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NEWS RELEASE

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PSC Approves Big Rivers-E.ON "Unwind" Agreement

Big Rivers Electric Corp. to regain control of generating facilities

FRANKFORT, Ky. (March 6, 2009) – The Kentucky Public Service Commission (PSC) has approved, with conditions, an agreement that would end the lease under which E.ON-U.S. has operated electric generating plants owned or controlled by Big Rivers Electric Corp.

When the "unwinding" of the lease is completed, Big Rivers will again assume full responsibility for operating and selling power from the three plants it owns, as well as one plant owned by Henderson Municipal Power and Light (HMPL).

The unwind will result in E.ON providing more than $800 million in cash payments, asset transfers and other benefits to Big Rivers to improve the electric cooperative's financial condition. None of those costs will be borne by customers of E.ON's regulated utilities.

In an order issued today, the PSC said that returning control to Big Rivers "should provide a reasonable opportunity" for aluminum smelters served by the generating plants to "continue operating in Kentucky for the long term and to preserve the jobs and tax base which support the economy of western Kentucky."

When operating at full capacity, the two smelters – Alcan in Sebree and Century Aluminum in Hawesville – employ a total of 1,400 people and expend $115 million annually in payroll and benefits. An estimated 3,500 other jobs in the region depend on the smelters.

If the lease agreement were not unwound, the two smelters could face significantly higher electric costs in a few years. The cost of electricity accounts for about one-third of the smelters' operating expenses.

Although the unwind will not "guarantee the future financial health of the smelters, providing them with a long-term supply of power priced at below market prices should enable them to…continue in operation over the long term," the PSC said in today's order.

However, the unwind eventually will lead to higher rates for other customers of the three rural electric cooperatives in the Big Rivers system. The PSC found that the unwind would not be in the public interest unless it included rate relief for the other customers.

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Therefore, the PSC decided that, rather than delaying the case to allow the parties to come up with a solution, it would establish a mechanism to soften the rate impact to the vast majority of customers in the Big Rivers system.

The PSC conditioned its approval of the unwind on E.ON's agreeing to pay $61 million to Big Rivers for the purpose of establishing a reserve account that will be used to partially offset the higher rates for those other customers. The $61 million is in addition to funds E.ON earlier agreed to pay to Big Rivers as part of the unwind transaction.

Payment of offsets from the $61 million account would begin upon the exhaustion of a separate $157 million account Big Rivers proposed to establish for a similar purpose, also using funds provided by E.ON. The additional $61 million would extend the offsets for about two years, through 2015.

The $157 million will partially offset rates for all non-smelter customers. The $61 million in offsets would go to all non-smelter customers, except for 20 large industrial customers.

Big Rivers is owned by and provides electricity to Jackson Purchase Energy Corp., Kenergy Corp., and Meade County Rural Electric Cooperative Corp. Together, the three rural electric cooperatives serve about 110,000 customers in 22 counties in western Kentucky.

In addition to E.ON, Big Rivers, and its three member cooperatives, parties to the case included HMPL, Alcan, Century Aluminum, the Kentucky Office of Attorney General, Kentucky Industrial Utility Customers, Inc., and the International Brotherhood of Electrical Workers, which represents employees at the Big Rivers power plants.

Other aspects of the complex transaction include payments from E.ON to reimburse Big Rivers for payments it made to lenders, payments from E.ON to the smelters, payments from Big Rivers to the smelters and payments from E.ON to HMPL. (see fact sheet below)

However, HMPL has not yet agreed to the unwind. Until it does, the transaction cannot be completed.

If gaining HMPL's approval requires any changes to the transaction as presented to the PSC in October 2008, Big Rivers must seek further review and approval from the PSC.

Today's order comes less than five months after the filing of the final application by E.ON and Big Rivers. It also includes a number of provisions related to Big Rivers' future operations and finances.

The order and related case documents are available on the PSC Web site, psc.ky.gov. The case number is 2007-00455.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.

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TIMELINE AND FINANCIAL FACT SHEET FOLLOW

TIMELINE

1998	As part of Big Rivers Electric Corp.'s bankruptcy reorganization, Big Rivers enters into a 25-year agreement with Western Kentucky Energy Corp. (a subsidiary of what is now E.ON-U.S. LLC) to lease its electric generating facilities, and those it operated under lease from Henderson Municipal Power and Light. Power from the plants is sold back to Big Rivers, directly to the aluminum smelters, or on the open market.
2003	E.ON approaches Big Rivers about terminating ("unwinding") the lease agreement.
2005	Big Rivers, E.ON and Kenergy Corp., the distribution cooperative providing retail service to the smelters, sign a letter of intent to negotiate the unwind. Big Rivers and the smelters separately sign a memorandum of understanding regarding power supply arrangements to the smelters.
March 26, 2007	Big Rivers and E.ON execute an agreement to terminate the lease.
Dec. 28, 2007	Big Rivers and E.ON file an initial application with the PSC for approval of the unwind.
Oct. 9, 2008	Big Rivers and E.ON file an amended final application.
Dec. 2-3, 2008	PSC holds public hearing on the amended application.
March 6, 2009	PSC approves the unwind, with conditions.

FINANCIAL ASPECTS OF THE "UNWIND"

<u>From E.ON to Big Rivers:</u>

Cash payment: $387.7 million

Cost of buyouts of leveraged leases: $126 million

Waiver of payment for capital costs: $141.4 million

Value of new air emission scrubber at Big Rivers Coleman plant: $98.5 million

Value of fuel inventory: $51 million

Forgiveness of promissory note: $15.7 million

Advance on rental income: $11.2 million

Value of air pollution allowances: $2 million

<u>From Big Rivers to E.ON:</u>

Marketing payment: $15.1 million

Other payments: $2.5 million

<u>From E.ON to smelters:</u>

Payments to offset fuel and operating costs: $87.5 million

Contract termination payments: Amount confidential

<u>From smelters to E.ON:</u>

Leveraged lease buyout cost share: $1 million

<u>From Big Rivers to smelters:</u>

One-time payment related to fuel and power prices: $9.9 million

<u>From E.ON to Henderson Municipal Power and Light:</u>

Proposed payment for consent, future repairs and reimbursement of legal and other fees: $5.4 million

<u>Big Rivers Rural Economic Reserve account:</u>

Using $61 million of the cash payments from E.ON, Big Rivers will establish an interest-bearing account that will be used to partially offset rate increases for non-smelter customers, excluding 20 large industrial customers. Those offsets will begin upon the exhaustion of a separate $157 million account Big Rivers proposed to establish to partially offset higher rates for all non-smelter customers.