COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION FILING OF WHOLESALE CONTRACTS PURSUANT TO KRS 278.180 AND 807 KAR 5:011 §13	))))	CASE NO. 2014-00134

ORDER

On April 4, 2014, Big Rivers Electric Corporation ("Big Rivers"), pursuant to KRS 278.180 and 807 KAR 5:011, Section 13, submitted three special contracts for the Commission's review and approval. The special contracts, or wholesale purchase power agreements, were identified as follows: (1) Market Based Rate Partial and Full Requirements Agreement, dated as of December 20, 2013, by and among Big Rivers and Northeast Nebraska Public Power District; (2) Market Based Partial and Full Requirements Agreement, dated as of December 20, 2013, by and among Big Rivers and city of Wayne, Nebraska; and (3) Market Based Partial and Full Requirements Agreement, dated as of December 20, 2013, by and among Big Rivers and city of Wakefield, Nebraska (collectively "Nebraska PPAs").

Kentucky Industrial Utility Customers, Inc. and the Attorney General of the Commonwealth of Kentucky, by and through his Office or Rate Intervention, petitioned for and were granted intervention in this matter. Pursuant to the Commission's Order of June 12, 2014, a procedural schedule was established for the processing of this matter. The procedural schedule provided for two rounds of discovery on Big Rivers' application, an opportunity for intervenors to file testimony and discovery on intervenor testimony, and an opportunity for Big Rivers to file rebuttal testimony. A formal evidentiary hearing was scheduled and conducted on January 13, 2015. Big Rivers submitted its responses to post-hearing data requests on January 21, 2015. The parties agreed to simultaneously file post-hearing briefs on or before February 4, 2015.

On January 20, 2015, Big Rivers submitted an information letter advising that the parties had begun settlement negotiations and had agreed to postpone the briefing deadline until Big Rivers notifies the parties that no settlement can be reached. On April 16, 2015, Big Rivers filed a Stipulation and Recommendation ("Stipulation") that provides for the resolution of all issues in this matter, proposes revisions to its Member Rate Stability Mechanism ("MRSM") Tariff (set forth as Exhibit A to the Stipulation), and requests Commission approval of the Stipulation. (A copy of the Stipulation is attached as Appendix A to this Order.) A telephonic informal conference was held on April 29, 2015, to discuss the terms of the Stipulation. Pursuant to those discussions, Big Rivers submitted on April 30, 2015, a further change to its MRSM Tariff (a copy of which is attached as Appendix B to this Order) and provided sample calculation sheets depicting the type of calculations that will determine the additional amounts that Big Rivers will deposit into the Economic Reserve fund as a result of the Stipulation.

The matter now stands submitted for a decision by the Commission. For the following reasons, the Commission will approve the Stipulation.

NEBRASKA PPAs

Northeast Nebraska Public Power District ("NeNPPD") and the cities of Wayne and Wakefield, Nebraska ("the Cities") (collectively "Nebraska Purchasers") each currently and individually acquire power at wholesale from Nebraska Public Power

District ("NPPD"). Pursuant to the terms of each of the wholesale power contracts with NPPD, the Nebraska Purchasers are permitted to decrease the portion of their electric service requirements supplied by NPPD until the expiration of each contract's stated term. Under the proposed Nebraska PPAs, Big Rivers will supply partial requirements service to NeNPPD beginning in January 1, 2018, and to the Cities beginning January 1, 2019, until the Nebraska Purchasers' existing wholesale power contracts terminate. Upon the expiration of their current wholesale power contracts, Big Rivers will supply full requirements load to the Nebraska Purchasers. The amount of capacity to be provided under the proposed Nebraska PPAs is relatively small and amounts to a fraction of Big Rivers' excess capacity.

Under the proposed Nebraska PPAs, Big Rivers will supply or procure all electric services required by each Nebraska Purchaser, including capacity, energy, reserve capacity, and transmission and ancillary services. The initial term of the proposed Nebraska PPAs extends through December 31, 2026, unless terminated earlier. Each Nebraska PPA is extended for successive one-year evergreen renewal periods unless either party provides termination notice of two full calendar years.

