in connection with pending or future permit proceedings or whether litigation based on climate change issues will adversely affect its operations, or its construction and development plans.

Water

The Federal Clean Water Act regulates the discharge of process wastewater and certain storm water under the National Pollutant Discharge Elimination System ("NPDES") permit program. Such permits are issued for five-year periods and continue in effect if renewal applications are timely filed. At the present time, applications for renewal of some of the Company's NPDES permits are awaiting review by the Kentucky Division of Water. The Company has all other material required permits under the program for all of its electric generating plants. The water quality regulations require the Company to comply with Kentucky's water quality standards, including sampling and monitoring of the waters discharged from the facilities. The Company continually samples and monitors the discharges and reports the results thereof in accordance with its permits.

Section 316(b) of the Clean Water Act requires the EPA to ensure that the location, design, construction and capacity of cooling water intake structures reflect the best technology available to protect aquatic organisms from being killed or injured by impingement or entrainment. In February 2004, the EPA issued final regulations establishing standards for cooling water intake structures at existing large power plants. The rule provided several compliance alternatives for existing plants such as using existing technologies, adding fish protection systems or using restoration measures.

On January 25, 2007, the United States Second Circuit Court of Appeals remanded key components of the Clean Water Act 316(b) Phase II Rule. The court ruled that EPA could not allow use of restoration measures to satisfy performance standards, nor could it consider cost-benefit analysis in selecting "best technology available." The United States Supreme Court heard the appeal of the Second Circuit decision and held on April 1, 2009, that it is permissible for utility companies and regulators to apply cost-benefit analysis under the Clean Water Act. EPA published the new 316(b) rules on April 20, 2011, and EPA is required to finalize the rulemaking no later than July 27, 2012.

The impact of Section 316(b) on Big Rivers is limited to the Robert A. Reid Plant ("Reid Plant") and the Coleman Plant. The degree of such impact will depend upon the form of the new rule that EPA publishes. If EPA allows a cost-benefit analysis to determine the best technology available, the Company expects the impact to the Reid Plant and the Coleman Plant will be minimal based on information obtained from previous studies conducted on the quantity and type of fish impinged on the intake screens at Reid Plant and Coleman Plant.

Other Environmental Matters

The Comprehensive Environmental Response, Compensation and Liability Act. The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA" or "Superfund"), requires cleanup of sites from which there has been a release or threatened release of hazardous substances and authorizes the EPA to take any necessary response action at Superfund sites, including ordering potentially responsible parties ("PRPs") liable for the release to take or pay for such actions. PRPs are broadly defined under CERCLA to include past and present owners and operators of, as well as generators of wastes sent to, a site. Big Rivers historically has sent wastes, such as coal ash or wastewater that could have included hazardous substances, to third-party disposal sites or treatment plants. Based on such disposal, the Company can become a PRP with respect to such sites. The Company is not aware of any material liabilities with respect to such disposal, but can provide no assurance that such liabilities will not be asserted in the future. In addition, the Company has experienced and is likely to continue to experience in the future spills and releases of fuel oil and other materials that could trigger cleanup obligations under CERCLA and result in additional compliance costs. As a result, there can be no assurance that the Company will not incur liability under CERCLA in the future.

Electro-Magnetic Fields. A number of electrical industry studies have been conducted regarding the potential long-term health effects resulting from exposure to electro-magnetic fields ("EMF") created by high voltage transmission and distribution equipment. At this time, any relationship between EMF and certain adverse health effects appears inconclusive; however, electric utilities have been experiencing challenges in various forms claiming financial damages associated with electrical equipment which creates EMF. In the future, if the scientific community reaches a consensus that EMF presents a health hazard, the Company may be required to take remedial actions at its facilities. The cost of these actions cannot be estimated with certainty at this time. Such costs, however, could be significant, depending on the particular mitigation measures undertaken, especially if relocation of existing power lines is required.

Coal Ash. The Company's coal-based generating facilities produce coal ash waste that requires disposal. The Company disposes of the coal ash in its onsite landfills and impoundments and possesses the proper industrial solid waste permits to operate its landfills in accordance with local, state and federal regulations and laws. However, the Company must continually expand the capacity of its landfills and waste management facilities to accommodate larger amounts of ash. If the Company becomes unable to dispose of coal ash on site, its disposal costs may increase considerably. On the other hand, the Company is continually evaluating methods for beneficial reuse of waste ash. Currently, all of the ash the Company generates is exempt from regulation as "hazardous waste."

On June 21, 2010, the EPA published a proposed rule describing two possible regulatory options it is considering under the Resource Conservation and Recovery Act ("RCRA") for the disposal of coal ash generated from the combustion of coal by electric utilities and independent power producers. Under either option, EPA would regulate the construction of impoundments and landfills, and seek to ensure both the physical and environmental integrity of disposal facilities.

Under the first proposed regulatory option, EPA would list coal ash destined for disposal in landfills or surface impoundments as "special wastes" subject to regulation under Subtitle C of RCRA. Subtitle C regulations set forth EPA's hazardous waste regulatory program, which regulate the generation, handling, transport and disposal of wastes. The proposed rule would create a new category of waste under Subtitle C, so that coal ash would not be classified as a hazardous waste, but would be subject to many of the regulatory requirements applicable to such wastes. Under this option, coal ash would be subject to technical and permitting requirements from the point of generation to final disposal. Generators, transporters, and treatment, storage and disposal facilities would be subject to federal requirements and permits. EPA is considering imposing disposal facility requirements such as liners, groundwater monitoring, fugitive dust controls, financial assurance, corrective action, closure of units, and post-closure care. This first option also proposes requirements for dam safety and stability for surface impoundments, land disposal restrictions, treatment standards for coal ash, and a prohibition on the disposal of treated coal ash below the natural water table. The first option would not apply to certain beneficial reuses of coal ash.

Under the second proposed regulatory option, EPA would regulate the disposal of coal ash under Subtitle D of RCRA, the regulatory program for non-hazardous solid wastes. Under this option, EPA is considering issuing national minimum criteria to ensure the safe disposal of coal ash, which would subject disposal units to location standards, composite liner requirements, groundwater monitoring and corrective action standards for releases, closure and post-closure care requirements, and requirements to address the stability of surface impoundments. Existing surface impoundments would not have to close or install composite liners and could continue to operate for their useful life. The second option would not regulate the generation, storage, or treatment of coal ash prior to disposal, and no federal permits would be required.

The proposed rule also states that EPA is considering listing coal ash as a hazardous substance under CERCLA, and includes proposals for alternative methods to adjust the statutory reportable quantity for coal ash. The extension of CERCLA to coal ash could significantly increase the Company's liability for cleanup of past and future coal ash disposal.

EPA issued a Notice of Data Availability for comment on October 12, 2011. EPA is conducting a human health risk assessment on coal combustion residual beneficial use to be released prior to the final rule. EPA has not decided which regulatory approach it will take with respect to the management and disposal of coal ash. The Company is therefore unable to determine the effects of this proposed rule at this time.

As part of EPA's scrutiny of how ash impoundments are permitted and operated, EPA recently assessed ash impoundments at many facilities throughout the country, including some of the Company's facilities. A dam safety assessment report for Reid Plant, Green Plant and Station Two was prepared for EPA in December 2009. All of the ash ponds at these facilities received "fair" ratings – a rating that reflected EPA's view that the Company's geotechnical information was not complete – but no critical deficiencies were noted. Minor repairs required by EPA during this review were completed during the 2010 construction season. The geotechnical investigation recommended by EPA has been completed by the Company. Coal ash waste management and disposal is an evolving issue and the Company expects to continue to incur costs to upgrade and expand its ash impoundments as regulations change.

FERC Regulation

As a transmission owning, generation owning, and market participant member of the MISO, the Company's sale of power at wholesale and its transmission of power in interstate commerce are regulated by the Federal Energy Regulatory Commission ("FERC"). The KPSC maintains jurisdiction over the Company's wholesale power rates to its Members and over the transmission rates applicable under the MISO's FERC-approved Open Access Transmission, Energy and Operating Reserve Markets Tariff ("MISO Tariff").

Energy Policy Act of 1992

The Energy Policy Act of 1992 ("EPAct 1992") made fundamental changes in the federal regulation of the electric utility industry, particularly in the area of transmission access. The purpose of these changes, in part, was to bring about increased competition in the wholesale electric power supply market. These changes have increased, and will continue to increase, competition in the electric utility industry. Specifically, EPAct 1992 provided that any electric utility, federal power marketing agency or any other person generating electric energy for sale for resale may apply to FERC for an order requiring a transmitting utility like the Company to provide interconnection and transmission services to the applicant. After notice and an opportunity for hearing, FERC may issue an order under Section 210 or 211 of the Federal Power Act ("FPA") requiring such interconnection or transmission service to be provided, subject to appropriate compensation to the utility providing such service. However, EPAct 1992 specifically denied FERC authority to require "retail wheeling" under which a retail customer of one utility could obtain electric power and energy from another utility or nonutility power generator and require a transmitting utility to "wheel" it to the retail customer.

Order No. 888 and Successor Orders

In 1996, to remove impediments to competition in the wholesale bulk power marketplace and to bring more efficient lower cost power to the nation's electricity consumers, FERC issued Orders Nos. 888 and 889. Orders Nos. 888 and 889, as amended by Orders Nos. 888-A and 889-A in 1997, were intended to deny public utilities any unfair advantage over competitors resulting from their ownership and control of transmission facilities by requiring each FERC-jurisdictional public utility to file a pro forma OATT and to follow certain rules of conduct for open-access providers, including a requirement to separate operationally power sales from transmission. In Order Nos. 890, 890-A and 890-B, issued (respectively) in February and December 2007 and June 2008, FERC reaffirmed and modified the requirements under Order Nos. 888 and 888-A, specifically, by modifying the pro forma OATT provisions on (among other things) calculating available transfer capability, transmission planning, point-to-point transmission service options, energy imbalance service, rollover rights for long-term firm transmission service, and the price caps on capacity reassignments. Under the reciprocity requirement adopted in Order No. 888 and reaffirmed in Order No. 890, non-jurisdictional utilities like the Company must provide comparable transmission service as a condition of receiving service from jurisdictional utilities under the pro forma OATT. The Company's transmission facilities located in the Eastern Interconnection provided transmission service under an OATT that was approved by FERC for reciprocity purposes until the Company became a member of MISO in December 2010 and its OATT was terminated. Since December 2010, the Company's transmission facilities have been under the functional control of MISO and operated under the terms and conditions of the MISO Tariff.

Energy Policy Act of 2005

On August 8, 2005, President Bush signed into law the Energy Policy Act of 2005 ("EPAct 2005"). The significant provisions of EPAct 2005 that could affect the Company are in the areas of (1) reliability; (2) siting of new transmission facilities; (3) potential FERC authority over transmission service and the rates of non-rate-regulated utilities; (4) native load obligations; and (5) expansion of FERC's enforcement authority. In addition, Congress repealed the Public Utility Holding Company Act of 1935 ("PUHCA 1935"), and replaced it with the Public Utility Holding Company Act of 2005 ("PUHCA 2005"), thereby effectively repealing many of the more onerous provisions of PUHCA 1935. As an electric cooperative, the Company generally is not subject to the new requirements of PUHCA 2005. EPAct 2005 also created incentives for the construction of transmission facilities; gave FERC authority to establish mandatory reliability standards through a new entity that FERC would certify as the Electric Reliability Organization ("ERO"); authorized the Department of Energy and FERC to grant permits enabling entities, in certain circumstances, to use a federal right of eminent domain to build new transmission lines; and adopted provisions enabling transmission providers to reserve transmission capacity for their native load service obligations. FERC has adopted regulations to implement the new regulations and requirements concerning siting, transmission access, native load preferences and enforcement.

Concerning the expansion of FERC's authority to order transmission access to transmission systems owned or operated by non-rate-regulated utilities, EPAct 2005 added new section 211A to the FPA. Section 211A authorizes FERC to order non-rate-regulated utilities like the Company to provide transmission service at rates and terms that are comparable to those by which the non-rate-regulated utility provides transmission service to itself. However, the non-rate-regulated utilities subject to any such requirements are not subject to the full panoply of FERC regulations established under Section 205 and 206 of the FPA that are applicable to transmission-owning public utilities. FERC also is required, with certain limited exceptions, to exempt any non-rate-regulated utility that sells less than 4 million kWh per year. FERC has declined to order transmission access pursuant to Section 211A on a generic basis, and instead will act on a case-by-case basis. In December 2011, FERC issued its first order under Section 211A in which FERC directed a non-jurisdictional transmission provider to provide transmission service on terms and conditions that are comparable to those under which the transmission provider provides transmission service to itself and that are not unduly discriminatory or preferential. That order is currently pending rehearing.

In 2006, FERC used its authority under Section 215 of the FPA to certify the North American Electric Reliability Corporation ("NERC") as the ERO responsible for the development of mandatory reliability standards subject to FERC review and approval. NERC's mandatory reliability standards apply to any entity that owns, operates or uses the bulk power system. Under EPAct 2005, FERC and the ERO have authority to impose penalties for violations of the reliability standards. In March and July 2007, FERC issued (respectively) Order Nos. 693 and 693-A largely approving the first set of reliability standards filed by NERC for FERC review and approval. FERC also directed NERC to consider revisions to a number of the standards, and other reliability standards and amendments proposed by NERC remain pending before FERC. Since 2007, the Commission has approved and directed modification to many more NERC reliability standards. As an owner and operator of generation and transmission facilities, the Company is subject to certain of the NERC reliability standards. The Company is currently scheduled for a routine audit of its compliance with the reliability standards. The audit is scheduled to occur at the Company's facility from May 6, 2013, to May 10, 2013. If the auditors identify areas of non-compliance, the Company could be subject to penalties or sanctions.

EPAct 2005 also added new sections 220, 221 and 222 to the FPA, which generally prohibit fraud and manipulation in the energy markets and promote price transparency. Under FERC's implementing rules, the anti-fraud rules apply to all entities, including non-jurisdictional utilities, to the extent they engage in activities or transactions in connection with sales and transmission services subject to FERC's public-utility jurisdiction.

Order No. 1000

In 2011, FERC issued Order No. 1000 to build on certain of its reforms in Order No. 888 and Order No. 890. The requirements set forth in Order No. 1000 apply only to "new transmission facilities" and include the consideration and evaluation of possible transmission alternatives at a regional transmission planning level and the development of a regional transmission plan; the development of procedures for interregional planning to determine whether interregional transmission facilities are more efficient or cost effective than certain regional facilities; the development of methods for regional and interregional cost allocation that is roughly commensurate with the estimated benefits; and, for those projects eligible for cost sharing, removal of transmission providers' "right of first refusal" in order to allow competition from non-incumbent developers. In general, Order No. 1000 permits each region to develop its own processes and procedures to comply with the requirements. MISO, of which Big Rivers is a member, continues to progress through a stakeholder process to discuss and develop proposals for compliance with Order No. 1000. As of the date of this Disclosure Statement, however, since MISO has not fully developed such processes and procedures, the impact of Order No. 1000 on the Company cannot be determined.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Risk Management Policies

The Company is exposed to significant market risks associated with electricity and coal prices, counter-party credit exposure, interest rates and equity prices. Interest rate risk is associated with the changes in interest rates that impact its variable rate debt instruments and fixed income investments. The Company's energy related commodity price risks involve changes in the market price of power, natural gas, and solid fuels and the impact of such changes on its ability to generate sufficient revenue to cover the Company's operational costs. Big Rivers has established comprehensive risk management policies to monitor and manage these risks. The Company's vice president of enterprise risk management and strategic planning is responsible for monitoring and reporting on its risk management policies, including delegation of authority levels. The Company has an Internal Risk Management Committee that regularly meets and the vice president of enterprise risk management and strategic planning reports to the Board of Directors monthly. The vice president of enterprise risk management and strategic planning is responsible for oversight of market risk, credit risk, etc., including monitoring exposure limits.

To manage the Company's market risks, it may enter into various derivative instruments including swaps, forward contracts, futures contracts and options. Management believes adequate safeguards, reporting mechanisms, and procedures are in place to protect the Company from unauthorized use of such derivative instruments. The Company has established certain risk management strategies relating to the sales and purchase prices for the commodities which form its core business, in order to provide insulation from volatile market prices. With respect to the Company's power sales, the Board of Directors has established guidelines which are intended to ensure that derivatives and other financial instruments are used for hedging purposes and not for speculation. Those guidelines provide that hedging activity shall be used only to minimize risk and not to create any greater risk. Risk management status and performance must be reported to the Board of Directors on a monthly basis, and counterparties must meet capitalization requirements before the Company will engage with such counterparty.

Electricity and Coal Price Risk

The Company is exposed to the impact of market fluctuations in the prices of electricity and coal as a result of its ownership and operation of electric generating facilities. The Company's exposure to coal and purchased power risk is limited by cost-based Member rate recovery through two cost-recovery clauses, namely the fuel adjustment clause ("FAC") and the non-FAC purchased power adjustment. Due to timing of the cost-recovery, there is a two month lag for the FAC between when costs are incurred and when the Member portion is recovered through rates. For the non-FAC purchase power adjustment due to timing of the cost recovery, there is a two month lag between when the costs are incurred and when the Member-Smelter portion is recovered through rates that represent approximately two-thirds of the costs. Generally, the remaining one-third of the non-FAC purchase power adjustment cost, related to the non-smelter members, is deferred as a regulatory account over a twelve month period beginning July 1 of a given year through June 30 of the following year. The non-smelter member recovery (whether positive or negative) begins on September 1, two months after the end of the deferral period, and ends twelve months later on August 31.

Price risk represents the potential risk of loss from adverse changes in the market price of electricity or coal. Because the Company is long on power, both capacity and energy, it is exposed to the illiquidity of the long-term power market and volatility of the market price of electricity and coal. The Company's long position in the energy market is approximately 150 MWs or 8% of its availability capacity. The excess capacity and energy will be consumed in the future through normal growth. Further, price risk resulting from the volatility in the price of coal is off-set by a month recovery rider for fuel that has been approved by the KPSC.

The Company generally only enters into market power sales contracts that qualify for the normal sales and purchases exception. Income recognition and realization related to normal sales and normal purchases contracts generally coincide with the physical delivery of the power. For all such contracts, as long as completion of the transaction remains probable, no recognition of the contract's fair value is required to be reported in the Company's financial statements until settlement or physical delivery.

In a further effort to mitigate coal price volatility, the Company has established a hedge policy in which near-term requirements of fuel are secured at a higher percentage and future year coal requirements are contracted at a varying percent of open fuel position per year across a five-year time horizon. Thus, in any given year within the five-year hedge plan, there is a portion of fuel supply contracted at known prices.

Marketable Securities Price Risk; Pension Plan Assets

The Company maintains investments to fund the cost of providing its non-contributory defined benefit retirement plans. Those investments are exposed to price fluctuations in equity markets and changes in interest rates. The Company has established asset allocation targets for its pension plan holdings that take into consideration the investment objectives and the risk profile with respect to the trust in which the assets are held. The target asset allocation for equity securities is 65% of the value of the plan assets and the holdings are diversified to achieve broad market diversification to reduce exposure to and any adverse impact of a single investment, sector or geographic region. A significant decline in the value of plan asset holdings could require the Company to increase its funding of the pension plan in future periods, which could adversely affect cash flows in those periods. Additionally, a decline in the fair value of plan assets, absent additional cash contributions to the plan, could increase the amount of pension cost required to be recorded in future periods, which could adversely affect its results of operations in those periods. A 10% decline in the fair value of the Company's plan assets equals $2.8 million.

Interest Rate Risk

The Company is exposed to risk resulting from changes in interest rates as a result of the use of variable rate debt as a source of financing as well as the fixed income investments in its various portfolios. The Company manages its interest rate exposure by limiting the total amount of its variable rate exposure to within a particular amount of its total debt and by actively monitoring the effects of market changes in interest rates. As of December 31, 2011, $727.6 million of $786.4 million of outstanding long-term indebtedness secured under the Mortgage Indenture accrued interest at fixed rates to their final maturity. As of December 31, 2011, the Company had outstanding variable rate debt of $58.8 million. This debt consists of the Series 1983 Bonds which mature in 2013.

Commodity Price Risk

The average rate to the Members is affected by the price Big Rivers can obtain in the market for energy produced by its generating facilities in excess of the Members' requirements. Higher prices produce greater Non-Member revenue that is used to offset Member revenue requirements. The Company's exposure to the risk of fluctuating power prices is declining as its historically high levels of excess generation are being used to meet increasing Member requirements, including the Smelters. The Company's excess capacity generation in 2011 is approximately 8%.

Additionally, if one or more the Company's generating facilities is not able to produce power when required due to operational factors, the Company may have to forego Non-Member sales opportunities or purchase energy in the wholesale market at higher prices to meet Member requirements.

Credit Risk

Credit risk represents the loss that the Company would incur if a counterparty failed to perform under its contractual obligations. To reduce credit exposure, the Company establishes credit limits and seeks to enter into netting agreements with counterparties that permit it to offset receivables and payables. To control the credit risk associated with credit sales of power the Company utilizes a credit approval process, monitor counterparty limits and require that counterparties have adequate credit ratings. The Company attempts to further reduce credit risk with certain counterparties by entering into agreements that enable it to obtain collateral or to terminate or reset the terms of transactions after specified time periods or upon the occurrence of credit-related events. Where appropriate, the Company also obtains cash or letters of credit from counterparties to provide credit support outside of collateral agreements, based on financial analysis of the counterparty and the regulatory or contractual terms and conditions applicable to each transaction.

The Company generally executes only physical delivery contracts. The Company frequently uses master collateral agreements to mitigate certain credit exposures. The collateral agreements provide for a counterparty to post cash or letters of credit in excess of an established threshold. The threshold amount represents an unsecured credit limit, determined in accordance with the Company's credit policy. Collateral agreements also provide that the inability to post collateral is sufficient cause to terminate contracts and liquidate all positions.

Due to the possibility of extreme volatility in the prices of energy commodities and derivatives, the market value of contractual positions with individual counterparties could exceed established credit limits or collateral provided by those counterparties. If such a counterparty were then to fail to perform its obligations under its contract, the Company could sustain a loss that could have a material impact on its financial results. The probability of a material impact is lessened by the fact that the Company only has a relatively small amount of power to sell long-term and presently does not plan on transacting multi-year long-term contracts.

BIG RIVERS' MEMBERS

General

The Members are local consumer-owned cooperative corporations serving retail residential, commercial and industrial customers on a non-profit basis. The territories served by the Members include portions of 22 counties in western Kentucky. The Members serve approximately 113,000 consumers. The majority of the Members' customers are individual residences.

Territorial Integrity

Distribution cooperatives generally exercise a monopoly in their service areas, except in certain areas where a municipality or the Tennessee Valley Authority ("TVA") may have the concurrent right to provide retail electric service. Under a Kentucky statute adopted in 1972, the Members are "Retail Electric Suppliers" that are certified by the KPSC as the exclusive suppliers of energy to their respective certified service areas. Thus, the Members are the exclusive suppliers of energy to electricity consumers located in their respective certified service areas. If a Retail Electric Supplier is providing adequate service within its certified territory, other Retail Electric Suppliers may not sell power to retail customers located within that certified territory. Municipal utilities are not Retail Electric Suppliers under the statute. If a new electric consuming facility locates in two or more adjacent certified territories, the KPSC determines which Retail Electric Supplier may provide retail electric service to that facility based on a number of factors, designed to avoid wasteful duplication of electric generation facilities.

Rate Regulation of Members

The KPSC regulates the retail energy rates of the Members. Under Kentucky law, a utility may revise its rates on 30 days' notice to the KPSC of the proposed changes and the effective date of such changes. The KPSC has the statutory power to suspend such changes pending a hearing for a period not to exceed six months from the proposed effective date of such changes. This suspension period begins with the effective date named by the utility, and thus, the utility may avoid or minimize the effect of such suspension by naming an early effective date in its notice to the KPSC. Rate changes may be placed in effect, in whole or in part, during any such suspension period on a finding by the KPSC that an emergency exists or that the utility's credit or operations will be materially impaired by the suspension. Rates placed into effect on an emergency basis are subject to refund to the extent that the final rates approved by the KPSC are lower than the emergency rates. The KPSC's decision on a new rate schedule filed by a utility must be issued not later than ten months after the filing of the rate schedule.

Member Information

Financial Information

The Members operate their systems on a not-for-profit basis. Accumulated margins constitute patronage capital for the consumer members. Refunds of accumulated patronage capital to the individual consumer members are made from time to time on a patronage basis subject to limitations contained in Member mortgages to the RUS, if applicable.

The Members are the Company's owners and not its subsidiaries. Except with respect to the obligations of the Members under their respective wholesale power contracts and the Smelter Agreements, Big Rivers has no legal interest in, or obligation in respect of, any of the assets, liabilities, equity, revenue or margins of its Members, other than its rights under these contracts. The revenues of the Members are not pledged to Big Rivers, but their revenues are the source from which they pay for power and energy and transmission services purchased from Big Rivers. Revenues of the Members are, however, often pledged under their respective mortgages. Tables 1 through 6 in Appendix B present a three-year summary of the balance sheets, statements of operations and selected statistical information with respect to the Members.

Statistical Information

The Company serves directly and indirectly a diverse customer base that includes farms and residences, commercial and industrial facilities, mining, irrigation and other miscellaneous customers. Farm and residential customers constitute the largest class of customers in terms of numbers throughout the Member service areas. The table below shows energy sales and revenue by customer class for the year 2011 for the Members.

2011 Sales By Members (1)

	kWh Sales (in thousands)	kWh Sales (%)	Revenue (in thousands)	Revenue (%)
Farm & Residential	1,530,359	14%	$112,855	23%
Commercial and Industrial (excluding the Smelters)	1,746,161	17%	86,044	17%
Aluminum Smelters	7,228,844	69%	303,364	60%
Other	3,409	0%	437	0%
Total	10,508,773	100%	$502,700	100%

(1) The information in this table has been compiled by Big Rivers from information obtained from the Annual Statistical Report Rural Electric Borrowers (Publication 201.1) and RUS Form 7 prepared by the Members and filed with RUS. Big Rivers has not independently verified this information.

THE SMELTER AGREEMENTS

The Company and Kenergy have entered into electric service arrangements with the Smelters. The Smelters have largely identical obligations under the agreements described below, so the following discussion does not distinguish between obligations to a particular Smelter, even though, from a legal perspective, their rights and obligations are separate and not joint.

The principal terms and conditions relating to the Company's sale of electric services to Kenergy for resale to the Smelters are set forth in six agreements, three with respect to service to each Smelter. The basic structure of the sale of electric services is that the Company sells the electric services to Kenergy and then Kenergy in turns sells those electric services to each Smelter. Because the Smelters are customers of Kenergy, Big Rivers has entered into two, separate wholesale service agreements (each a "Smelter Agreement") with Kenergy. Under each Smelter Agreement, the Company supplies Kenergy with electric service for resale to a particular Smelter. Kenergy has entered into a separate retail electric service agreement (a "Smelter Retail Agreement") with each Smelter. The Company and each Smelter have also entered into a Smelter Coordination Agreement (a "Smelter Coordination Agreement" and, together with the Smelter Agreements and the Smelter Retail Agreements, the "Smelter Agreements") that sets forth certain direct obligations between the Company and a Smelter. Due to the pass-through nature of the principal obligations between the Company and each Smelter, the Smelter Agreement and the Smelter Retail Agreement relating to each Smelter are substantially the same.

The aggregate amount of energy made available to the Smelters under the Smelter Retail Agreements consists of three types of energy referred to as (1) Base Monthly Energy, (2) Supplemental Energy and (3) Back-Up Energy. "Base Monthly Energy" is 368 MW per hour for Alcan and 482 MW per hour for Century. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS – Nature of Service."

The obligation of Kenergy to supply electric service to the Smelters pursuant to the Smelter Retail Agreements will terminate on December 31, 2023, unless terminated earlier pursuant to the terms thereof. A Smelter may terminate its Smelter Retail Agreement upon not less than one year's prior written notice of such termination to Kenergy and the Company if such Smelter ceases all smelting operations in Kenergy's service territory. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS – Termination Rights."

Pricing under the Smelter Agreements is designed so that the Base Rate for the Smelters will always be at least the rate charged to large direct-served industrial customers having an equivalent load factor, plus $.25 per MWh. The contracts provide that the Smelters are obligated to pay various surcharges, including fuel adjustment surcharges and environmental surcharges. In addition, the Smelter Agreements provide for annual adjustments to rates designed to assist the Company in achieving positive margins in each year. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS – Smelter Payment Obligations."

The Smelters intervened in the Company's last rate case, and pressed their case by saying that keeping the Smelter rates low and predictable was important to reduce the risk that the Smelters would have to cease operations upon the next downward cycle in the world price of aluminum. The Smelters say that they are very sensitive to the price they pay for electricity because the cost of electricity is approximately one-third of the cost of the aluminum smelting process.

Although the KPSC's November 17, 2011, Order in the rate case did not give the Company the full amount of the rate increase it sought, the Smelters have since been lobbying state government in Kentucky for financial relief to enhance the financial viability of their respective Kentucky operations. The Smelters have made public statements that the unanticipated magnitude of the current and future rate increases projected by Big Rivers as well as Big Rivers' recent evaluation of the impact of environmental legislation is what drives the current need for a statewide solution to the Smelters' increasing utility costs. Local representatives of Alcan informed economic development officials in state government in February of this year that projected power rates in 2013-2015 make it difficult for Alcan to envision a long-term future for the Sebree plant. Alcan said that a power rate of $26-$28/MWh would generally ensure that the Sebree smelter remains profitable during a periodic downturn in the London Metals Exchange ("LME") price, and would ensure continued operation for the foreseeable future. They say that without relief their Sebree smelter cannot sustain the next downturn in the world price of aluminum.

At the same time Century informed the same officials that for the immediate future, a rate averaging about $34/MWh from mid-2012 through 2015 would be a competitive rate for its Hawesville smelter. Local representatives of Century have told Big Rivers and others in state government that rates at the status quo level are not sustainable for Century's Hawesville smelter even in the short term, and that $50/MWh power puts their smelter's viability at great risk. Century wrote Big Rivers on April 18, 2012, stating that at the current LME prices the Hawesville aluminum smelter cannot sustain operations at Big Rivers' current and projected power rates, and requesting to renegotiate the power rate provisions of its contract. Big Rivers has commenced discussions with Century relating to the sustainability of the Hawesville smelter. Century reported on April 24, 2012, that with the current power price forecast and assuming that the LME remains at its current level, the Hawesville plant is not viable from an economic standpoint. Century publicly stated that the future of the Hawesville smelter would be discussed by Century's Board of directors at its late June meeting. This meeting has taken place and the Company is not aware of what actions, if any, were taken by Century's Board relating to the Hawesville smelter.

The Smelters have been pursuing projects that they say improve the profitability of their respective facilities. Century completed the restart of a fifth potline in 2011. Alcan completed a $50 million bake furnace project, and announced in February 2012 that it is undertaking a $20 million project to boost electric amperage and produce greater volumes of aluminum. Alcan has also reached agreement with Kenergy and Big Rivers to purchase an additional 10 MW of energy for the one year period beginning July 1, 2012, through June 30, 2013.

Alcan announced in October of 2011 that it had put 13 of its smelter operations worldwide on the block for potential sale. The Sebree smelter was included on the list. According to the Alcan release, there is no timeline for any of these sales to occur.

On June 14, 2012, at the request of the Governor of Kentucky, representatives of the Commonwealth met with representatives of Big Rivers and the Smelters to discuss ways to reduce the Smelters' costs in order to make them more economically viable. A number of approaches were discussed including, but not limited to, suggestions that Big Rivers reduce rates to the Smelters to a rate averaging about $35/MWh. Any reduction in the rates to the Smelters would involve an increase in the rates for other industrial customers and rural customers. The discussions that took place on June 14 were preliminary and will be followed by further exploratory discussions in the near future. Any reduction in the rates charged by Big Rivers to the Smelters and concomitant increase in the rates charged to other customers would require action by the Board of Big Rivers and by the KPSC, among others. In addition, it would likely result in renegotiation of the Smelter Agreements. Other approaches that have been advanced include allowing the Smelters more freedom in purchases from other sources and termination of the Smelter Agreements.

Since the meeting on June 14th, the Smelters have advanced other proposals to Big Rivers requesting significant rate reductions for the Smelters. Big Rivers offered a counterproposal and it has been rejected by the Smelters. On June 25, 2012, Big Rivers advised the Smelters that the gap between their demand and the Big Rivers' proposal is far larger than Big Rivers has the ability to close. There can be no assurances as to the outcome of this situation and as to whether one or both of the Smelters will give one year's notice, terminate its Smelter Agreement and close its smelting operations. Also, on July 8, 2012 Century informed Big Rivers that it was hiring a consultant to evaluate the available transmission capacity, potential congestion, and potential voltage stability issues if the Hawesville plant were to import power for its entire load into Big Rivers' system under a variety of operational scenarios of Big Rivers' generation. Big Rivers can give no assurances as to the outcome of this development.

For a more detailed summary of the provisions of the Smelter Agreements, see APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS."

POWER SUPPLY PLANNING

Every other year Big Rivers prepares load forecasts for the three Members. These individual forecasts serve as the basis for Big Rivers' load forecast, which is filed with the RUS. The last load forecast was prepared and filed in 2011. Additionally, every three years an Integrated Resource Plan ("IRP") is prepared in accordance with Kentucky Administrative Rule 807 KAR 5:5058 and filed with the KPSC. The last IRP was filed with the KPSC in November 2010. The next IRP will be filed with the KPSC in 2013. Both of these studies examine a future time frame of 15 years.

GENERATION AND TRANSMISSION ASSETS

Generation Resources

General

The following table sets forth certain information about the Company's owned generating facilities and Station Two.

Generating Facility	Type of Fuel	Net Capacity[2] (MW)	Big Rivers' Entitlement Share (MW)	Commercial Operation Date
Kenneth C. Coleman Plant				
Unit 1	Coal	150	150	1969
Unit 2	Coal	138	138	1970
Unit 3	Coal	155	155	1972
Robert D. Green Plant				
Unit 1	Coal	231	231	1979
Unit 2	Coal	223	223	1981
Robert A. Reid Plant				
Unit 1	Coal	65	65	1966
Combustion Turbine	Oil-Natural Gas	65	65	1976
D.B. Wilson Plant Unit No. 1	Coal	417	417	1986
Station Two Facility Units No. 1 and No. 2[1]	Coal	312	197	1973/1974
Total		1,756	1,641	

(1) Big Rivers operates but does not own the two units at Station Two and not all net capacity of such facility is available to it.
(2) Net capacity means net nameplate as adjusted for parasitic load.

Kenneth C. Coleman Plant

The Coleman Plant is a three unit, coal-fired steam electric generating unit located near Hawesville, Kentucky. Each of the units has a turbine nameplate rating of 160 MW. Units No. 1 has a net capacity of 150 MW, No. 2 has a net nameplate capacity of 138 MW while Unit No. 3 has a net capacity of 155 MW. All three boilers are positive pressure, outdoor units; the turbine generators are semi-outdoor and the station was retrofitted with a FGD system in 2007. The equivalent availability factor for the Coleman Plant for 2011 was 92.9%.

Environmental controls in place at the Coleman Plant include the use of precipitators (air pollution control devices that collect particles from gaseous emissions) which limit particulate emissions to a maximum of 0.27 pounds per million British thermal unit ("Btu"), and the use of a FGD system which is 97% effective in reducing SO_2 emissions. Coleman Plant's permitted SO_2 emissions limit is a maximum of 5.2 pounds per million Btu. The Coleman Units do not have a Title V permit NO_x limit.

Robert D. Green Plant

The Green Plant is a two unit, coal-fired steam electric generating station located on the same site as the Reid Plant and the Station Two Facility described below. Both boilers at the Green Plant are balanced draft units and they were designed and built with low NO_x burners. The Green Plant is also equipped with a FGD system. Unit No. 1 has a net nameplate capacity of 231 MW while Unit No. 2 has a net capacity of 223 MW. The equivalent availability factor for the Green Plant for 2011 was 94.4%.

