COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

NOTICE OF FILING

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

The digital video recording of the evidentiary hearing conducted on February 28, 2013 in this proceeding;

- Certification of the accuracy and correctness of the digital video recording;

- All exhibits introduced at the evidentiary hearing conducted on February 28, 2013 in this proceeding;

- The written log listing, inter alia, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on February 28, 2013.

A copy of this Notice, the certification of the digital video record, exhibit list, and hearing log have been served by first class mail upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at http://psc.ky.gov/av_broadcast/2012-00492/2012-00492_28Feb13_Inter.asx. Parties wishing an annotated digital video recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

The exhibits introduced at the evidentiary hearing may be downloaded at http://psc.ky.gov/pscscf/2012%20cases/2012-00492/.

Done at Frankfort, Kentucky, this 5th day of March 2013.

Linda Faulkner

Linda Faulkner
Director, Filings Division
Public Service Commission of Kentucky

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

CERTIFICATE

I, Melinda A. Ernst, hereby certify that:

1. The attached DVD contains a digital recording of the hearing conducted in the above-styled proceeding on **February 28, 2013;** (excluding any confidential segments, which were recorded on a separate DVD and will be maintained in the non-public records of the Commission, along with the Confidential Exhibits and Hearing Log). The hearing was recorded on **February 28, 2013**. (Confidential portions were also recorded separately).

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

3. The digital recording accurately and correctly depicts the hearing of **February 28, 2013** (excluding any confidential segments);

4. The "Exhibit List" attached to this Certificate correctly lists all exhibits introduced at the hearing of **February 28, 2013** (excluding any confidential exhibits).

5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the hearing of **February 28, 2013** (excluding any confidential segments) and the time at which each occurred.

Given this 5th day of March, 2013.

Melinda A. Ernst

Melinda A. Ernst, Notary Public
State at Large

My commission expires: February 4, 2016.

Session Report - Detail

2012-00492_28Feb2013

Big Rivers

Date:	Type:	Location:	Department:
2/28/2013	General Rates	Public Service Commission	Hearing Room 1 (HR 1)

Judge: David Armstrong; Linda Breathitt; Jim Gardner
Witness: Ms. Billie J. Richert
Clerk: Melinda Ernst

Event Time	Log Event	
10:07:48 AM	Session Started	
10:07:59 AM	Chairman Armstrong	
	Note: Ernst, Melinda	Welcomed participants and guests and introduced Vice Chairman Jim Gardner and Commissioner Linda Breathitt. All intervenors introduced themselves: Jim Miller representing Big Rivers, Mike Kurtz representing KIUC, David Brown representing Alcan, Larry Cook, Dennis Howard, and Jennifer Hans representing the AG's Office. PSC staff include Quang Nguyen, Chris Whelan, Jeff Shaw, Virginia Gregg. and Jeff Johnson.
10:08:04 AM	Camera Lock Deactivated	
10:10:13 AM	Chairman Armstrong	
	Note: Ernst, Melinda	Explained this hearing is to discuss Big Rivers Electric Corporation, Case No. 2012-00492. He welcomed comments from the Public. There being none, the hearing continued.
10:11:03 AM	Chairman Armstrong	
	Note: Ernst, Melinda	Called for any outstanding motions. There being none.
10:11:19 AM	James Miller, Sullivan, Mountjoy, Stainback & Miller, PSC for Big Rivers Electric Corporation	
	Note: Ernst, Melinda	Called Ms. Billie J. Richert as a witness.
10:12:12 AM	Ms. Billie J. Richert, CPA, CITP, Vice President Accounting, Rates and CFO for Big Rivers Electric Corporation	
	Note: Ernst, Melinda	Was sworn by Chairman Armstrong and explained reasons for her attendance at the hearing.
10:12:49 AM	Mr. Miller	
	Note: Ernst, Melinda	Confirmed purpose of the witness at the hearing.
10:13:33 AM	Ms. Richert	
	Note: Ernst, Melinda	Explained her background and experience. She currently serves as Vice President of Accounting and Interim Chief Financial Officer of Big Rivers. Further, she is the respondent on all Big Rivers' data responses.
10:15:15 AM	Larry Cook, Attorney General's Office	
	Note: Ernst, Melinda	Questioned the witness regarding fundamental changes in the original filing.
10:17:14 AM	Mr. Cook	
	Note: Ernst, Melinda	Entered AG Exhibit 1 Big Rivers' Supplemental Response to KIUC Supplemental Data Request for Iinformation dated February 5, 2013. He stated the response is color coded in case it had been copied and the copies did not differentiate the colors.
10:19:24 AM	Ms. Richert	
	Note: Ernst, Melinda	Responded to Mr. Cook's questions regarding KIUC responses. She was requested to turn to memo, page 3.
10:21:26 AM	Mr. Cook	
	Note: Ernst, Melinda	He further questioned the witness regarding Big Rivers' indenture.

10:26:58 AM	Ms. Richert Note: Ernst, Melinda	Stated that all Big Rivers' debts are covered by indenture.
10:27:30 AM	Mr. Miller Note: Ernst, Melinda	Requested that Mr. Cook restate his last question for the witness. He was not sure she completely understood the question as stated.
10:28:58 AM	Mr. Cook Note: Ernst, Melinda	Asked if all parties received the latest version of the indenture.
10:29:49 AM	Ms. Richert Note: Ernst, Melinda	Noted corrections in AG Exhibit 1 that had been made by staff of Big Rivers.
10:30:50 AM	Data Request Note: Ernst, Melinda	Mr. Cook requested that AG Exhibit 1, KPMG Memo on Big Rivers as an "ongoing concern," be revised and distributed to parties to ensure the record is accurate. Mr. Miller agreed.
10:32:49 AM	Mr. Cook Note: Ernst, Melinda	Continued with questions regarding Big Rivers' Supplemental Response to KIUC.
10:35:42 AM	Mr. Cook Note: Ernst, Melinda	Distributed AG Exhibit 2, Standard & Poor's Summary: Big Rivers Electric Corp, Kentucky Ohio County, Rural Electric Coop.
10:38:16 AM	Mr. Cook Note: Ernst, Melinda	Questioned the witness regarding AG Exhibit 2 which referred to a pending rate case with the PSC.
10:41:05 AM	Mr. Miller Note: Ernst, Melinda	Questioned the relevance of Mr. Cook's questions regarding Big Rivers' pending and future rate cases.
10:41:34 AM	Mike Kurtz, KIUC Note: Ernst, Melinda	With the approval of Chairman Armstrong, he responded to Mr. Miller's question.
10:42:37 AM	Mr. Cook Note: Ernst, Melinda	Provided additional information in response to Mr. Miller's question.
10:43:23 AM	Mr. Miller Note: Ernst, Melinda	Responded to Mr. Cook and Mr. Brown by stating the only purpose for the current application is to satisfy an obligation of Big Rivers' that is due June 1,
10:45:18 AM	Chairman Armstrong Note: Ernst, Melinda	Allowed the information regarding the pending and future rate cases to be introduced at the hearing.
10:46:47 AM	Mr. Cook Note: Ernst, Melinda	Continued with questions regarding AG Exhibit 2.
10:47:33 AM	Mr. Cook Note: Ernst, Melinda	Introduced AG Exhibit 3, Alcan Primary Products Corporation letter regarding Retail Electric Service Agreement Notice of Termination.
10:48:38 AM	Mr. Cook Note: Ernst, Melinda	Questioned the witness regarding negotiations with Century and Alcan. The witness explained she had no knowledge of ongoing negotiations, but the president and chief operating officer of Big Rivers would.
10:52:31 AM	Mr. Chairman Note: Ernst, Melinda	Suggested he could break the hearing at this point since this hearing is regarding financing, not future negotiations and intervenors questions involved future negotiations and funding. He warned Mr. Cook once again to remain on target with his examination of the witness.

