SULLIVAN, MOUNTJOY, STAINBACK & MILLER PSC

ATTORNEYS AT LAW

Ronald M. Sullivan
Jesse T. Mountjoy
Frank Stainback
James M. Miller
Michael A. Fiorella
William R. Dexter
Allen W. Holbrook
R. Michael Sullivan
Bryan R. Reynolds
Tyson A. Kamuf
Mark W. Starnes
C. Ellsworth Mountjoy
Susan Montalvo-Gesser

RECEIVED

MAR 06 2008

PUBLIC SERVICE COMMISSION

March 5, 2008

Via Federal Express

Hon. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

Re: The Applications of Big Rivers Electric Corporation for: (1) Approval of Wholesale Tariff Additions for Big Rivers Electric Corporation, (II) Approval of Transactions, (III) Approval to Issue Evidences of Indebtedness, and (IV) Approval of Amendments to Contracts; and of E.ON U.S., LLC, Western Kentucky Energy Corp. and LG&E Energy Marketing, Inc. for Approval of Transactions, PSC Case No. 2007-00455

Dear Ms. O'Donnell:

Enclosed for filing on behalf of Big Rivers Electric Corporation ("Big Rivers") are an original and six copies of the following:

1. Big Rivers' responses to the Commission Staff's Supplemental Data Request to Big Rivers Electric Corporation;

2. Big Rivers' responses to the Attorney General's Supplemental Request for Information to Joint Applicants; and

3. A comparison of expected future cash flows to Big Rivers under continuation of the existing Lease Agreement/Purchased Power Agreement versus expected cash flows as modeled (Exhibit 8) for the proposed Unwind/Lease Agreement Termination Transaction, which was inadvertently omitted from Big Rivers' responses to Items 3 and 128 of the Attorney General's *Initial Request for Information.*

I certify that a copy of this letter and the attachments have been served on the persons identified on the attached service list.

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

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

Sincerely yours,

James M. Miller

JMM/ej
Enclosures

cc: Michael H. Core
David Spainhoward
Service List

SERVICE LIST
BIG RIVERS ELECTRIC CORPORATION
PSC CASE NO. 2007-00455

Hon. Robert Michel
Orrick, Herrington & Sutcliffe
666 Fifth Avenue
New York, NY 10103

Hon. Kyle Drefke
Orrick, Herrington & Sutcliffe
Columbia Center
1152 15th Street, NW
Washington, DC 20005

Charles Buechel
Utility & Economic Consulting Inc.
116 Carrie Court
Lexington, KY 40515

Hon. Doug Beresford
Hon. Geof Hobday
Hogan & Hartson
555 Thirteenth Street, NW
Washington, DC 20004

Paul Thompson
E.ON U.S. LLC
220 West Main Street
Louisville, KY 40202

David Sinclair
E.ON U.S. LLC
220 West Main Street
Louisville, KY 40202

D. Ralph Bowling
Western Kentucky Energy Corp.
145 N. Main Street
Henderson, KY 42419

Hon. Kendrick Riggs
Stoll, Keenon & Ogden PLLC
500 West Jefferson Street
Louisville, KY 40202

Hon. Allyson Sturgeon
E.ON U.S. LLC
220 West Main Street
Louisville, KY 40202

Kelly Nuckols
Jackson Purchase Energy Corp.
2900 Irvin Cobb Drive
Paducah, KY 42002

Burns Mercer
Meade County RECC
1351 Hwy. 79, Junction of
Hwy. 1051 & Hwy. 79
Brandenburg, KY 40108

Sandy Novick
Kenergy Corp.
6402 Old Corydon Road
Henderson, KY 42420

Hon. Frank N. King
Dorsey, King, Gray,
Norment & Hopgood
318 Second Street
Henderson, KY 42420

Hon. David Denton
Denton & Kueler, LLP
555 Jefferson Street, Suite 301
Paducah, KY 42002

Hon. Tom Brite
Brite and Butler
134 Court Square
Hardinsburg, KY 40143

Jack Gaines
JDG Consulting, LLC
1141 Wynterhall Lane
Dunwoody, GA 30338

SERVICE LIST
BIG RIVERS ELECTRIC CORPORATION
PSC CASE NO. 2007-00455

Hon. Michael L. Kurtz
Boehm, Kurtz & Lowry
Suite 2110
36 East Seventh Street
Cincinnati, OH 45202

Hon. David Brown
Stites & Harbison, PLLC
1800 Aegon Center
400 West Market Street
Louisville, KY 40202

Henry Fayne
1980 Hillside Drive
Columbus, Ohio 43221

Allan Eyre
631 Mallard Lane
Henderson, KY 42420

Russell Klepper
Energy Services Group
316 Maxwell Road
Alpharetta, GA 30004

Hon. C. B. West
Stoll Keenon Ogden PLLC
201C North Main Street
Henderson, KY 42420

Gary Quick
Henderson Municipal Power & Light
100 5th Street
Henderson, KY 42420

Hon. John N. Hughes
124 West Todd Street
Frankfort, Kentucky 40601

Hon. Dennis Howard
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204

Mr. David Brevitz
Brevitz Consulting Services
3623 Southwest WoodValley Terrace
Topeka, KS 66614

Item 3) Provide the most recent comparison of expected future cash flows to Big Rivers under continuation of the existing Lease Agreement/Power Purchase Agreement versus expected future cash flows as modeled (Exhibit 8) for the proposed Unwind/Lease Agreement Termination transactions, performed by or for Big Rivers

i. Please explain why such a comparison was not performed; and,
ii. Provide the requested comparison.

Response) Please see comparison of expected future cash flows to Big Rivers under continuation of the existing Lease Agreement/Purchase Power Agreement versus expected future cash flows as modeled (Exhibit 8) for the proposed Unwind/Lease agreement Termination Transaction.

Witness) C. William Blackburn

2/12/08

Comparison of expected future cash flows to Big Rivers under continuation of the existing Lease Agreement/Purchase Power Agreement versus expected future cash flows as modeled (Exhibit 8) – In $Millions

I. Arbitrage Sales assumed existing Lease Agreement/Purchase Power Agreement

		2007	2008 H1	Trans	2008 H2	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	UNWIND																			
1	Operating Receipts																			
2	Members	113	37	-	80	120	123	129	132	158	170	181	188	205	212	218	226	233	241	247
3	Smelters	-	-	-	172	258	278	304	321	325	327	345	347	381	355	382	378	392	387	402
4	Offsystem	65	27	-	51	77	80	66	59	62	61	60	57	49	54	40	41	42	41	41
5	Other	62	20	221	25	39	24	27	29	9	5	(5)	(4)	(3)	(3)	(1)	(2)	(2)	(1)	(1)
6	Total	240	84	221	328	494	504	526	541	555	562	581	588	632	618	639	643	666	668	689
7																				
8	Operating Disbursements	127	50	-	238	393	408	436	439	461	460	478	485	521	501	524	527	550	555	575
9	Capital Expenditures	22	8	-	37	76	59	56	54	36	37	37	38	40	46	47	45	47	47	49
10	Net Financing	49	30	196	39	58	58	58	58	58	58	58	58	58	58	58	58	58	58	58
11	Post-Finance Cash Flow	42	(4)	25	14	(34)	(20)	(25)	(10)	0	6	7	7	13	12	10	12	10	8	7
12																				
13	Ending Cash Balances	138	135	160	174	140	119	94	84	84	90	97	103	116	129	139	151	161	169	176
14	Ending Debt Balances	1,062	1,051	858	850	838	825	811	797	782	766	749	731	712	692	671	649	625	600	574
	NO UNWIND - ARBITRGE SALES																			
1	Operating Receipts																			
2	Members	113	37	-	80	120	123	126	133	136	139	142	158	162	165	169	188	192	196	200
3	Smelters	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Offsystem	65	27	-	41	64	59	87	102	133	132	134	122	117	116	118	105	98	100	92
5	Other	62	20	-	41	60	59	56	52	51	51	51	52	52	52	52	52	53	54	54
6	Total	240	84	-	162	245	241	269	287	320	322	327	332	331	333	339	345	343	350	346
7																				
8	Operating Disbursements	127	50	-	96	153	156	173	182	206	209	216	217	219	224	230	230	236	242	241
9	Capital Expenditures	22	8	-	17	24	18	12	12	7	7	8	9	10	11	12	11	12	12	12
10	Net Financing	49	30	-	61	88	88	90	104	106	105	100	104	101	101	100	94	64	90	126
11	Post-Finance Cash Flow	42	(4)	-	(11)	(21)	(20)	(5)	(11)	1	0	3	2	1	(3)	(3)	10	31	6	(34)
12																				
13	Ending Cash Balances	139	135		123	103	83	77	66	67	67	70	72	73	71	68	77	109	115	81
14	Ending Debt Balances	1,062	1,051		1,029	996	961	920	863	802	738	676	606	536	461	385	311	263	187	574

Comparison of expected future cash flows to Big Rivers under continuation of the existing Lease Agreement/Purchase Power Agreement versus expected future cash flows as modeled (Exhibit 8) – In $Millions

II. Smelter Sales at the Large Industrial Rate + $0.25 assumed existing Lease Agreement/Purchase Power Agreement

		2007	2008 H1	Trans	2008 H2	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	UNWIND																			
1	Operating Receipts																			
2	Members	113	37	-	80	120	123	129	132	158	170	181	188	205	212	218	226	233	241	247
3	Smelters	-	-	-	172	258	278	304	321	325	327	345	347	381	355	382	378	392	387	402
4	Offsystem	65	27	-	51	77	80	66	59	62	61	60	57	49	54	40	41	42	41	41
5	Other	62	20	221	25	39	24	27	29	9	5	(5)	(4)	(3)	(3)	(1)	(2)	(2)	(1)	(1)
6	Total	240	84	221	328	494	504	526	541	555	562	581	588	632	618	639	643	666	668	689
7																				
8	Operating Disbursements	127	50	-	238	393	408	436	439	461	460	478	485	521	501	524	527	550	555	575
9	Capital Expenditures	22	8	-	37	76	59	56	54	36	37	37	38	40	46	47	45	47	47	49
10	Net Financing	49	30	196	39	58	58	58	58	58	58	58	58	58	58	58	58	58	58	58
11	Post-Finance Cash Flow	42	(4)	25	14	(34)	(20)	(25)	(10)	0	6	7	7	13	12	10	12	10	8	7
12																				
13	Ending Cash Balances	138	135	160	174	140	119	94	84	84	90	97	103	116	129	139	151	161	169	176
14	Ending Debt Balances	1,062	1,051	858	850	838	825	811	797	782	766	749	731	712	692	671	649	625	600	574
	NO UNWIND - SALES TO SMELTERS AT LARGE INDUSTRIAL RATE + $0.25																			
1	Operating Receipts																			
2	Members	113	37	-	80	120	123	126	182	186	190	195	217	222	227	231	251	257	262	267
3	Smelters	-	-	-	-	-	-	-	67	67	67	67	73	73	73	73	77	77	77	77
4	Offsystem	65	27	-	41	64	59	87	68	67	64	63	59	57	55	53	51	47	45	42
5	Other	62	20	-	41	60	59	56	52	49	49	49	49	49	49	49	49	49	50	50
6	Total	240	84	-	162	245	241	269	369	369	371	373	398	400	403	406	428	430	435	437
7																				
8	Operating Disbursements	127	50	-	96	153	156	173	253	259	265	274	282	286	294	303	314	323	330	335
9	Capital Expenditures	22	8	-	17	24	18	12	12	7	7	8	9	10	11	12	11	12	12	12
10	Net Financing	49	30	-	61	88	88	90	107	105	104	99	100	98	97	96	91	61	87	126
11	Post-Finance Cash Flow	42	(4)	-	(11)	(21)	(20)	(5)	(3)	(3)	(6)	(7)	7	6	0	(4)	12	34	5	(37)
12																				
13	Ending Cash Balances	139	135		123	103	83	77	74	71	66	58	66	72	72	68	79	113	119	81
14	Ending Debt Balances	1,062	1,051		1,029	996	961	920	859	799	737	676	610	543	472	400	328	283	209	597

Item 128) Provide a document which extends the "Statement of Cash Flows" contained on page 5 of Exhibit 37 to include 2007 and 2008 on a pro forma basis as necessary, assuming current operations continue per current structure of agreements.

