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APR 16 2015
PUBLIC SERVICE COMMISSION

April 15, 2015

Via Federal Express

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

RE: *BIG RIVERS ELECTRIC CORPORATION'S FILING OF WHOLESALE CONTRACTS PURSUANT TO KRS 278.180 AND 807 KAR 5:011 §13, CASE NO. 2014-00134*

Dear Mr. Derouen:

Enclosed are ten (10) copies of a "Stipulation and Recommendation" dated April 15, 2015, by which the parties in the above-styled proceeding have resolved the issues between and among them. Big Rivers asks that the Commission enter an order accepting this Stipulation and Recommendation, and resolving this proceeding in accordance with the terms of this Stipulation and Recommendation. Please contact me if you have any questions.

I certify that a copy of this letter and attachments has been served on each party shown on the attached service list.

Sincerely yours,

James M. Miller

James M. Miller
Counsel for Big Rivers Electric Corporation

JMM/lm
Enclosures

cc: Lindsay Barron, Big Rivers Electric Corporation
DeAnna Speed, Big Rivers Electric Corporation
Service List

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STIPULATION AND RECOMMENDATION

This Stipulation and Recommendation ("*Stipulation*") is entered into this 15th day of April, 2015, by and between Big Rivers Electric Corporation ("*Big Rivers*"), the Office of the Attorney General ("*AG*"), and Kentucky Industrial Utility Customers, Inc. ("*KIUC*") in the proceedings involving Big Rivers that are the subject of this Stipulation, as set forth below.

WITNESSETH:

WHEREAS, Big Rivers filed its application styled *In the Matter of: Big Rivers Electric Corporation's Filing of Wholesale Contracts Pursuant to KRS 278.180 and 807 KAR 5:001 Section* 13, in Case No. 2014-00134 (the "*Nebraska Agreements Proceeding*"), on April 4, 2014, seeking approval by the Public Service Commission ("*Commission*") of three wholesale power agreements entered into by Big Rivers with Northeast Nebraska Public Power District, the City of Wakefield, Nebraska, and the City of Wayne, Nebraska, respectively (collectively, the "*Nebraska Agreements*");

WHEREAS, the Commission has granted the AG and KIUC full intervention in the Nebraska Agreements Proceeding;

WHEREAS, the AG, through its data requests and "comments in lieu of testimony," and KIUC, through its data requests and testimony, have raised certain concerns relating to the three wholesale power sales contracts for which Big Rivers seeks approval;

WHEREAS, the AG, KIUC and Big Rivers desire to settle issues pending before the Commission in the Nebraska Agreements Proceeding, and have temporarily suspended the briefing schedule therein while attempting to do so;

WHEREAS, the adoption of this Stipulation will eliminate the need for the Commission and the parties to expend significant resources further litigating the Nebraska Agreements Proceeding, and eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final order herein;

WHEREAS, the AG, KIUC and Big Rivers agree that this Stipulation, viewed in its entirety, is a fair, just and reasonable resolution of all of the issues in the Nebraska Agreements Proceeding; and

WHEREAS, it is the position of the parties hereto that this Stipulation is supported by sufficient and adequate data and information, and should be approved by the Commission.

NOW, THEREFORE, for and in consideration of the premises and terms and conditions set forth herein, the parties hereto stipulate and recommend as follows:

1. Big Rivers, the AG and KIUC recommend that the Commission enter an order approving the Nebraska Agreements, unconditionally and without change.

2. If the Commission enters an order approving the Nebraska Agreements, unconditionally and without change, Big Rivers will then promptly seek all required Rural Utilities Service ("*RUS*") review and approvals.

3. Subsequent to obtaining all required RUS review and approvals, Big Rivers shall cause the tariff amendments attached hereto as Exhibit A to be filed with the Commission. The parties recommend that the Commission allow the tariff amendments to become effective without suspension or change.

4. The parties agree that the Commission retains jurisdiction to approve any amendment to any of the Nebraska Agreements to implement an economic development

rate arrangement or irrigation rate, both as contemplated in the Nebraska Agreements.

