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June 17, 2013

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

In The Matter Of: *Application of Big Rivers Electric Corporation For A General Adjustment In Rates - Case No. 2012-00535*

Dear Mr. Derouen:

Enclosed for filing are an original and ten (10) copies of Big Rivers Electric Corporation's updated responses to certain requests for information in the above referenced matter.

I certify that on this date, a copy of this letter and a copy of the updated responses were served on the persons listed on the attached service list by first class mail, postage prepaid, or by Federal Express.

Sincerely,

Tyson Kamuf /dms

Tyson Kamuf

cc: Service List
Billie J. Richert

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BIG RIVERS ELECTRIC CORPORATION

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

VERIFICATION

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

Billie J. Richert

Billie J. Richert

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Billie J. Richert on this the 17th day of June, 2013.

Paula Mitchell

Notary Public, Ky. State at Large
My Commission Expires 1-12-17

BIG RIVERS ELECTRIC CORPORATION

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

VERIFICATION

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

DeAnna M. Speed

DeAnna M. Speed

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by DeAnna M. Speed on this the 17th day of June, 2013.

Paula Mitchell

Notary Public, Ky. State at Large
My Commission Expires 1-12-17

ORIGINAL

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

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

Fourth Updated Response to the Big Rivers Application
Tab 38 originally filed January 15, 2013

Fifth Updated Responses to the Commission Staff's
Initial Request for Information dated December 21, 2012

Second Updated Response to the Commission Staff's
Third Request for Information dated March 14, 2013

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

FILED: June 18, 2013

ORIGINAL

Big Rivers Electric Corporation
Case No. 2012-00535
Forecasted Test Period Filing Requirements
(*Forecast Test Year 12ME 08/31/2014; Base Period 12ME 04/30/2013*)

Tab No. 38 – January 15, 2013
***First Update* Tab No. 38 – February 15, 2013**
***Second Update* Tab No. 38 – March 18, 2013**
***Third Update* Tab No. 38 – May 17, 2013**
***Fourth Update* Tab No. 38 – June 18, 2013**
Filing Requirement
807 KAR 5:001 Section 10(9)(o)
Sponsoring Witness: Ms. Billie J. Richert

Description of Filing Requirement:

Complete monthly budget variance reports, with narrative explanations, for the twelve (12) months prior to the base period, each month of the base period, and any subsequent months, as they become available.

Response:

Attached hereto is the monthly variance report for March 2013. The November 2012 report was provided with the *First Update* on February 15; the December 2012 and January 2013 reports were provided with the *Second Update* on March 18; the February 2013 report was provided with the *Third Update* on May 17. With its application filed on January 15, 2013, Big Rivers provided monthly variance, with narrative explanations, for May 2011 through October 2012.

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy Cooperative

Financial Report
March 2013
($ in Thousands)

Board Meeting Date: May 17, 2013

Big Rivers

Summary of Statement of Operations
YTD – March

	2013			2012	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Revenues	151,218	147,477	3,741	135,305	15,913
Cost of Electric Service	142,983	143,078	95	137,472	(5,511)
Operating Margins	8,235	4,399	3,836	(2,167)	10,402
Interest Income/Other	1,287	1,749	(462)	63	1,224
Net Margins - YTD	9,522	6,148	3,374	(2,104)	11,626
April Margins - YTD	*10,905*	*2,748*	*8,157*	*(2,082)*	*12,987*

Big Rivers

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	50,322	48,735	1,587	150,186	146,549	3,637	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	321	307	14	1,032	928	104	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	50,643	49,042	1,601	151,218	147,477	3,741	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,125	4,765	640	12,611	13,746	1,135	[A] Pages 8, 14-15, 22
OPERATION EXPENSE-PRODUCTION-FUEL	19,607	21,433	1,826	61,032	63,377	2,345	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	10,157	8,378	(1,779)	27,425	23,136	(4,289)	[A] Pages 8, 14-15, 22
OPERATION EXPENSE-TRANSMISSION	895	798	(97)	2,833	2,328	(505)	[B] & [C] Page 23
OPERATION EXPENSE-RTO/ISO	244	195	(49)	698	584	(114)	
OPERATION EXPENSE-CUSTOMER ACCOUNTS	0	0	0	0	0	0	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	62	188	126	133	319	186	
OPERATION EXPENSE-SALES	5	18	13	10	29	19	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,213	2,878	665	6,600	7,233	633	[C] Page 24
TOTAL OPERATION EXPENSE	37,308	38,653	1,345	111,342	110,752	(590)	
MAINTENANCE EXPENSE-PRODUCTION	3,269	3,476	207	9,203	9,424	221	
MAINTENANCE EXPENSE-TRANSMISSION	331	447	116	946	1,193	247	
MAINTENANCE EXPENSE-GENERAL PLANT	19	17	(2)	77	55	(22)	
TOTAL MAINTENANCE EXPENSE	3,619	3,940	321	10,226	10,672	446	
DEPRECIATION & AMORTIZATION EXPENSE	3,459	3,446	(13)	10,287	10,328	41	
TAXES	0	0	0	0	0	0	
INTEREST ON LONG-TERM DEBT	3,794	3,929	135	11,094	11,225	131	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(37)	(22)	15	(107)	(31)	76	
OTHER INTEREST EXPENSE	0	0	0	0	0	0	
OTHER DEDUCTIONS	34	47	13	141	132	(9)	
TOTAL COST OF ELECTRIC SERVICE	48,177	49,993	1,816	142,983	143,078	95	
OPERATING MARGINS	2,466	(951)	3,417	8,235	4,399	3,836	
INTEREST INCOME	168	170	(2)	504	511	(7)	
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	0	0	0	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	783	1,238	(455)	783	1,238	(455)	[B] Page 25
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	3,417	457	2,960	9,522	6,148	3,374	

YTD Explanations: [A] Gross Margin, [B] 10% of budgeted line item and $250,000 or [C] 10% of budgeted margins and $500,000.

Big Rivers

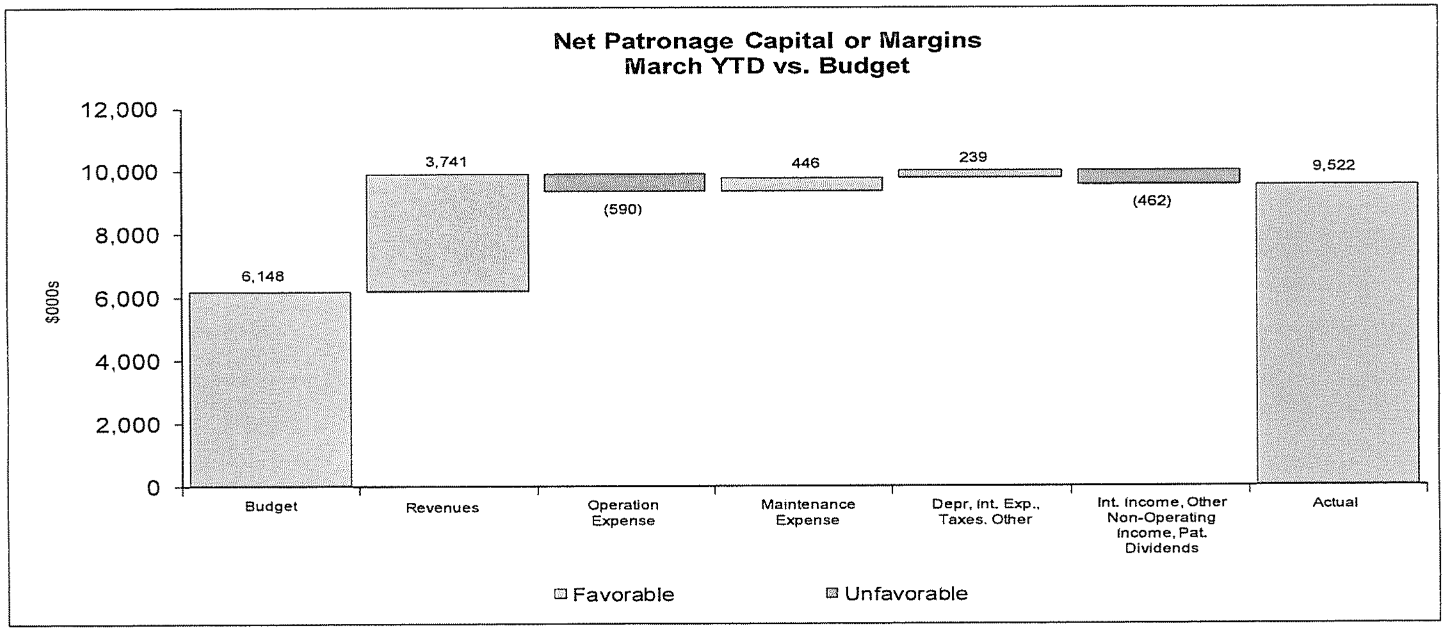
Statement of Operations – March

Variance to Prior-Year

	Current Month Actual	Current Month Prior Year	Current Month Variance Fav/(UnFav)	Year-to-Date Actual	Year-to-Date Prior Year	Year-to-Date Variance Fav/(UnFav)	Explanation
ELECTRIC ENERGY REVENUES	50,322	45,146	5,176	150,186	134,100	16,086	[A] Pages 7, 9-13, 16-21
OTHER OPERATING REVENUE AND INCOME	321	348	(27)	1,032	1,205	(173)	
TOTAL OPER REVENUES & PATRONAGE CAPITAL	50,643	45,494	5,149	151,218	135,305	15,913	
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	4,125	4,346	221	12,611	11,820	(791)	[A] Pages 8, 14-15, 22
OPERATION EXPENSE-PRODUCTION-FUEL	19,607	16,511	(3,096)	61,032	49,722	(11,310)	[A] Pages 8, 14-15
OPERATION EXPENSE-OTHER POWER SUPPLY	10,157	11,958	1,801	27,425	31,526	4,101	[A] Pages 8, 14-15, 22
OPERATION EXPENSE-TRANSMISSION	895	799	(96)	2,833	2,409	(424)	[B] Page 23
OPERATION EXPENSE-RTO/ISO	244	233	(11)	698	659	(39)	
OPERATION EXPENSE-CUSTOMER ACCOUNTS	0	0	0	0	0	0	
CONSUMER SERVICE & INFORMATIONAL EXPENSE	62	68	6	133	104	(29)	
OPERATION EXPENSE-SALES	5	9	4	10	6	(4)	
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	2,213	2,576	363	6,600	6,722	122	
TOTAL OPERATION EXPENSE	37,308	36,500	(808)	111,342	102,968	(8,374)	
MAINTENANCE EXPENSE-PRODUCTION	3,269	5,682	2,413	9,203	12,134	2,931	[B] & [C] Page 26
MAINTENANCE EXPENSE-TRANSMISSION	331	436	105	946	1,055	109	
MAINTENANCE EXPENSE-GENERAL PLANT	19	10	(9)	77	40	(37)	
TOTAL MAINTENANCE EXPENSE	3,619	6,128	2,509	10,226	13,229	3,003	
DEPRECIATION & AMORTIZATION EXPENSE	3,459	3,390	(69)	10,287	10,176	(111)	
TAXES	0	1	1	0	1	1	
INTEREST ON LONG-TERM DEBT	3,794	3,827	33	11,094	11,257	163	
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(37)	(66)	(29)	(107)	(200)	(93)	
OTHER INTEREST EXPENSE	0	0	0	0	0	0	
OTHER DEDUCTIONS	34	15	(19)	141	41	(100)	
TOTAL COST OF ELECTRIC SERVICE	48,177	49,795	1,618	142,983	137,472	(5,511)	
OPERATING MARGINS	2,466	(4,301)	6,767	8,235	(2,167)	10,402	
INTEREST INCOME	168	7	161	504	18	486	[B] Page 27
ALLOWANCE FOR FUNDS USED DURING CONST	0	0	0	0	0	0	
OTHER NON-OPERATING INCOME - NET	0	0	0	0	0	0	
OTHER CAPITAL CREDITS & PAT DIVIDENDS	783	45	738	783	45	738	[B] & [C] Page 25
EXTRAORDINARY ITEMS	0	0	0	0	0	0	
NET PATRONAGE CAPITAL OR MARGINS	3,417	(4,249)	7,666	9,522	(2,104)	11,626	

YTD Explanations: [A] Gross Margin, [B] 10% of prior year line item and $250,000 or [C] 10% of prior year margins and $500,000.

Variance Analysis Summary



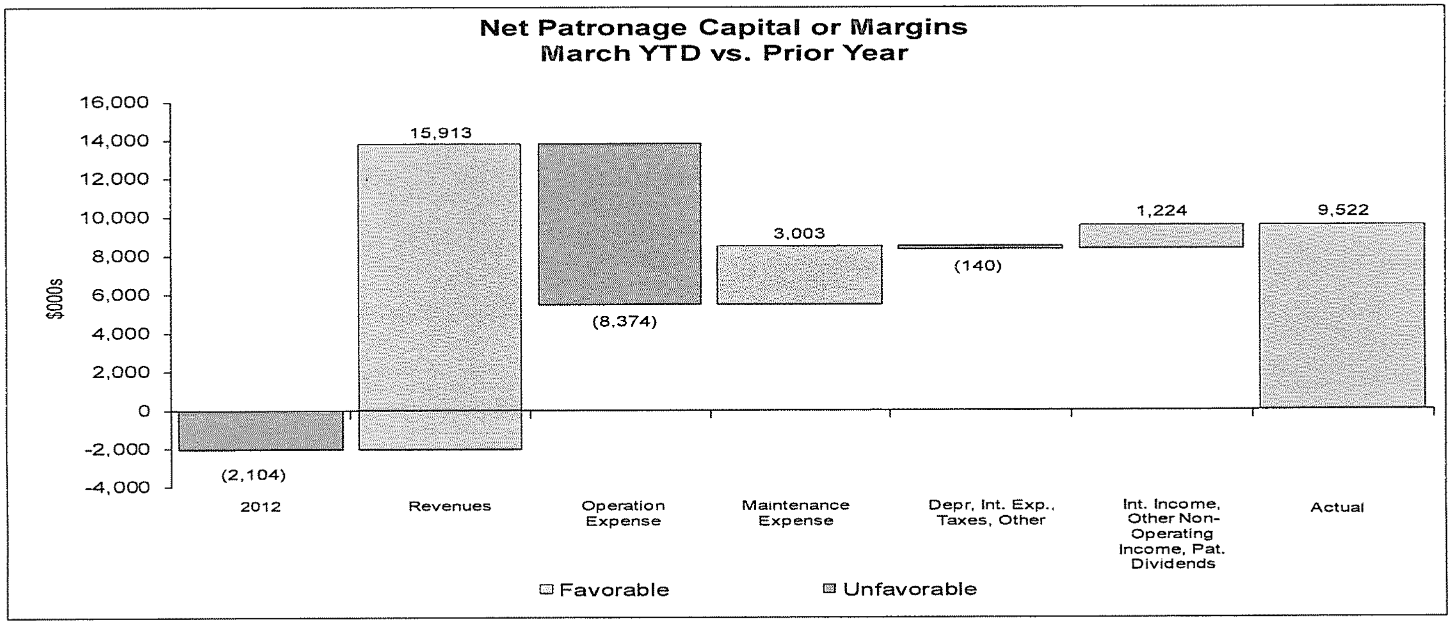
Financial Commentary

Year-to-Date

- March YTD 2013 Margins were $3,374 favorable to budget.
  - Revenues were favorable $3.741 primarily due to OSS volumes, as well as the $1.4m retroactive rate adjustment per the January 29th PSC order (see pages 7, 9-13, 16-21).
  - Operation Expense was unfavorable $590 driven by purchased power, while somewhat offset by fuel and reagent (see page 8).
  - Maintenance Expense was favorable $446 primarily due to timing of maintenance expenses.
  - Depreciation/Interest Expense/Other was favorable $239 primarily due to slightly lower interest on long-term debt, as well as higher capitalized interest.
  - Interest Income/Patronage was unfavorable $462 due to timing of the allocation of patronage capital from CFC (see pages 25 & 27)

Big Rivers

Variance Analysis Summary



Financial Commentary

Year-to-Date

- March YTD 2013 margins were $11,626 favorable compared to 2012.
  - Revenues were favorable $15,913 largely due to volumes, most of which is from OSS (see pages 7, 9-13, 16-21).
  - Operation Expense was unfavorable $8,374 – driven by higher fuel cost $13,080, mostly due to volume, partially offset by lower purchase power $4,686.
  - Maintenance Expense was favorable $3,003 due to higher outage expenses in 2012.(see page 26)
  - Depreciation, Interest Expense, Taxes & Other combined were unfavorable $140 due to slightly higher depreciation expense, as well as less interest capitalized in 2013.
  - Interest Income/Patronage was favorable $1,224 due to patronage capital as a result of the 2012 refinancing and the interest on the capital term certificates (see page 25 & 27)

Big Rivers

Revenue
YTD March

	Actual 2013	Budget 2013	Variance	Actual 2012	2012 Variance
MWh Sales					
Rural	653,325	644,895	8,430	574,390	78,935
Large Industrial	238,582	233,213	5,369	243,840	(5,258)
Smelter	1,836,847	1,820,448	16,399	1,841,799	(4,952)
Off-System/Other	511,052	347,810	163,242	271,767	239,285
Total	3,239,806	3,046,365	193,441	2,931,796	308,010
Revenue - $/MWh					
Rural	53.21	52.84	0.37	49.12	4.09
Large Industrial	44.60	44.73	(0.13)	42.50	2.10
Smelter	48.89	50.07	(1.18)	48.02	0.87
Off-System/Other	29.31	31.34	(2.03)	26.04	3.27
Total	46.36	48.11	(1.75)	45.74	0.62
Revenue - Thousands of $					
Rural [1]	34,764	34,077	687	28,212	6,552
Large Industrial	10,641	10,432	209	10,363	278
Smelter	89,802	91,141	(1,339)	88,447	1,355
Off-System/Other	14,979	10,899	4,080	7,078	7,901
Total	150,186	146,549	3,637	134,100	16,086

[1] *Includes $1.3m of the $1.4m retroactive adjustment from January 29th order by the PSC.*

Revenue Price / Volume Analysis
March 2013

	Price / Volume		
	Price	Volume	Total
Rural	242	445	687
Large Industrial	(31)	240	209
Smelter	(2,160)	821	(1.339)
Off-System/Other	(1,036)	5,116	4,080
	(2.985)	6.622	3.637

Big Rivers

Variable Operations Cost
YTD March

	Actual 2013	Budget 2013	Variance	Actual 2012	2012 Variance
Variable Operations (VO) Cost - $/MWh					
Rural	25.67	26.91	1.24	25.55	(0.12)
Large Industrial	25.69	26.91	1.22	25.71	0.02
Smelter	26.60	27.69	1.09	26.35	(0.25)
Off-System/Other	26.80	27.40	0.60	25.61	(1.19)
Total	26.38	27.43	1.05	26.07	(0.31)

	Actual 2013	Budget 2013	Variance	Actual 2012	2012 Variance
VO Cost - Thousands of $					
Rural	16,774	17,356	582	14,678	(2,096)
Large Industrial	6,128	6,276	148	6,269	141
Smelter	48,869	50,416	1,547	48,528	(341)
Off-System/Other	13,698	9,528	(4,170)	6,961	(6,737)
Total	85,469	83,576	(1,893)	76,436	(9,033)

YTD March 2013
Variable Operations Expense

	Actual	Budget	Fav/(UnFav)	Price Variance Fav/(UnFav)	Volume Variance Fav/(UnFav)	Fav/(UnFav)
Reagent	6,986	7,875	889	(4,310)	5,199	889
Fuel	69,460	72,009	2,549	469	2,080	2,549
Purchased Power	9,845	4,378	(5,467)	841	(6,308)	(5,467)
Non-FAC PPA (Non-Smelter)	(822)	(686)	136	126	10	136
	85,469	83,576	(1,893)	(2,874)	981	(1,893)

Big Rivers

Gross Margin
YTD March

	Actual 2013	Budget 2013	Variance	Actual 2012	2012 Variance
Gross Margin - $/MWh					
Rural	27.54	25.93	1.61	23.57	3.97
Large Industrial	18.91	17.82	1.09	16.79	2.12
Smelter	22.29	22.38	(0.09)	21.67	0.62
Off-System/Other	2.51	3.94	(1.43)	0.43	2.08
Total	19.98	20.68	(0.70)	19.67	0.31

	Actual 2013	Budget 2013	Variance	Actual 2012	2012 Variance
Gross Margin - Thousands of $					
Rural	17,990	16,721	1,269	13,534	4,456
Large Industrial	4,513	4,156	357	4,094	419
Smelter	40,933	40,725	208	39,919	1,014
Off-System/Other	1,281	1,371	(90)	117	1,164
Total	64,717	62,973	1,744	57,664	7,053

Gross Margin
Price / Volume Analysis
March 2013

	Price / Volume		
	Price	Volume	Total
Rural	1,050	219	1.269
Large Industrial	261	96	357
Smelter	(159)	367	208
Off-System/Other	(733)	643	(90)
	419	1.325	1.744

Member Rate Stability Mechanism

YTD March

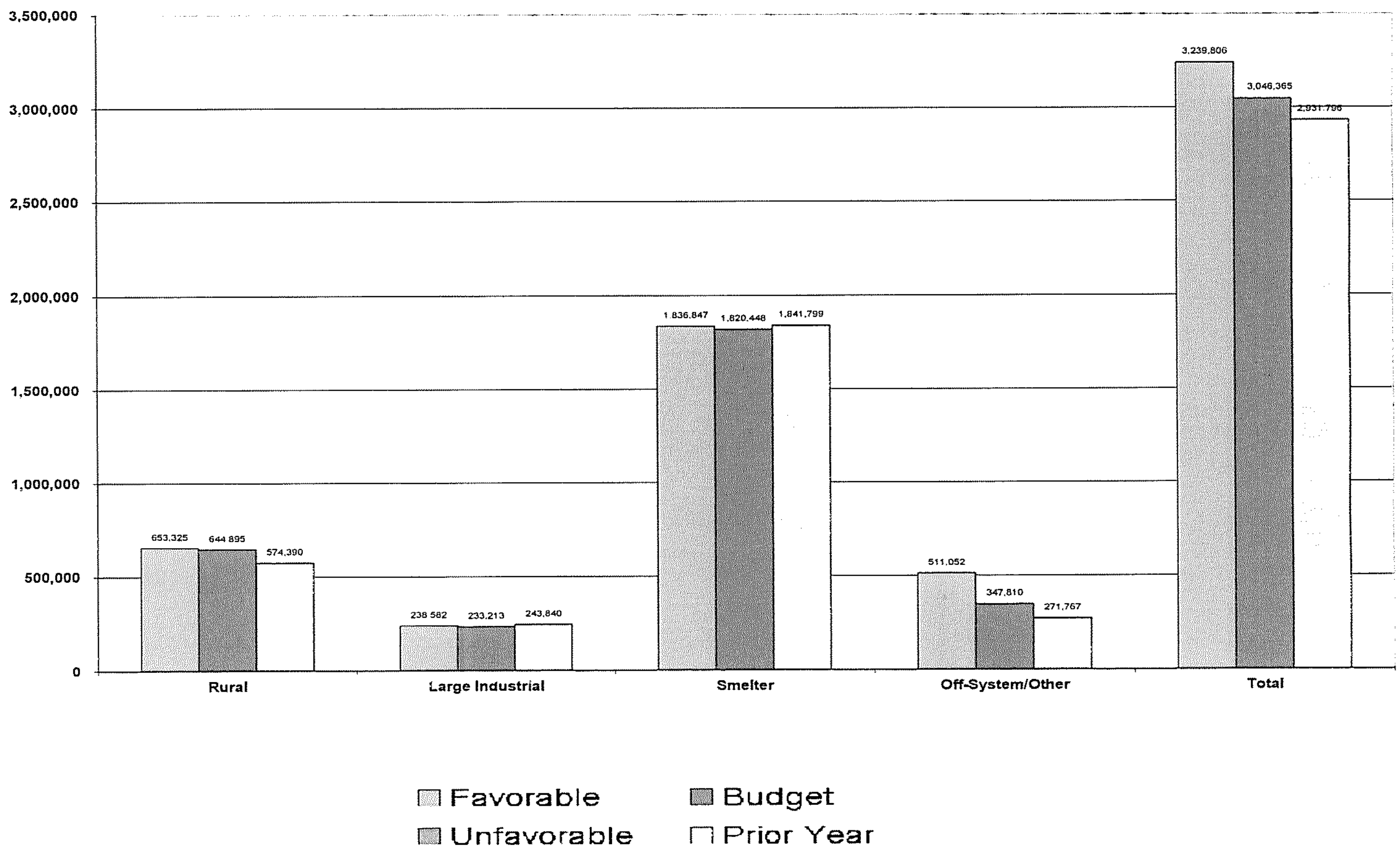
	Actual 2013	Budget 2013	2013 Variance	Actual 2012	2012 Variance
MRSM - $/MWh					
Rural	(6.77)	(7.44)	0.67	(6.32)	(0.45)
Large Industrial	(6.45)	(6.96)	0.51	(6.32)	(0.13)
Total	(6.69)	(7.32)	0.63	(6.32)	(0.37)
MRSM - Thousands of $					
Rural	(4,425)	(4,801)	376	(3,626)	(799)
Large Industrial	(1,539)	(1,624)	85	(1,541)	2
Total	(5,964)	(6,425)	461	(5,167)	(797)

	Actual 2013	Budget 2013	2013 Variance	Actual 2012	2012 Variance
Net Revenue - $/MWh					
Rural	46.44	45.40	1.04	42.80	3.64
Large Industrial	38.15	37.77	0.38	36.18	1.97
Total	44.22	43.37	0.85	40.82	3.40
Net Revenue - Thousands of $					
Rural	30,339	29,276	1,063	24,586	5,753
Large Industrial	9,102	8,808	294	8,822	280
Total	39,441	38,084	1,357	33,408	6,033

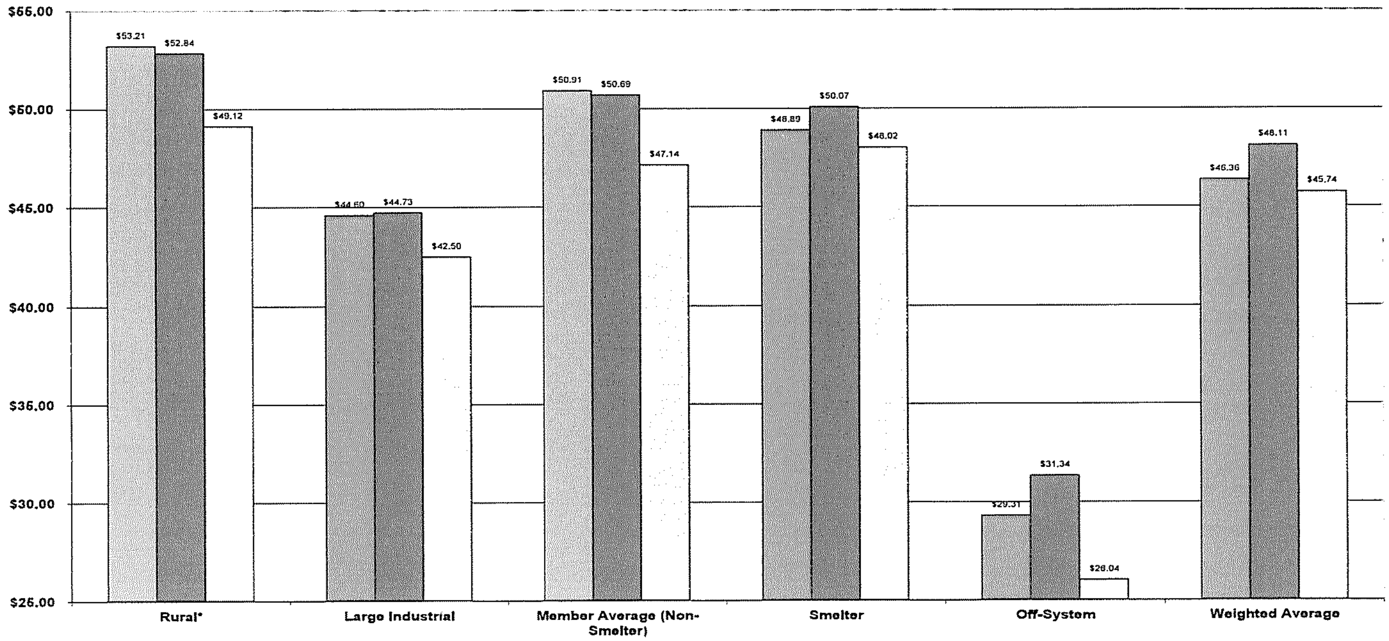
Cumulative-to-Date	Actual	Budget	Variance
Original Deposit	$ 157,000		
Interest Earnings	3,271		
Withdrawals	(84,885)		
Ending Balance 03/31/2013	$ 75,386	$ 74,294	$ 1,092
Year-to-Date			
Beg. Balance 1/1/2013	$ 80,643		
Interest Earnings	68		
Withdrawals	(5,325)		
Ending Balance 03/31/2013	$ 75,386	$ 74,294	$ 1,092

Big Rivers

MWH Sales
YTD – March

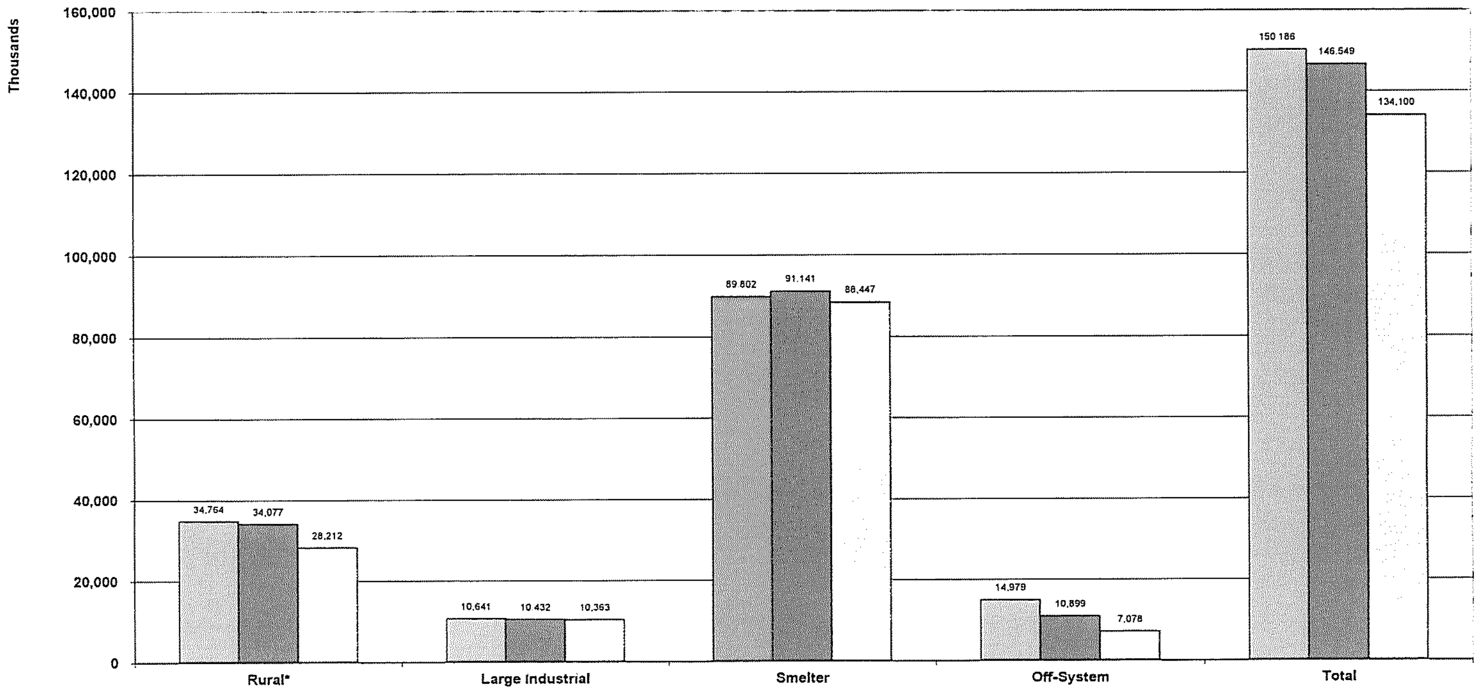


Revenue - $/MWh Sold
YTD – March



*2013 Rural includes $1.3m of the $1.4m retroactive adjustment from January 29th order by the PSC