Response) See response to AG Item 3.

Witness) Robert S. Mudge

VERIFICATION

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

Burns Mercer

Burns Mercer

COMMONWEALTH OF KENTUCKY)
COUNTY OF Meade)

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

Melodie S. Bailey

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

VERIFICATION

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

Mark W. Glotfelty

STATE OF NEW YORK
COUNTY OF NEW YORK

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

Patricia S. Crawley

Notary Public, ______________ PATRICIA S. CRAWLEY
My Commission Expires __________ Notary Public, State of New York
No. 31-4817132
Qualified in New York County
Commission Expires Jan. 31, 2011

VERIFICATION

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

C. William Blackburn

C. William Blackburn

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

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

Paula Mitchell

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

VERIFICATION

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

David G. Crockett

David G. Crockett

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

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

Paula Mitchell

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

VERIFICATION

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

David Spainhoward

David A. Spainhoward

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

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

Paula Mitchell

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

VERIFICATION

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

Michael H. Core

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

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

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

VERIFICATION

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

Mark A. Bailey

Mark A. Bailey

COMMONWEALTH OF KENTUCKY)
COUNTY OF HENDERSON)

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

Paula Mitchell

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

VERIFICATION

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

Robert S. Mudge

District of Columbia)
City of Washington)

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

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

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

CHRISTINE McCAFFREY • DISTRICT OF COLUMBIA
NOTARY PUBLIC

RECEIVED

MAR 06 2008

PUBLIC SERVICE
COMMISSION

Item 1) Refer to the January 31, 2008 Errata Filing to the Application ("January 31 Errata"). Concerning Exhibit A to the Alcan and Century Retail Electric Service Agreements and Exhibit A to the Alcan and Century Wholesale Electric Service Agreements:

a. Explain the purpose or function of Exhibit A.

b. Identify the source of all data in Exhibit A where "Assumption" is listed in the column labeled "Derivation". Explain why each assumption is reasonable.

c. Provide all supporting schedules referenced in the "Derivation" column.

Response) a. Exhibit A is intended to provide numerical "worked examples" of certain provisions in the Smelter Retail and Wholesale Agreements (the "Smelter Agreements"), as are frequently attached to power purchase agreements. The examples are intended to serve as an aid to interpreting the workings of the Smelter Agreements and a register of components that could appear on Smelter invoices, depending on the circumstances of a given billing period. The examples illustrate the energy products and curtailment rights afforded under the Smelter Agreements, based on assumptions deriving from the Smelter Agreements and consistent with the Financial Model for the calendar year 2009. Exhibit A also offers an example of the formulaic calculation of the TIER Adjustment Charge as it might be applied on a quarterly basis under illustrative assumptions and of the 2009 Rebate indicated in the Financial Model on an annual basis (Smelters aggregated).

b. Please see the attached schedule indicating each line item in Exhibit A where "Assumption" is listed in the column labeled "Derivation" for identifying the source of data.

In each case, assumptions are i) bounded by the terms of the Smelter Agreements, ii) set to correspond to the Financial Model for the year 2009, or iii) posited as illustrations. One example of an illustrative assumption pertains to Smelter purchases of "Market Energy," which are not bounded by the Smelter Agreements. Market Energy is set for illustrative purposes in Exhibit A at two times the energy available on an Interruptible or Buythrough basis.

c. The supporting schedules referenced in the "Derivation" column are contained within Exhibit A, starting on line 89.

Witness) C. William Blackburn

EXHIBIT A ASSUMPTIONS

	Item	Derivation	Explanation
4	**Energy Balance (Annual TWh)**		
5	**Assumed Load Factor**	Assumption	Assumption for illustrative purposes, applied to Base Deman
6	**Metered Energy**	Assumption	Corresponds to Load Factor assumption
7	**2.3.2 - Supplemental Energy**		
8	**2.3.2(a) Interruptible Energy**	Assumption	Maximum allowed under Smelter Agreements
9	**2.3.2(b) Buy-Through Energy**	Assumption	Maximum allowed under Smelter Agreements
10	**2.3.2(c) Market Energy**		
11	Consumed	Assumption	Illustrative, at 2x Interruptible/ Buythrough
12	Sold	Assumption	Illustrative, at 50% of Interruptible/ Buythrough
13	**1.1.11 - Backup Energy**		
14	**4.4.1(a) and (b) (within 10MW per Smelter)**	Assumption	Maximum allowed under Smelter Agreements
15	**4.4.1(c) - Excess**	Assumption	Illustrative, at 2x 4.4.1a/ b
16	**1.1.15 - Base Curtailed Energy**		
17	**4.13.2 - Curtailment of Purchased Power**	Assumption	Example curtails all market purchases
18	**4.13.3 - Economic Sales**	Assumption (Max. Under Contract)	Maximum allowed under Smelter Agreements
19	**10.1 - Surplus Sales**	Assumption	Illustrative: 10% of Base Fixed Energy
20	**10.2 - Undeliverable Energy Sales**	Assumption	Illustrative: 6 Month Duration (per Section 10.2.1(a))
21	**10.3 - Potline Reduction Sales**	Assumption (Approx. Max.)	Illustrative: 115 MW (per Section 10.3.1)
25	**Key Rates**		
26	**Market Energy Price**	Assumption *	Illustrative: Market electricity price in Financial Model
27	**4.3 - Supplemental Energy ****		
28	**4.3.1 - Interruptible Energy Rate**	Assumption	"
29	**4.3.2 - Buy-Through Energy Rate**	Assumption	"
30	**4.3.3 - Market Energy Rate**	Assumption	"
31	**4.4 - Backup Energy Rate**	Assumption	"
32	**4.4.1(a) and (b) (within 10MW per Smelter)**	Assumption	"
33	**4.4.1(c) - Excess**	Contract	
34	**1.1.69 - Market Reference Rate**	Assumption	"
44	** Placeholder value intended to to represent costs of energy plus appropriate inclusion or exclusion of transmission services charges or any other charges or other expenses, per the Retail Service Agreement (see also Net Proceeds, below).*		
45	*** Assumed priced at cost, for illustration*		
109	**4.11 (c) Surcharge**		
110	Reference Fuel Expense ($/ MWh)	Contract	
111	Actual Fuel Expense ($/ MWh)	Assumption	From Financial Model/ Production Cost Model

Attachment to Staff Supplemental Request 1b

Item 2) Refer to the January 31, 2008 Errata, Appendix A to the Alcan and Century Retail Electric Service Agreements, the Non-FAC Purchased Power Adjustment Factor ("Non-FAC PPA"), and Appendix A to the Alcan and Century Wholesale Electric Service Agreements, Non-FAC PPA.

a. Absent the Non-FAC PPA, explain how Big Rivers would normally recover the costs of purchased power not otherwise recoverable under the Fuel Adjustment Clause ("FAC").

b. Explain in detail why Big Rivers, Alcan, and Century concluded that the proposed Non-FAC PPA was necessary.

c. Explain how the Purchased Power Base of $0.00175 was determined.

d. The proposed Non-FAC PPA appears to be modeled in a manner similar to the FAC. Explain why that approach was followed for the Non-FAC PPA.

e. Explain why the proposed Non-FAC PPA does not include periodic reviews of the mechanism.

Response) a. Absent the Non-FAC PPA, Big Rivers could only attempt to recover the cost of purchased power not otherwise recoverable under the FAC by filing a request for a general adjustment in rates for Commission approval.

b. Big Rivers, Alcan, and Century originally negotiated a PCA (power cost adjustment) inclusive of all those costs now reflected in the proposed FAC, ES and non-FAC PPA. In negotiating the TIER Adjustment, Big Rivers, Alcan and Century recognized that absent a PCA, or as is now proposed a non-FAC PPA, all purchased power costs would flow through the TIER Adjustment and be borne by the smelters within the bandwidth. As part of the negotiations, the parties agreed to exclude purchased power costs above a base amount (see the response to 2c) from the TIER Adjustment and to treat it similar to fuel costs for allocation and recovery. Hence, the parties agreed to the use of a PCA. From Big Rivers' perspective, the ability to automatically recover purchased power costs from the smelters through a

PCA mitigates a financial risk associated with its obligation to provide power for the smelters on a firm basis. Should there be a need to purchase power to replace Big Rivers' generation, the cost of replacement power can be recovered from the smelters without delay. From the smelters' perspective, recovering purchased power costs through a PCA would mean that they would not be required to pay through the TIER Adjustment for the portion of purchased power costs above the base amount that is attributable to non-smelter sales.

Upon deciding that a PCA had limited chance of approval, the parties agreed to carve out the non-FAC purchased power part of the original PCA to be recovered through a separate PPA formula, the non-FAC PPA. Correspondingly, it was agreed that Big Rivers would seek approval of the purchased power Regulatory Asset/Liability to maintain the integrity of the TIER Adjustment by keeping purchased power costs attributed to the non-smelter sales out of the TIER Adjustment.

c. The Purchased Power Base of $.00175 reflects the level of purchased power cost that had been reflected in the model before the parties agreed to propose a PCA (now the FAC, ES and PPA). It was the level of purchased power cost per kWh that the model showed being recovered through the base rates and the TIER Adjustment at the time it was agreed to incorporate a PCA. Therefore, to preserve the economics of the model so that the implementation of a PCA would not shift previously negotiated cost responsibility between the smelters and the non-smelters, the purchased power component of the then PCA base was set at $.00175/kWh. It was carved out of the original PCA base to become the non-FAC PPA base.

d. Item (b) above gives a description of how the Non-FAC PPA was developed. Since the original concept was to recover the fuel, purchased power and environmental cost all included in one mechanism, it was determined to develop the purchased power portion of the PPA using the same methodology as the FAC.