10:54:44 AM	Jennifer Hans, Attorney General's Office	
	Note: Ernst, Melinda	Apologized and stated further AG questions regarding matters deemed irrelevant to this hearing will be held for discussion at another date and time.
10:56:02 AM	Mr. Cook	
	Note: Ernst, Melinda	Continued with questions regarding AG Exhibit 3 and Big Rivers' investment grade ratings.
10:57:25 AM	Ms. Richert	
	Note: Ernst, Melinda	Responded to Mr. Cook's questions regarding a plan for Big Rivers to deal with its reduction in credit ratings. Big Rivers is currently in discussions regarding a plan.
10:59:32 AM	Data Request	
	Note: Ernst, Melinda	Mr. Cook requested a copy of the Corrective Action Plan Big Rivers will submit to the Rural Utilities Service to deal with the credit rate reduction.
11:01:01 AM	Vice Chairman Gardner	
	Note: Ernst, Melinda	Commented on discussions he could hear between Mr. Brown and Mr. Cook regarding these proceedings.
11:02:02 AM	Mr. Cook	
	Note: Ernst, Melinda	Acknowledged Vice Chairman Gardner's comments and noted the importance that the Big Rivers rate reduction plan be distributed to the Commission and all parties in final form.
11:03:01 AM	Mr. Miller	
	Note: Ernst, Melinda	Requested a clarification on what is needed regarding the rate reduction plan.
11:03:36 AM	Mr. Nguyen	
	Note: Ernst, Melinda	Replied that the plan should be submitted in final form to Commission staff.
11:04:18 AM	Data Request	
	Note: Ernst, Melinda	Mr. Cook further questioned the witness regarding Big Rivers' response to KIUC. He requested that additional information regarding Economic Reserve amounts invested in government securities be provided in a post-hearing data request. He further requested that the amount remaining of the $60 million portion of the 2012 CoBank loan for capital expenditures in the ordinary course of business be included in the post-hearing data request.
11:17:13 AM	Mr. Miller	
	Note: Ernst, Melinda	Questioned the relevance of the line of questioning from the AG's office.
11:17:46 AM	Mr. Cook	
	Note: Ernst, Melinda	Assured participants that questioning regarding the economic reserve funds is almost complete. Following a few brief statements, he stated that completes the AG's line of questioning.
11:19:58 AM	Session Paused	
11:34:25 AM	Session Resumed	
11:34:30 AM	Mr. Kurtz	
	Note: Ernst, Melinda	Clarified the intervenors interests in this case.
11:35:22 AM	David Brown, Alcan	
	Note: Ernst, Melinda	Clarified the case as it stands and the intentions of Big Rivers in submitting the application and its amendment. He requested the witness turn her attention to the amended application, page 5, line 18 for questions.

11:39:28 AM	Mr. Brown	
	Note: Ernst, Melinda	He requested the witness turn to AG Exhibit 1, page 2. He questioned the witness regarding AG Exhibit 1 regarding Boig Rivers' negotiations with CoBank. He further confirmed the expected inflow and expenditures for Big Rivers in 2013.
11:52:15 AM	Ms. Richert	
	Note: Ernst, Melinda	Explained that if Big Rivers is unable to negotiate with CoBank, they will need the availability of the reserve funds.
11:55:15 AM	Mr. Brown	
	Note: Ernst, Melinda	Questioned the witness on information included in Alcan's Supplemental Request 2 then concluded his line of questioning.
11:56:59 AM	Camera Lock Deactivated	
11:59:27 AM	Mr. Kurtz	
	Note: Ernst, Melinda	Questioned the witness for KIUC regarding the termination notices by Century and Alcan and assessments by auditors as to the financial status of Big Rivers.
12:03:13 PM	Ms. Richert	
	Note: Ernst, Melinda	Replied that the corrected 2013 financial numbers were meant to assure auditors of Big Rivers' financial stability. The witness confirmed a rate case will be filed approximately July 1 to request funds to recover the loss of the contract with Alcan.
12:06:35 PM	Mr, Kurtz	
	Note: Ernst, Melinda	Asked questions regarding recovery of funds lost from the contracts with Century and Alcan.
12:07:38 PM	Commissioner Breathitt	
	Note: Ernst, Melinda	Questioned the purpose of KIUC's line of questioning.
12:08:45 PM	Vice Chairman Gardner	
	Note: Ernst, Melinda	Questioned KIUC's opinion of how the PSC should rule on this case.
12:09:34 PM	Mr. Kurtz	
	Note: Ernst, Melinda	Introduced KIUC Exhibit 1, Big Rivers' Financing Application Timeline and questioned the witness regarding Big Rivers financing requests according to this timeline. He confirmed dates and activities with the witness according to this timeline. March 7 is date Big Rivers will file their plan with RUS to deal with the loss of funds received through contracts with Century and Alcan.
12:17:16 PM	Mr. Kurtz	
	Note: Ernst, Melinda	KIUC Exhibit 2, Big Rivers Electric Corporation Disclosure Statement, July 12, 2012. He stated this is the statement filed with CoBank and CFC. He questioned the witness regarding this exhibit.
12:23:38 PM	Mr. Miller	
	Note: Ernst, Melinda	Stated Mr. Kurtz questions do not refer to the current case.
12:24:36 PM	Chairman Armstrong	
	Note: Ernst, Melinda	Agreed and requested that Mr. Kurtz discontinue his line of questioning.
12:25:42 PM	Mr. Kurtz	
	Note: Ernst, Melinda	Continued questioning the witness. He introduced KIUC Exhibit 3 Meeting with Rural Utiliities Service on November 14, 2012, Big Rivers Electric Corporation
12:27:42 PM	Session Paused	
1:32:51 PM	Session Resumed	
1:33:08 PM	Commissioner Armstrong	
	Note: Ernst, Melinda	Reminded the witness that she is still under oath.
1:33:41 PM	Mr. Kurtz	
	Note: Ernst, Melinda	Further questioned the witness on KIUC Exhibit 3, then on AG Exhibit 2. He questioned Big Rivers plan is to raise rates.

1:37:16 PM	Mr. Miller	
	Note: Ernst, Melinda	Filed an objection to Mr. Kurtz question regarding recovery of funding. Commissioner Armstrong sustained Mr. Miller's objection.
1:37:34 PM	Mr. Kurtz	
	Note: Ernst, Melinda	Introduced KIUC Exhibit 4 Moody's Investors Service, 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.
1:43:02 PM	Mr. Kurtz	
	Note: Ernst, Melinda	Questioned the witness regarding the pending rate case and future rate case to be filed approximately July 1.
1:44:19 PM	Mr. Miller	
	Note: Ernst, Melinda	Objected to questions from Mr, Kurtz regarding the rate case. He further objected to the relevance of Mr. Kurtz's additional questions regarding a rate case. Commissioner Armstrong sustained Mr. Miller's objections.
1:47:05 PM	Mr. Nguyen, PSC	
	Note: Ernst, Melinda	Questioned the witness regarding the pending case and actions Big Rivers is planning to take with approval of this case and with disapproval of this case.
1:59:20 PM	Vice Chairman Gardner	
	Note: Ernst, Melinda	Questioned the witness regarding Alcan's Initial Request for Information dated 12/20/12 and actions would be taken in default of Big Rivers' loans with CoBank and CFC.
2:04:47 PM	Vice Chairman Gardner	
	Note: Ernst, Melinda	He further questioned the witness regarding KIUC Exhibit 3 and the downgrade of Big Rivers' credit rating. He questioned the witness on the application and amended application.
2:21:00 PM	Session Paused	
2:31:24 PM	Session Resumed	
2:31:46 PM	Chairman Armstrong	
	Note: Ernst, Melinda	Commissioner Breathitt had no questions for the witness. Chairman Armstrong asked for questions on redirect.
2:33:56 PM	Mr. Miller	
	Note: Ernst, Melinda	Referred to Alcan's Supplemental Request and questioned the witness.
2:36:05 PM	Private Recording Activated	
2:46:13 PM	Public Recording Activated	
2:46:24 PM	Mr. Miller	
	Note: Ernst, Melinda	Questioned the witness regarding assets as of December 31, 2012. He further questioned the witness on redirect.
2:50:09 PM	Mr. Cook	
	Note: Ernst, Melinda	Questioned the witness regarding the plan that is to be submitted to RUS by March 7.
2:52:11 PM	Vice Chairman Gardner	
	Note: Ernst, Melinda	Questioned the witness to confirm his understanding of the case.
2:53:24 PM	Mr. Brown	
	Note: Ernst, Melinda	Questioned the witness regarding AG Exhibit 1.
2:54:57 PM	Mr. Kurtz	
	Note: Ernst, Melinda	Questioned the witness on the transition reserve.
2:56:18 PM	Mr. Miller	
	Note: Ernst, Melinda	Objected to Mr. Kurtz question regarding a legal opinion,.

