

1 further limitation on Big Rivers' ability to meet its capital requirements in a
2 lease unwind.

3
4 **Q. In your opinion, could Big Rivers meet the future capital**
5 **requirements it expects today after an unwind if the current**
6 **financial arrangements remain unchanged?**

7
8 A. No. In my opinion that would not be feasible. The comprehensive nature of
9 the lien and security interest provisions of the Third Restated Mortgage and
10 the after-acquired property provision alone would make providing any
11 security for future revolving credit arrangements or power trading activities
12 nearly impossible. Moreover, the prospect of Big Rivers having access only to
13 deeply subordinated debt subject to advance approval of existing mortgagees
14 to satisfy its future capital requirements after an unwind would be an
15 untenable situation. The only way to avoid the subordination and approval
16 requirements of the Third Restated Mortgage and the Existing Intercreditor
17 Agreement would be to use subsidiary entities, rather than Big Rivers, as the
18 borrower. But that technique would only be available in circumstances
19 where the assets to be financed are separate and distinct from the assets now
20 owned by Big Rivers which are subject to the lien and security interest of the
21 Third Restated Mortgage (e.g., a future generating unit). And even were Big
22 Rivers to employ this technique, it would present practically insurmountable

1 issues of credit analysis for prospective lenders, and, at a minimum, would
2 probably require the consent of the RUS under the financing documents
3 between the RUS and Big Rivers' Members. It is my opinion that a new
4 financing arrangement is absolutely necessary for the Unwind Transaction to
5 take place. The existing financing arrangements were workable for operation
6 under the Lease Transaction, but are not feasible in the context of the
7 expanded capital requirements expected under the Unwind Transaction.

8
9 **Q. Do you believe that Big Rivers' increased ability to access capital is a**
10 **benefit of the proposed transaction?**

11
12 **A.** I do. As noted in the testimony of Big Rivers' President and CEO, Michael H.
13 Core, Exhibit 14, one of the principal benefits Big Rivers and its Members
14 will realize from the Unwind Transaction is restoration of Big Rivers' ability
15 to access capital to finance system additions and power purchases -- or to
16 make other arrangements to meet growth associated with economic
17 development. Because of the restrictive terms of the Third Restated
18 Mortgage, financial flexibility is an ability which Big Rivers has lacked since
19 1998. I share Mr. Core's belief on this point. Once Big Rivers obtains the
20 ability to access other sources of capital on a more flexible basis, I believe
21 that Big Rivers' finances will be on a much more secure and sound footing.

1 **Q. What new financial arrangement does Big Rivers propose to use in**
2 **place of the existing financial arrangement?**

3
4 A. Big Rivers proposes that the Third Restated Mortgage and the Existing
5 Intercreditor Agreement be replaced with an indenture (the “Indenture”)
6 securing on a *pro rata, pari passu* basis all of the indebtedness owed to Big
7 Rivers’ existing senior secured creditors as well as future senior secured
8 creditors of Big Rivers. Big Rivers also proposes to implement a greatly
9 pared-down intercreditor agreement (the “New Intercreditor Agreement”).

10
11 **Q. How does Big Rivers intend to structure the Indenture?**

12
13 A. A principal feature of the Indenture will be the use of a lien and security
14 interest in favor of an institutional trustee rather than in favor of each
15 individual creditor as mortgagee. The Indenture will differ from the Third
16 Restated Mortgage in other respects as well, but, generally, there are four
17 primary differences: 1) the property that will be subject to the lien and
18 security interest; 2) the ability to issue additional *pari passu* debt; 3) the
19 nature of the covenants and consents required; and 4) the procedure to
20 supplement the Indenture.

21

1 **Q. What property will be subject to the lien and security interest in the**
2 **Indenture?**

3
4 A. The Indenture, like the Third Restated Mortgage, will create a lien and
5 security interest on most of Big Rivers' real and personal property. However,
6 there are exceptions from the property covered by the lien and security
7 interest. Most notably, cash, most contracts (other than those relating to the
8 ownership or operation of jointly-owned facilities and significant power
9 purchase agreements) and stock in any subsidiaries (other than Big Rivers
10 Leasing LLC) are not subject to the lien and security interest. These modest,
11 but significant, differences in the property subject to the lien and security
12 interest of the Indenture will provide Big Rivers with additional operating
13 and financial flexibility.

14
15 **Q. How will Big Rivers' ability to issue additional *pari passu* debt differ**
16 **under the Indenture from its ability to issue additional debt under**
17 **the Third Restated Mortgage?**

18
19 A. Unlike the Third Restated Mortgage, the Indenture will permit Big Rivers to
20 issue additional debt secured by the Indenture on a *pari passu* basis with Big
21 Rivers' existing senior secured creditors without obtaining their approval.
22 Instead, any issuance of additional *pari passu* debt must meet certain

1 objective tests. These tests require that the additional debt be supported by,
2 among other things, either (i) the existence of capital improvements to Big
3 Rivers' electric system (including work in progress) resulting in "bondable
4 additions"; (ii) the retirement or defeasance of, or principal payments under,
5 outstanding debt secured by the Indenture; (iii) the deposit with the trustee
6 under the Indenture of securities, which securities are issued under an
7 indenture, mortgage, or similar instrument in most respects to the Indenture;
8 or (iv) cash deposited with the Trustee. In addition, no additional debt issued
9 on a *pari passu* basis may be made absent the delivery of certain certificates
10 and opinions of counsel.

11
12 **Q. Why is this ability to issue additional *pari passu* debt important to**
13 **Big Rivers?**

14
15 A. Under the Third Restated Mortgage Big Rivers is subject to the oversight of
16 its senior secured creditors. Because any one of them can decide not to
17 approve an issuance of additional debt, Big Rivers is greatly hampered in its
18 ability to meet any future capital requirements. The Indenture's provisions
19 replace this individual creditor approval requirement with objective tests,
20 thereby permitting Big Rivers to meet its requirements for financing capital
21 improvements after the unwind in a responsible manner. This additional
22 flexibility is an absolute necessity in my opinion.

1 **Q. In what way will the covenants in the Indenture differ from those in**
2 **the Third Restated Mortgage?**

3

4 A. The covenants in the Indenture will differ from those in the Third Restated
5 Mortgage in that they do not vest in creditors pervasive control over Big
6 Rivers' operations to the extent of those in the Third Restated Mortgage. In
7 many ways, however, they are similar. Both the Indenture and the Third
8 Restated Mortgage have covenants dealing with things such as (a) the
9 existence of liens on the property concerned; (b) maintaining and insuring the
10 property concerned; (c) keeping appropriate books and records relating to Big
11 Rivers' plant, properties and business; (d) distributions to Big Rivers'
12 members; and (e) the investment of surplus cash. The Indenture differs in
13 that it includes a covenant concerning establishing and collecting rates for
14 electric service as opposed to the Third Restated Mortgage's covenant
15 addressing only rate design. In general tenor, however, the covenants in the
16 Indenture will permit Big Rivers greater flexibility in the manner in which it
17 can operate without need for frequent creditor consents which have proven
18 cumbersome and time consuming in the past. For instance, consents by the
19 RUS under the Third Restated Mortgage have taken months to acquire.

20

21 **Q. How does the Indenture's treatment of supplements to the Indenture**
22 **differ from supplements to the Third Restated Mortgage?**

1 A. In general, the Indenture is structured much more flexibly to permit
2 modifications without the need to consult minority holders. The Indenture
3 will permit supplements without the consent of the holders of Indenture
4 obligations for a variety of actions which are either ministerial or otherwise
5 not deemed contrary to the interests of the obligation holders under the
6 Indenture. Other supplements to the Indenture will require the approval of
7 the holders of a majority of the principal amounts of the outstanding
8 obligations of any series of obligations issued under the Indenture which are
9 affected by that supplement. Certain fundamental changes in Indenture
10 provisions will require the consent of each holder of an obligation affected by
11 the supplement, but these circumstances are strictly limited. The provisions
12 of the Indenture dealing with supplements, thus, will substantially diminish
13 the ability of a minority obligation holder or holders to extract concessions
14 from Big Rivers in return for their agreement to modifications to the
15 Indenture which Big Rivers feels are necessary over the long term. This is a
16 significant benefit for Big Rivers.

17

18 **Q. What effect will the new financial arrangements have on the Existing**
19 **Intercreditor Agreement?**

20

21 A. One effect of the Unwind Transaction is the elimination from the
22 Intercreditor Agreement of the E.ON U.S. subsidiaries and their mortgages,

1 as those mortgages are related to obligations created by the existing Lease
2 Transaction. This change, coupled with the establishment of the Indenture
3 trustee, creates a need to terminate the Existing Intercreditor Agreement. In
4 its place a greatly simplified New Intercreditor Agreement will be used. The
5 New Intercreditor Agreement will establish certain covenants, notice
6 provisions and cure rights among the parties to the economically defeased
7 transaction closed in 2000 (on the one hand) and the trustee under the
8 Indenture on behalf of the holders of the obligations secured by the Indenture
9 (on the other hand).

10
11 **Q. Does Big Rivers contemplate a need for any other post-Unwind**
12 **Transaction financing arrangements other than the Indenture and**
13 **the New Intercreditor Agreement?**

14
15 **A.** Yes. Big Rivers may require access to sources of working capital other than
16 the proceeds of first mortgage bond debt after the unwind. Credit facilities
17 will be necessary for the front-end expenditures of capital improvement
18 projects, for temporary working capital, for power trading activities by Big
19 Rivers, and for other purposes incidental to the operation of Big Rivers'
20 generation and transmission system after the Unwind Transaction has been
21 completed. Big Rivers is currently assessing prospective lenders to provide
22 these credit facilities and anticipates having one or more such facilities in

1 place prior to the date the Unwind Transaction is closed. Whether and how
2 these facilities will be secured remains to be determined. Big Rivers will
3 supplement this Application to present the details regarding any such
4 facilities once they take final form.

5
6 **Q. Has Big Rivers finalized the terms of the Indenture and the New**
7 **Intercreditor Agreement?**

8
9 A. No. Big Rivers has not yet completed negotiations with its existing creditors
10 concerning the provisions of the Indenture and the New Intercreditor
11 Agreement. These negotiations with Big Rivers' creditors could not be
12 completed until the final terms of the negotiations between Big Rivers, E.ON,
13 the Smelters, and Big Rivers' member distribution cooperatives were
14 completed. Before finalizing this Application for approval of issuance of the
15 specific evidences of indebtedness, Big Rivers must complete these
16 negotiations, reduce the results to writing, and begin the process of obtaining
17 investment grade credit ratings on these obligations from Standard & Poor's
18 and Moody's rating agencies. Nevertheless, certain aspects of the new
19 financial arrangements have been tentatively agreed upon, pending final
20 financing, and Big Rivers can make certain representations regarding the
21 likely disposition of the new financial arrangements. Once Big Rivers has
22 finalized these negotiations and begun the process of obtaining the

1 investment grade credit ratings, which Big Rivers anticipates will be occur in
2 the very near term, Big Rivers will file the final terms and conditions of the
3 Indenture and the New Intercreditor Agreement.
4

5 **Q. How can the Commission act now on Big Rivers' new financial**
6 **arrangements absent agreement on the final terms of these financing**
7 **arrangements?**

8
9 A. Big Rivers does not expect the Commission to approve the financing
10 arrangements absent a review of final terms. But obtaining final creditor
11 sign-off on the changes and then commencing the process to obtain
12 investment grade ratings from Moody's and Standard & Poor's could not
13 occur until the other aspects of the Unwind Transaction were finalized.
14 Because of all parties' interests in obtaining a lease unwind as soon as
15 possible it was necessary for this Application to be filed before these financial
16 issues could be finalized. Big Rivers recognizes the importance of finalizing
17 these financing arrangements quickly to present the Commission with the
18 necessary particulars as soon as possible. However, the financial
19 arrangements will be substantially the same as described in my testimony
20 and thus should not present any surprises once these arrangements are
21 finalized and presented to the Commission.
22

1 **Q. Why does Big Rivers require an investment grade rating from**
2 **Moody's and Standard & Poor's?**

3
4 A. In order for Big Rivers to obtain an attractive rate of interest on the debt it
5 undertakes, Big Rivers requires an investment grade rating from these credit
6 rating agencies. Obtaining lower than investment grade ratings would
7 increase Big Rivers' cost of capital to unacceptable levels. Obtaining an
8 investment grade rating is a condition to closing the Unwind Transaction
9 under the Termination Agreement.

10

11 **Q. Does Big Rivers have the requisite corporate authority to permit it**
12 **to restructure its finances?**

13

14 A. Yes. Big Rivers will file a Board resolution authorizing it to restructure its
15 finances in the manner contemplated when it supplements this Application.

16

17 **Q. Please describe the financial approvals Big Rivers is requesting from**
18 **the KPSC in this Application.**

19

20 A. Because Big Rivers' negotiations with its creditors and final documentation
21 and rating of its new financings have not been completed, Big Rivers cannot
22 yet definitively describe all the financing approvals it will need from this

1 Commission. However, Big Rivers will seek approvals to issue evidences of
2 indebtedness, and to amend certain evidences of indebtedness previously
3 approved by the Commission, and issued by Big Rivers, that are required to
4 provide Big Rivers with the financing capability to resume control of its
5 generating facilities and to finance its operations. In general terms, Big
6 Rivers expects to request approval to: (i) issue bonds; (ii) enter into the
7 Indenture; (iii) enter into certain operating lines of credits; (iv) enter into a
8 New Intercreditor Agreement; and (v) execute related amendments to some of
9 the documents in the defeased sale/leaseback transaction approved by the
10 Commission and entered into by Big Rivers in 2000.

11
12 **Q. What are the purposes and uses of the financing for which Big Rivers**
13 **will be seeking approval?**

14
15 A. Big Rivers expects its financing arrangements to reflect that Big Rivers will
16 prepay approximately \$440 million of its RUS debt. Big Rivers will prepay
17 \$176 million of the RUS debt from cash on hand at closing. Big Rivers then
18 expects that it will issue approximately \$264 million of public debt which,
19 along with the remaining RUS debt, will be secured by the new Indenture.
20 The new Indenture will replace the existing RUS mortgage. Although Big
21 Rivers has yet to finalize these numbers, for the purposes of Big Rivers'
22 Unwind Financial Model, Big Rivers has assumed that it will have \$351

1 million of RUS debt carried at an annual interest rate of 5.82%, and \$82
2 million of short-term fixed public debt and \$181.5 million of fixed public debt
3 carried at an all-in cost of 5.82% and 5.92%, respectively. However, Big
4 Rivers does not intend to make a final decision on the composition of its debt
5 (public vs. RUS) until the closing of the Unwind Transaction. In this respect,
6 this final decision will serve as a built-in hedge against interest rates. To the
7 extent public debt carries a lower interest rate than the existing RUS debt,
8 Big Rivers will issue more public debt at Closing. To the extent the RUS debt
9 carries a lower interest rate, Big Rivers will issue less public debt at Closing.

10
11 **Q. Could you please describe the Evidences of Indebtedness Big Rivers**
12 **will issue?**

13
14 **A.** Exhibit 33 attached to the Application describes the evidences of
15 indebtedness which Big Rivers will issue in connection with the approvals
16 requested by this transaction.

17
18 **Q. How does Big Rivers intend to dispose of the ARVP Note?**

19
20 **A.** As part of the Lease Transaction, Big Rivers provided the RUS with a
21 promissory note in the amount of \$265 million (the "ARVP Note"). The ARVP
22 Note bears no interest and comes due in full on December 31, 2023. Big

1 Rivers has paid down portions of the ARVP Note with revenue from certain
2 wholesale sales of power it has purchased from the E.ON U.S. Parties excess
3 to Big Rivers' needs. In order to account for the remaining amount due on
4 the ARVP Note, the Big Rivers financial model treats the ARVP Note as a
5 zero coupon interest-bearing bond. The financial model assumes that the
6 ARVP Note will be paid when it is due in December 31, 2023.

7
8 **Q. One part of the proposed new financing arrangement concerns**
9 **replacing a portion of existing RUS secured debt with public debt.**
10 **Could you explain why Big Rivers is proposing this?**

11
12 **A.** The main reason for this proposal is to levelize Big Rivers' debt service.
13 Moreover, as I mentioned earlier, RUS secured debt comes with certain
14 strings attached relating to RUS approval of certain actions taken by Big
15 Rivers. Required RUS approvals restrict Big Rivers' flexibility and its ability
16 to meet its capital requirements. Public debt, by contrast, can be obtained at
17 mutually negotiated terms that generally will leave the borrower with
18 greater latitude to act as it deems appropriate. While Big Rivers appreciates
19 its historic relationship with the RUS and the great assistance the RUS has
20 provided to Big Rivers, Big Rivers would prefer the greater flexibility to take
21 advantage of whatever alternative is more financially attractive. This issue
22 is discussed in the testimony of Mark W. Glotfelty, Exhibit 21.

1 Q. Mr. Blackburn, does this conclude your testimony at this time?

2

3 A. Yes it does.

VERIFICATION

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

C. William Blackburn
C. William Blackburn

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

Subscribed and sworn to before me by C. William Blackburn on this the 19th day of December, 2007.

Vukie G. King
Notary Public, Ky. State at Large
My Commission Expires: 03/03/2010

**Summary of WKE Financial Consideration to
BREC Based on April 30, 2008 Unwind Date
Dollars in \$000's**

	<u>Description</u>	<u>Amount</u>	<u>Comments</u>
1			
2			
3			
4			
5			
6	Termination Payment	301,500	Cash Payment from WKE to BREC.
7	Inventory (part of \$55m)	49,002	Remaining portion of \$55m after personal property (see below).
8	Personal Property (part of \$55m)	5,998	Personal property that qualifies as part of the \$55m threshold.
9	Forgiveness of Promissory Note	16,071	Remaining balance at 4-30-08.
10	Shared Incremental (Due to law changes)	98,617	Represents the 9/30/07 net book value of "incremental" assets, including
11	Shared Non-incremental	43,982	Represents the 9/30/07 net book value of "shared" assets, including
12	Elected Non-shared (in addition to Coleman Scrubber)	3,028	Represents the 9/30/07 net book value of all "elected non-shared" assets.
13	Coleman Scrubber	95,988	Represents the 9/30/07 net book value of all "non-shared" assets associated with the Coleman Scrubber.
14	Construction work in progress	17,511	Balance at 9/30/07.
15	Construction work in progress projected through 4-08	19,635	Projected property additions from 10-1-07 thru 4-30-08.
16	Transaction costs of Big Rivers	22,000	Maximum amount of reimbursement to BREC for their transaction costs.
17	SO2 Allowances Purchased	21,100	Cost of 15k allowances purchased in the first quarter of 2006.
18	Continuing IT Support following Transaction	5,588	Cost incurred to establish 18 month period of IT services post-unwind.
20			
21			
22	Total Consideration	<u>700,020</u>	
23			
24			
25			
26			
27			
29			
30			
31			
32			
33			
34			
35			
36			
37			
38			

**Big Rivers Transaction Benefit
From E.ON-US**

	<u>\$ Millions</u>
1	
2	
3	
4 Cash	301.5
5	
6 Residual Value Payment	150.4
7	
8 LG&E Rental Income Advance	11.4
9	
10 Fuel Inventory & Other	55.0
11	
12 Settlement Promissory Note	16.0
13	
14 Coleman Scrubber	97.5
15	
16 SO2 Allowance & Other	10.9
17	
18 Expense Unamortized Marketing Payment	(15.7)
19	
20 Assurances Agreement Payment	<u>(4.3)</u>
21	
22 Total	<u><u>622.7</u></u>
23	
24	
25	



February 9, 2007

Mr. Michael Core
President & CEO
Big Rivers Electric Corporation
P.O. Box 24
Henderson, Kentucky 42419-0024

Paul W. Thompson
Senior Vice President
Energy Services

220 West Main Street
P.O. Box 32030 (40232)
Louisville, Kentucky 40202
T (502) 627-3861
F (502) 627-2995
Paul.thompson@eon-us.com

Re: Amendments to Cost Share Agreement and Guaranty

Dear Mike:

Reference is made to the letter agreement dated November 1, 2004 (the "Original Cost Share Agreement"), between Western Kentucky Energy Corp. (as successor by merger of WKE Corp.) ("WKEC") and Big Rivers Electric Corporation ("Big Rivers"), and to the related Guaranty dated November 1, 2004 (the "Original Guaranty"), from E.ON U.S. LLC ("E.ON U.S.") to and in favor of Big Rivers, each as amended by the letter agreement dated May 15, 2006, among E.ON U.S., WKEC and Big Rivers, and by the letter agreement dated October 25, 2006, among E.ON U.S., WKEC and Big Rivers (the Original Cost Share Agreement as so amended being hereinafter referred to as the "Cost Share Agreement", and the Original Guaranty as so amended being hereinafter referred to as the "Guaranty"; Big Rivers, WKEC and E.ON U.S. being hereinafter collectively referred to as the "Parties").

Reference is also made to (a) that certain letter agreement dated February ____, 2007, among Big Rivers, Alcan Primary Products Corporation, Century Aluminum of Kentucky General Partnership and E.ON U.S., pursuant to which, among other transactions, those parties agreed to jointly fund certain consent fees or the like that may become payable to certain other parties, upon the terms and subject to the conditions set forth therein (the "Joint Fee Sharing Agreement"), and (b) that certain letter agreement dated February ____, 2007, among Big Rivers, Alcan Primary Products Corporation, Century Aluminum of Kentucky General Partnership and E.ON U.S., pursuant to which, among other transactions, those parties agreed to jointly fund certain transaction costs that may become payable or reimbursable to certain other parties, upon the terms and subject to the conditions set forth therein (the "Joint Cost Sharing Agreement").

The Parties now desire to amend the Cost Share Agreement and the Guaranty to incorporate certain additional agreements among them relating to the Joint Fee Sharing Agreement and the Joint Cost Sharing Agreement, or relating to amounts that may be funded by Big Rivers pursuant to those agreements.

In consideration of the foregoing and their respective covenants and agreements set forth herein, in the Joint Fee Sharing Agreement and in the Joint Cost Sharing Agreement, the Parties agree as follows, and further agree that Section A of the Cost Share Agreement is hereby amended to include and reflect the following, and that the respective rights and obligations of E.ON U.S. and Big Rivers under or pursuant to the Guaranty are hereby amended to be consistent with the following, in each case effective as of the date first written above:

Amendments to Cost Share Agreement and Guaranty
February 9, 2007
Page two

1. Section 1 of the Cost Share Agreement (set forth in the Original Cost Share Agreement) is hereby made subject to Big Rivers' obligation to fund its respective share of the "Fees" as contemplated in the Joint Fee Sharing Agreement and "Transaction Costs" as contemplated in the Joint Cost Sharing Agreement, including its obligation to reimburse E.ON U.S. for the same to the extent E.ON U.S. funds or advances such Fees on behalf of Big Rivers to "PMCC", "B of A", "Ambac" or the "City of Henderson" (each as defined in the Joint Fee Sharing Agreement), or funds or advances such Transaction Costs on behalf of Big Rivers to "B of A", "Ambac" or the "City of Henderson" (each as defined in the Joint Cost Sharing Agreement), in each case subject to Big Rivers' right to recover the same (or WKEC's or E.ON U.S.'s (as applicable) obligation to fund the same) as "Big Rivers Transaction Costs" as contemplated in paragraph 2 below.

2. For purposes of clarification, the "Big Rivers Transaction Costs" contemplated in the Cost Share Agreement shall include any "Fees" and "Transaction Costs" that may be funded or reimbursed by Big Rivers pursuant to the Joint Fee Sharing Agreement or the Joint Cost Sharing Agreement, respectively; provided, that the inclusion of such Fees and Transaction Costs in the Big Rivers Transaction Costs shall not be deemed to amend, modify or otherwise affect any of the limitations on Big Rivers' right to recover Big Rivers Transaction Costs from WKEC or E.ON U.S. under or pursuant to the Cost Share Agreement or the Guaranty, respectively. Any payment or reimbursement of Fees or Transaction Costs made by E.ON U.S. to one or more third parties on behalf of Big Rivers and representing a portion of Big Rivers' funding obligation contemplated in the Joint Fee Sharing Agreement or the Joint Cost Sharing Agreement, shall be deemed to be a payment or reimbursement of Big Rivers Transaction Costs by WKEC to Big Rivers for all purposes under the Cost Share Agreement unless Big Rivers has reimbursed E.ON U.S. for such Fees or Transaction Costs, as applicable, pursuant to the Joint Fee Sharing Agreement or the Joint Cost Sharing Agreement, respectively. For purposes of clarification, Big Rivers shall not be entitled to seek payments and reimbursements in respect of any expenditures incurred by Big Rivers from E.ON U.S. or WKEC under the Cost Sharing Agreement, the Joint Fee Sharing Agreement, the Joint Cost Sharing Agreement or this letter for more in the aggregate than the total amount of such expenditure.

