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**PUBLIC SERVICE
COMMISSION**

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

**APPLICATION OF BIG RIVERS)
ELECTRIC CORPORATION FOR A) Case No. 2012-00535
GENERAL ADJUSTMENT IN RATES)**

**Response to the Office of the Attorney General's
Initial Request for Information
dated February 14, 2013**

Volume 1 of 4

FILED: February 28, 2013

ORIGINAL

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

**Response to the Office of the Attorney General's
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Dated February 14, 2013**

February 28, 2013

1 **Item 1)** *Please state whether the company will agree to update its*
2 *responses to all data requests when the company updates its filing*
3 *from budgeted to actual amounts.*

4

5 **Response)** Big Rivers will update its responses as required by law, as
6 ordered by the Commission, or as it otherwise deems appropriate.

7

8 **Witness)** Counsel

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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1 **Item 2)** *Provide an electronic spreadsheet copy of all supporting*
2 *workpapers, calculations and source documents for the models*
3 *provided by Big Rivers in response to PSC 1-57 with formulas, links*
4 *and references intact.*

5

6 **Response)** All of the electronic spreadsheet copies of workpapers,
7 calculations and source documents for the models provided in the response
8 to PSC 1-57 are included with that response and the response to AG 1-239.

9

10 **Witness)** John Wolfram

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 3)** *On an ongoing basis, please describe steps and actions*
2 *being taken by Big Rivers, if at all, in anticipation of filing for*
3 *bankruptcy reorganization, the current status of those steps and*
4 *actions, and anticipated further steps, actions and anticipated*
5 *timing.*

6

7 **Response)** Big Rivers objects to this request on the grounds that it seeks
8 information that is protected by the attorney-client and attorney work
9 product privileges. Notwithstanding this objection, but without waiving it,
10 Big Rivers states that it has developed and is in the process of implementing
11 a mitigation plan to preserve its financial position notwithstanding the
12 smelter termination notices. There are no plans in place for Big Rivers to
13 file for bankruptcy reorganization.

14 To the extent this request seeks continuous or ongoing updates, Big
15 Rivers objects on the grounds that it is overbroad and unduly burdensome.
16 Notwithstanding this objection, but without waiving it, Big Rivers states that
17 it will only update its response as required by law, as ordered by the
18 Commission, or as it otherwise deems appropriate.

19

20 **Witness)** Mark A. Bailey

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 4)** *On an ongoing basis, please provide documents which*
2 *show analysis conducted by or for Big Rivers regarding the potential*
3 *disposition of: (a) Big Rivers' transmission assets; and/or (b) any of Big*
4 *Rivers' generating units.*

5

6 *a. Has Big Rivers considered selling all or any portion of its*
7 *transmission assets to an independent transmission*
8 *operator? If not, why not?*

9

10 **Response)** Big Rivers objects to this request on the grounds that it seeks
11 information that is protected by the attorney-client and attorney work
12 product privileges. Notwithstanding this objection, but without waiving it,
13 Big Rivers states that it has no documents showing analysis conducted by
14 or for Big Rivers regarding the potential disposition of its transmission
15 assets. Please see the response to PSC 2-18 for information regarding the
16 disposition of any of Big Rivers' generating units.

17

18 a. Big Rivers has not considered selling all or any portion of its
19 transmission assets to an independent transmission operator.
20 Big Rivers has a responsibility to reliably provide power to its
21 Members. To meet that responsibility, Big Rivers owns,
22 operates, and maintains its own transmission assets.

23

Case No. 2012-00535

Response to AG 1-4

Witnesses: David G. Crockett (subpart a) and Robert W. Berry

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1 To the extent this request seeks continuous or ongoing updates, Big
2 Rivers objects on the grounds that it is overbroad and unduly burdensome.
3 Notwithstanding this objection, but without waiving it, Big Rivers states that
4 it will only update its response as required by law, as ordered by the
5 Commission, or as it otherwise deems appropriate.

6

7 **Witness)** Robert W. Berry and David G. Crockett (subpart a)

Case No. 2012-00535

Response to AG 1-4

Witnesses: David G. Crockett (subpart a) and Robert W. Berry

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1 **Item 5)** *On an ongoing basis, please provide documents which*
2 *show the substance and status of conversations between Big Rivers*
3 *and the creditors.*

4

5 **Response)** Big Rivers objects to this request on the grounds that it is overly
6 broad and unduly burdensome. Big Rivers also objects to this request on
7 the grounds that it seeks information that is irrelevant and not likely to lead
8 to the discovery of admissible evidence. Notwithstanding these objections,
9 but without waiving them, please see the responses to KIUC 1-2 and KIUC
10 1-3. The correspondence and documents provided with these responses
11 show the substance and status of conversations between Big Rivers and the
12 creditors since January 1, 2012.

13 To the extent this request seeks continuous or ongoing updates, Big
14 Rivers objects on the grounds that it is overbroad and unduly burdensome.
15 Notwithstanding this objection, but without waiving it, Big Rivers states that
16 it will only update its response as required by law, as ordered by the
17 Commission, or as it otherwise deems appropriate.

18

19 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 6)** *On an ongoing basis, please provide documents which*
2 *show the substance and status of conversations between Big Rivers*
3 *and the credit rating agencies.*

4

5 **Response)** Big Rivers objects to this request on the grounds that it is overly
6 broad and unduly burdensome. Big Rivers also objects to this request on
7 the grounds that it seeks information that is irrelevant and not likely to lead
8 to the discovery of admissible evidence. Notwithstanding these objections,
9 but without waiving them, please see the response to AG 1-54.

10 To the extent this request seeks continuous or ongoing updates, Big
11 Rivers objects on the grounds that it is overbroad and unduly burdensome.
12 Notwithstanding this objection, but without waiving it, Big Rivers states that
13 it will only update its response as required by law, as ordered by the
14 Commission, or as it otherwise deems appropriate.

15

16 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 7)** *Please provide the "final" Financial Model produced to the*
2 *Commission in the "Unwind" case (2007-00455), in electronic*
3 *spreadsheet format with all formulae intact.*

4

5 **Response)** Please see the attached electronic spreadsheet with all formulae
6 intact. This is being provided with a petition for confidential treatment and
7 on the CONFIDENTIAL CDs accompanying these responses.

8

9 **Witness)** Travis A. Siewert

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 8) Please provide a narrative description of all measures Big**
2 **Rivers has undertaken in an attempt to keep Alcan Primary Products**
3 **Corporation ["Alcan"] and Century Aluminum of Kentucky General**
4 **Partnership ["Century"] on its system. Include in your description any**
5 **discussions with government officials at the federal, state, county**
6 **and / or municipal levels, and provide copies of any and all relevant**
7 **documents in this regard.**

8

9 **Response)** Big Rivers objects to the extent that this request seeks
10 information that is subject to the attorney-client and attorney work product
11 privileges. Notwithstanding this objection, and without waiving the same,
12 Big Rivers states as follows.

13 There have been numerous meetings and discussions with the two
14 aluminum smelters since January 2011, in an attempt to resolve their
15 financial issues. Big Rivers has on more than one occasion supported the
16 smelters' quest for assistance, such as supporting the use of the coal
17 severance tax, suggesting to eliminate the cost of service disparity between
18 rate classes, and proposing to eliminate the contract premiums the smelters
19 agreed to during the 2009 Unwind. The smelters have declined these offers
20 on more than one occasion. In May of 2012, Big Rivers agreed to discuss a
21 concept where it would allow Century and Alcan to obtain their power
22 supply from the wholesale market contingent upon Commission approval
23 and the following four conditions: 1) a timeline that would allow Big Rivers

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Witness: Robert W. Berry
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1 to file a rate case to offset the revenue impact caused by the smelters'
2 departure; 2) both smelters must support the plan; 3) they must pay Big
3 Rivers' incremental cost associated with the transaction; and 4) if they exit
4 the system, they must agree that Big Rivers has no further obligation to
5 serve them in the future.

6 Several meetings and conversations took place between May and
7 August with the Kentucky Cabinet for Economic Development, the
8 Governor's office, and legislators in an attempt to find a solution to the
9 smelters' issues. The Energy and Environment Legislative Committee also
10 initiated a study of the Energy Rate Impacts on Kentucky Industry
11 ([http://www.caenergy.com/downloads/Morey_Kirsch_Kentucky_Energy_Rat
12 e_Impacts_2012.pdf](http://www.caenergy.com/downloads/Morey_Kirsch_Kentucky_Energy_Rate_Impacts_2012.pdf)).

13 In addition, Big Rivers has also held several meetings with Alcan to
14 discuss options to mitigate its rate increase that will result from Century's
15 contract termination. Big Rivers also continues to negotiate with Century
16 Aluminum to allow it to obtain its power from the wholesale market.

17

18 **Witness)** Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 9)** *Please provide copies of the notices of termination that*
2 *both Alcan and Century provided to Big Rivers.*

3

4 **Response)** Please find attached the requested copies of the notices of
5 termination that both Alcan and Century provided to Big Rivers.

6

7 **Witness)** Mark A. Bailey

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 10)** *Please provide any and all presentations Big Rivers made*
2 *to any and all rating agencies, investment firms, investment banking*
3 *institutions, investment advisory services, credit support institutions,*
4 *private placement firms, participants in existing or proposed lines of*
5 *credit, institutional investment groups or other entities of any type*
6 *regarding Big Rivers' financing, since January 1, 2011.*

7

8 **Response)** Please find, on the CONFIDENTIAL CD, all relevant documents
9 relating to presentations Big Rivers made to the aforementioned groups
10 regarding Big Rivers financing since January 1, 2011. Also, please see the
11 Responses to KIUC 1-19 in Case No. 2012-00492, and KIUC 1-1, 1-3, and
12 1-15 in Case No. 2012-00119.

13

14 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 11) *Provide copies of any and all correspondence and***
2 ***documents of any type or sort between Big Rivers and Goldman Sachs***
3 ***relevant to Big Rivers' proposed refinancing which is the subject of***
4 ***Case No. 2012-00492.***

5

6 **Response)** Big Rivers objects to this request on the grounds that it is overly
7 broad and unduly burdensome. Big Rivers also objects to this request on
8 the grounds that it seeks information that is irrelevant and not likely to lead
9 to the discovery of admissible evidence. Notwithstanding these objections,
10 but without waiving them, please see Big Rivers' response to Item 1-3 of the
11 initial request for information by the Kentucky Industrial Utility Customers
12 ("KIUC") dated January 3, 2013, in Case No. 2012-00492 for copies of
13 correspondence and documents between Big Rivers and Goldman Sachs
14 relevant to Big Rivers' proposed refinancing which is the subject of Case No.
15 2012-00492.

16

17 **Witness)** Billie J. Richert

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1 **Item 12)** *Please provide copies of credit reports for Big Rivers*
2 *between January 1, 2011 and the present from the major credit*
3 *rating agencies (Moody's S&P, and Fitch).*

4

5 **Response)** Please see the response to AG 1-3 in Case No. 2012-00492 for
6 copies of credit reports for Big Rivers from the three rating agencies from
7 January 1, 2011 through January 3, 2013. Please see the response to AG
8 1-54 for copies of credit reports for Big Rivers from the three rating agencies
9 since January 3, 2013.

10

11 **Witness)** Billie J. Richert

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1 **Item 13)** *Please provide the corporate credit and bond ratings*
2 *assigned to Big Rivers since the year 2009 by S&P, Moody's and Fitch.*
3 *For any change in the credit and/or bond rating, please provide a*
4 *copy of the associated report.*

5

6 **Response)** Please see the attachments to the response for AG 1-4 in Case
7 No. 2012-00492 for the corporate credit and bond ratings assigned to Big
8 Rivers since the year 2009 by S&P, Moody's and Fitch through January 3,
9 2013. Please see the response to AG 1-54(c) for copies of credit reports for
10 Big Rivers from the three rating agencies since January 3, 2013.

11

12 **Witness)** Billie J. Richert

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1 **Item 14)** *Please describe the potential ramifications, if any, the*
2 *company may face if it fails to maintain an investment grade credit*
3 *rating from at least two rating agencies.*

4

5 **Response)** Please see the response to AG 1-210 in the present case, and
6 the responses to Items 19 and 21 of the initial request for information by
7 Alcan Primary Products Corporation dated January 3, 2013, in Case No.
8 2012-00492.

9

10 **Witness)** Billie J. Richert

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1 **Item 15)** *Provide a copy of any and all agreements by which Big*
2 *Rivers, through its member, Kenergy, provides electric service to the*
3 *two smelters.*

4

5 **Response)** Please see the documents responsive to this request provided on
6 the PUBLIC CDs accompanying these responses.

7

8 **Witness)** Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION
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1 **Item 16)** *Please provide the financial model runs modified to*
2 *reflect:*

3

4 *a. The amended refinancing request currently before the PSC*
5 *in Case No. 2012-00492; and,*

6 *b. The notice of termination provided by Alcan.*

7

8 **Response)** Big Rivers objects to this request on the grounds that it is overly
9 broad and unduly burdensome. Notwithstanding this objection, but
10 without waiving it, Big Rivers states as follows.

11

12 a. Please see the response to PSC 2-13.

13 b. Please see the response to PSC 2-1.

14

15 **Witness)** Travis A. Siewert

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 17) Please provide Financial Model "sensitivity" runs**
2 **performed by Big Rivers since August 2012 which use alternate**
3 **assumptions regarding:**

4

5 **a. departure of smelter load;**

6 **b. debt financing;**

7 **c. market prices for off-system sales;**

8 **d. alternative scenarios regarding implementation of the**
9 **Load Concentration Analysis and Mitigation Plan; and/or**

10 **e. any other alternate assumptions to those contained in the**
11 **financial model presented in this case.**

12

13 **Response)** Big Rivers objects to this request on the grounds that it seeks
14 information that is irrelevant and not likely to lead to the discovery of
15 admissible evidence. Big Rivers also objects to this request on the grounds
16 that it is overly broad and unduly burdensome. Notwithstanding these
17 objections, but without waiving them, please see the financial model runs
18 on the accompanying CD, provided pursuant to a petition of confidentiality.
19 These financial model runs were prepared in September of 2012.

20

21 **Witness)** Travis A. Siewert

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 18) *Please provide the reasons for the decreases (both historic***
2 ***and projected) in Big Rivers' off-system sales.***

3

4 ***a. Given that utilities throughout the eastern U.S. will be***
5 ***shutting down many coal-fired generation plants, does Big***
6 ***Rivers foresee a potential for increasing its off-system***
7 ***sales? If so, when? If not, why not?***

8

9 **Response)** As indicated on the attached chart, Big Rivers' off-system sales
10 margins rose from 2010 to 2011 despite the fact that market prices were
11 lower in 2011 by more than 10% versus 2010. The increased margins were
12 driven primarily by increased volumes. Because Big Rivers joined MISO in
13 December 2010, it had the opportunity to sell every available MW into the
14 MISO market. Because Big Rivers' units are very efficient and have
15 extremely competitive variable costs, MISO dispatched Big Rivers' units
16 often in 2011. The utilization of Big Rivers' units rose significantly in 2011
17 as a result of MISO integration.

18 From 2011 to 2012, Big Rivers saw a significant drop in off-system
19 sales margins driven primarily by a decline in market prices. Because the
20 market price of power dropped significantly, Big Rivers' generating units did
21 not "clear the market" in as many hours, resulting in lower sales volumes.
22 Declining market prices also drove lower sales margins on the MWs that did
23 "clear the market."

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1 Big Rivers' off-system sales margins are not forecasted to increase
2 significantly for the next few years because depressed wholesale market
3 prices will drive low sales volumes and margins per MWh.

4
5 a. Big Rivers believes coal generating units that are not in
6 compliance with MATS standards, and not working to come into
7 compliance, will likely be coming offline by April 2015. While
8 some regulated utilities have chosen to build combined cycle
9 gas generation to replace those generating units, most
10 merchant companies will decommission their coal plants and
11 not replace that supply. This decline in supply should have a
12 positive impact on wholesale market prices. Likewise, national
13 economic turnaround and/or an increase in natural gas pricing
14 would also have positive impacts on the wholesale price of
15 power, if they occur. Any increases in either capacity or energy
16 market prices, whether driven by supply or demand drivers, will
17 allow Big Rivers' generators to "clear the market" more often,
18 thus resulting in increased off-system sales. Big Rivers is
19 striving to increase its off-system sales as much as possible to
20 provide additional value to its Members.

21
22 **Witness)** Robert W. Berry

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Big Rivers Electric Corporation
Case No. 2012-00535
Attachment to Response for AG 1-18
Big Rivers' Wholesale Revenue 2010-2012

Wholesale Revenue			
	2010	2011	2012
Actual Wholesale MWh*			
Actual Wholesale \$/MWh			
Actual Wholesale Revenue			
Actual Wholesale Variable Expense \$/MWh			
Actual Wholesale Variable Expense			
Net Actual Wholesale Margin			
Budget Wholesale MWh			
Budget Wholesale \$/MWh			
Budget Wholesale Revenue			
Budget Wholesale Variable Expense			
Net Budget Wholesale Margin			
Unrecovered MISO Expense (Jan-Aug 2011)			
Wholesale Revenue (Deficiency)/Surplus	(a)		
* Adjusted for Smelter surplus sales.			

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1 **Item 19)** *Please state whether any studies currently are being*
2 *conducted, or have been conducted pertaining to congestion*
3 *constraints which could inhibit the ability of Big Rivers to sell its*
4 *excess power off system. If any, please identify any and all such*
5 *studies and provide copies of same.*

6

7 **Response)** Big Rivers completed a study entitled "Bulk Transmission
8 System Assessment" in support of and included in its filing of an application
9 for a Certificate of Public Convenience and Necessity in Commission Case
10 No. 2007-00177. Big Rivers requested and MISO completed a study entitled
11 "First Contingency Incremental Transfer Capability Study" dated July 6,
12 2011. A redacted copy of that study report is provided in response to PSC
13 2-24. Neither of these studies indicated that a transmission constraint will
14 inhibit Big Rivers' ability to sell its excess power off system.

15

16 **Witness)** David G. Crockett

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1 **Item 20)** *Please state whether the completion of Big Rivers'*
2 *transmission expansion plans, in particular but not limited to the*
3 *Vectren 345 kV interconnection, would make it possible for Big Rivers*
4 *to wheel power into the service territories of American Electric*
5 *Power's members' service territories (including but not limited to*
6 *Kentucky Power Co.). If not, why not?*

7

8 **Response)** Big Rivers states that the completion of Big Rivers' Phase 1 and
9 Phase 2 transmission expansion projects and the MISO Vectren 345 kV
10 interconnection project have increased both the import and export transfer
11 capabilities of Big Rivers' system, but they did not specifically give Big
12 Rivers the ability to wheel power into the service territories of American
13 Electric Power's members.

14

15 **Witness)** David G. Crockett

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1 **Item 21) *Reference the application in general, regarding the***
2 ***amounts of the requested rate increases.***

3
4 **a) *Confirm that the application states that the increase Big***
5 ***Rivers is seeking for the rural class is \$40.7 million, or***
6 ***29.4%, and that the increase for the large industrial class,***
7 ***if approved, would be \$8.2 million, or 17.9%. Confirm also***
8 ***that these calculations are calculated gross of the Member***
9 ***Rate Stability Mechanism ("MRSM").***

10 **b) *Reference the Motion of KIUC for Big Rivers to File a***
11 ***Corrected Notice ("KIUC Motion"). Confirm that in this***
12 ***motion, KIUC states the actual increases (in percentages)***
13 ***will be 38.4% for the rural class, and 27.0% for the large***
14 ***industrial class, when the proposed increases are***
15 ***calculated net of the MRSM.***

16 **c) *Reference Big Rivers' Response to KIUC's Motion, wherein***
17 ***Big Rivers states that the projected increases, when***
18 ***calculated net of the MRSM, total 35.8% for the rural***
19 ***class, and 22.1% for the large industrial class.***

20 **d) *Please clarify the projected increases for both classes,***
21 ***both gross of the MRSM and net of the MRSM.***

22 **e) *Please state whether the notices the member distribution***
23 ***cooperatives will publish in their rate flow-through cases***

BIG RIVERS ELECTRIC CORPORATION

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*will be based on the calculations gross of the MRSM or net
of the MRSM. If gross, explain fully why.*

Response)

- a. Confirmed.
- b. Confirmed.
- c. Confirmed.
- d. The projected increases, gross and net of the MRSM, are as follows.

Increases by Rate Class			
Rate Class	Total \$	Percentage	
		Gross	Net
Rurals	\$ 40,676,278	29.4 %	35.8 %
Large Industrials	\$ 8,247,929	17.9 %	22.1 %
Smelter	\$ 25,551,913	15.6 %	15.6 %
TOTAL	\$ 74,476,120	21.4 %	23.7 %

Please see the response to PSC 2-35 for the supporting calculations.

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- 1 e. Big Rivers is not responsible for the notices published by the
2 member distribution cooperatives in their rate flow-through
3 cases.

4

5 **Witness)** John Wolfram

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1 **Item 22) Regarding Big Rivers' proposal to recover the**
2 **approximately \$63 million of revenue which will be lost once Century**
3 **leaves Big Rivers' system, please confirm that this figure represents**
4 **stranded costs which will be passed onto the remaining ratepayers. If**
5 **Big Rivers does not agree, please provide a complete explanation as to**
6 **why not.**

7

8 **a. At the time the "Unwind Case" (Case No. 2007-00455) was**
9 **underway, and during the five-years period during which**
10 **Big Rivers negotiated the Unwind, did it not foresee the**
11 **potential for stranded costs? If not, why not?**

12 **b. Why should stranded costs be passed on to non-smelter**
13 **ratepayers?**

14 **c. Explain why stranded costs should not be paid by Big**
15 **Rivers' creditors.**

16

17 **Response)** Big Rivers confirms that the portion of the total revenue
18 deficiency sought in this proceeding that is related to the Century contract
19 termination (e.g. approximately \$63 million of the total \$74.5 million
20 requested) should be recovered from the remaining members. Big Rivers
21 disagrees with the characterization of these costs as "stranded costs." This
22 applies to all of the sub-parts of this data request.

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1 a. At the time the Unwind Case was underway and during the
2 Unwind negotiations, Big Rivers recognized the risk that Big
3 Rivers and its members faced regarding the potential
4 termination of one or both smelter contracts. This is evidenced
5 by, among other things, the existence of the Transition Reserve
6 fund described in the Direct Testimony of Ms. Billie J. Richert,
7 by the limitations on the one-year termination notice provisions
8 in the Smelter Agreements, and by the construction of the
9 Phase 2 Transmission Projects described in the Direct
10 Testimony of Mr. David G. Crockett.

11 Since the closing of the Unwind, Big Rivers has continued
12 to manage the risks associated with providing service for the
13 smelters. This is evidenced by the development of Big Rivers'
14 Load Concentration Analysis and Mitigation Plan and by the
15 record in Big Rivers' last rate filing in Case No. 2011-00036.
16 Please see the response to AG 1-49.

17 Other parties have recognized these risks as well. The
18 Commission mentioned Big Rivers' consideration of this risk in
19 its final order in Case No. 2007-00455.¹ The credit rating

¹ "After analyzing the risks associated with supplying power to the Smelters, including operating and maintaining generation, load concentration, fuel supply, and financial risks, Big Rivers decided to enter into discussions to terminate, or "unwind," the 1998 lease transactions and agreements, with the intent of obtaining significant compensation for

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1 agencies noted the risks in their reviews of Big Rivers, including
2 the reports provided in Exhibit Richert-7.

3 For these reasons, it is clear that Big Rivers and other
4 interested parties fully recognized the load concentration risk
5 that Big Rivers and its members faced at the time of the Unwind
6 and beyond.

7 b. Big Rivers should be able to raise rates to make up for this
8 revenue shortfall. Big Rivers expects to mitigate the portion of
9 the revenue deficiency attributable to the Century contract
10 termination by working to secure other customers, increase off-
11 system sales, or otherwise mitigate this situation in the
12 foreseeable future. Please see the response to PSC 2-18.

13 c. Big Rivers is not aware of circumstances in which utility costs
14 are directly assumed by the utility's creditors.

15

16 **Witness)** John Wolfram

assuming those risks." Commission Order dated March 6, 2009 in Case No. 2007-00455,
March 6, 2009, Page 7.

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1 **Item 23) Now that both Century and Alcan have provided their**
2 **respective notices of termination to both Big Rivers and Kenergy, will**
3 **any smelter agreements remain in force and effect? If so, identify**
4 **precisely which one(s).**

5 **a. Will Big Rivers continue to use the "Contract TIER" principle**
6 **which was an essential aspect of the smelter agreements? If so,**
7 **state why. Explain in complete detail.**

8 **b. What discussions / negotiations has Big Rivers had with Century**
9 **and/or Alcan regarding contract TIER since February 2012?**
10 **Provide a complete description with any documents related to**
11 **same.**

12
13 **Response)** The existing smelter service agreements will remain in effect
14 until their respective termination dates. On the contract termination dates,
15 all agreements relating to electric service obligations terminate, but the
16 smelter parent guaranties survive.

17 a. No.

18 b. Big Rivers is not aware of any negotiations/discussions regarding
19 Contract TIER.

20
21 **Witness)** Robert W. Berry

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1 **Item 24) Please reference the Application at p. 4, wherein Big**
2 **Rivers asserts that the effective date of new rates must coincide with**
3 **the date of Century's departure from the Big Rivers system, that of**
4 **August 20, 2013.**

5

6 **a) What will happen if the PSC does not approve Big Rivers'**
7 **proposed rates, especially by the date requested?**

8 **b) Now that Alcan has given its notice of termination, will**
9 **Big Rivers change the effective date of new rates? If not,**
10 **why not?**

11

12 **Response)**

13

14 a) Big Rivers objects to this request on the grounds that Big Rivers
15 has previously provided all information and documents
16 necessary for the intervenor to determine the response without
17 further input. Notwithstanding this objection, but without
18 waiving it, please see Section IV of the Direct Testimony of Mark
19 A. Bailey and Sections IV, VI and VII of the Direct Testimony of
20 Billie J. Richert. If the Commission does not issue an order by
21 the proposed effective date, Big Rivers reserves the right to
22 place the proposed rates into effect subject to refund.

23

b) No. Please see the Response to PSC 2-1.

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1

2 **Witness)** Mark A. Bailey

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1 **Item 25) State whether Big Rivers maintains a risk management**
2 **program.**

3

4 **a. If so, please identify the areas of risk the plan covers.**

5 **b. Please provide a copy of any risk manual the company**
6 **maintains.**

7 **c. State whether the company has ever retained the services**
8 **of any consultants to address risk management, and if so,**
9 **please provide a copy of any and all reports generated by**
10 **any such consultants.**

11 **d. State whether the company has a risk management**
12 **committee, or any committee that addresses risk**
13 **management. If so, identify all persons, together with**
14 **their respective credentials, who are members of the**
15 **committee.**

16 **e. State whether Big Rivers has an audit committee, or any**
17 **other committee which addresses risks that do or could**
18 **arise in an audit committee. If so, identify all persons who**
19 **are members of the committee.**

20 **f. State whether any committee dealing with Risk**
21 **Management in general, and any committee which deals**
22 **with risks that an Audit committee would traditionally**
23 **address, has ever addressed the financial risks of losing**

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1 *one or both smelters. If so, provide a list of any and all*
2 *reports produced by any such committee. If not, why not?*
3 *g. Please provide copies of the minutes of any such*
4 *committees, and any documents related to same.*

5

6 **Response)** Big Rivers maintains a risk management program.

7

8 a. Big Rivers' Risk Management program is comprehensive and
9 covers all facets of the business. Big Rivers' Enterprise Risk
10 Management (ERM) Policy sets forth the following risk
11 management objectives:

- 12 • to maintain risk within desired tolerances for a defined
13 period in the future,
- 14 • to mitigate price volatility to the Members,
- 15 • to maintain a proactive safety, health, and loss prevention
16 program designed to protect life and property, provide a
17 hazard-controlled work environment, and comply with all
18 applicable regulations,
- 19 • to meet lender debt covenants,
- 20 • to maintain financial liquidity within desired tolerances,
- 21 • to maintain an investment grade credit rating,
- 22 • to enhance the value of Big Rivers' assets/resources,

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- 1 • to ensure that the risks of business challenges including
2 load changes are effectively managed,
3 • to participate in commodity markets and derivative
4 instruments for hedging and not for speculative purposes,
5 and to develop an ERM culture throughout the
6 organization and provide for an ongoing strategic
7 planning process.
- 8 b. Please find attached Big Rivers' Risk Management Policy.
- 9 c. Big Rivers objects that this request is overbroad and unduly
10 burdensome. It further objects that the use of the word
11 "consultant" is unduly vague and ambiguous in the context of
12 this request. Big Rivers also objects to this request on the
13 grounds that it seeks information that is protected by the
14 attorney-client and attorney work product privileges.
15 Notwithstanding these objections, without waiving them, Big
16 Rivers states that it has not retained any consultants.
- 17 d. Big Rivers has an internal risk management committee (IRMC)
18 that meets monthly and consists of the following individuals:
- 19 • Mark Bailey – President and Chief Executive Officer
20 • Bob Berry – Chief Operating Officer
21 • Billie Richert – Vice President Accounting, Rates, and
22 CFO

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- 1 • Lindsay Barron – Vice President Energy Services
2 • David Crockett – Vice President System Operations
3 • James Haner – Vice President Administrative Services
4 • Dean Lawrence – Director Risk Management and
5 Strategic Planning
6 • Marty Littrel – Director Communications and Community
7 Services
8 • Eric Robeson – Vice President Environmental Services
9 and Construction
10 e. Big Rivers' Internal Risk Management Committee manages the
11 risks of the organization.
12 f. Big Rivers' Internal Risk Management Committee regularly
13 discusses the concentration risk inherent to Big Rivers' current
14 load. The group provided significant input to the Load
15 Concentration Analysis and Mitigation Plan provided under
16 petition for confidential treatment in the response to AG 1-89.
17 g. Please find attached the minutes of Big Rivers' IRMC meeting
18 from January 2012 through January 2013 submitted under
19 petition for confidential treatment.

20

21 **Witness)** Mark Bailey

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1. Policy Purpose

The purpose of this document is to formalize the policies of Big Rivers Electric Corporation (“Big Rivers”) regarding managing its enterprise-wide risks. Accordingly, this policy will set forth Big Rivers’:

- risk management objectives,
- risk governance structure and responsibilities,
- scope of business activities governed by this policy and the list of associated ERM guidelines and policy documents, and supporting risk management policies.

Big Rivers intends that risk management will support the advancement of its strategic business plan, and will properly manage its business and financial risks through:

- prudent oversight,
- adequate mitigation of risks consistent with Big Rivers’ risk tolerance, and
- sufficient internal controls and procedures.

Managing the enterprise-wide risks of Big Rivers’ business entails the coordination of resources and activities among all departments within Big Rivers.

2. Risk Management Objectives

Big Rivers exists primarily to safely deliver low-cost, reliable wholesale power, and cost effective shared services desired by its Members. Managing Big Rivers’ risk is consistent with that mission, and serves the following objectives:

- to maintain risk within desired tolerances for a defined period in the future,
- to mitigate price volatility to the Members,
- to maintain a proactive safety, health, and loss prevention program designed to protect life and property, provide a hazard-controlled work environment, and comply with all applicable regulations,
- to meet lender debt covenants,
- to maintain financial liquidity within desired tolerances,
- to maintain an investment grade credit rating,
- to enhance the value of Big Rivers’ assets/resources,
- to ensure that the risks of business challenges including load changes are effectively managed,
- to participate in commodity markets and derivative instruments for hedging and not for speculative purposes, and
- to develop an ERM culture throughout the organization and provide for an ongoing strategic planning process.

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3. Risk Governance Structure and Responsibilities

Risk governance will follow a top-down approach whereby the Board of Directors (“Board”) identifies Big Rivers’ risk management objectives and provides risk management oversight. Supporting controls, policies and procedures will be implemented and aligned throughout the risk governance structure, with distinct roles and responsibilities that result in a risk control environment. Governance and controls include the organizational structure, policies, reporting process and procedures that support Big Rivers’ business models, risk tolerances, power supply objectives, financial objectives, safety objectives, and segregate responsibilities appropriately.

a. Board – ERM Duties

- Has a basic understanding of ERM,
- Approves Big Rivers’ ERM objectives, and the president and chief executive officer’s (“CEO”) authority limits to conduct risk management transactions,
- Approves no less than annually a resolution of the energy supply goals (e.g., fuel cost, production targets), and financial goals (e.g., liquidity, TIER, rates, costs, net margin). These goals shall be consistent with the Board’s desired risk management objectives, time horizons, and risk tolerance for managing enterprise risk,
- Approves, periodically reviews, and makes recommended changes to the ERM Policy that establishes an overall framework for evaluation, management, and control of risk,
- Approves participation in specific commodity markets and derivative instruments,
- Oversees the risk management activities of Big Rivers,
- Establishes scope and frequency for management reporting to the Board,
- Periodically reviews risk exposures and compliance with policies and procedures,
- Discusses Big Rivers’ major financial risk exposures and the steps management has taken or will take to mitigate, control, and monitor such exposures,
- Reviews and approves any new commodity products, locations, or markets,
- Approves management staff to serve as members of an Internal Risk Management Committee (“IRMC”),
- Receives reports by the risk management function on Big Rivers’ compliance with its risk policies,
- Reviews and approves the energy risk identification and exposure management guidelines (Appendix A).

b. CEO – Risk Management Responsibilities and Duties

- Recommends staff to serve as members of the IRMC,
- Has authority to transact within the limits set by the Board in the Trading Authority Policy,
- Approves proper organization, separation, or consolidation of functional activities,

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- Assures prudent administrative procedures are established for execution of commodity and derivative transactions, contract controls, credit controls, trading controls, enterprise-wide risk monitoring and measurement, settlement controls, and other risk management activities,
- Ensures that the identification and quantification of risks and related risk mitigation strategies are integrated into the strategic planning process,
- Establishes and maintains an effective working relationship with ACES Power Marketing (“APM”).

c. IRMC – Responsibilities and Duties

Membership shall be comprised of seven executive voting committee members:

1. CEO
2. VP Production
3. VP Accounting and Interim CFO
4. VP Administrative Services
5. VP System Operations
6. VP Environmental Services and Construction
7. Communications and Community Relations Manager

The VP Governmental Relations and Enterprise Risk Management shall participate as a non-voting member of the committee and serve as the IRMC chairperson. The chairperson shall be responsible for keeping, or causing to be kept, a true and complete record of the proceedings. Other non-voting participants shall participate in the meetings as determined by the executive voting committee members.

The IRMC establishes a forum for discussion of Big Rivers’ significant risks and must develop guidelines required to implement an appropriate risk management control infrastructure, which includes implementation and monitoring of compliance with Big Rivers’ ERM-related policies. The IRMC executes its risk management responsibilities through direct oversight and prudent delegation of its responsibilities to the risk management function, as well as to other company personnel.

Responsibilities include:

- Reviews and recommends the ERM-related policies and oversees enforcement by the risk management function,
- Ensures that risk management objectives, risk tolerance, and authority limits are employed throughout Big Rivers,
- Receives reports by the risk management function concerning Big Rivers’ compliance with its risk policies, controls, and procedures, in accordance with established policies, controls, and procedures,
- Recommends to the CEO the proper organizational structure, separation or consolidation of functional risk management activities,

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- Reviews and approves proposed risk management strategies for strategic fit, risk exposure consistent with risk tolerance, and reporting and control requirements,
- Ensures approved strategies are consistent with Big Rivers’ approved strategic business plan, risk management objectives, approved risk tolerance, and compliance with risk policies,
- Periodically reviews Big Rivers’ risk management program in light of recent changes in business practices, improved procedures, Big Rivers’ philosophy and strategy, or market changes; and ensures continued compliance with its established guidelines,
- Formulates risk management strategy, policy or procedures necessary for new product or market implementation,
- Requires and reviews regular risk reports provided by the risk management function,
- Reports to the CEO regularly on Big Rivers’ risk management activities,
- Periodically engages an independent audit (internal and/or external) of risk control policies and procedures,
- Holds formal IRMC meetings at least quarterly, with standing agenda items including, but not limited to, current commodity market strategies, power cost uncertainty, level of exposure to non-member transactions, production strategies and exposures, financial strategies and exposures, environmental strategies and exposures, control requirements/enhancements, counterparty contract and credit exposure, and policy and procedural violations,
- Performs a periodic review of transaction compliance with policies and procedures for market transactions executed within Big Rivers,
- Reviews the infrastructure supporting risk management and ensures that it meets the requirements for risk oversight and compliance,
- Reviews compensation policies to ensure they are structured to avoid incentives for excessive risk taking,
- Reviews and recommends that the Board approve Big Rivers’ strategic plan.

d. Risk Management Function – Responsibilities and Duties

This function shall be the responsibility of the VP Governmental Relations and Enterprise Risk Management. Various departments will be required to provide this function with reports or information required for risk assessment and analysis on a regular or periodic basis.

Responsibilities include:

- Performs responsibilities delegated by the IRMC,
- Organizes and chairs the IRMC meetings,
- Engages the IRMC in discussions regarding events or developments that could expose Big Rivers to potential losses,
- Develops, recommends, and administers risk management processes and procedures; provides input to tools to assist in risk management,
- Provides risk management education/training to Board, staff and management,
- Reviews risk management activities, risk controls, and recommends modifications of controls to meet changing business needs,

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- Reviews adequacy and accuracy of reports, and reports any deficiencies to the IRMC,
- Assesses risks to Big Rivers in aggregate, by department, and by material business activity,
- Oversees periodic audits of risk control policies and procedures to ensure that Big Rivers complies with its risk policies,
- Reports any violation of Big Rivers' risk policies,
- Reviews and approves changes to the risk management policies and procedures, as appropriate,
- Reports regularly to the IRMC, at a minimum, but not limited to:
 - Portfolio model risk measures (1-48 months),
 - Financial forecasting model risk measures (1 month–15 years),
 - Resource planning model risk measures (2-15 years),
 - Power cost projections,
 - Financial projections,
 - Loss/near miss incidents and results of any investigations,
 - Production output,
 - Credit and contract risk exposures,
 - Other key performance indicators that support effective ERM,
 - Policy and procedural violations,
 - Status of exemptions and exceptions.
- Reports to the IRMC and Board on Big Rivers' compliance with its risk policies and risk management in accordance with the policies,
- Reviews and evaluates proposed Risk Management Transactions to be executed by Big Rivers, and ensures adequate analysis has been performed with proper risk assessment and mitigation consistent with risk management objectives , and in compliance with risk management policies.

e. APM – Roles and Responsibilities

Big Rivers is a member of APM and will use this alliance to obtain selected energy risk management and transaction execution services. In accordance with the agreements between Big Rivers and APM, APM is authorized to and shall:

- Periodically provide Big Rivers with a controls audit report from an independent auditor,
- Execute transactions on behalf of Big Rivers in accordance with established delegations of authority and compliance requirements set forth by the CEO,
- Administer counterparty contracts and manage credit in compliance with the Credit Policy according to the types of agreements the Big Rivers' CEO or the VP Accounting and Interim CFO, as delegated by the CEO, authorizes APM to administer,
- Provide Big Rivers with daily reports on individual transaction details, commodity positions, and counterparty credit positions for transactions executed by APM,

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- Provide Big Rivers with periodic risk profile reports addressing its energy risk and recommend hedging strategies within the time horizon specified by Big Rivers for assessment, but typically within the 1-60 month horizon,
- Capture Big Rivers’ energy supply transactions in APM’s risk management systems,
- Monitor compliance of transactions with Big Rivers’ Energy Related Transaction Authority Policy,
- Confirm and settle transactions with Big Rivers’ counterparties for commodities and transactions authorized by the CEO or the VP Production, as delegated by the CEO, for APM to administer,
- Mark-to-market forward energy supply transactions for credit exposure purposes.

4. Scope of Business Activities Governed by this Policy

The scope of this policy is designed to address the management of the enterprise-wide risk associated with Big Rivers including, but not limited to:

- Commodity price risk,
- Volumetric risk,
- Power and fuel delivery risk,
- Operational risk,
- Financial risk,
- Environmental and regulatory risk,
- Counterparty contract and credit risk,
- Organizational risk,
- Board and officer risk,
- Safety risk.

The ERM and strategic planning functions of Big Rivers will facilitate the development and monitor the implementation of a strategic plan that will incorporate enterprise risks that require additional strategic focus. The plan will be consistent with the risk management policies and objectives of Big Rivers.

5. Associated ERM Guidelines and Policies

Supporting guidelines and policies are required as outlined below. Responsibility for their approval, modification, oversight, and compliance shall be consistent with the governance section of this policy and unless otherwise stated does not require the approval of the Board.

- | | |
|--|-----------------------------|
| Energy Related Transaction Authority Policy | Economic Development Policy |
| Risk Management Sanctions Policy | Safety Policy |
| Hedge Policy | Credit Policy |
| Financial Policy | |
| Appendix A Energy Risk Identification and Exposure Management Guidelines | |

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Appendix A

1. Identification of Enterprise-Wide Risks

The enterprise-wide energy portfolio of Big Rivers is naturally exposed to the following primary risks:

- Commercial operational risk
 - Inadequate controls and procedures
 - Errors and fraud
- Commodity market price risk
 - Power
 - Fuels
 - Emission allowances
 - Bulk materials
- Concentration risk (or lack of diversity)
 - Suppliers
 - Coal
 - Smelter load
 - Steam coal generation unit technology
- Contract risk (counterparty performance)
 - Large industrial contract default
- Credit risk
 - Bad debts expense
 - Supplier bankruptcy (mark to market risk)
 - Large industrial bankruptcy
- Delivery risk
 - Transmission risk (aka congestion)
 - Fuel delivery risk
- Financial risk
 - Financial liquidity (cash flow, meeting debt covenants)
 - Interest rates
- Operations risk
 - Generation unit outages
 - Transmission outages
- Regulatory and environmental risk
 - Federal and state regulatory changes
 - Environmental requirements (New Source Review)
- Safety and hazard control risk
 - Loss of life
 - Injuries/Illness
 - Equipment damage

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- Loss of employee productivity
- Federal, state and local regulations
- Volumetric risk
 - Load forecast/weather variability risk
 - Forced outage/de-rate risk
 - Loss of load
 - Load growth

Section 2 of this document defines these primary risks and other relevant definitions.

Section 3 identifies the tools and provides guidelines as to how risks shall be managed under most conditions.

Section 4 provides a description of Big Rivers' power supply risk profile and why it differs from others engaged in the energy markets.

2. Definition of Risks

Commercial operational risk is the risk of loss from inadequate or failed internal processes, people, and systems.

Commodity market price risk is the risk of loss due to potential fluctuations in the prices of an underlying energy commodity. In the wholesale power market, Big Rivers has risk that commodity prices rise, spike or are generally high when it is short of meeting its firm supply obligations. Big Rivers has risk that prices fall or are generally low when it has excess capacity or electric energy compared to its firm supply obligations.

Due to heavy reliance on coal generation units, Big Rivers has a natural short position in the coal that it needs to supply fuel to its generating resources.

Commodity market price risk occurs across all tenors, from the hourly market to the long-term forward market (5 years +). Big Rivers is exposed to commodity price risk for power, coal, natural gas, emission allowance (SO₂ and NO_x), fuel oil and various bulk materials (e.g. ammonia, limestone, etc.) that exhibit price volatility.

Contract risk or counterparty performance risk is the risk of a potential adverse occurrence of a counterparty's ability to operationally perform on an agreement or due to contractual provisions that leave Big Rivers with no recourse under an event of default.

Concentration risk is the risk of having large exposures to significant power supply components. Concentration risk can be found with suppliers (contract and credit risk), generation units (outage risk), unit technology (environmental), and native load customers (smelters).

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Credit risk is the risk of a potential adverse occurrence of a counterparty’s ability to pay its obligations (debts) to Big Rivers or that a supplier declares bankruptcy and abrogates a supply contract that must be replaced during a time of higher commodity market prices.

Delivery risk is the risk that Big Rivers cannot meet a firm supply obligation due to a transmission constraint. Delivery risk is natural to Big Rivers in meeting its firm supply obligations and reliability of service. Big Rivers can also be exposed to delivery risk in the transportation of its fuel supply.

Financial risk is the risk that a company’s scarce resources are not best employed, resulting in adverse financial consequences. Quantification of risks in terms of their impact on financial measures including member rates, costs per MWh, margins, cash flow, credit, derivatives, TIER and DSC will be considered in risk analysis and mitigation. Risk quantification and mitigation pursuant to appropriate risk tolerance shall have significant focus.

Cash margin risk is the risk associated with inadequate cash flow resulting from margin requirements of a contractual agreement. For example, the EEI Master Agreement provides that counterparties may margin each other when they are overexposed above credit thresholds that were negotiated between the parties when the agreement was executed. Credit exposures include replacement cost exposure on a mark-to-market basis when a counterparty’s position is out-of-the money.

Operations risk is the risk associated with physical assets. This would include failures or outages associated with generation units, fuel delivery systems (weather or mechanical), generation step-up transformers, the transmission system, control systems, or other critical components associated with the production or delivery of electricity.

Safety and hazard control risk is the risk of loss from an accident or incident that results in bodily injury or property damage disrupting or impairing operations, and exposing the company to liability, repair, and other costs in the process of mitigating the loss.

Volumetric risk is the risk that energy commodity volumes will vary from expected and result in a potential loss due to changing commodity market prices. The primary volumetric risks that Big Rivers is exposed to are load forecast/weather variability risk, forced outage/de-rate risk, loss of load (smelter load concentration), transmission delivery risk, and transmission congestion risk.

Load forecast/weather variability risk is the risk that actual loads differ from forecasted loads due to the error in weather forecasts and load forecasts. This risk is natural to Big Rivers’ portfolio since it serves load serving entities. Since this risk will result in Big Rivers being unintentionally long or short in the spot market, it naturally results in hourly market price risk.

Forced outage and de-rate risk is the risk that a generating unit does not perform when it is expected to be available, or when it performs below expected capability. This risk is natural to Big Rivers’ portfolio since it owns and operates generation units to meet its load requirements. Since this risk will result in Big Rivers being unintentionally short in the market, it also naturally results in market price risk.

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Loss of load risk is the risk that Big Rivers loses a significant portion of one of its Members' load, for example, an aluminum smelter, and that the market price for electricity coincidentally falls below the sales price of the lost load and thereby creates a financial strain on the company. However, if market prices for electricity remain above the sales price of a potential lost load it would create a financial benefit to the company.

Congestion risk is the risk of negative price differentials between the location of power supplies and the demand location. If Big Rivers needs to buy electricity and the transmission system is congested, it would pay a premium to secure the needed electricity, if it is available at all. If Big Rivers has excess electricity to sell and the transmission system is congested, then it may not be able to sell the excess or may have to sell at a discounted price to a non-congested area. Congestion risk typically manifests itself in power commodity market price risk.

3. Guidelines and Tools to Manage Risk

ERM Framework Assessment and Risk Dictionary

These tools are used to identify and prioritize risks and the gaps at Big Rivers for effectively managing enterprise-wide risk. On an annual basis, the ERM function of the company will assess the ERM framework including gaps in: data, tools, processes, and education/skills gaps necessary for effectively managing risk. Additionally, the ERM function will identify and prioritize all of the enterprise risks of the organization and assure that each risk is being effectively managed within the policies and risk tolerance of the organization. Outcomes of these tools will be a key input to the strategic planning function of Big Rivers.

Strategic Planning Process

Big Rivers periodically deploys a strategic planning process that identifies and addresses strategic issues, high priority risks, and gaps in the ERM framework. Several sources will have input into the strategic plan including employees, the Board, CEO, Members, ERM function, senior staff, and departmental functions. The objective of the process will be to identify and anticipate strategic issues and risks, understand the assumptions, quantify these risks, and enable Big Rivers to move swiftly to develop and implement effective strategies to address them.

Short/Intermediate-Term Planning - Portfolio Model

Market price risks and volumetric risks will be managed in the near term planning cycle (1-60 months forward) utilizing a portfolio model. The portfolio model is a risk assessment of Big Rivers' energy portfolio based on Monte-Carlo simulation that provides a cumulative probability curve of Big Rivers' variable costs in forward months, rolled up to years.

Long-Term Planning – Integrated Resource Planning Model

Market risks and volumetric risks will also be managed by long-term resource planning for a period of 2-15 years. Big Rivers' Energy Services Department will forecast its long-term firm supply obligations based on its expectations for load growth. This tool, along with the short/ intermediate-term portfolio model and the financial forecasting modeling tool, will assist Big Rivers in making appropriate capital investments to meet the needs of its membership. Big Rivers will seek to meet a planning capacity reserve margin in accordance with applicable reliability region standards. The actual targeted reserve margin will be documented and managed through long-term generation additions and intermediate term

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purchased power contracts based upon the cost and risk tradeoffs of the company as identified in the Hedge Policy.

Financial Forecasting Model

Big Rivers will manage its financial risks and capital planning and budgeting process through the use of a financial forecast modeling tool. The financial forecast modeling tool will include aspects of other short, intermediate, and long-term planning tools to enable Big Rivers to assess cost and risk tradeoffs and impacts on key financial metrics (e.g., targets for TIER, rates, DSC, cash flow, margins) of risk mitigation strategies. The financial forecast will generally be on a monthly basis for approximately 24 months and annually for calendar years beyond that period. The financial forecasting function of the company will work closely with departments that manage key risks and the ERM function.

Delivery Risk

Delivery risks for electricity and fuels will be managed by thoroughly evaluating the risk and procuring firm transmission and transportation in a proactive manner. Delivery procurement strategies will be developed in the Energy Services Department in coordination with electricity and fuel procurement activities. In the event that adequate firm transportation or transmission is not available to adequately mitigate risk, the IRMC will be formally notified as to recommended methods by which it will be managed.

Credit Policy

Credit risk and counterparty performance risk will be managed according to the credit controls, per the Credit Policy.

Contract Controls

Counterparty performance risks will be managed according to the Energy Related Transaction Authority Policy and supporting APM trading control procedures as requested by Big Rivers.

Diversity Management

Big Rivers will manage its concentration risks on a rolling 12-month basis by diversifying its capacity, fuel, and purchased power requirements as defined in the Hedge Policy.

Commercial Controls

Big Rivers will manage its commercial operational risks according to trading authority limits to conduct market transactions. The trading authority limits to conduct commodity market transactions are approved by Big Rivers' board, and are included in the Energy Related Transaction Authority Policy. Big Rivers will also manage its commercial operational risks to new products, instruments, or locations according to a control process for such as found in the Energy Related Transaction Authority Policy. Numerous other internal controls and procedures shall be in place at Big Rivers to manage other purchasing activities and vendor relationships.

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Financial Policy - Liquidity Management

Financial risks will be managed according to the Financial Policy and supporting internal control procedures.

Hedge Policy

Commodity price risk and volumetric risk will be managed according to the Hedge Policy and supporting internal execution strategies and control procedures.

Risk Management Transactions

Numerous transactions may be entered into to mitigate risk consistent with the board-approved power supply cost goal and risk tolerance. Several hedging instruments and commodities are used to manage Big Rivers' enterprise risks, which include purchases or sales of physical commodities, financial instruments, fuel transportation, power transmission, power generation capacity, and fuel storage. The following hedging instruments and commodities are permitted to be transacted when used consistent with this policy and its supporting controls, policies and procedures:

- Physical Transactions
 - Forward power, natural gas, and coal
 - Options on power, natural gas, and coal
 - Spot market power, natural gas, and coal
 - Power transmission and ancillary services
 - Coal and natural gas transportation and ancillary services
- Financial Transactions
 - Futures contracts for power, natural gas, and coal
 - Swap contracts for power, natural gas, coal, and interest rates
 - Options on power, natural gas, and coal
 - Weather protection transactions
 - Unit outage protection transactions

Safety Policy

Safety and hazard control risk will be managed according to the Safety Plan, along with supporting internal safety and training policies and procedures.

4. Big Rivers' Energy Supply Risk Profile

Big Rivers operates its power supply function under a different business model than merchant energy companies, and, therefore, has a different risk profile, requiring a different approach to risk management.

- Big Rivers' mission is to safely deliver low-cost, reliable wholesale power, and cost effective shared services desired by its Members,
- Big Rivers is not in the energy business to trade speculatively (buy low – sell high), or to initiate energy risk positions,
- Big Rivers is not in the energy business to take at-risk positions in merchant generation,

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- Big Rivers by nature has significant volumetric risk that results from: 1) long-term load serving obligations, 2) the supply hedges used to meet those obligations (generation, forwards, options, demand side management, etc), and 3) the volumetric differences that occur between numbers 1 and 2 ('unmatched positions'),
- Big Rivers participates in the forward term electric market *defensively* to hedge the risk of its forward load serving obligations (short positions) based on monthly or seasonal forecasted peak loads, plus a capacity planning reserve. There are about 730 hours in each calendar month, and due to the unpredictability of the weather, it is impossible to know when the peak load hour will be. Consequently, Big Rivers' forward short and long positions are measured in both MW and MWh.
- Sometimes Big Rivers also has forward positions that are net long after meeting its firm load obligations, and it will participate in the forward term electric market to hedge that risk by selling,
- Big Rivers participates in the weekly/daily/hourly electric market to balance its unmatched positions at the market price in real time, and in the near term timeframe of predictable weather trends,
- Big Rivers also participates in both the short-term and long-term energy markets to hedge its anticipated fuel consumption, financially or physically, and to supply fuel to its generation units,
- Big Rivers is not in the practice of mark-to-market revenue recognition.¹ Revenues from rates to its member systems are cost based, without variability for mark-to-market fluctuations,
- Unlike managing a portfolio of only standard traded electric products (e.g., 5X16 Firm LD at a pricing hub) that protect the parties financially from volumetric risk, Big Rivers' energy portfolio typically has significant volumetric risk, because:
 - Its load obligations are obviously not flat in volume, they fluctuate hour-by-hour, minute-by-minute,
 - Its loads can be difficult to predict (weather forecasts, weather correlation),
 - It owns generation, which is subject to forced outages and de-rates,
 - Some of its supply resources are not financially firm (hydro allocations, unit contingent purchases, non-firm purchases, etc.),
 - It has physical transmission delivery risks,
- Unlike managing a portfolio of only standard traded electric products (e.g., 5X16 Firm LD at a pricing hub) which are generally liquid, it would be very time consuming to liquidate the entire forward risk in a typical Big Rivers' energy portfolio. It is not unusual for Big Rivers to have unmatched positions of load obligations (short) and supply resources (long) that extend out in forward time for 20 to 30 years. In order to 'flatten' Big Rivers' book of unmatched risk positions to a risk neutral position, it would usually require a lengthy time period for a request for proposal ("RFP") and negotiation process to obtain a tailored physical 'wrap-around' alliance deal. Even then, because of the uncertainty of forward electric prices beyond about four years, these types of deals are usually limited to the next 5 or 10 years forward, not 20 to 30,
- Typical derivative risk metrics, such as Value at Risk (VaR), do not factor in volumetric risk, and are, therefore, inadequate to reflect the full risk that is inherent to Big Rivers' business,

¹Under the GAAP principle of matching revenues and expenses, even the required FAS 133 marks on options are usually deferred from affecting Big Rivers' statement of revenue and expense since the revenue recovery for option premiums will occur in the period(s) that the option can deliver energy.

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- Native load does not behave according to any derivative that can be loaded into a risk system,
- The proper risk measurement and decision support tool for most of Big Rivers' risks are a risk model that incorporates both market price risk and volumetric risk together, and provides for a correlation of native load demand to market prices.

Number	Date	Notes	Approved by
Original	06/15/2007	Approved to be effective when management deems appropriate	Board
Rev 1	01/20/2012	Add Robeson to IRMC, change verbiage relating to Independent Risk Management Function definition	Board
Rev 2	02/21/2012	Made revisions to account for retirement of Senior VP Energy Services	Board

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 26)** *State whether Big Rivers has ever conducted any studies*
2 *or consulted with any external consultants regarding the ability of*
3 *Big Rivers Electric Corp. to maintain its independence from its three*
4 *member-owners, including but not limited to: (a) the ability of Big*
5 *Rivers' corporate governance structure to make decisions in the best*
6 *interest of Big Rivers; and (b) how to address any potential conflicts of*
7 *interest with its member owners. If so, please provide copies of any*
8 *and all reports or findings produced from any such studies /*
9 *consultants. If not, explain why not.*

10

11 **Response)** The current management of Big Rivers is not aware of any such
12 studies. Big Rivers has not experienced any problems maintaining its
13 corporate independence.

14

15 **Witness)** Mark A. Bailey

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 27)** *Please state whether the company has obtained financing*
2 *for its ECR construction projects, as identified in Case No. 2012-*
3 *00063. If not, please explain what steps the company is taking or*
4 *will take to secure this financing.*

5

6 **Response)** No, Big Rivers has not obtained financing for its 2012
7 Environmental Plan ("ECP") construction projects, as identified in Case No.
8 2012-00063. Currently, Big Rivers is negotiating a \$60,000,000 senior
9 secured three-year credit facility loan through CFC for bridge financing of its
10 2012 ECP projects until long term financing with RUS is in place with a
11 Rural Utilities Service ("RUS") Guaranteed Federal Financing Bank ("FFB")
12 Loan.

13

14 **Witness)** Billie J. Richert

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1 **Item 28)** *Given the fact of Century's and Alcan's notices of*
2 *termination, and given Big Rivers' current financial difficulties, has*
3 *the company given all the required disclosures to government*
4 *agencies (e.g., the U.S. Securities and Exchange Commission),*
5 *financial institutions and ratings agencies? If any such disclosure*
6 *was given to the SEC, please provide a copy of same.*

7

8 **Response)** Big Rivers has provided all required disclosures to the
9 appropriate parties. Please see attachment for a copy of the disclosure
10 provided to the SEC.

11

12 **Witness)** Billie J. Richert

Big Rivers Electric Corporation

S.E.C. Rule 15c2-12(b)(5)

**Report of Material Event
Pursuant to the
Continuing Disclosure Agreement
Described Herein**

February 8, 2013

**Case No. 2012-00535
Attachment to Response to AG 1-28
Witness: Billie J. Richert
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S.E.C. RULE 15C2-12(B)(5)
REPORT OF MATERIAL EVENT

Big Rivers Electric Corporation hereby provides this report of a Material Event under Section 1.4 of the Continuing Disclosure Agreement (defined below).

Bond Issue

The County of Ohio, Kentucky, Pollution Control Refunding Revenue Bonds, Series 2010A (Big Rivers Electric Corporation Project) due July 15, 2031, in the aggregate principal amount of \$83,300,000, with an original CUSIP number of 677288AG7 (the "Bonds").

Note: The CUSIP number above is provided for the convenience of bondholders. Big Rivers Electric Corporation is not responsible for the accuracy or completeness of such number.

Report of Material Events

On February 4, 2013, Standard & Poor's Rating Services changed the rating on the Bonds from "BBB-" to "BB-" with a negative outlook, on February 5, 2013 Fitch Ratings changed to outlook on the Bonds from "BBB-" to "BB" with a negative outlook and on February 6, 2013, Moody's Investors Service changed the rating of the Bonds from "Baa2" to "Ba1" and stated that the Bonds were being placed under review for further downgrade.

Other Matters

This report is provided solely for the purposes of the Continuing Disclosure Agreement related to the Bonds, dated as of June 1, 2010, by and between Big Rivers Electric Corporation and U.S. Bank National Association, as trustee for the Bonds. The filing of this report does not constitute or imply any representation (i) regarding any other financial, operating or other information about Big Rivers Electric Corporation or the Bonds or (ii) that no changes, circumstances or events have occurred since the last report (other than as referred to in this report), or that no other information exists which may have a bearing on Big Rivers Electric Corporation's financial condition, the security for the Bonds, or an investor's decision to buy, sell, or hold the Bonds.

Dated: February 8, 2013

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1 **Item 29) *If the PSC should award the full amount of new revenues***
2 ***Big Rivers seeks in the instant application, thus achieving a 1.24***
3 ***TIER:***

- 4 ***a. Would it still be able to meet its debt service covenants?***
5 ***b. Would additional borrowing be required or even implied?***
6 ***c. Would it be able to meet industry standard maintenance***
7 ***and operating requirements without having to defer any***
8 ***maintenance or capital investments?***

9
10 **Response)**

- 11 a. Yes.
12 b. The only new borrowing reflected in the test period is for the
13 Environmental Compliance Plan.
14 c. Yes.

15
16 **Witness) Billie J. Richert**

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1 **Item 30) Reference the application at p. 4, wherein Big Rivers**
2 **discusses the elimination of the subsidy the rural class has been**
3 **receiving. Please explain how this comports with the Commission's**
4 **prior rulings regarding the principle of gradualism.**

5

6 **Response)** The elimination of the subsidy received by the Rural rate class
7 is consistent with the Commission's long-standing practice of employing the
8 principle of gradualism. For Big Rivers, the Commission's prior rulings
9 embracing gradualism to address the subsidization issue were premised on
10 the fact that the difference between current rates and cost-based rates -- or
11 alternatively, the amount of the Rural rate class subsidy that should be
12 eliminated in order to levelize the class rates of return -- was large enough
13 to be perceived as an "unexpected change seriously adverse to existing
14 customers."¹ This is evident in the Commission's Order dated November 17,
15 2011 in Case No. 2011-00036, in which the Commission stated on page 30
16 that "Considering the amount of the Rural subsidy, moving to cost-of- service
17 based rates for all classes is a goal to be achieved gradually, in incremental
18 steps" (emphasis added).

19 In the last rate case, the Commission noted that the Rural subsidy
20 prior to any rate increase was \$13.5 million. In this case, the Rural subsidy
21 prior to any rate increase is \$5.3 million. This decrease in the total subsidy

¹ Bonbright, James C, *Principles of Public Utility Rates*, Columbia University Press, New York NY, 1961, p. 291.

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1 to the Rurals is driven first and foremost by the Century contract
2 termination, because with the larger of the two smelters no longer providing
3 a subsidy, the total amount of subsidization decreases. The decrease is
4 driven to a lesser extent by the rate increases approved in the last rate case;
5 the rates approved by the Commission eliminated approximately 28% of the
6 rate of return gap that existed at that time.

7 Therefore, while it was appropriate to apply incremental steps in order
8 to eliminate a \$13.5 million subsidy, there is no need for any additional
9 incremental steps to eliminate the current \$5.3 million subsidy. The
10 Century contract termination and the incremental step from the last rate
11 case, when taken together, eliminate the need for employing the principle of
12 gradualism in this case.

13

14 **Witness)** John Wolfram

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1 **Item 31)** *Please produce a chart depicting variable costs for each*
2 *month from January of 2011 through the end of the fully forecasted*
3 *test year, contrasted with budgeted variable costs for each of those*
4 *months.*

5

6 **Response)** The requested, CONFIDENTIAL chart depicting actual variable
7 costs for each month from January 2011 through December 2012 and
8 budgeted costs from January 2011 through August 2014 is provided in the
9 attachment to this response.

10

11 **Witness)** DeAnna M. Speed

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1 **Item 32)** *Provide a copy of all additional supporting workpapers,*
2 *calculations, and source documents for the testimony, exhibits,*
3 *schedules, forecasts, and revenue requirement adjustments sponsored*
4 *by (or addressed in part by) Company witnesses Mr. Bailey, Ms.*
5 *Richert, Mr. Yockey, Mr. Berry, Mr. Crockett, Ms. Speed, Ms. Barron,*
6 *Mr. Haner, Mr. Kelly, Mr. Siewert and Mr. Wolfram. When applicable,*
7 *provide the requested documents in electronic form with all*
8 *spreadsheet links and formulas intact, source data used, and explain*
9 *all assumptions and calculations used. To the extent the data*
10 *requested is not available in the form requested, please provide the*
11 *information in the form that most closely matches what has been*
12 *requested.*

13

14 **Response)** Please see the responses to PSC 1-57 and AG 1-267.

15

16 **Witness)** John Wolfram

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1 **Item 33)** *Provide a working electronic copy of the Company's 2011,*
2 *2012 and 2013 YTD Trial Balance in the following format (if possible)*
3 *showing account balances for the current month, current YTD and*
4 *comparison to the prior YTD. Provide or identify amounts on a GAAP*
5 *versus regulatory (or non-GAAP) basis. Provide updates on a monthly*
6 *basis as new monthly data becomes available.*

7
8 **Response)** Please see the document on the CD attached to this response
9 for the Trial Balance showing account balances for January 2013 current
10 month activity, January 2013 current YTD and comparative 2012 YTD and
11 2011 YTD balances. Big Rivers reports financial data on a GAAP basis and
12 therefore, there are no identifiable regulatory (or non-GAAP) amounts.

13 To the extent this request seeks continuous or ongoing updates, Big
14 Rivers objects on the grounds that it is overbroad and unduly burdensome.
15 Notwithstanding this objection, but without waiving it, Big Rivers states that
16 it will only update its response as required by law, as ordered by the
17 Commission, or as it otherwise deems appropriate.

18
19 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 34)** *Provide a working electronic copy of the Company's 2011,*
2 *2012 and 2013 YTD General Ledger in the following format (if*
3 *possible) showing account balances for the current month, current*
4 *YTD and comparison to the prior YTD with all monthly (and annual)*
5 *activity by account number. Provide or identify amounts on a GAAP*
6 *versus regulatory (or non-GAAP) basis. Provide updates on a monthly*
7 *basis as new monthly data becomes available.*

8

9 **Response)** Please see the CONFIDENTIAL CD attached to this response for
10 the General Ledger for January 2013 YTD, 2012 YTD as of December 31
11 and 2011 YTD as of December 31. Big Rivers reports financial data on a
12 GAAP basis and therefore, there are no identifiable regulatory (or non-GAAP)
13 amounts.

14 To the extent this request seeks continuous or ongoing updates, Big
15 Rivers objects on the grounds that it is overbroad and unduly burdensome.
16 Notwithstanding this objection, but without waiving it, Big Rivers states that
17 it will only update its response as required by law, as ordered by the
18 Commission, or as it otherwise deems appropriate.

19

20 **Witness)** Billie J. Richert

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1 **Item 35)** *Explain the difference between the Company's audited*
2 *financial records (GAAP-based) and any subsidiary financial records*
3 *maintained on a regulatory basis, and identify all amounts included*
4 *in the rate proceeding that are on a regulatory or non-GAAP basis (or*
5 *indicate if all records are on a GAAP basis). For each account or type*
6 *of revenue, expense, asset and liability on a regulatory or non-GAAP*
7 *basis, explain the rationale and basis for maintaining records on this*
8 *basis and identify the difference in the amounts between GAAP and*
9 *regulatory/non-GAAP amounts. For example, identify differences in*
10 *depreciation expense, accumulated depreciation, deferred taxes, and*
11 *net plant due to differences in depreciation rates maintained for*
12 *GAAP/audited financials versus depreciation rates maintained for*
13 *regulatory/rate proceeding purposes.*

14

15 **Response)** The financial statements of Big Rivers include the provisions of
16 FASB ASC 980 (formerly FASB 71), *Certain Types of Regulation*, which was
17 adopted by the Company in 2003, and gives recognition to the ratemaking
18 and accounting practices of the Kentucky Public Service Commission
19 (KPSC) and the Rural Utilities Service (RUS). All financial records used in
20 this rate proceeding are on a GAAP basis.

21

22 **Witness)** Billie J. Richert

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1 **Item 36)** *Volume I, Tab 3 states that Big Rivers annual reports for*
2 *calendar years prior to 2012 are on file with Commission and Big*
3 *Rivers is preparing its 2012 report and anticipates filing this with*
4 *the Commission no later than March 31, 2013 (Tab 35 includes*
5 *Annual Reports for 2007 through 2011). Provide a copy of the 2012*
6 *annual report when it is filed with the Commission.*

7

8 **Response)** The 2012 annual report will be provided when it is filed with the
9 Commission.

10

11 **Witness)** Billie J. Richert

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1 **Item 37)** *For the period(s) 2010 through 2013 YTD (with updates on*
2 *a continuing basis) provide a copy of all reports and results from*
3 *audits or reviews of management/organization, safety, construction,*
4 *service quality, and any other audits/reviews performed by company*
5 *personnel, contractors, consultants, state and federal regulatory*
6 *agencies, state and federal tax authorities, and any other state and*
7 *federal government agencies.*

8

9 **Response)** Big Rivers objects to this request on the grounds that it is overly
10 broad and unduly burdensome. Notwithstanding this objection, but
11 without waiving it, please see responsive documents provided on the
12 PUBLIC CDs accompanying these responses. Please also see responsive
13 documents provided with a petition for confidentiality on the
14 CONFIDENTIAL CDs accompanying these responses.

15

16 **Witness)** Robert W. Berry

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

**Response to the Office of the Attorney General's
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 38) *Provide the Company's Board of Director Minutes and***
2 ***Executive Session Minutes, as well as any documents related thereto,***
3 ***for the periods 2010 through 2013 YTD (with updates on a continuing***
4 ***basis).***

5

6 **Response)** Big Rivers objects to this request on the grounds that it is overly
7 broad and unduly burdensome. Notwithstanding this objection, but
8 without waiving it, copies of the Company's Board of Directors Minutes and
9 Executive Session Minutes are provided as an attachment to this response
10 subject to a petition for confidential treatment.

11 To the extent this request seeks continuous or ongoing updates, Big
12 Rivers also objects on the grounds that it is overbroad and unduly
13 burdensome. Notwithstanding this objection, but without waiving it, Big
14 Rivers states that it will only update its response as required by law, as
15 ordered by the Commission, or as it otherwise deems appropriate.

16

17 **Witness)** Mark A. Bailey

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

**Response to the Office of the Attorney General's
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 39)** *For the periods 2010 through 2013 YTD (with updates on a*
2 *continuing basis), please provide the following: Management business*
3 *plans and all other similar plans (including annual plans and all*
4 *other short/long-term plans) that address issues and matters related*
5 *to (but are not limited to) financial, operational, regulatory,*
6 *construction, safety/service quality, legal, acquisition/merger,*
7 *marketing, and other business areas.*

8

9 **Response)** Big Rivers objects to this request on the grounds that it is overly
10 broad and unduly burdensome. The Attorney General has agreed to limit
11 this request to include only executive management level programs. In
12 accordance with those limitations, and without waiving its objection, please
13 see the attached documents, some of which are submitted pursuant to a
14 petition for confidential treatment. Please also see Exhibit Berry-3 of Big
15 Rivers' Application for the Production Construction Work Plan, the response
16 to AG 1-89 for the Load Concentration Analysis and Mitigation Plan, the
17 response to PSC 2-23(a) for Transmission Construction Work Plan, and the
18 response to AG 1-38 for Big Rivers' Board meeting minutes, which contain
19 information about executive management level programs during the
20 requested time period.

21 To the extent this request seeks continuous or ongoing updates, Big
22 Rivers objects on the grounds that it is overbroad and unduly burdensome.
23 Notwithstanding this objection, but without waiving it, Big Rivers states that

**Case No. 2012-00535
Response to AG 1-39
Witness: Robert W. Berry
Page 1 of 2**

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535

Response to the Office of the Attorney General's
Initial Request for Information
Dated February 14, 2013

February 28, 2013

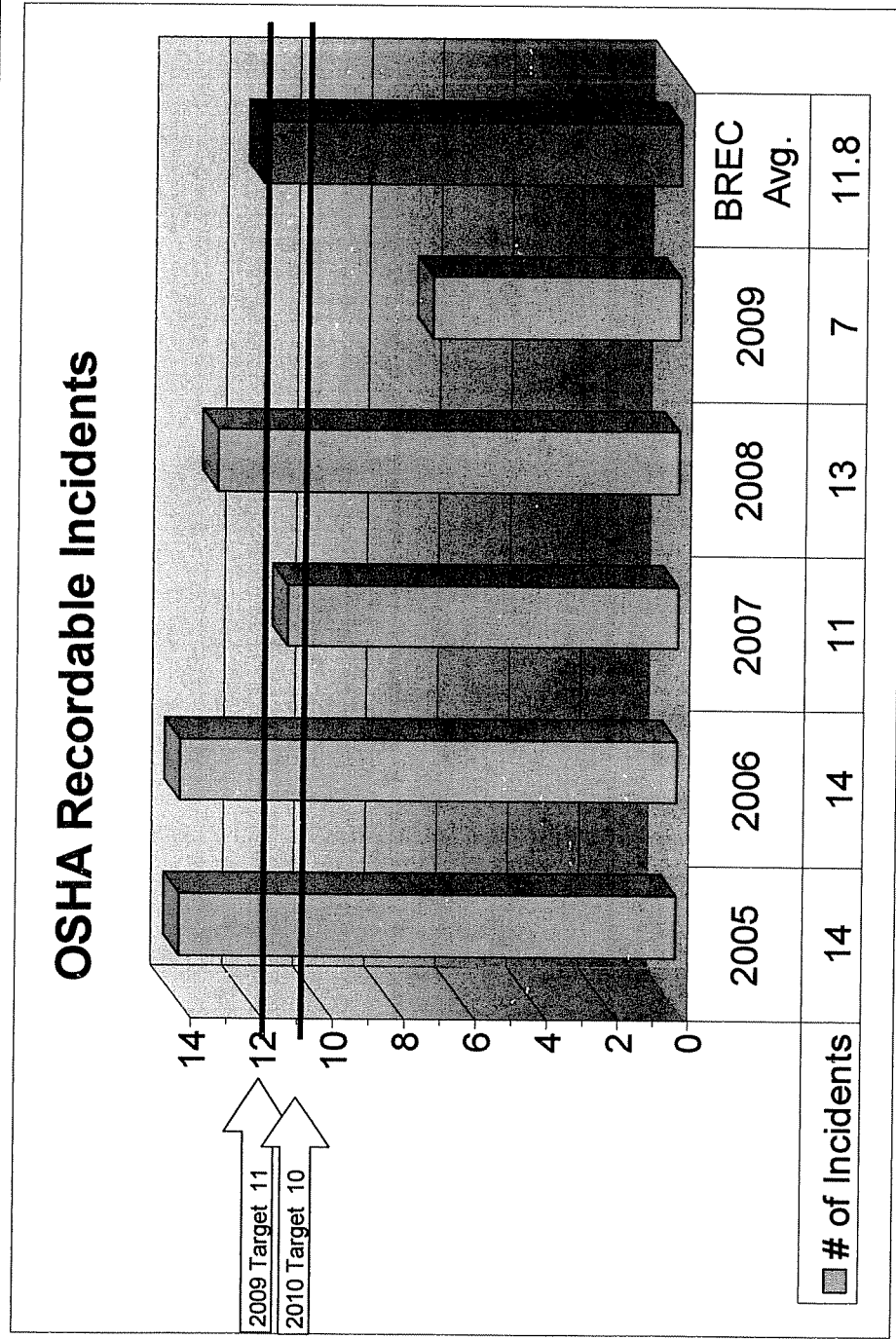
1 it will only update its response as required by law, as ordered by the
2 Commission, or as it otherwise deems appropriate.