2:57:08 PM	Chairman Armstrong	
	Note: Ernst, Melinda	Stated parties are to submit the post-hearing data requests referred to in the hearing within five days. Requests include: 1. Revised KPMG Memo on Big Rivers' status as an "ongoing concern;" 2. RUS corrective action plan; 3. Economic Reserve amounts invested in government securities; and 4. Amount remaining of the $60 million portion of the 2012 CoBank loan for capital expenditures in the ordinary course of business.
2:57:43 PM	Chairman Armstrong	
	Note: Ernst, Melinda	Hearing adjourned.
3:01:38 PM	Session Ended	

Exhibit List Report

Name:	Description:
Alcan Exhibit 1 (Confidential)	Document not part of public record, see confidential exhibit section.
KIUC Exhibit 1	Chart titled, Big Rivers Financing Application Timeline.
KIUC Exhibit 2	Document titled, "Big Rivers Electric Corporation Disclosure Statement"
KIUC Exhibit 3	Document titled, "Meeting with Rural Utilities Service on November 14, 2012"
KIUC Exhibit 4	Document titled, 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"
OAG Exhibit 1	Document titled "Supplemental Response to Kentucky Industrial Utility Customer's Supplemental Request for Information dated February 25, 2013"
OAG Exhibit 2	Document titled "Standard & Poor's Ratings Direct, Summary: Big Rivers Electric Corp., Kentucky Ohio County; Rural Electric Coop"
OAG Exhibit 3	Document titled, "Alcan Primary Products Corporation, Retail Electric Service Agreement, Notice of Termination, dated January 31, 2013"

ALCAN EXHIBIT 1

(CONFIDENTIAL)

Maintained on the Confidential Materials DVD

Or

In the Confidential File Materials at PSC

AG-1

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

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

February 25, 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 which are being filed with a Petition for Confidential Treatment.

Witness) Billie J. Richert

OAG EXHIBIT 1

Client		**Period-end**
Big Rivers Electric Corporation		12/31/12
Prepared by	**Date**	**W/P reference**
Kevin Lyons **with comments/revisions by Big Rivers (noted in red)**	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 197 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:

- ***<u>Century's Notice to Terminate</u>***: 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:

  - *<u>$50 million CoBank, ACB (CoBank) line of credit</u>:* 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.

  - *<u>$50 million National Rural Utilities Cooperative Finance Corporation (CFC) line of credit</u>:* 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.

  - <u>We take exception to the above 'assumption should be made that the Company will not have access to this line of credit in 2013', as Big Rivers currently has access to this line of credit until August 20, 2013; and CFC is presenting a negotiated Term Sheet with revised terms to their Credit Committee for approval on Thursday, February 21, as described below. Also, CFC has indicated their commitment to pursue the three-year interim secured facility for our Environmental Compliance Plan CAPEX for $60 million and is providing Big Rivers with a Term Sheet on Friday, February 22.</u>

  - <u>On February 15, 2013, Big Rivers received a Term Sheet from CFC to extend the maturity date to July 16, 2017 and to remove any reference to the termination of smelter retail agreements. Additionally, the following proposed terms are included in the term sheet:</u>

  - <u>The Revolving Credit Facility (Line of Credit) will become secured under the Indenture.</u>

[redacted]

[redacted]

[redacted]

[redacted]

- We are seeking Board approval during the February 27th board meeting to complete negotiations of the necessary documents and obtain the necessary approvals to pursue these modifications.

- This will require PSC approval. Big Rivers anticipates filing the financing application by the end of February. Typically it takes ninety (90) days for the Commission to issue an order in a Financing Case.

- ***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.

- ***Big Rivers has a Financing Case before the Commission (Case No***. 2012-00492) which requests the ability to utilized the remaining proceeds from the CoBank July 2012 refinancing, a total of $60 million which was designated for capital expenditures by the Commission in Case No. 2012-00119 to pay off the Series 1983 Bonds prior to or on the maturity date of June 1, 2013. Big Rivers is also asking in Case No. 2012-00492, to use the $35 million Transition Reserve for capital expenditures in the ordinary course of business. The $35 million Transition Reserve was established as an emergency fund for Big Rivers to access should one or both smelters close, unless authorized by the Commission to use the funds for another purpose.

- For the period August 2012 through January 2013, Big Rivers has spent approximately $20 million for capital expenditures. This was noted in our response to Item 3) to the supplemental data request filed by Alcan Primary Products Corporation in Case No. 2012-00492. So, for practical purposes, there remains approximately $40 million from the initial $60 million proceeds from the July 2012 refinancing with CoBank.

- ***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 ok
Net proceeds from restricted investments (Economic Reserve)	$26.7 million
Capital Expenditures:	$79.1 million
Net Principal Payment on Debt Obligations: outflow and therefore is added to Cash	$10.2 million this is a net inflow not a net

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
Plus: Net Proceeds from Economic Reserve	26.7
Maturity of Pollution Control Bonds	(58.8)
Projected: Capital Expenditures	(79.1)
Projected: Net inflow proceeds less payments on debt obligations	10.2
Final Order on Case No 2011-00036 – retro amount – see attached	1.4
Final Order on Case No 2011-00036 – Jan-Aug 2013 – see attached	.7
Interest Expense Savings from paying off bonds rather than refinancing	2.4
Issuance Cost Savings from paying off bonds rather than refinancing	1.4
Projected: 2013 Cash Outflows	(70.0)

In consideration of the above, the Company would need approximately $70.0 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 $110.1 million in cash and cash equivalents. KPMG notes that of this $110.1million, $40.0 million is restricted for capital expenditures and the Company requires approval from (note: approval is not required from CoBank) the Kentucky Public Service Commission (the commission) prior to utilizing this $40.0 million to pay the maturing pollution control bonds. Assuming they are able to either obtain this approval (or reduce the $79.1million in CAPEX by $40.0 million accordingly) and considering project capital expenditures for 2013 are projected to be $79.1 million, it can be assumed that this $110.1 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	110.1
Projected: Cash from Operations (include Economic Reserve proceeds of $26.7)	51 8
Maturity of Pollution Control Bonds	(58.8)
Projected: Capital Expenditures	(79.1)
Projected: Net inflow proceeds less payments on debt obligations	10.2
Final Order on Case No 2011-00036 – retro amount – see attached	1.4
Final Order on Case No 2011-00036 – Jan-Aug 2013 – see attached	.7
Interest Expense Savings from paying off bonds rather than refinancing	2.4
Issuance Cost Savings from paying off bonds rather than refinancing	1.4
Projected: Cash and cash equivalents as of 12/31/2013 – as revised	40.1

Under these assumptions, the Company would have Cash and Cash Equivalents balance as of 12/31/2013 of approximately $40.1 million.

