COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT OF RATES	)))	CASE NO. 2011-00036

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recordings of the evidentiary hearing conducted July 26 – July 28, 2011 in this proceeding;

- Certifications of the accuracy and correctness of the digital video recordings;

- All exhibits introduced at the evidentiary hearing conducted July 26 – July 28, 2011 in this proceeding;

- The written logs listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recordings of the evidentiary hearing conducted July 26 – July 28, 2011.

A copy of this Notice, the certifications of the digital video records, exhibit lists, and hearing logs have been served by first class mail upon all persons listed at the end of this Notice. Parties desiring electronic copies of the digital video recordings of the hearing in Windows Media format may download copies at:

http://psc.ky.gov/av_broadcast/2011-00036/2011-00036_26Jul11_Inter.asx

http://psc.ky.gov/av_broadcast/2011-00036/2011-00036_27Jul11_Inter.asx

http://psc.ky.gov/av_broadcast/2011-00036/2011-00036_28Jul11_Inter.asx

Parties wishing annotated digital video recordings may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for copies of these recordings.

The exhibits introduced at the evidentiary hearing may be downloaded at http://psc.ky.gov/pscscf/2011%20cases/2011-00036/.

Done at Frankfort, Kentucky, this 9th day of August 2011.

Linda Faulkner

Linda Faulkner
Director, Filings Division
Public Service Commission of Kentucky

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President CEO
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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT OF RATES	)))	CASE NO. 2011-00036

CERTIFICATE

I, Kathy Gillum, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on July 26, 2011;

2. I am responsible for the preparation of the digital recording;

3. The digital recording accurately and correctly depicts the hearing;

4. The "Exhibit List" attached to this Certificate correctly lists all exhibits introduced at the hearing of July 26, 2011. The hearing was recorded in 3 segments, July 26, 2011, July 27, 2011 and July 28, 2011 separately.

5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of July 26, 2011, (excluding any confidential segments) and the time at which each occurred.

Given this 9th day of August, 2011.

Kathy Gillum

Kathy Gillum, Notary Public
State at Large

My commission expires: Sept 3, 2013

Case History Log Report

Case Number: 2011-00036_26Jul11

Case Title: Big Rivers Electric Corporation
Case Type: General Rates
Department:
Plaintiff:
Prosecution:
Defendant:
Defense:

Date: 7/26/2011

Location: Default Location
Judge: David Armstrong, Jim Gardner, Charles Borders
Clerk: Kathy Gillum
Bailiff:

Event Time	Log Event	
10:04:48 AM	Case Started	
10:04:54 AM	Preliminary Remarks	
10:05:27 AM	Introductions	
	Note: Kathy Gillum	James Miller, Tyson Kamuf, Doug Beresford, Big Rivers; Lawrence Cook, Dennis Howard, OAG; Mike Kurtz, David Brown, KIUC; Melissa Yates, Jackson Purchase; Ted Kelly ; Kenergy, Chris Hopgood,; Richard Raff PSC. Public Notice has been given and filed with the Commission.
10:07:41 AM	Housekeeping Issues Discussed	
	Note: Kathy Gillum	Motion for Confidential Treatment; June 29th Mot for Deviation, (which Raff stated would be done in a separate Order); July 1st KIUC Moved to Amend Testimonies of King, Kollen and Baron, Mike Kurtz explains. Richard Raff states that the Motions are appropriate to grant from the bench as they are of a routine nature and the Confidentiality Motions will be dealt with by letter.
10:10:07 AM	No Public Comments	
10:10:23 AM	James Miller (Big Rivers)	
	Note: Kathy Gillum	Mr. Wolfram will file a revision to his testimony (Wolfram Rebuttal No. 1). Asks to pass it out now prior to putting in the record. No objections.
10:11:50 AM	Larry Cook (OAG)	
	Note: Kathy Gillum	Asks Commission if KIUC can cross exam first then the OAG. No Objections from parties.
10:12:23 AM	Witness, Mark Bailey (Big Rivers)	
	Note: Kathy Gillum	Witness called to testify by James Miller.
10:13:27 AM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding MFIR.
10:16:04 AM	Exhibit KIUC 1	
	Note: Kathy Gillum	Exhibit introduced by Mike Kurtz and marked as KIUC Exhibit 1. (Exhibit: Document titled, "United States Department of Agriculture Operating Report - Financial")
10:16:22 AM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Questions regarding

10:17:55 AM	Data Request (KIUC)	
	Note: Kathy Gillum	Data Request: When July actual financial information is finished, provide a copy.
10:18:29 AM	Examination by Mike Kurtz (KIUC) continues	
10:18:52 AM	Richard Raff (PSC)	
	Note: Kathy Gillum	Mr. Raff States that the Suspension ends September 1, 2011.
10:19:23 AM	James Miller (Big Rivers)	
	Note: Kathy Gillum	Mr. Miller states that it would be August 25th when the information is available.
10:19:45 AM	Richard Raff (PSC)	
	Note: Kathy Gillum	Mr. Raff states that the Order has to be issued September 1st.
10:20:02 AM	Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Mr. Kurtz states that the June numbers might be more preferable.
10:20:24 AM	Chairman Armstrong	
	Note: Kathy Gillum	Discussion was held between Chairman and Mr. Raff.
10:20:39 AM	Richard Raff (PSC)	
10:21:20 AM	Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Mr. Kurtz states that it would be helpful for Big Rivers to submit preliminary July numbers that would be available before the end of August.
10:21:47 AM	Objection by James Miller (Big Rivers)	
	Note: Kathy Gillum	Mr. Miller objects to providing incomplete numbers.
10:22:02 AM	Mike Kurtz (KIUC)	
	Note: Kathy Gillum	States that preliminary numbers are more reliable than forecasts.
10:22:32 AM	Chairman Armstrong	
	Note: Kathy Gillum	Chairman states that the Commission will take it under submission until close of this hearing..
10:23:06 AM	Exhibit KIUC 2	
	Note: Kathy Gillum	Exhibit introduced by Mike Kurtz and marked as KIUC Exhibit 2. (Exhibit: Document titled, "2010 Retooling for the Future")
10:23:22 AM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Questions regarding page 9 of Exhibit (KIUC) 2. Questions regarding page 6. Questions regarding Rebuttal Testimony pertaining to earnings.
10:12:24 AM	Examination by James Miller (Big Rivers)	
	Note: Kathy Gillum	Qualification of witness by James Miller. Witness adopts pre-filed testimony.
10:28:33 AM	Exhibit KIUC 3	
	Note: Kathy Gillum	Exhibit introduced by Mike Kurtz and marked as KIUC Exhibit 3. (Exhibit: Document titled, "Reconciliation of Revenue Requirement for 12 Months Ended October 31, 2010")
10:29:29 AM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Questions regarding pro-forma adjustments.
10:31:19 AM	Objection by James Miller (Big Rivers)	
	Note: Kathy Gillum	Mr. Miller states that Mr. Kurtz is cross examining the witness on an Exhibit that the witness did not prepare.
10:31:30 AM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Questions regarding rate making procedures. Questions regarding Model. Questions regarding Rebuttal Testimony pertaining to MFIR.
10:34:07 AM	Exhibit KIUC 4	
	Note: Kathy Gillum	Exhibit introduced by Mike Kurtz and marked as KIUC Exhibit 4. (Exhibit: Document titled, "Indenture dated as of July 1, 2009" (Big Rivers to U.S. Bank National Assoc.)

10:34:57 AM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Questions regarding KIUC Exhibit 4. Questions regarding last page of Exhibit 4. Questions regarding potential default and\or bankruptcy.
10:40:29 AM	Commissioner Gardner	
	Note: Kathy Gillum	Asks witness to clarify Bullett.
10:40:57 AM	Examination by Mike Kurtz (KIUC) continues	
10:41:23 AM	Exhibit KIUC 5	
	Note: Kathy Gillum	Exhibit introduced by Mike Kurtz and marked as KIUC Exhibit 5. (Exhibit: Document titled, "Amended and Consolidated Loan Contract dated July 16, 2009")
10:41:37 AM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding KIUC Exhibit 5.
10:42:13 AM	James Miller (Big Rivers)	
	Note: Kathy Gillum	Mr. Miller asks which document Mr. Kurtz is referring to.
10:42:50 AM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Questions regarding Page 2 and 3 of KIUC Exhibit 5. Questions regarding Rebuttal Testimony, page 7, lines 14 and over to next page. Questions regarding page 4 of KIUC Exhibit 5 pertaining to credit rating (Section 4.23).
10:49:43 AM	Exhibit KIUC 6	
	Note: Kathy Gillum	Exhibit introduced by Mike Kurtz and marked as KIUC Exhibit 6. (Exhibit: Document titled, "Big Rivers Electric Corporation Case No. 2011-00036 Historical Test Period Filing Requirements" (Prospectuses of the most recent stock or bond offerings)
10:50:57 AM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Questions regarding page 5 of KIUC Exhibit 6.
10:52:06 AM	James Miller (Big Rivers)	
	Note: Kathy Gillum	Mr. Miller asks that Mr. Kurtz refer the witness to the section and document that he is questioning the witness on.
10:52:17 AM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Mr. Kurtz states Page 7. Questions regarding page 4 of KIUC Exhibit 6. Questions regarding reserve accounts. Questions regarding page 8, line 11 of Rebuttal Testimony. Questions regarding page 9, lines 18-21 of Rebuttal Testimony. Questions regarding page 10, lines 7-12 of Rebuttal Testimony.
11:14:32 AM	Exhibit KIUC 7	
	Note: Kathy Gillum	Exhibit introduced by Mike Kurtz and marked as KIUC Exhibit 7. (Exhibit: Document titled, "Big Rivers Electric Corporation Case No. 2011-00036 Historical Test Period Filing Requirements" (Statement regarding customer notice)
11:15:22 AM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Questions regarding page 2 of KIUC Exhibit 7. Questions regarding page 11 of /Rebuttal Testimony.
11:23:08 AM	Objection by James Miller (Big Rivers)	
	Note: Kathy Gillum	Mr. Miller states that "calls for seuth-saying"
11:23:22 AM	Mike Kurtz withdraws question	
	Note: Kathy Gillum	Mr. Kurtz states that he withdraws the question objected to.
11:23:35 AM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Questions regarding page 12, lines 10-18 of Rebuttal Testimony.
11:25:51 AM	Objection by James Miller (Big Rivers)	
	Note: Kathy Gillum	Objection: asks for a legal opinion
11:25:58 AM	Chairman Armstrong	
	Note: Kathy Gillum	States that the witness can answer if he knows.

11:26:04 AM	Statement by Witness (Bailey)	
	Note: Kathy Gillum	Witness states that he would have to refer.
11:26:11 AM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Mr. Kurtz passes document to witness (Alcan Contract) for examination.
11:27:48 AM	Objection by James Miller (Big Rivers	
	Note: Kathy Gillum	Objection: Assumption not in the record.
11:28:06 AM	Chairman Armstrong	
	Note: Kathy Gillum	Sustained
11:28:17 AM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Questions regarding Page 15, line 4 of Rebuttal Testimony. Questions regarding credit rating reports.
11:38:45 AM	Examination by Larry Cook (OAG)	
	Note: Kathy Gillum	Mr. Cook asks for a quick recess to confer with counsel. Chairman Armstrong granted a 10 minute recess.
11:39:09 AM	Case Recessed	
11:48:44 AM	Case Started	
11:48:53 AM	Case Recessed	
11:50:42 AM	Case Started	
11:50:50 AM	Examination by Larry Cook (OAG) continues	
	Note: Kathy Gillum	Questions regarding Data Requests pertaining to the salaries of Big Rivers. (questions from hand-out). Denial of Confidentiality and withdrawal of Petition.
11:53:03 AM	Exhibit OAG 1	
	Note: Kathy Gillum	Exhibit introduced by Larry Cook and marked as OAG Exhibit 1. (Exhibit: Document titled, "Salaries and Other Compensation of each Executive Officer"). No objections.
11:53:54 AM	Examination by Larry Cook (OAG) continues	
	Note: Kathy Gillum	Questions regarding OAG Exhibit 1 (Salaries and Compensation of Executive Officer). Questions regarding why confidentiality was sought for this information. Questions regarding page 5 of OAG Exhibit 1. Questions regarding the Reed Plant. Questions regarding new EPA regulations. Questions regarding cost benefit analysis pertaining to retiring plants. Questions regarding DSM portion of the filing. Questions regarding cost recovery.
12:09:41 PM	Examination by Richard Raff (PSC)	
	Note: Kathy Gillum	Questions regarding OAG Exhibit 1 pertaining to increase in witness' salary. Questions regarding financial impact if it cannot achieve its level of Tier. Questions regarding page 9 and top of page 10 of Rebuttal Testimony. Questions regarding page 10, lines 9 and 10 of Rebuttal Testimony. Questions regarding page 17, lines 15-20 of Rebuttal Testimony. Questions regarding impact resulting from membership in MISO. Questions regarding Smelter contract negotiations. Questions regarding LICX.
12:30:51 PM	Questions by Commissioner Gardner	
	Note: Kathy Gillum	Questions regarding range of wholesale prices. Questions regarding page 17 of Rebuttal Testimony. Questions regarding planning reserve margin. Questions regarding modeling. Questions regarding page 5, lines 10-14 of Direct Testimony. MRSM discussed. Questions regarding page 10 pertaining to the EPA regulations. Questions regarding additional employees hired. Questions regarding salary increases during the test period.

12:58:38 PM	Questions by Commissioner Borders	
	Note: Kathy Gillum	Questions regarding KIUC Exhibit 1 for clarification. Questions regarding "potential bankruptcy" clarification. Questions regarding page 11 of Rebuttal Testimony. Questions regarding what if a smelter closed.
1:12:32 PM	Re-direct by Richard Raff (PSC)	
	Note: Kathy Gillum	Questions regarding Big Rivers' Annual Report, page 6, left hand column, last sentence of that column.
1:15:23 PM	Witness Excused (Bailey)	
1:15:43 PM	Mike Kurtz (KIUC)	
1:15:54 PM	Lunch Break	
1:16:18 PM	Case Recessed	
2:17:25 PM	Case Started	
2:17:46 PM	Case Recessed	
2:19:29 PM	Witness, C. William Blackburn (Big Rivers)	
	Note: Kathy Gillum	Witness called to testify by James Miller.
2:19:19 PM	Case Started	
2:19:49 PM	Examination by James Miller (Big Rivers)	
	Note: Kathy Gillum	Qualification of witness by James Miller. Witness adopts pre-filed testimony.
2:20:24 PM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding the Indenture. Questions regarding MFIR. Questions regarding off-system sales profits. Witness offers an explanation of Big Rivers as connected to MISO. Questions regarding re-financing.
2:29:56 PM	James Miller (Big Rivers)	
	Note: Kathy Gillum	Mr. Miller asks, "Could we put that in front of the witness if you are going to cross exam him on someone else's testimony".
2:30:31 PM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Witness was provided a copy of document. Questions regarding document provided. Questions regarding improving their margins.
2:37:08 PM	Objection by James Miller (Big Rivers)	
	Note: Kathy Gillum	Objection: Mr. Miller states that the witness should not be asked to opine on the motivation of KIUC.
2:37:16 PM	Mike Kurtz (KIUC) withdraws question	
2:37:55 PM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Questions regarding page 11 regarding line of credit. Questions regarding Big Rivers non ability to borrow funds from other vendors. Questions regarding page 13, line 16 of Rebuttal Testimony. Questions regarding cash and cash equivilents. Questions regarding page 14, line 15 of Rebuttal Testimony. Questions regarding KIUC Exhibit 3. Questions regarding KIUC Exhibit No. 7
2:56:49 PM	Objection by James Miller (Big Rivers)	
	Note: Kathy Gillum	Objection: Witness has not testified that Big Rivers put notice in the newspaper.
2:56:59 PM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding rate reduction for the smelters.
3:03:02 PM	Case Recessed	
3:04:25 PM	Case Resumed	
3:09:58 PM	Case Recessed	
3:10:06 PM	Case Resumed	

3:10:21 PM	Exhibit KIUC 9	
	Note: Kathy Gillum	Introduced by Mike Kurtz and marked as KIUC Exhibit 9. (Exhibit: Document titled, " Response to Commission Staff's Initial Request for Information dated February 18, 2011). Questions regarding page 6, KIUC Item 1. Questions regarding Page 8. Questions regarding page 2 of Response to DR. Questions regarding page 14, and page 17 of KIUC Exhibit 9.
3:04:43 PM	Exhibit KIUC 8 (Confidential)	
	Note: Kathy Gillum	Exhibit introduced by Mike Kurtz and marked as Confidential KIUC Exhibit 8.
	Note: Kathy Gillum	Hearing went into private mode for confidential materials.
3:25:40 PM	Exhibit KIUC 10	
	Note: Kathy Gillum	Exhibit introduced by Mike Kurtz and marked as KIUC Exhibit 10. (Exhibit: Document titled, "Big Rivers' Members provide some of the lowest cost residential electricity in the nation").
3:25:51 PM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Questions regarding KIUC Exhibit 10, page 2 of 6. Questions regarding page 5 of 6. Questions regarding cost of service differences.
3:31:11 PM	Exhibit KIUC 11	
	Note: Kathy Gillum	Exhibit introduced by Mike Kurtz and marked as KIUC Exhibit 11. (Exhibit: Document titled, "Response to the KIUC Initial Request for Information dated April 1, 2011").
3:31:54 PM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Questions regarding KIUC Exhibit 11.
3:38:39 PM	Commissioner Gardner	
	Note: Kathy Gillum	Commissioner Gardner asked what year the documents were prepared. Witness answered 2009.
3:39:14 PM	Examination by Larry Cook (OAG)	
	Note: Kathy Gillum	Questions regarding credit rating. Questions regarding risks under default. Witness gives explanation as to what a securization program is. Questions regarding other programs that would not impact the balance sheet. Questions regarding possible sale of generation plants. Question regarding PJM. Question regarding why Big Rivers is opposed to KIUC's suggestion.
3:54:05 PM	Examination by Richard Raff (PSC)	
	Note: Kathy Gillum	Questions regarding PJM. Questions regarding KIUC Exhibit 11. Questions regarding special contract customers (smelters). Questions regarding Direct Testimony page 27. Questions regarding page 3, lines 4-8 of Direct Testimony. Questions regarding page 33, line 15 of Direct Testimony pertaining to DSM. Questions regarding reduction of new generating capacity,
4:15:32 PM	Questions by Commissioner Gardner	
	Note: Kathy Gillum	Questions regarding various financial transactions previously testified to. Questions regarding KIUC Exhibit 2, page 6. Questions regarding Direct Testimony. Questions regading Page 17, lines 20 and 21 of Direct Testimony. Witness explains financial modelling and collapse of off-season sales prices. Questions regarding the June and July financial statements.
4:26:58 PM	Data Request by Commissioner Gardner	
	Note: Kathy Gillum	Requests the June financial statement, and the July statement when it is completed.
4:28:29 PM	Questions by Commissioner Gardner	
	Note: Kathy Gillum	Questions regarding KIUC Exhibit 3. (it was stated Big Rivers Exhibit 3, should be KIUC Exhibit 3)

4:30:26 PM	James Miller (Big Rivers)	
	Note: Kathy Gillum	James Miller clarifies that the Exhibit is KIUC Exhibit 3, not Big Rivers Exhibit 3. Correction is made by Commissioner Gardner.
4:30:35 PM	Questions by Commissioner Gardner	
	Note: Kathy Gillum	Questions regarding DSM. Questions regarding KIUC Exhibit 9. Questions regarding the Mac Rule. Questions regarding lines of credit and borrowing.
4:38:27 PM	Questions by Commissioner Borders	
	Note: Kathy Gillum	Questions regarding DSM programs. Questions regarding customer benefit if the smelters ceased to exist.
4:45:44 PM	Questions by Commissioner Gardner	
	Note: Kathy Gillum	Questions regarding KIUC Exhibit 9.
4:46:27 PM	Data Request by Commissioner Gardner	
	Note: Kathy Gillum	Commissioner Gardner requested an Update of Pilots and number of participants referred to in KIUC Exhibit 9.
4:47:51 PM	Re-Direct by James Miller (Big Rivers)	
	Note: Kathy Gillum	Questions regarding Big Rivers assisting smelters at their request. Questions regarding KIUC Exhibit 11. Questions regarding depreciation expense. Questions regarding retiring assets prior to its depreciation rate. Questions regarding the May positive results. Questions regarding KIUC Exhibit 1 pertaining to temporary investments. Questions regarding patronage capital.
5:02:50 PM	Examination by Larry Cook (OAG)	
	Note: Kathy Gillum	Questions regarding DSM program. Mr. Cook asked witness if he knew of any California tests that had been conducted.
5:03:33 PM	Data Request by Larry Cook (OAG)	
	Note: Kathy Gillum	Mr. Cook wanted to expand the previous data request for the witness to determine if any tests have been made and if so, provide those to the parties.
5:03:47 PM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding Mr. Hite's testimony.
5:05:28 PM	Examination by Richard Raff (PSC)	
	Note: Kathy Gillum	Questions regarding KIUC Exhibit 2 pertaining to how figure was calculated.
5:07:09 PM	Witness Excused (Blackburn)	
5:08:08 PM	Witness, David Crockett (Big Rivers)	
	Note: Kathy Gillum	Witness called to testify by James Miller.
5:08:55 PM	EXamination by James Miller (Big Rivers)	
	Note: Kathy Gillum	Qualification of witness by James Miller. Witness adopts pre-filed testimony and responses to DRs.
5:09:39 PM	Examination by Larry Cook (OAG)	
	Note: Kathy Gillum	Questions regarding MISO payments or reconciliation payments. Questions regarding reimbursement from MISO. Questions regarding multi-valued projects.
5:15:49 PM	Examination by Richard Raff (PSC)	
	Note: Kathy Gillum	Questions regading the Phase II transmission Project. Questions regarding why project might not meet its target date.
5:25:34 PM	Questions by Commissioner Borders	
	Note: Kathy Gillum	Questions regarding benefits of membership with MISO.
5:27:10 PM	Witness Excused (Crockett)	
5:27:47 PM	Case Recessed	
5:27:34 PM	Chairman Armstrong	
	Note: Kathy Gillum	Hearing Adjourned for day, to be reconvened the next day (July 27, 2011).

Exhibit List Report

Case Number: 2011-00036_26Jul11

Case Title: Big Rivers Electric Corporation
Department:
Plaintiff:
Prosecution:
Defendant:
Defense:

Name	Description
KIUC Exhibit 1	Document titled, "United States Department of Agriculture Operating Report - Financial".
KIUC Exhibit 10	Document titled, "Big Rivers' Members provide some of the lowest cost residential electricity in the nation"
KIUC Exhibit 11	Document titled, " Response to the KIUC Initial Request for Information dated April 1, 2011"
KIUC Exhibit 2	Document titled, "2010 Retooling for the Future".
KIUC Exhibit 3	Document titled, "Reconciliation of Revenue Requirement for 12 Months Ended October 31, 2010"
KIUC Exhibit 4	Document titled, "Indenture dated as of July 1, 2009" (Big Rivers to U.S. Bank National Assoc.)
KIUC Exhibit 5	Document titled, "Amended and Consolidated Loan Contract dated July 16, 2009".
KIUC Exhibit 6	Document titled, "Big Rivers Electric Corporation Case No. 2011-00036 Historical Test Period Filing Requirements" (Prospectuses of the most recent stock or bond offerings)
KIUC Exhibit 7	Document titled, "Big Rivers Electric Corporation Case No. 2011-00036 Historical Test Period Filing Requirements" (Statement regarding customer notice)
KIUC Exhibit 8 (Confidential Materials)	
KIUC Exhibit 9	Document titled, "Response to Commission Staff's Initial Request for Information dated February 18, 2011"
OAG Exhibit 1	Document titled, "Salaries and other Compensation of each Executive Officer"

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT OF RATES	) CASE NO. 2011-00036

CERTIFICATE

I, Kathy Gillum, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on July 27, 2011;

2. I am responsible for the preparation of the digital recording;

3. The digital recording accurately and correctly depicts the hearing;

4. The "Exhibit List" attached to this Certificate correctly lists all exhibits introduced at the hearing of July 27, 2011. The hearing was recorded in 3 segments, July 26, 2011, July 27, 2011 and July 28, 2011 separately.

5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of July 27, 2011, (excluding any confidential segments) and the time at which each occurred.

Given this 9th day of August, 2011.

Kathy Gillum

Kathy Gillum, Notary Public
State at Large

My commission expires: Sept 3, 2013

Case History Log Report

Case Number: 2011-00036_27Jul11

Case Title: Big Rivers Electric Corporation
Case Type: General Rates
Department:
Plaintiff:
Prosecution:
Defendant:
Defense:

Date: 7/27/2011

Location: Default Location
Judge: David Armstrong, Jim Gardner, Charles Borders
Clerk: Kathy Gillum
Bailiff:

Event Time	Log Event	
10:05:34 AM	Case Started	
10:05:35 AM	Preliminary Remarks	
	Note: Kathy Gillum	All counsel present from previous day, with the exception of Dennis Howard OAG
10:06:15 AM	Witness, Alan Spen (Big Rivers)	
	Note: Kathy Gillum	Witness called to testify by James Miller.
10:06:49 AM	Examination by James Miller (Big Rivers)	
	Note: Kathy Gillum	Qualification of witness by James Miller. Witness adopts pre-filed testimony.
10:07:09 AM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding Page 5 of Rebuttal Testimony.
10:12:24 AM	Exhibit KIUC 12	
	Note: Kathy Gillum	Exhibit introduced by Mike Kurtz and marked as KIUC Exhibit 12. (Exhibit: Document titled, "Moody's Investors Service Report")
10:12:48 AM	Exhibit KIUC 13	
	Note: Kathy Gillum	Exhibit introduced by Mike Kurtz and marked as KIUC Exhibit 13. (Exhibit: Document titled, "Standard & Poors Global Credit Portal")
10:13:41 AM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Questions regarding KIUC Exhibit 12, page 3. Questions regarding page 4 of KIUC Exhibit 12. Questions regarding KIUC Exhibit 13, page 5. Witness points out to counsel page 4 of S&P Report. Questions regarding page 2 of KIUC Exhibit 13 concerning credit weaknesses 1 thru 5. Questions regarding page 6 regarding TVA. Questions regarding page 2 of KIUC Exhibit 13 concerning credit weaknesses No. 6, and page 3, credit weaknesses No. 7. Questions regarding KIUC Exhibit 12, page 2, regarding highlighted portion. Questions regarding KIUC Exhibit 12, page 3, 4 & 5.
10:43:50 AM	Objection by James Miller (Big Rivers)	
	Note: Kathy Gillum	Objection: Neither Mr. Bailey, nor Mr. Blackburn ever referred to the conditions of the loans.
10:44:01 AM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Questions regarding page 6 of KIUC Exhibit 12.

10:46:25 AM	Questions by Commissioner Gardner	
	Note: Kathy Gillum	Questions regarding clarification of earlier statement regarding "important rate case for Big Rivers". Questions regarding page 6, line 12 of Direct Testimony. Questions regarding risk factors. Questions regarding KIUC Exhibit 13. Questions regarding re-financing next year.
10:46:15 AM	Larry Cook, OAG	
	Note: Kathy Gillum	No questions.
10:46:20 AM	Richard Raff (PSC)	
	Note: Kathy Gillum	No questions.
10:55:40 AM	Questions by Commissioner Borders	
	Note: Kathy Gillum	Questions regarding credit evaluations by rating agencies.
11:01:45 AM	Witness Excused (Spen)	
	Note: Kathy Gillum	Witness excused by Chairman Armstrong. Mr. Spen requests to be released from hearing. No objections.
11:03:07 AM	Witness, Albert Yockey (Big Rivers)	
11:03:37 AM	Examination by Tyson Kamuf (Big Rivers)	
	Note: Kathy Gillum	Qualification of witness by Tyson Kamuf. Witness adopts pre-filed testimony.
11:04:22 AM	Questions by Commissioner Gardner	
	Note: Kathy Gillum	Questions regarding page 17, line 1 of Direct Testimony.
11:04:18 AM	Mike Kurtz (KIUC)	
	Note: Kathy Gillum	No questions.
11:04:20 AM	Larry Cook (OAG)	
	Note: Kathy Gillum	No questions.
11:04:21 AM	Richard Raff (PSC)	
	Note: Kathy Gillum	No questions.
11:10:51 AM	Witness Excused (Yockey)	
11:11:05 AM	Witness, John Wolfram (Big Rivers)	
	Note: Kathy Gillum	Witness called to testify by James Miller.
11:11:42 AM	Examination by James Miller (Big Rivers)	
	Note: Kathy Gillum	Qualification of witness by James Miller. Witness makes correction to his Rebuttal Testimony. Document is entered as Big Rivers Exhibit 1
11:12:49 AM	Exhibit Big Rivers 1	
	Note: Kathy Gillum	Exhibit introduced by James Miller and marked as Big Rivers Exhibit 1. (Exhibit: Document titled, "Exhibit Wolfram Rebuttal - 1 and Exhibit Wolfram Rebuttal - 2 Revised July 26, 2011")
11:13:12 AM	Examination by James Miller (Big Rivers) continues	
	Note: Kathy Gillum	Line 4, should be updated to reflect 12 months of actual data. $53,000.00 decrease to revenue deficiency. Page 1, line 16, adjustment (PSC 1-52), $1,500,000.00, difference of $200,000.00; Line 28, (PSC 2-50) $24,172.00 adjustment.
11:17:32 AM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding MISO. Questions regarding amortizations. Questions regarding Order issued in 2010-00523 denying referral.
11:24:00 AM	Larry Cook (OAG)	
	Note: Kathy Gillum	No questions.
11:24:05 AM	Examination by Richard Raff (PSC)	
	Note: Kathy Gillum	Questions regarding accounting adjustment to amortizations. Mr. Raff refers to the PSC case 2010-00523 referred to by Mike Kurtz. Mr. Raff provides a partial copy to the parties and witness. Questions regarding page 14 of hand-out, 1st partial paragraph at top of page.

11:29:46 AM	Questions by Commissioner Gardner	
	Note: Kathy Gillum	Questions regarding Big Rivers Exhibit 1. Questions regarding rate case expenses.
11:32:07 AM	Re-Cross by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding costs of this case.
11:32:47 AM	Commissioner Gardner	
11:32:55 AM	Statement by John Wolfram	
	Note: Kathy Gillum	Witness answers Commissioner's question to clarify.
11:33:01 AM	Re-Cross by Richard Raff (PSC)	
	Note: Kathy Gillum	Questions regarding the change in anticipated costs.
11:35:37 AM	Larry Cook (OAG)	
11:36:39 AM	Re-Direct by James Miller (Big Rivers)	
11:37:08 AM	Witness Excused (Wolfram)	
11:37:22 AM	Witness, Robert Berry (Big Rivers)	
	Note: Kathy Gillum	Witness called to testify by James Miller.
11:37:58 AM	Examination by James Miller (Big Rivers)	
	Note: Kathy Gillum	Qualification of witness by James Miller. Witness adopts pre-filed testimony.
11:38:37 AM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding KIUC 3, line 10 and 11. Questions regarding generating units as "must run" units.
11:40:58 AM	Examination by Larry Cook (OAG)	
	Note: Kathy Gillum	Questions regarding maintenance schedule, purchase power and forced outages.
11:43:18 AM	Examination by Richard Raff (PSC)	
	Note: Kathy Gillum	Questions regarding Exhibit 3 and response to Data Requests relating to inflation adjustments. Questions regarding page 5 of Rebuttal Testimony, line 20. Questions regarding budget development.
11:47:15 AM	Questions by Commissioner Gardner	
	Note: Kathy Gillum	Questions regarding prior work history. Questions regarding the quality of the generating units when Big Rivers took them over. Questions regarding the deferred maintenance, whether planned or not. Questions regarding amount of deferred maintenance in the test year, for 2010 and 2011. Commissioner Gardner asks witness to clarify why the planned maintenance did not occur during the test year. Questions regarding Coleman unit in relation to environmental regulations. Questions regarding Sgt. Lundy.
12:01:50 PM	Re-Direct by James Miller (Big Rivers)	
	Note: Kathy Gillum	Mr. Miller states that Commissioner Gardner had asked for the amount of deferred expenses in the test year, but he did not think any of the Big Rivers witnesses would be able to provide that information. Mr. Miller states that he could provide the info in a data request.
12:02:23 PM	Data Request by Commissioner Gardner	
	Note: Kathy Gillum	Mr. Gardner asked that the amount of deferred expenses in the test year be provided.
12:02:37 PM	Mike Kurtz (KIUC)	
	Note: Kathy Gillum	No questions.
12:02:43 PM	Larry Cook (OAG)	
	Note: Kathy Gillum	No questions.
12:02:49 PM	Witness Excused (Berry)	
12:03:34 PM	Case Recessed	

1:05:00 PM	Case Started	
1:05:05 PM	Witness, Ted Kelly (Big Rivers)	
	Note: Kathy Gillum	Called to testify by James Miller.
1:05:26 PM	Examination by James Miller (Big Rivers)	
	Note: Kathy Gillum	Qualification of witness by James Miller. Witness adopts pre-filed testimony.
1:06:10 PM	Examination by Mike Kurtz (KIUC)	
1:06:25 PM	Exhibit KIUC 14	
	Note: Kathy Gillum	Exhibit introduced by Mike Kurtz and marked as KIUC Exhibit 14. (Exhibit: Document titled, "Case No. 2011-00036, 2010 Depreciation Rate Study Summary").
1:06:47 PM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Questions regarding KIUC Exhibit 14.
1:11:00 PM	Exhibit KIUC 15	
	Note: Kathy Gillum	Exhibit introduced by Mike Kurtz and marked as KIUC Exhibit 15. (Exhibit: Document titled, "Report on the Comprehensive Depreciation Study")
1:11:27 PM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Questions regarding KIUC Exhibit 15. Questions regarding page 8 and 9 of KIUC Exhibit 15. Questions regarding page 12 of KIUC Exhibit 15. Questions regarding page 13 of KIUC Exhibit 15. Questions regarding page 14 of KIUC Exhibit 15. Questions regarding life expectancy of Wilson. Questions regarding comparisons of studies. Questions regarding depreciation expense.
12:02:44 PM	Richard Raff (PSC)	
	Note: Kathy Gillum	No questions.
1:30:49 PM	Larry Cook (OAG)	
	Note: Kathy Gillum	No Questions.
1:30:59 PM	Examination by Richard Raff (PSC)	
	Note: Kathy Gillum	Questions regarding page 14, line 10 and pages15 and 16 of Rebuttal Testimony.
1:32:40 PM	Questions by Commissioner Gardner	
	Note: Kathy Gillum	Questions regarding KIUC Exhibit 14 pertaining to reserve balance.
1:34:01 PM	Re-Direct by Jame Miller (Big Rivers)	
	Note: Kathy Gillum	Questions regarding updates.
1:35:17 PM	Re-Cross by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding depreciation studies in rate cases.
1:36:28 PM	Witness Excused (Kelly)	
1:36:39 PM	Witness, Mark Hite (Big Rivers)	
	Note: Kathy Gillum	Witness called to testify by James Miller.
1:37:07 PM	Case Recessed	
1:38:45 PM	Case Started	
1:39:01 PM	Examination by James Miller (Big Rivers)	
	Note: Kathy Gillum	Qualification of witness by James Miller. Witness adopts pre-filed testimony.
1:39:45 PM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding study.
1:40:14 PM	Exhibit KIUC 16	
	Note: Kathy Gillum	Exhibit introduced by Mike Kurtz and marked as KIUC Exhibit 16. (Exhibit: Document titled, "Attachment for Item KIUC 1-36", e-mails, etc.)

1:40:50 PM	Examination by Mike Kurtz (KIUC) continues	
	Note: Kathy Gillum	Questions regarding KIUC Exhibit 16. Questions regarding study coordination group. Questions regarding Page 5 of KIUC Exhibit 16. Questions regarding page 6 of KIUC Exhibit 16. Questions regarding page 11 of KIUC Exhibit 16. Questions regarding page 13 of KIUC Exhibit 16. Questions regarding page 15 of KIUC 16. Questions regarding page 17 of KIUC Exhibit 16. Questions regarding page 19 and 20 of KIUC Exhibit 16. Questions regarding page 23 and 24 of KIUC Exhibit 16. Questions regarding second to last page of KIUC Exhibit 16. Questions regarding Mr. Kelly's report.
1:59:08 PM	Larry Cook (OAG)	
	Note: Kathy Gillum	No questions.
1:59:13 PM	Examination by Richard Raff (PSC)	
	Note: Kathy Gillum	Questions regarding page 16, line 13 of Mr. Collins' testimony. Witness addresses the TIER adjustment charge first, then the inflation element. Questions regarding projected rate case expenses.
2:09:59 PM	Questions by Commissioner Gardner	
	Note: Kathy Gillum	Questions regarding depreciation study. Questions regarding KIUC Exhibit 3.
2:12:28 PM	Statement by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Mr. Kurtz clarifies amounts for Commissioner Gardner.
2:13:13 PM	Questions by Commissioner Gardner continues	
	Note: Kathy Gillum	Commissioner Gardner asks if the about the difference between the 2 positions.
2:14:51 PM	Questions by Commissioner Borders	
	Note: Kathy Gillum	Questions regarding TIER being above 1.24.
2:16:15 PM	Re-Direct by James Miller (Big Rivers)	
	Note: Kathy Gillum	Questions regarding contract TIER. Questions regarding out of state counsel and witnesses.
2:20:07 PM	Re-Cross by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding revenue requirements.
2:22:10 PM	Commissioner Gardner	
2:22:27 PM	Mike Kurtz (KIUC)	
2:22:33 PM	Witness Excused (Hite)	
2:22:41 PM	Witness, Steve Seelye (Big Rivers)	
	Note: Kathy Gillum	Witness called to testify by James Miller.
2:23:14 PM	Examination by James Miller (Big Rivers)	
	Note: Kathy Gillum	Qualification of witness by James Miller. Witness corrects page 25 of Direct Testimony, line 22, should be 2018; line 23 should be 2017; 2017 should be 2018; $3.55 should be $4.15; and 2017 should be 2018.
2:25:03 PM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding page 5, line 8 of Rebuttal Testimony. Questions regarding page 7 of Rebuttal Testimony. Questions regarding page 10 of Rebuttal Testimony. Questions regarding disposition of assets. Questions regarding TVA Co-op.
2:39:11 PM	Examination by Larry Cook (OAG)	
	Note: Kathy Gillum	Questions regarding rural class subsidy. Questions regarding temperature normalization.
2:41:53 PM	Examination by Richard Raff (PSC)	
	Note: Kathy Gillum	Questions regarding page 33 of Direct Testimony. Questions regarding the Rural Economic Reserve. Questions regarding page 37, lines 21-22 of Direct Testimony, and Exhibit 6, page 1.

2:45:47 PM	Data Request by Richard Raff (PSC)	
	Note: Kathy Gillum	Balance of the regulatory account.
2:45:55 PM	Examination by Richard Raff (PSC) continues	
	Note: Kathy Gillum	Questions regarding Exhibit 6, page 1 of 3. Questions regarding page 36, line 14 of Rebuttal Testimony. Questions regarding pages 46-49, of Rebuttal Testimony. Questions regarding page 48 of Rebuttal Testimony, line 13 thru 15 pertaining to non-recovery of the rates. Questions regarding cost recovery. Questions regarding the Rebuttal Testimony filed by Jack Gaines, page 5, line 4. Questions regarding Big Rivers' Tariff 23, Sheet No. 65. Mr. Raff passes document out to all parties and the witness. Questions regarding Sheet No. 66. Witness states that they can provide a response to question.
3:03:59 PM	Data Request by Richard Raff (PSC)	
	Note: Kathy Gillum	Explain why renewable energy charge should not be a stand alone charge and not apply to other tariff rates.
3:05:55 PM	Exhibit PSC 1	
	Note: Kathy Gillum	Exhibit introduced by Richard Raff and marked as PSC Exhibit 1. (Exhibit: Big Rivers' Tariff 23, Sheets 65 and 66).
3:06:13 PM	Questions by Commissioner Gardner	
	Note: Kathy Gillum	Questions regarding setting the TIER adjustment rates. Questions regarding rate of return, base rates, and subsidies. Questions regarding the increase to the classes percentage wise. Witness stated that it can be explained in Exhibit Seelye, page 6 (or KIUC Exhibit 7). Commissioner Gardner asks a follow-up on question from OAG regarding GDS adjustment. Questions regarding IRP, Appendix A, page 17. Witness clarifies weather normalization adjustments.
3:23:25 PM	Questions by Commissioner Borders	
	Note: Kathy Gillum	Questions regarding proposed rate increase in regard to the smelters.
3:25:50 PM	Re-Cross by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding KIUC 3. Questions regarding KIUC 7 (Seelye Exh. 6). Witness explains that it is a historical test year, not a forecasted test year.
3:31:21 PM	Questions by Commissioner Gardner	
	Note: Kathy Gillum	Questions regarding the Exhibit (Seelye Exh. 6).
3:34:24 PM	Witness Excused (Seelye)	
3:34:42 PM	James Miller (Big Rivers)	
	Note: Kathy Gillum	Moves for the admission of Big Rivers Exhibit 1 into the record.
3:34:50 PM	Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Moves for the admission of all of KIUC Exhibits into the record.
3:34:57 PM	Richard Raff (PSC)	
	Note: Kathy Gillum	Moves for the admission of PSC Exhibit into the record.
3:35:04 PM	Chairman Armstrong	
	Note: Kathy Gillum	Chairman states, "So Ordered". The hearing is in recess for a 10 minute break.
3:35:37 PM	Case Recessed	
3:48:53 PM	Case Started	
3:49:00 PM	Witness, Jack Gaines (Kenergy)	
	Note: Kathy Gillum	Witness called to testify by J. Christopher Hopgood.

3:49:28 PM	Examination by Christopher Hopgood (Kenergy)	
	Note: Kathy Gillum	Qualification of witness. Corrections to JDG-1 and JDG-2, lines 48 and 49 on column E. Line 48, col. E zero should be the sum of B, C & D. Line 49 would be a net rate change of $26,644,077; line 51, col. E would be 6.17%. JDG-2 the same. Labeling errors, line 14, should be .80 ; line 34 should be 4.22%,
3:53:55 PM	Objection by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Objection: Mr. Kurtz states that this is a summary of the witness' testimony.
3:54:07 PM	Chris Hopgood (Kenergy)	
	Note: Kathy Gillum	Mr. Hopgood states that the testimony of Mr. Seelye had been heard and this was to explain the differences between his testimony and Mr. Gaines.
3:54:13 PM	Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Mr. Kurtz states that it is a summary of rebuttal or a summary of testimony.
3:54:25 PM	Chairman Armstrong	
	Note: Kathy Gillum	Chairman states that it seems like a summary of testimony.
3:54:33 PM	Chris Hopgood (Kenergy)	
	Note: Kathy Gillum	Mr. Hopgood passes the witness for cross examination.
3:54:49 PM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding involvement in rate case. Questions regarding the Smelter contracts. Questions regarding KIUC Exhibit 10.
4:00:20 PM	Larry Cook (OAG)	
	Note: Kathy Gillum	No questions.
4:00:26 PM	Examination by Richard Raff (PSC)	
	Note: Kathy Gillum	Questions regarding methodology.
4:01:15 PM	Data Request by Richard Raff (PSC)	
	Note: Kathy Gillum	Provide an electronic copy of revised Exhibits 1 and 2 to Rebuttal Testimony.
4:01:23 PM	Commissioner Gardner	
	Note: Kathy Gillum	No questions.
4:01:41 PM	Statement by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Mr. Kurtz would like to guard against friendly cross examinations between Kenergy and Jackson Purchase.
4:02:11 PM	Melissa Yates (Jackson Purchase)	
	Note: Kathy Gillum	Ms. Yates states that Mr. Gaines has not been hired by Jackson Purchase.
4:02:29 PM	Examination by Melissa Yates (Jackson Purchase)	
	Note: Kathy Gillum	Questions regarding the differences in the cost of service studies.
4:04:28 PM	Mike Kurtz (KIUC) moves to strike	
	Note: Kathy Gillum	Moves to strike the last question and answer, explains grounds based on friendly cross.
4:05:38 PM	Chris Hopgood (Kenergy)	
	Note: Kathy Gillum	Rebutts Mike Kurtz.
4:06:35 PM	Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Discussion of objection continues.
4:06:42 PM	Melissa Yates (Jackson Purchase)	
	Note: Kathy Gillum	Discussion of objection continues.
4:06:50 PM	James Miller (Big Rivers)	
	Note: Kathy Gillum	Mr. Miller states that Mr. Gaines did not work on the cost of study with Big Rivers.

4:07:18 PM	Chairman Armstrong	
	Note: Kathy Gillum	Chairman Armstrong states he will allow Ms. Yates to proceed for time being.
4:07:32 PM	Examination by Melissa Yates (Jackson Purchase)	
	Note: Kathy Gillum	Questions regarding page 9 of testimony.
4:09:46 PM	Exhibit KIUC 17	
	Note: Kathy Gillum	Exhibit introduced by Mike Kurtz and marked as KIUC Exhibit 17. (Exhibit: Document titled, "Attachment to KIUC 1-42" (E-mails dated December 10, 2010)
4:10:25 PM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding KIUC Exhibit 17. Questions regarding cost of service study v. Mr. Seelye's cost of study.
4:16:31 PM	Larry Cook (OAG)	
	Note: Kathy Gillum	No questions.
4:16:36 PM	Richard Raff (PSC)	
	Note: Kathy Gillum	No questions.
4:16:43 PM	Questions by Commissioner Gardner	
	Note: Kathy Gillum	Witness explains to Commissioner Gardner that he has a document that would explain the answer better, if he could admit it to the record.
4:18:04 PM	Objection by Mike Kurtz	
	Note: Kathy Gillum	Mike Kurtz objects to the admission of Jackson Purchase's Exhibit 1
4:18:57 PM	Exhibit Jackson Purchase 1 (this exhibit has been stricken from record)	
	Note: Kathy Gillum	Exhibit introduced by Melissa Yates and marked as Jackson Purchase Exhibit 1
4:19:04 PM	Questions by Commissioner Gardner continues	
	Note: Kathy Gillum	Questions regarding differences between Seelye's cost of service and Gaines calculations.
4:18:53 PM	Chairman Armstrong	
	Note: Kathy Gillum	Chairman Armstrong states that he will allow it.
4:25:24 PM	Chairman Armstrong	
	Note: Kathy Gillum	Chairman asked the witness what he did on the calculations.
4:25:33 PM	Commissioner Gardner	
	Note: Kathy Gillum	Commissioner Gardner stated that he was not asking for the information that was provided in Jackson Purchase's Exhibit 1, and the Exhibit did not answer the questions that he asked, so he withdrew the question and stated that the Commission should Strike Jackson Purchase's Exhibit 1. Commission agreed.
4:26:15 PM	Larry Cook (OAG)	
	Note: Kathy Gillum	Mr. Cook asked if the Exhibit was struck from the record. The Commission confirmed that it was stricken.
4:26:26 PM	Chris Hopgood (Kenergy)	
	Note: Kathy Gillum	Questions regarding cost of service of the base rate.
4:27:08 PM	Witness Excused (Gaines)	
4:27:23 PM	Chris Hopgood (Kenergy)	
	Note: Kathy Gillum	States that his case is concluded.
4:27:31 PM	Mike Kurtz (KIUC)	
	Note: Kathy Gillum	States that he would call Mr. Baron. Mr. Kurtz also moves to admit KIUC Exhibit 17 .
4:27:52 PM	Witness, Stephen Baron (KIUC)	
	Note: Kathy Gillum	Witness called to testify by Mike Kurtz.

4:28:32 PM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Qualification of the witness by Mike Kurtz. Witness adopts pre-filed testimony.
4:28:44 PM	Examination by James Miller (Big Rivers)	
4:29:14 PM	Exhibit Big Rivers 2	
	Note: Kathy Gillum	Exhibit introduced by James Miller and marked as Big Rivers Exhibit 2. (Exhbit: Document titled, "Stephen J. Baron, page 6) (exerpt from pre-filed testimony)
4:30:14 PM	Examination by James Miller (Big Rivers) continues	
	Note: Kathy Gillum	Questions regarding handout (Big Rivers Exhibit 2). Questions regarding measuring subsidies. Questions regarding rates of return. Questions regarding the smelter rates.
4:47:01 PM	Examination by Chris Hopgood (Kenergy)	
	Note: Kathy Gillum	Questions regarding differences in Mr. Gaines' methodology and the witnesses. Questions regarding cost of service. Questions regarding Supplemental Testimony by witness. Questions regarding revenue requirements.
5:03:58 PM	Examination by Larry Cook (OAG)	
	Note: Kathy Gillum	Questions regarding rate subsidies.
5:08:26 PM	Examination by Richard Raff (PSC)	
	Note: Kathy Gillum	Questions regarding cost of service study. Questions regarding 6CP v. 12CP Methodology.
5:23:22 PM	Questions by Commissioner Gardner	
	Note: Kathy Gillum	Questions regarding cost of service studies.
5:27:04 PM	Questions by Commissioner Borders	
	Note: Kathy Gillum	Questions relating to if the witness thinks the smelters is being treated unfairly.
5:38:22 PM	Re-Direct by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding rate increase.
5:43:39 PM	Objection by James Miller (Big Rivers)	
	Note: Kathy Gillum	Objection: Witness summarizing testimony.
5:43:51 PM	Objection Overruled	
	Note: Kathy Gillum	Chairman Armstrong overruled objection.
5:44:25 PM	Witness Excused (Baron)	
5:44:54 PM	Chairman Armstrong	
	Note: Kathy Gillum	States that hearing is adjourned for the day, will reconvene tomorrow (7-28-11) at 10:00 a.m.
5:45:06 PM	Case Recessed	
5:45:33 PM	Case Stopped	

Exhibit List Report

Case Number: 2011-00036_27Jul11

Case Title: Big Rivers Electric Corporation
Department:
Plaintiff:
Prosecution:
Defendant:
Defense:

Name	Description
Big Rivers Exhibit 1	Document titled, "Exhibit Wolfram Rebuttal - 1 and Exhibit Wolfram Rebuttal - 2 Revised July 26, 2011"
Big Rivers Exhibit 2	Document titled, "Stephen J. Baron, page 6)(exerpt from pre-filed testimony)
KIUC Exhibit 12	Document titled, "Moody's Investors Service Report"
KIUC Exhibit 13	Document titled, "Standard & Poors Global Credit Portal"
KIUC Exhibit 14	Document titled, "Case No. 2011-00036, 2010 Depreciation Rate Study Summary"
KIUC Exhibit 15	Document titled, "Report on the Comprehensive Depreciation Study"
KIUC Exhibit 16	Document titled, "Attachment for Item KIUC 1-36", e-mails, etc.
KIUC Exhibit 17	Document titled, "Attachment to KIUC 1-42" (E-mails dated December 10, 2010)
PSC Exhibit 1	Big Rivers' Tariff 23, Sheets 65 and 66

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT OF RATES	)))	CASE NO. 2011-00036

CERTIFICATE

I, Kathy Gillum, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on July 28, 2011;

2. I am responsible for the preparation of the digital recording;

3. The digital recording accurately and correctly depicts the hearing;

4. The "Exhibit List" attached to this Certificate correctly lists all exhibits introduced at the hearing of July 28, 2011. The hearing was recorded in 3 segments, July 26, 2011, July 27, 2011 and July 28, 2011 separately.

5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of July 28, 2011, (excluding any confidential segments) and the time at which each occurred.

Given this 9th day of August, 2011.

Kathy Gillum

Kathy Gillum, Notary Public
State at Large

My commission expires: Sept 3, 2013

Case History Log Report

Case Number: 2011-00036_28Jul11

Case Title: Big Rivers Electric Corporation
Case Type: General Rates
Department:
Plaintiff:
Prosecution:
Defendant:
Defense:

Date: 7/28/2011

Location: Default Location
Judge: David Armstrong, Jim Gardner, Charles Borders
Clerk: Kathy Gillum
Bailiff:

Event Time	Log Event	
10:04:03 AM	Case Started	
10:04:14 AM	Preliminary Remarks	
10:04:19 AM	Witness, Gene Strong (KIUC)	
	Note: Kathy Gillum	Witness called to testify by Mike Kurtz.
10:04:48 AM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Qualification of witness by Mike Kurtz. Witness adopts pre-filed testimony.
10:05:23 AM	Examination by James Miller (Big Rivers)	
	Note: Kathy Gillum	Witness states that he is independent and not here to support any particular party's rates. Questions regarding aluminium market. Questions regarding Economy Development Cabinet. Questions regarding loss of smelter impact. Questions regarding whether or not there were programs to retain smelters. Questions regarding job losses in Henderson.
10:17:36 AM	Examination by Larry Cook (OAG)	
	Note: Kathy Gillum	Questions regarding economic conditions. Questions regarding Kentucky's ability to attract industry.
10:19:57 AM	Examination by Richard Raff (PSC)	
	Note: Kathy Gillum	Questions regarding witness' purpose of testifying. Witness states that he developed his testimony on his own from the econ. dev. website. Questions regarding closure of smelters. Questions regarding the number of jobs that the smelters produce. Questions regarding cost of power on a specific industry.
10:25:38 AM	Chris Hopgood (Kenergy)	
	Note: Kathy Gillum	No questions.
10:25:45 AM	Examination by Melissa Yates (Jackson Purchase)	
	Note: Kathy Gillum	Questions regarding closing of the smelters and the impact to the economy. Questions regarding the impact on local businesses if rates are increased.
10:27:45 AM	Commissioner Borders	
	Note: Kathy Gillum	Questions regarding the recourses available to assist in economic development.