3

4 **Witness)** Robert W. Berry

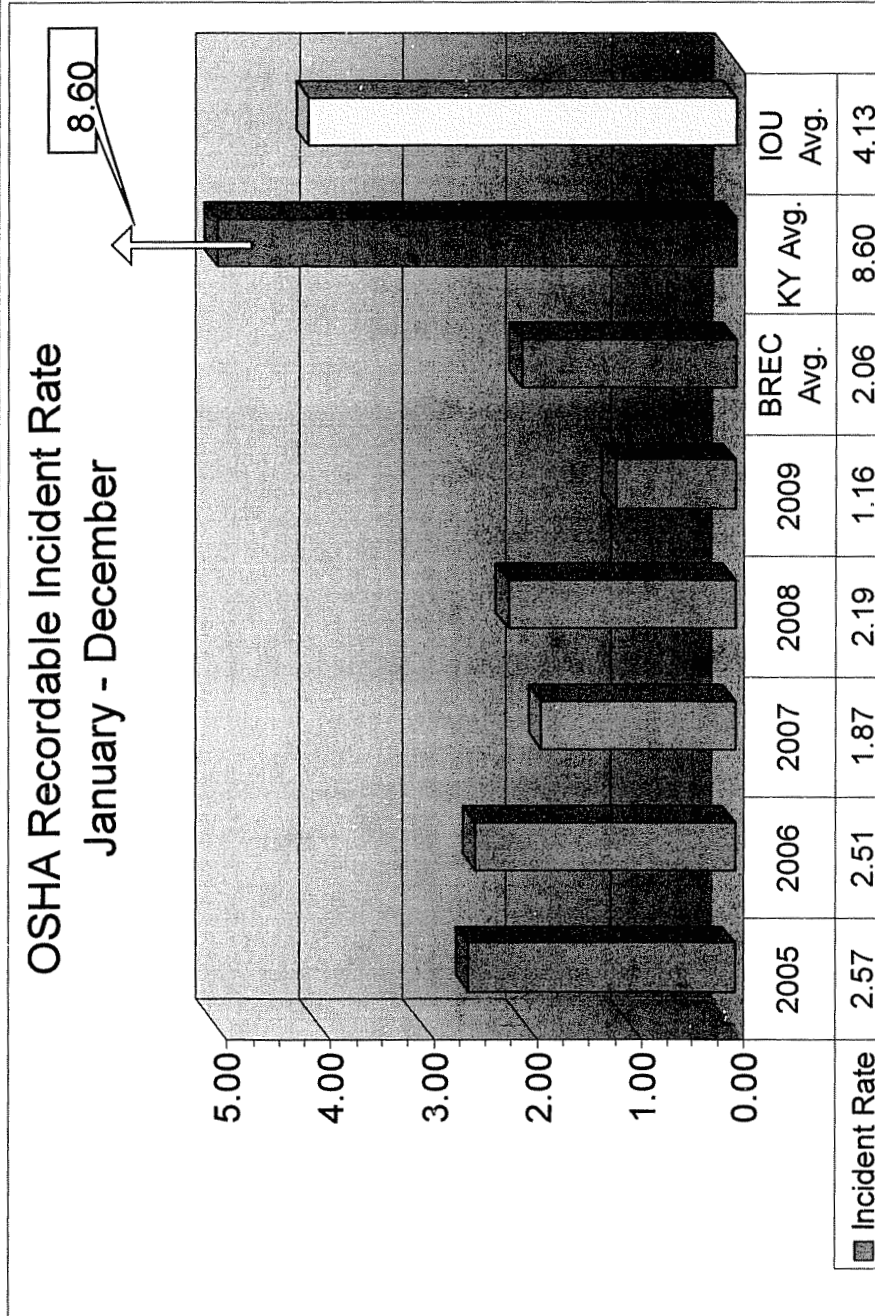
Jan 2010

Number of OSHA Recordable Incidents 2005-2009



Your Touchstone Energy® Cooperative

OSHA Recordable Incident Rate 2005-2009

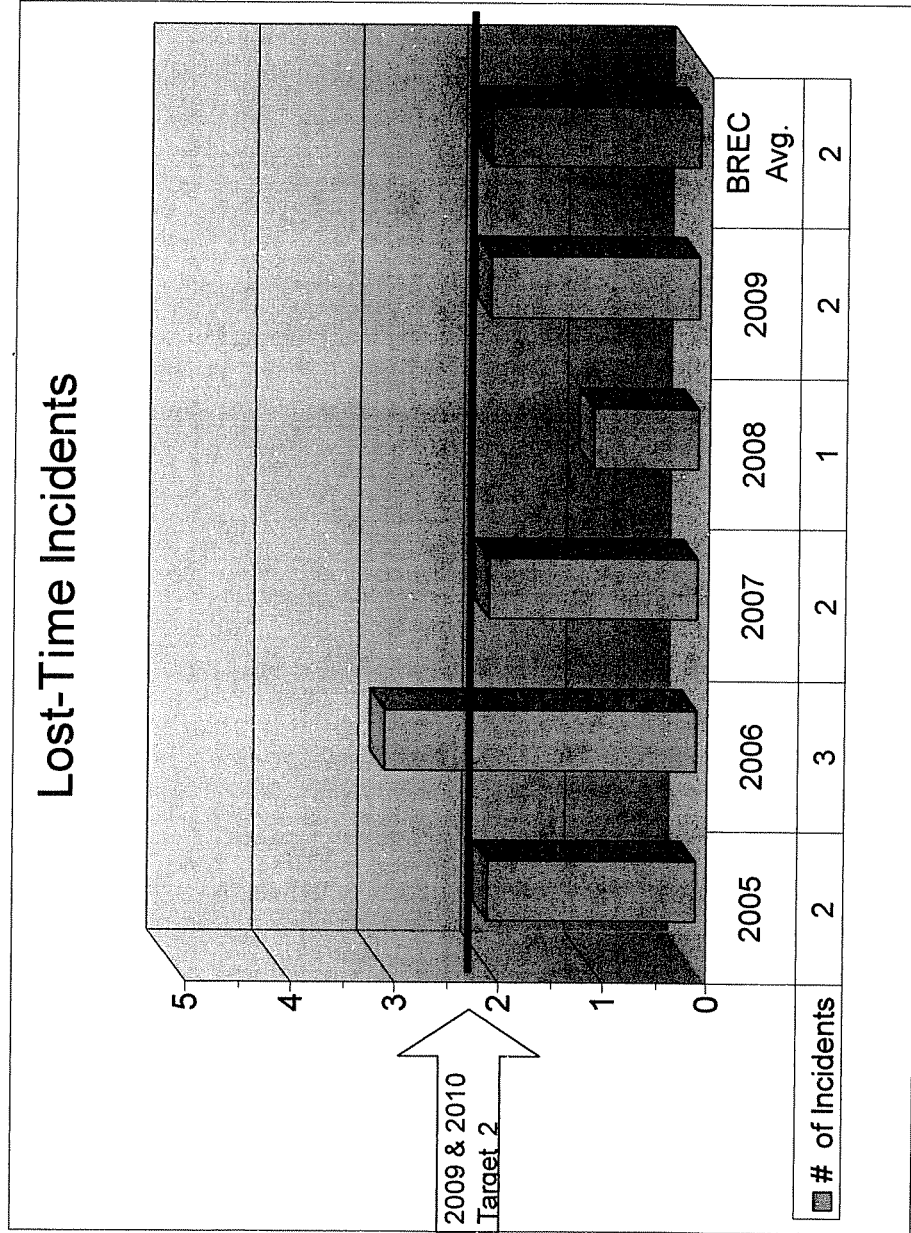


Incident Rate = # of incidents x 200,000 / # of hours worked



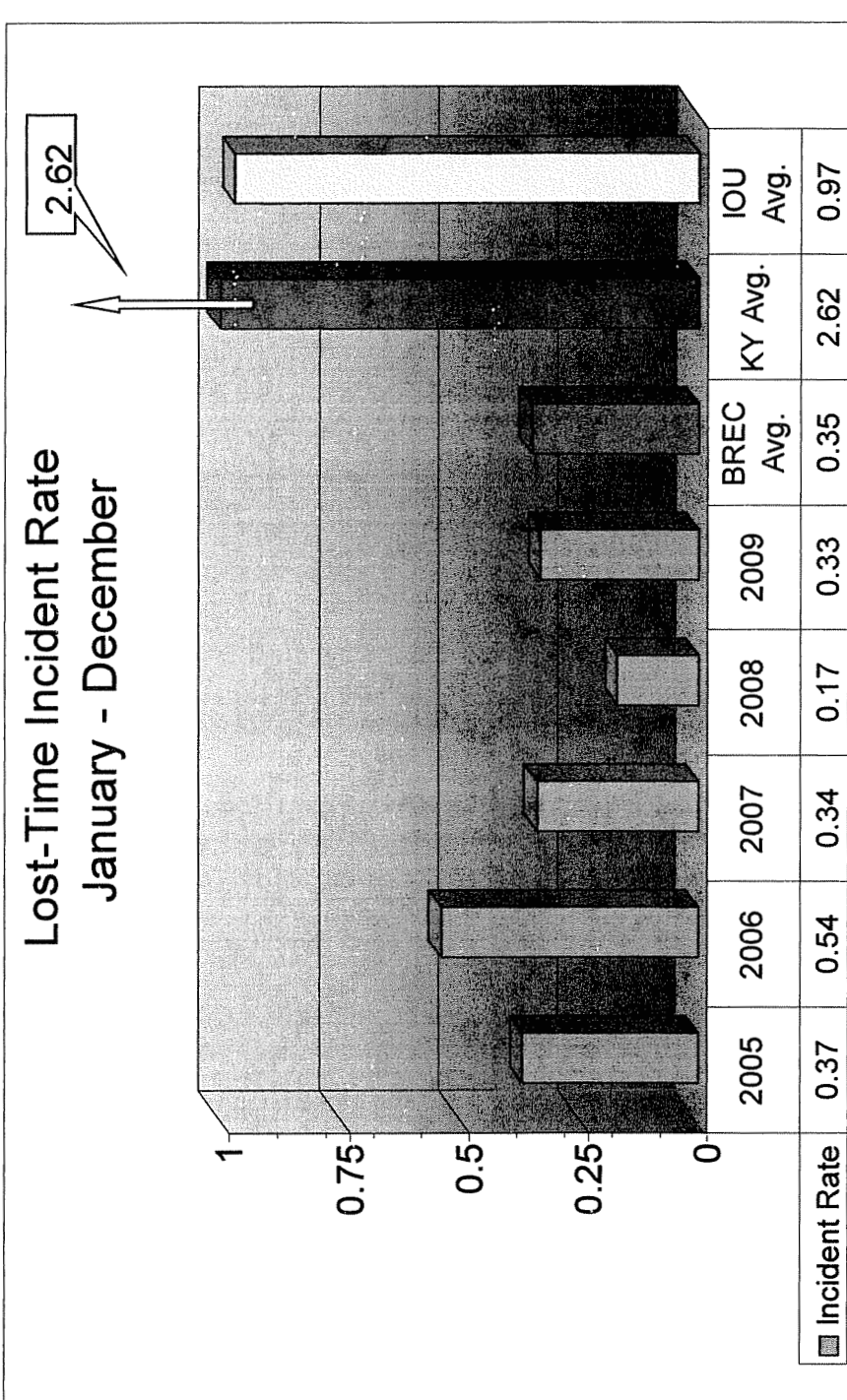
Your Touchstone Energy® Cooperative

Number of Lost-Time Incidents 2005-2009



Your Touchstone Energy® Cooperative

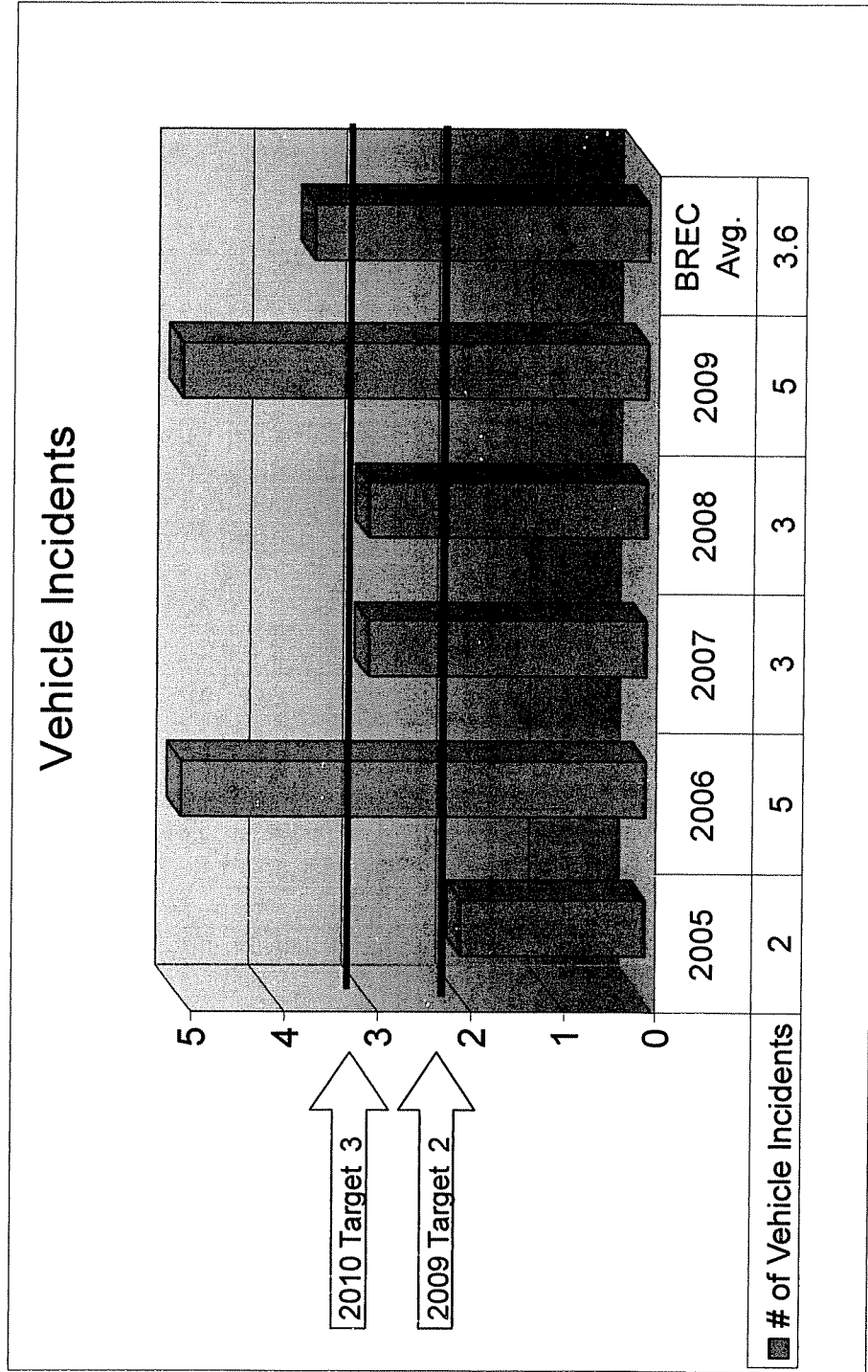
Lost-Time Incident Rate 2005-2009



Incident Rate = # of incidents x 200,000 / # of hours worked

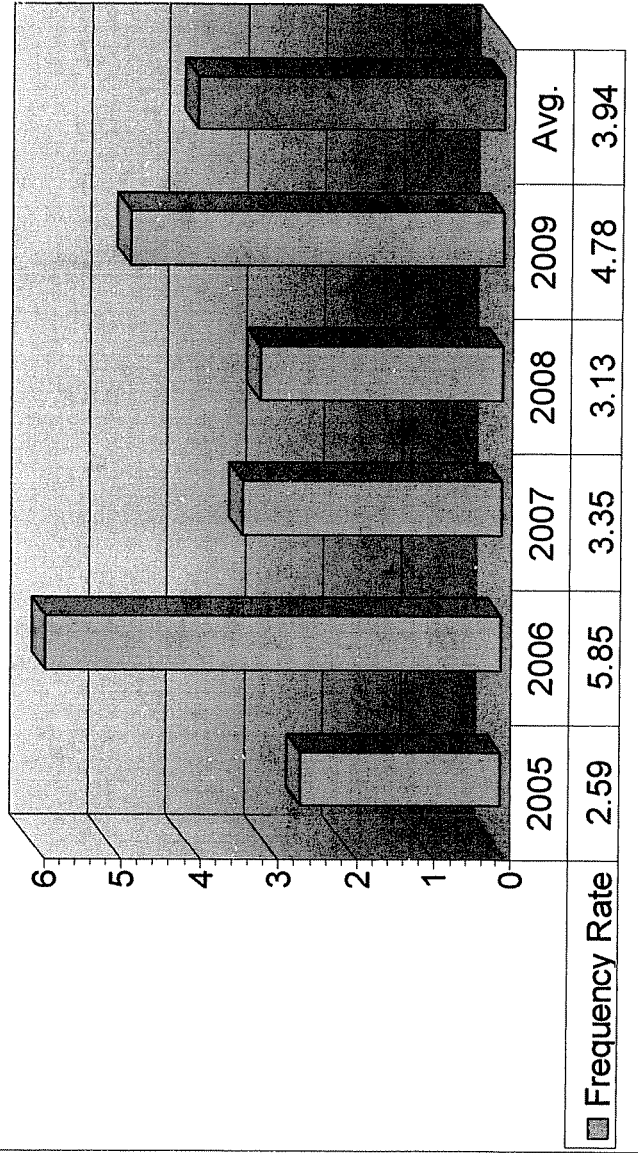


Number of Vehicle Incidents 2005-2009



Vehicle Incident Frequency Rate 2005-2009

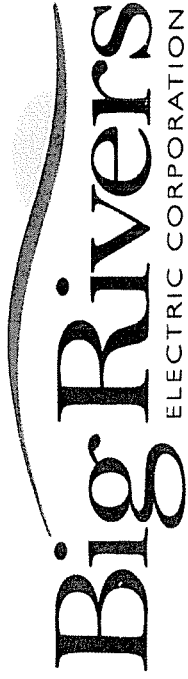
Vehicle Incident Frequency Rate
January - December



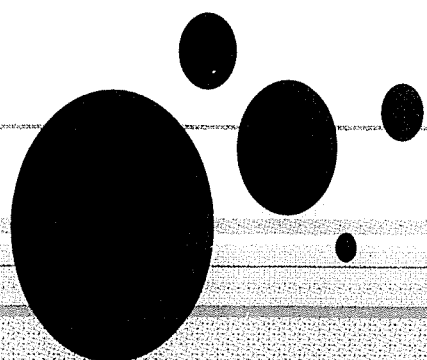
Frequency Rate = # of incidents x 1,000,000 / total miles driven



Jan 2012



SAFETY PERFORMANCE 2007-2011



Safety Measurement

The plan includes key performance indicators (KPIs), goals and milestones.

- Recordable incident
An injury or illness that results in medical attention beyond first aid and/or results in modified work duty and/or lost time from work.
- Lost-time incident
An injury or illness that causes an employee to miss one or more scheduled full workday(s) following the incident.
- Vehicle incident
An incident during which a Big Rivers vehicle strikes or is struck by another vehicle or object unless the Big Rivers vehicle is legally parked.

Safety Measurement

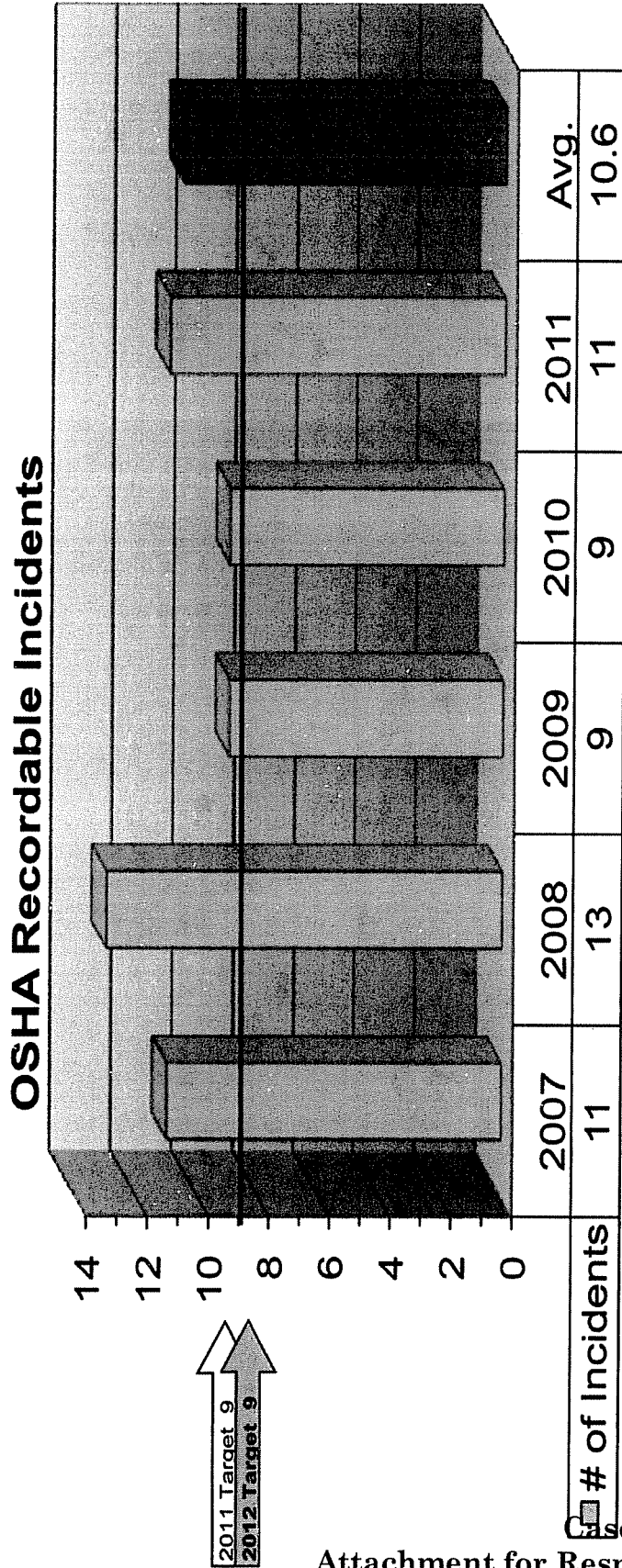
- Recordable incident rate
Number of Recordable Incidents x 200,000
Number of Hours Worked

- Lost-time incident rate
Number of Lost-Time Incidents x 200,000
Number of Hours Worked

- Vehicle incident frequency rate
Number of Vehicle Incidents x 1,000,000
Total Miles Driven

Safety Performance

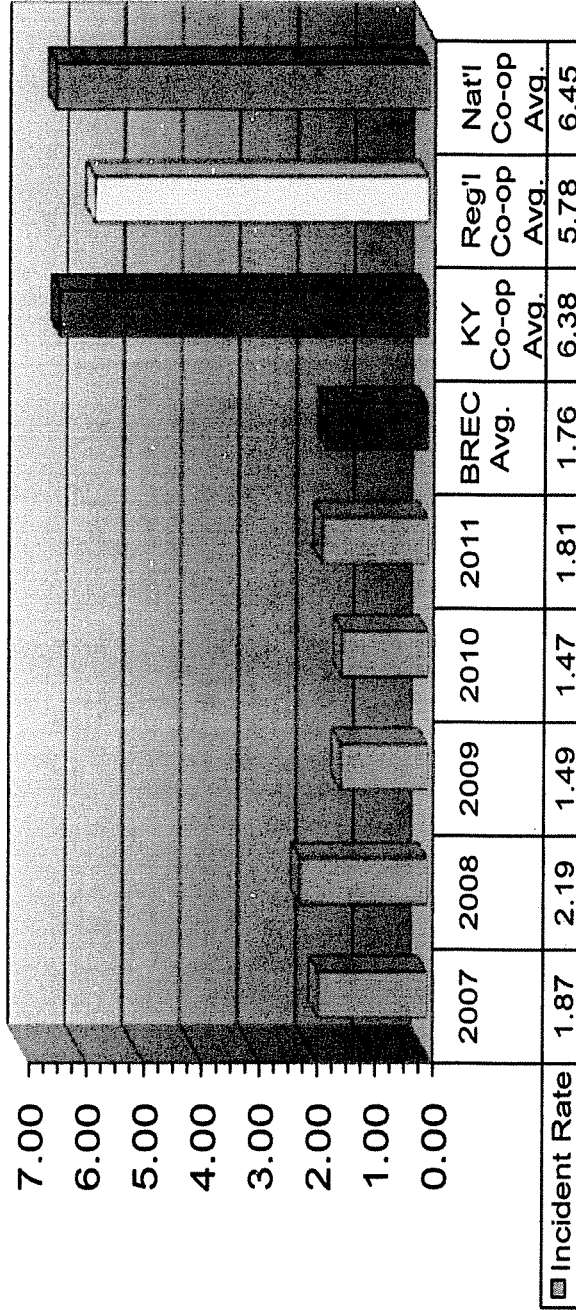
Number of OSHA Recordable Incidents
2007-2011



Safety Performance

OSHA Recordable Incident Rate
2007-2011

OSHA Recordable Incident Rate: Jan - Dec

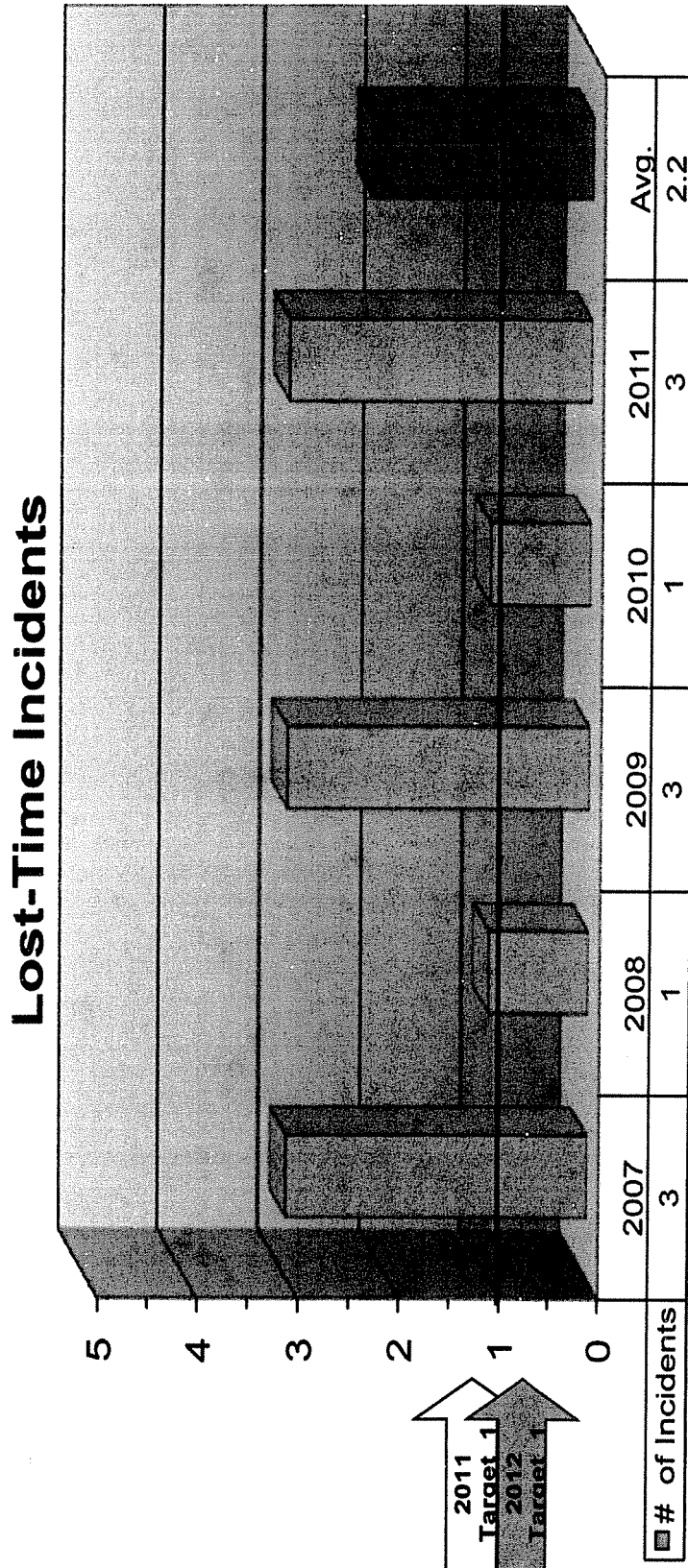


	2007	2008	2009	2010	2011	BREC Avg.	KY Co-op Avg.	Reg'l Co-op Avg.	Nat'l Co-op Avg.
Incident Rate	1.87	2.19	1.49	1.47	1.81	1.76	6.38	5.78	6.45

Incident Rate = # of incidents x 200,000 / # of hours worked

Safety Performance

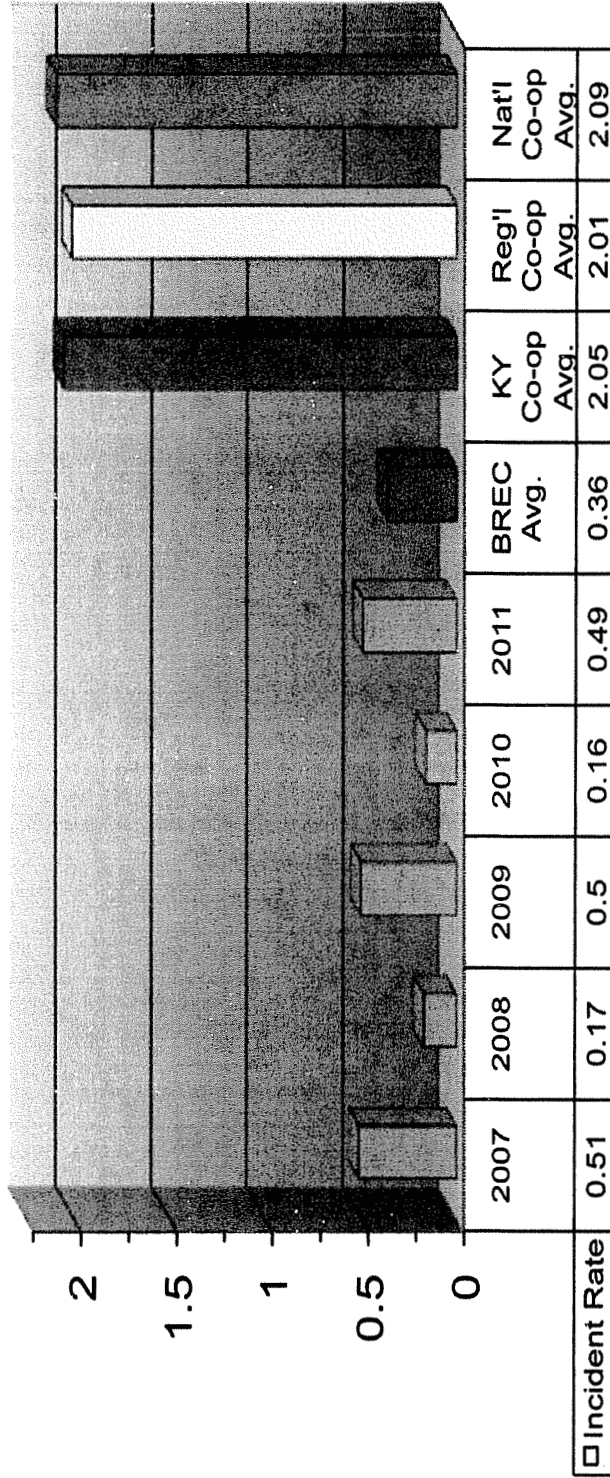
Number of Lost-Time Incidents
2007-2011



Safety Performance

Lost-Time Incident Rate 2007-2011

Lost-Time Incident Rate: Jan - Dec

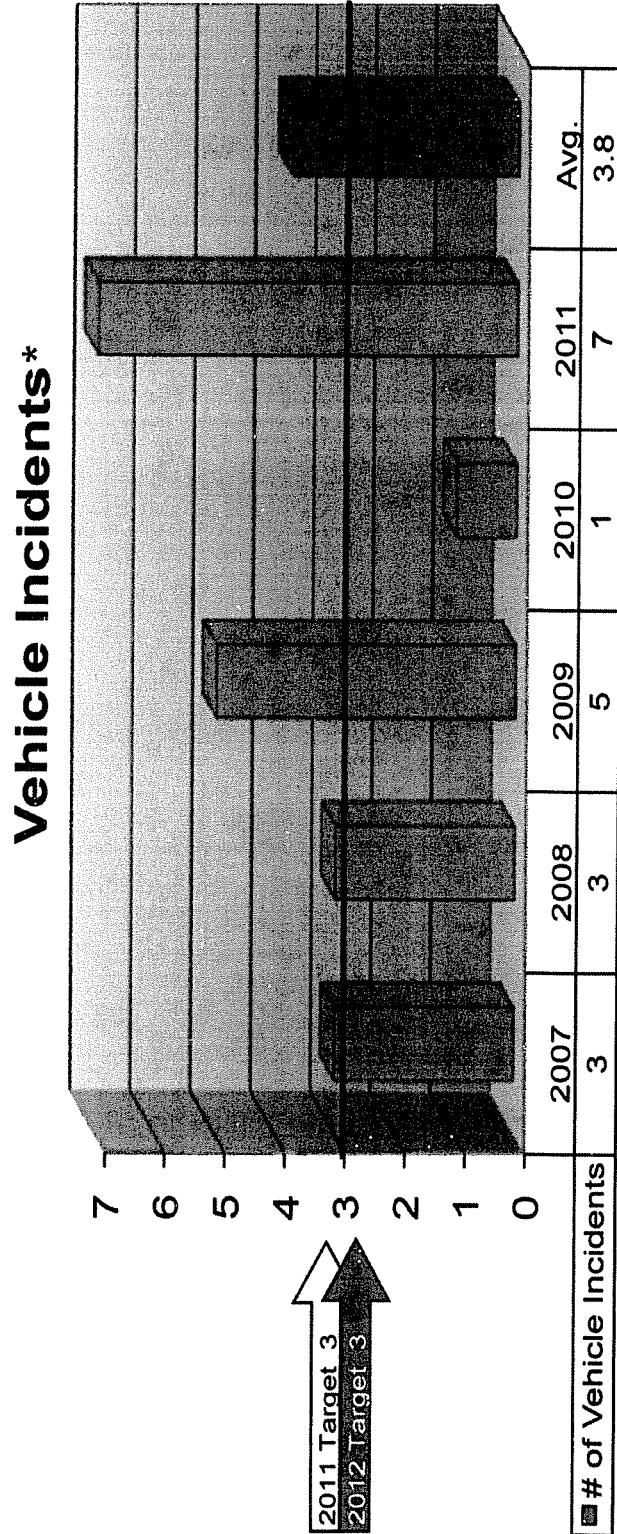


	2007	2008	2009	2010	2011	BREC Avg.	KY Co-op Avg.	Reg'l Co-op Avg.	Nat'l Co-op Avg.
Incident Rate	0.51	0.17	0.5	0.16	0.49	0.36	2.05	2.01	2.09

Incident Rate = # of incidents x 200,000 / # of hours worked

Safety Performance

Number of Vehicle Incidents 2007-2011



* Vehicle incidents related to deer were not reported prior to 2010.
1 deer-related vehicle incident occurred in 2010 and 3 occurred in 2011.

Safety Performance

Vehicle Incident Frequency Rate
2007-2011

Vehicle Incident Frequency Rate: Jan - Dec

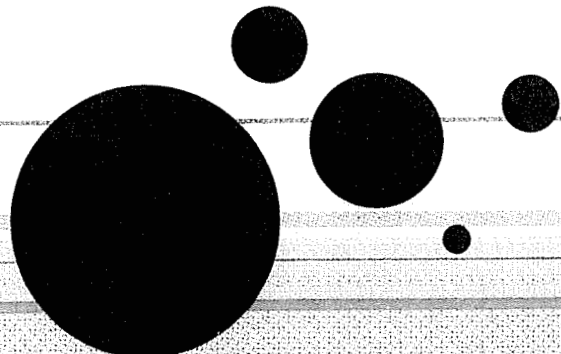


Frequency Rate = # of incidents x 1,000,000 / total miles driven

Jan 2011



SAFETY PERFORMANCE 2006-2010



Safety Measurement

The plan includes key performance indicators (KPIs), goals and milestones.

- Recordable incident
An injury or illness that results in medical attention beyond first aid and/or results in modified work duty and/or lost time from work.
- Lost-time incident
An injury or illness that causes an employee to miss one or more scheduled full workday(s) following the incident.
- Vehicle incident
An incident during which a Big Rivers vehicle strikes or is struck by another vehicle or object unless the Big Rivers vehicle is legally parked.

Safety Measurement

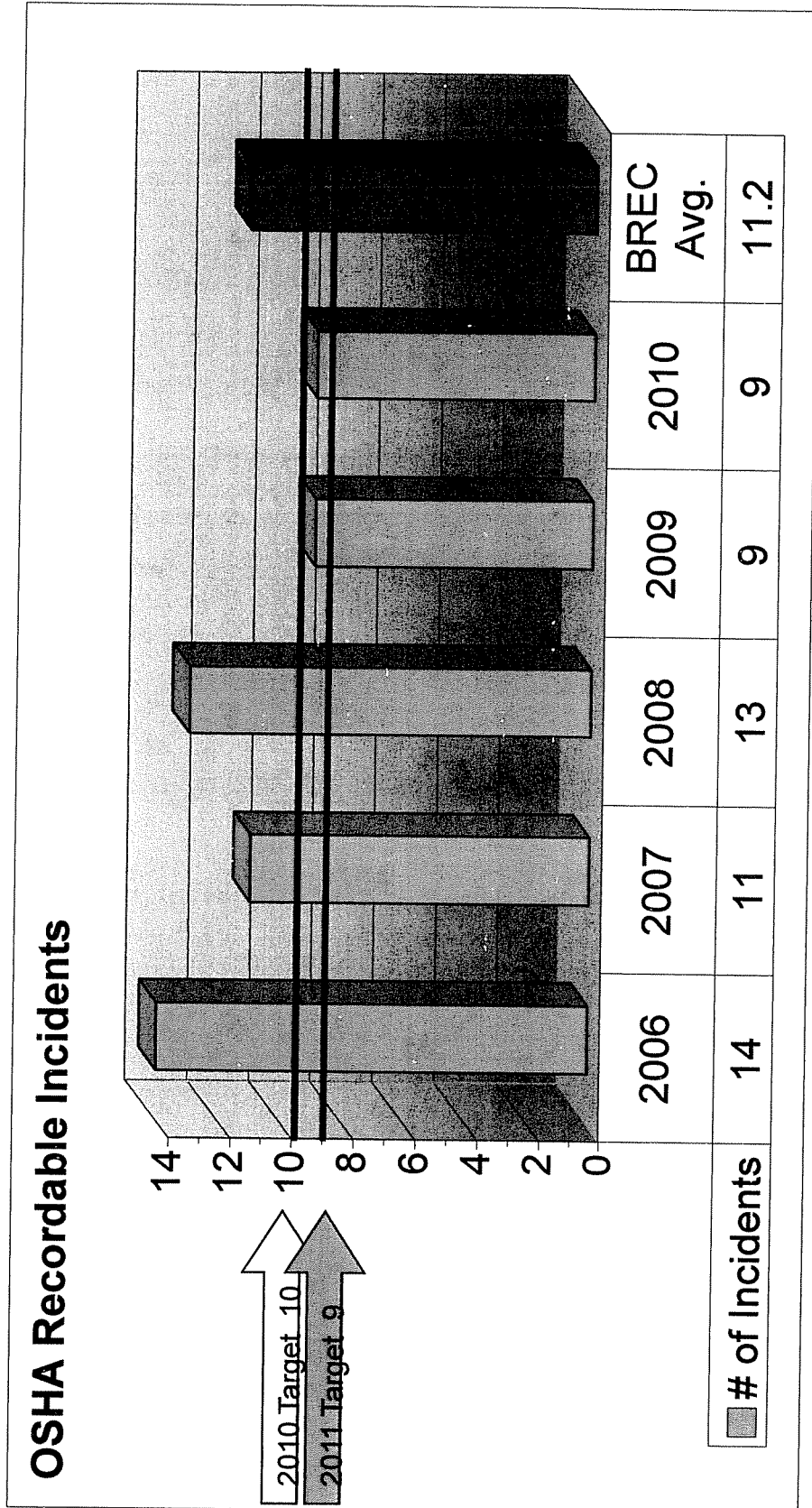
- Recordable incident rate
Number of Recordable Incidents x 200,000
Number of Hours Worked

- Lost-time incident rate
Number of Lost-Time Incidents x 200,000
Number of Hours Worked

- Vehicle incident frequency rate
Number of Vehicle Incidents x 1,000,000
Total Miles Driven

Safety Performance

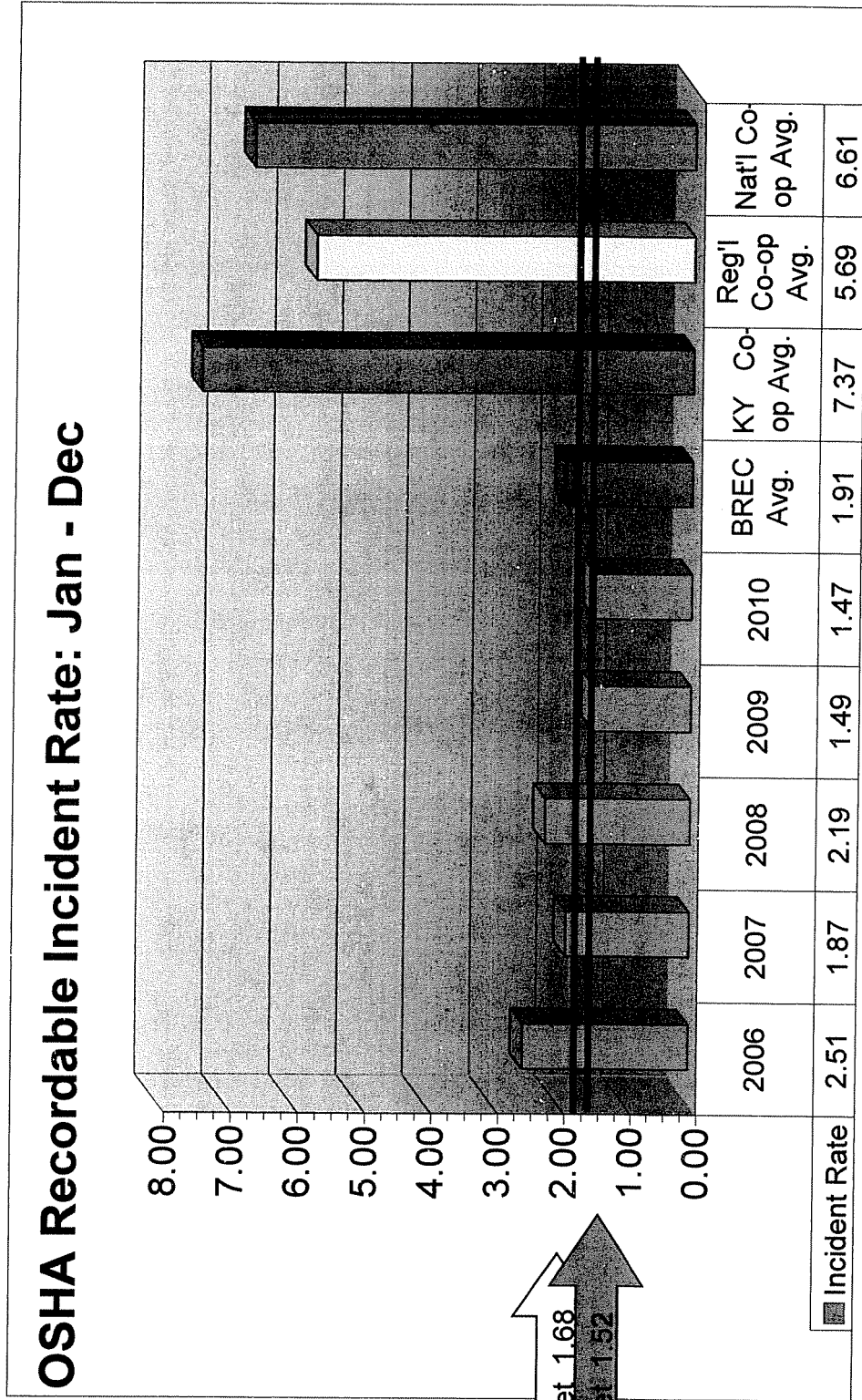
Number of OSHA Recordable Incidents 2006-2010



Safety Performance

OSHA Recordable Incident Rate

2006-2010

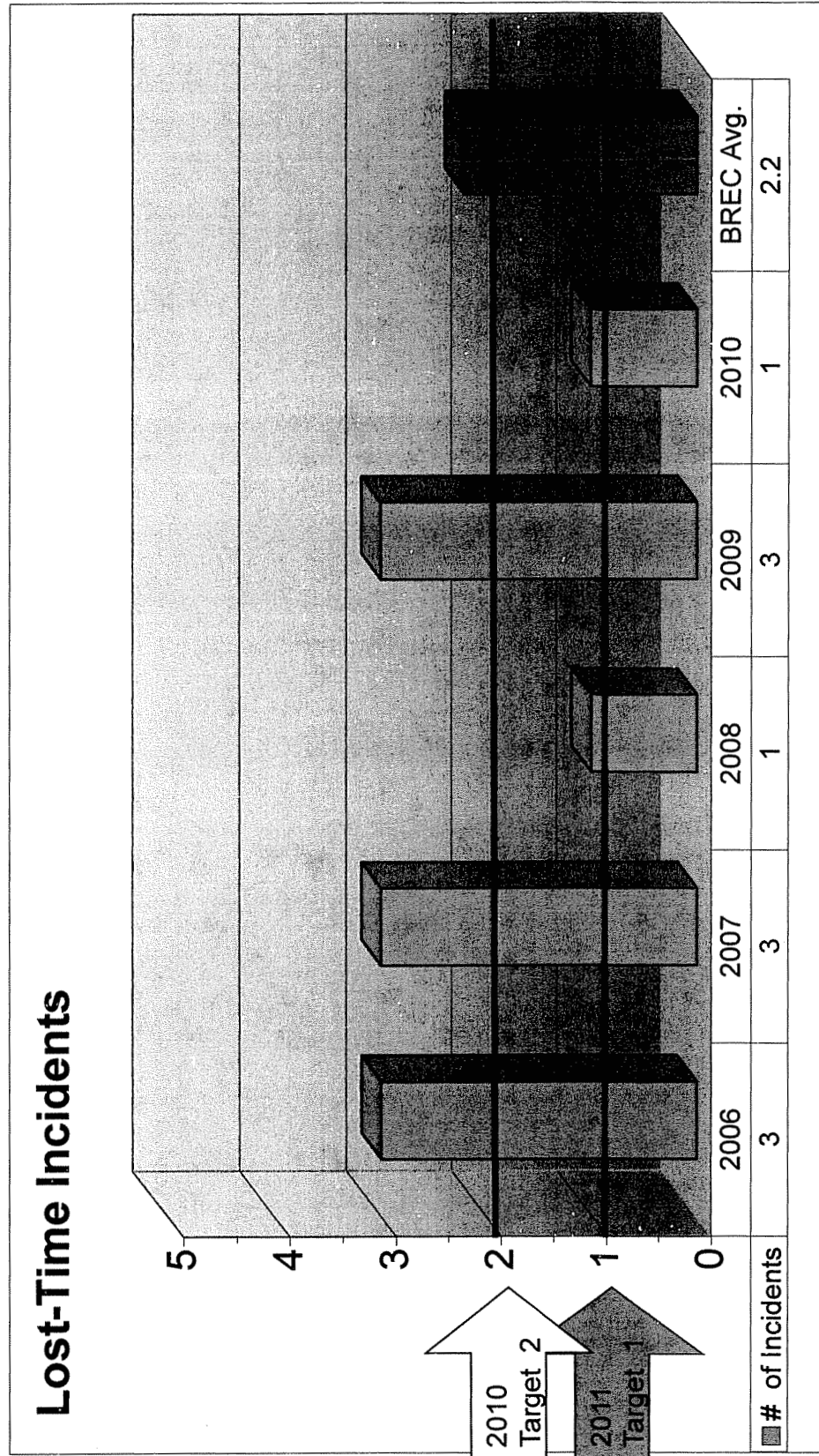


Incident Rate	2.51	1.87	2.19	1.49	1.47	1.91	7.37	5.69	6.61
	2006	2007	2008	2009	2010	BREC Avg.	KY Co-op Avg.	Reg'l Co-op Avg.	Nat'l Co-op Avg.

Incident Rate = # of incidents x
200,000 / # of hours worked

Safety Performance

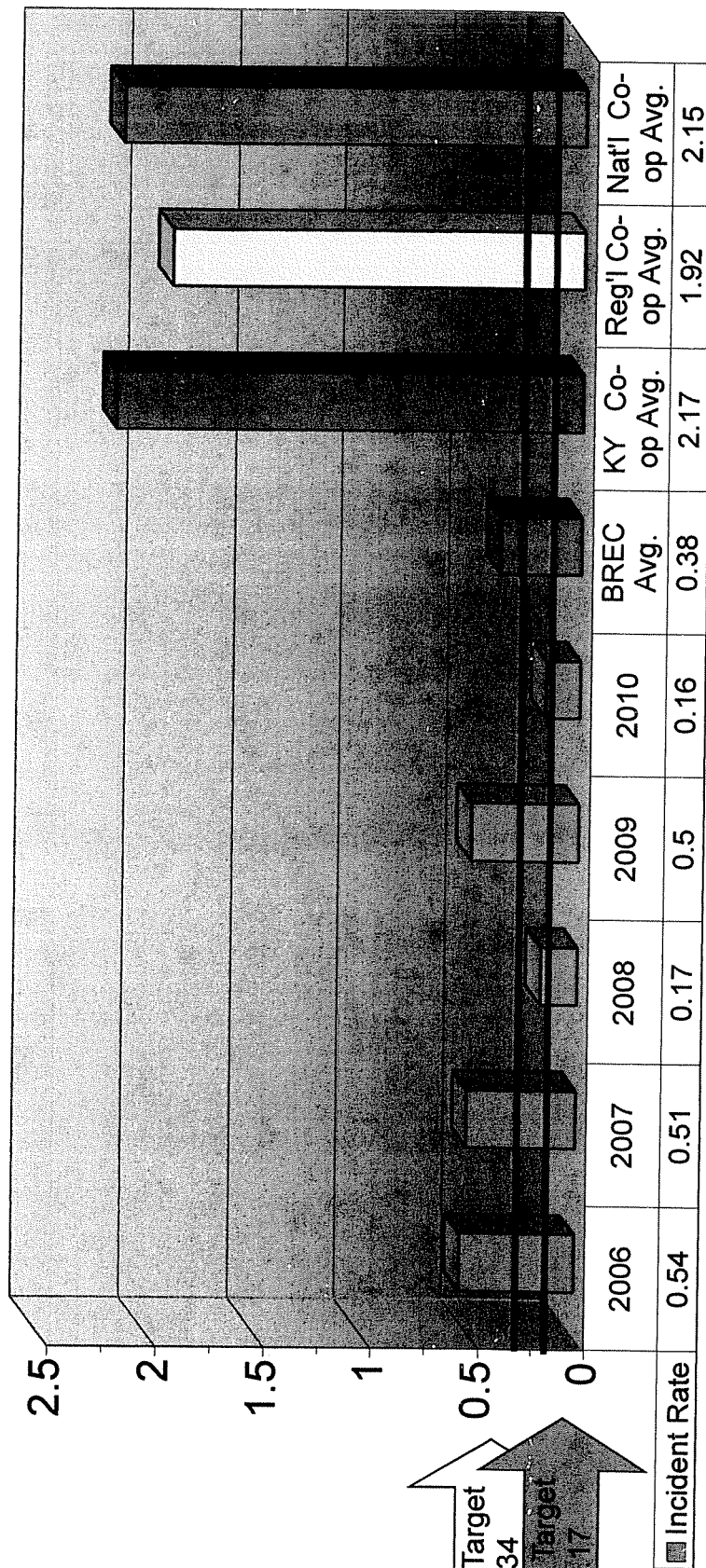
Number of Lost-Time Incidents
2006-2010



Safety Performance

Lost-Time Incident Rate
2006-2010

Lost-Time Incident Rate: Jan - Dec



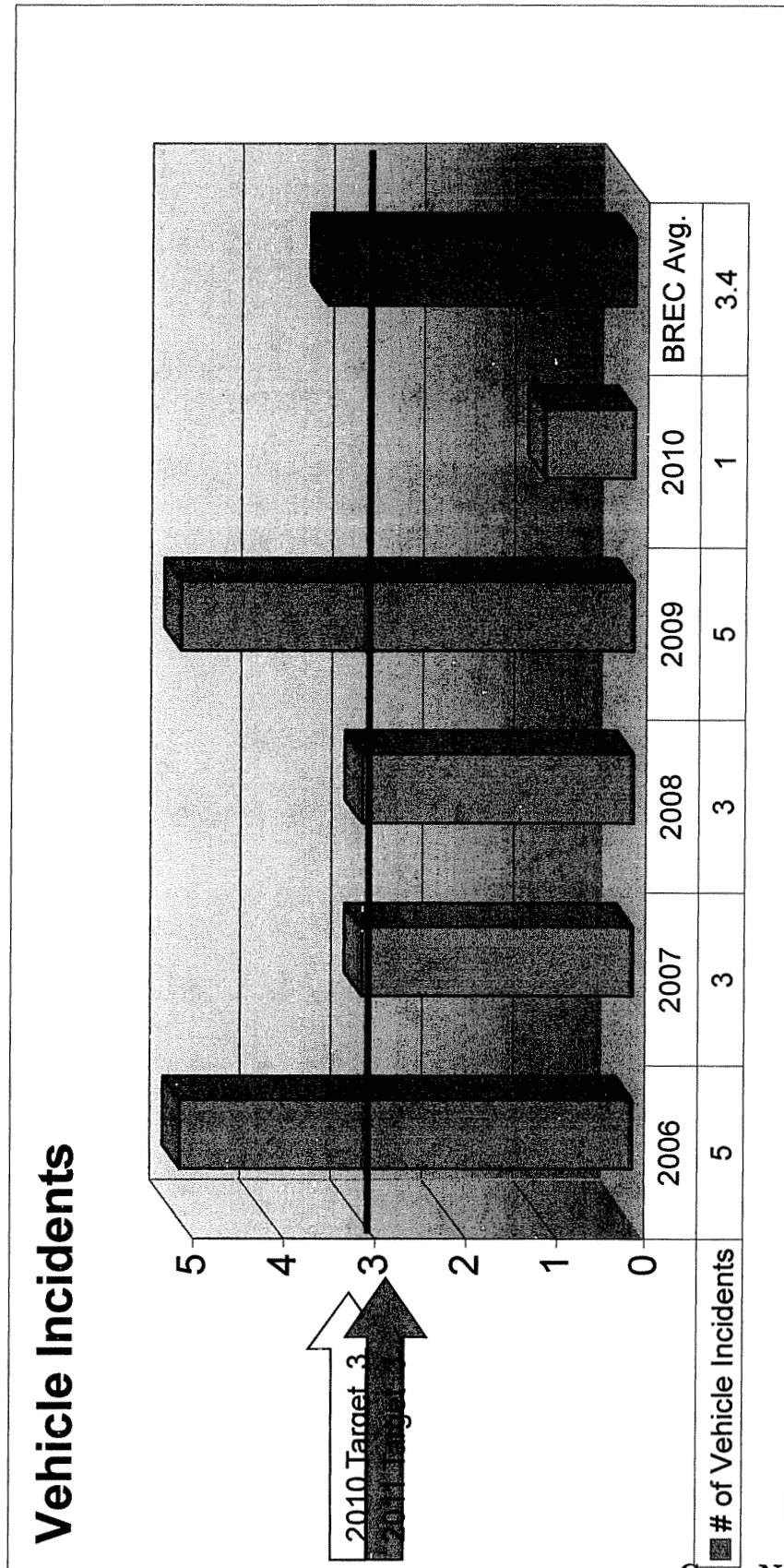
Incident Rate = # of incidents x
200,000 / # of hours worked

Safety Performance

Number of Vehicle Incidents

2006-2010

Ib



Case No. 2012-00535

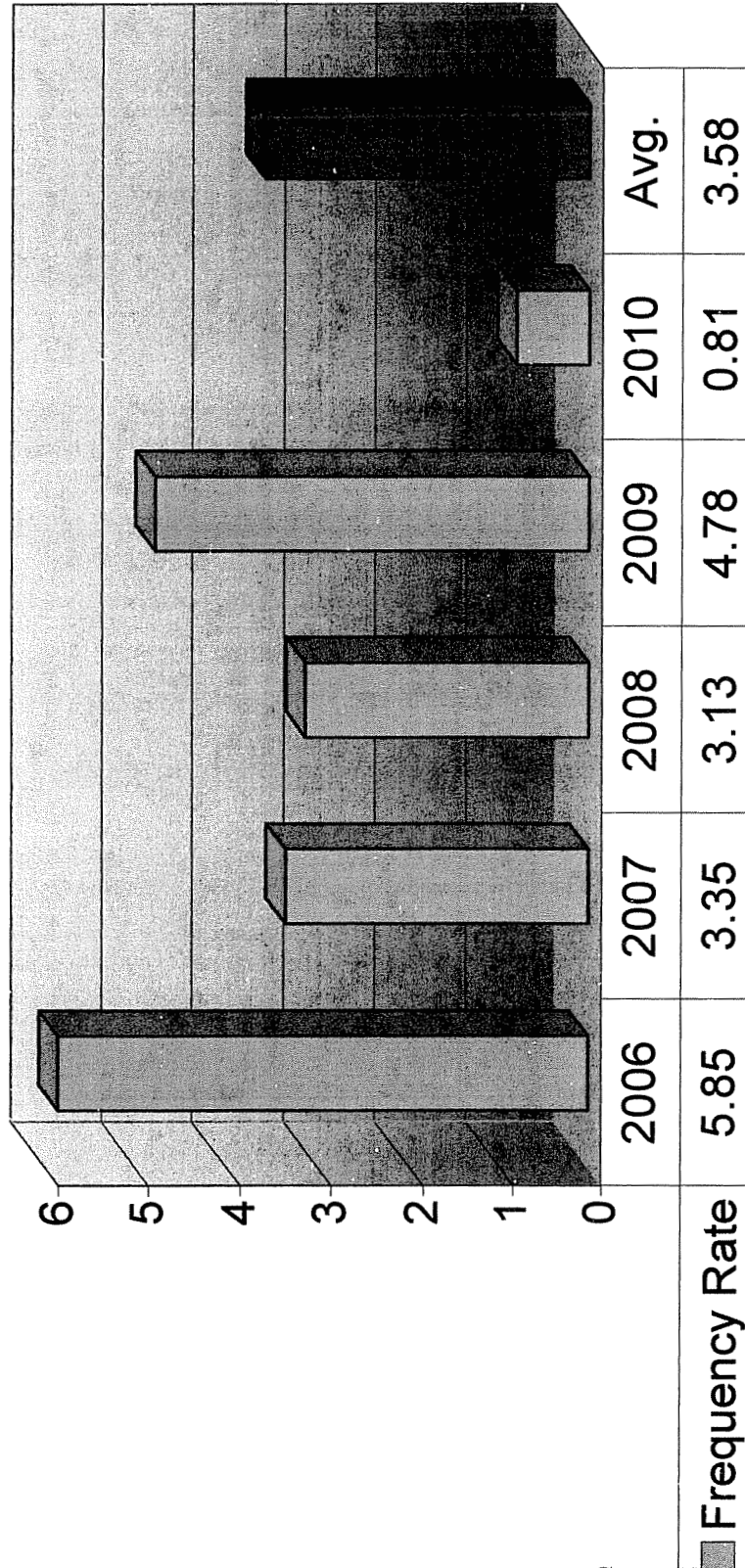
Attachment for Response to AG 1-39

Witness: Robert W. Berry

Safety Performance

Vehicle Incident Frequency Rate
2006-2010

Vehicle Incident Frequency Rate: Jan - Dec



Frequency Rate = # of incidents x
1,000,000 / total miles driven

2011 Strategic Plan

Mission

Big Rivers will safely deliver low-cost, reliable wholesale power and the cost-effective shared services desired by our Members.

Vision

Big Rivers will be viewed as one of the top G&Ts in the country, and will provide the services our Members desire in meeting future challenges.

Values

- Safety
- Integrity
- Excellence
- Member & Community Service
- Respect for the Employee
- Teamwork
- Environmentally Conscious

Key Performance Indicators

- North Star (Member cost/kWh)
- Capital Expenditures
- TIER
- Net Margin
- Inventory (Transmission & Production)
- Equivalent Forced Outage Rate (EFOR)
- Equivalent Availability Factor (EAF)
- Heat Rate
- SAIDI (System and Member levels)
- Lost-Time Incidents
- OSHA Recordables

Big Rivers' Business Objectives

1. Meet the key financial forecast metrics and maintain at least two investment grade credit ratings of BBB- or Baa3 or higher
2. Meet our Members' reliability needs and regulatory compliance requirements in the most cost-effective manner
3. Provide the cost-effective shared services desired by our Members
4. Proactively manage assets and load growth to the benefit of all Members
5. Develop a comprehensive and least-cost environmental compliance strategy

6. Considering risks and benefits, manage the volatility of rates to Members and Big Rivers' net margin
7. Continue Big Rivers' emphasis on safety for employees, Members, contractors, and the public
8. Maintain a well-trained, engaged workforce dedicated to teamwork and the success of Big Rivers and our Member cooperatives
9. Proactively enhance Big Rivers' reputation and maintain and/or build trust with key stakeholders:
 - Members
 - Regulators
 - Legislators
 - Trade Associations
 - Community
 - Creditors
 - Vendors

Big Rivers' Business Objectives & Initiatives

Meet the key financial forecast metrics and maintain at least two investment grade credit ratings BBB- or Baa3 or higher

1. Review the current capitalization policy
2. Monitor financial metrics and targets consistent with addressing credit rating agency issues, meeting financing requirements, and attaining no less than targeted net margins
3. Continue to enhance relationships with creditors and rating agencies
4. Review the adequacy of the existing budgeting and forecasting tools and processes including generation and load forecasting tools
5. Track the accuracy of budgets and the monthly re-forecasts

Meet our Members' reliability needs and regulatory compliance requirements in the most cost-effective manner

1. Successfully integrate Big Rivers into MISO and participate in MISO activities and training to ensure the effectiveness of Big Rivers' operations within the market
2. Continually monitor the cost/benefit of MISO membership versus other options
3. Monitor TVPPA G&T formation from a power supply and reliability perspective and initiate communications as opportunities arise
4. Work with Members to adopt a criteria to evaluate the economic and reliability impact of transmission expansion/improvement projects (e.g. loop feed vs. radial and momentaries)
5. Monitor the capabilities and expansions of surrounding transmission systems
6. Update the system restoration plan (e.g. Member involvement in Big Rivers' transmission restoration efforts)
7. Comply with all NERC Reliability Standards and SERC regional guidelines consistent with the corporate culture of compliance
8. Evaluate optimal regional reliability organization for Big Rivers

Provide the cost-effective shared services desired by our Members

1. Continue to evaluate existing and new shared services that provide improved service to end-use consumers through economies of scale. Current initiatives under investigation/development include:
 - 2 way radio system with full interconnectivity to accommodate combined dispatch
 - Combined SCADA, GIS module expansion and mobile data technology
 - Participate in Smart Grid initiatives with Members
 - Evaluation of Member Information Technology Services
2. Document currently provided shared services (e.g. CIS)
3. Determine a process for Members or Big Rivers to request new shared services and evaluate such requests

Proactively manage assets and load growth to the benefit of all Members

1. Complete PSC approval process and implement the Integrated Resource Plan (IRP)
2. Develop an energy efficiency and load management philosophy and program in concert with our Members including potential Smart Grid initiatives
3. Coordinate with our Members to establish an economic development process
4. Continue to analyze the cost vs. benefits of outsourcing various functions as compared to in-house
5. Carefully monitor the SEPA situation and evaluate supply source impact
6. Refine the KPIs and performance metrics included in the Big Rivers' Dashboard/Scorecard
7. Continue to identify and evaluate power supply business opportunities and strategic partnerships
8. Continue analyzing the cost-benefit and risk of projects
9. Continue to develop outage and maintenance plans that evaluate the risk vs. rewards of various options
10. Track the accuracy of short-term and long-term load forecasts
11. Maintain transparent fuel procurement policies and procedures

Develop a comprehensive and least-cost environmental compliance strategy

1. Comply with all existing environmental regulations and requirements
2. Maintain positive relations with local, state and federal environmental agencies
3. Evaluate the implications of proposed environmental legislation and regulation on Big Rivers' operations and North Star
4. Advocate Big Rivers' legislative and regulatory initiatives at both the state and federal level
5. Develop comprehensive compliance strategies and optimize Big Rivers' position using the most cost-effective approach to meet environmental requirements

Considering risks and benefits, manage the volatility of rates to Members and Big Rivers' net margin

1. Identify and quantify the key factors driving variability in Big Rivers' rates
2. Monitor the effectiveness of Big Rivers' Enterprise Risk Management policies (e.g. hedging levels); recommend adjustments as appropriate
3. Continue to evaluate strategic spares analysis and partnership possibilities for generation and transmission, including step-up transformers
4. Seek strategic energy services' opportunities for expanding and improving transmission
5. Investigate the feasibility of outage insurance for Big Rivers' plants in the future
6. Work with Members to implement Depreciation studies, Cost of Service studies, and rate design to stabilize Big Rivers' earnings and minimize the volatility of Member rates

Continue Big Rivers' emphasis on safety for employees, Members, contractors, and the public

1. Annually update, implement, and communicate the comprehensive safety plan
2. Continue to assist our Member systems to help satisfy their safety needs

Maintain a well-trained, engaged workforce dedicated to teamwork and the success of Big Rivers and our Member cooperatives

1. Continue workforce planning to meet current and anticipated staffing needs in recognition of the aging workforce
2. Continue to evaluate the competitiveness of employee compensation and benefits
3. Develop the tools necessary to track and meet training needs
4. Maintain a positive relationship with the union
5. Enhance the strategy and process for communicating with employees
6. Use opportunities for multi-functional teams to encourage teamwork across departments
7. Continue to utilize an incentive plan that links to the strategic plan
8. Emphasize the importance of our Members with employees and help build their understanding of how their efforts impact our Members
9. Design and implement a performance evaluation process
10. Implement an orientation program for all new employees
11. Update and distribute company policies

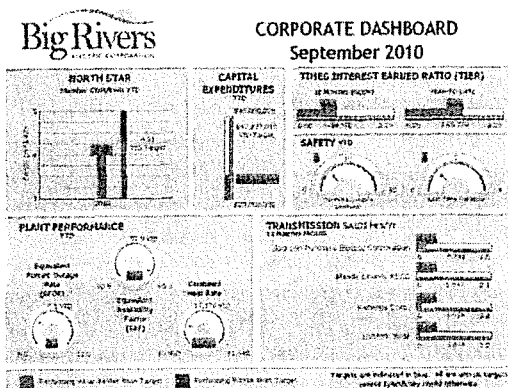
Proactively enhance Big Rivers' reputation and maintain and/or build trust with key stakeholders

1. Maintain frequent communications and strong relationships with Big Rivers' Members
2. At the Members' request, support the Members in their communications and relationships with their customers
3. Work with the Members to establish the proper presence for Big Rivers within the Members' footprint
4. Determine with the Members Big Rivers' role in economic development
5. Proactively work with our Members, KAEC, other Kentucky electric cooperatives, other

- business groups, and Kentucky regulators/policymakers to achieve Big Rivers' strategic plan objectives
6. At the national level, work with NRECA, other electric cooperatives, business groups, and federal regulators and policymakers to achieve Big Rivers' strategic plan objectives
 7. Proactively manage the relationship with HMP&L and other potential power supply parties
 8. Proactively manage the relationships with the smelters through the Coordination Committee

How do we know we've achieved our goals?

In 2010, Big Rivers implemented two strategic planning tools known as the Corporate Dashboard and Scorecard. These two items allow us to track our performance throughout the year versus our targets or budgets. Tracking our performance is an important part of the strategic planning process. Below are examples of the Dashboard and Scorecard.



Big Rivers
CORPORATE SCORECARD
September 2010

Area	Key Performance Indicator	Current	Target	2010
Customer	Customer Satisfaction	85%	80%	85%
Financial	Operating Profit	\$1.2M	\$1.0M	\$1.2M
Operational	Plant Availability	98%	95%	98%
Regulatory	Compliance Score	100%	100%	100%
Safety	Lost Time Incidents	0	0	0
Environmental	Regulatory Fines	\$0	\$0	\$0
Human Resources	Employee Turnover	5%	10%	5%
Community	Community Satisfaction	80%	75%	80%
Energy	Energy Efficiency	95%	90%	95%
IT	IT System Uptime	99.9%	99.5%	99.9%
Legal	Legal Expenses	\$0	\$0	\$0
Marketing	Marketing Spend	\$0	\$0	\$0
Supply Chain	Supply Chain Efficiency	90%	85%	90%
Overall	Overall Score	85%	80%	85%

Legend: Exceeding FY10 Target Meeting FY10 Target Below FY10 Target

Big Rivers 2012 Strategic Plan

Strategic Initiatives to Meet Business Objectives

1. **Meet the key financial forecast metrics and maintain at least two investment grade credit ratings of BBB- or Baa3 or higher**
(Related KPIs: North Star, Capital Expenditures, TIER, Net Margin)
 - a. Review the current capitalization policy
 - b. Monitor financial metrics and targets consistent with addressing credit rating agency issues, meeting financing requirements, and attaining no less than targeted net margins
 - c. Continue to enhance relationships with creditors and rating agencies
 - d. Review the adequacy of the existing budgeting and forecasting tools and processes including generation and load forecasting tools
 - e. Track the accuracy of budgets and the monthly re-forecasts

2. **Meet our Members' reliability needs and regulatory compliance requirements in the most cost-effective manner**
(Related KPIs: SAIDI)
 - a. Participate in MISO activities and training to optimize Big Rivers' operations within the market
 - b. Monitor and advocate Big Rivers' position on MISO transmission-related issues
 - c. Monitor the cost/benefit of MISO membership versus other options
 - d. Work with Members to adopt a criteria to evaluate the economic and reliability impact of transmission expansion/improvement projects (e.g. loop feed vs. radial and momentaries)
 - e. Monitor the capabilities and expansions of surrounding transmission systems
 - f. Comply with all NERC Reliability Standards and SERC regional standards and guidelines consistent with the corporate culture of compliance
 - g. Evaluate optimal regional reliability organization for Big Rivers (e.g. SERC, Reliability First, etc.)
 - h. Continue to efficiently maintain our transmission system with a focus on Member reliability and export capability
 - i. Update the Corporate Business Continuity Plan

3. **Provide cost-effective shared services desired by our Members** (Related KPIs: None)
 - a. Continue to evaluate existing and new shared services that provide improved service to end-use consumers through economies of scale. Current initiatives under investigation/development include:
 - 2 way radio system with full interconnectivity to accommodate interoperability
 - Participate in Smart Grid initiatives with Members
 - Evaluation of Member Information Technology Services
 - b. Determine a process for Members or Big Rivers to request new shared services and evaluate such requests

4. **Proactively manage assets to the benefit of all Members**
(Related KPIs: Production Inventory, Production Inventory Turnover, Transmission Inventory, Transmission Inventory Turnover, EFOR, EAF, Heat Rate)
 - a. Develop and employ an energy efficiency and DSM philosophy and program in concert with our Members including potential Smart Grid initiatives
 - b. Continue to analyze the cost vs. benefits of outsourcing various functions as compared to in-house
 - c. Carefully monitor the SEPA situation and evaluate supply source impact
 - d. Continue to identify and evaluate power supply business opportunities and strategic partnerships
 - e. Continue analyzing the cost-benefit and risk of projects
 - f. Continue to develop outage and maintenance plans that evaluates the risk vs. rewards of various options
 - g. Track the accuracy of short-term and long-term load forecasts
 - h. Maintain transparent fuel procurement policies and procedures
 - i. In a cost-effective manner, manage Big Rivers' processes, activities and systems to enable the company to meet its mission
 - j. Continue to economically operate our power plants with a focus on reliability and performance

5. **Develop a comprehensive and least-cost environmental compliance strategy** (Related KPIs: None)
 - a. Comply with all existing environmental regulations and requirements
 - b. Maintain positive relations with local, state and federal environmental agencies
 - c. Evaluate the implications of proposed environmental legislation and regulation on Big Rivers' operations and North Star
 - d. Develop and implement comprehensive compliance strategies and optimize Big Rivers' position using the most cost-effective approach to meet environmental requirements

6. Considering risks and benefits, manage the volatility of rates to Members and Big Rivers' net margin (Related KPIs: None)
 - a. Identify and quantify the key factors driving variability in Big Rivers' rates
 - b. Utilize IRMC oversight to manage corporate risk and monitor the effectiveness of Big Rivers' policies (e.g. hedging levels); implement adjustments as appropriate
 - c. Complete the strategic spares analysis for generation and transmission, including step-up transformers
 - d. Seek strategic energy services' opportunities for transmission investments/rights
 - e. Work with Members to evaluate rate design to stabilize both Big Rivers' and the Members' earnings
 - f. Manage fuel procurement process (quality, price, quantity) to produce the lowest long-term generation costs possible
 - g. Complete a load concentration analysis and mitigation plan

7. Continue Big Rivers' emphasis on safety for employees, Members, contractors, and the public
(Related KPIs: Lost-time Incidents, Lost-time Incident Rates, OSHA Recordables, OSHA Recordable Incident Rates)
 - a. Annually update, implement, and communicate the comprehensive safety plan
 - b. Continue to assist our Member systems to help satisfy their safety needs

8. Maintain a well-trained, engaged workforce dedicated to teamwork and the success of Big Rivers and our Member cooperatives
(Related KPIs: None)
 - a. Continue workforce planning to meet current and anticipated staffing needs in recognition of the aging workforce
 - b. Continue to evaluate the design and competitiveness of employee compensation and benefits
 - c. Maintain a positive relationship with the union
 - d. Enhance the strategy and process for communicating with employees
 - e. Use opportunities for multi-functional teams to encourage teamwork across departments
 - f. Emphasize the importance of our Members with employees and help build their understanding of how their efforts impact our Members
 - g. Implement a performance evaluation process
 - h. Implement an orientation program for all new employees
 - i. Update and distribute company policies
 - j. Continue to encourage and support employee participation in civic and philanthropic organizations within our local communities

9. Proactively enhance Big Rivers' reputation and maintain and/or build trust with key stakeholders (Related KPIs: None)
 - a. Maintain frequent communications and strong relationships with Big Rivers' Members
 - b. At the Members' request, support the Members in their communications and relationships with their customers
 - c. Determine with the Members the process and Big Rivers' role in economic development
 - d. Proactively work with our Members, KAEC, other Kentucky electric cooperatives, other business groups, and Kentucky regulators/policymakers to achieve Big Rivers' strategic plan objectives
 - e. At the national level, work with NRECA, other electric cooperatives, business groups, and federal regulators and policymakers to achieve Big Rivers' strategic plan objectives
 - f. Proactively manage the relationship with HMP&L and other potential power supply parties
 - g. Proactively manage the relationships with the smelters through the Coordination Committee

Big Rivers 2013 Strategic Plan

Strategic Initiatives to Meet Business Objectives

1. Meet the key financial forecast metrics and maintain at least two investment grade credit ratings of BBB- or Baa3 or higher

(Related KPIs: North Star, Capital Expenditures, TIER, Net Margin, Financial Forecast Accuracy)

- a. Review and make any appropriate revisions to the existing capitalization policy
- b. Monitor financial metrics and targets consistent with addressing credit rating agency issues, meeting financing requirements, and attaining no less than targeted net margins
- c. Continue to enhance relationships with creditors and rating agencies
- d. Review the adequacy of the existing budgeting and forecasting tools and processes including generation planning and load forecasting tools
- e. Track forecast accuracy

2. Meet our Members' reliability needs and regulatory compliance requirements in the most cost-effective manner

(Related KPIs: SAIDI)

- a. Participate in MISO activities and training to optimize Big Rivers' operations within the market
- b. Monitor and advocate Big Rivers' position on MISO transmission-related issues
- c. Monitor the cost/benefit of MISO membership versus other options
- d. Work with Members to evaluate transmission expansion/improvement projects driven by reliability performance
- e. Monitor the capabilities and expansions of surrounding transmission systems
- f. Comply with all NERC Reliability Standards and SERC regional guidelines consistent with the corporate culture of compliance
- g. Continue to efficiently maintain our transmission system with a focus on Member reliability and import/export capability
- h. Update the Corporate Business Continuity Plan

3. Provide cost-effective shared services desired by our Members

(Related KPIs: None)

- a. Continue to evaluate exiting and new shared services that provide improved service to end-use consumers through economies of scale. Current initiatives under investigation/development include:
 - i. Participate in Smart Grid initiatives with Members
 - ii. Support migration plans for Member's information technology services

4. Proactively manage assets to the benefit of all Members

(Related KPIs: Production Inventory, Production Inventory Turnover, Transmission Inventory, Transmission Inventory Turnover, EFOR, EAF, Heat Rate, MAPE)

- a. Continue to develop and employ an energy efficiency and DSM philosophy and program in concert with our Members including potential Smart Grid initiatives
- b. Continue to analyze the cost vs. benefits of outsourcing various functions as compared to in-house
- c. Carefully monitor the SEPA situation and evaluate supply source impact

- d. Continue to identify and evaluate power supply business opportunities and strategic partnerships
 - e. Continue analyzing the cost-benefit and risk of projects
 - f. Continue to develop outage and maintenance plans that evaluate the risk vs. rewards of various options
 - g. Track the accuracy of short-term and long-term load forecasts (including impacts of EE/DSM)
 - h. Maintain transparent fuel procurement policies and procedures
 - i. In a cost-effective manner, manage Big Rivers' processes, activities and systems to enable the company to meet its mission
 - j. Continue to economically operate our power plants with a focus on reliability and performance
 - k. Identify non-stock materials and determine disposition
- 5. Maintain a comprehensive and least-cost environmental compliance strategy**
(Related KPIs: None)
- a. Comply with all existing environmental regulations and requirements
 - b. Maintain positive relations with local, state and federal environmental agencies
 - c. Evaluate the implications of proposed environmental legislation and regulation on Big Rivers' operations and North Star
 - d. Develop and implement comprehensive compliance strategies and optimize Big Rivers' position using the most cost-effective approach to meet new environmental requirements
- 6. Considering risks and benefits, manage the volatility of rates to Members and Big Rivers' net margin**
(Related KPIs: None)
- a. Identify and quantify the key factors driving variability in Big Rivers' rates.
 - b. Utilize IRMC oversight to manage corporate risk and monitor the effectiveness of Big Rivers' policies (e.g. hedging levels); implement adjustments as appropriate
 - c. Evaluate strategic energy services' opportunities related to transmission investments/rights
 - d. Work with Members to evaluate rate design to stabilize both Big Rivers' and the Members' earnings
 - e. Manage fuel procurement process (quality, price, quantity) to produce the lowest long-term generation costs possible
 - f. Implement and update as necessary the Load Concentration Mitigation Plan
- 7. Continue Big Rivers' emphasis on safety for employees, Members, contractors, and the public**
(Related KPIs: Lost-time Incidents, Lost-time Incident Rates, OSHA Recordables, OSHA Recordable Incident Rates)
- a. Annually update, implement, and communicate the comprehensive safety plan
 - b. Continue to assist our Member systems to help satisfy their safety needs
- 8. Maintain a well-trained, engaged workforce dedicated to teamwork and the success of Big Rivers and our Member cooperatives**
(Related KPIs: None)
- a. Continue workforce planning to meet current and anticipated staffing needs

- b. Continue to evaluate the design and competitiveness of employee compensation and benefits
- c. Maintain a positive relationship with the union
- d. Enhance the strategy and process for communicating with employees
- e. Use opportunities for multi-functional teams to encourage teamwork across departments
- f. Emphasize the importance of our Members with employees and help build their understanding of how their efforts impact our Members
- g. Institutionalize use of the Performance Evaluation System
- h. Continue an Orientation Program for all new employees
- i. Review, revise and distribute company policies
- j. Continue to encourage and support employee participation in civic and philanthropic organizations within our local communities

9. Proactively enhance Big Rivers' reputation and maintain and/or build trust with key stakeholders

(Related KPIs: None)

- a. Maintain frequent communications and strong relationships with Big Rivers' Members
- b. At the Members' request, support the Members in their communications and relationships with their customers
- c. Work cooperatively with the Members in economic development
- d. Proactively work with our Members, KAEC, other Kentucky electric cooperatives, other business groups, and Kentucky regulators/policymakers to achieve Big Rivers' Strategic Plan objectives
- e. At the national level, work with electric cooperatives, business groups, and federal regulators and policymakers to achieve Big Rivers' strategic plan objectives
- f. Proactively manage the relationship with HMP&L and other potential power supply parties
- g. Proactively manage the relationships with the smelters through the Coordination Committee

2010 Big Rivers Corporate Safety Plan

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Introduction

Big Rivers' management is committed to a safety-focused culture in which ALL employees are personally involved and responsible for not only their own personal safety, but also the safety of others. Management places SAFETY above all other Big Rivers' core values; therefore, safety is the foundation for all decisions and expectations of Big Rivers' work force. This Annual Safety Plan provides a framework in which management defines safety goals, performance measurements and long-term monitoring, as well as initiatives and specific actions to be taken to help assure Big Rivers' safety performance is among the top in the industry. The ideal result of an involved, committed work force is ultimately no personal injuries or death and few non-controllable vehicle incidents.

Big Rivers' Safety Philosophy

"Safety is a way of life so no operating condition or urgency of service can ever justify endangering the health and well-being of anyone."

Big Rivers' Safety Commitments:

1. Every employee will return home following the workday in as good a condition as he arrived for work that day.
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Big Rivers' Safety Motto

"Safety begins between the ears."

Big Rivers' Safety Performance Measurement

Big Rivers has tracked OSHA recordable incidents, lost-time incidents and more recently, motor vehicle incidents. Incident numbers in these measurement categories will be normalized by converting them to incident rates to permit year-by-year and company-to-company comparisons to assist with evaluation of Big Rivers' safety performance. These measures will be utilized by Big Rivers as its Safety Key Performance Indicators (KPIs). Corporate targets will be developed each year for each of these measures and actual performance compared to the annual target will be tracked throughout the year and provided to the Big Rivers' Board and all employees on a monthly basis.

These measures are defined as follows:

- Recordable Incident –** An injury or illness that results in medical attention beyond first aid and/or results in modified work duty and/or lost time from work.
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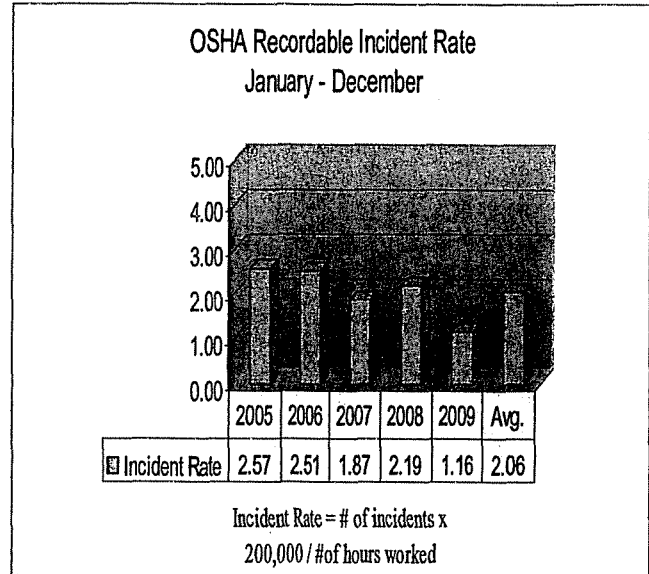
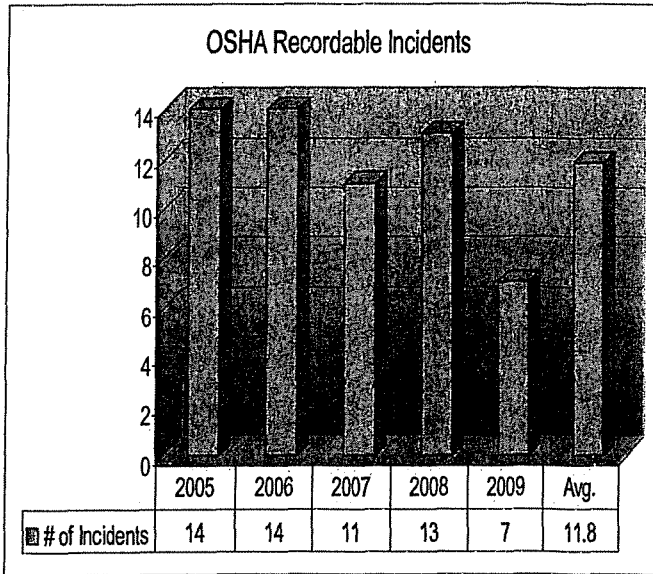
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Vehicle Incident Frequency Rate –
$$\frac{\text{Number of Vehicle Incidents} \times 1,000,000}{\text{Total Miles Driven}}$$

The five-year history, including averages for each of these measures, is shown in the following graphs.