However, in addition to the $110.1 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.

It is Big Rivers expectations that the Commission will rule in this financing case in March 2013. Therefore, if we add the $35 million to the above cash balance at 12/31/2013, we will have an projected ending cash balance of ($35m + $40.1m) or $75.1 million. Regardless, the $40.1m projected 12/31/2013 cash balance is sufficient to meet Big Rivers' operating cash needs.

Conclusion:

TBD

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

Discussion points:

- **Confirm understanding of facts – See above revisions**
- **What steps can be taken?**
    - **Additional capex reductions? Discussion.**
    - **Accelerate approvals on lines of credit or $60 million? Presently working on this.**
    - **Permission to use transition reserve? Commission order anticipated in March 2013.**
    - **Get permission to delay issuance of financial statements? Audited financial statements are due to our creditors no later than 120 days after yearend.**

STANDARD
& POOR'S
RATINGS SERVICES

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Summary:

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

Primary Credit Analyst:
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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.

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.

Rio Tinto Alcan

AG-3

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

OAG EXHIBIT 3

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**").

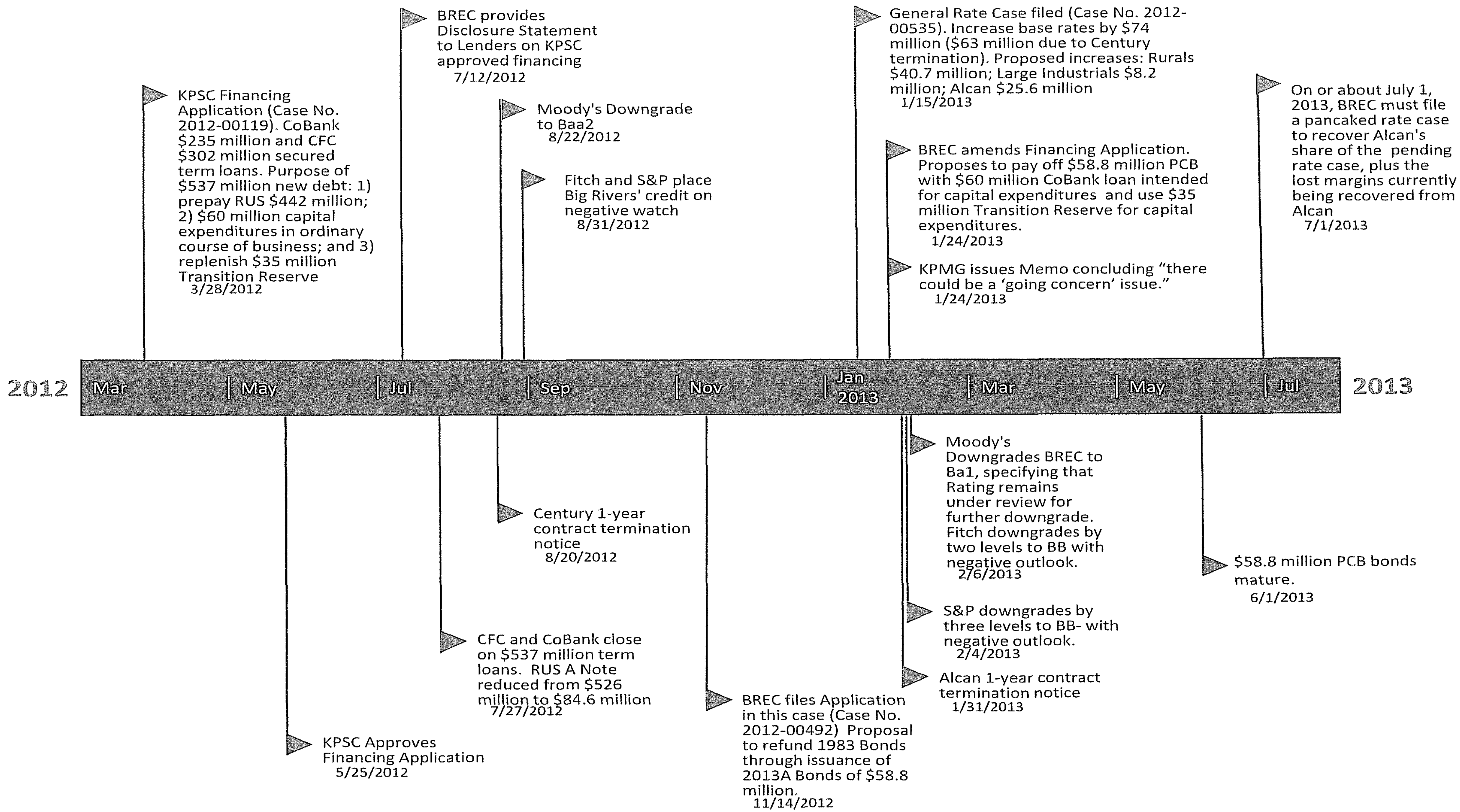
3. By letter dated and delivered concurrently herewith, APPC has furnished written Notice of Termination in accordance with Section 7.3.1 of the Retail Electric Service Agreement, dated July 1, 2009 ("**Agreement**"), between APPC and Kenergy Corp. (the "**Notice of Termination**").

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: Timothy Guerra
Timothy Guerra
President
ALCAN CORPORATION

Big Rivers Financing Application Timeline



KIUC EXHIBIT ___/___

Confidential

BIG RIVERS ELECTRIC CORPORATION

DISCLOSURE STATEMENT

July 12, 2012

KIUC EXHIBIT 2

electric cooperatives design rates on an overall basis to recover cost-of-service and collect a reasonable amount of revenue in excess of expenses (i.e., margins). Margins are typically repaid to the members in subsequent years on the basis of their patronage during the years the margins were earned.

A G&T cooperative is a cooperative engaged primarily in providing wholesale electricity to its members, which may be either wholesale or retail power suppliers. Electricity sold by a G&T cooperative is provided from its own generating facilities or through power purchase agreements with its wholesale power suppliers. A distribution cooperative is a local membership cooperative whose members are the individual retail customers of an electric distribution system.

The Members

The Members of Big Rivers are Kenergy, Meade County Rural Electric Cooperative Corporation ("Meade") and Jackson Purchase Energy Corporation ("Jackson Purchase", and collectively with Kenergy and Meade, the "Members"). The Members of Big Rivers are local consumer-owned distribution cooperatives providing retail electric service on a not-for-profit basis to their customers, who are their members. The customer base of the Members generally consists of residential, commercial and industrial consumers within specific geographic areas. The Members provide electric power and energy to customers located in portions of 22 western Kentucky counties. As of December 31, 2011, the Members served approximately 113,000 member-customers (meters). Kenergy has approximately 55,300 retail members, Meade has approximately 28,500 retail members and Jackson Purchase has approximately 29,200 retail members. See APPENDIX B – "MEMBER FINANCIAL AND STATISTICAL INFORMATION."

Bankruptcy and Subsequent Operation

In September 1996, Big Rivers filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code. The filing was precipitated largely by the Company's inability to sell its capacity in excess of that required to serve its Members at prices sufficient to cover all of its costs, which shortfall was exacerbated by long-term coal contracts under which prices had escalated well above market prices. In July 1998, a bankruptcy court-approved Plan of Reorganization (the "Plan of Reorganization") became effective. The Plan of Reorganization fundamentally changed the operations of the Company and resulted in the restructuring of the Company's long-term debt.