10:32:50 AM	Re-Direct by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding wage levels. Questions regarding recruitment of manufacturing companies. Questions regarding current conditions. Witness states that he would like to correct something asked previously. Witness states that he received a phone call from someone at Alcan, who gave him the info on salary info.
10:37:54 AM	Re-Cross by Larry Cook (OAG)	
	Note: Kathy Gillum	Questions regarding contribution to the State Government's budget.
10:39:21 AM	Re-Cross by Richard Raff (PSC)	
	Note: Kathy Gillum	Questions regarding school taxes. Witness states his opinion as to the benefit of incentives.
10:46:35 AM	Re-Cross by James Miller (Big Rivers)	
	Note: Kathy Gillum	Mr. Miller asked witness if he had examined the financial statements of the smelters.
10:46:52 AM	Witness Excused (Strong)	
10:47:05 AM	Witness, Charles King (KIUC)	
	Note: Kathy Gillum	Witness called to testify by Mike Kurtz.
10:48:00 AM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Qualification of witness by Mike Kurtz. Witness adopts pre-filed testimony with corrections to page 6, line 12, strike the word gas.; page 10, line 10, reference should be to sch 4, not 3; the second schedule should be labelled 3, not 2.
10:49:56 AM	Examination by James Miller (Big Rivers)	
	Note: Kathy Gillum	Questions regarding who witness was retained by. Questions regarding when witness' firm became involved in the depreciation study. Questions regarding recommendations to depreciation study.
10:53:11 AM	Larry Cook (OAG)	
	Note: Kathy Gillum	No questions.
10:53:16 AM	Richard Raff (PSC)	
	Note: Kathy Gillum	No questions.
10:53:22 AM	Questions by Commissioner Gardner	
	Note: Kathy Gillum	Questions regarding witness' study v. Burns & McDonald study.
10:57:36 AM	Questions by Commissioner Borders	
	Note: Kathy Gillum	Questions regarding retirement of plants.
11:00:02 AM	Re-Cross by James Miller (Big Rivers)	
	Note: Kathy Gillum	Questions regarding depreciation report.
10:59:03 AM	Mike Kurtz (KIUC)	
	Note: Kathy Gillum	No Re-Direct.
11:03:53 AM	Witness Excused (King)	
11:04:05 AM	Witness, Henry Fayne (KIUC)	
	Note: Kathy Gillum	Witness called to testify by Mike Kurtz.
11:04:37 AM	James Miller (Big Rivers)	
	Note: Kathy Gillum	Mr. Miller asks if Mr. Kelly can be excused and not subject to recall. Chairman grants.
11:05:22 AM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Qualification of witness by Mike Kurtz. Witness adopts pre-filed testimony.

11:05:36 AM	Examination by James Miller (Big Rivers)	
	Note: Kathy Gillum	Questions regarding Century's participation in the unwind. Questions regarding the smelter contracts. Questions regarding brief filed. Witness states that he is representing KIUC in this proceeding. Questions regarding page 11 of pre-filed testimony. Questions regarding long term solutions. Questions regarding page 10 of pre-filed testimony.
11:14:48 AM	Exhibit Big Rivers 3	
	Note: Kathy Gillum	Document introduced as Exhibit by James Miller and marked as Big Rivers Exhibit 3. (Exhibit: Document titled, "London Metal Exchange, LME Aluminium")
11:15:23 AM	Examination by James Miller (Big Rivers) continues	
	Note: Kathy Gillum	Questions regarding Big Rivers Exhibit 3. Questions regarding Big Rivers Exhibit 2 and page 13, line 15 of Direct Testimony. Questions regarding page 14, line 7 of Direct Testimony. Questions regarding in subparagraph (f) of Direct Testimony. Questions regarding B.R. Exhibit 2. Questions regarding cost of service relationship.
11:28:42 AM	Exhibit Big Rivers 4	
	Note: Kathy Gillum	Document introduced as Exhibit by James Miller, and marked as Big Rivers Exhibit 4. (Exhibit: Document exerpt known as Coordination Agreement)
11:28:58 AM	Examination by James Miller (Big Rivers) continues	
	Note: Kathy Gillum	Questions regarding Big Rivers Exhibit 4 (exerpt from Coordination Agreement).
11:34:20 AM	Exhibit Big Rivers 5	
	Note: Kathy Gillum	Document introduced by James Miller as Exhibit and marked as Big Rivers Exhibit 5. (Exhibit: Document titled, "Direct Testimony of Henry W. Fayne, dated January 25, 2008" in Case No. 2007-00455)
11:35:09 AM	Examination by James Miller (Big Rivers) continues	
	Note: Kathy Gillum	Questions regarding Big Rivers Exhibit 5 (Direct Testimony of witness dated 1-25-08 in Case No. 2007-00455). Questions regarding presentations of smelters regarding rates paid by smelters since the unwind.
11:45:55 AM	Lunch Break	
11:46:10 AM	Case Recessed	
1:52:34 PM	Case Started	
1:52:43 PM	Examination by James Miller (Big Rivers)	
	Note: Kathy Gillum	Examination of witness, Henry Fayne continues.
1:52:59 PM	Exhibit Big Rivers 6	
	Note: Kathy Gillum	Document introduced by James Miller and marked as Big Rivers Exhibit 6. (Exhibit: Document titled, "Intra-Agency Memorandum dated 2-19-08 in Case No. 2007-00455" with cover letter and attachments)
1:53:42 PM	Examination by James Miller (Big Rivers) continues	
	Note: Kathy Gillum	Questions regarding Big Rivers Exhibit 6. Questions regarding closing days of the unwind transaction.
2:00:31 PM	Larry Cook (OAG)	
	Note: Kathy Gillum	No questions.

2:00:38 PM	Examination by Richard Raff (PSC)	
	Note: Kathy Gillum	Questions regarding operations of smelters in Kentucky on a long term basis. Questions regarding page 11 of pre-filed testimony, lines 4-6. Questions regarding whether or not monies have been set aside by the smelters to carry them through when the price of aluminium is low.
2:19:40 PM	Questions by Commissioner Gardner	
	Note: Kathy Gillum	Questions regarding the Unwind Order. Refers to Page 16,
2:22:21 PM	Case Recessed	
2:22:34 PM	Case Resumed	
2:36:34 PM	Public Mode On	
2:37:01 PM	Questions by Commissioner Borders	
	Note: Kathy Gillum	Questions regarding possible short-fall. Witness states that there are 10 smelters in the U.S. Questions regarding cost of service. Questions regarding the patronage capital.
2:44:23 PM	Re-Direct by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding re-sale of power. Questions regarding percentage that the smelters were not compensated for. Questions regarding page 10 of testimony.
2:49:04 PM	Objection by James Miller (Big Rivers)	
	Note: Kathy Gillum	Objection: Mr. Miller states that Mr. Kurtz is leading.
2:49:30 PM	Richard Raff (PSC)	
	Note: Kathy Gillum	States that the witness has already answered the question.
2:50:08 PM	Chairman Armstrong	
	Note: Kathy Gillum	Chairman states that he would let Mr. Kurtz finish.
2:50:28 PM	Re-Direct by Mike Kurtz (Big Rivers) continues	
	Note: Kathy Gillum	Questions regarding TIER band.
2:54:15 PM	Larry Cook (OAG)	
	Note: Kathy Gillum	No questions.
2:54:21 PM	Examination by James Miller (Big Rivers)	
	Note: Kathy Gillum	Questions regarding setting revenue in an historical test year.
2:57:38 PM	Mike Kurtz (KIUC)	
	Note: Kathy Gillum	No questions.
2:57:43 PM	Richard Raff (PSC)	
	Note: Kathy Gillum	No questions.
2:57:49 PM	Witness Excused (Fayne)	
2:57:56 PM	Witness, Paul Coomes (KIUC)	
	Note: Kathy Gillum	Witness called to testify by Mike Kurtz. Mr. Kurtz requested to go off the record to straighten out the witness lineup.
2:58:48 PM	Case Recessed	
2:59:10 PM	Case Started	
2:59:19 PM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Qualification of witness by Mike Kurtz. Witness adopts pre-filed testimony.
2:59:30 PM	Examination by Doug Beresford (Big Rivers)	
	Note: Kathy Gillum	Questions regarding page 3 of pre-filed testimony. Questions regarding Lines 9 and 10 pertaining to taxes. Questions regarding Page 5 of pre-filed testimony. Questions regarding Page 6, line 1 of pre-filed testimony.
3:11:41 PM	Larry Cook (OAG)	
	Note: Kathy Gillum	No questions.
3:11:47 PM	Richard Raff (PSC)	
	Note: Kathy Gillum	No questions.

3:11:53 PM	Questions by Chairman Armstrong	
	Note: Kathy Gillum	Questions regarding loss of 1,200 jobs to the area.
3:15:43 PM	Witness Excused (Coomes)	
3:16:02 PM	Witness, Matthew Morey (KIUC)	
	Note: Kathy Gillum	Witness called to testify by Mike Kurtz.
3:16:38 PM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Qualification of witness by Mike Kurtz. Witness adopts pre-filed testimony.
3:16:53 PM	Examination by Doug Beresford (Big Rivers)	
	Note: Kathy Gillum	Questions regarding witness' assignment. Questions regarding sales to municipal power markets. Questions regarding Mr. Seelye's list.
3:24:44 PM	Larry Cook (OAG)	
	Note: Kathy Gillum	No questions.
3:24:50 PM	Richard Raff (PSC)	
	Note: Kathy Gillum	No questions.
3:24:59 PM	Re-Direct by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding market prices.
3:27:03 PM	Re-Cross by Doug Beresford (Big Rivers)	
3:27:44 PM	Witness Excused (Morey)	
	Note: Kathy Gillum	Mike Kurtz requested a 10 minute break.
3:28:12 PM	Case Recessed	
3:42:34 PM	Case Resumed	
3:43:13 PM	Public Mode On	
3:43:21 PM	Private Mode On	
3:45:16 PM	Public Mode On	
3:45:27 PM	Witness, Stephane Leblanc (KIUC)	
	Note: Kathy Gillum	Witness called to testify by Mike Kurtz.
3:46:06 PM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Qualification of witness by Mike Kurtz. Witness adopts pre-filed testimony.
3:46:27 PM	Examination by Doug Beresford (Big Rivers)	
	Note: Kathy Gillum	Questions regarding Big Rivers Exhibit 2, beginning with line 2.
3:50:19 PM	Objection by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Objection: Mr. Baron has already been cross examined on this.
3:51:21 PM	Examination by Doug Beresford (Big Rivers) continues	
3:52:03 PM	Case Recessed	
3:52:08 PM	Case Resumed	
3:55:14 PM	Public Mode On	
3:55:18 PM	Examination by Doug Beresford (Big Rivers)	
	Note: Kathy Gillum	
3:55:41 PM	Exhibit Big Rivers 8	
	Note: Kathy Gillum	Document introduced by Doug Beresford and marked as Big Rivers Exhibit 8. (Exhibit: Document titled, "Kentucky OKs Alcan tax stimulus - courierpress.com")
3:56:33 PM	Examination by Doug Beresford (Big Rivers) continues	
	Note: Kathy Gillum	Questions regarding Big Rivers Exhibit 8. Questions regarding meetings.
4:02:32 PM	Data Request by Doug Beresford (Big Rivers)	
	Note: Kathy Gillum	List of people Alcan met with.

4:02:40 PM	Examination by Doug Beresford (Big Rivers) continues	
	Note: Kathy Gillum	Questions regarding percentage of alum. produced that is used by manufacturing facilities. Questions regarding the meetings and discussions. Questions regarding page 8 of pre-filed testimony. Witness made comment in explanation. Questions regarding whether or not Alcan should be investing for the long term. Questions regarding page 9 of Direct Testimony. Questions regarding cost of service. Questions regarding page 7 of Direct Testimony. Questions regarding whether or not witness had knowledge of figures named in confidential mode of hearing. Questions regarding page 4 of Direct Testimony.
4:30:24 PM	Examination by Larry Cook (OAG)	
	Note: Kathy Gillum	Questions regarding page 10.
4:30:54 PM	Case Recessed	
4:30:59 PM	Case Resumed	
4:40:51 PM	Public Mode On	
4:41:05 PM	Examination by Richard Raff (PSC)	
	Note: Kathy Gillum	Questions regarding money investment.
4:44:31 PM	Data Request by Richard Raff (PSC)	
	Note: Kathy Gillum	Current cost of production and revenue expected over the next 12 months. (Confidential)
4:45:48 PM	Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Stated he would provide in confidential mode.
4:45:53 PM	Questions by Commissioner Gardner	
	Note: Kathy Gillum	Requests to review entire document that Big Rivers Exhibit 7 was pulled from. Document provided to Commissioner Gardner for review. Questions regarding power cost. Commissioner Gardner requests to go off the record for a confidential question.
4:56:18 PM	Case Recessed	
4:56:22 PM	Case Resumed	
5:02:12 PM	Case Recessed	
5:02:15 PM	Case Started	
5:02:19 PM	Questions by Commissioner Borders	
	Note: Kathy Gillum	Questions regarding investment in order to be competitive.
5:08:21 PM	Re-Direct by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Questions regarding job of reducing costs or closing plant.
5:12:38 PM	Examination by Richard Raff (PSC)	
	Note: Kathy Gillum	Questions regarding the sister plants of Seabree.
5:13:48 PM	Witness Excused (LeBlanc)	
	Note: Kathy Gillum	10 Minute Break.
5:14:13 PM	Case Recessed	
5:24:04 PM	Case Started	
5:24:09 PM	Witness, Lane Kollen (KIUC)	
	Note: Kathy Gillum	Witness called to testify by Mike Kurtz (KIUC)
5:24:35 PM	Examination by Mike Kurtz (KIUC)	
	Note: Kathy Gillum	Qualification of witness by Mike Kurtz. Witness states that there were corrections to page 3 filed 2 or 3 weeks ago. Witness adopts pre-filed testimony.
5:26:10 PM	Case Recessed	
5:25:24 PM	No questions of this witness by any counsel	
5:26:33 PM	Case Started	

5:26:38 PM	Chairman Armstrong	
5:26:47 PM	Witness Excused (Kollen)	
5:27:06 PM	Witness (Seelye)	
	Note: Kathy Gillum	Witness re-called by Mr. Raff.
5:27:07 PM	Examination by Richard Raff (PSC)	
	Note: Kathy Gillum	Questions regarding Exhibit 6, p. 3 of Direct Testimony.
5:29:36 PM	Data Request by Richard Raff	
5:31:10 PM	Witness Excused (Seelye)	
5:31:29 PM	Doug Beresford (Big Rivers)	
5:31:44 PM	Mike Kurtz (KIUC)	
5:32:58 PM	Case Recessed	
5:32:30 PM	Chairman Armstrong	
	Note: Kathy Gillum	Adjourns hearing. Discussion regarding timing of briefs. Briefs due August 11, 2011. Data Requests due next Wednesday. Armstrong requests brief from AG, position on cost of study.
5:36:07 PM	Case Stopped	

Exhibit List Report

Case Number: 2011-00036_28Jul11

Case Title: Big Rivers Electric Corporation
Department:
Plaintiff:
Prosecution:
Defendant:
Defense:

Name	Description
Big Rivers Exhibit 3	Document titled, "London Metal Exchange, LME Aluminium"
Big Rivers Exhibit 4	Document (exerpt) known as Coordination Agreement.
Big Rivers Exhibit 5	Document titled, "Direct Testimony of Henry W. Fayne, dated January 25, 2008" in Case No. 2007-00455
Big Rivers Exhibit 6	Document titled, "Intra-Agency Memorandum dated 2-19-08 in Case No. 2007-00455" (with Cover letter and attachments)
Big Rivers Exhibit 7	Confidential Exhibit
Big Rivers Exhibit 8	Document titled, "Kentucky OKs Alcan tax stimulus - courierpress.com"

Big Rivers Electric Corporation

Case No. 2011-00036

Salaries and other Compensation of each Executive Officer

Name	Effective Date	Title	Annual Salary	% Increase	Action
Mark A. Bailey	8/16/2009	President & CEO	512,000	63.52%	Salary Adjustment
	1/1/2009	President & CEO	313,117	3.71%	Annual Review
	10/1/2008	President & CEO	301,920	13.84%	New Position
	1/1/2008	Executive Vice President	265,224	3.20%	Adjustment
	6/1/2007	Executive Vice President	257,000	n/a	New Hire
C. William Blackburn	7/17/2009	Sr. VP Financial & Energy Services and CFO	225,000	10.87%	Salary Adjustment
	1/1/2009	VP Financial & Energy Services and CFO	202,943	3.50%	Annual Review
	1/1/2008	VP Financial & Energy Services and CFO	196,080	3.20%	Annual Review
	1/1/2007	VP Financial & Energy Services and CFO	190,000	23.00%	Annual Review
Michael H. Core	4/3/2009	Retirement			
	10/1/2008	Special Corporate Advisor	346,804	0.00%	
	1/1/2008	President & CEO	346,804	3.20%	Annual Review
	1/1/2007	President & CEO	336,050	3.40%	Annual Review
David A. Spainhoward	7/31/2009	Retirement			
	1/1/2009	VP External Relations & Interim Chief Production Officer	192,262	3.50%	Annual Review
	1/1/2008	VP External Relations & Interim Chief Production Officer	185,760	3.20%	Annual Review
	1/1/2007	VP External Relations & Interim Chief Production Officer	180,000	19.70%	Annual Review

– of 5

OAG EXHIBIT 1

[redacted]

COPY

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March 25, 2011

Mr. C. William Blackburn
Senior Vice President of Financial
& Energy Services and
Chief Financial Officer
Big Rivers Electric Corporation
P.O. Box 24
Henderson, Kentucky 42420

Dear Bill:

Enclosed please find our statement covering legal fees and disbursements for February.

If you have any questions or need additional information, please call me.

Sincerely,

Doug.

Douglas L. Beresford

Partner
douglas.beresford@hoganlovells.com
D +1 202 637 5819

2 of 5

[redacted]

Copy

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www.hoganlovells.com

Fed. I.D. No.
53-0084704

Invoice No. 1962905

Client No. 082571

Big Rivers Electric Corporation
P.O. Box 24
Henderson, KY 42420

March 25, 2011

*** COMBINED MATTER SUMMARY ***

For Professional Services and Other Charges Through February 28, 2011

Approved by:

		Professional Services	Other Charges	Total	
Inyd cwB	REGULATORY COMPLIANCE	$1,061.50	$2.80	$1,064.30	
	NEGOTIATIONS CITY OF HENDERSON CONTRACTS	$828.00	$0.00	$828.00	
CWB	AUDIT ISSUES	$801.00	$6.00	$807.00	CWB 4/4/11
DGC	OPERATING RESERVE	$1,170.00	$0.00	$1,170.00	
DGC	INTEGRATION INTO THE MIDWEST ISO	$9,844.00	$0.00	$9,844.00	
AMT	2011 RATE CASE	$115,698.00	$100.00	$115,798.00	
	Grand Total All Matters	$129,402.50	$108.80	$129,511.30	
	Less 10% Discount for OPERATING RESERVE	(117.00)	0.00	(117.00)	

Please include invoice number(s) on your check for faster processing.

3 of 5

PAYMENT IN U.S. DOLLARS MAY BE MADE BY WIRE TRANSFER TO OUR
HOGAN LOVELLS US LLP – OPERATING ACCOUNT
ACCOUNT# 2000010689086, WELLS FARGO BANK NA, 1300 I STREET, N.W.
WASHINGTON, D.C. 20005
ABA #054001220
FOR WIRES COMING FROM OUTSIDE THE US, PLEASE USE – SWIFT CODE PNBPUS33 INSTEAD OF ABA

BIG RIVERS ELECTRIC CORPORATION
Client No. 082571
Invoice No. 1962905

March 25, 2011

	Professional Services	Other Charges	Total
Less 7% Discount for INTEGRATION INTO THE MIDWEST ISO	(689.08)	0.00	(689.08)
Less 5% Discount for 2011 RATE CASE	(5.784.90)	0.00	(5,784.90)
Grand Total All Matters	$122,811.52	$108.80	$122,920.32

BIG RIVERS ELECTRIC CORPORATION
Client No. 082571
Invoice No. 1962905

March 25, 2011

Big Rivers Electric Corporation
P.O. Box 24
Henderson, KY 42420

Combined Timekeeper Summary

Timekeeper	Rate	Hours	Amount
J. Lilyestrom	680.00	13.30	9,044.00
D. Beresford	740.00	140.50	103,970.00
K. Downey	650.00	23.60	15,340.00
S. Court	700.00	0.90	630.00
E. Lashner	405.00	0.70	283.50
D. Fagerstrom	270.00	0.50	135.00
Total All Timekeepers		179.50	129,402.50

Combined Summary of Other Charges

Code	Description	Amount
01	Photocopy	2.80
41	Telecopy/fax	6.00
99	Miscellaneous	100.00
	Total	108.80

For All Territory Served By
Cooperative's Transmission System
P.S.C.KY.NO. 23

Original SHEET NO. 65

Big Rivers Electric Corporation
(Name of Utility)

CANCELLING P.S.C.KY.NO. ____

____ SHEET NO. ____

RULES AND REGULATIONS

13. RENEWABLE RESOURCE ENERGY SERVICE TARIFF RIDER:

a. Applicability:

Applicable in all territory served by Big Rivers' member cooperatives.

b. Availability:

Renewable Resource Energy service is available in accordance with the terms of this tariff rider to any Big Rivers Member purchasing wholesale power for delivery at any Rural Delivery Point or Large Industrial Customer Delivery Point on its system under Rate Schedule C.4.d., Rate Schedule C.7.c. or Rate Schedule 10, subject to Big Rivers' general rules and regulations on file with the Public Service Commission of Kentucky. For purposes of this renewable resource energy service tariff rider, (i) the term "Renewable Resource Energy" means electric energy generated from solar, wind, ocean, geothermal energy, biomass, or landfill gas, and (ii) the term "biomass" means any organic material that is available on a renewable or recurring basis, including dedicated energy crops, trees grown for energy production, wood waste and wood residues, plants (including aquatic plants, grasses, and agricultural crops), residues, fibers, animal wastes and other organic waste materials (but not including unsegregated municipal solid waste (garbage)), and fats and oils.

c. Conditions of Service:

(1) Renewable Resource Energy service availability is contingent upon Big Rivers' ability to purchase a wholesale supply of Renewable Resource Energy in the quantity and at the quality requested by a Member Cooperative.

DATE OF ISSUE October 9, 2008 DATE EFFECTIVE July 17, 2009

ISSUED BY Mark A. Bailey Big Rivers Electric Corporation, 201 3rd St., Henderson, KY 42420
(Signature of Officer)

Issued By Authority of PSC Case No. 2007-00455, Order dated March 6, 2009

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
7/17/2009
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By [signature]
Executive Director

PSC EXHIBIT 1

(2) Big Rivers will make Renewable Resource Energy service available to a Member to support a contract for Renewable Resource Energy service entered into between a Member and one of its retail members, and approved by Big Rivers. That contract must commit the Member to sell, and the retail member to buy, Renewable Resource Energy in a specified number of 100 kWh blocks per month for a period for not less than one year. Upon approval of the contract by Big Rivers, the purchase and payment obligations of the retail member stated in that contract (less any retail mark-up of the Member) will become the wholesale take-or-pay obligation of the Member to Big Rivers, until (i) the retail member contract expires by its own terms, or (ii) the termination date for the contract of the retail member specified in a written notice from the Member to Big Rivers, which date is a date no earlier than the date on which the written notice from the Member is received by Big Rivers.

d. Monthly Rate:

The monthly rate for Renewable Resource Energy is the rate in the rate schedule under which the Member is purchasing electricity for its retail member who contracts to purchase Renewable Resource Energy, except that the energy rate is: $5.50 per 100 kWh block ($0.055 per kWh), subject to any adjustment, surcharge or surcredit that is or may become applicable under that wholesale rate schedule. This rate charged to a Member for a kWh of Renewable Resource Energy is in lieu of the energy rate that would otherwise be applicable to that energy purchase under Rate Schedule C.4.d.(2), Rate Schedule C.7.c.(2)(b) or Rate Schedule 10. Renewable Resource Energy purchased by a Member in any month will be conclusively presumed to be the first kilowatt hours delivered to that Member in that month.

e. Billing:

Sales of Renewable Resource Energy are subject to the terms of service and payment of the wholesale rate schedule under which Renewable Resource Energy is purchased.

Big Rivers Electric Corporation

Case No. 2011-00036

Exhibit Wolfram Rebuttal-1

Reconciliation of Revenue Requirement

Exhibit Wolfram Rebuttal-2

Calculation of Revenue Deficiency & Updated Reference Schedules

Revised July 26, 2011

BIG RIVERS EXHIBIT 1

BIG RIVERS ELECTRIC CORPORATION
12 Months Ended October 31, 2010

Reconciliation of Revenue Requirement
Revised July 26, 2011

Line No.	Description	Reference Schedule (1)	Big Rivers Original Amount (2)	Big Rivers Updated Amount (3)	Variance (4)
1	**Filed Revenue Deficiency**		$ 39,952,927	$ 39,952,927	$ -
2					
3	**Adjustments**				
4	To annualize revenue & expenses for new industrial customer	2.01	$ 39,145	$ 92,165	$ 53,020
5	To adjust mismatch in fuel cost recovery	2.02	2,225,346	$ 2,225,346	-
6	To eliminate Environmental Surcharge	2.03	633,559	$ 633,559	-
7	To reflect temperature normalized sales volumes	2.04	(126,318)	$ (126,318)	-
8	To adjust for Non-FAC PPA	2.05	(427,156)	$ (427,156)	-
9	To reflect annualized depreciation expenses	2.06	(6,252,651)	$ (6,252,651)	-
10	To reflect increases in labor and labor overhead expenses	2.07	(624,894)	$ (450,215)	174,679
11	To reflect current interest on construction (CWIP)	2.08	(515,767)	$ -	515,767
12	To eliminate RRI Domtar Cogen Backup revenue & expenses	2.09	971,257	$ 971,257	-
13	To reflect levelized production O&M expenses	2.10	(5,660,678)	$ (5,660,678)	-
14	To reflect levelized planned outage expenses	2.11	(2,726,965)	$ (2,726,965)	-
15	To reflect going forward IT support services	2.12	(292,194)	$ (292,194)	-
16	To reflect amortizaton of rate case expenses	2.13	(281,719)	$ (482,076)	(200,357)
17	To reflect Midwest ISO related expenses	2.14	(5,415,000)	$ (5,353,444)	61,556
18	To annualize interest on long-term debt	2.15	(70,408)	$ (70,408)	-
19	To reflect leased property (Soaper Building Rent)	2.16	128,368	$ 128,368	-
20	To adjust for costs related to LEM Dispatch	2.17	936,815	$ 936,815	-
21	To adjust for costs related to APM	2.18	(205,090)	$ (205,090)	-
22	To eliminate WKEC Lease Expenses	2.19	(149,673)	$ (149,673)	-
23	To eliminate WKEC Unwind-related Expenses (Non-Labor)	2.19	(2,357,097)	$ (2,357,097)	-
24	To eliminate WKEC Unwind-related Expenses (Labor-related)	2.19	7,476,583	$ 7,476,583	-
25	To eliminate costs for SFPC membership	2.20	180,775	$ 180,775	-
26	To adjust for Midwest ISO Case-related expenses	2.21	771,118	$ 771,118	-
27	To adjust for Smelter TIER Adjustment Charge	2.22	(7,128,947)	$ (7,128,947)	-
28	To eliminate advertising, lobbying, donation and econ dev	2.23	507,216	$ 531,388	24,172
29	To reflect going forward level of income taxes	2.24	(183,084)	$ (183,084)	-
30	To reflect going forward level of Outside Services	2.25	1,000,000	$ 1,000,000	-
31	To reflect commitment to Energy Efficiency Programs	2.26	(1,000,000)	$ (1,000,000)	-
32	Total		$ (18,547,460)	$ (17,918,623)	$ 628,838
33					
34	Difference in Total Pro Forma Adjustments		$ -	$ 628,838	$ 628,838
35					
36	**Revenue Deficiency**		**$ 39,952,927**	**$ 39,324,089**	**$ (628,838)**

BIG RIVERS ELECTRIC CORPORATION
12 Months Ended October 31, 2010

Calculation of Revenue Requirement
Based on Revenues and Expenses
Revised July 26, 2011

Line No.	Description	Reference Schedule (1)	Witness (2)	Revenue (3)	Expense (4)	Margin (Deficit) (5)
1	**Total Per Books**					
2	Total Operating Revenues & Patronage Capital			$ 522,923,675		$ 522,923,675
3	Total Cost of Electric Service				$ 527,945,092	(527,945,092)
4	Interest Income			401,668		401,668
5	Other Non-Operating Income (Net)			1,703,337		1,703,337
6	Other Capital Credits/Patronage Dividends			22,965		22,965
7	Extraordinary Items	Page 1, Line 42		(6,794,566)		(6,794,566)
8	Total Per Books			$ 518,257,079	$ 527,945,092	$ (9,688,013)
9						
10	**Adjustments**					
11	To annualize revenue & expenses for new industrial customer	2.01	Wolfram	$ 352,586	$ 260,421	$ 92,165
12	To adjust mismatch in fuel cost recovery	2.02	Wolfram	(107,815,177)	(110,040,523)	2,225,346
13	To eliminate Environmental Surcharge	2.03	Wolfram	(22,834,232)	(23,467,791)	633,559
14	To reflect temperature normalized sales volumes	2.04	Seelye	(421,610)	(295,293)	(126,318)
15	To adjust for Non-FAC PPA	2.05	Wolfram	7,785,109	8,212,265	(427,156)
16	To reflect annualized depreciation expenses	2.06	Hite		6,252,651	(6,252,651)
17	To reflect increases in labor and labor overhead expenses	2.07	Hite		450,215	(450,215)
18	To reflect current interest on construction (CWIP)	2.08	Hite		-	-
19	To eliminate RRI Domtar Cogen Backup revenue & expenses	2.09	Hite	(1,115,159)	(2,086,416)	971,257
20	To reflect levelized production O&M expenses	2.10	Berry		5,660,678	(5,660,678)
21	To reflect levelized planned outage expenses	2.11	Berry		2,726,965	(2,726,965)
22	To reflect going forward IT support services	2.12	Hite		292,194	(292,194)
23	To reflect amortizaton of rate case expenses	2.13	Hite		482,076	(482,076)
24	To reflect Midwest ISO related expenses	2.14	Wolfram		5,353,444	(5,353,444)
25	To annualize interest on long-term debt	2.15	Hite		70,408	(70,408)
26	To reflect leased property (Soaper Building Rent)	2.16	Hite		(128,368)	128,368
27	To adjust for costs related to LEM Dispatch	2.17	Wolfram		(936,815)	936,815
28	To adjust for costs related to APM	2.18	Wolfram		205,090	(205,090)
29	To eliminate WKEC Lease Expenses	2.19	Hite	(149,673)	-	(149,673)
30	To eliminate WKEC Unwind-related Expenses (Non-Labor)	2.19	Hite	(2,357,097)	-	(2,357,097)
31	To eliminate WKEC Unwind-related Expenses (Labor-related)	2.19	Hite	7,476,583	-	7,476,583
32	To eliminate costs for SFPC membership	2.20	Hite		(180,775)	180,775
33	To adjust for Midwest ISO Case-related expenses	2.21	Hite		(771,118)	771,118
34	To adjust for Smelter TIER Adjustment Charge	2.22	Seelye	(7,128,947)	-	(7,128,947)
35	To eliminate advertising, lobbying, donation and econ dev	2.23	Hite		(531,388)	531,388
36	To reflect going forward level of income taxes	2.24	Hite		183,084	(183,084)
37	To reflect going forward level of Outside Services	2.25	Blackburn		(1,000,000)	1,000,000
38	To reflect commitment to Energy Efficiency Programs	2.26	Blackburn		1,000,000	(1,000,000)
39	To reflect Interest on Long Term Debt adjustment	NA	Hite		(2,045,750)	2,045,750
40	To reflect Interest Income Adjustment	NA	Hite	(271,105)		(271,105)
41	Total			(126,478,723)	(110,334,745)	$ (16,143,978)
42						
43	**Adjusted Net Margin (Deficit)**			$ 391,778,357	$ 417,610,347	$ (25,831,991)

BIG RIVERS ELECTRIC CORPORATION
12 Months Ended October 31, 2010

Calculation of Revenue Requirement
Based on Revenues and Expenses
Revised July 26, 2011

Line No.	Description	Reference		Amount
1	Contract TIER Target			1.24
2	Interest on Long Term Debt	Updated Statement	$	45,647,368
2a	Interest on Long Term Debt Adjustment	Updated Statement	$	2,045,750
2b	Interest on Long Term Debt Adjusted	Line 2 + Line 2a	$	47,693,118
3	Adjusted Net Margin(Deficit) before Conventional TIER	Page 1, Line 43	$	(25,831,991)
4	Interest Income on Transition Reserve	Acct 419.040 Updated	$	-
5	Adjusted Net Margin(Deficit) before Contract TIER	Line 3 - Line 4 - Line 2a	$	(27,877,740.72)
6	Margins Required for Contract TIER	Line 2b x (Line 1 - 1)	$	11,446,348
7	Margins Required for Conventional TIER	Line 2a + Line 4 + Line 6	$	13,492,098
8	**Revenue Deficiency for Contract TIER**	Line 6 - Line 5	$	39,324,089
9	Contract TIER	1 + (Line 6 / Line 2b)		1.24
10	Conventional TIER	1 + (Line 7 / Line 2)		1.30

BIG RIVERS ELECTRIC CORPORATION
12 Months Ended October 31, 2010

New Industrial Customer

	Kenergy - Equality Mine	Reference		Original Amount		*07/26/11 Updated Amount*
1	Historical Test Year Revenue		$	252,566	$	252,566
2	Number of Months Served			7.5		NA
3	Number of Months in Test Year			12		NA
4	Annualization Factor	Line 3 / 4		1.59		NA
5	Annualized Revenue	Line 1 x 4	$	402,318	$	605,152
6	**Revenue Adjustment**	Line 5 - 1	**$**	**149,752**	**$**	**352,586**
7	Operating Ratio	Line 16		0.74		0.74
8	**Expense Adjustment**	Line 6 x 7	**$**	**110,607**	**$**	**260,421**
9	Net Revenue Adjustment		$	39,145	$	92,165
	Calculation of Electric Operating Ratio					
10	Total Electric Operating Expenses		$	445,926,841		
11	Less Wages and Salaries		$	58,335,396		
12	Less Pensions and Benefits		$	169,663		
13	Less Regulatory Commission Expense		$	1,188,958		
14	Net Expenses		$	386,232,825		
15	Total Electric Operations Revenues (as billed)		$	522,923,675		
16	Operating Ratio	Line 14 / 15		0.74		

Updated to utilize 12 months ended June 2011 actual revenues in place of annualized test year revenues per the response to PSC 3-3c

BIG RIVERS ELECTRIC CORPORATION
12 Months Ended October 31, 2010

Labor & Labor Overheads Expenses

1	Proforma Year	68,534,218
2	Historical Year	68,084,003
3	Proforma Adjustment	450,215

Description: The proforma amount for labor/labor overheads includes employees of record as of December 31, 2010, excluding those on long-term disability (LTD) for whom replacements have been hired. This results in a total of 606 employees, 249 non-bargaining and 357 bargaining. As appropriate, base labor includes step increases and contract increases for the bargaining employees, and qualification increases for non-bargaining employees. Shift premiums were appropriately included. Overtime pay was based upon the amount currently expected for 2011. The most current information available was used to determine labor overhead cost (FICA, FUTA, SUTA, workers compensation, retirement/401(k), life, LTD, dental and medical, post-employment and post-retirement costs, including the most recent premium rates available, and the most recent FAS 87 and 106 estimates. No incentive pay or bonus pay is incuded in the proforma amount.

Updated to remove $1,047,200 of capitalized labor

BIG RIVERS ELECTRIC CORPORATION
12 Months Ended October 31, 2010

Interest on Construction Work In Progress

1	Proforma Year	(515,767)
2	Historical Year	(515,767)
3	Proforma Adjustment	0

Description: To reflect current interest on construction work in progress (CWIP)

Updated to forego recovery of current interest on CWIP
per Rebuttal Testimony of John Wolfram

BIG RIVERS ELECTRIC CORPORATION
12 Months Ended October 31, 2010

Rate Case Expenses

		Original Amount	*07/26/11 Updated Amount*
1	Proforma Year	299,643	500,000
2	Historical Year	17,924	17,924
3	Proforma Adjustment	281,719	482,076

Description:

To normalize the legal and consulting costs anticipated to be incurred by the Company in connection with this general rate case before the KPSC. Note that this estimated cost includes the cost of service and rate design study and the depreciation study. During the test year, expense of $17,924 was incurred in connection with the cost of service and rate design study and the depreciation study.

Updated to reflect anticipated rate case costs of $1,500,000 based on actual costs through June 2011 plus estimated expenses for July & August 2011

*** Big Rivers will continue to provide updates of actual costs via supplemental responses to Item PSC 1-52*

BIG RIVERS ELECTRIC CORPORATION
12 Months Ended October 31, 2010

Midwest ISO (Member) Cost

1	Proforma Year	5,353,444
2	Historical Year	0
3	Proforma Adjustment	5,353,444

Description: Big Rivers integration into Midwest ISO took place on December 1, 2010. Big Rivers is now subject to the Midwest ISO's charges assessed under the Midwest ISO Tariff Schedules 10, 16 and 17.

Updated to remove $61,556.38 of non-recurring test year expense per the response to KIUC 2-39.

BIG RIVERS ELECTRIC CORPORATION
12 Months Ended October 31, 2010

Promotional / Institutional Advertising, Lobbying, Donations and Economic Development

		Original Amount	*07/26/11 Updated Amount*
1	Proforma Year	0	0
2	Historical Year	507,216	531,388
3	Proforma Adjustment	(507,216)	(531,388)

Description: To remove all promotional/institutional advertising expenses, political/lobbying expenses, donations, penalties and economic development expenses from the test year.

Updated to remove an additional $24,172 of lobbying expenses from the test year per the response to PSC 2-50.

industrial customers of the Company.[2] As I will discuss, given the unique characteristics of the Smelter customers, it is appropriate to fully eliminate the present rate subsidies received by the Rural rate class (for example, contractual obligations require the Smelters to pay for minimum demand and energy, regardless of actual usage; the Tier adjustment provisions of the Smelter contracts that provide financial support to Big Rivers in the form of additional revenues paid only by the Smelter customers; and the concentration risk to Big Rivers that is increased as a result of excess charges to the Smelters).[3] As discussed by other KIUC witnesses, requiring the Smelters to continue to subsidize the rest of the system is very risky because it increases the possibility of Smelter closure. As discussed by Professor Coomes, the closure of the Smelters would result in the loss of 4,700 jobs, $176 million in annual payroll and nearly $12 million annually in state and local taxes. As discussed by Dr. Morey, the closure of the Smelters would also result in $83 million in annual lost margins to Big Rivers if the Smelter load was resold in the wholesale power market. This in turn would likely trigger a massive rate increase on remaining customers, or some other drastic action.

---

[2] As I discuss later in my testimony, because of the unique contractual linkage between the Smelter rates and the Large Industrial Rate, the Rural class will continue to receive millions of dollars of subsidy payments from the Smelter customers even with the KIUC proposal. As shown in Table 4 of my testimony, the Rural class will receive over $6 million in continuing subsidies under the KIUC proposed revenue increase allocation.

[3] The Rural class will continue to receive over $6 million in subsidies at proposed rates.

BIG RIVERS EXHIBIT 2

LONDON METAL EXCHANGE

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LME Aluminium

Welcome to the **LME Aluminium** hub page. In this useful section of the site you will find information relating to the LME's largest traded contract. For convenience, settlement prices, opening stocks and the forward price curve for Aluminium are detailed below. From this page you can also navigate to the LME Aluminium contract specification, details of the Aluminium committee members, consumption and production information, and current listed brands.

LME Official Prices (US$/tonne) for 26 Jul 2011 (Data >1 day old)

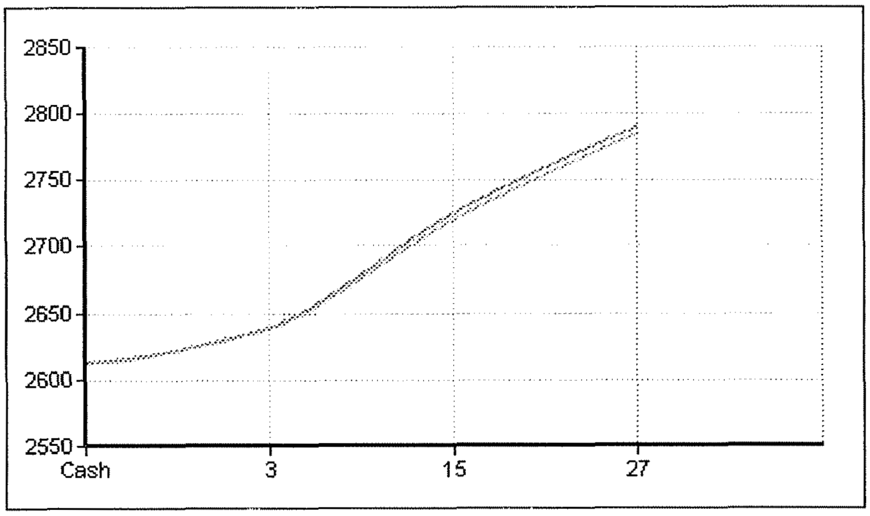
	ALUMINIUM
CASH BUYER	2,612.00
CASH SELLER & SETTLEMENT	2,613.00
3-MONTHS BUYER	2,638.00
3-MONTHS SELLER	2,639.00
15-MONTHS BUYER	2,720.00
15-MONTHS SELLER	2,725.00
27-MONTHS BUYER	2,785.00
27-MONTHS SELLER	2,790.00

LME Official Opening Stock (in tonnes)

DATE	ALUMINIUM
26 Jul 2011 (Data >1 day old)	4376625

LME Official Prices Curve

BIG RIVERS EXHIBIT 3



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LONDON METAL EXCHANGE

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any sale of Energy pursuant to Section 4.13.3 as Economic Sales, Section 10.1 as Surplus Sales, Section 10.2 as Undeliverable Energy Sales or Section 10.3 as Potline Reduction Sales, in each case, of the Century Retail Agreement ("Potential Tax Liability"); and (ii) cause Century Parent to guarantee to Big Rivers and Kenergy payment and performance of all obligations of Century under the Century Retail Agreement, including Potential Tax Liability, and all obligations of Century under the other documents entered into by Century and its Affiliates in connection with the New Transaction pursuant to a Guarantee Agreement executed by Century Parent in favor of Big Rivers and Kenergy which shall be satisfactory in form and substance to Big Rivers (the "Century Guarantee"). At the request of Big Rivers, Century will maintain the Century Guarantee until closure of all applicable tax years of Big Rivers. At the request of Century, Big Rivers will provide Century with information as to the amount and calculation of the estimated Potential Tax Liability and reasonably detailed documentation in support thereof.

3.7 Transmission Upgrade. As soon as reasonably practicable, Big Rivers will develop, finance and construct improvements to its transmission facilities to permit Big Rivers to transmit to its border all Base Fixed Energy.

3.8 Proceedings Affecting Rates.

(a) The Parties acknowledge and agree that

(i) Big Rivers shall have the right to seek KPSC approval for changes to the Non-Smelter Member Rates, and FERC approval of changes to the OATT, from time to time, but Big Rivers shall not seek an increase in its base rates to take effect before January 1, 2010, excluding any roll-in to Big Rivers' base rates of costs that would otherwise be recovered by the Environmental Surcharge or the FAC, and

(ii) Big Rivers will not seek to implement a wholesale rate reduction other than the Rebate to its Members under the procedures available in KRS 278.455 without the consent of Century;

provided that this commitment by Big Rivers will have no effect on the availability to Big Rivers' Members of the procedures in KRS 278.455 to flow-through any wholesale rate decrease to the Non-Smelter Ratepayers.

(b) Century shall have the right to intervene and participate in any proceeding that may affect rates at the KPSC or FERC or before any other Governmental Authority. Neither Big Rivers nor Century will support or seek, directly or indirectly, from any Governmental Authority, including the KPSC, any challenge to or change in the rate formula set forth in the Century Wholesale Agreement or the Alcan Retail Agreement or other terms and conditions set forth therein, including the relationship of the Large Industrial Rate to amounts payable by Century pursuant to the Century Retail Agreement, except that any Party may initiate or intervene in a proceeding to (i) clarify, interpret or enforce the Century Wholesale Agreement or the Century Retail Agreement, or (ii) challenge the applicable rate for Transmission Services should those services be unbundled for purposes of calculating the Large Industrial Rate. For the avoidance of doubt, Century's intervention and participation in a regulatory proceeding

BIG RIVERS EXHIBIT 4

involving cost of service issues relating to the rates of the Non-Smelter Ratepayers shall not be considered a challenge to the rate formula.

(c) If *Commonwealth of Kentucky ex rel. Gregory D. Stumbo, Attorney General v. Public Service Comm'n and Union Light, Heat and Power Co.*, Franklin Circuit Court, C.A. No. 06-CI-269, or any Applicable Law relating thereto restricts the amounts recovered under the FAC, Appendix A, or the Environmental Surcharge Rider, then Kenergy, Century, Big Rivers and, if the Alcan Retail Agreement is then in effect, Alcan, shall negotiate in good faith to amend this Agreement (and other agreements entered into in connection herewith) to restore the relative rights and economic benefits thereunder. If such parties are unable to reach an agreement on such amendments, then this Section 3.8 shall not restrict Big Rivers from seeking KPSC approval for an increase to its base rates or an amendment to the FAC, Appendix A, or the Environmental Surcharge Rider.

(d) Nothing in this Agreement shall limit or expand the jurisdiction of the KPSC or the FERC over Big Rivers or the rates, terms and conditions of electric service to Century pursuant to the Century Retail Agreement or otherwise.

(e) Big Rivers will provide Century a copy of any filing with the KPSC or FERC that seeks a change in Big Rivers' tariff or relief authorized by KRS 278.020, KRS 278.030, KRS 278.212, KRS 278.218, KRS 278.300, KRS 278.183 or 807 KAR 5:056.

3.9 Communications; Request for Meetings. Big Rivers will establish with Century procedures for the regular dissemination of information relating to the operational and financial performance of Big Rivers. If Century believes Big Rivers has or may incur unreasonable costs or expenses, Century may request in writing a meeting with Big Rivers' management to discuss such costs or expenses. Such meeting will take place within ten Business Days of the request but shall not be held more frequently than once per fiscal quarter. Nothing in this Section shall obligate Big Rivers to take any action as a result of such meeting.

3.10 Depreciation Rates.

(a) Big Rivers shall not modify its depreciation rates without the approval of or consent or acceptance by the KPSC or, if the KPSC no longer has jurisdiction over Big Rivers, by any other Governmental Authority having jurisdiction over such modification. Big Rivers will provide Century reasonable notice of the implementation of such modification together with reasonably detailed documentation describing such modification and an opportunity to discuss such modification with Big Rivers' management prior to the filing of an application for approval of the modification of such depreciation rates with the KPSC or other Governmental Authority having jurisdiction.

(b) Big Rivers shall not initiate a request to a Governmental Authority or RUS for changes to its depreciation rates that would be projected to cause the weighted average depreciation rates for the period from the Effective Date through December 31, 2016, to exceed the weighted average depreciation rates for the same period set forth in the Model; *unless* (1) Big Rivers determines in good faith, based on discussions with a nationally recognized statistical rating organization and after consultation with Century, that it is necessary to make

COMMONWEALTH OF KENTUCKY
BEFORE THE
PUBLIC SERVICE COMMISSION OF KENTUCKY

Case No. 2007-00455

DIRECT TESTIMONY OF
HENRY W. FAYNE

ON BEHALF OF
CENTURY ALUMINUM COMPANY
AND
RIO TINTO ALCAN

JANUARY 25, 2008

BIG RIVERS EXHIBIT 5

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
CASE NO. 2007-00455

DIRECT TESTIMONY OF HENRY W. FAYNE
ON BEHALF OF RIO TINTO ALCAN
AND CENTURY ALUMINUM OF KENTUCKY GENERAL PARTNERSHIP

Q: Please state your name and business address.

A: My name is Henry W. Fayne. My business address is 1980 Hillside Drive, Columbus, Ohio 43221.

Q: Please briefly describe your business and educational background.

A: I have been a consultant in the electric energy sector since the beginning of 2005, following my retirement from American Electric Power (AEP). I was employed by AEP in various positions for thirty years from 1974 through 2004, including as Executive Vice President and Chief Financial Officer from 1998 until 2001, and as Executive Vice President Energy Delivery from 2001 until I retired in 2004. I have a bachelors degree in economics from Columbia College and an MBA in finance from Columbia Graduate School of Business.

Q: Have you testified previously?

A: Yes. During my tenure at AEP, I testified before the regulatory commissions in the states of Indiana, Kentucky, Michigan, Ohio, Oklahoma, Texas, Virginia and West Virginia on behalf of various operating companies of AEP. I have also testified before the Federal Energy Regulatory Commission.

Q: What is the purpose of your testimony in this proceeding?

A: I am testifying on behalf of Rio Tinto Alcan and Century Aluminum (the Smelters). My purpose is to explain why the Smelters believe that the transactions proposed in this proceeding are in the public interest and why the agreements reached among Big Rivers, Kenergy, the other Members and the Smelters are critical to the on-going viability of the Sebree and Hawesville Smelters. In addition, I will discuss various contract provisions and open issues.

Q: Please describe Rio Tinto Alcan and Century Aluminum.

A: Rio Tinto is a leading international mining group, publicly traded on the London and Australian exchanges. Its major products include aluminum, copper, diamonds, coal, uranium, gold, iron ore and industrial minerals. Rio Tinto Alcan, with headquarters in Montreal, Canada, is one of Rio Tinto's product groups, of which the Sebree Smelter is a part. Rio Tinto Alcan operates 430 facilities in 61 countries, and has 73,000 employees.

Century Aluminum Company is publicly traded on NASDAQ and headquartered in Monterey, California. Through its various subsidiaries, Century owns and operates aluminum smelters in Kentucky, South Carolina, West Virginia and Iceland, as well as a bauxite mine in Jamaica and an alumina refinery in Louisiana. Century Aluminum of Kentucky General Partnership owns the Hawesville Smelter. Century Aluminum has revenues of $1.6 billion and has 1,850 employees.

Q: Please describe the operations in Kentucky.

A: Rio Tinto Alcan's Sebree Smelter has been in operation since 1973; it is their only U.S. aluminum smelter. It produces about 186,000 metric tons of primary aluminum from its 3 potlines, with about 600 employees. Its peak electrical demand is approximately 368 MW, with an annual energy consumption of approximately 3.1 billion kilowatthours.

Century's Hawesville Smelter has been in operation since 1970. It produces about 244,000 metric tons of primary aluminum from its 5 potlines, with about 775 employees. More than half of the aluminum is delivered in molten form to Southwire Rod and Cable Mill adjacent to the Hawesville Smelter. Hawesville's peak electrical demand is approximately 482 MW, with an annual energy consumption of approximately 4.2 billion kilowatthours (excluding the Southwire Rod and Cable Mill load which prospectively will be served by Kenergy under a separate contract).

Together, the two Smelters consume about 7.3 billion kilowatthours of electricity and will account for about 70% of the Big Rivers system energy requirement and 56% of Big Rivers system peak demand when this Unwind Transaction is consummated. As described in detail in the testimony of Dr. Paul Coomes, with about 1400 employees, the two Smelters support over 5000 jobs in the region and are critical to the economic health of Western Kentucky.

Q: Would you briefly describe the business fundamentals of aluminum smelting?

A: Yes. Aluminum is a global commodity, much like copper, nickel, zinc and oil. It is sold at a price that is based on global supply and demand and established by trading activity on the London Metal Exchange, or LME. An individual smelter is, in effect, a price taker and cannot set the selling price of the base product;

therefore, the success or viability of a specific smelting operation is determined primarily by its cost of production. Because of transportation costs, the location of a smelter can make some contribution to the viability of any specific smelter; but the differences in the cost of transportation are not sufficient to offset high electricity prices.

The cost of production will vary among smelters based on the cost of goods and services as well as the configuration of the plant. However, in general, the cost of alumina, labor and electricity accounts for 75%-80% of the cost, with alumina and electricity each comprising about one-third of the cost of production. The cost of alumina tends to be tied to the LME price. As a result, it is the cost of electricity that most significantly determines the ongoing success or viability of an aluminum smelter.

That outcome is most dramatically shown by the shifts in production. In the U.S. in 1978, there were 34 smelters, producing more than 4 million metric tons, accounting for about 31% of the world supply. Today, there are only 14 smelters operating in the U.S., producing about 2.6 million metric tons, which accounts for only 6.7% of the world supply. In every instance, the smelters shut down because of high power costs (HWF Exhibit-1, Page 2, shows the U.S. smelters currently in operation).

Q: What power cost does the Sebree and Hawesville Smelters incur today?

A: Although the specifics of the power contracts for the two Smelters differ slightly, in general they each receive about 70% of their energy requirement from Western Kentucky Energy (WKE) at a fixed price of about $25/mWh and the balance of their requirement from open market purchases. With current market prices in the range of $50-$60/mWh, therefore, the blended cost of power is approximately $35/mWh under the current contract terms. The Hawesville contract expires at the end of 2010 and the Sebree contract expires at the end of 2011.

Q: How does the cost of $35/mWh compare to the cost of electricity at other smelters both in the U.S. and abroad?

A: As shown on HWF Exhibit- 1, at $35/mWh, the two Smelters are higher than the average US cost of $32.5/mWh. It is also higher than the weighted average world price of $30.86/mWh and significantly higher than the world price excluding China of $24.91/mWh. In terms of comparing costs for competitive purposes, it is appropriate to exclude the electricity cost in China because the capital cost associated with plant investment in China is substantially lower than elsewhere in the world and that lower capital cost essentially offsets the higher cost of electricity.

Q: You explained that the price of aluminum varies based on global supply and demand. To what extent has the price varied?

A: The current LME price is about $2400 per metric ton, which compares to the approximate $1550 per metric ton historical long term price of aluminum. As shown on HWF Exhibit – 2, LME prices were about $1340 per metric ton in 2002 and increased to $2640 per metric ton in 2007.

Q: What is the long term outlook for aluminum prices?

