Big Rivers
ELECTRIC CORPORATION

201 Third Street
P.O. Box 24
Henderson, KY 42419-0024
270-827-2561
www.bigrivers.com

May 14, 2013

RECEIVED

MAY 14 2013

PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen
Executive Director
Public Service Commission of Kentucky
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40601-0615

***RE: In the Matter of:* Application of Big Rivers Electric Corporation for Approval to Issue Evidence of Indebtedness**
Case No. 2013-00125

Dear Mr. Derouen:

By separate cover on May 14, 2013, Big Rivers Electric Corporation ("Big Rivers") filed its responses to the Kentucky Industrial Utility Customers' Initial Request for Information dated May 2, 2013, in the abovementioned matter. Big Rivers has discovered that the cover pages for those responses incorrectly styled the case as a Big Rivers General Rate Case, but the case number was correct.

Enclosed herewith are an original and ten (10) copies of the corrected cover pages with the correct case style and associated case number.

Should you have any questions about this, please contact me as shown below.

Sincerely yours,

Roger D. Hickman

Roger D. Hickman
Regulatory Affairs Manager
Phone: 270-844-6182
E-Mail: roger.hickman@bigrivers.com

Attachment

SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC

ATTORNEYS AT LAW

RECEIVED

MAY 14 2013

PUBLIC SERVICE
COMMISSION

ld M. Sullivan
Jesse T. Mountjoy
Frank Stainback
James M. Miller
Michael A. Fiorella
Allen W. Holbrook
R. Michael Sullivan
Bryan R. Reynolds*
Tyson A. Kamuf
Mark W. Starnes
C. Ellsworth Mountjoy

*Also Licensed in Indiana

May 13, 2013

Via Federal Express

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

RE: In the Matter of: The Application of Big Rivers Electric Corporation for Approval to Issue Evidences of Indebtedness
PSC Case No. 2013-00125

Dear Mr. Derouen:

Enclosed are an original and ten copies of (i) Big Rivers Electric Corporation's ("Big Rivers") Response to Kentucky Industrial Utility Customers, Inc.'s First Set of Data Requests to Big Rivers and (ii) a Petition for Confidential Treatment. I certify that on this date copies of the response, petition for confidential treatment and this letter were served on each of the persons on the attached service list by first class mail, postage prepaid.

Sincerely yours,

James M. Miller

James M. Miller

Enclosures

cc: Billie Richert
Service List

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

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

www.westkylaw.com

Service List
PSC Case No. 2013-00125

Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.
BOEHM, KURTZ & LOWRY
36 E. Seventh Street, Suite 1510
Cincinnati, Ohio 45202

Jennifer B. Hans
Lawrence W. Cook
Dennis G. Howard, II
Assistant Attorneys General
1024 Capital Center Dr.
Suite 200
Frankfort, KY 40601

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS CASE NO. 2013-00125

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 10th day of May, 2013.

Paula Mitchell

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

ORIGINAL

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

RECEIVED
MAY 14 2013
PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

APPLICATION OF BIG RIVERS	)	
ELECTRIC CORPORATION	)	**Case No. 2013-00125**
FOR APPROVAL TO ISSUE	)	
EVIDENCE OF INDEBTEDNESS	)	

**Response to the Kentucky Industrial Utility Customers'
Initial Request for Information
dated May 2, 2013**

FILED: May 14, 2013

ORIGINAL

ORIGINAL

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

RECEIVED

MAY 14 2013

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

APPLICATION OF BIG RIVERS	)	
ELECTRIC CORPORATION FOR A	)	Case No. 2013-00125
GENERAL ADJUSTMENT IN RATES	)	

Response to the Kentucky Industrial Utility Customers' Initial Request for Information dated May 2, 2013

FILED: May 14, 2013

ORIGINAL

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS
CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated May 2, 2013

May 14, 2013

Item 1) ***Provide a copy of all correspondence and documents exchanged between BREC and CFC regarding the transactions described in the Application.***

Response)

Big Rivers objects to this request on the grounds that it is overly broad and unduly burdensome. Big Rivers also objects to this request on the grounds that it seeks information that is irrelevant and not likely to lead to the discovery of admissible evidence. Notwithstanding these objections, but without waiving them, Big Rivers states as follows. Please see attached copies of all correspondence and documents exchanged between BREC and CFC regarding the transactions described in the Application.

Witness) Billie J. Richert

Billie Richert

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Thursday, May 09, 2013 6:48 AM
Billie Richert
Cc: Thomas Hall
Subject: RE: Big Rivers/ AR Revolving Line of Credit
Attachments: Big Rivers Proposed Language LOC.docx

Billie,

Attached is the language you proposed for the amended line of credit of credit with comments from CFC. Please let me know if this works for you.

Thanks,

(See attached file: Big Rivers Proposed Language LOC.docx)

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
F· '703) 467-5653

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| From: |
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|Billie Richert <Billie.Richert@bigrivers.com> |
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| To: |
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|Thomas Hall <Thomas.Hall@nrucfc.coop> |
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| Cc: |
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|"Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop> |
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|05/08/2013 08:16 PM |
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|RE: Big Rivers/ AR Revolving Line of Credit |
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Sorry if I missed your call this afternoon. I had back-to-back calls/meetings most of the day.

-----Original Message-----
From: Thomas Hall [mailto:Thomas.Hall@nrucfc.coop]
Sent: Tuesday, May 07, 2013 9:00 PM
To: Billie Richert
Cc: Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)
Subject: RE: Big Rivers/ AR Revolving Line of Credit

Billie,

We will reach out tomorrow. I am tied up all morning so will likely be in the afternoon. Sorry for the delay.

.

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

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| From: |
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|'e Richert <Billie.Richert@bigrivers.com>
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| To: |
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|"Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop>, Thomas Hall <Thomas.Hall@nrucfc.coop>
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|05/07/2013 07:36 PM
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| Subject: |
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|RE: Big Rivers/ AR Revolving Line of Credit
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Dan/Tom,
Good evening. Could we touch base early tomorrow morning or some time mid-afternoon on the topic below and the status of CFC's review of the ECP agreement?

Thank you.

Billie

From: Billie Richert
S Monday, April 29, 2013 10:59 AM
To. Jan Lyzinski (Dan.Lyzinski@nrucfc.coop); Thomas Hall
Subject: FW: Big Rivers/ AR Revolving Line of Credit

Dan/Tom,
Please see attached requested/suggested wording for the Line of Credit/Revolver.

ık you.

From: Gottlieb, F. Susan [mailto:fgottlieb@orrick.com]
Sent: Monday, April 29, 2013 10:32 AM
To: Billie Richert; Jim Miller
Cc: Lyon, Carl F.; Boyne, Victoria; Gottlieb, F. Susan
Subject: FW: Big Rivers/ AR Revolving Line of Credit

Attached is the revised version of Section 6.01 M(iii) that reflects both Jim's and Carl's comments from yesterday.

Susan

This may contain information that is confidential or privileged. If you are not the addressee indicated in this message (or responsible for delivery of this message to such person), you should not copy or deliver this message to anyone or make any other use of the information set forth herein. In such case, you should destroy this message and notify the sender by telephone or e-mail.

(iii) One or more of the Borrower's wholesale power contracts with its distribution cooperative members which, individually or in the aggregate, represent more than 10% of Borrowers' total gross revenue shall for any reason be terminated prior to the expiration of their term, other than (a) Borrower's existing wholesale power contracts with Kenergy Corp. relating to Century Aluminum Company ("Century") and Rio Tinto Alcan ("Alcan"), respectively, but only with respect to the voluntary termination rights of such parties under such wholesale power contracts (i.e., if a termination of either of such wholesale power contracts occurs for any other reason, then any such termination shall be considered for purposes of this Section 6.01.M(iii), provided, that if either Century or Alcan purports to exercise the voluntary termination provisions under their respective contracts and Borrower contests the validity of such exercise, such purported voluntary termination shall not be considered for purposes of this Section 6.01M(iii) so long as Century and/or Alcan, as the case may be, continue to perform as required under their respective contracts through the actual date of termination associated with the purported exercise of such voluntary termination provisions) or (b) any of Borrower's wholesale power contracts with Kenergy Corp. relating to service to an aluminum smelter currently operated by either Century or Alcan entered into following the termination of the existing wholesale power contracts referred to in clause (a) herein, but subject to the same terms and provisions set forth in clause (a) above.

Billie Richert

From: Thomas Hall <Thomas.Hall@nrucfc.coop>
Tuesday, April 30, 2013 8:41 AM
Billie Richert
Cc: Billie Richert; Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)
Subject: Re: CFC Conference Call

Billie,

Dan and I will plan to call you. Let us know which number is best. Thanks again for your flexibility.

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

|------------>
| Calendar |
| Entry Type |
|------------>

>--->

|CFC Conference Call |

|Wed 05/01/2013 3:30 PM - 4:30 PM |

| Thomas Hall |

|Chair: |
| Billie.Richert@bigrivers.com |
|Sent By: |
| Billie Richert <Billie.Richert@bigrivers.com> |

|Location: |
| Henderson |
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This entry has an alarm. The alarm will go off before the entry starts.

|--------------|
[ ] Catering

Dan Lyzinski/CFC, Thomas Hall/CFC

Time zones:

This entry was created in a different time zone. The time in that time zone is: Wed 05/01/2013 2:30 PM CDT3:30 PM CDT 'et me know if you want to call me or I can call you. If this time ,esn't let me know.

Thanks.

Billie Richert

·:	Thomas Hall <Thomas.Hall@nrucfc.coop>
.	Monday, April 29, 2013 6:29 PM
To:	Billie Richert
Cc:	Dan Lyzinski
Subject:	Re: FYI

If you have some time on Wed, that would be great.

Sent from my iPad

On Apr 29, 2013, at 7:15 PM, "Billie Richert"
<Billie.Richert@bigrivers.com> wrote:

> Tom/Dan,
> Mark is on vacation the rest of the week beginning Wednesday. Do you
want to speak with me and I can then follow-up on any outstanding items?
Or we can schedule something for early next week.
>
> Thank you.
>
> Billie
>
> -----Original Message-----
> m: Thomas Hall [mailto:Thomas.Hall@nrucfc.coop]
> ..nt: Monday, April 29, 2013 2:31 PM
> To: Billie Richert
> Cc: Dan Lyzinski
> Subject: RE: FYI
>
> Billie,
>
> Our apologies, but tomorrow is proving difficult.
>
> Wednesday is wide open. Is there any time at all on Wednesday that
> would
work for both you and Mark?
>
> Thanks.
>
> ---
> -
> CFC: Created and Owned by America's Electric Cooperative Network
>
> Thomas Hall
> Regional Vice President
>
> ›nal Rural Utilities Cooperative Finance Corporation
> 20701 Cooperative Way
> Dulles, VA 20166
> Office: 703-467-2746

> Cell: 703-483-1398
> Fax: 703-467-5653

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> | From: |
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> |Billie Richert <Billie.Richert@bigrivers.com>
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> | To: |
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> |Thomas Hall <Thomas.Hall@nrucfc.coop>, Dan Lyzinski
<Dan.Lyzinski@nrucfc.coop>
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> |RE: FYI
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> How about 2:00 CDT tomorrow - April 30th?

> -----Original Message-----
> From: Thomas Hall [mailto:Thomas.Hall@nrucfc.coop]
> Sent: Monday, April 29, 2013 9:22 AM
> To: Billie Richert; Dan Lyzinski
> Subject: Re: FYI
>
> Unfortunately we are in a meeting. What does tomorrow look like.
> --
> CFC: Created and Owned by America's Electric Cooperative Network
>
> Thomas Hall
> Regional Vice President
>
> National Rural Utilities Cooperative Finance Corporation
> 20701 Cooperative Way
> Dulles, VA 20166
> Office: 703-467-2746
> Cell: 703-483-1398
> Fax: 703-467-5653
>
>
> -- Original Message -----
> m: Billie Richert [Billie.Richert@bigrivers.com]
> Sent: 04/29/2013 09:03 AM EST
> To: Dan Lyzinski
> Cc: Thomas Hall
> Subject: RE: FYI
>
>
>
> Mark is available now if you are. We have a staff meeting this
> afternoon
which will last until 4:00.
>
> -----Original Message-----
> From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
> Sent: Monday, April 29, 2013 8:47 AM
> To: Billie Richert
> Cc: Thomas Hall
> Subject: Re: FYI
>
> Billie,
>
> Would you be available sometime this afternoon for a conference call
>
discuss the details of the agreement?
>
> Thanks,

>
>

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>
> CFC: Created and Owned by America's Electric Cooperative Network
>
> Dan Lyzinski
>
> National Rural Utilities Cooperative Finance Corporation
> 20701 Cooperative Way
> Dulles, VA 20166
> Ph.: (703) 467-2741
> Fax: (703) 467-5653
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> | From: |
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: illie Richert <Billie.Richert@bigrivers.com>
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> |"Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)"
> <Dan.Lyzinski@nrucfc.coop>,
Thomas Hall <Thomas.Hall@nrucfc.coop>
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>
> Billie Richert, CPA, CITP
> VP Accounting, Rates and CFO
> Big Rivers Electric Corporation
> 201 Third Street
> Henderson, KY 42420
>
> Corporate: (270) 827-2561
> Office Direct: (270) 844-6190
> Mobile: (270) 577-6221
>
> ________________________________
> The information contained in this transmission is intended only for
> the
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> [attachment "#753605812v3_USA_ - Century Press Release.docx" deleted
> by
Dan Lyzinski/CFC]
>
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>
> This may contain information that is confidential or privileged. If
> you
are not the addressee indicated in this message (or responsible for delivery of this message to such person), you should not copy or deliver this message to anyone or make any other use of the information set forth herein. In such case, you should destroy this message and notify the sender by telephone or e-mail.
>
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Billie Richert

ɿ:	Thomas Hall <Thomas.Hall@nrucfc.coop>
:	Monday, April 29, 2013 2:31 PM
ˈIu:	Billie Richert
Cc:	Dan Lyzinski
Subject:	RE: FYI

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Thanks.

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2746
C 703-483-1398
F... 703-467-5653

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| From: |
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|Billie Richert <Billie.Richert@bigrivers.com> |
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| To: |
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|Thomas Hall <Thomas.Hall@nrucfc.coop>, Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
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|04/29/2013 10:27 AM |
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| Subject: |
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|RE: FYI |
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How about 2:00 CDT tomorrow - April 30th?

-----Original Message-----
From: Thomas Hall [mailto:Thomas.Hall@nrucfc.coop]
Sent: Monday, April 29, 2013 9:22 AM
To: Billie Richert; Dan Lyzinski
Subject: Re: FYI

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CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2746
(703-483-1398
Fax: 703-467-5653

----- Original Message -----
From: Billie Richert [Billie.Richert@bigrivers.com]
Sent: 04/29/2013 09:03 AM EST
To: Dan Lyzinski
Cc: Thomas Hall
Subject: RE: FYI

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-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Monday, April 29, 2013 8:47 AM
To: Billie Richert
Cc: Thomas Hall
Subject: Re: FYI

Bi''

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CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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| From: |
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|Billie Richert <Billie.Richert@bigrivers.com>
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| To: |
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|"Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop>, Thomas Hall <Thomas.Hall@nrucfc.coop>
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|04/29/2013 09:17 AM
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| Subject: |

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

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

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[attachment "#753605812v3_USA_ - Century Press Release.docx" deleted by Dan Lyzinski/CFC]

Th ay contain information that is confidential or privileged. If you are not the addressee indicated in this message (or responsible for delivery of this message to such person), you should not copy or deliver this message to anyone or make

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Billie Richert

From:	Billie Richert
':	Monday, April 29, 2013 10:59 AM
	Dan Lyzinski (Dan.Lyzinski@nrucfc.coop); Thomas Hall
Subject:	FW: Big Rivers/ AR Revolving Line of Credit
Attachments:	ARRevolvingLineofCredit - ARLineofCredit(OrrickComments).pdf; Doc1.docx

Dan/Tom,
Please see attached requested/suggested wording for the Line of Credit/Revolver.

Thank you.

From: Gottlieb, F. Susan [mailto:fgottlieb@orrick.com]
Sent: Monday, April 29, 2013 10:32 AM
To: Billie Richert; Jim Miller
Cc: Lyon, Carl F.; Boyne, Victoria; Gottlieb, F. Susan
Subject: FW: Big Rivers/ AR Revolving Line of Credit

Attached is the revised version of Section 6.01 M(iii) that reflects both Jim's and Carl's comments from yesterday.

Susan

(iii) One or more of the Borrower's wholesale power contracts with its distribution cooperative members which, individually or in the aggregate, represent more than 10% of Borrowers' total gross revenue shall for any reason be terminated prior to the expiration of their term, other than (a) Borrower's existing wholesale power contracts with Kenergy Corp. relating to Century Aluminum Company ("Century") and Rio Tinto Alcan ("Alcan"), respectively, but only with respect to the voluntary termination rights of such parties under such wholesale power contracts (i.e., if a termination of either of such wholesale power contracts occurs for any other reason, then any such termination shall be considered for purposes of this Section 6.01.M(iii), provided, that if either Century or Alcan purports to exercise the voluntary termination provisions under their respective contracts and Borrower contests the validity of such exercise, such purported voluntary termination shall not be considered for purposes of this Section 6.01M(iii) so long as Century and/or Alcan, as the case may be, continue to perform as required under their respective contracts through the actual date of termination associated with the purported exercise of such voluntary termination provisions) or (b) any of Borrower's wholesale power contracts with Kenergy Corp. relating to service to an aluminum smelter currently operated by either Century or Alcan entered into following the termination of the existing wholesale power contracts referred to in clause (a) herein.

Document comparison by Workshare Compare on Monday, April 29, 2013 11:03:43 AM

Input:	
Document 1 ID	file://C:\Users\vs1\Desktop\ARRevolvingLineofCredit.docx
Description	ARRevolvingLineofCredit
Document 2 ID	file://C:\Users\vs1\Desktop\ARLineofCredit(OrrickComments).docx
Description	ARLineofCredit(OrrickComments)
Rendering set	Standard

Legend:	
Insertion	
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Moved to	
Style change	
Format change	
~~Moved deletion~~	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	3
Deletions	0
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	3

Billie Richert

ι:	Thomas Hall <Thomas.Hall@nrucfc.coop>
:	Monday, April 29, 2013 9:22 AM
To:	Billie Richert; Dan Lyzinski
Subject:	Re: FYI

Unfortunately we are in a meeting. What does tomorrow look like.

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

----- Original Message -----
From: Billie Richert [Billie.Richert@bigrivers.com]
Sent: 04/29/2013 09:03 AM EST
To: Dan Lyzinski
(ιomas Hall
Subject: RE: FYI

Mark is available now if you are. We have a staff meeting this afternoon which will last until 4:00.

-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Monday, April 29, 2013 8:47 AM
To: Billie Richert
Cc: Thomas Hall
Subject: Re: FYI

Billie,

Would you be available sometime this afternoon for a conference call to discuss the details of the agreement?

Thanks,

CF ˜reated and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation

20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
: (703) 467-5653

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| From: |
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|Billie Richert <Billie.Richert@bigrivers.com> |
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| To: |
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|"Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop>, Thomas Hall <Thomas.Hall@nrucfc.coop> |
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| Date: |
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|04/29/2013 09:17 AM |
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| Subject: |
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|FYI |
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Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

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

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[attachment "#753605812v3_USA_ - Century Press Release.docx" deleted by Dan Lyzinski/CFC]

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Billie Richert

From: Thomas Hall <Thomas.Hall@nrucfc.coop>
Monday, April 29, 2013 8:51 AM
Dan Lyzinski
Cc: Billie Richert
Subject: Re: FYI

Any time other than 4 Eastern. Thanks. I wonder if Mark would be available?

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

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| From: |
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|Dan Lyzinski/CFC |
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| To: |
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|Billie Richert <Billie.Richert@bigrivers.com> |
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| Cc: |
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|Thomas Hall <Thomas.Hall@nrucfc.coop> |
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|04/29/2013 09:47 AM |
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| ' 'ect: |
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|Re: FYI |

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Billie,

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Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

|------------>
| From: |
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|Billie Richert <Billie.Richert@bigrivers.com> |
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| To: |
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|"Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop>, Thomas Hall <Thomas.Hall@nrucfc.coop>
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|04/29/2013 09:17 AM |
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Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

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

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[attachment "#753605812v3_USA_ - Century Press Release.docx" deleted by Dan Lyzinski/CFC]

Billie Richert

:	Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
:	Monday, April 29, 2013 8:47 AM
To:	Billie Richert
Cc:	Thomas Hall
Subject:	Re: FYI

Billie,

Would you be available sometime this afternoon for a conference call to discuss the details of the agreement?

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CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
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Ph.: (703) 467-2741
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| From: |
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|Billie Richert <Billie.Richert@bigrivers.com> |
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| To: |
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|"Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop>, Thomas Hall <Thomas.Hall@nrucfc.coop>
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| Date: |
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|04/29/2013 09:17 AM |
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|FYI |
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Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
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[attachment "#753605812v3_USA_ - Century Press Release.docx" deleted by Dan Lyzinski/CFC]

Billie Richert

):	Thomas Hall <Thomas.Hall@nrucfc.coop>
.:	Thursday, March 14, 2013 8:05 AM
To:	Billie Richert
Cc:	Dan Lyzinski (Dan.Lyzinski@nrucfc.coop); Lawrence Saunders (lawrence.saunders@nrucfc.coop); Ralph Ashworth; Adam Lichtenstein
Subject:	Re: Request for conference call Monday 1:00 CST - March 18th

Billie,

Dan, Adam, and I will make ourselves available. Could you circle a calendar invite? Thx.

Sent from my iPad

On Mar 13, 2013, at 7:19 PM, "Billie Richert" <Billie.Richert@bigrivers.com> wrote:

> All,
>
> Are you available for a call with Carl and Jim regarding a few items on the amended Revolver? Should not take more than 30 minutes.
>
> Thank you.
>
> Billie
>
> *Billie Richert, CPA, CITP*
> VP Accounting, Rates and CFO
> Big Rivers Electric Corporation
> 201 Third Street
> Henderson, KY 42420
>
> Corporate: (270) 827-2561
> Office Direct: (270) 844-6190
> Mobile: (270) 577-6221
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Billie Richert

'	Billie Richert
⸤ .	Wednesday, March 13, 2013 6:19 PM
To:	Dan Lyzinski (Dan.Lyzinski@nrucfc.coop); Thomas Hall; Lawrence Saunders (lawrence.saunders@nrucfc.coop)
Cc:	Ralph Ashworth
Subject:	Request for conference call Monday 1:00 CST - March 18th

All,

Are you available for a call with Carl and Jim regarding a few items on the amended Revolver? Should not take more than 30 minutes.

Thank you.

Billie

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

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

Billie Richert

From:	Lawrence Saunders <Lawrence.Saunders@nrucfc.coop>
	Monday, March 11, 2013 10:46 AM
	Billie Richert
Cc:	Adam Lichtenstein; Thomas Hall; Dan Lyzinski
Subject:	Re: Confirmation of our agreement to Term Sheet for the CFC Revolver
Attachments:	Big Rivers - Summary of Terms A&R LOC 030413.DOC

Billie, we at CFC are delighted that we were able to work together with Big Rivers in structuring a LOC that would support its liquidity needs in the future. Thank you and your team for making yourselves available to address our questions and providing the necessary information needed by CFC in a timely manner.

Best regards,

CFC: Created and Owned by America's Electric Cooperative Network

Lawrence Saunders
Vice President, Portfolio Management, G&T

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2756 or toll-free 800-424-2954
Fax: 703-467-5653

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| From: |
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|Dan Lyzinski/CFC |
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| To: |
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|Billie Richert <Billie.Richert@bigrivers.com> |
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| Cc: |
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|"Charles, Joseph P (jcharles@kpmg.com)" <jcharles@kpmg.com>, "Lawrence Saunders (lawrence.saunders@nrucfc.coop)" <lawrence.saunders@nrucfc.coop>, |
|Thomas Hall <Thomas.Hall@nrucfc.coop>, Adam Lichtenstein/CFC@CFC
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| Date: |
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|03/11/2013 11:17 AM |
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| Subject: |
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|Re: Confirmation of our agreement to Term Sheet for the CFC Revolver |
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Billie,

CFC confirms that it has reached an agreement with Big Rivers on the Terms and Conditions as stated in the Term Sheet. CFC expects to have a draft credit agreement to you within the next day or two.

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

N nal Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

|----------->
| From: |
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|Billie Richert <Billie.Richert@bigrivers.com> |
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| To: |
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|Thomas Hall <Thomas.Hall@nrucfc.coop>, "Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop>, 'Lawrence Saunders |
|(lawrence.saunders@nrucfc.coop)" <lawrence.saunders@nrucfc.coop> |
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Cc: |
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|"Charles, Joseph P (jcharles@kpmg.com)" <jcharles@kpmg.com> |
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| Date: |
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|03/11/2013 10:55 AM |
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| Subject: |
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|Confirmation of our agreement to Term Sheet for the CFC Revolver |
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Gentlemen:

By sending this email I am confirming on behalf of Big Rivers that the two parties have reached agreement on the Terms and Conditions for the CFC Revolver.

C one of you please confirm that Big Rivers and CFC have reached agreement on the Terms and Conditions as stated in
c ,erm Sheet
(attached) for our auditors, KPMG? I've copied the KPMG partner on this
email for you to respond to.

Thank you,

Billie

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

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

(See attached file: Big Rivers - Summary of Terms A&R LOC 030413.DOC)

SUMMARY OF TERMS AND CONDITIONS IN CONNECTION WITH PROPOSED AMENDMENTS TO THE REVOLVING LINE OF CREDIT AGREEMENT

BORROWER:	Big Rivers Electric Corporation ("Big Rivers" or the Borrower")
LENDER:	National Rural Utilities Cooperative Finance Corporation ("CFC")
EXISTING AGREEMENT:	Revolving Line of Credit Agreement dated as of July 16, 2009 between Big Rivers and CFC (the "Agreement")
CLOSING OF AMENDMENT OF AGREEMENT	March 31, 2013 or, if earlier, as soon as practicable following the effective date of approval of the amended agreement by the Kentucky Public Service Commission ("KPSC")
PROPOSED AMENDMENTS:	

- Section 1.01 shall be amended to include a new definition as follows: " "Available Cash" shall mean Borrower's liquid funds on hand at any time, including, without limitation, cash and cash equivalents, that are (i) not subject to any Lien, and (ii) readily available for use for any purpose."

- Section 3.07 shall be amended to read as follows:

  Section 3.07 Default Rate.

  A. **Payment Default**. If Borrower defaults on its obligation to make a payment due hereunder by the applicable date payment is due, and such default continues for thirty (30) days thereafter, then beginning on the thirty-first (31^{st}) day after the payment is due and for so long as such default continues, Advances shall bear interest at the Default Rate.

B. **Non-Payment Defaults.** Upon the occurrence of an Event of Default, other than a payment default as set forth in Section 3.07.A above, the interest rate on all Advances shall be the Default Rate until such Event of Default is cured. The effective date of the Default Rate imposed or eliminated pursuant to this Section 3.07.B shall be the first (1st) day of the month following the occurrence of the Event of Default or the cure thereof, as applicable.

C. **No Multiples of Default Rate** Notwithstanding anything to the contrary contained in this Section 3.07, in the event that more than one Event of Default shall exist at any time, the aggregate interest rate applicable on all Advances pursuant to this Section 3.07 shall be the Default Rate.

- Section 3.09 shall be amended to include the following paragraph to appear as the final paragraph of such Section:

  "Further, notwithstanding anything to the contrary contained in this Section 3.09 or elsewhere in this Agreement, in the event that Borrower's Available Cash at any time exceeds Thirty-Five Million and No/100 Dollars ($35,000,000.00) (such excess Available Cash being referred to hereinafter as, "Excess Cash"), the Borrower shall immediately apply such Excess Cash to repayment of any outstanding principal balance hereunder, together with any accrued interest thereon. In the event that Borrower has a credit agreement with a lender other than CFC having substantially similar terms and conditions as contained in this Agreement, Borrower shall immediately apply any such Excess Cash to repayment of any principal balance outstanding hereunder and under such other lender's credit agreement, together with any interest accrued thereon, on a *pro-rata* basis."

- Section 4.01F shall be amended to read as follows:

- "Indenture: Supplemental Indenture; UCC Filings. The Indenture and the Supplemental Indenture shall have been duly filed, recorded or indexed in all jurisdictions necessary to provide the Trustee thereunder a perfected lien, subject to Permitted Exceptions, on all of the Trust Estate, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC. Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide the Trustee a perfected security interest, subject to Permitted Exceptions; in the Trust Estate which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC."

- Section 4.02 shall be amended to add a new clause D as follows:

  D. Minimum Available Cash Balance Prior to Each Advance. Borrower shall certify in writing that its Available Cash balance at time of Advance is less than Thirty-Five Million and No/100 Dollars ($35,000,000.00).

- Clause (iii) of Section 6.01M of the Agreement shall be amended to read as follows:

  "(iii) One or more of the Borrower's wholesale power contracts with its distribution cooperative members (other than wholesale power contracts between the Borrower and Kenergy Corp. relating to Century Aluminum Company and Rio

Tinto Alcan, respectively) which, individually or in the aggregate, represent more than 10% of Borrowers' total gross revenue shall for any reason be terminated."

This proposed amendment, together with all other amendments included under this caption entitled "PROPOSED AMENDMENTS," shall be referred to herein as the "Amendments."

- In consideration for the amendment to clause (iii) of Section 6.01M of the Agreement, Big Rivers shall deliver a secured promissory note (the "Note") to CFC in an amount not to exceed the CFC Commitment (as defined in the Agreement). The Note will be secured on parity with all other outstanding obligations under the Big Rivers' Indenture (as defined in the Agreement), will bear interest at the CFC Line of Credit Rate (as defined in the Agreement) payable in accordance with the provisions of the Agreement, and will have a maturity date of July 16, 2017. The Note shall be subject to optional and mandatory prepayment as set forth in the Agreement.

- Section 5.01G of the Agreement will read as follows:

"**G. <u>Financial Ratios</u>.** The Borrower agrees that it will operate and manage its business to comply with Section 13.14 of the Indenture [for purposes of this covenant, the Margins for Interest Ratio definition (and related definitions) in or relating to such Section 13.14 appearing in the Indenture on 2/15/13 shall be adopted and incorporated into the Agreement]. In addition, the Borrower will maintain, in accordance with GAAP, a minimum Members' Equities' Balance ("**MEB**") at each fiscal quarter-end and as of the last day of each fiscal year, as specified below during the following calendar year periods:

Period Ending (and the Fiscal Quarters Ending Therein)	Amount

December 31, 2013	$325,000,000 plus 75% of the positive net margins for the Borrower's fiscal year ending 2012.
December 31, 2014	$325,000,000 plus 75% of the cumulative positive net margins between the Borrower's fiscal year ending 2012 and 2013.
December 31, 2015	$325,000,000 plus 75% of the cumulative positive net margins between the Borrower's fiscal year ending 2012 and 2014.
December 31, 2016	$325,000,000 plus 75% of the cumulative positive net margins between the Borrower's fiscal year ending 2012 and 2015.

- A new Event of Default to be applicable during the Secured Period shall be added to Section 6.01 as clause "N" to read as follows:

  "N. **Indenture Obligations**. An 'Event of Default', as defined in the Indenture, shall have occurred and be continuing, provided such 'Event of Default' has not been waived or cured as provided for under the terms of the Indenture."

- Article VII shall be amended to read as follows:

  Section 7.01 General Remedies. If any of the Events of Default listed in Article VI hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein (if any), then CFC may:

  (i) Cease making Advances hereunder other than Advances made pursuant to Section 3.04.H hereof;

  (ii) Terminate the line of credit;

(iii) Cease issuing Letters of Credit hereunder;

(iv) exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to the Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to the Borrower. The rights of CFC under this Section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(v) pursue all rights and remedies available to CFC that are contemplated by the Indenture in the manner, upon the conditions, and with the effect provided in the Indenture, including, but not limited to, a suit for specific performance, injunctive relief or damages; and

(vi) pursue any other rights and remedies available to CFC at law or in equity.

Section 7.03 Concurrent Remedies. Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

- Section 4.02 B will be amended to read as follows:

"**B. Representations and Warranties.** Except for the representations made in Section 2.01.F, the last sentence of Section 2.01.G, Section 2.01.J (as it relates to any documents, certificates or financial statements furnished to CFC relating to the Borrower's wholesale power contracts with Kenergy Corp. relating to Century Aluminum Company and Rio Tinto Alcan, respectively) and Section 2.01K (only as it relates to Borrower's wholesale power contracts with Kenergy Corp. relating to Century Aluminum Company and Rio Tinto Alcan, respectively, and only with respect to the voluntary termination aspects of such wholesale power contracts, i.e. all other terms and provisions of such wholesale power contracts are valid and enforceable) hereof, the representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower."

- Number 1 of SCHEDULE 1 to the Agreement will be amended to read as follows:

  "1. The purpose of this Line of Credit is to provide funds for the Borrower's capital expenditures, general corporate use, and for the issuance of Letters of Credit, consistent with the Borrower's articles of incorporation, by-laws and applicable federal, state, and local laws and regulations. Notwithstanding the foregoing, in no event shall this Line of Credit be made available to pay any portion of the principal amount of the $58,800,000 County of Ohio, Kentucky, Pollution Control Floating Rate Demand Bonds, Series 1983 (Big Rivers Electric Corporation Project)."

- The Certification set forth on Exhibit A shall be amended by adding an additional certification to appear as follows:

  "(6) that the Available Cash balance of the Borrower is less than $35,000,000.00."

CONDITIONS TO EFFECTIVENESS — The Amendment will not become effective until CFC

OF AMENDMENT TO AGREEMENT:	shall have received the following:

(i) The counterpart of the Amendment signed on behalf of Big Rivers, a fully executed [Fifth] Supplemental Indenture and a fully executed and authenticated Note.

(ii) Opinions of counsel to the Borrower covering such matters as CFC shall request.

(iii) A copy of the Indenture and each amendment, supplement or modification thereto as in effect on the date hereof, certified, represented and warranted to be true and correct by a responsible officer of Big Rivers.

(iv) All authorizations (including the approval of the KPSC) permitting Big Rivers to enter into the Amendment.

Billie Richert

:	Billie Richert
	Monday, March 11, 2013 10:22 AM
To:	'Dan Lyzinski'
Subject:	RE: Confirmation of our agreement to Term Sheet for the CFC Revolver

Thanks, Dan.

-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Monday, March 11, 2013 10:18 AM
To: Billie Richert
Cc: Charles, Joseph P (jcharles@kpmg.com); Lawrence Saunders (lawrence.saunders@nrucfc.coop); Thomas Hall; Adam Lichtenstein
Subject: Re: Confirmation of our agreement to Term Sheet for the CFC Revolver

Billie,

CFC confirms that it has reached an agreement with Big Rivers on the Terms and Conditions as stated in the Term Sheet. CFC expects to have a draft credit agreement to you within the next day or two.

Thanks,

C :reated and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

|------------>
| From: |
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|Billie Richert <Billie.Richert@bigrivers.com> |
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| To: |
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|" mas Hall <Thomas.Hall@nrucfc.coop>, "Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop>,
'La ence Saunders |
|(lawrence.saunders@nrucfc.coop)" <lawrence.saunders@nrucfc.coop> |
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Charles, Joseph P (jcharles@kpmg.com)" <jcharles@kpmg.com> |
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| Date: |
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|03/11/2013 10:55 AM |
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| Subject: |
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|Confirmation of our agreement to Term Sheet for the CFC Revolver |
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Gentlemen:

By sending this email I am confirming on behalf of Big Rivers that the two parties have reached agreement on the Terms and Conditions for the CFC Revolver.

Can one of you please confirm that Big Rivers and CFC have reached agreement on the Terms and Conditions as stated in our Term Sheet
(attached) for our auditors, KPMG? I've copied the KPMG partner on this
email for you to respond to.

Thank you,

Billie

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

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

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(See attached file: Big Rivers - Summary of Terms A&R LOC 030413.DOC) This may contain information that is confidential or privileged. If you are not the addressee indicated in this message (or responsible for delivery of this message to such person), you should not copy or deliver this message to anyone or make any other use of the information set forth herein. In such case, you should destroy this message and notify the sender by telephone or e-mail.

Billie Richert

From: Billie Richert
ᶠ Monday, March 11, 2013 9:52 AM
Thomas Hall; Dan Lyzinski (Dan.Lyzinski@nrucfc.coop); Lawrence Saunders (lawrence.saunders@nrucfc.coop)
Cc. Charles, Joseph P (jcharles@kpmg.com)
Subject: Confirmation of our agreement to Term Sheet for the CFC Revolver
Attachments: Big Rivers - Summary of Terms A&R LOC 030413.DOC

Gentlemen:

By sending this email I am confirming on behalf of Big Rivers that the two parties have reached agreement on the Terms and Conditions for the CFC Revolver.

Can one of you please confirm that Big Rivers and CFC have reached agreement on the Terms and Conditions as stated in our Term Sheet (attached) for our auditors, KPMG? I've copied the KPMG partner on this email for you to respond to.

Thank you,

Billie

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

C   rate: (270) 827-2561
O...e Direct: (270) 844-6190
Mobile: (270) 577-6221

Billie Richert

ʼ\:	Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
,	Monday, March 11, 2013 10:18 AM
Io:	Billie Richert
Cc:	Charles, Joseph P (jcharles@kpmg.com); Lawrence Saunders (lawrence.saunders@nrucfc.coop); Thomas Hall; Adam Lichtenstein
Subject:	Re: Confirmation of our agreement to Term Sheet for the CFC Revolver
Attachments:	Big Rivers - Summary of Terms A&R LOC 030413.DOC

Billie,

CFC confirms that it has reached an agreement with Big Rivers on the Terms and Conditions as stated in the Term Sheet. CFC expects to have a draft credit agreement to you within the next day or two.

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
F 703) 467-5653

|------------>
| From: |
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>--|
|Billie Richert <Billie.Richert@bigrivers.com> |
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| To: |
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>--|
|Thomas Hall <Thomas.Hall@nrucfc.coop>, "Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop>, "Lawrence Saunders |
|(lawrence.saunders@nrucfc.coop)" <lawrence.saunders@nrucfc.coop> |
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| Cc: |
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|" arles, Joseph P (jcharles@kpmg.com)" <jcharles@kpmg.com> |
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| Date: |
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|03/11/2013 10:55 AM |
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| Subject: |
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>---|
|Confirmation of our agreement to Term Sheet for the CFC Revolver |
>---|

Gentlemen:

By sending this email I am confirming on behalf of Big Rivers that the two parties have reached agreement on the Terms and Conditions for the CFC Revolver.

Can one of you please confirm that Big Rivers and CFC have reached agreement on the Terms and Conditions as stated in our Term Sheet
(attached) for our auditors, KPMG? I've copied the KPMG partner on this
email for you to respond to.

Thank you,

Ł

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

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
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(See attached file: Big Rivers - Summary of Terms A&R LOC 030413.DOC) This may contain information that is confidential or privileged. If you are not the addressee indicated in this message (or responsible for delivery of this ~~essage to such person), you should not copy or deliver this message to anyone or make any other use of the rmation set forth herein. In such case, you should destroy this message and notify the sender by telephone or e-mail.

Billie Richert

F--m:	Thomas Hall <Thomas.Hall@nrucfc.coop>
:	Thursday, February 28, 2013 4:02 PM
	Billie Richert
Cc:	cflyon@orrick.com; Adam Lichtenstein; Lawrence Saunders; Dan Lyzinski
Subject:	CFC Bilateral LOC
Attachments:	Big Rivers - Summary of Terms A&R LOC 022813.DOC

Billie,

Sorry for the delay. Attached is the revised Secured LOC term sheet reflecting our collective discussions. Changes are only to the following
sections: Proposed Amendments: Section 1.01, Section 3.09, Section 4.02, Number 1 of Schedule I and the Exhibit A Certification. Apologies for any inconvenience, it appears our redline capability is still somewhat out of commission.

We are happy to reconvene at your convenience.

-Tom

(See attached file: Big Rivers - Summary of Terms A&R LOC 022813.DOC)

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
[nal Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

Billie Richert

:	Lawrence Saunders <Lawrence.Saunders@nrucfc.coop>
.	Wednesday, February 20, 2013 10:38 AM
To:	Billie Richert
Cc:	Thomas Hall; Dan Lyzinski; Adam Lichtenstein
Subject:	Re: Balance Requirement
Importance:	High

I just left you a voicemail message regarding the $30MM balance requirement for the initial advance under the LOC. Please confirm that Big River is fine with this condition. Or you may call me on my cell if you have additional questions. 703.261.3205

CFC: Created and Owned by America's Electric Cooperative Network

Lawrence Saunders
Vice President, Portfolio Management, G&T

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2756 or toll-free 800-424-2954
Fax: 703-467-5653

From: Billie Richert [Billie.Richert@bigrivers.com]
Sent: 02/19/2013 09:56 AM CST
Thomas Hall; Lawrence Saunders; Dan Lyzinski; "Carl Lyon (CFLYON@Orrick.com) (CFLYON@Orrick.com)" <__YON@Orrick.com>; "Susan Gottlieb (fgottlieb@orrick.com)" <fgottlieb@Orrick.com>
Cc: Jim Miller <jmiller@smsmlaw.com>
Subject: Conference call to discuss Tem Sheet with Orrick at 4:00 EST today

Gentlemen:
Are you available to have a conference call with Carl and Susan and Big Rivers at 4:00 EST today?

Thank you.

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

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

Billie Richert

S...:	Billie Richert Friday, February 15, 2013 3:18 PM
To:	'Thomas Hall'
Cc:	Lawrence Saunders; Dan Lyzinski; Adam Lichtenstein
Subject:	RE: CFC Bilateral Line of Credit - Amend and Extend

Tom,
Thank you so much. I'll forward to our attorneys.

Have a nice weekend, as well.

Billie

-----Original Message-----
From: Thomas Hall [mailto:Thomas.Hall@nrucfc.coop]
Sent: Friday, February 15, 2013 3:16 PM
To: Billie Richert
Cc: Lawrence Saunders; Dan Lyzinski; Adam Lichtenstein
Subject: CFC Bilateral Line of Credit - Amend and Extend

Billie,

Per our discussion, please find attached the amendment Term Sheet for the CFC Bilateral LOC previously distributed by (‹. We have added the additional concepts discussed with both you and Mark. We are now working on the $60 million ECP Term Sheet. Have a good weekend.

-Tom

(See attached file: Big Rivers - Summary of Terms A&R LOC 021513.DOC)

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

Billie Richert

From: Thomas Hall <Thomas.Hall@nrucfc.coop>
`: Friday, February 15, 2013 3:16 PM
Billie Richert
Cc: Lawrence Saunders; Dan Lyzinski; Adam Lichtenstein
Subject: CFC Bilateral Line of Credit - Amend and Extend
Attachments: Big Rivers - Summary of Terms A&R LOC 021513.DOC

Billie,

Per our discussion, please find attached the amendment Term Sheet for the CFC Bilateral LOC previously distributed by Orrick. We have added the additional concepts discussed with both you and Mark. We are now working on the $60 million ECP Term Sheet. Have a good weekend.

-Tom

(See attached file: Big Rivers - Summary of Terms A&R LOC 021513.DOC)

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Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
7 `1 Cooperative Way
L. .s, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

Cash Flows From Operating Activities:	2013 Forecast	2013 Budget	Difference	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast
Net Margin	7.39	4.95	2.44	10.49	10.50	10.45	9.57
Adjustments to reconcile net margin to net cash provided by operating activities:							
Depreciation and amortization	45.66	45.66	0.00	48.37	50.46	51.50	52.41
Interest compounded - RUS Series A Note	0.04	0.04	0.00	0.05	0.05	0.05	0.06
Interest compounded - RUS Series B Note	7.72	7.72	0.00	8.18	8.67	9.18	9.72
Noncash member rate mitigation revenue	(34.05)	(34.03)	(0.03)	(32.23)	(36.42)	(28.65)	(26.10)
Changes in certain assets and liabilities:							
Other property	0.81	0.81	0.00	1.19	2.03	1.67	0.69
Accounts receivable	2.48	7.46	(4.99)	(0.76)	1.27	(1.55)	(1.13)
Inventories	(1.90)	(1.89)	(0.00)	(1.89)	(2.83)	(1.50)	(2.57)
Prepayments	(0.01)	0.03	(0.03)	(0.20)	(0.20)	(0.13)	(0.13)
Other current assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Accounts payable	(12.80)	(7.14)	(5.67)	0.72	3.41	1.36	0.80
Taxes accrued	0.58	0.58	0.00	0.15	(0.04)	0.04	0.00
Other accruals	1.78	0.90	0.88	(0.61)	1.01	0.97	1.03
Net cash provided by operating activities	17.70	25.09	(7.39)	33.49	37.90	43.39	44.36
Cash Flows From Investing Activities:							
Capital expenditures	(79.14)	(79.14)	0.00	(74.50)	(47.61)	(38.00)	(39.14)
Net proceeds from restricted investments	61.77	26.67	35.10	33.26	33.50	30.05	27.01
Net cash provided by (used in) investing activities	(17.37)	(52.47)	35.10	(41.24)	(14.11)	(7.96)	(12.14)
Cash Flows From Financing Activities:							
Net principal payments on debt obligations	(48.12)	10.22	(58.34)	7.51	(20.90)	(23.10)	(24.00)
Debt issuance cost	(0.02)	(1.42)	1.40	(0.02)	(0.02)	0.00	0.00
Line of Credit (Upfront Fee)	0.00	0.00	0.00	(0.13)	0.00	0.00	(0.20)
Net cash provided by (used in) financing activities	(48.14)	8.80	(56.94)	7.37	(20.92)	(23.10)	(24.20)
Net increase (decrease) in cash and cash equivalents	(47.81)	(18.57)	(29.23)	(0.39)	2.86	12.33	8.02
Cash and Cash Equivalents - Beginning of Period	110.17	101.42	8.75	62.37	61.98	64.84	77.17
Cash and Cash Equivalents - End of Period	62.37	82.85	(20.48)	61.98	64.84	77.17	85.19

Assumptions:

Transition Reserve Available 5/1/2013
Fund $58.8 PCBs with Cash
Lower debt issuance expense by $1.4m

tatement of Operations	2013 Forecast	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast
Electric Energy Revenues	541.81	479.95	501.22	519.86	533.42
Income From Leased Property Net	0.00	0.00	0.00	0.00	0.00
Other Operating Revenue and Income	3.70	3.70	3.70	3.70	3.70
TOTAL OPER. REVENUES & PATRONAGE CAPITAL	545.50	483.64	504.92	523.56	537.11
Operating Expense-Production-Excluding Fuel	51.28	43.25	47.95	50.49	55.63
Operating Expense-Production-Fuel	227.18	174.95	185.62	187.48	190.35
Operating Expense-Other Power Supply	88.93	86.70	90.54	97.89	101.44
Operating Expense-Transmission	9.00	8.47	8.71	8.96	9.22
Operating Expense-RTO/ISO	2.05	1.24	1.24	1.26	1.29
Operating Expense-Distribution	0.00	0.00	0.00	0.00	0.00
Operating Expense-Customer Accounts	0.00	0.00	0.00	0.00	0.00
Operating Expense-Customer Service and Information	1.53	1.32	1.36	1.39	1.43
Operating Expense-Sales	0.14	0.14	0.15	0.15	0.16
Operating Expense-Administrative and General	28.33	28.42	29.01	29.79	30.31
TOTAL OPERATION EXPENSE	408.46	344.49	364.59	377.41	389.83
Maintenance Expense-Production	41.73	40.41	37.75	42.59	43.84
Maintenance Expense-Transmission	5.01	5.47	5.60	5.78	5.95
Maintenance Expense-Distribution	0.00	0.00	0.00	0.00	0.00
Maintenance Expense-General Plant	0.21	0.22	0.22	0.23	0.24
TOTAL MAINTENANCE EXPENSE	46.95	46.09	43.57	48.60	50.03
Depreciation and Amortization Expense	42.31	44.91	46.85	47.80	48.65
Taxes	0.00	0.00	0.00	0.00	0.00
Interest on Long-Term Debt	43.85	43.73	43.77	43.54	43.13
Interest Charged to Construction - Credit	(0.77)	(2.10)	(0.50)	(0.37)	(0.38)
Other Interest Expense	0.00	0.00	0.00	0.00	0.00
Asset Retirement Obligation	0.00	0.00	0.00	0.00	0.00
ther Deductions	0.51	0.51	0.52	0.37	0.37
	0.00	0.00	0.00	0.00	0.00
OTAL COST OF ELECTRIC SERVICE	541.31	477.64	498.79	517.34	531.63
OPERATING MARGINS	4.19	6.01	6.13	6.22	5.48
Interest Income	1.93	1.78	1.75	1.70	1.64
Allowance For Funds Used During Construction	0.00	0.00	0.00	0.00	0.00
Income (Loss) From Equity Investments	0.00	0.00	0.00	0.00	0.00
Other Non-Operating Income (Net)	0.00	0.00	0.00	0.00	0.00
Generation and Transmission Capital Credits	0.00	0.00	0.00	0.00	0.00
Other Capital Credits and Patronage Dividends	1.27	2.71	2.62	2.54	2.45
Extraordinary Items	0.00	0.00	0.00	0.00	0.00
NET PATRONAGE CAPITAL OR MARGIN	7.39	10.49	10.50	10.45	9.57

Balance Sheet	2013 Forecast	2014 Forecast	2015 Forecast	2016 Forecast	2017 Forecast
Total Utility Plant in Service	2,046.57	2,144.13	2,180.82	2,210.07	2,240.19
Construction Work in Progress	72.20	40.00	40.00	40.00	40.00
Total Utility Plant	2,118.77	2,184.13	2,220.82	2,250.07	2,280.19
Accum. Provision for Depreciation and Amort.	997.29	1,034.42	1,073.45	1,115.82	1,158.84
NET UTILITY PLANT	1,121.48	1,149.72	1,147.37	1,134.25	1,121.35
Non-Utility Property (Net)	0.00	0.00	0.00	0.00	0.00
Invest. In Assoc. Org - Patronage Capital	4.16	4.32	3.72	3.55	4.45
Invest. In Assoc. - Other - General Funds	42.56	41.20	39.77	38.26	36.67
Other Investments	0.02	0.02	0.02	0.02	0.02
Special Funds	1.11	1.11	1.11	1.11	1.11
Special Funds (Transition Reserve)	0.00	0.00	0.00	0.00	0.00
Special Funds (Economic Reserve)	54.25	21.27	0.00	0.00	0.00
Special Funds (Rural Economic Reserve)	65.19	66.40	55.54	26.52	0.00
TOTAL OTHER PROPERTY AND INVESTMENTS	167.28	134.31	100.16	69.46	42.25
Cash - General Funds	0.01	0.01	0.01	0.01	0.01
Cash - Construction Funds - Trustee	0.00	0.00	0.00	0.00	0.00
Special Deposits	0.60	0.60	0.60	0.60	0.60
Temporary Investments	62.36	61.97	64.83	77.17	85.18
Accounts Receivable - Sales of Energy (Net)	42.28	43.04	41.77	43.32	44.45
Accounts Receivable - Other (Net)	2.35	2.35	2.35	2.35	2.35
Fuel Stock	35.37	36.51	38.58	39.28	41.03
Materials and Supplies - Other	25.63	26.38	27.15	27.94	28.77
Prepayments	4.18	4.38	4.58	4.71	4.84
Other Current and Accrued Assets	1.28	1.28	1.28	1.28	1.28
TOTAL CURRENT AND ACCRUED ASSETS	174.06	176.51	181.13	196.65	208.50
Unamortized Debt Discount & Extraor. Prop. Losses	3.85	3.53	3.22	3.04	2.86
Regulatory Assets	6.15	4.45	6.35	4.95	4.05
Other Deferred Debits	3.17	2.77	2.25	1.73	1.41
Accumulated Deferred Income Taxes	0.00	0.00	0.00	0.00	0.00
TOTAL ASSETS AND OTHER DEBITS	1,475.98	1,471.29	1,440.48	1,410.08	1,380.41
TOTAL MARGINS & EQUITY	410.27	420.77	431.27	441.72	451.29
Long-Term Debt - RUS	218.13	226.36	235.07	244.31	254.09
Long-Term Debt - Other	666.77	674.28	653.38	630.28	606.27
TOTAL LONG-TERM DEBT	884.90	900.64	888.45	874.58	860.36
Notes Payable	0.00	0.00	0.00	0.00	0.00
Accounts Payable	20.21	20.94	24.35	25.71	26.51
Accounts Payable (TIER Rebate)	0.00	0.00	0.00	0.00	0.00
Taxes Accrued	1.55	1.70	1.66	1.70	1.70
Interest Accrued	5.70	5.67	5.63	5.56	5.54
Other Current and Accrued Liabilities	9.99	9.99	9.99	9.99	9.99
Other Current and Accrued Liabilities (Purchased Power)	0.00	0.00	0.00	0.00	0.00
TOTAL CURRENT AND ACCRUED LIABILITIES	37.45	38.29	41.63	42.96	43.73
Deferred Credits	1.70	1.02	0.00	0.00	0.00
Deferred Credits (Economic Reserve)	54.25	21.27	0.00	0.00	0.00
Deferred Credits (Rural Economic Reserve)	65.19	66.40	55.54	26.52	0.00
Accumulated Operating Provisions	22.23	22.90	23.59	24.30	25.03
Obligation under Capital Leases - Noncurrent	0.00	0.00	0.00	0.00	0.00
TOTAL LIABILITIES AND OTHER CREDITS	1,475.98	1,471.29	1,440.48	1,410.08	1,380.41

Billie Richert

From:	Lawrence Saunders <Lawrence.Saunders@nrucfc.coop>
:	Wednesday, February 13, 2013 6:12 PM
	Billie Richert
Cc:	Chris Warren; Dan Lyzinski; Ralph Ashworth; Thomas Hall
Subject:	RE: 2017 Projections
Attachments:	CFC - Cash Flow SoO and BS for 2013 through 2017.xlsx

Billie, I just got back from Portland, OR and we would like to thank you and your team for providing the 2013 - 2017 forecast. Since our plan is to request an extension of the existing $50MM LOC to 2017, we wanted to have a financial forecast to match that period. I am sorry for my cryptic email earlier today. I was on a plane when I read the message from Chris and I could not determine how many forecast years were sent in his email on my blackberry. That's why I indicated my inability to access the file.

Our plan now is to analyze the forecast numbers, prepare the credit documentation and seek approval at the next Credit Committee meeting on 2/21/13. Our goal was to try and submit the credit recommendation on 2/14/13, but we do not have enough time to prepare the credit documentation to meet that deadline. For your review, we will send you a revised term sheet by 2/15/13 summarizing the new LOC terms and condition we plan to seek approval for.

After looking at the forecast numbers I have a few questions:

1) What are the retail rate and industrial rate assumptions imbedded in the Revenue numbers during the 2013-2017 forecast period?
2) What is the dollar amount assumed for the MATS CapEx during the Forecast period? Please indicate the amount and the year incurred.
? 'e you assuming any idle plants during the forecast period?
4, . realize that you plan to retire the PCBs with cash in 2013, but what are the RUS and Other LT Debt Assumptions? The RUS debt increases by $36.09 during the forecast period. What is this debt financing? Other Debt increases ($7.5MM) slightly in 2014 then declines during the project period. Are you planing to fund the majority of your CAPEX with cash flow from operations?

CFC: Created and Owned by America's Electric Cooperative Network

Lawrence Saunders
Vice President, Portfolio Management, G&T

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2756 or toll-free 800-424-2954
Fax: 703-467-5653

|------------>
| From: |
|· ----->
>--|
|Billie Richert <Billie.Richert@bigrivers.com> |

>---|
|------------>
| To: |
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>---|
|Thomas Hall <Thomas.Hall@nrucfc.coop>, Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>, Lawrence Saunders <Lawrence.Saunders@nrucfc.coop> |
>---|
|------------>
| Cc: |
|------------>
>---|
|Ralph Ashworth <Ralph.Ashworth@bigrivers.com>, Chris Warren <Christopher.Warren@bigrivers.com> |
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|------------>
| Date: |
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|02/13/2013 05:26 PM |
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| Subject: |
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|RE: 2017 Projections |
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Tom,
Please see attached Cash Flow, Statement of Operations and Balance Sheet for years 2013 – 2017 with the noted assumptions on the Cash Flows schedule. Please call if you have any questions.

Billie

From: Thomas Hall [mailto:Thomas.Hall@nrucfc.coop]
Sent: Wednesday, February 13, 2013 1:44 PM
To: Billie Richert; Dan Lyzinski; Lawrence Saunders
Cc: Ralph Ashworth; Chris Warren
Subject: Re: 2017 Projections

Thanks Billie. If its not too much trouble, that would be very helpful.

C' 'reated and Owned by America's *Electric Cooperative* Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
es, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

From: Billie Richert [Billie.Richert@bigrivers.com]
Sent: 02/13/2013 01:35 PM CST
To: Thomas Hall; Dan Lyzinski; Lawrence Saunders
Cc: Ralph Ashworth <Ralph.Ashworth@bigrivers.com>; Chris Warren <Christopher.Warren@bigrivers.com>
Subject: 2017 Projections

All,
We can provide an updated 2017 projected Statement of Operations, Balance Sheet and Cash Flow Statement which will reflect 2012 actuals and the assumptions we provided to you earlier for the 2013 forecast to budgeted comparison. However, it may be tomorrow before this is complete.

Just wanted you to know.

Thanks again for your support.

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

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

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2013 through 2017.xlsx)
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Billie Richert

F m:	Thomas Hall <Thomas.Hall@nrucfc.coop>
	Wednesday, February 13, 2013 9:32 AM
	Chris Warren; Billie Richert; Dan Lyzinski
Cc:	Ralph Ashworth; Lawrence Saunders
Subject:	Re: Forecast

Thx Chris.

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

----- Original Message -----
From: Chris Warren [Christopher.Warren@bigrivers.com]
Sent: 02/13/2013 09:25 AM CST
T Thomas Hall; Billie Richert <Billie.Richert@bigrivers.com>; Dan Lyzinski
C alph Ashworth <Ralph.Ashworth@bigrivers.com>; Lawrence Saunders
Subject: RE: Forecast

I have now included the balance sheet and statement of operations for the forecast period in the attached file. Thanks.

Chris

-----Original Message-----
From: Thomas Hall [mailto:Thomas.Hall@nrucfc.coop]
Sent: Wednesday, February 13, 2013 6:08 AM
To: Billie Richert; Dan Lyzinski
Cc: Chris Warren; Ralph Ashworth; lawrence.saunders@nrucfc.coop
Subject: Re: Forecast

Billie,

Do you have the Balance Sheet and Income Statement and Cashflow Statements for the forecast period? Please send.
Thx.

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
D··lles, VA 20166
:e: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

----- Original Message -----
From: Billie Richert [Billie.Richert@bigrivers.com]
Sent: 02/12/2013 07:35 PM CST
To: Thomas Hall; Dan Lyzinski
Cc: Chris Warren <Christopher.Warren@bigrivers.com>; Ralph Ashworth <Ralph.Ashworth@bigrivers.com>
Subject: RE: Forecast

Tom/Dan,
Please find the revised (forecasted) cash flows from operating activities which reflect the 2013 budgeted amounts adjusted for the following assumptions:

1) $35 million Transition Reserve available May 1, 2013 - Financing Case No. 2012-00492 in progress.
2) Pay-off the $58.8 PCB on June 1, 2013 when they mature versus refunding.
3) Lower debt issuance expense on PCB $1.4.
4) Lower interest expense of approximately $2.44 million from paying-off PCB rather than refunding. This is reflected in th^ increase to Net Margins.

Please let me know if you have questions.

Billie

-----Original Message-----
From: Thomas Hall [mailto:Thomas.Hall@nrucfc.coop]
Sent: Tuesday, February 12, 2013 7:01 PM
To: Billie Richert; dan.lyzinski@nrucfc.coop
Subject: Forecast

Billie,

Just a quick follow up. We are trying to get in front of our committee this week or early next. If there is any way for us to get the updated forcast it would be greatly appreciated. Thanks.

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

N· ıal Rural Utilities Cooperative Finance Corporation
2(. . Cooperative Way
Dulles, VA 20166
Office: 703-467-2746

Cell: 703-483-1398
Fax: 703-467-5653

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herein. In such case, you should destroy this message and notify the sender by telephone or e-mail.

Billie Richert

:	Billie Richert
` .:	Tuesday, February 12, 2013 7:35 PM
To:	'Thomas Hall'; dan.lyzinski@nrucfc.coop
Cc:	Chris Warren; Ralph Ashworth
Subject:	RE: Forecast
Attachments:	CFC - Cash Flow 2013 Forecast vs Budget.xlsx

Tom/Dan,
Please find the revised (forecasted) cash flows from operating activities which reflect the 2013 budgeted amounts adjusted for the following assumptions:

1) $35 million Transition Reserve available May 1, 2013 - Financing Case No. 2012-00492 in progress.
2) Pay-off the $58.8 PCB on June 1, 2013 when they mature versus refunding.
3) Lower debt issuance expense on PCB $1.4.
4) Lower interest expense of approximately $2.44 million from paying-off PCB rather than refunding. This is reflected in the increase to Net Margins.

Please let me know if you have questions.

Billie

-----Original Message-----
From: Thomas Hall [mailto:Thomas.Hall@nrucfc.coop]
Sent: Tuesday, February 12, 2013 7:01 PM
T ʾillie Richert; dan.lyzinski@nrucfc.coop
S ect: Forecast

Billie,

Just a quick follow up. We are trying to get in front of our committee this week or early next. If there is any way for us to get the updated forcast it would be greatly appreciated. Thanks.

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

Billie Richert

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
: Thursday, January 31, 2013 11:09 AM
Billie Richert
Suuject: Re: Revolver

Billie,

I tried calling you but it went to voice mail. A few questions before I go before our Credit committee:

How much cash do you have on hand now?
Will Big Rivers look at closing plants with Alcan's notice?
Under the existing contracts with Century and Alcan, the notice that they provided, can they go to market or have to shut down without Big Rivers consent?
When do you expect to have a new financial forecast given the new situation?
Do you see this event terminating CoBank's line of credit permanently?

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

N-⁻ᵗⁱonal Rural Utilities Cooperative Finance Corporation
2 1 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

Billie Richert

' :	Thomas Hall <Thomas.Hall@nrucfc.coop>
	Wednesday, January 30, 2013 4:14 PM
To:	Billie Richert; Dan Lyzinski
Cc:	Ralph Ashworth; Jim Miller; Carl Lyon (CFLYON@Orrick.com) (CFLYON@Orrick.com); Susan Gottlieb (fgottlieb@orrick.com)
Subject:	Re: Revolver

Thx Billie.

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

From: Billie Richert [Billie.Richert@bigrivers.com]
Sent: 01/30/2013 03:55 PM CST
To: Dan Lyzinski; Thomas Hall
Cc: Ralph Ashworth <Ralph.Ashworth@bigrivers.com>; Jim Miller <jmiller@smsmlaw.com>; "Carl Lyon (('ON@Orrick.com) (CFLYON@Orrick.com)" <CFLYON@Orrick.com>; "Susan Gottlieb (fgottlieb@orrick.com)" <1g..tlieb@Orrick.com>
Subject: Revolver

Dan/Tom,
This is to confirm it is acceptable to Big Rivers for the Revolver to be secured during the entire period.

Thank you again.

Billie

Billie Richert

F ':	Billie Richert
	Wednesday, January 30, 2013 3:55 PM
Tu.	Dan Lyzinski (Dan.Lyzinski@nrucfc.coop); Thomas Hall
Cc:	Ralph Ashworth; Jim Miller (jmiller@smsmlaw.com); Carl Lyon (CFLYON@Orrick.com) (CFLYON@Orrick.com); Susan Gottlieb (fgottlieb@orrick.com)
Subject:	Revolver

Dan/Tom,
This is to confirm it is acceptable to Big Rivers for the Revolver to be secured during the entire period.

Thank you again.

Billie

Billie Richert

┌ ┐:	Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
	Tuesday, January 29, 2013 10:39 AM
ı ⌣.	Billie Richert
Cc:	Thomas Hall
Subject:	Line of Credit

Billie,

Knowing that you are travelling today, I just wanted to reiterate what we discussed by phone this morning.

While CFC is comfortable changing the MFI covenant to comply with the Indenture while the facility is secured, CFC would need to have a hard MFI test in the event the facility goes back to being unsecured, i.e., keeping the existing language in the agreement.

CFC would like to change the equity test to match what we proposed in the $60 million 3-year secured term loan, i.e., member equity balance be $325 million and escalate 75% of prior year's margin.

As long as the line of credit has a balance outstanding due to refinancing of the pollution control bonds, the line of credit remains secured and in the event the pollution control bonds are reissued as tax exempt bonds, a mandatory repayment of the line of credit will be required with the proceeds from the bonds.

CFC would require a "Most Favored Nation" clause be in the line of credit agreement. An example that I use was in the event Big Rivers grants CoBank security for its line of credit for the full term of the facility, CFC would want the same treatment for its line of credit.

C⌐ ⌝ is willing to extend the existing line of credit to 3 years from July 2014 to July 2017. CFC would require an up-front f\ ,r this extension (currently 15 basis points), based on CFC pricing guidelines in effect on the closing date.

I hope you have a nice trip. Let me know if you have any questions.

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

Billie Richert

From: Billie Richert
': Thursday, January 24, 2013 8:04 AM
'Dan Lyzinski'
Subject: RE: Follow-up

Dan,
I'm available any time today except between 8:30 - 9:30 and 1 - 2:00 CST. Will it just be you and I?

Thanks,
Billie

-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Thursday, January 24, 2013 6:13 AM
To: Billie Richert
Subject: Re: Follow-up

Billie, when are you available today? Dan
CFC: Created and Owned by America's Electric Cooperative Network

----- Original Message -----
From: Billie Richert [Billie.Richert@bigrivers.com]
Sent: 01/23/2013 04:39 PM CST
T-· Dan Lyzinski
S ject: Follow-up

Dan,
Hope your day has gone well. I'm just following up to see when we might have a conference call to discuss the proposed changes?

Thanks,
Billie

Billie Richert

~~m:	Billie Richert
:	Wednesday, January 23, 2013 4:39 PM
~~	Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)
Subject:	Follow-up

Dan,
Hope your day has gone well. I'm just following up to see when we might have a conference call to discuss the proposed changes?

Thanks,
Billie

Billie Richert

From: Billie Richert
: Thursday, January 17, 2013 10:03 AM
'Thomas Hall'
Cc: Dan Lyzinski; Ralph Ashworth
Subject: RE: Big Rivers - Summary of Terms and Conditions Relating to Amendments to 2009 Revolving Credit Agreement

No problem. Just touching base. Thank you.

-----Original Message-----
From: Thomas Hall [mailto:Thomas.Hall@nrucfc.coop]
Sent: Thursday, January 17, 2013 9:48 AM
To: Billie Richert
Cc: Dan Lyzinski; Ralph Ashworth
Subject: RE: Big Rivers - Summary of Terms and Conditions Relating to Amendments to 2009 Revolving Credit Agreement

Dan and I just spoke. Dan is checking on a few items and will reach out to schedule a call. Sorry for the delay.

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
I s, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

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| From:      |
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  |Billie Richert <Billie.Richert@bigrivers.com>                                                    |
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| To:        |
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  |Thomas Hall <Thomas.Hall@nrucfc.coop>                                                              |
  >--------------------------------------------------------------------------------------------------------------|
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| Cc:        |
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  >--------------------------------------------------------------------------------------------------------------|
  |  Lyzinski <Dan.Lyzinski@nrucfc.coop>, Ralph Ashworth <Ralph.Ashworth@bigrivers.com>
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, 1/17/2013 10:32 AM |
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|RE: Big Rivers - Summary of Terms and Conditions Relating to Amendments to 2009 Revolving Credit Agreement
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Tom,
Just touching base to see how the review is going and if we can schedule a conference call this week.

Thank you,

Billie

-----Original Message-----
F : Thomas Hall [mailto:Thomas.Hall@nrucfc.coop]
St...: Friday, January 11, 2013 3:59 PM
To: Gottlieb, F. Susan
Cc: Billie Richert; Lyon, Carl F.; Dan Lyzinski; Gottlieb, F. Susan; Jim Miller; Boyne, Victoria; Adam Lichtenstein
Subject: Re: Big Rivers - Summary of Terms and Conditions Relating to Amendments to 2009 Revolving Credit Agreement

Thank you Susan.

The CFC Team will review early next week and suggest several times where the full Big Rivers / CFC Team can gather to discuss.

Have a good weekend.

