

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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MAR 06 2008

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

The applications of Big Rivers Electric Corporation for:
(I) 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

CASE NO. 2007-00455

**JOINT RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL
REQUESTS FOR INFORMATION TO THE MEMBER COOPERATIVES**

Come Kenergy Corp., Jackson Purchase Energy Corporation, and Meade County Rural Electric Cooperative, by and through counsel, and for their collective response to the Attorney General's Supplemental Request for Information to Member Cooperatives, state as follows:

1. Provide documents created by or for the member cooperatives or Big Rivers Electric Cooperative, from 2003 to date, which address strategic analysis of options and alternatives (e.g., continue present method of operation, shut down, etc.) for Big Rivers as an organization going forward.

RESPONSE. The Member Cooperatives, or their predecessors in interest, formed Big Rivers, a generation & transmission cooperative (G&T), to represent them in matters involving power supply and transmission. Big Rivers is owned entirely by them. As such, Big Rivers has a duty and a responsibility to evaluate the proposed transaction and any other power supply alternatives the Members, through Big Rivers, decide to consider.

The Members exercise control of Big Rivers through representation on the Big Rivers board of directors, which is made up of two directors from each of the three Members. Additionally, each Member CEO attends and participates in Big Rivers' board meetings and other meetings concerning Big Rivers' operations. The Members determined that, as their G&T, Big Rivers should prepare studies, hire consultants and otherwise produce the necessary documentation for their review and consideration of the proposed transaction.

Notwithstanding the forgoing, the Members selected Burns Mercer, president and CEO of Meade County RECC to be their representative on the Big Rivers team for negotiations with the E.ON U.S. Parties, and retained Jack Gaines to represent them collectively during all evaluations and negotiations. Mr. Gaines was retained, in part, as a practical matter to assure that the Members had a person with the necessary expertise and the ability to commit the enormous amounts of time required to participate in all aspects of the unwind evaluation process. He also added expertise to the Big Rivers team, and worked to assure that the Member Cooperatives could translate Big Rivers tariff changes into workable tariff revisions at the retail level. Mr. Gaines was directed to actively participate in the process on behalf of the three Members but was not directed to independently prepare studies.

Therefore, Big Rivers produced or had produced for it all of the studies and documents used by the Member Cooperatives since 2003 to analyze the options. To the extent relevant, those documents have already been substantially provided to the Commission Staff and the OAG by Big Rivers as shown, for example, in Application Exhibits 3, 8, 12, 19, 20, 27, 31, 37, and 41, and Application Appendices A, B, C, D, E, and F.

The Members object to producing every document requested because of the burden of locating and sorting through almost five years' worth of information, much of which is irrelevant to the transactions under consideration by the Commission. Without waiving that objection, the Members attach other documents from the calendar year 2007 that relate to analysis of the Unwind Transaction and the existing transaction, under which Big Rivers currently operates.

The Members also object to producing information that represents the advice of counsel or work-product of counsel disclosed to the Members only because of the common interest of Big Rivers and the Members in the Unwind Transaction, and text representing such information has been redacted from the attachments to this response.

Witnesses:

Burns Mercer
G. Kelly Nuckols
Sanford Novick
Jack Gaines

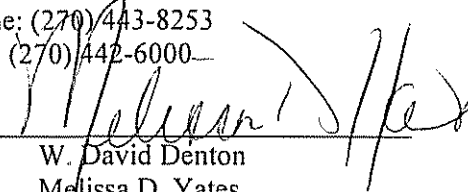
Respectfully Submitted,

Frank N. King, Jr.
Dorsey, King, Gray, Norment & Hopgood
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and

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By:

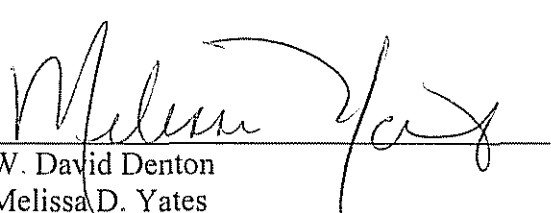


W. David Denton
Melissa D. Yates

ON BEHALF OF THE MEMBER
COOPERATIVES

CERTIFICATE OF SERVICE

I hereby certify that 10 copies of the foregoing were filed with the Public Service Commission via federal express to Ms. Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40602 and copies were served on the persons named in the attached service list via federal express true and correct copies of same this the 5th day of March, 2008.

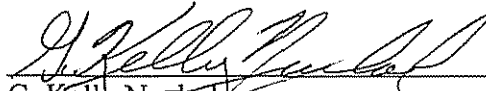


W. David Denton
Melissa D. Yates

99330

VERIFICATION

The undersigned, G. Kelly Nuckols, states under oath that he is the CEO and General Manager of Jackson Purchase Energy Corporation, and that the response to the Attorney General's Supplemental Requests for Information to Member Cooperatives is true and correct to the best of his information, knowledge, and belief.



G. Kelly Nuckols

STATE OF KENTUCKY)

COUNTY OF McCracken)

The foregoing instrument was sworn and acknowledged before me this 5th day of March, 2008.


My commission expires: 12/22/2010



NOTARY PUBLIC, STATE AT LARGE

VERIFICATION

The undersigned, Sanford Novick, states under oath that he is the President and CEO of Kenergy Corporation, and that the response to the Attorney General's Supplemental Requests for Information to Member Cooperatives is true and correct to the best of his information, knowledge, and belief.



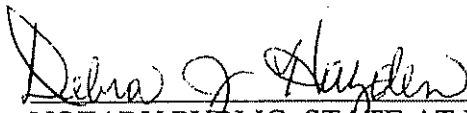
Sanford Novick

STATE OF KENTUCKY)

COUNTY OF Daviess)

The foregoing instrument was sworn and acknowledged before me this 5th day of March, 2008.

My commission expires. 5-24-11



NOTARY PUBLIC, STATE AT LARGE

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

HON ROBERT MICHEL
ORRICK HERRINGTON & SUTCLIFFE
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NEW YORK NY 10103

HON KYLE DREFKE
ORRICK HERRINGTON & SUTCLIFFE
COLUMBIA CENTER
1152 15TH STREET NW
WASHINGTON DC 20005

HON DOUG BERESFORD
HON GEOFF HOBDAY
HOGAN & HARTSON
555 THIRTEENTH STREET NW
WASHINGTON DC 20004

HON KENDRICK RIGGS
STOLL KEENON & OGDEN PLLC
500 WEST JEFFERSON STREET
LOUISVILLE KY 40202

HON ALLYSON STURGEON
E ON US LLC
220 WEST MAIN STREET
LOUISVILLE KY 40202

SANDY NOVICK
KENERGY CORP
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HENDRSON KY 42419

HON FRANK N KING
DORSEY KING GRAY
NORMENT & HOPGOOD
318 SECOND STREET
HENDERSON KY 42420

BURNS MERCER
MEADE COUNTY RECC
P O BOX 489
BRANDENBURG KY 40108

HON TOM BRITE
BRITE AND BUTLER
P O BOX 309
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HON MICHAEL L KURTZ
BOEHM KURTZ & LOWRY
SUITE 2110
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CINCINNATI OH 45202

HON DAVID BROWN
STITES & HARBISON PLLC
1800 AEGON CENTER
400 WEST MARKET STREET
LOUISVILLE KY 40202

HON CB WEST
STOLL KENNON OGDEN PLLC
201 C NORTH MAIN STREET
HENDERSON KY 42420

HON JOHN N HUGHES
124 WEST TODD STREET
FRANKFORT KY 40601

HON DENNIS HOWARD
ASSISTANT ATTORNEY GENERAL
OFFICE OF THE ATTORNEY GENERAL
UTILITY & RATE INTERVENTION
DIVISION
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FRANKFORT KY 40601-8204

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

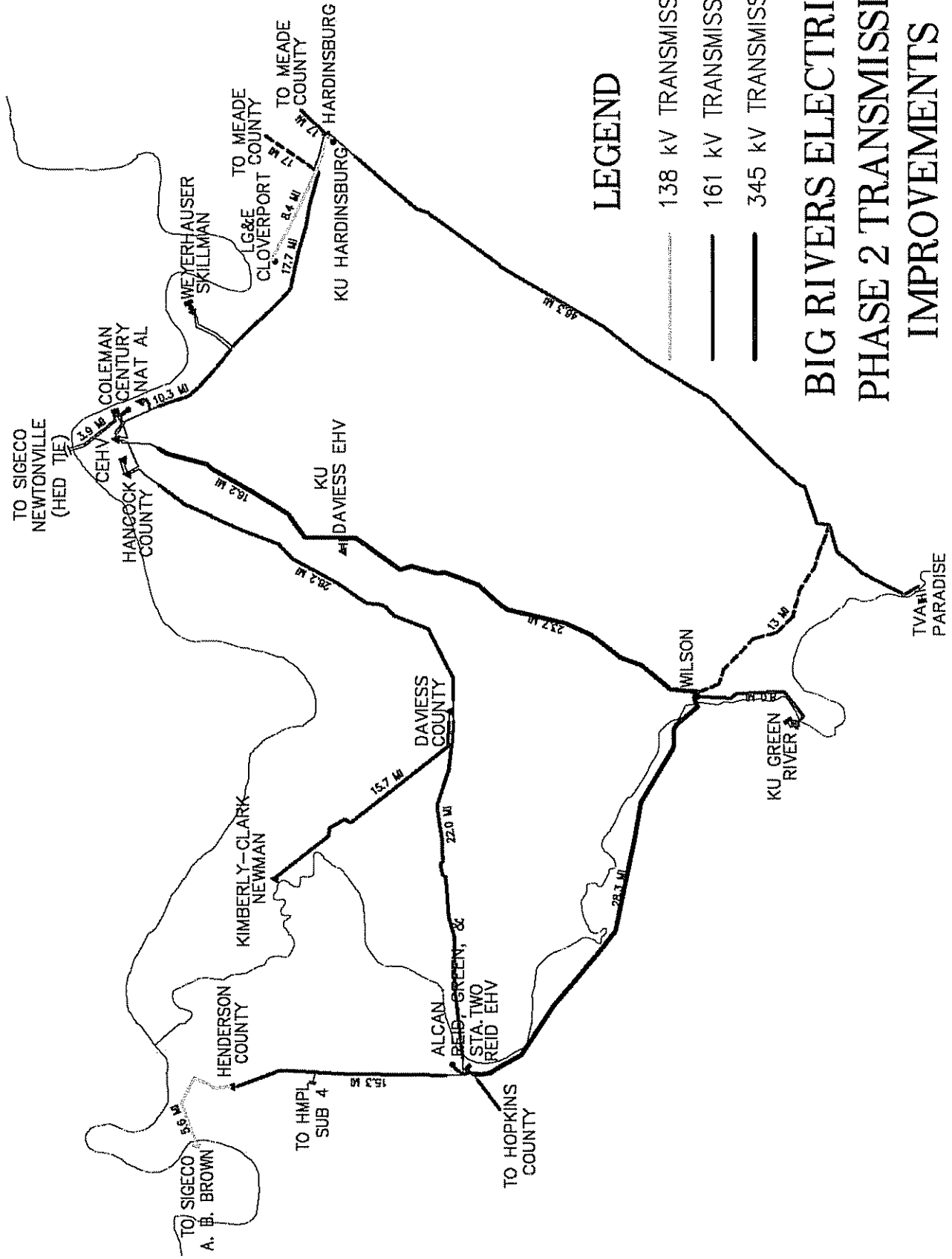
HON JAMES MILLER
SULIVAN MOUNTJOY STAINBACK &
MILLER PSC
P O BOX 727
OWENSBORO KY 42302-0727

Unwind Phase 2 Transmission Plan




March 16, 2007 Board Meeting

Phase 2 Projects

- Construct new 13 mile 161kV line from Wilson to tie into existing Hardinsburg-Paradise line
- Wilson 161kV line terminal
- Re-conductor 8 mile segment of existing Hardinsburg-Paradise line
- Upgrade TVA Paradise line terminal
- Re-conductor 6.4 mile existing Coleman-Newtonville 161kV line
- Re-conductor 2.8 miles of existing CEHV-Coleman 161kV lines
- Upgrade rating of KU Daviess EHV-Hardin Co. 345kV line



LEGEND

-  138 kV TRANSMISSION LINE
-  161 kV TRANSMISSION LINE
-  345 kV TRANSMISSION LINE

BIG RIVERS ELECTRIC PHASE 2 TRANSMISSION IMPROVEMENTS

EKPC Wilson-Aberdeen Line

- 13.19 mile segment to Hardinsburg-Paradise crossing point
- Approved line route using EPRI-GTC methodology
- Aerial photograph and Lidar survey data
- Easements acquired on 15 of 60 parcels
- Property owner contact and negotiation logs
- No property owner interveners at PSC on this segment
- No condemnation actions filed on this segment
- Cost of work-to-date is \$510,000

CONFIDENTIAL**EXECUTIVE SUMMARY**

Prepared for the Board of Directors of Big Rivers Electric Corporation
Relating to the New Smelter Service Arrangements

Big Rivers Electric Corporation and Kenergy Corp. ("Kenergy") propose to enter into new electric service arrangements with Alcan Primary Products Corporation ("Alcan") and Century Aluminum of Kentucky LLC ("Century" and, together with Alcan, the "Smelters"). Big Rivers and Kenergy propose to enter into these new arrangements in connection with the termination of the obligation of an affiliate of E.ON U.S. LLC (collectively with its affiliates, "E.ON") to supply Kenergy with electric energy for resale to the Smelters and the termination of the transactions between Big Rivers and E.ON relating to the lease of Big Rivers' generating facilities. The termination of the existing arrangements among Big Rivers, E.ON, Kenergy and the Smelters is referred to in this Executive Summary as the "Unwind." This memorandum describes the most significant provisions of the new electric service arrangements among Big Rivers, Kenergy and the Smelters (the "New Transaction").

Big Rivers and Kenergy negotiated with the Smelters jointly and the Smelters have agreed to identical terms and conditions of electric service, other than with respect to the amount of electric energy to be delivered. For this reason, this memorandum will not distinguish between obligations to a particular Smelter, even though, from a legal perspective, their rights and obligations are separate and not joint.

A. Structure

Substantially all of the terms and conditions relating to Big Rivers' sale of electric services to Kenergy for resale to the Smelters are set forth in six agreements, three with respect to service to each Smelter. The structure of the sale of electric services to the Smelters is the same as in the past. Because the Smelters are customers of Kenergy, Big Rivers will enter into two, separate wholesale service agreements (each a "Wholesale Agreement") with Kenergy. Under each Wholesale Agreement, Big Rivers will supply electric service for resale to a particular Smelter. In turn, Kenergy will enter into a separate retail electric service agreement (a "Retail Agreement") with that Smelter. Big Rivers and each Smelter also will enter into a Coordination Agreement (a "Coordination Agreement" and, together with the Wholesale Agreements and the Retail Agreements, the "Smelter Agreements") to set forth certain direct obligations between Big Rivers and the Smelters.

The New Transaction will be structured so that each obligation, including a payment obligation, of Kenergy to Big Rivers or a Smelter under a Wholesale Agreement or a Retail Agreement will be conditioned on the performance by the applicable Smelter or Big Rivers, respectively, of the related obligation to Kenergy. Big Rivers or a Smelter will be able to enforce directly any obligation arising out of the Smelter Agreements, thereby increasing the possibility of avoiding the necessity to

involve Kenergy in disputes between the parties. Due to the pass-through nature of the obligations between Big Rivers and each Smelter, the Wholesale Agreement and the Retail Agreement relating to each Smelter are substantially the same.

B. Nature of Service.

The Smelter Agreements obligate Big Rivers to supply, subject only to the occurrence of an event of force majeure, an aggregate of 850 MW of electric energy and related services ("Base Monthly Energy") to Kenergy for resale to the Smelters until December 31, 2023. Alcan and Century will be required to take 368 MW and 482 MW of Base Monthly Energy, respectively.

In addition to Base Monthly Energy, the Smelter Agreements permit Big Rivers to sell additional electric energy and related services to Kenergy for resale to the applicable Smelter. In recent Tier 3 contracts among Big Rivers, Kenergy and the Smelters, Big Rivers has supplied a specified amount of energy, interruptible on certain terms and conditions ("Interruptible Energy"), and, at Big Rivers' option, energy at a quoted price following a notice of interruption ("Buy-Through Energy"). The Smelter Agreements provide that Big Rivers may agree to supply a specified amount of Interruptible Energy and Buy-Through Energy in the future from time to time but does not have any obligation to do so.

The Smelter Agreements also provide that Kenergy will use reasonable commercial efforts to purchase separately negotiated additional electric energy and related services requested by a Smelter ("Market Energy"). Kenergy can make such purchases from Big Rivers or a third party. Big Rivers will not have any obligation to sell Market Energy to a Smelter.

C. Smelter Payment Obligation.

1. Base Monthly Energy

The calculation of the charges for Base Monthly Energy contains several components and is extraordinarily complex. In essence though, the charges are intended to result in the Smelters, in the aggregate, guaranteeing that Big Rivers achieve an annual TIER of 1.24, subject to (1) limitations on the maximum amount payable by the Smelters until Big Rivers must raise its rates to the Members for sales of power for resale to non-Smelter customers, (2) a power cost adjustment, and (3) certain other adjustments.

In general, the monthly charges for Base Monthly Energy will consist of the sum of the following, without duplication:

- An amount equal to 850 MW per hour, assuming a 98% load factor, multiplied by Big Rivers' tariff rate for sales to Members for resale to large direct-served industrial customers (the "Large Industrial Tariff"), for a customer with a 98% load factor, plus \$0.00025 per kWh (the "Smelter Base Rate");

- whether positive or negative, an adjustment for variable costs (*i.e.*, fuel, reagent and emission allowances) based on the Smelters’ actual energy requirements and energy curtailed at the request of Big Rivers or, in some cases, the Smelters;
- a power cost adjustment (“PCA”), whether positive or negative, equal to the product of the kWh delivered by Big Rivers to Kenergy for resale to the Smelters and fuel and purchased power costs and potentially reagent and emissions allowances above a specified base amount;
- one-twelfth of the estimated positive amount, if any, necessary in addition to all of Big Rivers’ other revenues for the year to cause Big Rivers to achieve a TIER of 1.24 for the year, subject to a maximum additional charge above the Smelter Base Rate (the “TIER Adjustment”); and
- a charge for kilovars required to comply with the power factor requirements under the Smelter Agreements and otherwise in excess of kilovars previously purchased by the Smelters.

The charges for Base Monthly Energy also are subject to a credit for “Surplus Sales” (as defined below) up to the fixed amount of the Smelters’ charges otherwise payable with respect thereto, and curtailments agreed between Big Rivers and the Smelters which either avoid Big Rivers purchasing additional power to serve its requirements or result in profits in the market. If the Smelters curtail at Big Rivers’ request and Big Rivers avoids purchasing power in the market, the Smelters receive the full benefit of the credit. The Smelters receive 75% of the benefit of sales of energy to the market resulting from their curtailment to resell the energy to the market.

Following the end of each fiscal year, Big Rivers will refund, or the Smelters will pay, an amount equal to the positive or negative difference, respectively, between the estimated amounts paid by the Smelters and the actual amounts necessary to achieve a 1.24 TIER, plus interest. Big Rivers will record all adjustments in the fiscal year affected. Big Rivers will notify the Smelters by May 1st of each year of the amount of the refund or additional payment required.

Big Rivers has agreed that the Smelters’ obligations to pay amounts sufficient for Big Rivers to achieve a 1.24 TIER are not unlimited. The Smelters’ obligations may not exceed the total of the Large Industrial Rate for a customer with a 98% load factor plus \$0.00025 per kWh plus the applicable amount set forth below for such year:

<u>Years</u>	<u>Applicable Amount</u>
2007-2011	\$0.00195 per kWh
2012-2014	\$0.00295 per kWh
2015-2017	\$0.00355 per kWh
2018-2020	\$0.00415 per kWh
2021-2023	\$0.00475 per kWh

Assumptions in the TIER Adjustment. Big Rivers and Kenergy have agreed with the Smelters to make certain assumptions in the calculation of the TIER Adjustment. These assumptions are intended to limit the Smelters' obligations in some specified circumstances. Specifically, Big Rivers will assume the following:

1. Big Rivers raised revenues from service to the Members for their non-Smelter customers as if Big Rivers had raised its base rates for such service by a weighted average of 2.00% in 2010, 2.50% in 2018 and 4.00% in 2021 to the extent Big Rivers in fact previously had not increased such revenues as a result of rate increases of at least such amount.

2. Any entity which becomes a direct-serve customer after the Unwind with firm demand in excess of 15 MW paid an amount equal to the Smelter Base Rate, adjusted for actual load factor, plus a proportionate share of the TIER Adjustment, if any, and the PCA, if such entity in fact paid less than that amount in the applicable fiscal year. An entity which becomes a direct-serve customer a Member with a demand of 15 MW or less paid an amount equal to the Large Industrial Rate, plus the PCA. This assumption will not be made in the last three years of the term of a Retail Agreement or following notice of termination of either Retail Agreement.

In general, these assumptions attempt to ensure that the TIER Adjustment payable by the Smelters is not distorted inappropriately. Other assumptions attempt to net out the effect of, among other things, (i) patronage capital retirements, (ii) interest imputed on debt related to new non-peaking facilities to the extent not included in Big Rivers' revenue requirements for rate-making purposes, (iii) interest related to construction-work-in-progress to the extent not included in Big Rivers' revenue requirements for rate-making purposes, (vi) indemnification payments, (v) certain penalties, (vi) agreed curtailments, (vii) expenses disallowed by a governmental authority, and (vii) certain reserves established at the time of the Unwind.

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

Rebate. If Big Rivers' TIER in any year exceeds 1.24, then Big Rivers will rebate a portion of any excess amount (based on kWh sales to all Members) to Kenergy for rebate to the Smelters (the "Rebate"). A Rebate will not be able to cause the Smelters to pay less than the Large Industrial Rate (assuming a 98% load factor) unless the entire amount of any excess is rebated to all of Big Rivers' Members on a kWh basis.

2. Other Energy

Supplemental Energy. Under the Smelter Agreements, the rates for Interruptible Energy, Buy-Through Energy or Market Energy are agreed by Big Rivers, Kenergy and the applicable Smelter from time to time. The charges for such energy will include third-party transmission charges, other related charges and charges for unbundled services to the extent applicable.

Back-Up Energy. The Smelter Agreements provide that Big Rivers and Kenergy will provide the Smelters energy in excess of Base Monthly Energy and Supplemental Energy (“Back-Up Energy”) at rates intended to disincentivize the Smelters from taking Back-Up Energy other than as imbalance energy. The rates for Back-Up Energy depend on whether Big Rivers had to purchase such energy in the market. If so, the rate is 110% of the highest price for energy purchased by and delivered to Big Rivers during that hour. If the Back-Up Energy was not purchased in the market, then the rate is the greater of the locational marginal price at Big Rivers’ interface with Midwest Independent System Operator or Big Rivers’ system lambda. If Back-Up Energy exceeds 10 MW in any hour, the rate for the excess over 10 MW is computed slightly differently. If this excess Back-Up Energy resulted from a third party breaching a contract to supply Market Energy, then the rate is 110% of the highest price for energy purchased by or sold by Big Rivers in that hour. If there is no contractual breach, then the rate is the higher of \$250 per MWh or the same 110% of highest hourly rate for energy purchased or sold by Big Rivers and delivered to an interconnection with Big Rivers’ transmission system in such hour. The Smelters also are obligated to pay any transmission or related charges relating to any Back-Up Energy.

Surcharge. In addition to any other amounts payable under the Smelter Agreements and without regard to other payments or adjustments, the Smelters will pay a surcharge as follows: (1) an aggregate annual payment of \$5,110,000, payable in equal monthly installments from the date of the Unwind through and including 2011, (2) an aggregate annual payment of \$7,300,000, payable in equal monthly installments from 2012 through and including 2016, and (3) an aggregate annual payment of \$10,182,813, payable in equal monthly installments from 2017 through 2023. Big Rivers’ present intention is to use these amounts to defray PCA charges to non-Smelter ratepayers.

Kenergy Retail Fee. The Unwind will provide that the current Kenergy retail fee will be fixed at its current rate for 10 years from the date of the Unwind. A Smelter will be required to pay the Kenergy retail fee until the Retail Agreement is terminated and the Smelter is no longer served by Kenergy. The fee is payable even with respect to energy curtailed by a Smelter pursuant to its Retail Agreement.

D. Termination

The obligation of Kenergy to supply power to Smelters pursuant to the Retail Agreements will terminate on December 31, 2023, unless terminated earlier pursuant to the terms thereof. If no such early termination occurs, Big Rivers, Kenergy and the

applicable Smelter agree that at least one year prior to the stated termination date, they will undertake good faith negotiations for a replacement agreement.

A Smelter may terminate its Retail Agreement effective on or after December 31, 2010 upon not less than one year's prior written notice of such termination to Big Rivers and Kenergy if such Smelter ceases all smelting operations in Kenergy's service territory; provided, that only one Smelter may terminate prior to December 31, 2011 unless all required transmission upgrades are commercially available.

E. Surplus Sales and Force Majeure Sales

Big Rivers will use reasonable commercial efforts to market amounts of Base Monthly Energy for Kenergy that a Smelter is obligated to purchase under its Retail Agreement but which is surplus to such Smelter's needs ("Surplus Sales"). As described above, Big Rivers will credit back to Kenergy, for credit of the applicable Smelter, the fixed amount Kenergy otherwise would be obligated to pay Big Rivers for such power sold.

If an event occurs that renders a Smelter unable to accept all or any part of the Energy that otherwise would be Base Monthly Energy for a period of 48 consecutive hours or longer (other than an event resulting from the Smelter's gross negligence, willful misconduct or intentional act), the Smelter can request such energy be resold for up to six months and the Smelter will be entitled to the net proceeds thereof ("Force Majeure Sales"). If the Smelter certifies that such condition cannot be remedied with reasonable diligence within six months, such energy will continue to be resold and the net proceeds credited against the Smelter's obligations under the Retail Agreement for an additional three months.

Neither Big Rivers nor Kenergy will have any obligation to make Surplus Sales or Force Majeure Sales until Big Rivers has sold all amounts of its own surplus power, nor will Kenergy or Big Rivers have any obligation to the Smelters if Big Rivers is unable to sell this power as a result of transmission or other constraints.

F. Other Matters

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

During the term of the Retail Agreements, none of Big Rivers, Kenergy or the Smelters will seek or support, directly or indirectly, from any governmental authority, including the KPSC, any change in the terms and conditions agreed to as a part of the Unwind, with limited exceptions. Big Rivers may seek, however, approval from applicable governmental authorities of changes to the Member rates and changes to the

OATT from time to time, and Kenergy may seek approval of changes to its customer charge and energy adder for Smelter service 10 years after the Unwind closing date.

Restructuring. Because of the Smelters' obligations relating to the TIER Adjustment, Big Rivers has agreed that it will protect the economics of the Smelters' Retail Agreements if Big Rivers engages in a restructuring, merger, acquisition of another utility system, or addition of a new member and such transaction results in a 5% increase in the Big Rivers' sales to its Members on a pro forma basis. Big Rivers may however seek approval of an increase in the Large Industrial Rate which will increase amounts otherwise payable by the Smelters pursuant to the Smelter Base Rate upon the occurrence of a Restructuring.

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

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

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

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

G. Conditions to Effectiveness; Events of Default.

There are limited conditions under which the parties to the Smelter Agreements can terminate them prior to their effectiveness. The Smelter Agreements are conditioned on the Unwind proceeding as well as other standard conditions precedent to effectiveness. Also, because the KPSC will have to approve the pricing in the Smelter Agreements, if the KPSC makes a material modification to the Smelter Agreements, then either party may terminate the Smelter Agreements. If the Smelters determine that costs projected under the financial model delivered at closing can not be achieved by Big Rivers during the first five years of the Smelter Agreements effectiveness, then they may terminate the Retail Agreements prior to the consummation of the transactions thereunder. Further, if there is a material change to a Smelter's production facilities or to its industry that would have a material adverse financial effect on such Smelter, then the Smelter may terminate the Smelter Agreements prior to the consummation of the transactions thereunder. However, the Smelter's right to terminate ends after they have reviewed and approved Big Rivers' financing plan, including approval of a maximum interest rate on such financing.

H. Smelter Credit Support.

Each Smelter will provide and maintain credit support in the form of cash, a letter of credit from a bank rated "A+" or better, or other assurances acceptable to Big Rivers and Kenergy, in an amount no greater than the amounts due for a period of two months under that Smelter's Retail Agreement plus estimated taxes from sales to third parties made by Big Rivers on their behalf. Big Rivers and Kenergy are considering whether the amount of credit support required with respect to estimated tax liabilities following termination of the Smelter Agreements might be reduced by the amount of patronage capital attributed to the Smelters and in which Kenergy and, in turn, Big Rivers, has a valid security interest. The U.S. parent of Alcan and the ultimate parent of Century will guarantee the payment and performance of Alcan and Century, respectively, to Big Rivers and Kenergy of all obligations under the Retail Agreements and related documents.

I. Patronage Capital.

Big Rivers is confirming the mechanics of the allocation of patronage-eligible tax margins but generally they will be allocated by Big Rivers between its three customers classes (rural, large industrial, and Smelters) based upon the margins that each contributed.

J. Representations and Warranties

The Smelter Agreements contain customary, limited representations and warranties, relating mostly to the enforceability of the agreements and obtainment of necessary consents.

K. Reserves

As part of the Unwind, Big Rivers will establish \$85 million of reserves which are intended to be a mitigant against future obligations which may arise, such as fuel or purchased power expenses which may exceed amounts forecasted.

L. Risk Factors

The Smelter Agreements are structured to provide Big Rivers with a significant degree of assurance regarding its financial performance while the Smelter Agreements remain in effect. Because of the TIER Adjustment, the Smelters will be required to pay to Big Rivers an amount necessary to generate a 1.24 TIER, subject to the limitations referenced above. If Big Rivers did not achieve a 1.24 TIER in any year while the Smelter Agreements were in effect, the most likely reason would be that Big Rivers' large industrial rate was low enough that the amounts payable under the TIER Adjustment were capped by the maximum amount above the large industrial rate described above.

While the benefits relating to the TIER Adjustment are significant, the Smelter Agreements can be terminated prior to their stated expiration date in 2023. The Smelter Agreements are structured to prevent both Smelters from terminating their agreements prior to 2011 absent the completion of transmission improvements necessary to export all of the energy made available to the Smelters under the Smelter Agreements. Based on current projections and market energy prices, the termination of the Smelter Agreements would not negatively impact Big Rivers' financial performance over the long-term as current market prices exceed the forecasted prices to the Smelters. Still, projections are subject to a greater degree of uncertainty the farther into the future they extend and there can be no assurance market prices of energy always will exceed the amounts paid by the Smelters under the Smelter Agreements.

Entry into the Smelter Agreements exposes Big Rivers to the credit risk of the Smelters.

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in addition, the amount of security provided is only equal to two months charges plus any estimated tax liabilities.

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Finally, Big Rivers agreement to again supply energy for resale to the Smelters creates the potential for risk of disputes or even litigation with the Smelters. The Smelter Agreements try to limit this potential by providing that the Smelters will not support or seek, directly or indirectly, any challenge to or change in the rate formula or other terms or conditions set forth in the Smelter Agreement other than to clarify,

interpret or enforce the Smelter Agreements or challenge the unbundling of charges for transmission or ancillary services. The Smelters also have agreed not to challenge the Kenergy retail fee for 10 years from the commencement of service. The Smelters would be able to intervene in any proceeding that affects Big Rivers rates. For example, the Smelters would be able to intervene in a rate case with KPSC proceeding because the Smelter Base Rate and the TIER Adjustment are based off of the Large Industrial Rate.

CONFIDENTIAL

EXECUTIVE SUMMARY

Prepared for the Board of Directors of Big Rivers Electric Corporation
Relating to the Unwind of E.ON U.S. LLC Arrangements

Big Rivers, LG&E Energy Marketing Inc. (“LEM”) and Western Kentucky Energy Corp. (“WKEC” and together with LEM, the “WKE Parties”) propose to enter into a Transaction Termination Agreement (the “Termination Agreement”) relating to the termination of the existing arrangements under which Big Rivers leases its generating facilities to WKEC and purchases power from LEM. The termination of the existing arrangements between Big Rivers and WKEC and LEM contemplated by the Termination Agreement is referred to in this Executive Summary as the “Unwind”. This memorandum describes the most significant provisions of the Termination Agreement.

A. Scheduled Unwind Closing Date

The Termination Agreement calls for the WKE Parties and Big Rivers to mutually agree upon a date on which they believe the conditions to closing in the Termination Agreement will be satisfied or waived. This date is defined in the Termination Agreement as the “Scheduled Unwind Closing Date”. The Scheduled Unwind Closing Date may not take place earlier than four months from the date it is set by the parties. The parties recognize that the actual date of the closing of the Unwind (the “Closing”) may not coincide with the Scheduled Unwind Closing Date. The setting of the Scheduled Unwind Closing Date does not insure that the closing will occur, but Big Rivers and the WKE Parties each agrees in the Termination Agreement to use its reasonable best efforts to cause the conditions to the Closing that are within its reasonable control to be satisfied and to cause the Closing to occur.

B. Consummation of the Unwind at Closing

At the Closing the parties will execute and deliver the actual documents which will effect the termination of the existing arrangements between Big Rivers and the WKE Parties, including termination of the Lease, Power Purchase Agreement, Transmission Service Agreement and the other Operative Documents between Big Rivers and the WKE Parties. All Operative Documents between Big Rivers and either of the WKE Parties, including the two subordinated mortgages made by Big Rivers to the WKE Parties, will be terminated and the only remaining obligations between Big Rivers and the WKE Parties will be the Termination Agreement and the other Definitive Documents relating to the Unwind.

C. Payments

At the Closing, WKEC will pay Big Rivers \$301,500,000, subject to adjustment for the value of the inventory and personal property which WKEC will also convey to Big Rivers at the Closing. If the aggregate value of the inventory plus the personal property conveyed to Big Rivers at the Closing exceeds \$55,000,000, the termination payment made by WKEC will be decreased by a like amount. If the aggregate value of the inventory plus the personal property conveyed to Big Rivers at the

Closing is less than \$55,000,000, the termination payment made by WKEC will be increased by a like amount. At the Closing, Big Rivers will return to WKEC \$559,850 in deposits previously paid to Big Rivers by LEM in connection with the reservation of certain transmission capacity, plus accrued interest on such amounts.

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

In connection with the Closing, Big Rivers and WKEC will compute amounts owed to one party or the other as of the Closing for Incremental Environmental O&M, Incremental Capital Costs, Henderson Incremental Capital Costs, Major Capital Repairs, Henderson Major Capital Repairs, Non-Incremental Capital Costs and Henderson Non-Incremental Capital Costs. These true-up payments will be computed in accordance with the provisions of the existing Operative Documents and, in the case of amounts owned in respect of Non-Incremental Capital Costs and Henderson Non-Incremental Capital Costs, will take into account Big Rivers' payment of the Big Rivers Contribution through the Closing. The Termination Agreement sets forth a detailed procedure for determining such true-up amounts which will be paid at the Closing to the extent such amounts are ascertained and agreed at the Closing. The Termination Agreement contemplates that some of such true-up payments may be made as soon as practicable after the Closing if, for instance, certain costs relating to the true-up payments are not invoiced to the WKE Parties prior to the Closing.

In connection with the Closing, true-up payments will also be made in respect of the monthly installment of basic rent and the Monthly Margin Payment payable under the WKEC Lease and amounts owing by one party or another under the Power Purchase Agreement and the Transmission Services and Interconnection Agreement. The Termination Agreement also provides for a true-up payment by one party or the other in respect of Henderson Incremental Environmental O&M computed in accordance with the Station Two Agreement. Again, this payment will be paid at the Closing to the extent determined and agreed at such time, or as soon as practicable after the Closing.

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

D. Valuation of Inventory and Personal Property.

Inventory conveyed by WKEC to Big Rivers in connection with the Unwind will include coal (including coal fines), synthetic fuel, petroleum coke, fuel oil, lime, limestone, spare parts, materials and supplies. The Termination Agreement sets forth a detailed procedure for determining the quantity and value of inventory to be conveyed by WKEC to Big Rivers at the Closing. The quantities of coal, synthetic fuel, petroleum coke, fuel oil, lime and limestone to be conveyed will be determined by

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

E. Assigned Contracts

At the Closing WKEC will transfer to Big Rivers various contracts, agreements, leases, subleases, licenses (including certain licenses of intellectual property) and sublicenses to which a WKE Party is a party (the "Assigned Contracts") relating to the generating plants, the fuel supply for the generating plants, the personal property associated with the generating plants, or to the operation, maintenance, repair or upkeep thereof. Big Rivers will assume the liabilities of the WKE Parties under the Assigned Contracts from and after the Closing. The list of Assigned Contracts will be included in a schedule to the Termination Agreement and will be mutually agreed by Big Rivers and the WKE Parties. If a complete release of the relevant WKE Party cannot be obtained from a counterparty under an Assigned Contract, Big Rivers has the option to accept an assignment of such Assigned Contract and provide an indemnity to such WKE Party, except in the case of certain identified and scheduled contracts for which a release of relevant WKE Party by the contract counterpart is a condition to the WKE Parties' obligation to close the Unwind.

F. Intellectual Property

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

- (i) assignment to Big Rivers by the relevant WKE Party of intellectual property owned by such WKE Party,
- (ii) license to Big Rivers by the relevant WKE Party of intellectual property owned by the relevant WKE Party,

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

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

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

G. Permits

The Termination Agreement includes a list or summary of all permits and licenses specifically issued by any governmental entity to, or in respect of, the generating plants and in the possession and control of WKEC. This list may be augmented prior to the Closing. Big Rivers may object to the addition of additional permits or the filing of additional applications to amend or modify permits prior to the Closing, and resolution of such objection is a condition to Closing. Refusal or reluctance by any governmental entity to consent to the transfer of an essential permit, or to the issuance of a new permit to Big Rivers in lieu of such assignment, is a circumstance which would permit Big Rivers to delay the Closing. The Termination Agreement contemplates that the consent of some governmental entities to the assignment of a permit to Big Rivers, or the issuance of a new permit to Big Rivers in lieu of such consent to assignment, may occur after the Closing. WKEC and Big Rivers have each covenanted to use its reasonable best efforts to cause the final assignment of such permits, or issuance of new permits to Big Rivers, to occur. In the Termination Agreement WKEC commits to pursue such efforts for two years following the Closing.

H. SO₂ Allowances and NO_x Allowances

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

The allotment by the EPA of the NOx Allowances to the generating plants leased by WKEC shall be allocated between WKEC and Big Rivers on the basis of agreed-upon monthly forecasted NO₂ emissions for the month in which the Closing occurs and each month thereafter without regard to actual NO₂ emissions for the month of the year in which the Closing occurs.

I. Consent and Release Commitments

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

J. Closing Conditions

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

The Termination Agreement provides that it is a condition to Big Rivers' obligation to close the Unwind that Big Rivers' debt secured by the generating plants receive a rating of at least BBB by S&P and Baa2 by Moody's after the Unwind. It is also a condition to Big Rivers' obligation to close the Unwind that no material casualty damage have occurred to any generating plant. Big Rivers' obligation to close the Unwind is also subject to the identical condition regarding the absence of any environmental condition at any generating plant as described for the WKE Parties above. The Termination Agreement also makes it a condition to Big Rivers' obligation to close the Unwind that new contracts for retail service have been executed by Kenergy and each of the smelters and that Big Rivers' wholesale power contracts with its members be extended as necessary to achieve the required credit rating on Big Rivers' senior debt. The Termination Agreement provides that within 90 days of the Scheduled Unwind Closing Date, WKEC shall demonstrate to Big Rivers' reasonable satisfaction, through performance data or testing, that each of the generating plants is capable of generating net

output at levels set forth in the Termination Agreement. It is also a condition to Big Rivers' obligation to close the Unwind that no forced outage of any generating plant have occurred for a period greater than five consecutive days during the 30-days preceding the Closing and there be no forced outage of any generating plant pending on the date of the Closing. Additional conditions to Big Rivers' obligations to close the Unwind include (i) Big Rivers' approval of any material deviation from a WKEC operating plan for 2007 prior to the Closing, (ii) that WKEC have cleaned out four ponds at Plant Wilson and (iii) that Big Rivers' Wilson to Coleman 345kv circuit be connected to E.ON's Elmer Smith to Hardin County 345kv circuit or that an alternative reasonably satisfactory to Big Rivers shall have been effected.

K. Representations and Warranties

The Termination Agreement contains fairly conventional representations by both Big Rivers and the WKE Parties concerning various corporate matters, necessary creditor and governmental consents, the absence of violations of other corporate agreements and the absence of litigation impacting the Unwind. The WKE Parties will also make certain limited representations concerning the material compliance of the generating plants and sites with permits and applicable laws and the absence of any proceedings involving environmental laws. This representation is made to the knowledge of senior executives at WKEC and excludes environmental conditions existing before 1998, conditions disclosed by WKEC to Big Rivers or conditions which are the subject of indemnities or other cost sharing provisions of the Termination Agreement. It should be noted that the aforementioned representation concerning compliance with environmental laws is the only representation made by the WKE Parties which deals with the physical condition of the generating plants and the sites. The WKE Parties will represent to Big Rivers that they have delivered to Big Rivers all reports and studies performed by third parties since May 2003 with respect to the generating plants. The WKE Parties will also represent that the intellectual property utilized by the WKE Parties in connection with the operation and dispatch of the generating plants immediately prior to the Unwind shall continue to be fully available to Big Rivers after the Closing in connection with the operation or dispatch of the generating plants. The above-described representation made by the WKE Parties concerning environmental conditions at the generating plants will expire five years from the Closing; the representations made by the WKE parties concerning the absence of liens created by them on the generating plants, non-infringement of patents and the correctness of certain materials identified in Big Rivers' due diligence process will expire three years from the Closing; all other representations made by the WKE Parties and Big Rivers will expire one year from the Closing.

L. Agreements Concerning Operation of Plants Prior to Closing.

The Termination Agreement includes certain agreements by the parties concerning the operation of the generating plants in the period between the execution of the Termination Agreement and the Closing. The Termination Agreements gives Big Rivers the right to have a representative at each generating plant to assist in Big Rivers' due diligence. This representative would have access to books, records and other data with respect to the generating plant and would have the right to be present during the

performances of all maintenance and capital repairs. WKEC has provided to Big Rivers its operating plans which include 2007 for each of the generating plants and has agreed to use commercially reasonable efforts to operate the generating plants in accordance with these operating plans and not to deviate from these operating plans unless such deviation is in accordance with prudent utility practice. While Big Rivers has acknowledged in the Termination Agreement WKEC's right to deviate from these operating plans when circumstances dictate, Big Rivers' approval of any material deviation from an operating plan is a condition to Big Rivers' obligation to close the Unwind. In the Termination Agreement WKEC has covenanted to spend 90% of the cumulative total of the amounts called for in these operating plans in respect of Non-Incremental Capital Costs and Henderson Non-Incremental Capital Costs or pay the difference between such scheduled expenditures and WKEC's actual expenditures to Big Rivers at the Closing.