3. E.ON U.S., as "Guarantor" under the Guaranty, hereby agrees that the "Obligations" contemplated in the Guaranty shall include the obligations of WKEC arising under or pursuant to the Cost Share Agreement as amended by this letter agreement and hereby consents for all purposes to the amendments to the Cost Share Agreement contemplated in this letter agreement.

4. E.ON U.S. further agrees that in the event WKEC, E.ON U.S., LG&E Energy Marketing Inc. and Big Rivers successfully negotiate and enter into definitive documentation with respect to the "Unwind Transaction" (as defined in the Cost Share Agreement) and that Unwind Transaction is consummated in accordance with such definitive documentation (but not before), and in the event the aggregate amount of all Fees that may actually be funded by Big Rivers pursuant to the Joint Fee Sharing Agreement (irrespective of whether such Fees actually funded are recovered by Big Rivers from WKEC or E.ON U.S. as Big Rivers Transaction Costs pursuant to the Cost Share Agreement or the Guaranty) exceeds fifteen million dollars (\$15,000,000.00), then E.ON U.S. shall reimburse Big Rivers for the amount by which those Fees actually funded by it exceeded \$15,000,000.00 promptly following the consummation of

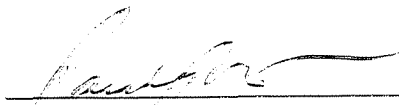
Amendments to Cost Share Agreement and Guaranty
February 9, 2007
Page three

the Unwind Transaction or Big Rivers' funding of such Fees (whichever is later); provided, that (a) the maximum aggregate liability of E.ON U.S. to Big Rivers pursuant to this Paragraph 4 shall not exceed \$5,000,000.00 in the aggregate, (b) any payment(s) made by E.ON U.S. to Big Rivers pursuant to this Paragraph 4 shall be in lieu of any other right that Big Rivers may have to recover such Fee amounts from WKEC pursuant to any other provision of the Cost Share Agreement (or from E.ON U.S. pursuant to the Guaranty), and (c) any payment or reimbursement by WKEC to Big Rivers of such Fee amounts pursuant to any other provision of the Cost Share Agreement (or by E.ON U.S. to Big Rivers pursuant to the Guaranty) shall correspondingly discharge E.ON U.S.'s obligations for such Fees under this Paragraph 4. For purposes of clarification, only Fees funded by Big Rivers in excess of \$15,000,000 are subject to this paragraph 4. Other Fees funded by Big Rivers are subject to reimbursement under the Cost Sharing Agreement as previously provided.


5. Except as amended, modified or supplemented by this letter agreement, the Cost Share Agreement and the Guaranty shall each continue in full force and effect from and after the execution of this letter agreement in accordance with their respective terms. This letter agreement shall not be deemed to amend, modify or supplement the Joint Fee Sharing Agreement or the Joint Cost Sharing Agreement.

If the foregoing is consistent with our agreement, please execute a copy of this letter in the space provided below and return it to the undersigned. Thank you.

E.ON U.S. LLC


By: 
Paul W. Thompson
Senior Vice President - Energy Services

WESTERN KENTUCKY ENERGY CORP.

By: 
Paul W. Thompson, President

ACCEPTED AND AGREED TO:

BIG RIVERS ELECTRIC CORPORATION

By: 
Michael Core, President & CEO



February 9, 2007

Big Rivers Electric Corporation
201 Third Avenue
Henderson, Kentucky 42420
Attn: President and CEO

Alcan Primary Products Corporation
P.O. Box 44
Henderson, Kentucky 42419
Attn: Plant Manager, Sebree Smelter

Century Aluminum of Kentucky General Partnership
Hawesville Plant
P.O. Box 500
1627 State Route 271 North
Hawesville, Kentucky 42348
Attn: Plant Manager

Subject: Funding of Transaction Costs to be Paid to The Bank of America, Ambac, and the
City of Henderson

Gentlemen:

Reference is made to that certain letter dated August 9, 2006, executed by E.ON U.S. LLC ("E.ON"), Big Rivers Electric Corporation ("Big Rivers"), Alcan Primary Products Corporation ("Alcan") and Century Aluminum of Kentucky General Partnership ("Century")(the "August 9 Letter"). Pursuant to the August 9 Letter those parties acknowledged certain non-binding discussions and general understandings among them with respect to the funding of fees that may be required to obtain the consents of Philip Morris Capital Corporation ("PMCC"). The Bank of America ("B of A") and Ambac Assurance Corporation and/or certain of its affiliates (collectively, "Ambac") to the proposed release and termination of E.ON's (and its subsidiaries') existing transactions with Big Rivers (the "Unwind Transactions"), to the new power purchase and sale agreements among Big Rivers, Kenergy Corp., Alcan and Century (the "Smelter Power Transactions"), and to certain related transactions involving changes to Big Rivers capital structure and associated debt instruments and security instruments (including, without limitation, the 2000 defeased lease transactions) (such related transactions being collectively referred to as the "Related Transactions").

In light of the circumstances under which the consents described above (as well as other consents required for the completion of the Unwind Transactions and the Smelter Power Transactions) may be required, E.ON, Big Rivers, Alcan and Century desire to supersede the funding arrangements contemplated in the August 9 Letter with a separate letter agreement (the "Consent Fee Agreement") dealing with Fees (as defined in the Consent Fee Agreement) and to enter into this letter agreement to evidence their agreements with respect to the funding of "Transaction Costs" (as hereinafter defined). Therefore the parties hereby agree as follows:

Paul W. Thompson
Senior Vice President
Energy Services

220 West Main Street
P.O. Box: 32030 (40232)
Louisville, Kentucky 40202
T (502) 627-3864
F (502) 627-2995
Paul.thompson@eon-us.com

Funding of Transaction Costs

February 9, 2007

Page two

1. Subject to the condition precedent for Alcan and Century (collectively, the "Smelters") described in this paragraph 1 and subject further to the provisions of paragraph 6 below, each of (a) E.ON U.S., (b) Big Rivers and (c) the Smelters shall, immediately upon the request of the paying or reimbursing party, contribute equal amounts toward the transaction costs and other like costs and expenses actually paid or reimbursed by Big Rivers, E.ON U.S. or its affiliate(s) to B of A, Ambac and/or the City of Henderson, Kentucky (the "City of Henderson"), related to the review, evaluation, documentation and negotiation of, and consents and agreements to, any of the Required Transactions (as hereinafter defined in paragraph 3 below) (collectively, the "Transaction Costs"). Notwithstanding the foregoing, the Smelters shall not be required to contribute and shall not be liable under this letter agreement or otherwise for any Transaction Costs unless and until closings occur of the Unwind Transactions and the Smelter Power Transactions, the conditions to such closings being governed by other agreements and not by this letter agreement. In the event such closings do not occur, E.ON U.S. and Big Rivers shall each contribute equal amounts, and the Smelters shall have no obligation to fund any such Transaction Costs.

2. E.ON U.S. agrees to fund all of the Transaction Costs of PMCC, whether or not a closing occurs. Such PMCC Transaction Costs shall not be included in the calculation of the limitation on E.ON U.S.'s responsibility for Transaction Costs and Fees in paragraph 6 below. In the event PMCC, on the one hand, and BofA and/or Ambac, on the other hand, are provided services by the same professional firm and the portion allocable to PMCC of the Transaction Costs resulting from such services paid to or billed by that firm cannot be readily determined from that portion allocable to BofA and/or Ambac, then, for purposes of determining which portion of such Transaction Costs shall be deemed PMCC Transaction Costs under this letter agreement and which portion shall be deemed BofA and/or Ambac Transaction Costs under this letter agreement, the parties hereto shall negotiate in good faith in an attempt to agree to a reasonable allocation of such Transaction Costs among PMCC, on the one hand, and BofA and/or Ambac, on the other hand. In the event, the parties are unable to agree on a reasonable allocation within 10 days, then such Transaction Costs are deemed to be allocated equally among those receiving the services. For example, if PMCC and BofA both received services from the same firm and it could not be determined how much of the Transaction Costs with respect to such services are allocable to each of the two parties, and the parties hereto could not agree to a reasonable allocation within 10 days, then the allocation would be deemed to be 1/2 of such Transaction Costs to PMCC and 1/2 to BofA. If PMCC, BofA and Ambac all received such services in the foregoing example, then the allocation would be deemed to be 1/3 to PMCC, 1/3 to BofA and 1/3 to Ambac.

3. The term "Required Transactions" for purposes of this letter agreement shall mean the following (a) the consent of PMCC, B of A, Ambac and the City of Henderson to the Unwind Transactions, (x) the agreement by PMCC, B of A and Ambac to the reordering of priorities to place all debt secured by the Third Restated Mortgage and Security Agreement dated as of August 1, 2001, made by and among Big Rivers, United States of America and nine other parties on a parity, (y) the releases of E.ON U.S. and its subsidiaries by PMCC, B of A, Ambac and the City of Henderson from the 1998 transactions and Related Transactions with Big Rivers and those parties, as amended, and (z) as applicable, their agreement to the associated amendments to

Funding of Transaction Costs
February 9, 2007
Page three

The Related Transactions required to extract the E.ON U.S. subsidiaries (and the 1998 transactions, as amended) from the agreements and instruments evidencing the Related Transactions, as amended.

4. The Transaction Costs contemplated in this letter would not include (i) any amounts paid to PMCC, B of A. Ambac or the City of Henderson in exchange for their respective consents to the Unwind Transactions, the Smelter Power Transactions or the Required Transactions, (ii) any fee payments or cost reimbursements required to be made to any provider of a letter of credit (or similar credit facility) in favor of PMCC or its affiliate as a condition to its consent or approval of, or its participation in, any Required Transaction, (iii) any amounts paid or reimbursed to the City of Henderson as a settlement of a dispute or claim, or (iv) any amounts paid or reimbursed to the City of Henderson for an engineering study (the "Engineering Study") to be conducted by Burns and McDonald (or a substitute engineering firm) regarding the physical condition of the Henderson Station Two Generating Station. E.ON U.S. agrees to be solely responsible for paying or reimbursing the City of Henderson for the cost of the Engineering Study.

5. Each of E.ON U.S. and Big Rivers shall initially fund a 50% share of the Transaction Costs payable to each of the parties described in paragraph 1 above as and when those costs must be paid or reimbursed by a paying or reimbursing party; provided, that the paying or reimbursing party may elect to pay or reimburse greater than its respective share of those costs directly to those parties described in paragraph 1 above, and then to obtain reimbursement from the other party, without mark-up (in which case the payment of those shares would be made promptly after the written request for the same). In the event the closings contemplated herein do occur, the Smelters shall contribute to or reimburse Big Rivers and E.ON U.S., at the time of such closings, their collective one-third share of the total of all such Transactions Costs paid or reimbursed by Big Rivers, E.ON U.S. and/or its affiliate(s), and such contributions or reimbursements by the Smelters shall be paid to Big Rivers and E.ON U.S. in the proportion that would result in each of Big Rivers, E.ON U.S. and the Smelters having paid or reimbursed, on a net basis, equal amounts in the aggregate. The one-third portion to be funded jointly by the Smelters, in the event the closings occur, would be allocated between them on a basis satisfactory to them and reflected in a separate agreement between them.

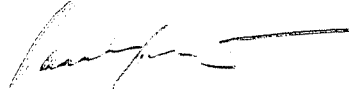
6. It is understood and agreed that, notwithstanding anything herein or in the Consent Fee Agreement to the contrary, for each of E.ON U.S., Big Rivers and the Smelters, the aggregate amount of the Transaction Costs hereunder and the Fees under the Consent Fee Agreement for which each is responsible shall not exceed \$20,000,000. Notwithstanding the foregoing, the PMCC Transaction Costs paid by E.ON U.S. herein shall not be included in the calculation of the limitation on Transaction Costs and Fees for which E.ON U.S. is responsible under this paragraph 6.

7. Each of E.ON U.S., Big Rivers, Aican and Century further acknowledges that this letter agreement and its contents are subject to the Non-Disclosure Agreements among the parties dated November 30, 2005, as amended on December 2, 2005, and to any other confidentiality or non-disclosure agreements now in effect between any combination of Big Rivers, the Smelters and E.ON U.S. (or any of its subsidiaries).

Funding of Transaction Costs
February 9, 2007
Page four

If you are in agreement with the foregoing, please execute multiple copies of this letter in the space provided below and return them to each of the other parties. Thank you for your cooperation.

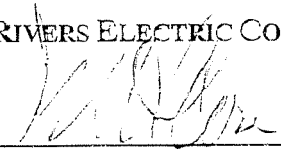
Sincerely yours,




Paul W. Thompson
Senior Vice President – Energy Services

ACKNOWLEDGED AND AGREED:

BIG RIVERS ELECTRIC CORPORATION

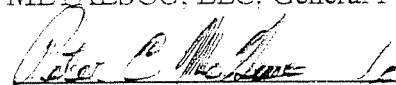
By: 
Michael Core, President and CEO

ALCAN PRIMARY PRODUCTS CORPORATION

By: 
Yvon d'Anjou, President

CENTURY ALUMINUM OF KENTUCKY GENERAL PARTNERSHIP

By: METALSCO, LLC, General Partner

By: 
E. Jack Gates, President



Paul W. Thompson
Senior Vice President
Energy Services

220 West Main Street
P.O. Box 32030 (40232)
Louisville, Kentucky 40202
T (502) 627-3861
F (502) 627-2995
Paul.thompson@eon-us.com

February 9, 2007

Big Rivers Electric Corporation
201 Third Avenue
Henderson, Kentucky 42420
Attn: President and CEO

Alcan Primary Products Corporation
P.O. Box 44
Henderson, Kentucky 42419
Attn: Plant Manager, Sebree Smelter

Century Aluminum of Kentucky General Partnership
Hawesville Plant
P.O. Box 500
1627 State Route 271 North
Hawesville, Kentucky 42348
Attn: Plant Manager

Subject: Funding of Consent Fees to be Paid to Philip Morris Capital Corporation, The
Bank of America, Ambac, and the City of Henderson

Gentlemen:

Reference is made to that certain letter dated August 9, 2006, executed by E.ON U.S. LLC ("E.ON"), Big Rivers Electric Corporation ("Big Rivers"), Alcan Primary Products Corporation ("Alcan") and Century Aluminum of Kentucky General Partnership ("Century") (the "August 9 Letter"). Pursuant to the August 9 Letter those parties acknowledged certain non-binding discussions and general understandings among them with respect to the funding of fees that may be required to obtain the consents of Philip Morris Capital Corporation ("PMCC"), The Bank of America ("B of A") and Ambac Assurance Corporation and/or certain of its affiliates (collectively, "Ambac") to the proposed release and termination of E.ON's (and its subsidiaries') existing transactions with Big Rivers (the "Unwind Transactions"), to the new power purchase and sale agreements among Big Rivers, Kenergy Corp., Alcan and Century (the "Smelter Power Transactions"), and to certain related transactions involving changes to Big Rivers capital structure and associated debt instruments and security instruments (including, without limitation, the 2000 defeased lease transactions) (such related transactions being collectively referred to as the "Related Transactions").

Funding of Consent Fees
February 9, 2007
Page two

In light of the circumstances under which the consents described above (as well as other consents required for the completion of the Unwind Transactions and the Smelter Power Transactions) may be required, E.ON, Big Rivers, Alcan and Century desire to supersede the funding arrangements contemplated in the August 9 Letter with this letter agreement dealing with the Fees, as defined below; and to enter into a separate letter agreement to evidence their agreements with respect to the funding of certain Transaction Costs (as defined therein). Therefore, the parties hereto agree as follows:

1. Each of (a) E.ON U.S., (b) Big Rivers and (c) the Smelters, as defined below, intends to contribute equal amounts, up to an aggregate sum of \$60,000,000.00 among them, toward the fees (collectively, the "Fees"), if any, that are paid or become payable to PMCC, B of L, Ambac, and the City of Henderson, Kentucky (the "City of Henderson"), collectively, in exchange for (w) their consents to the Unwind Transactions, (x) as applicable, their agreement to the reordering of priorities to place all debt secured by the Third Restated Mortgage and Security Agreement dated as of August 1, 2001, made by and among Big Rivers, United States of America and nine other parties on a parity, (y) their releases of E.ON U.S. and its subsidiaries from the 1998 transactions and Related Transactions with Big Rivers and those parties, as amended, and (z) as applicable, their agreement to the associated amendments to the Related Transactions required to extract the E.ON U.S. subsidiaries (and the 1998 transactions, as amended) from the agreements and instruments evidencing the Related Transactions, as amended (the transactions contemplated in subclauses (w) through (z) above, collectively, the "Required Transactions"). Fees shall not include (i) any amounts paid to the City of Henderson as a settlement of a dispute or claim, or (ii) any Transaction Costs.

The maximum \$20,000,000.00 increment to be funded jointly by Alcan and Century (the "Smelters") would be allocated between them on a basis satisfactory to them and reflected in a separate agreement between them. Each party's commitment would be to fund its respective share of the Fees payable to each of the parties described in this paragraph 1 at the time of the closings of the Unwind Transactions, the Smelter Power Transactions and the other transactions described in this paragraph 1, the conditions to such closings being governed by other agreements and not by this letter agreement. No party would be obligated to first fund any portion of its commitment unless and until the other parties fund a like share at the same time.

2. Each party's respective commitment (with the Smelters being considered a single party) to fund Fees payable to the parties described in paragraph 1 above, collectively, would not exceed \$20,000,000.00 in the aggregate. The specific increments of the parties' collective funding commitment to be paid to each of those parties (at the relevant time(s) contemplated in paragraph 1 above) would be in such amounts as may be determined by Big Rivers and E.ON U.S. on the basis of their direct negotiations with those other parties, subject to the preceding sentence. E.ON U.S. and Big Rivers would keep the Smelters reasonably apprised of the status and results of their negotiations with those other parties and provide appropriate documentation detailing the Fees as differentiated from payments to the City of Henderson as settlement of a dispute or claim.

Funding of Consent Fees
February 9, 2007
Page three

3. Each of E.ON U.S., Big Rivers, Alcan and Century further acknowledges that this letter agreement and its contents are subject to the Non-Disclosure Agreements among the parties dated November 30, 2005, as amended on December 2, 2005, and to any other confidentiality or non-disclosure agreements now in effect between any combination of Big Rivers, the Smelters and E.ON U.S. (or any of its subsidiaries).

4. The August 9 Letter is hereby terminated and rendered of no further force or effect whatsoever, effective immediately.

If you are in agreement with the foregoing, please execute multiple copies of this letter in the space provided below and return them to each of the other parties. Thank you for your cooperation.

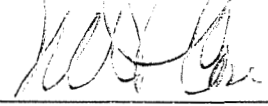
Sincerely yours,




Paul W. Thompson
Senior Vice President – Energy Services

ACKNOWLEDGED AND AGREED:

BIG RIVERS ELECTRIC CORPORATION

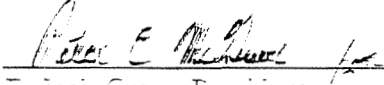
By: 
Michael Core, President and CEO

ALCAN PRIMARY PRODUCTS CORPORATION

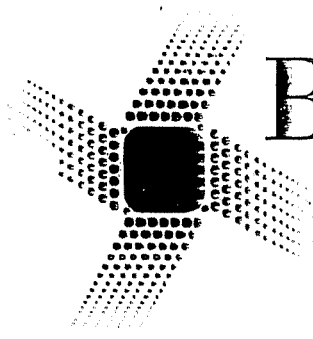
By: 
Yvon d'Anjou, President

CENTURY ALUMINUM OF KENTUCKY GENERAL PARTNERSHIP

By: METALSCO, LLC, General Partner

By: 
E. Jack Gates, President

TRW



Big Rivers

Electric Corporation

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

March 9, 2004

Paul W. Thompson
Senior Vice President
Energy Services
LG&E Energy LLC
220 West Main Street
P.O. Box 32030
Henderson, KY 40232

Re: Cost Sharing of Big Rivers' Transaction Costs

Dear Paul:

Big Rivers is appreciative of LG&E Energy, LLC's ("LG&E Energy") willingness to contribute to the due diligence and transaction costs of Big Rivers relating to the proposed unwind of the existing Big Rivers/LG&E transaction (the "Unwind Transaction"). Set forth below is our understanding of our agreement.

1. LG&E Energy will reimburse Big Rivers an additional \$75,000 by March 25, 2004, for costs incurred through January 31, 2004 in connection with the Unwind Transaction.
2. LG&E Energy will reimburse Big Rivers for 75% of Big Rivers actual costs incurred for outside counsel, consultants and advisors in connection with the Unwind Transaction ("costs") from February 1, 2004 through the completion of the negotiation of a definitive term sheet with respect to the Unwind Transaction.
3. Upon closing of an Unwind Transaction, LG&E Energy will reimburse Big Rivers the balance of the costs described in paragraph 1 above not previously reimbursed and the balance (25%) of the costs described in paragraph 2 above not previously reimbursed.
4. If either LG&E Energy or Big Rivers decides not to continue with the Unwind Transaction substantially in the form currently contemplated, then LG&E Energy's obligation to pay costs shall terminate on the date that such decision is communicated in writing to the other party. In such event, LG&E Energy shall have no further obligation to Big Rivers for such costs from and after the termination date, except for those costs described in paragraph 2 above incurred prior to the termination date and unpaid as of the termination date, and except as provided in paragraph 6 below.
5. Big Rivers will invoice LG&E Energy on a monthly basis with LG&E Energy's payments due by the 25th of the following month. LG&E Energy, at its expense, may have the

validity of Big Rivers' invoices confirmed by a mutually acceptable third party. This third party will have access to all backup documentation with respect to such invoice costs but will be under an obligation not to disclose to LG&E Energy anything other than the amount of such costs, the date on which such costs were incurred by Big Rivers, whether such invoiced costs equal the percentage of Big River's overall costs contemplated in paragraph 2 above, and whether they were incurred in connection with the Unwind Transaction.

6. If at any time during the 2-year period commencing with the date that either LG&E Energy or Big Rivers gives the notice referred to in paragraph 4 above, LG&E Energy shall reach an agreement with any third party to transfer to such third party any substantial part of its rights and obligations with respect to the Big Rivers/LG&E transaction, LG&E Energy will, upon request, reimburse to Big Rivers 100% of the costs of Big Rivers related to the Unwind Transaction not previously reimbursed. The provisions of this paragraph 6 shall not apply to (i) any sale of LG&E Energy or all or substantially all of the assets of LG&E Energy, or (ii) any transfer to any entity of which LG&E Energy, directly or indirectly, holds 80% of the equity interest.

7. Without otherwise expanding or limiting the effects of the other provisions of this agreement and effective until mutually agreed otherwise in a writing executed by each of the parties, (a) neither party shall be under any obligation at any time to continue with further negotiations with respect to the Unwind Transaction or to enter into the Unwind Transaction, whether before or after the completion of the negotiation of a definitive term sheet, and (b) either party may terminate negotiations pursuant to this agreement at any time upon notice to the other party without liability to the other party (except to the limited extent delineated in this agreement).

If you are in agreement with the foregoing, please so signify by signing and returning the enclosed copy of this letter whereupon the same shall become a binding agreement between us.