Environmental controls in place at the Green Plant include the use of precipitators which limit particulate emissions to a maximum of 0.1 pounds per million Btu, and the use of a FGD system which limits SO_2 emissions to a maximum of 0.8 pounds per million Btu. NO_x emissions are limited to a maximum of 0.7 pounds per million Btu.

Robert A. Reid Plant

The Reid Plant, located near Sebree, Kentucky, is a coal-fired steam electric generating unit with a net capacity of 65 MW and an oil- or natural gas-fired combustion turbine generating unit with a net capacity of 65 MW. The combustion turbine is used for power emergencies and for peaking purposes. The equivalent availability factor for the Reid Plant for 2011 was 92.6%.

Environmental controls in place at the Reid Plant include the use of precipitators which limit particulate emissions to a maximum of 0.28 pounds per million Btu, and the use of medium-sulfur coal which limit SO_2 emissions to a maximum of 5.2 pounds per million Btu. The Reid unit does not have a Title V permit NO_x limit.

D.B. Wilson Unit No. 1 Plant

The single unit Wilson Plant is the largest and newest generating unit in the Company's system. The Wilson Plant, located near Centertown, Kentucky on the Green River, is a coal-fired, balanced draft steam electric generating unit equipped with a FGD system. The unit has a net nameplate capacity of 417 MW. The equivalent availability factor for the Wilson Plant for 2011 was 94.8%.

Environmental controls in place at the Wilson Plant include the use of a precipitator which limits particulate emissions to a maximum of 0.03 pounds per million Btu, and the use of a FGD system which is 90% effective in removing SO_2 emissions. NO_x emissions are limited to a maximum of 0.6 pounds per million Btu.

Other Power Supply Resources

Station Two Facility

The two units at Station Two have a total net nameplate capacity of 312 MW. Station Two is located on the same site as the Reid Plant and the Green Plant, near Henderson. Station Two consists of two positive pressure outdoor type boilers with scrubbers installed. The equivalent availability factor for Station Two for 2011 was 89.8%.

In connection with the Unwind, in July 2009, the Company became responsible for the operation of Station Two in accordance with the terms of the Station Two Operation Agreement and for purchase of capacity and energy in accordance with the terms of the Station Two Power Sales Contract. (See "Station Two Power Sales Contract"). In connection with the Unwind, the Company and WKEC entered into an Indemnification Agreement under which WKEC has agreed to indemnify the Company against potential lost revenue if the contract provisions of the Station Two Power Sales Contract are interpreted against the Company (See "Station Two Power Sales Contract").

Station Two Operation Agreement

The Company operates Station Two in accordance with the Station Two Operation Agreement. The Station Two Operation Agreement provides that the Company will provide, as an independent contractor, all operating personnel, materials, supplies and technical services for the operation of Station Two. It also provides for the allocation of certain costs of operation and maintenance between Station Two and the Company's Reid Plant which shares some common facilities with Station Two. The Station Two Operation Agreement provides that the Company prepares an operating budget, including both capital and operating expenditures, for Station Two which is subject to the approval of the City of Henderson. Such budget then becomes the basis for monthly payments by the City of Henderson to the Company, with an annual reconciliation of such budgeted expenditures and the actual annual expenditures for Station Two. The Station Two Operation Agreement obligates the Company to maintain property and liability insurance with respect to Station Two and to operate and maintain Station Two in accordance with standards and specifications equal to those provided by the National Electric Safety Code of the United States Bureau of Standards and well as those required by any regulatory authority having jurisdiction. Each party's obligations under the Station Two Operation Agreement are subject to the occurrence of "uncontrollable force" (*e.g.*, events not within control of either party and which by exercise of due diligence and foresight could not reasonably be avoided). The obligations of the City of Henderson under the Station Two Operation Agreement are payable solely from the revenues of the City's electric utility system and do not constitute a general obligation of the City of Henderson. The City of Henderson has covenanted in the Station Two Operation Agreement that it will, subject to any necessary regulatory body approvals, maintain rates for service by its electric system sufficient to pay the costs of ownership, proper operation and maintenance of Station Two. The rates for electric service charged by the City of Henderson are not subject to any regulatory body approval. The term of the Station Two Operation Agreement extends for the operating life of Station Two.

Station Two Power Sales Contract

The Company purchases a portion of the power and energy produced by Station Two in accordance with a Power Sales Contract between the City of Henderson and the Company (the "Station Two Power Sales Contract"). The Station Two Power Sales Contract provides for the allocation of the capacity of Station Two between the City of Henderson and the Company based upon the City's determination of its needs to serve its retail customers. The Station Two Power Sales Contract requires the City of Henderson to give the Company a rolling five years' advance notice of the allocation of capacity between the City of Henderson and the Company, but changes of up to 5 MW in the City's allocation are permitted on a yearly basis. The Station Two Power Sales Contract limits the ability of the City of Henderson to add commercial or industrial customers in excess of 30 MW each to its system if to do so would require the withdrawal of existing capacity from Station Two or any other generating facilities on the City's existing electrical system. The Station Two Power Sales Contract also permits the City of Henderson to utilize up to a total of 25 MW of capacity from capacity otherwise allocated to the Company from Station Two for "economic development loads" consisting of new customers on the City's system or certain expansions of capacity by an existing customer. The Company's right to take its reserved portion of the capacity of Station Two is subject to the City of Henderson's prior right to take its allocated capacity. Thus, in the event of an outage or curtailment of the output of Station Two, the City's right to the output has a priority. Each party is entitled to all the energy from Station Two associated with its reserved capacity, subject to the Company's right to "Excess Henderson Energy" described below. The current capacity allocations of the City of Henderson and the Company effective June 1, 2012, are 37% and 63%, respectively.

The Company and the City of Henderson share capacity costs for Station Two in accordance with each party's respective allocated capacities. These capacity costs include the costs of operation, maintenance, administration and general expenses for Station Two as well as any amounts paid or payable to the Company under the terms of the Station Two Operation Agreement. The Company and the City of Henderson are each responsible for providing their respective portions of the fuel consumed by Station Two based on each party's respective uses of electric energy from Station Two.

The obligations of each party are subject to "uncontrollable force", having the same definition as in the Station Two Operation Agreement. However, the Company's obligation to make payments for its allocated capacity of Station Two is not excused for any reason including the occurrence of "uncontrollable force".

The Station Two Power Sales Contract permits the City of Henderson to terminate that agreement on 30 days' notice for the Company's failure to make any payment properly owing under the Station Two Power Sales Contract and, in such event, to make sales to others of power generated by Station Two and allocated to the Company on 5 days' notice to the Company and to apply the proceeds of such sales to the capacity charges the Company owes.

In accordance with the Station Two Power Sales Contract, the Company and the City of Henderson have established separate operation and maintenance funds in the amounts of $400,000 and $100,000, respectively, to fund expenditures for operation and maintenance for Station Two, such expenditures to be made from such funds in proportion to the then effective allocation of Station Two capacity between the Company and the City of Henderson. In accordance with the Station Two Power Sales Contract, the Company has agreed to fund up to $1.05 million to fund its portion of major renewals or replacements to the Station Two required on an emergency basis.

The term of the Station Two Power Sales Contract extends through the end of the economic operating life of Station Two.

Excess Henderson Energy

Big Rivers and the City of Henderson are engaged in an arbitration proceeding regarding their respective rights under the Station Two Power Sales Contract to energy associated with the City of Henderson's reserved capacity that the City of Henderson does not require for service to its native load. Big Rivers' position is that, to the extent the City of Henderson does not take the full amount of energy associated with its reserved capacity from Station Two (such excess, "Excess Henderson Energy"), Big Rivers may take and utilize all such energy for a price of $1.50 per MWh plus the cost of all fuel, reagent and sludge disposal costs associated with such Excess Henderson Energy. Big Rivers further asserts that the Station Two Power Sales Contract precludes the City of Henderson from offering Excess Henderson Energy to a third party without first offering Big Rivers the opportunity to purchase in accordance with the preceding sentence. The City of Henderson alleges that the Station Two Power Sales Contract permits the City to schedule and take energy from its allocated capacity of Station Two, and sell it to third parties after first offering such energy to Big Rivers at the price a third party is willing to pay. The arbitration panel issued its award on May 31, 2012, finding, among other things, that the disputed "excess energy shall be considered to belong to [the City of Henderson] which it may offer to third parties subject to Big Rivers first right to purchase such energy" at "the price at which [the City of Henderson] has a firm offer from a third party." On June 26, 2012, attorneys for the City of Henderson placed a demand on Big Rivers for the amount of $3,753,013.09, which, they allege, represents the amount of fixed costs associated with Excess Henderson Energy from August 2009 to May 30, 2012 minus a credit to Big Rivers for the $1.50 for each MWh taken. Big Rivers and its counsel are still analyzing the implications of the award, Big Rivers' options under the circumstances and the recent demand letter from the City of Henderson. In addition, as described above under the caption "*Station Two Facility*", WKEC and Big

Rivers have entered into an Indemnification Agreement relating to the Station Two Power Sales Contract and Big Rivers understands that WKEC and its counsel are also analyzing the implications of the award, WKEC's option under the circumstances and the recent demand letter from the City of Henderson.

SEPA Contract

In addition to the Company's generation resources, the Company fulfills its power supply responsibilities to the Members with their allocations from SEPA. The Company normally uses entitlement under the SEPA Contract for peaking. However, as a result of problems with certain dams on the Cumberland River hydro system, the Company's capacity entitlement has been suspended and it currently is receiving only energy. Generally, the Company must schedule and accept 1,500 hours of the contracted 178 MW each fiscal year ending June 30. The maximum amount scheduled in any month shall not exceed 240 hours and the minimum amount scheduled in any month shall not be less than 60 hours. The fee arrangement for generation is a take-or-pay contract, currently the Company pays a fixed monthly charge in the amount of approximately $260,937 and $17.69 per MWh for energy. These charges will continue until the dam work is completed and the SEPA Contract is restored to full service. SEPA cannot give notice of termination prior to October 1, 2029, with an effective date of September 30, 2032.

Transmission

In December 2010, the Company transferred functional control of its transmission system operated at 100 kV and above to MISO. In addition to operating the bulk transmission system of its participants, MISO also operates the MISO Market. In the MISO Market, the Company and other participants submit day-ahead or real-time bids and offers for the purchase or sale of energy at various locations. MISO then directs each MISO Market participant whether to operate its generation facilities and determines the price of energy at each location for a particular time period. The Company operates and maintains its transmission facilities and provides transmission services to the Members and Non-Members through MISO. As of December 31, 2011, the Company had in service 834 miles of 69 kV transmission lines, 14 miles of 138 kV transmission lines, 350 miles of 161 kV transmission lines and 68 miles of 345 kV transmission lines. The Company also owns 22 substations. The Company has completed or substantially completed six of the seven system improvements identified as phase two transmission projects. The Company has a construction work agreement with the TVA whereby TVA will pursue the completion of the one remaining project. The Company's available transfer capability for exporting power off system is approximately 1,202 MW with the completion of the six phase two transmission improvements. The current firm transmission capability is sufficient to allow the Company to export all available excess generation capacity plus an amount equal to the peak demand of both Smelters on its system. With the completion of the TVA construction projects currently estimated to be in 2014-2015, the Company's export capability will be increased to approximately 1,263 MW to TVA and 1,210 MW to MISO in 2016.

Southeastern Electric Reliability Council ("SERC") Investigation

Big Rivers is currently the subject of a non-public investigation initiated by SERC in February 2009. The staff from NERC and FERC also participated in the investigation. In June 2011, SERC initiated a formal assessment to determine the Company's compliance relative to eight reliability standards and requirements as a result of findings of possible violations by the investigation team. Aside from one minor instance, which has been disclosed to SERC, Big Rivers believes that it has been, and is, in compliance with all reliability standards and requirements. However, penalties for violations of reliability standards can be substantial. SERC recently has determined that two of the eight possible violations are not violations. At this time the assessment is still ongoing and the Company cannot estimate the amount or range of potential liability, if any.

Interconnections

Big Rivers has several interconnections between its transmission system and those of other power suppliers. These interconnections permit mutual support in emergencies, decrease overall transmission losses, facilitate the arrangement of electric power and energy sales and minimize the duplication of transmission lines. Big Rivers currently has interconnection agreements with seven power suppliers: HMP&L, MISO, Southern Illinois Power Cooperative, Hoosier Energy Rural Electric Cooperative, and Southern Indiana Gas and Electric Company – Vectren, Kentucky Utilities Company and Louisville Gas and Electric Company, and TVA. However, Big Rivers cannot purchase power from TVA due to restrictions on TVA's authority to sell power outside of its service area fixed by statute. An agreement with TVA provides transmission service by TVA to enable Big Rivers to interchange power and energy with four utilities located in the southern United States.

In addition to interconnections with neighboring transmission systems, Big Rivers has also received a request from an independent power producer that may locate within its local balancing area and interconnect new generators to the transmission system. This independent power producer has applied through MISO to connect to Big Rivers' transmission facilities. MISO worked with Big Rivers to study the impacts of such interconnection and to identify the cost of accommodating the interconnection. This generation interconnection will be effectuated through a standard-form, three-way interconnection agreement among Big Rivers, MISO and the independent power producer seeking use of MISO's transmission service.

Open Access Transmission Tariff

Effective December 2010 the use of the Company's transmission facilities is governed by the MISO Tariff. The Company provides the MISO with its revenue requirement for use in establishing the rate for transmission services under the MISO Tariff, but such revenue requirement is not directly reviewed by FERC. As a MISO transmission owner, the Company also participates in the MISO transmission planning process, and is responsible for investments in transmission projects assigned to it in accordance with that process. Participation in the MISO transmission planning process increases the scope of the Company's regional planning process and subjects it to decisions by the MISO and, ultimately, FERC, concerning allocations of costs for meeting regional transmission needs. Finally, the Company is subject to the MISO reserve requirements established pursuant to Module E of the MISO Tariff.

MANAGEMENT

Big Rivers is governed by a Board of Directors comprised of six persons. Each Member has two directors on the Board of Directors. Each director is elected by a majority vote of the delegates at the annual membership meeting in September. Each Member designates one delegate to represent it at the annual membership meeting. At least one of the two directors from each Member must be, at the time of their election, a director of such Member. Each term is for a three year period, ending the later of September 1 or the annual meeting date, and staggered such that two directors from different Members are elected each year.

The following are the Company's principal management personnel with a brief summary of their qualifications:

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 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.

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 of Vice President of Accounting. He was appointed Interim Chief Financial Officer in 2012.

Eric M. 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 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 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 has 627 full-time employees. The International Brotherhood of Electrical Workers, Local 1701, represents 371 of Big Rivers' generation and transmission operating employees. The Company's contracts with this union expire on September 14, 2012, and October 14, 2012, respectively. The Company believes that its relations with labor are good.

APPENDIX A

YEAR END FINANCIAL STATEMENTS

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.

BIG RIVERS ELECTRIC CORPORATION

Notes to Financial Statements

December 31, 2011 and 2010

(Dollars in thousands)

(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.

(Continued)

(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

(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.

MEMBER FINANCIAL AND STATISTICAL INFORMATION

The Members operate their systems on a not-for-profit basis. Accumulated margins remaining after payment of expenses and provision for depreciation constitute patronage capital for the consumers of the Members. Refunds of accumulated patronage capital to individual consumers of the Members are made from time to time on a patronage basis subject to limitations contained in each Member's mortgage with RUS, if applicable, or other applicable debt instruments.

The Members are the owners of Big Rivers and not subsidiaries. Except with respect to the obligations of the Members under their respective wholesale power contracts and the Smelter Agreements, Big Rivers has no legal interest in, or obligation in respect of, any of the assets, liabilities, equity, revenue or margins of the Members, other than the Company's rights under these contracts. The revenues of the Members are not pledged to Big Rivers, but their revenues are the source from which they pay for power and energy and transmission services purchased from Big Rivers. Revenues of the Members are, however, often pledged under their respective mortgages or other debt instruments.

Unaudited financial and statistical information relating to the Members is set forth below. The tables present a three-year summary of the balance sheets, statements of operations and selected statistical information with respect to the Members. The information contained below has been taken from RUS Financial and Statistical Reports (RUS Form 7) provided to Big Rivers by the Members. This information about the Members may not be indicative of their future results. In addition, the assets, liabilities, equity, revenue and margins should not be attributed to Big Rivers.

Table 1
Big Rivers' Members
Selected Statistics
for the Years Ended December 31,

	Kenergy	Meade County	Jackson Purchase
2011:			
Average Monthly Residential Revenue ($)	4,690,294	2,289,973	2,422,512
Average Monthly kWh	62,843,652	30,394,614	34,269,208
Average Residential Revenue (cents per kWh)	7.46	7.53	7.07
Times Interest Earned Ratio	1.66	2.09	1.04
Equity/Assets	28%	31%	36%
Equity/Total Capitalization	36%	34%	40%
2010:			
Average Monthly Residential Revenue ($)	4,762,213	2,181,402	2,603,350
Average Monthly kWh	67,746,442	31,257,410	36,804,036
Average Residential Revenue (cents per kWh)	7.03	6.98	7.07
Times Interest Earned Ratio	1.95	2.05	2.51
Equity/Assets	27%	30%	37%
Equity/Total Capitalization	33%	34%	44%
2009:			
Average Monthly Residential Revenue ($)	4,195,793	1,940,410	2,273,613
Average Monthly kWh	59,329,974	27,753,017	32,331,404
Average Residential Revenue (cents per kWh)	7.07	6.99	7.03
Times Interest Earned Ratio	1.48	1.57	1.26
Equity/Assets	24%	29%	34%
Equity/Total Capitalization	30%	32%	40%

Table 2
Big Rivers' Members
Average Number of Customers Served by Each Member
for the Years Ended December 31,

	Kenergy	Meade County	Jackson Purchase
2011:			
Residential Service	45,294	26,402	26,054
Commercial and Industrial	9,838	2,070	3,135
Other	78	6	10
Total Customers Served	55,210	28,478	29,199
2010:			
Residential Service	45,201	26,213	26,053
Commercial and Industrial	9,714	2,048	3,087
Other	76	6	12
Total Customers Served	54,991	28,267	29,152
2009:			
Residential Service	45,111	25,940	26,034
Commercial and Industrial	9,652	2,050	3,063
Other	76	6	12
Total Customers Served	54,839	27,996	29,109

Table 3
Big Rivers' Members
Annual MWh Sales by Customer Class
for the Years Ended December 31,

	Kenergy	Meade County	Jackson Purchase
2011:			
Residential Service	754,124	364,735	411,231
Commercial and Industrial	8,640,927	94,657	239,420
Other	1,733	1,057	888
Total MWh Sales	9,396,784	460,449	651,539
2010:			
Residential Service	812,957	375,089	441,648
Commercial and Industrial	8,503,804	103,175	240,839
Other	1,737	1,103	993
Total MWh Sales	9,318,498	479,367	683,480
2009:			
Residential Service	711,960	333,036	387,977
Commercial and Industrial	8,009,814	95,266	232,273
Other	1,598	1,036	1,033
Total MWh Sales	8,723,372	429,338	621,283

Table 4
Big Rivers' Members
Annual Revenues by Customer Class
for the Years Ended December 31,

	Kenergy	Meade County	Jackson Purchase
2011:			
Residential Service	$56,283,522	$27,479,674	$29,070,144
Commercial and Industrial	367,451,614	7,131,351	14,825,266
Other	282,096	74,925	100,940
Total Electric Sales	$424,017,232	$34,685,950	$43,996,350
Other Operating Revenue	1,598,821	1,093,977	1,138,853
Total Operating Revenue	$425,616,053	$35,779,927	$45,135,203
2010:			
Residential Service	$57,146,551	$26,176,828	$31,240,203
Commercial and Industrial	342,046,117	7,396,588	14,054,697
Other	280,234	74,376	104,833
Total Electric Sales	$399,472,902	$33,647,792	$45,399,733
Other Operating Revenue	1,576,153	985,470	1,134,337
Total Operating Revenue	$401,049,055	$34,633,262	$46,534,070
2009:			
Residential Service	$ 50,349,518	$23,284,922	$27,283,351
Commercial and Industrial	297,780,615	6,825,406	13,504,966
Other	252,392	67,802	109,221
Total Electric Sales	$348,382,525	$30,178,130	$40,897,538
Other Operating Revenue	1,400,341	918,510	1,020,934
Total Operating Revenue	$349,782,866	$31,096,640	$41,918,472

Table 5
Big Rivers' Members
Summary of Operating Results
for the Years Ended December 31,

	Kenergy	Meade County	Jackson Purchase
2011:			
Operating Revenue and Patronage Capital	$425,616,053	$35,779,927	$45,135,203
Depreciation and Amortization	8,711,446	3,213,863	4,695,048
Other Operating Expenses	407,517,352	28,352,691	38,043,297
Electric Operating Margin	$9,387,255	$4,213,373	$2,396,858
Other Income	975,075	277,510	765,555
Gross Operating Margin	$10,362,330	$4,490,883	$3,162,413
Interest on Long-term Debt (1)	5,786,551	2,123,835	2,867,944
Tax Expenses	371,579	33,919	48,869
Other Deductions	336,396	21,732	132,877
Net Margins	$3,867,804	$2,311,397	$112,723
2010:			
Operating Revenue and Patronage Capital	$401,049,055	$34,633,262	$46,534,070
Depreciation and Amortization	8,213,077	3,053,341	4,566,846
Other Operating Expenses	381,319,367	27,460,839	36,116,760
Electric Operating Margin	$11,516,611	$4,119,082	$5,850,464
Other Income	1,145,051	451,499	1,228,198
Gross Operating Margin	$12,661,662	$4,570,581	$7,078,662
Interest on Long-term Debt (1)	6,159,133	2,192,938	2,722,675
Tax Expenses	354,389	32,794	46,300
Other Deductions	276,035	32,420	205,318
Net Margins	$5,872,105	$2,312,429	$4,104,369
2009:			
Operating Revenue and Patronage Capital	$349,782,866	$31,096,640	$41,918,472
Depreciation and Amortization	7,970,349	2,956,264	4,325,554
Other Operating Expenses	332,864,173	24,726,916	34,448,281
Electric Operating Margin	$ 8,948,344	$ 3,413,460	$ 3,144,637
Other Income	985,051	246,919	551,311
Gross Operating Margin	$ 9,933,395	$ 3,660,379	$ 3,695,948
Interest on Long-term Debt (1)	6,063,274	2,284,654	2,787,124
Tax Expenses	363,079	32,462	44,969
Other Deductions	567,124	52,403	153,032
Net Margins	$ 2,939,918	$ 1,290,860	$ 710,823

(1) Interest on Long-term Debt is net of Interest Charged to Construction.

Table 6
Big Rivers' Members
Condensed of Balance Sheet Information
As of December 31,

	Kenergy	Meade County	Jackson Purchase
2011:			
ASSETS:			
Total Utility Plant (1)	$254,810,808	$100,542,751	$137,532,214
Depreciation	71,916,962	28,322,224	45,094,854
Net Plant	182,893,846	72,220,527	92,437,360
Other Assets	60,622,340	17,276,021	14,946,421
Total Assets	$243,516,186	$89,496,548	$107,383,781
EQUITY AND LIABILITIES:			
Equity	68,964,799	27,486,487	39,063,257
Long-term Debt	121,105,202	53,522,420	57,641,085
Other Liabilities	53,446,185	8,487,641	10,679,439
Total Equity and Liabilities	$243,516,186	$89,496,548	$107,383,781
2010:			
ASSETS:			
Total Utility Plant (1)	$246,011,723	$96,282,654	$133,577,500
Depreciation	66,837,167	26,382,722	42,067,013
Net Plant	179,174,556	69,899,932	91,510,487
Other Assets	64,987,273	14,063,976	16,867,183
Total Assets	$244,161,829	$83,963,908	$108,377,670
EQUITY AND LIABILITIES:			
Equity	65,181,416	25,354,111	40,519,767
Long-term Debt	131,197,120	50,261,514	52,456,925
Other Liabilities	47,783,293	8,348,283	15,400,978
Total Equity and Liabilities	$244,161,829	$83,963,908	$108,377,670
2009:			
ASSETS:			
Total Utility Plant (1)	$239,783,186	$91,162,723	$126,585,904
Depreciation	62,290,462	24,560,838	39,314,177
Net Plant	177,492,724	66,601,885	87,271,727
Other Assets	60,673,832	12,737,097	19,302,499
Total Assets	$238,166,556	$79,338,982	$106,574,226
EQUITY AND LIABILITIES:			
Equity	$57,985,783	$23,169,273	$36,395,561
Long-term Debt	133,279,836	48,493,205	54,944,634
Other Liabilities	46,900,937	7,676,504	15,234,031
Total Equity and Liabilities	$238,166,556	$79,338,982	$106,574,226

(1) Including construction work in progress.

SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE

The following is a summary of the provisions of the Mortgage Indenture. All references to the Mortgage Indenture are qualified by reference to such document. Capitalized terms used in this APPENDIX C but not otherwise defined in this Disclosure Statement shall have the meaning set forth in the Mortgage Indenture.

Security for Payment of the Mortgage Indenture Obligations

All obligations issued under the Mortgage Indenture are secured equally and ratably by a lien on substantially all the Company's owned tangible and some of the Company's intangible properties, including its electric generation and transmission facilities and certain of its contracts relating to the purchase, sale or transmission of electricity of more than one year in duration and relating to the ownership, operation or maintenance of electric generation, transmission or distribution facilities owned by the Company, but excluding all Excepted Property (defined below). The lien of the Mortgage Indenture also extends to revenue generated from the sale or transmission of electricity under certain of these contracts.

The Mortgage Indenture defines Excepted Property to include, among other things:

- Cash on hand or in banks or other financial institutions (excluding such cash to the extent it constitutes proceeds of the Trust Estate in which the security interest created by the Mortgage Indenture is perfected pursuant to the Uniform Commercial Code, for so long as such perfection continues, and also excluding cash deposited or required to be deposited with Trustee pursuant to the Mortgage Indenture);

- Contracts, contract rights and associated general intangibles not specifically subject to the lien of the Mortgage Indenture;

- Equity or debt securities (other than those securities specifically subject to the lien of the Mortgage Indenture), with limited exceptions;

- Allowances for emissions or similar rights granted by any governmental authority;

- Patents, patent licenses, and other patent rights, patent applications, service marks, trade names and trademarks (other than those specifically subject to the lien of the Mortgage Indenture);

- Claims, choses in action and judgments;

- Transportation equipment (including vehicles, vessels, airplanes and barges and all parts and supplies used in connection with that equipment);

- Goods or inventory acquired or produced for the purpose of resale in the ordinary course of business and other personal property consumable in the operation of the Company's business, and all hand and other portable tools, equipment and fuel;

- Office furniture, equipment and supplies and data processing, accounting and other computer equipment, software and supplies;

- The Company's leasehold interests as lessee (other than for office purposes) under leases for an original term of less than five years;

- The Company's leasehold interests as lessee for office purposes;

- Timber (separated from the land included in the Trust Estate), coal, ore, gas, oil, minerals, and other natural resources, and all electric energy, gas, steam, water, or other products generated, produced or purchased;

- Non-assignable permits, licenses, franchises, the Company's interest in leases as lessee or lessor, contracts and contractual and other rights not specifically subject to the lien of the Mortgage Indenture;

- Real, personal and mixed property located outside of the Commonwealth of Kentucky not specifically subject to the lien of the Mortgage Indenture;

- Any personal property located outside the Commonwealth of Kentucky in which a security interest cannot be perfected by filing a financing statement under the Uniform Commercial Code; and

- The Company's interest in other property in which a security interest cannot legally be perfected in the United States.

The Company's title to the Trust Estate and the lien of the Mortgage Indenture are subject to Permitted Exceptions which include, among other things, restrictions, exceptions, reservations, terms, conditions, agreements, leases, subleases, covenants, limitations, interests and other matters of record on the date of the Mortgage Indenture, or on property acquired by the Company after the date of the Mortgage Indenture as long as those matters do not materially impair the use of the property, reservations contained in U.S. patents, liens for non-delinquent taxes, and liens for delinquent taxes which are being contested in good faith, mechanics', materialmen's or contractors' liens arising in the ordinary course of business which are not delinquent or are being contested in good faith, local improvement district assessments, liens for judgments which are fully covered by insurance or as to which the Company is prosecuting an appeal and has set aside adequate reserves, leases as a lessor for a term of not more than ten years entered into after the date of the Mortgage Indenture, or, if more than ten years that do not materially impair the Company's use of the leased property in the conduct of the Company's business, easements, rights-of-way and other rights of others in the Company's property for limited purposes to the extent those rights do not in aggregate materially impair the use of the Trust Estate, liens for non-delinquent or contested rent, the undivided or other interests of other owners, liens on those undivided interests and rights of the owners in property owned jointly with the Company, the pledge of current assets in the ordinary course of business to secure current liabilities, and liens which have been bonded for the amount of obligations secured by those liens or for the payment of which a deposit had been made in the full amount of those liens or privileges of the Company's employees for salary or wages earned but not payable, any right of any municipal or governmental authority and the burdens of any law or regulations, restrictions or other deficiencies of title to easements used by the Company for pipelines, electric transmission lines or substations or similar facilities if the Company obtained sufficient right from the apparent owner for the use for which the same are used or the Company has power of eminent domain to correct the differences or the deficiencies may be remedied without undue effort or expense. The lien of the Mortgage Indenture will also be subject to the lien in favor of Trustee to recover amounts owed to it under the Mortgage Indenture.

The Mortgage Indenture contains provisions subjecting all of the Company's after-acquired property, other than Excepted Property, to the lien of the Mortgage Indenture with limited exceptions relating to purchase money and pre-existing liens (provided, in the case of real property, the Company files a Supplemental Indenture describing such property). In the case of any consolidation, merger, or conveyance or transfer of the Trust Estate substantially as an entirety, the Mortgage Indenture is not required to be a lien upon any property then owned or thereafter acquired by the successor entity other than upon:

- Betterments, extensions, improvements, additions, repairs, renewals, replacements, substitutions and alterations to or upon the Trust Estate;

- Property made the basis of withdrawal of cash from Trustee or the release of property from the lien of the Mortgage Indenture;

- Property acquired or constructed with the proceeds of (i) insurance on any part of the Trust Estate or (ii) any part of the Trust Estate released from the lien of the Mortgage Indenture or disposed of free from any such lien or taken by eminent domain;

- Property acquired to maintain and repair the property subject to the lien of the Mortgage Indenture in accordance with the requirements of the Mortgage Indenture;

- Property acquired or constructed with Trust Moneys (as defined below) paid upon the Company's request; and

- All property, leases, contracts, rights-of-way, franchises, licenses, permits or easements acquired in alteration, substitution, surrender or modification of those property rights, and all monies deposited with Trustee in connection with the disposition, alteration, or modification of those property rights.

In the event the Mortgage Indenture was not a lien on any such properties then owned or thereafter acquired by the successor entity, no additional Mortgage Indenture Obligations could be issued under the Mortgage Indenture (other than Mortgage Indenture Obligations issued in exchange or substitution for outstanding Mortgage Indenture Obligations).

Release and Substitution of Property

So long as no Event of Default exists under the Mortgage Indenture, the Company will be able to use and deal with the real and personal property (including licenses, permits, contracts and cash proceeds of the Trust Estate subject to the lien of the Mortgage Indenture, other than cash deposited or required to be deposited with the Indenture Trustee) subject to the lien of the Mortgage Indenture (including releasing, amending, terminating, abandoning or disposing of such property) to facilitate the Company's day-to-day operations. Certain of these transactions will require that the Company finds that such transactions will not adversely affect in any material respect the security afforded by the Mortgage Indenture and are:

- Desirable in the conduct of the Company's business; or

- Made in lieu and reasonable anticipation of the taking by eminent domain or purchase of such property by a governmental entity.

Certain of these transactions also would require the substitution of Bondable Additions, the deposit of cash with the Indenture Trustee or the retirement or defeasance of Mortgage Indenture Obligations, in each case of equivalent value of the fair value of the property to be released. Cash deposited with the

Indenture Trustee as a result of the authentication and delivery of Mortgage Indenture Obligations can be withdrawn against 90.91% of Bondable Additions or retired or defeased Mortgage Indenture Obligations of equivalent value. Trust Moneys (as hereinafter defined) can be withdrawn against Bondable Additions or retired or defeased Mortgage Indenture Obligations, in either case of equivalent value, and can, at the option of the Company, be used for the redemption of Mortgage Indenture Obligations prior to their maturity, for the payment of principal on Mortgage Indenture Obligations at their maturity or for the purchase of Mortgage Indenture Obligations. To the extent that any Trust Moneys consist of the proceeds of insurance upon any part of the property subject to the lien of the Mortgage Indenture, such Trust Moneys can be withdrawn to reimburse the Company for costs to repair, rebuild or replace the destroyed or damaged property.

"Trust Moneys" is defined in the Indenture as all money received by the Indenture Trustee:

- Upon the release of any part of the Trust Estate from the lien of the Mortgage Indenture, including all moneys received in respect of the principal of all purchase money obligations deposited with the Indenture Trustee in respect of its release of property;

- As compensation for, or proceeds of the sale of, any part of the Trust Estate subject to the lien of the Mortgage Indenture taken by eminent domain or purchased by, or sold pursuant to an order of, a governmental authority or otherwise disposed of;

- As proceeds of insurance upon any part of the Trust Estate subject to the lien of the Mortgage Indenture required to be paid to the Indenture Trustee pursuant to the Mortgage Indenture; or

- For application as Trust Moneys under the relevant provision of the Mortgage Indenture or whose disposition was not otherwise specifically provided for in the Mortgage Indenture.

Covenants

The Indenture requires the Company to establish and collect rates, rents, charges, fees and other compensation (collectively, the "Rates") that produce money sufficient, together with other moneys available to the Company, to enable the Company to comply with all covenants under the Mortgage Indenture. Subject to the approval or determination of any regulatory or judicial authority with jurisdiction over Rates, the Mortgage Indenture requires the Company to establish and collect Rates which are reasonably expected, together with other revenue of the Company, to yield a MFI Ratio equal to at least 1.10 for each fiscal year. Promptly upon any material change in the circumstances which were not contemplated at the time such Rates were most recently reviewed but not less frequently than once every 12 months, the Company will be required to review the Rates so established and, subject to any necessary regulatory approval and the approval of the RUS, if required, promptly establish or revise such Rates as necessary to comply with the foregoing requirements. The Company will not furnish or supply or cause to be furnished or supplied any use, output, capacity or service of the Company's business with respect to which a charge is regularly or customarily made, free of charge to any Person, and the Company will use commercially reasonable efforts to enforce the payment of any and all accounts owing to the Company with respect to the use, output, capacity or service of the Company's business. A failure by the Company to actually achieve a 1.10 MFI Ratio will not itself constitute an Indenture Event of Default under the Mortgage Indenture. A failure to establish Rates reasonably expected to achieve a 1.10 MFI Ratio, however, will be an Indenture Event of Default if such failure continues for 30 days after the Company receives notice thereof from either the Indenture Trustee or the holders of not less than 20% in principal amount of the outstanding Mortgage Indenture Obligations, unless such failure results from the Company's inability to obtain regulatory approval.

MFI Ratio, for any period, is (i) the sum of (a) Margins for Interest (as defined below) for such period, plus (b) Interest Charges (as defined below) for such period, divided by (ii) Interest Charges for such period. Margins for Interest means, for any period, the sum of each of the following for such period:

- Big Rivers' net margins which include revenues of the Company subject to refund at a later date but exclude provisions for (i) non-recurring charges to income, including the non-recoverability of assets or expenses, except to the extent the Company determines to recover such charges in Rates and (ii) refunds of revenues collected or accrued in any prior year subject to possible refund; plus

- Any amount included in net margins for accruals for federal and state income and other taxes imposed on income after deduction of interest expense; plus

- Any amount included in net margins for any losses incurred by any subsidiary or affiliate of the Company; plus

- Any amount the Company actually receives in such period as a dividend or other distribution of earnings of any subsidiary or affiliate of the Company (whether or not such earnings were for such period or any earlier period); minus

- Any amount included in net margins for any earnings or profits of any subsidiary or affiliate of the Company; and minus

- Any amount the Company actually contributes to the capital of, or actually pay under a guarantee by the Company of an obligation of, any subsidiary or affiliate in such period to the extent of any accumulated losses incurred by such subsidiary or affiliate (whether or not such losses were for such period or any earlier period), but only to the extent (i) such losses have not otherwise caused other contributions or payments to be included in net margins for purposes of computing Margins for Interest for a prior period and (ii) such amount has not otherwise been included in net margins.