In the Termination Agreement, WKEC has agreed not to implement any general wage increases outside the ordinary course of business prior to the Closing and to maintain employee levels at the generating plants consistent with the operating plans for the plants. WKEC has also agreed in the Termination Agreement to certain restrictions on its ability to amend benefit plans and collective bargaining agreements prior to the Closing. WKEC has also agreed in the Termination Agreements to restrictions on its ability to enter into certain contracts for maintenance, fuel supply, materials or transportation prior to the Closing without the approval of Big Rivers. The Termination Agreement includes a procedure for a pre-Closing report to be prepared by Big Rivers between 75 and 45 days prior to the Scheduled Unwind Closing Date in which Big Rivers (i) will inform WKEC of any areas in which Big Rivers believes WKEC has not complied with its covenant in the Termination Agreement concerning operation of the generating plants prior to the Closing and (ii) identify additional materials necessary for Big Rivers to conclude its due diligence. Failure to resolve any issues raised in this pre-Closing report would be a basis for Big Rivers to delay the Closing until resolution is achieved. Failure of Big Rivers to deliver the pre-Closing report would constitute a waiver by Big Rivers of any right to allege non-compliance by WKEC with its pre-Closing operational covenant as a basis for Big Rivers to delay the Closing.

M. Tax Matters

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

N. Assignments re Coleman Scrubber Damages; Personnel Matters

In the Termination Agreement Big Rivers and the WKE Parties have agreed upon a division of any liquidated damages paid under the EPC Contract for the Coleman Scrubber based upon whether they are attributable to the period prior to, or after, the Closing. If amounts of liquidated damages under the Coleman Scrubber EPC which would otherwise be payable to Big Rivers are limited by a cap on overall

liquidated damages payable by the vendor, the WKE Parties will remit to Big Rivers all amounts of liquidated damages in excess of \$5 million which they may have received until Big Rivers is made whole.

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

O. Environmental Audit and Indemnities

The Termination Agreement stipulates that URS Corporation will perform an environmental survey of the generating plants and the sites on which they are situated prior to the Closing (the "Unwind Environmental Audit"). The scope, methods and protocols of the Unwind Environmental Audit will be incorporated as an exhibit in the Termination Agreement, but will be largely within the discretion of Big Rivers. The Termination Agreement contemplates that Big Rivers may request, as a condition to closing the Unwind, that additional environmental conditions disclosed in connection with the Unwind Environmental Audit or other environmental due diligence prior to the Closing be the subject of additional indemnifications from the WKE Parties or cost sharing arrangements. The Termination Agreement includes cross-indemnities between Big Rivers and WKEC relating to opacity at any of the generating plants. Generally, this indemnity divides responsibility for damages in respect of opacity based upon the timing of when any failure to comply with opacity restrictions in any governmental law occurred. In addition, the Termination Agreement includes provisions under which Big Rivers agrees to indemnify the WKE Parties for claims, costs and expenses relating to the Plant Green and Plant Wilson landfills unless the indemnified cost is caused by any of the WKE Parties or any of their affiliates. In addition, the Termination Agreement includes provisions under which Big Rivers assumes responsibility to close the "Southern Ash Pond" and the "Former Ash Pond" at Plant Coleman with WKEC remaining liable for a pro rata portion of all closing costs for either of such Ash Ponds in the event WKEC disposed materials in either. The Termination Agreement includes a provision whereby Big Rivers and WKEC share responsibility for all net costs and expenses that may become due by reason of a failure of any generating plant to have complied with the New

Source Review provisions of the Clean Air Act as a result of changes in the method of operating, maintaining, repairing or replacing any generating plant without obtaining a permit or permit amendment covering such change during the period prior to the Closing, including during the period of Big Rivers' operation prior to 1998. WKEC shall be responsible for funding 80% of all such net costs and expenses for, or attributable, to the least cost alternative to comply with such New Source Review obligation and Big Rivers shall be responsible for funding all other net costs and expenses necessary to comply with New Source Review. WKEC will not be responsible for sharing in the net costs and expenses for New Source Review noncompliance under this provision if the New Source Review noncompliance has not been established within five years of the Closing. While the Termination Agreement provides that Big Rivers will be entitled to address New Source review noncompliance in such a manner as it deems appropriate, WKEC's responsibility would only extend to funding 80% of the net costs and expenses of the least cost alternative.

The Termination Agreement provides that certain environmental conditions, circumstances or matters will be identified on a schedule attached to the Termination Agreement. The matters on this schedule will be mutually agreeable to WKEC and Big Rivers. Following the Closing WKEC shall indemnify Big Rivers for all claims, demands, expenses and costs that may be asserted against Big Rivers resulting from the conditions on this schedule to the extent such conditions first occurred following the consummation of the WKEC Lease transaction in 1998 and prior to the Closing or were materially aggravated during the period of WKEC's operation. Following the Closing Big Rivers will indemnify the WKE Parties for all claims, demands, expenses or costs that may be asserted against a WKE Party resulting from the conditions on this schedule to the extent such conditions first occurred prior to 1998 or were materially aggravated following the Closing. The indemnity described in this paragraph shall exist for one year following the Closing.

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

The indemnifications and cost sharing arrangements provided in the Termination Agreement for specified environmental conditions or circumstances are the respective parties' only recourse to address environmental conditions or circumstances.

P. General Indemnities; Limitation of Payments

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

The indemnification provisions of the Termination Agreement provide for a "deductible" of \$1 million – that is until such time as the damages and other amounts that would be payable by Big Rivers or the WKEC Parties, as the case may be, exceed \$1 million no amounts shall be paid in respect of such indemnities. At such time as amounts that would be payable except for the operation of the preceding sentence exceed \$1 million, all amounts in excess of \$1,000,000 shall be payable in respect of such indemnities.

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

Q. Termination of Termination Agreement

The Termination Agreement may be terminated at the option of Big Rivers, on the one hand, or the WKE Parties, on the other hand, if the Closing shall not have occurred by September 30, 2007.

R. E.ON U.S. LLC Guaranty

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

S. Risk Factors

The Unwind contemplated by the Termination Agreement provides Big Rivers with a unique opportunity to assume operational control over its generating assets, enhance the economy of the service area of its members by providing an opportunity to keep the aluminum smelters in western Kentucky, and generally permits Big Rivers to assume responsibility for its own future. The terms and conditions in the Termination Agreement provide a favorable basis to Big Rivers for this to occur. Nonetheless, the Unwind should not be undertaken on the assumption that there are not significant risks to Big Rivers associated with consummation of the Unwind. Following the Unwind, Big Rivers will be fully responsible for the operation and maintenance of the generating plants. With this responsibility will come operating risks associated with the cost of fuel and compliance with environmental laws affecting operation and perhaps requiring significant capital improvements. In addition, Big Rivers will be exposed to the credit of the aluminum smelters and risks associated with their continued performance of the retail power agreements with Kenergy. (For a more comprehensive discussion of these risks see the Executive Summary relating to the smelter arrangements). Big Rivers will also assume the risk associated with the operation of what are admittedly old generating units with a somewhat questionable recent maintenance history. In this regard it should be pointed out that, while the termination payment from WKEC will provide funds for what Big Rivers believes to be necessary enhancements in the maintenance of the generating plants, and Big Rivers has budgeted such enhancements for the first few years following the Unwind, the WKE Parties' representations and indemnities in the Termination Agreement with respect to the generating plants are limited both as to scope and time. The WKE Parties have made certain limited representations in the Termination Agreement concerning compliance of the generating plants with environmental laws. The representations will expire in five years. Similarly, the Termination Agreement includes certain indemnities for environmental conditions at the generating plants, but, again, these indemnities expire, at the latest, five years from the Closing.

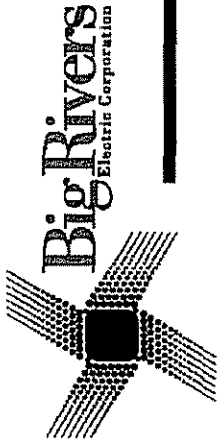
PRIVILEGED TEXT REDACTED

3. The Termination Agreement makes it clear that, except for representations and covenants specifically made by the WKE Parties in the Termination Agreement, the transfer to Big Rivers of operational control over the generating plants and the other tangible and intangible property conveyed to Big Rivers in connection with the Unwind will be on an "as is, where is" basis, with no further warranties other than those set forth in the Termination Agreement.

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Throughout the negotiation of the letter of intent and later the Termination Agreement, Big Rivers has

attempted to obtain the access to the generating plants and the records of operation thereof which Big Rivers believes are necessary for this due diligence process. The presence of a Big Rivers representative at each plant with access to operations, records and personnel, the review of operating plans with the right to approval material deviations therefrom and the Closing conditions requiring demonstration of the capacity of each of the generating plants at such time, assist in ameliorating the operational risks to Big Rivers resulting from the age and condition of the generating plants.



Termination Agreement Review - 2/22/07

Executive Summary

Board of Directors

February 22, 2007

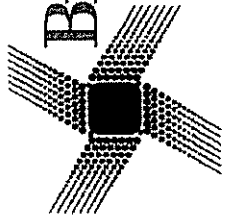


Termination Agreement Review - 2/22/07

• Payments

- At Closing WKEC will pay BR \$301.5 million.
- If total of inventory and personal property exceeds or is short of \$55 million, the above of payment will be adjusted accordingly.
- BR returns \$559,580 plus interest for transmission deposits.
- At Closing BR will pay \$1.025 million for land and buildings near its headquarters and a parcel of land in Hancock County.
- There will be a true up between parties of various costs owed under 1998 documents relating to plant capital costs and amounts owed from various agreements such as the PPA, monthly margin payment, transmission services and HMP&L Station Two.
- BR will not acquire any AR's or cash, nor owe vendors any obligations of WKE.

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Big Rivers
Electric Corporation

Termination Agreement Review - 2/22/07

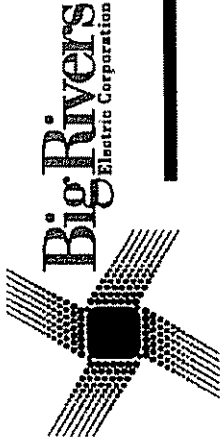
• Approximate Unwind Value

- Cash payment of \$301.5 million
- Inventory and personal property value \$ 55 million
- Coleman scrubber value \$ 98 million
- Forgiveness of RVP \$141.2 million
- Forgiveness of LEM note \$ 16.7 million

- Total approximate value \$612.4 million

In addition BR receives:

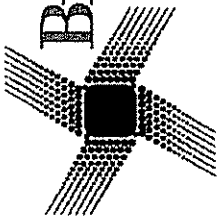
- 14,000 SO2 Allowances (Approx. value) \$ 10.9 million



Termination Agreement Review - 2/22/07

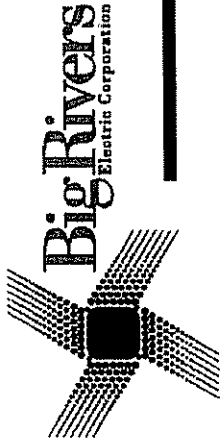
• Valuation of Inventory and Personal Property

- Fuels, limestone, spare parts materials and supplies
- TA sets forth detailed procedure for determining quantity and book value.
- Physical inventories will be taken and then subject to usage prior to Closing.
- At Closing personal property (vehicles, etc.) will be conveyed.
- Could be a post closing true up from Big Rivers on some personal property items.
- WKE to pay all sales and use taxes on transfer of inventory, personal property, contracts, permits and allowances.
- Property taxes will be apportioned in year of Closing.



•Assigned Contracts

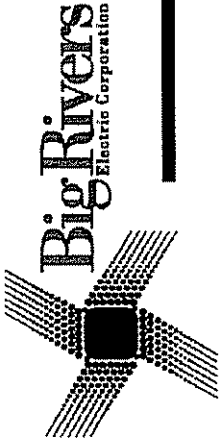
- Various contracts, leases and licenses will be assigned to BR at Closing and BR going forward will assume WKE liabilities under such contracts, etc.
- BR and WKE will agree to a schedule of the list of contracts to be assigned.
- Where a counterparty refuses to release WKE from assigned contract, BR has option to accept the contract and indemnify WKE.



Termination Agreement Review - 2/22/07

• Intellectual Property

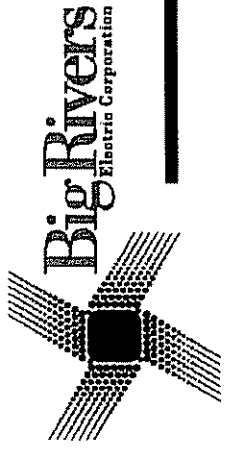
- Assignment by WKE to BR of IP property owned by WKE.
- License to BR by WKE of IP owned by WKE.
- Assignment or sublicense by WKE to BR of IP where no consent of 3rd party vendor is required.
- Provision of IP services to BR from a support service agreement entered into by BR and WKE
- Providing BR with benefits of necessary IP is condition to Closing.
- IP conveyed to BR is without warranty from WKE.
- BR responsible for preparing to operate IP with cooperation of WKE.



Termination Agreement Review - 2/22/07

- Permits

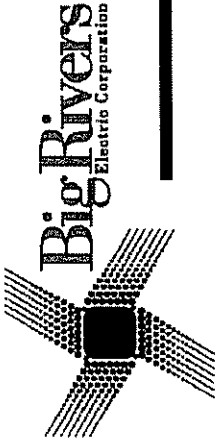
- TA includes list of all permits and licenses issued by government for generating plants in possession and control of WKE.
- BR can object to additional permits or applications to amend or modify permits prior to Closing and resolution of this is a Closing condition
- Refusal or reluctance of government to transfer essential permit would allow delay of Closing.
- TA allows for some transfers to be completed after Closing
- WKE commits to cooperate in pursuit of final assignments of such permits for up to 2 years after Closing



Termination Agreement Review - 2/22/07

- SO2 and NOx Allowances

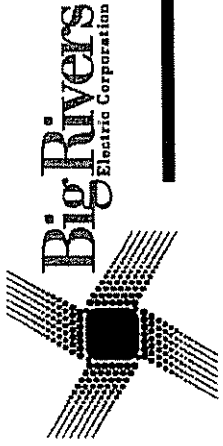
- TA provides that effective on Closing BR entitled to use of all such allowances in accounts maintained for generating plants.
- WKE obligated to replace any allowances it used, sold, conveyed, or assigned.
- SO2 allowances for the generating plants shall be apportioned between WKE and BR based upon the estimated usage set forth in WKE's operating plans for the generating units.



Termination Agreement Review - 2/22/07

•SO2 and NOx Allowances

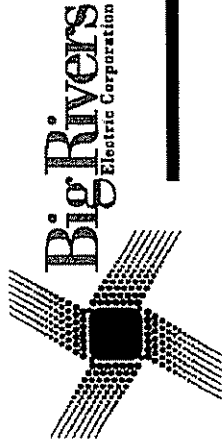
- Station 2 allowances will be allocated between WKE and BR on pro-rata basis after determination of Henderson entitlement.
- WKE shall, at no cost to BR, on Feb. 15 of year following Closing, provide 14,000 SO2 allowances having a vintage that permits usage in 2007 and thereafter.
- NOx allowances from the EPA for generating plants shall be allocated to BR on agreed upon forecasts of NOx emissions for month of Closing and each month thereafter regardless of actual emission for month of Closing.



Termination Agreement Review - 2/22/07

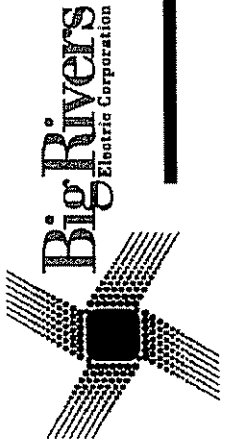
- Consent and Release Commitments

- TA provides that WKE not obligated to spend more than a total of \$1 million to obtain:
 - Consents of counterparties to assigned contracts to BR and release of WKE;
 - Consents of government to conveyance of permits; and
 - Consents of licensors of IP to transfer or sublicense to BR of any IP



Termination Agreement Review - 2/22/07

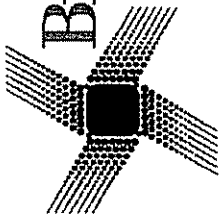
- Scheduled Unwind Closing Date
 - Set by mutual agreement
 - No sooner than 4 months when from date is set
 - Actual date may not coincide with SUCD
 - Reasonable best efforts to cause conditions to Closing
- Consummation of Unwind at Closing
 - Documents will be delivered to effect termination of existing arrangements.
 - Only remaining obligations between parties are those set forth in the Definitive Documents relating to the unwind and the TA.



Termination Agreement Review - 2/22/07

•Closing Conditions

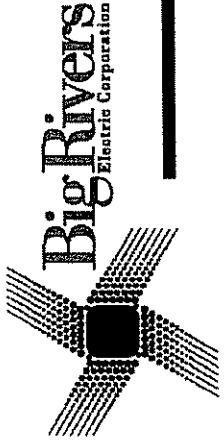
- TA provides Closing conditions usual for such a transaction including appropriate approvals, correctness of representations, creditor executions, consents, releases, etc.
- Other WKE conditions include:
 - Discharge from RUS demand note.
 - BR debt receive ratings of at least BBB- by S&P and Baa3 by Moody's (condition for BR is BBB and Baa2).
 - No environmental condition with any plant in excess of \$1 million for remediation. (same condition for BR)
 - WKE receive a ruling from the IRS and KY as to certain tax aspects of the Unwind.



- **Closing Conditions**

- Other BR Closing conditions include:

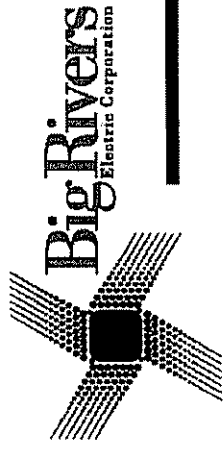
- No material casualty damage to any generating plant
- New contracts for retail service by Kenergy to smelters
- Extension of wholesale power contracts by members
- Within 90 days before Scheduled Unwind Closing Date, WKE demonstrates each plant capable of net outputs listed in TA.
- No forced outage of 5 days or more within 30 days of Closing, no pending forced outage on day of Closing and, any material deviation of 2007 WKE workplan needs BR OK.
- WKE will have cleaned out of 4 ponds at Wilson
- 345 kV interconnection be completed



Termination Agreement Review - 2/22/07

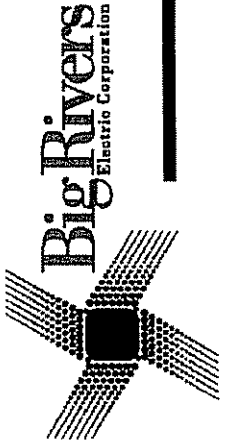
• Representations and Warranties

- TA has fairly standard representations for both WKE and BR on corporate matters, creditor and government consents and absence of violations of agreements and no litigation impacting Unwind.
- Further WKE representations:
 - Limited representations on material compliance of plants and sites with permits and applicable laws and no proceedings with environmental laws (excludes pre 1998 conditions)- this is only rep made by WKE on condition of plants and sites and it expires after 5 years.
 - All reports and studies on plants by 3rd parties since July 2003 have been delivered.



Termination Agreement Review - 2/22/07

- Representations and Warranties
 - Further WKE representations:
 - IP needed to operate and dispatch plants will be available to BR for post Closing operation and dispatch.
 - Representations made by WKE on the absence of liens created on the plants by WKE, non-infringement of patents and correctness of certain materials identified by BR during due diligence expire after 3 years.
 - All other representations expire 1 year after Closing.



Termination Agreement Review - 2/22/07

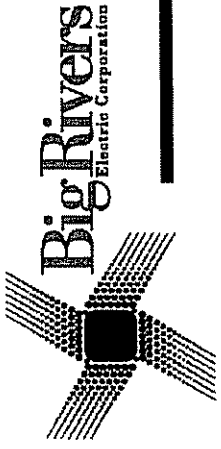
- Agreements on Operation of Plants Prior to Closing
 - TA provides agreements on plant operations from TA signing until Closing.
 - BR has right to have person at each plant for due diligence and would have access to data as well as be present for performance of all maintenance and capital repairs.
 - WKE has agreed to use commercially reasonable efforts to operate plants in accordance with 2007 plan provided to BR.
 - WKE can deviate from plans when circumstances dictate, but BR approval of material deviations is a condition to Closing.
 - WKE promises to spend at least 90% of total amounts called for in plans or pay difference from actual to BR at Closing.



Termination Agreement Review - 2/22/07

• Agreements on Operation of Plants Prior to Closing

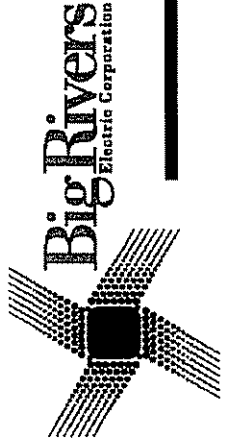
- WKE agrees to not implement any general wage increase outside of ordinary course of business before Closing and to maintain employee levels consistent with operating plans.
- WKE agrees to restrictions on ability to enter into certain contracts for maintenance, fuels, materials or transportation prior to Closing without approval from BR.
- BR will prepare pre-closing report 75-45 days prior to Closing and tell WKE where BR believes it has not complied with its covenants in TA and to identify additional materials needed for due diligence. If WKE fails to resolve issues, it will delay Closing. If BR fails to deliver pre-closing report, it would waive any right to allege non-compliance on pre-closing covenants by WKE.



Termination Agreement Review - 2/22/07

•Assignments- Coleman Scrubber Damages

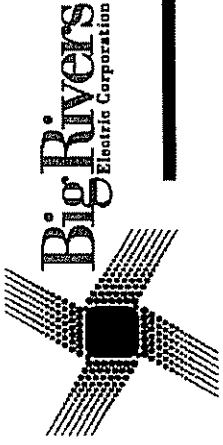
- WKE and BR have agreed on a split of any liquidated damages paid under the EPC Contract for new Coleman scrubber based on whether they are attributable to the period prior to or after Closing.
- If amounts of liquidated damages payable to BR are limited by an overall cap on the vendor, WKE will remit to BR all amounts of liquidated damages in excess of \$5 million which they may have received until BR is made whole up to the maximum amount of damages paid by the vendor under the EPC contract.



Termination Agreement Review - 2/22/07

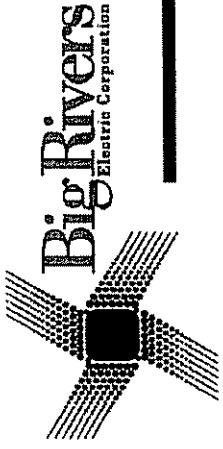
• Personnel Matters

- In TA BR affirms intent to make offers of employment to all WKE employees in Henderson or at one of the plants.
- Offer would be for positions substantially similar and with similar pay. (No offer required if duplicative to BR existing position)
- E.On has right to make to make competing offers.
- Transferred employees will receive credit for WKE experience and prior BR experience in determining eligibility for benefits.
- BR will not assume IBEW bargaining agreement
- TA also includes provisions to deal with training, health and safety files, benefit claims, and other employee transfer issues.



Termination Agreement Review - 2/22/07

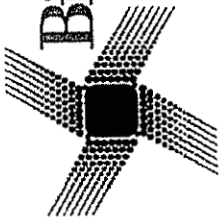
- Environmental Audit and Indemnities
 - An Unwind Environmental Audit will be performed before Closing.
 - BR may request, as Closing condition, additional environmental conditions found with the audit or other due diligence be subject of added indemnities or cost sharing arrangements.
 - TA includes cross-indemnities for opacity issues at plants.
 - BR indemnifies WKE for claims and costs at Green and Wilson plants landfills unless cost is caused by WKE.
 - BR takes responsibility to close certain Coleman Ash Ponds with WKE remaining liable for pro rata share of all Closing costs for either pond if WKE disposed of materials in either pond.



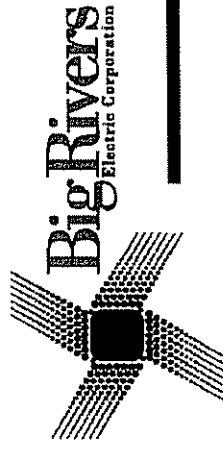
Termination Agreement Review - 2/22/07

• Environmental Audit and Indemnities

- TA provides that BR and WKE share net costs due to failure to comply with New Source Review prior to Closing, including operations prior to 1998.
 - WKE will fund 80% of such costs of the least cost alternative to comply with NSR and BR the balance of such costs.
 - WKE will not share in these costs if the NSR non-compliance has not been established within 5 years of closing.
- Indemnifications and cost sharing arrangements in TA are only recourse to resolve environmental conditions.



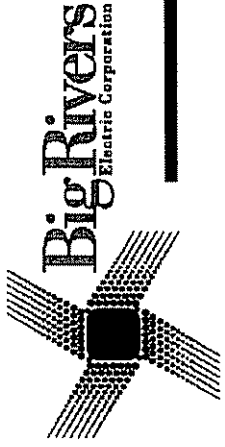
- **Environmental Audit and Indemnities**
 - Certain mutually agreed to environmental conditions and circumstances will be listed on a schedule attached to TA.
 - WKE, post Closing, will indemnify BR for claims on the schedule if they occurred post 1998 WKE lease transaction or were materially aggravated during WKE's operation.
 - BR will indemnify WKE for conditions aggravated post closing.
 - This indemnity is for one year post Closing.
 - Cross indemnities are given by both parties for unknown and undiscovered environmental conditions.
 - WKE indemnifies BR for unknown items emanating from conditions or releases caused by WKE.
 - BR indemnifies WKE for unknown items emanating from conditions or releases cause by BR.
- These cross indemnities exits for 5 years post Closing.



Termination Agreement Review - 2/22/07

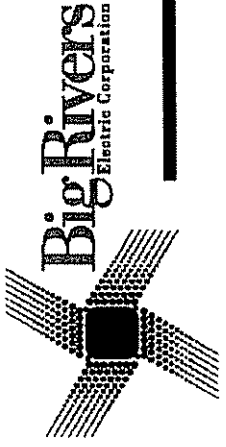
• General Indemnities; Limitation of Payments

- General indemnities for both WKE and BR-not duplicative of environmental indemnities
 - Includes claims of Henderson against BR from breach or default by WKE under Station Two agreement.
 - Any claims by counterparties to assigned contracts relating to pre-Closing period.
 - \$1 million deductible
 - TA includes \$200 million on all amounts for which E. On parties are liable including environmental indemnities
 - Excluded from the limitation are fines and penalties assessed by the government and the aggregate value of emission allowances that might have to be forfeited, expended, etc. by WKE or BR.



Termination Agreement Review - 2/22/07

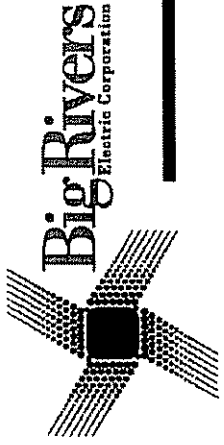
- Termination of TA; E.On U.S. LLC Guaranty
 - TA may be terminated at option of BR or WKE if no closing 9/30
 - All obligations of WKE Parties guaranteed by E.On U.S.



Termination Agreement Review - 2/22/07

•Risk Factors

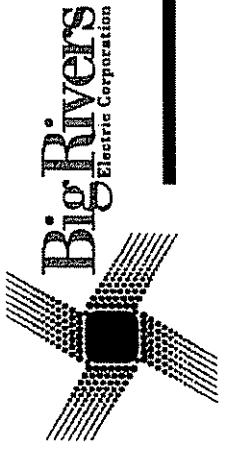
- While TA provides BR a basis for many opportunities in the Unwind there are significant risks:
 - Maintenance, operation and capital requirements of older vintage generating plants
 - Fuel costs and environmental compliance
 - Smelter credit risk and power agreements
 - Indemnities from WKE for plants and environmental conditions have limits as to time and scope.
 - Except for representations and covenants specifically made by WKE, transfer of the plants will be on an “as is, where is” basis.



Termination Agreement Review - 2/22/07

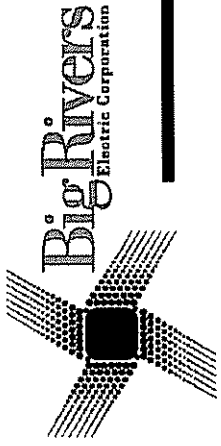
• Risk Factors

- BR's protection from latent defects in operation and maintenance of the generating plants needs to come from careful due diligence.
- With signing of TA BR will get further rights at the plants for more complete due diligence with a representative at each plant and more data on the plants.
- BR will have right to approve material deviations from operating plans.
- Closing condition requires WKE demonstrate capacity of each unit.
- Post Closing BR responsible for operation of its units and Station Two as well as all future environmental costs due to law changes.



Termination Agreement Review - 2/22/07

Questions ?



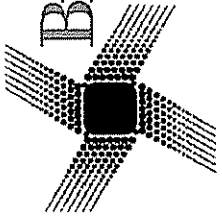
Smelter Agreements Review - 2/23/07

Executive Summary

Board of Directors

February 23, 2007

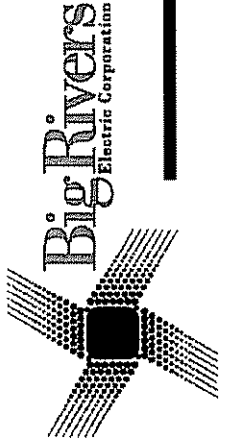




• **Summary of Smelter Agreements**

- BR and Kenergy propose to enter into new electric service arrangements (New Transaction- NT) with the Closing of the unwind.
- Alcan Primary Products Corporation
- Century Aluminum of Kentucky General Partnership
- BR and Kenergy negotiated with both smelters jointly and both have agreed to identical terms and conditions, except for the amount of electricity to be delivered to each.
- This review will not distinguish between smelters, but each have their rights and obligations separately.

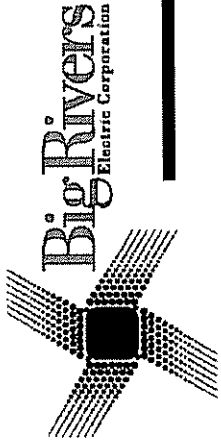




Smelter Agreements Review - 2/23/07

- **Structure**

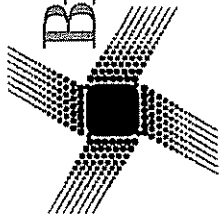
- Total of 6 separate principal agreements, 3 for each smelter
 - 2 Wholesale Agreements between BR and Kenergy
 - 2 Retail Agreements between Kenergy and the smelters
 - 2 Coordination Agreements between BR and the smelters
- The NT structured so each obligation, including payments, of Kenergy to BR or to a smelter under WA or RA will be conditioned on the performance by the smelter or BR, respectively, of the related obligation to Kenergy. This should avoid need for Kenergy to be directly involved in any disputes relating to BR or smelter non-performance.
- Other ancillary documents with smelters will also exist.



Smelter Agreements Review - 2/23/07

•Nature of Service

- Except for a force majeure, BR obligated to provide 850 MW of electric energy and related services to Kenergy for resale to the smelters through Dec. 31, 2023. (368 to Alcan and 482 to Century)
 - This is called “Base Monthly Energy”
- BR can also sell additional energy and related services to Kenergy to the applicable smelter.
 - BR, if it wants to, can sell “Interruptible Energy” with a “Buy Through Energy” option (similar to current Tier 3 contracts).
- Agreements provide that, when requested by a smelter, Kenergy will use reasonable efforts to purchase separate negotiated electricity and related services (Market Energy). BR could provide, but not obligated to do so.



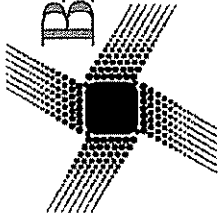
•Smelter Payment Obligations

•Base Monthly Energy

•Very complex set of calculations for charges intended to result in smelters guaranteeing BR achieve annual TIER of 1.24, subject to the following:

- Limitations on maximum amount paid by smelters until BR must raise rates to its members for electricity to their non-smelter members
- Power Cost Adjustment for fuel and purchase power costs not in the base rate
- Certain other adjustments



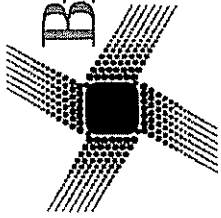


•Smelter Payment Obligations

•Base Monthly Energy Charges

- 850 MW per hour at 98% load factor multiplied by BR large industrial tariff (98%LF) plus \$.25/mWh (“Smelter Base Rate”)
- Plus or minus adjustment for variable costs on actual energy taken
- Plus or minus PCA applied to each mWh
- 1/12 of estimated amount, if any, in addition to BR revenues to achieve 1.24 TIER (“TIER Adjustment”)
- Smelter obligation for TIER guarantee limited to certain amounts per MWH each year (See chart on next slide)

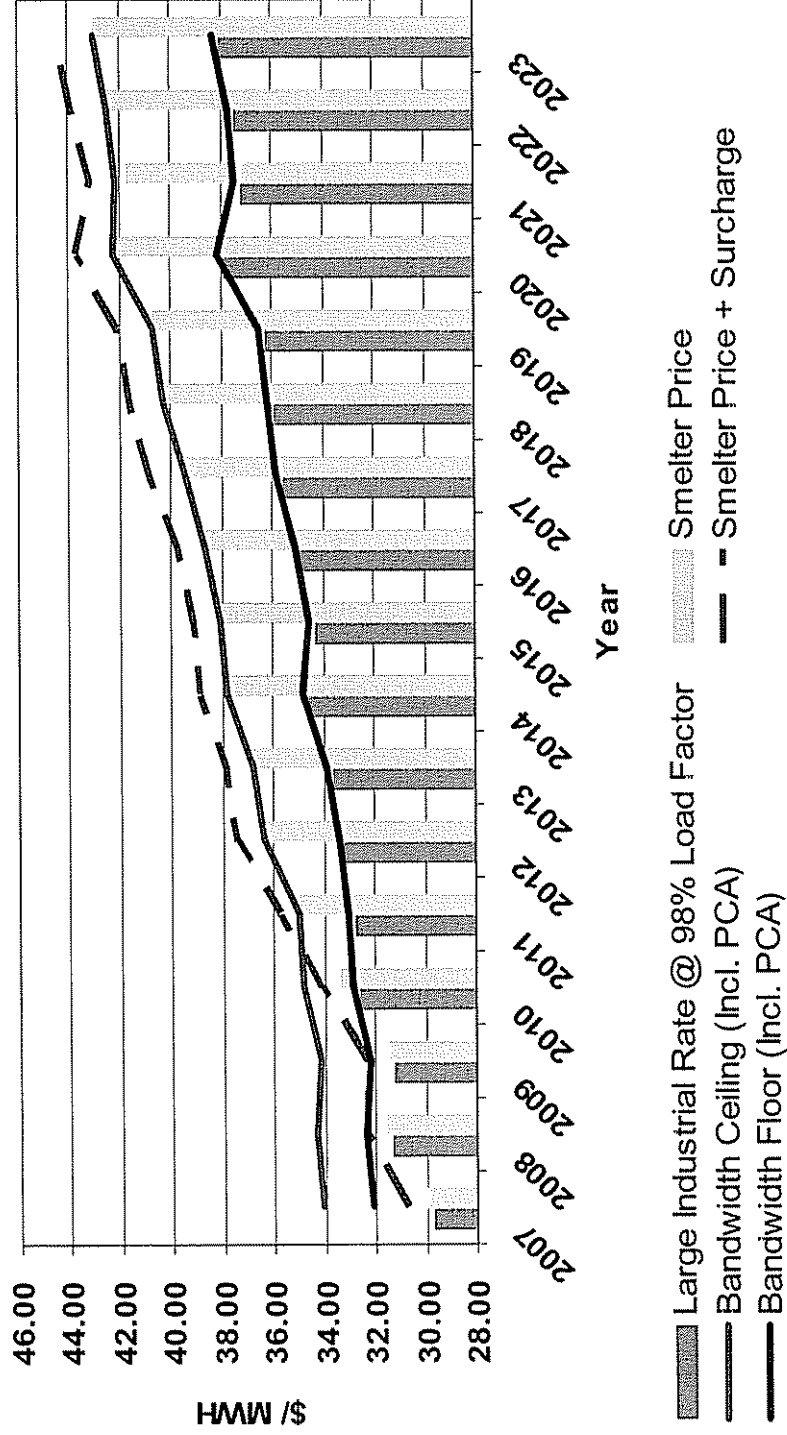


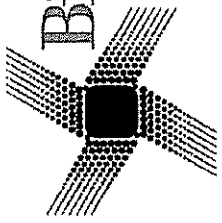


Big Rivers
Electric Corporation

Smelter Agreements Review - 2/23/07

Large Industrial Rate and Smelter Pricing: 2007 - 2023
Pricing Targets 1.24 x TIER



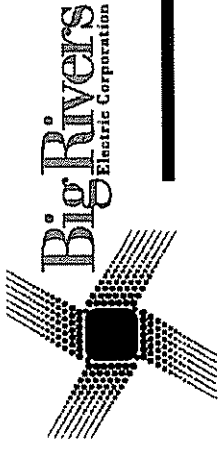


- Smelter Payment Obligations

- Other Base Monthly Energy Charges and Credits

- Credit for “Surplus Sales” up to fixed amount of obligations for that energy.
 - Curtailments agreed to between BR and smelters to avoid purchasing replacement power, or to sale for profit in market.
 - Curtailment to avoid purchasing- full benefit to smelters
 - Curtailment for market profits- smelters get 75% of benefit
 - True up on May 1 each year for the 1.24 TIER guarantee

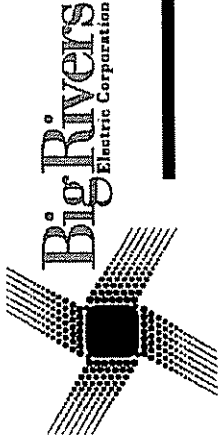




Smelter Agreements Review - 2/23/07

• Assumptions in the TIER Adjustment

- BR raised revenues from non-smelter members as if it had a rate case as follows: 2% in 2010, 2.5% in 2018 and 4% in 2021.
- Any new direct serve load in excess of 15 MW pays equal to Smelter Base Rate (LF adjusted) plus proportionate share of TIER adjustment, if any, and the PCA. New loads less than 15MW pay amount equal to Large Industrial Rate plus PCA. This provision goes away in last three years of Retail Agreement term or notice of termination of either Retail Agreement.
- Other TIER guarantee adjustments-patronage retirements, interest imputed on debt for new non-peaking facilities not included in rev requirements, CWIP interest not included in rev requirements, reserves established at Closing, indemnification payments, penalties, curtailments, and expenses disallowed by government.

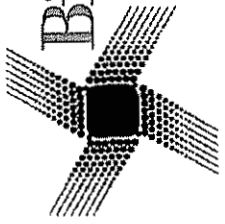


Smelter Agreements Review - 2/23/07

•Early Years Rates

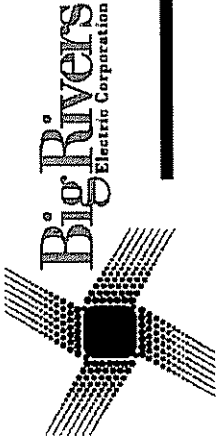
- BR agreed to 2 measures to assure smelters cost of energy in early years of Unwind will not be significantly different that expected.
- BR agrees Base Monthly Energy rate (except PCA) will be same as in model filed with KPSC in Unwind approval case.
- BR has agreed not to seek any increase in its member rates to take effect before Jan. 10, 2010.
- If BR TIER in any year exceeds 1.24 on all member sales, BR will rebate excess to Kenergy for the smelters. Rebate will not lower smelter rate below Large Industrial plus \$.25/mWh unless any additional excess is rebated to all of BR members on mWh basis.





•Other Energy

- Supplemental Energy- Rates for Interruptible, Buy-Through or Market energies agreed to by BR, Kenergy and applicable smelter. These charges will include transmission and other related charges.
- Back-Up Energy-This is in excess of Base Monthly and Supplemental Energy. Rates for this are intended to disincentivize smelters from using it for anything but imbalance energy. Rate is 110% of highest price purchased for Back-Up Energy or, if not purchased by BR, the greater of locational marginal price node with MISO or BR system lambda. If B-U energy exceeds 10 MW in an hour, the excess over 10 is priced as follows: If due to 3rd party breaching supply contract, then 110% of market price. If no breach, then higher of \$250/mWh or 110% of market price. Smelters pay transmission charges on B-U Energy as well.



Smelter Agreements Review - 2/23/07

• Surcharge

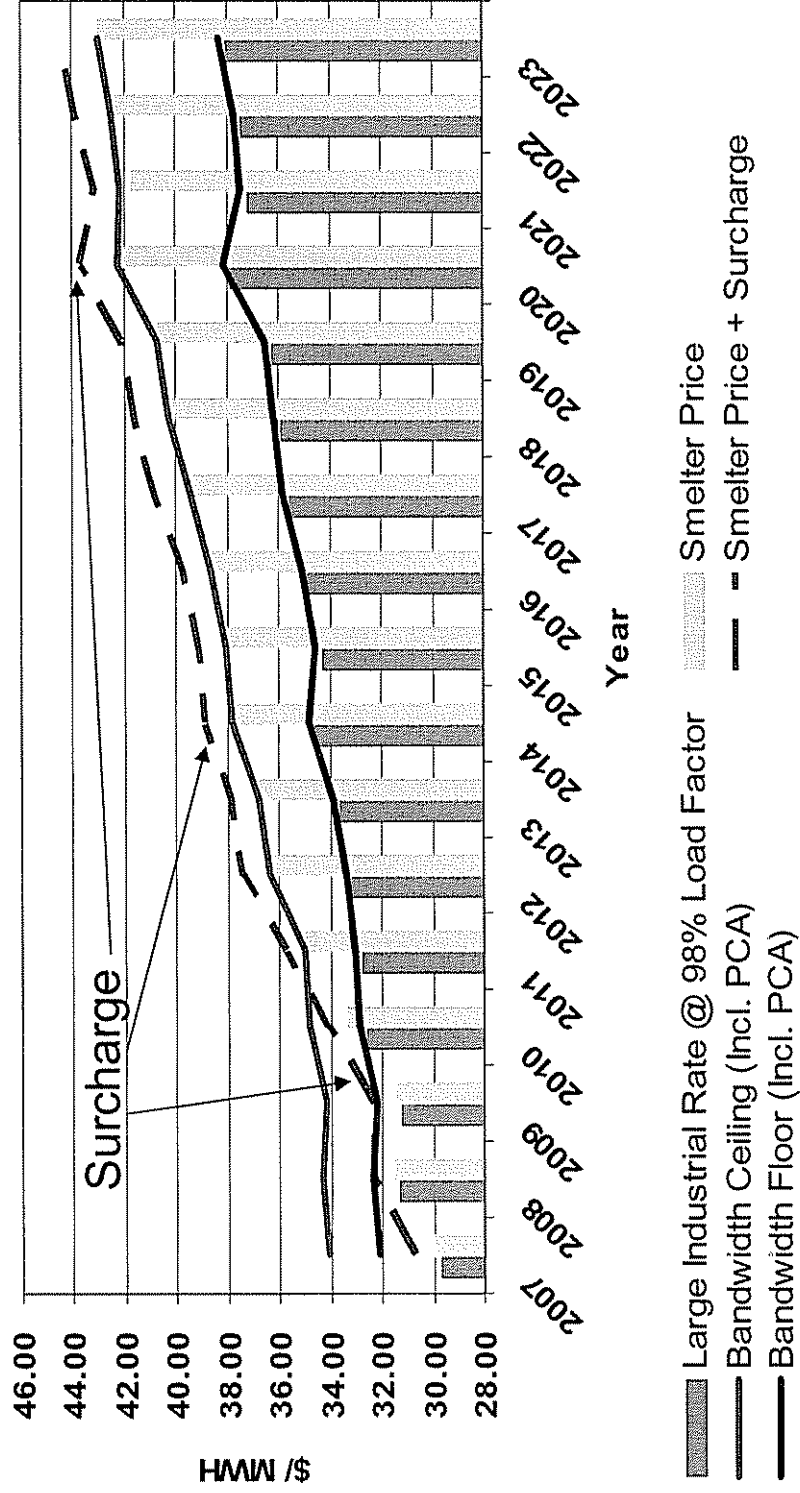
• In addition to other amounts paid by smelters under the Agreements, the smelters will pay a surcharge as follows:

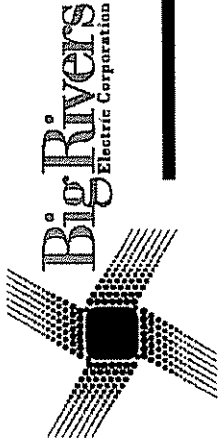
- \$5.11 million per year in monthly installments through 2011
 - \$7.3 million per year in monthly installments 2012-2016
 - \$10.183 million per year in monthly installments 2017-2023
- BR plans to use these amounts to defray PCA charges to non-smelter members.