Very truly yours,




David Spainhoward
Vice President Contract Administration
And Regulatory Affairs

Accepted and Agreed to this 9 day of March, 2004

LG&E Energy LLC

By:



Paul W. Thompson
Senior Vice President

EXHIBIT B

ADDITIONAL DUE DILIGENCE MATERIALS

Item No.	Materials
1.	ENVIRONMENTAL
a.	Copies of or access to all consents, filings and correspondence related to the BREC Facilities (the term "BREC Facilities" as used in this Exhibit B shall include Station 2, as appropriate) with or to federal, state or local regulatory agencies (i) from July 1998-present regarding notices of violations, permits, permit applications or material modifications to permits, and (ii) from July 1998 -- present regarding air and water monitoring data regularly submitted by WKE to such agencies.
b.	Copy of the following environmental permits currently existing for the BREC Facilities:
	1. KPDES Permits
	2. Landfill Permits
	3. Air Permits
	4. UST Permits
	5. Radiation Licences
	6. Hazardous Waste Identification and Certification
2.	PLANTS, OPERATIONS, MAINTENANCE AND REPAIRS
a.	Copies of or access to the following operating data (including, control room, shift supervisor or other operator logs) since July 1998 for each BREC Facility by unit: operating temperature, pressure, capacity, and vibration.
b.	Copies of or access to plant operations and maintenance records relating to system and component decommissioning from July 1998 to present.
c.	Copies of or access to plant operations and maintenance records that describe for each BREC Facility all major repairs and capital improvements (\$100,000 or more) made during the period July 1998 through the present.
d.	Copies of vendor inspection or repair reports performed from July 1998 through the present, as listed on Schedule B.2.c. attached hereto and made a part hereof (being the same as those listed in an email to Rob Toerne from BREC on August 30, 2004).
e.	Copies of reports or analyses prepared since July 1998 for each BREC Facility relating to heat rate tests conducted by or on behalf of the LG&E Parties.
f.	Copies of reports or analyses prepared since July 1998 for each BREC Facility relating to capacity tests conducted by or on behalf of the LG&E Parties
c.	Copies of or access to maintenance procedures manuals or standard operating procedures developed by WKE for such operations and maintenance for each BREC Facility by unit or plant, as applicable.

Handwritten initials/signature

Item No	Materials
h.	A list for each BREC Facility of rental equipment leases and contracts for outside services or labor (including scope of work) used to maintain and operate the facilities for the years 2004 and 2005.
i.	Copies of ultimate fuel and mineral ash sampling analysis and reports for fuel, including petroleum coke, delivered at each BREC Facility for the period July 1998 through the present under contracts that extend beyond July 1, 2006 and are anticipated to be assumed by BREC.
j.	Copies for each BREC Facility of OSHA logs and reports for the period commencing July 1998 through the present, by month and by year.
k.	Copies of reports or analyses for each BREC Facility that describe the criteria used by WKE to determine "minimum net capacity" for such unit or station, as the case may be.
l.	Copies of reports or analyses conducted by the LG&E Parties relating to life-assessment of any Big Rivers Facilities.
m.	Copies of Insurers' inspection or Loss Prevention reports for each BREC Facility from July 1998 to present.
n.	Copies of reports or analyses relating to the physical condition of the railroad tracks and associated facilities located at the Wilson Station.
o.	Copies of or access to plant maintenance records that describe all maintenance and capital expenditures for the period July 1998 through the present to maintain the railroad and railroad facilities at Wilson.
p.	Copies of reports or analyses relating to the physical capability of receiving coal by rail at Wilson.
3.	FUEL AND REAGENT
a.	Copies of reports, analyses, or studies performed by the LG&E Parties regarding the burning of petroleum coke in BREC Facilities.
b.	Copies of reports and analyses relating to fuel and reagent inventory quality at each BREC Facility as of December 31, 2004 for:
	1. Coal
	2. Petroleum Coke
	3. DBA (Reagent)
	4. Sodium Sulfite (Reagent)
	5. Lime (Reagent)
	6. Limestone (Reagent)
	7. Fixation Lime
	8. Propane
c.	Book value of inventory at each BREC Facility as of December 31, 2004 for:
	1. Coal
	2. Petroleum Coke
	3. DBA (Reagent)

Item No.	Materials
	4. Sodium Sulfite (Reagent)
	5. Lime (Reagent)
	6. Limestone (Reagent)
	7. Fixation Lime
	8. Propane
	9. Fuel Oil
d.	Plans for fuel and reagent purchases and deliveries for 2006 and 2007 for each BREC Facility for:
	1. Coal
	2. Petroleum Coke
	3. DBA (Reagent)
	4. Sodium Sulfite
	5. Lime (Reagent)
	6. Limestone (Reagent)
	7. Fixation Lime
	8. Propane
	9. Fuel Oil
4.	LABOR AND EMPLOYMENT
a.	Copies of staffing plans and studies for each BREC Facility.
b.	Copies of all job descriptions and organizational charts for each BREC Facility.
c.	Descriptions of workers' compensation insurance programs.
5.	INVENTORIES AND PERSONAL PROPERTY
a.	Copies of or access to any lists available (by BREC Facility, where available) as of 12/31/04 of Personal Property (as defined in the Participation Agreement), other than Spare Parts and Materials, Supplies Inventory and coal inventories, including, where available, the original cost, date purchased and placed in service, and current book value thereof.
b.	Copies of or access to any lists available (by BREC Facility, where available) as of 12/31/04 of Spare Parts and Materials and Supplies inventory (as defined in the Participation Agreement), including quantities, purchase dates, and current book value thereof.
6.	ENGINEERING
a.	An electronic listing of all plant system drawings.

057258.3

November 1, 2004

Big Rivers Electric Corp.
201 Third Street
P.O. Box 24
Henderson, Kentucky 42419-0024
Attn: Michael Core, President and CEO

Subject: Cost Sharing of Big Rivers' Transaction Costs; Other Commitments

Gentlemen:

A. Cost Reimbursement Commitments.

Reference is made to the letter agreement dated March 9, 2004 between Big Rivers Electric Corporation ("Big Rivers") and LG&E Energy LLC ("LG&E Energy"), pursuant to which LG&E Energy agreed to reimburse Big Rivers for certain costs and expenses that may be incurred by it in connection with the "Unwind Transaction" under discussion as described therein (the "Existing Cost Share Agreement"). A copy of the Existing Cost Share Agreement is attached hereto as Exhibit A. Capitalized terms used but not defined in this letter agreement shall have their same respective meanings as in the New Participation Agreement, dated as of April 6, 1998, as amended, among Big Rivers and certain affiliates of LG&E Energy (the "New Participation Agreement"), or if not so defined therein, then in the Existing Cost Share Agreement.

Big Rivers and WKE Corp., a Kentucky corporation and an indirect wholly-owned subsidiary of LG&E Energy ("WKE"), agree that the terms and conditions set forth in the Existing Cost Share Agreement shall continue to govern the rights of Big Rivers and the obligations of LG&E Energy with respect to the circumstances upon which, and the times at which, LG&E Energy shall be required to reimburse Big Rivers for any "costs" (as defined in the Existing Cost Share Agreement) that have been incurred by Big Rivers at any time prior to the date of this letter agreement (the "Execution Date"), and nothing contained in this letter agreement shall be deemed to amend or modify those terms or conditions as they may relate to those costs. However, notwithstanding anything contained in the Existing Cost Share Agreement to the contrary, the provisions of this letter agreement alone will govern the rights of Big Rivers and the obligations of WKE with respect to the circumstances upon which, and the times at which, WKE shall be required to reimburse Big Rivers for any such "costs" (or any other costs or expenses of the types contemplated below) that have been incurred or may be incurred by Big Rivers at any time on or after the Execution Date, it being understood and agreed that LG&E Energy shall not have any obligation to reimburse Big Rivers under the Existing Cost Share Agreement for any "costs" or other costs or expenses that have been incurred or may be incurred by Big Rivers at any time on or after the Execution Date. LG&E Energy shall be a third party beneficiary of Big Rivers' covenants and agreements set forth in the preceding sentence, and the same shall be deemed to amend the Existing Cost Share Agreement accordingly. The parties agree that an Unwind Transaction shall not be deemed to include any expiration or early

Big Rivers Electric Corp.
Attn: Michael Core, President
And CEO
November 1, 2004
Page 2

termination of the Operative Documents (or any of them) in accordance with their respective terms.

On the basis of the foregoing, Big Rivers and WKE each agree as follows:

1. WKE will, and will cause LG&E Energy and its affiliates to, pay all of its own costs and expenses associated with the proposed Unwind Transaction:

2. (a) WKE will, or will cause one or more of its affiliates to, reimburse Big Rivers for seventy-five percent (75%) of all out of pocket costs and expenses (but excluding internal staffing costs and allocated overhead costs of Big Rivers and its member distribution cooperatives) that may be incurred by Big Rivers on and after the Execution Date in connection with the investigation, evaluation and negotiation of, and the preparation of agreements, obtaining of necessary consents and approvals and satisfaction of other conditions precedent for, the proposed Unwind Transaction, whether or not the proposed Unwind Transaction shall be completed, including without limitation, seventy-five percent (75%) of:

(i) The fees and disbursements of counsel to Big Rivers and any advisors to Big Rivers;

(ii) The fees and disbursements of counsel and any advisors to Big Rivers' member distribution cooperatives (Kenergy Corp., Jackson Purchase Energy Corporation and Meade County Rural Electric Cooperative Corporation) incurred by those cooperatives and the out-of-pocket costs and expenses for travel, food and lodging of employees of those member distribution cooperatives, in connection with their consideration and approval of the proposed Unwind Transaction or, in the case of Kenergy Corp., in connection with its development, negotiation and completion of one or more agreements with (A) Big Rivers, or (B) Alcan Corporation, Southwire Company or Century Aluminum Company, or their respective affiliate(s) (collectively, the "Smelter Parties"), in order to facilitate the completion of the proposed Unwind Transaction, but only to the extent Big Rivers has actually funded or reimbursed, or is under an obligation to reimburse and is processing for payment, those cooperatives for such fees and disbursements;

(iii) The fees and disbursements of counsel and any advisors to any creditor of Big Rivers the consent or approval of which is required to effect the Unwind Transaction, including each party to the Non-Disturbance Agreement other than Big Rivers and the affiliates of LG&E Energy, to the extent incurred by such party (A) in connection with its consideration of and consent (where required) to the proposed Unwind Transaction, or (B) in connection with any modifications or amendments to any existing credit facilities, economically defeased lease agreements or instruments, or other agreements or instruments between or among such party and Big Rivers (among other parties) in order to facilitate the proposed Unwind Transaction.

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(iv) The fees of the Moody's and S&P rating agencies as requested by Big Rivers to issue a credit assessment or similar service for Big Rivers and a credit rating on or with respect to Big Rivers or its outstanding debt securities in connection with the proposed Unwind Transaction;

(v) The fees and expenses of Woodward-Clyde or other mutually acceptable environmental consultant in connection with its undertaking of an environmental audit of the Generating Plants and the Real Property on behalf of Big Rivers and LG&E Energy (or its affiliate(s)) in connection with the proposed Unwind Transaction; and

(vi) The fees and expenses of counsel to the underwriters in connection with any issuance of public debt securities in connection with the Unwind Transaction, or any fees and expenses (including counsel fees and expenses) of credit enhancers or interim or long term lenders (other than underwriters or purchasers of public debt securities) in connection with the Unwind Transaction.

(b) The aggregate of all out-of-pocket costs and expenses that may be incurred by Big Rivers following the Execution Date in connection with the proposed Unwind Transaction as described above in Subsection A.2(a), regardless of whether Big Rivers is entitled to be reimbursed for the same pursuant to Subsection A.2(a) (but excluding the internal staffing costs and allocated overhead costs of Big Rivers and its member distribution cooperatives described in Subsection A.2(a) above), are hereinafter collectively referred to as the "Big Rivers Transaction Costs." Notwithstanding anything contained elsewhere in this letter agreement to the contrary, the aggregate amount of Big Rivers Transaction Costs for which Big Rivers shall at any time be entitled to reimbursement from WKE pursuant to this Subsection A.2 shall be Sixteen Million Five Hundred Thousand Dollars (\$16,500,000.00). The Big Rivers Transaction Costs shall not include any costs or expenses incurred by any Smelter Party, the City of Henderson, Kentucky or the City of Henderson Utility Commission that are chargeable to or reimbursable by Big Rivers or Kenergy Corp. unless the agreement of Big Rivers or Kenergy Corp. (as applicable) to fund or reimburse that third party for the same has been approved in writing by WKE.

(c) Notwithstanding anything contained in this letter agreement to the contrary, the Big Rivers Transaction Costs shall not include:

(i) any taxes or assessments by any governmental or regulatory authority arising out of the consummation of the proposed Unwind Transaction or any other transaction entered into in connection therewith or to facilitate the same;

(ii) the costs or expenses associated with Big Rivers' performance of any debt obligation or liability expressly assumed by Big Rivers from LG&E Energy or its affiliate in connection with the Unwind Transaction, or any debt obligation or liability undertaken by Big

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Rivers pursuant to any definitive agreement entered into by it in order to consummate the Unwind Transaction or any other transaction entered into in connection with or to facilitate the Unwind Transaction (other than any expense funding or reimbursement commitments expressly made by Big Rivers to one or more third parties as contemplated above);

(iii) any costs or expenses incurred by Big Rivers or any other person or entity in connection with any dispute or litigation proceeding between LG&E Energy or its affiliate(s), on the one hand, and Big Rivers or such other person or entity, on the other hand, or between Big Rivers and such other person or entity, in either case arising out of any letter of intent or definitive documentation that may be entered into by LG&E Energy and/or its affiliate(s), Big Rivers and/or such other person or entity; or

(iv) any fee or other remuneration (exclusive of reimbursable out of pocket expenses) payable to any person or entity on the basis of or conditioned upon the success or completion of the Unwind Transaction, or on the basis of the value of the Unwind Transaction or a component thereof, or on the basis of any other transaction entered into in connection therewith, or any fee or remuneration representing an underwriters fee or the like or a bank/lender commitment fee or the like.

3. In the event LG&E Energy, its relevant affiliates and Big Rivers successfully negotiate and enter into definitive documentation with respect to an Unwind Transaction, and such Unwind Transaction is consummated in accordance with that documentation (but not before), WKE will reimburse Big Rivers for all Big Rivers Transaction Costs that have been incurred or will be incurred by Big Rivers, but which have not previously been reimbursed by WKE pursuant to Subsection A.2(a) above; provided, that the maximum aggregate amount of Big Rivers Transaction Costs for which Big Rivers shall at any time be entitled to reimbursement from WKE pursuant to this letter agreement (including without limitation, pursuant to Subsection A.2 above or this Subsection A.3) shall be Twenty Two Million Dollars (\$22,000,000.00).

4. In the event the aggregate Big Rivers Transaction Costs for which Big Rivers is or may become entitled to reimbursement from WKE pursuant to Subsections A.2 and A.3 above is less than \$20,000,000.00, and in the event the consummation of the Unwind Transaction occurs, WKE agrees to pay to Big Rivers at the closing of the Unwind Transaction an amount in immediately available funds (the "Bonus") equal to the amount by which \$20,000,000.00 exceeds the actual amount of Big Rivers Transaction Costs so reimbursable; provided, that the maximum aggregate Bonus to which Big Rivers may become entitled pursuant to this Section A.4 shall be \$5,000,000. Any such Bonus paid by WKE shall be treated as a payment by LG&E Energy Marketing Inc. in exchange for the termination of the Power Purchase Agreement pursuant to the Unwind Transaction. If following that closing Big Rivers shall assert a valid claim against WKE for reimbursement of additional Big Rivers Transaction Costs that were not reimbursed by WKE at or prior to that closing, WKE will be entitled to offset the amount of any

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Bonus made by it to Big Rivers pursuant to this Subsection A.4 against such additional reimbursable Big Rivers Transaction Costs. Notwithstanding anything contained in this Subsection 4 or elsewhere in this letter agreement to the contrary, in the event a Bonus becomes due by WKE to Big Rivers hereunder, then to the extent any Big Rivers Transaction Costs that have been paid or reimbursed by WKE hereunder, or that have become or may thereafter become payable or reimbursable by WKE hereunder, include any amounts or other consideration that Big Rivers elected to pay or give to any creditor of Big Rivers, of LG&E Energy, or of any LG&E Party, or to any other party (other than reimbursements of fees, costs and other out of pocket expenses of such creditors or third parties to the extent contemplated in Subsection A.2 above as to be reimbursed by WKE), in each such case in exchange for or as an inducement for the granting or issuance by that creditor or third party of any consent, approval or release required (or deemed by Big Rivers to be required or desirable) in connection with the Unwind Transaction or any transaction in connection therewith (collectively, "Facilitation Payments"), then the amount of such Bonus not yet paid shall be reduced by the aggregate amount of such Facilitation Payments that have already been paid or reimbursed by WKE hereunder, and WKE shall be entitled to set-off the amount of any Bonus that has already been paid by it against the amount of such Facilitation Payments not yet paid or reimbursed hereunder.

5. WKE shall be entitled, in its sole discretion, upon written notice delivered to Big Rivers, to terminate Section A of this letter agreement and WKE's reimbursement obligations hereunder (without affecting the parties' respective rights and obligations under Sections B, C, and D, of this letter agreement) at any time prior to the execution and delivery by LG&E Energy and Big Rivers of a legally-binding letter of intent requiring LG&E Energy to continue to negotiate or attempt to pursue an Unwind Transaction with Big Rivers, it being agreed that in the event LG&E Energy and Big Rivers shall enter into such a binding letter of intent at any time prior to WKE's termination of Section A of this letter agreement pursuant to this Subsection A.5, such a unilateral termination of Section A by WKE may not thereafter be undertaken except upon two business days prior written notice delivered to Big Rivers which notice may not be given until the earlier to occur of: (a) expiration of the term or duration of that binding letter of intent or the earlier termination of the same in accordance with its terms (other than any expiration or termination of the binding letter of intent upon the execution of definitive documentation for the Unwind Transaction unless that definitive documentation shall expressly terminate or supersede this letter agreement); or (b) the expiration or termination of such definitive documentation for the Unwind Transaction (if any shall be entered into) in accordance with its terms prior to the consummation of the Unwind Transaction; or (c) March 1, 2006, in the event as of that date or at any time thereafter WKE believes that the Unwind Transaction will not be consummated for any reason. In the event WKE shall terminate Section A of this letter agreement during the term of a binding letter of intent but on or after March 1, 2006, as contemplated in subclause (c) of the preceding sentence, Big Rivers shall be entitled to thereafter terminate that binding letter of intent, as well as the balance of this letter agreement, upon written notice delivered to WKE, and such termination shall be immediately effective as against those

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parties and any affiliates of LG&E Energy that may be parties to or beneficiaries of that letter of intent or other commitment. WKE agrees to cause LG&E Energy and its relevant affiliates to honor and abide by any such permitted termination of that binding letter of intent by Big Rivers. In the event WKE shall terminate Section A of this letter agreement prior to the execution and delivery of a legally-binding letter of intent (as contemplated above) or following an event of the type contemplated in subclause (a) or (b) above, either WKE or Big Rivers shall thereafter be entitled, in its sole discretion, to terminate the remainder of this letter agreement (subject to the last sentence of this Subsection A.5) upon written notice of such termination delivered to the other party. In the event of a termination of Section A of this letter agreement as contemplated in this Subsection A.5, WKE shall continue to be obligated for the reimbursement of reimbursable (in accordance with this letter agreement) Big Rivers Transaction Costs that have been incurred by Big Rivers as of the effectiveness of such termination, or for which Big Rivers is then obligated to reimburse a third party described in Subsection A.2 due to that third party's incurrence of corresponding fees and disbursements on or prior to such termination, provided that WKE shall have no further obligations under this Section A (whether payment, performance or otherwise) except as provided in Subsection A.6 below.

6. In the event LG&E Energy, its relevant affiliates and Big Rivers successfully negotiate and enter into definitive documentation with respect to an Unwind Transaction, and such Unwind Transaction is consummated in accordance with that documentation following a termination of Section A of this letter agreement by WKE pursuant to Subsection A.5 above, WKE agrees (a) to reimburse Big Rivers at the closing of that Unwind Transaction for the portion of the Big Rivers Transaction Costs contemplated in Subsection A.2 of this letter agreement that was not previously reimbursed by WKE, upon the terms and subject to the conditions set forth in that Subsection A.2, (b) to reimburse Big Rivers at the closing of that Unwind Transaction for the portion of the Big Rivers Transaction Costs contemplated in Subsection A.3 of this letter agreement, upon the terms and subject to the conditions set forth in that Subsection A.3, and (c) to pay to Big Rivers any amounts contemplated in Subsection A.4 of this letter agreement as being payable to Big Rivers upon an Unwind Transaction, which Subsections shall be deemed to be reinstated and once again in full force and effect as of that closing. In addition to the foregoing, upon such a closing following the termination of Section A of this letter agreement, WKE shall pay to Big Rivers in immediately available funds an amount equal to five percent (5%) of the amount (if any) reimbursed to Big Rivers at that closing pursuant to subclause (a) of this Subsection A.6 (which payment shall be deemed to be a payment by LG&E Energy Marketing Inc. to Big Rivers in exchange for the termination of the Power Purchase Agreement). The payment contemplated in the preceding sentence shall not be subject to any aggregate limitation on WKE's obligation to reimburse Big Rivers Transaction Costs provided for elsewhere in this letter agreement. The provisions of this Subsection A.6 shall survive any termination of Section A of this letter agreement.

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7. Big Rivers will invoice WKE on a monthly basis (on or after the first (1st) of the month) with respect to any Big Rivers Transaction Costs that have become reimbursable by WKE hereunder during the previous month (which invoices will include copies of appropriate back-up information and materials (excluding any description of the work done by attorneys or other information deemed by Big Rivers in good faith to be the subject of the attorney-client privilege or to be information the disclosure of which would compromise Big Rivers' negotiating strategy with the LG&E Parties in connection with the Unwind Transaction), as well as a list of all entities the fees or expenses of which are included as items of Big Rivers Transaction Costs in such invoice). Reimbursement shall be due from WKE within 25 days after its receipt of the relevant invoice, subject to the provisions below. Big Rivers will not invoice WKE for costs in advance of when the same have been incurred by Big Rivers. WKE may, at its expense (whether before or after the relevant payment), have the validity of Big Rivers' invoices confirmed by a third party selected by WKE that is reasonably satisfactory to Big Rivers (provided the method of such confirmation does not result in the waived or implied waiver of any attorney-client privilege). Big Rivers will reasonably cooperate with such third party and provide it with all information and supporting documentation as shall be reasonably necessary in order to verify that the items for which WKE has been invoiced are properly chargeable under this letter agreement. To facilitate such third party confirmation, Big Rivers agrees to keep copies of all billing records for items of Big Rivers Transaction Cost for which reimbursement is sought for a period of one year following the later of the expiration or termination of Section A of this letter agreement or WKE's receipt of Big Rivers' final invoice for reimbursement hereunder. Big Rivers will afford the third party reasonable access to such billing records throughout that one-year period. The provisions of the preceding two (2) sentences, together with WKE's right to challenge as inappropriate for reimbursement hereunder any invoices (or portions thereof) reimbursed or paid hereunder, shall survive the expiration or termination of this letter agreement for that one-year period (and thereafter to the extent WKE has asserted a claim of wrongful invoicing and reimbursement or payment hereunder during that one-year period, until that claim is finally resolved). WKE will have no obligation to honor or pay Big Rivers for any Big Rivers Transaction Costs the invoice(s) for which have not been submitted by Big Rivers to WKE within six (6) months following the earlier to occur of the consummation of the Unwind Transaction or the termination of Section A of this letter agreement by WKE pursuant to Subsection A.5 above.

8. Except as set forth in this letter agreement or in the Existing Cost Share Agreement, neither WKE nor any of its affiliates shall have any obligation to fund or reimburse Big Rivers for any costs or expenses that it has incurred or may incur, or for any costs or expenses for which Big Rivers has become liable or may become liable to any third party, in either case relating to the Unwind Transaction or to any other transaction to terminate, unwind or substantially restructure any of the transactions contemplated in the New Participation Agreement or implemented in connection therewith, or in any of the other Operative Documents

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referred to in the New Participation Agreement (other than such funding or reimbursement obligations as shall be expressly provided for in the Operative Documents).

B. Disclosure Commitments.

Set forth on Exhibit B attached hereto is an itemization of data that has been requested by Big Rivers from the LG&E Parties which has not been delivered to Big Rivers as of the date of execution and delivery of this letter agreement. WKE agrees to (and agrees to cause LG&E Energy and its other relevant affiliates to) use its reasonable best efforts to provide or cause its relevant affiliate to provide to Big Rivers (or to provide Big Rivers access to) all data (if any) described on Exhibit B as soon as practicable following the execution of this letter agreement. Notwithstanding the preceding sentence, WKE's or its affiliate's delivery or disclosure obligations hereunder shall be limited to data, information and documentation that may now or hereafter exist and be in their possession or control (it being understood that they shall not be obligated under this letter agreement to create or develop any such data, information or documentation), and shall exclude any data, information or documentation that is (i) subject to a separate confidentiality covenant from LG&E Energy or its affiliate to or in favor of any person or entity other than Big Rivers, or (ii) subject to the attorney-client privilege.