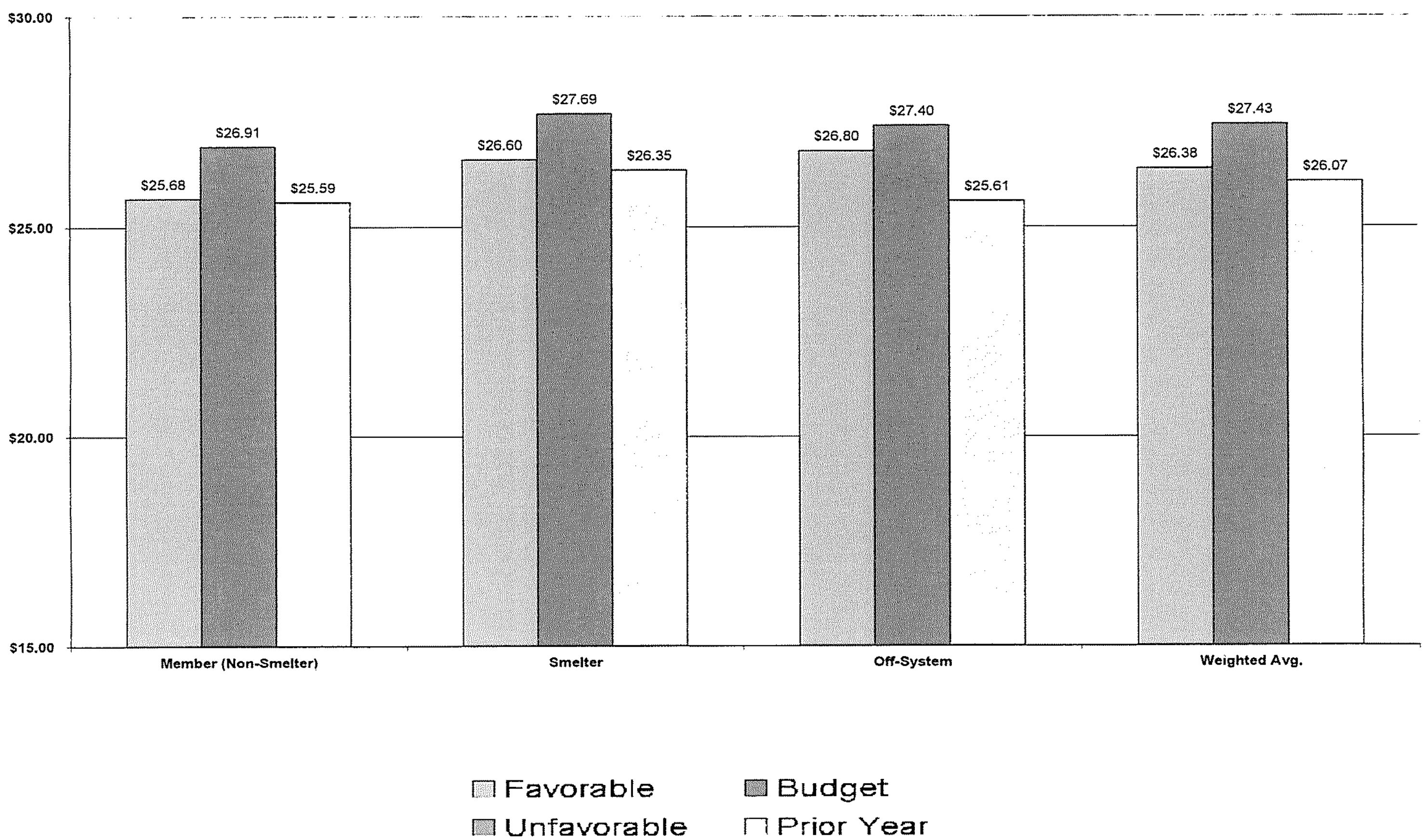
Revenue
YTD - March



*2013 Rural includes $1.3m of the $1.4m retroactive adjustment from January 29th order from the PSC

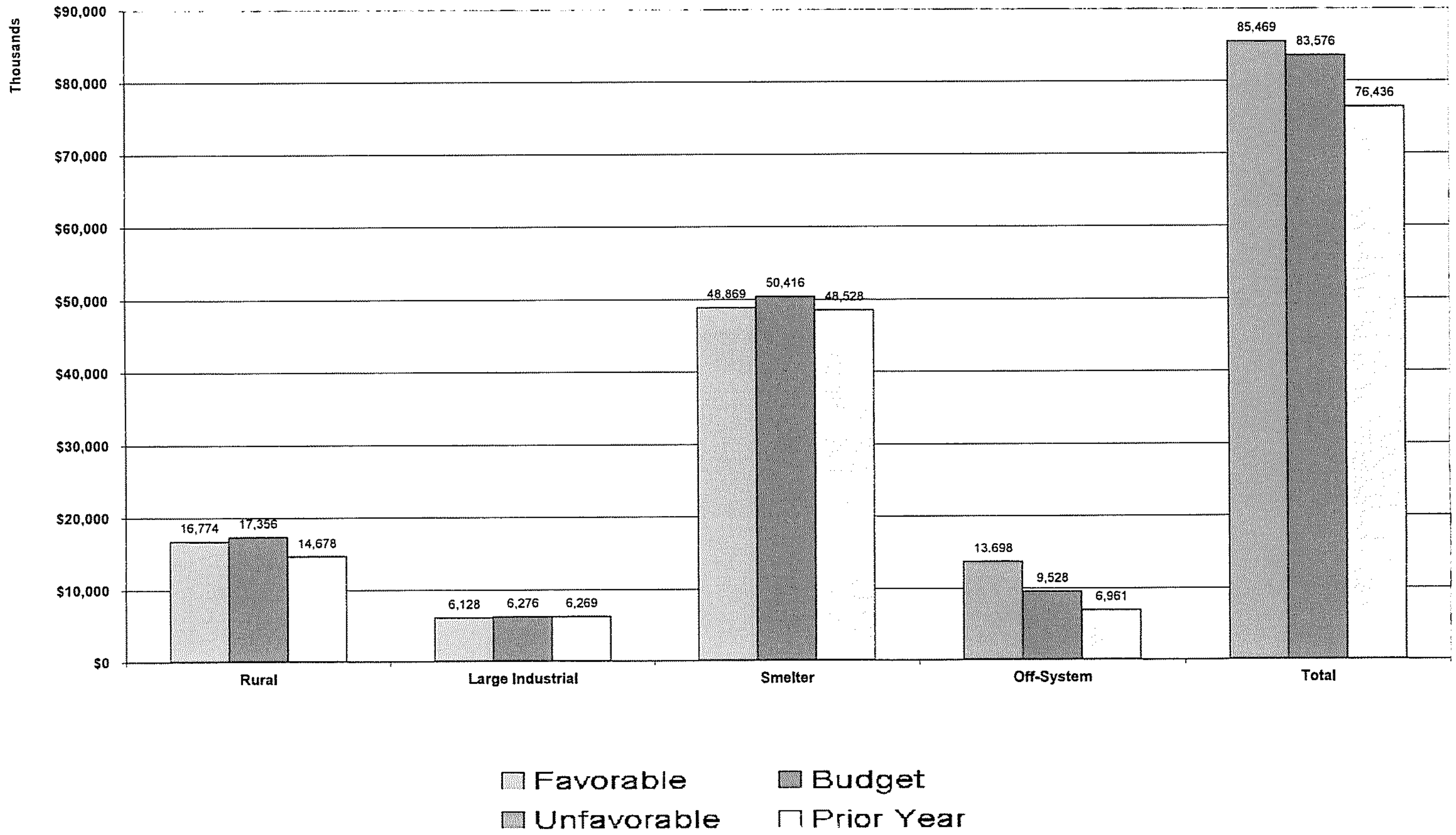
Big Rivers

Variable Operations - $/MWh Sold
YTD – March



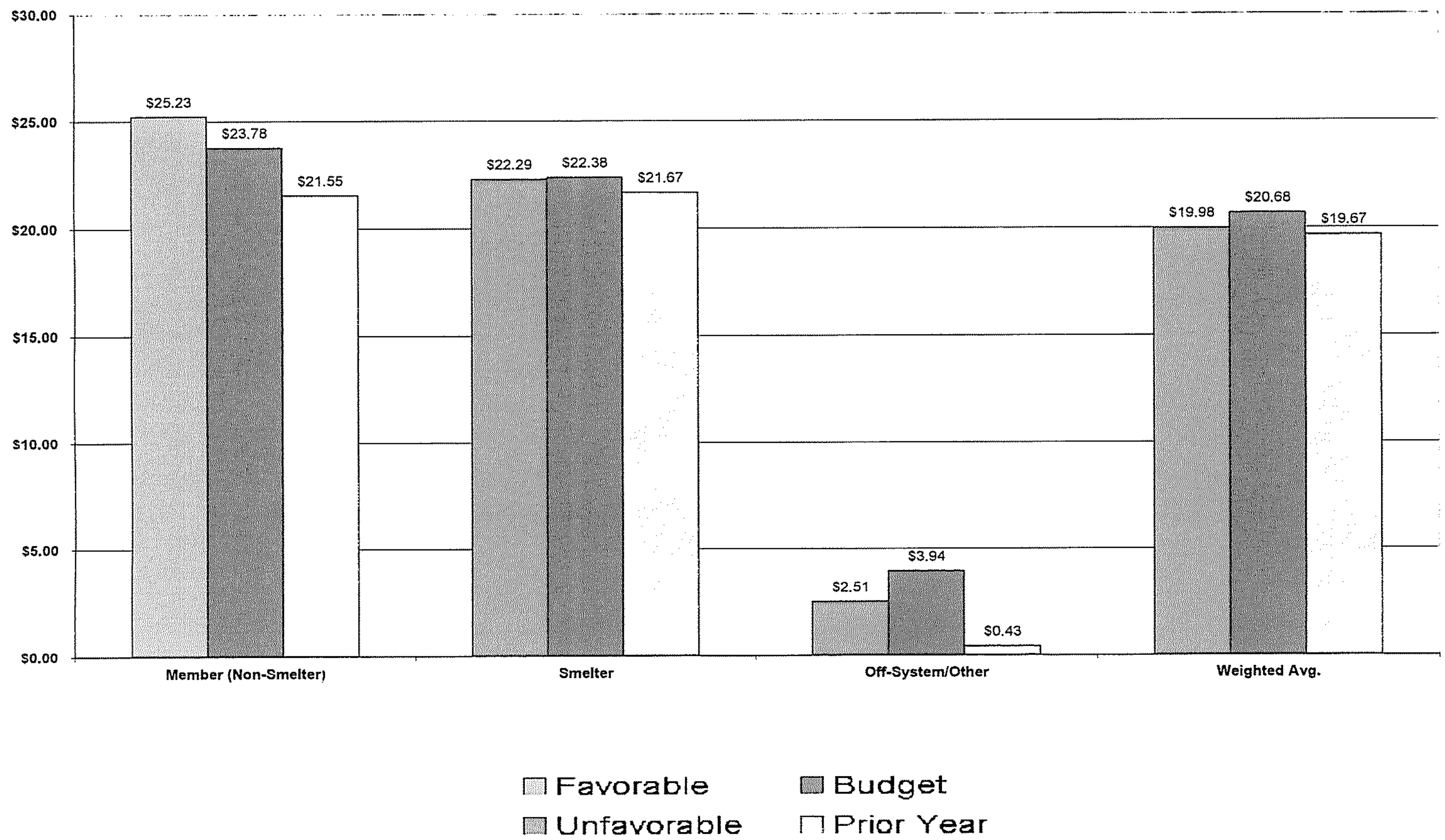
Big Rivers

Variable Operations Cost
YTD – March



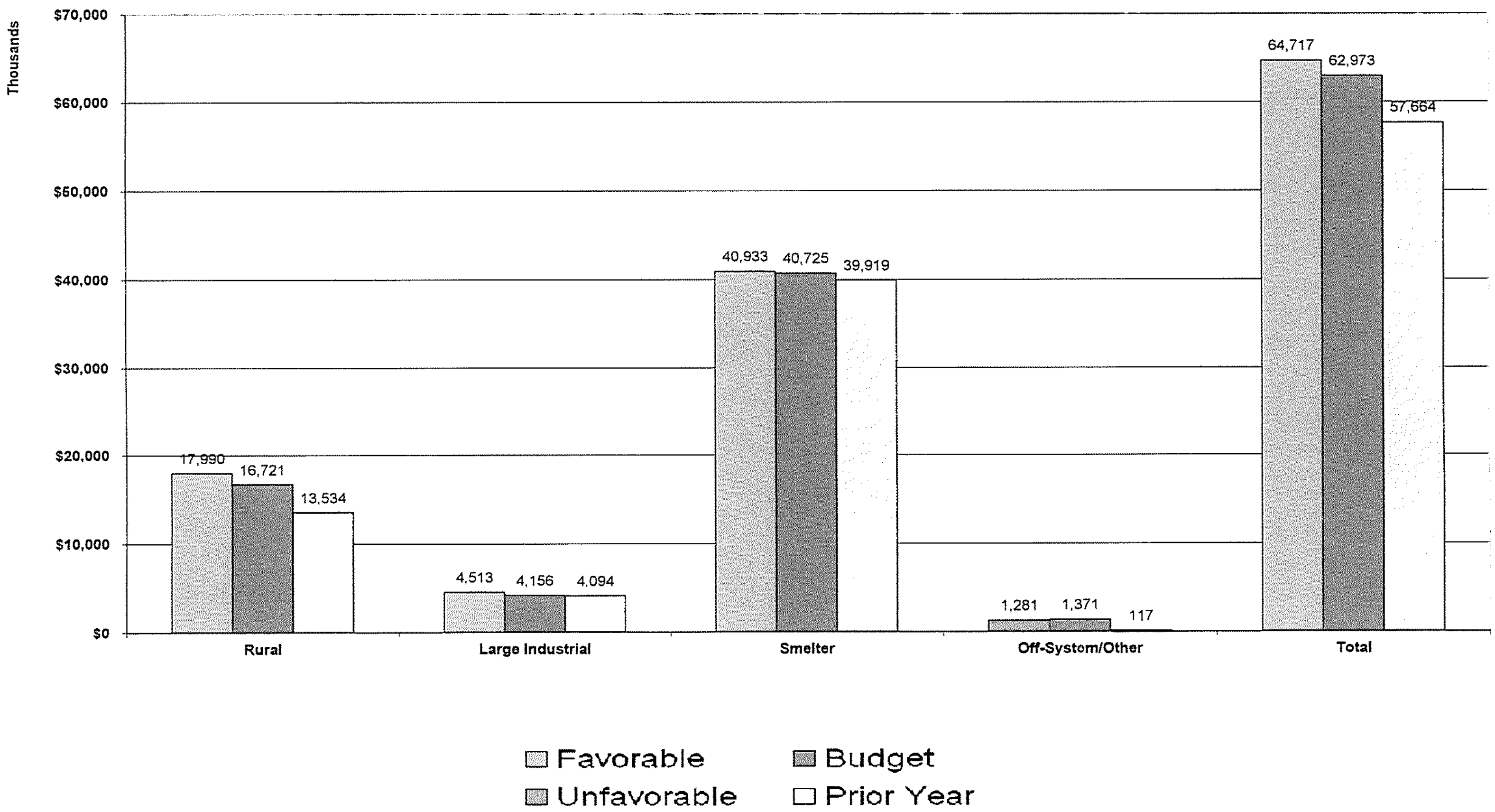
Big Rivers

Gross Margin - $/MWh
YTD – March



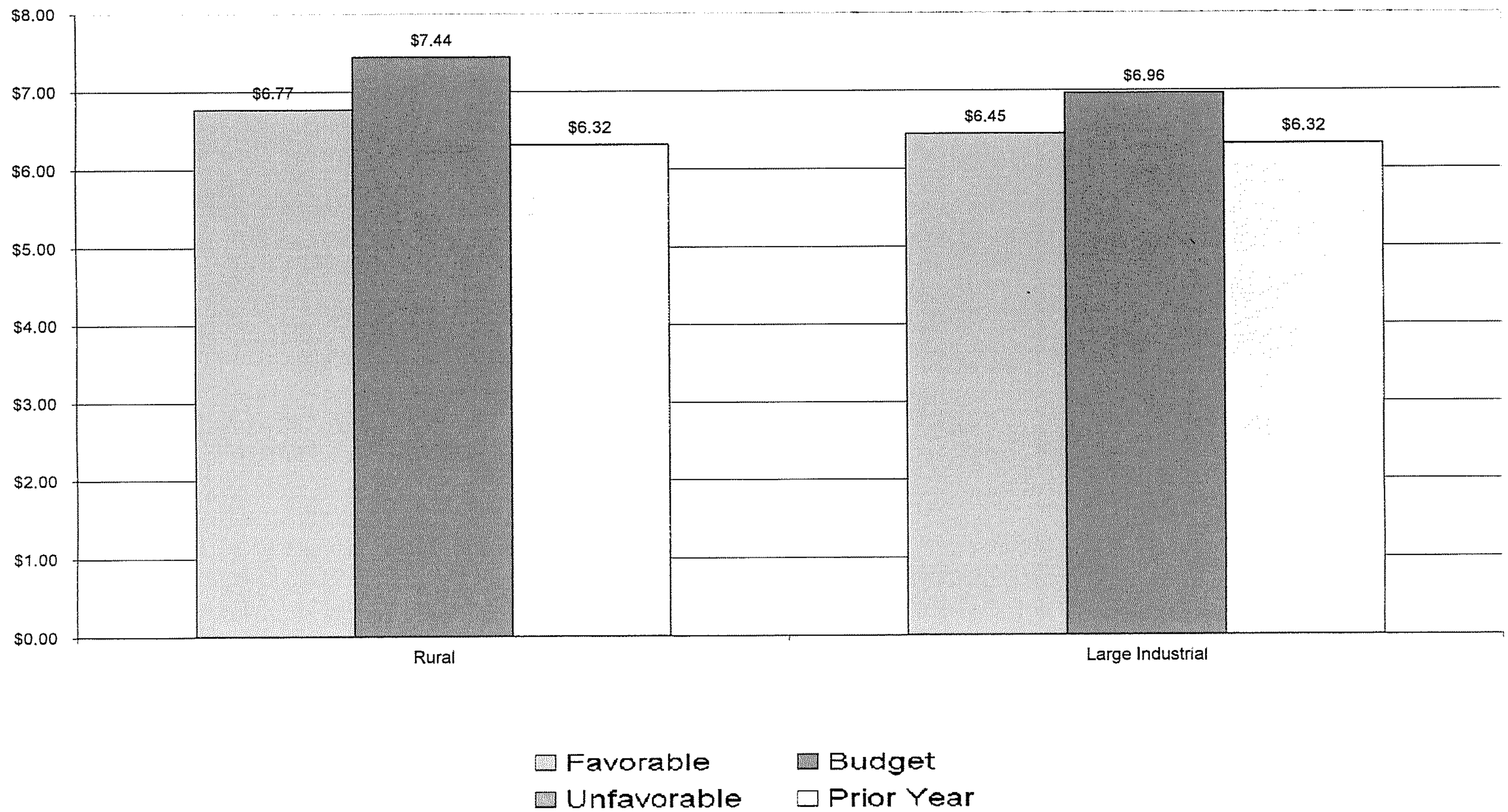
Big Rivers

Gross Margin
YTD – March



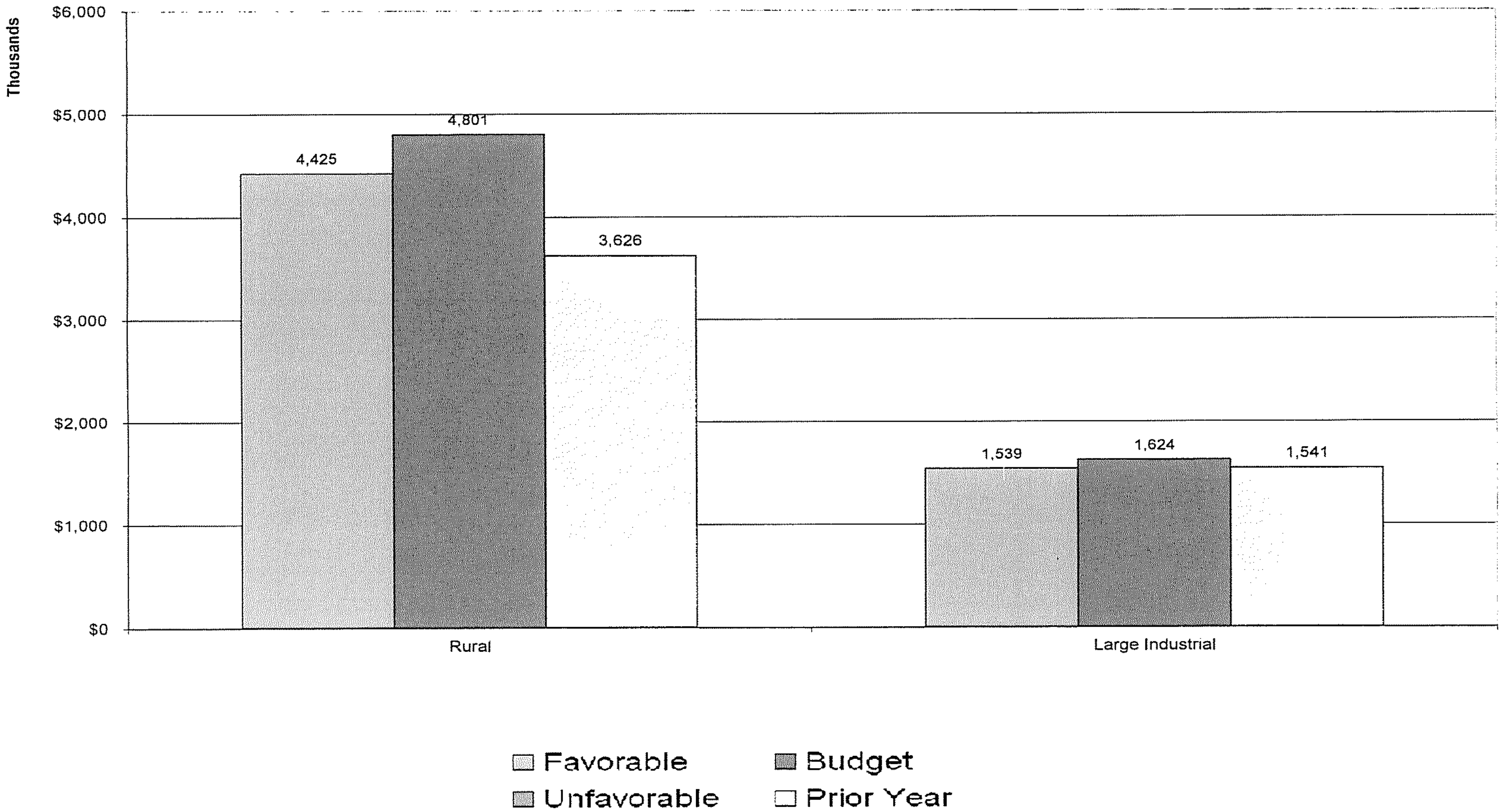
Big Rivers

MRSM - $/MWh
YTD - March



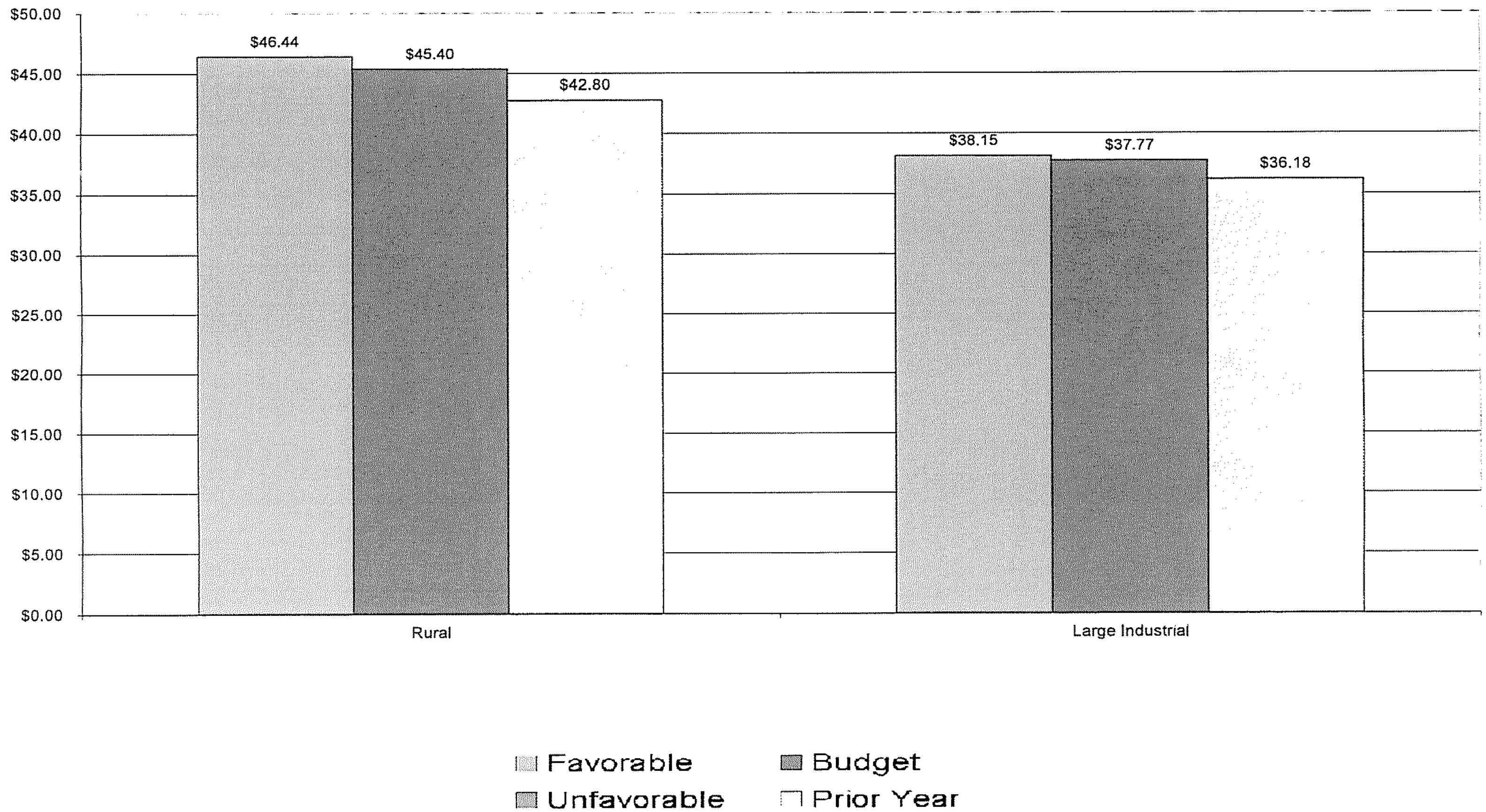
Big Rivers

MRSM
YTD - March



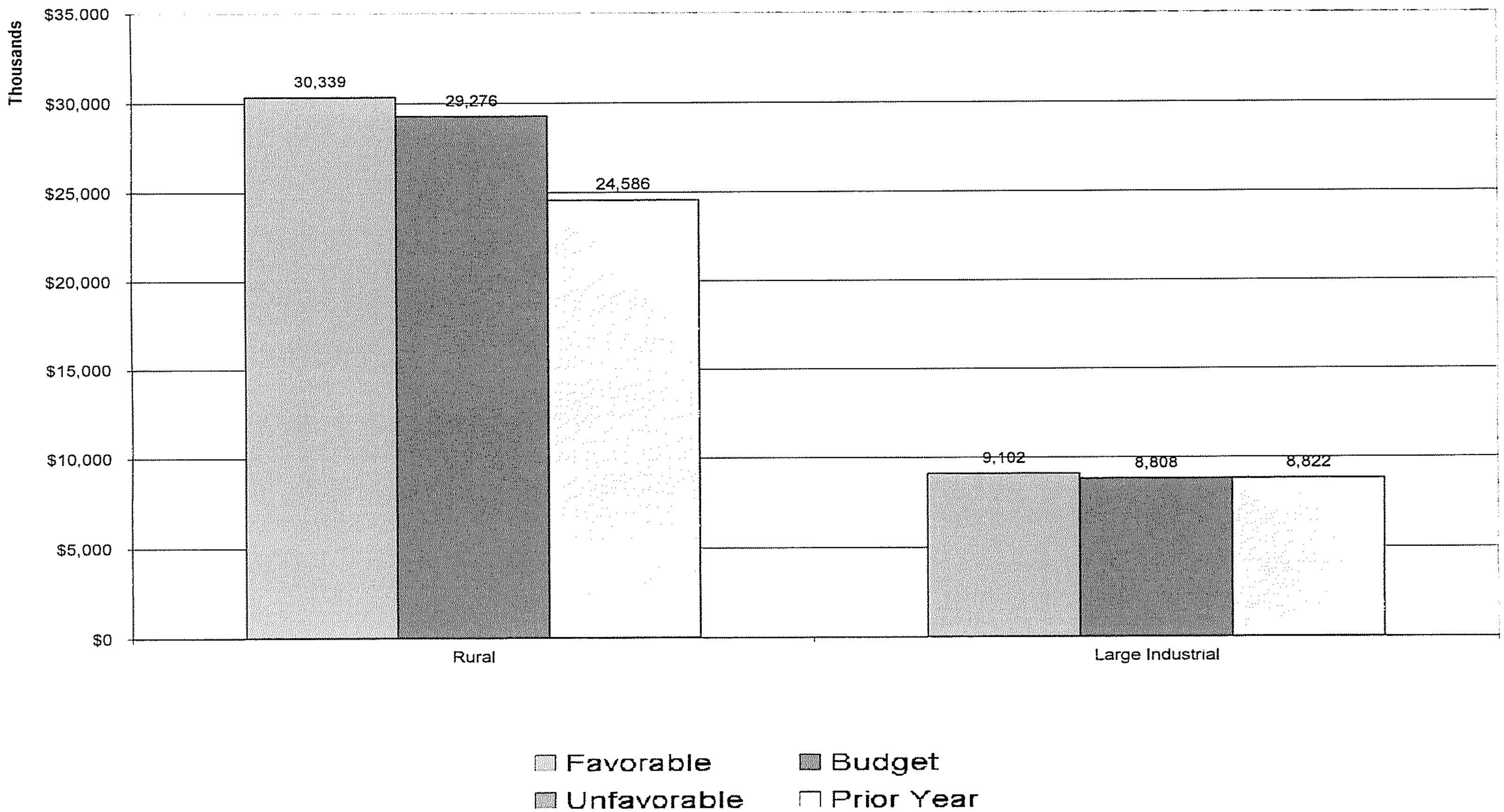
Big Rivers

Net Revenue Less MRSM - $/MWh
YTD – March



Big Rivers

Net Revenue Less MRSM
YTD - March



Big Rivers

Non-Variable Production and Other Power Supply – Operations

	Actual	Budget	Variance Fav/(Unfav)	2012 Actual	Variance Fav/(Unfav)
March YTD	15,599	16,683	1,084	16,632	1,033

Current Year Variances	Fav/(UnFav)
Power Supply transmission reservation	179
Station-Two expenses	632
Plant Operations expense (WL, GN, CL)	387
Other (Depreciation, Property Taxes/Insurance)	(114)
Non-Variable Production and Other Power Supply - Operations	1,084

Prior-Year Variances	Fav/(UnFav)
Labor	104
Station-Two Plant O&M (outage in 2012)	820
Other (Plant Operations, Depreciation, Property Taxes/Insurance)	109
Non-Variable Production and Other Power Supply - Operations	1,033

Big Rivers

Operation Expense – Transmission

	Actual	Budget	Variance Fav/(Unfav)	2012 Actual	Variance Fav/(Unfav)
March YTD	2,833	2,328	(505)	2,409	(424)

The unfavorable variance compared to budget and prior year is driven by $392k in MISO transmission expenses (MISO Transmission Expansion Projects and Multi-value Projects). A portion of these expenses is budgeted in Other Power Supply.

Big Rivers

Operation Expense – Administrative & General

	Actual	Budget	Variance Fav/(Unfav)
March YTD	6,600	7,233	633

The favorable variance compared to budget is driven by a $243 favorability in Information Systems mainly due to timing of the HP contract expenses and $114 in Demand Side Management programs in Member Relations, as well as a $219 favorability in Energy Services, primarily due to timing of IRP expenses.

Big Rivers

Other Capital Credits & Pat Dividends

	Actual	Budget	Variance Fav/(Unfav)	2012 Actual	Variance Fav/(Unfav)
March YTD	783	1,238	(455)	45	738

The unfavorable variance compared to budget is driven by timing of patronage capital associated with the CFC loan, now expected in September. The favorable variance compared to prior year is due to patronage capital associated with the July 2012 refinancing.