Margins for Interest are determined in accordance with Accounting Requirements; provided, however, that such determination may not be made on a consolidated basis.

"Interest Charges" is defined in the Mortgage Indenture to mean, for any period, the total interest charges (whether capitalized or expensed) for such period (which, except as otherwise provided in this definition, shall be determined in accordance with Accounting Requirements) related to (i) Outstanding Secured Obligations or (ii) outstanding Prior Lien Obligations, in all cases including amortization of debt discount and premium on issuance, but excluding all interest charges related to Mortgage Indenture Obligations that have actually been paid by another Person that has agreed to be primarily liable for such Indenture Obligation pursuant to an assumption agreement or similar undertaking, provided such assumption agreement or similar undertaking is not a mechanism by which the Company continues to make payments to such Person based on payments made by such Person on account of its assumed liability or by which the Company otherwise seeks to avoid having interest related to such Mortgage Indenture Obligations included in the definition of Interest Charges without the economic substance of an assumption of liability on the part of such Person.

The Mortgage Indenture prohibits Big Rivers from making any distribution, payment or retirement of patronage capital to the members if, at the time thereof or after giving effect thereto:

- An Indenture Event of Default then exists;

- Aggregate margins and equities as of the end of the immediately preceding fiscal quarter would be less than 20% of the Company's total long-term debt and equities at such time; or

- The aggregate amount expended for all such distributions to the members on and after the date on which the Company's aggregate margins and equities first reached 20% of the Company's long- term debt and equities shall exceed 35% of the Company's aggregate net margins earned after such date.

Notwithstanding such restrictions, so long as no Indenture Event of Default exists, the Company may make distributions, payments or retirements of patronage capital to members if, after giving effect thereto, the Company's aggregate margins and equities as of the end of its most recent fiscal quarter would have been not less than 30% of the Company's total long-term debt and equities as of such date.

The Mortgage Indenture obligates the Company to keep all of its property subject to the lien of the Mortgage Indenture free and clear of other liens, subject to Permitted Exceptions and certain purchase money on after-acquired property not in excess of 80% (or with respect to property that is not necessary to the operations of the remaining portion of the Company's business, 100%) of the lesser of the cost or the fair value of such property and in the aggregate not in excess of 15% of the aggregate principal amount of all Mortgage Indenture Obligations.

Credit Enhancement

The Mortgage Indenture provides that Mortgage Indenture Obligations of any series may have the benefit of an insurance policy, letter of credit, surety bond, or other similar unconditional obligation to pay when due the principal and interest of the Mortgage Indenture Obligations of such series (each, a "Credit Enhancement") issued by a credit enhancer (a "Credit Enhancer").

Additional Mortgage Indenture Obligations

The principal amount of Mortgage Indenture Obligations that can be issued under the Mortgage Indenture is limited to three billion dollars ($3,000,000,000). However, the Mortgage Indenture may be amended to increase such limit without the consent of holders of Mortgage Indenture Obligations. Additional Mortgage Indenture Obligations, ranking equally and ratably with the Mortgage Indenture Obligations issued to refinance or evidence the Company's secured indebtedness outstanding at such time, may be issued from time to time:

- Against:

    - 90.91% of Bondable Additions;

    - 90.91% of Certified Progress Payments;

    - The aggregate principal amount of retired or defeased Mortgage Indenture Obligations;

    - The amount of cash deposited with the Indenture Trustee; and

- To evidence reimbursement Obligations to Credit Enhancers in connection with Credit Enhancement or guarantees of other Mortgage Indenture Obligations.

Bondable Additions are equal to (i) the bondable value of all certified Property Additions (as to which the lien of the Mortgage Indenture shall be subject only to Permitted Exceptions), less (ii) property ("Retirements") subject to the lien of the Mortgage Indenture that is retired after December 31, 2008 (the

"Cut-Off Date"). Property Additions are limited under the Mortgage Indenture to certain of the Company's property chargeable to its fixed plant accounts, subject to the lien of the Mortgage Indenture, acquired or constructed by the Company since the Cut-Off Date, and not subject to pre-existing liens securing indebtedness prior to or on a parity with the lien of the Mortgage Indenture. In addition Property Additions include tangible property the Company acquired from WKEC as part of the Unwind, including the flue gas desulphurization system and associated equipment at the Coleman Plant, regardless of when the Company acquired title to such property. For the purpose of calculating the amount of Property Additions and Retirements, (i) the bondable value of property acquired after the Cut Off Date is the lesser of its cost or fair value to the Company (determined as of the time of acquisition) and (ii) the bondable value of the tangible property acquired from WKEC in the Unwind is $98.5 million plus the cost of acquisition by WKEC of all such tangible property (other than the flue gas desulphurization system and associated equipment at the Coleman Plant) as reflected on the books of WKEC. The amount of Bondable Additions available for the issuance of additional Mortgage Indenture Obligations is the bondable value of all Property Additions (calculated as described above) after December 31, 2008 plus the bondable value of the tangible property acquired from WKEC in the Unwind on July 16, 2009, minus the bondable value of all property subject to the lien of the Mortgage Indenture that is retired or disposed after December 31, 2008. As a result, as of December 31, 2011, the Company could have issued approximately $233.5 million of additional Mortgage Indenture Obligations on the basis of Bondable Additions.

In order to finance the construction of generation and related facilities on a contract basis, the Company can issue additional Mortgage Indenture Obligations in an aggregate principal amount up to 90.91% of the progress payments ("Certified Progress Payments") made under qualified contracts for engineering, construction or procurement services which have been assigned to the Indenture Trustee ("Qualified EPC Contracts"). Such additional Mortgage Indenture Obligations are limited in principal amount to 30% of the Outstanding Secured Obligations under the Mortgage Indenture. As Property Additions are added to the Trust Estate as a consequence of Certified Progress Payments, the Company can certify such Property Additions as Bondable Additions to (i) issue additional Mortgage Indenture Obligations on the basis of Bondable Additions provided that the Company uses a portion of the proceeds of such additional Mortgage Indenture Obligations to pay a specified portion of the Mortgage Indenture Obligations issued on the basis of Certified Progress Payments or (ii) convert principal amounts outstanding under the Mortgage Indenture Obligations issued on the basis of Certified Progress Payments to principal amounts outstanding under the Mortgage Indenture Obligations issued on the basis of Bondable Additions.

Before the Company may issue additional Mortgage Indenture Obligations on the basis of Bondable Additions, retirement or defeasance of Mortgage Indenture Obligations, the deposit of cash with the Indenture Trustee or Certified Progress Payments, the Company must certify that its MFI Ratio was at least 1.10 during the immediately preceding fiscal year (or, if the certification is made within 90 days of the end of a fiscal year, the second preceding fiscal year) or during any consecutive 12-month period within the 15 month period immediately preceding the request for the issuance of additional Mortgage Indenture Obligations.

Events of Default and Remedies

The following are Indenture Events of Default:

- Failure to pay principal of or premium, if any, on any Indenture Obligation when due after any applicable grace period;

- Failure to pay any interest on any Indenture Obligation when due which continues for 5 days;

- Any other breach by the Company of any of its warranties or covenants contained in the Indenture which continues for 30 days after written notice thereof from the Indenture Trustee or the holders of not less than 25% in principal amount of the outstanding Mortgage Indenture Obligations, unless such default cannot be reasonably cured within such 30 day period in which case, so long as a cure is being diligently pursued, the Company shall have a reasonable period of time beyond such 30 day period to complete such cure;

- Failure to pay when due the principal of any other indebtedness for money borrowed, which failure has resulted in the declaration of acceleration of indebtedness in excess of $10 million, if such indebtedness is not discharged or such declaration of acceleration is not rescinded or annulled within 10 days after such acceleration;

- A judgment against the Company in excess of $10 million which remains unsatisfied or unstayed for 45 days after either entry of judgment or termination of stay, and such judgment remains unstayed or unsatisfied for a period of 10 days after notice thereof from the Indenture Trustee or the holders of not less than 25% in principal amount of the outstanding Mortgage Indenture Obligations; or

- Certain other proceedings in bankruptcy, receivership, insolvency, liquidation or reorganization.

Subject to the provisions of the Mortgage Indenture relating to the duties of the Indenture Trustee, in case an Indenture Event of Default should occur and be continuing, the Indenture Trustee is under no obligation to exercise any of its rights or powers under the Mortgage Indenture at the request or direction of any of the holders, unless such holders shall have offered to the Indenture Trustee a reasonable indemnity. Subject to provisions for the indemnification of the Indenture Trustee, the holders of a majority in aggregate principal amount of the outstanding Mortgage Indenture Obligations have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee or exercising any trust or power conferred on the Indenture Trustee, except that, so long as it is not in default with respect to its Credit Enhancement for any Mortgage Indenture Obligations, a Credit Enhancer for, and not the actual holders of, Mortgage Indenture Obligations subject to Credit Enhancement would be deemed to be the holder of such Mortgage Indenture Obligations for purposes of, among other things, taking action in connection with the remedies set forth in the Mortgage Indenture.

If an Indenture Event of Default should occur and be continuing, either the Indenture Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Mortgage Indenture Obligations may accelerate the maturity of all Mortgage Indenture Obligations. However, after such declaration of acceleration, but before a sale of any of the property subject to the lien of the Mortgage Indenture or a judgment or decree based on such declaration of acceleration, the holders of a majority in aggregate principal amount of outstanding Mortgage Indenture Obligations may, under certain circumstances, rescind such declaration of acceleration if the Company has paid or deposited sufficient amounts with the Indenture Trustee and all Events of Default, other than the non-payment of accelerated principal, had been cured or waived as provided in the Mortgage Indenture.

No holder of any Indenture Obligation has any right to institute any proceeding with respect to the Mortgage Indenture or for any remedy thereunder, unless:

- Such holder had previously given to the Indenture Trustee written notice of a continuing Indenture Event of Default;

- The holders of not less than 25% in aggregate principal amount of the outstanding Mortgage Indenture Obligations had made written request and such holders (other than the Government) have offered reasonable indemnity to the Indenture Trustee to institute such proceeding as Indenture Trustee;

- The Indenture Trustee for 60 days after its receipt of such notice, request and indemnity had failed to institute any such proceeding; and

- The Indenture Trustee had not received during such 60 day period from the holders of a majority in aggregate principal amount of the outstanding Mortgage Indenture Obligations a direction inconsistent with such request.

However, such limitations on the holders' rights to institute proceedings would not apply to a suit instituted by a holder of an Indenture Obligation for the enforcement of payment of the principal of, and premium, if any, or interest on such Indenture Obligation on or after the respective due dates expressed in such Indenture Obligation.

The Mortgage Indenture provides that the Indenture Trustee, within 90 days after the occurrence of the Mortgage Indenture Event of Default (but at least 60 days after the occurrence of certain specified Indenture Events of Default), shall give to the holders of Mortgage Indenture Obligations notice of all uncured defaults known to it, provided that, except in the case of an Indenture Event of Default in the payment of principal of, and premium, if any, or interest on Mortgage Indenture Obligations, the Indenture Trustee would be protected in withholding such notice if it in good faith determines that the withholding of such notice is in the interest of the holders of Mortgage Indenture Obligations.

If an Indenture Event of Default should occur and be continuing, the Indenture Trustee may sell the property subject to the lien of the Mortgage Indenture, in either a judicial or nonjudicial proceeding, and the proceeds for disposition of such property, after payment of amounts owing to the Indenture Trustee, shall be applied as follows:

- *First*, to the payment of all amounts due to the Indenture Trustee;

- *Second*,

    - If all Mortgage Indenture Obligations shall have become due and payable, to the payment of outstanding Mortgage Indenture Obligations without preference or priority between interest or principal or among Mortgage Indenture Obligations, or

    - If the principal of all Mortgage Indenture Obligations shall not have become due and payable, then (A) first to interest installments in the order of their maturity and (B) second to principal or redemption price;

- *Third*, to payment of all other amounts due and unpaid on Mortgage Indenture Obligations;

- *Fourth*, to payment of amounts to maintain the value of reserve funds relating to certain tax exempt bonds; and

- *Fifth*, to the Company or whosoever may be lawfully entitled to receive any remaining amount.

The Indenture requires the Company to deliver to the Indenture Trustee, within 120 days after the end of each calendar year, a written statement as to its compliance with all its obligations under the Mortgage Indenture. In addition, the Company is required to deliver to the Indenture Trustee, promptly after any of its officers may be reasonably deemed to have knowledge of a default under the Mortgage Indenture, a written notice specifying the nature and duration of the default and the action the Company is taking and proposes to take with respect thereto.

Amendments and Supplemental Indentures

Waiver of Covenants

The Company's compliance with the covenants contained in the Mortgage Indenture relating to (i) limitation on liens, (ii) payment of taxes, (iii) maintenance of properties, (iv) insurance, (v) delivery of annual compliance certificates and notice of default under the Mortgage Indenture, (vi) establishing and reviewing certain Rates (other than establishing Rates necessary to comply with the covenants of the Mortgage Indenture), (vii) distributions to its members and (viii) investment of certain moneys, may be waived by a vote of the holders of a majority of the aggregate principal amount of the Mortgage Indenture Obligations outstanding.

Supplemental Indentures Without Consent of Holders

Without the consent of the holders of any Mortgage Indenture Obligations, the Company, when authorized by a board resolution, and the Indenture Trustee will be able, from time to time, to enter into one or more supplemental Indentures:

- To correct or amplify the description of any property at any time subject to the lien of the Mortgage Indenture;

- To confirm property subject or required to be subjected to the lien of the Mortgage Indenture or to subject additional property to the lien of the Mortgage Indenture;

- To add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of the issue, authentication and delivery of Mortgage Indenture Obligations or of any series of Mortgage Indenture Obligations under the Mortgage Indenture;

- To create any new series of Mortgage Indenture Obligations;

- To modify or eliminate any of the terms of the Mortgage Indenture, provided in the event any such modification or elimination would adversely affect or diminish the rights of any holder, such supplemental Indenture shall state that any such modification or elimination shall become effective only when there are no Mortgage Indenture Obligations outstanding under any series created prior to such supplemental Indenture and provided the Indenture Trustee may decline to execute such supplemental Indenture which does not afford adequate protection to the Indenture Trustee;

- To evidence the succession of another corporation to the Company and the assumption by any such successor of the Company's covenants;

- To evidence the succession of another Indenture Trustee or the appointment of a co-Indenture Trustee or separate Indenture Trustee;

- To add to the Company's covenants or the Indenture Events of Default for the benefit of all or any series of Mortgage Indenture Obligations or to surrender any of the Company's rights or powers;

- To cure any ambiguity, to correct or supplement any provision in the Mortgage Indenture which may be inconsistent with any other provisions or to make any other provisions, with respect to matters or questions arising under the Mortgage Indenture, which shall not be inconsistent with the provisions of the Mortgage Indenture, provided such action shall not in the Company's opinion, as evidenced by an officer's certificate delivered to the Indenture Trustee, adversely affect the interests of the holders of the Mortgage Indenture Obligations in any material respect;

- To modify, eliminate or add to the provisions of the Mortgage Indenture to the extent necessary to effect the qualification of the Mortgage Indenture under any federal statute, to modify, eliminate or add to the provisions of the Indenture to the extent that any such provisions relating to requirements under the Trust Indenture Act of 1939 (the "TIA") have been modified or eliminated in the TIA after the date of the Mortgage Indenture, to add or change any provisions of the Indenture to the extent necessary to permit or facilitate the issuance of Mortgage Indenture Obligations in bearer or book-entry form;

- To permit the issuance of Mortgage Indenture Obligations in bearer or book-entry form;

- To make any change in the Mortgage Indenture that, in the reasonable judgment of the Indenture Trustee, would not materially and adversely affect the rights of holders of Mortgage Indenture Obligations. A supplemental Indenture will be presumed not to materially and adversely affect the rights of holders if (i) the Mortgage Indenture, as so supplemented and amended, secures equally and ratably the payment of principal of (and premium, if any) and interest on the Mortgage Indenture Obligations which are to remain outstanding and (ii) the Company shall furnish to the Indenture Trustee written evidence from (x) the nationally recognized statistical rating organization or organizations then rating the Mortgage Indenture Obligations (or other Obligations primarily secured by Mortgage Indenture Obligations) or (y) if there are more than two (2) such organizations, at least two (2) of such organizations, that its ratings of the Mortgage Indenture Obligations (or other Obligations primarily secured by Mortgage Indenture Obligations) will not be withdrawn or reduced as a result of the changes in the Indenture affected by such supplemental Indenture, provided that any changes in the Mortgage Indenture that require the consent of all of the holders of Mortgage Indenture Obligations affected thereby may not be made on the basis that they do not materially and adversely affect the rights of holders. See "Supplemental Indentures With Consent of Holders;" and

- To increase the maximum principal amount of Mortgage Indenture Obligations which may be authenticated and delivered under the Mortgage Indenture.

Supplemental Indentures With Consent of Holders

With the consent of the holders of not less than a majority in principal amount of the Mortgage Indenture Obligations of all series then outstanding affected by such supplemental Indenture, the Company and the Indenture Trustee will be able, from time to time, to enter into one or more supplemental Indentures to add, change or eliminate any of the provisions of the Mortgage Indenture or modify the rights of the holders of such Mortgage Indenture Obligations, but no such supplemental Indenture will, without the consent of the holder of each outstanding Indenture Obligation affected thereby:

- Change the Stated Maturity (the date specified in each Mortgage Indenture Obligations as the date on which the principal of such Mortgage Indenture Obligations or an installment of interest on any Indenture Obligation is due and payable);

- Reduce the principal of, or any installment of interest on, any Indenture Obligation, or any premium payable upon the redemption thereof;

- Change any Place of Payment (the city or political subdivision thereof in which the Company is required by the Indenture to maintain an office or agency for payment of the principal of or interest on the Mortgage Indenture Obligations) where any Indenture Obligation, or the interest thereon, is payable;

- Impair the right to institute suits for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date);

- Reduce the percentage in principal amount of the outstanding Mortgage Indenture Obligations the consent of the holders of which is required for various purposes;

- Modify certain other provisions of the Mortgage Indenture;

- Permit the creation of any lien (other than as permitted in the Mortgage Indenture) ranking prior to or on a parity with the lien of the Mortgage Indenture with respect to all or substantially all of the property subject to the lien of the Mortgage Indenture; or

- Modify the provisions of any mandatory sinking fund so as to affect the rights of a holder to the benefits thereof.

Defeasance

Subject to certain other conditions, the Mortgage Indenture provides that Mortgage Indenture Obligations will be deemed to have been paid and any of the Company's Obligations to the holders of such Mortgage Indenture Obligations will be discharged, if the Company deposits with the Indenture Trustee or paying agent cash or Defeasance Securities (as defined below) maturing as to principal and interest in such amounts and at such times as are sufficient, without consideration of reinvestment of such interest, to pay when due the principal or (if applicable) redemption price and interest due and to become due on such Mortgage Indenture Obligations. "Defeasance Securities" is defined in the Mortgage Indenture to include non-callable bonds or other obligations of the principal and interest on which constitute direct obligations of, or are unconditionally guaranteed by the United States of America, or certificates of interest or participation in any such obligations, or in specified portions thereof (which may consist of specified portions of the interest thereon).

SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS

The following is a summary of certain provisions of the Smelter Agreements. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the summarized documents. The Smelters have largely identical obligations under the agreements described below, so this summary does not distinguish between obligations to a particular Smelter, even though, from a legal perspective, their rights and obligations are separate and not joint. All capitalized terms used in this APPENDIX D summary and not defined herein or elsewhere in the Disclosure Statement shall have the meanings given to them in the Smelter Agreements.

Structure

The principal terms and conditions relating to the sale of electric services by Big Rivers to Kenergy for resale to the Smelters are set forth in six agreements, three with respect to service to each Smelter. The basic structure of the sale of electric services is that the Company sells the electric services to Kenergy and then Kenergy in turns sells those electric services to each Smelter. Because the Smelters are customers of Kenergy, Big Rivers has entered into two, separate wholesale service agreements (each a "Smelter Agreement") with Kenergy. Under each Smelter Agreement, the Company supplies Kenergy with electric service for resale to a particular Smelter. Kenergy has entered into a separate retail electric service agreement (a "Smelter Retail Agreement") with each Smelter. The Company and each Smelter have also entered into a Smelter Coordination Agreement (a "Smelter Coordination Agreement" and, together with the Smelter Agreements and the Smelter Retail Agreements, the "Smelter Agreements") that sets forth certain direct obligations between the Company and a Smelter. Due to the pass-through nature of the principal obligations between the Company and each Smelter, the Smelter Agreement and the Smelter Retail Agreement relating to each Smelter are substantially the same.

Nature of Service

The aggregate amount of energy made available to the Smelters under the Smelter Retail Agreements consists of three types of energy referred to as (1) Base Monthly Energy, (2) Supplemental Energy and (3) Back-Up Energy.

Base Monthly Energy

The primary type of energy provided is Base Monthly Energy. "Base Monthly Energy" is the actual amount of energy delivered to the Smelter other than Supplemental Energy provided by Big Rivers or Market Energy provided by third-party suppliers plus energy not delivered as a result of the Smelter's exercise of certain rights to curtail deliveries of energy. Base Monthly Energy is capped at 368 MW per hour for Alcan and 482 MW per hour for Century. The Smelter Retail Agreements do not require the Smelters to schedule Base Monthly Energy but do require each Smelter to use reasonable commercial efforts to inform Kenergy and the Company promptly of any material change in its intended usage of Base Monthly Energy.

Supplemental Energy

In addition to Base Monthly Energy, the Smelters may purchase Supplemental Energy in certain circumstances. "Supplemental Energy" itself consists of three distinct subsets of energy products in excess of Base Monthly Energy:

Interruptible Energy. Each of the Smelters may purchase up to 10 MW per hour in excess of Base Monthly Energy, from the Company's power supply resources on an interruptible basis ("Interruptible Energy"). Interruptible Energy may be interrupted if the Company determines in good faith that its energy resources will be insufficient to supply both the requested Interruptible Energy and its obligations to the Members, all other obligations to the Smelters, and any firm commitments to third parties made prior to the Company's agreement to sell such Interruptive Energy.

Buy-Through Energy. If the Company interrupts any Interruptible Energy, then the Company may, at its option, offer energy at a quoted price following the notice of interruption ("Buy-Through Energy"). In practice, the Company purchases this energy from a third-party supplier in the market and then re-sells it to Kenergy for resale to the Smelter. If the Smelter agrees to purchase Buy-Through Energy, the Company will have a firm obligation to supply Buy-Through Energy, subject to limited exceptions.

Market Energy. Apart from all other energy, at the request of a Smelter, Kenergy will use reasonable commercial efforts to purchase separately negotiated additional energy and related services ("Market Energy") from either the Company or third-party suppliers. The Company has no obligation to provide Market Energy to Kenergy for resale to the Smelters but may elect to do so.

Back-Up Energy

Because the Smelter's receive in each hour energy that meets their actual demand in the hour, the Smelters also purchase and pay for "Back-Up Energy." Back-Up Energy is, for any hour, energy in excess of Base Monthly Energy and Supplemental Energy. Back-Up Energy is intended to be imbalance energy, that is, energy actually used in excess of the Smelter's planned usage in any hour. The Smelters are not required to schedule Back-Up Energy, but the Smelters must use reasonable commercial efforts to inform Kenergy and Big Rivers promptly of any material change in their intended usage of Back-Up Energy.

Smelter Payment Obligations

Base Monthly Energy Charge

The calculation of the charges for Base Monthly Energy contains numerous components. In sum, the charges are intended to result in the Smelters making payments that help the Company achieve a net margin so that the Company's net margin plus interest expenses divided by interest expenses is 1.24. This ratio is referred to herein as a "TIER". The charges to reach a TIER of 1.24 are subject to specified limits on the maximum amount payable by the Smelters and certain other adjustments.

Base Energy Charge. The "Base Energy Charge" is the charge for Base Monthly Energy made available to the Smelters. The Base Energy Charge is equal to the Smelter's Base Demand (368 MW or 482 MW, respectively) per hour, assuming a 98% load factor, multiplied by the Company's tariff rate for sales to its Members for resale to large direct-served industrial customers (the "Large Industrial Rate") (inclusive of any surcharges, surcredits and rebates, exclusive of certain fuel adjustment charges and environmental surcharges, the Rebate and the Surcharge (each as defined below)), plus an additional amount of $0.25 per MWh. In addition, the Base Energy Charge includes an adjustment, either positive or negative, for specified variable costs, based on the Smelters' actual energy curtailments.

Supplemental Energy Charges. The charges for Supplemental Energy are the sum of charges for the Interruptible Energy Charge, the Buy-Through Energy Charge, and the Market Energy Charge, calculated as follows:

1. The "Interruptible Energy Charge" is the product of (a) the quantity of Interruptible Energy metered at the point of delivery during the billing month, and (b) the rate or rates for Interruptible Energy proposed by the Company and accepted by the Smelter with respect to such billing month;

2. The "Buy-Through Energy Charge" is a "pass-through" amount for the Company's costs to purchase such Buy-Through Energy from a third-party supplier for sale to Kenergy for resale to the applicable Smelter, including any amount paid for transmission and ancillary services and all other charges payable by the Company in connection with Buy-Through Energy; and

3. The "Market Energy Charge" equals the product of the rate agreed to by the supplier of the energy, which may be but is not necessarily the Company, and the amount of the Market Energy and any amount paid for transmission and ancillary services.

Back-Up Energy Charges. The rates for Back-Up Energy depend on whether the Company has to purchase that energy in the market. If so, the rate is 110% of the highest price for energy purchased by and delivered to the Company during that hour. If the Back-Up Energy was not purchased in the market, then the rate is the greater of the locational marginal price at the Company's interface with Midwest Independent System Operator or the Company's system lambda. If Back-Up Energy exceeds 10 MW in any hour, the rate for the excess over 10 MW is computed differently. If this excess Back-Up Energy is required due to a third-party breaching a contract to supply Market Energy (and thereby reducing the energy supplied to a Smelter), then the rate is 110% of the highest price for energy purchased by or sold by the Company in that hour. If there is no such contractual breach, then the rate for Back-Up Energy in excess of 10 MW is the higher of $250 per MWh or 110% of the highest hourly rate for energy purchased or sold by Big Rivers and delivered to an interconnection with the Company's transmission system in such hour.

TIER Adjustment Charge

Prior to each fiscal year, the Company determines the expected total amount of additional revenue it will need during the fiscal year to achieve a TIER of 1.24, subject to certain limitations (the "TIER Adjustment"). Each Smelter is obligated to pay a pro rata share (calculated based on its Base Demand) of the TIER Adjustment. If one Smelter's Retail Agreement terminates early, the other Smelter will continue to be obligated to pay only its pro rata share of the TIER Adjustment calculated based on the terminated Smelter's Base Demand, which is 368 MW for Alcan and 482 MW for Century. Each month, one-twelfth of each Smelter's share of the estimated TIER Adjustment for such fiscal year is charged to the Smelter as a "TIER Adjustment Charge". These monthly amounts are further subject to quarterly adjustments based on year-to-date results of operations.

The Smelters' obligations to pay amounts toward the Company achieving a TIER of 1.24 are not unlimited. Each Smelter's obligation with respect to the TIER Adjustment in any fiscal year may not exceed an amount equal to the product of (a) the Smelters' Based Fixed Energy, for such fiscal year, and (b) the applicable amount set forth below for such year:

Years	Applicable Amount
2009-2011	$0.00195 per kWh
2012-2014	$0.00295 per kWh
2015-2017	$0.00355 per kWh
2018-2020	$0.00415 per kWh
2021-2023	$0.00475 per kWh

Assumptions in the TIER Adjustment. Big Rivers and Kenergy have agreed with the Smelters to make certain assumptions and adjustments in the calculation of the TIER Adjustment. These assumptions and adjustments are intended to limit the Smelters' obligations in some specified circumstances. Specifically, for purposes of calculating the TIER Adjustment, it will be assumed that:

1. The Company raises its base rates for service to its Members for their non-Smelter customers by a weighted average of 2.00% in 2010, 2.50% in 2018 and 4.00% in 2021 to the extent the Company in fact previously had not increased revenues as a result of rate increases by at least such amount.

2. Any entity which becomes a direct-serve customer of a Member after the closing of the Unwind with firm demand in excess of 15 MW paid at least an amount equal to the Smelter Base Rate adjusted for the entity's actual load factor, plus a proportionate share of the TIER Adjustment, if any, and additional amounts relating to the Fuel Adjustment Clause, the Environmental Surcharge, the Purchased Power Adjustment, and the Surcharge. An entity which becomes a direct-serve customer of a Member with a demand of 15 MW or less paid at least an amount equal to the Large Industrial Rate, plus additional amounts relating to the Fuel Adjustment Clause, the Environmental Surcharge, and the Purchased Power Adjustment. This assumption will not be made in the last three years of the term of either Smelter Retail Agreement or following notice of termination of either Smelter Retail Agreement.

3. The Company's will have incurred no expenses that are impermissible for inclusion in rates of electric generation and transmission cooperative utilities subject to the jurisdiction of the KPSC or disallowed by another governmental authority, provided however that a denial by the KPSC or another governmental authority of expense recovery through the Fuel Adjustment Clause or the Environmental Surcharge shall not make such expense impermissible for the purpose of this assumption if the nature of the expense is recoverable in base rates.

4. There are no revenues and expenses associated with the Company's non-regulated businesses.

5. Additional costs related to a change in the Company's depreciation rates may not be included in calculation of the Tier Adjustment unless such changes have been approved, consented to, or accepted by the KPSC, or any other governmental authority if the KPSC no longer has jurisdiction over the change.

In general, these assumptions attempt to ensure that the TIER Adjustment payable by the Smelters is not changed in ways outside the expectations of the parties as a result of known anticipated events.

Other assumptions attempt to net out certain effects of, among other things, (a) patronage capital retirements, (b) interest imputed on debt related to new non-peaking facilities to the extent such new facilities are not included in the Company's revenue requirements for rate-making purposes, (c) interest related to construction-work-in-progress to the extent not included in the Company's revenue requirements for rate-making purposes, (d) possible future indemnification payments under a Smelter Agreement, (e) agreed curtailments, (f) certain penalties, including possible criminal penalties imposed by governmental authorities, (g) penalty interest due to Kenergy or the Company because of a default by a Smelter, (h) interest on payments made under protest by the Smelters, (i) certain excess reactive demand charges, (j) certain administrative fees paid in connection with certain energy curtailment and resale under a Smelter Agreement.

Rebate. If the Company's TIER in any year exceeds 1.24, as calculated under the Smelter Agreements, then during the next fiscal year the Company may elect to rebate on a kWh basis a portion of the excess amount, subject to certain limitations, to the Members. Big Rivers has a rider to its tariff to effect this transfer to the Members. Kenergy then would credit to the Smelters a pro rata portion of the amount it received from the Company on a kWh basis (the "Rebate"). If the Company does not elect to rebate such excess amount to all its Members, the Company will still distribute a pro rata portion of the excess to Kenergy for distribution to the Smelters (the "Equity Development Credit"), subject to certain limitations.

Additional Charges

Variable Charges. The Smelters pay charges under the Company's Fuel Adjustment Clause, and an environmental surcharge (the "Environmental Surcharge") as though they were large industrial tariff customers of one of the Members. The Smelters also pay a charge relating to a purchased power adjustment (the "Purchased Power Adjustment") with respect to purchased power costs not recovered under the Fuel Adjustment Clause.

Surcharge. In addition to any other amounts payable under the Smelter Agreements, the Smelters pay a Surcharge, comprised of four separate components. The first component of the Surcharge is a fixed annual payment, in such amount as follows: (1) an aggregate annual payment of \$5,110,000, payable in equal monthly installments through 2011, (2) an aggregate annual payment of \$7,300,000, payable in equal monthly installments from 2012 through and including 2016, and (3) an aggregate annual payment of \$10,182,816, payable in equal monthly installments from 2017 through 2023. The second component is a fixed reduction to the Surcharge of \$86,588 per month for Alcan and \$113,412 per month for Century until July 2017. The third and fourth components of the Surcharge are not fixed dollar amounts. The third component is the product of Base Fixed Energy for the billing month (where "Base Fixed Energy" equals the product of the Base Demand (368 MW or 482 MW, respectively), the number of hours in the billing month, and 0.98) multiplied by \$0.60 per MWh. The fourth component is the product of Base Fixed Energy for the billing month and the number of cents (between zero and 60) per MW per hour that the Company's budgeted annual average fuel costs for coal-fired generation per MWh for the fiscal year exceed the amounts specified in the Smelter Retail Agreements for that fiscal year, subject to a quarterly true-up based on a comparison of actual fuel costs to budgeted fuel costs and an annual true-up to insure that the Smelters do not pay under this fourth component more than 60 cents per MW per hour of Base Fixed Energy for the fiscal year.

Termination Rights

The obligation of Kenergy to supply electric services to the Smelters pursuant to the Smelter Retail Agreements will terminate on December 31, 2023, unless terminated earlier pursuant to the terms thereof. If no such early termination occurs, Big Rivers, and Kenergy are obligated, by no later than January 1, 2023, to undertake good faith negotiations with each other and the applicable Smelter for a replacement agreement.

A Smelter may terminate its Smelter Retail Agreement upon not less than one year's prior written notice of such termination to Kenergy and Big Rivers if it's corporate parent has made a business judgment in good faith to terminate and cease, and has no current intention to re-commence, aluminum smelting operations at the Smelter's Sebree, Kentucky site, in the case of Alcan, or Hawesville, Kentucky site, in the case of Century.

Curtailments

There are five specified circumstances under which the Smelters may curtail their receipt of energy from the Company. In each case, the Smelters remain obligated to pay for the amount of curtailed energy as though it had been delivered, and receive a credit with respect to the curtailed energy which differs depending on the circumstances of the curtailment.

Surplus Sales. The Company is required to use reasonable commercial efforts to market amounts of Monthly Energy for Kenergy that a Smelter is obligated to purchase under its Smelter Retail Agreement but which is surplus to such Smelter's needs, with some exceptions. The Company must credit back to Kenergy, for credit to the applicable Smelter, an amount of net proceeds from such sales which is generally equivalent to the amount of the Smelters' charges otherwise payable with respect thereto, less an administrative fee of $0.25 per MWh.

Undeliverable Energy Sales. If an event occurs that causes damage or destruction to the plant or equipment at a Smelter's facility that limits that Smelter's ability to engage in smelting operations for a period of 48 consecutive hours or longer and the Smelter's demand drops by at least 50 MW (other than as a result of the Smelter's willful or intentional misconduct), the Smelter can request such energy be resold for five or six months ("Undeliverable Energy Sales"). If the Smelter certifies that such condition cannot be remedied with reasonable diligence within six months, such sales may be extended for an additional three months. Big Rivers must credit back Kenergy, for credit to the Smelter, the net proceeds of the Undeliverable Energy Sales, less an administrative fee of $0.25 per MWh.

Potline Reduction Sales. A Smelter, upon the ceasing of aluminum smelting operations on one of its potlines (a "Potline Reduction"), may request that Kenergy cause the Company to sell 115 MW (plus or minus 10 MW) per hour on the open market ("Potline Reduction Sales") if certain other conditions are met These conditions include among others: (a) such Smelter is reasonably likely to be able to continue aluminum smelting operations with respect to all of its other potlines; (b) such Smelter reasonably estimates the Potline Reduction will equal or exceed 12 months; and (c) no Potline Reduction Sales have been made for a period of twelve consecutive months prior to the date of such notice. The Company must credit back Kenergy, for credit to the Smelter, the net proceeds of Potline Reduction Sales, less an administrative fee of $0.25 per MWh.

Economic Sales. Each Smelter may, not more than 12 times in any fiscal year, voluntarily curtail its energy requirements and request that the Company sell the curtailed energy ("Economic Sales"). Each Economic Sale is subject to the Company's consent, limited to up to 100 MW, and may not be longer than four hours. The Company must credit back to Kenergy, for credit to the Smelter, 75% of the net proceeds of Economic Sales.

