


VERIFICATION

I verify, state, and affirm that the foregoing responses for which I am listed as a witness are true and correct to the best of my knowledge and belief formed after a reasonable inquiry.


Burns Mercer

COMMONWEALTH OF KENTUCKY)
COUNTY OF Merse)

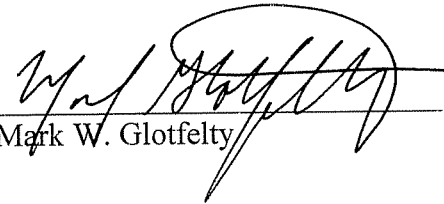
SUBSCRIBED AND SWORN TO before me by Burns Mercer on this the 4th day of March, 2008.


Notary Public, Ky. State at Large
My Commission Expires 3-18-08

RECEIVED
MAR 06 2008
PUBLIC SERVICE
COMMISSION

VERIFICATION

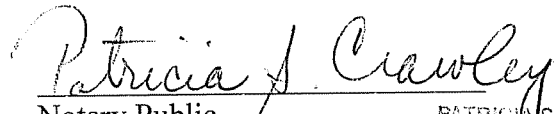
I verify, state, and affirm that the foregoing responses for which I am listed as a witness are true and correct to the best of my knowledge and belief formed after a reasonable inquiry.



Mark W. Glotfelty

STATE OF NEW YORK
COUNTY OF NEW YORK

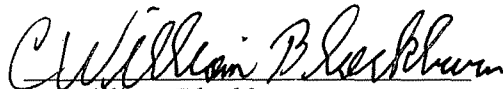
SUBSCRIBED AND SWORN TO before me by Mark W. Glotfelty on this the 3rd day of March, 2008.



Notary Public, PATRICIA S. CRAWLEY
My Commission Expires Notary Public, State of New York
No. 31-481/132
Qualified in New York County
Commission Expires Jan. 31, 2011

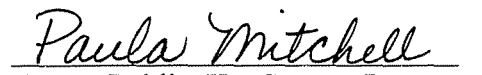
VERIFICATION

I verify, state, and affirm that the foregoing responses for which I am listed as a witness are true and correct to the best of my knowledge and belief formed after a reasonable inquiry.


C. William Blackburn

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by C. William Blackburn on this the 3rd
day of March, 2008.


Notary Public, Ky. State at Large
My Commission Expires 1-12-09

VERIFICATION

I verify, state, and affirm that the foregoing responses for which I am listed as a witness are true and correct to the best of my knowledge and belief formed after a reasonable inquiry.

David G. Crockett
David G. Crockett

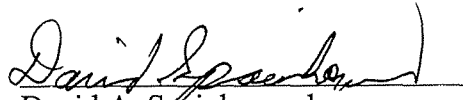
COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by David G. Crockett on this the 3rd day of March, 2008.

Paula Mitchell
Notary Public, Ky. State at Large
My Commission Expires 1-12-09

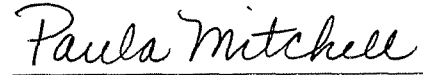
VERIFICATION

I verify, state, and affirm that the foregoing responses for which I am listed as a witness are true and correct to the best of my knowledge and belief formed after a reasonable inquiry.


David A. Spainhoward

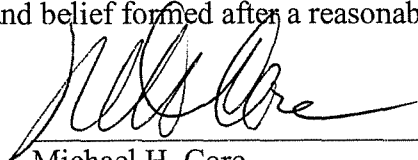
COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by David A. Spainhoward on this the 3rd
day of March, 2008.


Notary Public, Ky. State at Large
My Commission Expires 1-12-09

VERIFICATION

I verify, state, and affirm that the foregoing responses for which I am listed as a witness are true and correct to the best of my knowledge and belief formed after a reasonable inquiry.



Michael H. Core

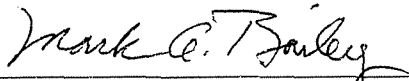
COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

SUBSCRIBED AND SWORN TO before me by Michael H. Core on this the 3rd day of March, 2008.

Paula Mitchell
Notary Public, *Ky. State at Large*
My Commission Expires 1-12-09

VERIFICATION

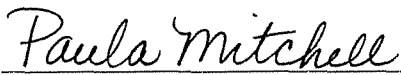
I verify, state, and affirm that the foregoing responses for which I am listed as a witness are true and correct to the best of my knowledge and belief formed after a reasonable inquiry.



Mark A. Bailey

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)


SUBSCRIBED AND SWORN TO before me by Mark A. Bailey on this the 3rd day of March, 2008.



Notary Public, Ky. State at Large
My Commission Expires 1-12-09

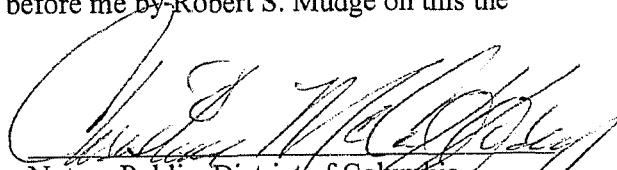
VERIFICATION

I verify, state, and affirm that the foregoing testimony is true and correct to the best of my knowledge and belief.


Robert S. Mudge

District of Columbia)
City of Washington)

5th SUBSCRIBED AND SWORN TO before me by Robert S. Mudge on this the
day of March, 2008.


Notary Public, District of Columbia
My Commission Expires: October 14, 2012

CHRISTINE McCAFFREY
NOTARY PUBLIC
DISTRICT OF COLUMBIA
My Commission Expires
October 14, 2012



BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 74) Please reference the Response to OAG 1-18 at page numbered 9. What does BREC understand the title to mean when it states “Unwind Scenario Amortization Schedule – Post Restructuring (**does not account for future restructurings**)” at the part which the Attorney General has emphasized.

Response) Big Rivers understands OAG 2-74 to pertain to page 9 of the Goldman Sachs presentation dated April 25, 2007--“Market Update and Structuring Discussion”-- that was provided by Big Rivers as part of the response to OAG 1-18.

In the title on page 9, “Unwind Scenario Amortization Schedule – Post Restructuring (**does not account for future restructurings**)”, the highlighted words refer to the fact that the graphic representation of debt amortization is based on existing maturities of the PCB Floating Rate Series 1983 and 2001A and the ARVP note, and does not reflect Big Rivers’ intent to restructure the PCBs beyond their existing maturities (2013 and 2022, respectively) and to finance the ARVP upon its existing maturity in 2023 with additional debt.

Witness) C. William Blackburn

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS

PSC CASE NO. 2007-00455

March 6, 2008

1
2
3
4 **Item 75)** Please reference the Response to OAG 1-31. The Attorney General
5 clarifies the question by referring to the existing agreements and those which result as a
6 consequence of the transaction, if approved.

7
8 **Response)** Based upon the clarification provided, Big Rivers understands that the
9 Attorney General seeks a comparison of the material differences in the terms of the
10 proposed Smelter-related wholesale agreements between Big Rivers and Kenergy
11 ("Proposed Agreements") and the existing Smelter-related wholesale agreements between
12 Big Rivers and Kenergy ("Existing Agreements"). The best way to answer this question
13 is to state first that there are virtually no material similarities between the Proposed
14 Agreements and the Existing Agreements; comparing the two is at best comparing apples
15 and oranges. To illustrate this point, Big Rivers provides the following comparison of the
16 Proposed Agreements and the Existing Agreements on the principal terms found in any
17 wholesale power agreement: quantity, quality, term and price.

18
19 The Proposed Agreements are the agreements found in Exhibit 20 to the Application.
20 The Existing Agreements are:

21
22 Agreement for Tier 3 Energy by and between Kenergy Corp and Big Rivers Electric
23 Corporation (Century) dated November 29, 2007 for a period from January 1, 2008
24 through December 31, 2008 or closing of the Unwind Transaction whichever is sooner:

25
26 Quantity, Quality and Price:

27 Block A Energy is 63 MW of energy during on-peak hours at a base rate of
28 \$66.76 per MWh, subject to curtailment.

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS

PSC CASE NO. 2007-00455

March 6, 2008

1
2
3
4 Block B Energy is 63 MW of energy during "wrap hours" (midnight until 6:00
5 a.m., and 10:00 p.m. to midnight) at a base rate of \$26.01 per MWh, subject to
6 curtailment.

7
8 Block C Energy is 15 MW of energy around-the-clock, subject to scheduling
9 requirements and interruption, at a base rate of \$44.00 per MWh.

10
11 Agreement for Tier 3 Energy by and between Kenergy Corp and Big Rivers Electric
12 Corporation (Alcan) dated November 29, 2007 for a period from January 1, 2008 through
13 December 31, 2008 or closing of the Unwind Transaction whichever is sooner:

14
15 Quantity, Quality and Price:

16
17 Block A Energy is 50 MW of energy during on-peak hours at a base rate of
18 \$66.76 per MWh, subject to curtailment.

19
20 Block B Energy is 50 MW of energy during "wrap hours" (midnight until 6:00
21 a.m., and 10:00 p.m. to midnight) at a base rate of \$26.01 per MWh, subject to
22 curtailment.

23
24 Block C Energy is 15 MW of energy around-the-clock, subject to scheduling
25 requirements and interruption, at a base rate of \$44.00 per MWh.

26
27 The Proposed Agreements, found in Exhibit 20 to the Application, provide for sale by
28 Big Rivers to Kenergy of an aggregate of 850 MW of firm energy for a period from
29 closing of the Unwind Transaction through December 31, 2023. There are also terms in
30 the Proposed Agreements for the Smelters to purchase through Kenergy Buy-Through
31 Energy, Market Energy and a small amount of Interruptible Energy. These products are
32 described in the testimony of C. William Blackburn, Application Exhibit 10 at page 42.

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

The price for the 850 MW of Base Energy is the Big Rivers large industrial rate on an MWh basis at a 98% load factor, plus \$0.25 per MWh. The pricing of the remaining products is described in the testimony of C. William Blackburn, Application Exhibit 10 at pages 46 through 62. Also please refer to the summary of the Proposed Agreements in Exhibit 19 to the Application, and the chart of projected Smelter rates in the Unwind Financial Model, Exhibit 8 to the Application, page 13.

Witness) C. William Blackburn

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 76) Please reference the Response to OAG 1-32(b) where the witness states that “the Smelters assume a disproportionate share of that risk exposure [allocation of risks between Big Rivers’ members, the Smelters and the E.ON U.S. Parties].”

a. Is the witness aware of the terms of the agreement between the smelters and E.ON U.S. Parties?

b. If not, how can the witness definitively state that the smelters share a disproportionate risk?

Response) a. The question does not identify which of the agreements between the Smelters and the E.ON Parties is the subject of this question. Assuming the question refers to the agreement described in the testimony of Paul W. Thompson, Application Exhibit 15, page 13, lines 18-20, the answer to this question subpart is “no.”

b. The risks of the Unwind Transaction identified by Big Rivers in its response to AG 1-32(b) will ultimately be reflected in Big Rivers’ costs of operation, which in turn drive Big Rivers’ rates. The point Big Rivers makes in the response to AG 1-32(b) is that the Smelters, in the agreements filed as Exhibit 20 to the Application, assume a disproportionate share of the risk of the costs of operation of Big Rivers post-unwind, so long as the Smelters remain customers of Kenergy. That conclusion was reached without consideration of any external benefits the Smelters might realize from the Unwind Transaction, including benefits from the agreement with the E.ON Parties referred to in the response to subpart a of this question.

Witness) C. William Blackburn

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 77) Please reference the Response to OAG 1-33. Please provide the information requested. Moreover, state whether the agreements will have any financial impact on Big Rivers.

a. Describe in detail, how and under what authority the Commission can approve the transaction without knowing the exact details concerning the provisions of the Indenture and the New Intercreditor Agreement.

Response) Big Rivers renews its objection to OAG 1-33. Whether the agreements will have a financial impact on Big Rivers cannot be determined at this time because the terms of the agreements are not known at this time. The information sought will be provided in its entirety when Big Rivers completes its creditor negotiations and moves to amend the Application to include its financing application, and that information will be available to the Commission before it approves the Unwind Transaction. Therefore, the Commission will know the exact details concerning the provisions of the Indenture and the New Intercreditor Agreement before it approves the transaction.

Witness) C. William Blackburn
Counsel

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS

PSC CASE NO. 2007-00455

March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 78) Please reference the Response to OAG 1-36(b). Does Big Rivers acknowledge that the Commission is not statutorily required to approve the transaction? If so, what will Big Rivers do if approval is not granted?

Response) Big Rivers believes that it and the E.ON Entities, by the conclusion of the hearings in this matter, will have provided evidence that compels issuance by the Commission of the approvals they seek in the Application. The statutory provisions under which those approvals are sought obviously vest the Commission with the responsibility and discretion to decide, in the end, whether Big Rivers and the E.ON Entities are correct. If the Joint Applicants do not receive the approvals from the Commission that are necessary to consummate and close the Unwind Transaction, then the Unwind Transaction will not occur, and all parties will continue in the existing transactions that are proposed to be terminated at the closing of the Unwind Transaction.

Witness) C. William Blackburn
Counsel

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS

PSC CASE NO. 2007-00455

March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 79) Please reference the Response to OAG 1-37. Please provide the information requested. Moreover, state whether the agreements will have any financial impact on Big Rivers.

a. Describe in detail, how and under what authority the Commission can approve the transaction without knowing the exact details concerning the consent fees and the restructure of debt to accomplish and support the Unwind Transaction.

Response) Big Rivers renews its objection to OAG 1-37. Whether the agreements will have a financial impact on Big Rivers cannot be determined at this time because the terms of the agreements are not known at this time. The information sought will be provided in its entirety when Big Rivers completes its creditor negotiations and moves to amend the Application to include its financing application, and that information will be available to the Commission before it approves the Unwind Transaction. Therefore, the Commission will know the exact details concerning the consent fees and the restructure of debt to accomplish and support the Unwind Transaction before it approves the transaction.

Witness) C. William Blackburn
Counsel

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 80) Please reference the Response to OAG 1-50. Please provide the information requested.

Response) Big Rivers objects to this request on the ground that it seeks material that is protected by the attorney-client and work product privileges. CRA International was retained by Big Rivers' counsel. Big Rivers further objects on the grounds that the request seeks privileged communications pertaining to negotiations, and that it is overly broad, unduly burdensome, and irrelevant.

Also, and without waiving these objections, please see the attachments to AG Second Request to Member Cooperatives Item 1 which contains documents prepared by Mr. Mudge, including those related to the costs of complying with environmental regulations, pertaining to matters within this application for the year 2007 that were provided to Big Rivers' board of directors and Members.