Big Rivers

Maintenance Expense – Production

	Actual	2012 Actual	Variance Fav/(Unfav)
March YTD	9,203	12,134	2,931

The favorable variance compared to prior year is driven by 2012 outage expenses at Wilson.

Big Rivers

Interest Income

	Actual	2012 Actual	Variance Fav/(Unfav)
March YTD	504	18	486

Interest income was favorable compared to prior year due to interest on CFC capital term certificates.

Big Rivers

North Star – YTD March

	2013			2012	
	Actual	Budget	Fav/(UnFav) Variance	Actual	Fav/(UnFav) Variance
Total Cost of Electric Service	142,983	143,078	95	137,472	(5,511)
Other Operating Revenues & Income	(1,032)	(928)	104	(1,205)	(173)
Smelter Avoidable Base Charge	0	0	0	(234)	(234)
Off-System Sales/Other	(14,979)	(10,899)	4,080	(7,078)	7,901
Interest Income	(504)	(511)	(7)	(18)	486
Other Non-Operating Income	0	0	0	0	0
Other Capital Credits & Pat. Dividends	(783)	(1,238)	(455)	(45)	738
	125,685	129,502	3,817	128,892	3,207
Member MWh	2,728,754	2,698,555	30,199	2,660,029	68,725
North Star - $/kWh	0.046060	0.047989	0.001929	0.048455	0.002395

Big Rivers

TIER

	Actual	Budget	Fav/(Unfav)
Interest on Long-Term Debt	11,094	11,225	131
Net Margins	9,522	6,148	3,374
TIER - YTD March	1.86	1.55	0.31
TIER (12 months ending 3/31)	1.51	1.32	0.19

Notes:

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

Big Rivers

Capital Expenditures*

Year-to-Date

	Actual	Budget	Fav/(UnFav)
IS	41	385	344
Generation	3.358	8.025	4.667
Transmission	1.469	2.013	544
Other	22	915	893
ECP	0	0	0
Total	**4,890**	**11,338**	**6,448**

Explanation:

IS was favorable $344 due to timing of the Hyperion upgrade and the Members' Replacement of Hardware/Software projects.

Generation was favorable by $4,667. Station-Two was favorable $5,934 due to timing of the H2 outage projects. Wilson Station was favorable $178 due to timing of the No. 1 Boiler Feed Pump project. Partially offsetting this favorability, Coleman Station was unfavorable $1,086 largely due to timing of outage projects. Green Station was unfavorable $359 primarily due to the G1 and G2 FGD Rehabilitation projects

Transmission was favorable $544 primarily due to timing of White Oak-50 MVA Substation project.

Other was favorable $893 largely due to timing of vehicle projects and the PCI Software project.

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

Big Rivers

Cash & Temporary Investments

	Actual	Budget	Fav/(Unfav)	2012 Actual	Fav/(Unfav)
March 31st	116,380	114,277	2,103	49,467	66,913

The March 31, 2013 cash balance compared to budget is favorable due to the beginning balance favorability of $8.8m, mostly offset by changes in working capital.

The favorable variance to prior-year is driven by the July 2012 refinancing.

Lines of Credit As of March 31st	
Original Amount	$100,000
Letters of Credit Outstanding	(8,375)
Advances Outstanding	0
Available Lines of Credit	$ 91,625

BIG RIVERS ELECTRIC CORPORATION

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

Fifth Updated **Response to**
Commission Staff's Initial Request for Information
dated December 21, 2012

January 29, 2013
First Update **February 15, 2013**
Second Update **March 18, 2013**
Third Update **April 18, 2013**
Fourth Update **May 17, 2013**
Fifth Update **May 17, 2013**

Item 43) ***As the historical data becomes available, provide detailed monthly income statements for each forecasted month of the base period, including the month in which the Commission hears this case.***

Response) Big Rivers' detailed monthly income statement for the month ended April 30, 2013 (the sixth forecasted month of the base period) is attached hereto. Big Rivers will provide detailed monthly income statements for the remaining forecasted months included in the base period, including the month in which the Commission hears this case, as the historical data becomes available.

Witness) Billie J. Richert

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE **FINANCIAL AND OPERATING REPORT ELECTRIC POWER SUPPLY PART A - FINANCIAL**	BORROWER DESIGNATION KY0062 PERIOD ENDED Apr-13
INSTRUCTIONS - See help in the online application.	

SECTION A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	THIS MONTH (d)
1. Electric Energy Revenues	178,433,780.13	198,100,021.11	190,356,612.00	47,913,943.00
2. Income From Leased Property (Net)	0.00	0.00	0.00	0.00
3. Other Operating Revenue and Income	1,526,825.12	1,337,952.55	1,235,168.00	305,551.66
4. **Total Operation Revenues & Patronage Capital** *(1 thru 3)*	**179,960,605.25**	**199,437,973.66**	**191,591,780.00**	**48,219,494.66**
5. Operating Expense - Production - Excluding Fuel	15,806,738.99	16,934,734.08	18,244,032.00	4,323,290.09
6. Operating Expense - Production - Fuel	67,077,494.71	81,325,404.31	84,045,565.00	20,293,782.53
7. Operating Expense - Other Power Supply	41,435,907.87	36,383,534.08	30,838,511.00	8,958,452.27
8. Operating Expense - Transmission	3,266,048.49	3,818,095.86	3,064,739.00	984,735.04
9. Operating Expense - RTO/ISO	848,574.26	898,593.63	760,432.00	200,151.06
10. Operating Expense - Distribution	0.00	0.00	0.00	0.00
11. Operating Expense - Customer Accounts	0.00	62,966.24	0.00	62,966.24
12. Operating Expense - Customer Service & Information	130,748.92	202,087.18	402,996.00	69,533.43
13. Operating Expense - Sales	5,873.98	14,718.75	35,933.00	4,906.25
14. Operating Expense - Administrative & General	8,600,796.79	8,631,156.45	9,453,023.00	2,031,129.99
15. **Total Operation Expense** *(5 thru 14)*	**137,172,184.01**	**148,271,290.58**	**146,845,231.00**	**36,928,946.90**
16. Maintenance Expense - Production	15,120,822.58	11,821,366.82	13,360,557.00	2,617,968.75
17. Maintenance Expense - Transmission	1,403,422.24	1,261,122.98	1,564,831.00	315,172.67
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	46,622.56	86,803.90	73,327.00	9,659.18
21. **Total Maintenance Expense** *(16 thru 20)*	**16,570,867.38**	**13,169,293.70**	**14,998,715.00**	**2,942,800.60**
22. Depreciation and Amortization Expense	13,580,162.24	13,715,721.15	13,779,668.00	3,428,381.04
23. Taxes	4,060.88	2,461.92	885.00	2,366.92
24. Interest on Long-Term Debt	14,963,524.32	14,787,749.24	15,061,615.00	3,693,582.62
25. Interest Charged to Construction - Credit	<263,200.00>	<135,070.00>	<77,016.00>	<28,155.00>
26. Other Interest Expense	162.17	45.65	0.00	22.83
27. Asset Retirement Obligations	0.00	0.00	0.00	0.00
28. Other Deductions	82,895.64	169,542.08	177,919.00	30,321.51
29. **Total Cost Of Electric Service** *(15 + 21 thru 28)*	**182,110,656.64**	**189,981,034.32**	**190,787,017.00**	**46,998,267.42**
30. **Operating Margins** *(4 less 29)*	**<2,150,051.39>**	**9,456,939.34**	**804,763.00**	**1,221,227.24**
31. Interest Income	23,174.89	665,036.87	680,087.00	162,106.18
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)	0.00	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	44,874.64	783,330.28	1,263,325.00	0.00
37. Extraordinary Items	0.00	0.00	0.00	0.00
38. **Net Patronage Capital Or Margins** *(30 thru 37)*	**<2,082,001.86>**	**10,905,306.49**	**2,748,175.00**	**1,383,333.42**

Case No. 2012-00535
Attachment for *Fifth Updated* Response to PSC 1-43
Witness: Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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

Fifth Updated Response to
Commission Staff's Initial Request for Information
dated December 21, 2012

January 29, 2013
First Update February 15, 2013
Second Update March 18, 2013
Third Update April 19, 2013
Fourth Update May 17, 2013
Fifth Update June 18, 2013

Item 54) *Provide the following information concerning the costs for the preparation of this case:*

a. A detailed schedule of expenses incurred to date for the following categories:

(1) Accounting;

(2) Engineering;

(3) Legal;

(4) Consultants; and

(5) Other Expenses (Identify separately).

For each category, the schedule should include the date of each transaction; check number or other document reference; the vendor, the hours worked; the rates per hour; amount, a description of the services performed; and the account number in which the expenditure was recorded. Provide copies of contracts or other documentation that support charges incurred in the preparation of this case. Identify any costs incurred for this case that occurred during the base period.

b. *An itemized estimate of the total cost to be incurred for this case. Expenses should be broken down into the same categories as identified in (a) above, with an estimate of the hours to be worked and the rates per hour. Include a detailed explanation of how the estimate was determined, along with all supporting workpapers and calculations.*

c. *Provide monthly updates of the actual costs incurred in conjunction with this rate case, reported in the manner requested in (a) above. Updates will be due when Big Rivers files its monthly financial statements with the Commission, through the month of the public hearing.*

Response)

a. Copies of invoices supporting additional charges incurred are attached hereto.

b. There is no change to the response provided on January 29, 2013.

c. Please see Big Rivers' response to Item 54a above. Also, Big Rivers attaches hereto an updated schedule of rate case costs incurred-to-date through April 2013.

Witness) DeAnna M. Speed

DINSMORE & SHOHL LLP

Charleston WV Cincinnati OH Columbus OH Dayton OH Frankfort KY Lexington KY Louisville KY Morgantown WV Philadelphia PA Pittsburgh PA Washington DC Wheeling WV

Federal I.D.: 31-0263070

Big Rivers Electric Corporation
201 Third Street
P.O. Box 24
Henderson KY, 42419-0024

May 7, 2013
Invoice # 3039643

Billing Attorney - Edward Tip Depp
Client Number - 75569.2
Matter: Rate Case Century - 2012 - 00535

Remittance Advice

For Professional Services Rendered Through April 30, 2013:

Current Value of Hours Worked	$ 14,357.00
Less Discount	$ -1,000.00
Current Fee for Hours Worked	$ 13,357.00
Attorney Costs	$ 1,674.23
Total Due for Professional Services	$ 15,031.23

Payment Due on Receipt
Please Return a Copy of this Remittance Advice with your Payment to:

Dinsmore and Shohl LLP
P.O. Box 640635
Cincinnati, Ohio 45264-0635

BRBALSHT
186600000
0314
0999

or

We accept Visa, Mastercard, American Express and Discover
Please call (513) 977-8131 to initiate credit card payment.

VISA MasterCard AMERICAN EXPRESS DISCOVER

May 7, 2013
Invoice # 3039643

Dinsmore & Shohl LLP
Client Number – 75569.2
Matter: Rate Case

Summary of Current Hours Worked

Timekeeper	Initials	Staff Level	Hours	Rate	Amount
Edward Tip Depp	ETD	Partner	26.00	300.00	$ 7,800.00
Joseph A Newberg	JAN	Associate	23.90	205.00	$ 4,899.50
Kurt R Hunt	KRH	Associate	3.90	250.00	$ 975.00
Kerry Ingle	KI	Paralegal	3.50	195.00	$ 682.50
		Total Hours / Fees	57.30		$ 14,357.00
		Less Discount			-$ -1,000.00
		Current Fee for Hours Worked			$ 13,357.00

Summary of Current Attorney Costs Incurred

Business Meals	$ 64.50
CD Burning	$ 130.00
Photocopies	$ 4.05
Federal Express	$ 10.43
Filing and Recording Fees	$ 140.00
Other Travel	$ 1,325.25

Total Attorney Costs	$1,674.23
Current Amount Due This Invoice	$15,031.23

Matter Billed Year To Date

Year-To-Date Attorney Fees:	$334,704.00
Year-To-Date Attorney Costs:	$13,270.11

Matter Billed Inception To Date

Inception-To-Date Attorney Fees:	$369,474.00
Inception-To-Date Attorney Costs:	$13,757.46

Detail of Current Hours Worked

Date	Timekeeper	Hours	Description
04/01/13	ETD	0.50	Review OAG motion to amend procedural schedule; review and respond to emails with Mr. Hunt regarding same.
04/02/13	JAN	1.80	Drafted and revised response to AG's motion to amend the procedural schedule.
04/02/13	KRH	0.20	Reviewed Attorney General's motion to amend procedural schedule, response to motion.
04/02/13	ETD	1.90	Review and respond to emails with Mr. Kamuf regarding OAG motion to amend procedural schedule; review same and work on draft response to same with Mr. Newberg; review and revise same; review and respond to emails with client and Mr. Kamuf regarding comments on same.
04/03/13	JAN	1.10	Reviwed previous filings and Commission rules regarding motion practice. Revised response to AG's motion to amend procedural schedule.
04/03/13	KRH	0.50	Reviewed response to Attorney General's motion to amend procedural schedule; communications with team regarding same.
04/03/13	ETD	1.10	Revise and work on response to OAG motion to amend procedural schedule; review and respond to emails with Mr. Miller and Ms. Richert regarding same.
04/04/13	JAN	0.80	Prepared for filing letter and response to AG's motion to amend procedural schedule.
04/04/13	KI	3.50	Prepare Big Rivers' response to the Kentucky AG's motion to amend procedural schedule for filing filing with the Kentucky PSC. Conference with Joe Newberg regarding the same.
04/04/13	ETD	1.30	Finalize and file response to OAG motion to amend procedural schedule; review and respond to emails with Mr. Cook and teleconference with Mr. Miller regarding same.
04/05/13	ETD	1.00	Review and respond to emails with opposing counsel regarding conference call to discuss potential procedural schedule amendments; teleconference with Mr. Miller regarding same; prepare for and participate in same.
04/08/13	KRH	0.20	Prepared updated data responses; communications with team regarding same.
04/08/13	ETD	0.60	Review and respond to emails with Mr. Hunt regarding update to response to Attorney General 1-25 data request; review and respond to emails with Mr. Ingle regarding revisions to procedural schedule in case; review and respond to emails with Ms. Speed regarding plans for status update call.
04/09/13	KRH	0.20	Prepared updated data responses; communications with team regarding same.
04/09/13	ETD	0.90	Review and respond to emails with and teleconference with Mr. Hunt regarding updating response to AG 1-25 data request; review and revise same; review and respond to emails with Mr. Hunt and Ms. Speed regarding status update call for Thursday.

04/10/13	KRH	0.10	Prepared for weekly rate case conference call.
04/11/13	ETD	0.80	Review and respond to emails with Mr. Kamuf and Mr. Fisk at Sierra Club regarding motion for ruling on petition to intervene; review email from Mr. Hunt regarding developments during weekly status update call; review and comment on draft strategy talking points.
04/11/13	KRH	0.80	Participated in weekly rate case team phone conference; reviewed Sierra Club motion.
04/12/13	KRH	0.70	Reviewed notes and prepared memorandum regarding rate case developments, strategy.
04/15/13	ETD	0.30	Review Sierra Club motion for ruling on motion to intervene; prepare email to Mr. Kamuf regarding same.
04/16/13	ETD	0.40	Review and respond to emails with Mr. Newberg regarding Sierra Club request for ruling on motion to intervene; review draft testimony outline and prepare email to Mr. Wolfram regarding same.
04/17/13	JAN	0.70	Conference call re: Sierra Club's motion to intervene.
04/17/13	ETD	1.30	Teleconference with Mr. Miller, Mr. Kamuf, and Mr. Wolfram regarding Public Service Commission order granting Sierra Club intervention, effects on procedural schedule, and strategy regarding same; prepare for meeting in Henderson regarding same; conference with Mr. Newberg regarding same.
04/18/13	JAN	0.90	Researched PSC precedent re: late grant of intervenor statuts.
04/18/13	JAN	2.30	Prepared responses to Sierra Club's initial requests for information and related pleading.
04/18/13	ETD	6.00	Conference with Mr. Miller and client in preparation for telephonic informal conference regarding procedural issues; participate in same; travel to/from Henderson regarding same.
04/19/13	JAN	5.30	Prepared responses to Sierra Club's initial requests for information and related pleading.
04/21/13	ETD	0.20	Review and respond to emails with Mr. Miller regarding work on responses to Sierra Club initial data requests.
04/22/13	JAN	4.60	Prepared responses to Sierra Club's initial requests for information and related pleadings.
04/22/13	ETD	1.40	Review and respond to emails with Mr. Miller regarding responses to Sierra Club initial data requests and related motions; teleconference with Mr. Kamuf and conference with Mr. Newberg regarding work on same; review Public Service Commission Staff memorandum of informal conference; review and respond to emails with Mr. Miller regarding draft comments in response to informal conference memorandum.
04/22/13	KRH	0.30	Reviewed revised calendar, communications with team regarding same, anticipated schedule.
04/23/13	JAN	4.20	Prepared responses to Sierra Club's initial requests for information and related pleadings.
04/23/13	ETD	0.90	Review and revise draft petition for confidentiality and motion for deviation; conference with Mr. Newberg and email from Mr. Kamuf regarding same.
04/24/13	JAN	2.20	Prepared responses to Sierra Club's initial requests for information and related pleadings.

04/24/13	ETD	1.30	Review and respond to emails with Mr. Kamuf and Mr. Newberg regarding revisions to motion for deviation and petition for confidentiality regarding responses to Sierra Club initial data requests; work regarding same; review and respond to emails with Mr. Hickman regarding same.
04/25/13	ETD	1.70	Review and respond to emails with Mr. Kamuf regarding filing responses to Sierra Club data requests; prepare for and participate in weekly status call update/planning session with client; conference with Mr. Hunt regarding same and regarding potential strategy session at client's offices.
04/25/13	KRH	0.80	Prepared for and participated in rate case team phone conference; communications with T. Depp regarding case status, tasks.
04/26/13	ETD	2.10	Review and respond to emails with Mr. Miller regarding strategy planning session notes; work regarding same and teleconference with Mr. Hunt regarding same.
04/29/13	ETD	1.30	Review Public Service Commission procedural order setting new hearing date; review and respond to emails with Mr. Miller regarding same; review and respond to emails with Mr. Ingle regarding new procedural schedule and planning for same; prepare for strategy session with co-counsel and client.
04/30/13	KRH	0.10	Reviewed press announcements.
04/30/13	ETD	1.00	Prepare for strategy session with co-counsel and client; review email from Mr. Wolfram regarding same.

Total Hours	57.30

Dinsmore & Shohl LLP
Client Number – 75569.2
Matter: Rate Case

May 7, 2013
Invoice # 3039643

Detail of Attorney Costs

Date	Timekeeper	Description	Amount
03/12/13	KB-C	CD Burning	$ 20.00
03/12/13	KB-C	CD Burning	$ 10.00
03/13/13	KB-C	CD Burning	$ 60.00
03/13/13	KB-C	CD Burning	$ 10.00
03/14/13	KB-C	CD Burning	$ 30.00
04/04/13	KI	Federal Express Corporation Federal Express VENDOR: Federal Express Corporation INVOICE#: 223864801 DATE: 4/11/2013 Tracking #: 799446456994 Shipment Date: 20130404 Sender: KERRY W INGLE DINSMORE & SHOHL LLP, 1400 PNC Plaza, LOUISVILLE, KY 40202 Ship to: Jeff Derouen, Kentucky Public Service Comm, 211 SOWER BLVD, FRANKFORT, KY 40601	$ 10.43
04/05/13	KI	Kerry W. Ingle Business Meals VENDOR: Kerry W. Ingle; INVOICE#: EB006495; DATE: 3/24/2013;Henderson, KY.; Prepare responses to 2nd round of discovery requests on 3/24/13, meals	$ 38.45
04/05/13	KI	Kerry W. Ingle Other Travel VENDOR: Kerry W. Ingle; INVOICE#: EB006495; DATE: 3/24/2013;Henderson, KY.; Prepare responses to 2nd round of discovery requests on 3/24/13, mileage	$ 133.34
04/05/13	KRH	Kurt Hunt Business Meals VENDOR: Kurt Hunt; INVOICE#: EB006595; DATE: 3/20/2013 - Travel to Henderson, KY to work on Big Rivers matter with Loiusville office people, (3/20 - 27/13), Meals.	$ 26.05
04/05/13	KRH	Kurt Hunt Other Travel VENDOR: Kurt Hunt; INVOICE#: EB006595; DATE: 3/20/2013 - Travel to Henderson, KY to work on Big Rivers matter with Loiusville office people, (3/20 - 27/13), Mileage.	$ 266.68
04/10/13	JES	Mark Selent Filing and Recording Fees VENDOR: Mark Selent; INVOICE#: 1716; DATE: 2/18/2013; Filed Big Rivers' response to petition of Ben Taylor & Sierra Club for full intervention in the Rate case on 02/18/13	$ 140.00
04/11/13	JAN	Joseph A Newberg Other Travel VENDOR: Joseph A Newberg; INVOICE#: EB006800; DATE: 3/18/2013 - Prepare responses to data requests in Case No. 2012-00535 at Big Rivers headquarters in	$ 289.28

		Henderson, KY, 3/18-24/13, Mileage.	
04/11/13	KRH	Kurt Hunt Other Travel VENDOR: Kurt Hunt; INVOICE#: EB006697; DATE: 3/24/2013 - Travel to Henderson, KY to work on Big Rivers matter with Louisville office people, 3/24-27/13, Mileage.	$ 266.68
04/17/13	JP	Jody Perry Other Travel VENDOR: Jody Perry; INVOICE#: EB006943; DATE: 3/18/2013; Henderson, KY.; To assist with preparation of responses to data requests on 3/18/13, mileage	$ 172.89
04/17/13	JP	Jody Perry Other Travel VENDOR: Jody Perry; INVOICE#: EB006943; DATE: 3/18/2013; Henderson, KY.; To assist with preparation of responses to data requests on 3/18/13, printer ink	$ 54.00
04/19/13	JAN	Photocopies	$ 2.10
04/23/13	ETD	Edward Tip Depp Other Travel VENDOR: Edward Tip Depp; INVOICE#: EB007185; DATE: 4/17/2013 - Travel to Henderson, KY for meeting with Big Rivers and Jim Miller to prepare for & participate (scheduling Call) with the Commission Staff & other parties, 4/17/13, Mileage.	$ 142.38
04/23/13	JAN	Photocopies	$ 1.95
		Total Attorney Costs	$ 1,674.23

haynesboone

Invoice Number: 21015862
Client/Matter Number: 0050450.00001
May 07, 2013

Big Rivers Electric Corporation
P.O. Box 24
Henderson, KY 42419-0024

Tax Identification No. 75-1312888

Billing Attorney: John D. Penn

For Professional Services Through April 30, 2013

BRBALSHT
18660000
0314
0999

0050450.00001
Rate Cases Century 2012-00535

Professional Fees

Date	Timekeeper	Description	Hours
04/10/13	John D. Penn	Prepare list of documents to be reviewed; conference call with client and counsel regarding initial review of documents and issues.	5.40
04/11/13	Robert D. Albergotti	Review rate case filings in anticipation of intervenor's filings on April 18.	1.40
04/11/13	Kimberly Morzak	Establish database for client documents.	0.70
04/11/13	Robin E. Phelan	Analysis of steps to be taken in connection with rate case.	2.10
04/11/13	John D. Penn	Work on plan for analyzing issue in Rate Case.	3.80
04/12/13	Kimberly Morzak	Work on updates to document database.	1.10
04/12/13	Abigail Ottmers	Confer with Mr. Penn; conduct legal research regarding published opinions of retail electric providers.	0.50
04/12/13	Robert D. Albergotti	Review financial information provided by Ms Richert.	1.70
04/12/13	John D. Penn	Preliminary review of client information.	3.80
04/12/13	Robin E. Phelan	Review of documents in connection with rate case.	1.20
04/13/13	John D. Penn	Continued review of client information and information regarding similar situations.	5.60

Date	Timekeeper	Description	Hours
04/13/13	Robin E. Phelan	Initial review of materials.	0.80
04/14/13	John D. Penn	Continued review of client information and information regarding similar situations.	3.60
04/15/13	Robin E. Phelan	Review of correspondence and documents.	0.60
04/15/13	John D. Penn	Review additional documents from client.	2.70
04/15/13	Kimberly Morzak	Update database with additional documents and research.	0.40
04/15/13	Abigail Ottmers	Conduct research regarding published and available opinions regarding rate cases with other retail electric providers.	5 00
04/16/13	Robin E. Phelan	Review of financial information.	1.80
04/17/13	John D. Penn	Conference call with Ms. Richert regarding financial information in rate case.	1.40
04/19/13	Kimberly Morzak	Docket upcoming deadlines and proposed hearing dates.	0.30
04/22/13	John D. Penn	Review additional materials regarding rate case issues.	4.80
04/23/13	John D. Penn	Review additional materials regarding rate case issues.	4.40
04/24/13	John D. Penn	Review additional materials regarding rate case issues.	2.80
04/25/13	John D. Penn	Work on draft memorandum regarding rate issues.	3.80
04/27/13	John D. Penn	Continue work on draft of memorandum regarding rate case.	0.80
04/29/13	Robin E. Phelan	Review draft memorandum regarding rate case.	0.80
04/29/13	Kimberly Morzak	Update document database with Henderson Station Two documents.	0.80
04/29/13	Robert D. Albergotti	Correspondence from Mr. Miller re City of Henderson agreements; review Mr. Miller memo summarizing Henderson contracts.	0.90
04/30/13	John D. Penn	Review correspondence from Ms. Richert regarding negotiations with Century.	0.30

Chargeable Hours: 63.30

Total Fees:	**$38,601.00**
Adjustment (Attorney blended rate variance)	($8,406.00)
Total Adjusted Fees	**$30,195.00**

Timekeeper Summary

Timekeeper	Hours	Rate	Amount
John D. Penn	43.20	$650.00	$28,080.00
Robert D. Albergotti	4.00	$695.00	$2,780.00
Robin E. Phelan	7.30	$695.00	$5,073.50
Abigail Ottmers	5.50	$395.00	$2,172.50
Kimberly Morzak	3.30	$150.00	$495.00
Total Professional Summary			**$38,601.00**

Total Expenses	**$0.00**
Total Fees and Expenses Due	**$30,195.00**
Total Amount Due	**USD $30,195.00**

Big Rivers Electric Corporation
Invoice Number: 21015862
Client/Matter Number: 0050450.00001

May 07, 2013

Big Rivers Electric Corporation
P.O. Box 24
Henderson, KY 42419-0024

Client/Matter: 0050450.00001
Rate Cases
Billing Attorney: John D. Penn

REMITTANCE PAGE
For Professional Services Through April 30, 2013

Remit to:

Haynes and Boone LLP
P.O. Box 841399
Dallas, TX 75284-1399

Total Fees	$38,601.00
Adjustment (Attorney blended rate variance)	($8,406.00)
Total Adjusted Fees	$30,195.00
Total Expenses	$0.00
Total Fees and Expenses	**$30,195.00**
Invoice Balance Due	**USD $30,195.00**

WIRING INSTRUCTIONS FOR OPERATING ACCOUNT
Any bank wire fees are the responsibility of the sender.
BANK OF AMERICA 100 West 33rd Street New York, NY 10001
For Credit to the Account of HAYNES AND BOONE, LLP
ABA NO. **0260-0959-3** Operating Account No.: **018-08-3729-4**

SWIFT Address: BOFAUS3N

For ACH Payments
For Credit to the Account of HAYNES AND BOONE, LLP
ABA NO. **111-000-025** Operating Account No.: **018-08-3729-4**
Please Reference Invoice Number: **21015862**
Responsible Attorney: **John D. Penn**
Client Matter Number: **0050450.00001**

ORRICK

Big Rivers Electric Corp.
201 Third Street
P.O. Box 7024
Henderson, KY 42420
Attn: Billie Richert, CPA, CITP
Vice President Accounting, Rates and CFO

April 17, 2013
Client No. 8814
Invoice No. 1416003

Orrick Contact: Carl F. Lyon

FOR SERVICES RENDERED through March 31, 2013 in connection with the matters described on the attached pages:	$	597.00
LESS CLIENT DISCOUNT		*(44.77)*
SUBTOTAL	$	552.23
DISBURSEMENTS as per attached pages:		0.00
TOTAL CURRENT FEES & DISBURSEMENTS (Pay this Amount):	$	**552.23**

Matter(s): 8814/1 – Rate Case

DUE UPON RECEIPT

BRBALSHT
18660000
0314
0999

In order to ensure proper credit to your account,
please reference your **INVOICE** and **CLIENT** numbers on your remittance.
For inquiries, call: (304) 231-2701. Fax (304) 231-2501.