With the separation of the purchased power to a Non-FAC PPA, the similarity to the FAC was retained.

e. Big Rivers did not believe it was appropriate to request the Commission to conduct periodic reviews of a specific provision of a special contract. If the Non-FAC PPA were applied to both the non-Smelter and Smelter customers, Big Rivers would propose a periodic review by the Commission.

Witness) C. William Blackburn

Item 3) Refer to the January 31, 2008 Errata, Appendix B to the Alcan and Century Retail Electric Service Agreements, the proposed Big Rivers Bylaw Provisions.

a. Provide a comparison of the current version of Big Rivers' Bylaws with the proposed provisions. Explain in detail the reason(s) for each change between the current and proposed provisions.

b. Prepare a sample calculation that compares how patronage capital is currently allocated to patrons and how patronage capital would be allocated to patrons under the proposed provisions.

Response) a. Attached is a redlined version of the Big Rivers' Bylaws which compares the current version to the proposed provisions. The reasons for the changes are discussed below.

Section 1 of the proposed by-law amendment is virtually identical to Section 1 of the current by-laws, except that the amendment explicitly allows Big Rivers to conduct only a portion of its business with patrons on a patronage basis, thereby granting Big Rivers additional flexibility.

The current by-laws provide for the allocation to patrons of patronage sourced tax margins. Section 2 of the proposed by-law amendment provides much greater specificity than the current by-laws regarding the allocation of such margins (defined as "patronage net earnings"). The purpose for this increased specificity is to eliminate, or at least reduce, the number of future disputes that otherwise might arise regarding the allocation of Big Rivers' patronage net earnings subsequent to the Unwind Transaction, and to accurately reflect the parties' understanding as to how Big Rivers' patronage net earnings are to be allocated subsequent to the Unwind Transaction.

Thus, under clause (b)(1), the patronage net earnings of Big Rivers (other than such of those earnings as are attributable to the Unwind Transaction) are to be allocated to the patrons, if a positive number, based on the ratio of the patronage net book earnings attributable to each patron for the year to the patronage net book earnings attributable to all of the members for the year. A specific formula is provided for determining the patronage net book earnings attributable to each patron whereby, generally, the system average revenue per kWh is separately determined for sales made (indirectly) by Big Rivers to rural, large industrial and smelter customers, with the profit (loss) from these sales being determined, per kWh, by subtracting Big Rivers' system average cost per kWh from the revenues applicable to each of these three classes. Having determined the profit (loss) per kWh for each of the three customer classes, each of these figures is then multiplied, with respect to each patron, by the applicable number of kWh purchased by that patron for resale to the customers in each of the three classes, with these three amounts then being totaled.

If the patronage net book earnings with respect to any class (rural, large industrial or smelter) is negative for any year, that class is treated as having patronage net earnings of zero for the year. If patronage net book earnings with respect to all of Big Rivers' patrons is negative for any year then, notwithstanding the preceding paragraph, the patronage net earnings for the year are allocated based on the ratio of the cumulative patronage net earnings allocated to each patron in all prior years commencing on or after January 1, 1999 to the cumulative patronage net earnings allocated to all patrons during these same years.

Under clause (b)(2) the patronage net earnings attributable to the Unwind Transaction are generally allocated to the patrons based on the ratio of the cumulative patronage net earnings allocated to each patron during the period commencing January 1, 1999 and terminating on the date of the Unwind Transaction to the cumulative patronage net earnings allocated to all of Big Rivers' patrons during these same years. Given the large amount of patronage net earnings expected as a result of the Unwind Transaction and the fact that these net earnings will not arise from the sale of electricity, it was determined that a special allocation methodology should apply to these net earnings. It was further determined that it would be more equitable to allocate these earnings based on the patronage net earnings allocated to the patrons during all of the years that the LG&E arrangements were in effect, rather than to allocate these earnings based on manner in which the patronage net earnings (not attributable to the Unwind Transaction) are allocated to the Big Rivers' patrons in the year the Unwind Transaction is effected.

Under clause (c), the patronage net earnings of Big Rivers, if negative, are to be carried forward and applied as an offset against future positive patronage net earnings (as detailed above).

The provisions contained in Sections 3, 4 and 5 of the proposed by-law amendment are very similar to the provisions contained in the current by-laws, with most of the changes being grammatical or clerical in nature. Thus, similar to the current by-laws, Section 3 of the proposed by-law amendment provides that non-patronage net earnings are to be retained, if positive, as a permanent source of equity and, if negative, are to be carried forward to be applied as an offset against future positive non-patronage earnings. Also, similar to the current by-laws, Section 4 of the proposed by-law amendment requires that books and records be kept reflecting the allocations made to Big Rivers' patrons, and generally prohibits any assignment of a patron's capital account. Finally, and again similar to the current by-laws, Section 5 of the proposed by-law amendment provides Big Rivers' board of directors with broad discretion regarding the retirement of the patrons' capital accounts, and further provides that, upon the liquidation of Big Rivers and the discharge of all of its debts and other obligations, the patrons are to be paid their capital account balances and, to the extent there are any remaining proceeds, these proceeds are to share in accordance with the patrons' historical patronage (measured by kWh).

b. The actual Big Rivers' patronage allocation calculations for the years 2000 through 2006 are attached hereto, pages 1 through 8. Sample calculations of patronage allocations pursuant to the proposed revisions, using data per the Unwind Model, on page 9.

The two different methods, the first for the pre-Unwind period and the second for the post-Unwind period, cannot be compared for the same period. Absent the Unwind, Big Rivers purchases all its power; hence the current net sales margin method (electricity sales revenue less power supply cost). In an Unwind environment, Big Rivers will be generating most of its power; hence the total cost of service method.

Witness) C. William Blackburn

AMENDED BYLAWS
OF
BIG RIVERS ELECTRIC CORPORATION

ARTICLE I

MEMBERSHIP: The fee for membership in this corporation is fixed at twenty-five dollars ($25.00).

The members must be accepted by a vote of a majority of the Board of Directors and only upon payment of the aforesaid fee accompanied by application containing the agreements referred to in Section 2 of Article VII of the Articles of Incorporation. Membership in the corporation shall not be transferable.

The Board of Directors may suspend the rights of a member, when such member ceases to be eligible for membership under the law, Articles of Incorporation, Bylaws or rules or regulations, for such period of time as the said member is ineligible for membership. The Board of Directors may terminate the membership of a member by expulsion when a member knowingly and intentionally fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or rules or regulations adopted by the Board of Directors, but only after such member shall have been given written notice by the Secretary of the Corporation that such failure shall be contained for at least ten (10) days after such notice is received. An affirmative vote of not less than two-thirds of all the directors shall be required to suspend or expel a member. An affirmative vote of a majority of all the directors shall be required to terminate a suspension of the members' rights or to reinstate a member once expelled.

When membership in the cooperative corporation has been terminated, under the laws of the State of Kentucky, the Articles of Incorporation as amended, or as provided in this Article I, as hereinabove stated, it shall be subject to the capital credits provision contained in Article VIII of these bylaws. The termination shall operate as a release of all right, title and interest of the member in the property and assets of the corporation, provided, however, that such termination of membership shall not release the member from the debts or the liabilities of such member to the cooperative corporation.

ARTICLE II

MEETINGS OF MEMBERS: The annual meeting of the members shall be held on the third Friday of each September, or on such other day in September as may be selected by the Board of Directors of the corporation, at an hour to be designated in the notice of the annual meeting, at the principal office of the corporation in Henderson, Henderson County, Kentucky, or at such other place in Kentucky as may be directed by the Chair of the corporation. Each member of the Board of Directors of a Big Rivers' member distribution cooperative shall be invited to attend the annual meeting of members of Big Rivers.

Special meetings of the members may be called at such times and places within the area aforesaid as may be ordered by the Board of Directors or by two (2) of the three (3) members.

Written notice of both the annual and special meetings of the members shall be given each member appearing on the books of the corporation by mailing the same to his last known address at least ten (10) days before such meeting. The notice of the special meeting shall set forth the purpose of which the meeting is called.

Each member shall designate one (1) delegate to represent it at each membership meeting. The Secretary of the corporation shall include with the written notice of the meeting a form on which each member shall certify the name and address of the delegate so designated. Such form shall be returned to the Secretary prior to or at the beginning of the meeting. In the event a waiver of notice is executed as herein provided, a representative of each member may orally report to the Secretary at the beginning of the meeting the name and address of the delegate who has been designated to represent the member at such meeting.

The delegates may at any special membership meeting held within thirty (30) days of the date for the required annual meeting elect by a two-thirds (2/3) vote to substitute such special meeting for the required annual meeting if delegates representing all members are present at such special meeting.

A waiver of notice containing the time, place and purpose of any membership meeting, signed by all the delegates representing all members and attached to the minutes of the meeting, shall satisfy the written notice requirement for a meeting in this Article.

Delegates representing a majority of the members shall constitute a quorum for the transaction of business.

Only delegates so designated shall vote on matters coming before the meeting.

ARTICLE III

DIRECTORS:

SECTION 1. Number. The number of directors shall be six (6). Each director shall be elected by a majority vote of the delegates at the annual meeting of the members or at a special meeting of the members called for the purpose. Each member distribution cooperative shall be entitled to have two (2) directors on the Board of Directors of the corporation at all times, provided however, that at least one (1) of the two (2) directors from each member distribution cooperative shall also have been, at the time of his election, a director of such member distribution cooperative.

SECTION 2. Term.

A. The term of service of a person on the Board of Directors shall be limited to a total of 18 years, whether served consecutively or non-consecutively.

B. The Board of Directors shall be reconstituted at the 1998 annual meeting of members to be held on September 10, 1998. At that meeting, the membership shall elect two (2) directors from each cooperative as provided in Article III, Section 1, above, one of whom shall serve for a term of two (2) years and until his or her successor is elected and qualified, and the other of whom shall serve for a term of three (3) years and until his or her successor is elected and qualified. The terms of all directors serving prior to the 1998 annual meeting of members shall terminate with the adjournment of that meeting.

C. The terms of directors shall be staggered such that two (2) directors from different member cooperatives are elected each year. Each director elected on and after September 1, 2000, shall be elected for a term of three (3) years and shall serve until his or her successor is elected and qualified, except that at the 2001 annual meeting of members, one (1) of the three (3) directors elected at that meeting shall be elected for a term of one (1) year.

SECTION 3. Qualifications. A person is qualified to stand for election to the Board of Directors of the corporation if that person satisfies the general requirements and limitations on board service in Article III, and each of the following requirements:

A. A director of Big Rivers Electric Corporation shall be a member of a member distribution cooperative and shall reside in the service territory of a Big Rivers Electric Corporation member distribution cooperative.

B. No employee of Big Rivers Electric Corporation or of its member cooperatives shall be a director during the term of such employment. No member of the immediate family of an employee of Big Rivers Electric Corporation shall serve as a director of the corporation during the term of such employment. For purposes of this requirement, the "immediate family" of an employee is any person (a) who is a spouse, parent, child, or sibling of that employee, or of that employee's spouse or of an individual living in the same home as the employee, (b) any person who is living in the same home as the employee, and (c) any person who is married to or lives in the same home as any of the persons listed in (a) and (b).

