SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC

ATTORNEYS AT LAW

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Allen W. Holbrook
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Bryan R. Reynolds*
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C. Ellsworth Mountjoy

*Also Licensed in Indiana

February 11, 2013

RECEIVED
FEB 12 2013
PUBLIC SERVICE COMMISSION

Via Federal Express

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

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

Dear Mr. DeRouen:

Enclosed are an original and ten copies of responses of Big Rivers Electric Corporation to Alcan Primary Products Corporation's Supplemental Request for Information and to Kentucky Industrial Utility Customers, Inc.'s Supplemental Data Requests. I certify that copies of this letter and responses have been served this day on each person shown on the attached service list by delivering the same to an overnight courier service, prepaid, for delivery on February 12, 2013.

Sincerely yours,

James M. Miller

James M. Miller

JMM/ej
Enclosures

cc: Billie J. Richert

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

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

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Service List
PSC Case No. 2012-00492

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Frankfort, KY 40601

Mr. David Brevitz
3623 SW Woodvalley Terrace
Topeka, KS 66614

BIG RIVERS ELECTRIC CORPORATION

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

VERIFICATION

I, Billie J. Richert, verify, state, and affirm that I prepared or supervised the preparation of the data responses filed with this Verification, and that those data responses are true and accurate to the best of my knowledge, information, and belief formed after a reasonable inquiry.

Billie J. Richert

Billie J. Richert

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Billie J. Richert on this the 11th day of February, 2013.

Mary S. Bowles

Notary Public, Ky. State at Large
My Commission Expires 8/8/2016

ORIGINAL

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

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

Response to Kentucky Industrial Utility Customers' Supplemental Request for Information dated February 5, 2012

FILED: February 12, 2013

ORIGINAL

BIG RIVERS ELECTRIC CORPORATION

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

Response to the Kentucky Industrial Utility Customers' Supplemental Request for Information dated February 5, 2013

February 12, 2013

Item 1) ***Provide a copy of all correspondence and documents between and among BREC and the three rating agencies since January 1, 2013. This data request remains active throughout the proceeding. If BREC obtains any further or supplemental documents or information subsequent to the preparation and service of BREC's responses hereto, please provide such documents or information as part of a supplemental response.***

Response) Please see the attached correspondence and documents between and among Big Rivers and the three rating agencies.

Witness) Billie J. Richert

Billie Richert

From: Billie Richert
Sent: Tuesday, February 05, 2013 6:25 PM
'o: 'Dennis.Pidherny@fitchratings.com'
c: 'Alan.Spen@fitchratings.com'; Ralph Ashworth
Subject: RE: Press Release

Dennis/Alan,

I want to note one other item. Part of our mitigation plan, and also built into our 2013 budget, is the temporary idling of a plant. Our mitigation plan includes the idling of one or more plants upon the exiting of the smelter(s). Just wanted to make sure to clarify the mitigation plan includes this action as well.

Thanks,
Billie

From: Billie Richert
Sent: Tuesday, February 05, 2013 6:22 PM
To: 'Dennis.Pidherny@fitchratings.com'
Cc: Alan.Spen@fitchratings.com; Ralph Ashworth
Subject: RE: Press Release

Dennis/Alan,

Couple of items:

1) Sales Dominated by Smelters – not sure about the 65% and 70%. I'm getting 61% and 64% for 2012.
2) Abundant Low Cost Resources - Please confirm source of $39.07/MWh in 2011, net of credits.
3) Under Alcan Follows with Termination Notice – paragraph 3 – please remove the word 'emergency' preceding 'rate relief'. We are filing a general rate case and not an emergency rate case.
4) Under Alcan Follows with Termination Notice – paragraph 4 – add after 'with Century to ' enter into an agreement' ....to assist Century; and remove the words 'alter the terms of its agreement, and'. We are negotiating a new agreement. The existing smelter agreement terminates upon the end of the 12 month termination notice.

I'm out of the office tomorrow until around 9:30 CST and will not have access to a computer or email. I will call you as soon as I get in the office.

Thanks,
Billie

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Tuesday, February 05, 2013 3:57 PM
To: Billie Richert
Cc: Alan.Spen@fitchratings.com
Subject: Press Release

Billie,

Attached is a draft of the Fitch Press Release. Please review it for factual accuracy and to ensure that we have not ·luded any confidential information. Please provide any comments to me in writing as soon as you have had the chance review the release.

Thank you again for your assistance.

ᴊennis M. Pidherny
Managing Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
+1 (516) 659-2428 (mobile)
dennis.pidherny@fitchratings.com

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Thank you again for your assistance.

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

Billie Richert

From: Dennis.Pidherny@fitchratings.com
Sent: Tuesday, February 05, 2013 3:57 PM
ᐩ: Billie Richert
ᐩ: Alan.Spen@fitchratings.com
Subject: Press Release
Attachments: Big Rivers RAC 2-5-13.pdf

Billie,

Attached is a draft of the Fitch Press Release. Please review it for factual accuracy and to ensure that we have not included any confidential information. Please provide any comments to me in writing as soon as you have had the chance to review the release.

Thank you again for your assistance.

Dennis M. Pidherny
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dennis.pidherny@fitchratings.com

FITCH DOWNGRADES BIG RIVERS ELECTRIC CORP, KY's 2010A POLLUTION CONTROL RFDG REV BONDS TO 'BB'; OUTLOOK TO NEGATIVE

Fitch Ratings—New York-5, February 2013: Fitch Ratings has downgraded the rating on Big Rivers Electric Corporation's $83.3 million County of Ohio, KY's pollution control refunding revenue bonds series 2010A to 'BB' from 'BBB-'.

The Outlook is revised to Negative.

SECURITY

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

KEY RATING DRIVERS/SENSITIVITIES

SPECULATIVE GRADE RISK: The rating downgrade and Outlook revision reflect Fitch's view that the credit quality of Big Rivers has become increasingly speculative, following the recent decisions by Alcan Primary Products Corporation (Alcan) and Century Aluminum Co. (Century) to terminate their respective power supply agreements with Big Rivers.

SALES DOMINATED BY SMELTERS: Alcan and Century both own and operate large aluminum smelting facilities served by Big Rivers, through its largest member Kenergy Corp. Together the two facilities account for approximately 65% and 70% of Big Rivers' total energy sales and revenues, respectively.

INCREASED RELIANCE ON WHOLESALE MARKET: Long-term stability at Big Rivers is likely to become increasingly reliant on less predictable off-system sales and related margins following closure of the smelting facilities. The use of cash reserves will partially mitigate this risk, but prevailing low power prices will stress results.

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

SUBJECT TO RATE REGULATION: The electric rates charged by Big Rivers and its members are regulated by the Kentucky Public Service Commission (KPSC), which could limit the cooperative's financial flexibility and may delay the timing or amount of necessary rate increases.

LIQUIDITY SOLID BUT FINANCIAL RESULTS UNCERTAIN: Big Rivers reported cash of $113.25 million at Sept. 30, 2012, excluding restricted funds available for member rate mitigation. Funds are available to support operations and may be used to meet the cooperative's June 2013 scheduled debt maturity ($58.8 million). Longer-term financial forecasts are being developed.

WHAT COULD TRIGGER A RATING ACTION

INABILITY TO FIND ACCEPTABLE PURCHASERS: Extended overreliance on short-term power sales as a replacement for the Century and Alcan agreements to meet debt service payments.

INSUFFICIENT REGULATORY SUPPORT: Inadequate or untimely support by the KPSC would be viewed negatively.

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

CREDIT PROFILE

Big Rivers provides wholesale electric and transmission service to three electric distribution cooperatives. These distribution members provide service to a total of about 112,500 retail customers located in 22 western Kentucky counties. Kenergy Corporation, the largest of the three systems, is unique in that its electric load is dominated by two aluminum smelting facilities, owned and operated by Alcan and Century.

CENTURY AGREEMENT TERMINATED AUGUST 2012

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

On August 20, 2012, Century issued a notice to terminate its power agreement with Big Rivers and stated its intent to close its Hawesville, KY smelter. Century claimed that the smelter was not economically viable despite electric rates well below the national average.

BIG RIVERS IMPLEMENTS MITIGATION PLAN

Big Rivers began looking into alternative arrangements with other power purchasers to redeploy its excess generating capacity immediately after the Century notice, consistent with the mitigation plan previously developed by management to address the potential loss of aluminum smelter load. In addition, Big Rivers has also filed for an increase in rates with the Kentucky Public Service Commission to eliminate anticipated short-falls in revenue as a result of the loss of the Century smelting load. The filing, submitted on Jan. 15, 2013, requests an increase in total revenue of $74.5 million or 21.4%.

ALCAN FOLLOWS WITH TERMINATION NOTICE

Alcan delivered notice to Big Rivers' on Jan. 31, 2013 of its decision to terminate its power supply agreement noting, in particular, the Jan. 15, 2013 rate filing and anticipated increase in electric rates. Similar to the Century notice, Alcan stated that the planned rate increase would make the smelting facility in Robards, KY unprofitable, and that all smelting operations would be ceased at the end of the one-year notice period.

Closure of the smelting facilities has significant potential implications for Big Rivers, which has acknowledged that the termination notices are valid. Besides the impact of the loss of some 1,400 plant workers, the remaining residential and commercial customers of Big Rivers will most likely have to absorb meaningfully higher rates, with the increase reflecting the amount, pricing and contractual provisions of surplus power sold to new customers.

Big Rivers has redoubled its efforts to secure alternative power supply customers in the wake of the Alcan notice, but future firm contractual arrangements are unlikely over the near term. As a result, it is expected that Big Rivers will seek to modify its request for emergency rate relief from the KPSC to reflect the loss of the full smelter load over time.

Fitch notes that Big Rivers and Kenergy have also reportedly entered into negotiations with Century to alter the terms of its agreement, and to assist Century to access market power in order to keep the smelting operations open beyond Aug. 20, 2013. Alcan has requested a similar accommodation. Fitch expects that any such accommodation would be part of broader plan to address the operating and financial effect on Big Rivers

FUTURE FINANCIAL RESULTS UNCLEAR

Big Rivers margins are expected to remain adequate to service financial obligations through at least August 2013 since both Century and Alcan remain obligated to make all required payments to Kenergy. For the nine months ended September 30, 2012, Big Rivers reported operating revenue, earnings before interest, taxes and depreciation and net margins, that were all largely in line with budget, and the same nine month period through 2011.

Positively, Big Rivers reported cash and cash equivalents of $113.25 million at Sept. 30, 2012, excluding additional amounts held as special, restricted funds available for member rate mitigation. Big Rivers' unrestricted funds are available to support operations and may be used to meet the cooperative's June 2013 scheduled debt maturity ($58.8 million).

As time passes, however, it will be necessary for Big Rivers' to develop and implement a revised business and financial plan that captures the related regulatory decisions, contractual negotiations and anticipated revenue volatility, and for Fitch to assess the impact on the cooperative's ability to meet scheduled debt service payments.

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

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

Secondary Analyst
Dennis Pidherny
Managing Director
+1-212-908-0738

Committee Chairperson
Senior Director

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

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

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

Applicable Criteria and Related Research:
--'U.S. Public Power Rating Criteria', Dec. 18, 2012;
--'Revenue-Supported Rating Criteria', June 12, 2012.
--'Big Rivers Electric Corporation', Aug. 31, 2012.

Billie Richert

From: Dennis.Pidherny@fitchratings.com
˜ent: Tuesday, February 05, 2013 3:39 PM
: Billie Richert
ᴗc: alan.spen@fitchratings.com
Subject: Re: I'm in my office until 4:00 CST

Billie,

We are both around for the rest of the day.

Dennis M. Pidherny
Managing Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
+1 (516) 659-2428 (mobile)
dennis.pidherny@fitchratings.com

From: Billie Richert <Billie.Richert@bigrivers.com>
To: "Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)" <Dennis.Pidherny@fitchratings.com>, "alan.spen@fitchratings.com" <alan.spen@fitchratings.com>
Date: 02/05/2013 04:32 PM
Subject: I'm in my office until 4:00 CST

Dennis/Alan,
Sorry I missed your call. I left a message for Dennis. Alan, I don't seem to have your phone number. Please let me know when I may call you.

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

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

Billie Richert

From: Billie Richert
Sent: Tuesday, February 05, 2013 3:32 PM
: Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com); alan.spen@fitchratings.com
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Mobile: (270) 577-6221

Billie Richert

From: Billie Richert
~ent: Tuesday, February 05, 2013 10:27 AM
): 'Dennis.Pidherny@fitchratings.com'
~ubject: RE: Committee Today at 3 PM

Dennis,
Yes. In the meantime, let me know if you need any additional information.

Billie

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Tuesday, February 05, 2013 9:52 AM
To: Billie Richert
Cc: Alan.Spen@fitchratings.com
Subject: Committee Today at 3 PM

Billie

We have a rating committee scheduled today at 3 PM. Will you be available later today to discuss the outcome?

Thank you

Dennis M. Pidherny
Managing Director, Sector Head
Public Finance - U.S. Public Power
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Billie Richert

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: Billie Richert
~c: Alan.Spen@fitchratings.com
Subject: Committee Today at 3 PM

Billie

We have a rating committee scheduled today at 3 PM. Will you be available later today to discuss the outcome?

Thank you

Dennis M. Pidherny
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New York, NY 10004
+1 (212) 908-0738
+1 (516) 659-2428 (mobile)
dennis.pidherny@fitchratings.com

Billie Richert

From: Billie Richert
Sent: Monday, February 04, 2013 11:58 AM
): 'Dennis.Pidherny@fitchratings.com'
.c: alan.spen@fitchratings.com
Subject: RE: Rate Request
Attachments: BREC RUS Part A - 1212 Preliminary.pdf

Copy of December preliminary results.

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Monday, February 04, 2013 11:21 AM
To: Billie Richert
Subject: Rate Request

Billie,

Do you have a copy of the most recent rate request/filing related to the $74 million? I can't seem to find it on any of the relevant websites.

Dennis M. Pidherny
Managing Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
+1 (516) 659-2428 (mobile)
'nnis.pidherny@fitchratings.com

Preliminary

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART A - FINANCIAL**	BORROWER DESIGNATION KY0062 PERIOD ENDED Dec-12
INSTRUCTIONS - See help in the online application.	

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	558,372,354.13	563,385,131.72	614,725,050.00	47,925,748.49
2. Income From Leased Property (Net)	0.00	0.00	0.00	0.00
3. Other Operating Revenue and Income	3,616,877.57	4,957,104.01	4,011,500.00	361,084.00
4. **Total Operation Revenues & Patronage Capital***(1 thru 3)*	**561,989,231.70**	**568,342,235.73**	**618,736,550.00**	**48,286,832.49**
5. Operating Expense - Production - Excluding Fuel	50,410,485.54	48,054,670.68	54,962,438.00	3,943,267.47
6. Operating Expense - Production - Fuel	226,229,049.99	226,368,922.34	240,841,163.00	21,249,081.05
7. Operating Expense - Other Power Supply	112,261,892.16	111,465,356.58	126,165,163.00	8,645,660.67
8. Operating Expense - Transmission	9,183,058.45	10,118,765.89	10,722,952.00	1,034,389.25
9. Operating Expense - RTO/ISO	2,529,531.67	2,262,434.76	2,470,652.00	193,126.93
10. Operating Expense - Distribution	0.00	0.00	0.00	0.00
11. Operating Expense - Customer Accounts	0.00	297,191.47	0.00	297,191.47
12. Operating Expense - Customer Service & Information	631,534.63	886,167.75	723,774.00	255,808.72
13. Operating Expense - Sales	185,003.78	191,205.48	1,101,600.00	44,997.07
14. Operating Expense - Administrative & General	26,557,241.89	26,428,744.85	25,925,640.00	2,622,045.28
15. **Total Operation Expense** *(5 thru 14)*	**427,987,798.11**	**426,073,459.80**	**462,913,382.00**	**38,285,567.91**
16. Maintenance Expense - Production	42,896,418.40	41,169,861.77	58,889,721.00	3,284,826.73
17. Maintenance Expense - Transmission	4,680,625.01	4,607,997.64	3,933,069.00	301,844.41
18. Maintenance Expense - RTO/ISO	0.00	0.00	0.00	0.00
19. Maintenance Expense - Distribution	0.00	0.00	0.00	0.00
20. Maintenance Expense - General Plant	140,534.11	184,301.57	101,538.00	31,439.55
21. **Total Maintenance Expense** *(16 thru 20)*	**47,717,577.52**	**45,962,160.98**	**62,924,328.00**	**3,618,110.69**
22. Depreciation and Amortization Expense	35,406,805.68	41,090,390.70	41,910,892.00	3,425,585.83
23. Taxes	98,389.00	3,810.88	885.00	0.00
24. Interest on Long-Term Debt	45,715,143.94	45,032,787.47	44,647,132.00	3,798,588.59
25. Interest Charged to Construction - Credit	<548,206.00>	<766,677.00>	<678,117.00>	<44,584.00>
26. Other Interest Expense	59,249.64	147,499.02	0.00	46,672.91
27. Asset Retirement Obligations	0.00	0.00	0.00	0.00
28. Other Deductions	220,434.26	546,328.23	415,812.00	121,400.56
29. **Total Cost Of Electric Service** *(15 + 21 thru 28)*	**556,657,192.15**	**558,089,760.08**	**612,134,314.00**	**49,251,342.49**
30. **Operating Margins** *(4 less 29)*	**5,332,039.55**	**10,252,475.65**	**6,602,236.00**	**<964,510.00>**
31. Interest Income	150,516.18	963,130.32	61,860.00	213,475.84
32. Allowance For Funds Used During Construction	0.00	0.00	0.00	0.00
33. Income (Loss) from Equity Investments	0.00	0.00	0.00	0.00
34. Other Non-operating Income (Net)	9,288.48	0.00	0.00	0.00
35. Generation & Transmission Capital Credits	0.00	0.00	0.00	0.00
36. Other Capital Credits and Patronage Dividends	108,536.38	61,485.01	33,000.00	2,810.97
37. Extraordinary Items	0.00	0.00	0.00	0.00
38. **Net Patronage Capital Or Margins** *(30 thru 37)*	**5,600,380.59**	**11,277,090.98**	**6,697,096.00**	**<748,223.19>**

Preliminary

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART A - FINANCIAL**	BORROWER DESIGNATION KY0062 PERIOD ENDED Dec-12
INSTRUCTIONS - See help in the online application.	

SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	1,999,408,055.99	33. Memberships	75.00
2. Construction Work in Progress	50,813,642.99	34. Patronage Capital a. Assigned and Assignable b. Retired This year c. Retired Prior years **d. Net Patronage Capital (a-b-c)**	0.00
3. Total Utility Plant *(1 + 2)*	**2,050,221,698.98**		
4. Accum. Provision for Depreciation and Amort.	962,994,277.56		
5. Net Utility Plant *(3 - 4)*	**1,087,227,421.42**		
6. Non-Utility Property (Net)	0.00	35. Operating Margins - Prior Years	<241,898,352.19>
7. Investments in Subsidiary Companies	0.00	36. Operating Margin - Current Year	10,313,960.66
8. Invest. in Assoc. Org. - Patronage Capital	3,682,912.51	37. Non-Operating Margins	639,960,667.52
9. Invest. in Assoc. Org. - Other - General Funds	43,840,793.00	38. Other Margins and Equities	<5,494,663.80>
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	0.00	**39. Total Margins & Equities *(33 + 34d thru 38)***	**402,881,687.19**
11. Investments in Economic Development Projects	10,000.00	40. Long-Term Debt - RUS (Net)	210,359,050.37
		41. Long-Term Debt - FFB - RUS Guaranteed	0.00
12. Other Investments	5,333.85	42. Long-Term Debt - Other - RUS Guaranteed	0.00
13. Special Funds	180,633,438.55	43. Long-Term Debt - Other (Net)	634,958,421.53
14. Total Other Property And Investments *(6 thru 13)*	**228,172,477.91**	44. Long-Term Debt - RUS - Econ. Devel. (Net)	0.00
		45. Payments - Unapplied	0.00
15. Cash - General Funds	7,311.28	**46. Total Long-Term Debit *(40 thru 44-45)***	**845,317,471.90**
16. Cash - Construction Funds - Trustee	0.00	47. Obligations Under Capital Leases - Noncurrent	0.00
17. Special Deposits	598,486.43		
18. Temporary Investments	110,165,436.23	48. Accumulated Operating Provisions and Asset Retirement Obligations	21,571,186.78
19. Notes Receivable (Net)	0.00		
20. Accounts Receivable - Sales of Energy (Net)	44,758,033.34	**49. Total Other NonCurrent Liabilities *(47 +48)***	**21,571,186.78**
21. Accounts Receivable - Other (Net)	2,345,619.29	50. Notes Payable	0.00
22. Fuel Stock	34,145,612.19	51. Accounts Payable	33,012,925.09
23. Renewable Energy Credits	0.00		
24. Materials and Supplies - Other	24,957,072.86	52. Current Maturities Long-Term Debt	79,926,462.99
25. Prepayments	4,175,473.96	53. Current Maturities Long-Term Debt - Rural Development	0.00
26. Other Current and Accrued Assets	1,276,192.74		
27. Total Current And Accrued Assets *(15 thru 26)*	**222,429,238.32**	54. Current Maturities Capital Leases	0.00
		55. Taxes Accrued	967,205.68
28. Unamortized Debt Discount & Extraor. Prop. Losses	4,163,614.81	56. Interest Accrued	4,925,038.44
		57. Other Current and Accrued Liabilities	9,987,629.09
29. Regulatory Assets	704,087.08		
30. Other Deferred Debits	3,981,081.51	**58. Total Current & Accrued Liabilities *(50 thru 57)***	**128,819,261.29**
31. Accumulated Deferred Income Taxes	0.00	59. Deferred Credits	148,088,313.89
		60. Accumulated Deferred Income Taxes	0.00
32. Total Assets And Other Debits *(5+14+27 thru 31)*	1,546,677,921.05	**61. Total Liabilities and Other Credits *(39 + 46 + 49 + 58 thru 60)***	1,546,677,921.05

Billie Richert

From: Billie Richert
Sent: Monday, February 04, 2013 11:56 AM
'o: 'Dennis.Pidherny@fitchratings.com'
ubject: RE: Rate Request

http://psc.ky.gov/Home/Library?type=Cases&folder=2012 cases/2012-00535

Dennis,
The above is the link to the website and our case. It is up to 8 volumes.

