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NEWS RELEASE

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PSC Issues Action Plan in Big Rivers Electric Audit *Utility accepts all five recommendations made by independent consultant*

FRANKFORT, Ky. (Dec. 21, 2015) – The Kentucky Public Service Commission (PSC) has released the action plan that outlines how Big Rivers Electric Corp. will implement the recommendations made in an independent review of the western Kentucky utility.

Big Rivers has said it will adopt all of the recommended measures as it seeks to mitigate the loss of its two largest customers.

“The PSC is pleased that Big Rivers is moving ahead with the steps necessary to adjust to major changes in its operational and financial circumstances,” PSC Chairman Jim Gardner said. “The goal of this process is to potentially lessen the impact of those changes on the utility’s remaining customers.”

The PSC ordered the review - known as a focused management audit - in April 2014, when it approved a rate increase requested by Big Rivers. The rate increase was the second of two requested by Big Rivers to maintain financial stability after Century Aluminum smelters in Hawesville and Sebree stopped purchasing power from the utility. Together, the two smelters accounted for about two-thirds of Big Rivers’ load and revenue.

In ordering the audit, the PSC placed the focus “on the steps that Big Rivers has undertaken or should undertake to mitigate any further financial impact” from the loss of the smelters, as well as “the strategic planning, management and decision-making of Big Rivers relating to its mitigation efforts.”

Under the audit process set forth in state law, the PSC selected Concentric Energy Advisors (www.ceadvisors.com) of Marlborough, Mass., as the independent consultant.

Concentric reviewed the steps Big Rivers has taken thus far to mitigate the loss of load and revenue from the smelters. The auditors also examined Big Rivers’ future mitigation plan and the forecasts and assumptions upon which they are based.

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The final audit report included 23 findings that were distilled into five recommendations.

Those recommendations were:

- Consider adding to its board a member with specific expertise in energy finance or merchant generation. This would likely require changing the cooperative's bylaws.
- Continue to develop in-house expertise in price forecasting and power market sales, but only in support of its core mission.
- Immediately begin a study of the sale, retirement or redevelopment of the Coleman plant and consider options for the Wilson plant in two or three years.
- Continue to pursue increased sales to existing customers and to new members.
- Begin discussions with its lenders and the PSC to address existing restrictions to the sale of the Coleman plant and study of financial options for such a sale.

The first recommendation has a medium priority, while Concentric attached a high priority to the latter four.

Big Rivers adopted all five recommendations. The action plan includes a timetable for each of the five tasks. Beginning next year, Big Rivers will submit regular progress reports to the PSC until all of the steps in the action plan have been completed.

“The PSC will monitor the implementation of this action plan,” Gardner said. “We look forward to bringing this process to a successful conclusion.”

The [action plan](#) and [final audit report](#) are available on the PSC website, psc.ky.gov.

Big Rivers is owned by the three distribution cooperatives – Jackson Purchase Energy Corp., Kenergy Corp. and Meade County Rural Electric Cooperative Corp. - to which it provides power. Together, the three cooperatives serve about 112,000 customers in 26 counties in western Kentucky. The customers include about 20 large industrial facilities.

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 85 employees.