C. A director must have the legal capacity to enter into a binding contract.

D. Each director shall have a high school diploma or its equivalent.

E. A person who serves a term on the Board of Directors of the corporation after September 1, 1997, shall be qualified to serve a subsequent term if, in addition to meeting the other qualifications for board membership, that person has completed all orientation and continuing education requirements imposed by Board policy during his or her tenure on the Board. Each director shall have achieved the National Rural Electric Cooperative Association Credentialed Cooperative Director (CCD) certification by the end of his or her sixth consecutive year of service after September 1, 1997.

SECTION 4. Removal. Any member may bring charges against a director by filing with the Secretary of the corporation such charges in writing and request the removal of such director by reason thereof. Such director shall be informed in writing by the Secretary of the charges at least ten (10) days prior to the meeting at which the charges are to be considered. Such director shall have an opportunity at the meeting to be heard and to present evidence respecting the charges. The question of the removal of such director shall be considered and voted upon by the remaining directors with the director under charges excluded from the meeting room at the time of the vote.

SECTION 5. Meetings. Regular monthly meetings of the Board of Directors shall be held upon the third Friday of each month at an hour to be designated from month to month.

Special meetings of the Board of Directors may be called by the Chair or Secretary at such time and place as may be determined by the person calling the meeting. At least five (5) days' written notice shall be given each director of the special meeting by the person calling same. A waiver of notice containing the time, place, and purpose of the meeting, signed by all directors and attached to the minutes of the meeting, shall satisfy the written notice requirement for a meeting in this Article.

The directors may at any special meeting held within thirty (30) days of the date for the required annual or monthly meeting, elect by a two-thirds (2/3) vote of all the directors to substitute such special meeting for the required annual or monthly meeting if all directors are present at such special meeting.

A majority of the Board of Directors shall constitute a quorum at all meetings.

SECTION 6. Vacancies. In case of any vacancy on the Board of Directors caused by death, resignation, or otherwise, such vacancy shall be filled for the unexpired term by a majority of the Board of Directors within sixty (60) days.

SECTION 7. Meetings by Telephone or Similar Communications. Any or all directors may participate in any regular or special meeting by, or conduct a meeting through the use of, any means of communication by which all directors participating in such meeting can simultaneously hear each other, and participation in such meeting by a director shall constitute the presence in person by such director at such meeting.

SECTION 8. Consolidation of Members. If two or more members of the corporation consolidate pursuant to KRS 279.170 to form a new entity and member of the corporation, the positions on the corporation's Board of Directors for that entity shall be filled for a term ending with the next annual meeting of the members of the corporation by a majority vote of the Board of Directors within sixty (60) days. At the first annual meeting of the members of the corporation following the effective date of the consolidation, the membership shall elect two (2) directors from the new entity, as provided in Article III, Section 1, above, for terms consistent with Article III, Section 3, which establishes staggered terms for directors.

ARTICLE IV

OFFICERS:

SECTION 1. Officers Authorized. The officers of the corporation shall be a Chair, Vice Chair, President, Secretary-Treasurer, Vice President and Chief Financial Officer, and Vice President-External Relations. The Chair, Vice Chair and Secretary-Treasurer shall be elected by and from the membership of the Board of Directors. The President shall be elected by the Board of Directors. The Vice President and Chief Financial Officer and the Vice President-External Relations shall be appointed by the President. The Board of Directors may appoint an Executive Secretary and one or more Assistant Secretaries, who need not be members of the Board of Directors, to perform such duties and to have such powers of the secretary as shall from time to time be assigned to the Executive Secretary or to any Assistant Secretary by the Board of Directors or by the Secretary.

SECTION 2. Election and Terms of Officers. At the first meeting following the annual meeting of the members, each officer required by these Bylaws to be chosen by election shall be elected by a majority vote by the Board of Directors by a secret ballot, provided the result of such election is determined by ballot vote, and shall hold office for one (1) year, or until that officer's successor is elected and qualified. All officers of the corporation serve at the pleasure of the Board and may be removed as an officer without cause by an affirmative vote of a majority of all the directors, unless otherwise expressly provided in a written contract of employment between the corporation and an officer who is also an employee of the corporation.

ARTICLE V

DUTIES OF OFFICERS:

SECTION 1. Chair and Vice-Chair. The Chair shall preside at all meetings of the members and of the Board of Directors. The Chair may sign, with the Secretary-Treasurer, certificates of membership of the corporation, and the Chair may also sign any deeds, mortgages, bonds, contracts or other instruments in writing authorized by the Board of Directors or by these Bylaws or that are required by law to be otherwise signed or executed. The Chair shall perform generally all duties incident to the office of Chair and such other duties as may be prescribed by the Board of Directors from time to time.

In the absence of the Chair, or in the event of the Chair's inability or refusal to act, the Vice Chair shall perform the duties of the Chair. When so acting, the Vice Chair shall have all the powers of and be subject to all the restrictions upon the Chair. The Vice Chair shall perform such other duties as may be assigned from time to time by the Board of Directors.

SECTION 2. Secretary. The Secretary of the Corporation shall keep, or cause to be kept, the minutes of the meetings of the Board of Directors and members in one or more books provided for that purpose and shall authenticate records of the Corporation. The Secretary shall see that all notices are duly given in accordance with these Bylaws, or as required by law. The Secretary shall be the custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all certificates of membership prior to the issue thereof and to all documents requiring a seal. The Secretary of the Corporation shall keep, or cause to be kept, a register of the post office address of each member. The Secretary shall sign, with the Chair, certificates of membership and have general charge of the books of the Corporation. The Secretary shall perform in general all duties incident to the office of the Secretary and such other duties as from time to time may be assigned by the Board of Directors.

SECTION 3. Treasurer. The Treasurer of the Corporation, or such other person or persons delegated by the Board, shall have charge and custody of and be responsible for all funds and securities of the Corporation. The Treasurer shall in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the Board of Directors.

SECTION 4. President. The President shall act as the general manager and chief executive officer of the Corporation. The President may sign, with the Secretary, certificates of membership of the Corporation, and any deeds, mortgages, bonds, contracts or other instruments in writing authorized by the Board of Directors, or by these Bylaws, or that are required by law to be otherwise signed or executed by the president of a rural electric cooperative corporation. The President shall perform generally all duties incident to the office of president and to the position of general manager and chief executive officer, and such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 5. Vice President and Chief Financial Officer. The Vice President and Chief Financial Officer of the Corporation shall act as the manager of the financial affairs, financial reporting and tax compliance for the Corporation, and shall perform generally all duties incident to the office of vice president and chief financial officer, along with such other duties as may be prescribed by the Board of Directors from time to time. The Vice President and Chief Financial Officer may exercise any duties of the Treasurer, except for signing certificates of membership of the corporation, and may sign any deeds, mortgages, bonds, contracts or other instruments in writing authorized by the Board of Directors, or by these Bylaws, or that are required by law to be otherwise signed or executed.

SECTION 6. Vice President-External Relations. The Vice President-External Relations of the Corporation shall act as the manager of the external relations, federal, state and local governmental affairs, federal, state and local regulatory affairs, and monitoring of regulatory compliance for the Corporation, and shall perform generally all duties incident to the office of vice president of external relations, along with such other duties as may be prescribed by the Board of Directors from time to time. The Vice President-External Relations may sign any deeds, mortgages, bonds, contracts or other instruments in writing authorized by the Board of Directors, or by these Bylaws, or that are required by law to be otherwise signed or executed.

SECTION 7. Absence or Disability of President. If the President is absent or becomes disabled, the Vice President and Chief Financial Officer and the Vice President-

External Relations shall have all the powers and be subject to all the duties of the President so long as such absence or disability continues.

SECTION 8. Compensation of Officers. The compensation of the officers of the corporation shall be fixed from time to time by the Board of Directors, except the compensation of the Vice President and Chief Financial Officer and the Vice President-External Relations, whose compensation shall be fixed by the President.

SECTION 9. Annual Reports of Officers. The officers of the Corporation shall submit at each annual meeting of the members reports covering the business of the corporation for the previous fiscal year and showing the condition of the corporation at the close of such fiscal year.

SECTION 10. Secretary-Treasurer. The Secretary-Treasurer shall have the duties of both the Secretary and the Treasurer.

ARTICLE VI

FISCAL YEAR: The fiscal year of the corporation shall commence on January 1st of each year.

ARTICLE VII

SEAL: The corporate seal of the corporation shall be circular with the words "BIG RIVERS ELECTRIC CORPORATION" and "HENDERSON, KENTUCKY" surrounding the word "SEAL".

ARTICLE VIII

~~NON-PROFIT OPERATION:~~

~~SECTION 1. Interest or Dividends on Capital Prohibited.~~ **Section 1. Operation on a Cooperative Basis.** The cooperative shall at all times be operated on a non-profit**,** **cooperative** basis for the mutual benefit of its patrons. As used in these Bylaws, "patron" shall include members and non-members alike, who have expressly contracted in writing to do **all or a portion of their** business with the cooperative on a patronage basis on the terms contained in these Bylaws. No interest or dividends shall be paid or payable by the cooperative on any capital furnished by its patrons.

~~SECTION 2. Patronage Capital in Connection with Furnishing Electric Service.~~

~~In the furnishing of electric energy, the cooperative's operations shall be so conducted that all patrons will, through their patronage, furnish capital for the cooperative.~~

Section 2. Patronage Net Earnings. (a) The taxable income or loss of the cooperative from business done with or for its patrons on a cooperative basis, as computed for U.S. federal income tax purposes for purposes of calculating regular taxable income tax and alternative minimum taxable income, prior to taking into account any deduction for patronage dividends but after offset (if applicable) by any available tax loss carryforward amounts attributable to a deficit in patronage earnings from prior taxable years ("patronage net earnings") shall, if positive, be allocated in an amount no less than the greater of such patronage net earnings as computed for regular income tax purposes and such patronage net earnings as computed for alternative minimum tax purposes to the patrons of the cooperative in the manner detailed in clause (b) below and, if negative, be treated in the manner detailed in clause (c) below.

(b)(1) As of the end of each taxable year, the amount of the patronage net earnings of the cooperative (other than patronage net earnings derived from the Unwind Transaction) shall be allocated to the patrons of the cooperative based on the ratio of the patronage net book earnings attributable to each such patron for the year over the patronage net book earnings attributable to all of the patrons for that year. For this purpose, the patronage net book earnings attributable to each patron with respect to any year shall be MRural + MLargeIndustrial + MSmelters, where

MRural = the greater of zero or ((RRural – A) * KRural)

MLargeIndustrial = the greater of zero or ((RLargeIndustrial – A) * KLargeIndustrial);

MSmelters = the greater of zero or ((RSmelters – A) * KSmelters).