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Monday, February 04, 2013 11:21 AM
To: Billie Richert
Subject: Rate Request

Billie,

Do you have a copy of the most recent rate request/filing related to the $74 million? I can't seem to find it on any of the relevant websites.

Dennis M. Pidherny
Managing Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
ew York, NY 10004
1 (212) 908-0738
+1 (516) 659-2428 (mobile)
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dennis.pidherny@fitchratings.com

Billie Richert

From: Billie Richert
Sent: Friday, February 01, 2013 12:55 PM
: 'Dennis.Pidherny@fitchratings.com'
: Alan.Spen@fitchratings.com
Subject: RE: Call on Monday

Good. I've confirmed. Speak with you then.

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Friday, February 01, 2013 11:46 AM
To: Billie Richert
Cc: Alan.Spen@fitchratings.com
Subject: RE: Call on Monday

Alan and I are both in early. Why don't we say 7:30-8:30, which is 8:30-9:30 NY time.

Thank you

Dennis M. Pidherny
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+1 (516) 659-2428 (mobile)
dennis.pidherny@fitchratings.com

From: Billie Richert <Billie.Richert@bigrivers.com>
To: "Dennis.Pidherny@fitchratings.com" <Dennis.Pidherny@fitchratings.com>
Cc: "Alan.Spen@fitchratings.com" <Alan.Spen@fitchratings.com>
Date: 02/01/2013 12:44 PM
Subject: RE: Call on Monday

I can do 7:30 to 8:30 CST on Monday or 11:30 to 1:00 CST or 4:00 – 5:00 CST.

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Friday, February 01, 2013 10:39 AM
To: Billie Richert
Cc: Alan.Spen@fitchratings.com
Subject: Call on Monday

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From: Billie Richert <Billie.Richert@bigrivers.com>
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dennis.pidherny@fitchratings.com

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Billie Richert

From: Billie Richert
Sent: Friday, February 01, 2013 11:45 AM
ɔ: 'Dennis.Pidherny@fitchratings.com'
c: Alan.Spen@fitchratings.com
Subject: RE: Call on Monday
Attachments: Alcan Termination Notice0001.pdf

Alcan notice of termination attached.

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Friday, February 01, 2013 10:39 AM
To: Billie Richert
Cc: Alan.Spen@fitchratings.com
Subject: Call on Monday

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Rio Tinto Alcan

ALCAN PRIMARY PRODUCTS CORPORATION

January 31, 2013

Mr. Gregory Starheim
President and CEO
Kenergy Corp.
Post Office Box 18
Henderson, Kentucky 42419

Mr. Mark Bailey
President and CEO
Big Rivers Electric Corporation
201 Third Street
Henderson, Kentucky 42420

Re: Retail Electric Service Agreement
NOTICE OF TERMINATION

Gentlemen:

This letter constitutes written Notice of Termination, in accordance with Section 7.3.1 of the Retail Electric Service Agreement, dated July 1, 2009 ("**Agreement**"), between Alcan Primary Products Corporation ("**APPC**"), a wholly-owned subsidiary of Alcan Corporation, and Kenergy Corp. ("**Kenergy**"). APPC is the owner and operator of the aluminum smelter located in Robards, Kentucky (the "**Sebree Smelter**").

On January 15, 2013, Big Rivers Electric Corporation ("**Big Rivers**") filed an Application with the Kentucky Public Service Commission (the "**KPSC**") for an increase in base rates (the "**Application**"). According to Big Rivers, the Application, if approved, would result in a rate increase of nearly 16%. There is already substantial doubt that the Sebree Smelter is sustainable at the current rate being charged to APPC. The increase contemplated by Application would remove all doubt whatsoever and ensure that the Sebree Smelter is unprofitable and therefore unsustainable. Under the circumstances, APPC has no choice but to furnish this Notice of Termination.

As you are aware, Section 7.3.1 of the Agreement requires the President of Alcan Corporation, the corporate parent of APPC, to represent and warrant that (i) the decision to give this Notice of Termination reflects a business judgment made in good faith to terminate and cease all aluminum smelting operations at the Sebree Smelter, and (ii) it has no current intention of re-commencing smelting operations at the Sebree Smelter. Under the present

circumstances, Mr. Timothy Guerra, the President of Alcan Corporation, makes those representations and warranties in the Certificate attached hereto.

I am advised that, notwithstanding the notice of Century Aluminum of Kentucky ("**Century**") on August 20, 2012 to terminate its Retail Electric Service Agreement, dated July 1, 2009, Big Rivers and Kenergy have entered into negotiations with Century to waive the obligations of Section 7.3.1 of the Agreement and to otherwise assist Century to access market power in order to keep Century's Hawesville, Kentucky smelter open beyond August 20, 2013. Big Rivers and Kenergy have consistently and routinely indicated that they would keep the Sebree Smelter and Century's Hawesville smelter on equal footing in terms of their respective agreements. Therefore, in the event APPC decides in the future that market power might be an option to keep the Sebree Smelter operational, APPC would expect the same accommodations from Big Rivers and Kenergy on terms no less favorable than those offered to Century.

APPC appreciates the recent efforts of Big Rivers in offering proposals that would restructure the rate formula and other basic terms and conditions of the Agreement. While we are not in agreement at the present time, we welcome continuation of those discussions during the pendency of the rate case in hopes of reaching a mutually acceptable accord. We believe that further discussions would not be inconsistent with this Notice of Termination and indeed are appropriate in order to find ways to retain the jobs and preserve the economic benefits of those jobs for the Commonwealth of Kentucky.

Should you have any questions about this Notice of Termination, please do not hesitate to contact me or any of my colleagues listed below.

ALCAN PRIMARY PRODUCTS CORPORATION

By: Jack Miller

Jack Miller
President

cc: Mr. Serge Gosselin
Mr. Donald P. Seberger

ALCAN CORPORATION
8770 West Bryn Mawr Avenue
Chicago, Illinois 60631

Office of the President

CERTIFICATE

The undersigned, Timothy Guerra, a resident of the State of Illinois, hereby represents and warrants that:

1. He is the duly elected President of Alcan Corporation, a Texas corporation (the "**Company**");

2. The Company is the owner of 100% of the issued and outstanding stock of Alcan Primary Products Corporation, a Texas corporation ("**APPC**"). APPC is the owner and operator of the aluminum smelter located in Robards, Kentucky (the "**Sebree Smelter**").

3. By letter dated and delivered concurrently herewith, APPC has furnished written Notice of Termination in accordance with Section 7.3.1 of the Retail Electric Service Agreement, dated July 1, 2009 ("**Agreement**"), between APPC and Kenergy Corp. (the "**Notice of Termination**").

4. The decision to furnish the Notice of Termination reflects APPC's and the Company's business judgment made in good faith to terminate and cease all aluminum smelting operations at the Sebree Smelter and that they have no current intention of recommencing operations at that location.

Dated as of the 31st day of January, 2013.

By: ______________________
Timothy Guerra
President
ALCAN CORPORATION

Billie Richert

From: Billie Richert
Sent: Friday, February 01, 2013 11:45 AM
To: 'Dennis.Pidherny@fitchratings.com'
Cc: Alan.Spen@fitchratings.com
Subject: RE: Call on Monday

I can do 7:30 to 8:30 CST on Monday or 11:30 to 1:00 CST or 4:00 – 5:00 CST.

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Friday, February 01, 2013 10:39 AM
To: Billie Richert
Cc: Alan.Spen@fitchratings.com
Subject: Call on Monday

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+1 (516) 659-2428 (mobile)
dennis.pidherny@fitchratings.com

Billie Richert

From: Bodek, David <david_bodek@standardandpoors.com>
Sent: Monday, February 04, 2013 3:00 PM
ɔ: Billie Richert
ˏubject: S&P Rating Report Attached
Attachments: S&P Rating Report - Big Rivers Electric - Downgraded 20130204.pdf

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

SAVE THE DATE!!!
Tuesday, May 7, 2013
S&P's Electric Cooperative and Public Power Hot Topics Conference
1221 Avenue of the Americas – 2nd Floor Auditorium
New York, New York
For more information, click on the link below:
http://now.eloqua.com/es.asp?s=302554905&e=87706&elq=dd80381d9a924dd4a79d02fa7bb6c4b4

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

Primary Credit Analyst:
David N Bodek, New York (1) 212-438-1000; david_bodek@standardandpoors.com

Secondary Contact:
Jeffrey M Panger, New York (1) 212-438-1000; jeff_panger@standardandpoors.com

Table Of Contents

Summary:

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

Credit Profile		
Big Rivers Electric Corp. ICR		
Long Term Rating	BB-/Negative	Downgraded
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	BB-/Negative	Downgraded

Rationale

Standard & Poor's Ratings Services has lowered to 'BB-' from 'BBB-' its rating on Big Rivers Electric Corp., Ky., (BREC) and Ohio County, Ky.'s $83.3 million pollution control refunding revenue bonds, series 2010A (Big Rivers Electric Corp. Project) issued for Big Rivers' benefit. The outlook is negative.

The downgrade reflects our assessments of the issuer's obligations' heightened vulnerability to nonpayment after the following developments that we view as eroding the strength and stability of the utility's revenue stream:

- In August 2012, BREC's leading customer issued a 12-month notice to terminate its contract. The notice covers Century Aluminum Co.'s Hawesville, Ky., smelter. During the 12 months, Century is required to pay a base energy charge that covers its share of Big Rivers' fixed and variable costs. If it does not operate the plant during the notice period, it must still pay its share of fixed costs. The utility has accepted the termination notice. Century accounted for 36% of BREC's 2012 operating revenues.
- After the utility filed a rate case with the Kentucky Public Service Commission (KPSC) Jan. 15, 2013, and requested rate relief that would, among other things, reallocate costs borne by Century to its remaining customers, a second smelter, Rio Tinto Alcan Inc. (Alcan), issued a 12-month notice to terminate its power contract with BREC. Alcan's Jan. 31, is effective January 2014. The notice covers the company's Sebree smelter, which accounted for 28% of BREC's 2012 operating revenues. BREC's rate filing proposed raising Alcan's rates 16%.
- We believe that losing these two loads will deprive the utility of the substantial anchors that have supported much of its fixed costs. Moreover, we view the extent to which the KPSC will approve reallocating costs to remaining customers as uncertain.
- We believe it might be too onerous for remaining customers to assume the fixed costs that the smelters have historically borne, particularly because many of the counties that BREC serves have income levels that are 20%-30% below the national median household effective buying income.
- If BREC looks to competitive market sales to mitigate load losses, it is our view that sales in competitive wholesale markets could expose the utility to substantial price and volume uncertainty, which is inconsistent with sound credit quality. Moreover, BREC depends almost exclusively on coal units, which also could constrain market sales opportunities. Coal has accounted for close to 90% of its power sales and its coal units are not as economical as competing natural gas-fired resources that are benefiting from the fuel's low prices.

- Although the utility has about $60 million of unexpended bond proceeds available to retire its $58.5 million of pollution control bonds that are maturing in June, an eroding customer base might frustrate access to capital markets to replenish those funds. The utility reports the speculative grade rating will not lead to an acceleration of obligations outstanding.
- Big Rivers reports it deferred maintenance in 2012 to control expenses. Although it does not plan to defer maintenance in 2013, it is revisiting its capital program pending more certainty as to the timing and extent of rate relief.

Henderson, Ky.-based Big Rivers is a generation and transmission cooperative that produces and procures electricity for sale to three distribution cooperative members and their 112,900 retail customers. One member, Kenergy Corp., serves the two smelters. In 2011, Kenergy's 9.4 million megawatt-hour (MWh) sales were 8x greater than the sum of the other two members' MWh sales. About 86% of Kenergy's 2011 MWh sales were to industrial customers. Nearly three-quarters of its sales were to the two smelters. They accounted for more than 70% of Kenergy's operating revenues. BREC's other member distribution cooperatives--Jackson Purchase Energy and Meade County Rural Electric Cooperative--principally serve residential customers.

The smelters entered take-or-pay power contracts with Kenergy. However, the contracts allow the smelters to terminate their obligations to the distribution utility and BREC without penalty if they provide one-year's notice and cease operations.

Because the KPSC must approve requests for rate adjustments, the utility and its member distribution cooperatives are distinguishable from many other cooperative utilities that have autonomous ratemaking authority. The KPSC also regulates BREC's members' rates.

The utility is evaluating idling power plants as part of its response to losing loads. Closing plants could reduce costs, reduce market exposure and mitigate the financial impact on remaining customers. Big Rivers might also temper the burdens of cost reallocation if it can remarket some or all of the generation output that had been sold to the smelters. However, market or contract demand and prices would need to be sufficient to recoup the smelters' share of costs. We believe that market sales could transform the utility into a principally merchant generator that faces the risks inherent in being subject to market demand and prices.

BREC sells electricity to the smelters under contracts at prices that are about 30% above the 3.3 cents it earned from sales of surplus energy in wholesale markets in 2011. It sold 3 million MWh of surplus wholesale power into the market for $100.4 million in 2011.

Big Rivers' concentration in coal resources also expose the utility to potentially higher production costs as Environmental Protection Agency (EPA) regulation of power plant emissions progresses. A recent appellate decision that vacated the EPA's Cross-State Air Pollution rule could provide the utility with at least a temporary reprieve from emissions-related capital spending while the EPA revisits its rules.

The utility reported $794 million of debt as of June 30, 2012. Debt consisted of Rural Utilities Service loans and the Ohio County bonds. Big Rivers closed a $537 million loan with CoBank ACB and National Rural Utilities Cooperative Finance Corp. in July. In addition to replenishing $35 million of transition reserve funds, proceeds restructured a portion of the utility's RUS borrowing to eliminate some of the spikes in debt service requirements.

Case No. 2012-00492
Attachment for Response to KIUC 2-1
Witness: Billie J. Richert
Page 34 of 167

The debt portfolio exhibits uneven amortization. BREC repaid $14.2 million of principal in 2010. In 2011, it was required to repay $7.3 million of principal, but also used $35.0 million of transition reserve money to accelerate principal reduction. The utility replenished the transition reserve in 2012 with proceeds of July's borrowing from CoBank and National Rural Utilities. Loan proceeds also facilitated debt restructuring that reduced 2012's $72.1 million scheduled maturity to $12.1 million, with the remaining $60 million to be amortized later. However, 2013's maturity remains at $79.3 million, and that will likely need to be restructured. The utility forecasts about $22 million of 2014 and 2015 principal payments.

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

Debt service coverage of 1.45x in 2010 and 1.65x in 2011 was strong for a cooperative utility, in our opinion. We believe strong excess coverage margins provide a cushion against the potential for revenue stream variability.

The strength of 2011's coverage ratio partially reflects the year's very low scheduled principal payment of $7.3 million. We calculated the ratio using scheduled debt service in the denominator, compared to the $46 million of principal the utility elected to repay.

The utility maintains $152.6 million of reserves that it uses for rate stabilization to reduce rates. Because it already projects depleting these reserves by the first quarter of 2018 under a steady-state scenario, we do not view these reserves as adding value under a scenario in which the smelters close.

Outlook

The negative outlook reflects our view that the largest customers' termination notices could degrade BREC's financial performance and credit quality during our one-year outlook horizon. We believe there is significant uncertainty vis-à-vis the extent and timeliness of rate relief, particularly as substantial blocks of fixed costs need to be reallocated. We will monitor the progress of the rate case to assess whether further rating action is appropriate. We believe the customers' notice could expose the utility to the vicissitudes of merchant markets and creates the potential for substantial cost shifting to remaining customers, who might resist such efforts or find that reallocated costs are too onerous to absorb. If these risks, whether in isolation or combination, weaken BREC's business risk profile and erode financial metrics, including the strong debt service coverage that compensated for business risks in recent years, we could further lower the ratings. We do not expect to raise the ratings during our outlook period.

Related Criteria And Research

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

Temporary telephone contact information: David Bodek (917-992-6466); Jeffrey Panger (646-369-4067).

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Billie Richert

From: Billie Richert
Sent: Monday, February 04, 2013 11:46 AM
): 'Bodek, David'
,ubject: RE: I need to schedule a call with you this morning, please let me know when you are available and I will call you.

David,
Are you available to speak?

Billie

From: Bodek, David [mailto:david_bodek@standardandpoors.com]
Sent: Monday, February 04, 2013 9:08 AM
To: Billie Richert
Subject: I need to schedule a call with you this morning, please let me know when you are available and I will call you.
Importance: High

David Bodek
Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
'avid_bodek@standardandpoors.com

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Tuesday, May 7, 2013
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http://now.eloqua.com/es.asp?s=302554905&e=87706&elq=dd80381d9a924dd4a79d02fa7bb6c4b4

Billie Richert

From:	Bodek, David <david_bodek@standardandpoors.com>
~ent:	Monday, February 04, 2013 10:05 AM
:	Billie Richert
ubject:	S&P Confidential Draft Rating Report Attached
Attachments:	Sent to Big Rivers 20130104.doc
Importance:	High

"Standard & Poor's Ratings Services is sending you this draft so that you can call our attention to any factual errors or the inadvertent inclusion of confidential information in the draft. If you have any questions or comments on the analysis that are not factual in nature, we ask that you discuss these matters with us. We will use our sole discretion in making editorial changes to the document, which represents our independent opinion. We will finalize and release our report after a period of up to two business hours from the time we have sent this email regardless of whether we have received a reply. The report will supersede the information in the draft***; the information in the draft is confidential and remains confidential after the issuance of a report and should not be disclosed or released at any time before or after the report is published.***"

Big Rivers Electric Corp., Kentucky
Ohio County

Rationale

Standard & Poor's Ratings Services has lowered to 'BB-' from 'BBB-' its rating on **Big Rivers Electric Corp.**, Ky., (BREC) and Big Rivers Electric Corp. **Ohio County**, Ky.'s $83.3 million pollution control refunding revenue bonds, series 2010A (Big Rivers Electric Corp. Project) issued for Big Rivers' benefit. The outlook is negative

The lower rating and negative outlook reflects our assessments of the issuer's obligations' heightened vulnerability to nonpayment after the following developments that we view as eroding the strength and stability of the utility's revenue stream:

- In August 2012, BREC's leading customer issued a 12-month notice to terminate its BREC power contract. The notice covers Century Aluminum Co.'s (B/Stable/--) Hawesville, Ky., smelter. During the 12 months, Century is required to pay a base energy charge that covers its share of Big Rivers' fixed and variable costs. If it does not operate the plant during the notice period, it must still pay its share of fixed costs. BREC has accepted the termination notice. Century accounted for 36% of BREC's 2012 operating revenues.
- After BREC filed a rate case with the Kentucky Public Service Commission (KPSC) on January 15, 2013, and requested rate relief that would, among other things, reallocate costs borne by Century to its remaining customers, a second smelter, Rio Tinto Alcan Inc. (Alcan; A-/Stable/A-2), issued a 12-month notice to terminate its power contract with BREC. Alcan's January 31, is effective January 2014. The notice covers Alcan's Sebree smelter, which accounted for 28% of BREC's 2012 operating revenues. BREC's rate filing proposed raising Alcan's rates 16%.
- We believe that losing these two loads will deprive BREC of the substantial anchors that have supported much of its fixed costs. Moreover, we view the extent to which the KPSC will approve reallocating costs to remaining customers as uncertain.
- We believe it might be too onerous for remaining customers to assume the fixed costs that the smelters have historically borne, particularly because many of the counties that BREC serves have income levels that are 20%-30% below the national median household effective buying income.
- If BREC looks to competitive market sales to mitigate load losses, it is our view that sales of surplus power in competitive wholesale markets could expose the utility to substantial price and volume uncertainty, which is inconsistent with sound credit quality. Moreover, BREC depends almost exclusively on coal units, which also could constrain market sales opportunities. Coal has accounted for close to 90% of its power sales and its coal units are not as economical as competing natural gas-fired resources that are benefitting from the fuel's low prices.
- Although BREC has about $60 million of unexpended bond proceeds available to retire its $58.5 million of pollution control bonds that are maturing in June, an eroding customer base might frustrate access to capital markets to replenish those funds. The utility reports its speculative grade rating will not lead to an acceleration of outstanding obligations.