REMITTANCE COPY - PLEASE RETURN WITH PAYMENT

REMITTANCE ADDRESS:

Orrick, Herrington & Sutcliffe LLP
Lockbox #774619
4619 Solutions Center
Chicago, IL 60677-4006
Reference: 8814/ Invoice: 1416003

ELECTRONIC FUNDS TRANSFERS:

ACH & Wire Transfers:
ABA Number 121000248
SWIFT CODE: WFBIUS6S
Account Number: 4123701088
Wells Fargo
420 Montgomery Street
San Francisco, CA 94104
Account of
Orrick, Herrington & Sutcliffe LLP
Reference: 8814/ Invoice: 1416003
E.I.N. 94-2952627

OVERNIGHT DELIVERY:

Orrick, Herrington & Sutcliffe LLP
c/o Wells Fargo
Attn: Lockbox #774619
350 East Devon Avenue
Itasca, IL 60143
(213) 614-3248
Reference: 8814/ Invoice: 1416003

ORRICK

Big Rivers Electric Corp.
201 Third Street
P.O. Box 7024
Henderson, KY 42420
Attn: Billie Richert, CPA, CITP
Vice President Accounting, Rates and CFO

April 17, 2013
Client No. 8814
Invoice No. 1416003

Orrick Contact: Carl F. Lyon

For Legal Services Rendered Through March 31, 2013 in Connection With:

Matter: 1 – Rate Case

03/20/13	C. Lyon	Rate Case - Review Q&A, conference call with J. Miller.	0.60	597.00
		Total Hours	0.60	
		Total For Services		$597.00
		Less 7.5 % Discount		*(44.77)*
		Total Fees	0.60	$552.23

Timekeeper Summary	Hours	Rate	Amount
Carl F. Lyon	0.60	995.00	597.00
Total All Timekeepers	0.60		$597.00
		Less Discount	(44.77)
		Total Fees	$552.23

Total For This Matter **$552.23**

Invoice # 117,671
Our file # 17356 00502
Billing through 04/30/2013

Big Rivers Electric Corp.
Attn: Billie Richert
VP Accounting, Rates & CFO
P. O. Box 24
Henderson, KY 42419-002

Rate Case 2012

BALANCE SUMMARY

Balance Forward As Of Last Invoice	$29,666.00
Payments Applied Since Last Invoice	-$29,666.00
Total current charges	$9,140.00
BALANCE DUE	**$9,140.00**

FOR PROFESSIONAL SERVICES RENDERED

04|02|2013	TAK	Review AG motion and draft response and work re same.	0.30	170.00	51.00
4|03|2013	JMM	Review and comment on drafts of responses to AG motion to amend procedural schedule; attention to other communications re rate case.	0.50	220.00	110.00
04|03|2013	TAK	Review revised response to AG motion.	0.10	170.00	17.00
04|04|2013	JMM	Conference with Larry Cook; review file, conference with Depp.	0.60	220.00	132.00
04|05|2013	JMM	Review messages; conference with Depp; participate in conference call with counsel; message to others; review and respond to various other messages.	0.90	220.00	198.00
04|07|2013	JMM	Conference with Kamuf; consider issues.	0.30	220.00	66.00
04|07|2013	TAK	Conference with Jim Miller.	0.20	170.00	34.00
04|08|2013	JMM	File research; review pleadings; analysis of issues.	0.80	220.00	176.00
04|10|2013	JMM	Research re issue raised in case.	0.70	220.00	154.00
04|10|2013	TAK	Call with John Wolfram; planning and preparation.	0.50	170.00	85.00
04|11|2013	JMM	Review and comment on pleadings received in case, and respond to messages re other matters related to case.	0.40	220.00	88.00
04|11|2013	TAK	Conference call; review Sierra Club motion; review position statement and work re same.	0.60	170.00	102.00
'|12|2013	TAK	Respond to questions from Barbara Harwood.	0.20	170.00	34.00
04|15|2013	JMM	Review Commission orders; communications with team members.	0.90	220.00	198.00

04|15|2013	TAK	Review PSC orders; work on updates to data request responses.	0.70	170.00	119.00
04|16|2013	JMM	Review proposed updates to data requests.	0.30	220.00	66.00
04|16|2013	TAK	Work on data request updates; planning and preparation.	3.80	170.00	646.00
04|17|2013	TAK	Review PSC order; calls with Tip Depp, John Wolfram, Jim Miller, DeAnna Speed.	2.10	170.00	357.00
04|17|2013	JMM	Receipt and review of orders and messages concerning Sierra Club intervention and procedural schedule; conferences with team members and preparation for informal conference.	2.10	220.00	462.00
04|18|2013	JMM	Preparation for informal conference; meet at Big Rivers with team; participate in informal conference; follow-up meeting with Big Rivers' team.	3.90	220.00	858.00
04|18|2013	TAK	Prepare confidentiality agreement for Sierra Club.	0.30	170.00	51.00
04|19|2013	JMM	Consider issues raised by late entry of Sierra Club as an intervenor.	0.50	220.00	110.00
04|22|2013	JMM	Review staff memorandum; communicate with team; draft, revise and transmit letter to parties and Commission; coordinate discovery efforts.	1.40	220.00	308.00
04|22|2013	TAK	Calls with John Wolfram, Tip Depp, DeAnna Speed; work on data request responses; work on Sierra Club confidentiality agreement; review memorandum from PSC Staff and response to same.	4.30	170.00	731.00
04|23|2013	TAK	Work on data request responses; work on petition for confidential treatment and motion for deviation; drive to and from Big Rivers.	7.60	170.00	1,292.00
04|24|2013	TAK	Work on data request responses; drive to and from Big Rivers.	6.90	170.00	1,173.00
04|25|2013	JMM	Check status of pending matters; prepare for and participate in team call; review order; address confidentiality issues; prepare for upcoming meetings.	2.90	220.00	638.00
04|25|2013	TAK	Conference call; work on data request responses.	2.60	170.00	442.00
04|30|2013	TAK	Review data request responses; prepare for strategy session; call with DeAnna Speed.	2.60	170.00	442.00

TIMEKEEPER SUMMARY

JMM	Miller, James	16.20	$220.00	3,564.00
TAK	Kamuf, Tyson	32.80	$170.00	5,576.00
	Total fees for this matter			9,140.00

"ILLING SUMMARY

TOTAL PROFESSIONAL SERVICES	$9,140.00
TOTAL OUT-OF-POCKET EXPENSES	$0.00

TOTAL CURRENT CHARGES	$9,140.00
TOTAL BALANCE DUE UPON RECEIPT	**$9,140.00**

OUT OF POCKET EXPENSES

04|03|2013	CP	Cash paid for (12) 1" black binders.	38.03
04|05|2013	MIL	Mileage to & from Henderson on 4/04/13. (EJ)	37.29
04|05|2013	SHP	Overnite shipping charges to Jeff Derouen from Jim Miller.	8.87
04|09|2013	CP	Cash paid to Famous Bistro for lunch.	59.82
04|10|2013	CDC	Copies (.10 X 1280)	128.00
04|11|2013	CDC	Copies (.10 X 467)	46.70
04|11|2013	SHP	Overnite shipping charges to Patriot Coal Claims from Mike Fiorella. B. Berry Fuel	10.37
04|12|2013	CP	Cash paid to Kentucky Press Service for legal ads Rate Case 2012 - B. Richert	2,162.41
04|19|2013	CP	Cash paid to Ky. Bar Association for certificate fee.	26.50
04|22|2013	CP	Cash paid to Livingston Circuit Clerk for service of summons.	23.84
04|22|2013	SHP	Overnite shipping charges to Jeff Derouen from Jim Miller	8.87
04|26|2013	SHP	Overnite shipping charges to Robert Albergotti from Jim Miller. Rate Case 2012 (Haynes + Boone)	13.70 Ricki
04|29|2013	CP	Cash paid for rooms, lunches for two days for Jim Miller, Felicia Burda & Mike Fiorella, and parking. Smelter Issues - B. Berry	331.39
04|29|2013	CP	Cash paid for dinner for Jim Miller, Feleicia Burda & Mike Fiorella on 4/01/13. Smelter Issues - B. Berry	199.86
04|29|2013	CP	Cash paid for lodging in Louisville, Ky. for meetings on 4/01/13 & 4/02/13. (MAF) Fiorella - Smelter Issues - B. Berry	182.87
04|29|2013	MIL	Mileage to & from Henderson on 4/16/13. (RMS)	37.29
04|29|2013	MIL	Mileage to & from Louisville on 4/01/13. (JMM) Smelter Issues - B. Berry	135.60
04|29|2013	MIL	Mileage to & from Henderson on 4/03/13. (JMM)	37.29
04|29|2013	MIL	Mileage to & from Henderson on 4/16/13. (JMM)	37.29
04|29|2013	MIL	Mileage to & from Henderson on 4/17/13. (JMM)	37.29
04|29|2013	MIL	Mileage to & from Henderson on 4/18/13. (2 trips) (JMM)	74.58
04|29|2013	MIL	Mileage to & from Henderson on 4/19/13. (JMM)	37.29
04|29|2013	MIL	Mileage to & from Henderson on 4/29/13. (JMM)	37.29
04|29|2013	MIL	Mileage to & from Frankfort on 4/08/13. (TAK) FAC Review	192.10
04|29|2013	MIL	Mileage to & from Henderson on 4/23/13. (TAK)	37.29
04|29|2013	MIL	Mileage to & from Henderson on 4/24/13. (TAK)	37.29

Big Rivers Electric Corporation
Case No. 2012-00535
Fifth Monthly Update of Schedule of Rate Case Costs Incurred-To-Date

Line No.	Month Booked	Check Number	Vendor	Invoice Number	Amount	Account	Description	Base Period
1	Apr-2013	530054	Dinsmore & Shohl LLP	3039643	$ 15,031.23	186	Legal	
2	Apr-2013	530303	Haynes and Boone LLP	21015862	30,195.00	186	Legal	
3	Apr-2013	529719	Orrick. Herrington & Sutcliffe LLP	1416003	552.23	186	Legal	
4	Apr-2013	530197	Sullivan. Mountjoy. Stainback & Miller	117,671	11,316.11	186	Legal	
5			**Total - April 2013**		**57,094.57**			
6			**Total To-Date March 2013**		**855,865.98**			
7			**Total To-Date April 2013**		**$ 912,960.55**			

Notes(s): Costs associated with this Rate Case are currently booked to a deferred debit account on the balance sheet pending approval from the KPSC to defer costs in a regulatory asset to be amortized over three years.

BIG RIVERS ELECTRIC CORPORATION

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

Second Updated **Response to**
Commission Staff's Third Request for Information
dated March 14, 2013

March 28, 2013
First Update **May 17, 2013**
Second Update **June 18, 2013**

Item 1) ***Refer to Big Rivers' response to Item 4 of Commission Staffs Second Information Request ("Staffs Second Request"), which includes its base period showing the actual results of operations through January 2013. Provide an update of the base period with actual results through February 2013. Consider this an ongoing request to which updates with actual results for the final two months of the base period should be provided by the end of the following calendar month.***

Response) Attached is the updated base-period statement of operations which includes twelve months of actual data (May 2012 through April 2013).

Witness) Billie J. Richert

Big Rivers Electric Corporation
Case No. 2012-00535
Base Period with Adjustments to Forecast Period

Line Item	May-2012 Actuals	Jun-2012 Actuals	Jul-2012 Actuals
Electric Energy Revenues	48,310	46,967	50,686
Other Operating Revenue and Income	380	503	567
Total Oper Revenues & Patronage Capital	48,690	47,470	51,253
Operation Expense-Production-excl fuel	4,063	3,967	4,185
Operation Expense-Production-Fuel	20,412	19,401	21,590
Operation Expense-Other Power Supply	8,773	7,966	8,667
Operation Expense-Transmission	1,080	633	954
Operation Expense - RTO/ISO	195	180	139
Operation Expense - Customer Accounts	0	0	0
Consumer Service & Informational Expense	22	47	90
Operation Expense - Sales	5	10	5
Operation Expense - Administrative & General	1,923	3,270	2,004
Total Operation Expense	36,473	35,474	37,634
Maintenance Expense-Production	2,627	2,679	3,350
Maintenance Expense-Transmission	391	539	450
Maintenance Expense-General Plant	21	25	1
Total Maintenance Expense	3,039	3,243	3,801
Depreciation & Amortization Expense	3,392	3,392	3,404
Taxes	0	0	0
Enterest on Long-Term Debt	3,815	3,706	3,680
Interest Charged to Construction-Credit	(65)	(57)	(59)
Other Interest Expense	0	0	11
Other Deductions	27	12	15
Total Cost of Electric Service	46,681	45,770	48,486
Operating Margins	2,009	1,700	2,767
Interest Income	4	4	6
Allowance for Funds Used during Const	0	0	0
Other Non-Operating Income - net	0	0	0
Other Capital Credits & Pat Dividends	0	0	0
Extraordinary Items	0	0	0
Net Patronage Capital or Margins	2,013	1,704	2,773

Big Rivers Electric Corporation
Case No. 2012-00535
Base Period with Adjustments to Forecast Period

Line Item	Aug-2012 Actuals	Sep-2012 Actuals	Oct-2012 Actuals
Electric Energy Revenues	48,521	46,264	46,001
Other Operating Revenue and Income	532	351	409
Total Oper Revenues & Patronage Capital	49,053	46,615	46,410
Operation Expense-Production-excl fuel	4,332	4,038	3,682
Operation Expense-Production-Fuel	19,183	18,170	18,171
Operation Expense-Other Power Supply	8,465	8,973	10,860
Operation Expense-Transmission	805	626	903
Operation Expense - RTO/ISO	128	170	191
Operation Expense - Customer Accounts	0	0	0
Consumer Service & Informational Expense	41	61	96
Operation Expense - Sales	72	5	39
Operation Expense - Administrative & General	2,474	2,107	1,331
Total Operation Expense	35,500	34,150	35,273
Maintenance Expense-Production	4,096	3,000	3,761
Maintenance Expense-Transmission	614	338	333
Maintenance Expense-General Plant	17	17	14
Total Maintenance Expense	4,727	3,355	4,108
Depreciation & Amortization Expense	3,521	3,564	3,396
Taxes	0	0	0
Enterest on Long-Term Debt	3,851	3,704	3,809
Interest Charged to Construction-Credit	(65)	(70)	(70)
Other Interest Expense	44	0	0
Other Deductions	26	24	71
Total Cost of Electric Service	47,604	44,727	46,587
Operating Margins	1,449	1,888	(177)
Interest Income	19	348	174
Allowance for Funds Used during Const	0	0	0
Other Non-Operating Income - net	0	0	0
Other Capital Credits & Pat Dividends	14	0	0
Extraordinary Items	0	0	0
Net Patronage Capital or Margins	1,482	2,236	(3)

Big Rivers Electric Corporation
Case No. 2012-00535
Base Period with Adjustments to Forecast Period

Line Item	Nov-2012 Actuals	Dec-2012 Actuals	Jan-2013 Actual
Electric Energy Revenues	50,276	47,926	50,638
Other Operating Revenue and Income	328	361	362
Total Oper Revenues & Patronage Capital	50,604	48,287	51,000
Operation Expense-Production-excl fuel	4,036	3,943	4,375
Operation Expense-Production-Fuel	21,116	21,249	21,531
Operation Expense-Other Power Supply	7,679	8,646	9,328
Operation Expense-Transmission	818	1,035	771
Operation Expense - RTO/ISO	215	193	238
Operation Expense - Customer Accounts	0	297	0
Consumer Service & Informational Expense	144	256	48
Operation Expense - Sales	5	45	0
Operation Expense - Administrative & General	2,098	2,622	1,751
Total Operation Expense	36,111	38,286	38,042
Maintenance Expense-Production	3,252	3,285	3,304
Maintenance Expense-Transmission	237	302	279
Maintenance Expense-General Plant	11	31	23
Total Maintenance Expense	3,500	3,618	3,606
Depreciation & Amortization Expense	3,417	3,426	3,414
Taxes	0	0	0
Enterest on Long-Term Debt	3,706	3,799	3,804
Interest Charged to Construction-Credit	(74)	(45)	(34)
Other Interest Expense	46	47	0
Other Deductions	167	121	35
Total Cost of Electric Service	46,873	49,252	48,867
Operating Margins	3,731	(965)	2,133
Interest Income	172	214	169
Allowance for Funds Used during Const	0	0	0
Other Non-Operating Income - net	0	0	0
Other Capital Credits & Pat Dividends	0	3	0
Extraordinary Items	0	0	0
Net Patronage Capital or Margins	3,903	(748)	2,302

Big Rivers Electric Corporation
Case No. 2012-00535
Base Period with Adjustments to Forecast Period

Line Item	Feb-2013 Actual	Mar-2013 Actual	Apr-2013 Actual
Electric Energy Revenues	49,227	50,322	47,914
Other Operating Revenue and Income	350	321	305
Total Oper Revenues & Patronage Capital	49,577	50,643	48,219
Operation Expense-Production-excl fuel	4,112	4,125	4,323
Operation Expense-Production-Fuel	19,894	19,607	20,294
Operation Expense-Other Power Supply	7,940	10,157	8,958
Operation Expense-Transmission	1,167	895	985
Operation Expense - RTO/ISO	216	244	200
Operation Expense - Customer Accounts	0	0	63
Consumer Service & Informational Expense	23	62	70
Operation Expense - Sales	5	5	5
Operation Expense - Administrative & General	2,636	2,213	2,031
Total Operation Expense	35,993	37,308	36,929
Maintenance Expense-Production	2,631	3,269	2,618
Maintenance Expense-Transmission	336	331	315
Maintenance Expense-General Plant	35	19	10
Total Maintenance Expense	3,002	3,619	2,943
Depreciation & Amortization Expense	3,414	3,459	3,428
Taxes	0	0	2
Enterest on Long-Term Debt	3,496	3,794	3,694
Interest Charged to Construction-Credit	(36)	(37)	(28)
Other Interest Expense	0	0	0
Other Deductions	70	34	30
Total Cost of Electric Service	45,939	48,177	46,998
Operating Margins	3,638	2,466	1,221
Interest Income	165	168	162
Allowance for Funds Used during Const	0	0	0
Other Non-Operating Income - net	0	0	0
Other Capital Credits & Pat Dividends	0	783	0
Extraordinary Items	0	0	0
Net Patronage Capital or Margins	3,803	3,417	1,383

Big Rivers Electric Corporation
Case No. 2012-00535
Base Period with Adjustments to Forecast Period

Line Item	Base Period	Adjustments	Forecasted Period Budget
Electric Energy Revenues	583,052	(103,705)	479,347
Other Operating Revenue and Income	4,769	(1,073)	3,696
Total Oper Revenues & Patronage Capital	587,821	(104,778)	483,043
Operation Expense-Production-excl fuel	49,181	(5,404)	43,777
Operation Expense-Production-Fuel	240,618	(67,199)	173,419
Operation Expense-Other Power Supply	106,412	(20,726)	85,686
Operation Expense-Transmission	10,672	(2,200)	8,472
Operation Expense - RTO/ISO	2,309	(965)	1,344
Operation Expense - Customer Accounts	360	(360)	0
Consumer Service & Informational Expense	960	414	1,374
Operation Expense - Sales	201	(62)	139
Operation Expense - Administrative & General	26,460	1,878	28,338
Total Operation Expense	437,173	(94,624)	342,549
Maintenance Expense-Production	37,872	3,234	41,106
Maintenance Expense-Transmission	4,465	779	5,244
Maintenance Expense-General Plant	224	(7)	217
Total Maintenance Expense	42,561	4,006	46,567
Depreciation & Amortization Expense	41,227	2,876	44,103
Taxes	2	(1)	1
Enterest on Long-Term Debt	44,858	2,125	46,983
Interest Charged to Construction-Credit	(640)	(1,840)	(2,480)
Other Interest Expense	148	(148)	0
Other Deductions	632	(41)	591
Total Cost of Electric Service	565,961	(87,647)	478,314
Operating Margins	21,860	(17,131)	4,729
Interest Income	1,605	371	1,976
Allowance for Funds Used during Const	0	0	0
Other Non-Operating Income - net	0	0	0
Other Capital Credits & Pat Dividends	800	1,906	2,706
Extraordinary Items	0	0	0
Net Patronage Capital or Margins	24,265	(14,854)	9,411

BIG RIVERS ELECTRIC CORPORATION

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

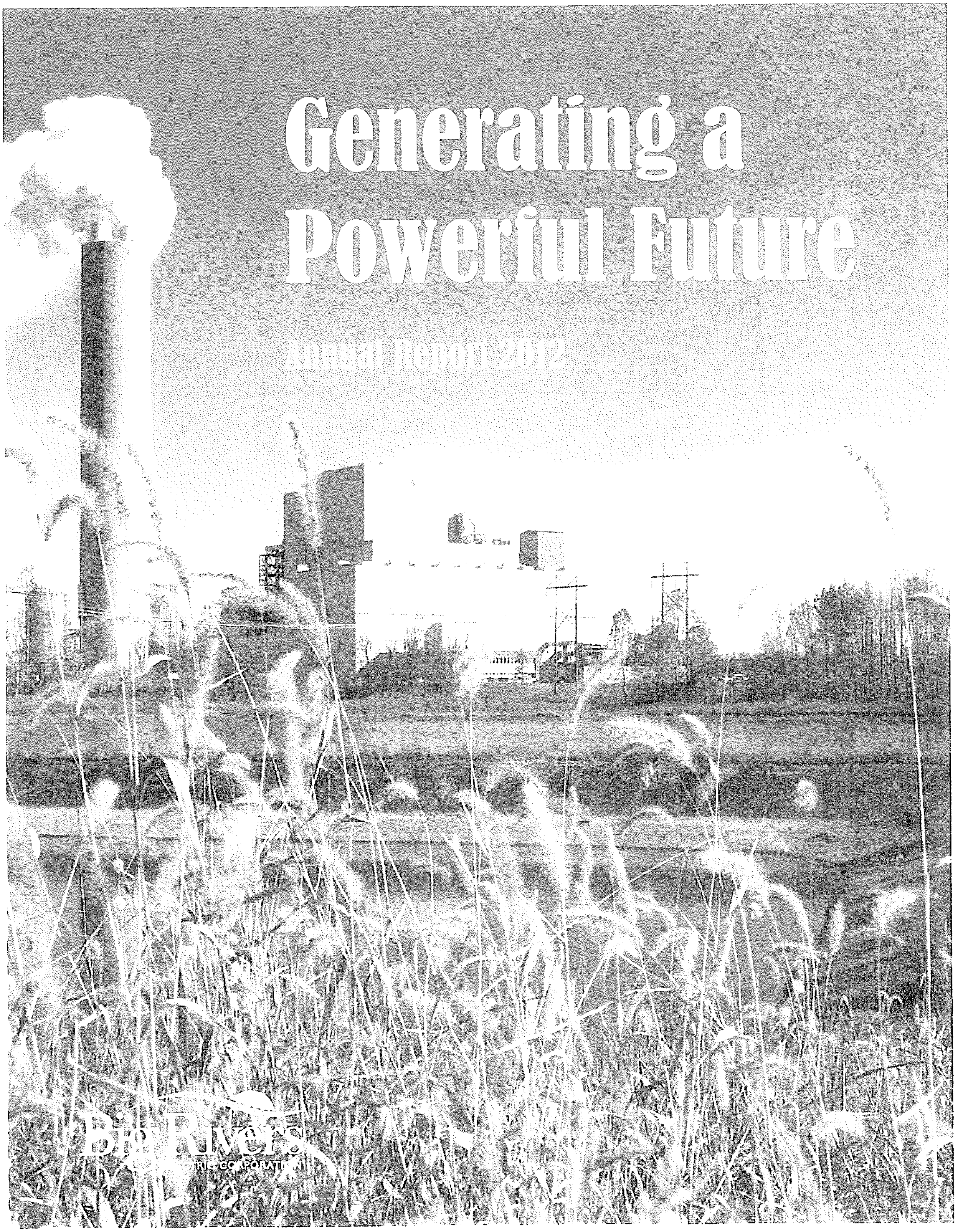
First Updated Response to the
Office of the Attorney General's Initial Request for Information dated
February 14, 2013

February 28, 2013
First Update June 18, 2013

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

Response) Big Rivers' 2012 Annual Report is attached hereto.

Witness) Billie J. Richert


Generating a
Powerful Future
Annual Report 2012
Big Rivers
ELECTRIC CORPORATION

Our Mission

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

Our Vision

Big Rivers will be viewed as one of the top G&Ts in the country and will provide services the Member-Owners desire in meeting future challenges.

Our Values

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

Financial Highlights

Margins	11,277	5,600	6,991	531,330	27,816
Equity	402,882	389,820	386,575	379,392	(154,602)
Capital Expenditures*	39,853	38,746	42,683	58,388	22,760
Cash and Investment Balance	68,860	44,849	44,780	60,290	38,903
RUS Series A Note Voluntary Prepayment Status	-	46,510	23,859	-	-
Times Interest Earned Ratio	1.25	1.12	1.15	9.85	1.37
Debt Service Coverage Ratio	1.58	1.47	1.47	2.44	1.17
Cost of Debt	5.27%	5.69%	5.73%	6.33%	6.33%
Cost of Capital	7.85%	7.98%	7.93%	8.39%	8.33%

Annual Report 2012

Big Rivers Electric Corporation

a Member-Owned cooperative

Big Rivers Electric Corporation (Big Rivers) is a Member-owned, not-for-profit, generation and transmission cooperative (G&T). We provide wholesale electric power and services to three distribution cooperative Member-Owners across 22 counties in western Kentucky.

The Member-Owners are Jackson Purchase Energy Corporation, headquartered in Paducah; Kenergy Corp., headquartered in Henderson; and Meade County Rural Electric Cooperative Corporation, headquartered in Brandenburg. Together, the Member-Owners distribute retail electric power and provide other services to approximately 113,000 homes, farms, businesses and industries.

Incorporated in June of 1961, **the mission of Big Rivers is to safely deliver low-cost, reliable wholesale power and cost-effective shared services desired by the Member-Owners.** Business operations revolve around seven core values: safety, excellence, teamwork, integrity, Member and community service, respect for the employee and environmental consciousness.

High voltage electric power is delivered to the Member-Owners over a system of 1,285 miles of transmission lines and 22 substations owned by Big Rivers. Twenty-three interconnects link our system with seven surrounding utilities.

With headquarters in Henderson, Big Rivers owns and operates 1,444 megawatts (MW) of generating capacity in four stations.

Kenneth C. Coleman	443 MW	Hawesville, Ky.
Robert A. Reid	130 MW	Robards, Ky.
Robert D. Green	454 MW	Robards, Ky.
D. B. Wilson	417 MW	Centertown, Ky.

Total generation available is 1,819 MW, including rights to Henderson Municipal Power and Light (HMP&L) Station Two and contracted capacity from Southeastern Power Administration (SEPA).

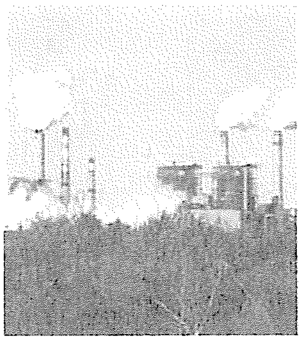
Owned Generation	1,444 MW
HMP&L Station Two	197 MW
SEPA	178 MW

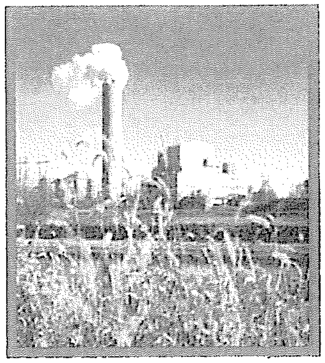
Big Rivers is led by an experienced management team and is governed by a six-member board of directors. The board is comprised of two representatives from each Member-Owner. Big Rivers employs nearly 600 people at seven locations in Kentucky, who actively contribute to the communities our Member-Owners serve.

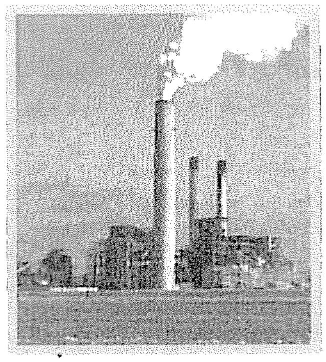
Constantly focused on the needs and local priorities of the Member-Owners, Big Rivers provides assistance in areas such as information technology, mapping and planning, safety programs and training, economic development, education and customer support services.

As long-standing members of Touchstone Energy®, Big Rivers and the Member-Owners pledge to serve western Kentucky with integrity, accountability, innovation and a commitment to community. Keeping the cost of electricity low and the reliability high has always been a priority.

Big Rivers Generating Stations







Sebree Station

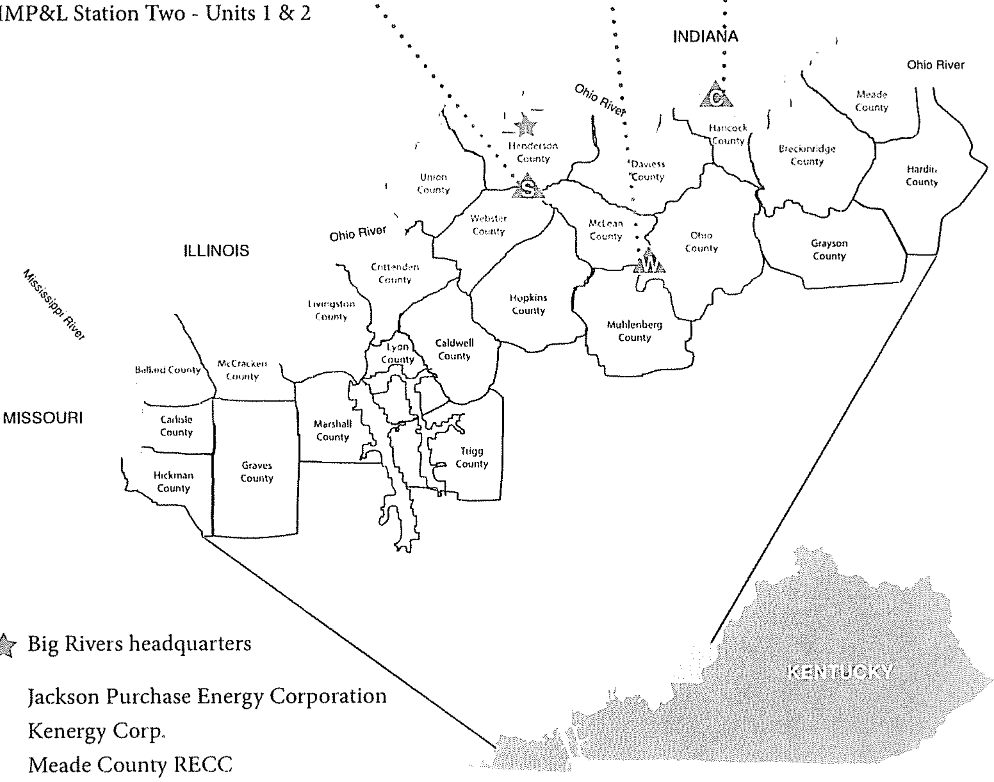
Green Units 1 & 2
Reid Unit 1
Reid Combustion Turbine
HMP&L Station Two - Units 1 & 2

Wilson Station

Wilson Unit 1

Coleman Station

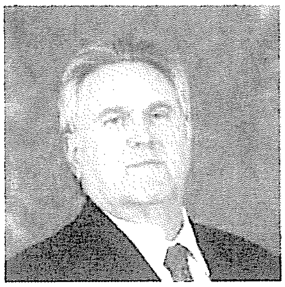
Coleman Units 1, 2, 3



Big Rivers headquarters

Jackson Purchase Energy Corporation
Kenergy Corp.
Meade County RECC

Member-Owner Cooperatives



Kelly Nuckols, President & CEO
Jackson Purchase Energy Corporation

Jackson Purchase Energy Corporation

(270) 442-7321
www.JPEnergy.com

Serves: Ballard, Carlisle, Graves, Livingston, Marshall and McCracken counties

Headquartered: Paducah, Ky.

Number of accounts: 29,301

Miles of line: 2,923

Greg Starheim, President & CEO
Kenergy Corp

Kenergy Corp

(800) 844-4832
www.kenergycorp.com

Serves: Breckinridge, Caldwell, Crittenden, Daviess, Hancock, Henderson, Hopkins, Livingston, Lyon, McLean, Muhlenberg, Ohio, Union and Webster counties

Headquartered: Henderson, Ky.

Number of meters: 55,282

Miles of line: 7,047

Burns Mercer, President & CEO
Meade County RECC

Meade County Rural Electric Cooperative Corporation

(270) 422-2162
www.mcrecc.coop

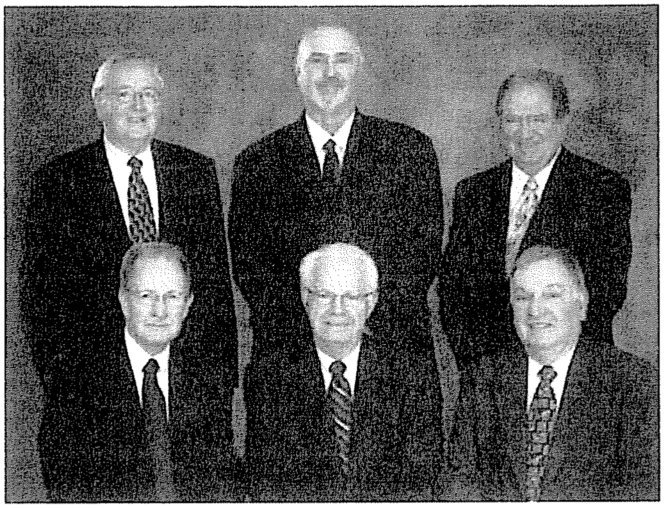
Serves: Breckinridge, Grayson, Hancock, Hardin, Meade and Ohio counties

Headquartered: Brandenburg, Ky.

Number of meters: 28,622

Miles of line: 2,971

Board of Directors



Back row (left to right):

Dr. James Sills, Chair
Meade County RECC

Wayne Elliott, Vice-Chair
Jackson Purchase Energy Corporation

William Denton
Kenergy Corp.

Front row (left to right):

Lee Bearden
Jackson Purchase Energy Corporation

Paul Edd Butler
Meade County RECC

Larry Elder, Secretary-Treasurer
Kenergy Corp.

Management Team

Back row (left to right):

Albert Yockey, V.P. Governmental Relations & Enterprise Risk Management (retired January 2013)

Marty Littrel, Managing Director Communications & Community Relations

James Haner,
V.P. Administrative Services

Paula Mitchell, Executive Assistant

Eric Robeson, V.P. Environmental Services and Construction

David Crockett,
V.P. System Operations

Front row (left to right):

Billie Richert, V.P. Accounting, Rates, and Chief Financial Officer

Robert Berry, Chief Operating Officer

Mark Bailey, President & Chief Executive Officer

James Miller, Corporate Counsel

Not pictured:

Lindsay Barron, V.P. Energy Services (as of February 2013)

John Talbert, Director Governmental Relations

from the Board Chair and CEO

Mark A. Bailey
President and CEO

Dr. James Sills
Chair, Board of Directors

Big Rivers is proud as a not-for-profit electric cooperative to be owned by the consumers (Members) we serve, which is why we refer to our customers as Member-Owners.

The three distribution cooperatives that own Big Rivers are democratically-controlled organizations just like Big Rivers and are also owned by the customers (Members) they serve. This business model is unique to electric cooperatives and sets us apart from other electric utilities. This distinction has served us well and has driven Big Rivers to be one of the lowest-cost electricity producers in the country for many years.

Big Rivers, like other cooperatives, makes decisions that are in the best interests of ALL our Member-Owners, instead of making business decisions that are shareholder-driven by owners who may not live in the area or be served by us. Following this cooperative model enables Big Rivers to stay focused on our mission of safely providing low cost and reliable electricity and our vision to be viewed as one of the top generation and transmission cooperatives in the country.

With another challenging year past, we are pleased to highlight several notable 2012 achievements of the Big Rivers team.

Overall, 2012 was a very successful year. Through a collaborative effort, Big Rivers provided our Member-Owners net incremental value of over $26 million in 2012 through successful completion of initiatives involving safety, plant operations, financing and transmission reliability.