• Kenergy Retail Fee

• The agreements fix Kenergy's retail fee at current rate for 10 years. Fee paid even if energy curtailment occurs to avoid purchase power expense or sell market energy for profits.

Large Industrial Rate and Smelter Pricing: 2007 - 2023
Pricing Targets 1.24 x TIER

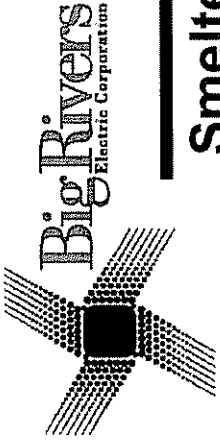




Smelter Agreements Review - 2/23/07

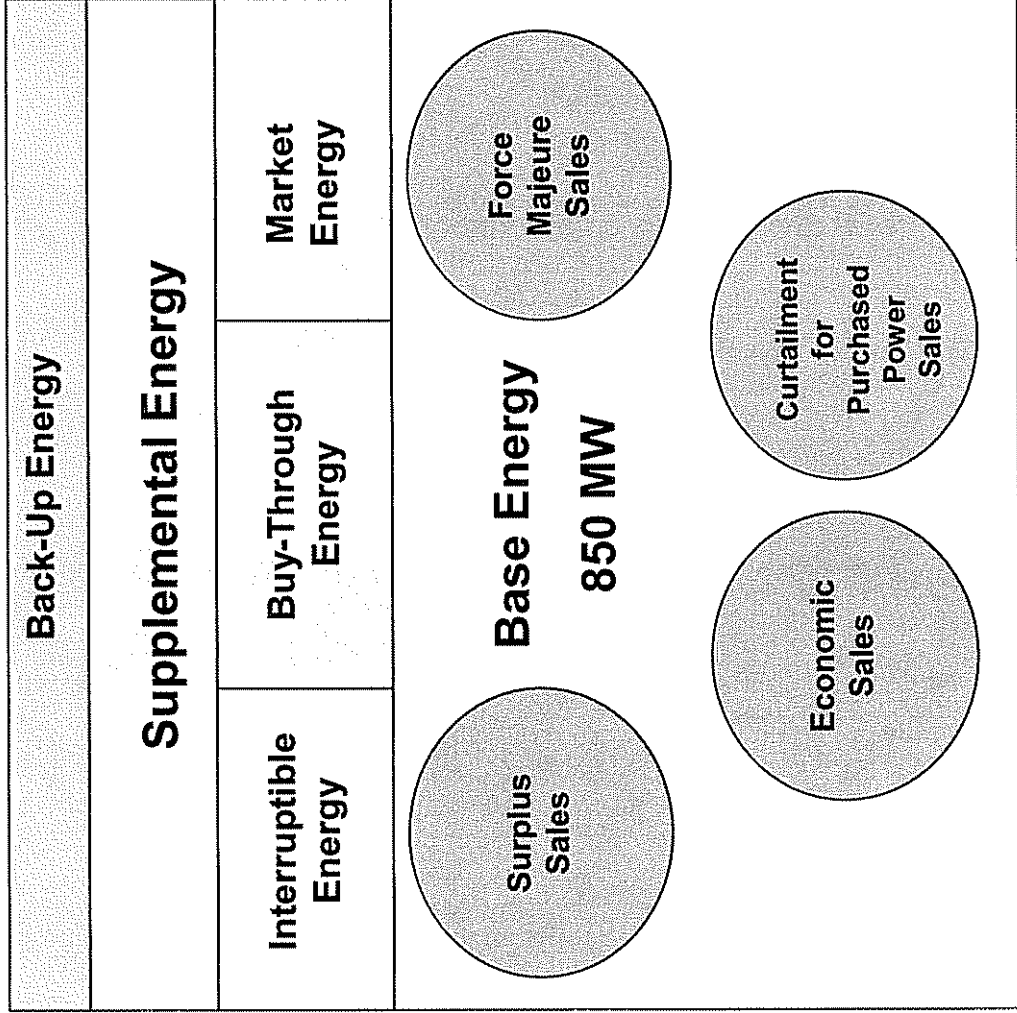
•Surplus Sales

- BR will use reasonable commercial efforts to sell amounts of Base Monthly Energy for Kenergy that a smelter is obligated to pay for, but would be surplus to its needs (“Surplus Sales”). BR would credit to Kenergy for credit to the smelter the fixed amount Kenergy would be obligated to pay Big Rivers for this energy.
- If an event renders a smelter unable to accept all or any part of BME for 48 consecutive or more hours, smelter can ask such energy be resold for up to 6 months and be entitled to net proceeds (“Force Majeure Sales”). If smelter certifies that reasonable diligence does provide remedy, such energy will be resold for 3 added months with net proceeds to the smelters.
- Neither Surplus nor Force Majeure Sales can be sold until BR sells its own surplus power or if transmission constraints exist.

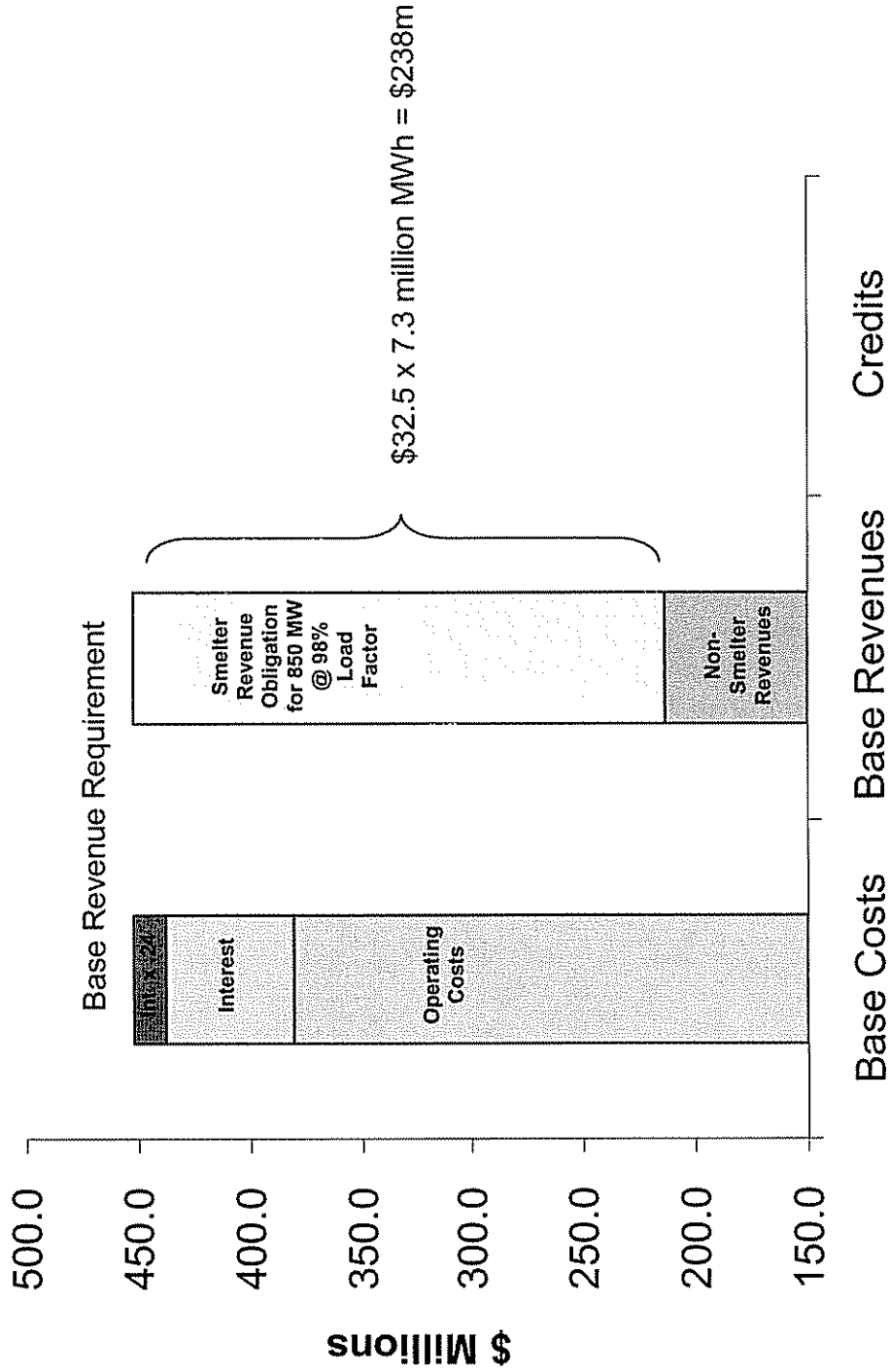


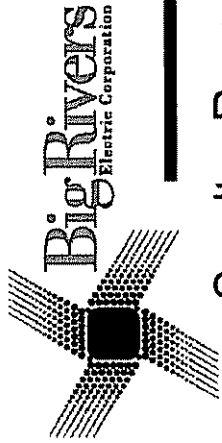
Smelter Agreements Review - 2/23/07

Smelters Service Arrangements- Energy Products



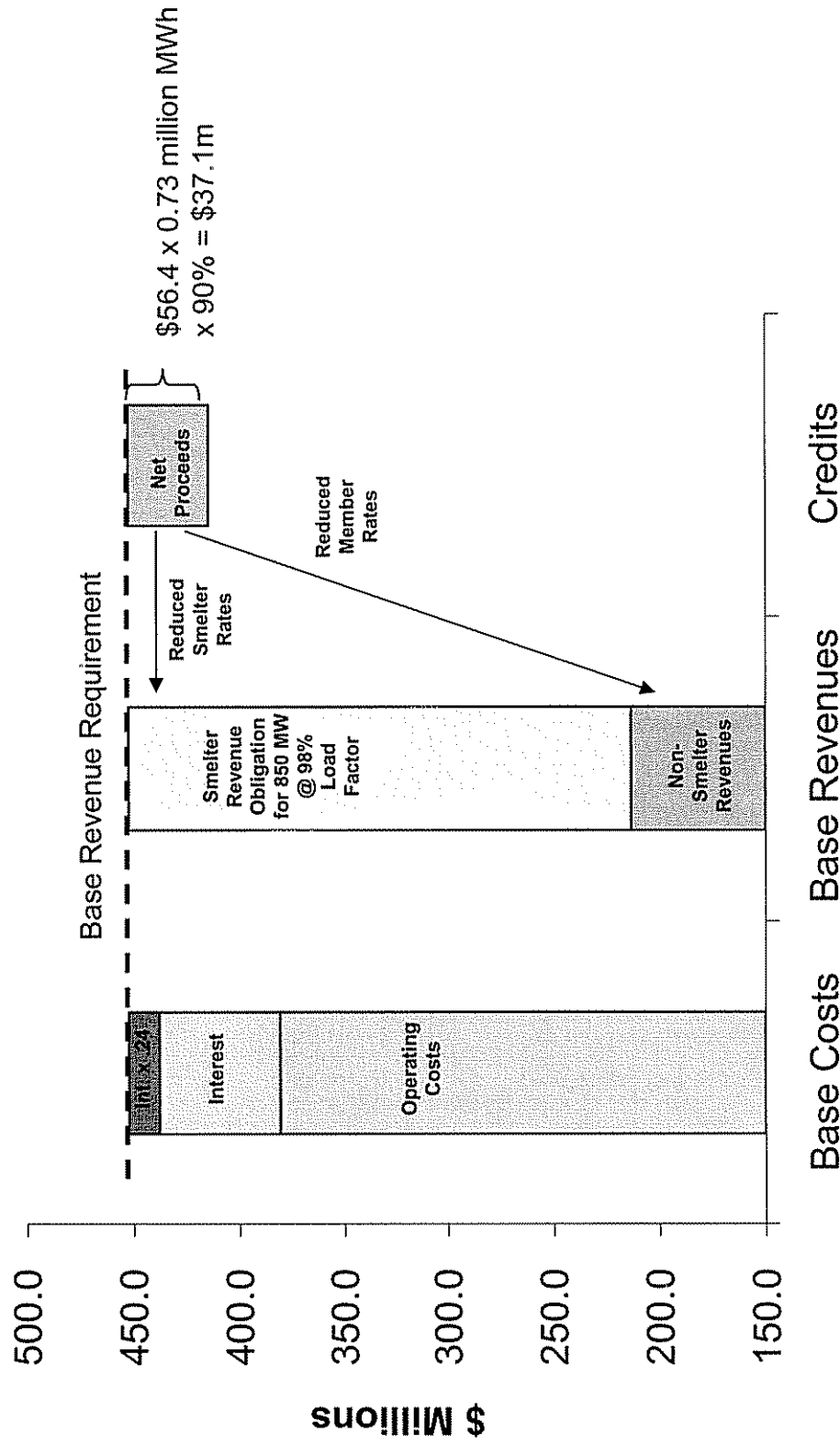
Smelter Revenue Requirement - 2008 Example:

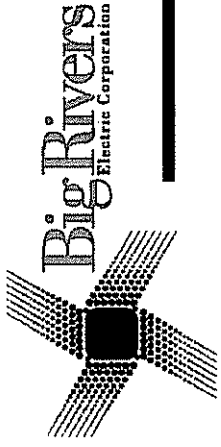




Smelter Agreements Review - 2/23/07

Smelter Revenue Requirement - 2008 Example with "Surplus Sales" = 10%
of Smelter Base Fixed Energy:



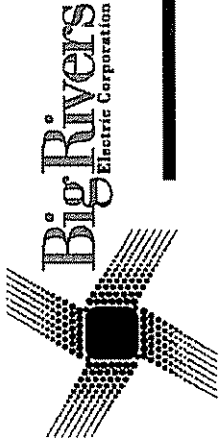


Smelter Agreements Review - 2/23/07

•Termination

- Kenergy obligation to serve smelters ends Dec. 31, 2023. At least one year prior to this date, BR, Kenergy and the applicable smelter will undertake good faith negotiations for a replacement agreement.
- A smelter may terminate Retail Agreement on or before Dec. 31, 2010 with not less than one year's prior written notice to Kenergy and BR, and, if it is ceasing all smelting operations at the current site. However, only one smelter may terminate prior to Dec. 31, 2011, unless all required transmission upgrades have been completed.



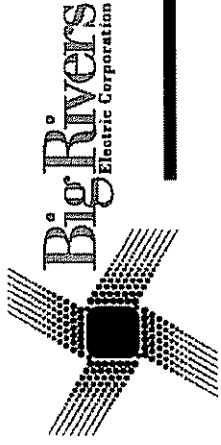


Smelter Agreements Review - 2/23/07

•Other Matters

•Covenants

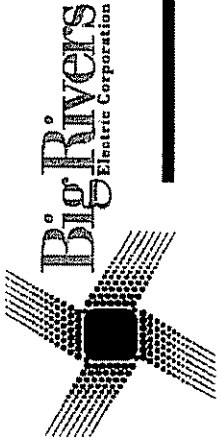
- BR will operate system with PUP and apply same standards for operating decisions that may affect Smelter Base Rate or TIER adjustment. BR covenants it will not make operating decision if the basis is the smelter TIER support obligations.
- During term of Retail Agreements, none of BR, Kenergy or the smelters will seek or support, directly or indirectly from any governmental authority any change in the terms and conditions agreed to as a part of Unwind.
- BR may seek changes to its rates from time to time and Kenergy may seek approval for its energy adder to the smelters after 10 years from Closing. The smelters may intervene in these proceedings



Smelter Agreements Review - 2/23/07

•Other Matters

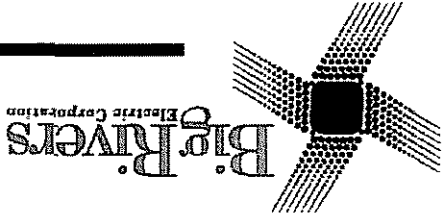
- Restructuring- BR has agreed to protect smelter economics if BR engages in a restructuring, merger, acquisition or adds a new member and such transaction results in a 5% increase in the BR sales to its members of a pro forma basis. BR may seek approval of change to Large Industrial Rate which would increase amounts otherwise payable by the smelters.
- Budgets- BR, each year, will provide smelters copy of projected budgets for upcoming year. Smelters may employ 3rd party to review and can, upon request, present 3rd party conclusions to BR Board. BR has no duty to take action on such a report.
- Service Post-Termination- Following termination of Retail Agreements, neither BR nor Kenergy will have any contractual obligation to sell power to the smelters and the smelters will have no contractual obligation to purchase energy from BR or Kenergy



Smelter Agreements Review - 2/23/07

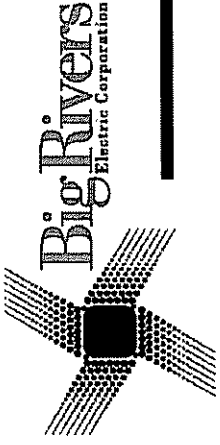
•Other Matters

- Large Industrial Tariff Service- *PRIVILEGED TEXT* a smelter, after ceasing smelting operations, will be entitled to be served by Kenergy under the BR Large Industrial Tariff for non-smelting loads.
- Assurance Agreements Payments-BR will pay smelters \$3.625 million in lieu of amounts they would be entitled to through an Assurance Agreements with E.ON triggered by the Unwind. BR would make the payment at the Closing and could credit it to smelters on any Tier 3 invoices. Such payment will also be reduced by any amount E.On makes to the smelters after 2006. If the Unwind does not close, any payments that BR may have made will be returned by the smelters.



- Conditions to Effectiveness; Events of Default
- Smelter agreements are conditioned on the Unwind proceeding as well as other standard conditions precedent to effectiveness.
- The KPSC will have to approve pricing in the Agreements and if KPSC makes material changes then either BR or smelters may terminate the Agreements.
- Smelters may terminate Agreements, prior to Closing, if they determine BR is unable to deliver projected first 5 years of costs in its financial model delivered at Closing.
- Smelters may terminate if material changes to smelters production facilities or its industry occur before Closing.
- Smelters right to terminate ends with approval of BR financing plan.



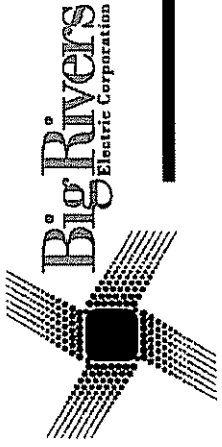


Smelter Agreements Review - 2/23/07

•Smelter Credit Support

•Each smelter will provide and maintain credit support in the form of cash, a letter of credit from a bank rated A+ or better, or other assurances acceptable to BR and Kenergy. It will be in an amount no greater than what is due for a period of two months, plus estimated taxes from sales to third parties made on behalf of the smelters. BR and Kenergy are considering whether the amount of credit support for tax liabilities can be reduced following termination by patronage capital attributed to the smelters and it which Kenergy and BR have valid security interest.

•The U.S. parent of Alcan and the ultimate parent of Century will guarantee payment and performance to BR and Kenergy of all obligations under the Retail Agreements and related contracts.



Smelter Agreements Review - 2/23/07

•Patronage Capital

- BR is still reviewing, but generally it will be allocated between its 3 customer classes, rural, large industrial and smelters, based upon the margins each contributed, as opposed to avg. system costs.

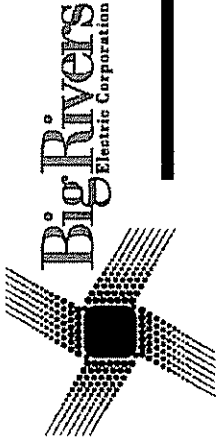
•Representations and Warranties

- The Agreements contain customary, limited representations and warranties, relating mostly to the enforceability of the Agreements and obtaining necessary consents.

•Reserves

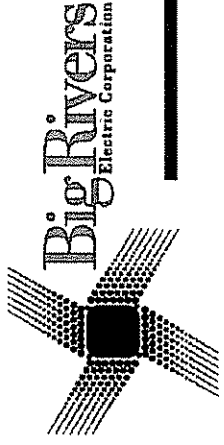
- As a part of Unwind, BR will set up \$85 million of reserves which are intended to be a mitigation against future obligations, such as fuel or purchase power expenses that exceed forecasts.





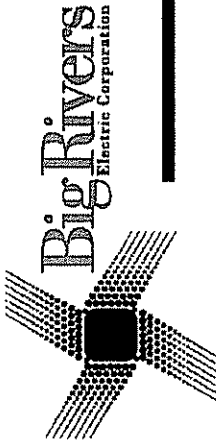
Smelter Agreements Review - 2/23/07

- Risk Factors
 - Smelter Agreements structured to provide BR with significant degree of assurance regarding its financial performance while smelter Agreements remain in effect.
 - 1.24 TIER adjustment-capped by the ceiling of bandwidth
 - Smelter Agreements can be terminated prior to 2023.
 - Termination by both is prevented before 2011 unless transmission is available to move power off system.
 - Based on market projections, termination of smelter Agreements should not negatively impact BR long term financial performance. There are, of course, risks in long projections and no guarantees of market pricing.



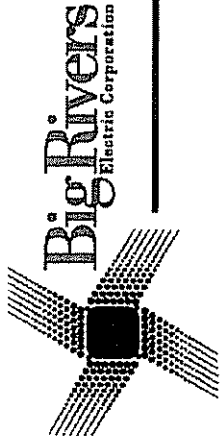
Smelter Agreements Review - 2/23/07

- Risk Factors
 - Entering into smelter Agreements exposes BR to credit risk of smelters. While credit support will be provided, one or both of the guaranteeing parent corporations could enter bankruptcy.
 - BR's agreement to again supply energy to Kenergy for resale to the smelters creates the potential risk for disputes and even litigation with the Smelters. The smelter Agreements try to limit this potential by providing that they will not support or seek, directly or indirectly, any challenge to or change in the rate formula or other terms and conditions set forth in the Agreements, other than to clarify, interpret or enforce the Agreements and unbundling of transmission charges.
 - Smelters would be able to intervene in any proceeding that affects BR rates.



Smelter Agreements Review - 2/23/07

Questions ?



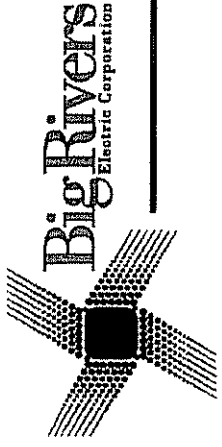
Documentation

January—March 1, 2007

- Termination Agreement substantially complete (to Big Rivers February board meeting)
- Smelter Agreements substantially complete (March 1)
- HMP&L issues identified and substantial progress with negotiations (March 1)

Mike Core, CEO





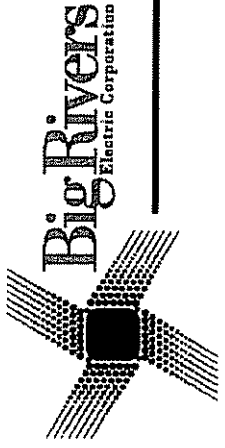
Documentation

January—March 1, 2007

- **Big Rivers' Board to review all unwind status and document highlights and approve unwind subject to the various conditions of closing (February board meeting or special meeting)**
- **Sign Termination Agreement (March 1)**
- **Update member boards (March)**

Mike Core, CEO





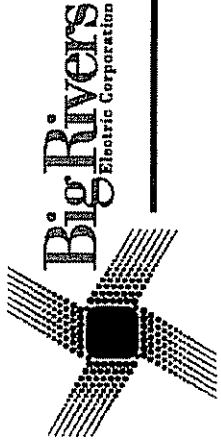
Human Resources Matters

January—March 1, 2007

- **Develop organization chart for new Big Rivers (February 1)**
- **Develop and present to board for approval retirement plan design for salaried new hires (February board meeting)**
- **Develop and present to board for approval retention incentive plan for select WKE employees (February board meeting)**

Mike Core, CEO





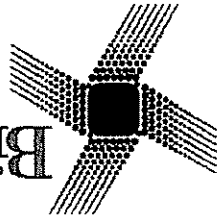
Human Resources Matters

January—March 1, 2007

- Send notice of intent to hire to all WKE employees Big Rivers wishes to hire. Where applicable, notice or accompanying documentation will include information on the proposed retirement plan and retention incentive and general statement regarding health insurance plan and general benefits (March 1)

Mike Core, CEO





Big Rivers
Electric Corporation

Core Project Unwind Schedule

1-19-07

Headquarters Facilities

January—March 1, 2007

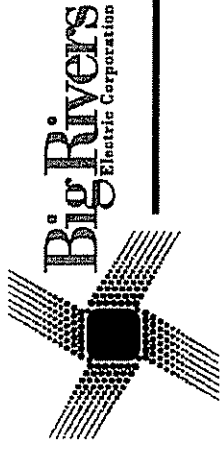
**Present for board approval a plan for headquarters facilities
(February board meeting)**

- Develop headquarters day one plan**
- Remodel (re-carpet and paint) third and fourth floors and
move new employees in after closing?**
- Retain Soaper building lease and leave employees there
for short period?**
- Move new employees elsewhere?**

Mike Core, CEO



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Headquarters Facilities

January—March 1, 2007

- Longer term headquarters plan
- Renovate existing headquarters building?
- Plan new building?
- Initiate day one plan and evaluate situation some time in future?

Mike Core, CEO





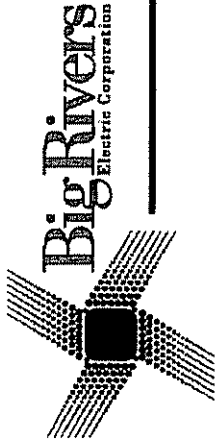
Prepare for KPSC Filing

March 1—May 1

- Update four-year production work plan (complete by March 19)
- Update fuel forecast
- Update production cost model
- File waiver of indenture with RUS (March 19)

Mike Core, CEO





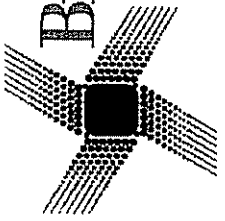
Prepare for KPSC Filing

March 1—May 1

- Notice to KPSC of intention to make May filing of unwind (April 1)
- Update financial model (complete by April 15)
- Prepare KPSC unwind filing (April 1 - May 1)

Mike Core, CEO





Big Rivers
Electric Corporation

Core Project Unwind Schedule

1-19-07

KPSC Filing

March 1—May 1

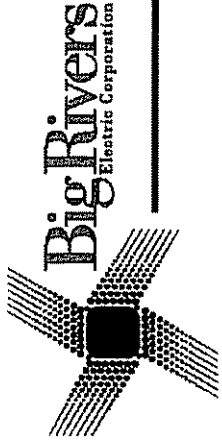
- **File with KPSC for approval of unwind (May 1)**

- **PRIVILEGED TEXT REDACTED**

Mike Core, CEO



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KPSC Filing

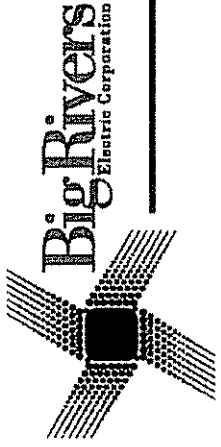
March 1—May 1

- Notice to KPSC of intention to make May filing for certificate of Phase II transmission improvements (April 1)
- File with KPSC for certificate for Phase II transmission improvements (May 1)

Mike Core, CEO



_____ A Touchstone Energy® Cooperative _____



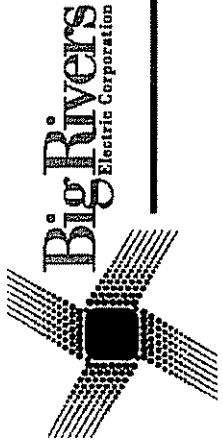
General Activities

May 1—September 30

- **Develop and present to board for approval proposed employee benefit package (May board meeting)**
- **Informed targeted WKE salaried employees (bargaining unit benefits will be negotiated) concerning the benefit package (after May board meeting)**
- **Hold employee meetings with targeted salaried WKE employees to answer questions on proposed benefits (June)**

Mike Core, CEO





General Activities

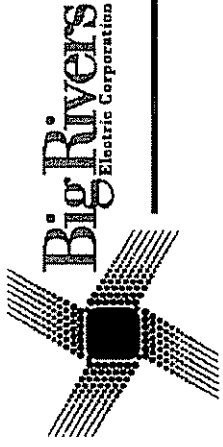
May 1—September 30

- Make firm offers to all WKE salaried employees Big Rivers wishes to retain (July)
- Start indicative rating activities (July 2)
- File financial document with KPSC (July 2)

Mike Core, CEO



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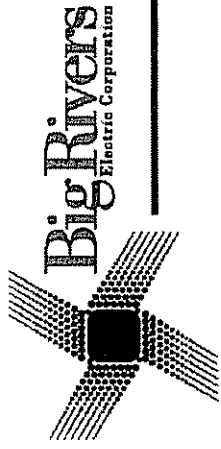
General Activities After Closing

September 30--

- **LG&E will dispatch generation from Louisville for one year under generation dispatch services agreement, and will continue to interface with ACES and Big Rivers' Power Supply**
- **All licenses, permits, certifications, contracts, purchase orders, services, etc., required to operate power plants under Big Rivers' control will have been transferred to Big Rivers**
- **Other services will possibly be contracted from LG&E (IT, fiber optic cable use, etc.) (as identified and negotiated)**

Mike Core, CEO





General Activities After Closing

September 30--

- **Big Rivers will staff up to dispatch generating units from existing transmission control room (upon termination of LG&E generation dispatch agreement)**
- **Implement plan for headquarters facilities developed and approved at March board meeting**

Mike Core, CEO



Proposed Transaction Updated Financial Data

September 2007

Contents

- **Reconciliation to Prior Analysis**
- **Key Assumptions and Data Sources**
- **Transaction Profile**
- **Sources of Deal Consideration**
- **Comparison to Existing Transaction**
- **Key Sensitivities**

Proposed Transaction Updated Financial Data, DRAFT 9/18/07

Reconciliation to Prior Analysis

- As indicated below, member economics have greatly improved since presentation of 8/17/07
- Average member rates drop by \$9.46/ MWh to \$43.15/ MWh, while Net Member Value increases to + \$34m

	PROPOSED TRANSACTION		EXISTING TRANSACTION		NMV
	Avg. \$/MWh	PV \$M Net (c)	Avg. \$/MWh	PV \$M Net (d)	
1 <u>8/17/2007</u>	52.61	1,873	36.55	1,324	(549)
2					
3 <u>Proposed Transaction</u>					
4 Reduced Fuel, Increased Market Sales, Lower Purchases, and Higher Emissions Sales	(7.33)	(257)			
5 Additional Smelter Surcharge	(2.14)	(93)			
6 Correction for Member Load Factor	0.51	20			
7 Economic Reserve Increased by \$25m (a)	(0.49)	(24)			
8 Cash Flow, New Members, Transaction and Terminal Value		(45)			
9					
10 <u>Existing Transaction</u>					
11 Reduced Arbitrage Sales for Consistency with Proposed Transaction			3.22	112	
12 Smelter Sales assumed at 200MW			2.23	99	
13 Assumption of Increased Earnings Pre-Close (b)			(0.24)	(17)	
14					
15 <u>Adjust for Large Industrial Load Growth</u>					
16					
17 <u>Total</u>	(9.46)	(287)	5.21	296	583
18					
19 <u>9/17/2007</u>	43.15	1,586	41.76	1,620	34

a) Funded i) \$15m from assumed increased earnings before closing, and ii) \$10m withheld from debt reduction
 b) \$15m increased earnings assumed pre-close
 c) Adjusted for Cash Flow, New Members, Transaction and Terminal Value
 d) Adjusted for Cash Flow, New Members and Terminal Value

Key Assumptions and Data Sources

Proposed Transaction	Assumptions:	<ul style="list-style-type: none"> • Economic reserve sculpted to achieve target member rates • WKE Capitalization Policy used • Financing assumptions as of May 2007 • Current load forecast + 5MW p.a. for Large Industrials
	Input Data:	<ul style="list-style-type: none"> • Fuel based on Production Cost Model of 8/25/07 • Updated Capital Expenditures and Fixed O&M • Updated staffing and payroll budget
Existing Transaction	Assumptions:	<ul style="list-style-type: none"> • Existing transaction has been viewed in 2 basic scenarios: <ul style="list-style-type: none"> – Case 1: 200MW of smelter sales at Large Industrial rate – Case 2: Arbitrage Sales • RVP and ARVP are financed in 2023 in lieu of rate increases • Sale-leasebacks assumed terminated as of EOY 2023 • Current load forecast + 5MW p.a. for Large Industrials
	Input Data:	<ul style="list-style-type: none"> • Inputs consistent with Production Cost Model of 8/25/07

Proposed Transaction Updated Financial Data, DRAFT 9/18/07

Transaction Profile
Balance Sheet Impact

- Proposed transaction achieves 24% positive equity upon closing
- Economic reserve increased from \$50m to \$75m, funded by i) \$15m in expected increased earnings before closing, and ii) \$10m less debt reduction at closing
- Existing transaction assumes lease termination and refinancing in 2023

1997	2008	2023
<i>Audited Financials</i>	<i>EOY Pre-Transaction</i>	<i>Existing Transaction</i>
914	98	988
Net Utility Plant	922	1,020
914	98	988
Sale-Leaseback Investments	-	-
-	-	-
Cash & Investments	193	193
-	-	-
Transition Reserve	35	35
35	35	35
Economic Reserve	75	75
-	75	-
Unrestricted	142	125
21	(17)	84
21	(17)	84
Receivables, Inventories & Other	60	115
61	60	122
996	251	1,194
Assets	1,312	1,563
996	251	1,194
Equities	(293)	543
(293)	(170)	543
Equities	237	-
-	237	-
Sale-Leaseback Obligation & Unamortized Gain	1,062	863
1,256	(199)	606
33	(89)	46
Payables & Other	183	93
996	1,312	1,563
Equities & Liabilities	251	1,563
251	251	251
Equity/ Assets	-13%	24%
-29%	45%	38%
<i>Proposed Transaction</i>	<i>Difference</i>	<i>Difference</i>
1,000	13	368
368	368	368
68	68	68
-	-	-
88	4	20
142	20	472
1,666	472	1,666
629	87	373
373	373	373
572	(33)	46
92	46	472
1,666	472	1,666

Proposed Transaction Updated Financial Data, DRAFT 9/18/07

Transaction Profile
Transaction Cash Flows

	<u>\$ Millions</u>		
	Cash	Line of Credit	Total Liquidity
Cash Balances Pre-Transaction	142.5	15.0	157.5
Transaction Proceeds	301.5		301.5
Tax and Other	(1.3)		(1.3)
Smelter Payment (Assurances Agreement)	(4.3)		(4.3)
Debt Reduction	<u>(203.4)</u>		<u>(203.4)</u>
Net Flow to Unrestricted Cash	92.5		92.5
Cash Balances Post-Transaction	235.0	100.0	335.0
Less Restricted Balances:			
Economic Reserve	(75.0)		(75.0)
Transition Reserve	<u>(35.0)</u>		<u>(35.0)</u>
Unrestricted Cash Balances Post-Transaction (Target)	125.0	100.0	225.0

Proposed Transaction Updated Financial Data, DRAFT 9/18/07

Sources of Deal Consideration

From E.On

E.On consideration totals more than \$620 million, as itemized below

	\$ Millions
Cash	301.5
Residual Value Payment	143.6
Fuel Inventory & Other	55.0
Settlement Promissory Note	16.2
Coleman Scrubber	98.0
SO2 Allowances	10.9
Other *	<u>(3.1)</u>
Total	622.1

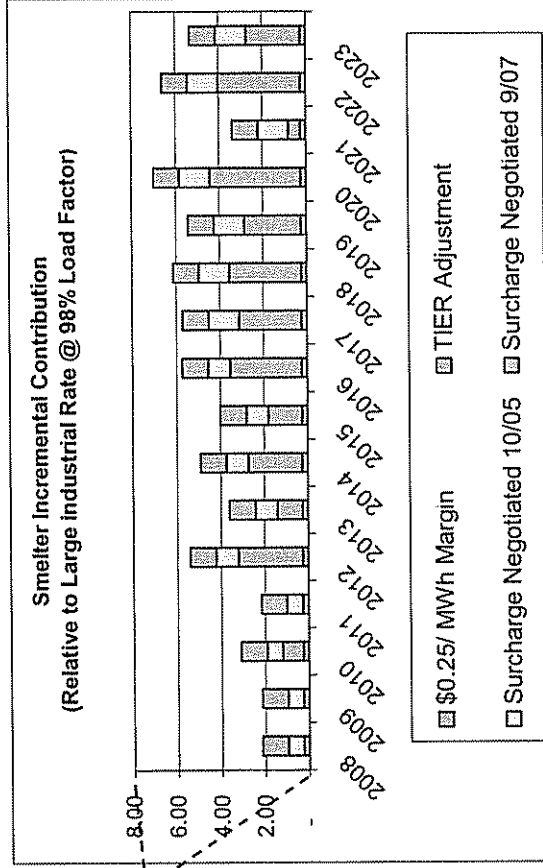
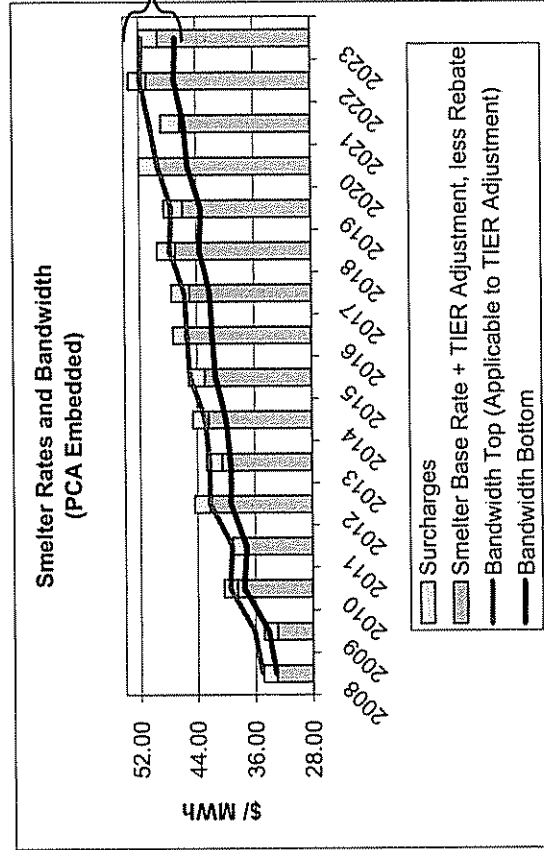
* Net of LG&E Rental Income Advance and Expensing of Unamortized Mktg Payment/ Settlement Note

Proposed Transaction Updated Financial Data, DRAFT 9/18/07

Sources of Deal Consideration

From the Smelters:

Relative to the load factor-adjusted large industrial rate, the smelters contribute \$328m in present value consideration



	SMillion		\$/MWh																			
	Total	PV	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023				
Smelter Incremental Contribution	45.29	328	34.69	34.75	40.34	39.12	44.41	42.66	44.56	45.11	47.28	47.55	49.46	48.48	51.90	48.85	53.37	51.87				
Large Industrial Rate @ 98% Load Factor + PCA - Rebate	40.74	19	32.74	32.60	37.24	36.95	39.01	39.07	39.66	41.12	41.56	41.86	43.33	43.05	44.91	45.46	46.76	46.56				
Incremental:																						
\$0.25/MWh Margin	29	19	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25				
TIER Adjustment	235	137		0.00	0.95	0.02	2.95	1.15	2.45	1.54	3.27	2.85	3.29	2.58	4.15	0.54	3.76	2.46				
Surcharges:																						
Negotiated 10/05	128	79	0.70	0.70	0.70	0.70	1.00	1.00	1.00	1.00	1.00	1.40	1.40	1.40	1.39	1.40	1.40	1.40				
Negotiated 9/07	140	93	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20				
Total	532	328	2.15	2.15	3.10	2.17	5.40	3.60	4.91	3.99	5.72	5.70	6.14	5.42	6.99	3.38	6.61	5.31				
Effective Smelter Rate	45.29	328	34.69	34.75	40.34	39.12	44.41	42.66	44.56	45.11	47.28	47.55	49.46	48.48	51.90	48.85	53.37	51.87				

Comparison to Existing Transaction

Summary

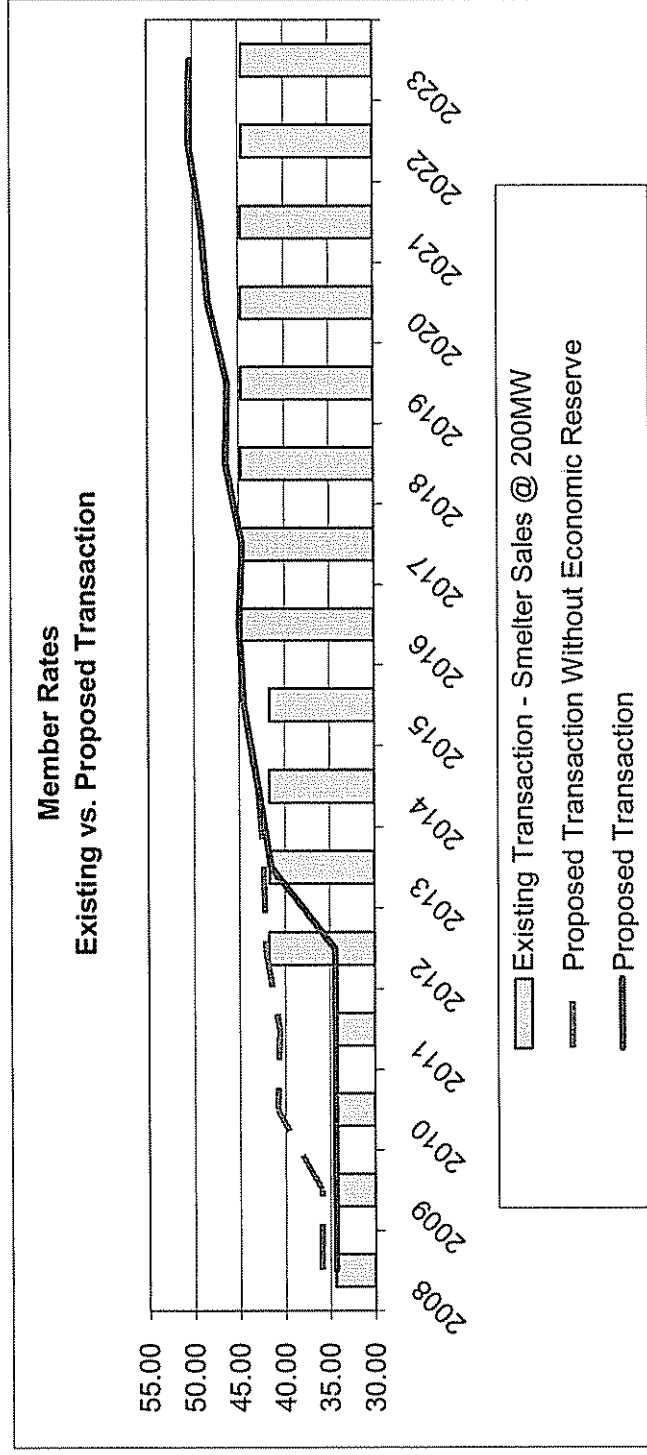
1	Existing Transaction		
2	Smelter Sales at Large Industrial Rate (MW)		
3	Rates		
4	PV (\$M)		
5	Revenue Contribution		
6	Free Cash Flow and Terminal Value		
7	Net Member Cost		
8			
9	Proposed Transaction		
10	Rates		
11	Non-Smelter Member Blend		
12	Smelters		
13	Overall Blend		
14	PV (\$M)		
15	Non-Smelter Member Revenue Contribution		
17	Net Transaction, Free Cash Flow and Terminal Value		
18	Net Member Cost		
19			
20	Net Member Value		