5. The signatories hereto agree that the foregoing stipulations and agreements represent a fair, just and reasonable resolution of the issues addressed herein and request the Commission to approve the Stipulation.

6. The signatories hereto agree that following the execution of this Stipulation, the signatories shall cause the Stipulation to be filed with the Commission together with the request of the parties for consideration and approval of this Stipulation.

7. The signatories hereto agree that this Stipulation is subject to the acceptance of and approval by the Commission. The signatories hereto further agree to act in good faith, and to use their best efforts to seek the Commission's approval and acceptance of this Stipulation. All parties waive any right to appeal, file an action seeking review of, or seek reconsideration of any order of the Commission issued in connection with this Stipulation.

8. The signatories hereto agree that, if the Commission does not accept and approve this Stipulation in its entirety and unchanged or if Big Rivers is unable to obtain all required RUS approvals, then:

(A) This Stipulation shall be void and withdrawn by the parties hereto from further consideration by the Commission, and none of the parties shall be bound by any of the provisions herein, provided that no party is precluded from advocating any position contained in this Stipulation; and

(B) Neither the terms of this Stipulation nor any matters raised during the negotiations of this Stipulation shall be binding on any of the signatories to this Stipulation or be construed against any of the signatories.

9. The signatories hereto agree that this Stipulation shall inure to the benefit of and be binding among upon the parties hereto, their successors and assigns.

10. The signatories hereto agree that this Stipulation constitutes the complete agreement and understanding among the parties hereto, and any and all oral statements, representations or agreements made prior hereto or contemporaneously herewith shall be null and void and shall be deemed to have been merged into this Stipulation.

11. The signatories hereto agree that, for the purpose of this Stipulation only, the terms of this Stipulation are based upon independent analyses of the parties, reflect a fair, just and reasonable resolution of the issues herein and are the product of compromise and negotiation.

12. This Stipulation shall not have any precedential value in this or any other jurisdiction, and shall not bar any or waive the right of any party to this Stipulation from seeking to amend, replace or remove the changes to Big Rivers' MRSM tariff in a future proceeding before the Commission.

13. The signatories hereto warrant that they have informed, advised and consulted with their respective clients in regard to the contents and the significance of this Stipulation, and based upon the foregoing are authorized to execute this Stipulation on behalf of those clients.

14. The signatories hereto agree that this Stipulation is a product of informed negotiation among all parties, and no provision of this Stipulation shall be strictly construed in favor of or against any party.

12. The signatories hereto agree that this Stipulation may be executed in multiple counterparts.

The Attorney General of Kentucky, by and through
his Office of the Rate Intervention Division

By: ______________________________

Kentucky Industrial Utility Customers, Inc.

By: ______________________________

Big Rivers Electric Corporation

By: ______________________________

15. The signatories hereto agree that this Stipulation may be executed in multiple counterparts.

The Attorney General of Kentucky, by and through
his Office of the Rate Intervention Division

By:______________________________

Kentucky Industrial Utility Customers, Inc.

By: Michael L. Kurtz

Big Rivers Electric Corporation

By:______________________________

15. The signatories hereto agree that this Stipulation may be executed in multiple counterparts.

The Attorney General of Kentucky, by and through
his Office of the Rate Intervention Division

By:________________________________

Kentucky Industrial Utility Customers, Inc.

By:________________________________

Big Rivers Electric Corporation

By: James M. Miller

MRSM – Member Rate Stability Mechanism

Applicability:

Applicable in all territory served by Big Rivers' Member Cooperatives.

Availability:

Available pursuant to Section 3 – Special Rules, Terms, and Conditions: Discount Adjustment of this tariff for all service under Standard Rate Schedule RDS and Standard Rate Schedule LIC, provided that this MRSM shall terminate on the ~~latter~~last to occur of (i) the first day of the month following the month in which the balance in the Rural Economic Reserve Fund (as described in the RER rider) equals zero, ~~or~~ (ii) the first month in which no additional transmission revenues from Century-Hawesville are forthcoming, and (iii) the first month in which no additional Nebraska Margin deposits are anticipated.