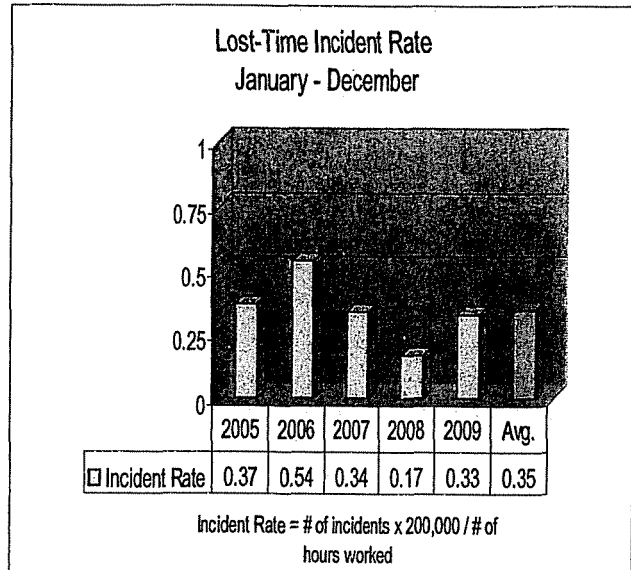
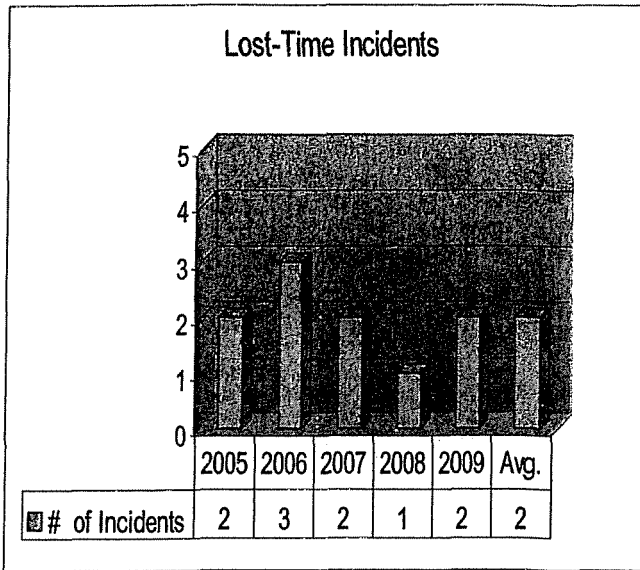
OSHA Recordable



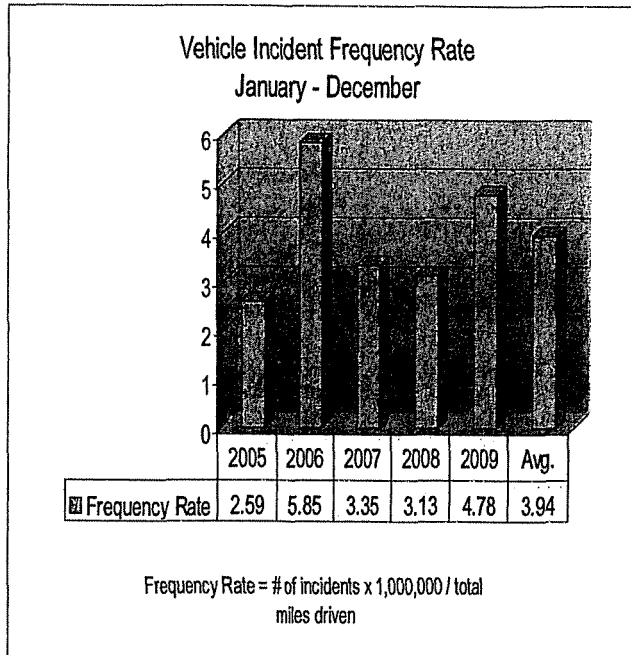
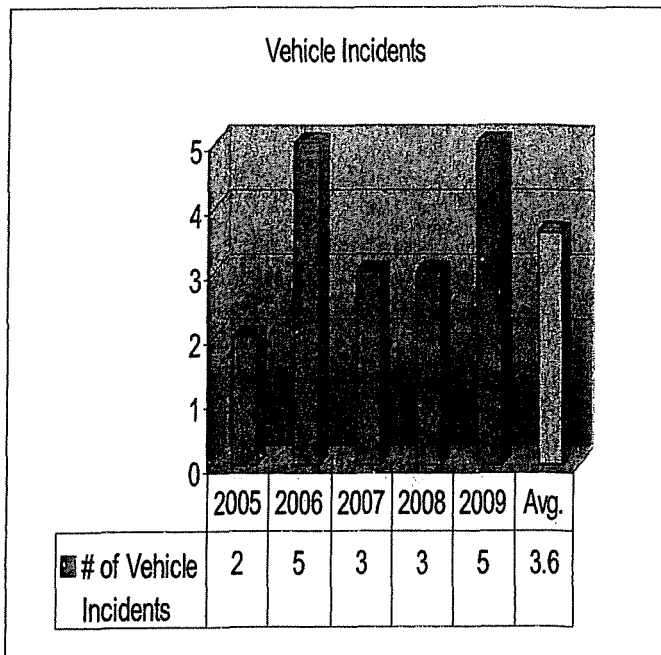
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Lost-Time



Vehicles



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Big Rivers' 2010 Safety Milestones

Big Rivers' safety milestones define specific safety accomplishments that reflect its safety philosophy and safety core commitments. These form the framework for Big Rivers' Annual Safety Plan. Using annual safety milestones, Big Rivers seeks to measure the effectiveness and efficiency of the activities involved in achieving its safety strategy.

Big Rivers' 2010 Safety Milestones and Targets

1. Coleman Station employees will complete four years without a lost-time incident at midnight on January 6, 2010.
2. Production employees will complete one year without a lost time incident at midnight on January 19, 2010.
3. Sebree Station employees will complete one year without a lost-time incident at midnight on January 19, 2010.
4. The company will complete one year without a lost-time incident at midnight on February 4, 2010.
5. Transmission employees will complete one year without a lost-time incident at midnight on February 4, 2010.
6. Sebree Station employees will complete 500,000 man-hours worked without a lost-time incident in April 2010.
7. Wilson Station employees will complete three years without a lost-time incident at midnight on May 15, 2010.
8. Coleman employees will complete two years without a recordable incident at midnight on June 7, 2010.
9. Headquarters employees will complete three years without a lost-time incident at midnight on September 6, 2010.
10. Coleman Station employees will complete one million man-hours worked without a lost-time incident in December 2010.
11. Wilson Station employees will complete one year without a recordable incident at midnight on December 23, 2010.
12. Sebree Station employees will complete one year without a recordable incident at midnight on December 25, 2010.
13. The company will achieve its 2010 recordable, lost-time and vehicle incident targets.

Year	Recordable Incidents	Lost-Time Incidents	Vehicle Incidents
2009 Results	7	2	5
2010 Targets	10	2	3

14. Big Rivers will take all actions necessary in order to receive NRECA (National Rural Electric Cooperative Association) Safety Accreditation by the end of 2012.

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2010 Safety Initiatives

Safety Initiative 1: Ensure that all management and employees are involved in and committed to working safely.

- a) Safety meetings will be held at a minimum of once a month for all personnel.
- b) A common safety meeting format will be utilized:
 - i. A list of monthly safety topics/training will be developed (it is acceptable for some months to have an open topic where the meeting leader can select a topic of his/her choice)
 - ii. An employee will lead every safety meeting (begin with supervisors and, hopefully, extend to non-supervisory employees).
 - a. It is acceptable for the employee leader to arrange for an outside speaker to cover the designated or chosen (if the meeting topic is open for that month) topic.
 - b. At a minimum, the leader must introduce the speaker (if one is utilized) and review with employees the following information provided by Human Resources.
 - 1. The current number of YTD incidents compared to annual targets.
 - 2. The number of incidents that have occurred within the company since the last safety meeting.
 - 3. A summary (without names) of each incident that occurred since the last meeting.
 - c. A section of the safety manual shall be read by safety meeting attendees during each safety meeting.
 - 1. The safety manual topic(s) may be open to the leader's discretion, but he may wish to tie the material that is read to the monthly safety topic if possible.
 - 2. The safety manual topic(s) should relate to the type of work the meeting attendees perform.
 - 3. A committee will be appointed by the Safety Leadership Team to determine what portions of the safety manual are relevant to each work group.
 - 4. A schedule will be developed to assure all relevant safety manual provisions are reviewed with all applicable employees as required.
 - d. Forms for safety meeting attendance and minutes will be utilized by all groups to capture the following information: attendees, guests, topic(s) covered, sections of safety manual read, etc. The completed forms will be routed to the Safety group for filing.

Safety Initiative 2: Continual safety improvement programs will be implemented that lead to a safe and productive work environment and ensure that all employees have the tools to work safely.

- a) Field management/supervision will make regular work site visits.
- b) Management will help employees understand that working safely and prompt reporting of all incidents to appropriate supervision are conditions of employment.
 - i. Employees will be encouraged to report near-miss incidents so they can be investigated and lessons learned applied to reduce the possibility of future incidents. (A near-miss incident is a situation that results in an unexpected outcome that could have injured an

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Individual and/or damaged equipment. If an injury and/or property damage occurs, it is not a near-miss incident.)

- a. No disciplinary action will be taken against anyone involved with a near miss who voluntarily reports the incident.
- c) All work-related incidents and near-misses as well as electrical contact and public incidents involving Big Rivers' facilities/equipment will be investigated for root cause(s) and preventative measures will be reviewed by management and implemented as appropriate.
 - i. All supervisors will be trained in incident investigation techniques.
 - ii. A standard corporate incident report form will be utilized.
 - iii. Incident Investigation Teams will be utilized to investigate all lost-time, electrical contact, and public incidents in addition to the normal supervisory investigation conducted with all incidents.
 - a. Other incidents may also be investigated by an Incident Investigation Team at the discretion of department and/or corporate management.
 - b. Incident Investigation Team members will receive training to help them be effective in their investigation work.

Safety Initiative 3: Ensure that safety training is employee-focused and provides employee direction.

- a) Safety training and programs will be developed to address Big Rivers' specific incident experience.
- b) Employees will use online computerized safety training modules.
 - i. A schedule of monthly computerized training developed and publicized for both field and office personnel.
- c) All employees will be educated on safety rules applicable to their jobs with a well-defined communication plan so employees know their incident reporting responsibilities.

Safety Initiative 4: Ensure that Big Rivers' management team is active and visible in providing a healthy and safe working environment and ensuring safety performance is addressed with appropriate consequences enforced.

- a) Big Rivers' leadership will display its commitment to the Big Rivers' Safety Plan by following and enforcing all adopted safety rules, being visible at safety meetings, and addressing the safety behavior of others.
- b) The president's staff, along with other participants, will participate in a Safety Leadership Team which will meet monthly to discuss the company safety performance, review incidents, and discuss needed changes/improvements in the company's safety performance or policies.
 - i. Work site visits will be conducted monthly in conjunction with the Safety Leadership Team meeting.
- c) Each Big Rivers' employee's safety performance will be a distinct part of his annual performance evaluation and each supervisor's performance evaluation will include not only his personal safety performance, but also that of the group he supervises as well.
 - i. As is the case with all aspects of an employee's work, those with unsatisfactory safety performance will be counseled on the need to improve and may be asked to participate in additional focused safety training intended to help improve his performance.

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- d) The supervisor of an injured employee, or the next level of management, will accompany the injured employee to the doctor for his initial visit to help assure the injured employee safely arrives to and from the visit, hear the diagnosis, and to discuss the nature of work available during the employee's recovery. (This presumes a worker's compensation injury)
- e) The president will meet with employee(s) who suffer a lost-time incident to discuss the details of the event as well as the employee's recovery and to hear any preventative suggestions the employee may have to offer.

Safety Initiative 5: Actively communicate safety plans, policies, and safety issues.

- a) Ensure all emergency plans are updated and in place, and are annually reviewed with all employees.
- b) Analyze, display and update monthly incident trends for the company and appropriate department with common causes and prevention methods communicated to all Big Rivers and Board personnel.
- c) Assist the member cooperatives in communication and education of the community on electrical safety and be responsive to community requests for electrical safety information.
 - i. Safety leaflets
 - ii. Newspaper advertising
 - iii. School/organization electrical safety demonstrations
 - iv. Electrical safety articles in consumer newsletters/magazines
- d) Create and distribute an annual safety training calendar complete with all internal and external safety resources and committees to be utilized, as well as their contact information.
- e) Big Rivers will form various Safety Committees (see page 9).
 - i. Big Rivers will hold three Joint Safety Committee meetings each year.
 - ii. Joint Safety Committee meetings will be attended by members of the various Big Rivers' Safety Committees.
- f) Big Rivers will host an annual Contractor Safety Kick-Off Conference to promote the philosophy that everyone who works at a Big Rivers' facility is expected to maintain safety awareness and work safely.
 - i. The conference will include, but not be limited to: informative updates, establishing goals and expectations, guest speakers, and networking opportunities. We expect our contractors to partner with us to promote a safe and healthy work environment.
- g) Big Rivers will continue the Contractor Safety Credentials Assessment Program (C-SCAP) (please see description on page 11).
- h) The president will meet with all employees to discuss the company's Safety Plan and review the previous year's safety performance.

Safety Initiative 6: Senior management will develop and implement safety reward/recognition activities to promote safety and recognize positive achievement.

- a) Human Resources will develop a tracking system on an individual employee basis to determine the number of safety incidents in which the employee has been involved, along with the time that has passed since the employee's last lost-time incident.
 - i. Each employee completing an anniversary without a lost-time incident shall be recognized for the achievement before his peers and presented a memento of the achievement that recognizes the number of years involved.

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- b) Whenever the entire company, a plant, transmission, or headquarters employees completes a yearly anniversary without a lost-time incident, members of the Safety Leadership Team will prepare and serve a meal for the group of employees involved. If it is the entire company, all employees will also receive a gift commemorating the achievement.

Roles & Responsibilities:

Big Rivers' Safety Personnel

1. Corporate Safety Administrator

The primary role of the Corporate Safety Administrator (Administrator) is to assist management and employees of Big Rivers in maintaining and improving the most efficient, safe, productive and enjoyable workplace possible. To that end, the Administrator coordinates the Big Rivers personal injury incident prevention program. The Administrator is responsible for developing, implementing, and evaluating safety policies, programs, and procedures; and for planning, coordinating, implementing, and evaluating job and safety training programs for Big Rivers' employees. The Administrator provides advice, reports on matters pertaining to safety, helps develop and implement comprehensive safety programs in the areas of electrical safety, facilities safety, industrial hygiene, general safety, trade-specific safety procedures, equipment safety, driver training, utility-related tool safety, fire safety, etc. The Administrator also aids in the development of audit programs to help identify and reduce risks from potential hazards in the workplace. Big Rivers' management works with the Administrator in its efforts to develop and implement employee injury prevention strategies and program(s); along with monitoring program effectiveness. The Administrator assists Big Rivers' management with compliance of health and safety standards as required by local, state, and federal agencies and in staying current with pending regulatory developments through reference sources and obtaining insight on legislative agendas at state and federal levels. The Administrator is a permanent member of the Transmission Safety Committee and Safety Leadership Team, and assists in incident investigation as required.

2. Member Systems Safety & Training Director

The primary role of the Member Systems Safety & Training Director (Director) is to assist management and employees of Big Rivers' three distribution cooperatives (member systems) in maintaining and improving the most efficient, safe, productive and enjoyable workplace possible. To that end, the Director is responsible for planning, coordinating, implementing, and evaluating job and safety training programs for the member systems. The Director helps develop and implement comprehensive safety programs in the areas of electrical safety, facilities safety, industrial hygiene, general safety, trade-specific safety procedures, equipment safety, driver training, utility-related tool safety, fire safety, etc. The Director also aids in the development of audit programs to help identify and reduce risks from potential hazards in the workplace. The Director provides advice, and reports on matters pertaining to safety.

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3. Health & Safety Specialist (Production Sites)

The primary role of a Health & Safety Specialist (Specialist) is to assist management and employees of Big Rivers' production sites in maintaining and improving the most efficient, safe, productive and enjoyable workplace possible. To that end, the Specialist exemplifies the company's commitment to health and safety by exhibiting a highly professional demeanor in all situations, assists line management with implementation of regular compliance issues, investigates serious incidents and near misses, counsels with employees involved in incidents, conducts regular inspections/observations to ensure regulatory compliance, and develops, conducts, and coordinates employee training.

The Specialist will also coordinate with the industrial hygienist (hired outside contractor) for development and implementation of industrial hygiene monitoring and sampling, act appropriately regarding employee requests, complaints, and concerns, as well as oversee the personal protective equipment (PPE) program, and provide field coordination of company health and safety policies. The Specialist will coordinate regular health and safety meetings, serve as a resource to Safety Committees, focus groups, emergency rescue teams, etc., recordkeeping, coordinate incentive and awards programs, maintain the radiation program, and assist with budget preparation.

Safety Leadership Team

The Safety Leadership Team provides management leadership in reinforcing Big Rivers' "put-safety-first" philosophy and to support employees in developing and following safe work habits, with the goal of maintaining safety performance within the top 10 percent of electric utilities in the nation. To this end, the Team has developed an Annual Corporate Safety Plan and conducts facility inspections and monthly on-site visits with employees to hear employee safety views and to ensure a safe work environment and employee adherence to all safety rules. In addition, the Team analyzes injury and accident/incident reports, lost-time records and workers compensation claims.

The Team is currently comprised of President and CEO Mark Bailey, Executive Assistant Paula Mitchell, Vice Presidents Bill Blackburn, David Crockett, James Haner, Mark Hite, Al Yockey, Bob Berry, Community Relations Manager Jennifer Keach, Corporate Safety Administrator Troy Stovall; but may be modified as appropriate.

Safety Committees

Big Rivers' Safety Committees have been developed to create a high level of safety awareness by evaluating the adequacy of safe work procedures; monitoring safety and health audit results and trends; reviewing incidents and near-miss incidents, illnesses and safety suggestions; and to make recommendations for future preventive measures to correct problem areas and abate hazards.

The Transmission Committee is comprised of five employees who serve to represent various areas within the Big Rivers' organization. The Corporate Safety Administrator will continually serve. Four other employees will be appointed by management. The Transmission Committee will meet as often as necessary, but, at a minimum, should meet once every two months. The meetings will be scheduled for the first Tuesday of every other month unless altered by extenuating circumstances. All committee meetings should be limited to approximately two hours unless extended by consensus.

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The Plant Committees are comprised of employees from each department who work within various areas of the Big Rivers' organization. These committees meet monthly to discuss methods to improve safety at the plant facilities. Plant Committee members present safety topics at four monthly meetings each year. Plant Committee members also develop an annual plant safety vision plan, which they present to the plant population.

Additionally, the Safety Committees are charged with promoting good communication between the work force and management on safety and health-related topics, complaints, concerns and recommendations, and with forwarding information to the safety leadership team for consideration and possible implementation. A Committee(s) may also be requested by the Safety Leadership Team to consider specific safety matters and make recommendations to the Safety Leadership Team.

The Safety Committees will participate in and/or perform safety audits of Big Rivers' physical plant, vehicles and equipment. The Committees will work to raise employee safety awareness, prevent loss incidents, increase compliance, and improve teamwork, productivity, communication and morale. Safety Committee members are NOT safety cops, but rather act as safety advisors to management.

Joint Safety Committee meetings comprised of members from the various Safety Committees will meet periodically each year. With complete support of management, the Joint Safety Committee is dedicated to promoting the safety and health of all employees, contractors, and visitors. The mission is to instill within all employees a commitment to Big Rivers' safety philosophy and commitments.

Incident Investigation Team

An Incident Investigation Team is established as necessary to investigate incidents at Big Rivers, determine what happened, identify the cause(s), and report the findings along with any recommendations it has to prevent recurrence. The Incident Investigation Team consists of two or more employees trained in incident investigation procedures, coordinated by the Vice President Administrative Services. In the absence of the Vice President Administrative Services, the Vice President System Operations or Production (as appropriate) is responsible for coordinating the Incident Investigation Team. Should these three vice presidents be absent, the Corporate Safety Administrator will be responsible for formation and coordination of the team.

The Incident Investigation Team will investigate all employee electrical contact, lost-time, or public incidents, in addition to any incident deemed necessary by management. In addition, the Incident Investigation Team will interview any affected individual, witness or witnesses, and supervisor of the affected individual as soon as possible, but no later than three working days after notification. If necessary, the Investigation Team will visit the incident site and/or take any photographs during the course of its investigation. The team is expected to promptly report what happened and make recommendations to management of any procedure or process that may reduce or eliminate recurrence of the incident and the risk. However, the Incident Investigation Team will not under any circumstance recommend any corrective action against an employee.

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C-SCAP

As part of our commitment to improving contractor health and safety performance, Big Rivers has implemented a “Contractor Safety Credentials Assessment Program (C-SCAP).” The basic elements of the program are a required awareness program and a commitment from the contractor that all contract workers have received safety training and have acquired the appropriate skills required to perform the work safely.

The program ensures that any industrial worker entering a Big Rivers’ facility has received basic familiarity of a wide range of industrial hazards and is fully aware of Big Rivers’ commitment to an uncompromised safe working environment.

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Introduction

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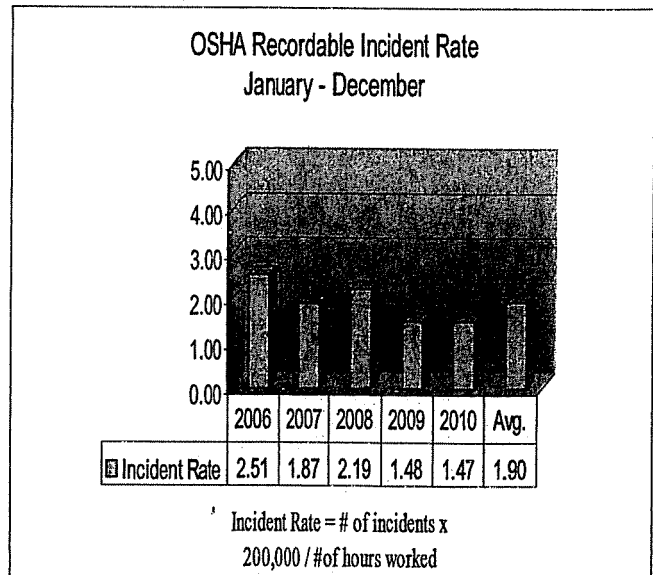
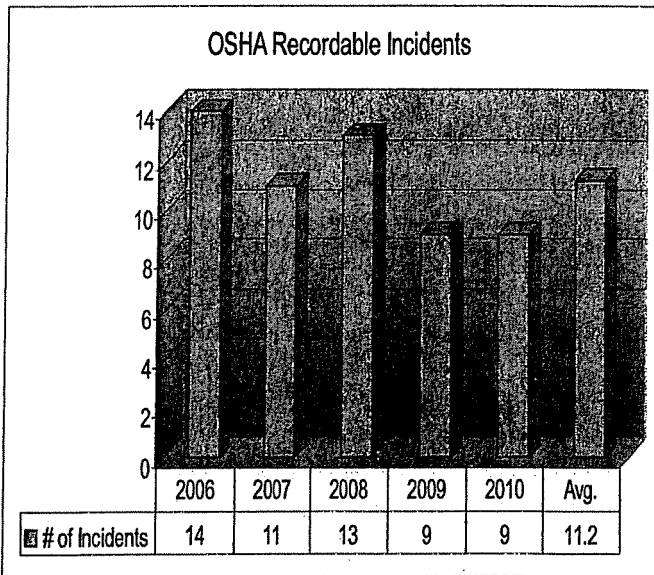
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The five-year history, including averages for each of these measures, is shown in the following graphs.

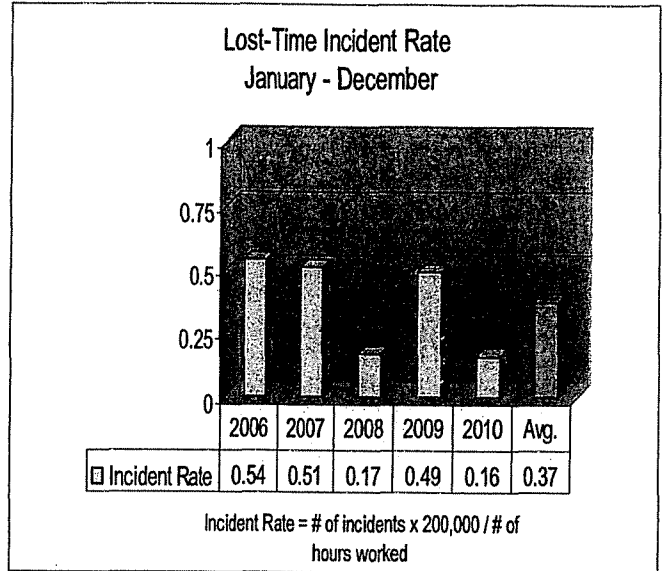
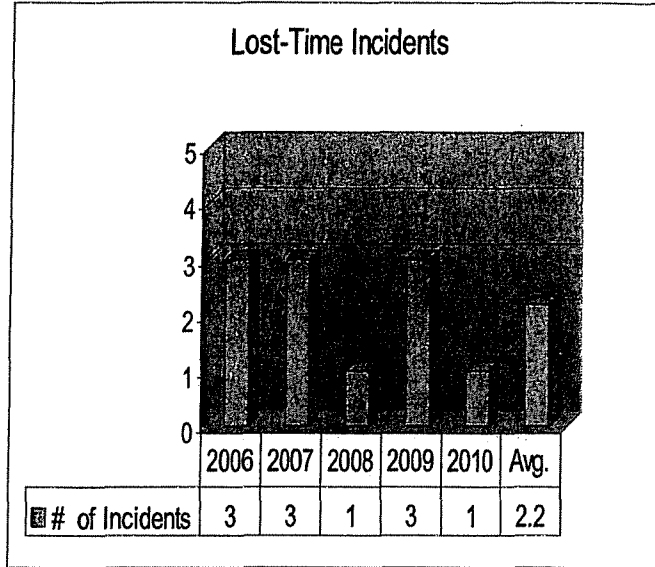
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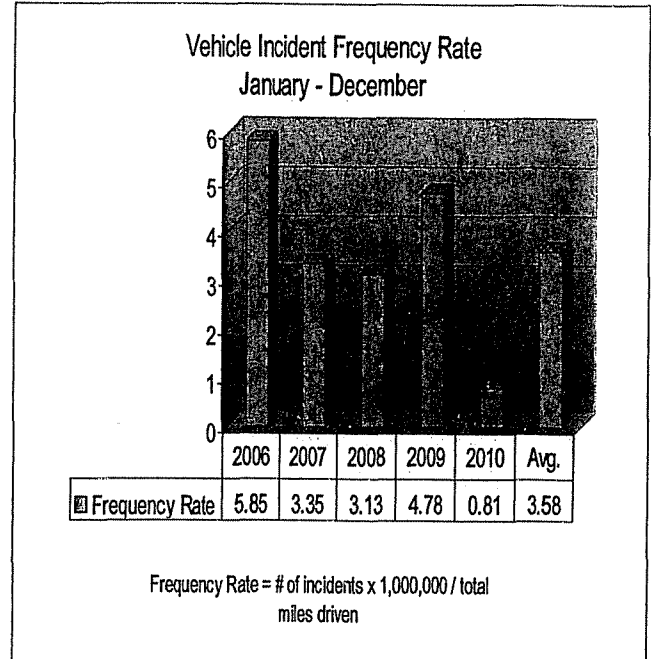
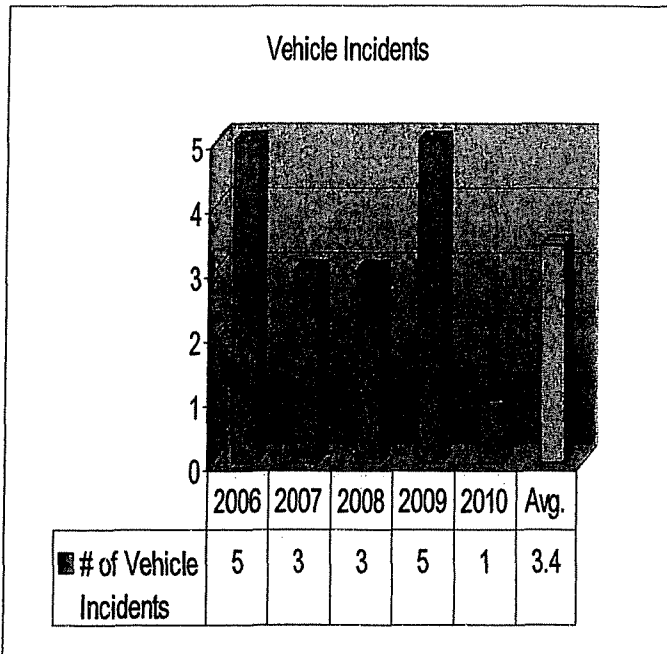
2011 Big Rivers Corporate Safety Plan

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Lost-Time



Vehicles



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Big Rivers' 2011 Safety Milestones

Big Rivers' safety milestones define specific safety accomplishments that reflect its safety philosophy and safety core commitments. These form the framework for Big Rivers' Annual Safety Plan. Using annual safety milestones, Big Rivers seeks to measure the effectiveness and efficiency of the activities involved in achieving its safety strategy.

Big Rivers' 2011 Safety Milestones and Targets

1. Coleman Station employees will complete five years without a lost-time incident at midnight on January 6, 2011.
2. The company will complete one year without a lost-time incident at midnight on January 14, 2011.
3. Transmission employees will complete one year without a lost-time incident at midnight on January 14, 2011.
4. Production employees will complete two years without a lost time incident at midnight on January 19, 2011.
5. Sebree Station employees will complete two years without a lost-time incident at midnight on January 19, 2011.
6. Sebree Station employees will complete 1,000,000 man-hours worked without a lost-time incident in April 2011.
7. Wilson Station employees will complete four years without a lost-time incident at midnight on May 15, 2011.
8. Wilson Station employees will complete 750,000 man-hours worked without a lost-time incident in May 2011.
9. Headquarters employees will complete one year without a recordable incident at midnight on June 22, 2011.
10. Coleman Station employees will complete one year without a recordable incident at midnight on July 4, 2011.
11. Headquarters employees will complete 500,000 man-hours worked without a lost-time incident in August 2011.
12. Headquarters employees will complete two years without a lost-time incident at midnight on September 29, 2011.
13. Wilson Station employees will complete one year without a recordable incident at midnight on October 6, 2011.
14. Transmission employees will complete one year without a recordable incident at midnight on November 17, 2011.
15. Sebree Station employees will complete one year without a recordable incident at midnight on November 29, 2011.
16. The company will achieve its 2011 recordable, lost-time and vehicle incident targets.

Year	Recordable Incidents	Lost-Time Incidents	Vehicle Incidents
2010 Results	9	1	1
2011 Targets	9	1	3

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2011 Safety Initiatives

Safety Initiative 1: Ensure that all management and employees are involved in and committed to working safely.

- a) Safety meetings will be held at a minimum of once a month for all personnel.
- b) A common safety meeting format will be utilized:
 - i. A list of monthly safety topics/training will be developed annually. It is acceptable for some months to have an open topic where the meeting leader can select a topic of his/her choice.
 - ii. An employee will lead every safety meeting (begin with supervisors and, hopefully, extend to non-supervisory employees).
 - a. It is acceptable for the employee leader to arrange for an outside speaker to cover the designated or chosen (if the meeting topic is open for that month) topic.
 - b. At a minimum, the leader must introduce the speaker (if one is utilized) and review with employees the following information provided by Human Resources.
 1. The current number of YTD incidents compared to annual targets.
 2. The number of incidents that have occurred within the company since the last safety meeting.
 3. A summary (without names) of each incident that occurred since the last meeting.
 - c. A section of the safety manual shall be read by safety meeting attendees during each safety meeting.
 1. The safety manual topic(s) may be open to the leader's discretion, but he may wish to tie the material that is read to the monthly safety topic if possible.
 2. The safety manual topic(s) should relate to the type of work the meeting attendees perform.
 3. A document has been developed to indicate which sections of the manual are applicable to specific groups/departments of employees to assure all relevant safety manual provisions are reviewed with all applicable employees as required.
 - d. Forms for safety meeting attendance and minutes will be utilized by all groups to capture the following information: attendees, guests, topic(s) covered, sections of safety manual read, etc. The completed forms will be routed to the Safety group for filing.

Safety Initiative 2: Continual safety improvement programs will be implemented that lead to a safe and productive work environment and ensure that all employees have the tools to work safely.

- a) Field management/supervision will make regular work site visits.
- b) Management will help employees understand that working safely and prompt reporting of all incidents to appropriate supervision are conditions of employment.
 - i. Employees will be encouraged to report near-miss incidents so they can be investigated and lessons learned applied to reduce the possibility of future incidents. (A near-miss incident is a situation that results in an unexpected outcome that could have injured an

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January 2011

individual and/or damaged equipment. If an injury and/or property damage occurs, it is not a near-miss incident.)

- a. No disciplinary action will be taken against anyone involved with a near miss who voluntarily reports the incident.
- c) All work-related incidents and near-misses as well as electrical contact and public incidents involving Big Rivers' facilities/equipment will be investigated for root cause(s) and preventative measures will be reviewed by management and implemented as appropriate.
 - i. All supervisors will be trained in incident investigation techniques as required.
 - ii. A standard corporate incident report form will be utilized.
 - iii. Incident Investigation Teams will be utilized to investigate all lost-time, electrical contact, and public incidents in addition to the normal supervisory investigation conducted with all incidents.
 - a. Other incidents may also be investigated by an Incident Investigation Team at the discretion of department and/or corporate management.
 - b. Incident Investigation Team members will receive training to help them be effective in their investigation work.
- d) Big Rivers will continue to evaluate the new NRECA (National Rural Electric Cooperative Association) National Safety Program for possible implementation in the future.

Safety Initiative 3: Ensure that safety training is employee-focused and provides employee direction.

- a) Safety training and programs will be developed to address Big Rivers' specific incident experience.
- b) Employees will use online computerized safety training modules.
 - i. A schedule of monthly computerized training has been developed and publicized for both field and office personnel.
- c) All employees will be educated on safety rules applicable to their jobs with a well-defined communication plan so employees know their incident reporting responsibilities.

Safety Initiative 4: Ensure that Big Rivers' management team is active and visible in providing a healthy and safe working environment and ensuring safety performance is addressed with appropriate consequences enforced.

- a) Big Rivers' leadership will display its commitment to the Big Rivers' Safety Plan by following and enforcing all adopted safety rules, being visible at safety meetings, and addressing the safety behavior of others.
- b) The president's staff, along with other participants, will participate in a Safety Leadership Team which will meet monthly to discuss the company safety performance, review incidents, and discuss needed changes/improvements in the company's safety performance or policies.
 - i. Work site visits will be conducted monthly in conjunction with the Safety Leadership Team meeting.
- c) Each Big Rivers' employee's safety performance will be a distinct part of his annual performance evaluation and each supervisor's performance evaluation will include not only his personal safety performance, but also that of the group he supervises as well.
 - i. As is the case with all aspects of an employee's work, those with unsatisfactory safety performance will be counseled on the need to improve and may be asked to participate in additional focused safety training intended to help improve his performance.

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- d) The supervisor of an injured employee, or the next level of management, will accompany the injured employee to the doctor for his initial visit to help assure the injured employee safely arrives to and from the visit, hear the diagnosis, and to discuss the nature of work available during the employee's recovery. (This presumes a worker's compensation injury)
- e) The president will meet with employee(s) who suffer a lost-time incident to discuss the details of the event as well as the employee's recovery and to hear any preventative suggestions the employee may have to offer.

Safety Initiative 5: Actively communicate safety plans, policies, and safety issues.

- a) Ensure all emergency plans are updated and in place, and are annually reviewed with all employees.
- b) Analyze, display and update monthly incident trends for the company and appropriate department with common causes and prevention methods communicated to all Big Rivers and Board personnel.
- c) Assist the member cooperatives in communication and education of the community on electrical safety and be responsive to community requests for electrical safety information.
 - i. Safety leaflets
 - ii. Newspaper advertising
 - iii. School/organization electrical safety demonstrations
 - iv. Electrical safety articles in consumer newsletters/magazines
- d) Create and distribute an annual safety training calendar complete with all internal and external safety resources and committees to be utilized, as well as their contact information.
- e) Big Rivers has formed various Safety Committees (see page 9).
 - i. Big Rivers will hold three Joint Safety Committee meetings each year.
 - ii. Joint Safety Committee meetings will be attended by members of the various Big Rivers' Safety Committees.
- f) Big Rivers will host an annual Contractor Safety Kick-Off Conference to promote the philosophy that everyone who works at a Big Rivers' facility is expected to maintain safety awareness and work safely.
 - i. The conference will include, but not be limited to: informative updates, establishing goals and expectations, guest speakers, and networking opportunities. We expect our contractors to partner with us to promote a safe and healthy work environment.
- g) Big Rivers will continue the Contractor Safety Credentials Assessment Program (C-SCAP) (please see description on page 10).
- h) The president will meet with all employees to discuss the company's Safety Plan and review the previous year's safety performance.

Safety Initiative 6: Senior management will develop and implement safety reward/recognition activities to promote safety and recognize positive achievement.

- a) Human Resources will develop a tracking system on an individual employee basis to determine the number of safety incidents in which the employee has been involved, along with the time that has passed since the employee's last lost-time incident.
 - i. Each employee completing an anniversary without a lost-time incident shall be recognized for the achievement before his peers and presented a memento of the achievement that recognizes the number of years involved.

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- b) Whenever the entire company, a plant, transmission, or headquarters employees completes a yearly anniversary without a lost-time incident, members of the Safety Leadership Team will prepare and serve a meal for the group of employees involved. If it is the entire company, all employees will also receive a gift commemorating the achievement.

Roles & Responsibilities:

Big Rivers' Safety Personnel

1. Corporate Safety Administrator

The primary role of the Corporate Safety Administrator (Administrator) is to assist management and employees of Big Rivers in maintaining and improving the most efficient, safe, productive and enjoyable workplace possible. To that end, the Administrator coordinates the Big Rivers personal injury incident prevention program. The Administrator is responsible for developing, implementing, and evaluating safety policies, programs, and procedures; and for planning, coordinating, implementing, and evaluating job and safety training programs for Big Rivers' employees. The Administrator provides advice, reports on matters pertaining to safety, helps develop and implement comprehensive safety programs in the areas of electrical safety, facilities safety, industrial hygiene, general safety, trade-specific safety procedures, equipment safety, driver training, utility-related tool safety, fire safety, etc. The Administrator also aids in the development of audit programs to help identify and reduce risks from potential hazards in the workplace. Big Rivers' management works with the Administrator in its efforts to develop and implement employee injury prevention strategies and program(s); along with monitoring program effectiveness. The Administrator assists Big Rivers' management with compliance of health and safety standards as required by local, state, and federal agencies and in staying current with pending regulatory developments through reference sources and obtaining insight on legislative agendas at state and federal levels. The Administrator is a permanent member of the Transmission Safety Committee and Safety Leadership Team, and assists in incident investigation as required.

2. Member Systems Safety & Training Director

The primary role of the Member Systems Safety & Training Director (Director) is to assist management and employees of Big Rivers' three distribution cooperatives (member systems) in maintaining and improving the most efficient, safe, productive and enjoyable workplace possible. To that end, the Director is responsible for planning, coordinating, implementing, and evaluating job and safety training programs for the member systems. The Director helps develop and implement comprehensive safety programs in the areas of electrical safety, facilities safety, industrial hygiene, general safety, trade-specific safety procedures, equipment safety, driver training, utility-related tool safety, fire safety, etc. The Director also aids in the development of audit programs to help identify and reduce risks from potential hazards in the workplace. The Director provides advice, and reports on matters pertaining to safety.

3. Health & Safety Specialist (Production Sites)

The primary role of a Health & Safety Specialist (Specialist) is to assist management and employees of Big Rivers' production sites in maintaining and improving the most efficient, safe,

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productive and enjoyable workplace possible. To that end, the Specialist exemplifies the company's commitment to health and safety by exhibiting a highly professional demeanor in all situations, assists line management with implementation of regular compliance issues, investigates serious incidents and near misses, counsels with employees involved in incidents, conducts regular inspections/observations to ensure regulatory compliance, and develops, conducts, and coordinates employee training.

The Specialist will also coordinate with the industrial hygienist (hired outside contractor) for development and implementation of industrial hygiene monitoring and sampling, act appropriately regarding employee requests, complaints, and concerns, as well as oversee the personal protective equipment (PPE) program, and provide field coordination of company health and safety policies. The Specialist will coordinate regular health and safety meetings, serve as a resource to Safety Committees, focus groups, emergency rescue teams, etc., recordkeeping, coordinate incentive and awards programs, maintain the radiation program, and assist with budget preparation.

Safety Leadership Team

The Safety Leadership Team provides management leadership in reinforcing Big Rivers' "put-safety-first" philosophy and to support employees in developing and following safe work habits, with the goal of maintaining safety performance within the top 10 percent of electric utilities in the nation. To this end, the Team has developed an Annual Corporate Safety Plan and conducts facility inspections and monthly on-site visits with employees to hear employee safety views and to ensure a safe work environment and employee adherence to all safety rules. In addition, the Team analyzes injury and accident/incident reports, lost-time records and workers compensation claims.

The Team is currently comprised of President and CEO Mark Bailey, Executive Assistant Paula Mitchell, Vice Presidents Bill Blackburn, David Crockett, James Haner, Mark Hite, Al Yockey, Communications & Community Relations Manager Marty Littrel, and Corporate Safety Administrator Troy Stovall; but may be modified as appropriate.

Safety Committees

Big Rivers' Safety Committees have been developed to create a high level of safety awareness by evaluating the adequacy of safe work procedures; monitoring safety and health audit results and trends; reviewing incidents and near-miss incidents, illnesses and safety suggestions; and to make recommendations for future preventive measures to correct problem areas and abate hazards.

The Transmission Committee is comprised of five employees who serve to represent various areas within the Big Rivers' organization. The Corporate Safety Administrator will continually serve. Four other employees will be appointed by management. The Transmission Committee will meet as often as necessary, but, at a minimum, should meet once every two months. The meetings will be scheduled for the first Tuesday of every other month unless altered by extenuating circumstances. All committee meetings should be limited to approximately two hours unless extended by consensus.

The Plant Committees are comprised of employees from each department who work within various areas of the Big Rivers' organization. These committees meet monthly to discuss methods to improve safety at the plant facilities. Plant Committee member's present safety topics at four monthly meetings each year. Plant Committee members also develop an annual plant safety vision plan, which they present to the plant population.

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Additionally, the Safety Committees are charged with promoting good communication between the work force and management on safety and health-related topics, complaints, concerns and recommendations, and with forwarding information to the safety leadership team for consideration and possible implementation. A Committee(s) may also be requested by the Safety Leadership Team to consider specific safety matters and make recommendations to the Safety Leadership Team.

The Safety Committees will participate in and/or perform safety audits of Big Rivers' physical plant, vehicles and equipment. The Committees will work to raise employee safety awareness, prevent loss incidents, increase compliance, and improve teamwork, productivity, communication and morale. Safety Committee members are NOT safety cops, but rather act as safety advisors to management.

Joint Safety Committee meetings comprised of members from the various Safety Committees will meet periodically each year. With complete support of management, the Joint Safety Committee is dedicated to promoting the safety and health of all employees, contractors, and visitors. The mission is to instill within all employees a commitment to Big Rivers' safety philosophy and commitments.

Incident Investigation Team

An Incident Investigation Team is established as necessary to investigate incidents at Big Rivers, determine what happened, identify the cause(s), and report the findings along with any recommendations it has to prevent recurrence. The Incident Investigation Team consists of two or more employees trained in incident investigation procedures, coordinated by the Vice President Administrative Services. In the absence of the Vice President Administrative Services, the Vice President System Operations or Production (as appropriate) is responsible for coordinating the Incident Investigation Team. Should these three vice presidents be absent, the Corporate Safety Administrator will be responsible for formation and coordination of the team.

The Incident Investigation Team will investigate all employee electrical contact, lost-time, or public incidents, in addition to any incident deemed necessary by management. In addition, the Incident Investigation Team will interview any affected individual, witness or witnesses, and supervisor of the affected individual as soon as possible, but no later than three working days after notification. If necessary, the Investigation Team will visit the incident site and/or take any photographs during the course of its investigation. The team is expected to promptly report what happened and make recommendations to management of any procedure or process that may reduce or eliminate recurrence of the incident and the risk. However, the Incident Investigation Team will not under any circumstance recommend any corrective action against an employee.

C-SCAP

As part of our commitment to improving contractor health and safety performance, Big Rivers has implemented a "Contractor Safety Credentials Assessment Program (C-SCAP)." The basic elements of the program are a required awareness program and a commitment from the contractor that all contract workers have received safety training and have acquired the appropriate skills required to perform the work safely.

The program ensures that any industrial worker entering a Big Rivers' facility has received basic familiarity of a wide range of industrial hazards and is fully aware of Big Rivers' commitment to an uncompromised safe working environment.

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Introduction

Big Rivers' Board and management are committed to a safety-focused culture in which ALL employees are personally involved and responsible for not only their own personal safety, but also the safety of others. Management places SAFETY above all other Big Rivers' core values; therefore, safety is the foundation for all decisions and expectations of Big Rivers' work force. This Annual Corporate Safety Plan provides a framework in which management defines safety goals, performance measurements and long-term monitoring, as well as initiatives and specific actions to be taken to help assure Big Rivers' safety performance is among the top in the industry. The ideal result of an involved, committed work force is ultimately no personal injuries or death and few non-controllable vehicle incidents.

Big Rivers' Safety Philosophy

"Safety is a way of life so no operating condition or urgency of service can ever justify endangering the health and well-being of anyone."

Big Rivers' Safety Commitments:

1. Every employee will return home following the workday in as good a condition as he arrived for work that day.
2. No member of the public will be harmed by any action or inaction of a Big Rivers' employee.

Big Rivers' Safety Motto

"Safety begins between the ears."

Big Rivers' Safety Performance Measurement

Big Rivers has tracked OSHA recordable incidents, lost-time incidents and more recently, motor vehicle incidents. Incident numbers in these measurement categories will be normalized by converting them to incident rates to permit year-by-year and company-to-company comparisons to assist with evaluation of Big Rivers' safety performance. These measures will be utilized by Big Rivers as its Safety Key Performance Indicators (KPIs). Corporate targets will be developed each year for each of these measures and actual performance compared to the annual target will be tracked throughout the year and provided to the Big Rivers' Board and all employees on a monthly basis.

These measures are defined as follows:

- | | |
|-----------------------------|--|
| Recordable Incident– | An injury or illness that results in medical attention beyond first aid and/or results in modified work duty and/or lost time from work. |
| Lost-Time Incident– | An injury or illness that causes an employee to miss one or more scheduled full workday(s) following the incident. |

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Vehicle Incident— An incident during which a Big Rivers' vehicle strikes or is struck by another vehicle or object unless the Big Rivers' vehicle is legally parked.

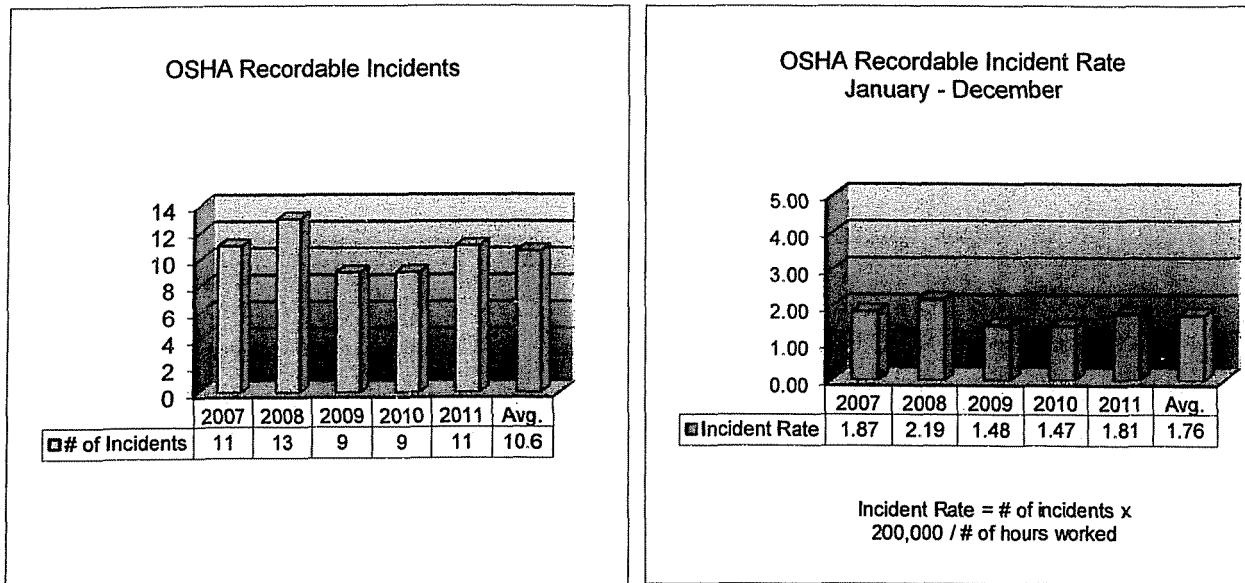
Recordable Incident Rate—
$$\frac{\text{Number of Recordable Incidents} \times 200,000}{\text{Number of Hours Worked}}$$

Lost-Time Incident Rate—
$$\frac{\text{Number of Lost-Time Incidents} \times 200,000}{\text{Number of Hours Worked}}$$

Vehicle Incident Frequency Rate—
$$\frac{\text{Number of Vehicle Incidents} \times 1,000,000}{\text{Total Miles Driven}}$$

The five-year history, including averages for each of these measures, is shown in the following graphs.

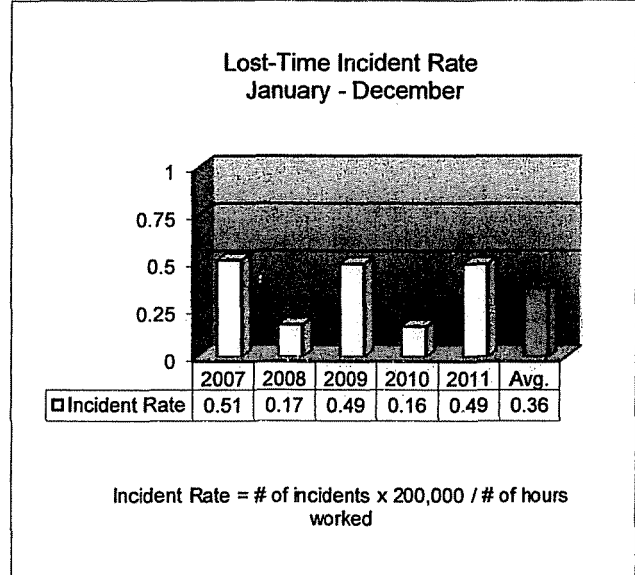
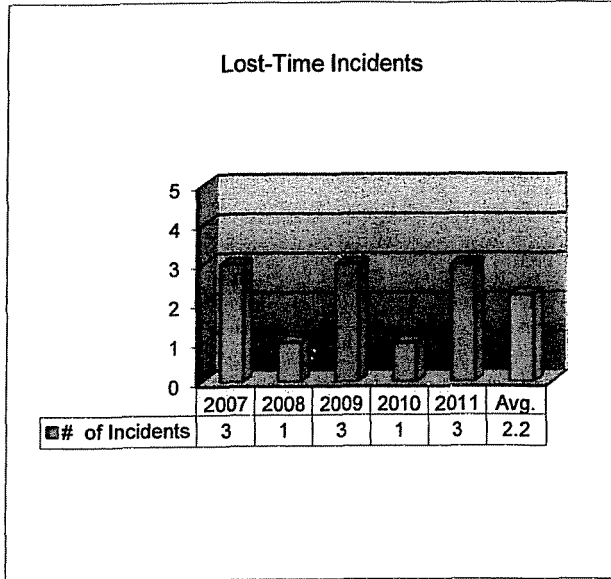
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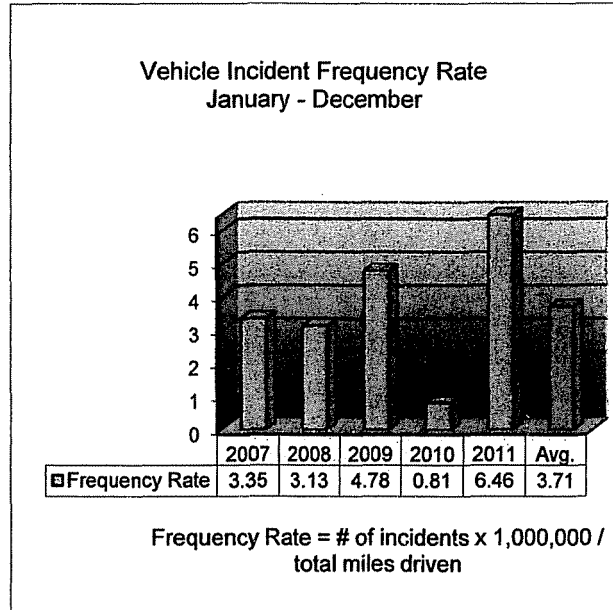
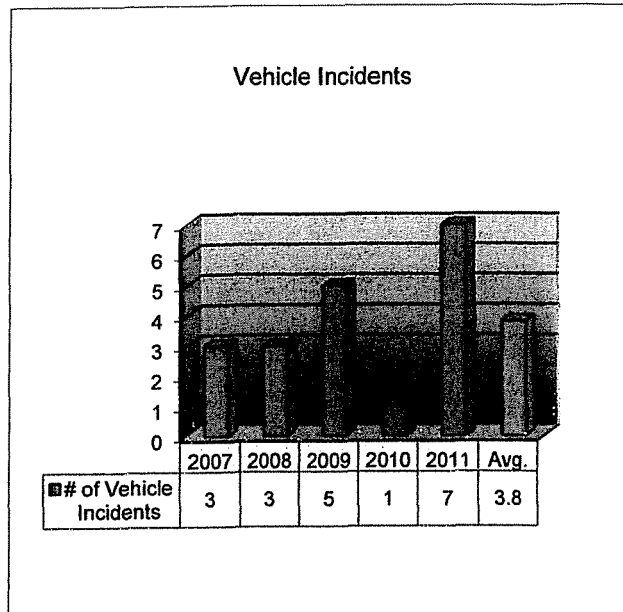
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Lost-Time



Vehicles



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Big Rivers' 2012 Safety Milestones

Big Rivers' safety milestones define specific safety accomplishments that reflect its safety philosophy and safety core commitments. These form the framework for Big Rivers' Annual Safety Plan. Using annual safety milestones, Big Rivers seeks to measure the effectiveness and efficiency of the activities involved in achieving its safety strategy.

Big Rivers' 2012 Safety Milestones and Targets

1. Transmission employees will complete two years without a lost-time incident at midnight on January 14, 2012.
2. Wilson station employees will complete five years without a lost-time incident at midnight on May 15, 2012.
3. Wilson station employees will complete one million man-hours worked without a lost-time incident in May 2012.
4. Sebree station employees will complete one year without a lost-time incident at midnight on May 19, 2012.
5. Sebree station employees will complete 500,000 man-hours worked without a lost-time incident in June 2012.
6. Headquarters employees will complete one year without a recordable incident at midnight on July 20, 2012.
7. Headquarters employees will complete one year without a lost-time incident at midnight on July 20, 2012.
8. Coleman station employees will complete one year without a recordable incident at midnight on September 24, 2012.
9. Coleman station employees will complete one year without a lost-time incident at midnight on September 24, 2012.
10. Production employees will complete one year without a lost-time incident at midnight on September 24, 2012.
11. The company will complete one year without a lost-time incident at midnight on September 24, 2012.
12. Wilson station employees will complete two years without a recordable incident at midnight on October 6, 2012.
13. Sebree station employees will complete one year without a recordable incident at midnight on November 4, 2012.
14. Transmission employees will complete two years without a recordable incident at midnight on November 17, 2012.
15. Coleman station employees will complete 250,000 man-hours worked without a lost-time incident in December 2012.
16. The company will achieve its 2012 recordable, lost-time and vehicle incident targets.

Year	Recordable	Lost-Time	Vehicle
2011 Results	11	3	7
2012 Targets	9	1	3

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2012 Safety Initiatives

Safety Initiative 1: Ensure that all management and employees are involved in and committed to working safely.

- a) Safety meetings will be held at a minimum of once a month for all personnel.
- b) A common safety meeting format will be utilized:
 - i. A list of monthly safety topics/training will be developed annually. It is acceptable for some months to have an open topic where the meeting leader can select a topic of his/her choice.
 - ii. An employee will lead every safety meeting (begin with supervisors and, hopefully, extend to non-supervisory employees).
 - a. It is acceptable for the employee leader to arrange for an outside speaker to cover the designated or chosen (if the meeting topic is open for that month) topic.
 - b. At a minimum, the leader must introduce the speaker (if one is utilized) and review with employees the following information provided by Human Resources.
 - 1. The current number of YTD incidents compared to annual targets.
 - 2. The number of incidents that have occurred within the company since the last safety meeting.
 - 3. A summary (without names) of each incident that occurred since the last meeting.
 - c. A section of the safety manual shall be read by safety meeting attendees during each safety meeting.
 - 1. The safety manual topic(s) may be open to the leader's discretion, but he may wish to tie the material that is read to the monthly safety topic if possible.
 - 2. The safety manual topic(s) should relate to the type of work the meeting attendees perform.
 - 3. A document has been developed to indicate which sections of the manual are applicable to specific groups/departments of employees to assure all relevant safety manual provisions are reviewed with all applicable employees as required.
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Safety Initiative 2: Continual safety improvement programs will be implemented that lead to a safe and productive work environment and ensure that all employees have the tools to work safely.

- a) Field management/supervision will make regular work site visits.
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- a. No disciplinary action will be taken against anyone involved with a near miss who voluntarily reports the incident.
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 - i. All supervisors will be trained in incident investigation techniques as required.
 - ii. A standard corporate incident report form will be utilized.
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 - a. Other incidents, including public incidents, may also be investigated by an Incident Investigation Team at the discretion of department and/or corporate management.
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Safety Initiative 3: Ensure that safety training is employee-focused and provides employee direction.

- a) Safety training and programs will be developed to address Big Rivers' specific incident experience.
- b) Headquarters and Transmission employees will use online computerized safety training modules.
 - i. A schedule of monthly computerized training has been developed and publicized for both field and office personnel.
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prepare and serve a meal for the group of employees involved. If the milestone involves the entire company, all employees will also receive a gift commemorating the achievement.

Roles & Responsibilities:

Big Rivers' Safety Personnel

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The primary role of the Member Systems Safety & Training Director (Director) is to assist management and employees of Big Rivers' three distribution cooperatives (member systems) in maintaining and improving the most efficient, safe, productive and enjoyable workplace possible. To that end, the Director is responsible for planning, coordinating, implementing, and evaluating job and safety training programs for the member systems. The Director helps develop and implement comprehensive safety programs in the areas of electrical safety, facilities safety, industrial hygiene, general safety, trade-specific safety procedures, equipment safety, driver training, utility-related tool safety, fire safety, etc. The Director also aids in the development of audit programs to help identify and reduce risks from potential hazards in the workplace. The Director provides advice, and reports on matters pertaining to safety.

3. Health & Safety Specialist (Production Sites)

The primary role of a Health & Safety Specialist (Specialist) is to assist management and employees of Big Rivers' production sites in maintaining and improving the most efficient, safe, productive and enjoyable workplace possible. To that end, the Specialist exemplifies the

2012 Big Rivers' Corporate Safety Plan

January 2012

company's commitment to health and safety by exhibiting a highly professional demeanor in all situations, assists line management with implementation of regular compliance issues, investigates serious incidents and near misses, counsels with employees involved in incidents, conducts regular inspections/observations to ensure regulatory compliance, and develops, conducts, and coordinates employee training.

The Specialist will also coordinate with the industrial hygienist (hired outside contractor) for development and implementation of industrial hygiene monitoring and sampling, act appropriately regarding employee requests, complaints, and concerns, as well as oversee the personal protective equipment (PPE) program, and provide field coordination of company health and safety policies. The Specialist will coordinate regular health and safety meetings, serve as a resource to Safety Committees, focus groups, emergency rescue teams, etc., recordkeeping, coordinate incentive and awards programs, maintain the radiation program, and assist with budget preparation.

Safety Leadership Team

The Safety Leadership Team provides management leadership in reinforcing Big Rivers' "put-safety-first" philosophy and to support employees in developing and following safe work habits, with the goal of maintaining safety performance within the top 10 percent of electric utilities in the nation. To this end, the Team has developed an Annual Corporate Safety Plan and conducts facility inspections and monthly on-site visits with employees to hear employee safety views and to ensure a safe work environment and employee adherence to all safety rules. In addition, the Team analyzes injury and accident/incident reports, lost-time records and workers compensation claims.

The Team is currently comprised of President and CEO Mark Bailey, Executive Assistant Paula Mitchell, Vice Presidents Bill Blackburn, David Crockett, James Haner, Mark Hite, Al Yockey, Bob Berry, Eric Robeson, Communications & Community Relations Manager Marty Littrel, and Corporate Safety Administrator Troy Stovall; but may be modified as appropriate.

Safety Committees

Big Rivers' Safety Committees have been developed to create a high level of safety awareness by evaluating the adequacy of safe work procedures; monitoring safety and health audit results and trends; reviewing incidents and near-miss incidents, illnesses and safety suggestions; and to make recommendations for future preventive measures to correct problem areas and abate hazards.

The **Transmission Committee** is comprised of seven employees who serve to represent various areas within the Big Rivers' organization. The Corporate Safety Administrator will continually serve. Six other employees will be appointed by management. The Transmission Committee will meet as often as necessary, but, at a minimum, once every month. The meetings will be scheduled for the first Monday of every month unless altered by extenuating circumstances. All committee meetings should be limited to approximately two hours unless extended by consensus.

The **Plant Committees** are comprised of employees from each department who work within various areas of the Big Rivers' organization. These committees meet monthly to discuss methods to improve safety at the plant facilities. Plant Committee members present safety topics at four monthly meetings each year. Plant Committee members also develop an annual plant safety vision plan, which they present to the plant population.

2012 Big Rivers' Corporate Safety Plan

January 2012

Additionally, the Safety Committees are charged with promoting good communication between the work force and management on safety and health-related topics, complaints, concerns and recommendations, and with forwarding information to the Safety Leadership Team for consideration and possible implementation. A Committee(s) may also be requested by the Safety Leadership Team to consider specific safety matters and make recommendations to the Safety Leadership Team.

The Safety Committees will participate in and/or perform safety audits of Big Rivers' physical plant, vehicles and equipment. The Committees will work to raise employee safety awareness, prevent loss incidents, increase compliance, and improve teamwork, productivity, communication and morale. Safety Committee members are NOT safety cops, but rather act as safety advisors to management.

Joint Safety Committee meetings comprised of members from the various Safety Committees will meet periodically each year. With complete support of management, the Joint Safety Committee is dedicated to promoting the safety and health of all employees, contractors, and visitors. The mission is to instill within all employees a commitment to Big Rivers' safety philosophy and commitments.

Incident Investigation Team

An Incident Investigation Team is established as necessary to investigate incidents at Big Rivers, determine what happened, identify the cause(s), and report the findings along with any recommendations it has to prevent recurrence. The Incident Investigation Team consists of two or more employees trained in incident investigation procedures, coordinated by the Vice President Administrative Services. In the absence of the Vice President Administrative Services, the Vice President System Operations or Production (as appropriate) is responsible for coordinating the Incident Investigation Team. Should these three vice presidents be absent, the Corporate Safety Administrator will be responsible for formation and coordination of the team.

The Incident Investigation Team will investigate all employee lost-time and electrical contacts, in addition to any incident deemed necessary by management including public incidents.

In addition, the Incident Investigation Team will interview any affected individual, witness or witnesses, and supervisor of the affected individual as soon as possible, but no later than three working days after notification. If necessary, the Investigation Team will visit the incident site and/or take any photographs during the course of its investigation. The team is expected to promptly report what happened and make recommendations to management of any procedure or process that may reduce or eliminate recurrence of the incident and the risk. A preliminary report is to be submitted to the President within three days of occurrence. However, the Incident Investigation Team will not under any circumstance recommend any corrective action against an employee.

C-SCAP

As part of our commitment to improving contractor health and safety performance, Big Rivers has implemented a "Contractor Safety Credentials Assessment Program (C-SCAP)." The basic elements of the program are a required awareness program and a commitment from the contractor that all contract workers have received safety training and have acquired the appropriate skills required to perform the work safely.

The program ensures that any industrial worker entering a Big Rivers' facility has received basic familiarity of a wide range of industrial hazards and is fully aware of Big Rivers' commitment to an uncompromised safe working environment.

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 40) Provide a list of all financial and operational monitoring**
2 **reports and related statistics that are regularly made available to**
3 **Company management for their review for the periods 2010 through**
4 **2013 YTD (and which are not included in the Company's filing) that**
5 **address issues and matters related to (but not limited to) financial,**
6 **operational, regulatory, construction, safety/service quality, legal,**
7 **acquisition/merger, marketing and other business areas. Briefly**
8 **describe the purpose of each report.**

9

10 **Response)** Big Rivers objects to this request on the grounds that it is overly
11 broad and unduly burdensome. The Attorney General has agreed to limit
12 this request to include only items from Big Rivers' executive management or
13 the witnesses that filed direct testimony in this matter. In accordance with
14 those limitations, and without waiving its objection, Big Rivers states that
15 the following executive management reports are regularly provided as part of
16 the Monthly Board Report to Big Rivers' Board:

- 17 • Financial Report
18 • Investment Report
19 • Energy Services Report
20 • Fuel Risk Management Report
21 • Plant Operating Report
22 • Outage Report

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Response to AG 1-40**

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- 1 • Professional Services
- 2 • Safety Incident Statistics
- 3 • Ethics Line Report
- 4 • Corporate Scorecard and Dashboard
- 5 • Internal Risk Management Committee Update
- 6 • Quarterly Navigant Plant Benchmarking

7

8 The purpose of these reports is self-evident from the names of the reports.

9

10 **Witness)** Mark A. Bailey
11 Robert W. Berry
12 Billie J. Richert

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1 **Item 41)** *The Company's filing at Tab 40 includes the audited*
2 *financial statements for 2011/2010 comparative years. Address the*
3 *following:*

4

5 *a. Provide the 2012/2011 comparative audited financials*
6 *when they become available (and provide an estimated*
7 *date when they will become available).*

8 *b. In addition, provide the audited financial statements for*
9 *comparative years 2010/2009, 2009/2008, and*
10 *2007/2006.*

11

12 **Response)** Please see the response to AG 1-250.

13

14 **Witness)** Billie J. Richert

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1 **Item 42)** *Regarding the audited financial statements for 2012/2011*
2 *(that are still pending) and for 2011/2010, provide: (i) a list of all*
3 *auditor adjustments made to the financial statements; and (ii) a list*
4 *of all auditor adjustments identified but not posted to the financial*
5 *statements (and explain why the adjustments were not posted to the*
6 *financials).*

7

8 **Response)** There were no auditor adjustments made to the 2011/2010
9 audited financial statements nor were there any auditor adjustments
10 identified but not posted to the financial statements for this period. To the
11 extent this request seeks continuous or ongoing updates, Big Rivers objects
12 on the grounds that it is overbroad and unduly burdensome.
13 Notwithstanding this objection, but without waiving it, Big Rivers states that
14 it will only update its response as required by law, as ordered by the
15 Commission, or as it otherwise deems appropriate.

16

17 **Witness)** Billie J. Richert

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1 **Item 43) Provide copies of all current written contracts in place**
2 **(other than the "Smelter Agreements" from the "Unwind" transaction)**
3 **and explain in detail all informal agreements in place (commonly**
4 **understood terms, conditions or amounts between parties) between the**
5 **Company, other Cooperatives, member-owners Jackson Purchase**
6 **Energy Corporation, Kenergy Corp., and Meade County Rural Electric**
7 **Cooperative Corporation, affiliates, related parties, third parties,**
8 **vendors, consultants, customers, maintenance arrangements and**
9 **other arrangements with smelters, contracts for rent or lease of**
10 **administrative buildings and other generation and other plant**
11 **facilities, management fees paid to member-owners and other entities,**
12 **debt holders, and all others that affect revenues, expenses, assets,**
13 **liabilities, operations and other matters impacting the company. If**
14 **certain contracts are voluminous or the Company has questions**
15 **regarding their relevance or importance to the AG, the Company**
16 **should contact the Office of Attorney General regarding these**
17 **matters. This information should be updated throughout the**
18 **proceeding. The Company should provide a summary of each contract**
19 **that includes the following information at the minimum:**

20

21 **a. The name and description of the entity that has a contract**
22 **(or informal agreement) with the Company.**

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- 1 ***b. A description of the services, products and economic***
2 ***transactions between the Company and the entity.***
- 3 ***c. Summarize the general purpose of contract/agreement,***
4 ***terms, conditions, rates/prices, and financial amounts to***
5 ***be paid and received by each contracting entity over the***
6 ***term of the arrangement.***
- 7 ***d. Identify the term/length of the contract, including the***
8 ***beginning and ending date of current contract/agreement.***
9 ***Explain if it is anticipated the current contract will be***
10 ***replaced by a new contract/agreement and explain why or***
11 ***why not.***
- 12 ***e. Explain if there was a prior contract/agreement in place.***
- 13 ***f. Summarize major changes in terms, conditions,***
14 ***rates/prices and other financial arrangements between the***
15 ***current and prior contract/agreement.***
- 16 ***g. Explain all terms and fees for early contract termination.***
- 17 ***h. Explain if the contract/agreement rates/prices and***
18 ***financial amounts are based on negotiations, historical***
19 ***embedded costs, incremental costs, or fair market value***
20 ***(and provide related supporting documentation if***
21 ***available).***
- 22 ***i. Explain if the contract is considered to be confidential or***
23 ***public and explain why.***

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1 **Response)** Big Rivers objects to this request on the grounds that it is overly
2 broad and unduly burdensome. Big Rivers also objects to this request on
3 the grounds that it seeks information that is irrelevant and not likely to lead
4 to the discovery of admissible evidence. Notwithstanding these objections,
5 but without waiving them, Big Rivers states that it worked in good faith with
6 the Attorney General's office to narrow this request, but its efforts were
7 unsuccessful. Consequently, Big Rivers cannot discern what reasonable
8 category of relevant agreements the Attorney General is requesting, and Big
9 Rivers is unable to respond to this request.

10 To the extent this request seeks continuous or ongoing updates, Big
11 Rivers objects on the grounds that it is overbroad and unduly burdensome.
12 Notwithstanding this objection, but without waiving it, Big Rivers states that
13 it will only update its response as required by law, as ordered by the
14 Commission, or as it otherwise deems appropriate.

15

16 **Witness)** Mark A. Bailey

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1 **Item 44) *The Company's filing raises or addresses various concerns***
2 ***about its current and future financial and operating condition (e.g.,***
3 ***Mr. Bailey, p. 7, line 18 "precarious financial position"). Address the***
4 ***following and provide updates on a continuing basis:***

5

6 ***a. Explain and provide copies of all correspondence,***
7 ***discussion notes, or identify if the Company has had***
8 ***discussions with its auditors (or intends to have***
9 ***discussions) for the current 2012 audit period (or in the***
10 ***most recent 5 years) regarding "going concern" issues or a***
11 ***"going concern notice" that would be potentially expressed***
12 ***in the auditor's opinion letter for the pending 2012***
13 ***audited financial statements. A "going concern" notice***
14 ***might indicate that the auditors have substantial doubt***
15 ***about the Company's ability to continue as a "Going***
16 ***Concern."***

17 ***b. Explain and identify all financial and other issues that***
18 ***have been raised as potential "going concern" issues by***
19 ***the Company or its auditors for the 2012 audit period. For***
20 ***example, problems that might cause auditors to have***
21 ***concerns about the Company's ability to remain in***
22 ***business include significant losses, a serious decline in***
23 ***sales/revenues, loss of a major customer, defaults on debt,***

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1 *negative cash flow, loan covenant violations, contingent*
2 *liabilities, lawsuits against the company and other*
3 *concerns.*

4 *c. Explain if the auditors have affirmatively indicated to the*
5 *Company that there are no "going concern" issues for the*
6 *2012 audited period, and provide copies of related*
7 *correspondence or other documents, and indications from*
8 *the auditors.*

9 *d. Explain the current status of discussions with auditors*
10 *and the auditor's current position regarding "going*
11 *concern" issues.*

12

13 **Response)**

14

15 a. Please see Big Rivers' response to Item 4 of the supplemental
16 request for information by the Kentucky Industrial Utility
17 Customers' ("KIUC") dated February 5, 2013, in Case No. 2012-
18 00492 for copies of any and all correspondence and documents
19 of any type or sort between Big Rivers and KPMG, our auditors,
20 for the current 2012 audit period regarding "going concern"
21 issues or a "going concern notice" that would be potentially
22 expressed in the auditor's opinion letter for the pending 2012
23 audited financial statements. There is no "going concern

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1 notice". Before any opinion can be issued on audited financial
2 statements, an auditor issuing the opinion is required to
3 consider any *potential* "going concern" issues. As indicated in
4 KPMG's January 24, 2013 memo, KPMG must perform certain
5 procedures regarding the many uncertainties surrounding Big
6 Rivers and the potential impact these uncertainties may have
7 on Big Rivers. As part of these procedures we have had a
8 preliminary discussion with the auditors regarding Big Rivers'
9 liquidity and the potential impact on this liquidity from the two
10 smelters' termination notices, the rating agencies' downgrades
11 as a result of these termination notices, the financing case,
12 Case No. 2012-00492, this rate case, and the ongoing
13 negotiations Big Rivers is having with CoBank, ACB ("CoBank")
14 and with National Rural Utilities Cooperative Finance
15 Corporation (CFC) regarding the two \$50 million lines of credit.
16 Big Rivers will continue to have discussions with KPMG and to
17 provide supporting documentation for Big Rivers to obtain an
18 unqualified opinion on its 2012 audited financial statements.

- 19 b. Please refer to response to a) above.
- 20 c. No, the auditors have not affirmatively indicated to Big Rivers
21 that there are no "going concern" issues for the 2012 audited
22 period. Please refer to response to a) above.

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1 d. Big Rivers anticipates having additional discussions with the
2 auditors regarding any perceived "going concern" issues during
3 KPMG's onsite visit later this month to Big Rivers' offices. At
4 that time, Big Rivers will review with KPMG the corrections to
5 the amounts calculated by KPMG in their memo dated January
6 24, 2013. In addition, we will review and provide status
7 updates for the items so noted in response to a) above.

8

9 **Witness)** Billie J. Richert

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1 **Item 45) Explain if the Company (or its legal representatives) have**
2 **conducted due diligence upon another entity for the period 2010**
3 **through 2013 YTD, or if other entities (or their legal representatives)**
4 **have conducted due diligence upon the Company for the period 2010**
5 **through 2013 YTD, regarding all matters and issues. If the answer is**
6 **“yes”, then explain the reason for the due diligence, provide the**
7 **recommendations and actions taken to date related to the due**
8 **diligence, and provide copies of related supporting documentation**
9 **and correspondence addressing the due diligence. Explain the**
10 **current status of this due diligence provide updates on a continuing**
11 **basis.**

12
13 **Response)** Big Rivers objects to this request on the grounds that it seeks
14 information that is irrelevant and not likely to lead to the discovery of
15 admissible evidence. Notwithstanding this objection but without waiving it,
16 Big Rivers states that neither Big Rivers nor its legal representatives have
17 conducted due diligence upon another entity for the period 2010 through
18 2013 YTD, nor have other entities or their legal representatives conducted
19 due diligence upon Big Rivers for the period 2010 through 2013 YTD,
20 regarding all matters and issues.

21 To the extent this request seeks continuous or ongoing updates, Big
22 Rivers objects on the grounds that it is overbroad and unduly burdensome.
23 Notwithstanding this objection, but without waiving it, Big Rivers states that

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1 it will only update its response as required by law, as ordered by the
2 Commission, or as it otherwise deems appropriate.

3

4 **Witness)** Billie J. Richert



Your Touchstone Energy Cooperative 

Financial Report
January 2011
(\$ in Thousands)

Board Meeting Date: March 18, 2011



Summary of Operations January

	2011		Fav/(UnFav)	2010	Fav/(UnFav)
	Actual	Budget	Variance	Actual	Variance
Revenues	45,370	48,020	(2,650)	47,453	(2,083)
Cost of Electric Service	45,304	44,879	(425)	43,619	(1,685)
Operating Margins	66	3,141	(3,075)	3,834	(3,768)
Interest Income/Other	32	33	(1)	31	1
Net Margins - YTD	98	3,174	(3,076)	3,865	(3,767)



Your Trustworthy Energy Cooperative

Statement of Operations – January Variance to Budget

	Actual	Budget	Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	45,224	46,430	(1,206)	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	
OTHER OPERATING REVENUE AND INCOME	146	1,590	(1,444)	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	45,370	48,020	(2,650)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,221	5,179	958	[A] Pages 7, 12-14, [B] 27
OPERATION EXPENSE-PRODUCTION-FUEL	19,915	17,319	(2,596)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	8,468	8,833	365	[A] Pages 7, 12-14, [B] 26,27
OPERATION EXPENSE-TRANSMISSION	897	1,392	495	[B] Page 28
CONSUMER SERVICE & INFORMATIONAL EXPENSE	25	94	69	
OPERATION EXPENSE-SALES	6	60	54	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,981	2,103	122	
TOTAL OPERATION EXPENSE	35,513	34,980	(533)	
MAINTENANCE EXPENSE-PRODUCTION	2,779	2,593	(186)	
MAINTENANCE EXPENSE-TRANSMISSION	281	251	(30)	
MAINTENANCE EXPENSE-GENERAL PLANT	15	9	(6)	
TOTAL MAINTENANCE EXPENSE	3,075	2,853	(222)	
DEPRECIATION & AMORTIZATION EXPENSE	2,860	2,965	105	
TAXES	0	21	21	
INTEREST ON LONG-TERM DEBT	3,945	4,030	85	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(124)	(3)	121	
OTHER INTEREST EXPENSE	21	21	0	
OTHER DEDUCTIONS	14	12	(2)	
TOTAL COST OF ELECTRIC SERVICE	45,304	44,879	(425)	
OPERATING MARGINS	66	3,141	(3,075)	
INTEREST INCOME	30	33	(3)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	
OTHER NON-OPERATING INCOME - NET	2	0	2	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	
EXTRAORDINARY ITEMS	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	98	3,174	(3,076)	

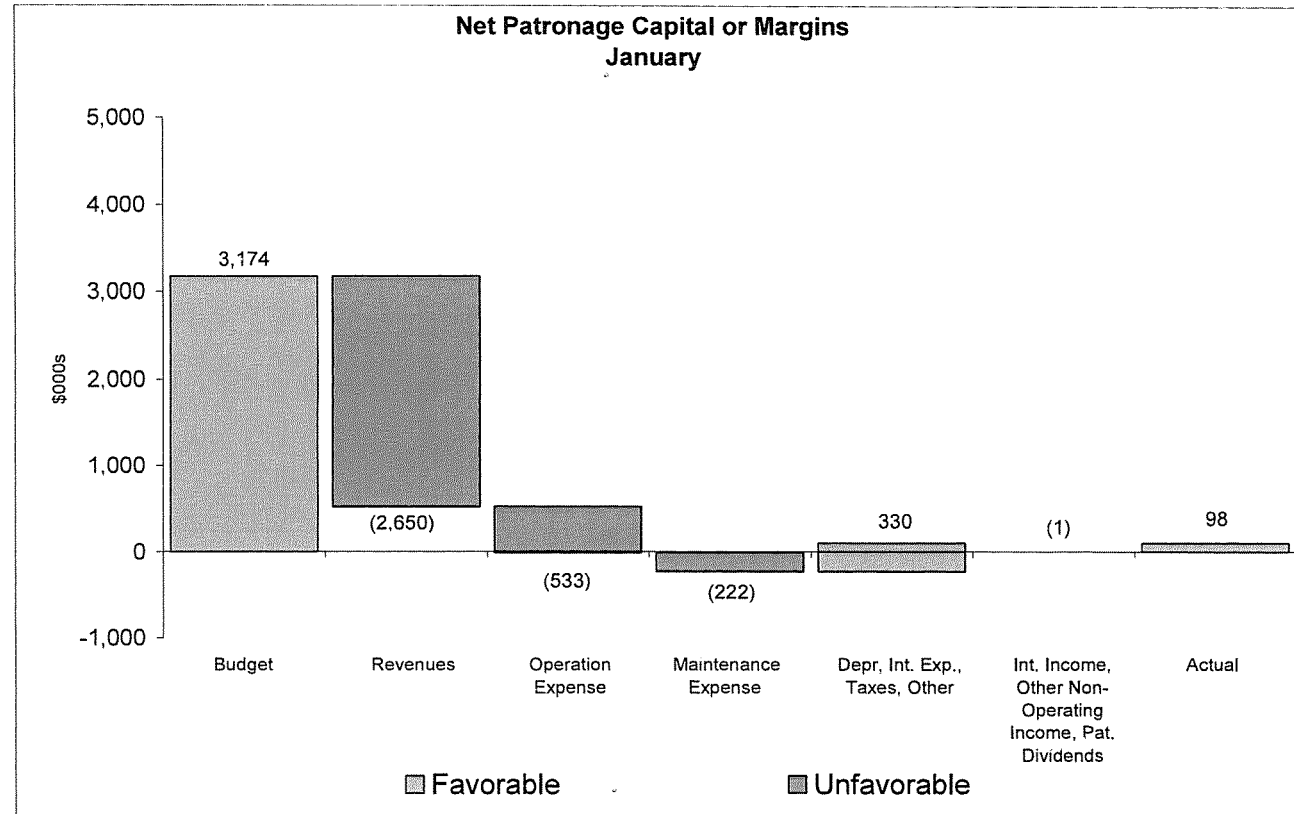


Your Traditional Energy Cooperative

Statement of Operations – January Variance to Prior-Year

	Actual	Prior Year	Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	45,224	46,300	(1,076)	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	
OTHER OPERATING REVENUE AND INCOME	146	1,153	(1,007)	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	45,370	47,453	(2,083)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,221	4,018	(203)	[A] Pages 7, 12-14
OPERATION EXPENSE-PRODUCTION-FUEL	19,915	19,108	(807)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	8,468	8,418	(50)	[A] Pages 7, 12-14, [B] 26
OPERATION EXPENSE-TRANSMISSION	897	605	(292)	[B] Page 28
CONSUMER SERVICE & INFORMATIONAL EXPENSE	25	41	16	
OPERATION EXPENSE-SALES	6	7	1	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,981	2,037	56	
TOTAL OPERATION EXPENSE	35,513	34,234	(1,279)	
MAINTENANCE EXPENSE-PRODUCTION	2,779	2,111	(668)	[B],[C] Page 29
MAINTENANCE EXPENSE-TRANSMISSION	281	208	(73)	
MAINTENANCE EXPENSE-GENERAL PLANT	15	15	0	
TOTAL MAINTENANCE EXPENSE	3,075	2,334	(741)	
DEPRECIATION & AMORTIZATION EXPENSE	2,860	2,830	(30)	
TAXES	0	0	0	
INTEREST ON LONG-TERM DEBT	3,945	4,235	290	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(124)	(19)	105	
OTHER INTEREST EXPENSE	21	0	(21)	
OTHER DEDUCTIONS	14	5	(9)	
TOTAL COST OF ELECTRIC SERVICE	45,304	43,619	(1,685)	
OPERATING MARGINS	66	3,834	(3,768)	
INTEREST INCOME	30	29	1	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	
OTHER NON-OPERATING INCOME - NET	2	2	0	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	
EXTRAORDINARY ITEMS	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	98	3,865	(3,767)	

Variance Analysis Summary

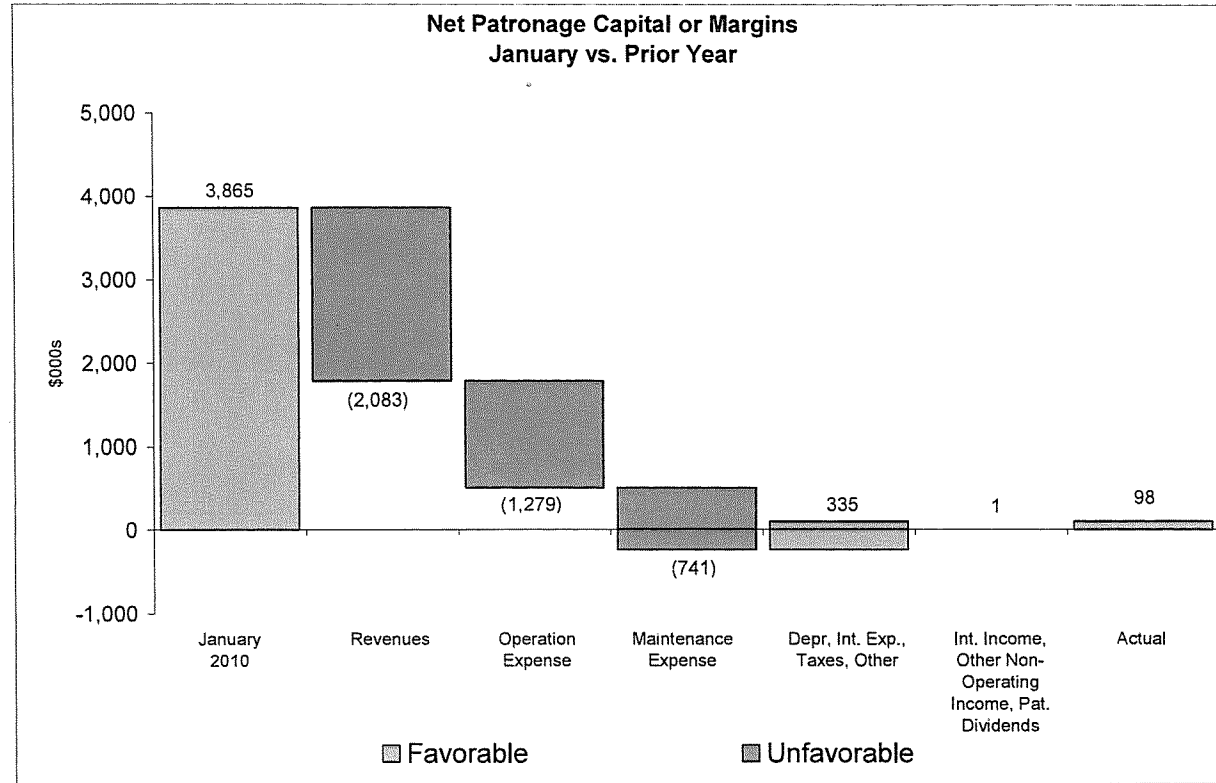


Financial Commentary

Year-to-Date

- Net Margins YTD were \$3,076 lower than budget.
 - Electric Energy Revenues were unfavorable \$1,206 primarily due to lower member and off-system pricing (see pg. 12).
 - Other Revenue was unfavorable \$1,444 primarily due to a lower power supply transmission reservation, which is off-set in Operations Expense – Other Power Supply (see pg. 26).
 - Operation Expense was unfavorable \$533 – driven by higher variable costs \$2,439, partially offset by lower transmission reservation and favorable timing of fixed expenses (see pgs. 13, 26 and 27).
 - Maintenance Expense was unfavorable \$222 primarily due timing of plant expenses.
 - Depreciation and Interest Expense was lower \$330.