- Big Rivers reports that pending receiving rate relief, it is deferring maintenance to control expenses. Depending on the tenor of the deferrals, they might have operational implications.

Henderson, Ky.-based Big Rivers is a generation and transmission cooperative that produces and procures electricity for sale to three distribution cooperative members and their 112,900 retail customers. One member, Kenergy Corp., serves the two smelters. In 2011, Kenergy's 9.4 million MWh sales were 8x greater than the sum of the other two members' MWh sales. About 86% of Kenergy's 2011 MWh sales were to industrial customers. Nearly three-quarters of its sales were to the two smelters. They accounted for more than 70% of Kenergy's operating revenues. BREC's other member distribution cooperatives--Jackson Purchase Energy and Meade County Rural Electric Cooperative--principally serve residential customers.

The smelters entered into take-or-pay power contracts with Kenergy. However, the contracts allow the smelters to terminate their obligations to the distribution utility and BREC without penalty if they provide one-year's notice and cease operations.

Because the KPSC must approve requests for rate adjustments, the utility and its member distribution cooperatives are distinguishable from many other cooperative utilities that have autonomous ratemaking authority. BREC's members' rates are also regulated by the KPSC.

BREC is evaluating idling power plants as part of its response to losing loads. Closing plants could reduce costs, reduce market exposure and mitigate the financial impact on remaining customers. The utility might also temper the burdens of cost reallocation if it can remarket some or all of the generation output that had been sold to the smelters. However, market or contract demand and prices would need to be sufficient to recoup the smelters' share of costs. We believe that market sales could transform the utility into a principally merchant generator that faces the risks inherent in being subject to market demand and prices.

BREC sells electricity to the smelters under contracts at prices that are about 30% above the 3.3 cents it earned from sales of surplus energy in wholesale markets in 2011. It sold 3 million MWh of surplus wholesale power into the market for $100.4 million in 2011.

BREC's concentration in coal resources also expose the utility to potentially higher production costs as Environmental Protection Agency (EPA) regulation of power plant emissions progresses. A recent appellate decision that vacated the EPA's Cross-State Air Pollution rule could provide the utility with at least a temporary reprieve from emissions-related capital spending while the EPA revisits its rules.

The utility reported $794 million of debt as of June 30, 2012. Debt consisted of Rural Utilities Service loans and the Ohio County bonds. Big Rivers closed a $537 million loan with CoBank ACB and National Rural Utilities Cooperative Finance Corp. in July. In addition to replenishing $35 million of transition reserve funds, proceeds restructured a portion of the utility's RUS borrowing to eliminate some of the spikes in debt service requirements.

The debt portfolio exhibits uneven amortization. BREC repaid $14.2 million of principal in 2010. In 2011, it was required to repay $7.3 million of principal, but also used $35 million of transition reserve monies to accelerate principal reduction. The utility replenished the transition reserve in 2012 with proceeds of July's borrowing from CoBank and National Rural Utilities. Loan proceeds also facilitated debt restructuring that reduced 2012's $72.1 million scheduled maturity to $12.1 million, with the remaining $60 million to be amortized in later years. However, 2013's maturity remains at $79.3 million, and that will likely need to be restructured. The utility forecasts about $22 million of 2014 and 2015 principal payments.

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

Debt service coverage of 1.45x in 2010 and 1.65x in 2011 was strong for a cooperative utility, in our opinion. We believe strong excess coverage margins provide a cushion against the potential for revenue stream variability.

The strength of 2011's coverage ratio partially reflects the year's very low scheduled principal payment of $7.3 million. We calculated the ratio using scheduled debt service in the denominator, compared to the $46 million of principal the utility elected to repay.

The utility maintains $152.6 million of reserves that it uses for rate stabilization to reduce rates. Because it already projects depleting these reserves by the first quarter of 2018 under a steady-state scenario, we do not view these reserves as adding value under a scenario in which the smelters close.

Outlook

The negative outlook reflects our view that the largest customers' termination notices could degrade BREC's financial performance and credit quality during our two-year outlook horizon. We believe there is significant uncertainty vis-à-vis the extent and timeliness of rate relief, particularly as substantial blocks of fixed costs need to be reallocated. We will monitor the progress of the rate case to assess whether further rating action is appropriate. We believe the customers' notice could expose the utility to the vicissitudes of merchant markets and creates the potential for substantial cost shifting to remaining customers, who might resist such efforts or find that reallocated costs are too onerous to absorb. If these risks, whether in isolation or combination, weaken BREC's business risk profile and erode financial metrics, including the strong debt service coverage that compensated for business risks in recent years, we could further lower the ratings. We do not expect to raise the ratings during our outlook period.

Related Criteria And Research

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

Billie Richert

From: Billie Richert
Sent: Monday, February 04, 2013 9:13 AM
): 'Bodek, David'
.ıbject: RE: I need to schedule a call with you this morning, please let me know when you are available and I will call you.

I'm available now. 270-844-6190.

From: Bodek, David [mailto:david_bodek@standardandpoors.com]
Sent: Monday, February 04, 2013 9:08 AM
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Subject: I need to schedule a call with you this morning, please let me know when you are available and I will call you.
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From: Billie Richert
Sent: Friday, February 01, 2013 3:50 PM
`o: 'Bodek, David'
ubject: RE: Are you available for a call?

Under RUS loan, if we fail to have two investment grade ratings, we must implement a corrective plan satisfactory to RUS or it is an Event of Default. Lockbox arrangement may be imposed by RUS. Under CoBank Revolver, higher interest rates are assessed but we have no outstanding borrowings under CoBank's revolver.

From: Bodek, David [mailto:david_bodek@standardandpoors.com]
Sent: Friday, February 01, 2013 2:12 PM
To: Billie Richert
Subject: RE: Are you available for a call?

What if the rating falls below investment grade, do any financial obligations accelerate?

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From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Friday, February 01, 2013 2:56 PM
To: Bodek, David
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David,

The receipt of notification from Alcan does not result in any acceleration of debt.

Billie

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Triggers for acceleration for CFC can be a remedy upon **the termination** of a smelter wholesale agreement. There are no draws on CoBank.

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Attachments: Alcan Termination Notice0001.pdf

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55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

SAVE THE DATE!!!
Tuesday, May 7, 2013
S&P's Electric Cooperative and Public Power Hot Topics Conference
1221 Avenue of the Americas – 2nd Floor Auditorium
New York, New York
For more information, click on the link below:
http://now.eloqua.com/es.asp?s=302554905&e=87706&elq=dd80381d9a924dd4a79d02fa7bb6c4b4

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Friday, February 01, 2013 9:04 AM
To: Bodek, David
Subject: Are you available for a call?

David,
I need to speak with you. Do you have time for a call?

Thanks,
Billie

Billie Richert

From: Bodek, David <david_bodek@standardandpoors.com>
Sent: Friday, February 01, 2013 9:36 AM
To: Billie Richert
Subject: RE: Are you available for a call?

Yes. I will call you.

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Sent: Friday, February 01, 2013 10:35 AM
To: Bodek, David
Subject: RE: Are you available for a call?

Can we speak 10:45 your time; in about 15 minutes?

Thanks.

From: Bodek, David [mailto:david_bodek@standardandpoors.com]
Sent: Friday, February 01, 2013 8:22 AM
To: Billie Richert
Subject: RE: Are you available for a call?

I tried calling you, but reached your voice mail. When are you available to speak?

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Billie Richert

From: Billie Richert
Sent: Tuesday, January 22, 2013 3:15 PM
: 'Bodek, David'
bject: RE: Friday call

David,
One more thing I wanted to mention is that we have also filed a financing case for our 1983 Pollution Control Bonds which are due June 1, 2013 for $58.8 million. We are pursuing various options but until the rate case is finalized and there is more certainty we may not go to market (to refund the bonds) as we originally intended, but instead pay off the bonds on June 1. I'll keep you posted on this activity as well.

Billie

From: Bodek, David [mailto:david_bodek@standardandpoors.com]
Sent: Tuesday, January 22, 2013 10:48 AM
To: Billie Richert
Subject: RE: Friday call

Can we speak at 2:30 Eastern? If so, I will call you.

David Bodek
Director
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New York, NY 10041
212 438 7969
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david_bodek@standardandpoors.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Tuesday, January 22, 2013 11:41 AM
To: Bodek, David
Subject: RE: Friday call

David,
What time works for you today?

Thanks,
Billie

From: Bodek, David [mailto:david_bodek@standardandpoors.com]
Sent: Monday, January 21, 2013 10:26 AM
To: Billie Richert
Subject: RE: Friday call

I'm sorry you are not well. I hope that you have a speedy recovery. We can speak tomorrow.

David Bodek
Director

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From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Monday, January 21, 2013 8:35 AM
To: Bodek, David
Subject: Friday call

David,
I've been ill and out of the office. I will return your call later this afternoon when I get in.
Billie

Sent via the Samsung Galaxy S™III, an AT&T 4G LTE smartphone

Billie Richert

From: Billie Richert
Sent: Tuesday, January 22, 2013 10:49 AM
'Bodek, David'
Subject: RE: Friday call

Yes. That works. Speak with you then.

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Billie Richert

From: Billie Richert
~ent: Thursday, February 07, 2013 5:14 PM
: 'Rose, Kevin'
_ubject: RE: Credit Opinion Published

Thanks.

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Thursday, February 07, 2013 4:50 PM
To: Billie Richert
Subject: Credit Opinion Published

Billie:

Attached for your files is the research we published earlier today.

Regards,

Kevin

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
'2.298.6466 fax
_vin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
ʾnt: Thursday, February 07, 2013 4:50 PM
: Billie Richert
ᴗubject: Credit Opinion Published
Attachments: Big Rivers Credit Opinion Feb 7 2013.pdf

Billie:

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Regards,

Kevin

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INVESTORS SERVICE

Issuer Comment: Big Rivers Electric Corporation -- Credit Opinion

Global Credit Research - 07 Feb 2013

Rating Drivers

» Increased need for rate increases and dependence on off-system sales following contract termination notices from two aluminum smelters

» Rates subject to regulation by the Kentucky Public Service Commission (KPSC)

» Revenues from electricity sold under long-term wholesale power contracts with member owners

» Ownership of generally competitive coal-fired generation plants; pursuing environmental compliance plan approved by regulators; environmental cost surcharge in place

Corporate Profile

Big Rivers Electric Corporation (Big Rivers) is an electric generation and transmission cooperative (G&T) headquartered in Henderson, Kentucky and owned by its three member system distribution cooperatives-- Jackson Purchase Energy Corporation; Kenergy Corp; and Meade County Rural Electric Cooperative Corporation. These member system cooperatives provide retail electric power and energy to about 113,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

Recent Events

Effective February 6, 2013 we downgraded the senior secured rating of $83.3 million of County of Ohio, Kentucky (the county) Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) to Ba1 from Baa2 and the rating remains under review for downgrade. The rating action primarily reflects significantly increased financial and operating risks for Big Rivers due to the January 31, 2013 announcement by Alcan Corporation that its subsidiary, Alcan Primary Products Corporation (Alcan) issued a 12-month notice to terminate its power contract with BREC. This announcement came on the heels of the August 20, 2012 announcement by Century Aluminum Company that its subsidiary, Century Aluminum of Kentucky (Century) issued a 12-month notice to terminate its power contract with Big Rivers for its Hawesville, Kentucky smelter. See press release of February 6, 2013 posted to moodys.com for further details relating to this action.

Rating Rationale

The Ba1 senior secured rating considers credit risk related to the fact that Big Rivers' largest member owner, Kenergy Corp., makes a high concentration of its sales to two aluminum smelters (Century and Alcan), both of whom face credit challenges due to the significant volatility in both metal prices and demand. In addition, these smelters have served notice of intent to terminate their respective power purchase arrangements with Big Rivers, consistent with requirements for a one-year notice period and meeting other conditions to do so. Big Rivers' rating is further constrained because its rates are regulated by the KPSC, which is atypical for the G&T coop sector. Big Rivers' credit profile also reflects the financial benefits of several steps it took 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.

Detailed Rating Considerations

High Smelter Load Concentration; Credit Challenge Tied to Anticipated Loss Of Smelter Load

Under historical operating conditions, the two smelters served by Kenergy have been consuming approximately 7 million MWh of energy annually, representing a substantial load concentration risk (e.g. about two-thirds of member energy load and close to 60% of member revenues for Big Rivers in 2011). This risk is a significant constraint to Big Rivers' rating, making its financial and operating risk profile unique compared to peers. This risk was magnified in August 2012 and most recently in January 2013 when each of the two smelters (Century and Alcan), gave notice to terminate the power purchase contract with Big Rivers. Under the terms of the contract, termination of the contract requires the terminating party to give notice to Big Rivers of their decision twelve months prior to the planned termination date. During the twelve month period, each of the terminating parties (Century and Alcan, in this case) must continue to make payments to Big Rivers over the 12 month period. Under the Century contract, the 12 month period ends in August 2013 while the 12 month period ends in January 2014 under the Alcan contract. Although Century and Alcan are required to pay base energy charges as defined in their respective agreements with Big Rivers) for power (482 MW and 368 MW, respectively, at 98% capacity factor) during the 12-month notice periods, neither one is required to continue operating their smelter plants.

Following this development, Big Rivers is evaluating a number of options to mitigate the substantial loss in smelter load. While challenges exist for the cooperative to implement some of the mitigation strategies, the near completion of several of Big Rivers' multiple transmission capacity upgrade projects undertaken in recent years will enhance Big Rivers' ability to sell electric output in the wholesale market. To that end, Big Rivers became a transmission owning member of the Midwest Independent Transmission System Operator (MISO) in December 2010. As a result, Big Rivers has enhanced its reliability and transmission capability helping to ensure compliance with mandated emergency reserve requirements established by regulators. Also, these steps along with legislation that permits sales to non-members provide additional flexibility for Big Rivers to move excess power off system following termination notices from Century and Alcan.

Improved Balance Sheet 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 and Western Kentucky Energy Corp. At the same time, Big Rivers terminated other agreements and entered into various new arrangements whereby it has been selling to Kenergy 850 MW in aggregate for resale to the two aluminum smelters. This arrangement represents a concentration of load risk for Big Rivers, which is now exacerbated by the contract termination notices served by the two aluminum smelters. Still, there were key credit positives resulting from consummation of all the unwind transactions as follows: elimination of Big Rivers' deficit net worth, with equity of $379.4 million at December 31, 2009, which increased to $389.8 million as of December 31, 2011 compared to a negative $155 million at 12/31/2008, and partial utilization of the $505.4 million in cash payments received from E.ON to repay about $140.2 million of debt owed to the Rural Utilities Service (RUS) and to establish $252.9 million of reserves. The reserves were comprised of: a $157 million Economic Reserve for future environmental and fuel cost increases; a $35 million Transition Reserve to mitigate potential costs if the smelters decide to terminate their agreements or otherwise curtail their load due to reduced aluminum production; and a $60.9 million Rural Economic Reserve, which would be used over two years to provide credits to rural customers upon full utilization of the Economic Reserve.

Under a contract times interest earned ratio (TIER) arrangement with the two smelters, Rivers targets a minimum TIER of 1.24 times, which is above the level required under its financial covenants. Under current market conditions and given contract termination notices from the two aluminum smelters, Big Rivers has filed for rate relief as it anticipates that the TIER will otherwise drop below the 1.24 times target should the contracts with Century and Alcan be terminated.

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

Big Rivers owns generating capacity of about 1,444 megawatts (MW) in four substantially coal-fired plants. Total power capacity is about 1,824 MW, including rights to about 197 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 reasonable competitive advantage in the Southeast and even more so when compared to other regions around the country. The consistently high capacity factors and efficient operations of the assets results in average system wholesale rates to members around 4.7 cents per kWh (including the beneficial effects of the member rate stability mechanism). This compares to the average wholesale rate of 4.4 cents per kWh to serve the two smelter loads in 2011.

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

Regulatory Risk Exists; However, Offsets Are Present

Big Rivers is subject to regulation for rate setting purposes by the KPSC, which is atypical for the sector and can pose challenges in getting timely rate relief if and when needed. We view the existence of certain fuel and purchased power cost adjustment mechanisms available to Big Rivers as favorable to its credit profile since they can temper risk of cost recovery shortfalls if there is a mismatch relative to existing rate levels. Big Rivers received KPSC approval for a $26.7 million (6.17%) base rate increase effective November 17, 2011. We consider this a reasonably good outcome versus the approximate $30 million rate increase that was requested. The net effects of various appeals in this case decision resulted in the Kentucky PSC largely reaffirming its decision in January 2013; importantly, some corrections to calculations resulted in an approximately $1 million increase to the previously approved revenue amount. The rate increase is intended to bolster wholesale margins, address increased depreciation costs, administrative costs tied to joining the MISO, and maintenance costs incurred during generation plant outages.

Following this rate case outcome, Big Rivers filed a rate case with the KPSC on January 15, 2013, seeking approval for a $74.5 million rate increase. While the substantial majority of this sizable request is due to impending load loss when Century's notice period expires, additional amounts would make up for declining margins from off system sales and other cost pressures. The actual percentage rate impact would vary by customer class and we note the availability of funds in the economic and rural economic reserve accounts that can be used to offset the significant impact for the non-smelter customer classes through credits to the fuel adjustment clause and the environmental surcharge. Since filing its rate case in January, Big Rivers has responded to additional data requests from the KPSC and is requesting that new rates become effective August 20, 2013. If the case is not decided by then, Big Rivers would be permitted under state statutes to implement the rate increase, subject to refund, pending a final KPSC decision in the rate case. Given the recent contract termination notice from Alcan, we expect that Big Rivers will file another rate case later this year for rate increases to take effect by January 31, 2014.

Wholesale Power Contracts Support Big Rivers' Credit Profile

The revenues derived under Big Rivers' long-term wholesale contracts with its members for sales to non-smelter customers will continue as the contracts were extended by an additional 20 years to December 31, 2043 when the unwind of transactions were completed in 2009. From a historical perspective, the relatively low cost power provided under the contracts mitigated the credit risk that would typically stem from member disenchantment. However, we believe going forward the pending rate case filed in January and another case likely to follow raise the specter for member unrest as the level of requested increases is quite substantial in the January filing alone. The currently overall sound member profile helps provide a degree of assurance of this revenue stream, which is integral to servicing Big Rivers' debt.

Liquidity

Big Rivers supplements its internally generated funds with $100 million of unsecured committed revolver capacity, with National Rural Utilities Cooperative Finance Corporation (NRUCFC) and CoBank providing $50 million each. The NRUCFC and CoBank facilities expire on July 16, 2014 and July 27, 2017, respectively. The $50 million NRUCFC facility provides for issuance of up to $10 million of letters of credit. As of September 30, 2012 Big Rivers had approximately $113 million of cash and temporary investments and it had about $45 million of unused capacity available under the NRUCFC facility. The NRUCFC facility has a condition that precludes use of the facility upon termination of a contract with either of the smelters, so Big Rivers is negotiating amendment and extension of this facility ahead of August 20, 2013, to ensure it maintains access to the facility. The CoBank facility has a condition that precludes use of the facility when termination notice is provided, so Big Rivers plans to address this through negotiation of an amendment to re-establish access. Some of the cash on hand will be used to repay the impending $58.8 million tax-exempt debt maturity due June 1, 2013. We anticipate that Big Rivers will internally fund its maintenance capex and management indicates that there may be some flexibility in that budget; however, we understand that the cooperative is arranging funding for environmental related capex, which is currently estimated to be about $60 million during 2013-2014. Beyond the June 2013 maturity, long-term debt maturities are very modest amortizations of existing debt around $21 million to be paid in quarterly installments.