-Tom

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
D , VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

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om: |
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|"Gottlieb, F. Susan" <fgottlieb@orrick.com>
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| To: |
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|Thomas Hall <Thomas.Hall@nrucfc.coop>, Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
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|Billie Richert <Billie.Richert@bigrivers.com>, Jim Miller <jmiller@smsmlaw.com>, "Lyon, Carl F." <cflyon@orrick.com>,
"Gottlieb, F.
Susan" |
|<fgottlieb@orrick.com>, "Boyne, Victoria" <vboyne@orrick.com>
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g Rivers - Summary of Terms and Conditions Relating to Amendments to
2009 Revolving Credit Agreement |

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At the request of Billie Richert, attached hereto for your review and consideration is the initial draft of the Summary of Terms and Conditions relating to certain proposed amendments to the 2009 revolving credit agreement between Big Rivers and CFC.

We look forward to discussing this draft with you in the near future.

Susan Gottlieb

(See attached file: 752842039_3.doc)

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Billie Richert

From: Thomas Hall <Thomas.Hall@nrucfc.coop>
t: Thursday, January 17, 2013 9:48 AM
Billie Richert
Lc: Dan Lyzinski; Ralph Ashworth
Subject: RE: Big Rivers - Summary of Terms and Conditions Relating to Amendments to 2009 Revolving Credit Agreement

Dan and I just spoke. Dan is checking on a few items and will reach out to schedule a call. Sorry for the delay.

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

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| From: |
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| Billie Richert <Billie.Richert@bigrivers.com> |
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| To: |
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|Thomas Hall <Thomas.Hall@nrucfc.coop> |
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|Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>, Ralph Ashworth <Ralph.Ashworth@bigrivers.com>
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|RE: Big Rivers - Summary of Terms and Conditions Relating to Amendments to 2009 Revolving Credit Agreement
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Thank you,

Billie

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From: Thomas Hall [mailto:Thomas.Hall@nrucfc.coop]
Sent: Friday, January 11, 2013 3:59 PM
To: Gottlieb, F. Susan
Cc: Billie Richert; Lyon, Carl F.; Dan Lyzinski; Gottlieb, F. Susan; Jim Miller; Boyne, Victoria; Adam Lichtenstein
Subject: Re: Big Rivers - Summary of Terms and Conditions Relating to Amendments to 2009 Revolving Credit Agreement

Thank you Susan.

The CFC Team will review early next week and suggest several times where the full Big Rivers / CFC Team can gather to d' ıss.

Have a good weekend.

-Tom

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

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| From: |
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|"Gottlieb, F. Susan" <fgottlieb@orrick.com>

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| To: |
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|Thomas Hall <Thomas.Hall@nrucfc.coop>, Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
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| Cc: |
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|Billie Richert <Billie.Richert@bigrivers.com>, Jim Miller <jmiller@smsmlaw.com>, "Lyon, Carl F." <cflyon@orrick.com>, "Gottlieb, F.
Susan" |
|<fgottlieb@orrick.com>, "Boyne, Victoria" <vboyne@orrick.com>
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|01/11/2013 12:45 PM
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|Big Rivers - Summary of Terms and Conditions Relating to Amendments to
2009 Revolving Credit Agreement |

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At the request of Billie Richert, attached hereto for your review and consideration is the initial draft of the Summary of Terms and Conditions relating to certain proposed amendments to the 2009 revolving credit agreement between Big Rivers and CFC.

We look forward to discussing this draft with you in the near future.

Susan Gottlieb

(See attached f. 52842039_3.doc)

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Billie Richert

F :	Billie Richert
,	Monday, December 10, 2012 8:07 PM
To.	Thomas Hall; Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)
Subject:	Follow-up to our call on Friday

Tom/Dan,
I first want to thank you very much for organizing Friday's call. I believe it was very beneficial. As a follow-up, Big Rivers intent is to finalize all changes to the CoBank Revolver by January 15th if not sooner. We recommend CFC's counsel continue working on drafting a substantially complete financing agreement as we discussed.

If I've missed anything here let me know. We look forward to working closely with CFC and appreciate your continued support.

Regards,

Billie

Billie Richert

From: Billie Richert
: Monday, December 03, 2012 9:10 AM
'Dan Lyzinski'
Subject: RE: Agreement as you requested

Dan,
$118.6m - this does not include the $35m transition reserve.

Billie

-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Monday, December 03, 2012 6:48 AM
To: Billie Richert
Subject: Re: Agreement as you requested

Billie,

I hope you had a nice weekend. We are scheduled to present your loan to the CFC Board this afternoon. As we prepare for that, can you let me know if how much cash you have on hand? The last we spoke, you mentioned that you had over $119 million.

Thanks,

\- --

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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| From: |
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|Billie Richert <Billie.Richert@bigrivers.com> |
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| To: |
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|"Dan.Lyzinski@nrucfc.coop" <Dan.Lyzinski@nrucfc.coop> |
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`1/30/2012 01:18 PM |
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| Subject: |
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|Re: Agreement as you requested |
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Dan,
Numbers I gave you yesterday are retail. Sorry for any confusion.

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

Dan Lyzinski <Dan.Lyzinski@nrucfc.coop> wrote:
Thanks.

I just received your 2013 Budget. In the Assumptions section, it refers to wholesale rates increases of 29% to rural, 18% t ge Industrials and 16% to Alcan. Yesterday on our call you mentioned that the rate application was calling for a 15% increase to Rural, 17% for Large Industrial and 16% for Alcan. Which should we use?

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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From: |
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|Billie Richert <Billie.Richert@bigrivers.com>
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| To: |
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|"Lawrence Saunders (lawrence.saunders@nrucfc.coop)"
<lawrence.saunders@nrucfc.coop>, Thomas Hall <Thomas.Hall@nrucfc.coop>,
"Dan Lyzinski |
|(Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop>
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|Agreement as you requested
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'er your request.

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[attachment "CoBank Unsecured Revolving Facility.pdf" deleted by Dan Lyzinski/CFC]

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Billie Richert

F--m:	Billie Richert
:	Monday, October 29, 2012 7:56 AM
	Dan Lyzinski
Cc:	Thomas Hall
Subject:	RE: Thank you

Dan,
I can send you the latest one. We are still finalizing the one for the rate case. Is that acceptable?

-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Monday, October 29, 2012 7:50 AM
To: Billie Richert
Cc: Thomas Hall
Subject: Re: Thank you

Billie,

Do you think that you can send me the four year financial projections and the cap ex forecast today?

Thanks,

C--: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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| From: |
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|Billie Richert <Billie.Richert@bigrivers.com> |
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| To: |
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|Thomas Hall <Thomas.Hall@nrucfc.coop>, "Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop>,
"I ence Saunders |
|(..wrence.saunders@nrucfc.coop)" <lawrence.saunders@nrucfc.coop> |
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0/26/2012 03:02 PM |
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|Thank you |
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I just want to say thank you for your kind words during the conference call today with Mark. Have a great weekend.

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

Corporate: (270) 827-2561
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BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS
CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated May 2, 2013

May 14, 2013

Item 2) ***Provide a copy of all correspondence and documents exchanged between BREC and RUS regarding the transactions described in the Application; and regarding the "Corrective Plan" referenced in Paragraph 12 of the Application.***

Response)

Big Rivers objects to this request on the grounds that it is overly broad and unduly burdensome. Big Rivers also objects to this request on the grounds that it seeks information that is irrelevant and not likely to lead to the discovery of admissible evidence. Notwithstanding these objections, but without waiving them, Big Rivers states as follows. Please see attached copies of all correspondence and documents exchanged between BREC and RUS regarding the transactions described in the Application; and regarding the "Corrective Plan" referenced in Paragraph 12 of the Application. Some of the information provide in response to this request is subject to a petition for confidential treatment that is being filed concurrently with the filing of these responses.

Witness) Billie J. Richert

Billie Richert

From: Billie Richert
Sent: Monday, April 01, 2013 2:35 PM
To: Victor.Vu@wdc.usda.gov
Cc: Ralph Ashworth; cheryl.black@wdc.usda.gov
Subject: RE: Follow-up with attachments.
Attachments: Big Rivers Electric Corporation - Audited Financial Statements.pdf

Victor,
Please find the attached Big Rivers audited financial statements for December 31, 2012 and 2011. Additionally, I'd like to follow-up on our March 19th visit with you and others at RUS. The following is Big Rivers' understanding and I'd like to confirm this with you:

1) Big Rivers has timely filed and presented to RUS, a Corrective Plan to Achieve Two Credit Ratings of Investment Grade as required by Section 4.23 – Maintenance of Credit Ratings of the Amended and Consolidated Loan Contract dated July 16, 2009 (the Agreement) between Big Rivers Electric Corporation and United States of America acting by and through the Administrator of the Rural Utilities Service.
2) The Lockbox Arrangement as defined in Section 4.12 of the Agreement is not being imposed.
3) Two investment grade ratings are not required at the time Big Rivers submits its application to RUS for long-term financing for its Environmental Compliance Plan totaling approximately $60 million. Big Rivers anticipates submitting this application to RUS in May after completion of our Load Forecast, Production Cost Model, Cost of Service Study and Financial Forecast. The completion of these tasks now coincides with our timeline for our Alcan rate case so the information being provided to RUS is the same as provided to the Kentucky Public Service Commission in that rate case. Please note, Big Rivers is actively pursuing our Corrective Plan to Achieve Two Credit Ratings of Investment Grade, but this most likely will not occur this year.
4) Mr. Mark's Bailey's letter dated February 6, 2013, to Mr. Chris Tuttle, Acting Deputy Assistant Administrator, provided the timeline RUS requested in its letter to Mr. Bailey dated December 27, 2012. The Equivalent Forced Outage Rate (EFOR), presented in Mr. Bailey's letter demonstrates the improvement in Big Rivers' generating plant reliability over the last five years, and indicates the effectiveness of Big Rivers' maintenance program.

Thank you for following-up on the above items. We look forward to hearing from you.

Regards,

Billie Richert

From: Billie Richert
Sent: Monday, April 01, 2013 1:09 PM
To: Victor.Vu@wdc.usda.gov
Cc: Ralph Ashworth
Subject: Follow-up

Victor,
Hope all is going well. Please find attached our 2012 audited financial statements. We will be following-up with a hard-copy later this week.

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

Corporate: (270) 827-2561

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

Billie Richert

From: Billie Richert
Sent: Monday, March 18, 2013 4:03 PM
To: Victor.Vu@wdc.usda.gov
Subject: Meeting Presentation
Attachments: RUS Meeting - March 19 2013.pptx

Victor,
Please find attached a PowerPoint presentation which has a lot of detail we can refer to during our discussion of our corrective plan.

See you tomorrow.

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

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

Meeting with Rural Utilities Service on March 19, 2013

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

[Please note that Pages 12, 27, 28 and 33 of this document contain **CONFIDENTIAL COMMERCIAL BUSINESS INFORMATION** relating to details of ongoing negotiations of credit documents, potential business transactions and financial results, the public disclosure of which would be highly prejudicial and damaging to Big Rivers Electric Corporation's commercial business interests.]

Big Rivers

Participants

Big Rivers Electric Corporation

Mark Bailey, *President & CEO*

Robert Berry, Chief Operating Officer

Billie Richert, *Vice President Accounting, Rates and CFO*

James Miller, *Corporate Counsel, Sullivan Mountjoy Stainback & Miller*

Big Rivers

Key Topics for Today's Discussion

- Corrective Plan to Achieve Two Investment Grade Credit Ratings
- Generating Fleet Reliability and Scheduled Major Inspections and Maintenance
- 2012 Environmental Compliance Plan (ECP) – Financing Update
  - Interim Financing
  - RUS Long-Term Financing
- Kentucky Public Service Commission - Case Filings Update
  - 2012 Financing Case 2012-00492
  - 2011 General Rate Case 2011-00036
  - 2012 General Rate Case 2012-00535
    - Century Aluminum Company's Notice to Terminate
  - 2013 General Rate Case 2013-XXXXX
    - Alcan Primary Products Corporation's Notice to Terminate
- Debt, Liquidity and Financial Update
- Electric Rates and Comparative Prices

Big Rivers

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Big Rivers

I. Corrective Plan to Achieve Two Investment Grade Credit Ratings

Big Rivers

Big Rivers' Current Credit Ratings – Where We Are Today

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

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

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Case No. 2012-00535
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Big Rivers

Big Rivers' Corrective Plan to Obtain Two Investment Grade Ratings

Note: The rating agencies view our liquidity as very important in maintaining investment grade ratings.

To improve our liquidity position Big Rivers has and is taking the following actions:

1) Filed a general rate case in January 2013, Case 2012-00535, as a result of Century's departure
2) Commenced plans to file another general rate case in late June 2013 as a result of Alcan's departure
3) Seek PSC approval to amend the existing CFC line of credit
4) Complete negotiations with CFC for interim (bridge) financing for our ECP capital expenditures and seek PSC approval for this financing
5) File our application with RUS for long-term financing for our ECP capital expenditures
6) Continue to negotiate with CoBank to access the present line of credit

Big Rivers

Big Rivers' Corrective Plan to Obtain Two Investment Grade Ratings continued

Note: Rating agencies are focused on Big Rivers finding replacement load for the 850 MW utilized by Century and Alcan.

To find replacement load Big Rivers will continue evaluating options to:

1) **Execute forward bilateral sales with counterparties,**
2) **Enter into wholesale power arrangements, and**
3) **Gain access to developed capacity markets, as well as**
4) **The lease or sale of generating assets**

Big Rivers

Big Rivers' Corrective Plan to Obtain Two Investment Grade Ratings continued

For complete details, please refer to Big Rivers Corrective Plan to Achieve Two Credit Ratings of Investment Grade.

Big Rivers

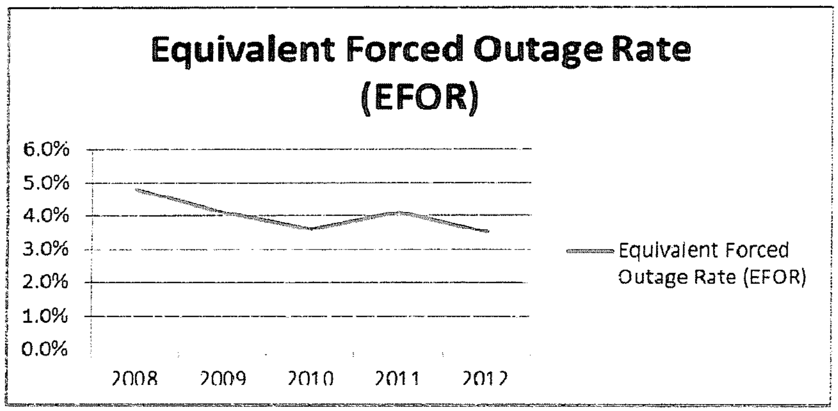
II. Generating Fleet Reliability, Scheduled Major Inspections and Maintenance

Generating Fleet Reliability

Big Rivers' generating fleet has been very reliable since the closing of the Unwind Transaction in July 2009, and has consistently performed in the top quartile of its peer group in Equivalent Forced Outage Rate (*"EFOR"*), which we benchmark through Navigant's GKS system. The table below shows that Big Rivers' generating plant reliability has improved over the last five years, indicating the effectiveness of Big Rivers' maintenance program. *EFOR (Lower is Better)

Big Rivers Generating Fleet	2008	2009	2010	2011	2012
Equivalent Forced Outage Rate (EFOR) *	4.8%	4.1%	3.6%	4.1%	3.5%

The following graph illustrates the downward trend (lower is better) in EFOR over the last five years.



Big Rivers

Scheduled Major Inspections and Maintenance - CONFIDENTIAL

Deferred Maintenance Schedule		
The following table provides a summary of the deferred outages and when they will be completed.		
Plant	**Original Outage Schedule**	**Deferred Maintenance To Be Completed**
Coleman 1	February 2011	[redacted]
Coleman 2	[redacted]	[redacted]
Coleman 3	May 2012	[redacted]
Green 1	March 2012	[redacted]
Green 2	March 2011	[redacted]
HMP&L 1	May 2011	March 2012
HMP&L 2	March 2012	[redacted]
Wilson 1	September 2011	[redacted]

* In August, 2013, coinciding with the Century Aluminum power sales contract termination, the current outage plans depict the Wilson unit temporarily idled until Big Rivers can secure replacement load. Big Rivers is still evaluating this strategy and the current plan is subject to change. If the Wilson plant is not idled the deferred maintenance will be completed in [redacted]

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III. 2012 Environmental Compliance Plan (ECP)

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Big Rivers

2012 Environmental Compliance Plan (ECP) - Case 2012-00063

BACKGROUND:

On April 2, 2012, Big Rivers Electric filed an application with the Kentucky Public Service Commission (KPSC) seeking approval of a new environmental compliance plan addressing both Cross-State Air Pollution Rule (CSAPR) and Mercury and Air Toxics Standards (MATS). Date for MATS compliance is April 2015.

On Tuesday, August 21, 2012 the U.S. Court of Appeals for the D.C. Circuit ruled the U.S. Environmental Protection Agency (EPA) violated the Clean Air Act in its Cross-State Air Pollution Rule, and vacated the ruling. This reduced Big Rivers cost to comply in its Environmental Compliance Plan (ECP) requirements from approximately \$283 million to approximately \$58.44 million (MATS) only.

On Wednesday, August 22, 2012, the formal KPSC ECP evidentiary hearing was scheduled. Since the CSAPR ruling was vacated, the basis was removed for several concerns raised by the intervenors in our PSC filing. As a result, on August 23, 2012, a Stipulation and Recommendation was entered into by Big Rivers, the Office of the Attorney General, Kentucky Industrial Utility Customers and Alcan (KIUC), the Sierra Club and Kenergy Corporation.

On Monday, October 1, 2012, the PSC issued an order approving the Stipulation and Recommendation. This order approved the MATS projects at a cost of \$58.44 million and the recovery of these costs, as well as the testing costs up to \$1 million noted below, through the environmental surcharge tariff proposed by Big Rivers.

Additionally, the order approved compliance testing and recovery for MATS particulate matter limits up to \$1 million. Testing must demonstrate compliance for each unit prior to incurring any MATS project costs for that unit. If testing is not successful, Big Rivers must then seek an amendment to its ECP that will ensure compliance.

This testing began in February 2013.

Big Rivers

Big Rivers' Environmental Compliance Plan for MATS

The total capital cost for our MATS compliance plan is now $59.44 million. Projected expenditures are $31.8 million in 2013 and $27.6 in 2014. The construction schedule contemplates all equipment being placed in service by August 2014.

		MATS
Capital		
Wilson	$	11,240,000
HMPL (Net of City)		280,000
Reid		-
Green		18,480,000
Coleman		28,440,000
Compliance Testing		1,000,000
	$	59,440,000

Does not include capitalized interest.

The spend schedule will take into consideration negotiations' outcome with Century and Alcan of their going to market.

Big Rivers' Environmental Compliance Plan for MATS continued

Big Rivers plans to submit an application to RUS to obtain long-term financing for our MATS Environmental Compliance Plan. It is our understanding the approval process may take two to three years.

In the interim, we are obtaining short-term financing from the National Rural Utilities Cooperative Finance Corporation (CFC). This short-term financing will be in the form of a $60 million senior secured three-year credit facility. We have received a Term Sheet from CFC which reflects the terms and conditions Big Rivers has negotiated with CFC. As requested by RUS, we are submitting a copy of this Term Sheet to RUS .

We are updating our RUS application for long-term financing to reflect results of a revised load forecast based upon both Century and Alcan going to market.

CFC requires submission of the RUS application prior to finalizing the short-term financing. As such, we are planning to submit our application to RUS in April and file a financing application with the PSC for the CFC interim financing shortly thereafter.

Big Rivers

IV. 2012 Financing Case 2012-00492 Update

Case No. 2013-00125
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Big Rivers

2012 Financing Case 2012-00492 Overview

- **Drivers**
  - $58.8m 1983 Pollution Control Bonds mature June 1, 2013
  - These bonds must be refunded or paid off on or before maturity
- **Financing Case was filed on November 14, 2012**
  - To refund bonds and extend the maturity date to 2031 for new bonds
  - New bonds would have level debt service payments with an interest rate anticipated at 6%
- **Financing Case was Amended on January 13, 2013**
  - Increased uncertainty as to market's receptivity to bonds due to Century; impact of next rate case on Alcan; and potential increase in interest rate
  - Big Rivers is now seeking to repurpose the $60m borrowed for capital expenditures from CoBank in 2012 to pay-off bonds; and to use the $35m Transition Reserve to pay for capital expenditures.
  - Continuing goal, to the extent available, to issue tax-exempt bonds at later date.

Big Rivers

2012 Financing Case 2012-00492 Overview continued

- Hearing was held in Frankfort on February 28, 2013
  - Big Rivers provided responses to four post-hearing data requests
  - No briefs were filed
  - Big Rivers hopeful PSC order will be issued in March of 2013

Big Rivers

V. General Rate Case Updates

Big Rivers

2011 General Rate Case 2011-00036 Update

- On January 29, 2013, the KPSC issued its order in the 2011 General Rate Case 2011-00036 rehearing.

- The KPSC approved an additional increase of $1,042,535 annual revenues comprised of rate case expenses of $1,831,376 and $450,000 of depreciation. The rate case expenses are recovered over three years. Recovery for these amounts is allowed retroactive to when the rates were implemented on September 1, 2011.

- This order results in an additional 2013 revenues of $1,355,168 based upon the retroactive application of the order plus an additional $1,042,535 increase in base rates.

Big Rivers

Century Notice to Terminate Retail Contract

- On August 20, 2012, Century Aluminum Company gave its one year termination notice to Kenergy and Big Rivers. This notice indicated Century is ceasing all smelter operations at their Hawesville, Kentucky facility on August 20, 2013. Century is the source of approximately thirty-six (36%) of Big Rivers' wholesale revenues or approximately $205 million for the twelve months ending December 31, 2012.

- As a result of this termination notice, Big Rivers immediately began implementing its formal Load Concentration Mitigation Plan finalized in June 2012 which includes:
  - Filing for a general rate increase with the Kentucky Public Service Commission (PSC).
  - Pursuing replacement load for Century's 482 MW.
  - Developing a 2013 budget and 2014-2016 financial plan which include a temporary layup, beginning in August 2013, of our D.B. Wilson plant, which has a net capacity of 417 MW. This layup will continue until replacement load is found or until the price of off-system sales improve.

- Presently, with the support of the Governor, Kenergy, Big Rivers and Century are discussing how Kenergy can purchase Century's power from the market after August 20, 2013, rather than from Big Rivers' generating resources.

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Big Rivers

2012 Rate Case 2012-00535 Overview

- **Drivers**
  - Century Contract Termination
  - Depressed Off System Sales margins
  - Depreciation
  - Other costs not fully recovered in last rate case

- **Fully Forecasted Test Period**
  - Based on Big Rivers' Budget and Financial Plan for September 2013 through August 2014
  - Business model has changed with the exit of Century

- **Revenue Deficiency**
  - Calculated as the annual incremental revenue needed to allow Big Rivers to achieve a 1.24 TIER during the test year while also achieving MFIR of 1.10 in calendar 2013.

  - Total annual revenue deficiency: $74,476,120. This represents a 21% wholesale revenue increase; 29% for the Rurals; 18% for the Large Industrials; and 16% for Alcan.

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Big Rivers

Rate Case 2012-00535 Filing Timeline and Key Milestones

Completed Milestones

Week Ending November 10, 2012

a) Complete Depreciation Study and Issue Draft Report

b) Complete Cost of Service Study

Week Ending November 17, 2012

a) Finalize Depreciation Study Report

b) Obtain Board Approval of Depreciation Study Results; 2013 Budget; 2014-2016 Financial Plan and Approval to file Rate Case

c) Submit Request to RUS for Approval of Depreciation Study

November 30, 2012

File Notice of Intent with the PSC

December 31, 2012

RUS Approval of Depreciation Study

January 15, 2013

File Application with the PSC

Effective Dates for Rates

February 18, 2013

Requested Effective Date of New Rates (Absent Suspension)

August 20, 2013

New Rates Effective Date (after six month suspension period)

Big Rivers

Alcan Notice to Terminate Retail Contract

- On January 31, 2013, Alcan Primary Products Corporation (Alcan) gave its one year termination notice to Kenergy and Big Rivers. This notice indicated Alcan is ceasing all smelter operations at their Sebree smelter located in Robards, Kentucky on January 31, 2014. Alcan is the source of approximately twenty-eight (28%) of Big Rivers' wholesale revenues or approximately $155 million for the twelve months ending December 31, 2012.

- As a result of this termination notice, Big Rivers expanded its effort in implementing its formal Load Concentration Mitigation Plan which includes:
  - Filing for a second general rate increase with the Kentucky Public Service Commission (PSC).
  - Pursuing replacement load for Alcan's 368 MW.
  - Developing a 2014 budget and 2015-2017 financial plan with Alcan going to market to buy its power rather than purchasing from Big Rivers' resources

- Presently, Kenergy, Big Rivers and Alcan are initiating discussions on how Kenergy can purchase Alcan's power from the market after January 31, 2014.

Big Rivers

VI. Debt, Liquidity and Financial Update

Big Rivers

Big Rivers' Financing – Lines of Credit - CONFIDENTIAL

Big Rivers has two $50 million lines of credit, one with CoBank, ACB, expiring July 2017, and the other with National Rural Utilities Cooperative Finance Corporation ("CFC") that expires July 2014.

The CFC line of credit becomes unavailable to Big Rivers on August 20, 2013 upon the termination of a smelter wholesale agreement and this event is an Event of Default under Section 6.01 M of the CFC line of credit agreement.

Big Rivers and CFC have completed negotiations on a Term Sheet for the CFC line of credit and are negotiating an amended and restated Revolving Line of Credit Agreement with the following major modifications:

1) The line of credit will become secured under the indenture.
2) The maturity date will be extended to July 16, 2017.
3) Requires certification that Big Rivers' available cash is less than $35m at the time of draw-down from the line.
4) A minimum Members' Equities' Balance (MEB) at each quarter end and each fiscal year-end is $325m + 75% of positive net margins for the period. At December 31, 2012, actual MEB was $403 million compared with the required MEB of $334 million; a positive excess of $69 million.
5) Cannot use line of credit to pay off $58.8 Pollution Control Bonds.

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Big Rivers

Big Rivers' Financing – Lines of Credit - CONFIDENTIAL continued

Presently, Big Rivers is unable to make the representations and warranties necessary to draw on the CoBank line of credit as a result of Kenergy receiving the Notice of Termination from Century. Upon the termination of smelter retail agreement, there is an Event of Default which terminates commitment to lend and accelerates payments under the CoBank line of credit. A default under this agreement can cause a default under the CoBank Secured Loan Agreement.

Big Rivers intends to restart negotiations with CoBank later in March 2013.

Big Rivers

Big Rivers' Financing – Long-Term Debt

Lender	Description		Outstanding Principal Balance as of Dec 31, 2012	Final Maturity Date	Stated Interest Rate (a)
	Long-Term Debt:				
CoBank	First Mortgage Notes Series 2012A	$	231,426,868	June 2032	4.30% (b)
RUS	RUS Series A Promissory Note	$	80,018,678	See footnote (c)	5.75% (c)
RUS	RUS Series B Promissory Note	$	130,340,373	December 2023	Imputed 5.80% (d)
Bonds	County of Ohio, Kentucky - promissory note, fixed interest rate	$	83,300,000	July 2031	6.00%
Bonds	County of Ohio, Kentucky - promissory note, variable interest rate (See Note below)	$	58,800,000	June 2013	3.25%
CFC	Refinancing Term Loan	$	298,513,117	July 2032	4.50% (e)
CFC	Equity Loan - CTCs (See Equity Investment on page 21)	$	42,844,899	July 2032	5.35% (f)
	Total Debt Excluding Outstanding Lines of Credit	**$**	**925,243,935**		

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

Big Rivers

Big Rivers' Financing – Long-Term Debt Footnotes

(a) Stated interest rates do not include adjustments to account for patronage income from respective lender.

(b) CoBank Series 2012 Note: (4.30% Stated Interest Rate) Quarterly principal and interest payments Due Mar. 31, Jun. 30, Sep. 30, and Dec. 31
First payment due : 9/30/2012; Final payment due: 6/30/2032

(c) RUS Series A Note: (5.75% Stated Interest Rate; 5.8357% Effective GAAP Interest Rate)
Next principal payment (~$2.4M) due 10/1/2019; then quarterly payments (between $10.7M - $11.6M) due until final maturity date of 7/1/2021

(d) RUS Series B Note: (No Stated Interest Rate; 5.80% Imputed Interest Rate)
$245,530,257 - Total Payment Due on December 31, 2023

(e) CFC 2012 Refinancing Loan: (Serial note pricing with varying interest rates for each individual note)
- All in effective interest rate (i.e. including impact of interest income on related CFC Investments in CTCs) ~ 4.48%
- Quarterly principal and interest payments due Feb. 28, May 31, Aug. 31, and Nov. 30
- First principal payment due: 11/30/2012; Final payment due: 5/31/2032

(f) CFC 2012 Equity Loan: (5.35% Stated Interest Rate)
- Used to finance the required purchase of CFC Capital Term Certificates (CTCs) equal to 14.29% of the original 2012 Refinance Loan balance
- Quarterly principal and interest payments due Feb. 28, May 31, Aug. 31, and Nov. 30
- First principal payment due: 11/30/2012; Final payment due: 5/31/2032

Big Rivers

Big Rivers' Financing – Cash, Investments and Transition Reserve

	Cash Balances/Investments/Reserves:	Dec 31 2012 Balance		Maturity Date	Interest Rate
CFC	CFC Equity Investment in CTCs - see Equity Loan on Page 19	$	43,617,567		4.28%
	Fidelity Prime Money Market Portfolio	$	110,165,436		0.17%
Transition Reserve	Federal National Mortgage Note	$	17,500,000	February 2013	0.12%
Transition Reserve	Federal Farm Credit Bank Bond	$	17,527,099	January 2014	0.25%
	Total Cash Balances/Investments/Reserves	**$**	**188,810,102**		

Note:

Two additional reserves established at the time of the unwind have balances as of December 31, 2012:

Economic Reserve		$ 80,643,351 (for the Rurals and Large Industrials)
Rural Economic Reserve		$ 64,663,034 (for the Rurals)
	Total	$145,306,385

The Economic Reserve is projected to be depleted Q3 2015; and the Rural Economic Reserve is anticipated to be depleted Q1 2018.

Big Rivers

Big Rivers' Financial Covenants

Big Rivers is and is projected to remain in compliance with all debt covenants associated with both long-term and short-term debt.

- The Company's Indenture and its line of credit with CFC and CoBank require that Margins for Interest Ratio (MFIR) of at least 1.10 be maintained each fiscal year.
- The CoBank line of credit agreement requires a Debt to Total Capitalization ratio of 80% or less.
- CFC line of credit requires an Equity to Assets ratio of 12% or greater at the end of each fiscal year.

Historical Performance against covenants

Ratio	Agreement	Loan Covenant	2012 Preliminary	2011	2010
MFIR	Indenture/NRUCFC/CoBank	1.10	1.25	1.12	1.15
Equity to Assets	NRUCFC	12%	26%	27%	26%
Debt to Total Capitalization	CoBank	80%	70%	67%	68%
TIER		n/a	1.25	1.12	1.15

Statement of Operations – As approved by the Board on November 16, 2012 - CONFIDENTIAL

Big Rivers

	Actual		Preliminary	Projected			
Statement of Operations ($mm)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Electric Energy Revenues	$ 514.5	$ 558.4	$ 563.4	[redacted]			
Other Operating Revenue and Income	12.8	3.6	4.9	3.7	3.7	3.7	3.7
Total Operating Revenues	$ 527.3	$ 562.0	$ 568.3	[redacted]			
Operating Expense - Excluding Fuel	$ 187.2	$ 201.8	$ 199.7	[redacted]			
Operating Expense Fuel	207.7	226.2	226.4				
Maintenance Expense	46.9	47.7	46.0				
Depreciation and Amortization	34.2	35.4	41.1	42.3	44.9	46.8	47.8
Interest Expense	47.1	45.7	44.3	46.3	47.2	47.1	46.7
Other - Net	(2.8)	(0.4)	(0.5)	(3.5)	(6.2)	(4.4)	(4.2)
Total Expenses	$ 520.3	$ 556.4	$ 557.0	[redacted]			
Net Margins	**$ 7.0**	**$ 5.6**	**$ 11.3**	[redacted]			
TIER	**1.15**	**1.12**	**1.25**	[redacted]			

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Big Rivers

Balance Sheet - As approved by the Board on November 16, 2012

Big Rivers Long-Term Financial Forecast
Key Credit Metrics

	Actual		Preliminary	Projected			
Balance Sheet ($mm)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Assets							
Net Utility Plant	$ 1,092	$ 1,092	$ 1,087	$ 1,120	$ 1,148	$ 1,145	$ 1,132
Cash & Investments	45	45	110	83	81	83	92
Transition Reserve	35	0	35	35	35	35	35
Economic Reserve	121	100	81	54	21	0	0
Rural Economic Reserve	62	63	65	66	67	56	27
Receivables, Inventories, & Other	117	118	169	170	170	170	169
Total	**$ 1,472**	**$ 1,418**	**$ 1,547**	**$ 1,528**	**$ 1,522**	**$ 1,489**	**$ 1,455**
Equities & Liabilities							
Equities	$ 387	$ 390	$ 403	$ 402	$ 414	$ 425	$ 434
Debt	817	786	925	943	957	943	927
Deferred Revenue - Economic Reserves	181	162	148	120	88	56	27
Line of Credit Advances	10	0	0	0	0	0	0
Payables & Other	77	80	71	63	63	65	67
Total	**$ 1,472**	**$ 1,418**	**$ 1,547**	**$ 1,528**	**$ 1,522**	**$ 1,489**	**$ 1,455**

Big Rivers

Debt Service Coverage

	Actual		Preliminary	Projected			
Debt Service Coverage	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Margins	$ 7.0	$ 5.6	$ 11.3	[redacted]			
Interest Expense	47.1	45.7	45.0	46.3	47.2	47.1	46.7
Depreciation & Amortization	36.3	37.5	44.3	45.7	48.4	50.5	51.5
Numerator for DSCR	$ 90.4	$ 88.8	$ 100.6	[redacted]			
Interest Expense	47.1	45.7	45.0	46.3	47.2	47.1	46.7
Principal Due on Long-Term Debt	14.2	14.9	18.5	21.6	22.0	22.9	25.2
Denominator for DSCR	$ 61.3	$ 60.6	$ 63.5	$ 67.9	$ 69.2	$ 70.0	$ 71.9
Debt Service Coverage Ratio	**1.47**	**1.47**	**1.58**	[redacted]			

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Case No. 2012-00535
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Big Rivers

VII. Big Rivers' Electric Rates and Comparative Prices

Big Rivers

Non-Smelter Wholesale Member Rates

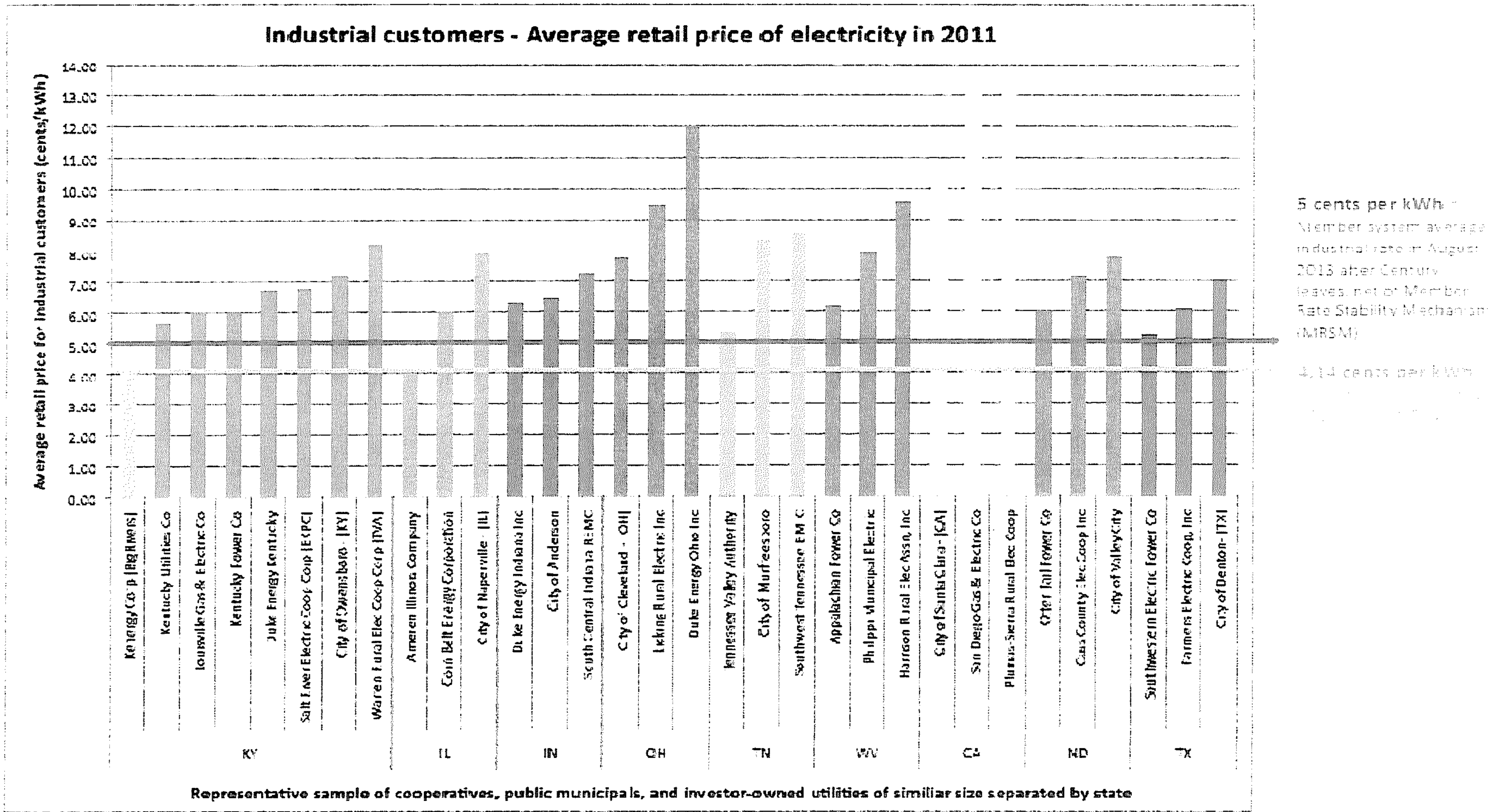
	Actual		Preliminary	Projected			
Rate Derivation ($/MWh)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Non-Smelter Members							
Base Rate	$ 35.33	$ 42.45	$ 48.62	$ 53.43	$ 62.84	$ 62.86	$ 62.88
Regulatory Account Amortization	0.00	(0.32)	(1.14)	(1.17)	(0.64)	(0.33)	1.05
FAC	9.98	4.49	2.90	4.27	5.42	6.46	6.94
Environmental Surcharge	2.25	2.16	2.23	3.28	3.95	4.91	5.19
Surcredits	(3.30)	(3.49)	(4.20)	(3.24)	(1.74)	(1.73)	(1.71)
Rebate (Accrual)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rate Stabilization							
Economic Reserve	(7.91)	(6.22)	(6.11)	(8.01)	(9.81)	(6.24)	0.00
Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	(3.55)	(8.68)
Blended Rate	**$ 36.35**	**$ 39.07**	**$ 42.29**	**$ 48.56**	**$ 60.02**	**$ 62.38**	**$ 65.67**

Big Rivers

Smelter Rates

	Actual		Preliminary	Projected			
Rate Derivation * ($/MWh)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Smelters							
Large Industrial Rate @ 98%	$ 29.07	$ 34.70	$ 38.86	$ 40.77	$ 47.35	$ 47.35	$ 47.30
Additional Smelter Charge	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Base Rate	29.32	34.95	39.11	41.02	47.60	47.60	47.55
Tier Adjustment	1.95	1.95	2.95	2.95	2.94	2.37	3.55
Non-FAC PPA	(1.18)	(0.70)	(0.27)	(0.53)	(0.36)	1.01	1.00
FAC	10.13	4.53	2.92	4.19	5.42	6.46	6.94
Environmental Surcharge	2.26	2.18	2.14	2.56	3.06	3.90	4.05
Surcharge	1.57	1.57	1.87	1.87	1.87	1.87	1.87
Rebate (accrued)	0.00	0.00	(0.20)	0.00	0.00	0.00	0.00
Effective Rate	**$ 44.05**	**$ 44.48**	**$ 48.52**	**$ 52.06**	**$ 60.53**	**$ 63.21**	**$ 64.96**

U.S. Energy Administration



Source: http://www.eia.gov/electricity/data.cfm#sales

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Case No. 2012-00535
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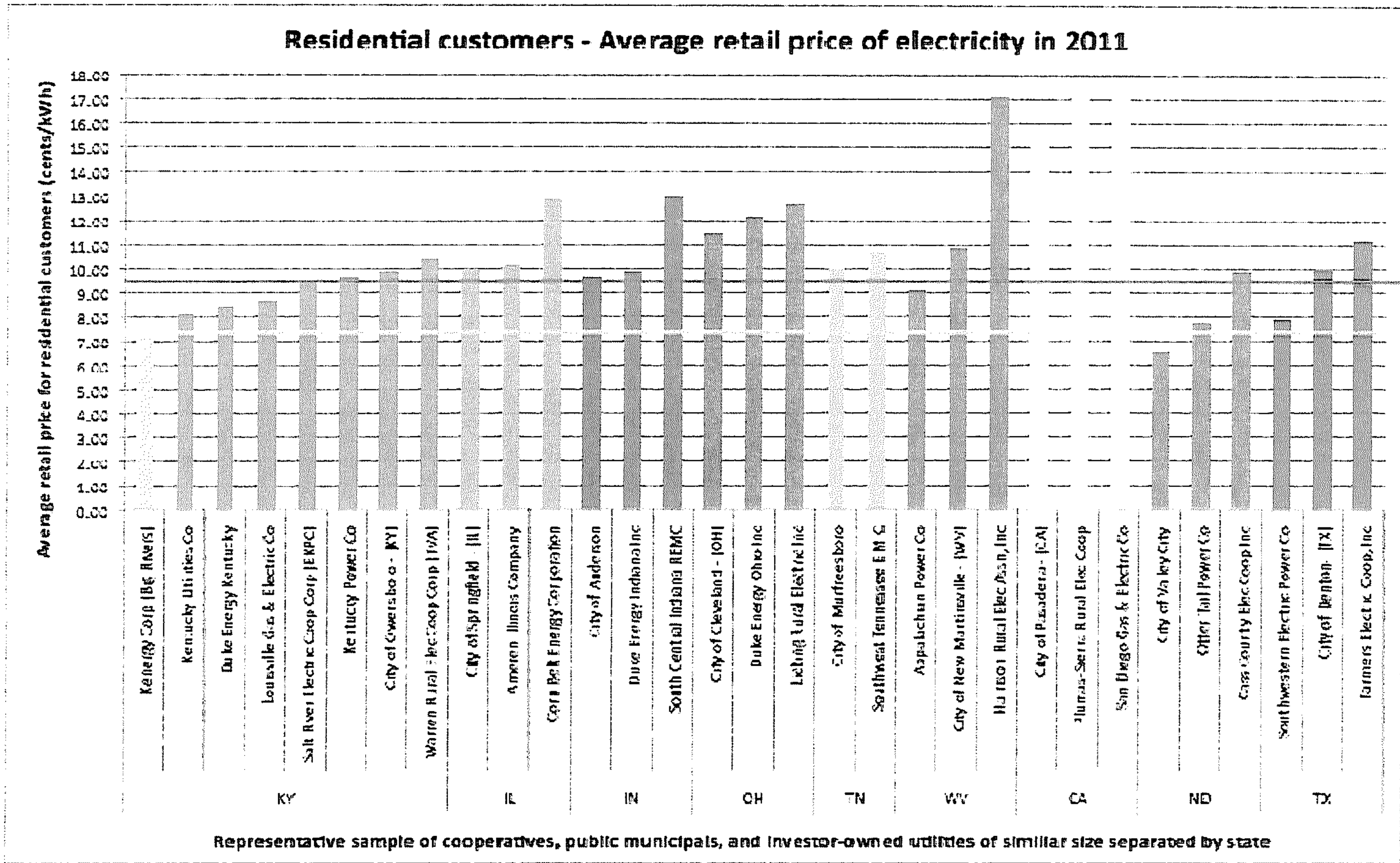
U.S. Energy Administration



9.6 cents per kWh = Member system average residential rate in August 2013 after Century leaves, net of Member Rate Stability Mechanism (MRSM)

7.46 cents per kWh

Source: http://www.eia.gov/electricity/data.cfm#sales

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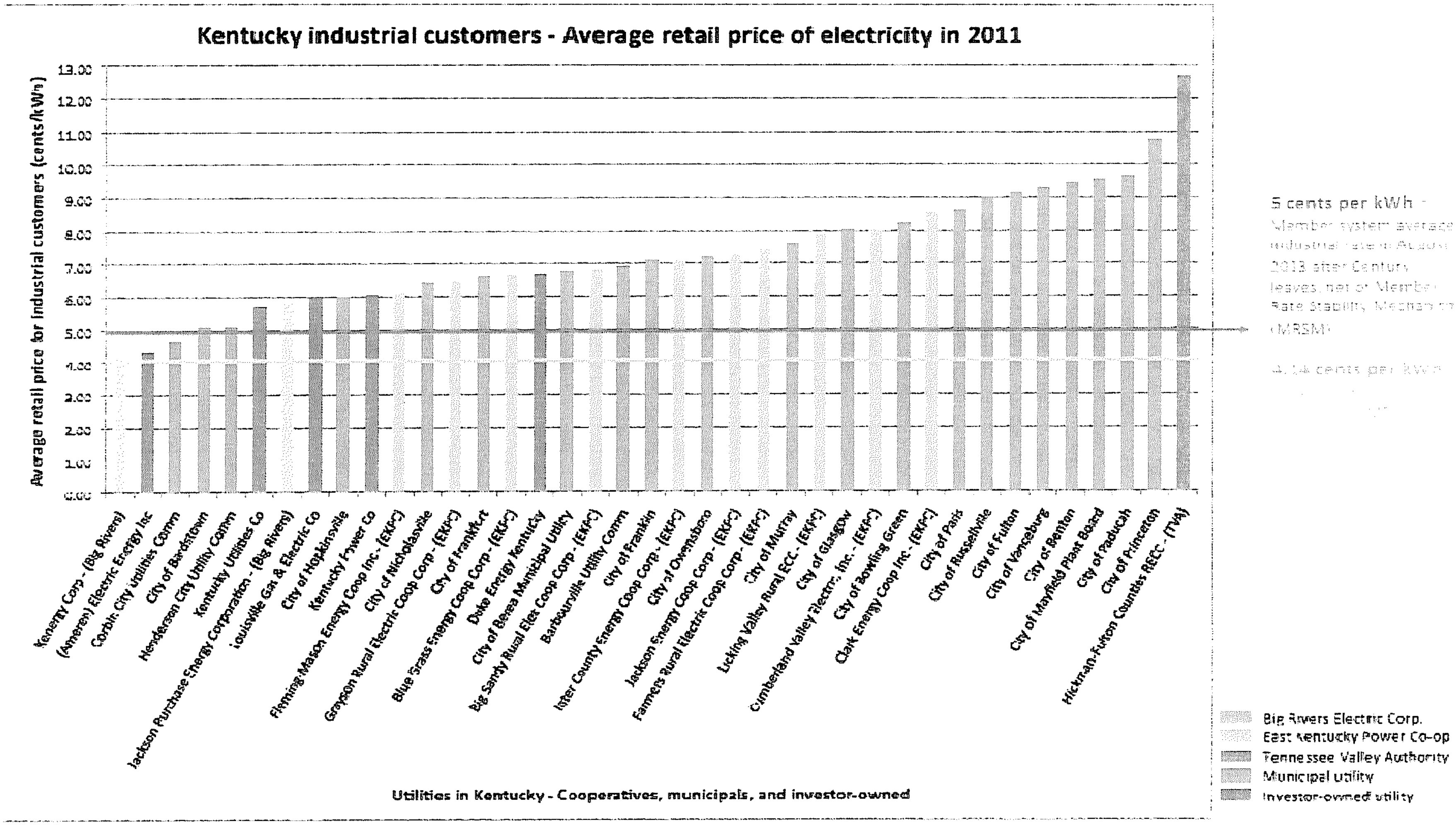
U.S. Energy Administration



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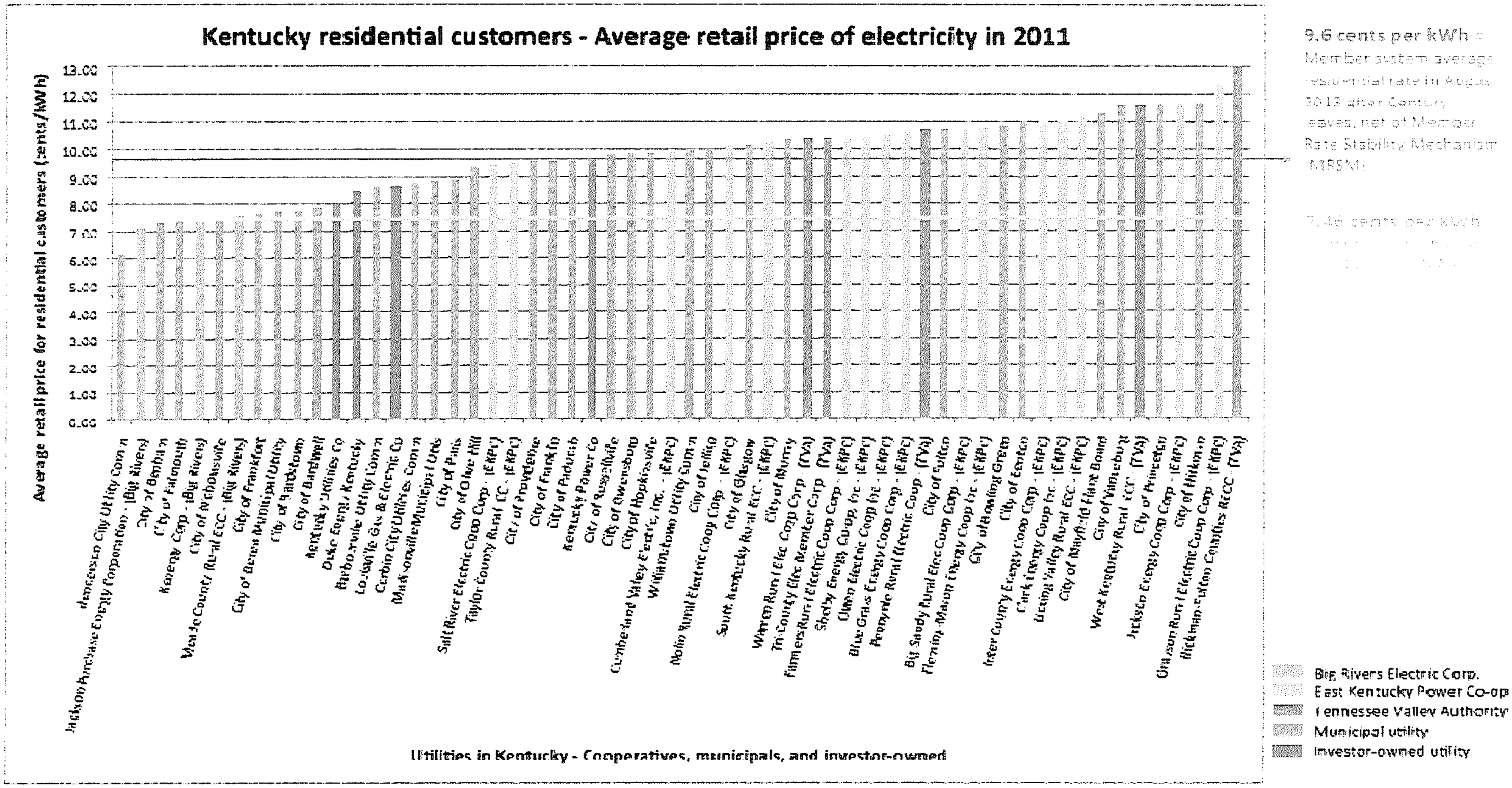
U.S. Energy Administration



Source: http://www.eia.gov/electricity/data.cfm#sales

Billie Richert

From: Vu, Victor - RD, Washington, DC <Victor.Vu@wdc.usda.gov>
Sent: Thursday, March 07, 2013 11:29 AM
To: Billie Richert
Subject: RE: Confirming meeting time on March 19th

Thanks, Billie.

Victor T. Vu | Director, Power Supply Division
Rural Development | Rural Utilities Service | Electric Program
U.S. Department of Agriculture
1400 Independence Ave., S.W., Room 0270-S | Washington, DC 20250-1568
Tel: 202-720-6436 | Cell: 202-365-7708 | Fax: 202-720-1401
www.rurdev.usda.gov/UEP_HomePage.html

"Committed to the future of rural communities"

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Thursday, March 07, 2013 12:13 PM
To: Vu, Victor - RD, Washington, DC
Subject: RE: Confirming meeting time on March 19th

Victor,
Mark Bailey, President and CEO; Bob Berry, Chief Operating Officer, Jim Miller, Counsel and I.

Thank you, Victor.

Billie

From: Vu, Victor - RD, Washington, DC [mailto:Victor.Vu@wdc.usda.gov]
Sent: Thursday, March 07, 2013 9:34 AM
To: Billie Richert
Subject: RE: Confirming meeting time on March 19th

Hi Billie,

Yes, we received your Corrective Plan and I have distributed to our folks. Who from Big Rivers will be coming for the meeting? The meeting will be held in conference room 5140.

Victor T. Vu | Director, Power Supply Division
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"Committed to the future of rural communities"

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Thursday, March 07, 2013 9:16 AM
To: Vu, Victor - RD, Washington, DC; Black, Cheryl - RD, Washington, DC
Subject: Confirming meeting time on March 19th

Victor,
This is to follow-up on a message Karen left earlier today. Karen indicated our meeting will start at 1:30 and last until 4:00 p.m. Also, when you have a chance, will you please confirm you received our Corrective Plan?

Thank you.

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

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

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Billie Richert

From: Billie Richert
Sent: Thursday, March 07, 2013 8:16 AM
To: Victor.Vu@wdc.usda.gov; cheryl.black@wdc.usda.gov
Subject: Confirming meeting time on March 19th

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Billie Richert

From: Billie Richert
Sent: Tuesday, March 05, 2013 5:55 PM
To: Victor.Vu@wdc.usda.gov
Cc: Jim Miller (jmiller@smsmlaw.com); Mark Bailey; Bob Berry
Subject: Big Rivers Electric Corporation - Corrective Plan to Achieve Two Credit Ratings of Investment Grade
Attachments: RUS Corrective Plan to Achieve Two Credit Ratings of Investment Grade.docx; CONFIDENTIAL APPENDIX A.docx; CONFIDENTIAL APPENDIX B.docx

Victor,
Please find attached Big Rivers Electric Corporation's (Big Rivers) Corrective Plan to Achieve Two Credit Ratings of Investment Grade. The submission of this Plan is pursuant to Section 4.23 (c) of the Amended and Consolidated Loan Contract dated as of July 16, 2009, between Big Rivers Electric Corporation and United States of America acting by and through the Administrator of the Rural Utilities Service (RUS). Within thirty (30) days of the date (February 6, 2013) on which Big Rivers fails to maintain two Credit Ratings of Investment Grade, Big Rivers in consultation with the RUS shall provide a written plan satisfactory to the RUS setting forth the actions that shall be taken that are reasonably expected to achieve two Credit Ratings of Investment Grade. This document is submitted by Big Rivers to the RUS as a proposed written plan that is expected to be satisfactory to the RUS as is required under Section 4.23 (c).

Victor, please note there are two Appendices to the Plan, both of which are marked as confidential and are to be treated as such. We look forward to our visit on Tuesday, March 19, 2013, to review this Plan with you. In the meantime, please don't hesitate to contact me if there are any questions.

Regards,

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

Corporate: (270) 827-2561
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Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

Corrective Plan to Achieve Two Credit Ratings of Investment Grade

March 7, 2013

[Please note that Appendices A and B to this document contain **CONFIDENTIAL COMMERCIAL BUSINESS INFORMATION** relating to details of ongoing negotiations of credit documents and potential business transactions, the public disclosure of which would be highly prejudicial and damaging to Big Rivers Electric Corporation's commercial business interests.]

Big Rivers Electric Corporation
Corrective Plan to Achieve Two Credit Ratings of Investment Grade
March 7, 2013

Contractual Covenant: Maintenance of Two Credit Ratings of Investment Grade

If Big Rivers fails to maintain two Credit Ratings of Investment Grade per Section 4.23 – Maintenance of Credit Ratings of the Amended and Consolidated Loan Contract dated as of July 16, 2009 (the Agreement) between Big Rivers Electric Corporation (Big Rivers) and United States of America acting by and through the Administrator of the Rural Utilities Service (RUS), Big Rivers must notify RUS in writing to that effect within five (5) days after becoming aware of such failure.

Big Rivers became aware of this failure to maintain two Credit Ratings of Investment Grade when Fitch Ratings downgraded its rating from BBB- to BB on February 6, 2013. Standard & Poor's previously downgraded Big Rivers from BBB- to BB- on February 4, 2013. Big Rivers notified RUS in writing on February 7, 2013 pursuant to Section 4.23 (b) of the Agreement.

In addition, pursuant to Section 4.23 (c) of the Agreement, within thirty (30) days of the date on which Big Rivers fails to maintain two Credit Ratings of Investment Grade, Big Rivers in consultation with the RUS shall provide a written plan satisfactory to the RUS setting forth the actions that shall be taken that are reasonably expected to achieve two Credit Ratings of Investment Grade. This document is submitted by Big Rivers to the RUS as a proposed written plan that is expected to be satisfactory to the RUS as is required under Section 4.23 (c).

Background

On August 20, 2012, Century Aluminum Company (Century) gave its one year contract termination notice to Kenergy Corp. and Big Rivers Electric Corporation. This notice indicated Century is ceasing all smelter operations at their Hawesville, Kentucky facility on August 20, 2013. Century is the source of approximately thirty-six (36%) of Big Rivers' wholesale revenues or approximately $205 million for the twelve months ending December 31, 2012.

On January 31, 2013, Alcan Primary Products Corporation (Alcan) gave its one year contract termination notice to Kenergy Corp. and Big Rivers. This notice indicated Alcan is ceasing all smelter operations at their Sebree smelter located in Robards, Kentucky on January 31, 2014. Alcan is the source of approximately twenty-eight (28%) of Big Rivers' wholesale revenues or approximately $155 million for the twelve months ending December 31, 2012.

As a result of Big Rivers receiving Alcan's notice of termination, all three rating agencies, Fitch Ratings (on February 6, 2013), Standard & Poor's (on February 4, 2013) and Moody's Investors Service (on February 6, 2013), downgraded the credit ratings on Big Rivers' $83.3 million County of Ohio, KY's Pollution Control Refunding Revenue Bonds, Series 2010A. In addition, Standard & Poor's downgraded its long term rating on Big Rivers. All three bond ratings are now below investment grade as shown in the following table:

Big Rivers' Current Credit Ratings

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

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

Big Rivers Electric Corporation
Corrective Plan to Achieve Two Credit Ratings of Investment Grade
March 7, 2013

Rating Agencies' Focus

Rating agencies focus on three areas of Big Rivers' business when issuing ratings on Big Rivers' $83.8m County of Ohio, Kentucky, Pollution Control Refunding Revenue Bonds. Primarily these three areas are:

1) Access to and maintenance of liquidity

2) Replacement load for Big Rivers' two largest customers who have given notice of termination, and

3) Increased Big Rivers' activity in off-system sales market

As part of Big Rivers' corrective plan to achieve two investment grade credit ratings Big Rivers' addresses each of these areas in this document.

Access to and Maintain Liquidity

Lines of Credit

Big Rivers has two $50 million lines of credit, one with CoBank, ACB, expiring July 2017, and the other with National Rural Utilities Cooperative Finance Corporation (CFC) that expires July 2014.

CFC Line of Credit

Under the current arrangement, the CFC line of credit will become unavailable to Big Rivers on August 20, 2013 upon the termination of a smelter wholesale agreement and this event is an Event of Default under Section 6.01 M of that facility.

Big Rivers and CFC have completed negotiations on a Term Sheet for the CFC line of credit with the major modifications that are listed on the attached **CONFIDENTIAL** Appendix A.

CoBank Line of Credit

Presently, Big Rivers is unable to make the representations and warranties necessary to draw on the CoBank line of credit as a result of Kenergy receiving the Notice of Termination from Century. Upon the termination of the Century retail agreement which occurs on August 20, 2013, there is an Event of Default which terminates CoBank's commitment to lend and accelerates payments. A default under this agreement can cause a default under the CoBank Secured Loan Agreement.

Big Rivers intends to restart negotiations with CoBank to attempt to restructure this line later in March 2013.

Environmental Compliance Plan for Mercury and Air Toxics Standards (MATS) Financing

Big Rivers plans to submit an application to RUS to obtain long-term financing for its MATS Environmental Compliance Plan. In the interim, Big Rivers will obtain short-term financing from the National Rural Utilities Cooperative Finance Corporation (CFC). This short-term or bridge financing will be in the form of a $60 million senior secured three-year credit facility. Big Rivers has received a Term Sheet from CFC which reflects the terms and conditions Big Rivers has negotiated with CFC. As requested by RUS, we are submitting a copy to RUS of this Term Sheet.

Big Rivers is updating its RUS application for long-term financing to reflect results of a revised load forecast based upon both Century and Alcan going to market and no longer buying their power from Big Rivers.

CFC requires submission of the RUS application prior to finalizing the short-term MATS financing. As such, Big Rivers is planning to submit its application to RUS by mid-April and file a financing application with the PSC for the CFC interim financing shortly thereafter.

Rate Case 2012-00535 – Century

On January 15, 2013, Big Rivers filed a general rate case with the PSC as a result of Century's contract termination, continued depressed off system sales margins, increased depreciation expense, and other costs not fully recovered in the 2011 general rate case. The total annual revenue deficiency, $74,476,120, is calculated as the annual incremental revenue needed to permit Big Rivers to achieve a 1.24 TIER during the fully forecasted test year (September 2013 – August 2014) while also achieving Margin for Interest Ratio (MFIR) of 1.10 in calendar year 2013. This total annual revenue deficiency represents a 21% wholesale revenue increase; 29% for the rurals; 18% for the large industrials; and 16% for the remaining smelter, Alcan. These rate increases would go into effect August 20, 2013.

Rate Case 2013-XXXXX – Alcan

Big Rivers has begun plans to file another general rate case in late June 2013 to address the annual revenue deficiency resulting from Alcan's contract termination. These rate increases would go into effect January 31, 2014.

$58.8 Million PCB Financing Case 2012-00492

On January 13, 2013, Big Rivers amended its application in the $58.8 million PCB financing case. The reason for amending this application is to seek PSC approval to repurpose the $60 million borrowed for capital expenditures from CoBank in 2012 to pay-off the $58.8 million pollution control bonds due June 1, 2013, and to use the $35 million Transition Reserve to pay for capital expenditures. Although it was Big Rivers' original intent to refund these bonds, it was determined market receptivity was minimal due to the uncertainty surrounding Big Rivers and the results of the two smelters giving notices of termination. By paying off these bonds, Big Rivers will realize an annual net cost savings of approximately $3.4 million in interest expense and issuance costs. The amendment filed in this financing case is intended also to preserve the capability of Big Rivers to issue, in part, tax-exempt pollution control bonds sometime in the future.

A hearing was held in Frankfort, Kentucky on February 28th, 2013. No briefs are being filed. Big Rivers is hopeful that the PSC will issue an order by March 31, 2013.

Replacement Load and Addressing Reliance on Off-System Sales

Load Concentration Mitigation Plan Activities Update

The **CONFIDENTIAL** Big Rivers Load Concentration Mitigation Plan Activities Update is attached as **CONFIDENTIAL** Appendix B.

Big Rivers Electric Corporation
Corrective Plan to Achieve Two Credit Ratings of Investment Grade
March 7, 2013

SUMMARY

Big Rivers is confident it can regain two investment grade ratings with the rate relief from the PSC along with the successful implementation of its Load Concentration Mitigation Plan and following the pay down of the $58.8 million PCB issue due June 1, 2013. Big Rivers' believes completion of the entire process will most likely take three to four years. Big Rivers financial metrics are good; it continues to meet all of the financial debt covenants associated with both long-term and short-term debt; and our projections for the 2013 – 2016 timeframe reflect ongoing compliance. We are ready to work closely with the RUS in developing a corrective plan which is acceptable to the RUS and to ensure Big Rivers achieves two credit ratings of investment grade within a reasonable period of time.

Big Rivers Electric Corporation
Corrective Plan to Achieve Two Credit Ratings of Investment Grade
March 7, 2013

CONFIDENTIAL APPENDIX A

The principal terms on the term sheet to amend the CFC revolving line of credit agreement are:

1) The line of credit will become secured under the indenture.

2) The maturity date will be extended to July 16, 2017.

3) Certification that Big Rivers' available cash is less than $35 million prior to draw-down.

4) A minimum Members' Equities' Balance (MEB) at each quarter end and each fiscal year-end of $325 million + 75% of positive net margins for the period. At the end of December 31, 2012, Big Rivers' MEB was $403 million compared with the required of $334 million; a positive excess of $69 million.

5) Big Rivers cannot use the CFC line of credit to pay off $58.8 million Pollution Control Bonds which are due June 1, 2013.

Big Rivers Electric Corporation
Corrective Plan to Achieve Two Credit Rates of Investment Grade
March 7, 2013

CONFIDENTIAL APPENDIX B

In the Matter of:

APPLICATION OF BIG RIVERS	)	
ELECTRIC CORPORATION	)	**Case No.**
FOR APPROVAL TO ISSUE	)	**2013-00125**
EVIDENCE OF INDEBTEDNESS	)	

CONFIDENTIAL RESPONSE to
Item 2 of the Kentucky Industrial Utility Customers' Data Request
dated May 2, 2013
FILED: May 14, 2013

INFORMATION SUBMITTED UNDER PETITION FOR CONFIDENTIAL TREATMENT

Billie Richert

From: Billie Richert
Sent: Tuesday, March 05, 2013 10:09 AM
To: 'Vu, Victor - RD, Washington, DC'
Cc: Black, Cheryl - RD, Washington, DC
Subject: RE: Confirming Tuesday, March 19th Meeting Date and Time - Rescheduling due to anticipated weather in DC area

Victor,
I just spoke with Helen and asked for her to convey to you Big Rivers can reschedule our meeting with you to Tuesday, March 19th, in the afternoon. Please have someone confirm for me the exact time and location. As I indicated to Karen earlier today I am forwarding documents to you today in preparation for our meeting.

Thank you.

Billie

From: Vu, Victor - RD, Washington, DC [mailto:Victor.Vu@wdc.usda.gov]
Sent: Wednesday, February 13, 2013 3:50 PM
To: Billie Richert
Cc: Ralph Ashworth; Black, Cheryl - RD, Washington, DC
Subject: RE: Confirming March 7th Meeting Date and Time

Thank you Billie, looks good. Just now got my computer up again after an IT maintenance issue. Murphy's Law strikes again.

Victor T. Vu | Director, Power Supply Division
Rural Development | Rural Utilities Service | Electric Program
U.S. Department of Agriculture
1400 Independence Ave., S.W., Room 0270-S | Washington, DC 20250-1568
Tel: 202-720-6436 | Cell: 202-365-7708 | Fax: 202-720-1401
www.rurdev.usda.gov/UEP_HomePage.html

"Committed to the future of rural communities"

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Wednesday, February 13, 2013 1:19 PM
To: Vu, Victor - RD, Washington, DC
Cc: Ralph Ashworth; Black, Cheryl - RD, Washington, DC
Subject: RE: Confirming March 7th Meeting Date and Time

Victor,
Per your request please find a brief synopsis describing the termination of the two smelters and the subsequent downgrades in our credit ratings. Please let us know if you need additional information.

Thank you.

Billie

From: Vu, Victor - RD, Washington, DC [mailto:Victor.Vu@wdc.usda.gov]
Sent: Tuesday, February 12, 2013 3:34 PM
To: Billie Richert
Subject: RE: Confirming March 7th Meeting Date and Time

Thank you. Have a good evening.

Victor T. Vu | Director, Power Supply Division
Rural Development | Rural Utilities Service | Electric Program
U.S. Department of Agriculture
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Tel: 202-720-6436 | Cell: 202-365-7708 | Fax: 202-720-1401
www.rurdev.usda.gov/UEP_HomePage.html

"Committed to the future of rural communities"

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Tuesday, February 12, 2013 4:31 PM
To: Vu, Victor - RD, Washington, DC
Subject: RE: Confirming March 7th Meeting Date and Time

Yes, I will Victor.