Variance Analysis Summary



Financial Commentary

Year-to-Date

- Net Margins YTD were \$3,767 worse than January 2010.
 - Electric Energy Revenues were unfavorable \$1,076 primarily due to lower member and off-system pricing (see pg. 12).
 - Other Revenue was unfavorable \$1,007 primarily due to a lower power supply transmission reservation, which is off-set in Operations Expense – Other Power Supply (see pg. 26).
 - Operation Expense was unfavorable \$1,279 – driven by higher variable costs \$1,650, partially offset by lower transmission reservation (see pgs. 13 and 27).
 - Maintenance Expense was unfavorable \$741 primarily due to an unplanned outage at Coleman this year and higher planned maintenance activities at the plants (pg. 29).
 - Depreciation and Interest Expense was lower \$335.

MRSM January

	<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>		<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(4.94)	(6.43)	1.49	(10.33)	5.39	Rural	36.21	37.82	(1.61)	33.25	2.96
Large Industrial	(4.94)	(6.43)	1.49	(10.33)	5.39	Large Industrial	34.60	34.43	0.17	31.29	3.31
Total	(4.94)	(6.43)	1.49	(10.33)	5.39	Total	35.83	37.04	(1.21)	32.82	3.01
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(1,279)	(1,646)	367	(2,719)	1,440	Rural	9,393	9,670	(277)	8,754	639
Large Industrial	(395)	(488)	93	(775)	380	Large Industrial	2,762	2,629	133	2,349	413
Total	(1,674)	(2,134)	460	(3,494)	1,820	Total	12,155	12,299	(144)	11,103	1,052

Economic Reserve Balance

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	1,956		
Withdrawals	(40,097)		
Cumulative through Jan 31st	\$ 118,859	\$ 119,967	\$ (1,108)

Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2010	<u>Actual</u>	<u>Fav/(Unfav)</u>
January 31, 2011	49,448	36,547	12,901		30,213	19,235

The January 31st cash balance compared to budget is favorable primarily due to a higher beginning balance, lower capital expenditures and a reduction in fuel inventory.

The January 31st cash balance compared to prior year is favorable primarily due to the voluntary pre-payment of RUS debt that was made in January 2010.

<u>Lines of Credit</u> <u>As of January 31</u>	
Original Amount	\$ 100,000
Letters of Credit Outstanding	(5,929)
Advances Outstanding	<u>(10,000)</u>
Available Lines of Credit	\$ 84,071



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REDACTED

North Star – YTD 1/31/2011

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>	2010 <u>Actual</u>	<u>Fav/(UnFav)</u>
Total Cost of Electric Service			(426)		(1,685)
Other Operating Revenues & Income	(146)	(1,590)	(1,444)	(1,153)	(1,007)
Off-System Sales					
Interest Income	(30)	(33)	(3)	(29)	1
Other Non-Operating Income	(2)	0	2	(2)	0
Other Capital Credits & Pat. Dividends	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	36,189	37,010	821	34,287	(1,902)
Member MWh	885,532	951,029	(65,497)	881,729	3,803
North Star - \$/kWh					



REDACTED

TIER

Actual Budget Fav/(Unfav)

Interest on Long Term Debt

3,945

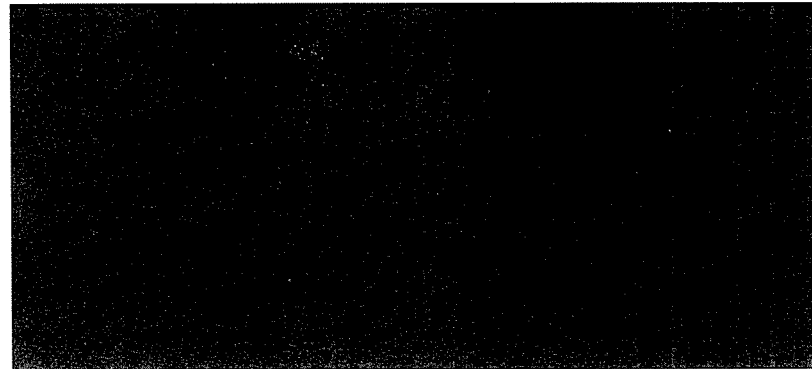
4,030

85

Net Margins

TIER

TIER (12 months ending 1/31)



Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt

Capital Expenditures*

	Actual	Budget	Fav/(UnFav)
IT	238	20	(218)
Generation	300	1,865	1,565
Transmission	1,381	1,092	(289)
Other	0	779	779
Total	1,919	3,756	1,837

Explanation:

IT unfavorable due to Oracle.

Generation favorable primarily due to the timing of projects. The Cathodic Protection & Feedwater Heater Extraction at Station Two was moved from January to April causing a favorable variance of \$308. Green Station was favorable \$1,016 due to several projects being moved from January to the Spring. These include Condenser Water Box Coating, Clarifier Coating, Sample & Analyzers and Drum Camera Replacements.

Transmission unfavorable primarily due to the timing of the Wilson Line 19F Terminal.

Other favorable primarily due to the delay in purchasing the PCI Software and the Operator Training Simulator.

* Gross of the City's share of Station Two and capitalized interest.

REDACTED



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**Revenue
January**

	Actual 2011	Budget 2011	2011 Variance	Actual 2010	2010 Variance
MWh Sales					
Rural	259,369	255,727	3,642	263,265	(3,896)
Large Industrial	79,846	76,290	3,556	75,056	4,790
Smelter	546,317	619,012	(72,695)	543,408	2,909
Off-System/Other					
Total					
Revenue - \$/MWh					
Rural	41.15	44.25	(3.10)	43.58	(2.43)
Large Industrial	39.54	40.86	(1.32)	41.62	(2.08)
Smelter	41.11	41.60	(0.49)	43.35	(2.24)
Off-System/Other					
Total					
Revenue - Thousands of \$					
Rural	10,672	11,316	(644)	11,473	(801)
Large Industrial	3,157	3,117	40	3,124	33
Smelter	22,458	25,751	(3,293)	23,555	(1,097)
Off-System/Other					
Total					


Revenue Price / Volume Analysis

YTD January

Price / Volume

	Price	Volume	Total
Rural	(805)	161	(644)
Large Industrial	(106)	146	40
Smelter	(269)	(3,024)	(3,293)
Off-System/Other			



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Variable Operations Cost January

REDACTED

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>2011 Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
VO Cost - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

January 2011 Variable Operations Expense

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>	<u>Price Variance Fav/(UnFav)</u>	<u>Volume Variance Fav/(UnFav)</u>	<u>Fav/(UnFav)</u>
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						



Your Touchstone Energy Cooperative

**Net Sales Margin
January**

REDACTED

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

**Net Sales Margin
Price / Volume Analysis
YTD January**

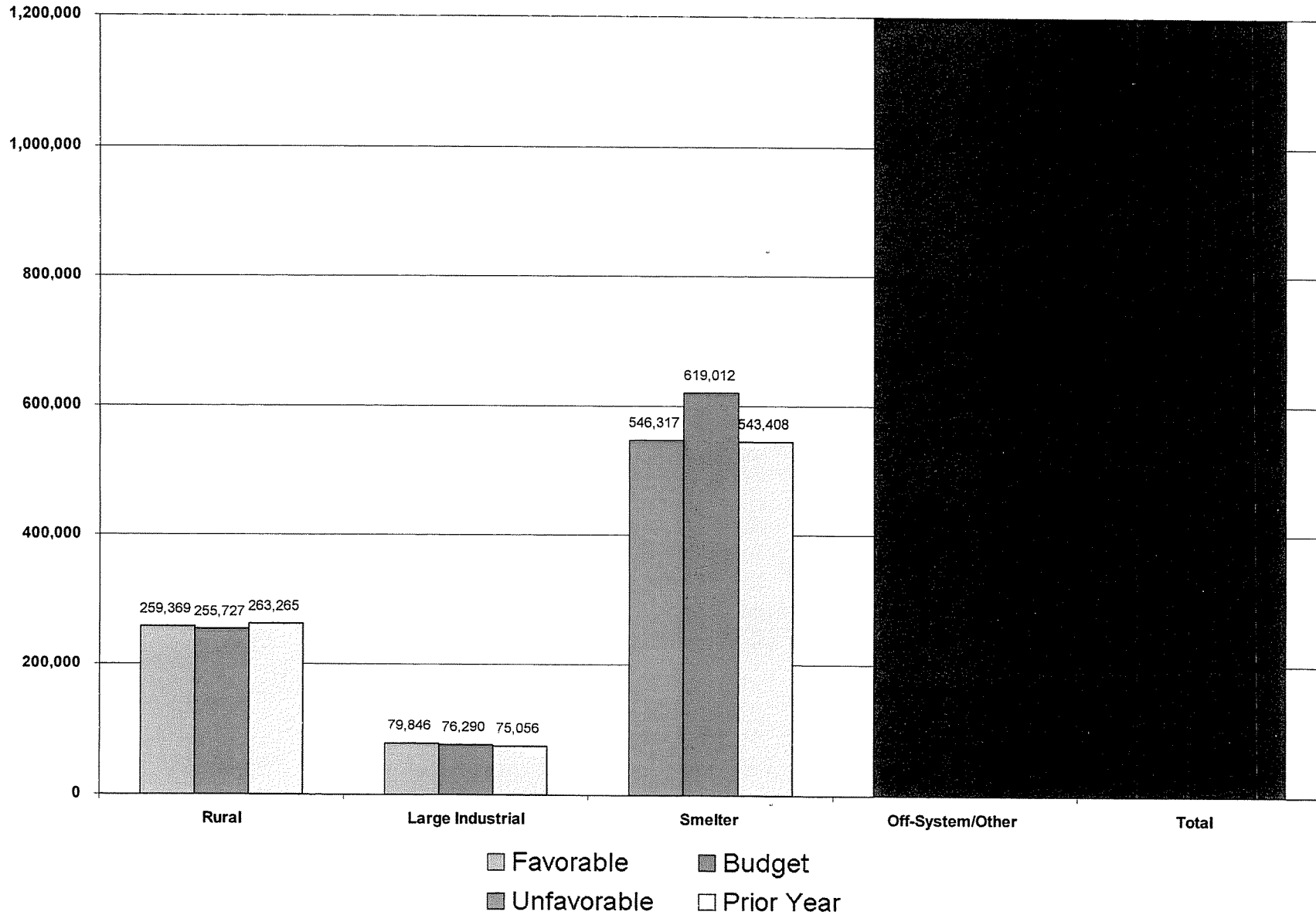
	<u>Price / Volume</u>		
	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural			
Large Industrial			
Smelter			
Off-System/Other			



Your Local Energy Cooperative

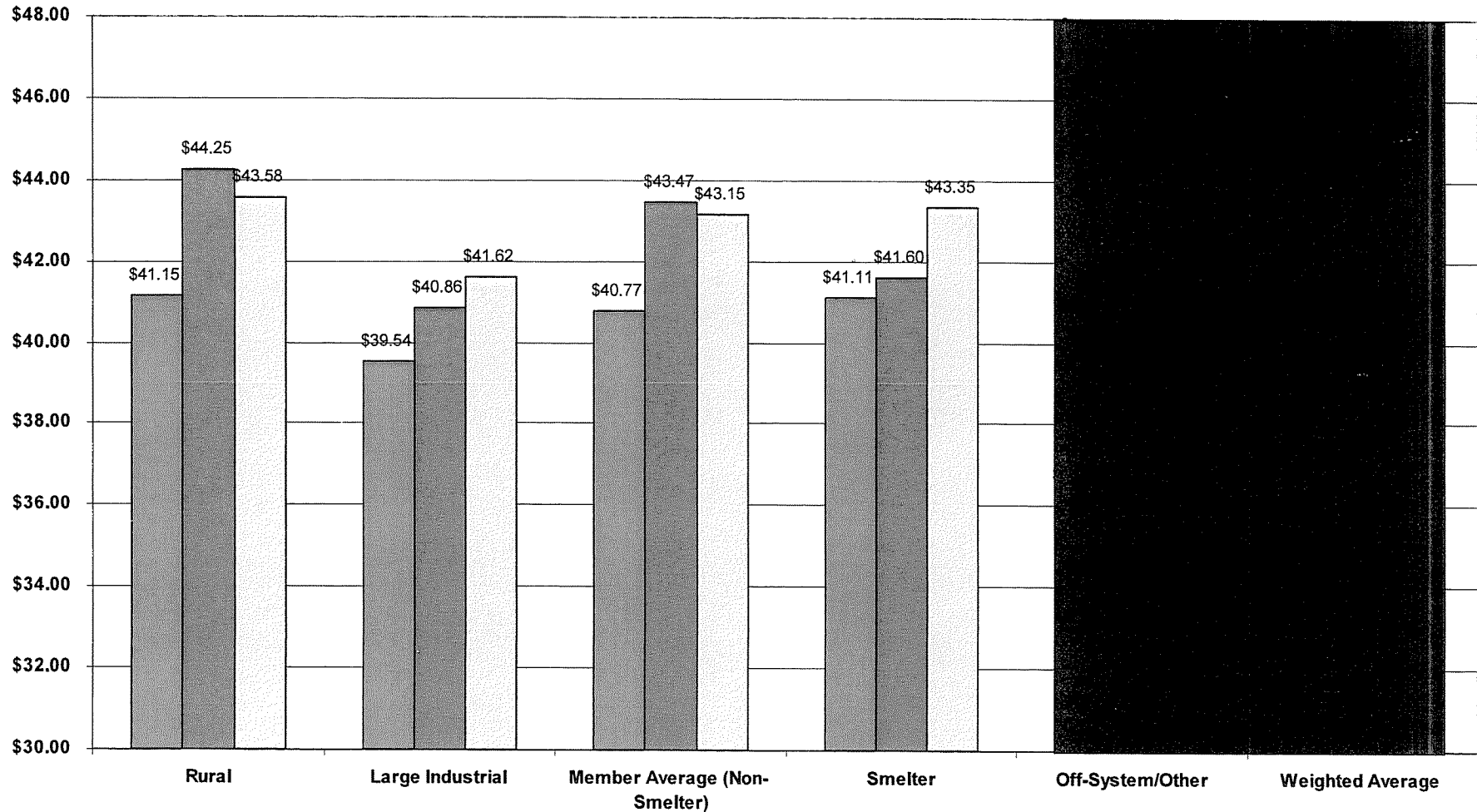
MWH Sales January

REDACTED



Revenue - \$/MWh Sold January

REDACTED



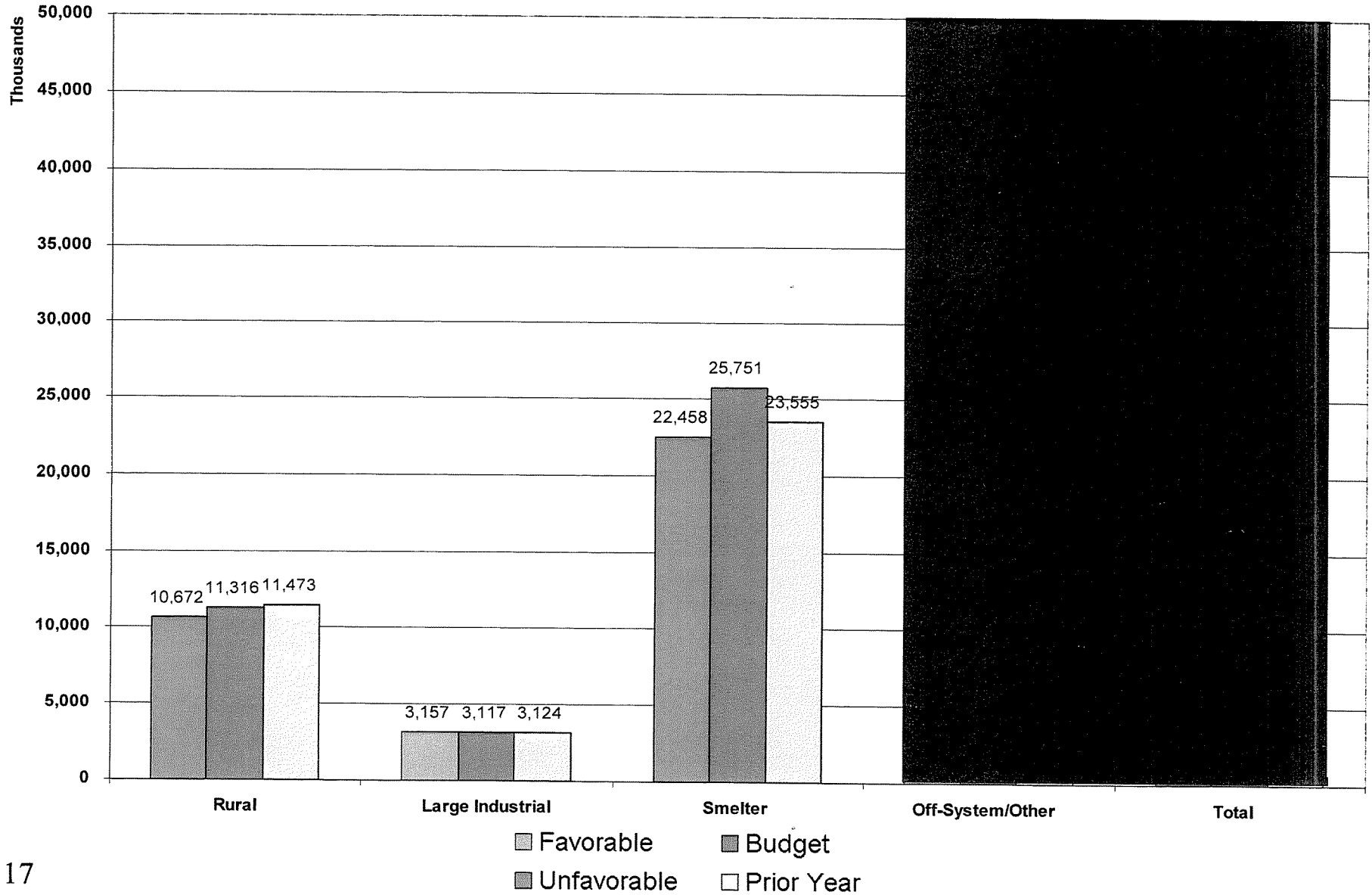
Favorable Budget
 Unfavorable Prior Year

REDACTED



Your Favorite Energy Cooperative

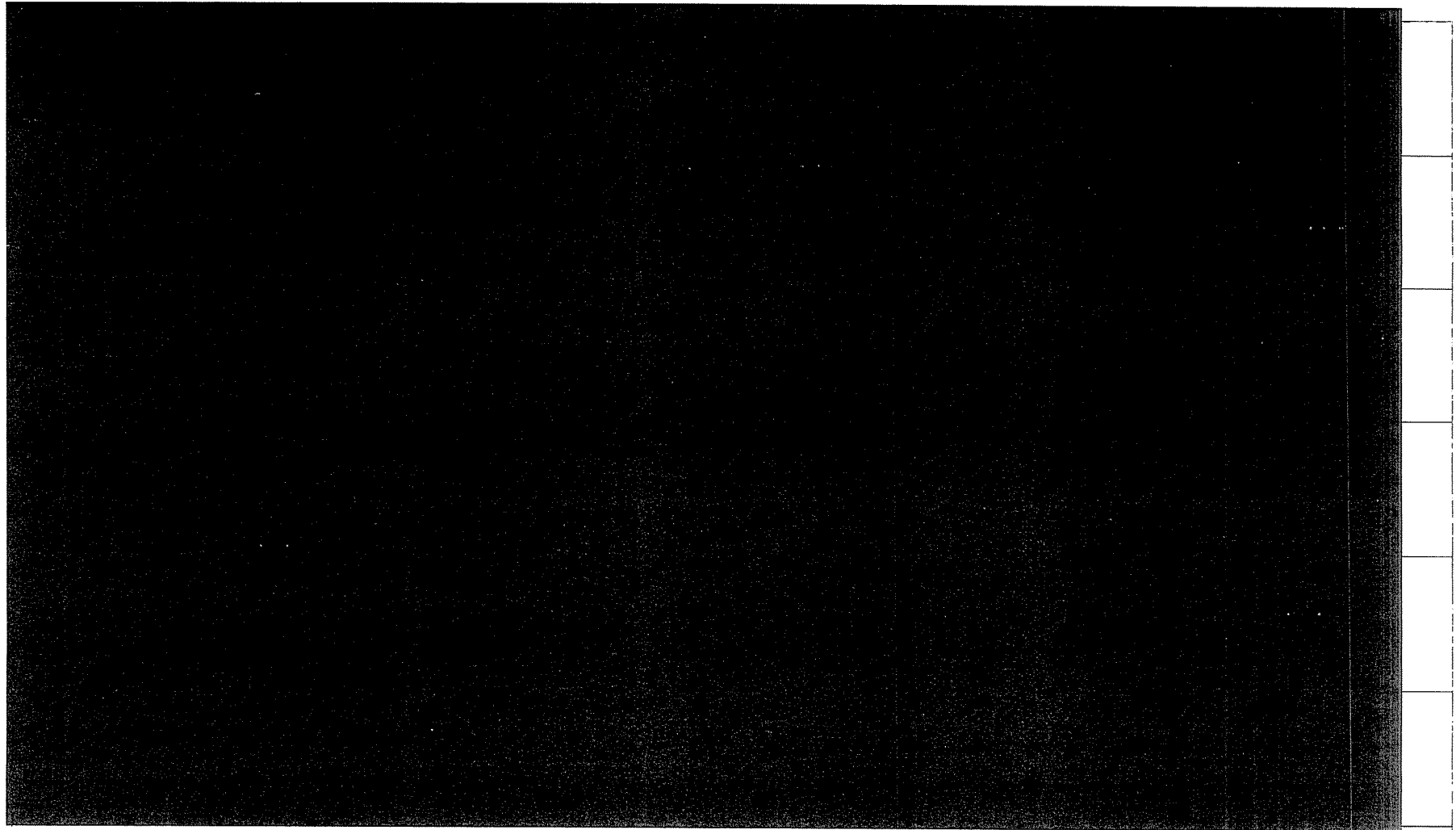
Revenue January





Power Cost - \$/MWh Sold January

REDACTED



Member (Non-Smelter)

Smelter

Off-System/Other

Weighted Avg.

■ Favorable

■ Budget

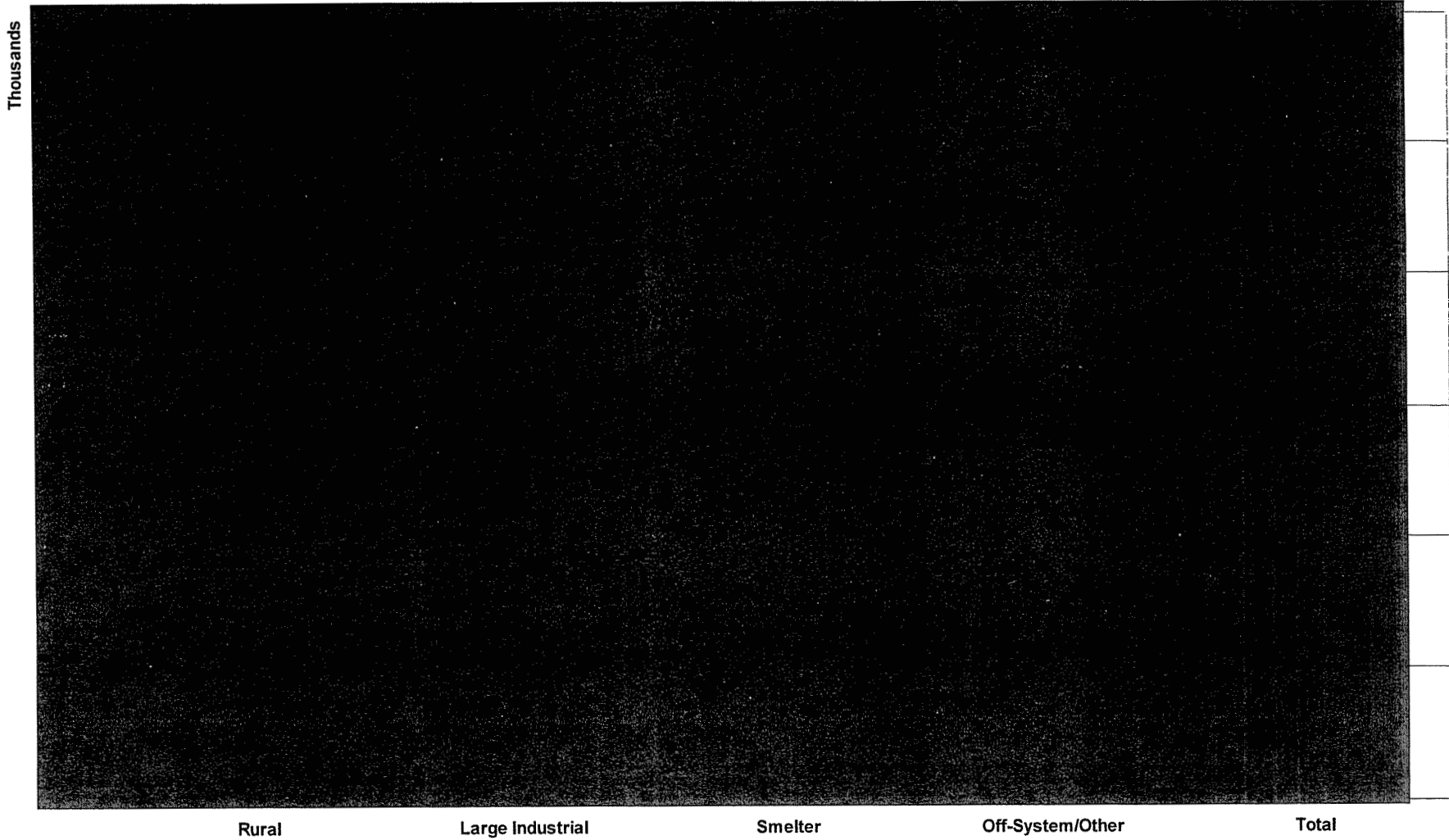
■ Unfavorable

□ Prior Year

REDACTED



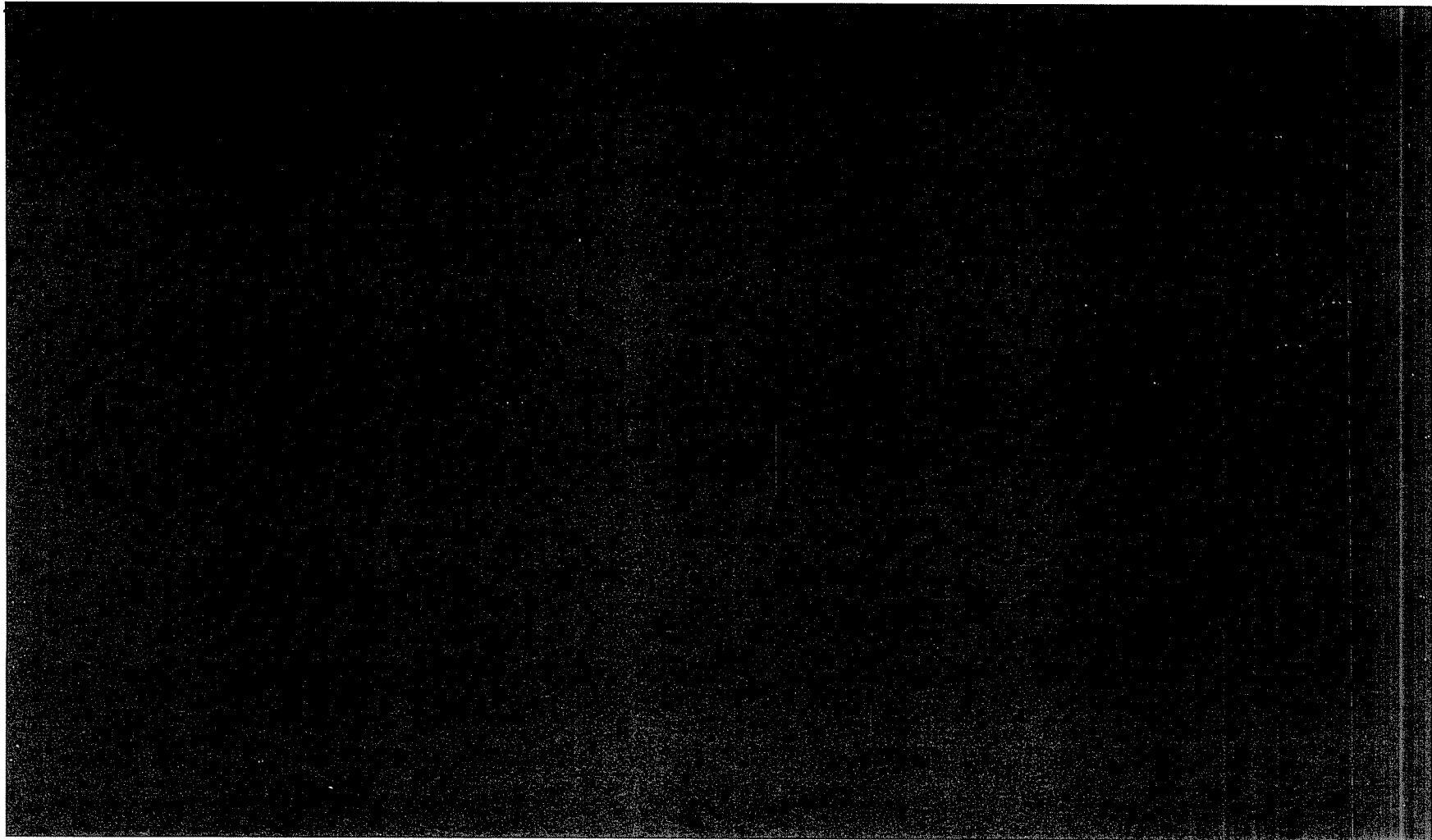
Power Cost January



- Favorable
- Budget
- Unfavorable
- Prior Year

Sales Margin - \$/MWh January

REDACTED



Member (Non-Smelter)

Smelter

Off-System/Other

Weighted Avg.

■ Favorable

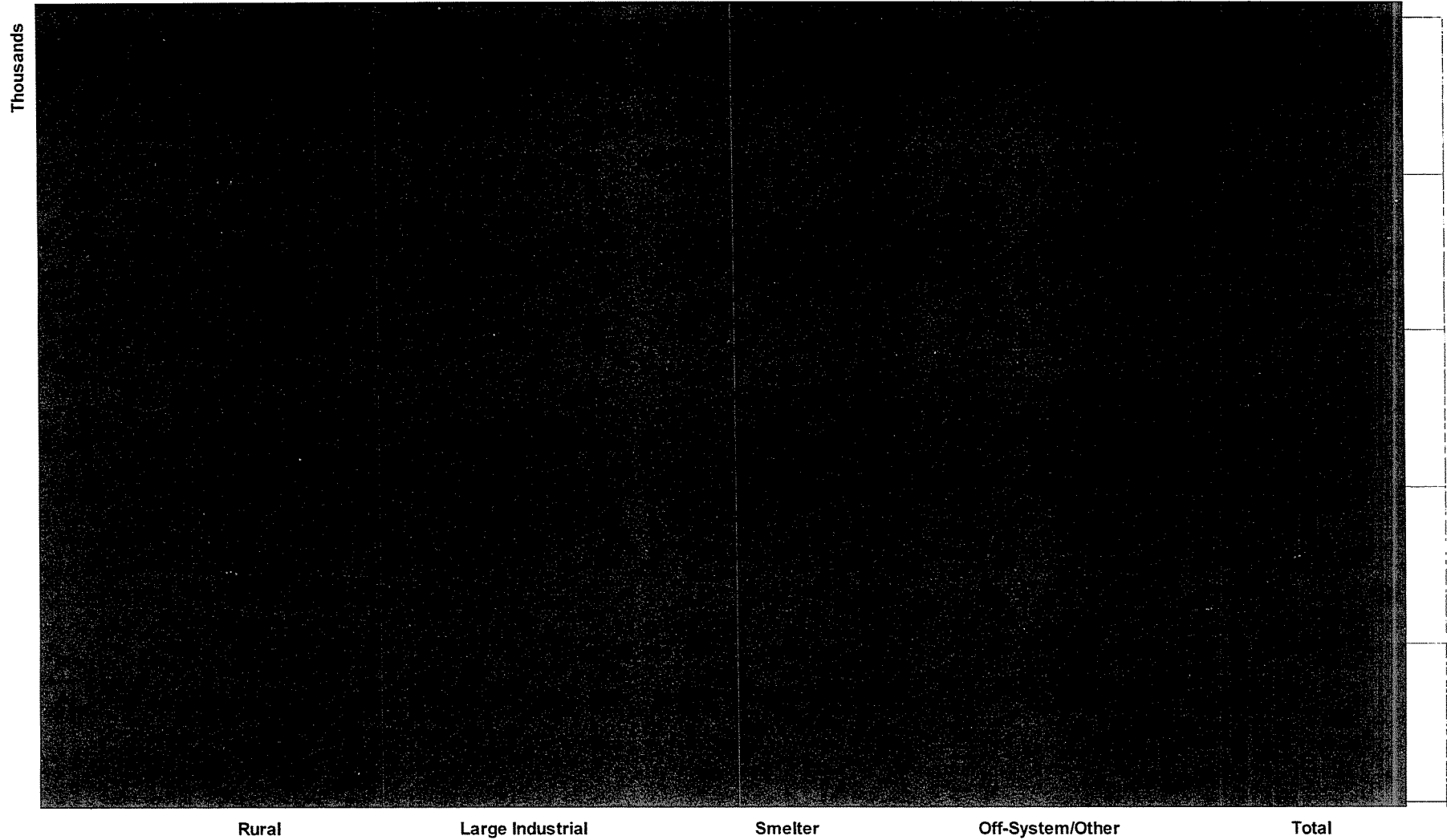
■ Budget

■ Unfavorable

□ Prior Year

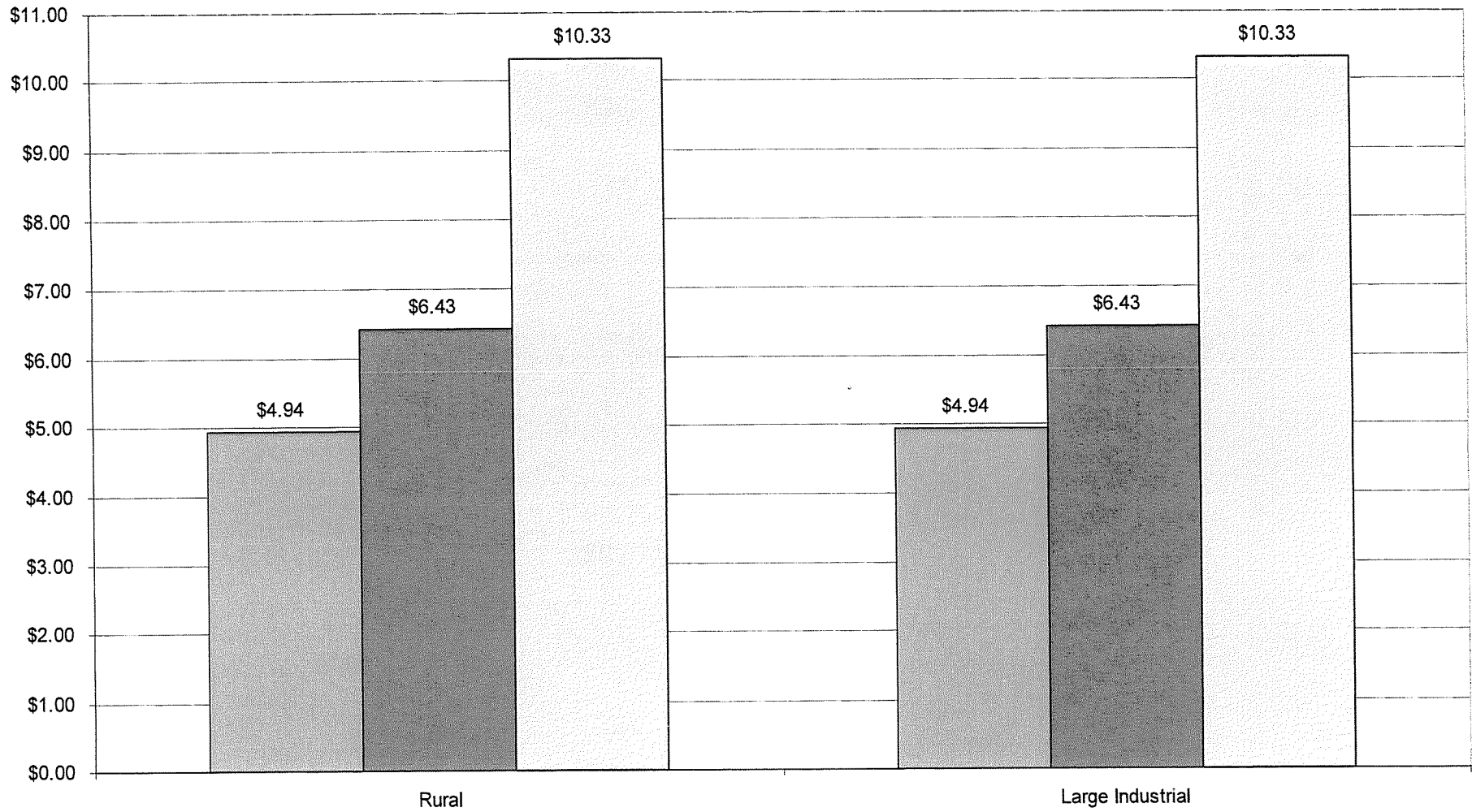
Sales Margin January

REDACTED



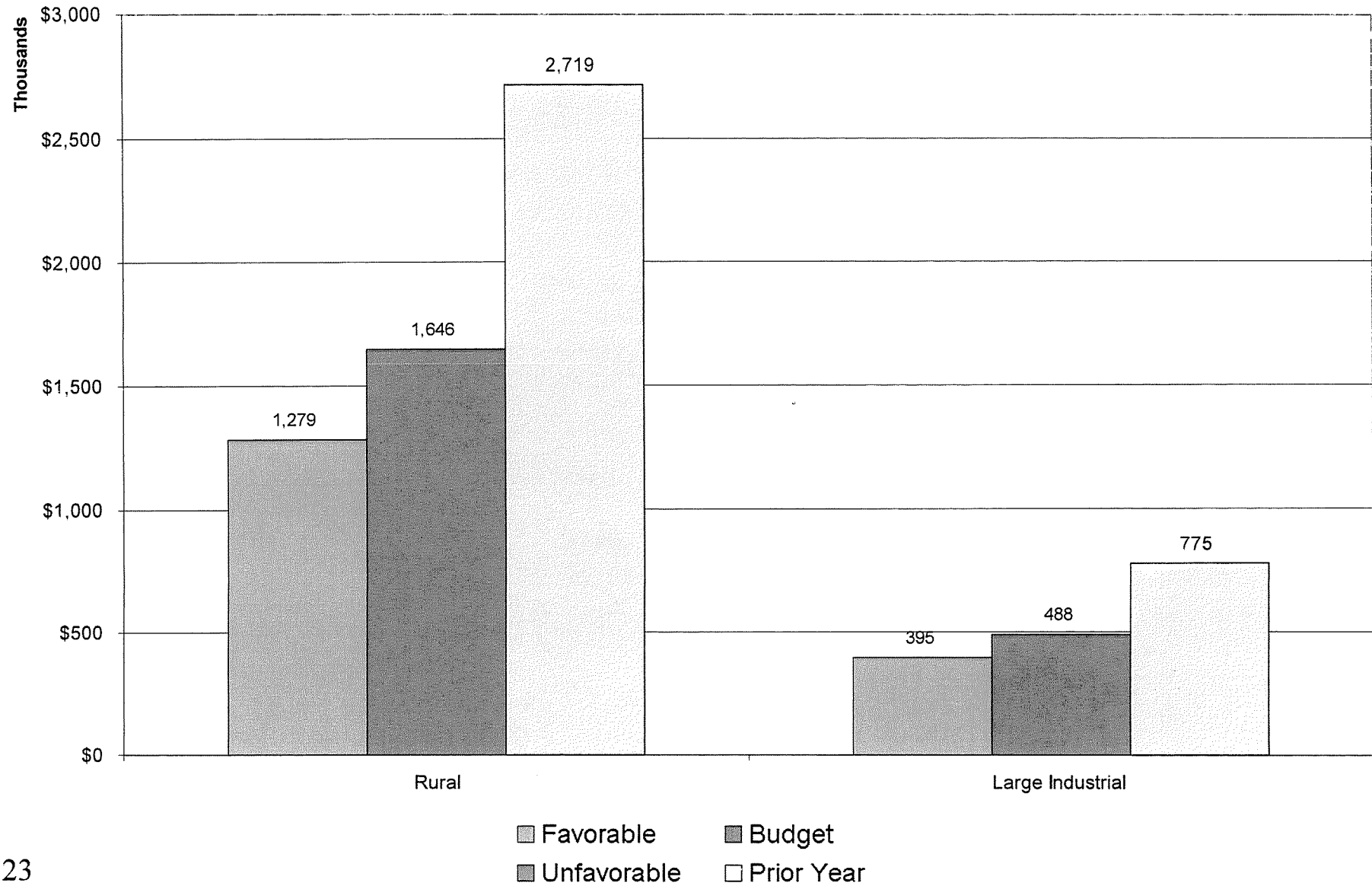
- Favorable
- Budget
- Unfavorable
- Prior Year

MRSM - \$/MWh January

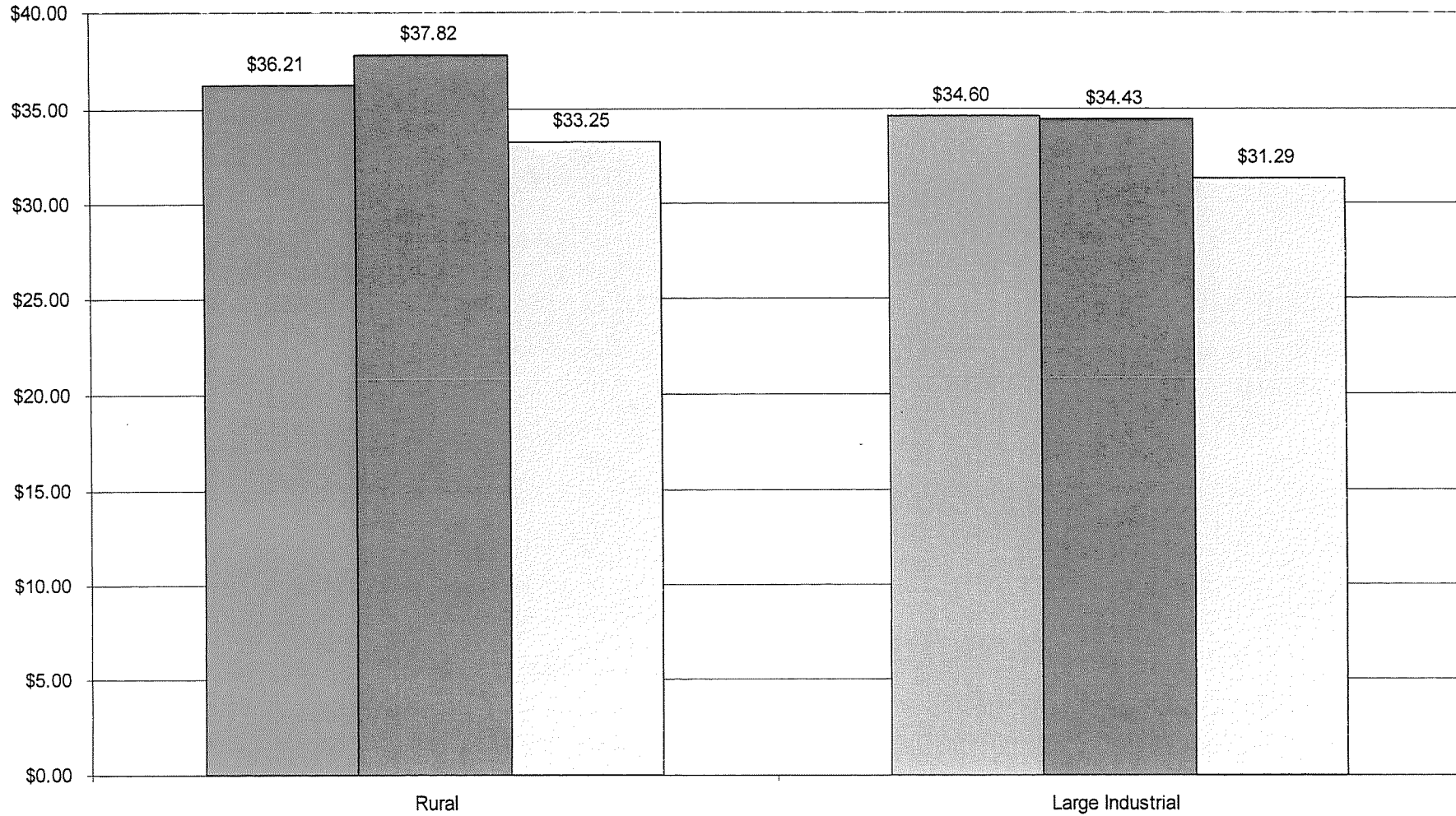


Favorable
 Budget
 Unfavorable
 Prior Year

MRSM January

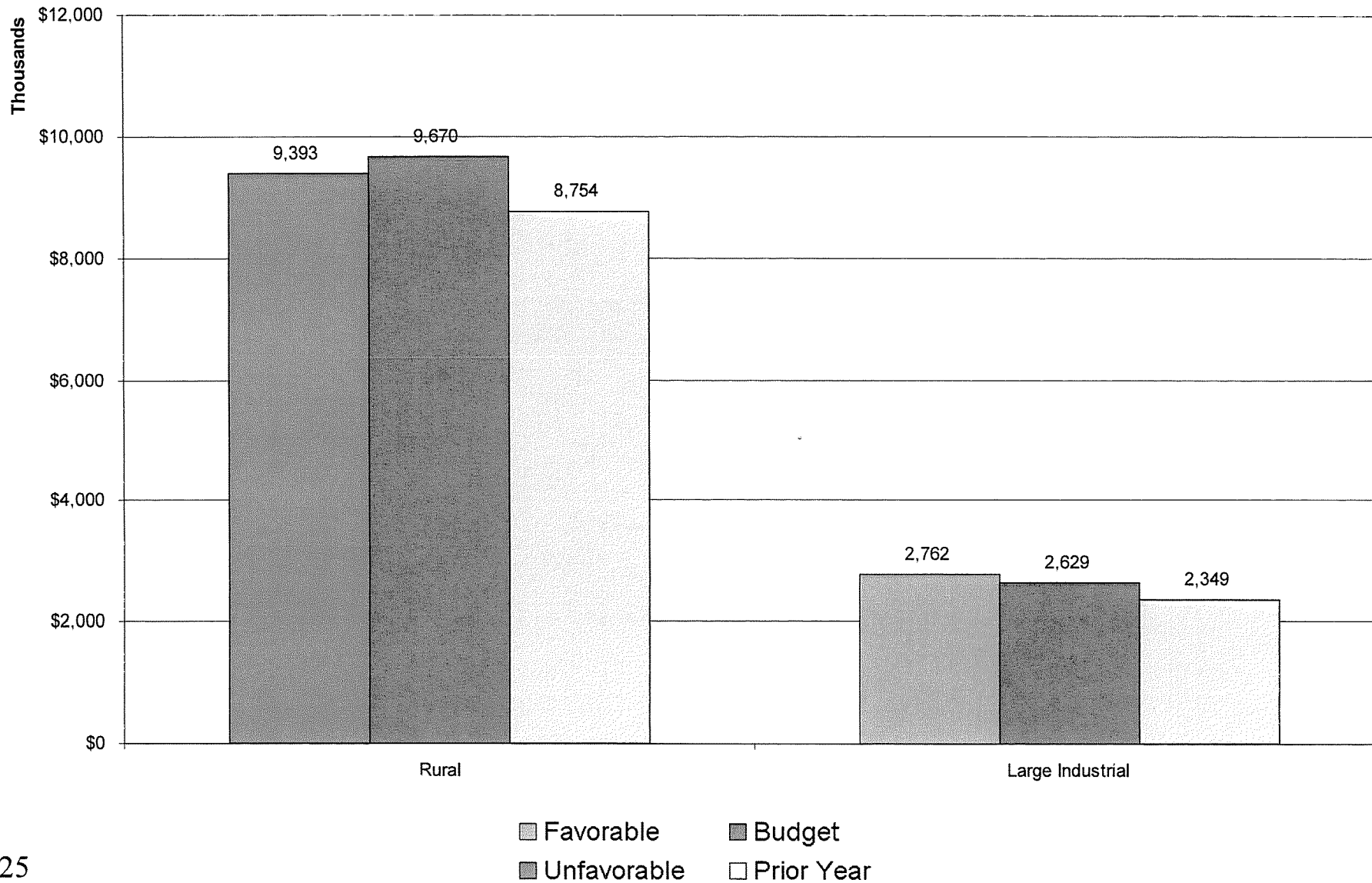


Net Revenue (Excl. MRSM) - \$/MWh January



Favorable Budget
 Unfavorable Prior Year

Net Revenue (Excl. MRSM) January



Other Operating Revenue and Income

	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
January YTD	146	1,590	(1,444)	1,153	(1,007)

Current year and prior year both unfavorable primarily due to lower power supply transmission reservation, which is offset in Operation Expense – Other Power Supply.



REDACTED

Non-Variable Production and Other Power Supply – Operations

	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>
January YTD	[REDACTED]	[REDACTED]	1,166
Power Supply - Transmission Reservation			<u>1,193</u>
Other			<u>(27)</u>
Non-Variable Production and Other Power Supply - Operations			<u>1,166</u>



Operation Expense – Transmission

	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
January YTD	897	1,392	495	605	(292)

Favorable to budget primarily due to lower MISO related expenses.


Unfavorable to prior year due to MISO related expenses this year.

Maintenance Expense – Production

	<u>2011</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
January YTD			(668)

Unfavorable to prior year due to higher planned maintenance activities this year and an unplanned outage at Coleman.



Your Touchstone Energy Cooperative 

Financial Report
February 2011
(\$ in Thousands)

Board Meeting Date: April 15, 2011



Summary of Operations February

	2011			2010	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	87,595	90,176	(2,581)	92,105	(4,510)
Cost of Electric Service	87,249	85,085	(2,164)	84,925	(2,324)
Operating Margins	346	5,091	(4,745)	7,180	(6,834)
Interest Income/Other	62	62	0	59	3
Net Margins - YTD	408	5,153	(4,745)	7,239	(6,831)



Statement of Operations – February

Variance to Budget

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	Current Month			Year-to-Date			
	Actual	Budget	Variance Fav/(UnFav)	Actual	Budget	Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	41,982	43,742	(1,760)	87,206	90,172	(2,966)	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	243	2	241	389	4	385	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	42,225	43,744	(1,519)	87,595	90,176	(2,581)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	3,841	4,791	950	8,062	9,970	1,908	[A] Pages 7, 12-14
OPERATION EXPENSE-PRODUCTION-FUEL	18,070	16,559	(1,511)	37,979	33,878	(4,101)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	6,800	6,850	50	15,269	14,094	(1,175)	[A] Pages 7, 12-14
OPERATION EXPENSE-TRANSMISSION	987	1,354	367	1,890	2,746	856	[B] Page 27
CONSUMER SERVICE & INFORMATIONAL EXPENSE	44	66	22	70	160	90	
OPERATION EXPENSE-SALES	(17)	53	70	(12)	113	125	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,669	1,911	(758)	4,650	4,014	(636)	[B], [C] Page 28
TOTAL OPERATION EXPENSE	32,394	31,584	(810)	67,908	64,975	(2,933)	
MAINTENANCE EXPENSE-PRODUCTION	2,870	3,347	477	5,649	5,939	290	
MAINTENANCE EXPENSE-TRANSMISSION	283	237	(46)	563	488	(75)	
MAINTENANCE EXPENSE-GENERAL PLANT	21	9	(12)	36	18	(18)	
TOTAL MAINTENANCE EXPENSE	3,174	3,593	419	6,248	6,445	197	
DEPRECIATION & AMORTIZATION EXPENSE	2,858	2,971	113	5,718	5,936	218	
TAXES	(2)	21	23	(2)	42	44	
INTEREST ON LONG-TERM DEBT	3,679	3,608	(71)	7,624	7,638	14	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(188)	(10)	178	(311)	(13)	298	
OTHER INTEREST EXPENSE	19	19	0	40	40	0	
OTHER DEDUCTIONS	11	11	0	24	22	(2)	
TOTAL COST OF ELECTRIC SERVICE	41,945	41,797	(148)	87,249	85,085	(2,164)	
OPERATING MARGINS	280	1,947	(1,667)	346	5,091	(4,745)	
INTEREST INCOME	27	30	(3)	57	62	(5)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	2	0	2	5	0	5	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	0	0	0	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	309	1,977	(1,668)	408	5,153	(4,745)	

Explanations: [A] Net Sales Margin, [B] 10% and \$250,000 line item or [C] 10% and \$500,000 margins.



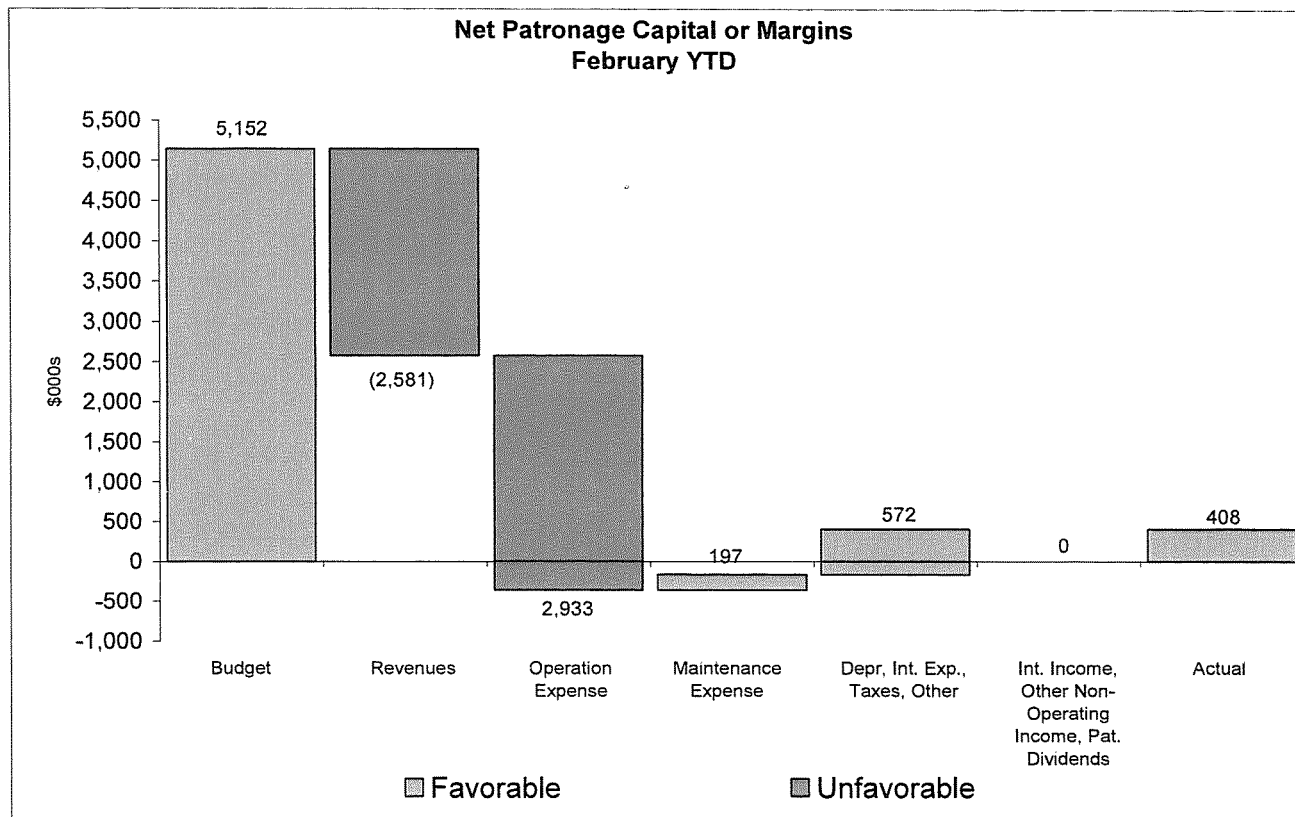
Your Trust, Our Energy. Cooperative

Statement of Operations – February Variance to Prior-Year

	Current Month			Year-to-Date			
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	41,982	43,507	(1,525)	87,206	89,807	(2,601)	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	243	1,145	(902)	389	2,298	(1,909)	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	42,225	44,652	(2,427)	87,595	92,105	(4,510)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	3,841	4,058	217	8,062	8,076	14	[A] Pages 7, 12-14
OPERATION EXPENSE-PRODUCTION-FUEL	18,070	17,644	(426)	37,979	36,752	(1,227)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	6,800	7,173	373	15,269	15,591	322	[A] Pages 7, 12-14, [B] 26
OPERATION EXPENSE-TRANSMISSION	987	676	(311)	1,890	1,281	(609)	[B] Page 27
CONSUMER SERVICE & INFORMATIONAL EXPENSE	44	42	(2)	70	83	13	
OPERATION EXPENSE-SALES	(17)	4	21	(12)	11	23	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,669	2,555	(114)	4,650	4,592	(58)	
TOTAL OPERATION EXPENSE	32,394	32,152	(242)	67,908	66,386	(1,522)	
MAINTENANCE EXPENSE-PRODUCTION	2,870	2,164	(706)	5,649	4,275	(1,374)	[B],[C] Page 29
MAINTENANCE EXPENSE-TRANSMISSION	283	342	59	563	550	(13)	
MAINTENANCE EXPENSE-GENERAL PLANT	21	45	24	36	60	24	
TOTAL MAINTENANCE EXPENSE	3,174	2,551	(623)	6,248	4,885	(1,363)	
DEPRECIATION & AMORTIZATION EXPENSE	2,858	2,824	(34)	5,718	5,654	(64)	
TAXES	(2)	0	2	(2)	0	2	
INTEREST ON LONG-TERM DEBT	3,679	3,796	117	7,624	8,031	407	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(188)	(24)	164	(311)	(42)	269	
OTHER INTEREST EXPENSE	19	0	(19)	40	0	(40)	
OTHER DEDUCTIONS	11	7	(4)	24	11	(13)	
TOTAL COST OF ELECTRIC SERVICE	41,945	41,306	(639)	87,249	84,925	(2,324)	
OPERATING MARGINS	280	3,346	(3,066)	346	7,180	(6,834)	
INTEREST INCOME	27	25	2	57	54	3	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	2	2	0	5	5	0	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	0	0	0	0	0	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	309	3,373	(3,064)	408	7,239	(6,831)	

[A] Net Sales Margin, [B] 10% and \$250,000 line item or [C] 10% and \$500,000 margins.

Variance Analysis Summary

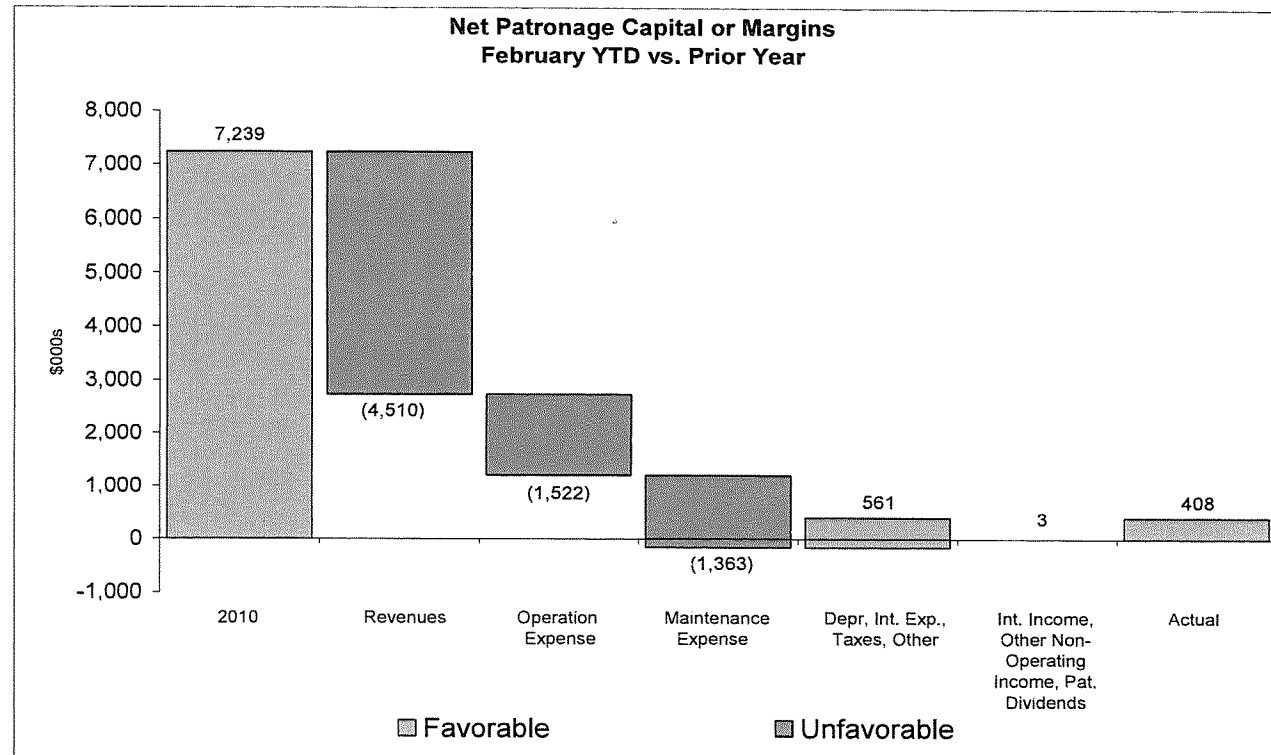


Financial Commentary

Year-to-Date

- Net Margins YTD were \$4,745 lower than budget.
 - Electric Energy Revenues were unfavorable \$2,966 primarily due to lower off-system pricing (see pg. 12).
 - Other Revenue was favorable \$385.
 - Operation Expense was unfavorable \$2,933 – driven by higher variable costs \$2,932 (see pgs. 13, 27 and 28).
 - Maintenance Expense was favorable \$197 primarily due timing of plant expenses.
 - Depreciation and Interest Expense was lower \$572 due to lower depreciation and higher capitalized interest.

Variance Analysis Summary



Financial Commentary

Year-to-Date

- Net Margins YTD were \$6,831 lower than YTD February 2010.
 - Electric Energy Revenues were unfavorable \$2,601 primarily due to lower off-system pricing (see pg. 12).
 - Other Revenue was unfavorable \$1,909 primarily due to a lower power supply transmission reservation, which is off-set in Operations Expense – Other Power Supply (see pg. 26).
 - Operation Expense was unfavorable \$1,522 – driven by higher variable costs \$2,176, partially offset by lower transmission reservation (see pg. 13).
 - Maintenance Expense was unfavorable \$1,363 primarily due to an unplanned outage at Coleman this year and higher planned maintenance activities at the plants (pg. 29).
 - Depreciation and Interest Expense combined was lower \$561

MRSM February

	<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>		<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(5.65)	(6.79)	1.14	(9.18)	3.53	Rural	38.23	37.66	0.57	34.55	3.68
Large Industrial	(5.65)	(6.79)	1.14	(9.18)	3.53	Large Industrial	35.57	34.66	0.91	32.89	2.68
Total	(5.65)	(6.79)	1.14	(9.18)	3.53	Total	37.57	36.95	0.62	34.17	3.40
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(2,606)	(3,268)	662	(4,495)	1,889	Rural	17,632	18,100	(468)	16,880	752
Large Industrial	(865)	(1,012)	147	(1,330)	465	Large Industrial	5,455	5,180	275	4,794	661
Total	(3,471)	(4,280)	809	(5,825)	2,354	Total	23,087	23,280	(193)	21,674	1,413

<u>Economic Reserve Balance</u>			
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	2,041		
Withdrawals	(41,772)		
Cumulative through Feb 28th	\$ 117,269	\$ 117,911	\$ (642)



Your Technology Energy Cooperative

Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2010 <u>Actual</u>	<u>Fav/(Unfav)</u>
February 28	55,865	41,494	14,371	45,890	9,975

The February 28, 2011 cash balance compared to budget is favorable primarily due to a higher beginning balance, lower capital expenditures and a reduction in fuel inventory.

The February 28, 2011 cash balance compared to prior year is favorable primarily due to the voluntary pre-payment of RUS debt that was made in January 2010.

Note: 5.75% RUS Series A Note, prepaid status as of 4/1/11: voluntary = 478; Transition Reserve = 35,000

<u>Lines of Credit</u> <u>As of January 31</u>	
Original Amount	\$ 100,000
Letters of Credit Outstanding	(5,354)
Advances Outstanding	<u>(10,000)</u>
Available Lines of Credit	\$ 84,646



Your True Home Energy Cooperative

REDACTED

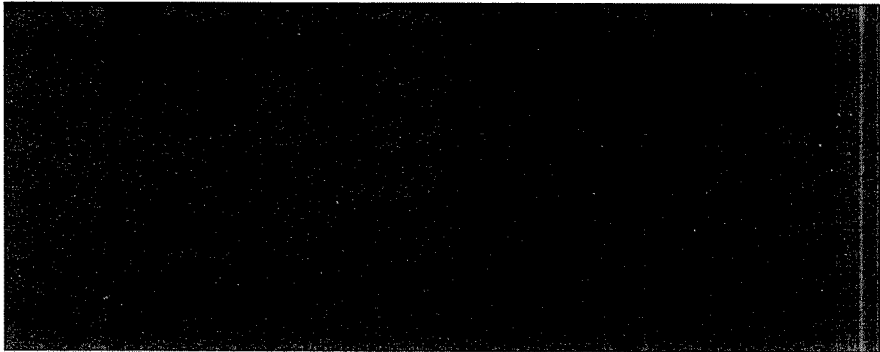
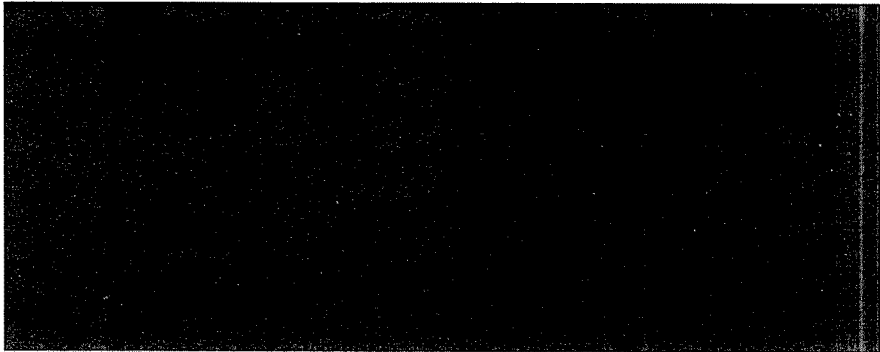
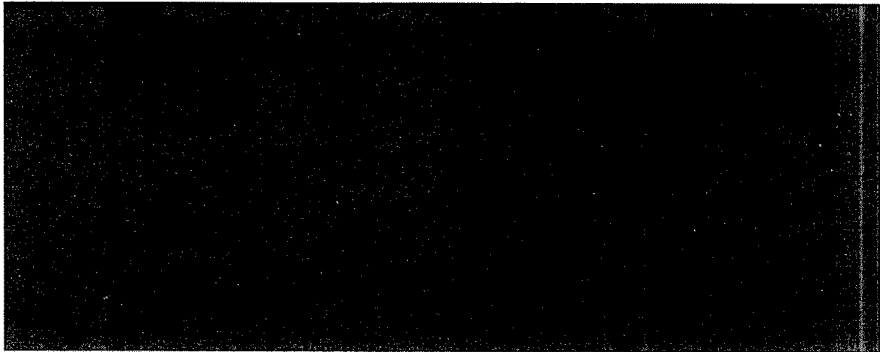
North Star – YTD February

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>	2010 <u>Actual</u>	<u>Fav/(UnFav)</u>
Total Cost of Electric Service			1,013		(2,324)
Other Operating Revenues & Income	(389)	(3,181)	(2,792)	(2,298)	(1,909)
Off-System Sales					
Interest Income	(57)	(62)	(5)	(54)	3
Other Non-Operating Income	(5)	0	5	(5)	0
Other Capital Credits & Pat. Dividends	0	0	0	0	0
	70,071	71,917	1,846	64,881	(5,190)
Member MWh	1,653,629	1,808,077	(154,448)	1,666,937	(13,308)
North Star - \$/kWh					



REDACTED

TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long Term Debt	7,624	7,638	14
Net Margins			
TIER			
TIER (12 months ending 2/28)			

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt

Capital Expenditures*

	Actual	Budget	Fav/(UnFav)
IT	414	80	(334)
Generation	1,055	3,072	2,017
Transmission	1,419	2,660	1,241
Other	0	890	890
Total	2,888	6,702	3,814

Explanation:

IT unfavorable due to on-going Oracle “steady-state” issues; continue to capitalize certain costs.

Generation favorable primarily due to the timing of projects. Green Station was favorable \$1,016 due to several projects being moved from January to the Spring. These include Condenser Water Box Coating, Clarifier Coating, Sample & Analyzers and Drum Camera Replacements. Coleman was favorable \$1,088 due to the delay of several projects including C2 Aux Transformer, Control Room and Start-up 480v MCC replacement.

Transmission favorable primarily due to the timing of the Wilson Line 19F Terminal and Two Way Radio Replacement.

Other favorable primarily due to the delay in purchasing the PCI Software and the Operator Training Simulator.

* Gross of the City’s share of Station Two.



Your Touchstone Energy Cooperative

**Revenue
YTD February**

REDACTED

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
MWh Sales					
Rural	461,230	480,695	(19,465)	488,739	(27,509)
Large Industrial	153,321	149,358	3,963	145,567	7,754
Smelter	1,039,077	1,178,024	(138,947)	1,032,631	6,446
Off-System/Other					
Total					
Revenue - \$/MWh					
Rural	43.88	44.45	(0.57)	43.73	0.15
Large Industrial	41.22	41.45	(0.23)	42.07	(0.85)
Smelter	42.27	42.03	0.24	43.21	(0.94)
Off-System/Other					
Total					
Revenue - Thousands of \$					
Rural	20,238	21,368	(1,130)	21,375	(1,137)
Large Industrial	6,320	6,192	128	6,124	196
Smelter	43,921	49,510	(5,589)	44,621	(700)
Off-System/Other					
Total					

**Revenue Price / Volume Analysis
YTD February 2011**

	<u>Price / Volume</u>		
	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural	(265)	(865)	(1,130)
Large Industrial	(36)	164	128
Smelter	251	(5,840)	(5,589)
Off-System/Other			



Your Touchable Energy Cooperative

**Variable Operations Cost
YTD February**

REDACTED

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

VO Cost - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

**YTD February 2011
Variable Operations Expense**

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>	<u>Price Variance Fav/(UnFav)</u>	<u>Volume Variance Fav/(UnFav)</u>	<u>Fav/(UnFav)</u>
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						

REDACTED



Your Touchless Energy. Competitive Rates.