Witness) Robert S. Mudge
Counsel

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 81) Please reference the Response to OAG 1-51. Please provide the information requested.

Response) Big Rivers objects to this request to the extent it seeks material not directly related to Big Rivers, on the grounds that it is overly broad, it is unduly burdensome, it seeks proprietary information prepared for other clients of CRA International, and it is irrelevant. Without waiving this objection, see the attachments to AG Initial Request Item 133, and PSC Initial Request Item 22.

Also, and without waiving these objections, please see the attachments to AG Second Request to Member Cooperatives Item 1 which contains documents prepared by Mr. Mudge, including those related to the costs of complying with environmental regulations, pertaining to matters within this application for the year 2007 that were provided to Big Rivers' board of directors and Members.

Witness) Robert S. Mudge
Counsel

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

Item 82) Please reference the Response to OAG 1-71. Please provide the information requested.

Response) The table below lists the transaction related expenditures in excess of \$250,000 by vendor for the period 2003-2007. These amounts have been or will be reimbursed by E.ON to the extent described in the Reimbursement Agreements filed in this proceeding. See Response to AG Initial Request 71.

Unwind Transaction Non-Recurring Expenditures Exceeding \$250,000, 2003-2007

<u>Vendor</u>	<u>TOTAL Amount</u>	<u>Description of Services</u>
Black & Veatch	1,886,984.68	Transition Planning Consultant
Charles River Associates	3,299,064.40	Financial Modeling and Consulting Servi
Hogan & Hartson	924,707.96	Special Regulatory Counsel Reimbursement of Member Unwind
JDG Consulting	418,367.48	Expenses
Orrick, Herrington & Sutcliffe	13,771,838.28	Special Counsel and Lead Negotiator
Stanley Consultants	790,950.19	Engineering Consulting Services
Sullivan Mountjoy Stainback & Miller	1,689,739.90	Legal Services

Witness) C. William Blackburn

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 83) Please reference the Response to OAG 1-109. Is Big Rivers aware that the smelters have done their own due diligence review of the generation facilities? If so, does Big Rivers know what the report says?

Response) Yes, Big Rivers is aware that the Smelters have done and are continuing to do their own due diligence. Big Rivers is also aware of the confidential Stone and Webster report, and has reviewed it.

Witness) Mark A. Bailey

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 84) Please reference the Response to OAG 1-111. Does Big Rivers agree that if financing is not approved, then the time and resources spent on this litigation will be a waste?

Response) If the financing package Big Rivers files at the Commission is not approved, then Big Rivers will be unable to proceed with the Unwind. Big Rivers believes it had a duty to investigate, and then pursue the Unwind Transaction. Dollars and effort expended in carrying out a duty of the cooperative are not wasted.

Witness) Michael H. Core

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 85) Please reference the Response to OAG 1-119 at the August 29, 2007 email from Mr. Gaines to Burns Mercer, Sandy Novick and Kelly Nuckols. Please elaborate on the concern noted in the email about getting the plants back in bad shape and of little value. Specifically, was the concern addressed; to wit, the plants are being properly maintained?

Response) The reference was to a concern expressed by Russell Klepper, of Energy Services Group, LLC, a consultant to the Smelters, during the cited phone conversation. It was in reference to a concern that could transpire if Big Rivers did not proceed with the transaction. Under the existing contract, the plants are operated and maintained by WKEC and they are to be returned to Big Rivers at the end of the contract term in 2023. One factor considered by Big Rivers and the Members in evaluating the existing contract was the possibility that the plants would be returned to Big Rivers in a less than ideal condition.

Witness) Burns E. Mercer

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 86) Please reference the Response to OAG 1-119. Please explain why there are emails in January 2008, after this application was filed, which appear to reflect the development of calculations for riders.

Response) The referenced emails are in relation to the retail tariff applications filed by the Members in Case Nos. 2008-00009, 2008-00010 and 2007-00470.

Witness) Burns E. Mercer

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 87) Please reference the Response to HMP&L 1-3. Please answer the question without requiring the Attorney General to extrapolate the number from the attachments.

Response) Response to HMP&L 1-3 is the O&M and Capital expenditures that Big Rivers believes are necessary to meet the generation levels in the Big Rivers production model. The Big Rivers Production Work Plan does not categorize the planned work as "repairs, replacements, upgrades, etc".

Witness) Mark A. Bailey

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4 **Item 88)** Please reference the Response to HMP&L 1-7. When does Big Rivers
5 anticipate it will complete its due diligence review of the facilities?
6

7 **Response)** Big Rivers will complete its due diligence review of the generating
8 facilities at or near the time of the transaction closing. Big Rivers intends to continue its
9 due diligence between now and that time. For instance, Section 10.3 of the Transaction
10 Termination Agreement sets forth several closing conditions which are intended to assure
11 Big Rivers that the conditions of the plants are acceptable at the closing; such as, 10.3 (w)
12 No Damage to Generating Plants; (ff) No Forced Outage at Generating Plants; etc.
13

14 Due diligence requests for information are continuously sent to WKEC and when
15 responses are received, they are reviewed by Big Rivers' staff and/or counsel, and/or Big
16 Rivers' consultants. Big Rivers has positioned one person at each plant site to monitor
17 the plant operations and maintenance. It is important that Big Rivers be satisfied with the
18 condition of the plants at closing. Section 10.3 (dd) of the Transaction Termination
19 Agreement (Condition of Generating Plants) states, "Solely in the reasonable judgment
20 of Big Rivers, each Generating Plant shall be in all material respects in good condition
21 and state of repair, ordinary wear and tear excepted, consistent with Prudent Utility
22 Practice." Big Rivers will only close the transaction if this and other closing conditions
23 are met. There will be no single final due diligence report which will make that
24 determination. Big Rivers' executive team and its advisors will make that determination,
25 based on almost constant due diligence which has previously taken place as well as future
26 due diligence that will continue to take place until the closing.
27

28 **Witness)** Mark A. Bailey
29 David A. Spainhoward
30
31
32
33

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS

PSC CASE NO. 2007-00455

March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 89) Please reference the Response to PSC 1-50. Has Big Rivers confirmed with the contracting parties that the contracts are assignable?

Response) Under the Termination Agreement, Big Rivers is required to assume all of the contracts listed in that agreement that are assignable and that E.ON asks Big Rivers to assume. Big Rivers' external legal counsel (Orrick) has reviewed the listed contracts to determine whether there are any restraints to assignment. Where restraints have been found, E.ON has undertaken to obtain consents from the contracting parties for assignment. In addition, there are contracts listed in the Termination Agreements which have expired and where assignability is moot.

Witness) C. William Blackburn

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS

PSC CASE NO. 2007-00455

March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 90) Please reference the Response to PSC 1-51. When will the final due diligence report be completed?

Response) Please refer to Big Rivers' response to the Attorney General's Supplemental Request, Item 88.

Witness) Mark A. Bailey
David A. Spainhoward

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 91) Are the Joint Applicants presenting their application as a take it or leave it filing subject to no modifications?

Response) No. But the Joint Applicants would have been remiss if they had not pointed out in the Application the delicate and interrelated balance of interests that has been achieved in the Unwind Transaction over the approximate four and one-half years required to negotiate it, and how any modification to the Unwind Transaction could easily upset that balance and make the Unwind Transaction unachievable.

Witness) Michael H. Core

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 92) Of the total cash consideration to be received by BREC from E.ON under the proposed transaction, what proportion of that total cash is earmarked by BREC to rectify deficiencies in the plant assets or otherwise improve the condition of the leased plant assets?

Response) The total cash consideration to be received by Big Rivers from E.ON is the negotiated compensation agreed to by both parties necessary to close the transaction and can be thought of as a "black box" settlement. As such, there was no specific dollar amount assigned to any particular aspect of company operations. As noted in Big Rivers' response to the Attorney General's Supplemental Request for information, Item 87, Big Rivers has developed a Production Work Plan that has been included in the financial model in this proceeding which Big Rivers believes will allow it to maintain the assets and meet the generation and reliability levels included in the production model.

Witness) Mark A. Bailey

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 93) Of the total cash consideration to be received by BREC from E.ON under the proposed transaction, what proportion of that total cash is understood by BREC to be applicable to rectification of deficiencies in the plant assets or improvement of the condition of the leased plant assets?

Response) Please see Big Rivers' responses to Attorney General's Supplemental Request, Items 87 and 92.

Witness) Mark A. Bailey

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 94) Please refer to page 2 of the (claimed confidential) Stone and Webster report, attached to the Smelters' Response to OAG #3, where it states: "The Big Rivers capital budget amount is larger than the WKE capital budget for each unit." Explain why the Big Rivers capital budget is larger than the WKE capital budget for each unit.

Response) The Stone and Webster report appears to refer to Big Rivers' Production Work Plans developed in 2006 which are outdated. In early 2007, Big Rivers and WKEC began a more collaborative process of determining fixed O&M and capital needs. The collaborative process resulted in a Big Rivers Production Work Plan that used the WKEC's Production Work Plan as a baseline with additional items included as deemed necessary to meet the generation levels included in the production model run incorporated in the financial model included in the PSC filing. The collaborative process resulted in a total capital budget for Big Rivers that was larger than WKEC's, although not necessarily larger on a unit-by-unit basis. The primary differences in the capital dollars between current work plans are depicted in the attached spreadsheet.

Witness) Mark A. Bailey
Robert S. Mudge

BREC Capital Budget Items Not in the WKE Capital Budget

Item Description	2008	2009	2010	2011	2012	2013
Coleman						
(none)						
Green						
Green Unit 2 Precip Repair		\$1,060,900		\$1,125,509		
Green Unit 1 Precip Repair			\$1,092,727		\$1,159,274	
Green 1&2 FGD Rehab		\$4,243,600	\$3,020,908	\$2,251,018		
Green 1&2 Paint Boiler, Precip & FGD		\$1,442,824	\$1,486,109	\$1,530,692	\$1,576,613	\$1,623,911
HMP&L						
(none)						
Reid 1 and CT						
R-CT reliability study & upgrades		\$1,125,509				
Wilson						
Repair ductwork, hot & wet sides			\$3,114,272			
Cooling Tower Repair	\$154,500					
Wilson super heater tubes replacement			\$1,231,818			
sub-total	\$154,500	\$7,872,833	\$9,945,834	\$4,907,219	\$2,735,887	\$1,623,911
Total						\$27,240,184

Attachment to AG's Supplemental Request Item 94

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4 **Item 95)** Please refer to page 4 of the (claimed confidential) Stone and Webster
5 report, attached to the Smelters' Response to OAG #3, where it states: "The one
6 concern that Stone & Webster Consultants has is that Big Rivers has included in their
7 Business Plan a very comprehensive capital expenditure and major modification plan
8 over the next five years. Stone & Webster Consultants' opinion is that the WKE
9 capital expenditure budget should be the baseline and that additional capital
10 expenditures may be required." Please provide:

11 a. A sensitivity run of the Unwind Financial Model (Exhibit 8),
12 with the sole change being to utilize the WKE capital expenditure budget in place of the
13 capital expenditures contained in the model.

14 b. Indicate whether any other inputs should be changed in concert
15 with this change in capital expenditures in order to maintain internal consistency of
16 results, and specify any such other inputs that should be changed, and why.

17 c. An electronic spreadsheet copy (.xls file) of the sensitivity run in a,
18 above.

19
20 **Response)** a. b. and c. The Stone and Webster report refers to an outdated version
21 of Big Rivers Production Work Plan that has evolved over time as set forth in Big Rivers'
22 response to the Attorney General's Supplemental Request, Item 94.

23
24 The incremental impact on rates of removing the referenced differences in capital
25 budget items as provided in AG Supplemental Item 94 are produced by the Financial
26 Model (without any other adjustments) are shown in Tables 1 and 2 attached. A CD
27 with an electronic spreadsheet copy of the tables and the sensitivity run of the Financial
28 Model is attached. As can be seen, the impact on rates is minimal. It would be
29 difficult if not impossible to note each and every input difference between the WKEC
30 plan and the current Big Rivers plan. The request would take a line item by line item
31 review of each plan to determine differences and to explain.

32
33 **Witness)** Mark A. Bailey
Robert S. Mudge

TABLE 1

	Wtd Avg	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Member Non-Smelters																		
Base Case																		
1	Base (Net of MDA)	36.97	34.44	34.40	34.39	35.10	35.09	35.08	35.08	35.44	35.44	39.06	39.05	39.05	39.05	39.04	39.04	39.04
2	Regulatory Account	0.51	-	-	-	-	-	0.17	0.17	0.16	0.53	0.52	0.51	0.92	0.90	0.88	1.32	1.30
3	FAC	8.95	5.90	5.84	7.05	7.60	7.81	8.31	8.99	9.01	9.41	9.45	9.75	9.64	10.11	10.30	10.39	10.44
4	Env. Surcharge	3.61	0.49	0.85	2.68	2.62	2.89	2.89	3.02	4.14	4.17	4.12	4.28	4.25	4.45	4.63	4.65	4.82
5	Surcredit	(4.05)	(4.00)	(2.95)	(3.87)	(3.77)	(4.28)	(4.17)	(4.08)	(3.98)	(3.90)	(4.49)	(4.40)	(4.30)	(4.22)	(4.12)	(4.04)	(3.96)
6	Rebate:																	
7	Accrued	(0.09)	(0.24)	(0.54)	(0.91)	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Realized	(0.09)	-	(0.16)	(0.53)	(0.89)	-	-	-	-	-	-	-	-	-	-	-	-
9	MRSM	(1.34)	(2.39)	(3.58)	(5.33)	(5.55)	(6.42)	(1.16)	-	-	-	-	-	-	-	-	-	-
10	Effective Rate - Cash	44.56	34.44	34.40	34.39	35.10	35.09	41.13	43.18	44.77	45.64	48.65	49.20	49.55	50.29	50.73	51.36	51.64
Incremental BREC Capex Removed																		
1	Base (Net of MDA)	36.87	34.44	34.40	34.39	35.10	35.09	35.08	35.08	35.27	35.27	38.90	38.89	38.89	38.89	38.88	38.88	38.87
2	Regulatory Account	0.51	-	-	-	-	-	0.17	0.17	0.16	0.53	0.52	0.51	0.92	0.90	0.88	1.32	1.30
3	FAC	8.95	5.90	5.84	7.05	7.60	7.81	8.31	8.99	9.01	9.41	9.45	9.75	9.64	10.11	10.30	10.39	10.44
4	Env. Surcharge	3.61	0.49	0.85	2.68	2.62	2.89	2.89	3.02	4.14	4.17	4.12	4.28	4.25	4.45	4.63	4.65	4.82
5	Surcredit	(4.05)	(4.00)	(2.95)	(3.87)	(3.77)	(4.28)	(4.17)	(4.08)	(3.98)	(3.90)	(4.49)	(4.40)	(4.30)	(4.22)	(4.12)	(4.04)	(3.96)
6	Rebate:																	
7	Accrued	(0.09)	(0.24)	(0.55)	(0.96)	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Realized	(0.09)	-	(0.16)	(0.53)	(0.94)	-	-	-	-	-	-	-	-	-	-	-	-
9	MRSM	(1.34)	(2.39)	(3.58)	(5.32)	(5.50)	(6.42)	(1.22)	-	-	-	-	-	-	-	-	-	-
10	Effective Rate - Cash	44.45	34.44	34.40	34.39	35.10	35.09	41.07	43.18	44.60	45.47	48.49	49.04	49.39	50.13	50.57	51.20	51.48