The Nebraska Purchasers are located within the Southwest Power Pool ("SPP")[1] footprint. Big Rivers is a member of the Midcontinent Independent System Operator, Inc. ("MISO"), a regional transmission organization that operates and administers wholesale electricity markets for members in 15 states. Big Rivers will be responsible for delivery of energy to the interconnection point between MISO and SPP and each Nebraska Purchasers is responsible for firm transmission service to deliver energy to

[1] The SPP is a regional transmission organization that is federally mandated to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity. SPP has members located in 14 states.

the applicable delivery points within the SPP. The pricing terms of the proposed contracts are based on an index rate equivalent to a percentage of the future energy and demand tariff that the Nebraska Purchasers would pay if they continued with their current wholesale supplier. The Nebraska PPAs also provide that if Big Rivers has an economic development rate in effect, the purchasers may elect to serve prospective new industrial retail customers at that rate, subject to several conditions. First, the purchaser and the new load must comply with all terms and conditions of the economic development rate then in effect. Second, any incentive rates must be based on Big Rivers' then-existing rate structure, plus all applicable charges for transmission services and other customary charges. Third, Big Rivers must have surplus capacity to serve the new customer. Fourth, the period of any incentive rate may not extend beyond the period during which those incentives are recovered.

Under the Nebraska PPAs, Big Rivers and the Nebraska Purchasers also agreed to develop rates for approximately 15 megawatts of irrigation pumping load within six months following the effectiveness of the agreements subject to any necessary regulatory approvals, including that of the Commission.

The Nebraska PPAs also contain a provision stipulating that if there is a change in law relating to carbon legislation, the Nebraska Purchasers would be responsible for any additional costs to Big Rivers with respect to their applicable retail loads and that each party has a right to terminate its respective agreement on two years' notice.

For purposes of analyzing the cost-effectiveness of the Nebraska PPAs, Big Rivers projected the rates to be paid by the Nebraska Purchasers for wholesale capacity and energy delivered to the MISO/SPP interface. Big Rivers also retained

ACES, its external power marketer, to perform a valuation and risk assessment of the proposed Nebraska PPAs. ACES conducted a study in which it evaluated the potential margin available to cover Big Rivers' fixed costs and identified risks associated with selling full-requirements energy and capacity to the three Nebraska Purchasers. The ACES study included a Base Case valuation, which assumed the MISO transmission cost was offset by a negative locational marginal price ("LMP") differential between Big Rivers' generation and the MISO NPPD Commercial Pricing Node. Currently, the LMP differential is greater than the cost of the transmission and could provide additional margin. ACES modeled the economics of the Proposed Nebraska PPAs under current market forecasts and model conditions to derive a valuation of those contracts. The ACES study also contained the following six sensitivity scenarios: (1) no NPPD rate growth; (2) Big Rivers' production cost increasing by 25 percent; (3) peak demand and energy at 10 percent below the Base Case valuation levels; (4) no LMP differential; (5) wholesale market alternative; and (6) NPPD demand rate increasing more than forecasted.

In assessing the value of the transactions, ACES utilized market and historical data from the Nebraska Purchasers, NPPD, and the MISO market to forecast Big Rivers' margins above and beyond its variable cost of production for its generation fleet. Big Rivers asserts that the ACES study supported its analyses of the cost-effectiveness of the Nebraska PPAs.

Stipulation and Recommendation

The parties have reached a unanimous settlement on all issues in this matter. The Stipulation provides, among other things, that the parties recommend that the Commission enter an Order approving the Nebraska PPAs as filed. The Stipulation also provides that upon its approval by the Commission, Big Rivers would promptly seek all required Rural Utilities Service review and approvals. The Stipulation further provides that the Commission retains jurisdiction to approve any amendment to any of the Nebraska PPAs to implement an economic development rate arrangement or irrigation rate. Lastly, the Stipulation provides that upon all approvals of the Nebraska PPAs, as filed and without any conditions, Big Rivers would cause to be filed with the Commission amendments to its MRSM tariff to provide for the margins associated with the Nebraska PPAs to be deposited into the Economic Reserve fund under certain conditions related to the financial health of Big Rivers.[2] If the margins are deposited into the Economic Reserve fund, they would then be allocated between the Rural class and the Large Industrial class based upon the total revenues received from each class during the calendar year in which Big Rivers earns those margins.