A: As I explained above, the price of aluminum is based on global supply and demand. Like many other commodities, the price can vary widely and is difficult to predict. The current long term outlook developed by industry analysts ranges between $1900 and $2300 per metric ton, with the average around $2100 per metric ton. As shown on HWF Exhibit 2, the near term forward curve projects LME price in the range of $2465 - $2639 per metric ton.

Q: Please describe the proposed terms of electric service to the Smelters.

A: In his testimony, Big Rivers' witness C. William Blackburn describes the terms and mechanics of the new arrangement in detail; the specific contracts are exhibits to the Joint Application. Therefore, I intend to provide a broad overview to highlight significant aspects of the arrangement.

Under the terms of the proposed contract, Big Rivers will sell to Kenergy for resale to the Smelters a base amount of up to 850 MW (368 MW for Alcan and 482 MW for Century) through 2023, unless one or both of the Smelters terminate earlier. In effect, Big Rivers, through Kenergy, is obligated to serve 100% of the Smelters' current load requirement. Such sales shall be made on a take-or-pay basis at a variable rate based on Big Rivers' cost as described in more detail below.

In return, the Smelters have agreed to pay a Base Energy Charge equivalent to $0.25/mWh above the large industrial rate (based on a 98% load factor), as well as a Fuel Adjustment Charge (FAC), a purchased power charge for purchased power not recovered through the fuel adjustment (Non-FAC PPA) and an environmental surcharge. In addition, the Smelters have agreed to pay a TIER Adjustment Charge to ensure that Big Rivers achieves TIER coverage of 1.24 times, subject to some limitations and exceptions described in the contracts. Essentially, with few exceptions, the Smelters are assuring that Big Rivers will achieve its TIER coverage target. Finally, the Smelters have agreed to pay several additional surcharge amounts to offset fuel and environmental charges to the non-smelter members.

Q: Do the Smelters agree that the inclusion of a FAC, a Non-FAC PPA, and an Environmental Surcharge is necessary?

A: Absolutely. As witnesses for Big Rivers have explained, these adjustment clauses are necessary because these costs may vary significantly. But these adjustment clauses are particularly important to insure that the non-smelter members pay their fair share of these variable costs and appropriately balance the interests of the Smelters and the non-smelter members; without the adjustment clauses (or the ability to establish regulatory accounts for future recovery as in the case of the Non-FAC PPA), the Smelters would be penalized by having to pay through the TIER Adjustment for variable energy costs incurred to meet the non-smelter member load.

Q: You indicated that the TIER Adjustment is capped. What is the basis for the caps?

A: As described in Paragraph 4.7.1 of the Retail and Wholesale Electric Service Agreements, the TIER Adjustment charge is capped at fixed amounts above the Base Energy Rate; those amounts increase over the term of the contract. The specific caps are the outcome of long and intense negotiations among the parties.

The Smelters desired the caps to be as low as possible to provide an incentive for Big Rivers to control costs. With a low cap, rather than automatically charging increased costs to the Smelters through the TIER Adjustment, Big Rivers would have to initiate a rate case to recover such cost increases from both the Smelters and the non-smelter members and be subject to regulatory scrutiny as well as pressure from the non-smelter members. On the other hand, the non-smelter members were seeking a higher cap to minimize their risk of increased rates, particularly as compared to their existing rate structure.

The caps ultimately accepted by all parties reflect a compromise which the Smelters believe align all parties to control costs for the benefit of all parties and minimize the risk to the non-smelter members. In essence, the caps reflect part of the premium the Smelters have agreed to pay to obtain "cost-based" power. Specifically, if required to achieve the 1.24 times target, the Smelters are obligated to pay a TIER Adjustment Charge of up to $ 14 million a year at the beginning of the contract term; that premium can increase to more than $35 million a year by the end of the contract term.

It should be noted that the calculation of the TIER target of 1.24x includes both the interest income and the interest expense associated with the existing sale leaseback transactions. If the sale leaseback interest components were excluded, the equivalent TIER coverage would range from 1.32x in 2009 to 1.45x in 2023.

Q: Are there other provisions in the contract that should be highlighted?

A: Yes. The Smelters support this transaction based on the expectation that Big Rivers will effectively control its costs and operate efficiently and, as a result, the cost of electricity to the Smelters will permit the Smelters to continue operations through the term of this agreement and perhaps even beyond. Certainly, a cost-based contract based on coal-fired generation should be expected to result in one of the lowest-cost electricity supplies available. There are several provisions in the contract that are targeted toward this outcome.

In Section 3.10 of the Coordination Agreement, Big Rivers agrees that it shall not modify its depreciation rates without regulatory approval and that it will discuss any proposed change in depreciation rates with the Smelters prior to any filing. More importantly, Big Rivers has agreed not to initiate a request for a change in rates that essentially would produce depreciation expense higher than reflected in the financial model filed in this proceeding, subject to certain conditions. The Smelters acknowledge that it is necessary for Big Rivers to use reasonable rates to record depreciation. However, it is also clear that depreciation studies are as much an art as a science. It is critical for the survival of the Smelters that the cost of electricity be held to a minimum. It is for that reason that Smelters negotiated this provision as a basis for agreeing to the contract terms. And in that context, the Smelters are proceeding on the assumption that the KPSC will accept reasonable depreciation rates consistent with this objective.

Q: *Are there other provisions you wish to discuss?*

A: The contract also contains terms that provide the Smelters with some limited opportunity to manage its costs by selling some of their energy in the wholesale market; these sales are not intended to be a profit center for the Smelters, but rather a mechanism to enhance the likelihood of survival.

Pursuant to Section 10.1 (Surplus Sales), at each Smelter's request, Big Rivers will sell energy surplus to the Smelter's need and credit the Smelter for the amount that otherwise would have been payable for such energy; to the extent that the net proceeds from such transaction are greater than the amount credited, such proceeds would flow through the TIER calculation to reduce the TIER Adjustment charge.

The Smelters require 100% reliable energy supply. This is critical. An outage lasting for more than a few hours would "freeze" the pots; it would take as long as nine months to restart the Smelter as well as significant capital and maintenance dollars. Therefore, pursuant to Section 10.2 (Undeliverable Energy Sales), if there is an event at a Smelter that limits all or a portion of the Smelter from engaging in aluminum reduction operation for an extended period, Big Rivers will sell energy surplus to the Smelter's need and credit the Smelter with 100% of the net proceeds to cover the cost that would otherwise be payable by the Smelter for such energy as well as to partially offset the cost of restart.

The goal of the Smelters is to maintain profitable operations and thereby, maintain jobs in Western Kentucky. To provide some flexibility, therefore, the parties have agreed to allow a smelter to shutdown a single potline for up to four years if by doing so, the smelter would be able to maintain operation of its remaining potlines. Pursuant to Section 10.3 (Potline Reduction Sales), Big Rivers will sell the energy that would otherwise be used by the potline and credit the smelter with 100% of the net proceeds to cover the cost that would otherwise be payable by the smelter for such energy as well as to partially offset the cost of the remaining energy used by the Smelter.

Q: Are there other provisions that allow the Smelters to mitigate their cost of electricity?

A: In addition to the major provisions I just described, each Smelter has the ability to curtail its use so that Big Rivers can avoid high-cost purchased power (Section 4.13.2 Curtailment of Purchased Power). Each Smelter also has a limited opportunity to curtail its load, to have Big Rivers resell the power, and thereby, to receive the benefit from high market energy prices (Section 4.13.3, Economic Sales).

Q: Are there other ways the Smelters can manage the cost of electricity?

A: Clearly, the agreements among Big Rivers, Kenergy and the Smelters provide a mechanism whereby the costs incurred by Big Rivers automatically flow to the

Smelters, with certain limitations. Although the Smelters have no approval authority regarding the budget or operations at Big Rivers, Section 3.4 of the Coordination Agreement provides an opportunity for the Smelters to review the budgets, including changes to the budgets, and to discuss any questions or disagreements with Big Rivers' management and its Board of Directors. In addition, as described in Section 4 of the Coordination Agreement, the parties have agreed to establish a Coordinating Committee comprised of representatives from the Members, the Smelters and Big Rivers for the purpose of analyzing and discussing information relating to Big Rivers' operational and financial performance. Our expectation is that with regular meetings, open discussion and dialogue with the Board of Directors, all parties will be able to optimize operating and financial plans to result in low-cost reliable generation for the benefit of the non-smelter Members and the Smelters alike.

Q: Do the Smelters believe that this transaction is in the public interest?

A: *Absolutely. The transaction provides significant benefits to all parties.*

Q: Would you please explain?

A: For Big Rivers, the transaction produces a significant improvement in its financial health and the opportunity for Big Rivers to regain control of its generating units and to raise capital to make investments required to optimize the life of the units and its system. As Big Rivers' witness Blackburn testifies, the total financial benefit of the Unwind Transaction to Big Rivers is approximately $950 million, $327 million of which results from the cash compensation and increased power cost payments from the Smelters. Most importantly, it creates the opportunity for the Kentucky generation to be used to support Kentucky businesses.

For the non-smelter members, the transaction also has benefit. By providing Big Rivers the opportunity to raise capital to make investment in its system, it assures that there will be adequate and reliable generation available after 2023 when the current arrangement otherwise would have terminated. Because of the Smelter Surcharge payments and the Economic Reserve, an increase in rates to the non-smelter members is substantially mitigated and rates for the long term are projected to remain low. And most importantly, the transaction preserves the economic health of Western Kentucky.

Although a lower rate structure would have been preferable, the transaction provides benefit to the Smelters as well. Specifically, although the Smelter rates are higher than a traditional cost-based tariff, the contract provides an energy supply based on cost, which will limit the Smelters' exposure to market prices and provide a reasonable opportunity for continued operation beyond the current contract terms of 2010 and 2011.

Q: Have the Smelters concluded that the proposed transaction provides a reasonable opportunity for their continued operation?

A: Yes. The Smelters are cautiously optimistic that the rates to the Smelters will be affordable for the long term. But that result ultimately will be a function of LME prices and the ability of Big Rivers to control its costs. As I indicated above, the contract provides some opportunities for the Smelters to mitigate the cost as well as a process for the Smelters to participate with Big Rivers' management and the Members in the budgeting process.

But it is clear that if the industry analysts are correct that the long term LME price will be $2100 per metric ton, then long-term operation of the Smelters at the rates projected in the financial model will be a close call. Certainly, if costs increase significantly, the Smelters will be unable to survive.

Q: Please explain how the Smelters' concluded that the proposed transaction provides a reasonable opportunity for continued operation.

A: The Smelters decided to support the transaction because it appears to be the best alternative available. The Smelters require an affordable and predictable energy supply in order to make the large capital investments necessary to maintain and operate their production facilities efficiently. In exchange for the Smelters' agreement to terminate our existing purchase power contracts, WKE has agreed to pay a sum of money at closing to offset the higher cost projected by Big Rivers through 2010 and 2011. The proposed agreements provide a power supply that can reasonably be expected to be significantly lower-cost and less volatile than market-priced power. Moreover, since the price is broadly based on cost, the cost to the Smelters should be predictable since costs can be managed within some bounds. And by reaching agreement now, well in advance of the expiration of the current contracts, the Smelters will have achieved sufficient certainty which will allow each of them to make the financial commitments required to optimize their operations and plan for an extended period of operation. Finally, as discussed above, the contract does provide some opportunity for the Smelters to mitigate their cost.

However, as noted in the Coordination Agreement (Section 3.17), the financial model was prepared solely by Big Rivers. We understand and accept that it represents their best estimate of the future operations of Big Rivers after the Unwind Transaction is consummated. Although the Smelters have had some opportunity to review the results and some of the underlying assumptions, the Smelters do not have sufficient information to agree or disagree with the forecast. We agree with Big Rivers' decision to adopt the WKE work plan initially to ensure a smooth transition and are optimistic that Big Rivers, with input from the Coordinating Committee, will be able to develop work plans and budgets prospectively that will produce the necessary system reliability and meet the changing environmental requirements at a cost lower than reflected in the financial model.

Q: What are your major concerns?

A: Without question, cost is the major concern. But as I explained above, the Smelters have concluded that it is reasonable to expect that costs will be within the range projected in the financial model, if not lower. However there are some unknowns that must be resolved in the near term, the outcome of which could affect whether or not this transaction can be consummated.

As Big Rivers' witness Spainhoward explains in his testimony, there is still an outstanding issue with the City of Henderson. If the resolution of that issue imposes additional cost to the Smelters, the transaction may no longer be viable.

As Big Rivers' witness Blackburn explains in his testimony, the new financing arrangements have not been completed. If the cost of the refinancing is higher than reflected in the financial model, the transaction may no longer be viable.

Q: Are there any open issues?

A: Yes. As Big Rivers' witness Blackburn has noted, there is a disagreement between Big Rivers and the Smelters as to whether Big Rivers has a non-contractual obligation to provide the Smelters with power after the termination of the contracts. Under the terms of the proposed agreements, the parties will endeavor to resolve this issue on a long-term basis so the matter is not part of this application. If the proposed transaction is not consummated, the issue would have to be resolved prior to the expiration of the current contracts in 2010 and 2011.

Q: Does this conclude your testimony at this time?

A: Yes, it does.

Steven L. Beshear
Governor

Robert D. Vance, Secretary
Environmental and Public
Protection Cabinet

Larry R. Bond
Commissioner
Department of Public Protection

Commonwealth of Kentucky
Public Service Commission
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Mark David Goss
Chairman

John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

February 20, 2008

PARTIES OF RECORD:
Case No. 2007-00455
Big Rivers Electric Corporation

Attached is a copy of the informal conference memorandum which is being filed in the record of the above-referenced case. If you wish to make any comments regarding the contents of the memorandum, please do so within five days of receipt of this letter. Should you have any questions regarding the memorandum, please contact Richard Raff at 502/564-3940, Extension 263.

Sincerely,

Beth O'Donnell
Executive Director

vh/

BIG RIVERS EXHIBIT 6

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File No. 2007-00455

FROM: Richard G. Raff, Staff Attorney

DATE: February 19, 2008

SUBJECT: Big Rivers Electric Corporation, et al.

Pursuant to a Staff Notice dated January 29, 2008, an informal conference was held on February 19, 2008 at the Commission's Frankfort, Kentucky office. A copy of the list of attendees is attached hereto. Big Rivers gave a presentation describing the proposed special contracts with the aluminum smelters, Alcan and Century, and the various tariff adjustment clauses that would apply to the smelters and the non-smelter members under the proposed unwind transaction. A copy of the slides presented by Big Rivers is attached hereto.

Aspects of the special contracts that were discussed included the services Big Rivers will supply to the smelters, the charges to be paid by the smelters, the parties' respective protections under the contracts, provisions governing conditions for dealing with financial distress to the smelters and/or closure of one or both smelters, and provisions for future cooperation between the parties. Big Rivers also discussed the proposed smelter tariff adjustment clauses, including a fuel adjustment clause (FAC), an environmental surcharge, and a non-FAC purchase power agreement, as well as the proposed non-smelter member adjustment clauses. The presentation also covered various provisions within the proposed contracts that are intended to maintain the financial viability of Big Rivers and the smelters.

cc: Parties of Record (without copy of slides)

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

THE APPLICATIONS OF BIG RIVERS ELECTRIC CORPORATION FOR: (I) APPROVAL OF WHOLESALE TARIFF ADDITIONS FOR BIG RIVERS ELECTRIC CORPORATION, (II) APPROVAL OF TRANSACTIONS, (III) APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS, AND (IV) APPROVAL OF AMENDMENTS TO CONTRACTS; AND OF E.ON U.S., LLC, WESTERN KENTUCKY ENERGY CORP., AND LG&E ENERGY MARKETING, INC. FOR APPROVAL OF TRANSACTIONS	)	CASE NO. 2007-00455

February 19, 2008 Informal Conference

Please sign in:

NAME	REPRESENTING
RICHARD RAFF	PSC - LEGAL
ISRAEL J. SCOTT	PSC - Financial Analysis
AARON GREENWELL	PSC - FA
BOB AMATO	PSC
David Samford	PSC
Quang D. Nguyen	PSC
Daryl Newby	PSC - FA
Rick Bertelson	PSC - Legal
JEFF JOHNSON	PSC
Dennis Howard	Office of Attorney General
David Brevitz	Consultant w/ Attorney General

Participating By Phone

(2)

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

THE APPLICATIONS OF BIG RIVERS ELECTRIC CORPORATION FOR: (I) APPROVAL OF WHOLESALE TARIFF ADDITIONS FOR BIG RIVERS ELECTRIC CORPORATION, (II) APPROVAL OF TRANSACTIONS, (III) APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS, AND (IV) APPROVAL OF AMENDMENTS TO CONTRACTS; AND OF E.ON U.S., LLC, WESTERN KENTUCKY ENERGY CORP., AND LG&E ENERGY MARKETING, INC. FOR APPROVAL OF TRANSACTIONS	)	CASE NO. 2007-00455

February 19, 2008 Informal Conference

Please sign in:

NAME	REPRESENTING
Steve Seelye	Prime Group - Big Rivers
Kyle Drefke	Orrick - Big Rivers
Kendrick R. Riggs	SKO - WKE / E.ON US
Robert M. Cooney	EON - U.S.
Thomas K. DePaull	EON - US

(3)

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

THE APPLICATIONS OF BIG RIVERS ELECTRIC CORPORATION FOR: (I) APPROVAL OF WHOLESALE TARIFF ADDITIONS FOR BIG RIVERS ELECTRIC CORPORATION, (II) APPROVAL OF TRANSACTIONS, (III) APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS, AND (IV) APPROVAL OF AMENDMENTS TO CONTRACTS; AND OF E.ON U.S., LLC, WESTERN KENTUCKY ENERGY CORP., AND LG&E ENERGY MARKETING, INC. FOR APPROVAL OF TRANSACTIONS	)	CASE NO. 2007-00455

February 19, 2008 Informal Conference

Please sign in:

NAME	REPRESENTING
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Jim Miller	SMSM Big Rivers
FRANK N. KING, JR	KENERGY
SANDY NOVICK	KENERGY
DAVID HAMILTON	KENERGY
CARL WEST	DOMTAR PAPER Co.
Paul Adams	AG
Mark Hite	Big Rivers
Doug Beresford	Hogan & Hartson - Big Rivers
Jack Gaines	BRAC Members
Jack Hughes	HMP&L
JOHN TALBERT	Big Rivers

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

THE APPLICATIONS OF BIG RIVERS ELECTRIC CORPORATION FOR: (I) APPROVAL OF WHOLESALE TARIFF ADDITIONS FOR BIG RIVERS ELECTRIC CORPORATION, (II) APPROVAL OF TRANSACTIONS, (III) APPROVAL TO ISSUE EVIDENCES OF INDEBTEDNESS, AND (IV) APPROVAL OF AMENDMENTS TO CONTRACTS; AND OF E.ON U.S., LLC, WESTERN KENTUCKY ENERGY CORP., AND LG&E ENERGY MARKETING, INC. FOR APPROVAL OF TRANSACTIONS	)	CASE NO. 2007-00455

February 19, 2008 Informal Conference

Please sign in:

NAME	REPRESENTING
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Mark Bailey	" " "
David Spainhoward	" " "
Mike Core	" " "
CHUCK BUECHEL	"
BOB MUDGE	"
Mike Kurtz	KIUC/ Smelters
David C. Brown	Alcan - Century
G. KELLY NUCKOLS	JPEC
Melissa Yates	JPEC & Meade County
Tyson Kamuf	Big Rivers
HENRY FAYNE	Century Aluminum
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Big Rivers Electric Corporation

Your Touchstone Energy® Cooperative

Summary of Smelter Service Arrangements & Proposed Adjustment Clauses

February 19, 2008

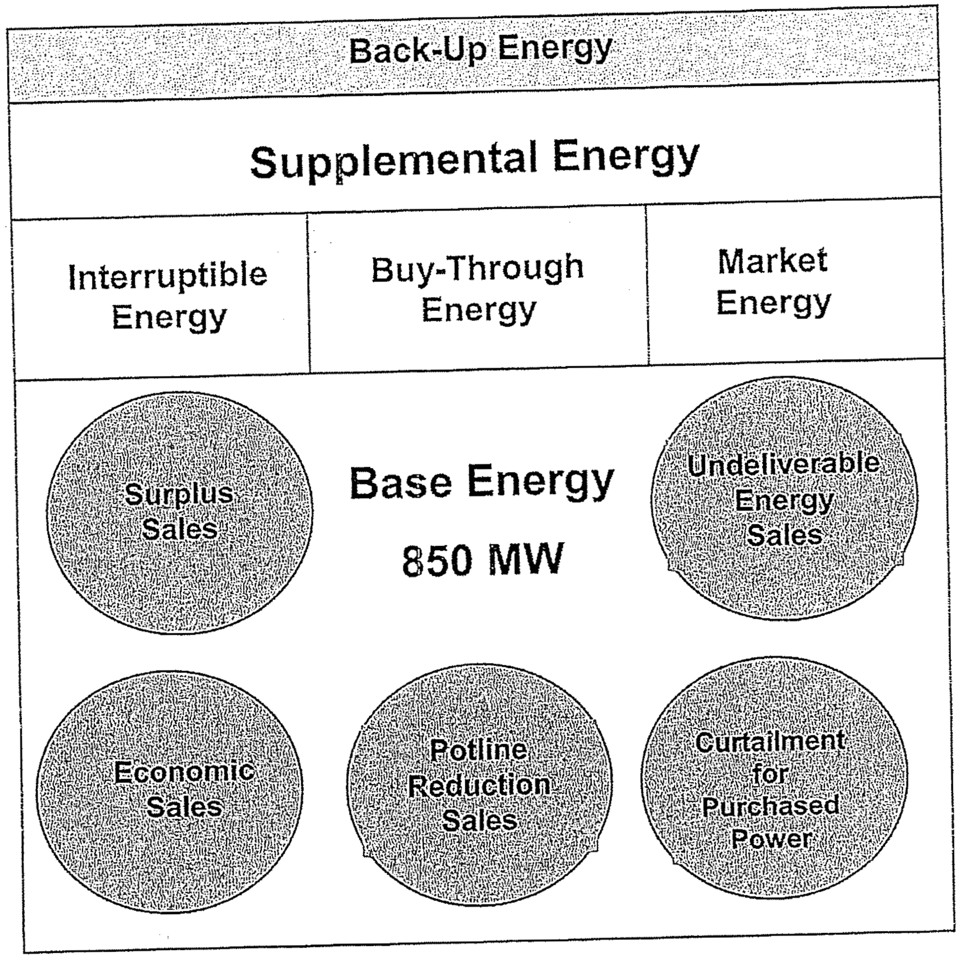
Today's Presentation

- Services Provided
- Charges to Smelters
- Parties' Respective Protections
- Smelter Financial Distress/Closure
- Future Cooperation
- Tariff Adjustment Clauses

Services Provided

- Non-exclusive Contractual Wholesale Service
  Retail Agreements §§ 2.1, 2.3.2(c)
  - Back-to-back arrangements among Big Rivers, Kenergy and the Smelters
- Base Power and Energy Retail Agreements § 2.3.1
  - Intended to satisfy Smelters' normal operating requirements
  - Smelters' increased load since 1998
- Supplemental Energy Retail Agreements § 2.3.2
  - Structure (pricing, amounts, etc.) developed in response to working experience with the Smelters since 1998
  - Simpler to include provisions in a single contract

Services Provided (cont'd)

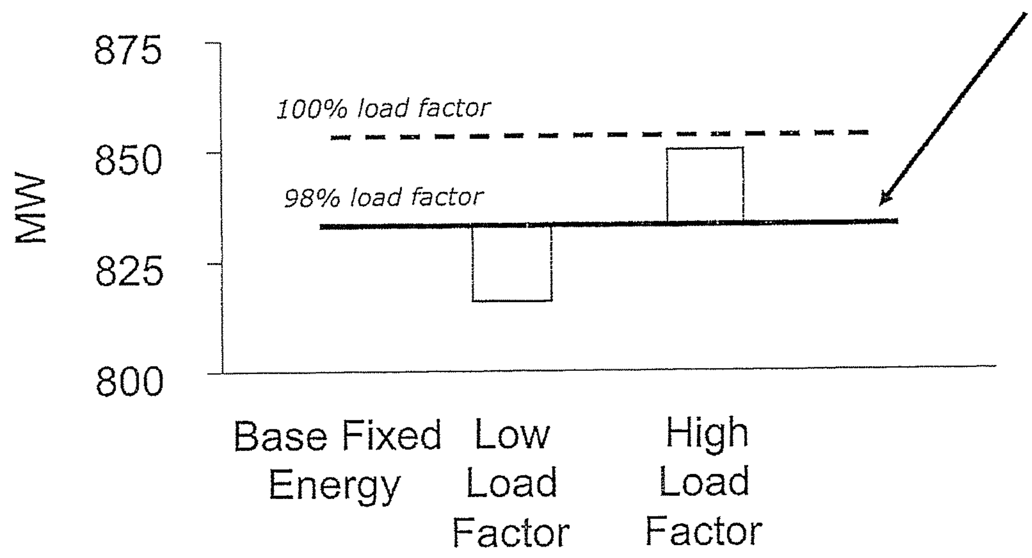


Services Provided (cont'd)

- Base Power and Energy
  - Alcan: 368 MW; Century: 482 MW
    Alcan Retail Agreement §§ 1.1.15, 2.31; Century Retail Agreement §§ 1.1.14, 2.3.1
  - Take-or-pay obligation Retail Agreements § 4.2
  - No scheduling requirements Retail Agreements § 3.2.1
    - Notice of material changes in usage
  - Term: December 31, 2023 Retail Agreements § 2.1

Services Provided (cont'd)

- Base Power and Energy (cont'd) – Relationship of Base Fixed Energy and Base Variable Energy



(all per hour)

- Smelters committed to purchase 7.3 million MWh –"Base Fixed Energy"— annually under any circumstance Alcan Retail Agreement §§ 1.1.16, 2.3.1, 4.2; Century Retail Agreement §§ 1.1.17, 2.3.1, 4.2
- Charges are adjusted for fuel and variable O&M costs related to "Base Variable Energy": Alcan Retail Agreement §§ 1.1.20, 2.3.1, 4.2; Century Retail Agreement §§ 1.1.21, 2.3.1, 4.2
  - Avoided, for lower load factor
  - Incurred, for higher load factor, up to 100%

Services Provided (cont'd)

- Supplemental Energy Categories
  - Interruptible Energy Retail Agreements § 2.3.2(a), Retail Agreements Schedule 2.3.2(a)
    - 10 MW each
    - Smelters must schedule
    - Interruptible based on inability to serve non-Smelter members, Smelter base energy, and existing commitments from owned resources, SEPA contract or certain long-term contracts (2+ years)
      - Right to after-the-fact declaration of interruption
      - No limit on number or duration of interruptions

Services Provided (cont'd)

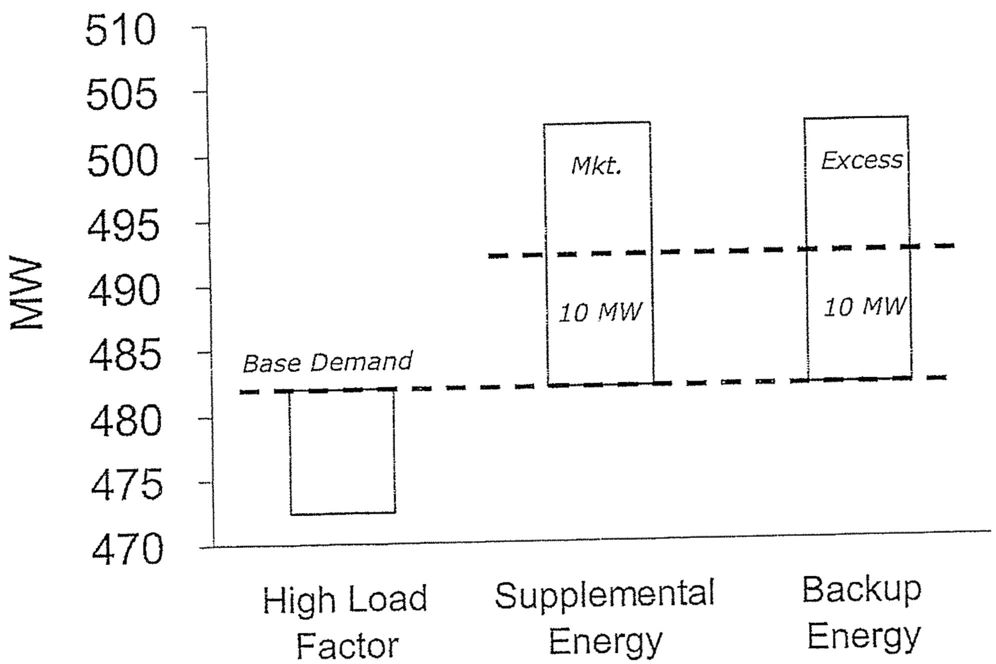
- Supplemental Energy Categories (cont'd)
  - Buy-Through Energy Retail Agreements § 2.3.2(b)
    - Related to Interruptible Energy
    - Big Rivers not obligated to offer
    - At election of a Smelter following notice of interruption
    - "Firms" Interruptible Energy price
  - Market Energy Retail Agreements § 2.3.2(c)
    - Additional energy required by a Smelter
      - E.g., increased Smelter capacity requirements
    - Big Rivers <u>may</u> but not obligated to provide

Services Provided (cont'd)

- Back-up Energy Retail Agreements § 2.3.3
  - A load following product
  - Big Rivers is the provider of last resort
- Transmission Services Retail Agreements § 4.5
  - If applicable, future unbundled services for Base Energy
  - Supplemental Energy
- Ancillary Services Retail Agreements § 4.5

Smelter Agreements

Energy Products – Supplemental and Backup Energy (E.g., Century)



(all per hour)

- For load in an hour over Base Demand, Smelters may purchase Supplemental Energy up to 10MW:
  - Interruptible
  - Buy-through
  - Market (can exceed 10MW)
- Backup Energy also available
- Backup Energy over 10MW (Excess) priced at premium rate

Charges to Smelters

	Base Power and Energy	Supplemental Energy			Back-Up Energy
		Interruptible	Buy-Through	Market	
Energy Price	Large Industrial Rate + 25 cents (98% load factor) Alcan Retail Agreement §§ 1.1.20, 4.2 Century Retail Agreement §§ 1.1.19, 4.2	Price set quarterly by agreement Retail Agreements § 4.3.1, Retail Agreements Schedule 2.3.2(a)(i)	Actual market price Retail Agreements § 4.3.2	Price set by quote Retail Agreements § 4.3.3	<u>Generated Energy</u>: Greater of hourly MISO locational marginal price or system lambda Retail Agreements § 4.4.1(a) <u>Purchased Energy</u>: 110% of highest all-inclusive cost for purchased energy Retail Agreements § 4.4.1(b) <u>More than 10 MW</u>: Greater of $250/MWh or purchased energy price Retail Agreements § 4.4.1(c)
Adjustments Retail Agreements § 4.8	• FAC • Environmental Surcharge • Non-FAC PPA	Included in price Retail Agreements § 4.3.1, Retail Agreements Schedule 2.3.2(a)(i)	Included in price Retail Agreements §§ 2.3.2(b), 4.3.2	Included in price Retail Agreements §§ 2.3.2(c), 4.3.3	Included in price Retail Agreements §§ 2.3.2(c), 4.3.3
Transmission and Ancillary Charges Retail Agreements § 1.1.121	On-system bundled & off-system recovered through Non-FAC PPA Retail Agreements § 4.5(a) and Appendix A	OATT Retail Agreements § 4.5(b)	OATT Retail Agreements § 4.5(b)	OATT Retail Agreements § 4.5(b)	Third-Party Charges Retail Agreements § 4.4.1(b)

Charges to Smelters (cont'd)

- Adjustments
  - Fuel Adjustment Clause (FAC) Retail Agreements § 4.8.1
    - Provides for changes in fuel costs
    - Applies to Members and Smelters
  - Environmental Surcharge (ES) Retail Agreements § 4.8.3
    - Recovers variable expenses of reagent and waste disposal
      - Net of sales of allowances and waste byproducts
    - Applies to Members and Smelters

Charges to Smelters (cont'd)

- Adjustments (cont'd)
  - Non-FAC Purchase Power Adjustment (PPA)

    Retail Agreements § 4.8.2 and Appendix A
    - Recovers Smelter-related purchased power costs to the extent not recovered by the FAC or in base rates
    - Applies to the Smelters only
    - Smelters not obligated to pay Members' portion of non-FAC purchased power costs

Charges to Smelters (cont'd)

- TIER Adjustment Charge Retail Agreements § 4.7
  - Smelters' payment if necessary to reach 1.24 TIER
  - Why is this necessary?
    - Big Rivers needs to be assured to meet necessary financial metrics to:
      - Merit investment grade credit rating
      - Meet anticipated financial needs
    - Smelters willing to provide additional revenue within parameters Retail Agreements § 4.7.1
    - Allocation of costs in agreed circumstances Retail Agreements § 4.7.5
    - TIER, for this purpose, calculated in accordance with agreements Alcan Retail Agreement §§ 1.1.74, 1.1.116; Century Retail Agreement § 1.1.75, 1.1.116
      - This TIER expected to exceed RUS TIER

Charges to Smelters (cont'd)

- TIER Adjustment Charge (cont'd)
  - What if Big Rivers exceeds 1.24 TIER?
    - Rebate Retail Agreements § 4.9
      - Returns Smelters' share of excess amounts
      - The Member counterpart to the Rebate is Rebate Adjustment rider to the tariff
    - Equity Development Credit Retail Agreements § 4.10
      - Similar to Rebate but no distribution to Members
      - Big Rivers may need to build equity and may need to retain the Members' portion of the surplus above 1.24 TIER
      - Returns amounts to the Smelters until 1.24 TIER or large industrial rate

Charges to Smelters (cont'd)

- Sample TIER Adjustment Calculations

	2009	2011
TIER Adjustment Rebate/Charge		
Pre TIER Adj/Rebate Revenues	495.0	522.1
Total Expenses	473.3	519.1
Net Margin Before TIER Adjustment	21.7	3.0
Interest Charges	59.6	59.3
Pre-TIER Adjustment TIER	1.36	1.05
Increment needed for 1.24x TIER	(7.4)	11.2
Contract TIER Adjustments		
Less: Interest on Reserve Funds	(1.5)	(1.7)
Total Adjustments	(1.5)	(1.7)
Increment needed for 1.24x TIER with Adj.	(5.8)	12.9
Rebate Amount ($M)	(5.8)	-
TIER Adjustment Charge ($M)	-	12.9
Rebate to Members/Smelters ($/M)		
Rurals	(1.4)	-
Large Industrials	(0.5)	-
Smelters	(3.9)	-
TIER Adjustment Charge to Smelters ($/M)	-	12.9

Charges to Smelters (cont'd)

- Surcharges Retail Agreements § 4.11
  - Purpose of the surcharges
    - Reduce member exposure to FAC and ES
    - Benefit of the surcharges returned to Members through Unwind Surcredit
  - Types
    - Fixed dollar amount per month Retail Agreements § 4.11(a)
      - 3 different monthly amounts over 3 periods
    - 60¢/MWh for Base Fixed Energy Retail Agreements § 4.11(b)
    - 0-60¢/MWh to the extent actual fuel costs exceed reference fuel cost Retail Agreements § 4.11(c)
      - Subject to true-ups

Charges to Smelters (cont'd)

Surcharges and Surcredits

- The relationship between Smelter Surcharges and Member Surcredits in 2009 is shown at right
- 4.11(a) - Fixed dollar amount per month
- 4.11 (b) - 60¢/MWh for Base Fixed Energy
- 4.11 (c) – Lesser of 60¢/MWh or excess of actual fuel costs over reference fuel cost *
- Surcharges offset Member payments dollar for dollar

* Subject to true-ups

Surcharges - 2009

	Financial Model Line Number	Smelter Retail Agmt. Ref.	$/ MWh	TWh	$M
1. Smelter Payments					
Surcharge 1	94	4.11(a)	0.70	7.30	5.11
Surcharge 2:					
		4.11(b)	0.60	7.30	4.38
		4.11(c)	0.12	7.30	0.84
Subtotal	95		0.72	7.30	5.22
Total					10.33
2. Member Surcredits					
Rurals	40		(2.95)	2.44	(7.20)
Large Indus.	61		(2.95)	1.06	(3.14)
Total			(2.95)	3.50	(10.33)

Charges to Smelters (cont'd)

- Credits to Smelter Charges:
  - Unused energy (see p. 30 below) Retail Agreements § 4.13.1
  - Curtailment to avoid purchased power Retail Agreements § 4.13.2
    - Big Rivers, Kenergy and Smelters must agree
    - Credit equal to a projected market rate
  - Economic Sales
    - 75% of net proceeds of agreed sales to market but each Smelter is limited to: Retail Agreements § 4.13.3
      - 100MW/hour
      - 12 curtailments/year
      - 4 hours/curtailment

Protections of the Parties

- The parties negotiated various protections to help mitigate perceived risks
- These protections are key to the success of the Smelter arrangements
- These protections are balanced against one another in a manner the parties believe are both commercially reasonable and appropriate given the circumstances

Big Rivers/Member Protections

- Take-or-pay obligation Retail Agreements § 4.2
- TIER Adjustment Charge Retail Agreements § 4.7
  - Additional Smelter charge based on fluctuations of Big Rivers' net margins, within limits
- Adjustable Charges Retail Agreements § 4.8
  - Provides Big Rivers additional financial protection (FAC, ES, Non-FAC PPA)
- Smelter Surcharges Retail Agreements § 4.11
  - Additional mitigation of fuel costs
    - 2 surcharges fixed
    - 1 surcharge based on actual fuel costs

Big Rivers/Member Protections (cont'd)

- Pricing flexibility for Interruptible and Market Energy Retail Agreements §§ 4.3.1, 4.3.3 and Appendix A
  - Premium pricing for Back-up Energy Retail Agreements § 4.4
- No obligation to sell unused Smelter energy until Big Rivers' energy sold or it elects not to sell forward Retail Agreements § 10.1.2

Big Rivers/Member Protections (cont'd)

- Payments required of disputed amounts
  Retail Agreements § 5.4
- Credit support
  - Parent guarantee Retail Agreements 13.3(ii)
  - Letter of credit Retail Agreements 13.3(i)
    - Cover 2 months invoices plus potential tax liabilities
    - No obligation to provide letter of credit if Smelter parent is rated A+ or better from S&P
      - If rated by Moody's, similar rating required

Big Rivers/Member Protections (cont'd)

- Reserves
  - Economic Reserve Retail Agreements § 1.1.34
    - At least $75 million
    - Offsets FAC and ES charges to Members
    - Returned to Members through the Member Rate Stability Mechanism (MRSM)
  - Transition Reserve Retail Agreements § 1.1.119
    - $35 million
    - Mitigates Big Rivers' potential loss of revenue if a Smelter terminates its contract

Kenergy Protections

- No performance default if a corresponding obligation by a Smelter or Big Rivers exists Retail Agreements §§ 5.5(a), 5.5(b)
- No contest of the retail fee for 10 years Retail Agreements § 13.1.2

Smelter Protections

- Protections of distortions of TIER Adjustment Charge Retail Agreements § 4.7.5
  - E.g., Restructurings/acquisitions/mergers of Big Rivers or a Member resulting in a 5% increase in Big Rivers' total Member load Retail Agreements § 16.5
    - Amortize 24-month cost of a restructuring over 48 months
- Purchased power regulatory account for Members to ensure the Smelters do not pay the Members' portion of Non-FAC PPA Coordination Agreements § 3.16
- No rate case effective before Jan. 1, 2010 Retail Agreements § 13.1.1

Smelter Protections (cont'd)

- Conditions to closing:
  - Pre-closing right to terminate if:
    Retail Agreements § 7.2
    - Commission order modifies pricing or other material terms of the agreements
      Retail Agreements § 7.2.3
    - Smelters conclude Big Rivers can't achieve the financial model filed with the Commission in December during the first 5 years Retail Agreements § 7.2.4(a)
    - Material adverse change in economic or business factors Retail Agreements § 7.2.4(b)

Smelter Protections (cont'd)

- Covenants of Big Rivers:
  - Operate system for benefit of Members and patrons consistent with prudent utility practices Coordination Agreements § 3.13
  - No use of TIER Adjustment Charge as the substantive basis for an operating decision Coordination Agreements § 3.13
  - Agreed list of retirement units Coordination Agreements § 3.15
  - Depreciation rates provision Coordination Agreements § 3.10

Smelter Protections (cont'd)

- Sales of unused energy
  - Surplus sales Retail Agreements § 10.1.1
    - General right to have unused energy sold, subject to:
      - Big Rivers sells its surplus energy first or elects not to sell Retail Agreements § 10.1.1
      - Other limitations regarding minimum amounts, minimum proceeds and absence of system emergencies Retail Agreements §§ 10.1.1, 10.1.2
    - Credit monthly charges for net proceeds only to the extent of fixed costs relating to that energy Alcan Retail Agreement §§ 1.1.11, 4.13.1; Century Retail Agreement §§ 1.1.10, 4.13.1

Smelter Protections (cont'd)

- Sales of unused energy (cont'd)
  - Undeliverable energy sales Retail Agreements § 10.2
    - Intended for Smelter "frozen potline" scenario
    - Requires casualty reducing demand by 50+ MW for 48 hours or more Retail Agreements § 10.2.1
    - Credit equal to full amount of net proceeds for up to 9 months, less an administrative fee Retail Agreements §§ 4.13.1, 10.2.1(a)
    - Smelters waive any claims against Big Rivers or Kenergy as a result of the casualty in most cases Retail Agreements § 10.2.2
    - Subject to limitations similar to surplus sales regarding priority of sales Retail Agreements § 10.2.1

Smelter Protections (cont'd)

- Sales of unused energy (cont'd)
  - Potline Reduction Sales Retail Agreements § 10.3
    - Intended to help keep a Smelter operating if 1 potline to be shut down for 1+ year Retail Agreements § 10.3.1
    - 115MW (± 10MW) reduction in usage only Retail Agreements § 10.3.1
    - Credit to monthly charge equal to full amount of net proceeds for up to 4 years Retail Agreements § 10.3.6
      - 1 year gap required before accessing provision again Retail Agreement § 10.3.1(iv)
    - Subject to limitations similar to surplus sales Retail Agreements § 10.3.4

Smelter Financial Distress/Closure

- Several provisions intended to provide Smelters needed flexibility but protect Big Rivers and Members
  - Potline reduction sales Retail Agreements § 10.3
  - Termination right
    - 1 year notice of cessation of smelting operations Retail Agreements § 7.3.1
    - Limits on termination prior to 12/31/11 Retail Agreements § 7.3.1(b)
  - Transition reserve
  - Credit support Retail Agreements § 13.3

Smelter Financial Distress/Closure (cont'd)

- Transmission upgrades to facilitate off-system sales Retail Agreements § 9.2
- Post-termination service to the Smelters
  - Large industrial rate service for up to 15MW relating to non-smelting operations
    Retail Agreements § 13.7

Future Cooperation

- Parties established a process for cooperation based on desire to work constructively after the unwind
- Coordinating Committee
  - Representatives of Big Rivers, Members and Smelters Coordination Agreements § 4.1
  - Regular dissemination of information Coordination Agreements § 4.4

Future Cooperation (cont'd)

- Budgets
  - Smelter opportunity to comment Coordination Agreements § 3.4(a)
  - Potential joint engagement of independent engineer Coordination Agreements § 3.4(b)
  - Right to comment on material amendments to the budget Coordination Agreements § 3.4(f)
- No limitations on KPSC jurisdiction

Tariff Adjustment Clauses

- Member Smelter Tariff Adjustment Clauses
  - Common application of FAC and ES
  - Channels benefits from Smelter contracts to non-Smelter Members

Tariff Adjustment Clauses

Adjustment Clause	Purpose	Applicability	Net Member Bill Impact
Fuel Adjustment Clause (FAC)	Provides for changes in fuel costs	Members and Smelters	Offset by Economic Reserve for approximately 5 years
Environmental Surcharge (ES)	Provides for recovery of approved environmental costs	Members and Smelters	Offset by Economic Reserve for approximately 5 years
Unwind Surcredit	Transfers Unwind Surcharges paid by Smelters to Members	Members only	Yes, will result in a credit if greater than FAC and ES
Rebate Adjustment	Mechanism for providing rebates to Members	Members only (there is a separate adjustment for Smelters in the Smelter Agreements)	Yes, will result in a credit if greater than FAC and ES
Member Rate Stability Mechanism	Draws on the Economic Reserve to offset the impact of the FAC and ES (net of the impact of the Unwind Surcredit and the Rebate Adjustment)	Members only	Will be used to offset the impact of the FAC and ES net of the other 2 adjustments

Adjustment Clauses (cont'd)

- Projected Impact on Member Rates

Member cost of riders is offset through 2012, with FAC significantly offset by Surcredit through whole period

Rates ($/ MWh)

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1	Member Non-Smelters																
2	Base (Net of MDA)	34.4	34.4	34.4	35.1	35.1	35.1	35.1	35.4	35.4	39.1	39.1	39.0	39.0	39.0	39.0	39.0
3	Regulatory Account	-	-	-	-	-	0.2	0.2	0.2	0.5	0.5	0.5	0.9	0.9	0.9	1.3	1.3
4	FAC	5.9	5.8	7.1	7.6	7.8	8.3	9.0	9.0	9.4	9.4	9.8	9.6	10.1	10.3	10.4	10.4
5	Env. Surcharge	0.5	0.8	2.7	2.6	2.9	2.9	3.0	4.1	4.2	4.1	4.3	4.2	4.5	4.6	4.6	4.8
6	Surcredit	(4.0)	(3.0)	(3.9)	(3.8)	(4.3)	(4.2)	(4.1)	(4.0)	(3.9)	(4.5)	(4.4)	(4.3)	(4.2)	(4.1)	(4.0)	(4.0)
7	Rebate:																
8	Accrued	(0.2)	(0.5)	(0.9)	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Realized	-	(0.2)	(0.5)	(0.9)	-	-	-	-	-	-	-	-	-	-	-	-
10	MRSM	(2.4)	(3.6)	(5.3)	(5.5)	(6.4)	(1.2)	-	-	-	-	-	-	-	-	-	-
11	Effective Rate	34.4	34.4	34.4	35.1	35.1	41.1	43.2	44.8	45.6	48.7	49.2	49.5	50.3	50.7	51.4	51.6

Questions?

BIG RIVERS EXHIBIT 7

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Kentucky OKs Alcan tax stimulus

$15 million approved for Sebree smelter plant project

By Chuck Stinnett

Originally published 10:04 a.m., February 26, 2010
Updated 10:05 a.m., February 26, 2010

HENDERSON, Ky. — Rio Tinto Alcan's smelter in Sebree has been approved for $15 million in state tax incentives related to a $50 million project, according to the Kentucky Cabinet for Economic Development's Web site.

The state's Web site doesn't indicate whether any jobs would be created at the smelter, which employs nearly 600 people.

But an investment of that magnitude indicates the parent company Rio Tinto PLC is committing to the long-term operation of the nearly 30-year-old smelter, even as it pursues new smelter projects elsewhere in the world.

The Alcan investment also would be the largest industrial investment in Henderson County since MacMillan Bloedel (now International Paper) built its $103 million paper recycling mill here in 1995.

Kevin Sheilley, president and chief executive officer of the Northwest Kentucky Forward regional economic development organization, declined to discuss the nature of the Alcan project.

But he acknowledged that the smelter project is what Gov. Steve Beshear is traveling to Henderson today to announce.

Beshear is scheduled to make the announcement at 11:30 a.m. today (Friday, Feb. 26) at the Sullivan Technology Center on the Henderson Community College campus.

Butch Puttman — the president of United Steelworkers Local 9443-00 that represents hourly workers at Alcan — in 2008 told the Henderson City Commission that the company was considering $50 million in upgrades at the Sebree smelter, including a new $30 million ring furnace and $20 million to improvements in its switch yard.

Puttman was urging the city to cooperate with the Big Rivers Electric Corp. power plant unwind that would ensure Alcan a new, affordable long-term power supply agreement.

BIG RIVERS EXHIBIT 8

The unwind was successfully concluded last summer to the relief of Alcan employees. The smelter's old power contract was to expire soon and the company had indicated it wouldn't operate the smelter without a new power agreement.

Kentucky's online Financial Incentives Project Database indicates the Kentucky Economic Development Finance Authority on Thursday morning gave preliminary approval for up to $14 million in state tax incentives through the Kentucky Reinvestment Act. That program is intended to help existing manufacturers who invest in new equipment and agree to maintain at least 85 percent of their existing work force.

The state board also approved up to $1 million in Kentucky state sales and use tax refunds through the Kentucky Enterprise Initiative Act, which provides incentives for construction and equipment projects undertaken by certain manufacturing, services and technology companies and tourism attractions.

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 25 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 **OPERATING REPORT - FINANCIAL**	BORROWER DESIGNATION KY0062 PERIOD ENDED May -2011
INSTRUCTIONS - Submit an original and two copies to RUS Round all amounts to nearest dollar. For detailed instructions, see RUS Bulletin 1717b-3. *This data will be used by RUS to review your financial situation Your response is required. (7 U S C 901 et. Seq) and may be confidential*	BORROWER NAME **Big Rivers Electric Corportation**

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 Form 12a Section C of this report.

Mark A. Bailey 6/14/11

SIGNATURE OF PRESIDENT AND CEO DATE

RUS Form 12a (Rev. 12/02)

1 of 3

KIUC EXHIBIT 1

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **OPERATING REPORT - FINANCIAL**	BORROWER DESIGNATION KY0062 PERIOD ENDED May-11
INSTRUCTIONS Submit an original and two copies to RUS or file electronically For detailed instructions, see RUS Bulletin 1717B-3.	*This data will be used by RUS to review your financial situation Your response is required (7 US. C. 901 et. seq.) and may be confidential.*

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE LAST YEAR (a)	YEAR-TO-DATE THIS YEAR (b)	YEAR-TO-DATE BUDGET (c)	THIS MONTH (d)
1. Electric Energy Revenues	212,795,893.23	228,062,974.30	219,603,443.00	50,392,984.44
2. Income From Leased Property (Net)	0.00	0.00	0.00	0.00
3. Other Operating Revenue and Income	5,651,423.33	1,313,664.97	7,951,665.00	319,219.96
4. **TOTAL OPER. REVENUES & PATRONAGE CAPITAL** *(1 thru 3)*	**218,447,316.56**	**229,376,639.27**	**227,555,108.00**	**50,712,204.40**
5. Operating Expense - Production - Excluding Fuel	21,188,006.83	20,242,215.34	26,141,612.00	4,138,237.47
6. Operating Expense - Production - Fuel	85,234,372.80	95,812,527.24	86,034,032.00	20,069,937.65
7. Operating Expense - Other Power Supply	40,535,542.46	45,058,183.57	44,639,931.00	10,516,608.29
8. Operating Expense - Transmission	3,192,906.55	4,637,825.57	6,687,835.00	622,306.75
9. Operating Expense - Distribution	0.00	0.00	0.00	0.00
10. Operating Expense - Customer Accounts	0.00	0.00	0.00	0.00
11. Operating Expense - Customer Service & Information	224,500.75	160,870.23	378,820.00	26,571.05
12. Operating Expense - Sales	7,421.43	1,422.07	389,370.00	7,411.31
13. Operating Expense - Administrative & General	11,199,672.74	10,951,626.05	10,663,253.00	2,197,906.13
14. **TOTAL OPERATION EXPENSE** *(5 thru 13)*	**161,582,423.56**	**176,864,670.07**	**174,934,853.00**	**37,578,978.65**
15. Maintenance Expense - Production	13,127,831.95	14,774,469.29	17,415,334.00	2,631,819.70
16. Maintenance Expense - Transmission	1,575,921.49	1,707,057.36	1,267,648.00	386,494.16
17. Maintenance Expense - Distribution	0.00	0.00	0.00	0.00
18. Maintenance Expense - General Plant	90,347.27	41,080.29	47,301.00	13,286.15
19. **TOTAL MAINTENANCE EXPENSE** *(15 thru 18)*	**14,794,100.71**	**16,522,606.94**	**18,730,283.00**	**3,031,600.01**
20. Depreciation and Amortization Expense	14,187,897.22	14,435,952.60	14,917,226.00	2,877,843.76
21. Taxes	68,251.98	63,389.00	103,845.00	0.00
22. Interest on Long-Term Debt	19,712,709.46	19,243,619.06	19,549,258.00	3,863,191.84
23. Interest Charged to Construction - Credit	<137,114.00>	<354,209.00>	<158,628.00>	<16,927.00>
24. Other Interest Expense	42,774.19	58,902.14	82,192.00	7.99
25. Asset Retirement Obligations	0.00	0.00	0.00	0.00
26. Other Deductions	19,154.35	104,824.88	56,840.00	12,808.16
27. **TOTAL COST OF ELECTRIC SERVICE** *(14 + 19 thru 26)*	**210,270,197.47**	**226,939,755.69**	**228,215,869.00**	**47,347,503.41**
28. **OPERATING MARGINS** *(4 less 27)*	**8,177,119.09**	**2,436,883.58**	**<660,761.00>**	**3,364,700.99**
29. Interest Income	141,496.74	103,079.99	159,366.00	8,671.99
30. Allowance For Funds Used During Construction	0.00	0.00	0.00	0.00
31. Income (Loss) from Equity Investments	0.00	0.00	0.00	0.00
32. Other Non-operating Income (Net)	11,891.05	6,966.36	0.00	2,322.12
33. Generation & Transmission Capital Credits	0.00	0.00	0.00	0.00
34. Other Capital Credits and Patronage Dividends	12,806.00	96,795.44	96,438.00	0.00
35. Extraordinary Items	0.00	0.00	0.00	0.00
36. **NET PATRONAGE CAPITAL OR MARGINS** *(28 thru 35)*	**8,343,312.88**	**2,643,725.37**	**<404,957.00>**	**3,375,695.10**

RUS Form 12a

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **OPERATING REPORT - FINANCIAL**	BORROWER DESIGNATION KY0062 PERIOD ENDED May-11
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3.	*This data will be used by RUS to review your financial situation. Your response is required (7 US. C. 901 et. seq.) and may be confidential.*

SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	1,962,669,109.77	32. Memberships	75.00
2. Construction Work in Progress	47,162,952.30	33. Patronage Capital	
3. **TOTAL UTILITY PLANT** *(1 + 2)*	**2,009,832,062.07**	a. Assigned and Assignable	
4. Accum. Provision for Depreciation and Amort.	923,894,666.04	b. Retired This year c. Retired Prior years	
5. **NET UTILITY PLANT** *(3 - 4)*	**1,085,937,396.03**	d. Net Patronage Capital	0.00
6. Non-Utility Property (Net)	0.00	34. Operating Margins - Prior Years	<247,338,928.12>
7. Investments in Subsidiary Companies	0.00	35. Operating Margin - Current Year	2,533,679.02
8. Invest. in Assoc. Org. - Patronage Capital	3,642,053.26	36. Non-Operating Margins	638,947,778.89
9. Invest. in Assoc. Org. - Other - General Funds	684,993.00	37. Other Margins and Equities	<4,923,483.80>
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	0.00	38. **TOTAL MARGINS & EQUITIES** *(32 + 33d thru 37)*	**389,219,120.99**
11. Investments in Economic Development Projects	10,000.00	39. Long-Term Debt - RUS (Net) 40. Long-Term Debt - FFB - RUS Guaranteed	642,684,154.94 0.00
12. Other Investments	5,333.85	41. Long-Term Debt - Other - RUS Guaranteed	0.00
13. Special Funds	174,681,854.23	42. Long-Term Debt - Other (Net)	142,100,000.00
14. **TOTAL OTHER PROPERTY AND INVESTMENTS** *(6 thru 13)*	**179,024,234.34**	43. Long-Term Debt - RUS - Econ. Devel. (Net) 44. Payments - Unapplied	0.00 0.00
15. Cash - General Funds	5,801.29	45. **TOTAL LONG-TERM DEBT** *(39 thru 43-44)*	**784,784,154.94**
16. Cash - Construction Funds - Trustee	0.00	46. Obligations Under Capital Leases - Noncurrent	0.00
17. Special Deposits	572,485.44		
18. Temporary Investments	67,021,168.92	47. Accumulated Operating Provisions and Asset Retirement Obligations	20,136,763.01
19. Notes Receivable (Net)	0.00		
20. Accounts Receivable - Sales of Energy (Net)	46,287,535.36	48. **TOTAL OTHER NONCURRENT LIABILITIES** *(46 +47)*	**20,136,763.01**
21. Accounts Receivable - Other (Net)	<687,545.78>	49. Notes Payable	0.00
22. Fuel Stock	24,589,496.49	50. Accounts Payable	27,029,097.93
23. Materials and Supplies - Other	24,510,745.13	51. Current Maturities Long-Term Debt	14,810,967.01
24. Prepayments	2,477,145.36	52. Current Maturities Long-Term Debt - Rural Development	0.00
25. Other Current and Accrued Assets	958,622.17		
26. **TOTAL CURRENT AND ACCRUED ASSETS** *(15 thru 25)*	**165,735,454.38**	53. Current Maturities Capital Leases 54. Taxes Accrued	0.00 1,447,876.21
27. Unamortized Debt Discount & Extraor. Prop. Losses	2,141,566.90	55. Interest Accrued 56. Other Current and Accrued Liabilities	9,191,643.57 8,050,632.40
28. Regulatory Assets	0.00		
29. Other Deferred Debits	1,257,690.34	57. **TOTAL CURRENT & ACCRUED LIABILITIES** *(49 thru 56)*	**60,530,217.12**
30. Accumulated Deferred Income Taxes	0.00	58. Deferred Credits	179,426,085.93
		59. Accumulated Deferred Income Taxes	0.00
31. **TOTAL ASSETS AND OTHER DEBITS** *(5+14+26 thru 30)*	**1,434,096,341.99**	60. **TOTAL LIABILITIES ANT) OTHER CREDITS** *(38 + 45 + 48 + 57 thru 59)*	**1,434,096,341.99**

RUS Form 12a

3 of 3

Annual Report

2010

RETOOLING FOR THE FUTURE ...