On August 27, 2012, Navigant Consulting, a nationally recognized benchmarking firm, presented its annual Operational Excellence Award to Big Rivers' Coleman Station located in Hawesville, Kentucky for its first place ranking in the small coal plant category. This is significant because 78 percent of all U.S. coal-fired plants participate in this benchmarking study including plants owned by a number of large utilities. The award is based on cost, operational efficiency and safety performance. To be eligible, plants submit five consecutive years of most recent data. Receipt of this award by our Coleman plant is a credit not only to all plant employees, but also to the entire Big Rivers production group. All three plant locations collectively and collaboratively work as a team, along with our procurement and environmental staff, to help the organization meet its operational and financial goals.

All three Big Rivers plant locations earned Governor

Safety Awards in 2012. The award is presented by the Kentucky Department of Labor to employers in the state whose employees work a specified period without a recordable injury or illness. The entire company reached 12 consecutive months without a lost-time incident in July, which is the second time since 2009 Big Rivers attained that milestone, and completed all of 2012 without a lost-time incident, the first time that feat has been accomplished.

In an effort to continue to keep electric rates as low as possible, Big Rivers production employees made continuous improvements in generating unit operating efficiency which saved Big Rivers' Member-Owners approximately $5.3 million in 2012. Our production group takes pride in their ability to improve plant performance and pass the savings along to our Member-Owners.

In addition, Big Rivers employees renegotiated fuel and pollution control equipment reagent contracts while also taking advantage of a depressed wholesale power market to purchase inexpensive off-peak electricity when it was available rather than generating it ourselves to save an additional $3 per megawatt hour for our Member-Owners in 2012. These successes are a result of the vision and long-term planning of our board of directors and senior leadership team to actively manage expenses and enhance operating efficiency.

Big Rivers' finance and accounting department remained committed to strengthening our financial performance by taking advantage of Big Rivers' stronger balance sheet that resulted from the Unwind transaction. We successfully closed $537 million in loans from National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank, ACB (CoBank) to refinance Rural Utilities Service (RUS) debt and provide capital for ongoing operations. Of this total, $235 million came from CoBank at an all-in effective interest rate of approximately 3.7 percent and $302 million came from CFC at an all-in effective interest rate of approximately 4.5 percent

These efforts enabled Big Rivers to pay down $442 million of RUS debt that carried higher interest expense of 5.75 percent. The lower all-in effective cost of the CFC and CoBank term loans are estimated to save approximately $4.3 million annually for Big Rivers and its Member-Owners. Reducing costs and saving our Member-Owners money is a strategic objective for Big Rivers. As we plan for the future, we will remain vigilant in seeking methods to reduce expenses.

However, our business, like many other entities, continues to face a myriad of challenges. Looming environmental regulation has been on every coal-fired generating utility's radar for a number of years. On April 2, 2012, Big Rivers filed its Environmental Compliance Plan with the Kentucky Public Service Commission (PSC). The total estimated compliance cost for just two of five potential pending environmental regulations, the Cross State Air Pollution Rule (CSAPR) and the Mercury and Air Toxics Standards (MATS), was $283.5 million.

The day before the Environmental Compliance Plan hearing was scheduled to be heard before the PSC in August 2012, the District of Columbia Court of Appeals overturned EPA's CSAPR rule. The vacatur of the CSAPR ruling by the court reduced Big Rivers' required environmental capital expenditure by $225.5 million. As a result, Big Rivers now needs to spend approximately $59 million instead of the originally planned $283.5 million. Big Rivers anticipates this to increase electric rates by nearly four percent; but the increase will not appear on wholesale Member-Owners customers' bills until early 2018.

The greatest challenge in dealing with the current environmental regulatory situation is the uncertainty it creates in planning and operating Big Rivers' generating resources. We are committed to ensuring that environmental policy makers understand the impact proposed regulations have on electric bills to help shape the final regulations so they are fair, attainable and affordable for our Member-Owners' customers. Our team has been advocating with regulators and legislators to maintain a proper balance between a clean environment and low-cost reliable electricity.

This is especially important as the economy is still in the early stages of recovery from recession.

Over the course of the year, new challenges emerged as Big Rivers' and Member-Owner Kenergy's two largest customers, Century Aluminum and Rio Tinto Alcan, initiated efforts to seek electric rate discounts from Big Rivers at the expense of our remaining Member-Owners. These two aluminum smelters account for nearly 850 megawatts of combined electricity demand and approximately 64 percent of Big Rivers' annual revenue. Big Rivers' senior management and its Member-Owners dedicated countless hours to meet, evaluate and propose equitable solutions in an effort to address both smelters' requests for relief.

However, as a not-for-profit Member-Owned electric cooperative, there are limits as to the financial relief we can provide without harming our other Member-Owners. It's likely that Big Rivers is the only electric generation and transmission utility in the country that serves two aluminum smelters and has such a high percentage of its load dedicated to just two customers. They have both been valued customers of Big Rivers and Kenergy for decades, but as international entities they have been facing competitive global pressure for some time due to depressed world-wide aluminum prices. Given that several U.S. smelters have closed operations in the last few years, in 2012 Big Rivers developed a Load Concentration Mitigation Strategy to deal with this possibility should it occur.

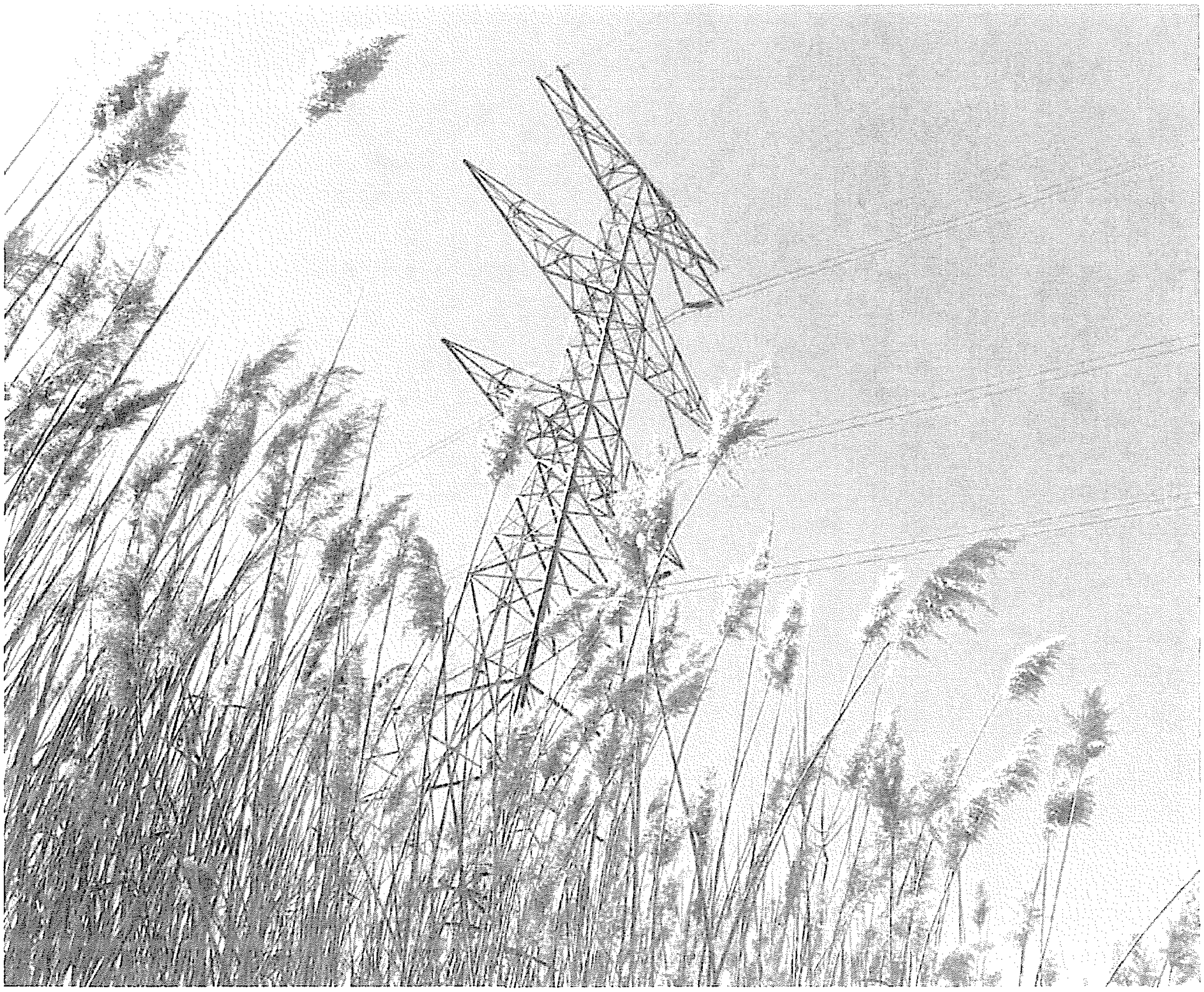
It is disappointing that only three years earlier Big Rivers, its Member-Owners and the aluminum smelters completed a major (Unwind) transaction that provided both smelters with long-term, predictable and affordable electric rates that averaged approximately $48 per megawatt hour in 2012, less than what was projected for 2012 when the Unwind agreements were signed in mid-2009. Even though our board and senior management team tried to help both aluminum smelters with their latest request for concessions, it was not enough to prevent Century Aluminum from submitting a Termination Notice to Big Rivers and Kenergy on August 20, 2012.

This decision by Century Aluminum has driven Big Rivers to execute its Load Mitigation Plan, which among other actions called for working aggressively to attract new customers to our Member-Owners' service territory through economic development efforts and through energy services initiatives to sell to other electric utilities the power the smelter has been taking. Additionally, Big Rivers' board and management have begun evaluating options of idling or selling generating unit(s) to offset the impending smelter revenue loss.

Concurrently, Big Rivers' rate case team began efforts to file a $74.5 annual rate increase request with the PSC after identifying and implementing significant cost reductions to offset the revenue deficiency contributed by the departure of our largest customer. For years, Big Rivers has had a successful track record of supplying our Members-Owners with some of the lowest-priced electricity in the nation. Even with this latest rate increase, Big Rivers will continue to offer some of the lowest electric rates in the country. Eventually, as our load mitigation strategy is implemented, we will be able to lower rates as additional revenue is received from new and expanding industry or other electric utilities that buy Big Rivers' power.

Big Rivers and its Member-Owners will continue to work with Century Aluminum in an attempt to develop a reasonable solution that will avoid the closure of the smelter while not imposing additional financial burdens on the homes and businesses served by our Member-Owners. As a not-for-profit electric cooperative, we care about the communities we serve and the economic vitality of our region. Big Rivers' board, senior management and Member-Owners remain dedicated to negotiating a successful resolution that will be mutually beneficial for all parties in western Kentucky.

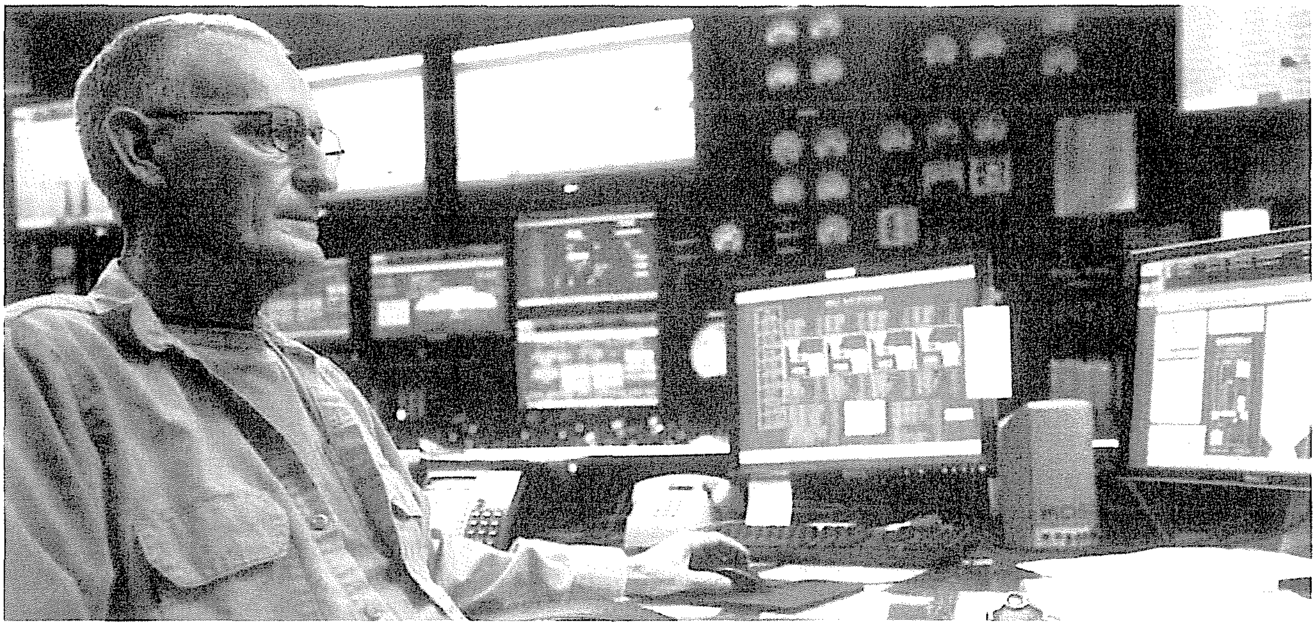
At Big Rivers, we remain committed to responding to the challenges we face to fulfill our mission of safely delivering low-cost reliable wholesale electricity to our Member-Owners. We are



confident our senior leadership team and board of directors are well equipped to strategize and implement initiatives to meet that mission. In the process, Big Rivers will continue to evaluate and execute strategies to reduce costs and provide additional financial and service benefits to our Member-Owners. Our staff is committed to excellence as our accomplishments in 2012 demonstrate. We will remain committed to our cooperative principles and in the process will

We are confident our best days are ahead of us.

Mark A. Bailey



Maintaining power production EXCELLENCE and transmission system RELIABILITY

Generating the power

Big Rivers currently owns and operates 1,444 MW of net generating capacity in four stations:

Kenneth C. Coleman Station (443 MW)
Hawesville, Kentucky

Robert A. Reid Station (130 MW)
Robards, Kentucky

Robert D. Green Station (454 MW)
Robards, Kentucky

D. B. Wilson Station (417 MW)
Centertown, Kentucky.

Big Rivers also has contractual rights to 197 MW from the Station Two plant owned by Henderson Municipal Power and Light (HMP&L) and 178 MW of hydro capacity from the Southeastern Power Administration (SEPA), for a total net capacity availability of 1,819 MW.

The SEPA contract is currently in force majeure due to safety issues at the Wolf Creek and Center Hill dams, so Big Rivers is only receiving run-of-the-river output that the company has the right to refuse. The Wolf Creek dam and hydro units are expected to return to normal operation in January 2015, at which time the full 178 MW of rated capacity will be available to Big Rivers.

Big Rivers' share of the Station Two capacity was 207 MW on March 1, 2011. HMP&L has the contractual right to increase or decrease its capacity reservation from Station Two up to 5 MW each year to meet the needs of the City of Henderson and its residents. HMP&L exercised that right in June 2011 and June 2012, reducing Big Rivers' share of Station Two capacity from 207 MW to 197 MW.

A commonly used industry standard for measuring the reliability of generating units is the Equivalent Forced Outage Rate (EFOR). Big Rivers determines EFOR for its generating fleet using the North American Electric Reliability Corporation (NERC) generator availability data system and compares its EFOR against other utilities. Big Rivers also relies on Equivalent Availability Factor (EAF) and Net Capacity Factor (NCF) in monitoring reliability versus other utilities. Big Rivers uses Navigant Consulting's "Generation Knowledge Service" for these comparisons.

Overall, Big Rivers' generating fleet has been very reliable since closing of the Unwind Transaction in July 2009, and has consistently performed in the top quartile in EFOR, EAF, and NCF.

More specifically, in a five-year benchmarking study completed in August 2012, for the period from April 2007 through March 2012, the statistics for Big Rivers' units were in the best quartile for the units in their respective peer group.

As the data contained in the table at the bottom of this page demonstrates, the reliability of Big Rivers' generating facilities compares quite favorably to others in the industry.

Coleman Station Wins Operational Excellence Award

Coleman Station ranked first and won the 2012 Operational Excellence Award in the small coal plant category by Navigant Consulting, based on its performance in cost, reliability, and employee safety. Navigant Consulting, the industry's premier benchmarking service for fossil-fired generation plants, measures and evaluates the operational performance and cost of generating units and compares them to their peers. Roughly 78 percent of the North American electric generating coal fleet are clients with Navigant Consulting.

The small plant category includes generating stations with an average unit size of 200 MW or less. Coleman Station produces 443 MW from its three generating units, which equates to an average unit size of about 148 MW. Plants were evaluated over the five-year period in the following areas:

- Efficient cost management of non-fuel operations and maintenance
- High availability measured by equivalent availability factor, which is the percentage of time a generating unit is available for power production
- Predictable reliability measured by the percentage of time a generating unit is unexpectedly off-line
- Improving reliability
- Safety performance based on Occupational Safety and Health Administration standards

Big Rivers is proud of its Coleman Station employees for earning this national award, which symbolizes successful pursuit of three of our seven corporate values: **safety**, **excellence** and **teamwork**. The award is also a tribute to the entire production group, given the team approach they use in making investment and maintenance decisions. Big Rivers is excited for Coleman Station to be ranked first

For the comparative period April 2007 through March 2012, the reliability metrics for Big Rivers' generating units compared to their peer group are as follows:

EFOR	4.18 %	(lower is better)	4.55 %
EAF	90.07 %	(higher is better)	88.70 %
NCF	81.55 %	(higher is better)	78.24 %

In a one-year comparison from April 2011 through March 2012, Big Rivers' units performed slightly better than the same peer group:

EFOR	3.69 %	(lower is better)	3.84%
EAF	92.92 %	(higher is better)	92.04%
NCF	82.29 %	(higher is better)	76.15%

nationally for operational excellence compared to similar-sized power plants operated by some of the largest utilities in the United States.

Generating Facility Maintenance

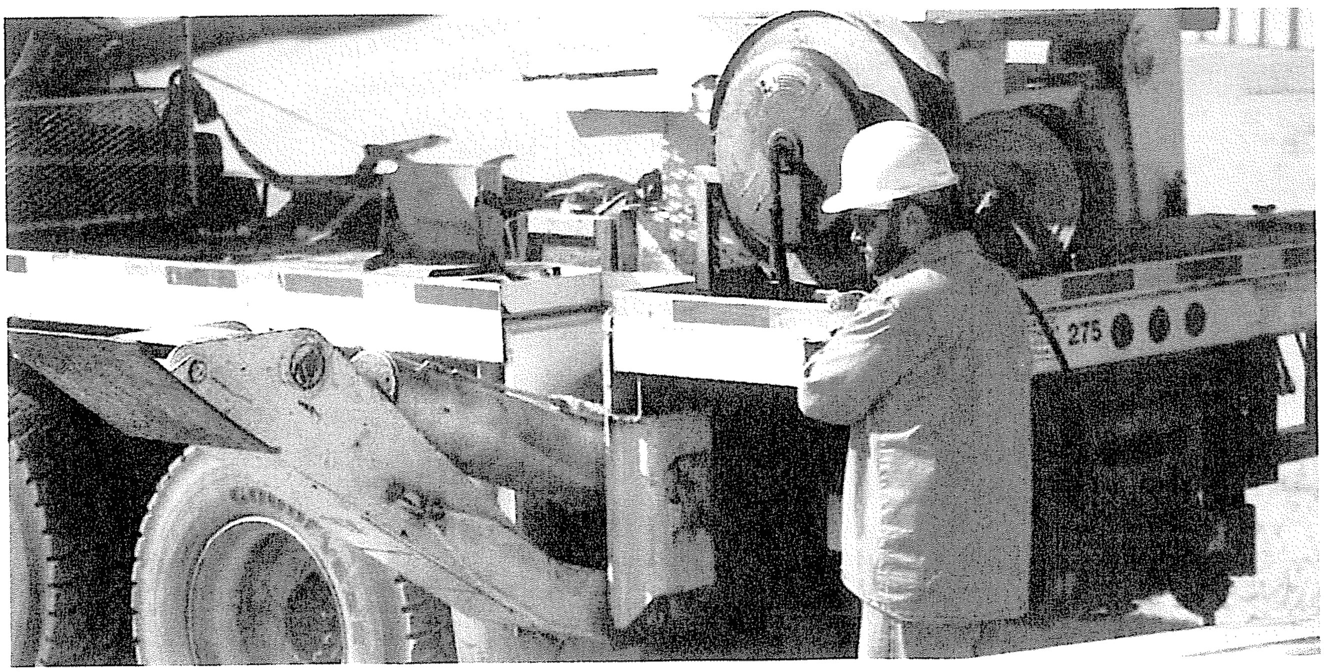
Outage planning is an important element of Big Rivers' reliability strategy. Planners at each generating station use formal outage planning processes to ensure work is optimized during each unit's scheduled outage. Big Rivers' capital work plan includes more than $212 million in capital improvements and asset replacement for its generating units necessary to keep the reliability of its fleet consistently within the top quartile of their respective peer group. These actions ensure Big Rivers continues to fulfill its strategy of reliable, safe, and economic generation fleet performance.

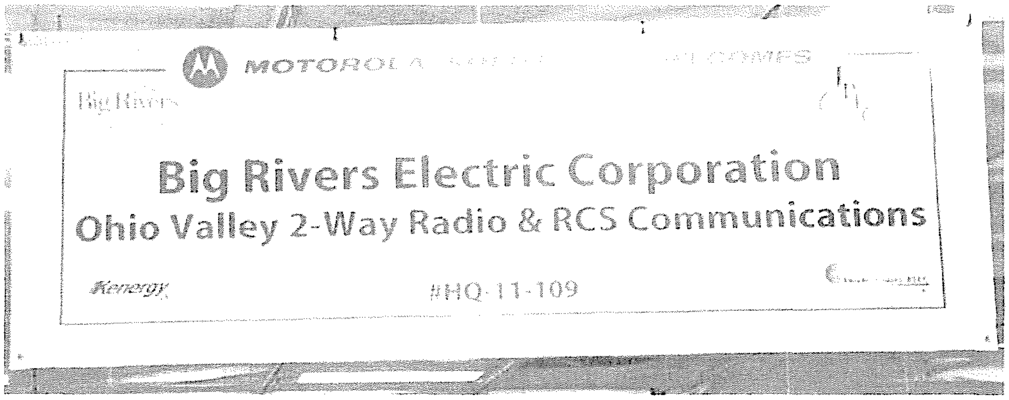
Transmission System Activities

Big Rivers owns, operates, and maintains a 1,285-mile transmission system and 22 substations. In addition, 23 interconnects link the Big Rivers transmission system with seven neighboring utilities. Big Rivers is required to satisfy a contingency (unplanned event) reserve standard mandated by the North American Electric Reliability Corporation (NERC). Failure to satisfy the requirements can result in fines up to $1 million per day for each violation.

Big Rivers became fully integrated as a transmission-owning member of MISO, formerly known as Midwest Independent System Operator, effective December 1, 2010. Big Rivers joined MISO because it was the least-cost alternative to satisfy contingency reserve obligations and avoid potential penalties for non-compliance from NERC. Big Rivers has also realized benefits from reduced transmission system congestion since joining MISO. This resulted in improvements in Big Rivers' ability to both purchase and sell electricity in the wholesale power market.

MISO operates three competitive markets and acts as a financial clearinghouse for market participants' electric energy supply, load, and financial transmission rights. These markets facilitate competition





among market participants, dispatch least cost generation resources, optimize use of the transmission system, and provide market participants the ability to hedge transmission system congestion costs.

Big Rivers has been a member-owner of ACES, formerly known as ACES Power Marketing, since January 2003. ACES acts as Big Rivers' agent to assist in managing the company's energy portfolio through generation dispatch, energy trading, and optimization of financial transmission rights. ACES also provides support services such as energy risk management, portfolio modeling, contract administration, and regulatory support.

Vectren Corporation and Big Rivers constructed a new extra high voltage 345 kV transmission interconnect between the company's Robert A. Reid substation in Robards, Kentucky and Vectren's A.B. Brown substation in Posey County, Indiana. This project, proposed and led by Vectren, involved a system analysis by MISO. Although Vectren was responsible for construction of the line itself and all project costs, Big Rivers was responsible for construction at the Reid substation.

Big Rivers relocated an existing 345 kV line termination in the Reid substation to make room for termination of the new Vectren line. In addition, Big Rivers added a ring bus, consisting of four 345 kV breakers with disconnect switches, which allows the transmission system to remain operational while sections of the ring bus are de-energized to enable preventative maintenance. With the addition of this new 345 kV line, Big Rivers now has two extra high voltage transmission lines leaving the Reid substation, which greatly improves the ability to transfer power into and from the Big Rivers transmission system to help maintain system reliability.

Two-Way Radio System

Big Rivers completed installation of a new digital two-way radio system in 2012. The new radio system replaced aging equipment and met new Federal Communication Commission rules that became effective January 1, 2013. The 13-site Motorola network supports truck radio communications for Big Rivers and the Member-Owners. The radio system's high tech design allows each company to have its own independent dispatch operations while sharing the network and electronics that make it operate.

In addition to highly reliable voice communication, the system provides better geographic coverage than previous systems, and its shared network architecture allows for improved interoperability and resource sharing during storms or emergencies.

Keeping [illegible] as a primary focus every day

Big Rivers employees set new records in working safely

Big Rivers completed 2012 with zero lost-time incidents and seven recordables—the lowest totals ever in company history.

Coleman Station employees completed six years without a lost-time incident at midnight on January 5.

Transmission employees completed two years without a lost-time incident at midnight on January 14.

Wilson Station employees completed five years without a lost-time incident at midnight on May 15.

Sebree Station employees completed one year without a lost-time incident at midnight on May 19.

Production employees completed one year without a lost-time incident at midnight on May 19.

Headquarters employees completed one year without a lost-time incident at midnight on July 20.

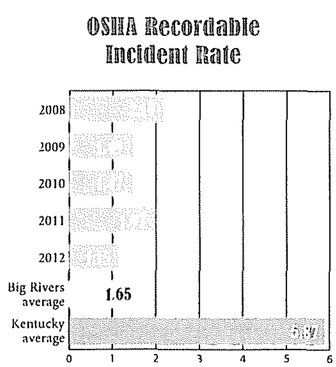
The company completed one year without a lost-time incident at midnight on July 20.

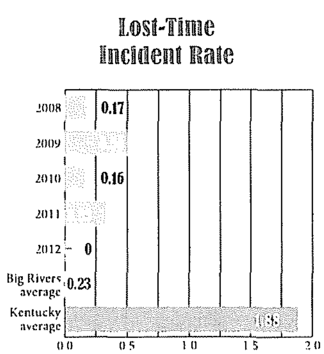
Two generating stations receive Governor's Safety Awards

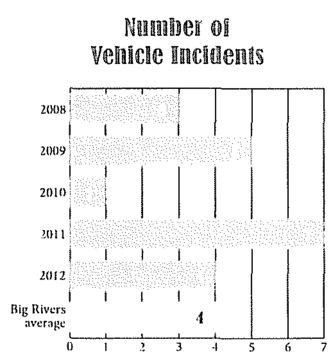
The Governor's Safety and Health Award recognizes outstanding safety performance. This award is given to employers and employees who together achieve a required number of hours worked without experiencing a work-related lost-time injury or illness which prevents an individual from performing his/her regular duties on a subsequent scheduled workday or shift.

Wilson Station earned its 11th Governor's Safety Award on March 31 for working over 1,000,000 hours without a lost-time injury. Mark Brown, secretary of the Kentucky Labor Cabinet, presented Wilson Station employees with their award on June 14.

Sebree Station earned its 8th Governor's Safety Award on May 28 for working 502,411







hours without a lost-time injury. Mark Brown, secretary of the Kentucky Labor Cabinet, presented Sebree Station employees with their award on June 22.

Coleman Station earned its 10th Governor's Safety Award for working 1,338,041 hours without a lost-time injury. This represents 6.5 years worked without experiencing a lost-time injury. Mark Brown, secretary of the Kentucky Labor Cabinet, presented Coleman Station employees with their award on August 15.

Safety is one of seven core values at Big Rivers and is a foundation for all decisions and expectations of the workforce.

Three safety awards from the Kentucky Association of Electric Cooperatives

Coleman Station, Wilson Station, and Energy Transmission & Substation received safety awards on May 22 from the Kentucky Association of Electric Cooperatives for hours worked with no lost time incidents: Coleman - 1,263,102; Wilson - 956,543; ET&S - 119,800. Mark Bailey, president and CEO, accepted the awards at the KAEC board meeting on behalf of Big Rivers employees.

Two awards from the Kentucky Safety & Health Network

The Kentucky Safety & Health Network (KSHN) presented Troy Stovall, Big Rivers corporate safety administrator, with an award for Outstanding Individual in Occupational Safety & Health in the business category. Troy received the award May 10 in recognition of his dedication to the field of occupational safety and health in Kentucky. Big Rivers was also recognized by KSHN in appreciation of its sponsorship of the Governor's Safety and Health Conference. KSHN represents individuals from all facets of Kentucky's workplaces, and the organization draws on the knowledge of members in four sectors: business, education, government and labor. Membership is open to any and all individuals with an interest in occupational safety and health.

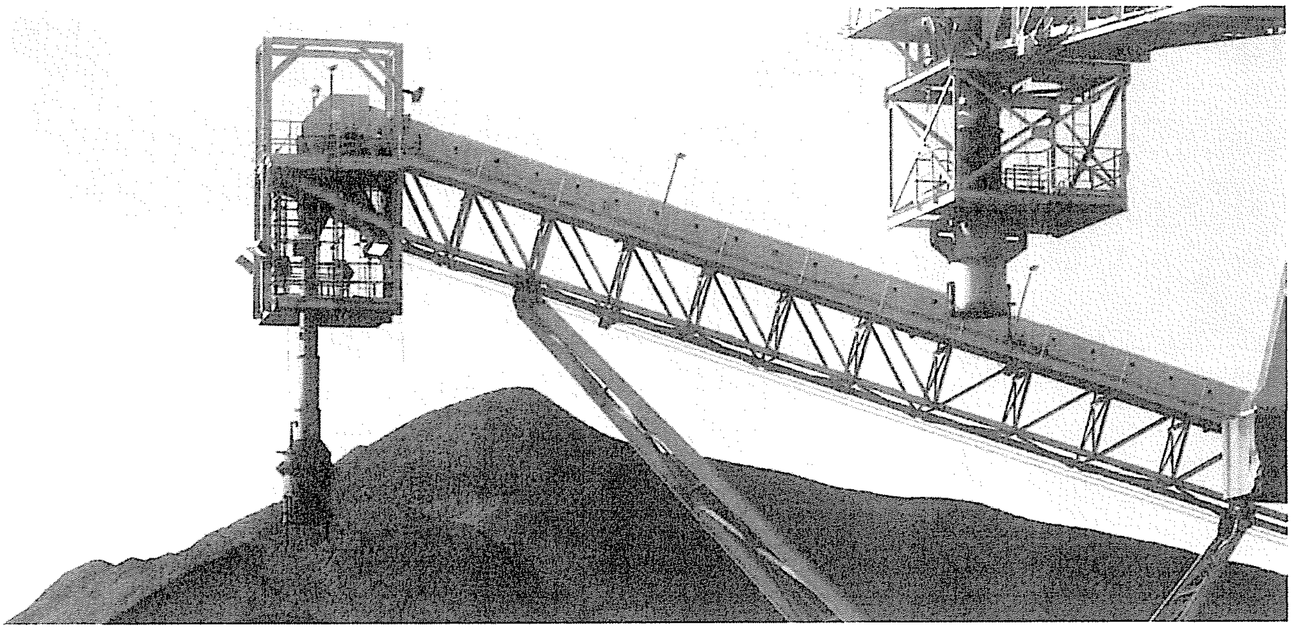
Big Rivers hosts annual contractor safety meeting

Big Rivers held its annual contractor safety meeting in January 2012. Attendees at the packed event included contractors who work at Big Rivers facilities, Big Rivers employees and personnel from East Kentucky Power Cooperative. Participants received information on why Big Rivers values safety, expectations of contractors, and hearing loss prevention. The keynote speaker, a safety instructor for Indiana Statewide Association of Rural Electric Cooperatives, emphasized the true cost of being injured while working on the job.

Wilson Station earned its 11th Governor's Safety Award on March 31.

Sebree Station earned its 8th Governor's Safety Award on May 28.

Coleman Station earned its 10th Governor's Safety Award on July 11.