	Case 1 Smelter Sales in Existing Transaction	Case 2 Arbitrage Sales in Existing Transaction
	200	0
	41.76	39.41
	1,717	1,626
	97	113
	1,620	1,513
	43.15	43.15
	45.29	45.29
	44.52	44.52
	1,753	1,753
	167	167
	1,586	1,586
	34	(73)

Proposed Transaction Updated Financial Data, DRAFT 9/18/07

Comparison to Existing Transaction

Member Rates – Smelter Sales at Large Industrial Rate in Existing Transaction

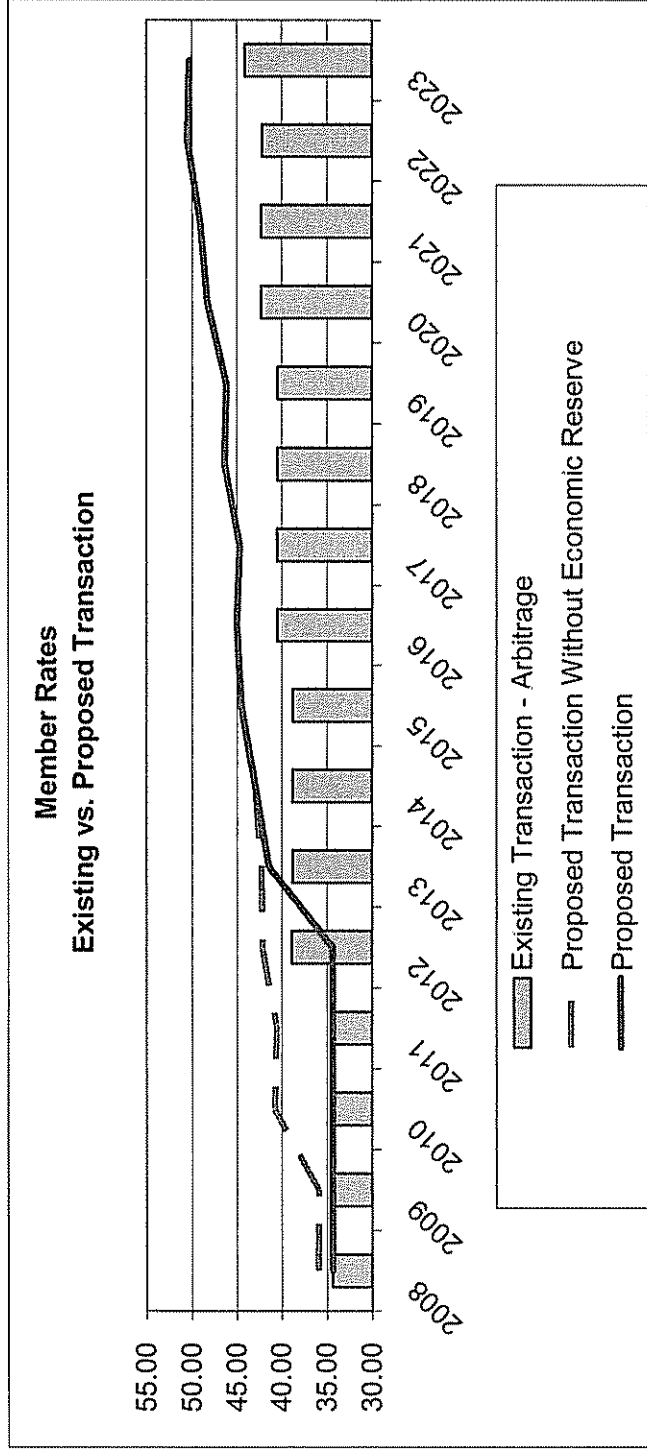


	AVG.	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Existing Transaction Smelter Sales @ 200MW	41.76	34.42	34.40	34.39	34.39	41.72	41.69	41.66	41.63	44.80	44.78	44.75	44.73	44.70	44.68	44.66	44.64
Proposed Transaction Without Economic Reserve	35.95	35.90	40.76	40.55	40.55	42.11	42.25	42.91	44.46	44.95	44.65	46.35	46.17	48.23	49.03	50.40	50.26
Economic Reserve	(1.55)	34.40	34.40	(6.36)	(6.15)	(7.71)	(0.79)	-	-	-	-	-	-	-	-	-	-
Net	43.15	34.40	34.40	34.40	34.40	34.40	41.46	42.91	44.46	44.95	44.65	46.35	46.17	48.23	49.03	50.40	50.26

Proposed Transaction Updated Financial Data, DRAFT 9/18/07

Comparison to Existing Transaction

Member Rates – Arbitrage Sales in Existing Transaction



	AVG.	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Rates																	
Existing Transaction Full Arbitrage Sales	39.41	34.42	34.40	34.39	34.39	38.89	38.87	38.84	38.81	40.52	40.51	40.48	40.46	42.25	42.23	42.21	44.09
Proposed Transaction Without Economic Reserve	35.95	35.90	40.76	40.55	40.55	42.11	42.25	42.91	44.46	44.95	44.65	46.35	46.17	48.23	49.03	50.40	50.26
Economic Reserve	(1.55)	(1.50)	(6.36)	(6.15)	(6.15)	(7.71)	(0.79)	-	-	-	-	-	-	-	-	-	-
Net	43.15	34.40	34.40	34.40	34.40	34.40	41.46	42.91	44.46	44.95	44.65	46.35	46.17	48.23	49.03	50.40	50.26

Key Sensitivities – Carbon: Assumptions

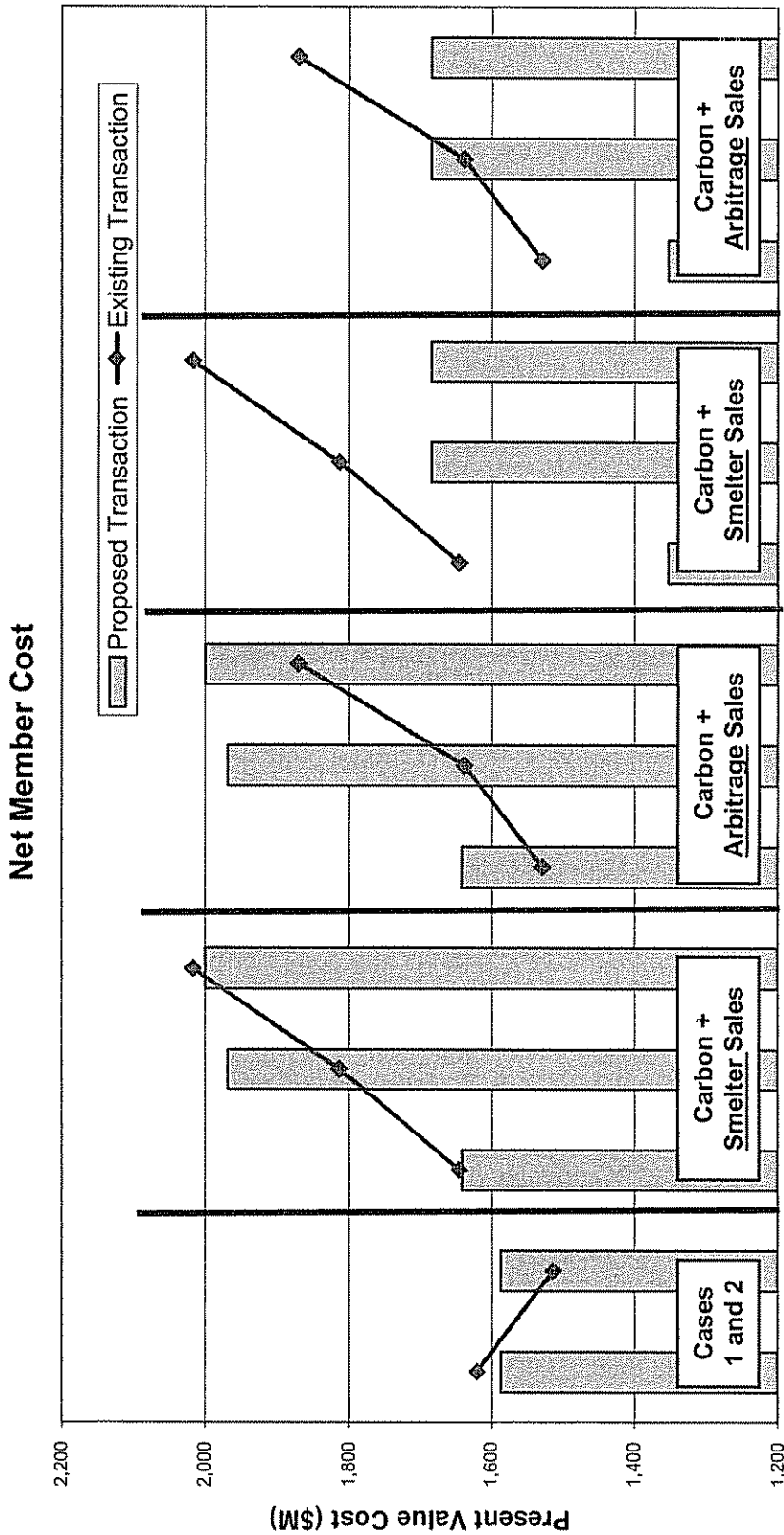
Modeling assumptions:

	Cap and Trade/ Base Year	Cap and Trade	Tax
Start Year	2012	2012	2012
Rate (a)	\$7/ ton CO2	\$7/ ton CO2	\$7/ ton CO2
Base Year 1990 Coal tons	5.07M	na	na
CO2 emissions (tons) / ton of coal	2.25	2.25	2.25
BREC cost share	Partial (b)	Partial (b)	Partial (c)
Reflection in arbitrage sales	Full (d)	Full (d)	Full (d)
Tax shielding	Partial	Partial	Partial

- a) Rising \$1/ ton each year through 2023
- b) On a \$/ MWh basis; per Article 5 of Participation Agreement
- c) On a \$/ MWh basis; Per Section 8 of PPA
- d) On a \$/ MWh basis

Proposed Transaction Updated Financial Data, DRAFT 9/18/07

Key Sensitivities – Carbon: Illustrative Cases



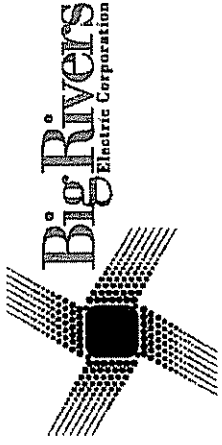
Case:	1	2	3	4	5	6	7	8	9	10	11	12	13	14
NMV(\$M):	33.8	(73.2)	4.5	(156.1)	17.3	(112.8)	(330.9)	(130.3)	293.4	128.2	332.9	176.1	(46.5)	185.2
Carbon Scenario:	None	None	C&T BY	C&T	Tax	C&T BY	C&T	Tax	C&T BY	C&T	Tax	C&T BY	C&T	Tax
Existing Transaction:	200	0	200	200	200	0	0	0	200	200	200	0	0	0
MW Sales to Smelters:	200	0	200	200	200	0	0	0	200	200	200	0	0	0
Proposed Transaction	Smelters Stay Beyond 2011													
	Smelters Leave in 2012													

Proposed Transaction Updated Financial Data, DRAFT 9/18/07

Key Sensitivities – Carbon: Example Case

The example of a carbon tax, below, illustrates the impact on member economics with and without the Smelters:

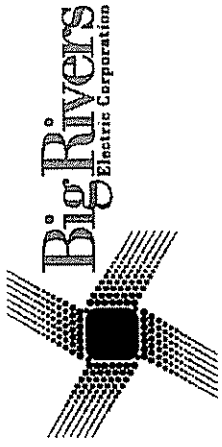
	<u>PROPOSED TRANSACTION</u>	<u>EXISTING TRANSACTION</u>	<u>NIMV</u>
	PV \$M	PV \$M	PV \$M
Case 2 - Arbitrage Sales	1,586	1,513	(73)
Carbon Tax Cost	Production (142 TWh) x wtd. avg. tax (\$14.05/MWh)	Base purchases (84 TWh) x wtd. avg. tax (\$14.05/MWh)	652
Offsystem Sales	Offsystem sales (11 TWh) x wtd. avg. tax (\$13.40/MWh)	Offsystem sales (37 TWh) x wtd. avg. tax (\$13.64/MWh)	(295)
Smelters	Increased Smelter Price		-
Other	Includes Increased Purchase Prices		(0)
Total	414	356	
Case 8 - Carbon Tax/ Smelters Stay After 2011	2,000	1,869	(130)
Carbon Tax Cost	Reduced generation (~5 TWh) lowers carbon tax cost		(43)
Offsystem Sales	Diverted Smelter Capacity @ 85% Load Factor		(3,223)
Smelters	Lost Sales		3,051
Other	Includes other savings of reduced purchases and prod.		(101)
Total	(316)		
Case 14 - Carbon Tax/ Smelters Leave After 2011	1,684	1,869	185



Unwind Review & Recommendation

The Pros, Cons and Recommendation Concerning the Unwind

**Presented to the Big Rivers' Board
September 20, 2007**

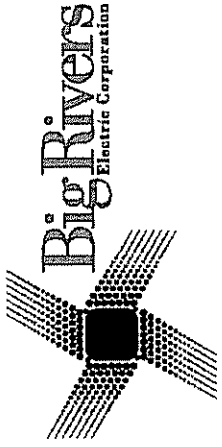


To Unwind or not Unwind?

That is the question.....

- **Compensation offered**
- **Why do an Unwind?**
- **Why not do an Unwind?**
- **Recommendation**



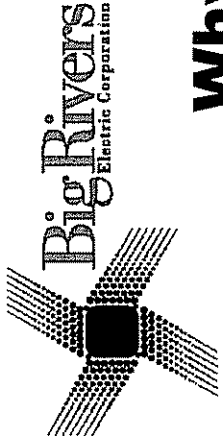


Compensation offered

E.ON and the smelters have offered the following Present Value compensation to offset the costs and risks to BREC and its members for doing the Unwind:

E.ON	\$622 million
<u>Smelters</u>	<u>\$328 million</u>
Total	\$950 million

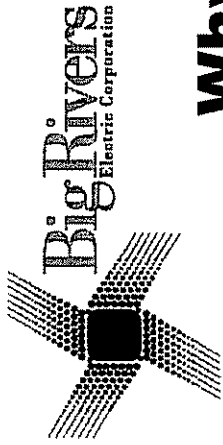




Why do an Unwind? - Smelters Jobs

- **If no Unwind, the smelters will likely close when LEM contracts expire in 2010 and 2011.**
 - **Loss of 1,400 direct jobs and thousands more in secondary industries**
 - **Loss of \$ millions in state and local tax revenue**
- **However, smelters may not survive carbon legislation.**
 - **Several bills have been introduced in Congress.**
 - ✓ **These would increase rates an estimated 34% in 2012 at a minimum; some would increase rates significantly higher.**





Why do an Unwind? - Hassle Factor

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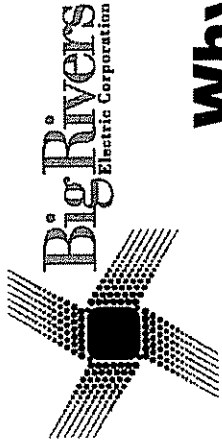
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Why do an Unwind? - Publicity Factor

- **BREC could reap positive PR for doing the Unwind.**
 - **Need to avoid making this an election issue**
 - **Good will could carry over into the legislative and regulatory arenas**
 - **Member rates for first five years could remain at current levels.**
 - ✓ **Provides time to prepare members for rate increase**



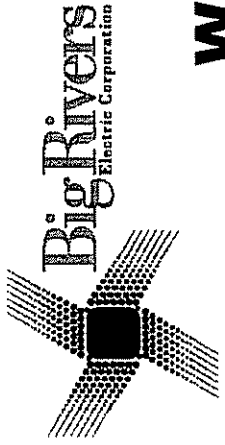
Why do an Unwind? - Economic Development

- **If BREC Unwinds and smelters leave, 850 MW is available for member growth or arbitrage at favorable prices.**
 - **Favorable reserve margins for many years**
 - **Postpones the need for new higher cost generation resources**
 - **Could produce significant added revenues to help maintain rates at lower levels**
 - ✓ **If smelters exit after carbon legislation in 2011, could produce a positive \$106 million in net member value in best carbon scenario; or a negative \$125 million in the worst case.**
- **Could make BREC public “hero” for future economic development**

Why do an Unwind? - Financing

- **In an Unwind, BREC would have the ability to borrow:**
 - **To meet unexpected capital needs**
 - **To add generation resources as load grows**
 - ✓ **Necessary if the smelters stay, and load continues to grow due to BREC's attractive rates**
 - ✓ **Won't likely be able to retain the current LI Rate Schedule 10 (e.g., market rates for new loads over 5 MW)**
 - **Adding costly new generation could raise rates significantly**





Why do an Unwind? - Financing

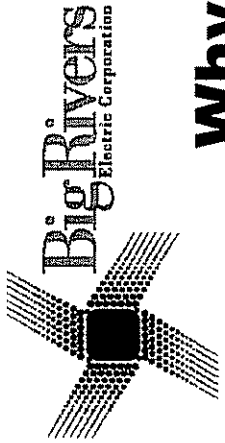
- **BREC's ability to borrow is important if the EPA files NSR lawsuit as it did with EKPC.**
- **Small likelihood of a suit against BREC**
- **EKPC - \$750,000 fine and \$650 million in plant environmental equipment additions**
- **Termination Agreement provides some protection against NSR suit.**

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Unwind Review & Recommendation

Why do an Unwind? - E.ON vs. BREC

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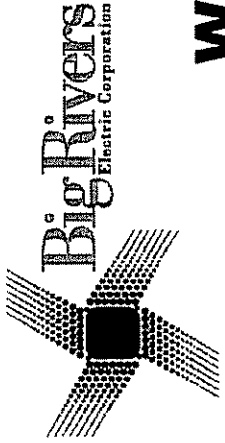
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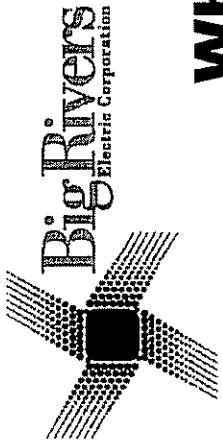


Why do an Unwind? - Flexibility

- **Permits BREC to better react to and control its own destiny, both financing and plant maintenance**
- **Is it reasonable to expect the existing transaction to continue indefinitely?**

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Why not Unwind? - Deal Is Good

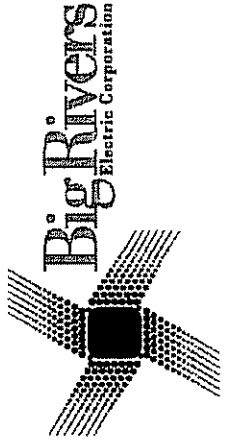
- **BREC has very good deal now -**

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➤ **No Unwind means BREC avoids taking on extra risk.**

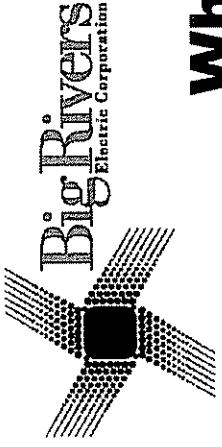


Why not Unwind? - Tariff 10

- **BREC has Rate Schedule 10 to control load growth (e.g., market rates for loads over 5 MW).**
 - **Reduces need to borrow for new generation**
 - **Creates a negative situation with state and local economic development and community leaders - can't support new large loads**
- **Possibility this tariff could be challenged by an industrial customer attracted by BREC's low rates.**
 - **Could result in socializing higher generation costs associated with serving its load**

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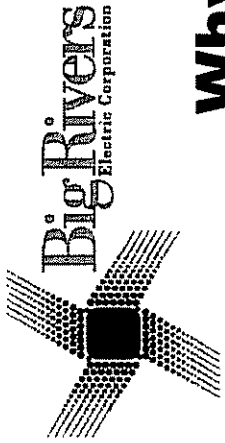




Why not Unwind? - Smelter Load

- **In the Unwind, smelters will likely fuss about everything BREC does that increases costs.**
 - **They will also likely think short term with carbon legislation looming.**
 - **The smelter load concentration would give BREC little generation reserves.**
 - ✓ **BREC would have to purchase expensive make-up power when plants don't run.**





Unwind Review & Recommendation

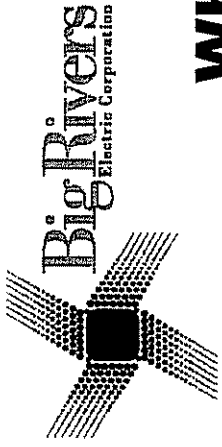
Why not Unwind? - Smelter Load

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Unwind Review & Recommendation

Why not Unwind? - Smelter Load

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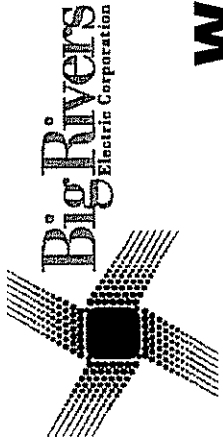
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Why not Unwind? - Carbon Issue

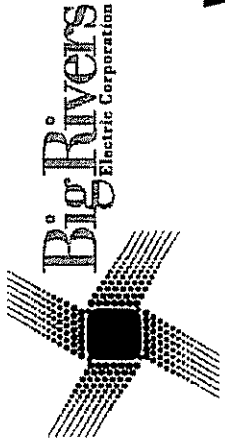
- **If carbon legislation passes, operating BREC's plants post 2023 could be socially unacceptable, and/or financially impracticable.**
 - **BREC modeled \$7/ton beginning in 2012 escalating a \$1/ton per year to a level of \$18/ton in 2023.**
 - ✓ **\$7/ton carbon tax increases BREC's rates about 23%.**
 - **The Bingaman bill would start at \$12/metric ton- a 39% rate increase in 2012 and increase over time.**
 - **Others believe cost per ton could be much higher.**
 - ✓ **Environmentalists are promoting considerably higher numbers.**



Why not Unwind? - Carbon Issue

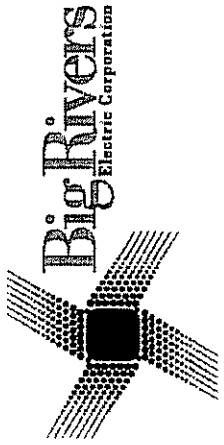
- **Carbon issue could make it difficult for BREC to receive credit rating necessary for closing.**
 - **If not, Unwind cannot proceed.**

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Why not Unwind? - Carbon Issue

- **Recent S&P report concludes cost of compliance with carbon regulations to be a major credit influence.**
 - **Analysis not focused on the cost of compliance, but on effect of changes in power company earnings**
- **Carbon legislation rate increases likely to force smelters to leave the U.S. around 2012.**
 - **PRIVILEGED TEXT REDACTED**
- **Carbon legislation could put the entire U.S. economy in the tank about the time the smelters leave, making it difficult to sell BREC's excess power in the open market.**



Unwind Review & Recommendation

Why not Unwind? - Other

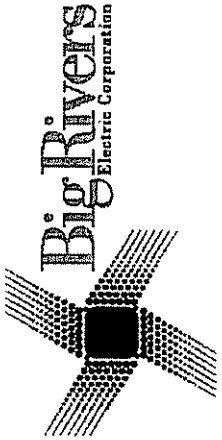
- **RUS has new lending guidelines - borrowers must have AA credit rating to borrow funds for new coal-fired plants.**
 - **Can probably buy credit insurance to cover**
- **Recent circuit court ruled that a surcharge on electric rates is illegal.**

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Unwind Review & Recommendation

Why not Unwind? - Other

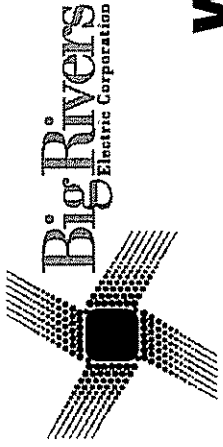
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Why not Unwind? - Rate Risks

- **Unwind could result in unforeseen rate escalations that could make BREC the “goat” of public opinion.**
 - **Increases could come from:**
 - ✓ **Fuel price, or other cost increases over model,**
 - ✓ **Carbon legislation,**
 - ✓ **New load requiring additional generation.**
 - **Members could forget we unwound to keep smelters.**
 - **Smelters, if forced to close, could blame BREC.**
 - **Rate hikes will affect other non-smelter industries that face global competition as well.**

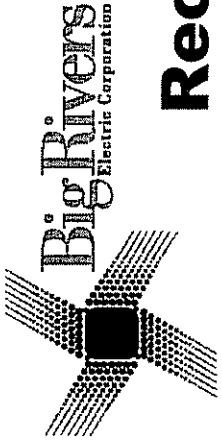




Why not Unwind? - Rate Risks

- Carbon issue will raise rates and, as is the case with any government-imposed costs, BREC will take the blame even though Congress caused the problem.
- Could be exacerbated if other factors (fuel costs, additional load necessitating additional generation resources, etc.) cause the magnitude of the increases to be larger





Recommendation - BREC should Unwind for the following reasons:

- **Team has brought you the best deal we could get.**

- **This is in workable range given the uncertainty and hassle factor of staying in the current deal.**
- **While economics are break even, existing transaction likely change in unpredictable ways.**
- **Modeling is conservative - i.e., fuel costs should be better based on discussions with future fuels procurement director.**

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Recommendation - BR should Unwind for the following reasons: (continued)

- If smelters leave, upside is possibly even greater - selling smelter power to market at higher prices.
- E.ON has offered \$622 million and smelters \$328 million to compensate additional costs and risks.
- BR EC can hold rates for 5 years at current level - if members choose to use economic reserve in this manner.
- BR EC will have flexibility to better control and manage future power supply needs and take advantage of power supply opportunities.



Recommendation - BR should Unwind for the following reasons: (continued)

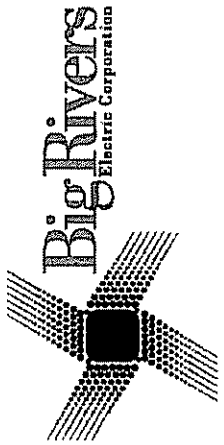
- **The ability to finance future capital expenditures will be very important to BREC and its members.**
- **BREC will be able to assure proper operation and maintenance of its power plants.**
- **Financially strong BREC can aide in retaining smelter jobs and other economic development projects.**
- **Unwind will create positive PR and good-will with legislators and the KPSC .**
- **In addition to the smelters, the Unwind will receive further scrutiny from the KPSC, rating agencies, and creditors - providing another review to help ensure deal is reasonable.**



Recommendation - BR should Unwind for the following reasons: (continued)

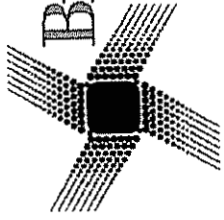
- **While there are risks, BREC has negotiated compensation with those in mind.**
 - **BREC is developing an ERM program to prudently manage the organization & minimize risk.**
- **The worst that is likely to happen in the Unwind is that rates will go up.**
 - **In the existing transaction, the worst that can happen is BREC is obliterated through bankruptcy due to its inability to respond to some unanticipated financial and/or legal event.**





Unwind Review & Recommendation

Questions?



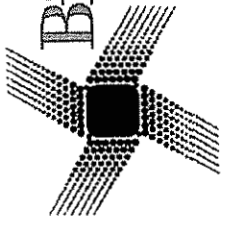
Big Rivers
Electric Corporation

Annual Meeting-September 20, 2007

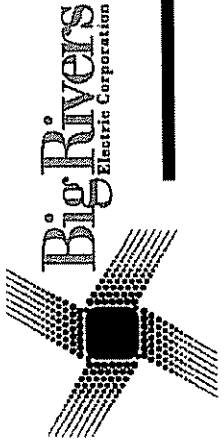
Unwind Review and Recommendation

September 20, 2007

Confidential

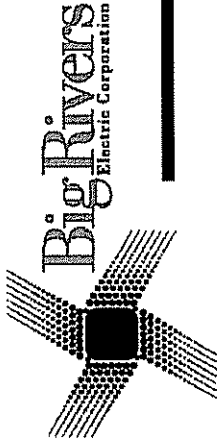


- Tonight BREC will review the unwind, the model numbers, and the pros and cons of the unwind and present a recommendation and the reasons for it.



Annual Meeting-September 20, 2007

- A long road to get to today...
- BREC started to negotiate in December of 2003, several months after receiving a proposal from E.ON to unwind the 1998 transaction.
- Jack Gaines of JDG Consulting has been involved in all phases of the negotiations and financial modeling on behalf of the members. In addition from time to time Burns Mercer, as the member CEO designated to represent the members interest has been involved as well as Mark Bailey when he was Kenergy CEO.
- Let's take a look at the compensation offered and the financial model projections.



Annual Meeting-September 20, 2007

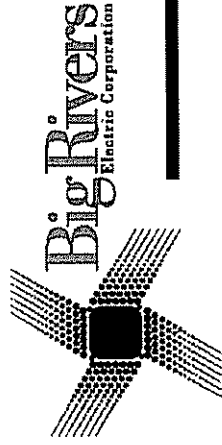
The Numbers- Compensation for Unwind

E.ON and the smelters have offered the following compensation to offset the costs and risks to BR and its members for doing the unwind:

E.ON	\$622 million
<u>Smelters</u>	<u>\$328 million</u>
Total	\$950 million

(Dollars in net present value)

•\$75 million set aside as economic reserve for members to mitigate cost impacts



Annual Meeting-September 20, 2007

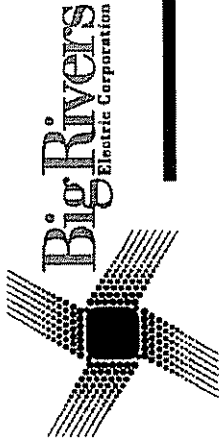
The Numbers- Comparative Balance Sheet

	1997 Audited Financials	EOY Pre- Transaction	2008 Difference	EOY Post- Transaction	Existing Transaction	2003 Difference	Proposed Transaction
Balance Sheet (M\$)							
Net Utility Plant	914	922	98	1,020	988	13	1,000
Sale-Leaseback Investments	-	193	-	193	-	368	368
Cash & Investments							
Transition Reserve		-	35	35	-	68	68
Economic Reserve	21	-	75	75	-	-	-
Unrestricted	61	142	(17)	125	84	4	88
Receivables, Inventories & Other	61	54	60	115	122	20	142
Assets	996	1,312	251	1,563	1,194	472	1,666
Equities	(293)	(170)	539	369	543	87	629
Sale-Leaseback Obligation & Unamortized Gain	-	237	-	237	-	373	373
Debt	1,256	1,062	(199)	863	606	(33)	572
Payables & Other	33	183	(89)	93	46	46	92
Equities & Liabilities	996	1,312	251	1,563	1,194	472	1,666
Equity/ Assets	-29%	-13%		24%	45%		38%

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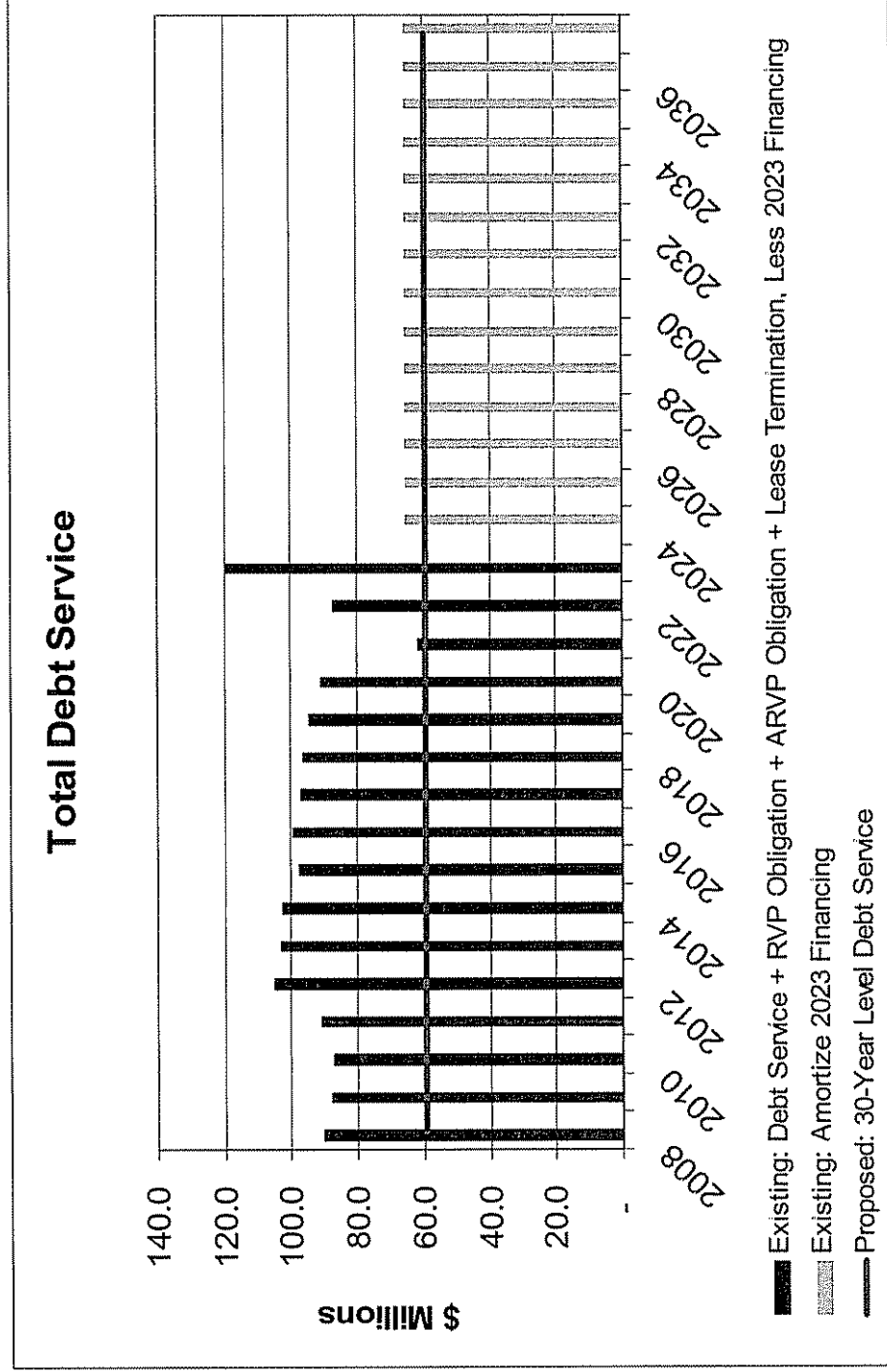
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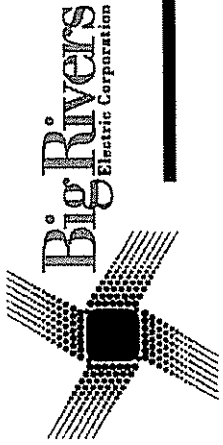


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The Numbers- Comparative Debt Service (1) (Including Lease Termination Costs in 2023)

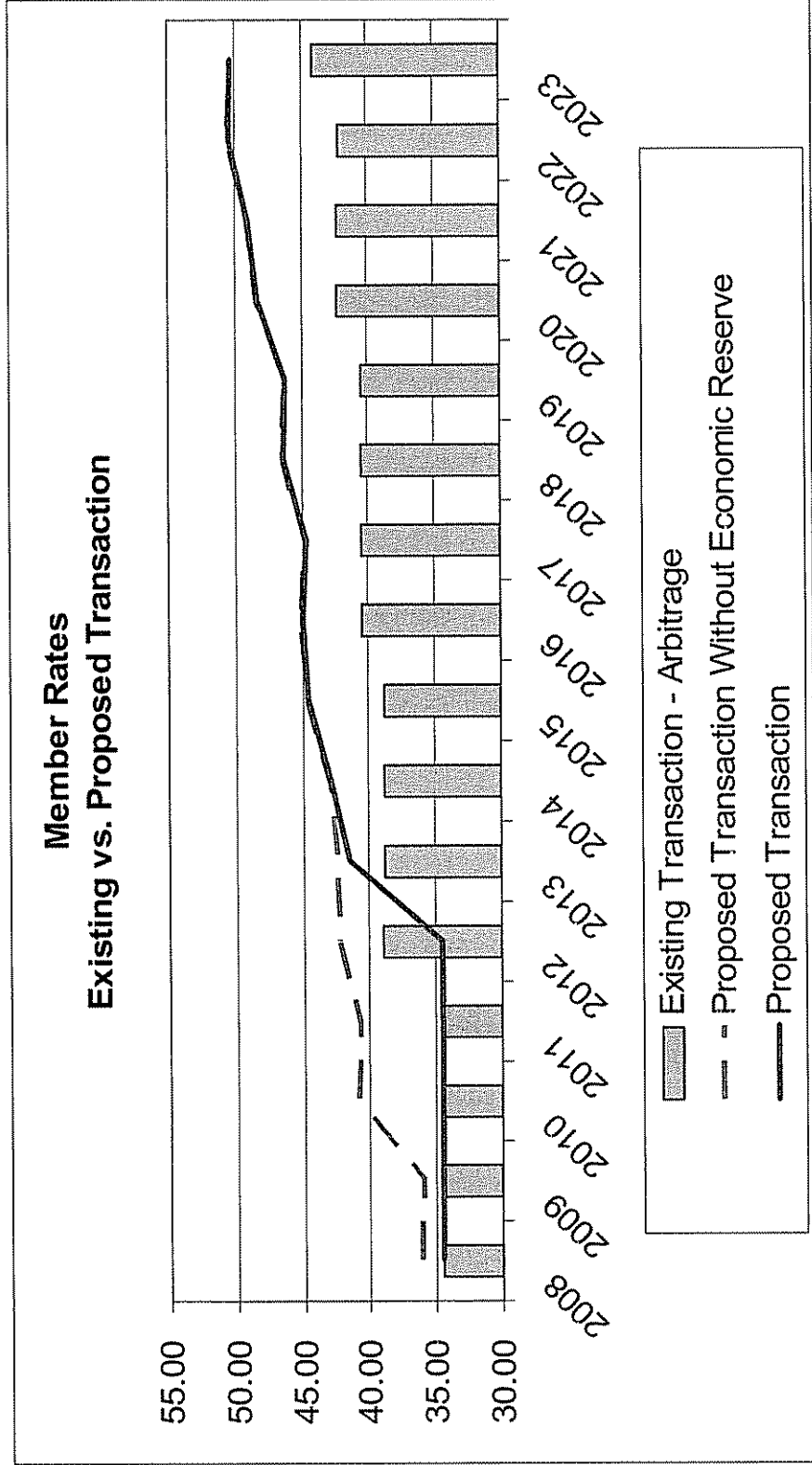


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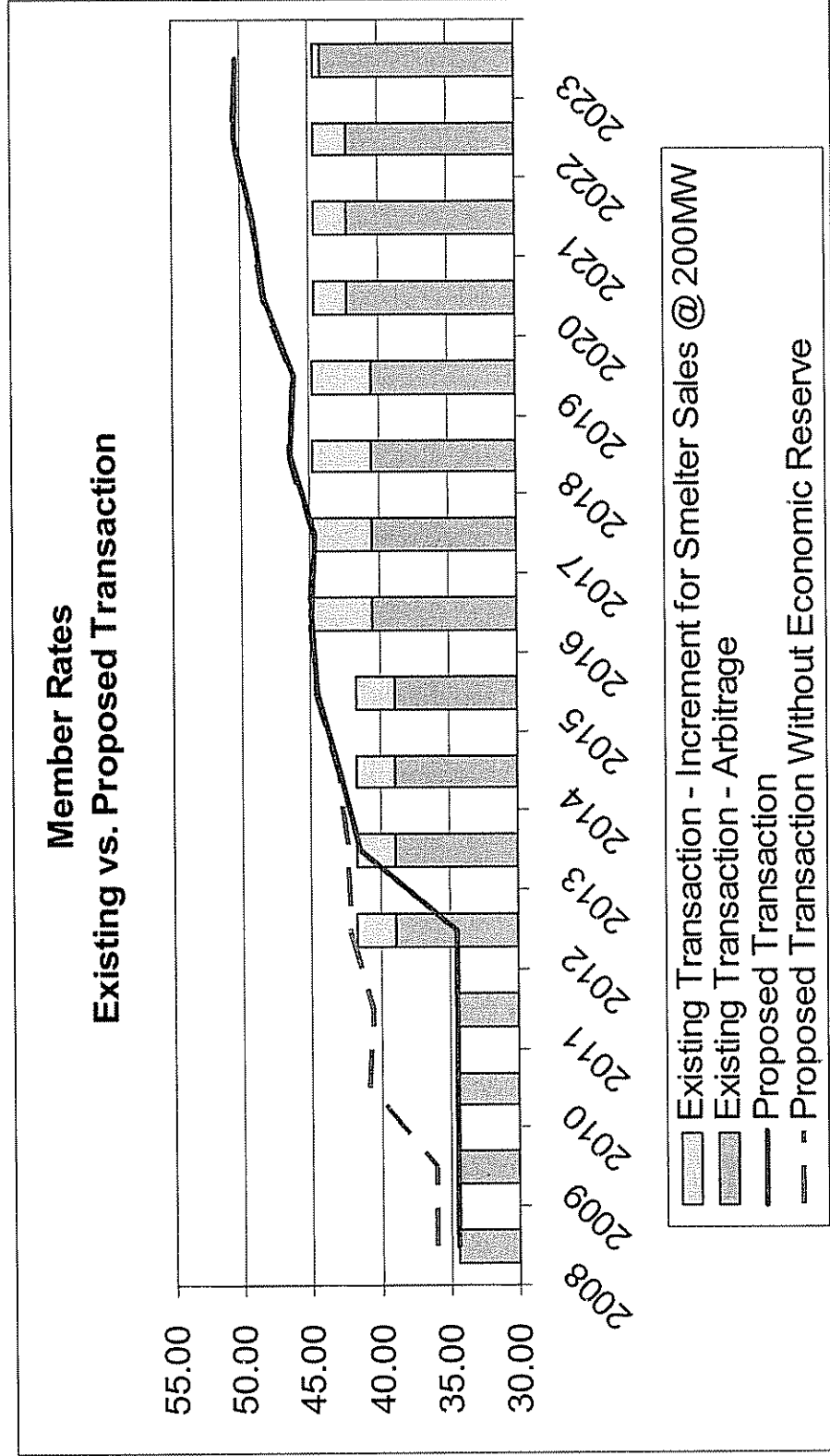


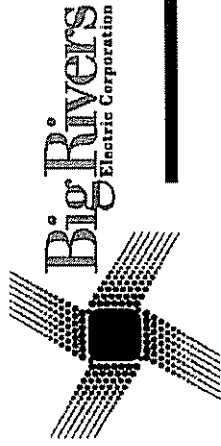
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The Numbers- Comparative Rates (1)



The Numbers- Comparative Rates (2)




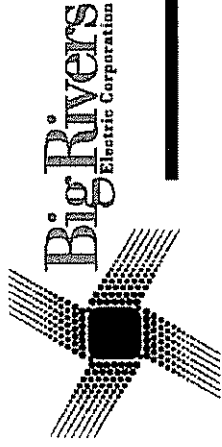


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- Milestones in the unwind...
 - Signed a LOI with E.ON U.S. and MOU with the smelters in late 2005 and began negotiations on a Termination Agreement.
 - Gained success in passing legislation in early 2006 critical to moving forward with unwind transaction.
 - In March of this year BREC and E.ON signed the Termination Agreement.
 - This Agreement sets the terms of the unwind should all the conditions and approvals necessary for closing be met.
 - In April BREC began internal planning necessary to accomplish a transfer of nearly 490 employees and all functions necessary to resume operations of the power plants.