In accordance with the Plan of Reorganization, the Company leased all of its generating facilities to Western Kentucky Energy Corp. ("WKEC"), a wholly-owned subsidiary of LG&E Energy Corp. (LG&E, and subsequently E.ON U.S., LLC ("E.ON"). WKEC assumed and agreed to perform and discharge all of the Company's obligations under these assets that first arose or accrued on or after the effective date of the Plan of Reorganization. In addition to assuming responsibility for operation of the generating facilities owned by the Company, WKE Station Two Inc. ("WKE Station Two"), another wholly owned subsidiary of LG&E, assumed responsibility for the operation of Station Two and the Company's obligation to purchase power from Station Two under the Station Two Power Sales Contract. Pursuant to the Plan of Reorganization, WKEC and WKE Station Two (which was subsequently merged into WKEC) became responsible for the Company's prior responsibilities to operate and maintain the generating facilities owned by the Company and Station Two. Capital costs for these generating facilities were shared by WKEC and the Company in several different ratios depending upon whether or not the capital expenditures were incurred in order to comply with a state law enacted after the effective date of the Plan of Reorganization or a revision or change of an existing law enacted after such date. Operation and maintenance costs, including fuel, were, for the most part, the responsibility of WKEC.

The Plan of Reorganization (the "LG&E Arrangements") also included a power purchase agreement (the "LEM Power Purchase Agreement") between the Company and LG&E Energy Marketing Inc. ("LEM"). The LEM Power Purchase Agreement established minimum hourly and annual power purchase amounts that Big Rivers was required to take and certain maximum hourly and annual power

The chart set forth below shows the impact of the Unwind on the Company's outstanding debt.

Debt Instrument	Pre-Unwind Balance	Unwind Close Transaction	Post-Unwind Balance
		(In millions of dollars)	
RUS Series A Note	$ 740.0	$140.2(1)	$599.8
RUS Series B Note	106.5	0.0	106.5
LEM Settlement Note	15.4	15.4(2)	0.0
PMCC Note	12.4	12.4(3)	0.0
County of Ohio, Kentucky, promissory note (1983 Series) 1983 Series Pollution Control Bonds	58.8	0.0	58.8
County of Ohio, Kentucky, promissory note (2001A Series) 2001A Series Pollution Control Bonds	83.3	0.0	83.3
	$1,016.4	$168.0	$848.4

(1) Big Rivers payment to RUS on Unwind closing date.
(2) Forgiveness of debt by E.ON.
(3) Big Rivers payment to Philip Morris Capital Corporation on Unwind closing date.

As a result of the Unwind, the Company went from an equity to total capitalization ratio of -19% as of December 31, 2008, to 35.3% as of December 31, 2011.

Resumption of Operational Responsibilities in Connection with Generating Facilities

In connection with the Unwind, the lease of the Company generating facilities to WKEC was terminated and the Company resumed responsibility for the operation of its generating facilities. Thus, the Company assumed responsibility for the risks associated with such operation (e.g. fuel, capital costs associated with change in law). The Company intends to use the output of its generating facilities to supply the needs of the Members, including approximately 850 MW of power that is necessary for Kenergy to supply its contractual obligations to the Smelters, which were primarily serviced by LEM prior to the Unwind. See "THE SMELTER AGREEMENTS" and APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS." Power and energy generated above the Members' requirements will be sold into the wholesale power market.

Wholesale Power Contracts with Members

Each of Meade, Jackson Purchase and Kenergy is party to a wholesale power contract with Big Rivers (the "All Requirements Contracts") providing that Big Rivers sells and delivers to the Member, and the Member purchase and receive from Big Rivers, all the electric power and energy which the Member requires for the operation of the Member's system (except Kenergy's requirements for the Smelters) to the extent that Big Rivers has power and energy and facilities available. The term of each All Requirements Contract extends through December 31, 2043 and neither of the parties may unilaterally terminate the contract, without cause, prior to such date. Each All Requirements Contract may be terminated by either party thereto after December 31, 2043, upon six months' notice.

The All Requirements Contracts require each Member to pay the Company monthly for capacity and energy furnished. The All Requirements Contracts provide that if a Member fails to pay any bill by the first business day following the twenty-fourth day of the month, the Company may, upon five (5) business days' written notice, discontinue delivery of electric power and energy. The All Requirements Contracts also provide that, so long as any notes and note guarantees are outstanding from the Company to the RUS, the Member may not reorganize, dissolve, consolidate, merge, or sell, lease or transfer all or a substantial portion of its assets unless it has either (i) obtained the Company's written consent and the written consent of the RUS, or (ii) paid a portion of the outstanding indebtedness on the notes and the Company's other commitments and obligations then outstanding, such portion to be determined by the Company with RUS approval. The All Requirements Contracts may only be amended with the approval of the RUS and upon compliance with such other reasonable terms and conditions as the Company and RUS may agree.

Each Member is required to pay the Company for capacity and energy furnished under its All Requirements Contract in accordance with the Company's established rates as approved by the Kentucky Public Service Commission ("KPSC"). All Requirements Contracts with the Members provide that the Company's board of directors (the "Board of Directors") establish rates to produce revenue sufficient, but only sufficient, together with all of the Company's other revenue, to pay the cost of operation and maintenance of all of the Company's generation, transmission and related facilities, to pay the cost of capacity and energy purchased by the Company for resale, to pay the cost of transmission service, to pay the principal of and interest on all the Company's indebtedness and to provide for the establishment and maintenance of reasonable financial reserves.

The All Requirements Contracts require the Company's Board of Directors to review the rates at least annually and to revise such rates as necessary to produce revenue as described above. Big Rivers must give Members no less than thirty (30) days' or more than forty-five (45) days' written notice of every rate revision. The Company's electric rate revisions are subject to the approval of the RUS and the KPSC, after which the Members are permitted to incorporate such rate changes into their own rate structures. See "RATE AND ENVIRONMENTAL REGULATION – Kentucky Rate Regulation" for information relating to rate regulation by the KPSC.

Smelter Agreements with Kenergy

In addition to the All Requirements Contracts, Big Rivers and Kenergy are parties to two wholesale electric service agreements under which the Company provides a fixed amount of power and energy of 850 MW that is necessary for Kenergy to supply its contractual obligations to the Smelters through December 31, 2023. These agreements are exceptions to the "all requirements" obligations in the All Requirements Contracts with Kenergy. See "THE SMELTER AGREEMENTS" and APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS."

Existing Generation and Transmission Resources

The Company owns interests in seven base load coal-fired generating units and one oil- or natural gas-fired combustion turbine generating unit, all of which are in commercial operation. These units provide the Company with approximately 1,444 MW of capacity. See "GENERATION AND TRANSMISSION ASSETS – Generation Resources" for a discussion of the Company's existing generation facilities. The Company also has a variety of purchase arrangements, including the Station Two Power Sales Contract with the City of Henderson and a contract with (the "SEPA Contract") the Southeastern Power Administration ("SEPA"), which together supply the Company with up to 375 MW of power. The Company purchases 197 MW from HMP&L pursuant to the Station Two Power Purchase Agreement and up to 178 MW under the SEPA Contract. The Company normally uses its entitlement under the SEPA Contract for peaking; however, as a result of problems with certain dams on the Cumberland River hydro system, the Company's capacity entitlement has been suspended and the Company currently is receiving only energy. See "GENERATION AND TRANSMISSION ASSETS – Other Power Supply Resources" for a discussion of the Company's power purchase arrangements. The Company also owns 1,266 miles of transmission lines and 22 substations and has additional access to approximately 100 MW of firm transmission service through an agreement with another utility. The Company is a participant in the Midwest Independent System Operator, Inc. ("MISO"). MISO is a non-profit regional transmission organization operating in 13 states in the Midwest United States and Manitoba, Canada. MISO has functional control of the operation of its participants transmission facilities of 100 kilovolts ("kV"). In addition to operating the bulk transmission system of its participants, MISO also operates the Midwest Market (the "MISO Market"). In the MISO Market, the Company and other participants submit day-ahead or real-time bids and offers for the purchase or sale of energy at various locations. MISO then directs each MISO Market participant whether to operate its generation facilities and determines the price of energy at each location for a particular time period.

effect, in whole or in part, during any such suspension period on a finding by the KPSC that an emergency exists or that the utility's credit or operations will be materially impaired by the suspension. Rates placed into effect on an emergency basis are subject to refund to the extent that the final rates approved by the KPSC are lower than the emergency rates. The KPSC's decision on a new rate schedule filed by a utility must be issued not later than ten months after the filing of the rate schedule.