Big Rivers
ELECTRIC CORPORATION

1 of 9

KIUC EXHIBIT 2

MESSAGE FROM THE BOARD CHAIR AND CEO

The year 2010 marked transition and significant achievement for Big Rivers Electric Corporation. This was our first complete year operating as a full-fledged generation and transmission cooperative, since the Unwind closing in July 2009.

During 2010 many of the longer-term initiatives, planned to be finished following the Unwind closing, were successfully completed.

Major renovation was completed in April at the central headquarters building to accommodate the additional employees returning to Big Rivers from the former Western Kentucky Energy central office following the Unwind consolidation.

$83.3 million of pollution control bonds were refinanced in June.

An energy efficiency study of the member systems was completed, with results to be implemented in 2011.

An integrated resource plan was developed and filed with the Kentucky Public Service Commission.

Implementation began on a workforce retirement transition plan in the power generation department.

Information technology support was migrated from E.ON to Big Rivers' contracted HP/EDS and internal resources.

The Oracle information systems business platform conversion was successfully completed in November.

Kentucky Public Service Commission approval for Big Rivers to join the Midwest Independent Transmission System Operator (Midwest ISO) was sought and secured, and the company successfully integrated in December.

Generation dispatch responsibility migrated

Big Rivers
ELECTRIC CORPORATION

INTEGRITY

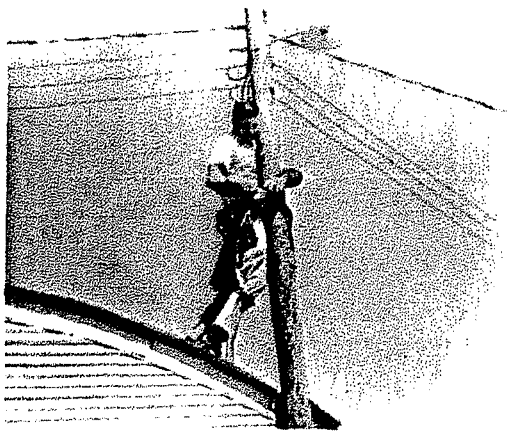
Big Rivers makes every effort to operate transparently in all aspects of its operations including environmental compliance, regulatory matters, procurement and risk management.

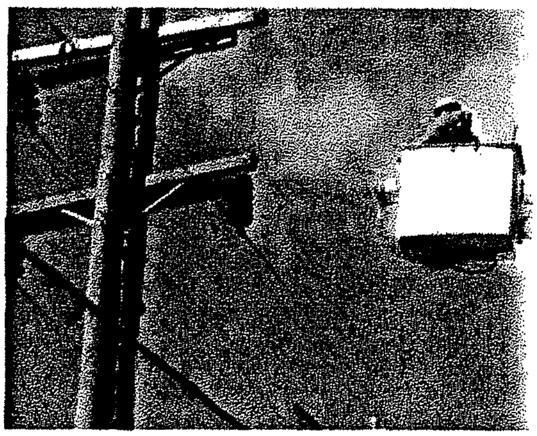
Energy production and development, and its effect on the environment, will continue to be a hot topic in the halls of Congress for quite some time. Because of new and proposed environmental regulations, compliance has been and will continue to be at the forefront of Big Rivers' generation and transmission operations.

The company currently meets all standards promulgated by the EPA. However, the impact of proposed EPA air, waste and water regulations are of major concern. Clean air transport rule, hazardous air pollutants, coal combustion residuals and water related issues are the top concerns associated with these aggressive regulations.

Big Rivers' wholesale rates are estimated to increase 39 percent due to required pollution control equipment additions that are estimated to cost $785 million by 2015. We further estimate, should the EPA classify coal ash as hazardous waste, that this would necessitate Big Rivers to reduce its use of approximately 3.7 million tons of Kentucky-mined coal annually.

Big Rivers refinanced $83.3 million of pollution control bonds over the past year. To do this, it was necessary for the company to have its investment-grade credit rating reaffirmed by each of the three leading agencies—Moody's Investors Service, Fitch Ratings Ltd. and Standard & Poor's.





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FINANCIAL REVIEW: 2010

Big Rivers' mission is to provide low-cost, reliable wholesale electricity and cost-effective shared services to the member distribution cooperatives—Jackson Purchase Energy Corporation, Kenergy Corp. and Meade County Rural Electric Cooperative Corporation. They, in turn, provide retail electric service to their members, totaling 112,735 at December 31, 2010.

The year 2010 marked the first complete calendar year of post-Unwind operations for Big Rivers (see Note 2 of the audited financial statements), as the E.ON lease agreements terminated July 16, 2009 at midnight, at which time Big Rivers resumed operational control of its 1,444 MW of owned generating facilities and 312 MW of Henderson Municipal Power & Light Station Two. The company also owns transmission assets, principally 1,266 miles of transmission lines and 22 transmission substations. Net utility plant at December 31, 2010 was $1,091.6 million, and total assets were $1,472.2 million.

NET MARGINS
Dollars in millions

2001	$16.8
2002	$10.1
2003	$18.3
2004	$22.0
2005	$26.3
2006	$34.5
2007	$47.2
2008	$27.8
2009	$531.3
2010	$7.0

0 110 220 330 440 550

EQUITY (DEFICIT)
Dollars in millions

2001	$(328.7)
2002	$(319.0)
2003	$(300.3)
2004	$(278.3)
2005	$(251.9)
2006	$(217.4)
2007	$(174.1)
2008	$(154.6)
2009	$379.4
2010	$386.6

-350 -200 -50 100 250 400

During 2010, Big Rivers continued its transformational return to a fully operating generation and transmission cooperative; its mode of operation prior to July 17, 1998, when the E.ON lease agreements became effective. Financially, 2010 was a successful year for Big Rivers, as the company completed the year with a favorable set of key financial metrics, discussed below.

Net Margins and Equities

The 2010 net margin was $7 million, resulting in a 1.15 times interest earned ratio (TIER) and margins for interest ratio (MFIR), and a 1.47 debt service coverage ratio (DSCR). Equities to total assets were 26.26 percent at December 31, 2010, and equities to total capitalization were 32.32 percent.

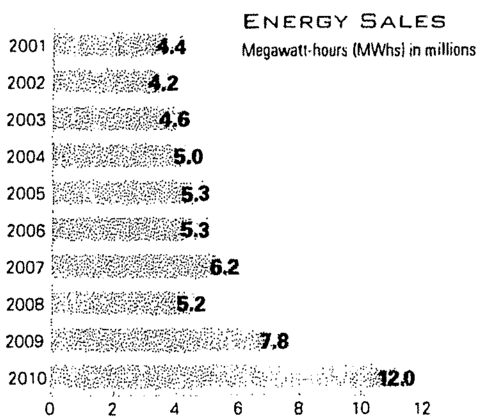
While the 2009 net margin was $531.3 million, when the one-time $538 million Unwind gain is excluded, 2009 reflected a loss of $6.6 million. There are three items that explain the majority of the $13.6 million net improvement in the 2010 net margin (2010 net margin of $7 million plus 2009 net loss, as adjusted, of $6.6 million). First, electric operating margin reflects 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, resulting from the continued weak economy. Second, interest expense and other reflects a $16.2 million favorable variance, primarily due to a $222.1 million reduction in long-term debt since 2008. Third, 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 non-operating margin of $1.9 million.

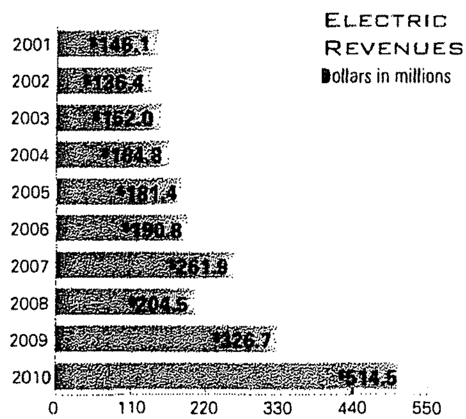
Energy Sales and Electric Revenues

Because a full year of Unwind operations is reflected, MWh sales increased to 11,969,420 MWh in 2010, up from 7,790,961 MWh in 2009, a 53.63 percent increase. The primary reason for the MWh sales increase is the additional 2,887,541 MWh sold to the aluminum smelters, an 83.43 percent increase over 2009, reflecting a full year of post-Unwind sales to the aluminum smelters.

Non-smelter member sales increased 233,963 MWh in 2010, or 7.28 percent, mostly due to hot summer weather. Sales of surplus energy to non-members (off-system sales) increased 1,056,955 MWh in 2010, or 94.61 percent, also reflective of full year of post-Unwind operations.

Electric energy revenue increased to $514.5 million in 2010, up from $326.7 million in 2009.





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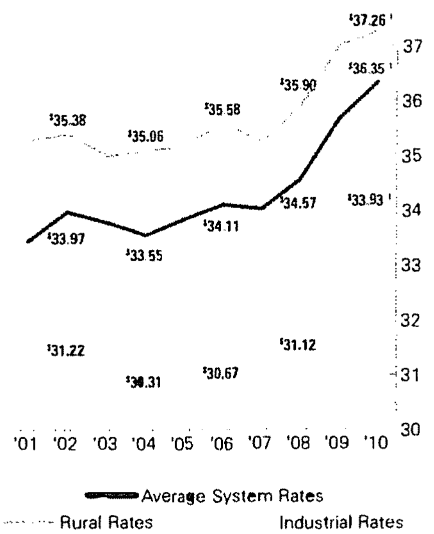
Wholesale Revenue

Big Rivers has all-requirements wholesale power contracts with its non-smelter members through December 31, 2043. Rural member wholesale revenue per MWh was $45.15 in 2010, versus $41.13 in 2009. Large industrial member wholesale revenue per MWh was $41.85 in 2010, versus $36.55 in 2009. The 11.29 percent non-smelter member revenue per MWh increase in 2010 is primarily due to higher fuel cost recovered through the fuel adjustment clause. The aluminum smelter wholesale contracts with Kenergy Corp. terminate December 31, 2023. Aluminum smelter wholesale revenue per MWh was $44.05 in 2010, versus $47.54 in 2009. Big Rivers' wholesale member tariff rates and the aluminum smelter contracts are regulated by the Kentucky Public Service Commission ("KPSC") and the Rural Utilities Service ("RUS").

WHOLESALE MEMBER RATES

Dollars per megawatt-hour (MWh)



¹ Reflects a reduction due to the Member Rate Stability Mechanism

Wholesale power market prices continue to be depressed, as has been the case since 2008. The revenue per MWh received by Big Rivers for its off-system sales was $37.90 in 2010, up from $30.91 received in 2009, but significantly below the off-system sales rate of $48.03 received in 2007.

Lines of Credit and Letters of Credit

Big Rivers has two $50 million lines of credit available to it, one with CoBank, ACB ("CoBank"), expiring July 16, 2012, and the other with National Rural Utilities Cooperative Finance Corporation ("CFC") that expires July 16, 2014. The CFC line of credit contains a $10 million embedded letter of credit facility. At December 31, 2010, $10 million is outstanding under the CoBank line of credit, and letters of credit totaling $5.9 million are outstanding with CFC.

Long-Term Debt

At December 31, 2010, debt to total assets is 55.50 percent. Big Rivers significantly reduced its long-term debt by $222.1 million over the past two years to $817 million at December 31, 2010, down from $1,039.1 million at December 31, 2008. The effective interest rate thereon, at December 31, 2010, is 5.70 percent. The company must refinance $60 million of the 5.75 percent RUS Series A Note by October 1, 2012 and another $200 million thereof by January 1, 2016. The RUS Series A Note, having a December 31, 2010 fair value of $558.7 million and a stated value of $561 million, has a final maturity of July 1, 2021. The non-interest bearing RUS Series B Note, having a December 31, 2010 fair value of $116.2 million and a stated value of

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$245.5 million, has no payment due until maturity on December 31, 2023.

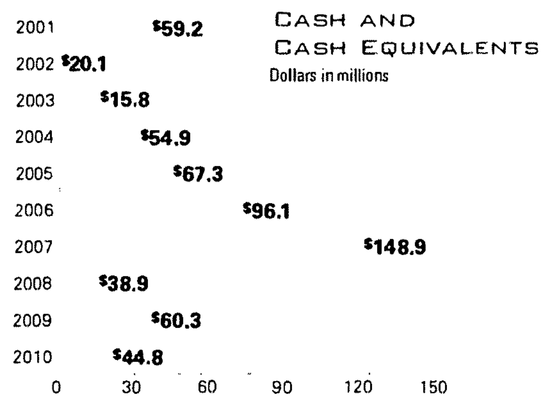
Big Rivers has two issues of tax-exempt pollution control bonds outstanding, totaling $142.1 million. The larger of the two issues was refinanced June 8, 2010---the $83.3 million County of Ohio, Kentucky, Pollution Control Revenue Bonds, Series 2010A. These Series 2010A Bonds now bear interest at a 6 percent fixed rate, with a maturity date of July 15, 2031. The second issue--the $58.8 million County of Ohio, Kentucky, Pollution Control Revenue Bonds, Series 1983—are variable rate demand bonds currently being held by the liquidity provider, bearing an interest rate of 3.25 percent.

Liquidity

Liquidity is good, as cash and cash equivalents total $44.8 million at December 31, 2010. Additionally, the company has the two lines of credit totaling $100 million discussed earlier. Also of significance, at December 31, 2010, Big Rivers had voluntarily prepaid $23.9 million on its 5.75 percent RUS Series A Note, which the company may claw back by avoiding future quarterly debt service payments. Big Rivers funded all of its operating expenses and capital expenditures in 2010 without any new borrowing. Capital expenditures totaled $42.7 million in 2010, versus $58.4 million in 2009.

Depreciation Study and Cost-of-Service Study

The March 6, 2009 order of the Kentucky Public Service Commission in the Unwind case mandated that Big Rivers file for a general review of its financial operations and wholesale member tariff rates, including a depreciation study and a cost-of-service study, by July 16, 2012. Big Rivers has not had a wholesale tariff rate increase in twenty years, and the existing depreciation study has been in effect since July 1998. Accordingly, the company filed an application with the KPSC on March 1, 2011, seeking to increase its member wholesale tariff rates. Per the application, the member revenue increase is stated at $29.6 million, a 6.85 percent increase in total member revenue. Big Rivers anticipates the KPSC will order the rate increase request effective as of September 1, 2011.



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BALANCE SHEETS

As of December 31, 2010 and 2009 — (Dollars in thousands)

Assets

	2010	2009
UTILITY PLANT – Net	$ 1,091,566	$ 1,078,274
RESTRICTED INVESTMENTS – Member rate mitigation	217,562	243,225
OTHER DEPOSITS AND INVESTMENTS – At cost	5,473	5,342
CURRENT ASSETS:		
Cash and cash equivalents	44,780	60,290
Accounts receivable	45,905	47,493
Fuel inventory	37,328	37,830
Non-fuel inventory	23,218	20,412
Prepaid expenses	2,502	3,233
Total current assets	153,733	169,258
DEFERRED CHARGES AND OTHER	3,851	9,384
TOTAL	$ 1,472,185	$ 1,505,483

Equities and Liabilities

	2010	2009
CAPITALIZATION:		
Equities	$ 386,575	$ 379,392
Long-term debt	809,623	834,367
Total capitalization	1,196,198	1,213,759
CURRENT LIABILITIES:		
Current maturities of long-term obligations	7,373	14,185
Notes payable	10,000	–
Purchased power payable	1,516	3,362
Accounts payable	29,782	30,657
Accrued expenses	10,627	9,864
Accrued interest	11,134	9,097
Total current liabilities	70,432	67,165
DEFERRED CREDITS AND OTHER:		
Regulatory liabilities – Member rate mitigation	185,893	207,348
Other	19,662	17,211
Total deferred credits and other	205,555	224,559
COMMITMENTS AND CONTINGENCIES (see Note 14)		
TOTAL	$ 1,472,185	$ 1,505,483

See accompanying notes to financial statements

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(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. Proceeds from the Series 2010A Bonds were used to refund the $83,300, County of Ohio, Kentucky, Periodic Auction Rate Securities, Series 2001A.

The County of Ohio, Kentucky, issued $58,800 of Pollution Control Variable Rate Demand Bonds, Series 1983, 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 are subject to a maximum interest rate of 13%. The December 31, 2010 interest rate on the Series 1983 Pollution Control Bonds was 3.25%.

(c) ***LEM Settlement Note*** — On July 15, 1998 Big Rivers executed the Settlement Note with LEM. The Settlement Note required Big Rivers to pay to LEM $19,676, plus interest at 8% per annum over the lease term. The principal and interest payment was approximately $1,822 annually. On the Unwind Closing Date, in connection with the Unwind Transaction the remaining balance on the Settlement Note in the amount of $15,440 was forgiven.

(d) ***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. Big Rivers had $10,000 of borrowings outstanding, at an interest rate of 2.46%, on the CoBank line of credit at December 31, 2010. Letters of credit issued under an associated Letter of Credit Facility with CFC reduced the borrowing capacity on the CFC line of credit by $5,928. 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. At December 31, 2010 the Company had available to it a $2,500 line of credit with CFC to finance storm emergency repairs and expenses related to electric utility operations with a February 25, 2011 maturity date.

(e) ***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' 2010 MFIR was 1.15 and its DSCR was 1.47.

6. RATE MATTERS

The rates charged to Big Rivers' members consist of a demand charge per kW and an energy charge per 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. Each members rural demand charge is based upon the maximum coincident demand of their rural delivery points.

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KIUC EXHIBIT 3

BIG RIVERS ELECTRIC CORPORATION
12 Months Ended October 31, 2010

Reconciliation of Revenue Requirement

Line No.	Description	Reference Schedule (1)	Big Rivers Original Amount (2)	KIUC Adjustments Adopted by Big Rivers (3)	Big Rivers Updated Amount (4)	Remaining KIUC Adjustments (5)	KIUC Recommend (6)
	Proform Adjustments						
1	To annualize revenue & expenses for new industrial customer	2.01	$ (39,145)	$ -	$ (39,145)	n/a	$ (39,145)
2	To adjust mismatch in fuel cost recovery	2.02	(2,225,346)		(2,225,346)	n/a	(2,225,346)
3	To eliminate Environmental Surcharge	2.03	(633,559)		(633,559)	n/a	(633,559)
4	To reflect temperature normalized sales volumes	2.04	126,318		126,318	n/a	126,318
5	To adjust for Non-FAC PPA	2.05	427,156		427,156	n/a	427,156
6	To reflect annualized depreciation expenses	2.06	6,252,651		6,252,651	(6,936,963)	(684,312)
7	To reflect increases in labor and labor overhead expenses	2.07	624,894	(174,679)	450,215	(859,390)	(409,175)
8	To reflect current interest on construction (CWIP)	2.08	515,767	(515,767)	-	(123,784)	(123,784)
9	To eliminate RRI Domtar Cogen Backup revenue & expenses	2.09	(971,257)		(971,257)	n/a	(971,257)
10	To reflect normal non-labor non-outage prod maint exp, incl inflation	2.10	5,660,678		5,660,678	(1,324,395)	4,336,283
11	To reflect normal planned-outage prod maintenance expenses	2.11	2,726,965		2,726,965	n/a	2,726,965
12	To reflect going forward IT support services	2.12	292,194		292,194	n/a	292,194
13	To reflect amortizaton of rate case expenses	2.13	281,719		281,719	n/a	281,719
14	To reflect Midwest ISO related expenses	2.14	5,415,000	(61,556)	5,353,444	n/a	5,353,444
15	To annualize interest on long-term debt	2.15	70,408		70,408	(2,536,730)	(2,466,322)
16	To reflect leased property (Soaper Building Rent)	2.16	(128,368)		(128,368)	n/a	(128,368)
17	To adjust for costs related to LEM Dispatch	2.17	(936,815)		(936,815)	n/a	(936,815)
18	To adjust for costs related to APM	2.18	205,090		205,090	n/a	205,090
19	To eliminate WKEC Lease Expenses	2.19	149,673		149,673	n/a	149,673
20	To eliminate WKEC Unwind-related Expenses (Non-Labor)	2.19	2,357,097		2,357,097	n/a	2,357,097
21	To eliminate WKEC Unwind-related Expenses (Labor-related)	2.19	(7,476,583)		(7,476,583)	n/a	(7,476,583)
22	To eliminate costs for SFPC membership	2.20	(180,775)		(180,775)	n/a	(180,775)
23	To adjust for Midwest ISO Case-related expenses	2.21	(771,118)		(771,118)	(534,259)	(1,305,377)
24	To adjust for Smelter TIER Adjustment Charge	2.22	7,128,947		7,128,947	(7,128,947)	0
25	To eliminate advertising, lobbying, donation and econ dev	2.23	(507,216)		(507,216)	n/a	(507,216)
26	To reflect going forward level of income taxes	2.24	183,084		183,084	n/a	183,084
27	To reflect going forward level of Outside Services	2.25	(1,000,000)		(1,000,000)	n/a	(1,000,000)
28	To reflect commitment to Energy Efficiency Programs	2.26	1,000,000		1,000,000	(1,000,000)	0
29	To reduce transmission expense					(194,000)	(194,000)
30							
31	Total Proforma Adjustments		$ 18,547,460	$ (752,002)	$ 17,795,458	$ (20,638,468)	$ (2,843,010)
33							
34	**Revenue Deficiency**		**$ 39,952,927**		**$ 39,200,925**		**$ 18,562,457**

EXECUTION VERSION

BIG RIVERS ELECTRIC CORPORATION,
GRANTOR,

to

U.S. BANK NATIONAL ASSOCIATION,
TRUSTEE

INDENTURE

Dated as of July 1, 2009

FIRST MORTGAGE OBLIGATIONS

- THIS INSTRUMENT IS A MORTGAGE.
- THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY.
- BIG RIVERS ELECTRIC CORPORATION IS A TRANSMITTING UTILITY.
- THIS INSTRUMENT CONTAINS PROVISIONS THAT COVER REAL AND PERSONAL PROPERTY, AFTER-ACQUIRED PROPERTY, FIXTURES AND PROCEEDS.
- FUTURE ADVANCES AND FUTURE OBLIGATIONS ARE SECURED BY THIS INSTRUMENT.
- THE MAXIMUM ADDITIONAL INDEBTEDNESS WHICH MAY BE SECURED HEREUNDER IS $3,000,000,000.
- THE TYPES OF PROPERTY COVERED BY THIS INSTRUMENT ARE DESCRIBED ON PAGES 1 THROUGH 7 AND EXHIBIT A.
- THE ADDRESSES AND THE SIGNATURES OF THE PARTIES TO THIS INSTRUMENT ARE STATED ON PAGES 21, 33, 142 AND 143.

STATE TAXPAYER'S IDENTIFICATION NUMBER: 25757

FEDERAL TAXPAYER'S IDENTIFICATION NUMBER: 61-0597287

THIS INDENTURE WAS PREPARED BY JAMES M. MILLER OF SULLIVAN, MOUNTJOY, STAINBACK & MILLER, P.S.C., 100 ST. ANN BUILDING, OWENSBORO, KENTUCKY 42303, ATTORNEY FOR BIG RIVERS ELECTRIC CORPORATION.

Signed: James M. Miller

...NG RETURN TO:
Reynolds
...n Street
, KY 42303

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KIUC EXHIBIT 4

the obligations of the Company and the duties of the Trustee in respect of any such covenant or condition shall remain in full force and effect.

Section 13.14 Rate Covenant.

The Company shall establish and collect rates, rents, charges, fees and other compensation (collectively, "**Rates**") that, together with other moneys available to the Company, produce moneys sufficient to enable the Company to comply with all its covenants under this Indenture. Subject to any necessary regulatory approval or determination and the approval of the RUS, if required, the Company also shall establish and collect Rates that, together with other revenues available to the Company, are reasonably expected to yield a Margins for Interest Ratio for each fiscal year of the Company equal to at least 1.10 for such period. Promptly upon any material change in the circumstances which were contemplated at the time such Rates were most recently reviewed, but not less frequently than once every twelve (12) months, the Company shall review the Rates so established and shall promptly establish or revise such Rates as necessary to comply with the foregoing requirements; subject in the case of the foregoing Margins for Interest requirement to any necessary regulatory approval or determination and the approval of the RUS, if required. The Company will not furnish or supply or cause to be furnished or supplied any use, output, capacity or service of the System 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 System.

Section 13.15 Distributions to Members.

The Company shall not directly or indirectly declare or pay any dividend or make any payments of, distributions of, or retirements of, patronage capital to its members (each a "**Distribution**") if, at the time thereof or after giving effect thereto, (i) an Event of Default shall exist, or (ii) the Company's aggregate margins and equities (determined in accordance with Accounting Requirements) as of the end of the Company's most recent fiscal quarter would be less than 20% of the Company's total long-term debt and equities (determined in accordance with Accounting Requirements) at such time; or (iii) the aggregate amount expended for all Distributions on or after the date on which the Company's aggregate margins and equities (determined in accordance with Accounting Requirements) first reached 20% of the Company's long-term debt and equities (determined in accordance with Accounting Requirements) shall exceed 35% of the aggregate net margins (whether or not such net margins have since been allocated to members) of the Company earned after such date (subtracting, in the case of any deficit, 100% of such deficit). Notwithstanding the foregoing and so long as no Event of Default shall exist, the Company may declare and make Distributions at any time if, after giving effect thereto, the Company's aggregate margins and equities (determined in accordance with Accounting Requirements) as of the end of the Company's most recent fiscal quarter would have been not less than 30% of the Company's total long-term debt and equities (determined in accordance with Accounting Requirements) as of such date..

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must look to the Company for payment as general creditors unless an applicable law designates another person, and all liability of the Trustee and such Paying Agent with respect to such money shall cease.

Section 7.4 Reinstatement.

If the Trustee or Paying Agent is unable to apply any money or Defeasance Securities in accordance with Section 7.1 and the second sentence of Section 7.2 by reason of any legal proceeding or by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, (i) the Company's obligations under this Indenture to or for the benefit of the Holders of Obligations for whose benefit such money or Defeasance Securities were deposited (other than obligations arising under any provisions creating the lien hereof) and under such Obligations shall be revived and reinstated as though no deposit had occurred pursuant to Section 7.1 until such time as the Trustee or Paying Agent is permitted to apply all such money and Defeasance Securities in accordance with Section 7.1, and (ii) the lien of this Indenture shall be reinstated for the benefit of such Holders (and, if the lien of this Indenture shall previously have been fully released, then to the extent possible, the Company shall take all actions required to subject assets of the Company to a lien substantially similar, in amount and otherwise, to the Trust Estate subject to the lien of this Indenture as in effect on the date of the termination of the Company's obligations hereunder pursuant to Section 7.1, which lien shall be effective until such time as the Trustee or Paying Agent is permitted to apply all such money and Defeasance Securities in accordance with Section 7.1); **PROVIDED, HOWEVER**, that if the Company has made any payment of interest on or principal of any Obligations because of the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders of such Obligations to receive such payment from the money or Defeasance Securities held therefor by the Trustee or Paying Agent.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1 Events of Default.

"**Event of Default**" means, wherever used herein, any one of the following events (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

A. default in the payment of any interest upon any Obligation when such interest becomes due and payable, and continuance of such default for five (5) days or such other period as may be provided for in such Obligation or in the Supplemental Indenture under which such Obligation is issued **PROVIDED**, however, that no payment by RUS pursuant to any RUS insuring of, or by any other insurer of, any Obligation shall be considered a payment of interest under this paragraph for purposes of determining the existence of such a failure to pay; or

B. default in the payment of the principal of (premium, if any, on) any Obligation at its Maturity and, if there is a grace period provided for in such Obligation or the Supplemental

Indenture under which such Obligation is issued, the continuance of such default for any grace period so provided, **PROVIDED**, however, that no payment by RUS pursuant to any guarantee by RUS insuring of, or by any other guarantor or insurer of, any Obligation shall be considered a payment of principal (or premium) under this paragraph for purposes of determining the existence of such a failure to pay; or

C. default in the performance, or breach, of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in the performance or breach of which is described in paragraph A or B of this Section), and continuance of such default or breach for a period of thirty (30) days after there has been given, by registered or certified mail, to the Company by the Trustee, or to the Company and the Trustee by the Holders of not less than 25% in principal amount of the Obligations Outstanding, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder, unless such default cannot be reasonably cured within such thirty (30) day period then, so long as a cure is being diligently pursued, the Company shall have a reasonable period of time beyond such thirty (30) day period to complete such cure; or

D. a failure to pay any portion of the principal when due and payable (other than amounts due and payable as a consequence of a declaration of acceleration) under any bond, debenture, note or other evidence of indebtedness for money borrowed by the Company, other than any indebtedness evidenced or secured by an Obligation, whether such indebtedness now exists or shall hereafter be created, if, but only if, such failure shall have resulted in such indebtedness becoming or being declared due and payable prior to the date on which it otherwise would have been due and payable in an aggregate principal amount exceeding $10,000,000, without such indebtedness having been discharged or such declaration of acceleration having been rescinded or annulled within a period of ten (10) days after such acceleration; or

E. the rendering against the Company of a judgment for the payment of money in an amount exceeding $10,000,000 and the continuance of such judgment unsatisfied or without stay of execution thereon for a period of forty-five (45) days after the entry of such judgment, or the continuance of such judgment unsatisfied for a period of forty-five (45) days after the termination of any stay of execution thereon entered within such first mentioned forty-five (45) day period; if, but only if, in either case, such judgment shall have continued unstayed or unsatisfied for a period of ten (10) days after there has been given a written notice specifying such situation and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; by registered or certified mail, to the Company by the Trustee, or to the Company and the Trustee by the Holders of not less than 25% in principal amount of the Obligations Outstanding; or

F. the entry by a court having jurisdiction of (i) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or (ii) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Company or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such

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Execution Version

AMENDED AND CONSOLIDATED LOAN CONTRACT

Dated as of July 16, 2009

between

BIG RIVERS ELECTRIC CORPORATION

and

UNITED STATES OF AMERICA

RUS Project Designation:
Big Rivers

1 of 5

OHS East:160523172.7

KIUC EXHIBIT 5

(c) *Electronic Funds Transfer.* Except as otherwise prescribed by the RUS, the Borrower shall make all payments on the RUS Notes utilizing electronic funds transfer procedures as specified by the RUS.

Section 3.4. Prepayment

The Borrower may prepay the RUS Notes in whole or in part in the sole discretion of the Borrower without penalty or prepayment premium, provided, however, in no event shall such a voluntary prepayment of the RUS Series B Note be deemed an acceleration or cause an adjustment to the principal thereof.

ARTICLE IV.

AFFIRMATIVE COVENANTS

Section 4.1. Generally

Unless otherwise agreed to in writing by the RUS, while this Agreement is in effect, the Borrower shall duly observe each of the affirmative covenants contained in this Article IV.

Section 4.2. Performance under Loan Documents

The Borrower shall duly observe and perform all of its obligations under each of the Loan Documents.

Section 4.3. Annual Certification

Within ninety (90) days after the close of each fiscal year (or, if the Borrower has delivered written notice to the RUS prior to the expiration of such ninety (90) day period that the Borrower has determined in good faith that an additional thirty (30) days for such delivery is necessary or advisable, then within one hundred twenty (120) days after the close of the fiscal year with respect to which such notice has been delivered), the Borrower shall deliver to the RUS a written statement signed by its General Manager, stating that during such year the Borrower has fulfilled its obligations under the Loan Documents throughout such year in all material respects or, if there has been a material default in the fulfillment of such obligations, specifying each such default known to the General Manager and the nature and status thereof.

Section 4.4. Rates and Margins for Interest Ratios

(a) *Prospective Requirement.* The Borrower shall design and implement rates for utility service furnished by it to maintain, on an annual basis, the Margins for Interest Ratio specified in Section 13.14 of the Indenture.

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(d) *Notice of Application for Competitive Transition Charges*. Promptly, but no later than 60 days prior to submission to any approval authority, including without limitation, any regulatory or legislative authority, written notice of an application for authority to collect Competitive Transition Charges. Without limiting the right of RUS to request other information, RUS has the right to request the Borrower to provide to RUS a written appraisal or other financial assessment of the Competitive Transition Charges.

(c) *Notice of Change of Place of Business.* Promptly in writing, notice of any change in location of its principal place of business or the office where its records concerning accounts and contract rights are kept.

(d) *Regulatory and Other Notices.* Promptly after receipt thereof, copies of any notices or other communications received from any governmental authority with respect to any matter or proceeding which could reasonably be expected to have a Material Adverse Effect.

(e) *Ratings.* Promptly after receipt thereof, copies of Credit Ratings and copies of any reports with respect to the Borrower or its Credit Rating issued by any Rating Agency.

(f) *Material Adverse Effect.* Promptly after becoming aware thereof, notice of any matter that has had or could reasonably be expected to have a Material Adverse Effect.

(g) *Other Information.* Such other information regarding the condition, financial or otherwise, or operations, properties or business of the Borrower as the RUS may, from time to time, reasonably request.

Section 4.10. Variable Rate Indebtedness

In connection with the furnishing of its annual report to the RUS pursuant to Section 4.8, the Borrower shall report to the RUS, in such written format as may be acceptable to the RUS, the specific maturities of all of the Borrower's outstanding indebtedness and, the interest rates applicable thereto, including, without limitation, with respect to any indebtedness not bearing a fixed rate through the maturity of such indebtedness, the method and timing for adjustment and readjustment of the applicable interest rate.

Section 4.11. Compliance with Laws

The Borrower shall operate and maintain the System and its properties in compliance in all material respects with all applicable Laws.

Section 4.12. Separate Accounts

The Borrower shall execute and deliver, with a financial institution approved by the RUS, a lockbox agreement or agreements substantially in the form of Exhibit A attached hereto ("Lockbox Agreement") and shall at all times maintain such Lockbox Agreement in full force and effect. The Borrower shall not, without first complying with the requirements of sanctions and penalties for violation of the equal opportunity clause as may be imposed upon contractors and subcontractors by the RUS or the Secretary of Labor pursuant to Part II, Subpart D of Executive Order 11246. In addition, the Borrower agrees that if it fails or refuses to comply with these undertakings the RUS may cancel, terminate or suspend in whole or in part this contract, may refrain from extending any further assistance under any of its programs subject to Executive Order 11246 until satisfactory assurance of future compliance has been received from the Borrower, or may refer the case to the Department of Justice for appropriate legal proceedings.

Section 4.21. "Buy American" Requirements

The Borrower shall use or cause to be used in connection with the expenditures of funds if such funds were obtained in whole or in part by a loan being made or guaranteed by the RUS only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States or any eligible country, and only such manufactured articles, materials, and supplies as have been manufactured in the United States or any eligible country substantially all from articles, materials, and supplies mined, produced or manufactured, as the case may be, in the United States or any eligible country, except to the extent the RUS shall determine that such use shall be impracticable or that the cost thereof shall be unreasonable. For purposes of this section, an "eligible country" is any country that has with respect to the United States an agreement ensuring reciprocal access for United States products and services and United States suppliers to the markets of that country, as determined by the United States Trade Representative.

Section 4.22. Depreciation Plan

The Borrower shall adopt as its depreciation rates only those that have been previously approved for the Borrower by RUS (through RUS Regulation or by specific approval by RUS). The Borrower shall not file with or submit for approval of any regulatory bodies depreciation rates which are inconsistent with those approved for the Borrower by RUS.

Section 4.23. Maintenance of Credit Ratings

(a) *Maintenance of Credit Ratings.* As long as there remains any RUS Note, the Borrower shall (i) maintain a Credit Rating from at least two Rating Agencies and (ii) continuously subscribe with a Rating Agency for the services described in Exhibit C attached hereto.

(b) *Reporting Non-achievement of Investment Grade Credit Rating.* If the Borrower fails to maintain two Credit Ratings of Investment Grade, it must notify RUS in writing to that effect within five (5) days after becoming aware of such failure.

(c) *Corrective Plans.* Within thirty (30) days of the date on which the Borrower fails to maintain two Credit Ratings of Investment Grade, the Borrower in consultation with the RUS shall provide a written plan satisfactory to the RUS setting forth the actions that shall be taken that are reasonably expected to achieve two Credit Ratings of Investment Grade.

(d) *Noncompliance.* Failure to implement a corrective plan developed in accordance with paragraph (c) of this section shall constitute an Event of Default under this Agreement.

ARTICLE V.

NEGATIVE COVENANTS

Section 5.1. General

Unless otherwise agreed to in writing by the RUS, while this Agreement is in effect, the Borrower shall duly observe each of the negative covenants set forth in this Article V.

Section 5.2. Acquisition of Capital Assets

The Borrower shall not, without first complying with the requirements of Section 8.1, extend or add to its System by purchasing, constructing, leasing or otherwise acquiring Capital Assets, including Capital Assets that constitute utility or non-utility plant, with funds from sources other than loans made or guaranteed by RUS in the case of:

(a) Generating facilities if the total expenditures for the facilities to be built, procured, or leased, including any future facilities included in the planned project, will exceed the lesser of $10 million or thirty percent (30%) of the Borrower's Equity; or

(b) Existing electric facilities or systems in service whose purchase price, or capitalized value in the case of a lease, exceeds ten percent (10%) of the Borrower's Net Utility Plant;

(c) Any new project to serve an end user whose annual kWh purchases or maximum annual kW demand is projected to exceed 25 percent of the Borrower's total kWh sales or maximum kW demand in the year immediately preceding the start of construction of facilities; provided, however, this Section 5.2(c) shall not preclude the Borrower from purchasing constructing, leasing or otherwise acquiring Capital Assets without complying with the requirements of Section 8.1 for a project intended to facilitate the providing of service to an end user in accordance with the provisions of a Smelter Contract, provided, further, however that the Borrower may not purchase, construct, lease or otherwise acquire Capital Assets pursuant to the preceding provision without first complying with the requirements of Section 8.1, if the estimated costs of any such project are estimated to exceed $10,000,000.

Filing Requirement
807 KAR 5:001 Section 10(6)(p)
Sponsoring Witness: C. William Blackburn

Description of Filing Requirement:

Prospectuses of the most recent stock or bond offerings.

Response:

Attached hereto is the prospectus for the $83,300,000 County of Ohio, Kentucky Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project) dated May 27, 2010.

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KIUC EXHIBIT 6

115.0.4.3

NEW ISSUE – BOOK-ENTRY ONLY

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code") and Title XIII of the Tax Reform Act of 1986, except that no opinion is expressed as to the status of interest on any Bond during any period that such Bond is held by a "substantial user" of facilities financed or refinanced by the Bonds or by a "related person" within the meaning of Section 103(b)(13) of the 1954 Code. In the opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of calculating the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. Interest on the Bonds is exempt from all present Kentucky personal and corporate income taxes. Bond Counsel expresses no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS."

$83,300,000
COUNTY OF OHIO, KENTUCKY
Pollution Control Refunding Revenue Bonds, Series 2010A
(Big Rivers Electric Corporation Project)

Dated: Date of Delivery **Due: July 15, 2031**

The County of Ohio, Kentucky (the "County"), Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project) (the "Bonds") are limited obligations of the County, payable solely out of the Receipts and Revenues (as defined herein) of the County received under the Financing Agreement (as defined below) and certain other funds pledged therefor under the Bond Indenture (as defined herein), and do not constitute a debt of the County within the meaning of any constitutional or statutory limitation. The Bonds are not general obligations of the County and do not constitute nor give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers. The Receipts and Revenues received by the County include payments sufficient to pay in full the principal of and interest on the Bonds when due, to be made by,

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

The proceeds from the sale of the Bonds will be used to refund the entire outstanding principal amount of the County's Pollution Control Refunding Revenue Bonds, Series 2001A (Big Rivers Electric Corporation Project), Periodic Auction Reset Securities (PARS[SM]) (the "Refunded Bonds"). The Refunded Bonds were issued to refund bonds previously issued by the County to finance a portion of Big Rivers' cost of certain pollution control and solid waste disposal facilities at Big Rivers' D.B. Wilson Plant Unit No. 1, a coal-fired steam electric generating plant located within the geographical boundaries of the County.

In connection with the issuance of the Bonds, the County and Big Rivers will enter into a loan agreement (the "Financing Agreement") with respect to the Bonds under which the County will loan to Big Rivers funds equal to the principal amount of the Bonds, and Big Rivers will be obligated to repay such loan in amounts equal to the principal and interest payments relating to the Bonds when due. Big Rivers' loan repayment obligations will be evidenced by a note of Big Rivers, which will be an obligation under Big Rivers' Mortgage Indenture (as defined herein), secured equally and ratably with other Mortgage Indenture Obligations (as defined herein) by a mortgage lien on substantially all of the owned tangible and certain of the intangible assets of Big Rivers, subject to certain exceptions and exclusions as described herein.

U.S. Bank National Association is the Trustee, Paying Agent and Registrar under the Bond Indenture, and the trustee under Big Rivers' Mortgage Indenture.

The Bonds are subject to optional redemption, as described herein.

Amount	Interest Rate	Price	CUSIP
$83,300,000	6.00%	100.00%	677288AG7

The Bonds will be issued in fully-registered form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds and purchases of beneficial ownership interests in the Bonds will be made in book-entry only form. The Bonds will be issued in initial denominations of $5,000 or in any integral multiple thereof. Actual purchasers of the beneficial ownership interests in the Bonds will not receive certificates representing their interest in such Bonds. Semiannual interest on the Bonds is payable on January 15 and July 15, commencing on January 15, 2011. So long as Cede & Co. is the registered owner, references herein to the holder or registered owner of the Bonds, including for the purpose of receiving notices under the Bond Indenture, shall mean Cede & Co., and shall not mean such beneficial owners. So long as Cede & Co. or another nominee of DTC is the registered owner of the Bonds, payments of the principal of and premium, if any, and interest on the Bonds will be made directly to DTC or its nominee. Disbursement of such payments to participants in DTC is the responsibility of DTC and disbursement of such payments to beneficial owners is the responsibility of those participants.

The Bonds are offered, subsequent to prior sale, when, as and if issued and accepted by Goldman, Sachs & Co. (the "Underwriter"), subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Certain legal matters in connection with the Bonds are subject to the approval of Sutherland Asbill & Brennan LLP, Counsel to the Underwriter. Certain legal matters will be passed upon for Big Rivers by Sullivan, Mountjoy, Stainback & Miller PSC, General Counsel for Big Rivers. Certain legal matters for the County will be passed upon by Greg Hill, Esq., counsel to the County. It is expected that delivery of the Bonds will be made on or about June 8, 2010.

Goldman, Sachs & Co.

May 27, 2010

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clause above a base amount. See APPENDIX E – "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 us to establish and collect rates for the use or the sale of the output, capacity or service of our electric generation, transmission and distribution 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. The definition of Margins for Interest takes into account any item of net margin, loss, gain or expenditure of any affiliate or subsidiary of ours only if we have received such net margins or gains as a dividend or other distribution from such affiliate or subsidiary or if we have made a payment with respect to such losses or expenditures. For the definition of "Margins for Interest" and "Interest Charges" see APPENDIX F – "SUMMARY OF CERTAIN PROVISIONS OF THE MORTGAGE INDENTURE – Covenants." The 2010 budget is set to achieve a $4.8 million net margin and an MFI Ratio of 1.10. See "Financial Condition – *As of March 31, 2010*" herein.

Results of Operations

Sales to Members

Electric sales to our Members are made pursuant to wholesale power contracts with each Member. The table below sets forth the Sales to Members in MWhs for 2009, 2008 and 2007. The Smelter sales are shown both before and after the closing of the Unwind. Before the closing of the Unwind, we supplied only a small portion of the Smelters' needs. Since the Unwind, we supply 850 MW of the Smelters' needs. Our wholesale rate to Kenergy for the Smelters averaged $46.22 per MWh for 2009. Smelter sales during 2010 will be for a full year of service and could approach 7.0 million MWhs.

Rural Member sales include residential and commercial loads. The 2009 rural Member sales reflect a .15 million MWh decline or a 6.28% decrease. This decline is attributable to the current recession and mild weather. Industrial Member sales were relatively flat over the three year period.

Smelter sales in 2008 were1.16 million MWhs or 52.02% less than 2007. During 2007, the Smelters' needs for power were in excess of the normal resources available to us. We purchased a large block of power for the Smelters from the open market.

Sales to Members
(in millions of MWhr)

	2009	2008	2007
Rural Member	2.24	2.39	2.41
Industrial Member	0.92	0.93	0.92
Smelter (Pre-Unwind)	0.58	1.07	2.23
Smelter (Post-Unwind)	2.89	0.00	0.00
	6.63	4.39	5.56

Sales to Non-Members

The table below sets forth the sales to Non-Members in megawatt-hours for 2009, 2008 and 2007. After the closing of the Unwind on July 16, 2009, we had access to all of the generation available from

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The scheduled maturities of our long-term debt at January 31, 2010 were as follows:

Payments Due by Period

	Total	Remainder of 2010	2011	2012 (in millions)	2013	2014	Thereafter
Long-Term Debt[(1)]	$846.6	$12.0	$14.9	$76.1	$79.3	$21.7	$642.6

(1) In the operation of our business we have 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 our long-term power purchase obligations, see "GENERATION AND TRANSMISSION ASSETS – Other Power Supply Resources."

Ratings Triggers

Our credit ratings as of the date of this Offering 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 our loan agreement with RUS, if we fail to maintain two investment grade credit ratings, we 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 maintaining two investment grade credit ratings, we 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 we would be impacted by this restriction, both Fitch and S&P would have to downgrade us 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 our credit rating also would have an impact on our CoBank credit line. This agreement contains an adjustment to the annual fees and interest rate paid on any advances based on our existing credit rating. An improvement in the credit rating would lower our cost and deterioration in our credit rating would increase our cost under this agreement. This agreement allows us to utilize our highest credit rating in setting our fees and interest rates. Currently, Moody's is our highest credit rating and sets the costs for us under this agreement. A one-step downgrade by Moody's would result in a .0025% increase unused fee and a .25% increase in the interest rate margin.

RATE AND ENVIRONMENTAL REGULATIONS

General

Many aspects of our 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 our rates for the sale of wholesale power to our Members. Among other things, Kentucky law authorizes the KPSC to (i) approve our rates to be "fair, just and reasonable," (ii) regulate our construction of new generation and transmission facilities by issuing certificates of public convenience and necessity, (iii) approve changes in ownership or control of us through sales of assets or otherwise, (iv) approve the issuance or assumption of any securities or evidence of indebtedness, other than to RUS, and (v) administer the state laws assigning each jurisdictional electric distribution utility the

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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 our option, 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 us 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 us to establish and collect rates, rents, charges, fees and other compensation (collectively, the "Rates") that produce money sufficient, together with other moneys available to us, to enable us 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 us to establish and collect Rates which are reasonably expected, together with our other revenue, 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, we 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. We will not furnish or supply or cause to be furnished or supplied any use, output, capacity or service of our business with respect to which a charge is regularly or customarily made, free of charge to any Person, and we will use commercially reasonable efforts to enforce the payment of any and all accounts owing to us with respect to the use, output, capacity or service of our business. A failure by us 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 we receive 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 our 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:

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Big Rivers Electric Corporation
Case No. 2011-00036
Historical Test Period Filing Requirements

Filing Requirement
807 KAR 5:001 Section 10(1)(a)9
Sponsoring Witness: Albert M. Yockey

Description of Filing Requirement:

A statement that customer notice has been given in compliance with subsections (3) and (4) of this section with a copy of the notice.

Response:

Big Rivers has given customer notice in compliance with 807 KAR 5:001 Sections 10(3) and 10(4). Please see the attached Certificate of Notice to customers, with a copy of the notice attached thereto.

KIUC EXHIBIT 7

BIG RIVERS ELECTRIC CORPORATION

Schedule Showing the Amount of Rate Change Requested in Both Dollar Amounts and Percentage Change for Each Customer Classification for which the Proposed Rate Change will Apply

Customer Class	**Dollar Amount of Rate Change**	**Percentage Change**
Rural Delivery Service RDS	$ 11,831,935	10.71%
Large Industrial Customer LIC	$ 2,332,557	5.94%
Smelters*	$ 15,438,743	5.47%

* The rate for the Smelters is based upon the Large Industrial Customer LIC rate.