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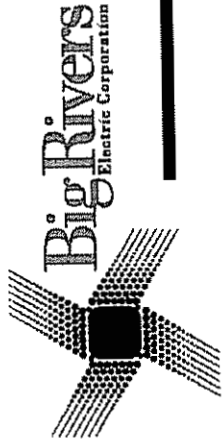
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•Termination Agreement

- This document sets terms and conditions for unwind:
 - At closing, E.ON U.S. pays \$301.5 million in cash and other value of approximately \$320.6 million bringing total compensation approximately \$622.1 million.
 - Process for transfer of existing contracts that BREC wants to assume.
 - Process for transfer of intellectual property - software, etc.
 - Process for transfer of permits required for operating generation plants.
 - Process for handling SO2 and NOx allowances from WKE including HMP&L Station 2 entitlement.

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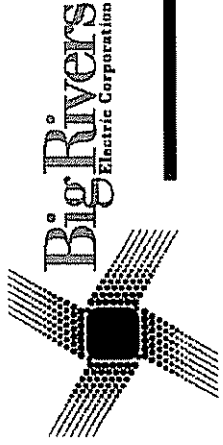
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•Termination Agreement

- This document sets terms and conditions for unwind:
 - Sets scheduled Unwind closing date that triggers many other processes in the transfer of the plants.
 - Establishes representations and warranties to be provided by both WKE and BREC.
 - Provides agreements on how plants are operated prior to closing.
 - Establishes BREC's intent to make offers of employment to all WKE employees in Henderson and plants (sent out earlier this year).

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•Termination Agreement

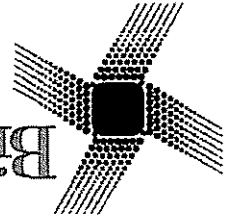
- This document sets terms and conditions for unwind:
 - There are dozens of conditions to closing including investment grade rating on BREC credit, KPSC and creditor approval and members' extensions of wholesale power contracts. (More later)
 - Provides an environmental audit before closing.
 - Provides cross indemnities between the parties regarding environmental liabilities.
 - Provides general indemnities and limitation of payments.
 - All obligations of WKE parties are guaranteed by E. ON U.S.

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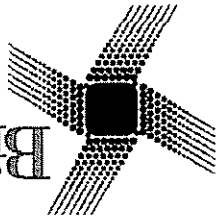
- Where we are today...
- As of this week, Kenenergy/smelters/BREC are very close to final documents.
- This is a very complex power supply agreement.
- Here's what's involved in the transaction for smelter power supply...

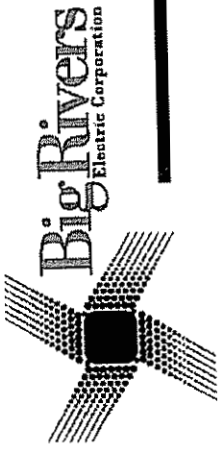




• Smelter Contracts

- BREC and Kenegy enter into new electric service contracts with smelters upon closing of unwind that include the following:
 - Alcan Primary Products Corp. and Century Aluminum of Kentucky have identical terms except amount of power.
 - Total 850 MW through Dec. 31, 2023.
 - Very complex contracts provide smelters pay for base energy on a take or pay basis for fixed costs.
 - BREC agrees not to seek base rate increase for its members effective before January 1, 2010.
 - Power cost adjustment for fuel and purchased power costs not in the base rate

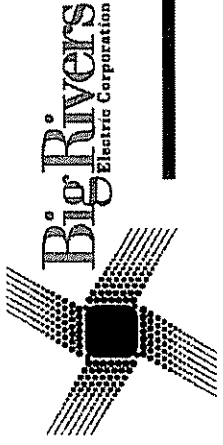




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•Smelter Contracts

- BREC and Kenergy enter into new electric service contracts with smelters upon closing of unwind that include the following:
 - Smelters charges will increase up to preset annual rate cap to result in smelters guaranteeing BREC achieves 1.24 TIER before member rates are adjusted.
 - The rate cap increases in stages throughout contract.
 - If TIER is less than 1.24 the smelter rates increase up to the caps. If TIER exceeds 1.24 , the smelters rates decrease until it is \$.25 per MWH above large industrial rate. If TIER still exceeds 1.24, BREC will lower rates to all members through a rebate per MWH.

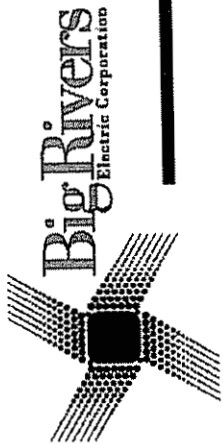


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•Smelter Contracts

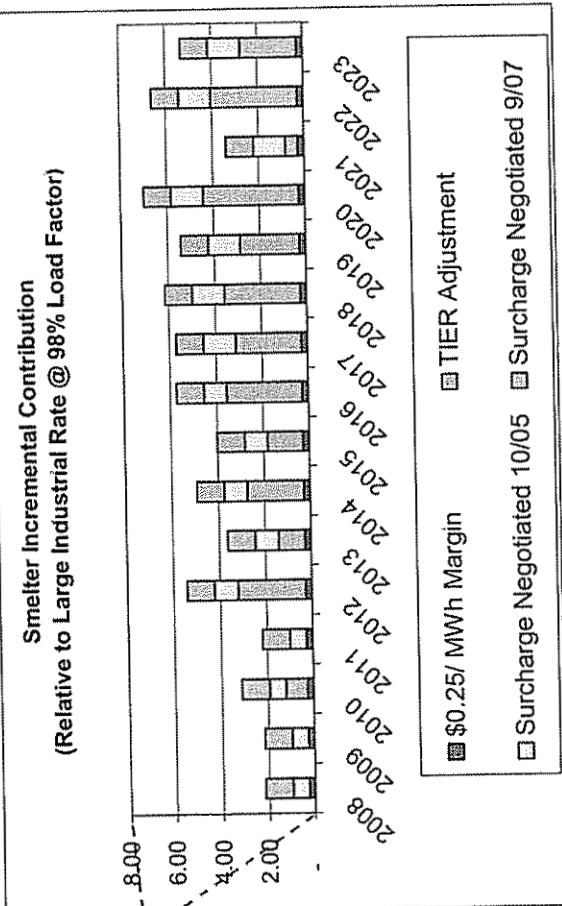
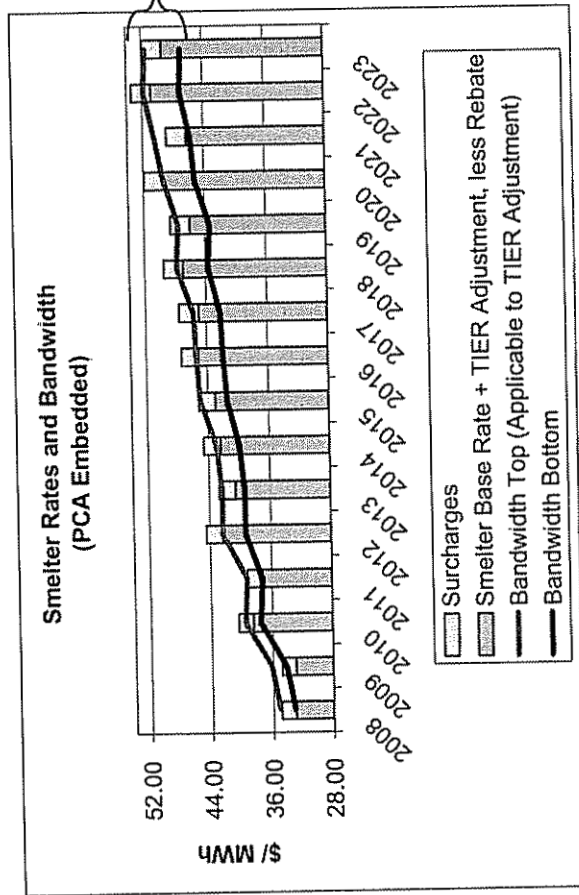
- In addition to all other amounts paid by the smelters, they will pay 2 surcharges to the benefit of the members:
 - The first surcharge is in fixed annual amounts of \$5.11 million per year through 2011, \$7.3 million per year through 2016, and \$10.2 million through 2023.
 - The second, just negotiated, will provide approximately \$8.76 million per year through 2023.
 - BREC and its members will use these amounts to defray fuel adjustment and environmental surcharges.
- Contracts contain provision for early termination by smelters along with no obligation for Kenergy to serve beyond 2023.

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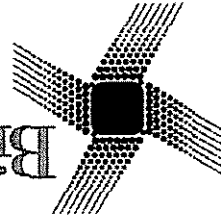
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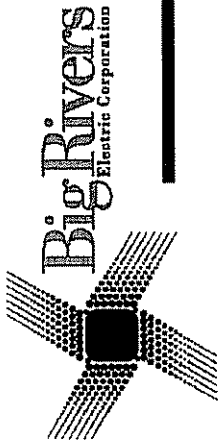
The Numbers- Smelter Rates



	\$/MWh															
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Smelter Incremental Contribution																
Large Industrial Rate @ 98% Load Factor + PCA - Rebate																
Increment:																
\$0.25/ MWh Margin	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19
TIER Adjustment	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137	137
Surcharges:																
Negotiated 10/05	79	79	79	79	79	79	79	79	79	79	79	79	79	79	79	79
Negotiated 9/07	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93	93
Total	532	532	532	532	532	532	532	532	532	532	532	532	532	532	532	532
Effective Smelter Rate	45.29	45.29	45.29	45.29	45.29	45.29	45.29	45.29	45.29	45.29	45.29	45.29	45.29	45.29	45.29	45.29

- Why smelters are doing this:
 - They know BREC is only place to get power at this price.
 - They know members are taking back risks and need to be compensated.
 - They are willing to take on some risks themselves to achieve the long term power supply they need.
 - They believe BREC is a much improved organization better able to deal with today's power supply challenges.
 - They have scrutinized the financials, BREC's maintenance plans and the condition of the plants and are satisfied that BREC/Kenergy can meet their power needs at the predicted rates.



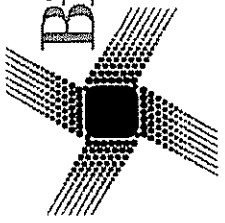


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Pros and Cons of the Unwind

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Electric Corporation

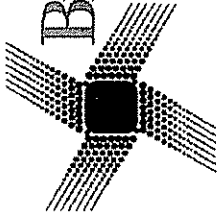
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Pros and Cons of the existing transaction

- Pros-
 - Minimal generation risk
 - Little risk of fuel escalation
 - Smaller organization
 - More rate stability and potentially smaller increases

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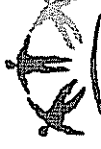
Big Rivers
Electric Corporation

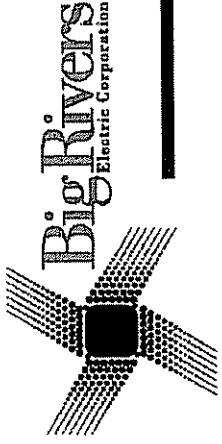
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Pros and Cons of an Existing Transaction

- Cons-
 - Lack of flexibility
 - Inability to finance
 - Limited economic development
 - Complex relationship with unhappy counterparty
 - Smelter claim to excess power
 - Lack of control over plant maintenance
 - Loss of smelter jobs with tough PR and political fallout

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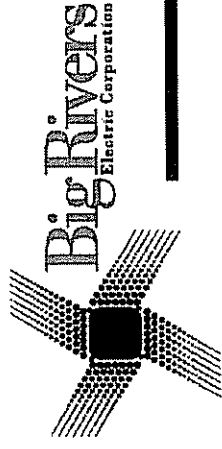
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Pros and Cons of an Unwind

- Pros-
 - Strong financially
 - Flexibility for the future
 - Control of plant maintenance
 - Retain smelter jobs
 - Economic development opportunities

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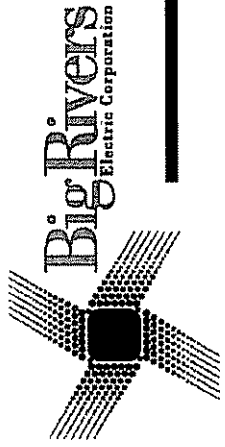


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Pros and Cons of an Unwind

- Cons-
 - Generation risk
 - Fuel cost risk
 - Larger organization
 - Smelter load concentration
 - Less rate stability and potentially higher rates

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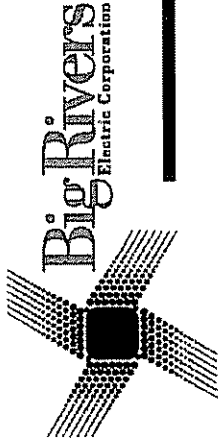


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The Recommendation

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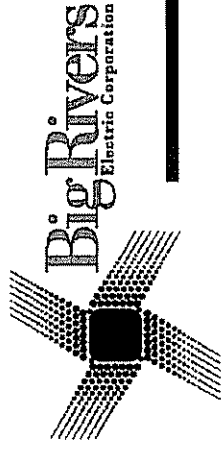


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BREC has brought forward the best deal it could negotiate and recommends to its members to go forward with the unwind for the following reasons:

- Present value to members is comparable to existing transaction
- Compensation offered is significant hedge against risks of unwind
- In the first 5 years BREC projects it can hold its rates at the existing transaction rate levels.
- Flexibility to manage and control own power supply future:
 - Ability to finance
 - Ability to control operation and maintenance of plants
 - Take advantage of opportunities to provide more value

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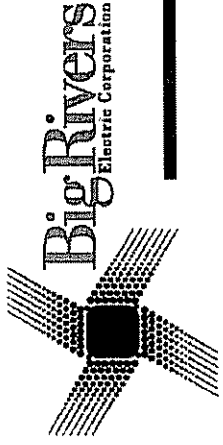
BREC has brought forward the best deal it could negotiate and recommends to its members to go forward with the unwind for the following reasons:

- BREC will have financial strength to solve concern about smelter retention and will gain favor with KPSC and legislative parties.
- Should smelters exit early, BREC is cushioned financially and can sell their power at market rates higher than smelters paid.
- BREC believes it can do better than numbers in financial model.
- KPSC, rating agencies and creditors will also give careful scrutiny to the unwind transaction confirming reasonableness of unwind.
- Existing transaction will not be same if unwind is not completed-unhappy E.On and smelters push for excess energy will make future very difficult.

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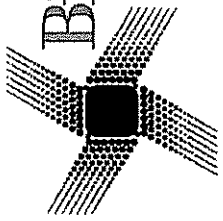


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BREC has brought forward the best deal it could negotiate and recommends to its members to go forward with the unwind for the following reasons:

- With the risks of the unwind in mind, during the negotiations BREC has done careful due diligence review of WKE operations. Along with compensation for taking on the risks and additional costs, BREC believes it can further mitigate risks through careful implementation of an enterprise risk management program supported by a strong strategic plan developed with its board and members.

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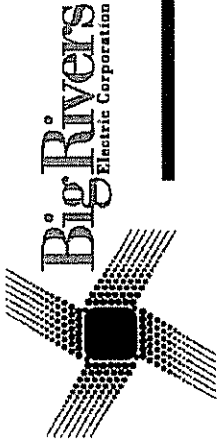
Big Rivers
Electric Corporation

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What BREC Needs From Members

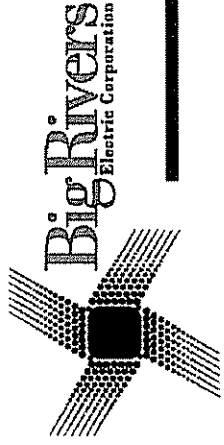
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What BREC needs from its members:

- An amendment to the current wholesale power agreements to extend their WPA through 2043 to reflect the refinancing of some of BREC debt.
- A WPA amendment to also incorporate the “Shoshone language” that states the member will not take any action to reorganize, consolidate, merge or sell substantially all of its assets without the approval of BREC and the RUS, provided that BREC will not withhold such consent unless the proposed action by the members would result in rate increases for the other members of BREC or impair BREC’s ability to repay its obligations.




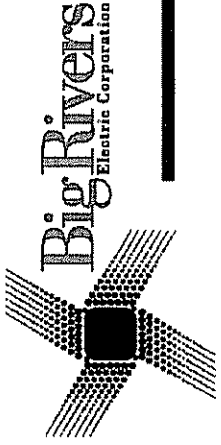
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BREC asks that if the members are willing to do so, they approve resolutions to move forward with their respective wholesale power agreements by mid-October:

- More information will be provided to the members and their respective counsels to assist in review and decision.
- BREC and its advisers will make themselves available to visit at each member system.
- BREC plans to file unwind transaction at the KPSC in November.

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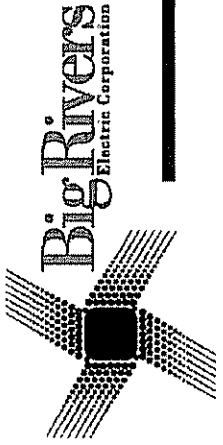
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BREC will continue with the following efforts:

- Work with HMP&L to gain its approval of the unwind.
- Prepare to file the unwind transaction at the KPSC.
- Begin more focused work with BREC creditors.
- Begin to seek investment grade credit rating with S&P and Moody's.
- Continue with internal work.
- Continue efforts to re-assimilate 490 employees into BREC and hire staff for key functions that can't be filled by existing employees.
- Implement transition of significant information technology.
- Put finishing touches on enterprise risk management process.
- Seek to close unwind in Spring of 2008.

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Questions?

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 - **Background**
 - Key Inputs
 - Base Case Smelter Rate Impact

Proposed Transaction – Updated Economics, 8/07

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Proposed Transaction – Updated Economics, 8/07

Base Case - Proposed Transaction

Key Assumptions

- *Based on Production Cost Model developed in late July 2007, containing new fuel and load forecasts – Fuel forecast to be revised/ benchmarked against other projections*
- *Updated non-labor O&M and capex budgets*
- *Updated staffing and payroll budget*
- *Current Base Case reflects approximation of WKE Capitalization Policy:*
 - Significant reclassification of cost items from non-labor fixed O&M to Capital
 - Current depreciation basis of nearly 60 years replaced by shorter schedules for all but existing undepreciated plant
- *In light of recent events in credit markets, spread on fixed rate debt adjusted upward relative to assumptions of May 2007*
- *Potential carbon-law scenarios included among sensitivities*

Proposed Transaction – Updated Economics, 8/07

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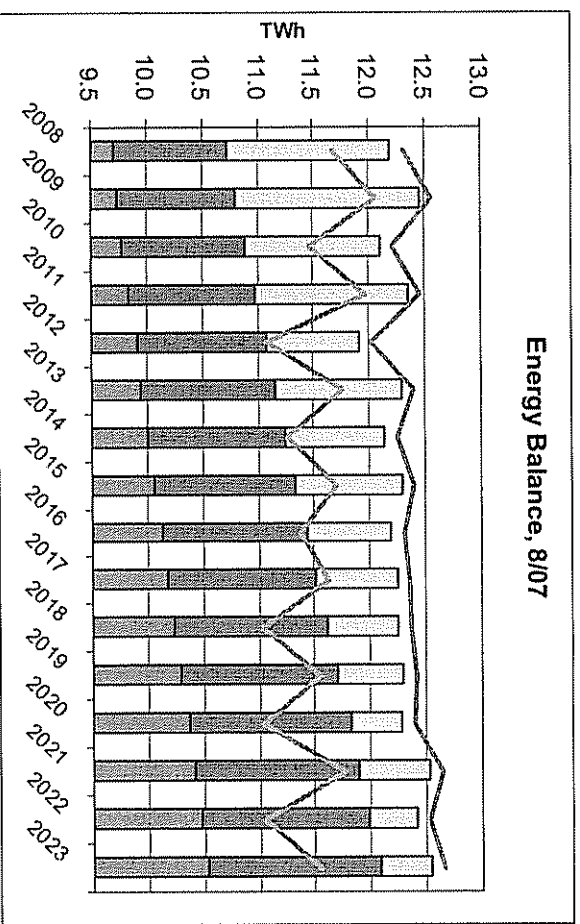
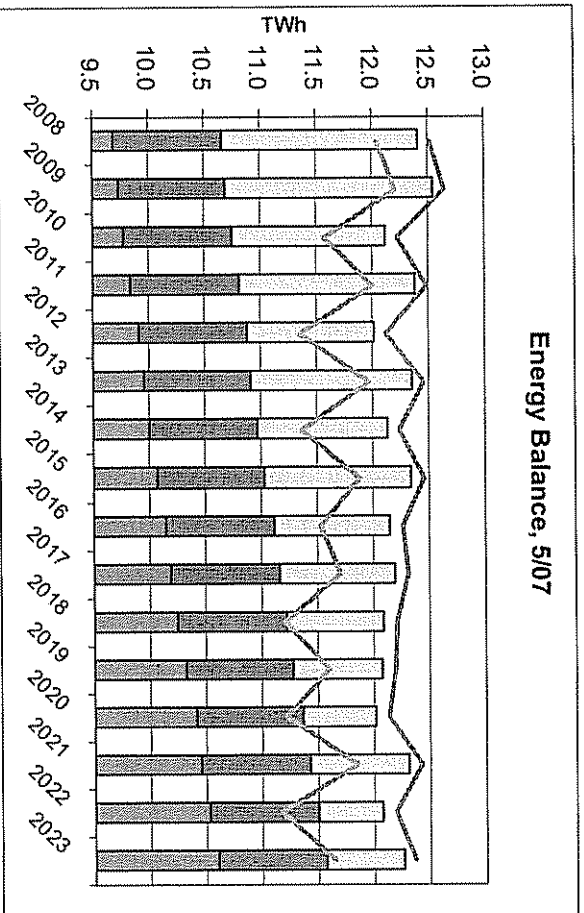
Proposed Transaction – Updated Economics, 8/07

Base Case – Proposed Transaction

Energy Balance

Key Changes since 5/07 include:

- Arbitrage sales displaced by assumption of Large Industrial load growth (5MW per year)
- Lower production volumes
- Higher purchase volumes



Uses:

- Rural + Smelter Sales
- Large Industrial Sales
- Offsystem Sales

Sources:

- Production
- Mkt. Purch. + SEPA + Prod.

Proposed Transaction – Updated Economics, 8/07

Base Case – Proposed Transaction

Revenue Requirements and Average Rates

		Revenue Requirement (Nominal, 2008 - 2023)		
		5/07	Delta	8/07
PCA - Related (\$M)				
1	Fuel	3,570	1,229	4,799 << Projected fuel price increases
2	SEPA & Other Purchases	404	256	660 << Increased purchase volumes
3	Variable O&M	546	(8)	538
4	Gain on Sale of Emissions Allowances	0	156	156 << More purchases of allowances
5	Total	4,520	1,633	6,153
6 TIER Adjustment (\$M)				
7	Fixed O&M	1,995	(311)	1,684 << WKE capitalization policy yields reduction
8	Depreciation	660	170	830 << 33 year depreciation on all but existing plant
9	Interest Expense (Incl. Financing Fees)	642	34	675 << Elimination of variable rate debt/ adjustment of spreads
10	Other *	725	2	727
11	Margin	258	8	266
12	Offsystem Sales	(871)	101	(770) << Reduced offsystem volumes
13	Interest Earnings	(109)	55	(54) << Reduced cash balances
14	Total	3,300	60	3,359
15	Economic Reserve (\$M)	(56)	1	(54)
16	Net to Members (\$M)	7,764	1,694	9,458
17 Member Revenue Composition				
18	Energy Purchases (TWh)	177.35	4.86	182.21
19	Rates			
20	Non-Smelter Member Blend	44.55	8.06	52.61
21	Smelters	43.38	8.14	51.51
22	Overall Blend	43.78	8.13	51.91
23	\$M	7,764	1,694	9,458

Average non-smelter member rates increase by \$8.06/ MWh, largely driven by currently projected fuel costs

*Includes transmission, A&G, property tax & insurance, and income tax

Proposed Transaction – Updated Economics, 8/07

Base Case - Proposed Transaction

Present Value Cost

- PV calculated from the standpoint of BOY 2008
- PV Member Cost increases \$380M in Base Case *
- PCA items the main driver

Present Value of Cash Requirements

	5/07	Delta	8/07
1 <u>PCA - Related (\$M)</u>			
2 Fuel	2,326	679	3,005
3 SEPA & Other Purchases	252	140	392
4 Variable O&M	343	(5)	338
5 Gain on Sale of Emissions Allowances	(19)	96	77
6 Total	2,904	909	3,813
7 <u>Other (\$M)</u>			
8 Fixed O&M	1,283	(200)	1,083
9 Debt Service	612	19	631
10 Other	400	(73)	326
12 Capex	416	214	630
13 Offsystem Sales	(613)	73	(540)
15 Total	2,098	33	2,131
16 <u>Economic Reserve (\$M)</u>	(50)	(0)	(50)
17 <u>Net to Members (\$M)</u>	4,952	941	5,893
18 <u>Member Economics (\$M)</u>			
19 Smelter Revenues	3,254	533	3,786
20 Member Cost:			
21 Revenue Contribution	1,698	409	2,107
22 New Large Industrials	-	134	134
23 Net Transaction, Free Cash and TV	206	(105)	101
24 Net Member Cost	1,492	380	1,873

NOTE: Adjusted net impact at right excludes effects of consent fee paid to lease parties (if any).

* Calculation from perspective of existing members (i.e. assuming large industrial load growth represents new parties).

Proposed Transaction – Updated Economics, 8/07

Base Case – Existing Transaction

Key Assumptions

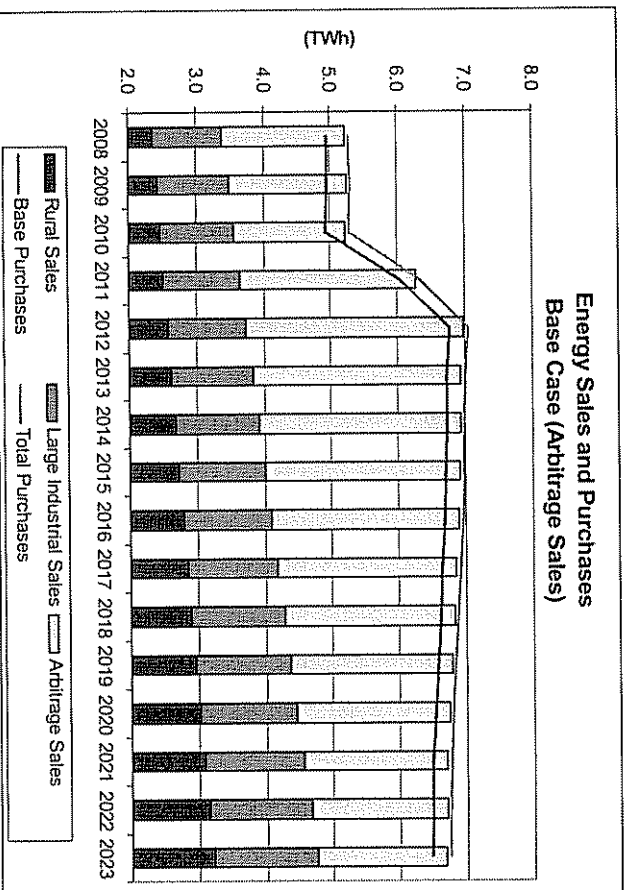
- *Arbitrage prices, member load forecasts, and other inputs assumptions consistent with Production Cost Model developed in late July 2007*
- *ARRVP prepayments modeled in accordance with Arbitrage Amount calculations in RUS notes*
- *Sale-leasebacks of Green and Wilson plants assumed terminated as of EOY 2023, to allow for additional financing*
- *Additional borrowings at EOY 2023 assumed to fund enlarged RVP obligation, lease termination costs, and ARRVP maturity*
- *Sensitivities include potential sales to Smelters at large industrial rate and carbon scenarios*

Proposed Transaction – Updated Economics, 8/07

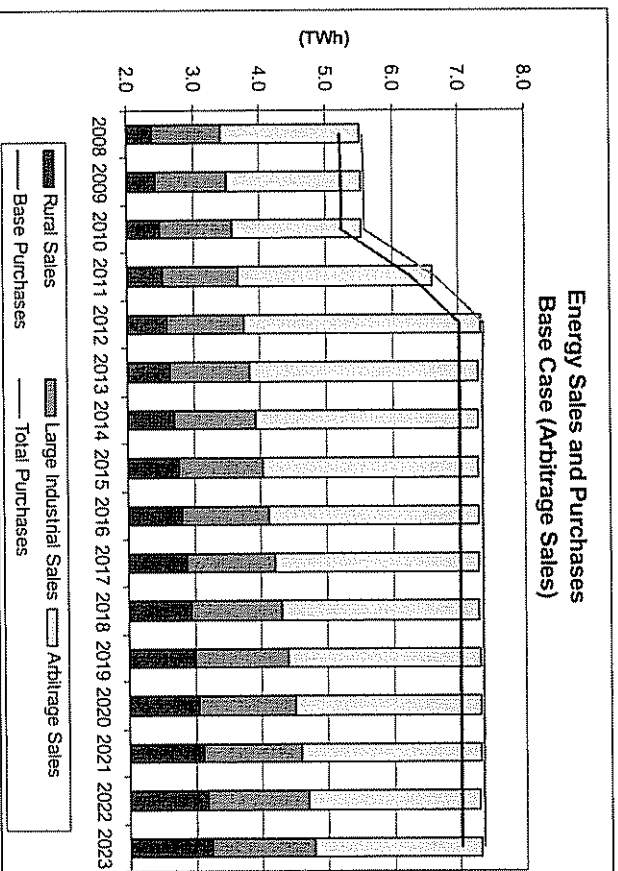
Base Case – Existing Transaction
Energy Balance

Change since 7/07 consists primarily of expanding arbitrage sales by maximizing base purchases and increasing market purchases

7/07



8/07



Proposed Transaction – Updated Economics, 8/07

Base Case – Existing Transaction Revenue Requirements and Average Rates

	7/07	Delta	8/07	
1	2,307	(29)	2,436	<< Increased purchases cover both non-member and large industrial sales
2	189	258	448	<< Increased market purchases and other costs
3	211	74	285	<< More tax generated from off-system sales
4	184	-	164	<< Escalated from 2007 Trial Balance at 3% p.a., plus labor increment
5	289	-	289	<< Escalated from 2007 Trial Balance at 3% p.a., plus labor increment
6	55	42	97	<< Consistent with production cost model
7	391	-	391	<< \$262m in additional non-incremental capex **
8	50	-	50	<< 1
9	212	-	212	<< Incremental capex reduced
10	-	97	97	<< Prepayment in accordance with Arbitrage Amount
11	-	100	100	<< Pro forma assumption for net lease termination cost at EOY 2023
12	-	(375)	(375)	<< Additional borrowings at EOY 2023 to augment cash flow
13	1,477	(62)	1,415	<< Includes existing debt repayment
14	5,344	263	5,607	
15	-	-	-	
16	1,978	340	2,318	<< Increased volume and pricing, on average
17	133	(56)	77	<< Reduced cash balances
18	801	(1)	800	
19	2,912	283	3,195	
20	2,432	(20)	2,412	
21	Net to Members (\$M)			
22	60.45	4.93	65.38	
23	40.23	(3.33)	36.90	
24	2,432	(20)	2,412	
25	\$M			

Average member rates reduced by \$3.33 MWh in 8/07 Base Case, largely due to additional borrowing

* Including WKE lease, TIER 3 and other transmission
 ** Assumed 100% allocated to Residual Value Payment via "CBL Addendum Request"

Proposed Transaction – Updated Economics, 8/07

Base Case – Existing Transaction

Present Value Cost

- PV calculated from the standpoint of BOY 2008
- Additional costs for power purchases, marketing, transmission, RUS payments and lease termination largely offset by:
 - Additional debt proceeds
 - Increased arbitrage sales

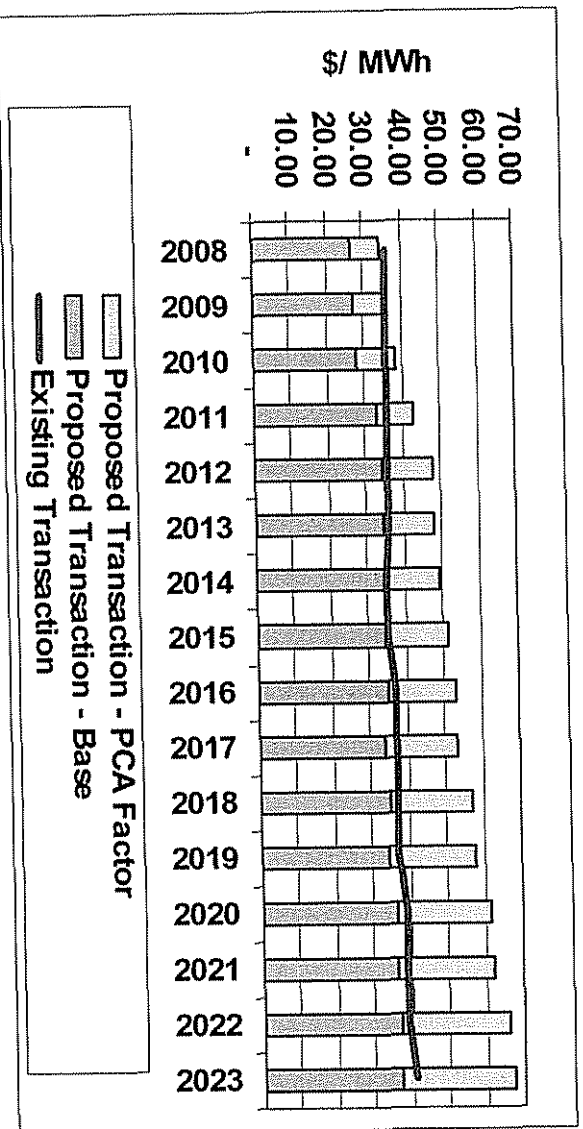
	7/07	Delta	8/07
1 Disbursements (\$M)			
2 Power Purchases	1,476	79	1,555
3 Market Power, APM, L/C, Cogen, CW & TVA Trai	128	159	287
13 Other *	1,820	91	1,911
14 Additional Debt Proceeds	-	(158)	(158)
15 Total	3,424	172	3,596
16 Non-Member Receipts (\$M)			
17 Non-Member Sales	1,269	204	1,473
18 Interest Earnings	81	(29)	53
19 Other *	534	(0)	534
20 Total	1,884	175	2,059
21 Net to Members (\$M)	1,540	(3)	1,537
22 Net Member Cost (\$M)			
23 Revenue Contribution	1,540	(3)	1,537
24 New Large Industrials	101	(13)	88
25 Net Transaction, Free Cash and TV	281	(157)	124
26 Net Member Cost	1,158	166	1,324

*Includes transmission, A&G, property tax & insurance, capex, legal, income tax, RVP payment, ARVP prepay, and lease termination

Proposed Transaction – Updated Economics, 8/07

Base Case - Rate Comparison

Rate increases currently modeled for Proposed Transaction are driven primarily by the PCA factor



Proposed Transaction Rates	Cumulative Rate Increases	
	2008	2009
PCA Factor	7.91	8.34
Base	26.52	27.31
Total	34.43	35.65
Rate Increases	0.00%	0.00%
Existing Transaction Rates	35.50	35.45
Rate Increases	0.00%	0.00%
	11.15%	15.76%

Proposed Transaction – Updated Economics, 8/07

Base Case – Net Member Value

Net Member Value is constructed from the present value calculations on prior pages (BOY 2008):

8/07

Existing Transaction

Member Revenue Contribution (Existing)	1,448
Net Transaction, Free Cash Flow and Terminal Value	<u>124</u>
Net Member Cost	1,324

Proposed Transaction

Non-Smelter Member Revenue Contribution (Existing)	1,973
Net Transaction, Free Cash Flow and Terminal Value	<u>101</u>
Net Member Cost	1,873
Net Member Value	(548)

Proposed Transaction – Updated Economics, 8/07

Sensitivities (1-5)

Rate and present value outcomes are shown for a number of sensitivities on this and the next page

Existing Transaction

Member Rates					
PV (\$M)					
Member Revenue Contribution (Existing)					
Net Transaction, Free Cash Flow and Terminal Value					
Net Member Cost					

Proposed Transaction

Member Rates					
Non-Smelter Member Blend					
Smelters					
Overall Blend					
PV (\$M)					
Non-Smelter Member Revenue Contribution (Existing)					
Net Transaction, Free Cash Flow and Terminal Value					
Net Member Cost					

Net Member Value

	1 Base Case	2 Amortize T/G Capitalized over 8 Years	3 No WKE Capitalization in Proposed Transaction	4 Smelter Sales at Large Industrial Rate in Existing Transaction 200MW	5 Smelter Sales at Large Industrial Rate in Existing Transaction 278MW
Existing Transaction					
Member Rates	36.55	36.55	36.55	40.89	41.54
PV (\$M)					
Member Revenue Contribution (Existing)	1,448	1,448	1,448	1,582	1,604
Net Transaction, Free Cash Flow and Terminal Value	<u>124</u>	<u>124</u>	<u>124</u>	<u>117</u>	<u>114</u>
Net Member Cost	1,324	1,324	1,324	1,465	1,490
Proposed Transaction					
Member Rates					
Non-Smelter Member Blend	52.61	52.45	53.57	52.61	52.61
Smelters	<u>51.51</u>	<u>51.52</u>	<u>51.85</u>	<u>51.51</u>	<u>51.51</u>
Overall Blend	51.91	51.85	52.47	51.91	51.91
PV (\$M)					
Non-Smelter Member Revenue Contribution (Existing)	1,973	1,967	2,018	1,973	1,973
Net Transaction, Free Cash Flow and Terminal Value	<u>101</u>	<u>82</u>	<u>227</u>	<u>101</u>	<u>101</u>
Net Member Cost	1,873	1,885	1,791	1,873	1,873
Net Member Value	(548)	(560)	(467)	(408)	(383)

Proposed Transaction – Updated Economics, 8/07

Sensitivities (6-11)

	6	7	8	9	10	11
	<u>Carbon Scenarios</u>			<u>Carbon Scenarios</u>		
	Allowance Cap & Trade Base Year	Allowance Cap & Trade	Tax	Allowance Cap & Trade Base Year	Allowance Cap & Trade	Tax
Existing Transaction						
	Arbitrage Sales			Smelters Sales at Large Industrial Rate (200MW)		
Member Rates	36.76	40.12	46.80	41.51	46.10	51.77
PV (\$M)						
Member Revenue Contribution (Existing)	1,445	1,553	1,770	1,602	1,751	1,941
Net Transaction, Free Cash Flow and Terminal Value	125	134	132	116	105	113
Net Member Cost	1,319	1,419	1,639	1,486	1,647	1,828
Proposed Transaction						
	Smelters Stay Beyond 2011			Smelters Stay Beyond 2011		
Member Rates						
Non-Smelter Member Blend	53.80	63.64	64.67	53.80	63.64	64.67
Smelters	52.63	61.86	61.28	52.63	61.86	61.28
Overall Blend	53.05	62.50	62.50	53.05	62.50	62.50
PV (\$M)						
Non-Smelter Member Revenue Contribution (Existing)	2,016	2,366	2,402	2,016	2,366	2,402
Net Transaction, Free Cash Flow and Terminal Value	102	111	111	102	111	111
Net Member Cost	1,914	2,255	2,291	1,914	2,255	2,291
Net Member Value	(594)	(836)	(653)	(427)	(608)	(463)

Proposed Transaction – Updated Economics, 8/07

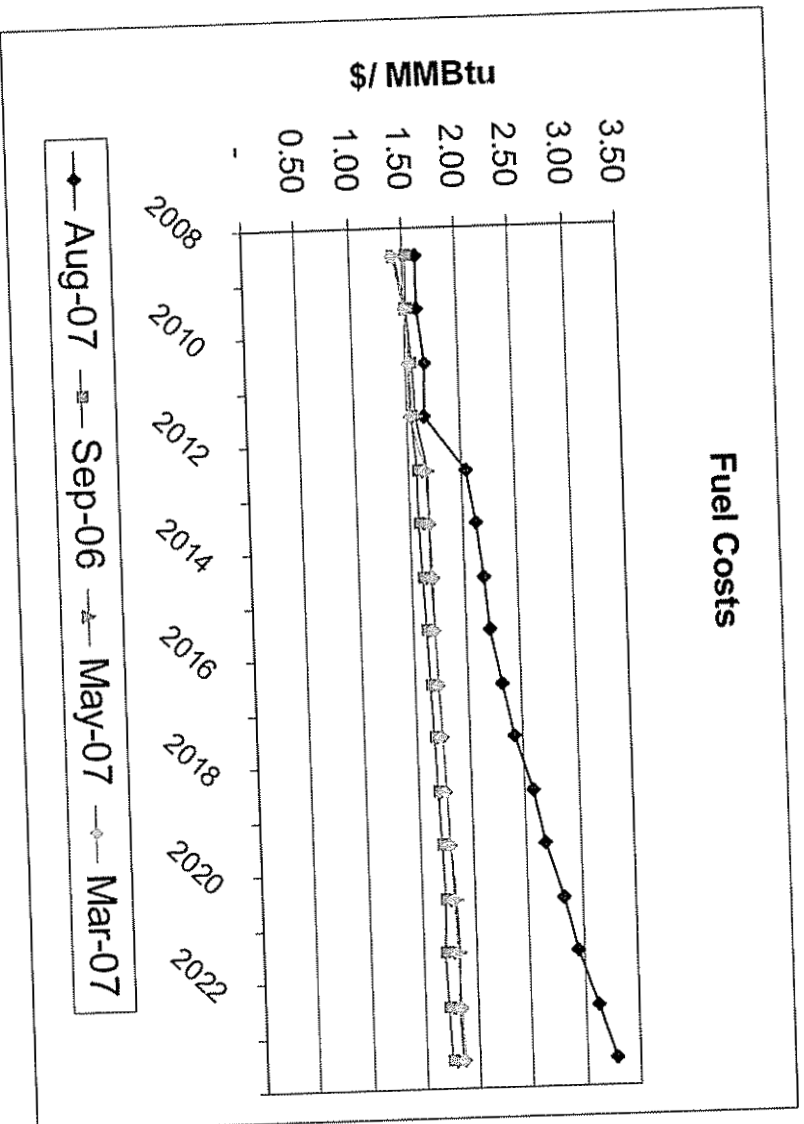
Sensitivities (12-17)