From: Vu, Victor - RD, Washington, DC [mailto:Victor.Vu@wdc.usda.gov]
Sent: Tuesday, February 12, 2013 3:27 PM
To: Billie Richert
Subject: RE: Confirming March 7th Meeting Date and Time

Thanks, Billie.

If I could ask, would you provide me with a short briefing (no more than ¾ - 1 page) about the loss of the two smelters and the down rating of Big Rivers (to BB- ??) by the two rating agencies? I need to provide a briefing to the Secretary when he testifies before the upcoming Ag Committee hearing, in case there is a question asked. If possible by COB tomorrow? Thank you in advance.

Victor T. Vu | Director, Power Supply Division
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Tel: 202-720-6436 | Cell: 202-365-7708 | Fax: 202-720-1401
www.rurdev.usda.gov/UEP_HomePage.html

"Committed to the future of rural communities"

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Tuesday, February 12, 2013 4:00 PM
To: victor.vu@usda.gov
Cc: Black, Cheryl - RD, Washington, DC
Subject: Confirming March 7th Meeting Date and Time

Victor,
This is confirming our meeting date with RUS for Thursday, March 7, 2013 at 9:30 a.m. EST until 10:30 a.m. EST. Big Rivers will provide to RUS our corrective plan of action in advance of the meeting, per your request, and within the 30 day period which commenced upon the receipt of the second ratings downgrade per the RUS loan agreement.

Thank you.

Billie

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

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

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Billie Richert

From: Billie Richert
Sent: Tuesday, February 12, 2013 3:00 PM
To: victor.vu@usda.gov
Cc: cheryl.black@wdc.usda.gov
Subject: Confirming March 7th Meeting Date and Time

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Billie

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Mobile: (270) 577-6221

Billie Richert

From:	Billie Richert
Sent:	Wednesday, February 06, 2013 4:38 PM
To:	victor.vu@usda.gov
Cc:	cheryl.black@wdc.usda.gov
Subject:	Big Rivers Meeting with RUS

Victor,
As we discussed, Big Rivers wants to visit with RUS the week of March 4th. We are available on Monday, the 4th, Tuesday, the 5th or Thursday, the 7th. Do any of these dates work for you and your staff?

Thank you.

Billie Richert, CPA, CITP
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BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS
CASE NO. 2013-00125

**Response to the Kentucky Industrial Utility Customers'
Initial Request for Information
Dated May 2, 2013**

May 14, 2013

Item 3) ***Provide a copy of all correspondence and documents exchanged internally within BREC regarding the transactions described in the Application.***

Response)

Big Rivers objects to this request on the grounds that it is overly broad and unduly burdensome. Notwithstanding these objections, but without waiving them, Big Rivers states as follows. Please see attached copies of all correspondence and documents exchanged internally within BREC regarding the transactions described in the Application.

Witness) Billie J. Richert

Billie Richert

From:	Billie Richert
nt:	Monday, April 15, 2013 5:29 PM
.	Mark Bailey
ᴗc:	Paula Mitchell
Subject:	Board Presentation Materials
Attachments:	Financial Report - February 2013.pptx; Financial Policy - Year Ending 2012.pptx; Board of Directors - April 19 2013 - PSC Case Update.pptx; Corporate Scorecard and Dashboard - February 2013.docx

Mark,
Attached are the following:

1) Financial Report – February 2013 – We changed footnote reference on page 7.
2) Financial Policy – Annual Fiscal Review – 2012 – Added footnote for Liquidity on page 8; Added MFIR on page 10; added Financial Ratio Requirements Per Debt Agreements per page 12.
3) Financing and Rate Case Updates – Added comment re: KIUC intervening on page 3.
4) Corporate Scorecard and Dashboard – February 2013 – You have **not** reviewed this.

Please let me know if there are other changes required.

Thank you.

Billie Richert, CPA, CITP
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''enderson, KY 42420

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Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

Financing and Rate Case Updates

Board Meeting Date: April 19, 2013

Big Rivers
ELECTRIC CORPORATION
Your Touchstone Energy Cooperative

Financing Case (2013-00125) Update
CFC Amended $50 Million Revolver

On March 27, 2013, Big Rivers filed a financing case with the PSC to amend the CFC $50 million revolver. The PSC assigned Case No. 2013-00125 on March 29, 2013. KIUC filed to intervene in this case on April 10, 2013.

Principal terms to be amended are:

1) Revolver will become secured under the indenture.
2) Maturity date will be extended to July 16, 2017.
3) Certification required that Big Rivers' available cash is less than $35 million prior to any draw down.
4) A minimum Members' Equities' Balance (MEB) at each quarter end and each fiscal year end of $325 million + 75% of positive net margins for the period. At the end of December 31, 2012, Big Rivers' MEB was $403 million compared with the required $334 million; a positive excess of $69 million.
5) Cannot use the CFC Revolver to pay off $58.8 million 1983 Bonds.

Billie Richert

From:	Billie Richert
ｪnt:	Friday, April 12, 2013 2:36 PM
ↄ:	Mark Bailey
Subject:	KIUC Intervening in our Amended CFC Revolver Financing Case

Mark,
I learned from Jim today that KIUC has intervened in our financing case.

Billie

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

Corporate: (270) 827-2561
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APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS
CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated May 2, 2013

May 14, 2013

Item 4) ***Provide a copy of all correspondence and documents exchanged between BREC and any other banking institution or any other investment advisory entity regarding the transactions described in the Application.***

Response)

Big Rivers objects to this request on the grounds that it is overly broad and unduly burdensome. Big Rivers also objects to this request on the grounds that it seeks information that is irrelevant and not likely to lead to the discovery of admissible evidence. Notwithstanding these objections, but without waiving them, Big Rivers states as follows. There are no other correspondence and documents exchanged between BREC and any other banking institution or any other investment advisory entity regarding the transactions described in the Application.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS
CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated May 2, 2013

May 14, 2013

Item 5) ***Provide a copy of all correspondence and documents exchanged between BREC and the three rating agencies since January 1, 2013.***

Response)

Big Rivers objects to this request on the grounds that it is overly broad and unduly burdensome. Big Rivers also objects to this request on the grounds that it seeks information that is irrelevant and not likely to lead to the discovery of admissible evidence. Notwithstanding these objections, but without waiving them, Big Rivers states as follows. Please see attached correspondence and documents exchanged between BREC and the three rating agencies since January 1, 2013.

Witness) Billie J. Richert

Billie Richert

From: Billie Richert
Sent: Tuesday, April 30, 2013 10:58 AM
T^. 'Dennis.Pidherny@fitchratings.com'
ect: RE: Will call you shortly

No rush.

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Tuesday, April 30, 2013 10:57 AM
To: Billie Richert
Subject: Will call you shortly

Wrapping up a call.

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

Billie Richert

From: Alan.Spen@fitchratings.com
Sent: Monday, April 29, 2013 3:55 PM
Billie Richert
ject: RE: FYI

Billie,

Sorry for not getting back sooner. One of those days. (I shouldn't say that given all that you have going on). Believe Dennis just sent you an email about talking tomorrow. Reasonably free. Let me know what is good for you. 9 your time can work for me. Dennis might have mentioned 12 our time.

Thanks

Alan

From: Billie Richert <Billie.Richert@bigrivers.com>
To: "Dennis.Pidherny@fitchratings.com" <Dennis.Pidherny@fitchratings.com>
Cc: "Alan.Spen@fitchratings.com" <Alan.Spen@fitchratings.com>
Date: 04/29/2013 11:31 AM
Subject: RE: FYI

Dennis/Alan,
ve speak tomorrow at 9:00 CDT? I'm available tomorrow at any time other than between 10 – 11:00 and 1 – 2:00 CDT.

Thanks,
Billie

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Monday, April 29, 2013 8:42 AM
To: Billie Richert
Cc: Alan.Spen@fitchratings.com
Subject: Re: FYI

Thank you Billie.

As always we would appreciate the opportunity to speak with you at your convenience on the latest developments.

Let us know if and when that is possible.

Dennis M. Pidherny
Managing Director, Public Finance
Sector Head - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
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+' ¯16) 659-2428 (mobile)
d s.pidherny@fitchratings.com
From: Billie Richert <Billie.Richert@bigrivers.com>
To: "Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)" <Dennis.Pidherny@fitchratings.com>

Date: 04/29/2013 09:18 AM
Subject: FYI

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

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
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Billie Richert

From:	Dennis.Pidherny@fitchratings.com
Sent:	Monday, April 29, 2013 3:55 PM
⁻ ·	Billie Richert
	Alan.Spen@fitchratings.com
‿ ‿ject:	Re: FYI

Can we speak at 11 CST?

From: Billie Richert [Billie.Richert@bigrivers.com]
Sent: 04/29/2013 10:30 AM EST
To: Dennis Pidherny
Cc: Alan Spen
Subject: RE: FYI

Dennis/Alan,
Can we speak tomorrow at 9:00 CDT? I'm available tomorrow at any time other than between 10 – 11:00 and 1 – 2:00 CDT.

Thanks,
Billie

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
S⁻⁻t: Monday, April 29, 2013 8:42 AM
1 illie Richert
Cc: Alan.Spen@fitchratings.com
Subject: Re: FYI

Thank you Billie.

As always we would appreciate the opportunity to speak with you at your convenience on the latest developments.

Let us know if and when that is possible.

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

⁼rom:	Billie Richert <Billie.Richert@bigrivers.com>
Го:	"Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)" <Dennis.Pidherny@fitchratings.com>
Эate:	04/29/2013 09:18 AM
Ѕubject:	FYI

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

From: Alan.Spen@fitchratings.com
Sent: Monday, April 29, 2013 10:25 AM
Billie Richert
ject: RE: Emails

Not a problem

Thanks very much

From: Billie Richert <Billie.Richert@bigrivers.com>
To: "Alan.Spen@fitchratings.com" <Alan.Spen@fitchratings.com>
Date: 04/29/2013 09:57 AM
Subject: RE: Emails

Sorry, Alan. Will do going forward. Have a great day.

From: Alan.Spen@fitchratings.com [mailto:Alan.Spen@fitchratings.com]
Sent: Monday, April 29, 2013 8:52 AM
To: Billie Richert
Subject: Emails

M^rning Billie,

Dıu see the release put out this morning on the smelters. Appreciate your heads up, as well.

With regard to Big Rivers analytical coverage, if you could also send releases to me, along with Dennis, that would be great. We had some restructuring of assignments, and I will be lead on Big Rivers,working with Dennis.

Thanks much,

Alan

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Billie Richert

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Alan

Billie Richert

From: Billie Richert
Sent: Monday, April 29, 2013 10:30 AM
'Dennis.Pidherny@fitchratings.com'
Alan.Spen@fitchratings.com
Subject: RE: FYI

Dennis/Alan,
Can we speak tomorrow at 9:00 CDT? I'm available tomorrow at any time other than between 10 – 11:00 and 1 – 2:00 CDT.

Thanks,
Billie

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Monday, April 29, 2013 8:42 AM
To: Billie Richert
Cc: Alan.Spen@fitchratings.com
Subject: Re: FYI

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As always we would appreciate the opportunity to speak with you at your convenience on the latest developments.

Let us know if and when that is possible.

D--nis M. Pidherny
[illegible]ging Director, Public Finance
Sector Head - U.S. Public Power
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dennis.pidherny@fitchratings.com

From: Billie Richert <Billie.Richert@bigrivers.com>
To: "Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)" <Dennis.Pidherny@fitchratings.com>
Date: 04/29/2013 09:18 AM
Subject: FYI

Billie Richert, CPA, CITP
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Billie Richert

From: Billie Richert
" t: Monday, April 29, 2013 9:18 AM
'Dennis.Pidherny@fitchratings.com'
Alan.Spen@fitchratings.com
Subject: RE: FYI - Update

Please see following press release.

press release

April 29, 2013, 9:20 a.m. EDT

Century Aluminum Announces Agreement to Acquire Sebree, KY Smelter

marketwire

MONTEREY, CA, Apr 29, 2013 (Marketwired via COMTEX) -- Century Aluminum Company /r 'es/zigman/59708/quotes/nls/cenx CENX +6.08% announced today that its wholly owned subsidiary h... entered into a definitive agreement to acquire substantially all of the assets of the Sebree aluminum smelter from a subsidiary of Rio Tinto Alcan, Inc. Sebree, located in Henderson County, Kentucky, employs over 500 men and women and has an annual production capacity of 205,000 metric tons of primary aluminum.

"We are well acquainted with the Sebree smelter and its excellent management team and talented group of employees," commented Michael Bless, President and CEO. "We believe that, with these facilities under common ownership, we will derive real benefits in better serving customers and through improving both operations with the sharing of best practices in safety, technical and operational practices and procedures. My colleagues and I are anxious to welcome Sebree's men and women into the Century group of companies."

"We believe Sebree, like Hawesville, is globally competitive in every area other than the cost of power," continued Mr. Bless. "Maintaining operations at these plants, and the thousands of direct and indirect jobs they provide and support, is critical for the entire western Kentucky community. Gaining access to competitive energy is a crucial for the continued viability of these plants, and we hope that the tentative agreement we have reached for Hawesville will be the first step towards obtaining market priced power."

Pu...uant to the terms of the agreement, Century will acquire the smelter for $61 million in cash (after $4 million in purchase price deductions) and will receive $71 million in working capital, subject to customary adjustments. As part of the transaction, RTA will retain all historical environmental liabilities of the Sebree smelter and has agreed to fully fund the pension plan being assumed by Century's subsidiary at closing.

The transaction is subject to certain closing conditions, including the consent of Kenergy Corp. to the assignment of the smelter's existing power contract, which will terminate on January 31, 2014.

Century Aluminum Company owns primary aluminum capacity in the United States and Iceland. Century's corporate offices are located in Monterey, Calif. More information can be found at www.centuryaluminum.com.

Cautionary Statement

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements about future, not past, events and involve certain important risks and uncertainties, any of which could cause our actual results to differ materially from those expressed in our forward-looking statements. Such risks and uncertainties may include, without limitation, further declines in aluminum prices or increases in our operating costs; worsening of global financial and economic conditions; our ability to successfully obtain long-term competitive power arrangements for the Hawesville and Sebree plants; and our ability to obtain the necessary c ents and satisfy the necessary conditions to complete the acquisition of the Sebree plant. Fo ward-looking statements in this press release include statements regarding our ability to complete the acquisition of the Sebree plant, derive benefits from the common ownership of the Sebree and Hawesville plants and obtain competitive power contracts for the Hawesville and Sebree plants. More information about these risks, uncertainties and assumptions can be found in the risk factors and forward-looking statements cautionary language contained in our Annual Report on Form 10-K and in other filings made with the Securities and Exchange Commission. We do not undertake, and specifically disclaim, any obligation to revise any forward-looking statements to reflect the occurrence of future events or circumstances.

Certified Advisors for the First North market of the OMX Nordic Exchange Iceland hf. for Global Depositary Receipts in Iceland:

Atli B. Gudmundsson, Senior Manager -- Corporate Finance, Landsbankinn hf. Steingrimur Helgason, Director -- Corporate Finance, Landsbankinn hf.

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Monday, April 29, 2013 8:42 AM

To: Billie Richert
Cc: Alan.Spen@fitchratings.com
Subject: Re: FYI

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As always we would appreciate the opportunity to speak with you at your convenience on the latest developments.

Let us know if and when that is possible.

Dennis M. Pidherny
Managing Director, Public Finance
Sector Head - U.S. Public Power
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Date: 04/29/2013 09:18 AM
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Mobile: (270) 577-6221

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[attachment "53605812v3_USA_ - Century Press Release.docx" deleted by Dennis Pidherny/pf/NYC/F-I]

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Billie Richert

From:	Billie Richert
:	Monday, April 29, 2013 8:18 AM
	Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)
ject:	FYI
Attachments:	#753605812v3_USA_ - Century Press Release.docx

Billie Richert, CPA, CITP

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

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Office Direct: (270) 844-6190
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Century, Big Rivers and Kenergy Reach Tentative Agreement on Framework for Market Priced Power for Hawesville Smelter

MONTEREY, CA, April 29, 2013 -- Century Aluminum of Kentucky, a wholly owned subsidiary of Century Aluminum Company (NASDAQ: CENX), Kenergy Corp. and Big Rivers Electric Corp. today announced that they have reached a tentative agreement on the framework for providing market priced power to the Hawesville smelter. Under the arrangement, the electric cooperatives would purchase power on the open market and pass it through to Century at the market price plus additional costs incurred by them. The arrangement is intended to have no impact on the current rate proposal of Big Rivers or the related flow-through rate proposal of Kenergy, each currently pending before the Kentucky Public Service Commission. The framework is subject to the negotiation of definitive agreements and approvals from various third parties, including the boards of directors of all parties, the KPSC, the Rural Utilities Service and others. The parties intend to move as expeditiously as possible to finalize the agreement in advance of the expiration of the current power contract on August 20, 2013.

The Hawesville smelter, located in Hancock County, KY, has a rated capacity of 244,000 tonnes of primary aluminum and employs approximately 650 men and women.

Century Aluminum Company, the parent of Century Aluminum of Kentucky, owns primary aluminum capacity in the United States and Iceland. Century's corporate offices are located in Monterey, California. More information can be found at www.centuryaluminum.com.

Big Rivers Electric Corporation is a customer (Member) -owned, not-for-profit, wholesale electric generation and transmission cooperative headquartered in Henderson, Kentucky that is owned by three distribution cooperative Members—Jackson Purchase Energy Corporation, headquartered in Paducah; Kenergy Corp, headquartered in Henderson; and Meade County Rural Electric Cooperative Corporation, headquartered in Brandenburg. These Member cooperatives deliver retail electric power and energy to over 113,000 residential, commercial, and industrial customers in portions of 22 western Kentucky counties.

Kenergy Corp. is a nonprofit electric cooperative that serves 55,282 members in 14 counties in western Kentucky, including Breckinridge, Caldwell, Crittenden, Daviess, Hancock, Henderson, Hopkins, Livingston, Lyon, McLean, Muhlenberg, Ohio, Union and Webster. The corporate headquarters is located in Henderson, Ky.

Cautionary Statement

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements about future, not past, events and involve certain important risks and uncertainties, any of which could cause our actual results to differ materially from those expressed in our forward-looking statements. Such risks and uncertainties may include, without limitation, whether or not the parties are able to agree to definitive documentation reflecting the tentative agreement and obtain all necessary approvals and consents, whether or not certain proposed equipment upgrades are agreed to and completed and whether or not the market pass through arrangement can be completed prior to the expiration of the current power contract. Forward-looking statements in this press release include statements regarding the completion of an agreement to provide, and the ultimate provision of, market priced power to the Hawesville smelter and whether or not such an arrangement would have any impact on rate proposals currently pending before the Kentucky Public Service Commission. More information about these risks, uncertainties and assumptions can be found in the risk factors and forward-looking statements cautionary language contained in our Annual Report on Form 10-K and in other filings made with the Securities and Exchange Commission. We do not undertake, and specifically disclaim, any obligation to revise any forward-looking statements to reflect the occurrence of future events or circumstances.

Certified Advisors for the First North market of the OMX Nordic Exchange Iceland hf. for Global Depositary Receipts in Iceland:

Atli B. Gudmundsson, Senior Manager -- Corporate Finance, Landsbankinn hf.
Steingrimur Helgason, Director -- Corporate Finance, Landsbankinn hf.

Century Aluminum Contacts:

Clair Nichols (media)
502-649-8956

Shelly Harrison (investors)
831-642-9357

Billie Richert

From: Billie Richert
´ `: Monday, April 29, 2013 8:57 AM
'Alan.Spen@fitchratings.com'
Suuject: RE: Emails

Sorry, Alan. Will do going forward. Have a great day.

From: Alan.Spen@fitchratings.com [mailto:Alan.Spen@fitchratings.com]
Sent: Monday, April 29, 2013 8:52 AM
To: Billie Richert
Subject: Emails

Morning Billie,

Did see the release put out this morning on the smelters. Appreciate your heads up, as well.

With regard to Big Rivers analytical coverage, if you could also send releases to me, along with Dennis, that would be great. We had some restructuring of assignments, and I will be lead on Big Rivers,working with Dennis.

Thanks much,

Alan

Billie Richert

From:	Billie Richert
ʳ ˙	Monday, February 25, 2013 3:48 PM
	Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com)
Suʋject:	2012 Fourth Quarter Financial Report
Attachments:	Fourth Quarter 2012 Financial Report.pptx

Dennis,

Attached is our condensed 2012 Fourth Quarter Financial Report. Please let me know if there are questions.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
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Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

2012 Fourth Quarter Financial Report

Unaudited, in RUS format
(absent normal GAAP reclassifications)

Date Prepared: February 25, 2013

201 Third St.
Henderson, Kentucky 42420
Phone: 270-827-2561
www.bigrivers.com

BIG RIVERS ELECTRIC CORPORATION
Balance Sheet
In Thousands $

ASSETS	December 31, 2012	December 31, 2011
TOTAL UTILITY PLANT IN SERVICE	1,999,408	1,979,268
CONSTRUCTION WORK IN PROGRESS	50,813	49,150
TOTAL UTILITY PLANT	2,050,221	2,028,418
ACCUM PROVISION FOR DEPR & AMORT	(962,994)	(936,355)
NET UTILITY PLANT	1,087,227	1,092,063
INVEST IN ASSOC ORG PATRONAGE CAPITAL	3,683	3,648
INVEST IN ASSOC ORG OTHER GENERAL FUNDS	43,841	685
OTHER INVESTMENTS	15	15
SPECIAL FUNDS	180,633	164,152
TOTAL OTHER PROPERTY AND INVESTMENTS	228,172	168,500
CASH - GENERAL FUNDS	7	6
SPECIAL DEPOSITS	598	573
TEMPORARY INVESTMENTS	110,165	44,844
ACCOUNTS RECEIVABLE - SALES OF ENERGY	44,758	43,114
ACCOUNTS RECEIVABLE - OTHER NET	2,346	232
FUEL STOCK	34,146	33,894
MATERIALS & SUPPLIES - OTHER	24,957	25,295
PREPAYMENTS	4,176	4,508
OTHER CURRENT & ACCRUED ASSETS	1,276	943
TOTAL CURRENT & ACCRUED ASSETS	222,429	153,409
UNMORT DEBT DISC & EXTRAORD PROP LOSS	4,165	2,079
REGULATORY ASSETS	704	-
OTHER DEFERRED DEBITS	3,981	1,671
TOTAL ASSETS AND OTHER DEBITS	1,546,678	1,417,922
EQUITIES AND LIABILITIES		
OPERATING MARGINS - PRIOR YEAR	(241,898)	(247,339)
OPERATING MARGINS - CURRENT YEAR	10,314	5,441
NONOPERATING MARGINS - PRIOR YEAR	638,998	638,838
NONOPERATING MARGINS - CURRENT YEAR	963	160
OTHER MARGINS & EQUITIES	(5,495)	(7,279)
TOTAL MARGINS & EQUITIES	402,882	389,821
LONG-TERM DEBT - RUS	210,359	644,298
LONG-TERM DEBT - OTHER	714,885	142,100
TOTAL LONG-TERM DEBT	925,244	786,398
ACCOUNTS PAYABLE	33,013	30,325
TAXES ACCRUED	967	957
INTEREST ACCRUED	4,925	9,899
OTHER CURRENT & ACCRUED LIABILITIES	9,988	9,423
TOTAL CURRENT & ACCRUED LIABILITIES	48,893	50,604
DEFERRED CREDITS	148,088	169,001
OPERATING RESERVES	21,571	22,098
TOTAL LIABILITIES AND OTHER CREDITS	1,546,678	1,417,922

FINANCIAL HIGHLIGHTS

ELECTRIC PLANT IN SERVICE increased $20.1 million to $2.0 billion as of December 31, 2012. This increase resulted from construction projects to maintain generation, transmission and communication capabilities.

TEMPORARY INVESTMENTS increased $65.3m primarily due to the borrowing that took place this year to fund construction projects.

SPECIAL FUNDS increased $16.5m as of December 31, 2012. This increased resulted from replenishing the transition reserve, partially offset by the use of the reserve funds set up for non-smelter member rate mitigation.

LONG-TERM DEBT increased $138.8 million as of December 31, 2012, primarily due to borrowing for capital projects and replenish the $35.0 million transition reserve formerly used to pre-pay RUS debt.

DEFERRED CREDITS decreased $20.9 million as of December 31, 2012, primarily due to the use of the reserve funds set up for non-smelter member rate mitigation.

BIG RIVERS ELECTRIC CORPORATION
Statement of Operations
In Thousands $

	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	Twelve Months Ended December 31, 2012	Twelve Months Ended December 31, 2011
ELECTRIC ENERGY REVENUES	144,202	136,051	563,385	558,372
OTHER OPERATING REVENUE AND INCOME	1,098	1,449	4,957	3,617
TOTAL OPER REVENUES & PATRONAGE CAPITAL	145,300	137,500	568,342	561,989
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	11,663	13,409	48,055	50,410
OPERATION EXPENSE-PRODUCTION-FUEL	60,536	53,122	226,369	226,229
OPERATION EXPENSE-OTHER POWER SUPPLY	27,184	29,083	111,465	112,262
OPERATION EXPENSE-TRANSMISSION	2,756	2,263	10,119	9,183
OPERATION EXPENSE-RTO/ISO	599	698	2,262	2,530
OPERATION EXPENSE-CUSTOMER ACCOUNTS	297	0	297	0
CONSUMER SERVICE & INFORMATIONAL EXPENSE	495	287	886	632
OPERATION EXPENSE-SALES	89	56	191	185
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	6,051	6,577	26,429	26,557
TOTAL OPERATION EXPENSE	109,670	105,495	426,073	427,988
MAINTENANCE EXPENSE-PRODUCTION	10,298	13,714	41,170	42,896
MAINTENANCE EXPENSE-TRANSMISSION	872	1,333	4,608	4,681
MAINTENANCE EXPENSE-GENERAL PLANT	56	48	184	141
TOTAL MAINTENANCE EXPENSE	11,226	15,095	45,962	47,718
DEPRECIATION & AMORTIZATION EXPENSE	10,238	9,033	41,090	35,407
TAXES	0	(30)	4	98
INTEREST ON LONG-TERM DEBT	11,314	11,265	45,033	45,715
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(188)	(98)	(766)	(548)
OTHER INTEREST EXPENSE	93	(1)	148	59
OTHER DEDUCTIONS	359	62	546	220
TOTAL COST OF ELECTRIC SERVICE	142,712	140,821	558,090	556,657
OPERATING MARGINS	2,588	(3,321)	10,252	5,332
INTEREST INCOME	560	18	963	150
OTHER NON-OPERATING INCOME - NET	0	1	0	9
OTHER CAPITAL CREDITS & PAT DIVIDENDS	3	4	62	109
NET PATRONAGE CAPITAL OR MARGINS	3,151	(3,298)	11,277	5,600

FINANCIAL HIGHLIGHTS

SALES TO MEMBERS increased 508,231 MWh to 10,707,249 MWh for the twelve-month period ended December 31, 2012. Member sales revenue increased $62.8 million, or 13.8%, to $519.1 million for the twelve-month period ended December 31, 2012, compared to $456.4 million in 2011, driven by higher sales to the aluminum smelters and the increase in member rates that took effect on September 1, 2011.

SALES TO NON-MEMBERS decreased 1,519,273 MWh to 1,536,835 MWh for the twelve-month period ended December 31, 2012. This decrease, along with a 13.7% decline in price, caused non-member electric sales revenue to decrease 56.6%, to $44.3 million, for the twelve-month period ended December 31, 2012 compared to $102.0 million for 2011.

PURCHASED POWER expense increased $4.8 million, or 11.7% to $45.3 million for the twelve-month period ended December 31, 2012, compared to 2011. This was due to a 21.8% increase in MWh purchased, partially offset by a 8.3% decrease in the average cost of purchased power resulting from a reduction in the market price of electricity.

FUEL expense decreased $2.3 million, or 1.0%, to $253.4 million for the twelve-month period ended December 31, 2012 compared to 2011. The decreased fuel expense was driven by lower generation as the softer power market drove economic purchases.

BIG RIVERS ELECTRIC CORPORATION
Statement of Cash Flows
For The Quarter Ended December 31, 2012
In Thousands $

	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	Twelve Months Ended December 31, 2012	Twelve Months Ended December 31, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net margin	3,151	(3,298)	11,277	5,600
Adjustments to reconcile net margin to net cash provided by operating activities:				
Depreciation and amortization	11,140	9,664	44,524	37,808
Interest compounded - RUS Series B Note	1,873	1,773	7,292	6,884
Interest compounded - RUS Series A Note	8	0	7,604	8,398
Noncash Member Rate Mitigation Revenue	(5,389)	(5,154)	(22,873)	(18,947)
Changes in certain assets and liabilities:				
Accounts receivable	(2,980)	7	(3,757)	1,618
Inventories	(733)	(7,393)	86	1,357
Prepaid expenses	(3,190)	(3,515)	0	(1,715)
Deferred charges	(1,346)	28	(1,278)	121
Accounts payable	6,013	1,345	2,688	(974)
Accrued expenses	2,951	1,769	(4,399)	(1,481)
Other – Net	(1,608)	(1,354)	276	(70)
Net cash provided by operating activities	9,890	(6,128)	41,440	38,599
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures -- net	(11,899)	(16,130)	(39,854)	(38,746)
Proceeds from Restricted Investments and Other Deposits and Investments	4,714	4,513	(58,094)	56,095
Purchase of Restricted Investments and Other Deposits and investments	65	0	147	0
Net cash used in investing activities	(7,120)	(11,617)	(97,801)	17,349
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal payments on long-term obligations	(5,595)	(15,094)	(456,206)	(45,879)
Proceeds from long-term obligations	0	0	580,156	0
Principal payments on short-term notes payable	0	0	0	(10,000)
Debt Issuance Cost	(252)	0	(2,265)	0
Payments on obligations under long-term lease	0	0	0	0
Net cash used in financing activities	(5,847)	(15,094)	121,685	(55,879)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,077)	(32,839)	65,324	69
CASH AND CASH EQUIVALENTS -- Beginning	113,250	77,688	44,849	44,780
CASH AND CASH EQUIVALENTS -- Ending	110,173	44,849	110,173	44,849
SUPPLEMENTAL CASH FLOW INFORMATION:				
Cash paid for interest	8,268	9,060	34,893	31,441
Cash paid in taxes	0	0	0	130

Billie Richert

From:	Dennis.Pidherny@fitchratings.com
Sent:	Wednesday, February 06, 2013 8:32 AM
	Billie Richert
	Alan.Spen@fitchratings.com; Ralph Ashworth
Subject:	RE: Press Release
Attachments:	BREC Final RAC Feb 2013.pdf

Billie

Please find attached the final Press Release.

We look forward to reviewing the revised mitigation plan with you once it is finalized.

Dennis M. Pidherny
Managing Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
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New York, NY 10004
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From: Billie Richert <Billie.Richert@bigrivers.com>
T "Dennis.Pidherny@fitchratings.com" <Dennis.Pidherny@fitchratings.com>
Cc. "Alan.Spen@fitchratings.com" <Alan.Spen@fitchratings.com>, Ralph Ashworth <Ralph.Ashworth@bigrivers.com>
Date: 02/05/2013 07:25 PM
Subject: RE: Press Release

Dennis/Alan,

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

Thanks,
Billie

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

De' 'Alan,

Couple of items:

1) Sales Dominated by Smelters – not sure about the 65% and 70%. I'm getting 61% and 64% for 2012.
2) Abundant Low Cost Resources - Please confirm source of $39.07/MWh in 2011, net of credits.
3) Under Alcan Follows with Termination Notice – paragraph 3 – please remove the word 'emergency' preceding 'rate relief'. We are filing a general rate case and not an emergency rate case.

Under Alcan Follows with Termination Notice – paragraph 4 – add after 'with Century to ' enter into an agreement' ....to assist Century; and remove the words 'alter the terms of its agreement, and'. We are negotiating a new agreement. The existing smelter agreement terminates upon the end of the 12 month termination notice.

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

Thanks,
Billie

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

Billie,

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

Thank you again for your assistance.

Dennis M. Pidherny
Managing Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
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FitchRatings

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

Fitch Ratings-New York-06 February 2013: Fitch Ratings has downgraded the rating on Big Rivers Electric Corporation's $83.3 million County of Ohio, KY's pollution control refunding revenue bonds series 2010A to 'BB' from 'BBB-'.

The Rating Outlook is revised to Negative.

SECURITY

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

SENSITIVITIES/RATING DRIVERS

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

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

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

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

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

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

WHAT COULD TRIGGER A RATING ACTION

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

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

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

CREDIT PROFILE

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

CENTURY AGREEMENT TERMINATED AUGUST 2012

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

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

BIG RIVERS IMPLEMENTS MITIGATION PLAN

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

ALCAN FOLLOWS WITH TERMINATION NOTICE

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

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

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

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

FUTURE FINANCIAL RESULTS UNCLEAR

Big Rivers margins are expected to remain adequate to service financial obligations through at least August 2013 since both Century and Alcan remain obligated to make all required payments to Kenergy. For the nine months ended Sept. 30, 2012, Big Rivers reported operating revenue, earnings before interest, taxes and depreciation and net margins, that were all largely in line with budget, and the same nine month period through 2011.
Positively, Big Rivers reported cash and cash equivalents of $113.25 million at Sept. 30, 2012, excluding additional amounts held as special, restricted funds available for member rate mitigation. Big Rivers' unrestricted funds are available to support operations and may be used to meet the cooperative's June 2013 scheduled debt maturity ($58.8 million).

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

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

Contact:

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

Additional information is available at 'www.fitchratings.com'. The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

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

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

Applicable Criteria and Related Research:
U.S. Public Power Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=696027
Revenue-Supported Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=681015
Big Rivers Electric Corporation

Billie Richert

From:	Dennis.Pidherny@fitchratings.com
Sent:	Wednesday, February 06, 2013 7:04 AM
	Billie Richert
	Alan.Spen@fitchratings.com; Ralph Ashworth
Subject:	RE: Press Release

Billie

Please see below.

Thank you for your clarifications.

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

From:	Billie Richert <Billie.Richert@bigrivers.com>
To:	"Dennis.Pidherny@fitchratings.com" <Dennis.Pidherny@fitchratings.com>
Cc:	"Alan.Spen@fitchratings.com" <Alan.Spen@fitchratings.com>, Ralph Ashworth <Ralph.Ashworth@bigrivers.com>
Date:	02/05/2013 07:22 PM
S :	RE: Press Release

Dennis/Alan,

Couple of items:

1) Sales Dominated by Smelters – not sure about the 65% and 70%. I'm getting 61% and 64% for 2012. **[The 65% and 70% are from the Big Rivers Press Release dated Jan. 29, 2013 on the Big Rivers website]**
2) Abundant Low Cost Resources - Please confirm source of $39.07/MWh in 2011, net of credits. **[The $39.07/MWh is from the Big Rivers Presentation dated May 2, 2012, page 33]**
3) Under Alcan Follows with Termination Notice – paragraph 3 – please remove the word 'emergency' preceding 'rate relief'. We are filing a general rate case and not an emergency rate case. **[We will make the clarifying change]**
4) Under Alcan Follows with Termination Notice – paragraph 4 – add after 'with Century to ' enter into an agreement' ....to assist Century; and remove the words 'alter the terms of its agreement, and'. We are negotiating a new agreement. The existing smelter agreement terminates upon the end of the 12 month termination notice. **[We will make the clarifying change]**

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

Thanks,
Bil'

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Tuesday, February 05, 2013 3:57 PM

To: Billie Richert
Cc: Alan.Spen@fitchratings.com
Subject: Press Release

e,

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

Thank you again for your assistance.

Dennis M. Pidherny
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Billie Richert

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

Billie,

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

Thank you again for your assistance.

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dennis.pidherny@fitchratings.com

Billie Richert

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

Billie,

We are both around for the rest of the day.

Dennis M. Pidherny
Managing Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
One State Street Plaza
New York, NY 10004
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dennis.pidherny@fitchratings.com

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

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

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

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

Billie Richert

From: Dennis.Pidherny@fitchratings.com
~ nt: Tuesday, February 05, 2013 9:52 AM
Billie Richert
Alan.Spen@fitchratings.com
Subject: Committee Today at 3 PM

Billie

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

Thank you

Dennis M. Pidherny
Managing Director, Sector Head
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dennis.pidherny@fitchratings.com

Billie Richert

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

Dennis/Alan,

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

Thanks,
Billie

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

Dennis/Alan,

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1) Sales Dominated by Smelters – not sure about the 65% and 70%. I'm getting 61% and 64% for 2012.
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Sent: Tuesday, February 05, 2013 3:57 PM
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Cc: Alan.Spen@fitchratings.com
Subject: Press Release

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˝ ˝: Tuesday, February 05, 2013 6:22 PM
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Billie Richert

From:	Billie Richert
S--t:	Tuesday, February 05, 2013 3:32 PM
	Dennis M. Pidherny (Dennis.Pidherny@fitchratings.com); alan.spen@fitchratings.com
,ect:	I'm in my office until 4:00 CST

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

Billie Richert, CPA, CITP
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Office Direct: (270) 844-6190
Mobile: (270) 577-6221

Billie Richert

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

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

Billie

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

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Thank you

Dennis M. Pidherny
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dennis.pidherny@fitchratings.com

Billie Richert

From: Dennis.Pidherny@fitchratings.com
' t: Monday, February 04, 2013 11:21 AM
Billie Richert
Subject: Rate Request

Billie,

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

Dennis M. Pidherny
Managing Director, Sector Head
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dennis.pidherny@fitchratings.com

Billie Richert

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

Copy of December preliminary results.

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

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a .s.pidherny@fitchratings.com

Preliminary

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

SECTION B. BALANCE SHEET

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

Preliminary

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

SECTION A. STATEMENT OF OPERATIONS

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

Billie Richert

F~~m:	Billie Richert
	Monday, February 04, 2013 11:56 AM
	'Dennis.Pidherny@fitchratings.com'
Subject:	RE: Rate Request

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

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

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Billie Richert

From:	Dennis.Pidherny@fitchratings.com
t:	Friday, February 01, 2013 11:46 AM
	Billie Richert
	Alan.Spen@fitchratings.com
Subject:	RE: Call on Monday

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

Thank you

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

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

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

Billie,

Would you have time on Monday morning to speak with Alan Spen and me? Alan is the primary analyst and I want him to have the benefit of hearing the update.

We are available all morning.

Dennis M. Pidherny
Managing Director, Sector Head
Public Finance - U.S. Public Power
Fitch Ratings
Or State Street Plaza
N ork, NY 10004
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dennis.pidherny@fitchratings.com

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dennis.pidherny@fitchratings.com

Billie Richert

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

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

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

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

Thank you

Dennis M. Pidherny
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One State Street Plaza
New York, NY 10004
+1 (212) 908-0738
+1 (516) 659-2428 (mobile)
d is.pidherny@fitchratings.com

From: Billie Richert <Billie.Richert@bigrivers.com>
To: "Dennis.Pidherny@fitchratings.com" <Dennis.Pidherny@fitchratings.com>
Cc: "Alan.Spen@fitchratings.com" <Alan.Spen@fitchratings.com>
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Billie Richert

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

Alcan notice of termination attached.

From: Dennis.Pidherny@fitchratings.com [mailto:Dennis.Pidherny@fitchratings.com]
Sent: Friday, February 01, 2013 10:39 AM
To: Billie Richert
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Rio Tinto Alcan

ALCAN PRIMARY PRODUCTS CORPORATION

January 31, 2013

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

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

Re: Retail Electric Service Agreement
NOTICE OF TERMINATION

Gentlemen:

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

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

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

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

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

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

ALCAN PRIMARY PRODUCTS CORPORATION

By: Jack Miller

Jack Miller
President

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

Rio Tinto Alcan

ALCAN CORPORATION
8770 West Bryn Mawr Avenue
Chicago, Illinois 60631

Office of the President

CERTIFICATE

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

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

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

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

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

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

By: ______________________
Timothy Guerra
President
ALCAN CORPORATION

Billie Richert

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

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dennis.pidherny@fitchratings.com

Billie Richert

From:	Rose, Kevin <Kevin.Rose@moodys.com>
	Friday, May 10, 2013 12:31 PM
	Rose, Kevin
Cc:	GrassrootsPPIF
Subject:	Moody's Research Report attached
Attachments:	FERC Transmission.pdf

FYI, See attached a recently published report on US FERC Regulatory Environment which we believe you will find of interest.

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

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7 World Trade Center
250 Greenwich St.
New York, NY 10007

www.moodys.com

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SPECIAL COMMENT

Rate this Research

U.S. FERC Regulatory Environment

May The FERC Be With You: FERC Remains Supportive of Electric Transmission Investment, but Regulatory Risks Are Growing

Table of Contents:

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Senior Vice President
james.hempstead@moodys.com

» We continue to view the Federal Energy Regulatory Commission's (FERC) regulatory framework as credit supportive, with returns on transmission projects typically higher and more predictable than that for rate base regulated by the States; however, we see potential for reduced levels of allowed base returns on equity (ROEs).

» FERC has signaled that it will tighten its standards for authorized incentive ROEs on future projects with its recent Transmission Policy Statement issued November 2012.

» Pure play transmission companies like ITC Holdings Corp. (Baa2, Stable) and American Transmission Company (A1, Stable) would be most affected by reduced ROEs, while other sizeable transmission owners, such as Northeast Utilities (Baa2, Stable) and Pacific Gas & Electric (A3, Stable) would not be as significantly impacted because of their diversified rate base.

» The need to augment and bolster the nation's transmission infrastructure remains strong due to an existing aging infrastructure, reliability and congestion concerns as well as further integration of new generation resources, including renewable energy resources. Therefore, we believe the FERC is unlikely to make any drastic policy changes that would disincentivize further transmission investment.

» The impact of FERC Order 1000 on investor-owned utilities remains somewhat uncertain because of the delays and lack of clarity in implementation. The elimination of Right of First Refusal (ROFR) provides opportunity for transmission owners to expand their transmission portfolios, but also increases competition on their own service territory for certain transmission projects.

» We believe that FERC's regulatory framework will continue to be more credit supportive than that of most states, with allowed ROEs, on average, remaining higher than those governed by state Public Utility Commissions. Although unlikely, we would view a significant change to the FERC's constructive stance as a material credit negative.

Historically Supportive FERC Regulatory Environment

As part of its mandate, the Federal Energy Regulatory Commission (FERC or Commission) was established to oversee and regulate the transmission and sale of electricity in interstate commerce. In so doing, the FERC establishes orders and regulation governing the planning and investment of transmission infrastructure, with the goal of building a robust and reliable transmission system. Historically, we have viewed the FERC as being supportive of transmission investment.

We view FERC formula-based ratemaking as more credit supportive than the state ratemaking process because of the increased predictability of recovery of investments and reduced regulatory lag. Through its ratemaking process, the FERC attempts to ensure companies investing in transmission assets are reimbursed for all reasonable operation and maintenance expenses, as well as income and franchise taxes, depreciation and amortization costs, and to provide a return on assets employed in the provision of transmission services, sometimes including construction work-in-progress (CWIP). A large share of FERC-regulated electric transmission investment is recovered through formula-based rate making with automatic annual true ups for recovery of operating and capital costs in a relatively timely manner.

The FERC allows transmission system owners to earn incentive rates of return for certain projects via ROE adders that tend to be above those authorized by state public utility commissions for other types of electricity investments. Many FERC authorized ROEs are in the 11% or above range, including incentive ROE adders, whereas the average state ROE was 10.2% in 2012. Also, through its annual true up mechanism, FERC formula-based ratemaking also typically adjusts for changes in network load resulting from changes in weather or other factors impacting demand, including economic conditions.

Moreover, the FERC ROE-setting process is more transparent and stable than that of the state commissions. FERC determines the ROEs through a process that includes establishing a "zone of reasonableness" or range of ROEs based on a proxy group of similar utilities. The range of ROEs is created using the discounted cash flow methodology, which is based on the sum of estimated dividend yield and earnings growth of each utility in the specified proxy group. The FERC will use the median or midpoint of the "zone of reasonableness" range to establish the authorized ROE. Precedent has been to use the mid-point for groups of utilities associated with a Regional Transmission Organization (RTO) and the median for individual utilities. After the ROE is established, ROEs are generally not revisited on a regular basis unless the transmission owner decides to file a rate case or a complaint under Section 206 of the Federal Power Act is made. In some instances, such as with many utilities in the Midcontinent Independent Transmission System Operator Inc. (MISO) organization, the regional ROE might have been set over a decade ago.

In addition to base ROEs, the FERC also authorizes incentive adders that are added to the authorized based ROEs to support transmission development. Adders are granted to transmission owners (TOs) or transmission projects for several reasons including to encourage certain types of associations (e.g., membership in an RTO), transmission line independence or when the project is considered unique, such as when the transmission line is perceived to be a higher risk investment (e.g., implementation of new technology or a multi-state line). After including adders to the base ROE, total authorized ROEs for certain transmission projects can reach almost 14%, as is the case for International Transmission Company (A3, Stable), an ITC Holdings' subsidiary, which currently has an all-in authorized ROE of 13.88%. Other incentives can also include construction work-in-progress in rate base and recovery of development and abandonment costs.

Since the rate setting process is not contested before state commissions and its design tends to ensure timely recovery, revenues collected under the FERC regulatory framework are generally considered to be more stable and predictable than state-regulated utility businesses. All of these features (see Figure 1) have been favorable to transmission owners and are intended to foster further interest in building and owning additional transmission assets.

FIGURE1

FERC vs. State Regulatory Environment

	Typical Electric Transmission Investment	Typical Other Utility Investment
Regulation	» Federal Energy Regulatory Commission (FERC)	» State Public Utility Commission » Potentially multiple state jurisdictions
Rate Setting Process	» Formula rate-making mechanism » Annual adjustment to rates based on projected revenue requirement » Reduced regulatory lag » Frequent inclusion of CWIP improves cash flow » Increased transparency » Generally consistent rate case process across the country	» Fixed rates » Multi-year (3-5 years) formal rate cases » Rate cases subject to involvement by many intervenor groups » Rate cases may be drawn out contributing to regulatory lag and delaying recovery of costs » Rate case proceedings vary by state
Authorized ROE	9 -14 %	8% - 11%

Source: Moody's Investors Service

Pressure on the FERC to Lower ROEs Increasing

Currently, we view that pressure on the FERC is running high. Several Section 206 complaints have been filed by intervenors, including State Attorney Generals, consumer advocacy groups and municipal and Cooperative utilities, with the FERC requesting that authorized base ROEs be reduced with the notion that current allowed base ROEs are unjust and unreasonable. While the potential for reduced levels of authorized base ROEs on transmission investments exists, we continue to view the FERC regulatory framework as more credit supportive than those of most states. We believe the need to increase and bolster the nation's transmission infrastructure remains strong, such that the FERC would likely refrain from making any drastic policy change that would disincentivize further investment.

Section 206 Authorized ROE Complaints on the Rise

Challenges to the FERC rate setting mechanism are significantly more uncommon than what occurs in the state ratemaking process. However, rates are subject to challenges by interested parties including other utilities or municipal owned cooperatives, consumer advocacy groups, and state regulators via complaint proceedings through Section 206 complaints.

New England

There are several FERC challenges making headlines today (see Appendices A&B); however, none is more prominent than the pending ROE challenge (docket EL11-66) for transmission owners in New England. We expect Northeast Utilities (NU: Baa2, Stable) and its subsidiaries to be the most impacted by the outcome of the New England complaint. Given NU's approximately $4.2 billion of transmission rate base, including the New England East-West Solution (NEEWS) projects, which are transmission investment related activities, NU estimates that each 10 basis point change lower in authorized ROEs would decrease consolidated earnings by about $2.1 million, which we do not consider a material change from a credit perspective.

In September 2011, several parties including the Massachusetts Attorney General and various other state officials and commissions from the New England states filed a joint section 206 complaint with the FERC arguing that the current ROE of 11.14% provided to New England transmission owners is unjust and unreasonable.

There has been a long history of concerns raised in the New England jurisdictions regarding transmission ROEs. The intervenors in this case argue that the authorized base ROE should be lowered to a rate no higher than 9.2%, which is based on updated discounted cash flow calculations as well as a different proxy group of transmission owning utilities. A significant driver behind the intervenors' argument for lower ROEs, as well as the simultaneous downward shift in zone of reasonableness is the current low interest rate environment, which is driving down the resulting ROEs from the DCF methodology. Intervenors also contend that the low interest rate environment is pushing the cost of capital lower for transmission owners. During 2012 negotiations and settlement efforts failed and the case is currently in litigation.

In April 2013, the FERC trial staff updated their recommendation based on their analysis and recommended reducing the base ROE to 9.2% based on the midpoint of the FERC staff's zone of reasonableness between 6.1% and 12.2%. This was even lower than their original recommendation issued in January 2013 of a base ROE of 9.66% based on the midpoint of their recommended zone of reasonableness between 6.82% and 12.51%. Hearings on this case are expected to begin in May, and an administrative law judge (ALJ) recommendation is not expected until September 2013. A final FERC ruling is not expected to occur until mid-to-late 2014.

ITC/Entergy Merger

A requested ROE currently being protested relates to the proposed merger between ITC Holdings Corp. (Baa2, Stable) and Entergy Corp.'s (Baa3, Stable) transmission business, announced December 2011. The proposed merger (not expected to close until late 2013) combines a subsidiary of ITC Holdings with Entergy's transmission business to form a new subsidiary called ITC Midsouth TransCo LLC (ITC Midsouth). In January 2013, a group of intervenors led by the Arkansas Electric Cooperative Corp. filed comments with the FERC expressing a concern that the currently authorized regional base ROE of 12.38% associated with MISO, which would apply to the newly merged entity, should be reduced.

The intervenors argue that the cost of capital in the U.S. has significantly decreased in the past five years given that yields on the 10 year U.S. Treasury bonds and Baa investment grade corporate bonds have declined from 3.66% and 7.44% in 2008, respectively, to 1.8% and 4.94% in 2012, respectively. Because of the declines in interest rates, the intervenors argue that the cost of equity for electric utilities has fallen and, therefore, should also be reflected in ITC Midsouth's return on equity. Furthermore, the intervenors suggest that ITC Midsouth's capital structure may include less equity than the proposed construct of 60% equity to 40% debt; as a result, ITC Midsouth will effectively earn a return on equity higher than the authorized 12.38%. Hence, the intervenors argue the currently authorized base ROE of 12.38% should be rejected as unjust and unreasonable and be reduced to 8.91% (based on a zone of reasonableness between 7.03% and 10.8%), which has been proposed in the intervention with the FERC.

The final outcome of the ROE approved for the ITC Holdings /Entergy transmission merger, is one among several concerns associated with the proposed merger raised by the intervenors that is yet to be decided, given that the transaction still requires a variety of state and federal approvals. Nonetheless, a reduced authorized base ROE for the newly proposed ITC Midsouth is obviously less favorable. In addition, ongoing constructive FERC regulatory support represents an essential factor in ITC Holdings' ability to maintain its financial strength. Furthermore, if the intervenors are successful in getting the FERC to reduce the authorized MISO base ROE of 12.38%, such a change would not only impact ITC Midsouth but all other transmission owners in MISO that utilize the rate.

PG&E ROE Challenge

Historically, the FERC has not typically reopened an ROE determination on its own accord; however, a utility can apply for a change in rates if it believes it deserves to earn a higher ROE based on recent investments. Pacific Gas & Electric (PG&E: A3 Stable) attempted to do just that towards the end of 2012 because the company did not have formula rate-making and wanted to seek a return on its significant investment in transmission assets completed over the last two years. In September 2012, PG&E proposed an increase to its transmission tariff service rates and filed a rate case with the FERC requesting an ROE of 11.5%. However, the FERC responded by directing PG&E to register a compliance filing that relied on the median of a DCF analysis based on a comparative group of utilities. In response to the FERC's order in December 2012, PG&E revised its requested revenue requirements and rates to reflect a total 9.1% ROE (inclusive of 50 bps for RTO membership), but also filed a request for a rehearing of the FERC's order. As part of the request for rehearing, PG&E has taken exception with the use of the median rather than the more commonly used midpoint of the zone of reasonableness as well as the proxy group of comparable utilities used to determine the zone of reasonableness.

As previously discussed, the zone of reasonableness is open to interpretation based on the proxy group of utilities selected in the analysis. The zone of reasonableness can be challenged by complainants, which could result in a shift, most likely lower, in the range used by the FERC to determine allowed ROEs. Not only is there potential for a shift lower to the zone of reasonableness, but the FERC may also change how it selects the appropriate ROE within the zone. Historically, the FERC typically used the midpoint or average of the highest and lowest data points within the zone. However, there have been recent instances where the FERC has used the median point within the zone to determine the allowed ROE. The use of the median typically results in a lower ROE and might signal a change in FERC policy. Although the difference is close to 250 bps, we do not expect this to have a significant impact on PG&E's credit metrics because of its diversified rate base as its transmission rate base of $4.5 billion projected for 2013 accounts for just 17% of PG&E's total rate base.

Risks to Incentive ROEs

Another potential challenge to transmission ROEs can be read into the FERC's recently released November 2012 Transmission Policy Statement, which we believe signals a tightening of FERC standards for awarding incentive ROEs for new electric transmission projects. The Statement provides additional guidance, although not specific guidelines, on how it will determine whether a project should be awarded incentives including ROE adders. This guidance applies to future project applications and would not involve reopening incentive ROEs for existing projects. Although no applications for which the Policy Statement would be relevant have been decided, our view is that it is possible that there might be fewer adders awarded or that incentives might be lower than before.

Since Order 679 of the Energy Policy Act of 2005 was implemented, the FERC has awarded numerous incentive ROEs, or adders to base ROEs, for "risks and challenges" associated with transmission projects.

Figure 2 demonstrates what these adders look like for selected utilities. In addition, virtually all transmission owners that are members of RTOs receive a 50 bps adder to base ROE for membership in the RTOs; however, this RTO adder is not in question with regard to the Policy Statement.

FIGURE 2

List of Selected Utilities Comparing FERC Allowed ROEs and State Allowed ROEs

		FERC-Regulated Electric Transmission				
			Adders (if any)			
Parent	Opco w / Electric Transmission	Base ROE	ISO / RTO Association	Independence	Total FERC Authorized ROE	State-Regulated Electric Rate Base ROE
Duke Energy Corporation						
	Duke Energy Carolinas	10.20%	-	-	10.20%	10.50%
	Progress Energy Carolinas	10.80%	-	-	10.80%	10.50%
	Progress Energy Florida	10.80%	-	-	10.80%	10.50%
	Duke Energy Indiana	12.38%	-	-	12.38%	10.50%
	Duke Energy Ohio-Kentucky	12.38%	-	-	12.38%[1]	10.63%
Northeast Utilities						
	Connecticut Light and Power Co.[3]	11.14%	0.50%	-	11.64%	9.40%
	Western Massachusetts Electric Co.[3]	11.14%	0.50%	-	11.64%	9.60%
	NSTAR LLC	11.14%	0.50%	-	11.64%	BB[4]
	Public Service Co. of New Hampshire	11.14%	0.50%	-	11.64%	9.67%
PG&ECorp.	Pacific Gas & Electric Company	8.6%	0.50%	-	9.1%[2]	10.4%
ITC Holdings Corp.						
	ITC MidwestLLC	12.38%	-	-	12.38%	N/A
	Michigan Electric Transmission Company, LLC	12.38%	-	1.00%	13.38%	N/A
	International Transmission Company	12.88%	-	1.00%	13.88%	N/A
	ITC Great Plains LLC	10.66%	0.50%	1.00%	12.16%	N/A

1. Duke Energy Ohio-Kentucky is currently 12.38%. However, a FERC settlement case is pending which may result in a new rate of 11.38% if approved.

2. PG&E is currently in litigation with the FERC requesting an ROE of 11.5%.

3. Connecticut Light and Power and Western Massachusetts Electric are also associated with the NEEWS Project which has an authorized ROE of 12.89% during and after construction.

4. BB represents a Black-Box revenue settlement

Source: Company filings

The November 2012 Policy Statement, however, raises the bar for which projects would be awarded incentive ROEs. While the FERC indicated that it is continuing its commitment to incentivize and promote transmission investment, the Commission first wanted companies to apply other non-ROE incentives and risk mitigating strategies before applying for the ROE adders. The other incentives include CWIP in rate base and recovery of pre-construction costs and prudently incurred abandonment costs. In terms of raising the bar for incentive ROEs, the Policy Statement suggested that applicants should not make assumptions that they would be awarded incentive ROEs if the project utilizes new technologies or if their project was deemed "non-routine"; rather the FERC would look at the total package of incentives in determining whether incentive ROEs are needed.

Non-FERC Challenges to Transmission Investment

Outside the purview of the FERC, siting and permitting remain two significant regulatory challenges to transmission investment due to the need for approvals across multiple jurisdictions as well as negotiations with private citizens and businesses. The FERC recognizes the challenges faced on these matters and has in the past provided incentive adders for transmission investments across multiple jurisdictions, for which approvals may be more difficult to obtain and projects may take considerably longer to complete.

Even in a single supportive jurisdiction, transmission development can take years from when the FERC grants its approval to when construction commences. An example of this can be seen with Westar Energy Inc.'s ((P) Baa2, Stable) Prairie Wind project in Kansas. The Prairie Wind project was announced in May 2008 and received FERC approval in December of the same year. However, the project continued to obtain all necessary approvals from multiple jurisdictions through 2011, and construction commenced in 2012. A more extreme example was AEP's Wyoming-Jacksons Ferry transmission project. Siting and permitting for the AEP project began in 1991 with initial construction beginning in 2003 and completion of the line in 2006. Siting and permitting can take much longer in densely populated regions such as the Northeast and West Coast, and where the transmission lines cross national parks or environmentally or historically sensitive areas.

Another example illustrating the high risks associated with siting a transmission line involves the announcement of a proposed transmission project in 2009 by the Transmission Agency of Northern California (TANC: Aa3, Stable), a group of 15 Northern California municipal utilities. TANC proposed a $1.5 billion 600-mile transmission line in northern California that could deliver up to 4,000 megawatts of renewable energy to Sacramento and the Bay Area. However, opponents such as landowners and farmers aggressively fought the project based on their fears of how the transmission line could impact property values, farming operations, and general aesthetics along the path. Furthermore, opponents were concerned that the utilities could use their power of eminent domain to take ownership of private property. As financial supporters to the project backed out due to fear of potential lawsuits, TANC ultimately canceled the project only a few months after its proposal. Cases like these reveal the difficulty in getting the requisite approvals for a proposed transmission project, let alone the actual rights-of-way. These are the barriers that FERC seeks to overcome by offering incentive rates, even though transmission, once constructed, has a lower business risk profile than other utility investments.

Low Likelihood of Across-the-Board ROE Cuts

For most utilities, a significant reduction of FERC allowed base ROEs is relatively unlikely and, if it did occur, would be relatively far out in the horizon. The base ROEs that apply to a utility's transmission rate base are typically similar across an individual RTO, and the ROEs for most utilities were established several years ago. Unlike ROEs determined by state PUCs for electric and gas rate base, a company's FERC authorized base ROE is not revisited on a regular basis; historically, it has only occurred via complaint filings by intervenors as discussed above or if the utility applies for a change in ROE.

In the New England case, there has been a long history of concerns raised regarding transmission ROEs in those jurisdictions, which has not typically been the case in other regions. Moreover, legal costs related to the proceedings following a complaint are substantial, which provides some deterrent against interventions. In addition, the FERC has a limited bandwidth from an organizational perspective, so the more complaints that are filed, the more likelihood of delays in resolution. While all of these factors suggest barriers to further intervenor complaints, there is the possibility that a significant win for intervenors in terms of a lower ROE in the highly publicized New England case could spur other intervenors to think that they could be successful in reaching a similar outcome.

Potential Credit Impacts of Lower Transmission ROEs

Pure play transmission companies such as ITC Holdings Corp. and American Transmission Company (ATC: A1, Stable) would be most affected by reduced ROEs, while other sizeable transmission owners, such as Northeast Utilities and Pacific Gas & Electric Company would not be significantly impacted because of their diversified rate base.

Although we view there to be a low likelihood of across-the-board intervention, we present our analysis of the impact of a reduction in allowed ROEs to a sample of the largest transmission owners, including both vertically integrated utilities and transmission-only companies, in Figure 4. As shown in Figure 3, AEP is the largest owner of transmission assets based on total transmission assets on the Balance Sheet, followed by Duke Energy (Baa2, Stable), The Southern Company (Baa1, Stable), PG&E, FirstEnergy Corp (Baa3, Negative), and Edison International (Baa2, Stable). It is worth noting that a significant portion of AEP's transmission assets are located in Texas and are therefore not subject to FERC regulation, because the Electric Reliability Council of Texas (ERCOT) interconnection is wholly intrastate and governed by the Public Utility Commission of Texas.

FIGURE 3

Transmission Plant Assets vs. Total Electric Utility Plant Assets

2011 Parent Company Total $ in millions	Transmission Plant Assets	Total Electric Utility Plant Assets	Transmission % of Total
American Electric Power Company, Inc.	$9,048	$55,670	16%
Duke Energy Corporation	8,231	75,289	11%
Southern Company	8,165	55,457	15%
PG&E Corporation	6,695	38,946	17%
FirstEnergy Corp.	6,549	27,842	24%
Edison International	6,109	35,724	17%
MidAmerican Energy Holdings Company	5,251	33,222	16%
Entergy Corporation	5,103	34,132	15%
Xcel Energy Inc.	5,091	27,706	18%
Oncor Electric Delivery Company LLC[1]	4,919	15,227	32%
Northeast Utilities	4,671	16,763	28%
Exelon Corporation	4,513	24,897	18%
PacifiCorp	4,500	22,770	20%
National Grid USA	4,391	15,998	27%
NextEra Energy, Inc.	3,870	31,500	12%
Dominion Resources, Inc.	3,814	25,344	15%
ITC Holdings Corp.	3,750	4,100	91%
Consolidated Edison, Inc.	3,617	21,018	17%
American Transmission Company LLC	3,540	3,641	97%
Commonwealth Edison Company	3,297	18,785	18%
Public Service Enterprise Group Incorporated	2,441	9,525	26%
Pepco Holdings, Inc.	2,386	10,791	22%

1. Parent: Energy Future Holdings Corp.

Source: SNL Financial

Our analysis shows that the potential reduction in transmission ROEs by 200 basis points would not have a significant impact on earnings or credit metrics for vertically integrated utilities, given the smaller share of their transmission assets relative to their other businesses. The impact on stand-alone transmission companies would be larger; however, the deterioration in credit metrics would not be significant enough to drive ratings lower in the short-term. With that said, if the reduction in allowed ROEs by the FERC were to signal a less constructive regulatory environment for transmission owners, downwards rating pressure could develop in the intermediate to long-term. As shown in Figure 4, we estimate a potential impact on earnings, cash flows, and cash flow to debt coverage of 200 bps reduction in authorized ROEs, which has been the typical reduction in ROErecommended in several of the recent complaints.

FIGURE 4

Impact on Selected Utilities of Potential ROE Reduction

Issuer	American Transmission Company	Duke Energy[1]	ITC Holdings	Northeast Utilities	Pacific Gas & Electric
Rating	A1	Baa2	Baa2	Baa2	A3
Year - data available	2012	2011	2012	2012	2011
Transmission Rate Base - ($ millions)	$2,687.0	$4,029.8	$3,200.0	$4,200.0	$3,600.0
Assumed Equity Ratio	50%	50%	60%	50%	50%
Earnings Impact ($ millions) of 200 bps ROE reduction	$26.9	$40.3	$38.4	$42.0	$36.0
Fiscal Year Net Income	$237.4	$1,706.0	$187.9	$529.5	$835.5
Impact of ROE reduction as % Net Income	11.3%	2.4%	20.4%	7.9%	4.3%
CFO pre-WC	$338.7	$3,925.3	$332.3	$1,416.8	$4,226.5
Impact of ROE reduction as % of Cash Flow pre-WC	7.9%	1.0%	11.6%	3.0%	0.9%
Moody's Adjusted Debt	$1,776.5	$21,763.0	$3,187.3	$10,955.0	$16,891.5
(CFO Pre-WC/ Adjusted Debt) before ROE reduction	19.1%	18.0%	10.4%	12.9%	25.0%
Subfactor Rating per RM before ROE reduction	Baa	Baa	Ba	Ba	A
Subfactor Rating Range per RM	13-22%	13-22%	5-13%	5-13%	22-30%
CFO Pre-WC after ROE reduction	$311.8	$3,885.0	$293.9	$1,374.8	$4,190.5
(CFO Pre-WC/ Adjusted Debt) after ROE reduction	17.6%	17.9%	9.2%	12.5%	24.8%
Change in (CFO Pre-WC/ Adjusted Debt) after ROE reduction	-1.5%	-0.2%	-1.2%	-0.4%	-0.2%
Subfactor Rating per RM after ROE reduction	Baa	Baa	Ba	Ba	A

Note: All ratios are calculated using Moody's Standard Adjustments

1. Duke Energy figures represented are pre-merger with Progress Energy

RM: Regulated Electric and Gas Utilities Rating Methodology, August 2009

Source: Moody's calculations, Company filings, MISO, SPP, PJM, FERC

In our analysis, we examine the transmission rate base of several integrated utilities, assuming a 50% debt-to-equity capital structure, and look at the impact on net income and cash flows. Note that our analysis takes a conservative view on the impact of net income and cash flow as we assume the reduction in revenue due to the reduced ROE flows directly to the bottom line without adjusting for the impact in marginal costs. Our analysis includes the latest rate base amounts available for the selected companies. For example, the impact of a 200 bps reduction in transmission rate base ROE for Duke Energy would be approximately $40 million or about a 1% decrease in cash flow from operations, which would have resulted in Duke's ratio of cash flow from operations pre-working capital to adjusted debt to decline from 18.0% to 17.9% for FY2011.

ITC Holdings is authorized to use an assumed 60% / 40% equity-to-debt ratio. Our analysis shows a 200 bps reduction in ROE, would result in an approximate $38 million or 11.6% reduction in cash flow from operations and the company's ratio of cash flow pre-working capital to adjusted debt from 10.4% to 9.2% for FY2012. For ATC, the reduction in cash flow would be about $27 million or 7.9%, and the ratio of cash flow from operations pre-working capital to adjusted debt would decline from 19.1% to 17.6%. Although our analysis shows ITC Holdings and ATC as having the largest impact as a result of a potential 200 bps reduction in ROE, the changes to cash flow and the ratio of cash flow pre-working capital to adjusted debt alone are not considered meaningful enough to move their overall ratings.

Why the FERC Will Continue to Support Further Investment

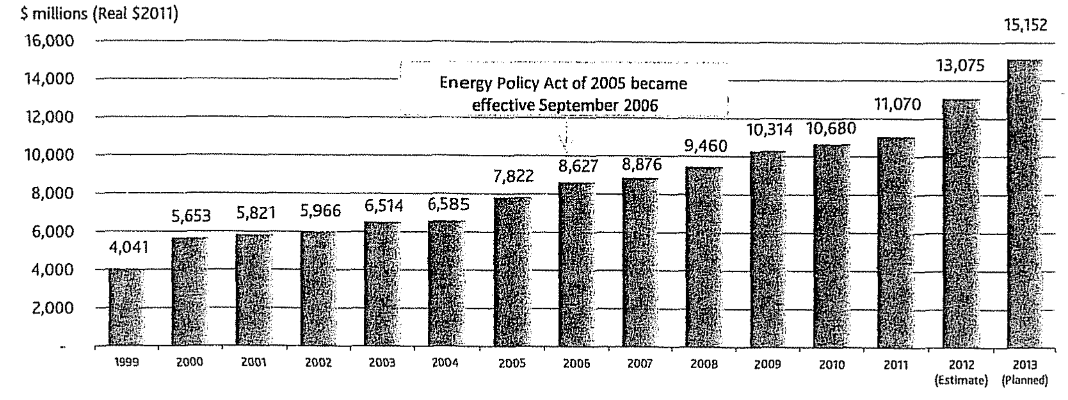
The need to augment and bolster the nation's transmission infrastructure remains strong, such that the FERC will likely refrain from doing anything too drastic such that the Commission disincentivizes further investment. EEI's annual survey "Transmission Projects: At A Glance," published in March 2013, states that total transmission investment was $11.1 billion in 2011 and is forecast to peak at $15.1 billion in 2013. The report identifies 150 projects planned by utilities totaling $51 billion of investment through 2023.