Big Rivers contends that the terms of the Nebraska PPAs are reasonable and would diversify its power portfolio, and that the margins from the contracts would provide a significant contribution to Big Rivers' fixed costs that will not have to be provided by Big Rivers' members. Big Rivers further argued that the reasonableness of

[2] Those financial conditions, which are all based upon the prior year, are: (1) Big Rivers' actual margins are greater than the margins that would have provided the Times Interest Earned Ratio that was used by the Commission to establish the revenue requirement in Big Rivers' most recent rate case; (2) the margins from the Nebraska PPAs are greater than zero; and (3) Big Rivers' average daily balance of unrestricted cash and temporary investments for the last three calendar months of the previous calendar year is greater than $60,000,000. The margins from the Nebraska PPAs will be deposited into the Economic Reserve if all three conditions are satisfied for that year.

the contracts is supported by the ACES study. Big Rivers contends that indexing the rates in the Nebraska PPAs to the rates of the NPPD will produce the margins forecasted, in that the ACES study utilized conservative assumptions regarding the valuation of the Nebraska PPAs, and in that there is a high likelihood that NPPD's cost-based rates will increase as much as projected. Big Rivers further argues that the index pricing would produce steady revenues, given that the NPPD's tariffed rates are cost-based and not prone to significant volatility.

DISCUSSION

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that the proposed Nebraska PPAs are reasonable under the particular facts presented and that those agreements, along with the Stipulation and the revisions to the MRSM Tariff, should be approved. As part of its load-mitigation efforts stemming from the departure of two significant aluminum-smelting loads, Big Rivers has, among other things, endeavored to find new customers and has responded to multiple load-serving entities' requests for proposals and other power-supply negotiations. The proposed Nebraska PPAs represent the fruits of Big Rivers' efforts to mitigate the impact of the departure of the aluminum smelter loads. Although the contract terms involve a relatively minimal amount of capacity over an intermediate period of time, the revenues from the Nebraska PPAs should generate margins that would defray fixed costs that would otherwise be shouldered by Big Rivers' native customers. The reasonableness of the terms of the Nebraska PPAs is also supported by the analyses conducted by ACES. Lastly, we find that the Settlement is fair, just and reasonable. In particular, we note that the provision requiring that margins from the

Nebraska PPAs be deposited in the Economic Reserve under certain conditions would be of benefit to Big Rivers' ratepayers. We also recognize that Big Rivers will file the Nebraska PPAs with its lender, the Rural Utilities Service ("RUS"), for review and all required approvals.

IT IS THEREFORE ORDERED that:

1. The Nebraska PPAs entered into by and among Big Rivers, NeNPPD, and the Cities are approved as of the date of this Order.

2. The Stipulation attached hereto as Appendix A is approved.

3. The revised MRSM Tariff attached hereto as Appendix B is approved.

4. Big Rivers shall notify the Commission within 10 days of receipt of any RUS required approvals for the Nebraska PPAs.

5. Within 20 days of receipt of any RUS required approvals for the Nebraska PPAs or a statement from RUS that its approval is not required, Big Rivers, using the Commission's electronic Tariff Filing System, shall file a new MRSM Tariff as approved herein and reflecting its effective date and that it was authorized by this Order.

6. Any document filed in the future pursuant to ordering paragraph 4 herein shall reference this case number and shall be retained in the utility's general correspondence file.

By the Commission

ENTERED

JUL 21 2015

KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Executive Director

Case No. 2014-00134

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2014-00134 DATED JUL 2 1 2015

RECEIVED
APR 16 2015
PUBLIC SERVICE
COMMISSION

STIPULATION AND RECOMMENDATION

This Stipulation and Recommendation ("*Stipulation*") is entered into this 15th day of April, 2015, by and between Big Rivers Electric Corporation ("*Big Rivers*"), the Office of the Attorney General ("*AG*"), and Kentucky Industrial Utility Customers, Inc. ("*KIUC*") in the proceedings involving Big Rivers that are the subject of this Stipulation, as set forth below.

WITNESSETH:

WHEREAS, Big Rivers filed its application styled *In the Matter of: Big Rivers Electric Corporation's Filing of Wholesale Contracts Pursuant to KRS 278.180 and 807 KAR 5:001 Section* 13, in Case No. 2014-00134 (the "*Nebraska Agreements Proceeding*"), on April 4, 2014, seeking approval by the Public Service Commission ("*Commission*") of three wholesale power agreements entered into by Big Rivers with Northeast Nebraska Public Power District, the City of Wakefield, Nebraska, and the City of Wayne, Nebraska, respectively (collectively, the "*Nebraska Agreements*");

WHEREAS, the Commission has granted the AG and KIUC full intervention in the Nebraska Agreements Proceeding;

WHEREAS, the AG, through its data requests and "comments in lieu of testimony," and KIUC, through its data requests and testimony, have raised certain concerns relating to the three wholesale power sales contracts for which Big Rivers seeks approval;

WHEREAS, the AG, KIUC and Big Rivers desire to settle issues pending before the Commission in the Nebraska Agreements Proceeding, and have temporarily suspended the briefing schedule therein while attempting to do so;

WHEREAS, the adoption of this Stipulation will eliminate the need for the Commission and the parties to expend significant resources further litigating the Nebraska Agreements Proceeding, and eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final order herein;

WHEREAS, the AG, KIUC and Big Rivers agree that this Stipulation, viewed in its entirety, is a fair, just and reasonable resolution of all of the issues in the Nebraska Agreements Proceeding; and

WHEREAS, it is the position of the parties hereto that this Stipulation is supported by sufficient and adequate data and information, and should be approved by the Commission.