Big Rivers Electric Corporation
Calculation of Proposed Rate Increase
Based on the 12 Months Ended October 31, 2010

Proposed Rates

Class	Adjusted Revenue at Current Rates ($)	Adjusted Revenue at Proposed Rates ($)	Base Rate Revenue Increase ($)	TIER Adjustment Decrease ($)	Estimated Credits From Amortization of Non-FAC PPA Balance ($)	Sum of Base Rate Increase, TIER Decrease and Amortization of Non-FAC PPA Balance ($)	Sum of Base Rate Increase, TIER Decrease and Amortization of Non-FAC PPA Balance (%)	Impact of Lowering the Non-FAC PPA Base ($)	Net Increase ($)	Net Increase (%)
Rural	110,513,089	124,685,092	14,172,003	-	(2,340,068)	11,831,935	10.71%	(2,145,453)	9,686,481	8.77%
Large Industrial	39,260,372	42,488,938	3,228,566	-	(896,009)	2,332,557	5.94%	(813,705)	1,518,852	3.87%
Non-Smelter	149,773,461	167,174,030	17,400,569	-	(3,236,077)	14,164,492	9.46%	(2,959,159)	11,205,333	7.48%
Smelters	282,391,841	297,830,583	22,553,396	(7,114,653)	-	15,438,743	5.47%	-	15,438,743	5.47%
Total	432,165,302	465,004,614	39,953,965	(7,114,653)	(3,236,077)	29,603,235	6.85%	(2,959,159)	26,644,076	6.17%

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Big Rivers Electric Corporation
Reconciliation of Billing Determinants
For the 12 Months Ended October 31, 2010

Rate			Billing Determinants	Current Rate Charge	Current Rate Billings	Proposed Rate before Non-FAC PPA Roll-in Charge	Proposed Rate before Non-FAC PPA Roll-in Billings	Proposed Rate after Non-FAC PPA Roll-in Charge	Proposed Rate after Non-FAC PPA Roll-in Billings
Rural Delivery Point Service									
Demand Charge	NCP	(current)	5,227,727 kW-Mo	7.3700 /kW-Mo	$ 38,528,348				
	CP	(proposed)	5,172,279 kW-Mo			10.1890 /kW-Mo	$ 52,700,351	10.1890	$ 52,700,351
Energy Charge			2,449,147,804 kWh	$ 0.02040 /kWh	49,962,615	$ 0.020400 /kWh	49,962,615	$ 0.019524 /kWh	47,817,162
Total Demand and Energy Charges					$ 88,490,963		$ 102,662,968		$ 100,517,512
Green Power					401.36		401.36		401.36
Fuel Adjustment Clause					25,166,503		25,166,503		25,166,503
Environmental Surcharge					5,315,462		5,315,462		5,315,462
Unwind Surcredit					(8,038,629)		(8,038,629)		(8,038,629)
Non-FAC PPA Accruals					-		-		2,145,453
Estimated Credits from Amort of NFPPA Balance							(2,340,068)		(2,340,068)
Temperature Normalization Adjustment			(20,667,174) kWh	$ 0.02040 /kWh	(421,610)	$ 0.020400 /kWh	(421,610)		(421,610)
Total					$ 110,513,089		$ 122,345,024		$ 122,345,024
Increase							$ 11,831,935		11,831,935
Percentage Increase							10.71%		10.71%
Large Industrial Customer Delivery Point Service									
Demand Charge			1,743,869 kW-Mo	10.15 /kW-Mo	$ 17,700,270	10.8975 /kW-Mo	$ 19,003,812	10.8975	$ 19,003,812
Energy Charge			928,887,170 kWh	$ 0.013715 /kWh	12,739,688	$ 0.015761 /kWh	14,639,952	$ 0.014885	13,826,246
Total Demand and Energy Charges					$ 30,439,958		$ 33,643,764		$ 32,830,059
Green Power					-				
Power Factor Provision and Off-System Sales Credit					172,750		185,472		185,472
Fuel Adjustment Clause					9,525,471		9,525,471		9,525,471
Environmental Surcharge					2,025,233		2,025,233		2,025,233
Unwind Surcredit					(3,052,791)		(3,052,791)		(3,052,791)
Non-FAC PPA Accruals					-		-		813,705
Estimated Credits from Amort of NFPPA Balance							(898,009)		(898,009)
Current Industrial Customer Adjustment - Demand			13,437 kW-Mo	10.15 /kW-Mo	136,384	10.8975 /kW-Mo	146,428		146,428
Current Industrial Customer Adjustment - Energy			974,674 kWh	$ 0.013715 /kWh	13,368	$ 0.015761 /kWh	15,362		15,362
Total			3,358,342,474 kWh		$ 39,260,372		$ 41,592,929		$ 41,592,929
Increase					$ 39,260,372		$ 2,332,557		$ 2,332,557
Percentage Increase							5.94%		5.94%

Big Rivers Electric Corporation
Calculation of Proposed Rate Increase
Based on the 12 Months Ended October 31, 2010

SMELTERS	Billing Units	Current Rate		Proposed Rate		Proposed Rate after Non-FAC PPA Roll-in	
		Rate	Billings	Rate	Billings	Rate	Billings
Base Energy Charge							
Base Fixed Energy Charge	7,297,080,000 kWh	0.028153 /kWh	$ 205,434,693.24	0.031244 /kWh	$ 227,988,088.84	0.030368 /kWh	$ 221,595,846.76
Base Variable Energy Charge	(183,758,640) kWh	0.012470 /kWh	(2,291,470.24)	0.012470 /kWh	(2,291,470.24)	0.012470 /kWh	(2,291,470.24)
Total Base Energy Charge	7,113,321,360 kWh		$ 203,143,223.00		$ 225,696,618.60		$ 219,304,376.52
Other Charges or Credits							
Supplemental Power (Section 4.3)			$ -		$ -		$ -
Backup Energy Charge (Section 4.4)	8,151,430 kWh	0.039977 /kWh	353,379.80		353,379.80		353,379.80
Transmission Charge (Section 4.5)			-		-		-
Excess Reactive Demand Charge (Section 4.6)			-		-		-
TIER Adjustment Charge (Section 4.7.1)			14,229,306.00		7,114,653.00		7,114,653.00
FAC (Section 4.8.1)			73,123,202.72		73,123,202.72		73,123,202.72
Non-FAC PPA			(6,337,959.88)		(6,337,959.88)		54,282.20
Environmental Surcharge (Section 4.8.3)			15,493,537.87		15,493,537.87		15,493,537.87
Amortization of Restructuring Amount (Section 16.5.1)			-		-		-
Less: Rebate (Section 4.9)			-		-		-
Less: Equity Development Credit (Section 4.10)			-		-		-
Surcharge (Section 4.11)			11,466,492.00		11,466,492.00		11,466,492.00
Surplus Sales (Section 4.13.1)	(769,627,000) kWh	0.038166 /kWh	(28,015,862.60)		(28,015,862.60)		(28,015,862.60)
Undeliverable Energy Sales (Section 4.13.1)			-		-		-
Potline Reduction Sales (Section 4.13.1)			-		-		-
Curtailment of Purchased Power (Section 4.13.2)	incl w/SS kWh	0.038166 /kWh	(1,717,347.75)		(1,717,347.75)		(1,717,347.75)
Economic Sales (Section 4.13.3)			-		-		-
Other Credits (Section 4.14)			-		-		-
Taxes (Section 4.15)			-		-		-
Other Amounts (Section 5.1)			(3,818.03)		(3,818.03)		(3,818.03)
Billing Adjustments			657,687.71		657,687.71		657,687.71
Total	6,351,845,790		$ 282,391,840.83		$ 297,830,583.43		$ 297,830,583.43
Increase (Decrease)					$ 15,438,742.60		$ 15,438,742.60
Percentage Increase (Decrease)					5.47%		5.47%

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BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to Commission Staff's Second Request for Information
dated April 1, 2011

April 15, 2011

Item 2) ***Refer to page 11 of the Direct Testimony of Mark A. Bailey ("Bailey Testimony"), lines 8-11. Provide a detailed description of "[t]he information we have about the period immediately following the date on which new rates are anticipated to go into effect . . ." which leads Big Rivers to "[r]easonably expect the proposed rates to produce at least a 1.10 MFIR for 2011."***

Response) As shown in the most recent financial forecast, as provided in Big Rivers' response to KIUC 1-43, 2011 net margins are $6.03 million, interest expense on long-term debt is $45.87 million, and income tax expense is $0.25 million. Accordingly, the result is a MFIR for 2011 of 1.14. If, however, any of the major assumptions in the 2011 Budget do not materialize, additional cost cutting or maintenance deferrals will be employed to ensure Big Rivers maintains at least a 1.10 MFIR. For example, the 2011 Budget assumes an average off-system sales price of $41.81 per MWh. If the actual average off-system sales price for 2011 is materially less, Big Rivers will need to employ other strategies, principally additional cost cutting and cost deferral, to ensure the minimum required MFIR is achieved. Please see the testimony of Mark A. Bailey, Application Exhibit 48 pages 10 through 16.

Witness) Mark A. Bailey

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES CASE NO. 2011-00036

Response to the Kentucky Industrial Utility Customers' Initial Request for Information dated April 1, 2011

April 15, 2011

Item 70) ***Refer to page 8, lines 11-13 of Mr. Blackburn's testimony wherein he states that "based upon the information we have about the period immediately following the date on which the new rates are anticipated to go into effect, we can reasonably expect the proposed rates to produce at least a 1.10 MFIR for 2011." Please provide a copy of the study that supports that conclusion.***

Response) As shown in the most recent financial forecast, as provided in Big Rivers' response to KIUC 1-43, 2011 net margins are $6.03 million, interest expense on long-term debt is $45.87 million, and income tax expense is $0.25 million. Accordingly, the result is a MFIR for 2011 of 1.14. If, however, any of the major assumptions in the 2011 Budget do not materialize, additional cost cutting or maintenance deferrals will be employed to ensure Big Rivers maintains at least a 1.10 MFIR. For example, the 2011 Budget assumes an average off-system sales price of $41.81 per MWh. If the actual average off-system sales price for 2011 is materially less, Big Rivers will need to employ other strategies, principally additional cost cutting and cost deferral, to ensure the minimum required MFIR is achieved. Please see the testimony of Mark A. Bailey, Application Exhibit 48 pages 10 through 16.

Witnesses) C. William Blackburn and Mark A. Hite

KIUC EXHIBIT 8

(CONFIDENTIAL)

Maintained on the Confidential Materials DVD
or
in the Confidential File Materials at PSC

Item 57) *Regarding demand-side management, conservation and energy efficiency programs, provide the following:*

a. A list of the programs currently offered by Big Rivers and its member cooperatives.

b. The total cost incurred for these programs by Big Rivers in each of the three most recent calendar years.

c. The total demand and energy reductions realized through these programs in each of the three most recent calendar years.

d. The total cost for these programs included in the test year and the expected demand and energy reductions to be realized therefrom in the first three calendar years following the conclusion of this case.

Response)

a. With the exception of continuing education efforts by its Members, the only current DSM program offered by Big Rivers and its Members is the CFL Distribution Program, which is ongoing. Several pilot projects are ongoing or planned for the near future, which if proven cost effective at the local level, will be converted to permanent programs. The schedule for the pilot projects is listed below.

1. Residential weatherization	Through May 2011
2. Commercial Lighting	Through June 2011
3. High efficiency security lighting	Through June 2011
4. Energy Star new home construction	Through September 2011
5. Energy Star refrigerator replacement	Through February 2011

6. Energy Star clothes washer	April – May 2011
7. Energy Star HVAC tune-up	April – May 2011
8. Manufactured home weatherization	March – June 2011
9. Poultry Energy Efficiency Pilot	April – October 2011

Each of the Members has committed to offering the following energy efficiency programs in 2011 as they prove cost effective at a local level.

1. Residential lighting ,
2. Residential products,
3. Residential advanced technologies,
4. Residential weatherization,
5. Residential new construction,
6. Commercial and industrial lighting, and
7. Commercial and industrial HVAC.

b. The only current DSM program offered by Big Rivers and its Members is the CFL Distribution Program. Big Rivers' and its Members' total costs for the CFL Distribution Program are shown in the following table.

CFL History – Big Rivers and its Member Co-ops -- 2008 through 2010

Year	**2008**	**2009**	**2010**
Manufacturer	TCP	TCP	TCP
Model	UB144KY	8101935	8101935
Cost per CFL	$1.60	$1.66	$1.66
Big Rivers		0	0
Jackson Purchase	6,048	12,096	6048
Kenergy	14,064	9,072	6000
Meade County	1,776	5,376	3504
Total	21,888	26,544	15,552
Cost Subtotal	$35,020.80	$44,063.04	$25,816.32
Sales Tax	$2,101.25	$2,643.78	$1,548.98
Total Cost	$37,122.05	$46,706.82	$27,365.30

c. The only current DSM program offered by Big Rivers and its Members is the CFL Distribution Program. The estimated cumulative impact of the CFL Distribution Program for the years 2008 through 2010 are shown in the following table.

Demand and Energy Reductions Realized by CFL Program

	2008	2009	2010
Demand (kW)			
Summer	492	655	751
Winter	1,163	1,549	1,776
Energy (kWh)	4,898,671	6,526,349	7,479,998

d. The only current DSM program offered by Big Rivers and its Members is the CFL Distribution Program. Big Rivers' pro forma includes an incremental $1,000,000 pro forma adjustment to fund the programs mentioned in Big Rivers' response to Item PSC 1-57a above. The estimated impact of distributing the 15, 552 CFLs for the years 2012 through 2014 is shown in the table on the following page.

Projected Demand and Energy Reductions for by CFL Program

	2012	2013	2014
Demand (kW)			
Summer	96	96	96
Winter	226	226	226
Energy (kWh)	953,649	953,649	953,649

Witness) C. William Blackburn

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to the Kentucky Industrial Utility Customers' Second Request for Information dated April 28, 2011

May 11, 2011

Item 1) ***With regard to Mr. Blackburn's testimony on energy efficiency on pages 32 to 35, please provide the following:***

a. For each project budgeted in 2011 (per testimony page 33 at line 5), please provide a detailed description of the project, a table showing monthly tasks, capital expenditures and expenses in 2011.

b. For each project budgeted in 2012 (per testimony page 33 at line 6), please provide a detailed description of the project, a table showing monthly tasks, capital expenditures and expenses in 2012.

Response) a. and b. Big Rivers has budgeted amounts for energy efficiency and DSM programs for 2011 and 2012, but cannot provide detailed descriptions, monthly tasks, capital expenditures or expenses as requested since these programs are still in the early stages of development, with short-term pilot programs either underway or in the planning phase. Based on the outcomes of the pilot programs, Big Rivers will develop individual work plans and budgets for the energy efficiency and DSM programs to be implemented. The descriptions of the pilot programs are as follows:

Clothes Washer Replacement Rebate Pilot

The purpose of the pilot is to test promotional mediums for communicating the incentive to members and the effectiveness of the incentive amount. The member will be required to provide proof of purchase and installation at the service address. The member will also be required to fill out a survey to determine the energy source for the dryer and where the member heard about the program.

HVAC & Refrigeration Tune-Up

The purpose of this pilot is to test the effectiveness of cash incentive payments to motivate members to initiate maintenance for their air conditioning equipment. The member will also be required to fill out a survey to determine the length of time since the previous maintenance call for each unit and where the member heard about the program.

Home Weatherization Pilot

The purpose of this pilot is to determine the benefit, cost and procedures for weatherizing homes. Hoosier Energy has deemed its weatherization program a success, and Jackson Purchase Energy and Big Rivers will work with the weatherization contractor utilized as part of the Hoosier Energy program in an effort to replicate the success in Western Kentucky. Big Rivers' and its members' staffs will use their combined knowledge of residential energy efficiency to develop the list of measures and the process which will result in the maximum benefit at the lowest cost. This program will also involve integrating the Kentucky Home Performance Program into the administrative process.

Energy STAR New Home Program

The purpose of the pilot is to test communication of the incentive to the members and the effectiveness of the incentive amount. The Energy STAR new-home construction standard is an objective, reliable and verifiable energy efficiency program that ensures the member will see substantial savings from the new home.

The Energy STAR-certified contractor will complete a whole-house analysis, ensuring that quality work is performed and energy efficiency criteria are met. This evaluator works closely with the builder to determine the needed energy-saving equipment, construction techniques and required on-site diagnostic testing/inspections are documented in order to assure that the home is eligible to earn the Energy STAR certification. The home must meet the guidelines, making it at least 15-30% more efficient than standard homes.

Refrigerator Replacement Rebate Pilot

The purpose of the pilot is to test communication of the incentive to the members and the effectiveness of the incentive amount. The member will be required to provide proof of purchase of the new refrigerator and haul-away and recycling of the old unit. The member will also be required to fill out a survey to determine the condition of the old refrigerator and where the member heard about the program.

Commercial High Efficiency Lighting Replacement Rebate Pilot

The purpose of the pilot is to determine incentive levels necessary to motivate members to upgrade, as well as to test methods of promoting high efficiency commercial lighting to retail commercial members and establish methods of design and installation that allow the use of local contractors. A process of verification will be established during this pilot.

LED/Induction Outdoor Lighting Evaluation Pilot Plan

The purpose of this pilot is to test the light quality and quantity, energy consumption and product durability of both Light Emitting Diode ("LED") and Induction lamps as potential replacements for the Mercury Vapor and Metal Halide lamp. The LED and Induction lamps have significantly higher costs, but have significantly longer lives and provide higher energy efficiency.

Energy efficiency and DSM programs that are determined to be cost effective based on the pilot programs will be implemented throughout the last half of 2011, after program design is complete. Each of Big Rivers' Member Cooperatives is committed to providing a wide range of DSM programs, as described in the DSM Potential Report (Appendix B to Big Rivers' 2010 Integrated Resource Plan, as filed on November 15, 2010 in KPSC Case No. 2010-00443.). The DSM Potential Report recommends that the following programs be evaluated for implementation should they prove cost effective:

- Residential Lighting
- Residential Efficient Appliances
- Residential Advanced Technologies
- Residential Weatherization
- Residential New Construction
- Commercial and Industrial Lighting
- Commercial and Industrial Heating Ventilation and Air Conditioning

Witness) C. William Blackburn

Item 3) *Refer to page 20 of the Bailey Testimony, lines 15-1 9.*

a. Explain how $1 million was chosen as the amount Big Rivers is committing to spend annually on energy efficiency and Demand-Side Management programs.

b. Explain whether Big Rivers expects to eventually increase this spending commitment to an annual level greater than $1 million.

Response)

a. The $1 million amount that Big Rivers is committing to spend annually on energy efficiency and Demand-Side Management in this proceeding was chosen because it represents the program potential portfolio identified in the *Demand-Side Management (DSM) Potential Report for Big Rivers Electric Corporation* ("DSM Potential Report") prepared by GDS Associates, Inc. and included as a resource in Big Rivers' Integrated Resource Plan filed with the Commission on November 15, 2010. Specifically, the DSM Potential Report identified the following expenditures, cumulative MWh savings, and MW savings for 2011-2013:

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR A GENERAL ADJUSTMENT IN RATES CASE NO. 2011-00036

Response to the Commission Staff's Second Request for Information dated April 1, 2011

April 15, 2011

Year	Annual DSM Expenditures (Million $)	Cumulative Energy (MWh) Savings	Cumulative Winter Demand (MW) Savings	Cumulative Summer Demand (MW) Savings
2011	$ 1.0	3,416	0.92	0.62
2012	$ 1.0	7,139	1.90	1.32
2013	$ 1.1	10,962	2.93	2.03

Source: DSM Potential Report, p. 84, included as Appendix B of the Integrated Resource Plan filed with the Commission on November 15, 1010.

b. Expansion of programs and budgets will be considered based on the success of the programs currently being evaluated and future cost benefit analysis. Big Rivers will continue to evaluate the market acceptance and cost effectiveness of individual programs in the future.

Witness) C. William Blackburn

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

2010 INTEGRATED RESOURCE PLAN

November 2010

Prepared by

GDS ASSOCIATES, INC

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LED exit signs, T8 fixtures and occupancy sensors, but will evaluate the program's effectiveness often in order to update the technologies offered as needed. Big Rivers will work in conjunction with contractors and members to encourage participation in the program

C&I Prescriptive HVAC Program

This program is designed to encourage commercial and industrial customers to install efficient HVAC equipment. The technologies offered at the start of the program may include low cost Packaged Terminal AC and Packaged Terminal Heat Pump measures. HVAC Tune-up and Variable Frequency Drives for HVAC motors and fans may also be offered. As the program matures, Big Rivers will evaluate the market and introduce new technologies such as Split AC systems and Air Cooled Chillers.

2. **Expected duration of the program**

   The Big Rivers Energy Efficiency Programs have been specifically analyzed for three years of implementation, but were carried through the 15 year IRP forecast under the assumption that similar programs with the same savings would be an investment that Big Rivers will continue to make. The three-year programs presented here are based upon an annual EE expenditure of approximately $1 million dollars in the first year, rising by 2.5% per year thereafter. It is important to note that current energy efficiency technologies may become standard practice over time and that there will be new advancements in energy efficiency. As a result, the recommended programs may need to be adapted after the initial 3 year period by changing the specific measures that are currently recommended for each program. As an example, compact fluorescent lighting may achieve high levels of market penetration within 5 to 10 years, but the emergence of LED lighting may allow for the continued operation of a residential lighting program.

3. **Projected energy changes by season, and summer and winter peak demand changes**

   The projected energy and peak demand savings for the residential and C&I DSM programs to be implemented in 2011 have been analyzed to calculate cost savings and to determine benefit/cost ratios for each program. Total energy savings in the first year of program implementation (2011) are projected to be 3,767 MWH with cumulative energy savings reaching 49,160 MWH in 2025, and total Winter Peak demand savings for all programs is projected to be 1,003 kW in the first year with cumulative savings reaching almost 14 MW in year 15. Likewise, Summer Peak demand savings for all programs is 623 kW in the first year, with cumulative savings reaching over 10 MW in 2025.

Table 8.6: Cumulative Annual Energy Savings by Season (kWh)

Residential	2011	2012	2013	2015	2020	2025
Winter	1,396,493	2,876,202	4,390,133	6,774,499	11,644,086	15,985,949
Summer	891,348	1,846,502	2,821,191	4,463,884	8,133,936	11,621,059
Total Annual kWh	2,287,840	4,722,703	7,211,324	11,238,382	19,778,022	27,607,008
Commercial						
Winter	540,483	1,159,350	1,793,708	3,242,895	7,222,235	10,347,885
Summer	587,917	1,256,650	1,956,692	3,527,505	7,844,965	9,932,515
Total Annual kWh	1,128,400	2,416,000	3,750,400	6,770,400	15,067,200	20,280,400
Residential & Commercial	2011	2012	2013	2015	2020	2025
Winter	1,936,975	4,035,552	6,183,841	10,017,394	18,866,321	26,333,834
Summer	1,479,265	3,103,152	4,777,883	7,991,389	15,978,901	21,553,574
Total Annual kWh	3,416,240	7,138,703	10,961,724	18,008,782	34,845,222	47,887,408

Table 8.7: Cumulative Annual Peak Demand Savings by Season (kW)

Residential	2011	2012	2013	2015	2020	2025
Winter	712	1,469	2,256	3,611	6,741	10,076
Summer	291	603	921	1,465	2,707	3,923
Commercial						
Winter	204	436	679	1,224	2,721	3,392
Summer	333	713	1,104	1,996	4,443	6,262
Residential & Commercial						
Winter	916	1,905	2,935	4,835	9,462	13,468
Summer	623	1,316	2,025	3,461	7,151	10,185

The residential programs account for a little over 60% of first year winter energy savings, and about 65% of winter peak demand savings. Of the winter energy savings that the residential sector is projected to achieve, one third comes from the lighting program. Weatherization is the program with most of the winter peak demand savings, with over 40% coming only from it.

Table 8.8: Residential Program Cumulative Annual Energy Savings by Season (kWh)

Lighting	2011	2012	2013	2015	2020	2025
Winter Energy	469,438	938,877	1,408,315	1,626,779	812,496	1,484,070
Summer	235,742	471,483	707,225	816,933	408,018	745,268
Efficient Appliances						
Winter	199,151	417,467	640,575	1,104,306	2,369,357	3,236,505
Summer	89,137	186,837	286,693	494,254	1,060,424	1,445,271
Advanced Technologies						
Winter	261,093	536,731	832,856	1,446,922	3,092,145	3,945,382
Summer	107,134	220,404	341,815	593,839	1,269,327	1,608,191
Weatherization						
Winter	391,154	825,882	1,268,878	2,185,512	4,488,596	5,906,925
Summer	413,126	872,029	1,339,450	2,307,924	4,856,287	6,957,615
New Construction						
Winter	75,655	157,246	239,509	410,980	881,492	1,413,068
Summer	46,209	95,749	146,008	250,933	539,879	864,714

Table 8.9: Residential Cumulative Annual Peak Demand Savings by Season (kW)

Lighting	2011	2012	2013	2015	2020	2025
Winter Peak kW	164	328	493	569	284	519
Summer Peak kW	72	144	216	250	125	228
Efficient Appliances						
Winter Peak kW	13	26	41	70	150	204
Summer Peak kW	16	33	51	88	190	251
Advanced Technologies						
Winter Peak kW	169	340	535	930	1,977	2,970
Summer Peak kW	26	53	82	142	304	358
Weatherization						
Winter Peak kW	312	659	1,011	1,741	3,684	5,347
Summer Peak kW	148	312	480	827	1,749	2,542
New Construction						
Winter Peak kW	55	116	176	302	646	1,036
Summer Peak kW	29	60	92	158	339	544

The commercial programs account for the remaining 40% of the first year winter energy savings, and about 35% of winter peak demand savings. Of the winter energy savings that the commercial and industrial sector is projected to achieve, over half comes from the HVAC program. However, Lighting is the main driver when looking at Winter Peak demand savings.

Table 8.10: C&I Program Cumulative Annual Energy Savings by Season (kWh)

Lighting	2011	2012	2013	2015	2020	2025
Winter	232,362	495,706	774,540	1,394,172	3,098,160	3,640,338
Summer	469,638	1,001,894	1,565,460	2,817,828	6,261,840	7,357,662
HVAC						
Winter	308,121	663,644	1,019,168	1,848,723	4,124,075	6,707,547
Summer	118,279	254,756	391,232	709,677	1,583,125	2,574,853

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Table 8.11: C&I Cumulative Annual Peak Demand Savings by Season (kW)

Lighting	2011	2012	2013	2015	2020	2025
Winter Peak kW	172	366	572	1,030	2,289	2,689
Summer Peak kW	160	342	535	962	2,138	2,512
HVAC						
Winter Peak kW	32	70	107	194	432	703
Summer Peak kW	172	371	570	1,033	2,305	3,749

The full DSM study is provided in Appendix B. Detailed breakouts of energy and demand savings by sector, program and year are included in Appendix C.

4. Projected cost, including any incentive payments and program administrative costs

The total Big Rivers investment for the mentioned DSM programs under evaluation is estimated to be up to $1 million in 2011. The DSM expenditures were assigned an annual increase of 2.5%, raising the total in 2025 to approximately $1.4 million. In 2011 incentives account for $632,450 (63%) of the expenditures for this analysis, with the remaining $365,600 set aside for administrative purposes. Administrative costs include program design, program implementation, reporting and tracking, marketing, incentive fulfillment, and labor costs. Additional participant costs incurred by residential and C&I members to purchase and install energy efficient equipment are not represented in the tables below.

Table 8.12: Energy Efficiency Program Costs

All Residential Programs Combined	2011	2012	2013	2015	2020	2025
Incentives	$486,150	$526,725	$543,975	$565,350	$643,225	$724,825
Administration	$186,750	$158,700	$164,250	$174,050	$197,850	$223,050
Total Big Rivers Cost	$672,900	$685,425	$708,225	$739,400	$841,075	$947,875
All C&I Programs Combined	**2011**	**2012**	**2013**	**2015**	**2020**	**2025**
Incentives	$146,300	$167,300	$172,200	$198,800	$224,700	$256,200
Administration	$178,850	$167,300	$172,200	$162,650	$183,850	$209,650
Total Big Rivers Cost	$325,150	$334,600	$344,400	$361,450	$408,550	$465,850
All Programs Combined	**2011**	**2012**	**2013**	**2015**	**2020**	**2025**
Incentives	$632,450	$694,025	$716,175	$764,150	$867,925	$981,025
Administration	$365,600	$326,000	$336,450	$336,700	$381,700	$432,700
Total Big Rivers Cost	$998,050	$1,020,025	$1,052,625	$1,100,850	$1,249,625	$1,413,725

The residential programs require estimated expenditures of $672,900 in 2011 growing to $947,875 by 2025. In the first year, incentives account for $486,150 (72%) of the total Big Rivers residential DSM programs expenditures. The remaining $186,750 (28%) of the residential expenditures is reserved for administrative functions. By 2025 incentives account for an even greater portion of the overall EE expenditures, $724,825 (76%) compared to administrative costs of $223,050 (24%).

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to the Kentucky Industrial Utility Customers' Second Request for Information dated April 28, 2011

May 11, 2011

Item 3) ***Please provide an explanation for Big Rivers' decision (testimony page 33 at lines 13 to 14) not to seek the establishment of a mechanism in this case to recover energy efficiency costs as they are incurred.***

Response) Although KRS 278.285 permits utilities to implement demand-side management ("DSM") cost recovery mechanisms to recover the costs of demand-side management programs, the statute does not require that the costs of energy efficiency programs be recovered through a DSM cost recovery mechanism. Thus, there is no statutory requirement that would prohibit utilities from recovering energy efficiency costs through base rates.

Recovering the proposed energy efficiency costs through base rates will avoid the implementation of another cost recovery mechanism by Big Rivers and would thus avoid the need for Big Rivers' rural member systems to develop DSM recovery mechanisms of their own to flow through costs from a Big Rivers DSM cost recovery mechanism.

Although Big Rivers' preference would be to recover its proposed energy efficiency expenses through base rates, Big Rivers does not have a strong objection to recovering these costs through a DSM cost recovery mechanism, provided that such a mechanism is implemented concurrently with the base rates approved by the Commission in this rate case proceeding.

Witnesses) William Steven Seelye and C. William Blackburn

Big Rivers Electric Corporation
Case No. 2011-00036

KIUC EXHIBIT 10

Big Rivers' Members provide some of the lowest cost residential electricity in the nation.

Average Residential Rate – Kentucky
December 2010

Kentucky Utility	Cents/ kWh
AEP Kentucky Power	9.84
East Kentucky Power Cooperative	9.82
Louisville Gas and Electric Company	8.48
Duke Energy Kentucky	8.12
Kentucky Utilities Company	7.98

Source: Kentucky Public Service Commission Orders and Filings

Proposed Residential Rate (including credits)	8.268

Average Residential Rate – National
December 2010

National Region	Cents/ kWh
Pacific Noncontiguous	23.04
New England	16.24
Middle Atlantic	14.97
Pacific Contiguous	11.72
East North Central	10.83
South Atlantic	10.58
West South Central	10.05
Mountain	9.66
East South Central	9.57
West North Central	8.92
Kentucky	8.52
United States Total	11.04

Source: Energy Information Administration Table 5.6.A

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Big Rivers Electric Corporation
Case No. 2011-00036

Actual Historical Rural Wholesale Rate

Year	$/MWh including the effect of the MRSM	MRSM ($/MWh)	$/MWh excluding the effect of the MRSM
1994	45.58		
1995	44.76		
1996	42.72		
1997 [1]	40.17		
1998	36.72		
1999	36.44		
2000 [2]	36.25		
2001	35.27		
2002	35.38		
2003	34.99		
2004	35.06		
2005	35.19		
2006	35.58		
2007	35.22		
2008 [3]	35.90		
2009 [4]	37.00	4.13	41.13
2010 [5]	37.26	7.89	45.15

Note(s):

1. Current base rate effective September 1997.
2. Revenue Discount Adjustment effective September 2001.
3. Revenue Discount Adjustment terminated September 2008.
4. In 2009, the Member Rate Stability Mechanism lowered the effective rate by $4.13/MWh.
5. In 2010, the Member Rate Stability Mechanism lowered the effective rate by $7.89/MWh.

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to the Kentucky Industrial Utility Customers' Initial Request for Information dated April 1, 2011

April 15, 2011

Item 135) ***Please provide monthly billed revenue (stated in dollars) to the major customer classes identified in Q.1-4, for the years 2006 – 2010.***

Response) Please see attached schedules, which detail the monthly revenue to Big Rivers for each of its customer classes, for each of the years 2006 through 2010.

Witness) Mark A. Hite

BIG RIVERS ELECTRIC CORPORATION
CASE NO. 2011-00036
MONTHLY BILLING REVENUE BY MAJOR CUSTOMER
RURAL AND INDUSTRIAL - TOTAL 2010

TOTAL 2010	KW BILLED	kWh	DEMAND REVENUE	BASE ENERGY REVENUE	TOTAL DEMAND & ENERGY	NET GREEN POWER	POWER FACTOR PENALTY	BILLING ADJ
JP RURALS	1,519,624	701,840,419	11,199,628.88	14,317,544.56	25,517,173.44	207.60		
KENERGY RURALS	2,691,393	1,270,263,388	19,835,566.41	25,913,373.12	45,748,939.53	124.56		
MEADE CO. RURALS	1,119,311	509,286,126	8,249,322.07	10,389,436.99	18,638,759.06	38.06		
TOTAL RURALS	5,330,328	2,481,389,933	39,284,517.36	50,620,354.67	89,904,872.03	370.22	0.00	0.00
KI-ACCURIDE	65,704	22,751,260	666,895.60	312,033.55	978,929.15		0.00	0.00
KI-ALCOA	1,889	1,032,110	19,173.35	14,155.40	33,328.75		10,474.80	0.00
KI-ALERIS	326,973	178,901,780	3,318,775.95	2,453,637.91	5,772,413.86		0.00	0.00
KI-ALLIED	83,271	31,853,674	845,200.65	436,873.13	1,282,073.78		0.00	0.00
KI-ARMSTRONG - BIG RUN	27,763	9,516,780	281,794.45	130,522.65	412,317.10		12,068.35	2,517.47
KI-ARMSTRONG - DOCK	36,290	9,855,169	368,343.50	135,163.64	503,507.14		9,398.90	46,654.38
KI-ARMSTRONG - EQUALITY	26,478	3,367,731	268,751.70	46,188.43	314,940.13		324.80	4,042.84
KI-MIDWAY - MIDWAY	42,327	20,235,430	429,619.05	277,528.92	707,147.97		1,177.40	0.00
KI-DOMTAR PAPER CO.	300,000	171,048,705	3,045,000.00	2,345,933.00	5,390,933.00		0.00	0.00
KI-DOTIKI #3	9,600	6,540,650	97,440.00	89,705.01	187,145.01		1,299.20	0.00
KI-HOPKINS CO. COAL	4,487	2,079,680	45,543.05	28,522.83	74,065.88		0.00	0.00
KI-KB ALLOYS, INC.	24,069	7,087,310	244,300.35	97,202.46	341,502.81		0.00	0.00
KI-KIMBERLY-CLARK	434,635	299,883,224	4,411,545.25	4,112,898.43	8,524,443.68		0.00	0.00
KI-KMMC, LLC	1,538	650,990	15,610.70	8,928.34	24,539.04		0.00	0.00
KI-PATRIOT COAL, LP	60,375	25,844,470	612,806.25	354,456.91	967,263.16		37,362.15	0.00
KI-ROLL COATER	38,843	5,954,210	394,256.45	81,661.99	475,918.44		6,851.25	0.00
KI-SOUTHWIRE CO.	75,923	43,700,414	770,618.45	599,351.19	1,369,969.64		0.00	6,501.18
KI-TYSON FOODS	118,538	64,322,440	1,203,160.70	882,182.28	2,085,342.98		0.00	0.00
KI-VALLEY GRAIN	25,758	10,701,040	261,443.70	146,764.75	408,208.45		31,718.75	0.00
JPI-SHELL OIL	38,847	14,840,907	394,297.05	203,543.05	597,840.10		0.00	0.00
TOTAL INDUSTRIALS	1,743,308	930,167,974	17,694,576.20	12,757,253.87	30,451,830.07	0.00	110,675.60	59,715.87
GRAND TOTAL	7,073,636	3,411,557,907	56,979,093.56	63,377,608.54	120,356,702.10	370.22	110,675.60	59,715.87

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CASE NO. 2011-00036
WITNESS: MARK A. HITE

ATTACHMENT FOR ITEM KIUC - 1-135

BIG RIVERS ELECTRIC CORPORATION
CASE NO. 2011-00036
MONTHLY BILLING REVENUE BY MAJOR CUSTOMER
RURAL AND INDUSTRIAL - TOTAL 2010

TOTAL 2010	FAC	ES	US	TOTAL REVENUE	MRSM	RURAL ECON RESERVE ADJ	REVENUE, NET OF MRSM AND RER	
JP RURALS	7,113,621.01	1,576,562.73	(2,314,528.37)	31,774,276.36	(5,648,411.29)		26,244,625.12	
KENERGY RURALS	12,885,157.21	2,848,930.21	(4,187,397.14)	57,081,376.35	(10,246,089.76)		47,049,664.61	
MEADE CO. RURALS	5,177,381.14	1,138,040.55	(1,677,196.63)	23,177,549.59	(4,126,269.18)		19,150,753.00	
TOTAL RURALS	25,176,159.36	5,563,533.49	(8,179,122.14)	112,033,202.30	(20,020,770.23)		92,445,042.73	$37.26/MWH
KI-ACCURIDE	231,008.31	51,485.61	(75,119.70)	1,181,258.51	(183,937.52)		1,002,365.85	
KI-ALCOA	10,486.41	2,363.10	(3,404.08)	53,104.61	(8,403.27)		44,845.71	
KI-ALERIS	1,816,206.76	402,991.15	(590,172.30)	7,375,236.26	(1,451,941.53)		5,949,497.94	
KI-ALLIED	324,371.16	71,559.16	(105,002.93)	1,566,474.51	(259,586.27)		1,313,414.90	
KI-ARMSTRONG - BIG RUN	96,785.13	21,449.79	(31,392.55)	511,736.72	(77,445.05)		436,300.24	
KI-ARMSTRONG - DOCK	101,031.70	22,678.25	(32,600.78)	649,428.69	(79,224.87)		571,444.72	
KI-ARMSTRONG - EQUALITY	35,837.87	8,196.04	(11,219.80)	352,121.88	(26,472.19)		325,649.69	
KI-MIDWAY - MIDWAY	206,281.49	45,180.55	(66,620.47)	889,778.85	(165,920.59)		727,246.35	
KI-DOMTAR PAPER CO.	1,727,147.94	388,350.35	(565,120.44)	6,917,410.66	(1,376,534.14)		5,564,776.71	
KI-DOTIKI #3	66,480.58	14,763.99	(21,579.28)	247,355.21	(53,126.09)		194,983.41	
KI-HOPKINS CO. COAL	21,140.65	4,600.74	(6,834.93)	92,647.30	(17,188.98)		75,783.36	
KI-KB ALLOYS, INC.	71,966.81	15,969.63	(23,368.36)	404,157.92	(57,530.08)		348,540.81	
KI-KIMBERLY-CLARK	3,049,757.58	676,347.10	(989,276.26)	11,226,580.50	(2,438,113.04)		8,823,159.06	
KI-KMMC, LLC	6,681.09	1,440.18	(2,136.63)	30,361.16	(5,403.56)		25,120.12	
KI-PATRIOT COAL, LP	263,583.53	57,835.55	(85,109.08)	1,235,900.02	(212,434.70)		1,028,500.61	
KI-ROLL COATER	62,011.83	13,858.93	(19,731.07)	535,897.96	(47,007.51)		491,901.87	
KI-SOUTHWIRE CO.	445,600.87	99,021.14	(144,266.75)	1,771,448.54	(354,253.05)		1,422,573.03	
KI-TYSON FOODS	652,532.69	145,443.93	(212,377.18)	2,662,244.66	(519,540.16)		2,151,402.26	
KI-VALLEY GRAIN	108,839.83	24,155.73	(35,316.79)	535,271.40	(86,757.79)		450,848.18	
JPI-SHELL OIL	150,157.93	33,114.17	(48,919.04)	729,261.08	(120,291.50)		611,901.66	
TOTAL INDUSTRIALS	9,447,910.16	2,100,805.09	(3,069,568.42)	38,967,676.44	(7,541,111.89)		31,560,256.48	$33.93/MWH
GRAND TOTAL	34,624,069.52	7,664,338.58	(11,248,690.56)	151,000,878.74	(27,561,882.12)		124,005,299.21	$36.35/MWH

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CASE NO. 2011-00036
WITNESS: MARK A. HITE

ATTACHMENT FOR ITEM KIUC - 1-135

BIG RIVERS ELECTRIC CORPORATION
CASE NO. 2011-00036
MONTHLY BILLING REVENUE BY MAJOR CUSTOMER
SMELTER - TOTAL 2010

TOTALS - 2010

						FAC		ES		NONFAC PPA			TOTAL FAC,ES, NONFAC PPA, SURCHARGE
BASE MONTHLY ENERGY -		PLUS BACK UP ENERGY	LESS SALES	TOTAL KWH	REV $ MILLS/KWH	AMT	MILLS	AMT	MILLS	AMT	MILLS	SURCHARGE	
CENTURY ALUMINUM (Special Contract)	3,959,267,490.00	132,068.00	(651,606,100.00)	3,307,793,458.00	45.15	40,274,119.56	10.17	8,926,187.83	2.25	(3,631,651.77)	(0.92)	6,502,168.33	52,070,823.95
ALCAN RIO TINTO (Special Contract)	3,168,852,714.00	7,616,988.00	(135,832,300.00)	3,040,637,402.00	43.39	32,246,206.23	10.18	7,153,203.02	2.26	(2,906,656.33)	(0.92)	4,964,323.67	41,457,076.59
	7,128,120,204.00	7,749,056.00	(787,438,400.00)	6,348,430,860.00		72,520,325.79		16,079,390.85		(6,538,308.10)		11,466,492.00	93,527,900.54
BASE FIXED ENERGY													
CENTURY ALUMINUM (Special Contract)	4,137,873,600.00												116,493,555.45
ALCAN RIO TINTO (Special Contract)	3,159,206,400.00												88,941,137.75
	7,297,080,000.00												
BASE VARIABLE ENERGY													
CENTURY ALUMINUM (Special Contract)	(178,606,110.00)												(2,227,218.16)
ALCAN RIO TINTO (Special Contract)	9,646,314.00												120,289.53
	(168,959,796.00)												
		TIER ADJ	CREDIT SURPLUS	BACKUP ENERGY	OTHER ADJ								
CENTURY ALUMINUM (Special Contract)		8,068,853.52	(24,548,440.89)	5,082.29	(513,499.63)								(16,988,004.71)
ALCAN RIO TINTO (Special Contract)		6,160,452.48	(5,074,852.14)	330,753.55	(3,704.03)								1,412,649.86
		14,229,306.00	(29,623,293.03)	335,835.84	(517,203.66)								
CENTURY ALUMINUM (Special Contract)													149,349,156.53
ALCAN RIO TINTO (Special Contract)													131,931,153.73
TOTAL CENTURY/ALCAN RIO TINTO													281,280,310.26
FOOTNOTE: CENTURY - REVERSE ADJUSTMENT FOR REVISION TO JULY-OCTOBER 2009 (EXPENSE MONTHS) FAC & NON-FAC PPA - JANUARY 2010													(180,013.16)
FOOTNOTE: ALCAN - REVERSE ADJUSTMENT FOR REVISION TO JULY-OCTOBER 2009 (EXPENSE MONTHS) FAC & NON-FAC PPA - JANUARY 2010													(145,998.52)
FOOTNOTE: CENTURY - ADDED SURPLUS SALES BACK INTO REVENUE $ - ACCOUNT 557114-CURTAILMENT - JANUARY 2010													96,054.13
FOOTNOTE: ALCAN - ADDED CURTAILMENT BACK INTO REVEENUE $ - ACCOUNT 555191-PURCHASED POWER - JANUARY 2010													19,848.99
FOOTNOTE: CENTURY - ADJ SMELTER NON-FAC PPA FOR CHANGE IN BILLING METHODOLOGY AND DOMTAR CO-GEN FIX FOR PERIOD JULY 2009-SEPT 2010													(779,265.03)
FOOTNOTE: ALCAN - ADJ SMELTER NON-FAC PPA FOR CHANGE IN BILLING METHODOLOGY AND DOMTAR CO-GEN FIX FOR PERIOD JULY 2009-SEPT 2010													(628,796.99)
FOOTNOTE: CENTURY - ADJ SMELTER NON-FAC PPA FOR CHANGE IN BILLING METHODOLOGY AND DOMTAR CO-GEN FIX FOR PERIOD JULY 2009-OCT 2010													(23,186.32)
FOOTNOTE: ALCAN - ADJ SMELTER NON-FAC PPA FOR CHANGE IN BILLING METHODOLOGY AND DOMTAR CO-GEN FIX FOR PERIOD JULY 2009-OCT 2010													(15,901.21)
FOOTNOTE: CENTURY - ADJ SMELTER NON-FAC PPA FOR CHANGE IN BILLING METHODOLOGY AND DOMTAR CO-GEN FIX FOR PERIOD NOV 2010													(97,248.12)
FOOTNOTE: ALCAN - ADJ SMELTER NON-FAC PPA FOR CHANGE IN BILLING METHODOLOGY AND DOMTAR CO-GEN FIX FOR PERIOD NOV 2010													(78,758.34)
FOOTNOTE: CENTURY - ADDED SURPLUS SALES BACK INTO REVENUE $ - ACCOUNT 567114-CURTAILMENT- NOV 2010													418,331.50
FOOTNOTE: ALCAN - ADDED CURTAILMENT BACK INTO REVEENUE $ - ACCOUNT 567114-CURTAILMENT - NOV 2010													80,370.62
FOOTNOTE: CENTURY - ADJ SMELTER NON-FAC PPA FOR CHANGE IN BILLING METHODOLOGY AND DOMTAR CO-GEN FIX FOR PERIOD DEC 2010													(197,158.42)
FOOTNOTE: ALCAN - ADJ SMELTER NON-FAC PPA FOR CHANGE IN BILLING METHODOLOGY AND DOMTAR CO-GEN FIX FOR PERIOD DEC 2010													(165,648.78)
FOOTNOTE: CENTURY - ADJ SMELTER NON-FAC PPA FOR CHANGE IN BILLING METHODOLOGY AND DOMTAR CO-GEN FIX FOR PERIOD DEC 2010													45,939.76
FOOTNOTE: ALCAN - ADJ SMELTER NON-FAC PPA FOR CHANGE IN BILLING METHODOLOGY AND DOMTAR CO-GEN FIX FOR PERIOD DEC 2010													37,051.28
BALANCE AS SHOWN ON OPERATING REPORT													279,664,931.65

CASE NO. 2011-00036

WITNESS: MARK A. HITE

ATTACHMENT FOR ITEM KIUC - 1-135

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BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to the Kentucky Industrial Utility Customers' Initial Request for Information dated April 1, 2011

April 15, 2011

Item 86) *Please provide all studies, workpapers and/or all other documents that Big Rivers (or its consultants) has performed that quantifies the financial impact on Big Rivers and its Members of a closure of either or both Smelters.*

Response) Please see Big Rivers' response to KIUC 1-69.

Witness) C. William Blackburn

KIUC EXHIBIT 11

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2011-00036

Response to the Kentucky Industrial Utility Customers' Initial Request for Information dated April 1, 2011

April 15, 2011

Item 69) *Refer to pages 28-30 of Mr. Blackburn's testimony wherein he discusses the steps Big Rivers has taken to deal with the loss of one or both smelters. Please provide any studies, memos, or presentations that Big Rivers has prepared or reviewed that describe the actions the Big Rivers would take in such an event and the impact that such an event would have on the rates of the rural and industrial customers.*

Response) The requested documents are contained on the enclosed CD.

Witness) C. William Blackburn

Big Rivers Electric Corporation

Stress Case Impact Analysis

Key Assumptions:

- Smelters leave in 2011
- Smelter capacity is diverted to market at 84% load factor
- Market electricity prices are reduced per S&P guidance over 7-year stress period:
  - Average price of $31.10/ MWh in 2011
  - Escalating at 3% thereafter
- Fuel prices through 2013 are reduced per updated market benchmarks

Key Results:

- Blended Non-Smelter rates are increased on average over 2011 - 2017:
  - by $24.94 per MWh, from $42.84 to $67.78
  - a 58% increase
- This reflects achieving an average 1.21x DSCR to maintain minimum cash balances *
- Rate burden could be further moderated by managing production and fixed costs

* Capex adjusted through stress period by approximately $13m p.a.

Big Rivers
ELECTRIC CORPORATION

Stress Case Impact Analysis

Stress Case Rate Impact, Average 2011 - 2017

			Units	Source Data (per Excel Files Provided on 4/3/09)	S&P Case Proposed 4/6/09			
1	(+)	Base Case revenues for non-smelters	$M	Base Case Lines 179 and 180	1,182.3			
2	(+)	S&P market prices x market sale TWH (begins in 2011) (a)	$M	Case 3(b) Line 182	1,772.5			
3	(+)	Other BREC Case 1 operating revenues	$M	Case 3(b) Lines 183 - 188	1.3			
4	(-)	BREC Case 1 expenses (b)	$M	Case 3(b) Line 209	(3,913.3)			
5	(+)	BREC Case 1 interest expense	$M	Case 3(b) Line 326	269.9			
6	(+)	BREC Case 1 D&A	$M	Case 3(b) Line 203	339.3			
7	(+)	BREC Case 1 Econ Reserve + Rural Econ rserve	$M	Case 3(b) Line 213	208.3			
8	(+)	Other	$M	Various, including Non-Cash Interest on ARVP Note	30.8			
9	=	Available for debt service	$M	Sum Lines 1 - 8	(109.1)			
10								
11		Debt service coverage ratio	X	Line 9/ Case 3(b) Line 329	(0.23)			
12								
13		Additional revenues needed to get to positive debt service coverage (1.21x)						
14		Rural	$M	Per Rate Formulation	495.52			
15		Non-Smelter Large Industrial	$M	Per Rate Formulation	192.58			
16		Total	$M	(Line 9/ Line 11) x 1.21 - Line 9	688.10			
17		Increase in Non-Smelter Base Case Rates Needed to get Target DSCR (c)				Base Case	Stress Case Impact	Stress Case Result
18		Rural	$/MWh	Line 14/ 19.0 TWh		43.36	26.14	69.51
19		Non-Smelter Large Industrial	$/MWh	Line 15/ 8.6 TWh		41.70	22.28	63.98
20		Blend	$/MWh	Line 16/ 27.6 TWh		42.84	24.94	67.78
21		(%) Change in Wholesale Rates ($/Mwh)						
22		Rural	%	Line 18/ Base Case Rate	60%			
23		Non-Smelter Large Industrial	%	Line 19/ Base Case Rate	53%			
24		Blend	%	Line 20/ Base Case Rate	58%			

(a) Includes 3% price escalation p.a., through stress period
(b) Base Case fuel prices revised, for approximately 19% reduction in years 2011 - 2013
(c) Accrual basis; Rural Sales @ 19.0 TWh and Large Industrial Sales @ 8.6 TWh

Summary of Stress Case Rate Impact, Average 2011-2017 (Accrual Basis)

		Revenue Requirement, 2011-2017				
		1	**2**	**3**	**4.1**	**4.2**
1		**S&P High Coal Cost (a)**	**S&P Lower Coal Cost (a)**		**BREC 7 Yr Stress**	
2	**Assumptions**					
3	Rural Economic Reserve	NO	NO	YES	YES	YES
4	Stress Case per Unit Costs of Coal & Other	HIGH	LOW	HIGH	HIGH	HIGH
5	Coleman Shut Down	NO	NO	NO	3 UNITS	1 UNIT (b)
6	**Base Case Non-Smelter Rate (filed case; $/MWh)**	**45.64**	**45.64**	**45.64**	**45.64**	**45.64**
7	Impact of Rural Economic Reserve			(2.79)	(2.79)	(2.79)
8	**Base Case Non-Smelter Rate (with Rural Economic Reserve; $/MWh)**			**42.84**	**42.84**	**42.84**
9	*Increases*					
10	Lost Smelter Revenues	93.54	93.54	93.54	93.54	93.54
11	Subtotal - Increases	93.54	93.54	93.54	93.54	93.54
12						
13	*Offsets*					
14	Market Revenue Increase	(38.88)	(38.88)	(42.90)	(20.95)	(42.90)
15	Fuel Costs	0.00	(24.74)	(5.68)	(22.53)	(8.83)
16	SEPA & Other Purchases	0.00	0.00	(5.27)	(5.27)	(3.03)
17	Non-Fuel Variable Production O&M	0.00	0.00	(0.80)	(1.19)	(0.19)
18	Gain on Sale of Allowances	0.00	0.00	(0.95)	(1.28)	(1.28)
19	Fixed Production O&M	0.00	0.00	0.00	(5.93)	(1.86)
20	Interest Earnings	0.00	0.00	0.22	0.18	0.20
21	Change in Non-Smelter Member Economic Reserve	0.00	0.00	(0.03)	(0.03)	(0.03)
22	Other	0.00	0.00	(0.14)	(0.16)	(0.16)
23	Net Margin	(10.93)	(10.96)	(7.32)	(6.62)	(7.04)
24	Subtotal - Reductions	(49.82)	(74.58)	(62.87)	(63.78)	(65.11)
25						
26	*Net*	43.72	18.95	30.67	29.76	28.43
27	*% Change Resulting from Stress Case*	96%	42%	72%	69%	66%
28						
29	**Stress Case Non-Smelter Rate ($/MWh)**	**89.36**	**64.59**	**73.51**	**72.61**	**71.27**
30	Impact of Lower Fuel (c)			(5.73)	(3.81)	(4.86)
31	**Stress Case With Lower Fuel ($/MWh)**			**67.78**	**68.80**	**66.41**
32						
33	**Metrics Resulting from Stress Case:**	*S&P Formula*			*Big Rivers Formula (revised direct method)*	
34	*Average DSCR*	1.05	1.05	1.21	1.21	1.21

(a) From excel file "Sent to Goldman Sachs 20090318.xls"

(b) With purchases set to support incremental market sales equal to lost Smelter capacity @ 84% load factor.