Notwithstanding anything contained in this letter agreement to the contrary, neither LG&E Energy nor any of its affiliates shall have any obligation hereunder to disclose or make available to Big Rivers any reports, studies, memoranda, analyses or other work product that was heretofore, or that may hereafter be, produced by or for LG&E Energy or any of its affiliates (i) in contemplation of an Unwind Transaction with Big Rivers or the analysis, development or negotiation thereof, or (ii) for the purpose of facilitating LG&E Energy's or its affiliates' consideration of that potential transaction or other alternatives for restructuring or terminating (or ending an LG&E Party's involvement in) any existing agreement or relationship between LG&E Energy or one or more of its affiliates, on the one hand, and Big Rivers, any Smelter, Kenergy Corp., the City of Henderson and/or any other party to the Non-Disturbance Agreement, on the other hand.

In addition to the foregoing (but subject to the same limitations contemplated in the preceding paragraph), WKE agrees to (and agrees to cause LG&E Energy and its other relevant affiliates to) use its commercially reasonable efforts to provide or cause its relevant affiliate to provide to Big Rivers the items of information identified below, as soon as practicable following the date on which such data, information or documentation is prepared by an LG&E Party or first comes into its possession:

1. Copies of or access to all consents, filings and correspondence related to the Generating Plants with or to federal, state or local regulatory agencies (i) regarding notices of violations, permits, permit applications or material modifications to permits; and (ii) regarding air and water monitoring data regularly submitted by WKEBC to such agencies.

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2. Copy of the following environmental permits currently existing for the Generating Plants:

- (a) KPDES Permits
- (b) Landfill Permits
- (c) Air Permits
- (d) UST Permits
- (e) Radiation Permits

3. Copies of or access to plant operations and maintenance records that describe for each Generating Plant all major repairs and capital improvements (\$100,000 or more).

4. Copies of vendor inspection or repair reports performed with respect to the Generating Plants.

5. Copies of ultimate fuel sampling analysis and mineral ash reports for fuel, including petroleum coke, delivered at each Generating Plant.

6. Book value of inventory at each Generating Plant as of the end of each month for:
- (a) Coal
 - (b) Petroleum Coke
 - (c) DBA (Reagent)
 - (d) Sodium Sulfite (Reagent)
 - (e) Lime (Reagent)
 - (f) Limestone (Reagent)
 - (g) Fixation Lime
 - (h) Propane
 - (i) Fuel Oil

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C. Access and Information Commitments.

Throughout the period following the execution of this letter agreement through the execution and delivery by the parties hereto (and the relevant affiliates of LG&E Energy) of mutually-satisfactory definitive documentation with respect to an Unwind Transaction, and thereafter through the earlier to occur of the termination of the definitive documentation in accordance with its terms or the consummation of the Unwind Transaction, Big Rivers will afford LG&E Energy and its affiliates (collectively, the "LG&E Parties") the following access to information and constituent parties, and the following rights to attend and participate in discussions and negotiations between Big Rivers, on the one hand, and constituent parties, on the other hand, in each case to the extent such information, constituent parties, discussions or negotiations relate to the proposed Unwind Transaction, to any definitive documentation relating to an Unwind Transaction, or to any consents, agreements, releases or other concessions from or with constituent parties required for the consummation of an Unwind Transaction:

1. To the extent such correspondence, discussions or negotiations relate to any potential commitment by Big Rivers (whether directly or indirectly through Kenergy Corp.) to fund any costs or expenses of Alcan Corporation, Century Aluminum Company, Southwire Company or any of their respective affiliates (collectively, the "Smelters"), or the City of Henderson, Kentucky or the City of Henderson Utility Commission (collectively, the "City"). Big Rivers will from time to time promptly provide the LG&E Parties with copies of any correspondence to or from the Smelters and copies of any correspondence to or from the City including without limitation, all drafts of any proposed agreements memorializing such a commitment, in either case that may be delivered by Big Rivers or its advisors or may come into its or their possession and the right to participate in any such discussions or negotiations between Big Rivers or any of its advisors with the Smelters, the City or their respective advisors. Big Rivers agrees that it will not enter into such a commitment with any Smelter or the City without first obtaining the prior written approval of the same from LG&E Energy;

2. Big Rivers will from time-to-time promptly provide the LG&E Parties with copies of any comprehensive proposals and counter-proposals to or from Kenergy Corp. or any Smelter, and of any draft agreements proposed between Big Rivers and Kenergy Corp. or any Smelter, in each case with respect to the potential provision by Big Rivers to Kenergy Corp. or that Smelter, following the consummation of an Unwind Transaction, of capacity or energy to meet the load of that Smelter currently being met by LG&E Energy Marketing Inc. ("LEM") pursuant to its Agreements for Electric Service with Kenergy Corp. dated July 15, 1998. Big Rivers will also keep the LG&E Parties reasonably apprised of the status of Big Rivers' discussions or negotiations with Kenergy Corp. and/or any Smelter regarding the provision of capacity or energy to meet that Smelter's load described above through periodic telephonic communication. Nothing contained in this letter of intent shall be deemed to waive any obligations of Big Rivers set forth in of the Power Purchase Agreement between Big Rivers and

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LEM dated July 15, 1998, as amended, including without limitation, Section 4.4(b) or Section 4.4(c) thereof,

3. To the extent that the same relates to the release of any LG&E Party from its obligations to the City with respect to the operation or maintenance of Station Two, the purchase of capacity or energy from Station Two, or any related commitments or liabilities, Big Rivers and LG&E Energy will each from time to time promptly provide the other with copies of any correspondence or proposals to or from the City that may be delivered by Big Rivers or its advisors, or any LG&E Party or its advisors, or may come into its or their possession, and of any draft agreements or revisions of existing agreements proposed between Big Rivers and the City or any draft agreements or revisions of existing agreements proposed between any LG&E Party and the City, and will further provide the LG&E Parties or Big Rivers, as the case may be, the right to participate passively in any discussions or negotiations between Big Rivers or any of its advisors and the City or its advisors or any LG&E Party or any of its advisors and the City or its advisors, as the case may be, with respect to such matters;

4. The LG&E Parties will have the right to meet on a reasonably periodic basis with one or more of those constituent parties (as designated by the LG&E Parties from time-to-time) in the presence of Big Rivers, but in no event more frequently than once every ninety (90) days with respect to each constituent party, commencing on a date three (3) months following the execution of a legally-binding letter of intent for the Unwind Transaction (except in the case of an initial meeting with the RUS, the right to meet with which would commence on a date three months following the retention by the RUS of its legal counsel to represent it in connection with the Unwind Transaction), in each case for the limited purposes of allowing the LG&E Parties the opportunity to stay abreast of the progress (if any) being made by Big Rivers from time to time with those constituent parties in furtherance of the proposed Unwind Transaction, and posing questions to those constituent parties regarding such progress and any issues that may be impeding such progress. The foregoing shall not entitle an LG&E Party a right to participate in any negotiations between Big Rivers and any of those constituent parties, however. Big Rivers will use its reasonable best efforts to facilitate any status update meeting between the LG&E Parties and a particular constituent party that may be requested by an LG&E Party in accordance with the second preceding sentence, and will keep the LG&E Parties reasonably apprised of the status of Big Rivers discussions or negotiations with those constituent parties through periodic telephone communication;

5. Prior to the filing of a formal application seeking Kentucky Public Service Commission's approval of the Unwind Transaction, neither Big Rivers nor any LG&E Party will attempt to engage in any discussions, negotiations or correspondence with the Kentucky Public Service Commission or its staff members regarding the proposed Unwind Transaction, unless the specific discussions or negotiations are being participated in by the other party or its advisors, or

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have been approved in writing by an LG&E Party or Big Rivers, as the case may be, prior to their occurrence; and

6. Big Rivers will promptly notify the LG&E Parties in writing in the event Big Rivers at any time receives any written or oral notice or other communication from S&P or Moody's indicating that a credit assessment or credit rating to be issued by that rating agency in connection with the proposed Unwind Transaction (or as a condition precedent to the consummation of that transaction) will not be issued or supported by that rating agency or will be withdrawn or downgraded by that rating agency and Big Rivers will promptly provide a copy of any such written notice or other written communication to the LG&E Parties. Big Rivers will keep the LG&E Parties reasonably apprised of the status of Big Rivers' discussions or negotiations with the above-described rating agencies through periodic telephonic communication.

The LG&E Parties that are not signatories to this letter agreement shall be third party beneficiaries of Big Rivers' covenants and agreements set forth in this Section C for all purposes.

D. Miscellaneous.

This letter agreement shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Kentucky, shall be for the sole benefit of the parties signatory hereto, and shall not vest in or grant to any other party any third-party beneficiary or other similar rights. Except as modified as contemplated elsewhere in this letter agreement, the Existing Cost Share Agreement shall continue in full force and effect in accordance with its terms. Nothing contained in this letter agreement shall create any obligation on the part of LG&E Energy, any of its affiliates or Big Rivers to continue any discussions or negotiations, or to enter into any binding agreement(s), with respect to an Unwind Transaction or any other transaction.


If the foregoing is consistent with our agreement as of the date first written above, please

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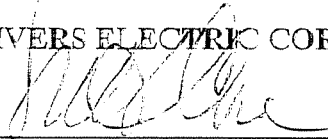
execute a copy of this letter agreement in the space provided below and return it to the undersigned. Thank you.

WKE CORP.

By: 

Paul W. Thompson, President

ACCEPTED AND AGREED TO:
BIG RIVERS ELECTRIC CORPORATION

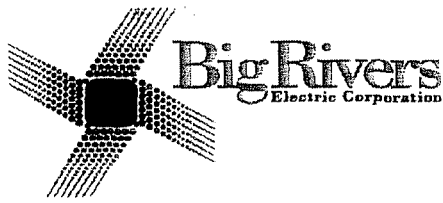
By: 

Michael H. Core
President and CEO

EXHIBIT A

EXISTING COST SHARE AGREEMENT

[SEE ATTACHED]



COMPANY POLICY

POLICY NUMBER: 104	ORIGINAL EFFECTIVE DATE: _____
APPROVED BY: Board	ORIGINAL APPROVAL DATE: 7-20-07
DATE LAST REVISED: _____	

FINANCIAL POLICY

1. Purpose

The purpose of Big Rivers Electric Corporation's ("BREC") Financial Policy is to provide a framework to enable BREC to timely meet its financial obligations and maintain its financial viability. This policy sets forth responsibilities and guidelines related to the financial management process, including key financial metrics.

The financial metrics will be pursuant to BREC's by-laws, loan covenants, mortgage, trust indenture, etc., and quantified in accordance with generally accepted accounting principles ("GAAP"). Application of this policy seeks to ensure BREC's ability to maintain the necessary financial metrics to meet its proper investment grade credit rating target and ensure its ability to timely access capital, both short-term and long-term.

2. Objectives

The overall objectives of this policy are to ensure:

- a. Maintenance of the long-term financial forecasting model – BREC will maintain a financial forecast that reflects current assumptions on key modeling inputs (e.g., load, resource plans, fuel costs, financing, labor costs, etc.).
- b. Timely access to capital – BREC will ensure access to sufficient low-cost capital, both short-term and long-term, by maintaining its investment grade credit rating, meeting bond covenants, adhering to indenture requirements, maintaining proper liquidity, etc.
- c. Financial transparency – BREC will provide appropriate financial information in a timely manner to its stakeholders (Board, members, creditors, regulators, etc.), including financial forecasts and performance metrics.

- d. Member wholesale rates – BREC will seek low-cost member wholesale rates, with minimal volatility. Management will analyze existing and alternative rate structures, seeking rational cost allocation methodology.
- e. Financial analysis – As appropriate, BREC will strive to ensure accurate and consistent assumptions and methodology are employed in project evaluations, whereby such evaluations may include net present value (NPV), internal rate of return (IRR), pay-back, etc.

3. Goals

- a. Member rates and margins – BREC will seek to maintain member tariff rates that enable it to meet its debt covenants and ensure that sufficient positive margins and net cash flows are generated to meet Times Interest Earned Ratio (“TIER”), Margins for Interest Ratio (“MFIR”) and Debt Service Coverage Ratio (“DSCR”) criteria.
- b. Working capital – BREC will ensure liquidity is available to meet a minimum target of 90 days of forecasted operating expenses.
- c. Equity – BREC will seek to maintain a minimum equity ratio of 20 percent to ensure its ability to maintain the targeted investment grade credit rating and ensure access to low-cost sources of capital.
- d. Budgeting and capital planning – BREC will develop an annual O&M budget and capital budget and present it to the Board for approval prior to the start of the year in question. The Board will approve O&M and capital spending both through its approval of the annual budget and through specific approval of individual projects pursuant to company policy.
- e. Financing – BREC will meet its capital needs through a contribution of internally generated funds and/or debt financing consistent with company policy. BREC may elect to utilize debt to finance projects based on an analysis of borrowing costs, internal rate of return, equity ratio, etc. Borrowing funds may be prudent if sufficient debt capacity exists. Regulatory, legal and reliability requirements are other important financing considerations, as is liquidity.

4. Other Relevant Company Policies

- a. Financial Forecasting
 - 1. GAAP – All forecasts will be consistent with GAAP.
 - 2. Financial Forecast Updates – At a minimum, BREC will review and update the financial forecasting model on an annual basis. BREC will periodically update the forecast based on known changes (e.g., an approved load forecast or resource plan, timing of significant projects,

large unforeseen occurrences, etc.). The financial forecast will be reviewed and approved by the Board annually. Additionally, BREC will assess its liquidity on a monthly basis when comparing the forecast with monthly actuals.

3. Risk analysis –The financial forecasting model will have certain probabilistic capabilities to better assess risks, with output expressed in terms of key financial measures, like margins, MFIR and TIER. Risk analysis will be performed within the financial forecast and in conjunction with the APM probabilistic portfolio optimization model, which will provide key input to the financial forecast. A longer term Integrated Resource Planning (“IRP”) tool will also provide key input to the financial forecast.

b. Strategic Planning and Budgeting

1. Strategic Planning – The strategic planning effort will culminate with the capital and O&M budget and the base case financial forecast. Financial modeling of alternative strategies will occur in support of on-going strategic planning. The strategic plan will be reviewed with and approved by the Board annually.
2. Budgeting – The strategic plan will drive the annual capital and O&M budgeting. The annual budget will be submitted to the Board for approval.

c. Debt Financing Sources

1. Federal Financing Bank (“FFB”) supported by Rural Utilities Service (“RUS”) loan guarantees
2. CoBank, National Rural Utilities Cooperative Finance Corporation (“CFC”) and other similar lenders
3. The Trust Indenture should enable BREC to access the capital markets on a timely basis.

- d. Interest Rate Hedging – BREC is authorized to utilize interest rate hedging instruments to effectively fix borrowing rates. While not allowed for speculative purposes, subject to Board approval BREC may hedge the risk associated with interest rate volatility for existing and proposed debt.

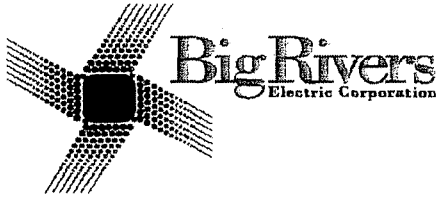
5. Annual Fiscal Review

The CFO shall conduct an annual fiscal review with the Board consisting of appropriate information presented in a clear and concise manner. Specific reporting requirements are as follows:

- a. Cost of capital and cost of debt - Review the prior year's cost of capital and the cost of debt as defined in Appendix A (to be provided at a later date) of this policy. For comparison, the report will compare the most recent fiscal year to the prior five years and will also compare actual with any covenants or targets that may have been set.
- b. Capital expenditures - Review the prior year's capital expenditures and disclose the means of financing them. The Board will be apprised of BREC's equity ratio and debt capacity. For comparison, the report will compare the most recent fiscal year to the prior five years and will also compare actual with any covenants or targets that may have been set.
- c. Margins, equities and capital credits - Review BREC's prior year's margins, equities, capital credit allocation, and retirement of capital credits. For comparison, the report will compare the most recent fiscal year to the prior five years and will also compare actual with any covenants or targets that may have been set.
- d. MFIR, TIER and DSCR - Review the prior year's MFIR, TIER and DSCR as defined in Appendix A of this policy. The Board will be apprised of BREC's investment grade ratings. For comparison, the report will compare the most recent fiscal year to the prior five years and will also compare actual with any covenants or targets that may have been set.
- e. Working capital - Review BREC's working capital and lines of credit, assessing its liquidity. For comparison, the report will compare the most recent fiscal year to the prior five years and will also compare actual with any covenants or targets that may have been set.
- f. Member wholesale rates - Review the adequacy of BREC's tariff rates. For comparison, the report will compare the most recent fiscal year to the prior five years and will also compare actual with any covenants or targets that may have been set.

6. Administration

The CEO and CFO shall be responsible for the administration of this policy, including 1) making periodic reports to the Board and 2) recommending changes hereto which require Board approval.



COMPANY POLICY

POLICY NUMBER: <u>103</u>	ORIGINAL EFFECTIVE DATE: _____
APPROVED BY: Board	ORIGINAL APPROVAL DATE: 6-15-07
DATE LAST REVISED: _____	

HEDGE POLICY

1. Objective

The Big Rivers Electric Corporation (“BREC”) Hedge Policy outlines the energy hedging policy (natural gas, coal, and electricity) that will guide disciplined hedging of forward energy resources. This Hedge Policy is designed to reduce member wholesale rate volatility and to maintain rates within desired tolerances. The primary purpose of this policy is to identify specific time and volume (as a % of total projected native load) criteria for procuring projected energy needs.

This policy largely employs a price-averaging strategy of declining percentage of energy supply positions held over forward time periods. This strategy protects BREC from potential adverse impacts that could result in either significant energy price increases or decreases. The strategy also maintains some elements of procurement flexibility. For example, during times of extremely attractive market conditions, this policy allows for increasing the amount of forward energy hedged above the stated ranges with the concurrence of the Board of Directors (“Board”). A key component of the policy is a monthly compliance report for the Board, which is outlined herein.

Although this document is primarily concerned with managing energy costs and risks, a limited amount of discussion on capacity adequacy, transmission congestion risk, and fuel transportation based on similar principles is included. Appendix A includes a more comprehensive review of the objectives of this policy.

2. Hedge Policy Criteria

The hedging criteria identified within this policy address the primary energy supply portfolio components that affect rates and reliability the most. Accordingly, the hedge criteria in the following sections represent the risk tolerance of BREC and identify the processes BREC will employ to manage these key energy supply risks.

a. Fixed Price Energy Policy - Volumetric and Lead Time Criteria for Energy Hedging

The policy employs a total energy hedging methodology whereby the MWh equivalent of all energy hedges are compared to the expected native load of BREC. Total energy hedged is the MWh equivalent of the sum of fuel purchases and electricity purchases. To apply as an energy hedge, fuel purchases must be combined with physical generation ownership or contracted capacity. The MWh equivalent hedge from fuel purchases will be the volume of mmbTUs of fuel procured for the unit or contract divided by the expected average heat rate of the generation unit or contract divided by 1,000.

Rolling Monthly Hedge Ranges

One criteria of this policy is to have energy procured within defined volumetric ranges during the following rolling timeframes. These ranges identify the percentage of BREC's projected total energy needs that will be procured with fixed price energy over a given time period. For purposes of this policy, energy needs are considered hedged or procured to the extent that the projected need is met by 1) authorized power transactions, as defined in the BREC Trading Authority Policy, or 2) authorized fuel transactions combined with physical generation unit ownership, heat rate transactions, or physical capacity transactions. Option transactions with out of the money strike prices may be used to hedge forward volumes, provided that they do not account for more than 15 percent of the projected energy needs in any given month, and they are not more than 50 percent out of the money at the time of the transaction.

Lead Time	Months 1 to 12	Quarters 5 to 8	Quarters 9 to 12	Years 4 to 5
Measurement Period	Rolling	Rolling	Rolling	Calendar Year
Hedging Frequency	Monthly	Quarterly	Quarterly	Annual
Range (%)	80-100	60-85	50-75	40-70

For the above table, BREC will hedge projected energy needs based on the following criteria:

- Lead Time: The amount of time from the current period. Defined in months, quarters, or years.
- Measurement Period: This is the mechanism under which this volumetric range is measured. There are two measures - rolling, where the measurement period changes monthly and calendar year, where the measurement period is only changed at the change of a calendar year. In the case of conflict, the rolling criterion has precedence over calendar year.

- **Hedging Frequency:** This is primarily useful in conjunction with the rolling measurement period. This is the frequency that the rolling measurement period changes for policy compliance reporting purposes. The hedging frequency period prevents, for example, a situation where the transaction execution staff would have to hedge month 36 (the last month of quarter 12) at a time where monthly purchases are very illiquid (not readily available).
- **Range:** This is the range of overall energy needs that will be hedged with fixed price energy, of which up to 15 percent may be covered with options.

Energy procurements that deviate from the stated range will require approval of the Board, and will be part of the regular reporting to the Board.

b. Hedge Timing and Volumetric Minimums

In meeting these volumetric parameters, BREC will have the following minimum percentages of energy hedged no later than the lead time as identified in the table below. For example, by November 30, 2007, BREC will have a minimum of 85 percent of its projected energy needs for January, February and March 2008 (months 1-3) procured, and for the months October, November, and December 2008 (months 10-12) a minimum of 70 percent of the total projected energy requirement will be procured. Of course, this minimum amount can be hedged well before that date based on the ranges in the prior section. As with the volumetric lead-time criteria, a time frame in months takes precedence over a time frame in quarters, which takes precedence over a time frame in years.

Time Frame	Months				Quarters		
Lead time	1-3	4-6	7-9	10-12	5	6-8	9-12
Range Minimum %)	85	80	75	70	65	55	50

BREC will maintain hedges at the minimum volumetric level for the specified lead times. Any deviation from the minimum volume for the specified lead time will require Board approval and all deviations will be reported to the Board.

c. Natural Gas, Fuel Oil, and Coal Hedging

Natural gas, coal, fuel oil, and power hedging will be a complementary hedging activity since BREC has natural gas and coal-fired generation and because it procures replacement power when generation units are unavailable. BREC may also hedge with natural gas, fuel oil or coal if it enters a transaction that uses a natural gas, fuel oil, or coal index price to derive its electricity cost. Such natural gas, fuel oil, and coal-related generation or purchase transactions, while considered capacity, would not be considered energy hedges until the projected natural gas, fuel oil, and coal volumes are procured. The monthly hedge criteria are measured based on total energy exposure for native load

(total projected electricity needed for native load minus energy already hedged). In order to allow flexibility in overall energy hedging decisions (e.g., economically hedging additional needs via natural gas or coal contracts versus power purchases), specific sub-targets for natural gas hedging are not set within this policy.

d. Capacity Hedging

BREC will comply with the SERC reliability council capacity requirement rules, or any successor reliability oversight group. The purpose of capacity requirements is to ensure that each entity that serves load must own or purchase sufficient capacity to meet its peak load plus a reserve margin. Meeting such requirements can be done through ownership of generation assets or purchase transactions.

For reliability purposes, this hedging policy also calls for the establishment of a minimum capacity reserve margin for future time periods. The actual reserve margin that BREC employs should consider regional reserve margins, market liquidity and depth, expected physical capacity transaction negotiations or plant construction, the cost and reliability consequences of being short capacity requirements, and the potential use of industry curtailment agreements. BREC will always comply with all applicable regulatory capacity requirements, but BREC will furthermore price average into any capacity reserves that it procures from the market similar to its approach for energy hedges. This policy calls for a minimum summer and winter reserve margin for future periods as identified in the table below. Non-peak seasons will be tracked, reported, and prudently managed by the staff.

	Upcoming		2 nd Season		3 rd Season	
	Summer	Winter	Summer	Winter	Summer	Winter
Minimum Capacity Reserve Margin	8%	8%	7%	7%	6%	6%

On an annual basis, BREC will assess and recommend to the IRMC capacity reserve target levels for the upcoming three seasons. The Board will be advised of the targets, but if the targets are below the minimum levels or exceed the minimum levels by more than 10 percent (e.g., over 18 percent reserve for the upcoming summer), then it will require Board approval.

e. Sulfur Dioxide and Nitrous Oxide Emission Allowance Hedging

BREC must meet EPA environmental compliance standards and a rather developed liquid market exists for the purchase and sale of emission allowances to meet such requirements.

This hedging policy calls for the establishment of an emission allowance procurement process to meet expected future requirements. Fixed price hedges for emission

allowances include 1) actual or expected emission allowances allocated to BREC from the EPA, 2) fixed price allowance purchases and sales, and 3) projected, budgeted, and Board-approved emission control equipment additions. Options with "out of the money" strike prices may be used to hedge forward volumes, provided that they do not account for more than 15 percent of the projected emission needs in any given month, and they are not more than 50 percent out of the money at the time of the transaction. BREC will always comply with all applicable EPA emission standards (including new pollutants), and BREC will price average into its emission allowance position when purchasing emission allowances. Emission allowance needs will be managed similar to its approach for energy. BREC will maintain fixed price allowance hedges based on the following table.