The quality of the alternate liquidity provided by the bank revolvers benefits from the multi-year tenors and the absence of any onerous financial covenants, which largely mirror the financial covenants in existing debt documents. Big Rivers is in compliance with those covenants. Additionally, the NRUCFC facility benefits from no ongoing material adverse change (MAC) clause; however, the CoBank facility is considered of lesser quality because of the ongoing nature of its MAC clause related to each drawdown and as noted above is currently unavailable given the contract termination notices served. 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. We understand that Big Rivers will pursue steps to amend and extend existing bank credit facilities to shore up liquidity as it copes with credit challenges going forward.

Structural Considerations

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

Rating Outlook

The rating is under review for downgrade as we assess the financial and operating effects and what mitigating strategies Big Rivers will pursue following contract termination notices from the two aluminum smelters.

What Could Change the Rating - Up

In light of the rating review for possible downgrade and the uncertainty at Big Rivers that persists following the announcements by Century and Rio Tinto, the rating is not likely to be upgraded or stabilized in the near term.

What Could Change the Rating - Down

Several factors are likely to cause us to further lower Big Rivers' rating including our assessment of the likelihood of success in implementing the numerous mitigation strategies on the drawing board. Of particular interest to the rating review is the degree to which Big Rivers' future financial results will depend upon the margins from the unregulated wholesale power market through both short-term and long-term off-system sales as well as our assessment of the cooperative's ability to secure needed rate increases from the non-smelter member load. The rating could also be negatively affected should efforts to shore up external liquidity sources fail to meet our understanding of Big Rivers' near-term objectives. Further, downward rating pressure could occur should environmental capital requirements increase substantially particularly with the lack of a clear regulatory mechanism in place.

Other Considerations

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

Big Rivers' mapping under Moody's U.S. Electric Generation &Transmission Cooperative rating Methodology is based on historical data through December 31, 2011. The Indicated Rating for Big Rivers' senior most obligations under the Methodology is currently A2 and relies on the aforementioned historical quantitative data and qualitative assessments. The Indicated Rating under the Methodology largely reflects better scores for the factors relating to dependence on purchased power and financial metrics such as equity as a percentage of capitalization, FFO to debt and FFO to interest, all of which improved upon completion of the unwind transactions in 2009. Notwithstanding the current A2 Indicated Rating for Big Rivers under the Methodology, its actual senior secured rating of Ba1 reflects the unique risks relating to Big Rivers' load concentration to the smelters, the smelter termination notices and the fact receipt of the notices will not impact cash flow until August 2013 (Century) and until January 2014 (Alcan).

Contacts	**Phone**
Kevin G. Rose/New York	12125530389
Walter J. Winrow/New York	12125537943
Chee Mee Hu/New York	12125533665

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Billie Richert

From:	Billie Richert
Sent:	Thursday, February 07, 2013 4:05 PM
:	'Rose, Kevin'
ubject:	RE: Confidential: Moody's Draft Credit Opinion for your review

Thanks, Kevin.

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Thursday, February 07, 2013 4:04 PM
To: Billie Richert
Subject: FW: Confidential: Moody's Draft Credit Opinion for your review
Importance: High

Billie:

Thank you for the time you took to discuss some factual points this afternoon. I believe the additional file attached in this follow up e-mail to go with the original sent earlier today captures those points. We will proceed from here to publish the updated credit opinion. I will provide you a pdf version once it is posted to our moodys.com website.

Regards,
Kevin

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lobal Infrastructure and Finance Group
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kevin.rose@moodys.com

Moody's Investors Service
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New York, NY 10007

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From: Rose, Kevin
Sent: Thursday, February 07, 2013 9:02 AM
To: Billie Richert (billie.richert@bigrivers.com)
Subject: Confidential: Moody's Draft Credit Opinion for your review
Importance: High

Dear Billie:

Attached is the draft research for your review, to give you the opportunity to draw attention to any factual errors and/or ıdvertent disclosure of confidential information. However, please note that under our policies, MIS retains ultimate editorial control over the form and content of all its publications. MIS will not accept other changes from an issuer that would alter the meaning or tone of our opinions or credit rating announcements.

Please note that this draft research is strictly confidential and you may not disclose it to any other person except: (i) to your legal counsel acting in their capacity as such; (ii) to your other authorized agents acting in their capacity as such; and (iii) as required by law or regulation.

'ould appreciate if you could revert with your comments by 2:00 P.M. today.

Kevin Rose
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kevin.rose@moodys.com

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New York, NY 10007

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Billie Richert

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ˀnt:	Thursday, February 07, 2013 4:04 PM
:	Billie Richert
ᴗubject:	FW: Confidential: Moody's Draft Credit Opinion for your review
Attachments:	Big Rivers Draft Credit Opinion Feb 7 2013 to Big Rivers for review.docx.docm; Big Rivers Draft Credit Opinion Feb 7 2013 with Big Rivers factual points noted.docm
Importance:	High

Billie:

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Big Rivers Electric Corporation

Credit Opinion

Rating Drivers

» Increased need for rate increases and dependence on off-system sales following contract termination notices from two aluminum smelters
» Rates subject to regulation by the Kentucky Public Service Commission (KPSC)
» Revenues from electricity sold under long-term wholesale power contracts with member owners
» Ownership of generally competitive coal-fired generation plants; pursuing environmental compliance plan approved by regulators; environmental cost surcharge in place

Corporate Profile

Big Rivers Electric Corporation (Big Rivers) is an electric generation and transmission cooperative (G&T) headquartered in Henderson, Kentucky and owned by its three member system distribution cooperatives— Jackson Purchase Energy Corporation; Kenergy Corp; and Meade County Rural Electric Cooperative Corporation. These member system cooperatives provide retail electric power and energy to about 113,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

Recent Events

Effective February 6, 2013, we downgraded the senior secured rating of $83.3 million of County of Ohio, Kentucky (the county) Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) to Ba1 from Baa2 and the rating remains under review for downgrade. The rating action primarily reflects significantly increased financial and operating risks for Big Rivers due to the January 31, 2013 announcement by Alcan Corporation that its subsidiary, Alcan Primary Products Corporation (Alcan) issued a 12-month notice to terminate its power contract with BREC. This announcement came on the heels of the August 20, 2012 announcement by Century Aluminum Company that its subsidiary, Century Aluminum of Kentucky (Century) issued a 12-month notice to terminate its power contract with Big Rivers for its Hawesville, Kentucky smelter. See press release of February 6, 2013 posted to moodys.com for further details relating to this action.

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Rating Rationale

The Ba1 senior secured rating considers credit risk related to the fact that Big Rivers' largest member owner, Kenergy Corp., makes a high concentration of its sales to two aluminum smelters (Century and Alcan), both of whom face credit challenges due to the significant volatility in both metal prices and demand. In addition, these smelters have served notice of intent to terminate their respective power purchase arrangements with Big Rivers, consistent with requirements for a one-year notice period and meeting other conditions to do so. Big Rivers' rating is further constrained because its rates are regulated by the KPSC, which is atypical for the G&T coop sector. Big Rivers' credit profile also reflects the financial benefits of several steps it took 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.

Detailed Rating Considerations

High Smelter Load Concentration; Credit Challenge Tied to Anticipated Loss Of Smelter Load

Under historical operating conditions, the two smelters served by Kenergy have been consuming approximately 7 million MWh of energy annually, representing a substantial load concentration risk (e.g. about two-thirds of member energy load and close to 60% of member revenues for Big Rivers in 2011). This risk is a significant constraint to Big Rivers' rating, making its financial and operating risk profile unique compared to peers. This risk was magnified in August 2012 and most recently in January 2013, when each of the two smelters (Century and Alcan), gave notice to terminate the power purchase contract with Big Rivers. Under the terms of the contract, termination of the contract requires the terminating party to give notice to Big Rivers of their decision twelve months prior to the planned termination date. During the twelve month period, each of the terminating parties (Century and Alcan, in this case) must continue to make payments to Big Rivers over the 12 month period. Under the Century contract, the 12 month period ends in August 2013 while the 12 month period ends in January 2014 under the Alcan contract. Although Century and Alcan are required to pay base energy charges as defined in their respective agreements with Big Rivers) for power (482 MW and 368 MW, respectively, at 98% capacity factor) during the 12-month notice periods, neither one is required to continue operating their smelter plants.

Following this development, Big Rivers is evaluating a number of options to mitigate the substantial loss in smelter load. While challenges exist for the cooperative to implement some of the mitigation strategies, the near completion of several of Big Rivers' multiple transmission capacity upgrade projects undertaken in recent years will enhance Big Rivers' ability to sell electric output in the wholesale market. To that end, Big Rivers became a transmission owning member of the Midwest Independent Transmission System Operator (MISO) in December 2010. As a result, Big Rivers has enhanced its reliability and transmission capability helping to ensure compliance with mandated emergency reserve requirements established by regulators. Also, these steps along with legislation that permits sales to non-members provide additional flexibility for Big Rivers to move excess power off system following termination notices from Century and Alcan.

Improved Balance Sheet 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 and Western

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Kentucky Energy Corp. At the same time, Big Rivers terminated other agreements and entered into various new arrangements whereby it has been selling to Kenergy 850 MW in aggregate for resale to the two aluminum smelters. This arrangement represents a concentration of load risk for Big Rivers, which is now exacerbated by the contract termination notices served by the two aluminum smelters. Still, there were key credit positives resulting from consummation of all the unwind transactions as follows: elimination of Big Rivers' deficit net worth, with equity of $379.4 million at December 31, 2009, which increased to $389.8 million as of December 31, 2011 compared to a negative $155 million at 12/31/2008, and partial utilization of the $505.4 million in cash payments received from E.ON to repay about $140.2 million of debt owed to the Rural Utilities Service (RUS) and to establish $252.9 million of reserves. The reserves were comprised of: a $157 million Economic Reserve for future environmental and fuel cost increases; a $35 million Transition Reserve to mitigate potential costs if the smelters decide to terminate their agreements or otherwise curtail their load due to reduced aluminum production; and a $60.9 million Rural Economic Reserve, which would be used over two years to provide credits to rural customers upon full utilization of the Economic Reserve.

Under a contract times interest earned ratio (TIER) arrangement with the two smelters, Rivers targets a minimum TIER of 1.24 times, which is above the level required under its financial covenants. Under current market conditions and given contract termination notices from the two aluminum smelters, Big Rivers has filed for rate relief as it anticipates that the TIER will otherwise drop below the 1.24 times target should the contracts with Century and Alcan be terminated.

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

Big Rivers owns generating capacity of about 1,444 megawatts (MW) in four substantially coal-fired plants. Total power capacity is about 1,824 MW, including rights to about 202 MW of coal-fired capacity from Henderson Municipal Power and Light (HMP&L) Station Two and about 178 MW of contracted hydro capacity from Southeastern Power Administration. The economics of power produced from these sources enables Big Rivers to maintain a reasonable competitive advantage in the Southeast and even more so when compared to other regions around the country. The consistently high capacity factors and efficient operations of the assets results in average system wholesale rates to members around 4.7 cents per kWh (including the beneficial effects of the member rate stability mechanism). This compares to the average wholesale rate of 4.4 cents per kWh to serve the two smelter loads in 2011.

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

Regulatory Risk Exists; However, Offsets Are Present

Big Rivers is subject to regulation for rate setting purposes by the KPSC, which is atypical for the sector and can pose challenges in getting timely rate relief if and when needed. We view the existence of certain fuel and purchased power cost adjustment mechanisms available to Big Rivers as favorable to its credit profile since they can temper risk of cost recovery shortfalls if there is a mismatch relative to existing rate levels. Big Rivers received KPSC approval for a $26.7 million (6.17%) base rate increase effective November 17, 2011. We consider this a

reasonably good outcome versus the approximate $30 million rate increase that was requested. The net effects of various appeals in this case decision resulted in the Kentucky PSC largely reaffirming its decision in January 2013; importantly, some corrections to calculations resulted in an approximately $1 million increase to the previously approved revenue amount. The rate increase is intended to bolster wholesale margins, address increased depreciation costs, administrative costs tied to joining the MISO, and maintenance costs incurred during generation plant outages.

Following this rate case outcome, Big Rivers filed a rate case with the KPSC on January 15, 2013, seeking approval for a $74.5 million rate increase. While the substantial majority of this sizable request is due to impending load loss when Century's notice period expires, additional amounts would make up for declining margins from off system sales and other cost pressures. The actual percentage rate impact would vary by customer class and we note the availability of funds in the economic and rural economic reserve accounts that can be used to offset the significant impact for the non-smelter customer classes. Since filing its rate case in January, Big Rivers has responded to additional data requests from the KPSC and is requesting that new rates become effective August 20, 2013. If the case is not decided by then, Big Rivers would be permitted under state statutes to implement the rate increase, subject to refund, pending a final KPSC decision in the rate case. Given the recent contract termination notice from Rio Tinto, we expect that Big Rivers will file another rate case later this year for rate increases to take effect by January 31, 2014.

Wholesale Power Contracts Support Big Rivers' Credit Profile

The revenues derived under Big Rivers' long-term wholesale contracts with its members for sales to non-smelter customers will continue as the contracts were extended by an additional 20 years to December 31, 2043 when the unwind of transactions were completed in 2009. From a historical perspective, the relatively low cost power provided under the contracts mitigated the credit risk that would typically stem from member disenchantment. However, going forward the pending rate case filed in January and another case likely to follow raise the specter for member unrest as the level of requested increases is quite substantial in the January filing alone. The currently overall sound member profile helps provide a degree of assurance of this revenue stream, which is integral to servicing Big Rivers' debt.

Liquidity

Big Rivers supplements its internally generated funds with $100 million of unsecured committed revolver capacity, with National Rural Utilities Cooperative Finance Corporation (NRUCFC) and CoBank providing $50 million each. The NRUCFC and CoBank facilities expire on July 16, 2014 and July 27, 2017, respectively. The $50 million NRUCFC facility provides for issuance of up to $10 million of letters of credit. As of September 30, 2012 Big Rivers had approximately $113 million of cash and temporary investments and it had about $45 million of unused capacity available under the NRUCFC facility. The CoBank facility has a condition that precludes use of the facility when termination notice is provided, so Big Rivers plans to address this through negotiation of an amendment to re-establish access. Some of the cash on hand will be used to repay the impending $58.8 million tax-exempt debt maturity due June 1, 2013. We anticipate that Big Rivers will internally fund its maintenance capex and management indicates that there may be some flexibility in that budget; however, we understand that the cooperative is arranging funding for environmental related capex, which is currently estimated to be about $60 million during 2013-2014. Beyond the June 2013 maturity, long-term debt maturities are very modest amortizations of existing

debt around $21 million to be paid in quarterly installments.

The quality of the alternate liquidity provided by the bank revolvers benefits from the multi-year tenors and the absence of any onerous financial covenants, which largely mirror the financial covenants in existing debt documents. Big Rivers is in compliance with those covenants. Additionally, the NRUCFC facility benefits from no ongoing material adverse change (MAC) clause; however, the CoBank facility is considered of lesser quality because of the ongoing nature of its MAC clause related to each drawdown and as noted above is currently unavailable given the contract termination notices served. 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. We understand that Big Rivers will pursue steps to amend and extend existing bank credit facilities to shore up liquidity as it copes with credit challenges going forward.

Structural Considerations

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

Rating Outlook

The rating is under review for downgrade as we assess the financial and operating effects and what mitigating strategies Big Rivers will pursue following contract termination notices from the two aluminum smelters.

What Could Change the Rating – Up

In light of the rating review for possible downgrade and the uncertainty at Big Rivers that persists following the announcements by Century and Rio Tinto, the rating is not likely to be upgraded or stabilized in the near term.

What Could Change the Rating - Down

Several factors are likely to cause us to further lower Big Rivers' rating including our assessment of the likelihood of success in implementing the numerous mitigation strategies on the drawing board. Of particular interest to the rating review is the degree to which Big Rivers' future financial results will depend upon the margins from the unregulated wholesale power market through both short-term and long-term off-system sales as well as our assessment of the cooperative's ability to secure needed rate increases from the non-smelter member load. The rating could also be negatively affected should efforts to shore up external liquidity sources fail to meet our understanding of Big Rivers' near-term objectives. Further, downward rating pressure could occur should

environmental capital requirements increase substantially particularly with the lack of a clear regulatory mechanism in place.

Other Considerations

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

Big Rivers' *mapping under* Moody's U.S. Electric Generation &Transmission Cooperative rating Methodology is based on historical data through December 31, 2011. The Indicated Rating for Big Rivers' senior most obligations under the Methodology is currently A2 and relies on the aforementioned historical quantitative data and qualitative assessments. The Indicated Rating under the Methodology largely reflects better scores for the factors relating to dependence on purchased power and financial metrics such as equity as a percentage of capitalization, FFO to debt and FFO to interest, all of which improved upon completion of the unwind transactions in 2009. Notwithstanding the current A2 Indicated Rating for Big Rivers under the Methodology, its actual senior secured rating of Ba1 reflects the unique risks relating to Big Rivers' load concentration to the smelters, the smelter termination notices and the fact receipt of the notices will not impact cash flow until August 2013 (Century) and until January 2014 (Alcan).

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Big Rivers Electric Corporation

Credit Opinion

Rating Drivers

» Increased need for rate increases and dependence on off-system sales following contract termination notices from two aluminum smelters
» Rates subject to regulation by the Kentucky Public Service Commission (KPSC)
» Revenues from electricity sold under long-term wholesale power contracts with member owners
» Ownership of generally competitive coal-fired generation plants; pursuing environmental compliance plan approved by regulators; environmental cost surcharge in place

Corporate Profile
Big Rivers Electric Corporation (Big Rivers) is an electric generation and transmission cooperative (G&T) headquartered in Henderson, Kentucky and owned by its three member system distribution cooperatives— Jackson Purchase Energy Corporation; Kenergy Corp.; and Meade County Rural Electric Cooperative Corporation. These member system cooperatives provide retail electric power and energy to about 113,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

Recent Events
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Rating Rationale

The Ba1 senior secured rating considers credit risk related to the fact that Big Rivers' largest member owner, Kenergy Corp., makes a high concentration of its sales to two aluminum smelters (Century and Alcan), both of whom face credit challenges due to the significant volatility in both metal prices and demand. In addition, these smelters have served notice of intent to terminate their respective power purchase arrangements with Big Rivers, consistent with requirements for a one-year notice period and meeting other conditions to do so. Big Rivers' rating is further constrained because its rates are regulated by the KPSC, which is atypical for the G&T coop sector. Big Rivers' credit profile also reflects the financial benefits of several steps it took 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.

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High Smelter Load Concentration; Credit Challenge Tied to Anticipated Loss Of Smelter Load

Under historical operating conditions, the two smelters served by Kenergy have been consuming approximately 7 million MWh of energy annually, representing a substantial load concentration risk (e.g. about two-thirds of member energy load and close to 60% of member revenues for Big Rivers in 2011). This risk is a significant constraint to Big Rivers' rating, making its financial and operating risk profile unique compared to peers. This risk was magnified in August 2012 and most recently in January 2013, when each of the two smelters (Century and Alcan), gave notice to terminate the power purchase contract with Big Rivers. Under the terms of the contract, termination of the contract requires the terminating party to give notice to Big Rivers of their decision twelve months prior to the planned termination date. During the twelve month period, each of the terminating parties (Century and Alcan, in this case) must continue to make payments to Big Rivers over the 12 month period. Under the Century contract, the 12 month period ends in August 2013 while the 12 month period ends in January 2014 under the Alcan contract. Although Century and Alcan are required to pay base energy charges as defined in their respective agreements with Big Rivers) for power (482 MW and 368 MW, respectively, at 98% capacity factor) during the 12-month notice periods, neither one is required to continue operating their smelter plants.

Following this development, Big Rivers is evaluating a number of options to mitigate the substantial loss in smelter load. While challenges exist for the cooperative to implement some of the mitigation strategies, the near completion of several of Big Rivers' multiple transmission capacity upgrade projects undertaken in recent years will enhance Big Rivers' ability to sell electric output in the wholesale market. To that end, Big Rivers became a transmission owning member of the MidWest Independent Transmission System Operator (MISO) in December 2010. As a result, Big Rivers has enhanced its reliability and transmission capability helping to ensure compliance with mandated emergency reserve requirements established by regulators. Also, these steps along with legislation that permits sales to non-members provide additional flexibility for Big Rivers to move excess power off system following termination notices from Century and Alcan.