(c) Approximately 19% reduction in years 2011 - 2013

Stress Price Scenarios
Overview:

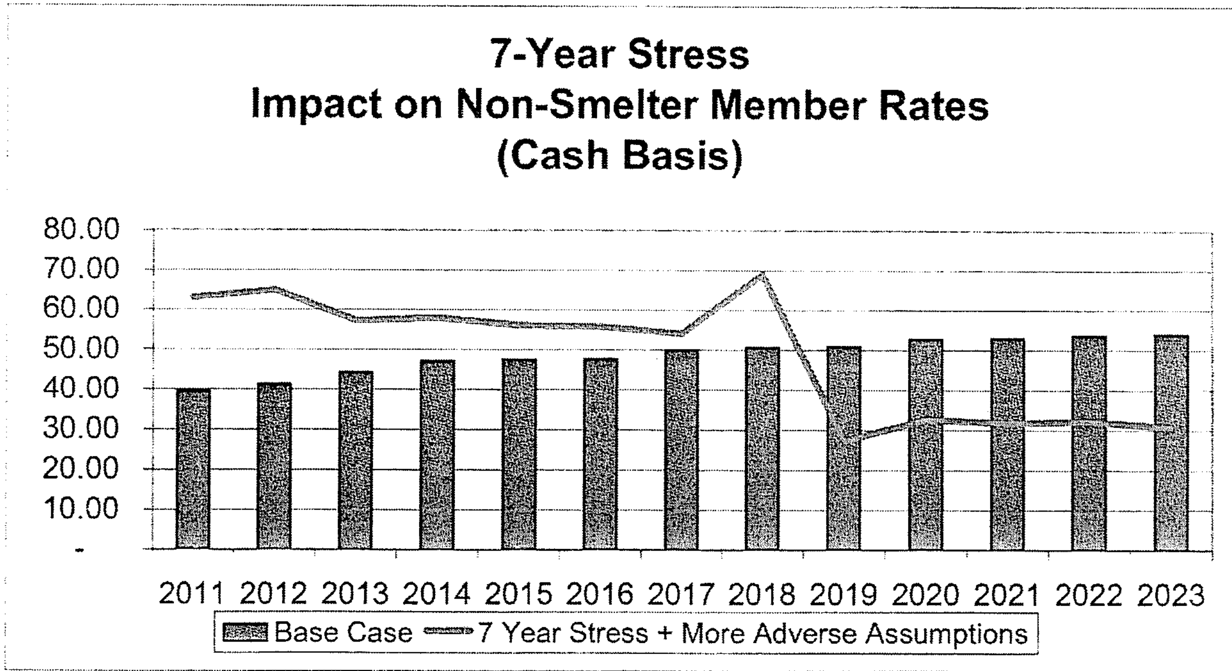
- Standard and Poor's is seeking to understand the impact of stressed market electricity prices in the event of a departure by one or both Smelters, modeled to occur in 2011
- Big Rivers has run two cases reflecting the stressed prices in the Financial Model, summarized below
- In varying degrees, the cases address adjustments to the Financial Model that Big Rivers believes are needed for consistency with the stressed prices, pertaining principally to:
    1. *Duration of stress period*, to recognize that the stressed price scenario is unlikely to represent a long-run equilibrium condition vis a vis capital investment in generating plants
    2. *Operating costs*, to recognize that the stressed prices are likely to correspond to an environment with depressed commodity prices generally, consistent with Standard and Poor's guidance
- Key assumptions are as follows:

	More Adverse	Less Adverse
Duration of Stress Case	7 years	3 years
Fuel	33% discount from Base Case, per S&P	Pro rated per previous S&P guidance
Emissions	Discount with Coal, per above	Discount with Coal, per above
Variable O&M	Discounted by 20%	Same
Fixed O&M (non-labor)	Discounted by 5%	Same
Target TIER *, 2011 - 2013	1.1x	Same

* Equates roughly to Margins for Interest

Stress Price Scenarios
Impact Analysis: 7 Year Stress

- Stressed prices last for 7 years
- Coal is modeled at 2/3 of Base Case cost
- Operating costs are reduced: Emissions with coal, VOM by 20%, FOM by 5%
- Target TIER is reduced to approximately 1.1x from 2011 to 2013
- Rates exceed Base Case by 60% in 2011, and by 30% through stress period
- Base Case assumptions apply again after 7 years, starting in 2018 *

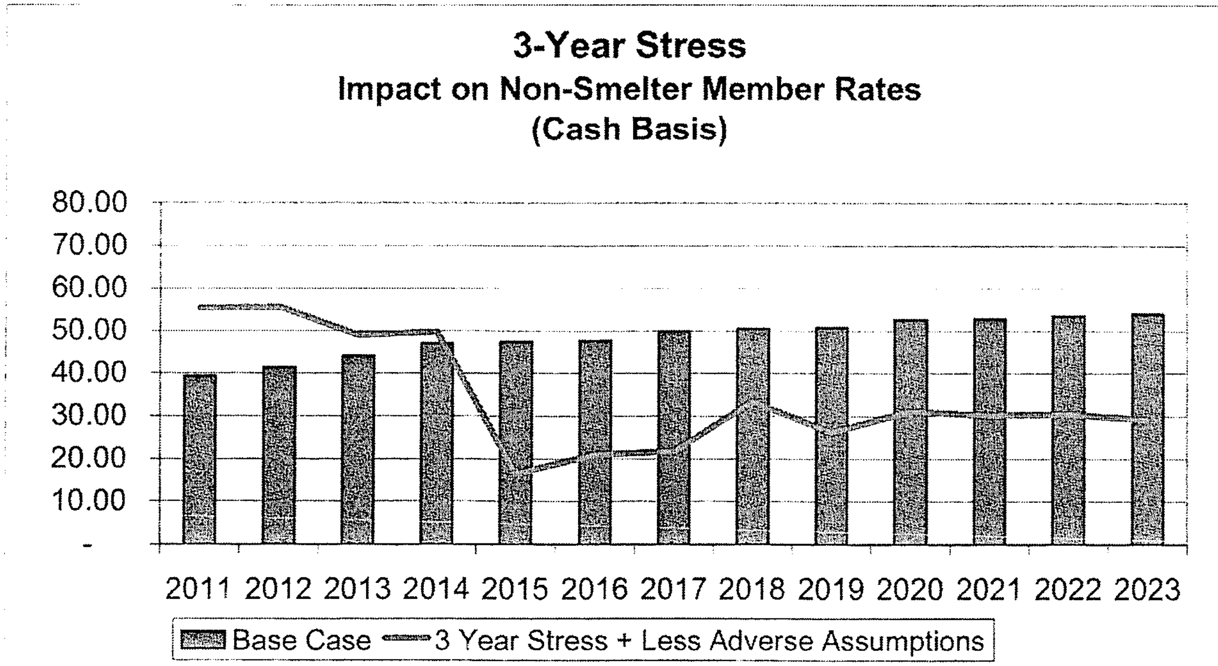


	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
TIER	1.10	1.10	1.11	1.28	1.28	1.30	1.30	1.30	1.30	1.31	1.31	1.32	1.32

* Beneficial impact on cash rates deferred one year, until 2019 (per customary Rebate lag)

Stress Price Scenarios
Impact Analysis: 3 Year Stress

- Stressed prices last for 3 years
- Coal is modeled per S&P guidance in "Project Finance Yearbook 2007"
- Operating costs are reduced: Emissions with coal, VOM by 20%, FOM by 5%
- Target TIER is reduced to approximately 1.1x from 2011 to 2013
- Rates exceed Base Case by approximately 40% in 2011, and by 20% through stress period
- Base Case assumptions apply again after 3 years, starting in 2014 *



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
TIER	1.10	1.10	1.11	1.28	1.28	1.30	1.30	1.30	1.30	1.31	1.31	1.32	1.32

* Beneficial impact on cash rates deferred one year, until 2015 (per customary Rebate lag)

Overview 2009 - 2018

Line	Case	1	2	3	4
	Changes Modeled, from Filed Case				
	Incorporate Rural Economic Reserve	Y	Y	Y	Y
	Remove Fuel Price "Bubble" 2009 - 2013	Y	Y	Y	Y
	Stress Period Market Assumptions (2011 - 2018):				
	Smelters Leave in	na	2011	2011	2011
	Gas Price (2011)	na	4.16	4.03	4.16
	Heat Rate	na	7,500	7,500	10,000
	Electricity Price (2011)	na	31.21	30.20	41.62
1	**Change in Total Non-Smelter Member Revenue Requirement ($M)**				
2	**Filed Model**	1,729.1	1,729.1	1,729.1	1,729.1
3	Addition of Rural Economic Reserve	(82.7)	(79.1)	(79.1)	(78.9)
4	Reduced Fuel Costs	(275.6)	(500.4)	(500.4)	(456.8)
5	Reduced Market Purchases	-	(168.3)	(168.3)	(168.5)
6	Reduced Smelter Revenues	191.3	2,997.7	2,997.7	2,997.7
7	Addition to Off-System Sales	-	(1,225.9)	(1,164.5)	(1,918.6)
8	Reduced Allowance Costs	-	(52.6)	(52.6)	(31.6)
9	Reduced Non-Fuel VOM Costs	-	(48.3)	(48.3)	(43.9)
10	*Interest Earnings and Other*	(1.1)	1.5	1.3	1.2
11	Change in Non-Smelter Member Economic Reserve	(7.8)	(3.9)	(3.9)	(3.8)
12	Change in Net Margin	-	(166.0)	(163.8)	(168.2)
13	*Net*	(176.0)	754.6	817.9	128.5
14	**Adjusted Case**	1,553.1	2,483.7	2,547.0	1,857.5
15					
16	**TWh**				
17	Members	38.99	38.99	38.99	38.99
18					
19	**Change in Average Non-Smelter Member Rates (Accrual Basis; $/MWh)**				
20	**Filed Model**	44.35	44.35	44.35	44.35
21	Base	*(0.00)*	23.33	24.89	7.44
22	Fuel Adjustment Clause	(2.11)	(1.77)	(1.77)	(1.66)
23	Environmental Surcharge	-	(0.47)	(0.47)	(0.28)
24	*Smelter Surcredit*	-	3.02	3.02	3.02
25	Change in Non-Smelter Member Economic Reserves	(2.32)	(2.13)	(2.13)	(2.12)
26	Regulatory Acct Charge/(Rebate)	-	(0.22)	(0.22)	(0.22)
27	TIER Related Rebate	(0.08)	(2.41)	(2.34)	(2.89)
28	*Net*	(4.51)	19.35	20.98	3.29
29	**Adjusted Case**	39.84	63.70	65.33	47.64
30					
31	**Minimum Average Cash Balance ($M)**	76.4	33.4	35.4	34.7

	Case 1: Rural Economic Reserve and No Fuel Price Bubble	Tot./ Weighted Avg.	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Notes
1	**Change in Total Non-Smelter Member Revenue Requirement ($M)**												
2	**Filed Model**	1,729.1	123.8	128.2	150.5	155.1	170.0	185.2	191.5	196.4	210.6	217.7	
3	Addition of Rural Economic Reserve	(82.7)	-	-	-	-	-	-	(28.9)	(41.4)	(12.5)	-	
4	Reduced Fuel Prices	(275.6)	(25.7)	(43.2)	(54.9)	(64.1)	(76.0)	(11.8)	-	-	-	-	<< 1. Fuel cost impact extends into 2014 due to inventory accounting
5	Reduced Smelter Revenues	191.3	17.3	29.1	38.9	44.8	52.8	8.3	(0.1)	0.0	0.1	(0.0)	
6	Interest Earnings	(1.1)	0.0	(0.2)	(0.3)	(0.1)	(0.1)	(0.2)	0.1	(0.0)	(0.1)	(0.0)	
7	Change in Non-Smelter Member Economic Reserve	(7.8)	7.3	13.2	18.4	19.4	(11.0)	(40.7)	(14.4)	-	-	-	<< 2. Economic Reserve extended by lower fuel costs
8	*Net*	(176.0)	(1.0)	(1.1)	2.1	0.0	(34.3)	(44.4)	(43.2)	(41.4)	(12.6)	(0.0)	
9	**Case 1**	1,553.1	122.7	127.2	152.7	155.1	135.7	140.7	148.2	155.0	198.0	217.7	
10													
11	**TWh**												
12	Members	38.99	3.50	3.58	3.67	3.76	3.85	3.94	4.03	4.12	4.22	4.31	
13													
14	**Change in Average Non-Smelter Member Rates (Accrual Basis; $/MWh)**												
15	**Filed Model**	44.3	35.36	35.78	40.98	41.26	44.14	47.01	47.49	47.64	49.94	50.54	
16	Base	(0.00)	-	-	-	-	-	-	-	-	(0.01)	(0.01)	
17	FAC	(2.11)	(2.08)	(3.40)	(4.44)	(5.15)	(6.05)	(0.94)	-	-	-	-	
18	ES	-	-	-	-	-	-	-	-	-	-	-	
19	Change in Non-Smelter Member Economic Reserves	(2.32)	2.08	3.69	5.02	5.15	(2.85)	(10.34)	(10.73)	(10.04)	(2.97)	-	<< 4. Economic Reserve reflects rebate (realized) as well as FAC and extended life, plus addition of Rural Economic Reserve
20	Regulatory Acct Charge/(Rebate)	-	-	-	-	-	-	-	-	-	-	-	
21	TIER Related Rebate	(0.08)	(0.30)	(0.59)	-	-	-	-	-	-	-	-	<< 5. Increased rebate from increased Market fuel margin
22	*Net*	(4.51)	(0.30)	(0.30)	0.58	(0.00)	(8.91)	(11.28)	(10.73)	(10.04)	(2.98)	(0.01)	
23	**Case 1**	39.84	35.06	35.48	41.55	41.26	35.24	35.73	36.77	37.60	46.97	50.53	
24													
25	**Minimum Average Cash Balance ***	76.4	150.8	146.4	127.9	106.0	99.3	89.7	85.3	81.1	76.4	84.0	

* Net of amounts held for debt service

#	Case 2: Smelters Leave in 2011/ $31.21 Market Electricity	Tot./ Weighted Avg.	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Notes
1	**Change in Total Non-Smelter Member Revenue Requirement ($M)**												
2	**Filed Model**	1,729.1	123.8	128.2	150.5	155.1	170.0	185.2	191.5	196.4	210.6	217.7	
3	Addition of Rural Economic Reserve	(79.1)	-	-	-	-	-	(32.6)	(39.7)	(6.9)	-	-	
4	Reduced Fuel Costs	(500.4)	(24.9)	(43.2)	(76.4)	(102.8)	(122.7)	(39.7)	(24.0)	(21.6)	(23.8)	(21.2)	<< 1. Combination of price and reduced production in stress period
5	Reduced Market Purchases	(168.3)	-	-	(19.0)	(15.6)	(18.9)	(17.9)	(19.6)	(20.9)	(33.2)	(23.2)	
6	Reduced Smelter Revenues	2,997.7	16.8	29.1	359.0	382.9	393.5	340.6	353.3	354.5	397.5	370.5	<< 2. Impact of Smelters leaving in 2011
7	Addition to Off-System Sales	(1,225.9)	-	-	(149.2)	(128.0)	(111.6)	(153.4)	(161.3)	(171.6)	(171.2)	(179.6)	<< 3. Market sales offset smelter sales, but at lower load factor
8	Reduced Allowance Costs	(52.6)	-	-	0.4	(1.8)	(5.2)	(6.2)	(12.9)	(8.5)	(11.9)	(6.5)	
9	Reduced Non-Fuel VOM Costs	(48.3)	-	-	(1.4)	(3.5)	(4.1)	(1.2)	(9.0)	(9.1)	(9.9)	(10.0)	
10	Interest Earnings and Other	1.5	0.0	(0.2)	(0.5)	(0.2)	0.1	0.1	(0.5)	(0.5)	1.1	2.1	
11	Change in Non-Smelter Member Economic Reserve	(3.9)	7.1	13.2	6.1	5.1	(25.5)	(9.9)	-	-	-	-	
12	Change in Net Margin	(166.0)	(0.0)	0.0	(25.3)	(26.6)	(25.1)	(19.0)	(18.5)	(17.6)	(17.2)	(16.7)	
13	*Net*	754.6	(1.0)	(1.1)	93.5	109.6	80.3	60.8	67.9	97.9	131.3	115.4	
14	**Case 2**	2,483.7	122.8	127.1	244.1	264.7	250.3	246.0	259.4	294.2	341.9	333.2	
15													
16	**TWh**												
17	Members	38.99	3.50	3.58	3.67	3.76	3.85	3.94	4.03	4.12	4.22	4.31	
18													
19	**Change in Average Non-Smelter Member Rates (Accrual Basis; $/MWh)**												
20	**Filed Model**	44.3	35.36	35.78	40.98	41.26	44.14	47.01	47.49	47.64	49.94	50.54	
21	Base	23.33	-	-	24.88	29.14	29.76	29.73	29.71	29.70	27.52	27.51	<< 4. Impact of general rate increase starting in 2011
22	FAC	(1.77)	(2.02)	(3.40)	(4.40)	(5.04)	(5.63)	(0.60)	0.40	0.45	0.75	0.63	
23	ES	(0.47)	-	-	0.21	0.05	(0.20)	(0.19)	(1.28)	(0.93)	(1.22)	(0.79)	
24	Surcredit	3.02	-	-	3.12	3.64	3.55	3.47	3.39	3.32	4.49	4.40	
25	Change in Non-Smelter Member Economic Reserves	(2.13)	2.02	3.68	1.65	1.35	(6.61)	(10.77)	(9.84)	(1.66)	-	-	<< 5. Economic Reserve reflects rebate (realized) as well as FAC and extended life
26	Regulatory Acct Charge/(Rebate)	(0.22)	-	-	-	-	-	(0.42)	(0.41)	(0.40)	(0.41)	(0.40)	
27	TIER Related Rebate	(2.41)	(0.29)	(0.59)	-	-	-	(5.77)	(5.13)	(6.72)	-	(4.55)	<< 6. Increased rebate in 2014 and after in lieu of general rate reductions after initial increase in 2011
28	*Net*	19.35	(0.29)	(0.31)	25.46	29.14	20.85	15.44	16.84	23.74	31.14	26.80	
29	**Case 2**	63.70	35.07	35.47	66.43	70.40	64.99	62.45	64.33	71.38	81.08	77.34	
30													
31	**Minimum Average Cash Balance** *	33.4	151.2	147.1	124.1	90.8	72.0	65.4	63.8	52.7	34.7	33.4	<< 7. Maintains min average cash balance of $33.4 M

* Net of amounts held for debt service

#	Case 3: Smelters Leave in 2011/ $30.20 Market Electricity	Tot./ Weighted Avg.	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Notes
1	**Change in Total Non-Smelter Member Revenue Requirement ($M)**												
2	**Filed Model**	1,729.1	123.8	128.2	150.5	155.1	170.0	185.2	191.5	196.4	210.6	217.7	
3	Addition of Rural Economic Reserve	(79.1)	-	-	-	-	-	(32.6)	(39.7)	(6.9)	-	-	
4	Reduced Fuel Costs	(500.4)	(24.9)	(43.2)	(76.4)	(102.8)	(122.7)	(39.7)	(24.0)	(21.6)	(23.8)	(21.2)	<< 1. Combination of price and reduced production in stress period
5	Reduced Market Purchases	(168.3)	-	-	(19.0)	(15.6)	(18.9)	(17.9)	(19.6)	(20.9)	(33.2)	(23.2)	<< 2. Impact of Smelters leaving in 2011
6	Reduced Smelter Revenues	2,997.7	16.8	29.1	359.0	382.9	393.5	340.6	353.3	354.5	397.5	370.5	<< 3. Market sales offset smelter sales, but at lower load factor
7	Addition to Off-System Sales	(1,164.5)	-	-	(141.5)	(120.9)	(104.8)	(145.7)	(153.4)	(163.4)	(163.5)	(171.3)	
8	Reduced Allowance Costs	(52.6)	-	-	0.4	(1.8)	(5.2)	(6.2)	(12.9)	(8.5)	(11.9)	(6.5)	
9	Reduced Non-Fuel VOM Costs	(48.3)	-	-	(1.4)	(3.5)	(4.1)	(1.2)	(9.0)	(9.1)	(9.9)	(10.0)	
10	Interest Earnings and Other	1.3	0.0	(0.2)	(0.5)	(0.2)	0.0	0.1	(0.6)	(0.5)	1.1	2.1	
11	Change in Non-Smelter Member Economic Reserve	(3.9)	7.1	13.2	6.1	5.1	(25.5)	(9.9)	-	(0.0)	-	-	
12	Change in Net Margin	(163.8)	(0.0)	0.0	(25.0)	(26.3)	(24.9)	(18.7)	(18.2)	(17.3)	(16.9)	(16.4)	
13	*Net*	817.9	(1.0)	(1.1)	101.5	116.9	87.4	68.7	76.1	106.3	139.3	123.8	
14	**Case 3**	2,547.0	122.8	127.1	252.0	272.1	257.4	253.9	267.6	302.6	349.9	341.6	
15													
16	**TWh**												
17	Members	38.99	3.50	3.58	3.67	3.76	3.85	3.94	4.03	4.12	4.22	4.31	
18													
19	**Change in Average Non-Smelter Member Rates (Accrual Basis; $/MWh)**												
20	**Filed Model**	44.3	35.36	35.78	40.98	41.26	44.14	47.01	47.49	47.64	49.94	50.54	<< 4. Impact of general rate increase starting in 2011
21	Base	24.89	-	-	27.05	31.10	31.60	31.58	31.56	31.54	29.42	29.40	
22	FAC	(1.77)	(2.02)	(3.40)	(4.40)	(5.04)	(5.63)	(0.60)	0.40	0.45	0.75	0.63	
23	ES	(0.47)	-	-	0.21	0.05	(0.20)	(0.19)	(1.28)	(0.93)	(1.22)	(0.79)	
24	Surcredit	3.02	-	-	3.12	3.64	3.55	3.47	3.39	3.32	4.49	4.40	
25	Change in Non-Smelter Member Economic Reserves	(2.13)	2.02	3.68	1.65	1.35	(6.61)	(10.77)	(9.84)	(1.66)	-	-	<< 5. Economic Reserve reflects rebate (realized) as well as FAC and extended life
26	Regulatory Acct Charge/(Rebate)	(0.22)	-	-	-	-	-	(0.42)	(0.41)	(0.40)	(0.41)	(0.40)	<< 6. Increased rebate in 2014 and after in lieu of general rate reductions after initial increase in 2011
27	TIER Related Rebate	(2.34)	(0.29)	(0.59)	-	-	-	(5.61)	(4.94)	(6.52)	-	(4.49)	
28	*Net*	20.98	(0.29)	(0.31)	27.63	31.10	22.70	17.45	18.87	25.78	33.03	28.75	
29	**Case 3**	65.33	35.07	35.47	68.60	72.36	66.84	64.47	66.36	73.42	82.98	79.29	
30													
31	**Minimum Average Cash Balance ***	35.4	151.2	147.1	124.2	91.2	72.6	66.1	64.3	53.5	36.1	35.4	<< 7. Maintains min average cash balance of $35.4 M

* Net of amounts held for debt service

#	Case 4: Smelters Leave In 2011/ $41.62 Market Electricity	Tot./ Weighted Avg.	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Notes
1	**Change in Total Non-Smelter Member Revenue Requirement ($M)**												
2	**Filed Model**	1,729.1	123.8	128.2	150.5	155.1	170.0	185.2	191.5	196.4	210.6	217.7	
3	Addition of Rural Economic Reserve	(78.9)	-	-	-	-	-	(34.6)	(39.7)	(4.7)	-	-	
4	Reduced Fuel Costs	(456.8)	(24.9)	(43.2)	(78.0)	(91.1)	(113.1)	(35.6)	(19.9)	(19.1)	(18.5)	(13.3)	<< 1. Combination of price and reduced production in stress period
5	Reduced Market Purchases	(168.5)	-	-	(19.0)	(15.6)	(19.1)	(18.0)	(19.6)	(20.9)	(33.2)	(23.3)	
6	Reduced Smelter Revenues	2,997.7	16.8	29.1	359.0	382.9	393.5	340.6	353.3	354.5	397.5	370.5	<< 2. Impact of Smelters leaving in 2011
7	Addition to Off-System Sales	(1,918.6)	-	-	(223.5)	(220.2)	(195.9)	(236.8)	(249.2)	(258.7)	(257.1)	(277.3)	<< 3. Market sales offset smelter sales, but at lower load factor
8	Reduced Allowance Costs	(31.6)	-	-	0.4	(0.5)	(3.6)	(4.9)	(9.6)	(6.0)	(7.0)	(0.4)	
9	Reduced Non-Fuel VOM Costs	(43.9)	-	-	(1.9)	(2.0)	(3.2)	(0.9)	(8.5)	(8.9)	(9.5)	(9.0)	
10	Interest Earnings and Other	1.2	0.0	(0.2)	(0.5)	(0.2)	0.0	0.1	(0.7)	(0.6)	1.0	2.2	
11	Change in Non-Smelter Member Economic Reserve	(3.8)	7.1	13.2	5.8	4.1	(26.8)	(7.2)	-	-	-	-	
12	Change in Net Margin	(168.2)	(0.0)	0.0	(25.5)	(26.8)	(25.4)	(19.3)	(18.8)	(17.9)	(17.5)	(16.9)	
13	*Net*	128.5	(1.0)	(1.1)	16.8	30.6	6.5	(16.5)	(12.6)	17.7	55.6	32.4	
14	**Case 4**	1,857.5	122.8	127.1	167.4	185.8	176.5	168.7	178.9	214.1	266.2	250.1	
15													
16	**TWh**												
17	Members	38.99	3.50	3.58	3.67	3.76	3.85	3.94	4.03	4.12	4.22	4.31	
18													
19	**Change in Average Non-Smelter Member Rates (Accrual Basis; $/MWh)**												
20	**Filed Model**	44.3	35.36	35.78	40.98	41.26	44.14	47.01	47.49	47.64	49.94	50.54	
21	Base	7.44	-	-	4.00	8.14	10.60	10.59	10.58	10.58	8.94	8.93	<< 4. Impact of general rate increase starting in 2011
22	FAC	(1.66)	(2.02)	(3.40)	(4.34)	(4.89)	(5.44)	(0.44)	0.49	0.52	0.98	0.79	
23	ES	(0.28)	-	-	0.21	0.17	(0.06)	(0.08)	(1.01)	(0.73)	(0.80)	(0.30)	
24	Surcredit	3.02	-	-	3.12	3.64	3.55	3.47	3.39	3.32	4.49	4.40	
25	Change in Non-Smelter Member Economic Reserves	(2.12)	2.02	3.68	1.58	1.09	(6.95)	(10.61)	(9.84)	(1.13)	-	-	<< 5. Economic Reserve reflects rebate (realized) as well as FAC and extended life
26	Regulatory Acct Charge/(Rebate)	(0.22)	-	-	-	-	-	(0.42)	(0.41)	(0.40)	(0.41)	(0.40)	
27	TIER Related Rebate	(2.89)	(0.29)	(0.59)	(0.00)	(0.00)	(0.00)	(6.70)	(6.31)	(7.85)	-	(5.89)	<< 6. Increased rebate in 2014 and after in lieu of general rate reductions after initial increase in 2011
28	*Net*	3.29	(0.29)	(0.31)	4.57	8.14	1.69	(4.19)	(3.12)	4.30	13.19	7.53	
29	**Case 4**	47.64	35.07	35.47	45.55	49.40	45.83	42.82	44.37	51.93	63.13	58.07	
30													
31	**Minimum Average Cash Balance ***	34.7	151.2	147.1	123.9	90.8	72.1	66.7	67.0	56.1	35.4	34.7	<< 7. Maintains min average cash balance of $34.7 M

* Net of amounts held for debt service

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ISSUER COMMENT

Big Rivers Electric Corporation

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Key Indicators [1]

Big Rivers Electric Corporation

	2010	2009	2008	3-Year Avg
TIER [2]	1.2x	0.9x	1.5x	1.2x
DSCR [2]	1.5x	0.9x	1.2x	1.2x
FFO / Debt	2.5%	59.1%	5.9%	22.5%
FFO + Interest / Interest	1.4x	9.1x	1.8x	4.2x
Equity / Capitalization	31.8%	30.8%	-17.4%	15.1%

[1] All ratios calculated in accordance with Moody's Electric G&T Cooperative Rating Methodology using Moody's standard adjustments
[2] Moody's definitions may differ from indenture covenants

Rating Drivers

- Stronger balance sheet resulting from deleveraging following the unwinding of 1998 vintage transactions, which was completed in 2009
- Ownership of competitively advantaged coal-fired generation plants
- High industrial concentration to two aluminum smelters
- Rates subject to regulation by the Kentucky Public Service Commission (KPSC); General rate case pending
- Revenues from electricity sold under long-term wholesale power contracts with member owners

Corporate Profile

Big Rivers Electric Corporation is an electric generation and transmission cooperative (G&T) headquartered in Henderson, Kentucky and owned by its three member system distribution cooperatives— Jackson Purchase Energy Corporation; Kenergy Corp; and Meade County Rural Electric Cooperative Corporation. These member system cooperatives provide retail electric power and energy to more than 112,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

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KIUC EXHIBIT 12

Summary Rating Rationale

The Baa1 senior secured rating considers the financial benefits of several steps taken by Big Rivers to unwind a lease and other transactions in 2008 and 2009 wherein its prior deficit net worth turned substantially positive, cash receipts were utilized to reduce debt, and two committed bank credit facilities aggregating $100 million were established to improve liquidity. Revenues generated from competitively priced power sold under long-term wholesale contracts with the three member owners should continue to support Big Rivers financial performance in keeping with its current rating level, while allowing capital expenditures to be largely met with internally generated funds.

A significant constraint to Big Rivers' rating is that one of its member owners, Kenergy Corp., makes a high concentration of its sales to two aluminum smelters (Century Aluminum Company: Corporate Family Rating B3; stable outlook and Rio Tinto Alcan: senior unsecured rating A3; stable outlook), both of whom face credit challenges due to the significant volatility in both metal prices and demand. In addition, these smelters have the option to terminate their respective power purchase arrangements, subject to a one-year notice and other conditions. Big Rivers' rating is further constrained because its rates are regulated by the KPSC, which is atypical for the G&T coop sector.

Detailed Rating Considerations

Financial Flexibility Improved Following Completion Of Unwind Of Historical Transactions In 2009

In 2008, Big Rivers bought out two leveraged lease transactions and in 2009 completed a series of other steps to terminate another lease and other long-term transactions previously involving E.ON U.S. LLC (formerly known as: LG&E Energy Marketing Inc.) and Western Kentucky Energy Corp. These entities previously leased and operated the generating units owned by Big Rivers. In turn, Big Rivers was purchasing the power from these units at generally fixed below market rates to use in servicing the requirements of its three members, exclusive of the load requirements of Kenergy's two large aluminum smelters. At the same time, Big Rivers terminated other agreements and entered into various new arrangements whereby it now sells to Kenergy 850 MW in aggregate for resale to the two aluminum smelters. This arrangement reintroduced a concentration of load risk for Big Rivers. Key credit positives resulting from consummation of all the unwind transactions were as follows: elimination of Big Rivers' deficit net worth, with equity of $379.4 million at December 31, 2009, which increased to $386.6 million as of December 31, 2010 compared to a negative $155 million at 12/31/2008, and partial utilization of the $505.4 million in cash payments received from E.ON to repay about $140.2 million of debt owed to the Rural Utilities Service (RUS) and to establish $252.9 million of reserves. The reserves were comprised of: a $157 million Economic Reserve for future environmental and fuel cost increases; a $35 million Transition Reserve to mitigate potential costs if the smelters decide to terminate their agreements or otherwise curtail their load due to reduced aluminum production; and a $60.9 million Rural Economic Reserve, which would be used over two years to provide credits to rural customers upon full utilization of the Economic Reserve.

As part of the unwind process, Big Rivers completed the buyout of leveraged leases with Bank of America and Phillip Morris Capital Corporation (PMCC) during 2008. Among the positive credit effects of the buyouts were removal of $922 million of defeased obligations (about $735 million of which was off-balance sheet), and removal of exposure to Ambac, albeit at a net cost of $120 million,

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including a $12 million PMCC note. We note, however, that part of the cash payment from E.ON upon consummation of unwinding all the various transactions included full reimbursement of Big Rivers' lease buyout costs, and the $16 million remaining deferred loss on reacquired debt was written off.

Under a contract times interest earned ratio (TIER) arrangement with the two smelters, Big Rivers is targeting a minimum TIER of 1.24x, which would leave ample cushion under its financial covenants and positioning itself favorably among its similarly rated peers. Under current market conditions, we expect that Big Rivers would file for rate relief as necessary, in the event that TIER drops below the 1.24x target.

Coal-Fired Plants Represent Valuable Assets Even As Environmental Costs Loom

Big Rivers owns generating capacity of about 1,444 megawatts (MW) in four substantially coal-fired plants. Total power capacity is about 1,824 MW, including rights to about 202 MW of coal-fired capacity from Henderson Municipal Power and Light (HMP&L) Station Two and about 178 MW of contracted hydro capacity from Southeastern Power Administration. The economics of power produced from these sources enables Big Rivers to maintain a solid competitive advantage in the Southeast and even more so when compared to other regions around the country. The consistently high capacity factors and efficient operations of the assets results in average system wholesale rates to members around $36 per MWh (including the beneficial effects of the member rate stability mechanism), which translates to member retail rates to residential customers around 8 cents per kWh.

Because Big Rivers is substantially dependent on coal-fired generation, it faces a high degree of uncertainty with regard to future environmental regulations, including the form and substance those will take, the timing for implementation, and the amount of related costs to comply. We note that the Economic Reserve should help mitigate some of the need for initial rate increases to cover future compliance costs.

Regulatory Risk Exists; However, Offsets Are Present

Big Rivers is subject to regulation for rate setting purposes by the KPSC, which is atypical for the sector and can pose challenges in getting timely rate relief if and when needed. We view the existence of certain fuel and purchased power cost adjustment mechanisms available to Big Rivers as favorable to its credit profile since they can temper risk of cost recovery shortfalls if there is a mismatch relative to existing rate levels. Although Big Rivers did not file for a general rate increase in 2010, additional revenues were generated under the fuel adjustment clause and through use of a portion of the various reserve funds. In keeping with the KPSC order issued on March 6, 2009 requiring Big Rivers to file for a general review of its financial operations and rates by July 16, 2012 (i.e. three years from the closing of the unwind transaction), Big Rivers filed a wholesale tariff rate case with the KPSC on March 1, 2011. The rate case is intended to bolster wholesale margins, while also addressing increased depreciation costs, administrative costs tied to joining the Midwest Independent Transmission System Operator (MISO) as outlined in more detail below, and maintenance costs incurred during scheduled generation plant outages. According to the filing, the requested increase in member wholesale tariff rates would equate to an estimated 6.85% (approximately $30 million) increase in total member revenue. Hearings have been scheduled for July 26th and 27th and a decision is expected in August 2011, with new rates to be effective September 1, 2011. If the case is not decided in this time line, the regulatory process allows for interim rates to be put into effect, subject to refund. According to management at Big Rivers, the cooperative has not had a wholesale tariff rate increase in 20 years and its existing depreciation study and tariffs have been in place since July 1998. We will continue to monitor the proceedings in the pending case to determine the degree of supportiveness the KPSC provides for this request. Significant shortfalls that compromise Big Rivers ability to achieve timely and full recovery of its costs of service and anticipated financial results could pressure its credit quality. The timing of future rate cases is likely to be influenced primarily by the outcome of future environmental assessments.

Wholesale Power Contracts Are A Linchpin To Sound Credit Profile

The substantial revenues derived under Big Rivers' long-term wholesale contracts with its members will continue as the contracts were extended by an additional 20 years to December 31, 2043 when the unwind of transactions were completed in 2009. The low cost power provided under the contracts makes member disenchantment unlikely, even in the face of potential rate increases in the near term associated with the pending rate case and, in the medium to longer term, due to environmental compliance costs. The currently overall sound member profile provides assurance of this revenue stream, which is integral to servicing Big Rivers' debt. The potential for degradation in the creditworthiness of the smelters is a particular credit concern, only tempered in part by assurances of two month's worth of payment obligations covered by letters of credit from an A1 rated financial institution (or some other form acceptable to Big Rivers) under certain circumstances.

Big Rivers' net margins for 2010 reflected improvement over 2009 results (exclusive of the effects of the unwind transactions on 2009 results) as fundamental results in 2009 were negatively affected by costs related to a planned generation plant outage at the D.B. Wilson plant in Centertown, Kentucky, which included a turbine overhaul. Also, during 2010 a considerable reduction in annual interest expense in line with substantially reduced debt following the unwind and non-operating margins resulting from accounting treatment for certain materials and supplies more than compensated for the effects of lower market prices for off-system sales during 2010 compared to 2009.

On a historical basis, Big Rivers dramatically improved its equity position whereby its equity to total capitalization is now over 30% thanks to significant debt reductions following the unwind. At this level, Big Rivers equity to total capitalization maps to the A category for this metric under the rating Methodology. Based on expected continuation of management's current practice of not returning patronage capital back to members (a credit positive strategy in our view) we anticipate that the equity ratio should continue to improve as net margins are fully retained and little if any new debt is added over the next couple of years. We also note that Big Rivers' historical three-year average metrics such as funds from operations (FFO) to debt and FFO to interest are particularly strong due to the one time effects of the unwind, and are therefore not sustainable at those levels. Assuming the KPSC is supportive of Big Rivers' pending request for an increase in member wholesale tariff rates, then we anticipate that Big Rivers should map on average to the A or Baa ranges for other key metrics, such as the times interest earned, the debt service coverage, FFO to interest and FFO to debt ratios. We would view a lack of substantial support for timely and full recovery of costs of service in rate case proceedings as a credit negative, which could cause downward pressure on the ratings for Big Rivers.

Concerns About Potential Loss Of Smelter Load Cannot Be Ignored

Under historical operating conditions, the two smelters served by Kenergy can be expected to consume over 7 million MWh of energy annually, representing a substantial load concentration risk. As noted above, this risk is a significant constraint to Big Rivers' rating, making its operating and risk profile rather unique compared to peers. With Big Rivers' ongoing transmission capacity upgrade projects nearing completion (expected by Q-4 2011), either of the two smelters could serve a one-year notice of termination of their contract at any time. Given the cost effective power being provided by Big Rivers to allow Kenergy to service this load, we do not currently expect the smelters to exercise this option. Moreover, in December 2010 Big Rivers became a transmission owning member of the Midwest Independent Transmission System Operator (MISO), thereby enhancing its reliability and ensuring compliance with mandated emergency reserve requirements established by regulators. This step, the anticipated completion of expansion of its own transmission lines in Q-4 2011 and legislation to permit sales to non-members, when coupled with the low cost of the power, should enhance Big Rivers' ability to move excess power off system in the event that the smelters cancel their contracts or otherwise reduce load due to curtailment of aluminum production due to market and economic conditions. To the latter point, during 2009, Century Aluminum of Kentucky arranged for the orderly curtailment of one of its five potlines, pending improvement in economic conditions. Following improved economic and market conditions, Century completed its restart of the fifth potline in May 2011. During the period of time that Century Aluminum's potline was shut down, Big Rivers moved to sell into the open market the approximately 87 megawatts of capacity it would otherwise have been providing to Kenergy for service to the one Century Aluminum pot line.

Liquidity

Big Rivers supplements its internally generated funds with $100 million of unsecured committed revolver capacity, with National Rural Utilities Cooperative Finance Corporation (NRUCFC) and CoBank providing $50 million each. The NRUCFC and CoBank facilities, which expire on July 16, 2014 and July 16, 2012, respectively, replaced the smaller $15 million facility previously provided by NRUCFC, which was terminated upon completion of the unwind transactions in 2009. The $50 million NRUCFC facility provides for issuance of up to $10 million of letters of credit. We view the significant increase in available bank credit as credit positive. As of May 31, 2011 Big Rivers had approximately $67 million of unrestricted cash and equivalents on its books, and had substantial unused capacity under the two credit facilities as the only usage related to $5.6 million of letters of credit outstanding with NRUCFC. Assuming little change to future usage of the bank facilities and the cash position, as well as no change to management's current policy of not returning patronage capital back to members, we anticipate that Big Rivers should be able to largely fund its anticipated short-term working capital needs, capital expenditures of about $52 million, and current maturities of long term debt of around $7 million during 2011 without the need for new debt. Big Rivers does, however, face a more material RUS long-term debt maturity of about $76 million in 2012, most of which we anticipate will be refinanced and the balance retired. We also note that the CoBank facility expires within the next 12 months and we anticipate that Big Rivers will renew the facility well ahead of the expiration date.

The quality of the alternate liquidity provided by the bank revolvers benefits from the multi-year tenor at the time they were arranged and the absence of any onerous financial covenants, which largely mirror the financial covenants in existing debt documents. Big Rivers is in compliance with those covenants and we expect that to remain so in the foreseeable future. Additionally, the NRUCFC facility benefits from no ongoing material adverse change (MAC) clause; however, the CoBank facility is considered of lesser quality because of the ongoing nature of its MAC clause related to each drawdown. We would view an amendment to the CoBank revolver to eliminate the ongoing applicability of the MAC clause as part of the renewal and extension process to be a credit positive step. There are no applicable rating triggers in any of the facilities that could cause acceleration or puts of obligations; however, a ratings based pricing grid applies.

Structural Considerations

As part of the unwinding of various transactions completed in 2009, Big Rivers replaced the previously existing RUS mortgage with a new senior secured indenture. Under the current senior secured indenture RUS and all senior secured debt holders are on equal footing in terms of priority of claim and lien on assets. The current senior secured indenture provides Big Rivers with the flexibility to access public debt markets without first obtaining a case specific RUS lien accommodation, while retaining the right to request approval from the RUS for additional direct borrowings under the RUS loan program, if they choose to do so. Given persistent questions about the availability of funds under the federally subsidized RUS loan program, we consider the added flexibility of the current senior secured indenture to be credit positive.

Rating Outlook

The stable rating outlook is based on Big Rivers' successful completion of the unwind transactions, thereby improving its financial profile and repositioning itself to continue efficiently meeting the needs of its members in the future.

What Could Change the Rating - Up

Given the rating constraints linked to customer load concentration at Kenergy, rate regulation, and looming pressures tied to environmental issues, a rating upgrade is unlikely in the foreseeable future. Changes to eliminate rate regulation of cooperatives in Kentucky could contribute to a positive action, especially if it coincides with improvement in market conditions for the aluminum smelters and sustained improvement of FFO to interest and debt metrics to near 2.3x and 8%, respectively, on average.

What Could Change the Rating - Down

Loss of significant load (i.e. the smelters) that is not otherwise compensated for through off system power sales could contribute to a negative action, as would lack of regulatory support for substantial and timely recovery of costs. In terms of credit metrics, if FFO to interest and debt falls below 2x and 5%, respectively, for a sustained period of time, then rating pressure could result.

Other Considerations

Mapping To Moody's U.S. Electric Generation & Transmission Cooperatives Rating Methodology

Big Rivers' mapping under Moody's U.S. Electric Generation &Transmission Cooperative rating Methodology appears below and is based on historical data through December 31, 2010. The Indicated Rating for Big Rivers' senior most obligations under the Methodology is currently A2 and relies on the aforementioned historical quantitative data and qualitative assessments. In particular we note that the A2 Indicated Rating reflects improvement over the Baa2 Indicated Rating level from historical published reports, which were based on historical data only through 2008. We note that the improvement in the Indicated Rating under the Methodology largely stems from better scores for the factors relating to dependence on purchased power and financial metrics such as equity as a percentage of capitalization, FFO to debt and FFO to interest, all of which improved upon completion of the unwind transactions. Notwithstanding a currently higher Indicated Rating for Big Rivers under the Methodology compared to its actual rating, the unique risks relating to Big Rivers load concentration to the smelters and the fact that it is subject to rate regulation by the KPSC will likely persist and continue to constrain its rating level in the future.

Rating Factors:

Big Rivers Electric Corporation

U.S. Electric Generation & Transmission Cooperatives	Aaa	Aa	A	Baa	Ba	B
Factor 1: Wholesale Power Contracts & Regulatory Status (20%)						
a) % Member Load Served & Regulatory Status			X			
Factor 2: Rate Flexibility (20%)						
a) Board Involvement / Rate Adjustment Mechanism				X		
b) Purchased Power / Sales %		19%				
c) NewBuildCapex (% Net PP&E)		X				
d) Rate Shock Exposure						X
Factor 3: Member / Owner Profile (10%)						
a) Residential Sales / Total Sales						16%
b) Members' Consolidated Equity / Capitalization				36%		
Factor 4: 3-Year Average Financial Metrics (40%)						
a) TIER				1.2x		
b) DSC			1.2x			
c) FFO / Debt	22.5%					
d) FFO / Interest	4.2x					
e) Equity / Capitalization				15.1%		
Factor 5: Size (10%)						
a) MWh Sales (Millions of MWhs)			12.0			
b) Net PP&E ($billions)			$1.1			
Rating:						
a) Indicated Rating from Methodology			A2			
b) Actual Rating Assigned (Senior Secured)				Baa1		

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Report Number: 134388

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July 6, 2011

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KIUC EXHIBIT 13

Big Rivers Electric Corp., Kentucky Ohio County; Rural Electric Coop

Credit Profile		
Big Rivers Electric Corp. ICR		
Long Term Rating	BBB-/Stable	Affirmed
Ohio Cnty, Kentucky		
Big Rivers Electric Corp., Kentucky		
Ohio Cnty (Big Rivers Electric Corp.) poll ctrl rfdg rev bnds (Big Rivers Elec Corp Proj) ser 2010A		
Long Term Rating	BBB-/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services has affirmed its 'BBB-' issuer credit rating on Big Rivers Electric Corp., Ky., and its 'BBB-' long-term rating on Ohio County, Ky.'s $83.3 million pollution control refunding revenue bonds, series 2010A (Big Rivers Electric Corp. Project). The outlook is stable.

Ohio County sold the bonds for the benefit of Big Rivers, which used bond proceeds to refund auction rate securities. We understand that the financing structure obligates the utility to unconditionally pay the county's bonds' debt service. Big Rivers issued a note to the county that provides it with a security interest in Big Rivers' assets under its mortgage indenture. The county's bonds' security interest is on par with the utility's senior-secured debt. Big Rivers' long-term debt totaled $817 million as of December 31, 2010.

The ratings reflect our view of the following credit weaknesses:

- We believe that the utility's extreme level of customer concentration and its leading customers' credit profiles represent meaningful credit exposures. The cooperative relies on two customers for about 65% of energy sales to members and 53% of total member and non-member energy sales. These two customers are aluminum smelters whose operations are vulnerable to economic cycles.
- In our opinion, the take-or-pay features of the retail power sales contracts between Big Rivers' distribution cooperative, Kenergy Corp., and the smelters are weak because the smelters can terminate their obligations with one-year's notice.
- The cooperative and its member distribution cooperatives are subject to state rate regulation that distinguishes Big Rivers from many other cooperatives that have autonomous ratemaking authority. Rate regulation could potentially expose the utilities' financial performance to delayed rate relief or cost disallowances, particularly if Big Rivers needs to reallocate the smelters' shares of fixed costs to its nonsmelter customers.
- Surplus energy sales in volatile wholesale markets account for about 16% of energy sales, are important to the utility's revenue stream, and help support its financial obligations.
- The cooperative is adding transmission capacity to increase physical access to wholesale markets. However, even with the additions, we believe the utility lacks the certainty of firm contractual transmission arrangements, which could frustrate the surplus power sales Big Rivers would need to make if the smelters reduce operations meaningfully or close.
- Nearly one-third of the utility's debt either does not amortize before maturity or has limited amortization, which

produces highly uneven debt service coverage ratios (DSCRs) and presents refinancing risk.

- In July 2009, Big Rivers regained operational control over generation assets it had not operated for more than a decade and has a limited track record of generation operations.

We believe these strengths temper the exposures:

- The long-term wholesale power contracts between the utility and its three member distribution cooperatives provide a measure of revenue stream security.
- Members have exclusive rights to sell electricity in defined territories.
- We believe that Big Rivers' members' retail rates are competitive and they could contribute to financial flexibility. However, members' favorable rates depend on the smelters' operating at high load factors that help absorb high fixed costs. Rate levels also benefit from the subsidies that more than $200 million of rate mitigation reserves provide.

Henderson, Ky.-based Big Rivers is a generation and transmission cooperative that produces and procures electricity for sale to three member distribution cooperatives and their more than 112,000 retail customers. It relies on two aluminum smelters for more than half of operating revenues, which erodes revenue stream stability and predictability and distinguishes the utility from most cooperative utilities that generally earn the bulk of revenues from residential customers. Moreover, Big Rivers projects that it needs to sell surplus energy into competitive wholesale markets to support its financial obligations. Nonmember revenues accounted for about 16% of 2010's operating revenues. We believe that reductions in the smelters' operations and electricity consumption could increase market reliance. Also, declines in wholesale market electricity prices due to weak natural gas prices or abundant supplies could erode margins from market sales and place upward pressure on the costs that the utility's nonsmelter customers bear.

Outlook

The stable outlook reflects our expectations that the sound debt service coverage Big Rivers projects could provide a financial cushion to service debt obligations under adverse conditions that could arise from the operational, financial and regulatory challenges the utility faces. We believe management needs to actively oversee these challenges to preserve credit quality. In our view, the ratings' upward potential is limited in the near term because the utility must refinance considerable bullet maturities, depends on volatile smelter loads for substantial revenues, and relies on volatile wholesale energy markets for meaningful portions of its revenue requirements.

Customer Concentration Creates Concerns

We believe Big Rivers faces an extreme level of customer concentration and it leading customers' credit profiles represent meaningful credit exposures. In 2010, two of the more than 112,000 end-use customers accounted for more than half of operating revenues. These two, Rio Tinto Alcan Inc. (Alcan; A-/Stable/A-2) and Century Aluminum Co. (B/Stable/--), are aluminum smelters whose operations and financial performance are exposed to extreme commodity price volatility. We believe these companies' economic viability hinges on aluminum prices and the economy's strength, among other things. Big Rivers expects Century's electricity purchases to provide about 36% of its revenues, which meaningfully exposes the cooperative's financial performance to a single speculative-grade customer's cash flows.

If Alcan or Century reduces or ceases operations at their Kentucky facilities, Big Rivers would need to sell surplus electricity in competitive wholesale markets in a bid to recover substantial portions of its fixed costs. The several agreements that Big Rivers, Kenergy, and the smelters signed provide that certain profits from market sales following curtailment inure to the smelters' benefit. The agreements also provide that the smelters must cover the cooperative's losses resulting from market sales following curtailment.

Given Century's weak credit quality, its ability to make up shortfalls is questionable. If the smelters terminate operations, their Big Rivers obligations end. While the cooperative might retain profits from off-system sales in this scenario it will also bear the risk of losses.

We believe that selling electricity in wholesale markets to cover debt service presents meaningful credit challenges because wholesale market sales represent speculative and unpredictable revenue streams. Wholesale markets expose utilities to volatile prices, competing market participants, operational uncertainties such as acquiring physical access to transmission capacity, and potentially higher liquidity needs.

Retail Power Sales Contracts

We believe that the take-or-pay features of the retail power sales contracts between Kenergy and the smelters are weak.

Kenergy is one of Big Rivers' three member distribution cooperatives. It resells the cooperative's electricity to the smelters under power supply contracts expiring in 2023. These contracts have take-or-pay elements that require the smelters to pay for specific quantities of energy, irrespective of whether they need it. Yet we believe that these contracts' take-or-pay features are weak and do not provide meaningful credit protections. For example, the smelters can terminate their contracts on one year's notice without penalties if they close their Kentucky facilities.

Financial Performance

We believe Big Rivers' financial performance could suffer if the Kentucky Public Service Commission (PSC) does not provide timely rate relief or disallows costs, particularly if the utility needs to reallocate the smelters' shares of fixed costs to its nonsmelter customers.

In our view, if the smelters close their operations and Big Rivers cannot fully recoup the smelters' share of fixed costs through surplus electricity sales in competitive wholesale markets, its nonsmelter retail customers might need to bear substantial additional costs. The cooperative will not have control over revenues from electricity sales in competitive wholesale markets to compensate for eroded smelter activity. Moreover, it can only recover shortfalls from the nonsmelter retail customers if it and its distribution cooperative members can obtain rate relief from the Kentucky PSC.

Big Rivers and its member distribution cooperatives are unlike many other cooperative utilities because they cannot autonomously raise rates to respond to increasing costs or to reallocate costs. The Kentucky PSC regulates these utilities' wholesale and retail electricity rates. Rate regulation presents credit concerns because rate proceedings can be lengthy and delay cost recovery. Moreover, rate-regulated utilities do not have cost recovery guarantees. Nevertheless, in recent rate proceedings, the Kentucky PSC provided Big Rivers' distribution cooperatives with rate relief that was closely aligned with the utilities' requests. Also, the commission took steps in connection with the

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E.ON generation asset lease termination that we view as supporting credit quality, including directing E.ON to fund rate-stabilization accounts benefiting the cooperative members' nonsmelter, retail customers.

We believe that Big Rivers' 2010 nonsmelter member wholesale rates of $36 per megawatt-hour (MWh) indicate capacity for further rate increases as necessary to reallocate costs to the cooperative's nonsmelter customers. Big Rivers applied in March 2011 for rate increases effective Sept. 1, 2011. The filing requests a 5.94% rate increase for large industrial customers and a 5.47% rate increase for the smelters. Big Rivers is requesting a 10.71% increase for the nonsmelter, nonindustrial customers. The blended requests represent a 6.85% rate increase. The utility expects that lower purchase power adjustment factor costs will reduce the blended effective rate increase to 6.17%.

Debt Service Coverage

Based on Big Rivers' fiscal 2010 financial statements, Standard & Poor's calculated accrual and cash from operations debt service coverage of 1.4x, which was strong but about 20 basis points below projected coverage levels. While off-system sales volumes exceeded expectations, the sales were made at lower-than-expected prices due to weak wholesale electricity markets. Big Rivers' experience with low wholesale markets in 2010 underscores the considerable risks of wholesale market activity.

The cooperative achieved 2010's DSCR by reducing expenses, including deferring maintenance. It also applied reserve monies to the prepayment of a portion of its Rural Utility Service debt to reduce interest expense inasmuch as the benefits of maintaining reserves in a low interest rate environment paled in comparison to the cost of servicing debt.

Based on Big Rivers' financial forecast, we have calculated accrual-basis DSCRs that fluctuate considerably through 2013. The variability reflects the cooperative's use of nonamortizing debt that underlies highly uneven 2011-2013 debt service. Our calculations indicate DSCRs of 2.6x in 2011, 1.3x in 2012, and 2013 and 2.3x in 2014. The forecast assumes Big Rivers receives the full rate relief it requested earlier this year.

About one-third of debt is nonamortizing. Scheduled principal repayments for 2011 are a low $7 million, but jump to $76 million in 2012 and $79 million in 2013 before returning to a more moderate $22 million in 2014 and $23 million in 2015. Consequently, the imminent bullet maturities highlight the relative importance of market access for refinancing compared to debt service coverage as important credit factors through 2013.

Generation Assets Could Pose Problems

We believe that Big Rivers' few vintage, coal-fired generation assets present operational exposures that can affect financial performance. The cooperative sells the electricity it produces at its seven owned coal plants and the two coal plants it operates that Henderson's Municipal Power and Light utility own. Big Rivers operates and has contractual rights to nearly 1,800 megawatts (MW) of generation capacity. Its and Henderson's power plants range in age from 24-41 years, with a weighted average age of 32 years, based on contributions to overall generating capacity.