Using TEAMWORK to develop and implement strategic risk management

Big Rivers is required by the U.S. Department of Agriculture Rural Utilities Services (RUS) to update its load forecast every two years and to submit the forecast to RUS for review and approval. The load forecast is a projection of future energy usage and peak demand that reflects changes in usage per customer and customer growth based on economic and demographic trends, consumer end-usage and weather data. The forecast is an input to production cost and Big Rivers' financial models, and it drives calculation of operational expenses and projected revenues. The current forecast was approved by RUS on July 16, 2012. Big Rivers' load forecasting process is a team effort involving Big Rivers and its Member-Owners. Member-Owner input is an integral part of the load forecast development process, as Big Rivers' load forecast is built by aggregating its individual Member-Owners' forecasts. Big Rivers' Member-Owners provide input during development of the load forecast and review results prior to finalization.

As a result of the Century contract termination, beginning on August 20, 2013, Big Rivers reduced its peak demand forecast by 482 MW and its energy forecast by 4,138 GWh/year. The demand reduction represents Century's full contract demand specified in the Smelter (Contract) Agreement, and the energy reduction represents the full contract demand at 98% load factor, consistent with the terms and conditions for billing as specified in the Smelter Agreement. These reductions result in the elimination of one hundred percent of the Century load from Big Rivers' load forecast.

On January 15, 2013, Big Rivers filed with the PSC a request seeking approval for an annual increase of $74,476,120 in rates. The vast majority of this amount—approximately $63 million—stems from Century's contract termination. Additional major drivers (which Big Rivers estimates have a net impact of approximately $11 million) include declining off-system sales margins and increasing depreciation expense. Offsetting these increase drivers are the effects of the July 2012 refinancing of RUS debt and cost cutting measures.

Big Rivers' mission is to provide safe, reliable, low-cost power to its Member-Owners. The pending rate increase is necessary to allow Big Rivers to meet its financial obligations to its creditors so that it can continue to attract the necessary capital to provide service to its Member-Owners in 2013 and beyond. While the pending rate increase is aimed at mitigating 100 percent of the revenue impact to Big Rivers resulting from the Century contract termination, Big Rivers worked very hard to ensure the increase can be reduced over time.

Plan for Reducing Production Costs

Since it is unlikely that Big Rivers will replace the Century load before August 20, 2013, the company intends to continue to implement its Load Concentration Mitigation Plan and curtail electricity production to reduce the expense of full production in a depressed wholesale power market. The current plan is to idle generating units to eliminate variable production costs and reduce fixed expenses. In its 2013 budget, Big Rivers assumed Wilson Station will be idled; however, company management continues to evaluate a range of options to identify the most cost-effective alternatives for Big Rivers' Member-Owners.

Since Big Rivers received Century's Notice of Termination on August 20, 2012, the company has deferred filling most production employment vacancies in anticipation of a workforce reduction due to the potential idling of generating units. Big Rivers has only filled vacant positions that could not be covered by overtime work. This has created a significant amount of overtime; however, it is Big Rivers' belief this is a prudent approach to reduce the number of involuntary work force reductions after Century exits the system on August 20, 2013.

As a transmission-owning member of MISO, Big Rivers must secure MISO's approval prior to layup of any generating unit to ensure that action does not have an adverse impact on the reliability of the transmission grid. Because of the physical proximity of the Coleman Station to Century's Hawesville smelting facility, and given the possibility that Century could ultimately begin purchasing power from the wholesale market, Big Rivers assumed that if the Century facility continues to operate in any substantial way on or after August 20, 2013, MISO would require Big Rivers to continue to operate the Coleman Station for system reliability reasons. Since no such constraint applies to the Wilson Station, it is Big Rivers' belief that idling Wilson Station will have less negative impact on transmission system reliability.

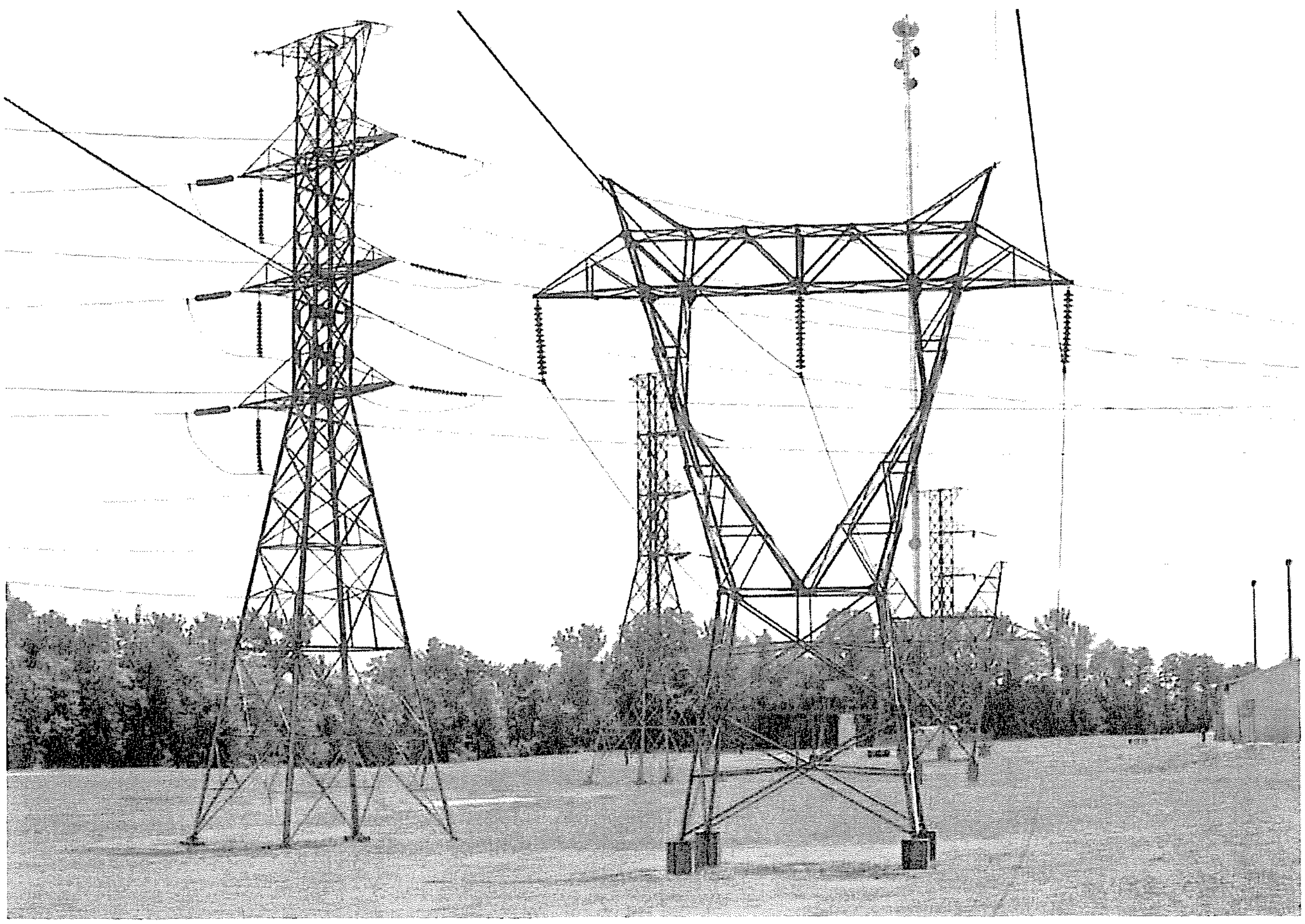
Big Rivers continues to look for additional ways to reduce expenses, to improve the efficiency of its generating units, and to offer a robust set of demand side management and energy efficiency programs to help its Member-Owners deal with the rate increase necessary when Century no longer buys Big Rivers' power. Big Rivers carefully monitors costs and has engaged in corporate-wide cost cutting.

Transmission Projects to Mitigate Risk of Smelter Load Loss

The Phase 2 Transmission Projects were an essential component of Big Rivers' efforts to mitigate the risks associated with providing electric service for two aluminum smelters: Century Aluminum of Kentucky General Partnership (Century) and Alcan Primary Product Corporation (Alcan). In the Unwind transaction, Big Rivers entered into contracts to provide electric service to Kenergy Corp. (one of Big Rivers' three electric distribution cooperative Member-Owners) for resale to the smelters. The Phase 2 Transmission Projects were designed to enable Big Rivers to withstand the loss of load from both smelters, should they cease operation, by increasing the power export capacity of the Big Rivers transmission system to cover not only the 850 MW smelter load, but also the additional generating capacity that would be available when the remaining Big Rivers' Member-Owners' loads are at their lowest levels

Big Rivers has completed or substantially completed all of the system improvements associated with the Phase 2 Transmission Projects except one. Big Rivers entered into a construction work agreement with the Tennessee Valley Authority (TVA) under which TVA will complete work on its transmission system at an existing interconnection point with Big Rivers at TVA's Paradise switchyard, which addresses the final project. TVA contemplates this work will be completed in the 2014-2015 timeframe. Until the TVA system improvements are completed, Big Rivers can reconfigure its transmission system on a temporary basis to export the entire 850 MW of power consumed by both smelters.

From a transmission standpoint, Big Rivers is meeting its mission of delivering safe and reliable transmission service to its customers. Big Rivers is satisfying its NERC reliability obligations and is working to optimize its membership in MISO. Big Rivers is also satisfying its commitments to the PSC regarding the Phase 2 Transmission Projects.



Working with [illegible] to overcome obstacles

Mitigation of the Century Aluminum contract termination

Since receiving Century's Notice of Termination on August 20, 2012, Big Rivers staff has been implementing its Load Concentration Mitigation Plan, which calls for several steps.

First, the plan calls for Big Rivers to petition the PSC to increase rates to address forecasted net revenue shortfall stemming from Century's contract termination. Big Rivers has addressed this in the rate case filing.

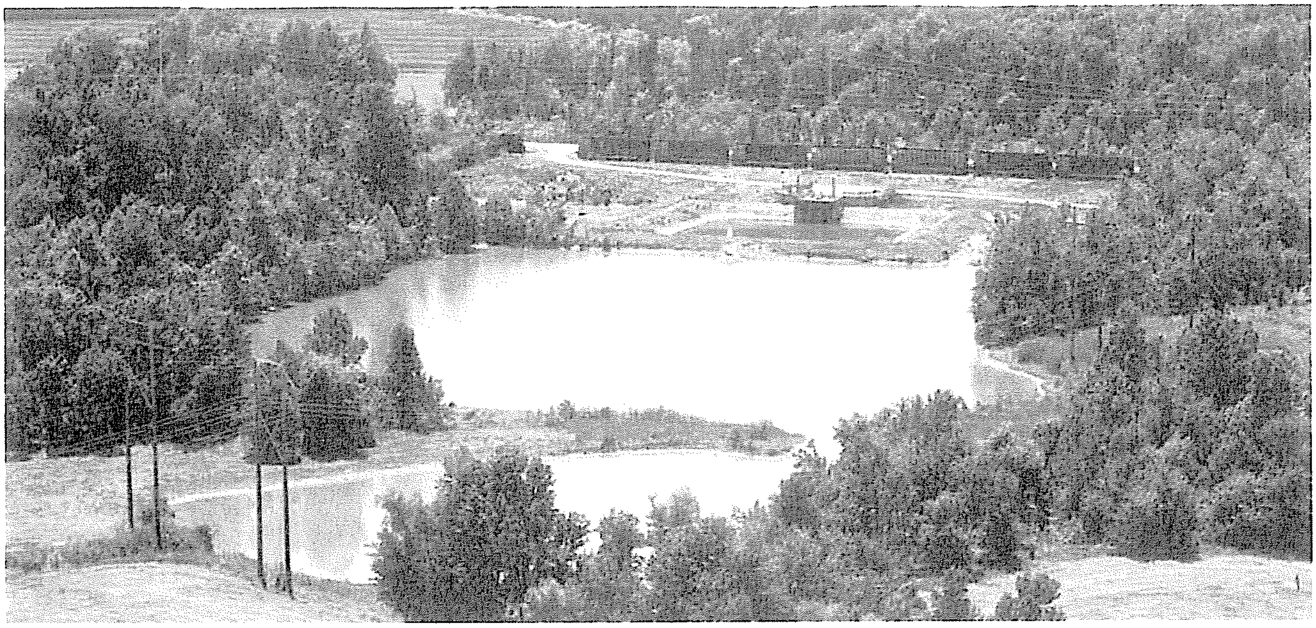
Second, the plan calls for Big Rivers to market all available power not consumed by internal customers when the market price is greater than avoidable generation cost. Forecasted MISO market prices in 2013 and 2014 indicate that off-system sales margins will remain depressed due to the depressed economy, so this mitigation step is not expected to be an effective mitigation method for the next few years.

Third, the plan calls for Big Rivers to idle or reduce generation when the market price does not support the cost of generating power. Big Rivers plans to address this measure with curtailed production by temporarily idling one or more of its generating units.

Fourth, the plan calls for Big Rivers to evaluate options to execute forward two-party sales contracts, enter into wholesale power agreements, and/or participate in organized power capacity markets. Big Rivers is actively exploring all these alternatives. To that end, efforts are underway to find load replacement options for the 482 MW currently being utilized by Century. So far, Big Rivers has provided proposals as a result of requests from two other utilities. Big Rivers has informally initiated discussions with other potential counterparties, on a strictly confidential basis, to explore possible opportunities for Big Rivers to sell the power Century has been buying.

Big Rivers is also taking a multi-pronged approach, with Big Rivers' Member-Owners focusing on economic development opportunities. Most new economic development opportunities—for example, the attraction of a new industrial facility to a greenfield or brownfield site—often take six months for the outside party to finalize site selection, with another 18 to 24 months for environmental assessment/mitigation, construction, and ramp-up to full load.

Big Rivers will continue evaluating all ways available to mitigate the effects of the Century contract termination. As those mitigation efforts are successful, Big Rivers' Member-Owners will benefit through rate reduction, but those benefits are not expected to materialize for several years. Under current wholesale market conditions, Big Rivers' best option at this time to mitigate the negative impact of the Century contract termination appears to be idling a generating plant to reduce expenses.



Remaining conscious of the ENVIRONMENT

Environmental compliance plan approved

In a case of coincidental timing, a federal appeals court struck down an EPA air regulation one day before a Big Rivers hearing was scheduled with the PSC related to the company's environmental compliance plan. There were several intervenors in the case; however, Big Rivers reached a stipulation agreement with those parties.

In an order issued October 1, the PSC granted Big Rivers permission to move forward with the agreed upon environmental compliance plan. Big Rivers was granted certificates of public convenience and necessity to complete conversion of Reid Unit 1 from coal to natural gas and to install additional equipment to reduce mercury emission controls at Coleman, Wilson, and Green stations. Big Rivers will invest about $58 million in environmental controls to comply with the EPA-mandated MATS, which has a compliance deadline of April 2015.

These environmental projects will enable Big Rivers to comply with MATS only, due to the federal appeals court's vacatur of CSAPR. Big Rivers will continue to operate under EPA's 2005 Clean Air Interstate Rule, until the EPA promulgates a new rule.

Big Rivers is conducting a test program at Coleman Unit 1 to explore mercury removal from stack gasses. Big Rivers has partnered with Clear Carbon Innovations for this test program, which began November 2012 and is expected to run approximately six months.

Activated carbon is injected both upstream and downstream of the unit's air heater to determine which location is better for optimal mercury removal. Mercury levels will be measured at the precipitator outlet. These injections are made about one week per month during the testing period. Big Rivers anticipates using results of this study to optimize its MATS compliance plan to reduce the cost impact to its Member-Owners.

Renewable Energy

Big Rivers is well positioned in the national renewable energy movement. Power supplies of the future will include a growing emphasis on renewable energy as these sources gain more attention, popularity and commercial viability.

In the tradition of working together, cooperatives across the country have formed the National Renewables Cooperative Organization (NRCO) to promote and facilitate development of renewable energy resources. Membership in the NRCO is open to G&Ts and distribution cooperatives with the legal ability to buy power in the wholesale market. Big Rivers was one of 24 founding members of the organization, which formed in November 2008.

The NRCO allows cooperatives to pool their expertise so the knowledge base of cooperatives with experience in developing renewable energy will be available to all. At the outset, the NRCO served in a consulting capacity, evaluating renewable resource opportunities, facilitating member participation in renewable energy projects and assisting in creating optimal arrangements for members like Big Rivers. The NRCO also assists cooperatives in ongoing management of renewable resources.

Big Rivers continues to evaluate renewable energy sources along with the regulatory and legislative efforts that impact development of additional sources of generation.

Coleman Station launches recycling program

In February 2012, Coleman Station established a new recycling program in partnership with the City of Hawesville. The plant is utilizing two large compartment trailers for recycling plastics, metal/aluminum cans, white paper, and newspapers/magazines.

The City of Hawesville also provided a smaller trailer for recycling cardboard. Coleman Station employees are pleased to participate alongside the City of Hawesville to minimize the volume of recyclable material going to landfills, as well as reducing costs associated with regular garbage removal.

Continuing COMMUNITY service

Big Rivers has a workforce of competent, hardworking individuals who contribute daily to the success of the organization. In addition, Big Rivers is also fortunate to have employees who are dedicated to the success and wellbeing of the communities we serve.

Big Rivers and its employees [illegible]

Big Rivers employees pledged $154,713 to United Way in 2012. The employee participation rate was 73 percent, and 54 percent of employees pledged one hour of pay or more per month. The corporate donation was $40,000, making a total Big Rivers/employee pledge of $194,713.

United Way and its partner agencies believe education is the cornerstone of individual and community success. United Way helps Americans achieve financial stability and works for a healthier America. Whether it is a neighbor without health insurance, a victim of abuse, or someone struggling with mental illness or an addiction, local United Ways are working to ensure everyone has access to affordable and quality care.

Big Rivers raises $3,360 towards March for Babies

Big Rivers and its employees raised $3,360 in 2012 for the Henderson/Union County March for Babies. Every donation received helps fight premature birth and birth defects. Collectively, the efforts of Big Rivers employees garnered several awards, including fourth place in team donations. Two Big Rivers employees were recognized individually—one for raising the highest amount of donations prior to the event and the other for turning in the largest amount of donations on the day of the event. The Henderson/Union County walk collected over $25,000 total in donations.

[illegible]

Union County High School brought a group of students to Big Rivers' Sebree Station for a power plant tour. The student group consisted of sophomores, juniors and seniors who visited with the goal of learning how energy is converted from coal to electricity.

Their two-hour session began with a classroom presentation that covered the basics of electricity generation, electricity transmission and power plant operations. In addition, the students learned about various fuel transportation mechanisms and the quantity of homes electrified from Big Rivers' generating capabilities.

The presentation also included information on the volume of coal required to fuel Sebree Station along with a discussion about the various components and diverse skill sets needed by employees to efficiently operate a generation and transmission company.

This tour provided an opportunity to explain the benefits of the electricity generated by Big Rivers and our environmental stewardship concerning air, soil and water.

Coleman Station food drive

Coleman Station employees collected non-perishable food, personal hygiene items, and cleaning supplies, and a monetary contribution for the Hancock County Food Pantry. The pantry provides for approximately 100 families ranging in size from two to eight who are struggling with basic necessities.

Headquarters employees Clothe-A-Kid for School

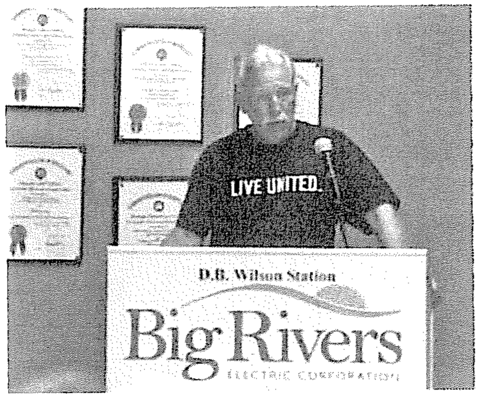
Headquarters employees raised money to help five needy school children begin the 2012 school year with new clothes. This "Clothe-A-Kid" program, an effort by the Volunteer and Information Center in Henderson, is based on a belief that education is key in breaking the cycle of poverty.

Wilson Station collects 540 pounds of non-perishable items

Wilson Station employees collected 540 pounds of non-perishable items near the end of November for the Friends of Sinners agency, a long-term substance recovery program that focuses on restoration from addictions.

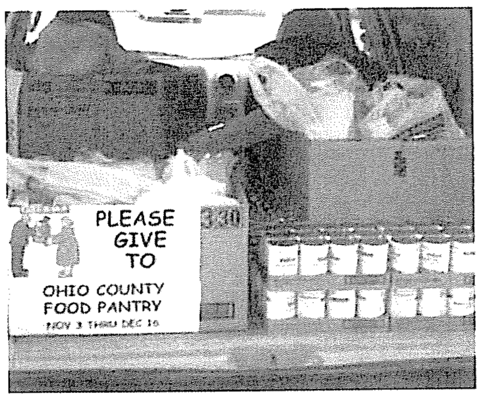
Headquarters employees help area families have a bountiful Thanksgiving

Headquarters employees donated funds to the Henderson Volunteer and Information Center for its Bountiful Thanksgiving program. These dollars were enough to provide a Thanksgiving meal for six area families. Because Thanksgiving meals are not the same for every family, the Volunteer and Information Center provided families with vouchers from a local grocery store to purchase food items specific to their tastes.



Big Rivers and its employees pledged $194,713 to United Way in 2012.


Big Rivers and its employees raised $3,360 for the March for Babies.



Coleman and Wilson stations held food drives for local organizations.

Wilson Station employees donated clothing and toys to a local shelter.

Wilson Station employees help 16 children celebrate Christmas

Wilson Station employees donated clothing and toys to provide a Merry Christmas for 16 children staying at the Daniel Pitino Shelter in Owensboro. The shelter offers both emergency and transitional housing, nutritional food, primary physical and mental health care, essential services, and educational enhancement. It has the capacity to serve 65 individuals—50 transitional and 15 emergency.

Headquarters employees adopted two families for Christmas.

Headquarters employees adopt five children for Christmas

Headquarters employees donated money to the Henderson Volunteer and Information Center's Adopt-A-Family for Christmas program. This year Big Rivers adopted two families and provided two outfits of new clothing, undergarments, shoes, and a special gift for five children.

Sebree Station employees delivered Christmas gifts to eight families.

Sebree Station employees deliver Christmas Wish to eight families

Eight families had a much brighter Christmas because of Sebree Station employee participation in a Christmas Wish project. Employees who donated toys, clothing, food and hard-earned cash made a difference for these families.

NRECA honors the Philippine project in recent video

In 1966, with a grant from the U.S. Agency of International Development and an invitation from the government of the Philippines, the National Rural Electric Cooperative Association (NRECA) International Programs began a long journey to electrify rural areas of the Philippines.

Starting with a feasibility study that established two pilot electric cooperatives, a national rural electrification program was initiated.

Since the first days of the program, 119 electric cooperatives have been established in the Philippines with assistance and guidance from NRECA International Programs, making the Philippines electrification effort one of the most successful over the International Programs' 50-year history. NRECA International highlighted the Philippine Project in a 12-minute video entitled "Light to Their Beloved Land: NRECA in the Philippines."

In the video, Travis Housley, retired Big Rivers vice president, discusses his planning, engineering and project facilitation efforts during more than 17 trips to the Philippines.

Providing shared services desired by our MEMBER-OWNERS

Energy Efficiency Programs available to customers

Big Rivers is working to advance the goals put forth by Governor Steve Beshear in his plan for Kentucky's energy independence. Strategy 1 of the governor's plan, *Intelligent Energy Choices for Kentucky's Future*, calls for Kentucky to improve energy efficiency in the residential, commercial, industrial, and transportation sectors by offsetting at least 18 percent of Kentucky's projected 2025 energy demand.

Big Rivers is committed to developing a robust set of cost-effective energy efficiency programs to help eliminate or delay the need for costly additional generating resources.

After the Unwind Transaction closed in 2009 and Big Rivers regained control of its generating units, Big Rivers and its three Member-Owners began taking steps to increase energy efficiency programs available to customers on the Big Rivers system beyond distribution of compact fluorescent light bulbs (CFLs). Big Rivers and its Member-Owners established a multicompany energy efficiency team to evaluate, design, and implement cost-effective energy efficiency programs.

The energy efficiency team evaluated over 200 residential and commercial energy efficiency measures and recommended cost-effective programs to be offered to customers as pilots in 2011. On March 16, 2012, Big Rivers filed tariffs with the PSC for nine energy efficiency programs developed based on the 2011 pilot programs. Subsequently, on April 20, 2012, Big Rivers filed a tariff for one additional energy efficiency program, bringing the total energy efficiency portfolio to 10 programs.

Residential energy efficiency programs include:

- Lighting replacement using CFL distribution
- ENERGY STAR clothes washer replacement
- ENERGY STAR refrigerator replacement
- ENERGY STAR heating/ventilation/air conditioning equipment upgrades
- Weatherization of electric and gas heating systems
- Heating/ventilation/air conditioning and refrigeration tune-up
- Touchstone Energy new home construction standards

Commerical/industrial energy efficiency programs include:

- Lighting replacement
- Equipment replacement
- Heating/ventilation/air conditioning and refrigeration tune-up

Big Rivers and its Member-Owners spent more than $600,000 toward these energy efficiency programs in 2012. It is estimated the programs saved retail Members a total of 4,967 MWh. Winter peak demand was estimated to be reduced by 1.25 MW, and summer peak demand was reduced by 0.9 MW.

Big Rivers anticipates that its slate of energy efficiency programs will expand in the future as the multicompany energy efficiency team continues to evaluate other potential measures to offer, including demand response opportunities.

Financial Review: 2012

Big Rivers' mission is to safely provide low-cost, reliable wholesale electricity and cost-effective shared services to three Member-Owner distribution cooperatives—Jackson Purchase Energy Corporation, Kenergy Corp. and Meade County Rural Electric Cooperative Corporation. As of December 31, 2012, the Member-Owners provide service to approximately 113,000 retail customers in 22 western Kentucky counties.

Big Rivers operates 1,444 MW of owned generating facilities and has contractual rights to 197 MW from the Station Two unit owned by Henderson Municipal Power & Light and to 178 MW from the Southeastern Power Administration (SEPA). The company also owns transmission assets, principally 1,285 miles of transmission lines and 22 transmission substations. Net utility plant at December 31, 2012 was $1,087.2 million, and total assets were $1,546.7 million.

The two aluminum smelter wholesale contracts with Kenergy Corp. were scheduled to terminate December 31, 2023. On August 20, 2012, Big Rivers as wholesale power supplier, and Kenergy Corp. (Kenergy) as retail power supplier, received a letter from Century Aluminum of Kentucky General Partnership (Century), serving its one-year Notice of Termination of its Retail Service Agreement with Kenergy, effective August 20, 2013. On January 31, 2013, Alcan Primary Products Corporation (Alcan) provided its one-year Notice of Termination of its Kenergy Retail Service Agreement to Big Rivers and Kenergy, effective January 31, 2014. Both smelters indicated they were ceasing all smelter operations at their Hawesville, Kentucky and Robards, Kentucky facilities, respectively.

Upon receipt of the first Notice of Termination, Big Rivers began implementing its formal Load Concentration Mitigation Plan. This plan encompasses, in part, the filing of a general rate increase with the PSC which was done on January 15, 2013. In addition, Big Rivers is actively pursuing replacement load for the 850 MW currently used by Century and Alcan. Big Rivers also anticipates a second general rate case filing with the PSC in June 2013 as a result of Alcan's departure.

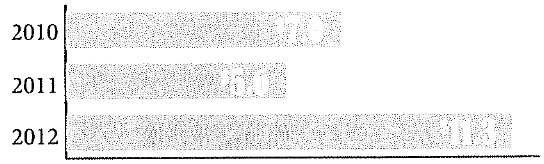
Big Rivers completed 2012 with a favorable set of key financial metrics, discussed in the pages that follow.

Net Margins and Equities

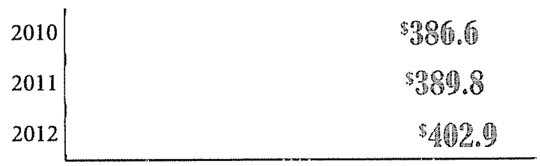
The 2012 net margin was $11.3 million, resulting in a 1.25 times interest earned ratio (TIER) and margins for interest ratio (MFIR), and a 1.58 debt service coverage ratio (DSCR). Equities to total assets were 26 percent at December 31, 2012, and equities to total capitalization were 30 percent.

Several items account for the majority of the $5.7 million improvement in the 2012 net margin compared with the 2011 net margin of $5.6 million. Firstly, net sales margins (electric sales revenue less variable operations costs) for 2012 reflect a $10.1 million improvement. This is principally due to a full year of the Member-Owner base rate increase that became effective in September 2011, higher smelter sales volumes, and lower reagent, fuel and purchased power variable operations costs—offset by depressed off-system market prices and lower sales volumes. Maintenance expense reflects a favorable variance of $1.8 million to offset depressed off-system market prices. Interest expense reflects a favorable variance of $0.8 million on long-term debt, and interest income reflects

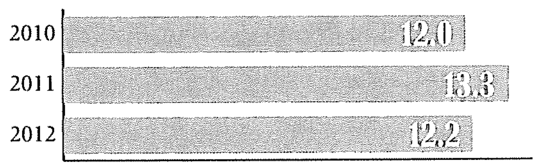
Net Margins
Dollars in millions



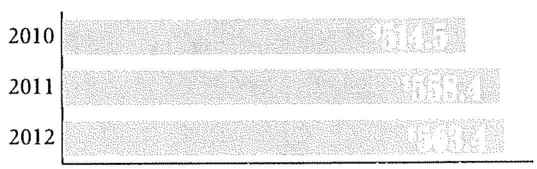
Equity
Dollars in millions



Energy Sales
Megawatt-hours (MWhs) in millions



Electric Energy Revenues
Dollars in millions



a favorable variance of $0.8 million—both as a result of the July 2012 refinancing. Offsetting the improvement is a $5.7 million increase in depreciation expense in 2012. This is due to a full year of higher depreciation rates resulting from the 2010 depreciation study implemented in December 2011 following PSC approval.

Energy Sales and Electric Energy Revenues

Energy sales decreased to 12,244,082 MWh in 2012, down from 13,255,125 MWh in 2011. The primary reason for the MWh sales decrease was a reduction of 1,519,273 MWh or 49.71 percent in off-system sales volume, driven by lower market pricing. Smelter sales volumes increased 569,653 MWh or 8.31 percent in 2012, providing some offset.

Non-smelter Member sales decreased 61,421 MWh in 2012, or 1.84 percent, driven by weather. Electric energy revenue increased to $563.4 million in 2012, up from $558.4 million in 2011. The increase in revenue is due to a full year of the base rate increase coupled with higher smelter sales volumes and lower variable operations costs, partly offset by lower off-system sales revenue.

Wholesale Rates

Big Rivers has all-requirements wholesale power contracts with its Member-Owners through December 31, 2043. Rural Member wholesale revenue per

MWh was $50.58 in 2012 versus $46.78 in 2011. Large industrial Member wholesale revenue per MWh was $43.15 in 2012 versus $41.68 in 2011. The non-smelter Member revenue per MWh increase in 2012 is primarily due to a full year of increased base rates. Aluminum smelter wholesale revenue per MWh was $48.52 in 2012 versus $44.48 in 2011. Big Rivers' wholesale Member tariff rate and the aluminum smelter contracts are regulated by the PSC and RUS.

Wholesale power market prices continue to be depressed, as has been the case since 2008. The revenue per MWh received by Big Rivers for its off-system sales was $28.81 in 2012, down from $33.38 received in 2011, and significantly below the off-system sales rate of $48.03 received in 2007.

Lines of Credit and Letters of Credit

Big Rivers has two $50 million lines of credit—one with CoBank, expiring July 2017, and the other with CFC, expiring July 2014. The CFC line of credit contains a $10 million embedded letter of credit facility. At December 31, 2012, letters of credit totaling $5.4 million are outstanding with CFC.

As the result of the contract termination notice rendered by Century on August 20, 2012, Big Rivers, based on current language in its line of credit agreements, does not have access to borrow under the CoBank line of credit as of December 31, 2012, and will lose access to the CFC line of credit on August 20, 2013 (the date on which Century's contract terminates). Big Rivers is currently in negotiations with CoBank and CFC to modify the language in the line of credit agreements to ensure it has access to the lines of credit upon termination of the Century agreement. Amendments to these agreements are subject to approval by the PSC.