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Kentucky Energy Corp. At the same time, Big Rivers terminated other agreements and entered into various new arrangements whereby it has been selling to Kenergy 850 MW in aggregate for resale to the two aluminum smelters. This arrangement represents a concentration of load risk for Big Rivers, which is now exacerbated by the contract termination notices served by the two aluminum smelters. Still, there were key credit positives resulting from consummation of all the unwind transactions as follows: elimination of Big Rivers' deficit net worth, with equity of $379.4 million at December 31, 2009, which increased to $389.8 million as of December 31, 2011 compared to a negative $155 million at 12/31/2008, and partial utilization of the $505.4 million in cash payments received from E.ON to repay about $140.2 million of debt owed to the Rural Utilities Service (RUS) and to establish $252.9 million of reserves. The reserves were comprised of: a $157 million Economic Reserve for future environmental and fuel cost increases; a $35 million Transition Reserve to mitigate potential costs if the smelters decide to terminate their agreements or otherwise curtail their load due to reduced aluminum production; and a $60.9 million Rural Economic Reserve, which would be used over two years to provide credits to rural customers upon full utilization of the Economic Reserve.

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

Regulatory Risk Exists; However, Offsets Are Present

Big Rivers is subject to regulation for rate setting purposes by the KPSC, which is atypical for the sector and can pose challenges in getting timely rate relief if and when needed. We view the existence of certain fuel and purchased power cost adjustment mechanisms available to Big Rivers as favorable to its credit profile since they can temper risk of cost recovery shortfalls if there is a mismatch relative to existing rate levels. Big Rivers received KPSC approval for a $26.7 million (6.17%) base rate increase effective November 17, 2011. We consider this a

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reasonably good outcome versus the approximate $30 million rate increase that was requested. The net effects of various appeals in this case decision resulted in the Kentucky PSC largely reaffirming its decision in January 2013; importantly, some corrections to calculations resulted in an approximately $1 million increase to the previously approved revenue amount. The rate increase is intended to bolster wholesale margins, address increased depreciation costs, administrative costs tied to joining the MISO, and maintenance costs incurred during generation plant outages.

Following this rate case outcome, Big Rivers filed a rate case with the KPSC on January 15, 2013, seeking approval for a $74.5 million rate increase. While the substantial majority of this sizable request is due to impending load loss when Century's notice period expires, additional amounts would make up for declining margins from off system sales and other cost pressures. The actual percentage rate impact would vary by customer class and we note the availability of funds in the economic and rural economic reserve accounts that can be used to offset the significant impact for the non-smelter customer classes through credits to the fuel adjustment clause and the environmental surcharge. Since filing its rate case in January, Big Rivers has responded to additional data requests from the KPSC and is requesting that new rates become effective August 20, 2013. If the case is not decided by then, Big Rivers would be permitted under state statutes to implement the rate increase, subject to refund, pending a final KPSC decision in the rate case. Given the recent contract termination notice from Rio Tinto, we expect that Big Rivers will file another rate case later this year for rate increases to take effect by January 31, 2014.

Wholesale Power Contracts Support Big Rivers' Credit Profile

The revenues derived under Big Rivers' long-term wholesale contracts with its members for sales to non-smelter customers will continue as the contracts were extended by an additional 20 years to December 31, 2043 when the unwind of transactions were completed in 2009. From a historical perspective, the relatively low cost power provided under the contracts mitigated the credit risk that would typically stem from member disenchantment. However, we believe going forward the pending rate case filed in January and another case likely to follow raise the specter for member unrest as the level of requested increases is quite substantial in the January filing alone. The currently overall sound member profile helps provide a degree of assurance of this revenue stream, which is integral to servicing Big Rivers' debt.

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Liquidity

Big Rivers supplements its internally generated funds with $100 million of unsecured committed revolver capacity, with National Rural Utilities Cooperative Finance Corporation (NRUCFC) and CoBank providing $50 million each. The NRUCFC and CoBank facilities expire on July 16, 2014 and July 27, 2017, respectively. The $50 million NRUCFC facility provides for issuance of up to $10 million of letters of credit. As of September 30, 2012 Big Rivers had approximately $113 million of cash and temporary investments and it had about $45 million of unused capacity available under the NRUCFC facility. The NRUCFC facility has a condition that precludes use of the facility upon termination of a contract with either of the smelters, so Big Rivers is negotiating amendment and extension of this facility ahead of August 20, 2013, to ensure it maintains access to the facility. The CoBank facility has a condition that precludes use of the facility when termination notice is provided, so Big Rivers plans to address this through negotiation of an amendment to re-establish access. Some of the cash on hand will be used to repay the impending $58.8 million tax-exempt debt maturity due June 1, 2013. We anticipate that Big Rivers will internally fund its maintenance capex and management indicates that there may be some flexibility in that budget; however, we understand that the cooperative is arranging funding for environmental related capex, which is currently estimated to be about $60 million during 2013-2014. Beyond the June 2013 maturity, long-term debt maturities are very modest amortizations of existing debt around $21 million to be paid in quarterly installments.

The quality of the alternate liquidity provided by the bank revolvers benefits from the multi-year tenors and the absence of any onerous financial covenants, which largely mirror the financial covenants in existing debt documents. Big Rivers is in compliance with those covenants. Additionally, the NRUCFC facility benefits from no ongoing material adverse change (MAC) clause; however, the CoBank facility is considered of lesser quality because of the ongoing nature of its MAC clause related to each drawdown and as noted above is currently *unavailable given the contract termination notices served.* 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. We understand that Big Rivers will pursue steps to amend and extend existing bank credit facilities to shore up liquidity as it copes with credit challenges going forward.

Structural Considerations

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

Rating Outlook

The rating is under review for downgrade as we assess the financial and operating effects and what mitigating strategies Big Rivers will pursue following contract termination notices from the two aluminum smelters.

What Could Change the Rating – Up

In light of the rating review for possible downgrade and the uncertainty at Big Rivers that persists following the announcements by Century and Rio Tinto, the rating is not likely to be upgraded or stabilized in the near term.

What Could Change the Rating - Down

Several factors are likely to cause us to further lower Big Rivers' rating including our assessment of the likelihood of success in implementing the numerous mitigation strategies on the drawing board. Of particular interest to the rating review is the degree to which Big Rivers' future financial results will depend upon the margins from the unregulated wholesale power market through both short-term and long-term off-system sales as well as our assessment of the cooperative's ability to secure needed rate increases from the non-smelter member load. The rating could also be negatively affected should efforts to shore up external liquidity sources fail to meet our understanding of Big Rivers' near-term objectives. Further, downward rating pressure could occur should environmental capital requirements increase substantially particularly with the lack of a clear regulatory mechanism in place.

Other Considerations

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

Big Rivers' mapping under Moody's U.S. Electric Generation &Transmission Cooperative rating Methodology is based on historical data through December 31, 2011. The Indicated Rating for Big Rivers' senior most obligations under the Methodology is currently A2 and relies on the aforementioned historical quantitative data and qualitative assessments. The Indicated Rating under the Methodology largely reflects better scores for the factors relating to dependence on purchased power and financial metrics such as equity as a percentage of capitalization, FFO to debt and FFO to interest, all of which improved upon completion of the unwind transactions in 2009. Notwithstanding the current A2 Indicated Rating for Big Rivers under the Methodology, its actual senior secured rating of Ba1 reflects the unique risks relating to Big Rivers' load concentration to the smelters, the smelter termination notices and the fact receipt of the notices will not impact cash flow until August 2013 (Century) and until January 2014 (Alcan).

Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Thursday, February 07, 2013 3:58 PM
To: Billie Richert
Subject: Credit Opinion

Billie:

I have been trying to reach you by phone but keep getting put into voice mail. Can you please call because I need to proceed with publishing. THANKS!

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
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Billie Richert

From:	Rose, Kevin <Kevin.Rose@moodys.com>
Sent:	Thursday, February 07, 2013 8:02 AM
:	Billie Richert
ubject:	Confidential: Moody's Draft Credit Opinion for your review
Attachments:	Big Rivers Draft Credit Opinion Feb 7 2013 to Big Rivers for review.docx.docm
Importance:	High

Dear Billie:

Attached is the draft research for your review, to give you the opportunity to draw attention to any factual errors and/or inadvertent disclosure of confidential information. However, please note that under our policies, MIS retains ultimate editorial control over the form and content of all its publications. MIS will not accept other changes from an issuer that would alter the meaning or tone of our opinions or credit rating announcements.

Please note that this draft research is strictly confidential and you may not disclose it to any other person except: (i) to your legal counsel acting in their capacity as such; (ii) to your other authorized agents acting in their capacity as such; and (iii) as required by law or regulation.

Would appreciate if you could revert with your comments by 2:00 P.M. today.

Kevin Rose
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646.256.2741 mobile
212.298.6466 fax
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Big Rivers Electric Corporation

Credit Opinion

Rating Drivers

» Increased need for rate increases and dependence on off-system sales following contract termination notices from two aluminum smelters
» Rates subject to regulation by the Kentucky Public Service Commission (KPSC)
» Revenues from electricity sold under long-term wholesale power contracts with member owners
» Ownership of generally competitive coal-fired generation plants; pursuing environmental compliance plan approved by regulators; environmental cost surcharge in place

Corporate Profile
Big Rivers Electric Corporation (Big Rivers) is an electric generation and transmission cooperative (G&T) headquartered in Henderson, Kentucky and owned by its three member system distribution cooperatives— Jackson Purchase Energy Corporation; Kenergy Corp; and Meade County Rural Electric Cooperative Corporation. These member system cooperatives provide retail electric power and energy to about 113,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

Recent Events
Effective February 6, 2013, we downgraded the senior secured rating of $83.3 million of County of Ohio, Kentucky (the county) Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) to Ba1 from Baa2 and the rating remains under review for downgrade. The rating action primarily reflects significantly increased financial and operating risks for Big Rivers due to the January 31, 2013 announcement by Alcan Corporation that its subsidiary, Alcan Primary Products Corporation (Alcan) issued a 12-month notice to terminate its power contract with BREC. This announcement came on the heels of the August 20, 2012 announcement by Century Aluminum Company that its subsidiary, Century Aluminum of Kentucky (Century) issued a 12-month notice to terminate its power contract with Big Rivers for its Hawesville, Kentucky smelter. See press release of February 6, 2013 posted to moodys.com for further details relating to this action.

Rating Rationale
The Ba1 senior secured rating considers credit risk related to the fact that Big Rivers' largest member owner, Kenergy Corp., makes a high concentration of its sales to two aluminum smelters (Century and Alcan), both of whom face credit challenges due to the significant volatility in both metal prices and demand. In addition, these smelters have served notice of intent to terminate their respective power purchase arrangements with Big Rivers, consistent with requirements for a one-year notice period and meeting other conditions to do so. Big Rivers' rating is further constrained because its rates are regulated by the KPSC, which is atypical for the G&T coop sector. Big Rivers' credit profile also reflects the financial benefits of several steps it took 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.

Detailed Rating Considerations

High Smelter Load Concentration; Credit Challenge Tied to Anticipated Loss Of Smelter Load
Under historical operating conditions, the two smelters served by Kenergy have been consuming approximately 7 million MWh of energy annually, representing a substantial load concentration risk (e.g. about two-thirds of member energy load and close to 60% of member revenues for Big Rivers in 2011). This risk is a significant constraint to Big Rivers' rating, making its financial and operating risk profile unique compared to peers. This risk was magnified in August 2012 and most recently in January 2013, when each of the two smelters (Century and Alcan), gave notice to terminate the power purchase contract with Big Rivers. Under the terms of the contract, termination of the contract requires the terminating party to give notice to Big Rivers of their decision twelve months prior to the planned termination date. During the twelve month period, each of the terminating parties (Century and Alcan, in this case) must continue to make payments to Big Rivers over the 12 month period. Under the Century contract, the 12 month period ends in August 2013 while the 12 month period ends in January 2014 under the Alcan contract. Although Century and Alcan are required to pay base energy charges as defined in their respective agreements with Big Rivers) for power (482 MW and 368 MW, respectively, at 98% capacity factor) during the 12-month notice periods, neither one is required to continue operating their smelter plants.

Following this development, Big Rivers is evaluating a number of options to mitigate the substantial loss in smelter load. While challenges exist for the cooperative to implement some of the mitigation strategies, the near completion of several of Big Rivers' multiple transmission capacity upgrade projects undertaken in recent years will enhance Big Rivers' ability to sell electric output in the wholesale market. To that end, Big Rivers became a transmission owning member of the Midwest Independent Transmission System Operator (MISO) in December 2010. As a result, Big Rivers has enhanced its reliability and transmission capability helping to ensure compliance with mandated emergency reserve requirements established by regulators. Also, these steps along with legislation that permits sales to non-members provide additional flexibility for Big Rivers to move excess power off system following termination notices from Century and Alcan.

Improved Balance Sheet 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 and Western

Kentucky Energy Corp. At the same time, Big Rivers terminated other agreements and entered into various new arrangements whereby it has been selling to Kenergy 850 MW in aggregate for resale to the two aluminum smelters. This arrangement represents a concentration of load risk for Big Rivers, which is now exacerbated by the contract termination notices served by the two aluminum smelters. Still, there were key credit positives resulting from consummation of all the unwind transactions as follows: elimination of Big Rivers' deficit net worth, with equity of $379.4 million at December 31, 2009, which increased to $389.8 million as of December 31, 2011 compared to a negative $155 million at 12/31/2008, and partial utilization of the $505.4 million in cash payments received from E.ON to repay about $140.2 million of debt owed to the Rural Utilities Service (RUS) and to establish $252.9 million of reserves. The reserves were comprised of: a $157 million Economic Reserve for future environmental and fuel cost increases; a $35 million Transition Reserve to mitigate potential costs if the smelters decide to terminate their agreements or otherwise curtail their load due to reduced aluminum production; and a $60.9 million Rural Economic Reserve, which would be used over two years to provide credits to rural customers upon full utilization of the Economic Reserve.

Under a contract times interest earned ratio (TIER) arrangement with the two smelters, Rivers targets a minimum TIER of 1.24 times, which is above the level required under its financial covenants. Under current market conditions and given contract termination notices from the two aluminum smelters, Big Rivers has filed for rate relief as it anticipates that the TIER will otherwise drop below the 1.24 times target should the contracts with Century and Alcan be terminated.

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

Big Rivers owns generating capacity of about 1,444 megawatts (MW) in four substantially coal-fired plants. Total power capacity is about 1,824 MW, including rights to about 202 MW of coal-fired capacity from Henderson Municipal Power and Light (HMP&L) Station Two and about 178 MW of contracted hydro capacity from Southeastern Power Administration. The economics of power produced from these sources enables Big Rivers to maintain a reasonable competitive advantage in the Southeast and even more so when compared to other regions around the country. The consistently high capacity factors and efficient operations of the assets results in average system wholesale rates to members around 4.7 cents per kWh (including the beneficial effects of the member rate stability mechanism). This compares to the average wholesale rate of 4.4 cents per kWh to serve the two smelter loads in 2011.

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

Regulatory Risk Exists; However, Offsets Are Present

Big Rivers is subject to regulation for rate setting purposes by the KPSC, which is atypical for the sector and can pose challenges in getting timely rate relief if and when needed. We view the existence of certain fuel and purchased power cost adjustment mechanisms available to Big Rivers as favorable to its credit profile since they can temper risk of cost recovery shortfalls if there is a mismatch relative to existing rate levels. Big Rivers received KPSC approval for a $26.7 million (6.17%) base rate increase effective November 17, 2011. We consider this a

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reasonably good outcome versus the approximate $30 million rate increase that was requested. The net effects of various appeals in this case decision resulted in the Kentucky PSC largely reaffirming its decision in January 2013; importantly, some corrections to calculations resulted in an approximately $1 million increase to the previously approved revenue amount. The rate increase is intended to bolster wholesale margins, address increased depreciation costs, administrative costs tied to joining the MISO, and maintenance costs incurred during generation plant outages.

Following this rate case outcome, Big Rivers filed a rate case with the KPSC on January 15, 2013, seeking approval for a $74.5 million rate increase. While the substantial majority of this sizable request is due to impending load loss when Century's notice period expires, additional amounts would make up for declining margins from off system sales and other cost pressures. The actual percentage rate impact would vary by customer class and we note the availability of funds in the economic and rural economic reserve accounts that can be used to offset the significant impact for the non-smelter customer classes. Since filing its rate case in January, Big Rivers has responded to additional data requests from the KPSC and is requesting that new rates become effective August 20, 2013. If the case is not decided by then, Big Rivers would be permitted under state statutes to implement the rate increase, subject to refund, pending a final KPSC decision in the rate case. Given the recent contract termination notice from Rio Tinto, we expect that Big Rivers will file another rate case later this year for rate increases to take effect by January 31, 2014.

Wholesale Power Contracts Support Big Rivers' Credit Profile

The revenues derived under Big Rivers' long-term wholesale contracts with its members for sales to non-smelter customers will continue as the contracts were extended by an additional 20 years to December 31, 2043 when the unwind of transactions were completed in 2009. From a historical perspective, the relatively low cost power provided under the contracts mitigated the credit risk that would typically stem from member disenchantment. However, going forward the pending rate case filed in January and another case likely to follow raise the specter for member unrest as the level of requested increases is quite substantial in the January filing alone. The currently overall sound member profile helps provide a degree of assurance of this revenue stream, which is integral to servicing Big Rivers' debt.

Liquidity

Big Rivers supplements its internally generated funds with $100 million of unsecured committed revolver capacity, with National Rural Utilities Cooperative Finance Corporation (NRUCFC) and CoBank providing $50 million each. The NRUCFC and CoBank facilities expire on July 16, 2014 and July 27, 2017, respectively. The $50 million NRUCFC facility provides for issuance of up to $10 million of letters of credit. As of September 30, 2012 Big Rivers had approximately $113 million of cash and temporary investments and it had about $45 million of unused capacity available under the NRUCFC facility. The CoBank facility has a condition that precludes use of the facility when termination notice is provided, so Big Rivers plans to address this through negotiation of an amendment to re-establish access. Some of the cash on hand will be used to repay the impending $58.8 million tax-exempt debt maturity due June 1, 2013. We anticipate that Big Rivers will internally fund its maintenance capex and management indicates that there may be some flexibility in that budget; however, we understand that the cooperative is arranging funding for environmental related capex, which is currently estimated to be about $60 million during 2013-2014. Beyond the June 2013 maturity, long-term debt maturities are very modest amortizations of existing

debt around $21 million to be paid in quarterly installments.

The quality of the alternate liquidity provided by the bank revolvers benefits from the multi-year tenors and the absence of any onerous financial covenants, which largely mirror the financial covenants in existing debt documents. Big Rivers is in compliance with those covenants. Additionally, the NRUCFC facility benefits from no ongoing material adverse change (MAC) clause; however, the CoBank facility is considered of lesser quality because of the ongoing nature of its MAC clause related to each drawdown and as noted above is currently unavailable given the contract termination notices served. 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. We understand that Big Rivers will pursue steps to amend and extend existing bank credit facilities to shore up liquidity as it copes with credit challenges going forward.

Structural Considerations

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

Rating Outlook

The rating is under review for downgrade as we assess the financial and operating effects and what mitigating strategies Big Rivers will pursue following contract termination notices from the two aluminum smelters.

What Could Change the Rating – Up

In light of the rating review for possible downgrade and the uncertainty at Big Rivers that persists following the announcements by Century and Rio Tinto, the rating is not likely to be upgraded or stabilized in the near term.

What Could Change the Rating - Down

Several factors are likely to cause us to further lower Big Rivers' rating including our assessment of the likelihood of success in implementing the numerous mitigation strategies on the drawing board. Of particular interest to the rating review is the degree to which Big Rivers' future financial results will depend upon the margins from the unregulated wholesale power market through both short-term and long-term off-system sales as well as our assessment of the cooperative's ability to secure needed rate increases from the non-smelter member load. The rating could also be negatively affected should efforts to shore up external liquidity sources fail to meet our understanding of Big Rivers' near-term objectives. Further, downward rating pressure could occur should

environmental capital requirements increase substantially particularly with the lack of a clear regulatory mechanism in place.

Other Considerations

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

Big Rivers' mapping under Moody's U.S. Electric Generation &Transmission Cooperative rating Methodology is based on historical data through December 31, 2011. The Indicated Rating for Big Rivers' senior most obligations under the Methodology is currently A2 and relies on the aforementioned historical quantitative data and qualitative assessments. The Indicated Rating under the Methodology largely reflects better scores for the factors relating to dependence on purchased power and financial metrics such as equity as a percentage of capitalization, FFO to debt and FFO to interest, all of which improved upon completion of the unwind transactions in 2009. Notwithstanding the current A2 Indicated Rating for Big Rivers under the Methodology, its actual senior secured rating of Ba1 reflects the unique risks relating to Big Rivers' load concentration to the smelters, the smelter termination notices and the fact receipt of the notices will not impact cash flow until August 2013 (Century) and until January 2014 (Alcan).