Big Rivers' wholesale electric rates include automatic fuel and purchased power cost adjustment mechanisms that we believe mitigate some credit concerns surrounding the mature fleet's ability to serve native load customers reliably. These true-up mechanisms shift some of the operational risks of operating older units to the smelter and nonsmelter customers by making them responsible for replacement power costs if units are not running.

While the fuel adjustment is an automatic, formulaic, monthly adjustment, the purchased power cost adjustment is only automatic for the smelters. Before they are eligible for recovery in rates, the PSC must review the power purchase costs Big Rivers incurs on behalf of its nonsmelter customers. All costs recoverable under the adjustment mechanisms are subject to PSC prudence reviews.

There is a two-month lag for the fuel adjustment clause between when costs are incurred and when the cooperative recovers the member portion through rates. Similarly, the purchase power adjustment for the smelters also entails a two-month cost recovery lag. The purchase power adjustment covering the smelters applies to only approximately two-thirds of the costs. The remaining third of is deferred as a regulatory account for recovery in base rates in a general rate case.

Some of Big Rivers' plants have what we believe are high heat rates. Its fleet's heat rates range from 10,600-13,382 BTU per kilowatt-hour with a weighted average heat rate of 11,100, reflecting the small percentage of the fleet with the highest heat rates. We are concerned that portions of the fleet might not dispatch to support market sales that compensate for losses of smelter sales.

Big Rivers projects using coal to produce 95% of the electricity it sells, exposing the utility and its customers to potentially higher operating costs as the regulation of carbon and other emissions progresses. The plants' heat rates contribute to carbon intensity in the range of 1.1 tons of coal per MWh. Their ages, heat rates, and carbon intensity raise questions about their ability to compete against potentially more efficient and less carbon-intensive units in wholesale markets if the smelters reduce or end their cooperative electric purchases. In our view, the extent of carbon regulation will determine the effects of this level of carbon intensity on Big Rivers' production facilities' economics.

Because aluminum smelting is a carbon-intensive process, we believe a combination of costly carbon constraints on aluminum production and carbon charges levied on the smelters' electricity purchases could impair their operations and heighten the likelihood that the cooperative's generating assets might have to compete in wholesale markets.

Transmission Expansion Plans

Big Rivers' expects to complete transmission upgrades in the fall of 2011. Until completed, the utility lacks sufficient capacity to market the smelters' power if both sharply reduce or discontinue operations. Even once completed, we believe that the cooperative's lack of firm contractual access rights could frustrate its ability to move power across others' transmission systems, including, the Tennessee Valley Authority (TVA) system.

Big Rivers only has contracts for 100 MW of firm transmission capacity across the TVA system. Management views the high cost of securing firm transmission access for a contingent exposure as unwarranted. The utility has physical interconnections with other power markets beyond TVA, such as the Midwest Independent System Operator and E.ON. However, Big Rivers' electricity needs to cross TVA's transmission system to access key markets such as Southern Co. and Entergy Corp. Lack of transmission access due to fully loaded lines during peak periods could frustrate the cooperative's ability to capture the most robust power prices for surplus power it might need to sell if it loses smelter loads.

Power Contracts Provide Some Revenue Stability

In our opinion, the long-term wholesale power contracts between Big Rivers and its three member distribution cooperatives provide a measure of revenue stream security.

The cooperative and its members extended their wholesale power sales contracts 20 years to 2043 in connection with the E.ON generation asset lease unwind transaction. We view this long tenor as contributing to credit quality because we understand that terms of wholesale power contracts between the utility and its three members require the members to purchase their electricity needs from Big Rivers. Furthermore, the members have exclusive rights to sell electricity within defined service territories, which shields the cooperative and its members from competition.

Big Rivers' long-term wholesale power contracts also contribute to credit quality because they extend beyond its debt's final maturity. Debt outstanding matures by 2031. However, about 11% of debt matures after the contracts with the smelters expire in 2023. Debt that matures after the smelter contracts roll off could lead to heightened wholesale market exposure, which we view as a credit weakness. Furthermore, Big Rivers expects that imminent refinancings of bullet maturities could extend debt even further beyond the smelter contracts' expiration.

Generally, lengthy requirements contracts, such as those of the cooperative, provide meaningful revenue predictability and credit support. However, the members' substantial reliance on two industrial loads that are vulnerable to commodity price cycles erodes the contracts' credit support and distinguishes Big Rivers from most other cooperative utilities. Rate regulation also dilutes the benefits of the long-term wholesale power contracts since the cooperative, unlike most others, cannot unilaterally impose additional costs on its captive customers, which could frustrate a reallocation of fixed costs if it loses smelter loads. Also, Big Rivers lacks control over prices for market sales it may need to make if the smelters' operations falter, tempering the wholesale power contracts' benefits.

Highly Competitive Rates

We view Big Rivers' members' retail rates as highly competitive, and they could contribute to financial flexibility.

Energy Information Administration data shows that the cooperative's members' retail rates compare very favorably with average rates for the residential, commercial, and industrial sectors in Kentucky. Members' 2009 average residential and commercial rates were about 15% below the state's average. Industrial rates for Kenergy, the member with the smelter, and other industrial loads were about 25% below the state's in 2009.

We believe the smelters' high load factors are likely contributors to the favorable rate competitiveness across the system because their high electricity consumption provides a robust platform for spreading fixed costs over many MWh. Here too, the exposure to the smelters can become a liability if commodity prices or economic conditions compromise the smelters' operations.

Rates also benefit from the more than $200 million of rate mitigation reserves from the proceeds of the E.ON lease unwind transaction. The utility plans to deploy an average $24 million of the reserves' balances each year through 2017 to subsidize rate levels. The cooperative's forecast shows that this will enhance operating revenues by about 5% each year and we believe that there could be meaningful upward rate pressure once the reserves are exhausted.

Related Criteria And Research

USPF Criteria: Applying Key Rating Factors To U.S. Cooperative Utilities, Nov. 21, 2007

Big Rivers Electric Corporation
Case No. 2011-00036

Table 1: 2010 Depreciation Rate Study Summary

Account	Description	As of April 30, 2010 Plant Balance	Reserve Balance	Reserve Ratio	Existing Depreciation Rate	Average Service Life	Remaining Service Life	Net Salvage Factor	Proposed Depreciation Rate	Annual Depreciation Expense Existing	Proposed	Variance
		- $ -	- $ -		- % -	- Years -	- Years -	- % -	- % -	- $ -	- $ -	- $ -
310	Land & Land Improvements	4,537,577	0	0.0	N/A	N/A	N/A	N/A	N/A	-	-	-
PRODUCTION PLANT [1]												
340	Land	475,968	-	-	-	-	-	-	-	-	-	-
311	Structures	124,375,974	78,124,758	62.8	1.71%	62	30	-4.5%	1.38%	2,126,829	1,717,828	(409,001)
312	Boiler Plant	667,206,536	347,026,279	52.0	1.79%	60	28	-5.0%	1.88%	11,942,997	12,543,396	600,399
312 A-K	Boiler Plant - Env Compl	574,184,346	216,760,670	37.8	1.89%	53	28	-2.0%	2.28%	10,852,084	13,074,185	2,222,101
312 L-P	Short-Life Production Plant -Environmental	3,208,938	165,475	5.2	1.89%	10	5	0.0%	20.22%	60,649	648,949	588,300
312 V-Z	Short-Life Production Plant -Other	868,755	210,738	24.3	1.89%	10	5	0.0%	14.39%	16,419	125,054	108,634
314	Turbine	225,272,354	124,744,924	55.4	1.66%	60	28	-8.2%	1.91%	3,739,521	4,309,293	569,772
315	Electric Eqpt	60,355,721	35,350,377	58.6	1.60%	51	19	3.0%	1.99%	965,692	1,202,952	237,260
316	Misc Eqpt	3,014,912	42,128	1.4	1.83%	58	26	0.5%	3.78%	55,173	113,919	58,746
341	CT - Structures	154,233	115,766	75.1	2.31%	53	21	0.0%	1.17%	3,563	1,804	(1,759)
342	CT - Fuel Holders & Access.	1,436,912	564,590	39.3	2.32%	53	21	-134.8%	9.10%	33,336	130,751	97,414
343	CT - Prime Movers	4,915,886	3,637,977	74.0	2.47%	53	21	-38.3%	3.02%	121,422	148,408	26,986
344	CT - Generators	1,102,964	984,479	89.3	2.23%	53	22	0.0%	0.50%	24,596	5,511	(19,085)
345	CT - Access. Elec. Eqpt.	317,726	179,425	56.5	2.23%	53	21	0.0%	2.05%	7,085	6,510	(575)
	Subtotal	1,666,891,222	807,907,587							29,949,367	34,028,559	4,079,192
ANSMISSION [1]												
350	Land	558,665	-	-	-	-	-	-	-	-	-	-
352	Structures	6,725,346	3,664,345	54.5	1.76%	53	25	-2.4%	1.90%	118,366	127,998	9,632
353	Station Eqpt	115,297,358	51,467,633	44.6	2.22%	53	25	-0.2%	2.23%	2,559,601	2,573,726	14,125
354	Towers	8,593,544	4,868,075	56.6	2.28%	58	30	0.0%	1.42%	195,933	122,186	(73,747)
355	Poles	41,558,164	22,321,791	53.7	3.24%	50	23	0.0%	2.06%	1,346,485	854,950	(491,535)
356	Lines	41,070,042	23,399,406	57.0	2.47%	53	26	0.0%	1.69%	1,014,430	692,966	(321,464)
	Subtotal	213,803,120	105,721,250							5,234,815	4,371,826	(862,989)

KIUC EXHIBIT 14

Case No. 2011-00036
Exhibit Kelly-1
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Original

Report on the

Comprehensive Depreciation Study

Prepared for

Big Rivers Electric Corporation
Henderson, Kentucky

Big Rivers

January 2011
Project Number: 57670

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KIUC EXHIBIT 15

on 10-year intervals. Since creep stress is a long-term phenomenon, there should be adequate time to procure and schedule replacement of any damaged components.

All of the Big Rivers generating units (except Wilson I) have reached the age when this testing program should be performed. Assuming the testing recommended is conducted and assuming any damaged components are either repaired or replaced, there would be no reason, from a mechanical engineering perspective, that all of Big Rivers' generating units cannot remain in service as long as they are economically viable to operate.

Based on Big Rivers' records of operation, maintenance and component replacements; approximately 250,000 hours of additional operation was assumed as the remaining useful life of each unit. The annual utilization factors from the prior depreciation study for each unit were retained and assumed to continue for purposes of translating the remaining operating hours into remaining years of service. Table II-2 below shows the estimated operating hours to date (2009) and the estimated remaining useful life for each facility.

Table II-2: Big Rivers Power Plant Estimated Remaining Life

Name	Net Capacity (MW)	Date in Service	Typical Lifetime Availability	Typical Operating Hours per Year	5 Year Average % On Line	Actual Operating Hrs Based on 5 Yr Avg	Years in Service	Total Est. Hours to Date (Jan 2009)	Est. Remaining Unit Life
COLEMAN 1	150	1969	80.0%	7,008	87.3%	7,648	40	280,320	25.0
COLEMAN 2	138	1970	80.0%	7,008	93.1%	8,154	39	273,312	26.0
COLEMAN 3	155	1972	80.0%	7,008	89.5%	7,843	37	259,296	28.0
GREEN 1	231	1979	85.0%	7,446	93.9%	8,225	30	223,380	31.2
GREEN 2	223	1981	85.0%	7,446	92.0%	8,056	28	208,488	33.2
HMP&L - 1	153	1973	85.0%	7,446	85.6%	7,497	36	268,056	25.2
HMP&L - 2	159	1974	85.0%	7,446	91.4%	8,005	35	260,610	26.2
REID 1	65	1966	70.0%	6,132	40.3%	3,529	43	263,676	31.3
WILSON 1	417	1986	89.5%	7,840	88.2%	7,724	23	180,325	35.1

For stations with multiple units, the plant's composite remaining life was assumed to be equivalent to the longest estimated life of the individual units. Burns & McDonnell further

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February 28, 2011

Mr. Jim Elliott
Acting Deputy Assistant Administrator
Rural Utilities Service
1400 Independence Ave., SW, Room 5135
Washington, DC 20250

Re: Clarification of Items for Big Rivers Electric Corporation Comprehensive Depreciation Study Dated January 6, 2011

Dear Mr. Elliott:

Burns & McDonnell respectfully submits this letter of clarification pertaining to items included in the Comprehensive Depreciation Rate Study (Study) prepared for Big Rivers Electric Corporation (Big Rivers). The items addressed in this letter were discussed in a telephone conversation between Rural Utilities Service (RUS), Big Rivers, and Burns & McDonnell on the afternoon of February 25, 2011 and additional discussions on February 28, 2011.

Five specific items were identified in the telephone conversation. These are individually addressed in the following paragraphs. Burns & McDonnell is available to discuss any aspect of our Study or the clarifications to the Study provided herein.

Item 1 Completion of Creep Testing

The Study report provided reference to the fact Big Rivers should complete a testing program on all generating units. This is referred to in the Study report on pages ES-3, II-8, II-12, II-14, II-17, and II-21. This language should have indicated that Big Rivers has completed testing and should continue to perform testing on all generating units. Big Rivers does perform the appropriate testing on the generating units and Burns & McDonnell recommends that this should be continued. The following table provides a summary of the most recent testing performed for each generation unit.

Plant	Last Test	Problems Found	Description	Action Taken
Coleman 1	May 2008	1	Hot reheat hanger attachment.	Addressed immediately through appropriate repairs.
Coleman 2	Oct. 2010	0	No deficiencies found.	-
Coleman 3	June 2009	1	Indication of early stage creep.	No operational limits, per EPRI guidelines. Retest in 3-5 years.
Green 1	Oct. 2008	0	No deficiencies found.	-
Green 2	May 2009	0	No deficiencies found.	-
HMP&L 1	March 2009	0	No relevant indications.	-
HMP&L 2	April 2010	0	No evidence of micro cracking or creep damage.	-
Reid 1	June 2008	1	Operating stress well within limits.	Retest in 5-10 years.
Wilson 1	Nov. 2009	0	No indications found.	-

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Item 2 Clarification of Removal Costs

From mid 1998 until July 2009 (the lease period) removal costs associated with plant additions were capitalized by Western Kentucky Energy (WKE) and then reported as capital additions to Big Rivers. Since there is no actual data available for the Production Plant removal costs from 1998 to 2010, Burns & McDonnell estimated removal costs based on 33 years of Big Rivers' actual removal costs incurred from 1965 to mid 1998 for each Production Plant account.

Actual removal costs for Big Rivers for the period 1965 to 1998 totaled $1.6 million. The estimated removal costs for the period 1998 to 2010 totaled $4.8 million (which is 0.25 percent of Big Rivers' $1.9 billion of utility plant in service). Big Rivers has concluded, and Burns & McDonnell concurs, that the effect of capitalizing such estimated $4.8 million of removal cost is immaterial to Big Rivers' financial statements taken as a whole. Accordingly, Big Rivers will forego making an adjustment to its continuing property records. The table below provides details on the estimated removal costs by each Production Plant account.

Account	Description	Plant Salvage Value	Actual Removal Cost	Estimated Removal Cost 1998 to 2010	Jul-98 Salvage Values	Net Plant Salvage Value	Net Salvage Factor
		- $ -	- $ -	- $ -	- $ -	- $ -	- % -
PRODUCTION PLANT							
340	Land						
311	Structures	203	29,573	67,591	0	(96.961)	-4.5%
312	Boiler Plant	4.079,033	975,118	3,186,984	2,227,528	(2.31[illegible].598)	-5.0%
312 A-K	Boiler Plant - Env Compl	747.338	148,539	659,161	211,500	(271,8[illegible]3)	-2.0%
312 L-M	Short-Life Production Plant -Wilson/HMPL	0	0		0	0	0.0%
312 V-Z	Short-Life Production Plant -Other	0	0		0	0	0.0%
314	Turbine	92.453	229,740	829,928	30.453	(997 668)	-8.2%
315	Electric Eqpt	81,872	11.004	20,275	0	50,594	3.0%
316	Misc Eqpt	3.022,302	2,078	16,261	2,943.315	60.648	0.5%
341	CT - Structures	0	0		0	0	0.0%
342	CT - Fuel Holders & Access	0	2,192	0	0	(2.192)	-134.8%
343	CT - Prime Movers	0	45,438	0	0	(45.438)	-38.3%
344	CT - Generators	0	0		0	0	0
345	CT - Access Elec Eqpt	0	0		0	0	0.0%
346	Misc Plant -Completely Retired	0	0		0	0	0.0%
TRANSMISSION							
350	Land						
352	Structures	252	4,009	0	0	(3.758)	-2.4%
353	Station Eqpt	85.473	119,282	0	0	(33 809)	-0.2%
354	Towers	2.459	145	0	0	2,314	0.0%
355	Poles	0	0		0	0	0
356	Lines	0	0		0	0	0
GENERAL PLANT							
389	Land						
390	Structures	263,106	16,134	0	625	246,347	21.8%
391 0.6.7	Office Furniture & Eqpt	353,903	806	[illegible]	84.467	266.629	8.9%
391.2	Computer - System 34	109,184	0		29,370	79.814	1.2%
392.2	Vehicles - General	665,850	0		71.843	594.006	14.2%
392.3	Vehicles - Transmission	114,980	0		0	114,980	16.9%
393	Stores Eqpt	14,697	0		9,397	5,300	4.4%
394	Tools	15,274	0		8.716	6,557	2.7%
395	Lab Eqpt	52,582	0		45,797	6,785	2.1%
396	Power Operated Eqpt	109.785	0		0	109.785	24.9%
397	Communication Eqpt	51,934	13,274	0	39,493	(833)	-0.1%
398	Miscellaneous Eqpt	23,111	171	0	14.485	8.455	3.2%
		$ 9,886,790	$ 1,697,503	$ 4,780,200	$ 6,716,990	$(2,208,904)	

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Item 3 Clarification on Last Surviving Unit for Retirement

Burns & McDonnell provided an estimate of future retirement dates for each generating station in Part II of the Study. The Engineering Assessment developed was also used as an input to the Life Span model along with the actuarial analysis and engineers' judgment for each plant account.

From an operational standpoint, several of the Big Rivers generating stations are comprised of more than one generating unit. (Coleman 1, 2, and 3; Green 1 and 2, and HMP&L 1 and 2) The life of these individual units can vary based on a number of factors including but not limited to operating hours and maintenance experience. For the depreciation study, Burns & McDonnell evaluated the expected life of each generating station. The expected life of the first unit installed serves as the basis for the life of the generating station. The in-service dates of all units at each station were within three years of each other. From an engineering perspective the individual unit lives were slightly different. For example, the Coleman Generating Station has an estimated useful life of 65 years. This is broken down as between units as follows: Coleman 1 – useful life of 65 years, 40 years in service and 25 years remaining life; Coleman 2 – useful life of 64 years, 39 years in service and 25 years remaining life; and Coleman 3 – useful life of 62 years, 37 years in service and 25 year remaining life.

ESTIMATED HOURS OF OPERATION
Big Rivers Electric Cooperative

Name	Net Capacity (MW)	Date in Service	Typical Lifetime Availability	Typical Operating Hours per Year	5 Year Average % On Line	Actual Operating Hrs Based on 5 Yr Avg	Years in Service	Total Est. Hours to Date (Jan 2009)	Typical Estimated Remaining Unit Life
COLEMAN 1	150	1969	80.0%	7,008	87.3%	7,648	40	280,320	25
COLEMAN 2	138	1970	80.0%	7,008	93.1%	8,154	39	273,312	25
COLEMAN 3	155	1972	80.0%	7,008	89.5%	7,843	37	259,296	25
GREEN 1	231	1979	85.0%	7,446	93.9%	8,225	30	223,380	32
GREEN 2	223	1981	85.0%	7,446	92.0%	8,056	28	208,488	32
HMP&L - 1	153	1973	85.0%	7,446	85.6%	7,497	36	268,056	25
HMP&L - 2	159	1974	85.0%	7,446	91.4%	8,005	35	260,610	25
REID 1	65	1966	70.0%	6.132	40.3%	3,529	43	263,676	26
WILSON 1	417	1986	89.5%	7,840	88.2%	7,724	23	180,325	41

This is reasonable for two reasons. First, most asset accounts are assigned to the facility and not to individual units. More importantly, it is realistic to assume that the entire facility would shut down before significant demolition activities begin to occur. Piecemeal removal at an operating facility would be costly and much of the plant infrastructure would need to remain in service in order to maintain the station's ability to function. Big Rivers would maintain and continue to

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operate each individual unit until such time as the decision was made to retire the entire generating station.

Item 4 Clarification of Removal Costs

Burns & McDonnell's engineers and depreciation consultants performed analysis of available data and information provided by Big Rivers in order to assess whether specific detailed estimates of non-legal terminal removal costs for each of the Big Rivers generating stations could be developed with reasonable substantiation. Sufficient data was provided by Big Rivers such that the historical removal costs could be utilized in the development of projected non-legal terminal net salvage values. Accordingly, the net salvage values in the depreciation study were developed exclusive of any engineering estimates of potential legal asset retirement obligations for substantial environmental remediation based upon future, unknown environmental regulatory requirements.

Item 5 Use of Life Span Method for Depreciating Poles, Towers, and Lines

As of April 30, 2010 there was little or no retirement activity for RUS Account 353 – Station Equipment (transformers), Account 354 – Towers, Account 355 –Poles, and Account 356 -Lines in Big Rivers' property records. Therefore, the Life Span Method was used to develop depreciation rates for these accounts.

Asset Retirement Obligation

Consistent with footnote 3 to the Notes to Financial Statements of Big Rivers' 2009 financial statement audit report, Big Rivers has not identified any material legal asset retirement obligations, as defined in FASB ASC 410, *Asset Retirement Obligations*. However, in accordance with regulatory accounting, Big Rivers does record an estimated non-legal cost of removal through normal depreciation expense. As of December 31, 2009 and 2008, Big Rivers had approximately $35,835,000 and $32,696,000 respectively, related to non-legal removal costs included in accumulated depreciation. Prospectively, Big Rivers anticipates the annual amount of non-legal removal cost it records will be comparable to previous years, $3,139,000 in 2009.

A revised Report on the Comprehensive Depreciation Study will be submitted to RUS to conform to the clarifications outlined in this letter. We anticipate issuing the revised report within the next two weeks.

Burns & McDonnell greatly appreciates the opportunity to provide these clarifications to RUS. If you have any additional questions or would like to discuss this information please contact Ted at 816-822-3208 or at 816-835-9688 or Jon at 816-822-4354.

Sincerely,

Burns & McDonnell

Ted J. Kelly
Principal and Project Director
Business & Technology Services

Jon Summerville
Assistant Project Manager
Business & Technology Services

Revised

Report on the

Comprehensive Depreciation Study

Prepared for

Big Rivers Electric Corporation
Henderson, Kentucky

Big Rivers
ELECTRIC CORPORATION

January 2011
Project Number: 57670

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Table II-3: Big Rivers Power Plant Estimated Remaining Life

Name	Net Capacity (MW)	Date in Service	Typical Lifetime Availability	Typical Operating Hours per Year	5 Year Average % On Line	Actual Operating Hrs Based on 5 Yr Avg	Years in Service	Total Est. Hours to Date (Jan 2009)	Typical Estimated Remaining Unit Life
COLEMAN 1	150	1969	80.0%	7,008	87.3%	7,648	40	280,320	25
COLEMAN 2	138	1970	80.0%	7,008	93.1%	8,154	39	273,312	25
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HMP&L - 2	159	1974	85.0%	7,446	91.4%	8,005	35	260,610	25
REID 1	65	1966	70.0%	6,132	40.3%	3,529	43	263,676	26
WILSON 1	417	1986	89.5%	7,840	88.2%	7,724	23	180,325	41

The life of these individual units can vary based on a number of factors including but not limited to operating hours and maintenance experience. The Green, HMP&L Station Two and Coleman facilities have multiple units, but are forecasted to retire in the same year, This is reasonable for three reasons. First, the units were installed within two to three years of each other. Second, most plant accounts are assigned to the entire generating station, not to individual units of the facility. Most importantly, it is realistic to assume that the entire facility would shut down before significant demolition activities begin to occur. Piecemeal removal at an operating facility would be costly and much of the plant infrastructure would need to remain in service in order to maintain the last unit's ability to function. Big Rivers would maintain and continue to operate each individual unit until such time as the decision was made to retire the entire generating station. Burns & McDonnell further considered the results of the on-site assessments of each of the Big Rivers generating stations in the estimation of the remaining useful lives.

GENERATION ASSETS

SEBREE SITE

The Sebree site is common to three plants owned and/or operated by Big Rivers: the Robert A. Reid Plant, the Robert D. Green Plant, and the Henderson Municipal Power & Light (HMP&L) Station Two. Although the plants are located on a common site, HMP&L Station Two is actually owned by the City of Henderson, Kentucky. Big Rivers operates HMP&L Station Two

Water Supply Systems

The water supply for the plant is from an independent water intake structure located on the Green River. It appears unlikely that there should ever be an interruption of water supply to the plant. Green River water requires pretreatment before use in the cooling tower or other potable water systems in the plant. This pretreatment system is sized for two operational units so there should be adequate capacity.

Fuel Supply and Handling

The redundant coal delivery systems for the plant, barge, and truck, permit supplying the full capacity of the plant from any one of the delivery systems.

Historical Operating Performance

Burns & McDonnell reviewed the plant's historical operating performance to verify that the generating units have competitive heat rates and are capable of providing the level of reliability to meet Big Rivers' electric production requirements. A summary of the last five years historical data is provided below in Table II-7.

Table II-7: D.B. Wilson Historical Operating Performance Data

	Unit	Wilson Unit 1
Gross Generation Capacity	(MW)	440 MW
Net Generation Capacity	(MW)	417 MW
Net Capacity Factor	(%)	82.46%
Heat Rate	(Btu/kWh)	11,387
Equivalent Availability Factor	(%)	85.00%
Equivalent Forced Outage Rate	(%)	5.36%

Remaining Useful Life

Of particular note is the Boiler Condition Spreadsheet that contains a status report on all of the major components in the boiler as well as the HEP and hangers. A program like this for monitoring status and identifying areas to address in future budgets is consistent with sound maintenance practices. The HEP and hanger review addresses the concern over creep damage with an aging plant. This program is critical and is currently being performed on all the units. The spreadsheet does indicate that a HEP and hanger review occurs on all the units. The details provided for the Wilson unit is the most comprehensive and complete. The Wilson Plant is in excellent condition for its age and service requirements. Provided that operations and maintenance continue as is, this unit is estimated to be suitable for ongoing service through the year 2051.

KENNETH C. COLEMAN PLANT

Facility Description

The Kenneth C. Coleman Plant consists of three coal-fired, steam turbine generating units located near Hawesville, Kentucky, approximately 60 miles east of Henderson, Kentucky. The plant is located on the west bank of the Ohio River. The land to the south is owned by Century Aluminum and is the site of an aluminum reduction plant, a primary customer of power from the Coleman Plant. The plant is located on the flood plain of the Ohio River and operation could be affected by extreme flood levels. In the past, the plant has experienced temporary isolation due to flooding of local access roads. However, the main plant area is located at a sufficient elevation to ensure that 100-year floods should not affect the plant's generation capabilities. Although a flood in excess of 100-year levels potentially could cause temporary interruptions of generating capability, this would not be anticipated to result in major disaster.

Coleman 1 was commercialized in 1969 and is rated for 150 MW of net capacity. The unit is equipped with a Foster Wheeler boiler capable of producing 1,220,000 pounds per hour of steam, and a Westinghouse turbine-generator with nameplate capacity of 160,000 kW. Coleman 2 was commercialized in 1970 and is rated for 138 MW of net capacity. The unit is equipped with a Foster Wheeler boiler capable of producing 1,220,000 pounds per hour of steam, and a Westinghouse turbine-generator with nameplate capacity of 160,000 kW. Coleman 3 was commercialized in 1972 and is rated for 155 MW of net capacity. The unit is equipped with a Riley boiler capable of producing 1,160,000 pounds per hour of steam, and a General Electric turbine-generator with nameplate capacity of 160,000 kW.

Table 1: Summary of Quantitative Remaining Life Analysis

	Account 311	Account 312	Account 314
Typical Operating Hours Remaining Life Analysis 1	33.8	34.2	33.6
Typical Operating Hours Remaining Life Analysis 2	30.3	30.6	30.2
Typical Operating Hours Remaining Life Analysis 3	27.8	28.1	27.8
AVERAGE (years)	**30.6**	**31.0**	**30.5**

	Account 311	Account 312	Account 314
Actual Operating Hours Remaining Life Analysis 1	31.6	32.3	31.3
Actual Operating Hours Remaining Life Analysis 2	28.6	29.1	28.4
Actual Operating Hours Remaining Life Analysis 3	26.2	26.6	26.0
AVERAGE (years)	**28.8**	**29.3**	**28.6**

Based on all of the quantitative analyses summarized in Table 1 and the qualitative analyses described previously, B&M determined that a remaining useful life of between 28 and 30 years was reasonable for these accounts.

Q. Why then is the remaining useful life for Account 311 – Structures 30 years and Account 312 – Boiler Plant and Account 314 –Turbine 28 years as shown on Table ES-1 in the Depreciation Study?

A. It is both logical and an exercise of practical judgment to assume that Account 311-Structures will remain in place and useful the entire time while disassembly and decommissioning of the Account 312 - Boiler Plant and Account 314 - Turbine is occurring. For our study we assumed that disassembly and decommissioning would take approximately two years, so a remaining useful life of 28 years was used for Account 312 –Boiler Plant and Account 314 –Turbine.

Exhibit Kelly Rebuttal - 1: Typical Operating Hours (Annual) Remaining Life Analysis 1: (Original Table [illegible]-3 Updated to 2012)

Plant Name	Date in Service	Typical Lifetime Availability	Typical Operating Hours per Year	Plant Years in Service	Total Estimated Hours to Date (1/2012)	Calculated 7.5 Year Extension Typical Estimated Remaining Unit Life	Estimated Service Life	7.5 Year Extension Typical Estimated Remaining Unit Life	Estimated Service Life
Coleman 1	1969.5	80%	7,008	42.5	297,840	22.1	64.6	22.1	65
Coleman 2	1970.5	80%	7,008	41.5	290,832	23.1	64.6	22.1	65
Coleman 3	1972.5	80%	7,008	39.5	276,816	25.1	64.6	22.1	65
Green 1	1979.5	85%	7,446	32.5	241,995	28.7	61.2	29.7	61
Green 2	1981.5	85%	7,446	30.5	227,103	30.7	61.2	29.7	61
HMP&L 1	1973.5	85%	7,446	38.5	286,671	22.7	61.2	22.7	61
HMP&L 2	1974.5	85%	7,446	37.5	279,225	23.7	61.2	22.7	61
Reid	1966.5	70%	6,132	45.5	279,[illegible]06	27.2	72.7	23.5	70
Wilson	1986.5	90%	7,840	25.5	199,925	33.0	58.5	39.0	65

Account 311	Remaining Life	Book Value Weights	Weighted Average
Coleman	22	15%	3.36
Green	30	23%	6.69
HMPL	23	1%	0.20
Reid	24	3%	0.64
Wilson	39	59%	22.88
Weighted Average Remaining Life:			**33.77**

Account 312	Remaining Life	Book Value Weights	Weighted Average
Coleman	22	11%	2.45
Green	3[illegible]	24%	7.19
HMPL	23	3%	0.63
Reid	24	1%	0.28
Wilson	39	61%	23.71
Weighted Average Remaining Life:			**34.25**

Account 314	Remaining Life	Book Value Weights	Weighted Average
Coleman	22	14%	3.17
Green	3[illegible]	26%	7.58
HMPL	23	2%	0.47
Reid	24	2%	0.45
Wilson	39	56%	21.90
Weighted Average Remaining Life:			**33.57**

Judgment Applied

Coleman	Typical operating hours assumed, life extended 7.5 years, retirement based on first unit
Green	Typical operating hours assumed, life extended 7.5 years, retirement based on the average of both plants to account for for newer plants
HMPL	Typical operating hours assumed, life extended 7.5 years, retirement based on first unit
Reid	Life capped at 70 years due to the lack of availability of replacement parts
Wilson	The calculated life is 58.5 years, but a maximum life for Wilson of 65 years was considered based on comments by Mr. King
All Plants	Date in Service was assumed to be mid-year
All Plants	Total Estimated Hours to Date include operating hours for 2010 and 2011

Exhibit Kelly Rebuttal - 2: Typical Operating Hours (Annual) Remaining Life Analysis 2: (Normal life assumption for Wilson)

Plant Name	Date in Service	Typical Lifetime Availability	Typical Operating Hours per Year	Plant Years in Service	Total Estimated Hours to Date (1/2012)	Calculated 7.5 Year Extension Typical Estimated Remaining Unit Life	Estimated Service Life	7.5 Year Extension Typical Estimated Remaining Unit Life	Estimated Service Life
Coleman 1	1969.5	80%	7,008	42.5	297,840	22.1	64.6	22.1	65
Coleman 2	1970.5	80%	7,008	41.5	290,832	23.1	64.6	22.1	65
Coleman 3	1972.5	80%	7,008	39.5	276,816	25.1	64.6	22.1	65
Green 1	1979.5	85%	7,446	32.5	241,995	28.7	61.2	29.7	61
Green 2	1981.5	85%	7,446	30.5	227,103	30.7	61.2	29.7	61
HMP&L 1	1973.5	85%	7,446	38.5	286,671	22.7	61.2	22.7	61
HMP&L 2	1974.5	85%	7,446	37.5	279,225	23.7	61.2	22.7	61
Reid	1966.5	70%	6,132	45.5	279,006	27.2	72.7	23.5	70
Wilson	1986.5	90%	7,840	25.5	199,925	33.0	58.5	33.0	59

Account 311	Remaining Life	Book Value Weights	Weighted Average
Coleman	22	15%	3.36
Green	30	23%	6.69
HMPL	23	1%	0.20
Reid	24	3%	0.64
Wilson	33	59%	19.37
Weighted Average Remaining Life:			30.26

Account 312	Remaining Life	Book Value Weights	Weighted Average
Coleman	22	11%	2.45
Green	30	24%	7.19
HMPL	23	3%	0.63
Reid	24	1%	0.28
Wilson	33	61%	20.07
Weighted Average Remaining Life:			30.61

Account 314	Remaining Life	Book Value Weights	Weighted Average
Coleman	22	14%	3.17
Green	30	26%	7.58
HMPL	23	2%	0.47
Reid	24	2%	0.45
Wilson	33	56%	18.54
Weighted Average Remaining Life:			30.21

Judgment Applied

Coleman	Typical operating hours assumed, life extended 7.5 years, retirement based on first unit
Green	Typical operating hours assumed, life extended 7.5 years, retirement based on the average of both plants to account for for newer plants
HMPL	Typical operating hours assumed, life extended 7.5 years, retirement based on first unit
Reid	Life capped at 70 years due to the lack of availability of replacement parts
Wilson	Typical operating hours are assumed, life extended 7.5 years and the calculated service life of 58.5 years is used for Wilson, Mr. King's 65 year maximum life assumption is not used
All Plants	Date in Service was assumed to be mid-year
All Plants	Total Estimated Hours to Date include operating hours for 2010 and 2011

Exhibit Kelly Rebuttal - 3: Typical Operating Hours (Annual) Remaining Life Analysis 3: (5 year life extension, Normal life assumption for Wilson)

Plant Name	Date in Service	Typical Lifetime Availability	Typical Operating Hours per Year	Plant Years in Service	Total Estimated Hours to Date (1/2012)	Calculated 5 Year Extension Typical Estimated Remaining Unit Life	Estimated Service Life	5 Year Extension Typical Estimated Remaining Unit Life	Estimated Service Life
Coleman 1	1969.5	80%	7,008	42.5	297,840	19.6	62.1	19.6	62
Coleman 2	1970.5	80%	7,008	41.5	290,832	20.6	62.1	19.6	62
Coleman 3	1972.5	80%	7,008	39.5	276,816	22.6	62.1	19.6	62
Green 1	1979.5	85%	7,446	32.5	241,995	26.2	58.7	27.2	59
Green 2	1981.5	85%	7,446	30.5	227,103	28.2	58.7	27.2	59
HMP&L 1	1973.5	85%	7,446	38.5	286,671	20.2	58.7	20.2	59
HMP&L 2	1974.5	85%	7,446	37.5	279,225	21.2	58.7	20.2	59
Reid	1966.5	70%	6,132	45.5	279,006	24.7	70.2	23.5	70
Wilson	1986.5	90%	7,840	25.5	199,925	30.5	56.0	30.5	56

Account 311	Remaining Life	Book Value Weights	Weighted Average
Coleman	20	15%	2.98
Green	27	23%	6.12
HMPL	20	1%	0.18
Reid	24	3%	0.64
Wilson	31	59%	17.90
Weighted Average Remaining Life:			27.83

Account 312	Remaining Life	Book Value Weights	Weighted Average
Coleman	20	11%	2.17
Green	27	24%	6.59
HMPL	20	3%	0.56
Reid	24	1%	0.28
Wilson	31	61%	18.55
Weighted Average Remaining Life:			28.14

Account 314	Remaining Life	Book Value Weights	Weighted Average
Coleman	20	14%	2.81
Green	27	26%	6.95
HMPL	20	2%	0.42
Reid	24	2%	0.45
Wilson	31	56%	17.13
Weighted Average Remaining Life:			27.76

Judgment Applied

Coleman	Typical operating hours assumed, life extended 5 years, retirement based on first unit
Green	Typical operating hours assumed, life extended 5 years, retirement based on the average of both plants to account for for newer plants
HMPL	Typical operating hours assumed, life extended 5 years, retirement based on first unit
Reid	Life capped at 70 years due to the lack of availability of replacement parts
Wilson	Typical operating hours are assumed, life extended 5 years and the calculated service life of 56.0 years is used for Wilson, Mr. King's 65 year maximum life assumption is not used
All Plants	Date in Service was assumed to be mid-year
All Plants	Total Estimated Hours to Date include operating hours for 2010 and 2011

Exhibit Kelly Rebuttal - 4: Actual Operating Hours (Annual) Remaining Life Analysis 1: (Original Table [illegible]-3 Updated to 2012)

Plant Name	Date in Service	Actual Operating Hrs Based on 5 Yr Avg	Plant Years in Service	Estimated Hours to Date (1/2012)	Calculated 7.5 Year Extension Estimated Remaining Unit Life	Estimated Service Life	7.5 Year Extension Estimated Remaining Unit Life	Estimated Service Life
Coleman 1	1969.5	7,648	42.5	325,032	17.3	59.8	15.1	57
Coleman 2	1970.5	8,154	41.5	338,409	15.1	56.6	15.1	57
Coleman 3	1972.5	7,843	39.5	309,817	19.0	58.5	15.1	57
Green 1	1979.5	8,225	32.5	267,323	23.6	56.1	25.1	56
Green 2	1981.5	8,056	30.5	245,721	26.6	57.1	25.1	56
HMP&L 1	1973.5	7,497	38.5	288,635	22.4	60.9	20.0	57
HMP&L 2	1974.5	8,005	37.5	300,169	20.0	57.5	20.0	57
Reid	1966.5	3,529	45.5	160,558	75.4	120.9	23.5	70
Wilson	1986.5	7,724	25.5	196,966	33.8	59.3	39.0	65

Account 311	Remaining Life	Book Value Weights	Weighted Average
Coleman	15	15%	2.29
Green	25	23%	5.66
HMPL	20	1%	0.18
Reid	24	3%	0.64
Wilson	39	59%	22.88
Weighted Average Remaining Life:			**31.64**

Account 312	Remaining Life	Book Value Weights	Weighted Average
Coleman	15	11%	1.67
Green	25	24%	6.08
HMPL	20	3%	0.55
Reid	24	1%	0.28
Wilson	39	61%	23.71
Weighted Average Remaining Life:			**32.29**

Account 314	Remaining Life	Book Value Weights	Weighted Average
Coleman	15	14%	2.16
Green	25	26%	6.41
HMPL	20	2%	0.41
Reid	24	2%	0.45
Wilson	39	56%	21.90
Weighted Average Remaining Life:			**31.34**

Judgment Applied

Coleman	Actual 5-year average operating hours assumed, life extended 7.5 years, retirement based on first unit
Green	Actual 5-year average operating hours assumed, life extended 7.5 years, retirement based on the average of both plants to account for for newer plants
HMPL	Actual 5-year average operating hours assumed, life extended 7.5 years, retirement based on first unit
Reid	Life capped at 70 years due to the lack of availability of replacement parts
Wilson	The calculated life is 59.3 years, but a maximum life for Wilson of 65 years was considered based on comments by Mr. King
All Plants	Date in Service was assumed to be mid-year
All Plants	Total Estimated Hours to Date include operating hours for 2010 and 2011

Exhibit Kelly Rebuttal - 5: Average Operating Hours (Annual) Remaining Life Analysis 2: (Normal life assumption for Wilson)

Plant Name	Date in Service	Actual Operating Hrs Based on 5 Yr Avg	Plant Years in Service	Total Estimated Hours to Date (1/2012)	Calculated 7.5 Year Extension Estimated Remaining Unit Life	Estimated Service Life	7.5 Year Extension Estimated Remaining Unit Life	Estimated Service Life
Coleman 1	1969.5	7,648	42.5	325,032	17.3	59.8	15.1	57
Coleman 2	1970.5	8,154	41.5	338,409	15.1	56.6	15.1	57
Coleman 3	1972.5	7,843	39.5	309,817	19.0	58.5	15.1	57
Green 1	1979.5	8,225	32.5	267,323	23.6	56.1	25.1	56
Green 2	1981.5	8,056	30.5	245,721	26.6	57.1	25.1	56
HMP&L 1	1973.5	7,497	38.5	288,635	22.4	60.9	20.0	57
HMP&L 2	1974.5	8,005	37.5	300,169	20.0	57.5	20.0	57
Reid	1966.5	3,529	45.5	160,558	75.4	120.9	23.5	70
Wilson	1986.5	7,724	25.5	196,966	33.8	59.3	33.8	59

Account 311	Remaining Life	Book Value Weights	Weighted Average
Coleman	15	15%	2.29
Green	25	23%	5.66
HMPL	20	1%	0.18
Reid	24	3%	0.64
Wilson	34	59%	19.82
Weighted Average Remaining Life:			**28.59**

Account 312	Remaining Life	Book Value Weights	Weighted Average
Coleman	15	11%	1.67
Green	25	24%	6.08
HMPL	20	3%	0.55
Reid	24	1%	0.28
Wilson	34	61%	20.54
Weighted Average Remaining Life:			**29.12**

Account 314	Remaining Life	Book Value Weights	Weighted Average
Coleman	15	14%	2.16
Green	25	26%	6.41
HMPL	20	2%	0.41
Reid	24	2%	0.45
Wilson	34	56%	18.97
Weighted Average Remaining Life:			**28.41**

Judgment Applied

Coleman	Actual 5-year average operating hours assumed, life extended 7.5 years, retirement based on first unit
Green	Actual 5-year average operating hours assumed, life extended 7.5 years, retirement based on the average of both plants to account for for newer plants
HMPL	Actual 5-year average operating hours assumed, life extended 7.5 years, retirement based on first unit
Reid	Life capped at 70 years due to the lack of availability of replacement parts
Wilson	Actual 5-year average operating hours assumed, life extended 7.5 years and the calculated service life of 59.3 years is used for Wilson, Mr. King's 65 year maximum life assumption is not used
All Plants	Date in Service was assumed to be mid-year
All Plants	Total Estimated Hours to Date include operating hours for 2010 and 2011

Exhibit Kelly Rebuttal - 6: Average Operating Hours (Annual) Remaining Life Analysis 3: (5 year life extension, Normal life assumption for Wilson)

Plant Name	Date in Service	Actual Operating Hrs Based on 5 Yr Avg	Plant Years in Service	Total Estimated Hours to Date (1/2012)	Calculated 5 Year Extension Estimated Remaining Unit Life	Estimated Service Life	5 Year Extension Estimated Remaining Unit Life	Estimated Service Life
Coleman 1	1969.5	7,648	42.5	325,032	14.8	57.3	12.6	54
Coleman 2	1970.5	8,154	41.5	338,409	12.6	54.1	12.6	54
Coleman 3	1972.5	7,843	39.5	309,817	16.5	56.0	12.6	54
Green 1	1979.5	8,225	32.5	267,323	21.1	53.6	22.6	54
Green 2	1981.5	8,056	30.5	245,721	24.1	54.6	22.6	54
HMP&L 1	1973.5	7,497	38.5	288,635	19.9	58.4	17.5	55
HMP&L 2	1974.5	8,0[illegible]5	37.5	300,169	17.5	55.0	17.5	55
Reid	1966.5	3,529	45.5	16[illegible],558	72.9	118.4	23.5	70
Wilson	1986.5	7,724	25.5	196,966	31.3	56.8	31.3	57

Account 311	Remaining Life	Book Value Weights	Weighted Average
Coleman	13	15%	1.91
Green	23	23%	5.09
HMPL	17	1%	0.16
Reid	24	3%	0.64
Wilson	31	59%	18.35
Weighted Average Remaining Life:			**26.15**

Account 312	Remaining Life	Book Value Weights	Weighted Average
Coleman	13	11%	1.39
Green	23	24%	5.48
HMPL	17	3%	0.48
Reid	24	1%	0.28
Wilson	31	61%	19.02
Weighted Average Remaining Life:			**26.65**

Account 314	Remaining Life	Book Value Weights	Weighted Average
Coleman	13	14%	1.80
Green	23	26%	5.78
HMPL	17	2%	0.36
Reid	24	2%	0.45
Wilson	31	56%	17.56
Weighted Average Remaining Life:			**25.96**

Judgment Applied	
Coleman	Actual 5-year average operating hours assumed, life extended 5 years, retirement based on first unit
Green	Actual 5-year average operating hours assumed, life extended 5 years, retirement based on the average of both plants to account for for newer plants
HMPL	Actual 5-year average operating hours assumed, life extended 5 years, retirement based on first unit
Reid	Life capped at 70 years due to the lack of availability of replacement parts
Wilson	Actual 5-year average operating hours assumed, life extended 5 years and the calculated service life of 56.8 years is used for Wilson, Mr. King's 65 year maximum life assumption is not used
All Plants	Date in Service was assumed to be mid-year
All Plants	Total Estimated Hours to Date include operating hours for 2010 and 2011

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Bill Blackburn

From: Mark Hite
Sent: Thursday, December 16, 2010 4:52 PM
To: Bill Blackburn; Mark Bailey; Bob Berry; Albert Yockey
Subject: Depreciation Study Status
Attachments: Memo Response to King.docx; Depreciation Summary - 12-16-10.xls

As you prepare for this evenings and tomorrows Board work session and meeting, wanted to provide you this depreciation study update. As you know, have requested B&M refrain from issuing their 3rd draft report until directed to do so by Big Rivers. In the meantime, based on all comments received to date, they've continued efforts to definitively calculate what they now believe will be contained in their 3rd draft report. As you can see per the attached Excel file, they're now at a $3,981,343 increase in depreciation expense over current rates based on plant in service at 4/30/10. For your reference. B&M's 1st draft report had a $16,423,521 increase and their 2nd draft report had a $12,033,013 increase. And, to date, they've provided numerous differences ranging from nearly zero up to $16,423,521.

The attached memo discusses the revisions from 1st draft report until today.

Thanks,
Mark

Mark A. Hite, CPA
VP Accounting
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
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Office Direct: 270-844-6149
Cell: 270-577-6815
Fax: 270-827-2558
Home: 812-853-0405

From: Summerville, Jon [mailto:jsummerville@burnsmcd.com]
Sent: Thursday, December 16, 2010 4:29 PM
To: Jeremy Garrett; Ralph Ashworth
Cc: Mark Hite; Kelly, Ted
Subject: RE: Big Rivers Production Plant History

All,

Please see the response to Mr. King and the revised summary of depreciation rates. Let me know if you have any changes to the memo. Thanks.

Jon Summerville
Burns & McDonnell

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Bill Blackburn

From:	Mark Hite
Sent:	Thursday, November 18, 2010 5:52 PM
To:	Bill Blackburn; Mark Bailey; Albert Yockey; Bob Berry
Subject:	FW: Draft Report for Meeting
Attachments:	Big Rivers Depreciation Rate Analysis Preliminary Draft.pdf

Fellas, attached hereto FYI is the draft depreciation study report. It was received from B&M about an hour ago. Several revisions to their initial draft summary of last week have been made, resulting in even higher depreciation expense... $52.2 million vs. $35.8 million, a $16.4 million increase in annualized depreciation expense.

The depreciation study working group meeting is tentatively being scheduled for next Tuesday 11/23 8am to review the study results.

Thanks,
Mark

Mark A. Hite, CPA
VP Accounting
Big Rivers Electric Corporation
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Henderson, KY 42420
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Home: 812-853-0405

From: Jeremy Garrett
Sent: Thursday, November 18, 2010 4:43 PM
To: Mark Hite; Ralph Ashworth
Cc: Travis Siewert
Subject: FW: Draft Report for Meeting

Guys,

I just received the draft report and I am looking it over. If you want to get together for a group review tomorrow let me know. I hope to make any changes tomorrow and get it out to the meeting attendees Monday morning.

Thanks,

Jeremy

From: Summerville, Jon [mailto:jsummerville@burnsmcd.com]
Sent: Thursday, November 18, 2010 4:35 PM
To: Jeremy Garrett; Kelly, Ted
Subject: RE: Draft Report for Meeting

Jeremy,

Attached is a preliminary draft of the Depreciation Rate Study for your review. It has not passed through our Quality Review Process, but we wanted to get it to you and get your comments as soon as possible. Since this is only a preliminary draft, it is not ready for widespread distribution throughout Big Rivers. Let me know what comments and questions you have tomorrow and I can get them incorporated into the final draft report on Monday in preparation for our meeting on Tuesday. Thanks.

Jon Summerville
Burns & McDonnell
Proud to be one of FORTUNE's 100 Best Companies To Work For

Bill Blackburn

From: Mark Hite
Sent: Wednesday, December 01, 2010 10:27 AM
To: 'Kelly Nuckols'; 'Burns Mercer (Burns Mercer)'; Sandy Novick; Bill Blackburn; Mark Bailey; Albert Yockey; James Haner; David Crockett; Bob Berry; Marty Littrel; Paula Mitchell
Subject: Burns & McDonnell Depreciation Study Report review
Attachments: Draft Big Rivers Depreciation Study - 11-29-10.pdf

The depreciation study working group generally signed off on study report this morning. While the attached draft report is preliminary, it's not expected to change much at all prior to it being finalized. Plans are for B&M to deliver the final report to Big Rivers the morning of Thursday 12/9/10. Will immediately forward each of you an electronic copy upon my receipt thereof. As you can see per the attached report, expectations are for the increase in annual deprecation expense to be approx. $12 million (from $36 million to $48 million). Wish to schedule a joint Big Rivers' senior staff and Member CEO meeting prior to Friday 12/10/10 to review the study results and answer any questions you may have. Accordingly, thinking it best to await your receipt of the final report, would you **please let me know your availability for a conference call either after 3pm Thursday 12/9/10 or before 2pm 12/10/10**. Once I hear from most of you, I'll then promptly send out an Outlook meeting invitation.

Comments welcome.

Thanks,
Mark

Mark A. Hite, CPA
VP Accounting
Big Rivers Electric Corporation
201 Third Street
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Corporate: 270-827-2561
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Home: 812-853-0405

Michael Kurtz

From:	Michael Kurtz
Sent:	Monday, December 06, 2010 3:43 PM
To:	'Mark.Hite@bigrivers.com'
Cc:	'Mark.Bailey@bigrivers.com'; 'Bill.Blackburn@bigrivers.com'; 'Jim Miller'; 'stephane.leblanc-maison@riotinto.com'; mpowell@Centuryky.com; 'eyrea'; jeremy.jenkins@riotinto.com; 'dbrown@stites.com'; hfayne@columbus.rr.com; jdezee@centuryca.com; 'charlieking@snavely-king.com'; 'marlene.daniel@riotinto.com'
Subject:	Big Rivers Depreciation Study
Attachments:	Attachment D, 314.xlsx; Attachment A.xlsx; Attachment B.xlsx; Attachment D 312 xlsx; Attachment D 312 - A-K.xlsx; Attachment D, 311.xlsx; Attachment C.pdf; Charlie King MEMo re - Depreciation Study 12032010.docx

Mark:

The Smelters appreciate Big Rivers allowing us to work with you and Burns &McDonald regarding the depreciation study. Attached is a report from our consultants, Snavely King addressing the draft Burns & McDonald depreciation study. The work of Snavely King indicates that there are significant errors in the draft depreciation study. We would like the opportunity to have our consultants discuss the results of their analysis with you and Burns & McDonald. We feel this would be the most constructive way to proceed.

After you have had a chance to review our comments, we would like to arrange a conference call to discuss.

Michael L. Kurtz, Esq.
Boehm, Kurtz & Lowry
36 E. Seventh St., Suite 1510
Cincinnati, Ohio 45202
Ph: 513.421.2255 Fax: 513.421.2764

5 of 34

MEMORANDUM

To: **Michael Kurtz**
Boehm, Kurtz & Lawry

From: **Charles W. King**
Snavely King Majoros & O'Connor, Inc.

Subject: **Big Rivers Depreciation Study**

Date: **December 3, 2010**

This memorandum sets forth the results of our analysis of the draft depreciation study by Burns & McDonnell (B&M), dated November 29, 2010. B&M recommends that based on plant in service on April 30, 2010, Big Rivers' depreciation expense should be increased by approximately $12 million, or about 34 percent from the expense derived from the application of the present depreciation rates.

<u>Summary</u>

Our principal finding is that there are computational errors in the calculation of the net salvage allowances in the B&M study. B&M reversed the signs in its net salvage factors, and it failed to subtract removal costs from the salvage proceeds to derive net salvage. Correction of these errors reduces the depreciation increase from $12.0 million to $4.33 million.

We find that B&M's assumed 38-year service life for Account 312 A-K, Boiler Plant – Environmental Compliance is unsupported by the record of investment in these subaccounts. That record indicates service lives about the same as all other boiler plant investment. Depreciating these subaccounts at the same rate as long-lived boiler plant equipment reduces depreciation by $6.4 million, effectively eliminating any justification for an increase.