Attachment to AG's Supplemental Request Item 95

TABLE 2

	Wtd Avg	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Smelters																		
Base Case																		
1	Lg. Indus. Rate @ 98% LF	29.09	27.07	27.08	27.09	27.67	27.65	27.71	27.72	28.03	28.01	30.93	30.94	30.96	30.93	30.99	31.00	31.01
2	Addl. Smelt. Charge	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3	Base	29.34	27.32	27.33	27.34	27.92	27.90	27.96	27.97	28.28	28.26	31.18	31.19	31.21	31.18	31.24	31.25	31.26
4	TIER Adjustment	2.13	-	-	-	1.77	2.64	2.40	2.26	3.16	2.88	3.14	0.15	3.17	2.16	3.46	2.50	3.69
5	FAC	8.81	5.90	5.84	7.05	7.60	7.81	8.31	8.99	9.01	9.41	9.45	9.75	9.64	10.11	10.30	10.39	10.44
6	Env. Surcharge	3.50	0.49	0.85	2.68	2.62	2.89	2.89	3.02	4.14	4.17	4.12	4.28	4.25	4.45	4.63	4.65	4.82
7	PPA	0.83	(0.54)	0.05	(0.37)	0.73	0.46	0.81	0.30	0.55	0.51	1.73	0.63	1.52	1.11	1.51	1.67	2.24
8	Surcharge	2.28	1.90	1.42	1.90	1.90	2.20	2.20	2.20	2.20	2.20	2.60	2.60	2.60	2.59	2.60	2.60	2.60
9	Rebate (accrued)	(0.10)	(0.24)	(0.54)	(0.91)	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Effective Rate	46.78	34.82	34.94	37.69	42.54	43.90	44.56	44.75	47.34	47.42	52.22	48.61	52.37	51.61	53.73	53.05	55.05
Incremental BREC Capex Removed																		
1	Lg. Indus. Rate @ 98% LF	29.02	27.07	27.08	27.09	27.67	27.65	27.71	27.72	27.90	27.87	30.80	30.81	30.83	30.80	30.86	30.87	30.88
2	Addl. Smelt. Charge	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
3	Base	29.27	27.32	27.33	27.34	27.92	27.90	27.96	27.97	28.15	28.12	31.05	31.06	31.08	31.05	31.11	31.12	31.13
4	TIER Adjustment	2.09	-	-	-	1.60	2.44	2.18	2.03	3.16	2.89	3.14	0.16	3.18	2.18	3.48	2.53	3.73
5	FAC	8.81	5.90	5.84	7.05	7.60	7.81	8.31	8.99	9.01	9.41	9.45	9.75	9.64	10.11	10.30	10.39	10.44
6	Env. Surcharge	3.50	0.49	0.85	2.68	2.62	2.89	2.89	3.02	4.14	4.17	4.12	4.28	4.25	4.45	4.63	4.65	4.82
7	PPA	0.83	(0.54)	0.05	(0.37)	0.73	0.46	0.81	0.30	0.55	0.51	1.73	0.63	1.52	1.11	1.51	1.67	2.24
8	Surcharge	2.28	1.90	1.42	1.90	1.90	2.20	2.20	2.20	2.20	2.20	2.60	2.60	2.60	2.59	2.60	2.60	2.60
9	Rebate (accrued)	(0.11)	(0.24)	(0.55)	(0.96)	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Effective Rate	46.66	34.82	34.93	37.64	42.37	43.70	44.34	44.52	47.21	47.29	52.09	48.48	52.26	51.49	53.62	52.95	54.96

Attachment to AG Supplemental Request Item 95

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS

PSC CASE NO. 2007-00455

March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 96) Please refer to page 4 of the (claimed confidential) Stone and Webster report, attached to the Smelters' Response to OAG #3, where it states: "Whether to operate Reid is an economic decision based on the capital expenditures needed to insure that it continues to operate reliably versus the option of sourcing new generation." Provide documents which show economic analysis of whether to operate Reid based on the capital expenditures needed to insure that it continues to operate reliably versus the option of sourcing new generation.

Response) In addition to performing due diligence on the condition of the Reid 1 coal-fired unit, Big Rivers has performed economic modeling on the reliability of Reid 1 through its Production Cost Model. See Big Rivers' Response to PSC Initial Request Item 22. The results of these analyses are reflected in the Unwind Financial Model, see Exhibit 8 to the Application and subsequent runs thereof. Additionally, Big Rivers is systematically evaluating the economic viability of Reid 1 as new or changing due diligence information is received.

Witness) David A. Spainhoward
Mark A. Bailey

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 97) Please refer to page 9 of the (claimed confidential) Stone and Webster report, attached to the Smelters' Response to OAG #3, where the "Staffing" is discussed. Please provide documents which show the difference in dollars, by year, between staffing practices and costs as contained in the Unwind Financial Model for the first three years versus staffing practices and cost consistent with the recommendations in the cited discussion for that same period.

Response) As noted in Big Rivers' response to the Attorney General's Supplemental Request, Item 95, the staffing levels referred to on "page 9 of the (claimed confidential) Stone and Webster report" were apparently based on an earlier version of Big Rivers' Production Work Plan. The staffing levels included in Big Rivers' latest Production Work Plan were established in July of 2007 and are included in the financial model submitted with this filing and are consistent with the current WKEC staffing plan.

Witness) Mark A. Bailey

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS

PSC CASE NO. 2007-00455

March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 98) Please refer to Sections 8 of the (claimed confidential) Stone and Webster report, attached to the Smelters' Response to OAG #3, which provides a technical assessment of operations and maintenance. Provide documents which compare annual capital expenditure amounts incorporated in the Unwind Financial Model for purposes similar or identical to Stone & Webster's recommended annual capital investment projects and purposes. To the extent the Unwind Financial Model contains lower projected annual capital expenditure amounts than Stone & Webster's recommended level explain how Big Rivers will address the negative consequences of such lack of capital spending as outlined in the report.

Response) Page 4 of the (claimed confidential) Stone and Webster report suggests that Big Rivers use the WKEC capital plan as a base line and that additional capital expenditures may be required. Please see the attachment to Big Rivers' response to the Attorney General's Supplemental Request, Item 94, which reconciles the current WKEC current capital plan (base line) to the capital portion of the current Big Rivers Production Work Plan which is included in the financial model (Exhibit 8) in this filing.

For example, there are two items referenced in the Stone and Webster report which are not included in the Big Rivers Production Work Plan. Stone and Webster recommends re-winding all of the generator stators across the system. Big Rivers intends to perform appropriate electrical testing during each outage and to continue to monitor the generator stators for any indication of an issue and then rewind as needed. Stone and Webster also recommends the replacement of the Coleman Unit 3 turbine rotor which is not in the Big Rivers current Production Work Plan.

Witness) Mark A. Bailey

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS

PSC CASE NO. 2007-00455

March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 99) Please refer to Sections 8 of the (claimed confidential) Stone and Webster report, attached to the Smelters' Response to OAG #3, which provides a technical assessment of operations and maintenance. Provide documents which compare annual operations and maintenance expenditure amounts incorporated in the Unwind Financial Model for purposes similar or identical to Stone & Webster's recommended annual operations and maintenance expenditure levels. To the extent the Unwind Financial Model contains lower projected annual expenditure amounts than Stone & Webster's recommended level explain how Big Rivers will address the negative consequences of such lack of expenditure as outlined in the report.

Response) The current Big Rivers Production Work Plan which is included in the financial model (Exhibit 8) in this filing contains detailed O&M expenses for 2008 through 2010. The O&M expense projections for the years 2011 through 2023 are based on the past ten year historical average for each Station. Please see the attachment which reconciles the WKEC current O&M plan to the current Big Rivers Plan. There is no O&M table in the Stone and Webster report to compare against. Big Rivers has made no attempt to extrapolate the numbers.

Witness) Mark A. Bailey

BREC non-Labor Fixed O&M Budget Items Not in the WKE Budget

Item Description	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Coleman																
structural & life-assess. Inspections		\$265,225	\$273,182	\$281,377												
clean coal dust & ash from boilers, etc		\$106,090														
Coleman Ash Pond dredging		\$265,225														
Green																
structural & life-assess. Inspections		\$265,225	\$273,182													
clean coal dust & ash from boilers, etc		\$106,090														
HMP&L																
structural & life-assess. Inspections		\$265,225	\$273,182													
clean coal dust & ash from boilers, etc		\$106,090														
SCR Catalyst Regeneration				\$737,000	\$759,110	\$781,883	\$805,340	\$829,500	\$854,385	\$880,017	\$906,417	\$933,610	\$961,618	\$990,466	\$1,020,180	\$1,050,786
R/HMPL Ash pond dredging								\$5,508,362								
Reid																
structural & life-assess. Inspections		\$265,225														
clean coal dust from boilers, etc		\$106,090														
Wilson																
structural & life-assess. Inspections		\$265,225														
clean coal dust from boilers, etc		\$106,090														
SCR Catalyst Regeneration	\$1,300,000	\$1,700,000	\$1,400,000	1,820,000	1,485,260	1,930,838	1,575,712	2,048,426	1,671,673	2,173,175	1,773,478	2,305,522	1,881,483	2,445,928	1,996,065	2,594,885
sub-Total	\$1,300,000	\$3,821,800	\$2,219,546	\$2,838,377	\$2,244,370	\$2,712,721	\$2,381,052	\$8,386,288	\$2,526,058	\$3,053,192	\$2,679,895	\$3,239,131	\$2,843,101	\$3,436,394	\$3,016,246	\$3,645,671

Attachment to AG Supplemental Request Item 99

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS

PSC CASE NO. 2007-00455

March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 100) Please refer to Sections 8 of the (claimed confidential) Stone and Webster report, attached to the Smelters' Response to OAG #3, provide documents which show SO₂ emissions, SO₂ allowances, and net excess/shortfall of allowances by year.

Response) Section 8 of the Stone and Webster report is in regard to Operations & Maintenance. Section 9 is the section regarding Environmental. The Section 9 data referenced is out of date information and does not accurately reflect the current model of SO₂ allowances.

Attached is a table depicting forecasted SO₂ emissions, allowances allotted and consumed, and net allowance excess/shortfalls by year.

Witness) David A. Spainhoward

Emissions Costs (Nominal dollars)	2008	2009	2010	2011	2012	2013	2014	2015
forecasted SO2 allowance Price	\$ 778	\$ 853	\$ 441	\$ 409	\$ 396	\$ 374	\$ 393	\$ 317
Total SO2(ktons) - emitted	14.849	20.077	21.157	20.054	20.575	19.581	20.601	20.336
Total SO2(ktons) - REQUIRED for compliance	14.849	20.077	42.314	40.107	41.150	39.161	41.201	58.161
Total SO2 Allowances (ktons)	34.991	52.487	52.487	52.487	52.487	52.487	52.487	52.487
sub-total SO2 tons left for BREC	20.142	32.410	10.173	12.380	11.337	13.326	11.286	(5.674)
Station II SO2(ktons) - emitted	2.723	4.269	4.251	4.101	4.061	4.281	4.279	4.262
Station II SO2(ktons) - REQUIRED for compliance	2.723	4.269	8.502	8.201	8.123	8.562	8.558	12.189
Station II Allowances (ktons)	7.796	11.694	11.694	11.694	11.694	11.694	11.694	11.694
Excess H-1&2 Allowances Back to City (30% of net)	1.522	2.228	0.957	1.048	1.071	0.940	0.941	0.000
SO2 allowances (ktons) left	18.620	30.182	9.216	11.332	10.266	12.386	10.345	(5.674)
SO2 allowances Sales	\$14,486,438	\$25,745,246	\$4,064,044	\$4,634,829	\$4,065,170	\$4,627,568	\$4,069,609	(\$1,799,179)

Emissions Costs (Nominal dollars)	2016	2017	2018	2019	2020	2021	2022	2023
forecasted SO2 allowance Price	\$ 265	\$ 216	\$ 125	\$ 51	\$ 48	\$ 47	\$ 39	\$ 37
Total SO2(ktons) - emitted	20.806	19.359	20.823	19.986	20.516	20.501	20.755	20.354
Total SO2(ktons) - REQUIRED for compliance	59.504	55.367	59.552	57.161	58.675	58.631	59.358	58.212
Total SO2 Allowances (ktons)	52.487	52.487	52.487	52.487	52.487	52.487	52.487	52.487
sub-total SO2 tons left for BREC	(7.017)	(2.880)	(7.065)	(4.674)	(6.188)	(6.144)	(6.871)	(5.725)
Station II SO2(ktons) - emitted	4.238	4.228	4.248	4.065	3.867	4.315	4.317	4.195
Station II SO2(ktons) - REQUIRED for compliance	12.122	12.093	12.148	11.627	11.060	12.342	12.347	11.998
Station II Allowances (ktons)	11.694	11.694	11.694	11.694	11.694	11.694	11.694	11.694
Excess H-1&2 Allowances Back to City (30% of net)	0.000	0.000	0.000	0.020	0.190	0.000	0.000	0.000
SO2 allowances (ktons) left	(7.017)	(2.880)	(7.065)	(4.694)	(6.378)	(6.144)	(6.871)	(5.725)
SO2 allowances Sales	(\$1,862,815)	(\$622,843)	(\$881,955)	(\$239,999)	(\$305,125)	(\$288,954)	(\$267,374)	(\$209,398)

Attachment to AG Supplemental Request Item 100

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 101) Please refer to the Unwind Financial Model (Exhibit 8). Show and explain how the impact of a large customer tolling its own coal is accounted for in the financial projections, including any impacts on margins.

Response) Big Rivers does not have an agreement with any large customer for tolling its own coal, nor do we have any plans to do so. Therefore, the financial model projections do not have any provisions to account for this type of arrangement.