	12	13	14	15	16	17
	<u>Carbon Scenarios</u>			<u>Carbon Scenarios</u>		
	Allowance Cap & Trade Base Year	Allowance Cap & Trade	Tax	Allowance Cap & Trade Base Year	Allowance Cap & Trade	Tax
Existing Transaction						
	Arbitrage Sales			Smelters Sales at Large Industrial Rate (200MW)		
Member Rates	36.76	40.12	46.80	41.51	46.10	51.77
PV (\$M)						
Member Revenue Contribution (Existing)	1,445	1,553	1,770	1,602	1,751	1,941
Net Transaction, Free Cash Flow and Terminal Value	125	134	132	116	105	113
Net Member Cost	1,319	1,419	1,639	1,486	1,647	1,828
Proposed Transaction						
	Smelters Leave After 2011			Smelters Leave After 2011		
Member Rates						
Non-Smelter Member Blend	52.03	61.87	61.87	52.03	61.87	61.87
Smelters	38.40	38.40	38.40	38.40	38.40	38.40
Overall Blend	47.82	54.62	54.62	47.82	54.62	54.62
PV (\$M)						
Non-Smelter Member Revenue Contribution (Existing)	1,935	2,286	2,286	1,935	2,286	2,286
Net Transaction, Free Cash Flow and Terminal Value	99	107	107	99	107	107
Net Member Cost	1,837	2,179	2,179	1,837	2,179	2,179
Net Member Value	(517)	(760)	(540)	(350)	(532)	(351)

Background – Key Inputs

Fuel Prices:

- Currently modeled coal prices escalate at more than 4.5% annually from 2008 through 2023
- This adds more than \$20 per MWh to the PCA factor by 2023
- The current forecast departs sharply from recent projections, as indicated in the graph below



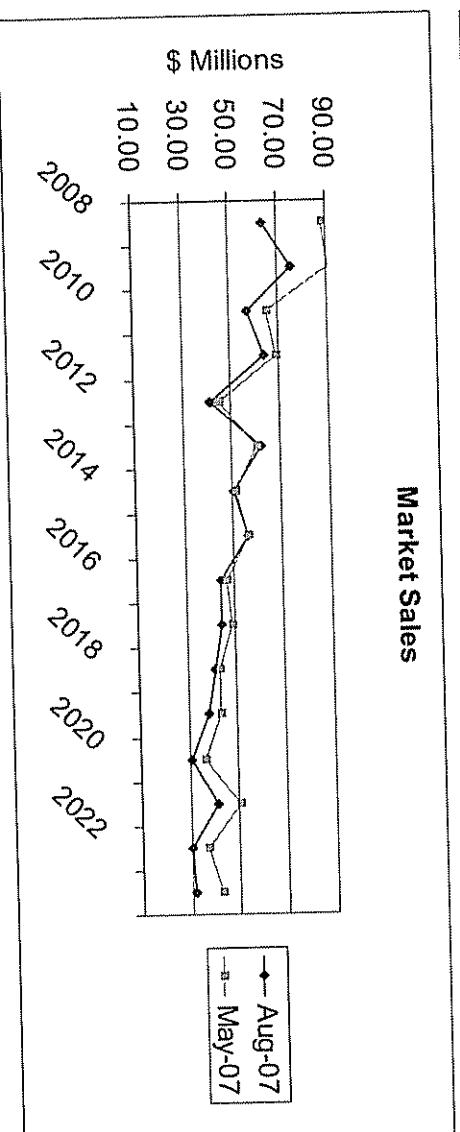
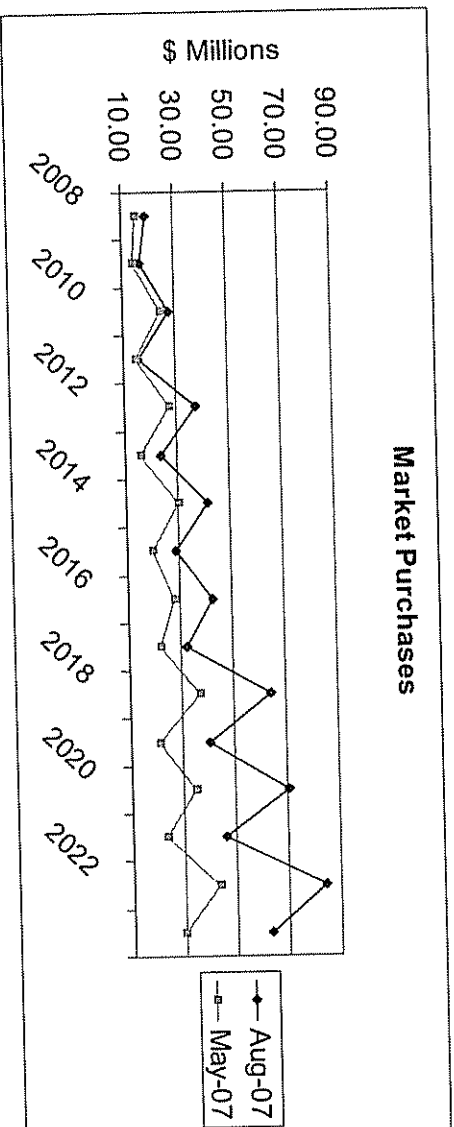
Proposed Transaction – Updated Economics, 8/07

Background – Key Inputs

Market Purchases Increase, while Market Sales Decline:

Key factors appear to be more volumetric than price:

- Growth in large industrial load
- Lower production

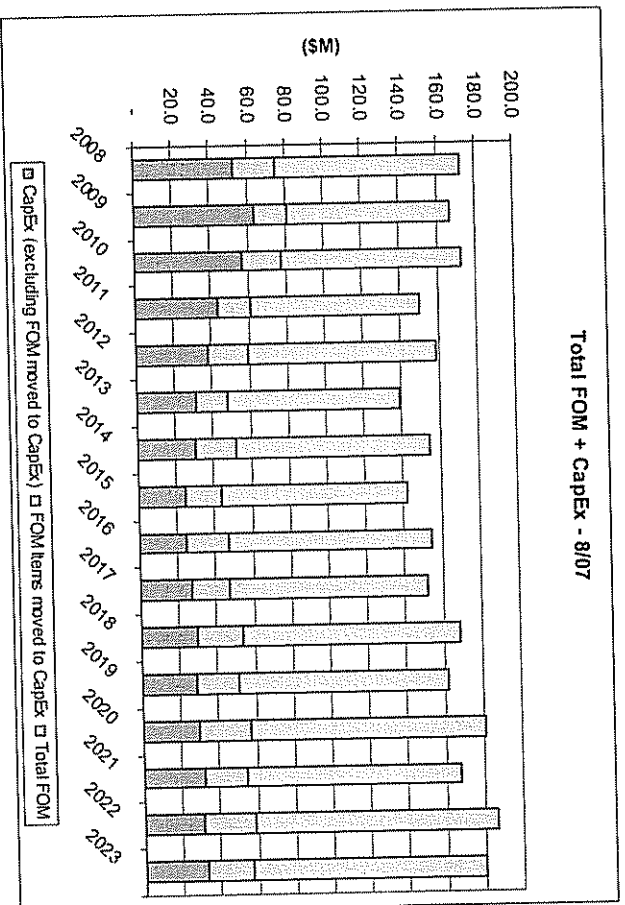
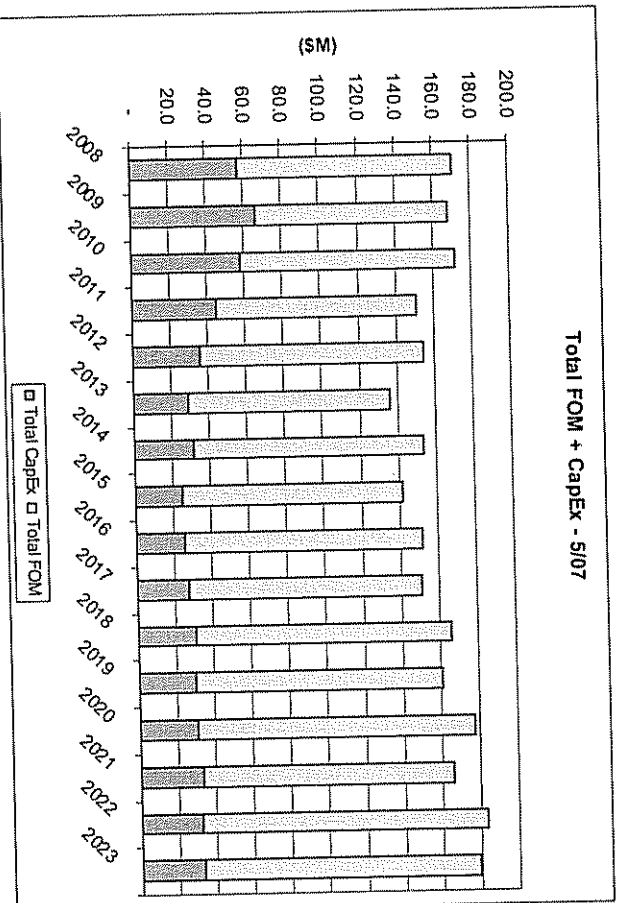


Proposed Transaction – Updated Economics, 8/07

Background – Key Inputs

Total Fixed O&M and Capital Expenditures Remain Constant:

- In addition, 30% of non-labor FOM has been reclassified as capital to conform to WKE capitalization policy in the current Base Case
- Projected capex spending has decreased since 5/07 net of items moved over from FOM

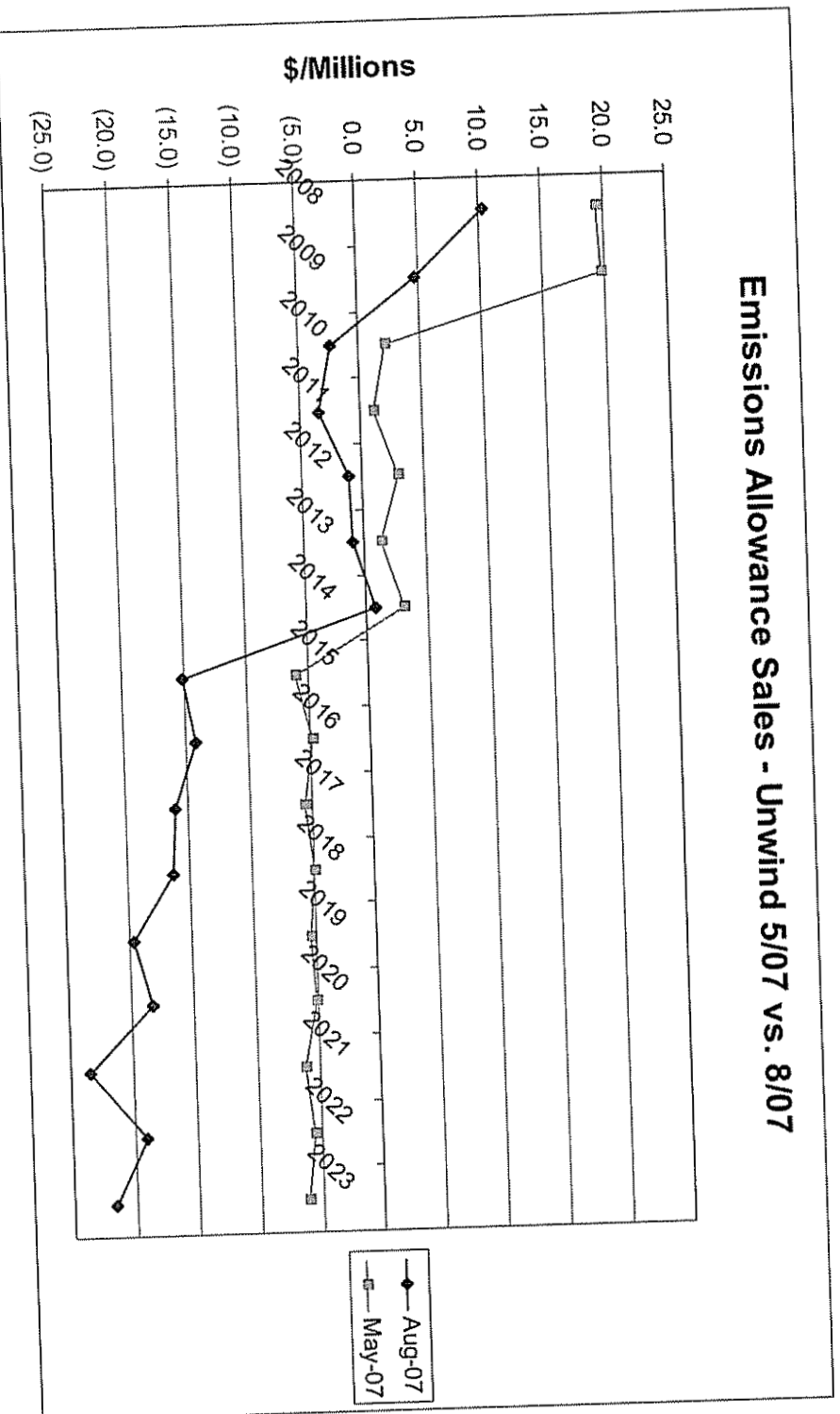


Proposed Transaction – Updated Economics, 8/07

Background - Key Inputs

Emissions allowance gains reduced:

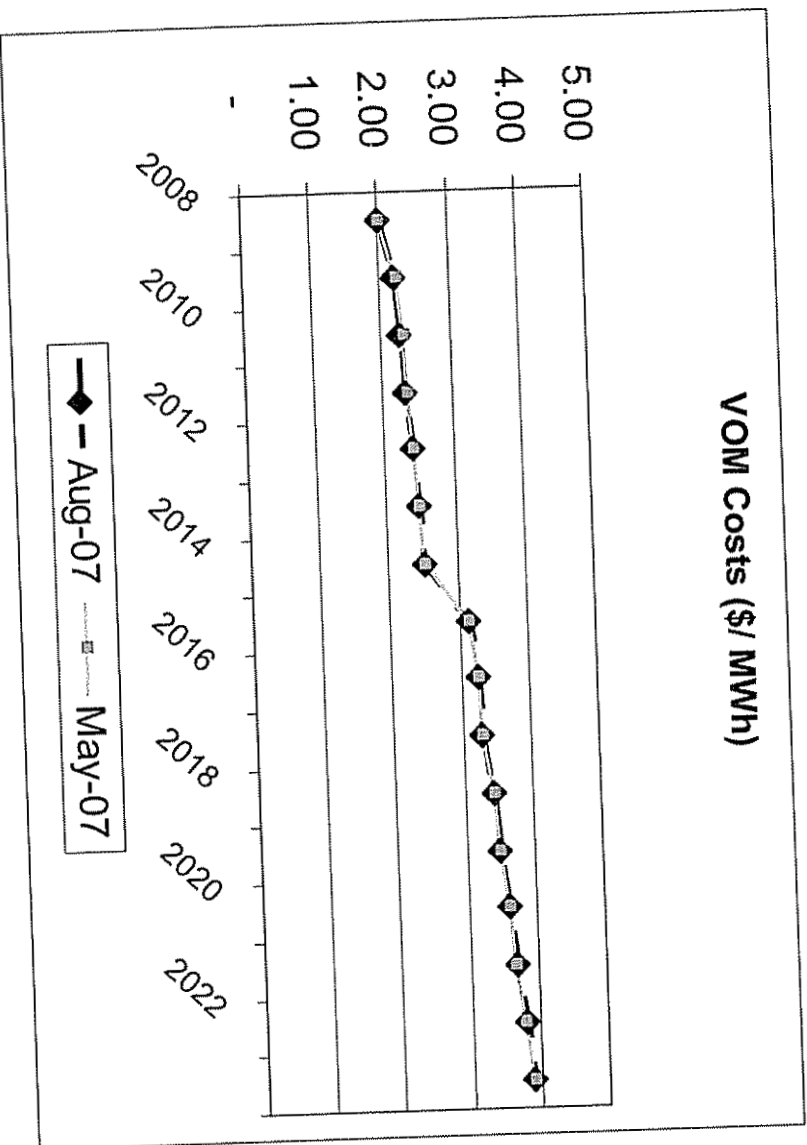
BREC a buyer of allowances after 2015 under CAIR restrictions.



Proposed Transaction – Updated Economics, 8/07

Background - Key Inputs

VOM Costs Remain Constant:

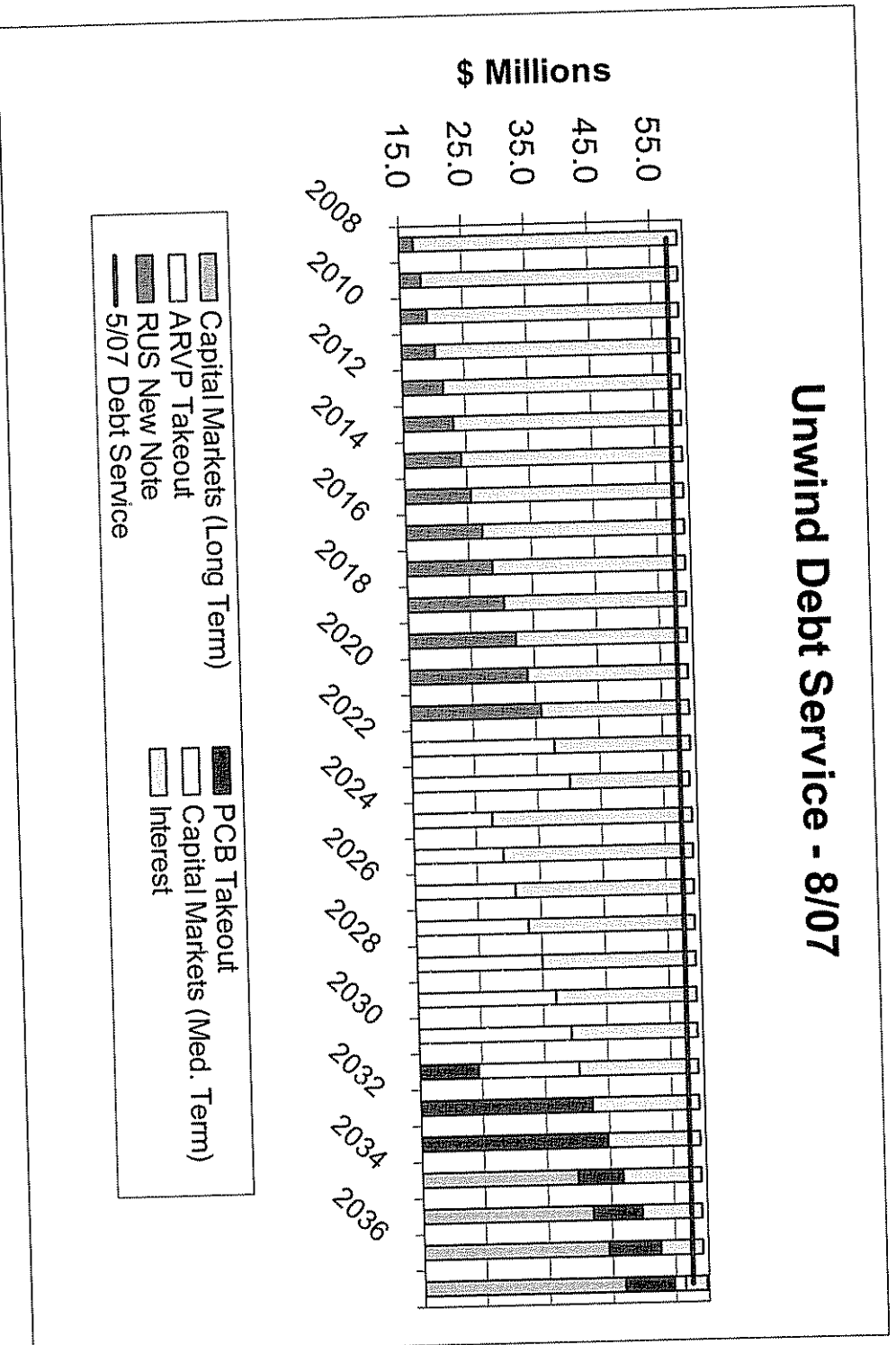


Proposed Transaction – Updated Economics, 8/07

Background - Key Inputs

Unwind Debt Service

Financing costs slightly above 5/07 levels, but credit costs trending up:



Proposed Transaction – Updated Economics, 8/07

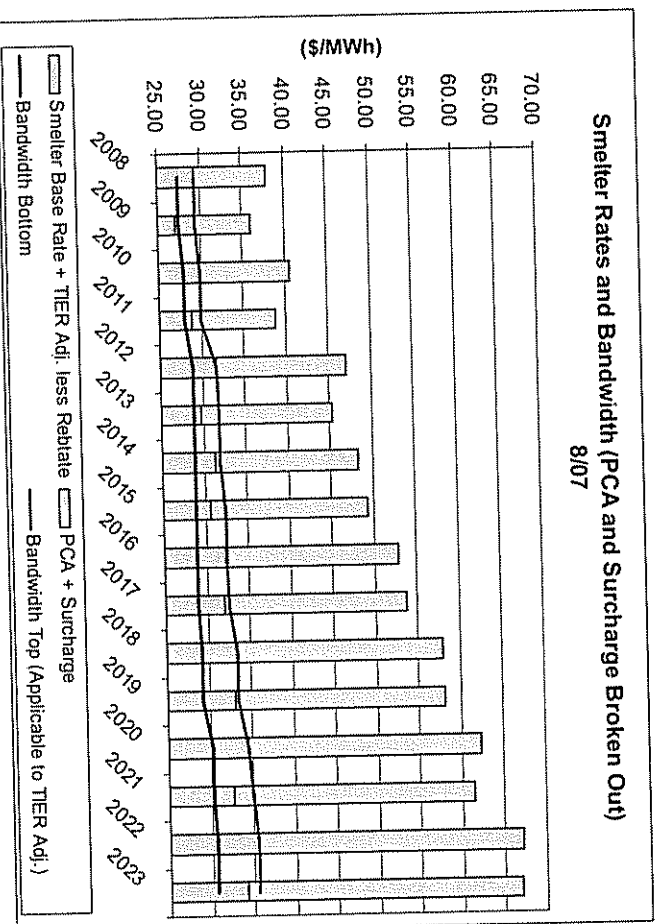
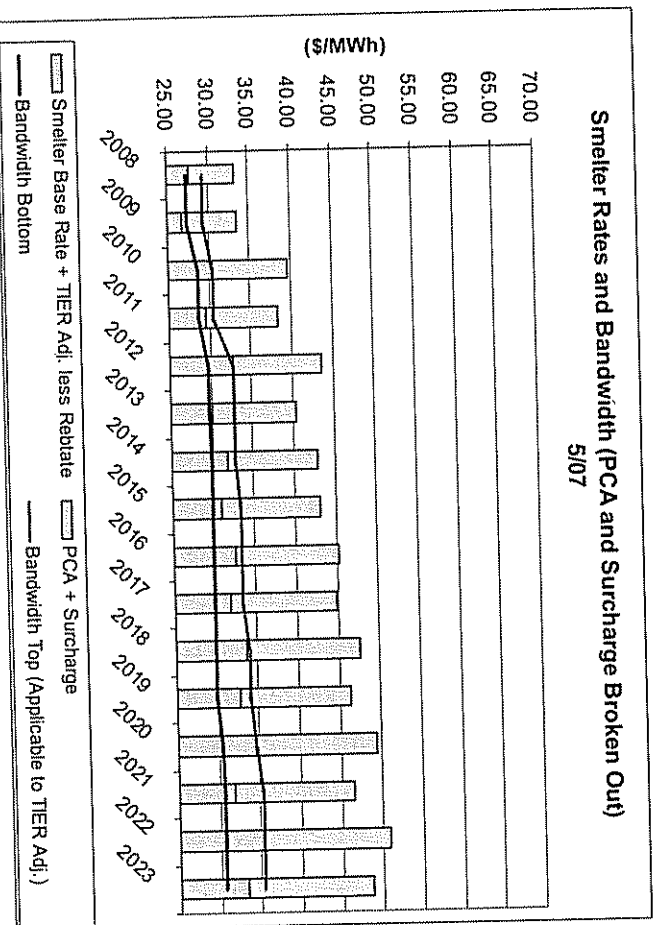
Background - Key Inputs Status Quo Cash Flow and Balance Sheet Summary

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cash Flow Summary																
Beginning Cash	147	136	125	123	122	115	114	111	111	110	107	101	92	88	107	100
Uses of Funds																
Capital Expenditures	18	27	18	19	9	7	11	8	10	11	12	12	13	12	13	13
Retire Existing Debt	39	39	41	50	70	72	75	73	80	82	87	88	90	66	94	154
RVP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	391
Assumed Lease Termination Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100
Total	57	66	59	69	79	79	85	81	90	93	99	100	103	78	107	657
Sources of Funds																
Cash Flow (Net of Interest)	46	55	57	69	72	78	82	82	88	90	93	91	99	97	100	107
Incur New Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	375
ARVP Refinancing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	154
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	46	55	57	69	72	78	82	82	88	90	93	91	99	97	100	636
Change in Cash	(11)	(11)	(3)	(0)	(8)	(1)	(3)	0	(1)	(3)	(6)	(9)	(4)	19	(7)	(22)
Ending Cash	136	125	123	122	115	114	111	111	110	107	101	92	88	107	100	78
Balance Sheet Summary																
Assets																
Cash	136	125	123	122	115	114	111	111	110	107	101	92	88	107	100	78
Non-Lease	981	997	1,023	1,038	1,037	1,041	1,045	1,040	1,038	1,036	1,038	1,037	1,041	1,042	1,046	1,129
Lease	200	201	210	218	227	236	245	255	266	278	291	304	319	334	351	-
Total	1,318	1,324	1,356	1,379	1,379	1,390	1,401	1,406	1,414	1,422	1,429	1,434	1,447	1,483	1,496	1,208
Liabilities																
Equity	(159)	(128)	(94)	(56)	(22)	33	95	149	212	276	344	409	485	558	638	632
Debt	1,029	996	961	918	855	790	724	658	587	513	436	358	278	223	141	-
Existing Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	529
New Debt at EOY 2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,029	996	961	918	855	790	724	658	587	513	436	358	278	223	141	529
RVP and Other	257	263	288	307	327	339	344	350	355	360	364	368	370	371	370	46
Lease Obligations	191	192	201	210	219	228	238	249	260	272	285	299	314	331	348	-
Total	1,318	1,324	1,356	1,379	1,379	1,390	1,401	1,406	1,414	1,422	1,429	1,434	1,447	1,483	1,496	1,208
Equity/ Assets (ex. Lease)	-14%	-11%	-8%	-5%	-2%	3%	8%	13%	18%	24%	30%	36%	43%	48%	56%	52%

Proposed Transaction – Updated Economics, 8/07

Background – Base Case Smelter Rate Impact

- Smelter rates in the 5/07 and 8/07 Unwind models are shown below
- As indicated, virtually all of the increased burden on the Smelters in the current model runs through the PCA

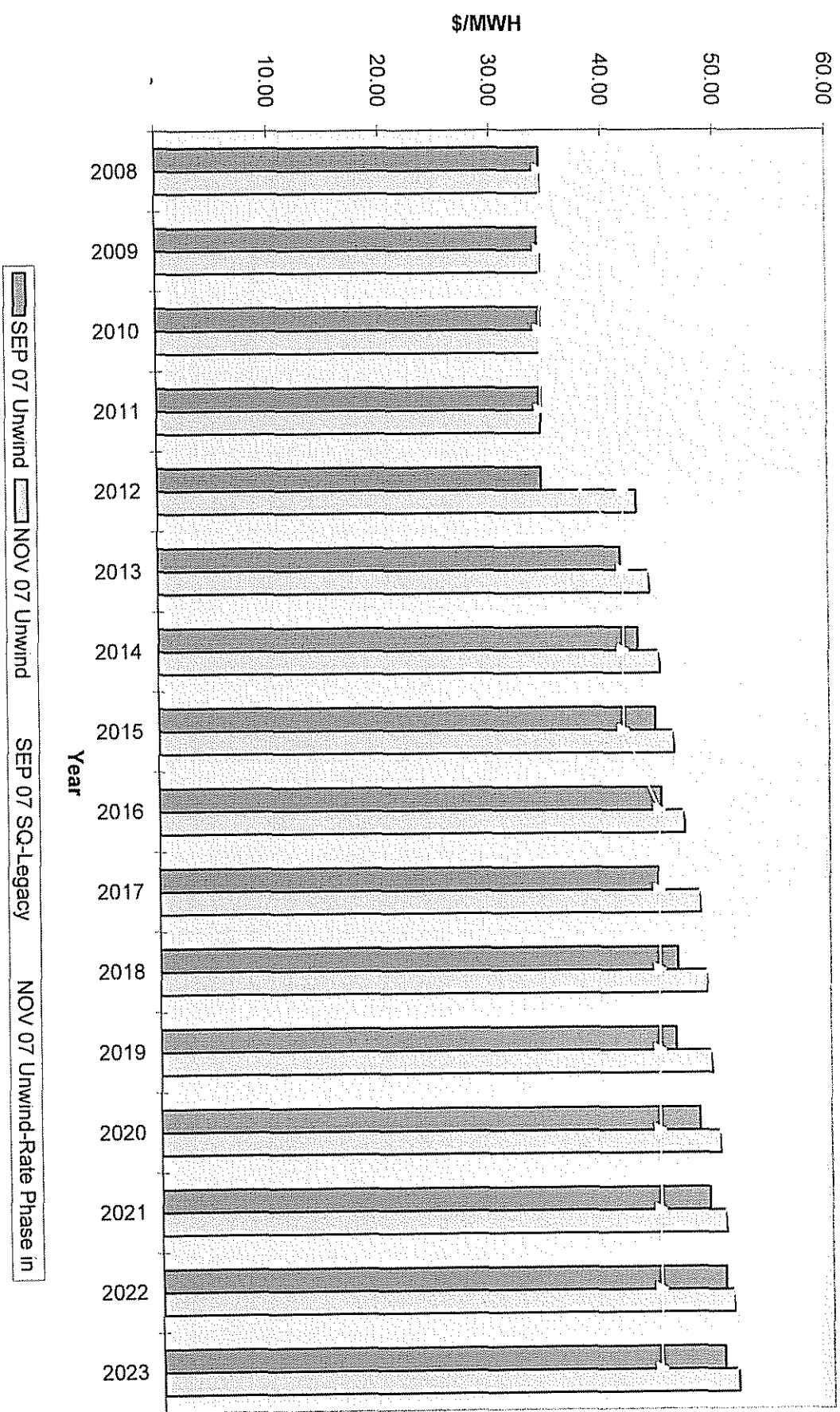


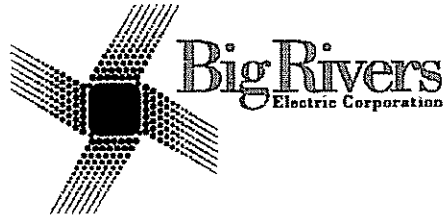
Change in Revenue Requirements (4/30/08 Transaction Date)

	Board Model (9/20)	Delta	Current Unwind	
<u>1. Nominal Key Cost Increase/Revenue Reduction Items (\$M)</u>				
1 Depreciation & Amortization	786.2	154.3	940.5	<< Revised depreciation policy *
2 Non-Fuel Variable Production O&M	552.0	89.3	641.2	<< Revised PCM
3 FOM	1,738.3	11.7	1,749.9	<< Revised budget/ capitalization policy
4 Offsystem Sales	(928.9)	54.1	(874.6)	<< Revised PCM
5 A&G	403.6	56.9	460.5	<< Transfer of IT from FOM
6 APM, L/C, Cogen, CW & TVA Trans	52.9	39.4	92.3	<< Revised assumptions
7 Transmission O&M	125.7	25.2	151.0	<< Revised assumptions
8 Allowance Cost / (Gain)	20.0	38.7	58.7	<< Revised PCM
9 Fuel	3,848.9	(28.1)	3,820.8	<< Revised PCM/ inventory accounting
10 Interest Earnings	(87.2)	(18.8)	(106.0)	<< Larger interest earnings from larger cash balances
11 Income Tax	45.8	(37.1)	8.7	<< Offsystem sales treated as patronage
12 Interest Expense (Incl. Financing Fees)	635.8	(9.1)	626.7	
13 Margin	254.8	(5.2)	249.7	
14 Other	540.6	(38.2)	502.4	
15 Total	7,988.6	333.2	8,321.8	<< Includes Year 2023 Expense Deferral
<u>2. Nominal Member Cost Impact (\$M)</u>				
16 Non-Smelter Members	2,781.9	122.1	2,904.0	
17 Smelters	5,206.7	211.1	5,417.8	
18 Overall Total	7,988.6	333.2	8,321.8	
<u>3. TWh Sales</u>				
19 Non-Smelter Members	64.3		64.3	
20 Smelters	114.4		114.4	
<u>4. Average Rates (\$/MWh)</u>				
21 Non-Smelter Members	43.27	1.90	45.17	4.39%
22 Smelters	45.51	1.84	47.35	4.05%
<u>2008 - 2012</u>				
23 Non-Smelter Members	34.23	1.41	35.63	
24 Smelters	38.97	1.18	40.15	

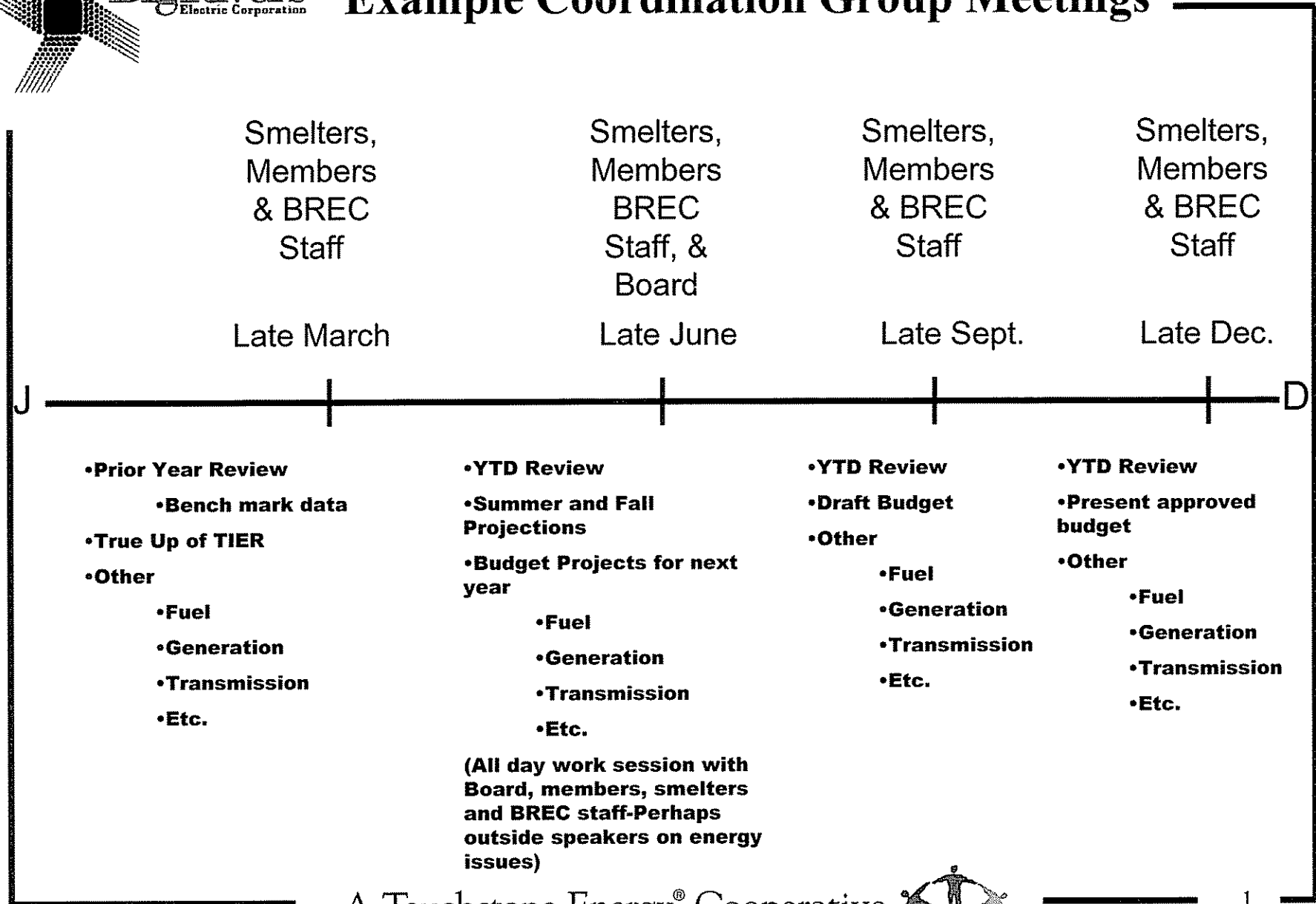
* To 37-year basis on all assets, starting in 2011, per direction of BREC 11/27

**BREC
Non-Smelter Member Blend**





Example Coordination Group Meetings



Contents

5/18/07

- Financial Profile
- Revenue Requirements per MWh
- Member Rates
 - Unwind
 - Status Quo
 - Comparative Analysis
- Smelter Rates
- Background
 - Economic Development
 - Key Changes
 - Unwind
 - Status Quo
- Appendix: Financial Detail for No Pet-Coke (1a) and Pet-Coke (1b) Scenarios

Unwind Transaction – Updated Economics Since 9/06

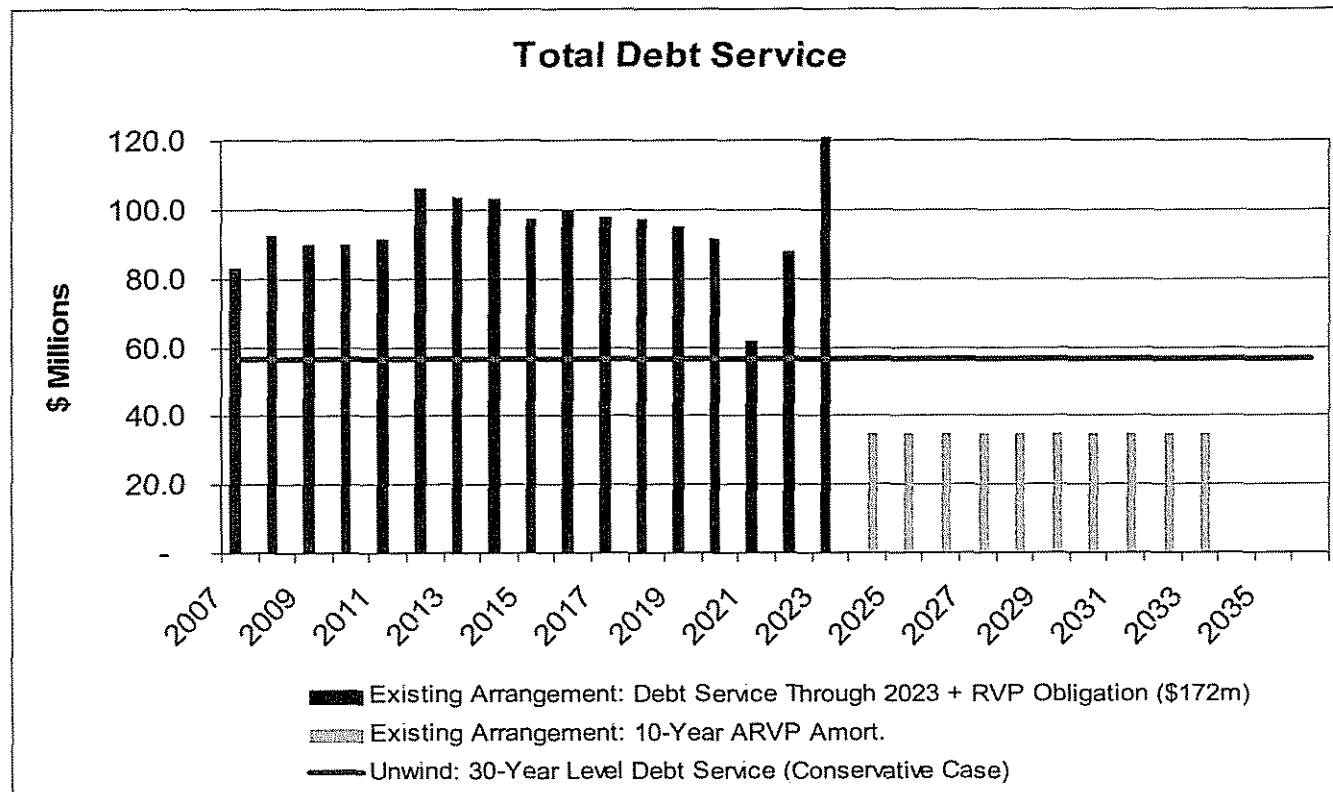
Financial Profile (1)

The Unwind continues to drive immediate positive equity:

	1997		2007	
	<u>Audited Financials</u>	<u>EOY Pre- Transaction</u>	<u>Difference</u>	<u>EOY Post- Transaction</u>
Balance Sheet (M\$)				
Net Utility Plant	914	921	98	1,019
Sale-Leaseback Investments	-	193	-	193
Cash & Investments	21	127	83	210
Receivables, Inventories & Other	61	54	56	110
Assets	996	1,296	236	1,532
Equities	(293)	(186)	560	374
Sale-Leaseback Obligation & Unamortized Gain	-	237	-	237
Debt	1,256	1,062	(210)	852
Payables & Other	33	183	(114)	68
Equities & Liabilities	996	1,296	236	1,532
Equity/ Assets	-29%	-14%		24%

Financial Profile (2)

Unwind debt service unchanged overall from 9/06 (with slightly higher interest and lower principal):



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
TIER	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24
DSCR	1.90	1.55	1.57	1.54	1.58	1.53	1.53	1.50	1.50	1.48	1.49	1.46	1.47	1.43	1.45	1.39

Unwind Transaction – Updated Economics Since 9/06

Financial Profile (3)

Cash balances essentially unchanged since September 2006:

Unwind Cash Balances (\$Millions)		
	9/06	5/07
Post - Transaction Cash Balances		
Deferred Income	50	50
Sequestered	35	35
Unrestricted	<u>125</u>	<u>125</u>
Total	210	210
Average Year-End Balances 2008-2023		
Deferred Income	6	3
Sequestered	52	51
Unrestricted	<u>101</u>	<u>112</u>
Total	159	166

Unwind Transaction – Updated Economics Since 9/06

Revenue Requirements per MWh (1) – No Pet Coke

	9/06	Delta	5/07 No Petcoke
Revenue Requirement Per MWh, 2008 - 2023			
PCA - Related			
Fuel	18.26	2.18	20.44
SEPA & Other Purchases	2.23	0.10	2.33
Variable O&M	-	3.06	3.06
Gain on Sale of Emissions Allowances	-	0.01	0.01
Total	20.49	5.35	25.84
TIER Adjustment			
Fixed O&M	9.96	1.29	11.25
Interest Expense (Incl. Financing Fees)	3.35	0.27	3.62
Variable O&M	2.58	(2.58)	-
Other *	7.65	0.14	7.79
Margin	1.39	0.06	1.45
Offsystem Sales	(4.93)	0.09	(4.84)
Interest Earnings	(0.58)	(0.04)	(0.62)
Gain on Sale of Emissions Allowances	(0.31)	0.31	-
Total	19.11	(0.46)	18.65
Economic Reserve			
Total	(0.29)	(0.01)	(0.31)
Weighted Average Member Rates, 2008 - 2023			
Non-Smelter Member Blend	38.86	6.03	44.90
Smelters	39.53	4.28	43.81
Overall Blend	39.30	4.88	44.18