We find that B&M's 58-year service life for the Wilson plant is unduly short. There is no reason why Wilson should not survive as long as do coal plants nationwide, which is 65 years.

We are not able to verify how B&M combined its interim retirement factors with terminal retirements to develop composite remaining lives, nor can we determine how B&M composited the plant remaining lives into the account remaining lives.

Finally, we note B&M's statements to the effect that with proper maintenance and piece-part replacements, Big Rivers' production units should be able to survive as long as they are economical. If that is the case, then the interim retirement rates should be adopted as the depreciation rates. Application of the alternative interim retirement rates that we recommend would result in dramatic reductions in depreciation.

Net Salvage

The only outright error that we could identify is the study's treatment of net salvage. B&M identified the historical record of retirements, cost of removal and positive salvage for each of its plant accounts. B&M then calculated a "net salvage ratio" by comparing only the positive salvage with the retirements. Since retirements in the data file are recorded as negative numbers, the resulting net salvage ratios displayed a negative sign. When B&M applied these negative ratios to the depreciation rates, their effect was to increase those rates.

First, B&M did not calculate net salvage ratios, but only salvage ratios. Net salvage is the difference between removal costs and salvage proceeds. The effect of this error was to overstate the salvage ratios, and in some cases to reverse the correct sign.

Second, and most important, the effect of a positive salvage should be to reduce, not increase the depreciation rate. That is because positive salvage represents value that is retained in the investment when it is retired.

Attachment A is our recalculation of Big Rivers' depreciation rates and accruals corrected for these net salvage errors. The attachment does not take into consideration the very thin retirement experience in a number of accounts. However, taking the plant records at face value, the correction of the net salvage calculations reduces the depreciation increase by $7,706,484, from $12,033,013 to $4,326,529.

Boiler Plant – Environmental Compliance

The largest single depreciation increase is found in Account 312 A-K Boiler Plant – Environmental Compliance. Even when net salvage is corrected, these sub-accounts are responsible for all of the increase. B&M has assumed an average service life of 38 years for this plant, with a remaining life of 21 years. These parameters are based on B&M's "engineering estimate."

That estimate is belied by the retirement experience of this account. Attachment B is our analysis of the historical data on plant balances and retirements in Account 312 A-K. The Observed Life Table ("OLT") indicates that at 38 years, over 90 percent of the plant is still in service. Moreover, an extrapolation of the pattern of past retirements indicates an expected average service life of approximately 100 years, which suggests that most of this plant will survive until the generating units are finally retired.

Absent a full explanation as why past retirement patterns will not be followed in the future, the appropriate treatment of these sub-accounts is to merge them into the remainder of long-lived boiler plant for purposes of depreciation. Using the corrected depreciation rates in Attachment 1, this treatment would reduce the depreciation of environmental equipment by $6,378,543, from $15,775,971 to $9,366,689.

Wilson Plant Life Span

Table II-2 on page II-3 of the B&M report displays the years in service and the expected remaining lives of each of Big Rivers' generating units. By adding these two factors together, we can derive the total expected life spans, as follows:

Coleman 1	65.0
Coleman 2	65.0
Coleman 3	65.0
Green 1	61.2
Green 2	61.2
HMP&L 2	61.2
HMP&L 2	61.2
Reid 1	74.3
Wilson	58.1

With the exception of Reid, the oldest plant, and Wilson, the newest plant, all of these units have forecast life spans of 61 to 65 years. These forecasts are based in large measure on the assumption that each plant is capable of operating approximately 275,000 (Wilson) or 250,000 (other units) additional hours. The explanation for the Reid unit's long life is that it operates at less than half as many hours per year as do the other units.

The Wilson plant is Big Rivers' newest and therefore has operated fewer hours than any of the other units. Yet, it is assumed to survive for only slightly more additional hours than the older plants. Additionally, Wilson's remaining hours are based on its past experience as being on the top of the dispatch order. That condition may not survive the expiration of the current fuel contracts for this plant.

One way to test the reasonableness of Wilson's 58 years is to compare this life span with the survivor experience of steam units nationally. Attachment C is Snavely King's actuarial analysis of the service lives of coal-fired steam generating units nationwide from 1924 to the present. It reveals that the average life expectancy of these plants is between 63 and 66 years depending upon the years of retirement experience studied. Based on these results, a 58-year life for the Wilson plant appears inappropriately short. A more reasonable assumption would be 65 years, which is the same life span as the Coleman units. This revised life span would reduce the depreciation rates for all of the production accounts.

Undisclosed Calculations

We were provided B&M's workpapers following the submittal of the report, and much of the foregoing discussion is based on our very brief review. However, we have noted that much of B&M's analysis is still undisclosed. Specifically, we cannot find any explanation, let alone the underlying calculations, of the procedures by which B&M combined the interim retirement factors with the assumed terminal retirements to derive the composite remaining lives. Nor do we see how B&M folded the individual unit remaining lives into the composite remaining lives of each account. These calculations must have been performed, yet without them we are unable to verify their propriety or accuracy.

Since Big Rivers charges depreciation on the basis of accounts within units, and since each unit has a discrete remaining life, it would be most appropriate to calculate and apply depreciation rates by account by unit. The current procedure of applying account depreciation rates to each unit's plant accounts can distort the depreciation accruals over time as the dollars in the respective units and accounts change.

Life Span Assumption

On page II-3, B&M makes the following statement:

> Assuming the testing recommended is conducted and assuming any damaged components are either repaired or replaced, there would be no reason, from a mechanical engineering perspective, that all of Big Rivers' generating units cannot remain in service as long as they are economically viable to operate.

This statement suggests that the service lives of Big Rivers' generating units are effectively indefinite. If so, then it is questionable whether the life span methodology remains appropriate. If the units may last indefinitely, then the interim survivor curves should become the entire life curve. Piece parts of the units will continue to be retired and replaced, but the units themselves will not be retired for the foreseeable future.

The B&M interim retirement factors should not be used, however. B&M has calculated those factors by comparing annual retirement with the corresponding plant in service and deriving an average over extended periods of time. B&M then applied these interim factors to the surviving plant in service over its remaining life. In effect, B&M assumed an exponential retirement pattern, that is, it assumed that the same percent of plant would retire each year regardless of its age. Using the Iowa curves employed by most depreciation analysts, all of B&M retirement patterns conform to an ●1 curve.

Yet this is not the retirement pattern displayed by most electric plant. Typically, very little electric plant is retired in the early years of its service life. As the plant ages, the rate of retirements increases. Then, after the plant passes mid-life, only the very long-lived components remain, and they are retired quite slowly. These S-shaped patterns of varying steepness and differeent modal configurations are described by the Iowa curves, which are fully discussed and displayed in Part 3 of Appendix A of Public Utility Depreciation Practices, National Association of Regulatory Commissioners, August 1996.

Attachment D is Snavely King's actuarial analyses of the three largest of Big Rivers' production plant accounts. These analyses identify the average service lives and

Iowa curves appropriate for each. Using the "full band," that is, the total history of each curve, the results are as follows:

	Average Service Life	Iowa Curve
311 Structures	100	R3
312 Boiler Plant	83	SO
312 Boiler Plant Environmental	100	R2
314 Turbine	100	R3

We recommend that these life/curve parameters be substituted for the interim retirement factors used by B&M. Adoption of the depreciation rates based on these parameters would dramatically reduce Big Rivers' depreciation expense.

<u>Conclusion</u>

The foregoing analysis has identified three corrections to B&M's depreciation calculations. Correction of the net salvage errors reduces depreciation by $7,706,484. Application of the Boiler Plant depreciation rate to the environmental plant reduces depreciation by a further $6,378,543. The combined effect of these two adjustments is a reduction of $14,085,027, effectively wiping out B&M's proposed $12.0 million increase. If the depreciation rates for the Wilson plant are recalculated using a 65-year life, depreciation expense would be yet further reduced. Based on these considerations, it appears that no increase in Big Rivers' depreciation is warranted. Indeed, a corrected calculation of its depreciation would justify a net reduction in annual depreciation expense.

Archived: Saturday, April 09, 2011 8:58:16 AM
From: Mark Hite
Sent: Wednesday, December 08, 2010 9:29:00 AM
To: Mark Bailey
Cc: Bill Blackburn
Subject: B&M Depreciation Study
Response requested: No
Importance: Normal

Snavely King, the smelter's depreciation study consultant, generally identifies 3 findings in the draft B&M depreciation study. Discussed those 3 findings with B&M yesterday, plan to continue those discussions later today, hoping to expedite resolution.

First, Snavely King states that B&M incorrectly "reversed the signs in its net salvage factors and failed to subtract removal cost". B&M has confirmed these net salvage factor errors were made. However, during review and discussion, other net salvage factor issues have arisen. The $5.7 million payment from E.ON for the sale of Personal Property in July 1998, reflected as salvage value, should be omitted for purposes of deriving prospective depreciation rates, as it's an anomaly that should have no bearing on deriving prospective depreciation rates. While during the 11-year E.ON lease transaction (July 1998 through July 2009) E.ON did not provide Big Rivers with any removal cost, removal cost will henceforth be properly reflected for all retirements, and an estimate of such removal cost should therefore be reflected in the prospective depreciation rates. B&M should include an estimate for the non-legal terminal plant facility removal cost, which typically exceeds salvage value, resulting in negative net salvage.

Second, Snavely King disagrees with "B&M's 38-year service life for Account 312 A-K, Boiler Plant – Environmental Compliance". This is a matter of professional judgement, and B&M is reviewing their conclusions.

Third, Snavely King disagrees with "B&M's 58-year service life for the Wilson plant". This is a matter of professional judgement, and B&M is reviewing their conclusion.

Until B&M resolves all depreciation study issues, discussions are held with the smelters, and the depreciation report is finalized, recommend not seeking board approval. Accordingly, seek your approval to immediately cancel the 12/9 member conference call and not seek board approval 12/17. Will have Paula categorize this item as a board update only agenda item. Then, will reschedule at the appropriate time, perhaps both telephonically.

Comments welcome.

Thanks,

Mark

Mark A. Hite, CPA

VP Accounting

Big Rivers Electric Corporation

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Bill Blackburn

From: Mark Bailey
Sent: Thursday, December 09, 2010 9:55 PM
To: Mark Hite
Cc: Bill Blackburn; Albert Yockey
Subject: RE: Latest Big Rivers Summary for Monday 12/13 Meeting

How diappointing! Yes, but am available for only 1/2 hour. Mark

Sent from my Samsung Jack™, a Windows Mobile® smartphone from AT&T

From: Mark Hite <Mark.Hite@bigrivers.com>
Sent: Thursday, December 09, 2010 6:27 PM
To: Mark Bailey <Mark.Bailey@bigrivers.com>
Cc: Bill Blackburn <Bill.Blackburn@bigrivers.com>; Bob Berry <Bob.Berry@bigrivers.com>; Albert Yockey <Albert.Yockey@bigrivers.com>
Subject: RE: Latest Big Rivers Summary for Monday 12/13 Meeting

Mark, I see Jon copied you on his email below (not sure why he did so). Anyway, B&M is indicating this 3rd draft has addressed all issues to their satisfaction. They've corrected and resolved the net salvage value issues, but are retaining the 38-year life for the Environmental Compliance category of assets and the 58-year life for Wilson. As you can see per the attached Excel file, they're now concluding a $10.1 million annual increase in depreciation expense is appropriate (based on 4/30/10 plant in service). Would like to meet with you to obtain your approval as to next steps. Wish for Bill, Bob and Al to join the discussion. Would you be available to meet tomorrow at 8am in your office?

Thanks,
Mark

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From: Summerville, Jon [mailto:jsummerville@burnsmcd.com]
Sent: Thursday, December 09, 2010 2:01 PM
To: Mark Hite; Kelly, Ted; Jeremy Garrett; Mark Bailey; Ralph Ashworth
Subject: RE: Latest Big Rivers Summary for Monday 12/13 Meeting

All,

Attached is the latest summary of depreciation rates that includes estimates of removal costs for 1998 to 2010.

From 1998 up to the present Big Rivers has been capitalizing removal costs. Going forward Big Rivers will properly record removal costs as they have previously from 1953 to 1997. Removal costs have a direct and significant effect on depreciation rates. With the knowledge that in the future Big Rivers will properly record removal costs as they have previously from 1953 to 1997, removal costs from 1998 to 2010 need to be included in the analysis. Since there is no actual data available for the removal costs from 1998 to 2010, removal costs were estimated based on 44 years of the actual removal costs incurred from 1953 to 1997 for each account.

First, all the actual removal costs from 1953 to 1997 were summed and divided by the sum of the actual retirements from 1953 to 1957. This resulted in a removal cost percentage for each account. Second, the removal cost percentage for each account was applied to the actual retirements from 1998 to 2010 to provide an estimate of removal costs for each account from 1998 to 2010. Next, the estimated removal costs for 1998 to 2010 were added to the removal costs for each account in the depreciation model and also subtracted from the Plant Balance for each account (since these accounts were over-stated by the removal costs that were capitalized).

This was a necessary adjustment to make since Big Rivers will record removal costs in the future and the depreciation rates are applied in the future as well. To not make this adjustment would greatly understate removal costs.

Jon Summerville
Burns & McDonnell
Proud to be one of FORTUNE's 100 Best Companies To Work For

From: Mark Hite [mailto:Mark.Hite@bigrivers.com]
Sent: Wednesday, December 08, 2010 4:20 PM
To: Kelly, Ted; Jeremy Garrett; Mark Bailey; Bill Blackburn; Summerville, Jon; Albert Yockey; Bob Berry; David Crockett; James Haner; Marty Littrel; Paula Mitchell; 'Sandy Novick'; 'Steve Thompson'; 'Kelly Nuckols'; 'Burns Mercer (Burns Mercer)'; 'Jack D. Gaines'
Subject: Cancelling the phone conference scheduled for tomorrow 12/9 @ 3pm regarding the B&M depreciation study

Folks, am hereby canceling tomorrow's scheduled phone conference, 12/9 @ 3pm central. The smelters have generally raised 3 issues regarding B&M's 2nd draft depreciation study report, and B&M is now reviewing and addressing them, as well as continuing work to finalize their report. Have concluded it best that we await B&M completing their analysis and ensuring the smelter questions are addressed. Will reschedule our call ASAP. Until finalized, will not be seeking Board approval. Will retract the Outlook meeting notice momentarily.

Thank you,
Mark

Mark A. Hite, CPA
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Bill Blackburn

From: Mark Bailey
Sent: Thursday, December 09, 2010 9:58 PM
To: Bill Blackburn
Subject: RE: Latest Big Rivers Summary for Monday 12/13 Meeting

I am OK with that. I believe the smelters' data will be hard to refute. Maybe we should meet with the smelters before we put the squeeze on B&M. Thanks, Mark

Sent from my Samsung Jack™, a Windows Mobile® smartphone from AT&T

From: Bill Blackburn <Bill.Blackburn@bigrivers.com>
Sent: Thursday, December 09, 2010 6:56 PM
To: Mark Bailey <Mark.Bailey@bigrivers.com>
Subject: RE: Latest Big Rivers Summary for Monday 12/13 Meeting

Thanks
I would like to have a call with B&M to discuss the expected live of Wilson Station...I think that Bob, Mark H. and I should call them and would extend an invitation to you if you would like to participate. Based on what was said in the boardroom today, I believe the 58 year life is too short. However, this is an area where I need to defer to Bob and you.

Just let me know,

Bill

From: Mark Bailey
Sent: Thursday, December 09, 2010 2:32 PM
To: Bill Blackburn
Subject: FW: Latest Big Rivers Summary for Monday 12/13 Meeting

Bill, FYI. Mark

From: Summerville, Jon [mailto:jsummerville@burnsmcd.com]
Sent: Thursday, December 09, 2010 2:01 PM
To: Mark Hite; Kelly, Ted; Jeremy Garrett; Mark Bailey; Ralph Ashworth
Subject: RE: Latest Big Rivers Summary for Monday 12/13 Meeting

All,

Attached is the latest summary of depreciation rates that includes estimates of removal costs for 1998 to 2010.

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First, all the actual removal costs from 1953 to 1997 were summed and divided by the sum of the actual retirements from 1953 to 1957. This resulted in a removal cost percentage for each account. Second, the removal cost percentage for each account was applied to the actual retirements from 1998 to 2010 to provide an estimate of removal costs for each account from 1998 to 2010. Next, the estimated removal costs for 1998 to 2010 were added to the removal costs for each account in the depreciation model and also subtracted from the Plant Balance for each account (since these accounts were over-stated by the removal costs that were capitalized).

This was a necessary adjustment to make since Big Rivers will record removal costs in the future and the depreciation rates are applied in the future as well. To not make this adjustment would greatly understate removal costs.

Jon Summerville
Burns & McDonnell
Proud to be one of FORTUNE's 100 Best Companies To Work For

From: Mark Hite [mailto:Mark.Hite@bigrivers.com]
Sent: Wednesday, December 08, 2010 4:20 PM
To: Kelly, Ted; Jeremy Garrett; Mark Bailey; Bill Blackburn; Summerville, Jon; Albert Yockey; Bob Berry; David Crockett; James Haner; Marty Littrel; Paula Mitchell; 'Sandy Novick'; 'Steve Thompson'; 'Kelly Nuckols'; 'Burns Mercer (Burns Mercer)'; 'Jack D. Gaines'
Subject: Cancelling the phone conference scheduled for tomorrow 12/9 @ 3pm regarding the B&M depreciation study

Folks, am hereby canceling tomorrow's scheduled phone conference, 12/9 @ 3pm central. The smelters have generally raised 3 issues regarding B&M's 2nd draft depreciation study report, and B&M is now reviewing and addressing them, as well as continuing work to finalize their report. Have concluded it best that we await B&M completing their analysis and ensuring the smelter questions are addressed. Will reschedule our call ASAP. Until finalized, will not be seeking Board approval. Will retract the Outlook meeting notice momentarily.

Thank you,
Mark

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Home: 812-853-0405

Bill Blackburn

From: Mark Bailey
Sent: Friday, December 10, 2010 2:10 PM
To: Mark Hite
Cc: Bill Blackburn
Subject: RE: Depreciation Study status

Good. Look forward to the results. Thanks, Mark

Sent from my Samsung Jack™, a Windows Mobile® smartphone from AT&T

From: Mark Hite <Mark.Hite@bigrivers.com>
Sent: Friday, December 10, 2010 2:07 PM
To: Mark Bailey <Mark.Bailey@bigrivers.com>; Bill Blackburn <Bill.Blackburn@bigrivers.com>; Bob Berry <Bob.Berry@bigrivers.com>; Albert Yockey <Albert.Yockey@bigrivers.com>; Ralph Ashworth <Ralph.Ashworth@bigrivers.com>
Subject: RE: Depreciation Study status

The 1:30pm call went fine. Bill, Al, Bob, Ralph and I from BR, and Jon Summerville and Ted Kelly from B&M. No new surprises from what's noted below from earlier this morning. No new numbers yet; B&M hopes to have them to us late today or early Monday. Will get them to you ASAP.

Thanks,
Mark

From: Mark Bailey
Sent: Friday, December 10, 2010 9:51 AM
To: Mark Hite; Bill Blackburn; Bob Berry; Albert Yockey
Subject: RE: Depreciation Study status

As we discussed earlier, I am OK with Bob Berry representing my view on the life of these assets. Thanks, Mark

---

From: Mark Hite
Sent: Friday, December 10, 2010 9:33 AM
To: Mark Bailey; Bill Blackburn; Bob Berry; Albert Yockey
Subject: Depreciation Study status

Just got off the phone with B&M regarding the status of the depreciation study. Arranged for them to phone me back at **1:30pm today, my office**. You are each invited to attend. As diplomatically as I could, I expressed my concerns over their work to date. Also expressed Big Rivers' management belief that Wilson's useful life should be 65 years, as noted by the smelters, and the environmental compliance category of assets A-K should have a useful life longer than 38 years. After only brief discussion, B&M said that while their study now reflected a useful life based principally on estimated hours of operation, and what they were most comfortable with, they are now of the opinion they would be willing to move from 58 year to 65 years. Regarding the environmental compliance assets, they now said they'd further discuss extending the useful life beyond 38 years, and perhaps they'd have more definitive numbers for the 1:30pm call. So, once again, the depreciation study outcome is unknown at this time.

Hope you can make the conference call in my office at 1:30pm today, my office (for those of you that are available).

Mark

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Burns & McDonnell
SINCE 1898

MEMORANDUM

To: **Mark Hite, Big Rivers**

From: **Burns & McDonnell**

Subject: **Big Rivers Depreciation Study**

Date: **December 15, 2010**

This memorandum is a response to the memorandum dated December 3, 2010 from Charles King of Snavely King Majoros & O'Connor, Inc. (King) regarding the initial draft of Big Rivers Depreciation Study. The King memo identifies three areas of concern and this response will address those three issues and discuss six additional modifications to the initial results.

1. Net Salvage Factors

Mr. King points out the signs in the net salvage factors are reversed and removal costs were not subtracted from the salvage proceeds to derive net salvage. Mr. King is correct and these changes have been made to the model.

2. Account 312 A-K -Boiler Plant Environmental Compliance

Mr. King states that Burns & McDonnell's assumed 38-year service life for Account 312 A-K - Boiler Plant Environmental Compliance is unsupported by the record of investment in these subaccounts. Mr. King states that the record indicates service lives about the same as all other boiler plant investment.

Due to the caustic nature of scrubber operations, scrubber equipment dealing with sulfur dioxide removal and related piping will be expected to have a shorter life than that expected for the vast majority of the production plant. That life expectancy is directly related to the design, wear and tear from variable amounts of daily operation, and the levels of removal based on the particular coal mix being burned.

As mentioned in the initial draft report, Account 312 –Boiler Plant contained certain environmental compliance assets such as scrubber equipment that have a shorter expected life than the other assets in the account. These environmental assets were broken out into Account 312 A-K -Boiler Plant Environmental Compliance and have a shorter useful life than assets in Account 312 –Boiler Plant. Assets such as mist eliminator panels and slag grinders with much shorter useful lives were further subdivided into separate accounts, Account 312 V-Z and Account 312 L-P (if they were related to environmental compliance).

The useful life of these assets was adjusted upward in response to Mr. King. Even though some of the assets in Account 312 A-K -Boiler Plant Environmental Compliance would have a shorter useful life than other boiler plant assets, their useful life would still be limited by the life of the plant, which is now reflected in the rates. The remaining useful life for Account 312 A-K -

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Boiler Plant Environmental Compliance is now 28 years, the same as Account 312 -Boiler Plant and Account 314 –Turbine.

3. Estimated Useful Life of D. B. Wilson Plant

In the initial draft report, the estimated useful life of Wilson is 58 years. Mr. King states that a more reasonable assumption would be 65 years, which is the same life span as the Coleman units. Without factoring in new and unknown environmental regulations, the 65 years would be at the upper end of the range of reasonableness. While more recent evidence exists that suggests a shorter life for coal plants, the 65 year life span is reflected in the analysis and thereby reduced the depreciation rates for some of the production accounts.

Estimated Removal Costs

From mid 1998 until July of 2009 (lease period) removal costs associated with plant additions were capitalized. Western Kentucky Energy (WKE) reported capital additions to Big Rivers in this manner and Big Rivers had no control over the methodology. Going forward, Big Rivers will record removal costs according to Rural Utilities Service (RUS) guidelines as they did previously from 1965 to 1998. Removal costs have a direct and significant effect on depreciation rates. With the knowledge that in the future Big Rivers will record removal costs as they did previously from 1965 to 1998, removal costs from 1998 to 2010 need to be included in the analysis. Since there is no actual data available for the Production Plant removal costs from 1998 to 2010, removal costs were estimated based on 33 years of actual removal costs incurred from 1965 to 1998 for each Production Plant account.

First, all the actual removal costs from 1965 to 1998 were summed and divided by the sum of the actual retirements from 1965 to 1958. This resulted in a removal cost percentage for each property account. Second, the removal cost percentage for each account was applied to the actual retirements from 1998 to 2010 to provide an estimate of removal costs for each account from 1998 to 2010. Next, the estimated removal costs for 1998 to 2010 were added to the removal costs for each account in the depreciation model and also subtracted from the Plant Balance for each account (since these accounts were over-stated by the removal costs that were capitalized).

This was a necessary adjustment to make since Big Rivers will record removal costs in the future and the depreciation rates should reflect Big Rivers accounting for removal costs going forward. To not make this adjustment would greatly understate removal costs.

Using a Weighted Average Plant Balance of Production Plants

Depreciation rates in this study are being set for each asset account to be applied to the Plant Balance of each account. Each Production Plant account is comprised of assets from each of the production facilities; the Henderson Municipal Power & Light Station 2, Robert D. Green plant, Robert A. Reid plant, D. B. Wilson Station, and Kenneth C. Coleman plant.

Careful consideration was given in determining the estimated Average Service Life of each production facility, which directly affects the Remaining Service Life of Account 311 – Structures, Account 312 –Boiler Plant, and Account 314 -Turbine. Account 312 –Boiler Plant Environmental Control is indirectly impacted.

The D. B. Wilson Station is significantly newer than the other facilities. As such, its Plant Balance is significantly larger in comparison to the other facilities. A simple average of the Remaining Service Life of each facility is 28 years. An average of the Remaining Service lives of each facility weighted by size (MW) is also 28 years. If the Remaining Service Life of each facility is weighted by the Plant Balance in Account 311 –Structures, Account 312 –Boiler Plant, and Account 314 –Turbine the weighted average Remaining Service Life increases to 30 years. When updating the analysis the Remaining Service Life for Account 311 –Structures was increased to 30 years and the Remaining Service Life for Account 312 –Boiler Plant and Account 314 –Turbine was increased to 28 years.

Asset Sale in July, 1998
Big Rivers sold personal property to WKE at the inception of the lease in July, 1998. This transaction was treated as salvage value and recorded accordingly. In light of this information, the salvage values associated with the transaction have been subtracted from the overall balance of salvage value for the purpose of determining depreciation rates.

Account 354 -Towers
The retirement and salvage data for the Transmission Towers account is extremely limited and does not accurately reflect the actual account activity. This results in an unrealistically high Net Salvage Factor of 56%. After removing the outlying values, the Net Salvage Factor for this account is 0%.

Account 396 –Power Operated Equipment
The calculated depreciation rate for this account is negative. However, when considering actual account activity and anticipated account additions, the depreciation rate for this account should remain at its current rate of 3.70%.

Account 397 –Communications Equipment
The calculated depreciation rate for this account is very low at less than 0.5%. Similar to Account 396 –Power Operated Equipment, a very large purchase ($7 million in new equipment)

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is going to be made soon to replace old equipment. Therefore, the depreciation rate for this account remains unchanged from the prior rate of 4.35%.

Big Rivers Electric Corporation
Table III-1: 2010 Depreciation Rate Study Summary

Account	Description	As of April 30, 2010 Plant Balance	Reserve Balance	Reserve Ratio
		- $ -	- $ -	
310	Land & Land Improvements	4,537,577	0	0.0
PRODUCTION PLANT [1]				
340	Land	475,968	-	-
311	Structures	124,375,974	78,124,758	62.8
312	Boiler Plant	667,206,536	347,026,279	52.0
312 A-K	Boiler Plant - Env Compl	574,184,346	216,760,670	37.8
312 L-P	Short-Life Production Plant -Environmental	3,208,938	165,475	5.2
312 V-Z	Short-Life Production Plant -Other	868,755	210,738	24.3
314	Turbine	225,272,354	124,744,924	55.4
315	Electric Eqpt	60,355,721	35,350,377	58.6
316	Misc Eqpt	3,014,912	42,128	1.4
341	CT - Structures	154,233	115,766	75.1
342	CT - Fuel Holders & Access.	1,436,912	564,590	39.3
343	CT - Prime Movers	4,915,886	3,637,977	74.0
344	CT - Generators	1,102,964	984,479	89.3
345	CT - Access. Elec. Eqpt.	317,726	179,425	56.5
	Subtotal	1,666,891,222	807,907,587	
TRANSMISSION [1]				
350	Land	558,665	-	-
352	Structures	6,724,128	3,664,345	54.5
353	Station Eqpt	114,952,475	51,467,633	44.8
354	Towers	8,593,527	4,868,075	56.6
355	Poles	41,558,164	22,321,791	53.7
356	Lines	41,070,042	23,399,406	57.0
	Subtotal	213,457,001	105,721,250	
GENERAL PLANT [2]				
389	Land	407,251	-	-
390	Structures [1]	3,725,239	1,786,210	47.9
391.0/391.6/391.7	Office Furniture & Eqpt	613,221	(282,102)	-46.0
391.2	Computer	7,013,902	436,114	6.2
392.2	Vehicles - General	1,699,130	995,277	58.6
392.3	Vehicles - Transmission	1,257,240	625,460	49.7
393	Stores Eqpt	98,766	69,468	70.3
394	Tools	717,086	385,947	53.8
395	Lab Eqpt	221,279	160,195	72.4
396	Power Operated Eqpt	504,739	392,925	77.8
397	Communication Eqpt	1,599,730	1,640,029	102.5
398	Miscellaneous Eqpt	163,371	3,925	2.4
	Subtotal	18,020,954	6,213,447	
TOTAL		$1,902,906,753	$919,842,284	

[1] Life Span Method depreciation
[2] Whole Life Method depreciation

Existing Depreciation Rate	Average Service Life	Remaining Service Life	Net Salvage Factor	Proposed Depreciation Rate	Annual Depreciation Expense		
					Existing	Proposed	Variance
- % -	- Years -	- Years -	- % -	- % -	- $ -	- $ -	- $ -
N/A	N/A	N/A	N/A	N/A	-	-	-
-	-	-	-	-	-	-	-
1.71%	60	28	-4.5%	1.48%	2,126,829	1,837,174	(289,656)
1.79%	59	27	-5.0%	1.94%	11,942,997	12,963,826	1,020,829
1.89%	53	27	-2.0%	2.35%	10,852,084	13,512,406	2,660,322
1.89%	10	5	0.0%	20.22%	60,649	648,949	588,300
1.89%	10	5	0.0%	14.39%	16,419	125,054	108,634
1.66%	59	27	-8.2%	1.98%	3,739,521	4,461,000	721,479
1.60%	51	19	3.0%	1.99%	965,692	1,202,952	237,260
1.83%	58	26	0.5%	3.78%	55,173	113,919	58,746
2.31%	53	21	0.0%	1.17%	3,563	1,804	(1,759)
2.32%	53	21	-134.8%	9.10%	33,336	130,751	97,414
2.47%	53	21	-38.3%	3.02%	121,422	148,408	26,986
2.23%	53	22	0.0%	0.50%	24,596	5,511	(19,085)
2.23%	53	21	0.0%	2.05%	7,085	6,510	(575)
					29,949,367	35,158,263	5,208,896
-	-	-	-	-	-	-	-
1.76%	53	25	-3.2%	1.93%	118,345	130,066	11,721
2.22%	53	25	-2.2%	2.31%	2,551,945	2,651,146	99,201
2.28%	58	30	55.9%	-0.41%	195,932	(35,246)	(231,178)
3.24%	50	23	0.0%	2.06%	1,346,485	854,950	(491,535)
2.47%	53	26	0.0%	1.69%	1,014,430	692,966	(321,464)
					5,227,137	4,293,882	(933,254)
-	-	-	-	-	-	-	-
2.59%	43	12	2.4%	4.29%	96,484	159,648	63,164
1.11%	10	8	8.8%	17.16%	6,807	105,202	98,395
1.11%	10	9	1.2%	10.29%	77,854	721,713	643,859
5.62%	10	6	14.2%	4.39%	95,491	74,575	(20,916)
5.62%	10	5	16.9%	6.14%	70,657	77,173	6,517
3.57%	16	6	4.4%	4.40%	3,526	4,349	823
2.85%	16	9	2.7%	4.61%	20,437	33,072	12,635
2.86%	16	6	2.1%	4.41%	6,329	9,768	3,440
3.70%	16	5	24.9%	-0.53%	18,675	(2,676)	(21,351)
4.35%	16	1	-3.0%	0.48%	69,588	7,633	(61,956)
5.44%	16	8	3.1%	11.81%	8,887	19,297	10,410
					474,735	1,209,754	735,019
					$35,651,239	$40,661,899	$5,010,660

Big Rivers Electric Corporation
Table III-1: 2010 Depreciation Rate Study Summary

Account	Description	As of April 30, 2010 Plant Balance	Reserve Balance	Reserve Ratio
		- $ -	- $ -	
310	Land & Land Improvements	4,537,577	0	0.0
PRODUCTION PLANT [1]				
340	Land	475,968	-	-
311	Structures	124,443,565	78,124,758	62.8
312	Boiler Plant	670,393,520	347,026,279	51.8
312 A-K	Boiler Plant - Env Compl	574,843,507	216,760,670	37.7
312 L-P	Short-Life Production Plant -Environmental	3,208,938	165,475	5.2
312 V-Z	Short-Life Production Plant -Other	868,755	210,738	24.3
314	Turbine	226,102,282	124,744,924	55.2
315	Electric Eqpt	60,375,995	35,350,377	58.6
316	Misc Eqpt	3,031,173	42,128	1.4
341	CT - Structures	154,233	115,766	75.1
342	CT - Fuel Holders & Access.	1,436,912	564,590	39.3
343	CT - Prime Movers	4,915,886	3,637,977	74.0
344	CT - Generators	1,102,964	984,479	89.3
345	CT - Access. Elec. Eqpt.	317,726	179,425	56.5
	Subtotal	1,671,671,422	807,907,587	
TRANSMISSION [1]				
350	Land	558,665	-	-
352	Structures	6,725,346	3,664,345	54.5
353	Station Eqpt	115,297,358	51,467,633	44.6
354	Towers	8,593,544	4,868,075	56.6
355	Poles	41,558,164	22,321,791	53.7
356	Lines	41,070,042	23,399,406	57.0
	Subtotal	213,803,120	105,721,250	
GENERAL PLANT [2]				
389	Land	407,251	-	-
390	Structures [1]	3,944,895	1,786,210	45.3
391.0/391.6/391.7	Office Furniture & Eqpt	616,135	(282,102)	-45.8
391.2	Computer	7,013,902	436,114	6.2
392.2	Vehicles - General	1,699,130	995,277	58.6
392.3	Vehicles - Transmission	1,257,240	625,460	49.7
393	Stores Eqpt	98,766	69,468	70.3
394	Tools	717,086	385,947	53.8
395	Lab Eqpt	221,279	160,195	72.4
396	Power Operated Eqpt	504,739	392,925	77.8
397	Communication Eqpt	1,639,437	1,640,029	100.0
398	Miscellaneous Eqpt	163,645	3,925	2.4
	Subtotal	18,283,504	6,213,447	
TOTAL		$ 1,908,295,624	$ 919,842,284	

[1] Life Span Method depreciation
[2] Whole Life Method depreciation

Existing Depreciation Rate	Average Service Life	Remaining Service Life	Net Salvage Factor	Proposed Depreciation Rate	Annual Depreciation Expense		
					Existing	Proposed	Variance
- % -	- Years -	- Years -	- % -	- % -	- $ -	- $ -	- $ -
N/A	N/A	N/A	N/A	N/A	-	-	-
-	-	-	-	-	-	-	-
1.71%	60	28	-1.4%	1.37%	2,127,985	1,700,818	(427,167)
1.79%	58	25	1.9%	1.82%	12,000,044	12,204,838	204,794
1.89%	38	21	2.8%	2.82%	10,864,542	16,191,357	5,326,815
1.89%	10	5	0.0%	20.22%	60,649	648,949	588,300
1.89%	10	5	0.0%	14.39%	16,419	125,054	108,634
1.66%	58	26	-1.4%	1.80%	3,753,298	4,061,308	308,010
1.60%	51	19	4.2%	1.93%	966,016	1,166,539	200,523
1.83%	58	26	0.7%	3.77%	55,470	114,371	58,901
2.31%	53	21	0.0%	1.17%	3,563	1,804	(1,759)
2.32%	53	21	-134.8%	9.10%	33,336	130,751	97,414
2.47%	53	21	-38.3%	3.02%	121,422	148,408	26,986
2.23%	53	23	0.0%	0.48%	24,596	5,266	(19,330)
2.23%	53	22	0.0%	1.96%	7,085	6,225	(861)
					30,034,427	36,505,688	6,471,261
-	-	-	-	-	-	-	-
1.76%	53	26	-2.4%	1.83%	118,366	123,225	4,859
2.22%	53	24	-0.2%	2.31%	2,559,601	2,661,323	101,722
2.28%	58	31	56.3%	-0.41%	195,933	(35,296)	(231,229)
3.24%	50	24	0.0%	1.97%	1,346,485	818,569	(527,915)
2.47%	53	27	0.0%	1.62%	1,014,430	666,816	(347,614)
					5,234,815	4,234,638	(1,000,177)
-	-	-	-	-	-	-	-
2.59%	43	12	21.8%	2.84%	102,173	111,928	9,755
1.11%	10	8	8.9%	17.12%	6,839	105,460	98,621
1.11%	10	9	1.2%	10.29%	77,854	721,713	643,859
5.62%	10	6	14.2%	4.39%	95,491	74,575	(20,916)
5.62%	10	6	16.9%	5.85%	70,657	73,549	2,892
3.57%	16	6	4.4%	4.40%	3,526	4,349	823
2.85%	16	9	2.7%	4.61%	20,437	33,072	12,635
2.86%	16	6	2.1%	4.41%	6,329	9,768	3,440
3.70%	16	5	24.9%	-0.53%	18,675	(2,676)	(21,351)
4.35%	16	1	-0.1%	0.03%	71,316	418	(70,897)
5.44%	16	8	3.2%	11.80%	8,902	19,309	10,407
					482,199	1,151,466	669,267
					$ 35,751,440	$ 41,891,792	$ 6,140,351

Big Rivers Electric Corporation
Table III-1: 2010 Depreciation Rate Study Summary

Account	Description	As of April 30, 2010 Plant Balance	Reserve Balance	Reserve Ratio
		- $ -	- $ -	
310	Land & Land Improvements	4,537,577	0	0.0
PRODUCTION PLANT [1]				
340	Land	475,968	-	-
311	Structures	124,375,974	78,124,758	62.8
312	Boiler Plant	667,206,536	347,026,279	52.0
312 A-K	Boiler Plant - Env Compl	574,184,346	216,760,670	37.8
312 L-P	Short-Life Production Plant -Environmental	3,208,938	165,475	5.2
312 V-Z	Short-Life Production Plant -Other	868,755	210,738	24.3
314	Turbine	225,272,354	124,744,924	55.4
315	Electric Eqpt	60,355,721	35,350,377	58.6
316	Misc Eqpt	3,014,912	42,128	1.4
341	CT - Structures	154,233	115,766	75.1
342	CT - Fuel Holders & Access	1,436,912	564,590	39.3
343	CT - Prime Movers	4,915,886	3,637,977	74.0
344	CT - Generators	1,102,964	984,479	89.3
345	CT - Access. Elec. Eqpt.	317,726	179,425	56.5
	Subtotal	1,666,891,222	807,907,587	-
TRANSMISSION [1]				
350	Land	558,665	-	-
352	Structures	6,724,128	3,664,345	54.5
353	Station Eqpt	114,952,475	51,467,633	44.8
354	Towers	8,593,527	4,868,075	56.6
355	Poles	41,558,164	22,321,791	53.7
356	Lines	41,070,042	23,399,406	57.0
	Subtotal	213,457,001	105,721,250	
GENERAL PLANT [2]				
389	Land	407,251	-	-
390	Structures [1]	3,725,239	1,786,210	47.9
391.0/391.6/391.7	Office Furniture & Eqpt	613,221	(282,102)	-46.0
391.2	Computer	7,013,902	436,114	6.2
392.2	Vehicles - General	1,699,130	995,277	58.6
392.3	Vehicles - Transmission	1,257,240	625,460	49.7
393	Stores Eqpt	98,766	69,468	70.3
394	Tools	717,086	385,947	53.8
395	Lab Eqpt	221,279	160,195	72.4
396	Power Operated Eqpt	504,739	392,925	77.8
397	Communication Eqpt	1,599,730	1,640,029	102.5
398	Miscellaneous Eqpt	163,371	3,925	2.4
	Subtotal	18,020,954	6,213,447	
TOTAL		$1,902,906,753	$919,842,284	-

[1] Life Span Method depreciation
[2] Whole Life Method depreciation

Existing Depreciation Rate	Average Service Life	Remaining Service Life	Net Salvage Factor	Proposed Depreciation Rate	Annual Depreciation Expense		
					Existing	Proposed	Variance
- % -	- Years -	- Years -	- % -	- % -	- $ -	- $ -	- $ -
N/A	N/A	N/A	N/A	N/A	-	-	-
-	-	-	-	-	-	-	-
1.71%	60	28	-4.5%	1.48%	2,126,829	1,837,174	(289,656)
1.79%	58	25	-5.0%	2.08%	11,942,997	13,899,939	1,956,942
1.89%	38	21	-2.0%	3.04%	10,852,084	17,454,129	6,602,045
1.89%	10	5	0.0%	20.22%	60,649	648,949	588,300
1.89%	10	5	0.0%	14.39%	16,419	125,054	108,634
1.66%	58	26	-8.2%	2.05%	3,739,521	4,624,161	884,639
1.60%	51	19	3.0%	1.99%	965,692	1,202,952	237,260
1.83%	58	26	0.5%	3.78%	55,173	113,919	58,746
2.31%	53	21	0.0%	1.17%	3,563	1,804	(1,759)
2.32%	53	21	-134.8%	9.10%	33,336	130,751	97,414
2.47%	53	21	-38.3%	3.02%	121,422	148,408	26,986
2.23%	53	23	0.0%	0.48%	24,596	5,266	(19,330)
2.23%	53	22	0.0%	1.96%	7,085	6,225	(861)
					29,949,367	40,198,729	10,249,362
-	-	-	-	-	-	-	-
1.76%	53	26	-3.2%	1.86%	118,345	125,216	6,871
2.22%	53	24	-2.2%	2.38%	2,551,945	2,741,378	189,433
2.28%	58	31	55.9%	-0.40%	195,932	(34,127)	(230,060)
3.24%	50	24	0.0%	1.97%	1,346,485	818,569	(527,915)
2.47%	53	27	0.0%	1.62%	1,014,430	666,816	(347,614)
					5,227,137	4,317,852	(909,284)
-	-	-	-	-	-	-	-
2.59%	43	12	2.4%	4.29%	96,484	159,648	63,164
1.11%	10	8	8.8%	17.16%	6,807	105,202	98,395
1.11%	10	9	1.2%	10.29%	77,854	721,713	643,859
5.62%	10	6	14.2%	4.39%	95,491	74,575	(20,916)
5.62%	10	6	16.9%	5.85%	70,657	73,549	2,892
3.57%	16	6	4.4%	4.40%	3,526	4,349	823
2.85%	16	9	2.7%	4.61%	20,437	33,072	12,635
2.86%	16	6	2.1%	4.41%	6,329	9,768	3,440
3.70%	16	5	24.9%	-0.53%	18,675	(2,676)	(21,351)
4.35%	16	1	-3.0%	0.48%	69,588	7,633	(61,956)
5.44%	16	8	3.1%	11.81%	8,887	19,297	10,410
					474,735	1,206,130	731,394
					$35,651,239	$45,722,711	$10,071,472

Big Rivers Electric Corporation
Table ES-1: 2010 Depreciation Rate Study Summary

Account	Description	As of April 30, 2010 Plant Balance	Reserve Balance	Reserve Ratio
		- $ -	- $ -	
310	Land & Land Improvements	4,537,577	0	0.0
PRODUCTION PLANT [1]				
340	Land	475,968	-	
311	Structures	124,443,565	78,124,758	62.8
312	Boiler Plant	670,393,520	347,026,279	51.8
312 A-K	Boiler Plant - Env Compl	574,843,507	216,760,670	37.7
312 L-P	Short-Life Production Plant -Environmental	3,208,938	165,475	5.2
312 V-Z	Short-Life Production Plant -Other	868,755	210,738	24.3
314	Turbine	226,102,282	124,744,924	55.2
315	Electric Eqpt	60,375,995	35,350,377	58.6
316	Misc Eqpt	3,031,173	42,128	1.4
341	CT - Structures	154,233	115,766	75.1
342	CT - Fuel Holders & Access.	1,436,912	564,590	39.3
343	CT - Prime Movers	4,915,886	3,637,977	74.0
344	CT - Generators	1,102,964	984,479	89.3
345	CT - Access. Elec. Eqpt.	317,726	179,425	56.5
346	CT - Misc Equipment	0	0	
	Subtotal	1,671,671,422	807,907,587	
TRANSMISSION [1]				
350	Land	558,665	-	
352	Structures	6,725,346	3,664,345	54.5
353	Station Eqpt	115,297,358	51,467,633	44.6
354	Towers	8,593,544	4,868,075	56.6
355	Poles	41,558,164	22,321,791	53.7
356	Lines	41,070,042	23,399,406	57.0
	Subtotal	213,803,120	105,721,250	
GENERAL PLANT [2]				
389	Land	407,251	-	
390	Structures [1]	3,944,895	1,786,210	45.3
391.0/391.6/391.7	Office Furniture & Eqpt	616,135	(282,102)	-45.8
391.2	Computer	7,013,902	436,114	6.2
392.2	Vehicles - General	1,699,130	995,277	58.6
392.3	Vehicles - Transmission	1,257,240	625,460	49.7
393	Stores Eqpt	98,766	69,468	70.3
394	Tools	717,086	385,947	53.8
395	Lab Eqpt	221,279	160,195	72.4
396	Power Operated Eqpt	504,739	392,925	77.8
397	Communication Eqpt	1,639,437	1,640,029	100.0
398	Miscellaneous Eqpt	163,645	3,925	2.4
	Subtotal	18,283,504	6,213,447	

[1] Life Span Method depreciation
[2] Whole Life Method depreciation

TOTAL	$ 1,908,295,624	$ 919,842,284

Existing Depreciation Rate	Average Service Life	Remaining Service Life	Net Salvage Factor	Proposed Depreciation Rate	Annual Depreciation Expense		
					Existing	Proposed	Variance
- % -	- Years -	- Years -	- % -	- % -	- $ -	- $ -	- $ -
N/A	N/A	N/A	N/A	N/A	-	-	-
1.71%	60	28	0.0%	1.32%	2,127,985	1,640,898	(487,087)
1.79%	58	25	-8.9%	2.24%	12,000,044	15,045,057	3,045,013
1.89%	38	21	-5.4%	3.20%	10,864,542	18,419,779	7,555,236
1.89%	10	5	0.0%	20.22%	60,649	648,949	588,300
1.89%	10	5	0.0%	14.39%	16,419	125,054	108,634
1.66%	58	26	-0.8%	1.77%	3,753,298	4,007,082	253,784
1.60%	51	19	-4.8%	2.40%	966,016	1,448,540	482,525
1.83%	58	26	-27.2%	4.85%	55,470	146,913	91,443
2.31%	53	21	0.0%	1.17%	3,563	1,804	(1,759)
2.32%	53	21	0.0%	2 83%	33,336	40,604	7,268
2.47%	53	21	0.0%	1.22%	121,422	59,984	(61,438)
2.23%	53	23	0.0%	0.48%	24,596	5,266	(19,330)
2.23%	53	22	0.0%	1.96%	7,085	6,225	(861)
					30,034,427	41,596,156	11,561,729
1.76%	53	26	-0.2%	1.75%	118,366	117,358	(1,008)
2.22%	53	24	-0.5%	2.32%	2,559,601	2,675,509	115,908
2.28%	58	31	-59.8%	3.28%	195,933	281,542	85,609
3.24%	50	24	0.0%	1.97%	1,346,485	818,569	(527,915)
2.47%	53	27	0.0%	1.62%	1,014,430	666,816	(347,614)
					5,234,815	4,559,794	(675,021)
2.59%	43	12	-23.3%	6.73%	102,173	265,508	163,335
1.11%	10	8	-11.7%	19.68%	6,839	121,264	114,425
1.11%	10	9	-1.6%	10.60%	77,854	743,386	665,531
5.62%	10	6	-15.9%	9.22%	95,491	156,664	61,173
5.62%	10	6	-16.9%	11.79%	70,657	148,226	77,569
3.57%	16	6	-12.3%	7.31%	3,526	7,224	3,698
2.85%	16	9	-6.4%	5.58%	20,437	40,038	19,601
2.86%	16	6	-16.2%	7.57%	6,329	16,756	10,428
3.70%	16	5	-24.9%	8.98%	18,675	45,345	26,669
4 35%	16	1	-3.8%	3.80%	71,316	62,334	(8,981)
5.44%	16	8	-8.8%	13.30%	8,902	21,758	12,856
					482,199	1,628,504	1,146,305

$ 35,751,440	$ 47,784,453	$ 12,033,013

34%

Bill Blackburn

From:	Bill Blackburn
Sent:	Monday, February 28, 2011 4:12 PM
To:	Mark Bailey
Cc:	Bob Berry
Subject:	RE: Big Rivers --- below is the sentence to add to your email to RUS momentarily

I certainly agree

From: Mark Bailey
Sent: Monday, February 28, 2011 4:08 PM
To: Bill Blackburn
Cc: Bob Berry
Subject: FW: Big Rivers --- below is the sentence to add to your email to RUS momentarily

Bill, While I appreciate B&M hanging with us the past several days, I can't imagine ever using them again. Mark

Sent from my Samsung Jack™, a Windows Mobile® smartphone from AT&T

From: Mark Hite <Mark.Hite@bigrivers.com>
Sent: Monday, February 28, 2011 5:04 PM
To: Mark Bailey <Mark.Bailey@bigrivers.com>
Subject: RE: Big Rivers --- below is the sentence to add to your email to RUS momentarily

Mark, I certainly don't need to tell you that B&M's professionalism on this project has been horrible every step of the way. You said it well... "very disappointing".

Mark A. Hite, CPA
VP Accounting
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
Corporate: 270-827-2561
Office Direct: 270-844-6149
Cell: 270-577-6815
Fax: 270-827-2558
Home: 812-853-0405

From: Mark Bailey
Sent: Monday, February 28, 2011 4:00 PM
To: Mark Hite
Subject: RE: Big Rivers --- below is the sentence to add to your email to RUS momentarily

Great! From what was reported to me, B&M could have made it less nerve wracking had they accurately reported how they handled multiple unit plant retirements upfront. Disappointing. Thanks, Mark

Sent from my Samsung Jack™, a Windows Mobile® smartphone from AT&T

From: Mark Hite <Mark.Hite@bigrivers.com>
Sent: Monday, February 28, 2011 3:53 PM
To: Mark Bailey <Mark.Bailey@bigrivers.com>
Subject: RE: Big Rivers --- below is the sentence to add to your email to RUS momentarily

Mark, wasn't sure if you were on the just completed call or not...

Upon receipt of the final letter of clarification from B&M momentarily, RUS has agreed to send the requested letter approving the depreciation study before close of business today.

Mark

Mark A. Hite, CPA
VP Accounting
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
Corporate: 270-827-2561
Office Direct: 270-844-6149
Cell: 270-577-6815
Fax: 270-827-2558
Home: 812-853-0405

From: Mark Hite
Sent: Monday, February 28, 2011 3:50 PM
To: 'Kelly, Ted'; Summerville, Jon
Subject: Big Rivers --- below is the sentence to add to your email to RUS momentarily

Please add the following sentence:

"As you are aware, Big Rivers is standing by waiting to receive from RUS an email containing a pdf of your letter approving this depreciation study to submit in its rate filing to the Kentucky Public Service Commission later today."

As I expect you planned, please copy me on your email to RUS momentarily. I'll give you a call in 5 minutes to confirm all is well.

Thanks,
Mark

Mark A. Hite, CPA
VP Accounting
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
Corporate: 270-827-2561
Office Direct: 270-844-6149
Cell: 270-577-6815
Fax: 270-827-2558
Home: 812-853-0405

Mark Bailey

From: Mark Bailey
Sent: Friday, December 10, 2010 8:26 AM
To: Sandy Novick
Cc: Burns Mercer; Kelly Nuckols
Subject: FW: invoice from Jack Gaines
Attachments: 0680_0001.pdf

Sandy, We need to discuss this matter as a group. My understanding is we decided to hire a separate consultant to help the Members maintain some independence. I am concerned if Big Rivers pays for this that we compromise the independence aspect. I am also concerned if the smelters learn we are paying for the Members' consultant they will either balk at paying 70% and/or ask that we pay for their consultant as well. As you all well know, Big Rivers is not really in a position to absorb any additional expenses either this year or next either for that matter.
Thanks, Mark

From: Mark Hite
Sent: Friday, December 10, 2010 7:43 AM
To: Mark Bailey
Cc: Bill Blackburn; Albert Yockey
Subject: FW: invoice from Jack Gaines

Please see below.

Comments?

Mark A. Hite, CPA
VP Accounting
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420
Corporate: 270-827-2561
Office Direct: 270-844-6149
Cell: 270-577-6815
Fax: 270-827-2558
Home: 812-853-0405

From: Steve Thompson [mailto:sthompson@kenergycorp.com]
Sent: Friday, December 10, 2010 7:44 AM
To: Mark Hite
Subject: invoice from Jack Gaines

I am forwarding this invoice based on my understanding that BREC will pay for his review of the BREC cost of service study.
thanks

JDG Consulting, LLC
P.O Box 88039
Dunwoody, Georgia 30356
770-392-9971

Kenergy Corp Attn: Steve Thompson 3111 Fairview Dr. Owensboro, KY 42303	Remit to: JDG Consulting, LLC P.O. Box 88039 Dunwoody, Ga. 30356

Invoice Date: December 1, 2010

Project Number: 09-065-011
Invoice Nunber: 1

Service Period: 11/1/2010 through 11/30/2010

2011 BREC Rate Case Review:

Labor	$	2,517.50
Subsistance	$	160.65
Transportation	$	1,104.97
Shipping/Printing	$	-
Total	$	3,783.12

PAYMENT DUE UPON RECEIPT OF INVOICE

THANK YOU