Neither the Company nor Kenergy have any obligation to market energy as Surplus Sales, Undeliverable Energy Sales, Potline Reduction Sales or Economic Sales until the Company has sold or chosen not to sell all amounts of its own surplus power, nor do Kenergy or the Company have any obligation to the Smelters if the Company is unable to sell this energy as a result of transmission or other constraints.

Other Curtailments. If mutually agreed by a Smelter, Kenergy and Big Rivers, a Smelter may curtail its energy requirements in an amount and for a period agreed upon by such Smelter, Kenergy and Big Rivers. Regardless of whether the Company sells any of such curtailed energy, it must credit back to Kenergy, for credit to the Smelter, an amount equal to the product of (a) the amount of Base Demand per Hour curtailed and (b) the "Market Reference Rate." The Market Reference Rate is the rate (inclusive of all transmission and related charges on any third-party's transmission system) the Company estimates in good faith it would have paid to purchase energy from a third-party for such amount of curtailed energy to meet its energy delivery obligations under the Smelter Agreements during such period. This curtailment option allows the Company, if consented to by a Smelter in each instance, to mitigate its exposure to short-terms price spikes in the wholesale power markets during periods when the Company would otherwise need to purchase power from the market to meet its energy delivery obligations under the Smelter Agreements.

Other Matters

Covenants. Big Rivers is obligated to its Members to operate its system for the benefit of the Members consistent with prudent utility practices. Under the Smelter Agreements it will apply the same standards to operating decisions that may affect the monthly charges to the Smelters. The Company will not use a Smelter's payment obligation with respect to the Tier Adjustment as the basis for making an operating decision.

Restructuring. Because of the Smelters' obligations relating to the TIER Adjustment, the Company has agreed that the effects of certain restructuring transactions (a "Restructuring") on the TIER Adjustment will be implemented over an extended period of time. A restructuring will occur if (i) Big Rivers, any Affiliate or a Member engages in a merger, consolidation or other combination with another entity, or the Company admits a new member, and such transaction results in a 5% increase in sales to its Members on a pro forma basis or (ii) the Company is acquired. The Company may, however, seek approval of an increase in the Large Industrial Rate which will increase amounts otherwise payable by the Smelters pursuant to the Smelter Base Rate upon the occurrence of a Restructuring. In connection with such a Restructuring, Big Rivers, Kenergy and the Smelters will determine a good faith estimate of the cumulative increase or decrease in the TIER Adjustment that such a Restructuring would cause over the 24 Billing Month period following the date of the effectiveness of the Restructuring (the "Restructuring Amount") and would increase or decrease the Smelters' charges for 48 months by 1/48th of the Restructuring Amount (subject to a lower limit on the overall MWh rate payable by the Smelters). If the Company, Kenergy and the Smelters are not able to determine a mutually agreeable estimate of the appropriate economic adjustment according to the procedures set forth in the Smelter Retail Agreements, then Kenergy, Alcan, Century, or the Company may petition to the KPSC to determine the Restructuring Amount.

Budgets. Each year, the Company must provide the Smelters with a copy of its then-current projected operating and capital budgets for the following fiscal year. This estimated budget may be reviewed by a mutually agreed independent expert if requested by a Smelter who will evaluate the proposed budgeted operating expense and capital expenditures. The Smelters have the opportunity to present the conclusions and recommendations of the independent expert to the Coordinating Committee (defined below) and to the Board of Directors. The Company has no duty to take any action based on such report. The Company must also provide the Smelters with notice of certain significant capital expenditures or operating expenses in excess of its budget made during the fiscal year and allow the Smelters to make a presentation to its Board of Directors in some cases.

Coordinating Committee. The Smelter Agreements provide for the establishment of a committee (the "Coordinating Committee"), consisting of representatives of the Members, Alcan, Century, and the Company's management, organized for the purpose of analyzing information relating to the Company's operational and financial performance, including among others, (i) analysis criteria and procedures for evaluating plans and expenditures, (ii) budgets, (iii) fuel procurement or supply, and (iv) actual budget performance and variances.

Large Industrial Rate Service. The Company has agreed that if a Smelter's Retail Agreement is terminated pursuant to the termination rights with respect to a cessation of all smelting operations at the Smelter's site, the Smelter will be entitled to be served by Kenergy under the Company's Large Industrial Rate for any non-smelting load up to a maximum load of 15 MW.

Smelter Credit Support

The U.S. parent of Alcan and the ultimate parent of Century have entered into agreements guaranteeing the payment and performance of Alcan and Century, respectively, to Kenergy and to the Company of all obligations under the Smelter Coordination Agreements.

Because the parent guarantor of each Smelter does not have an "A+" or higher credit rating, each Smelter is required to provide and maintain credit support in the form of a letter of credit from a bank rated "A+" or higher, or other credit support acceptable to the Company and Kenergy, in an amount equal to the amounts estimated to be due for a period of two months under that Smelter's Smelter Retail Agreement and any amount that the Company estimates reasonably could be due with respect to taxes relating to certain sales of energy on behalf of the Smelters.

Both Smelters have negotiated other credit support acceptable to the Company and Kenergy. For their 2 month credit support, Century currently has in place a $30 million letter of credit from Wells Fargo and Alcan currently has in place a $21 million letter of credit from TD Bank and a Threshold Amount of $2 million pursuant to the PNC escrow agreement. Century has been requested to increase their credit support by $4 million, to $34 million by July 2, 2012, and Alcan recently increased theirs by $3 million, to $26 million.

Patronage Capital

The Company's and Kenergy's allocation and distribution of patronage capital is controlled by their respective by-laws. The Smelter Agreements restrict Kenergy and the Company from modifying their respective by-laws in a manner that would be adverse to the Smelters with respect to the distribution of patronage capital. The decision to make any payments with respect to the distribution of patronage capital is in the sole discretion of Kenergy or the Company, as applicable.

Billie Richert

From: Mark Hite
Sent: Sunday, December 23, 2012 10:59 AM
To: Billie Richert
Subject: FW: Big Rivers
Attachments: Load Concentration Analysis and Mitigation Plan 6-18-2012.pdf

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
270-577-6815 (mobile)
mhite@bigrivers.com

-----Original Message-----
From: Mark Hite
Sent: Thursday, July 26, 2012 10:44 AM
To: Bodek, David (david_bodek@standardandpoors.com)
Cc: Billie Richert
Subject: Big Rivers

Good chatting with you today.

Attached hereto, as promised, is the Load Concentration Analysis and Mitigation Plan, dated 6/18/12.

Thank you,
Mark

Mark A. Hite, CPA
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third St.
Henderson, KY 42420
270-827-2561 (corporate)
270-844-6149 (office)
mhite@bigrivers.com

Billie Richert

From: Bodek, David <david_bodek@standardandpoors.com>
Sent: Monday, August 13, 2012 4:22 PM
To: Billie Richert
Subject: RE: Contact Information

Billie,

Please provide the following information to help us complete our review of BREC's ratings.

1) What percent of Big Rivers' 2011 energy sales were sourced from coal?
2) What percent of 2011 BREC revenues came from Century in 2011 and what percent from Alcan?
3) What were Century's and Alcan's per kWh energy charges in 2011?
4) Were Big Rivers' 3.013.625 MWH of sales to nonmembers in 2011 market sales at prevailing market prices?

Sincerely,

David

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Monday, August 13, 2012 5:11 PM
To: Bodek, David
Subject: Contact Information

David,
Sorry to have missed your call. Please see my contact information below. I'll be happy to respond and provide whatever information you request.

Billie

Billie Richert, CPA, CITP
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you receive this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

Billie Richert

From: Bodek, David <david_bodek@standardandpoors.com>
Sent: Wednesday, August 15, 2012 10:13 AM
To: Billie Richert
Subject: RE: Responses to your questions

Billie,

What is the current rate mitigation reserve balance and, assuming steady-state smelter operation, over what period of time will it be amortized?

Sincerely,

David

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Tuesday, August 14, 2012 12:13 PM
To: Bodek, David
Subject: Responses to your questions

David,
Please find responses to your questions per below:

1) What percent of Big Rivers' 2011 energy sales were sourced from coal?
88.49% - This is calculated by taking total MWH generated in our plants from steam of 10,277,356.015 + MWH generated by Henderson Municipal Power & Light (HMP&L – Station 2) of 1,565,267.830 for a total of 11,842,623.85 MWH divided by Total MWH Energy Available for Sale of 13,383,180.825. We do not have the source of the purchased power from third parties and would need to research that further if you require this.
2) What percent of 2011 BREC revenues came from Century in 2011 and what percent from Alcan?
Century – 30.25% and Alcan – 24.35%. This is the percentage of electric energy billed to each smelter as a percentage of Total Electric Energy Revenues of $558,372,354.13. Total billings to Century totaled $168,906,623.12 and total billings to Alcan totaled $135,972,841.53 for the twelve months ending December 31, 2011.
3) What were Century's and Alcan's per kWh energy charges in 2011?

Century's per MWH energy charges were $44.78 ($168,906,623.12 billings / 3,771,544.839 MWH billed). Alcan's per MWH energy charges were $44.10 ($135,972,841.53 / 3,083,275.214 MWH billed). Dividing the MWH amounts by 1000 results in $44.78 / 1000 = $.0448 per kWH for Century and $44.10 / 1000 = $.0441 per kWH for Alcan.

4) Were Big Rivers' 3.013.625 MWH of sales to nonmembers in 2011 market sales at prevailing market prices?
Yes. Big Rivers has no long-term contracts to nonmembers. We have only 1 to 3 month contracts but all prices are reflective of current market prices. Sales through MISO are either at Real Time (RT) or Day Ahead (DA) prices but again are reflective of prevailing market prices.

Please let me know if I've missed anything or can provide you additional information. Have a nice day.

Billie

From: Bodek, David [mailto:david_bodek@standardandpoors.com]
Sent: Monday, August 13, 2012 4:22 PM
To: Billie Richert
Subject: RE: Contact Information

Billie,

Please provide the following information to help us complete our review of BREC's ratings.

1) What percent of Big Rivers' 2011 energy sales were sourced from coal?
2) What percent of 2011 BREC revenues came from Century in 2011 and what percent from Alcan?
3) What were Century's and Alcan's per kWh energy charges in 2011?
4) Were Big Rivers' 3.013.625 MWH of sales to nonmembers in 2011 market sales at prevailing market prices?

Sincerely,

David

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Monday, August 13, 2012 5:11 PM

To: Bodek, David
Subject: Contact Information

David,
Sorry to have missed your call. Please see my contact information below. I'll be happy to respond and provide whatever information you request.

Billie

Billie Richert, CPA, CITP
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you receive this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you receive this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

Billie Richert

From: Bodek, David <david_bodek@standardandpoors.com>
Sent: Wednesday, August 15, 2012 10:52 AM
To: Bodek, David; Billie Richert
Subject: RE: Responses to your questions

Additional question:

Did July's $537 million financing smooth out the 2012's $72.1 million debt maturity and 2013's $79.3 million debt maturity?

What is the current rate mitigation reserve balance and, assuming steady-state smelter operation, over what period of time will it be amortized?

Thanks

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

From: Bodek, David
Sent: Wednesday, August 15, 2012 11:13 AM
To: Billie Richert
Subject: RE: Responses to your questions

Billie,

What is the current rate mitigation reserve balance and, assuming steady-state smelter operation, over what period of time will it be amortized?

Sincerely,

David

David Bodek
Director

Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Tuesday, August 14, 2012 12:13 PM
To: Bodek, David
Subject: Responses to your questions

David,
Please find responses to your questions per below:

1) What percent of Big Rivers' 2011 energy sales were sourced from coal?
88.49% - This is calculated by taking total MWH generated in our plants from steam of 10,277,356.015 + MWH generated by Henderson Municipal Power & Light (HMP&L – Station 2) of 1,565,267.830 for a total of 11,842,623.85 MWH divided by Total MWH Energy Available for Sale of 13,383,180.825. We do not have the source of the purchased power from third parties and would need to research that further if you require this.
2) What percent of 2011 BREC revenues came from Century in 2011 and what percent from Alcan?
Century – 30.25% and Alcan – 24.35%. This is the percentage of electric energy billed to each smelter as a percentage of Total Electric Energy Revenues of $558,372,354.13. Total billings to Century totaled $168,906,623.12 and total billings to Alcan totaled $135,972,841.53 for the twelve months ending December 31, 2011.
3) What were Century's and Alcan's per kWh energy charges in 2011?
Century's per MWH energy charges were $44.78 ($168,906,623.12 billings / 3,771,544.839 MWH billed). Alcan's per MWH energy charges were $44.10 ($135,972,841.53 / 3,083,275.214 MWH billed). Dividing the MWH amounts by 1000 results in $44.78 / 1000 = $.0448 per kWH for Century and $44.10 / 1000 = $.0441 per kWH for Alcan.
4) Were Big Rivers' 3.013.625 MWH of sales to nonmembers in 2011 market sales at prevailing market prices?
Yes. Big Rivers has no long-term contracts to nonmembers. We have only 1 to 3 month contracts but all prices are reflective of current market prices. Sales through MISO are either at Real Time (RT) or Day Ahead (DA) prices but again are reflective of prevailing market prices.

Please let me know if I've missed anything or can provide you additional information. Have a nice day.

Billie

From: Bodek, David [mailto:david_bodek@standardandpoors.com]
Sent: Monday, August 13, 2012 4:22 PM
To: Billie Richert
Subject: RE: Contact Information

Billie,

Please provide the following information to help us complete our review of BREC's ratings.

1) What percent of Big Rivers' 2011 energy sales were sourced from coal?
2) What percent of 2011 BREC revenues came from Century in 2011 and what percent from Alcan?
3) What were Century's and Alcan's per kWh energy charges in 2011?
4) Were Big Rivers' 3.013.625 MWH of sales to nonmembers in 2011 market sales at prevailing market prices?

Sincerely,

David

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Monday, August 13, 2012 5:11 PM
To: Bodek, David
Subject: Contact Information

David,
Sorry to have missed your call. Please see my contact information below. I'll be happy to respond and provide whatever information you request.

Billie

Billie Richert, CPA, CITP
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you receive this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

Billie Richert

From: Bodek, David <david_bodek@standardandpoors.com>
Sent: Wednesday, August 15, 2012 4:56 PM
To: Billie Richert
Subject: RE: Responses to your questions

That will be fine.

Thanks

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Wednesday, August 15, 2012 5:54 PM
To: Bodek, David
Subject: RE: Responses to your questions

David,
I will respond tomorrow with answers to your questions. I've been in meetings all day.

Thank you.

From: Bodek, David [mailto:david_bodek@standardandpoors.com]
Sent: Wednesday, August 15, 2012 10:52 AM
To: Bodek, David; Billie Richert
Subject: RE: Responses to your questions

Additional question:

Did July's $537 million financing smooth out the 2012's $72.1 million debt maturity and 2013's $79.3 million debt maturity?

What is the current rate mitigation reserve balance and, assuming steady-state smelter operation, over what period of time will it be amortized?

Thanks

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

From: Bodek, David
Sent: Wednesday, August 15, 2012 11:13 AM
To: Billie Richert
Subject: RE: Responses to your questions

Billie,

What is the current rate mitigation reserve balance and, assuming steady-state smelter operation, over what period of time will it be amortized?

Sincerely,

David

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Tuesday, August 14, 2012 12:13 PM
To: Bodek, David
Subject: Responses to your questions

David,
Please find responses to your questions per below:

1) What percent of Big Rivers' 2011 energy sales were sourced from coal?

88.49% - This is calculated by taking total MWH generated in our plants from steam of 10,277,356.015 + MWH generated by Henderson Municipal Power & Light (HMP&L – Station 2) of 1,565,267.830 for a total of 11,842,623.85 MWH divided by Total MWH Energy Available for Sale of 13,383,180.825. We do not have the source of the purchased power from third parties and would need to research that further if you require this.

2) What percent of 2011 BREC revenues came from Century in 2011 and what percent from Alcan?
Century – 30.25% and Alcan – 24.35%. This is the percentage of electric energy billed to each smelter as a percentage of Total Electric Energy Revenues of $558,372,354.13. Total billings to Century totaled $168,906,623.12 and total billings to Alcan totaled $135,972,841.53 for the twelve months ending December 31, 2011.

3) What were Century's and Alcan's per kWh energy charges in 2011?
Century's per MWH energy charges were $44.78 ($168,906,623.12 billings / 3,771,544.839 MWH billed). Alcan's per MWH energy charges were $44.10 ($135,972,841.53 / 3,083,275.214 MWH billed). Dividing the MWH amounts by 1000 results in $44.78 / 1000 = $.0448 per kWH for Century and $44.10 / 1000 = $.0441 per kWH for Alcan.

4) Were Big Rivers' 3.013.625 MWH of sales to nonmembers in 2011 market sales at prevailing market prices?
Yes. Big Rivers has no long-term contracts to nonmembers. We have only 1 to 3 month contracts but all prices are reflective of current market prices. Sales through MISO are either at Real Time (RT) or Day Ahead (DA) prices but again are reflective of prevailing market prices.

Please let me know if I've missed anything or can provide you additional information. Have a nice day.

Billie

From: Bodek, David [mailto:david_bodek@standardandpoors.com]
Sent: Monday, August 13, 2012 4:22 PM
To: Billie Richert
Subject: RE: Contact Information

Billie,

Please provide the following information to help us complete our review of BREC's ratings.

1) What percent of Big Rivers' 2011 energy sales were sourced from coal?
2) What percent of 2011 BREC revenues came from Century in 2011 and what percent from Alcan?
3) What were Century's and Alcan's per kWh energy charges in 2011?
4) Were Big Rivers' 3.013.625 MWH of sales to nonmembers in 2011 market sales at prevailing market prices?

Sincerely,

David

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041

(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Monday, August 13, 2012 5:11 PM
To: Bodek, David
Subject: Contact Information

David,
Sorry to have missed your call. Please see my contact information below. I'll be happy to respond and provide whatever information you request.

Billie

Billie Richert, CPA, CITP
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you receive this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you receive this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

Billie Richert

From: Bodek, David <david_bodek@standardandpoors.com>
Sent: Thursday, August 16, 2012 12:31 PM
To: Billie Richert
Subject: RE: Responses to your questions

Thanks

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Thursday, August 16, 2012 1:22 PM
To: Bodek, David
Subject: RE: Responses to your questions

David,
The following is in response to your question during today's phone call regarding the maturities of our long-term debt after the July 27th refinancing with CoBank and CFC. I'm working on the response relating to smelters.

Due to our recent refinancing, Big Rivers now forecasts maturities of long-term debt as follows:

2012	$12.1 million
2013	$78.2 million
2014	$20.1 million
2015	$20.9 million
2016	$21.6 million

These amounts exclude forecasted borrowings for Big Rivers' 2012 Environmental Compliance Plan. 2013 includes a $58.8 million pollution control bond maturing June of 2013.

Billie

From: Bodek, David [mailto:david_bodek@standardandpoors.com]
Sent: Wednesday, August 15, 2012 4:56 PM
To: Billie Richert
Subject: RE: Responses to your questions

That will be fine.

Thanks

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Wednesday, August 15, 2012 5:54 PM
To: Bodek, David
Subject: RE: Responses to your questions

David,
I will respond tomorrow with answers to your questions. I've been in meetings all day.

Thank you.

From: Bodek, David [mailto:david_bodek@standardandpoors.com]
Sent: Wednesday, August 15, 2012 10:52 AM
To: Bodek, David; Billie Richert
Subject: RE: Responses to your questions

Additional question:

Did July's $537 million financing smooth out the 2012's $72.1 million debt maturity and 2013's $79.3 million debt maturity?

What is the current rate mitigation reserve balance and, assuming steady-state smelter operation, over what period of time will it be amortized?

Thanks

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969

(f) 212 438 2154
david_bodek@standardandpoors.com

From: Bodek, David
Sent: Wednesday, August 15, 2012 11:13 AM
To: Billie Richert
Subject: RE: Responses to your questions

Billie,

What is the current rate mitigation reserve balance and, assuming steady-state smelter operation, over what period of time will it be amortized?

Sincerely,

David

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Tuesday, August 14, 2012 12:13 PM
To: Bodek, David
Subject: Responses to your questions

David,
Please find responses to your questions per below:

1) What percent of Big Rivers' 2011 energy sales were sourced from coal?
88.49% - This is calculated by taking total MWH generated in our plants from steam of 10,277,356.015 + MWH generated by Henderson Municipal Power & Light (HMP&L – Station 2) of 1,565,267.830 for a total of 11,842,623.85 MWH divided by Total MWH Energy Available for Sale of 13,383,180.825. We do not have the source of the purchased power from third parties and would need to research that further if you require this.
2) What percent of 2011 BREC revenues came from Century in 2011 and what percent from Alcan?
Century – 30.25% and Alcan – 24.35%. This is the percentage of electric energy billed to each smelter as a percentage of Total Electric Energy Revenues of $558,372,354.13. Total billings to Century

totaled $168,906,623.12 and total billings to Alcan totaled $135,972,841.53 for the twelve months ending December 31, 2011.

3) What were Century's and Alcan's per kWh energy charges in 2011?

Century's per MWH energy charges were $44.78 ($168,906,623.12 billings / 3,771,544.839 MWH billed). Alcan's per MWH energy charges were $44.10 ($135,972,841.53 / 3,083,275.214 MWH billed). Dividing the MWH amounts by 1000 results in $44.78 / 1000 = $.0448 per kWH for Century and $44.10 / 1000 = $.0441 per kWH for Alcan.

4) Were Big Rivers' 3.013.625 MWH of sales to nonmembers in 2011 market sales at prevailing market prices?

Yes. Big Rivers has no long-term contracts to nonmembers. We have only 1 to 3 month contracts but all prices are reflective of current market prices. Sales through MISO are either at Real Time (RT) or Day Ahead (DA) prices but again are reflective of prevailing market prices.

Please let me know if I've missed anything or can provide you additional information. Have a nice day.

Billie

From: Bodek, David [mailto:david_bodek@standardandpoors.com]
Sent: Monday, August 13, 2012 4:22 PM
To: Billie Richert
Subject: RE: Contact Information

Billie,

Please provide the following information to help us complete our review of BREC's ratings.

1) What percent of Big Rivers' 2011 energy sales were sourced from coal?
2) What percent of 2011 BREC revenues came from Century in 2011 and what percent from Alcan?
3) What were Century's and Alcan's per kWh energy charges in 2011?
4) Were Big Rivers' 3.013.625 MWH of sales to nonmembers in 2011 market sales at prevailing market prices?

Sincerely,

David

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Monday, August 13, 2012 5:11 PM
To: Bodek, David
Subject: Contact Information

David,
Sorry to have missed your call. Please see my contact information below. I'll be happy to respond and provide whatever information you request.

Billie

Billie Richert, CPA, CITP
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you receive this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you receive this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

Billie Richert

From: Billie Richert
Sent: Thursday, November 15, 2012 1:47 PM
To: Nicholas R. Castlen
Subject: FW: 2012 Second Quarter Financial Report
Attachments: Second Quarter 2012 Financial Report.pdf

From: Billie Richert
Sent: Saturday, August 18, 2012 12:01 PM
To: david_bodek@standardandpoors.com
Subject: 2012 Second Quarter Financial Report

David,

Attached is our condensed Second Quarter Financial Report. Please let me know if there are questions.

Thanks.

Billie Richert, CPA, CITP
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

2012 Second Quarter Financial Report

Unaudited, in RUS format
(absent normal GAAP reclassifications)

Date Prepared: August 12, 2012

201 Third St.
Henderson, Kentucky 42420
Phone: 270-827-2561
www.bigrivers.com

BIG RIVERS ELECTRIC CORPORATION
Balance Sheet
In Thousands $

ASSETS	June 30, 2012	June 30, 2011
TOTAL UTILITY PLANT IN SERVICE	1,980,198	1,962,829
CONSTRUCTION WORK IN PROGRESS	64,799	48,852
TOTAL UTILITY PLANT	2,044,997	2,011,681
ACCUM PROVISION FOR DEPR & AMORT	(953,691)	(926,415)
NET UTILITY PLANT	1,091,306	1,085,266
INVEST IN ASSOC ORG PATRONAGE CAPITAL	3,677	3,642
INVEST IN ASSOC ORG OTHER GENERAL FUNDS	685	685
OTHER INVESTMENTS	15	15
SPECIAL FUNDS	154,600	172,604
TOTAL OTHER PROPERTY AND INVESTMENTS	158,977	176,946
CASH - GENERAL FUNDS	6	6
SPECIAL DEPOSITS	623	573
TEMPORARY INVESTMENTS	47,653	76,437
ACCOUNTS RECEIVABLE - SALES OF ENERGY	42,426	40,436
ACCOUNTS RECEIVABLE - OTHER NET	452	(864)
FUEL STOCK	35,425	24,234
MATERIALS & SUPPLIES - OTHER	26,295	24,473
PREPAYMENTS	2,499	2,057
OTHER CURRENT & ACCRUED ASSETS	851	1,219
TOTAL CURRENT & ACCRUED ASSETS	156,230	168,571
UNMORT DEBT DISC & EXTRAORD PROP LOSS	2,574	2,133
OTHER DEFERRED DEBITS	1,725	1,279
TOTAL ASSETS AND OTHER DEBITS	1,410,812	1,434,195
EQUITIES AND LIABILITIES		
OPERATING MARGINS - PRIOR YEAR	(241,898)	(247,339)
OPERATING MARGINS - CURRENT YEAR	1,603	576
NONOPERATING MARGINS - PRIOR YEAR	638,998	638,838
NONOPERATING MARGINS - CURRENT YEAR	32	120
OTHER MARGINS & EQUITIES	(7,279)	(4,924)
TOTAL MARGINS & EQUITIES	391,456	387,271
LONG-TERM DEBT - RUS	651,478	659,199
LONG-TERM DEBT - OTHER	142,100	142,100
TOTAL LONG-TERM DEBT	793,578	801,299
ACCOUNTS PAYABLE	23,009	26,911
TAXES ACCRUED	2,269	1,717
INTEREST ACCRUED	9,924	10,243
OTHER CURRENT & ACCRUED LIABILITIES	8,273	7,754
TOTAL CURRENT & ACCRUED LIABILITIES	43,475	46,625
DEFERRED CREDITS	157,856	178,159
OPERATING RESERVES	24,447	20,841
TOTAL LIABILITIES AND OTHER CREDITS	1,410,812	1,434,195

FINANCIAL HIGHLIGHTS

ELECTRIC PLANT IN SERVICE increased $17.4 million to $2.0 billion as of June 30, 2012. This increase resulted from construction projects to maintain generation, transmission and communication capabilities.

TEMPORARY INVESTMENTS decreased $28.8m primarily due to a higher fuel inventory this year and construction projects.

SPECIAL FUNDS decreased $18.0m as of June 30, 2012. This decrease resulted from the use of the reserve funds set up for non-smelter member rate mitigation.

LONG-TERM DEBT decreased $7.7 million as of June 30, 2012, primarily due to principal payments on RUS debt.

DEFERRED CREDITS decreased $20.3 million as of June 30, 2012, primarily due to the use of the reserve funds set up for non-smelter member rate mitigation.

BIG RIVERS ELECTRIC CORPORATION
Statement of Operations
In Thousands $

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
ELECTRIC ENERGY REVENUES	139,612	139,950	273,712	273,551
OTHER OPERATING REVENUE AND INCOME	1,204	896	2,409	1,520
TOTAL OPER REVENUES & PATRONAGE CAPITAL	140,816	140,846	276,121	275,071
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	12,017	12,073	23,837	24,222
OPERATION EXPENSE-PRODUCTION-FUEL	57,168	57,856	106,890	114,182
OPERATION EXPENSE-OTHER POWER SUPPLY	26,649	29,158	58,175	55,019
OPERATION EXPENSE-TRANSMISSION	2,570	2,397	4,979	4,647
OPERATION EXPENSE-RTO/ISO	566	687	1,225	1,267
CONSUMER SERVICE & INFORMATIONAL EXPENSE	95	90	199	190
OPERATION EXPENSE-SALES	15	23	21	23
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	7,071	6,881	13,793	13,677
TOTAL OPERATION EXPENSE	106,151	109,165	209,119	213,227
MAINTENANCE EXPENSE-PRODUCTION	8,292	9,512	20,426	18,929
MAINTENANCE EXPENSE-TRANSMISSION	1,279	1,216	2,334	2,140
MAINTENANCE EXPENSE-GENERAL PLANT	53	56	93	58
TOTAL MAINTENANCE EXPENSE	9,624	10,784	22,853	21,127
DEPRECIATION & AMORTIZATION EXPENSE	10,188	8,633	20,364	17,314
TAXES	3	130	4	128
INTEREST ON LONG-TERM DEBT	11,227	11,385	22,484	22,996
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(185)	(52)	(385)	(375)
OTHER INTEREST EXPENSE	0	0	0	59
OTHER DEDUCTIONS	82	37	123	116
TOTAL COST OF ELECTRIC SERVICE	137,090	140,082	274,562	274,592
OPERATING MARGINS	3,726	764	1,559	479
INTEREST INCOME	13	24	31	110
OTHER NON-OPERATING INCOME - NET	0	5	0	9
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	45	97
NET PATRONAGE CAPITAL OR MARGINS	3,739	793	1,635	695

FINANCIAL HIGHLIGHTS

SALES TO MEMBERS increased 319,916 MWh to 5,298,635 MWh for the six-month period ended June 30, 2012. Member sales revenue increased $39.0 million, or 18.0%, to $256.3 million for the six-month period ended June 30, 2012, compared to $217.3 million in 2011, driven by higher sales to the aluminum smelters and the increase in member rates that took effect on September 1, 2011.

SALES TO NON-MEMBERS decreased 995,000 MWh to 643,125 MWh for the six-month period ended June 30, 2012. This decrease, along with a 21.1% decline in price, caused non-member electric sales revenue to decrease 69.0%, to $17.4 million, for the six-month period ended June 30, 2012 compared to $56.3 million for 2011.

PURCHASED POWER expense increased $7.5 million, or 40.6% to $26.1 million for the six-month period ended June 30, 2012, compared to 2011. This was due to a 60.1% increase in MWh purchased, partially offset by a 12.2% decrease in the average cost of purchased power resulting from a reduction in the market price of electricity.

FUEL expense decreased $10.0 million, or 7.8%, to $118.2 million for the six-month period ended June 30, 2012 compared to 2011. The decreased fuel expense was primarily driven by lower generation as the softer power market drove economic purchases.

BIG RIVERS ELECTRIC CORPORATION
Statement of Cash Flows
For The Quarter Ended June 30, 2012
In Thousands $

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net margin	3,739	793	1,635	695
Adjustments to reconcile net margin to net cash provided by operating activities:				
Depreciation and amortization	10,715	9,136	21,467	18,319
Interest compounded - RUS Series B Note	1,800	1,704	3,574	3,365
Interest compounded - RUS Series A Note	0	0	7,596	8,397
Noncash Member Rate Mitigation Revenue	(6,270)	(4,365)	(11,981)	(8,820)
Changes in certain assets and liabilities:				
Accounts receivable	(1,683)	(1,146)	469	4,940
Inventories	(959)	4,218	(2,531)	11,838
Prepaid expenses	483	518	2,101	1,122
Deferred charges	28	42	57	65
Accounts payable	(5,899)	(176)	(7,316)	(4,387)
Accrued expenses	2,918	1,233	187	(2,046)
Other -- Net	739	1,180	2,253	1,122
Net cash provided by operating activities	5,611	13,137	17,511	34,610
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures -- net	(9,106)	(6,828)	(21,105)	(12,129)
Proceeds from Restricted Investments and Other Deposits and Investments	5,677	6,213	10,393	46,641
Net cash used in investing activities	(3,429)	(615)	(10,712)	34,512
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal payments on long-term obligations	(3,990)	(27,459)	(3,990)	(27,459)
Proceeds from long-term obligations	0	0	0	0
Principal payments on short-term notes payable	0	0	0	(10,000)
Proceeds from short-term notes payable	0	0	0	0
Debt Issuance Cost Bond Refunding	0	0	0	0
Net cash used in financing activities	(3,990)	(27,459)	(3,990)	(37,459)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,808)	(14,937)	2,809	31,663
CASH AND CASH EQUIVALENTS -- Beginning	49,467	91,380	44,850	44,780
CASH AND CASH EQUIVALENTS -- Ending	47,659	76,443	47,659	76,443
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest	8,672	8,973	11,186	12,000
Cash paid in taxes	0	130	0	130

Billie Richert

From: Billie Richert
Sent: Sunday, August 26, 2012 3:10 PM
To: 'Bodek, David'
Cc: 'jeff_panger@standardpoors.com'
Subject: Big Rivers Updates

David,
I called your office last Monday, August 20th, and got your voice mail which stated you were out until the 28th. I asked for the name of the backup analyst and was transferred to Jeff whose voice mail indicated he was out until August 27th. I want to provide an update to you via email and to provide information to anticipated questions you may have. We can discuss further upon your return.

1) On Monday, August 20th, Kenergy Corporation (one of our three cooperatives) received from Century Aluminum Company a Notice of Termination of its Retail Service Agreement dated July 1, 2009. This notice is for a termination date of August 20, 2013 (twelve month notice per Section 7.3.1 of the Retail Electric Service Agreement). Century also issued a press release on the same day from its Monterey, California headquarters.
2) Pertaining to Century's termination notice and Century's 482 MWh * 98% load factor: The rate billed to Century for the Base Energy Charge (Based Fixed Energy) covers BOTH Big Rivers' fixed and variable costs as defined by our large industrial tariff. Every MWh above this is billed at our variable rate and covers our variable costs. So there is **both** a fixed and variable rate included in our MWh billing to Century for this Base Energy Charge. Any MWh above the 482 are billed at our variable tariff rate thus covering our increased variable costs.
3) If the load were to go to 0 MWh over the next twelve months, the base energy charge would be reduced by the amount included for the variable portion of fuel, reagent and purchase power. This leaves revenues (and cash flow) to cover our fixed costs and margins. Even if load goes below 482 MWh *.98% load factor, Big Rivers will always recover our fixed portion via our tariff rate. However, Century's demand continues to exceed the base MWh.
4) Big Rivers transmission projects (total of 7) are in two phases: 100% of Phase 1 was completed in 2008; Phase 2 comprised 7 projects, 6 of which are completed. The 7th project involves work to be completed by TVA with an estimated completion date of 2014/2015. However, today Big Rivers can meet all of the transmission requirements to export any of our excess generation created by smelter closures. In other words, this excess generation is not captive within our system and we can get it off our system without any additional investment.
5) On Tuesday, August 21, the U.S. Court of Appeals for the D.C. Circuit ruled the U.S. Environmental Protection Agency (EPA) violated the Clean Air Act in its Cross-State Air Pollution Rule (CSAPR), vacating the ruling. This reduces Big Rivers cost to comply in its Environmental Compliance Plan (ECP) from approximately $283 million to approximately $58 million (MATS) + $1.2 million (CSAPR – see below).
6) The CSAPR which was vacated was the basis for a significant portion of Big Rivers 2012 Environmental Compliance Plan (ECP) and the basis of several concerns raised by the interveners in our April 2, 2012 application filed with the Kentucky Public Service Commission (PSC). The hearing for our ECP was scheduled beginning Wednesday, August 22, 2012. On August 22, 2012 A Stipulation and Recommendation was entered into by Big Rivers, the Office of the Attorney General, Kentucky Industrial Utility Customers, Inc. and Alcan Primary Products Corporation (collectively KIUC), the Sierra Club and Ben Taylor (collectively Sierra Club) and Kenergy Corporation. This Stipulation is subject to the acceptance of and approval by the PSC anticipated on or before October 2, 2012. The Stipulation grants Big Rivers Certificates of Public Convenience and Necessity (CPCN) to permit the construction of Project 6, the conversion of Reid Unit 1 to burn natural gas; and Projects 8, 9 and 10, activated carbon injection, dry sorbent injection and monitors at Coleman, Wilson and Green stations; and Project 11, installation of particulate Monitors for HMPL Unit 1 and 2. The Stipulation approves the addition of Projects 8, 9, 10 and 11 to Big Rivers' Environmental Compliance Plan and approves the recovery of the costs of these projects through the environmental surcharge as proposed by Big Rivers. In addition the Stipulation approves the establishment of a regulatory account for actual costs associated with the case up through August 31, 2012 and provides for the amortization of these expenses over a three year period and approves the

recovery of these costs through the environmental surcharge tariff (not to exceed $900,000); to become effective upon the Commission's recommended order. Big Rivers withdrew its application to include Project 6's (CSAPR) costs in the environmental surcharge. However, we do retain the right to seek authority to pursue 4, 5 and 7 (CSAPR) in future filings and to seek recovery of Projects 4, 5, 6 and 7 costs in a future filing with the Commission.