Lead Time	Current Calendar Year	Calendar Year Two	Calendar Year Three
Range (%)	80-120	70-130	60-140

To meet these parameters, BREC will have the minimum percentages of fixed price allowance hedges in place for the periods identified in the table above. For example, for the current calendar year, BREC will have a minimum of 80 percent of its projected allowance needs hedged at any point in time within the year, and for calendar year two, a minimum of 70 percent of the total projected allowance requirements will be in place. Additionally, BREC will never finish the current year in a short emission allowance position. Furthermore, by the end of the current calendar year (or EPA compliance season), BREC must have no less than 105 percent of its projected emission requirements for that current year or season.

While the ranges above allow for excess allowances to be held by BREC, this can only be done if excess allowances are awarded to BREC through the Environmental Protection Agency emission allowance program, or if plans to bank the allowances for future years are documented. BREC will not buy emissions from the market for any given year if it results in emission allowances that exceed 105 percent of its expected needs without prior Board approval.

f. Resource Diversity Management

BREC will manage its concentration risks on a rolling 12-month basis by diversifying its energy supply resources as follows:

Capacity resources (generation and purchased power contracts) shall not exceed 30 percent concentration from a single resource or supplier. Fuel supply contracts will be diversified such that no more than 20 percent (but not more than 1.2 million tons) will be from a single supplier for any rolling 12-month period.

Exceptions to these limits shall require approval of BREC's Board.

g. Risk Measurement and Compliance Reporting

Risk measurement and policy compliance within the volumetric and lead time criteria will be demonstrated on a regular basis in the ACES monthly portfolio model risk report. This report will generally cover three years of projections with five-year runs performed at least twice per year or when market conditions indicate the potential to cost-effectively hedge beyond three years. A brief outline of the contents of the ACES monthly report is contained in Appendix B.

Responsibility

It shall be the responsibility of the Board, CEO and IRMC to ensure compliance with this policy. Implementation of this policy shall adhere to the authority granted in the Trading Authority Policy.

Appendix A—Comprehensive Policy Objectives and Implementation Controls

Insulate portfolio from near term shocks

Spot market wholesale power, coal, natural gas, capacity and emission allowance market volatility can create a financial burden to BREC and, therefore, BREC's objective is to minimize exposure to this short-term volatility. In order to mitigate the financial exposure to short-term price shocks, BREC should continually reduce its exposure to these markets as a certain time period nears. Upcoming months should be hedged close to 100 percent as the month nears. An upcoming calendar year should be more hedged than out years. This should provide more budget certainty and reduce the likelihood of unsettling cost changes.

Interaction with Rates

Although purchases above the specified hedge ranges are not generally pursued, the flexibility of this hedging strategy allows for rate impact assessments to play an important role. In general, if satisfied with the rate consequence, BREC can buy towards the top of the hedge range or seek approval from the Board to exceed the ranges.

During an upcoming 12-month period, a rate driven target to fill and/or a trailing stop can be used to drive residual purchases. Since this time interval allows hedges up to 100 percent (if achievable), a rate objective could be used in this timeframe while imposing little risk of becoming too out of balance with the market as is the case for the out years.

Another key component of the hedging strategy is to understand the impact of various market conditions on BREC's all-in member rates. Ongoing analyses of the relationship between BREC's rates and various market price levels allows recognition of market conditions where additional purchases are warranted to pursue an attractive absolute rate level.

Execution Strategy and Potential Departures

Execution strategies will be developed to implement this hedging policy. Hedges will be entered based on disciplined execution strategies developed to comply with this policy. Execution strategies will include considerations of hedge timing, market price levels, rates and the BREC budget. Execution strategies will be approved by the IRMC not less than quarterly.

Departures above the monthly ranges or for additional years past the stated horizon should only occur when market prices indicate fundamental value. Fundamental value will be determined with a historical view of market prices combined with forward looking fundamental supply and demand dynamics given expected generation diversity. Fundamental value can also address BREC's desire to stabilize a portion of its long-term rates through long-term transactions or asset ownership.

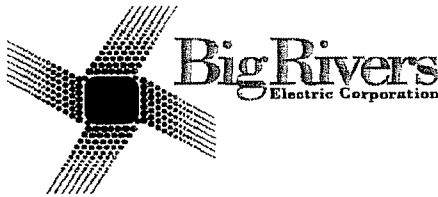
As an example, given current market price dynamics, BREC could consider buying above the hedging ranges and/or for added years if forward power drops below \$28/MWh for an annual 7x24 block. The execution strategy may specify the magnitude and duration of departure from the stated hedging ranges. It might indicate that at \$25/MWh prices add 15 percent to the range and extend hedging to four years.

Execution strategies are continually in the development stage, but will become an important aspect of the hedging policy. Approved execution strategies will be firmly followed, but may be modified through the IRMC.

Appendix B – ACES Monthly Report on the BREC Portfolio

- Purpose – A consistent report to formally communicate risk, hedging activities, and other information to the IRMC and the Board, including:
 - Projected costs,
 - Changes in projections compared to the previous report and the budget,
 - Market changes,
 - Probability or “certainty” in the projections,
 - Potential changes in projected costs due to stress events such as drastic forward price changes,
 - Actual hedges compared to hedge policy ranges.

- Addendums – Periodically or as necessary the report may contain risk assessments or decision support information for issues such as:
 - Hedging opportunities outside of policy (e.g., long-term transaction/power plant investments),
 - Longer term portfolio risk assessments.



COMPANY POLICY

POLICY NUMBER: <u>101</u>	ORIGINAL EFFECTIVE DATE: _____
APPROVED BY: Board	ORIGINAL APPROVAL DATE: 6-15-07, excluding matrices
DATE LAST REVISED: _____	
TRADING AUTHORITY POLICY	

1. Policy Purpose

The purpose of this policy is to define the authority granted by the Big Rivers Electric Corporation (“BREC”) Board of Directors (“Board”) to the president & chief executive officer (“CEO”) to execute and delegate authority to execute energy-related transactions. Furthermore, it sets forth clarity and empowerment among those with trading authority and is designed to encourage communication among individuals with trading authority and the Board.

2. Objective

The objective of BREC’s Trading Authority Policy is to define:

- Who has authority to execute transactions,
- The commodities and products that can be transacted,
- The authorized lead-time and term for each transaction,
- The authorized maximum price and volume,
- Counterparty contract and credit requirements,
- The process for approving new commodities, products or locations,
- BREC’s intention regarding hedging and speculating,
- Other relevant factors associated with due diligence in authorizing transactions to be executed.

3. Procedural Requirements

The following defines the procedural requirements that apply to all commodities and products transacted pursuant to this policy.

Execution Authority

Execution Authority is outlined by commodity in the authority matrix sections found below. All column limits in these matrices are applied independently of one another for each authority level, in that no individual column limit may be exceeded without authorization, regardless of whether a transaction does not exceed another column limit for that same authority level. Limits for each level of authority are cumulative, and include all column limits up to and including that level.

The trading limits apply to both purchases and sales. Daily limits are applied to gross amounts transacted in total for the day, and not to purchases and sales netted together.

This policy identifies Board-authorized levels for the CEO and Sr. VP of energy supply and explicitly gives the CEO the authority to delegate authority levels to BREC staff and ACES Power Marketing (“APM”). The president & CEO has the authority to modify delegated authority levels at his sole discretion as long as the delegated authority does not exceed his own authority per this policy. All delegated authority levels below the Sr. VP level will be recommended by the Sr. VP and approved by the CEO.

Individuals who are listed in the authority matrices in this policy are authorized to execute trades under the stated limits and may downward delegate their authority to others as long as the delegated authority does not exceed their own authority per this policy. Where their authority is further downward delegated, it must be approved by written signature of the next authority level up prior to any execution.

Contract Requirements

Transactions with counterparties shall only be permitted if BREC has either:

- An active, valid, and executed agreement enabling such trading activity with that counterparty,
- Written approval from the BREC CEO.

Credit Requirements

Credit limits for each counterparty shall not be intentionally exceeded. *(Note: Since credit exposures are a function of not only positions traded, but also a function of market pricing and volatility, credit exposure to a counterparty may unintentionally exceed a credit limit purely due to changes in the forward market).*

Entering into unsecured transactions with a counterparty that has total credit exposure greater than or equal to its open line of credit and the total of any security currently provided will not be allowed unless approved in writing by the APM director of credit or the BREC CEO.

Credit Sleeving

All sleeving transactions for credit purposes shall be approved by the CEO. *(Note: Sleeving is an arrangement where a more financially reputable entity acts as middleman for a smaller, undercapitalized entity in the purchase or sale of power.)*

Contract Sleeving

This policy does not prohibit BREC from being positioned between another member or customer of APM and an external counterparty in order to bridge a contract gap that exists. The sleeve must:

- Be only for physical power, transmission or natural gas, not transportation,
- Be only for terms of one month or less.

Contract sleeving on behalf of BREC is approved when it is either the only or the most economical path to pursue at the discretion of APM, with prompt after-the-fact notice to the BREC Sr. VP of energy supply.

Trading on Premises

All verbally binding transactions must be executed on either a voice recorded communication line or via an online broker account. Trading on cellular phones or through instant messaging is prohibited. Off premises trading is prohibited.

Deal Capture

Any transactions executed by a BREC employee must be promptly forwarded to APM after deal execution.

Speculation

No speculative trading activities shall be permitted, and no speculative trading positions shall be initiated. Trading will be permitted only for purposes of hedging and portfolio optimization.

Non-Standard Products

The Board must pre-approve any transaction that involves commodities or products not listed in this policy.

Transactions Requiring Board Approval

Transactions which meet any of the following criteria must be pre-approved by the Board prior to execution:

- The transaction is a new commodity not previously traded by BREC,
- The transaction is at a location in which no trading is permitted,
- The transaction is for something other than: physical spot or forward electricity, natural gas, fuel oil, coal, carbon, petroleum coke, ancillary electric services, capacity, power transmission, financial transmission rights, gas transportation, gas imbalance and storage, coal transportation, exchange traded energy products, over-the-counter (OTC) financial energy transactions, OTC energy options, federal SO₂ or NO_x emission allowances, renewable energy credits or a unit outage insurance product.

Examples of new instruments would include the use of derivatives with different risk characteristics or the use of derivatives to implement different business strategies or goals. New instruments or locations would also include those instruments or locations that may be traded on a “one-off” basis, which would be implementation of a derivative instrument or entry into a

commodity market that, despite the anticipation of being transacted just once, would still fit the definition of a new instrument or location.

The purpose of defining a process for such transactions as noted above is to ensure that the exposures associated with them are thoroughly reviewed and understood by the Board and appropriate trading controls are in place. The Board must approve the use of such transactions prior to execution using the process defined below:

- a) Transaction Proposal - The proposal is the responsibility of the person or business group proposing the transaction. The proposal should address the business need, risks, trading controls, valuation methodology, accounting methodology, operations workflow/methodology, and assessment of legal and regulatory issues.
- b) Board Review - The Board will perform a review on the benefits and risks of the proposed transaction. The Board will assess the proposed transaction and make a determination whether to add the proposed transaction to the approved list.
- c) Approval (Pilot Program) – The Board may approve limited use of the proposed transaction to ensure that proper controls are in place to monitor the activity. The Board may approve the proposed transaction without instituting a Pilot Program if the proposed transaction is going to be used once (one off), where it would not be prudent to test it in a shorter time frame or smaller quantity due to constraints such as liquidity or length of term of product. The Board will use more scrutiny in approval of one-off transactions.

4. Non RTO Electric Power and Transmission Trading Authority

The following outlines transaction limits, definitions, and procedural requirements for power and power transmission transactions.

Title	Product	Per Transaction Limits (up to)				Per Trading Day Limits (up to)		Aggregate Limits	
		Term	Lead Time	MW Size	\$/ MWH	Total Volume MWH	Total \$	Total Volume MWH	Total \$
Board	Electric Power and Trans.	No Limit	No Limit	No Max.	No Max.	No Max.	No Max.	No Max.	No Max.
CEO	Electric Power and Trans.	> 3 Year ≤ 5 Years	2 Years	50	\$75	1,314,000	\$98.5 million	2,628,000	\$197 million
		≤ 3 Years		No Max.	No Max.				
Sr. VP of Energy Supply	Electric Power and Trans.	> 1 Month ≤ 1 Year	1 Year	50	\$150	338,000	\$50.7 million	876,000	\$75 million
		≤ 1 Month		400	No Max				

Power Authority Matrix Explanations

- Transaction limits represent the MW volume per hour and dollars/MWH for each transaction executed.
- Per Trading Day Limits represent the total MWH volume and dollars for all transactions executed in a trading day.
- Aggregate Limits represent the sum total MWH volume and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is executed to the start of the trade.
- The dollar limits are based upon electric power only and do not include transmission, however the term, lead time, and volume limits do apply to transmission.
- Authorized products include electric power and transmission, including both physical and financial derivatives, as well as capacity and ancillary services. Financial derivatives may be OTC electric forwards and options or exchange traded products.
- Authority for PJM and MISO products is defined in the authority matrices below.

Delivery Locations

Trading at delivery locations outside the eastern interconnect is not permitted. Trading at delivery locations that are normal to the daily course of business for BREC, to the extent transmission is available, is authorized as follows:

Unrestricted Delivery Locations

- SERC Reliability Region
- MISO
- PJM
- RFC Reliability Region
- SPP

Trading at any other delivery locations within the eastern interconnection shall be restricted as follows:

Restricted Delivery Locations

Eastern interconnection locations (only with approval by the APM vice president of portfolio management/portfolio director or the BREC CEO).

Firmness of Power

The product firmness of all transactions must be provided for in an executed agreement between BREC and the appropriate counterparty. Sales commitments must never be more firm than the

supply source, including the purchase side of back-to-back sales, swaps, sleeves or spreads unless the BREC CEO gives explicit written authority to sell power that is more firm than the supply source. Energy purchased as firm LD may be resold as such.

Note that PJM RTO and MISO ISO day-ahead transactions, such as price-sensitive offers and bids for importing and exporting from PJM or MISO, are financially firm. Hence an exception from the firmness of power for adjustments to these day ahead transactions intraday is acceptable due to the fact that these adjustments are hourly and non-firm.

Transmission Firmness and Volume

Transmission purchases need to be of equal firmness and volume to the energy component that such transmission purchase is associated with, unless pre-approved otherwise by the BREC CEO. (Note: Purchasing small percentages of additional transmission to cover transmission losses is permitted.) In addition, transmission may be reserved but not utilized if an energy schedule is not confirmed prior to scheduling deadlines outside of APM’s control. When this occurs it is not considered a violation of this policy.

5. MISO Trading Authority

The following outlines transaction limits, definitions, and procedural requirements for MISO products.

		MISO Per Transaction Limits (up to)			
Title	Product	Delivery Lead Time	Term	MW Size	\$/MWh
Board	All MISO Products	No Limit	No Limit	No Max	No Max
CEO	Generation Awards	None	None	None	None
	Demand Awards				
	Virtual Transaction Awards	As Required by MISO	1 Operating Day	No Max	MISO Price Cap
	Imports/Exports				
Financial Transmission Rights	None	None	None	None	
Sr. VP of Energy Supply	Generation Awards	None	None	None	None
	Demand Awards				
	Virtual Transaction Awards	As Required by MISO	1 Operating Day	400	MISO Price Cap
	Imports/Exports			200	
Financial Transmission Rights	None	None	None	None	

MISO Authority Matrix Explanations

- Generation award limits are per generating unit.
- Demand award limits are per each load location.

- Virtual transaction award limits are per each bid/offer nodal point. Virtual purchase awards and virtual sales awards are monitored separately.
- Imports and exports are per location and are monitored separately.
- Only financial transmission rights that are bought and sold via the annual and monthly auctions or in the secondary market are monitored per the limits above. This excludes financial transmission rights allocated in the annual allocation.

6. PJM Trading Authority

The following outlines transaction limits, definitions, and procedural requirements for PJM products.

Title	Product	PJM Per Transaction Limits (up to)			
		Delivery Lead Time	Term	MW Size	\$/MWh
Board	All PJM Products	No Limit	No Limit	No Max	No Max
CEO	Generation Awards	None	None	None	None
	Demand Awards				
	Ancillary Service Awards				
	Capacity				
	Financial Transmission Rights				
	Virtual Transaction Awards	As Required by PJM	1 Operating Day	No Max	PJM Price Cap
	Imports/Exports				
Sr. VP of Energy Supply	Generation Awards	None	None	None	None
	Demand Awards				
	Ancillary Service Awards				
	Capacity				
	Financial Transmission Rights				
	Virtual Transaction Awards	As Required by PJM	1 Operating Day	400	PJM Price Cap
Imports/Exports			200		

PJM Authority Matrix Explanations

- Generation award limits are per generating unit.
- Demand award limits are per each load nodal point.
- Virtual transaction award limits are per each bid/offer nodal point. Incremental purchase awards and decremental sales awards are monitored separately.
- Imports and exports are per location and are each monitored separately.
- Only financial transmission rights that are bought and sold via the annual and monthly auctions or in the secondary market are monitored per the limits above. This excludes FTRs allocated in the annual allocation.
- Prior to 6/1/07 capacity limits apply to bilateral transactions executed for unit specific or unforced capacity credits as well as capacity credits purchased in the daily or monthly PJM capacity credit market. Effective 6/1/07 capacity limits apply to bilateral transactions for unforced capacity and financial capacity.

- Limits for ancillary service awards apply to the regulation and spinning reserve market only.

7. Natural Gas and Transportation Trading Authority

The following outlines transaction limits, definitions, and procedural requirements for natural gas and transportation transactions.

Title	Product	Term	Lead Time	Per Transaction Limits (up to)		Per Trading Day Limits (up to)		Aggregate Limits (up to)	
				# of Financial Contracts / Physical Volume per Day MMBtu	\$/MMBtu	# of Financial Contracts / Total Physical Volume MMBtu	Total \$	# of Financial Contracts / Total Physical Volume MMBtu	Total \$
Board	Natural Gas Products	No Limit	No Limit	No Max.	No Max.	No Max.	No Max.	No Max.	No Max.
CEO	Financial	>1 Year ≤ 2 Years	2 Years	100,000	\$15	100,000	\$1.5 million	800,000	\$12 million
		≤ 1 Year		No Max.	No Max.				
	Physical	>1 Year ≤ 2 Years		100,000	\$15	100,000	\$1.5 million	800,000	\$12 million
		≤ 1 Year		No Max.	No Max.				
Sr. VP Energy Supply	Financial	> 1 Month ≤ 1 Year	1 Year	50,000	\$12	100,000	\$1.2 million	400,000	\$4.8 million
		≤ 1 Month		No Max.	No Max.				
	Physical	> 1 Month ≤ 1 Year		50,000	\$12	100,000	\$1.2 million	400,000	\$4.8 million
		≤ 1 Month		No Max.	No Max.				

Natural Gas Authority Matrix Explanations

- Transaction limits represent the number of financial contracts or the physical mmBTU volume per day and dollars/mmBTU for each transaction executed.
- Per trading day limits represent the number of financial contracts or the total physical mmBTU volume and dollars for all transactions executed in a trading day.
- Aggregate limits represent the number of financial contracts or the total physical mmBTU volume and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is executed to the start of the trade.
- The dollar limits are based upon commodity gas only and do not include transportation, however, the term, lead time, and volume limits do apply to transportation.
- One monthly NYMEX contract contains 10,000 mmBTU.
- Natural gas products include physical gas and financial gas derivatives, as well as transportation, imbalance and storage. The above authority matrix applies to both exchange traded and OTC derivative products.

Natural Gas Firmness

The product firmness of all trades must be provided for in an executed agreement between BREC and the appropriate counterparty. Sales commitments must never be more firm than the supply source unless pre-approved by the BREC CEO.

Transportation Firmness and Volume

Transportation purchases need to be of equal firmness and volume to the natural gas component that such transportation purchase is associated with, unless pre-approved otherwise by the BREC CEO.

Delivery Locations

Financial natural gas transactions may only be executed at the following locations:

- Henry Hub,
- Pipelines and hubs that serve BREC gas plants.

Physical natural gas transactions may only be executed at the following locations:

- Pipelines and hubs that can directly serve BREC gas plants.

Financial and physical natural gas transactions may only be executed at other locations upon approval of the APM vice president of portfolio management/portfolio director or the BREC CEO and such transactions must support the hedging needs of BREC.

8. Fuel Oil Trading Authority

The following outlines transaction limits, definitions, and procedural requirements for financial and physical fuel oil transactions.

Fuel oil hedging will be conducted to hedge price risk associated with fuel oil used for plant start-up or to hedge potential fuel oil or diesel fuel price risk contained within coal contracts.

<u>Title</u>	<u>Product</u>	<u>Per Transaction Limits (up to)</u>				<u>Aggregate Limits (up to)</u>	
		<u>Term</u>	<u>Lead Time</u>	<u>Volume Gallons</u>	<u>\$/Gallon</u>	<u>Total Volume Gallons</u>	<u>Total \$</u>
Board	Financial and Physical Fuel Oil	No Limit	No Limit	No Max	No Max	No Max	No Max
CEO	Financial Fuel Oil	≥ 1 Year ≤ 3 Years	2 Years	1,000,000	\$6	10,000,000	\$60 million
		≤ 1 Year		No Max	No Max		
	Physical Fuel Oil	≥ 1 Year < 3 Years	2 Years	1,000,000	\$6	3,000,000	\$9 million
		≤ 1 Year		No Max	No Max		
Sr. VP of Energy Supply	Financial Fuel Oil	> 1 Month ≤ 2 Year	1 Year	750,000	\$5	5,000,000	\$25 million
		≤ 1 Month		No Max	No Max		
	Physical Fuel Oil	> 1 Month ≤ 1 Year	1 Year	750,000	\$5	2,000,000	\$10 million
		≤ 1 Month		No Max	No Max		

Fuel Oil Authority Matrix Explanations

- Transaction limits represent the total gallons and dollars/gallon for each transaction executed.
- Aggregate limits represent the sum total gallon volume and dollars for all forward transactions.
- One monthly NYMEX contract represents 42,000 Gallons (1,000 Barrels).
- Financial fuel oil derivative transactions are only authorized to the extent they are used to hedge BREC's forward fuel oil exposure. Fuel oil includes both the physical product and financial derivatives. Fuel oil financial derivatives include both exchange traded and OTC products.
- Lead time represents the time period from the date a trade is executed to the start of the trade.

9. Coal Trading Authority

The following outlines transaction limits, definitions, and procedural requirements for coal transactions.

Title	Product	Per Transaction Limits (up to)				Aggregate Limits (up to)	
		Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
Board of Directors	Physical and Financial Coal, Petroleum Coke	No Limit	No Limit	No Max	No Max	No Max	No Max
CEO	Physical and Financial Coal	> 1 Year ≤ 3 Years	2 Years	3,300,000	\$45	13,200,000	\$594 million
		≤ 1 Year		1,000,000	No Max		
	Physical and Financial Petroleum Coke	> 1 Year ≤ 3 Years		500,000	\$60	1,000,000	\$60 million
		≤ 1 Year		No Max	No Max		
Sr. VP Energy Supply	Physical and Financial Coal	> 1 Month ≤ 2 Years	1 Year	1,000,000	\$40	3,000,000	\$120 million
		≤ 1 Month		No Max	No Max		
	Physical and Financial Petroleum Coke	> 1 Month ≤ 2 Years		250,000	\$60	1,000,000	\$60 million
		≤ 1 Month		No Max	No Max		

Coal Authority Matrix Explanations

- Authorized products include physical spot and forward transactions, financial swaps, options on physical forwards or financial swaps and NYMEX cleared OTC transactions.
- Per transaction limits represent the total quantity in tons and dollars/ton for each transaction executed.
- Aggregate limits represent the sum total quantity in tons and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is executed to the start of the trade.

10. Coal Transportation Trading Authority

The following outlines transaction limits, definitions, and procedural requirements for coal transportation transactions.