NOW, THEREFORE, for and in consideration of the premises and terms and conditions set forth herein, the parties hereto stipulate and recommend as follows:

1. Big Rivers, the AG and KIUC recommend that the Commission enter an order approving the Nebraska Agreements, unconditionally and without change.

2. If the Commission enters an order approving the Nebraska Agreements, unconditionally and without change, Big Rivers will then promptly seek all required Rural Utilities Service ("*RUS*") review and approvals.

3. Subsequent to obtaining all required RUS review and approvals, Big Rivers shall cause the tariff amendments attached hereto as Exhibit A to be filed with the Commission. The parties recommend that the Commission allow the tariff amendments to become effective without suspension or change.

4. The parties agree that the Commission retains jurisdiction to approve any amendment to any of the Nebraska Agreements to implement an economic development

rate arrangement or irrigation rate, both as contemplated in the Nebraska Agreements.

5. The signatories hereto agree that the foregoing stipulations and agreements represent a fair, just and reasonable resolution of the issues addressed herein and request the Commission to approve the Stipulation.

6. The signatories hereto agree that following the execution of this Stipulation, the signatories shall cause the Stipulation to be filed with the Commission together with the request of the parties for consideration and approval of this Stipulation.

7. The signatories hereto agree that this Stipulation is subject to the acceptance of and approval by the Commission. The signatories hereto further agree to act in good faith, and to use their best efforts to seek the Commission's approval and acceptance of this Stipulation. All parties waive any right to appeal, file an action seeking review of, or seek reconsideration of any order of the Commission issued in connection with this Stipulation.

8. The signatories hereto agree that, if the Commission does not accept and approve this Stipulation in its entirety and unchanged or if Big Rivers is unable to obtain all required RUS approvals, then:

(A) This Stipulation shall be void and withdrawn by the parties hereto from further consideration by the Commission, and none of the parties shall be bound by any of the provisions herein, provided that no party is precluded from advocating any position contained in this Stipulation; and

(B) Neither the terms of this Stipulation nor any matters raised during the negotiations of this Stipulation shall be binding on any of the signatories to this Stipulation or be construed against any of the signatories.

9. The signatories hereto agree that this Stipulation shall inure to the benefit of and be binding among upon the parties hereto, their successors and assigns.

10. The signatories hereto agree that this Stipulation constitutes the complete agreement and understanding among the parties hereto, and any and all oral statements, representations or agreements made prior hereto or contemporaneously herewith shall be null and void and shall be deemed to have been merged into this Stipulation.

11. The signatories hereto agree that, for the purpose of this Stipulation only, the terms of this Stipulation are based upon independent analyses of the parties, reflect a fair, just and reasonable resolution of the issues herein and are the product of compromise and negotiation.

12. This Stipulation shall not have any precedential value in this or any other jurisdiction, and shall not bar any or waive the right of any party to this Stipulation from seeking to amend, replace or remove the changes to Big Rivers' MRSM tariff in a future proceeding before the Commission.

13. The signatories hereto warrant that they have informed, advised and consulted with their respective clients in regard to the contents and the significance of this Stipulation, and based upon the foregoing are authorized to execute this Stipulation on behalf of those clients.

14. The signatories hereto agree that this Stipulation is a product of informed negotiation among all parties, and no provision of this Stipulation shall be strictly construed in favor of or against any party.

12. The signatories hereto agree that this Stipulation may be executed in multiple counterparts.

The Attorney General of Kentucky, by and through
his Office of the Rate Intervention Division

By: ______________________________

Kentucky Industrial Utility Customers, Inc.

By: ______________________________

Big Rivers Electric Corporation

By: ______________________________

15. The signatories hereto agree that this Stipulation may be executed in multiple counterparts.

The Attorney General of Kentucky, by and through
his Office of the Rate Intervention Division

By:______________________________

Kentucky Industrial Utility Customers, Inc.