7) Additionally the Stipulation states that Big Rivers shall perform testing which we estimate to cost approximately $1,000,000, to ensure that for Projects 8,9 and 10 (Mercury and Air Toxics Standards (MATS) Rule), we can achieve compliance with all applicable MATS particular limits. These costs will be recovered through the environmental surcharge. Testing must be performed for each unit before proceeding with the project for that unit.
8) The construction costs for the approved MATS projects are approximately $58 million with an additional $1.2 million for Reid Unit 1 to convert burners to natural gas (CSAPR) which we are not seeking to recover. Our total ECP construction costs were initially approximately $283 million which included both CSAPR and MATS projects. Thus the Stipulation agreement reached with the PSC reduces our projected capital expenditure outlay to approximately $59.2 million, $58 million of which will be recovered.
9) The recent $537 million refinancing with CFC and CoBank has replenished our transition reserve $35 million and provided $60 million for capital expenditures (non ECP).
10) We will obtain rate relief in our next general rate case which we intend to have in place by Century's contract termination, August 20, 2013. Relief requested will be sufficient to make us whole from revenues that will be lost from Century. Also, there is a rehearing, tentatively scheduled during September 2012, for our 2011 rate case (Case 2011-00036) which can provide an additional approximately $2.7 million of revenue, $2 million of which represents additional annual revenue.

Our Coleman Station is the recipient of the 2012 Navigant GKS Operational Excellence Award which is being presented tomorrow, August 27, 2012. We are very excited about this accomplishment. Coleman was the top performer in the under 200 MW average unit size range. The awards are based on detailed analysis of cost, performance and safety data for coal-fired plants over a five year period.

I look forward to speaking with you upon your return.

Billie

on Fitch / WS/S however

He called me David Bodek – 8/27 1:30

Hopes BR has a lot of success –

From: Bodek, David [mailto:david_bodek@standardandpoors.com]
Sent: Thursday, August 16, 2012 12:31 PM
To: Billie Richert
Subject: RE: Responses to your questions

Thanks

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

Billie Richert

From: Billie Richert
Sent: Tuesday, August 28, 2012 8:27 AM
To: david_bodek@standardandpoors.com
Subject: Responses to your questions yesterday

David,
I do want you to know we are planning to submit a filing for our next rate case by the end of this calendar year and it is a regular rate case filing and not an emergency rate case filing. We are filing this by the end of the year so that the rate increase will go into effect at or near the end of August 2013. We are presently rerunning our production model which will provide the data then needed for our financial model. Once we have this information we can then solidify the rate increase needed. We will ask the commission for rate relief necessary to cover any shortage from Century leaving, however, future rates would be reduced by any replacement revenues we derive from other sources. We anticipate Century going to market and is no longer Big Rivers' customer; Alcan stays on our system as Cost of Service (paying no subsidies or surcharges); and we build for MATS compliance only; with a layup of Wilson. Under this scenario retail rates will increase (net of MRSM & RER) for the rural class by 16%, industrial by 19% and Alcan by 3%.

More specifically, I'd like to clarify we are **not** intending or wanting to be a merchant in the market. We evaluate the market price and if the market price supports our variable and fixed costs, we will generate power; if not we will idle or layup a plant. As we discussed Big Rivers is moving forward with our mitigation plan which was developed in case of a smelter leaving. As such Big Rivers is pursuing replacement buyers for Century's load through other cooperatives or other municipalities. This effort includes responding to an opportunity for providing up to 400 MW in eastern Kentucky. In addition over the next several years there is a potential opportunity with an industrial complex in our Jackson Purchase territory requiring 500-600 MW. We have staff actively pursuing other opportunities.

Alcan has shared with us they are breaking even at the Sebree facility and there is no indication they are closing, however, we expect Alcan to oppose any rate increase from Century leaving. Alcan has contracted with us to provide an additional 10 MW for the next year above the base demand 368 MW in their smelter agreement.

The PSC is overseeing a smelter study the findings of which are scheduled for release in November. This study involves the smelters in our State and what is being done to mitigate the impact on large industrial customers if the smelters leave Kentucky. This may be a basis for state aid; opening up the market for large industrials or some legislative action.

I believe I've answered your questions, David. If you need further information or clarification, please call.

Have a nice day.

Billie Richert, CPA, CITP
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

Billie Richert

From: Billie Richert
Sent: Wednesday, August 29, 2012 2:44 PM
To: david_bodek@standardandpoors.com
Subject: Response to your question regarding various loan agreements/covenants

David,

This is response to your question re: specific triggers existing in our RUS/CFC/pollution control bonds/CoBank agreements resulting from a potential speculative grade rating issued by your organization. We have reviewed our various loan agreements and find:

Under our loan agreement with RUS, Big Rivers must maintain a Credit Rating from at least two Rating Agencies of Investment Grade. If we do not have Credit Ratings from at least two Rating Agencies of Investment Grade, Big Rivers must notify RUS and put in place a corrective plan within 30 days of the failure to have the two Credit Ratings. Failure to implement a corrective plan is an event of default under the RUS loan agreement. Section 4.12 of the RUS loan agreement provides for the lockbox agreement to go into effect upon the happening of certain events and/or determinations made by the Administrator of RUS. One of the events is the failure to maintain two Investment Grade credit ratings from at least two Rating Agencies. Under the lockbox agreement, the Administrator could direct that all cash proceeds of the trust estate (including payments under the Member contracts) be deposited in the account set up under the lockbox agreement. At this point, if S&P downgrades Big Rivers, we still have ratings of Investment Grade from Moody's and Fitch.

Under our the CoBank $50,000,000 revolving credit agreement, the Facility Fee would not increase upon the change from only one rating agency.

There are no other consequences in the Indenture, pollution control bond documents or the other loan agreements.

We have no active deals under our EEI Agreements which were used prior to our joining MISO.

I'm available to discuss this further and/or answer any questions you may have.

Thanks,

Billie Richert, CPA, CITP
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

Billie Richert

From: Bodek, David <david_bodek@standardandpoors.com>
Sent: Thursday, August 30, 2012 11:49 AM
To: Billie Richert
Subject: S&P Confidential Draft Rating Report Attached
Attachments: Sent to BREC - 20120830.DOC

"Standard & Poor's Ratings Services is sending you this draft so that you can call our attention to any factual errors or the inadvertent inclusion of confidential information in the draft. If you have any questions or comments on the analysis that are not factual in nature, we ask that you discuss these matters with us. We will use our sole discretion in making editorial changes to the document, which represents our independent opinion. We will finalize and release our report after a period of up to two business hours from the time we have sent this email regardless of whether we have received a reply. The report will supersede the information in the draft; the information in the draft is confidential and remains confidential after the issuance of a report and should not be disclosed or released at any time before or after the report is published."

Big Rivers Electric Corp. , Kentucky
Ohio County

Rationale

Standard & Poor's Ratings Services has revised to negative from stable its outlook on Big Rivers Electric Corp., Ky., (BREC) and the Ohio County, Ky. $83.3 million pollution control refunding revenue bonds, series 2010A (Big Rivers Electric Corp. Project) issued for Big Rivers' benefit. At the same time, Standard & Poor's affirmed its 'BBB-' issuer credit rating on the cooperative and the Ohio County bonds.

The revised outlook reflects concerns about the strength and stability of the utility's revenue stream following its leading customer's issuance of a 12-month notice to terminate its power contract with BREC. The notice covers Century Aluminum Co.'s (B/Stable) Hawesville, KY smelter. During the 12-months, Century is required to pay a demand charge that covers its share of BREC's fixed costs, but it is not obligated to operate the plant. BREC has accepted the termination notice.

Before sending its termination notice, Century claimed that its Hawesville smelting facilities require significant electric rate concessions to remain viable. Although the smelting plant has been operating at levels that exceeded its threshold electric contract requirements, Century cited sharp declines in aluminum prices and BREC's electric rates as factors that are degrading its Hawesville facilities' profitability. BREC did not acquiesce to the requested rate concessions, in part because it would have had to also provide similar accommodations to its other large smelter customer, Rio Tinto Alcan Inc. (Alcan; A-/Stable/A-2). That smelter, is not projecting closing its Sebree facilities in BREC's service territory.

Century and Alcan represented two-thirds of BREC's 2011 MWH sales to members, exclusive of nonmember sales and about half of energy sales to members and nonmembers. Century accounted for about 30% of BREC's 2011 operating revenues from members and nonmembers and Alcan, 24%. About 80% of BREC's 2011 electric sales were to members and it principally sold the balance of its output in competitive wholesale markets. We view the pending loss of Century as having the potential to convert substantial amounts of the utility's generation capacity into surplus capacity. Also, the departure could shift costs that were historically borne by Century to remaining customers.

Henderson, Ky.-based Big Rivers is a generation and transmission cooperative that produces and procures electricity for sale to three distribution cooperative members and their 112,900 retail customers. One member, Kenergy Corp., serves the two smelters. In 2011, Kenergy's 9.4 million megawatt-hour sales were 8x greater than the sum of the other two members' MWH sales. About 86%

of Kenergy's 2011 MWH sales were to industrial customers. Nearly three-quarters of its sales were to the two smelters. They accounted for more than 70% of Kenergy's operating revenues. BREC's other member distribution cooperatives – Jackson Purchase Energy and Meade County Rural Electric Cooperative – principally serve residential customers.

The smelters entered into take-or-pay power contracts with Kenergy. However, the contracts allow the smelters to terminate their obligations to Kenergy and BREC without penalty if they provide one-year's notice and cease operations.

BREC plans to file for rate relief to compensate for the loss of Century. The rate filing will request that the Kentucky Public Service Commission (KPSC) reallocate costs historically borne by Century to BREC's remaining customers by raising their rates. We view the service area's composition as potentially frustrating the ability to reallocate costs. We believe that Alcan might resist efforts to have it absorb costs previously borne by its competitor. Also, many of the counties that BREC serves have income levels that are 20%-30% below the national median household effective buying income, which could hinder the reallocation of Century costs to residential customers. In addition, because the KPSC must approve the request for rate adjustments, BREC and its member distribution cooperatives are distinguishable from many other cooperative utilities that have autonomous ratemaking authority. Because the utility and its members are regulated, it is uncertain whether the rate relief request that BREC is planning will be approved in full or in part.

During rate negotiations between BREC and Century, the utility reported that applying the smelter's requested rate concessions to both smelters to maintain parity would have meant raising the system's residential customers' rates by about 37% and its industrial customers' rates by about 56%. It now expects to seek more modest rate increases that reflect the reallocation of costs borne by Century to remaining customers.

BREC is also evaluating shuttering power plants as part of its response to losing loads. Closing plants could reduce costs, reduce market exposure and mitigate the financial impact on remaining customers. BREC might also temper the burdens of cost reallocation if it can remarket some or all of the generation output that had been sold to the smelters. However, market or contract demand and prices would need to be sufficient to recoup costs that Century has borne.

Based on historical market sales and Century's share of purchases, we believe that market sales could transform the utility into a principally merchant generator that faces the risks inherent in being subject to market demand and prices. The smelters' large share of energy sales could make it difficult to resell so much of the utility's generating capability. In addition, the utility's very high dependence on coal units might also constrain market sales opportunities. Coal accounts for close to 90% of its power sales and coal units are not as economical as gas-fired resources that are benefitting from the fuel's low prices.

BREC sells electricity to the smelters under contracts at prices that are about 30% above the 3.3 cents it earned from sales of surplus energy in wholesale markets in 2011. BREC sold 3 million MWH of surplus wholesale power into the market for $100.4 million in 2011.

Coal resources also expose the utility to potentially higher production costs as EPA's regulation of power plant emissions progresses. A recent appellate decision that vacated the EPA's Cross-State Air Pollution rule could provide the utility with at least a temporary reprieve from emissions-related capital spending while the EPA revisits its rules.

The utility reported $794 million of debt as of June. 30, 2012. Debt consisted of RUS loans and the Ohio County bonds. Big Rivers closed a $537 million loan with CoBank ACB and National Rural Utilities Cooperative Finance Corp. in July. In addition to replenishing $35 million of transition reserve funds, proceeds restructured a portion of the utility's RUS borrowing to eliminate some of the spikes in debt service requirements.

The debt portfolio exhibits uneven amortization. BREC repaid $14.2 million of principal in 2010. In 2011, it was required to repay $7.3 million of principal, but also used $35 million of transition reserve monies to accelerate principal reduction. The utility replenished the transition reserve in 2012 with proceeds of July's borrowing from CoBank and National Rural Utilities. Loan proceeds also facilitiated debt restructuring that reduced 2012's $72.1 million scheduled maturity to $12.1 million, with the remaining $60 million to be amortized in later years. However, 2013's maturity remains at $79.3 million, that will likely need to be restructured. The utility forecasts about $22 million of 2014 and 2015 principal payments.

Ohio County sold 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.

Debt service coverage of 1.45x in 2010 and 1.65x in 2011 was strong for a cooperative utility. We believe strong excess coverage margins provide a cushion against the potential for revenue stream variability.

The strength of 2011's coverage ratio partially reflects the year's very low scheduled principal payment of $7.3 million. The ratio was calculated using scheduled debt service in the denominator, compared to the $46 million of principal the utility elected to repay.

The utility maintains $152.6 million of reserves that it uses as for rate stabilization to reduce rates. Because it already projects depleting these reserves by the first quarter of 2018 under a steady-state scenario, we do not view these reserves as adding value under a scenario in which the smelters receive rate concessions or close.

Outlook

The negative outlook reflects our view that the utility's largest customer's decision to close facilities after failing to win rate concessions could degrade BREC's financial performance and credit quality. Although the utility plans to file for rate relief, we view rate cases as presenting uncertainty vis-à-vis the extent and timeliness of rate relief. We will monitor the progress of the rate case to assess whether further rating action is appropriate. The customer's notice could also expose the utility to the vicissitudes of merchant markets and creates the potential for substantial cost shifting to remaining customers, who might resist such efforts or find that reallocated costs are too onerous to absorb. If these risks, whether in isolation or combination, weaken BREC's business risk profile and erode financial metrics, including the strong debt service coverage that compensated for business risks in recent years, the ratings could be downgraded.

Billie Richert

From: Bodek, David <david_bodek@standardandpoors.com>
Sent: Thursday, August 30, 2012 12:39 PM
To: Billie Richert

Energy Sales (mWh)		Kennergy		Energy Sales (mWh)
Rsdntl (Farm & Non-Farm) (Page 9)	411,230	754,124	364,735	Rsdntl (Farm & Non-Farm) (Page 9)
Small Comml & Indl (Page 9)	190,023	314,860	94,657	Small Comml & Indl (Page 9)
Large Comml & Indl (Page 9)	49,397	8,326,066	0	Large Comml & Indl (Page 9)
Other/Resale/Irrigation (Page 9)	888	1,733	1,057	Other/Resale/Irrigation (Page 9)
Total Energy Sales	**651,538**	**9,396,783**	**460,449**	**Total Energy Sales**

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

Billie Richert

From: Bodek, David <david_bodek@standardandpoors.com>
Sent: Thursday, August 30, 2012 12:41 PM
To: Billie Richert
Subject: Smelters threatening to close without rate concessions 20120725

Century, Big Rivers make their cases to public

By Joy Campbell, Messenger-Inquirer, Owensboro, Ky.

McClatchy-Tribune Regional News

1,647 words

25 July 2012

Messenger-Inquirer (MCT)

KRTOW

English

Distributed by McClatchy - Tribune Information Services

July 25--**Century Aluminum** employees are fighting for their jobs, writing letters and contacting local, state and national leaders about the stalemate between their employer and Big Rivers Electric Corp. in negotiating a new electric rate plan. Century officials have told employees that without a better power rate, the plant will shut down.

Big Rivers Electric also is making its case to the public with its concerns that other residential and industrial ratepayers will have to pay significantly higher monthly utility bills if the company gives Century what it's asking for. Residential customers would pay about $1,000 more per year, the company said.

In the past week, lots of finger-pointing has taken place. Each party is trying to get its message out to the public through letters and ads in area newspapers, and other venues.

Century provides 771 direct jobs in Hawesville, according to information from the company.

Century has met with the Lewisport City Council, Hancock Fiscal Court and the Hancock Industrial Foundation and plans other meetings, public officials said Tuesday.

"We, as a region, have a whole lot at stake," Nick Brake, president and CEO of the Greater Owensboro Economic Development Corporation, said about the negotiations.

Brake said the Owensboro EDC has been working closely with the Hancock County Industrial Foundation on these issues "at various levels for more than a year."

Northwest Kentucky has two of the nine aluminum smelters in the U.S., and that is a big contributor to the state being one of the top automobile-producing states, he said. A lot of aluminum goes into vehicles.

"Rising power and falling aluminum prices have put Century at the point of terminating its business in Hawesville, according to its officials," Brake said. "They have said they are noncompetititve."

Owensboro residents hold about 300 of the 771 Century jobs, he said.

"It's a complex situation, and there is not an easy answer that is a win-win," Brake said. "What's the cost to the region to keep the plant? Is it a cost we are willing to assume? What is the cost of letting it go? I've heard different scenarios of which one costs more. Either way, more cost to ratepayers is inevitable."

No-win scenarios so far

Century and Rio Tinto Alcan asked Big Rivers for $110 million annually in rate concessions from their contracts. That is the loss the utility would incur if both smelters closed. Century's share of that is $62 million, according to information the company provided.

Those rate increases during a still-recovering economy "would be devastating to our customers, and we believe it's an unreasonable amount for them to pay," said Mark Bailey, president and CEO of Big Rivers Electric.

If Big Rivers granted the full $110 million to Century and Alcan, residential customers would see a rate hike of about 37 percent, and industrial customers would incur a 56 percent increase. The average residential customer would pay about $1,000 more per year in electric utility bills, Marty Littrel, Big Rivers' manager of communications and community relations, said Tuesday.

"First of all, we don't want to see any of our customers shut down," Littrel said. "If Century did shut down, we have estimated that average residential rates would go up about 19 to 20 percent. That's a big difference."

Littrel admitted that Century's closing could impact other companies, including Alcan. But Alcan officials have not said it would close without the concessions, he said.

Century officials said without Big Rivers providing fair, short-term rate relief, the utility is guaranteeing a $110 million rate increase for its customers and the loss of hundreds of jobs.

On Tuesday, each party still had differing views on how negotiations were or were not proceeding.

"Mr. Bailey's public statements have been inconsistent with the facts," John Hoerner, vice president of North American Operations for Century Aluminum, said in an email statement. "Century has been willing to negotiate a fair power rate since Day One. To date, Big Rivers management has not returned to the negotiating table to work toward a solution.

Unfortunately, power rates are going to increase, but by working together to seek a reasonable compromise, **Century Aluminum** and Big Rivers can reduce that rate increase and save the smelter from closure. A reasonable compromise will also prevent the loss of hundreds of good jobs. If a solution is not reached, the outcome will be skyrocketing electric rates for families and businesses in the region as well as catastrophic job losses."

Littrel said Big Rivers was not aware negotiations had ceased until a reporter called him Thursday.

"We've continued to work with Century and have been waiting for them to call," Littrel said. "We had a talk this afternoon (Tuesday), and it's the first contact since June 24. We found out today that they are willing to continue talks. It's frustrating. We never walked away. Unfortunately, they were requiring more financial assistance than Big Rivers' customers can afford."

Both Big Rivers and Century confirmed that the last offer from Big Rivers was $27 million on June 24. Littrel said that was for the short term. Additionally, they would receive $34 million over the next 12 years. The smelters declined that offer.

Rio Tinto Alcan is a part of the negotiations. Littrel said Big Rivers would not want to give concessions to Century without offering them to Alcan as well.

Information supplied by Century indicates the company made it clear its representatives were willing to negotiate down from its $62 million request for relief.

Big Rivers also offered both smelters the opportunity to get power from the open market, but they declined, Littrel said.

"Yet, Century is talking about how much cheaper open market prices are," he said. "Open market rates are down, so naturally, they want out of their contract. I understand that."

Buying on the open market means dealing with wide price fluctuations, he said. In 2009, when Century negotiated its current contract, the company wanted off the open market because of those rate uncertainties.

In 2009, Century negotiated and agreed to a contract with a long-term, climbing rate. The 2012 rate is $52 per megawatt hour. But Littrel said each year the company has paid less than the agreed-to rate. This year it is paying $48 to $49 per megawatt hour.

Big Rivers has proposed a reduction of $3.73 per megawatt hour or a rate of about $45.60 for the first year, and the rate would go even higher in later years, according to Century.

Century interpreted Big Rivers' communication that it had "no solution for how to close the gap," as the utility's refusal to negotiate.

Similar community strife is unfolding in Ravenswood, W.Va., where Century is trying to reopen a smelter it shuttered in 2009. About 650 workers lost their jobs then.

Century discontinued health care coverage for its Ravensvood plant retirees in 2010, but a deal was reached in March of this year that would give back some of the benefits, according to a June 10 story in the Parkersburg News and Sentinel.

Reopening the plant is stalled. Century's power provider in Ravenswood, Appalachian Power Co., has said that the special rate is too risky for its thousands of customers across West Virginia. Century has asked the West Virginia Public Service Commission to approve a special rate.

Appalachian Power Co. said in the News and Sentinel story that it supports the reopening of the Ravenswood plant, but the cost would be too high for its customers.

West Virginia lawmakers also have passed tax incentive legislation using coal severance funds, Brake said.

"That's something we tried to get traction on with the last legislative session," he said.

Community wants settlement

Lewisport Mayor Chad Gregory said three Century representatives gave a presentation to the city council Thursday night that showed how the increase in utility rates along with cheap aluminum prices are affecting them on both sides of the ledger.

"Overall, they presented their case and approached us for support and understanding," Gregory said. "We support both Century and Big Rivers and want them to reach a decision that will benefit both sides."

Lewisport City Councilwoman Mary Ella Rummage said she appreciated the Century group taking the time to share information. "I see it as two businesses trying to negotiate, and they're not quite on the same step," Rummage said.

Rummage said it reminded her a little bit of a family story involving men working with two mules to clear timber from the woods.

"Sometimes they worked together, and sometimes they didn't," she said. "Hopefully, these two (businesses) will get back to working together."

Councilwoman Shirley Hays said she hopes both parties can come to terms. "It will have a big impact on our community if they don't get things straightened out."

Century Aluminum Company, which trades as CENX on NASDAQ, reported a net loss of $12.3 million for the second quarter of 2012. The results were released Tuesday. For the first half of 2012, the company reported a net loss of $16.7 million. More information about the Monterey, Ca.-based company may be found online at: www.centuryaluminum.com.

Big Rivers is a not-for-profit utility company with 112,000 customers through its three distribution cooperatives -- Kenergy in Henderson; Meade County Rural Electric in Brandenburg; and Jackson Purchase in Paducah. More information is available at: www.bigrivers.com

Joy Campbell, 691-7299, jcampbell@messenger-inquirer.com

Visit the Messenger-Inquirer (Owensboro, Ky.) at www.messenger-inquirer.com

Distributed by MCT Information Services

Document KRTOW00020120725e87p00003

Billie Richert

From: Bodek, David <david_bodek@standardandpoors.com>
Sent: Thursday, August 30, 2012 3:53 PM
To: Billie Richert
Subject: RE: Update

It will probably be released tomorrow morning after going through a number of quality checks. I will let you know as soon as it has been released.

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Thursday, August 30, 2012 4:47 PM
To: Bodek, David
Subject: Update

David,
Will you release your report today?

Thanks.

Billie Richert, CPA, CITP
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or

entities other than the intended recipient is not allowed. If you receive this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

Billie Richert

From: Bodek, David <david_bodek@standardandpoors.com>
Sent: Friday, August 31, 2012 11:33 AM
To: Billie Richert
Subject: S&P Rating Report - Big Rivers Electric
Attachments: S&P Rating Report - BREC - 20120831.pdf

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

STANDARD
& POOR'S
RATINGS SERVICES

RatingsDirect®

Summary:

Big Rivers Electric Corp., Kentucky Ohio County; Rural Electric Coop

Primary Credit Analyst:
David N Bodek, New York (1) 212-438-7969; david_bodek@standardandpoors.com

Secondary Contact:
Jeffrey M Panger, New York (1) 212-438-2076; jeff_panger@standardandpoors.com

Table Of Contents

Summary:

Big Rivers Electric Corp., Kentucky Ohio County; Rural Electric Coop

Credit Profile		
Big Rivers Electric Corp. ICR		
Long Term Rating	BBB-/Negative	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-/Negative	Affirmed

Rationale

Standard & Poor's Ratings Services has revised its outlook on Big Rivers Electric Corp., Ky., (BREC) and Ohio County, Ky.'s $83.3 million pollution control refunding revenue bonds, series 2010A (Big Rivers Electric Corp. Project) issued for Big Rivers' benefit to negative from stable. At the same time, Standard & Poor's affirmed its 'BBB-' issuer credit rating on the cooperative and the issue-level rating on the Ohio County bonds.

The outlook revision reflects our concerns about the strength and stability of the utility's revenue stream following its leading customer's issuance of a 12-month notice to terminate its power contract with BREC. The notice covers Century Aluminum Co.'s (B/Stable/--) Hawesville, Ky., smelter. During the 12 months, Century is required to pay a base energy charge that covers its share of Big Rivers' fixed and variable costs. If it does not operate the plant during the notice period, it must still pay its share of fixed costs. BREC has accepted the termination notice.

Before sending its termination notice, Century claimed that its Hawesville smelting facilities require significant electric rate concessions to remain viable. Although the smelting plant has been operating at levels that exceeded its threshold electric contract requirements, the company cited sharp declines in aluminum prices and BREC's electric rates as factors that are degrading its Hawesville facilities' profitability. The utility did not accept the requested concessions, because its nonsmelter customers would have to bear the $110 million in concessions Century sought for itself and the utility's other smelter customer, Rio Tinto Alcan Inc. (Alcan; A-/Stable/A-2). That smelter is not projecting closing its Sebree facilities in BREC's service territory.

Century and Alcan represented two-thirds of BREC's 2011 megawatt-hour (MWh) sales to members, excluding nonmember sales, and about half of energy sales to members and nonmembers. Century accounted for about 30% of the utility's 2011 operating revenues and Alcan, 24%. About 80% of BREC's 2011 electric sales were to members and it sold the balance of its output principally in competitive wholesale markets. We view the pending loss of Century as having the potential to convert substantial amounts of the utility's generation capacity into surplus. Also, the departure could shift to BREC's remaining customers costs that Century historically paid.

Henderson, Ky.-based Big Rivers is a generation and transmission cooperative that produces and procures electricity for sale to three distribution cooperative members and their 112,900 retail customers. One member, Kenergy Corp., serves the two smelters. In 2011, Kenergy's 9.4 million MWh sales were 8x greater than the sum of the other two members' MWh sales. About 86% of Kenergy's 2011 MWh sales were to industrial customers. Nearly three-quarters of its sales were to the two smelters. They accounted for more than 70% of the company's operating revenues. BREC's other member distribution cooperatives--Jackson Purchase Energy and Meade County Rural Electric Cooperative--principally serve residential customers.

The smelters entered into take-or-pay power contracts with Kenergy. However, the contracts allow the smelters to terminate their obligations to the distribution utility and BREC without penalty if they provide one-year's notice and cease operations.

BREC plans to file for rate relief to compensate for Century's loss. The rate filing will request that the Kentucky Public Service Commission (KPSC) reallocate costs historically borne by Century to BREC's remaining customers by raising their rates. We view the service area's composition as potentially frustrating the ability to reallocate costs. We believe that Alcan might resist efforts to have it absorb costs its competitor previously covered. Also, many of the counties that BREC serves have income levels that are 20%-30% below the national median household effective buying income, which could hinder the reallocation of Century costs to residential customers. In addition, because the KPSC must approve the request for rate adjustments, the utility and its member distribution cooperatives are distinguishable from many other cooperative utilities that have autonomous ratemaking authority. Because the cooperative and its members are regulated, it is uncertain whether the rate relief request that BREC is planning will be approved in full or in part.

During rate negotiations between BREC and Century, the utility reported that applying the smelter's requested rate concessions to both smelters to maintain parity would have meant raising the system's residential customers' rates about 37% and its industrial customers' rates about 56%. It now expects to seek more modest rate increases that reflect the reallocation of Century's costs to remaining customers.

BREC is also evaluating idling power plants as part of its response to losing loads. Closing plants could reduce costs, reduce market exposure and mitigate the financial impact on remaining customers. The utility might also temper the burdens of cost reallocation if it can remarket some or all of the generation output that had been sold to the smelters. However, market or contract demand and prices would need to be sufficient to recoup Century's share of costs or mitigate the loss of the company's contribution to cost recovery.

Based on historical market sales and Century's share of purchases, we believe that market sales could transform the utility into a principally merchant generator that faces the risks inherent in being subject to market demand and prices. The smelters' large share of energy sales could make it difficult to resell so much of the utility's generating capability. In addition, the utility's very high dependence on coal units might also constrain market sales opportunities. Coal accounts for close to 90% of its power sales and coal units are not as economical as gas-fired resources that are benefitting from the fuel's low prices.

BREC sells electricity to the smelters under contracts at prices that are about 30% above the 3.3 cents it earned from sales of surplus energy in wholesale markets in 2011. It sold 3 million MWh of surplus wholesale power into the market for $100.4 million in 2011.

Coal resources also expose the utility to potentially higher production costs as Environmental Protection Agency (EPA) regulation of power plant emissions progresses. A recent appellate decision that vacated the EPA's Cross-State Air Pollution rule could provide the utility with at least a temporary reprieve from emissions-related capital spending while the EPA revisits its rules.

The utility reported $794 million of debt as of June 30, 2012. Debt consisted of Rural Utilities Service loans and the Ohio County bonds. Big Rivers closed a $537 million loan with CoBank ACB and National Rural Utilities Cooperative Finance Corp. in July. In addition to replenishing $35 million of transition reserve funds, proceeds restructured a portion of the utility's RUS borrowing to eliminate some of the spikes in debt service requirements.

The debt portfolio exhibits uneven amortization. BREC repaid $14.2 million of principal in 2010. In 2011, it was required to repay $7.3 million of principal, but also used $35 million of transition reserve monies to accelerate principal reduction. The utility replenished the transition reserve in 2012 with proceeds of July's borrowing from CoBank and National Rural Utilities. Loan proceeds also facilitated debt restructuring that reduced 2012's $72.1 million scheduled maturity to $12.1 million, with the remaining $60 million to be amortized in later years. However, 2013's maturity remains at $79.3 million, and that will likely need to be restructured. The utility forecasts about $22 million of 2014 and 2015 principal payments.

Ohio County sold bonds for the benefit of BREC, 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 the utility's assets under its mortgage indenture. The county's bonds' security interest is on par with the utility's senior-secured debt.

Debt service coverage of 1.45x in 2010 and 1.65x in 2011 was strong for a cooperative utility, in our opinion. We believe strong excess coverage margins provide a cushion against the potential for revenue stream variability.

The strength of 2011's coverage ratio partially reflects the year's very low scheduled principal payment of $7.3 million. We calculated the ratio using scheduled debt service in the denominator, compared to the $46 million of principal the utility elected to repay.

The utility maintains $152.6 million of reserves that it uses for rate stabilization to reduce rates. Because it already projects depleting these reserves by the first quarter of 2018 under a steady-state scenario, we do not view these reserves as adding value under a scenario in which the smelters receive rate concessions or close.

Outlook

The negative outlook reflects our view that the largest customer's decision to close facilities after failing to win rate concessions could degrade BREC's financial performance and credit quality during our two-year outlook horizon. Although the utility plans to file for rate relief, we view rate cases as presenting uncertainty vis-à-vis the extent and timeliness of rate relief. We will monitor the progress of the rate case to assess whether further rating action is appropriate. The customer's notice could also expose the utility to the vicissitudes of merchant markets and creates the potential for substantial cost shifting to remaining customers, who might resist such efforts or find that reallocated costs are too onerous to absorb. If these risks, whether in isolation or combination, weaken BREC's business risk profile and erode financial metrics, including the strong debt service coverage that compensated for business risks in recent years, we could lower the ratings. We do not expect to raise the ratings during our outlook period.

Related Criteria And Research

USPF Criteria: Applying Key Rating Factors To U.S. Cooperative Utilities, Nov. 21, 2007

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Billie Richert

From:	Billie Richert
Sent:	Monday, November 19, 2012 5:25 PM
To:	david_bodek@standardandpoors.com
Cc:	Ralph Ashworth; Nicholas R. Castlen
Subject:	2012 Third Quarter Financial Report
Attachments:	Third Quarter Financial Report.pdf

David,

Attached is our condensed Third Quarter Financial Report. Please let me know if there are questions.

Thanks.

Billie

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

2012 Third Quarter Financial Report

Unaudited, in RUS format
(absent normal GAAP reclassifications)

Date Prepared: November 13, 2012

201 Third St.
Henderson, Kentucky 42420
Phone: 270-827-2561
www.bigrivers.com

BIG RIVERS ELECTRIC CORPORATION
Balance Sheet
In Thousands $

ASSETS	September 30, 2012	September 30, 2011
TOTAL UTILITY PLANT IN SERVICE	1,997,625	1,964,817
CONSTRUCTION WORK IN PROGRESS	44,936	54,555
TOTAL UTILITY PLANT	2,042,561	2,019,372
ACCUM PROVISION FOR DEPR & AMORT	(955,855)	(933,802)
NET UTILITY PLANT	1,086,706	1,085,570
INVEST IN ASSOC ORG PATRONAGE CAPITAL	3,681	3,645
INVEST IN ASSOC ORG OTHER GENERAL FUNDS	43,841	685
OTHER INVESTMENTS	15	15
SPECIAL FUNDS	184,966	168,181
TOTAL OTHER PROPERTY AND INVESTMENTS	232,503	172,526
CASH - GENERAL FUNDS	5	6
SPECIAL DEPOSITS	598	573
TEMPORARY INVESTMENTS	113,244	77,683
ACCOUNTS RECEIVABLE - SALES OF ENERGY	42,902	45,456
ACCOUNTS RECEIVABLE - OTHER NET	1,221	(2,102)
FUEL STOCK	32,353	27,134
MATERIALS & SUPPLIES - OTHER	26,017	24,662
PREPAYMENTS	1,549	1,302
OTHER CURRENT & ACCRUED ASSETS	713	634
TOTAL CURRENT & ACCRUED ASSETS	218,602	175,348
UNMORT DEBT DISC & EXTRAORD PROP LOSS	3,983	2,106
OTHER DEFERRED DEBITS	2,988	1,798
TOTAL ASSETS AND OTHER DEBITS	1,544,782	1,437,348
EQUITIES AND LIABILITIES		
OPERATING MARGINS - PRIOR YEAR	(241,898)	(247,339)
OPERATING MARGINS - CURRENT YEAR	7,722	8,757
NONOPERATING MARGINS - PRIOR YEAR	638,998	638,838
NONOPERATING MARGINS - CURRENT YEAR	403	141
OTHER MARGINS & EQUITIES	(7,279)	(4,923)
TOTAL MARGINS & EQUITIES	397,946	395,474
LONG-TERM DEBT - RUS	208,479	657,620
LONG-TERM DEBT - OTHER	720,480	142,100
TOTAL LONG-TERM DEBT	928,959	799,720
ACCOUNTS PAYABLE	27,000	28,980
TAXES ACCRUED	824	671
INTEREST ACCRUED	3,812	9,519
OTHER CURRENT & ACCRUED LIABILITIES	8,292	8,320
TOTAL CURRENT & ACCRUED LIABILITIES	39,928	47,490
DEFERRED CREDITS	152,737	173,685
OPERATING RESERVES	25,212	20,979
TOTAL LIABILITIES AND OTHER CREDITS	1,544,782	1,437,348

FINANCIAL HIGHLIGHTS

ELECTRIC PLANT IN SERVICE increased $32.8 million to $2.0 billion as of September 30, 2012. This increase resulted from construction projects to maintain generation, transmission and communication capabilities.