This is still just a fraction of transmission planned across the U.S., when unregulated transmission development is also considered. Large drivers for the need of increased transmission investment include the aging of existing infrastructure, the expected increase in future load growth as well as the need for expansion to rural areas of the country. In addition, as renewable energy continues to grow to become a larger portion of the country's energy generation, increased transmission infrastructure will be needed to integrate renewable resources. Of the $51 billion of projects identified in EEI's latest report, 76% were related to supporting the integration of renewable generation, which involves bringing renewable energy resources, some of which are located in remote and less populated locations, onto the grid. The likelihood of increasing renewable portfolio standards in certain regions will also require the need for additional transmission. Another important reason for increased transmission investment and further infrastructure upgrades relates to cyber security and the increased need to safeguard against terrorist attacks on the U.S. electricity grid.

The supportive stance the FERC has taken on transmission investment since the passing of the Energy Policy Act of 2005 has clearly made a sizeable impact on transmission investment in the U.S., as shown in Figure 5. Prior to 2006, transmission investment averaged about $6 billion per annum from 1999 through 2005. However, since the EPA Act of 2005, which became effective in September 2006, transmission investment has risen every year, with total investor owned utility transmission investment of over $15 billion planned in 2013. The annual average transmission investment from 2006 through 2012 is estimated to be over $10 billion.

FIGURE 5

Transmission Investment by Investor Owned Utilities



Source: EEI, Moody's estimates

Order 1000, another landmark FERC rule that was issued in July 2011, builds upon Order 890, which required transmission planning based on open, transparent and coordinated processes. Order 1000 is an attempt to establish more certainty around cost allocation and recovery of investment. Transmission owners had previously suggested that the uncertainty in cost recovery inhibited further investment. However, the impact of FERC 1000 on investor-owned utilities remains somewhat uncertain because of the delays and lack of clarity in implementation. In addition, Order 1000, while encouraging equitable cost allocation and recovery, seeks to promote a more coordinated effort amongst transmission owners to develop and build an integrated regional transmission network, which should improve and enhance reliability and reduce transmission congestion.

Furthermore, to promote competition in regional transmission planning, Order 1000 requires the removal of rights of first refusal (ROFR) from Commission-approved tariffs and agreements for certain new transmission facilities. As a result, incumbent utilities will no longer maintain the federal right of first refusal to build, own and operate large-scale transmission projects that are located within their service territory. While we acknowledge that this allows other utilities to encroach on an incumbent utility's service territory, we believe this provides increased opportunities for future transmission asset growth and expansion, particularly for pure play transmission owners, like ITC Holdings and ATC. However, the degree of supportiveness cannot be determined until FERC provides guidance for implementation of this regulation, which has currently been delayed.

While we believe the likelihood for additional complaints and ROE protests will continue and may likely increase, we also believe the FERC will adjudicate each complaint on a case by case basis. As such, we do not believe that an outcome on one complaint filing will necessarily set precedent for all complaints across the country. Rather, an outcome on a particular case may have an impact on other complaint filings in the same region. With that said, each complaint filing is distinct in itself involving different circumstances and a diverse set of stakeholders, who will impact each case in different ways. Although the Commission's authorized ROEs are garnering much attention today, it is noteworthy that the transmission fee component, on average, is less than 10% of a consumer's monthly utility bill. As such, we believe FERC-allowed ROEs, on average, will remain higher than those governed by Public Utility Commissions. However, we would view any sustained downward pressure to existing or future ROEs as a credit negative, and a change to the FERC's historically constructive stance would be a material credit negative.

Appendix A

List of Additional FERC Complaints

Docket No.	Utility(ies)	Complainant(s)	Current (or proposed) ROE	Complainants (or FERC) Requested ROE
EL11-66	Bangor Hydro-Electric Central Maine Power National Grid NextEra NSTAR LLC NE Utilities CL&P WMECO Public Service Co. of NH United Illuminating Unitil Vermont Transco	Massachusetts Attorney General, et al.	11.14%	9.2%
EL12-39	Florida Power Corporation (d/b/a Progress Energy Florida)	Seminole Electric Cooperative Florida Municipal Power Agency	10.8%	9.02%
EL12-59	Southwestern Public Service Co.	Golden Spread Electric Cooperative	11.27%	9.65%
EL12-61	Cleco Power, LLC	City of Alexandria, LA Louisiana Energy and Power Authority The Lafayette Utilities System	10.5%	8.55%
77	Public Service Co. of Colorado	Grand Valley Rural Power Lines Yampa Valley Electric Assoc. Intermountain Rural Electric Assoc. Tri-State Generation & Trans. Assoc.	10.25%	9.15%
EL12-84	Maine Public Service Co.	MPS Customer Group	10.5%	8.83%
EL12-101	Niagara Mohawk Power Corp. (d/b/a National Grid)	New York Association of Public Power	11.5% (inclusive of 50bps adder)	9.49% (inclusive of 50bps adder)
EL13-16	Niagara Mohawk Power Corp. (d/b/a National Grid - NYISO)	Municipal Electric Utilities Association of New York	11.5% (inclusive of 50bps adder)	9.25% (inclusive of 50bps adder)
EL13-33	Bangor Hydro-Electric Central Maine Power National Grid NextEra NSTAR LLC NE Utilities CL&P WMECO Public Service Co. of NH United Illuminating Unitil Vermont Transco	ENE (Environment Northeast) Great Boston Real Estate Board National Consumer Law Center NEPOOL Industrial Customer Coalition	11.14%	8.7%

List of Additional FERC Complaints

Docket No.	Utility(ies)	Complainant(s)	Current (or proposed) ROE	Complainants (or FERC) Requested ROE
EL13-48	Baltimore Gas & Electric Company Pepco Holdings, Inc. Delmarva Power & Light Company Atlantic City Electric Company Potomac Electric Power Company	Delaware Div. of the Public Advocate Delaware Municipal Electric Corp. Delaware Public Service Commission Maryland Office of People's Counsel Maryland Public Service Commission New Jersey Board of Public Utilities New Jersey Division of Rate Counsel Office of the People's Counsel of DC Public Service Commission of DC	10.8% (for projects before 2006) 11.3% (for projects after 2006)	8.7%

Source: EEI, Company Filings, FERC

Appendix B

List of Other ROE Challenges

Docket No.	Utility(ies)	Complainant(s)	Current (or proposed) ROE	Complainants (or FERC) Requested ROE
ER12-2701	Pacific Gas and Electric Company	California Public Utilities Commission California Department of Water Resources State Water Project (SWP) Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California Cities of Redding and Santa Clara, California M-S-R Public Power Agency Modesto Irrigation District Northern California Power Agency Sacramento Municipal Utility District State Water Contractors Transmission Agency of Northern California	11.5% (inclusive of 50bps adder)	9.1% (inclusive of 50bps adder)
ER11-3697	Southern California Edison Company	Arizona Electric Power Cooperative Inc. Atlantic Path 15, LLC California Department of Water Resources State Water Project Cities of Anaheim, Azusa, Banning, Colton, Pasadena, and Riverside, California City of Los Angeles Department of Water and Power City of Santa Clara City of Redding, California Energy Producers and Users Coalition Modesto Irrigation District M-S-R Public Power Agency Northern California Power Agency Pacific Gas & Electric Company Public Utilities Commission of the State of California San Diego Gas & Electric Co. State Water Contractors Transmission Agency of Northern California	12.6% (inclusive of 110bps adders)	11.03% (inclusive of 110bps adders)

Source: EEI, Company Filings, FERC

Report Number: 153066

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Jeffrey Cassella

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MOODY'S
INVESTORS SERVICE

Billie Richert

From:	Billie Richert
Sent:	Monday, April 29, 2013 9:20 AM
	Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject:	FW: FYI - Update

From: Billie Richert
Sent: Monday, April 29, 2013 9:19 AM
To: david_bodek@standardandpoors.com
Subject: FW: FYI - Update

Please see following press release.

press release

April 29, 2013, 9:20 a.m. EDT

Century Aluminum Announces Agreement to Acquire Sebree, KY Smelter

marketwire

MONTEREY, CA, Apr 29, 2013 (Marketwired via COMTEX) -- Century Aluminum Company /quotes/zigman/59708/quotes/nls/cenx CENX +6.08% announced today that its wholly owned subsidiary has entered into a definitive agreement to acquire substantially all of the assets of the Sebree aluminum smelter from a subsidiary of Rio Tinto Alcan, Inc. Sebree, located in Henderson County, Kentucky, employs over 500 men and women and has an annual production capacity of 205,000 metric tons of primary aluminum.

"We are well acquainted with the Sebree smelter and its excellent management team and talented group of employees," commented Michael Bless, President and CEO. "We believe that, with these facilities under common ownership, we will derive real benefits in better serving customers and through improving both operations with the sharing of best practices in safety, technical and operational practices and procedures. My colleagues and I are anxious to welcome Sebree's men and women into the Century group of companies."

"We believe Sebree, like Hawesville, is globally competitive in every area other than the cost of power," continued Mr. Bless. "Maintaining operations at these plants, and the thousands of direct and indirect jobs they provide and support, is critical for the entire western Kentucky community. Gaining access to competitive energy is a crucial for the continued viability of these plants, and we hope that the tentative agreement we have reached for Hawesville will be the first step towards obtaining market priced power."

Pursuant to the terms of the agreement, Century will acquire the smelter for $61 million in cash (after $4 million in purchase price deductions) and will receive $71 million in working capital, subject to customary adjustments. As part of the transaction, RTA will retain all historical environmental liabilities of the Sebree smelter and has agreed to fully fund the pension plan being assumed by Century's subsidiary at closing.

The transaction is subject to certain closing conditions, including the consent of Kenergy Corp. to the assignment of the smelter's existing power contract, which will terminate on January 31, 2014.

Century Aluminum Company owns primary aluminum capacity in the United States and Iceland. Century's corporate offices are located in Monterey, Calif. More information can be found at www.centuryaluminum.com.

Cautionary Statement

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements about f re, not past, events and involve certain important risks and uncertainties, any of which could cause our actual results to differ materially from those expressed in our forward-looking statements. Such risks and uncertainties may include, without limitation, further declines in aluminum prices or increases in our operating costs; worsening of global financial and economic conditions; our ability to successfully obtain long-term competitive power arrangements for the Hawesville and Sebree plants; and our ability to obtain the necessary consents and satisfy the necessary conditions to complete the acquisition of the Sebree plant. Forward-looking statements in this press release include statements regarding our ability to complete the acquisition of the Sebree plant, derive benefits from the common ownership of the Sebree and Hawesville plants and obtain competitive power contracts for the Hawesville and Sebree plants. More information about these risks, uncertainties and assumptions can be found in the risk factors and forward-looking statements cautionary language contained in our Annual Report on Form 10-K and in other filings made with the Securities and Exchange Commission. We do not undertake, and specifically disclaim, any obligation to revise any forward-looking statements to reflect the occurrence of future events or circumstances.

Certified Advisors for the First North market of the OMX Nordic Exchange Iceland hf. for Global Depositary Receipts in Iceland:

A B. Gudmundsson, Senior Manager -- Corporate Finance, Landsbankinn hf. Steingrimur Helgason, Director -- Corporate Finance, Landsbankinn hf.

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____[attachment "#753605812v3_USA_ - Century Press Release.docx" deleted by Dennis Pidherny/pf/NYC/F-I]

Billie Richert

From: Billie Richert
Monday, April 29, 2013 8:17 AM
Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Suoject: FYI
Attachments: #753605812v3_USA_ - Century Press Release.docx

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Billie Richert

From:	Billie Richert
	Thursday, April 25, 2013 3:23 PM
	'Rose, Kevin'
Subject:	RE: Member Co-ops 2012 financial information
Attachments:	Form 7 - December 31, 2012 - RUS Version.pdf

Per your request.

From: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
Sent: Thursday, April 25, 2013 10:07 AM
To: Billie Richert
Subject: RE: Member Co-ops 2012 financial information

Billie:

Thanks for sending the member financials. Since Jackson information was from an audit and not the Form 7, I don't have the Residential KwH they sold in 2012, nor the total Kwh sold. If they have a form 7, please send that, which should suffice; otherwise if you could obtain that, then I can calculate the aggregate member residential KwH sold as percentage of the member aggregate total..

Regards,

Kevin

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From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Wednesday, April 24, 2013 5:41 PM
To: Rose, Kevin
Subject: Member Co-ops 2012 financial information

Kevin,
Please find attached 2012 financial information for Mead County and Jackson Purchase. I'm still waiting to hear back fi (energy.

Billie

Billie Richert, CPA, CITP
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Billie Richert

From:	Billie Richert
	Thursday, April 25, 2013 8:23 AM
	Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject:	Kenergy's 2012 Audited Financials
Attachments:	2012 Kenergy Audit.pdf

Per attached.

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Billie Richert

From:	Billie Richert
S	Wednesday, April 24, 2013 5:18 PM
	Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Su..ject:	Kenergy's 2012 Financial Report
Attachments:	Kenergy - RUS Form 7 - Dec. 2012.pdf

Per attached.

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Billie Richert

From:	Billie Richert
ϛ	Wednesday, April 24, 2013 4:41 PM
	Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Suuject:	Member Co-ops 2012 financial information
Attachments:	Financial Statements-JPEC-2012.pdf; Mead County - 12_31_2012 Year End.pdf

Kevin,
Please find attached 2012 financial information for Mead County and Jackson Purchase. I'm still waiting to hear back from Kenergy.

Billie

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Billie Richert

From:	Billie Richert
[illegible]	Thursday, April 18, 2013 1:27 PM
[illegible]	Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Subject:	Follow-up

Kevin,
Listened to your voicemail. Can we arrange to speak tomorrow – any time after 3:00 EST ? Our board meeting is in the morning and then I have back to back meetings until 1:30.

Please let me know.

Thank you and hope you are doing well.

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Billie Richert

F---n:	Rose, Kevin <Kevin.Rose@moodys.com>
	Monday, April 15, 2013 10:43 AM
	Rose, Kevin
Subject:	Updated U.S. Electric G&T Cooperative rating Methodology
Attachments:	G&T Coop Methodology April 15 2013.pdf
Importance:	High

FYI, the attached was published earlier today.

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MOODY'S INVESTORS SERVICE

RATING METHODOLOGY

U.S. Electric Generation & Transmission Cooperatives

Table of Contents:

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Summary

This rating methodology explains Moody's approach to assessing credit risk in the U.S. electric generation & transmission cooperative sector (G&T co-ops). This methodology is intended as a reference tool to use when evaluating credit profiles within this sector, helping issuers, investors, and other interested market participants understand how key qualitative and quantitative risk characteristics are likely to affect rating outcomes. This methodology does not include an exhaustive treatment of all factors that are reflected in Moody's ratings, but should enable the reader to understand the qualitative considerations and financial information and ratios that are usually most important for ratings in this sector.

This rating methodology supersedes the Rating Methodology for U.S. Electric Generation & Transmission Cooperatives published in December 2009. While this updated framework is based upon the same core principles as the December 2009 methodology, its scope has been broadened to include an additional cooperative and incorporates refinements in our analysis that better reflect key credit fundamentals of this sector. No rating changes will result from publication of this rating methodology.

This report includes discussion of the five rating factors and sub-factors included in the rating grid. The purpose of the rating grid is to provide a reference tool that can be used to approximate credit profiles within the U.S. electric generation & transmission cooperative sector. The grid provides summarized guidance for the factors that are generally most important in assigning ratings to these entities. The grid is a summary, and as such, does not include every rating consideration. The weights shown for each factor in the grid represent an approximation of their importance for rating decisions but actual importance may vary significantly. In addition, the illustrative mapping in this document uses historical results while our ratings are based on forward-looking expectations. As a result, the grid-indicated rating will not match the actual rating of each entity in every case.

The grid contains five factors that are important in our assessment for ratings in the U.S. electric generation & transmission cooperative sector.

1. Long-Term Wholesale Power Supply Contracts/Regulatory Status
2. Rate Flexibility
3. Member/Owner Profile
4. Financial Metrics
5. Size

Certain factors also encompass a number of sub-factors or metrics that we explain in detail. Since an issuer's scoring on a particular grid factor sometimes will not match its overall rating, in the Appendix we include a discussion of some "outliers" – cooperatives whose grid-indicated rating differs significantly from the actual rating.

We note that our rating analysis in this sector covers factors that are common across all industries as well as factors that can be meaningful on a company or sector-specific basis. Our ratings incorporate qualitative considerations and factors that do not lend themselves to a transparent presentation in a grid format. The grid represents a decision to avoid greater complexity that would result in grid-indicated ratings that map more closely to actual ratings, in favor of simple and more transparent presentation of the factors that are most important for ratings in this sector most of the time.

Highlights of this report include:

» An overview of the rated universe

» A summary of the rating methodology

» A description of the key factors that drive rating quality

» Comments on the grid assumptions and limitations, including a discussion of rating considerations that are not included in the grid.

The Appendices show the full grid (Appendix A); a table that lists the grid output for covered issuers with explanatory comments on some of the more significant differences between the grid-implied rating for each sub-factor and our actual rating (Appendix B); a brief sector overview (Appendix C); and a discussion of key rating issues for the U.S. electric generation & transmission cooperative sector over the intermediate term (Appendix D).

This methodology describes the analytical framework used in determining credit ratings. In some instances our analysis is also guided by additional publications which describe our approach for analytical considerations that are not specific to any single sector. Examples of such considerations include but are not limited to: the assignment of short-term ratings, the use of credit estimates and country ceilings, the relative ranking of different classes of debt and hybrid securities, how sovereign credit quality affects non-sovereign issuers, and the assessment of credit support from other entities. Documents that describe our approach to such cross-sector methodological considerations can be found at http://www.moodys.com under the Research and Ratings directory.

About the Rated Universe Covered by This Methodology

An electric generation & transmission cooperative is a not-for-profit rural electric system whose primary function is to provide electric power on a wholesale basis to its owners. These owners are comprised of a group of distribution co-ops and in some instances may also include other G&T co-ops. Each distribution[1] cooperative sells power on a retail basis to its customers, who are the members that own the distribution co-op.

Moody's currently rates 18 U.S. electric G&T cooperatives, included among which are many of the larger G&T co-ops and a growing number of the medium to smaller-sized ones. The group of 18 has approximately $31.8 billion of debt outstanding. All except one of these issuers are currently rated investment grade with 15 carrying a stable outlook, two having a positive outlook and one being under review for possible downgrade. The 17 investment-grade G&T cooperatives currently occupy the single-A to mid-Baa range and the lone non-investment-grade G&T cooperative is rated Ba1 and under review for possible downgrade.

The credit profile of G&T co-ops on the whole is stable. Since December 2009, we added Seminole Electric Cooperative to our rated universe, bringing the total to 18 in all. In addition to the new rating assigned for Seminole Electric, we assigned an A1 senior secured rating for Arkansas Electric Cooperative, an A3 senior secured rating for PowerSouth Electric Cooperative, and an A3 senior secured rating for South Mississippi Electric Power Association, marking the first time we rated that class of debt for those three entities. Other rating actions in the U.S. electric generation & transmission cooperative sector since December 2009 included five downgrades, three upgrades, one outlook change to negative from stable, three outlook changes to stable from negative, and two outlook changes to positive from stable.

Meanwhile, G&T co-ops, in large part, maintain sound credit quality reflecting the strong contractual bonds with member owners under long-term wholesale power supply contracts, rate setting autonomy, and conservative management of their businesses by:

» using long term supply planning to diversify their supply mix, while managing the current tepid demand growth

» tightly controlling operating costs,

» increasing rates when necessary, and

» carefully attending to liquidity.

G&T co-ops are similar to investor-owned utilities (IOUs) and Municipal and Public Utilities (Municipals) as they all operate in a capital intensive industry and provide an essential service. While all three subsets of the U.S. power sector strive to provide safe and reliable electric service at the lowest possible cost, the G&T co-ops and the Municipals are not for profit entities, so they are not influenced by the profit generating motives that can sometimes influence strategic operating and financial decisions made by the IOUs. Revenue stability and predictability tends to be higher for both G&T co-ops and Municipals because of the rate setting autonomy that exists, whereas IOUs can experience more variability due to rate regulation that governs the rate setting process for them. Financing sources vary across the three sectors. IOUs primarily rely on the capital markets, including through issuance of common stock, whereas the Municipals fund their operations primarily through tax-exempt debt issuance in the public and private capital markets, while the G&T co-ops rely extensively on loans

1 ...dy's would apply this methodology for the distribution cooperatives with some adjustments.

provided by the Rural Utilities Service (RUS), other cooperative financial institutions, and to a lesser extent, the public and private capital markets. Reference is made to the table in appendix C for additional characteristics that distinguish the risk profiles of these three subsets of the U.S. power sector.

The high average rating assigned to this sector is consistent with historical and expected rating performance and the very low incident of default in the sector, with only one Moody's rated G&T co-op default in the past 23 years. In 2011, Southern Montana Electric Generation and Transmission Cooperative, Inc. (SME; not rated), defaulted.

Southern Montana Electric Generation and Transmission Cooperative, Inc. (SME; not rated), filed for bankruptcy protection on October 21, 2011 owing to severe cash flow problems caused by increased power supply costs, reduced volume sales, disagreement among SME's member-owners to raise their rates, and various litigation proceedings.

While SME was not rated by Moody's, it is possible to use the methodology grid to assess what its likely grid-implied rating might have been in the years ahead of the default. It would likely have merited the weakest possible score on approximately half of the grid factors, both qualitative and quantitative; in particular it would likely have scored very weakly on several of the sub-factors in Factor 2 (rate flexibility), including purchased power as a percentage of total megawatt hour sales, new build exposure, and rate shock exposure; it also would have scored very weakly on factor 5 (size). As a result, the grid-implied rating would likely have been no better than borderline investment grade, which would have firmly positioned it as a negative outlier, weaker than any of the credits in the rated portfolio of U.S. electric G&T cooperatives at the time. Furthermore, the preponderance of "lowest-possible" scores for several factors would have suggested a credit weaker than the broad sector peer group against which the grid was calibrated, arguing for the final rating to be positioned lower. In fact, as any signs of member disagreement became apparent in tandem with other weak factor scores, a Moody's Rating Committee would likely have considered a rating outcome significantly below the grid-implied rating.

SME's bankruptcy filing is a stark reminder highlighting the need for G&T cooperatives to secure adequate sources of liquidity, as most of the strong investment grade rated G&T cooperatives have done in recent years.

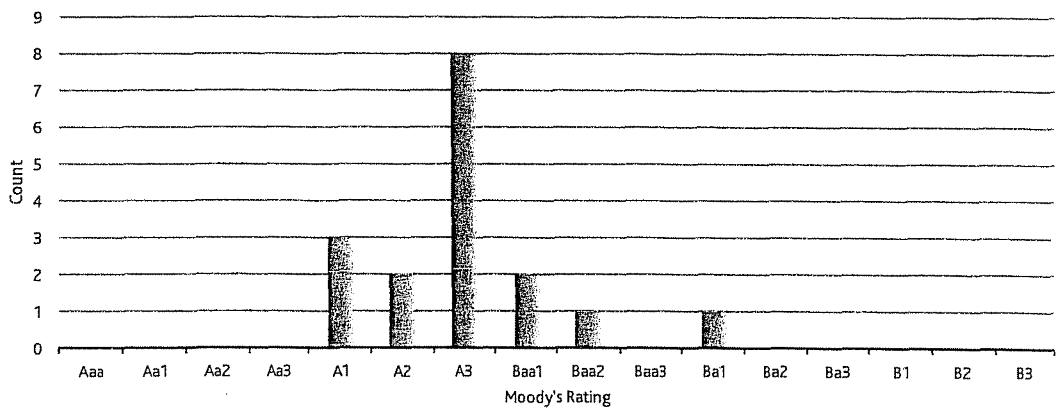
The following table illustrates the distribution of ratings in the U.S. G&T cooperative sector.

FIGURE 1
Rated Issuers

Company	Long-Term Rating	Type of Rating	Short-Term Rating	Outlook	Total Debt as of Latest Fiscal Year-End ($ Millions)
Arkansas Electric Cooperative	A1	Senior Secured	P-1	Stable	996 [(a)]
Associated Electric Cooperative	A1	Senior Secured		Stable	1,918
Basin Electric Power Cooperative	A1	Senior Secured	P-1	Stable	3,938
Big Rivers Electric Corp.	Ba1	Senior Secured		RUR ↓	786
Buckeye Power Inc.	A2	Senior Secured		Stable	1,656 [(b)]
Chugach Electric Association	-	-	P-2	Stable	604
Dairyland Power Cooperative	A3	Issuer Rating		Stable	1,012
Georgia Transmission	A2	Senior Secured	P-2	Positive	1,732
Golden Spread Electric Cooperative	A3	Issuer Rating		Stable	513
Great River Energy	Baa1	Senior Secured		Stable	2,789
Hoosier Energy	A3	Senior Secured		Stable	1,188
Minnkota Power Cooperative	Baa2	Issuer Rating		Stable	559
Oglethorpe Power Corp.	Baa1	Senior Secured	P-2	Stable	6,672
Old Dominion Electric Cooperative	A3	Senior Secured		Positive	864
PowerSouth Energy	A3	Senior Secured		Stable	1,413
Seminole Electric	A3	Senior Secured		Stable	1,313
South Mississippi Electric Power Association	A3	Senior Secured		Stable	960
Tri-State G&T Association	A3	Senior Secured		Stable	2,913
Total Unadjusted Debt of Rated G&T Co-ops					**31,828**

Notes:
(a) Fiscal year-end October 31
(b) Fiscal year-end June 30
Source: Moody's and cooperative annual audits

FIGURE 2
Electric G&T Cooperatives Rating Distribution



Source: Moody's

About This Rating Methodology

Moody's U.S. electric G&T cooperative rating methodology consists of the six sections listed below.

1) Identification and Discussion of the Key Rating Factors

The grid in this methodology focuses on five broad rating factors, further broken down into 14 rating sub-factors and their weightings.

FIGURE 3

Rating Factor / Sub-Factor Weighting - U.S. Electric G&T Cooperatives

Broad Rating Factors	Broad Rating Factor Weighting	Rating Sub-Factor	Sub-Factor Weighting
Wholesale Power Contracts and Regulatory Status	20%	% Member Load Served and Regulatory Status	20%
Rate Flexibility	20%	Board Involvement / Rate Adjustment Mechanism	5%
		Purchased Power / Sales (%)	5%
		New Build Capex (% of Net PP&E)	5%
		Rate Shock Exposure	5%
Member / Owner Profile	10%	Residential Sales / Total Sales	5%
		Members' Consolidated Equity / Capitalization	5%
3-Year Average G&T Financial Metrics	40%	TIER	5%
		DSC	5%
		FFO / Debt	10%
		FFO / Interest	10%
		Equity / Capitalization	10%
G&T Size	10%	MWh Sales	5%
		Net PP&E	5%
Total	**100%**		**100%**

These factors are critical to the analysis of U.S. Electric G&T cooperatives and, in most instances, can be benchmarked across the sector. The discussion begins with a review of each factor and an explanation of its importance to the rating.

2) Measurement or Estimation of the Key Rating Factors

We explain the measurements we use to assess performance on each of the rating factors and sub-factors. We explain the rationale for using specific rating factors and provide insights on the way these are applied in the rating decision process. Many of the sub-factors are found in or derived from the financial statements of the G&T co-ops and those of their members, while others are calculated or derived using data gathered from various sources, and observations and estimates by Moody's analysts.

Moody's ratings are forward looking and incorporate our expectations of future financial and operating performance. We use both historical and projected financial results in the rating process; however, this document makes use only of historic data, and does so solely for illustrative purposes. Historical operating results help us understand the pattern of a company's performance and how it compares to its peers. Historical data also assists us in, among other things, looking through the earnings volatility that can sometimes occur during a given year and evaluating whether projected future results are realistic.

The illustrative mapping examples in this rating methodology uses historical data in most instances based on information as of the latest fiscal year end, which in most cases is 12/31/11; however, the sub-factors for financial metrics use three-year averages for the last three fiscal years.

All of the quantitative credit metric measures comprising the sub-factors in Factor 4 incorporate Moody's standard adjustments to the income statement, statement of cash flows, and balance sheet and include adjustments for certain off-balance sheet financings and certain other reclassifications in the income statement and statement of cash flows.

For definitions of our most common ratio terms please see "Moody's Basic Definitions for Credit Statistics (User's Guide)", June 2011. For a description of our standard adjustments, please see "Rating Implementation Guidance - Moody's Approach to Global Standard Adjustments in the Analysis of Financial Statements for Non-Financial Corporations", December 2010 (128137). These documents can be found at www.moodys.com under the Research and Ratings directory, in the Special Reports subdirectory.

3) Mapping Grid Factors to the Rating Categories

After estimating or calculating each sub-factor, the outcomes for each of the sub-factors are mapped to a broad Moody's rating category (Aaa, Aa, A, Baa, Ba, or B).

4) Mapping Issuers to the Grid and Discussion of Grid Outliers

In this section (Appendix B), we provide a table showing how each company maps within the specific rating sub-factors. The weighted average of the sub-factor ratings produces a grid implied rating for each factor. We highlight companies whose grid implied performance on a specific sub-factor is two or more broad rating categories higher or lower than its actual rating and discuss general reasons for such positive and negative outliers for a particular sub-factor.

5) Assumptions and Limitations and Rating Considerations that are not covered in the Grid

This section discusses limitations in the use of the grid to map against actual ratings, additional factors that are not included in the grid that can be important in determining ratings, and limitations and key assumptions that pertain to the overall rating methodology.

6) Determining the Overall Grid-Implied Rating

To determine the overall grid-implied rating, the indicated rating category for each sub-factor is converted into a numeric value based upon the scale below.

FIGURE 4

Aaa	Aa	A	Baa	Ba	B
1	3	6	9	12	15

The numerical score for each sub-factor is multiplied by the weight for that sub-factor with the results then summed to produce a composite weighted-average factor score. The composite weighted factor score is then mapped back to an alpha-numeric rating based on the ranges in the table below. For example, an issuer with a composite weighted factor score of 8.2 would have a Baa1 grid-implied rating. We used a similar procedure to derive the grid-implied ratings shown in the illustrative examples.

FIGURE 5

Factor Numerics

Composite Rating

Indicated Rating	Aggregate Weighted Factor Score
Aaa	x < 1.5
Aa1	1.5 ≤ x < 2.5
Aa2	2.5 ≤ x < 3.5
Aa3	3.5 ≤ x < 4.5
A1	4.5 ≤ x < 5.5
A2	5.5 ≤ x < 6.5
A3	6.5 ≤ x < 7.5
Baa1	7.5 ≤ x < 8.5
Baa2	8.5 ≤ x < 9.5
Baa3	9.5 ≤ x < 10.5
Ba1	10.5 ≤ x < 11.5
Ba2	11.5 ≤ x < 12.5
Ba3	12.5 ≤ x < 13.5
B1	13.5 ≤ x < 14.5
B2	14.5 ≤ x < 15.5
B3	15.5 ≤ x < 16.5

Discussion of the Key Grid Factors

Moody's analysis of U.S. G&T co-ops focuses on five broad rating factors:

» Long-Term Wholesale Power Supply Contracts/Regulatory Status

» Rate Flexibility

» Member/Owner Profile

» Financial Metrics

» Size

Factor 1: Long-Term Wholesale Power Supply Contracts/Regulatory Status

Long-Term Wholesale Power Supply Contracts/Regulatory Status - Why it Matters

Against a myriad of credit challenges, including spending for capital projects, volatile fuel costs and persisting uncertainty surrounding environmental regulations and related costs, the strength of the wholesale power contracts and the predictable revenue stream they provide for G&T co-ops is a primary source of credit support. Because the prevalence of rate autonomy is similarly an integral credit factor linked to costs tied to the wholesale power contract, we include regulatory status of the G&T co-op and its distribution member/owners as part of Factor 1.

Long term wholesale power supply contracts between G&T co-ops and their members provide G&T co-ops with a high degree of assurance that costs and capital investment can be recovered from rates charged to customers. These contracts typically require the member co-ops to purchase all or virtually all of their supply requirements from the G&T co-op and generally stipulate that co-op members must pay their pro-rata portion of all of the G&T co-op's fixed and variable costs related to the generation, procurement and transmission of their respective energy needs.

G&T co-ops have more flexibility to increase rates in response to rising costs as regulatory approval is typically not required. The regulatory status/relationship with regulators is important because G&T co-ops that operate in states that have some form of regulatory authority over their rate setting activities may have more difficulty raising rates compared to peers who are not directly subject to regulatory control. Assessing a member/owner's regulatory status is also important because some are subject to rate regulation, in which case the member may be denied approval for a large rate increase, making it difficult to comply with its contractual obligations to the G&T co-op.

An unsupportive regulatory jurisdiction is a credit negative and leaves co-ops with less flexibility to raise rates if needed. In contrast, absence of regulatory control over the rate setting process is a credit positive. Most co-ops are not subject to rate regulation, and set the rates they charge their members after careful consideration of their underlying cost structure and expected demand for power. They calculate what level of revenues would be required in order to meet operating costs, minimum required interest, and debt service coverage covenants in the RUS mortgage and/or other debt indentures, while also providing some cushion of revenue and equity to protect against adverse events such as sudden increases in costs or operating difficulties with key generating plants.

Long-Term Wholesale Power Supply Contracts/Regulatory Status - How We Assess It for the Grid

Based on data that can be derived from various sources, we calculate the percentage of member power supply needs served under the long-term wholesale power contract(s), with consideration as to whether the contracts are all requirements or substantially all requirements in nature. An assessment of the wholesale power contract allows us to identify whether the member co-ops are required to purchase all or virtually all of their supply requirements from the G&T co-op. For G&T co-ops who are not subject to rate regulation, the indicated rating for Factor 1 can range from Aaa to B and is largely determined by the overall percentage of member sales made under the wholesale power contracts. To receive the highest score of Aaa requires a legislative statute that precludes regulatory intervention in any future rate setting process. There are no such instances that currently apply within the rated universe.

We understand that there are currently 10 states that have full regulatory jurisdiction over the level of rates that co-ops can charge their members. These states are: Arizona, Arkansas, Alaska, Kansas, Kentucky, Louisiana, Maine, Maryland, Vermont, and Wyoming. There are a few other states including Indiana, New Mexico, and Michigan where state commissions have partial jurisdiction over G&T co-ops. Even if 100% of members' needs are met through sales under the wholesale power contracts, G&T co-ops conducting business in any of the aforementioned states would receive an indicated rating for Factor 1 of A at best. Where precisely the few rate-regulated G&Ts score within the range of A to B depends not only on the percentage of members' needs met through sales under the wholesale power contract, but also on our consideration of how supportive of credit quality the regulatory practices are and our understanding of the type of working relationships that prevail between the co-ops and the regulators.

FIGURE 6

Factor 1: Long-Term Wholesale Power Supply Contracts and Regulatory Status (20%)

	Aaa	Aa	A	Baa	Ba	B
Percentage of Member Load Served under Wholesale Power Contracts and Regulatory Status	100% and G&T and its Distribution Member/Owner Cooperatives are Not Rate Regulated by State Commission; Legislative statute to preclude regulatory intervention in the future rate setting process; Very good contractual relationships	100% and G&T is Not Rate Regulated by State Commission; No legislative statute to preclude regulatory intervention in the future G&T rate setting process; Some Distribution Member/Owner Cooperatives May Be Subject to Rate Regulation by State Commission; Very Supportive Commission Practices; Very Good Regulatory/ Contractual Relationships	> 80% and/or G&T is Rate Regulated by State Commission; Some Distribution Member/Owner Cooperatives May Be Rate Regulated by State Commission; Very Supportive Commission Practices; Very Good Regulatory/ Contractual Relationships	> 70% and/or G&T is Rate Regulated by State Commission; Some Distribution Member/Owner Cooperatives May Be Rate Regulated By State Commission; Moderately Supportive Commission Practices; Reasonably Good Regulatory/ Contractual Relationships	< 70% and/or G&T is Rate Regulated by State Commission; Some Distribution Member/Owner Cooperatives May Be Rate Regulated By State Commission; Unsupportive Commission Practices; Generally Difficult Regulatory/ Contractual Relationships	< 60% and/or G&T is Rate Regulated by State Commission; Most Distribution Member/Owner Cooperatives are Rate Regulated By State Commission; Very Unsupportive Commission Practices; Often Contentious Regulatory/ Contractual Relationships

Factor 2: Rate Flexibility

Rate Flexibility - Why it Matters

Prices for fuels used to generate electricity are unregulated in the U.S. and can be subject to dramatic fluctuation. G&T co-ops need the flexibility to raise rates in order to cover sharply higher prices for fuels, in addition to rising operating costs, and costs associated with existing mandated environmental requirements and those inevitably coming related for carbon emissions along with any capital investment associated with construction of new plants, among other factors.

Board Involvement/Rate Adjustment Mechanisms: The extent to which a G&T co-op can ensure timely and full recovery of its costs and investments will have an integral effect on its overall financial performance and thus its creditworthiness. Each G&T co-op's board of directors has a fiduciary responsibility to approve, or, where rate regulation applies, to seek regulatory approval of rates that ensure compliance with the financial covenants associated with debt indentures. To the extent that unexpected events arise, causing concerns about the ability to comply with covenants, the board should be expected to move quickly to adjust rates upward when needed. Also, variable cost adjustment mechanisms provide for more automatic changes in rates when costs change and increase the speed with which rates can be increased when costs increase. The extent to which variable cost adjustment mechanisms are available is especially important where regulatory jurisdiction applies to a G&T co-op. The existence of variable cost adjustment mechanisms is a credit strength, especially when rate adjustments can be implemented at frequent intervals. Such mechanisms mitigate liquidity pressures that might otherwise arise when the cost of fuels exceeds rates in effect at that time.

***Degree of Reliance on Purchased Power*:** Most of the power supply needs of G&T co-op members are met from generating plants owned by the G&T co-ops. Some G&Ts rely on market purchases of power to meet a portion of the member needs because their owned resources are insufficient, uneconomic, or periodically unavailable.

Assessing the degree of reliance on purchased power to meet members' demand and the rationale behind that strategy is important because G&Ts who purchase large amounts of power from the market to meet member demands have less control over this obligation, particularly if forced to purchase power at inopportune times, which may increase price volatility for one of their largest costs. Relying on such a strategy also heightens the importance of liquidity, risk management policies and procedures, and counterparty credit assessment.

***New Build Exposure Relative to Existing Asset Base*:** This factor is important because G&T co-ops largely finance capital investment with debt and rely upon rate increases to service the debt. When construction is delayed or runs above budget, the rate increases needed to cover the increased costs could lead to member resistance or, in the cases where regulation applies, cost recovery delays or disallowances.

***Potential for Rate Shock Exposure*:** In many respects, the potential for rate shock exposure is linked to rate competitiveness, so we consider rate competitiveness as part of this sub-factor. Assessing the potential for rate shock exposure is important because a large rate increase can lead to member resistance even when the new higher level of rates is still competitive with other providers of power in the region. If the G&T co-op's rates are noticeably higher than other providers in its geographic area, regulatory relationships for those G&T co-ops subject to regulation could become strained and/or member unrest more broadly could lead to contract challenges or possible withdrawal from the co-op.

Rate Flexibility - How We Assess It for the Grid

***Board Involvement/Rate Adjustment Mechanisms*:** The timing and extent to which a G&T co-op can increase rates is impacted by the activity of its board of directors and a number of rate adjustment mechanisms.

First we assess how active a board has been from a historical perspective with respect to approving or seeking regulatory approval of rate increases and consider the extent to which past behavior might change. To the extent that unexpected events arise, causing concerns about the ability to comply with covenants, we believe the board should be expected to move quickly to adjust rates upward when needed. Those G&T co-ops whose boards of directors are exceptionally proactive in adjusting rates as necessary and who benefit from legislative statute that would preclude regulatory intervention in the future rate setting process would most likely receive the highest indicated ratings. In contrast, G&T co-ops with less active or even inactive boards of directors and who otherwise face uncertainty surrounding the extent and timing of cost recovery would receive much lower indicated ratings for this sub-factor.

With respect to situations where variable cost adjustment mechanisms apply, rates that can automatically adjust to fuel and/or purchased power cost increases without requiring action by the Board or regulators are viewed more favorably and generally result in a higher indicated rating for this sub-factor. In instances where recovery of variable cost increases is deferred, we consider the time period over which recovery occurs, with shorter recovery periods being better from a liquidity and credit quality standpoint.

Degree of Reliance on Purchased Power: To measure the degree to which a G&T relies on purchased power in conducting its business, we divide the amount of megawatt hours it purchases during the most recent fiscal year by the total megawatt hours of energy it sells. This data can usually be found in the G&T co-op's latest annual report and/or other published data sources. In those instances where a G&T co-op relies on purchased power to meet less than 40% of its energy requirements during a given fiscal year, the indicated rating for this sub-factor would be at least Baa and improve gradually as the percentage declines according to the Factor 2 table descriptions. Conversely, where the dependence on purchased power exceeds the 40% level, then the indicated rating would be Ba or lower according to the Factor 2 table descriptions. In addition to the specific percentage calculation, we also take into account the extent to which purchases are made based solely on economic dispatch decisions (i.e. opportunistically purchasing cheaper power on the market instead of running owned generation plants). Such power purchases are usually made to maximize cost competitiveness in the G&T co-op's supply portfolio. Moody's views purchases made on an economic dispatch basis to be less of a credit risk as compared to situations where the G&T co-op is relying extensively on more expensive spot market power purchases due to an unplanned outage at one of its owned generation plants or above market firm purchase power contracts required to meet customer demands for power.

New Build Exposure Relative to Existing Asset Base: To measure this sub-factor, Moody's divides the estimated future capital expenditures for a particular G&T co-op over the next five years by the net property, plant, and equipment report for the latest fiscal year end. The lower the resulting percentage from this calculation is, the better the indicated rating for the sub-factor will likely be, as the G&T will likely face less need to issue debt and increase rates to cover the higher financing costs.

Potential for Rate Shock Exposure: To measure the potential for rate shock exposure, Moody's continues to look at the extent to which a G&T relies on purchased power to meet its energy demand during the latest fiscal year and its new build exposure. A lower percentage in both instances is generally viewed more favorably under the methodology. Our measurement criteria for this sub-factor also considers the G&T co-op's reliance on coal and other carbon emitting generating resources. Those G&T co-ops with a high reliance on such resources will be scored lower on this sub-factor due to their vulnerability to environmental regulations and accompanying carbon costs.

Cost competitive G&T co-ops have greater flexibility to raise rates to offset cost increases or to build additional equity and would therefore be more likely to receive a higher indicated rating for this sub-factor than those G&T co-ops who are competitively challenged. Favorable characteristics include low or improving cost structure, lower wholesale prices versus peers, and low distribution member rates versus competitors in the region. Moody's also assesses a G&T co-op's prospects to realize future rate increases in order to offset increasing costs, as compared with others in the region, although consistent rate data is often not publicly available. Nonetheless, Moody's seeks whatever public information is available, as well as confidential information on a company by company basis.

FIGURE 7

Factor 2 - Rate Flexibility (20%)

	Aaa	Aa	A	Baa	Ba	B	Sub-Factor Weighting
Assess Board Involvement in Setting Rates / Variable Cost Adjustment Mechanisms	Exceptionally proactive board that supports management recommendations for timely adjustment of rates to cover all costs of service; no regulatory/ political intervention in the rate setting process; Legislative statute to preclude regulatory intervention in the future rate setting process	Proactive board that supports management recommendations for timely adjustment of rates to cover all costs of service; no regulatory/ political intervention in the rate setting process; No legislative statute to preclude regulatory intervention in the future rate setting process	Active board in support of timely rate filings; possibility for regulatory/political intervention in the rate setting process in certain instances; frequent fuel cost adjustment capability in place under regulatory practice; timely recovery of any deferrals	Reasonably active board in support of timely rate filings; annual fuel cost adjustment capability in place under regulatory practice; reasonably timely recovery of any deferrals	Inactive board; limited, if any ability to adjust for fuel cost variability; uncertainty surrounding recovery of deferrals	Inactive board; no ability to adjust for fuel cost variability; uncertainty surrounding recovery of deferrals	5%
Purchased Power/Total MWh Sales (%)	x < 5%	5% ≤ x < 20%	20% ≤ x < 30%	30% ≤ x < 40%	40% ≤ x < 60%	x ≥ 60%	5%
New Build Exposure (Prospective 5-yr New Build Capex as % Net PP&E)	x < 5%	5% ≤ x < 25%	25% ≤ x < 50%	50% ≤ x < 75%	75% ≤ x ≤ 120%	x > 120%	5%
Potential for Rate Shock Exposure	Better rates than all others in the region on a consistent basis; Extremely low (e.g. Less than 5% reliance on purchased power and less than 5% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and 0-20% of generation from carbon fuels	Much better rates than most in the region on a consistent basis; Very low (e.g. less than 20% reliance on purchased power and less than 25% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and 20-40% of generation from carbon fuels	Better rates than most in the region on a consistent basis; Low (e.g. less than 30% reliance on purchased power and/or less than 50% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and/or 40-55% of generation from carbon fuels	Better rates than some and worse rates than some in the region on a consistent basis; Moderate (e.g. less than 40% reliance on purchased power and/or less than 75% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and/or 55-70% of generation from carbon fuels	Worse rates than most in the region on a consistent basis; High (e.g. greater than 40% reliance on purchased power or greater than 75% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and/or 70-85% of generation from carbon fuels	Worse rates than all in the region on a consistent basis; Very high (e.g. greater than 40% reliance on purchased power and greater than 75% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and/or 85-100% of generation from carbon fuels	5%

Factor 3: Member/Owner Profile

Member/Owner Profile - Why it Matters

Assessing the member/owner profile of a G&T co-op is important because the members who own the G&T co-op are also its primary source of cash flow. Similar to the way we would assess the counterparty credit risk for an IOU that sells sizable amounts of power to another entity, or buys significant amounts of power from a wholesale power producer, we focus on the overall creditworthiness of the members. Although not specifically weighted, we seek information about the members' expected consolidated demand growth and their consolidated assets when evaluating the overall member profile. The following two sub-factors, which are weighted at 5% each, provide good insight into the members' creditworthiness and ability to meet obligations to the G&T co-op under the long-term wholesale power contract.

Residential Sales as a Percentage of Total Sales: The diversity of the members' retail customer mix is important in our analysis of G&T co-ops because substantial reliance upon any single customer or a small number of customers (such as large industrial customers) tends to be associated with greater variability of revenue. Members who own the G&T co-ops tend to serve large residential customer bases, with a majority of energy being sold to such customers, although some sales may be to more volatile industrial and commercial customers. A higher percentage of sales to residential customers is favorable because such sales are generally more stable and predictable.

Members Consolidated Equity to Capitalization: The financial condition of the member/owners, as measured in part by the members' consolidated equity to capitalization, is important because it affects their ability to perform under the wholesale power contracts that members have with their G&T co-op. For the most part, distribution co-ops carry less business and financial risk than G&T co-ops. The difference in the financial strength is largely attributable to the fact that the RUS has historically set tighter financial covenants for the distribution co-ops than for the G&T co-ops. In addition, the distribution co-ops are far less capital intensive than G&T co-ops who own generation assets. Distribution co-ops typically maintain higher levels of equity to total capitalization and stronger interest coverage ratios than G&T co-ops.

Member/Owner Profile - How We Assess It for the Grid

Residential Sales as a Percentage of Total Sales: To measure this sub-factor, we first generally aggregate the individual residential energy sales and total energy sales for each member/owner of a particular G&T co-op in the latest fiscal year. This information is generally available through requests made to the G&T co-op because their members provide this data to them. The aggregate residential energy sales level is then divided by the aggregate total energy sales level to derive the aggregate percentage for the year. Under the Methodology, a higher percentage of more stable and predictable residential sales is viewed more favorably than a concentration of sales to large commercial and/or industrial customers.

Members Consolidated Equity to Capitalization: This sub-factor is measured by simply aggregating each member's total equity and debt as reported for the latest fiscal year end. The aggregate totals are then used to divide total members' equity by the sum of total members' debt plus equity. Members generally file financial statements with the RUS or otherwise make such statements available to the G&T that they have an ownership interest in. The large majority of the G&T co-ops that are covered by the methodology fall into the Baa category with consolidated member equity to capitalization in the range of 25% to 50%.

FIGURE 8

Factor 3 - Member / Owner Profile (10%)

	Aaa	Aa	A	Baa	Ba	B	Sub-Factor Weighting
Residential Sales/ Total Sales (%)	x ≥ 80%	75% ≤ x < 80%	50% ≤ x < 75%	40% ≤ x < 50%	20% ≤ x < 40%	x < 20%	5%
Members' Consolidated Equity/Capitalization (%)	x ≥ 65%	55% ≤ x < 65%	50% ≤ x < 55%	25% ≤ x < 50%	20% ≤ x < 25%	x < 20%	5%

Factor 4: G&T Financial Metrics

G&T Financial Metrics - Why it Matters

Financial strength is an important indicator of a G&T co-op's ability to meet its obligations, including debt service. Moody's considers historical coverage ratios and also places a significant emphasis on the expected trend for coverage metrics when assessing the credit risk of G&T co-ops. Although we continue to note that some G&T co-ops have large investment portfolios that considerably augment the bottom line, we consider it important that the G&T co-op be profitable on an operating basis. G&T co-ops that rely extensively on profits from investment portfolios and diversified operations to compensate for negative G&T operating margins are viewed negatively.

Scores under Factor 4 may be higher or lower than what might be produced based on historical results, depending on our view of expected future financial performance.

Times Interest Earned Ratio (TIER) and Debt Service Coverage Ratio (DSC): These two ratios are important because they have governed RUS loan documentation for many years. In addition to TIER and DSC, Moody's also looks at margins for interest (MFI) as defined in certain indentures.

Funds from Operations Coverage of Interest (FFO/Interest) and FFO/Debt: The FFO/Interest and FFO/Debt metrics are important because they provide insight regarding the amount and quality of a G&T co-op's cash flow and its ability to service its debt.

Equity/Total Adjusted Capitalization: Moody's evaluates the G&T co-op's equity as a percentage of total adjusted capitalization to see how much flexibility there is in the balance sheet to absorb unexpected events. When measuring the level of equity cushion, G&T co-ops and the RUS have tended to rely on equity expressed as a percentage of total assets. However, Moody's and many investors prefer to measure equity as a percentage of total capitalization, because it facilitates comparison with IOU capital structures.

G&T Financial Metrics - How We Assess It for the Grid

The ratios used as a basis for this methodology are three year averages of calculations using the latest three fiscal year end statements, including our standard adjustments. Three-year averages are used in part to smooth out some of the year to year volatility in financial performance and financial statement ratios. The ranges for each of the five metrics that would correspond to a particular indicated rating category appear in the table at the bottom of this section. The individual metric definitions are as follows:

TIER:

(Net margins, as represented by net profit after tax before unusual items + Interest + Income Tax) / Interest

DSCR:

(Net margins, as represented by net profit after tax before unusual items + Interest + Depreciation & Amortization) / (Interest + Principal Payment)

FFO / Interest:

(Funds from operations + Interest expense)/ Interest expense

FFO / Debt:

Funds from operations / (Short Term Debt + Long Term Debt, gross)

Equity / Total Capitalization:

(Deferred Taxes + Minority or Non-controlling Interest + Book Equity) / (Short Term Debt + Long Term Debt, gross + Deferred Taxes + Minority or Non-controlling Interest + Book Equity)

FIGURE 9

Factor 4 - 3-Year Average G&T Financial Metrics (40%)

	Aaa	Aa	A	Baa	Ba	B	Sub-Factor Weighting
TIER	x ≥ 1.6x	1.4x ≤ x < 1.6x	1.2x ≤ x < 1.4x	1.1x ≤ x < 1.2x	1.0x ≤ x < 1.1x	x < 1.0x	5%
DSC	x ≥ 1.9x	1.4x ≤ x < 1.9x	1.2x ≤ x < 1.4x	1.1x ≤ x < 1.2x	1.0x ≤ x < 1.1x	x < 1.0x	5%
FFO/Debt	x ≥ 15%	10% ≤ x < 15%	6% ≤ x < 10%	3% ≤ x < 6%	2% ≤ x < 3%	x < 2%	10%
FFO/Interest	x ≥ 3.25x	2.5x ≤ x < 3.25x	2.0x ≤ x < 2.5x	1.5x ≤ x < 2.0x	1.2x ≤ x < 1.5x	x < 1.2x	10%
Equity/Total Capitalization	x ≥ 50%	35% ≤ x < 50%	20% ≤ x < 35%	5% ≤ x < 20%	3% ≤ x < 5%	x < 3%	10%

Factor 5: G&T Size

G&T Size - Why it Matters

Size, together with Factor 3, Member/Owner Profile, has the lowest weighting of the five key factors because it tends to be less important for entities, such as G&T co-ops, that are subject to limited competition. That said, we still find that size, as measured by the following two sub-factors, which are weighted at 5% each, does matter.

***Megawatt hour sales*:** This sub-factor is important because it is an indicator for economies of scale (i.e., a G&T co-op is better off if it can spread its fixed costs over a larger number of megawatt hours of electricity, thereby increasing its price competitiveness).

***Net Property, Plant, and Equipment*:** This sub-factor is important because G&T co-ops can benefit from having a larger pool of assets and a more diverse source of fuels to run the generation assets it owns. A G&T co-op that has its assets concentrated in one generating plant could be subject to extreme cost pressures to the extent that it has to buy power on the open market due to an extended outage at its sole generating plant. Similarly, overdependence on one particular fuel source could materially raise costs during a period of prolonged price increases for that commodity.

G&T Size - How We Assess It for the Grid

We identify the amount of megawatt hour sales and net property, plant, and equipment data primarily from the G&T co-op's latest annual report. See the Factor 5 table below for the ranges that would apply for a particular indicated rating for the two sub-factors in Factor 5.

FIGURE 10

Factor 5 - G&T Size (10%)

	Aaa	Aa	A	Baa	Ba	B	Sub-Factor Weighting
Megawatt hour sales (Millions of MWhs)	x ≥ 50	20 ≤ x < 50	11 ≤ x < 20	5 ≤ x < 11	3 ≤ x < 5	x < 3	5%
Net PP&E ($ in Billions)	x ≥ $5 billion	2 ≤ x < 5	1 ≤ x < 2	0.4 ≤ x < 1	0.3 ≤ x < 0.4	x < $0.3 billion	5%

Assumptions and Limitations, and Rating Considerations that Are Not Covered in the Grid

The rating methodology grid represents a decision to favor simplicity that enhances transparency and to avoid greater complexity that would enable the grid to map more closely to actual ratings. Accordingly, the five rating factors in the grid do not constitute an exhaustive treatment of all the considerations that are important for ratings of entities in the U.S. electric generation & transmission cooperative sector. In addition, our ratings incorporate expectations for future performance, while the financial information that is used to illustrate the mapping in the grid is mainly historical. In some cases, our expectations for future performance may be informed by confidential information that we cannot publish or otherwise disclose. In other cases, we estimate future results based upon past performance, industry trends or other factors. In either case, predicting the future is subject to the risk of substantial inaccuracy.

Assumptions that may cause our forward-looking expectations to be incorrect include unanticipated changes in any of the following factors: the macroeconomic environment and general financial market conditions, sector trends, new technology, regulatory and legal actions, as well as management's appetite for additional debt to finance capital expenditures, or unexpected external transfers to affiliated governments or enterprises.

Key rating assumptions that apply in this sector include our view that sovereign credit risk is strongly correlated with that of other domestic issuers, that legal priority of claim affects average recovery on different classes of debt, sufficiently to generally warrant differences in ratings for different debt classes of the same issuer, and the assumption that access to liquidity is a strong driver of credit risk.

In choosing metrics for this rating methodology grid, we did not explicitly include certain important factors that are common to all G&T co-ops, such as the quality and experience of management, assessments of governance and the quality of financial reporting and information disclosure. The assessment of these factors can be highly subjective and vary over time. Therefore, ranking these factors by rating category in a grid would suggest too much precision in the relative ranking of particular issuers against all other issuers that are rated in various industry sectors.

Ratings may include additional factors that are difficult to quantify or that have a meaningful effect in differentiating credit quality only in some cases, but not all. Such factors include financial controls, and possible government interference in some state, provincial or local governments. Regulatory, litigation, liquidity, technology and reputational risk as well as changes to consumer and business spending patterns, competitor strategies, and macroeconomic trends also affect ratings. While these are important considerations, it is not possible to precisely express these in the rating methodology grid without making the grid excessively complex and significantly less transparent. Ratings may also reflect circumstances in which the weighting of a particular factor will be substantially different from the weighting suggested by the grid.

This variation in weighting rating considerations can also apply to factors that we choose not to represent in the grid. For example, liquidity is a consideration frequently critical to ratings and which may not, in other circumstances, have a substantial impact in discriminating between two issuers with a similar credit profile. As an example of the limitations, ratings can be heavily affected by extremely weak liquidity that magnifies default risk but two identical G&T co-ops might be rated the same if their only differentiating feature is that one has a good liquidity position while the other has an extremely good liquidity position.

Other Rating Considerations

Moody's considers other factors in addition to those discussed in this report, but in most cases understanding the considerations discussed herein will enable a good approximation of our view on the credit quality of entities in the U.S. electric generation & transmission cooperative sector. Ratings consider additional factors, including our assessment of future operating performance that may deviate from historical performance, the quality of management, governance, financial controls, liquidity management, seasonality and event risk. The analysis of these factors remains an integral part of our rating process.

Management Quality

The quality of management is an important factor supporting the credit strength of a G&T co-op. Moody's normally meets with senior executives to assess management's business strategies, policies, and philosophies, and evaluates management performance relative to performance of peers and our projections.

An established managerial record provides Moody's with insight into management's likely future performance in stressed situations. This can be an indicator of management's tendency to stray significantly from what may be an effective current business philosophy, or conversely, to adopt changes where they are warranted by new sets of circumstances.

Governance

Among the areas of focus in governance are audit committee financial expertise, the incentives created by executive compensation packages, related party transactions, interactions with outside auditors, and ownership structure. We note that the default by Southern Montana Electric Generation and Transmission Cooperative, Inc. (not rated) in late 2011 was partially the result of extensive member disputes and serves as a recent example of the importance of proper governance and cost recovery.

Financial Controls

Moody's relies on the accuracy of audited financial statements to assign and monitor ratings. Such accuracy is only possible when companies have sufficient internal controls, including centralized operations, and consistency in accounting policies and procedures.

Weaknesses in the overall financial reporting processes, financial report restatements or delays in producing audited financial statements can be indications of a potential breakdown in internal controls.

Liquidity Management

Liquidity is a meaningful credit consideration for all companies but is especially critical in lower rated companies as these issuers have less operating and financial flexibility. We form an opinion on a company's likely near-term liquidity requirements from the perspective of both the sources and uses of cash. This may include monitoring bank covenants and compliance cushions to assess whether a company is likely to require covenants relief in the event of even a modest industry downturn or of an issuer-specific decline of performance.

Event Risk

We also recognize the possibility that an unexpected event could cause a sudden and sharp decline in an issuer's fundamental creditworthiness. Typical special events include a change in ownership and in the credit quality of that owner, a recapitalization, or an unexpected change in rates or terms of a material contract, weather events, litigation, and changes in governing regulation, legislation or law.

Conclusion: Summary of the Grid-Indicated Rating Outcomes

The objective of our methodology is for users to be able to estimate in most cases, within two alpha-numeric rating notches, the likely senior most credit rating for a U.S. electric generation & transmission cooperative. The grid-indicated ratings map to current assigned or implied senior most ratings as follows (See Appendix B for the details). For consistency in drawing our conclusions, we rely upon an implied senior secured rating (i.e. the implied senior most rating) for the three G&T cooperatives who have senior secured debt in their respective capital structures but whose current ratings are senior unsecured Issuer Ratings.

» nine cooperatives have a grid-indicated rating that matches their actual (or implied) senior most rating,

» seven cooperatives have a grid-indicated rating that is one alpha-numeric notch from their actual (or implied) senior most rating,

» one cooperative has a grid-indicated rating that is two alpha-numeric notches from its actual senior most rating, and

» one cooperative has a grid-indicated rating that is more than two alpha-numeric notches from its actual senior most rating.

Appendix A: U. S. Electric G&T Cooperative Methodology Factor Grid

FIGURE 11

Appendix A: U.S. Electric Generation & Transmission Cooperatives Methodology Factor Grid

Factor 1: Long-Term Wholesale Power Supply Contracts and Regulatory Status

Weighting: 20%	Aaa	Aa	A	Baa	Ba	B	Sub-Factor Weighting
Percentage of Member Load Served under Wholesale Power Contracts and Regulatory Status	100% and G&T and its Distribution Member/Owner Cooperatives are Not Rate Regulated by State Commission; Legislative statute to preclude regulatory intervention in the future rate setting process; Very Good Contractual Relationships	100% and G&T Is Not Rate Regulated by State Commission; No legislative statute to preclude regulatory intervention in the future G&T rate setting process; Some Distribution Member/Owner Cooperatives May Be Subject to Rate Regulation by State Commission; Very Supportive Commission Practices; Very Good Regulatory/ Contractual Relationships	> 80% and/or G&T is Rate Regulated by State Commission; Some Distribution Member/Owner Cooperatives May Be Rate Regulated by State Commission; Very Supportive Commission Practices; Very Good Regulatory/ Contractual Relationships	> 70% and/or G&T is Rate Regulated by State Commission; Some Distribution Member/Owner Cooperatives May Be Rate Regulated By State Commission; Moderately Supportive Commission Practices; Reasonably Good Regulatory/ Contractual Relationships	< 70% and/or G&T is Rate Regulated by State Commission; Some Distribution Member/Owner Cooperatives May Be Rate Regulated By State Commission; Unsupportive Commission Practices; Generally Difficult Regulatory/ Contractual Relationships	< 60% and/or G&T is Rate Regulated by State Commission; Most Distribution Member/Owner Cooperatives are Rate Regulated By State Commission; Very Unsupportive Commission Practices; Often Contentious Regulatory/ Contractual Relationships	20%

Factor 2: Rate Flexibility

Weighting: 20%	Aaa	Aa	A	Baa	Ba	B	Sub-Factor Weighting
Assess Board Involvement in Setting Rates / Variable Cost Adjustment Mechanisms	Exceptionally proactive board that supports management recommendations for timely adjustment of rates to cover all costs of service; no regulatory/political intervention in the rate setting process; Legislative statute to preclude regulatory intervention in the future rate setting process	Proactive board that supports management recommendations for timely adjustment of rates to cover all costs of service; no regulatory/political intervention in the rate setting process; No legislative statute to preclude regulatory intervention in the future rate setting process	Active board in support of timely rate filings; possibility for regulatory/political intervention in the rate setting process in certain instances; frequent fuel cost adjustment capability in place under regulatory practice; timely recovery of any deferrals	Reasonably active board in support of timely rate filings; annual fuel cost adjustment capability in place under regulatory practice; reasonably timely recovery of any deferrals	Inactive board; limited, if any ability to adjust for fuel cost variability; uncertainty surrounding recovery of deferrals	Inactive board; no ability to adjust for fuel cost variability; uncertainty surrounding recovery of deferrals	5%
Purchased Power/Total MWh Sales (%)	x < 5%	5% ≤ x < 20%	20% ≤ x < 30%	30% ≤ x < 40%	40% ≤ x < 60%	x ≥ 60%	5%
New Build Exposure (Prospective 5-yr New Build Capex as % Net PP&E)	x < 5%	5% ≤ x < 25%	25% ≤ x < 50%	50% ≤ x < 75%	75% ≤ x ≤ 120%	x > 120%	5%
Potential for Rate Shock Exposure	Better rates than all others in the region on a consistent basis; Extremely low (e.g. Less than 5% reliance on purchased power and less than 5% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and 0-20% of generation from carbon fuels	Much better rates than most in the region on a consistent basis; Very low (e.g. less than 20% reliance on purchased power and less than 25% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and 20-40% of generation from carbon fuels	Better rates than most in the region on a consistent basis; Low (e.g. less than 30% reliance on purchased power and/or less than 50% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and/or 40-55% of generation from carbon fuels	Better rates than some and worse rates than some in the region on a consistent basis; Moderate (e.g. less than 40% reliance on purchased power and/or less than 75% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and/or 55-70% of generation from carbon fuels	Worse rates than most in the region on a consistent basis; High (e.g. greater than 40% reliance on purchased power or greater than 75% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and/or 70-85% of generation from carbon fuels	Worse rates than all in the region on a consistent basis; Very high (e.g. greater than 40% reliance on purchased power and greater than 75% 5-year-newbuild capex as percentage of latest year-end Net PP&E; and/or 85-100% of generation from carbon fuels	5%

FIGURE 11

Appendix A: U.S. Electric Generation & Transmission Cooperatives Methodology Factor Grid

Factor 3: Member / Owner Profile

Weighting: 10%	Aaa	Aa	A	Baa	Ba	B	Sub-Factor Weighting
Residential Sales/Total Sales (%)	x ≥ 80%	75% ≤ x < 80%	50% ≤ x < 75%	40% ≤ x < 50%	20% ≤ x < 40%	x < 20%	5%
Members' Consolidated Equity/Capitalization (%)	x ≥ 65%	55% ≤ x < 65%	50% ≤ x < 55%	25% ≤ x < 50%	20% ≤ x < 25%	x < 20%	5%

Factor 4: 3-Year Average G&T Financial Metrics

Weighting: 40%	Aaa	Aa	A	Baa	Ba	B	Sub-Factor Weighting
TIER	x ≥ 1.6x	1.4x ≤ x < 1.6x	1.2x ≤ x < 1.4x	1.1x ≤ x < 1.2x	1.0x ≤ x < 1.1x	x < 1.0x	5%
DSC	x ≥ 1.9x	1.4x ≤ x < 1.9x	1.2x ≤ x < 1.4x	1.1x ≤ x < 1.2x	1.0x ≤ x < 1.1x	x < 1.0x	5%
FFO/Debt	x ≥ 15%	10% ≤ x < 15%	6% ≤ x < 10%	3% ≤ x < 6%	2% ≤ x < 3%	x < 2%	10%
FFO/Interest	x ≥ 3.25x	2.5x ≤ x < 3.25x	2.0x ≤ x < 2.5x	1.5x ≤ x < 2.0x	1.2x ≤ x < 1.5x	x < 1.2x	10%
Equity/Total Capitalization	x ≥ 50%	35% ≤ x < 50%	20% ≤ x < 35%	5% ≤ x < 20%	3% ≤ x < 5%	x < 3%	10%

Factor 5: G&T Size

Weighting: 10%	Aaa	Aa	A	Baa	Ba	B	Sub-Factor Weighting
Megawatt hour sales (Millions of MWhs)	x ≥ 50	20 ≤ x < 50	11 ≤ x < 20	5 ≤ x < 11	3 ≤ x < 5	x < 3	5%
Net PP&E ($ in Billions)	x ≥ $5 billion	2 ≤ x < 5	1 ≤ x < 2	0.4 ≤ x < 1	0.3 ≤ x < 0.4	x < $0.3 billion	5%

Appendix B: Methodology Grid Indicated Ratings with Observations and Outliers for Grid Mapping

FIGURE 12

Rating Factors	Long-Term Rating	Type of Rating	Outlook	Indicated Rating	Factor 1: Wholesale Power Contracts / Reg Status: % Memb. Load Served & Reg Stat	Factor 2: Rate Flexibility: Board Involve / Rate Adj. Mech.	Purch. Pwr / Sales (%)	New Build Capex (% Net PP&E)	Rate Shock	Factor 3: Member/ Owner Profile: Resid. Sales	Member Consol. Eq / Cap	Factor 4: 3-Year Average G&T Financial Metrics: TIER	DSC	FFO / Debt	FFO / Interest	Eq / Cap	Factor 5: G&T Size: MWh sales	Net PP&E
Factor Weighting					20%	5%	5%	5%	5%	5%	5%	5%	5%	10%	10%	10%	5%	5%
Arkansas Electric Cooperative (a)	A1	Senior Secured	Stable	A2	A	A	Aa	Baa	Ba	A	Baa	Aa	A	A	Aa	Aa	A	A
Associated Electric Cooperative	A1	Senior Secured	Stable	A1	Aa	Aa	Aa	Aa	Ba	A	Baa	A	A	A	A	Baa	Aa	Aa
Basin Electric Power Cooperative	A1	Senior Secured	Stable	A3	Aa	Aa	Baa	A	Ba	Ba	Baa	B	A	Baa	A	A	Aa	Aa
Big Rivers Electric Corp.	Ba1	Senior Secured	RUR ↓	A2	A	Baa	A	Aa	B	B	Baa	Ba	Aaa	Aaa	Aaa	A	A	A
Buckeye Power Inc. (b)	A2	Senior Secured	Stable	A3	Aa	A	Ba	A	B	A	A	A	Baa	Baa	A	Baa	Baa	A
Chugach Electric Association	<c>	<c>	Stable	A3	Baa	A	Aa	Ba	B	A	Baa	A	Aaa	A	Aaa	A	B	Baa
Dairyland Power Cooperative	A3	Issuer Rating	Stable	A3	Aa	Aa	Baa	A	B	A	Baa	A	A	Baa	A	Baa	Baa	A
Georgia Transmission	A2	Senior Secured	Positive	A3	Aa	Aa	Aaa	A	A	A	Baa	Baa	Ba	Baa	Baa	Baa	B	A
Golden Spread Electric Cooperative	A3	Issuer Rating	Stable	A2	A	Aa	B	Ba	Ba	B	A	Aaa	Aaa	Aaa	Aaa	Aa	Baa	Baa
Great River Energy	Baa1	Senior Secured	Stable	Baa1	A	A	A	A	Ba	A	Baa	Ba	Baa	Baa	Baa	Baa	A	Aa
Hoosier Energy	A3	Senior Secured	Stable	A2	Aa	A	A	Baa	B	A	Aa	Aa	A	A	Aa	Baa	Baa	A
Minnkota Power Cooperative	Baa2	Issuer Rating	Stable	Baa1	Aa	Aa	Baa	B	B	A	Baa	A	A	Ba	Baa	Baa	Baa	Baa
Oglethorpe Power Corp.	Baa1	Senior Secured	Stable	Baa2	Ba	Baa	Aaa	Ba	Ba	A	Baa	B	A	Baa	Baa	Baa	Aa	Aaa
Old Dominion Electric Cooperative	A3	Senior Secured	Positive	A3	Aa	A	B	Baa	Baa	A	Baa	A	B	A	A	A	A	A
PowerSouth Energy	A3	Senior Secured	Stable	A3	Aa	Aa	A	A	B	A	Baa	A	A	Baa	A	Baa	Baa	A
Seminole Electric	A3	Senior Secured	Stable	A3	A	Aa	Baa	Aa	B	A	Baa	Aa	A	A	A	Baa	A	A
South Mississippi Electric Power Association	A3	Senior Secured	Stable	A2	Aa	Aa	B	B	B	A	Aa	Aa	A	A	Aa	Baa	Baa	A
Tri-State G&T Association	A3	Senior Secured	Stable	A3	A	A	Baa	A	B	Ba	A	Aa	Baa	A	A	A	A	Aa

We identify positive or negative "outliers" for a given sub-factor as an issuer whose grid sub-factor score is at least two broad rating categories higher or lower than a company's actual rating (e.g. a Baa -rated company whose rating on a specific sub-factor is in the Aa-rating category is flagged as a positive outlier for that sub-factor).