Title	Product	Per Transaction Limits (up to)				Aggregate Limits (up to)	
		Term	Lead Time	Volume Tons	\$/Ton	Total Volume Tons	Total \$
Board	Barge, Rail or Truck Transportation	No Limit	No Limit	No Max	No Max	No Max	No Max
CEO	Barge, Rail or Truck Transportation	> 1 Year ≤ 5 Years	2 Years	7.5 million	\$7	20 million	\$52.5 million
		≤ 1 Year		No Max	No Max		
Sr.VP of Energy Supply	Barge, Rail or Truck Transportation	> 1 Month ≤ 3 Years	1 Year	5.0 million	\$5	8 million	\$20 million
		≤ 3 Months		No Max	No Max		

Coal Transportation Authority Matrix Explanations

- Authorized products include barge, rail and truck transportation transactions.
- Per transaction limits represent the total quantity in tons and dollars/ton for each transaction executed.
- Aggregate limits represent the sum total quantity in tons and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is executed to the start of the trade.

11. Emission Allowances Trading Authority

The following outlines transaction limits, definitions, and procedural requirements for emissions transactions.

Title	Product	Per Transaction Limits (up to)				Aggregate Limits (up to)	
		Term	Lead Time	Volume Tons (2)	\$/Ton (1)	Total Volume Tons (2)	Total \$
Board	Federal SO ₂ and NO _x Emission Allowances	No Limit	No Limit	No Max	No Max	No Max	No Max
CEO	Federal SO ₂ Emission Allowances	> 1 Year ≤ 2 Years	2 Years	1,500	\$1,500	60,000	\$90 million
		≤ 1 Year		No Max	No Max		
	Federal NO _x Emission Allowances	> 1 Year ≤ 2 Years		500	\$3,000	1,500	\$4.5 million
		≤ 1 Year		No Max	No Max		
Sr.VP of Energy Supply	Federal SO ₂ Emission Allowances	> 1 Month ≤ 1 Year	1 Year	5,000	\$1,200	15,000	\$18 million
		≤ 1 Month		No Max	No Max		
	Federal NO _x Emission Allowances	> 1 Month ≤ 1 Year		150	\$2,500	500	\$1.25 million
		≤ 1 Month		No Max	No Max		

Emission Allowance Authority Matrix Explanations

- The authority matrix above represents authority for SO₂ and NO_x emission allowances.
- Per transaction limits represent the total quantity in tons and dollars/ton for each transaction executed.
- Aggregate limits represent the sum total quantity in tons and dollars for all forward transactions.
- Lead time represents the time period from the date a trade is executed to the start of the trade.

12. Acknowledgements

Clear Authority and Staff and APM Authority Delegations

Where authority is further downward delegated, it must be approved by written signature of the next authority level up prior to any execution. BREC staff and ACES Power Marketing trading authority delegations and transaction request processes that grant authority to BREC staff and ACES Power Marketing shall be documented in an internal procedure and shall be subject to the written approval of the CEO. In no case will the BREC staff or ACES Power Marketing trading delegations exceed that of the CEO.

Violations and Sanctions

Violations of this Authority Policy must not occur. Should it be determined that a violation did occur, the IRMC will notify the BREC Board of such violation, and the responsible party(ies) will be sanctioned according to BREC Risk Management Sanctions Policy.

Policy Effective

This Trading Authority Policy is in effect upon the Board's approval and shall remain in effect until a replacement policy has been approved by the Board.

Responsibility

It shall be the responsibility of the Board, the CEO and the IRMC to ensure compliance with this policy.

Big Rivers Electric Corporation

Journal Entries to Record the Unwind Transaction

10	131,10000	Cash General Fund				
11	253,20000	Deferred Credit - Lease Income				
12	253,25000	Deferred Credit - Cap Asset Residual Value				
13	253,25100	Deferred Credit - Incremental Residual Value				
14	224,14100	LEM Settlement Promissory Note				
15	101,0312C	Boiler Plant Equipment - Clean Air - Coleman				
16	101,0316	Miscellaneous Power Plant Equipment (Personal Property)				
17	151,00000	Fuel Stock				
18	154,00000	Plant Materials and Operating Supplies				
19	174,10000	Miscellaneous Asset - Allowances Receivable				
20						
21						
22	186,50000	Deferred Debit - Marketing PMT/Settlement				
23	232,00000	Accounts Payable - Smelter Payment - Assurances Agreement				
24	253,00000	Deferred Credit - Member Economic Reserve				
25	434,00000	Extraordinary Income				
26	Total					
27						
28		Journal Entry 2 - Payments to the RUS and Smelters				
29						
30	224,35000	RUS New Note				
31	232,00000	Accounts Payable - Smelter Payment - Assurances Agreement				
32	131,10000	Cash General Fund				
33	Total					
34						
35						
36		Journal Entry 3 - To Establish Special Funds and Recognize Tax Asset				
37						
38	190,10000	Accumulated Deferred Income Taxes				
39	128,70000	Other Special Funds - Member Economic Reserve				
40	128,80000	Other Special Funds - Member Transition Reserve				
41	131,10000	Cash General Fund				
42	Total					
43						
44						
45						

	<u>DR</u>	<u>CR</u>
	301,500,000.00	
	11,445,186.00	
	61,022,748.00	
	89,371,026.00	
	16,024,822.00	
	97,495,087.00	
	55,000,000.00	
	10,892,000.00	
	15,740,077.00	
	4,263,000.00	
	75,000,000.00	
	547,747,792.00	
	642,750,869.00	
	<u>DR</u>	<u>CR</u>
	195,807,999.00	
	4,263,000.00	
	200,070,999.00	
	200,070,999.00	
	<u>DR</u>	<u>CR</u>
	1,082,942.00	
	75,000,000.00	
	35,000,000.00	
	111,082,942.00	
	111,082,942.00	

Transaction Termination Agreement Section 3.3 (a)
 Exhibit B, Section 2.1 & 2.4
 Exhibit B, Section 2.1 & 2.4
 Exhibit B, Section 2.1 & 2.4
 Exhibit B, Section 2.1 & 2.4
 Exhibit B, Section 2.1 & 2.4
 Exhibit B, Section 2.1 & 2.4
 Exhibit B, Section 2.1 & 2.4
 Section 3.3 (a)
 Section 3.3 (a)
 Section 3.3 (a)
 Section 3.3 (a)
 Section 3.3 (a)
 Section 3.3 (a)
 Section 3.3 (a)
 Section 8.2 (d)
 Exhibit B Section 2.1 & 2.4
 Exhibit B Section 2.1 & 2.4
 Financial Model Line 160
 Coordination Agreements Section 3.3
 Financial Model Line 156
 Wholesale Electric Agreements Section 1.1, 3.4
 Wholesale Electric Agreements Section 1.1, 1.19

Big Rivers Electric Corporation
Present Rates
Actual for 12 Months Ending October 2007

	KW	KWh	Demand Revenue	Base Energy Revenue	Power Factor Penalty	Member Discount Adjustment	Total Revenue
JACKSON PURCHASE RURALS	1,493,544	692,062,515	11,005,271 *	14,118,075		(781,793)	24,341,553
KENERGY RURALS	2,680,466	1,231,720,814	19,755,034	25,127,105		(1,401,803)	43,480,336
MEADE COUNTY RURALS	1,079,325	471,228,700	7,954,625	9,613,065		(551,707)	17,015,983
TOTAL RURALS	5,253,335	2,395,012,029	38,714,930	48,858,245	0	(2,735,303)	84,837,872
KI-ACCURIDE	70,423	28,061,478	714,793	384,863		(35,403)	1,064,253
KI-ALCOA	25,377	1,124,020	306,901 **	15,416	(11,459)	(5,962)	304,896
KI-ALERIS	339,402	187,601,720	3,444,930	2,572,958		(191,830)	5,826,058
KI-ALLIED	63,005	24,617,468	639,501	337,629		(30,820)	946,310
KI-ARMSTRONG	10,299	3,420,400	104,535	48,911	32,530	(5,860)	178,116
KI-CARDINAL RIVER	8,022	2,040,170	81,423	27,981	1,533	(3,430)	107,507
KI-DOMTAR PAPER CO.	325,000	215,731,279	3,298,750	2,958,754	1,056	(200,171)	6,057,333
KI-DOTIKI #3	8,296	5,772,110	84,204	79,164		(5,206)	159,218
KI-DYSON CREEK MINE	6,600	195,270	66,990	2,678	1,472	(2,587)	67,081
KI-HOPKINS CO. COAL	4,304	2,471,384	43,686	33,895		(2,605)	76,448
KI-KB ALLOYS, INC.	26,898	8,758,200	273,015	120,119		(12,655)	380,479
KI-KIMBERLY-CLARK	424,095	292,427,100	4,304,564	4,010,638		(264,889)	8,050,313
KI-KWMC, LLC	41,883	14,473,910	425,112	198,510	13,894	(20,132)	603,490
KI-PATRIOT COAL, LP	60,035	24,453,320	609,355	335,377		(30,150)	928,476
KI-ROLL COATER	48,165	22,967,080	488,875	314,994		(25,701)	778,168
KI-TYSON FOODS	119,477	63,561,090	1,212,692	871,740	1,289	(66,347)	2,019,374
KI-VALLEY GRAIN	22,456	8,961,092	227,928	122,901	35,506	(11,256)	375,079
JPI-SHELL OIL	61,775	22,902,180	627,016	314,103		(29,693)	911,426
TOTAL INDUSTRIALS	1,665,512	929,539,271	16,954,270	12,748,631	75,821	(944,697)	28,834,025
GRAND TOTAL	6,918,847	3,324,551,300	55,669,200	61,606,876	75,821	(3,680,000)	113,671,897

* Includes an adjustment of \$2,149 given to JP due to an under billing during the period of May 2006-August 2007 corrected in accordance with the Kentucky Administrative Regulations Title 807, Chapter 5, Section 10.

** 2006 - October 2006.
The under billing has been corrected in accordance with the Kentucky Administrative Regulations Title 807, Chapter 5, Section 10. In addition, the power factor penalty reflects an adjustment related to the under billing.

**Big Rivers Electric Corporation
Rates With Proposed 2008 Tariff Riders**

	KW	kWh	Demand Revenue	Base Energy Revenue	Power Factor Penalty	Member Discount Adjustment	Fuel Adjustment Charge	Environmental Surcharge	Unwind Surcredit	Rebate Adjustment	Member Rate Stability Mechanism	Total Revenue
JACKSON PURCHASE RURALS	1,493,544	692,062,515	11,005,271	14,118,075	(781,793)	4,063,169	339,111	(2,788,250)	(173,016)	(1,481,014)	24,341,553	
KENERGY RURALS	2,680,466	1,231,720,814	19,755,034	25,127,105	(1,401,803)	7,267,153	603,543	(4,926,883)	(307,930)	(2,635,883)	43,480,336	
MEADE COUNTY RURALS	1,079,325	471,228,700	7,954,625	9,613,065	(551,707)	2,780,249	230,902	(1,884,915)	(117,807)	(1,008,429)	17,015,983	
TOTAL RURALS	5,253,335	2,395,012,029	38,714,930	48,858,245	0	(2,735,303)	14,130,571	1,173,556	(9,580,048)	(598,753)	(5,125,326)	84,837,872
KI-ACCURIDE	70,423	28,061,478	714,793	384,863	(35,403)	165,563	13,750	(112,246)	(7,015)	(60,052)	1,064,253	
KI-ALCOA	25,377	1,124,020	306,901	15,416	(11,459)	6,632	551	(4,496)	(281)	(2,406)	304,896	
KI-ALERS	339,402	187,601,720	3,444,930	2,572,958	(191,830)	1,106,850	91,925	(750,407)	(46,900)	(401,468)	5,826,058	
KI-ALLIED	63,005	24,617,468	639,501	337,629	(30,820)	145,243	12,063	(98,470)	(6,154)	(52,682)	946,310	
KI-ARMSTRONG	10,299	3,420,400	104,535	46,911	(5,860)	20,180	1,676	(13,682)	(855)	(7,319)	178,116	
KI-CARDINAL RIVER	8,022	2,040,170	81,423	27,981	(3,430)	12,037	1,000	(8,161)	(510)	(4,366)	107,507	
KI-DOMTAR PAPER CO.	325,000	215,731,279	3,298,750	2,958,754	(200,171)	1,272,815	105,708	(862,925)	(53,933)	(461,665)	6,057,333	
KI-DOTIKI #3	8,296	5,772,110	84,204	79,164	(5,206)	34,055	2,828	(23,088)	(1,443)	(12,352)	159,218	
KI-DYSON CREEK MINE	6,600	195,270	66,990	2,678	(2,587)	1,152	96	(781)	(49)	(418)	67,081	
KI-HOPKINS CO. COAL	4,304	2,471,384	43,686	33,895	(1,472)	14,581	1,211	(9,866)	(618)	(5,288)	76,448	
KI-KB ALLOYS, INC.	26,898	8,788,200	273,015	120,119	(12,655)	51,673	4,292	(35,033)	(2,190)	(18,742)	380,479	
KI-KIMBERLY-CLARK	424,095	292,427,100	4,304,564	4,010,638	(264,889)	1,725,320	143,289	(1,169,708)	(73,107)	(625,794)	8,050,313	
KI-KIMMC, LLC	41,883	14,473,910	425,112	198,510	(20,132)	85,396	7,092	(57,896)	(3,618)	(30,974)	603,490	
KI-PATRIOT COAL, LP	60,035	24,453,320	609,355	335,377	(30,150)	144,275	11,982	(97,813)	(6,113)	(52,331)	928,476	
KI-ROLL COATER	48,165	22,967,080	488,875	314,994	(25,701)	135,506	11,254	(91,868)	(5,742)	(49,150)	778,168	
KI-TYSON FOODS	119,477	63,561,090	1,212,692	871,740	(66,347)	375,010	31,145	(254,244)	(15,890)	(136,021)	2,019,374	
KI-VALLEY GRAIN	22,456	8,961,092	227,928	122,901	(11,256)	52,870	4,391	(35,844)	(2,240)	(19,177)	375,079	
JPI-SHELL OIL	61,775	22,902,180	627,016	314,103	(29,693)	135,123	11,222	(91,609)	(5,726)	(49,010)	911,426	
TOTAL INDUSTRIALS	1,665,512	929,539,271	16,954,270	12,748,631	75,821	(944,697)	5,484,281	455,475	(3,718,157)	(232,384)	(1,989,215)	28,834,025
GRAND TOTAL	6,918,847	3,324,551,300	55,669,200	61,606,876	75,821	(3,680,000)	19,614,852	1,629,031	(13,298,205)	(831,137)	(7,114,541)	113,671,897

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

THE APPLICATIONS OF BIG RIVERS)
ELECTRIC CORPORATION FOR:)
(I) APPROVAL OF WHOLESALE TARIFF)
ADDITIONS FOR BIG RIVERS ELECTRIC) CASE NO. 2007-00455
CORPORATION, (II) APPROVAL OF)
TRANSACTIONS, (III) APPROVAL TO ISSUE)
EVIDENCES OF INDEBTEDNESS, AND)
(IV) APPROVAL OF AMENDMENTS TO)
CONTRACTS; AND)

E.ON-U.S., LLC, WESTERN KENTUCKY ENERGY)
CORP. AND LG&E ENERGY MARKETING,)
INC. FOR APPROVAL OF TRANSACTIONS)

EXHIBIT 11

Summary and Analysis of Terms and Conditions of the Termination Agreement
In Response to May 2, 2007 Letter from Beth O'Donnell

December 2007

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EXHIBIT 11

RESPONSE TO ITEM NO. 2 IN MAY 2, 2007 LETTER FROM BETH
O'DONNELL, EXECUTIVE DIRECTOR FOR THE KENTUCKY PUBLIC
SERVICE COMMISSION

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A SUMMARY OF THE TERMS AND CONDITIONS OF THE TERMINATION AGREEMENT, INCLUDING ANY ASSOCIATED AGREEMENTS THAT MAY NOT BE A PART OF THE ACTUAL TERMINATION AGREEMENT DOCUMENT.

11 This represents a summary of the Transaction Termination Agreement, dated
12 March 26, 2007, as amended by a First Amendment to Transaction Termination
13 Agreement dated November 1, 2007, among Big Rivers Electric Corp. (“Big Rivers”),
14 Western Kentucky Energy Corp. (“WKEC”) and LG&E Energy Marketing Inc. (“LEM”)
15 (“Termination Agreement”), and of the other transaction documents for the unwind
16 transactions as they are currently contemplated between Big Rivers and E.ON U.S., on
17 the basis of their discussions and negotiations to date and their related discussions with
18 the other key constituents that must participate in the unwind transactions. It is subject to
19 change in the event the parties’ continuing discussions and negotiations with each other,
20 and with those other key constituents, give rise to additional issues that must be
21 addressed through modifications of the documents described herein, or through additional
22 documents not currently contemplated by Big Rivers or E.ON U.S.

23 The Termination Agreement represents the “Omnibus Transaction Agreement”
24 whereby Big Rivers, WKEC and LEM have agreed to unwind, terminate and release each
25 other from the approximately 25-year Lease and Operating Agreement, the
26 approximately 25-year Power Purchase Agreement and the related transactions that were
27 entered into in 1998 (and subsequently) among Big Rivers, LEM and WKEC (including
28 WKEC’s affiliates that were previously merged into WKEC), and to unwind, terminate
29 and release the agreements entered into by E.ON U.S. LLC (formerly LG&E Energy
30 Corp.) in connection with those transactions, but in each case only if and when certain
31 specified conditions precedent for the benefit of the parties (set forth in Article 10 of the

1 Termination Agreement, among other provisions of that agreement) have been satisfied
2 or waived by the parties.

3 I. Conditions to Closing

4 Among other conditions precedent (including various conditions precedent that
5 are unique to this transaction, and a number of other conditions precedent that are
6 customary for a transaction of this type, scope and magnitude), the conditions precedent
7 to the unwind Closing included in the Termination Agreement include the requirements:

8 (a) that WKEC transfer to Big Rivers at the “Closing” substantially all of
9 the fuels and other inventories, equipment, tools, spare parts, materials and
10 supplies, and certain designated contracts, SO₂ and NO_x allowances, and
11 transmission reservations, in each case associated with the leased generators
12 (Coleman, Green, Reid and Wilson Stations) and the City of Henderson’s Station
13 Two generation station (“Station Two”);

14 (b) that WKEC transfer to Big Rivers certain licenses or other rights of
15 WKEC to utilize certain computer software and other intellectual property used
16 by WKEC in the operation of the leased generators or Station Two;

17 (c) that the City of Henderson and the City of Henderson Utility
18 Commission agree to terminate and release all agreements (entered into in 1998
19 and subsequently) whereby WKEC or LEM have rights and obligations to operate
20 and maintain Station Two, to fund certain costs associated with the operation and
21 maintenance of Station Two, and to purchase certain of the capacity and energy of
22 Station Two (resulting in Big Rivers reassuming its original (pre-1998)
23 contractual rights and obligations with the City of Henderson and the City of
24 Henderson Utility Commission to undertake those activities which are currently
25 the responsibility of WKEC and LEM);

26 (d) that Kenergy Corp. (“Kenergy”), Alcan Corporation (and its affiliates)
27 and Century Aluminum Company (and its affiliates) release LEM from its
28 obligations to sell and deliver power to Kenergy (for resale to those aluminum

1 smelting companies) pursuant to two separate wholesale power sales agreements
2 entered into by LEM with Kenergy (then Henderson Union Rural Electric
3 Cooperative Corp. and Green River Electric Corporation) in 1998 (and
4 subsequently), and from certain related agreements with Kenergy and those
5 aluminum smelting companies;

6 (e) that Big Rivers enter into new or amended wholesale power sales
7 agreements with Kenergy (on terms satisfactory to Big Rivers, Kenergy and those
8 aluminum smelting companies), to provide certain quantities of power to Kenergy
9 on a long-term basis for resale to those aluminum smelting companies;

10 (f) that Big Rivers' "all requirements" wholesale power sales agreements
11 with its member distribution cooperatives (Kenergy, Jackson Purchase Energy
12 Corporation and Meade County RECC), to serve the load of those member
13 distribution cooperatives (other than the smelter loads of Kenergy), are extended
14 for periods sufficient for Big Rivers to achieve at the Closing the investment
15 grade rating contemplated in (l) below;

16 (g) that WKEC, LEM and Big Rivers receive certain designated tax
17 rulings with respect to the effects of various aspects of the unwind transactions
18 from the Internal Revenue Service and the Kentucky Revenue Cabinet;

19 (h) that the secured creditors of Big Rivers (other than WKEC and LEM),
20 including the Rural Utilities Service (among others) (i) consent to the completion
21 of the unwind transactions and to the new power sales arrangements with the Big
22 Rivers member distribution cooperatives described above, (ii) consent to a debt
23 restructuring and recapitalization of Big Rivers, (iii) agree to a modification of
24 certain rights, preferences and priorities of those secured creditors under the
25 mortgages, security agreements and other collateral instruments from Big Rivers
26 in their favor, and (iv) release WKEC, LEM and E.ON U.S. LLC from certain
27 contractual obligations to those secured creditors entered into in 1998 (and
28 subsequently);

1 (i) that certain approvals of, or waivers with respect to, the transactions
2 described above are obtained from the Federal Energy Regulatory Commission,
3 the Kentucky Public Service Commission and under the Hart-Scott-Rodino
4 Antitrust Improvements Act;

5 (j) that a “Termination Payment” in an amount agreed upon and set forth
6 in the Termination Agreement will be paid by WKEC to Big Rivers at the Closing
7 (together with certain “true-ups” relating to rental payments, payments associated
8 with “Monthly Margin Payments” owing on prior power sales for the smelter
9 load, and other payments for transmission services and operations, maintenance
10 and capital costs, all as pro-rated through the Closing);

11 (k) that WKEC will release Big Rivers at the Closing from any further
12 obligations (i) under the “Settlement Promissory Note” delivered by Big Rivers to
13 LEM at the 1998 transaction closing, or (ii) for the “LG&E Parties Residual
14 Value Payment” contemplated in Section 24.1 of the 1998 New Participation
15 Agreement (as amended);

16 (l) that Big Rivers will have achieved as of the Closing certain designated
17 “investment grade” credit ratings on its debt obligations secured by a first lien and
18 security interest in Big Rivers’ assets;

19 (m) that the capacity, operations, physical condition, state of repair and
20 “environmental condition” of the leased generators and Station Two (and the sites
21 on which they are located) meet certain standards and requirements set forth in
22 the Termination Agreement as of the Closing;

23 (n) that Big Rivers has approved certain material deviations from or
24 modifications to WKEC’s “operating plans” for the leased generators or Station
25 Two that may be implemented following the parties’ execution of the Termination
26 Agreement, and WKEC shall have expended certain designated amounts through
27 the date of the Closing in connection with the maintenance, repair and upkeep of
28 the leased generators and Station Two;

1 (o) that certain designated upgrades to the Big Rivers transmission system
2 (designed to alleviate certain constraints on that system) shall have been
3 completed prior to the Closing or shall have received all required regulatory
4 approvals prior to the Closing;

5 (p) that LEM shall be released by the Rural Utilities Service from a
6 \$933,333.33 demand promissory note delivered by LEM in connection with the
7 1998 transaction closing; and

8 (q) that WKEC and LEM shall have been released as of the Closing from
9 certain contractual obligations to various vendors of inventories, equipment,
10 services and capital assets to the leased generators or Station Two.