Member Information

Financial Information

The Members operate their systems on a not-for-profit basis. Accumulated margins constitute patronage capital for the consumer members. Refunds of accumulated patronage capital to the individual consumer members are made from time to time on a patronage basis subject to limitations contained in Member mortgages to the RUS, if applicable.

The Members are the Company's owners and not its subsidiaries. Except with respect to the obligations of the Members under their respective wholesale power contracts and the Smelter Agreements, Big Rivers has no legal interest in, or obligation in respect of, any of the assets, liabilities, equity, revenue or margins of its Members, other than its rights under these contracts. The revenues of the Members are not pledged to Big Rivers, but their revenues are the source from which they pay for power and energy and transmission services purchased from Big Rivers. Revenues of the Members are, however, often pledged under their respective mortgages. Tables 1 through 6 in Appendix B present a three-year summary of the balance sheets, statements of operations and selected statistical information with respect to the Members.

Statistical Information

The Company serves directly and indirectly a diverse customer base that includes farms and residences, commercial and industrial facilities, mining, irrigation and other miscellaneous customers. Farm and residential customers constitute the largest class of customers in terms of numbers throughout the Member service areas. The table below shows energy sales and revenue by customer class for the year 2011 for the Members.

2011 Sales By Members [(1)]

	kWh Sales (in thousands)	kWh Sales (%)	Revenue (in thousands)	Revenue (%)
Farm & Residential	1,530,359	14%	$112,855	23%
Commercial and Industrial (excluding the Smelters)	1,746,161	17%	86,044	17%
Aluminum Smelters	7,228,844	69%	303,364	60%
Other	3,409	0%	437	0%
Total	10,508,773	100%	$502,700	100%

(1) The information in this table has been compiled by Big Rivers from information obtained from the Annual Statistical Report Rural Electric Borrowers (Publication 201.1) and RUS Form 7 prepared by the Members and filed with RUS. Big Rivers has not independently verified this information.

THE SMELTER AGREEMENTS

The Company and Kenergy have entered into electric service arrangements with the Smelters. The Smelters have largely identical obligations under the agreements described below, so the following discussion does not distinguish between obligations to a particular Smelter, even though, from a legal perspective, their rights and obligations are separate and not joint.

The principal terms and conditions relating to the Company's sale of electric services to Kenergy for resale to the Smelters are set forth in six agreements, three with respect to service to each Smelter. The basic structure of the sale of electric services is that the Company sells the electric services to Kenergy and then Kenergy in turns sells those electric services to each Smelter. Because the Smelters are customers of Kenergy, Big Rivers has entered into two, separate wholesale service agreements (each a "Smelter Agreement") with Kenergy. Under each Smelter Agreement, the Company supplies Kenergy with electric service for resale to a particular Smelter. Kenergy has entered into a separate retail electric service agreement (a "Smelter Retail Agreement") with each Smelter. The Company and each Smelter have also entered into a Smelter Coordination Agreement (a "Smelter Coordination Agreement" and, together with the Smelter Agreements and the Smelter Retail Agreements, the "Smelter Agreements") that sets forth certain direct obligations between the Company and a Smelter. Due to the pass-through nature of the principal obligations between the Company and each Smelter, the Smelter Agreement and the Smelter Retail Agreement relating to each Smelter are substantially the same.

The aggregate amount of energy made available to the Smelters under the Smelter Retail Agreements consists of three types of energy referred to as (1) Base Monthly Energy, (2) Supplemental Energy and (3) Back-Up Energy. "Base Monthly Energy" is 368 MW per hour for Alcan and 482 MW per hour for Century. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS – Nature of Service."

The obligation of Kenergy to supply electric service to the Smelters pursuant to the Smelter Retail Agreements will terminate on December 31, 2023, unless terminated earlier pursuant to the terms thereof. A Smelter may terminate its Smelter Retail Agreement upon not less than one year's prior written notice of such termination to Kenergy and the Company if such Smelter ceases all smelting operations in Kenergy's service territory. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS – Termination Rights."

Pricing under the Smelter Agreements is designed so that the Base Rate for the Smelters will always be at least the rate charged to large direct-served industrial customers having an equivalent load factor, plus $.25 per MWh. The contracts provide that the Smelters are obligated to pay various surcharges, including fuel adjustment surcharges and environmental surcharges. In addition, the Smelter Agreements provide for annual adjustments to rates designed to assist the Company in achieving positive margins in each year. See APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS – Smelter Payment Obligations."

The Smelters intervened in the Company's last rate case, and pressed their case by saying that keeping the Smelter rates low and predictable was important to reduce the risk that the Smelters would have to cease operations upon the next downward cycle in the world price of aluminum. The Smelters say that they are very sensitive to the price they pay for electricity because the cost of electricity is approximately one-third of the cost of the aluminum smelting process.

Although the KPSC's November 17, 2011, Order in the rate case did not give the Company the full amount of the rate increase it sought, the Smelters have since been lobbying state government in Kentucky for financial relief to enhance the financial viability of their respective Kentucky operations. The Smelters have made public statements that the unanticipated magnitude of the current and future rate increases projected by Big Rivers as well as Big Rivers' recent evaluation of the impact of environmental legislation is what drives the current need for a statewide solution to the Smelters' increasing utility costs. Local representatives of Alcan informed economic development officials in state government in February of this year that projected power rates in 2013-2015 make it difficult for Alcan to envision a long-term future for the Sebree plant. Alcan said that a power rate of $26-$28/MWh would generally ensure that the Sebree smelter remains profitable during a periodic downturn in the London Metals Exchange ("LME") price, and would ensure continued operation for the foreseeable future. They say that without relief their Sebree smelter cannot sustain the next downturn in the world price of aluminum.

At the same time Century informed the same officials that for the immediate future, a rate averaging about $34/MWh from mid-2012 through 2015 would be a competitive rate for its Hawesville smelter. Local representatives of Century have told Big Rivers and others in state government that rates at the status quo level are not sustainable for Century's Hawesville smelter even in the short term, and that $50/MWh power puts their smelter's viability at great risk. Century wrote Big Rivers on April 18, 2012, stating that at the current LME prices the Hawesville aluminum smelter cannot sustain operations at Big Rivers' current and projected power rates, and requesting to renegotiate the power rate provisions of its contract. Big Rivers has commenced discussions with Century relating to the sustainability of the Hawesville smelter. Century reported on April 24, 2012, that with the current power price forecast and assuming that the LME remains at its current level, the Hawesville plant is not viable from an economic standpoint. Century publicly stated that the future of the Hawesville smelter would be discussed by Century's Board of directors at its late June meeting. This meeting has taken place and the Company is not aware of what actions, if any, were taken by Century's Board relating to the Hawesville smelter.