Positive outlier: grid-indicated performance for a sub-factor is two or more broad rating categories higher than the actual Moody's Rating for the issuer

Negative outlier: grid-indicated performance for a sub-factor is two or more broad rating categories lower than the actual Moody's Rating for the issuer

(a) Fiscal year-end October 31

(b) Fiscal year-end June 30

<c> No LT rating;Senior Secured A3 was withdrawn on Feb. 1, 2012; short-term rating is P-2

Factor 1: Observations and Outlier Discussion

Long-Term Wholesale Power Supply Contracts/Regulatory Status

The nature of the long-term wholesale power contracts taken together with regulatory status is one of the most important drivers of G&T co-op ratings, so it is not surprising that there are no negative outliers. The large majority of rated G&T co-ops score quite well with indicated ratings of Aa or A. The high ratings that so many of the G&T co-ops receive for Factor 1 help offset weaker scores in other areas, especially in Factor 2.

Notwithstanding the solid indicated ratings for Factor 1, we draw attention to the following observations. The protection afforded by wholesale power supply contracts can be eroded by challenges to, or changes in, the contracts over time, or more suddenly, due to a need for exceptionally large rate increases.

Under a strict interpretation of the definitions, Oglethorpe Power Corp. (OPC) would receive a B indicated rating for Factor 1. This strict interpretation results from the fact that OPC's owned resources provided only about 52% of its members' power requirements in fiscal year 2011. The situation results from a conscious decision by OPC's members to enter into power supply arrangements with third-party suppliers for their future incremental growth as permitted under the amended wholesale power supply contracts, extending through 2050. In Oglethorpe's case, we do not consider the low score to be an undue credit risk because its members remain joint and severally liable to pay all of the cooperative's costs and we believe Oglethorpe's stable supply of relatively affordable baseload power will become increasingly valuable to its members as their needs grow and they are continually forced to look for additional sources of supply. We believe an indicated rating of Ba sufficiently captures the degree of credit impact from the current relationships between OPC and its members when considered together with its rate autonomy.

Chugach Electric Association (CEA) is somewhat unique because it operates as a combined G&T co-op and distribution cooperative. As such, the 95% of its sales made to customers includes not only the 39% of energy sales made under wholesale power contracts, but also the 54% of energy sales made directly to retail customers under the tariff and certificated service territory in the state of Alaska. In our view, retail revenues from direct sales to commercial and residential customers are equal to, if not better than, the quality of wholesale revenues derived from sales to member co-ops. There is uncertainty surrounding the wholesale contracts that Chugach has with Homer Electric Association (HEA) and Matanuska Electric Association (MEA), which comprise the large majority of its wholesale revenues. Initially, both customers stated that they were not intending to renew when their contracts expire on January 1, 2014 and December 31, 2014, respectively. Although HEA currently stands by its stated intentions, MEA periodically holds discussions with Chugach about possible alternatives to an all-requirements arrangement in the future. Notwithstanding what appears to be an evolving stance on the part of MEA, we observe that Chugach has been steadily planning for the potential loss of at least some, if not substantially all, of its existing wholesale revenue. For example, Chugach has been adjusting its depreciation schedules, beyond those steps already approved, to coincide with the potential loss of this wholesale load and is seeking approval for additional revenue opportunities through use of its existing transmission assets and/or by providing additional services. Beyond these steps, Chugach could seek recovery of revenue shortfalls through rate cases. The uncertainty surrounding the impending wholesale load loss is incorporated into our credit risk assessment of Chugach.

Although bankruptcy filings have been rare within the U.S. electric generation and transmission cooperative sector, the bankruptcy filings of Cajun Electric Power Cooperative, Wabash Valley Power Association, and Big Rivers Electric Corporation in the late 1980's and 1990's, and the more recent filing by Southern Montana Electric Generation and Transmission Cooperative, Inc. were partially due to insufficient rate relief by its state regulators. These examples are worthy representation of the added uncertainty and credit risk that can be caused by third party regulation.

Factor 2: Observations and Outlier Discussion

Rate Flexibility

Factor 2 contains the most outliers of any of the five key Factors, the substantial majority of which are negative outliers. In particular, almost three-quarters of the rated universe are negative outliers for the Rate Shock Exposure sub-factor, largely reflecting the substantial dependence that the sector has on generation from carbon emitting fuels, especially coal. There are also four negative outliers for the New Build Exposure sub-factor, primarily reflecting the sizable capital investments in new generating capacity and transmission infrastructure on top of normal maintenance of existing property, plant and equipment for those G&Ts. Although Oglethorpe's New Build Exposure had previously been a negative outlier, this is no longer the case since its participation in construction of a new nuclear plant, contributed to the October 2010 downgrade of its senior secured rating to Baa1 from A3.

Golden Spread, Old Dominion, and South Mississippi are all negative outliers for the sub-factor measuring Purchased Power as a Percentage of Sales. In the case of Golden Spread, we classify their contracts with Southwestern Public Service Company and AEP as purchased power, which results in a very weak score on this factor; however, we do not believe that Golden Spread is overly exposed to the market price volatility. For example, Golden Spread can reduce market sales from its Mustang units and other facilities and utilize this owned capacity for the benefit of its members, if needed. Golden Spread's negative outlier status may also improve as it pursues construction of additional generation capacity. Old Dominion and South Mississippi may also seek to increase their respective owned generating capacity; however, in the near term we believe purchased power will remain integral to their resource strategy.

Big Rivers' outlier status for the sub-factors measuring Purchased Power as a Percentage of Sales and New Build Capex both shifted to positive from negative following two negative rating actions since August 2012, following contract termination notices jeopardizing the high concentration of sales that its largest member/owner, Kenergy, makes to two aluminum smelters. We also note that the amount of power that Big Rivers is purchasing significantly declined when it completed unwind transactions to re-establish its direct rights to power produced from its generation assets previously leased to LG&E. Moreover, Big Rivers' capex budget includes some flexibility related to maintenance projects and environmental spending for the next two years is estimated at $60 million; we understand that Big Rivers is arranging funding for environmental related capex.

The low ratings for so many of the G&Ts relating to sub-factors in Factor 2 are largely balanced by higher scores in Factor 1 and Factor 4. The rate autonomy and relatively competitive rates for so many of the G&Ts make it more likely that the members will accept what in many instances will be the ongoing need for rate increases even after a series of rate increases implemented over the past few years.

Factor 3: Observations and Outlier Discussion

Member/Owner Profile

Indicated ratings for Factor 3 map reasonably well to the actual ratings for the large majority of the 18 rated G&T co-ops in this methodology, with just three negative outliers.

Basin Electric Power Cooperative, Golden Spread Electric Cooperative, and Tri-State Electric G&T Association are negative outliers for residential sales as a percentage of total sales to retail customers. We note that Basin's member base serves territories dependent on farming, mining, and oil and gas exploration and production. Thus, Basin is considerably more dependent on potentially more cyclical sales than many of its peers who sell energy to a more sizable and generally more stable residential customer base. Although the absolute level of residential sales made by Basin's members is expected to continue to increase modestly, those will likely be outpaced by large commercial and industrial sales due to the make-up of the customer base for several of Basin's members. That said, many of the regions served by Basin's members have economies that are growing at a faster pace than the national average which bodes well for Basin's utility revenue growth potential. Golden Spread's sixteen members have a substantial footprint extending from the Oklahoma panhandle in the North and South through the mid-plains section of Texas. The substantially lower percentage of sales made by Golden Spread to residential customers compared to its peers results from a significant presence of oil and gas companies, agriculture-related industries and live stock farmers/ranchers in its service territory. Also, there is a significant seasonal irrigation load it serves, which can vary year to year. Importantly, Golden Spread is not exposed to any significant industrial load concentration. Since Tri-State's member base spans a vast territory throughout four states, including service territories dependent on farming, mining, and oil and gas exploration and production, it has among the smallest percentage of residential sales compared to its peers. Also, Tri-State is not over-exposed to commercial or industrial customer concentration, which tempers credit risk related to its members' relatively smaller percentage of residential sales compared to other G&T co-ops' members.

Big Rivers' low score for residential sales as a percentage of total sales to retail customers is no longer a negative outlier because its reliance on industrial load factored heavily in the two negative rating actions since August 2012, following contract termination notices jeopardizing the high concentration of sales that its largest member/owner, Kenergy, makes to two aluminum smelters.

Factor 4: Observations and Outlier Discussion

G&T Financial Metrics

Factor 4 takes into account historical financial statements. Historic results help us to understand the pattern of a G&T's financial and operating performance and how the G&T compares to its peers. While Moody's rating committees and the rating process use both historical and projected financial results, this document makes use only of historic data, and does so solely for illustrative purposes.

Although a significant number of the sub-factors in Factor 4 map reasonably well to a G&T's actual rating, there are several instances where significant positive outlier status is evident. Most notably, Golden Spread and Big Rivers are positive outliers for four of their five key financial metrics. In the case of Golden Spread, this reflects conservative financing strategies through the years. We anticipate that additional debt to fund Golden Spread's current long-term capital expansion plan is likely to cause these metrics to drift on average into the Aa category at a minimum, thus eliminating the outlier status. Big Rivers' mapping is based on its three-year average financial metrics through December 31, 2011, which reflect substantial improvement upon completion of the unwinding of lease transactions in 2009. Recent historical financial performance, which does not include the effect of the 2009 lease unwind, produces financial metrics more aligned with other peer G&T's. Notwithstanding the current A2 Indicated Rating for Big Rivers under the Methodology, its actual senior secured rating of Ba1, which is under review for downgrade, reflects the unique credit risks relating to Big Rivers' load concentration to two aluminum smelters, the smelter contract termination notices and the fact that receipt of the notices will impact cash flow in August 2013 in one instance and in January 2014 for the other.

Georgia Transmission Corporation and Oglethorpe Power Corporation are negative outliers on DSC and TIER, respectively, reflecting greater acceptance by their respective management and boards to manage results close to the minimum required levels contained in their debt indentures.

Factor 5: Observations and Outlier Discussion

G&T Size

Even the largest G&T co-op, Oglethorpe Power Corporation, is considered to be relatively small by investor-owned electric utility standards, so this has a limiting effect on the number of positive outliers.

In the case of Oglethorpe Power and Great River Energy, the significant investments in property, plant, and equipment were financed primarily with debt, which resulted in weaker metrics and lower ratings, thus contributing to the positive outlier status for the size factor. Although Big Rivers has increased its megawatt hours sold and net property, plant and equipment in recent years, it is a positive outlier for the size factors more so because of its low rating level reflecting the unique risks relating to Big Rivers' load concentration to the two aluminum smelters.

The two negative outliers are Chugach Electric and Georgia Transmission Corp., reflecting smaller than average size for the rated universe.

Although Chugach Electric is a negative outlier for megawatt hours sold it is by far the largest power provider in the state of Alaska and is geographically isolated, which tends to temper credit risk related to its small size.

Appendix C: G&T Co-op Industry Overview

G&T co-ops represent one of the three main forms of ownership for enterprises involved in the generation and delivery of electricity. Investor owned utilities (IOUs) constitute a sizeable majority of the U.S. electricity sector, with government owned municipal or public power entities representing the second largest segment of the market, and G&T co-ops being by far the smallest segment. G&T co-ops do not directly compete with each other or with investor owned utilities or government owned entities in a substantial way because cooperatives mainly provide service to their owner members under long term all requirements power contracts.

The A3 average (senior most) rating assigned for G&T co-ops is two alpha-numeric notches below the average rating for municipal or public power entities which is in the high A range; is one alpha-numeric notch below the average rating for US municipal joint action agencies, which is in the mid-A range; and is one alpha-numeric notch higher than the average rating for IOUs, which is in the high Baa range. G&T co-ops tend to be significantly smaller than investor owned utilities but have higher ratings because they are able to raise rates without the regulatory review required for investor owned utilities. G&T co-ops also face less competition given their contractual relationship with their member owners.

The following chart compares some of the characteristics that distinguish the risk profiles of these three subsets of the U.S. power sector.

FIGURE 13

Investor-Owned Utilities	G&T Co-Ops	Municipal And Public Power
Rate regulated	Most are not rate regulated but their owners may be	Not rate regulated
Profit seeking; operated for the benefit of public shareholders with obligations to serve regulated ratepayers	Not-for-profit; operated for the benefit of their owner members	Not-for profit; Operated for public benefit for the region served
Most are larger; may have multiple entities in an issuer family	All are small relative to IOUs	Most are small relative to IOUs
Subject to competition in the wholesale market; sometimes in the retail market	Little competition	Little competition
Some history of defaults, usually as a result of needing rate increases that are too large to be acceptable to ratepayers	Some history of defaults; usually due to need for rate increases that are too large to be acceptable to members	No defaults for load servicing utilities; two for JAA or project related financings
Can file Chapter 11 bankruptcy	Can file Chapter 11 bankruptcy	More impediments to bankruptcy but may be able to file Chapter 9
Tend to have higher rates compared to municipal or public power	Rates tend to be comparable to IOUs	Tend to have lower rates than G&T co-ops and IOUs
Rely extensively on capital markets	Most borrow from the Rural Utilities Service and cooperative financial institutions; larger issuers access the capital markets	Rely on public and private markets for financing needs; may have access to government funding if needed

Comparison with Joint Action Agencies

Moody's rates approximately $42 billion of bonds issued by U.S. Municipal Joint Action Agencies (JAAs), which have an average rating in the mid-A range and exhibit some characteristics in common with electric generation and transmission cooperatives. Both are nonprofit enterprises and are governed by their members. Cooperatives as well as many JAAs tend to serve small rural communities in the U.S. A significant difference between the two is the greater ability of JAAs to issue low cost tax-exempt debt, although cooperatives may borrow at below market rates through the federal RUS.

Since the 1970's, groups of city-owned electric utilities have established JAAs to pool resources to finance the construction of new generation facilities or to jointly purchase electric power supply. Participating members of JAAs are contractually obligated for power supply through take-or-pay and take-and-pay power sales agreements. These agreements are the underlying security for tax-exempt debt issued by JAAs. The power sales agreements are structured to have the same term as the debt issue.

JAAs have unregulated rate-setting authority and their municipal utility participants can recover costs by independently raising retail rates. The most recently completed period of borrowing by the JAA's was largely undertaken to finance ownership in new generation plants in order to assist their participant members in meeting demand growth and also to diversify their generation fuel mix.

The four key rating factors Moody's considers for JAA ratings include:

» Participant Credit Quality and Cost Recovery framework

» Asset Quality (Take-or-Pay)/Resource Risk Management (All Requirement)

» Competitiveness

» Financial Strength and Liquidity

» Willingness to Recover Costs With Sound Financial Metrics (All-Requirement)

Key questions embedded in our analysis of these factors are:

» What is the average weighted credit quality of participants?

» What are the demographic and economic characteristics of the service areas of the participating municipal electricity distributors?

» How economic are power sales contracts relative to competitors?

» How are the power supply contracts structured, and what are the bond security provisions?

» How do JAAs manage their balance sheet and liquidity as they plan for capital spending in order to position the JAA to meet future demand growth and competition?

Appendix D

Key Rating Issues over the Intermediate Term

Environmental Regulations on the Horizon

Many G&T co-ops have been postponing some of the sizable environmental expenditures originally anticipated to meet pollution control measures and emissions limitations to address concerns about carbon while awaiting more clarity on the specifics of the requirements. Nevertheless, these expenditures still loom on the horizon and will undoubtedly influence supply planning decisions, including whether to retrofit or retire coal units, diversify more into gas-fired plants and/or renewable energy sources, and/or promote efficiency and demand-side management programs. As the effective dates for some impending regulations quickly approach and other regulations are developed, G&T co-ops could experience progressively higher capital expenditures over the intermediate term, all of which would be recoverable in rates under their respective wholesale power supply contracts.

Large Capital Expenditures

Given the capital intensive nature of the G&T co-op sector, it is not unusual for capital spending plans to outpace depreciation and amortization in heavy spending years. In addition to the aforementioned environmental related spending there are other more routine maintenance and upgrades to existing generation and transmission infrastructure that are essential to ensure meeting reliability standards so critical when providing an essential service. In order to meet rising electricity demand as the U.S. slowly emerges from a recession, many G&T co-ops will wrestle with supply planning decisions. Finding the delicate balance between the right mix of new owned resources, power purchase arrangements, efficiency and demand-side management programs, while also complying with environmental regulations and/or renewable portfolio standards is no easy task. For those G&Ts that elect to participate in the construction of large, highly capital intensive projects that are largely financed with debt, especially nuclear plants, which have not been built in the U.S. in many years, the challenges could be particularly daunting and significantly pressure their credit quality.

The U.S. Economic and Financial Market Conditions

Having fared reasonably well during the recession period of 2008-2009, G&T co-ops are poised to take advantage of the sluggish economic recovery unfolding in the U.S. Our view is influenced in part by the load forecasts for many G&T co-ops that point to modest increases in customer usage of electricity in the 1% - 2% range over the next few years. We see this projected trend as a credit positive since falling demand for electricity would likely increase the need for rate increases to avoid material decline in overall financial performance and a weakening of the credit profile. With sound credit quality expected to be maintained going forward, we anticipate that investors will continue to be receptive to making investments in debt offerings made by G&T co-ops.

Ability versus Willingness To Raise Rates

Rate autonomy, long-term contractual relationships with member/owners, and virtual monopoly control over providing an essential service are key factors that will continue to support sound credit quality in the U.S. electric G&T cooperative sector. Because electric G&T co-ops provide such an essential service, we believe that the sector has a high degree of flexibility to raise rates charged to customers, which facilitates control over their financial position and increases the likelihood of achieving targeted financial metrics. We refer to this flexibility as the "willingness of a G&T co-op to adequately maintain its financial strength commensurate with its rating level". For some of the G&T co-ops, the prevailing low commodity price environment, especially for natural gas, has helped cushion the overall effect on members' rates owing to rate increases to cover other non-fuel costs. That said, there are occasions when affordability pressures surface and test the willingness of G&T co-ops to move ahead with wholesale power rate increases to their member/owners. For example, this may occur on the heels of situations where debt costs rapidly increase during large capital construction programs or when expansions are undertaken to accommodate projected customer growth that comes up short of original expectations. Also, a G&T co-op's "willingness" can be severely tested when unemployment rates persist at high levels and/or other economic growth indicators are weak. Since electricity is one of the most essential services to the economy, we view the customer's willingness to pay for the service to be very high. We also note that the relatively small proportion of total personal income spent on electricity can help temper credit risks tied to the affordability factor.

G&Ts who choose to defer increasing rates to their members in the face of sharply higher costs or who are unable to gain approval from regulators to do so when rate regulation applies will likely experience a deterioration in their key credit metrics. Inability to obtain regulatory approval for rate increases has contributed to the bankruptcy of G&T co-ops in the past. As an alternative to imposing a large rate increase at one time, we observe that some G&T co-ops have had reasonably good success following a strategy of smaller, more frequent rate increases to be phased in over a period of years.

Rates charged by G&T co-ops need to be regionally competitive with rates charged by other power providers. Rate competitiveness of G&T co-ops relative to other power providers is important because it affects the willingness of co-op members to accept rate increases when costs increase. With most other power providers currently facing similar operating costs and capital spending requirements, as well as sometimes increasingly expensive insurance and pension benefits, we do not expect that the rates that G&T co-ops charge their members will be materially less competitive than those charged by other power providers.

Prevailing Reliance on Low-Cost Loans from U.S. Government Sponsored Agencies, While Increasing Access to Other Capital Sources

G&T co-ops rely heavily on low cost loans from the Rural Utilities Service of the U.S. Department of Agriculture (RUS) and from RUS guaranteed loans provided by the Federal Financing Bank (FFB), a government funding arm. Thus, any federal budgetary constraints could have negative consequences on this vital low-cost funding source. That said, a strong historical lobbying presence in Washington through National Rural Electric Cooperative Association has historically served as a buffer to this risk.

In addition to the RUS, G&T co-ops also rely heavily on loans provided by cooperative financial institutions such as the National Rural Utilities Cooperative Finance Corporation (NRUCFC; A2 senior unsecured; stable outlook) and CoBank. More recently, given the benefits from flight to quality, there is a growing number of the larger commercial banking institutions that have increased lending to the sector through participation in syndicated bank revolving credit agreements. Often the G&T co-ops also maintain relationships with smaller local commercial banking institutions.

Still, the RUS is the single largest provider of debt financing to the sector. Given the history of political support for the RUS loan program, our ratings reflect our assessment that the probability of systemic withdrawal of such low cost funding is low. The ratings do, however, incorporate the RUS decision not to provide loans for the construction of base load coal and nuclear plants.

Some cooperatives have elected to repay all RUS loans or otherwise obtain lien accommodations in order to obtain more financial flexibility, which results in a greater reliance upon the capital markets as a source of funding. Larger G&T co-ops, such as some of those in Moody's rated universe, have long ago increased financial flexibility by accessing the capital markets. In recent years, a growing number of G&T co-ops have done likewise, given their desire to increase financing flexibility and the RUS decision not to lend for the construction of base load coal and nuclear plants. We anticipate that this trend will continue.

Moody's Related Research

Industry Outlooks:

» U.S Regulated Electric Utilities, February 2013 (149379)

» U.S. Power Projects February 2013 (149974)

» U.S. Public Power Industry Outlook, June 2012 (141124)

Rating Methodologies:

» Natural Gas Pipelines, November 2012 (146415)

» Regulated Electric and Gas Utilities, August 2009 (118481)

» U.S. Public Power Electric Utilities with Generation Ownership Exposure, November 2011 (135299)

» U.S. Municipal Joint Action Agencies, October 2012 (145899)

» Power Generation Projects, December 2012 (147991)

» U.S. Public Power Electric Utilities, April 2008 (106322)

Special Comments:

» Infrastructure Companies Well Insulated from Fiscal Cliff Risks, December 2012 (148299)

» Slow Economic Recovery Tests Willingness to Manage Rates and Costs, October 2012 (146421)

» Household Electric Utility Affordability – Impact of Recession, October 2012 (146562)

» Default and Recovery Rates for Project Finance Bank Loans, 1983-2011, February 2013 (149603)

» Infrastructure Default and Recovery Rates, 1983-2012H1, December 2012 (146791)

» Southern Montana Electric Bankruptcy Is Credit Negative for US Generation and Transmission Cooperative Sector, October 2011 (137017)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Report Number: 151814

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Tu.	Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Cc:	Ralph Ashworth
Subject:	Updated Financial Information for Big Rivers Electric Corporation
Attachments:	Big Rivers Electric Corporation - 2012 Audited Financial Statements.pdf; Financial Model for Rate Case - Financial Forecast (2013-2016) 11-09-2012 (Filing).xlsx; PSC Order - 2012-00492 - SKMBT_C45213032609030.pdf; KPSC Order Rehearing Order - 2013-01-29.pdf

Good morning, Kevin. Please find attached the following documents:

1) Audited financial statements for years ended December 31, 2012 and 2011
2) 2013 Budget and 2014-2016 Financial Forecast – These values reflect the exit of Century Aluminum on August 20, 2013.
3) Kentucky Public Service Commission (KPSC) Order dated March 26, 2013 granting Big Rivers' request to have access to the $35 million Transition Reserve to fund capital expenditures; and to repurpose $60 million borrowed
From CoBank in July 2012 to pay off the 1983 Pollution Control Bonds ($58.8 million) which are due June 1, 2013.
4) KPSC Final Order dated January 29, 2013 for the 2011 Rate Case Rehearing. This Order provided for retroactive recovery of approximately $1.4 million in additional revenues for 2013 as well as an increase in annual revenue of $1.04 million in 2013 from the increase in base rates starting January 1, 2013.

The Century rate case is in progress but no firm dates have been established for the hearing which is anticipated in late June. We are planning to file another rate case (the 'Alcan' rate case) in late June 2013.

V. .ave just filed a financing case, Case No. 2013-00125. This case is to amend the CFC $50 million Revolver. We continue to work with CoBank to amend its revolver and are planning to file another financing case for the three year bridge financing with CFC to fund our Environmental Compliance Plan (ECP) for approximately $60 million. Our application for ECP long-term financing with RUS is anticipated to be filed in late May, 2013.

After you have had a chance to review, please let me know if there are any questions.

Regards,

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

On November 14, 2012, Big Rivers Electric Corporation ("Big Rivers") tendered its application seeking Commission approval to issue new evidences of indebtedness in connection with refunding by purchase of $58.8 million in County of Ohio, Kentucky ("Ohio County"), Pollution Control Floating Rate Demand Bonds, Series 1983 ("1983 Bonds") and the issuance by Ohio County of a like amount of Pollution Control Refunding Revenue Bonds, Series 2013A ("2013A Bonds").[1] On January 24, 2013, Big Rivers filed a motion to amend and supplement its application, seeking, among other things, Commission approval to use all or a portion of the $60 million in remaining proceeds from its financing with CoBank ACB ("CoBank"), which was authorized by the Commission in Case No. 2012-00119[2] and was designated for capital expenditures in the ordinary course of business, as an alternative option to purchase the 1983 Bonds upon their maturity. The amended and supplemental filing also sought Commission approval to use the "Transition Reserve" approved by the Commission in

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[1] At the February 28, 2013 Hearing, Big Rivers' witness Billie J. Richert testified that Big Rivers has withdrawn its request to issue the 2013A Bonds. *See* Video log at 11:36:53 a.m.

[2] Case No. 2012-00119, Application of Big Rivers Electric Corporation for Approval to Issue Evidences of Indebtedness (Ky. PSC May 25, 2012).

Case No. 2007-00455,[3] in conjunction with the unwind transaction, to replace to the extent of $35 million, the CoBank amounts that would otherwise have been used for capital expenditures in the ordinary course of business.

Big Rivers is an electric generation and transmission cooperative, organized under KRS Chapter 279, which owns electric generation and transmission facilities, and purchases, transmits and sells electricity at wholesale. It exists for the primary purpose of supplying the wholesale electricity requirements of its three distribution cooperative members, Kenergy Corp., Meade County Rural Electric Cooperative Corporation, and Jackson Purchase Energy Corporation ("Members"). Its Members provide retail electric service to approximately 112,000 retail members in 22 Western Kentucky counties.

Intervenors are the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention; Kentucky Industrial Utility Customers, Inc.; and Alcan Primary Products Corporation ("Alcan"). Two informal conferences were held during this case and Big Rivers responded to two rounds of data requests. A formal evidentiary hearing was held at the Commission offices on February 28, 2013. Big Rivers provided responses to requests for information made at the hearing on March 5 and 11, 2013. The record is now closed and the matter stands submitted for a decision.

BACKGROUND

Big Rivers financed pollution control facilities at its Wilson Generating Station in part with proceeds of the 1983 Bonds, which will mature on June 1, 2013. Big Rivers stated in its initial application that it would purchase the 1983 Bonds from their current

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[3] Case No. 2007-00455, Applications of Big Rivers Electric Corporation for (1) Approval of Wholesale Tariff Additions for Big Rivers Electric Corporation, (2) Approval of Transactions, (3) Approval to Issue Evidences of Indebtedness, and (4) Approval of Amendments to Contracts; and of EON U.S. LLC, Western Kentucky Energy Corp, and LG&E Energy Marketing, Inc. for Approval of Transactions (Ky. PSC Mar. 6, 2009).

holder, Dexia Credit Local, in conjunction with issuing the 2013A Bonds. However, due to the uncertainties facing potential bond purchasers as a result of Century Aluminum's ("Century") notice to terminate its retail service agreement,[4] Big Rivers' pending rate case, and the impacts of the pending rate case on Alcan's smelter operation in Sebree, Kentucky, Big Rivers opted to amend and supplement its application as previously described.

AMENDED PROPOSAL

CoBank Funds

In Case No. 2012-00119, we approved Big Rivers' request to use $60 million of the proceeds of the secured loan with CoBank for capital expenditures in the ordinary course of business. Ordering paragraph 6 of the May 25, 2012 Order in that proceeding stated that "the proposed loans shall be used only for the lawful purposes set out in Big Rivers' Application." With that restriction on Big Rivers' use of the CoBank funds, it now seeks Commission approval to use those funds to pay its obligations under the 1983 Bonds.

In support of its amended request, Big Rivers points out that the 1983 Bonds are tax exempt. If it pays off the 1983 Bonds with funds that are not borrowed funds, it is Big Rivers' understanding that it would be unable to later refinance that debt with tax exempt bonds. While there is little difference at present in the interest rates on taxable debt and tax exempt debt, Big Rivers states that these circumstances could change in the future. Big Rivers states that while use of the CoBank borrowed funds does not

[4] On January 31, 2013, Alcan provided Big Rivers with Notice of Termination of its Retail Electric Service Agreement with Kenergy Corp., the Big Rivers' member cooperative from which it takes service.

assure that it will have access to tax exempt debt in the future, such use holds open the opportunity to do so.

Transition Reserve

The Transition Reserve was established by Big Rivers in 2009 in connection with the unwind transaction and was addressed further in Case No. 2012-00119. Ordering paragraph 8 in the May 25, 2012 Order in that case directed that Big Rivers invest the $35 million in the Transition Reserve "in an interest-bearing account to be used exclusively as an emergency fund to offset the loss of revenue should one or both Smelters close, unless authorized by the Commission to use the funds for another purpose." Big Rivers now seeks authority to use the Transition Reserve funds for capital expenditures in the ordinary course of business to replace a portion of the CoBank funds, which it now seeks to use to pay the 1983 Bond obligations.

DISCUSSION OF ISSUES

As stated in its amended application, Big Rivers must purchase, refund or pay the 1983 Bonds on or before their June 1, 2013 maturity date or be considered in default on its obligations with respect to those bonds, which would result in default on its obligations with respect to all its indenture debt. If, due to the uncertainties cited previously, it is unable to issue new debt at reasonable terms, or is unable to issue new debt under any terms, Big Rivers is still required to purchase, refund or pay the 1983 Bonds.[5] At the present time, Big Rivers has limited alternatives to its amended and supplemental financing proposal. One option would be to use internally generated

[5] Subsequent to Alcan's provision of its Notice of Termination of its Retail Electric Service Agreement, Big Rivers' credit rating was lowered by each of the three major rating agencies, Standard and Poor's, Moody's Investor Service, and Fitch Ratings Ltd.

funds to pay the 1983 Bonds, but there are serious concerns about the impact of this option on its liquidity.[6] It has commenced negotiations with CoBank and National Rural Utilities Cooperative Finance Corporation ("CFC") in an attempt to revise the terms of its revolving credit agreements with those lenders to permit access to the funds therein, which are now either unavailable from CoBank due to the termination notices of Century and Alcan or will become unavailable from CFC upon the termination of the Century or Alcan wholesale power contract. However, whether those negotiations are successful and when the funds might be available if the negotiations are successful, are both uncertain at a time when Big Rivers needs certainty. Removing the uncertainty regarding Big Rivers' ability to purchase the 1983 Bonds without impairing its liquidity is a step that we believe should be viewed favorably by Big Rivers' lenders, its auditor, the credit rating agencies which monitor both its financial and operational risks, and the 112,000 customers who rely on its generation and transmission facilities. Accordingly, we will grant the approval sought by Big Rivers in its amended application.

IT IS THEREFORE ORDERED that:

1. The May 25, 2012 Order in Case No. 2012-00119 is amended to provide that Big Rivers is authorized to pay its obligations under the 1983 Bonds by using $60 million of the proceeds of the secured loan with CoBank, as requested in its amended application.

2. Big Rivers is authorized to use the Transition Reserve funds to replace up to $35 million of the aforementioned CoBank funds and use them for capital

[6] One concern is how Big Rivers will be viewed by its auditor, KPMG, and the extent to which the many uncertainties facing Big Rivers may impact KPMG's consideration of Big Rivers' ability to continue as a going concern as described in the American Institute of Certified Public Accountants' auditing standards.

expenditures in the ordinary course of business, as requested in its amended application.

3. All other provisions of the Commission's May 25, 2012 Order in Case No. 2012-00119 shall remain in full force and effect.

By the Commission

ENTERED
MAR 26 2013
KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

Executive Director

Case No. 2012-00492

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

By Order issued November 17, 2011 ("Rate Order"), the Commission granted Big Rivers Electric Corporation ("Big Rivers") an increase in its wholesale base rates to generate additional annual revenues of $26,744,776.[1] A petition for rehearing was filed by Big Rivers on December 6, 2011, raising four issues. The Commission issued an Order on December 8, 2011 granting rehearing on all four issues. Kentucky Industrial Utility Customers, Inc. ("KIUC") then filed a motion on December 14, 2011 to dismiss the rehearing and vacate our December 8, 2011 Order, on the basis that it had already filed an appeal with the Franklin Circuit Court challenging the Rate Order and, as a result, the Commission lacked jurisdiction to grant Big Rivers' petition for rehearing.

The Commission denied KIUC's motion by Order dated February 14, 2012. In a March 8, 2012 ruling, the Franklin Circuit Court held that the Commission did have jurisdiction to hear the issues raised on rehearing by Big Rivers and the Court remanded the case back to the Commission for further proceedings. On April 12, 2012, in response to the Court's March 8, 2012 ruling, we expanded the scope of our rehearing to include the three issues raised by KIUC in its appeal of the Rate Order and

[1] Big Rivers had sought an increase of approximately $39.95 million.

we modified the procedural schedule previously established for the rehearing of this case.

The Commission directed Big Rivers and KIUC to file testimony on their respective rehearing issues, and an opportunity was provided for all other parties to also file testimony. After conducting discovery, the Commission held an evidentiary hearing on September 12, 2012. At that rehearing, the Commission ruled that the only evidence to be considered on rehearing would be that which was in existence at the time the Rate Order was issued. Rehearing briefs were filed by Big Rivers, KIUC, the Attorney General ("AG"), and Kenergy Corp., one of Big Rivers' member-owner cooperatives. The record is now complete and the matter now stands submitted for a decision.

<u>BIG RIVERS' REHEARING ISSUES</u>

Big Rivers made the following four claims in its request for rehearing, each of which are addressed in detail below:

1. The Rate Order did not allow recovery of Big Rivers' rate case expenses;

2. There was an error of $450,000 in the calculation of Big Rivers' depreciation expense in the Rate Order;

3. Depreciation expense should be allowed on Big Rivers' utility plant recorded as Construction Work in Progress ("CWIP") at the end of the test year; and

4. The Rate Order should be revised to correct an erroneous statement in the section addressing the "smelter Times Interest Earned Ratio ("TIER") adjustment charge revenues."

Rate Case Expenses

As pointed out by Big Rivers, the Rate Order inadvertently omitted recovery of Big Rivers' expenses incurred in conjunction with the preparation of its application and the prosecution of its case up through August 2011 ("rate case expenses").[2] Big Rivers originally proposed an adjustment of $281,719, based on estimated rate case expenses of $898,930.[3] In response to an ongoing data request,[4] Big Rivers updated its actual rate case expenses throughout the course of the original proceeding. The final update, filed on August 18, 2011, reflected total actual rate case expenses of $1,976,030.[5]

For this rate case, Big Rivers employed the legal services of the Owensboro, Kentucky, firm of Sullivan, Mountjoy, Stainback and Miller, PSC, and the Washington, D.C., office of Hogan Lovells US LLP ("Hogan Lovells"). On rehearing, none of the parties challenged Big Rivers' claim that the Rate Order did not allow for the recovery of any rate case expenses. However, KIUC and the AG did oppose Big Rivers' request to recover the full amount of its expenses, claiming that Big Rivers did not properly manage its rate case expenses, specifically the expenses it was charged by Hogan Lovells. KIUC and the AG particularly take exception to the hourly fees charged by Hogan Lovells, which were roughly three times the highest hourly rates charged by Big Rivers' Kentucky law firm. KIUC argues that Big Rivers' rate recovery should be limited

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[2] The Commission's typical practice for many years has been to allow the utility to amortize its rate case expenses over a three-year period and include the annual amortization expense in determining the utility's required revenue increase.

[3] Big Rivers' March 1, 2011 application, Volume III, Exhibit Wolfrom-2, Reference Schedule 2.13, ($898,930 / 3 - $17,924) = $281,719. A total of $17,924 of the expense was incurred during the test year.

[4] Item 52 of First Information Request of Commission Staff, dated Feb. 18, 2011.

[5] Big Rivers' update to Item 52 of First Information Request of Commission Staff, filed Aug. 18, 2011.

to the amount of the estimate included in its application, based to a great extent on Big Rivers' initial refusal to provide unredacted copies of the invoices submitted by Hogan Lovells.[6] KIUC claims that this refusal prevented all intervenors and Commission Staff from reviewing the invoices to determine whether the charges were appropriate or necessary.[7] In his brief, the AG proposes that Big Rivers' rate case expenses be limited by applying an hourly rate more in line with those of local or regional law firms to the hours billed by Hogan Lovells, to the extent that the total Hogan Lovells charges of $897,200 exceed the $174,000 original estimate included in Big Rivers' application.[8]

Big Rivers claims that its rate case expenses were reasonable and necessary, including the fees charged by Hogan Lovells. Big Rivers states that Hogan Lovells has a great deal of experience working with Big Rivers, specifically citing the firm's work with issues involving the Midwest Independent System Operator, Inc., the "unwind transaction" proceeding, and its familiarity with the aluminum smelter contracts and "smelter issues."[9] Big Rivers cites two primary reasons why its actual rate case expenses exceed the estimate in its application: (1) It underestimated the level of expenses, in general, that it would incur during the course of this case; and (2) It had not anticipated the degree of complexity that the case would take on, which caused the role of Hogan Lovells to be greatly expanded beyond what was expected prior to filing

[6] KIUC's post-hearing brief at 26.

[7] *Id.* Big Rivers did not file the largely unredacted copies of these invoices until after the evidentiary rehearing.

[8] The AG provided no estimate of the amount of the resulting level of rate case expenses.

[9] Big Rivers' rehearing brief at 5-6.

its application.[10] Big Rivers points out that it provided periodic updates of its actual rate case expenses up to the month that briefs were filed and that none of the intervenors took issue with the amount of those expenses at any time during the initial phase of this case.[11] It argues that, consistent with its longstanding practice, the Commission should permit recovery of the actual level of rate case expenses incurred as reported in its August 18, 2011 update. Based on that actual expense of $1,976,030, with $17,924 of that amount recorded in the test year, the resulting adjustment, based on a three-year amortization, is $640,753.

Based on a review of the record, the Commission finds that the concerns raised about Big Rivers' rate case expenses are legitimate. Although Big Rivers did file mostly unredacted copies of its legal invoices after the evidentiary rehearing, the rate case expenses it seeks to recover are more than double its original estimate, the expenses for Hogan Lovells are more than five times the original estimate, and there was a lack of meaningful oversight of those expenses by Big Rivers as they were being incurred. As pointed out during the evidentiary rehearing, the review process employed by Big Rivers was performed primarily for the purpose of ensuring the accuracy of the amounts it was billed by outside counsel and rate case consultants, with little effort to evaluate the reasonableness of the charges.[12] While Hogan Lovells appears to possess both the experience and expertise claimed by Big Rivers, the mostly unredacted invoices show that much of the work it performed for Big Rivers during the initial phase of this rate

[10] *Id.*, at 6-7.

[11] *Id.*, at 10.

[12] September 12, 2012 hearing video at generally 11:12:50 – 11:19:50.

case was in conjunction with tasks such as reviewing and drafting data responses and data requests, tasks that have not been shown to require its specialized level of experience or expertise.

In conclusion, the Commission finds that while Big Rivers should not be limited to its original estimate of $898,930 for rate case expenses, its request to recover actual expenses that are more than double its original estimate has not been shown to be reasonable and necessary. Consequently, in determining the appropriate level of rate case expenses to be recoverable by Big Rivers, there must be some reduction from the actual amount of $1,976,030 for which it seeks recovery. Therefore, for ratemaking purposes, we will reduce the amount charged Big Rivers by Hogan Lovells in excess of the original estimate by 20 percent, from $897,200 to $752,546. This reduces the total rate case expenses allowable for ratemaking purposes to $1,831,376. Based on a three-year amortization and recognizing the amount already reflected in the test year, this results in an adjustment of $592,535.

The Commission also notes that Big Rivers, as the applicant in this case, bears the burden of proof, and had it not filed unredacted copies of its legal invoices, none of those expenses would have been included for recovery in rates. In future rate cases, any request for recovery of rate case expenses must be supported by unredacted copies of invoices. In addition, there must be a showing that the use of highly compensated counsel was essential for the particular tasks being performed.

<u>Depreciation Error</u>

Big Rivers claims that our Rate Order contained an error which understated its adjusted depreciation expense by $450,000. None of the intervenors contested this claim and neither does the Commission. Accordingly, we will correct that error and restate Big Rivers' test year depreciation expense, as adjusted. This correction results in adjusted test year depreciation expense of $40,668,778, an increase of $450,000 above the amount of $40,218,778 contained in the Rate Order.

Depreciation Expense on Test Year-end CWIP

The Rate Order denied Big Rivers' request to recover depreciation expense on its test year-end CWIP. In doing so, the Rate Order stated: "Going beyond the end of test year plant-in-service balances is inconsistent with the concept of a historical test year and a violation of the broad 'matching principle' described previously in this Order."[13] On rehearing, Big Rivers states that depreciation expense should be allowed on two components of its test year-end CWIP: (1) Plant that was providing service at test year-end but had not yet been transferred on its books from CWIP to plant in service; and (2) Plant that was not in service at test year-end, but was placed in service by September 1, 2011, the date new rates became effective. The expense for these two categories, $359,678 and $1,284,476, respectively, would result in an additional increase in depreciation expense of $1,644,154. Big Rivers claims that, with the limits on its annual Margins for Interest Ratio ("MFIR"), it has little "maneuvering room" between its allowable maximum margin and the minimum margin it must realize to meet the required MFIR of 1.10, and that recovering, or not recovering, this additional expense could significantly impact its financial results.[14]

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[13] November 17, 2011 Order, at 20.

[14] Direct Testimony on Rehearing of Mark A. Hite ("Hite Testimony") at 12.

In support of its request, Big Rivers cites prior cases in which the Commission allowed recovery of depreciation expense on year-end CWIP balances, or in which Big Rivers contends the recovery was allowed.[15] It also emphasizes that none of the plant in CWIP for which it seeks recovery of depreciation expense generates any revenue.[16]

The Commission is not persuaded by Big Rivers' arguments. As shown in the discovery on this issue, the circumstances in the cases cited by Big Rivers in which depreciation on test year-end CWIP was allowed by the Commission are distinguishable from those in this case. In the 1990 rate case of Louisville Gas and Electric Company ("LG&E"),[17] the distinguishing issue was the commercialization of a base load generating unit, for which the magnitude of the cost resulted in a significant increase in LG&E's rate base and its depreciation expense. In the 2010 rate case of Delta Natural Gas Company, Inc.,[18] $2,809 in depreciation expense on the test year-end CWIP balance was less than one-tenth of one percent of the revenue increase, a di minimus amount. In the 2009 rate cases of Kentucky Utilities Company and LG&E,[19] the parties had reached a non-unanimous settlement which did not address depreciation expense. The Commission's analysis in those cases addressed only the issues raised by the AG, the party that did not agree to the revenue requirement terms of the settlement.

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[15] Direct Testimony on Rehearing of John Wolfrom at 11-15.

[16] Hite Testimony at 14.

[17] Case No. 90-158, Adjustment of Gas and Electric Rates of Louisville Gas and Electric Company (Ky. PSC Dec. 21, 1990).

[18] Case No. 2010-00116, Application of Delta Natural Gas Company, Inc. for an Adjustment of Rates (Ky. PSC Oct. 21, 2010).

[19] Case No. 2009-00548, Application of Kentucky Utilities for an Adjustment of Base Rates (Ky. PSC July 30, 2010), and Case No. 2009-00549, Application of Louisville Gas and Electric Company for an Adjustment of Electric and Gas Base Rates (Ky. PSC July 30, 2010).

Depreciation expense was not one of the issues raised by the AG and, in ultimately accepting the revenue level in the settlement, the Commission's Orders made no findings regarding depreciation on test year-end CWIP.

Big Rivers points out that none of the utility plant included in its test year-end CWIP balance for which it seeks recovery of depreciation expense is revenue-producing plant. It claims, therefore, that there are no corresponding adjustments that can be made to revenues to be "matched" with its proposed depreciation expense adjustment. In this regard, Big Rivers is viewing the matching principle as it applies to a historic test year too narrowly. The manner in which the Commission has employed the matching principle takes a broad view of the test year, considering all items of revenue, expense, and capital costs. The Commission's interest is not limited to whether specific items of plant are revenue producing. Rather, our interest is in whether all components that may impact a utility's revenue requirement are, to the greatest extent reasonably possible, reported for the same time period, or from an accounting perspective, for the same reporting period. This is not a recent development; the Commission has long viewed the matching principle in such a broad manner. As Big Rivers pointed out in a data response, the Commission stated in an order in the 1990 LG&E rate case that:

> ...if a historic test period is used, adjustments for post-test year plant additions should not be requested unless ***all*** revenues, expenses, rate base, and capital items have been updated to the same period as the plant additions.[20] (Emphasis added).

Going beyond the end of test year plant-in-service balances without similarly going beyond the test year to adjust revenues, rate base, etc., is inconsistent with the concept of a historical test year and a violation of the broad "matching principle"

[20] Case No. 90-158, December 21, 1990 Order at 4-5.

described in our Rate Order. For this reason, we will affirm our earlier decision and limit the depreciation expense adjustment to the amount derived by applying Big Rivers' depreciation rates to its test year-end plant in service balances.

Statement Regarding Smelter TIER Adjustment Charge Revenues

The Rate Order, at page 6, under the heading "Smelter TIER [Times Interest Earned Ratio] Adjustment Charge," stated in the third sentence that "the financial model relied upon by Big Rivers in conjunction with the Unwind Transaction did not include any Smelter TIER Adjustment revenues." In its rehearing request, Big Rivers claims that (1) the cited financial model was not in evidence in this case; and (2) the Commission's statement is erroneous in that the financial model in question did include Smelter TIER Adjustment revenues in each of the years 2011 through 2023. Big Rivers seeks rehearing to have this finding eliminated from the Rate Order, and to have any other findings or conclusions contained in the Rate Order be modified, as appropriate, based on the elimination of the challenged finding.

Through discovery, Big Rivers affirmed that the financial model it had used in conjunction with the Unwind Transaction did not include any Smelter TIER Adjustment revenues in projecting its financial results for 2009 and 2010, which are the two years reflected in the test year used in this case, the 12 months ended March 31, 2010. It also clarified that its concern was that the statement indicated that the financial model contained no Smelter TIER Adjustment revenues, although the model included such revenues for each of the 13 years subsequent to 2010.[21]

[21] Response to Item 3 of First Information Request of Commission Staff, filed Mar. 22, 2012.

In its rehearing brief, Big Rivers recommended that the statement in the Rate Order be revised to read as follows: "The financial model relied upon by Big Rivers in conjunction with the Unwind Transaction did not include any Smelter TIER Adjustment revenues *in the years 2009 and 2010*." (Emphasis added). No other party took exception to Big Rivers' position on this issue, and no other party addressed this issue in a rehearing brief.

Having considered the matter, we conclude that Big Rivers' suggested revision to the statement is accurate and reasonable and should be adopted. Accordingly, we will revise the Rate Order to reflect this change.

Effective Date of New Rates

At the September 12, 2012 evidentiary rehearing, Big Rivers referred to the additional revenues that might be granted on rehearing as being granted retroactive to the September 1, 2011, the effective date of the new rates approved by the Rate Order.[22] The parties were requested to address this issue in their rehearing briefs, and Big Rivers and KIUC did address the issue.

Big Rivers states that the Commission has the authority to retroactively correct errors in its orders and cites Case No. 10498,[23] in which the Commission granted a rate increase by Order dated October 6, 1989 and an October 17, 1989 Order which corrected an error in the earlier order and granted an additional rate increase with the same effective date as the earlier order. Big Rivers claims that correcting the $450,000 error in its depreciation expense and awarding it rate case expenses are corrections of

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[22] September 12, 2012 hearing video at 14:09:40.

[23] Case No. 10498, Adjustment of Rates of Columbia Gas of Kentucky, Inc. (Ky. PSC Oct. 6, 1989).

the types of errors that should be made retroactive. It also claims that denying depreciation on projects in CWIP at the test year-end is an error in applying the matching principle to a historical test year.

KIUC contends that any modification of Big Rivers' rates resulting from rehearing must be made on a prospective basis. It relies on the language of KRS 278.270 to argue that changes in rates are to be prospective only. That statute reads:

> Whenever the commission, upon its own motion or upon complaint as provided in KRS 278.260, and after a hearing had upon reasonable notice, finds that any rate is unjust, unreasonable, insufficient, unjustly discriminatory or otherwise in violation of any of the provisions of this chapter, the commission shall by order prescribe a just and reasonable rate *to be followed in the future*. (Emphasis added)

KIUC cites a February 2, 2007 ruling against the Commission by the Kentucky Court of Appeals concerning a decision to require refunds of rates paid by payphone service providers to telecommunications companies ("Telcos"). After finding that the Telcos' rates did not comply with tariff guidelines of the Federal Communications Commission, the Commission adjusted the rates downward and required the Telcos to refund the difference between the old and new rates retroactive to the date of the order approving the old rates. Citing KRS 278.270, the Court stated that:

> In light of the General Assembly's comprehensive rate-making scheme, including only a narrowly defined circumstance under which refunds can be ordered, the filed rate can only be lawfully altered prospectively. KRS 278.270, supra. Under the requirements of the statute, the rate the PSC authorized BellSouth to charge payphone service providers remained in full force and effect until the Commission modified it by its order of May 2003. Consequently, as a matter of law, BellSouth was never overpaid; no credits accrued; and no refunds were owed.

Determining the effective date for Big Rivers' new rates involves an analysis of both the filed rate doctrine and our authority to correct clerical errors back to the date of the error. The filed rate doctrine provides that "when the legislature has established a comprehensive ratemaking scheme, the filed rate defines the relationship between the regulated utility and its customer with respect to the rate that the customer is obligated to pay and that the utility is authorized to collect."[24] Once the Commission establishes a rate by order, that order "shall continue in force until the expiration of the time, if any, named by the commission in the order, or until revoked or modified by the commission, unless the order is suspended, or vacated in whole or part, by order or decree of a court of competent jurisdiction." KRS 278.390.

Citing these requirements, KIUC argues that the rates in the Rate Order became the filed and lawful rates for service rendered by Big Rivers on and after September 1, 2011 and that they can be changed prospectively only, not retroactive to that date. However, Kentucky Courts have also recognized that the filed rate doctrine does not infringe on the Commission's authority to correct clerical mistakes in its orders, and that those corrections can be made retroactively to the date of its original order.

In the case of Union Light, Heat & Power Co. v. Public Service Comm'n., 271 S.W. 2d 361, 365-366 (Ky. 1954), Kentucky's then highest court held that:

> An administrative agency unquestionably has the authority, just as has a court, to reconsider and change its orders during the time it retains control over any question under submission to it. It has been held that an administrative agency has the power to amend or correct its records by nunc pro tunc entries.

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[24] Cincinnati Bell v. Kentucky Public Service Comm'n., 223 S.W.3d 829 (Ky. App. 2007).

Some years later, the Kentucky Court of Appeals affirmed a Commission order entered without notice or hearing, reducing a previously approved rate and requiring refunds, when the record showed the previously approved rate resulted from a mathematical error.

> It is well settled that administrative agencies, as well as courts, have sufficient authority to correct obvious clerical errors in their orders, so long as the mistake is plainly shown in the record.[25]

Here, the omission of an adjustment in the Rate Order to reflect Big Rivers' rate case expenses is shown by the record, and Big Rivers' request for such an adjustment was not challenged prior to the date of that order. In addition, no party challenges Big Rivers' claim that the Rate Order contains an error in its depreciation expense calculation. Such errors can be corrected retroactively without violating the filed rate doctrine.

Limited exceptions to the filed rate doctrine have also been recognized by federal courts. The U.S. Court of Federal Claims recognized that:

> When determining whether a FERC order violates either the filed rate doctrine or the rule against retroactive ratemaking, this court inquires whether, *as a practical matter,* the [parties] ... had sufficient notice that the approved rate was subject to change." Significantly, notice does not mean that the rule against retroactive ratemaking does not apply; rather, notice, such as that provided by a refund effective date, "changes what would be purely retroactive ratemaking into a functionally prospective process by placing the relevant audience on notice at the outset that the rates being promulgated are provisional only and subject to later revision. (Internal quotations and citations omitted).[26]

[25] Mike Little Gas Co. v. Public Service Comm'n., 574 S.W. 2d 926, 927 (Ky. App. 1978).

[26] Pacific Gas and Electric Co. v. The United States, 105 Fed. Cl. 420 (Fed. Cl. 2012). (Quoting Public Utilities Commission of the State of California v. FERC, 988 F.2d 154, 164 (D.C.Cir.1993).

Here, Big Rivers sought rehearing of the Rate Order within the time allowed under KRS 278.400. Thus, all parties to the case were on notice that there was a claim that one expense adjustment had been omitted and that another contained a mathematical error. While the Commission typically addresses and corrects these types of errors quickly, we were unable to do so because of KIUC's immediate appeal of the Rate Order to Franklin Circuit Court and its challenge of our jurisdiction to proceed with this case administratively. The Court ultimately remanded the rate case back to the Commission, ruling that:

> The timely filing of the petition for rehearing at the Commission . . . converted the Commission's order from a final to a non-final order . . . . This Court should not attempt to wade into a dispute which has not been finally resolved by the administrative agency with primary jurisdiction in this matter.

As the Court has acknowledged that the Rate Order was not final, the filed rate doctrine does not prevent the correction of clerical errors retroactive to the September 1, 2011, the effective date of the rates approved therein.[27]

Having considered the parties' arguments and the applicable legal standards, the Commission finds that the correction of these two clerical errors, one an error of omission and the other a mathematical error, that are plainly shown by the record, should be accomplished by adjusting Big Rivers' rates retroactively. The errors were not the result of any action or inaction by Big Rivers, and in this instance it is reasonable to correct the rates effective as of September 1, 2011.[28]

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[27] Upon remand from the Court, all issues raised on appeal, including the rate case expense and depreciation error, were set for hearing to ensure that due process was afforded to all parties.

[28] Recovery of the amounts Big Rivers is to collect retroactive to September 1, 2011 is discussed in a later section of this Order, titled "Revenue Recovery Mechanism."

KIUC'S REHEARING ISSUES

There are three KIUC rehearing issues, which were part of its appeal of our Rate Order to Franklin Circuit Court. As stated earlier, the Court remanded these issues to the Commission for its consideration on rehearing. The issues, which we address in detail below, are: (1) the appropriate depreciation rates for Big Rivers; (2) the revenue allocation and treatment of the Rural class subsidy; and (3) the demand-side management expense allocation.

Depreciation Rates

In its case-in-chief, KIUC contested the results of Big Rivers' depreciation study and recommended adoption of an alternative set of depreciation rates based on modifications to Big Rivers' depreciation study. In our Rate Order, we authorized the use by Big Rivers of the depreciation rates resulting from its study.[29] KIUC requests, on rehearing, that we reverse that earlier decision and authorize Big Rivers to use the depreciation rates recommended by KIUC.

KIUC claims, as it did in the initial phase of this proceeding, that Big Rivers' depreciation study contained numerous inconsistencies and inaccuracies[30] and that the study's sponsor, Mr. Ted Kelly of Burns & McDonnell ("B&M"), substituted his judgment for that of Big Rivers' management regarding the useful lives of Big Rivers' generating units.[31] KIUC contends that the useful lives included in Big Rivers' deprecation study were substantially shorter than the useful lives Big Rivers submitted to the Rural Utilities

[29] November 17, 2011 Order at 20.

[30] Supplemental Rehearing Testimony and Exhibits of Lane Kollen, at 4.

[31] *Id.*, at 10.

Service, its principal lender. KIUC states that its depreciation expert's "study corrected the remaining service lives and used the estimates developed by Big Rivers' own management rather than substituting his own judgment."[32]

KIUC cites mathematical and process errors contained in a draft of the Big Rivers depreciation study, which Big Rivers had invited KIUC to review prior to the filing of the rate application in this case, as reason to question the reliability of the proposed depreciation rates.[33] KIUC concludes that the depreciation study sponsored by Mr. Kelly on behalf of Big Rivers is fundamentally flawed and unreliable, and that the Commission should reverse its earlier decision on the appropriate depreciation rates for Big Rivers.[34]

Big Rivers states that the depreciation rates contained in the study prepared by Mr. Kelly and submitted on its behalf as part of its rate application are clearly supported by the evidence in the record of this proceeding. Big Rivers denies KIUC's claim that Big Rivers provided retirement dates or estimated service lives to B&M and that B&M then ignored that data. Contrary to KIUC's claim, Big Rivers asserts that it never provided B&M with retirement dates or estimated service lives for Big Rivers' property.[35]

Big Rivers argues that since it did not develop estimates of remaining service lives of its generating units, there is no basis for KIUC's claim that its depreciation expert "corrected" the remaining service lives by using estimates developed by Big

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[32] *Id.*, at 14.

[33] *Id.*, at 13.

[34] *Id.*, at 14.

[35] Rehearing Rebuttal Testimony of Ted J. Kelly on Behalf of Big Rivers Electric Corporation, at 5.

Rivers' management, rather than the estimates developed by B&M.[36] Big Rivers further states that it did not provide B&M with life spans, as claimed by KIUC, nor did Big Rivers provide probable retirement dates to B&M. Finally, Big Rivers contends that the retirement dates used by KIUC's depreciation expert were maximum retirement dates, which causes his results to be biased, incomplete and unusable.[37]

Based on a review of the issue of depreciation studies, the Commission finds that much of the information submitted into evidence on rehearing is not new; it was previously provided in the initial phase of this proceeding. We reject KIUC's assertions that Big Rivers' depreciation study does not constitute credible evidence and that the estimated useful lives recommended in that study are arbitrary. Big Rivers' expert, B&M, developed estimated service lives based on numerous factors including a B&M engineer assessment, maintenance reports, forced outage reports, and capital budgets. All of these factors supported B&M's adoption of useful lives shorter than the maximum potential lives proposed by KIUC.

As set forth in the Rate Order, our original decision to approve Big Rivers' depreciation study was based substantially on our finding that, "due to the problem of early retirements experienced by Big Rivers since closing the Unwind Transaction, there is a clear need to utilize shorter service lives."[38] KIUC has presented no evidence on rehearing to persuade us that this finding was erroneous. Big Rivers' depreciation study fully justifies the use of service lives that are shorter than the maximum potential lives. While the Commission understands KIUC's request for Big Rivers to use the maximum

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[36] *Id.*, at 6.

[37] *Id.*, at 12.

[38] November 17, 2011 Order at 20.

service lives, which would result in lower depreciation expense and lower rates, KIUC's proposal is not credible under the facts presented in this case. Therefore, we will affirm our prior decision to authorize Big Rivers to use its proposed depreciation rates based on the depreciation study filed on its behalf by B&M.

<u>Rural Subsidy</u>

In our Rate Order, citing the principal of gradualism, we established rates that reduced the subsidy paid by the Smelter class to the Rural class by $2.4 million, from $13.5 million to $11.1 million.[39] On rehearing, KIUC requests that the Commission reconsider that decision and eliminate the subsidy in its entirety,[40] arguing that unique circumstances exist for Big Rivers and the Smelters which would make eliminating the subsidy in the interest of all customers. The first such circumstance cited by KIUC is Big Rivers' large concentration of risk associated with serving the Smelters. KIUC characterizes this risk as problematic because the Smelters' profitability is directly tied to the price of aluminum, with electricity as their primary production input factor. KIUC claims the subsidy increases the potential for the Smelters to become uneconomic, which would contribute to the potential loss of Smelter load and the loss of revenues to Big Rivers. KIUC further states that this loss would be borne by Big Rivers and its remaining customers.[41]

The second unique circumstance KIUC cites is the volatility of the London Metal Exchange's price for aluminum. KIUC contends that this volatility contributes

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[39] *Id.*, at 29-30.

[40] Direct Rehearing Testimony of Stephen J. Baron ("Baron Rehearing Testimony") at 3.

[41] *Id.*, at 5-6.

significantly to the operational risk of the Smelters, and risk to Big Rivers and its remaining customers.[42] KIUC states that, if Big Rivers were to lose the Smelter load and were forced to sell the excess energy in the wholesale market, rates for its Rural class would need to be increased by more than 55 percent to make up the revenue shortfall.[43] KIUC contends that if the Smelter load is lost, the Rural class would suffer financial harm that would far exceed the benefit it currently receives from the subsidy, and it characterizes the subsidy as "penny-wise and pound-foolish."[44]

On rebuttal, Big Rivers states that the Commission's decision to eliminate the Rural subsidy gradually is "fair, just and reasonable."[45] Big Rivers asserts that KIUC's arguments were available for the Commission's consideration in its original deliberation and that the November 17, 2011 Order considered the "unique characteristics" of the Smelter load on its system.[46] It does not agree with KIUC's claim that the loss of the Smelter load would increase rates for Rural class customers by more than 55 percent. Big Rivers argues that it has previously addressed flaws in some of the assumptions used in the analysis developed by KIUC regarding the 55 percent increase.[47] Finally, Big Rivers argues that "in the unwind transaction, the smelters agreed to pay non-cost-of-service-based rates."[48]

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[42] *Id.*, at 7-8.

[43] *Id.*, at 8-9.

[44] *Id.*, at 9.

[45] Rehearing Rebuttal Testimony of John Wolfram ("Wolfram Rehearing Rebuttal") at 5.

[46] *Id.*

[47] *Id.*, at 6.

[48] *Id.*, at 8.

In his rehearing brief, the AG expressed his support for the revenue allocation as set forth in the Rate Order, stating that it is consistent with the mandate of KRS 278.030(1) that rates be fair, just, and reasonable.

Based on a review of the record on this issue, the Commission finds no basis to modify the revenue allocation approved in the Rate Order. That revenue allocation reduced the Smelter subsidy by $2.4 million. The Smelters voluntarily signed long-term power contracts in 2009 which provided for the payment of rates to Big Rivers that would be above cost-of-service. As KIUC has acknowledged, there is no statutory requirement that rates be set based solely on cost of service; determining cost of service is an exercise in judgment; and factors other than cost of service, such as gradualism, can be considered when setting rates.[49] The Commission has long employed the principal of gradualism in moving rates to reflect cost of service, and we find no reason to depart from that principal in this case.

Demand-Side Management Expense and Revenue Allocation

The Rate Order found that the $1 million in demand-side management ("DSM") expense allowed for ratemaking purposes was being assigned only to the Rural class.[50] KIUC now claims the Rate Order did not fully accomplish that objective. It states that while the Commission adjusted the class cost-of-service study ("COSS"), the specific assignment of the $1 million would be effective only if the Rural class were paying its full cost of service without subsidies.[51] On rebuttal, Big Rivers disagreed with KIUC, stating

[49] KIUC Rehearing Brief at 13.

[50] November 17, 2011 Order at 29.

[51] Baron Rehearing Testimony at 15.

that the Commission can directly assign a particular cost to a class of customers even if that class continues to receive a subsidy.[52]

The AG, in his rehearing brief, stated that he disagreed with KIUC's position that a portion of the $1 million DSM costs was assigned to the Smelters. The AG asserted that there is no need for the Commission to change its findings on this point.[53]

Based on a review of the DSM allocation issue, the Commission partially agrees with KIUC's position, to the extent that we did not accomplish our goal of allocating the entire $1 million in DSM cost to the Rural class by assigning that cost to the Rural class in the COSS. However, the Commission does not agree that a particular cost cannot be directly assigned to a class of customers if that class continues to receive a subsidy. The $1 million DSM expense can be allocated fully to the Rural class by first allocating the additional revenue increase, not including the $1 million DSM expense, to each class based on a targeted subsidy reduction. Then, as a second step, the $1 million DSM expense is added to the revenue increase to be allocated to the Rural class under the first step. This approach was generally supported by KIUC's witness at the September 12, 2012 rehearing.[54]

Based on our decision to not modify the $2.4 million subsidy reduction, we will allocate the total revenue increase of $27,787,311,[55] excluding the $1 million DSM expense, to each rate class to produce the Rural class subsidy reduction approved in

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[52] Wolfram Rehearing Rebuttal at 10.

[53] *Id.*, at 11.

[54] September 12, 2012 hearing video at 15:16:35.

[55] This is the original increase amount of $26,744,776 granted in the November 17, 2011 Order plus the additional increase of $1,042,535 granted with this Order.

the Rate Order, and then add $1 million to the amount of the Rural class rate increase to provide for recovery of the DSM expense. This methodology results in the following rate increases by class: $11.63 million to the Rural class, $1.97 million to the Large Industrial Customer class, and $14.2 million to the Smelter class.

REVENUE RECOVERY MECHANISM

Big Rivers proposed a methodology for recovering the difference between the revenue it collected under the rates in effect since September 1, 2011 and the revenue it would have collected absent the two errors in the Rate Order.[56] Big Rivers recommends that the difference be divided by the number of months remaining between the date of this Order and August 1, 2013, and that its members be billed this monthly amount on a revenue-proportionate basis through July of 2013. The Commission finds that Big Rivers' proposal is a reasonable method for recovery of the under-collection of revenue since September 1, 2011 attributable to the omission of rate case expenses and the depreciation expense error in the Rate Order. To implement this methodology, Big Rivers must submit the following information to the Commission not later than February 8, 2013:

1. The amount of revenue collected between September 1, 2011, and the date of this Order under the rates approved in the Rate Order (net of refunds made as a result of Big Rivers implementing its proposed rates prior to the issuance of the Rate Order), by rate schedule, and by member cooperative;

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[56] Rehearing Brief of Big Rivers Electric Corporation at 29-30.

2. The amount of revenue it would have collected between September 1, 2011, and the date of this Order under the rates approved herein, by rate schedule, and by member cooperative;

3. The kWh sales by month to each rate class from September 1, 2011 through the date of this Order; and

4. For each month, beginning March 1, 2013 and ending July 31, 2013, the amount each member cooperative will be billed to allow Big Rivers to recover the difference between the amounts provided in parts (1) and (2) above.[57]

After it verifies Big Rivers' calculations, the Commission will issue a final order in this rehearing which will authorize both the amounts Big Rivers is to collect from its member cooperatives and the length of time over which it will collect these amounts.