TEMPORARY INVESTMENTS increased $35.6m primarily due to the borrowing that took place this year to fund construction projects, partially offset by a higher fuel inventory this year and construction projects.

SPECIAL FUNDS increased $16.8m as of September 30, 2012. This increased resulted from replenishing the transition reserve, partially offset by the use of the reserve funds set up for non-smelter member rate mitigation.

LONG-TERM DEBT increased $129.2 million as of September 30, 2012, primarily due to borrowing for capital projects and replenish the $35.0 million transition reserve formerly used to pre-pay RUS debt.

DEFERRED CREDITS decreased $20.9 million as of September 30, 2012, primarily due to the use of the reserve funds set up for non-smelter member rate mitigation.

BIG RIVERS ELECTRIC CORPORATION
Statement of Operations
In Thousands $

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
ELECTRIC ENERGY REVENUES	145,471	148,770	419,183	422,321
OTHER OPERATING REVENUE AND INCOME	1,450	648	3,859	2,168
TOTAL OPER REVENUES & PATRONAGE CAPITAL	146,921	149,418	423,042	424,489
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	12,555	12,779	36,392	37,001
OPERATION EXPENSE-PRODUCTION-FUEL	58,943	58,925	165,833	173,107
OPERATION EXPENSE-OTHER POWER SUPPLY	26,106	28,160	84,281	83,179
OPERATION EXPENSE-TRANSMISSION	2,384	2,273	7,363	6,920
OPERATION EXPENSE-RTO/ISO	438	565	1,663	1,832
CONSUMER SERVICE & INFORMATIONAL EXPENSE	192	155	391	345
OPERATION EXPENSE-SALES	81	106	102	129
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	6,585	6,303	20,378	19,980
TOTAL OPERATION EXPENSE	107,284	109,266	316,403	322,493
MAINTENANCE EXPENSE-PRODUCTION	10,446	10,253	30,872	29,182
MAINTENANCE EXPENSE-TRANSMISSION	1,402	1,208	3,736	3,348
MAINTENANCE EXPENSE-GENERAL PLANT	35	35	128	93
TOTAL MAINTENANCE EXPENSE	11,883	11,496	34,736	32,623
DEPRECIATION & AMORTIZATION EXPENSE	10,488	9,060	30,852	26,374
TAXES	0	0	4	128
INTEREST ON LONG-TERM DEBT	11,235	11,454	33,719	34,450
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(193)	(75)	(578)	(450)
OTHER INTEREST EXPENSE	55	1	55	60
OTHER DEDUCTIONS	64	42	187	158
TOTAL COST OF ELECTRIC SERVICE	140,816	141,244	415,378	415,836
OPERATING MARGINS	6,105	8,174	7,664	8,653
INTEREST INCOME	372	22	403	132
OTHER NON-OPERATING INCOME - NET	0	(1)	0	8
OTHER CAPITAL CREDITS & PAT DIVIDENDS	14	8	59	105
NET PATRONAGE CAPITAL OR MARGINS	6,491	8,203	8,126	8,898

FINANCIAL HIGHLIGHTS

SALES TO MEMBERS increased 446,265 MWh to 8,053,207 MWh for the nine-month period ended September 30, 2012. Member sales revenue increased $52.7 million, or 18.0%, to $391.4 million for the nine-month period ended September 30, 2012, compared to $338.8 million in 2011, driven by higher sales to the aluminum smelters and the increase in member rates that took effect on September 1, 2011.

SALES TO NON-MEMBERS decreased 1,454,096 MWh to 971,890 MWh for the nine-month period ended September 30, 2012. This decrease, along with a 17.1% decline in price, caused non-member electric sales revenue to decrease 66.8%, to $27.8 million, for the nine-month period ended September 30, 2012 compared to $83.6 million for 2011.

PURCHASED POWER expense increased $6.5 million, or 22.3% to $35.3 million for the nine-month period ended September 30, 2012, compared to 2011. This was due to a 41.4% increase in MWh purchased, partially offset by a 13.5% decrease in the average cost of purchased power resulting from a reduction in the market price of electricity.

FUEL expense decreased $10.4 million, or 5.3%, to $184.7 million for the nine-month period ended September 30, 2012 compared to 2011. The decreased fuel expense was primarily driven by lower generation as the softer power market drove economic purchases.

BIG RIVERS ELECTRIC CORPORATION
Statement of Cash Flows
For The Quarter Ended September 30, 2012
In Thousands $

	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net margin	6,490	8,203	8,126	8,898
Adjustments to reconcile net margin to net cash provided by operating activities:				
Depreciation and amortization	10,697	9,617	32,164	27,936
Interest compounded - RUS Series B Note	1,846	1,747	5,420	5,112
Interest compounded - RUS Series A Note	0	0	7,596	8,397
Noncash Member Rate Mitigation Revenue	(5,504)	(4,973)	(17,485)	(13,793)
Changes in certain assets and liabilities:				
Accounts receivable	(1,245)	(3,782)	(776)	1,158
Inventories	3,352	(3,088)	821	8,750
Prepaid expenses	1,089	1,339	3,190	2,461
Deferred charges	11	29	68	94
Accounts payable	3,991	2,069	(3,325)	(2,318)
Accrued expenses	(7,538)	(1,205)	(7,351)	(3,251)
Other – Net	837	162	3,089	1,284
Net cash provided by operating activities	14,026	10,118	31,537	44,728
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures – net	(6,850)	(10,488)	(27,955)	(22,617)
Proceeds from Restricted Investments and Other Deposits and Investments	(38,118)	4,920	(27,725)	51,561
Purchase of Restricted Investments and Other Deposits and investments	(35,002)	21	(35,002)	21
Net cash used in investing activities	(79,970)	(5,547)	(90,682)	28,965
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal payments on long-term obligations	(446,621)	(3,325)	(450,611)	(30,784)
Proceeds from long-term obligations	580,156	0	580,156	0
Principal payments on short-term notes payable	0	0	0	(10,000)
Debt Issuance Cost	(2,000)	0	(2,000)	0
Payments on obligations under long-term lease	0	0	0	0
Net cash used in financing activities	131,535	(3,325)	127,545	(40,784)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	65,591	1,246	68,400	32,909
CASH AND CASH EQUIVALENTS – Beginning	47,659	76,443	44,850	44,780
CASH AND CASH EQUIVALENTS – Ending	113,250	77,689	113,250	77,689
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest	15,439	10,379	26,625	22,379
Cash paid in taxes	0	0	0	130

BIG RIVERS ELECTRIC CORPORATION

THE APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS CASE NO. 2012-00492

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated December 19, 2012

January 3, 2013

Item 10) ***Provide a copy of the "Disclosure Package" referenced in Exhibit 13 of BREC's Application. If the Disclosure Package is not completed at the time of these Data Requests please provide it at BREC's earliest opportunity.***

Response) Big Rivers does not yet have a draft of the "Disclosure Package," which will be comprised of the Preliminary Offering Statement and the Pricing Supplement. Big Rivers does not expect to have a draft of the Disclosure Package before the conclusion of this matter.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

THE APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00492

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated December 19, 2012

January 3, 2013

Item 11) ***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 refer to attachments provided in Big Rivers' responses to Items 3, 7 and 8 of the KIUC information request. In addition please refer to attached copies of internal correspondence within Big Rivers supporting cost savings in interest expense of approximately $25 million ($64,569,750 less $39,703,200) over an 18 year period when comparing level debt service (alternative selected) with that of an 18 year bullet payment using a 6% interest rate.

Witness) Billie J. Richert

Billie Richert

From: Travis Siewert
Sent: Tuesday, October 30, 2012 8:06 AM
To: Billie Richert; Ralph Ashworth
Subject: RE: Principal payments on $58.8 refunding
Attachments: PC Bond Refi 2013.xlsx

Billie,

The attached file shows the $58.8 million PC Bond using level debt service (given the principal payment schedule you provided) vs. an 18 year bullet payment.

I will use level debt service for the Budget/Financial Plan unless I hear otherwise from you.

Travis Siewert, CPA, CMA
Big Rivers Electric
201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
(270) 844-6160

From: Billie Richert
Sent: Monday, October 29, 2012 12:38 PM
To: Travis Siewert; Ralph Ashworth
Subject: Principal payments on $58.8 refunding

Travis,
Please find attached principal amortization schedule for refunding. When you have time can you do a quick recalculation doing a 6% interest rate? And, determine what our interest savings are compared to the bullet payment on the maturity date?

Thanks,
Billie

Billie Richert, CPA, CITP
VP Accounting & Interim CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

$58.8 Million Pollution Control Bond
Level Debt Service
6% Interest Rate

	Beginning Balance	Principal	Interest	Ending Balance
				58,800,000.00
2013	58,800,000.00	465,000.00	3,102,825.00	58,335,000.00
2014	58,335,000.00	1,885,000.00	3,434,125.00	56,450,000.00
2015	56,450,000.00	2,000,000.00	3,317,000.00	54,450,000.00
2016	54,450,000.00	2,120,000.00	3,192,800.00	52,330,000.00
2017	52,330,000.00	2,250,000.00	3,061,050.00	50,080,000.00
2018	50,080,000.00	2,385,000.00	2,921,325.00	47,695,000.00
2019	47,695,000.00	2,525,000.00	2,773,325.00	45,170,000.00
2020	45,170,000.00	2,675,000.00	2,616,575.00	42,495,000.00
2021	42,495,000.00	2,840,000.00	2,450,300.00	39,655,000.00
2022	39,655,000.00	3,010,000.00	2,273,950.00	36,645,000.00
2023	36,645,000.00	3,190,000.00	2,087,050.00	33,455,000.00
2024	33,455,000.00	3,380,000.00	1,889,000.00	30,075,000.00
2025	30,075,000.00	3,585,000.00	1,679,025.00	26,490,000.00
2026	26,490,000.00	3,800,000.00	1,456,400.00	22,690,000.00
2027	22,690,000.00	4,025,000.00	1,220,525.00	18,665,000.00
2028	18,665,000.00	4,265,000.00	970,625.00	14,400,000.00
2029	14,400,000.00	4,525,000.00	705,625.00	9,875,000.00
2030	9,875,000.00	4,795,000.00	424,675.00	5,080,000.00
2031	5,080,000.00	5,080,000.00	127,000.00	0.00
			39,703,200.00	

$58.8 Million Pollution Control Bond
18 Year Bullet Payment
6% Interest Rate

	Beginning Balance	Principal	Interest	Ending Balance
				58,800,000.00
2013	58,800,000.00	0.00	3,123,750.00	58,800,000.00
2014	58,800,000.00	0.00	3,528,000.00	58,800,000.00
2015	58,800,000.00	0.00	3,528,000.00	58,800,000.00
2016	58,800,000.00	0.00	3,528,000.00	58,800,000.00
2017	58,800,000.00	0.00	3,528,000.00	58,800,000.00
2018	58,800,000.00	0.00	3,528,000.00	58,800,000.00
2019	58,800,000.00	0.00	3,528,000.00	58,800,000.00
2020	58,800,000.00	0.00	3,528,000.00	58,800,000.00
2021	58,800,000.00	0.00	3,528,000.00	58,800,000.00
2022	58,800,000.00	0.00	3,528,000.00	58,800,000.00
2023	58,800,000.00	0.00	3,528,000.00	58,800,000.00
2024	58,800,000.00	0.00	3,528,000.00	58,800,000.00
2025	58,800,000.00	0.00	3,528,000.00	58,800,000.00
2026	58,800,000.00	0.00	3,528,000.00	58,800,000.00
2027	58,800,000.00	0.00	3,528,000.00	58,800,000.00
2028	58,800,000.00	0.00	3,528,000.00	58,800,000.00
2029	58,800,000.00	0.00	3,528,000.00	58,800,000.00
2030	58,800,000.00	0.00	3,528,000.00	58,800,000.00
2031	58,800,000.00	58,800,000.00	1,470,000.00	0.00
			64,569,750.00	

BIG RIVERS ELECTRIC CORPORATION

THE APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00492

Response to the Kentucky Industrial Utility Customers' Initial Request for Information
Dated December 19, 2012

January 3, 2013

Item 12) ***Explain specifically what actions BREC is taking to seek revenue to replace the loss of the Century wholesale load, as referenced on page 7 of BREC's Application.***

Response) As a result of Big Rivers receiving Century's Notice of Termination on August 20, 2012, Big Rivers has begun implementing its Load Concentration Mitigation Plan that was submitted under petition for confidential treatment to the Commission in Big Rivers' 2012 Environmental Compliance Plan case, Case No. 2012-00063. Please see Big Rivers' response to KIUC's Second Request for Information, dated June 22, 2012, Item 2-44(b). Big Rivers has been implementing the plan since it received the Century notice.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

THE APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00492

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated December 19, 2012

January 3, 2013

Item 13) ***What is BREC's current estimate or calculation of the likely interest rate on the 2013A Bonds?***

Response) Based upon the most recent discussions with Goldman Sachs, Big Rivers' current estimate of the likely interest rate on the 2013A bonds is 6% or higher. After the Century notice of termination there was some trading activity, although minimal, for the $83,300,000 Pollution Control Refunding Revenue Bonds, Series 2010 A ("Series 2010A Bonds") indicating a 6% coupon was a reasonable expectation for the 2013A Bonds. A recent *Wall Street Journal* article confirms that fixed income, high yield bonds are selling in the range of 6% to 7%. As noted in Big Rivers' application, there are many factors which will impact the market's reception to this bond offering (and at what interest rate) and Big Rivers' ability to refund the entire $58,800,000. For that reason Big Rivers cannot be more specific in its prediction.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

THE APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS CASE NO. 2012-00492

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated December 19, 2012

January 3, 2013

Item 14) ***Is there a maximum interest rate that BREC would not go through with a refinancing of its 2013A Bonds?***

Response) An acceptable maximum interest rate cannot be ascertained until the market is tested and the likely available interest rate is evaluated based upon circumstances at the time. If it is determined by Goldman Sachs, the underwriter for this proposed offering, that the 2013A bonds cannot be successfully marketed at or around 6%, Big Rivers will perform a comprehensive evaluation of all available options, associated risks and cost of these options at the time market receptivity is confirmed by Goldman Sachs. However, if the rate at which the 2013A bonds can be marketed is high, and the only option available to Big Rivers at the time is default on the 1983 Bonds, Big Rivers believes paying a higher interest rate is likely to be preferable to a default that will result in a default of Big Rivers' indenture debt. Each 100 basis point increase in the rate for the 2013A Bonds would increase Big Rivers' debt service costs by approximately $588,000 per year.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

THE APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00492

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated December 19, 2012

January 3, 2013

Item 15) ***What would be the financial consequences of BREC not refinancing the 2013A Bonds by June 1, 2013?***

Response) If Big Rivers fails to pay the outstanding $58,800,000 bonds on or before the June 1, 2013 due date, that would result in a default under the terms of the Dexia Note and the 1983 Note. Default under the Dexia Note would become a default under Big Rivers' Indenture which, if not remedied, would result in a default on all of Big Rivers' Indenture debt. While there would be many financial consequences to Big Rivers under those circumstances, Big Rivers' annual interest costs would increase by $4,700,000 under the $235,000,000 secured loan with CoBank, and by $6,040,000 under the $302,000,000 secured refinance loan with CFC.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

THE APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00492

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated December 19, 2012

January 3, 2013

Item 16) *If Alcan gives notice that it is terminating its retail electric service agreement:*

a. What effect will such an event have on BREC's ability to refinance?

b. If such an event were to occur what is BREC's estimate or calculation of the likely interest rate of the 2013A Bonds?

Response) Big Rivers cannot state with certainty what effect an Alcan notice of termination of its retail electric service agreement would have on Big Rivers' ability to refinance, or the likely interest rate at which the 2013A Bonds would sell, but would anticipate a negative effect. Immediately after Century Aluminum announced its notice of termination for its smelter operations in Hawesville, KY, Big Rivers' credit rating from one of the three rating agencies was downgraded from Baa1 to Baa2. All three rating agencies placed Big Rivers on negative credit watch. The 6% or higher interest rate anticipated for the refunding of these bonds is based upon these credit ratings. These credit ratings are currently Baa2, BBB-, and BBB-. After the Century notice there was some trading activity, although minimal, for the $83,300,000 Pollution Control Refunding Revenue Bonds, Series 2010 A ("Series 2010A Bonds") indicating a 6% coupon was a reasonable expectation for the 2013A Bonds.

A Notice of Termination from Alcan would have comparable and possibly more negative impact on Big Rivers' ability to refinance until such time as Big Rivers demonstrates its ability to replace the additional lost revenue through a general rate case and mitigation measures.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

THE APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00492

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated December 19, 2012

January 3, 2013

Item 17) ***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 refinancing of its 2013A Bonds.***

Response) 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 Big Rivers, or are contemplated to be entered into by Big Rivers, related to or in conjunction with Big Rivers' proposed refinancing of its 2013A bonds have been provided with the Application of Big Rivers Electric Corporation for Approval to Issue Evidences of Indebtedness, Case No. 2012-00492 as Exhibits per the Table of Contents to Exhibits.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

THE APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00492

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated December 19, 2012

January 3, 2013

Item 18) *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 Exhibit 7 to the Application in this case.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

THE APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS CASE NO. 2012-00492

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated December 19, 2012

January 3, 2013

Item 19) ***Provide copies of all reports or presentations that have been prepared by BREC since January 1, 2012, 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 attachments of reports to credit rating agencies in response to Item 9.

Please see attached copies of reports to Goldman Sachs, an investment banking institution, in response to Item 3.

Please see attached copy of December 18, 2012 presentation to J.P. Morgan, an investment banking institution.

There are no reports or presentations prepared by Big Rivers since January 1, 2012 for use by or presentation to any investment advisory service.

There are no reports or presentations prepared by Big Rivers since January 1, 2012 for use by or presentation to any credit support institution.

Please see attached copy of August 15, 2012 presentation to CoBank, an institutional investment group.

Witness) Billie J. Richert

J. P. Morgan Presentation – December 18, 2012

J.P. Morgan Presentation

December 18, 2012

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Table of Contents

Big Rivers

I. Overview of 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

2011 Rate Case – General Adjustment in Base Rates

- On March 1, 2011, Big Rivers filed an application for a general adjustment in base rates with the Kentucky Public Service Commission ("KPSC")
  - Case number 2011-00036
- New Rates were effective September 1, 2011, pending approval from the KPSC
- On November 17, 2011, the KPSC approved a base rate increase of $26.7mm (a 6.17% base rate increase)
  - $10.6 million was assigned to the rural class
  - $ 1.9 million to the large industrial class
  - $14.2 million to the smelters
- The KPSC has granted Big Rivers a rehearing for an additional $2.7mm

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' 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

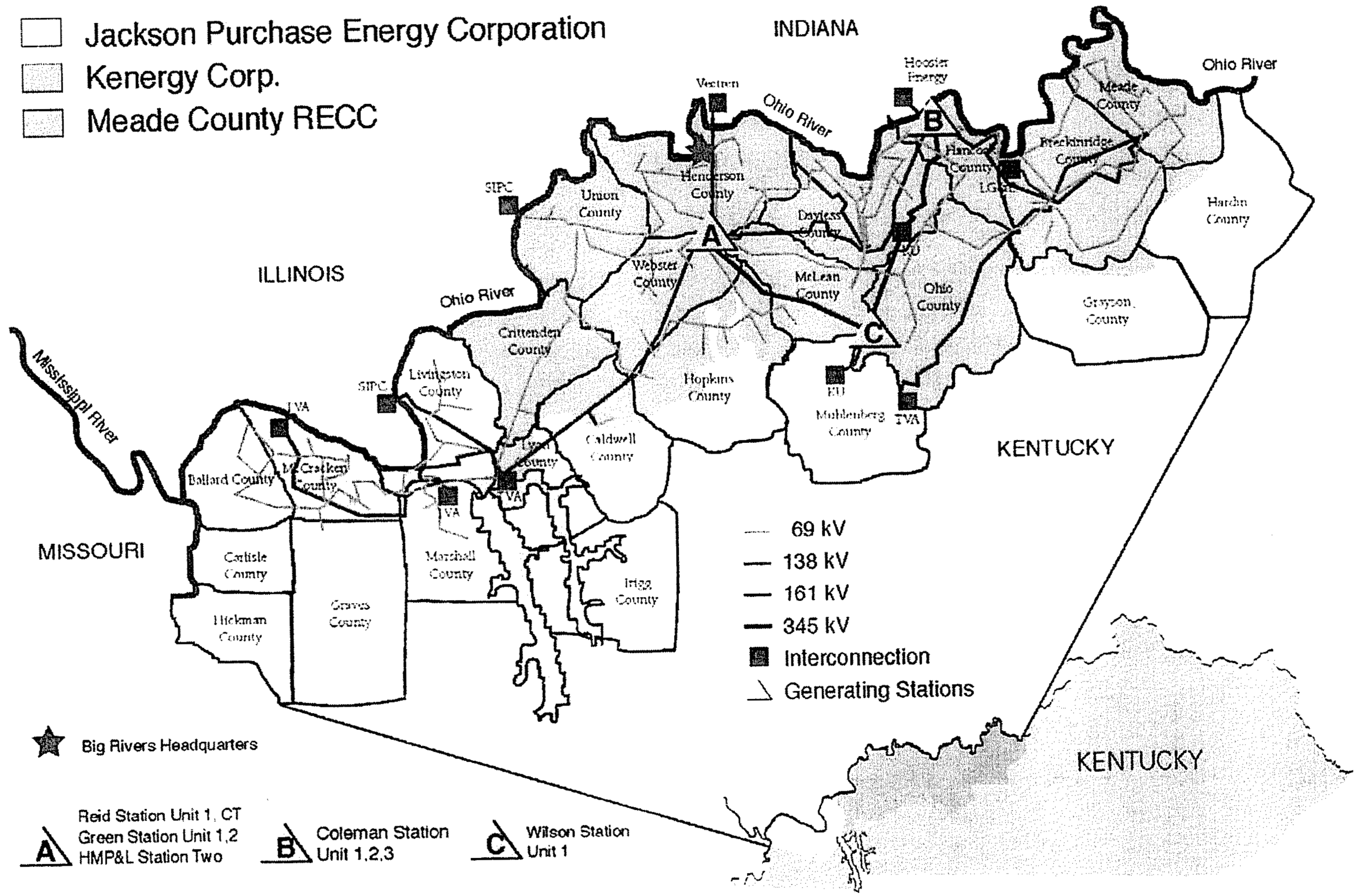
Big Rivers' Vision is to be viewed as one of the top G&T's in the country and will provide services the members desire in meeting future challenges.

VALUES

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

Big Rivers

Big Rivers Members' Service Territory



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
Billie Richert, V.P. Accounting & Interim CFO
Eric Robeson, V.P. Environmental Services and Construction
Albert Yockey, V.P. Governmental Relations & Enterprise Risk Management

Big Rivers' Financing Application with the Kentucky Public Service Commission

Big Rivers filed a Financing Application with the Kentucky Public Service Commission (KPSC) as of 3/28/12 (Case No. 2012-00119). This application sought approval from the KPSC to refinance a significant portion of the existing RUS Series A Note. Additionally, the borrowing will allow Big Rivers to replenish the $35 million transition reserve and fund $60 million of future capital expenditures. On May 25, 2012 the KPSC approved the Financing Application.

On July 27, 2012, Big Rivers borrowed $235 million from CoBank and $302 million from Cooperative Finance Corporation (CFC) in the form of secured term loans. These financings are at all-in rates of 3.79% for CoBank and 4.48% for CFC which are below that of the 5.75% RUS Series A Note, and will also extend the final maturity of the associated debt.

Big Rivers used the $537 million proceeds from these borrowings as follows:

- $442 million to prepay a portion of the 5.75% RUS Series A note
- $60 million held for future capital expenditures
- $35 million to replenish the Transition Reserve

In connection with the CFC term loan, Big Rivers will be obligated to purchase interest bearing Capital Term Certificates (CTCs) from CFC equal to 14.29% of the amount of the CFC secured note, or $43 million. Big Rivers has elected to finance the purchase of the CTCs with CFC in the form of an equity loan note.

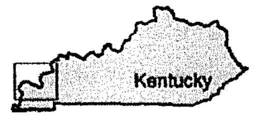
Big Rivers

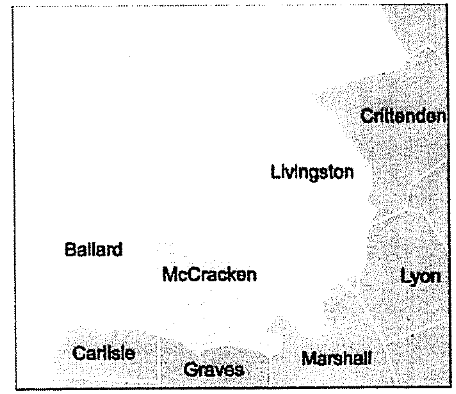
II. Overview of the Members & Customer Base

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	40.4%	43.6%	39.8%

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

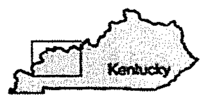
Customer Profile

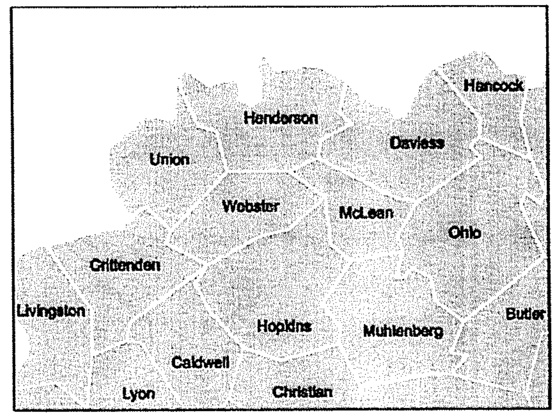
	FY 2011		
Customer Type	MWh	Number of Consumers	Revenue ($000)
Residential	411,231	26,054	29,070
Comm. And Ind. (< 1,000 kW)	190,023	3,126	11,916
Comm. And Ind. (<>1,000 kW)	49,397	9	2,909
Public Lighting Irrigation	888	10	101
Total	**651,539**	**29,199**	**43,996**

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	1.63 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

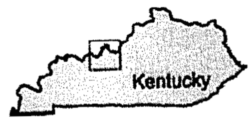
Customer Profile

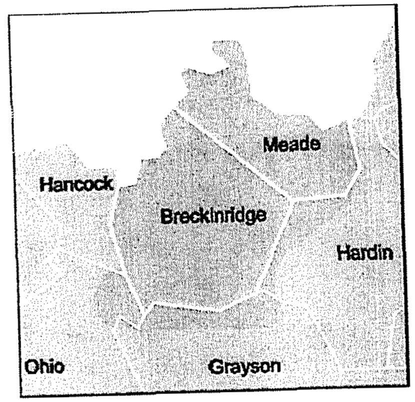
	FY 2011		
Customer Type	MWh	Number of Consumers	Revenue ($000)
Residential	754,124	45,294	56,284
Comm. And Ind. (< 1,000 kW)	314,861	9,803	22,563
Comm. And Ind. (<>1,000 kW)	8,326,066	35	344,888
Public Lighting	1,733	78	282
Total	**9,396,784**	**55,210**	**424,017**

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	28.4	27.5	24.7
Net Operating Income [1]	7.4	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

	FY2011		
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**

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
  - 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 (net of the MRSM*)	8.06
Big Rivers Rate (gross of the MRSM*)	8.66

Average Residential Rate – National December 2011[2]

National Region	Cents / kWh
Pacific Noncontiguous	27.50
New England	16.20
Middle Atlantic	15.30
Pacific Contiguous	12.47
East North Central	11.46
South Atlantic	10.99
East South Central	10.56
West South Central	10.13
Mountain	9.86
West North Central	9.33
Kentucky	9.12
United States Total	**11.52**

1 Source: Kentucky Public Service Commission Orders and Filings
2 Source: Energy Information Administration Table 5.6.A
** MRSM – Member Rate Stability Mechanism*

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	24.99
New England	13.42
Middle Atlantic	10.12
Pacific Contiguous	8.94
East South Central	8.21
South Atlantic	8.02
East North Central	7.66
Meade County	7.53
Kenergy - excluding Smelters	7.17
Mountain	7.04
West South Central	6.96
West North Central	6.40
Jackson Purchase	6.19
Kenergy - Smelters	4.40
Kentucky	4.18

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]		(115)	
Leased Subtotal		197	
Total Owned / Leased Generation		1,641	
Purchased Power			
Member's SEPA Allocation	Hydro	178	
Total Capacity		1,819	

[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

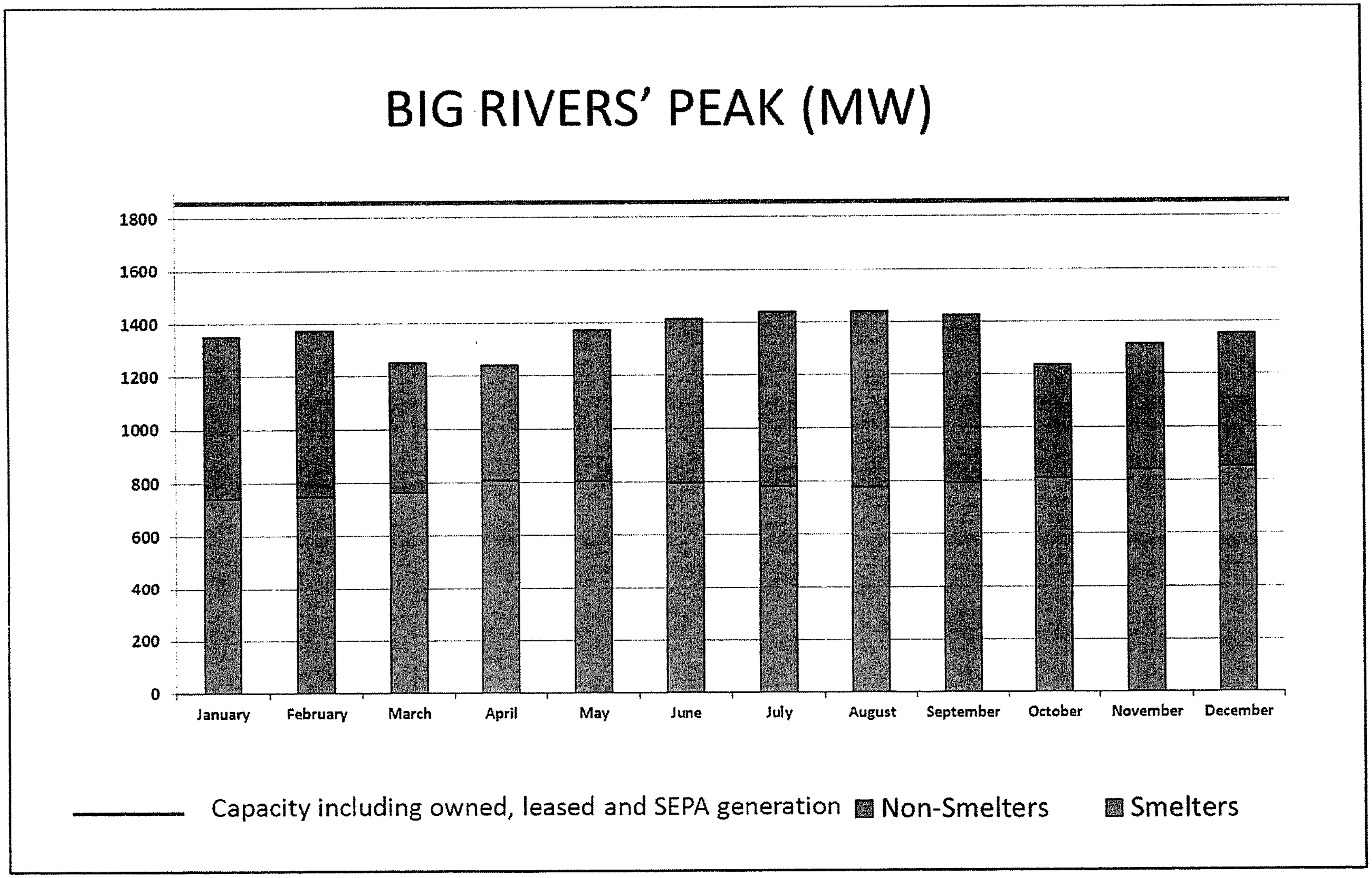
Big Rivers' Coal-Fired Power Plants System Performance

- Eight of the nine coal generating units are equipped with Flue Gas Desulphurization systems (FGDs) to control SO_2 emissions
- Wilson 1, HMP&L 1 and HMP&L 2 are equipped with Selective Catalytic Reduction systems (SCRs) to control NO_x 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 $2.38/MWh less than the median cost ($32.08/MWh vs. $34.46/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	10,762	75.2	84.5	89.1	4.9
Coleman 2	904,899	11,561	74.8	81.9	90.9	3.1
Coleman 3	1,014,199	10,654	75.5	83.4	88.9	6.8
Green 1	1,768,041	11,132	88.7	95.5	92.1	2.5
Green 2	1,725,642	11,265	89.5	95.1	94.1	1.8
Henderson 1	1,098,054	10,911	83.1	93.2	88.4	8.3
Henderson 2	1,093,491	11,182	79.3	88.0	88.8	5.2
Wilson 1	3,143,151	11,201	86.4	96.8	88.1	4.8
SYSTEM	**11,728,868**	**11,109**	**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	$ 35,728,589	$ 5,245,575	$ 18,130	$ 0	$ 40,992,294	1,708,535	$ 23.99
Green 2	$ 36,040,907	5,416,397	$ 16,892	$ 0	41,474,196	1,761,631	$ 23.54
HMP&L 1	$ 20,139,330	2,796,248	$ 0	$ 0	22,935,578	803,654	$ 28.54
HMP&L 2	$ 19,775,764	2,641,157	$ 0	$ 0	22,416,921	761,614	$ 29.43
Coleman 1	$ 26,759,990	1,060,072	$ 4,032	$ 0	27,824,094	1,125,022	$ 24.73
Coleman 2	$ 26,470,391	975,033	$ 4,752	$ 0	27,450,176	1,027,417	$ 26.72
Coleman 3	$ 27,331,567	1,088,404	$ 49,876	$ 0	28,469,847	1,155,921	$ 24.63
Wilson 1	$ 58,838,443	9,455,533	$ 118,418	$ 0	68,412,394	3,403,807	$ 20.10
Totals	**$ 251,084,981**	**$ 28,678,419**	**$ 212,100**	**$ 0**	**$ 279,975,500**	**11,747,601**	**$ 23.83**

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

VI. Appendix – Management Information

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

Billie J. Richert, Vice President of Accounting and Interim Chief Financial Officer, graduated from Indiana University with a Bachelor of Science in Accounting in 1973 and a Master of Management in Finance from J.L. Kellogg Graduate School of Management, Northwestern University in 1982. She is a CPA. Ms. Richert joined Big Rivers in 2010 and has held the positions of Oracle Accounting System Administrator and Manager, Business Systems Infrastructure and assumed her current position in July 2012. Ms. Richert worked at DePauw University as Director of Financial Systems from 2006 to 2009. Prior to that Ms. Richert was President, CEO and founder of REL-TEK Systems & Design, Inc. from 1982 to 1999.

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 Presentation – August 15, 2012

CoBank Presentation

August 15, 2012

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Big Rivers

Table of Contents

I. Overview of 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

2011 Rate Case – General Adjustment in Base Rates

- On March 1, 2011, Big Rivers filed an application for a general adjustment in base rates with the Kentucky Public Service Commission ("KPSC")
  - Case number 2011-00036
- New Rates were effective September 1, 2011, pending approval from the KPSC
- On November 17, 2011, the KPSC approved a base rate increase of $26.7mm (a 6.17% base rate increase)
  - $10.6 million was assigned to the rural class
  - $ 1.9 million to the large industrial class
  - $14.2 million to the smelters
- The KPSC has granted Big Rivers a rehearing for an additional $2.7mm

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.