The Smelters have been pursuing projects that they say improve the profitability of their respective facilities. Century completed the restart of a fifth potline in 2011. Alcan completed a $50 million bake furnace project, and announced in February 2012 that it is undertaking a $20 million project to boost electric amperage and produce greater volumes of aluminum. Alcan has also reached agreement with Kenergy and Big Rivers to purchase an additional 10 MW of energy for the one year period beginning July 1, 2012, through June 30, 2013.

Alcan announced in October of 2011 that it had put 13 of its smelter operations worldwide on the block for potential sale. The Sebree smelter was included on the list. According to the Alcan release, there is no timeline for any of these sales to occur.

On June 14, 2012, at the request of the Governor of Kentucky, representatives of the Commonwealth met with representatives of Big Rivers and the Smelters to discuss ways to reduce the Smelters' costs in order to make them more economically viable. A number of approaches were discussed including, but not limited to, suggestions that Big Rivers reduce rates to the Smelters to a rate averaging about $35/MWh. Any reduction in the rates to the Smelters would involve an increase in the rates for other industrial customers and rural customers. The discussions that took place on June 14 were preliminary and will be followed by further exploratory discussions in the near future. Any reduction in the rates charged by Big Rivers to the Smelters and concomitant increase in the rates charged to other customers would require action by the Board of Big Rivers and by the KPSC, among others. In addition, it would likely result in renegotiation of the Smelter Agreements. Other approaches that have been advanced include allowing the Smelters more freedom in purchases from other sources and termination of the Smelter Agreements.

Since the meeting on June 14th, the Smelters have advanced other proposals to Big Rivers requesting significant rate reductions for the Smelters. Big Rivers offered a counterproposal and it has been rejected by the Smelters. On June 25, 2012, Big Rivers advised the Smelters that the gap between their demand and the Big Rivers' proposal is far larger than Big Rivers has the ability to close. There can be no assurances as to the outcome of this situation and as to whether one or both of the Smelters will give one year's notice, terminate its Smelter Agreement and close its smelting operations. Also, on July 8, 2012 Century informed Big Rivers that it was hiring a consultant to evaluate the available transmission capacity, potential congestion, and potential voltage stability issues if the Hawesville plant were to import power for its entire load into Big Rivers' system under a variety of operational scenarios of Big Rivers' generation. Big Rivers can give no assurances as to the outcome of this development.

For a more detailed summary of the provisions of the Smelter Agreements, see APPENDIX D – "SUMMARY OF CERTAIN PROVISIONS OF THE SMELTER AGREEMENTS."

POWER SUPPLY PLANNING

Every other year Big Rivers prepares load forecasts for the three Members. These individual forecasts serve as the basis for Big Rivers' load forecast, which is filed with the RUS. The last load forecast was prepared and filed in 2011. Additionally, every three years an Integrated Resource Plan ("IRP") is prepared in accordance with Kentucky Administrative Rule 807 KAR 5:5058 and filed with the KPSC. The last IRP was filed with the KPSC in November 2010. The next IRP will be filed with the KPSC in 2013. Both of these studies examine a future time frame of 15 years.

GENERATION AND TRANSMISSION ASSETS

Generation Resources

General

The following table sets forth certain information about the Company's owned generating facilities and Station Two.

Generating Facility	Type of Fuel	Net Capacity[2] (MW)	Big Rivers' Entitlement Share (MW)	Commercial Operation Date
Kenneth C. Coleman Plant				
Unit 1	Coal	150	150	1969
Unit 2	Coal	138	138	1970
Unit 3	Coal	155	155	1972
Robert D. Green Plant				
Unit 1	Coal	231	231	1979
Unit 2	Coal	223	223	1981
Robert A. Reid Plant				
Unit 1	Coal	65	65	1966
Combustion Turbine	Oil-Natural Gas	65	65	1976
D.B. Wilson Plant Unit No. 1	Coal	417	417	1986
Station Two Facility Units No. 1 and No. 2[1]	Coal	312	197	1973/1974
Total		1,756	1,641	

(1) Big Rivers operates but does not own the two units at Station Two and not all net capacity of such facility is available to it.
(2) Net capacity means net nameplate as adjusted for parasitic load.

Kenneth C. Coleman Plant

The Coleman Plant is a three unit, coal-fired steam electric generating unit located near Hawesville, Kentucky. Each of the units has a turbine nameplate rating of 160 MW. Units No. 1 has a net capacity of 150 MW, No. 2 has a net nameplate capacity of 138 MW while Unit No. 3 has a net capacity of 155 MW. All three boilers are positive pressure, outdoor units; the turbine generators are semi-outdoor and the station was retrofitted with a FGD system in 2007. The equivalent availability factor for the Coleman Plant for 2011 was 92.9%.

Environmental controls in place at the Coleman Plant include the use of precipitators (air pollution control devices that collect particles from gaseous emissions) which limit particulate emissions to a maximum of 0.27 pounds per million British thermal unit ("Btu"), and the use of a FGD system which is 97% effective in reducing SO_2 emissions. Coleman Plant's permitted SO_2 emissions limit is a maximum of 5.2 pounds per million Btu. The Coleman Units do not have a Title V permit NO_x limit.

Indenture Trustee as a result of the authentication and delivery of Mortgage Indenture Obligations can be withdrawn against 90.91% of Bondable Additions or retired or defeased Mortgage Indenture Obligations of equivalent value. Trust Moneys (as hereinafter defined) can be withdrawn against Bondable Additions or retired or defeased Mortgage Indenture Obligations, in either case of equivalent value, and can, at the option of the Company, be used for the redemption of Mortgage Indenture Obligations prior to their maturity, for the payment of principal on Mortgage Indenture Obligations at their maturity or for the purchase of Mortgage Indenture Obligations. To the extent that any Trust Moneys consist of the proceeds of insurance upon any part of the property subject to the lien of the Mortgage Indenture, such Trust Moneys can be withdrawn to reimburse the Company for costs to repair, rebuild or replace the destroyed or damaged property.

"Trust Moneys" is defined in the Indenture as all money received by the Indenture Trustee:

- Upon the release of any part of the Trust Estate from the lien of the Mortgage Indenture, including all moneys received in respect of the principal of all purchase money obligations deposited with the Indenture Trustee in respect of its release of property;

- As compensation for, or proceeds of the sale of, any part of the Trust Estate subject to the lien of the Mortgage Indenture taken by eminent domain or purchased by, or sold pursuant to an order of, a governmental authority or otherwise disposed of;

- As proceeds of insurance upon any part of the Trust Estate subject to the lien of the Mortgage Indenture required to be paid to the Indenture Trustee pursuant to the Mortgage Indenture; or

- For application as Trust Moneys under the relevant provision of the Mortgage Indenture or whose disposition was not otherwise specifically provided for in the Mortgage Indenture.

Covenants

The Indenture requires the Company to establish and collect rates, rents, charges, fees and other compensation (collectively, the "Rates") that produce money sufficient, together with other moneys available to the Company, to enable the Company to comply with all covenants under the Mortgage Indenture. Subject to the approval or determination of any regulatory or judicial authority with jurisdiction over Rates, the Mortgage Indenture requires the Company to establish and collect Rates which are reasonably expected, together with other revenue of the Company, to yield a MFI Ratio equal to at least 1.10 for each fiscal year. Promptly upon any material change in the circumstances which were not contemplated at the time such Rates were most recently reviewed but not less frequently than once every 12 months, the Company will be required to review the Rates so established and, subject to any necessary regulatory approval and the approval of the RUS, if required, promptly establish or revise such Rates as necessary to comply with the foregoing requirements. The Company will not furnish or supply or cause to be furnished or supplied any use, output, capacity or service of the Company's business with respect to which a charge is regularly or customarily made, free of charge to any Person, and the Company will use commercially reasonable efforts to enforce the payment of any and all accounts owing to the Company with respect to the use, output, capacity or service of the Company's business. A failure by the Company to actually achieve a 1.10 MFI Ratio will not itself constitute an Indenture Event of Default under the Mortgage Indenture. A failure to establish Rates reasonably expected to achieve a 1.10 MFI Ratio, however, will be an Indenture Event of Default if such failure continues for 30 days after the Company receives notice thereof from either the Indenture Trustee or the holders of not less than 20% in principal amount of the outstanding Mortgage Indenture Obligations, unless such failure results from the Company's inability to obtain regulatory approval.