SUMMARY

The Commission, after consideration of the evidence of record and being otherwise sufficiently advised, finds that:

1. The November 17, 2011 Rate Order should be modified by increasing the amount of revenue granted therein to Big Rivers from $26,744,776 to $27,787,311, an increase of $1,042,535, to allow for recovery of the level of rate case expenses determined herein to be reasonable and the correction of the mathematical error in the calculation of the depreciation expense adjustment in the Rate Order as discussed herein.

[57] Big Rivers is to include the workpapers necessary to verify its calculations of each of the amounts it is required to file with the Commission.

2. Big Rivers' rehearing request to increase its depreciation expense allowed for ratemaking purposes to include depreciation expense on plant contained in its test year-end Construction Work In Progress should be denied.

3. The finding in the Rate Order regarding the financial model Big Rivers used in conjunction with the Unwind Transaction should be revised as discussed herein.

4. KIUC's rehearing requests to have Big Rivers' rates calculated on the basis of depreciation rates proposed by KIUC, rather than those proposed by Big Rivers, and to modify the revenue allocation and Rural class subsidy, should be denied.

5. KIUC's rehearing request to revise the methodology for allocation of the $1 million DSM expense should be granted as discussed herein.

6. The rates approved herein should be effective for service rendered by Big Rivers on and after September 1, 2011.

7. Big Rivers should file with the Commission not later than February 8, 2013, the information described in the Revenue Recovery Mechanism section of this Order.

IT IS THEREFORE ORDERED that:

1. The November 17, 2011 Rate Order is modified to (a) grant Big Rivers an additional increase in annual revenues of $1,042,535 above the revenue increase granted therein; (b) reflect the revised allocation of the $1 million DSM expense; and (c) correct the finding related to the financial model Big Rivers used in conjunction with the Unwind Transaction, as discussed in the findings above.

2. The rates in the appendix to this Order are approved for service rendered by Big Rivers on and after September 1, 2011.

3. Big Rivers' request to modify the November 17, 2011 Order to include depreciation expense on plant contained in its year-end Construction Work In Progress is denied.

4. KIUC's requests to modify the November 17, 2011 Order to adopt the KIUC proposed depreciation rates and to revise the revenue allocation to eliminate the Rural class subsidy are denied.

5. Within 20 days of the date of this Order, Big Rivers shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and reflecting their effective date and that they were authorized by this Order.

6. Not later than February 8, 2013, Big Rivers shall file the information described in the Revenue Recovery Mechanism section of this Order.

By the Commission

ENTERED
JAN 29 2013
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2011-00036 DATED JAN 2 9 2013

The following rates and charges are prescribed for the customers in the area served by Big Rivers Electric Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

<u>RURAL DELIVERY SERVICE</u>
<u>FORMERLY SCHEDULE C.4.d(2)</u>

Demand Charge	$ 9.697
Energy Charge per kWh	$ .029736

<u>LARGE INDUSTRIAL CUSTOMER</u>
<u>FORMERLY SCHEDULE C.7.c(2)(b)</u>

Demand Charge	$ 10.50
Energy Charge per kWh	$ .024508

<u>COGENERATION/SMALL POWER PRODUCTION SALES – OVER 100 kW</u>
<u>FORMERLY SCHEDULE 9f(3)(1)</u>

Demand Charge - Weekly	$ 2.238
Energy Charge per kWh	$ .029736

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KPMG

BIG RIVERS ELECTRIC CORPORATION

Financial Statements

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

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

BIG RIVERS ELECTRIC CORPORATION

Balance Sheets

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 (note 14)			
Total	$	1,546,678	1,417,922

See accompanying notes to financial statements.

BIG RIVERS ELECTRIC CORPORATION

Statements of Operations

Year 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
Nonoperating 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.

BIG RIVERS ELECTRIC CORPORATION

Statements of Comprehensive Income

Year 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 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

See accompanying notes to financial statements.

BIG RIVERS ELECTRIC CORPORATION

Statements of Equities (Deficit)

Years ended December 31, 2012, 2011 and 2010

(Dollars in thousands)

	Total equities	Retained margin (deficit)	Other equities: Donated capital and memberships	Other equities: 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.

BIG RIVERS ELECTRIC CORPORATION

Statements of Cash Flows

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 and 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.

(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.

(Dollars in thousands)

(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% – 2.23%
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.

(Continued)

(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.

(Dollars in thousands)

(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.

(Dollars in thousands)

(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 3032	$	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:

		Amount
Year:		
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.

(Dollars in thousands)

(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	$	—	—

(Dollars in thousands)

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.

(Dollars in thousands)

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

(Dollars in thousands)

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.

(Dollars in thousands)

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 gain (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.

(Dollars in thousands)

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

(Dollars in thousands)

		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:

		Amount
Year(s) ending December 31:		
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.

(Dollars in thousands)

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

(Dollars in thousands)

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		2011	
		Less than 12 months		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.

(Dollars in thousands)

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.

(Dollars in thousands)

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

(Dollars in thousands)

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

(Dollars in thousands)

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:

		Amount
Year(s):		
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.

Billie Richert

Fr	Billie Richert
Se	Monday, February 25, 2013 3:49 PM
To:	Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
Cc:	Nicholas R. Castlen; Ralph Ashworth
Subject:	2012 Fourth Quarter Financial Report
Attachments:	Fourth Quarter 2012 Financial Report.pptx

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\ttached is our condensed 2012 Fourth Quarter Financial Report. Please let me know if there are questions.

'hanks.

3illie Richert, CPA, CITP
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Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy® Cooperative

2012 Fourth Quarter Financial Report

Unaudited, in RUS format
(absent normal GAAP reclassifications)

Date Prepared: February 25, 2013

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Henderson, Kentucky 42420
Phone: 270-827-2561
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BIG RIVERS ELECTRIC CORPORATION
Balance Sheet
In Thousands $

ASSETS	December 31, 2012	December 31, 2011
TOTAL UTILITY PLANT IN SERVICE	1,999,408	1,979,268
CONSTRUCTION WORK IN PROGRESS	50,813	49,150
TOTAL UTILITY PLANT	2,050,221	2,028,418
ACCUM PROVISION FOR DEPR & AMORT	(962,994)	(936,355)
NET UTILITY PLANT	1,087,227	1,092,063
INVEST IN ASSOC ORG PATRONAGE CAPITAL	3,683	3,648
INVEST IN ASSOC ORG OTHER GENERAL FUNDS	43,841	685
OTHER INVESTMENTS	15	15
SPECIAL FUNDS	180,633	164,152
TOTAL OTHER PROPERTY AND INVESTMENTS	228,172	168,500
CASH - GENERAL FUNDS	7	6
SPECIAL DEPOSITS	598	573
TEMPORARY INVESTMENTS	110,165	44,844
ACCOUNTS RECEIVABLE - SALES OF ENERGY	44,758	43,114
ACCOUNTS RECEIVABLE - OTHER NET	2,346	232
FUEL STOCK	34,146	33,894
MATERIALS & SUPPLIES - OTHER	24,957	25,295
PREPAYMENTS	4,176	4,508
OTHER CURRENT & ACCRUED ASSETS	1,276	943
TOTAL CURRENT & ACCRUED ASSETS	222,429	153,409
UNMORT DEBT DISC & EXTRAORD PROP LOSS	4,165	2,079
REGULATORY ASSETS	704	-
OTHER DEFERRED DEBITS	3,981	1,871
TOTAL ASSETS AND OTHER DEBITS	1,546,678	1,417,922
EQUITIES AND LIABILITIES		
OPERATING MARGINS - PRIOR YEAR	(241,898)	(247,339)
OPERATING MARGINS - CURRENT YEAR	10,314	5,441
NONOPERATING MARGINS - PRIOR YEAR	638,998	638,838
NONOPERATING MARGINS - CURRENT YEAR	963	160
OTHER MARGINS & EQUITIES	(5,495)	(7,279)
TOTAL MARGINS & EQUITIES	402,882	389,821
LONG-TERM DEBT - RUS	210,359	644,298
LONG-TERM DEBT - OTHER	714,885	142,100
TOTAL LONG-TERM DEBT	925,244	786,398
ACCOUNTS PAYABLE	33,013	30,325
TAXES ACCRUED	967	957
INTEREST ACCRUED	4,925	9,899
OTHER CURRENT & ACCRUED LIABILITIES	9,988	9,423
TOTAL CURRENT & ACCRUED LIABILITIES	48,893	50,604
DEFERRED CREDITS	148,088	169,001
OPERATING RESERVES	21,571	22,098
TOTAL LIABILITIES AND OTHER CREDITS	1,546,678	1,417,922

FINANCIAL HIGHLIGHTS

ELECTRIC PLANT IN SERVICE increased $20.1 million to $2.0 billion as of December 31, 2012. This increase resulted from construction projects to maintain generation, transmission and communication capabilities.

TEMPORARY INVESTMENTS increased $65.3m primarily due to the borrowing that took place this year to fund construction projects

SPECIAL FUNDS increased $16.5m as of December 31, 2012. This increased resulted from replenishing the transition reserve, partially offset by the use of the reserve funds set up for non-smelter member rate mitigation.

LONG-TERM DEBT increased $138.8 million as of December 31, 2012 primarily due to borrowing for capital projects and replenish the $35.0 million transition reserve formerly used to pre-pay RUS debt

DEFERRED CREDITS decreased $20.9 million as of December 31, 2012, primarily due to the use of the reserve funds set up for non-smelter member rate mitigation.

BIG RIVERS ELECTRIC CORPORATION
Statement of Operations
In Thousands $

	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	Twelve Months Ended December 31, 2012	Twelve Months Ended December 31, 2011
ELECTRIC ENERGY REVENUES	144,202	136,051	563,385	558,372
OTHER OPERATING REVENUE AND INCOME	1,098	1,449	4,957	3,617
TOTAL OPER REVENUES & PATRONAGE CAPITAL	145,300	137,500	568,342	561,989
OPERATION EXPENSE-PRODUCTION-EXCL FUEL	11,663	13,409	48,055	50,410
OPERATION EXPENSE-PRODUCTION-FUEL	60,536	53,122	226,369	226,229
OPERATION EXPENSE-OTHER POWER SUPPLY	27,184	29,083	111,465	112,262
OPERATION EXPENSE-TRANSMISSION	2,756	2,263	10,119	9,183
OPERATION EXPENSE-RTO/ISO	599	698	2,262	2,530
OPERATION EXPENSE-CUSTOMER ACCOUNTS	297	0	297	0
CONSUMER SERVICE & INFORMATIONAL EXPENSE	495	287	886	632
OPERATION EXPENSE-SALES	89	56	191	185
OPERATION EXPENSE-ADMINISTRATIVE & GENERAL	6,051	6,577	26,429	26,557
TOTAL OPERATION EXPENSE	109,670	105,495	426,073	427,988
MAINTENANCE EXPENSE-PRODUCTION	10,298	13,714	41,170	42,896
MAINTENANCE EXPENSE-TRANSMISSION	872	1,333	4,608	4,681
MAINTENANCE EXPENSE-GENERAL PLANT	56	48	184	141
TOTAL MAINTENANCE EXPENSE	11,226	15,095	45,962	47,718
DEPRECIATION & AMORTIZATION EXPENSE	10,238	9,033	41,090	35,407
AXES	0	(30)	4	98
NTEREST ON LONG-TERM DEBT	11,314	11,265	45,033	45,715
INTEREST CHARGED TO CONSTRUCTION-CREDIT	(188)	(98)	(766)	(548)
OTHER INTEREST EXPENSE	93	(1)	148	59
OTHER DEDUCTIONS	359	62	546	220
TOTAL COST OF ELECTRIC SERVICE	142,712	140,821	558,090	556,657
OPERATING MARGINS	2,588	(3,321)	10,252	5,332
INTEREST INCOME	560	18	963	150
OTHER NON-OPERATING INCOME - NET	0	1	0	9
OTHER CAPITAL CREDITS & PAT DIVIDENDS	3	4	62	109
NET PATRONAGE CAPITAL OR MARGINS	3,151	(3,298)	11,277	5,600

FINANCIAL HIGHLIGHTS

SALES TO MEMBERS increased 508,231 MWh to 10,707,249 MWh for the twelve-month period ended December 31, 2012. Member sales revenue increased $62.8 million, or 13.8%, to $519.1 million for the twelve-month period ended December 31, 2012, compared to $456.4 million in 2011, driven by higher sales to the aluminum smelters and the increase in member rates that took effect on September 1, 2011.

SALES TO NON-MEMBERS decreased 1,519,273 MWh to 1,536,835 MWh for the twelve-month period ended December 31, 2012. This decrease, along with a 13.7% decline in price, caused non-member electric sales revenue to decrease 56.6%, to $44.3 million, for the twelve-month period ended December 31, 2012 compared to $102.0 million for 2011.

'JRCHASED POWER expense increased $4.8 million, or 11.7% to $45.3 million for the twelve-month period ended ;cember 31, 2012, compared to 2011. This was due to a 21.8% increase in MWh purchased, partially offset by a 8.3% decrease in the average cost of purchased power resulting from a reduction in the market price of electricity.

FUEL expense decreased $2.3 million, or 1.0%, to $253.4 million for the twelve-month period ended December 31, 2012 compared to 2011. The decreased fuel expense was driven by lower generation as the softer power market drove economic purchases.

BIG RIVERS ELECTRIC CORPORATION
Statement of Cash Flows
For ‾ ⌝ Quarter Ended December 31, 2012
In ands $

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net margin	3,151	(3,298)	11,277	5,600
Adjustments to reconcile net margin to net cash provided by operating activities:				
Depreciation and amortization	11,140	9,664	44,524	37,808
Interest compounded - RUS Series B Note	1,873	1,773	7,292	6,884
Interest compounded - RUS Series A Note	8	0	7,604	8,398
Noncash Member Rate Mitigation Revenue	(5,389)	(5,154)	(22,873)	(18,947)
Changes in certain assets and liabilities:				
Accounts receivable	(2,980)	7	(3,757)	1,618
Inventories	(733)	(7,393)	86	1,357
Prepaid expenses	(3,190)	(3,515)	0	(1,715)
Deferred charges	(1,346)	28	(1,278)	121
Accounts payable	6,013	1,345	2,688	(974)
Accrued expenses	2,951	1,769	(4,399)	(1,481)
Other -- Net	(1,608)	(1,354)	276	(70)
Net cash provided by operating activities	9,890	(6,128)	41,440	38,599
ASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures -- net	(11,899)	(16,130)	(39,854)	(38,746)
ᴾroceeds from Restricted Investments and Other Deposits and Investments	4,714	4,513	(58,094)	56,095
ᴾurchase of Restricted Investments and Other Deposits and investments	65	0	147	0
Net cash used in investing activities	(7,120)	(11,617)	(97,801)	17,349
\S WS FROM FINANCING ACTIVITIES:				
ʾrin. payments on long-term obligations	(5,595)	(15,094)	(456,206)	(45,879)
ʾroceeds from long-term obligations	0	0	580,156	0
ʾrincipal payments on short-term notes payable	0	0	0	(10,000)
ebt Issuance Cost	(252)	0	(2,265)	0
ayments on obligations under long-term lease	0	0	0	0
Net cash used in financing activities	(5,847)	(15,094)	121,685	(55,879)
T INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,077)	(32,839)	65,324	69
SH AND CASH EQUIVALENTS -- Beginning	113,250	77,688	44,849	44,780
SH AND CASH EQUIVALENTS -- Ending	110,173	44,849	110,173	44,849
PPLEMENTAL CASH FLOW INFORMATION:				
ash paid for interest	8,268	9,060	34,893	31,441
ash paid in taxes	0	0	0	130

Billie Richert

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

3illie:

\ttached for your files is the research we published earlier today.

legards,

.evin

.evin Rose
·lobal Infrastructure and Finance Group
12.553.0389 tel
46.256.2741 mobile
12.298.6466 fax
:vin.rose@moodys.com

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50 Greenwich St.
:w k, NY 10007

ww.moodys.com

Billie Richert

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

Billie:

Attached is the press release published earlier today.

Regards,
Kevin

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

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New York, NY 10007

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---

rom: Billie Richert [mailto:Billie.Richert@bigrivers.com]
ent: Wednesday, February 06, 2013 3:38 PM
o: Rose, Kevin
ubject: RE: Draft Press Release for review

ıanks.

---

om: Rose, Kevin [mailto:Kevin.Rose@moodys.com]
ent: Wednesday, February 06, 2013 1:18 PM
: Rose, Kevin; Billie Richert
ıbject: RE: Draft Press Release for review

llie:

ıanks for your call earlier today to discuss the few factual points I will make those changes as we discussed per the tached and proceed with publishing. I will send you a pdf version once it is posted to our moodys.com website.

vi. .ose
obal Infrastructure and Finance Group
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kevin rose@moodys.com

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New York, NY 10007

www.moodys.com

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

illie:

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

s previously mentioned, the attached is for your review prior to our publishing later today.

ar sending the attached research / Press Release for your review, to give you the opportunity to draw attention to any ic errors and/or inadvertent disclosure of confidential information. However, please note that under our policies, MIS tains ultimate editorial control over the form and content of all its publications. MIS will not accept other changes from an suer that would alter the meaning or tone of our opinions or credit rating announcements. Please note that this draft search is strictly confidential and you may not disclose it to any other person except: (i) to your legal counsel acting in eir capacity as such; (ii) to your other authorized agents acting in their capacity as such; and (iii) as required by law or gulation.

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

egards,

vin

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vw moodys.com

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

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

Billie Richert

Fr	Rose, Kevin <Kevin.Rose@moodys.com>
Sen..	Wednesday, February 06, 2013 1:18 PM
To:	Rose, Kevin; Billie Richert
Subject:	RE: Draft Press Release for review
Attachments:	Big Rivers Draft PR Feb 6 2013 with factual changes.docx

Billie:

Thanks for your call earlier today to discuss the few factual points I will make those changes as we discussed per the attached and proceed with publishing. I will send you a pdf version once it is posted to our moodys.com website.

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.evin.rose@moodys.com

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·om: Rose, Kevin
ent: Wednesday, February 06, 2013 7:29 AM
): Billie Richert (billie.richert@bigrivers.com)
ıbject: Draft Press Release for review
nportance: High

llie:

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

previously mentioned, the attached is for your review prior to our publishing later today.

ım sending the attached research / Press Release for your review, to give you the opportunity to draw attention to any :tual errors and/or inadvertent disclosure of confidential information. However, please note that under our policies, MIS ains ultimate editorial control over the form and content of all its publications. MIS will not accept other changes from an uer that would alter the meaning or tone of our opinions or credit rating announcements. Please note that this draft ;earch is strictly confidential and you may not disclose it to any other person except: (i) to your legal counsel acting in 'ir capacity as such; (ii) to your other authorized agents acting in their capacity as such; and (iii) as required by law or ılation.

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

;ards,

'in

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kevin.rose@moodys.com

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Billie Richert

־rc	Billie Richert
ֽent.	Monday, February 04, 2013 11:58 AM
'o:	Rose, Kevin <Kevin.Rose@moodys.com> (Kevin.Rose@moodys.com)
;ubject:	Preliminary 2012 Results
ıttachments:	BREC RUS Part A - 1212 Preliminary.pdf

;illie Richert, CPA, CITP

P Accounting, Rates and CFO
ig Rivers Electric Corporation
)1 Third Street
enderson, KY 42420

›rporate: (270) 827-2561
ffice Direct: (270) 844-6190
obile: (270) 577-6221

Preliminary

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

SECTION A. STATEMENT OF OPERATIONS

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

Preliminary

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

SECTION B. BALANCE SHEET

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

Billie Richert

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

Thanks, I will look forward to speaking tomorrow.

Kevin Rose
Global Infrastructure and Finance Group
:12.553.0389 tel
46.256.2741 mobile
12.298.6466 fax
evin.rose@moodys.com

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---

om: Billie Richert [mailto:Billie.Richert@bigrivers.com]
ent: Sunday, February 03, 2013 5:12 PM
: Rose, Kevin
ıbject: RE: Follow-up

evin,
ıat works. For 2012, Alcan revenues were $155.2m and Century revenues were $205.0m of total electric ıergy revenues of $563.4m.
llie

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

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

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

ANKS!

/in Rose
bal Infrastructure and Finance Group
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kevin.rose@moodys.com

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

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

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

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

.evin Rose
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ww.moodys.com

---

om: Billie Richert [mailto:Billie.Richert@bigrivers.com]
nt: Sunday, February 03, 2013 2:09 PM
: Rose, Kevin
ib‑‑t: RE: Follow-up

vin,
es this suffice?

Thanks,
Billie

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

Sebree smelter ending contract

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

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

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

ou must be logged in with the proper services to print this article.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

---

rom: Rose, Kevin [Kevin.Rose@moodys.com]
ent: Sunday, February 03, 2013 12:07 PM
o: Billie Richert
ubject: RE: Follow-up

i P...:

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

evin Rose
lobal Infrastructure and Finance Group
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---

om: Billie Richert [mailto:Billie.Richert@bigrivers.com]
nt: Saturday, February 02, 2013 11:19 AM
: Rose, Kevin
bject: Follow-up

vin,
tice from Alcan is public information. Working on other items for you.

i

ie Richert, CPA, CITP
Accounting, Rates and CFO
Rivers Electric Corporation

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Billie Richert

Fr Billie Richert
Sen.. Sunday, February 03, 2013 4:12 PM
To: Kevin.Rose@moodys.com
Subject: RE: Follow-up

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

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

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

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12.298.6466 fax
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The Sebree smelter has about 500 employees. The Century Aluminum plant in Hawesville had about 700 employees last August.
When Century gave its contract termination notice, officials said they would need a lower power rate and/or higher aluminum price to keep the plant open.
Sebree Works "has done a lot of cost-cutting over the years to be more efficient," Barkley said. "We've done everything we can to make us good stewards of the power we use."
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"T e a longtime, valuable customer, and we hate to end that 40-year business relationship," he said. "We've been working on a solution for both smelters. We're just sorry we weren't able to help them with the worldwide aluminum price problem."
Big Rivers officials have said that aluminum trading prices were lower in 2009 when the new contract was signed than they were during last summer's negotiations, and all parties were aware in 2009 that utility rates were projected to go higher.
The utility will be working on a second rate filing to have in place before Jan. 31, 2014 when Sebree Works exits the system, Littrel said.
"We're trying to evaluate the impact — answering the physical, legal and financial questions," he said. "We have options and will pursue them. As you know we're working hard with others to attract new industries, and we will be successful in one. We're also looking for other utilities to sell to."
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Joy Campbell, 691-7299, jcampbell@messenger-inquirer.com

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

Kevin Rose
Global Infrastructure and Finance Group
12.553.0389 tel
46.256.2741 mobile
12.298.6466 fax
evin.rose@moodys.com
Moody's Investors Service
World Trade Center
50 Greenwich St.
New York, NY 10007
w   oodys.com

---

rom: Billie Richert [mailto:Billie.Richert@bigrivers.com]
ent: Saturday, February 02, 2013 11:19 AM
o: Rose, Kevin
ubject: Follow-up

evin,
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llie

llie Richert, CPA, CITP
Accounting, Rates and CFO
g Rivers Electric Corporation
1 Third Street
nderson, KY 42420

rporate: (270) 827-2561
fice Direct: (270) 844-6190
obile: (270) 577-6221

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Billie Richert

Fr Rose, Kevin <Kevin.Rose@moodys.com>
S Sunday, February 03, 2013 1:57 PM
To: Billie Richert
Subject: RE: Follow-up

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

Kevin Rose
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ent: Sunday, February 03, 2013 2:09 PM
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llie

ebree smelter ending contract - Owensboro Messenger-nquirer: Local News

ebree smelter ending contract

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

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

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

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

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

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

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

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

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

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

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Rivers hopes to gain ground in those areas before August when Century's contract ends.

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we start sharpening our pencil, our estimates could improve," Littrel said.

Campbell, 691-7299, jcampbell@messenger-inquirer.com

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

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Se Sunday, February 03, 2013 1:55 PM
To: Billie Richert
Subject: RE: Follow-up

I will ask internally if this together with the letter is sufficient for now. THANKS.

Kevin Rose
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212.553.0389 tel
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Joy Campbell Messenger-Inquirer | Posted: Saturday, February 2, 2013 12:00 am

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Sent: Sunday, February 03, 2013 12:07 PM
To: Billie Richert
Subje**ct:** RE: Follow-up

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

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illie Richert, CPA, CITP
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Billie Richert

Fr(	Billie Richert
Se.	Saturday, February 02, 2013 10:19 AM
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Subject:	Follow-up

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/P Accounting, Rates and CFO
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:orporate: (270) 827-2561
)ffice Direct: (270) 844-6190
/lobile: (270) 577-6221

Billie Richert

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

Kevin,
Attached per your request.

Billie

Billie Richert

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

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

Billie

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

Hi Billie:

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

Kevin Rose
Mo... Infrastructure and Finance Group
12. .0389 tel
16.256.2741 mobile
12.298.6466 fax
kevin.rose@moodys.com

Moody's Investors Service
World Trade Center
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Billie

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ALCAN PRIMARY PRODUCTS CORPORATION

January 31, 2013

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

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

Re: Retail Electric Service Agreement
NOTICE OF TERMINATION

Gentlemen:

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

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

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

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

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

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

ALCAN PRIMARY PRODUCTS CORPORATION

By: Jack Miller
Jack Miller
President

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

Rio Tinto Alcan

ALCAN CORPORATION
8770 West Bryn Mawr Avenue
Chicago, Illinois 60631

Office of the President

CERTIFICATE

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

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

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

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

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

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

By: Timothy Guerra
Timothy Guerra
President
ALCAN CORPORATION

Billie Richert

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

Hi Billie:

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

evin Rose
lobal Infrastructure and Finance Group
12.553.0389 tel
16.256.2741 mobile
12.298.6466 fax
vin.rose@moodys.com

oody's Investors Service
World Trade Center
0 Greenwich St.
w York, NY 10007

vw.moodys.com

---

om: Billie Richert [mailto:Billie.Richert@bigrivers.com]
nt: Friday, February 01, 2013 12:48 PM
: Rose, Kevin
bject: Alcan Termination Notice

vin,
ached per your request.

ie

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

Billie Richert

From: Bodek, David <david_bodek@standardandpoors.com>
Se: Monday, April 29, 2013 9:25 AM
To: Billie Richert
Cc: Murphy, Peter; Panger, Jeffrey
Subject: Big Rivers Updates

Billie,

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ncerely,

avid

avid Bodek
enior Director
andard & Poor's Ratings Services
Water Street
ew York, NY 10041
2 '38 7969
2 38 2154
vid_bodek@standardandpoors.com

gister for Standard & Poor's Tuesday, May 7th Electric Cooperative and Public Power Hot Topics Conference:
p://ratings-events.standardandpoors.com/content/US_PF_Event_PubPwrNYC5713

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t: Monday, April 29, 2013 10:19 AM
Bodek, David
ject: FW: FYI - Update

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s release

i 2013, 9:20 a.m. EDT

Century Aluminum Announces Agreement to / quire Sebree, KY Smelter

marketwire

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Certified Advisors for the First North market of the OMX Nordic Exchange Iceland hf. for Global Depositary Receipts in Iceland:

t!' Gudmundsson, Senior Manager -- Corporate Finance, Landsbankinn hf. Steingrimur elgason, Director -- Corporate Finance, Landsbankinn hf.

ie Richert, CPA, CITP
Accounting, Rates and CFO
Rivers Electric Corporation
. Third Street
nderson, KY 42420

porate: (270) 827-2561
ce Direct: (270) 844-6190
bile: (270) 577-6221

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Billie Richert

Fro'	Billie Richert
Se	Tuesday, April 30, 2013 9:00 AM
To:	'Bodek, David'
Cc:	'Murphy, Peter'; 'Panger, Jeffrey'
Subject:	RE: Big Rivers Updates
Attachments:	EIA_AveUSResidential_ByUtilityAndState_2013-NoCentury.pdf; EIA_AveKYIndustrial_ByUtilityAndState_2013-NoCentury.pdf; EIA_AveKYResidential_ByUtilityAndState_2013-NoCentury.pdf; EIA_AveUSIndustrial_ByUtilityAndState_2013-NoCentury.pdf

)avid,

meant to send the attached graphs which reflect Big Rivers' rates compared to other organizations after the Century ate case. We are still very competitive. Also, most of the rates for the other organizations are 2011 rates and we are omparing our proposed rate, which goes in effect August 20, 2013, with these rates.

illie

---

rom: Billie Richert
ent: Tuesday, April 30, 2013 8:50 AM
o: 'Bodek, David'
c: Murphy, Peter; Panger, Jeffrey
ıbject: RE: Big Rivers Updates

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e

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t: Monday, April 29, 2013 9:25 AM
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Sincerely,

David

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

legister for Standard & Poor's Tuesday, May 7th Electric Cooperative and Public Power Hot Topics Conference:
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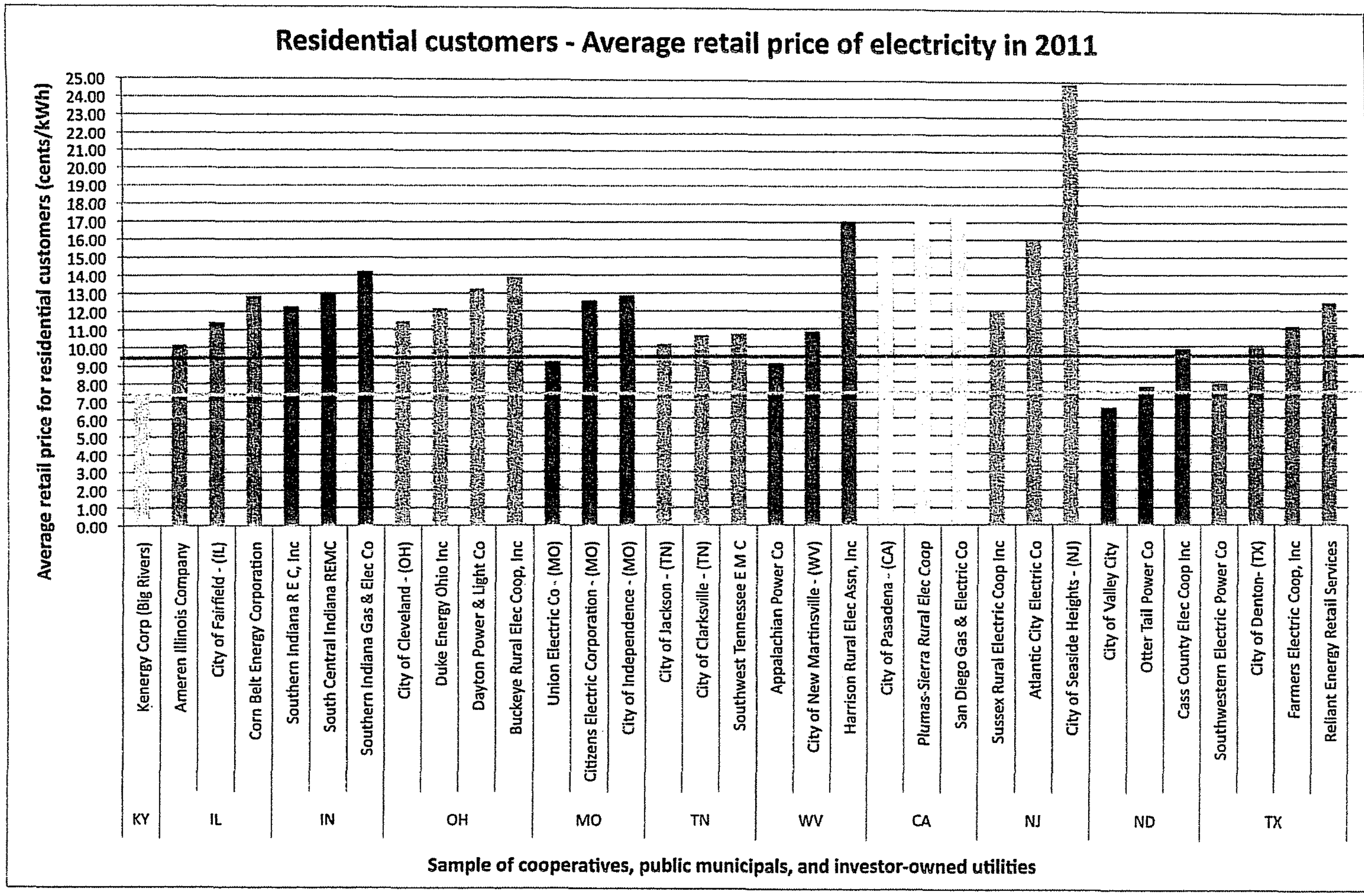

March 22, 2013

9.6 cents per kWh = Member system average residential rate in August 2013 after Century leaves, net of Member Rate Stability Mechanism (MRSM)

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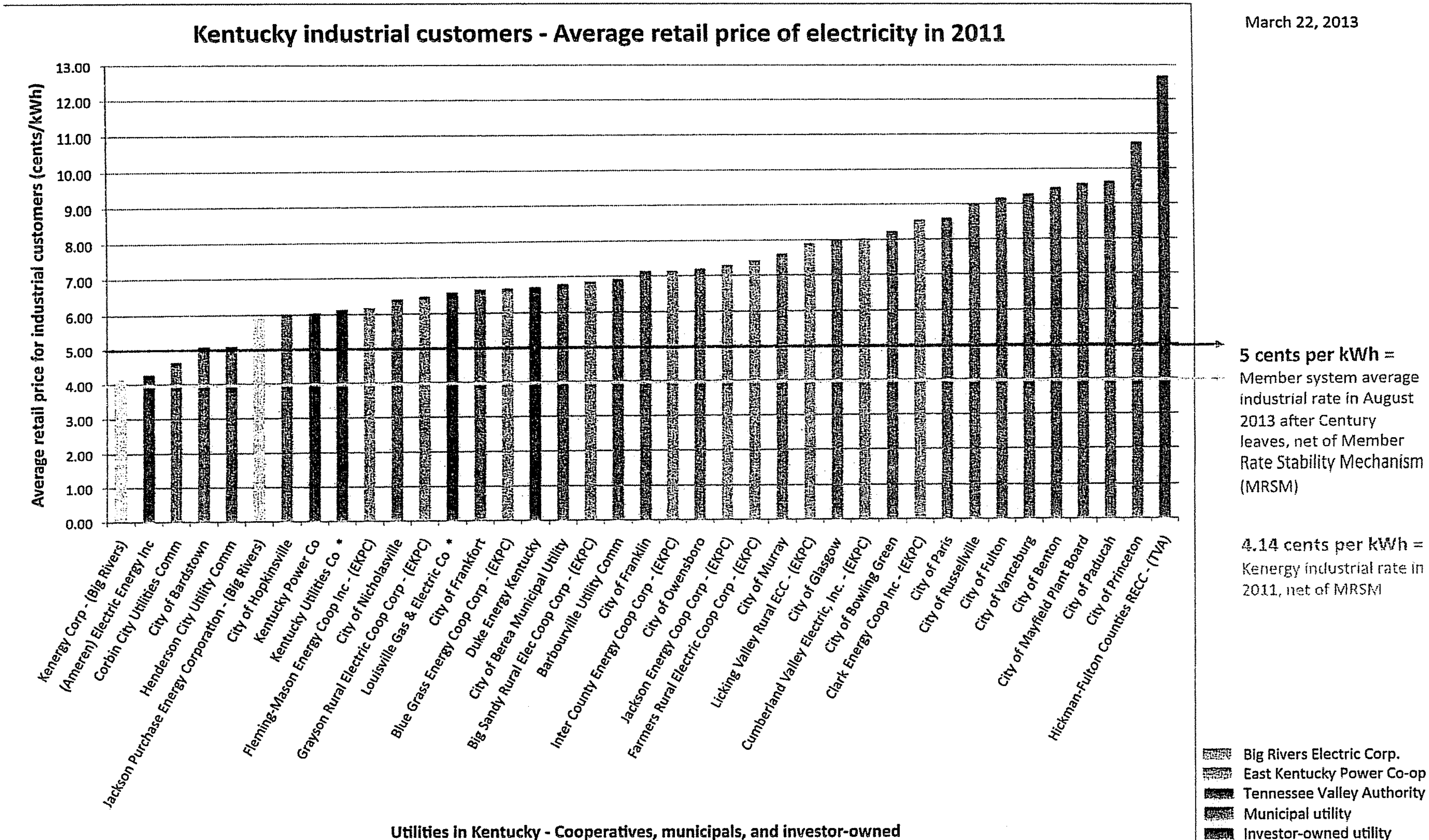
Source: http://www.eia.gov/electricity/data.cfm#sales

U.S. Energy Administration

March 22, 2013



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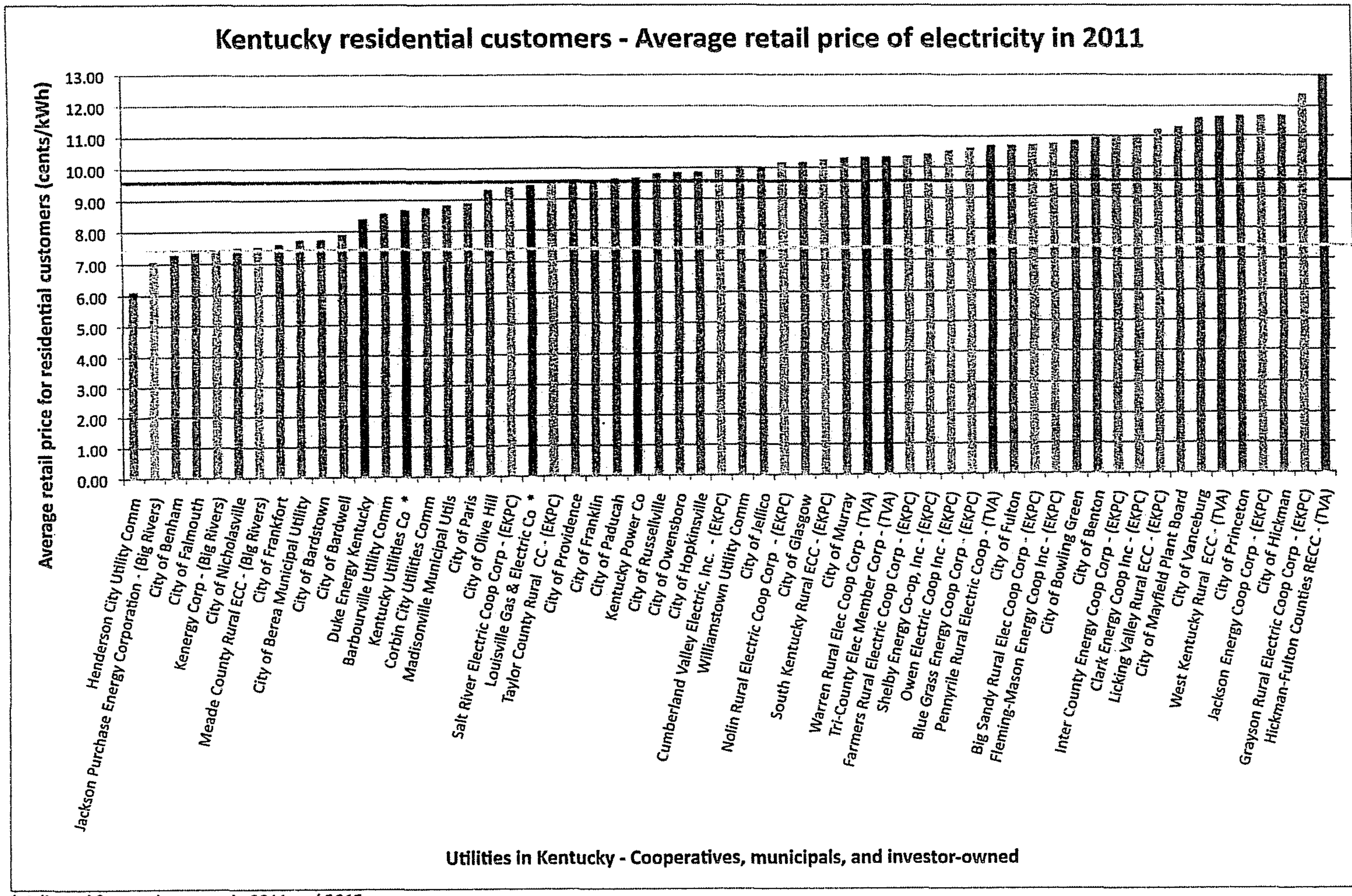

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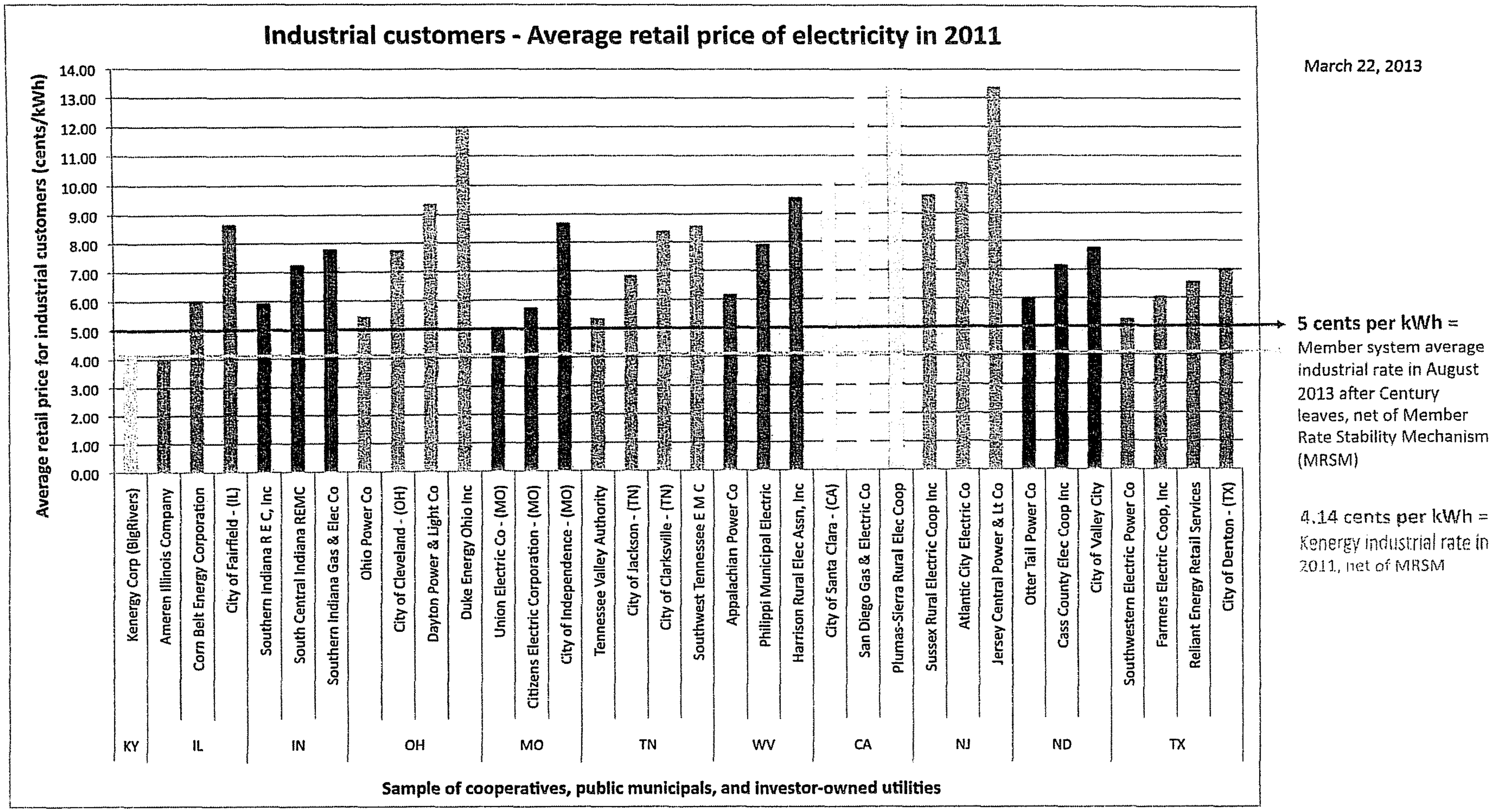

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Billie Richert

From: Billie Richert
Sent: Tuesday, April 30, 2013 8:50 AM
'Bodek, David'
Murphy, Peter; Panger, Jeffrey
Subject: RE: Big Rivers Updates

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P...

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David Bodek
Se[illegible] Director
St[illegible]rd & Poor's Ratings Services
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(v) 212 438 7969
(f) 212 438 2154
david_bodek@standardandpoors.com

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April 29, 2013, 9:20 a.m. EDT

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marketwire

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Billie Richert

From: Bodek, David <david_bodek@standardandpoors.com>
Monday, April 15, 2013 10:08 AM
Billie Richert

Billie,

Are Big Rivers audited financial statements for 2012 available?

Sincerely

David

David Bodek
Senior Director
Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
(v) 212 438 7969
(f) 212 438 2154
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Billie Richert

F--m:	Billie Richert
:	Monday, April 15, 2013 10:29 AM
	'Bodek, David'
Subject:	RE:

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To: Billie Richert
Subject:

Billie,

Are Big Rivers audited financial statements for 2012 available?

Sincerely

David

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

Register for Standard & Poor's Tuesday, May 7th Electric Cooperative and Public Power Hot Topics Conference: http://ratings-events.standardandpoors.com/content/US_PF_Event_PubPwrNYC5713

Billie Richert

From: Bodek, David <david_bodek@standardandpoors.com>
\`t: Monday, February 25, 2013 3:52 PM
Billie Richert
\`\`ubject: Out of Office: 2012 Fourth Quarter Financial Report

I will be out of the office until Thursday February 28. I will have limited access to e-mails while out. If your message requires immediate attention, please contact my assistant, Millie DeJesus at millie_dejesus@sandp.com.

Billie Richert

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

David Bodek
Director
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ATINGS SERVICES

RatingsDirect®

Summary:

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

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

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

Table Of Contents

Summary:

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

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

Rationale

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Outlook

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

Related Criteria And Research

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

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

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

McGRAW-HILL

Billie Richert

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

David,
Are you available to speak?

Billie

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

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Director
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Billie Richert

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

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

Billie Richert

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

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

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

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Billie Richert

From: Billie Richert
t: Friday, February 01, 2013 3:50 PM
'Bodek, David'
Subject: RE: Are you available for a call?

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

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

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

David Bodek
Director
Standard & Poor's Ratings Services
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New York, NY 10041
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From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Friday, February 01, 2013 2:56 PM
To: Bodek, David
Subject: RE: Are you available for a call?

David,

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

Billie

Fr : Bodek, David [mailto:david_bodek@standardandpoors.com]
S Friday, February 01, 2013 11:43 AM
To: Billie Richert
Subject: RE: Are you available for a call?

Could July's $537 million loan accelerate? Is there any other debt that could accelerate?

David Bodek
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From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Friday, February 01, 2013 12:32 PM
To: Bodek, David
Subject: RE: Are you available for a call?

David,
under CoBank; approximately $5.4 million of committed letters of credit against CFC; no draws. Also, please see attached Alcan notice. It is public knowledge.

Billie

From: Bodek, David [mailto:david_bodek@standardandpoors.com]
Sent: Friday, February 01, 2013 10:25 AM
To: Billie Richert
Subject: RE: Are you available for a call?

Are there any draws outstanding under the liquidity facilities? Are there triggers for their acceleration?

David Bodek
Director
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For more information, click on the link below:
http://now.eloqua.com/es.asp?s=302554905&e=87706&elq=dd80381d9a924dd4a79d02fa7bb6c4b4

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Friday, February 01, 2013 12:32 PM
To: Bodek, David
Subject: RE: Are you available for a call?

David,
None under CoBank; approximately $5.4 million of committed letters of credit against CFC; no draws. Also, please see attached Alcan notice. It is public knowledge.

Billie

From: Bodek, David [mailto:david_bodek@standardandpoors.com]
Sent: Friday, February 01, 2013 10:25 AM
To: Billie Richert
Subject: RE: Are you available for a call?

Are there any draws outstanding under the liquidity facilities? Are there triggers for their acceleration?

David Bodek
Director
St ard & Poor's Ratings Services
55 ter Street
New York, NY 10041
(v) 212 438 7969

(f) 212 438 2154
david_bodek@standardandpoors.com

E THE DATE!!!
. sday, May 7, 2013
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From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Friday, February 01, 2013 9:04 AM
To: Bodek, David
Subject: Are you available for a call?

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

Thanks,
Billie

Billie Richert

From: Billie Richert
`: Friday, February 01, 2013 11:43 AM
'Bodek, David'
Suoject: RE: Are you available for a call?

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

From: Bodek, David [mailto:david_bodek@standardandpoors.com]
Sent: Friday, February 01, 2013 10:25 AM
To: Billie Richert
Subject: RE: Are you available for a call?

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Subject:	RE: Are you available for a call?
Attachments:	Alcan Termination Notice0001.pdf

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

Yes. I will call you.

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

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

Thanks.

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

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

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Thanks,
Billie

Billie Richert

F~~m: Billie Richert
: Tuesday, January 22, 2013 3:15 PM
'Bodek, David'
Subject: RE: Friday call

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

Billie

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

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

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

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

David,
What time works for you today?

Thanks,
Billie

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

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

David Bodek
Director

Standard & Poor's Ratings Services
55 Water Street
New York, NY 10041
212 438 7969
.12 438 2154
david_bodek@standardandpoors.com

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

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

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

Billie Richert

F~~m: Billie Richert
: Tuesday, January 22, 2013 10:49 AM
'Bodek, David'
Subject: RE: Friday call

Yes. That works. Speak with you then.

From: Bodek, David [mailto:david_bodek@standardandpoors.com]
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BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS
CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers'
Initial Request for Information
Dated May 2, 2013

May 14, 2013

Item 6) ***Provide copies of all documents, including correspondence between Big Rivers and KPMG related to KPMG's evaluation of whether Big Rivers' financial statements should carry a "going concern" qualification.***

Response) Please see attachments to this response for copies of the attachments previously provided in the responses to KIUC 2-4 (Case No. 2012-00492) and KIUC 2-51 (Case No. 2012-00535) requesting correspondence between Big Rivers and KPMG related to KPMG's evaluation of whether Big Rivers' financial statements should carry a "going concern" qualification. Some of the information provide in response to this request is subject to a petition for confidential treatment that is being filed concurrently with the filing of these responses.

Witness) Billie J. Richert

Billie Richert

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

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

---

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

For your files.

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

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

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Billie Richert

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

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

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

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

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

Thanks,

Kevin

Please use the following call-in:

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

Big Rivers -
Liquidity and G...

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

Purpose:

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

Background:

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

Procedures:

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

- identify events and conditions that may cast substantial doubt on the entity's ability to continue as a going concern for a reasonable period of time by performing risk assessment procedures and by remaining alert throughout the audit

- perform additional audit procedures when events or conditions that may cast substantial doubt on the entity's ability to continue as a going concern are identified and we believe there is substantial doubt

- conclude and consider the implications for the auditors' report regarding the entity's ability to continue as a going concern

- Communicate with those charged with governance

Results:

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

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

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

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

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

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

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

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

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

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

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

- *__2012 Available Cash and Liquidity Position:__* As of December 31, 2012, the Company had approximately $110.0 million in cash and cash equivalents. KPMG notes that of this $110.0 million, $60.0 million is restricted for capital expenditures and the Company would be required to obtain approval from CoBank and the Kentucky Public Service Commission (the commission) prior to utilizing this $60.0 million to pay the maturing pollution control bonds. Assuming they are able to either obtain this approval (or reduce the $79.9 million in capex by $60.0 million accordingly) and considering project capital expenditures for 2013 are projected to be $79.9 million, it can be assumed that this $110.0 million in its entirety would be available to the Company for 2013 projected cash outflows. In consideration of this, an updated analysis of 2013 cash outflows would be as follows:

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

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

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

__Conclusion:__

TBD

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

Discussion points:

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

Big Rivers Electric Corporation
Case No. 2011-00036
Revenue Recovery Mechanism - Item 1
Sixteen Months Rural and Industrial Billing ending December 2012

	kW BILLED	kWh BILLED	DEMAND REVENUE	BASE ENERGY REVENUE
JP RURALS	1,901,716	863,484,076	18,066,302.00	25,676,562.51
KENERGY RURALS	3,438,391	1,553,421,167	32,664,714.50	46,192,531.84
MEADE CO. RURALS	1,369,304	609,172,980	13,008,388.00	18,114,367.75
TOTAL RURALS	6,709,411	3,026,078,223	63,739,404.50	89,983,462.10
KI-ACCURIDE	82,540	35,773,897	866,670.00	876,639.32
KI-ALCOA	2,441	1,472,580	25,630.50	36,085.57
KI-ALERIS	434,983	238,293,091	4,567,321.50	5,839,372.20
KI-SEBREE MINING - STEAMPORT	117,503	45,826,647	1,233,781.50	1,122,981.98
KI-ARMSTRONG - BIG RUN	2,416	999,170	25,368.00	24,484.66
KI-ARMSTRONG - DOCK	112,532	46,469,597	1,181,586.00	1,138,737.49
KI-ARMSTRONG - EQUALITY	52,077	23,106,745	546,808.50	566,230.80
KI-ARMSTRONG - LEWIS	16,331	4,971,580	171,475.50	121,828.57
KI-ARMSTRONG - MIDWAY	61,432	30,685,688	645,036.00	751,952.80
KI-DOMTAR PAPER CO.	288,000	196,686,789	3,024,000.00	4,819,809.79
KI-DOTIKI #3	11,622	7,254,000	122,031.00	177,759.26
KI-ELK CREEK MINE - HOPKINS CO. COAL	266	4,670	2,793.00	114.44
KI-HOPKINS CO. COAL	5,677	2,468,590	59,608.50	60,492.80
KI-KB ALLOYS, INC.	32,016	9,694,935	336,168.00	237,574.38
KI-KIMBERLY-CLARK	594,691	407,971,760	6,244,255.50	9,997,347.98

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	TOTAL DEMAND & ENERGY	NET GREEN POWER	POWER FACTOR PENALTY	ADDL TRANS COSTS PER CONTRACT AGREEMENT
JP RURALS	43,742,864.51	224.85		
KENERGY RURALS	78,857,246.34	0.00		
MEADE CO. RURALS	31,122,755.75	0.00		
TOTAL RURALS	153,722,866.60	224.85	0.00	0.00
KI-ACCURIDE	1,743,309.32		0.00	0.00
KI-ALCOA	61,716.07		18,018.00	0.00
KI-ALERIS	10,406,693.70		0.00	0.00
KI-SEBREE MINING - STEAMPORT	2,356,763.48		0.00	0.00
KI-ARMSTRONG - BIG RUN	49,852.66		0.00	0.00
KI-ARMSTRONG - DOCK	2,320,323.49		4,126.50	95,766.69
KI-ARMSTRONG - EQUALITY	1,113,039.30		0.00	47,292.13
KI-ARMSTRONG - LEWIS	293,304.07		2,782.50	11,334.78
KI-ARMSTRONG - MIDWAY	1,396,988.80		6,982.50	0.00
KI-DOMTAR PAPER CO.	7,843,809.79		0.00	0.00
KI-DOTIKI #3	299,790.26		651.00	0.00
KI-ELK CREEK MINE - HOPKINS CO. COAL	2,907.44		0.00	0.00
KI-HOPKINS CO. COAL	120,101.30		0.00	0.00
KI-KB ALLOYS, INC.	573,742.38		199.50	0.00
KI-KIMBERLY-CLARK	16,241,603.48		0.00	0.00

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	FUEL ADJ CLAUSE	ENVIRON SURCHARGE	UNWIND SURCREDIT	Non-Smelter Non-Fac PPA
JP RURALS	2,072,303.73	1,958,030.49	(3,487,081.05)	(898,886.95)
KENERGY RURALS	3,714,160.75	3,529,675.21	(6,272,874.09)	(1,617,111.45)
MEADE CO. RURALS	1,436,754.55	1,393,640.13	(2,459,230.20)	(634,149.10)
TOTAL RURALS	7,223,219.03	6,881,345.83	(12,219,185.34)	(3,150,147.50)
KI-ACCURIDE	85,259.23	81,442.20	(144,065.48)	(37,240.60)
KI-ALCOA	3,519.13	3,270.28	(5,944.55)	(1,532.95)
KI-ALERIS	570,655.51	530,227.69	(961,234.68)	(248,063.13)
KI-SEBREE MINING - STEAMPORT	105,766.49	105,500.28	(183,943.53)	(47,705.55)
KI-ARMSTRONG - BIG RUN	1,219.33	2,162.34	(3,493.10)	(1,040.13)
KI-ARMSTRONG - DOCK	118,707.48	106,375.60	(189,376.73)	(48,374.84)
KI-ARMSTRONG - EQUALITY	57,146.41	51,865.48	(93,601.66)	(24,054.11)
KI-ARMSTRONG - LEWIS	12,211.10	11,656.44	(20,110.38)	(5,175.42)
KI-ARMSTRONG - MIDWAY	73,064.13	69,872.42	(123,726.76)	(31,943.80)
KI-DOMTAR PAPER CO.	449,249.45	427,652.69	(785,629.56)	(204,750.96)
KI-DOTIKI #3	15,938.15	16,415.82	(28,924.11)	(7,551.41)
KI-ELK CREEK MINE - HOPKINS CO. COAL	11.16	153.66	(19.56)	(4.86)
KI-HOPKINS CO. COAL	5,479.51	5,735.36	(9,837.48)	(2,569.80)
KI-KB ALLOYS, INC.	22,968.70	23,206.57	(39,097.60)	(10,092.44)
KI-KIMBERLY-CLARK	977,296.50	890,363.00	(1,644,368.60)	(424,698.62)

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	Non-Smelter Non-Fac PPA-2	REVENUE RECOGNIZED	MRSM Subtotal Prior to Adj	Expense Mitigation Adj (EMA)
JP RURALS	(63,837.13)	43,323,618.45	(543,253.17)	4,145,344.50
KENERGY RURALS	(116,052.80)	78,095,043.96	(970,961.87)	7,451,621.34
MEADE CO. RURALS	(46,789.76)	30,812,981.37	(371,164.48)	2,914,154.56
TOTAL RURALS	(226,679.69)	152,231,643.78	(1,885,379.52)	14,511,120.40
KI-ACCURIDE	(2,615.33)	1,726,089.34	(22,635.95)	169,283.88
KI-ALCOA	(136.47)	78,909.51	(844.86)	7,105.12
KI-ALERIS	(18,471.28)	10,279,807.81	(139,648.52)	1,132,745.25
KI-SEBREE MINING - STEAMPORT	(3,405.43)	2,332,975.74	(27,323.24)	215,148.36
KI-ARMSTRONG - BIG RUN	0.00	48,701.10	111.43	3,996.68
KI-ARMSTRONG - DOCK	(4,136.20)	2,403,411.99	(35,706.35)	225,490.78
KI-ARMSTRONG - EQUALITY	(1,821.80)	1,149,865.75	(15,410.23)	110,218.80
KI-ARMSTRONG - LEWIS	(472.50)	305,530.59	(3,757.16)	24,068.18
KI-ARMSTRONG - MIDWAY	(2,670.09)	1,388,567.20	(19,209.79)	146,761.85
KI-DOMTAR PAPER CO.	(13,883.46)	7,716,447.95	(91,272.58)	925,045.94
KI-DOTIKI #3	(191.09)	296,128.62	(3,429.86)	32,420.78
KI-ELK CREEK MINE - HOPKINS CO. COAL	(1.48)	3,046.36	(145.26)	28.02
KI-HOPKINS CO. COAL	(173.02)	118,735.87	(1,377.39)	11,392.94
KI-KB ALLOYS, INC.	(660.15)	570,266.96	(7,077.67)	45,599.67
KI-KIMBERLY-CLARK	(32,918.80)	16,007,276.96	(223,290.90)	1,946,592.74

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	Fuel Roll-In MRSM ADJ	TOTAL MRSM REFLECTED ON POWER BILL	REVENUE BILLED
JP RURALS	(8,817,899.36)	(5,215,808.03)	38,107,810.42
KENERGY RURALS	(15,863,536.95)	(9,382,877.48)	68,712,166.48
MEADE CO. RURALS	(6,220,874.47)	(3,677,884.39)	27,135,096.98
TOTAL RURALS	(30,902,310.78)	(18,276,569.90)	133,955,073.88
KI-ACCURIDE	(365,323.04)	(218,675.11)	1,507,414.23
KI-ALCOA	(15,038.02)	(8,777.76)	70,131.75
KI-ALERIS	(2,433,449.05)	(1,440,352.32)	8,839,455.49
KI-SEBREE MINING - STEAMPORT	(467,981.74)	(280,156.62)	2,052,819.12
KI-ARMSTRONG - BIG RUN	(10,203.53)	(6,095.42)	42,605.68
KI-ARMSTRONG - DOCK	(474,547.53)	(284,763.10)	2,118,648.89
KI-ARMSTRONG - EQUALITY	(235,966.07)	(141,157.50)	1,008,708.25
KI-ARMSTRONG - LEWIS	(50,769.79)	(30,458.77)	275,071.82
KI-ARMSTRONG - MIDWAY	(313,362.24)	(185,810.18)	1,202,757.02
KI-DOMTAR PAPER CO.	(2,008,565.47)	(1,174,792.11)	6,541,655.84
KI-DOTIKI #3	(74,077.84)	(45,086.92)	251,041.70
KI-ELK CREEK MINE - HOPKINS CO. COAL	(47.69)	(164.93)	2,881.43
KI-HOPKINS CO. COAL	(25,209.23)	(15,193.68)	103,542.19
KI-KB ALLOYS, INC.	(99,004.69)	(60,482.69)	509,784.27
KI-KIMBERLY-CLARK	(4,166,207.59)	(2,442,905.75)	13,564,371.21

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	kW BILLED	kWh BILLED	DEMAND REVENUE	BASE ENERGY REVENUE
KI-SEBREE MINING - KMMC, LLC	2,568	892,380	26,964.00	21,867.77
KI-PATRIOT COAL, LP	68,661	24,588,300	720,940.50	602,536.29
KI-PRECOAT METALS	57,177	22,461,230	600,358.50	550,412.43
KI-SOUTHWIRE CO.	111,185	68,056,911	1,167,442.50	1,667,734.62
KI-TYSON FOODS	172,202	92,775,476	1,808,121.00	2,273,463.06
KI-VALLEY GRAIN	36,049	16,396,830	378,514.50	401,804.33
	2,262,369	1,276,850,866	23,754,874.50	31,289,230.54
JPI-SHELL OIL	30,793	6,802,075	323,326.50	166,684.85
TOTAL INDUSTRIALS	2,293,162	1,283,652,941	24,078,201.00	31,455,915.39
GRAND TOTAL	9,002,573	4,309,731,164	87,817,605.50	121,439,377.49

NOTE: Does not include Domtar Cogen Backup Power

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	TOTAL DEMAND & ENERGY	NET GREEN POWER	POWER FACTOR PENALTY	ADDL TRANS COSTS PER CONTRACT AGREEMENT
KI-SEBREE MINING - KMMC, LLC	48,831.77		126.00	0.00
KI-PATRIOT COAL, LP	1,323,476.79		34,377.00	0.00
KI-PRECOAT METALS	1,150,770.93		4,630.50	0.00
KI-SOUTHWIRE CO.	2,835,177.12		0.00	0.00
KI-TYSON FOODS	4,081,584.06		1,407.00	0.00
KI-VALLEY GRAIN	780,318.83		53,287.50	0.00
	55,044,105.04		126,588.00	154,393.60
JPI-SHELL OIL	490,011.35		0.00	0.00
TOTAL INDUSTRIALS	55,534,116.39	0.00	126,588.00	154,393.60
GRAND TOTAL	209,256,982.99	224.85	126,588.00	154,393.60

NOTE: Does not include Domtar Cogen Backup Power

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	FUEL ADJ CLAUSE	ENVIRON SURCHARGE	UNWIND SURCREDIT	Non-Smelter Non-Fac PPA
KI-SEBREE MINING - KMMC, LLC	1,970.69	2,112.91	(3,591.37)	(928.98)
KI-PATRIOT COAL, LP	49,460.25	57,874.41	(97,328.17)	(25,596.44)
KI-PRECOAT METALS	54,810.91	51,562.24	(90,501.38)	(23,382.15)
KI-SOUTHWIRE CO.	163,233.66	150,168.26	(274,283.21)	(70,847.24)
KI-TYSON FOODS	225,472.02	206,398.20	(374,690.06)	(96,579.28)
KI-VALLEY GRAIN	38,263.50	37,217.42	(65,804.60)	(17,069.11)
	3,031,703.31	2,831,233.27	(5,139,572.57)	(1,329,201.82)
JPI-SHELL OIL	16,869.58	16,641.42	(27,468.59)	(7,080.97)
TOTAL INDUSTRIALS	3,048,572.89	2,847,874.69	(5,167,041.16)	(1,336,282.79)
GRAND TOTAL	10,271,791.92	9,729,220.52	(17,386,226.50)	(4,486,430.29)

NOTE: Does not include Domtar Cogen Backup Power

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	Non-Smelter Non-Fac PPA-2	REVENUE RECOGNIZED	MRSM Subtotal Prior to Adj	Expense Mitigation Adj (EMA)
KI-SEBREE MINING - KMMC, LLC	(64.04)	48,456.98	(492.23)	4,156.38
KI-PATRIOT COAL, LP	(918.16)	1,341,345.68	(10,006.49)	106,876.64
KI-PRECOAT METALS	(1,590.85)	1,146,300.20	(15,871.77)	106,544.38
KI-SOUTHWIRE CO.	(5,441.89)	2,798,006.70	(39,118.71)	325,232.85
KI-TYSON FOODS	(7,371.20)	4,036,220.74	(57,180.16)	444,658.14
KI-VALLEY GRAIN	(1,355.63)	824,857.91	(9,676.32)	77,947.82
	(98,298.87)	54,620,949.96	(723,364.01)	6,061,315.20
JPI-SHELL OIL	(704.41)	488,268.38	(6,042.41)	32,906.72
TOTAL INDUSTRIALS	(99,003.28)	55,109,218.34	(729,406.42)	6,094,221.92
GRAND TOTAL	(325,682.97)	207,340,862.12	(2,614,785.94)	20,605,342.32

NOTE: Does not include Domtar Cogen Backup Power

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	Fuel Roll-In MRSM ADJ	TOTAL MRSM REFLECTED ON POWER BILL	REVENUE BILLED
KI-SEBREE MINING - KMMC, LLC	(9,112.99)	(5,448.84)	43,008.14
KI-PATRIOT COAL, LP	(251,095.72)	(154,225.57)	1,187,120.11
KI-PRECOAT METALS	(229,374.08)	(138,701.47)	1,007,598.73
KI-SOUTHWIRE CO.	(694,997.18)	(408,883.04)	2,389,123.66
KI-TYSON FOODS	(947,423.15)	(559,945.17)	3,476,275.57
KI-VALLEY GRAIN	(167,444.42)	(99,172.92)	725,684.99
	(13,039,201.06)	(7,701,249.87)	46,919,700.09
JPI-SHELL OIL	(69,462.81)	(42,598.50)	445,669.88
TOTAL INDUSTRIALS	(13,108,663.87)	(7,743,848.37)	47,365,369.97
GRAND TOTAL	(44,010,974.65)	(26,020,418.27)	181,320,443.85

NOTE: Does not include Domtar Cogen Backup Power

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Sixteen Months Smelter Billing ending December 2012

TOTALS

BASE MONTHLY ENERGY -		SUPPLEMENTAL ENERGY	PLUS BACKUP ENERGY	LESS SALES
CENTURY ALUMINUM (Special Contract)	5,589,044,845	416,000	17,490,067	(29,140,900)
ALCAN RIO TINTO (Special Contract)	4,242,854,428	0	20,446,876	(34,145,784)
	9,831,899,273	416,000	37,936,943	(63,286,684)

BASE FIXED ENERGY	
CENTURY ALUMINUM (Special Contract)	5,532,752,680
ALCAN RIO TINTO (Special Contract)	4,224,176,320
	9,756,929,000

BASE VARIABLE ENERGY	
CENTURY ALUMINUM (Special Contract)	56,292,165
ALCAN RIO TINTO (Special Contract)	18,678,108
	74,970,273

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BASE MONTHLY ENERGY -	TOTAL KWH	REV $ MILLS/KWH	FUEL ADJ CLAUSE AMT	MILLS
CENTURY ALUMINUM (Special Contract)	5,577,810,012	48.03	13,302,595.06	2.38
ALCAN RIO TINTO (Special Contract)	4,229,155,520	48.20	10,054,740.79	2.37
	9,806,965,532		23,357,335.85	