Net Sales Margin YTD February

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

Net Sales Margin Price / Volume Analysis YTD February

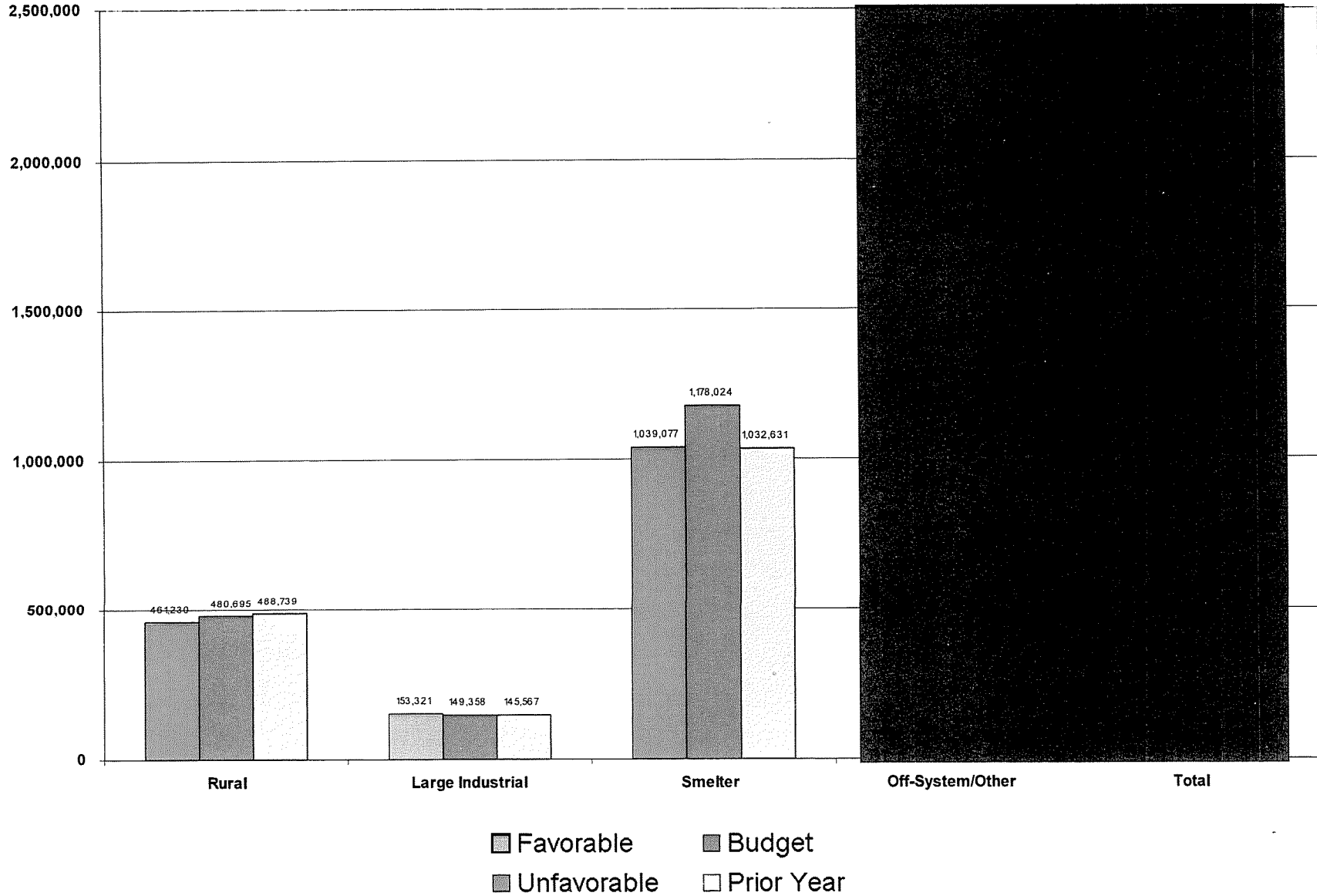
	<u>Price / Volume</u>		
	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural			
Large Industrial			
Smelter			
Off-System/Other			

REDACTED



Your Local Area Energy Cooperative

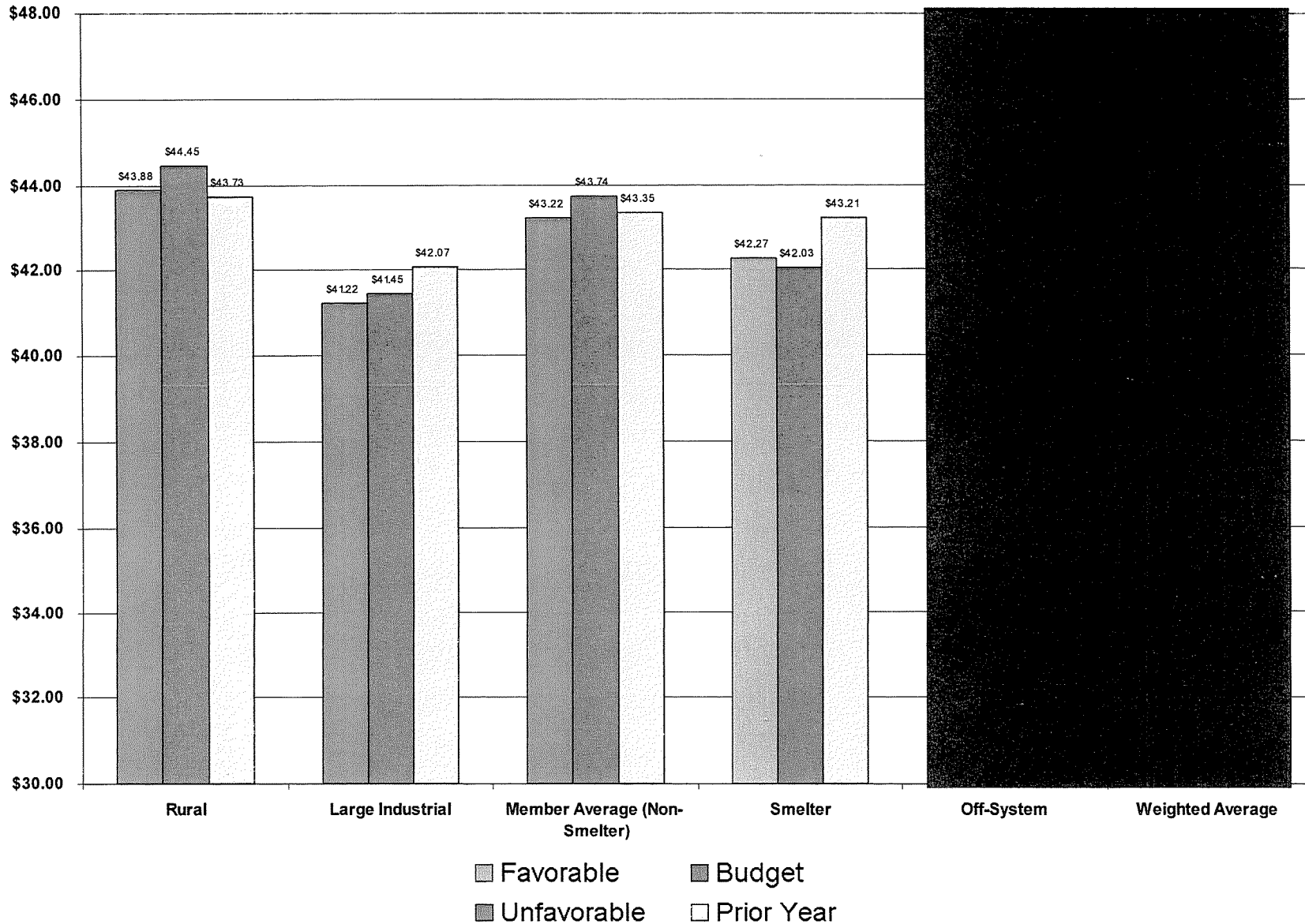
MWH Sales YTD - February





Your Local on Energy Cooperative

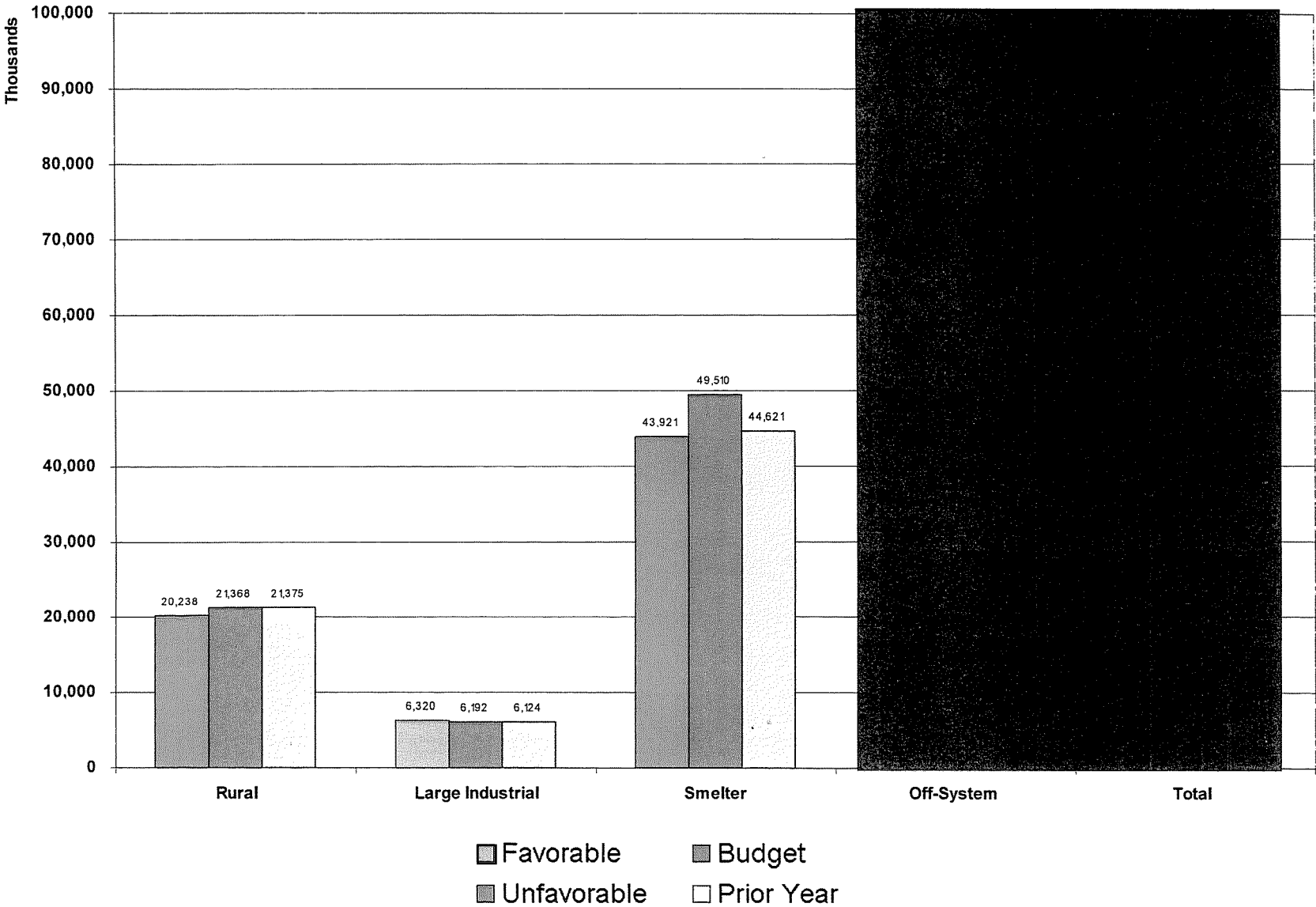
Revenue - \$/MWh Sold YTD - February





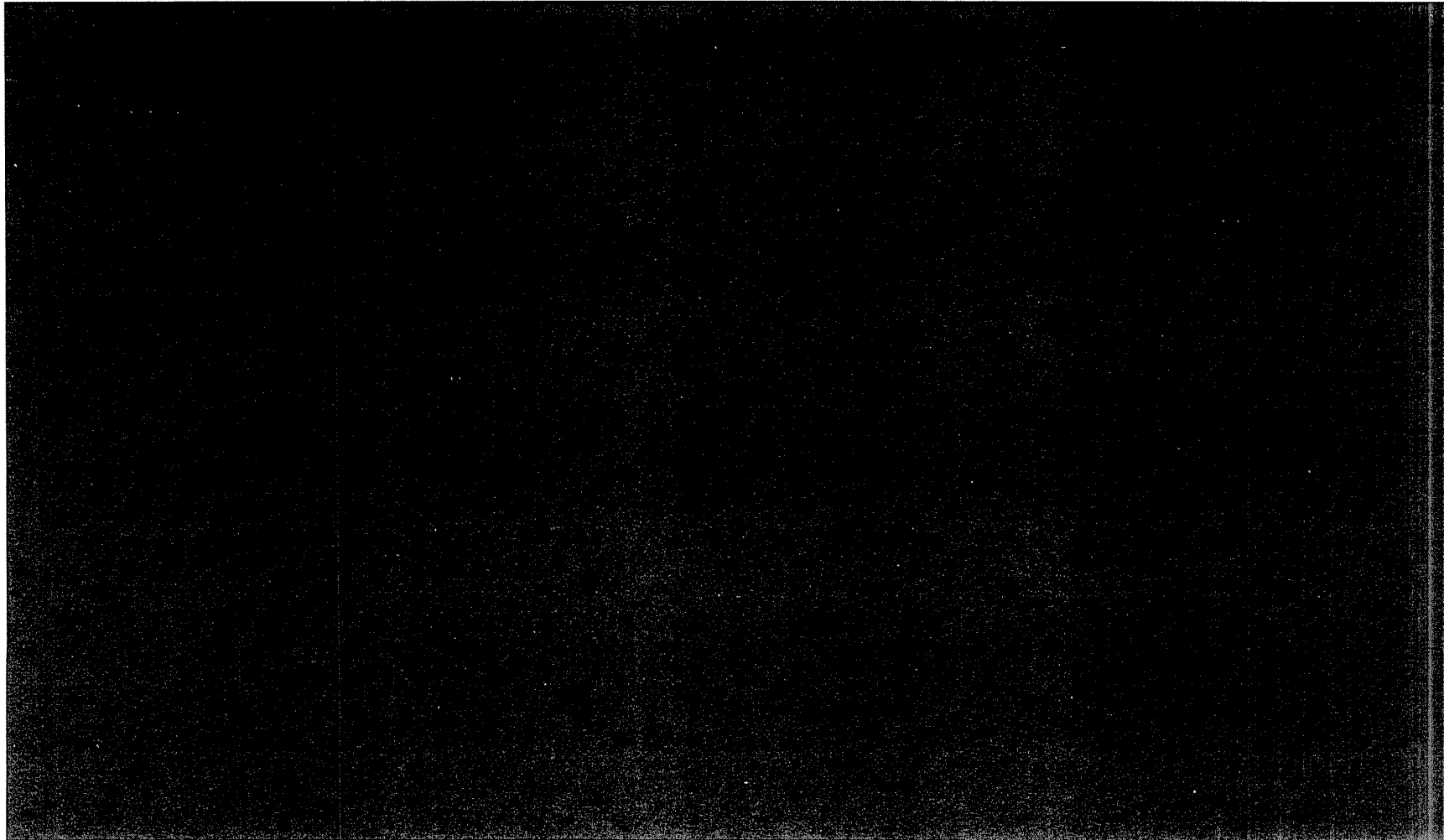
Your Eco-conscious Energy Cooperative

Revenue YTD - February



Power Cost - \$/MWh Sold YTD - February

REDACTED



Member (Non-Smelter)

Smelter

Off-System

Weighted Avg.

■ Favorable

■ Budget

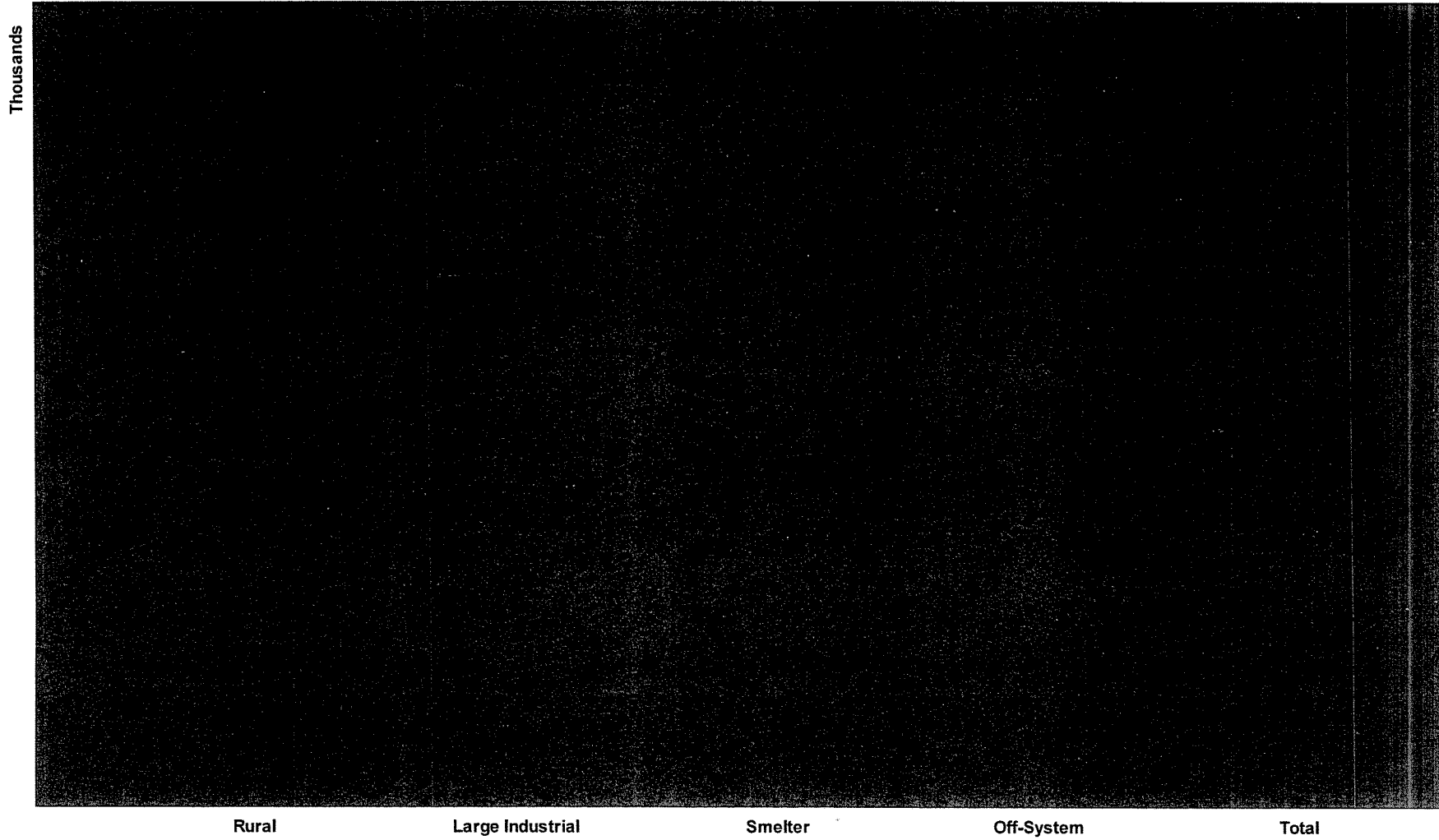
■ Unfavorable

□ Prior Year

REDACTED



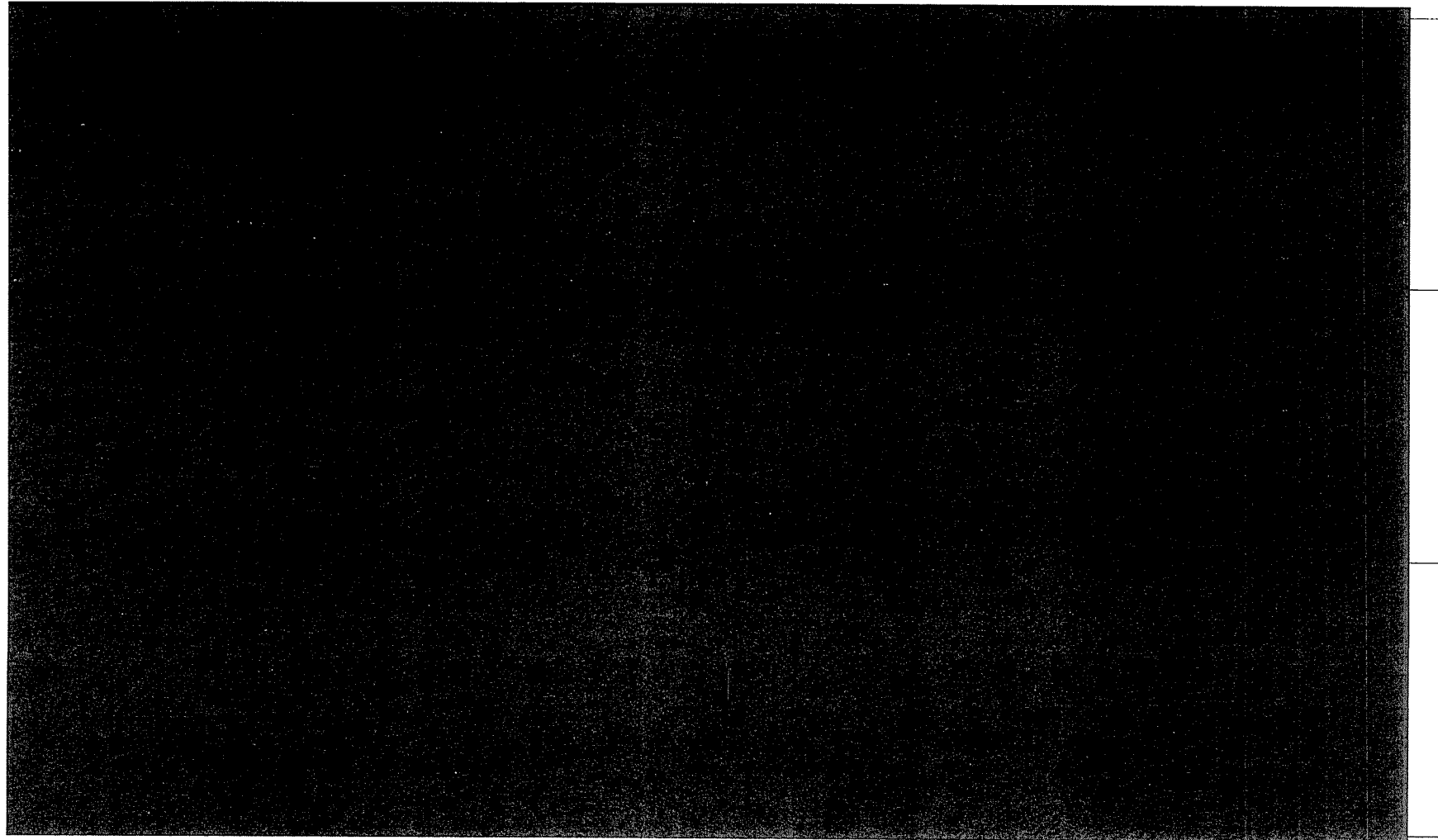
Power Cost YTD - February



- Favorable ■ Budget
- Unfavorable □ Prior Year

Sales Margin - \$/MWh YTD - February

REDACTED



Member (Non-Smelter)

Smelter

Off-System/Other

Weighted Avg.

□ Favorable

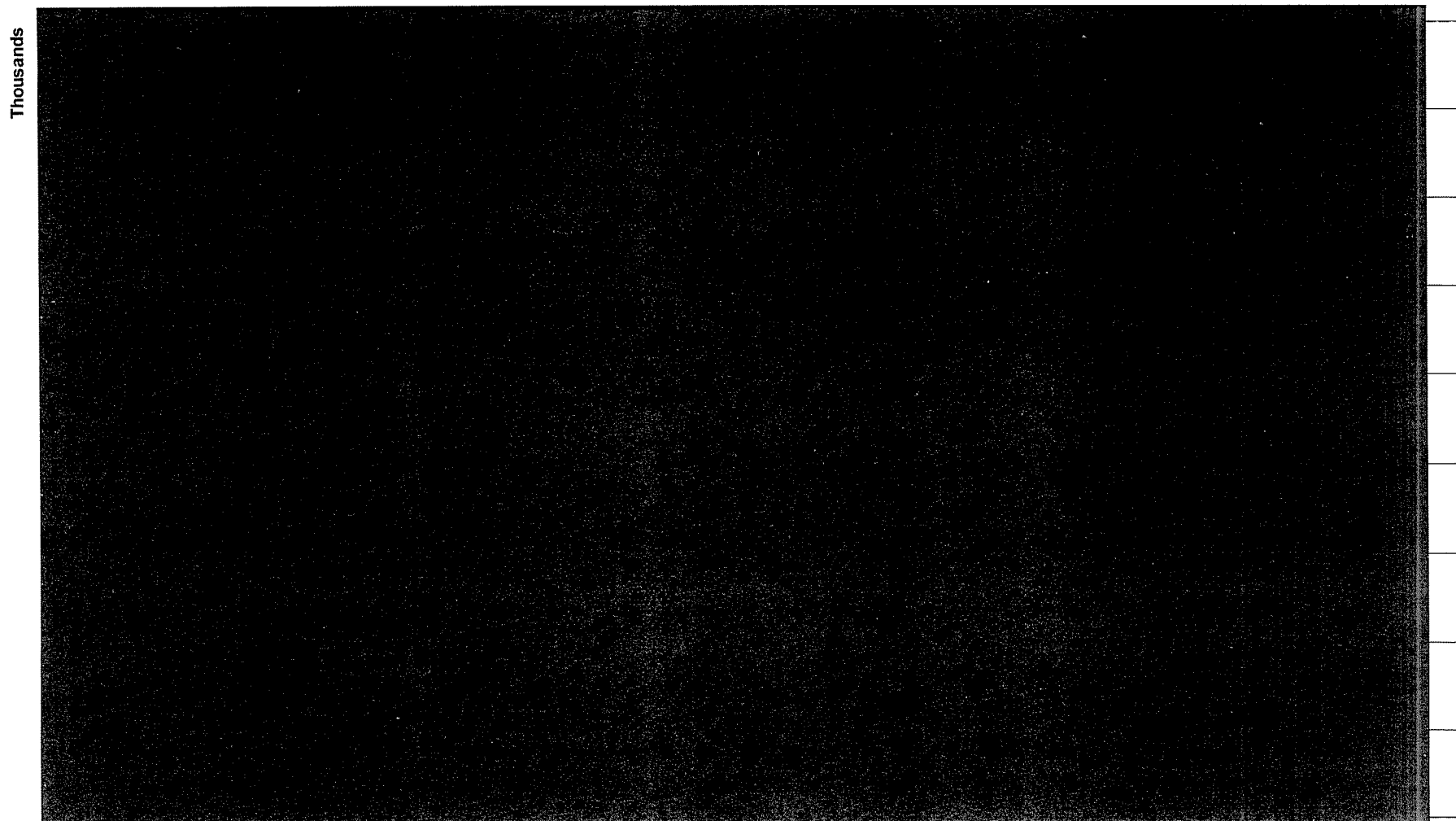
■ Budget

■ Unfavorable

□ Prior Year

Sales Margin YTD - February

REDACTED



Thousands

Rural

Large Industrial

Smelter

Off-System/Other

Total

■ Favorable

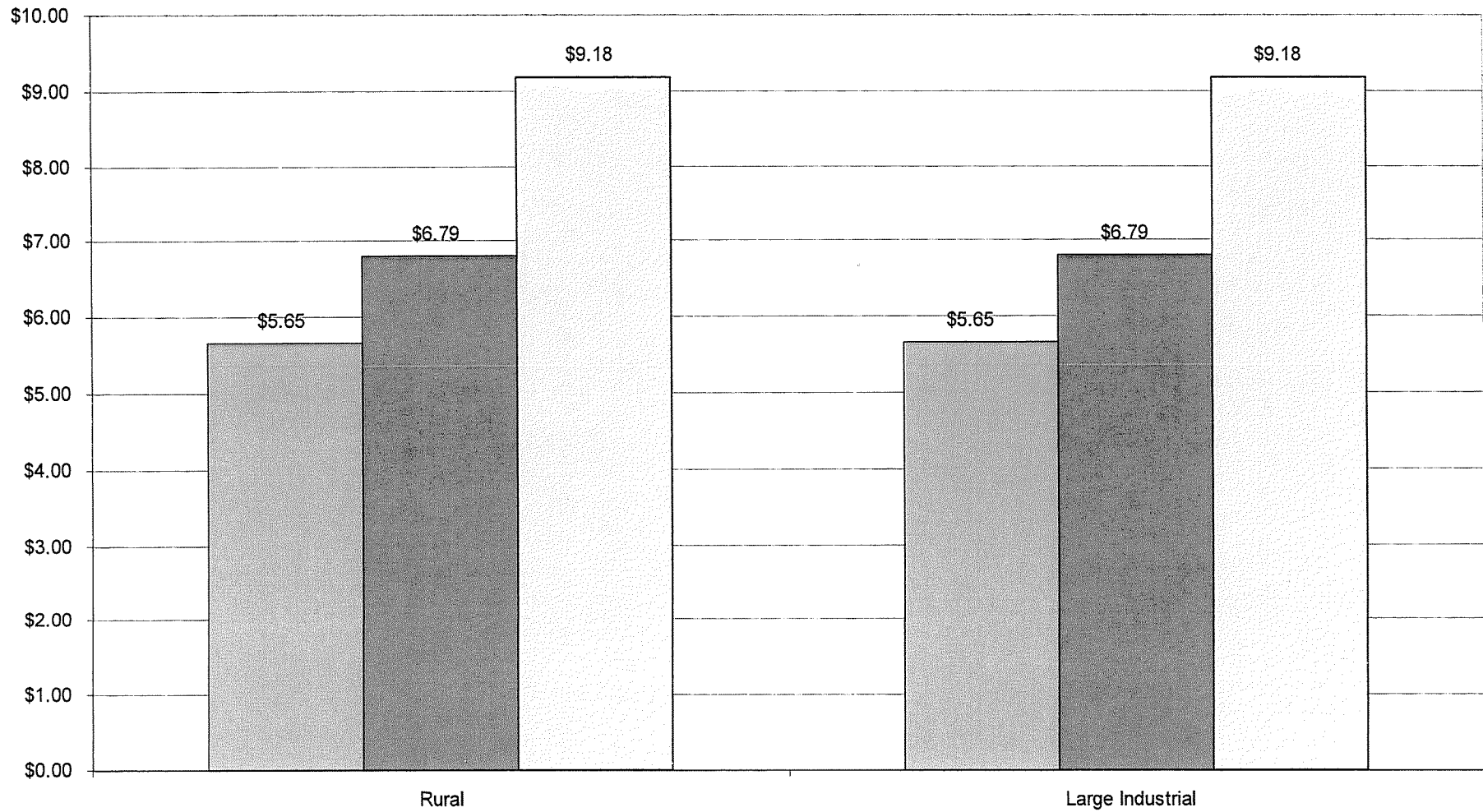
■ Budget

■ Unfavorable

□ Prior Year

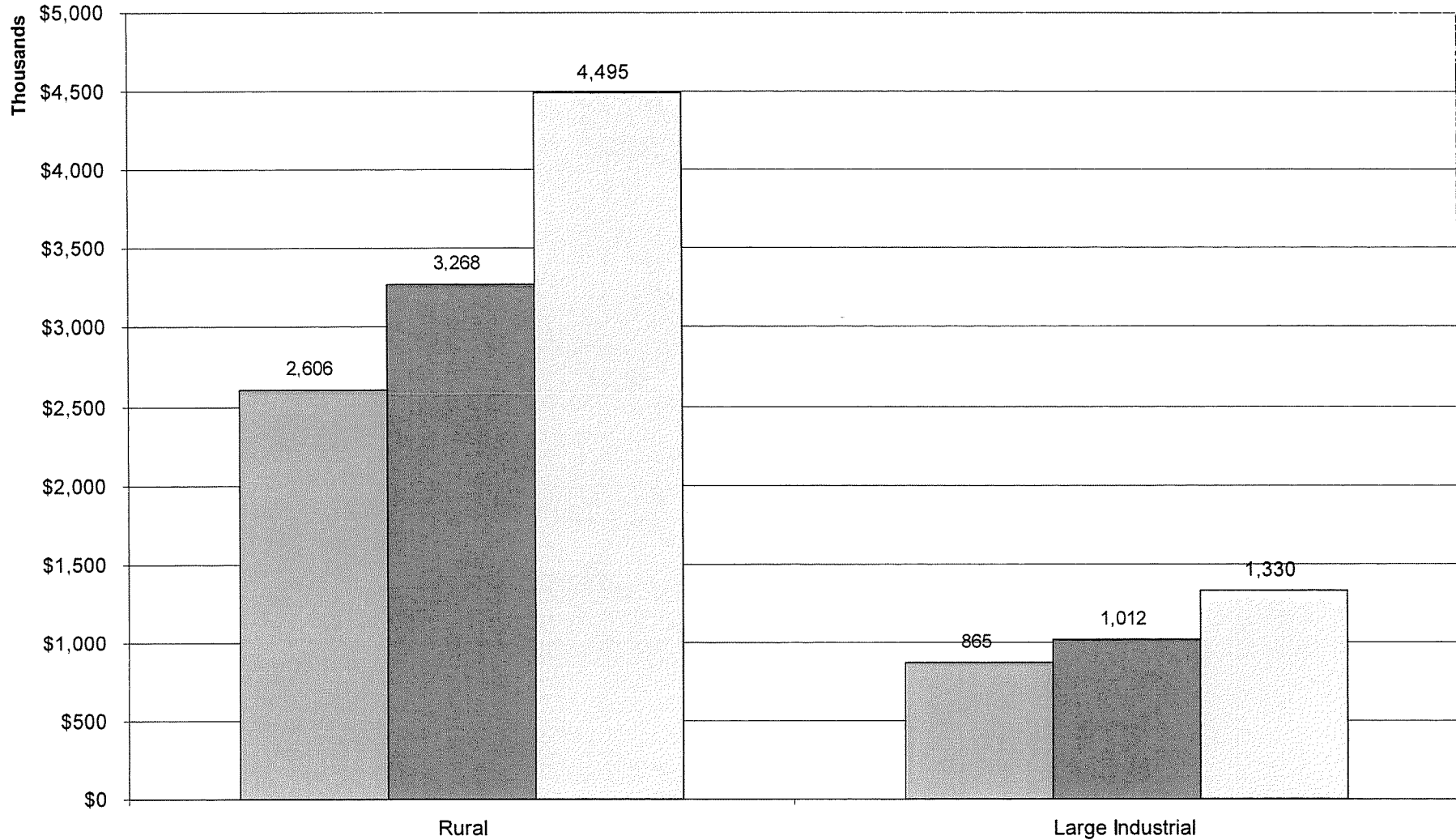
MRSM - \$/MWh

YTD - February



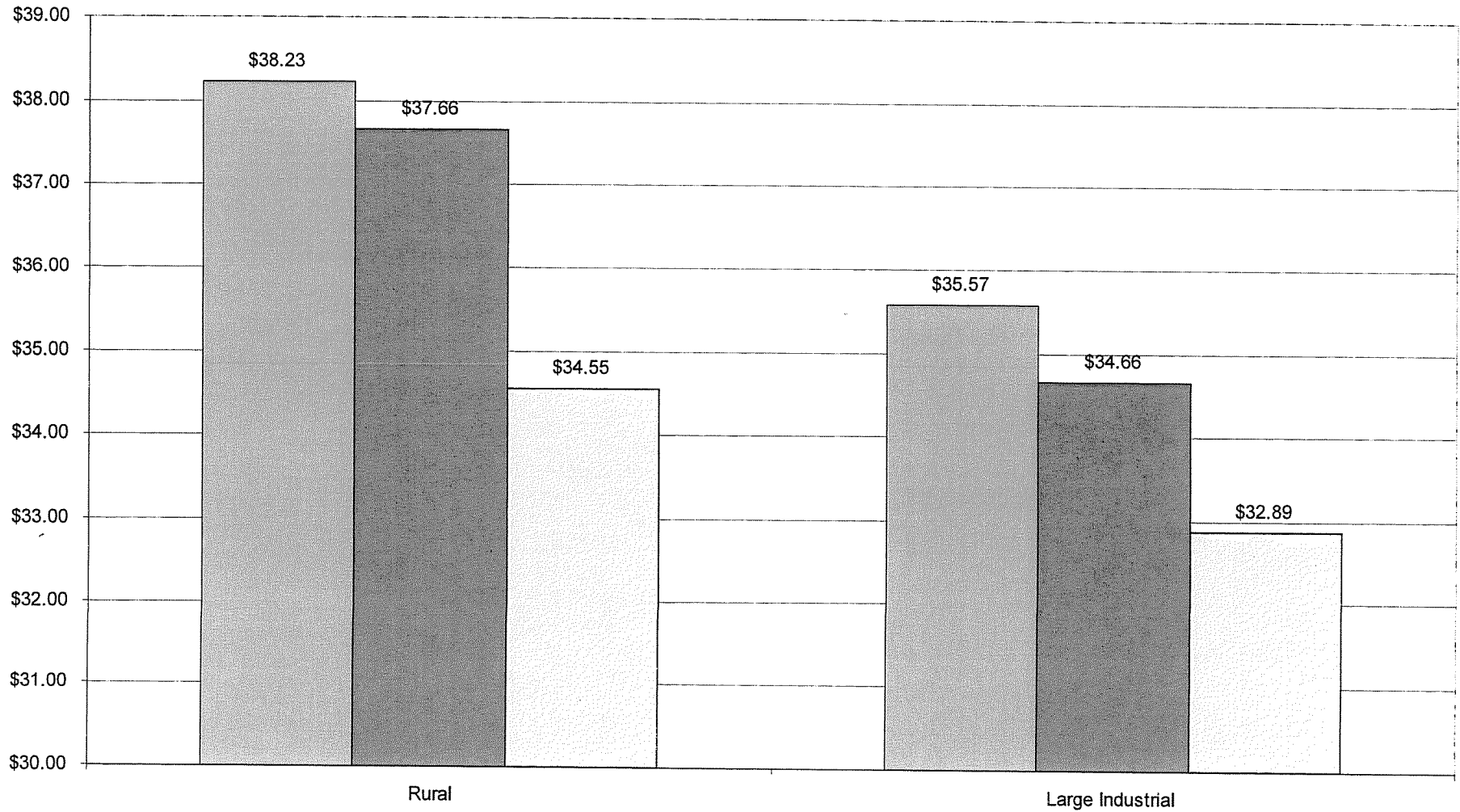
■ Favorable ■ Budget
 ■ Unfavorable □ Prior Year

MRSM YTD - February



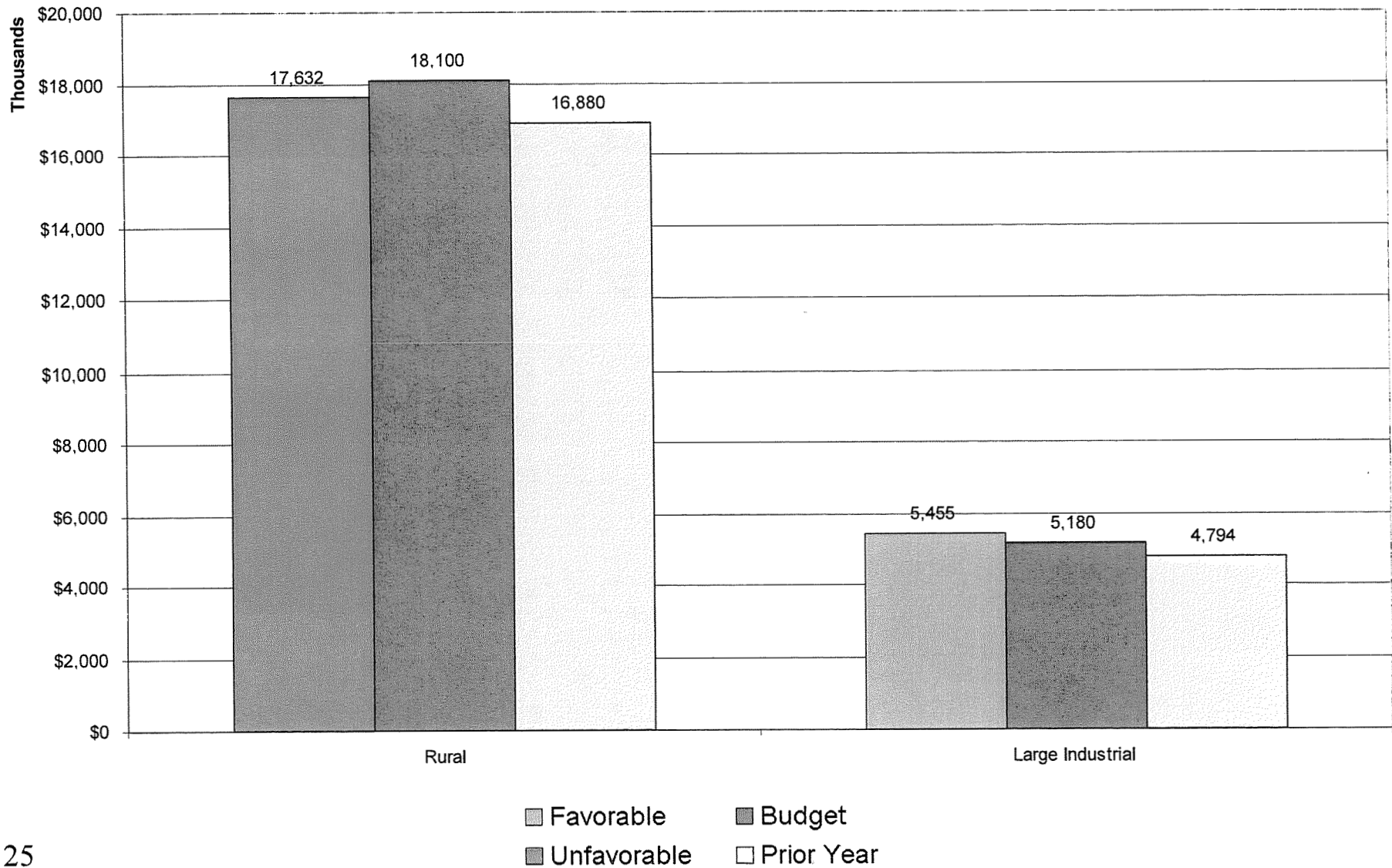
Favorable
 Budget
 Unfavorable
 Prior Year

Net Revenue (Excl. MRSM) - \$/MWh YTD - February



Favorable
 Budget
 Unfavorable
 Prior Year

Net Revenue (Excl. MRSM) YTD - February



Other Operating Revenue and Income

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
February YTD	389	4	385	2,298	(1,909)

Prior year unfavorable primarily due to lower power supply transmission reservation this year.

Operation Expense – Transmission

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
February YTD	1,890	2,746	856	1,281	(609)

Favorable to budget primarily due to lower than anticipated MISO related expenses.

Unfavorable to prior year due to integration into MISO, resulting in higher expenses this year.


Operation Expense – Administrative & General

	2011		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
February YTD	4,650	4,014	(636)

Unfavorable to budget primarily due to (a) higher IT for HP (170), E.ON (80) and Oracle (140), and (b) outside professional services for the rate case (100).


Additional Notes: HP costs are unfavorable due to Oracle R12 not yet being at “steady state”. The E.ON IT Support Services Agreement wasn’t terminated until 1/15/11. The Oracle maintenance contract was budgeted throughout the year (timing).

Maintenance Expense – Production

	<u>2011</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
February YTD			(1,374)

Unfavorable to prior year due to higher planned maintenance activities this year and an unplanned outage at Coleman.



Your Touchstone Energy Cooperative 

Financial Report
March 2011
(\$ in Thousands)

Board Meeting Date: May 20, 2011



Summary of Operations YTD March

	2011			2010	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	134,225	136,058	(1,833)	137,194	(2,969)
Cost of Electric Service	134,512	131,306	(3,206)	127,765	(6,747)
Operating Margins	(287)	4,752	(5,039)	9,429	(9,716)
Interest Income/Other	188	95	93	103	85
Net Margins	(99)	4,847	(4,946)	9,532	(9,631)



With True, Future Energy Cooperative

Statement of Operations – March Variance to Budget

	Current Month			Year-to-Date			
	Actual	Budget	Variance Fav/(UnFav)	Actual	Budget	Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	46,395	45,882	513	133,601	136,052	(2,451)	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	235	2	233	624	6	618	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	46,630	45,884	746	134,225	136,058	(1,833)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,087	5,407	1,320	12,149	15,378	3,229	[A] Pages 7, 12-14
OPERATION EXPENSE-PRODUCTION-FUEL	18,347	17,905	(442)	56,326	51,783	(4,543)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	10,591	7,671	(2,920)	25,861	21,765	(4,096)	[A] Pages 7, 12-14
OPERATION EXPENSE-TRANSMISSION	940	1,492	552	2,830	4,238	1,408	[B] Page 27
CONSUMER SERVICE & INFORMATIONAL EXPENSE	31	80	49	100	240	140	
OPERATION EXPENSE-SALES	12	172	160	1	284	283	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,146	2,146	0	6,796	6,160	(636)	[B], [C] Page 28
TOTAL OPERATION EXPENSE	36,154	34,873	(1,281)	104,063	99,848	(4,215)	
MAINTENANCE EXPENSE-PRODUCTION	3,768	4,047	279	9,417	9,986	569	
MAINTENANCE EXPENSE-TRANSMISSION	361	299	(62)	924	786	(138)	
MAINTENANCE EXPENSE-GENERAL PLANT	(34)	8	42	2	26	24	
TOTAL MAINTENANCE EXPENSE	4,095	4,354	259	10,343	10,798	455	
DEPRECIATION & AMORTIZATION EXPENSE	2,963	2,978	15	8,681	8,913	232	
TAXES	0	21	21	(2)	62	64	
INTEREST ON LONG-TERM DEBT	3,987	3,995	8	11,611	11,633	22	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(12)	(31)	(19)	(322)	(44)	278	
OTHER INTEREST EXPENSE	18	21	3	59	62	3	
OTHER DEDUCTIONS	55	12	(43)	79	34	(45)	
TOTAL COST OF ELECTRIC SERVICE	47,260	46,223	(1,037)	134,512	131,306	(3,206)	
OPERATING MARGINS	(630)	(339)	(291)	(287)	4,752	(5,039)	
INTEREST INCOME	29	33	(4)	86	95	(9)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	5	0	5	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	97	0	97	97	0	97	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	(504)	(306)	(198)	(99)	4,847	(4,946)	

Explanations: [A] Net Sales Margin, [B] 10% and \$250,000 line item or [C] 10% and \$500,000 margins.

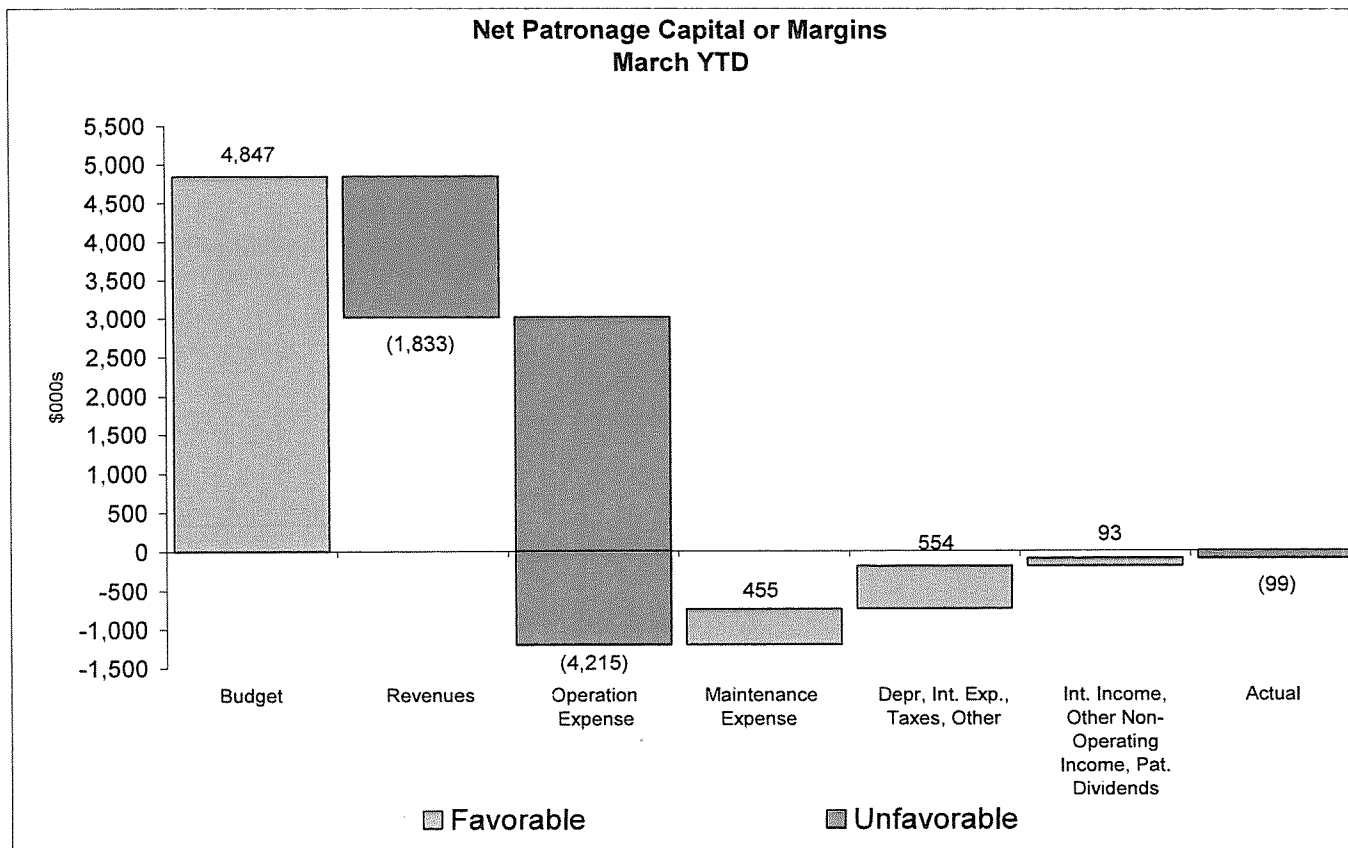


Your True Historic Energy Cooperative

Statement of Operations – March Variance to Prior-Year

	Current Month			Year-to-Date			
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	46,395	44,019	2,376	133,601	133,826	(225)	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	235	1,070	(835)	624	3,368	(2,744)	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	46,630	45,089	1,541	134,225	137,194	(2,969)	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,087	4,431	344	12,149	12,507	358	[A] Pages 7, 12-14
OPERATION EXPENSE-PRODUCTION-FUEL	18,347	17,192	(1,155)	56,326	53,944	(2,382)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	10,591	7,680	(2,911)	25,861	23,272	(2,589)	[A] Pages 7, 12-14, [B] 26
OPERATION EXPENSE-TRANSMISSION	940	713	(227)	2,830	1,994	(836)	[B] Page 27
CONSUMER SERVICE & INFORMATIONAL EXPENSE	31	53	22	100	136	36	
OPERATION EXPENSE-SALES	12	21	9	1	32	31	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,146	2,709	563	6,796	7,301	505	
TOTAL OPERATION EXPENSE	36,154	32,799	(3,355)	104,063	99,186	(4,877)	
MAINTENANCE EXPENSE-PRODUCTION	3,768	2,700	(1,068)	9,417	6,975	(2,442)	[B],[C] Page 29
MAINTENANCE EXPENSE-TRANSMISSION	361	378	17	924	928	4	
MAINTENANCE EXPENSE-GENERAL PLANT	(34)	15	49	2	74	72	
TOTAL MAINTENANCE EXPENSE	4,095	3,093	(1,002)	10,343	7,977	(2,366)	
DEPRECIATION & AMORTIZATION EXPENSE	2,963	2,824	(139)	8,681	8,478	(203)	
TAXES	0	1	1	(2)	1	3	
INTEREST ON LONG-TERM DEBT	3,987	4,133	146	11,611	12,165	554	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(12)	(17)	(5)	(322)	(60)	262	
OTHER INTEREST EXPENSE	18	1	(17)	59	1	(58)	
OTHER DEDUCTIONS	55	6	(49)	79	17	(62)	
TOTAL COST OF ELECTRIC SERVICE	47,260	42,840	(4,420)	134,512	127,765	(6,747)	
OPERATING MARGINS	(630)	2,249	(2,879)	(287)	9,429	(9,716)	
INTEREST INCOME	29	29	0	86	83	3	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	2	(2)	5	7	(2)	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	97	13	84	97	13	84	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	(504)	2,293	(2,797)	(99)	9,532	(9,631)	

Variance Analysis Summary

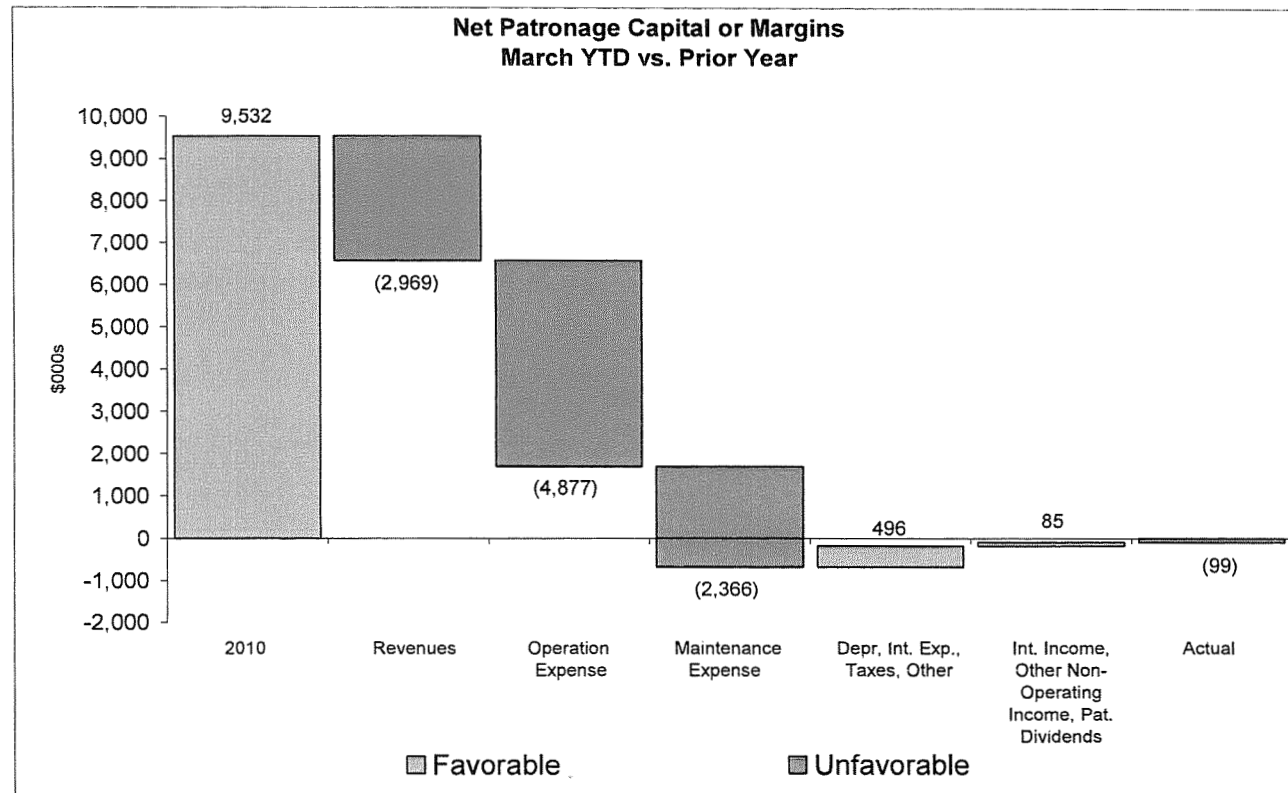


Financial Commentary

Year-to-Date

- YTD March 2011 Margins were \$4,946 unfavorable to budget.
 - Electric Energy Revenues were unfavorable \$2,451 primarily due to lower off-system pricing (see pg. 12).
 - Other Revenue was favorable \$618
 - Operation Expense was unfavorable \$4,215 – driven by higher variable costs \$4,706 (see pgs. 13, 27 and 28).
 - Maintenance Expense was favorable \$455 primarily due timing of plant expenses.
 - Depreciation and Interest Expense was favorable \$554 due to lower depreciation and higher capitalized interest.

Variance Analysis Summary



Financial Commentary

Year-to-Date

- YTD 2011 margins were \$9,631 unfavorable to YTD March 2010.
 - Electric Energy Revenues were unfavorable \$225 primarily due to lower off-system pricing (see pg. 12).
 - Other Revenue was unfavorable \$2,744 primarily due to a lower power supply transmission reservation, which is off-set in Operations Expense – Other Power Supply (see pg. 26).
 - Operation Expense was unfavorable \$4,877 – driven by higher variable costs \$6,235, partially offset by lower transmission reservation (see pg. 13).
 - Maintenance Expense was unfavorable \$2,366 primarily due to unplanned outages at Coleman and Green this year, the planned outage at Wilson this year and higher planned maintenance activities at the plants (pg. 29).
 - Depreciation and Interest Expense combined was lower \$496



Your Touchable Energy Cooperative

Member Rate Stability Mechanism March

	<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>		<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(6.61)	(7.12)	0.51	(9.39)	2.78	Rural	37.94	37.31	0.63	35.05	2.89
Large Industrial	(6.61)	(7.12)	0.51	(9.39)	2.78	Large Industrial	35.23	34.09	1.14	32.90	2.33
Total	(6.61)	(7.12)	0.51	(9.39)	2.78	Total	37.21	36.50	0.71	34.51	2.70
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(4,269)	(4,857)	588	(6,274)	2,005	Rural	24,502	25,430	(928)	23,423	1,079
Large Industrial	(1,560)	(1,617)	57	(2,100)	540	Large Industrial	8,306	7,755	551	7,359	947
Total	(5,829)	(6,474)	645	(8,374)	2,545	Total	32,808	33,185	(379)	30,782	2,026

<u>Economic Reserve Balance</u>			
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	2,127		
Withdrawals	<u>(43,572)</u>		
Cumulative through Mar 31 st	\$ 115,555	\$ 116,011	\$ (456)

Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2010	<u>Actual</u>	<u>Fav/(Unfav)</u>
March 31	55,928	40,187	15,741		60,220	(4,292)

The March 31, 2011 cash balance compared to budget is favorable primarily due to a higher beginning balance \$2,700, lower capital expenditures \$9,894 and a reduction in fuel inventory \$8,501, partially offset by lower YTD margins \$4,906.

The March 31, 2011 cash balance compared to prior year is unfavorable primarily due to voluntarily prepaying the RUS Series A Note during 2010, that was “clawed back” by April 1, 2011.

Note: 5.75% RUS Series A Note, prepaid status as of 4/1/11: voluntary = 478; Transition Reserve = 35,000

<u>Lines of Credit</u> <u>As of March 31</u>	
Original Amount	\$ 100,000
Letters of Credit Outstanding	(5,354)
Advances Outstanding	<u>(10,000)</u>
Available Lines of Credit	\$ 84,646



REDACTED

North Star – YTD March

	2011			2010	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			1,561		(6,745)
Other Operating Revenues & Income	(612)	(4,771)	(4,159)	(3,368)	(2,756)
Off-System Sales					
Interest Income	(86)	(95)	(9)	(83)	3
Other Non-Operating Income	(5)	0	5	(7)	(2)
Other Capital Credits & Pat. Dividends	(97)	0	97	(13)	84
	108,233	110,838	2,605	98,620	(9,613)
Member MWh	2,487,472	2,706,170	(218,698)	2,464,044	23,428
North Star - \$/kWh					



REDACTED

TIER

Actual

Budget

Fav/(Unfav)

Interest on Long Term Debt

11,611

11,633

22

Net Margins

TIER (3 months ending 3/31)

TIER (12 months ending 3/31)



Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt

Capital Expenditures*

	Actual	Budget	Fav/(UnFav)
IT	416	155	(261)
Generation	2,755	8,575	5,820
Transmission	1,635	4,604	2,969
Other	84	1,450	1,366
Total	4,890	14,784	9,894

Explanation:

IT unfavorable due to on-going Oracle “steady-state” issues; continue to capitalize certain costs.

Generation favorable primarily due to the timing of projects. Coleman was favorable \$2,020 due to the delay of several projects including C2 Aux Transformer, Control Room, Start-up 480v MCC replacement and Interposing Logic System Controls. Station Two was favorable \$2,770 due to reducing the scope of the HMPL 1 spring outage. Green Station was favorable \$646 due to several projects being moved to later in the year. These include Condenser Water Box Coating, Clarifier Coating, Sample & Analyzers and Drum Camera Replacements.

Transmission favorable primarily due to the timing of the Wilson Line 19F Terminal and Two Way Radio Replacement.

Other favorable primarily due to the delay in purchasing the PCI Software, Operator Training Simulator and analyzers and a chromatograph for the Environmental Department.

* Gross of the City’s share of Station Two.



Your Touchless Energy Cooperative

**Revenue
YTD March**

REDACTED

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
MWh Sales					
Rural	645,798	681,724	(35,926)	668,189	(22,391)
Large Industrial	235,825	227,410	8,415	223,694	12,131
Smelter	1,605,848	1,797,036	(191,188)	1,572,162	33,686
Off-System/Other					
Total					

<u>Revenue - \$/MWh</u>					
Rural	44.55	44.43	0.12	44.44	0.11
Large Industrial	41.84	41.21	0.63	42.29	(0.45)
Smelter	43.27	42.31	0.96	43.89	(0.62)
Off-System/Other					
Total					

<u>Revenue - Thousands of \$</u>					
Rural	28,771	30,287	(1,516)	29,697	(926)
Large Industrial	9,866	9,372	494	9,459	407
Smelter	69,487	76,027	(6,540)	68,997	490
Off-System/Other					
Total					

**Revenue Price / Volume Analysis
YTD March 2011**

	<u>Price / Volume</u>		
	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural	80	(1,596)	(1,516)
Large Industrial	148	346	494
Smelter	1,548	(8,088)	(6,540)
Off-System/Other			



Your Touchstone Energy Cooperative

Variable Operations Cost YTD March

REDACTED

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
<u>VO Cost - Thousands of \$</u>					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

YTD March 2011 Variable Operations Expense

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>	<u>Price Variance Fav/(UnFav)</u>	<u>Volume Variance Fav/(UnFav)</u>	<u>Fav/(UnFav)</u>
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						



Your Touchdown Energy Cooperative

**Net Sales Margin
YTD March**

REDACTED

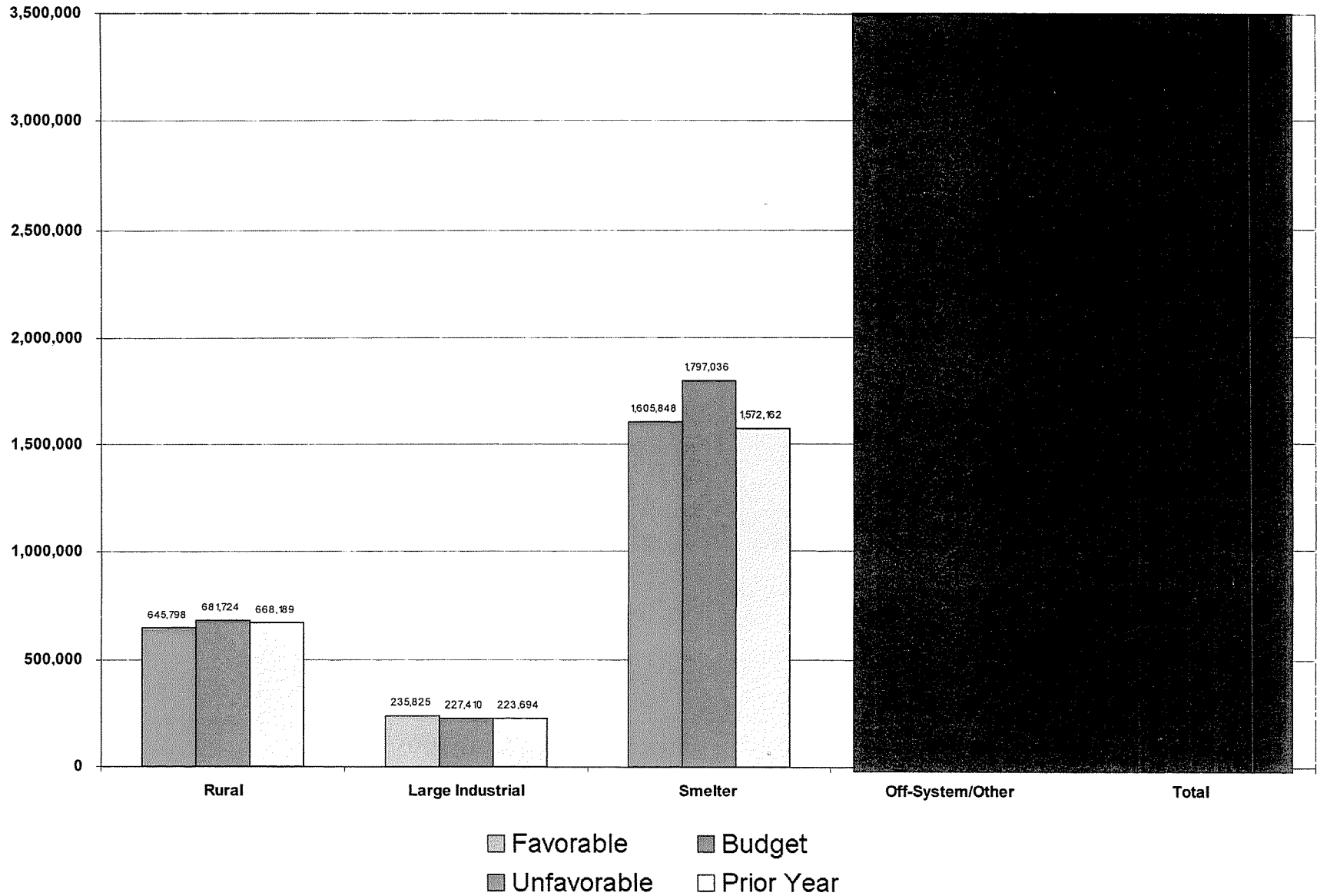
	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

**Net Sales Margin
Price / Volume Analysis
YTD March 2011**

	<u>Price / Volume</u>		
	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural			
Large Industrial			
Smelter			
Off-System/Other			

MWH Sales YTD - March

REDACTED

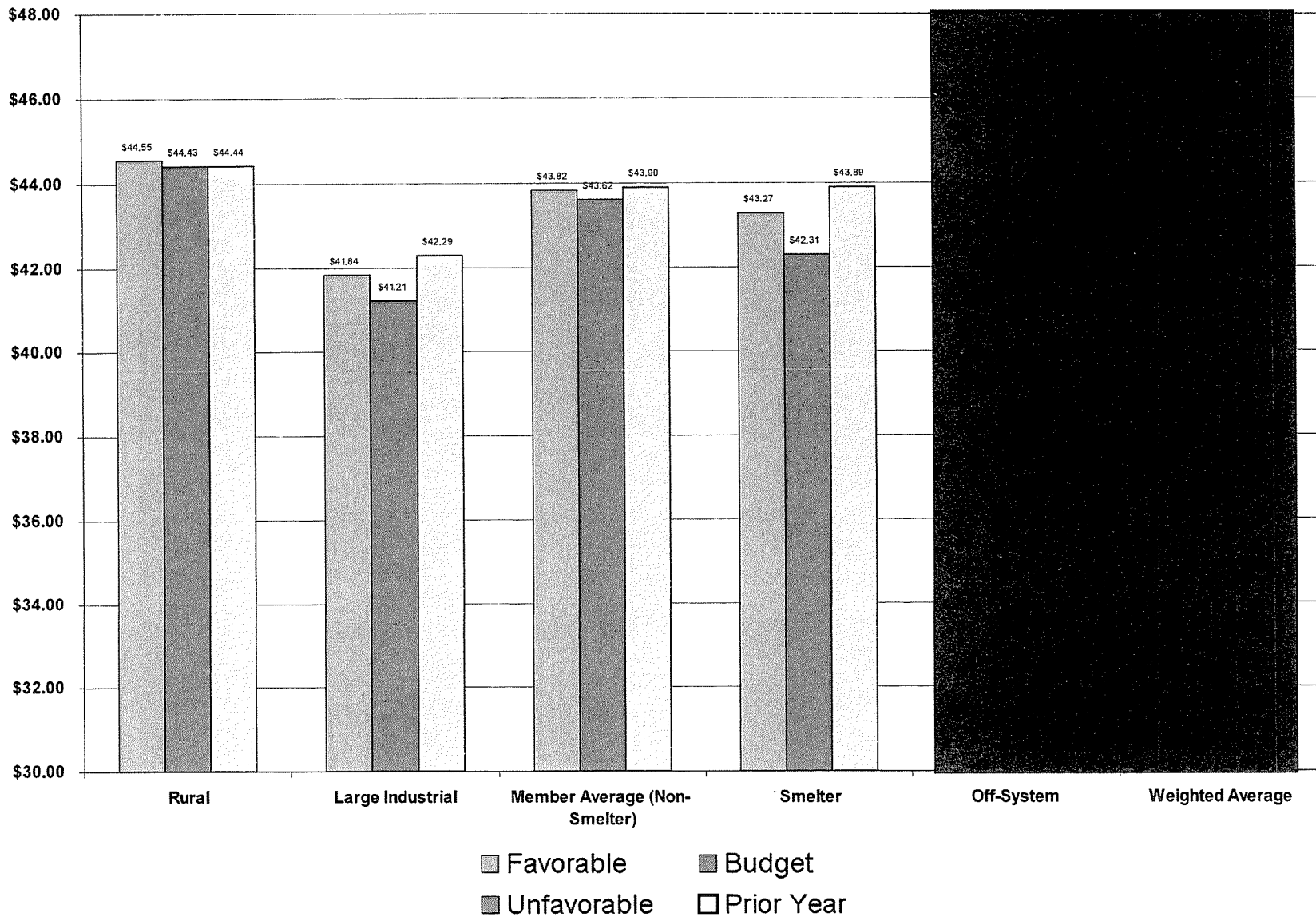




Your Touchston Energy Cooperative

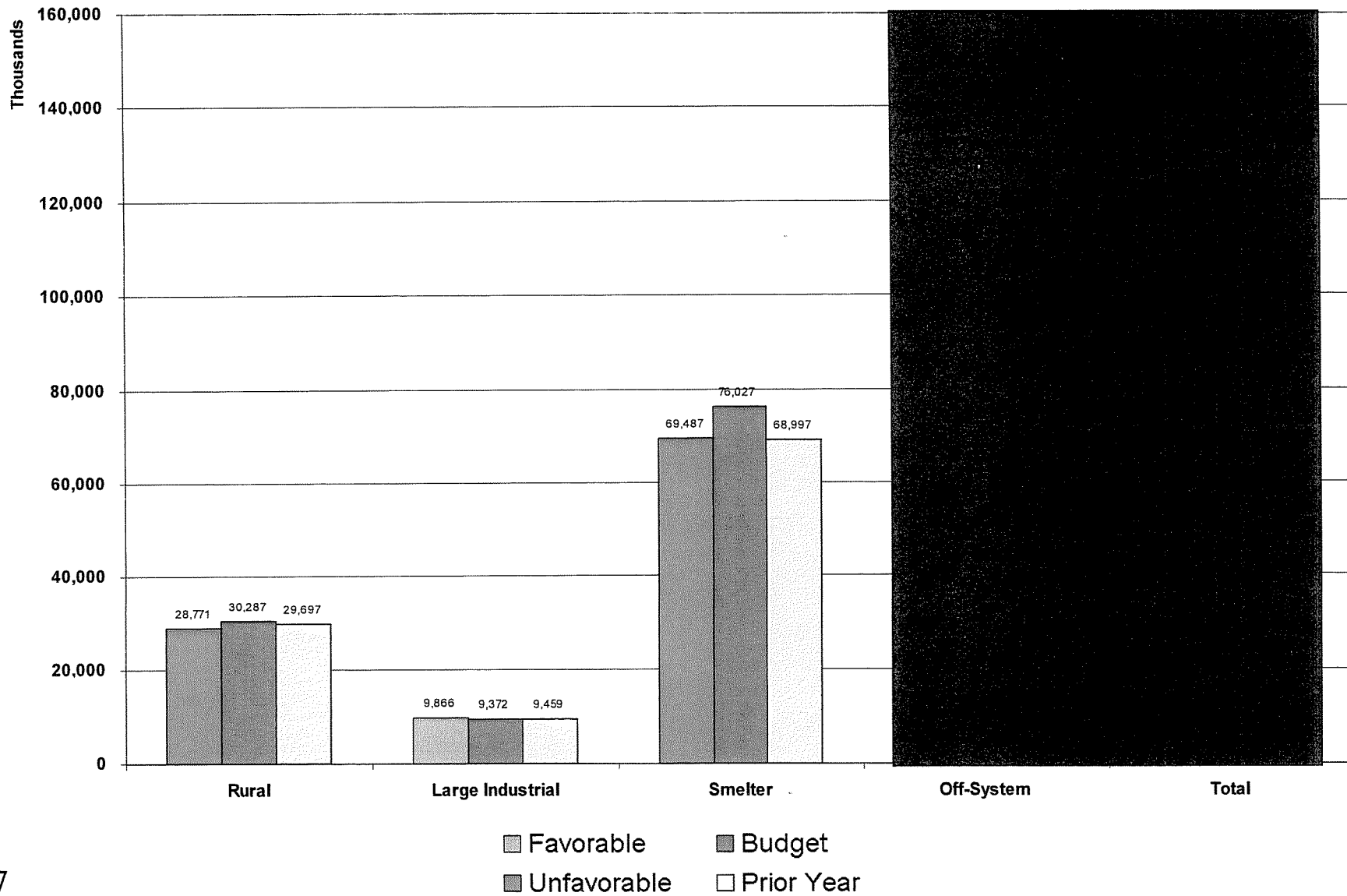
Revenue - \$/MWh Sold YTD - March

REDACTED



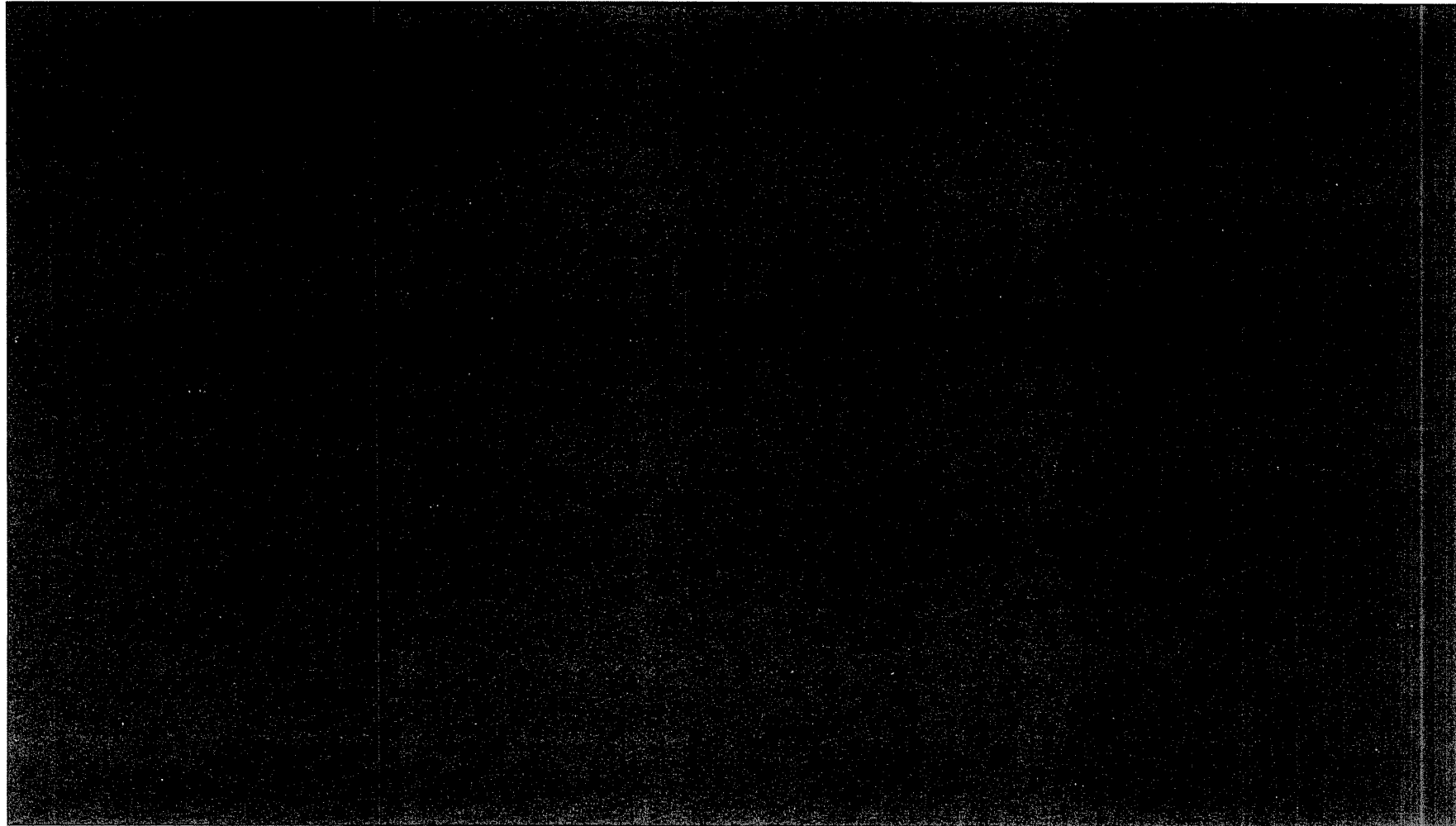
Revenue YTD - March

REDACTED



Power Cost - \$/MWh Sold YTD - March

REDACTED



Member (Non-Smelter)

Smelter

Off-System

Weighted Avg.

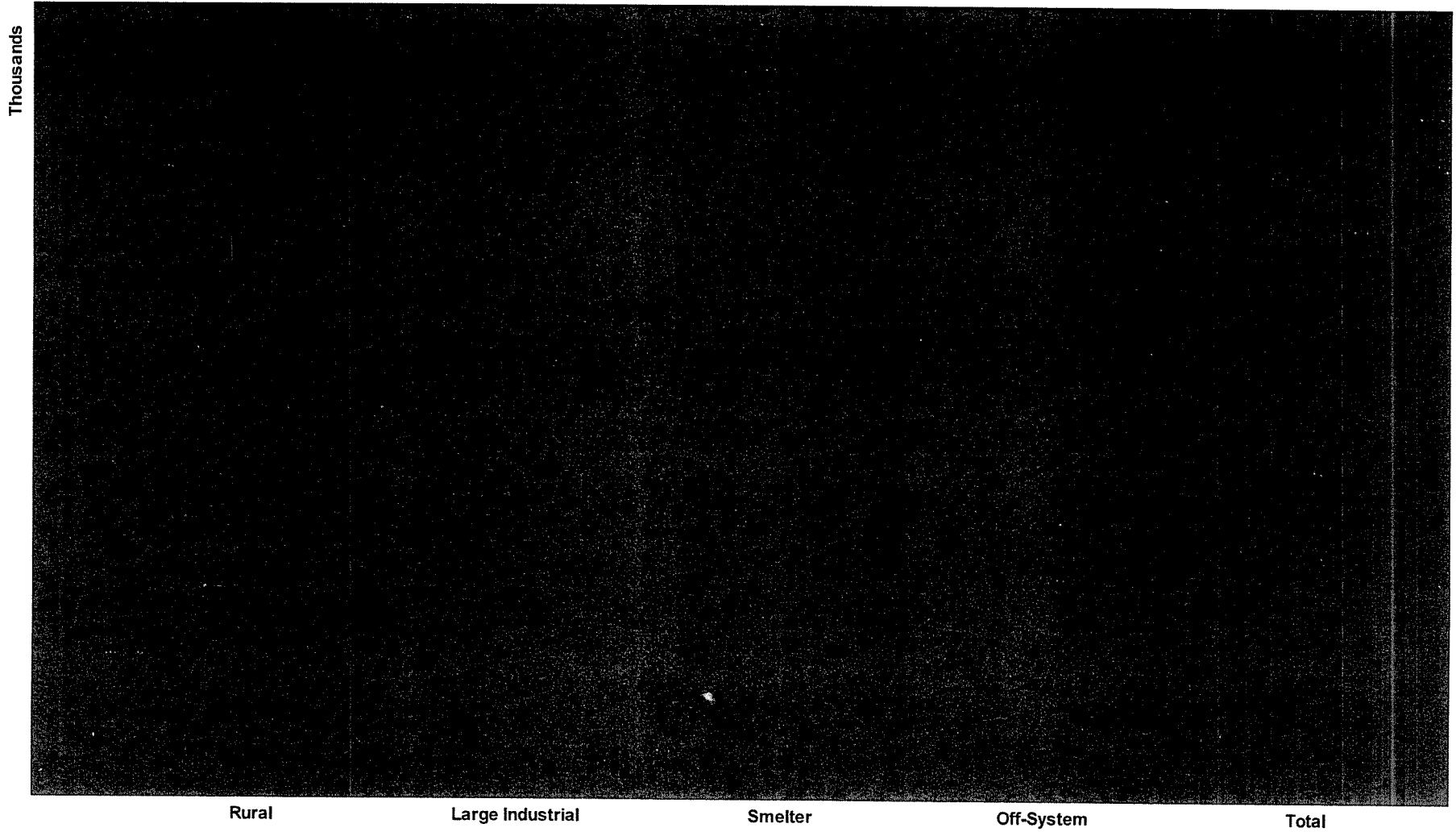
■ Favorable

■ Budget

■ Unfavorable

□ Prior Year

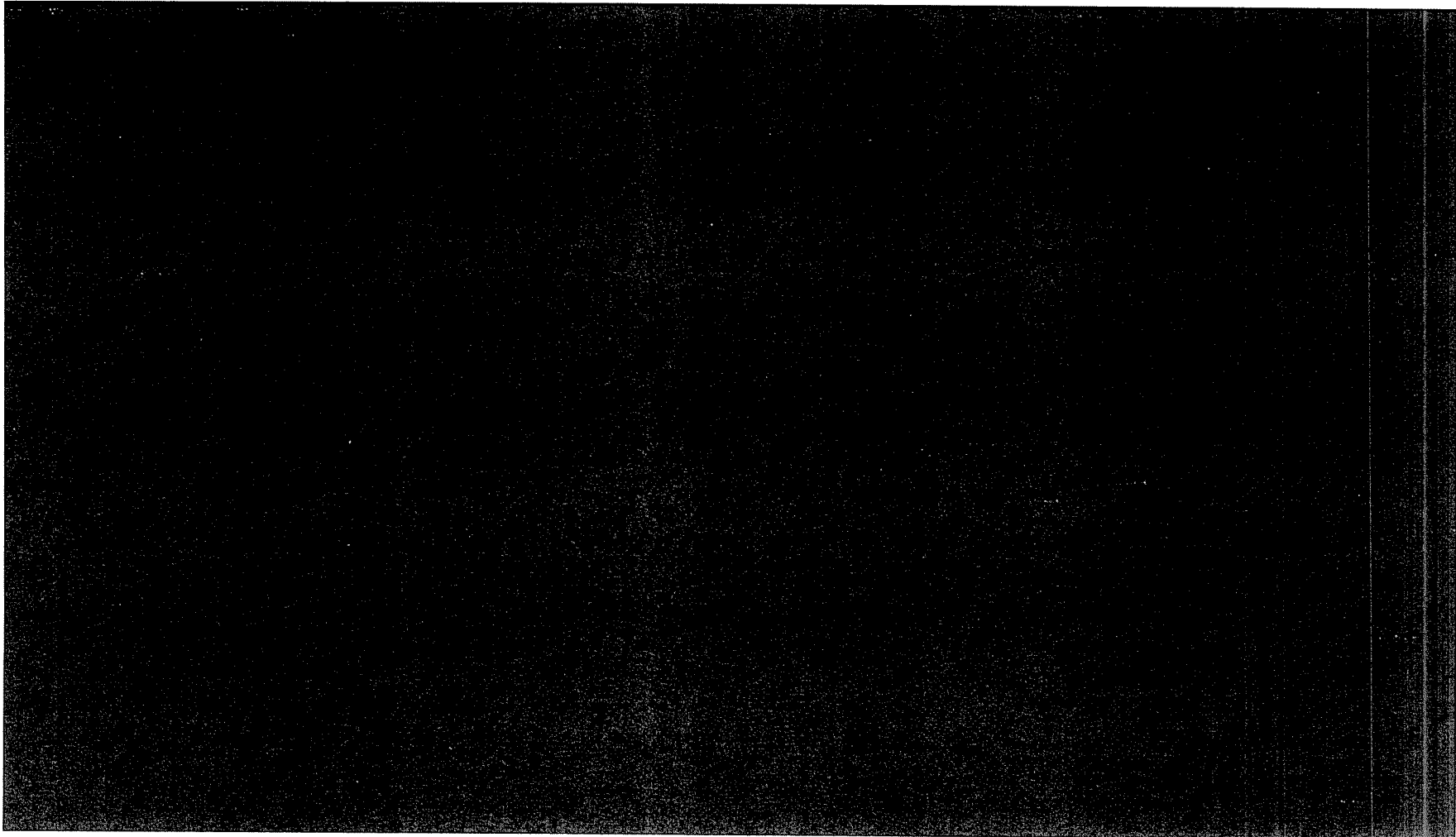
Power Cost YTD - March



- Favorable
- Budget
- Unfavorable
- Prior Year

Sales Margin - \$/MWh YTD - March

REDACTED

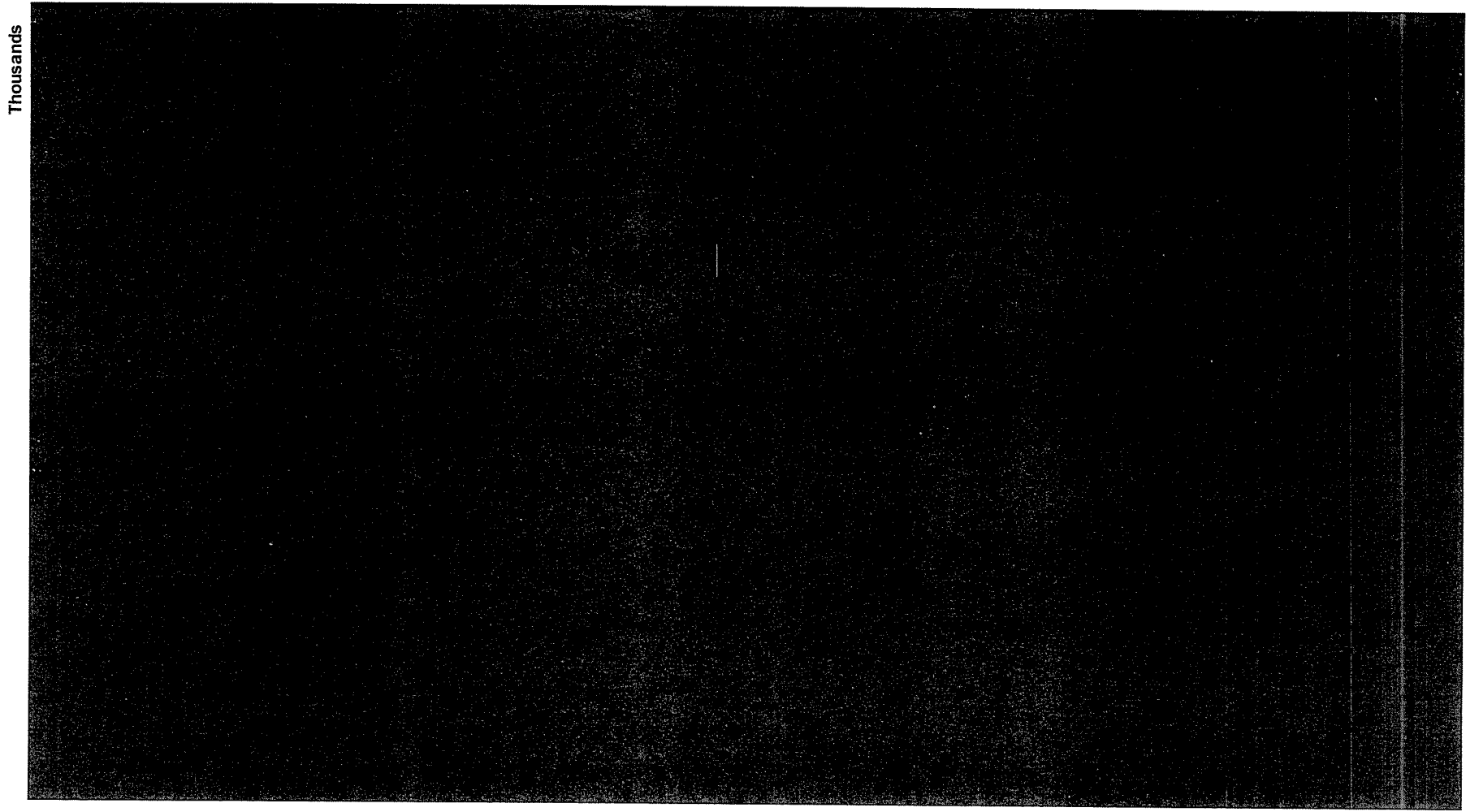


Member (Non-Smelter) Smelter Off-System/Other Weighted Avg.