MFI Ratio, for any period, is (i) the sum of (a) Margins for Interest (as defined below) for such period, plus (b) Interest Charges (as defined below) for such period, divided by (ii) Interest Charges for such period. Margins for Interest means, for any period, the sum of each of the following for such period:

- Big Rivers' net margins which include revenues of the Company subject to refund at a later date but exclude provisions for (i) non-recurring charges to income, including the non-recoverability of assets or expenses, except to the extent the Company determines to recover such charges in Rates and (ii) refunds of revenues collected or accrued in any prior year subject to possible refund; plus

- Any amount included in net margins for accruals for federal and state income and other taxes imposed on income after deduction of interest expense; plus

- Any amount included in net margins for any losses incurred by any subsidiary or affiliate of the Company; plus

- Any amount the Company actually receives in such period as a dividend or other distribution of earnings of any subsidiary or affiliate of the Company (whether or not such earnings were for such period or any earlier period); minus

- Any amount included in net margins for any earnings or profits of any subsidiary or affiliate of the Company; and minus

- Any amount the Company actually contributes to the capital of, or actually pay under a guarantee by the Company of an obligation of, any subsidiary or affiliate in such period to the extent of any accumulated losses incurred by such subsidiary or affiliate (whether or not such losses were for such period or any earlier period), but only to the extent (i) such losses have not otherwise caused other contributions or payments to be included in net margins for purposes of computing Margins for Interest for a prior period and (ii) such amount has not otherwise been included in net margins.

Margins for Interest are determined in accordance with Accounting Requirements; provided, however, that such determination may not be made on a consolidated basis.

"Interest Charges" is defined in the Mortgage Indenture to mean, for any period, the total interest charges (whether capitalized or expensed) for such period (which, except as otherwise provided in this definition, shall be determined in accordance with Accounting Requirements) related to (i) Outstanding Secured Obligations or (ii) outstanding Prior Lien Obligations, in all cases including amortization of debt discount and premium on issuance, but excluding all interest charges related to Mortgage Indenture Obligations that have actually been paid by another Person that has agreed to be primarily liable for such Indenture Obligation pursuant to an assumption agreement or similar undertaking, provided such assumption agreement or similar undertaking is not a mechanism by which the Company continues to make payments to such Person based on payments made by such Person on account of its assumed liability or by which the Company otherwise seeks to avoid having interest related to such Mortgage Indenture Obligations included in the definition of Interest Charges without the economic substance of an assumption of liability on the part of such Person.

The Mortgage Indenture prohibits Big Rivers from making any distribution, payment or retirement of patronage capital to the members if, at the time thereof or after giving effect thereto:

- An Indenture Event of Default then exists;

- Aggregate margins and equities as of the end of the immediately preceding fiscal quarter would be less than 20% of the Company's total long-term debt and equities at such time; or
- The aggregate amount expended for all such distributions to the members on and after the date on which the Company's aggregate margins and equities first reached 20% of the Company's long- term debt and equities shall exceed 35% of the Company's aggregate net margins earned after such date.

Notwithstanding such restrictions, so long as no Indenture Event of Default exists, the Company may make distributions, payments or retirements of patronage capital to members if, after giving effect thereto, the Company's aggregate margins and equities as of the end of its most recent fiscal quarter would have been not less than 30% of the Company's total long-term debt and equities as of such date.

The Mortgage Indenture obligates the Company to keep all of its property subject to the lien of the Mortgage Indenture free and clear of other liens, subject to Permitted Exceptions and certain purchase money on after-acquired property not in excess of 80% (or with respect to property that is not necessary to the operations of the remaining portion of the Company's business, 100%) of the lesser of the cost or the fair value of such property and in the aggregate not in excess of 15% of the aggregate principal amount of all Mortgage Indenture Obligations.

Credit Enhancement

The Mortgage Indenture provides that Mortgage Indenture Obligations of any series may have the benefit of an insurance policy, letter of credit, surety bond, or other similar unconditional obligation to pay when due the principal and interest of the Mortgage Indenture Obligations of such series (each, a "Credit Enhancement") issued by a credit enhancer (a "Credit Enhancer").

Additional Mortgage Indenture Obligations

The principal amount of Mortgage Indenture Obligations that can be issued under the Mortgage Indenture is limited to three billion dollars ($3,000,000,000). However, the Mortgage Indenture may be amended to increase such limit without the consent of holders of Mortgage Indenture Obligations. Additional Mortgage Indenture Obligations, ranking equally and ratably with the Mortgage Indenture Obligations issued to refinance or evidence the Company's secured indebtedness outstanding at such time, may be issued from time to time:

- Against:
    - 90.91% of Bondable Additions;
    - 90.91% of Certified Progress Payments;
    - The aggregate principal amount of retired or defeased Mortgage Indenture Obligations;
    - The amount of cash deposited with the Indenture Trustee; and
- To evidence reimbursement Obligations to Credit Enhancers in connection with Credit Enhancement or guarantees of other Mortgage Indenture Obligations.

Bondable Additions are equal to (i) the bondable value of all certified Property Additions (as to which the lien of the Mortgage Indenture shall be subject only to Permitted Exceptions), less (ii) property ("Retirements") subject to the lien of the Mortgage Indenture that is retired after December 31, 2008 (the

Meeting with Rural Utilities Service on November 14, 2012

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

KIUC EXHIBIT 3

Big Rivers

Big Rivers' Financing – Long-Term Debt

Lender	Description		Outstanding Principal Balance as of Sep. 30, 2012	Final Maturity Date	Stated Interest Rate (a)
	Long-Term Debt:				
CoBank	First Mortgage Notes Series 2012A	$	233,223,979	June 2032	4.30% **(b)**
RUS	RUS Series A Promissory Note	$	80,010,926	See footnote **(c)**	5.75% **(c)**
RUS	RUS Series B Promissory Note	$	128,467,849	December 2023	Imputed 5.80% **(d)**
Bonds	County of Ohio, Kentucky - promissory note, fixed interest rate	$	83,300,000	July 2031	6.00%
Bonds	County of Ohio, Kentucky - promissory note, variable interest rate **(See Note below)**	$	58,800,000	June 2013	3.25%
CFC	Refinancing Term Loan	$	302,000,000	July 2031	4.60% **(e)**
CFC	Equity Loan - CTCs (See Equity Investment on page 21)	$	43,155,800	July 2031	5.35% **(f)**
	Total Debt Excluding Outstanding Lines of Credit	**$**	**928,958,554**		

Note: Filed application with PSC on November 14, 2012 seeking approval to refund these bonds. Refunding will extend the maturity date to July 2031 with level debt service payments over 18 years. Interest rate of 6% or higher is anticipated on these bonds.

See next slide (page 20) for footnotes: **(a), (b), (c), (d), (e) and (f)**

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

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.

REGULATORY DISCLOSURES

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.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this rating action, and whose ratings may change as a result of this rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

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.

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MOODY'S
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MOODY'S
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).

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