BASE FIXED ENERGY
CENTURY ALUMINUM
(Special Contract)
ALCAN RIO TINTO
(Special Contract)

BASE VARIABLE ENERGY
CENTURY ALUMINUM
(Special Contract)
ALCAN RIO TINTO
(Special Contract)

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	ENVIRONMENTAL SURCHARGE		NONFAC PPA			
BASE MONTHLY ENERGY -	AMT	MILLS	AMT	MILLS	SURCHARGE	TOTAL FAC,ES, NONFAC PPA, SURCHARGE
CENTURY ALUMINUM (Special Contract)	12,254,934.18	2.19	(1,400,772.90)	(0.25)	9,930,119.23	34,086,875.57
ALCAN RIO TINTO (Special Contract)	9,304,026.32	2.19	(1,065,843.81)	(0.25)	7,581,523.57	25,874,446.87
	21,558,960.50		(2,466,616.71)		17,511,642.80	59,961,322.44
BASE FIXED ENERGY						
CENTURY ALUMINUM (Special Contract)						218,001,535.26
ALCAN RIO TINTO (Special Contract)						166,441,006.13
BASE VARIABLE ENERGY						
CENTURY ALUMINUM (Special Contract)						1,227,506.94
ALCAN RIO TINTO (Special Contract)						407,294.87

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TOTALS

BASE MONTHLY ENERGY -	SUPPLEMENTAL ENERGY	PLUS BACKUP ENERGY	LESS SALES
		TIER ADJ	SURPLUS SALES CREDIT
CENTURY ALUMINUM (Special Contract)		14,929,788.05	(1,028,542.17)
ALCAN RIO TINTO (Special Contract)		11,398,676.35	(1,168,617.07)
		26,328,464.40	(2,197,159.24)
CENTURY ALUMINUM (Special Contract)			
ALCAN RIO TINTO (Special Contract)			
TOTAL CENTURY			
ALCAN RIO TINTO			

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			FUEL ADJ CLAUSE	
BASE MONTHLY ENERGY -	TOTAL KWH	REV $ MILLS/KWH	AMT	MILLS
	BACKUP ENERGY	SUPPLEMENTAL ENERGY	MISO TRUE-UP	
CENTURY ALUMINUM (Special Contract)	657,403.60	13,147.36	(1,641.77)	
ALCAN RIO TINTO (Special Contract)	868,567.18	0.00	7,296.29	
	1,525,970.78	13,147.36	5,654.52	
CENTURY ALUMINUM (Special Contract)				
ALCAN RIO TINTO (Special Contract)				
TOTAL CENTURY				
ALCAN RIO TINTO				

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Big Rivers Electric Corporation
Case No. 2011-00036
Revenue Recovery Mechanism - Item 1
Sixteen Months Smelter Billing ending December 2012

	ENVIRONMENTAL SURCHARGE		NONFAC PPA			
BASE MONTHLY ENERGY -	AMT	MILLS	AMT	MILLS	SURCHARGE	TOTAL FAC,ES, NONFAC PPA, SURCHARGE
CENTURY ALUMINUM (Special Contract)						14,570,155.07
ALCAN RIO TINTO (Special Contract)						11,105,922.75
CENTURY ALUMINUM (Special Contract)						267,886,072.84
ALCAN RIO TINTO (Special Contract)						203,828,670.62
TOTAL CENTURY ALCAN RIO TINTO						471,714,743.46

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Big Rivers Electric Corporation
Case No. 2011-00036
Revenue Recovery Mechanism - Item 2
Sixteen Months Rural and Industrial Billing ending December 2012

	kW BILLED	kWh BILLED	DEMAND REVENUE	BASE ENERGY REVENUE
JP RURALS	1,901,716	863,484,076	18,440,940.06	25,676,562.51
KENERGY RURALS	3,438,391	1,553,421,167	33,342,077.51	46,192,531.84
MEADE CO. RURALS	1,369,304	609,172,980	13,278,140.90	18,114,367.75
TOTAL RURALS	6,709,411	3,026,078,223	65,061,158.47	89,983,462.10
KI-ACCURIDE	82,540	35,773,897	866,670.00	876,746.66
KI-ALCOA	2,441	1,472,580	25,630.50	36,090.00
KI-ALERIS	434,983	238,293,091	4,567,321.50	5,840,087.07
KI-SEBREE MINING - STEAMPORT	117,503	45,826,647	1,233,781.50	1,123,119.50
KI-ARMSTRONG - BIG RUN	2,416	999,170	25,368.00	24,487.66
KI-ARMSTRONG - DOCK	112,532	46,469,597	1,181,586.00	1,138,876.88
KI-ARMSTRONG - EQUALITY	52,077	23,106,745	546,808.50	566,300.11
KI-ARMSTRONG - LEWIS	16,331	4,971,580	171,475.50	121,843.48
KI-ARMSTRONG - MIDWAY	61,432	30,685,688	645,036.00	752,044.84
KI-DOMTAR PAPER CO.	288,000	196,686,789	3,024,000.00	4,820,399.83
KI-DOTIKI #3	11,622	7,254,000	122,031.00	177,781.04
KI-ELK CREEK MINE - HOPKINS CO. COAL	266	4,670	2,793.00	114.45
KI-HOPKINS CO. COAL	5,677	2,468,590	59,608.50	60,500.21
KI-KB ALLOYS, INC.	32,016	9,694,935	336,168.00	237,603.49
KI-KIMBERLY-CLARK	594,691	407,971,760	6,244,255.50	9,998,571.90

Big Rivers Electric Corporation
Case No. 2011-00036
Revenue Recovery Mechanism - Item 2
Sixteen Months <u>Rural and Industrial Billing</u> ending December 2012

	TOTAL DEMAND & ENERGY	NET GREEN POWER	POWER FACTOR PENALTY	ADDL TRANS COSTS PER CONTRACT AGREEMENT
JP RURALS	44,117,502.57	224.85		
KENERGY RURALS	79,534,609.35	0.00		
MEADE CO. RURALS	31,392,508.65	0.00		
TOTAL RURALS	155,044,620.57	224.85	0.00	0.00
KI-ACCURIDE	1,743,416.66		0.00	0.00
KI-ALCOA	61,720.50		18,018.00	0.00
KI-ALERIS	10,407,408.57		0.00	0.00
KI-SEBREE MINING - STEAMPORT	2,356,901.00		0.00	0.00
KI-ARMSTRONG - BIG RUN	49,855.66		0.00	0.00
KI-ARMSTRONG - DOCK	2,320,462.88		4,126.50	95,766.69
KI-ARMSTRONG - EQUALITY	1,113,108.61		0.00	47,292.13
KI-ARMSTRONG - LEWIS	293,318.98		2,782.50	11,334.78
KI-ARMSTRONG - MIDWAY	1,397,080.84		6,982.50	0.00
KI-DOMTAR PAPER CO.	7,844,399.83		0.00	0.00
KI-DOTIKI #3	299,812.04		651.00	0.00
KI-ELK CREEK MINE - HOPKINS CO. COAL	2,907.45		0.00	0.00
KI-HOPKINS CO. COAL	120,108.71		0.00	0.00
KI-KB ALLOYS, INC.	573,771.49		199.50	0.00
KI-KIMBERLY-CLARK	16,242,827.40		0.00	0.00

Big Rivers Electric Corporation
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Sixteen Months Rural and Industrial Billing ending December 2012

	FUEL ADJ CLAUSE	ENVIRON SURCHARGE	UNWIND SURCREDIT	Non-Smelter Non-Fac PPA
JP RURALS	2,072,303.73	1,961,215.86	(3,487,081.05)	(898,886.95)
KENERGY RURALS	3,714,160.75	3,535,590.72	(6,272,874.09)	(1,617,111.45)
MEADE CO. RURALS	1,436,754.55	1,396,191.92	(2,459,230.20)	(634,149.10)
TOTAL RURALS	7,223,219.03	6,892,998.50	(12,219,185.34)	(3,150,147.50)
KI-ACCURIDE	85,259.23	81,443.17	(144,065.48)	(37,240.60)
KI-ALCOA	3,519.13	3,270.34	(5,944.55)	(1,532.95)
KI-ALERIS	570,655.51	530,234.51	(961,234.68)	(248,063.13)
KI-SEBREE MINING - STEAMPORT	105,766.49	105,501.57	(183,943.53)	(47,705.55)
KI-ARMSTRONG - BIG RUN	1,219.33	2,162.34	(3,493.10)	(1,040.13)
KI-ARMSTRONG - DOCK	118,707.48	106,377.19	(189,376.73)	(48,374.84)
KI-ARMSTRONG - EQUALITY	57,146.41	51,866.17	(93,601.66)	(24,054.11)
KI-ARMSTRONG - LEWIS	12,211.10	11,656.63	(20,110.38)	(5,175.42)
KI-ARMSTRONG - MIDWAY	73,064.13	69,873.44	(123,726.76)	(31,943.80)
KI-DOMTAR PAPER CO.	449,249.45	427,657.89	(785,629.56)	(204,750.96)
KI-DOTIKI #3	15,938.15	16,415.85	(28,924.11)	(7,551.41)
KI-ELK CREEK MINE - HOPKINS CO. COAL	11.16	153.67	(19.56)	(4.86)
KI-HOPKINS CO. COAL	5,479.51	5,735.44	(9,837.48)	(2,569.80)
KI-KB ALLOYS, INC.	22,968.70	23,206.84	(39,097.60)	(10,092.44)
KI-KIMBERLY-CLARK	977,296.50	890,375.42	(1,644,368.60)	(424,698.62)

Big Rivers Electric Corporation
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Sixteen Months Rural and Industrial Billing ending December 2012

	Non-Smelter Non-Fac PPA-2	REVENUE RECOGNIZED	MRSM Subtotal Prior to Adj	Expense Mitigation Adj (EMA)
JP RURALS	(63,837.13)	43,701,441.88	(546,438.54)	4,145,344.50
KENERGY RURALS	(116,052.80)	78,778,322.48	(976,877.38)	7,451,621.34
MEADE CO. RURALS	(46,789.76)	31,085,286.06	(373,716.27)	2,914,154.56
TOTAL RURALS	(226,679.69)	153,565,050.42	(1,897,032.19)	14,511,120.40
KI-ACCURIDE	(2,615.33)	1,726,197.65	(22,636.92)	169,283.88
KI-ALCOA	(136.47)	78,914.00	(844.92)	7,105.12
KI-ALERIS	(18,471.28)	10,280,529.50	(139,655.34)	1,132,745.25
KI-SEBREE MINING - STEAMPORT	(3,405.43)	2,333,114.55	(27,324.53)	215,148.36
KI-ARMSTRONG - BIG RUN	0.00	48,704.10	111.43	3,996.68
KI-ARMSTRONG - DOCK	(4,136.20)	2,403,552.97	(35,707.94)	225,490.78
KI-ARMSTRONG - EQUALITY	(1,821.80)	1,149,935.75	(15,410.92)	110,218.80
KI-ARMSTRONG - LEWIS	(472.50)	305,545.69	(3,757.35)	24,068.18
KI-ARMSTRONG - MIDWAY	(2,670.09)	1,388,660.26	(19,210.81)	146,761.85
KI-DOMTAR PAPER CO.	(13,883.46)	7,717,043.19	(91,277.78)	925,045.94
KI-DOTIKI #3	(191.09)	296,150.43	(3,429.89)	32,420.78
KI-ELK CREEK MINE - HOPKINS CO. COAL	(1.48)	3,046.38	(145.27)	28.02
KI-HOPKINS CO. COAL	(173.02)	118,743.36	(1,377.47)	11,392.94
KI-KB ALLOYS, INC.	(660.15)	570,296.34	(7,077.94)	45,599.67
KI-KIMBERLY-CLARK	(32,918.80)	16,008,513.30	(223,303.32)	1,946,592.74

Big Rivers Electric Corporation
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Sixteen Months Rural and Industrial Billing ending December 2012

	Fuel Roll-In MRSM ADJ	TOTAL MRSM REFLECTED ON POWER BILL	REVENUE BILLED
JP RURALS	(8,817,899.36)	(5,218,993.40)	38,482,448.48
KENERGY RURALS	(15,863,536.95)	(9,388,792.99)	69,389,529.49
MEADE CO. RURALS	(6,220,874.47)	(3,680,436.18)	27,404,849.88
TOTAL RURALS	(30,902,310.78)	(18,288,222.57)	135,276,827.85
KI-ACCURIDE	(365,323.04)	(218,676.08)	1,507,521.57
KI-ALCOA	(15,038.02)	(8,777.82)	70,136.18
KI-ALERIS	(2,433,449.05)	(1,440,359.14)	8,840,170.36
KI-SEBREE MINING - STEAMPORT	(467,981.74)	(280,157.91)	2,052,956.64
KI-ARMSTRONG - BIG RUN	(10,203.53)	(6,095.42)	42,608.68
KI-ARMSTRONG - DOCK	(474,547.53)	(284,764.69)	2,118,788.28
KI-ARMSTRONG - EQUALITY	(235,966.07)	(141,158.19)	1,008,777.56
KI-ARMSTRONG - LEWIS	(50,769.79)	(30,458.96)	275,086.73
KI-ARMSTRONG - MIDWAY	(313,362.24)	(185,811.20)	1,202,849.06
KI-DOMTAR PAPER CO.	(2,008,565.47)	(1,174,797.31)	6,542,245.88
KI-DOTIKI #3	(74,077.84)	(45,086.95)	251,063.48
KI-ELK CREEK MINE - HOPKINS CO. COAL	(47.69)	(164.94)	2,881.44
KI-HOPKINS CO. COAL	(25,209.23)	(15,193.76)	103,549.60
KI-KB ALLOYS, INC.	(99,004.69)	(60,482.96)	509,813.38
KI-KIMBERLY-CLARK	(4,166,207.59)	(2,442,918.17)	13,565,595.13

Big Rivers Electric Corporation
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Sixteen Months Rural and Industrial Billing ending December 2012

	kW BILLED	kWh BILLED	DEMAND REVENUE	BASE ENERGY REVENUE
KI-SEBREE MINING - KMMC, LLC	2,568	892,380	26,964.00	21,870.45
KI-PATRIOT COAL, LP	68,661	24,588,300	720,940.50	602,610.05
KI-PRECOAT METALS	57,177	22,461,230	600,358.50	550,479.82
KI-SOUTHWIRE CO.	111,185	68,056,911	1,167,442.50	1,667,938.78
KI-TYSON FOODS	172,202	92,775,476	1,808,121.00	2,273,741.35
KI-VALLEY GRAIN	36,049	16,396,830	378,514.50	401,853.52
	2,262,369	1,276,850,866	23,754,874.50	31,293,061.09
JPI-SHELL OIL	30,793	6,802,075	323,326.50	166,705.26
TOTAL INDUSTRIALS	2,293,162	1,283,652,941	24,078,201.00	31,459,766.35
GRAND TOTAL	9,002,573	4,309,731,164	89,139,359.47	121,443,228.45

NOTE: Does not include Domtar Cogen Backup Power

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	TOTAL DEMAND & ENERGY	NET GREEN POWER	POWER FACTOR PENALTY	ADDL TRANS COSTS PER CONTRACT AGREEMENT
KI-SEBREE MINING - KMMC, LLC	48,834.45		126.00	0.00
KI-PATRIOT COAL, LP	1,323,550.55		34,377.00	0.00
KI-PRECOAT METALS	1,150,838.32		4,630.50	0.00
KI-SOUTHWIRE CO.	2,835,381.28		0.00	0.00
KI-TYSON FOODS	4,081,862.35		1,407.00	0.00
KI-VALLEY GRAIN	780,368.02		53,287.50	0.00
	55,047,935.59		126,588.00	154,393.60
JPI-SHELL OIL	490,031.76		0.00	0.00
TOTAL INDUSTRIALS	55,537,967.35	0.00	126,588.00	154,393.60
GRAND TOTAL	210,582,587.92	224.85	126,588.00	154,393.60

NOTE: Does not include Domtar Cogen Backup Power

Big Rivers Electric Corporation
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Sixteen Months Rural and Industrial Billing ending December 2012

	FUEL ADJ CLAUSE	ENVIRON SURCHARGE	UNWIND SURCREDIT	Non-Smelter Non-Fac PPA
KI-SEBREE MINING - KMMC, LLC	1,970.69	2,112.94	(3,591.37)	(928.98)
KI-PATRIOT COAL, LP	49,460.25	57,874.77	(97,328.17)	(25,596.44)
KI-PRECOAT METALS	54,810.91	51,562.84	(90,501.38)	(23,382.15)
KI-SOUTHWIRE CO.	163,233.66	150,170.26	(274,283.21)	(70,847.24)
KI-TYSON FOODS	225,472.02	206,400.93	(374,690.06)	(96,579.28)
KI-VALLEY GRAIN	38,263.50	37,217.89	(65,804.60)	(17,069.11)
	3,031,703.31	2,831,270.10	(5,139,572.57)	(1,329,201.82)
JPI-SHELL OIL	16,869.58	16,641.70	(27,468.59)	(7,080.97)
TOTAL INDUSTRIALS	3,048,572.89	2,847,911.80	(5,167,041.16)	(1,336,282.79)
GRAND TOTAL	10,271,791.92	9,740,910.30	(17,386,226.50)	(4,486,430.29)

NOTE: Does not include Domtar Cogen Backup Power

Big Rivers Electric Corporation
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Sixteen Months Rural and Industrial Billing ending December 2012

	Non-Smelter Non-Fac PPA-2	REVENUE RECOGNIZED	MRSM Subtotal Prior to Adj	Expense Mitigation Adj (EMA)
KI-SEBREE MINING - KMMC, LLC	(64.04)	48,459.69	(492.26)	4,156.38
KI-PATRIOT COAL, LP	(918.16)	1,341,419.80	(10,006.85)	106,876.64
KI-PRECOAT METALS	(1,590.85)	1,146,368.19	(15,872.37)	106,544.38
KI-SOUTHWIRE CO.	(5,441.89)	2,798,212.86	(39,120.71)	325,232.85
KI-TYSON FOODS	(7,371.20)	4,036,501.76	(57,182.89)	444,658.14
KI-VALLEY GRAIN	(1,355.63)	824,907.57	(9,676.79)	77,947.82
	(98,298.87)	54,624,817.34	(723,400.84)	6,061,315.20
JPI-SHELL OIL	(704.41)	488,289.07	(6,042.69)	32,906.72
TOTAL INDUSTRIALS	(99,003.28)	55,113,106.41	(729,443.53)	6,094,221.92
GRAND TOTAL	(325,682.97)	208,678,156.83	(2,626,475.72)	20,605,342.32

NOTE: Does not include Domtar Cogen Backup Power

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Sixteen Months <u>Rural and Industrial Billing</u> ending December 2012

	Fuel Roll-In MRSM ADJ	TOTAL MRSM REFLECTED ON POWER BILL	REVENUE BILLED
KI-SEBREE MINING - KMMC, LLC	(9,112.99)	(5,448.87)	43,010.82
KI-PATRIOT COAL, LP	(251,095.72)	(154,225.93)	1,187,193.87
KI-PRECOAT METALS	(229,374.08)	(138,702.07)	1,007,666.12
KI-SOUTHWIRE CO.	(694,997.18)	(408,885.04)	2,389,327.82
KI-TYSON FOODS	(947,423.15)	(559,947.90)	3,476,553.86
KI-VALLEY GRAIN	(167,444.42)	(99,173.39)	725,734.18
	(13,039,201.06)	(7,701,286.70)	46,923,530.64
JPI-SHELL OIL	(69,462.81)	(42,598.78)	445,690.29
TOTAL INDUSTRIALS	(13,108,663.87)	(7,743,885.48)	47,369,220.93
GRAND TOTAL	(44,010,974.65)	(26,032,108.05)	182,646,048.78

NOTE: Does not include Domtar Cogen Backup Power

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TOTALS

		SUPPLEMENTAL ENERGY	PLUS BACKUP ENERGY	LESS SURPLUS SALES
BASE MONTHLY ENERGY -				
CENTURY ALUMINUM (Special Contract)	5,589,044,845	416,000	17,490,067	(29,140,900)
ALCAN RIO TINTO (Special Contract)	4,242,854,428	0	20,446,876	(34,145,784)
	9,831,899,273	416,000	37,936,943	(63,286,684)

BASE FIXED ENERGY	
CENTURY ALUMINUM (Special Contract)	5,532,752,680
ALCAN RIO TINTO (Special Contract)	4,224,176,320
	9,756,929,000

BASE VARIABLE ENERGY	
CENTURY ALUMINUM (Special Contract)	56,292,165
ALCAN RIO TINTO (Special Contract)	18,678,108
	74,970,273

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			FUEL ADJ CLAUSE	
BASE MONTHLY ENERGY -	TOTAL KWH	REV $ MILLS/KWH	AMT	MILLS
CENTURY ALUMINUM (Special Contract)	5,577,810,012	48.03	13,302,595.06	2.38
ALCAN RIO TINTO (Special Contract)	4,229,155,520	48.20	10,054,740.79	2.37
	9,806,965,532		23,357,335.85	

BASE FIXED ENERGY
CENTURY ALUMINUM
(Special Contract)
ALCAN RIO TINTO
(Special Contract)

BASE VARIABLE ENERGY
CENTURY ALUMINUM
(Special Contract)
ALCAN RIO TINTO
(Special Contract)

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	ENVIRONMENTAL SURCHARGE		NONFAC PPA			
	AMT	MILLS	AMT	MILLS	SURCHARGE	TOTAL FAC,ES, NONFAC PPA, SURCHARGE
BASE MONTHLY ENERGY - CENTURY ALUMINUM (Special Contract)	12,255,100.81	2.19	(1,400,772.90)	(0.25)	9,930,119.23	34,087,042.20
ALCAN RIO TINTO (Special Contract)	9,304,152.52	2.19	(1,065,843.81)	(0.25)	7,581,523.57	25,874,573.07
	21,559,253.33		(2,466,616.71)		17,511,642.80	59,961,615.27
BASE FIXED ENERGY						
CENTURY ALUMINUM (Special Contract)						218,018,133.53
ALCAN RIO TINTO (Special Contract)						166,453,678.71
BASE VARIABLE ENERGY						
CENTURY ALUMINUM (Special Contract)						1,227,506.94
ALCAN RIO TINTO (Special Contract)						407,294.87

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TOTALS

BASE MONTHLY ENERGY -	SUPPLEMENTAL ENERGY	PLUS BACKUP ENERGY	LESS SURPLUS SALES
		TIER ADJ	SURPLUS SALES CREDIT
CENTURY ALUMINUM (Special Contract)		14,929,788.05	(1,028,542.17)
ALCAN RIO TINTO (Special Contract)		11,398,676.35	(1,168,617.07)
		26,328,464.40	(2,197,159.24)

CENTURY ALUMINUM
(Special Contract)
ALCAN RIO TINTO
(Special Contract)
TOTAL CENTURY
ALCAN RIO TINTO

Big Rivers Electric Corporation
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BASE MONTHLY ENERGY -	TOTAL KWH	REV $ MILLS/KWH	FUEL ADJ CLAUSE AMT	FUEL ADJ CLAUSE MILLS
	BACKUP ENERGY	SUPPLEMENTAL ENERGY	MISO TRUE-UP	
CENTURY ALUMINUM (Special Contract)	657,403.60	13,147.36	(1,641.77)	
ALCAN RIO TINTO (Special Contract)	868,567.18	0.00	7,296.29	
	1,525,970.78	13,147.36	5,654.52	
CENTURY ALUMINUM (Special Contract)				
ALCAN RIO TINTO (Special Contract)				
TOTAL CENTURY				
ALCAN RIO TINTO				

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Sixteen Months Smelter Billing ending December 2012

	ENVIRONMENTAL SURCHARGE		NONFAC PPA			
BASE MONTHLY ENERGY -	AMT	MILLS	AMT	MILLS	SURCHARGE	TOTAL FAC,ES, NONFAC PPA, SURCHARGE
CENTURY ALUMINUM (Special Contract)						14,570,155.07
ALCAN RIO TINTO (Special Contract)						11,105,922.75
CENTURY ALUMINUM (Special Contract)						267,902,837.74
ALCAN RIO TINTO (Special Contract)						203,841,469.40
TOTAL CENTURY ALCAN RIO TINTO						471,744,307.14

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Big Rivers Electric Corporation
Case No. 2011-00036
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Sixteen Months kWh Sales ending December 2012
Rural, Industrial, and Smelter Customers

September 2011 through December 2012

	2011			
	SEP	OCT	NOV	DEC
	kWh	kWh	kWh	kWh
JP RURALS	47,352,610	44,634,080	48,150,470	59,739,640
KENERGY RURALS	85,300,725	82,047,580	86,324,980	107,539,490
MEADE CO. RURALS	31,249,180	31,661,500	35,100,140	45,500,230
TOTAL RURALS	**163,902,515**	**158,343,160**	**169,575,590**	**212,779,360**
KI-ACCURIDE	2,264,920	2,206,760	2,315,890	2,099,790
KI-ALCOA	77,260	81,870	81,820	105,760
KI-ALERIS	14,885,670	15,341,840	13,679,620	12,956,140
KI-SEBREE MINING - STEAMPORT	2,907,930	3,004,330	3.174.380	3,260,370
KI-ARMSTRONG - BIG RUN	518,340	480,830	0	0
KI-ARMSTRONG - DOCK	1,821,420	2,327,700	1,666,500	2,492,692
KI-ARMSTRONG - EQUALITY	1,445,230	1,391,200	834,135	1,305,096
KI-ARMSTRONG - LEWIS	274,060	314,990	255,010	261,920
KI-ARMSTRONG - MIDWAY	1,709,000	1,944,050	1,856,290	1,889,090
KI-DOMTAR PAPER CO.	17,023,007	16,532,099	12,250,974	12,376,907
KI-DOTIKI #3	547,630	561,520	553,760	578,360
KI-ELK CREEK MINE - HOPKINS CO. COAL	0	0	0	0
KI-HOPKINS CO. COAL	173,850	240,050	172,060	184,100
KI-KB ALLOYS, INC.	534,510	625,710	598,340	586,120
KI-KIMBERLY-CLARK	25,152,190	25,665,530.	23,705,030	24,621,560
	29,890	39,440	63,850	98,390

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Rural, Industrial, and Smelter Customers

September 2011 through December 2012

	2012			
	JAN	FEB	MAR	APR
	kWh	kWh	kWh	kWh
JP RURALS	60,783,300	51,999,650	44,367,140	42,919,630
KENERGY RURALS	113,797,704	97,670,130	81,561,160	76,111,380
MEADE CO. RURALS	49,731,850	42,332,140	32,145,840	29,297,740
TOTAL RURALS	**224,312,854**	**192,001,920**	**158,074,140**	**148,328,750**
KI-ACCURIDE	1,915,910	2,345,950	2,563,090	2,359,380
KI-ALCOA	110,920	96,450	84,030	77,580
KI-ALERIS	15,600,700	14,964,350	14,621,220	15,307,580
KI-SEBREE MINING - STEAMPORT	3,290,290	3,224,540	3,119,088	2,884,600
KI-ARMSTRONG - BIG RUN	0	0	0	0
KI-ARMSTRONG - DOCK	2,841,560	2,862,500	3,144,980	2,919,170
KI-ARMSTRONG - EQUALITY	1,529,370	1,558,320	1,622,320	1,568,470
KI-ARMSTRONG - LEWIS	302,740	302,160	326,008	281,370
KI-ARMSTRONG - MIDWAY	1,898,650	1,960,080	1,883,220	1,877,400
KI-DOMTAR PAPER CO.	11,453,843	12,107,567	13,422,079	10,654,962
KI-DOTIKI #3	574,770	533,280	560,740	539,540
KI-ELK CREEK MINE - HOPKINS CO. COAL	0	0	0	0
KI-HOPKINS CO. COAL	189,410	170,160	181,390	148,030
KI-KB ALLOYS, INC.	691,850	651,610	685,290	595,030
KI-KIMBERLY-CLARK	24,703,210	24,394,400	26,523,550	25,783,640
	94,050	88,090	56,720	39,530

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Rural, Industrial, and Smelter Customers

September 2011 through December 2012

	2012			
	MAY	JUN	JUL	AUG
	kWh	kWh	kWh	kWh
JP RURALS	56,014,780	61,818,677	77,753,367	65,934,520
KENERGY RURALS	96,500,993	107,598,690	136,095,885	115,616,756
MEADE CO. RURALS	35,013,590	38,409,450	49,246,040	41,416,420
TOTAL RURALS	**187,529,363**	**207,826,817**	**263,095,292**	**222,967,696**
KI-ACCURIDE	2,385,150	2,222,910	2,461,320	2,356,457
KI-ALCOA	77,620	71,870	72,560	102,960
KI-ALERIS	15,667,440	15,482,090	15,901,360	15,431,650
KI-SEBREE MINING - STEAMPORT	3,208,790	1,831,443	2,252,233	2,891,960
KI-ARMSTRONG - BIG RUN	0	0	0	0
KI-ARMSTRONG - DOCK	3,372,390	3,214,490	3,151,827	3,565,120
KI-ARMSTRONG - EQUALITY	1,452,370	1,504,320	1,537,520	1,593,200
KI-ARMSTRONG - LEWIS	285,120	277,270	297,720	297,970
KI-ARMSTRONG - MIDWAY	1,850,400	1,807,960	1,752,520	1,807,390
KI-DOMTAR PAPER CO.	10,954,968	10,760,998	14,875,711	10,338,674
KI-DOTIKI #3	559,570	542,440	555,570	542,130
KI-ELK CREEK MINE - HOPKINS CO. COAL	0	0	0	0
KI-HOPKINS CO. COAL	167,310	82,940	80,170	131,580
KI-KB ALLOYS, INC.	684,130	632,380	626,450	694,440
KI-KIMBERLY-CLARK	24,770,720	25,299,080	26,335,070	26,844,390
	45,850	43,140	43,960	46,810

Big Rivers Electric Corporation
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Sixteen Months kWh Sales ending December 2012
Rural, Industrial, and Smelter Customers

September 2011 through December 2012

	2012				
	SEP	OCT	NOV	DEC	TOTAL
	kWh	kWh	kWh	kWh	kWh
JP RURALS	49,580,620	44,418,842	50,927,300	57,089,450	863,484,076
KENERGY RURALS	88,701,764	80,884,780	93,114,340	104,554,810	1,553,421,167
MEADE CO. RURALS	32,110,460	31,807,930	39,652,230	44,498,240	609,172,980
TOTAL RURALS	**170,392,844**	**157,111,552**	**183,693,870**	**206,142,500**	**3,026,078,223**
KI-ACCURIDE	2,114,000	2,178,630	2,082,780	1,900,960	35,773,897
KI-ALCOA	107,160	103,760	102,440	118,520	1,472,580
KI-ALERIS	15,220,891	15,177,980	13,697,310	14,357,250	238,293,091
KI-SEBREE MINING - STEAMPORT	2,538,708	2,797,130	2,664,930	2,775,925	45,826,647
KI-ARMSTRONG - BIG RUN	0	0	0	0	999,170
KI-ARMSTRONG - DOCK	2,934,250	3,504,548	3,223,480	3,426,970	46,469,597
KI-ARMSTRONG - EQUALITY	1,386,340	1,543,654	1,395,720	1,439,480	23,106,745
KI-ARMSTRONG - LEWIS	320,843	363,729	458,610	352,060	4,971,580
KI-ARMSTRONG - MIDWAY	1,947,820	2,151,890	2,053,320	2,296,608	30,685,688
KI-DOMTAR PAPER CO.	10,800,000	11,160,000	10,815,000	11,160,000	196,686,789
KI-DOTIKI #3	451,670	47,710	66,860	38,450	7,254,000
KI-ELK CREEK MINE - HOPKINS CO. COAL	0	0	0	4,670	4,670
KI-HOPKINS CO. COAL	123,480	152,000	149,750	122,310	2,468,590
KI-KB ALLOYS, INC.	449,775	639,890	494,270	505,140	9,694,935
KI-KIMBERLY-CLARK	25,213,090	26,610,990	26,108,910	26,240,400	407,971,760
	42,030	41,670	48,980	69,980	892,380

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Sixteen Months kWh Sales ending December 2012
Rural, Industrial, and Smelter Customers

September 2011 through December 2012

	2011			
	SEP	OCT	NOV	DEC
	kWh	kWh	kWh	kWh
KI-SEBREE MINING - KMMC, LLC	2,102,370	2,164,640	2,274,770	2,240,060
KI-PATRIOT COAL, LP	1,951,430	1,505,150	1,092,640	940,580
KI-PRECOAT METALS	4,107,040	4,275,560	4,034,570	4,125,890
KI-SOUTHWIRE CO.	5,781,717	5,593,340	5,198,940	4,872,390
KI-TYSON FOODS	1,079,440	1,141,830	1,043,220	1,136,620
KI-VALLEY GRAIN	84,386,904	85,438,439	74,851,799	76,131,835
JPI-SHELL OIL	409,140	373,320	310,960	452,350
TOTAL INDUSTRIALS	84,796,044	85,811,759	75,162,759	76,584,185
TOTAL RURALS AND INDUSTRIALS	248,698,559	244,154,919	244,738,349	289,363,545
ALCAN-BASE FIXED ENERGY	259,660,800	268,316,160	260,021,440	268,316,160
ALCAN -BASE VARIABLE ENERGY	(376,943)	1,236,630	1,261,134	1,002,142
ALCAN-BASE MONTHLY ENERGY	259,283,857	269,552,790	261,282,574	269,318,302
ALCAN-BACKUP ENERGY	3,226,698	3,499,342	1,888,582	1,319,840
ALCAN -LESS SALES	(9,159,100)	(8,925,000)	(6,305,900)	(4,259,900)
ALCAN-TOTAL	253,351,455	264,127,132	256,865,256	266,378,242

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Rural, Industrial, and Smelter Customers

September 2011 through December 2012

	2012			
	JAN	FEB	MAR	APR
	kWh	kWh	kWh	kWh
KI-SEBREE MINING - KMMC, LLC	2,431,610	2,353,300	2,485,420	2,017,740
KI-PATRIOT COAL, LP	1,197,240	1,344,210	1,518,520	1,371,840
KI-PRECOAT METALS	4,090,380	3,915,050	4,233,020	4,071,350
KI-SOUTHWIRE CO.	5,457,020	5,485,600	6,083,460	5,521,060
KI-TYSON FOODS	1,024,370	1,093,540	955,010	916,380
KI-VALLEY GRAIN	**79,397,893**	**79,451,157**	**84,069,155**	**78,934,652**
JPI-SHELL OIL	**380,000**	**289,855**	**253,080**	**587,460**
TOTAL INDUSTRIALS	**79,777,893**	**79,741,012**	**84,322,235**	**79,522,112**
TOTAL RURALS AND INDUSTRIALS	**304,090,747**	**271,742,932**	**242,396,375**	**227,850,862**
ALCAN-BASE FIXED ENERGY	268,316,160	251,005,440	267,955,520	259,660,800
ALCAN -BASE VARIABLE ENERGY	898,981	1,095,350	4,095,880	4,474,525
ALCAN-BASE MONTHLY ENERGY	269,215,141	252,100,790	272,051,400	264,135,325
ALCAN-BACKUP ENERGY	522,387	554,778	1,855,140	1,741,062
ALCAN -LESS SALES	(1,318,000)	(1,442,600)	(242,100)	0
ALCAN-TOTAL	268,419,528	251,212,968	273,664,440	265,876,387

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Rural, Industrial, and Smelter Customers

September 2011 through December 2012

	2012			
	MAY	JUN	JUL	AUG
	kWh	kWh	kWh	kWh
KI-SEBREE MINING - KMMC, LLC	1,346,740	909,930	683,470	672,670
KI-PATRIOT COAL, LP	1,549,850	1,640,040	1,623,070	1,692,320
KI-PRECOAT METALS	4,343,770	4,357,680	4,628,440	4,652,970
KI-SOUTHWIRE CO.	5,710,280	6,293,550	6,638,510	6,813,039
KI-TYSON FOODS	922,670	903,500	863,730	1,026,560
KI-VALLEY GRAIN	79,355,138	77,878,031	84,381,211	81,502,290
JPI-SHELL OIL	581,250	315,450	194,800	425,270
TOTAL INDUSTRIALS	79,936,388	78,193,481	84,576,011	81,927,560
TOTAL RURALS AND INDUSTRIALS	267,465,751	286,020,298	347,671,303	304,895,256
ALCAN-BASE FIXED ENERGY	268,316,160	259,660,800	268,316,160	268,316,160
ALCAN -BASE VARIABLE ENERGY	3,790,814	827,811	4,450	(4,687,760)
ALCAN-BASE MONTHLY ENERGY	272,106,974	260,488,611	268,320,610	263,628,400
ALCAN-BACKUP ENERGY	1,365,658	399,991	178,622	30,132
ALCAN -LESS SALES	0	0	0	(883,386)
ALCAN-TOTAL	273,472,632	260,888,602	268,499,232	262,775,146

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September 2011 through December 2012

	2012				
	SEP	OCT	NOV	DEC	TOTAL
	kWh	kWh	kWh	kWh	kWh
KI-SEBREE MINING - KMMC, LLC	647,510	722,710	803,050	732,310	24,588,300
KI-PATRIOT COAL, LP	1,288,430	1,437,920	1,275,410	1,032,580	22,461,230
KI-PRECOAT METALS	4,466,561	4,509,100	4,109,380	4,136,150	68,056,911
KI-SOUTHWIRE CO.	5,937,390	6,255,540	5,560,430	5,573,210	92,775,476
KI-TYSON FOODS	1,236,250	1,089,660	986,150	977,900	16,396,830
KI-VALLEY GRAIN	77,226,198	80,488,511	76,096,780	77,260,873	1,276,850,866
JPI-SHELL OIL	531,540	579,650	518,140	599,810	6,802,075
TOTAL INDUSTRIALS	77,757,738	81,068,161	76,614,920	77,860,683	1,283,652,941
TOTAL RURALS AND INDUSTRIALS	248,150,582	238,179,713	260,308,790	284,003,183	4,309,731,164
ALCAN-BASE FIXED ENERGY	259,660,800	268,316,160	260,021,440	268,316,160	4,224,176,320
ALCAN -BASE VARIABLE ENERGY	(1,411,756)	350,686	1,723,431	4,392,733	18,678,108
ALCAN-BASE MONTHLY ENERGY	258,249,044	268,666,846	261,744,871	272,708,893	4,242,854,428
ALCAN-BACKUP ENERGY	296,598	175,394	769,110	2,623,542	20,446,876
ALCAN -LESS SALES	(1,609,798)	0	0	0	(34,145,784)
ALCAN-TOTAL	256,935,844	268,842,240	262,513,981	275,332,435	4,229,155,520

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Rural, Industrial, and Smelter Customers

September 2011 through December 2012

	2011			
	SEP	OCT	NOV	DEC
	kWh	kWh	kWh	kWh
CENTURY-BASE FIXED ENERGY	340,099,200	351,435,840	340,571,560	351,435,840
CENTURY-BASE VARIABLE ENERGY	(10,993,936)	(7,526,447)	392	4,893,322
CENTURY-BASE MONTHLY ENERGY	329,105,264	343,909,393	340,571,952	356,329,162
CENTURY-SUPPLEMENTAL				74,000
CENTURY-BACKUP ENERGY	9,038	27,560	80,829	804,505
CENTURY-LESS SALES	(13,791,800)	(12,352,300)	(2,996,800)	0
ALCAN-TOTAL	315,322,502	331,584,653	337,655,981	357,207,667
TOTAL ALAN AND CENTURY	**568,673,957**	**595,711,785**	**594,521,237**	**623,585,909**
TOTAL RURAL, INDUSTRIAL, SMELTER	**817,372,516**	**839,866,704**	**839,259,586**	**912,949,454**

NOTE: Does not include Domtar Cogen Backup Power

Big Rivers Electric Corporation
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Rural, Industrial, and Smelter Customers

September 2011 through December 2012

	2012			
	JAN	FEB	MAR	APR
	kWh	kWh	kWh	kWh
CENTURY-BASE FIXED ENERGY	351,435,840	328,762,560	350,963,480	340,099,200
CENTURY-BASE VARIABLE ENERGY	5,369,032	3,762,998	6,443,323	6,056,925
CENTURY-BASE MONTHLY ENERGY	356,804,872	332,525,558	357,406,803	346,156,125
CENTURY-SUPPLEMENTAL	125,000	0	0	0
CENTURY-BACKUP ENERGY	406,992	98,602	1,134,730	1,047,286
CENTURY-LESS SALES	0	0	0	0
ALCAN-TOTAL	357,336,864	332,624,160	358,541,533	347,203,411
TOTAL ALAN AND CENTURY	**625,756,392**	**583,837,128**	**632,205,973**	**613,079,798**
TOTAL RURAL, INDUSTRIAL, SMELTER	**929,847,139**	**855,580,060**	**874,602,348**	**840,930,660**

NOTE: Does not include Domtar Cogen Backup Power

Big Rivers Electric Corporation
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September 2011 through December 2012

	2012			
	MAY	JUN	JUL	AUG
	kWh	kWh	kWh	kWh
CENTURY-BASE FIXED ENERGY	351,435,840	340,099,200	351,435,840	351,435,840
CENTURY-BASE VARIABLE ENERGY	6,583,667	6,651,229	6,728,410	6,137,853
CENTURY-BASE MONTHLY ENERGY	358,019,507	346,750,429	358,164,250	357,573,693
CENTURY-SUPPLEMENTAL	185,000	32,000	0	0
CENTURY-BACKUP ENERGY	2,104,920	2,735,984	2,573,491	1,525,097
CENTURY-LESS SALES	0	0	0	0
ALCAN-TOTAL	360,309,427	349,518,413	360,737,741	359,098,790
TOTAL ALAN AND CENTURY	**633,782,059**	**610,407,015**	**629,236,973**	**621,873,936**
TOTAL RURAL, INDUSTRIAL, SMELTER	**901,247,810**	**896,427,313**	**976,908,276**	**926,769,192**

NOTE: Does not include Domtar Cogen Backup Power

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Rural, Industrial, and Smelter Customers

September 2011 through December 2012

	2012				
	SEP kWh	OCT kWh	NOV kWh	DEC kWh	TOTAL kWh
CENTURY-BASE FIXED ENERGY	340,099,200	351,435,840	340,571,560	351,435,840	5,532,752,680
CENTURY-BASE VARIABLE ENERGY	5,113,971	4,501,728	6,557,058	6,012,640	56,292,165
CENTURY-BASE MONTHLY ENERGY	345,213,171	355,937,568	347,128,618	357,448,480	5,589,044,845
CENTURY-SUPPLEMENTAL	0	0	0	0	416,000
CENTURY-BACKUP ENERGY	594,822	593,069	2,186,582	1,566,560	17,490,067
CENTURY-LESS SALES	0	0	0	0	(29,140,900)
ALCAN-TOTAL	345,807,993	356,530,637	349,315,200	359,015,040	5,577,810,012
					0
TOTAL ALAN AND CENTURY	602,743,837	625,372,877	611,829,181	634,347,475	9,806,965,532
TOTAL RURAL, INDUSTRIAL, SMELTER	850,894,419	863,552,590	872,137,971	918,350,658	14,116,696,696

NOTE: Does not include Domtar Cogen Backup Power

Big Rivers Electric Corporation
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Monthly Allocation - March 2013 through July 2013

Monthly ALLOCATION - March 2013 through July 2013

	TOTAL REVENUE	2013 MARCH	2013 APRIL
JP RURALS	374,638.06	74,927.61	74,927.61
KENERGY RURALS	677,363.01	135,472.60	135,472.60
MEADE CO. RURALS	269,752.90	53,950.58	53,950.58
Total to be recovered Rural	**1,321,753.97**	**264,350.79**	**264,350.79**
KI-ACCURIDE	107.34	21.47	21.47
KI-ALCOA	4.43	0.89	0.89
KI-ALERIS	714.87	142.97	142.97
KI-SEBREE MINING - STEAMPORT	137.52	27.50	27.50
KI-ARMSTRONG - BIG RUN	3.00	0.60	0.60
KI-ARMSTRONG - DOCK	139.39	27.88	27.88
KI-ARMSTRONG - EQUALITY	69.31	13.86	13.86
KI-ARMSTRONG - LEWIS	14.91	2.98	2.98
KI-ARMSTRONG - MIDWAY	92.04	18.41	18.41
KI-DOMTAR PAPER CO.	590.04	118.01	118.01
KI-DOTIKI #3	21.78	4.36	4.36
KI-ELK CREEK MINE - HOPKINS CO. COAL	0.01	0.01	0.00
KI-HOPKINS CO. COAL	7.41	1.48	1.48
KI-KB ALLOYS, INC.	29.11	5.82	5.82
KI-KIMBERLY-CLARK	1,223.92	244.78	244.78

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Monthly Allocation - March 2013 through July 2013

Monthly ALLOCATION - March 2013 through July 2013

	2013			
	MAY	JUNE	JULY	TOTAL
JP RURALS	74,927.61	74,927.61	74,927.62	374,638.06
KENERGY RURALS	135,472.60	135,472.60	135,472.61	677,363.01
MEADE CO. RURALS	53,950.58	53,950.58	53,950.58	269,752.90
Total to be recovered Rural	**264,350.79**	**264,350.79**	**264,350.81**	**1,321,753.97**
KI-ACCURIDE	21.47	21.47	21.46	107.34
KI-ALCOA	0.89	0.88	0.88	4.43
KI-ALERIS	142.97	142.98	142.98	714.87
KI-SEBREE MINING - STEAMPORT	27.50	27.51	27.51	137.52
KI-ARMSTRONG - BIG RUN	0.60	0.60	0.60	3.00
KI-ARMSTRONG - DOCK	27.88	27.88	27.87	139.39
KI-ARMSTRONG - EQUALITY	13.86	13.86	13.87	69.31
KI-ARMSTRONG - LEWIS	2.98	2.98	2.99	14.91
KI-ARMSTRONG - MIDWAY	18.41	18.41	18.40	92.04
KI-DOMTAR PAPER CO.	118.01	118.01	118.00	590.04
KI-DOTIKI #3	4.36	4.35	4.35	21.78
KI-ELK CREEK MINE - HOPKINS CO. COAL	0.00	0.00	0.00	0.01
KI-HOPKINS CO. COAL	1.48	1.48	1.49	7.41
KI-KB ALLOYS, INC.	5.82	5.82	5.83	29.11
KI-KIMBERLY-CLARK	244.78	244.79	244.79	1,223.92

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Big Rivers Electric Corporation
Case No. 2011-00036
Revenue Recovery Mechanism - Item 4
Monthly Allocation - March 2013 through July 2013

Monthly ALLOCATION - March 2013 through July 2013

	TOTAL REVENUE	2013 MARCH	2013 APRIL
KI-SEBREE MINING - KMMC, LLC	2.68	0.54	0.54
KI-PATRIOT COAL, LP	73.76	14.75	14.75
KI-PRECOAT METALS	67.39	13.48	13.48
KI-SOUTHWIRE CO.	204.16	40.83	40.83
KI-TYSON FOODS	278.29	55.66	55.66
KI-VALLEY GRAIN	49.19	9.84	9.84
	3,830.55	766.12	766.11
JPI-SHELL OIL	20.41	4.08	4.08
Toal to be recovered Industrial	**3,850.96**	**770.20**	**770.19**
Total to be recovered Rural and Industrial	**1,325,604.93**	**265,120.99**	**265,120.98**
ALCAN	12,798.78	2,559.76	2,559.76
CENTURY	16,764.90	3,352.98	3,352.98
Total to be recovered Smelters	**29,563.68**	**5,912.74**	**5,912.74**
Total to be recovered	**1,355,168.61**	**271,033.73**	**271,033.72**

NOTE: Does not include Domtar Cogen Backup Power

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Big Rivers Electric Corporation
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Monthly Allocation - March 2013 through July 2013

Monthly ALLOCATION - March 2013 through July 2013

	2013 MAY	JUNE	JULY	TOTAL
KI-SEBREE MINING - KMMC, LLC	0.54	0.53	0.53	2.68
KI-PATRIOT COAL, LP	14.75	14.75	14.76	73.76
KI-PRECOAT METALS	13.48	13.48	13.47	67.39
KI-SOUTHWIRE CO.	40.83	40.83	40.84	204.16
KI-TYSON FOODS	55.66	55.66	55.65	278.29
KI-VALLEY GRAIN	9.84	9.84	9.83	49.19
	766.11	766.11	766.10	3,830.55
JPI-SHELL OIL	4.08	4.08	4.09	20.41
Toal to be recovered Industrial	**770.19**	**770.19**	**770.19**	**3,850.96**
Total to be recovered Rural and Industrial	**265,120.98**	**265,120.98**	**265,121.00**	**1,325,604.93**
ALCAN	2,559.76	2,559.75	2,559.75	12,798.78
CENTURY	3,352.98	3,352.98	3,352.98	16,764.90
Total to be recovered Smelters	**5,912.74**	**5,912.73**	**5,912.73**	**29,563.68**
Total to be recovered	**271,033.72**	**271,033.71**	**271,033.73**	**1,355,168.61**

NOTE: Does not include Domtar Cogen Backup Power

Case No. 2011-00036
Pursuant to Ordering Paragraph No. 6
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Big Rivers Financial Model
2013-2016

	2012	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013
I. Sales														
Energy (TWH)														
Rural		0.25	0.21	0.19	0.16	0.17	0.22	0.24	0.23	0.18	0.15	0.18	0.25	2.41
Large Industrial		0.08	0.07	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.94
Century		0.35	0.32	0.35	0.34	0.35	0.34	0.35	0.22	0.00	0.00	0.00	0.00	2.62
Alcan		0.28	0.25	0.28	0.27	0.28	0.27	0.27	0.27	0.28	0.27	0.28	0.27	3.20
Market		[redacted]												
Total Energy Sales														
Demand (MW)														
Rural		540.18	482.11	416.61	328.15	374.55	472.17	493.51	533.48	416.26	338.41	377.17	494.38	5,267.19
Large Industrial		139.27	139.90	139.11	139.40	138.43	138.53	143.19	143.64	138.42	138.47	138.43	136.60	1,673.29
II. Rates, Accrual Based ($/ MWH Sold, unless otherwise noted)														
General Rate Adjustment - Rural														
General Rate Adjustment - Large Industrial														
Rural														
Load Factor (%)		62.01%	64.21%	60.23%	62.59%	59.28%	63.76%	66.25%	59.00%	59.69%	61.52%	69.01%	66.78%	62.67%
Demand ($/ KW-mo.)		9.50	9.50	9.50	9.50	9.50	9.50	9.50	12.14	16.95	16.95	16.95	16.95	12.10
Energy ($/ MWH)		29.74	29.74	29.74	29.74	29.74	29.74	29.74	29.83	30.00	30.00	30.00	30.00	29.83
Base Rate ($/ MWH)		50.33	51.75	50.84	50.82	51.28	50.43	49.01	57.49	69.44	67.03	65.68	64.12	56.20
Non-Smelter Non-FAC PPA		(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(0.78)	(0.78)	(0.78)	(0.78)	(1.18)
FAC		3.79	3.93	3.92	3.96	3.96	4.11	4.63	4.21	4.70	4.48	4.61	4.67	4.25
Environmental Surcharge		3.17	3.25	3.29	3.07	3.21	3.19	3.03	3.67	4.35	4.13	3.72	3.42	3.43
Surcredit		(3.54)	(3.85)	(4.33)	(5.05)	(4.75)	(3.87)	(3.53)	(2.87)	(1.91)	(2.14)	(1.91)	(1.64)	(3.23)
Total		3.42	3.32	2.88	1.97	2.42	3.43	4.13	5.02	7.14	6.47	6.42	6.55	4.45
Economic Reserve		(7.64)	(7.54)	(7.09)	(6.19)	(6.63)	(7.64)	(7.34)	(8.23)	(10.35)	(9.66)	(9.63)	(9.78)	(8.15)
Rural Economic Reserve		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TIER Related Rebate		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Effective Rate ($/ MWH)		44.78	46.18	45.37	45.25	45.71	44.86	44.44	52.83	65.45	63.04	61.67	60.13	51.32
Large Industrial														
Load Factor (%)		75.77%	79.04%	77.68%	76.94%	76.72%	77.06%	77.88%	76.94%	78.20%	76.55%	77.18%	76.59%	77.20%
Demand ($/ KW-mo.)		10.50	10.50	10.50	10.50	10.50	10.50	10.50	11.18	12.41	12.41	12.41	12.41	11.19
Energy ($/ MWH)		24.51	24.51	24.51	24.51	24.51	24.51	24.51	26.45	30.00	30.00	30.00	30.00	26.49
Power Factor Penalty/ Demand Cr. (Lrg. Ind.)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Base Rate ($/ MWH)		43.13	44.27	42.67	43.46	42.90	43.43	42.63	45.98	52.04	51.79	52.33	51.78	48.34
Non-Smelter Non-FAC PPA		(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(0.78)	(0.78)	(0.78)	(0.78)	(1.17)
FAC		3.79	3.93	3.92	3.96	3.96	4.11	4.63	4.21	4.70	4.48	4.61	4.67	4.25
Environmental Surcharge		2.75	2.81	2.79	2.65	2.72	2.78	2.67	2.89	3.33	3.25	3.01	2.80	2.88
Surcredit		(3.54)	(3.85)	(4.33)	(5.05)	(4.75)	(3.87)	(3.53)	(2.67)	(1.91)	(2.14)	(1.91)	(1.54)	(3.27)
Total		3.00	2.89	2.38	1.56	1.93	3.02	3.77	4.33	6.12	5.59	5.71	5.94	3.86
Economic Reserve		(7.21)	(7.10)	(6.59)	(5.77)	(6.15)	(7.23)	(6.98)	(7.55)	(9.33)	(8.80)	(8.92)	(9.15)	(7.56)
TIER Related Rebate		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Effective Rate ($/ MWH)		37.56	38.71	37.10	37.89	37.33	37.86	38.06	41.41	48.05	47.80	48.34	47.78	41.47
Non-Smelter Member Blend														
Base Rate ($/ MWH)		48.60	49.78	48.46	48.29	48.57	48.60	47.39	54.50	64.21	61.87	61.68	61.12	53.43
Non-Smelter Non-FAC PPA		(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(1.36)	(0.78)	(0.78)	(0.78)	(0.78)	(1.17)
FAC		3.79	3.93	3.92	3.96	3.96	4.11	4.63	4.21	4.70	4.48	4.61	4.67	4.26
Environmental Surcharge		3.07	3.14	3.14	2.93	3.05	3.08	2.94	3.50	4.04	3.83	3.51	3.27	3.28
Surcredit		(3.54)	(3.85)	(4.33)	(5.05)	(4.75)	(3.87)	(3.53)	(2.87)	(1.91)	(2.14)	(1.91)	(1.54)	(3.24)
Total		3.32	3.21	2.73	1.83	2.26	3.32	4.04	4.84	6.83	6.17	6.21	6.40	4.29
Economic Reserve		(7.53)	(7.42)	(6.94)	(6.04)	(6.46)	(7.53)	(7.25)	(8.05)	(10.05)	(9.38)	(9.42)	(9.61)	(7.99)
Rural Economic Reserve		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TIER Related Rebate		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Effective Rate ($/ MWH)		43.03	44.22	42.89	42.72	43.00	43.03	42.82	49.94	60.22	57.88	57.67	57.13	48.55

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Attachment for Response to KIUC 1-6
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Attachment for Response to KIUC 2-51
Witness: Billie J. Richert
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Big Rivers Financial Model
2013-2016

#		2012	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013
68	Smelters														
69	Base Rate		39.43	39.43	39.43	39.43	39.43	39.43	39.43	40.72	47.60	47.60	47.60	47.60	41.02
70	TIER Adjustment		2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95	2.95
71	Total		42.38	42.38	42.38	42.38	42.38	42.38	42.38	43.67	50.55	50.55	50.55	50.55	43.97
72	Non-FAC PPA		(0.59)	(0.56)	(0.57)	(0.55)	(0.57)	(0.58)	(0.59)	(0.54)	(0.35)	(0.34)	(0.35)	(0.42)	(0.53)
73	FAC		3.79	3.93	3.92	3.98	3.98	4.11	4.63	4.21	4.70	4.48	4.61	4.67	4.16
74	Environmental Surcharge		2.48	2.48	2.55	2.38	2.48	2.50	2.44	2.72	3.03	2.87	2.73	2.56	2.58
75	Surcharge		1.85	1.82	1.85	1.87	1.85	1.87	1.86	1.87	1.88	1.86	1.88	1.86	1.87
76	TIER Related Rebate		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
77	Effective Rate ($/ MWH)		49.92	50.18	50.13	50.04	50.11	50.29	50.73	51.94	59.81	59.62	59.41	59.22	52.03
78															
79	Market		32.37	31.45	[redacted]										
80															
81	III. Statement of Operations														
82															
83	Electric Energy Revenues		51.46	48.36	[redacted]										
84	Income From Leased Property Net														0.00
85	Other Operating Revenue and Income		0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	3.70
86	TOTAL OPER. REVENUES & PATRONAGE CAPITAL		51.77	46.67	[redacted]										
87															
88	Operating Expense-Production-Excluding Fuel		4.62	4.38	[redacted]										
89	Operating Expense-Production-Fuel		22.04	19.91											
90	Operating Expense-Other Power Supply		7.63	7.13											
91	Operating Expense-Transmission		0.79	0.74											
92	Operating Expense-RTO/ISO		0.21	0.18											
93	Operating Expense-Distribution														
94	Operating Expense-Customer Accounts														
95	Operating Expense-Customer Service and Information		0.07	0.06											
96	Operating Expense-Sales		0.01	0.00											
97	Operating Expense-Administrative and General		2.25	2.10											
98	TOTAL OPERATION EXPENSE		37.61	34.49											
99															
100	Maintenance Expense-Production		2.74	3.21											
101	Maintenance Expense-Transmission		0.38	0.36											
102	Maintenance Expense-Distribution														
103	Maintenance Expense-General Plant		0.02	0.02											
104	TOTAL MAINTENANCE EXPENSE		3.14	3.59											
105															
106	Depreciation and Amortization Expense		3.44	3.44	3.45	3.45	3.47	3.48	3.49	3.49	3.64	3.65	3.66	3.66	42.31
107	Taxes		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
108	Interest on Long-Term Debt		3.80	3.49	3.93	3.84	3.94	3.80	3.94	3.94	3.82	3.97	3.67	3.97	46.31
109	Interest Charged to Construction - Credit		(0.00)	(0.01)	(0.02)	(0.05)	(0.04)	(0.06)	(0.05)	(0.04)	(0.06)	(0.10)	(0.14)	(0.18)	(0.77)
110	Other Interest Expense		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
111	Asset Retirement Obligation														
112	Other Deductions		0.05	0.04	0.05	0.05	0.04	0.06	0.04	0.04	0.04	0.05	0.05	0.07	0.58
113															
114	TOTAL COST OF ELECTRIC SERVICE		48.03	45.05	[redacted]										
115															
116	OPERATING MARGINS		3.74	1.61											
117															
118	Interest Income		0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.16	2.02
119	Allowance For Funds Used During Construction														
120	Income (Loss) From Equity Investments														
121	Other Non-Operating Income (Net)														
122	Generation and Transmission Capital Credits														
123	Other Capital Credits and Patronage Dividends		0.00	0.00	1.24	0.03	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	1.27
124	Extraordinary Items														
125	NET PATRONAGE CAPITAL OR MARGIN		3.91	1.78	0.46	(3.40)	(5.86)	0.87	2.75	2.74	(0.15)	(2.50)	0.38	3.98	4.95
126															

	Big Rivers . ...ncial Model 2013-2016	2012	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013
127															
128	IV. Balance Sheet														
129	Total Utility Plant in Service	2,003.19	2,013.27	2,014.57	2,018.95	2,025.29	2,031.25	2,034.08	2,036.69	2,038.22	2,040.49	2,046.15	2,048.32	2,048.69	2,048.69
130	Construction Work in Progress	49.15	40.00	40.00	40.00	40.00	40.90	42.11	44.43	46.75	50.29	57.51	64.76	72.20	72.20
131	Total Utility Plant	2,052.34	2,053.27	2,054.57	2,058.95	2,065.29	2,072.15	2,076.19	2,081.12	2,084.97	2,090.79	2,103.66	2,113.09	2,120.89	2,120.89
132	Accum. Provision for Depreciation and Amort.	967.07	970.49	973.80	976.14	977.89	979.77	982.65	985.61	986.91	992.12	994.27	997.53	1,001.36	1,001.36
133	NET UTILITY PLANT	1,085.27	1,082.78	1,080.77	1,082.82	1,087.40	1,092.39	1,093.54	1,095.60	1,098.06	1,098.67	1,109.40	1,115.56	1,119.53	1,119.53
134															
135	Non-Utility Property (Net)														
136	Invest. in Assoc. Org - Patronage Capital	3.68	3.68	3.68	4.14	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15
137	Invest. in Assoc. - Other - General Funds	43.84	43.84	43.52	43.52	43.52	43.21	43.21	43.21	42.88	42.88	42.88	42.55	42.55	42.55
138	Other Investments	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02
139	Special Funds	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05	1.05
140	Special Funds (Transition Reserve)	35.02	35.03	35.04	35.05	35.05	35.06	35.07	35.08	35.09	35.10	35.11	35.12	35.13	35.13
141	Special Funds (Economic Reserve)	80.58	78.18	76.11	74.29	72.98	71.44	69.27	66.95	64.44	61.81	59.76	57.39	54.30	54.30
142	Special Funds (Rural Economic Reserve)	64.40	64.50	64.59	64.69	64.79	64.89	64.99	65.09	65.19	65.29	65.39	65.49	65.60	65.60
143	TOTAL OTHER PROPERTY AND INVESTMENTS	228.59	228.27	224.01	222.77	221.56	219.82	217.76	215.54	212.83	210.40	208.37	205.77	202.79	202.79
144															
145	Cash - General Funds	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.008	0.01
146	Cash - Construction Funds - Trustee														
147	Special Deposits	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
148	Temporary Investments	101.42	107.68	110.08	114.27	113.78	102.03	101.93	100.20	94.01	114.21	105.96	95.16	82.84	82.84
149	Accounts Receivable - Sales of Energy (Net)	49.72	51.46	48.38	48.73	43.81	45.47	47.34	51.19	50.01	38.17	38.53	38.41	42.26	42.26
150	Accounts Receivable - Other (Net)	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22	1.22
151	Fuel Stock	32.00	32.22	32.33	32.41	32.27	32.22	32.34	32.45	32.47	32.76	32.97	33.10	33.18	33.18
152	Materials and Supplies - Other	26.18	26.24	26.30	26.35	26.41	26.46	26.52	26.58	26.64	26.70	26.76	26.83	26.89	26.89
153	Prepayments	4.21	3.60	3.29	2.97	2.66	2.35	2.05	1.76	1.46	1.17	0.87	0.58	4.18	4.18
154	Other Current and Accrued Assets	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71
155	TOTAL CURRENT AND ACCRUED ASSETS	216.06	223.73	220.89	227.28	221.46	211.08	212.73	214.71	207.13	215.54	207.65	196.61	191.89	191.89
156															
157	Unamortized Debt Discount & Extraor. Prop. Losses	3.81	3.78	5.16	5.13	5.09	5.06	5.03	5.00	4.96	4.93	4.90	4.86	4.83	4.83
158	Regulatory Assets	1.14	1.24	1.40	1.50	1.63	1.80	2.08	2.13	6.72	6.58	6.44	6.29	6.15	6.15
159	Other Deferred Debits	2.94	2.89	2.87	2.81	2.78	2.75	2.69	2.64	2.62	2.56	2.51	2.47	2.42	2.42
160	Accumulated Deferred Income Taxes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
161															
162	TOTAL ASSETS AND OTHER DEBITS	1,537.814	1,540.70	1,535.11	1,542.30	1,539.92	1,532.89	1,533.83	1,535.53	1,530.32	1,538.68	1,539.25	1,531.57	1,527.62	1,527.62
163															
164															
165	TOTAL MARGINS & EQUITY	397.28	401.19	402.97	403.43	400.03	394.17	395.04	397.78	400.53	400.38	397.88	398.26	402.23	402.23
166															
167	Long-Term Debt - RUS	210.38	210.37	210.37	212.23	212.24	212.24	214.16	214.17	214.17	216.13	216.14	216.14	216.13	216.13
168	Long-Term Debt - Other	714.88	714.88	711.06	714.25	714.25	710.39	718.08	718.08	715.08	730.02	730.02	726.99	725.10	725.10
169	TOTAL LONG-TERM DEBT	925.24	925.25	921.43	926.48	926.49	922.63	932.24	932.25	929.25	946.14	946.16	943.13	943.23	943.23
170															
171	Notes Payable	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
172	Accounts Payable	27.32	28.37	26.95	30.61	29.95	33.79	28.31	29.07	28.41	22.93	24.95	22.37	20.18	20.18
173	Accounts Payable (TIER Rebate)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
174	Taxes Accrued	0.23	0.55	0.88	1.20	1.53	1.85	2.18	2.50	0.69	1.01	1.34	1.10	0.81	0.81
175	Interest Accrued	4.91	5.01	4.68	4.24	6.92	7.00	4.86	5.13	5.25	4.50	7.29	7.40	4.89	4.89
176	Other Current and Accrued Liabilities	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29	8.29
177	Other Current and Accrued Liabilities (Purchased Power)														
178	TOTAL CURRENT AND ACCRUED LIABILITIES	40.75	42.23	40.80	44.34	46.69	50.93	43.64	44.99	42.64	36.73	41.87	39.16	34.17	34.17
179															
180	Deferred Credits	4.16	3.91	3.68	3.47	3.29	3.10	2.87	2.62	2.38	2.25	2.15	2.04	1.92	1.92
181	Deferred Credits (Economic Reserve)	80.58	78.16	76.11	74.29	72.98	71.44	69.27	66.95	64.44	61.81	59.76	57.39	54.30	54.30
182	Deferred Credits (Rural Economic Reserve)	64.40	64.50	64.59	64.69	64.79	64.89	64.99	65.09	65.19	65.29	65.39	65.49	65.60	65.60
183	Accumulated Operating Provisions	25.40	25.46	25.53	25.59	25.65	25.72	25.78	25.85	25.91	25.98	26.04	26.11	26.17	26.17
184	Obligation under Capital Leases - Noncurrent														
185															
186	TOTAL LIABILITIES AND OTHER CREDITS	1,537.81	1,540.70	1,535.11	1,542.30	1,539.92	1,532.89	1,533.83	1,535.53	1,530.32	1,538.68	1,539.25	1,531.57	1,527.62	1,527.62
187															
188	Balance Check	(0.000000)	(0.000000)	0.000000	0.000000	(0.000000)	0.000000	(0.000000)	(0.000000)	(0.000000)	(0.000000)	(0.000000)	(0.000000)	0.000000	0.000000