By: Michael L. Kurtz

Big Rivers Electric Corporation

By:______________________________

15. The signatories hereto agree that this Stipulation may be executed in multiple counterparts.

The Attorney General of Kentucky, by and through
his Office of the Rate Intervention Division

By:______________________________

Kentucky Industrial Utility Customers, Inc.

By:______________________________

Big Rivers Electric Corporation

By: James M. Miller

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2014-00134 DATED JUL 2 1 2015

MRSM – Member Rate Stability Mechanism

Applicability:

Applicable in all territory served by Big Rivers' Member Cooperatives.

Availability:

Available pursuant to Section 3 – Special Rules, Terms, and Conditions: Discount Adjustment of this tariff for all service under Standard Rate Schedule RDS and Standard Rate Schedule LIC, provided that this MRSM shall terminate on the ~~latter~~last to occur of (i) the first day of the month following the month in which the balance in the Rural Economic Reserve Fund (as described in the RER rider) equals zero, ~~or~~ (ii) the first month in which no additional transmission revenues from Century-Hawesville are forthcoming, and (iii) the first month in which no additional Nebraska Margin deposits are anticipated.

Definitions:

Please see Section 4 for definitions common to all tariffs.

Member Rate Stability Mechanism:

Big Rivers originally established an Economic Reserve of $157 million pursuant to the Commission's Order dated March 6, 2009, in Case No. 2007-00455. Pursuant to the Commission's Order dated April 25, 2014, in Case No. 2013-00199, Big Rivers shall also deposit the transmission revenues it receives from Century-Hawesville into the Economic Reserve. ~~The Economic Reserve is established as three~~ Pursuant to the Commission's Order dated __________, 2015, in Case No. 2014-00134, Big Rivers shall also deposit margins from certain wholesale sales contracts ("Nebraska Margins") into the Economic Reserve, as described in the "Nebraska Margins" section of this schedule. The Economic Reserve is established as five stand-alone investment accounts, each accruing interest: the first account is for the original fund, the second is for transmission revenues allocated to the Rural class (customers served under Standard Rate Schedule RDS), ~~and~~ the third is for transmission revenues allocated to the Large Industrial class (customers served under Standard Rate Schedule LIC~~).~~), the fourth is for Nebraska Margins allocated to the Rural class, and the fifth is for Nebraska Margins allocated to the Large Industrial class. The transmission revenues are allocated 79.2% to the Rural class and 20.8% to the Large Industrial class. The Nebraska Margins are allocated between the Rural class and the Large Industrial class based upon the total revenues received from each class during the calendar year in which Big Rivers earns the margins.

The MRSM will draw on the Economic Reserve to mitigate the monthly impacts of the FAC, the ES, and the base rate increase awarded by the Commission in Case No. 2013-00199 on each non-Smelter Member's bill, net of the credits received under the Unwind Surcredit and Rebate Adjustment. Each month the MRSM will mitigate the dollar impact of billings under the FAC and ES *less* the total dollar amounts received under the Unwind Surcredit, *less* a monthly pro-rata portion of any lump sum rebates provided under the Rebate Adjustment, *less* the Expense Mitigation Adjustment ("EMA") which is defined below, *plus* the total dollar amounts of the base rate increase awarded by the Commission in Case No. 2013-00199.

Until the account containing the original fund is exhausted, the amount of the MRSM credit provided to each Member during a month will each equal

(i) the total amount of FAC charges billed to the Member during the month, *plus*
(ii) the total dollar amount of ES charges billed to the Member during the month, *less*

(iii) the total dollar amount of the Unwind Surcredits credited to the Member during the month, *less*
(iv) one-twelfth (1/12) of any rebates provided under the Rebate Adjustment during the current month or during any of the 11 preceding months, *less*
(v) the total dollar amount of the EMA charged to the Member during the month; provided that the amounts subtracted in items (iii), (iv) and (v) cannot exceed the total of items (i) and (ii) in which case the monthly MRSM adjustment would be zero, *plus*
(vi) the Member's share of the total dollar amount of the base rate increase awarded by the Commission in Case No. 2013-00199 applicable to the month.