Witness) C. William Blackburn
Robert S. Mudge

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS
PSC CASE NO. 2007-00455
March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 102) Please refer to Exhibit 20, Coordination Agreement, Section 3.7, Transmission Upgrade, where it states “Big Rivers will develop, finance and construct improvements to its transmission facilities to permit Big Rivers to transmit to its border all Base Energy.”

a. Provide documents which show the capital costs, year, of accomplishing this requirement, and show where these costs are incorporated into the Unwind Financial Model as inputs.

b. Provide documents which show the operating costs, by year, of accomplishing and supporting this requirement, and show where these costs are incorporated into the Unwind Financial model as inputs.

Response) a. The capital costs for these transmission system upgrades were identified in Big Rivers’ Response to Commission Staff’s First Data Request Item 54. They are included in the Unwind Financial Model (Exhibit 20) on page 6 of 37, line 141.

b. The operating costs for these transmission system upgrades are not separately identified in Big Rivers’ documentation and are considered to be included in the aggregate transmission O&M costs by year for the system as shown in the Unwind Financial Model (Exhibit 20) on page 5 of 37, line 124.

Witness) Robert S. Mudge
C. William Blackburn

BIG RIVERS ELECTRIC CORPORATION'S
RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST
FOR INFORMATION TO JOINT APPLICANTS

PSC CASE NO. 2007-00455

March 6, 2008

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33

Item 103) Please refer to the Response to OAG #1(h). Provide all documents, correspondence and communications between Big Rivers or its representatives and the creditors identified in the response which include the subject of the Unwind Financial Model.

Response) Big Rivers assumes that the response referred to is PSC Initial Request Item 1(h). Big Rivers objects to this request on the grounds that it seeks privileged communications pertaining to negotiations, and that it is overly broad, unduly burdensome, and irrelevant. Big Rivers will provide the creditor consents described in Section 11.2(d) as soon as practicable when they have been agreed to.

Without waiving these objections, attached are copies of the form of the memorandums given to RUS, PMCC, Bank of America, and Ambac. Additionally, Big Rivers has given each creditor copies of the financial models, instruments, and documents filed in this Unwind Transaction case. Additionally, numerous brief communications transferring these documents, setting up meetings and dealing with mundane matters have been made. There are no other significant communications.

Witness) C. William Blackburn
Counsel

BIG RIVERS ELECTRIC CORPORATION

CONFIDENTIAL INFORMATION MEMORANDUM

**UNWIND OF 1998 LG&E TRANSACTION,
TERMINATION OF CERTAIN AGREEMENTS
AND NEW SMELTER SERVICE ARRANGEMENTS**

DECEMBER 19, 2005

NOTICE TO RECIPIENTS:

This Confidential Information Memorandum (the “Information Memorandum”) has been prepared solely for informational purposes and is being furnished to you solely in your capacity as an interested party in the proposed transactions described herein.

This Information Memorandum does not purport to contain all of the information which you may require in evaluating the proposed transactions. No legal commitments or obligations will arise by reason of this Information Memorandum or any of its contents. This Information Memorandum also includes certain statements, estimates and projections provided by Big Rivers Electric Corporation (“Big Rivers”), its advisors and others. These statements, estimates and projections reflect various assumptions by Big Rivers or others concerning expected or anticipated results or other matters. No representations or warranties are made as to the accuracy or completeness of these statements, estimates or projections or with respect to any other materials contained in this Information Memorandum. Big Rivers does not undertake any commitment to update such statements, estimates, projections or other information herein for future changes. Statements in this Information Memorandum describing documents and agreements are summaries only and such summaries are qualified by reference to such documents and agreements.

The information contained in this Information Memorandum has been prepared to assist interested parties in making their own evaluation of the proposed transactions. All interested parties are invited to ask questions regarding the proposed transaction and the information contained herein. Each recipient must conduct its own independent analysis and consider all other information which it deems appropriate in its sole discretion.

Nothing in this summary should be construed as legal, accounting, tax or other advice. Each recipient should consult its own legal counsel, accountants or other advisors regarding these matters.

Each recipient of this Information Memorandum agrees that, except as required by applicable law, this Information Memorandum and its contents are strictly confidential, that all information contained herein will be kept confidential by it, and that no disclosure of this summary or any of the information contained herein will be made to any other person or entity without the prior written approval of Big Rivers. Each recipient also agrees that it will not copy, reproduce or distribute this summary to others (including employees of the recipient other than those involved in considering this transaction) without the prior written consent of Big Rivers. The recipient agrees that it will use this summary only for the purpose of evaluating the proposed transactions.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
Current Arrangements	2
Reasons for the Unwind	2
Requested Action.....	3
Questions	3
BIG RIVERS' EXISTING OPERATIONAL, POWER SUPPLY AND FINANCIAL ARRANGEMENTS.....	4
Introduction.....	4
Existing Operational Arrangements	4
WKEC Lease	4
Assumption of Station Two Obligations.....	6
Existing Power Supply Arrangements	6
2000 Lease.....	7
Existing Financial Arrangements	8
RUS Mortgage	8
LEM Mortgage	8
LG&E Subordinated Mortgage	9
2000 Lease Subordinated Mortgage	9
Intercreditor Arrangements.....	9
Facilities.....	10
Financial Information Relating to Big Rivers and the Members	11
UNWIND TRANSACTION	11
Background and Overview.....	11
Termination of LG&E Transaction.....	12
Termination of Operational Arrangements	12
Termination of Power Supply Arrangements	12
Termination of Notes, Obligations and Mortgages	12
Station Two Arrangements.....	12

Payments.....	13
Transfers, Conveyances and Assignments	14
Transfer of Property	14
Conveyance of Contracts	15
Transfer of Permits	15
Allocation and Conveyance of SO2 and NOx Allowances	15
Settlement of Disputes.....	17
Smelter Service Arrangements	17
General	17
Nature of Service.....	17
Pricing	18
Termination.....	20
Credit Arrangements	21
Surplus Sales.....	21
Other Matters	21
Termination of Existing Agreements.....	23
Closing Conditions to Smelter Service Arrangements.....	23
Other Agreements with LEL.....	24
Personnel.....	24
Indemnities.....	24
Closing Conditions	25
“True up” Payment Adjustments	28
Taxes	28
Pre-Unwind Obligations.....	28
Big Rivers Representatives at the Facilities	28
Operating Plans	28
Operation of the Facilities and Employee Matters	28
Contracts	29
Support Services Agreement	29
Other Transactions on the Unwind Closing Date.....	29

Prepayment of Debt and Capital Markets Issuances	30
Indenture and Intercreditor Agreement	30
New RUS Loan Contract.....	30
Amendment of Member Wholesale Power Contracts	30
Regulatory Approvals.....	30
KPSC	30
FERC	31
Consents.....	31
Members.....	31
RUS Mortgagees.....	31
Henderson.....	31
POST-UNWIND BIG RIVERS	32
Financial Condition Following Unwind.....	32
Equity	33
Obligations.....	33
Financial Ratios	33
Investment Grade Credit Rating.....	34
Member Rates	34
Member Non-Smelter Rates.....	34
Smelter Rates	35
Operational Matters.....	36
Capital Investments Following Unwind	36
Transmission Matters	37
Labor and Personnel Matters	37
Regulation	37
Income Tax Matters	37
REASONS FOR THE UNWIND	38
Overview.....	38

Perspective on LG&E Transaction.....	38
Benefits of Unwind.....	39
Risks of Unwind.....	40
CONCLUSION	40
General.....	40
Timeline.....	40

APPENDICES:

- Appendix A – 2005 Big Rivers Annual Report
- Appendix B – Member Financial and Statistical Information
- Appendix C – LG&E Letter of Intent
- Appendix D – Smelter Letter of Intent
- Appendix E – Selected Financial Information
- Appendix F – List of Terminated Agreements

EXECUTIVE SUMMARY

Big Rivers Electric Corporation (“Big Rivers”) has entered into a letter of intent with E.ON U.S., LLC, formally known as LG&E Energy LLC (“LEL”), to terminate the long-term operating lease of Big Rivers’ generating facilities, certain power purchase arrangements and other related transactions entered into in 1998. The proposed transaction, referred to in this Information Memorandum as the “Unwind,” would improve dramatically Big Rivers’ financial condition and return to Big Rivers full control and responsibility for operation and maintenance of its generating facilities. Highlights of the Unwind include the following:

- LEL provides value to Big Rivers in excess of \$626 million, in the form of a cash payment, transfers of property and forgiveness of debt and other obligations, in consideration for Big Rivers entering into the Unwind. As a result, Big Rivers projects its equity will change from a negative 21% to a positive 24%;
- Big Rivers reassumes control of and responsibility for the operation and maintenance of its generating facilities and makes significant capital investments in these facilities with a portion of the funds provided by LEL;
- Big Rivers supplies electric capacity and energy to its members, including power to a member for resale to two of its large industrial customers engaged in aluminum smelting operations, Alcan Primary Products Corporation (“Alcan”) and Century Aluminum of Kentucky LLC (“Century” and, together with Alcan, the “Smelters”), in consideration for the Smelters paying all amounts necessary for Big Rivers to achieve a minimum times-interest earned ratio (“TIER”) each year, with limited exceptions, until 2023;
- Big Rivers expects the members’ power costs for service to their customers (other than the Smelters) to decrease initially and then to remain continually lower than the members’ projected power costs under the current arrangements;
- Big Rivers accesses the capital markets to refund a portion of its long-term debt and obtains the consent of certain senior creditors to secure all of its senior secured obligations, including its obligations to Ambac Assurance Corporation (“Ambac”) and Ambac Credit Products, LLC (“ACP”), equally and ratably under a new first mortgage indenture;
- Big Rivers obtains an investment-grade credit rating for its obligations secured under the indenture;
- Big Rivers significantly reduces the outstanding amount of its obligations to the United States Department of Agriculture Rural Utilities Service (“RUS”); and
- Big Rivers and LEL each release the other and their affiliates from all disputes or claims between or among them relating to the 1998 lease and related transactions.

In connection with the negotiation of the letter of intent with LEL, Big Rivers simultaneously negotiated a separate letter of intent with the Smelters to set forth the terms and conditions under which Big Rivers again would provide power for resale to the Smelters.

Current Arrangements

Big Rivers is a generation and transmission cooperative. In 1998, in connection with entry into the long-term operating lease of its generating facilities, Big Rivers began purchasing substantially all of its power requirements from a subsidiary of LEL, LG&E Energy Marketing Inc. ("LEM"), under a long-term power purchase agreement. LEM's obligation to supply power is not contingent on the operating status of Big Rivers' generation facilities. LEM also supplies a portion of the Smelters' power requirements to a member for resale to the Smelters. The agreements providing this member power for resale to the Smelters and the member's agreements for the sale of the power to the Smelters terminate at the end of 2010 in the case of one Smelter and 2011 in the case of the other. Without access to reasonably priced power, the Smelters have indicated they may cease operations in western Kentucky at such times.

Big Rivers' current credit arrangements secure obligations to its primary lender, RUS, Ambac and the liquidity provider in connection with a series of pollution control bonds issued by a local governmental authority, National Rural Utilities Cooperative Finance Corporation ("CFC"), the trustee of a second series of pollution control bonds issued by such authority, and parties to a defeased lease transaction entered into in 2000 relating to the Robert D. Green Plant and D.B. Wilson Unit No. 1, including ACP. These obligations are secured under a closed-end mortgage. Big Rivers' assets also are subject to three other mortgages, including a subordinated mortgage in favor of subsidiaries of LEL and a subordinated mortgage and security agreement (the "2000 Lease Subordinated Mortgage") in favor of parties to the 2000 lease transaction, including Ambac, AME Investments, LLC ("AME") and AME Asset Funding, LLC ("AAF"). Under a subordination, nondisturbance, attornment and intercreditor agreement, Big Rivers' secured creditors established the priority of their rights to the proceeds of any foreclosure of a mortgage on Big Rivers' property.

Reasons for the Unwind

Big Rivers has determined that the Unwind is in the best interests of it and its members for several reasons. Primary benefits of the Unwind include:

- A financially strengthened Big Rivers;
- Investment-grade credit rating for obligations secured under Big Rivers' new indenture;
- Expected stable power costs for Big Rivers' members;
- The ability to assure Big Rivers' generating facilities are properly maintained and preserved;
- The increased likelihood to retain the economic benefits to western Kentucky of the continued operation of the Smelters; and
- An increased ability to assist substantively future economic development in the region.

Big Rivers considers these benefits to greatly outweigh additional generation and fuel risks resulting from the Unwind. As a whole, the Unwind permits Big Rivers to meet the future as a financially strong, stable organization while enhancing greatly its flexibility to address future challenges as they

arise. At the same time, the Unwind enables Big Rivers to assist in securing the benefits of economic development in western Kentucky.

Requested Action

The Unwind will require action on the part of Ambac, ACP, AME and AAF. Specifically, they will need to take the following action for the Unwind to occur:

1. Consent to termination of all 1998 transaction agreements with LEL and its affiliates and related agreements;
2. Agree to the conversion of the mortgage into a *first mortgage* indenture, including, in the case of Ambac and ACP, becoming secured equally and ratably with all of Big Rivers' obligations under the indenture, including obligations relating to loans guaranteed by RUS and capital markets debt;
3. Confirm the subordination of the 2000 Lease Subordinated Mortgage to the indenture;
4. Release LEL and its affiliates from all liabilities or obligations relating to or arising out of the 1998 transactions; and
5. Agree to various related actions and agreements, including revisions to the intercreditor agreement among Big Rivers' secured creditors.

Questions

Questions regarding this Information Memorandum should be directed to:

Mr. Michael H. Core
Big Rivers Electric Corporation
201 Third Street
Henderson, Kentucky 42420
telephone: (270) 827-2561
facsimile: (270) 827-2558
e-mail: mcore@bigrivers.com

Carl F. Lyon, Jr., Esq.
Orrick, Herrington & Sutcliffe LLP
666 Fifth Avenue
New York, New York 10103
telephone: (212) 506-5180
facsimile: (212) 506-5151
e-mail: cflyon@orrick.com.

BIG RIVERS' EXISTING OPERATIONAL, POWER SUPPLY AND FINANCIAL ARRANGEMENTS

Introduction

Formed in 1961, Big Rivers is an electric generation and transmission cooperative corporation based in Henderson, Kentucky. Big Rivers supplies wholesale electric and transmission service to three electric distribution cooperatives (the "Members"). Big Rivers also markets surplus power to non-Member utilities and other participants in the energy markets.