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Big Rivers Electric Corporation

Credit Opinion

Rating Drivers

» Increased need for rate increases and dependence on off-system sales following contract termination notices from two aluminum smelters
» Rates subject to regulation by the Kentucky Public Service Commission (KPSC)
» Revenues from electricity sold under long-term wholesale power contracts with member owners
» Ownership of generally competitive coal-fired generation plants; pursuing environmental compliance plan approved by regulators; environmental cost surcharge in place

Corporate Profile

Big Rivers Electric Corporation (Big Rivers) is an electric generation and transmission cooperative (G&T) headquartered in Henderson, Kentucky and owned by its three member system distribution cooperatives— Jackson Purchase Energy Corporation; Kenergy Corp; and Meade County Rural Electric Cooperative Corporation. These member system cooperatives provide retail electric power and energy to about 113,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

Recent Events

Effective February 6, 2013, we downgraded the senior secured rating of $83.3 million of County of Ohio, Kentucky (the county) Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) to Ba1 from Baa2 and the rating remains under review for downgrade. The rating action primarily reflects significantly increased financial and operating risks for Big Rivers due to the January 31, 2013 announcement by Alcan Corporation that its subsidiary, Alcan Primary Products Corporation (Alcan) issued a 12-month notice to terminate its power contract with BREC. This announcement came on the heels of the August 20, 2012 announcement by Century Aluminum Company that its subsidiary, Century Aluminum of Kentucky (Century) issued a 12-month notice to terminate its power contract with Big Rivers for its Hawesville, Kentucky smelter. See press release of February 6, 2013 posted to moodys.com for further details relating to this action.

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Rating Rationale

The Ba1 senior secured rating considers credit risk related to the fact that Big Rivers' largest member owner, Kenergy Corp., makes a high concentration of its sales to two aluminum smelters (Century and Alcan), both of whom face credit challenges due to the significant volatility in both metal prices and demand. In addition, these smelters have served notice of intent to terminate their respective power purchase arrangements with Big Rivers, consistent with requirements for a one-year notice period and meeting other conditions to do so. Big Rivers' rating is further constrained because its rates are regulated by the KPSC, which is atypical for the G&T coop sector. Big Rivers' credit profile also reflects the financial benefits of several steps it took 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.

Detailed Rating Considerations

High Smelter Load Concentration; Credit Challenge Tied to Anticipated Loss Of Smelter Load

Under historical operating conditions, the two smelters served by Kenergy have been consuming approximately 7 million MWh of energy annually, representing a substantial load concentration risk (e.g. about two-thirds of member energy load and close to 60% of member revenues for Big Rivers in 2011). This risk is a significant constraint to Big Rivers' rating, making its financial and operating risk profile unique compared to peers. This risk was magnified in August 2012 and most recently in January 2013, when each of the two smelters (Century and Alcan), gave notice to terminate the power purchase contract with Big Rivers. Under the terms of the contract, termination of the contract requires the terminating party to give notice to Big Rivers of their decision twelve months prior to the planned termination date. During the twelve month period, each of the terminating parties (Century and Alcan, in this case) must continue to make payments to Big Rivers over the 12 month period. Under the Century contract, the 12 month period ends in August 2013 while the 12 month period ends in January 2014 under the Alcan contract. Although Century and Alcan are required to pay base energy charges as defined in their respective agreements with Big Rivers) for power (482 MW and 368 MW, respectively, at 98% capacity factor) during the 12-month notice periods, neither one is required to continue operating their smelter plants.

Following this development, Big Rivers is evaluating a number of options to mitigate the substantial loss in smelter load. While challenges exist for the cooperative to implement some of the mitigation strategies, the near completion of several of Big Rivers' multiple transmission capacity upgrade projects undertaken in recent years will enhance Big Rivers' ability to sell electric output in the wholesale market. To that end, Big Rivers became a transmission owning member of the Midwest Independent Transmission System Operator (MISO) in December 2010. As a result, Big Rivers has enhanced its reliability and transmission capability helping to ensure compliance with mandated emergency reserve requirements established by regulators. Also, these steps along with legislation that permits sales to non-members provide additional flexibility for Big Rivers to move excess power off system following termination notices from Century and Alcan.

Improved Balance Sheet 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 and Western

Kentucky Energy Corp. At the same time, Big Rivers terminated other agreements and entered into various new arrangements whereby it has been selling to Kenergy 850 MW in aggregate for resale to the two aluminum smelters. This arrangement represents a concentration of load risk for Big Rivers, which is now exacerbated by the contract termination notices served by the two aluminum smelters. Still, there were key credit positives resulting from consummation of all the unwind transactions as follows: elimination of Big Rivers' deficit net worth, with equity of $379.4 million at December 31, 2009, which increased to $389.8 million as of December 31, 2011 compared to a negative $155 million at 12/31/2008, and partial utilization of the $505.4 million in cash payments received from E.ON to repay about $140.2 million of debt owed to the Rural Utilities Service (RUS) and to establish $252.9 million of reserves. The reserves were comprised of: a $157 million Economic Reserve for future environmental and fuel cost increases; a $35 million Transition Reserve to mitigate potential costs if the smelters decide to terminate their agreements or otherwise curtail their load due to reduced aluminum production; and a $60.9 million Rural Economic Reserve, which would be used over two years to provide credits to rural customers upon full utilization of the Economic Reserve.

Under a contract times interest earned ratio (TIER) arrangement with the two smelters, Rivers targets a minimum TIER of 1.24 times, which is above the level required under its financial covenants. Under current market conditions and given contract termination notices from the two aluminum smelters, Big Rivers has filed for rate relief as it anticipates that the TIER will otherwise drop below the 1.24 times target should the contracts with Century and Alcan be terminated.

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

Big Rivers owns generating capacity of about 1,444 megawatts (MW) in four substantially coal-fired plants. Total power capacity is about 1,824 MW, including rights to about 202 MW of coal-fired capacity from Henderson Municipal Power and Light (HMP&L) Station Two and about 178 MW of contracted hydro capacity from Southeastern Power Administration. The economics of power produced from these sources enables Big Rivers to maintain a reasonable competitive advantage in the Southeast and even more so when compared to other regions around the country. The consistently high capacity factors and efficient operations of the assets results in average system wholesale rates to members around 4.7 cents per kWh (including the beneficial effects of the member rate stability mechanism). This compares to the average wholesale rate of 4.4 cents per kWh to serve the two smelter loads in 2011.

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

Regulatory Risk Exists; However, Offsets Are Present

Big Rivers is subject to regulation for rate setting purposes by the KPSC, which is atypical for the sector and can pose challenges in getting timely rate relief if and when needed. We view the existence of certain fuel and purchased power cost adjustment mechanisms available to Big Rivers as favorable to its credit profile since they can temper risk of cost recovery shortfalls if there is a mismatch relative to existing rate levels. Big Rivers received KPSC approval for a $26.7 million (6.17%) base rate increase effective November 17, 2011. We consider this a

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reasonably good outcome versus the approximate $30 million rate increase that was requested. The net effects of various appeals in this case decision resulted in the Kentucky PSC largely reaffirming its decision in January 2013; importantly, some corrections to calculations resulted in an approximately $1 million increase to the previously approved revenue amount. The rate increase is intended to bolster wholesale margins, address increased depreciation costs, administrative costs tied to joining the MISO, and maintenance costs incurred during generation plant outages.

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The revenues derived under Big Rivers' long-term wholesale contracts with its members for sales to non-smelter customers will continue as the contracts were extended by an additional 20 years to December 31, 2043 when the unwind of transactions were completed in 2009. From a historical perspective, the relatively low cost power provided under the contracts mitigated the credit risk that would typically stem from member disenchantment. However, going forward the pending rate case filed in January and another case likely to follow raise the specter for member unrest as the level of requested increases is quite substantial in the January filing alone. The currently overall sound member profile helps provide a degree of assurance of this revenue stream, which is integral to servicing Big Rivers' debt.

Liquidity

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debt around $21 million to be paid in quarterly installments.

The quality of the alternate liquidity provided by the bank revolvers benefits from the multi-year tenors and the absence of any onerous financial covenants, which largely mirror the financial covenants in existing debt documents. Big Rivers is in compliance with those covenants. Additionally, the NRUCFC facility benefits from no ongoing material adverse change (MAC) clause; however, the CoBank facility is considered of lesser quality because of the ongoing nature of its MAC clause related to each drawdown and as noted above is currently unavailable given the contract termination notices served. 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. We understand that Big Rivers will pursue steps to amend and extend existing bank credit facilities to shore up liquidity as it copes with credit challenges going forward.

Structural Considerations

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

Rating Outlook

The rating is under review for downgrade as we assess the financial and operating effects and what mitigating strategies Big Rivers will pursue following contract termination notices from the two aluminum smelters.

What Could Change the Rating – Up

In light of the rating review for possible downgrade and the uncertainty at Big Rivers that persists following the announcements by Century and Rio Tinto, the rating is not likely to be upgraded or stabilized in the near term.

What Could Change the Rating - Down

Several factors are likely to cause us to further lower Big Rivers' rating including our assessment of the likelihood of success in implementing the numerous mitigation strategies on the drawing board. Of particular interest to the rating review is the degree to which Big Rivers' future financial results will depend upon the margins from the unregulated wholesale power market through both short-term and long-term off-system sales as well as our assessment of the cooperative's ability to secure needed rate increases from the non-smelter member load. The rating could also be negatively affected should efforts to shore up external liquidity sources fail to meet our understanding of Big Rivers' near-term objectives. Further, downward rating pressure could occur should

environmental capital requirements increase substantially particularly with the lack of a clear regulatory mechanism in place.

Other Considerations

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

Big Rivers' mapping under Moody's U.S. Electric Generation &Transmission Cooperative rating Methodology is based on historical data through December 31, 2011. The Indicated Rating for Big Rivers' senior most obligations under the Methodology is currently A2 and relies on the aforementioned historical quantitative data and qualitative assessments. The Indicated Rating under the Methodology largely reflects better scores for the factors relating to dependence on purchased power and financial metrics such as equity as a percentage of capitalization, FFO to debt and FFO to interest, all of which improved upon completion of the unwind transactions in 2009. Notwithstanding the current A2 Indicated Rating for Big Rivers under the Methodology, its actual senior secured rating of Ba1 reflects the unique risks relating to Big Rivers' load concentration to the smelters, the smelter termination notices and the fact receipt of the notices will not impact cash flow until August 2013 (Century) and until January 2014 (Alcan).

Billie Richert

From: Billie Richert
Sent: Wednesday, February 06, 2013 5:35 PM
To: 'Rose, Kevin'
Subject: RE: phone call

Sounds good. I'm leaving for the day. Hope all went well.

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Wednesday, February 06, 2013 5:26 PM
To: Billie Richert
Subject: phone call

Billie:

Sorry I was unable to call you as I had hoped this afternoon. I will try to touch base tomorrow.

Regards,

Kevin

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

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New York, NY 10007

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Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Wednesday, February 06, 2013 3:58 PM
To: Billie Richert
Subject: RE: Draft Press Release Published
Attachments: Big Rivers Press Release Feb 6 2013.pdf

Billie:

Attached is the press release published earlier today.

Regards,
Kevin

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

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Subject: RE: Draft Press Release for review

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Importance: High

Billie:

<< File: Big Rivers Draft PR Feb 6 2013 to BREC for review.docx >>

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The information contained in this e-mail message, and any attachment thereto, is confidential and may not be disclosed without our express permission. If you are not the intended recipient or an employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that you have received this message in error and that any review, dissemination, distribution or copying of this message, or any attachment thereto, in whole or in part, is strictly prohibited. If you have received this message in error, please immediately notify us by telephone, fax or e-mail and delete the message and all of its attachments. Thank you. Every effort is made to keep our network free from viruses. You should, however, review this e-mail message, as well as any attachment thereto, for viruses. We take no responsibility and have no liability for any computer virus which may be transferred via this e-mail message.

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MOODY'S
INVESTORS SERVICE

Rating Action: Moody's downgrades rating of County of Ohio, Kentucky (Big Rivers Electric Corporation Project) to Ba1 from Baa2; rating remains under review for further downgrade

Global Credit Research - 06 Feb 2013

$83.3 million of securities affected

New York, February 06, 2013 -- Moody's Investors Service downgraded the senior secured rating of $83.3 million of County of Ohio, Kentucky (the county) Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) to Ba1 from Baa2. The rating, which had been placed under review for downgrade on August 21, 2012, remains under review for further downgrade.

"The rating downgrade related to the aforementioned bonds, which were previously issued by the county on behalf of Big Rivers Electric Corporation (BREC), reflects the significantly increased financial and operating risks for BREC due to the January 31, 2013 announcement by Alcan Corporation that its subsidiary, Alcan Primary Products Corporation (Rio Tinto Alcan) issued a 12-month notice to terminate its power contract with BREC", said Kevin Rose, Vice President-Senior Analyst. This announcement follows the August 20, 2012 announcement by Century Aluminum Company that its subsidiary, Century Aluminum of Kentucky issued a 12-month notice to terminate its power contract with BREC. Both announcements cite that smelter operations at Rio Tinto Alcan's Sebree smelter and Century's Hawesville smelter are not economically viable with current contract power rates and under current market conditions. "On a combined basis, one of BREC's three member-owners, Kenergy Corp., has been serving the two aluminum smelters comprising roughly two-thirds of BREC's annual energy sales and accounting for just under 60% of its system demand and in excess of 60% of annual revenues", Rose added.

Despite the fact that BREC will continue receiving revenues from base energy charges over the respective 12 month notice periods (ending August 20, 2013 in the case of Century and January 31, 2014 in the case of Rio Tinto Alcan), the rating remains under review for downgrade, reflecting the uncertainty concerning BREC's mitigation strategies under consideration, including whether BREC will obtain approval from the Kentucky Public Service Commission (KPSC) for significant rate increases to address anticipated revenue shortfalls. Moody's notes that BREC is among the few electric generation and transmission cooperatives subject to rate regulation, which can sometimes pose challenges in implementing timely rate increases. In addition to monitoring the recently filed request for a rate increase at the KPSC, the rating review will also consider BREC's prospects for mitigating the impact from the termination notices through other steps, including through shoring up liquidity, entering into bilateral sales arrangements; making short-term off system sales in the wholesale market; participating in the capacity markets; temporarily idling generation and reducing staff; and possibly selling generating assets.

BREC filed a rate case with the KPSC on January 15, 2013, seeking approval for a $74.5 million rate increase. While the substantial majority of this sizable request is due to impending load loss when Century's notice period expires, additional amounts would make up for declining margins from off system sales and other cost pressures. The actual percentage rate impact would vary by customer class and we note the availability of funds in the economic and rural economic reserve accounts that can be used to offset the significant impact for the non-smelter customer classes. Since filing its rate case in January, BREC has responded to additional data requests from the KPSC and is requesting that new rates become effective August 20, 2013. If the case is not decided by then, BREC would be permitted under state statutes to implement the rate increase, subject to refund, pending a final KPSC decision in the rate case.

In terms of liquidity, BREC has a cash balance in excess of $100 million available to repay its impending $58.8 million tax-exempt debt maturity on June 1, 2013 and external liquidity is currently comprised of $100 million of multi-year revolving credit facilities evenly split between National Rural Utilities Cooperative Finance Corporation and CoBank. Maintaining bank facilities to supplement its internally generated cash flow in the face of existing challenges will be integral to BREC's credit profile going forward.

In light of the rating review for possible downgrade and the uncertainty at BREC that persists following the announcements by Century and Rio Tinto, the rating is not likely to be upgraded or stabilized in the near term. Several factors are likely to cause us to further lower BREC's rating including our assessment of the likelihood of success in implementing the numerous mitigation strategies on the drawing board. Of particular interest to the rating review is the degree to which BREC's future financial results will depend upon the margins from the unregulated wholesale power market through both short-term and long-term off-system sales as well as our assessment of the cooperative's ability to secure needed rate increases from the non-smelter member load. The rating could also be negatively affected should efforts to shore up external liquidity sources fail to meet our understanding of BREC's near-term objectives. Further, downward rating pressure could occur should environmental capital requirements increase substantially particularly with the lack of a clear regulatory mechanism in place.

Big Rivers Electric Corporation is an electric generation and transmission cooperative headquartered in Henderson, Kentucky and owned by its three member system distribution cooperatives— Jackson Purchase Energy Corporation; Kenergy Corp; and Meade County Rural Electric Cooperative Corporation. These member system cooperatives provide retail electric power and energy to approximately 113,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

The principal methodology used in this rating was U.S. Electric Generation & Transmission Cooperatives published in December 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

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MOODY'S
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Billie Richert

From: Billie Richert
Sent: Wednesday, February 06, 2013 2:38 PM
To: 'Rose, Kevin'
Subject: RE: Draft Press Release for review

Thanks.

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Wednesday, February 06, 2013 1:18 PM
To: Rose, Kevin; Billie Richert
Subject: RE: Draft Press Release for review

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kevin.rose@moodys.com

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New York, NY 10007

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From: Rose, Kevin
Sent: Wednesday, February 06, 2013 7:29 AM
To: Billie Richert (billie.richert@bigrivers.com)
Subject: Draft Press Release for review
Importance: High

Billie:

<< File: Big Rivers Draft PR Feb 6 2013 to BREC for review.docx >>

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Please provide any feedback by no later than 12:00 noon today and understand that we may issue the Press Release whether or not you have responded."

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Moody's downgrades rating of County of Ohio, Kentucky (Big Rivers Electric Corporation Project) to Ba1 from Baa2; rating remains under review for further downgrade

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Billie Richert

From: Billie Richert
Sent: Wednesday, February 06, 2013 11:46 AM
To: 'Rose, Kevin'
Subject: RE: Draft Press Release for review

Kevin,
I have a few comments. Can you call me 270-844-6190?

Thanks,
Billie

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Wednesday, February 06, 2013 6:29 AM
To: Billie Richert
Subject: Draft Press Release for review
Importance: High

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Kevin

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Moody's downgrades rating of County of Ohio, Kentucky (Big Rivers Electric Corporation Project) to Ba1 from Baa2; rating remains under review for further downgrade

$83.3 million of securities affected

Moody's Investors Service downgraded the senior secured rating of $83.3 million of County of Ohio, Kentucky (the county) Pollution Control Refunding Revenue Bonds (Big Rivers Electric Corporation Project) to Ba1 from Baa2. The rating, which had been placed under review for downgrade on August 21, 2012, remains under review for further downgrade.

"The rating downgrade related to the aforementioned bonds, which were previously issued by the county on behalf of Big Rivers Electric Corporation (BREC), reflects the significantly increased financial and operating risks for BREC due to the January 31, 2013 announcement by Alcan Corporation that its subsidiary, Alcan Primary Products Corporation (Rio Tinto Alcan) issued a 12-month notice to terminate its power contract with BREC", said Kevin Rose, Vice President-Senior Analyst. This announcement follows the August 20, 2012 announcement by Century Aluminum Company that its subsidiary, Century Aluminum of Kentucky issued a 12-month notice to terminate its power contract with BREC. Both announcements cite that smelter operations at Rio Tinto Alcan's Sebree smelter and Century's Hawesville smelter are not economically viable with current contract power rates and under current market conditions. "On a combined basis, one of BREC's three member-owners, Kenergy Corp., has been serving the two aluminum smelters comprising roughly two-thirds of BREC's annual energy sales and accounting for just under 60% of its system demand and in excess of 60% of annual revenues", Rose added.

Despite the fact that BREC will continue receiving revenues from base energy charges over the respective 12 month notice periods (ending August 20, 2013 in the case of Century and January 31, 2014 in the case of Rio Tinto Alcan), the rating remains under review for downgrade, reflecting the uncertainty concerning BREC's mitigation strategies under consideration, including whether BREC will obtain approval from the Kentucky Public Service Commission (KPSC) for significant rate increases to address anticipated revenue shortfalls. Moody's notes that BREC is among the few electric generation and transmission cooperatives subject to rate regulation, which can sometimes pose challenges in implementing timely rate increases. In addition to monitoring the recently filed request for a rate increase at the KPSC, the rating review will also consider BREC's prospects for mitigating the impact from the termination notices through other steps, including through shoring up liquidity, entering into bilateral sales arrangements; making short-term off system sales in the wholesale market; participating in the capacity markets; temporarily idling generation and reducing staff; and possibly selling generating assets.

BREC filed a rate case with the KPSC on January 15, 2013, seeking approval for a $74.5 million rate increase. While the substantial majority of this sizable request is due to impending load loss when Century's notice period expires, additional amounts would make up for declining margins from off system sales and other cost pressures. The actual percentage rate impact would vary by customer class and we note the availability of funds in transition reserve accounts that can be used to offset the significant impact for the rural (non-smelter) customer class. Since filing its rate case in January, BREC has responded to additional data requests from the KPSC and is requesting that new rates become effective August 21, 2013. If the case is not decided by then, BREC would be permitted under state statutes to implement the rate increase, subject to refund, pending a final KPSC decision in the rate case.