For purposes of the foregoing:

RRural = the cooperative's system-average revenue per kWh for that year from sales to the applicable patron for resale to rural consumers (as determined pursuant to GAAP);

RLargeIndustrial = the cooperative's system-average revenue per kWh for that year from sales to the applicable patron for resale to large industrial consumers (as determined pursuant to GAAP);

RSmelters = the cooperative's system-average revenue per kWh for that year from sales to the applicable patron for resale to smelter consumers (as determined pursuant to GAAP);

A = the cooperative's system-average cost per kWh for that year (based on the Total Cost of Electric Service, as set forth in the cooperative's RUS Form 12a for the year, and the Sales of Electricity (Grand Total), as set forth in the cooperative's RUS Form 12b for the year, and, hence, determined pursuant to GAAP);

KRural = the number of kWh purchased by the applicable patron during that year for resale to rural consumers;

KLargeIndustrial = the number of kWh purchased by the applicable patron during that year for resale to large industrial consumers;

KSmelters = the number of kWh purchased by the applicable patron during that year for resale to smelter consumers (if any).

Notwithstanding the foregoing, if the patronage net book earnings attributable to all of the patrons is negative for any year, the allocation of the patronage net earnings for that year shall instead be based on the ratio of (i) the cumulative patronage net earnings of the cooperative allocated to each of the patrons in all prior years subsequent to 1998, which is the year in which Big Rivers' bankruptcy reorganization closed, to (ii) the cumulative patronage net earnings allocated to all of the patrons during such years.

(2) The patronage net earnings of the cooperative attributable to the Unwind Transaction will be allocated amongst the patrons of the cooperative based on the ratio of the patronage net book earnings attributable to each of the patrons to the patronage net book earnings attributable to all of the patrons with respect to the period commencing with January 1, 1999, which is the year subsequent to the year in which Big Rivers' bankruptcy reorganization closed, and terminating on the date of the Unwind Transaction; *provided*, that if the Unwind Transaction closes on a date that is not the last day in a fiscal year, the amount of patronage net book earnings attributable for such partial fiscal-year period shall be equal to a pro rated value based on the patronage net

book earnings for such fiscal year multiplied by a fraction equal to (i) the number of days in such fiscal year up to and including the date of the Unwind Transaction closes divided by (ii) the total number of days in such fiscal year.

(c) If the patronage net earnings of the cooperative for any taxable year is negative, the deficit shall be carried forward and applied as an offset against future positive patronage net earnings (in accordance with clause (a) above).

(d) If patronage net earnings of the cooperative shall be adjusted (by the IRS on audit or otherwise) for any year, the amount of patronage net earnings allocated to each patron pursuant to this Section 2 for that year shall be automatically adjusted in accordance with this Section 2 to reflect the recomputed patronage net earnings, with each member being notified within a reasonable time thereafter of the amount of the adjustment allocated to the patron's capital account.

Section 3. Nonpatronage Net Earnings. The taxable income or loss of the cooperative from business not done with or for its patrons on a cooperative basis for any taxable year, as computed for U.S. federal income tax purposes ("nonpatronage net earnings"), after offset (if applicable) by any available tax loss carryforward amounts attributable to a deficit in nonpatronage net earnings from prior taxable years, shall, if positive, be retained by the cooperative as a permanent source of equity and, if negative, shall be carried forward to be applied as an offset against future positive nonpatronage net earnings. If the nonpatronage net earnings of the cooperative shall be adjusted (by the IRS on audit or otherwise) for any year, the calculations made pursuant to this

Section 3 for that year shall be automatically adjusted in accordance with this Section 3 to reflect the recomputed nonpatronage net earnings.

Section 4. Recording-Keeping ~~In order to induce patronage and to assure that the cooperative will operate on a non-profit basis, the cooperative is obligated to account each year on a patronage basis to all its patrons for all positive patron patronage-sourced margins, both operating and non-operating. The cooperative is obligated to allocate all such positive amounts to a capital account for each patron. The~~ **The membership fee paid and the amount of patronage net earnings allocated to each patron shall be credited to a capital account maintained for such patron, with the** books and records of the cooperative ~~shall be~~being set up and kept in such manner that, at the end of each ~~fiscal~~taxable year, the amount of capital allocated and credited to each patron is clearly reflected in an appropriate record to the capital account of each patron~~, and~~ (with the cooperative ~~shall~~notifying each patron within a reasonable time after the close of the ~~fiscal~~taxable year notify ~~each patron of~~ the amount of ~~capital so~~the patronage net earnings allocated to ~~his account~~the patron's account with respect to such taxable year). All such amounts allocated to the capital account of any patron in accordance with this Article VIII shall be in pursuance of a legal obligation to do so. **The capital account of each patron shall be assignable only on the books of the cooperative pursuant to written instructions from the assignor and only to successors in interest or successors in occupancy of all or a part of such patron's premises served by the cooperative unless the board of directors, acting under policies of general application, shall otherwise determine.**

~~Notwithstanding any other provision of this Article VIII, the amount to be allocated as patronage capital for a given year shall not be less than the greater of regular taxable patron~~

~~patronage-sourced margins or alternative minimum taxable patron patronage-sourced margins (both as determined for federal income tax purposes).~~

~~All other tax margins received by the cooperative from operating and nonoperating sources shall, insofar as permitted by law, be (a) used to offset any such remaining tax loss carry forward amounts incurred during any prior fiscal year since 1982 and (b) to the extent not needed for that purpose, retained by the cooperative as a permanent source of after-tax equity.~~

~~In the event of dissolution or liquidation of the cooperative, after all outstanding indebtedness of the cooperative shall have been paid, the net of each member's outstanding membership fee and capital account balance shall be retired without priority on a pro-rata basis before any payments are made on account of property rights of members. The property rights of each member shall be determined based upon historical patronage measured by kilowatt-hours purchased from Big Rivers over the life of the cooperative. The life of the cooperative is defined to begin at the date Big Rivers was formed in 1961 and is not redefined or otherwise modified by Big Rivers' bankruptcy filing, reorganization, confirmation of the plan of reorganization, or otherwise.~~

Section 5. Retirement of Patronage Capital. If, at any time prior to ~~dissolution or~~**the** liquidation **of the cooperative**, the board of directors shall determine that the financial condition of the cooperative will not be impaired thereby, the patrons' capital accounts may be retired in full or in part (except that no distribution ~~that violates~~**shall be made that would result in a violation of** any financial ~~covenants shall be made~~**covenant of the cooperative)**. Generally, such retirements of capital shall be made in order of priority according to the year in which the ~~capital was allocated, the capital first received by the cooperative being first~~

~~retired~~**patronage net earnings were allocated**. Notwithstanding ~~any other provision of these bylaws~~**the foregoing, however**, the board of directors shall have the discretion to determine the method of allocation, basis~~,~~ and order of priority of ~~retirement, if any,~~**repayment** for all amounts furnished as patronage capital.

~~The capital in the account of each patron shall be assignable only on the books of the cooperative pursuant to written instructions from the assignor and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the cooperative unless the board of directors, acting under policies of general application, shall determine otherwise.~~

~~SECTION 3. Patronage Allocation.~~

Upon the liquidation of the cooperative, the assets of the cooperative shall be distributed in the following order: (i) all debts and obligations of the cooperative shall be paid in accordance with lawful priorities; (ii) each patron's capital account balance shall be paid without priority on a pro rata basis until all such capital accounts (as determined subsequent to adjusting such accounts by allocations of patronage net earnings for the year of liquidation) have been reduced to zero and (iii) any remaining assets of the cooperative shall be paid to the current and former patrons of the cooperative based upon the amount of their historic patronage with the cooperative measured by kilowatt-hours purchased from Big Rivers over the life of the cooperative. The life of the cooperative is defined to begin at the date Big Rivers was formed in 1961 and to continue uninterrupted through Big Rivers' bankruptcy reorganization to the date of liquidation.

~~The aggregate method will continue to be used for patronage capital accounting until the historical cumulative patron patronage-sourced tax margin deficit, beginning in 1983 when~~

~~the cooperative became non-exempt, is overcome. Then the assignment method will be used for each subsequent year which renders a positive patron patronage-sourced tax margin. The Big Rivers' net sales margin from the sale of electricity to each patron shall be the basis for allocating the total patron patronage-sourced tax margin. At the time of adoption of this policy, all patron sales of electricity are pursuant to either Rate Schedule C.4.d. or C.7. Until such time as Big Rivers' board of directors determines any such margin contains other amounts (for example, a positive transmission component), it shall not be necessary to differentiate such amount and determine the equitable assignment basis therefore. Each year's patron patronage-sourced tax margin will be allocated as follows:~~

~~(a) Determine each patron's electricity sales revenue (RUS Form 12)~~

~~(b) Determine each patron's MWh sales (RUS Form 12)~~

~~(c) Determine each patron's power supply cost, on an average member MWH cost basis (RUS Form 12)~~

~~(d) Subtract (c) from (a) to arrive at each patron's net sales margin~~

~~(e) Compute each patron's patronage capital allocation on a net sales margin pro-rata basis.~~

ARTICLE IX

ORDER OF BUSINESS: The order of business at the annual meeting of the members, and so far as possible at all other meetings of the members, shall be as follows:

1. Call of the Roll
2. Reading of the notice of the meeting together with proof of service.
3. Presentation and reading of unapproved minutes of previous meetings of the members and the taking of necessary action thereon.
4. Presentation and consideration of, and acting upon reports of officers, directors, and committees.

5. The election of directors.

6. Unfinished business.

7. New business.

8. Adjournment.

ARTICLE X

CONTRACTS, CHECKS AND DEPOSITS: The Board of Directors may authorize any officer or officers, agent or agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the corporation and such authority may be general or confined to specific instances.

All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers of the corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

All funds of the corporation shall be deposited from time to time to the credit of the corporation in such bank or banks as the Board of Directors may select.

ARTICLE XI

DIRECTORS FEES AND EXPENSES:

SECTION 1: A director is entitled to such fees and to reimbursement of such expenses as may be provided in the written policy of the Board on Directors' Fees and Expenses. Compliance with that policy shall be monitored by the Board of Directors.

SECTION 2: Nothing contained herein shall limit the right of the Board of Directors to contract with or pay any individual director for additional services or duties rendered outside his normal functions as director.

ARTICLE XII

AMENDMENT OF BYLAWS:

These Bylaws may be altered, modified, amended, or replaced by an affirmative vote of a majority of the members of the Board of Directors at any regular or special meeting.

All Bylaws previously adopted by this Board which are inconsistent herewith are hereby altered or repealed in the above respects.

ARTICLE XIII

INDEMNIFICATION AND INSURANCE:

A. Right to Indemnification. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact he or she, or a person of whom he or she is a legal representative, is or was a director, or while a director, serves or served at the corporation's request as a director, officer, partner, trustee, employee or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall be indemnified and held harmless by the corporation to the fullest extent authorized by the Kentucky Business Corporation Act, as the same exists or may hereafter be amended (but in the case of any such amendment, only to the extent that such amendment permits the corporation to provide broader indemnification rights than the Kentucky Business

Corporation Act permitted the corporation to provide prior to such amendment), against all expenses, liability and loss (including attorneys' fees, judgments, fines, ERISA, excise taxes or penalties, and amounts paid or to be paid in settlement) actually and reasonably incurred or suffered by such director in connection with any such proceeding. Such indemnification shall continue as to a director who has ceased to be a director and shall inure to the benefit of the director's heirs, executors, and administrators. Except with respect to proceedings to enforce rights to indemnification by a director, the corporation shall indemnify any such director in connection with a proceeding (or part thereof) initiated by such director only if such proceeding (or part thereof) was authorized by the Board of Directors of the corporation. The right to indemnification conferred in this Article shall be a contract right.