11 II. Additional Termination Agreement Provisions

12 Among other provisions unique to this transaction or customary for transactions
13 of this type, scope and magnitude, the Termination Agreement contains provisions:

14 (a) dictating the time and place for the Closing;

15 (b) describing the documents to be executed and/or delivered, and other
16 actions to be taken, by the parties at the Closing;

17 (c) describing the agreed apportionment of the consideration paid by
18 WKEC in the unwind transactions, among certain aspects or components of those
19 transactions;

20 (d) dictating how physical inventories of all fuel and other inventories, and
21 of all equipment, spare parts, materials and supplies, will be conducted by the
22 parties prior to the Closing, and how the fuel inventories and equipment will be
23 valued;

24 (e) identifying which contracts and items of intellectual property (such as
25 computer software) of WKEC will be assigned to and assumed by Big Rivers at
26 the Closing or otherwise made available for Big Rivers' use and enjoyment as of

1 the Closing (including without limitation, pursuant to the Information Technology
2 Support Services Agreement described in paragraph III(20) below), and
3 identifying which of those assignments, etc. will require third-party consents
4 (and/or releases of WKEC) as a condition precedent to the Closing;

5 (f) contemplating a transfer to Big Rivers, either before or after the
6 Closing, of certain licenses and permits relating to the leased generators and
7 Station Two;

8 (g) allocating between Big Rivers and WKEC certain SO₂ allowances and
9 NO_x allowances allotted to the leased generators or Station Two, or to be
10 acquired by WKEC for Big Rivers' benefit;

11 (h) outlining certain agreed procedures for obtaining (and funding the
12 costs of obtaining) certain third-party consents or approvals required for the
13 completion of various aspects of the unwind transactions;

14 (i) setting forth various representations and warranties made by Big
15 Rivers, on the one hand, and WKEC and LEM, on the other hand, to the other(s),
16 some of which are unique to this transaction, but many of which are customary
17 for transactions of this type, scope and magnitude;

18 (j) setting forth the agreed periods of survival (following the Closing) of
19 the parties' respective representations and warranties, and imposing certain
20 limitations on the parties' remedies and rights of recovery for a misrepresentation
21 or breach of warranty on the part of the other party or parties;

22 (k) (i) affording Big Rivers and its representatives certain access rights to
23 the leased generators and Station Two, and to the books and records of WKEC
24 relating to the leased generators and Station Two, during the period leading up to
25 the Closing (in addition to the access rights granted to Big Rivers pursuant to the
26 1998 transaction documents), (ii) affording Big Rivers and its representatives
27 certain enhanced rights to observe WKEC's operation, maintenance, repair and
28 upkeep of the leased generators and Station Two during that same period,

1 (iii) affording Big Rivers (either as absolute rights or as additional conditions
2 precedent to Big Rivers' obligation to consummate the unwind transactions)
3 certain rights to approve various contracts and contract amendments associated
4 with the leased generators or Station Two, and to approve certain deviations by
5 WKEC from its operating plans for the leased generators or Station Two, in either
6 case during that same period, (iv) obligating WKEC to operate the leased
7 generators and Station Two consistent with certain designated standards and
8 generally in accordance with certain operating plans approved by the parties, and
9 to expend certain amounts in connection with the maintenance, repair and upkeep
10 of the leased generators and Station Two, in each case during that same period,
11 (v) requiring WKEC to comply with certain limitations on its employee hirings,
12 terminations, compensation and benefits during that same period, and
13 (vi) affording Big Rivers certain rights to delay the Closing until certain issues
14 that it may have with respect to WKEC's maintenance, repair or upkeep of the
15 leased generators or Station Two (specifically identified by Big Rivers prior to the
16 Closing) have been addressed, and until certain due diligence information
17 previously requested by Big Rivers has been delivered or made available by
18 WKEC;

19 (l) allocating between WKEC and Big Rivers as of the Closing
20 responsibility for certain taxes that may have been or may be assessed against the
21 leased generators or Station Two (or against WKEC or Big Rivers by reason of
22 their respective ownership or operation of the leased generators or Station Two),
23 that may be assessed by reason of the unwind transactions, or that may be
24 assessed in respect of the employees of WKEC;

25 (m) allocating between the parties certain potential liquidated damages
26 associated with the new scrubber facilities at Coleman Station;

27 (n) addressing certain employee and employee benefit transition issues
28 that will result from or be required to be addressed by virtue of the unwind
29 transactions;

1 (o) allocating between the parties the obligation to fund certain emissions
2 fee costs;

3 (p) implementing a series of indemnification covenants, reimbursement
4 covenants and other risk sharing or risk allocation covenants between Big Rivers,
5 on the one hand, and WKEC and LEM, on the other, in order to allocate to or
6 between those parties certain known, latent or potential environmental
7 remediation costs, and certain costs to address potential environmental risks,
8 conditions or circumstances, at or with respect to the leased generators or Station
9 Two (or the sites on which they are located) prior to (and as a condition precedent
10 to) the Closing, or following the Closing, and imposing certain agreed-upon
11 limitations on the parties' respective rights of recovery pursuant to those
12 covenants;

13 (q) providing for the parties to jointly undertake (through an
14 environmental consulting firm jointly retained by them) an environmental audit of
15 the leased generators and Station Two prior to the Closing;

16 (r) providing for (i) certain additional indemnification covenants between
17 Big Rivers, on the one hand, and WKEC and LEM, on the other hand, to allocate
18 between them certain operating risks associated with the leased generators or
19 Station Two (or their respective use, operation, maintenance or repair thereof)
20 arising before the 1998 transactions, arising during the term of the 1998
21 transactions, and/or arising after the Closing of the unwind transactions, (ii)
22 certain other customary indemnification covenants associated with a party's
23 misrepresentation or breach of a covenant in the Termination Agreement or in
24 another agreement associated with the unwind transactions, (iii) certain agreed-
25 upon limitations on the parties' respective rights of recovery and remedies as
26 against each other, and (iv) certain procedures to be followed by the parties in
27 asserting any indemnification claims, prosecuting such claims, defending against
28 third-party claims that may form the basis for such indemnification claims, and

1 remedying or remediating conditions or circumstances that may form the basis for
2 such indemnification claims;

3 (s) affording the parties certain rights to terminate the Termination
4 Agreement if the Closing has not occurred on or prior to April 30, 2008; and

5 (t) providing for various, miscellaneous “boiler plate” covenants and
6 agreements among the parties which are customary for transactions of this type,
7 scope and magnitude.

8 III. Additional Documents

9 As currently contemplated by Big Rivers, WKEC, LEM and E.ON, the following
10 additional documents have been entered into in connection with the Termination
11 Agreement, or will be required to consummate the unwind transactions as currently
12 contemplated in the Termination Agreement. As indicated above, this listing could
13 change based on the discussions and negotiations to be undertaken among the parties
14 with the other key constituents the consent or approval of which, or other covenants or
15 concessions from which, are required for the consummation of the unwind transactions.

16 1. The Guarantee, dated March 26, 2007, between E.ON U.S. LLC and Big
17 Rivers, by which E.ON U.S. LLC guaranteed the obligations of its subsidiaries to Big
18 Rivers under the Termination Agreement and the other unwind transaction documents to
19 be entered into in connection therewith;

20 2. Two separate agreements that have been entered into between E.ON U.S.
21 LLC and/or WKEC, on the one hand, and Big Rivers, on the other (as amended),
22 providing for certain funding and reimbursement commitments between those parties
23 with respect to various transaction costs and expenses that may be incurred in connection
24 with the unwind transactions;

25
26 3. An agreement that has been entered into among E.ON U.S. LLC, Big
27 Rivers, Alcan Primary Products Corporation and Century Aluminum of Kentucky
28 General Partnership, providing for certain funding and reimbursement commitments

1 among those parties with respect to consent fees that potentially may be required by
2 certain other key constituents as a condition precedent to their consideration of, approval
3 of and/or support for the unwind transactions;

4
5 4. An agreement that has been entered into among E.ON U.S. LLC, Big
6 Rivers, Alcan Primary Products Corporation and Century Aluminum of Kentucky
7 General Partnership, providing for certain funding and reimbursement commitments
8 among those parties with respect to transaction costs and expenses that potentially may
9 be required by certain other key constituents to be reimbursed as a condition precedent to
10 their consideration of, approval of and/or support for the unwind transactions;

11
12 5. Certain confidentiality and non-disclosure agreements between or among
13 two or more of E.ON U.S. (and/or its subsidiaries), Big Rivers, Kenergy Corp., Alcan
14 Primary Products Corporation (and/or its affiliates), Century Aluminum of Kentucky
15 General Partnership (and/or its affiliates), the City of Henderson, Kentucky, and/or the
16 City of Henderson Utility Commission, obligating those parties to maintain in confidence
17 certain information that has been or may hereafter be disclosed to them by one or more of
18 those other parties;

19
20 6. A Termination and Release Agreement whereby Big Rivers, E.ON
21 U.S. and its subsidiaries will terminate and release each other from a substantial
22 number of the 1998 transaction documents, including the 1998 New Participation
23 Agreement, Lease and Operating Agreement and Power Purchase Agreement;

24 7. Various documents of conveyance, assignment and transfer
25 required in order for WKEC to convey to Big Rivers at the Closing certain fuel
26 and other inventories, equipment, tools, spare parts, materials, supplies, contracts,
27 intellectual property, NOx allowances, SO2 allowances and permits of WKEC
28 relating to the lease generators or Station Two (as contemplated in paragraph I(a)
29 above), or required for WKEC's conveyance to Big Rivers at the Closing of
30 certain parcels of real property agreed to be conveyed in connection with the
31 unwind transactions;

1 8. A Termination and Release Agreement whereby E.ON U.S. and its
2 subsidiaries, Kenergy Corp., and Alcan Corporation and its affiliates, will
3 terminate and release each other from the wholesale power sales agreements and
4 related commitments described in paragraph I(d) above;

5 9. A Termination and Release Agreement whereby E.ON U.S. and its
6 subsidiaries, Kenergy Corp., and Century Aluminum Company and its affiliates,
7 will terminate and release each other from the wholesale power sales agreements
8 and related commitments described in paragraph I(d) above;

9 10. New wholesale power sales agreements between Big Rivers and
10 Kenergy Corp., for the provision by Big Rivers of certain quantities of power for
11 resale by Kenergy Corp. to the two aluminum smelters owned by Alcan and
12 Century, respectively, together with the related new retail power sales agreements
13 between Kenergy Corp. and each of those smelters, and two separate
14 “coordination agreements” to be entered into by Big Rivers with each of those
15 smelters (for the purpose of providing those parties with certain assurances
16 regarding the performance of their respective power sales agreements with
17 Kenergy, among other related assurances);

18 11. Written extensions of the existing “all requirements” power sales
19 agreements between Big Rivers and its three member distribution cooperatives, as
20 contemplated in paragraph I(f) above;

21 12. A Termination and Release Agreement whereby E.ON U.S. and its
22 subsidiaries, Big Rivers, the City of Henderson and the City of Henderson Utility
23 Commission will terminate and release each other from the agreements and
24 commitments with respect to Station Two described in paragraph I(c) above;

25 13. A Termination and Release Agreement whereby E.ON U.S. and its
26 subsidiaries, Big Rivers, and Big Rivers’ other secured creditors will terminate
27 and release each other from, among other commitments, further obligation under
28 an existing Third Amended and Restated Subordination, Non-Disturbance

1 Attornment and Intercreditor Agreement among them, and will release each other
2 from further obligation under certain of the 1998 transaction documents to which
3 those secured creditors are a party or a beneficiary;

4 14. Certain agreements and instruments to effect a “put option” transaction
5 between E.ON U.S. and one or more affiliates of Phillip Morris Capital Corporation
6 (which affiliates are secured creditors of Big Rivers), providing those affiliates with
7 certain options and financial assurances relating to their investment(s) made in
8 connection with the 2000 defeased lease transactions undertaken by Big Rivers, as those
9 affiliates deem necessary as a condition precedent to their consent to and cooperation
10 with the implementation of the unwind transactions;

11 15. A new Indenture from Big Rivers for the benefit of its secured
12 creditors to become effective immediately following the Closing of the unwind
13 transactions, together with a new Intercreditor Agreement among those secured
14 creditors to be effective following that Closing, and certain amendments to the
15 2000 “defeased lease” transaction documents (which amendments are
16 summarized for the Commission elsewhere in this application) required to
17 implement or accommodate the unwind transactions.;

18 16. An agreement whereby WKEC and LEM will transfer to Big Rivers at the
19 Closing certain reservations and related rights that are held by WKEC or LEM to
20 transmission services over the Big Rivers and TVA transmission systems;

21 17. An agreement whereby WKEC will transfer to Big Rivers at the Closing
22 certain unemployment reserves that are currently maintained by WKEC with respect to
23 its workforce;

24 18. An agreement whereby WKEC and Big Rivers will jointly retain a third
25 party consultant to conduct a physical inventory of the fuels located at the leased
26 generators and Station Two prior to the Closing, as contemplated in paragraph II(d)
27 above;

1 19. An Information Technology Support Services Agreement between
2 E.ON U.S. (or its subsidiary) and Big Rivers, whereby E.ON U.S. (or that
3 subsidiary) will provide to Big Rivers certain information technology support
4 services for a defined period following the Closing, in order to facilitate Big
5 Rivers’ operation and maintenance of the leased generators and Station Two
6 during that period;

7 20. A Generation Dispatch Support Services Agreement between
8 E.ON U.S. (or its subsidiary) and Big Rivers, whereby E.ON U.S. (or that
9 subsidiary) will provide to Big Rivers certain generation dispatch support services
10 for a defined period following the Closing, in order to facilitate Big Rivers’
11 operation and dispatch of the leased generators and Station Two during that
12 period;

13 21. A release of WKEC from further obligation to Big Rivers under an
14 existing agreement whereby WKEC and Big Rivers agreed to appoint a “designated
15 representative” and an “alternate designated representative” for purposes of complying
16 with certain NOx and SO2 emissions limitations to which the leased generators are
17 subject under applicable law;

18 22. A release of WKEC from further obligation to Big Rivers or the City of
19 Henderson under an existing agreement whereby WKEC, Big Rivers and the City of
20 Henderson agreed to appoint a “designated representative” and an “alternate designated
21 representative” for purposes of complying with certain NOx and SO2 emissions
22 limitations to which Station Two is subject under applicable law;

23 23. Certain releases to be secured from various vendors of services,
24 inventories, equipment and capital assets to the leased generators or Station Two,
25 whereby WKEC would be released from further obligation under various
26 contracts with those vendors effective as of the Closing;

27 24. A termination and release with respect to an existing “Systems
28 Disturbance Agreement” among Big Rivers, Kenergy Corp., WKEC and a large

1 industrial customer of Kenergy (Willamette), to be secured effective as of the
2 Closing, and, potentially, an agreement intended to replace that Systems
3 Disturbance Agreement;

4 25. Various written instrument of termination, discharge and release required
5 to remove from the public record the mortgages, security agreements and other recorded
6 instruments to be terminated at the unwind Closing as described above;

7 26. Certain consents and approvals from third parties required for the
8 assignment of their respective contracts with WKEC to Big Rivers at the Closing;

9 27. A limited indemnification agreement from Big Rivers in favor of
10 WKEC, indemnifying WKEC from certain risks under various vendor contracts
11 (if any --to be identified by the parties prior to the closing) relating to the leased
12 generators or Station Two, from which WKEC could not secure a release from the
13 relevant counterparty as of the Closing (and corresponding with the obligations of
14 WKEC under those contracts to be assumed by Big Rivers as of the Closing);

15 28. Various stipulations to be agreed upon between the parties, and
16 various officers certifications to be made by various parties in favor of other
17 parties (many of which are unique to these unwind transactions, and others are
18 customary for transactions of the type, scope and magnitude contemplated in the
19 Termination Agreement), to be delivered at or prior to the Closing;

20 29. Various legal opinions from the parties' respective legal counsel,
21 to be rendered at the Closing for the benefit of other parties;

22 30. A written waiver from Kenergy Corp., Jackson Purchase Electric
23 Corporation and Meade County RECC, respectively, in favor of WKEC and
24 LEM, waiving certain third-party beneficiary rights held by those distribution
25 cooperatives under the 1998 Power Purchase Agreement between Big Rivers and
26 WKEC/LEM;

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

THE APPLICATIONS OF BIG RIVERS)
ELECTRIC CORPORATION FOR:)
(I) APPROVAL OF WHOLESALE TARIFF)
ADDITIONS FOR BIG RIVERS ELECTRIC) CASE NO. 2007-00455
CORPORATION, (II) APPROVAL OF)
TRANSACTIONS, (III) APPROVAL TO ISSUE)
EVIDENCES OF INDEBTEDNESS, AND)
(IV) APPROVAL OF AMENDMENTS TO)
CONTRACTS; AND)

E.ON-U.S., LLC, WESTERN KENTUCKY ENERGY)
CORP. AND LG&E ENERGY MARKETING,)
INC. FOR APPROVAL OF TRANSACTIONS)

EXHIBIT 12

Summary of Termination Agreement

December 2007

1 EXHIBIT 12

2
3 Description of Provisions of Transaction Termination
4 Agreement as amended by First Amendment to
5 Transaction Termination Agreement dated November 1, 2007

6 Big Rivers, LG&E Energy Marketing Inc. (“LEM”) and Western
7 Kentucky Energy Corp. (“WKEC” and together with LEM, the “WKE Parties”) have
8 entered into a Transaction Termination Agreement dated March 26, 2007, as amended on
9 November 1, 2007 (the “Termination Agreement”) relating to the potential termination of
10 the existing arrangements under which Big Rivers leases its generating facilities to
11 WKEC and purchases power from LEM. The termination of the existing arrangements
12 between Big Rivers and WKEC and LEM contemplated by the Termination Agreement is
13 referred to in this discussion as the “Unwind”. This discussion describes various
14 significant provisions of the Termination Agreement. Note that the following represents
15 only a summary of certain provisions of the Termination Agreement, and is not an
16 exhaustive summary of every provision of that agreement. Reference should be made to
17 the Termination Agreement itself for the specific rights and obligations of Big Rivers and
18 the WKE Parties.

19 A. Scheduled Unwind Closing Date

20 The Termination Agreement calls for the WKE Parties and Big Rivers to
21 mutually agree upon a date on which they believe the conditions to closing in the
22 Termination Agreement will be satisfied or waived. This date is defined in the
23 Termination Agreement as the “Scheduled Unwind Closing Dated”. The Scheduled
24 Unwind Closing Date may not take place earlier than four months from the date it is set

1 by the parties. The parties recognize that the actual date of the closing of the Unwind
2 (the "Closing") may not coincide with the Scheduled Unwind Closing Date. The setting
3 of the Scheduled Unwind Closing Date does not insure that the Closing will occur, but
4 Big Rivers and the WKE Parties each agrees in the Termination Agreement to use its
5 reasonable best efforts to cause the conditions to the Closing that are within its reasonable
6 control to be satisfied and to cause the Closing to occur.

7 B. Consummation of the Unwind at Closing

8 At the Closing the parties will execute and deliver the actual documents
9 which will effect the termination of the existing arrangements between Big Rivers and
10 the WKE Parties, including termination of the Lease, Power Purchase Agreement,
11 Transmission Service and Interconnection Agreement, the transactions among Big
12 Rivers, the WKE Parties and the City of Henderson with respect to the Station Two
13 generating facilities of the City, and the other Operative Documents between Big Rivers
14 and the WKE Parties. All Operative Documents between Big Rivers and either of the
15 WKE Parties, including the two subordinated mortgages made by Big Rivers to the WKE
16 Parties, will be terminated and the only remaining obligations between Big Rivers and the
17 WKE Parties will be those provided for in the Termination Agreement and the other
18 Definitive Documents relating to the Unwind.

19 C. Payments

20 At the Closing, WKEC will pay Big Rivers \$301,500,000, subject to
21 adjustment for the value of the inventory and personal property which WKEC will also
22 convey to Big Rivers at the Closing. If the aggregate value of the inventory plus the

1 personal property conveyed to Big Rivers at the Closing exceeds \$55,000,000, the
2 termination payment made by WKEC will be decreased by the amount of the excess. If
3 the aggregate value of the inventory plus the personal property conveyed to Big Rivers at
4 the Closing is less than \$55,000,000, the termination payment made by WKEC will be
5 increased by the amount of the deficiency. At the Closing, Big Rivers will return to
6 WKEC \$559,850 in deposits previously paid to Big Rivers by LEM in connection with
7 the reservation of certain transmission capacity, plus accrued interest on such amounts.

8 At the Closing, Big Rivers will pay WKEC \$1,025,000 as the purchase
9 price for the land and buildings constituting the central lab in Henderson and a parcel of
10 land in Hancock County.

11 In connection with the Closing, Big Rivers and WKEC will compute
12 amounts owed to one party or the other as of the Closing for Incremental Environmental
13 O&M, Henderson Incremental Environmental O&M, Incremental Capital Costs,
14 Henderson Incremental Capital Costs, Enhancements, Major Capital Repairs, Henderson
15 Major Capital Repairs, Non-Incremental Capital Costs and Henderson Non-Incremental
16 Capital Costs. These true-up payments will be computed in accordance with the
17 provisions of the existing Operative Documents and, in the case of amounts owned in
18 respect of Non-Incremental Capital Costs and Henderson Non-Incremental Capital Costs,
19 will take into account Big Rivers' payment of the Big Rivers Contribution through the
20 Closing. The Termination Agreement sets forth a detailed procedure for determining
21 such true-up amounts which will be paid at the Closing to the extent such amounts are
22 ascertained and agreed at the Closing. The Termination Agreement contemplates that
23 some of such true-up payments may be made as soon as practicable after the Closing if,

1 for instance, certain costs relating to the true-up payments are not invoiced to the WKE
2 Parties prior to the Closing.

3 In connection with the Closing, true-up payments will also be made in
4 respect of the monthly installment of basic rent and the Monthly Margin Payment
5 payable under the WKEC Lease to Big Rivers, and amounts owing by one party or
6 another under the Power Purchase Agreement and the Transmission Services and
7 Interconnection Agreement.

8 Big Rivers will not acquire any accounts receivable or cash on hand of any
9 WKE Party in connection with the Unwind, nor will Big Rivers be obligated for any
10 amount owed to vendors or owed to lessors of equipment by the WKE Parties for
11 commodities, services or rent through the Closing.

12 D. Valuation of Inventory and Personal Property.

13 Inventory conveyed by WKEC to Big Rivers in connection with the
14 Unwind will include coal (including coal fines), synthetic fuel, petroleum coke, fuel oil,
15 lime, limestone, spare parts, materials and supplies. The Termination Agreement sets
16 forth a detailed procedure for determining the quantity and value of inventory to be
17 conveyed by WKEC to Big Rivers at the Closing. The quantities of coal, synthetic fuel,
18 petroleum coke fuel oil, lime and limestone to be conveyed will be determined by
19 physical inventories which will be adjusted for usage subsequent to the inventories but
20 prior to the Closing. The value for all items of inventory will be the “book value” of the
21 classifications of inventory as reflected in the books and records of WKEC as of the
22 Closing. The inventory conveyed to Big Rivers may include fuel which is in transit to

1 the generating plants so long as all amounts owed the vendors for such fuel remain the
2 responsibility of WKEC. The Termination Agreement also includes a mechanic for
3 dealing with post-Closing fuel deliveries which do not conform to contract specifications.
4 WKEC will also convey to Big Rivers the quantities of DBA (reagent), fixation lime,
5 sodium sulfate, hydrated lime and ammonia at the generating plants at the Closing, but
6 the value of such items of inventory will not be credited toward the \$55,000,000
7 commitment. The quantity of spare parts, materials and supplies to be conveyed by
8 WKEC to Big Rivers as part of inventory will be determined by a physical inventory and
9 will also be valued at WKEC's "book value". At the Closing, WKEC will convey to Big
10 Rivers various items of tangible personal property identified by the parties and included
11 in a schedule to the Termination Agreement as of the Closing. In addition, the
12 Termination Agreement recognizes that some items of personal property to be conveyed
13 to Big Rivers may be identified shortly after the Closing. Such post-Closing
14 identification may necessitate a post-Closing payment by Big Rivers. All items of
15 personal property will be valued at WKEC's depreciated book value for these items.

16 E. Assigned Contracts

17 At the Closing WKEC will transfer to Big Rivers various contracts,
18 agreements, leases, subleases, licenses (including certain licenses of intellectual property)
19 and sublicenses to which a WKE Party is a party (the "Assigned Contracts) relating to the
20 generating plants, the fuel supply for the generating plants, the personal property
21 associated with the generating plants, or to the operation, maintenance, repair or upkeep
22 thereof. Big Rivers will assume the liabilities of the WKE Parties under the Assigned
23 Contracts from and after the Closing. The list of Assigned Contracts will be included in a

1 schedule to the Termination Agreement and will be mutually agreed by Big Rivers and
2 the WKE Parties prior to the Closing. If a complete release of the relevant WKE Party
3 cannot be obtained from a counterparty under an Assigned Contract, Big Rivers has the
4 option to accept an assignment of such Assigned Contract and provide an indemnity to
5 such WKE Party, except in the case of certain identified and scheduled contracts for
6 which a release of relevant WKE Party by the contract counterpart is a condition to the
7 WKE Parties' obligation to close the Unwind.

8 F. Intellectual Property

9 Intellectual Property used in connection with the operation of the
10 generating plants will be conveyed by WKEC to Big Rivers by one of several methods:

11 (i) assignment to Big Rivers by the relevant WKE Party of intellectual
12 property owned by such WKE Party,

13 (ii) license to Big Rivers by the relevant WKE Party of intellectual
14 property owned by the relevant WKE Party,

15 (iii) assignment or sublicense to Big Rivers by the relevant WKE Party
16 of intellectual property for which no consent of a third party vendor is required, and

17 (iv) provision of intellectual property services to Big Rivers pursuant to
18 a support service agreement entered into by Big
19 Rivers and the WKE Parties.