The Members are local customer-owned distribution cooperatives providing retail electric service on a not-for-profit basis. The Members consist of (1) Kenergy Corp. ("Kenergy"), the successor of the merger of Green River Electric Corporation and Henderson Union Electric Cooperative Corporation, (2) Meade County Rural Electric Cooperative Corporation, and (3) Jackson Purchase Energy Corporation. The customers of the Members consist of residential, commercial and industrial customers located in portions of 22 western Kentucky counties. The majority of the Members' retail customers are small farms and individual residences.

Big Rivers and Kenergy entered into a series of transactions with LEL and its affiliates (the "LG&E Parties") in connection with Big Rivers' emergence from Chapter 11 reorganization proceedings in 1998 (the "LG&E Transaction"). The LG&E Transaction significantly altered Big Rivers' obligations relating to the operation of its generating facilities (the "Facilities"), its power supply arrangements, and its financial arrangements with its creditors. In 2000, Big Rivers' financial (but not operational) arrangements also were affected by Big Rivers' entry into a defeased lease transaction relating to the Robert D. Green Plant and D. B. Wilson Unit No. 1 and the sites on which these generating facilities are located (the "2000 Lease").

Existing Operational Arrangements

Prior to the LG&E Transaction, Big Rivers owned, operated and maintained the Facilities and operated and maintained the Station Two Facility (the "Station Two Facility") on behalf of the City of Henderson, Kentucky doing business as Henderson Municipal Power & Light ("Henderson"), the owner of the Station Two Facility. The LG&E Transaction significantly modified these arrangements.

WKEC Lease

Pursuant to the LG&E Transaction, Big Rivers leases the Facilities to Western Kentucky Energy Corp., a wholly owned subsidiary of LEL ("WKEC"), until December 31, 2023 pursuant to a lease (the "WKEC Lease") providing for fixed monthly rental payments aggregating approximately \$31 million per year through 2010, \$34 million in 2011, and \$35 million from 2012 through 2023, subject to adjustments. The rental payments are subject to several adjustments during the term of the lease, including adjustments for incremental operations and maintenance expenses resulting from changes in law or expenses relating to compliance with opacity limitations. As lessee of the Facilities, WKEC owns all the power generated by the Facilities and generally is responsible for the operation, maintenance, and management of the Facilities.

The WKEC Lease obligates WKEC to operate and maintain the Facilities in accordance with "prudent utility practice." "Prudent utility practice" under the WKEC Lease means practices that a person in the electric power industry owning and operating the Facilities over their useful life

would engage in to produce power. These practices include those that are then commonly used in prudent engineering and operations to operate similar facilities lawfully and with safety, reliability and efficiency and those that, in the exercise of reasonable judgment considering the facts then known, could have been expected to achieve the desired result consistent with applicable laws, safety, reliability and efficiency.

The WKEC Lease requires Big Rivers and WKEC each to pay an agreed share of the cost of capital expenditures (“Capital Expenditures”) made pursuant to an approved annual budget. The allocations of responsibility for the cost of Capital Expenditures are designed to reflect changes in the maximum and minimum hourly power purchase amounts under the LEM Power Purchase Agreement (as defined below). For example, Big Rivers’ share of the cost of Capital Expenditures which are not made in response to changes in law, including environmental law, currently is 49%. Big Rivers share of the responsibility decreases to approximately 40% in 2011 and decreases again to approximately 34% in 2012. For Capital Expenditures made in response to changes in law, including environmental law, Big Rivers’ share currently is 20% and increases to approximately 40% in 2011 and then decreases to approximately 34% in 2012. Upon the termination of the LG&E Transaction or upon any sale by Big Rivers of the Facilities, Big Rivers must pay to the LG&E Parties an amount based on the remaining book value of any assets funded by LEL or its affiliates (the “Residual Value Payment”). Big Rivers estimates the Residual Value Payment would be approximately \$142 million if the WKEC Lease were terminated on December 31, 2006.

Big Rivers and WKEC have agreed that a flue gas desulfurization system to be installed at the Kenneth C. Coleman Plant (the “Coleman Scrubber”) will be excluded for purposes of calculating the Residual Value Payment if the WKEC Lease remains in effect until the expiration of its stated term. If the WKEC Lease is terminated prior to the expiration of its stated term, the Coleman Scrubber could be included in the calculation of the Residual Value Payment in certain circumstances. Under arrangements approved by Big Rivers’ secured creditors, WKEC will fund the purchase and installation of the Coleman Scrubber alone without contribution by Big Rivers.

Upon expiration of the term of the WKEC Lease, control over the Facilities, together with any enhancements or capital improvements made during the term of the LG&E Transaction which may have been paid for by WKEC, will revert to Big Rivers.

The WKEC Lease did not and does not affect Big Rivers’ ownership of the Facilities, ownership or operation of its transmission system or its obligations to provide transmission services to the Members, affiliates of LEL and others under its open access transmission tariff (“OATT”). The WKEC Lease also does not affect Big Rivers’ obligations to meet the power requirements of its Members (other than with respect to the power and energy requirements of the Smelters, as described below) and contractual obligations to third parties.

Recently in the course of Big Rivers’ ongoing monitoring of WKEC’s performance of its obligations to operate and maintain of the Facilities, Big Rivers has questioned whether WKEC is doing so in accordance with the requirements of the WKEC Lease. As a result, Big Rivers initiated measures to investigate this matter and, in accordance with the requirements of the WKEC Lease, to cause the Facilities to be maintained as required in the WKEC Lease. WKEC consistently has maintained that it is operating and maintaining the Facilities in accordance with the WKEC Lease.

Assumption of Station Two Obligations

Pursuant to the LG&E Transaction, WKE Station Two Inc. ("Station Two Subsidiary") and Big Rivers entered into a series of agreements (the "Station Two Assumption Agreements") whereby Station Two Subsidiary assumed Big Rivers' obligations to operate the Station Two Facility and provide operating reserves required by Henderson's electric system. In return, Station Two Subsidiary acquires directly from Henderson all the output from the Station Two Facility which is surplus to Henderson's reserved requirements. The obligations assumed by Station Two Subsidiary do not include obligations relating to transmission services or operation or maintenance of jointly owned facilities not related to generation. Station Two Subsidiary's obligations regarding operation and maintenance expenses and capital expenditures with respect to the Station Two Facility substantially mirrors WKEC's obligations relating to the Facilities.

Existing Power Supply Arrangements

Under the LG&E Transaction, Big Rivers fulfills its obligations to supply power to the Members and others by purchasing power from LEM at generally fixed rates in amounts up to specified contractually established maximum hourly and annual amounts allowed under a power purchase agreement with LEM (the "LEM Power Purchase Agreement"). This power is in addition to 178 megawatts ("MW") that the Southeastern Power Administration ("SEPA") currently allocates to Big Rivers' Members. Big Rivers receives a sufficient amount of power from LEM and SEPA to satisfy the Members' native load and to supply energy at market-based rates to the Smelters in excess of those amounts supplied by LEM through Kenergy. In addition, Big Rivers often sells power on the open market at prevailing market rates and, on occasion, purchases power in the market.

Rates under the LEM Power Purchase Agreement are \$19.417 per megawatt-hour ("MWh") in 2005 and rise annually to \$20.947 per MWh in 2011, before decreasing to \$20.267 per MWh in 2012. Thereafter, rates will again increase annually to \$24.452 per MWh in 2024. While rates charged by LEM to Big Rivers under the LEM Power Purchase Agreement may be adjusted in 2011 and 2018 based on fuel, labor and other reference points, Big Rivers does not anticipate any adjustments because these reference points are set at very high levels. During the term of the LG&E Transaction, Big Rivers is entitled to credits against amounts it owes to LEM under the LEM Power Purchase Agreement. For the year 2011, Big Rivers will receive a load reduction credit of \$2,610,557. For the year 2012 and each subsequent year during the term of the LG&E Transaction, Big Rivers will receive a load reduction credit of \$4,110,750.

In connection with the LG&E Transaction, Big Rivers and Kenergy entered into amendments to their Wholesale Power Contract to create exceptions to the "all-requirements" nature of the Wholesale Power Contract to permit the sale of power by LEM to Kenergy for resale to the Smelters. LEM supplies energy to Kenergy at a fixed price pursuant to wholesale power purchase agreements and Kenergy, in turn, supplies energy at a fixed price to the Smelters. LEM pays to RUS on behalf of Big Rivers an amount, averaging approximately \$18 million per year, equal to the expected margins on power that was projected to be available to the Smelters if the LG&E Transaction had not occurred regardless of the actual Smelter demand. The Smelters are required to purchase their energy requirements in excess of that provided by LEM to Kenergy on the open market but through Kenergy. Currently, Kenergy provides 572 MW of power through a power purchase agreement with LEM. Kenergy also provides 278 MW of power through purchases in the wholesale market.

LEM credits to Big Rivers any surplus of \$5 million over Big Rivers' total charges to LEM for transmission services in any year, with some exceptions. Any such credit is applied to Big Rivers' payment obligations under the LEM Power Purchase Agreement. If the annual total charges for transmission services provided by Big Rivers to LEM and its affiliates exceeds \$5 million and the average rate per MWh for non-firm transmission services exceeds a specified amount per MWh, Big Rivers credits LEM's payment obligations to Big Rivers under a separate agreement an amount determined by reference to such average rate. In addition, Big Rivers pays LEM a portion of incremental revenues above a specified amount related to transmission of power purchased by Century in the market in certain circumstances.

2000 Lease

In 2000, Big Rivers entered into the 2000 Lease with certain entities¹ (collectively, the "2000 Lease Parties"). In this transaction, Big Rivers created a leasehold interest in Plant Robert D. Green Units 1 and 2 and D. B. Wilson Unit 1 and the sites on which the facilities are located in favor of statutory trusts created on behalf of equity investors in the transaction (the "Head Lease"). This leasehold interest was renewable for the full useful life of these Facilities and constituted a sale for federal income tax purposes. All rent under the Head Lease was paid at its inception. The Facilities and underlying sites were then leased back to Big Rivers pursuant to a lease (the "Facility Lease") for a shorter term extending beyond the end of the LG&E Transaction. Big Rivers' obligations to pay rent under the Facility Lease is represented by a note in favor of such statutory trusts (the "Facility Lessor Secured Notes"). Each transaction relating to the 2000 Lease provides Big Rivers with a purchase option, at the end of each lease term, which, if elected, has been fully funded. The leasehold interest of the equity investors pursuant to the Head Lease is subject to the interests of the LG&E Parties in such Facilities and sites. The equity investors financed a portion of their rent payment under the Head Lease with the proceeds of non-recourse loans made to the statutory trusts.

All Big Rivers' basic rent obligations under the Facility Lease have been economically defeased with obligations guaranteed or insured by Ambac or America International Group. In addition, these obligations will mature at a time, and in an amount, sufficient to fund Big Rivers' fixed price purchase option under the Facility Lease.

Credit enhancement for Big Rivers' obligations under the Facility Lease was provided by ACP in the form of a credit "swap" utilizing a modified International Swap Dealers Association form of swap. These obligations were evidenced by a note (each an "Ambac Credit Products Secured Note") issued by Big Rivers in favor ACP. Big Rivers and ACP also entered into a credit swap using a modified International Swap Dealers Association form of swap providing for the possible conveyance of the equity investors' interests in the Facilities under the Head Lease in certain circumstances.

¹ The 2000 Lease Parties are: PBR-1 Statutory Trust, PBR-2 Statutory Trust, PBR-3 Statutory Trust, FBR-1 Statutory Trust, FBR-2 Statutory Trust, Ambac, AME, CoBank, ACB, ACP, AAF, PBR-1 OP Statutory Trust, PBR-2 OP Statutory Trust, PBR-3 OP Statutory Trust, FBR-1 OP Statutory Trust, FBR-2 OP Statutory Trust, Bluegrass Leasing and Fleet Real Estate, Inc.

Existing Financial Arrangements

RUS Mortgage

Substantially all of Big Rivers' assets are subject to the lien of the Third Restated Mortgage and Security Agreement, dated as of August 1, 2001 (the "RUS Mortgage"), with the RUS, Ambac, Credit Suisse First Boston acting through its New York Branch ("CSFB"), U.S. Bank Trust National Association, as trustee (the "2001A Trustee"), CFC, and certain of the 2000 Lease Parties. The 2000 Lease Parties secured under the RUS Mortgage are: ACP, PBR-1 Statutory Trust, PBR-2 Statutory Trust, PBR-3 Statutory Trust, FBR-1 Statutory Trust and FBR-2 Statutory Trust. The RUS Mortgage secures (i) indebtedness to RUS; (ii) reimbursements obligations for any payments by Ambac under a municipal bond insurance policy insuring the payment of a series of pollution control bonds issued by the County of Ohio, Kentucky, the proceeds of which were lent to Big Rivers; (iii) obligations to CSFB under a standby bond purchase agreement which provides liquidity for such bonds; (iv) obligations to the 2001A Trustee in connection with a second series of pollution control bonds issued by the county, the proceeds of which also were lent to Big Rivers; (v) indebtedness under a revolving line of credit with CFC in an amount not to exceed \$15 million; and (vi) obligations related to the 2000 Lease under the Ambac Credit Products Secured Note or the Facility Lessor Secured Notes. The RUS Mortgage does not permit additional debt to be secured under the mortgage without the consent of all the mortgagees, except in limited circumstances which require the consent of most of the mortgagees.

Big Rivers' indebtedness to the RUS is evidenced by two notes. The "New RUS Note" was issued on July 17, 1998 in the aggregate principal amount of \$1,101,165,000 of which \$812,234,978 was outstanding at October 31, 2005. The New RUS Note bears interest at a fixed rate of 5.75% per annum and matures in 2021. The "ARVP Note" was issued on July 17, 1998 in the aggregate principal amount of \$265,000,000, of which \$255,698,719 was outstanding at October 31, 2005; the ARVP Note does not bear interest and does not require any scheduled payments prior to its maturity in 2023. The ARVP Note does require, however, that Big Rivers make payments equal to one-third of certain profits from the sale of surplus power, if any, to repay principal of the ARVP Note. The payment of these profits can, in some instances, reduce the amount of principal and interest owed to the RUS under the New RUS Note. The RUS loan agreement relating to both RUS notes contains a "no further advances" provision.

LEM Mortgage

Big Rivers also has issued a promissory note to LEM (the "Settlement Note") in consideration for, among other things, LEM's assumption of the risk of unforeseen costs with respect to power to be supplied to or for the use of the Smelters. At October 31, 2005, the outstanding balance of the Settlement Note was approximately \$17.2 million, plus interest. In connection with the Settlement Note, Big Rivers has granted to LEM and WKEC a mortgage on substantially all of Big Rivers' real property and personal property related to or used in connection with the Facilities (the "LEM Mortgage"). The LEM Mortgage not only secures Big Rivers' obligations under the Settlement Note, but also secures all payments, sums and debt due and owing to WKEC under the New Participation Agreement, dated April 6, 1998 (the "Participation Agreement"), with LEL and its affiliates, including the Residual Value Payment and payments due and owing in respect to any certain enhancements or major capital improvements to Big Rivers' system made pursuant to the WKEC Lease. The LEM Mortgage is partially subordinated to the RUS Mortgage.