B. Advance of Expenses. The corporation shall pay for or reimburse the actual and reasonable expenses incurred by a director who is a party to a proceeding in advance of final disposition of the proceeding if a determination is made that the facts then known to those making the determination would not preclude indemnification under KRS 271B.8-500 to 271B.8-580, and if the director furnishes the corporation: (i) a written affirmation of the director's good faith belief that the director's conduct met the standard of conduct described in Kentucky Revised Statutes 271B.8-510 or successor provisions; and (ii) a written undertaking, executed personally or on the director's behalf, to repay any advances if it is ultimately determined that the director is not entitled to indemnification for such expenses under this Article or otherwise. The undertaking must be an unlimited general obligation of the director, but need not be secured and may be accepted without reference to the director's financial ability to make repayment.

C. Indemnification of Officers, Employees and Agents. The corporation may indemnify and advance expenses to an officer, employee or agent who is not a director to the extent permitted by the Articles of Incorporation, the Bylaws, or by law.

D. Indemnification of Officers, Employees and Agents. The corporation shall indemnify and advance expenses to officers to the same extent as directors, and may indemnify employees or agents who are not directors or officers to the extent permitted by the Articles of Incorporation, the Bylaws, or by law.

E. Insurance. The corporation may purchase and maintain insurance, at its expense, on behalf of an individual who is or was a director, officer, employee or agent of the corporation, or who while a director, officer, employee or agent of the corporation is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, employee benefit plan, or other enterprise, against liability asserted against or incurred by him or her in any such capacity or arising from his status as a director, officer, employee or agent, whether or not the corporation would have power to indemnify him or her against the same liability under this Article.

Big Rivers' Patronage Allocation - by Year

	Jackson Purchase	Kenergy	Meade County	Total
2000	$59,627,712	$189,106,661	$36,838,960	$285,573,333
2001	3,753,814	12,558,896	2,409,556	18,722,266
2002	3,982,535	12,400,207	2,554,655	18,937,397
2003	3,659,530	12,905,459	2,475,228	19,040,217
2004	3,184,440	12,725,115	2,153,064	18,062,619
2005	4,147,297	16,152,264	2,818,035	23,117,596
2006	4,891,973	23,735,012	3,304,956	31,931,941
	$83,247,301	$279,583,614	$52,554,454	$415,385,369

2006 PATRONAGE ALLOCATION

	Jackson Purchase	Kenergy	Meade County	Total
Electricity Sales Revenue (RUS Form 12b)	$23,655,944	$69,362,403	$15,718,190	$108,736,537
Tier 3-Century/Alcan (Oper Report-Sales of Electricity)		$53,846,085		$53,846,085
MWh Sales (RUS Form 12b)	663,944	2,088,148	435,964	3,188,056
Tier 3-Century/Alcan (Oper Report-Sales of Electricity)		1,486,446		1,486,446
Purchased Power Cost (RUS Book Worksheet)	$13,626,081	$42,854,928	$8,947,260	$65,428,277
Tier 3-Century/Alcan Calculated @ $21.32890/MWh		$31,704,258		$31,704,258
Net Sales Margin	$10,029,863	$48,649,302	$6,770,930	$65,450,087
Net Sales Margin Allocation Percentage	15.32%	74.33%	10.35%	100.00%
Patronage Allocation	$4,891,973	$23,735,012	$3,304,956	$31,931,941

Smelter Tier 3 Purchased Power Cost -$/MWh

Total Purchased Power Cost, excluding AC 557 - Form 12c		109,414,564	
Non-Smelter Member Purchased Power cost - RUS Book Allocation		(65,428,277)	
Other Purchased Power Cost			43,986,287
Total MWh Sales		5,250,342	
Non-Smelter Member MWh Sales		(3,188,056)	2,062,286
Smelter Tier 3 Purchased Power Cost per MWh	**$21.32890**		

2005 PATRONAGE ALLOCATION

	Jackson Purchase	Kenergy	Meade County	Total
Electricity Sales Revenue (RUS Form 12b)	$23,854,261	$69,619,396	$15,965,622	$109,439,279
Tier 3-Century/Alcan (Oper Report-Sales of Electricity)		$43,327,553		$43,327,553
MWh Sales (RUS Form 12b)	677,462	2,107,905	448,574	3,233,941
Tier 3-Century/Alcan (Oper Report-Sales of Electricity)		1,440,212		1,440,212
Purchased Power Cost (RUS Book Worksheet)	$13,881,501	$43,191,919	$9,191,481	$66,264,909
Tier 3-Century/Alcan Calculated @ $21.46463/MWh		$30,913,618		$30,913,618
Net Sales Margin	$9,972,760	$38,841,412	$6,774,141	$55,588,305
Net Sales Margin Allocation Percentage	17.94%	69.87%	12.19%	100.00%
Patronage Allocation	$4,147,297	$16,152,264	$2,818,035	$23,117,597

Smelter Tier 3 Purchased Power Cost -$/MWh

Total Purchased Power Cost, excluding AC 557 - Form 12c		109,652,756	
Non-Smelter Member Purchased Power cost - RUS Book Allocation		(66,264,909)	43,387,847
Other Purchased Power Cost			
Total MWh Sales		5,255,306	
Non-Smelter Member MWh Sales		(3,233,941)	2,021,365
Smelter Tier 3 Purchased Power Cost per MWh	$21.46463		

2004 PATRONAGE ALLOCATION

	Jackson Purchase	Kenergy	Meade County	Total
Electricity Sales Revenue (RUS Form 12b)	$22,455,065	$67,673,879	$14,875,527	$105,004,471
Tier 3-Century/Alcan (Oper Report-Sales of Electricity)		$40,228,055		$40,228,055
MWh Sales (RUS Form 12b)	640,657	2,071,331	418,015	3,130,003
Tier 3-Century/Alcan (Oper Report-Sales of Electricity)		1,363,117		1,363,117
Purchased Power Cost (RUS Book Worksheet)	$12,987,186	$41,989,335	$8,473,861	$63,450,382
Tier 3-Century/Alcan Calculated @ $20.60289/MWh		$28,084,150		$28,084,150
Net Sales Margin	$9,467,879	$37,828,449	$6,401,666	$53,697,994
Net Sales Margin Allocation Percentage	17.63%	70.45%	11.92%	100.00%
Patronage Allocation	$3,184,440	$12,725,115	$2,153,064	$18,062,619

Smelter Tier 3 Purchased Power Cost -$/MWh

Total Purchased Power Cost, excluding AC 557 - Form 12c		101,950,115	
Non-Smelter Member Purchased Power cost - RUS Book Allocation		(63,450,382)	
Other Purchased Power Cost			38,499,733
Total MWh Sales		4,998,660	
Non-Smelter Member MWh Sales		(3,130,003)	
			1,868,657
Smelter Tier 3 Purchased Power Cost per MWh	$20.60289		
	============		

2003 PATRONAGE ALLOCATION

	Jackson Purchase	Kenergy	Meade County	Total
Electricity Sales Revenue (RUS Form 12b)	$21,947,159	$66,618,888	$14,552,586	$103,118,633
Tier 3-Century/Alcan (Oper Report-Sales of Electricity)		$21,181,233		$21,181,233
MWh Sales (RUS Form 12b)	628,188	2,013,636	410,534	3,052,358
Tier 3-Century/Alcan (Oper Report-Sales of Electricity)		758,417		758,417
Purchased Power Cost (RUS Book Worksheet)	$12,893,068	$41,328,306	$8,425,890	$62,647,264
Tier 3-Century/Alcan Calculated @ $19.16841/MWh		$14,537,648		$14,537,648
Net Sales Margin	$9,054,091	$31,934,167	$6,126,696	$47,114,954
Net Sales Margin Allocation Percentage	19.22%	67.78%	13.00%	100.00%
Patronage Allocation	$3,659,530	$12,905,459	$2,475,228	$19,040,217

Smelter Tier 3 Purchased Power Cost -$/MWh

Total Purchased Power Cost, excluding AC 557 - Form 12c		91,563,118	
Non-Smelter Member Purchased Power cost - RUS Book Allocation		(62,647,264)	
Other Purchased Power Cost			28,915,854
Total MWh Sales		4,560,874	
Non-Smelter Member MWh Sales		(3,052,358)	
			1,508,516
Smelter Tier 3 Purchased Power Cost per MWh	$19.16841		

============

2002 PATRONAGE ALLOCATION

	Jackson Purchase	Kenergy	Meade County	Total
Electricity Sales Revenue (RUS Form 12b)	$22,808,468	$71,017,123	$14,614,248	$108,439,839
Tier 3-Century/Alcan (Oper Report-Sales of Electricity)		$10,263,332		$10,263,332
MWh Sales (RUS Form 12b)	642,251	2,138,660	411,103	3,192,014
Tier 3-Century/Alcan (Oper Report-Sales of Electricity)		365,098		365,098
Purchased Power Cost (RUS Book Worksheet)	$12,627,743	$42,049,679	$8,082,982	$62,760,404
Tier 3-Century/Alcan Calculated @ $20.59971/MWh		$7,520,913		$7,520,913
Net Sales Margin	$10,180,725	$31,709,863	$6,531,266	$48,421,854
Net Sales Margin Allocation Percentage	21.03%	65.48%	13.49%	100.00%
Patronage Allocation	$3,982,535	$12,400,207	$2,554,655	$18,937,397

Smelter Tier 3 Purchased Power Cost -$/MWh

Total Purchased Power Cost, excluding AC 557 - Form 12c	84,235,516	
Non-Smelter Member Purchased Power cost - RUS Book Allocation	(62,760,404)	
Other Purchased Power Cost		21,475,112
Total MWh Sales	4,234,510	
Non-Smelter Member MWh Sales	(3,192,014)	
		1,042,496

Smelter Tier 3 Purchased Power Cost per MWh $20.59971

2001 PATRONAGE ALLOCATION

	Jackson Purchase	Kenergy	Meade County	Total
Electricity Sales Revenue (RUS Form 12b)	$21,788,447	$74,344,133	$13,698,403	$109,830,983
Tier 3-Century/Alcan (Oper Report-Sales of Electricity)		$8,700,125		$8,700,125
MWh Sales (RUS Form 12b)	619,863	2,281,367	383,092	3,284,322
Tier 3-Century/Alcan (Oper Report-Sales of Electricity)		306,255		306,255
Purchased Power Cost (RUS Book Worksheet)	$12,038,598	$44,307,309	$7,440,178	$63,786,085
Tier 3-Century/Alcan Calculated @ $19.97153/MWh		$6,116,381		$6,116,381
Net Sales Margin	$9,749,849	$32,620,568	$6,258,225	$48,628,642
Net Sales Margin Allocation Percentage	20.05%	67.08%	12.87%	100.00%
Patronage Allocation	$3,753,814	$12,558,896	$2,409,556	$18,722,266