1 Agreement among the parties on the proper mode of providing Big Rivers
2 with the benefits of the intellectual property it deems necessary for the operation of the
3 generating plants is a condition to the Closing. Aside from specific representations made
4 by the WKE Parties to Big Rivers, the intellectual property conveyed by one of the
5 above-described methods to Big Rivers will be without warranty on the part of the WKE
6 Parties (i.e., no express or implied warranties). The Termination Agreement makes it Big
7 Rivers' responsibility to prepare itself and its personnel for the operation of the
8 intellectual property to be conveyed or made available for its use or benefit to it at the
9 Closing. In the Termination Agreement, WKEC has agreed to reasonably cooperate in
10 that task.

11 G. Permits

12 The Termination Agreement includes a list or summary of all permits and
13 licenses specifically issued by any governmental entity to, or in respect of, the generating
14 plants and in the possession and control of WKEC. This list may be augmented prior to
15 the Closing. Big Rivers may object to the addition of additional permits or the filing of
16 additional applications to amend or modify permits prior to the Closing, and resolution of
17 such objection is a condition to Closing. Refusal or reluctance by any governmental
18 entity to consent to the transfer of an essential permit, or to the issuance of a new permit
19 to Big Rivers in lieu of such assignment, is a circumstance which would permit Big
20 Rivers to delay the Closing. The Termination Agreement contemplates that the consent
21 of some governmental entities to the assignment of a permit to Big Rivers, or the issuance
22 of a new permit to Big Rivers in lieu of such consent to assignment, may occur after the
23 Closing. WKEC and Big Rivers have each covenanted to use its reasonable best efforts

1 to cause the final assignment of such permits, or issuance of new permits to Big Rivers,
2 to occur. In the Termination Agreement WKEC commits to pursue such efforts for two
3 years following the Closing.

4 H. SO₂ Allowances and NO_x Allowances

5 The Termination Agreement provides that, effective as the Closing, Big
6 Rivers will be entitled to the full and exclusive use of all of the SO₂ Allowances and NO_x
7 Allowances in the accounts maintained for the generating plants. WKEC is obligated to
8 replace any of such Allowances for the Closing year or subsequent years it may have
9 sold, assigned or conveyed. The relevant portion of SO₂ and NO_x Allowances allocated
10 to Station Two will be allocated between WKEC and Big Rivers on generally a pro-rata
11 basis upon the date after the Closing of the final determination of the portion of such
12 Allowances to which the City of Henderson is entitled. In addition, the Termination
13 Agreement provides that WKEC shall transfer to Big Rivers, at no cost to Big Rivers, on
14 or prior to February 15 of the year following the Closing, 14,000 SO₂ Allowances having
15 a vintage which permits them to be used in calendar year 2007 and thereafter.

16 I. Consent and Release Commitments

17 Under the Termination Agreement, the WKE Parties are not obligated to
18 make payments which exceed in the aggregate \$1,000,000 to obtain (i) the consents of
19 the counterparties to any Assigned Contracts to the assignment to Big Rivers and release
20 of the WKE Parties, (ii) the consents of any governmental entities to the conveyance of
21 permits and (iii) the consents of licensors of intellectual property to the sublicense to Big
22 Rivers of any intellectual property.

1 J. Closing Conditions

2 The Termination Agreement includes conditions to each party's obligation
3 to close the Unwind which are fairly conventional in transactions of this nature, including
4 conditions relating to the correctness of each party's representations, the obtaining of all
5 requisite governmental approvals for the Unwind, the execution by creditors, vendors, the
6 aluminum smelters and Big Rivers' members of the certain implementing documents,
7 consents and releases necessary for the Unwind to occur. It is a condition to the WKE
8 Parties obligation to close the Unwind that LEM shall have been discharged from its
9 obligation to pay the demand note to RUS in the amount of \$933,333.33, executed in
10 1998, and that Big Rivers' debt secured by a lien on the generating plants receive a rating
11 of at least BBB- by S&P and Baa3 by Moody's after the Unwind. It is also a condition of
12 the WKE Parties' obligation to close the Unwind that there be no environmental
13 condition associated with any generating plant the remediation of which is reasonably
14 likely to exceed \$1,000,000. It is also a condition to the WKE Parties' obligation to close
15 the Unwind that WKEC have received tax rulings from the Internal Revenue Service and
16 the Kentucky Revenue Cabinet concerning certain tax aspects of the Unwind.

17 The Termination Agreement provides that it is a condition to Big Rivers'
18 obligation to close the Unwind that Big Rivers' debt secured by the generating plants
19 receive a rating of at least BBB by S&P and Baa2 by Moody's after the Unwind. It is
20 also a condition to Big Rivers' obligation to close the Unwind that no material casualty
21 damage have occurred to any generating plant. Big Rivers' obligation to close the
22 Unwind is also subject to the identical condition regarding the absence of any
23 environmental condition at any generating plant as described for the WKE Parties above.

1 The Termination Agreement also makes it a condition to Big Rivers' obligation to close
2 the Unwind that new contracts for retail service have been executed by Kenergy and each
3 of the smelters and that Big Rivers' wholesale power contracts with its members be
4 extended as necessary to achieve the required credit rating on Big Rivers' senior debt.
5 The Termination Agreement provides that within 90 days of the Scheduled Unwind
6 Closing Date, WKEC shall demonstrate to Big Rivers' reasonable satisfaction, through
7 performance data or testing, that each of the generating plants is capable of generating net
8 output at levels set forth in the Termination Agreement. It is also a condition to Big
9 Rivers' obligation to close the Unwind that no forced outage of any generating plant have
10 occurred for a period greater than five consecutive days during the 30-days preceding the
11 Closing, and that there be no forced outage of any generating plant pending on the date of
12 the Closing. Additional conditions to Big Rivers' obligations to close the Unwind
13 include (i) Big Rivers' approval of any material deviation from a WKEC operating plan
14 for 2007 prior to the Closing, (ii) that WKEC have cleaned out four ponds at Plant
15 Wilson and (iii) that Big Rivers' Wilson to Coleman 345kv circuit be connected to
16 E.ON's Elmer Smith to Hardin County 345kv circuit or that an alternative reasonably
17 satisfactory to Big Rivers shall have been effected.

18 K. Representations and Warranties

19 The Termination Agreement contains fairly conventional representations
20 by both Big Rivers and the WKE Parties concerning various corporate matters, necessary
21 creditor and governmental consents, the absence of violations of other corporate
22 agreements and the absence of litigation impacting the Unwind. The WKE Parties will
23 also make certain limited representations concerning the material compliance of the

1 generating plants and sites with permits and applicable laws and the absence of any
2 proceedings involving environmental laws. This representation is made to the knowledge
3 of senior executives at WKEC and excludes environmental conditions existing before
4 1998, conditions disclosed by WKEC to Big Rivers or conditions which are the subject of
5 indemnities or other cost sharing provisions of the Termination Agreement. It should be
6 noted that the aforementioned representation concerning compliance with environmental
7 laws is the only representation made by the WKE Parties which deals with the physical
8 condition of the generating plants and the sites. The WKE Parties will represent to Big
9 Rivers that they have delivered to Big Rivers all reports and studies performed by third
10 parties since May 2003 with respect to the generating plants. The WKE Parties will also
11 represent that the intellectual property utilized by the WKE Parties in connection with the
12 operation and dispatch of the generating plants immediately prior to the Unwind shall
13 continue to be fully available to Big Rivers after the Closing in connection with the
14 operation or dispatch of the generating plants. The above-described representation made
15 by the WKE Parties concerning environmental conditions at the generating plants will
16 expire five years from the Closing; the representations made by the WKE parties
17 concerning the absence of liens created by them on the generating plants, non-
18 infringement of patents and the correctness of certain materials identified in Big Rivers'
19 due diligence process will expire three years from the Closing; all other representations
20 made by the WKE Parties and Big Rivers will expire one year from the Closing.

21 L. Agreements Concerning Operation of Plants Prior to Closing.

22 The Termination Agreement includes certain agreements by the parties
23 concerning the operation of the generating plants in the period between the execution of

1 the Termination Agreement and the Closing. The Termination Agreement gives Big
2 Rivers the right to have a representative at each generating plant to assist in Big Rivers'
3 due diligence. This representative would have access to books, records and other data
4 with respect to the generating plant and would have the right to be present during the
5 performances of all maintenance and capital repairs. WKEC has provided to Big Rivers
6 its operating plans which include 2008 for each of the generating plants and has agreed to
7 use commercially reasonable efforts to operate the generating plants in accordance with
8 these operating plans and not to deviate from these operating plans unless such deviation
9 is in accordance with prudent utility practice. While Big Rivers has acknowledged in the
10 Termination Agreement WKEC's right to deviate from these operating plans when
11 circumstances dictate, Big Rivers' approval of any material deviation from an operating
12 plan is a condition to Big Rivers' obligation to close the Unwind. In the Termination
13 Agreement WKEC has covenanted to spend 90% of the cumulative total of the amounts
14 called for in these operating plans for expenditure in 2007 and 2008 in respect of Non-
15 Incremental Capital Costs and Henderson Non-Incremental Capital Costs, or pay to the
16 difference between such scheduled expenditures and WKEC's actual expenditures to Big
17 Rivers at the Closing.

18 In the Termination Agreement, WKEC has agreed not to implement any
19 general wage increases outside the ordinary course of business prior to the Closing and to
20 maintain employee levels at the *generating plants consistent with the operating plans* for
21 the plants. WKEC has also agreed in the Termination Agreement to certain restrictions
22 on its ability to amend benefit plans and collective bargaining agreements prior to the
23 Closing. WKEC has also agreed in the Termination Agreements to restrictions on its

1 ability to enter into certain contracts for maintenance, fuel supply, materials or
2 transportation prior to the Closing without the approval of Big Rivers. The Termination
3 Agreement includes a procedure for a pre-Closing report to be prepared by Big Rivers
4 between 75 and 45 days prior to the Scheduled Unwind Closing Date in which Big Rivers
5 (i) will inform WKEC of any areas in which Big Rivers believes WKEC has not
6 complied with its covenant in the Termination Agreement concerning operation of the
7 generating plants prior to the Closing and (ii) identify additional materials necessary for
8 Big Rivers to conclude its due diligence. Failure to resolve any issues raised in this pre-
9 Closing report would be a basis for Big Rivers to delay the Closing until resolution is
10 achieved. Failure of Big Rivers to deliver the pre-Closing report would constitute a
11 waiver by Big Rivers of any right to allege non-compliance by WKEC with its pre-
12 Closing operational covenant as a basis for Big Rivers to delay the Closing.

13 M. Tax Matters

14 In the Termination Agreement, WKEC has agreed to pay all sales and use
15 taxes on the transfer of inventory, personal property, contracts, real property, permits and
16 SO₂ and NO_x Allowances in connection with the Unwind. The Termination Agreement
17 also apportions property taxes between Big Rivers and WKEC for the year in which the
18 Closing takes place.

19 N. Assignments Regarding Coleman Scrubber Damages: Personnel Matters

20 In the Termination Agreement, Big Rivers and the WKE Parties have
21 agreed upon a division of any liquidated damages paid under the EPC Contract for the
22 Coleman Scrubber based upon whether they are attributable to the period prior to, or

1 after, the Closing. If amounts of liquidated damages under the Coleman Scrubber EPC
2 which would otherwise be payable to Big Rivers are limited by a cap on overall
3 liquidated damages payable by the vendor, the WKE Parties will remit to Big Rivers all
4 amounts of liquidated damages in excess of \$5 million which they may have received
5 until Big Rivers is made whole.

6 In the Termination Agreement, Big Rivers affirms its intent to make offers
7 of employment to all WKEC employees whose normal location is Henderson or at one of
8 the generating plants, and to offer such employees positions substantially similar, and
9 with similar pay, to those held by the employees in WKEC. Big Rivers is not, however,
10 required to make such offer to a WKEC employee if it would result in a transferred
11 employee having responsibilities which are duplicative of the responsibilities of a current
12 Big Rivers employee. The Termination Agreement gives E.ON and its affiliate the right
13 to make competing offers of employment to WKEC's employees. The former employees
14 of WKEC who transfer to Big Rivers will receive credit for their service with WKEC and
15 any prior service with Big Rivers for purposes of determining eligibility for participation
16 in Big Rivers' employee benefit plans. Big Rivers will not assume WKEC's collective
17 bargaining agreement with the IBEW, Local 1701, after the Unwind, although Big
18 Rivers' own labor agreement with IBEW Local 1701 contains a provision whereby such
19 Union will be recognized as the representative of WKEC's bargaining employees at the
20 Closing. The Termination Agreement also includes provisions dealing with employee
21 training and health and safety files, employee benefit claims, severance benefits, sick
22 leave, vacation and personal days and certain retiree medical benefits.

1 O. Environmental Audit and Indemnities

2 The Termination Agreement stipulates that URS Corporation will perform
3 an environmental survey of the generating plants and the sites on which they are situated
4 prior to the Closing (the “Unwind Environmental Audit”). The scope, methods and
5 protocols of the Unwind Environmental Audit will be incorporated as an exhibit in the
6 Termination Agreement, but will be largely within the discretion of Big Rivers. The
7 Termination Agreement contemplates that Big Rivers may request, as a condition to
8 closing the Unwind, that additional environmental conditions disclosed in connection
9 with the Unwind Environmental Audit or other environmental due diligence prior to the
10 Closing be the subject of additional indemnifications from the WKE Parties or cost
11 sharing arrangements. The WKE Parties have no obligation to agree to that request,
12 however. The Termination Agreement includes cross-indemnities between Big Rivers
13 and WKEC relating to opacity at any of the generating plants. Generally, this indemnity
14 divides responsibility for damages in respect of opacity based upon the timing of when
15 any failure to comply with opacity restrictions in any governmental law occurred. In
16 addition, the Termination Agreement includes provisions under which Big Rivers agrees
17 to indemnify the WKE Parties for claims, costs and expenses relating to the Plant Green
18 and Plant Wilson landfills unless the indemnified cost is caused by any of the WKE
19 Parties or any of their affiliates. In addition, the Termination Agreement includes
20 provisions under which Big Rivers assumes responsibility to close the “Southern Ash
21 Pond” and the “Former Ash Pond” at Plant Coleman with WKEC remaining liable for a
22 pro rata portion of all closing costs for either of such Ash Ponds in the event WKEC
23 disposed materials in either. The Termination Agreement includes a provision whereby

1 Big Rivers and WKEC share responsibility for all net costs and expenses that may
2 become due by reason of a failure of any generating plant to have complied with the New
3 Source Review provisions of the Clean Air Act as a result of changes in the method of
4 operating, maintaining, repairing or replacing any generating plant without obtaining a
5 permit or permit amendment covering such change during the period prior to the Closing,
6 including during the period of Big Rivers' operation prior to 1998. WKEC shall be
7 responsible for funding 80% of all such net costs and expenses for, or attributable, to the
8 least cost alternative to comply with such New Source Review obligation and Big Rivers
9 shall be responsible for funding all other net costs and expenses necessary to comply with
10 New Source Review. WKEC will not be responsible for sharing in the net costs and
11 expenses for New Source Review noncompliance under this provision if the New Source
12 Review noncompliance has not been established within five years of the Closing. While
13 the Termination Agreement provides that Big Rivers will be entitled to address New
14 Source review noncompliance in such a manner as it deems appropriate, WKEC's
15 responsibility would only extend to funding 80% of the net costs and expenses of the
16 least cost alternative.

17 The Termination Agreement provides that certain environmental
18 conditions, circumstances or matters will be identified on a schedule attached to the
19 Termination Agreement. The matters on this schedule will be mutually agreeable to
20 WKEC and Big Rivers. Following the Closing WKEC shall indemnify Big Rivers for all
21 claims, demands, expenses and costs that may be asserted against Big Rivers resulting
22 from the conditions on this schedule to the extent such conditions first occurred following
23 the consummation of the WKEC Lease transaction in 1998 and prior to the Closing or

1 were materially aggravated during the period of WKEC's operation. Following the
2 Closing Big Rivers will indemnify the WKE Parties for all claims, demands, expenses or
3 costs that may be asserted against a WKE Party resulting from the conditions on this
4 schedule to the extent such conditions first occurred prior to the 1998 transaction closing
5 or were materially aggravated following the Closing. The indemnity described in this
6 paragraph shall exist for one year following the Closing.

7 The Termination Agreement also includes cross-indemnities by Big Rivers
8 and WKEC for environmental conditions and releases which are unknown and
9 undiscovered by any of the parties at the Closing. WKEC agrees to indemnify Big Rivers
10 for claims related to such conditions to the extent such conditions were not known by Big
11 Rivers at the Closing and emanated from conditions or releases caused by WKEC or to
12 which WKEC materially contributed. Big Rivers agrees to indemnify the WKEC Parties
13 for claims related to such conditions to the extent such conditions were not known by the
14 WKEC Parties at the Closing and emanated from conditions or releases caused by Big
15 Rivers or to which Big Rivers materially contributed. The cross-indemnities described in
16 this paragraph will exist for five years from the Closing.

17 The indemnifications and cost sharing arrangements provided in the
18 Termination Agreement for specified environmental conditions or circumstances are the
19 respective parties' only recourse to address environmental conditions or circumstances,
20 and are the subject of certain limitations and restrictions more particularly described in
21 the Termination Agreement.

1 P. General Indemnities: Limitation of Payments

2 The Termination Agreement includes general indemnities of both WKEC
3 and Big Rivers for claims, demands, losses,, damages, costs which may be suffered by
4 either Big Rivers or the WKE Parties, as the case may be, resulting from their respective
5 periods of operation of the generating plants, other than those which may result from the
6 gross negligence or willful misconduct of, or breach of an Operative Document or any
7 Definitive document by, an indemnitee. The general indemnity is not duplicative of the
8 specific environmental indemnities. Environmental conditions or circumstances are to be
9 dealt with in accordance with the environmental indemnities and the cost sharing
10 provisions of the Termination Agreement exclusively. WKEC's general indemnity of
11 Big Rivers also includes an indemnification for (i) claims of the City of Henderson
12 against Big Rivers arising out of the breach or default of a WKE Party under the Station
13 Two Agreement or any of the 1970 Station Two contracts between the City and Big
14 Rivers which have been assumed by the WKEC Parties occurring during the period of the
15 WKE Parties' operation of Station Two and (ii) any claims of the counterparties to
16 Assigned Contracts, but only to the extent relating to commodities, services or leasehold
17 interests provided under such Assigned Contracts during the period of WKEC operation.

18 The indemnification provisions of the Termination Agreement provide for
19 a "deductible" of \$1 million – that is until such time as the damages and other amounts
20 that would be payable by Big Rivers or the WKEC Parties, as the case may be, exceed \$1
21 million no amounts shall be paid in respect of such indemnities. At such time as amounts
22 that would be payable except for the operation of the preceding sentence exceed \$1

1 million, all amounts in excess of \$1,000,000 shall be payable in respect of such
2 indemnities.

3 The Termination Agreement includes a limitation of \$200 million on all
4 amounts for which the LG&E Parties are liable in respect of indemnities, breaches of
5 representations and warranties and cost sharing arrangements (e.g., those in respect of
6 New Source Review compliance) for which the WKE Parties are obligated under the
7 Termination Agreement and all other Definitive Documents. Excluded from such
8 limitation on liabilities of the WKE Parties are all fines and penalties assessed by any
9 governmental entity and the aggregate value of any SO2 or NOx Allowances which Big
10 Rivers or any WKE Party might be required to expend, forfeit or remit to any
11 governmental entity (including any reduction in allotments for future years) as part of any
12 settlement with a governmental entity of an indemnified claim.

13 Q. Termination of Termination Agreement

14 The Termination Agreement may be terminated at the option of Big
15 Rivers, on the one hand, or the WKE Parties, on the other hand, if the Closing shall not
16 have occurred by April 30, 2008.

17 R. E.ON U.S. LLC Guaranty

18 All obligations of the WKE Parties under the Termination Agreement and
19 the other Definitive Documents for the Unwind will be guaranteed by E.ON U.S. LLC.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of:

THE APPLICATIONS OF BIG RIVERS)
ELECTRIC CORPORATION FOR:)
(I) APPROVAL OF WHOLESALE TARIFF)
ADDITIONS FOR BIG RIVERS ELECTRIC) CASE NO. 2007-00455
CORPORATION, (II) APPROVAL OF)
TRANSACTIONS, (III) APPROVAL TO ISSUE)
EVIDENCES OF INDEBTEDNESS, AND)
(IV) APPROVAL OF AMENDMENTS TO)
CONTRACTS; AND)

E.ON-U.S., LLC, WESTERN KENTUCKY ENERGY)
CORP. AND LG&E ENERGY MARKETING,)
INC. FOR APPROVAL OF TRANSACTIONS)

EXHIBIT 13

Identification of Amendments Required to Leveraged Lease Transaction by
Unwind Transactions in Response to May 2, 2007 Letter from Beth O'Donnell

December 2007

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EXHIBIT 13

**RESPONSE TO ITEM NO. 4 IN MAY 2, 2007 LETTER FROM BETH
O'DONNELL, EXECUTIVE DIRECTOR FOR THE KENTUCKY PUBLIC
SERVICE COMMISSION**

**IDENTIFICATION OF AMENDMENTS REQUIRED TO LEVERAGED LEASE
TRANSACTION, DESCRIPTION OF REASON FOR THE CHANGE**

10 Giving effect to the provisions of the Termination Agreement will, except for the
11 elimination of the transactions effectuated under the 1998 New Participation Agreement,
12 not require alteration of the essential leveraged lease transaction structure, which will
13 remain intact with *inter alia*, the Ground Leases, the Head Leases, the Facility Leases, the
14 Qualifying Swaps, the Big Rivers Swaps, the various FGIP's, the Payment Agreements,
15 the Funding Agreements and the Government Securities Agreement remaining in place,
16 together with the assorted pledges and security agreements which are related to them.
17 Notwithstanding this general statement, amendments, both major and minor, to the
18 leveraged lease transaction documents will be required to reflect the termination of the
19 1998 transactions, the most significant amendment being the changes in the security
20 instrument securing Big River's senior obligations and the removal of the subordination
21 provisions among the obligations of the Big Rivers' senior creditors. A brief summary of
22 the more significant amendments follows:

- 23 1. The parties to the leveraged lease Operative Documents ("Lease Operative
24 Documents") will recognize the termination of the existing arrangements
25 with the E.ON Entities and the removal of references to the "LG&E
26 Arrangements" in the Lease Operative Documents. To the extent that the
27 collateral securing the obligations to any of the 2000 Lease Parties

1 consists of assignments of interests in the 1998 WKEC Lease or of
2 interests in the 1998 LEM Power Purchase Agreement, those assignments
3 will end.

4 2. The obligations arising out of the Operative Documents (as defined in the
5 Lease Operative Documents), and currently secured by certain of those
6 Lease Operative Documents, will continue to be secured by either
7 amended and restated versions of those Lease Operative Documents (such
8 as the Funding Agreement Pledge, the Payment Agreement Pledge,
9 Government Securities Pledge Agreement and the Facilities Lease
10 Assignment Agreement) and by a new Indenture which will replace the
11 Third Restated Mortgage.

12 3. The existing Intercreditor Agreement will be replaced. A replacement
13 Intercreditor Agreement will be executed to reflect termination of the
14 interests of the E.ON Entities and the replacement of many provisions and
15 purposes of the existing Intercreditor Agreement by the terms of the
16 Indenture. The priority position held by the Owner Participants and their
17 related statutory trusts will become *pari passu* with all the indebtedness
18 owed to other creditors and secured by the Indenture.

19 4. Consent will be obtained from the Original Creditors and the 2000
20 Transaction Parties (both as defined in the existing Intercreditor
21 Agreement) to the transactions arising out of the Termination Agreement
22 and to the foregoing changes and amendments.

- 1 5. Short amendments will be made to the Payment Agreement Pledge
2 Agreement, the Government Securities Pledge Agreement and the
3 Funding Agreement Pledge Agreement to reflect the fact that the
4 subordinated security interest in the defeasance instruments which
5 currently exists in favor of the mortgagees under the Third Restated
6 Mortgage will be invested in the Trustee under the Indenture following
7 consummation of the transaction.
- 8 6. The parties to the Lease Operative Documents will acknowledge and agree
9 in the New Intercreditor Agreement or elsewhere that Big Rivers Leasing
10 Corporation will be converted from a Delaware corporation to a Delaware
11 limited liability company.
- 12 7. Slight amendments to the Big Rivers Swaps will be necessary to reflect
13 the replacement of the Third Restated mortgage with the Indenture.