In terms of liquidity, BREC has a cash balance in excess of $100 million available to repay its impending $58.8 million tax-exempt debt maturity on June 1, 2013 and external liquidity is currently comprised of $100 million of multi-year revolving credit facilities evenly split between National Rural Utilities Cooperative Finance Corporation and CoBank. Maintaining access to these facilities to supplement its internally generated cash flow in the face of existing challenges will be integral to BREC's credit profile going forward.

In light of the rating review for possible downgrade and the uncertainty at BREC that persists following the announcements by Century and Rio Tinto, the rating is not likely to be upgraded or stabilized in the near term. Several factors are likely to cause us to further lower BREC's rating including our assessment of the likelihood of success in implementing the numerous mitigation strategies on the drawing board. Of particular interest to the rating review is the degree to which BREC's future financial results will depend upon the margins from the unregulated wholesale power market through both short-term and long-term off-system sales as well as our assessment of the cooperative's ability to secure needed rate increases from the non-smelter member load. The rating could also be negatively affected should efforts to shore up external liquidity sources fail to meet our understanding of BREC's near-term objectives. Further, downward rating pressure could occur should environmental capital requirements increase substantially particularly with the lack of a clear regulatory mechanism in place.

Big Rivers Electric Corporation is an electric generation and transmission cooperative headquartered in Henderson, Kentucky and owned by its three member system distribution cooperatives— Jackson Purchase Energy Corporation; Kenergy Corp; and Meade County Rural Electric Cooperative Corporation. These member system cooperatives provide retail electric power and energy to approximately 113,000 residential, commercial, and industrial customers in 22 Western Kentucky counties.

Billie Richert

From: Billie Richert
Sent: Monday, February 04, 2013 11:58 AM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject: Preliminary 2012 Results
Attachments: BREC RUS Part A - 1212 Preliminary.pdf

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

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

Preliminary

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART A - FINANCIAL**	BORROWER DESIGNATION KY0062 PERIOD ENDED Dec-12
INSTRUCTIONS - See help in the online application.	

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues	558,372,354.13	563,385,131.72	614,725,050.00	47,925,748.49
2. Income From Leased Property (Net)	0.00	0.00	0.00	0.00
3. Other Operating Revenue and Income	3,616,877.57	4,957,104.01	4,011,500.00	361,084.00
4. **Total Operation Revenues & Patronage Capital** *(1 thru 3)*	**561,989,231.70**	**568,342,235.73**	**618,736,550.00**	**48,286,832.49**
5. Operating Expense - Production - Excluding Fuel	50,410,485.54	48,054,670.68	54,962,438.00	3,943,267.47
6. Operating Expense - Production - Fuel	226,229,049.99	226,368,922.34	240,841,163.00	21,249,081.05
7. Operating Expense - Other Power Supply	112,261,892.16	111,465,356.58	126,165,163.00	8,645,660.67
8. Operating Expense - Transmission	9,183,058.45	10,118,765.89	10,722,952.00	1,034,389.25
9. Operating Expense - RTO/ISO	2,529,531.67	2,262,434.76	2,470,652.00	193,126.93
10. Operating Expense - Distribution	0.00	0.00	0.00	0.00
11. Operating Expense - Customer Accounts	0.00	297,191.47	0.00	297,191.47
12. Operating Expense - Customer Service & Information	631,534.63	886,167.75	723,774.00	255,808.72
13. Operating Expense - Sales	185,003.78	191,205.48	1,101,600.00	44,997.07
14. Operating Expense - Administrative & General	26,557,241.89	26,428,744.85	25,925,640.00	2,622,045.28
15. **Total Operation Expense** *(5 thru 14)*	**427,987,798.11**	**426,073,459.80**	**462,913,382.00**	**38,285,567.91**
16. Maintenance Expense - Production	42,896,418.40	41,169,861.77	58,889,721.00	3,284,826.73
17. Maintenance Expense - Transmission	4,680,625.01	4,607,997.64	3,933,069.00	301,844.41
18. Maintenance Expense - RTO/ISO	0.00	0.00	0.00	0.00
19. Maintenance Expense - Distribution	0.00	0.00	0.00	0.00
20. Maintenance Expense - General Plant	140,534.11	184,301.57	101,538.00	31,439.55
21. **Total Maintenance Expense** *(16 thru 20)*	**47,717,577.52**	**45,962,160.98**	**62,924,328.00**	**3,618,110.69**
22. Depreciation and Amortization Expense	35,406,805.68	41,090,390.70	41,910,892.00	3,425,585.83
23. Taxes	98,389.00	3,810.88	885.00	0.00
24. Interest on Long-Term Debt	45,715,143.94	45,032,787.47	44,647,132.00	3,798,588.59
25. Interest Charged to Construction - Credit	<548,206.00>	<766,677.00>	<678,117.00>	<44,584.00>
26. Other Interest Expense	59,249.64	147,499.02	0.00	46,672.91
27. Asset Retirement Obligations	0.00	0.00	0.00	0.00
28. Other Deductions	220,434.26	546,328.23	415,812.00	121,400.56
29. **Total Cost Of Electric Service** *(15 + 21 thru 28)*	**556,657,192.15**	**558,089,760.08**	**612,134,314.00**	**49,251,342.49**
30. **Operating Margins** *(4 less 29)*	**5,332,039.55**	**10,252,475.65**	**6,602,236.00**	**<964,510.00>**
31. Interest Income	150,516.18	963,130.32	61,860.00	213,475.84
32. Allowance For Funds Used During Construction	0.00	0.00	0.00	0.00
33. Income (Loss) from Equity Investments	0.00	0.00	0.00	0.00
34. Other Non-operating Income (Net)	9,288.48	0.00	0.00	0.00
35. Generation & Transmission Capital Credits	0.00	0.00	0.00	0.00
36. Other Capital Credits and Patronage Dividends	108,536.38	61,485.01	33,000.00	2,810.97
37. Extraordinary Items	0.00	0.00	0.00	0.00
38. **Net Patronage Capital Or Margins** *(30 thru 37)*	**5,600,380.59**	**11,277,090.98**	**6,697,096.00**	**<748,223.19>**

RUS Financial and Operating Report Electric Power Supply Part A - Financial Revision Date 2010

Preliminary

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION KY0062
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART A - FINANCIAL	PERIOD ENDED Dec-12
INSTRUCTIONS - See help in the online application.	

SECTION B. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	1,999,408,055.99	33. Memberships	75.00
2. Construction Work in Progress	50,813,642.99	34. Patronage Capital	
3. **Total Utility Plant *(1 + 2)***	**2,050,221,698.98**	a. Assigned and Assignable	
4. Accum. Provision for Depreciation and Amort.	962,994,277.56	b. Retired This year c. Retired Prior years	
5. **Net Utility Plant *(3 - 4)***	**1,087,227,421.42**	**d. Net Patronage Capital (a-b-c)**	0.00
6. Non-Utility Property (Net)	0.00	35. Operating Margins - Prior Years	<241,898,352.19>
7. Investments in Subsidiary Companies	0.00	36. Operating Margin - Current Year	10,313,960.66
8. Invest. in Assoc. Org. - Patronage Capital	3,682,912.51	37. Non-Operating Margins	639,960,667.52
9. Invest, in Assoc. Org. - Other - General Funds	43,840,793.00	38. Other Margins and Equities	<5,494,663.80>
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	0.00	39. **Total Margins & Equities *(33 + 34d thru 38)***	**402,881,687.19**
11. Investments in Economic Development Projects	10,000.00	40. Long-Term Debt - RUS (Net)	210,359,050.37
		41. Long-Term Debt - FFB - RUS Guaranteed	0.00
12. Other Investments	5,333.85	42. Long-Term Debt - Other - RUS Guaranteed	0.00
13. Special Funds	180,633,438.55	43. Long-Term Debt - Other (Net)	634,958,421.53
14. **Total Other Property And Investments *(6 thru 13)***	**228,172,477.91**	44. Long-Term Debt - RUS - Econ. Devel. (Net)	0.00
		45. Payments - Unapplied	0.00
15. Cash - General Funds	7,311.28	46. **Total Long-Term Debt *(40 thru 44-45)***	**845,317,471.90**
16. Cash - Construction Funds - Trustee	0.00	47. Obligations Under Capital Leases - Noncurrent	0.00
17. Special Deposits	598,486.43		
18. Temporary Investments	110,165,436.23	48. Accumulated Operating Provisions and Asset Retirement Obligations	21,571,186.78
19. Notes Receivable (Net)	0.00		
20. Accounts Receivable - Sales of Energy (Net)	44,758,033.34	49. **Total Other NonCurrent Liabilities *(47 +48)***	**21,571,186.78**
21. Accounts Receivable - Other (Net)	2,345,619.29	50. Notes Payable	0.00
22. Fuel Stock	34,145,612.19	51. Accounts Payable	33,012,925.09
23. Renewable Energy Credits	0.00		
24. Materials and Supplies - Other	24,957,072.86	52. Current Maturities Long-Term Debt	79,926,462.99
25. Prepayments	4,175,473.96	53. Current Maturities Long-Term Debt - Rural Development	0.00
26. Other Current and Accrued Assets	1,276,192.74		
27. **Total Current And Accrued Assets *(15 thru 26)***	**222,429,238.32**	54. Current Maturities Capital Leases	0.00
		55. Taxes Accrued	967,205.68
28. Unamortized Debt Discount & Extraor. Prop. Losses	4,163,614.81	56. Interest Accrued	4,925,038.44
		57. Other Current and Accrued Liabilities	9,987,629.09
29. Regulatory Assets	704,087.08		
30. Other Deferred Debits	3,981,081.51	58. **Total Current & Accrued Liabilities *(50 thru 57)***	**128,819,261.29**
31. Accumulated Deferred Income Taxes	0.00	59. Deferred Credits	148,088,313.89
		60. Accumulated Deferred Income Taxes	0.00
32. **Total Assets And Other Debits *(5+14+27 thru 31)***	**1,546,677,921.05**	61. **Total Liabilities and Other Credits *(39 + 46 + 49 + 58 thru 60)***	**1,546,677,921.05**

Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Sunday, February 03, 2013 5:08 PM
To: Billie Richert
Subject: RE: Follow-up

Thanks, I will look forward to speaking tomorrow.

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
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From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Sunday, February 03, 2013 5:12 PM
To: Rose, Kevin
Subject: RE: Follow-up

Kevin,
That works. For 2012, Alcan revenues were $155.2m and Century revenues were $205.0m of total electric energy revenues of $563.4m.
Billie

Sent via the Samsung Galaxy S™III, an AT&T 4G LTE smartphone

"Rose, Kevin" <Kevin.Rose@moodys.com> wrote:
Billie:

If I have time zone differences correct, then I can call you tomorrow morning at 11:30 my time (10:30 your time). I would also appreciate some info relating to the percentage of 2012 revenue contributed by Century and Alcan, respectively, similar to what you provided in an e-mail back on August 12, 2012 for 2011 data.

THANKS!

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From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Sunday, February 03, 2013 3:44 PM
To: Rose, Kevin
Subject: RE: Follow-up

Kevin,
I'm available after 10:30 to 1:00 CST and after 4:30.

Sent via the Samsung Galaxy S™III, an AT&T 4G LTE smartphone

"Rose, Kevin" <Kevin.Rose@moodys.com> wrote:
Billie: Is there a convenient time that I can call you on Monday morning, preferably around 9:00 A.M. EST? Otherwise, please let me know when I can call and I can try to be flexible. THANKS!

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Sent: Sunday, February 03, 2013 2:09 PM
To: Rose, Kevin
Subject: RE: Follow-up

Kevin,
Does this suffice?

Thanks,
Billie

Sebree smelter ending contract - Owensboro Messenger-Inquirer: Local News

Sebree smelter ending contract

By Joy Campbell Messenger-Inquirer | Posted: Saturday, February 2, 2013 12:00 am

Sebree Works Aluminum Smelter/Rio Tinto Alcan has given notice to Big Rivers Electric Corp. that it will end its power contract in 12 months following the path that Century Aluminum, Hawesville, took last August.

The latest action leaves at least some of more than 1,800 direct jobs in limbo at the two smelters and the utility while they sort out their next moves.

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And Kenergy customers can expect another rate hike as wholesale supplier Big Rivers adjusts to losing about 70 percent of its annual revenue.

"We've got a lot of work to do in this 12 months to find a solution to lower our price for power," said Kenny Barkley, senior labor relations, communications and external relations leader for the Sebree smelter. "We want to stay open. Starting today, we're looking at what our alternatives are. Overall, to be sustainable, we have to have a lower power rate."

Big Rivers officials said Friday they are now calculating the impact of this latest loss and anticipating a second rate adjustment filing.

The Henderson-based, utility co-operative filed a rate increase application with the Kentucky Public Service Commission Jan. 15 to deal with the loss of Century, its largest customer. If granted, that rate hike would boost the typical residential customer's monthly bill by about $24.

The higher utility bills would come from requested flow-through rate increases from Big Rivers' three co-operative members, Kenergy, Meade County Rural Electric Cooperative and Jackson Purchase Energy Cooperative.

The two aluminum smelters together buy about 65 percent of the power Big Rivers generates, and they provide about 70 percent of the utility's revenue.

Barkley said the Jan. 15 adjustment would mean a 16 percent increase for the Sebree aluminum plant.

"That, on top of what we're already paying, would be too difficult to sustain," he said.

Sebree Works and Century are now paying about $50 per megawatt hour under 15-year contracts the smelters negotiated with Big Rivers effective in 2009.

"That (Jan. 15 proposed) increase will take us up to around $60," Barkley said. "The price of power for a smelter needs to be in the $30s or low $40s. Around $40 is not a great rate, but it would help us to be sustainable."

The Sebree smelter has about 500 employees. The Century Aluminum plant in Hawesville had about 700 employees last August.

When Century gave its contract termination notice, officials said they would need a lower power rate and/or higher aluminum price to keep the plant open.

Sebree Works "has done a lot of cost-cutting over the years to be more efficient," Barkley said. "We've done everything we can to make us good stewards of the power we use."

The two largest efficiency measures were a $37 million refurbishing of its bake furnace and getting the best product for the best price companywide, he said.

The bake furnace is used to bake anodes that go in the potlines. The upgrade allowed the plant to create safe and efficient techniques and increase the metal the plant produces, Barkley said.

One power option for both smelters is to buy electricity at wholesale market price. In that scenario, Kenergy and Big Rivers would have to agree to allow use of transmission lines, and the agreement would be subject to PSC approval. The wholesale and distribution co-operatives could receive fees for that.

Big Rivers was disappointed in Rio Tinto's contract termination notice and a little surprised, said Marty Littrel, the utility's manager of communications and community relations.

"They are a longtime, valuable customer, and we hate to end that 40-year business relationship," he said. "We've been working on a solution for both smelters. We're just sorry we weren't able to help them with the worldwide aluminum price problem."

Big Rivers officials have said that aluminum trading prices were lower in 2009 when the new contract was signed than they were during last summer's negotiations, and all parties were aware in 2009 that utility rates were projected to go higher.
The utility will be working on a second rate filing to have in place before Jan. 31, 2014 when Sebree Works exits the system, Littrel said.
'We're trying to evaluate the impact — answering the physical, legal and financial questions," he said. "We have options and will pursue them. As you know we're working hard with others to attract new industries, and we will be successful in time. We're also looking for other utilities to sell to."
Big Rivers hopes to gain ground in those areas before August when Century's contract ends.
It's not clear how much more rates could go up with both smelters gone from Big Rivers. Littrel said Big Rivers had just received Sebree Works' termination notice, and he wanted to give the staff a chance to re-evaluate the rate analysis before providing numbers that could change.
Alcan's and Century's gross electric energy revenues are about $360 million per year. With those power contracts ending, Big Rivers will have an estimated $104 million revenue deficiency to make up through rate relief, Littrel said.
"The difference would be due to our cost cutting efforts. In the meantime, there are several studies (cost of service models) that will be performed to firm up these estimates," he said.
Big Rivers has about 635 employees.
With fuel and labor force cited as the two largest cost areas, power plant shutdowns and layoffs will be under consideration.
"As we start sharpening our pencil, our estimates could improve," Littrel said.
Joy Campbell, 691-7299, jcampbell@messenger-inquirer.com

From: Rose, Kevin [Kevin.Rose@moodys.com]
Sent: Sunday, February 03, 2013 12:07 PM
To: Billie Richert
Subject: RE: Follow-up

Hi Billie:

Thanks for the update. In addition to the letter you provided on Friday, can you steer me to the public disclosure to :onfirm public nature of the information concerning Alcan's notice of intent to terminate the contract. THANKS!

Kevin Rose
Global Infrastructure and Finance Group
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From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Saturday, February 02, 2013 11:19 AM
To: Rose, Kevin
Subject: Follow-up

Kevin,
Notice from Alcan is public information. Working on other items for you.

Billie

Billie Richert, CPA, CITP
/P Accounting, Rates and CFO
Big Rivers Electric Corporation

201 Third Street
Henderson, KY 42420

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The information contained in this e-mail message, and any attachment thereto, is confidential and may not be disclosed without our express permission. If you are not the intended recipient or an employee or agent responsible for delivering this message to the

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Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Sunday, February 03, 2013 4:00 PM
To: Billie Richert
Subject: RE: Follow-up

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Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Sunday, February 03, 2013 12:07 PM
To: Billie Richert
Subject: RE: Follow-up

Hi Billie:

Thanks for the update. In addition to the letter you provided on Friday, can you steer me to the public disclosure to confirm public nature of the information concerning Alcan's notice of intent to terminate the contract. THANKS!

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Saturday, February 02, 2013 11:19 AM
To: Rose, Kevin
Subject: Follow-up

Kevin,
Notice from Alcan is public information. Working on other items for you.

Billie

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

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

Billie Richert

From: Billie Richert
Sent: Saturday, February 02, 2013 10:19 AM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject: Follow-up

Kevin,
Notice from Alcan is public information. Working on other items for you.

Billie

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

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

Billie Richert

From: Billie Richert
Sent: Friday, February 01, 2013 12:42 PM
To: 'Rose, Kevin'
Subject: RE: Alcan Termination Notice
Attachments: Alcan Termination Notice0001.pdf

Kevin,
Attached this time. Yes, the contract payment terms remain the same during the twelve month notice.

Billie

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Friday, February 01, 2013 12:30 PM
To: Billie Richert
Subject: RE: Alcan Termination Notice

Hi Billie:

I don't see the attachment. Could you please re-send. Also, do the same payment terms apply to Alcan under the termination notice during the one year notice period as you had previously described when Century served notice in August last year?

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Friday, February 01, 2013 12:48 PM
To: Rose, Kevin
Subject: Alcan Termination Notice

Kevin,
Attached per your request.

Billie

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entities other than the intended recipient is not allowed. If you receive this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.

The information contained in this e-mail message, and any attachment thereto, is confidential and may not be disclosed without our express permission. If you are not the intended recipient or an employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that you have received this message in error and that any review, dissemination, distribution or copying of this message, or any attachment thereto, in whole or in part, is strictly prohibited. If you have received this message in error, please immediately notify us by telephone, fax or e-mail and delete the message and all of its attachments. Thank you. Every effort is made to keep our network free from viruses. You should, however, review this e-mail message, as well as any attachment thereto, for viruses. We take no responsibility and have no liability for any computer virus which may be transferred via this e-mail message.

Rio Tinto Alcan

ALCAN PRIMARY PRODUCTS CORPORATION

January 31, 2013

Mr. Gregory Starheim
President and CEO
Kenergy Corp.
Post Office Box 18
Henderson, Kentucky 42419

Mr. Mark Bailey
President and CEO
Big Rivers Electric Corporation
201 Third Street
Henderson, Kentucky 42420

Re: Retail Electric Service Agreement
NOTICE OF TERMINATION

Gentlemen:

This letter constitutes written Notice of Termination, in accordance with Section 7.3.1 of the Retail Electric Service Agreement, dated July 1, 2009 ("**Agreement**"), between Alcan Primary Products Corporation ("**APPC**"), a wholly-owned subsidiary of Alcan Corporation, and Kenergy Corp. ("**Kenergy**"). APPC is the owner and operator of the aluminum smelter located in Robards, Kentucky (the "**Sebree Smelter**").

On January 15, 2013, Big Rivers Electric Corporation ("**Big Rivers**") filed an Application with the Kentucky Public Service Commission (the "**KPSC**") for an increase in base rates (the "**Application**"). According to Big Rivers, the Application, if approved, would result in a rate increase of nearly 16%. There is already substantial doubt that the Sebree Smelter is sustainable at the current rate being charged to APPC. The increase contemplated by Application would remove all doubt whatsoever and ensure that the Sebree Smelter is unprofitable and therefore unsustainable. Under the circumstances, APPC has no choice but to furnish this Notice of Termination.