Smelter Tier 3 Purchased Power Cost -$/MWh

Total Purchased Power Cost, excluding AC 557 - Form 12c		85,956,480	
Non-Smelter Member Purchased Power cost - RUS Book Allocation		(63,786,085)	
Other Purchased Power Cost			22,170,395
Total MWh Sales		4,394,422	
Non-Smelter Member MWh Sales		(3,284,322)	1,110,100
Smelter Tier 3 Purchased Power Cost per MWh	**$19.97153**		

2000 PATRONAGE ALLOCATION

	Jackson Purchase	Kenergy	Meade County	Total
Electricity Sales Revenue (RUS Form 12b)	$22,765,255	$82,254,012	$13,879,962	$118,899,229
Tier 3-Century/Alcan (Oper Report-Sales of Electricity)		$0		$0
MWh Sales (RUS Form 12b)	631,153	2,529,599	380,128	3,540,880
Tier 3-Century/Alcan (Oper Report-Sales of Electricity)		0		0
Purchased Power Cost (RUS Book Worksheet)	$12,012,740	$48,145,876	$7,234,979	$67,393,595
Tier 3-Century/Alcan Calculated @ $0/MWh		$0		$0
Net Sales Margin	$10,752,515	$34,108,136	$6,644,983	$51,505,634
Net Sales Margin Allocation Percentage	20.88%	66.22%	12.90%	100.00%
Patronage Allocation	$59,627,712	$189,106,661	$36,838,960	$285,573,333

Millions of $, Unless Otherwise Noted

		Unwind Transaction	Post-4/2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Bylaws, Article VIII, Section 2																		
Patronage Net Earnings*		316.09	5.07	3.31	0.00	0.00	0.00	11.51	9.02	16.01	16.05	16.08	16.12	16.16	16.22	16.26	16.35	16.38
A - $ per MWh			38.05	38.51	38.93	42.24	42.67	43.59	43.96	45.33	45.61	49.54	47.74	50.21	50.01	51.32	51.38	52.56
Rrural - $ per MWh			35.82	35.71	35.69	37.75	36.85	42.90	44.96	46.57	47.43	50.63	51.18	51.53	52.26	52.71	53.34	53.61
RLargeIndustrial - $ per MWh			30.36	30.14	30.19	32.03	31.16	37.22	39.30	40.87	41.77	44.39	44.96	45.33	46.11	46.55	47.20	47.49
Rsmelters - $ per MWh			34.82	34.94	37.69	42.54	43.90	44.56	44.75	47.34	47.42	52.22	48.61	52.37	51.61	53.73	53.05	55.05
KRural - TWh			1.63	2.44	2.49	2.54	2.59	2.65	2.70	2.76	2.82	2.88	2.94	3.00	3.06	3.12	3.18	3.24
KLargeIndustrial - TWh			0.69	1.06	1.10	1.13	1.17	1.20	1.23	1.27	1.30	1.34	1.37	1.41	1.44	1.48	1.51	1.54
KSmelters - TWh			4.90	7.30	7.30	7.30	7.32	7.30	7.30	7.30	7.32	7.30	7.30	7.30	7.32	7.30	7.30	7.30
Mrural			0.00	0.00	0.00	0.00	0.00	0.00	2.68	3.41	5.12	3.13	10.10	3.94	6.89	4.33	6.24	3.41
MLargeIndustrial			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MSmelters			0.00	0.00	0.00	2.18	8.98	7.12	5.71	14.66	13.17	19.54	6.33	15.76	11.71	17.55	12.22	18.15
MRural + MLargeIndustrial + Msmelters			0.00	0.00	0.00	2.18	8.98	7.12	8.40	18.07	18.30	22.67	16.43	19.70	18.59	21.87	18.46	21.56
Patronage Allocation																		
Kenergy		214.87	3.44	2.25	0.00	0.00	0.00	11.51	7.63	14.55	13.88	15.01	11.34	14.61	13.32	14.71	13.69	15.13
JP		61.98	0.99	0.65	0.00	0.00	0.00	0.00	0.83	0.87	1.29	0.64	2.84	0.93	1.72	0.92	1.58	0.74
Meade		39.25	0.63	0.41	0.00	0.00	0.00	0.00	0.56	0.59	0.88	0.43	1.94	0.63	1.17	0.63	1.08	0.51
		316.09	5.07	3.31	0.00	0.00	0.00	11.51	9.02	16.01	16.05	16.08	16.12	16.16	16.22	16.26	16.35	16.38
Cumulative Patronage Allocation																		
Kenergy	311.22	526.09	529.54	531.78	531.78	531.78	531.78	543.30	550.92	565.47	579.36	594.37	605.71	620.32	633.64	648.35	662.04	677.17
JP	89.77	151.75	152.74	153.39	153.39	153.39	153.39	153.39	154.22	155.08	156.37	157.01	159.85	160.77	162.50	163.42	165.00	165.75
Meade	56.85	96.09	96.72	97.13	97.13	97.13	97.13	97.13	97.70	98.29	99.16	99.60	101.53	102.16	103.34	103.97	105.05	105.55
	457.84	773.94	779.00	782.31	782.31	782.31	782.31	793.82	802.84	818.85	834.90	850.97	867.09	883.26	899.48	915.74	932.09	948.47

* Patronage Net Earnings, excluding the Unwind Transaction amount, assumed to equal patronage net book earnings less the amount attributable to the Economic Reserve. The Unwind Transaction amount represents the patronage-sourced amount.

Item 4) Refer to the response to the Commission Staff's First Data Request dated February 1, 2008 ("Staff First Request"), Item 1.

a. The responses to Item 1(c)(3) and 1(c)(4) make reference to Big Rivers and E.ON U.S. LLC filing a "pre-merger notification". Explain what pre-merger notification is required in conjunction with the Unwind Transaction.

b. Provide the current status of the February 7, 2008 ruling requests from the Kentucky Department of Revenue.

c. Describe what has been done as of the date of the response to this data request concerning the International Brotherhood of Electrical Workers' contracts.

Response) a. The pre-merger notification requirement to the Federal Trade Commission and the Department of Justice under Hart, Scott, Rodino (HSR) and the regulations promulgated thereunder (16 C.F.R. Sections 801-803) can be triggered by an acquisition of assets as well as the acquisition of voting securities if thresholds relating to the size of the parties and size of the transactions are satisfied and if no exemption applies. Given the complex nature and difficulty of ascertaining precisely the consideration involved in the Unwind, neither Big Rivers nor E.ON is comfortable that the HSR thresholds will not be satisfied.

b. Big Rivers submitted its request for tax ruling to KDOR on February 6, 2008. On February 8, 2008, KDOR verbally advised Big Rivers' tax counsel that KDOR would expedite its review of, and the preparation of responses to, Big Rivers' request for tax rulings. Since that time, Big Rivers has received no further contacts or communications from KDOR in respect of these matters.

c. Big Rivers has reached agreement with its IBEW members to extend the labor contract to October 14, 2008.

Conversations have taken place with the IBEW as to the date we might start negotiations to arrive at a contract that would include the current Big Rivers and

WKEC bargaining unit members, such contract to be effective on the closing date. No date has been set, but the possibility of starting negotiations in May has been discussed.

Witness) C. William Blackburn
David Spainhoward
Counsel

Item 5) Refer to the response to the Staff's First Request, Item 3. Based upon this response, there are documents relating to the Unwind Transaction which still have not been submitted for Commission review. Provide the date by which Big Rivers anticipates submitting all documents to the Commission associated with the Unwind Transaction.

Response) As stated in Big Rivers' response to Staff First Request, Item 3, the Intercreditor Agreement (Item 7) and the Creditor Termination and Release (Item 17) have been forwarded to Big Rivers' creditors. All Big Rivers' creditors have been made aware of the timing for consummation of the Unwind, including the need for timely filing of substantially final documents as part of the Commission approval process. Nonetheless, Big Rivers has very little ability to compel a more expeditious consideration of these documents by the creditors. Big Rivers is hopeful that substantially final drafts of these documents can be submitted to the Commission by March 24. However, it is important to note that as the documents circulate among the RUS, other Creditors, and Big Rivers, there could be changes occurring beyond March 24. The documents will not be executed until after the Commission Order approving the Unwind transaction.

The Station Two Termination and Release (Item 18) cannot be finalized until agreement on significant outstanding issues is reached among Big Rivers, E.ON and the City of Henderson. Unfortunately, no anticipated date can be given for submitting this document to the Commission.

Big Rivers expects the Texas Gas Termination and Release (Item 19) to be in substantially final form and submitted to the Commission by March 30.

The certificates of Big Rivers (Item 28) are closing certificates which would normally be created near the closing and which Big Rivers would normally not expect to submit to the Commission.

The acknowledgements of Big Rivers regarding the Termination Payment and True-UP Payments (Item 29) are also closing documents which cannot be finalized until the amounts to be included in these acknowledgements are determined. The Transaction Termination Agreement sets forth a procedure for determining these amounts, but this will not occur until very close to the closing.

The acknowledgement contemplated by Section 10.2(hh) of the Transaction Termination Agreement (Item 30) is the document in which Big Rivers acknowledges that WKEC has operated the generating plants in accordance with Section 12 of the Transaction Termination Agreement in the period from the execution of the Transaction Termination Agreement through the closing and the "Pre-Closing Report" procedure contemplated by Section 12.5 of the Transaction Termination Agreement has been fulfilled. These determinations, obviously, can only be made at the closing.

The certificates of the Responsible Officers of the WKE Parties contemplated by Section 10.3(a) and 10.3(c) of the Transaction Termination Agreement (Item 32) are closing certificates which would normally be created near the closing by WKEC.

Big Rivers anticipates that the waiver of certain Member Cooperatives contemplated by Section 3.2(o) of the Transaction Termination Agreement (Item 34) will be submitted to the Commission by March 24.

Witness) David Spainhoward
Counsel

Item 6) Refer to the response to the Staff's First Request, Item 8(b).

a. Based upon this response, after the completion of the Unwind Transaction will the capital items listed in the response to Item 8(a) be reflected on Big Rivers' books at original cost with a corresponding amount of accumulated depreciation?

b. Is the accounting treatment described by Big Rivers in the response to Item 8(b) consistent with the Rural Utilities Service ("RUS") Uniform System of Accounts ("USoA")? Include citations to the appropriate sections of the RUS USoA.

Response) a. The original cost of the capital items added to the Big Rivers' generating plants since the inception of the lease transaction (as listed in the response to the Commission Staff's First Data Request, Item 8(a)) are currently reflected on Big Rivers' books in RUS Account 104, Electric Plant Leased to Others, less any retirements. Although the cost of these assets is shared between Big Rivers and WKEC, Big Rivers has title to the assets. Therefore, Big Rivers is depreciating 100% of the asset cost for book purposes using Big Rivers' approved 1998 depreciation study.