LG&E Subordinated Mortgage

Big Rivers has granted to WKEC, LEM and Station Two Subsidiary a subordinated mortgage (the "LG&E Subordinated Mortgage") on substantially all of Big Rivers' real property and personal property related to or used in connection with the Facilities. The LG&E Subordinated Mortgage secures payment and other obligations of Big Rivers to WKEC, LEM and Station Two Subsidiary in connection with the LG&E Transaction. The LG&E Subordinated Mortgage is subordinated to the RUS Mortgage and the LEM Mortgage.

2000 Lease Subordinated Mortgage

The 2000 Lease Subordinated Mortgage secures Big Rivers' payment and performance obligations arising out of agreements related to the 2000 Lease. The 2000 Lease Subordinated Mortgage is subordinated to the RUS Mortgage, the LEM Mortgage and the LG&E Subordinated Mortgage.

Intercreditor Arrangements

Pursuant to the Third Amended and Restated Subordination, Nondisturbance, Attornment and Intercreditor Agreement, dated as of August 1, 2001 (the "Intercreditor Agreement"), notwithstanding any priority given to any security instrument, Big Rivers' secured creditors have agreed that the proceeds of any foreclosure of Big Rivers' mortgaged or pledged assets will be distributed in the following order:

1. Pro rata to (i) CFC in payment of obligations relating to a CFC line of credit, up to a maximum aggregate principal amount of \$15,000,000; and (ii) Ambac, CSFB and the 2001A Trustee with respect to obligations relating to the pollution control bonds;
2. WKEC, LEM, Station Two Subsidiary and WKE Corp. (collectively, the "LG&E Secured Parties"), for payments due in respect of certain enhancements and major capital improvements funded by them pursuant to the WKEC Lease;
3. Pro rata (i) to LEM, WKEC and Station Two Subsidiary in payment of all amounts secured by the LEM Mortgage, and (ii) to the holders of the Facility Lessor Secured Notes and the Ambac Credit Products Secured Notes;
4. Pro rata to the holders of each Facility Lessor Secured Note and each Ambac Credit Products Secured Note;
5. RUS in payment of the sums secured to RUS by the lien created by the RUS Mortgage;
6. The LG&E Secured Parties for the amounts secured by the LG&E Subordinated Mortgage if the LG&E Subordinated Mortgage is being foreclosed in the same proceeding as the prior mortgages;
7. 2000 Lease Parties in payment of all amounts secured by the 2000 Lease Subordinated Mortgage if it is being foreclosed in the same proceeding as the prior mortgages; and
8. Big Rivers and, to a limited degree, the LG&E Secured Parties.

The Intercreditor Agreement also provides that so long as the LG&E Parties are not in default of their respective obligations to Big Rivers incurred pursuant to the LG&E Transaction, the other secured creditors, including Ambac ACP and AME, will not disturb the rights of the LG&E Parties to the occupancy, use and operation of Big Rivers' assets if any of the secured creditors obtain possession of Big Rivers' assets or acquire any rights of Big Rivers with respect to any of agreements relating to the LG&E Transaction, whether by reason of foreclosure or otherwise. In addition, in the Intercreditor Agreement, the secured creditors agree, under certain conditions, not to join as a party defendant any of the LG&E Secured Parties for the purpose of terminating any of their respective interests in Big Rivers' assets operated or leased by any of them.

In addition, the Intercreditor Agreement provides that if the secured parties or any third party, including a purchaser pursuant to a foreclosure, acquires an interest in the Big Rivers' assets or rights, the LG&E Secured Parties will be bound to the secured creditors or such third party by all of the same terms and covenants as if the secured creditors or such third party were Big Rivers.

Facilities

The following table sets forth certain information with respect to the generating units which comprise a part of the Facilities.

<u>Generating Facility</u>	<u>Fuel Type</u>	<u>Net Capacity (MW)</u>	<u>Commercial Operation Date</u>
Kenneth C. Coleman Plant ¹			
Unit 1	Coal	150	1969
Unit 2	Coal	150	1970
Unit 3	Coal	155	1972
Robert D. Green Plant			
Unit 1	Coal	231	1979
Unit 2	Coal	223	1981
Robert A. Reid Plant			
Unit 1	Gas or Coal	65	1966
Combustion Turbine	Gas or Oil	65	1976
Station Two Facility Units No. 1 and 2 ²	Coal	312	1973/1974
D. B. Wilson Unit No. 1	Coal	<u>420</u>	1986
Total		<u>1771</u>	

The Facilities have very low embedded costs. Big Rivers' net utility plant was approximately \$812.8 million as of September 30, 2005, and the depreciation amount with respect to the Facilities owned by Big Rivers was approximately \$30.1 million for the twelve month period ending September 30, 2005.³ A comparison of the rates of the Members to other neighboring utilities is set forth in Appendix E.

¹ The net capacity of the Kenneth C. Coleman Plant will be reduced by approximately 12 MW due to the scheduled addition of the Coleman Scrubber.

² Big Rivers operates but does not own the Station Two Facility and not all net capacity of such facility is available to Big Rivers or the LG&E Parties.

³ The amortization of the Station Two Facility on Big Rivers' books is approximately \$1.7 million annually.

Financial Information Relating to Big Rivers and the Members

Big Rivers' Annual Report for its fiscal year ended 2004 is set forth in Appendix A to this Information Memorandum. Selected financial information related to the Members is set forth in Appendix B.

UNWIND TRANSACTION

Background and Overview

In 2003, LEL approached Big Rivers about the possibility of an Unwind. Big Rivers did not solicit or seek out any amendments or modifications to or unwinding of the LG&E Transaction. After initial discussions with LEL, Big Rivers engaged legal, financial, power marketing, engineering and other professional advisors to assist it in evaluating and structuring any potential Unwind. Before undertaking this evaluation, however, Big Rivers' board of directors instructed that any Unwind must not violate the following governing principles:

- Big Rivers must receive economic benefits commensurate with any additional risks assumed;
- The Unwind must enable Big Rivers to invest substantial capital in the Facilities to permit Big Rivers to reliably serve the Members far into the future;
- Big Rivers' Members' non-Smelter customers must not subsidize any service to the Smelters; and
- Big Rivers' senior secured obligations must be rated at least investment grade by Standard and Poor's Ratings Services and Moody's Investors Service.

Over the course of many months, Big Rivers analyzed benefits and risks related to potential Unwind structures. During this period, Big Rivers engaged in lengthy negotiations with LEL, and on a parallel path Big Rivers and Kenergy engaged in negotiations with the Smelters, to consider whether a memorandum of understanding or letter of intent could be reached which was in the best interests of Big Rivers and its Members and which embodied Big Rivers' board's governing principles. These negotiations culminated in two non-binding letters of intent, one with LEL and a second with the Smelters. The letters of intent with LEL and the Smelters are attached as Appendices C and D, respectively. The boards of directors of Big Rivers and each of the Members have authorized Big Rivers to enter into the Unwind on the terms and conditions set forth in the letters of intent.

Together, the letters of intent contemplate an Unwind consisting of three primary components: (1) the termination of the 1998 operational, power supply and financial arrangements with the LG&E Parties; (2) approximately \$626 million of compensation to Big Rivers, including cash, property, emissions allowances, and forgiveness of debt and other obligations; and (3) the entry into amendments to Big Rivers' wholesale power contracts with the Members reflecting the termination of the WKEC Lease, and the entry by Kenergy into new long-term service agreements with the Smelters. A fourth component of the Unwind not required by the letters of intent but contemplated by Big Rivers is the establishment of new financial arrangements on the

consummation of the Unwind (the “Unwind Closing Date”), including the obtainment of an investment grade credit rating, the prepayment of substantial outstanding debt and the issuance of new debt in the capital markets.

Termination of LG&E Transaction

Termination of Operational Arrangements

The Unwind of the LG&E Transaction will result in (1) the termination of the WKEC Lease; (2) the termination of the assumption by Station Two Subsidiary of Big Rivers’ obligations under the agreements relating to the operation of the Station Two Facility; and (3) termination of various other arrangements between Big Rivers and the LG&E Parties. A list of documents which will be terminated in the Unwind is set forth in Appendix F.

Termination of Power Supply Arrangements

The Unwind will include the termination of the LEM Power Purchase Agreement as well as termination of the electric service agreements between LEM and Kenergy in respect of LEM’s obligation to supply Kenergy with wholesale power for resale to the Smelters. Also, the existing agreements between Kenergy and the Smelters will be terminated.

Termination of Notes, Obligations and Mortgages

Obligations of Big Rivers and the LG&E Parties under various promissory notes, mortgages and guaranties entered pursuant to the LG&E Transaction will be terminated. LEM will release Big Rivers from its obligations under the Settlement Note. Similarly, the Unwind is conditioned on LEM being released from all of its obligations under a demand promissory note payable by LEM to the United States of America in the original principal amount of \$933,333.33. The note represents the amount of a power marketing fee in excess of \$5 million paid by Big Rivers to LEM at the closing of the 1998 transaction. If Big Rivers defaults to RUS, the note requires LEM to pay RUS an amount equal to the lesser of the amount of the default and the amount of the note.

Also as a part of the Unwind, LEL will release Big Rivers from any obligation to make the Residual Value Payment. Big Rivers currently estimates the Residual Value Payment would be approximately \$142 million if the WKEC Lease was terminated at December 31, 2006. LEL also will release all of its rights and interests under the LG&E Subordinated Mortgage and the LEM Mortgage, as well as any other agreements entered into by any LG&E Party in connection with the 2000 Lease.

Station Two Arrangements

A condition to the completion of the Unwind will be the termination of contracts among Big Rivers, Henderson, and the various LG&E Parties in connection with Station Two Subsidiary’s assumption of obligations of Big Rivers to Henderson relating to the Station Two Facility (the “Station Two Contracts”). Upon termination of the Station Two Contracts and beginning on the Unwind Closing Date, Big Rivers again would be solely responsible for all obligations under the Station Two Contracts, including the obligations for the operation and maintenance, and for the purchase of a portion of the output, of the Station Two Facility. In the Unwind, Station Two Subsidiary will transfer to Big Rivers all permits and fuel and reagent supply agreements and other

agreements relating to Station Two Subsidiary's operation of the Station Two Facility. Big Rivers will assume all of Station Two Subsidiary's obligations with respect to those permits and agreements.

Various LG&E Parties' obligations to consummate the Unwind will be conditioned on the release and discharge by Big Rivers, Ambac, ACP, AME, the remaining 2000 Lease Parties, Henderson, RUS, CSFB, and CFC of the LG&E Parties from further obligations or liabilities arising out of any LG&E Party's use, operation, repair or upkeep of the Station Two Facility or any joint use facility relating thereto or arising under the Station Two Contracts or any other documents or agreements relating to the LG&E Transaction. The Unwind contemplates Henderson will release and discharge Big Rivers from any liability under any of these agreements as a result of any breach or default thereof by any LG&E Party on or prior to the Unwind Closing Date.

The LG&E Parties' obligations to consummate the Unwind also will be conditioned on the release of the LG&E Parties from any third-party contracts and permits relating to the Station Two Facility assigned to and assumed by Big Rivers. In lieu of any release, Big Rivers may indemnify the relevant LG&E Parties. If Big Rivers declines to assume any third-party contract of an LG&E Party with respect to the Station Two Facility, and if the LG&E Parties consider the burden of retaining and performing that contract following the Unwind Closing Date to be materially adverse to any of them or to otherwise materially adversely affect the value of the Unwind to the LG&E Parties, the LG&E Parties will not be obligated to consummate the Unwind.

On the Unwind Closing Date, amounts payable by the LG&E Parties will be adjusted to reflect the actual operation and maintenance expenses, as well as improvement costs, capital costs, and major capital expenditures for the Station Two Facility under the Station Two Contracts. The appropriate payments required by that adjustment will be made by the applicable party in accordance with the provisions the Station Two Contracts, except that parties may elect to make such payments after the Unwind Closing Date rather than through a modification to the amounts payable by the LG&E Parties at closing.

Payments

To induce Big Rivers and the Members to enter into the Unwind and to compensate Big Rivers for additional risks assumed as a result of the termination of the LG&E Transaction, the LG&E Parties will pay Big Rivers \$301,500,000 in immediately available funds, subject to certain credits, on the Unwind Closing Date. Big Rivers will use the funds primarily to prepay debt on the Unwind Closing Date and fund working capital and future capital expenditures with respect to the Facilities. See "Other Transactions on the Unwind Closing Date—Prepayment of Debt and Capital Markets Issuances" and "Post-Unwind Big Rivers—Financial Condition Following Unwind" below.

Big Rivers intends to use a portion of the cash payment made by the LG&E Parties at closing (currently, an amount estimated to be between \$29 million and \$35 million) to offset the negative impact on the Members of an early termination of either or both of the electric service agreements with the Smelters as well as increases in fuel costs exceeding Big Rivers' forecasts. None of the benefits of this amount or interest thereon will accrue to the benefit of the Smelters.

Transfers, Conveyances and Assignments

As part of the Unwind and in addition to other compensation to Big Rivers in the Unwind, the LG&E Parties will transfer or turn over real and personal property, including intangible property and rights, to Big Rivers. Big Rivers will not pay any amounts to any LG&E Party in consideration for the transfer of such property on the Unwind Closing Date other than certain true-up payments and amounts related to other limited exceptions.

Transfer of Property

Coleman Scrubber. The LG&E Parties will be required to complete and turn over to Big Rivers the Coleman Scrubber. The value of the Coleman Scrubber is expected to be approximately \$100 million.

Inventory. Each LG&E Party will convey all right, title and interest in all fuel (including coal, petroleum coke and fuel oil) and scrubber reagent inventory, spare parts, materials and supplies held exclusively for use by any of the LG&E Parties in connection with the operation of the Facilities. To the extent the value of this property is less than \$55 million when measured shortly before the Unwind, LEL will increase the amounts otherwise payable to Big Rivers on the Unwind Closing Date by such difference. To the extent the value of this property is greater than \$55 million when measured before the Unwind Closing Date, such excess amount will be credited against the payment required at the closing.