As you are aware, Section 7.3.1 of the Agreement requires the President of Alcan Corporation, the corporate parent of APPC, to represent and warrant that (i) the decision to give this Notice of Termination reflects a business judgment made in good faith to terminate and cease all aluminum smelting operations at the Sebree Smelter, and (ii) it has no current intention of re-commencing smelting operations at the Sebree Smelter. Under the present

circumstances, Mr. Timothy Guerra, the President of Alcan Corporation, makes those representations and warranties in the Certificate attached hereto.

I am advised that, notwithstanding the notice of Century Aluminum of Kentucky ("**Century**") on August 20, 2012 to terminate its Retail Electric Service Agreement, dated July 1, 2009, Big Rivers and Kenergy have entered into negotiations with Century to waive the obligations of Section 7.3.1 of the Agreement and to otherwise assist Century to access market power in order to keep Century's Hawesville, Kentucky smelter open beyond August 20, 2013. Big Rivers and Kenergy have consistently and routinely indicated that they would keep the Sebree Smelter and Century's Hawesville smelter on equal footing in terms of their respective agreements. Therefore, in the event APPC decides in the future that market power might be an option to keep the Sebree Smelter operational, APPC would expect the same accommodations from Big Rivers and Kenergy on terms no less favorable than those offered to Century.

APPC appreciates the recent efforts of Big Rivers in offering proposals that would restructure the rate formula and other basic terms and conditions of the Agreement. While we are not in agreement at the present time, we welcome continuation of those discussions during the pendency of the rate case in hopes of reaching a mutually acceptable accord. We believe that further discussions would not be inconsistent with this Notice of Termination and indeed are appropriate in order to find ways to retain the jobs and preserve the economic benefits of those jobs for the Commonwealth of Kentucky.

Should you have any questions about this Notice of Termination, please do not hesitate to contact me or any of my colleagues listed below.

ALCAN PRIMARY PRODUCTS CORPORATION

By: Jack Miller
Jack Miller
President

cc: Mr. Serge Gosselin
Mr. Donald P. Seberger

Rio Tinto Alcan

ALCAN CORPORATION
8770 West Bryn Mawr Avenue
Chicago, Illinois 60631

Office of the President

CERTIFICATE

The undersigned, Timothy Guerra, a resident of the State of Illinois, hereby represents and warrants that:

1. He is the duly elected President of Alcan Corporation, a Texas corporation (the "**Company**");

2. The Company is the owner of 100% of the issued and outstanding stock of Alcan Primary Products Corporation, a Texas corporation ("**APPC**"). APPC is the owner and operator of the aluminum smelter located in Robards, Kentucky (the "**Sebree Smelter**").

3. By letter dated and delivered concurrently herewith, APPC has furnished written Notice of Termination in accordance with Section 7.3.1 of the Retail Electric Service Agreement, dated July 1, 2009 ("**Agreement**"), between APPC and Kenergy Corp. (the "**Notice of Termination**").

4. The decision to furnish the Notice of Termination reflects APPC's and the Company's business judgment made in good faith to terminate and cease all aluminum smelting operations at the Sebree Smelter and that they have no current intention of recommencing operations at that location.

Dated as of the 31st day of January, 2013.

By: ______________________
Timothy Guerra
President
ALCAN CORPORATION

Billie Richert

From: Rose, Kevin <Kevin.Rose@moodys.com>
Sent: Friday, February 01, 2013 12:30 PM
To: Billie Richert
Subject: RE: Alcan Termination Notice

Hi Billie:

I don't see the attachment. Could you please re-send. Also, do the same payment terms apply to Alcan under the termination notice during the one year notice period as you had previously described when Century served notice in August last year?

Kevin Rose
Global Infrastructure and Finance Group
212.553.0389 tel
646.256.2741 mobile
212.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Friday, February 01, 2013 12:48 PM
To: Rose, Kevin
Subject: Alcan Termination Notice

Kevin,
Attached per your request.

Billie

---

as any attachment thereto, for viruses. We take no responsibility and have no liability for any computer virus which may be transferred via this e-mail message.

Billie Richert

From: Billie Richert
Sent: Friday, February 01, 2013 11:48 AM
To: Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject: Alcan Termination Notice

Kevin,
Attached per your request.

Billie

BIG RIVERS ELECTRIC CORPORATION

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

Response to the Kentucky Industrial Utility Customers' Supplemental Request for Information dated February 5, 2013

February 12, 2013

Item 2) *Provide a copy of any document, letter or rating report concerning BREC issued by any of the three rating agencies since January 1, 2013. This data request remains active throughout the proceeding. If BREC obtains any further or supplemental documents or information subsequent to the preparation and service of BREC's responses hereto, please provide such documents or information as part of a supplemental response.*

Response) Please refer to the attached documents provided in the response to Item 1.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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

Response to the Kentucky Industrial Utility Customers' Supplemental Request for Information dated February 5, 2013

February 12, 2013

Item 3) *Identify the Auditing Firm that will perform the Audit for the Fiscal Year ending December 31, 2012.*

Response) KPMG LLP is the auditing firm performing Big Rivers' financial statement's audit for the fiscal year ending December 31, 2012.

Witness) Billie J. Richert

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

Response to the Kentucky Industrial Utility Customers' Supplemental Request for Information dated February 5, 2013

February 12, 2013

Item 4) *Provide any correspondence and documents regarding a "Going Concern Qualification" between and among BREC and the Auditing Firm identified in the previous request within the last 12 months. This data request remains active throughout the proceeding. If BREC obtains any further or supplemental documents or information subsequent to the preparation and service of BREC's responses hereto, please provide such documents or information as part of a supplemental response.*

Response) Please refer to the attached documents.

Witness) Billie J. Richert

Billie Richert

From: Charles, Joseph P <jcharles@kpmg.com>
Sent: Thursday, February 07, 2013 5:31 PM
To: Billie Richert; Lyons, Kevin
Subject: RE: Fitch and Moody's Ratings

Thanks Billie. Once you have some info on potential impact of a "going concern" audit report on debt agreements and KPSC/RUS we can circle back. - Joe

---

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Thursday, February 07, 2013 6:19 PM
To: Charles, Joseph P; Lyons, Kevin
Subject: Fitch and Moody's Ratings

For your files.

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

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

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Billie Richert

Subject:	Big Rivers 2013 Liquidity Considerations
Location:	Conference Call
Start:	Fri 1/25/2013 1:00 PM
End:	Fri 1/25/2013 2:00 PM
Show Time As:	Tentative
Recurrence:	(none)
Meeting Status:	Not yet responded
Organizer:	Lyons, Kevin

When: Friday, January 25, 2013 2:00 PM-3:00 PM (GMT-05:00) Eastern Time (US & Canada).
Where: Conference Call

Note: The GMT offset above does not reflect daylight saving time adjustments.

~~*~*~*~*~*~*~*~*

The purpose of this call will be to discuss the liquidity considerations as they relate to fiscal 2013 for Big Rivers and the impact on our 2012 audit. Attached is a high level summary of the facts that we (KPMG) have put together that we would like to confirm with Big Rivers as part of the call. The information is based on our call yesterday and the projections provided.

Thanks,

Kevin

Please use the following call-in:

Toll Numbers:	USA	203-280-8225
TollFree Numbers:	USA	877-779-1556
Leader Passcode:		5508697
Participant Passcode:		1778789

Big Rivers -
Liquidity and G...

Client		Period-end
Big Rivers Electric Corporation		12/31/12
Prepared by	**Date**	**W/P reference**
Kevin Lyons	1/24/2013	

Purpose:

The purpose of this memorandum is to document our considerations on Big River Electric Corporations ability to continue as a going concern as discussed in AICPA Auditing Standard AU Section 341.

Background:

Big Rivers Electric Corporation ("Big Rivers" or the "Company") is an electric generation and transmission cooperative based out of Henderson, Kentucky that owns generating capacity of approximately 1,444 megawatts (MW) in four substantially coal-fired plants and has rights to an additional 212 MW of coal-fired and 178 MW of contracted hydro capacity. The power generated by Big Rivers is distributed to its three member distributive cooperatives (Kenergy Corp., Jackson Purchase Energy Corporation, and Meade County Rural Electric Corporation) under all requirements contracts. Additionally, the power needs (approximately 60% of Big Rivers' generation) of two large industrial customers in the aluminum smelter industry are supplied under separate arrangements with one of the cooperative members. The members provide electric power and energy to industrial, residential, and commercial customers located in portions of 22 western Kentucky counties. The wholesale rates (inclusive of the aluminum smelters) to Big Rivers' members are regulated by the Kentucky Public Service Commission (KPSC) and are subject to approval by the Rural Utilities Service (RUS), respectfully the Company's state and federal regulators.

Procedures:

Per KAM 27.0580 KPMG must perform the following procedures concerning the entity's ability to continue operations:

- identify events and conditions that may cast substantial doubt on the entity's ability to continue as a going concern for a reasonable period of time by performing risk assessment procedures and by remaining alert throughout the audit
- perform additional audit procedures when events or conditions that may cast substantial doubt on the entity's ability to continue as a going concern are identified and we believe there is substantial doubt
- conclude and consider the implications for the auditors' report regarding the entity's ability to continue as a going concern
- Communicate with those charged with governance

Results:

In consideration of the procedures noted above, KPMG noted the following:

- ***Century's Notice to Terminate***: On August 20, 2012 Century Aluminum (substantial customer) served Big Rivers with a 12 month notice of intent to terminate its power contract. Century Aluminum Co. is a smelter plant in Hawesville, KY that is seeking rate concessions from Big Rivers due to the declining prices for aluminum and concerns over their ability to operate the facility under the current contractual electrical rates set between Century and Big Rivers. The impact of this notice and potential consequences if Century were to terminatie its power contract from a liquidity perspective are as follows:

- *$50 million CoBank, ACB (CoBank) line of credit:* Under the terms of this line of credit agreement, upon a smelter's notification to terminate its power contract, the Company no longer has the ability to make draws on this line of credit. As such, as result of Century's notice, the Company no longer has access to this $50 million line of credit. The company is currently in discussions with CoBank to modify this term, but as of this point in time the terms have not been modified.

- *$50 million National Rural Utilities Cooperative Finance Corporation (CFC) line of credit:* Under the terms of this line of credit agreement, upon the termination of a smelter's power contract, the Company no longer has the ability to make draws on this line of credit. As such, asuuming Century will terminate its power contract, beginning August 20, 2013 the Company will no longer have access to this $50 million line of credit. In consideration of the Company's liquidity position and ability to continue as a going concern, the assumption should be made that the Company will not have access to this line of credit in 2013. The company is currently in discussions with CoBank to modify this term, but as of this point in time the terms have not been modified.

o ***Series 1983 Bonds Maturity***: On June 1, 2013, the $58.8 million of Series 1983 Pollution Control Bonds mature. The Company has considered its ability to issue new pollution control bonds and utilize those proceeds to pay the maturing bonds, but based on discussions with their advisors, current economic conditions and company circumstances indicate that the Company may not be able issue new bonds and therefore the $58.8 million in its entirety will be due on June 1, 2013.

o ***2013 Projections***: KPMG obtained the Company's fiscal 2013 projection and based on those projections, the Company is projecting other cash from operations and significant cash outflows as follows:

Cash from operations:	$25.1 million
Capital Expenditures:	$79.9 million
Net Principal Payement on Debt Obligations:	$10.2 million

Note: The net principal payments on debt obligations does not take into consideration the $58.8M Series 1983 Bonds Maturity.

As such, taking into consideration the information above, cash activity for 2013 would be as follows:

Projected: Cash from Operations	25.1
Maturity of Pollution Control Bonds	(58.8)
Projected: Capital Expenditures	(79.9)
Projected: Net principal payments on debt obligations	(10.2)
Projected: 2013 Cash Outflows	(123.8)

In consideration of this above, the Company would need approxiamtely $123.8 million of available cash as of December 31, 2012 to cover the projected 2013 cash outflows.

- ***2012 Available Cash and Liquidity Position:*** As of December 31, 2012, the Company had approximately $110.0 million in cash and cash equivalents. KPMG notes that of this $110.0 million, $60.0 million is restricted for capital expenditures and the Company would be required to obtain approval from CoBank and the Kentucky Public Service Commission (the commission) prior to utilizing this $60.0 million to pay the maturing pollution control bonds. Assuming they are able to either obtain this approval (or reduce the $79.9 million in capex by $60.0 million accordingly) and considering project capital expenditures for 2013 are projected to be $79.9 million, it can be assumed that this $110.0 million in its entirety would be available to the Company for 2013 projected cash outflows. In consideration of this, an updated analysis of 2013 cash outflows would be as follows:

Cash and cash equivalents as of 12/31/2012	110.0
Projected: Cash from Operations	25.1
Maturity of Pollution Control Bonds	(58.8)
Projected: Capital Expenditures	(79.9)
Projected: Net principal payments on debt obligations	(10.2)
Projected: 2013 Cash Outflows	(13.8)

Under these assumptions, the Company would still have a cash shortfall for fiscal 2013 of approximately $13.8 million.

However, in addition to the $110.0 million of cash and cash equivalents on hand as of 12/31/2012, there is also approximately $35.0 million in the transition reserve. The transition reserve was established as a way for the Company to have money set aside in case either one of the smelters extinguished their contracts with Big Rivers. The Company has the ability to liquidate this reserve pending comission approval. However, since commission approval is pending, there is no guarantee that they will receive this approval and therefore we cannot assume the Company will have access to these funds in considering the Company's going concern and liquidity position.

Conclusion:

TBD

A lack of resolution would mean there could be a "going concern" issue.

Discussion points:

- **Confirm understanding of facts**
- **What steps can be taken?**
  - **Additional capex reductions?**
  - **Accelerate approvals on lines of credit or $60 million?**
  - **Permission to use transition reserve?**
  - **Get permission to delay issuance of financial statements?**

BIG RIVERS ELECTRIC CORPORATION

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

Response to the Kentucky Industrial Utility Customers' Supplemental Request for Information dated February 5, 2013

February 12, 2013

Item 5) *Provide a copy of Alcan's notice of termination of the Alcan electric service agreement.*

Response) Attached hereto is a copy of Alcan's notice of termination of the Alcan electric service agreement.

Witness) Billie J. Richert

ALCAN PRIMARY PRODUCTS CORPORATION

January 31, 2013

Mr. Gregory Starheim
President and CEO
Kenergy Corp.
Post Office Box 18
Henderson, Kentucky 42419

Mr. Mark Bailey
President and CEO
Big Rivers Electric Corporation
201 Third Street
Henderson, Kentucky 42420

Re: Retail Electric Service Agreement
NOTICE OF TERMINATION

Gentlemen:

This letter constitutes written Notice of Termination, in accordance with Section 7.3.1 of the Retail Electric Service Agreement, dated July 1, 2009 ("**Agreement**"), between Alcan Primary Products Corporation ("**APPC**"), a wholly-owned subsidiary of Alcan Corporation, and Kenergy Corp. ("**Kenergy**"). APPC is the owner and operator of the aluminum smelter located in Robards, Kentucky (the "**Sebree Smelter**").

On January 15, 2013, Big Rivers Electric Corporation ("**Big Rivers**") filed an Application with the Kentucky Public Service Commission (the "**KPSC**") for an increase in base rates (the "**Application**"). According to Big Rivers, the Application, if approved, would result in a rate increase of nearly 16%. There is already substantial doubt that the Sebree Smelter is sustainable at the current rate being charged to APPC. The increase contemplated by Application would remove all doubt whatsoever and ensure that the Sebree Smelter is unprofitable and therefore unsustainable. Under the circumstances, APPC has no choice but to furnish this Notice of Termination.

As you are aware, Section 7.3.1 of the Agreement requires the President of Alcan Corporation, the corporate parent of APPC, to represent and warrant that (i) the decision to give this Notice of Termination reflects a business judgment made in good faith to terminate and cease all aluminum smelting operations at the Sebree Smelter, and (ii) it has no current intention of re-commencing smelting operations at the Sebree Smelter. Under the present

circumstances, Mr. Timothy Guerra, the President of Alcan Corporation, makes those representations and warranties in the Certificate attached hereto.

I am advised that, notwithstanding the notice of Century Aluminum of Kentucky ("**Century**") on August 20, 2012 to terminate its Retail Electric Service Agreement, dated July 1, 2009, Big Rivers and Kenergy have entered into negotiations with Century to waive the obligations of Section 7.3.1 of the Agreement and to otherwise assist Century to access market power in order to keep Century's Hawesville, Kentucky smelter open beyond August 20, 2013. Big Rivers and Kenergy have consistently and routinely indicated that they would keep the Sebree Smelter and Century's Hawesville smelter on equal footing in terms of their respective agreements. Therefore, in the event APPC decides in the future that market power might be an option to keep the Sebree Smelter operational, APPC would expect the same accommodations from Big Rivers and Kenergy on terms no less favorable than those offered to Century.

APPC appreciates the recent efforts of Big Rivers in offering proposals that would restructure the rate formula and other basic terms and conditions of the Agreement. While we are not in agreement at the present time, we welcome continuation of those discussions during the pendency of the rate case in hopes of reaching a mutually acceptable accord. We believe that further discussions would not be inconsistent with this Notice of Termination and indeed are appropriate in order to find ways to retain the jobs and preserve the economic benefits of those jobs for the Commonwealth of Kentucky.

Should you have any questions about this Notice of Termination, please do not hesitate to contact me or any of my colleagues listed below.

ALCAN PRIMARY PRODUCTS CORPORATION

By: ______________________
Jack Miller
President

cc: Mr. Serge Gosselin
Mr. Donald P. Seberger

Rio Tinto Alcan

ALCAN CORPORATION
8770 West Bryn Mawr Avenue
Chicago, Illinois 60631

Office of the President

CERTIFICATE

The undersigned, Timothy Guerra, a resident of the State of Illinois, hereby represents and warrants that:

1. He is the duly elected President of Alcan Corporation, a Texas corporation (the "**Company**");
2. The Company is the owner of 100% of the issued and outstanding stock of Alcan Primary Products Corporation, a Texas corporation ("**APPC**"). APPC is the owner and operator of the aluminum smelter located in Robards, Kentucky (the "**Sebree Smelter**").
3. By letter dated and delivered concurrently herewith, APPC has furnished written Notice of Termination in accordance with Section 7.3.1 of the Retail Electric Service Agreement, dated July 1, 2009 ("**Agreement**"), between APPC and Kenergy Corp. (the "**Notice of Termination**").
4. The decision to furnish the Notice of Termination reflects APPC's and the Company's business judgment made in good faith to terminate and cease all aluminum smelting operations at the Sebree Smelter and that they have no current intention of recommencing operations at that location.

Dated as of the 31st day of January, 2013.

By: [signature]
Timothy Guerra
President
ALCAN CORPORATION

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

Response to the Kentucky Industrial Utility Customers' Supplemental Request for Information dated February 5, 2013

February 12, 2013

Item 6) *Provide the current balance of the Transition Reserve account.*

Response) The current balance in the Transition Reserve account at December 31, 2012, is $35,027,098.94.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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

Response to the Kentucky Industrial Utility Customers' Supplemental Request for Information dated February 5, 2013

February 12, 2013

Item 7) *Provide the name of the financial institution and type of account in which the Transition Reserve funds are held.*

Response) The Transition Reserve funds are invested in U.S. Government Agency securities through BB&T Capital Markets.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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

Response to the Kentucky Industrial Utility Customers' Supplemental Request for Information dated February 5, 2013

February 12, 2013

Item 8) *Provide the current balance of the Economic Reserve account.*

Response) The current balance of the Economic Reserve account at December 31, 2012, is $80,643,351.14.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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

Response to the Kentucky Industrial Utility Customers' Supplemental Request for Information dated February 5, 2013

February 12, 2013

Item 9) ***Provide the name of the financial institution and type of account in which the Economic Reserve funds are held.***

Response) The Economic Reserve funds are invested in U.S. Government Agency securities through BB&T Capital Markets. The amount needed to meet current withdraw requirements of the Member Rate Stability Mechanism (MRSM) is held in a Money Market account through BB&T Capital Markets.

Witness) Billie J. Richert

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

Response to the Kentucky Industrial Utility Customers' Supplemental Request for Information dated February 5, 2013

February 12, 2013

Item 10) *Provide the current balance of the Rural Reserve account.*

Response) The current balance of the Rural Economic Reserve account at December 31, 2012, is $64,663,034.47.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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

Response to the Kentucky Industrial Utility Customers' Supplemental Request for Information dated February 5, 2013

February 12, 2013

Item 11) *Provide the name of the financial institution and type of account in which the Rural Reserve funds are held.*

Response) The Rural Economic Reserve funds are invested in U.S. Treasury Notes through BB&T Capital Markets.

Witness) Billie J. Richert