Upon completion of the Unwind Transaction, Big Rivers will transfer the leased assets to RUS Account 101, Electric Plant in Service. The accumulated depreciation will remain unchanged.

b. Big Rivers' statement in its response to the Commission Staff's First Data Request 8 b. "Big Rivers has on its book its prorata share of the capital items today" was intended to reflect the net impact on the Financial Statements not just the asset side of the equation.

Today Big Rivers has recorded the assets into account 104 - Electric Plant leased to others, and the credit in account 253 - Deferred Credit Capital Asset Residual Value.

Other than the transfer from Account 104 to Account 101, there is no change in the accounting for the assets listed in the response to the Commission Staff's First Data Request, Item 8(a). There will be no change in net utility plant upon the Unwind termination regarding the shared assets added during the lease.

All assets are capitalized per RUS Uniform System of Accounts-Electric, Bulletin 1767B-1, Sections 1767.16 and 1767.18.

Witness) C. William Blackburn

Item 7) Refer to the response to the Staff's First Request, Item 12(b). The response did not adequately address the question. Concerning the Unwind Model as filed in the Application, pages 3 and 4 of 37, Big Rivers was asked to explain in detail why the Times Interest Earned Ratio ("TIER") Related Rebate, as shown on lines 45, 66, and 96, and the TIER Adjustment on line 89 were fixed inputted amounts rather than formula-driven amounts based on the terms and conditions of the applicable Smelter contract provisions. The response describes revisions to the January 31 Errata version of the Unwind Model and the version of the Unwind Model provided in response to Items 10 and 12. Provide the originally requested information.

Response) Big Rivers' response to the Staff First Request, Item 12(b), was intended to refer to the formula-driven Rebate as shown on lines 45, 66, and 96, and the formula-driven TIER Adjustment on line 89 that were included in the filing of 2-14-08. The full calculation is shown on page 14 of the 2-14-08 Version (as referenced below in question 8c), adjacent to other detail relating to Smelter Rate Structure. In the electronic model, the calculations on page 14 are directly linked to lines 45, 66, 96 and 89 on pages 3 and 4.

The 12-28-07 and 1-31-08 Versions adopted formulas that took the TIER Adjustment and related Rebate as starting points (inputs) and derived resulting Net Margin and Contract TIER (equal to 1.24x). These elements were, of course, linked by live calculation. This approach was taken for clarity in introducing the Smelter pricing mechanics.

Witness) Robert S. Mudge

Item 8) Refer to the following versions of the Unwind Model: the original version submitted with the Application ("12.28.07 Version"), the January 31 Errata version ("01.31.08"), and the version supplied in the response to the Staff First Request, Item 12(b) ("02.14.08 Version").

a. Explain why references to carbon taxes and carbon allowance cost have been included in the 02-14.08 Version, at page 5, lines 122 and 123; page 7, lines 189 and 190; and page 38, lines 514 through 516.

b. Refer to page 12 of all three versions of the Unwind Model. Explain why the smelter sales for Century and Alcan, shown on lines 2 and 3, are different in the 01.31.08 Version compared to the other two versions of the Unwind Model.

c. Refer to page 14 of the 02.14.08 Version. Explain why this page does not appear in the hard copies of the other two versions of the Unwind Model.

d. Refer to page 32 of the 12.28.07 Version and 01.13.08 Version and page 33 of the 02.14.08 Version. Explain in detail why the TWH and MW sales for Alcan and Century are not the same in all three versions of the Unwind Model. Indicate which set of TWH and MW sales levels are correct.

e. Refer to pages 23 and 28 of the 02.14.08 Version. Explain why the book depreciation for income tax purposes was figured at 60 years, as shown on page 28, when the depreciation years shown on page 23 start at 52 years and decline to 37 years. In addition, would Big Rivers agree that using 60 years rather than the years shown on page 23 would result in larger balances for deferred income taxes? Explain the response.

f. Which version of the Unwind Model most accurately reflects Big Rivers' expectations and recommendations in conjunction with the Unwind Transaction? Include the reason(s) why the selected version is considered the most accurate.

Response) a. The referenced line items in the 2-14-08 Version are for the purpose of accommodating sensitivity analyses illustrating the effect of potential carbon tax or cap and trade regimes in the future ("Carbon Sensitivities"). Carbon Sensitivities were provided in response to the first data request of the Attorney General's Office (item #133e). Other than for presenting the Carbon Sensitivities, the referenced line items have no values in them and do not affect any calculation in the 2-14-08 Version.

b. The Smelter sales for Century and Alcan taken individually, shown on lines 2 and 3 of page 12, are correct in the 1-31-08 Version (please see numerical comparison, attached). Smelter sales in the aggregate (Century + Alcan) are the same in all filed models and correct in all filed models. Please note that model outcomes are driven by Smelter sales in the aggregate, except in the sensitivity analysis depicting departure by Century in response to Staff's first data request item #10 provided on 2-14-08. In that case, the outcome was slightly conservative, based on overstatement of sales to Century by approximately 0.4% in the 2-14-08 Version.

The reason for the variations in Smelter sales allocations in the 12-28-07 and 2-14-08 Versions is as follows:

12-28-07 - Holdover from outdated inputs relative to current Smelter documentation.
2-14-08 - Internal miscommunication about errata filing on 1-31-08.

c. Page 14 of the 2-14-08 Version shows a more explicit formula for deriving the Rebate and the TIER Adjustment than was provided in the other two versions of the Unwind Model.

Please see also response to Staff Supplemental Request Item #7, above.

d. The TWH and MW for Alcan and Century are correct on page 32 of the 1-31-08 Version (with adjustment to MW for leap years) (please see numerical comparison, attached). Note that MW are shown for reference only and do not determine other calculations in Financial Model, which are TWh-driven.

The reasons for the variations in the 12-28-07 and 2-14-08 Versions are as follows:

12-28-07 - Holdover TWh from outdated inputs, per response to 8b, above, plus garbled calculation for corresponding MW.
2-14-08 - Internal miscommunication about errata filing on 1-31-08.

e. Under the assumptions of the Financial Model, depreciation timing considerations have no impact on Big Rivers' tax liability. This is because the only revenue source treated as non-patronage, and hence not eligible for offset by patronage allocations for tax purposes, is interest earnings on the Transition Reserve.

In a scenario where depreciation timing considerations were relevant to Big Rivers' tax liability, Big Rivers recognizes that book depreciation assumptions for tax and accounting purposes would have to be modeled consistently. Also, under these conditions, Big Rivers agrees that using 60 years rather than the years shown on page 23 would result in larger balances for deferred income taxes.

f. Subject to developments in the capital markets (see response to Staff Supplemental Request 9, below), the 1-31-08 Version most accurately reflects Big Rivers' expectations and recommendations in conjunction with the Unwind Transaction. Note that the 2-14-08 Version yields results identical to the 1-31-08 Version as to Member and Smelter rates, and all financial statements, but differs in the following respects:

- Allocation of Smelter TWh and MW as described above in responses 8b and 8d, inconsistent with Smelter documentation;

Rebate and TIER Adjustment formulas made more explicit (page 14).

Witness) Robert S. Mudge

Variations In Smelter Sales Allocations
In The 12.28.07 And 02.14.08 Versions
(Page 12)

Line #		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Smelter Sales in TWh (page 12)																	
	12.28.07																
2	Century	2.79	4.16	4.16	4.16	4.17	4.16	4.16	4.16	4.17	4.16	4.16	4.16	4.17	4.16	4.16	4.16
3	Alcan	2.11	3.14	3.14	3.14	3.15	3.14	3.14	3.14	3.15	3.14	3.14	3.14	3.15	3.14	3.14	3.14
	Total	4.90	7.30	7.30	7.30	7.32	7.30	7.30	7.30	7.32	7.30	7.30	7.30	7.32	7.30	7.30	7.30
	1.31.08																
2	Century	2.78	4.14	4.14	4.14	4.15	4.14	4.14	4.14	4.15	4.14	4.14	4.14	4.15	4.14	4.14	4.14
3	Alcan	2.12	3.16	3.16	3.16	3.17	3.16	3.16	3.16	3.17	3.16	3.16	3.16	3.17	3.16	3.16	3.16
	Total	4.90	7.30	7.30	7.30	7.32	7.30	7.30	7.30	7.32	7.30	7.30	7.30	7.32	7.30	7.30	7.30
	2.14.08																
2	Century	2.79	4.16	4.16	4.16	4.17	4.16	4.16	4.16	4.17	4.16	4.16	4.16	4.17	4.16	4.16	4.16
3	Alcan	2.11	3.14	3.14	3.14	3.15	3.14	3.14	3.14	3.15	3.14	3.14	3.14	3.15	3.14	3.14	3.14
	Total	4.90	7.30	7.30	7.30	7.32	7.30	7.30	7.30	7.32	7.30	7.30	7.30	7.32	7.30	7.30	7.30

Variations In Smelter Sales Allocations
In The 12.28.07 And 02.14.08 Versions
In TWH And MW Sales For Century And Alcan

Line #		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Smelter TWh and MW (pages 32 and 33)																	
	12.28.07																
10	Alcan																
11	TWH	2.11	3.14	3.14	3.14	3.15	3.14	3.14	3.14	3.15	3.14	3.14	3.14	3.15	3.14	3.14	3.14
12	LF	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%
13	MW	294	439	439	439	439	439	439	439	439	439	439	439	439	439	439	439
14	Century																
15	TWH	2.79	4.16	4.16	4.16	4.17	4.16	4.16	4.16	4.17	4.16	4.16	4.16	4.17	4.16	4.16	4.16
16	LF	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%
17	MW	390	581	581	581	581	581	581	581	581	581	581	581	581	581	581	581
	1.31.08																
10	Alcan																
11	TWH	2.12	3.16	3.16	3.16	3.17	3.16	3.16	3.16	3.17	3.16	3.16	3.16	3.17	3.16	3.16	3.16
12	LF	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%
13	MW *	368	368	368	368	368	368	368	368	368	368	368	368	368	368	368	368
14	Century																
15	TWH	2.78	4.14	4.14	4.14	4.15	4.14	4.14	4.14	4.15	4.14	4.14	4.14	4.15	4.14	4.14	4.14
16	LF	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%
17	MW *	482	482	482	482	482	482	482	482	482	482	482	482	482	482	482	482
	2.14.08																
10	Alcan																
11	TWH	2.11	3.14	3.14	3.14	3.15	3.14	3.14	3.14	3.15	3.14	3.14	3.14	3.15	3.14	3.14	3.14
12	LF	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%
13	MW	366	366	366	366	366	366	366	366	366	366	366	366	366	366	366	366
14	Century																
15	TWH	2.79	4.16	4.16	4.16	4.17	4.16	4.16	4.16	4.17	4.16	4.16	4.16	4.17	4.16	4.16	4.16
16	LF	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%	98%
17	MW	484	484	484	484	484	484	484	484	484	484	484	484	484	484	484	484

* Adjusted for leap years

Attachment to Staff Supplemental Request 8d