- Favorable ■ Budget
- Unfavorable □ Prior Year

Sales Margin YTD - March

REDACTED

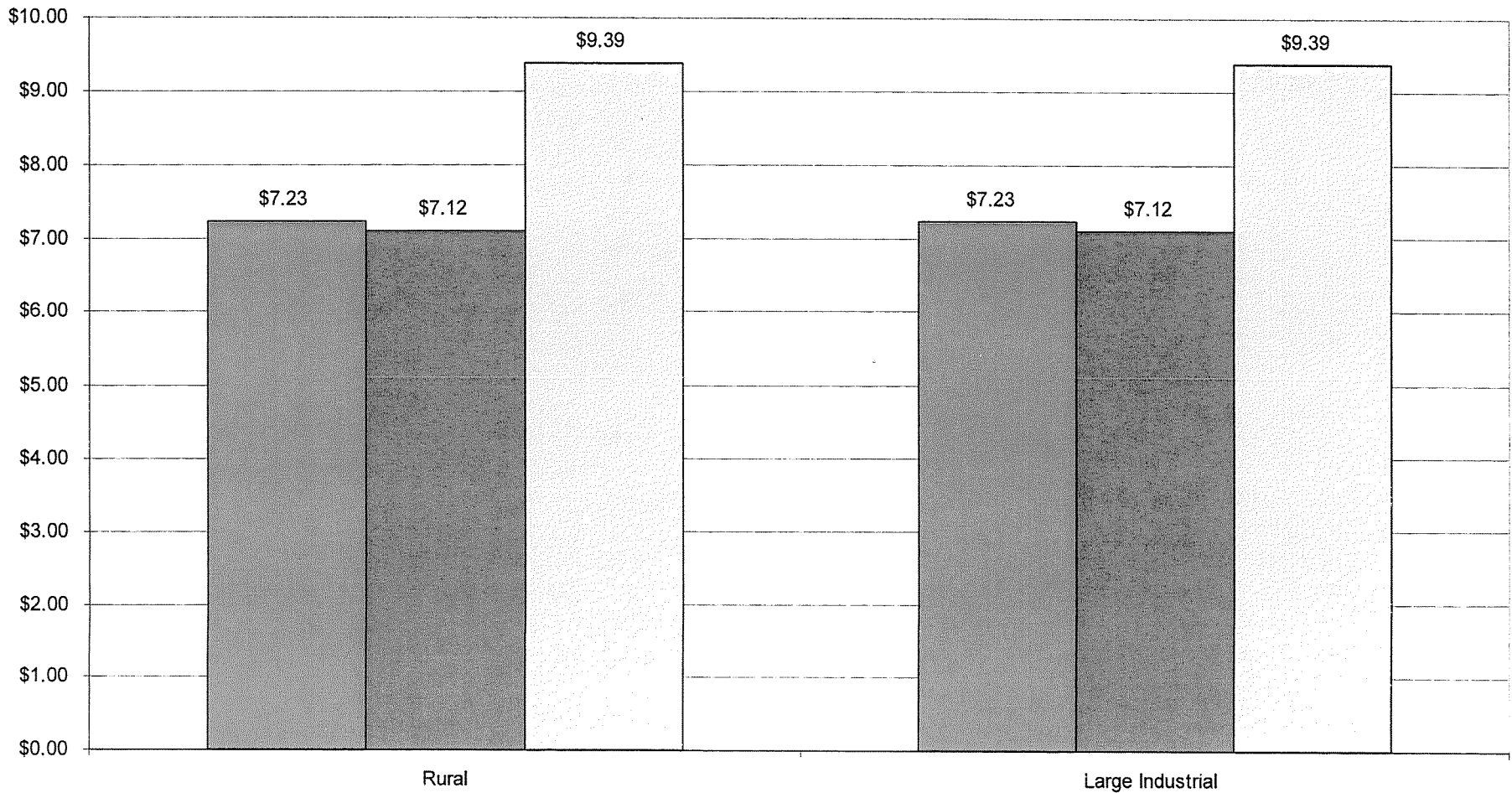


Thousands

Rural Large Industrial Smelter Off-System/Other Total

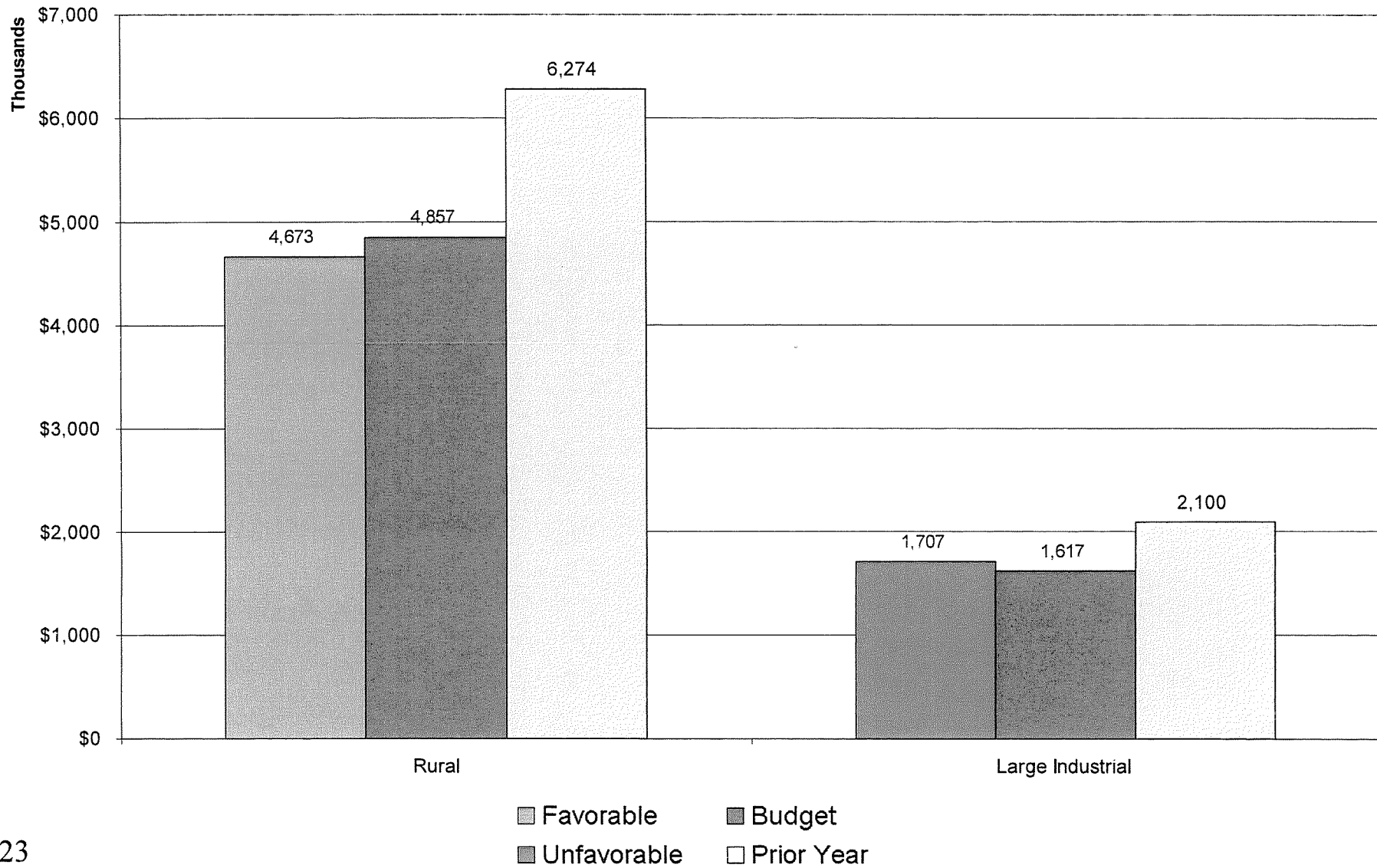
- Favorable ■ Budget
- Unfavorable □ Prior Year

MRSM - \$/MWh YTD - March

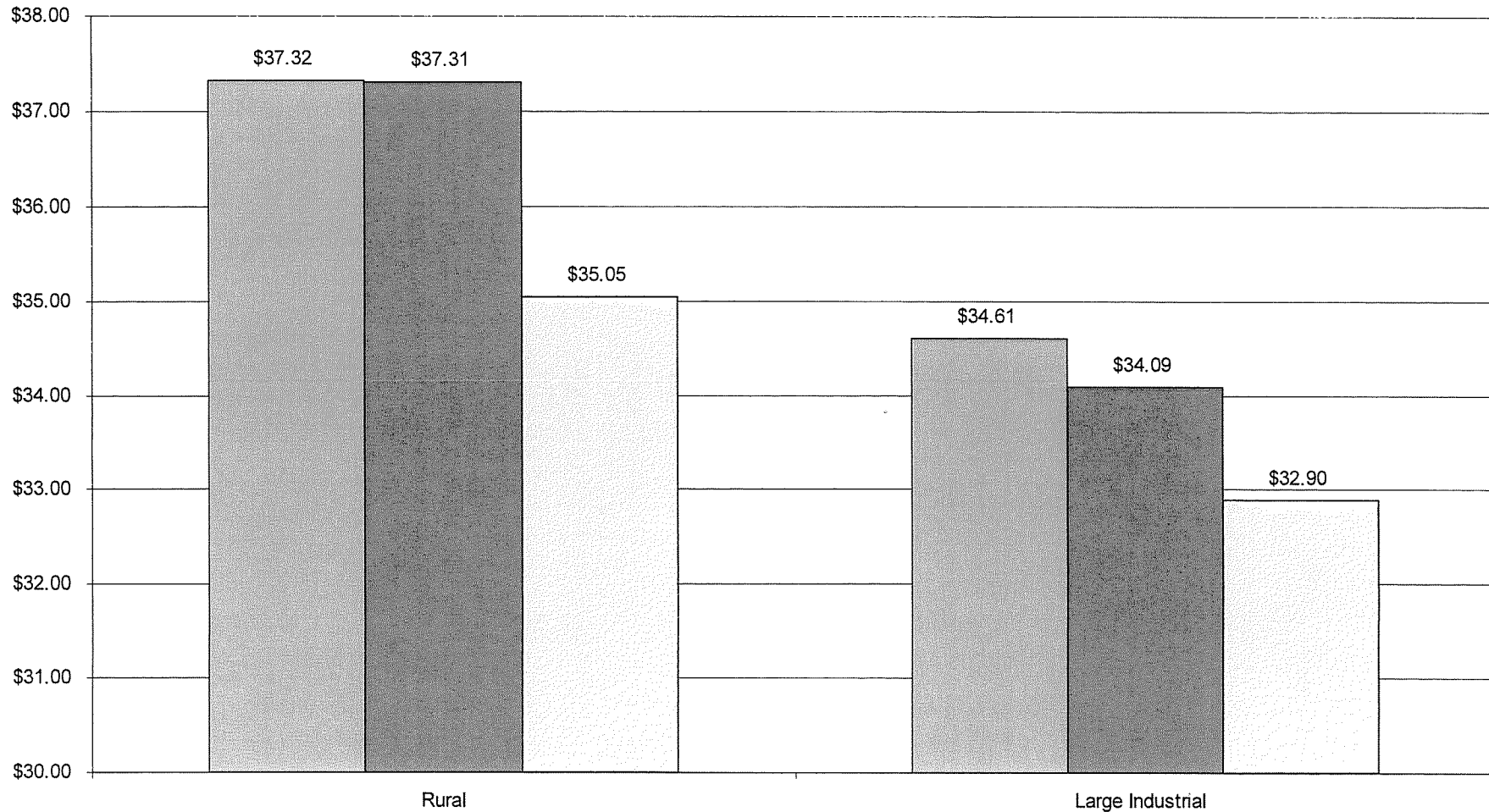


Favorable
 Budget
 Unfavorable
 Prior Year

MRSM YTD - March

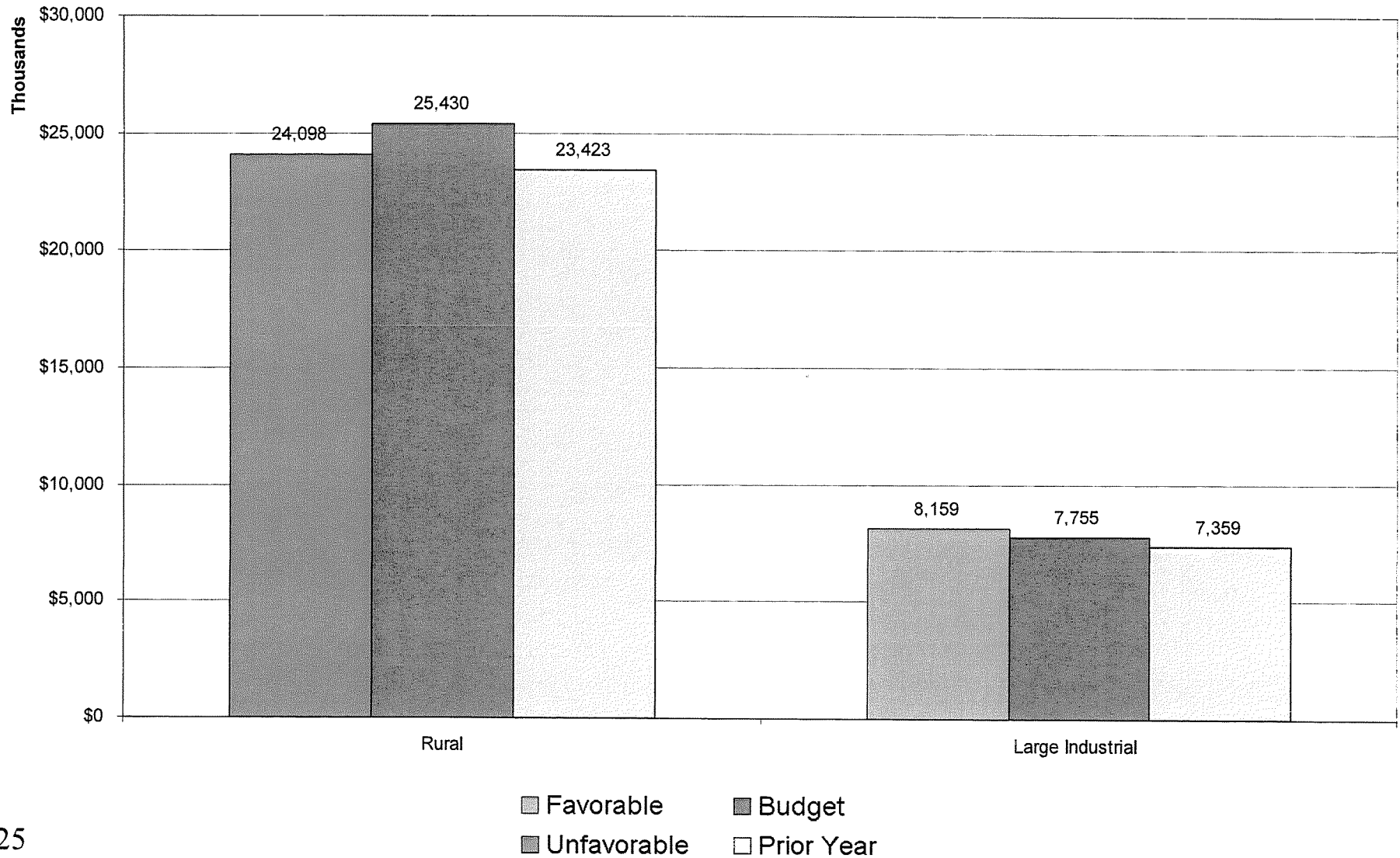


Net Revenue (Excl. MRSM) - \$/MWh YTD - March



Favorable
 Budget
 Unfavorable
 Prior Year

Net Revenue (Excl. MRSM) YTD - March



Other Operating Revenue and Income

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
March YTD	624	6	618	3,368	(2,744)

Favorable to Budget due to (intentional) omission of power supply transmission reservation. Unfavorable to prior year due to a lower power supply transmission reservation.

Operation Expense – Transmission

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
March YTD	2,830	4,238	1,408	1,994	(836)

Favorable to budget primarily due to 1) lower than anticipated MISO related expenses \$687, 2) unfilled positions and more labor capitalized than budgeted \$337, and 3) various stations and lines fixed departmental expenses \$384.

Unfavorable to prior year due to MISO membership.

Operation Expense – Administrative & General

	2011		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
March YTD	6,796	6,160	(636)


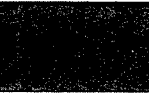
Unfavorable to budget primarily due to (a) labor expenses \$209, (b) IT expenses for HP and Oracle \$322, and (c) outside professional services for the rate case \$102.

Additional Notes: HP costs are unfavorable due to Oracle R12 not yet being at “steady state”. The E.ON IT Support Services Agreement was not terminated until 1/15/11 (Originally planned for 11/30/2010). The Oracle maintenance contract was budgeted throughout the year (timing).




REDACTED

Maintenance Expense – Production

	<u>2011</u> <u>Actual</u>	<u>2010</u> <u>Actual</u>	<u>Variance</u> <u>Fav/(Unfav)</u>
March YTD			(2,442)

Unfavorable to prior year due to higher planned maintenance activities this year, the planned outage at Wilson and higher unplanned outages at Green and Coleman.



Your Touchstone Energy[®] Cooperative 

Financial Report
April 2011
(\$ in Thousands)

Board Meeting Date: June 17, 2011



Summary of Operations YTD April

	2011			2010	
	Actual	Budget *	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	178,664	176,592	2,072	175,892	2,772
Cost of Electric Service	179,592	174,967	(4,625)	168,802	(10,790)
Operating Margins	(928)	1,625	(2,553)	7,090	(8,018)
Interest Income/Other	196	223	(27)	134	62
Net Margins - YTD	(732)	1,848	(2,580)	7,224	(7,956)

* Budget Revenues and Cost of Electric Service revised to remove the power supply transmission reservation (off-setting).



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Statement of Operations – April Variance to Budget

	Current Month			Year-to-Date			Explanation
	Actual	Budget	Variance Fav/(UnFav)	Actual	Budget	Variance Fav/(UnFav)	
ELECTRIC ENERGY REVENUES	44,069	40,533	3,536	177,670	176,584	1,086	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	370	2	368	994	8	986	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	44,439	40,535	3,904	178,664	176,592	2,072	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	3,955	5,140	1,185	16,104	20,517	4,413	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-PRODUCTION-FUEL	19,417	16,877	(2,540)	75,743	68,659	(7,084)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	8,680	6,820	(1,860)	34,542	28,585	(5,957)	[A] Pages 7, 12-14, 27
OPERATION EXPENSE-TRANSMISSION	1,185	1,201	16	4,016	5,439	1,423	[B] Page 28
CONSUMER SERVICE & INFORMATIONAL EXPENSE	34	70	36	134	310	176	
OPERATION EXPENSE-SALES	(6)	53	59	(6)	339	345	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,958	2,243	285	8,754	8,403	(351)	
TOTAL OPERATION EXPENSE	35,223	32,404	(2,819)	139,287	132,252	(7,035)	
MAINTENANCE EXPENSE-PRODUCTION	2,726	4,144	1,418	12,143	14,130	1,987	[B], [C] Page 29
MAINTENANCE EXPENSE-TRANSMISSION	397	241	(156)	1,321	1,027	(294)	
MAINTENANCE EXPENSE-GENERAL PLANT	25	14	(11)	28	39	11	
TOTAL MAINTENANCE EXPENSE	3,148	4,399	1,251	13,492	15,196	1,704	
DEPRECIATION & AMORTIZATION EXPENSE	2,877	2,994	117	11,558	11,907	349	
TAXES	66	21	(45)	63	83	20	
INTEREST ON LONG-TERM DEBT	3,770	3,874	104	15,380	15,507	127	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(16)	(61)	(45)	(337)	(105)	232	
OTHER INTEREST EXPENSE	0	21	21	59	82	23	
OTHER DEDUCTIONS	14	11	(3)	90	45	(45)	
TOTAL COST OF ELECTRIC SERVICE	45,082	43,663	(1,419)	179,592	174,967	(4,625)	
OPERATING MARGINS	(643)	(3,128)	2,485	(928)	1,625	(2,553)	
INTEREST INCOME	9	32	(23)	94	127	(33)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	5	0	5	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	96	(96)	97	96	1	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	(634)	(3,000)	2,366	(732)	1,848	(2,580)	

Explanations: [A] Net Sales Margin, [B] 10% and \$250,000 line item or [C] 10% and \$500,000 margins.



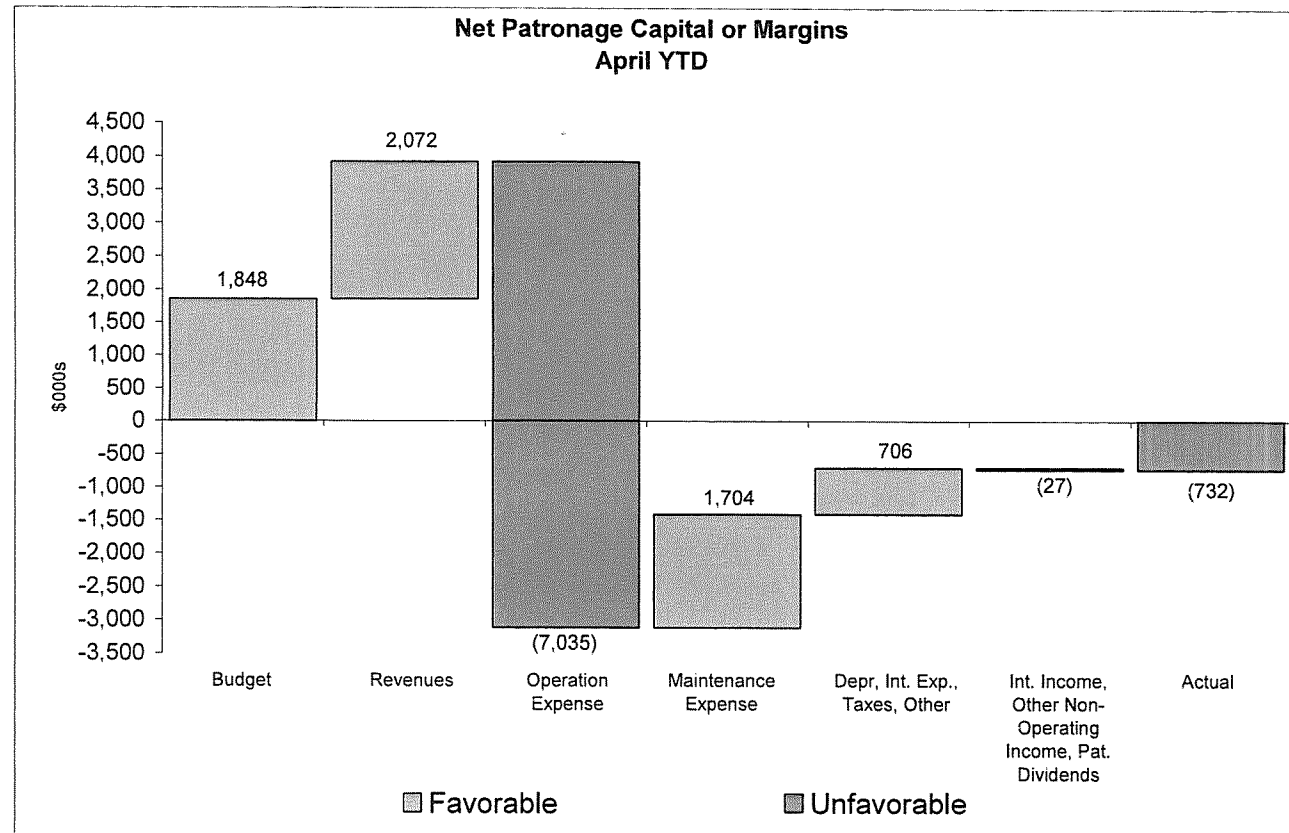
Your True Energy Cooperative

Statement of Operations – April Variance to Prior-Year

	Current Month			Year-to-Date			
	Actual	Prior Year	Variance Fav/(UnFav)	Actual	Prior Year	Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	44,069	44,019	50	177,670	171,384	6,286	[A] Pages 7, 12-14
INCOME FROM LEASED PROPERTY - NET	0	0	0	0	0	0	
OTHER OPERATING REVENUE AND INCOME	370	1,070	(700)	994	4,508	(3,514)	[B], [C] Page 26
TOTAL OPER REVENUES & PATRONAGE CAPITAL	44,439	45,089	(650)	178,664	175,892	2,772	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	3,955	4,431	476	16,104	16,671	567	[A] Pages 7, 12-14
OPERATION EXPENSE-PRODUCTION-FUEL	19,417	17,192	(2,225)	75,743	69,816	(5,927)	[A] Pages 7, 12-14
OPERATION EXPENSE-OTHER POWER SUPPLY	8,680	7,680	(1,000)	34,542	31,617	(2,925)	[A] Pages 7, 12-14, [B] 26
OPERATION EXPENSE-TRANSMISSION	1,185	713	(472)	4,016	2,575	(1,441)	[B] Page 27
CONSUMER SERVICE & INFORMATIONAL EXPENSE	34	53	19	134	179	45	
OPERATION EXPENSE-SALES	(7)	21	28	(6)	(4)	2	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	1,958	2,709	751	8,754	9,773	1,019	
TOTAL OPERATION EXPENSE	35,222	32,799	(2,423)	139,287	130,627	(8,660)	
MAINTENANCE EXPENSE-PRODUCTION	2,726	2,700	(26)	12,143	9,541	(2,602)	[B],[C] Page 29
MAINTENANCE EXPENSE-TRANSMISSION	397	378	(19)	1,321	1,242	(79)	
MAINTENANCE EXPENSE-GENERAL PLANT	26	15	(11)	28	83	55	
TOTAL MAINTENANCE EXPENSE	3,149	3,093	(56)	13,492	10,866	(2,626)	
DEPRECIATION & AMORTIZATION EXPENSE	2,877	2,824	(53)	11,558	11,302	(256)	
TAXES	66	1	(65)	63	66	3	
INTEREST ON LONG-TERM DEBT	3,770	4,133	363	15,380	16,013	633	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(16)	(17)	(1)	(337)	(108)	229	
OTHER INTEREST EXPENSE	0	1	1	59	22	(37)	
OTHER DEDUCTIONS	14	6	(8)	90	14	(76)	
TOTAL COST OF ELECTRIC SERVICE	45,082	42,840	(2,242)	179,592	168,802	(10,790)	
OPERATING MARGINS	(643)	2,249	(2,892)	(928)	7,090	(8,018)	
INTEREST INCOME	9	29	(20)	94	111	(17)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	2	(2)	5	10	(5)	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	0	13	(13)	97	13	84	
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	(634)	2,293	(2,927)	(732)	7,224	(7,956)	

Explanations: [A] Net Sales Margin, [B] 10% and \$250,000 line item or [C] 10% and \$500,000 margins.

Variance Analysis Summary

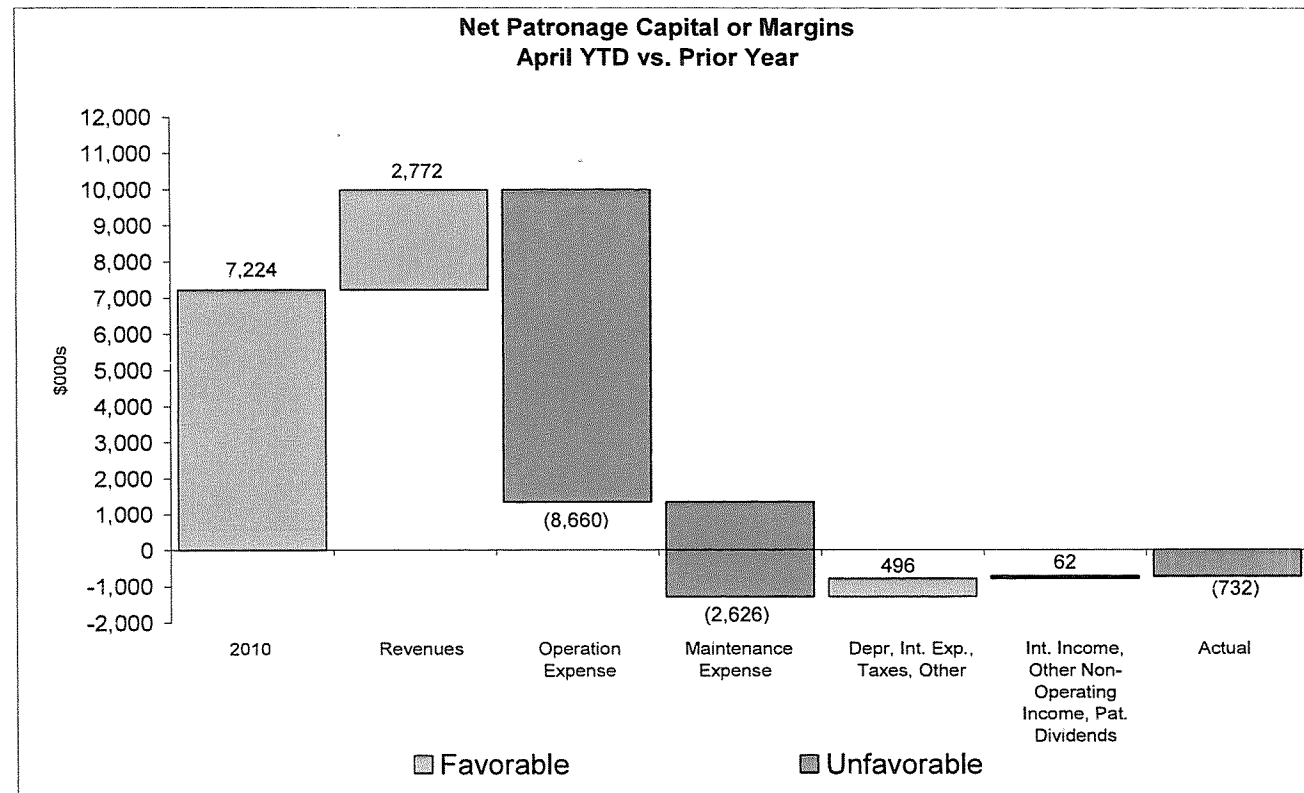


Financial Commentary

Year-to-Date

- YTD April 2011 Margins were \$2,580 unfavorable to budget.
 - Electric Energy Revenues were favorable \$1,086 primarily due to higher off-system volume (see pg. 12).
 - Other Revenue was favorable \$986 (see pg. 26).
 - Operation Expense was unfavorable \$7,035 – driven by higher variable costs \$8,304, partially offset by the reduction in scope of the HMPL 1 planned outage and favorable timing of operating expenses at Station Two and transmission (see pgs. 13, 27 and 28).
 - Maintenance Expense was favorable \$1,704 primarily due timing of plant expenses (see pg. 29).
 - Depreciation and Interest Expense was favorable \$706 due to lower depreciation and higher capitalized interest.

Variance Analysis Summary



Financial Commentary

Year-to-Date

- YTD 2011 margins were \$7,956 unfavorable to YTD April 2010.
 - Electric Energy Revenues were favorable \$6,286 primarily due to higher off-system volumes (see pg. 12).
 - Other Revenue was unfavorable \$3,514 primarily due to a lower power supply transmission reservation, which is off-set in Operations Expense – Other Power Supply (see pg. 26).
 - Operation Expense was unfavorable \$8,660 – driven by higher variable costs \$11,252, partially offset by lower transmission reservation (see pg. 13) and lower administrative costs.
 - Maintenance Expense was unfavorable \$2,626 primarily due to unplanned outages at Coleman and Green this year, the planned outage at Wilson this year and higher planned maintenance activities at the plants (pg. 29).
 - Depreciation and Interest Expense combined was lower \$496

Member Rate Stability Mechanism April

	<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>		<u>Actual</u> <u>2011</u>	<u>Budget</u> <u>2011</u>	<u>2011</u> <u>Variance</u>	<u>Actual</u> <u>2010</u>	<u>2010</u> <u>Variance</u>
<u>MRSM - \$/MWh</u>						<u>Net Revenue - \$/MWh</u>					
Rural	(7.14)	(6.87)	(0.27)	(9.08)	1.94	Rural	37.59	37.56	0.03	35.27	2.32
Large Industrial	(7.14)	(6.87)	(0.27)	(9.08)	1.94	Large Industrial	34.78	34.38	0.40	32.74	2.04
Total	(7.14)	(6.87)	(0.27)	(9.08)	1.94	Total	36.80	36.73	0.07	34.58	2.22
<u>MRSM - Thousands of \$</u>						<u>Net Revenue - Thousands of \$</u>					
Rural	(5,661)	(5,826)	165	(7,354)	1,693	Rural	29,796	31,873	(2,077)	28,545	1,251
Large Industrial	(2,220)	(2,075)	(145)	(2,741)	521	Large Industrial	10,817	10,374	443	9,879	938
Total	(7,881)	(7,901)	20	(10,095)	2,214	Total	40,613	42,247	(1,634)	38,424	2,189

Economic Reserve Balance

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Original Deposit	\$ 157,000		
Interest Earnings	2,210		
Withdrawals	<u>(45,923)</u>		
Cumulative through April 30 th	\$ 113,287	\$ 114,481	\$ (1,194)

Cash & Temporary Investments

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>	2010	<u>Actual</u>	<u>Fav/(Unfav)</u>
April 30th	61,501	29,879	31,622		50,815	10,686

The April 30th, 2011 cash balance compared to budget is favorable primarily due to lower capital expenditures \$16,116 and a reduction in fuel inventory \$18,000, partially offset by lower YTD margins \$2,580.

The April 30th, 2011 cash balance compared to prior year is favorable primarily due to voluntarily prepaying the RUS Series A Note during 2010.

Note: 5.75% RUS Series A Note, prepaid status as of 5/1/11: voluntary = 478; Transition Reserve = 35,000

<u>Lines of Credit</u> <u>As of April 30th</u>	
Original Amount	\$ 100,000
Letters of Credit Outstanding	(5,604)
Advances Outstanding	0
Available Lines of Credit	\$ 94,396

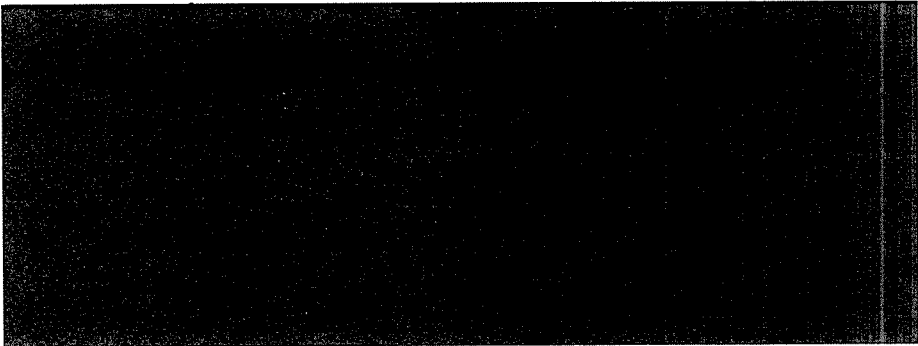
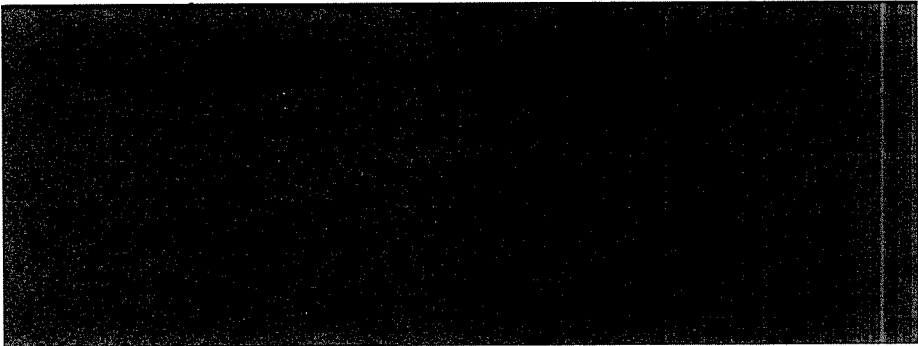
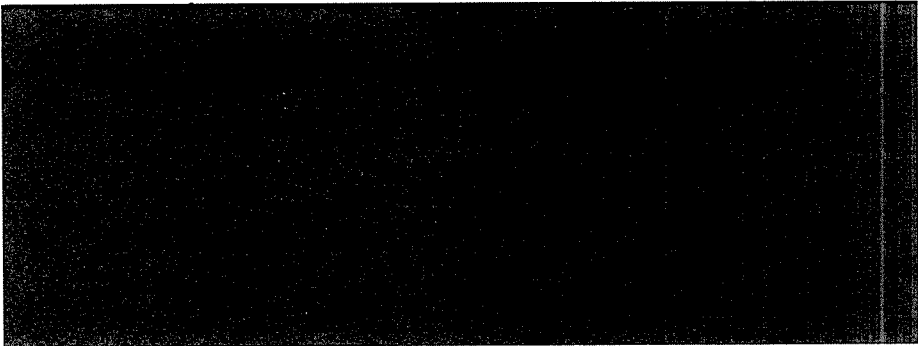
North Star – YTD April

	2011			2010	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service			1,729		(10,790)
Other Operating Revenues & Income	(982)	(6,361)	(5,379)	(4,508)	(3,526)
Off-System Sales					
Interest Income	(94)	(127)	(33)	(111)	(17)
Other Non-Operating Income	(5)	0	5	(10)	(5)
Other Capital Credits & Pat. Dividends	(97)	(96)	1	(13)	84
	143,378	150,069	6,691	132,807	(10,571)
Member MWh	3,280,005	3,547,251	(267,246)	3,204,120	75,885
North Star - \$/kWh					



REDACTED

TIER

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(Unfav)</u>
Interest on Long Term Debt	15,337	15,507	170
Net Margins			
TIER (4 months ending 4/30)			
TIER (12 months ending 4/30)			

Notes:

TIER = (Net Margins + Interest on Long-Term Debt) divided by Interest on Long-Term Debt

Capital Expenditures*

	Actual	Budget	Fav/(UnFav)
IT	411	270	(141)
Generation	4,506	14,778	10,272
Transmission	1,551	5,970	4,419
Other	317	1,883	1,566
Total	6,785	22,901	16,116

Explanation:

IT unfavorable due to on-going Oracle “steady-state” issues; continue to capitalize certain costs.

Generation favorable primarily due to the timing or cancellation of projects. Coleman was favorable \$3,230 due to the cancellation of several projects including Interposing Logic System Controls and control room upgrade. The delay of several projects including the C2 Aux Transformer and circulating water pump added to the favorability. Station Two was favorable \$2,890 due to reducing the scope of the HMPL 1 spring outage. Green Station was favorable \$2,294 due to several projects being moved to later in the year. These include FGD rehab , IUCS Controls, Sample & Analyzers and OFA Jordan drives. The Wilson facility was favorable \$1,858 due to the delay of the barge un-loader and the secondary air-heater work.

Transmission favorable primarily due to the timing of the Wilson Line 19F Terminal, Two-Way Radio Replacement and Paradise Terminal Upgrade.

Other favorable primarily due to the delay in purchasing the PCI Software, Operator Training Simulator and analyzers and a chromatograph for the Environmental Department.

* Gross of the City’s share of Station Two.



Your Touch. Our Energy. Cooperative.

**Revenue
YTD April**

REDACTED

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
MWh Sales					
Rural	792,638	848,440	(55,802)	809,509	(16,871)
Large Industrial	311,029	301,772	9,257	301,780	9,249
Smelter	2,176,336	2,397,039	(220,703)	2,092,832	83,504
Off-System/Other					
Total					
Revenue - \$/MWh					
Rural	44.73	44.43	0.30	44.35	0.38
Large Industrial	41.92	41.25	0.67	41.82	0.10
Smelter	43.26	42.46	0.80	43.73	(0.47)
Off-System/Other					
Total					
Revenue - Thousands of \$					
Rural	35,457	37,699	(2,242)	35,899	(442)
Large Industrial	13,037	12,449	588	12,620	417
Smelter	94,140	101,767	(7,627)	91,512	2,628
Off-System/Other					
Total					

**Revenue Price / Volume Analysis
YTD April 2011**

	<u>Price / Volume</u>		
	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural	237	(2,479)	(2,242)
Large Industrial	206	381	587
Smelter	1,743	(9,369)	(7,626)
Off-System/Other			



Your Touchable Energy. Cooperative.

**Variable Operations Cost
YTD April**

REDACTED

	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
Variable Operations (VO) Cost - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
VO Cost - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

**YTD April 2011
Variable Operations Expense**

	<u>Actual</u>	<u>Budget</u>	<u>Fav/(UnFav)</u>	<u>Price Variance Fav/(UnFav)</u>	<u>Volume Variance Fav/(UnFav)</u>	<u>Fav/(UnFav)</u>
Reagent						
Fuel						
Purchased Power						
Non-FAC PPA (Non-Smelter)						



Your Touchstone Energy Cooperative

**Net Sales Margin
YTD April**

REDACTED

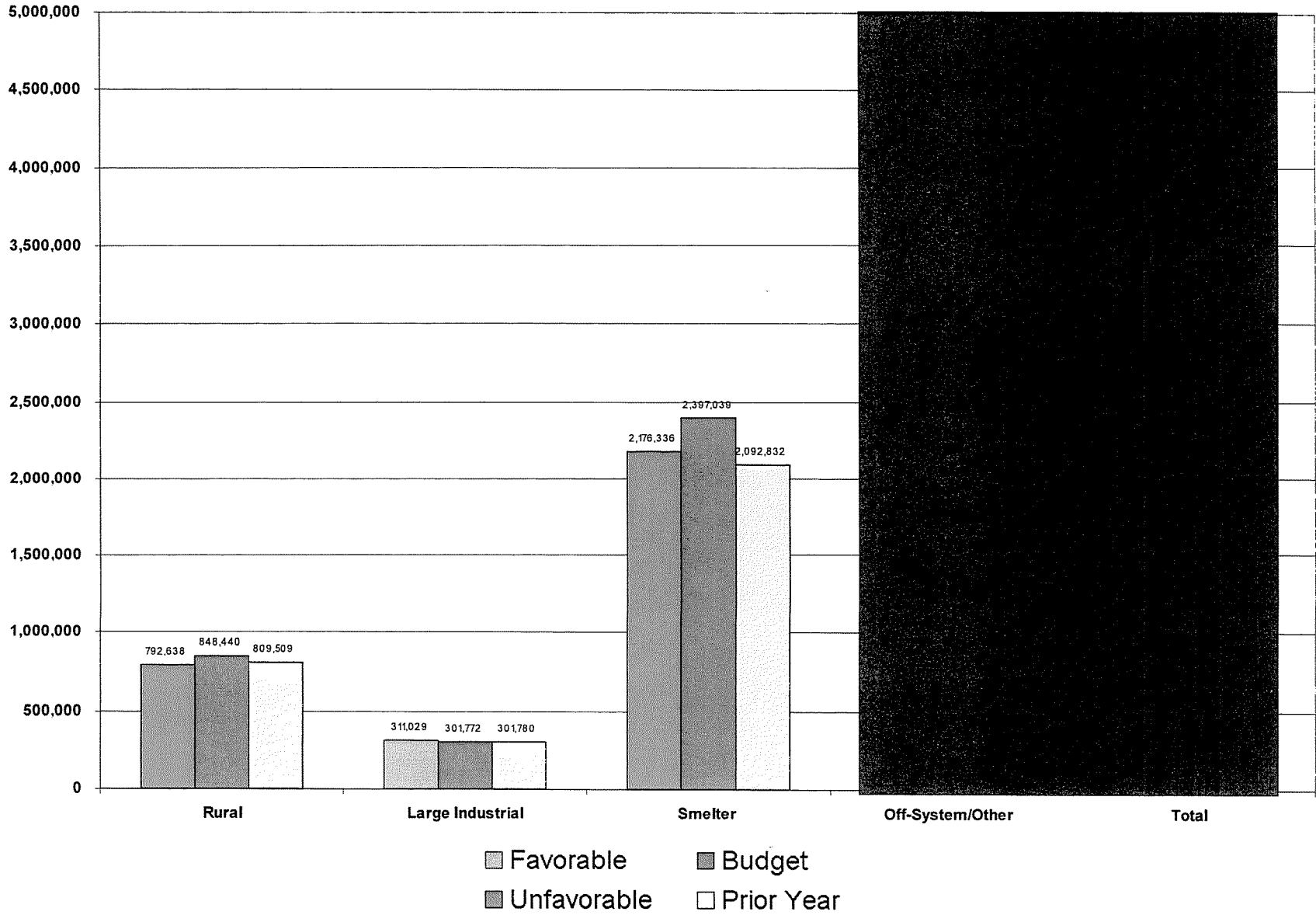
	<u>Actual 2011</u>	<u>Budget 2011</u>	<u>Variance</u>	<u>Actual 2010</u>	<u>2010 Variance</u>
Net Sales Margin - \$/MWh					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					
Net Sales Margin - Thousands of \$					
Rural					
Large Industrial					
Smelter					
Off-System/Other					
Total					

**Net Sales Margin
Price / Volume Analysis
YTD April 2011**

	<u>Price / Volume</u>		
	<u>Price</u>	<u>Volume</u>	<u>Total</u>
Rural			
Large Industrial			
Smelter			
Off-System/Other			

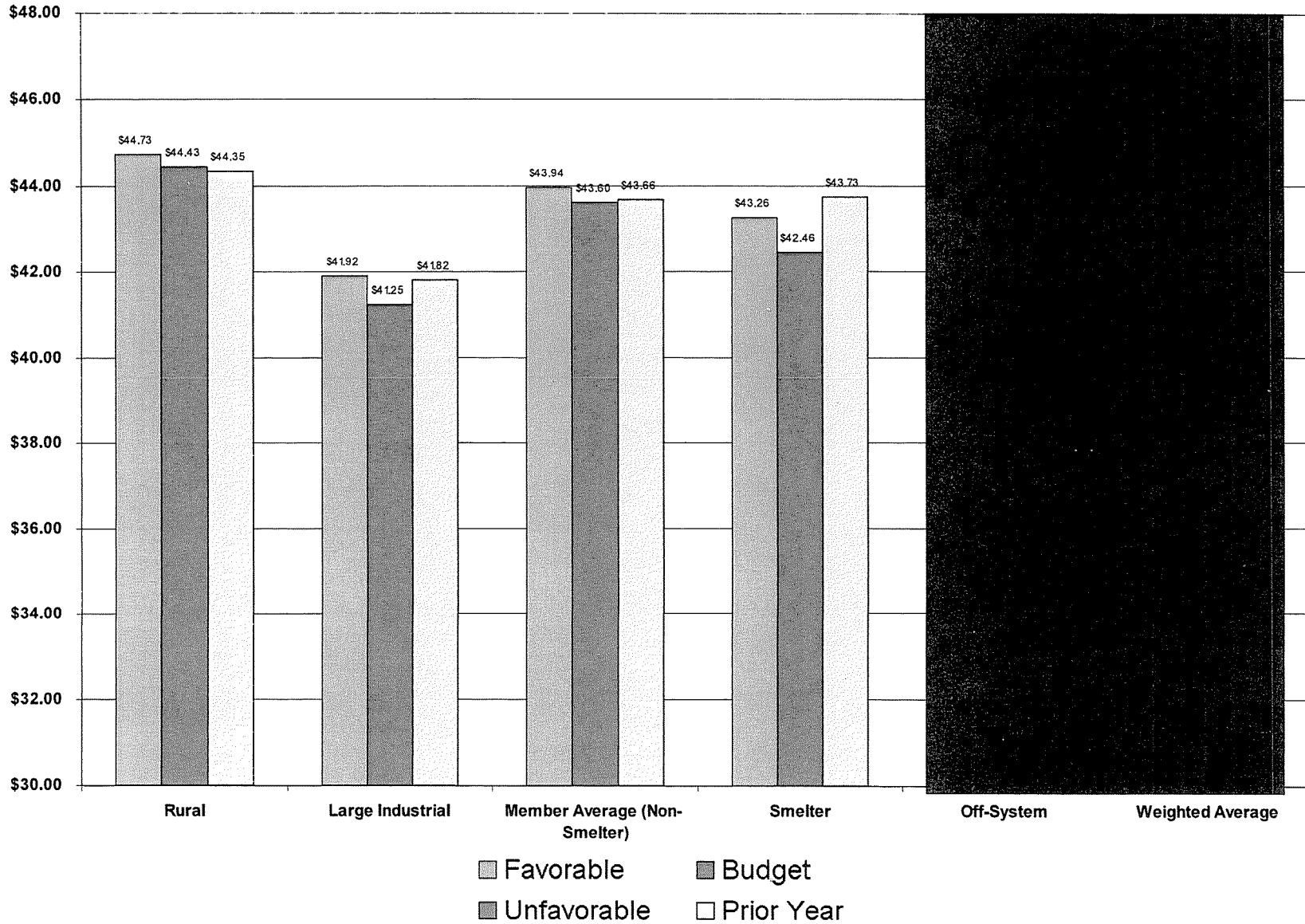
MWH Sales YTD - April

REDACTED



Revenue - \$/MWh Sold YTD - April

REDACTED

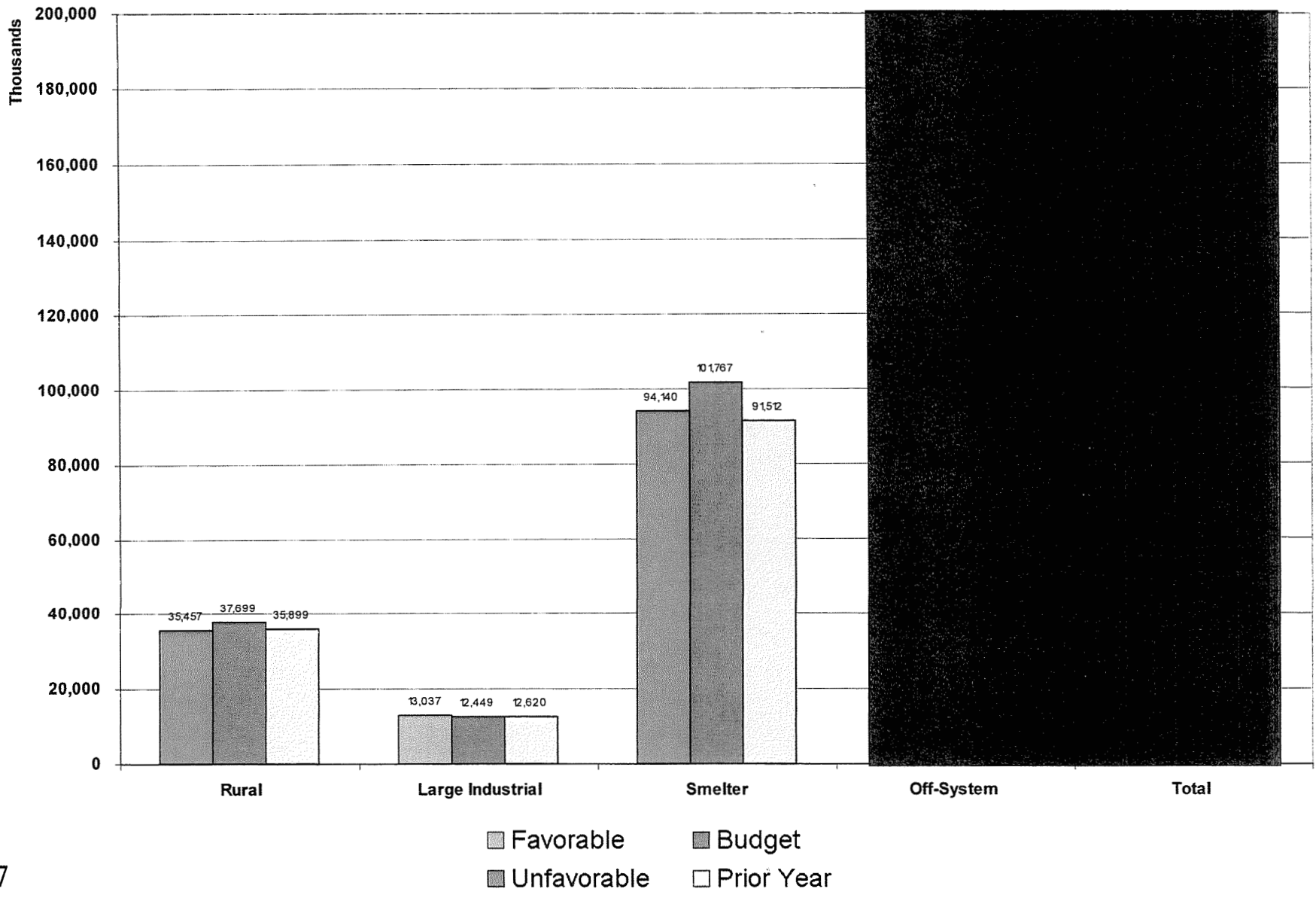




Your Trust in Energy Cooperative

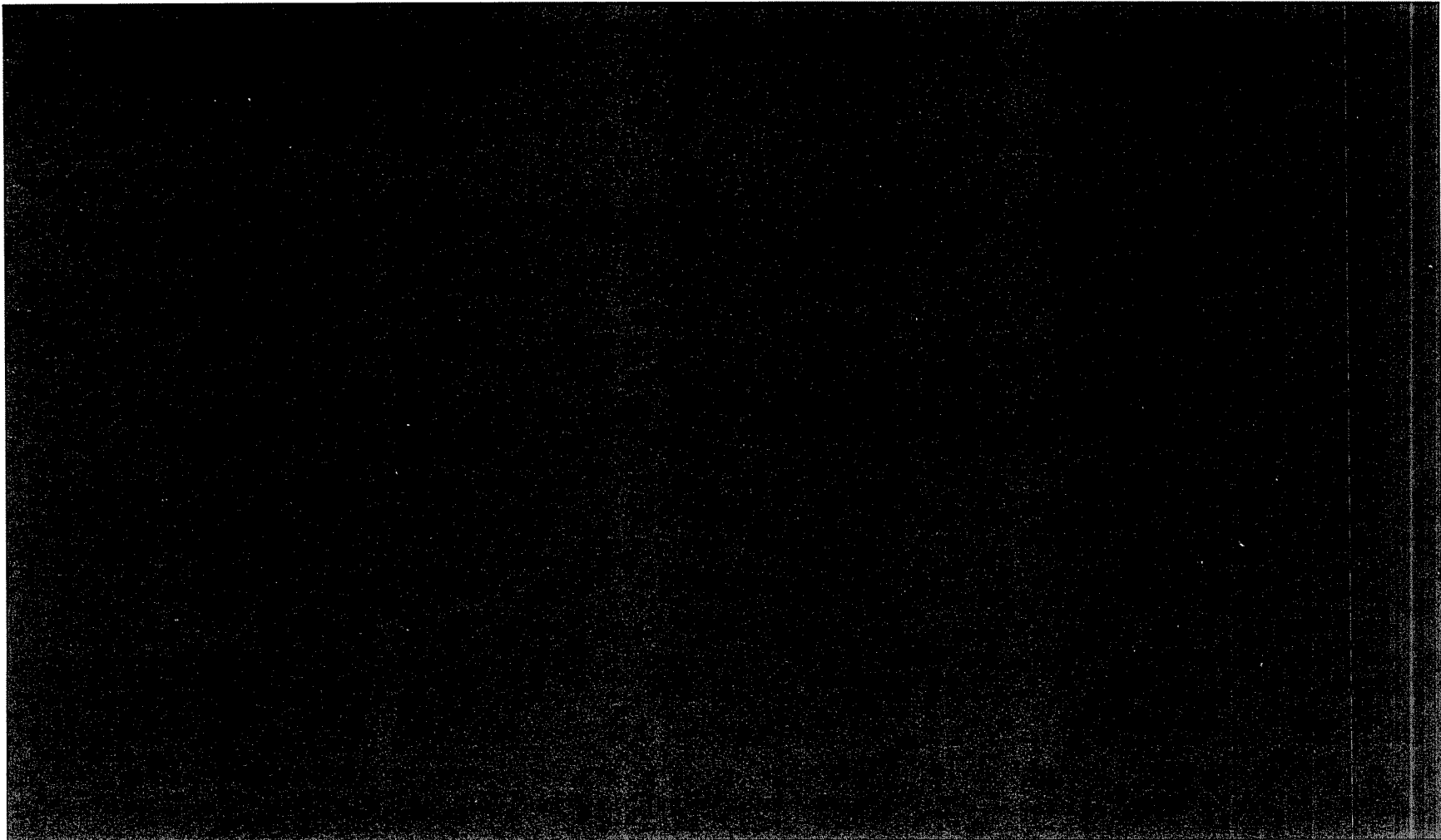
Revenue YTD - April

REDACTED



Power Cost - \$/MWh Sold YTD - April

REDACTED



Member (Non-Smelter)

Smelter

Off-System

Weighted Avg.

■ Favorable

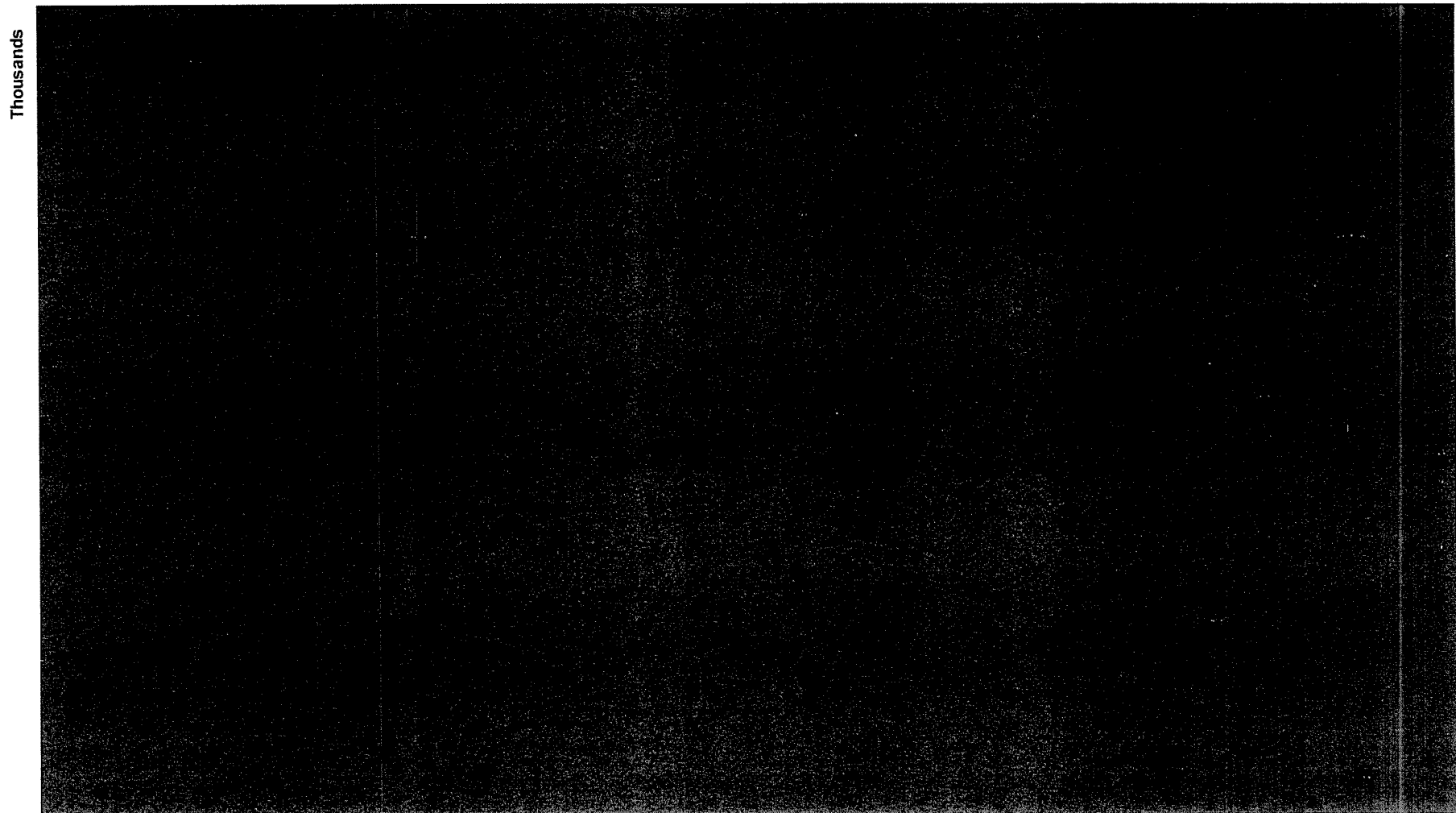
■ Budget

■ Unfavorable

□ Prior Year

Power Cost YTD – April

REDACTED



Thousands

Rural

Large Industrial

Smelter

Off-System

Total

□ Favorable

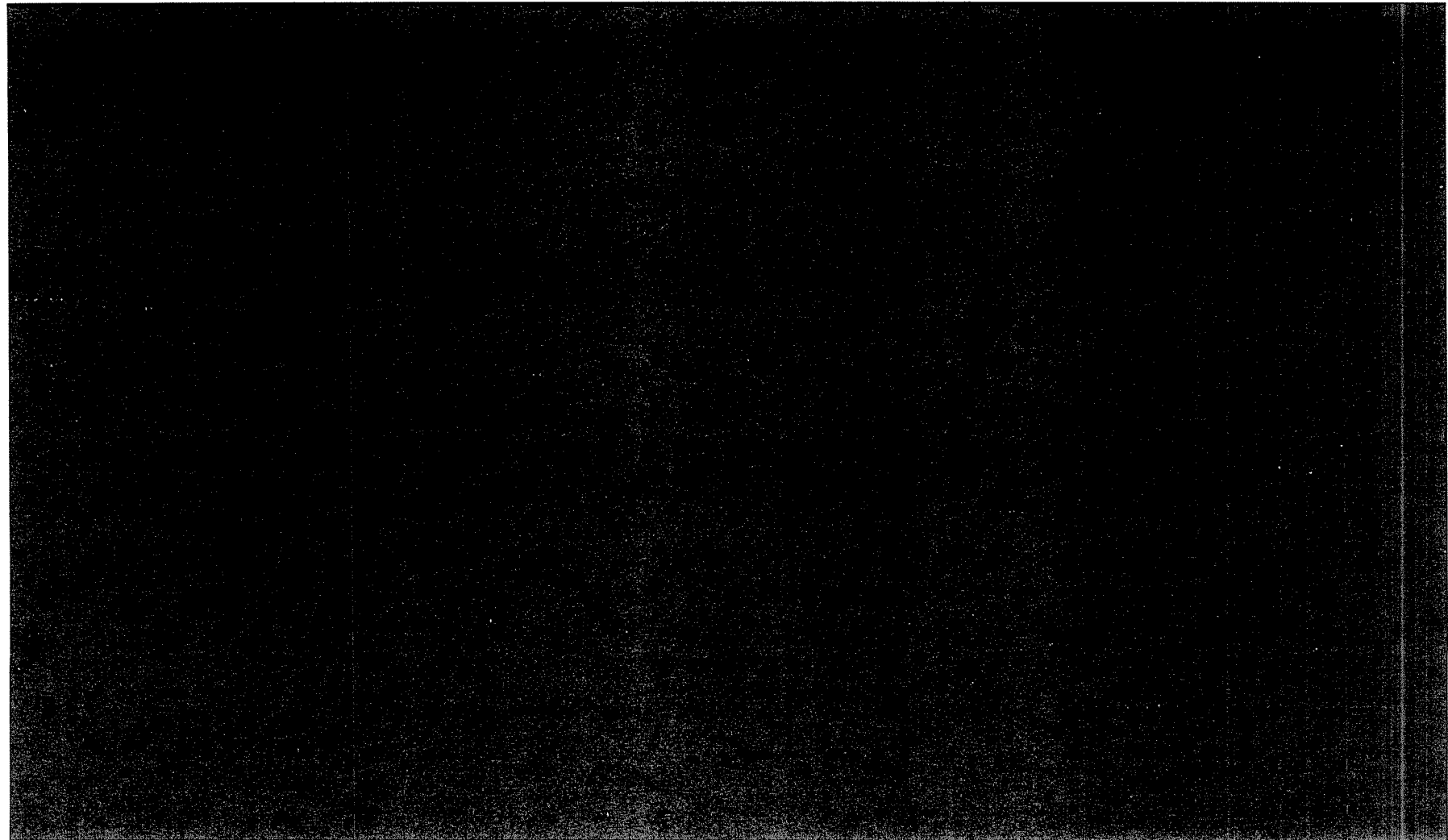
■ Budget

■ Unfavorable

□ Prior Year



Sales Margin - \$/MWh YTD - April



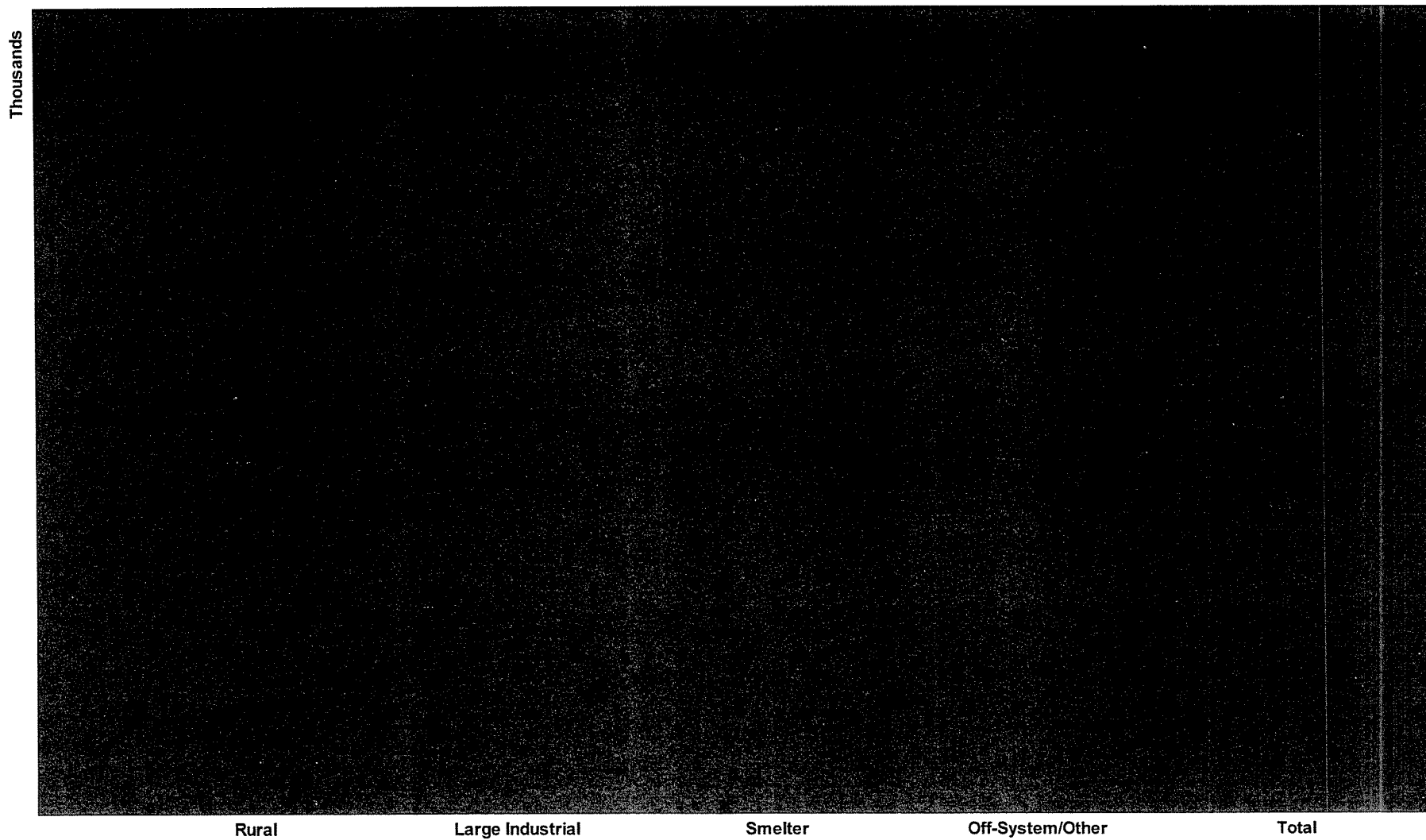
Member (Non-Smelter) Smelter Off-System/Other Weighted Avg.

- Favorable Budget
- Unfavorable Prior Year

Sales Margin

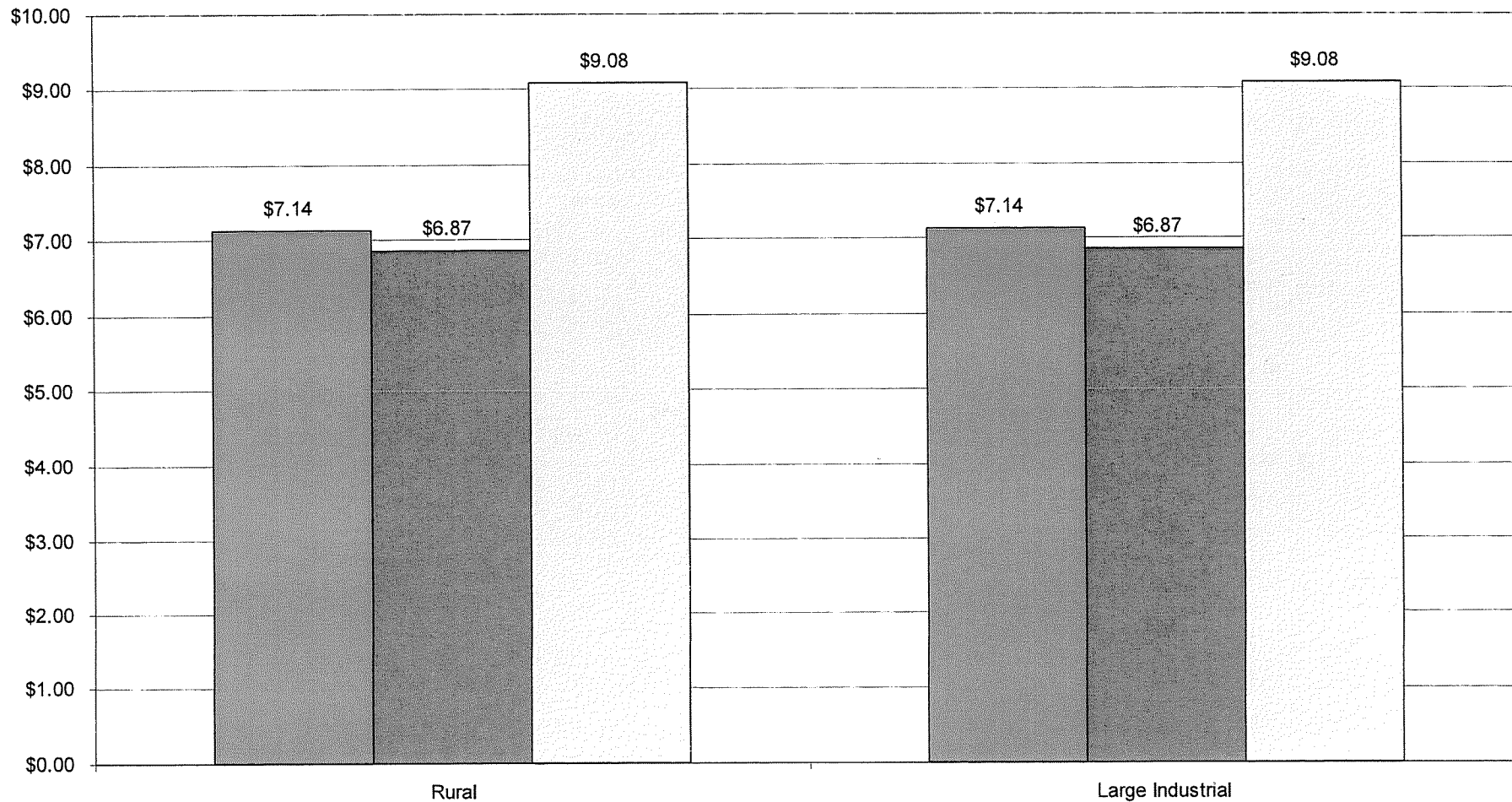
YTD - April

REDACTED



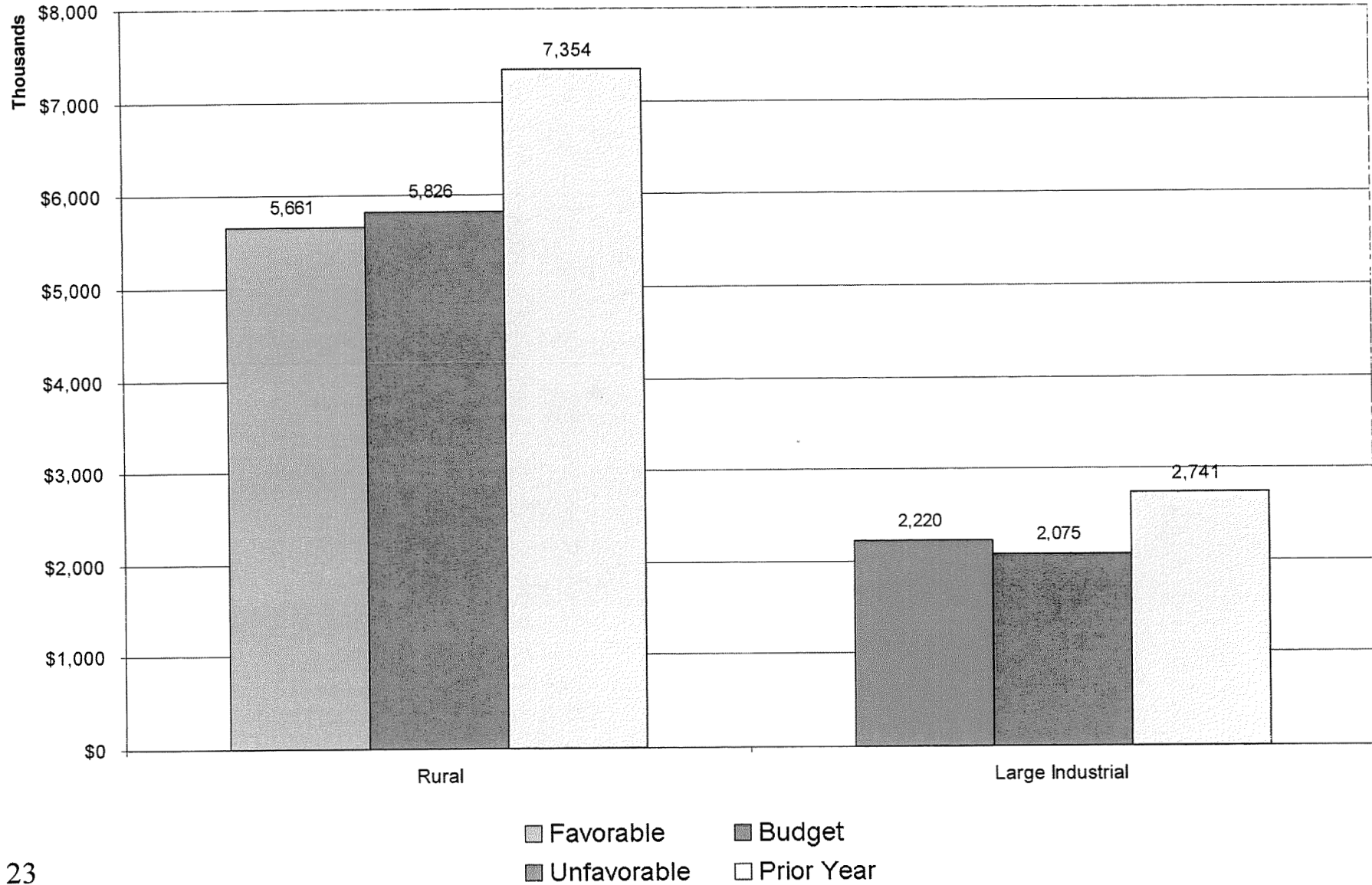
Favorable Budget
 Unfavorable Prior Year

MRSM - \$/MWh YTD - April

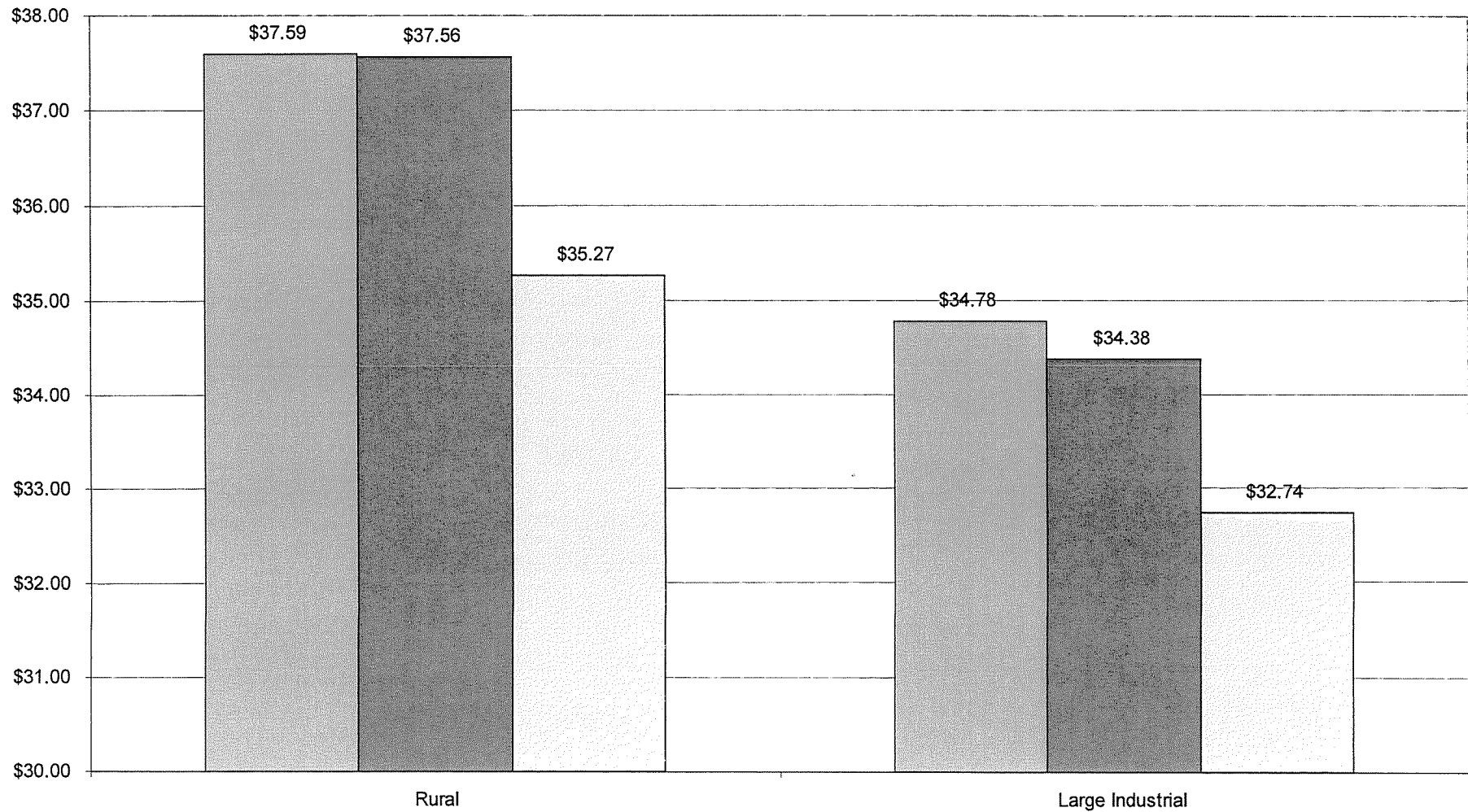


Favorable Budget
 Unfavorable Prior Year

MRSM YTD - April

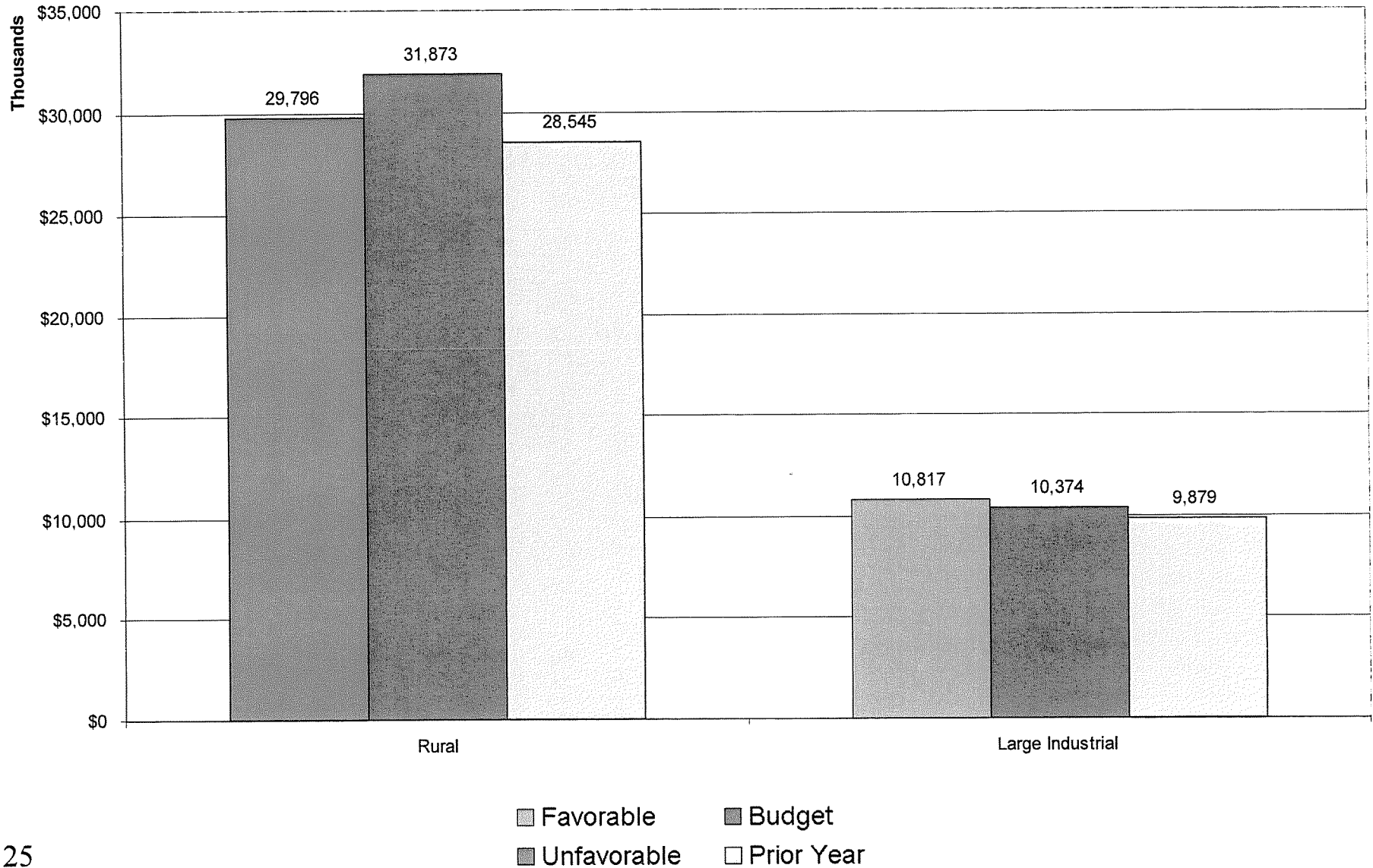


Net Revenue (Excl. MRSM) - \$/MWh YTD - April



Favorable Budget
 Unfavorable Prior Year

Net Revenue (Excl. MRSM) YTD - April



Other Operating Revenue and Income

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
April YTD	994	8	986	4,508	(3,514)

Favorable to Budget due to (intentional) omission of the power supply transmission reservation for off-system sales.