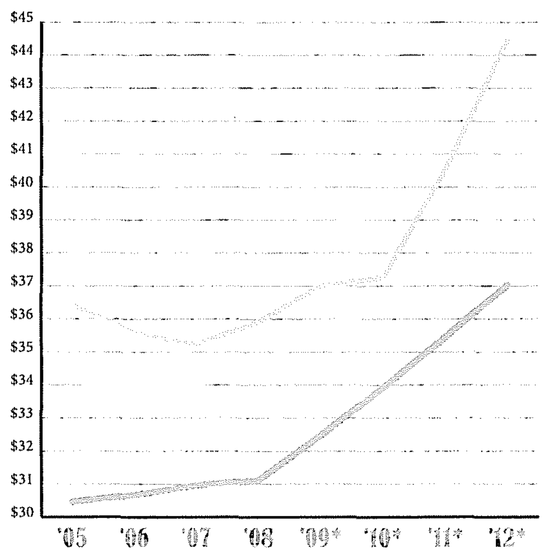
Long-Term Debt

At December 31, 2012, debt to total assets is 60 percent. During July 2012, Big Rivers refinanced $442 million of existing debt under its RUS Series A Note with new secured term loans, at lower interest rates, through CFC and CoBank. The CFC term loans consist of a Refinance Note, with an all-in effective interest rate of 4.50 percent, and an Equity Note, with a fixed interest rate 5.35 percent, which was used to purchase interest-bearing Capital Term Certificates (CTC). Both term loans and the CTC

Wholesale Member-Owner Rates*

Dollars per megawatt-hour (MWh)

**Note that: 2009, 2010, 2011 and 2012 rates reflect a reduction due to the Member Rate Stability Mechanism*



Average System Rates

Rural Rates   Industrial Rates

have final maturity dates of July 2032. As of December 31, 2012, the CFC Refinance and Equity Notes have outstanding principal balances of $298.5 million and $42.8 million, respectively. The CoBank secured term loan has a fixed interest rate of 4.30% and an outstanding principal balance of $231.4 million as of December 31, 2012, with a final maturity date of June 2032. The RUS Series A Note has a fair value of $80 million at December 31, 2012 and a stated value of $80.4 million, with a final maturity date of July 2021. The non-interest bearing RUS Series B Note, having a December 31, 2012 fair value of $130.3 million and a stated value of $245.5 million, has no payment due until maturity in December 2023.

Big Rivers has two issues of tax-exempt pollution control bonds outstanding, totaling $142.1 million. The larger of the two issues was refinanced June 8, 2010— the $83.3 million County of Ohio, Kentucky, Pollution Control Revenue Bonds, Series 2010A. These Series 2010A Bonds bear interest at a 6 percent fixed rate, with a maturity date of July 2031.

The second issue—the $58.8 million County of Ohio, Kentucky, Pollution Control Revenue Bonds, Series 1983 (1983 Bonds)—are variable rate demand bonds currently being held by the liquidity provider, bearing an interest rate of 3.25 percent. These bonds have a maturity date of June 2013.

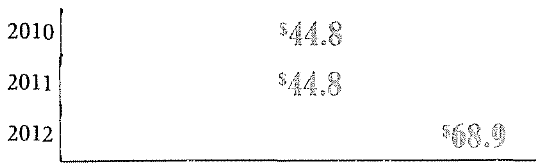
Liquidity

Big Rivers' liquidity position remains strong, as cash and cash equivalents total $68.9 million and restricted cash totals $41.3 million at December 31, 2012. This amount is restricted by a PSC order and is to be used for capital expenditures in the ordinary course of business. Additionally, Big Rivers has access to the existing CFC line of credit totaling $50 million discussed earlier, until August 19, 2013.

In November 2012, Big Rivers filed a financing application with the PSC requesting access to the $35 million Transition Reserve, held in restricted investments at December 31, 2012, and approval to repay the 1983 Bonds from repurposed funds currently restricted by previously issued orders of the PSC. The PSC issued an order on March 26, 2013, granting the approval sought by Big Rivers in this matter.

Capital expenditures totaled $39.8 million in 2012, versus $38.7 million in 2011.

Cash and Cash Equivalents
Dollars in millions



KPMG

KPMG LLP
1601 Market Street
Philadelphia, PA 19103-2499

Independent Auditors' Report

The Board of Directors and Members
Big Rivers Electric Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of Big Rivers Electric Corporation, which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of operations, comprehensive income, equities (deficit), and cash flows for each of the years in the three-year period ended December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Big Rivers Electric Corporation as of December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2012, in accordance with U.S. generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated March 29, 2013, on our consideration of Big Rivers Electric Corporations' internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

Philadelphia, Pennsylvania
March 29, 2013

Balance Sheets

As of December 31, 2012 and 2011 — (Dollars in thousands)

Assets	2012	2011
Utility plant – net	$1,087,227	$1,092,063
Restricted investments – Member rate mitigation	144,514	163,162
Restricted investments – Transition reserve	35,009	–
Restricted investments – NRUCFC Capital Term Certificates	43,156	–
Other deposits and investments – at cost	6,092	5,911
Current assets:		
Cash and cash equivalents	68,860	44,849
Restricted cash	41,313	–
Accounts receivable	48,376	44,287
Fuel inventory	34,146	33,894
Nonfuel inventory	24,957	25,295
Prepaid expenses	4,093	4,217
Total current assets	221,745	152,542
Deferred charges and other	8,935	4,244
Total	$1,546,678	$1,417,922
Equities and Liabilities		
Capitalization:		
Equities	$ 402,882	$ 389,820
Long-term debt	845,317	714,254
Total capitalization	1,248,199	1,104,074
Current liabilities:		
Current maturities of long-term obligations	79,926	72,145
Purchased power payable	1,402	1,878
Accounts payable	31,611	28,446
Accrued expenses	10,955	10,380
Accrued interest	4,925	9,899
Total current liabilities	128,819	122,748
Deferred credits and other:		
Regulatory liabilities – Member rate mitigation	147,732	169,001
Other	21,928	22,099
Total deferred credits and other	169,660	191,100
Commitments and Contingencies (see Note 14)		
Total	$1,546,678	$1,417,922

See accompanying notes to financial statements.

Statements of Operations

For the years ended December 31, 2012, 2011, and 2010 — (Dollars in thousands)

	2012	2011	2010
Operating revenue	$ 568,342	$ 561,989	$ 527,324
Total operating revenue	568,342	$ 561,989	$ 527,324
Operating expenses:			
Operations:			
Fuel for electric generation	226,369	226,229	207,749
Power purchased and interchanged	111,465	112,262	99,421
Production, excluding fuel	48,055	50,410	52,507
Transmission and other	40,189	39,085	35,273
Maintenance	45,962	47,718	46,880
Depreciation and amortization	41,090	35,407	34,242
Total operating expenses	513,130	511,111	476,072
Electric operating margin	55,212	50,878	51,252
Interest expense and other:			
Interest	44,414	45,226	46,570
Income tax expense	—	100	259
Other – net	546	220	166
Total interest expense and other	44,960	45,546	46,995
Operating margin	10,252	5,332	4,257
Non-operating margin:			
Interest income and other	1,025	268	2,734
Total nonoperating margin	1,025	268	2,734
Net margin	$ 11,277	$ 5,600	$ 6,991

See accompanying notes to financial statements.

Statements of Comprehensive Income

For the years ended December 31, 2012, 2011, and 2010 — (Dollars in thousands)

	2012	2011	2010
Net margin	$ 11,277	$ 5,600	$ 6,991
Other comprehensive income:			
Defined benefit plans:			
Prior service cost	14	14	19
Unamortized actuarial gain (loss)	1,035	(1,797)	297
Defined benefit plans	1,049	(1,783)	316
Postretirement benefits other than pensions			
Prior service cost	1,974	17	17
Unamortized actuarial gain (loss)	(1,269)	(620)	(172)
Transition obligation	31	31	31
Postretirement benefits other than pensions	736	(572)	(124)
Other comprehensive income (loss)	1,785	(2,355)	192
Comprehensive income	$ 13,062	$ 3,245	$ 7,183

Statements of Equities (Deficit)

For the years ended December 31, 2012, 2011, and 2010 — (Dollars in thousands)

			Other equities		
	Total equities	Retained margin (deficit)	Donated capital and memberships	Consumers' contributions to debt service	Accumulated other comprehensive loss
Balance – December 31, 2009	$ 379,392	$ 384,507	$ 764	$ 3,681	$ (9,560)
Net margin	6,991	6,991	–	–	–
Pension and postretirement benefit plans	192	–	–	–	192
Balance – December 31, 2010	386,575	391,498	764	3,681	(9,368)
Net margin	5,600	5,600	–	–	–
Pension and postretirement benefit plans	(2,355)	–	–	–	(2,355)
Balance – December 31, 2011	$ 389,820	$ 397,098	$ 764	$ 3,681	$(11,723)
Net margin	11,277	11,277	–	–	–
Pension and postretirement benefit plans	1,785	–	–	–	1,785
Balance – December 31, 2012	$ 402,882	408,375	764	3,681	(9,938)

See accompanying notes to financial statements.

Statements of Cash Flows

For the years ended December 31, 2012, 2011, and 2010 — (Dollars in thousands)

	2012	2011	2010
Cash flows from operating activities:			
Net margin	$ 11,277	$ 5,600	$ 6,991
Adjustments to reconcile net margin to net cash provided by operating activities:			
Depreciation and amortization	44,733	37,808	37,650
Interest compounded - RUS Series A Note	7,603	8,398	-
Interest compounded - RUS Series B Note	7,291	6,884	6,499
Noncash Member rate mitigation revenue	(22,873)	(18,947)	(23,953)
Changes in certain assets and liabilities:			
Accounts receivable	(4,090)	1,618	1,588
Inventories	87	1,357	(2,304)
Prepaid expenses	124	(1,715)	731
Deferred charges	(1,278)	121	1,251
Purchased power payable	(476)	362	(1,846)
Accounts payable	3,164	(1,336)	(875)
Accrued expenses	(4,399)	(1,481)	2,800
Other – net	278	(70)	555
Net cash provided by operating activities	41,441	38,599	29,087
Cash flows from investing activities:			
Capital expenditures	(39,853)	(38,746)	(42,683)
Proceeds from restricted investments	(58,094)	56,095	28,143
Purchases of restricted investments and other deposits & investments	146	-	-
Change in restricted cash	(41,313)	-	-
Net cash provided by (used in) investing activities	(139,114)	17,349	(14,540)
Cash flows from financing activities:			
Principal payments on long-term obligations	(456,206)	(45,879)	(121,355)
Proceeds from long-term obligations	580,156	-	83,300
Principal payments on short-term notes payable	-	(10,000)	-
Proceeds from short-term notes payable	-	-	10,000
Debt issuance cost on bond refunding	(2,266)	-	(2,002)
Net cash provided by (used in) financing activities	121,684	(55,879)	(30,057)
Net increase in cash and cash equivalents	24,011	69	(15,510)
Cash and cash equivalents — beginning of year	44,849	$ 44,780	$ 60,290
Cash and cash equivalents — end of year	$ 68,860	$ 44,849	$ 44,780
Supplemental cash flow information:			
Cash paid for interest	$ 34,893	$ 31,441	$ 37,268
Cash paid for income taxes	-	$ 130	$ 260

See accompanying notes to financial statements.

Notes to Financial Statements

As of December 31, 2012 and 2011 — (Dollars in thousands)

1. Organization and Summary of Significant Accounting Policies

(a) General Information

Big Rivers Electric Corporation (Big Rivers or the Company), an electric generation and transmission cooperative, supplies wholesale power to its three member distribution cooperatives (Kenergy Corp., Jackson Purchase Energy Corporation, and Meade County Rural Electric Cooperative Corporation) under all requirements contracts, excluding the power needs of two large aluminum smelters (the Aluminum Smelters). Additionally, Big Rivers sells power under separate contracts to Kenergy Corp. for the Aluminum Smelters load and markets power to nonmember utilities and power marketers. The members provide electric power and energy to industrial, residential, and commercial customers located in portions of 22 western Kentucky counties. The wholesale power contracts with the members remain in effect until December 31, 2043. Rates to Big Rivers' members are established by the Kentucky Public Service Commission (KPSC) and are subject to approval by the Rural Utilities Service (RUS). The financial statements of Big Rivers include the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 980, *Regulated Operations*, which was adopted by the Company in 2003, and gives recognition to the ratemaking and accounting practices of the KPSC and RUS.

Management evaluated subsequent events up to and including March 29, 2013, the date the financial statements were available to be issued.

(b) Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates.

(c) System of Accounts

Big Rivers' maintains its accounting records in accordance with the Uniform System of Accounts as prescribed by the RUS Bulletin 1767B 1, as adopted by the KPSC. These regulatory agencies retain authority and periodically issue orders on various accounting and ratemaking matters. Adjustments to RUS accounting have been made to make the financial statements consistent with generally accepted accounting principles in the United States of America.

(d) Revenue Recognition

Revenues generated from the Company's wholesale power contracts are based on month-end meter readings and are recognized as earned.

(e) Utility Plant and Depreciation

Utility plant is recorded at original cost, which includes the cost of contracted services, materials, labor, overhead, and an allowance for borrowed funds used during construction. Replacements of depreciable property units, except minor replacements, are charged to utility plant.

Allowance for borrowed funds used during construction is included on projects with an estimated total cost of $250 or more before consideration of such allowance. The interest capitalized is determined by applying the effective rate of Big Rivers' weighted average debt to the accumulated expenditures for qualifying projects included in construction in progress.

Depreciation of utility plant in service is recorded using the straight-line method over the estimated remaining service lives, as approved by the RUS and KPSC. During 2010, the Company commissioned a depreciation study to evaluate the remaining economic lives of its assets. In 2011, the study was completed and approved by the RUS and KPSC. The annual composite depreciation rates used to compute depreciation expense were as follows:

Electric plant	0.50%–20.22%
Transmission plant	1.42%–02.23%
General plant	2.84%–17.12%

For 2012, 2011, and 2010, the average composite depreciation rates were 2.23%, 1.91%, and 1.86%, respectively. At the time plant is disposed of, the original cost plus cost of removal less salvage value of such plant is charged to accumulated depreciation, as required by the RUS.

(f) Impairment Review of Long-Lived Assets

Long-lived assets are reviewed as facts and circumstances indicate that the carrying amount may be impaired. FASB ASC 360, *Property, Plant, and Equipment*, requires the evaluation of impairment by comparing an asset's carrying value to the estimated future cash flows the asset is expected to generate over its remaining life. If this evaluation were to conclude that the future cash flows were not sufficient to recover the carrying value of the asset, an impairment charge would be recorded based on the difference between the asset's carrying amount and its fair value (less costs to sell for assets to be disposed of by sale) as a charge to net margin.

(g) Inventory

Inventories are carried at average cost and include coal, petroleum coke, lime, limestone, oil and gas used for electric generation, and materials and supplies used for utility operations. Emission allowances are carried in inventory at a weighted average cost by each vintage year. Issuances of allowances are accounted for on a vintage basis using a monthly weighted average cost.

(h) Restricted Investments

Investments are restricted under KPSC order to establish certain reserve funds for member rate mitigation and a Transition Reserve as described in note 5. These investments have been classified as held to maturity and are carried at amortized cost. In addition, Big Rivers was required to purchase investments in National Rural Utilities Cooperative Finance Corporation's (CFC) Capital Term Certificates (CTCs) in connection with a secured term loan agreement with CFC (note 8), which are also classified as held-to-maturity.

(i) Cash and Cash Equivalents

Big Rivers considers all short term, highly liquid investments with original maturities of three months or less to be cash equivalents.

(j) Restricted Cash

Certain cash amounts are restricted under KPSC order for capital expenditures in the ordinary course of business (note 9).

(k) Income Taxes

Big Rivers was formed as a tax-exempt cooperative organization as described in Internal Revenue Code Section 501(c)(12). To retain tax-exempt status under this section, at least 85% of the Big Rivers' receipts must be generated from transactions with the Company's members. In 1983, sales to nonmembers resulted in Big Rivers failing to meet the 85% requirement. Until Big Rivers can meet the 85% member income requirement, the Company will not be eligible for tax-exempt status and will be treated as a taxable cooperative.

As a taxable cooperative, Big Rivers is entitled to exclude the amount of patronage allocations to members from taxable income. Income and expenses related to nonpatronage-sourced operations are taxable to Big Rivers. Big Rivers files a federal income tax return and certain state income tax returns.

Under the provisions of FASB ASC 740, *Income Taxes*, Big Rivers is required to record deferred tax assets and liabilities for temporary differences between amounts reported for financial reporting purposes and amounts reported for income tax purposes. Deferred tax assets and liabilities are determined based upon these temporary differences using enacted tax rates for the year in which these differences are expected to reverse. Deferred income tax expense or benefit is based on the change in assets and liabilities from period to period, subject to an ongoing assessment of realization. Tax benefits associated with income tax positions taken, or expected to be taken, in a tax return are recorded only when the more likely than not recognition threshold is satisfied and measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement.

(l) Patronage Capital

As provided in the bylaws, Big Rivers accounts for each year's patronage sourced income, both operating and nonoperating, on a patronage basis. Notwithstanding any other provision of the bylaws, the amount to be allocated as patronage capital for a given year shall not be less than the greater of regular taxable patronage-sourced income or alternative minimum taxable patronage sourced income.

(m) Derivatives

Management has reviewed the requirements of FASB ASC 815, *Derivatives and Hedging*, and has determined that certain contracts the Company is party to may meet the definition of a derivative under FASB ASC 815. The Company has elected the Normal Purchase and Normal Sale exception for these contracts, and therefore, the contracts are not required to be recognized at fair value in the financial statements.

(n) Fair Value Measurements

FASB ASC 820, *Fair Value Measurement*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal, or most advantageous, market for the asset or liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 establishes a three level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs when possible. The three levels of inputs used to measure fair value are as follows:

- Level 1 – quoted prices in active markets for identical assets or liabilities;
- Level 2 – observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data; and
- Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets or liabilities, including certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

2. Utility Plant

At December 31, 2012 and 2011, utility plant is summarized as follows:

	2012	2011
Classified plant in service:		
Production plant	$1,715,486	$1,706,243
Transmission plant	248,276	238,738
General plant	35,103	33,744
Other	543	543
	1,999,408	1,979,268
Less accumulated depreciation	962,994	936,355
	1,036,414	1,042,913
Construction in progress	50,813	49,150
Utility plant — net	$1,087,227	$1,092,063

Interest capitalized for the years ended December 31, 2012, 2011, and 2010, was $767, $548, and $684, respectively.

The Company has not identified any material legal asset retirement obligations, as defined in FASB ASC 410, *Asset Retirement and Environmental Obligations*. In accordance with regulatory treatment, the Company records an estimated net cost of removal of its utility plant through normal depreciation. As of December 31, 2012 and 2011, the Company had approximately $43,559 and $41,449, respectively, related to nonlegal removal costs included in accumulated depreciation.

3. Debt and Other Long-Term Obligations

A detail of long-term debt at December 31, 2012 and 2011 is as follows:

	2012	2011
CFC Refinance Promissory Note, Series 2012 B, serial note pricing, all-in effective interest rate of 4.50%, final maturity date of July 2032	$298,513	-
CFC Equity Note, Series 2012B, stated interest rate of 5.35%, final maturity date of July 2032	42,845	-
CoBank Promissory Note, Series 2012A, stated interest rate of 4.30%, final maturity date of June 2032	231,426	-
RUS Series A Promissory Note, stated amount of $80,456, stated interest rate of 5.75%, with an imputed interest rate of 5.84% maturing July 2021	$80,019	521,250
RUS Series B Promissory Note, stated amount of $245,530, no stated interest rate, with interest imputed at 5.80%, maturing December 2023	130,340	123,049
County of Ohio, Kentucky, promissory note, fixed interest rate of 6.00%, maturing in July 2031	83,300	83,300
County of Ohio, Kentucky, promissory note, variable interest rate (average interest rates of 3.25% and 3.30% in 2012 and 2011, respectively), maturing in June 2013	58,800	58,800
Total long-term debt	925,243	786,399
Current maturities	79,926	72,145
Total long-term debt — net of current maturities	$845,317	714,254

The following are scheduled maturities of long-term debt at December 31:

Year	Amount
2013	79,926
2014	20,127
2015	20,903
2016	21,717
2017	22,576
Thereafter	759,994
Total	$925,243

(a) National Rural Utilities Cooperative Finance Corporation (CFC) Refinance and Equity Promissory Notes, 2012B

In July 2012, Big Rivers issued new debt with CFC in the form of a secured term loan in the amount of $302,000 (the Refinance Note) and a CFC Equity Note in the amount of $43,156. The Refinance Note consists of 20 individual notes with different fixed interest rates ranging from 3.05% to 5.35%. The Refinance Note has an all-in effective interest rate of 4.50% and a final maturity date of July 2032. The Equity Note has a fixed interest rate of 5.35% and a final maturity date of July 2032. The proceeds of the Refinance Note were used to prepay $302,000 of the RUS Series A Note. The proceeds of the CFC Equity Note were used to purchase interest-bearing Capital Term Certificates (CTCs), as required in connection with the Refinance Note (note 8).

(b) CoBank, ACB (CoBank) Promissory Note, Series 2012A

In July 2012, Big Rivers issued new debt with CoBank in the form of a secured term loan in the amount of $235,000. The loan has a fixed interest rate of 4.30% per annum and a final maturity date of June 2032. Proceeds from the CoBank term loan were used to prepay $140,000 of the RUS Series A Note and replenish the $35,000 Transition Reserve fund (depleted on April 1, 2011 to prepay the RUS Series A Note and realize a net interest expense reduction). The remaining $60,000 will be used to fund capital expenditures in the ordinary course of business or to refinance existing debt (note 5).

(c) RUS Notes

On July 15, 2009, Big Rivers' previous RUS debt was replaced with the RUS 2009 Promissory Note Series A (the RUS Series A Note) and the RUS 2009 Promissory Note Series B (the RUS Series B Note). The RUS Series A Note is recorded at an interest rate of 5.84%. The RUS Series B Note is recorded at an imputed interest rate of 5.80%. The RUS Notes are secured under the Indenture dated July 1, 2009 between the Company and U.S. Bank National Association.

In July 2012, Big Rivers prepaid $442,000 of the RUS Series A Note from proceeds of the CFC and CoBank term loans as described above.

(d) Pollution Control Bonds

In June 2010, the County of Ohio, Kentucky, issued $83,300 of Pollution Control Refunding Revenue Bonds, Series 2010A (Series 2010A Bonds), the proceeds of which are supported by a promissory note from Big Rivers, which bears the same interest rate. These bonds bear interest at a fixed rate of 6.00% and mature in July 2031.

The County of Ohio, Kentucky, issued $58,800 of Pollution Control Variable Rate Demand Bonds, Series 1983 (Series 1983 Bonds), the proceeds of which are supported by a promissory note from Big Rivers, which bears the same interest rate as the bonds. These bonds bear interest at a variable rate, subject to a maximum interest rate of 13.00%, and mature in June 2013. As of December 31, 2012, the interest rate on the Series 1983 Bonds was 3.25%.

The Series 1983 Bonds are supported by a liquidity facility issued by Credit Suisse First Boston, which was assigned to Dexia Credit in 2006. In addition, the Series 1983 Bonds are supported by a municipal bond insurance and surety policy issued by Ambac Assurance Corporation. Big Rivers has agreed to reimburse Ambac Assurance Corporation for any payments under the municipal bond insurance policy or the surety policy. Both Series are secured by the Indenture dated July 1, 2009 between the Company and U.S. Bank National Association.

(e) Lines of Credit

The Company has lines of credit with the National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank, ACB (CoBank). In July 2012, a new unsecured CoBank line-of-credit facility (the CoBank Revolver),with a five-year term, was established to replace the line-of-credit facility dated July 2009, having a three-year term. The CFC line-of-credit facility (the CFC Revolver) is for a five-year term and will terminate in July 2014. The maximum borrowing capacity on the Revolvers is $100,000 consisting of $50,000 each for CFC and CoBank. In March 2011, Big Rivers paid down the $10,000 of borrowings outstanding on the CoBank Revolver at December 31, 2010. The Company had no borrowings outstanding on the Revolvers at December 31, 2012 and 2011. Letters of credit issued under an associated Letter of Credit Facility with CFC reduced the borrowing capacity on the CFC Revolver by $5,375 for years ended December 31, 2012 and 2011.

As the result of a contract termination notice rendered by Century Aluminum Company on August 20, 2012 (note 5), Big Rivers, based on current language in its line-of-credit agreements, does not have access to borrow under the CoBank Revolver and will lose access to the CFC Revolver on August 20, 2013 (the date on which Century indicated it will terminate and cease aluminum smelting operations at the Hawesville Smelter). The Company is currently in negotiations with both CoBank and CFC to modify the language in the line-of-credit agreements to ensure it has access to the Revolvers upon termination of the Century agreement. Amendments to these agreements are subject to approval by the KPSC.

Advances on the CFC Revolver bear interest at a variable rate and outstanding balances are payable in full by the maturity date of July 16, 2014. The CFC variable rate is equal to the CFC Line-of-Credit Rate, which is defined as "the rate published by CFC from time to time, by electronic or other means, for similarly classified lines of credit, but if not published, then the rate determined for such lines of credit by CFC from time to time." Advances on the CoBank Revolver may be made as either London Interbank Offered Rate Loans or Base Rate Loans. LIBOR Loans bear interest at a rate per annum equal to the LIBOR Rate determined for such day plus the Applicable Margin for each day during the Interest Period. The Applicable Margin is determined based on the Company's credit rating. The Interest Period commences on the borrowing, continuation, or conversion date and ends on the numerically corresponding day, either one, two, three, six, nine, or twelve months thereafter, as selected by the Company. Base Rate Loans bear interest at a rate per annum equal to the Base Rate plus the Applicable Margin. The Base Rate is defined as "the rate of interest in effect from day to day defined as a rate per annum announced by the Administrative Agent on the first Banking Day of each week equal to the greatest of (A) 100 basis points greater than the LIBOR or (B) the Prime Rate."

On February 25, 2011, a $2,500 CFC line of credit, available to the Company to finance storm emergency repairs and expenses related to electric utility operations, matured.

(f) Covenants

Big Rivers is in compliance with all debt covenants associated with both long-term and short-term debt. The Company's Indenture and other debt agreements require that a Margins for Interest Ratio (MFIR) of at least 1.10 be maintained for each fiscal year. The CoBank line-of-credit agreement requires that the Company have a Total Debt to Total Capitalization Ratio of no greater than 80% at the end of each fiscal year, and the CFC line-of-credit agreement requires an Equity to Asset Ratio of no less than 12%. Big Rivers' MFIR for the fiscal year ended December 31, 2012 was 1.25. Big Rivers' Total Debt to Total Capitalization Ratio, as of December 31, 2012, was 70% and its Equity to Asset Ratio was 26%. The CoBank Revolver that expired and was replaced in July 2012 included a Debt Service Coverage Ratio reporting requirement. Big Rivers existing debt agreements do not have a Debt Service Coverage Ratio requirement.

A MFIR less than 1.10, per the Indenture and other debt agreements, results in the following actions, restrictions or consequences: Big Rivers cannot secure additional debt under the Indenture; the Company must seek rates that are reasonably expected to yield a 1.10 MFIR; in consultation with RUS, the Company must provide a written plan satisfactory to the RUS setting forth actions to be taken to achieve the specified MFIR on a timely basis; can result in an event of default and increased interest rates; termination of lines of credit and acceleration of outstanding amounts under the lines of credit.

4. Rate Matters

The rates charged to Big Rivers' members consist of a demand charge per kilowatt (kW) and an energy charge per kilowatt-hour (kWh) consumed as approved by the KPSC. The rates include specific demand and energy charges for its members' two classes of customers, the large industrial customers, and the rural customers under its jurisdiction. For the large industrial customers, the demand charge is generally based on each customer's maximum demand during the current month. Effective September 1, 2011, the Company received approval from the KPSC to base the member rural demand charge on its Maximum Adjusted Net Local Load (as defined in Big Rivers tariff).

Effective July 17, 2009, the KPSC approved the implementation of certain tariff riders; including a fuel adjustment clause and an environmental surcharge, offset by an unwind surcredit (a refund to tariff members of certain charges collected from the Aluminum Smelters in accordance with the contract terms). The net effect of these tariffs is recognized as revenue on a monthly basis with a partial offset to the regulatory liability - member rate mitigation described below.

The net impact of the tariff riders to members' rates is currently mitigated by a Member Rate Stability Mechanism (MRSM) that is funded by certain cash reserves (the Economic and Rural Economic Reserves) established and held by Big Rivers as restricted investments. An offsetting regulatory liability – member rate mitigation reflects the obligation associated with the funding of these reserve accounts.

On March 1, 2011, the Company filed an application with the KPSC requesting, among other things, authority to adjust its rates for wholesale electric service. The KPSC entered an order on November 17, 2011, granting Big Rivers an annual revenue increase of $26,745. Big Rivers petitioned for and was granted a rehearing by the KPSC to address certain issues. The KPSC later expanded the scope of the rehearing to include other issues raised by one of the intervenors in the case. An evidentiary hearing was held by the KPSC in September 2012 and an order was issued January 29, 2013. The KPSC order granted the Company an additional increase in annual revenues of approximately $1,043 effective retroactive to September 1, 2011 (the effective date of the rates granted on November 17, 2011 order).

Under the Aluminum Smelters' agreements, the wholesale rates established for the members' nonsmelter large direct-served industrial customers (the Large Industrial Rate) provide the basis for pricing the energy consumed by the Aluminum Smelters (Century Aluminum Company and Alcan Primary Products Corporation). The primary component of the pricing used for the Aluminum Smelters is an energy charge in dollars per megawatt hour (MWh) determined by applying the Large Industrial Rate to a load with a 98% load factor, and adding an additional charge of $0.25 per MWh. The other components reflected in the pricing of the Aluminum Smelters' energy usage are certain charges and credits as provided for under the terms of the Aluminum Smelters' wholesale electric service agreements between Big Rivers and Kenergy Corp. (Kenergy Corp. is the retail provider for the Aluminum Smelters load).

5. Aluminum Smelters Termination Notices

On August 20, 2012, Big Rivers as wholesale power supplier, and Kenergy Corp. (Kenergy) as retail power supplier, received a letter from Century Aluminum Company (Century) serving Notice of Termination of its Retail Service Agreement with Kenergy. Big Rivers provided notification to the three credit rating agencies and certain creditors, in accordance with its debt covenant requirements, of the Century termination notice. As a result of Century's notice, two credit rating agencies revised their Outlook for Big Rivers to negative from stable and the other revised Outlook from stable to under review for further downgrade during late August of 2012. Standard & Poor's Rating Services (Standard & Poor's) and Fitch Ratings (Fitch) maintained their credit ratings at BBB-, while Moody's Investors Service, Inc. (Moody's) downgraded its rating of Big Rivers' Series 2010A Bonds (in the amount of $83,300) to Baa2 from Baa1 and placed the rating under review. Big Rivers has developed and is in the process of implementing its Load Concentration Mitigation Plan (LCMP) to preserve its financial position notwithstanding Century's termination, which will become effective August 20, 2013. On January 15, 2013, Big Rivers filed an application for a $74,500 increase in rates with the KPSC — the first phase of its mitigation plan. Big Rivers' rate request represents a base retail rate increase of approximately: 19% for rural customers; 17% for large industrial customers; and 15.6% for the remaining aluminum smelter (Alcan Primary Products Corporation).

On January 31, 2013, Alcan Primary Products Corporation (Alcan) provided a Notice of Termination of its Kenergy Retail Service Agreement to Big Rivers and Kenergy. Alcan stated in its notice that with the proposed rate increase of 15.6% its smelter was "unprofitable and therefore unsustainable." Big Rivers provided notification to the three credit rating agencies and its creditors of the Alcan termination notice. As a result of Alcan's notice, the three credit rating agencies downgraded Big Rivers' credit ratings in early February 2013 as follows: Standard & Poor's to BB- from BBB-; Fitch to BB from BBB-; and Moody's to Ba1 from Baa2. In addition, all three credit rating agencies maintained their Outlooks. Big Rivers' continues to implement its LCMP, which includes the filing of an application requesting approval of a second rate increase to become effective January 31, 2014. The Company expects to file this application no later than June 28, 2013. In addition, Big Rivers is actively pursuing replacement load for the 850 MW currently being utilized by Century and Alcan.

In accordance with the Amended and Consolidated Loan Contract between Big Rivers and the United States of America (acting by and through the RUS Administrator), Big Rivers provided notification to the RUS Administrator via letter dated February 7, 2013 of a failure to maintain two Credit Ratings of Investment Grade. Based on this, the Company is required to provide a corrective plan to the RUS. Big Rivers in consultation with RUS is in the process of developing a corrective plan setting forth the actions that will be taken by management that are reasonably expected to achieve two Credit Ratings of Investment Grade.