Definitions:

Please see Section 4 for definitions common to all tariffs.

Member Rate Stability Mechanism:

Big Rivers originally established an Economic Reserve of $157 million pursuant to the Commission's Order dated March 6, 2009, in Case No. 2007-00455. Pursuant to the Commission's Order dated April 25, 2014, in Case No. 2013-00199, Big Rivers shall also deposit the transmission revenues it receives from Century-Hawesville into the Economic Reserve. ~~The Economic Reserve is established as three~~ Pursuant to the Commission's Order dated __________, 2015, in Case No. 2014-00134, Big Rivers shall also deposit margins from certain wholesale sales contracts ("Nebraska Margins") into the Economic Reserve, as described in the "Nebraska Margins" section of this schedule. The Economic Reserve is established as five stand-alone investment accounts, each accruing interest: the first account is for the original fund, the second is for transmission revenues allocated to the Rural class (customers served under Standard Rate Schedule RDS), ~~and~~ the third is for transmission revenues allocated to the Large Industrial class (customers served under Standard Rate Schedule LIC~~).~~), the fourth is for Nebraska Margins allocated to the Rural class, and the fifth is for Nebraska Margins allocated to the Large Industrial class. The transmission revenues are allocated 79.2% to the Rural class and 20.8% to the Large Industrial class. The Nebraska Margins are allocated between the Rural class and the Large Industrial class based upon the total revenues received from each class during the calendar year in which Big Rivers earns the margins.

The MRSM will draw on the Economic Reserve to mitigate the monthly impacts of the FAC, the ES, and the base rate increase awarded by the Commission in Case No. 2013-00199 on each non-Smelter Member's bill, net of the credits received under the Unwind Surcredit and Rebate Adjustment. Each month the MRSM will mitigate the dollar impact of billings under the FAC and ES *less* the total dollar amounts received under the Unwind Surcredit, *less* a monthly pro-rata portion of any lump sum rebates provided under the Rebate Adjustment, *less* the Expense Mitigation Adjustment ("EMA") which is defined below, *plus* the total dollar amounts of the base rate increase awarded by the Commission in Case No. 2013-00199.

Until the account containing the original fund is exhausted, the amount of the MRSM credit provided to each Member during a month will each equal

(i) the total amount of FAC charges billed to the Member during the month, *plus*
(ii) the total dollar amount of ES charges billed to the Member during the month, *less*

(iii) the total dollar amount of the Unwind Surcredits credited to the Member during the month, *less*
(iv) one-twelfth (1/12) of any rebates provided under the Rebate Adjustment during the current month or during any of the 11 preceding months, *less*
(v) the total dollar amount of the EMA charged to the Member during the month; provided that the amounts subtracted in items (iii), (iv) and (v) cannot exceed the total of items (i) and (ii) in which case the monthly MRSM adjustment would be zero, *plus*
(vi) the Member's share of the total dollar amount of the base rate increase awarded by the Commission in Case No. 2013-00199 applicable to the month.

After the account containing the original fund is exhausted, the MRSM credit will draw ~~on~~first from the account containing Nebraska Margins and then from the applicable account containing transmission revenues ~~allocated to the Rural class or the account containing transmission revenues allocated to the Large Industrial class,~~ to provide a credit to each Member during a month that will equal

(i) the total amount of FAC charges associated with the applicable customer class and billed to the Member during the month, *plus*
(ii) the total dollar amount of ES charges associated with the applicable customer class and billed to the Member during the month, *less*
(iii) the total dollar amount of the Unwind Surcredits associated with the applicable customer class and credited to the Member during the month, *less*
(iv) one-twelfth (1/12) of any rebates associated with the applicable customer class and provided under the Rebate Adjustment during the current month or during any of the 11 preceding months, *less*
(v) the total dollar amount of the EMA associated with the applicable customer class and charged to the Member during the month; provided that the amounts subtracted in items (iii), (iv) and (v) cannot exceed the total of items (i) and (ii) in which case the monthly MRSM adjustment would be zero, *plus*
(vi) the Member's share of the total dollar amount of the base rate increase associated with the applicable customer class and awarded by the Commission in Case No. 2013-00199 applicable to the month.