Unfavorable to prior year due to a lower power supply transmission reservation.



REDACTED

Non-Variable Production and Other Power Supply – Operations

2011		
	<u>Actual</u>	<u>Budget</u>
April YTD	[REDACTED]	1,264

<u>Fav/(UnFav)</u>
(1,828)
1,445
1,416
231
1,264

Power Supply transmission reservation for off-system sales
 HMPL 1 Outage scope reduction
 Timing of HMPL 1 outage and O&M expenses at Station Two
 Other

Non-Variable Production and Other Power Supply - Operations

Operation Expense – Transmission

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
April YTD	4,016	5,439	1,423	2,575	(1,441)

Favorable to budget primarily due to 1) lower than anticipated MISO related expenses \$679, 2) unfilled positions and more labor capitalized than budgeted \$499, and 3) various stations and lines fixed departmental expenses \$245.

Unfavorable to prior year due to MISO membership.

Maintenance Expense – Production

	2011			2010	
	<u>Actual</u>	<u>Budget</u>	<u>Variance Fav/(Unfav)</u>	<u>2010 Actual</u>	<u>Variance Fav/(Unfav)</u>
April YTD			1,987		(2,602)

Favorable to budget due to projects at Green that have been delayed \$907. These included mill overhauls, fire water lines and plant controls. The Coleman facility is favorable \$401 due to a timing of maintenance activities such as mill and pump overhauls and bar screen repairs. The planned outage was reduced on the Reid combustion turbine \$354.

Unfavorable to prior year due to higher planned maintenance activities this year, the planned outage at Wilson and higher unplanned outages at Green and Coleman.

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

**Response to the Office of the Attorney General's
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 46) *The Company's Application and some of the testimony of***
2 ***witnesses in this proceeding refer to various financial concerns (e.g.,***
3 ***Mr. Bailey, p. 7, line 18 "precarious financial position"), TIER***
4 ***coverage issues, and other matters contributing to the Company's***
5 ***viability or financial status. Address the following:***

6

7 ***a. Provide copies of all internal reports, analysis, and***
8 ***documents that are regularly reviewed and monitored by***
9 ***Company personnel on an on-going basis in regards to***
10 ***earnings, TIER coverage, and other measures or events***
11 ***impacting Company earnings and operations issues. Provide***
12 ***these reports for the years 2011 through 2013 YTD, and***
13 ***provide updates on a continuing basis.***

14

15 **Response)**

16

17 a. Big Rivers objects to this request on the grounds that it is overly
18 broad and unduly burdensome. Notwithstanding this objection,
19 but without waiving it, Big Rivers states that it will only update its
20 response as required by law, as ordered by the Commission, or as
21 it otherwise deems appropriate, and further states as follows.

22

23

The RUS Form 12 Statement of Operations for the periods
ending 01/31/2011 through 11/30/2011, and the period ending

**Case No. 2012-00535
Response to AG 1-46
Witness: Billie J. Richert
Page 1 of 2**

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

**Response to the Office of the Attorney General's
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 12/31/2012, are attached. The RUS Form 12 Statement of
2 Operations for the periods ending 12/31/2011 through
3 11/30/2012 were provided in Tab 37 of the Application for Case
4 No. 2012-00535, per the filing requirement 807 KAR 5:001 Sec.
5 10(9)(n). Pursuant to PSC 1-43, Big Rivers will provide detailed
6 monthly income statements for the remaining forecasted months
7 included in the base period, including the month in which the
8 Commission hears this case, as the historical data becomes
9 available.

10 The CONFIDENTIAL monthly budget variance reports for
11 January 2011 through April 2011 are provided with a petition for
12 confidential treatment on the CONFIDENTIAL CDs accompanying
13 these responses. Monthly budget variance reports for the months
14 May 2011 through October 2012 were provided in Tab 38 of the
15 Application for Case No. 2012-00535, per the filing requirement
16 807 KAR 5:001 Sec. 10(9)(o).

17

18 **Witness)** Billie J. Richert

RUS Form 12a
 Operating Report
 Section A. Statement of Operations

01/31/11

	ITEM	Year to Date Last Year	Year to Date This Year	Year to Date Budget	This Month
1	Electric Energy Revenues	46,299,504.89	45,223,900.12	46,430,261.00	45,223,900.12
2	Income From Leased Property (Net)				
3	Other Operating Revenue and Income	1,152,998.28	146,085.99	1,590,333.00	146,085.99
4	TOTAL Oper. Revenues & Patronage Capital (1 thru 3)	47,452,503.17	45,369,986.11	48,020,594.00	45,369,986.11
5	Operating Expense - Production - Excluding Fuel	4,018,115.01	4,221,246.13	5,178,988.00	4,221,246.13
6	Operating Expense - Production - Fuel	19,108,102.45	19,908,587.88	17,319,022.00	19,908,587.88
7	Operating Expense - Other Power Supply	8,417,874.82	8,468,177.30	8,832,928.00	8,468,177.30
8	Operating Expense - Transmission	605,355.63	903,618.84	1,392,372.00	903,618.84
9	Operating Expense - Distribution				
10	Operating Expense - Customer Accounts				
11	Operating Expense - Customer Service & Information	40,729.07	25,473.69	93,732.00	25,473.69
12	Operating Expense - Sales	7,179.70	5,683.23	59,675.00	5,683.23
13	Operating Expense - Administrative & General	2,037,483.60	1,980,788.53	2,102,594.00	1,980,788.53
14	TOTAL Operation Expense (5 thru 13)	34,234,840.08	35,513,575.60	34,979,311.00	35,513,575.60
15	Maintenance Expense - Production	2,110,528.84	2,778,500.36	2,592,804.00	2,778,500.36
16	Maintenance Expense - Transmission	207,822.37	280,781.95	250,734.00	280,781.95
17	Maintenance Expense - Distribution				
18	Maintenance Expense - General Plant	14,946.22	14,661.01	9,237.00	14,661.01
19	TOTAL Maintenance Expense (15 thru 18)	2,333,297.43	3,073,943.32	2,852,575.00	3,073,943.32
20	Depreciation and Amortization Expense	2,830,055.49	2,859,500.22	2,964,732.00	2,859,500.22
21	Taxes			20,769.00	
22	Interest on Long-Term Debt	4,234,968.72	3,945,132.92	4,030,049.00	3,945,132.92
23	Interest Charged to Construction - Credit	(18,627.00)	(123,669.00)	(2,683.00)	(123,669.00)
24	Other Interest Expense		21,240.44	21,233.00	21,240.44
25	Asset Retirement Obligations				
26	Other Deductions	4,539.47	14,133.17	11,669.00	14,133.17
27	TOTAL Cost of Electric Service (14 + 19 thru 25)	43,618,874.19	45,303,856.67	44,877,855.00	45,303,856.67
28	Operating Margins (4 less 28)	3,833,628.98	66,129.44	3,142,939.00	66,129.44
29	Interest Income	28,771.13	29,794.50	32,543.00	29,794.50
30	Allowance For Funds Used During Construction				
31	Income (Loss) from Equity Investments				
32	Other Non-operating Income (Net)	2,378.21	2,322.12		2,322.12
33	Generation & Transmission Capital Credits				
34	Other Capital Credits and Patronage Dividends				
35	Extraordinary Items				
36	Net Patronage Capital or Margins (27 thru 34)	3,864,778.32	98,246.06	3,175,482.00	98,246.06

000005

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues	89,806,850.72	87,206,119.02	90,171,750.00	41,982,218.90
2. Income From Leased Property (Net)	0.00	0.00	0.00	0.00
3. Other Operating Revenue and Income	2,298,021.73	389,425.74	3,180,666.00	243,339.75
4. TOTAL OPER. REVENUES & PATRONAGE CAPITAL (1 thru 3)	92,104,872.45	87,595,544.76	93,352,416.00	42,225,558.65
5. Operating Expense - Production - Excluding Fuel	8,076,160.26	8,061,931.66	9,970,476.00	3,840,685.53
6. Operating Expense - Production - Fuel	36,751,861.75	37,978,752.02	33,877,671.00	18,070,164.14
7. Operating Expense - Other Power Supply	15,591,244.62	15,268,854.66	17,270,927.00	6,800,677.36
8. Operating Expense - Transmission	1,281,337.47	1,890,417.88	2,746,247.00	986,799.04
9. Operating Expense - Distribution	0.00	0.00	0.00	0.00
10. Operating Expense - Customer Accounts	0.00	0.00	0.00	0.00
11. Operating Expense - Customer Service & Information	83,045.52	69,531.89	159,890.00	44,058.20
12. Operating Expense - Sales	10,859.38	<11,546.97>	112,617.00	<17,230.20>
13. Operating Expense - Administrative & General	4,592,103.89	4,649,795.21	4,013,565.00	2,669,006.68
14. TOTAL OPERATION EXPENSE (5 thru 13)	66,386,612.89	67,907,736.35	68,151,393.00	32,394,160.75
15. Maintenance Expense - Production	4,274,670.04	5,648,547.55	5,939,721.00	2,870,047.19
16. Maintenance Expense - Transmission	549,832.83	563,448.19	487,906.00	282,666.24
17. Maintenance Expense - Distribution	0.00	0.00	0.00	0.00
18. Maintenance Expense - General Plant	59,591.98	35,948.35	17,838.00	21,287.34
19. TOTAL MAINTENANCE EXPENSE (15 thru 18)	4,884,094.85	6,247,944.09	6,445,465.00	3,174,000.77
20. Depreciation and Amortization Expense	5,654,128.94	5,717,733.14	5,935,703.00	2,858,232.92
21. Taxes	0.00	<2,321.00>	41,538.00	<2,321.00>
22. Interest on Long-Term Debt	8,031,260.46	7,623,971.91	7,638,213.00	3,678,838.99
23. Interest Charged to Construction - Credit	<42,478.00>	<311,146.00>	<13,071.00>	<187,477.00>
24. Other Interest Expense	0.00	40,421.78	40,411.00	19,181.34
25. Asset Retirement Obligations	0.00	0.00	0.00	0.00
26. Other Deductions	11,084.20	24,685.72	22,209.00	10,552.55
27. TOTAL COST OF ELECTRIC SERVICE (14 + 19 thru 26)	84,924,703.34	87,249,025.99	88,261,861.00	41,945,169.32
28. OPERATING MARGINS (4 less 27)	7,180,169.11	346,518.77	5,090,555.00	280,389.33
29. Interest Income	53,702.59	56,731.10	62,440.00	26,936.60
30. Allowance For Funds Used During Construction	0.00	0.00	0.00	0.00
31. Income (Loss) from Equity Investments	0.00	0.00	0.00	0.00
32. Other Non-operating Income (Net)	4,756.42	4,644.24	0.00	2,322.12
33. Generation & Transmission Capital Credits	0.00	0.00	0.00	0.00
34. Other Capital Credits and Patronage Dividends	0.00	0.00	0.00	0.00
35. Extraordinary Items	0.00	0.00	0.00	0.00
36. NET PATRONAGE CAPITAL OR MARGINS (28 thru 35)	7,238,628.12	407,894.11	5,152,995.00	309,648.05

RUS Form 12a

000005

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION KY0082		
OPERATING REPORT - FINANCIAL		PERIOD ENDED Mar.11		
INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3.		This data will be used by RUS to review your financial situation. Your response is required (7 U.S. C. 901 et. seq.) and may be confidential.		
SECTION A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues	133,826,157.13	133,600,999.39	136,052,370.00	46,394,880.37
2. Income From Leased Property (Net)	0.00	0.00	0.00	0.00
3. Other Operating Revenue and Income	3,368,119.20	624,374.10	4,770,999.00	234,948.36
4. TOTAL OPER. REVENUES & PATRONAGE CAPITAL (1 thru 3)	137,194,276.33	134,225,373.49	140,823,369.00	46,629,828.73
5. Operating Expense - Production - Excluding Fuel	12,507,119.53	12,148,673.00	15,377,935.00	4,086,741.34
6. Operating Expense - Production - Fuel	53,943,831.56	56,325,559.19	51,782,609.00	18,346,807.17
7. Operating Expense - Other Power Supply	23,271,447.17	25,860,676.92	26,529,835.00	10,591,822.26
8. Operating Expense - Transmission	1,994,141.40	2,830,276.53	4,237,926.00	939,858.65
9. Operating Expense - Distribution	0.00	0.00	0.00	0.00
10. Operating Expense - Customer Accounts	0.00	0.00	0.00	0.00
11. Operating Expense - Customer Service & Information	136,361.81	100,374.86	239,813.00	30,842.97
12. Operating Expense - Sales	31,867.16	529.52	284,349.00	12,076.49
13. Operating Expense - Administrative & General	7,301,336.17	6,795,970.96	6,159,753.00	2,146,175.75
14. TOTAL OPERATION EXPENSE (5 thru 13)	99,186,104.80	104,062,060.98	104,612,220.00	36,154,324.63
15. Maintenance Expense - Production	6,974,697.33	9,416,618.41	9,986,508.00	3,768,070.86
16. Maintenance Expense - Transmission	928,140.55	923,951.31	786,411.00	360,503.12
17. Maintenance Expense - Distribution	0.00	0.00	0.00	0.00
18. Maintenance Expense - General Plant	74,390.80	1,998.04	25,856.00	<33,950.31>
19. TOTAL MAINTENANCE EXPENSE (15 thru 18)	7,977,228.68	10,342,567.76	10,798,775.00	4,094,623.67
20. Depreciation and Amortization Expense	8,478,169.71	8,681,045.65	8,913,462.00	2,963,312.51
21. Taxes	910.00	<2,411.00>	62,307.00	<90.00>
22. Interest on Long-Term Debt	12,164,742.73	11,610,726.04	11,632,967.00	3,986,754.13
23. Interest Charged to Construction - Credit	<59,833.00>	<322,464.00>	<43,933.00>	<11,318.00>
24. Other Interest Expense	1,313.27	58,886.09	61,644.00	18,464.31
25. Asset Retirement Obligations	0.00	0.00	0.00	0.00
26. Other Deductions	16,723.67	79,710.44	33,878.00	55,024.72
27. TOTAL COST OF ELECTRIC SERVICE (14 + 19 thru 26)	127,765,359.86	134,510,121.96	136,071,320.00	47,261,095.97
28. OPERATING MARGINS (4 less 27)	9,428,916.47	<284,748.47>	4,752,049.00	<631,267.24>
29. Interest Income	82,613.34	85,738.53	95,024.00	29,007.43
30. Allowance For Funds Used During Construction	0.00	0.00	0.00	0.00
31. Income (Loss) from Equity Investments	0.00	0.00	0.00	0.00
32. Other Non-operating Income (Net)	7,134.63	4,644.24	0.00	0.00
33. Generation & Transmission Capital Credits	0.00	0.00	0.00	0.00
34. Other Capital Credits and Patronage Dividends	12,806.00	96,795.44	0.00	96,795.44
35. Extraordinary Items	0.00	0.00	0.00	0.00
36. NET PATRONAGE CAPITAL OR MARGINS (28 thru 35)	9,531,470.44	<97,570.26>	4,847,073.00	<505,464.37>

RUS Form 12a

000005

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION KY0082		
OPERATING REPORT - FINANCIAL		PERIOD ENDED Apr-11		
INSTRUCTIONS: Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3.		This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.		
SECTION A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues	171,384,422.37	177,669,989.86	176,583,942.00	44,068,990.47
2. Income From Leased Property (Net)	0.00	0.00	0.00	0.00
3. Other Operating Revenue and Income	4,508,251.85	994,445.01	6,361,332.00	370,070.91
4. TOTAL OPER. REVENUES & PATRONAGE CAPITAL (1 thru 3)	175,892,674.22	178,664,434.87	182,945,274.00	44,439,061.38
5. Operating Expense - Production - Excluding Fuel	16,670,915.41	16,103,977.87	20,517,446.00	3,955,304.87
6. Operating Expense - Production - Fuel	69,816,071.51	75,742,589.59	68,659,113.00	19,417,030.40
7. Operating Expense - Other Power Supply	31,616,588.97	34,541,575.28	34,938,363.00	8,680,898.36
8. Operating Expense - Transmission	2,575,201.98	4,015,518.82	5,439,307.00	1,185,242.29
9. Operating Expense - Distribution	0.00	0.00	0.00	0.00
10. Operating Expense - Customer Accounts	0.00	0.00	0.00	0.00
11. Operating Expense - Customer Service & Information	178,952.10	134,299.18	309,964.00	33,924.32
12. Operating Expense - Sales	<4,274.17>	<5,989.24>	336,924.00	<6,518.76>
13. Operating Expense - Administrative & General	9,773,138.22	8,753,719.92	8,402,842.00	1,957,748.96
14. TOTAL OPERATION EXPENSE (5 thru 13)	130,626,594.02	139,285,691.42	138,603,959.00	35,223,630.44
15. Maintenance Expense - Production	9,540,856.63	12,142,649.59	14,130,374.00	2,726,031.18
16. Maintenance Expense - Transmission	1,242,164.68	1,320,563.20	1,027,261.00	396,611.89
17. Maintenance Expense - Distribution	0.00	0.00	0.00	0.00
18. Maintenance Expense - General Plant	83,089.13	27,794.14	39,409.00	25,796.10
19. TOTAL MAINTENANCE EXPENSE (15 thru 18)	10,866,110.44	13,491,006.93	15,197,044.00	3,148,439.17
20. Depreciation and Amortization Expense	11,302,222.87	11,558,108.84	11,907,202.00	2,877,063.19
21. Taxes	65,910.00	63,389.00	83,076.00	65,800.00
22. Interest on Long-Term Debt	16,012,874.11	15,380,427.22	15,506,776.00	3,769,701.18
23. Interest Charged to Construction - Credit	<107,773.00>	<337,282.00>	<104,546.00>	<14,818.00>
24. Other Interest Expense	21,696.12	58,894.15	82,192.00	8.06
25. Asset Retirement Obligations	0.00	0.00	0.00	0.00
26. Other Deductions	14,614.88	92,016.72	45,171.00	12,306.28
27. TOTAL COST OF ELECTRIC SERVICE (14 + 19 thru 26)	168,802,249.44	179,592,252.28	181,320,874.00	45,082,130.32
28. OPERATING MARGINS (4 less 27)	7,090,424.78	<927,817.41>	1,624,400.00	<643,068.94>
29. Interest Income	110,851.70	94,408.00	126,739.00	8,669.47
30. Allowance For Funds Used During Construction	0.00	0.00	0.00	0.00
31. Income (Loss) from Equity Investments	0.00	0.00	0.00	0.00
32. Other Non-operating Income (Net)	9,512.84	4,644.24	0.00	0.00
33. Generation & Transmission Capital Credits	0.00	0.00	0.00	0.00
34. Other Capital Credits and Patronage Dividends	12,806.00	96,795.44	96,438.00	0.00
35. Extraordinary Items	0.00	0.00	0.00	0.00
36. NET PATRONAGE CAPITAL OR MARGINS (28 thru 35)	7,223,595.32	<731,969.73>	1,847,577.00	<634,399.47>

RUS Form 12a

000005

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION KY0082		
OPERATING REPORT - FINANCIAL		PERIOD ENDED May-11		
INSTRUCTIONS: Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3.		This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.		
SECTION A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues	212,795,893.23	228,062,974.30	219,603,443.00	50,392,984.44
2. Income From Leased Property (Net)	0.00	0.00	0.00	0.00
3. Other Operating Revenue and Income	5,651,423.33	1,313,664.97	7,951,665.00	319,219.96
4. TOTAL OPER. REVENUES & PATRONAGE CAPITAL (1 thru 3)	218,447,316.56	229,376,639.27	227,555,108.00	50,712,204.40
5. Operating Expense - Production - Excluding Fuel	21,188,006.83	20,242,215.34	26,141,612.00	4,138,237.47
6. Operating Expense - Production - Fuel	85,234,372.80	95,812,527.24	86,034,032.00	20,069,937.65
7. Operating Expense - Other Power Supply	40,535,542.46	45,058,183.57	44,639,931.00	10,516,608.29
8. Operating Expense - Transmission	3,192,906.55	4,637,825.57	6,687,835.00	622,306.75
9. Operating Expense - Distribution	0.00	0.00	0.00	0.00
10. Operating Expense - Customer Accounts	0.00	0.00	0.00	0.00
11. Operating Expense - Customer Service & Information	224,500.75	160,870.23	378,820.00	26,571.05
12. Operating Expense - Sales	7,421.43	1,422.07	389,370.00	7,411.31
13. Operating Expense - Administrative & General	11,199,672.74	10,951,626.05	10,663,253.00	2,197,906.13
14. TOTAL OPERATION EXPENSE (5 thru 13)	161,582,423.56	176,864,670.07	174,934,853.00	37,578,978.65
15. Maintenance Expense - Production	13,127,831.95	14,774,469.29	17,415,334.00	2,631,819.70
16. Maintenance Expense - Transmission	1,575,921.49	1,707,057.36	1,267,648.00	386,494.16
17. Maintenance Expense - Distribution	0.00	0.00	0.00	0.00
18. Maintenance Expense - General Plant	90,347.27	41,080.29	47,301.00	13,286.15
19. TOTAL MAINTENANCE EXPENSE (15 thru 18)	14,794,100.71	16,522,606.94	18,730,283.00	3,031,600.01
20. Depreciation and Amortization Expense	14,187,897.22	14,435,952.60	14,917,226.00	2,877,843.76
21. Taxes	68,251.98	63,389.00	103,845.00	0.00
22. Interest on Long-Term Debt	19,712,709.46	19,243,619.06	19,549,258.00	3,863,191.84
23. Interest Charged to Construction - Credit	<137,114.00>	<354,209.00>	<158,628.00>	<16,927.00>
24. Other Interest Expense	42,774.19	58,902.14	82,192.00	7.99
25. Asset Retirement Obligations	0.00	0.00	0.00	0.00
26. Other Deductions	19,154.35	104,824.88	56,840.00	12,808.16
27. TOTAL COST OF ELECTRIC SERVICE (14 + 19 thru 26)	210,270,197.47	226,939,755.69	228,215,869.00	47,347,503.41
28. OPERATING MARGINS (4 less 27)	8,177,119.09	2,436,883.58	<660,761.00>	3,364,700.99
29. Interest Income	141,496.74	103,079.99	159,366.00	8,671.99
30. Allowance For Funds Used During Construction	0.00	0.00	0.00	0.00
31. Income (Loss) from Equity Investments	0.00	0.00	0.00	0.00
32. Other Non-operating Income (Net)	11,891.05	6,966.36	0.00	2,322.12
33. Generation & Transmission Capital Credits	0.00	0.00	0.00	0.00
34. Other Capital Credits and Patronage Dividends	12,806.00	96,795.44	96,438.00	0.00
35. Extraordinary Items	0.00	0.00	0.00	0.00
36. NET PATRONAGE CAPITAL OR MARGINS (28 thru 35)	8,343,312.88	2,643,725.37	<404,957.00>	3,375,695.10

RUS Form 12a

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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE
OPERATING REPORT - FINANCIAL

BORROWER DESIGNATION
KY0082
PERIOD ENDED
Jun-11

INSTRUCTIONS: Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3.

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues	255,653,174.63	273,551,013.06	263,531,730.00	45,488,038.76
2. Income From Leased Property (Net)	0.00	0.00	0.00	0.00
3. Other Operating Revenue and Income	6,936,108.93	1,520,063.26	9,541,998.00	206,398.29
4. TOTAL OPER. REVENUES & PATRONAGE CAPITAL (1 thru 3)	262,589,283.56	275,071,076.32	273,073,728.00	45,694,437.05
5. Operating Expense - Production - Excluding Fuel	25,800,688.52	24,222,206.04	31,683,388.00	3,979,990.70
6. Operating Expense - Production - Fuel	102,187,076.75	114,182,313.92	103,046,738.00	18,369,786.68
7. Operating Expense - Other Power Supply	48,654,858.79	55,019,146.67	53,885,010.00	9,960,963.10
8. Operating Expense - Transmission	3,847,745.58	5,913,811.31	7,838,490.00	1,275,985.74
9. Operating Expense - Distribution	0.00	0.00	0.00	0.00
10. Operating Expense - Customer Accounts	0.00	0.00	0.00	0.00
11. Operating Expense - Customer Service & Information	272,456.72	189,671.33	447,023.00	28,801.10
12. Operating Expense - Sales	26,182.08	22,499.55	457,339.00	21,077.48
13. Operating Expense - Administrative & General	14,164,500.36	13,677,210.01	13,300,638.00	2,725,583.96
14. TOTAL OPERATION EXPENSE (5 thru 13)	194,953,508.80	213,226,858.83	210,658,626.00	36,362,188.76
15. Maintenance Expense - Production	16,451,833.57	18,929,472.76	20,564,469.00	4,155,003.47
16. Maintenance Expense - Transmission	2,033,081.19	2,140,135.14	1,592,316.00	433,077.78
17. Maintenance Expense - Distribution	0.00	0.00	0.00	0.00
18. Maintenance Expense - General Plant	103,792.31	58,066.81	55,527.00	16,986.52
19. TOTAL MAINTENANCE EXPENSE (15 thru 18)	18,588,707.07	21,127,674.71	22,212,312.00	4,605,067.77
20. Depreciation and Amortization Expense	17,034,131.69	17,313,896.45	17,939,296.00	2,877,943.85
21. Taxes	133,251.98	128,389.00	124,614.00	65,000.00
22. Interest on Long-Term Debt	23,454,642.78	22,995,627.28	23,461,338.00	3,752,008.22
23. Interest Charged to Construction - Credit	<199,660.00>	<375,434.00>	<240,714.00>	<21,225.00>
24. Other Interest Expense	63,183.99	58,909.69	82,192.00	7.55
25. Asset Retirement Obligations	0.00	0.00	0.00	0.00
26. Other Deductions	33,753.32	116,389.31	68,133.00	11,564.43
27. TOTAL COST OF ELECTRIC SERVICE (14 + 19 thru 26)	254,061,519.63	274,592,311.27	274,305,797.00	47,652,555.58
28. OPERATING MARGINS (4 less 27)	8,527,763.93	478,765.05	<1,232,069.00>	<1,958,118.53>
29. Interest Income	171,982.49	110,282.00	191,122.00	7,202.01
30. Allowance For Funds Used During Construction	0.00	0.00	0.00	0.00
31. Income (Loss) from Equity Investments	0.00	0.00	0.00	0.00
32. Other Non-operating Income (Net)	14,213.17	9,288.48	0.00	2,322.12
33. Generation & Transmission Capital Credits	0.00	0.00	0.00	0.00
34. Other Capital Credits and Patronage Dividends	12,806.00	96,795.44	96,438.00	0.00
35. Extraordinary Items	0.00	0.00	0.00	0.00
36. NET PATRONAGE CAPITAL OR MARGINS (28 thru 35)	8,726,765.59	695,130.97	<944,509.00>	<1,948,594.40>

RUS Form 12a

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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE
OPERATING REPORT - FINANCIAL

BORROWER DESIGNATION
KY0062
PERIOD ENDED
Jul-11

INSTRUCTIONS - Submit an original and two copies to RUS or file electronically For detailed instructions, see RUS Bulletin 1717B-3.

This data will be used by RUS to review your financial situation. Your response is required (7 U.S. C. 901 et. seq.) and may be confidential.

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues	300,716,426.91	324,292,363.18	311,334,644.00	50,741,350.12
2. Income From Leased Property (Net)	0.00	0.00	0.00	0.00
3. Other Operating Revenue and Income	8,078,125.13	1,708,000.69	11,132,331.00	187,937.43
4. TOTAL OPER. REVENUES & PATRONAGE CAPITAL (1 thru 3)	308,794,552.04	326,000,363.87	322,466,975.00	50,929,287.55
5. Operating Expense - Production - Excluding Fuel	30,288,762.87	28,445,296.87	37,375,036.00	4,223,090.83
6. Operating Expense - Production - Fuel	121,095,612.81	134,903,380.47	121,656,185.00	20,721,066.55
7. Operating Expense - Other Power Supply	57,225,220.42	64,095,863.09	63,142,018.00	9,076,716.42
8. Operating Expense - Transmission	4,450,174.39	6,615,390.31	9,078,345.00	701,579.00
9. Operating Expense - Distribution	0.00	0.00	0.00	0.00
10. Operating Expense - Customer Accounts	0.00	0.00	0.00	0.00
11. Operating Expense - Customer Service & Information	314,446.63	235,165.37	513,564.00	45,494.04
12. Operating Expense - Sales	39,812.42	6,328.32	510,649.00	<16,171.23>
13. Operating Expense - Administrative & General	15,545,753.74	16,191,082.53	15,329,632.00	2,513,872.52
14. TOTAL OPERATION EXPENSE (5 thru 13)	228,959,783.28	250,492,506.96	247,605,429.00	37,265,648.13
15. Maintenance Expense - Production	19,775,758.15	22,273,262.74	23,723,204.00	3,343,789.98
16. Maintenance Expense - Transmission	2,356,834.70	2,481,882.51	1,897,364.00	341,747.37
17. Maintenance Expense - Distribution	0.00	0.00	0.00	0.00
18. Maintenance Expense - General Plant	111,917.94	75,301.44	64,032.00	17,234.63
19. TOTAL MAINTENANCE EXPENSE (15 thru 18)	22,244,510.79	24,830,446.69	25,684,600.00	3,702,771.98
20. Depreciation and Amortization Expense	19,851,434.47	20,192,002.45	20,976,723.00	2,878,106.00
21. Taxes	133,251.98	128,389.00	145,383.00	0.00
22. Interest on Long-Term Debt	27,397,079.43	26,851,232.28	27,493,459.00	3,855,605.00
23. Interest Charged to Construction - Credit	<263,397.00>	<393,756.00>	<342,151.00>	<18,322.00>
24. Other Interest Expense	84,375.90	58,923.08	82,192.00	13.39
25. Asset Retirement Obligations	0.00	0.00	0.00	0.00
26. Other Deductions	44,581.51	128,372.49	79,802.00	11,983.18
27. TOTAL COST OF ELECTRIC SERVICE (14 + 19 thru 26)	298,451,620.36	322,288,116.95	321,725,437.00	47,695,805.68
28. OPERATING MARGINS (4 less 27)	10,342,931.68	3,712,246.92	741,538.00	3,233,481.87
29. Interest Income	203,825.19	116,447.27	223,791.00	6,165.27
30. Allowance For Funds Used During Construction	0.00	0.00	0.00	0.00
31. Income (Loss) from Equity Investments	0.00	0.00	0.00	0.00
32. Other Non-operating Income (Net)	16,535.29	9,288.48	0.00	0.00
33. Generation & Transmission Capital Credits	0.00	0.00	0.00	0.00
34. Other Capital Credits and Patronage Dividends	12,806.00	96,795.44	96,438.00	0.00
35. Extraordinary Items	0.00	0.00	0.00	0.00
36. NET PATRONAGE CAPITAL OR MARGINS (28 thru 35)	10,576,098.16	3,934,778.11	1,061,767.00	3,239,647.14

RUS Form 12a

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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE
FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART A - FINANCIAL

BORROWER DESIGNATION
KY0062

000005

PERIOD ENDED
Aug-11

INSTRUCTIONS - See help in the online application.

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues	347,349,045.43	373,264,263.06	360,884,228.00	48,971,899.88
2. Income From Leased Property (Net)	0.00	0.00	0.00	0.00
3. Other Operating Revenue and Income	9,223,460.79	1,892,855.84	12,722,664.00	184,855.15
4. Total Operation Revenues & Patronage Capital(1 thru 3)	356,572,506.22	375,157,118.90	373,606,892.00	49,156,755.03
5. Operating Expense - Production - Excluding Fuel	35,092,581.92	32,715,959.58	43,016,278.00	4,270,662.71
6. Operating Expense - Production - Fuel	140,848,543.50	154,981,335.57	140,961,132.00	20,077,955.10
7. Operating Expense - Other Power Supply	64,764,176.27	73,990,115.79	72,394,291.00	9,894,252.70
8. Operating Expense - Transmission	5,089,610.30	6,173,952.24	8,288,894.00	1,006,139.67
9. Operating Expense - RTO/ISO	0.00	1,639,985.78	2,061,127.00	192,408.04
10. Operating Expense - Distribution	0.00	0.00	0.00	0.00
11. Operating Expense - Customer Accounts	0.00	0.00	0.00	0.00
12. Operating Expense - Customer Service & Information	350,689.09	305,891.34	581,378.00	70,725.97
13. Operating Expense - Sales	64,299.86	91,863.04	563,224.00	85,534.72
14. Operating Expense - Administrative & General	17,504,474.80	17,541,926.58	17,277,986.00	1,350,844.05
15. Total Operation Expense (5 thru 14)	263,714,375.74	287,441,029.92	285,144,310.00	36,948,522.96
16. Maintenance Expense - Production	23,068,782.55	25,354,797.11	26,901,369.00	3,081,534.37
17. Maintenance Expense - Transmission	2,822,780.90	2,853,768.11	2,208,304.00	371,885.60
18. Maintenance Expense - RTO/ISO	0.00	0.00	0.00	0.00
19. Maintenance Expense - Distribution	0.00	0.00	0.00	0.00
20. Maintenance Expense - General Plant	134,316.95	85,026.68	71,771.00	9,725.24
21. Total Maintenance Expense (16 thru 20)	26,025,880.40	28,293,591.90	29,181,444.00	3,463,145.21
22. Depreciation and Amortization Expense	22,679,476.06	23,070,278.89	24,019,424.00	2,878,276.44
23. Taxes	132,822.98	128,389.00	166,152.00	0.00
24. Interest on Long-Term Debt	31,355,225.61	30,706,304.75	31,525,580.00	3,855,072.47
25. Interest Charged to Construction - Credit	<333,557.00>	<419,278.00>	<360,848.00>	<25,522.00>
26. Other Interest Expense	105,539.37	58,931.25	111,918.00	8.17
27. Asset Retirement Obligations	0.00	0.00	0.00	0.00
28. Other Deductions	60,824.79	144,748.13	91,471.00	16,375.64
29. Total Cost Of Electric Service (15 + 21 thru 28)	343,740,587.95	369,423,995.84	369,879,451.00	47,135,878.89
30. Operating Margins (4 less 29)	12,831,918.27	5,733,123.06	3,727,441.00	2,020,876.14
31. Interest Income	237,121.94	124,226.32	256,482.00	7,779.05
32. Allowance For Funds Used During Construction	0.00	0.00	0.00	0.00
33. Income (Loss) from Equity Investments	0.00	0.00	0.00	0.00
34. Other Non-operating Income (Net)	18,857.41	9,288.48	0.00	0.00
35. Generation & Transmission Capital Credits	0.00	0.00	0.00	0.00
36. Other Capital Credits and Patronage Dividends	19,868.17	96,795.44	96,438.00	0.00
37. Extraordinary Items	0.00	0.00	0.00	0.00
38. Net Patronage Capital Or Margins (30 thru 37)	13,107,765.79	5,963,433.30	4,080,361.00	2,028,655.19

RUS Financial and Operating Report Electric Power Supply Part A - Financial

Revision Date 2010

Case No. 2012-00535
Attachment for Response to AG 1-46
Witness: Billie J. Richert
Page 8 of 12

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE
FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART A - FINANCIAL

BORROWER DESIGNATION
KY0082

PERIOD ENDED
Sep-11

INSTRUCTIONS - See help in the online application.

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues	386,667,789.19	422,320,923.10	407,724,974.00	49,056,660.04
2. Income From Leased Property (Net)	0.00	0.00	0.00	0.00
3. Other Operating Revenue and Income	10,365,695.14	2,167,762.77	14,312,997.00	274,906.93
4. Total Operation Revenues & Patronage Capital (1 thru 3)	397,033,484.33	424,488,685.87	422,037,971.00	49,331,566.97
5. Operating Expense - Production - Excluding Fuel	39,792,311.10	37,000,721.75	48,500,799.00	4,284,762.17
6. Operating Expense - Production - Fuel	157,895,022.72	173,106,985.46	158,603,817.00	18,125,649.89
7. Operating Expense - Other Power Supply	73,076,140.36	83,178,821.74	80,953,529.00	9,188,705.95
8. Operating Expense - Transmission	5,740,776.23	6,919,691.09	9,360,474.00	745,738.85
9. Operating Expense - RTO/ISO	0.00	1,832,483.01	2,291,946.00	192,497.23
10. Operating Expense - Distribution	0.00	0.00	0.00	0.00
11. Operating Expense - Customer Accounts	0.00	0.00	0.00	0.00
12. Operating Expense - Customer Service & Information	374,545.19	344,618.55	657,498.00	38,727.21
13. Operating Expense - Sales	164,468.86	129,850.48	742,056.00	37,987.44
14. Operating Expense - Administrative & General	19,483,040.58	19,979,650.48	19,460,310.00	2,437,723.90
15. Total Operation Expense (5 thru 14)	296,526,305.04	322,492,822.56	320,570,429.00	35,051,792.64
16. Maintenance Expense - Production	27,402,955.63	29,181,571.13	31,750,996.00	3,826,774.02
17. Maintenance Expense - Transmission	3,608,332.65	3,347,673.93	2,533,969.00	493,905.82
18. Maintenance Expense - RTO/ISO	0.00	0.00	0.00	0.00
19. Maintenance Expense - Distribution	0.00	0.00	0.00	0.00
20. Maintenance Expense - General Plant	143,344.93	93,378.73	79,808.00	8,352.05
21. Total Maintenance Expense (16 thru 20)	31,154,633.21	32,622,623.79	34,364,773.00	4,329,031.89
22. Depreciation and Amortization Expense	25,645,975.63	26,373,902.54	27,068,218.00	3,303,623.65
23. Taxes	197,822.98	128,389.00	186,921.00	0.00
24. Interest on Long-Term Debt	35,185,894.08	34,450,455.53	35,427,634.00	3,744,150.78
25. Interest Charged to Construction - Credit	<410,590.63>	<449,625.00>	<389,894.00>	<30,347.00>
26. Other Interest Expense	126,022.57	58,956.39	140,685.00	25.14
27. Asset Retirement Obligations	0.00	0.00	0.00	0.00
28. Other Deductions	73,235.41	158,454.44	102,764.00	13,706.31
29. Total Cost Of Electric Service (15 + 21 thru 28)	388,499,298.29	415,835,979.25	417,471,530.00	46,411,983.41
30. Operating Margins (4 less 29)	8,534,186.04	8,652,706.62	4,566,441.00	2,919,583.56
31. Interest Income	269,915.87	131,802.42	288,300.00	7,576.10
32. Allowance For Funds Used During Construction	0.00	0.00	0.00	0.00
33. Income (Loss) from Equity Investments	0.00	0.00	0.00	0.00
34. Other Non-operating Income (Net)	1,692,826.30	9,288.48	0.00	0.00
35. Generation & Transmission Capital Credits	0.00	0.00	0.00	0.00
36. Other Capital Credits and Patronage Dividends	20,110.30	104,653.04	96,438.00	7,857.60
37. Extraordinary Items	0.00	0.00	0.00	0.00
38. Net Patronage Capital Or Margins (30 thru 37)	10,517,038.51	8,898,450.56	4,951,179.00	2,935,017.26

RUS Financial and Operating Report Electric Power Supply Part A - Financial

Revision Date 2010

000005

Case No. 2012-00535

Attachment for Response to AG 1-46

Witness: Billie J. Richert

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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE
FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART A - FINANCIAL

BORROWER DESIGNATION
KY0062

PERIOD ENDED
Oct-11

000004

INSTRUCTIONS - See help in the online application.

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues	426,611,074.64	466,987,484.25	449,923,150.00	44,666,561.15
2. Income From Leased Property (Net)	0.00	0.00	0.00	0.00
3. Other Operating Revenue and Income	11,513,916.28	2,981,670.76	15,903,330.00	813,907.99
4. Total Operation Revenues & Patronage Capital(1 thru 3)	438,124,990.92	469,969,155.01	465,826,480.00	45,480,469.14
5. Operating Expense - Production - Excluding Fuel	44,417,894.27	41,534,846.90	53,322,062.00	4,534,125.15
6. Operating Expense - Production - Fuel	172,788,539.26	190,762,094.89	172,518,679.00	17,655,109.43
7. Operating Expense - Other Power Supply	81,756,315.74	92,142,983.76	91,301,337.00	8,964,162.02
8. Operating Expense - Transmission	6,425,992.32	7,637,817.55	10,256,907.00	718,126.46
9. Operating Expense - RTO/ISO	0.00	2,055,560.20	2,368,294.00	223,077.19
10. Operating Expense - Distribution	0.00	0.00	0.00	0.00
11. Operating Expense - Customer Accounts	0.00	0.00	0.00	0.00
12. Operating Expense - Customer Service & Information	411,156.58	371,713.07	731,073.00	27,094.52
13. Operating Expense - Sales	164,468.86	131,113.08	810,098.00	1,262.60
14. Operating Expense - Administrative & General	21,411,195.31	21,871,138.00	21,666,429.00	1,891,487.52
15. Total Operation Expense (5 thru 14)	327,375,562.34	356,507,267.45	352,974,879.00	34,014,444.89
16. Maintenance Expense - Production	34,779,870.27	33,221,278.88	36,967,903.00	4,039,707.75
17. Maintenance Expense - Transmission	3,955,134.78	3,783,424.46	2,775,557.00	435,750.53
18. Maintenance Expense - RTO/ISO	0.00	0.00	0.00	0.00
19. Maintenance Expense - Distribution	0.00	0.00	0.00	0.00
20. Maintenance Expense - General Plant	159,935.22	117,462.49	88,125.00	24,083.76
21. Total Maintenance Expense (16 thru 20)	38,894,940.27	37,122,165.83	39,831,585.00	4,499,542.04
22. Depreciation and Amortization Expense	28,485,884.11	28,872,655.57	30,120,491.00	2,498,753.03
23. Taxes	197,797.98	128,389.00	207,690.00	0.00
24. Interest on Long-Term Debt	39,137,428.63	38,246,446.93	39,450,564.00	3,795,991.40
25. Interest Charged to Construction - Credit	<492,297.88>	<475,923.00>	<423,236.00>	<26,298.00>
26. Other Interest Expense	147,315.29	58,989.26	170,411.00	32.87
27. Asset Retirement Obligations	0.00	0.00	0.00	0.00
28. Other Deductions	86,266.91	171,305.63	114,433.00	12,851.19
29. Total Cost Of Electric Service (15 + 21 thru 28)	433,832,897.65	460,631,296.67	462,446,817.00	44,795,317.42
30. Operating Margins (4 less 29)	4,292,093.27	9,337,858.34	3,379,663.00	685,151.72
31. Interest Income	303,069.18	138,407.95	321,033.00	6,605.53
32. Allowance For Funds Used During Construction	0.00	0.00	0.00	0.00
33. Income (Loss) from Equity Investments	0.00	0.00	0.00	0.00
34. Other Non-operating Income (Net)	1,698,580.82	9,288.48	0.00	0.00
35. Generation & Transmission Capital Credits	0.00	0.00	0.00	0.00
36. Other Capital Credits and Patronage Dividends	20,110.30	104,653.04	96,438.00	0.00
37. Extraordinary Items	0.00	0.00	0.00	0.00
38. Net Patronage Capital Or Margins (30 thru 37)	6,313,853.57	9,590,207.81	3,797,134.00	691,757.25

RUS Financial and Operating Report Electric Power Supply Part A - Financial

Case No. 2011-00535

Attachment for Response to AG 1-46

Witness: Billie J. Richert

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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE
FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART A - FINANCIAL

BORROWER DESIGNATION
KY0062

PERIOD ENDED
Nov-11

00005

INSTRUCTIONS - See help in the online application.

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues	467,315,771.32	510,961,044.35	494,458,461.00	43,973,560.10
2. Income From Leased Property (Net)	0.00	0.00	0.00	0.00
3. Other Operating Revenue and Income	12,681,764.64	3,237,001.53	17,493,663.00	255,330.77
4. Total Operation Revenues & Patronage Capital(1 thru 3)	479,997,535.96	514,198,045.88	511,952,124.00	44,228,890.87
5. Operating Expense - Production - Excluding Fuel	48,585,824.73	45,737,497.94	58,932,705.00	4,202,651.04
6. Operating Expense - Production - Fuel	188,741,558.93	207,154,640.29	188,377,866.00	16,392,545.40
7. Operating Expense - Other Power Supply	90,859,837.01	102,532,953.50	100,536,362.00	10,389,969.74
8. Operating Expense - Transmission	7,077,013.75	8,341,720.53	11,231,069.00	703,902.98
9. Operating Expense - RTO/ISO	0.00	2,317,681.27	2,544,187.00	262,121.07
10. Operating Expense - Distribution	0.00	0.00	0.00	0.00
11. Operating Expense - Customer Accounts	0.00	0.00	0.00	0.00
12. Operating Expense - Customer Service & Information	429,001.14	438,304.90	798,228.00	66,591.83
13. Operating Expense - Sales	189,473.38	140,925.58	862,021.00	9,812.50
14. Operating Expense - Administrative & General	23,661,609.28	23,702,723.58	23,620,934.00	1,831,585.58
15. Total Operation Expense (5 thru 14)	359,544,318.22	390,366,447.59	386,903,372.00	33,859,180.14
16. Maintenance Expense - Production	39,048,093.14	39,001,742.46	44,525,801.00	5,780,463.58
17. Maintenance Expense - Transmission	4,230,614.98	4,116,732.03	3,009,289.00	333,307.57
18. Maintenance Expense - RTO/ISO	0.00	0.00	0.00	0.00
19. Maintenance Expense - Distribution	0.00	0.00	0.00	0.00
20. Maintenance Expense - General Plant	171,918.99	133,524.06	95,994.00	16,061.57
21. Total Maintenance Expense (16 thru 20)	43,450,627.11	43,251,998.55	47,631,084.00	6,129,832.72
22. Depreciation and Amortization Expense	31,385,392.66	32,154,621.93	33,173,694.00	3,281,966.36
23. Taxes	197,797.98	128,389.00	228,459.00	0.00
24. Interest on Long-Term Debt	42,960,734.23	41,926,404.48	43,343,722.00	3,679,957.55
25. Interest Charged to Construction - Credit	<580,942.88>	<507,834.00>	<424,358.00>	<31,911.00>
26. Other Interest Expense	167,915.36	59,240.58	199,178.00	251.32
27. Asset Retirement Obligations	0.00	0.00	0.00	0.00
28. Other Deductions	98,690.09	202,783.38	125,726.00	31,477.75
29. Total Cost Of Electric Service (15 + 21 thru 28)	477,224,532.77	507,582,051.51	511,180,877.00	46,950,754.84
30. Operating Margins (4 less 29)	2,773,003.19	6,615,994.37	771,247.00	<2,721,863.97>
31. Interest Income	334,288.64	144,337.54	352,893.00	5,929.59
32. Allowance For Funds Used During Construction	0.00	0.00	0.00	0.00
33. Income (Loss) from Equity Investments	0.00	0.00	0.00	0.00
34. Other Non-operating Income (Net)	1,700,902.94	9,288.48	0.00	0.00
35. Generation & Transmission Capital Credits	0.00	0.00	0.00	0.00
36. Other Capital Credits and Patronage Dividends	20,110.30	104,653.04	96,438.00	0.00
37. Extraordinary Items	0.00	0.00	0.00	0.00
38. Net Patronage Capital Or Margins (30 thru 37)	4,828,305.07	6,874,273.43	1,220,578.00	<2,715,934.38>

RUS Financial and Operating Report Electric Power Supply Part A - Financial

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE
FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY
PART A - FINANCIAL

BORROWER DESIGNATION
KY0062

PERIOD ENDED
Dec-12

INSTRUCTIONS - See help in the online application.

SECTION A. STATEMENT OF OPERATIONS

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

RUS Financial and Operating Report Electric Power Supply Part A - Financial

Revision Date 2010

000005

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

**Response to the Office of the Attorney General's
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 47)** *Tab 38 states the Company will provide variance reports*
2 *for subsequent months as they become available. Provide a*
3 *comprehensive list of all updated reports and other documents that*
4 *the Company will provide throughout this proceeding and explain*
5 *how often these reports and documents will be updated and provided*
6 *(monthly, quarterly, etc.).*

7
8 **Response)** Big Rivers will update application Tab 3 when its 2012 annual
9 report becomes available. Big Rivers will update application Tab 38
10 monthly. Big Rivers will update its responses to PSC 1-43 and PSC 1-54
11 monthly. Big Rivers has not yet identified the regular updates required by
12 the Public Service Commission Staff's second request for information and
13 the intervenors' first requests for information. Other filing requirements
14 and responses to information requests will be updated as appropriate.

15
16 **Witness)** Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

**Response to the Office of the Attorney General's
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 48) The Company's financial status and proposed revenue**
2 **increase of \$74.5 million could change monthly as actual financial**
3 **and other data becomes available to replace projected data that is**
4 **included in this filing. Address the following and provide updated**
5 **information on a continuing basis:**

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a. Explain if the Company plans to periodically update its filing and its proposed revenue increase by substituting actual information for forecasted/budgeted data, and thus updating financial data for the base period April 30, 2013, the forecasted test period ending August 31, 2014, and budgeted amounts for 2015 and 2016. Will the company periodically update its filing? If not, why not?

b. If the Company does plan to periodically update its filing by substituting actual information explain how often and when (specific dates) the Company will update its filing and the manner it will use to update its filing (explain if the Company will provide updated exhibits and also file "supplemental" testimony to explain these changes).

c. Provide and cite to precedent in prior rate cases before the Commission for this approach of updating the filing and the related proposed revenue increase. Provide a cite to Company

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

**Response to the Office of the Attorney General's
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 *witness testimony in this proceeding that addresses this*
2 *matter.*

3 *d. If the Company does not plan to periodically update its filing,*
4 *explain how the proposed revenue increase of \$74.5 million*
5 *can be deemed to be reasonable, accurate, and reflecting*
6 *most recent amounts and events.*

7 *e. Explain if the Company believes the burden of proof rests*
8 *with the Company or with interveners to update the*
9 *Company's filing to reflect more accurate and recent actual*
10 *amounts (which also assists in providing more accurate*
11 *projected amounts) and cite to Commission precedent for the*
12 *approach proposed by the Company.*

13
14 **Response)** Big Rivers objects to this request on the grounds that it seeks
15 information that is protected by the attorney-client and attorney work
16 product privileges. Notwithstanding this objection, but without waiving it,
17 Big Rivers responds as follows.

18
19 a. Big Rivers plans to update the base period forecast information
20 with actual information as it becomes known, consistent with the
21 Kentucky Administrative Regulations applicable to this filing.
22 Because the fully forecasted test period in this case commences on

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535

Response to the Office of the Attorney General's
Initial Request for Information
Dated February 14, 2013

February 28, 2013

1 September 1, 2013 and ends on August 31, 2014, no actual
2 financial results are expected to become available to “replace
3 projected data” used in the test period in this filing. The items
4 known at this time that could affect the proposed rates are noted
5 in response to PSC 2-36 and PSC 2-13. The Company may provide
6 updated information, consistent with the requirements set forth in
7 the Kentucky Administrative Regulations applicable to rate filings
8 using a fully forecasted test period.

9 b. Please see the response to AG 1-1.

10 c. Because Big Rivers plans to provide updates consistent with the
11 requirements of the applicable regulations, Big Rivers has not
12 conducted any case research on this issue.

13 d. Please see the response to part (a).

14 e. Big Rivers acknowledges that the overall burden of proof for the
15 rates proposed by Big Rivers in this case lies with the Applicant
16 and not with the intervenors.

17

18

19 **Witness)** John Wolfram

BIG RIVERS ELECTRIC CORPORATION
APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535

Response to the Office of the Attorney General's
Initial Request for Information
Dated February 14, 2013

February 28, 2013

1 **Item 49) *Please reference the Bailey testimony, p. 7, wherein he***
2 ***states "Big Rivers is in a precarious financial position."***

3

4 ***a. Was this not anticipated? If so, when?***

5 ***b. What actions did the company take to prevent it from***
6 ***reaching this point?***

7

8 **Response)**

9

10 a. Big Rivers objects to this request on the grounds that it is
11 unduly burdensome because Big Rivers has previously provided
12 all information and documents necessary for the intervenor to
13 determine the response without further input. Specifically, Mr.
14 Bailey's statement was fully explained in the testimony Big
15 Rivers filed in this case (Application Tabs 63-73).

16 b. Please see response to a.

17

18 **Witness) Mark A. Bailey**

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

**Response to the Office of the Attorney General's
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 50) *Mr. Bailey's testimony (p. 8, lines 3 and 4) refers to***
2 ***corporate-wide cost cutting, reducing plant maintenance and***
3 ***deferring outages. Also, Tab 28 refers to 807 KAR 5:001 Sec. 10(9)(e)***
4 ***which requires that the utility chief officer attest that "productivity***
5 ***and efficiency gains are included in the forecast." Address the***
6 ***following and provide updates on a continuing basis:***

7

8 **a. *Provide a detailed list and description of all specific***
9 ***productivity and efficiency gains, corporate-wide cost***
10 ***cutting, plant maintenance cost reductions, and other***
11 ***similar cost cutting and productivity measures that have***
12 ***been implemented by the Company from 2010 through***
13 ***2013 YTD (and which are planned for future years) and***
14 ***identify the starting and ending date for each cost-***
15 ***cutting/savings measure. For each of these cost-***
16 ***cutting/savings measures, provide the amounts and***
17 ***related calculations, assumptions, and supporting***
18 ***documentation for each year/period and explain if it is a***
19 ***permanent or temporary cost-cutting/saving measure (or if***
20 ***it is a one-time or recurring measure).***

21 **b. *Regarding the cost-cutting/savings items and amounts in***
22 ***(a) above, describe and identify the amounts included in***
23 ***this rate proceeding in each of the periods calendar year***

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BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

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February 28, 2013

1 *2011, base period ending April 30, 2013, forecasted test*
2 *period August 31, 2014, and budget years 2015 and 2016.*
3 *In each case, provide calculations, assumptions, and*
4 *supporting documentation, and show cost cutting/savings*
5 *amounts by account number. Identify how much of the*
6 *cost-cutting/saving measure is already reflected on the*
7 *books and how much is reflected in each Company*
8 *proposed adjustment and forecasted amount and reconcile*
9 *all cost-cutting/savings amounts to the rate filing.*

10 *c. For amounts in (a) and (b) above, provide the impacts on all*
11 *revenues, expenses, assets, and liabilities and other*
12 *matters in this rate case and show impacts by both*
13 *account number and cost category (payroll, depreciation,*
14 *taxes, etc.).*

15 *d. Identify all cost-cutting/savings measures that have not*
16 *been included in the Company's rate filing and explain the*
17 *reasons for excluding these amounts.*

18 *e. For all cost-cutting/savings measures reflected in this rate*
19 *filing, explain if it is a result of specific voluntary actions*
20 *or changes implemented by the Company or explain if it is*
21 *primarily the result of events/actions beyond the*
22 *Company's control and which caused certain costs to*

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BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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1 *decline or go away (i.e., a loss of a major customer or*
2 *changes in the status of smelters).*
3 *f. Regarding items (a) through (e) above, please cite to*
4 *Company witness testimony that addresses these matters*
5 *or explain why these matters are not addressed by*
6 *witnesses.*

7
8 **Response)** To the extent this request seeks continuous or ongoing updates,
9 Big Rivers objects on the grounds that it is overbroad and unduly
10 burdensome. Notwithstanding this objection, but without waiving it, Big
11 Rivers states that it will only update its response as required by
12 law, as ordered by the Commission, or as it otherwise deems appropriate.

13 a. – f. The majority of the information requested is not available.
14 Because the cost reductions were incorporated into Big Rivers'
15 budgets on the front end, the particular savings, start dates and
16 end dates as a variance to budget by account number and cost
17 category and by year are not available. For most routine cost-
18 saving measures, calculations, assumptions, and supporting
19 documentation are not available. No known cost-saving
20 measures were removed or excluded from the fully forecast test
21 period. The cost-saving initiatives were all undertaken in order
22 to improve Big Rivers' financial results for the relevant time

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1 period, consistent with the financial obligations outlined in this
2 filing in the Direct Testimony of Ms. Billie J. Richert.

3 When preparing its 2010 budget, Big Rivers heavily
4 scrutinized the non-labor budgets and implemented reductions
5 across the organization. The budgets that were approved for all
6 areas of the company were minimized to reflect Big Rivers' need
7 to reduce expenses to meet its financial obligations. Specific
8 budget reductions included cuts in the following areas:
9 conferences and seminars, reimbursable expenses/meals,
10 technical training, dues, office supplies, and employee
11 relations. The budgets for subsequent years were prepared with
12 this same level of scrutiny, and the incorporation of cost
13 reductions in these areas has now become the norm at Big
14 Rivers.

15 Although most of the requested information does not
16 exist, Big Rivers offers the following to address the issues raised
17 in the question. The responses fall into two main categories:
18 Production, Administrative Services. Each is described below.
19 These topics are addressed in the testimonies of Mr. Robert W.
20 Berry, and Mr. James V. Haner.

21

BIG RIVERS ELECTRIC CORPORATION

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1 A. Production

2 The available information for Big Rivers' plant maintenance
3 outage reductions, non-outage maintenance reductions, and efficiency
4 improvements is provided in the attachment, which is being provided
5 pursuant to a petition for confidentiality.

6

7 B. Administrative Services

8 Increases in premiums prompted Big Rivers to market the
9 health plan coverage in 2011 for 2012. The result of that effort was to
10 move from an insured medical plan to a self-insured plan effective
11 January 1, 2012. Based on the premium-equivalent rates derived by
12 Big Rivers' plan consultant for the self-insured plan, and the renewal
13 premiums for the insured plan, Big Rivers estimated the 2012
14 expense for the self-insured plan would be \$3,087,000 less than the
15 insured plan.

16 In anticipation of negotiations with the union in 2012, Big
17 Rivers sought to bring its medical plan coverage and co-share of the
18 cost more in line with market. As a result, Big Rivers adjusted the
19 plan design, effective January 1, 2013, with increases in deductibles,
20 out-of-pocket maximums, prescription drug co-payments, and
21 employee contributions toward the cost of coverage. Big Rivers
22 estimated a reduction of \$266,000 in 2013, compared to the cost of
23 not changing the plan design or increasing employee contributions.

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1 In review of options for reducing the cost of post-retirement
2 medical coverage, both the annual expense and the accrued liability,
3 Big Rivers revised the eligibility requirements after 2013, with regard
4 to age and service. Big Rivers' actuary estimated a reduction of
5 \$561,000 in expense to be booked in 2013 as a result of the changes
6 and a reduction of \$1,891,000 in the accrued liability as of December
7 31, 2012.

8 An increase in premiums prompted Big Rivers to market its long
9 term disability insurance in 2012 for 2013. The result was to move
10 the coverage to a new provider effective January 1, 2013, reducing
11 expense in 2013 an estimated \$191,000, compared to remaining with
12 the 2012 provider.

13 The savings identified above are reflected in expenses booked
14 for 2012, and budgeted or forecasted for 2013 through 2015. Please
15 also see the attached document.

16

17 **Witness)** Robert W. Berry, James V. Haner

Big Rivers Electric Corporation
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Attachment to Response for AG 1-50(a)
Big Rivers Plant Maintenance Outage Reductions

2010 Planned Outages							Comment
Unit	Budget		Actual		Difference (Budget - Actual)		
	Hours	O&M Expense	Hours	O&M Expense	Hours	O&M Expense	
HMP'L 2 (net)	504	\$ 1,895,739	488	\$ 2,020,568	16	\$ (124,829)	As planned
Wilson	168	\$ 1,087,817	166	\$ 647,376	2	\$ 440,441	Reduced scope of planned outage
Green 1	240	\$ 1,100,000	181	\$ 1,097,179	59	\$ 2,821	As planned
Coleman 2	672	\$ 3,682,410	663	\$ 4,222,133	9	\$ (539,723)	Increased scope of planned outage
System	1,584	\$ 7,765,966	1,498	\$ 7,987,256	86	\$ (221,290)	

2011 Planned Outages							Comment
Unit	Budget		Actual		Difference (Budget - Actual)		
	Hours	O&M Expense	Hours	O&M Expense	Hours	O&M Expense	
HMP'L 1 (net)	768	\$ 2,405,881	278	\$ 978,430	490	\$ 1,427,451	Reduced scope of planned outage
Wilson	336	\$ 1,650,000	164	\$ 830,475	172	\$ 819,525	Reduced scope of planned outage
Green 1	672	\$ 4,006,071	474	\$ 2,914,628	198	\$ 1,091,443	Reduced scope of planned outage
Green 2	240	\$ 1,100,000	0	\$ -	240	\$ 1,100,000	Deferred outage
System	2,016	\$ 9,161,952	916	\$ 4,723,533	1,100	\$ 4,438,419	

2012 Planned Outages							Comment
Unit	Budget		Actual		Difference (Budget - Actual)		
	Hours	O&M Expense	Hours	O&M Expense	Hours	O&M Expense	
HMP'L 2 (net)	240	\$ 747,788	313	\$ 639,092	(73)	\$ 108,696	No overtime due to soft market
Wilson	1,008	\$ 6,746,440	336	\$ 2,498,801	672	\$ 4,247,639	Reduced scope of planned outage
HMP'L 1 (net)	768	\$ 2,520,468	867	\$ 2,577,267	(99)	\$ (56,799)	Extended to repair a transformer in the Reid switchyard
Green 2	672	\$ 3,322,652	0	\$ 89,602	672	\$ 3,233,050	Deferred outage
Reid CT	936	\$ 1,200,000	0	\$ -	936	\$ 1,200,000	Deferred outage
Coleman 1	672	\$ 3,424,266	0	\$ -	672	\$ 3,424,266	Deferred outage
Reid 1	504	\$ 925,000	0	\$ -	504	\$ 925,000	Deferred outage
Coleman 3	768	\$ 3,777,301	0	\$ -	768	\$ 3,777,301	Deferred outage
System	5,568	\$ 22,663,915	1,516	\$ 5,804,762	4,052	\$ 16,859,153	

Big Rivers Electric Corporation
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Attachment to Response for AG 1-50(a)
Big Rivers Non-Outage Maintenance Reductions

2010 Other Deferred Maintenance				
Station	Budget	Actual	Variance	Comment
	HMPL	\$ 7,019,705	\$ 6,748,451	
WILSON	\$ 8,657,441	\$ 9,010,380	\$ (352,939)	Routine O&M Reductions
GREEN	\$ 9,179,054	\$ 9,332,948	\$ (153,894)	Routine O&M Reductions
COLEMAN	\$ 9,701,450	\$ 8,632,741	\$ 1,068,709	Routine O&M Reductions
System	\$ 34,557,650	\$ 33,724,520	\$ 833,131	

2011 Other Deferred Maintenance				
Station	Budget	Actual	Variance	Comment
	HMPL	\$ 7,963,871	\$ 6,961,787	
WILSON	\$ 10,804,426	\$ 10,175,540	\$ 628,886	Routine O&M Reductions
GREEN	\$ 9,722,606	\$ 8,792,651	\$ 929,955	Routine O&M Reductions
COLEMAN	\$ 10,806,396	\$ 10,606,990	\$ 199,406	Routine O&M Reductions
System	\$ 39,297,299	\$ 36,536,968	\$ 2,760,331	

2012 Other Deferred Maintenance				
Station	Budget	Actual	Variance	Comment
	HMPL	\$ 7,170,667	\$ 6,748,192	
WILSON	\$ 10,553,001	\$ 9,719,956	\$ 833,045	Routine O&M Reductions
GREEN	\$ 9,910,107	\$ 9,094,528	\$ 815,578	Routine O&M Reductions
COLEMAN	\$ 9,976,685	\$ 9,193,147	\$ 783,538	Routine O&M Reductions
System	\$ 37,610,460	\$ 34,755,823	\$ 2,854,636	

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Attachment to Response for AG 1-50
Maintenance Report

New Long Term Disability Insurance Provider 2013				
Estimated Expense Reduction				
		Premium		Expense
	Base Pay	Old Provider	New Provider	Reduction
Bargaining:				
Generation	\$20,485,172	\$288,158	\$196,658	\$91,500
Transmission	\$1,494,622	\$21,024	\$14,348	\$6,676
Non-Bargaining	\$20,767,772	\$292,133	\$199,371	\$92,762
		\$601,315	\$410,377	\$190,938

Post-Retirement Medical Revised Eligibility	
Estimated Expense Reduction	
Mercer Estimate for 2013 Before Revision in Eligibility	\$2,015,024
Mercer Estimate for 2013 After Revision in Eligibility	\$1,454,456
Expense Reduction	\$560,568

Big Rivers Electric Corporation
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Attachment to Response for AG 1-50
Maintenance Report

New Plan Design and EE Contribution 2013					
Estimated Expense Reduction					
Old Design and EE Contribution 2013					
	Cvg	# Emp	Prem/Mo	EE/Mo	Net Exp/Yr
Bargaining:					
Generation	1	59	\$610.46	\$61.05	\$388,982
	2	92	\$1,281.97	\$128.20	\$1,273,762
	4	141	\$1,770.33	\$177.03	\$2,695,864
	6	33	\$1,159.87	\$115.99	\$413,376
Transmission	1	8	\$610.46	\$48.84	\$53,916
	2	6	\$1,281.97	\$102.56	\$84,918
	4	10	\$1,770.33	\$141.63	\$195,444
	6	2	\$1,159.87	\$92.79	\$25,610
Non-Bargaining	1	56	\$610.46	\$48.84	\$377,409
	2	69	\$1,281.97	\$102.56	\$976,551
	4	107	\$1,770.33	\$141.63	\$2,091,251
	6	13	\$1,159.87	\$92.79	\$166,464
					\$8,743,547
New Design and EE Contribution 2013					
	Cvg	# Emp	Prem/Mo	EE/Mo	Net Exp/Yr
Bargaining:					
Generation	1	59	\$594.84	\$59.48	\$379,035
	2	92	\$1,249.17	\$124.92	\$1,241,172
	4	141	\$1,725.04	\$172.50	\$2,626,898
	6	33	\$1,130.20	\$113.02	\$402,803
Transmission	1	8	\$594.84	\$53.54	\$51,965
	2	6	\$1,249.17	\$112.43	\$81,845
	4	10	\$1,725.04	\$155.25	\$188,375
	6	2	\$1,130.20	\$101.72	\$24,684
Non-Bargaining	1	56	\$594.84	\$53.54	\$363,754
	2	69	\$1,249.17	\$112.43	\$941,221
	4	107	\$1,725.04	\$155.25	\$2,015,610
	6	13	\$1,130.20	\$101.72	\$160,443
					\$8,477,805
Expense Reduction					\$265,742

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Attachment to Response for AG 1-50
Maintenance Report

Coverage:
1 = Employee
2 = Employee and Spouse
4 = Employee, Spouse, and Child(ren)
6 = Employee and Child(ren)

Attachment to Response for AG 1-50
Maintenance Report

**Self-Insured v Insured Medical Plan 2012
Estimated Expense Reduction**

	Net Annual Cost
Insured	
Active Non-Bargaining	\$4,418,785
Active Bargaining - Generation	\$6,111,279
Active Bargaining - Transmission	\$471,469
	\$11,001,533
Inactive Non-Bargaining and Bargaining	\$674,335
Total Insured	\$11,675,868
Self-Insured	
Active Non-Bargaining	\$3,283,316
Active Bargaining - Generation	\$4,416,377
Active Bargaining - Transmission	\$343,976
	\$8,043,669
Inactive Non-Bargaining and Bargaining	\$545,253
Total Self-Insured	\$8,588,922
Expense Reduction	\$3,086,946

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Big Rivers Electric Corporation Attachment to Response for AG 1-50
Health Insurance Cost Review **INSURED** Maintenance Report
Active Employees as of August 14, 2011 at 2012 Rates

Active Non-Bargaining							
Coverage	Number of Participant s	Cost	Total Cost	Employee Share	Total EE Share	Net Monthly Cost	Net Annual Cost
Single	52	851.31	44,268.12	68.10	3,541.20		
EE & Spouse	75	1,648.01	123,600.75	131.84	9,888.00		
Family	97	2,161.09	209,625.73	172.89	16,770.33		
EE & Children	15	1,517.17	22,757.55	121.37	1,820.55		
	239		400,252.15		32,020.08	368,232.07	4,418,784.84
Active Bargaining - Generation							
Coverage	Number of Participant s	Cost	Total Cost	Employee Share	Total EE Share	Net Monthly Cost	Net Annual Cost
Single	57	851.31	48,524.67	64.00	3,648.00		
EE & Spouse	98	1,648.01	161,504.98	123.00	12,054.00		
Family	135	2,161.09	291,747.15	161.00	21,735.00		
EE & Children	32	1,517.17	48,549.44	113.00	3,616.00		
	322		550,326.24		41,053.00	509,273.24	6,111,278.88
Active Bargaining - Transmission							
Coverage	Number of Participant s	Cost	Total Cost	Employee Share	Total EE Share	Net Monthly Cost	Net Annual Cost
Single	6	851.31	5,107.86	54.00	324.00		
EE & Spouse	7	1,648.01	11,536.07	104.00	728.00		
Family	11	2,161.09	23,771.99	136.00	1,496.00		
EE & Children	1	1,517.17	1,517.17	96.00	96.00		
	25		41,933.09		2,644.00	39,289.09	471,469.08
						Net Monthly Cost	Net Annual Cost
						916,794.40	11,001,532.80

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Big Rivers Electric Corporation Attachment to Response for AG 1-50
Health Insurance Cost Review INSURED Maintenance Report
Retirees, LTD, and COBRA Cost as of August 14, 2011 at 2012 Rates

Retirees, LTD, & COBRA Non-Bargaining			
<i>Coverage</i>	<i>Number of Participants</i>	<i>Cost</i>	<i>Total Cost</i>
Single	3	851.31	2,553.93
EE & Spouse	11	1,648.01	18,128.11
Family	0	2,161.09	0.00
Medicare Single	24	188.96	4,535.04
Medicare EE & Spouse	16	377.92	6,046.72
No Medicare/Pt D only	3	0.00	0.00
EE < 65/Spouse Medicare	1	1,040.27	1,040.27
EE Medicare/Spouse < 65	1	985.66	985.66
Spouse Only	0	796.70	0.00
Pt D Basic	1	29.15	29.15
Pt D Basic Plus	15	42.25	633.75
Pt D Enhanced	1	161.20	161.20
Pt D Enhanced X 80%	1	128.90	128.90
Pt D Enhanced Plus	24	236.65	5,679.60
Pt D Copayment	11	91.50	1,006.50
			40,928.83
Total Employee Share			15,348.48
Retirees, LTD, & COBRA Bargaining			
<i>Coverage</i>	<i>Number of Participants</i>	<i>Cost</i>	<i>Total Cost</i>
Single	8	851.31	6,810.48
EE & Spouse	8	1,648.01	13,184.08
Family	2	2,161.09	4,322.18
Medicare Single	5	188.96	944.80
Medicare EE & Spouse	0	377.92	0.00
No Medicare/Pt D only	0	0.00	0.00
EE < 65/Spouse Medicare	3	1,040.27	3,120.81
EE Medicare/Spouse < 65	3	985.66	2,956.98
Spouse Only	2	796.70	1,593.40
Pt D Basic	1	29.15	29.15
Pt D Basic Plus	0	42.25	0.00
Pt D Enhanced	0	161.20	0.00
Pt D Enhanced X 80%	0	128.90	0.00
Pt D Enhanced Plus	4	236.65	946.60
Pt D Copayment	3	91.50	274.50
			34,182.98
Total Employee Share			3,568.78
Net Monthly			56,194.55
Net Annual			674,334.60

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Big Rivers Electric Corporation Attachment to Response for AG 1-50
Health Insurance Cost Review INSURED Maintenance Report
Retirees, LTD, and COBRA Cost as of August 14, 2011 at 2012 Rates

Coverage	Number	Employee Share	Total EE Share
EE & Spouse - Active	1	131.84	131.84
EE 15%	8	127.70	1,021.60
EE 75%	6	638.48	3,830.88
SP 15%	4	119.51	478.04
SP 75%	7	597.53	4,182.71
Medicare 75% less \$9	24	132.72	3,185.28
Medicare 75%	7	141.72	992.04
D1 75% less \$16	1	5.86	5.86
D2 75% less \$16	11	15.69	172.59
D2 75%	3	31.69	95.07
D3 75% less \$16	1	104.90	104.90
D3 75%	1	120.90	120.90
D4 75% less \$16	3	161.49	484.47
D5 75% less \$16	9	52.63	473.67
D5 75%	1	68.63	68.63
Non-Bargaining			15,348.48
EE - Active Gen	3	64.00	192.00
EE & SP - Active Gen	1	123.00	123.00
EE 15%	4	127.70	510.80
EE 20%	3	170.26	510.78
SP 15%	2	119.51	239.02
SP 20%	2	159.34	318.68
CH 15% (if SP & CH)	1	76.96	76.96
Medicare 75% less \$9	4	132.72	530.88
Medicare 75%	2	141.72	283.44
D4 75% less \$16	4	161.49	645.96
D5 75%	2	68.63	137.26
Bargaining			3,568.78

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Big Rivers Electric Corporation Attachment to Response for AG 1-50
Health Insurance Cost Review **SELF-INSURED** Maintenance Report
Active Employees as of August 14, 2011 at 2012 Rates

Active Non-Bargaining							
Coverage	Number of Participants	Cost	Total Cost	Employee Share	Total EE Share	Net Monthly Cost	Net Annual Cost
Single	52	632.96	32,913.92	50.64	2,633.28		
EE & Spouse	75	1,224.53	91,839.75	97.96	7,347.00		
Family	97	1,605.41	155,724.77	128.43	12,457.71		
EE & Children	15	1,127.34	16,910.10	89.39	1,340.85		
	239		297,388.54		23,778.84	273,609.70	3,283,316.40
Active Bargaining - Generation							
Coverage	Number of Participants	Cost	Total Cost	Employee Share	Total EE Share	Net Monthly Cost	Net Annual Cost
Single	57	632.96	36,078.72	63.30	3,608.10		
EE & Spouse	98	1,224.53	120,003.94	122.45	12,000.10		
Family	135	1,605.41	216,730.35	160.54	21,672.90		
EE & Children	32	1,127.34	36,074.88	111.73	3,575.36		
	322		408,887.89		40,856.46	368,031.43	4,416,377.16
Active Bargaining - Transmission							
Coverage	Number of Participants	Cost	Total Cost	Employee Share	Total EE Share	Net Monthly Cost	Net Annual Cost
Single	6	632.96	3,797.76	50.64	303.84		
EE & Spouse	7	1,224.53	8,571.71	97.96	685.72		
Family	11	1,605.41	17,659.51	128.43	1,412.73		
EE & Children	1	1,127.34	1,127.34	89.39	89.39		
	25		31,156.32		2,491.68	28,664.64	343,975.68
						<i>Net Monthly Cost</i>	<i>Net Annual Cost</i>
						670,305.77	8,043,669.24

Big Rivers Electric Corporation
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Big Rivers Electric Corporation Attachment to Response for AG 1-50
Health Insurance Cost Review SELF-INSURED Maintenance Report
Retirees, LTD, and COBRA Cost as of August 14, 2011 at 2012 Rates

Retirees, LTD, & COBRA Non-Bargaining			
<i>Coverage</i>	<i>Number of Participants</i>	<i>Cost</i>	<i>Total Cost</i>
Single	3	632.96	1,898.88
EE & Spouse	11	1,224.53	13,469.83
Family	0	1,605.41	0.00
Medicare Single	24	188.96	4,535.04
Medicare EE & Spouse	16	377.92	6,046.72
No Medicare/Pt D only	3	0.00	0.00
EE < 65/Spouse Medicare	1	821.92	821.92
EE Medicare/Spouse < 65	1	780.53	780.53
Spouse Only	0	591.57	0.00
Pt D Basic	1	29.15	29.15
Pt D Basic Plus	15	42.25	633.75
Pt D Enhanced	1	161.20	161.20
Pt D Enhanced X 80%	1	128.90	128.90
Pt D Enhanced Plus	24	236.65	5,679.60
Pt D Copayment	11	91.50	1,006.50
			35,192.02
Total Employee Share			12,869.93
Retirees, LTD, & COBRA Bargaining			
<i>Coverage</i>	<i>Number of Participants</i>	<i>Cost</i>	<i>Total Cost</i>
Single	8	632.96	5,063.68
EE & Spouse	8	1,224.53	9,796.24
Family	2	1,605.41	3,210.82
Medicare Single	5	188.96	944.80
Medicare EE & Spouse	0	377.92	0.00
No Medicare/Pt D only	0	0.00	0.00
EE < 65/Spouse Medicare	3	821.92	2,465.76
EE Medicare/Spouse < 65	3	780.53	2,341.59
Spouse Only	2	591.57	1,183.14
Pt D Basic	1	29.15	29.15
Pt D Basic Plus	0	42.25	0.00
Pt D Enhanced	0	161.20	0.00
Pt D Enhanced X 80%	0	128.90	0.00
Pt D Enhanced Plus	4	236.65	946.60
Pt D Copayment	3	91.50	274.50
			26,256.28
Total Employee Share			3,140.65
Net Monthly			45,437.72
Net Annual			545,252.64

Big Rivers Electric Corporation
Case No. 2012-00535

Big Rivers Electric Corporation Attachment to Response for AG 1-50
Health Insurance Cost Review SELF-INSURED Maintenance Report
Retirees, LTD, and COBRA Cost as of August 14, 2011 at 2012 Rates

Coverage	Number	Employee Share	Total EE Share
EE & Spouse - Active	1	97.96	97.96
EE 15%	8	94.94	759.52
EE 75%	6	474.72	2,848.32
SP 15%	4	88.74	354.96
SP 75%	7	443.68	3,105.76
Medicare 75% less \$9	24	132.72	3,185.28
Medicare 75%	7	141.72	992.04
D1 75% less \$16	1	5.86	5.86
D2 75% less \$16	11	15.69	172.59
D2 75%	3	31.69	95.07
D3 75% less \$16	1	104.90	104.90
D3 75%	1	120.90	120.90
D4 75% less \$16	3	161.49	484.47
D5 75% less \$16	9	52.63	473.67
D5 75%	1	68.63	68.63
Non-Bargaining			12,869.93
EE - Active Gen	3	63.30	189.90
EE & SP - Active Gen	1	122.45	122.45
EE 15%	4	94.94	379.76
EE 20%	3	126.59	379.77
SP 15%	2	88.74	177.48
SP 20%	2	118.31	236.62
CH 15% (if SP & CH)	1	57.13	57.13
Medicare 75% less \$9	4	132.72	530.88
Medicare 75%	2	141.72	283.44
D4 75% less \$16	4	161.49	645.96
D5 75%	2	68.63	137.26
Bargaining			3,140.65

BIG RIVERS ELECTRIC CORPORATION

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February 28, 2013

1 **Item 51) *Mr. Bailey's testimony (p. 8, lines 8 to 13) states that on***
2 ***August 20, 2013, Century's smelter power contract terminates and it***
3 ***represents about 40% of the internal load, and this represents about***
4 ***\$63 million of the total \$74.5 million revenue deficiency in this case.***
5 ***Address the following and provide updates on a continuing basis:***

6

7 ***a. Provide calculations, assumptions, and supporting***
8 ***documentation for the \$63 million revenue requirement***
9 ***impact related to the loss of Century, and describe and***
10 ***show the impact by account number and cost category***
11 ***(payroll, depreciation, plant asset, etc.) for all revenues,***
12 ***expenses, assets, and liabilities and reconcile to the***
13 ***amounts and Company-proposed adjustments included in***
14 ***this rate filing.***

15 ***b. Provide the information in (a) above regarding the loss of***
16 ***Century in this rate filing for each of the periods,***
17 ***including the base period ending April 13, 2013 (if there is***
18 ***any impact before the August 20th date that Century***
19 ***leaves the system), forecasted period ending August 31,***
20 ***2014, and the budget periods 2015 and 2016.***

21 ***c. Explain if the impact of the loss of Century is treated as a***
22 ***flash-cut impact on revenue requirements or if part of the***
23 ***impact on revenue requirements is amortized or spread***

Case No. 2012-00535

Response to AG 1-51

Witness: John Wolfram

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1 *over several years/periods and provide related supporting*
2 *calculation.*

3 *d. Explain and describe all costs that the Company has*
4 *incurred from 2002 to present to meet Century's load, or*
5 *were otherwise incurred specifically because of Century,*
6 *and show the amount of these expenses and capital costs*
7 *by account number for each year.*

8 *e. Regarding the amounts in (d) above, identify all of these*
9 *costs that the Company has included as part of its \$63*
10 *million revenue deficiency impact related to the loss of*
11 *Century.*

12 *f. Identify all plant costs by account number and description*
13 *that are stranded by the loss of Century, and identify*
14 *those costs that the Company seeks to recover in this rate*
15 *case (as part of the \$63 million revenue deficiency impact)*
16 *and those costs that the Company does not seek to recover*
17 *in this rate filing.*

18

19 **Response)**

20

21 a. Please see the Direct Testimony of Mr. Robert W. Berry
22 (application Tab 66), p. 24 and Exhibit Berry-4. Big Rivers'
23 actual revenue deficiency calculation is based on forecasted

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1 margins and target TIER, as described in the testimonies of Ms.
2 Billie J. Richert and Mr. John Wolfram. The \$63 million figure
3 is an estimate, based on annual margin and expense
4 projections for the forecasted test period. The values are not
5 broken down by account number or cost categories beyond
6 those provided in Exhibit Berry-4, and cannot be reconciled to
7 the amounts and proposed adjustments included in this rate
8 filing.