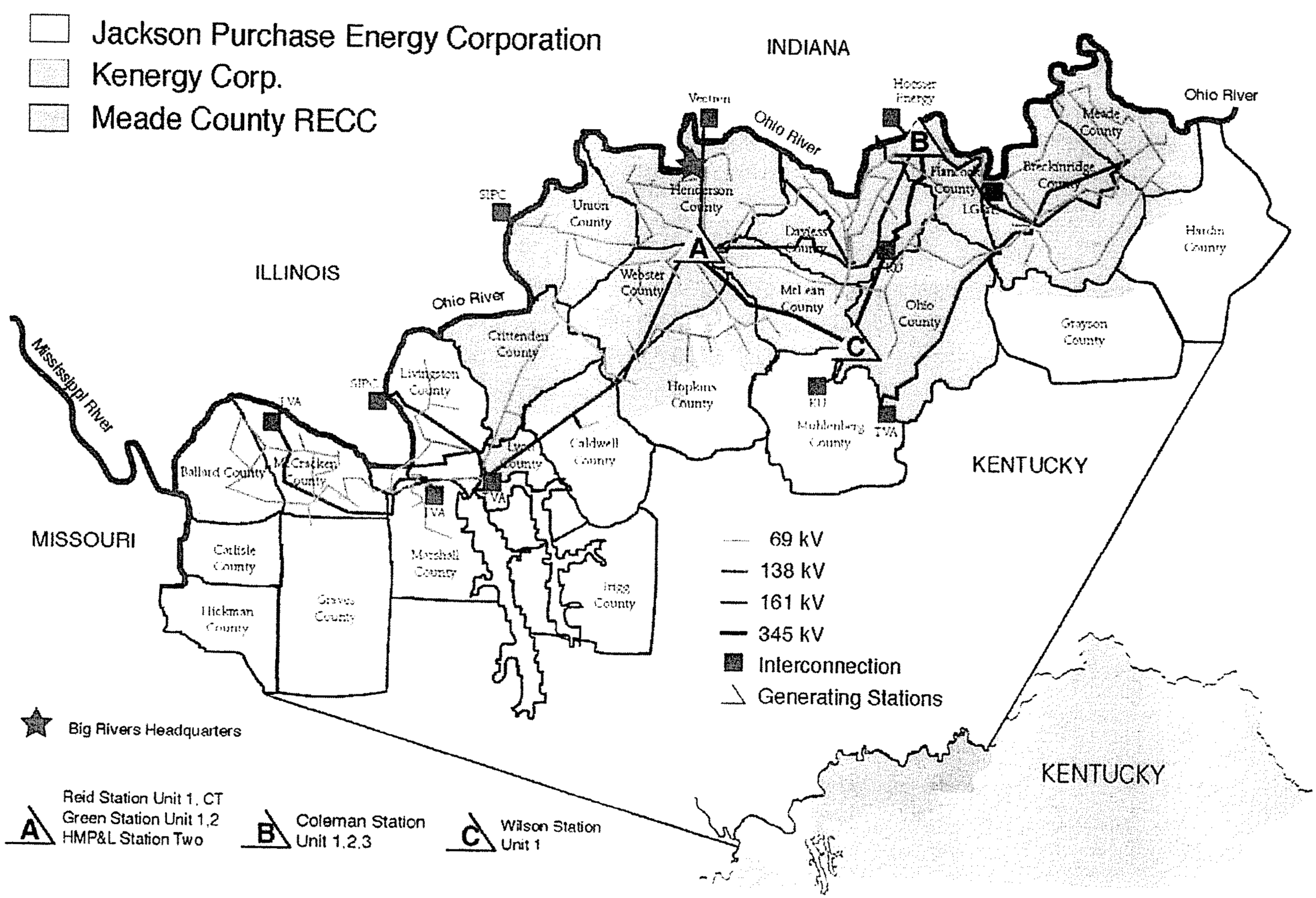
VISION

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 Members' Service Territory



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.

Senior Management Team:
Mark Bailey, President & CEO
Robert Berry, V.P. Production
David Crockett, V.P. System Operations
James Haner, V.P. Administrative Services
Billie Richert, 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 27, 2017, and the other with National Rural Utilities Cooperative Finance Corporation ("CFC") that expires July 16, 2014.

Long Term Debt Schedule ($mm) - as of July 31, 2012

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	$ 80.5	$ 80.0	
RUS Series B Note, no stated interest rate, with an imputed interest rate of 5.80%	December 2023	$ 245.5	$ 126.6	
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 2010A - County of Ohio, Kentucky with a 6.0% fixed interest rate	July 2031	$ 83.3	$ 83.3	
First Mortgage Notes, Series 2012A - CoBank with a 4.30% fixed interest rate	June 2032	$ 235.0	$ 235.0	
First Mortgage Notes, Series 2012B - CFC with serial note pricing	July 2032	$ 302.0	$ 302.0	
2012 Equity Loan - CFC with a 5.35% fixed interest rate	July 2032	$ 43.2	$ 43.2	Used to finance the purchase of CFC Capital Term Certificates
TOTAL		**$ 1,048.3**	**$ 928.9**	

Big Rivers' Financing Application with the Kentucky Public Service Commission

Big Rivers filed a Financing Application with the Kentucky Public Service Commission (KPSC) as of 3/28/12 (Case No. 2012-00119). This application sought approval from the KPSC to refinance a significant portion of the existing RUS Series A Note. Additionally, the borrowing will allow Big Rivers to replenish the $35 million transition reserve and fund $60 million of future capital expenditures. On May 25, 2012 the KPSC approved the Financing Application.

On July 27, 2012, Big Rivers borrowed $235 million from CoBank and $302 million from Cooperative Finance Corporation (CFC) in the form of secured term loans. These financings are at all-in rates of 3.79% for CoBank and 4.48% for CFC which are below that of the 5.75% RUS Series A Note, and will also extend the final maturity of the associated debt.

Big Rivers used the $537 million proceeds from these borrowings as follows:

- $442 million to prepay a portion of the 5.75% RUS Series A note
- $60 million held for future capital expenditures
- $35 million to replenish the Transition Reserve

In connection with the CFC term loan, Big Rivers will be obligated to purchase interest bearing Capital Term Certificates (CTCs) from CFC equal to 14.29% of the amount of the CFC secured note, or $43 million. Big Rivers has elected to finance the purchase of the CTCs with CFC in the form of an equity loan note.

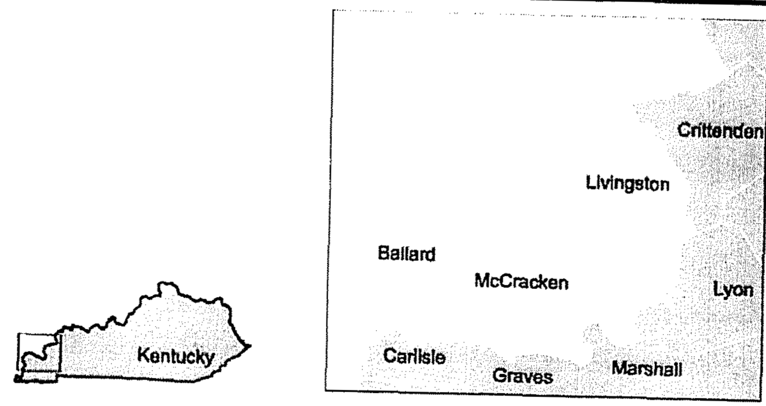
II. Overview of the Members & Customer Base

Big Rivers

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	40.4%	43.6%	39.8%

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

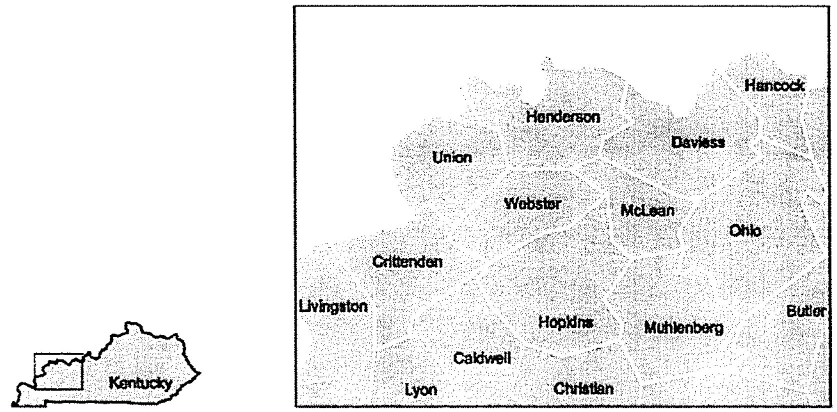
Customer Profile

	FY 2011		
Customer Type	MWh	Number of Consumers	Revenue ($000)
Residential	411.231	26.054	29.070
Comm. And Ind. (< 1.000 kW)	190.023	3.126	11.916
Comm. And Ind. (<>1,000 kW)	49.397	9	2.909
Public Lighting Irrigation	888	10	101
Total	**651,539**	**29,199**	**43,996**

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)

Income Statement	2011	2010	2009
	Fiscal Year Ended December 31		
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	1.63 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

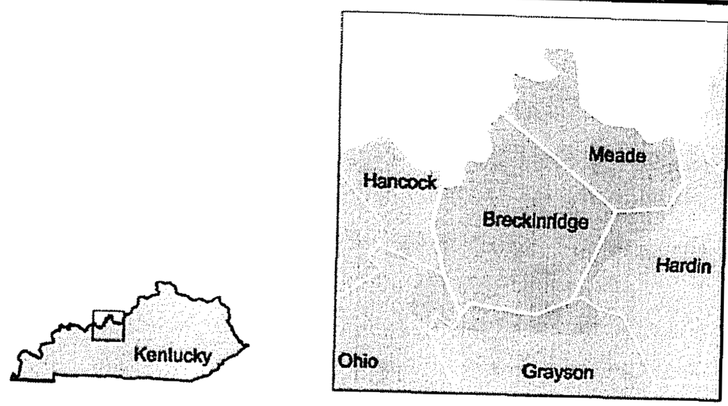
Customer Type	MWh	Number of Consumers	Revenue ($000)
	FY 2011		
Residential	754.124	45.294	56.284
Comm. And Ind. (< 1.000 kW)	314.861	9.803	22.563
Comm. And Ind. (<>1.000 kW)	8.326.066	35	344.888
Public Lighting	1.733	78	282
Total	**9,396,784**	**55,210**	**424,017**

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	28.4	27.5	24.7
Net Operating Income [1]	7.4	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

	FY2011		
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

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 (net of the MRSM*)	8.06
Big Rivers Rate (gross of the MRSM*)	8.66

Average Residential Rate – National December 2011[2]

National Region	Cents / kWh
Pacific Noncontiguous	27.50
New England	16.20
Middle Atlantic	15.30
Pacific Contiguous	12.47
East North Central	11.46
South Atlantic	10.99
East South Central	10.56
West South Central	10.13
Mountain	9.86
West North Central	9.33
Kentucky	9.12
United States Total	**11.52**

1 Source: Kentucky Public Service Commission Orders and Filings
2 Source: Energy Information Administration Table 5.6.A
** MRSM – Member Rate Stability Mechanism*

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	24.99
New England	13.42
Middle Atlantic	10.12
Pacific Contiguous	8.94
East South Central	8.21
South Atlantic	8.02
East North Central	7.66
Meade County	7.53
Kenergy - excluding Smelters	7.17
Mountain	7.04
West South Central	6.96
West North Central	6.40
Jackson Purchase	6.19
Kenergy - Smelters	4.40
Kentucky	4.18

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]		(115)	
Leased Subtotal		197	
Total Owned / Leased Generation		1,641	
Purchased Power			
Member's SEPA Allocation	Hydro	178	
Total Capacity		1,819	

[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.

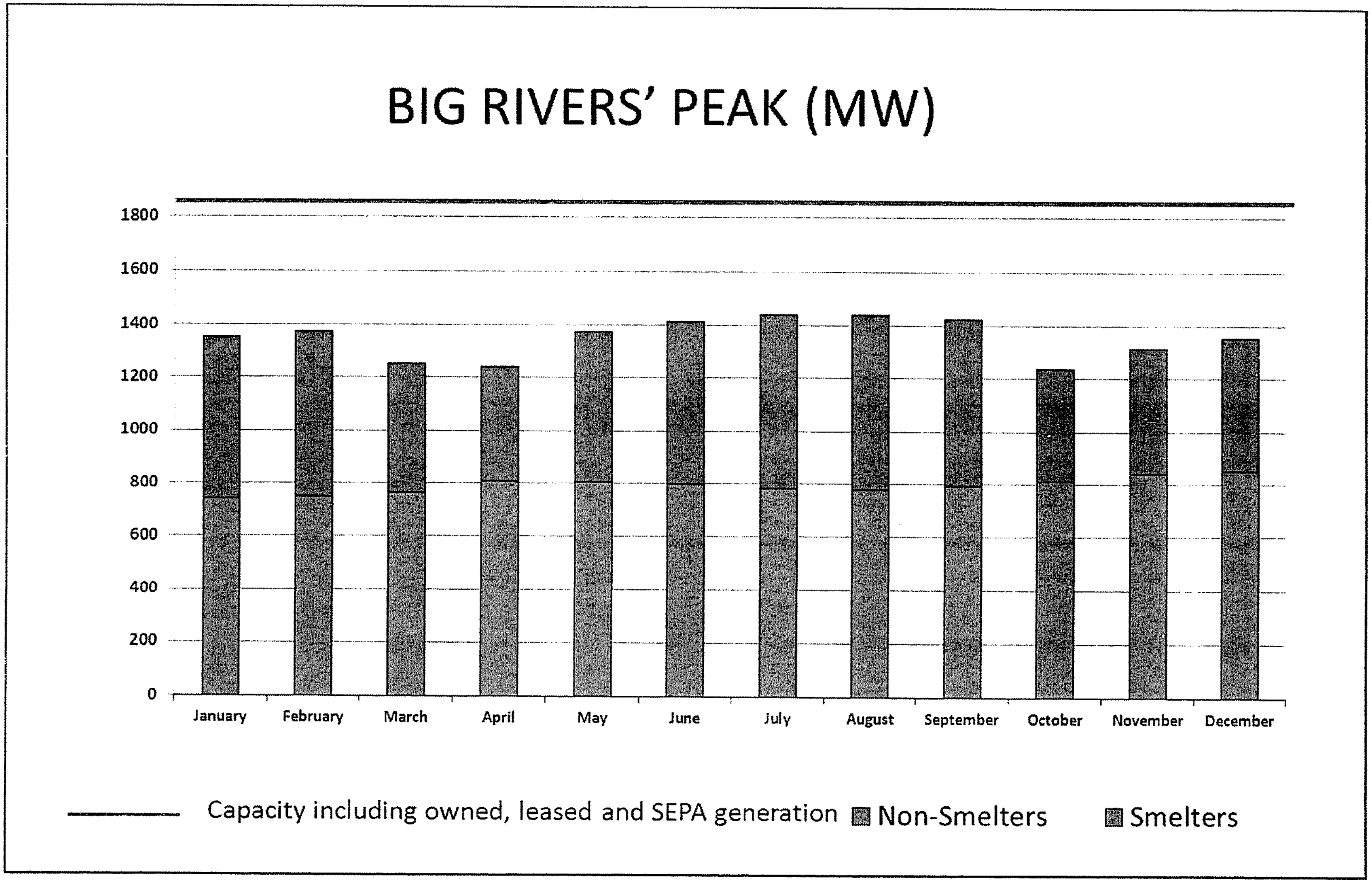
Big Rivers' Coal-Fired Power Plants System Performance

- 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 $2.38/MWh less than the median cost ($32.08/MWh vs. $34.46/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	10,762	75.2	84.5	89.1	4.9
Coleman 2	904,899	11,561	74.8	81.9	90.9	3.1
Coleman 3	1,014,199	10,654	75.5	83.4	88.9	6.8
Green 1	1,768,041	11,132	88.7	95.5	92.1	2.5
Green 2	1,725,642	11,265	89.5	95.1	94.1	1.8
Henderson 1	1,098,054	10,911	83.1	93.2	88.4	8.3
Henderson 2	1,093,491	11,182	79.3	88.0	88.8	5.2
Wilson 1	3,143,151	11,201	86.4	96.8	88.1	4.8
SYSTEM	**11,728,868**	**11,109**	**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	$ 35,728,589	$ 5,245,575	$ 18,130	$ 0	$ 40,992,294	1,708,535	$ 23.99
Green 2	$ 36,040,907	5,416,397	$ 16,892	$ 0	41,474,196	1,761,631	$ 23.54
HMP&L 1	$ 20,139,330	2,796,248	$ 0	$ 0	22,935,578	803,654	$ 28.54
HMP&L 2	$ 19,775,764	2,641,157	$ 0	$ 0	22,416,921	761,614	$ 29.43
Coleman 1	$ 26,759,990	1,060,072	$ 4,032	$ 0	27,824,094	1,125,022	$ 24.73
Coleman 2	$ 26,470,391	975,033	$ 4,752	$ 0	27,450,176	1,027,417	$ 26.72
Coleman 3	$ 27,331,567	1,088,404	$ 49,876	$ 0	28,469,847	1,155,921	$ 24.63
Wilson 1	$ 58,838,443	9,455,533	$ 118,418	$ 0	68,412,394	3,403,807	$ 20.10
Totals	**$ 251,084,981**	**$ 28,678,419**	**$ 212,100**	**$ 0**	**$ 279,975,500**	**11,747,601**	**$ 23.83**

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

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 has filed an application on April 2, 2012 with the KPSC seeking approval to comply with environmental requirements (Case No. 2012-00063). 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

Big Rivers' ECP Revenue and Rate Impact in 2016*

	Base 2012 1	Base 2016 2	Build 2016 3	(3-2) / 2	(3-2) / 1
Gross of MRSM					
Rate $/MWh					
Rural	52.64	58.89	62.98	6.9%	7.8%
Large Industrial	45.46	51.64	54.80	6.1%	6.9%
Smelter Unadjusted	51.08	54.45	58.18	6.8%	7.3%
Smelter Adjusted**	48.13	53.09	55.72	5.0%	5.5%
Net of MRSM					
Rate $/MWh					
Rural	44.32	51.27	51.27	0.0%	0.0%
Large Industrial	37.21	51.64	54.80	6.1%	8.5%
Smelter Unadjusted	51.08	54.45	58.18	6.8%	7.3%
Smelter Adjusted**	48.13	53.09	55.72	5.0%	5.5%

* Rates shown are based on information from the April 2, 2012 filing with the KPSC

**Smelter Adjusted reflects removal of the TIER Adjustment Charge. The Build Case has lower off-system net sales margin in 2016 due to ECP costs, causing the Smelters to move up within the TIER bandwidth.

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 and CoBank require that Margins for Interest Ratio (MFIR) of at least 1.10 be maintained each fiscal year.
- The CoBank line of credit agreement requires a Debt to Total Capitalization ratio of 80% or less
- CFC requires an Equity to Assets ratio of 12% or greater at the end of each fiscal year.

Historical Performance against covenants

Ratio	Agreement	Loan Covenant	2011	2010	2009
MFIR	Indenture/NRUCFC/CoBank	1.10	1.12	1.15	9.87
Equity to Assets	NRUCFC	12%	27%	26%	25%
Debt to Total Capitalization	CoBank	80%	67%	68%	69%
TIER		n/a	1.12	1.15	9.85

Big Rivers

V. Financials

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

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	606.0	645.6	666.8	713.8
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	610.0	649.6	670.8	717.8
Operating Expense - Excluding Fuel	187.2	201.8	203.6	209.0	221.0	231.6	252.0
Operating Expense Fuel	207.7	226.2	238.4	259.1	266.6	273.6	282.6
Maintenance Expense	46.9	47.7	54.9	50.1	62.4	57.8	59.7
Depreciation and Amortization	34.2	35.4	41.9	43.3	44.7	48.1	52.3
Interest Expense	47.1	45.7	43.4	49.0	54.0	59.7	61.9
Other - Net	(2.8)	(0.4)	(1.4)	(6.0)	(11.2)	(14.5)	(5.8)
Total Expenses	520.3	556.4	580.8	604.5	637.5	656.3	702.7
Net Margins	**7.0**	**5.6**	**5.5**	**5.5**	**12.1**	**14.5**	**15.1**

Balance Sheet

Balance Sheet ($mm)	Actual 2010	Actual 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016
Assets							
Net Utility Plant	$ 1,092	$ 1,092	$ 1,120	$ 1,189	$ 1,339	$ 1,436	$ 1,428
Cash & Investments	45	45	58	45	35	39	34
Transition Reserve	35	0	35	35	36	36	36
Economic Reserve	121	100	72	44	17	0	0
Rural Economic Reserve	62	63	64	65	66	59	31
Receivables, Inventories, & Other	117	118	176	180	177	178	182
Total	**$ 1,472**	**$ 1,418**	**$ 1,525**	**$ 1,558**	**$ 1,670**	**$ 1,748**	**$ 1,711**
Equities & Liabilities							
Equities	$ 387	$ 390	$ 395	$ 401	$ 413	$ 428	$ 443
Debt	817	786	927	982	1,098	1,175	1,158
Deferred Revenue - Economic Reserves	181	162	136	109	84	59	31
Line of Credit Advances	10	0	0	0	5	15	5
Payables & Other	77	80	67	66	70	71	74
Total	**$ 1,472**	**$ 1,418**	**$ 1,525**	**$ 1,558**	**$ 1,670**	**$ 1,748**	**$ 1,711**
Equities / Total Capitalization	**32%**	**33%**	**30%**	**29%**	**27%**	**27%**	**28%**

Big Rivers

Debt Service Coverage

	Actual		Projected				
Debt Service Coverage ($mm)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Margins	$ 7.0	$ 5.6	$ 5.5	$ 5.5	$ 12.1	$ 14.6	$ 15.1
Interest Expense	47.1	45.7	43.4	49.0	54.0	59.7	61.9
Depreciation & Amortization	36.3	37.5	44.5	46.0	47.5	51.0	55.5
Numerator for DSCR	$ 90.4	$ 88.8	$ 93.4	$ 100.5	$ 113.6	$ 125.3	$ 132.5
Interest Expense	47.1	45.7	43.4	49.0	54.0	59.7	61.9
Principal Due on Long-Term Debt	14.2	14.9	16.1	19.4	20.1	20.9	26.1
Denominator for DSCR	$ 61.3	$ 60.6	$ 59.5	$ 68.4	$ 74.1	$ 80.6	$ 88.0
Debt Service Coverage Ratio	**1.47**	**1.47**	**1.57**	**1.47**	**1.53**	**1.55**	**1.51**

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	3.27	3.78	4.75	7.37
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	0	0	0	0	0	0	0
Economic Reserve	(7.91)	(6.22)	(8.69)	(8.39)	(7.93)	(5.07)	0.00
Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	(2.49)	(8.47)
Blended Rate	**36.35**	**39.07**	**42.27**	**43.77**	**47.58**	**49.94**	**52.25**

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	2.95	2.67	2.59
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	2.66	3.14	3.94	6.11
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**	**52.18**	**54.48**	**55.73**	**58.32**

Big Rivers' Credit Rating

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

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

Standard & Poor's (S&P) – 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.

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

Big Rivers

VI. Appendix – Management Information

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

Big Rivers' Management

Senior Management Biographies - continued

Billie J. Richert, Vice President of Accounting and Interim Chief Financial Officer, graduated from Indiana University with a Bachelor of Science in Accounting in 1973 and a Master of Management in Finance from J.L. Kellogg Graduate School of Management, Northwestern University in 1982. She is a CPA. Ms. Richert joined Big Rivers in 2010 and has held the positions of Oracle Accounting System Administrator and Manager, Business Systems Infrastructure and assumed her current position in July 2012. Ms. Richert worked at DePauw University as Director of Financial Systems from 2006 to 2009. Prior to that Ms. Richert was President, CEO and founder of REL-TEK Systems & Design, Inc. from 1982 to 1999.

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

THE APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00492

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated December 19, 2012

January 3, 2013

Item 20) ***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). Such list should show the issuance date, the maturity date, the amount, and the interest rate on each debt obligation.***

Response) Please note Goldman Sachs is the underwriter for this transaction, not an "investment advisor" as that term is currently used.

Please find attached reports compiled by Goldman Sachs from sources other than Goldman Sachs, as so noted on the attachments.

Witness) Billie J. Richert

Summary of Cooperative Offerings in the Private Placement Market
2010 - 2012YTD

Issuer	Date	NAIC	Moody's	S&P	Total Par ($mm)	Tranche ($mm)	Final Maturity	Avg. Life	Spread (bp)	Coupon
Basin Electric Power Cooperative	Oct-12	NAIC-1	A1	A	100	100	30	20	170	4.06
CoServ Electric	Aug-12	NAIC-1		AA-	550	550	28	15	166	3.75
Chugach Electric	Oct-11	NAIC-1	A3	A-	250	75	20	11	170	4.01
Chugach Electric	Oct-11	NAIC-1	A3	A-		125	30	16	210	4.41
Chugach Electric	Oct-11	NAIC-1	A3	A-		50	30	21	190	4.78
Basin Electric Power Cooperative	Oct-11	NAIC-1	A1	A+	350	250	20	13	182	4.00
Basin Electric Power Cooperative	Oct-11	NAIC-1	A1	A+		100	38	34	190	5.10
Hoosier Energy	Sep-11	NAIC-1	A3	A	240	190	29	26	200	4.86
Hoosier Energy	Sep-11	NAIC-1	A3	A		50	18	18	185	4.07
Golden Spread Electric	Jun-11	NAIC-1	A2	A-	430	30	5	5	120	2.79
Golden Spread Electric	Jun-11	NAIC-1	A2	A-		250	20	12	140	3.99
Golden Spread Electric	Jun-11	NAIC-1	A2	A-		150	30	19	145	5.65
Square Butte Electric Cooperative	Jun-11	NAIC-1	A3	A-	13	13	15.5	16	168	4.65
Square Butte Electric Cooperative	May-11	NAIC-1	A3	A-	57	28	20	12	130	4.42
Square Butte Electric Cooperative	May-11	NAIC-1	A3	A-		30	31	27	145	5.68
Arkansas Electric Cooperative Corp	Feb-11	NAIC-1	A1	AA-	200	120	30	26	85	5.62
Arkansas Electric Cooperative Corp	Feb-11	NAIC-1	A1	AA-		80	19	13	100	4.71
Old Dominion Electric	Jan-11	NAIC-1	A3	A	350	90	30	15	140	4.83
Old Dominion Electric	Jan-11	NAIC-1	A3	A		165	30	20	95	5.54
Old Dominion Electric	Jan-11	NAIC-1	A3	A		95	40	20	95	5.54
Chugach Electric	Nov-10	NAIC-1	A3	A-	275	185	30	16	180	4.75
Chugach Electric	Nov-10	NAIC-1	A3	A-		90	20	10	125	4.20
South Mississippi	Nov-10	NAIC-1	A3	A-	150	75	20	13	150	5.00
South Mississippi	Nov-10	NAIC-1	A3	A-		75	30	20	120	5.75
Southern Illinois Power Cooperative	May-10	NAIC-2		BBB	360	36	15	9	175	5.00
Southern Illinois Power Cooperative	May-10	NAIC-2		BBB		324	30	16	165	5.75
Wolverine Power Supply Corp	May-10	NAIC-1			150	30	5	5	105	3.29
Wolverine Power Supply Corp	May-10	NAIC-1				120	30	16	155	5.04
Total					$ 3,475					

Source: The Private Placement Monitor

Goldman Sachs Is Not Acting as a Municipal Advisor

Goldman, Sachs & Co. ("Goldman Sachs") is providing the information contained in this document for discussion purposes only in anticipation of serving as underwriter to Big Rivers Electric Corporation (the "Issuer"). The primary role of Goldman Sachs, as an underwriter, is to purchase securities, for resale to investors, in an arm's-length commercial transaction between the Issuer and Goldman Sachs and Goldman Sachs has financial and other interests that differ from those of the Issuer. Goldman Sachs is not acting as a municipal advisor, financial advisor or fiduciary to the Issuer or any other person or entity. The information provided is not intended to be and should not be construed as "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934. The Issuer should consult with its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. If the Issuer would like a municipal advisor in this transaction that has legal fiduciary duties to the Issuer, then the Issuer is free to engage a municipal advisor to serve in that capacity.

MMD Yields
As of December 17, 2012 close

Tenor (years)	Year	"AAA" MMD
1	2013	0.21%
2	2014	0.31%
3	2015	0.44%
4	2016	0.62%
5	2017	0.83%
6	2018	0.99%
7	2019	1.20%
8	2020	1.43%
9	2021	1.64%
10	2022	1.82%
11	2023	1.94%
12	2024	2.00%
13	2025	2.05%
14	2026	2.10%
15	2027	2.15%
16	2028	2.21%
17	2029	2.27%
18	2030	2.33%
19	2031	2.39%
20	2032	2.45%
21	2033	2.52%
22	2034	2.60%
23	2035	2.67%
24	2036	2.74%
25	2037	2.80%
26	2038	2.82%
27	2039	2.83%
28	2040	2.84%
29	2041	2.85%
30	2042	2.86%

Source: Municipal Market Data

"BBB" Rated Utility Issuance - US Investment Grade Market
2012 YTD

2012YTD "BBB"-Rated Utility Issuance							
Issuer Name	Date	Moody's	S&P	Tranche Size ($mm)	Total Transaction Size ($mm)	Maturity (years)	Coupon
Arizona Public Service Co	1/10/2012	Baa2	BBB	325	325	30.2	4.500%
Entergy Corp	1/10/2012	Baa3	BBB-	500	500	5.0	4.700%
Scana Corporation	1/18/2012	Baa3	BBB	250	250	10.0	4.125%
Southern California Edison Co	1/30/2012	Baa2	BBB-	100	350	--	6.250%
Southwestern Electric Power	1/31/2012	Baa3	BBB	275	275	10.0	3.550%
Progress Energy	3/5/2012	Baa2	BBB	450	450	10.1	3.150%
NextEra Energy Capital Holdings Inc.	3/20/2012	Baa2	BBB	400	400	60.0	5.700%
SCE Trust I	5/10/2012	Baa2	BBB-	475	475	--	5.625%
NextEra Energy Capital Holdings Inc.	5/16/2012	Baa1	BBB+	350	350	2.0	1.611%
Nisource Finance Corp	6/11/2012	Baa3	BBB-	250	750	10.7	3.850%
Nisource Finance Corp	6/11/2012	Baa3	BBB-	500	750	30.7	5.250%
PPL Capital Funding	6/11/2012	Baa3	BBB-	400	400	10.0	4.200%
NextEra Energy Capital Holdings Inc.	6/12/2012	Baa2	BBB	325	325	60.0	5.625%
Exelon Generation	6/13/2012	Baa1	BBB	275	775	10.0	4.250%
Exelon Generation	6/13/2012	Baa1	BBB	500	775	30.0	5.600%
Duke Energy Corp	8/13/2012	Baa2	BBB	700	1200	5.0	1.625%
Duke Energy Corp	8/13/2012	Baa2	BBB	500	1200	10.0	3.050%
Baltimore Gas & Electric	8/14/2012	Baa1	BBB+	250	250	10.0	2.800%
Agilent Technologies	9/10/2012	Baa2	BBB+	400	400	10.0	3.200%
Tuscon Electric Power Company	9/11/2012	Baa3	BBB-	150	150	10.5	3.850%
Sempra Energy	9/19/2012	Baa1	BBB+	500	500	10.0	2.875%
DTE Energy	9/25/2012	Baa3	BBB-	200	200	50.0	5.250%
PPL Capital Funding	10/10/2012	Baa3	BBB-	400	400	10.0	3.500%
Perusahaan Listrik Negara PT	10/16/2012	Baa3	BBB	1000	1000	30.0	5.350%
American Electric Power Co	11/28/2012	Baa2	BBB-	550	850	5.0	1.650%
American Electric Power Co	11/28/2012	Baa2	BBB-	300	850	10.0	2.950%
El Paso Electric Company	12/3/2012	Baa2	BBB	150	150	10.0	3.300%
American Water Capital Corp	12/12/2012	Baa2	BBB+	300	300	30.0	4.300%
Total				$10,775			

Source: Public Filings; Bloomberg

Summary of Electric Utility First Mortgage Bond Issuance 2010-2012
2010 - 2012YTD

Issuer	Date	Moody's	S&P	Total Par ($mm)	Tranche ($mm)	Final Maturity	Final Maturity	Spread (bp)	Coupon
Florida Power & Light Co	Feb-10	Aa2	A	500	500	3/1/2040	30	110	5.69
Puget Sound Power & Light Co	Mar-10	Baa1	A-	325	325	3/15/2040	30	120	5.80
Southern California Edison Co	Mar-10	A1	A	500	500	3/15/2040	30	90	5.50
Entergy Louisiana LLC	Mar-10	Baa2	BBB	150	150	3/15/2040	30		6.00
Progress Energy Florida Inc	Mar-10	A1	A-	600	250	4/1/2020	10	90	4.55
Progress Energy Florida Inc	Mar-10	A1	A-		350	4/1/2040	30	110	5.65
Entergy Mississippi Inc	Apr-10	Baa1	A-	80	80	4/15/2040	30		6.20
San Diego Gas & Electric Co	May-10	Aa3	A+	250	250	5/15/2040	30	95	5.35
Entergy Texas Inc	May-10	Baa2	BBB+	200	200	6/1/2015	5	150	3.60
Empire District Electric Co	May-10	A3	BBB+	100	100	6/1/2020	10	145	4.65
Duke Energy Carolinas LLC	Jun-10	A1	A	450	450	6/15/2020	10	100	4.30
Tri-State Generation & Transmission As	Jun-10	Baa1	A	400	400	6/15/2040	30	188	6.00
Duke Energy Indiana Inc	Jul-10	A2	A	500	500	7/15/2020	10	80	3.75
Commonwealth Edison Co	Jul-10	Baa1	A-	500	500	8/1/2020	10	100	4.00
Northern States Power Co	Aug-10	A1	A	500	250	8/15/2040	30	80	4.85
Northern States Power Co	Aug-10	A1	A		250	8/15/2015	5	38	1.95
Empire District Electric Co	Aug-10	A3	BBB+	50	50	9/1/2040	30	150	5.20
San Diego Gas & Electric Co	Aug-10	Aa3	A+	500	500	8/15/2040	30	88	4.50
Consumers Energy Co	Mar-10	A3	BBB	300	50	9/1/2040	30		4.72
Consumers Energy Co	Mar-10	A3	BBB		250	9/1/2022	12		3.85
Southern California Edison Co	Aug-10	A1	A	500	500	9/1/2040	30	100	4.50
Idaho Power Co	Aug-10	A2	A-	200	100	11/1/2020	10	95	3.40
Idaho Power Co	Aug-10	A2	A-		100	8/15/2040	30	130	4.85
Nevada Power Co	Sep-10	Baa3	BBB	250	250	9/15/2040	30	160	5.38
Consumers Energy Co	Aug-10	A3	BBB	300	100	8/23/2020	10	120	3.77
Consumers Energy Co	Aug-10	A3	BBB		100	8/23/2017	7	120	3.21
Consumers Energy Co	Aug-10	A3	BBB		50	8/23/2040	30	135	4.97
Consumers Energy Co	Aug-10	A3	BBB		50	8/23/2015	5	120	2.60
ALLETE Inc	Jun-10	A2	A-	75	45	4/15/2040	30		5.82
ALLETE Inc	Jun-10	A2	A-		30	10/15/2025	15		4.90
Southern Illinois Power Cooperative	May-10			360	324	6/15/2040	30		5.75
Southern Illinois Power Cooperative	May-10				36	6/15/2025	15		5.00
Entergy Louisiana LLC	Sep-10	A3	A-	250	250	1/15/2026	16	185	4.44
Entergy Gulf States Louisiana LLC	Sep-10	A3	BBB+	250	250	10/1/2020	10	145	3.95
South Jersey Gas Co	Sep-10	A2	A	55	10	12/30/2025	15	110	3.63
South Jersey Gas Co	Sep-10	A2	A		45	12/30/2027	17	120	4.03
Entergy Arkansas Inc	Oct-10	A3	A-	225	225	11/1/2040	30		5.75
Tri-State Generation & Transmission As	Oct-10	Baa1	A	100	100	6/15/2040	30		6.00
Great River Energy	Oct-10	A3	A-	400	400	7/1/2030	20	200	4.48
Georgia Transmission	Oct-10	A3	AA-	135	135	10/28/2039	29	85	4.81
Oglethorpe Power Corp	Nov-10	Baa1		450	450	11/1/2040	30	135	5.38
Public Service Co of Colorado	Nov-10	A2	A	400	400	11/15/2020	10	70	3.20
Kentucky Utilities Co	Nov-10	A2	A	1,500	750	11/1/2040	30	108	5.13
Kentucky Utilities Co	Nov-10	A2	A		500	11/1/2020	10	75	3.25
Kentucky Utilities Co	Nov-10	A2	A		250	11/1/2015	5	58	1.63
Louisville Gas & Electric Co	Nov-10	A2	A	535	250	11/15/2015	5	58	1.63
Louisville Gas & Electric Co	Nov-10	A2	A		285	11/15/2040	30	108	5.13
Entergy Arkansas Inc	Nov-10	A3	A-	350	350	2/15/2021	11	110	3.75
Southern California Gas Co	Nov-10	Aa3	A+	300	300	11/15/2040	30	85	5.13
Avista Corp	Nov-10			87	35	12/20/2040	30	130	5.55
California Water Service Co	Nov-10			100	100	11/22/2040	30		5.50
Entergy New Orleans Inc	Nov-10	Baa3		25	25	12/1/2020	10		5.10
Entergy Louisiana LLC	Nov-10	A3	A-	150	150	6/15/2041	31		5.88
Florida Power & Light Co	Dec-10	Aa3	A	400	400	2/1/2041	31	98	5.25
Commonwealth Edison Co	Jan-11	Baa1	A-	600	600	1/15/2014	3	70	1.63
South Carolina Electric & Gas Co	Jan-11	A3	A	250	250	2/1/2041	30	90	5.45
Arkansas Electric Cooperative Corp	Feb-11	A1		200	200	3/3/2041	30		
Entergy Louisiana LLC	Mar-11	A3	A-	200	200	5/1/2021	10	150	4.80
Atlantic City Electric Co	Mar-11	A3	A	200	200	4/1/2021	10	90	4.35
Entergy Mississippi Inc	Apr-11	Baa1	A-	150	150	5/1/2051	40		6.00
Nevada Power Co	May-11	Baa3	BBB	250	250	5/15/2041	30	115	5.45
PacifiCorp	May-11	A2	A	400	400	5/12/2021	10	73	3.95
Entergy Mississippi Inc	May-11	Baa1	A-	125	125	6/1/2016	5	138	3.25
Detroit Edison Co	May-11	A2	A	250	250	6/1/2021	10	77	3.90
Southern California Edison Co	May-11	A1	A	500	500	6/1/2021	10	75	3.88
Duke Energy Carolinas LLC	May-11	A1	A	500	500	6/15/2021	10	75	3.90
South Carolina Electric & Gas Co	May-11	Baa3	BBB	100	100	2/1/2041	30	105	5.45
Public Service Co of New Hampshire	May-11	A3	A-	122	122	6/1/2021	10	88	4.05
Rochester Gas & Electric Corp	May-11	A3	A-	125	125	7/29/2021	10	90	4.10
Florida Power & Light Co	Jun-11	Aa3	A	250	250	6/1/2041	30	87	5.13
Northern Illinois Gas Co	Jan-11			75	75	1/20/2016	5	85	2.86
Golden Spread Electric Co	Jun-11	A2	A	430	30	6/13/2016	5	120	2.74
Golden Spread Electric Co	Jun-11	A2	A		250	6/13/2031	20	140	4.35
Golden Spread Electric Co	Jun-11	A2	A		150	6/13/2041	30	145	4.95
Detroit Edison Co	Jun-11			225	102	9/1/2023	12	120	3.11
Detroit Edison Co	Jun-11				77	9/1/2026	15	135	3.11
PPL Electric Utilities Corp	Jul-11	A3	A-	250	250	7/15/2041	30	105	5.20