Expense Mitigation Factor ("EMF") and Expense Mitigation Adjustment ("EMA"):

The EMF shall be the following:

I. \$0.000 per kWh for the first twelve (12) months following July 17, 2009;
II. \$0.002 per kWh for months 13 through 24 following July 17, 2009;
III. \$0.004 per kWh for months 25 through 36 following July 17, 2009;
IV. \$0.006 per kWh for months 37 through 48 following July 17, 2009;
V. \$0.007 per kWh for months 49 through 60 following July 17, 2009; and
VI. \$0.009 per kWh for months 61 through the termination of this MRSM tariff.

The EMA for the month shall be the EMF multiplied by the S (m) which is the jurisdictional sales for Standard Rate Schedule RDS and/or Standard Rate Schedule LIC to which this tariff applies for the current expense month. The EMF and EMA will expire after both the Economic Reserve and the

Rural Economic Reserve funds have been exhausted and no additional transmission revenues from Century-Hawesville or Nebraska Margins are forthcoming.

If any portion of FAC or ES costs is transferred to or from base rates after July 17, 2009, then the MRSM will account for any effect of such transfers so that the Members will not see any impact on their bills, either positive or negative, of such transfers.

The MRSM adjustment shall be no longer applicable once the Economic Reserve is exhausted and no additional transmission revenues from Century-Hawesville or Nebraska Margins are forthcoming, but the MRSM shall remain a schedule in this tariff until the Rural Economic Reserve Fund is depleted and no additional transmission revenues from Century-Hawesville or Nebraska Margins are forthcoming, as described in the "Availability" section of this schedule. During the last month of this MRSM, or in any month that the amount remaining in the Economic Reserve does not fully fund the MRSM credit for a customer class, the amount remaining in the Economic Reserve for that class will be prorated to each Member on the basis of the total FAC and ES charges applicable to that class' non-Smelter sales less credits under the Unwind Surcredits, less monthly prorated amounts under the Rebate Adjustment and less the EMA as applicable, *plus* the prorated base rate increase awarded by the Commission in Case No. 2013-00199.

Nebraska Margins:

The Nebraska Margins shall be the margins resulting from the wholesale contracts approved in Case No. 2014-00134. Pursuant to the Commission's Order in that case dated ________ 2015, each January, Big Rivers shall compare its margins for the previous year to the margins that would have provided the Times Interest Earned Ratio ("TIER") that the Commission used to establish the revenue requirement in Big Rivers' most recent general rate proceeding (the "Revenue Requirement TIER").

Big Rivers shall also compare its average daily balance of unrestricted cash and temporary investments for the last three calendar months of the previous calendar year (the "Average Cash Balance") to the Cash Balance Threshold, as defined below.

(1) If for the previous year:
- (a) Big Rivers' actual margins are greater than the margins at the Revenue Requirement TIER;
- (b) the Nebraska Margins are greater than zero; and
- (c) The Average Cash Balance greater than $60,000,000 (the "Cash Balance Threshold"),

then Big Rivers shall deposit into the Economic Reserve each month for twelve (12) consecutive months one-twelfth (1/12) of the lesser of:
- (a) the portion of the Nebraska Margins from the previous calendar year that would reduce Big Rivers' actual TIER to the Revenue Requirement TIER; and
- (b) the positive difference between the Average Cash Balance and the Cash Balance Threshold.

(2) If Big Rivers is required by this schedule to deposit all or a portion of the Nebraska Margins for a year into the Economic Reserve, it shall do so no later than the last business day of each month, beginning in February of the following year.

~~(1)~~(3) Each such deposit of Nebraska Margins shall be expensed in the prior calendar year in which Big Rivers earned those margins.