- 9 b. Please see the response to part a, above.
- 10 c. The impact of the Century contract termination is treated as an
11 annual amount; it is not amortized or spread out over several
12 years/periods.
- 13 d. There are no costs incurred by Big Rivers specifically because of
14 Century that are distinguishable from the costs incurred for
15 serving all of Big Rivers' members.
- 16 e. Please see the response to part a, above.
- 17 f. Please see the responses to part a, above, and to AG 1-22.

18

19 To the extent this request seeks continuous or ongoing updates, Big
20 Rivers objects on the grounds that it is overbroad and unduly burdensome.
21 Notwithstanding this objection, but without waiving it, Big Rivers states that
22 it will only update its response as required by law, as ordered by the
23 Commission, or as it otherwise deems appropriate.

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1

2

3 **Witness)** John Wolfram

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1 **Item 52) *Regarding the loss of load from the Century smelting***
2 ***operation and the estimated \$63 million revenue requirement impact,***
3 ***address the following and provide updates on a continuing basis:***

4
5 ***a. Explain in more detail the specific rate case treatment***
6 ***that Big Rivers is proposing for all revenue and cost***
7 ***impacts in this rate case related to the loss of Century and***
8 ***the \$63 million revenue requirement impact.***

9 ***b. Identify and provide all known precedent and prior cases***
10 ***before the Commission (and in other jurisdictions) that***
11 ***have addressed similar issues for the loss of a major***
12 ***utility customer like the Century smelter and explain the***
13 ***Commission's decisions and treatment of revenue loss,***
14 ***costs, and related issues in those cases (it is not necessary***
15 ***to provide the actual documentation related to any***
16 ***precedent, but provide a cite to the related case number,***
17 ***utility, and year if the information can be obtained***
18 ***electronically by the AG).***

19 ***c. Explain if Big Rivers seeks similar treatment in this case***
20 ***(regarding the lost load from the Century smelting***
21 ***operation) based on prior Commission decisions related to***
22 ***similar issues in other utility cases, or explain all unique***

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1 *or different conditions regarding the loss of Century that*
2 *require a unique or different treatment of this issue in this*
3 *proceeding. Provide all supporting documentation.*
4

5 **Response)**

- 6
- 7 a. Big Rivers objects to this request on the grounds that Big Rivers
8 has previously provided all information and documents
9 necessary for the intervenor to determine the response without
10 further input. The specific request for rate relief is clearly
11 stated in the application and testimony provided in this
12 proceeding. To reiterate, Big Rivers is seeking to recover its
13 proposed revenue deficiency of \$74.5 million from its members,
14 effective August 20, 2013. This includes the \$63 million and all
15 of the other costs described in the application and in the direct
16 testimony of the witnesses in this case.
- 17 b. Big Rivers objects to this request on the grounds that it seeks
18 information that is protected by the attorney-client and attorney
19 work product privileges.
- 20 c. See the response to part b.

21

22 **Witness)** John Wolfram

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 53) *Identify and explain any specific relevant terms and***
2 ***conditions in the contracts between Big Rivers and Century, and Big***
3 ***Rivers and Alcan that may not have been met by Big Rivers, Century,***
4 ***or Alcan, or which are being contested by either party, and explain***
5 ***Big Rivers' position regarding these matters and the status of all***
6 ***unresolved matters (provide all supporting documentation).***

7

8 ***a. Provide copies of correspondence and documentation***
9 ***between Big Rivers, Alcan and/or Century regarding the***
10 ***discussion or negotiation of all related issues, and***
11 ***summarize the current position of each party at this point***
12 ***in time.***

13 ***b. Provide copies of all correspondence between Big Rivers,***
14 ***Alcan and/or Century regarding the Notices of Termination***
15 ***from Alcan and Century.***

16 ***c. Explain if the contract addresses or requires an "exit fee"***
17 ***to be paid by Century upon its voluntarily leaving the Big***
18 ***Rivers system and provide a calculation of this exit fee,***
19 ***the status of this exit fee, and explain if such exit fee is***
20 ***reflected in revenue requirement calculations in this***
21 ***proceeding. If no such provision exists, explain why Big***
22 ***Rivers did not insist upon it during the five (5) year period***
23 ***it was negotiating the Unwind.***

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1 *d. Regardless of whether an exit fee is required by the*
2 *contract, provide Big Rivers' position on the exit fee issue*
3 *and the amounts of any exit fee that it believes is*
4 *reasonable (and provide related calculations and*
5 *supporting documentation).*

6 *e. Explain if the Commission has addressed the issue of exit*
7 *fees for similar situations in prior utility cases, provide a*
8 *citation to these Commission decisions and a summary of*
9 *the decision (or cite to cases in other jurisdictions for*
10 *which Big Rivers has information), and explain if Big*
11 *Rivers agrees or disagrees with these prior decisions and*
12 *explain why.*

13
14 **Response)** Big Rivers objects to this request on the grounds that it is overly
15 broad, unduly burdensome, not likely to lead to the discovery of admissible
16 evidence, and seeks information that is protected by the attorney-client and
17 attorney work product privileges. Notwithstanding this objection, but
18 without waiving it, please see the responses provided, below.

19
20 a. Please see the documents in the responses to AG 1-171 and 1-
21 172, produced subject to a petition for confidentiality.

22 b. Please see the documents in the responses to AG 1-171 AND AG
23 1-172, produced subject to a petition for confidentiality.

**Case No. 2012-00535
Response to AG 1-53
Witness: Mark A. Bailey
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- 1 c. The smelter agreements do not require an exit fee.
- 2 d. The smelter agreements are determinative of any exit fee.
- 3 e. Big Rivers has not examined such cases because the smelter
- 4 contracts do not provide for exit fees.

5

6 **Witness)** Mark A. Bailey

BIG RIVERS ELECTRIC CORPORATION

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1 **Item 54) Mr. Bailey (page 9, lines 2-8) states that the Company must**
2 **demonstrate to the rating agencies regulatory support for Big Rivers'**
3 **financial health, including an increase that will allow Big Rivers to**
4 **have access to capital markets, maintain its utility plant, meet loan**
5 **covenants (achieve at least a 1.10 MFIR), and maintain at least two**
6 **investment grade credit ratings. Address the following and provide**
7 **updates on a continuing basis:**

8

9 **a. For the period 2011 through 2013 YTD, provide copies**
10 **of all reports, correspondence, and documentation**
11 **provided by Big Rivers to rating agencies regarding the**
12 **Company's financial health and related issues**
13 **addressed at Mr. Bailey's testimony above.**

14 **b. For the period 2011 through 2013 YTD, provide copies**
15 **of all reports, correspondence, and documentation**
16 **provided by rate agencies to Big Rivers regarding**
17 **concerns with the Company's financial health and**
18 **related issues addressed at Mr. Bailey's testimony**
19 **above.**

20 **c. Regarding items (a) and (b) above, provide the most**
21 **recent specific requirements and recommendations of**
22 **rating agencies and provide related supporting**
23 **documentation (reports, etc.).**

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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- 1 d. *For the period 2011 through 2013 YTD, provide the*
2 *amount paid by Big Rivers to outside consultants to*
3 *address matters in (a) to (c) above, and provide the*
4 *names of all consultants, the amounts paid by account*
5 *number, a copy of all contracts, and a copy of all*
6 *reports and recommendations of the consultants.*
- 7 e. *For the period 2011 through 2013 YTD, provide the*
8 *amount paid by Big Rivers to rating agencies regarding*
9 *the matters in (a) to (c) above, and provide the names of*
10 *the rating agencies, the amounts paid by account*
11 *number, a copy of all contracts, and a copy of all*
12 *reports and recommendations of the rating agency.*
- 13 f. *Explain if the rating agencies have expressed an*
14 *opinion or made recommendations regarding various*
15 *significant issues facing Big Rivers (i.e., loss of Century*
16 *smelter, status with Alcan smelter and / or loss of its*
17 *load, depreciation rates, rate case, etc.), and provide all*
18 *related documentation from rating agencies addressing*
19 *these matters.*
- 20

21 **Response)** Big Rivers objects to this request on the grounds that it is overly
22 broad and unduly burdensome. Big Rivers also objects to this request on
23 the grounds that it seeks information that is irrelevant and not likely to lead

**Case No. 2012-00535
Response to AG 1-54
Witness: Billie J. Richert
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BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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1 to the discovery of admissible evidence. Notwithstanding these objections,
2 but without waiving them, Big Rivers states as follows.

3

4 a) Please see Big Rivers' responses to Item 31 and Item 33 of the
5 initial request for information by the Attorney General dated
6 May 21, 2012, in Case No. 2012-00063 for copies of all reports,
7 correspondence, and documentation between Big Rivers and
8 rating agencies, for the period January 1, 2011 through May
9 21, 2012. Please see Big Rivers' response to Item 9 of the initial
10 request for information by the Kentucky Industrial Utility
11 Customers' ("KIUC") dated December 19, 2012, in Case No.
12 2012-00492 for copies of all reports, correspondence, and
13 documentation between Big Rivers and rating agencies, for the
14 period January 1, 2012 through January 3, 2013. Please see
15 Big Rivers' response to Item 1 of the supplemental request for
16 information by the KIUC dated February 5, 2013, in Case No.
17 2012-00492 for copies of all reports, correspondence, and
18 documentation between Big Rivers and rating agencies, for the
19 period January 1, 2013 through February 12, 2013.

20 b) Please see response to a) for copies of all reports,
21 correspondence, and documentation provided by rating
22 agencies to Big Rivers.

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- 1 c) Please see Big Rivers' response to Item 1 of the KIUC
2 supplemental request for information dated February 5, 2013,
3 in Case No. 2012-00492, and the attachment for the response
4 to AG 1-54 (c). Please also see the attached document. Page 1
5 of 22 of the Attachment for Response to AG 1-54 (c) reflects the
6 latest credit rating reports/opinions by the three rating
7 agencies, Moody's, S&P and Fitch. These latest credit rating
8 reports reflect downgrades of Big Rivers' credit ratings to non-
9 investment grade as of February 6, 2013. These downgrades are
10 a direct result of Alcan's notice of termination dated January
11 31, 2013 and Century's notice of termination dated August 20,
12 2012. Page 2 of 22 of the Attachment for Response to AG 1-54
13 (c) reflects the historical credit ratings for each rating agency
14 and highlights the impact the notices of termination received
15 from the smelters has had on Big Rivers' credit ratings.
- 16 d) For the period 2011 through 2013 YTD, Big Rivers has not
17 made payments to any outside consultants to address matters
18 in (a) through (c), above.
- 19 e) Please see the attached schedule.
- 20 f) Please see Big Rivers' response and attachments to (c) above for
21 the latest credit rating reports/opinions issued by the rating
22 agencies. The rating agencies have not included any statements
23 related to depreciation rates in their reports. Moody's Credit

BIG RIVERS ELECTRIC CORPORATION

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1 Opinion, dated February 7, 2013, does, however, note the
2 additional \$1 million in revenues (including increased
3 depreciation costs) resulting from the Commission's final order
4 issued in Case No. 2011-00036. Refer to page 19 of 22 of the
5 attachment for response to AG 1-54 (c).
6

7 To the extent this request seeks continuous or ongoing updates, Big
8 Rivers objects on the grounds that it is overbroad and unduly burdensome.
9 Notwithstanding this objection, but without waiving it, Big Rivers states that
10 it will only update its response as required by law, as ordered by the
11 Commission, or as it otherwise deems appropriate.
12

13 **Witness)** Billie J. Richert

Rating Agency Credit Scale:

Moody's	S&P	Fitch	
Aaa	AAA	AAA	Investment Grade
Aa1	AA+	AA+	
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Non-Investment Grade
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	
B2	B	B	
B3	B-	B-	

= Big Rivers' credit ratings as of 2/6/2013



Big Rivers Electric System, Inc.

Big Rivers' Historical Credit Ratings by Rating Agency

Rating Agency:

Moody's		
Date	Credit Rating	Rating Outlook
3/13/2009	Baa1	Stable
7/14/2009	Baa1	Stable
5/10/2010	Baa1	Stable
7/18/2011	Baa1	Stable
8/21/2012	Baa2	Under Review
2/6/2013	Ba1	Under Review

S&P		
Date	Credit Rating	Rating Outlook
5/18/2010	BBB-	Stable
7/6/2011	BBB-	Stable
8/31/2012	BBB-	Negative
2/4/2013	BB-	Negative

Fitch		
Date	Credit Rating	Rating Outlook
7/2/2009	BBB-	Stable
5/12/2010	BBB-	Stable
8/31/2011	BBB-	Stable
7/24/2012	BBB-	Stable
8/24/2012	BBB-	Negative
2/6/2013	BB	Negative

RatingsDirect®

Summary:

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

Primary Credit Analyst:

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

Secondary Contact:

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

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Rationale

Outlook

Related Criteria And Research

Summary:

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

Credit Profile

Big Rivers Electric Corp. ICR		
<i>Long Term Rating</i>	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		
<i>Long Term Rating</i>	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).

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

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.

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FitchRatings

FITCH DOWNGRADES BIG RIVERS ELECTRIC CORP, KY'S 2010A POLLUTION CONTROL RFDG REV BONDS TO 'BB'

Fitch Ratings-New York-06 February 2013: Fitch Ratings has downgraded the rating on Big Rivers Electric Corporation's \$83.3 million County of Ohio, KY's pollution control refunding revenue bonds series 2010A to 'BB' from 'BBB-'.

The Rating Outlook is revised to Negative.

SECURITY

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

SENSITIVITIES/RATING DRIVERS

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

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

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

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

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

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

WHAT COULD TRIGGER A RATING ACTION

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

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

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

quality.

CREDIT PROFILE

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

CENTURY AGREEMENT TERMINATED AUGUST 2012

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

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

BIG RIVERS IMPLEMENTS MITIGATION PLAN

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

ALCAN FOLLOWS WITH TERMINATION NOTICE

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

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

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

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

FUTURE FINANCIAL RESULTS UNCLEAR

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

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

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

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

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Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

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

Applicable Criteria and Related Research:

--'U.S. Public Power Rating Criteria' (Dec. 18, 2012);
--'Revenue-Supported Rating Criteria'(June 12, 2012);
--'Big Rivers Electric Corporation'(Aug. 31, 2012).

Applicable Criteria and Related Research:

U.S. Public Power Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=696027
Revenue-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=681015
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Rating Action: Moody's downgrades rating of County of Ohio, Kentucky (Big Rivers Electric Corporation Project) to Ba1 from Baa2; rating remains under review for further downgrade

Global Credit Research - 06 Feb 2013

\$83.3 million of securities affected

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

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

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

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

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

In light of the rating review for possible downgrade and the uncertainty at BREC that persists following the announcements by Century and Rio Tinto, the rating is not likely to be upgraded or stabilized in the near term. Several factors are likely to cause us to further lower BREC's rating including our assessment of the likelihood of

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

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

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

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Issuer Comment: Big Rivers Electric Corporation -- Credit Opinion

Global Credit Research - 07 Feb 2013

Rating Drivers

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

Corporate Profile

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

Recent Events

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

Rating Rationale

The Ba1 senior secured rating considers credit risk related to the fact that Big Rivers' largest member owner, Kenergy Corp., makes a high concentration of its sales to two aluminum smelters (Century and Alcan), both of whom face credit challenges due to the significant volatility in both metal prices and demand. In addition, these smelters have served notice of intent to terminate their respective power purchase arrangements with Big Rivers, consistent with requirements for a one-year notice period and meeting other conditions to do so. Big Rivers' rating is further constrained because its rates are regulated by the KPSC, which is atypical for the G&T coop sector. Big Rivers' credit profile also reflects the financial benefits of several steps it took to unwind a lease and other transactions in 2008 and 2009 wherein its prior deficit net worth turned substantially positive, cash receipts were utilized to reduce debt, and two committed bank credit facilities aggregating \$100 million were established to improve liquidity.

Detailed Rating Considerations

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

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

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

Improved Balance Sheet Following Completion Of Unwind Of Historical Transactions In 2009

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

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

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

Big Rivers owns generating capacity of about 1,444 megawatts (MW) in four substantially

coal-fired plants. Total power capacity is about 1,824 MW, including rights to about 197 MW of coal-fired capacity from Henderson Municipal Power and Light (HMP&L) Station Two and about 178 MW of contracted hydro capacity from Southeastern Power Administration. The economics of power produced from these sources enables Big Rivers to maintain a reasonable competitive advantage in the Southeast and even more so when compared to other regions around the country. The consistently high capacity factors and efficient operations of the assets results in average system wholesale rates to members around 4.7 cents per kWh (including the beneficial effects of the member rate stability mechanism). This compares to the average wholesale rate of 4.4 cents per kWh to serve the two smelter loads in 2011.

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

Regulatory Risk Exists; However, Offsets Are Present

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

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

Wholesale Power Contracts Support Big Rivers' Credit Profile

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

Liquidity

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

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

Structural Considerations

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

Rating Outlook

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

What Could Change the Rating - Up

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

What Could Change the Rating - Down

Several factors are likely to cause us to further lower Big Rivers' rating including our assessment of the likelihood of success in implementing the numerous mitigation strategies

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

Other Considerations

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

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

Contacts

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Chee Mee Hu/New York

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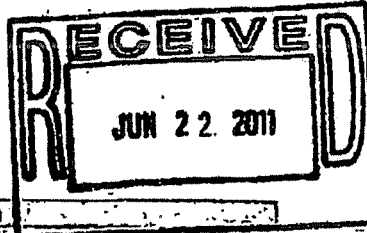
Big Rivers Electric Corporation
Case No. 2012-00535
Amounts Paid to Rating Agencies

Vendor	Invoice #	A/C 930.200	A/C 921.100	Description
<u>Calendar Year 2011</u>				
Fitch Inc.	7119004541	\$ 30,000		Relationship Fee/Coverage Period: 7/01/11 to 6/30/12
Standard & Poor's	10266421	\$ 30,000		Analytical Services/Coverage Period: 4/01/11 to 3/31/12
<u>Calendar Year 2012</u>				
Fitch Inc.	7119010557	\$ 30,000		Relationship Fee/Coverage Period: 7/01/12 to 6/30/13
Standard & Poor's	10292827		\$ 30,000	Analytical Services/Coverage Period: 4/01/12 to 3/31/13

January 2013 YTD

No payments made to rating agencies

Invoice



FitchRatings

Fitch Inc.
One State Street Plaza
33 Floor
New York, NY 10004
Federal IRS Corporate Tax No. [REDACTED]
Phone# (212)909-0500 Toll Free# 1-800-363-4824

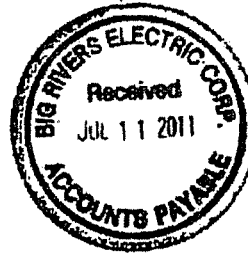
Attn: C. William Blackburn
Big Rivers Electric Corporation
201 Third Street
P. O. Box 24
Henderson KY 42419-0024

Billing Information	
Terms of Payment	Net due in 30 days
Invoice No.	7119004541
Invoice Date	June 17, 2011
Currency	USD
Accounting Contact email	collections@fitchratings.com

Big Rivers Electric Corporation

Relationship Fee	30,000.00
Coverage Period: 01 July 2011 to 30 June 2012	
Invoice Amount	30,000.00
Total Tax	0.00
Total Amount Due (USD)	30,000.00

C. W. Blackburn
6/28/11



VIA WIRE:
FITC INC. (NY)
Chase Manhattan
New York, NY
ABA # [REDACTED]
Acct # [REDACTED]

VIA CHECK:
FITC INC
General Post Office
P.O.Box 26858
New York, 10087-6858

Please quote the Invoice Number 7119004541 when making payment

Fitch Ratings

Invoice

Fitch Inc.
 One State Street Plaza
 33 Floor
 New York, NY 10004
 Federal IRS Corporate Tax No. [REDACTED]
 Phone# (212)808-0500 Toll Free# 1-800-853-4824

Attn: ~~G. William Blackburn~~ *Mark Hite*
 Big Rivers Electric Corporation
 201 Third Street
 P. O. Box 24
 Henderson KY 42419-0024

Billing Information	
Terms of Payment	Net due in 30 days
Invoice No.	7119010557
Invoice Date	June 19, 2012
Currency	USD
Accounting Contact email	collections@fitchratings.com

Big Rivers Electric Corporation

Relationship Fee 30,000.00
 Coverage Period: 01 July 2012 to 30 June 2013

Invoice Amount	30,000.00
Total Tax	0.00
Total Amount Due (USD)	30,000.00

*MANA
6/25/12*

*Annual Ratings
Renew/Update
Fee*

*OK for payment
me [signature]
6/25/12*

VIA WIRE:
 FITCH INC.(NY)
 Chase Manhattan
 New York, NY
 ABA# [REDACTED]
 Acct# [REDACTED]

VIA CHECK:
 FITCH INC.
 General Post Office
 P.O.Box 26858
 New York, NY 10087-6858

Please quote the Invoice Number 7119010557 when making payment

2

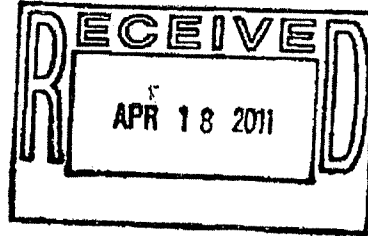
**STANDARD
& POOR'S**

Standard & Poor's Financial Services, LLC
Federal I.D.: [REDACTED]
DBA Standard & Poor's Ratings Services

Invoice No.: 10268421
Customer No.: [REDACTED]
Invoice Date: 04/07/11

Page No.: 1
Print Date: 04/07/11

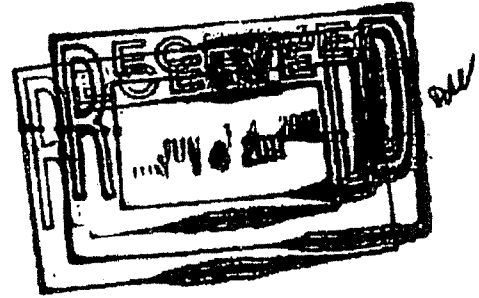
WILLIAM BLACKBURN
BIG RIVERS ELECTRIC CORP
201 THIRD AVENUE
HENDERSON KY 42420



Unit #: [REDACTED]
Check #: 6/14/11

12871A ANALYTICAL SERVICES RENDERED IN CONNECTION WITH:
Big Rivers Electric Corporation, Kentucky,
Issuer Credit Rating &
\$900 mil senior secured bonds
Annual fee will be \$30,000

(04/01/2011 THRU 03/31/2012)



FOR INQUIRIES PLEASE CONTACT:
RANDY GILLIAM
TEL: 1-800-767-1896 EXT #4
FAX: 1-212-438-5178
RANDY_GILLIAM@STANDARDANDPOOR'S.COM



W. Blackburn

PLEASE REFERENCE INVOICE OR STATEMENT NUMBER ON ALL CHECKS AND WIRE TRANSFERS

This Invoice Due and Payable As Of: 04/07/11

INVOICE TOTAL \$30,000.00 USD

Make Checks Payable To:

**STANDARD
& POOR'S**

To Insure Proper Credit, DETACH HERE and RETURN THIS PORTION With Your Remittance

Standard & Poor's Financial Services, LLC Federal I.D. [REDACTED]
DBA Standard & Poor's Ratings Services

Invoice No.: 10268421
Customer No.: [REDACTED]
Invoice Date: 04/07/11

Billed To:

WILLIAM BLACKBURN
BIG RIVERS ELECTRIC CORP
201 THIRD AVENUE
HENDERSON KY 42420

Wire Transfer To:

BANK OF AMERICA
SAN FRANCISCO CA
STANDARD AND POOR'S
ACCOUNT NO. [REDACTED]
ABA No. [REDACTED]
PLEASE REFERENCE INVOICE #

Remit To:

STANDARD AND POOR'S
2542 COLLECTION CENTER DRIVE
CHICAGO, IL 60693

TOTAL AMOUNT DUE:
\$30,000.00 USD
AMOUNT ENCLOSED:

Case No. 2012-00535

Attachment 2 of 2 for Response to AG 1-54(e)

Witness: Billie J. Richert

STANDARD & POOR'S
RATINGS SERVICES

Standard & Poor's Financial Services, LLC
Federal I.D.: [REDACTED]

STATEMENT ONLY

Statement No.: 10292827
Acct. No.: [REDACTED]
Original Invoice Date: 04/06/12
Statement Date: 05/07/12
Page: 1
Purchase Order:

Services Provided To:

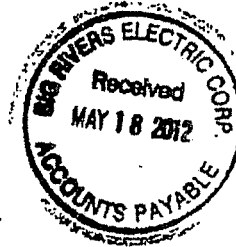
WILLIAM BLACKBURN
BIG RIVERS ELECTRIC CORP
201 THIRD AVENUE
HENDERSON KY 42420

WILLIAM BLACKBURN
BIG RIVERS ELECTRIC CORP
201 THIRD AVENUE
HENDERSON KY 42420

Wire #: [REDACTED]
Chk Date: 5/21/12

12871A ANALYTICAL SERVICES RENDERED IN CONNECTION WITH: \$30,000.00
Big Rivers Electric Corporation, Kentucky,
Issuer Credit Rating &
\$900 mil senior secured bonds
Annual fee will be \$30,000.

(04/01/2012 THRU 03/31/2013)



FOR INQUIRIES PLEASE CONTACT: MICHAEL VOLPE
MICHAEL_VOLPE@STANDARDANDPOORS.COM
TEL: 1-800-767-1896 EXT # 1
FAX: 1-212-438-5178

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Special Instructions
PLEASE REFERENCE INVOICE OR STATEMENT NUMBER ON ALL CHECKS AND WIRE TRANSFERS.
This Statement Reflects Payments and Credits Processed As Of: 05/07/12

TOTAL AMOUNT DUE: \$30,000.00 USD

*MANA 5/18/12
OK next bank 5/18/12*

Make Checks Payable To:

To Insure Proper Credit, DETACH HERE AND RETURN THIS PORTION With Your Remittance

STANDARD & POOR'S
RATINGS SERVICES

Standard & Poor's Financial Services, LLC
Federal I.D.: [REDACTED]

STATEMENT

Control No.: 10292827
Acct. No.: [REDACTED]
Invoice Date: 04/06/12

CHECK IF ADDRESS HAS CHANGED AND INDICATE CHANGE ON REVERSE SIDE

BILLED TO:
Mark Hite
WILLIAM BLACKBURN
BIG RIVERS ELECTRIC CORP
201 THIRD AVENUE
HENDERSON KY 42420

PAY BY WIRE TRANSFER:

BANK OF AMERICA
SAN FRANCISCO CA
STANDARD AND POOR'S
ACCOUNT NO. [REDACTED]
ABA No. [REDACTED]
PLEASE REFERENCE INVOICE #

REMIT TO:

STANDARD AND POOR'S
2542 COLLECTION CENTER DRIVE
CHICAGO, IL 60693

TOTAL AMOUNT DUE
AMOUNT ENCLOSED \$30,000.00 USD

2077171_06-07-12_STMT_OMNI_415

Case No. 2012-00535

Attachment 2 of 2 for Response to AG 1-54(e)

Witness: Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

**Response to the Office of the Attorney General's
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 55) Mr. Bailey's testimony states that its loan agreements**
2 **require Big Rivers to achieve a 1.10 MFIR (p. 9, lines 6 to 8), the**
3 **contracts with the Smelters limit Big Rivers to a 1.24 TIER (p. 9, lines**
4 **14 to 19) and also states that the difference in net margins between**
5 **Big Rivers making a 1.24 contract TIER and having a MFIR fall below**
6 **1.10 is only about \$7 million (p. 10, lines 1 to 6). Also, Big Rivers'**
7 **loan agreements require it to maintain two investment grade credit**
8 **ratings (Bailey, p. 10, lines 15 to 21). Ms. Richert states the 1.24**
9 **TIER is subject to "defined Adjustments" (p. 6, line 23) and explains**
10 **how excess TIER is returned to Smelter and customer classes (p. 8,**
11 **lines 8 to 21). Address the following and provide updates on a**
12 **continuing basis:**

13 **a. Explain if Big Rivers has ever failed to meet the 1.10**
14 **MFIR and/or failed to maintain two investment grade**
15 **credit ratings as required by loan agreements and**
16 **identify those periods/years of noncompliance, and**
17 **explain the consequences and actions by the loan**
18 **entities. Or explain if any noncompliance was waived**
19 **or allowed an exception and provide related**
20 **documentation addressing this matter. Provide**
21 **supporting documents for those years showing that the**
22 **1.10 MFIS was not met and documentation from the**

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

**Response to the Office of the Attorney General's
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

- 1 *loan entities explaining the consequences and their*
2 *actions.*
3 *b. Explain the "defined Adjustments" allowed for TIER*
4 *calculations and provide supporting documentation.*
5 *c. For the years 2010 through 2013 YTD, provide copies of*
6 *periodic compliance documents that Big Rivers provides*
7 *to both loan entities and the Smelters regarding*
8 *compliance/noncompliance calculations and supporting*
9 *documents related to the 1.10 MFIR, maintaining two*
10 *investment grade credit ratings, and the 1.24 TIER*
11 *requirements. In all cases, provide calculations and*
12 *explain the "defined Adjustments" in all calculations.*
13

14 **Response)**

- 15 a. The 1.10 MFIR is a fiscal year requirement established by
16 Big Rivers' existing loan agreements. Big Rivers has met the
17 1.10 MFIR requirement for each fiscal year since first
18 established at the completion of the Unwind Transaction in
19 July 2009.

20 Big Rivers was able to maintain two investment grade
21 credit ratings until after the January 31, 2013 Notice of
22 Termination given by Alcan Primary Products Corporation.
23 Big Rivers' current credit ratings are provided in response to

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
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February 28, 2013

1 Item No. 13 herein and the credit reports supporting the
2 current credit ratings ere filed in response to KIUC 2-1 in
3 Case No. 2012-00492. The consequences of not maintaining
4 two investment grade credit ratings are explained in
5 response to Items 19 and 21 of Alcan Primary Products
6 Corporation's initial request for information dated January
7 3, 2013, in Case No. 2012-00492.

8 b. The "defined Adjustments" to contract TIER are located in
9 section 4.7.5(a)-(q) of the Smelter Agreements. Please see
10 the attached excerpt from those agreements.

11 c. Please see attached copies of periodic compliance documents
12 related to the 1.10 MFIR. The compliance documents related
13 to failure to maintain two investment grade credit ratings are
14 addressed in response to KIUC 1-1 through KIUC 1-4.
15 There are no compliance documents that Big Rivers provides
16 to the loan entities or the Smelters related to the 1.24 TIER
17 requirement.

18

19 **Witness)** Billie J. Richert

Big Rivers Electric Corporation
Case No. 2012-00535
Attachment to Response for AG 1-55(b)

TIER Adjustments

equal monthly installments as part of the Monthly Charge for each Billing Month during the applicable Fiscal Year.

4.7.3 Within 45 days following the end of the first, second and third fiscal quarters of each Fiscal Year beginning with the first fiscal quarter after the first anniversary of this Agreement, Big Rivers shall again estimate the TIER Adjustment and the corresponding amount of the TIER Adjustment Charge based on a comparison of the Budget and year-to-date results of operations, and shall calculate a modified amount to be collected from, or refunded as a credit to, the Monthly Charge to Kenergy with respect to service to Alcan during the remaining portion of the Fiscal Year, including any amounts necessary to address any estimated under- or over-collection of the TIER Adjustment Charge from Kenergy with respect to service to Alcan as compared to the Budget during the remainder of the Fiscal Year. Big Rivers shall collect or credit such modified amount from Kenergy pursuant to this Agreement in equal monthly installments as part of the Monthly Charge for the remaining Billing Months of the subject Fiscal Year.

4.7.4 As soon as reasonably practicable but no later than 120 days after the end of each Fiscal Year, Big Rivers shall calculate the TIER Adjustment and TIER Adjustment Charge for such Fiscal Year. The TIER Adjustment Charge for such Fiscal Year shall be compared to the aggregate amounts paid by Kenergy in respect of the estimated TIER Adjustment Charge for such Fiscal Year, and the difference between such amounts shall be included as a charge or credit, as applicable, in the Monthly Charges for the fourth Billing Month of the next Fiscal Year.

4.7.5 The "TIER Adjustment" shall be the amount of incremental revenue, whether positive or negative, calculated with respect to each Fiscal Year after determination of Net Margins for such Fiscal Year (excluding amounts payable by Kenergy with respect to or relating to the revenue that results from the TIER Adjustment Charge and the "TIER Adjustment Charge" as defined in the Century Wholesale Agreement), that is necessary for Big Rivers to receive in order to achieve a TIER of 1.24 for such Fiscal Year; *provided, however*, that if the Service Period commences or terminates on a date other than the first or last day of a Fiscal Year and to give effect to this Section 4.7.5, the TIER Adjustment will be calculated on an Hourly basis only with respect to the partial period of the first, second or final Fiscal Year of the Service Period, as applicable. The determination of the TIER Adjustment shall be subject to the following:

(a) It shall be assumed that: Big Rivers shall have generated additional revenue from service to the Members for resale to the Non-Smelter Ratepayers as if Big Rivers had increased the Non-Smelter Member Rates by a weighted average of 2.00% in 2010, another 2.50% in 2018 and another 4.00% in 2021 if and to the extent Big Rivers had not prior to or during the year of the calculation increased the Non-Smelter Member Rates by at least such amounts. The revenues from any roll-in of the costs associated with costs recovered under the FAC, the Environmental Surcharge Rider or the Regulatory Account that are incorporated into base rates comprising a portion of the Non-Smelter Member Rates will not constitute an increase in the Non-Smelter Member Rates for purposes of this clause (a), and the revenues attributable to any such roll-in will be excluded in calculating the percentage of any increases in the Non-Smelter Member Rates. The expiration or termination of Big Rivers' Member Discount

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TIER Adjustments

Adjustment Rider shall be deemed to be an increase in the Non-Smelter Member Rates for purposes of this clause (a), without regard to whether such expiration or termination occurs prior to, on or after the Effective Date.

(b) It shall be assumed that: If a Member provides electric service to a New Ratepayer with a Firm demand in excess of 15 MW, such Member shall have paid to Big Rivers for wholesale Energy purchased and resold to the New Ratepayer at a price equal to the greater of: (i) the amount paid for such service and (ii) an amount calculated for the same period equal to (A) a rate, expressed in dollars per MWh, resulting from the application of the Large Industrial Rate to a load with the New Ratepayer's load factor, plus \$0.25 per MWh, *plus* (B) the sum of the FAC Factor, the Environmental Surcharge Factor, and the Non-FAC Purchased Power Adjustment Factor (each calculated on a per MWh basis), *plus* (C) the Surcharge (the Surcharge being calculated on an amount per MWh based on Base Fixed Energy for such Fiscal Year) set forth in Section 4.11, *plus* (D) amounts corresponding to the amount per MWh paid by Kenergy during the same period for the TIER Adjustment Charge. If a Member provides electric service to a New Ratepayer with a Firm demand of 15 MW or less, such Member shall have paid to Big Rivers for wholesale Energy purchased and resold to the New Ratepayer at a price equal to the sum of: (i) the Large Industrial Rate, and (ii) the sum of the FAC Factor, the Environmental Surcharge Factor, and the Non-FAC Purchased Power Adjustment Factor (each calculated on a per MWh basis). For purpose of this clause (b), the revenues produced by any surcharge with respect to a New Ratepayer similar to the Surcharge or the "Surcharge" under the Century Retail Agreement will be assumed to accrue solely to the benefit of the Non-Smelter Ratepayers except to the extent such surcharge is paid by or imputed to a New Ratepayer pursuant to subclause (A) of this clause (b). The assumptions contained in this clause (b) shall not apply with respect to a New Ratepayer that first interconnects with Big Rivers' transmission system during the last three Fiscal Years of the Service Period or following notice of termination of this Agreement or the Century Retail Agreement.

(c) It shall be assumed that: Big Rivers' interest expense shall have been reduced by the product of (i) Big Rivers' average effective interest rate for borrowed money for the prior Fiscal Year, and (ii) the aggregate amount of any patronage capital retired by Big Rivers to its Members during the Service Period (other than any distribution from the Economic Reserve or the Transition Reserve or relating to the Surcharge or the "Surcharge" under the Century Wholesale Agreement), from and after the date of such retirement.

(d) It shall be assumed that: Interest on construction work-in-progress relating to the construction of new electric generating facilities or transmission facilities shall have been capitalized by Big Rivers if it has the right to elect to do so or it is obligated to capitalize such interest under Accounting Principles unless a Governmental Authority has approved the inclusion of such interest expenses in Big Rivers' revenue requirements for rate-making purposes or otherwise approved a surcharge for collecting such interest expenses.

(e) If Big Rivers acquires or constructs non-peaking electric generating facilities alone or with others ("New Facilities"), Big Rivers' interest expenses shall not include the interest imputed on the debt relating to the New Facilities ("Imputed Interest"); *provided, however*, that if a Governmental Authority has approved the inclusion of such generating facilities in Big Rivers' revenue requirements for rate-making purposes or otherwise

Big Rivers Electric Corporation
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TIER Adjustments

approved a surcharge to provide for the recovery of the costs of such New Facilities, then actual interest expense with respect to such New Facilities shall be included in the TIER calculation to the extent recovery is permitted; *provided, further*, that this clause (e) may not cause the TIER Adjustment to become negative. For purposes of determining Imputed Interest, it shall be assumed that the New Facilities were financed 80% with debt and 20% with equity. Imputed Interest shall equal the product of (i) the weighted average interest rate on Big Rivers' debt for the Fiscal Year, and (ii) the amount of debt equal to 80% of the capital invested in the New Facilities.

(f) It shall be assumed that: The Economic Reserve and the Transition Reserve shall not generate any revenue or tax liability and the application of funds from the Economic Reserve or the Transition Reserve shall not result in any change in the Net Margins of Big Rivers.

(g) It shall be assumed that: Big Rivers shall have made no payment for damages or indemnification to or for the benefit of a Smelter with respect to the provision of Electric Services or "Electric Services" as defined in the Century Wholesale Agreement.

(h) It shall be assumed that: Big Rivers shall have paid no criminal penalties with respect to its acts or omissions other than criminal penalties that a Governmental Authority has approved the inclusion of in Big Rivers' revenue requirements for rate-making purposes or otherwise approved a surcharge for collecting such penalties.

(i) It shall be assumed that: Big Rivers shall have received no proceeds from the sale of Energy to the wholesale market pursuant to Section 413.3 or the corresponding section of the Century Wholesale Agreement.

(j) It shall be assumed that: Big Rivers shall have incurred no expenses that are impermissible for inclusion in rates of electric generation and transmission cooperative utilities subject to the jurisdiction of the KPSC for rate-making purposes (currently including advertising expenses, branding expenses, charitable contributions and lobbying expenses) or specifically disallowed for rate making purposes by a Governmental Authority; *provided, however*, that denial by a Governmental Authority of expense recovery through the FAC or the Environmental Surcharge Rider shall not constitute an expense that is impermissible for inclusion in rates if the nature of such expense is recoverable in base rates.

(k) It shall be assumed that: There are no revenues and expenses associated with non-regulated businesses of Big Rivers.

(l) It shall be assumed that: No interest is paid pursuant either to Section 5.3 or Section 5.4 or pursuant to the corresponding sections of the Century Wholesale Agreement.

(m) It shall be assumed that: No amounts have been or are payable with respect to Excess Reactive Demand Charges or with respect to "Excess Reactive Demand Charges" under the Century Wholesale Agreement

TIER Adjustments

(n) It shall be assumed that: No administrative fee shall have been received by Big Rivers as a result of any Surplus Sales, Undeliverable Energy Sales or Potline Reduction Sales or sales of Energy pursuant to the corresponding sections of the Century Wholesale Agreement.

(o) Additional costs related to a change in Big Rivers' depreciation rates may not be included in the calculation of the TIER Adjustment unless such change has been approved, consented to or accepted by the KPSC or, if the KPSC no longer has jurisdiction over Big Rivers, by the RUS or any other Governmental Authority having jurisdiction over such change, if any.

(p) It shall be assumed that: The amortization of any Restructuring Amount is zero.

4.7.6 Any proceeds received or transaction costs paid by Big Rivers as part of or in connection with the consummation of the Unwind Transaction shall be disregarded for purposes of computing the TIER Adjustment Charge for the Fiscal Year in which the Unwind Transaction occurs.

4.8 Adjustable Charges.

4.8.1 The "FAC Charge" shall be the product of the FAC Factor (expressed in dollars per MWh) and Base Monthly Energy.

4.8.2 The "Non-FAC Purchased Power Adjustment Charge" shall be the product of the Non-FAC Purchased Power Adjustment Factor (expressed in dollars per MWh) and Base Monthly Energy.

4.8.3 The "Environmental Surcharge" shall be the product of the Monthly Environmental Surcharge Factor (expressed in dollars per MWh) and Base Monthly Energy.

4.9 Rebate. If there is an Excess TIER Amount in any Fiscal Year and Big Rivers elects to implement a rebate to its Members in respect thereof, then no later than the first day of the fifth month of the following Fiscal Year, Big Rivers will credit to Kenergy for further credit to Alcan an amount (the "Rebate") equal to the product of:

- (i) the Excess TIER Amount, and
- (ii) a fraction:
 - (1) the numerator of which is the Base Fixed Energy for such Fiscal Year, and
 - (2) the denominator of which is the sum during the applicable Fiscal Year of (A) Big Rivers' aggregate sales of Energy to Members for resale to Non-Smelter Ratepayers, (B) the Base Fixed Energy, and (C) the aggregate amount of "Base Fixed Energy" as defined in the Century Retail

Big Rivers Electric Corporation
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TIER Adjustments



Big Rivers Electric Corporation

Case No. 2012-00535

Attachment to Response for AG 1-55(c)

Compliance Documents

201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

February 13, 2013

Rural Utilities Service
United States Department of Agriculture
Attn: RUS Administrator
Room No. 5135-S
1400 Independence Avenue, S.W.
Stop 1510
Washington, DC 20250

Re: Notice Pursuant to Article IV, Section 4.4(c) of the Amended and Consolidated Loan Contract, dated as of July 16, 2009 (the "Agreement") between Big Rivers Electric Corporation ("Big Rivers") and United States of America, acting by and through the Administrator of the Rural Utilities Service

Dear RUS Administrator:

Article IV, Section 4.4(c) of the Agreement requires that Big Rivers report to the RUS, no later than 45 days after December 31 of each year, in such written format as the RUS may require, the Margins for Interest Ratio ("MFIR") achieved during the preceding 12-month period ending on December 31 of such year. In accordance with this requirement, Big Rivers hereby provides, as an attachment to this letter, the MFIR achieved during the preceding 12-month period ending December 31, 2012¹.

Sincerely,

Billie J. Richert, CPA, CITP
Vice President of Accounting, Rates, and CFO
Big Rivers Electric Corporation

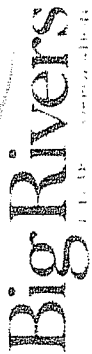
Attachments

c: Rural Utilities Service, Attn: Power Supply Division
Room No. 0270-S
1400 Independence Avenue, S.W.
Stop 1568
Washington, DC 20250

¹ Based on preliminary, unaudited, financial statement data for the year ended December 31, 2012

Big Rivers Electric Corporation
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Attachment to Response for AG 1-55(c)
Compliance Documents

Attachment



A Subsidiary of Entergy Company

**Margins for Interest Ratio ("MFIR")
For the Year Ended December 31, 2012**

2012

<u>MFIR:</u>		<u>2012</u>
(1) Net Margins	\$	11,277,091
(2) Interest Expense on Long-Term Debt	\$	45,032,787
(3) Taxes	\$	3,811
(4) Margin for Interest	$[(1) + (2) + (3)]$	56,313,689
(5) Interest Expense on Long-Term Debt	\$	45,032,787
(6) MFIR	$[(4) / (5)]$	1.25

Big Rivers Electric Corporation

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Attachment to Response for AG 1-55(c)
Compliance Documents



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

April 20, 2012

Suk L Ng
U.S. Bank Corporate Trust Services
P.O. Box 960778
Boston, MA 02196-0778

Dear Ms. Ng:

In accordance with Article XIII, Section 13.12 of the Indenture – First Mortgage Obligations (the “Indenture”), between Big Rivers Electric Corporation (Big Rivers) and U.S. Bank National Association, Big Rivers’ management hereby states that a review of the Company’s activities during the calendar year ending December 31, 2011, has been made and the Company has fulfilled its obligations hereunder in all material respects during such year.

Sincerely,

BIG RIVERS ELECTRIC CORPORATION

A handwritten signature in cursive script that reads "Mark A. Bailey".

Mark A. Bailey
President & CEO

A handwritten signature in cursive script that reads "Mark A. Hite".

Mark A. Hite
Vice President Accounting & Interim CFO

cc: Mr. Ralph A. Ashworth

Case No. 2012-00535
Attachment to Response for AG 1-55(c)

Witness: Billie J. Richert

Your Touchstone Energy® Cooperative Page 3 of 26

March 28, 2012

Mr. Jonathan Aldelstein
Administrator
USDA/RUS
Stop 1510, Room 5135-S
1400 Independence Avenue, SW
Washington, DC 20250-1500

Dear Mr. Aldelstein:

In accordance with Article IV, Section 4.3 of the Amended and Consolidated Loan Contract dated July 16, 2009, between Big Rivers Electric Corporation and the United States of America, I certify that, to my knowledge, during 2011, Big Rivers Electric Corporation has fulfilled all of its obligations under the Loan Documents in all material respects.

Sincerely,

BIG RIVERS ELECTRIC CORPORATION



Mark A. Bailey
President & CEO

cc: Mr. Victor Vu, Stop 1568, Room 0270
Mr. John Sanders, Stop 1568, Room 0270
James Miller, Esq.
Mr. Mark A. Hite
Mr. Albert Yockey
Mr. Ralph A. Ashworth

Big Rivers Electric Corporation
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Compliance Documents

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 21 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011
	BORROWER NAME Big Rivers Electric Corporation

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part A Section C of this report.

Mark A. Bailey

 DATE

3/18/12

 DATE

Big Rivers Electric Corporation
Case No. 2012-00535
Attachment to Response for AG 1-55(c)

Compliance Documents

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION KY0062		
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART A - FINANCIAL		PERIOD ENDED December, 2011		
INSTRUCTIONS - See help in the online application.				
SECTION A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues	514,490,437	558,372,354	544,848,212	47,411,310
2. Income From Leased Property (Net)				
3. Other Operating Revenue and Income	12,834,016	3,616,878	19,083,996	379,876
4. Total Operation Revenues & Patronage Capital (1 thru 3)	527,324,453	561,989,232	563,932,208	47,791,186
5. Operating Expense - Production - Excluding Fuel	52,506,942	50,410,485	64,788,729	4,672,988
6. Operating Expense - Production - Fuel	207,748,520	226,229,050	206,689,669	19,074,410
7. Operating Expense - Other Power Supply	99,421,265	112,261,892	109,893,232	9,728,939
8. Operating Expense - Transmission	7,888,483	9,183,058	12,297,288	841,338
9. Operating Expense - RTO/ISO	233,099	2,529,532	2,783,040	211,850
10. Operating Expense - Distribution				
11. Operating Expense - Customer Accounts				
12. Operating Expense - Customer Service & Information	446,300	631,535	863,960	193,230
13. Operating Expense - Sales	239,803	185,004	918,500	44,078
14. Operating Expense - Administrative & General	26,461,943	26,557,242	25,728,474	2,854,518
15. Total Operation Expense (5 thru 14)	394,946,355	427,987,798	423,962,892	37,621,351
16. Maintenance Expense - Production	42,156,863	42,896,418	47,234,025	3,894,676
17. Maintenance Expense - Transmission	4,473,124	4,680,625	3,262,807	563,893
18. Maintenance Expense - RTO/ISO				
19. Maintenance Expense - Distribution				
20. Maintenance Expense - General Plant	250,361	140,534	103,595	7,010
21. Total Maintenance Expense (16 thru 20)	46,880,348	47,717,577	50,600,427	4,465,579
22. Depreciation and Amortization Expense	34,242,192	35,406,806	36,227,624	3,252,184
23. Taxes	262,798	98,389	249,228	(30,000)
24. Interest on Long-Term Debt	47,064,226	45,715,144	47,366,652	3,788,739
25. Interest Charged to Construction - Credit	(683,535)	(548,206)	(425,884)	(40,372)
26. Other Interest Expense	189,162	59,249	228,904	9
27. Asset Retirement Obligations				
28. Other Deductions	166,390	220,434	137,395	17,651
29. Total Cost Of Electric Service (15 + 21 thru 28)	523,067,936	556,657,191	558,347,238	49,075,141
30. Operating Margins (4 less 29)	4,256,517	5,332,041	5,584,970	(1,283,955)
31. Interest Income	391,494	150,516	385,669	6,179
32. Allowance For Funds Used During Construction				
33. Income (Loss) from Equity Investments				
34. Other Non-operating Income (Net)	2,321,612	9,288		
35. Generation & Transmission Capital Credits				
36. Other Capital Credits and Patronage Dividends	21,292	108,536	96,438	3,883
37. Extraordinary Items				
38. Net Patronage Capital Or Margins (30 thru 37)	6,990,915	5,600,381	6,067,077	(1,273,893)

RUS Financial and Operating Report Electric Power Supply - Part A - Financial

Revision Date 2010

Big Rivers Electric Corporation
Case No. 2012-00535
Attachment to Response for AG 1-55(c)
Compliance Documents

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION	
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART A - FINANCIAL		KY0062	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2011	
SECTION B. BALANCE SHEET			
ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	1,979,267,724	33 Memberships	75
2. Construction Work in Progress	49,150,583	34 Patronage Capital	
3. Total Utility Plant (1 + 2)	2,028,418,307	a Assigned and Assignable	0
4. Accum. Provision for Depreciation and Amortization	936,354,953	b Retired This year	0
5. Net Utility Plant (3 - 4)	1,092,063,354	c Retired Prior years	0
6. Non-Utility Property (Net)	0	d. Net Patronage Capital (a - b - c)	0
7. Investments in Subsidiary Companies	0	35. Operating Margins - Prior Years	(247,338,928)
8. Invest. in Assoc. Org. - Patronage Capital	3,648,303	36. Operating Margin - Current Year	5,440,576
9. Invest. in Assoc. Org. - Other - General Funds	684,993	37. Non-Operating Margins	638,997,537
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	0	38. Other Margins and Equities	(7,278,745)
11. Investments in Economic Development Projects	10,000	39. Total Margins & Equities (33 + 34d thru 38)	389,820,515
12. Other Investments	5,334	40. Long-Term Debt - RUS (Net)	572,153,789
13. Special Funds	164,151,431	41. Long-Term Debt - FFB - RUS Guaranteed	0
14. Total Other Property And Investments (6 thru 13)	168,500,061	42. Long-Term Debt - Other - RUS Guaranteed	0
15. Cash - General Funds	5,698	43. Long-Term Debt - Other (Net)	142,100,000
16. Cash - Construction Funds - Trustee	0	44. Long-Term Debt - RUS - Econ. Devel. (Net)	0
17. Special Deposits	572,679	45. Payments - Unapplied	0
18. Temporary Investments	44,843,791	46. Total Long-Term Debt (40 thru 44 - 45)	714,253,789
19. Notes Receivable (Net)	0	47. Obligations Under Capital Leases Noncurrent	0
20. Accounts Receivable - Sales of Energy (Net)	43,114,276	48. Accumulated Operating Provisions and Asset Retirement Obligations	22,098,788
21. Accounts Receivable - Other (Net)	232,280	49. Total Other NonCurrent Liabilities (47 + 48)	22,098,788
22. Fuel Stock	33,894,014	50. Notes Payable	0
23. Renewable Energy Credits	0	51. Accounts Payable	30,324,950
24. Materials and Supplies - Other	25,295,264	52. Current Maturities Long-Term Debt	72,144,640
25. Prepayments	4,507,736	53. Current Maturities Long-Term Debt - Rural Devel.	0
26. Other Current and Accrued Assets	943,684	54. Current Maturities Capital Leases	0
27. Total Current And Accrued Assets (15 thru 26)	153,409,422	55. Taxes Accrued	956,559
28. Unamortized Debt Discount & Extraordinary Property Losses	2,079,214	56. Interest Accrued	9,898,751
29. Regulatory Assets	0	57. Other Current and Accrued Liabilities	9,423,267
30. Other Deferred Debits	1,870,225	58. Total Current & Accrued Liabilities (50 thru 57)	122,748,167
31. Accumulated Deferred Income Taxes	0	59. Deferred Credits	169,001,017
32. Total Assets and Other Debits (5+14+27 thru 31)	1,417,922,276	60. Accumulated Deferred Income Taxes	0
		61. Total Liabilities and Other Credits (39 + 46 + 49 + 58 thru 60)	1,417,922,276

Big Rivers Electric Corporation
Case No. 2012-00535
Attachment to Response for AG 1-55(c)
Compliance Documents

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2011
SECTION C. NOTES TO FINANCIAL STATEMENTS	
Footnote to RUS Financial and Operating Report Electric Power Supply - Part A	
Financial Ratios: 2011	
Margins For Interest Ratio (MFIR) 1.12	

April 26, 2012

Attention: Jeffrey E. Childs
CoBank, ACB
5500 South Quebec Street
Greenwood Village, CO 80111

Dear Mr. Childs:

In accordance with Sections 5.06(A) and (C) of the Revolving Credit Agreement dated as of July 16, 2009 (the "Agreement"), between Big Rivers Electric Corporation (the "Company") and CoBank, ACB ("CoBank"), I, Mark A. Bailey, the President and Chief Executive Officer of the Company, DO HEREBY CERTIFY that:

- (1) The actual Debt Service Coverage Ratio (DSCR) achieved by the Company for the year ended December 31, 2011, was 1.47. Consistent with the attached GAAP basis financial statements (audited; in thousands of \$) provided in item (2) below, the computation of the DSCR is as follows :

	Year Ended 12/31/11
Margins (after income taxes)	5,600,381
Plus or (minus) any loss or (gain) on the sale of assets or other extraordinary loss or (gain)	0
Plus depreciation and amortization expense	37,599,918
Plus total interest expense	45,774,394
Plus income taxes	100,000
Minus non-cash patronage	(52,988)
Minus non-cash income from subsidiaries and/or joint ventures	0
Total (a)	89,021,705
The sum of all scheduled payments of principal required to be made during the period on account of Total Long Term Debt	14,850,095
Plus total interest expense	45,774,394
Total (b)	60,624,489
DSCR (a) divided by (b)	1.47

Big Rivers Electric Corporation
Case No. 2012-00535
Attachment to Response for AG 1-55(c)
Compliance Documents

Mr. Jeffrey Childs
April 26, 2012
Page Two

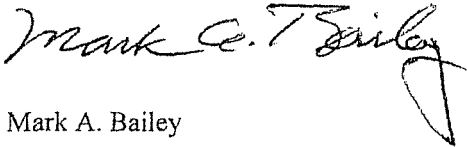
- (2) The annual financial statements meeting the requirements of section 5.06(A) are attached.
- (3) The Company does not have a Credit Rating, defined in the Agreement to be the rating assigned to the Company's unsecured corporate indebtedness. However, the Company has credit ratings from the Rating Agencies, defined to be S&P and Moody's, and Fitch for its senior secured debt without credit enhancement as follows:

S&P	BBB-
Moody's	Baa1
Fitch	BBB-

- (4) I have reviewed the attached financial statements of the Company provided herein. To my best knowledge, no Default or Event of Default, both as defined in the Agreement, occurred during the period covered by these financial statements.

Sincerely,

BIG RIVERS ELECTRIC CORPORATION



Mark A. Bailey
President & CEO

Attachment

cc: Mark A. Hite
Ralph A. Ashworth

Big Rivers Electric Corporation

Case No. 2012-00535

Attachment to Response for AG 1-55(c)

Compliance Documents

Big Rivers
ELECTRIC CORPORATION

201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

April 16, 2012

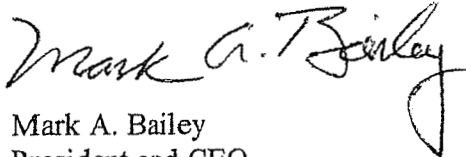
National Rural Utilities Cooperative Finance Corporation
Attention: Senior Vice President – Member Services
20701 Cooperative Way
Dulles, Virginia 20166

Dear Senior Vice President – Member Services:

In accordance with Article V, Section 5.01(H) of the Revolving Line of Credit Agreement (this “Agreement”), dated July 16, 2009, between Big Rivers Electric Corporation (Big Rivers) and National Rural Utilities Cooperative Finance Corporation (CFC), I hereby certify that during 2011, Big Rivers has fulfilled all its obligations under this Agreement and the Indenture.

In addition, enclosed are CFC’s Annual Certification for 2011, Big Rivers’ 2011 Audited Financial Statements, and a copy of Big Rivers’ bylaws as amended February 21, 2012.

Sincerely,



Mark A. Bailey
President and CEO
Big Rivers Electric Corporation

pm

Enclosures

c: ~~Mr. Mark A. Hite~~
Mr. Ralph A. Ashworth

ANNUAL CERTIFICATION FOR CALENDAR YEAR 2011

Under the terms of your loan documents, CFC has certain year-end reporting requirements. One certification is requested as confirmation of your Corporation's compliance with the various provisions of the loan documents:

1. ***Officer's Compliance Worksheet and Certificate*** (Attachment A)

- Due Date: April 30, 2012
- Based upon the "best knowledge" of the officer.

In addition to the above, if you have revised your By-laws or Articles of Incorporation since January 1, 2011, **please include a copy with your mailing.**

All reports should be submitted to the attention of CFC's Member Services Group.

COMPLIANCE WORKSHEET

Name of Corporation: **Big Rivers Electric Corporation**

Unless otherwise specified, all requested information relates to the 12 month period preceding December 31, 2011. Capitalized terms used in this worksheet are defined in the Corporation's Revolving Line of Credit Agreement. Please use additional sheets if necessary.

Organization & Operations

1. Is the Corporation in good standing under the laws of the jurisdiction in which it is organized?

Yes No If no, please explain:

2. Has the Corporation's address or telephone number changed since January 1, 2011?

Yes No If yes, please provide the updated information:

3. Has the Corporation changed its name since January 1, 2011?

Yes No

If yes, please provide the new information and effective date of the change:

4. Has the Corporation merged, consolidated or sold substantially all of its business or assets?

Yes No

If yes, please state the effective date of such merger, consolidation or sale, the name of the other party to the merger, consolidation or sale, and a brief description of the transaction:

5. Has the Corporation lost corporate existence or any franchises, rights of way, easements permits and licenses, the loss of which would have a material adverse affect on the Corporation's financial condition or business?

Yes No If yes, please provide details:

6. Has the Corporation remained in compliance with all applicable requirements of law and applicable rules and regulations of each Governmental Authority?

Yes No If no, please provide details:

Big Rivers Electric Corporation

Case No. 2012-00535

Attachment to Response for AG 1-55(c)

Compliance Documents

Attachment A

7. Has the Corporation adequately maintained its properties and purchased insurance, using prudent utility industry standards?

Yes No If no, please explain:

8. Has the Corporation made expenditures for maintenance, renewal and replacements in order to maintain its plant in good repair, working order and condition?

Yes No If no, please explain:

9. Has the Corporation kept proper books, records and accounts, in which full and correct entries have been made of all dealings or transactions of or in relation to its business and financing transactions?

Yes No If no, please explain:

10. Has the Corporation paid all taxes, assessments and other charges assessed or imposed upon its property?

Yes No If no, please explain:

Transactions

11. Has any substantial portion of property subject to the mortgage been sold, lost, damaged, condemned, taken by eminent domain or otherwise transferred?

Yes No

If yes, has the Corporation previously notified CFC and RUS of the transaction?

Yes No

*If the Corporation has **not** previously notified CFC and RUS, please describe the circumstances of the transaction, the amount of any compensation received, and state whether the compensation was applied to the Corporation's outstanding debt with CFC or RUS:*

12. If yes to above, did the Corporation receive fair market value for all items of property or capital assets sold for which a partial release of lien was granted on said property?

Yes No If no, please provide details:

13. Have any Events of Default (as defined in the Corporation's Company agreement and mortgage) occurred?

Yes No If yes, please provide details:

Financial

14. Is the Corporation providing with this certificate to CFC, a full and complete report of its financial condition and statement of its operations as of the end of the Corporation's most recent fiscal year, audited by an independent certified public accountant?

Yes No

If no, please estimate the date when the Corporation will deliver the report: _____

15. Has the Corporation maintained a Margins for Interest Ratio of no less than 1.1 and an Equity Ratio of no less than 12%?

Yes No If no, please explain:

16. Has the Corporation maintained a DSC Ratio of not less than 1.0 and a TIER of not less than 1.0?

Yes No If no, please explain:

17. Is the Corporation a party to any litigation which, if decided against it, would have a material adverse effect on its financial condition or business?

Yes No If yes, please explain:

18. Is there any litigation threatened against the Corporation, that if decided against it, would have a material adverse effect on its financial condition or business?

Yes No If yes, please explain:

19. Has the Corporation become aware of any claims or potential claims against it involving any environmental laws or regulations?

Yes No If yes, please explain:

20. Have any material adverse events impacting the Corporation's operations or financial position occurred between January 1, 2012, and the date of the completion of this Certificate?

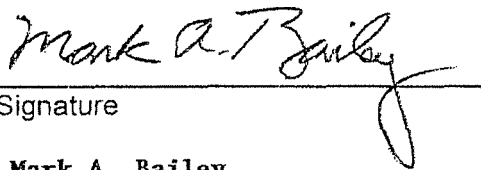
Yes No If yes, please explain:

OFFICER'S CERTIFICATION

The undersigned, President and CEO of Big Rivers Electric Corporation
(title) (name of Corporation)

(the "Corporation"), hereby certifies that, to the best of my knowledge, information and belief:

1. Except as may otherwise be stated on the above compliance worksheet (including any attachments), the Corporation has, throughout the 12 month period preceding December 31, 2011, fulfilled all of its obligations under its Company agreement(s) with CFC and under its mortgage with CFC and RUS;
2. The governing board of the Corporation has been furnished with a full, complete and accurate report of the performance and activities of the Corporation for the year ending December 31, 2011 or the Corporation's fiscal year-end, if different; and,
3. All of the information set forth herein (including any attachments) is true and correct as of December 31, 2011 and for the 12-month period preceding such date.


Signature

Mark A. Bailey
Printed Name

April 17, 2012
Date Signed

Big Rivers Electric Corporation
Case No. 2012-00535
Attachment to Response for AG 1-55(c)
Compliance Documents



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

April 25, 2011

Suk L Ng
U.S. Bank Corporate Trust Services
P.O. Box 960778
Boston, MA 02196-0778

Dear Ms. Ng:

In accordance with Article XIII, Section 13.12 of the Indenture – First Mortgage Obligations between Big Rivers Electric Corporation (Big Rivers) and U.S. Bank National Association, Big Rivers hereby states that a review of the Company's activities during the calendar year ending December 31, 2010, has been made and the Company has fulfilled its obligations hereunder in all material respects during such year.

Sincerely,

BIG RIVERS ELECTRIC CORPORATION

A handwritten signature in cursive script that reads "Mark A. Bailey".

Mark A. Bailey
President & CEO

A handwritten signature in cursive script that reads "C. William Blackburn".

C. William Blackburn
Senior VP Financial & Energy Services and CFO

cc: Mr. Mark A. Hite
Mr. Ralph Ashworth
Mr. Mark Davis

Big Rivers Electric Corporation

Case No. 2012-00535

Attachment to Response for AG 1-55(c)

Compliance Documents



201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

April 25, 2011

Mr. Jonathan Aldelstein
Administrator
USDA/RUS
Stop 1510, Room 5135-S
1400 Independence Avenue, SW
Washington, DC 20250-1500

Dear Mr. Aldelstein:

In accordance with Article IV, Section 4.3 of the Amended and Consolidated Loan Contract dated July 16, 2009, between Big Rivers Electric Corporation and the United States of America, I certify that, to my knowledge, during 2010, Big Rivers Electric Corporation has fulfilled all of its obligations under the Loan Documents in all material respects.

Sincerely,

BIG RIVERS ELECTRIC CORPORATION

A handwritten signature in cursive script that reads "Mark A. Bailey".

Mark A. Bailey
President & CEO

cc: Mr. Victor Vu, Stop 1568, Room 0270
Mr. John Sanders, Stop 1568, Room 0270
James Miller, Esq.
Mr. C. William Blackburn
Mr. Mark A. Hite
Mr. Albert Yockey
Mr. Ralph A. Ashworth
Mr. Mark Davis

Big Rivers Electric Corporation
Case No. 2012-00535
Attachment to Response for AG 1-55(c)
Compliance Documents

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 21 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

BORROWER DESIGNATION KY0062

FINANCIAL AND OPERATING REPORT
ELECTRIC POWER SUPPLY

PERIOD ENDED December, 2010

INSTRUCTIONS - See help in the online application.

BORROWER NAME Big Rivers Electric Corporation

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part A Section C of this report.

Mark A. Taylor 4/29/11
DATE

RUS Financial and Operating Report Electric Power Supply

Revision Date 2010

Big Rivers Electric Corporation
Case No. 2012-00535
Attachment to Response for AG 1-55(c)
Compliance Documents

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART A - FINANCIAL	BORROWER DESIGNATION KY0062 PERIOD ENDED December, 2010			
INSTRUCTIONS - See help in the online application.				
SECTION A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Electric Energy Revenues	326,729,694	514,490,437	501,361,209	47,174,666
2. Income From Leased Property (Net)	15,888,814			
3. Other Operating Revenue and Income	14,603,910	12,834,016	7,481,496	152,251
4. Total Operation Revenues & Patronage Capital (1 thru 3)	357,222,418	527,324,453	508,842,705	47,326,917
5. Operating Expense - Production - Excluding Fuel	22,381,368	52,506,942	56,902,941	3,921,117
6. Operating Expense - Production - Fuel	80,654,643	207,748,520	167,029,133	19,006,961
7. Operating Expense - Other Power Supply	115,826,139	99,421,265	116,943,877	8,561,428
8. Operating Expense - Transmission	8,256,704	7,625,518	7,908,802	550,191
9. Operating Expense - RTO/ISO		496,064		494,378
10. Operating Expense - Distribution				
11. Operating Expense - Customer Accounts				
12. Operating Expense - Customer Service & Information	716,704	446,300	728,706	17,299
13. Operating Expense - Sales	551,735	239,803	613,792	50,329
14. Operating Expense - Administrative & General	24,190,595	26,461,943	29,634,145	2,800,334
15. Total Operation Expense (5 thru 14)	252,577,888	394,946,355	379,761,396	35,402,037
16. Maintenance Expense - Production	24,400,170	42,156,863	37,404,868	3,108,770
17. Maintenance Expense - Transmission	5,225,597	4,473,124	4,576,332	242,509
18. Maintenance Expense - RTO/ISO				
19. Maintenance Expense - Distribution				
20. Maintenance Expense - General Plant	170,492	250,361	57,598	78,442
21. Total Maintenance Expense (16 thru 20)	29,796,259	46,880,348	42,038,798	3,429,721
22. Depreciation and Amortization Expense	18,464,743	34,242,192	34,832,349	2,856,800
23. Taxes	1,831,467	262,798	249,228	65,000
24. Interest on Long-Term Debt	60,027,927	47,064,226	48,078,208	4,103,492
25. Interest Charged to Construction -- Credit	(133,263)	(683,535)	(575,035)	(102,592)
26. Other Interest Expense	3,453	189,162		21,246
27. Asset Retirement Obligations				
28. Other Deductions	2,168,814	166,390	104,448	67,700
29. Total Cost Of Electric Service (15 + 21 thru 28)	364,737,288	523,067,936	504,489,392	45,843,404
30. Operating Margins (4 less 29)	(7,514,870)	4,256,517	4,353,313	1,483,513
31. Interest Income	316,407	391,494	454,517	57,206
32. Allowance For Funds Used During Construction				
33. Income (Loss) from Equity Investments				
34. Other Non-operating Income (Net)	13,042	2,321,612		620,709
35. Generation & Transmission Capital Credits				
36. Other Capital Credits and Patronage Dividends	537,417	21,292		1,182
37. Extraordinary Items	537,978,261			
38. Net Patronage Capital Or Margins (30 thru 37)	531,330,257	6,990,915	4,807,830	2,162,610

RUS Financial and Operating Report Electric Power Supply - Part A - Financial

Revision Date 2010

Big Rivers Electric Corporation
Case No. 2012-00535
Attachment to Response for AG 1-55(c)
Compliance Documents

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION	
FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART A - FINANCIAL		KY0062	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2010	
SECTION B. BALANCE SHEET			
ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	1,946,193,027	33. Memberships	75
2. Construction Work in Progress	54,874,458	34. Patronage Capital	
3. Total Utility Plant (1 + 2)	2,001,067,485	a. Assigned and Assignable	0
4. Accum. Provision for Depreciation and Amortization	909,501,402	b. Retired This year	0
5. Net Utility Plant (3 - 4)	1,091,566,083	c. Retired Prior years	0
6. Non-Utility Property (Net)	0	d. Net Patronage Capital (a - b - c)	0
7. Investments in Subsidiary Companies	0	35. Operating Margins - Prior Years	(251,616,737)
8. Invest. in Assoc. Org. - Patronage Capital	3,595,315	36. Operating Margin - Current Year	4,277,809
9. Invest. in Assoc. Org. - Other - General Funds	684,993	37. Non-Operating Margins	638,837,732
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	0	38. Other Margins and Equities	(4,923,484)
11. Investments in Economic Development Projects	10,000	39. Total Margins & Equities (33 + 34d thru 38)	386,575,395
12. Other Investments	5,334	40. Long-Term Debt - RUS (Net)	667,523,045
13. Special Funds	218,166,328	41. Long-Term Debt - FPB - RUS Guaranteed	0
14. Total Other Property And Investments (6 thru 13)	222,461,970	42. Long-Term Debt - Other - RUS Guaranteed	0
15. Cash - General Funds	5,877	43. Long-Term Debt - Other (Net)	142,100,000
16. Cash - Construction Funds - Trustee	0	44. Long-Term Debt - RUS - Econ. Devel. (Net)	0
17. Special Deposits	572,263	45. Payments - Unapplied	0
18. Temporary Investments	44,774,114	46. Total Long-Term Debt (40 thru 44 - 45)	809,623,045
19. Notes Receivable (Net)	0	47. Obligations Under Capital Leases Noncurrent	0
20. Accounts Receivable - Sales of Energy (Net)	43,733,009	48. Accumulated Operating Provisions and Asset Retirement Obligations	19,661,867
21. Accounts Receivable - Other (Net)	778,278	49. Total Other NonCurrent Liabilities (47 + 48)	19,661,867
22. Fuel Stock	37,328,441	50. Notes Payable	10,000,000
23. Renewable Energy Credits	0	51. Accounts Payable	31,298,484
24. Materials and Supplies - Other	23,217,652	52. Current Maturities Long-Term Debt	7,372,871
25. Prepayments	3,000,688	53. Current Maturities Long-Term Debt - Rural Devel.	0
26. Other Current and Accrued Assets	1,397,509	54. Current Maturities Capital Leases	0
27. Total Current And Accrued Assets (15 thru 26)	154,807,831	55. Taxes Accrued	659,009
28. Unamortized Debt Discount & Extraordinary Property Losses	2,185,564	56. Interest Accrued	11,133,555
29. Regulatory Assets	0	57. Other Current and Accrued Liabilities	9,967,770
30. Other Deferred Debits	1,163,678	58. Total Current & Accrued Liabilities (50 thru 57)	70,431,689
31. Accumulated Deferred Income Taxes	0	59. Deferred Credits	185,893,130
32. Total Assets and Other Debits (5+14+27 thru 31)	1,472,185,126	60. Accumulated Deferred Income Taxes	0
		61. Total Liabilities and Other Credits (39 + 46 + 49 + 58 thru 60)	1,472,185,126

Big Rivers Electric Corporation
Case No. 2012-00535
Attachment to Response for AG 1-55(c)
Compliance Documents

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY	BORROWER DESIGNATION KY0062
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2010
SECTION C. NOTES TO FINANCIAL STATEMENTS	
Footnote to RUS Form 12a	
Financial Ratios: <u>2010</u>	
Margins For Interest Ratio (MFI) 1.15	
Footnote to RUS Form 12a	
Kenergy "IF" Contract termination date is March 31, 2011.	
Footnote to RUS Form 12h, Section H	
In June, 2010, \$83.3 million of the Ohio County of Kentucky Note, Series 2001A was refunded with proceeds of the Ohio County of Kentucky Note, Series 2010A.	

Big Rivers Electric Corporation

Case No. 2012-00535

Attachment to Response for AG 1-55(c)

Compliance Documents



201 Third Street
 P.O. Box 24
 Henderson, KY 42419-0024
 270-827-2561
 www.bigrivers.com

April 25, 2011

Attention: Jeffrey E. Childs
 CoBank, ACB
 5500 South Quebec Street
 Greenwood Village, CO 80111

Dear Mr. Childs:

In accordance with Sections 5.06(A) and (C) of the Revolving Credit Agreement dated as of July 16, 2009 (the "Agreement"), between Big Rivers Electric Corporation (the "Company") and CoBank, ACB ("CoBank"), I, Mark A. Bailey, the President and Chief Executive Officer of the Company, DO HEREBY CERTIFY that:

- (1) The actual Debt Service Coverage Ratio (DSCR) achieved by the Company for the year ended December 31, 2010, was 1.47. Consistent with the attached GAAP basis financial statements (audited; in thousands of \$) provided in item (2) below, the computation of the DSCR is as follows :

	Year Ended 12/31/10
Margins (after income taxes)	6,990,915
Plus or (minus) any loss or (gain) on the sale of assets or other extraordinary loss or (gain)	0
Plus depreciation and amortization expense	36,196,138
Plus total interest expense	47,253,388
Plus income taxes	259,571
Minus non-cash patronage	(18,827)
Minus non-cash income from subsidiaries and/or joint ventures	0
Total (a)	90,681,185
The sum of all scheduled payments of principal required to be made during the period on account of Total Long Term Debt	14,542,000
Plus total interest expense	47,253,388
Total (b)	61,795,388
DSCR (a) divided by (b)	1.47

Big Rivers Electric Corporation
Case No. 2012-00535
Attachment to Response for AG 1-55(c)
Compliance Documents

Mr. Jeffrey Childs
April 25, 2011
Page Two

- (2) The annual financial statements meeting the requirements of section 5.06(A) are attached.
- (3) The Company does not have a Credit Rating, defined in the Agreement to be the rating assigned to the Company's unsecured corporate indebtedness. However, the Company has credit ratings from the Rating Agencies, defined to be S&P and Moody's, and Fitch for its senior secured debt without credit enhancement as follows:

S&P	BBB-
Moody's	Baa1
Fitch	BBB-

- (4) I have reviewed the attached financial statements of the Company provided herein. To my best knowledge, no Default or Event of Default, both as defined in the Agreement, occurred during the period covered by these financial statements.

In accordance with Item 5 "Compliance Certificate" of the Agreement of Limited Waiver dated as of February 2011, Big Rivers has met and maintained all provisions and conditions of both the Revolving Credit Agreement and the Agreement of Limited Waiver in accordance with their terms.

Sincerely,



Mark A. Bailey
President & CEO

Attachment

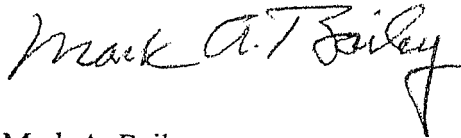
February 24, 2011

National Rural Utilities Cooperative Finance Corporation
Attention: Senior Vice President – Member Services
2201 Cooperative Way
Herndon, Virginia 20171-3025

Gentlemen:

In accordance with Article V, Section 5.01(H) of the Revolving Line of Credit Agreement, dated July 16, 2009, between Big Rivers Electric Corporation and National Rural Utilities Cooperative Finance Corporation (CFC), enclosed is a copy of Big Rivers' annual certificate for the year ended December 31, 2010.

Sincerely,



Mark A. Bailey
President and CEO
Big Rivers Electric Corporation

Enclosure

c: Mr. C. William Blackburn
Mr. Mark A. Hite
~~Mr. Ralph A. Ashworth~~
Mr. Mark Davis

BIG RIVERS ELECTRIC CORPORATION

**APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR A GENERAL ADJUSTMENT IN RATES
CASE NO. 2012-00535**

**Response to the Office of the Attorney General's
Initial Request for Information
Dated February 14, 2013**

February 28, 2013

1 **Item 56)** *Mr. Bailey's testimony (p.10, lines 21 to 22, and p.11, lines*
2 *1 to 19) states that a 1.24 Contract TIER is low for an investment*
3 *grade-rated G&T cooperative and Ms. Richert provides Exhibit*
4 *Richert-2 regarding a table of G&Ts and their related TIER and MFIR*
5 *at June 2012 (p. 9, lines 5 to 7). Provide the source documents*
6 *supporting Exhibit Richert-2, and provide the related TIER/MFIR data*
7 *for June 2011.*

8

9 **Response)** Big Rivers objects that this request is unduly burdensome
10 insofar as the source documents are noted in Exhibit Richert-2. The data
11 presented in the June 2012 G&T Accounting & Finance Association Annual
12 directory dated June 2012 is for 2011. A copy of the June 2012 G&T
13 Accounting & Finance Association Annual directory dated June 2012 is
14 provided on the CD accompanying these responses as an attachment to PSC
15 2-8.

16

17 **Witness)** Billie J. Richert