Public Service Co of Colorado	Aug-11	A2	A	250	250	8/15/2041	30	78	4.75
Southwestern Public Service Co	Aug-11	A2	A-	200	200	8/15/2041	30	78	4.50
Peoples Gas Co	Aug-11	A1	A-	50	50	11/1/2016	5	105	2.21
Southern Connecticut Gas Co	Jul-11	A3	A-	50	25	9/22/2041	30	109	5.39
Southern Connecticut Gas Co	Jul-11	A3	A-		25	9/22/2021	10	90	3.88
San Diego Gas & Electric Co	Aug-11	Aa3	A+	350	350	8/15/2021	10	78	3.00
Progress Energy Florida Inc	Aug-11	A2	A	300	300	8/15/2021	10	85	3.10
Oglethorpe Power Corp	Aug-11	Baa1	A	300	300	9/1/2050	39	163	5.25
PPL Electric Utilities Corp	Aug-11	A3	A-	400	400	9/15/2021	10	100	3.00
Commonwealth Edison Co	Aug-11	Baa1	A-	600	250	9/1/2016	5	103	1.95
Commonwealth Edison Co	Aug-11	Baa1	A-		350	9/1/2021	10	123	3.40
Detroit Edison Co	Sep-11	A2	A	140	140	9/1/2041	30	135	4.50
Public Service Co of New Hampshire	Sep-11	A3	A-	160	160	9/1/2021	10	128	3.20
Northwest Natural Gas Co	Sep-11	A1	A+	50	50	9/15/2021	10	115	3.18
Entergy Texas Inc	Sep-11	Baa2	BBB+	75	75	9/1/2021	10	210	4.10
Progress Energy Carolinas	Sep-11	A1	A	500	500	9/15/2021	10	110	3.00
Nicor Gas	Jan-11	Aa3	AA	75	75	1/7/2016	5		2.86
Avista Corp	Sep-11	A3	A-	85	85	9/23/2041	30	161	4.45
Southern California Edison Co	Oct-11	A1	A	150	150	9/15/2014	3	45	3-mth
San Diego Gas & Electric Co	Nov-11	Aa3	AA-	250	250	11/15/2041	30	90	3.95
Indianapolis Power & Light Co	Nov-11	A3	BBB	140	140	11/1/2041	30	180	4.88
Southern California Edison Co	Nov-11	A1	A	250	250	12/1/2041	30	98	3.90
Oncor Electric Delivery Co LLC	Nov-11	Baa1	A-	300	300	12/1/2041	30	160	4.55
Duke Energy Carolinas LLC	Dec-11	A1	A	1,000	650	12/15/2041	30	125	4.25
Duke Energy Carolinas LLC	Dec-11	A1	A		350	12/15/2016	5	85	1.75
Florida Power & Light Co	Dec-11	Aa3	A	600	600	2/1/2042	31	115	4.13
Chugach Electric Association Inc	Oct-11	A3	A-	250	125	1/11/2042	31		4.41
Chugach Electric Association Inc	Oct-11	A3	A-		50	1/11/2042	31		4.78
Chugach Electric Association Inc	Oct-11	A3	A-		75	1/11/2032	21		4.01
Green Mountain Power Corp	Nov-11	A2	A-	75	25	11/18/2041	30		4.61
Green Mountain Power Corp	Nov-11	A2	A-		50	11/18/2041	30		4.56
Duquesne Light Co	Oct-11	A3	BBB+	200	200	2/3/2042	31		4.76
Cleco Power LLC	Nov-11	Baa2	BBB	100	100	12/16/2041	30		5.12
PacifiCorp	Jan-12	A2	A	650	300	2/1/2042	30	115	4.10
PacifiCorp	Jan-12	A2	A		350	2/1/2022	10	100	2.95
Entergy Louisiana LLC	Jan-12	A3	A-	250	250	12/15/2014	2	150	1.88
South Carolina Electric & Gas Co	Jan-12	A3	A	250	250	2/1/2042	30	125	4.35
Westar Energy Inc	Feb-12	A3	BBB+	250	250	3/1/2042	30	110	4.13
Southern California Edison Co	Mar-12	A1	A	400	400	3/15/2042	30	95	4.05
Duke Energy Indiana Inc	Mar-12	A2	A	250	250	3/15/2042	30	105	4.20
San Diego Gas & Electric Co	Mar-12	Aa3	A+	250	250	4/1/2042	30	85	4.30
Potomac Electric Power Co - PEPCO	Mar-12	A3	A	200	200	4/1/2022	10	90	3.05
PacifiCorp	Feb-12	A2	A	100	100	2/1/2022	10		2.95
Idaho Power Co	Apr-12	A2	A-	150	75	4/1/2022	10	100	2.85
Idaho Power Co	Apr-12	A2			75	4/1/2042	30	120	4.30
Consumers Energy Co	May-12	A3	BBB+	375	375	5/15/2022	10	90	2.85
Florida Power & Light Co	May-12	Aa3	A	600	600	6/1/2042	30	100	4.05
Westar Energy Inc	May-12	A3	BBB+	300	300	3/1/2042	30	120	4.13
Progress Energy Carolinas	May-12	A1	A	1,000	500	5/15/2042	30	120	4.10
Progress Energy Carolinas	May-12	A1	A		500	5/15/2022	10	105	2.80
Oncor Electric Delivery Co LLC	May-12	Baa1	A-	900	400	6/1/2022	10	235	4.10
Oncor Electric Delivery Co LLC	May-12	Baa1	A-		500	6/1/2042	30	240	5.30
Southwestern Public Service Co	Jun-12	A2	A-	100	100	8/15/2041	29	130	4.50
Central Maine Power Co	Jun-12			350	125	6/15/2022	10		3.07
Central Maine Power Co	Jun-12				225	1/15/2043	31		4.45
Northwestern Energy	May-12	A2	A-	150	90	8/10/2042	30		4.15
Northwestern Energy	May-12	A2			60	8/10/2052	40		4.30
Consumers Energy Co	Jun-12	A3	BBB+	350	263	12/15/2042	30		4.31
Consumers Energy Co	Jun-12	A3	BBB+		36	12/15/2027	15		3.39
Consumers Energy Co	Jun-12	A3	BBB+		52	12/16/2024	12		3.19
Detroit Edison Co	Jun-12	A2	A	500	250	6/15/2042	30	125	3.95
Detroit Edison Co	Jun-12	A2	A		250	6/15/2022	10	105	2.65
Delmarva Power & Light Co	Jun-12	A3	A	250	250	6/1/2042	30	130	4.00
Avista Corp	May-12			80	80	11/29/2047	35		4.23
ALLETE Inc	May-12			160	75	5/18/2026	14		3.20
ALLETE Inc	May-12				85	5/18/2043	31		4.08
Entergy Louisiana LLC	Jun-12	A3	A-	200	200	7/1/2052	40		5.25
West Penn Power Co	Apr-12			100	100	4/16/2022	10		3.34
South Carolina Electric & Gas Co	Jul-12	A3	A	250	250	2/1/2042	30	125	4.35
Northern States Power Co	Aug-12	A1	A	800	300	8/15/2022	10		2.15
Northern States Power Co	Aug-12	A1	A		500	8/15/2042	30		3.40
Centerpoint Energy Houston Electric LL	Aug-12	A3		300	300	8/1/2022	10	65	2.25
Centerpoint Energy Houston Electric LL	Aug-12	A3	A-	500	500	8/1/2042	30	85	3.55
Ameren Illinois Co	Aug-12	A3	BBB	400	400	9/1/2022	10	105	2.70
PPL Electric Utilities Corp	Aug-12	A3	A-	250	250	9/1/2022	10	70	2.50
Public Service Co of Colorado	Sep-12	A2	A	800	500	9/15/2042	30	15	3.60
Public Service Co of Colorado	Sep-12	A2	A		300	9/15/2022	10	68	2.25
South Jersey Gas Co	Aug-12	A2	A	85	85	8/24/2024	12		3.00
Public Service Electric & Gas Co	Sep-12	A1	A-	350	350	9/1/2042	30	85	3.65
PECO Energy Co	Sep-12	A1	A-	350	350	9/13/2022	10	70	2.38
Duke Energy Carolinas LLC	Sep-12	A1	A	650	650	9/30/2042	30	105	4.00
Southern California Gas Co	Sep-12	Aa3	A+	350	350	9/15/2042	30	80	3.75
System Energy Resources Inc	Sep-12	Baa1	BBB+	250	250	4/1/2023	11	238	4.10

Commonwealth Edison Co	Sep-12	A3	A-	350	350	10/1/2042	30	92	3.80
Northern States Power Co (Wisconsin)	Oct-12	A1	A	100	100	10/1/2042	30	95	3.70
Florida Power Corp	Nov-12	A2	A	650	250	11/15/2015	3	35	0.65
Florida Power Corp	Nov-12	A2	A		400	11/15/2042	30	115	3.85
Entergy New Orleans Inc	Nov-12	Baa3	BBB+	30	30	12/1/2052	40		5.00
Entergy Louisiana LLC	Nov-12	A3	A-	200	200	12/1/2022	10	170	3.30
Entergy Mississippi Inc	Dec-12	Baa1	A-	250	250	7/1/2023	11		3.10
Entergy Arkansas Inc	Dec-12	A3	A-	200	200	Perpetual			4.90
Florida Power & Light Co	Dec-12	Aa3	A	400	400	12/15/2042	30	92	3.80
Green Mountain Power Corp	Nov-12			85	85	12/1/2042	30		3.99
Total				$ 41,071					

Source: Dealogic

Goldman Sachs Is Not Acting as a Municipal Advisor

Goldman, Sachs & Co. ("Goldman Sachs") is providing the information contained in this document for discussion purposes only in anticipation of serving as underwriter to Big Rivers Electric Corporation (the "Issuer"). The primary role of Goldman Sachs, as an underwriter, is to purchase securities, for resale to investors, in an arm's-length commercial transaction between the Issuer and Goldman Sachs and Goldman Sachs has financial and other interests that differ from those of the Issuer. Goldman Sachs is not acting as a municipal advisor, financial advisor or fiduciary to the Issuer or any other person or entity. The information provided is not intended to be and should not be construed as "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934. The Issuer should consult with its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. If the Issuer would like a municipal advisor in this transaction that has legal fiduciary duties to the Issuer, then the Issuer is free to engage a municipal advisor to serve in that capacity.

Corporate Related Municipal Issuance - Utility Sector
2012YTD

Issuer	Date	ST	Par ($MM)	Rating (Moody's/S&P/Fitch)	Tenor (years)	Coupon of Final Maturity
IDA of the Cnty of Apache (Tucson Electric Power Co)	03/20/12	AZ	$ 177.00	Baa3/BBB-/BBB-	17.9	4.50%
NJEDA (UMM Energy Partners) - AMT	08/22/12	NJ	$ 51.27	Baa3/NR/NR	30.8	5.125%
Beaver County IDA (First Energy Generation)	08/21/12	PA	$ 28.53	Baa3/BBB-/NR	4.5	2.15%
City of Chula Vista (San Diego Gas & Electric) - 3y call	09/13/12	CA	$ 161.24	Aa3/A+/AA-	5.8	1.65%
City of Chula Vista (San Diego Gas & Electric) - 5y call	09/13/12	CA	$ 75.00	Aa3/A+/AA-	73.4	4.00%
Fort Bend County Ind Dev Corp (NRG Energy, Inc.)	10/11/12	TX	$ 127.10	Baa3/NR/NR	30.1	4.75%
Mass Dev Fin Agency (Covanta Energy) - 5y call	11/15/12	MA	$ 67.23	Ba2/BB-/BB+	30.0	4.875%
Mass Dev Fin Agency (Covanta Energy) - AMT - 5y call	11/15/12	MA	$ 102.37	Ba2/BB-/BB+	15.0	5.25%
Niagara Area Dev Corp (Covanta Energy) - 5y call	11/15/12	NY	$ 35.01	Ba2/BB-/BB+	12.0	4.00%
Niagara Area Dev Corp (Covanta Energy) - AMT - 5y call	11/15/12	NY	$ 130.00	Ba2/BB-/BB+	30.0	5.25%
Total			$ 954.74			

Source: Thomson SDC

Goldman Sachs Is Not Acting as a Municipal Advisor

Goldman, Sachs & Co. ("Goldman Sachs") is providing the information contained in this document for discussion purposes only in anticipation of serving as underwriter to Big Rivers Electric Corporation (the "Issuer"). The primary role of Goldman Sachs, as an underwriter, is to purchase securities, for resale to investors, in an arm's-length commercial transaction between the Issuer and Goldman Sachs and Goldman Sachs has financial and other interests that differ from those of the Issuer. Goldman Sachs is not acting as a municipal advisor, financial advisor or fiduciary to the Issuer or any other person or entity. The information provided is not intended to be and should not be construed as "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934. The Issuer should consult with its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. If the Issuer would like a municipal advisor in this transaction that has legal fiduciary duties to the Issuer, then the Issuer is free to engage a municipal advisor to serve in that capacity.

Summary of Pollution Control Bond Issuance 2010-2012
2010 - 2012YTD

Issuer	Date	Moody's	S&P	Total Par ($mm)	Final Maturity	Coupon
Pennsylvania Eco Dev Fin Au	Jan-10	NR	NR	45	32	Var
Harris Co Industrial Dev Corp	Jan-10	A2	A	143	23	Var
New Hampshire Business Fin Auth	Jan-10	Baa2	BBB	28	17	Var
California Poll Control Fin Auth	Feb-10	NR	NR	3	0	Var
New York	Feb-10	Aa3	AA	181	30	4.50
New York	Feb-10	Aa3	AA	51	10	4.25
Russell Co Industrial Dev Auth	Mar-10	Baa2	BBB	18	11	4.63
DeSoto Parish-Louisiana	Mar-10	Baa3	BBB	54	9	Var
West Virginia Economic Dev Auth	Mar-10	Baa1	BBB	86	33	Var
Lower Cape Fear Water & Sewer Au	Mar-10	NR	NR	25	24	Var
Minnesota Public Facilities Auth	Mar-10	Aaa	AAA	33	18	5.25
Burke Co Development Authority	Mar-10	Aaa	AAA	90	27	Var
Monroe Co Development Authority	Mar-10	Aaa	AAA	43	26	Var
Port of Port Arthur Navig Dt	Apr-10	A2	A	100	30	Var
Port of Port Arthur Navig Dt	Apr-10	A2	AA	200	30	Var
California Infrstr & Eco Dev Bank	Apr-10	A3	BBB+	50	16	Var
California Poll Control Fin Auth	Apr-10	NR	AA	150	10	Var
Florida Dept of Environ Protect	Apr-10	Aa3	AA-	227	3	5.00
McLean Co-North Dakota	Apr-10	A3	A-	23	16	4.88
Indiana Finance Authority	Apr-10	Ba2	BB	89	16	6.00
California Poll Control Fin Auth	May-10	NR	NR	27	25	Var
Columbus Co Ind Fac & PC Fin Auth	May-10	Baa3	BBB	20	24	5.70
West Virginia Economic Dev Auth	May-10	Baa2	BBB	50	28	5.38
McLean Co-North Dakota	May-10	A3	A-	50	30	5.15
McLean Co-North Dakota	May-10	A3	A-	33	28	Var
Farmington City-New Mexico	May-10	Baa3	BB+	12	30	6.25
Farmington City-New Mexico	May-10	Baa3	BB+	255	30	5.90
Ohio Air Quality Dev Authority	May-10	NR	BBB	79	31	Var
Ohio Co-Kentucky	May-10	Baa1	BBB-	83	21	6.00
Monroe Co Development Authority	May-10	A2	A	21	39	Var
Lincoln Co-Wyoming	May-10	NR	NR	45	6	Var
Farmington City-New Mexico	Jun-10	Baa3	BB+	77	30	Var
Maricopa Co Pollution Ctl Corp	Jun-10	Baa3	BB+	60	33	Var
Hartford Co Metropolitan Dt	Jun-10	Aa1	AA+	46	30	4.50
Mission Economic Dev Corp	Jun-10	NR	BBB	56	10	Var
Missouri	Jul-10	Aaa	AAA	106	12	5.00
Oregon	Jul-10	Aa1	AA	5	20	3.75
Florida Water Pollution Fin Corp	Jul-10	Aaa	AAA	225	20	5.00
Alabama Water Poll Control Auth	Aug-10	NR	AA-	65	11	3.00
California Poll Control Fin Auth	Aug-10	NR	BBB	21	14	Var
California Poll Control Fin Auth	Aug-10	NR	BBB	144	13	Var
California Poll Control Fin Auth	Aug-10	NR	NR	2	15	Var
California Poll Control Fin Auth	Aug-10	NR	NR	16	20	Var
Ohio Air Quality Dev Authority	Aug-10	Baa1	BBB	39	4	Var
North Carolina Cap Facs Fin Agency	Aug-10	A1	A	243	30	4.63
California Poll Control Fin Auth	Sep-10	NR	NR	24	20	Var
California Statewide Comm Dev Au	Sep-10	A1	A	100	19	4.50
Indiana Finance Authority	Sep-10	A1	AA	70	12	3.75
Converse Co-Wyoming	Sep-10	NR	NR	22	10	Var
Sweetwater Co-Wyoming	Sep-10	NR	NR	16	10	Var
Pima Co Industrial Dev Auth	Sep-10	Baa3	BBB-	100	30	5.25
Louisiana Public Facs Auth (LPFA)	Sep-10	A3	A-	115	20	5.00
Louisiana Public Facs Auth (LPFA)	Sep-10	A3	BBB+	116	18	5.00
Ohio Air Quality Dev Authority	Sep-10	Baa2	BBB-	8	23	Var
Ohio Water Development Authority	Sep-10	Baa2	BBB-	99	23	Var
Pennsylvania Eco Dev Fin Au	Sep-10	NR	BBB	18	20	Var
Pennsylvania Eco Dev Fin Au	Sep-10	NR	BBB	35	9	Var
California Poll Control Fin Auth	Oct-10	NR	NR	61	30	Var
Delaware Economic Dev Auth	Oct-10	Baa3	NR	190	35	5.38
New Jersey Economic Dev Auth	Oct-10	A2	A-	100	21	Var
Boulder Co-Colorado	Oct-10	NR	NR	2	10	5.68
Boulder Co-Colorado	Oct-10	NR	NR	0	1	2.13
Port of Port Arthur Navig Dt	Nov-10	A2	A	150	30	Var
Port of Port Arthur Navig Dt	Nov-10	A2	A	150	30	Var
Wise Co Industrial Dev Auth	Nov-10	Baa1	A-	105	30	Var
NYS Energy Research & Dev Auth	Nov-10	A3	A-	225	26	Var
California Poll Control Fin Auth	Nov-10		A+	10	24	Var
Polk Co Industrial Dev Auth	Nov-10	Baa1	BBB	75	20	Var
Boone Co-Kentucky	Nov-10	NR	NR	27	17	Var
Indiana Finance Authority	Nov-10	NR	BBB	30	18	Var
Indiana Finance Authority	Nov-10	NR	BBB	51	24	Var
Kentucky Economic Dev Fin Auth	Nov-10	NR	BBB	16	21	Var
Kentucky Economic Dev Fin Auth	Nov-10	NR	BBB	29	21	Var
North Carolina Cap Facs Fin Agency	Nov-10	NR	BBB	15	10	Var
North Carolina Cap Facs Fin Agency	Nov-10	NR	BBB	70	24	Var
Ohio	Nov-10	NR	BBB	30	25	Var
Miami-Dade Co Indus Dev Auth	Nov-10		BBB	12	8	Var

Beaver Co Industrial Dev Auth	Nov-10	Baa2	BBB	25		Var
Michigan Strategic Fund	Dec-10			95	32	Var
Ohio Air Quality Dev Authority	Dec-10	Baa2	BBB-	26	23	Var
Ohio Water Development Authority	Dec-10	Baa2	BBB-	55	23	Var
Mississippi Business Fin Corp	Dec-10	A2	A	50	30	2.25
Ohio Water Development Authority	Dec-10	Baa2	BBB-	47	23	Var
Sussex Co-Delaware	Dec-10	Baa3	NR	57	30	6.00
Michigan Strategic Fund	Dec-10	A2	A-	20	20	5.00
Coconino Co PC Corp	Dec-10	Aa1	AA	37	22	Var
Ohio Air Quality Dev Authority	Dec-10	A2	A-	75	30	6.00
Brick Twp-New Jersey	Dec-10	NR	AA+	14	15	4.25
Three Rivers Solid Waste Auth	Dec-10		A+	11	12	4.00
Clark Co-Nevada	Dec-10	A1	A	75	21	Var
Forsyth City-Montana	Dec-10			17	24	Var
Forsyth City-Montana	Dec-10			67	22	Var
California Poll Control Fin Auth	Dec-10	NR	NR	5	30	Var
Puyallup City-Washington	Feb-11	NR	AA	3	9	4.00
West Virginia Economic Dev Auth	Feb-11	NR	BBB	65	30	Var
California Poll Control Fin Auth	Mar-11	NR	NR	5	15	Var
Mission Economic Dev Corp	Mar-11	NR	NR	40	13	6.88
Whiting City-Indiana	Mar-11	NR	NR	188	10	5.25
Millport Industrial Dev Auth	Mar-11	NR	A+	20	30	Var
Appling Co Development Auth	Mar-11	Baa1	A	41	27	Var
Burke Co Development Authority	Mar-11	Baa1	A	92	29	Var
Monroe Co Development Authority	Mar-11	Baa1	A	48	27	Var
Rhode Island Clean Water Fin Agy	Mar-11			10	15	4.30
Farmington City-New Mexico	May-11			56	18	Var
Rockport City-Indiana	Jul-11	NR	A+	45	14	Var
California Poll Control Fin Auth	Aug-11	NR	NR	20	30	Var
Michigan Strategic Fund	Aug-11	A2	A	82	19	Var
Indiana Finance Authority	Aug-11	Aa3	BBB	95	10	3.88
Appling Co Development Auth	Aug-11	NR	NR	67	30	Var
Port of Bellingham Indus Dev Cp	Sep-11	NR	NR	23	5	5.00
NYS Energy Research & Dev Auth	Sep-11	NR	BBB+	132	4	2.25
Connecticut Development Auth	Sep-11	A2	A-	121	17	4.38
Connecticut Development Auth	Sep-11	A2	A-	125	17	Var
West Virginia Economic Dev Auth	Sep-11	NR	NR	59	16	Var
California Poll Control Fin Auth	Oct-11	NR	NR	11	25	Var
Allegheny Co Industrial Dev Auth	Nov-11	B1	BB	29	16	6.75
Bucks Co Industrial Dev Auth	Nov-11	B1	BB	19	15	6.75
Ohio Water Development Authority	Nov-11	B1	BB	22	18	6.60
Indiana Finance Authority	Nov-11	B1	BB	55	8	6.00
Gulf Coast Waste Disposal Auth	Nov-11	B1	BB	11	6	5.75
Fairfield Industrial Dev Board	Nov-11	B1	BB	17	4	5.38
Ohio Air Quality Dev Authority	Nov-11	B1	BB	10	4	5.38
Utah Co-Utah	Nov-11	B1	BB	32	4	5.38
Chatom Industrial Dev Board	Dec-11	NR	A	75	30	Var
Richmond City-Indiana	Dec-11	NR	NR	33	15	Var
California Municipal Fin Auth	Dec-11	NR	NR	23	21	7.50
Charles River Pollution Ctrl Dt	Jan-12	NR	NR	2	1	1.50
Rockport City-Indiana	Jan-12	B2	BB-	30	16	7.00
Ohio Air Quality Dev Authority	Jan-12	B2	BB-	36	12	6.75
Butler Co Industrial Dev Auth	Jan-12	B2	BB-	7	8	6.25
Sacramento Metro Air Qual Mgmt Dt	Feb-12	NR	AA+	4	14	4.00
Apache Co Industrial Dev Auth	Mar-12	Baa3	BBB-	177	18	4.50
Monroe Co Development Authority	Mar-12	NR	A	10	27	Var
Burke Co Development Authority	Apr-12	A2	AA-	94	40	1.25
Calhoun Port Authority	Apr-12	NR	A+	50	30	Var
NYS Environmental Facs Corp	Apr-12	NR	BBB	25	18	Var
Monroe Co Development Authority	May-12	NR	NR	49	30	4.00
Indiana Finance Authority	May-12	NR	NR	200	27	5.00
California Poll Control Fin Auth	Jun-12	NR	NR	32	30	Var
Burke Co Development Authority	Jun-12	A3	A	85	37	Var
Burke Co Development Authority	Jun-12	NR	A	100	37	Var
Salem Co Poll Control Fin Auth	Jun-12	NR	A-	50	34	Var
Rhode Island Clean Water Fin Agy	Jun-12	NR	AAA	26	21	3.38
Indiana Finance Authority	Jun-12	NR	NR	100	28	Var
Lewisburg Indust Dev Board	Jun-12	NR	BBB	18	23	Var
California Poll Control Fin Auth	Jul-12	NR	NR	12	30	Var
Mission Economic Dev Corp	Jul-12	NR	BBB	57	14	Var
Allegheny Co Industrial Dev Auth	Aug-12	NR	NR	25	30	5.75
Indiana Finance Authority	Aug-12	NR	NR	29	30	5.75
Southwestern Illinois Dev Auth	Aug-12	NR	NR	40	30	5.75
Maricopa Co Pollution Ctl Corp	Aug-12	Baa2	BBB	59	30	4.50
California Poll Control Fin Auth	Aug-12	NR	NR	8	30	Var
South Carolina Jobs Econ Dev Au	Sep-12	NR	NR	16	6	8.13
Washington Co-Nebraska	Sep-12	NR	A	35	18	Var
California Poll Control Fin Auth	Oct-12	NR	NR	16	30	Var
St Paul Port Authority	Oct-12	Baa3	BBB-	51	25	4.50
California Poll Control Fin Auth	Nov-12	NR	NR	17	30	Var
Oregon	Nov-12	Aa1	AA+	11	20	3.00
Massachusetts Dev Finance Agcy	Nov-12	Ba2	BB-	102	30	5.25
Niagara Area Development Corp	Nov-12	Ba2	BB-	130	30	5.25

Massachusetts Dev Finance Agcy	Nov-12	Ba2	BB-	67	30	4.88
Niagara Area Development Corp	Nov-12	Ba2	BB-	35	12	4.00
Burke Co Development Authority	Nov-12	NR	NR	50	40	Var
Indiana Finance Authority	Nov-12	NR	BBB	25	25	Var
Burbank City-California	Nov-12	NR	AAA	6	10	3.00
Phenix City Indust Dev Board	Nov-12	Baa3	BBB	51	23	4.13
Phenix City Indust Dev Board	Nov-12	Baa3	BBB	7	18	3.63
Chandler Industrial Dev Auth	Dec-12	NR	A+	125	25	Var
California Poll Control Fin Auth	Dec-12	NR	NR	10	25	Var
Lake Charles Harbor & Term Dt	Dec-12	NR	NR	309	30	Var
Total				$ 10,222		

Source: Thomson SDC

Goldman Sachs Is Not Acting as a Municipal Advisor

Goldman, Sachs & Co. ("Goldman Sachs") is providing the information contained in this document for discussion purposes only in anticipation of serving as underwriter to Big Rivers Electric Corporation (the "Issuer"). The primary role of Goldman Sachs, as an underwriter, is to purchase securities, for resale to investors, in an arm's-length commercial transaction between the Issuer and Goldman Sachs and Goldman Sachs has financial and other interests that differ from those of the Issuer. Goldman Sachs is not acting as a municipal advisor, financial advisor or fiduciary to the Issuer or any other person or entity. The information provided is not intended to be and should not be construed as "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934. The Issuer should consult with its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate. If the Issuer would like a municipal advisor in this transaction that has legal fiduciary duties to the Issuer, then the Issuer is free to engage a municipal advisor to serve in that capacity.

THE APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS CASE NO. 2012-00492

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated December 19, 2012

January 3, 2013

Item 21) ***Indicate whether the interest rates contemplated to be paid by BREC in its Application 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 are higher than those of its rating peer group, please explain in detail the reasons for such interest rate differentials.***

Response) Big Rivers is advised and believes that it is virtually impossible to find a regulated electric utility which has recently gone to market with comparable institutional credit ratings that operates under the same conditions Big Rivers finds itself today and under the set of conditions that are likely to exist at the time these bonds are expected to go to market. For this reason, the rates paid by electric utilities that carry comparable institutional credit ratings are of limited value in evaluating the potential interest rate on the 2013A Bonds.

The interest rate anticipated by Goldman Sachs is 6% or higher. The actual interest rate is set at the time Goldman Sachs determines the market demand for these bonds given Big Rivers' circumstances at the time.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

THE APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS
CASE NO. 2012-00492

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated December 19, 2012

January 3, 2013

Item 22) ***Provide a calculation of the impact by customer class that BREC's Application, if approved, will have on BREC's rate payers once financing is closed and for the next five years.***

Response) The attached schedule titled Response to KIUC 1-22 provides the estimated change in costs related to the $58.8 million pollution control debt financing proposed in this proceeding on a dollar per megawatt hour basis by customer class for 2013 and for the next five years using a 6.0% rate assumption. Big Rivers' next base rate case, anticipated to be filed in January of 2013, will assume an interest rate on this debt of 6.0%.

Witness) Billie J. Richert

Big Rivers Electric Corporation
Case No. 2012-00492
Response to KIUC 1-22

Annualized Cost of Existing Bonds	
1983 Bond	$ 58,800,000
Annual Interest Expense	$ 1,937,542
Annual Remarketing Fee	$ 58,800
Annual AMBAC Fee	$ 207,794
Total Annual Cost of Existing Bonds	$ 2,204,136

Annual Cost of Bonds Going Forward	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
1983 Bonds	$ 58,800,000					
Interest Expense	$ 313,192					
Remarketing Fee	$ 9,505					
AMBAC Fee	$ 85,964					
2013A Bonds (Beginning Balance)	$ 58,800,000	$ 58,335,000	$ 56,450,000	$ 54,450,000	$ 52,330,000	$ 50,080,000
Annual Interest Expense	$ 2,923,725	$ 3,434,125	$ 3,317,000	$ 3,192,800	$ 3,061,050	$ 2,921,325
Amortization of Issuance Costs	$ 64,815	$ 77,778	$ 77,778	$ 77,778	$ 77,778	$ 77,778
Estimated Debt Cost Going Forward	$ 3,397,201	$ 3,511,903	$ 3,394,778	$ 3,270,578	$ 3,138,828	$ 2,999,103
Estimated Change in Debt Cost	**$ 1,193,065**	**$ 1,307,767**	**$ 1,190,642**	**$ 1,066,442**	**$ 934,692**	**$ 794,967**
Projected Member Billing Demand (kW/mo)						
Rural	5,267,190	5,346,949	5,410,429	5,491,859	5,564,857	5,624,591
Large Industrial	1,673,294	1,674,594	1,674,594	1,674,594	1,674,594	1,674,594
Smelter	8,272,000	4,416,000	4,416,000	4,416,000	4,416,000	4,416,000
Total	15,212,484	11,437,543	11,501,023	11,582,453	11,655,451	11,715,185
Change In Cost Assigned By Customer Class						
Rural	$ 413,088	$ 611,369	$ 560,114	$ 505,657	$ 446,266	$ 381,673
Large Industrial	$ 131,231	$ 191,473	$ 173,362	$ 154,186	$ 134,292	$ 113,634
Smelter	$ 648,746	$ 504,925	$ 457,166	$ 406,599	$ 354,134	$ 299,660
Total	$ 1,193,065	$ 1,307,767	$ 1,190,642	$ 1,066,442	$ 934,692	$ 794,967
Projected Member Billing Energy (MWh)						
Rural	2,409,830	2,448,794	2,479,656	2,519,437	2,556,536	2,584,016
Large Industrial	943,027	943,699	943,699	944,107	943,699	943,699
Smelter	5,820,541	3,159,206	3,159,206	3,167,862	3,159,206	3,159,206
Total	9,173,398	6,551,699	6,582,561	6,631,406	6,659,441	6,686,921
Change in Cost ($/MWh)						
Rural	$ 0.17	$ 0.25	$ 0.23	$ 0.20	$ 0.17	$ 0.15
Large Industrial	$ 0.14	$ 0.20	$ 0.18	$ 0.16	$ 0.14	$ 0.12
Smelter	$ 0.11	$ 0.16	$ 0.14	$ 0.13	$ 0.11	$ 0.09
Total	$ 0.13	$ 0.20	$ 0.18	$ 0.16	$ 0.14	$ 0.12