Real Property. The LG&E Parties will convey to Big Rivers all of its right, title and interest in the real property owned by WKEC or its affiliates adjacent to or near the site of the Kenneth C. Coleman Plant (land purchased since 1998) and the property and improvements (three buildings sold to WKEC since 1998) owned by the LG&E Parties which are adjacent to Big Rivers' headquarters. Big Rivers will pay to the LG&E Parties an amount equal to the LG&E Party's cost of acquisition of such property for these parcels of real property, by crediting such amounts against the cash payment to be made by the LG&E Parties on the Unwind Closing Date.

Intellectual Property. The LG&E Parties will assign, sublicense or otherwise make available to Big Rivers certain patents, patent applications, trade secrets, license rights, license agreements, and franchises in which any LG&E Party has an interest and which relate to the operation and/or dispatch of the Facilities, including computer programs and operator codes utilized by an LG&E Party in connection with the operation and/or dispatch of the Facilities (the "Intellectual Property"), to the extent transferable. Big Rivers will have no obligation to assume any item of Intellectual Property. In circumstances where any of the Intellectual Property cannot be assigned or sublicensed to Big Rivers, the relevant LG&E Party will provide Big Rivers access to the benefits of such Intellectual Property in its operation of the Facilities following the Unwind Closing Date under the terms of a support services agreement to the extent it is not otherwise restricted or prohibited from doing so under the terms of the relevant Intellectual Property license or use agreement. The LG&E Parties' obligations to consummate the Unwind also will be conditioned on its release from any obligation arising prior to the LG&E Transaction or after the Unwind Closing Date resulting from use of the Intellectual Property assigned to and assumed by Big Rivers. In lieu of any release, Big Rivers may indemnify the relevant LG&E Parties. Big Rivers will have no obligation to consummate the Unwind if any item of Intellectual Property necessary for the efficient operation or maintenance of any Facility cannot be assigned, licensed or made available to Big

Rivers, and a new license from the relevant vendor cannot be obtained for the use of such Intellectual Property by Big Rivers at a cost comparable to that paid by the LG&E Party.

Transmission. The relevant LG&E Parties will assign to Big Rivers all transmission reservations for both firm and non-firm transmission services for transporting power produced by the Facilities over the Big Rivers' transmission system. The LG&E Parties also will relinquish to Big Rivers all rights to transmission service currently held by the LG&E Parties from Big Rivers' Control Area across the Tennessee Valley Authority's transmission system. Big Rivers will reimburse the LG&E Parties any prepayments or deposits made for such transmission service prior to the Unwind Closing Date.

Property Not Transferred. No accounts receivable, cash on hand or other current assets of the LG&E Parties will be included in the property transferred. Also, Big Rivers will not assume any obligations relating to commodities or services delivered prior to the Unwind Closing Date.

Conveyance of Contracts

As a part of the Unwind, each of the LG&E Parties and Big Rivers will identify those contracts between any LG&E Party and any third party or parties relating to the Facilities, including equipment leases, or any property conveyed to Big Rivers which Big Rivers desires to assume (the "Contracts"). The LG&E Parties and Big Rivers will use their reasonable best efforts to obtain any third party consents required for the assignment to, and assumption by, Big Rivers of the Contracts. On the Unwind Closing Date, the Contracts will be assigned to Big Rivers by the relevant LG&E Party and Big Rivers will assume all of the relevant LG&E Party's obligations thereunder, whether relating to the period prior to the LG&E Transaction (where applicable) or from and after the Unwind Closing Date. The LG&E Parties will require each Contract counterparty to release the applicable LG&E Party from such obligations as a condition to the assignment.

The Contracts do not include any contracts, agreements, arrangements, or other liabilities solely between or among one or more LG&E Parties and any of their respective affiliates relating to the Facilities, the operation or maintenance of the Facilities or to the property to be conveyed to Big Rivers as a part of the Unwind. The LG&E Parties will identify for Big Rivers all of these LG&E inter-company commitments that will either be retained or terminated following the Unwind Closing Date to permit Big Rivers to determine whether such services and commodities will be readily available to Big Rivers on and after the Unwind Closing Date on reasonable terms and conditions.

Transfer of Permits

On the Unwind Closing Date, the LG&E Parties will transfer and assign to Big Rivers all then-existing permits, licenses, authorizations and allowances in the control of any LG&E Party and specifically issued by a governmental authority in respect of any of the Facilities, including emission reduction credits (subject to the limitations set forth below), offsets, "green credits" or other forms of rights relating to the environmental attributes of the Facilities allotted based on the output or capacity of a Facility prior to the Unwind Closing Date.

Allocation and Conveyance of SO₂ and NO_x Allowances

The Unwind allocates all SO₂ and NO_x emissions allowances assigned to the operator of the Facilities (the "SO₂ Allowances" or the "NO_x Allowances" and, collectively, the "Emissions

Allowances”) among Big Rivers and the relevant LG&E Party as a part of the transfer of control of the Facilities to Big Rivers. On the Unwind Closing Date, Big Rivers will be entitled to the full use and benefit of all Emissions Allowances owned by any LG&E Party as of that date relating to the Facilities, except allowances allocated to Henderson or except as otherwise described below.

All SO₂ Allowances allotted by the Environmental Protection Agency (“EPA”) or any state agency to the Facilities for the calendar year in which the Unwind Closing Date occurs (the “Closing Year SO₂ Allotment”) will be divided between Big Rivers and the relevant LG&E Party based on the calendar date of the Unwind Closing Date, with limited exceptions. The remainder of the Closing Year SO₂ Allotment not allocated to Big Rivers will be retained by the relevant LG&E Parties. To the extent the SO₂ Allowances of Big Rivers or the relevant LG&E Party exceeds the amount of SO₂ Allowances required for compliance with applicable laws during the period prior to or after the Unwind, as applicable, the applicable entity may retain all such excess SO₂ Allowances for its own account. WKEC will deliver, however, on or prior to February 15 of the year immediately following the Closing Year and at no cost to Big Rivers, 14,000 SO₂ Allowances with a vintage year allowing such SO₂ Allowances to be used for emissions resulting from operations in calendar year 2007 and thereafter. Big Rivers estimates the value of these additional SO₂ Allowances to be approximately \$11.2 million.

All NO_x Allowances allotted by the EPA or any state agency to the Facilities for the calendar year in which the Unwind Closing Date occurs (the “Closing Year NO_x Allotment”) will be allocated among the relevant LG&E Parties and Big Rivers on the basis of the actual calendar date of the Unwind Closing Date and an agreed-upon monthly forecasted emissions rate from the Facilities throughout the calendar year in which the Unwind occurs, without regard to the actual emissions for that year. WKEC and Station Two Subsidiary will ensure that all of the Closing Year NO_x Allotment (other than the NO_x Allowances allotted to Henderson’s portion of the energy and capacity of Station Two Facility, or allocated by contract to Henderson) is available for emissions compliance of the Facilities throughout that Unwind year.

Prior to the Unwind Closing Date, and within an agreed-upon period following the completion of the full “NO_x season” which includes 2005, the LG&E Parties and Big Rivers will jointly determine, to the reasonable satisfaction of each, if the NO_x compliance plan outlined in the NO_x Plan Approval Model 8A referred to in a letter agreement between Big Rivers and WKEC, dated February 19, 2002 (the “NO_x Compliance Plan”) is performing in an acceptable manner. If it is determined that the NO_x Compliance Plan is not performing in an acceptable manner, Big Rivers and the LG&E Parties will attempt in good faith to jointly develop and agree upon an alternative strategy for NO_x compliance. Any alternative strategy for NO_x compliance will include the limitation on additional capital or operation and maintenance costs for which Big Rivers would be liable. It will be a condition to consummation of the Unwind that the LG&E Parties and Big Rivers will have resolved any disagreements relating to the NO_x Compliance Plan.

If, prior to the Unwind Closing Date, WKEC or Station Two Subsidiary sells or assigns any Emissions Allowances having a vintage year of the Closing Year or a subsequent year (but excluding sales, assignments or conveyances of SO₂ Allowances and NO_x Allowances included in the allocations of the Emissions Allowances to the LG&E Parties described above), then at the Unwind Closing Date the applicable LG&E Party would, at its own sole cost, transfer and assign to Big Rivers substitute Emissions Allowances to replace the allowances so sold, assigned or conveyed.

Settlement of Disputes

In connection with the Unwind, all existing claims or disputes between or among Big Rivers and the LG&E Parties will be settled and released. These disputes include claims relating to WKEC's operation and maintenance of the Facilities and LEL claims relating to imbalance charges and scheduling matters. No payments will be made in connection with the settlement of these disputes and appropriate waivers and releases will be exchanged at the closing.

Smelter Service Arrangements

General

On the Unwind Closing Date, Kenergy will terminate its power purchase arrangements with LEM and Big Rivers and Kenergy will enter into two new wholesale power contracts (each a "Smelter Service Wholesale Power Contract") pursuant to which Big Rivers will supply Kenergy 850 MW for resale to the Smelters. Kenergy will, in turn, enter into a new electric service agreement with each Smelter (each an "Electric Service Agreement").

The arrangements negotiated among Big Rivers, Kenergy and the Smelters relating to the supply of the Smelters' power requirements following the Unwind are extremely complex (such arrangements sometimes referred to herein as the "Smelter Transaction"). These arrangements are intended to (1) ensure that Big Rivers' Members' non-Smelter customers do not subsidize Big Rivers' obligations to supply Kenergy power for resale to the Smelters, (2) minimize the need for non-Smelter Member rate increases, (3) provide sufficient revenue to Big Rivers to incentivize it to consummate the Unwind, (4) protect the Members' non-Smelter customers from the full impact of high fuel prices and (5) increase the likelihood of retaining the economic benefit to the region provided by or resulting from the employment of approximately 1,500 persons by the Smelters. From the perspective of the Smelters, the proposed arrangements resolve a fundamental question about their future operations: how could the Smelters obtain power after the expiration of their current contracts in 2010 and 2011 at a price which would permit them to continue to operate.

Nature of Service

The aggregate amount of power made available to the Smelters under the Electric Service Agreements will consist of three types, or tiers, of power. Tier A will consist of 850 MW of power. The Electric Service Agreements will require the Smelters to schedule Tier A power not later than the day ahead. Big Rivers will have an obligation to supply Tier A power to Kenergy for resale subject only to the occurrence of force majeure events. Alcan and Century will be allocated 368 MW and 482 MW of Tier A power, respectively.

Tier B power will consist of up to 20 MW of power per hour in excess of the amount of Tier A power scheduled by the Smelters. Alcan and Century each will be allocated 10 MW of Tier B power. The aggregate amount of power taken by the Smelters under Tiers A and B may not exceed 850 MW in any hour. Tier C power will consist of any energy consumed by the Smelters in excess of 850 MW per hour.

Pricing

Tier A Power. The calculation of the price for Tier A power contains several components. These components are intended to result in the Smelters, in the aggregate, guaranteeing that Big Rivers achieve an annual TIER of 1.24, subject to (1) limitations on the maximum amount payable by the Smelters until Big Rivers must raise its rates to the Members for sales of power for resale, and (2) a power cost adjustment.

Specifically, the monthly charges for Tier A power will consist of the following:

- A base amount equal to 850 MW per hour, assuming a 98% load factor (the “Base Tier A Energy”), multiplied by Big Rivers’ tariff rate for sales to Members for resale to large direct-served industrial customers (the “Large Industrial Tariff”), inclusive of any surcharges, surcredits and rebates (exclusive of the Rebate and the Surcharge (each as defined below)), for a customer with a 98% load factor, plus \$0.00025 per kWh (the “Smelter Base Rate”);
- *plus*, whether positive or negative, the Smelters’ metered energy consumption of Tier A Power for that month less the Base Tier A Energy, multiplied by Big Rivers’ costs for fuel, reagent and emission allowances in a month to the extent such costs are included in computation of the Smelter Base Rate, divided by Big Rivers’ kWh sales for such month;
- *plus* one-twelfth of the estimated positive amount, if any, necessary in addition to all of Big Rivers’ other revenues for the year to cause Big Rivers to achieve a TIER of 1.24, subject to the Price Cap (as defined below) (the “Annual Revenue Guaranty”); and
- *plus*, a power cost adjustment (“PCA”), whether positive or negative, equal to the product of the kWh delivered by Big Rivers to Kenergy for resale to the Smelters and fuel and purchased power costs above a specified base amount.

True-Up Payment. Following the end of each fiscal year, Big Rivers will refund, or the Smelters will pay, an amount (the “True-up Payment”) equal to the positive or negative difference, respectively, between the estimated amounts paid by the Smelters for the Annual Revenue Guaranty and the actual Annual Revenue Guaranty, plus interest. Big Rivers will record all adjustments in the fiscal year affected. Big Rivers will notify the Smelters by May 1st of each year of the amount of the refund or additional payment required.

Bandwidth Ceiling. Because the nature of the Annual Revenue Guaranty, Big Rivers has agreed to ensure that costs above a specified level will be borne by the Members as well as the Smelters (the “Bandwidth Ceiling”). Big Rivers has agreed that in no event will the sum of (1) the Smelter Base Rate and (2) the Annual Revenue Guaranty in any year, divided by the Base Tier A Energy, exceed the Large Industrial Rate for a customer with a 98% load factor plus the applicable amount set forth below for such year:

<u>Years</u>	<u>Applicable Amount</u>
2007-2011	\$0.00220 per kWh
2012-2014	\$0.00320 per kWh
2015-2017	\$0.00380 per kWh
2018-2020	\$0.00440 per kWh
2021-2023	\$0.00500 per kWh

Imputed Amounts in TIER Calculation. Big Rivers and Kenergy have agreed with the Smelters to make certain adjustments in the calculation of TIER for purposes of determining the Annual Revenue Guaranty. These adjustments are intended to limit the Smelters' obligations in a few limited circumstances. Specifically, Big Rivers will assume the following:

1. Big Rivers raised revenues from service to the Members for their non-Smelter customers as if Big Rivers had raised its base rates for such service by a weighted average of 2.00% in 2010, 2.50% in 2018 and 4.00% in 2021 to the extent Big Rivers in fact previously had not increased such revenues as a result of such rate increases by at least such amount.
2. Any entity which becomes a direct-serve customer of Kenergy after the Unwind Closing Date with firm power requirements in excess of 15 MW paid an amount equal to the Smelter Base Rate adjusted for the entity's actual load factor, plus a proportionate share of the Annual Revenue Guaranty, if any, the PCA and the Surcharge, if such entity in fact paid less than such amount in the applicable fiscal year. This assumption will not be made in the last three years of the term of an Electric Service Agreement or following notice of termination thereof.
3. The Smelters have already paid the product of 0.24 and the portion of Big Rivers' total interest expense determined by multiplying total interest expense by a fraction the numerator of which is the aggregate amount of any patronage capital distributed by Big Rivers to its Members during the term of the applicable Electric Service Agreement and the denominator of which is the average principal amount of debt outstanding for the relevant period.