As a result of the termination notice from Century, as of December 31, 2012 Big Rivers does not have access to draw on its $50,000 line of credit with CoBank. In addition, in order for Big Rivers to have access to the $50,000 line of credit with CFC after August 20, 2014, that agreement must be amended. Big Rivers is currently negotiating with CFC and CoBank to modify certain terms of the Company's line-of-credit agreements to ensure access to the lines of credit, given receipt of the two Smelter termination notices. Amendments to these agreements are subject to approval by the KPSC.

On November 14, 2012, Big Rivers filed an application with the KPSC seeking approval to issue new debt to be used to refund the $58,800 Series 1983 Bonds (note 3) that mature in June 2013. However, with the uncertainty created by the Aluminum Smelters' termination notices, and potential cumulative impact on prospective bond purchasers, the Company has decided to seek KPSC approval to repay the bonds from repurposed funds currently restricted by previously issued orders of the KPSC. The restricted funds consist of CoBank borrowings to be used for capital expenditures in the ordinary course of business; and a Transition Reserve established for use upon the loss of one or both of the Aluminum Smelter loads (the December 31, 2012 balances were $41,313 and $35,009, respectively). On March 26, 2013, the KPSC issued an Order granting the approval sought by the Company in this matter.

Certain legislators in Western Kentucky have filed companion bills in the Kentucky General Assembly (HB 211 and SB 71) in an attempt to legislate power supply pricing options for the Aluminum Smelters on Big Rivers' system that will encourage the smelters to continue operating their facilities. Big Rivers does not support those legislative proposals, and cannot predict whether the efforts will be successful.

While the ultimate outcome of the filings with the KPSC, discussions with lenders, and possible legislation are all uncertain, management of Big Rivers believes that the Company's results of operations and cash flows will provide sufficient liquidity for the Company to operate its business and meet its obligations as they come due for the foreseeable future. However, negative outcomes in one or more of these matters could potentially have a material impact on the Company's results of operations, cash flows, and liquidity.

6. Income Taxes

At December 31, 2012, Big Rivers had a Nonpatron Net Operating Loss Carryforward of approximately $31,933 expiring at various times between 2012 and 2031, and an Alternative Minimum Tax Credit Carryforward of approximately $7,028, which carries forward indefinitely.

The Company has not recorded any regular income tax expense for the years ended December 31, 2012, 2011, and 2010, as the Company has utilized federal net operating losses to offset any regular taxable income during those years. Had the Company not had the benefit of a net operating loss carryforward, the Company would have recorded $0, $3,613, and $3,846 in current regular tax expense for the years ended December 31, 2012, 2011, and 2010, respectively.

The components of the net deferred tax assets as of December 31, 2012 and 2011 were as follows:

	2012	2011
Deferred tax assets:		
Net operating loss carryforward	$12,614	$12,812
Alternative minimum tax credit carryforwards	7,028	7,138
Member rate mitigation	10,326	10,326
Fixed asset basis difference	3,352	3,980
RUS Series B Note	19,689	19,689
Total deferred tax assets	53,009	53,945
Deferred tax liabilities:		
RUS Series B Note	–	–
Bond refunding costs	(9)	(9)
Total deferred tax liabilities	(9)	(9)
Net deferred tax asset (prevaluation allowance)	53,000	53,936
Valuation allowance	(53,000)	(53,936)
Net deferred tax asset	$ –	–

A reconciliation of the Company's effective tax rate for 2012, 2011, and 2010 is as follows:

	2012	2011	2010
Federal rate	35.0%	35.0%	35.0%
State rate — net of federal benefit	4.5	4.5	4.5
Permanent differences	0.9	0.9	0.5
Patronage allocation to members	(40.4)	(40.8)	(38.8)
Tax benefit of operating loss carryforwards and other	–	(0.4)	(1.2)
Alternative minimum tax	–	3.5	3.0
Effective tax rate	– %	3.5%	3.0%

The Company files a federal income tax return, as well as certain state income tax returns. The years currently open for federal tax examination are 2007 through 2011 and 1996 through 1997, due to unused net operating loss carryforwards. The major state tax jurisdiction currently open for tax examination is Kentucky for years 2004 through 2012 and years 2001 through 2003, also due to unused net operating loss carryforwards. The Company has not recorded any unrecognized tax benefits or liabilities related to federal or state income taxes.

The Company classifies interest and penalties as an operating expense on the income statement and accrued expense in the balance sheet. No material interest or penalties have been recorded during 2012, 2011, or 2010.

7. Pension Plans

(a) Defined-Benefit Plans

Big Rivers has noncontributory defined-benefit pension plans covering substantially all employees who meet minimum age and service requirements and who were employed by the Company prior to the plans closure dates cited below. The plans provide benefits based on the participants' years of service and the five highest consecutive years' compensation during the last ten years of employment. Big Rivers' policy is to fund such plans in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

The salaried employees defined-benefit plan was closed to new entrants effective January 1, 2008, and the bargaining employees defined-benefit plan was closed to new hires effective November 1, 2008. The Company simultaneously established base contribution accounts in the defined-contribution thrift and 401(k) savings plans, which were renamed as the retirement savings plans. The base contribution account for an eligible employee, which is one who meets the minimum age and service requirements, but for whom membership in the defined-benefit plan is closed, is funded by employer contributions based on graduated percentages of the employee's pay, depending on his or her age.

The Company has adopted FASB ASC 715, *Compensation – Retirement Benefits*, including the requirement to recognize the funded status of its pension plans and other postretirement plans (note 10 – Postretirement Benefits Other Than Pensions). FASB ASC 715 defines the funded status of a defined-benefit pension plan as the fair value of its assets less its projected benefit obligation, which includes projected salary increases, and defines the funded status of any other postretirement plan as the fair value of its assets less its accumulated postretirement benefit obligation.

FASB ASC 715 also requires an employer to measure the funded status of a plan as of the date of its year-end balance sheet and requires disclosure in the notes to the financial statements certain additional information related to net periodic benefit costs for the next fiscal year. The Company's pension and other postretirement benefit plans are measured as of December 31, 2012 and 2011.

The following provides an overview of the Company's noncontributory defined-benefit pension plans.

A reconciliation of the Company's benefit obligations of its noncontributory defined-benefit pension plans at December 31, 2012 and 2011 is as follows:

	2012	2011
Benefit obligation — beginning of period	$31,743	$28,804
Service cost — benefits earned during the period	1,428	1,279
Interest cost on projected benefit obligation	1,304	1,296
Benefits paid	(6,499)	(481)
Actuarial loss	2,931	845
Benefit obligation — end of period	$30,907	$31,743

Big Rivers' defined-benefit pension plans provide retirees with a lump-sum payment option. Benefits paid in 2012 include lump-sum payments in the amounts of $6,462 – the result of ten retirees electing the lump-sum payment option. In 2011, only one retiree elected the lump-sum payment option for an amount of $441.

The accumulated benefit obligation for all defined-benefit pension plans was $24,211 and $25,482 at December 31, 2012 and 2011, respectively.

A reconciliation of the Company's pension plan assets at December 31, 2012 and 2011 is as follows:

	2012	2011
Fair value of plan assets — beginning of period	$28,000	$25,267
Actual return on plan assets	3,020	324
Employer contributions	4,810	2,890
Benefits paid	(6,499)	(481)
Fair value of plan assets — end of period	$29,331	$28,000

The funded status of the Company's pension plans at December 31, 2012 and 2011 is as follows:

	2012	2011
Benefit obligation — end of period	$(30,907)	$(31,743)
Fair value of plan assets — end of period	29,331	28,000
Funded status	$ (1,576)	$ (3,743)

Components of net periodic pension costs for the years ended December 31, 2012, 2011, and 2010 were as follows:

	2012	2011	2010
Service cost	$1,428	$1,279	$1,289
Interest cost	1,304	1,296	1,368
Expected return on plan assets	(1,897)	(1,737)	(1,533)
Amortization of prior service cost	14	14	19
Amortization of actuarial loss	779	461	584
Settlement loss	2,064	-	-
Net periodic benefit cost	$3,692	$1,313	$1,727

As a result of the 2012 lump-sum payments there was a settlement required to the defined-benefit pension plans as provided in FASB ASC 715. The 2012 settlement loss of $2,064 reflects an accelerated amortization of unrecognized losses existing at the settlement date of December 31, 2012. The settlement loss is determined by multiplying the total unrecognized losses as of the settlement date by the projected benefit obligation that was settled or eliminated due to the lump-sum payments.

A reconciliation of the pension plan amounts in accumulated other comprehensive income at December 31, 2012 and 2011 is as follows:

	2012	2011
Prior service cost	$ (12)	$ (26)
Unamortized actuarial (loss)	(10,116)	(11,151)
Accumulated other comprehensive income	$(10,128)	$(11,177)

In 2013, $11 of prior service cost and $635 of actuarial loss is expected to be amortized to periodic benefit cost.

The recognized adjustments to other comprehensive income (loss) at December 31, 2012 and 2011 are as follows:

	2012	2011
Prior service cost	$ 14	$ 14
Unamortized actuarial (loss)	1,035	(1,797)
Other comprehensive income (loss)	$ 1,049	$(1,783)

At December 31, 2012 and 2011, amounts recognized in the balance sheets were as follows:

	2012	2011
Deferred credits and other	$(1,576)	$(3,743)

Assumptions used to develop the projected benefit obligation and determine the net periodic benefit cost were as follows:

	2012	2011	2010
Discount rate — projected benefit obligation	3.57%	4.26%	4.95%
Discount rate — net periodic benefit cost	4.26	4.95	5.59
Rates of increase in compensation levels	4.00	4.00	4.00
Expected long-term rate of return on assets	7.25	7.25	7.25

The expected long-term rate of return on plan assets for determining net periodic pension cost for each fiscal year is chosen by the Company from a best estimate range determined by applying anticipated long-term returns and long-term volatility for various asset categories to the target asset allocation of the plans, as well as taking into account historical returns.

Using the asset allocation policy adopted by the Company noted in the paragraph below, we determined the expected rate of return at a 50% probability of achievement level based on (a) forward-looking rate of return expectations for passively managed asset categories over a 20-year time horizon and (b) historical rates of return for passively managed asset categories. Applying an approximately 80%/20% weighting to the rates determined in (a) and (b), respectively, produced an expected rate of return of 7.28%, which was rounded to 7.25%.

Big Rivers utilizes a third-party investment manager for the plan assets, and has communicated thereto the Company's Retirement Plan Investment Policy, including a target asset allocation mix of 50% U.S. Equities (an acceptable range of 45% – 55%), 15% International Equities (an acceptable range of 10% – 20%), and 35% fixed income (an acceptable range of 30% – 40%). As of December 31, 2012 and 2011, the investment allocation was 49% and 56%, respectively, in U.S. Equities, 6% and 8%, respectively, in International Equities, and 45% and 36%, respectively, in fixed income. The objective of the investment program seeks to (a) maximize return on investment, (b) minimize volatility, (c) minimize company contributions, and (d) provide the employee benefit in accordance with the plans. The portfolio is well diversified and of high quality. The average quality of the fixed income investments must be "A" or better. The equity portfolio must also be of investment grade quality. The performance of the investment manager is reviewed semiannually.

At December 31, 2012 and 2011, the fair value of Big Rivers' defined-benefit pension plan assets by asset category are as follows:

	Level 1	Level 2	December 31, 2012
Cash and money market	$ 5,820	$ –	$ 5,820
Equity securities:			
U.S. Large-Cap Stocks	9,839	–	9,839
U.S. Mid-Cap Stock Mutual Funds	2,796	–	2,796
U.S. Small-Cap Stock Mutual Funds	1,513	–	1,513
International Stock Mutual Funds	1,888	–	1,888
Preferred stock	228	–	228
Fixed:			
Short-Term Bond Fund	–	300	300
U.S. Government Agency Bonds	–	921	921
Taxable U.S. Municipal Bonds	–	3,109	3,109
U.S. Corporate Bonds	–	2,617	2,617
Global Bond Fund	–	300	300
	$22,084	$7,247	$ 29,331

	Level 1	Level 2	December 31, 2011
Cash and money market	$ 2,129	$ –	$ 2,129
Equity securities:			
U.S. Large-Cap Stocks	10,178	–	10,178
U.S. Mid-Cap Stock Mutual Funds	3,365	–	3,365
U.S. Small-Cap Stock Mutual Funds	1,666	–	1,666
International Stock Mutual Funds	2,168	–	2,168
Preferred stock	493	–	493
Fixed:			
TIPS Bond Fund	723	–	723
U.S. Government Agency Bonds	–	1,085	1,085
Taxable U.S. Municipal Bonds	–	3,258	3,258
U.S. Corporate Bonds	–	2,630	2,630
Global Bond Fund	–	305	305
	$20,722	$7,278	$ 28,000

Expected retiree pension benefit payments projected to be required during the years following 2012 are as follows:

Year(s) Ending December 31	Amount
2013	$ 4,718
2014	1,682
2015	3,034
2016	3,573
2017	1,865
2018 – 2022	13,563
Total	$28,435

In 2013, the Company expects to contribute $924 to its pension plan trusts.

(b) Defined-Contribution Plans

Big Rivers has two defined-contribution retirement plans covering substantially all employees who meet minimum age and service requirements. Each plan has a thrift and 401(k) savings section allowing employees to contribute up to 75% of pay on a pretax and/or after-tax basis, with employer matching contributions equal to 60% of the first 6% contributed by the employee on a pretax basis.

A base contribution retirement section was added and the plan name changed from thrift and 401(k) savings to retirement savings, effective January 1, 2008, for the salaried plan and November 1, 2008, for the bargaining plan. The base contribution account is funded by employer contributions based on graduated percentages of pay, depending on the employee's age.

The Company's expense under these plans was $4,808 and $4,464 for the years ended December 31, 2012 and 2011, respectively.

(c) Deferred Compensation Plan

Big Rivers sponsors a nonqualified deferred compensation plan for its eligible employees who are members of a select group of management or highly compensated employees. The purpose of the plan is to allow participants to receive contributions or make deferrals that they could not receive or make under the salaried employees qualified defined-contribution retirement savings plan (formerly, the thrift and 401(k) savings plan) as a result of nondiscrimination rules and other limitations applicable to the qualified plan under the Internal Revenue Code. The nonqualified plan also allows a participant to defer a percentage of his or her pay on a pretax basis.

The nonqualified deferred compensation plan is unfunded, but the Company has chosen to finance its obligations under the plan, including any employee deferrals, through a rabbi trust. The trust assets remain a part of the Company's general assets, subject to the claims of its creditors. The 2012 employer contribution was $60 and deferred compensation expense was $122. As of December 31, 2012, the trust asset was $404 and the deferred liability was $263.

8. Restricted Investments

The amortized costs and fair values of Big Rivers restricted investments held for member rate mitigation and the Transition Reserve at December 31, 2012 and 2011 are as follows:

	2012		2011	
	Amortized costs	Fair values	Amortized costs	Fair values
Cash and money market	$ 1,292	$ 1,292	$ 12,765	$ 12,764
Debt securities:				
U.S. Treasuries	63,208	64,097	62,073	63,917
U.S. government agency	115,023	115,040	88,324	88,485
Total	$179,523	$180,429	$163,162	$165,166

Gross unrealized gains and losses on restricted investments at December 31, 2012 and 2011 were as follows:

	2012		2011	
	Gains	Losses	Gains	Losses
Debt securities:				
U.S. Treasuries	$ 889	$ –	$ 1,843	$ –
U.S. government agency	20	3	161	–
Total	$ 909	$ 3	$ 2,004	$ –

Debt securities at December 31, 2012 and 2011 mature, according to their contractual terms, are as follows (actual maturities may differ due to call or prepayment rights):

	2012		2011	
	Amortized costs	Fair values	Amortized costs	Fair values
In one year or less	$ 56,315	$ 56,330	$ 43,021	$ 43,092
After one year through five years	123,208	124,099	120,141	122,074
Total	$179,523	$180,429	$163,162	$165,166

Gross unrealized losses on investments and the fair values of the related securities, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2012 and 2011 were as follows:

	2012 Less than 12 months		2011 Less than 12 months	
	Losses	Fair values	Losses	Fair values
Debt securities:				
U.S. Treasuries	$ –	$ –	$ –	$ –
U.S. government agency	3	34,997	–	–
Total	$ 3	$ 34,997	$ –	$ –

The unrealized loss positions were primarily caused by interest rate fluctuations. The number of investments in an unrealized loss position as of December 31, 2012 and 2011 was two and zero, respectively. Since the Company does not intend to sell and will more likely than not maintain each debt security until its anticipated recovery, and no significant credit risk is deemed to exist, these investments are not considered *other-than-temporarily impaired.*

In conjunction with the CFC $302,000 secured term loan (note 3), Big Rivers was required to invest in Capital Term Certificates (CTCs) equal to 14.29% of the Refinance Note. Proceeds of the Equity Note were used to purchase the investments in CTCs as required under the loan agreement. The interest rate on the CTCs is fixed at 4.28% and is equal to 80% of the Equity Note rate of 5.35%. The CTCs cannot be traded in the market, and therefore, a value other than their outstanding principal amount cannot be determined.

9. Fair Value of Other Financial Instruments

FASB ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measures. It applies under other accounting standards that require or permit fair value measurements and does not require any new fair value measurements.

The carrying value of accounts receivable and accounts payable approximate fair value due to their short maturity. At December 31, the Company's cash, cash equivalents, and restricted cash included short-term investments in an institutional money market government portfolio account classified as trading securities under ASC 320, *Investments – Debt and Equity Securities*, that were recorded at fair value which were determined using quoted market prices for identical assets without regard to valuation adjustment or block discount (a Level 1 measure), as follows:

	2012	2011
Institutional money market government portfolio	$110,165	$44,844

It was not practical to estimate the fair value of patronage capital included within other deposits and investments due to these being untraded companies.

Big Rivers' long-term debt at December 31, 2012 consists of CFC loans totaling $341,358, a CoBank loan in the amount of $231,426, RUS notes totaling $210,359, variable rate pollution control bonds in the amount of $58,800, and fixed-rate pollution control bonds in the amount of $83,300 (note 3). The RUS, CFC, and CoBank debt cannot be traded in the market, and therefore, a value other than their outstanding principal amount cannot be determined. The fair value of the Company's variable rate pollution control debt is par value, as each variable rate reset effectively prices such debt to the current market. At December 31, 2012, the fair value of Big Rivers' fixed-rate pollution control debt was determined based on quoted prices in active markets of similar instruments (Level 1 measure) and totaled $86,778.

10. Postretirement Benefits Other than Pensions

Big Rivers provides certain postretirement medical benefits for retired employees and their spouses. Generally, except for generation bargaining retirees, Big Rivers pays 85% of the premium cost for all retirees age 62 to 65. The Company pays 25% of the premium cost for spouses under age 62. For salaried retirees age 55 to age 62, Big Rivers pays 25% of the premium cost. Beginning at age 65, the Company pays 25% of the premium cost if the retiree is enrolled in Medicare Part B. For each generation bargaining retiree, Big Rivers establishes a retiree medical account at retirement equal to $1,200 per year of service up to 30 years ($1,250 per year for those retiring on or after January 1, 2012). The account balance is credited with interest based on the 10-year treasury rate subject to a minimum of 4% and a maximum of 7%. The account is to be used for the sole purpose of paying the premium cost for the retiree and spouse.

The discount rates used in computing the postretirement benefit obligation and net periodic benefit cost were as follows:

	2012	2011	2010
Discount rate — projected benefit obligation	3.72%	4.29%	4.96%
Discount rate — net periodic benefit cost	4.29	4.96	5.78

The healthcare cost trend rate assumptions as of December 31, 2012 and 2011 were as follows:

	2012	2011
Initial trend rate	7.30%	7.40%
Ultimate trend rate	4.50	4.50
Year ultimate trend is reached	2028	2028

A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	2012	2011
One-percentage-point decrease:		
Effect on total service and interest cost components	$ (209)	$ (211)
Effect on year-end benefit obligation	(1,454)	(1,056)
One-percentage-point increase:		
Effect on total service and interest cost components	253	254
Effect on year-end benefit obligation	1,723	1,226

A reconciliation of the Company's benefit obligations of its postretirement plan at December 31, 2012 and 2011 is as follows:

	2012	2011
Benefit obligation — beginning of period	$ 18,040	$ 15,864
Service cost — benefits earned during the period	1,169	1,253
Interest cost on projected benefit obligation	766	754
Participant contributions	177	160
Amendments	(1,957)	-
Benefits paid	(796)	(611)
Actuarial loss	1,270	620
Benefit obligation — end of period	$ 18,669	$ 18,040

Big Rivers revised the eligibility requirements for postretirement medical with regard to age and service. Beginning January 1, 2014, eligibility for retirement is age 62 with 10 years of service. The service requirement is waived for active employees on December 31, 2012 who will not have 10 years of service at age 62. These amendments to the plan represent a $1,957 reduction in the accrued liability as of December 31, 2012.

A reconciliation of the Company's postretirement plan assets at December 31, 2012 and 2011 is as follows:

	2012	2011
Fair value of plan assets — beginning of period	$ -	$ -
Employer contributions	619	451
Participant contributions	177	160
Benefits paid	(796)	(611)
Fair value of plan assets — end of period	$ -	$ -

The funded status of the Company's postretirement plan at December 31, 2012 and 2011 is as follows:

	2012	2011
Benefit obligation — end of period	$(18,669)	$(18,040)
Fair value of plan assets — end of period	-	-
Funded status	$(18,669)	$(18,040)

The components of net periodic postretirement benefit costs for the years ended December 31, 2012, 2011, and 2010 were as follows:

	2012	2011	2010
Service cost	$1,169	$1,253	$1,313
Interest cost	766	754	743
Amortization of prior service cost	17	17	17
Amortization of transition obligation	31	31	31
Net periodic benefit cost	$1,983	$2,055	$2,104

A reconciliation of the postretirement plan amounts in accumulated other comprehensive income (loss) at December 31, 2012 and 2011 is as follows:

	2012	2011
Prior service cost	$1,844	$ (130)
Unamortized actuarial loss	(1,655)	(385)
Transition obligation	-	(31)
Accumulated other comprehensive income (loss)	$ 189	$ (546)

In 2013, $17 of prior service cost and $0 of actuarial gain is expected to be amortized to periodic benefit cost.

The recognized adjustments to other comprehensive loss at December 31, 2012 and 2011 are as follows:

	2012	2011
Prior service cost	$1,974	$ 17
Unamortized actuarial loss	(1,269)	(620)
Transition obligation	31	31
Other comprehensive income (loss)	$ 736	$(572)

At December 31, 2012 and 2011, amounts recognized in the balance sheets were as follows:

	2012	2011
Accounts payable	$ (992)	$ (762)
Deferred credits and other	(17,677)	(17,278)
Net amount recognized	$(18,669)	$(18,040)

Expected retiree benefit payments projected to be required during the years following 2012 are as follows:

Year(s)	Amount
2013	$ 992
2014	1,160
2015	1,231
2016	1,330
2017	1,488
2018–2022	8,033
Total	$14,234

In addition to the postretirement plan discussed above, Big Rivers has another postretirement benefit plan, which vests a portion of accrued sick leave benefits to salaried employees upon retirement or death. To the extent, an employee's sick leave hour balance exceeds 480 hours such excess hours are paid at 20% of the employee's base hourly rate at the time of retirement or death. The accumulated obligation recorded for the postretirement sick leave benefit is $589 and $579 at December 31, 2012 and 2011, respectively. The postretirement expense recorded was $57, $191, and $21 for 2012, 2011, and 2010, respectively, and the benefits paid were $47, $3, and $5 for 2012, 2011, and 2010, respectively.

11. Related Parties

For the years ended December 31, 2012, 2011, and 2010, Big Rivers had tariff sales to its members of $158,893, $151,472, and $151,001, respectively. In addition, for the years ended December 31, 2012, 2011, and 2010, Big Rivers had certain sales to Kenergy for the Aluminum Smelters and Domtar Paper loads of $366,758, $306,420, and $281,473, respectively.

At December 31, 2012 and 2011, Big Rivers had accounts receivable from its members of $42,759 and $40,314, respectively.

12. Commitments and Contingencies

Big Rivers is involved in litigation arising in the normal course of business. While the results of such litigation cannot be predicted with certainty, management, based upon advice of counsel, believes that the final outcome will not have a material adverse effect on the financial statements.

On April 2, 2012, Big Rivers filed an application with the KPSC seeking approval of its 2012 environmental compliance plan (ECP). As filed, the ECP requested KPSC approval to install certain equipment allowing Big Rivers to comply, in the most cost-effective manner, with the U.S. Environmental Protection Agency Cross State Air Pollution Rule (CSAPR), and Mercury and Air Toxics Standards (MATS). In addition, the ECP filing requested approval to recover the costs of the ECP through an amendment to Big Rivers' existing environmental surcharge tariff rider, an automatic cost recovery mechanism that is similar in function to the fuel adjustment clause. Prior to the evidentiary hearing conducted on August 22 and 23, 2012 at the KPSC's offices, a ruling by the United States Court of Appeals for the District of Columbia Circuit resulted in CSAPR being vacated. On August 22, 2012, with CSAPR vacated and only MATS compliance remaining (at an estimated cost of $58,440), the parties to the KPSC hearing were able to reach a full and unanimous settlement of all issues related to the ECP case. On October 1, 2012, the KPSC issued an order approving Big Rivers' ECP.

Five-Year Review

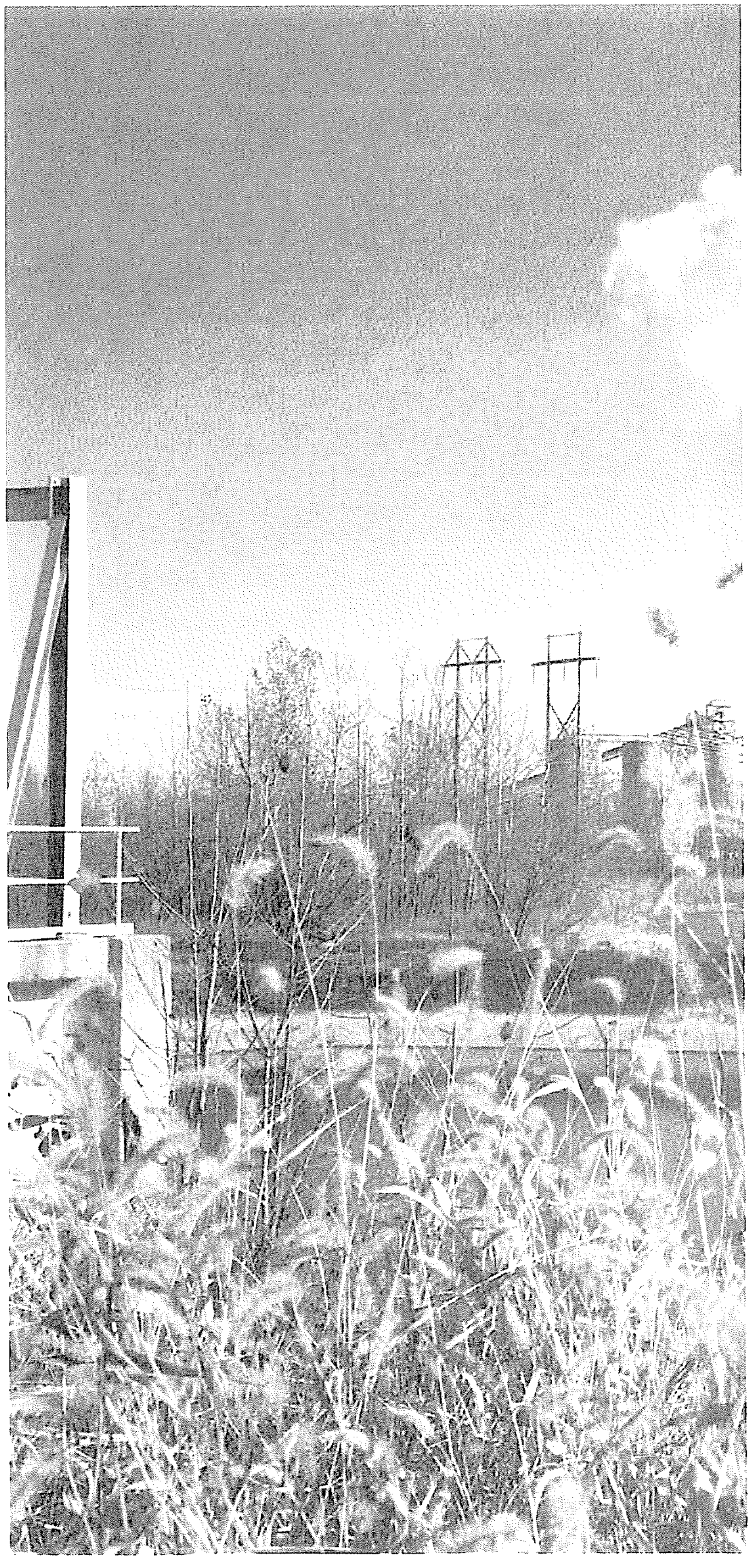
Years ended December 31 — (Dollars in thousands)

SUMMARY OF OPERATIONS	2012	2011	2010	2009	2008
Operating Revenue:					
Power Contracts Revenue	$568,342	$561,989	$527,324	$341,333	$214,758
Lease Revenue	–	–	–	32,027	58,423
Total Operating Revenue	568,342	561,989	527,324	373,360	273,181
Operating Expenses:					
Fuel for Electric Generation	226,369	226,229	207,749	80,655	–
Power Purchased	111,465	112,262	99,421	116,883	114,643
Operations (Excluding Fuel), Maintenance, Other	134,206	137,213	134,660	87,645	32,858
Depreciation	41,090	35,407	34,242	32,485	31,041
Total Operating Expenses	513,130	511,111	476,072	317,668	178,542
Interest Expense and Other:					
Interest	44,414	45,226	46,570	59,898	72,710
Other – net	546	320	425	3,309	6,868
Total Interest Expense & Other	44,960	45,546	46,995	63,207	79,578
Operating Margin	10,252	5,332	4,257	(7,515)	15,061
Non-Operating Margin	1,025	268	2,734	538,845	12,755
Net Margin	$11,277	$5,600	$6,991	$531,330	$27,816
SUMMARY OF BALANCE SHEET					
Total Utility Plant	$2,050,221	$2,028,418	$2,001,067	$1,986,373	$1,791,772
Accumulated Depreciation	962,994	936,355	909,501	908,099	879,073
Net Utility Plant	1,087,227	1,092,063	1,091,566	1,078,274	912,699
Cash and Cash Equivalents	68,860	44,849	44,780	60,290	38,903
Restricted Cash	41,313	–	–	–	–
Reserve Account Investments[1]	182,994	164,399	218,955	244,641	–
Other Assets	166,284	116,611	116,884	122,278	122,834
Total Assets	$1,546,678	$1,417,922	$1,472,185	$1,505,483	$1,074,436
Equities (deficit)	$402,882	$389,820	$386,575	$ 379,392	$ (154,602)
Long-term Debt[2]	925,243	786,399	816,996	848,552	987,349
Regulatory Liability – Member Rate Mitigation	147,732	169,001	185,893	207,348	–
Other Liabilities and Deferred Credits	70,821	72,702	82,721	70,191	241,689
Total Liabilities and Equity	$1,546,678	$1,417,922	$1,472,185	$1,505,483	$1,074,436
ENERGY SALES (MWh)					
Member Rural	2,321,477	2,371,106	2,481,390	2,239,445	2,386,916
Member Large Industrial	961,298	973,093	930,168	919,587	925,793
Smelter Contracts	7,424,473	6,854,820	6,348,431	2,885,491	–
Other	1,536,834	3,056,106	2,209,431	1,746,438	1,844,677
Total Energy Sales	12,244,082	13,255,125	11,969,420	7,790,961	5,157,386
Sources of Energy (MWh)					
Generated	9,143,111	10,284,350	9,895,512	3,715,544	–
Purchased	3,162,489	2,998,361	2,220,994	4,166,916	5,211,789
Losses and Net Interchange	(61,518)	(27,586)	(147,086)	(91,499)	(54,403)
Total Energy Available	12,244,082	13,255,125	11,969,420	7,790,961	5,157,386
NET CAPACITY (MW)					
Net Generating Capacity Owned	1,444	1,444	1,444	1,444	1,459
Rights to HMP&L Station Two	197	202	207	212	217
Other Net Capacity Available	178	178	178	178	178

[1] Includes investment income receivable.

[2] Includes current maturities of long-term obligations.

Big Rivers



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