After the account containing the original fund is exhausted, the MRSM credit will draw ~~on~~first from the account containing Nebraska Margins and then from the applicable account containing transmission revenues ~~allocated to the Rural class or the account containing transmission revenues allocated to the Large Industrial class~~, to provide a credit to each Member during a month that will equal

(i) the total amount of FAC charges associated with the applicable customer class and billed to the Member during the month, *plus*
(ii) the total dollar amount of ES charges associated with the applicable customer class and billed to the Member during the month, *less*
(iii) the total dollar amount of the Unwind Surcredits associated with the applicable customer class and credited to the Member during the month, *less*
(iv) one-twelfth (1/12) of any rebates associated with the applicable customer class and provided under the Rebate Adjustment during the current month or during any of the 11 preceding months, *less*
(v) the total dollar amount of the EMA associated with the applicable customer class and charged to the Member during the month; provided that the amounts subtracted in items (iii), (iv) and (v) cannot exceed the total of items (i) and (ii) in which case the monthly MRSM adjustment would be zero, *plus*
(vi) the Member's share of the total dollar amount of the base rate increase associated with the applicable customer class and awarded by the Commission in Case No. 2013-00199 applicable to the month.

Expense Mitigation Factor ("EMF") and Expense Mitigation Adjustment ("EMA"):

The EMF shall be the following:

I. $0.000 per kWh for the first twelve (12) months following July 17, 2009;

II. $0.002 per kWh for months 13 through 24 following July 17, 2009;

III. $0.004 per kWh for months 25 through 36 following July 17, 2009;

IV. $0.006 per kWh for months 37 through 48 following July 17, 2009;

V. $0.007 per kWh for months 49 through 60 following July 17, 2009; and

VI. $0.009 per kWh for months 61 through the termination of this MRSM tariff.

The EMA for the month shall be the EMF multiplied by the S (m) which is the jurisdictional sales for Standard Rate Schedule RDS and/or Standard Rate Schedule LIC to which this tariff applies for the current expense month. The EMF and EMA will expire after both the Economic Reserve and the

Rural Economic Reserve funds have been exhausted and no additional transmission revenues from Century-Hawesville or Nebraska Margins are forthcoming.

If any portion of FAC or ES costs is transferred to or from base rates after July 17, 2009, then the MRSM will account for any effect of such transfers so that the Members will not see any impact on their bills, either positive or negative, of such transfers.

The MRSM adjustment shall be no longer applicable once the Economic Reserve is exhausted and no additional transmission revenues from Century-Hawesville or Nebraska Margins are forthcoming, but the MRSM shall remain a schedule in this tariff until the Rural Economic Reserve Fund is depleted and no additional transmission revenues from Century-Hawesville or Nebraska Margins are forthcoming, as described in the "Availability" section of this schedule._ During the last month of this MRSM, or in any month that the amount remaining in the Economic Reserve does not fully fund the MRSM credit for a customer class, the amount remaining in the Economic Reserve for that class will be prorated to each Member on the basis of the total FAC and ES charges applicable to that class' non-Smelter sales less credits under the Unwind Surcredits, less monthly prorated amounts under the Rebate Adjustment and less the EMA as applicable, *plus* the prorated base rate increase awarded by the Commission in Case No. 2013-00199.

Nebraska Margins:

The Nebraska Margins shall be the margins resulting from the wholesale contracts approved in Case No. 2014-00134. Pursuant to the Commission's Order in that case dated ________ 2015, each January, Big Rivers shall compare its margins for the previous year to the margins that would have provided the Times Interest Earned Ratio ("TIER") that the Commission used to establish the revenue requirement in Big Rivers' most recent general rate proceeding (the "Revenue Requirement TIER").

Big Rivers shall also compare its average daily balance of unrestricted cash and temporary investments for the last three calendar months of the previous calendar year (the "Average Cash Balance") to the Cash Balance Threshold, as defined below.

(1) If for the previous year:
 (a) Big Rivers' actual margins are greater than the margins at the Revenue Requirement TIER;
 (b) the Nebraska Margins are greater than zero; and
 (c) The Average Cash Balance greater than $60,000,000 (the "Cash Balance Threshold"),

 then Big Rivers shall deposit into the Economic Reserve each month for twelve (12) consecutive months one-twelfth (1/12) of the lesser of:
 (a) the portion of the Nebraska Margins from the previous calendar year that would reduce Big Rivers' actual TIER to the Revenue Requirement TIER; and
 (b) the positive difference between the Average Cash Balance and the Cash Balance Threshold.

(2) If Big Rivers is required by this schedule to deposit all or a portion of the Nebraska Margins for a year into the Economic Reserve, it shall do so no later than the last business day of each month, beginning in February of the following year.

~~(1)~~(3) Each such deposit of Nebraska Margins shall be expensed in the prior calendar year in which Big Rivers earned those margins.

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