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		2012	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013
189	V. Cash Flow Statement														
190	Operating Receipts														
191	Rural														
192	Large Industrial		11.15	9.61	8.51	6.69	7.55	9.72	10.81	12.39	11.71	9.71	11.06	14.77	123.86
193	Smelters		2.95	2.68	2.98	2.93	2.95	2.91	3.16	3.40	3.69	3.77	3.72	3.77	39.11
194	Offsystem		31.30	28.41	31.43	30.37	31.42	30.51	31.44	25.13	15.53	18.97	15.43	15.89	302.82
195	Lease Income		3.58	3.37	3.94	2.48	1.97	1.98	3.42	6.64	4.67	6.89	5.79	4.71	49.35
196	Other Operating Revenues														
197	Gain on Sale of Allowances		0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	3.70
198	Other		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
199	Interest Earnings		0.00	0.00	1.24	0.03	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	1.27
200	Total Receipts		0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.16	2.02
201			49.47	44.74	48.59	42.95	44.37	45.61	49.30	47.95	36.08	38.82	36.47	39.61	521.94
202	Operating Disbursements														
203	PPA														
204	Fuel Costs														
205	Fuel Costs (Labor & Exp)		25.29	22.69	24.44	21.12	21.47	23.23	25.35	24.24	17.45	18.51	17.93	18.37	260.07
206	Domtar		0.84	0.82	0.88	0.85	0.90	0.79	0.88	1.04	0.88	0.86	0.86	0.53	9.91
207	Power Supply (Purch. Power, APM, Cogen, & TVA Tran)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
208	Production O&M		3.74	3.58	4.51	6.18	5.34	3.51	3.82	3.37	2.76	3.28	3.10	3.18	48.15
209	Transmission O&M		7.36	7.67	8.24	8.43	12.44	7.47	7.93	7.80	6.79	7.59	6.09	9.30	93.01
210	A&G		1.38	1.29	1.44	1.28	1.39	1.51	1.52	1.44	1.19	1.22	1.14	1.25	16.07
211	Working Capital		2.30	2.18	3.05	2.29	2.70	3.18	2.28	2.41	2.36	2.47	2.09	2.49	29.80
212	Other		(0.24)	(4.62)	(1.45)	(4.68)	(3.13)	6.72	2.46	0.67	(6.98)	(2.29)	2.08	9.93	(1.72)
213	Total Disbursements		0.11	0.16	0.11	0.14	0.17	0.31	0.06	4.59	(0.14)	(0.14)	(0.14)	(0.14)	5.09
214			40.77	33.68	41.21	35.39	41.29	46.72	44.09	45.56	24.30	31.51	32.94	40.91	458.38
215	Operating Receipts less Disbursements														
216			8.70	11.06	7.38	7.55	3.08	(1.11)	5.21	2.39	11.78	5.31	3.53	(1.30)	63.57
217	Capital Expenditures														
218	Generation														
219	Transmission		0.60	0.16	4.63	6.41	7.50	3.58	4.72	3.49	5.76	13.39	8.06	7.31	65.60
220	A&G		0.65	0.85	0.58	0.81	0.63	0.80	0.52	0.49	0.41	0.85	1.58	0.16	8.22
221	Other / IT		0.02	0.60	0.30	0.58	0.10	0.10	0.10	0.10	0.15	0.20	0.20	0.20	2.64
222	Total Capital Expenditures		0.05	0.10	0.24	0.48	0.47	0.39	0.31	0.22	0.16	0.11	0.12	0.08	2.68
223			1.22	1.70	5.75	8.27	8.69	4.86	5.65	4.29	6.47	14.55	9.98	7.73	79.14
224	Income Taxes from Operations														
225			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
226	Net Pre-Finance Cash Flow														
227			7.48	9.35	1.63	(0.72)	(5.61)	(5.97)	(0.44)	(1.90)	5.31	(9.24)	(6.43)	(9.04)	(15.57)
228	Financing														
229	Principal														
230	Interest		0.00	3.83	(3.19)	0.00	3.86	(7.69)	0.00	3.00	(14.94)	0.00	3.03	1.88	(10.22)
231	Debt Issuance Cost		3.68	3.81	2.49	1.13	3.85	4.03	3.65	3.82	2.62	1.17	3.76	4.49	38.47
232	Line of Credit (Upfront Fee)		0.00	1.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02	1.42
233	Aggregate Debt Service (incl. Line of Credit)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
234			3.68	9.04	(0.70)	1.13	7.71	(3.67)	3.65	6.82	(12.32)	1.17	6.79	6.39	29.67
235	Post-Finance Cash Flow														
236			3.80	0.32	2.34	(1.84)	(13.32)	(2.30)	(4.09)	(8.72)	17.63	(10.41)	(13.22)	(15.43)	(45.25)
237	Unwind Transaction														
238	Cash Proceeds														
239	Debt Reduction														
240	Misc. Transaction														
241	Net Before Member Reserves														
242	Station Two O&M Fund														
243	Rural Economic Reserve														
244	Economic Reserve		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
245	Net Before Transition Reserve		2.47	2.10	1.88	1.36	1.58	2.21	2.37	2.55	2.57	2.19	2.41	3.12	26.78
246			2.47	2.10	1.88	1.36	1.58	2.21	2.37	2.55	2.57	2.19	2.41	3.12	26.78
247	Ending Cash Balances (incl. Transition Reserve)	138.44	142.71	145.13	149.32	148.84	137.10	137.01	135.29	129.11	149.31	141.09	130.28	117.97	117.97
248	Ending Cash Balances excl. Transition Reserve)	101.42	107.68	110.09	114.28	113.79	102.04	101.94	100.20	94.02	114.21	105.98	95.17	82.85	82.85

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		2012	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013
249	**Change in Working Capital**														
250	Other Property		0.00	(0.32)	0.46	0.01	(0.32)	0.00	0.00	(0.32)	0.00	0.00	(0.33)	0.00	(0.81)
251	Accounts Receivable		1.74	(5.10)	2.38	(4.93)	1.67	1.87	3.84	(1.18)	(11.84)	0.35	(0.12)	3.65	(7.48)
252	Materials, Supplies & Other		0.06	0.06	0.08	0.06	0.05	0.06	0.06	0.06	0.08	0.06	0.08	0.06	0.71
253	Prepayments		(0.59)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	(0.30)	3.61	0.06
254	Other Current Assets		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
255	Accounts Payable		(1.05)	1.42	(3.66)	0.66	(3.84)	5.48	(0.75)	0.65	5.48	(2.02)	2.58	2.19	7.14
256	Taxes Accrued		(0.32)	(0.32)	(0.32)	(0.32)	(0.32)	(0.32)	(0.32)	1.81	(0.32)	(0.32)	0.24	0.29	(0.58)
257	Other Accruals		(0.06)	(0.06)	(0.08)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.08)	(0.06)	(0.07)	(0.07)	(0.77)
258	Total		(0.24)	(4.62)	(1.45)	(4.88)	(3.13)	6.72	2.46	0.67	(6.98)	(2.29)	2.08	9.93	(1.72)
259															
260															
261	**VI. Cash Flow Statement (Indirect Method)**														
262															
263	**Cash Flows From Operating Activities:**														
264	Net Margin		3.91	1.76	0.46	(3.40)	(5.86)	0.87	2.75	2.74	(0.16)	(2.60)	0.38	3.96	4.95
265	Adjustments to reconcile net margin to net cash														
266	provided by operating activities:														
267	Depreciation and amortization		3.71	3.72	3.72	3.73	3.75	3.76	3.77	3.78	3.92	3.93	3.94	3.94	45.66
268	Interest compounded - RUS Series A Note		0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.04
269	Interest compounded - RUS Series B Note		0.00	0.00	1.86	0.00	0.00	1.91	0.00	0.00	1.99	0.00	0.00	1.99	7.72
270	Noncash member rate mitigation revenue		(2.82)	(2.48)	(2.17)	(1.87)	(1.94)	(2.72)	(2.67)	(7.39)	(2.54)	(2.15)	(2.38)	(3.09)	(34.03)
271	Changes in certain assets and liabilities:														
272	Other property		0.00	0.32	(0.46)	(0.01)	0.32	0.00	0.00	0.32	0.00	0.00	0.33	0.00	0.81
273	Accounts receivable		(1.74)	5.10	(2.38)	4.93	(1.67)	(1.87)	(3.84)	1.18	11.84	(0.36)	0.12	(3.65)	7.48
274	Inventories		(0.28)	(0.17)	(0.13)	0.08	(0.01)	(0.18)	(0.17)	(0.08)	(0.35)	(0.27)	(0.20)	(0.14)	(1.89)
275	Prepayments		0.61	0.31	0.31	0.31	0.31	0.30	0.30	0.30	0.30	0.30	0.30	(3.61)	0.03
276	Other current assets		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
277	Accounts payable		1.05	(1.42)	3.66	(0.66)	3.84	(5.48)	0.75	(0.66)	(5.48)	2.02	(2.58)	(2.19)	(7.14)
278	Taxes accrued		0.32	0.32	0.32	0.32	0.32	0.32	0.32	(1.81)	0.32	0.32	(0.24)	(0.29)	0.58
279	Other accruals		0.23	(0.23)	(0.30)	2.78	0.15	(2.05)	0.34	0.20	(0.68)	2.84	0.11	(2.52)	0.90
280	Net cash provided by operating activities		5.02	7.25	4.89	6.42	(0.77)	(5.14)	1.56	(1.43)	9.16	4.15	(0.23)	(5.79)	25.09
281															
282	**Cash Flows From Investing Activities:**														
283	Capital expenditures		(1.22)	(1.70)	(5.75)	(8.27)	(8.69)	(4.86)	(5.65)	(4.29)	(6.47)	(14.55)	(9.96)	(7.73)	(79.14)
284	Net proceeds from restricted investments		2.46	2.09	1.85	1.35	1.57	2.20	2.36	2.54	2.56	2.18	2.40	3.11	26.67
285	Net cash provided by (used in) investing activities		1.24	0.38	(3.90)	(6.92)	(7.12)	(2.65)	(3.29)	(1.75)	(3.91)	(12.37)	(7.56)	(4.62)	(52.47)
286															
287	**Cash Flows From Financing Activities:**														
288	Net principal payments on debt obligations		0.00	(3.83)	3.19	0.00	(3.86)	7.69	0.00	(3.00)	14.94	0.00	(3.03)	(1.88)	10.22
289	Debt issuance cost		0.00	(1.40)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(0.02)	(1.42)
290	Line of Credit (Upfront Fee)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
291	Net cash provided by (used in) financing activities		0.00	(5.23)	3.19	0.00	(3.86)	7.69	0.00	(3.00)	14.94	0.00	(3.03)	(1.90)	8.80
292															
293	Net increase (decrease) in cash and cash equivalents		6.26	2.40	4.19	(0.49)	(11.75)	(0.10)	(1.74)	(6.19)	20.19	(8.23)	(10.62)	(12.32)	(18.57)
294															
295	Cash and Cash Equivalents - Beginning of Period														101.42
296	Cash and Cash Equivalents - End of Period														82.85
297															
298	Check		0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.0000000	0.000000

Big Rivers Financial Model
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VII. Credit Measures

	2012	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013
Contract TIER														
Earnings		3.91	1.78	0.46	(3.40)	(5.86)	0.87	2.75	2.74	(0.15)	(2.50)	0.38	3.98	4.95
Plus: Interest Expense		3.80	3.49	3.93	3.84	3.94	3.80	3.94	3.94	3.82	3.87	3.87	3.97	46.31
Plus: Imputed Rate Increase in 2010		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Offset to Imputed Rate Increase in 2010		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Interest on Sequestered Funds		(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.11)
Total		7.70	5.27	4.38	0.43	(1.92)	4.66	6.68	6.67	3.67	1.48	4.24	7.92	51.15
Plus Sale-Leaseback Interest		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total		7.70	5.27	4.38	0.43	(1.92)	4.66	6.68	6.67	3.67	1.48	4.24	7.92	51.15
Divided by														
Interest Expense		3.80	3.49	3.93	3.84	3.94	3.80	3.94	3.94	3.82	3.97	3.87	3.97	46.31
Plus Sale-Leaseback Interest		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total		3.80	3.49	3.93	3.84	3.94	3.80	3.94	3.94	3.82	3.97	3.87	3.97	46.31
Contract TIER		2.03	1.51	1.11	0.11	(0.49)	1.23	1.70	1.69	0.96	0.37	1.10	2.00	1.10
Conventional TIER														
Earnings		3.91	1.78	0.46	(3.40)	(5.86)	0.87	2.75	2.74	(0.15)	(2.50)	0.38	3.98	4.95
Plus: Interest Expense		3.80	3.49	3.93	3.84	3.94	3.80	3.94	3.94	3.82	3.97	3.87	3.97	46.31
Plus Income Tax														
Total		7.71	5.28	4.39	0.44	(1.91)	4.67	6.68	6.68	3.68	1.47	4.25	7.93	51.25
Plus Sale-Leaseback Interest		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total		7.71	5.28	4.39	0.44	(1.91)	4.67	6.68	6.68	3.68	1.47	4.25	7.93	51.28
Divided by														
Interest Expense		3.80	3.49	3.93	3.84	3.94	3.80	3.94	3.94	3.82	3.97	3.87	3.97	46.31
Plus Sale-Leaseback Interest		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total		3.80	3.49	3.93	3.84	3.94	3.80	3.94	3.94	3.82	3.97	3.87	3.97	46.31
Conventional TIER		2.03	1.51	1.12	0.11	(0.49)	1.23	1.70	1.70	0.96	0.37	1.10	2.00	1.11
North Star														
Total Cost of Electric Service (millions of $)		48.03	45.05	[redacted]										
Non-Member Revenues (millions of $)		4.07	3.85											
		43.97	41.20											
Smelter and Non-Smelter Member Sales (TWh)		0.95	0.85	0.90	0.83	0.87	0.90	0.95	0.80	0.52	0.50	0.57	0.59	[redacted]
$/MWh		48.05	48.55	[redacted]										
$/kWh		0.046050	0.048548											

Case No. 2013-00125
Attachment for Response to KIUC 1-6
Witness: Billie J. Richert
Page 60 of 61

Case No. 2012-00535
Attachment for Response to KIUC 2-51
Witness: Billie J. Richert
Page 54 of 55

Big Rive... ...ancial Model
2013-2016
VIII. Debt Service - Cash Flow (M$)

	2012	2013 January	2013 February	2013 March	2013 April	2013 May	2013 June	2013 July	2013 August	2013 September	2013 October	2013 November	2013 December	2013
EOP														
Beginning Principal		0.00	0.00	0.00	5.01	5.01	5.01	15.01	15.01	15.01	31.81	31.81	31.81	0.00
Principal		0.00	0.00	(5.01)	0.00	0.00	(10.00)	0.00	0.00	(16.80)	0.00	0.00	0.00	(31.81)
Interest		0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.00	0.11	0.00	0.00	0.24	0.39
Debt Service		0.00	0.00	(5.01)	0.00	0.00	(9.96)	0.00	0.00	(16.69)	0.00	0.00	0.24	(31.42)
CoBank														
Beginning Principal		231.43	231.43	231.43	229.61	229.61	229.61	227.77	227.77	227.77	225.91	225.91	225.91	231.43
Principal		0.00	0.00	1.82	0.00	0.00	1.84	0.00	0.00	1.88	0.00	0.00	1.88	7.40
Interest		0.00	0.00	2.49	0.00	0.00	2.50	0.00	0.00	2.50	0.00	0.00	2.48	9.97
Debt Service		0.00	0.00	4.31	0.00	0.00	4.34	0.00	0.00	4.38	0.00	0.00	4.37	17.37
NRUCFC														
Beginning Principal		298.51	298.51	295.00	295.00	295.00	291.46	291.46	291.46	288.78	288.78	288.78	286.08	298.51
Principal		0.00	3.51	0.00	0.00	3.54	0.00	0.00	2.68	0.00	0.00	2.70	0.00	12.44
Interest		0.00	3.24	0.00	0.00	3.28	0.00	0.00	3.25	0.00	0.00	3.20	0.00	12.96
Debt Service		0.00	6.75	0.00	0.00	6.82	0.00	0.00	5.93	0.00	0.00	5.90	0.00	25.40
Lines of Credit														
Beginning Principal		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Principal		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RUS Series A Note (GAAP)														
Beginning Principal		80.02	80.03	80.03	80.03	80.04	80.04	80.04	80.05	80.05	80.05	80.06	80.06	80.02
Principal		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest		1.18	0.00	0.00	1.13	0.00	0.00	1.15	0.00	0.00	1.17	0.00	0.00	4.62
Debt Service		1.18	0.00	0.00	1.13	0.00	0.00	1.15	0.00	0.00	1.17	0.00	0.00	4.62
Interest Compounded to Principal		0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.01	0.00	0.00	0.04
RUS Series B Note (GAAP)														
Beginning Principal		130.34	130.34	130.34	132.20	132.20	132.20	134.12	134.12	134.12	136.08	136.08	136.08	130.34
Principal		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Compounded to Principal		0.00	0.00	1.86	0.00	0.00	1.91	0.00	0.00	1.96	0.00	0.00	1.99	7.72
PCB														
Beginning Principal		142.10	142.10	142.10	142.10	142.10	142.10	141.64	141.64	141.64	141.64	141.64	141.64	142.10
Principal		0.00	0.00	0.00	0.00	0.00	0.47	0.00	0.00	0.00	0.00	0.00	0.00	0.47
Interest		2.50	0.00	0.00	0.00	0.00	1.49	2.50	0.00	0.00	0.00	0.00	1.78	8.26
Debt Service		2.50	0.00	0.00	0.00	0.00	1.96	2.50	0.00	0.00	0.00	0.00	1.76	8.72
CFC CTC Loan														
Beginning Principal		42.84	42.84	42.53	42.53	42.53	42.21	42.21	42.21	41.89	41.89	41.89	41.56	42.84
Principal		0.00	0.32	0.00	0.00	0.32	0.00	0.00	0.32	0.00	0.00	0.33	0.00	1.29
Interest		0.00	0.57	0.00	0.00	0.57	0.00	0.00	0.58	0.00	0.00	0.56	0.00	2.27
Debt Service		0.00	0.89	0.00	0.00	0.89	0.00	0.00	0.89	0.00	0.00	0.89	0.00	3.55
Total														
Beginning Principal		925.24	925.25	921.43	926.48	926.49	922.63	932.24	932.25	929.25	946.14	946.16	943.13	925.24
Principal		0.00	3.83	(3.19)	0.00	3.86	(7.69)	0.00	3.00	(14.94)	0.00	3.03	1.88	(10.22)
Interest		3.68	3.81	2.49	1.13	3.85	4.03	3.65	3.82	2.62	1.17	3.76	4.49	36.47
Line of Credit Fee		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service		3.68	7.64	(0.70)	1.13	7.71	(3.67)	3.65	6.82	(12.32)	1.17	6.79	6.37	26.25
Interest Compounded to Principal		0.01	0.00	1.86	0.01	0.00	1.91	0.01	0.00	1.96	0.01	0.00	1.99	7.77

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS
CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated May 2, 2013

May 14, 2013

Item 7) *Has CFC explicitly notified BREC that it will refuse to make advances or issue Letters of Credit under the 2009 Revolver? If yes, provide all supporting documentation. Provide the notice of default on the 2009 CFC Revolver, referenced on page 4 of the Application, and all supporting documentation.*

Response) Currently, Big Rivers is not in default under the terms of its existing Revolving Line of Credit Agreement, dated July 16, 2009, with CFC (the "2009 CFC Revolver". Accordingly, CFC has not explicitly notified Big Rivers that it will refuse to make advances or issue Letters of Credit under the 2009 CFC Revolver.

As stated on page 4 of the Application, "…termination of the Century Wholesale Agreement effective August 20, 2013, will trigger an Event of Default." Once this Event of Default has occurred, CFC may then refuse to make advances or issue Letters of Credit under the 2009 CFC Revolver.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS
CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers' Initial Request for Information dated May 2, 2013

May 14, 2013

Item 8) ***Provide a copy of the authorization received by Big Rivers from the Trustee of the Indenture, as required by Section 12.1 of the Indenture, providing approval for the issuance of Big Rivers' Fourth Supplemental Indenture intended to be issued in conjunction with the Amended CFC Revolver.***

Response) The first paragraph of Section 12.1 does not require Trustee authorization. The requirement for authorization by a "Board Resolution" in that paragraph modifies the term "Company" and not the term Trustee. The definition of "Board Resolution" in the Indenture refers to a Big Rivers' Board resolution.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS
CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers' Initial Request for Information dated May 2, 2013

May 14, 2013

Item 9) *Provides copies of all written communications between Big Rivers and the Trustee pursuant to which Big Rivers sought and obtained authorization by the Trustee to enter into Big Rivers' Fourth Supplemental Indenture.*

Response) Please see response to Item No. 8.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS
CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated May 2, 2013

May 14, 2013

Item 10) ***Pursuant to Section 12.1.L of the Indenture, provide copies of all written communications between Big Rivers and any and all of the three rating agencies stating that Big Rivers' ratings on the 2010 Pollution Control Bonds will not be withdrawn or reduced upon Big Rivers' issuance of the Fourth Supplemental Indenture. If Big Rivers has not sought such determinations from the ratings agencies, state whether the Trustee has indicated that such determinations are not necessary to his approval for issuance of Big Rivers Fourth Supplemental Indenture.***

Response) Section 12.1.L of the Indenture refers to a supplemental indenture that permits changes (amendments) to the Indenture upon certain findings of the Trustee. This Section is not applicable to the current situation. The Fourth Supplemental Indenture does not contain any amendments to the Indenture. The Fourth Supplemental Indenture is being entered into pursuant to 12.1.C – a supplemental indenture to create any series of Obligations and make such other provisions as provided in Section 3.3."

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS
CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers' Initial Request for Information dated May 2, 2013

May 14, 2013

Item 11) ***Provide copies of any and all agreements or contracts, or any modifications or amendments to any existing agreements or contracts that have been entered into by BREC, or are contemplated to be entered into by BREC, related to or in conjunction with BREC's proposed refinancing of the Amended CFC Revolver.***

Response) Copies of any and all agreements or contracts, or any modifications or amendments to any existing agreements or contracts that have been entered into by Big Rivers, or are contemplated to be entered into by Big Rivers, related to or in conjunction with Big Rivers' proposal to amend and restate its existing $50,000,000 Revolving Line of Credit Agreement dated July 16, 2009, with CFC, have been provided with the Application of Big Rivers Electric Corporation for Approval to Issue Evidences of Indebtedness, Case No. 2013-00125 as Exhibits per the Table of Contents to Exhibits.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS
CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers' Initial Request for Information dated May 2, 2013

May 14, 2013

Item 12) *Provide copies of all reports or presentations that have been prepared by BREC since January 1, 2013, for use by or presentation to any credit rating agency, investment banking institution, investment advisory service, credit support institution or institutional investment group or entity.*

Response) Please see Big Rivers' response to Item 5 of this data request.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS
CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers' Initial Request for Information dated May 2, 2013

May 14, 2013

Item 13) ***Describe any and all alternatives that Big Rivers has planned to pursue to enhance its liquidity if the pending application for approval of the Amended CFC Revolver were to be denied by the Commission.***

Response) If the pending application for approval of the Amended CFC Revolver were to be denied by the Commission, Big Rivers would negotiate with CFC to pursue resolution of the reasons for denial given by the Commission in its order.

Big Rivers' knows of no alternatives it can pursue to enhance its liquidity that would compare to the liquidity (and terms) provided by the Amended CFC Revolver proposed in this proceeding.

The Commission approved most of the terms of this revolving credit agreement in its March 6, 2009 order in Case No. 2007-00455. The proposed amendments preserve Big Rivers' access to that revolving credit agreement on the basic financial terms previously approved by the Commission.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS
CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated May 2, 2013

May 14, 2013

Item 14) ***Identify Big Rivers' intended source(s) of repayment when the Amended CFC Revolver matures on July 16, 2017. In particular, if advances under the Amended CFC Revolver are used for capital additions as provided in the Application, state whether and when Big Rivers will seek long term capital financing with respect to such capital additions.***

Response) As stated on page 11 of the Application, there are no planned future Advances under the Amended CFC Revolver for any particular project to acquire property, construct, complete, extend or improve facilities. If there is an outstanding balance under the Amended CFC Revolver when the agreement expires on July 16, 2017, Big Rivers would repay that amount with its available funds at that time.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS
CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers' Initial Request for Information dated May 2, 2013

May 14, 2013

Item 15) ***Describe all actions by Big Rivers to enhance its existing liquidity by seeking revolving credit or borrowing arrangements of any kind with potential lenders other CFC and CoBank. If Big Rivers has approached other potential lenders regarding any form of revolving credit or borrowing arrangements, provide copies of all presentations made to such potential lenders. If Big Rivers has not approached any other potential lenders, explain why Big Rivers has not done so.***

Response) Big Rivers believes that its access to revolving credit facilities ("Revolvers") can best be met through restatement and amendment of the existing Revolvers with CFC and CoBank. Therefore, Big Rivers is currently focused on pursuing enhancement of its short-term liquidity needs through CFC and CoBank with which Big Rivers has long established relationships.

In addition, Big Rivers has been negotiating with CFC on bridge financing for Big Rivers' Mercury and Air Toxics Standards (MATS) compliance plan until long-term financing can be obtained. A draft of the agreement has been completed and will be used by Big Rivers in filing an application with RUS for a loan to provide the long-term financing.

Big Rivers has held discussions with the Rural Utilities Service (RUS) regarding long-term borrowings of $58.4 million to finance its MATS compliance plan. The MATS compliance plan was approved by the

Commission in its order dated October 1, 2012, in Case No. 2012-00063. See the attached presentation related to the RUS discussions, and also see Big Rivers' response to Item 2 of this data request. Some of the information provide in response to this request is subject to a petition for confidential treatment that is being filed concurrently with the filing of these responses.

Witness) Billie J. Richert

Meeting with Rural Utilities Service on November 14, 2012

Big Rivers
ELECTRIC CORPORATION

Your Touchstone Energy Cooperative

Big Rivers

Participants

Big Rivers Electric Corporation

Mark Bailey, ***President & CEO***

Billie Richert, ***Vice President Accounting & Interim CFO***

James Miller, ***Corporate Counsel, Sullivan Mountjoy Stainback & Miller***

Big Rivers

Key Topics for Today's Discussion

- 2012 Environmental Compliance Plan (ECP)
  - Kentucky Public Service Commission Order - Case 2012-00063
  - Interim Financing
  - RUS Long-Term Financing

- General Rate Case Filings
  - Update on 2011 General Rate Case 2011-00036
  - 2012 General Rate Case
    - Century Aluminum Company's Notice to Terminate
    - RUS Approval of Depreciation Study
  - Timeline

- Financial Update

- Other Topics – As time permits

Big Rivers

Table of Contents

Big Rivers

I. 2012 Environmental Compliance (ECP) Case 2012-00063

Big Rivers

I. 2012 Environmental Compliance (ECP) Case 2012-00063

BACKGROUND:

On April 2, 2012, Big Rivers Electric filed an application with the Kentucky Public Service Commission seeking approval of a new environmental compliance plan addressing both Cross-State Air Pollution Rule (CSAPR) and Mercury and Air Toxics Standards (MATS). Date for compliance with MATS is April 2015.

On Tuesday, August 21, 2012 the U.S. Court of Appeals for the D.C. Circuit ruled the U.S. Environmental Protection Agency (EPA) violated the Clean Air Act in its Cross-State Air Pollution Rule, and vacated the ruling. This reduced Big Rivers cost to comply in its Environmental Compliance Plan (ECP) requirements from approximately $283 million to approximately $58.44 million (MATS) only.

On Wednesday, August 22, 2012, the formal evidentiary hearing for our ECP was scheduled. Since the CSAPR ruling was vacated, the basis was removed for several concerns raised by the intervenors in our PSC filing. As a result, on August 23, 2012, a Stipulation and Recommendation was entered into by Big Rivers, the Office of the Attorney General, Kentucky Industrial Utility Customers and Alcan (KIUC), the Sierra Club and Kenergy Corporation.

On Monday, October 1, 2012, the PSC issued an order approving the Stipulation and Recommendation. This order approved the MATS projects at a cost of $58.44 million and the recovery of these costs, as well as the testing costs noted below, through the environmental surcharge tariff proposed by Big Rivers.

Additionally, the order approved compliance testing and recovery for MATS particulate matter limits up to $1 million. Testing must demonstrate compliance for each unit prior to incurring any MATS project costs for that unit. If testing is not successful, Big Rivers must then seek an amendment to its ECP that will ensure compliance.

This testing is scheduled to begin in January 2013 at the Wilson station with the other units soon after.

Big Rivers

Big Rivers' Environmental Compliance Plan for MATS

The total capital cost for our MATS compliance plan is now $59.44 million. Projected expenditures are $31.8 million in 2013 and $27.6 in 2014. The construction schedule contemplates all equipment being placed in service by August 2014.

	MATS
Capital	
Wilson	$ 11,240,000
HMPL (Net of City)	280,000
Reid	-
Green	18,480,000
Coleman	28,440,000
Compliance Testing	1,000,000
	$ 59,440,000

Does not include capitalized interest.

Big Rivers

Big Rivers' Environmental Compliance Plan for MATS continued

Big Rivers plans to submit an application to RUS to obtain long-term financing for our MATS Environmental Compliance Plan. It is our understanding the approval process may be two to three years.

In the interim, we are obtaining short-term financing from the National Rural Utilities Cooperative Finance Corporation (NFC). This short-term financing will be in the form of a $60 million senior secured three-year credit facility.

We are planning to file a financing application with the PSC for this interim financing by year-end and close and finalize the deal by February 28, 2013.

We have completed our application for long-term financing and are ready to submit this to RUS by year-end.

Discussion point: Any obstacles RUS may see in our obtaining this long-term financing from RUS.

Big Rivers

II. 2011 General Rate Case 2011-00036 Update

Big Rivers

II. 2011 General Rate Case 2011-00036 Update

- On March 1, 2011, Big Rivers filed an application with PSC seeking a revenue increase of $39.9 million.

- On November 17, 2011, the PSC issued an order approving a rate increase of $26.7 million, effective September 1, 2012. ***In addition, the PSC directed Big Rivers to complete another depreciation study in three years or before its next rate case, whichever occurred sooner.***

- This rate increase of $26.7m was assigned to the following classes:
  - $10.6 million – rural class
  - $ 1.9 million – large industrial
  - $14.2 million – to the two smelters

- On December 6, 2011, Big Rivers filed a petition for a rehearing to address four (4) issues; three (3) of which we sought rate relief to:
  - Recover rate case expenses of $640,753
  - Correct $450,000 mathematical depreciation error made by PSC
  - Recover $1,644,154 annual depreciation on CWIP projects placed in service prior to date of new rates, September 1, 2012.

II. 2011 General Rate Case 2011-00036 Update continued

- On April 12, 2012, the PSC expanded the rehearing process to include three (3) issues raised by the KIUC.
  - All subsidies paid to the Rural class should be eliminated
  - The PSC's order unintentionally assigns a portion of Rural Demand Side Management (DSM) costs to the smelters and this should be corrected.
  - The depreciation rates approved should be reduced by $5.9 million to reflect rates proposed by KIUC.

Big Rivers position is the PSC correctly handled these items in the rates granted in the November 17, 2012 order.

- On September 12, 2012, a hearing was conducted by the PSC regarding the issues raised during the April 12, 2012 rehearing.
- On October 1, 2012, Big Rivers and intervenors filed briefs with the PSC.

The PSC's order on the rehearing is still pending.

Big Rivers

III. 2012 General Rate Case

Big Rivers

2012 Rate Case

- **Drivers**
  - Century Contract Termination
  - Depressed Off System Sales margins
  - Depreciation
  - Other costs not fully recovered in last rate case

- **Fully Forecasted Test Period**
  - Based on Big Rivers' Budget and Financial Plan for September 2013 through August 2014
  - Business model has changed

- **Revenue Deficiency**
  - Calculated as the annual incremental revenue needed to allow Big Rivers to achieve a 1.24 TIER during the test year while also achieving MFIR of 1.10 in calendar 2013.

  - Total annual revenue deficiency: $74,476,120. This represents a 21% wholesale revenue increase; 29% for the Rurals; 18% for the Large Industrials; and 16% for the Smelter.

Big Rivers

Century Notice to Terminate Retail Contract

- On August 20, 2012, Century Aluminum Company gave its one year termination notice to Kenergy and Big Rivers. This notice indicated Century is ceasing all smelter operations at their Hawesville, Kentucky facility on August 20, 2013. Century is the source of approximately thirty-seven (37%) of Big Rivers' wholesale revenues or approximately $153.7m for the nine months ending September 30, 2012.

- As a result of this termination notice, Big Rivers immediately began implementing its formal Mitigation Plan which includes:
  - Filing for a general rate increase with the Kentucky Public Service Commission (PSC).
  - Pursuing replacement load for Century's 482 MW.
  - Developing a 2013 budget and 2014-2016 financial plan which include a temporary layup, beginning in August 2013, of our D.B. Wilson plant, which has a net capacity of 417 MW. This layup will continue until such time as replacement load is found or until such time the price for off-system sales improves.

- Presently, at the urging of the Governor, Kenergy, Big Rivers and Century are discussing how Kenergy can purchase Century's power from the market after August 20, 2013.

Big Rivers

Rate Case Filing Timeline and Key Milestones

Week Ending November 10, 2012

a) Complete Depreciation Study and Issue Draft Report - **Done**

b) Complete Cost of Service Study - **Done**

Week Ending November 17, 2012

a) Finalize Depreciation Study Report

b) Obtain Board Approval of Depreciation Study Results; 2013 Budget; 2014-2016 Financial Plan and Approval to file Rate Case

c) Submit Request to RUS for Approval of Depreciation Study – **Discussion point for today**

November 30, 2012

File Notice of Intent with the PSC

December 31, 2012

RUS Approval of Depreciation Study – **Discussion point for today**

January 15, 2013

File Application with the PSC

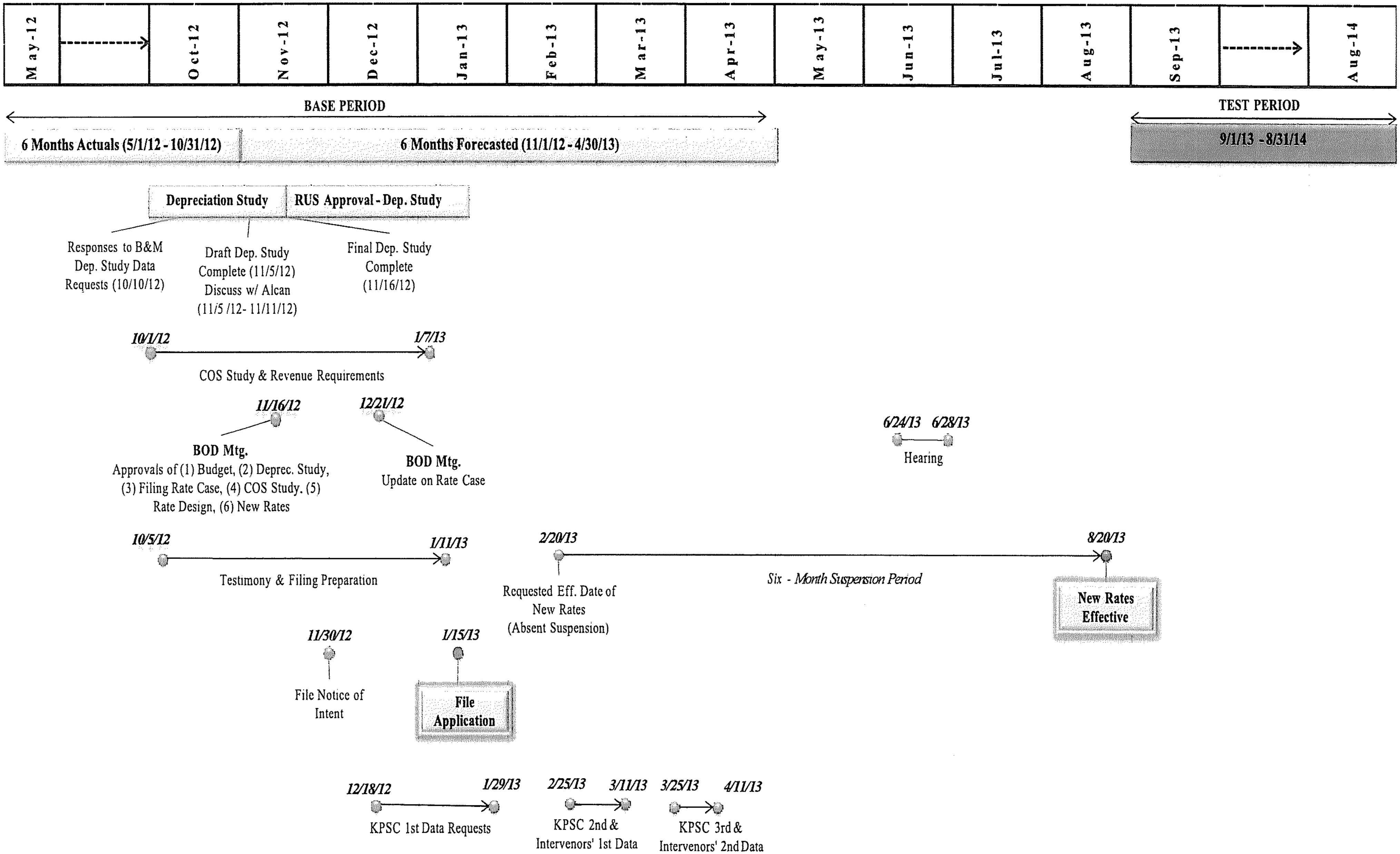
February 20, 2013

Requested Effective Date of New Rates (Absent Suspension)

August 20, 2013

New Rates Effective Date (after six month suspension period)

Rate Case Filing Timeline and Key Milestones



Big Rivers

IV. Debt, Liquidity and Financial Update

Big Rivers' Financing – Lines of Credit

Big Rivers currently has two $50 million lines of credit available to it, one with CoBank, ACB, expiring July 2017, and the other with National Rural Utilities Cooperative Finance Corporation ("CFC") that expires July 2014.

Big Rivers

Big Rivers' Financing – Long-Term Debt

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

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

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

Big Rivers

Big Rivers' Financing – Long-Term Debt Footnotes

(a) Stated interest rates do not include adjustments to account for patronage income from respective lender.

(b) CoBank Series 2012 Note: (4.30% Stated Interest Rate) Quarterly principal and interest payments Due Mar. 31, Jun. 30, Sep. 30, and Dec. 31
First payment due : 9/30/2012; Final payment due: 6/30/2032

(c) RUS Series A Note: (5.75% Stated Interest Rate; 5.8357% Effective GAAP Interest Rate)
Next principal payment (~$2.4M) due 10/1/2019; then quarterly payments (between $10.7M - $11.6M) due until final maturity date of 7/1/2021

(d) RUS Series B Note: (No Stated Interest Rate; 5.80% Imputed Interest Rate)
$245,530,257 - Total Payment Due on December 31, 2023

(e) CFC 2012 Refinancing Loan: (Serial note pricing with varying interest rates for each individual note)
- All in effective interest rate (i.e. including impact of interest income on related CFC Investments in CTCs) ~ 4.48%
- Quarterly principal and interest payments due Feb. 28, May 31, Aug. 31, and Nov. 30
- First principal payment due: 11/30/2012; Final payment due: 5/31/2032

(f) CFC 2012 Equity Loan: (5.35% Stated Interest Rate)
- Used to finance the required purchase of CFC Capital Term Certificates (CTCs) equal to 14.29% of the original 2012 Refinance Loan balance
- Quarterly principal and interest payments due Feb. 28, May 31, Aug. 31, and Nov. 30
- First principal payment due: 11/30/2012; Final payment due: 5/31/2032

Big Rivers

Big Rivers' Financing – Cash, Investments and Transition Reserve

	Cash Balances/Investments/Reserves:	Sept 30 2012 Balance		Maturity Date	Interest Rate
CFC	CFC Equity Investment in CTCs - see Equity Loan on Page 19	$	43,155,800		4.28%
	Fidelity Prime Money Market Portfolio	$	113,244,034		0.17%
Transition Reserve	Federal National Mortgage Note	$	17,500,000	February 2013	0.12%
Transition Reserve	Federal Farm Credit Bank Bond	$	17,500,000	January 2014	0.25%
	Total Cash Balances/Investments/Reserves	**$**	**191,399,834**		

Note:

Two additional reserves established at the time of the unwind have balances as of September 30, 2012:

Economic Reserve — $ 84,917,304 (for the Rurals and Large Industrials)
Rural Economic Reserve — $ 64,372,307 (for the Rurals)

The Economic Reserve is scheduled to be depleted Q3 2015; and the Rural Economic Reserve is scheduled to be depleted Q1 2018.

Big Rivers

Big Rivers' Financial Covenants

Big Rivers is in compliance with all debt covenants associated with both long-term and short-term debt.

- The Company's Indenture and its line of credit with CFC and CoBank require that Margins for Interest Ratio (MFIR) of at least 1.10 be maintained each fiscal year.
- The CoBank line of credit agreement requires a Debt to Total Capitalization ratio of 80% or less.
- CFC line of credit requires an Equity to Assets ratio of 12% or greater at the end of each fiscal year.

Historical Performance against covenants

Ratio	Agreement	Loan Covenant	2011	2010	2009
MFIR	Indenture/NRUCFC/CoBank	1.10	1.12	1.15	9.87
Equity to Assets	NRUCFC	12%	27%	26%	25%
Debt to Total Capitalization	CoBank	80%	65%	68%	69%
TIER		n/a	1.12	1.15	9.85

Big Rivers

Statement of Operations

	Actual		Projected				
Statement of Operations ($mm)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Electric Energy Revenues	$ 514.5	$ 558.4	$ 556.1	[redacted]			
Other Operating Revenue and Income	12.8	3.6	4.9	3.7	3.7	3.7	3.7
Total Operating Revenues	$ 527.3	$ 562.0	$ 561.0	[redacted]			
Operating Expense - Excluding Fuel	$ 187.2	$ 201.8	$ 200.1	[redacted]			
Operating Expense Fuel	207.7	226.2	222.2				
Maintenance Expense	46.9	47.7	45.6				
Depreciation and Amortization	34.2	35.4	41.3	42.3	44.9	46.8	47.8
Interest Expense	47.1	45.7	45.0	46.3	47.2	47.1	46.7
Other - Net	(2.8)	(0.4)	(1.3)	(3.5)	(6.2)	(4.4)	(4.2)
Total Expenses	$ 520.3	$ 556.4	$ 552.9	[redacted]			
Net Margins	$ 7.0	$ 5.6	$ 8.1	[redacted]			
TIER	1.15	1.12	1.18	[redacted]			

Big Rivers

Balance Sheet

	Actual		Projected				
Balance Sheet ($mm)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Assets							
Net Utility Plant	$ 1,092	$ 1,092	$ 1,087	$ 1,120	$ 1,148	$ 1,145	$ 1,132
Cash & Investments	45	45	101	83	81	83	92
Transition Reserve	35	0	35	35	35	35	35
Economic Reserve	121	100	81	54	21	0	0
Rural Economic Reserve	62	63	64	66	67	56	27
Receivables, Inventories, & Other	117	118	170	170	170	170	169
Total	**$ 1,472**	**$ 1,418**	**$ 1,538**	**$ 1,528**	**$ 1,522**	**$ 1,489**	**$ 1,455**
Equities & Liabilities							
Equities	$ 387	$ 390	$ 398	$ 402	$ 414	$ 425	$ 434
Debt	817	786	925	943	957	943	927
Deferred Revenue - Economic Reserves	181	162	145	120	88	56	27
Line of Credit Advances	10	0	0	0	0	0	0
Payables & Other	77	80	70	63	63	65	67
Total	**$ 1,472**	**$ 1,418**	**$ 1,538**	**$ 1,528**	**$ 1,522**	**$ 1,489**	**$ 1,455**
Equities / Total Capitalization	**32%**	**33%**	**30%**	**30%**	**30%**	**31%**	**32%**

Big Rivers

Debt Service Coverage

	Actual		Projected				
Debt Service Coverage	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Margins	$ 7.0	$ 5.6	$ 8.1	[redacted]			
Interest Expense	47.1	45.7	45.0	46.3	47.2	47.1	46.7
Depreciation & Amortization	36.3	37.5	44.5	45.7	48.4	50.5	51.5
Numerator for DSCR	$ 90.4	$ 88.8	$ 97.6	[redacted]			
Interest Expense	47.1	45.7	45.0	46.3	47.2	47.1	46.7
Principal Due on Long-Term Debt	14.2	14.9	16.1	21.6	22.0	22.9	25.2
Denominator for DSCR	$ 61.3	$ 60.6	$ 61.1	$ 67.9	$ 69.2	$ 70.0	$ 71.9
Debt Service Coverage Ratio	1.47	1.47	1.60	[redacted]			

Big Rivers

Non-Smelter Wholesale Member Rates

	Actual		Projected				
Rate Derivation ($/MWh)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Non-Smelter Members							
Base Rate	$ 35.33	$ 42.45	$ 48.66	$ 53.43	$ 62.84	$ 62.86	$ 62.88
Regulatory Account Amortization	0.00	(0.32)	(1.14)	(1.17)	(0.64)	(0.33)	1.05
FAC	9.98	4.49	2.95	4.27	5.42	6.46	6.94
Environmental Surcharge	2.25	2.16	2.17	3.28	3.95	4.91	5.19
Surcredits	(3.30)	(3.49)	(4.24)	(3.24)	(1.74)	(1.73)	(1.71)
Rebate (Accrual)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Rate Stabilization	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Economic Reserve	(7.91)	(6.22)	(6.07)	(8.01)	(9.81)	(6.24)	0.00
Rural Economic Reserve	0.00	0.00	0.00	0.00	0.00	(3.55)	(8.68)
Blended Rate	**$ 36.35**	**$ 39.07**	**$ 42.33**	**$ 48.56**	**$ 60.02**	**$ 62.38**	**$ 65.67**

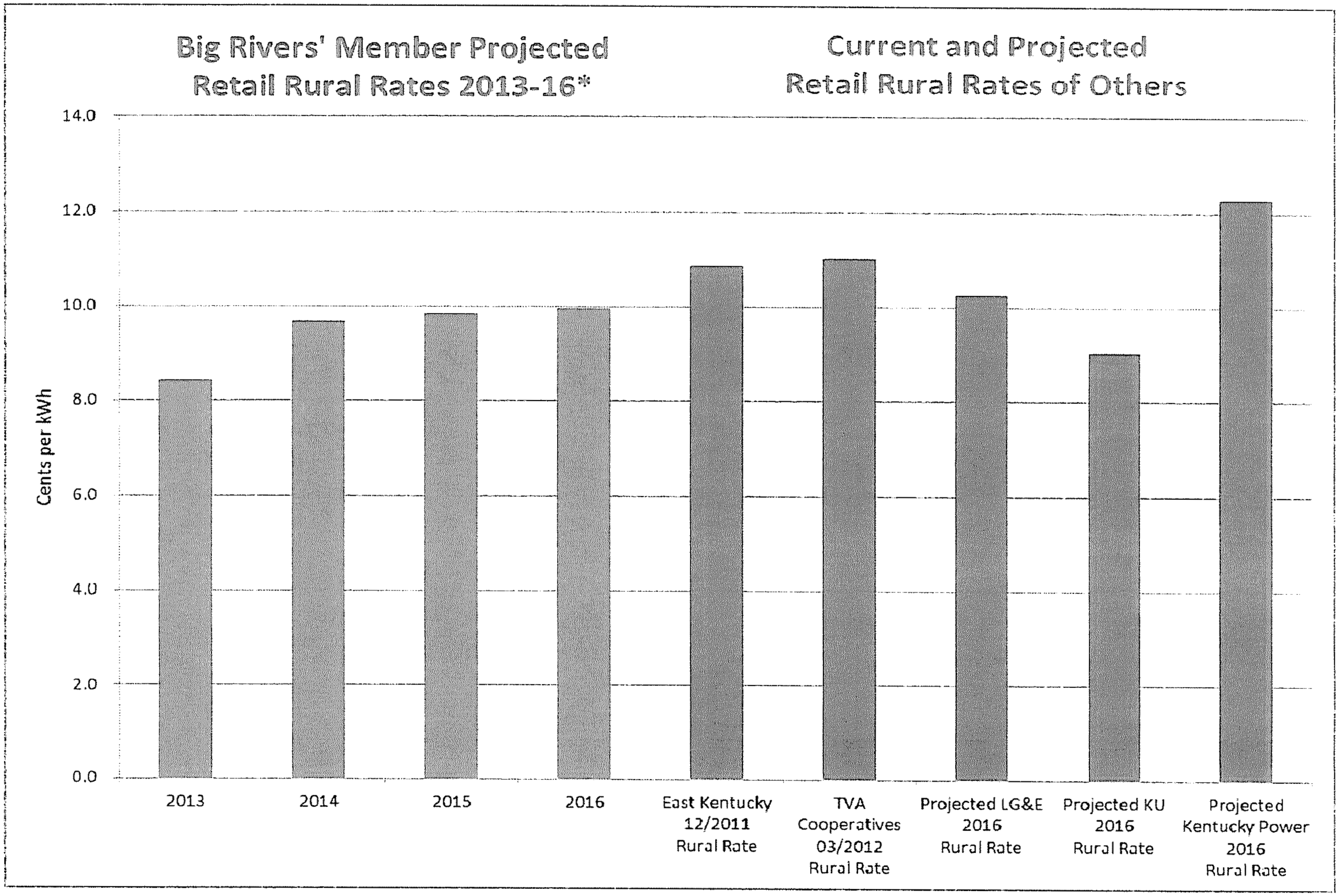
Big Rivers

Smelter Rates

	Actual		Projected				
Rate Derivation * ($/MWh)	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Smelters							
Large Industrial Rate @ 98%	$ 29.07	$ 34.70	$ 38.94	$ 40.77	$ 47.35	$ 47.35	$ 47.30
Additional Smelter Charge	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Base Rate	$ 29.32	$ 34.95	$ 39.19	$ 41.02	$ 47.60	$ 47.60	$ 47.55
Tier Adjustment	1.95	1.95	2.95	2.95	2.94	2.37	3.55
Non-FAC PPA	(1.18)	(0.70)	(0.38)	(0.53)	(0.36)	1.01	1.00
FAC	10.13	4.53	2.97	4.19	5.42	6.46	6.94
Environmental Surcharge	2.26	2.18	2.17	2.56	3.06	3.90	4.05
Surcharge	1.57	1.57	1.87	1.87	1.87	1.87	1.87
Rebate (accrued)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Effective Rate	**$ 44.05**	**$ 44.48**	**$ 48.77**	**$ 52.06**	**$ 60.53**	**$ 63.21**	**$ 64.96**

Big Rivers

Comparison of Projected Rural Retail Rates with Other Kentucky Electric Utilities



*Big Rivers' Member Retail rates estimated by adding a 3.3 cent per kWh adder for Member distribution services.

Big Rivers' Credit Rating

Big Rivers

Big Rivers maintains investment grade credit ratings…

Moody's Investor Service – On August 21, 2012, Moody's downgraded from a 'Baa1' to a 'Baa2' senior secured rating for the Series 2010A County of Ohio, Kentucky, Pollution Control Bonds.

Standard & Poor's (S&P) – On August 31, 2012, S&P affirmed 'BBB-' issuer credit rating to Big Rivers and a "BBB-" long-term rating for its Series 2010A County of Ohio, Kentucky, Pollution Control Bonds. Outlook was changed from stable to negative.

Fitch Ratings Ltd. – On August 24, 2012, Fitch affirmed a 'BBB-' rating on the Series 2010A County of Ohio, Kentucky, Pollution Control Bonds. Placed on rating watch negative.

Note: The rating agencies view our liquidity as very important in maintaining the above ratings.

Big Rivers

V. Other Topics

Big Rivers

VI. Appendix – Senior Management Brief Biographies

Big Rivers

Big Rivers' Senior Management

Senior Management Brief Biographies

Mark A. Bailey, President & Chief Executive Officer, received a Bachelor of Science in Electrical Engineering from Ohio Northern University in 1974, and a Master of Science in Management from the Massachusetts Institute of Technology in 1988. He was employed by American Electric Power Company ("AEP") for nearly 30 years, beginning as an Electrical Engineer in 1974. Mr. Bailey was employed as Vice President of AEP subsidiary Indiana Michigan Power Company until AEP's reorganization in 1996, when he became Director-Regions with American Electric Power Service Corporation ("AEPSC"), also a subsidiary of AEP. He was employed as Vice President of Transmission Asset Management for AEPSC from June 2000 until his employment as President and Chief Executive Officer ("CEO") with Kenergy Corp. in 2004. Mr. Bailey was employed as Executive Vice President and Chief Operating Officer of Big Rivers beginning in June 2007 until being elected by the Board of Directors to his current position in October 2008.

Robert W. Berry, Vice President of Production, graduated from the University of Kentucky Community College system with an Associate degree in Mechanical Engineering Technology and Mid-Continent University with a Bachelor of Science in Business Management. He was employed by Big Rivers from 1981 to 1998 and served in various maintenance positions such as Superintendent of Maintenance and Maintenance Manager. In 1998 he was employed by Western Kentucky Energy and served in various positions such as Maintenance Manager, Plant Manager and General Manager until the Unwind transaction closed in July 2009, at which time he assumed his current position at Big Rivers.

David G. Crockett, Vice President of System Operations, graduated from the University of Kentucky with a Bachelor of Science in Electrical Engineering in 1972. He has been employed with Big Rivers since 1972. He served in various engineering positions before assuming the responsibility of Manager of Energy Control in 1998. Mr. Crockett assumed his current position as Vice President System Operations in 2006.

James V. Haner, Vice President of Administrative Services, graduated from the University of Kentucky with a Bachelor of Science in Accounting in 1970. He has been employed with Big Rivers since 1972. He served in various accounting and finance capacities prior to transferring to administrative services in 1991. He assumed duties as Manager Human Resources in 1998. Mr. Haner assumed his current position of Vice President Administrative Services in 2005.

Big Rivers

Big Rivers' Senior Management

Senior Management Brief Biographies - continued

Billie J. Richert, Vice President of Accounting & Interim Chief Financial Officer, graduated from Indiana University with a Bachelor of Science in Accounting in 1973 and a Master of Management in Finance from Northwestern University J. L. Kellogg Graduate School of Management in 1982. She is a licensed CPA and is a Certified Information Technology Professional. Ms. Richert was employed by Deloitte LLP (formerly Haskins & Sells) from 1973 to 1977 and with Landau and Bartelstein CPAs from 1978 to 1982. Ms. Richert was President, CEO and founder of REL-TEK Systems & Design, Inc. from 1982 to 1999. From 2006 to 2009, she held the position of Director of Financial Systems at DePauw University. Ms. Richert joined Big Rivers in 2010 and has held the positions of Oracle Accounting System Administrator and Manager, Business Systems Infrastructure and assumed her current position in July 2012.

Eric Robeson, Vice President of Environmental Services and Construction, graduated from Rose Hulman Institute of Technology in 1977 with a Bachelor of Science in Mechanical Engineering and Ball State University in 1988 with a Masters of Business Administration. He is a registered Professional Engineer in the state of Indiana. Mr. Robeson worked at Vectren (and its predecessor company Sigeco) from 1980 to 2011. He served in a variety of engineering and managerial positions including Plant Manager, Director of Generation Planning, and Director of Infrastructure Services. He joined Big Rivers in 2011 as Vice President of Construction overseeing environmental compliance efforts and assumed his current position in February 2012.

Albert M. Yockey, Vice President of Governmental Relations & Enterprise Risk Management, graduated from the University of Pittsburgh with a Bachelor of Science in Electrical Engineering in 1972, a Master of Science from Lehigh University in 1979, and a Juris Doctor from Capital University Law School in 1994. He is a registered Professional Engineer in Pennsylvania and a licensed attorney in Ohio. Mr. Yockey was employed in operation and planning positions with Pennsylvania Power and Light Co. from 1972 through 1985. He was employed in planning, regulatory, and compliance positions with American Electric Power Company from 1985 until February 2008. Mr. Yockey joined Big Rivers as Vice President of Enterprise Risk Management and Strategic Planning in 2008 and assumed his current position in July 2009.

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated May 2, 2013

May 14, 2013

Item 16) ***What is BREC's estimated or calculation of the interest rate of the Amended CFC Revolver? Provide all supporting documentation.***

Response) As stated on page 6 of the Application and Section 3.05C of the Amended and Restated Revolving Line of Credit Agreement (Exhibit 8 to the Application), the interest rate on all Advances under the Amended CFC Revolver will be equal to the CFC Line of Credit Rate as determined by CFC. This interest rate is unchanged from the existing 2009 CFC Revolver.

As of May 1, 2013, the CFC Line of Credit Rate was 2.900%. Please see attachment for supporting documentation.

Witness) Billie J. Richert

The published CFC loan rates are stated rates not effective rates. As a CFC member, your effective interest rate will be lower than the stated daily rates due to patronage refunds and the multiple interest rate discounts available to our borrowers.

Please note the CFC rate information contained on these pages is privileged and confidential and may not be disclosed to any third party.

Print CFC Rates | Print All Rates

Loan Rates

- CFC Variable Rates
- CFC Long-Term Fixed Rates
- CFC Associate Variable Rates

Investment Rates

- CFC Member Capital Securities Rate
- CFC Commercial Paper Rates
- CFC Select Notes Rates
- CFC Daily Fund Rate
- CFC Medium-Term Note Rates

Other Interest Rates

- Prime Rate
- London Inter-Bank Offer Rates (LIBOR)
- Federal Funds Target Rate
- RUS Rates

CFC Variable Rates
Effective: 05/01/2013

Long-Term Variable	2.900%
Line of Credit / Intermediate	2.900%

Variable rates are subject to change monthly or semi-monthly in accordance with the terms of the loan agreement.

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS
CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated May 2, 2013

May 14, 2013

Item 17) ***Indicate whether the interest rates contemplated to be paid by BREC in its Application are comparable to the interest rates that are paid by electric utilities that carry comparable institutional credit ratings. If the interest rates to be paid by BREC are higher than those of its rating peer group, please explain in detail the reasons for such interest rate differentials. Provide all supporting documentation.***

Response) As illustrated in Moody's Investors Service's report dated April 15, 2013, titled "Rating Methodology: U.S. Electric Generation & Transmission Cooperatives" (Appendix B), provided as an attachment to this response, Big Rivers' current institutional credit rating by Moody's is Ba1 (Speculative-Grade). No other electric utilities were identified with a comparable institutional credit rating for purposes of performing the comparison requested.

However, as stated in response to Item 16, the interest rate on all Advances under the Amended CFC Revolver will be equal to the CFC Line of Credit Rate as determined by CFC. The CFC Line of Credit Rate is the same for all CFC borrowers, regardless of their respective institutional credit ratings. As of May 1, 2013, the CFC Line of Credit Rate was 2.900%. Please see attachment to Item 16 for supporting documentation.

Witness) Billie J. Richert

Appendix B: Methodology Grid Indicated Ratings with Observations and Outliers for Grid Mapping

FIGURE 12

Rating Factors					Factor 1: Wholesale Power Contracts / Reg Status	Factor 2: Rate Flexibility				Factor 3: Member/ Owner Profile		Factor 4: 3-Year Average G&T Financial Metrics					Factor 5: G&T Size	
	Long-Term Rating	Type of Rating	Outlook	Indicated Rating	% Memb. Load Served & Reg Stat	Board Involve / Rate Adj. Mech.	Purch. Pwr / Sales (%)	New Build Capex (% Net PP&E)	Rate Shock	Resid. Sales	Member Consol. Eq / Cap	TIER	DSC	FFO / Debt	FFO / Interest	Eq / Cap	MWh sales	Net PP&E
Factor Weighting					20%	5%	5%	5%	5%	5%	5%	5%	5%	10%	10%	10%	5%	5%
Arkansas Electric Cooperative (a)	A1	Senior Secured	Stable	A2	A	A	Aa	Baa	Ba	A	Baa	Aa	A	A	Aa	Aa	A	A
Associated Electric Cooperative	A1	Senior Secured	Stable	A1	Aa	Aa	Aa	Aa	Ba	A	Baa	A	A	A	A	Baa	Aa	Aa
Basin Electric Power Cooperative	A1	Senior Secured	Stable	A3	Aa	Aa	Baa	A	Ba	Ba	Baa	B	A	Baa	A	A	Aa	Aa
Big Rivers Electric Corp.	Ba1	Senior Secured	RUR ↓	A2	A	Baa	A	Aa	B	B	Baa	Ba	Aaa	Aaa	Aaa	A	A	A
Buckeye Power Inc. (b)	A2	Senior Secured	Stable	A3	Aa	A	Ba	A	B	A	A	A	Baa	Baa	A	Baa	Baa	A
Chugach Electric Association	<c>	<c>	Stable	A3	Baa	A	Aa	Ba	B	A	Baa	A	Aaa	A	Aaa	A	B	Baa
Dairyland Power Cooperative	A3	Issuer Rating	Stable	A3	Aa	Aa	Baa	A	B	A	Baa	A	A	Baa	A	Baa	Baa	A
Georgia Transmission	A2	Senior Secured	Positive	A3	Aa	Aa	Aaa	A	A	A	Baa	Baa	Ba	Baa	Baa	Baa	B	A
Golden Spread Electric Cooperative	A3	Issuer Rating	Stable	A2	A	Aa	B	Ba	Ba	B	A	Aaa	Aaa	Aaa	Aaa	Aa	Baa	Baa
Great River Energy	Baa1	Senior Secured	Stable	Baa1	A	A	A	A	Ba	A	Baa	Ba	Baa	Baa	Baa	Baa	A	Aa
Hoosier Energy	A3	Senior Secured	Stable	A2	Aa	A	A	Baa	B	A	Aa	Aa	A	A	Aa	Baa	Baa	A
Minnkota Power Cooperative	Baa2	Issuer Rating	Stable	Baa1	Aa	Aa	Baa	B	B	A	Baa	A	A	Ba	Baa	Baa	Baa	Baa
Oglethorpe Power Corp.	Baa1	Senior Secured	Stable	Baa2	Ba	Baa	Aaa	Ba	Ba	A	Baa	B	A	Baa	Baa	Baa	Aa	Aaa
Old Dominion Electric Cooperative	A3	Senior Secured	Positive	A3	Aa	A	B	Baa	Baa	A	Baa	A	B	A	A	A	A	A
PowerSouth Energy	A3	Senior Secured	Stable	A3	Aa	Aa	A	A	B	A	Baa	A	A	Baa	A	Baa	Baa	A
Seminole Electric	A3	Senior Secured	Stable	A3	A	Aa	Baa	Aa	B	A	Baa	Aa	A	A	A	Baa	A	A
South Mississippi Electric Power Association	A3	Senior Secured	Stable	A2	Aa	Aa	B	B	B	A	Aa	Aa	A	A	Aa	Baa	Baa	A
Tri-State G&T Association	A3	Senior Secured	Stable	A3	A	A	Baa	A	B	Ba	A	Aa	Baa	A	A	A	A	Aa

We identify positive or negative "outliers" for a given sub-factor as an issuer whose grid sub-factor score is at least two broad rating categories higher or lower than a company's actual rating (e.g. a Baa -rated company whose rating on a specific sub-factor is in the Aa-rating category is flagged as a positive outlier for that sub-factor).

Positive outlier: grid-indicated performance for a sub-factor is two or more broad rating categories higher than the actual Moody's Rating for the issuer

Negative outlier: grid-indicated performance for a sub-factor is two or more broad rating categories lower than the actual Moody's Rating for the issuer

(a) Fiscal year-end October 31

(b) Fiscal year-end June 30

<c> No LT rating;Senior Secured A3 was withdrawn on Feb. 1, 2012; short-term rating is P-2

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS
CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated May 2, 2013

May 14, 2013

Item 18) ***Is there a maximum interest rate that BREC would not go through with a refinancing of its Amended CFC Revolver?***

Response) As stated in the Amended CFC Revolver Agreement, no provision of the Agreement shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law. Because the interest rate applicable to advances under the Amended CFC Revolver fluctuates based on current market conditions, a maximum interest rate cannot be determined at this time. However, before taking any Advance under the Amended CFC Revolver, Big Rivers would compare the interest rate currently applicable to draws under the Amended CFC Revolver to the interest rate(s) available through other financing options available at that time.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS
CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers' Initial Request for Information Dated May 2, 2013

May 14, 2013

Item 19) ***Provide a detailed calculation of all "up-front costs" associated with the Amended CFC Revolver as referenced in Paragraph 10 of the application. If there are other costs associated with the Amended CFC Revolver provide a detailed quantification of those additional costs.***

Response) As stated on page 6 of the Application, the Upfront Fee for the Amended CFC Revolver is equal to fifteen basis points of the commitment amount (i.e. $50,000,000 Commitment x 0.0015 = $75,000). This reflects a reduction of $50,000 from the Upfront Fee associated with the existing 2009 CFC Revolver, which was equal to twenty-five basis points of the commitment amount (i.e. $50,000,000 Commitment x 0.0025 = $125,000).

Additional fees associated with the Amended CFC Revolver include legal fees of counsel for Big Rivers and CFC, miscellaneous filing fees, and other transaction costs which cannot be quantified until after this proceeding and the closing of the agreement, if approved.

Witness) Billie J. Richert

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers' Initial Request for Information dated May 2, 2013

May 14, 2013

Item 20) *What would be the financial consequences of BREC not executing the Amended CFC Revolver?*

Response) In addition to the loss of the liquidity afforded by the Amended CFC Revolver, the financial consequences of Big Rivers not executing the Amended CFC Revolver prior to the termination date of the Century Wholesale Agreement (August 20, 2013), result from an Event of Default that will be triggered under Section 6.01M(iii) of the 2009 CFC Revolver and the corresponding remedies available to CFC under Section 7.01 of the 2009 Revolver. Explanations of the Event of Default triggered and the resulting financial consequence are provided starting on page 4, line 7, through page 5, line 8 of the Application.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
FOR APPROVAL TO ISSUE EVIDENCE OF INDEBTEDNESS
CASE NO. 2013-00125

Response to the Kentucky Industrial Utility Customers' Initial Request for Information dated May 2, 2013

May 14, 2013

Item 21) *As set forth in Paragraph 11 (at page 8) of the Application, the 2012 CoBank Revolver is no longer available to Big Rivers.*

a. *Provide a narrative explanation of the reasons that the 2012 CoBank Revolver is no longer available to Big Rivers.*

b. *Cite the specific provision(s) of loan documentation upon which CoBank relies in withdrawing the availability of the 2012 CoBank Revolver, and state whether Big Rivers contests the validity of CoBank's reliance on such provision(s).*

c. *Provide copies of all written communications of any kind between Big Rivers and CoBank wherein Big Rivers has attempted to negotiate new terms and conditions upon which CoBank would make the 2012 CoBank Revolver available to Big Rivers.*

d. *State whether Big Rivers believes that the 2012 CoBank Revolver will become available to Big Rivers in the future, and if so, the date at which such availability will occur and the occurrences that will lead to such availability.*

Response)

a. As a result of Century giving its one-year termination notice on August 20, 2012, and Alcan Primary Products Corporation giving its one-year termination notice on January 31, 2013, Big Rivers cannot make representations and warranties required of Big Rivers for a cash withdrawal against the CoBank's revolving credit agreement.

b. CoBank has not withdrawn the availability of the CoBank revolver. Please see response to item 21(a).

c. Big Rivers objects to the relevancy of and declines to produce information regarding active negotiations with CoBank,

d. Big Rivers is negotiating with CoBank, but has no grounds on which to speculate on the subjects raised in this question.

Witnesses) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION
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CASE NO. 2013-00125

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May 14, 2013

Item 22) ***Explain why the $50 million revolving credit lines from CFC and CoBank for which Big Rivers sought and obtained approval in Case No. 2007-00455 originally were structured on an unsecured basis rather than secured under the Indenture.***

Response) CFC and CoBank did not require that the revolving credit agreements be secured at the closing of the unwind transaction, when Big Rivers had investment grade credit ratings. CFC conditioned its agreement to the amendments to its credit agreement filed in this case upon having the credit agreement secured.

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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May 14, 2013

Item 23) ***Show, as of December 31, 2012, (a) the net book value of all Big Rivers assets that are encumbered by the lien of the Indenture, and (b) the principal amount of all Big Rivers' debt that is secured by the Indenture.***

Response) See table below.

		As of December 31, 2012
(a) Net Book Value of Assets Encumbered by Lien of the Indenture:	$	1,102,138,105
(b) Outstanding Principal Amount Secured by the Indenture:	$	998,026,243

Witness) Billie J. Richert

BIG RIVERS ELECTRIC CORPORATION

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Item 24) *Provide an explanation of the basis for the issuance of Additional Obligations (in the form of the Amended CFC Revolver) under Section 4.2, 4.3, 4.4, 4.7 or 4.9 of the Indenture, whichever is applicable, citing the basis for such issuance consistent with Section 4.1 of the Indenture (General Provisions for Authentication and Delivery of Additional Obligations).*

Response) The Additional Obligations are being issued upon the basis of Bondable Additions (Section 4.2).

Witness) Billie J. Richert

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Item 25) *Provide a copy of all studies, analyses, and correspondence that considered or addressed various financing alternatives, including the alternative selected and presented in this proceeding.*

Response) Please see response to Item Nos. 1, 2, 3, 4, and 15.

Witness) Billie J. Richert

Item 26) ***Provide a detailed calculation of the impact by customer class that BREC's Application, if approved, will have on BREC's rate payers once financing is closed and for the next five years.***

Response) Although the "upfront fee" changed from twenty-five basis points under the 2009 CFC Revolver to fifteen basis points under the Amended CFC Revolver, other fees and expenses associated with the line of credit remain constant. As stated on page 6 of the Application, the interest rate on Advances under the Amended CFC Revolver is the same as the interest rate on Advances under the existing 2009 CFC Revolver. Under both agreements, the interest rate on Advances is equal to the CFC Line of Credit Rate as determined by CFC. The "annual facility fee" of fifteen basis points is also unchanged under the Amended CFC Revolver. Under both agreements, the "annual facility fee" is equal to $75,000 (i.e. $50,000,000 Commitment x 0.0015 = $75,000).

As explained above, Big Rivers' line of credit fees and expenses will not change as a result of this Application. Accordingly, approval of Big Rivers'

Application will have no measurable impact on Big Rivers' rate payers once the financing is closed or for the next five years.

Witness) Billie J. Richert