*Includes transmission, A&G, depreciation, property tax & insurance, and income tax

Unwind Transaction – Updated Economics Since 9/06

Revenue Requirements per MWh (2) – With Pet Coke

- Revenue requirements have increased since 9/06
- Economics with no Petcoke shown at right
- Key factors include:
 - Fuel
 - FOM
 - VOM
 - Allowances
- Petcoke saves approximately \$0.31 over 2008 - 2023 period

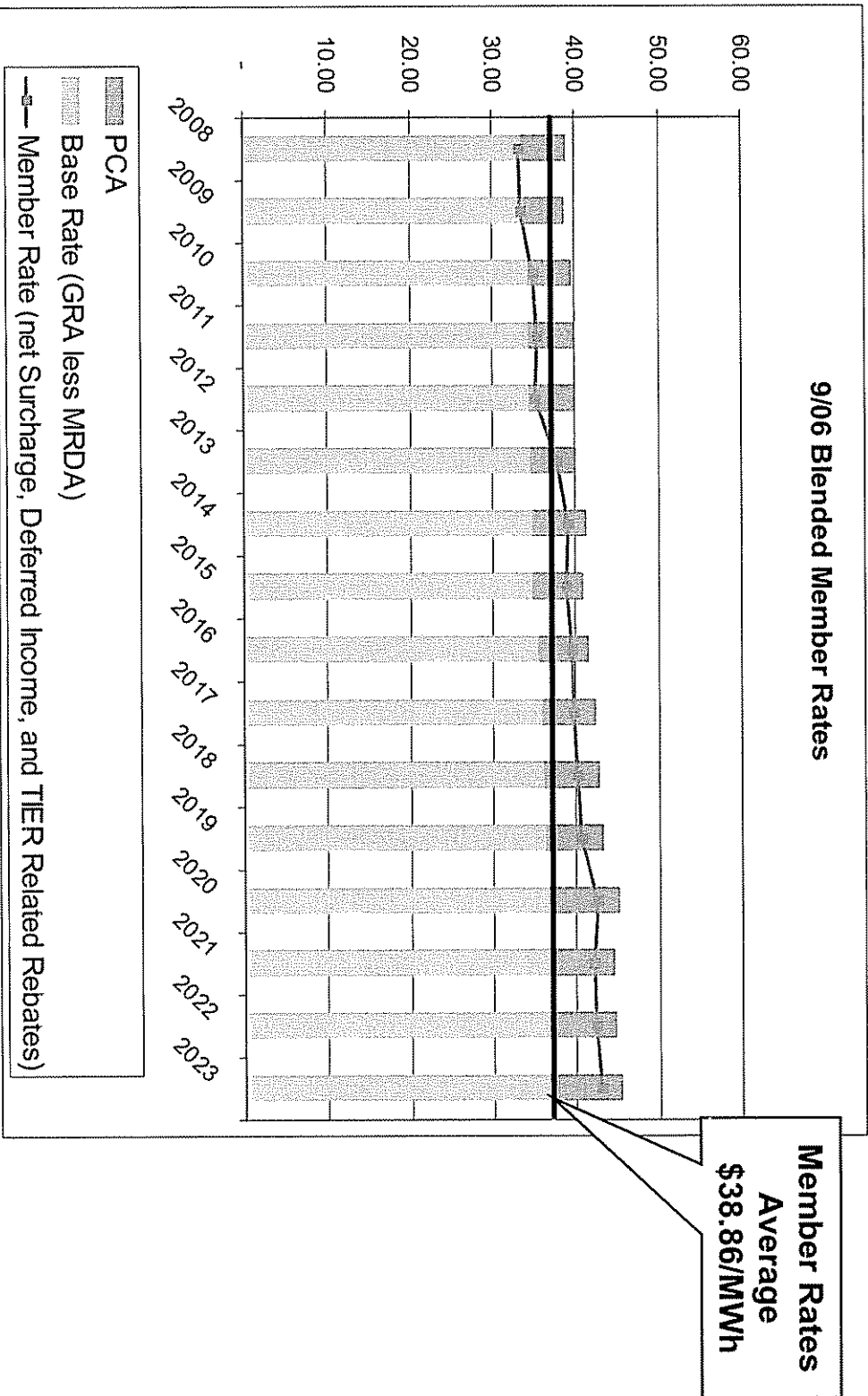
	9/06	Delta	5/07 with Petcoke
Revenue Requirement Per MWh, 2008 - 2023			
PCA - Related			
Fuel	18.26	1.87	20.13
SEPA & Other Purchases	2.23	0.05	2.28
Variable O&M	-	3.08	3.08
Gain on Sale of Emissions Allowances	-	(0.00)	(0.00)
Total	20.49	4.99	25.48
TIER Adjustment			
Fixed O&M	9.96	1.29	11.25
Interest Expense (Incl. Financing Fees)	3.35	0.27	3.62
Variable O&M	2.58	(2.58)	-
Other *	7.65	0.17	7.82
Margin	1.39	0.06	1.45
Offsystem Sales	(4.93)	0.02	(4.91)
Interest Earnings	(0.58)	(0.04)	(0.62)
Gain on Sale of Emissions Allowances	(0.31)	0.31	-
Total	19.11	(0.50)	18.61
Economic Reserve			
Total	39.30	(0.02)	43.78
Weighted Average Member Rates, 2008 - 2023			
Non-Smelter Member Blend	38.86	5.68	44.55
Smelters	39.53	3.84	43.38
Overall Blend	39.30	4.47	43.78

*Includes transmission, A&G, depreciation, property tax & insurance, and income tax

Unwind Transaction – Updated Economics Since 9/06

Member Rates – Unwind (1): 9/06

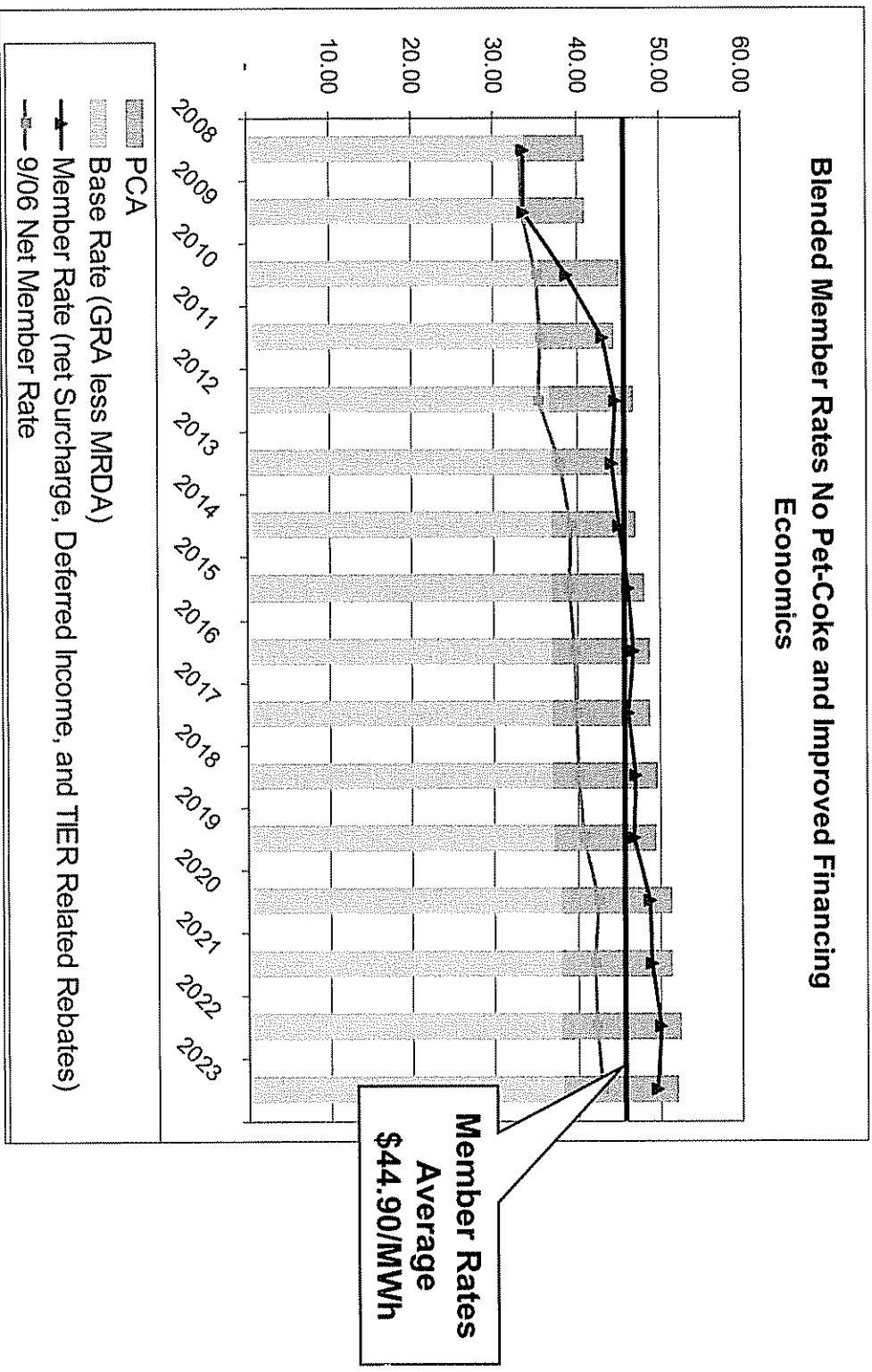
Blended member rates averaged \$38.86/MWh in 9/06 model, reflecting use of Economic Reserve and other offsets:



Unwind Transaction – Updated Economics Since 9/06

Member Rates – Unwind (2): 5/07 - No Pet Coke

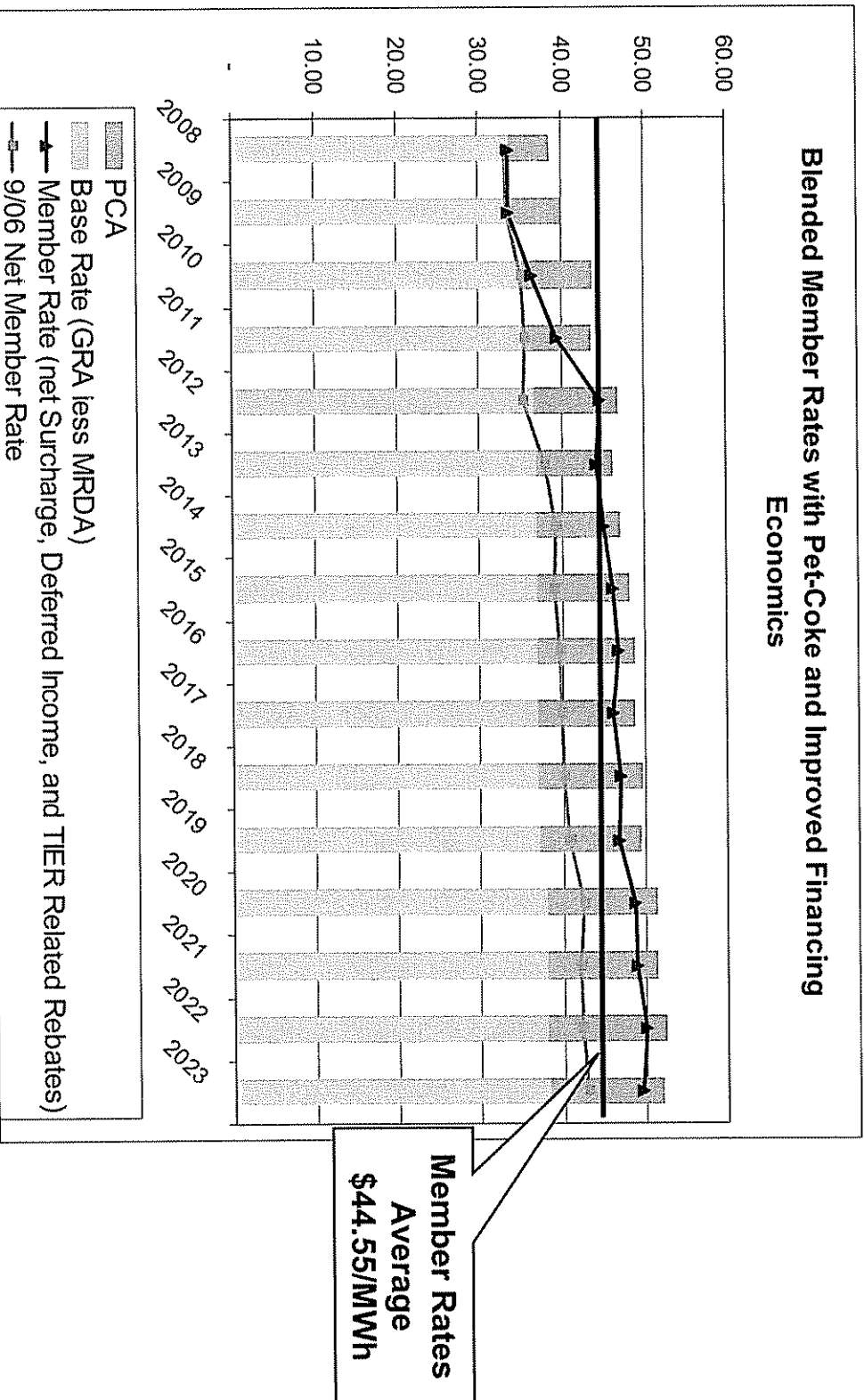
- Member rates are held at 9/06 levels through 2009 via Economic Reserve
- Rates increase thereafter, largely driven by PCA factors, averaging \$44.90 per MWh



Unwind Transaction – Updated Economics Since 9/06

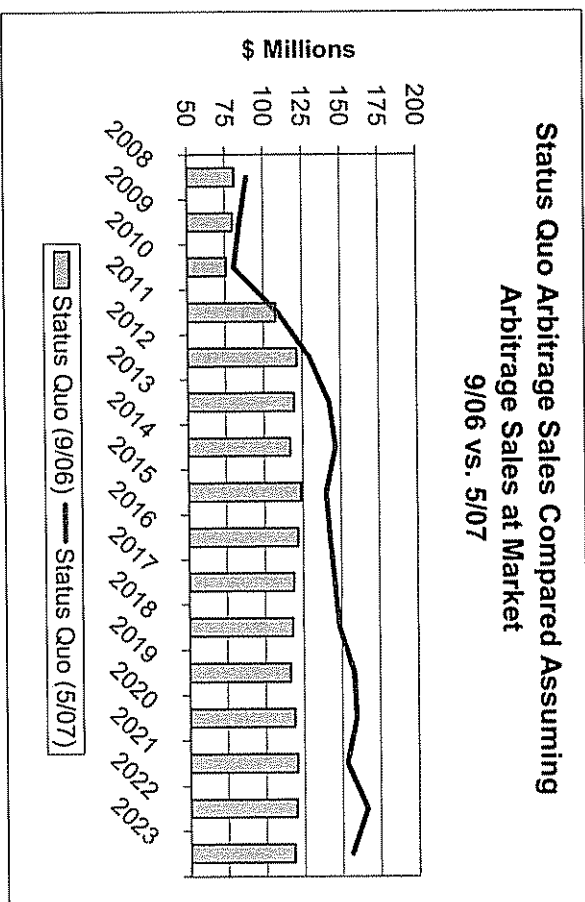
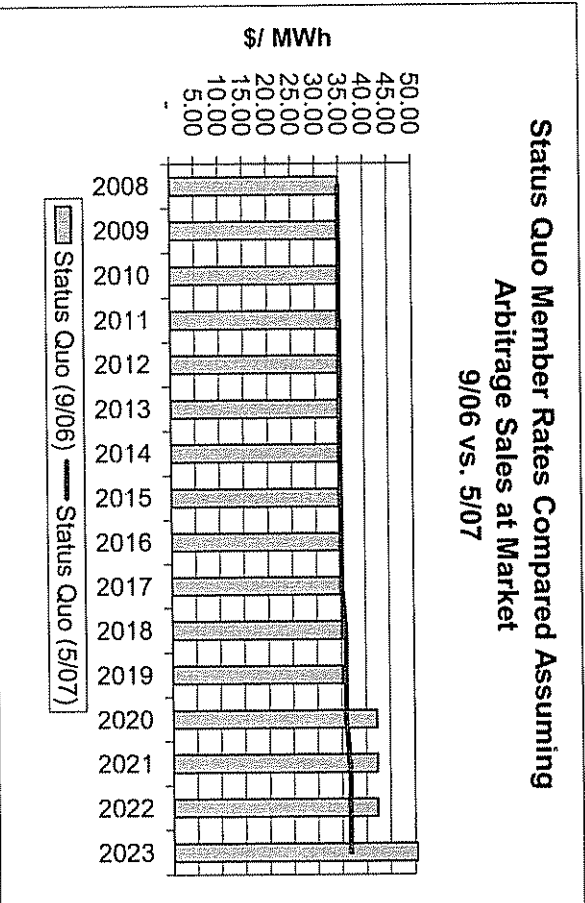
Member Rates – Unwind (3): 5/07 – With Pet Coke

- Member rates are held at 9/06 levels through 2009 via Economic Reserve
- Economic reserve covers more years with help of lower Petcoke costs
- Rates increase thereafter, largely driven by PCA factors
- Average rates \$0.35/ MWh less than without Petcoke



Member Rates – Status Quo: 9/06 vs. 5/07

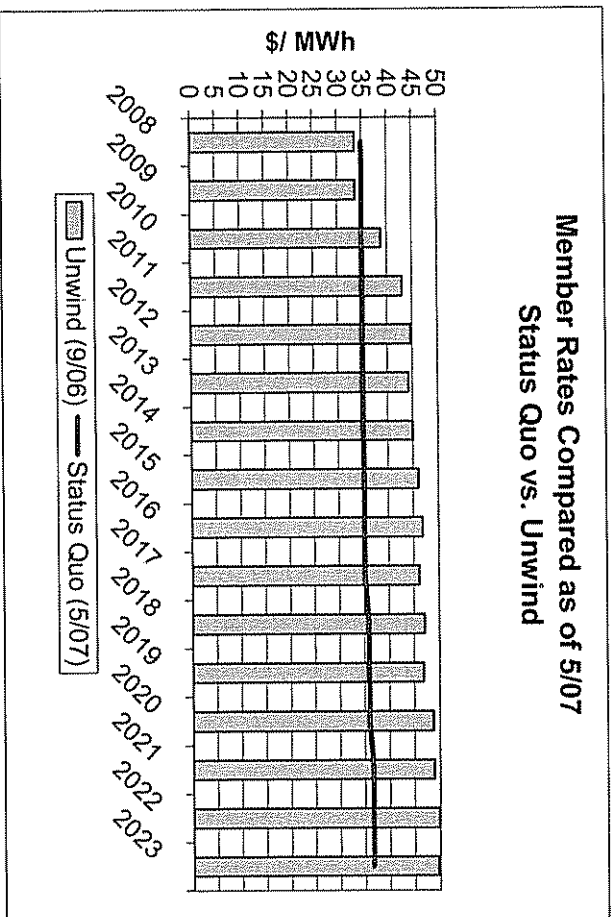
- Member rates in the 9/06 Status Quo model are compared to rates in the current (5/07) Status Quo below at left
- Arbitrage sales in the 9/06 Status Quo model assuming market prices are compared to arbitrage sales in the current (5/07) Status Quo below at right
- Significantly greater arbitrage sales in the current Status Quo model—volume driven-- hold down member rate increases relative to 9/06



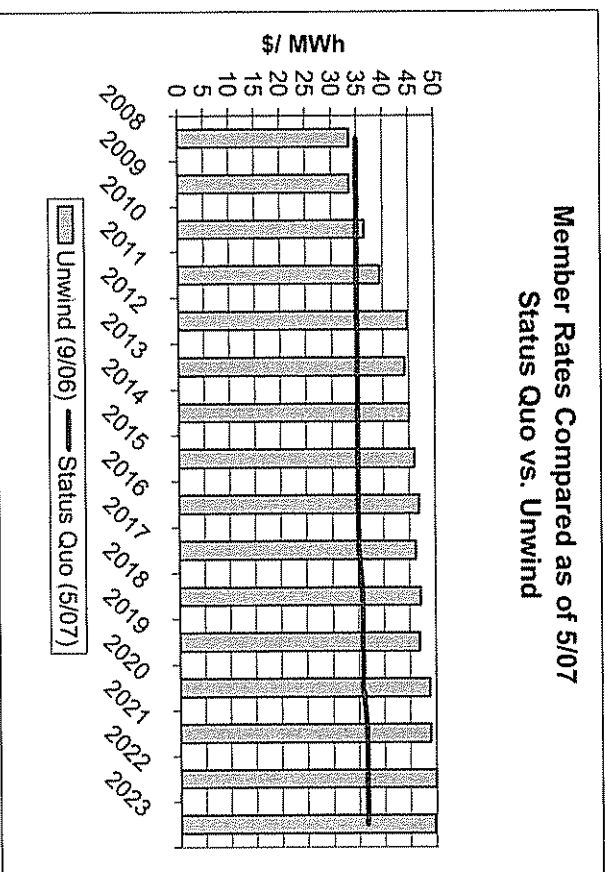
Member Rates – Comparative Analysis (1)

Member rates between the Status Quo and the Unwind are compared below, assuming arbitrage sales at market prices

No Pet Coke



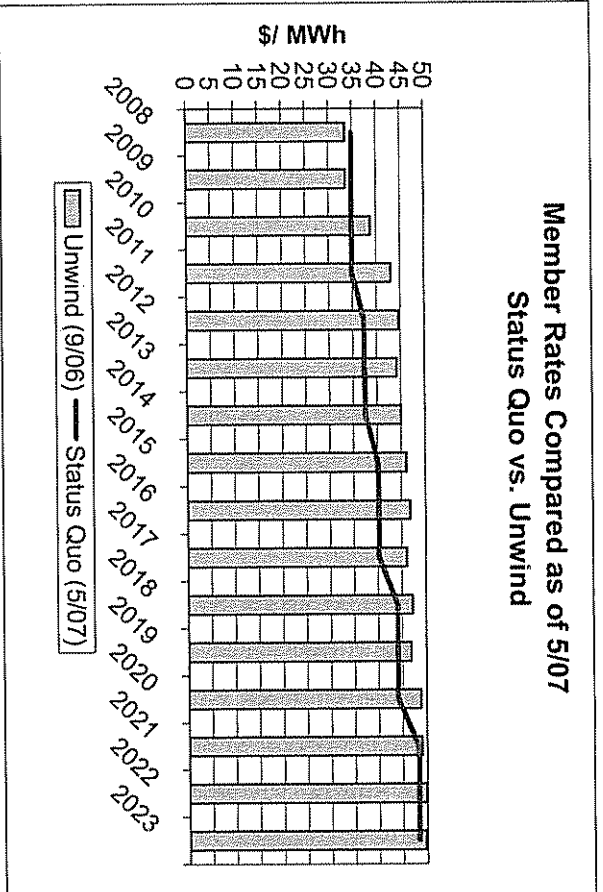
With Pet Coke



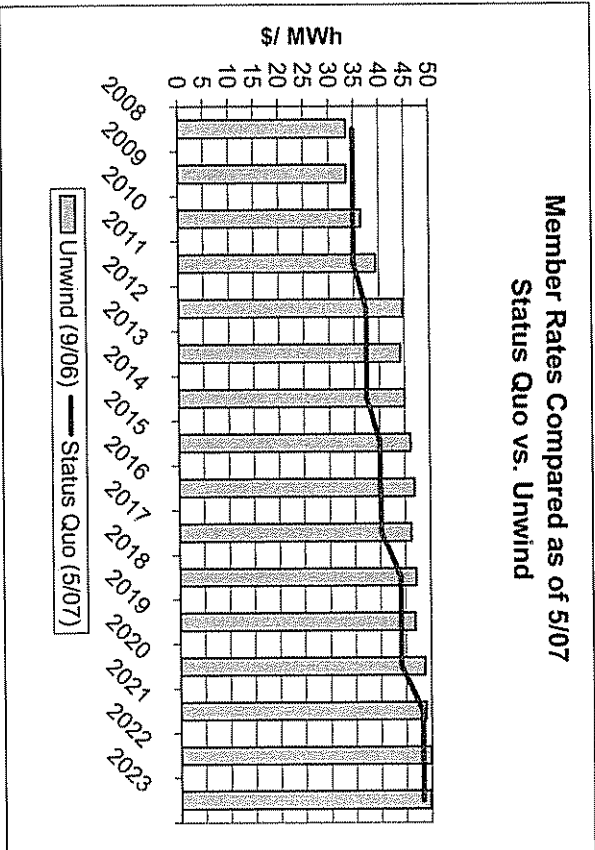
Member Rates – Comparative Analysis (2)

Member rates between the Status Quo and the Unwind are Compared below, assuming arbitrage sales at the large industrial rate

No Pet Coke

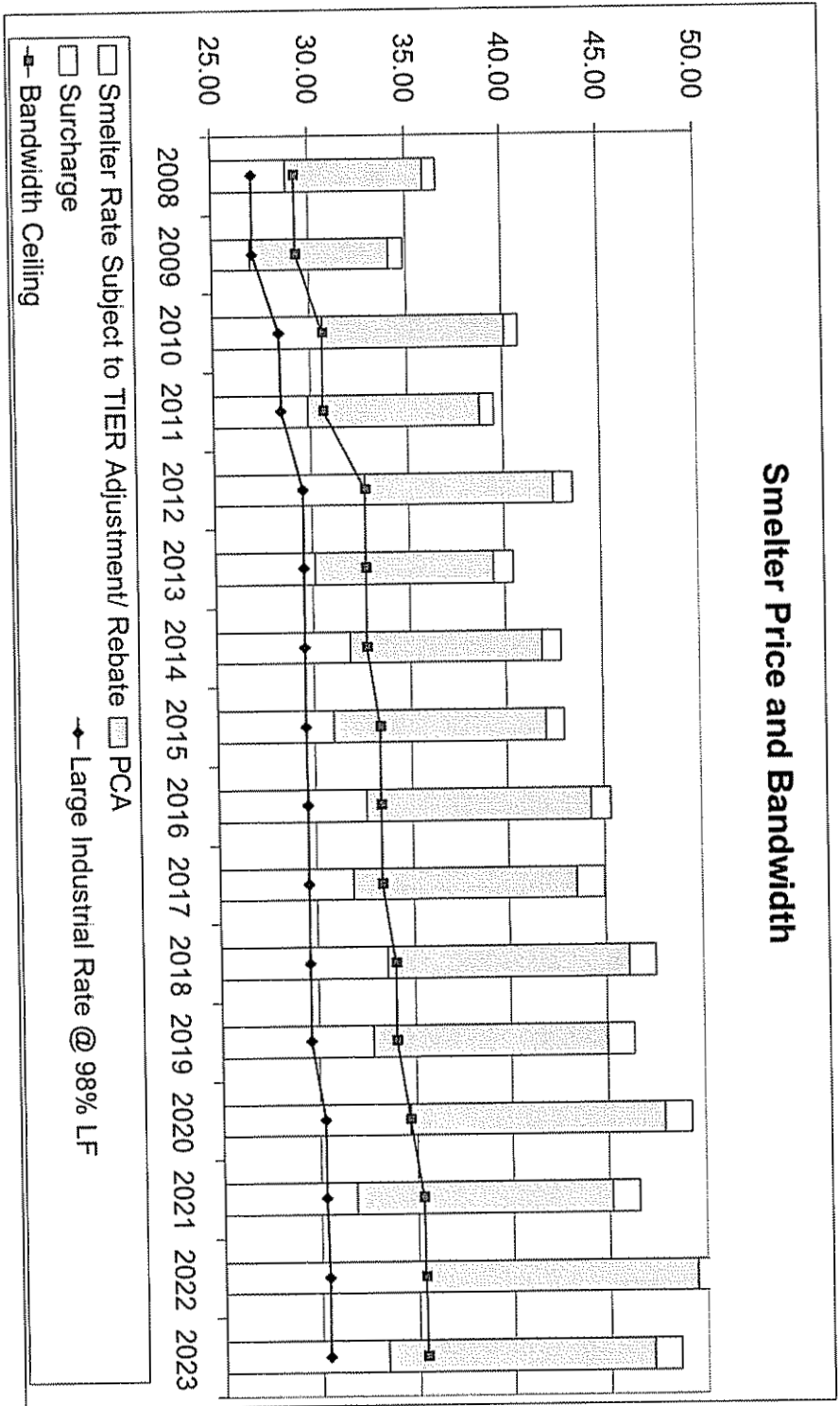


With Pet Coke



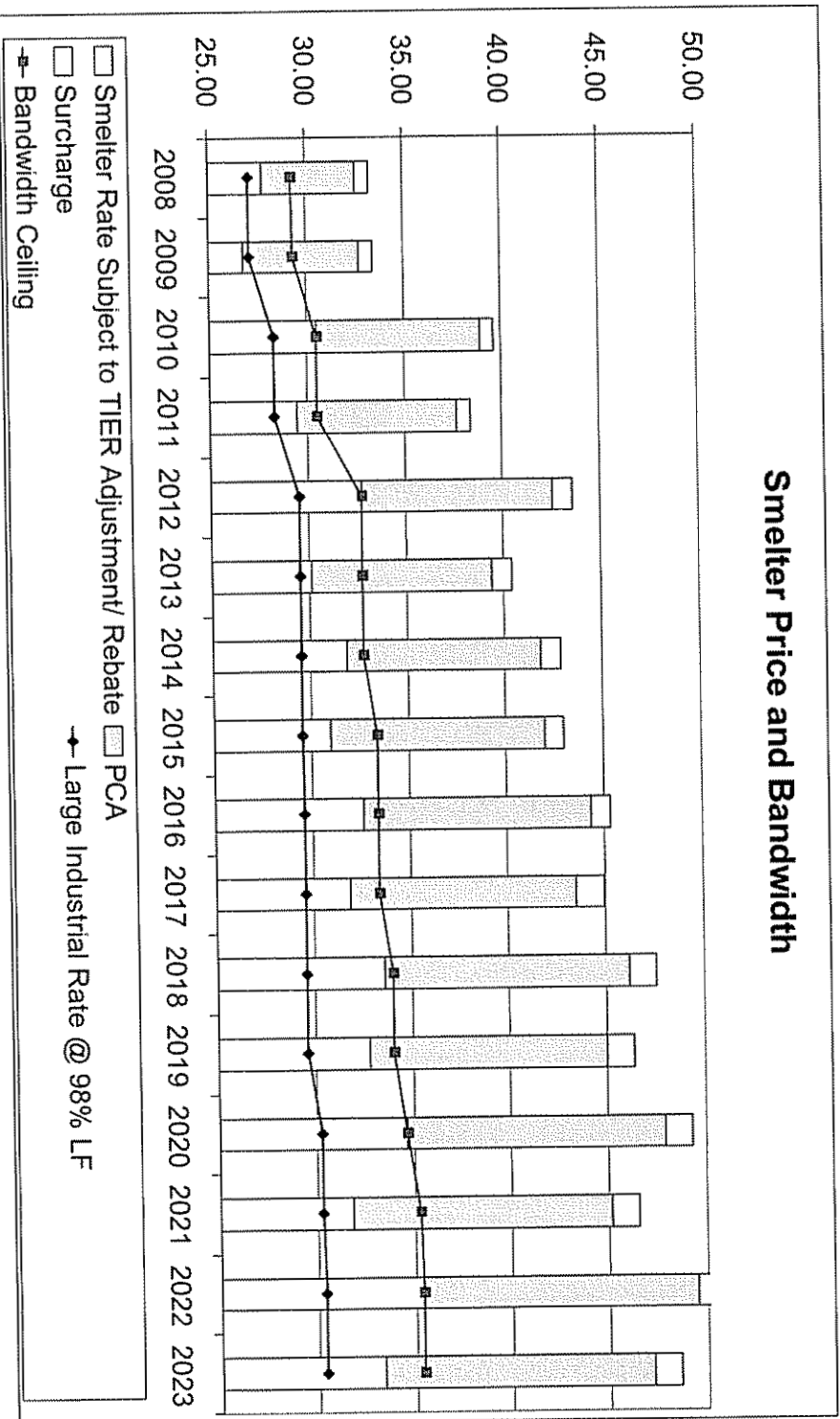
Smelter Rates (1): 5/07 – No Pet Coke

- Rate increases in 2010 and 2012 drive Bandwidth up
- Subsequent reductions in Fixed O&M allow Smelters prices back down within Bandwidth



Smelter Rates (2): 5/07 – With Pet Coke

- Similar bandwidth dynamic as with no Petcoke
- PCA component smaller in early years



Background on Key Changes in Unwind since September 2006

Higher cost projections include:

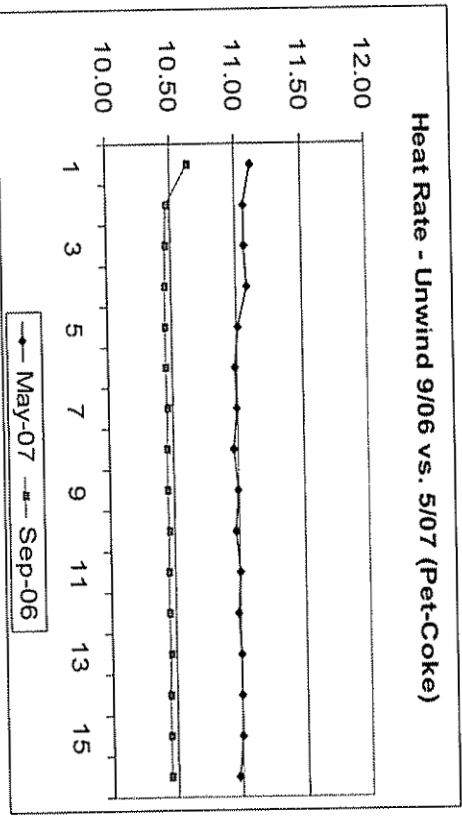
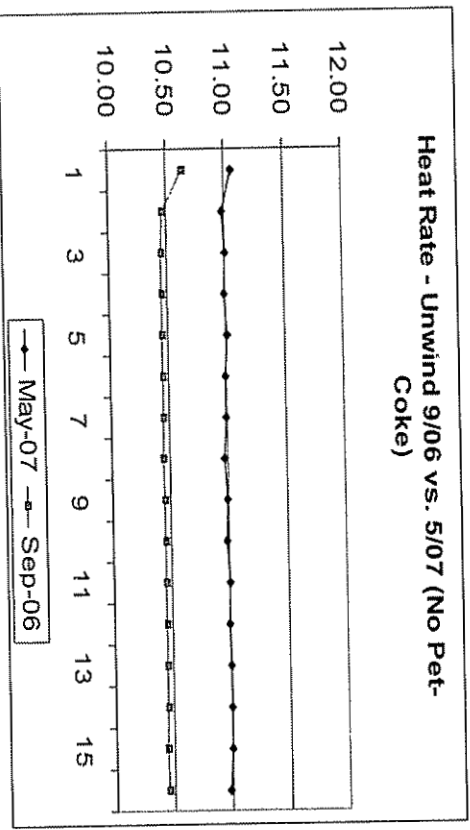
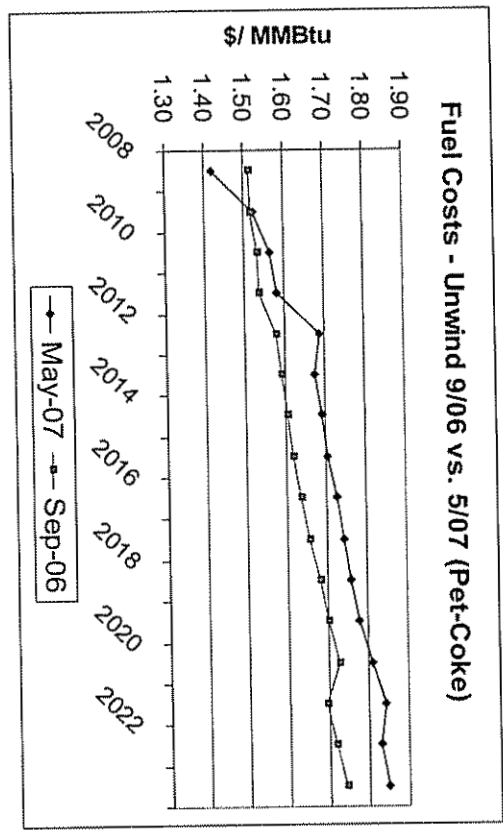
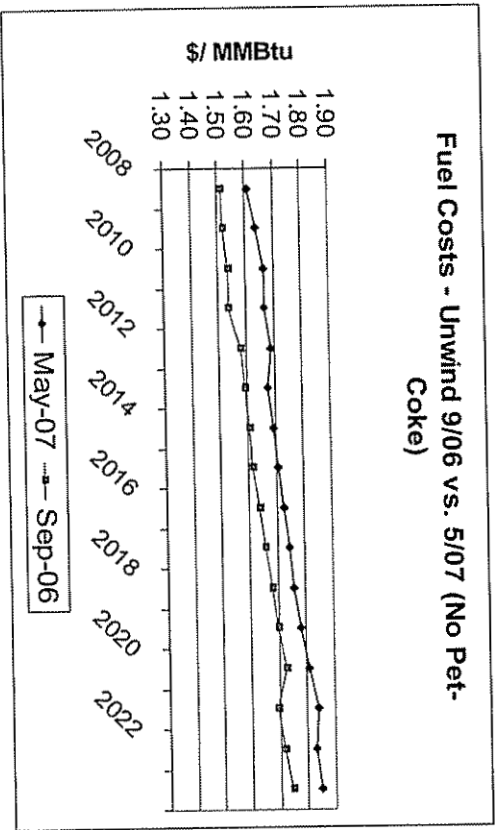
- Fuel
- Fixed O&M
- Variable O&M
- Financing
- SEPA & Other Purchases

Lower Revenue projections include:

- Offsystem Sales
- Gain on Sale of Emissions Allowances

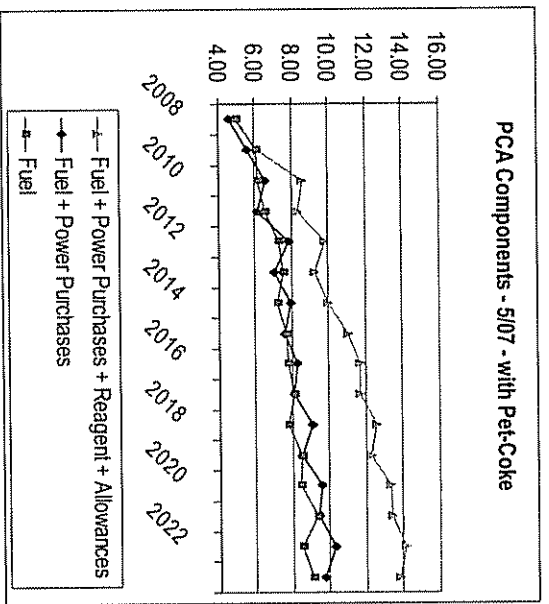
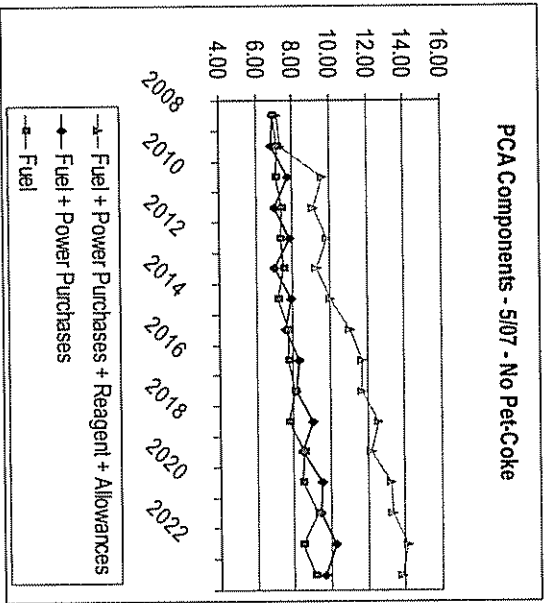
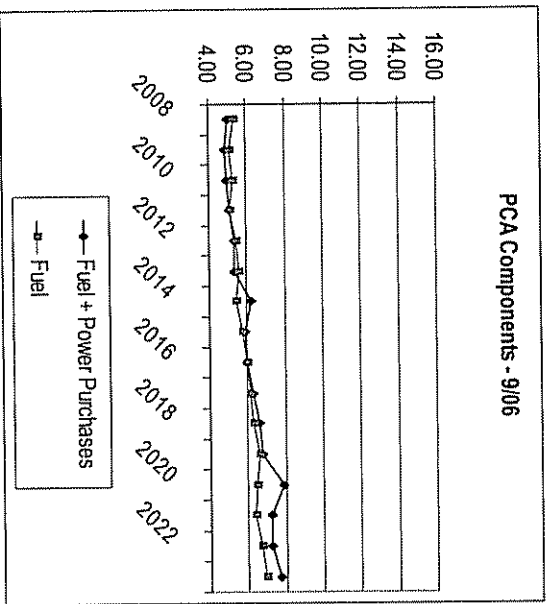
Unwind Transaction – Updated Economics Since 9/06

Fuel



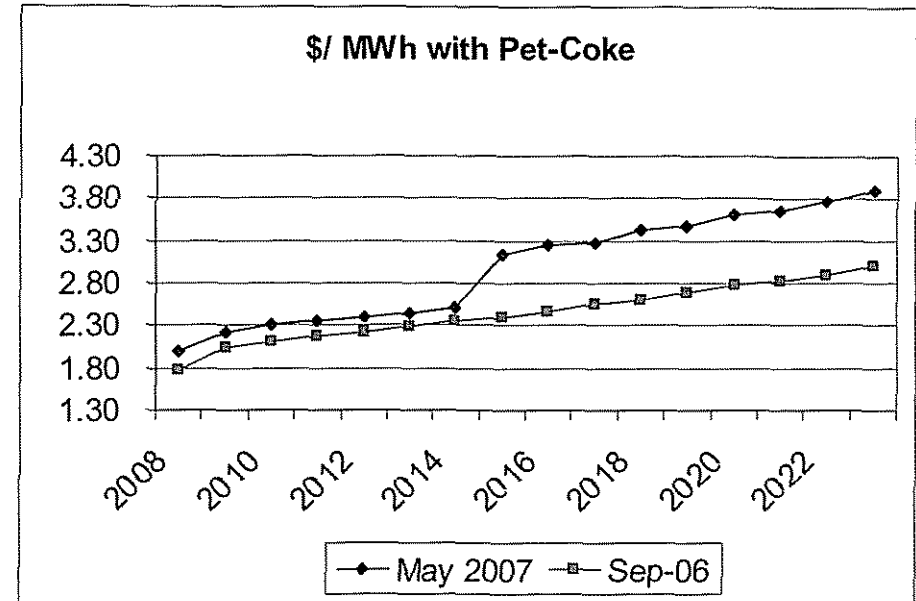
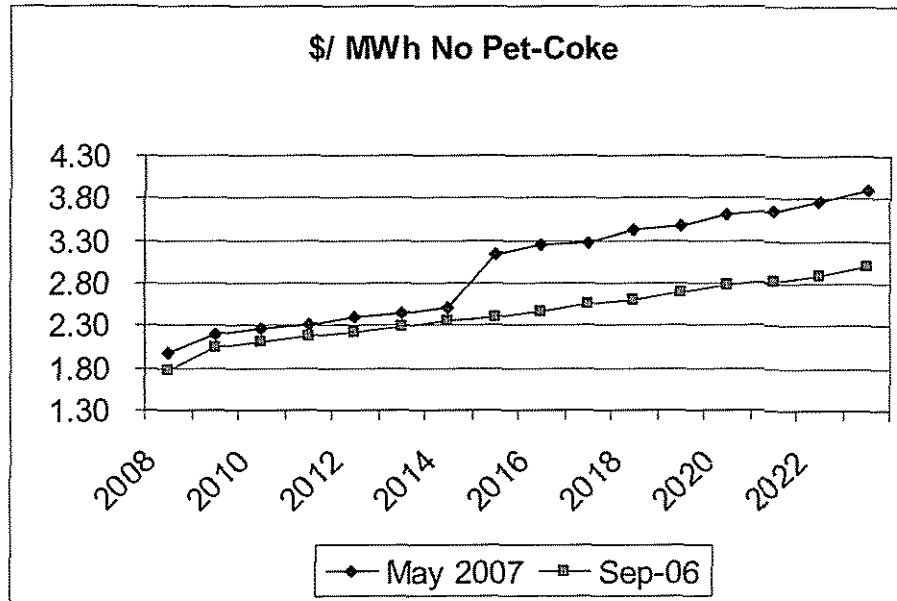
PCA Factor

- **The steep rise in the PCA results from:**
 1. The inclusion of VOM and Emission Allowances, which were not included in the 9/06 PCA (account for approximately 67% and 72% of PCA increase in No Pet-Coke and Pet-Coke scenarios, respectively).
 2. Increased Fuel Costs ((account for approximately 33% and 28% of PCA increase in No Pet-Coke and Pet-Coke scenarios, respectively).