If Big Rivers adds new non-peaking capacity to its system, the estimated and trued-up TIER calculation for the Smelters will be adjusted such that with respect to the debt issued to finance such additions, the Smelter TIER will be no more than the TIER charged to the Members with respect to sales to their non-Smelter members.

Early Year Rates. Big Rivers has agreed to two measures to give the Smelters some assurance that its costs for Tier A power in the early years of the Unwind will not be significantly different than that expected on the Unwind Closing Date. First, Big Rivers has agreed that the monthly billings to the Smelters for Tier A Power (excluding the PCA) per kWh in the first year will not exceed the rate estimated in Big Rivers' financial model to be filed with the KPSC in connection with the approval of the Unwind. The monthly billings for the first year will be subject, however, to the PCA, the True-up Payment and the Rebate. Second, Big Rivers has agreed that it will not seek to have any increase in its Member Rates, including the Large Industrial Rate, take effect before January 1, 2010.

Rebate. If Big Rivers' TIER in any year exceeds 1.24 after the True-up Payment, then Big Rivers will rebate on a kWh basis any excess amount to the Members for rebate to their customers, including the Smelters (the "Rebate"). Kenergy will rebate to the Smelters a portion of the amount received by Kenergy from Big Rivers on a kWh basis.

Tier B. The price for Tier B power purchased by Kenergy for resale to the Smelters will equal 110% of the higher of (a) the marginal operating cost of Big Rivers' system, or (b) the highest hourly price of power purchased by Big Rivers for such hour, including any amount paid by Big Rivers for transmission and ancillary services to parties for delivery to Big Rivers' border not included in the purchase price.

Tier C. The price for Tier C energy purchased by Kenergy for resale to the Smelters will equal (1) the greater of an amount equivalent to the maximum imbalance charge allowable under Big Rivers' OATT or 110% of the highest hourly price for power purchased by Big Rivers for such hour, including any amount paid by Big Rivers for transmission and ancillary services to parties for delivery to Big Rivers' border not included in the purchase price, and (2) OATT network transmission charges for all Tier C energy and related ancillary services.

Surcharge. In addition to any other amounts payable under the Electric Service Agreements and without regard to the Bandwidth Ceiling, the Rebate or the True-Up, the Smelters will pay a surcharge (the "Surcharge") as follows: (1) an aggregate annual payment of \$5,110,000, payable in equal monthly installments from the Unwind Closing Date through and including 2011, (2) an aggregate annual payment of \$7,300,000, payable in equal monthly installments from 2012 through and including 2016, and (3) an aggregate annual payment of \$10,182,813, payable in equal monthly installments from 2017 through 2023 (the expiration of the stated term of the Electric Service Agreements). Following an early termination of an Electric Service Agreement by one Smelter, the Surcharge for the other Smelter will be determined based on the pro-rata portion of the Base Tier A Energy.

Kenergy Charges. The Unwind will provide that the current Kenergy customer charge and energy adder will be fixed at their current rates for 10 years from the Unwind Closing Date. A Smelter will be required to pay the Kenergy customer charge and energy adder until the Electric Service Agreement is terminated and the Smelter is no longer served by Kenergy.

Transmission and Ancillary Services. The price for Tier A and B power include the cost of network transmission services and the ancillary services currently provided under the Big Rivers OATT. Charges for these services to the Smelters may be unbundled by Big Rivers under the OATT if they are unbundled for purposes of the Large Industrial Rate. Absent a rate change applicable to all Members, Big Rivers has agreed that any such unbundling will be revenue neutral to Big Rivers, the Members and the Smelters.

Termination

The obligation of Kenergy to supply power to a Smelter pursuant to the Electric Service Agreements will terminate on December 31, 2023, unless terminated earlier pursuant to the terms of the Electric Service Agreements. If no such early termination occurs, Big Rivers, Kenergy and the applicable Smelter agree that at least one year prior to the stated termination date, they will undertake good faith negotiations for a replacement agreement.

A Smelter may terminate its Electric Service Agreement upon not less than one year's prior written notice of such termination to Big Rivers and Kenergy if such Smelter ceases all smelting operations in Kenergy's service territory. A notice of termination by a Smelter cannot be effective prior to December 31, 2010; provided, that if one Smelter has given notice of termination to be effective on or after December 31, 2010 and all required transmission upgrades are not yet commercially available, a notice of termination by the other Smelter may not be effective until such transmission upgrades are commercially available; provided, further, that the second Smelter's notice of termination may be effective on or after December 31, 2011. The Electric Service Agreements will make appropriate provisions for adjustments to the rate setting procedures for Tier A power of the Electric Service Agreement of one Smelter if the Electric Service Agreement of the other Smelter is terminated.

Credit Arrangements

Each Smelter will provide and maintain credit support in the form of cash, a letter of credit from a bank rated "A+" or better, or other assurances acceptable to Big Rivers and Kenergy, in an amount no greater than the amounts due for a period of two months under that Smelter's Electric Service Agreement. The U.S. parent of Alcan and the ultimate parent of Century will guarantee the payment and performance of Alcan and Century, respectively, to Big Rivers and Kenergy of all obligations under the Electric Service Agreement and related documents.

Surplus Sales

Big Rivers will use reasonable commercial efforts to market amounts of Tier A Power for Kenergy that a Smelter is obligated to purchase under its Electric Service Agreement but which is surplus to such Smelter's needs. Big Rivers will credit back to Kenergy, for credit of the applicable Smelter, the net proceeds of any surplus sale up to the amount Kenergy is obligated to pay Big Rivers for such power sold.

A Smelter may use any portion of such net proceeds not credited to it as a result of such sale against future amounts owing by it to Kenergy as a result of a deficit in connection with another sale of surplus power by such Smelter in the future. Neither Big Rivers nor Kenergy will have any obligation to pay to a Smelter any net proceeds of surplus sales of power not used as a credit in future sales prior to the termination of an Electric Service Agreement except in one limited case relating to the occurrence of an event of force majeure. See "Smelter Service Arrangements—Other Matters—Force Majeure" below.

Neither Big Rivers nor Kenergy will have any obligation to market power surplus to a Smelter's needs until Big Rivers has sold all amounts of its own surplus power, nor will Kenergy or Big Rivers have any obligation to the Smelters if Big Rivers is unable to sell this power as a result of transmission or other constraints.

Other Matters

Relationship of the Parties. The Smelter Transaction will be structured so that each obligation of Kenergy to Big Rivers or a Smelter under a Smelter Service Wholesale Power Contract or an Electric Service Agreement will be conditioned on the performance by the applicable Smelter

or Big Rivers, respectively, of the related obligation to Kenergy. Big Rivers or a Smelter will be able to enforce directly any obligation arising out of the Smelter Transaction.

Covenants. As part of the transaction, Big Rivers will covenant that it will operate its system for the benefit of its Members consistent with prudent utility practices and will apply the same standards to operating decisions that may affect the Smelter Base Rate or the Annual Revenue Guaranty. Big Rivers will covenant that it will not make an operating decision if the substantive basis for the decision is the Smelters' payment obligations under the Electric Service Agreements.

During the term of the Electric Service Agreements, none of Big Rivers, Kenergy or the Smelters will seek or support, directly or indirectly, from any governmental authority, including the KPSC, any change in the terms and conditions agreed to as a part of the Unwind, with limited exceptions. Big Rivers may seek, however, KPSC approval of changes to the Member Rates and changes to the OATT from time to time, and Kenergy may seek approval of changes to its customer charge and energy adder for Smelter service 10 years after the Unwind Closing Date.

Force Majeure. The Electric Service Agreements will contain force majeure provisions customary for a transaction similar to the Smelter Transaction. If an event of force majeure occurs on the Big Rivers' system that prevents Big Rivers from supplying power to a Smelter and thus causes that Smelter thereafter to be unable to accept power, Big Rivers and Kenergy will use reasonable commercial efforts to resell the Smelter's Tier A Power and credit the net proceeds against the amount the Smelter otherwise would have paid to Big Rivers or Kenergy for the purchase of such power. Moreover, for a period of up to six months, Big Rivers and Kenergy will pay over to the Smelter any remaining excess above the amount so credited, giving the Smelters the full net proceeds on resales of Tier A power for up to six months.

Assignment. A Smelter will not have the right to assign its Electric Service Agreement without the consent of Big Rivers and Kenergy, except to a successor. Any successor must agree to assume all rights and obligations of the assignor under the related Electric Service Agreement. Any assignment will not relieve an assignor or guarantor of its obligations under or with respect to an Electric Service Agreement without the consent of Big Rivers and Kenergy, which consent will not be unreasonably withheld.

Restructuring. Because of the Smelters' obligations relating to the Annual Revenue Guaranty, Big Rivers has agreed that it will protect the economics of the Smelters' Electric Service Agreements for an agreed period of time if Big Rivers engages in a restructuring, merger, acquisition of another utility system, or addition of a new member and will provide reasonable opportunity for the Smelters and Kenergy to discuss renegotiation of the Electric Service Agreements.

Budgets. Each year, Big Rivers will provide the Smelters with a copy of Big Rivers' then-current projected operating and capital budgets for the following fiscal year these budgets will be reviewed by a mutually agreed independent third party who will report on whether the budgeted operating expense and capital expenditures are consistent with expenses and expenditures of similarly situated utilities. Upon request, the Smelters will have the opportunity to present the conclusions of the third party to the Big Rivers Board of Directors. Big Rivers will have no duty to take any action based on such report.

Management Incentive Plan. Big Rivers and the Smelters have agreed to investigate and undertake in good faith to adopt a plan for Big Rivers' management, funded by the Smelters, to help incentivize Big Rivers to manage costs. Big Rivers' will determine how any such incentive amounts are to be distributed to officers or employees of Big Rivers.

Large Industrial Tariff Service. Without waiving any rights available to Big Rivers or Kenergy, including those that may have resulted from Big Rivers' 1998 Plan of Reorganization, a Smelter, after ceasing all smelting operations and termination of its Electric Service Agreement, and Century's predecessor operator of the smelter, Southwire Company, if it so elects prior to the Unwind Closing Date, will be entitled to be served by Kenergy under Big Rivers' Large Industrial Tariff for any non-smelting load.

Service Post-Termination. Neither Kenergy nor Big Rivers will have any contractual obligation to sell power to the Smelters, and the Smelters will have no contractual obligation to purchase power from Kenergy or Big Rivers, following termination of Kenergy's obligations to supply power to the Smelters under the Electric Service Agreement.

Assurances Agreements Payments. Big Rivers will pay the Smelters \$3,625,000 in lieu of any amounts to which they otherwise would have been entitled as a result of the Unwind pursuant to Section 3(i) of the Assurances Agreements with LEM (the "Assurances Agreement Payments"). Big Rivers will make the Assurances Agreement Payments to the Smelters at the closing of the Unwind. Big Rivers may credit, however, all or any portion of the Assurances Agreement Payments against one or more invoices related to Agreements for Interruptible Tier 3 Energy ("Tier 3 Contracts") prior to the Unwind. If the Unwind occurs after December 31, 2006, the Assurances Agreement Payments will be reduced by the amount of any payments under the Assurances Agreements with LEM received by the Smelters after such time. If Big Rivers' determines the closing of the Unwind will not occur or if Big Rivers credits the Smelters an amount in excess of the amount Big Rivers must pay to the Smelters at the Unwind, the Smelters must repay Big Rivers for all amounts credited against invoices relating to Tier 3 Contracts upon demand or the amount of such excess at the closing of the Unwind, respectively.

Termination of Existing Agreements

As a consequence of the Unwind, Big Rivers, Kenergy, the LG&E Parties and the Smelters will be released from any claims or obligations relating to any agreements (other than those entered into as a part of the Unwind) among any such entities relating to the sale or purchase of power, the transmission of energy, or the transactions otherwise entered into by them in connection with the LG&E Transaction, except as otherwise agreed.

Closing Conditions to Smelter Service Arrangements

Smelters. In addition to customary closing conditions, the conditions to the obligation of the Smelters to enter into the transactions contemplated by the Unwind will include:

- All approvals of governmental authorities required for consummation of the Smelter power supply arrangements will be obtained;

- Each Smelter, exercising its business judgment in good faith, will find to its reasonable satisfaction, that Big Rivers' operations can produce during the first five years of the Unwind the rates projected by Big Rivers, adjusted for the Surcharge, but without any material modification of the assumptions contained in said financial model; and
- There has been no material adverse change in the production facilities of the Smelters and no material change in economic or business factors, external to the terms of the Unwind, that in the business judgment of the Smelter, exercised in good faith, would have a material adverse financial effect on the Smelter if the Unwind is consummated.

Big Rivers and Kenegy. Similarly, the conditions to the obligation of the Big Rivers and Kenegy to consummate the Unwind will include:

- All approvals of governmental authorities required for consummation of the Smelter Transaction will have been obtained, and all notices to and filings with governmental agencies that are necessary to be made prior to the Unwind Closing Date will have been given to or filed with the applicable governmental agencies without objection by that governmental agency or initiation of an adverse proceeding;
- All contemplated consents, releases or discharges from the Smelters, the LG&E Parties, Henderson, Big Rivers' creditors, the Members and the Members' creditors have been obtained;
- All other third party consents have been obtained; and
- The Unwind transaction with the LG&E Parties will have occurred.

Other Agreements with LEL

Personnel

The Unwind will permit, though not obligate, Big Rivers to offer employment to any or all employees of WKEC, LEM or Station Two Subsidiary (other than certain employees identified by the parties). Many of these employees were employees of Big Rivers prior to the LG&E Transaction and, thus, Big Rivers likely will employ persons with many years of experience operating and maintaining the Facilities. Prior to the Unwind, Big Rivers expects to conduct discussions with the relevant collective bargaining units concerning new collective bargaining agreements with Big Rivers and to address other employee transition and retention issues. Big Rivers will not be responsible, however, for any unfunded liabilities under any defined benefit plan which Big Rivers may assume on the Unwind Closing Date.

Indemnities

LG&E General Indemnifications. Among other customary indemnification covenants for a breach of the transaction documents, the relevant LG&E Parties will indemnify and reimburse Big Rivers on the Unwind Closing Date for any and all claims, losses, liabilities, damages, costs and expenses ("Damages") suffered or incurred by Big Rivers relating to the relevant LG&E Party's, or its affiliates', operation or use of the Facilities, except to the extent that such Damages are caused by