Variable O&M

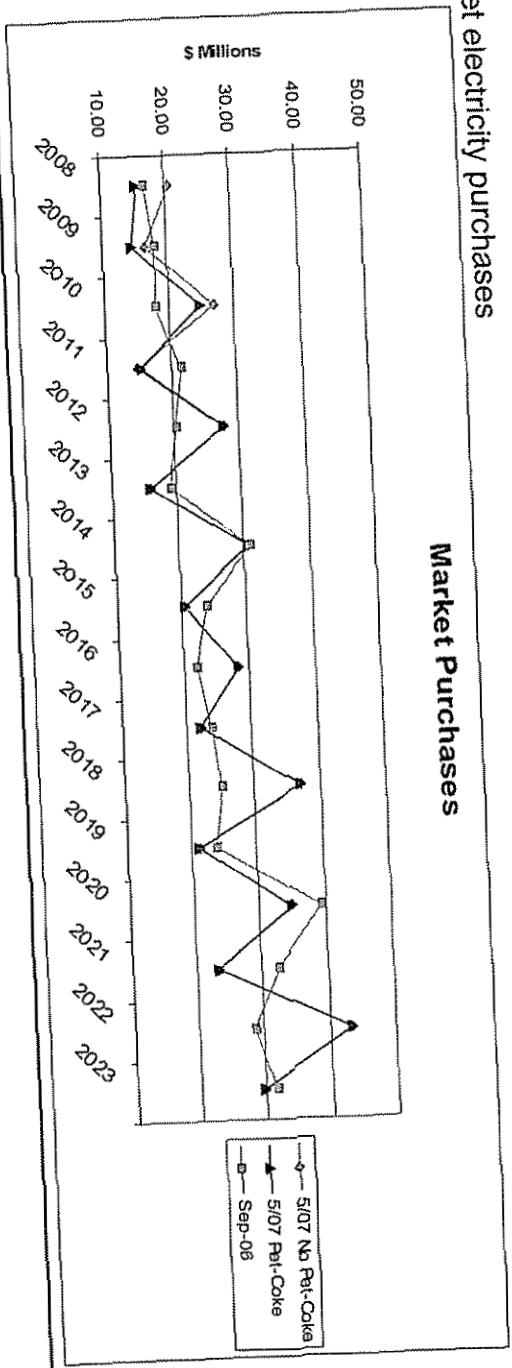
- Non-fuel variable O&M increased in 2015 time frame at Station Two and Green due to landfill being full. The new cost represents moving the landfill material from Reid/Green Station to Wilson.



Market Electricity Purchases and Sales

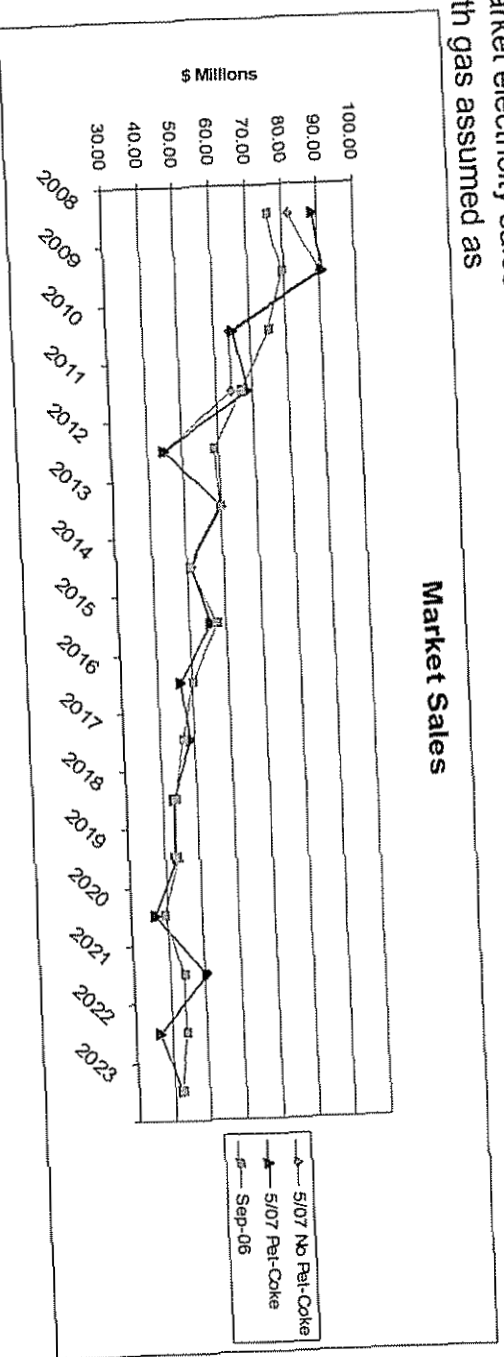
Increased Market Electricity Purchases:

- Projected outlays for market electricity purchases are up on average

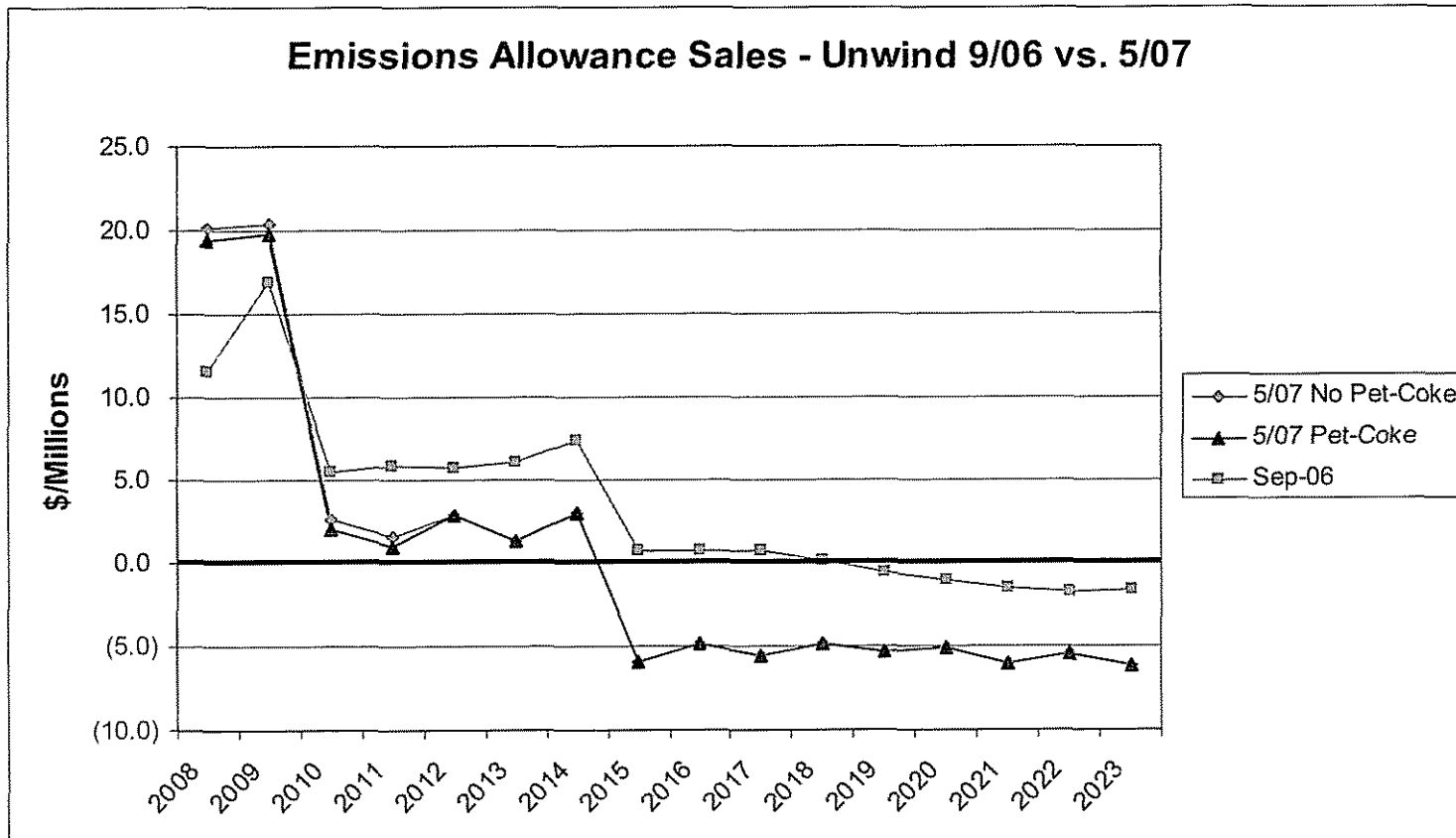


Market Electricity Sales:

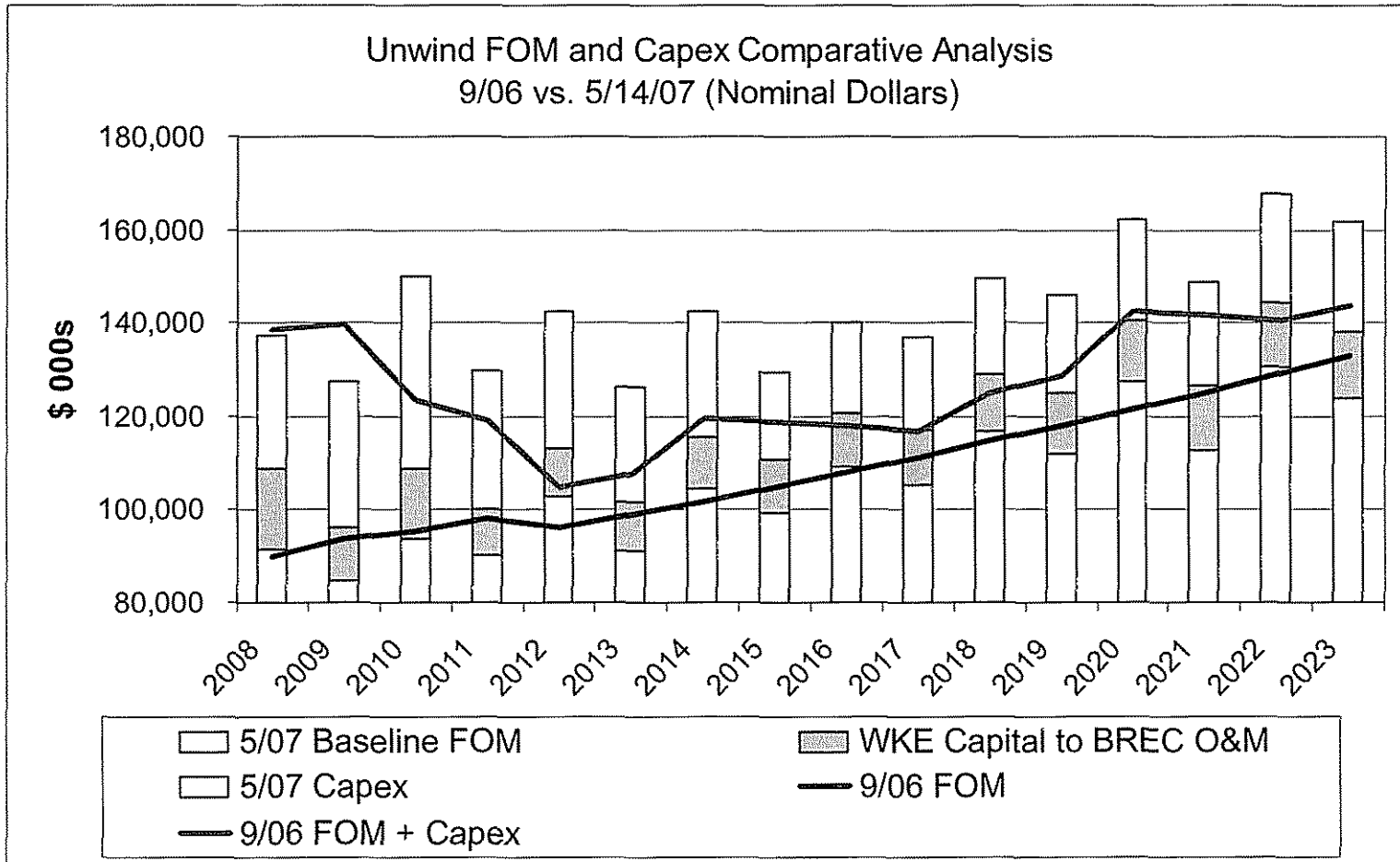
- Projected revenues from market electricity sales are up in the early years, with gas assumed as marginal fuel



Net Emissions Allowance Revenues/ Costs

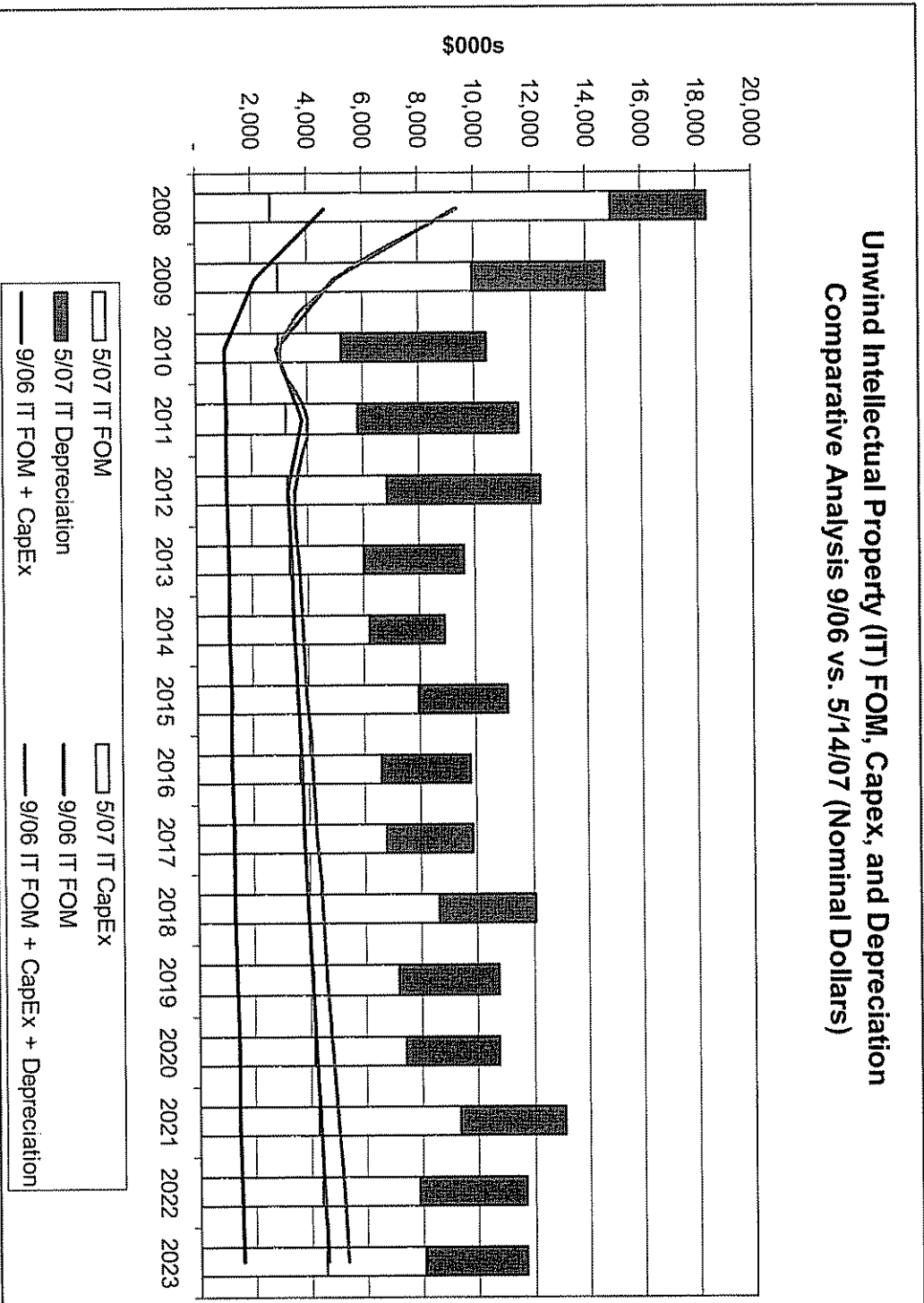


Capital Expenditures and Fixed O&M (production)



Unwind Transaction – Updated Economics Since 9/06

Intellectual Property Fixed O&M, Capital Expenditures, and Depreciation



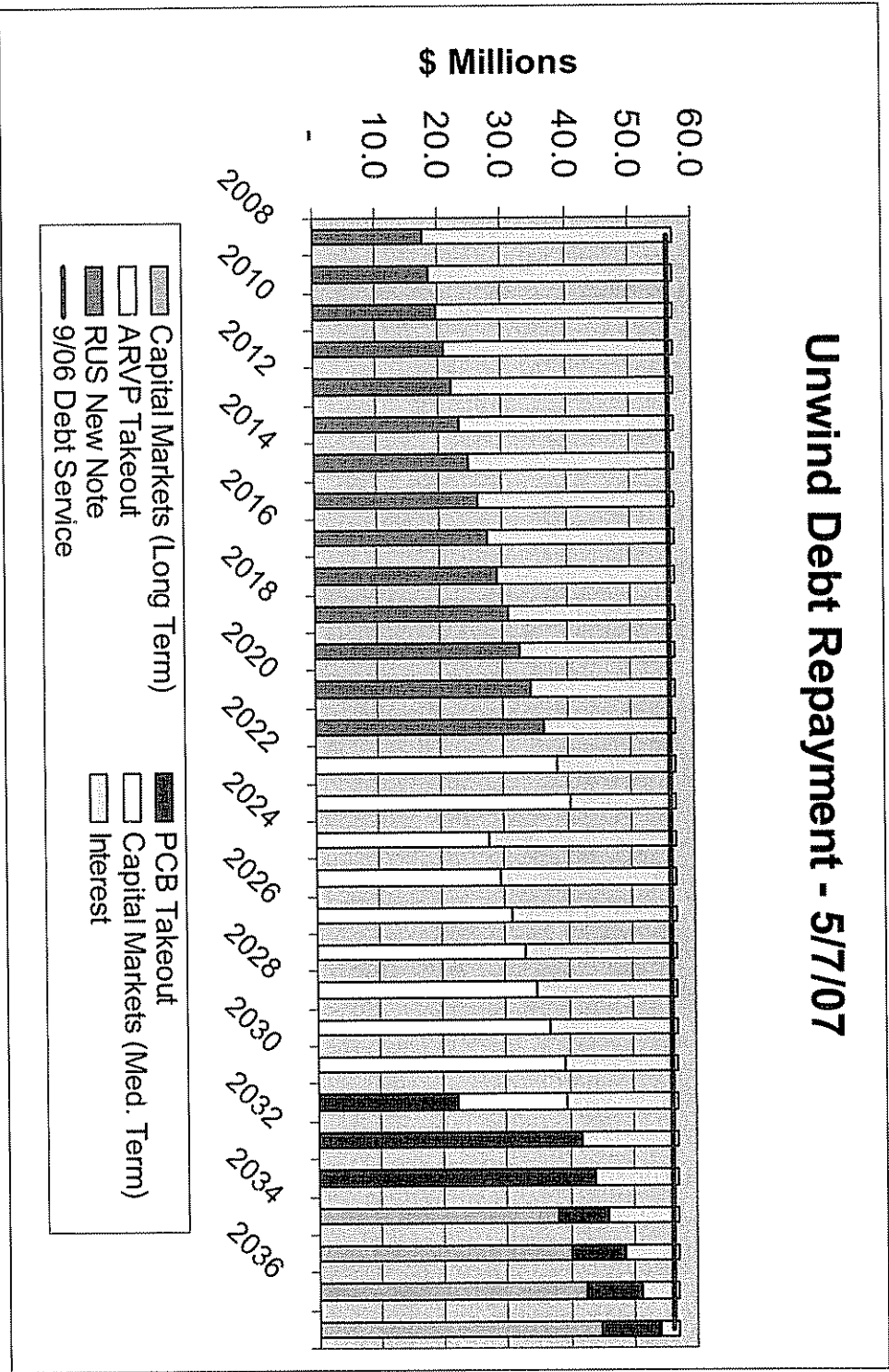
Unwind Transaction – Updated Economics Since 9/06

Debt Levels and Interest Cost (1)

- Debt level reduced
- Capital Markets debt assumed all fixed/ insured*, with yield curve modeled to approximate 5/07 market (30-year treas. @ 4.82%)
- Bond insurance reduced from 1.00% of debt service to 0.80%
- Credit spreads approximate 0.80%
- ARVP takeout financing assumed at 6%
- PCB takeout financing assumed at 5%

	9/06					5/16/07					
	\$M	Base (LIBOR)	Spr.	Clos./ Ins.	Total	\$M	Base (Treas.)	Spr.	Clos./ Ins.	Total	
0	230	4.25%	0.10%	0.30%	4.65%	249	4.82%	0.79%	0.29%	5.90%	<< Transition from variable to fixed rate, May 2007 yield curve
RUS Note	392				5.75%	362				5.75%	<< Takeout financing set to 6%
ARVP	97				5.93%	100				5.93%	<< Transition to floating rate; takeout @ 5%
PCB	142				4.09%	142				3.70%	
Blend	861				5.10%	852				5.39%	
ARVP Defeasance/ Repay.	-					-					
Underwriting & Other	-					(4)					
Bond Insurance	-					(5)					<< Impact of premium adjustment to 0.80%, longer maturity, and larger issue
Net	861					843					
Annual Level Debt Service *	56					57					

Debt Levels and Interest Cost (2)



Unwind Transaction – Updated Economics Since 9/06

Appendix 1a: Financial Detail for No Pet-Coke Scenario

	2006		2007		2008		2009		2010		2011		2012		2013		2014		2015		2016		2017		2018		2019		2020		2021		2022		2023			
Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023																				
Unwind Allocation	0.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000		
Status Quo Allocation	1.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		
Transaction Index	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		
1 I. Sales (TWh)	2.23	2.40	2.38	2.43	2.48	2.54	2.60	2.65	2.71	2.77	2.83	2.89	2.96	3.02	3.09	3.16	3.23	3.31																				
2 Rural	0.96	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97																				
3 Large Industrial	-	-	4.17	4.16	4.16	4.16	4.17	4.16	4.16	4.16	4.17	4.16	4.16	4.16	4.16	4.16	4.16	4.16																				
4 Century	-	-	3.15	3.14	3.14	3.14	3.15	3.14	3.14	3.14	3.15	3.14	3.14	3.14	3.14	3.14	3.14	3.14																				
5 Alcan	-	-	1.61	1.82	1.34	1.47	1.14	1.44	1.16	1.31	1.04	1.04	0.87	0.79	0.64	0.89	0.59	0.69																				
6 Market	1.93	1.16	12.28	12.52	12.09	12.28	12.02	12.36	12.13	12.34	12.15	12.20	12.09	12.08	12.02	12.32	12.08	12.26																				
7 Total Sales	5.11	4.53																																				

Unwind Transaction – Updated Economics Since 9/06

Appendix 1a: Financial Detail for No Pet-Coke Scenario

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Unwind Allocation	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Status Quo Allocation	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Transaction Index	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
14 II. Rates (\$/ MWH Sold, unless otherwise noted)																		
15 General Rate Adjustment (%)	0.00%	0.00%	0.00%	0.00%	4.77%	0.00%	3.62%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.13%	0.00%	0.28%	0.00%
16 Power Cost Adjustment (\$/MWH)																		
17 Fuel	6.93	7.15	7.11	7.42	7.30	7.48	7.16	7.70	7.72	8.08	7.77	8.53	8.43	9.29	8.47	8.47	8.47	9.08
18 Purchased Power	(0.12)	(0.45)	0.43	(0.59)	0.51	(0.49)	(0.14)	0.54	0.03	1.28	(0.04)	1.42	0.11	1.81	0.63	0.63	0.63	0.63
19 Reagent	1.89	2.11	2.13	2.22	2.23	2.35	2.34	2.97	3.03	3.09	3.12	3.27	3.30	3.45	3.42	3.42	3.42	3.63
20 Emissions Allowances	(1.84)	(1.63)	(0.21)	(0.12)	(0.24)	(0.10)	0.48	0.40	0.45	0.40	0.40	0.45	0.43	0.50	0.46	0.46	0.46	0.50
21 Total	7.07	7.17	9.46	8.93	9.81	9.24	9.98	11.02	11.69	11.66	12.57	12.21	13.28	13.36	14.16	14.16	14.16	13.83
22 Smelter Surcharge Rebate	(1.53)	(1.50)	(1.46)	(1.46)	(1.46)	(1.46)	(2.05)	(2.02)	(1.99)	(1.95)	(1.92)	(2.64)	(2.60)	(2.55)	(2.47)	(2.47)	(2.43)	(2.38)
23 Net to Members	5.54	5.67	7.98	7.48	7.76	7.23	7.76	7.23	8.00	9.06	9.76	9.03	9.97	9.66	10.77	10.89	11.73	11.45
24 Rural																		
25 Load Factor (%)	61.6%	64.3%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%
26 Demand (\$/ KW-mo.)	7.37	7.37	7.37	7.37	7.72	7.72	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.17	8.17	8.20	8.20
27 Energy (\$/ MWH)	20.40	20.40	21.37	21.37	21.37	22.15	22.15	22.15	22.15	22.15	22.15	22.15	22.15	22.62	22.62	22.62	22.68	22.68
28 MRDA	(1.20)	(1.13)	(1.14)	(1.12)	(1.10)	(1.08)	(1.05)	(1.05)	(1.03)	(1.01)	(1.00)	(0.98)	(0.96)	(0.95)	(0.93)	(0.91)	(0.90)	(0.88)
29 Net Rate (\$/ MWH)	35.58	34.96	35.15	35.16	36.91	36.93	38.34	38.36	38.36	38.38	38.39	38.41	38.43	38.44	39.30	39.32	39.45	39.46
30 PCA - Net	-	-	5.54	5.67	7.98	7.48	7.76	7.23	8.00	9.06	9.76	9.03	9.97	9.66	10.77	10.89	11.73	11.45
31 Deferred Income Offset	-	-	(5.77)	(5.54)	(4.66)	-	-	-	-	-	-	-	-	-	-	-	-	-
32 TIER Related Rebate	-	-	34.91	34.92	40.24	44.41	46.09	45.57	46.36	47.44	48.16	47.44	48.40	48.10	50.07	50.20	51.18	50.91
33 Effective Rate (\$/ MWH)	35.58	34.96	34.91	34.92	40.24	44.41	46.09	45.57	46.36	47.44	48.16	47.44	48.40	48.10	50.07	50.20	51.18	50.91
34 Large Industrial																		
35 Load Factor (%)	78.1%	80.2%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
36 Demand (\$/ KW-mo.)	10.15	10.15	10.15	10.15	10.63	10.63	11.02	11.02	11.02	11.02	11.02	11.02	11.02	11.02	11.25	11.25	11.29	11.29
37 Energy (\$/ MWH)	13.72	13.72	13.72	13.72	14.37	14.37	14.89	14.89	14.89	14.89	14.89	14.89	14.89	14.89	15.21	15.21	15.25	15.25
38 Power Factor Penalty/ Demand C. (Lrg)	0.19	(0.99)	(1.01)	(0.99)	(0.98)	(0.96)	(0.95)	(0.93)	(0.92)	(0.91)	(0.89)	(0.88)	(0.86)	(0.85)	(0.84)	(0.82)	(0.81)	(0.79)
39 MRDA	(1.04)	(0.99)	(1.01)	(0.99)	(0.98)	(0.96)	(0.95)	(0.93)	(0.92)	(0.91)	(0.89)	(0.88)	(0.86)	(0.85)	(0.84)	(0.82)	(0.81)	(0.79)
40 Net Rate (\$/ MWH)	30.67	30.07	30.39	30.41	31.90	31.92	33.11	33.13	33.14	33.16	33.17	33.18	33.20	33.21	33.95	33.96	34.07	34.09
41 PCA - Net	-	-	5.54	5.67	7.98	7.48	7.76	7.23	8.00	9.06	9.76	9.03	9.97	9.66	10.77	10.89	11.73	11.45
42 Deferred Income Offset	-	-	(5.77)	(5.54)	(4.66)	-	-	-	-	-	-	-	-	-	-	-	-	-
43 TIER Related Rebate	-	-	30.16	30.16	35.22	39.39	40.87	40.35	41.14	42.22	42.93	42.21	43.17	42.87	44.71	44.85	45.81	45.53
44 Effective Rate (\$/ MWH)	30.67	30.07	30.16	30.16	35.22	39.39	40.87	40.35	41.14	42.22	42.93	42.21	43.17	42.87	44.71	44.85	45.81	45.53

Unwind Transaction – Updated Economics Since 9/06

Appendix 1a: Financial Detail for No Pet-Coke Scenario

Transaction Index	2006		2007		2008		2009		2010		2011		2012		2013		2014		2015		2016		2017		2018		2019		2020		2021		2022		2023				
	Calendar Year	Unwind Allocation	Calendar Year	Unwind Allocation	Calendar Year	Unwind Allocation	Calendar Year	Unwind Allocation	Calendar Year	Unwind Allocation	Calendar Year	Unwind Allocation	Calendar Year	Unwind Allocation	Calendar Year	Unwind Allocation	Calendar Year	Unwind Allocation	Calendar Year	Unwind Allocation	Calendar Year	Unwind Allocation	Calendar Year	Unwind Allocation	Calendar Year	Unwind Allocation	Calendar Year	Unwind Allocation	Calendar Year	Unwind Allocation	Calendar Year	Unwind Allocation	Calendar Year	Unwind Allocation	Calendar Year	Unwind Allocation			
52	Non-Smelter Member Blend																																						
53	Base	35.26	34.64	34.87	34.89	34.91	34.94	34.96	34.98	35.00	35.02	35.04	35.06	35.08	35.10	35.12	35.14	35.16	35.18																				
54	General Rate Adjustment	-	-	7.07	7.17	1.66	1.66	2.99	2.99	2.99	2.99	2.99	2.99	3.00	3.00	3.00	3.00	3.00	3.00	3.00																			
55	PCA	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																			
56	Pre-MRDA Total	35.26	34.64	41.94	42.07	46.04	45.53	47.75	47.21	47.97	49.03	49.72	48.72	50.64	50.31	52.21	52.31	53.25	52.94																				
57	MRDA	(1.15)	(1.09)	(1.10)	(1.08)	(1.07)	(1.05)	(1.03)	(1.02)	(1.00)	(0.98)	(0.97)	(0.95)	(0.94)	(0.92)	(0.91)	(0.89)	(0.88)	(0.85)																				
58	Post-MRDA Total	34.11	33.55	40.84	40.99	44.97	44.48	46.72	46.19	46.97	48.04	48.75	48.77	49.70	49.39	51.30	51.42	52.37	52.08																				
59	Surcharge Rebate	-	-	(5.77)	(5.54)	(4.66)	(4.46)	(2.05)	(2.02)	(1.99)	(1.95)	(1.92)	(2.84)	(2.60)	(2.55)	(2.51)	(2.47)	(2.43)	(2.38)																				
60	Deferred Income Offset	-	-	-	(0.38)	-	-	-	-	-	-	-	-	-	-	-	-	-	-																				
61	TIER Related Rebate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																				
62	TIER Related Rebate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-																				
63	Effective Rate	34.11	33.55	33.54	33.57	38.83	43.03	44.67	44.17	44.98	46.09	46.83	46.13	47.11	46.83	48.79	48.95	49.94	49.69																				
64	Smelters																																						
65	Base Rate	-	-	27.33	27.34	28.68	28.70	29.77	29.78	29.79	29.80	29.81	29.83	29.84	29.85	30.51	30.52	30.62	30.63																				
66	TIER Adjustment	-	-	1.51	1.95	1.14	1.14	2.95	0.36	2.07	1.16	2.81	2.03	3.76	2.93	4.15	1.29	4.75	2.75																				
67	Smelter Rate Subject to Price Cap	-	-	28.84	27.34	30.64	29.84	32.72	30.14	31.86	30.96	32.63	31.85	33.60	32.78	34.66	31.81	35.37	33.38																				
68	PCA	-	-	7.07	7.17	9.46	8.93	9.81	9.24	9.98	11.02	11.69	11.86	12.57	12.21	13.28	13.36	14.16	13.83																				
69	Surcharge	-	-	0.70	0.70	0.70	0.70	1.00	1.00	1.00	1.00	1.00	1.40	1.40	1.40	1.39	1.40	1.40	1.40																				
70	TIER Related Rebate	-	-	-	(0.38)	-	-	-	-	-	-	-	-	-	-	-	-	-	-																				
71	Effective Rate	-	-	36.60	34.84	40.80	39.47	43.53	40.38	42.85	42.98	45.31	44.91	47.56	46.38	49.33	48.56	50.92	48.60																				
72	Market	43.30	56.34	50.81	49.34	47.97	43.73	39.36	41.70	43.76	42.55	44.51	46.59	49.36	54.39	56.82	56.01	62.81	61.21																				
73	Overall Blend	37.57	39.40	37.63	36.60	41.03	41.00	43.47	41.65	43.58	43.88	45.72	45.44	47.54	47.05	49.55	48.05	51.16	49.69																				

Unwind Transaction – Updated Economics Since 9/06

Appendix 1a: Financial Detail for No Pet-Coke Scenario

Transaction Index	Transaction																		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
77	0.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
78	1.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
79	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
80	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
81	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
82	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
83	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
84	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
85	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
86	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
87	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
88	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
89	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
90	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
91	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
92	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
93	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
94	98.0	87.9	216.7	223.7	215.5	222.7	216.6	224.9	216.9	227.4	224.1	229.3	223.5	232.4	230.1	246.4	231.8	242.7	227.7
95	-	6.9	20.4	16.6	26.7	14.6	27.6	16.0	30.5	20.3	28.2	22.2	23.5	21.1	34.9	23.4	43.5	29.6	29.6
96	11.4	0.7	23.2	26.4	25.8	27.3	28.4	29.0	28.4	36.7	36.8	37.7	37.7	39.5	39.7	42.5	41.4	44.5	44.5
97	0.4	-	114.1	101.4	114.3	105.9	118.7	107.6	121.8	116.6	126.8	123.7	135.3	131.3	147.3	133.1	151.4	145.4	145.4
98	-	-	6.3	6.5	6.7	6.9	7.1	7.4	7.6	7.8	8.0	8.3	8.5	8.8	9.0	9.3	9.6	9.9	9.9
99	6.6	7.1	4.3	4.3	4.3	3.4	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
100	4.7	3.8	20.4	21.1	21.7	22.4	23.1	23.8	24.5	25.2	26.0	26.7	27.5	28.4	29.2	30.1	31.0	31.9	31.9
101	13.8	13.8	6.7	6.9	7.1	7.8	8.5	8.8	9.1	9.3	9.6	9.9	10.2	10.5	10.8	11.1	11.5	11.8	11.8
102	2.4	2.4	(26.0)	0.3	(0.7)	2.0	(1.5)	0.6	(2.0)	(0.6)	(1.3)	(0.1)	(1.7)	0.3	(2.2)	0.1	(1.5)	(0.4)	(0.4)
103	6.7	1.7	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.7
104	-	8.5	386.6	407.6	421.8	413.4	430.6	424.4	440.3	446.4	461.8	461.3	481.9	476.0	502.6	499.8	525.5	519.2	519.2
105	2.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
106	146.2	132.8	78.8	83.3	97.2	100.2	97.3	97.7	95.9	96.1	95.0	96.3	95.2	96.3	94.6	95.9	95.9	93.1	93.1
107	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
108	105.8	107.8	301.2	103.0	78.8	83.3	97.2	100.2	97.3	97.7	95.9	96.1	95.0	96.3	94.6	95.9	95.9	93.1	93.1
109	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Unwind Transaction – Updated Economics Since 9/06

Appendix 1a: Financial Detail for No Pet-Coke Scenario

Calendar Year	2006	2007	Transaction	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Unwind Allocation	0.000	0.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Status Quo Allocation	1.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transaction Index	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
111																			
112 Receipts less Disbursements	105.8	107.8	301.2	103.0	78.8	83.3	97.2	100.2	97.3	97.7	95.9	96.1	95.0	96.3	95.2	96.3	94.6	95.9	93.1
113																			
114 Smelter Payment (Assurances Agreement)	-	-	(4.3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
115 Lease-Equity Consent Fees/ Smelter Exit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
116 Non-Smelter Member Excess Cash Rebal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
117 Non-Smelter Member Rate Mitigation Acc.	-	-	(50.0)	19.3	18.8	16.1	-	-	-	-	-	-	-	-	-	-	-	-	-
118 General Revenue Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
119 Net DSL Termination Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
120																			
121 Capital Expenditures																			
122 Generation	6.4	6.6	-	11.8	18.3	19.1	16.7	17.2	17.7	18.2	18.8	19.3	19.9	20.5	21.1	21.6	22.4	23.1	23.8
123 Transmission	5.9	9.6	-	8.2	12.5	4.6	11.2	1.6	0.5	0.4	0.5	1.7	3.0	3.6	3.7	3.8	3.9	4.0	4.1
124 Transmission Upgrades	-	4.1	-	3.9	6.3	1.8	-	-	-	-	-	-	-	-	-	-	-	-	-
125 A&G	0.9	1.3	-	1.3	1.3	1.4	1.4	1.5	1.5	1.5	1.6	1.6	1.7	1.7	1.8	1.8	1.9	2.0	2.0
126 Extraordinary Generation	-	-	-	16.4	13.1	21.9	13.0	12.2	6.6	8.9	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
127 Other (HQ Building, IP)	-	4.9	-	15.3	15.2	9.1	2.6	3.6	2.6	2.7	4.4	2.9	3.0	4.7	3.1	3.2	5.1	3.4	3.5
128 Total Capital Expenditures	13.2	26.5	-	56.9	66.8	57.9	44.9	36.0	28.9	31.7	25.2	25.5	27.5	30.5	29.7	30.6	33.3	32.5	33.4
129																			
130 Income Taxes	0.6	0.6	1.0	0.4	0.4	0.2	0.1	-	0.0	0.4	0.2	0.2	0.7	0.7	1.5	1.2	1.8	1.6	2.7
131																			
132 Net Pre-Finance Cash Flow	92.0	80.7	246.0	64.9	30.4	41.2	52.1	64.2	68.4	65.6	70.4	70.4	66.8	65.1	64.0	64.4	59.6	61.8	56.9
133																			
134 Debt Reduction on Unwind Transaction D:	-	-	213.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
135																			
136 Financing																			
137 Principal	26.4	12.5	-	17.5	18.5	19.6	20.7	21.9	23.2	24.5	25.9	27.4	29.0	30.7	32.4	34.3	36.3	38.3	40.5
138 Interest	36.9	36.7	-	39.9	38.9	37.8	36.7	35.5	34.2	32.9	31.5	30.0	28.4	26.7	25.0	23.1	21.1	19.1	16.9
139 Line of Credit	-	-	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
140 Aggregate Debt Service (incl. Line of C	63.4	49.2	-	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.8	57.9
141																			
142 Post-Finance Cash Flow	28.7	31.5	32.5	7.0	(27.5)	(16.7)	(5.8)	6.3	10.5	7.7	12.5	12.5	8.9	7.2	6.1	6.5	1.7	4.0	(1.0)
143																			
144 Ending Cash Balances	95.9	127.5	160.0	167.0	139.5	122.8	117.0	123.3	133.8	141.5	154.0	166.5	175.4	182.6	188.6	195.2	196.8	200.9	199.9

Unwind Transaction – Updated Economics Since 9/06

Appendix 1a: Financial Detail for No Pet-Coke Scenario

	2006	2007	Transact	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Unwind Allocation	0,000	0,000	0,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Status Quo Allocation	1,000	1,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Transaction Index	0,000	0,000	1,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
145 IV, Income Statement (M\$)																			
146 Revenues	79.4	83.8	-	83.1	85.0	100.0	112.9	119.6	120.9	125.5	131.5	136.2	137.2	143.0	145.3	154.7	158.6	155.3	168.3
147 Rural	29.3	29.3	-	29.2	29.2	34.1	38.1	39.5	39.0	39.8	40.8	41.5	40.8	41.7	41.4	43.2	43.4	44.3	44.0
148 Large Industrial	-	-	-	267.8	254.2	297.7	288.0	318.5	294.7	312.6	313.6	331.6	327.7	347.0	338.5	360.9	339.7	371.6	354.7
149 Smelters	83.4	65.5	-	82.0	90.0	64.3	64.3	44.8	60.1	50.7	55.7	46.3	48.5	43.2	43.0	36.5	50.1	36.9	42.3
150 Off-System	6.0	5.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
151 Transmission	1.8	1.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
152 Smelter - Tier 3 Transmission	-	-	6.9	-	20.4	2.6	1.5	2.9	1.3	3.0	(5.9)	(4.8)	(5.6)	(4.9)	(5.4)	(5.1)	(6.1)	(5.5)	(6.1)
153 Gain on Sale of Allowances	-	-	(4.3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
154 Smelter Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
155 Consent Fees	-	-	(50.0)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
156 Non-Smelter Member Excess Cash Ret	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
157 Non-Smelter Member Deferred Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
158 General Revenue Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
159 Net DSL Termination	52.3	52.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
160 WREC Lease (Net)	3.7	6.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
161 Interest Earnings	255.9	244.5	(47.3)	508.3	504.7	520.6	510.1	530.3	521.2	537.4	541.8	557.4	555.8	577.6	570.6	598.3	593.9	620.9	611.8
162 Total Revenues	98.0	87.9	-	216.7	223.7	215.5	222.7	216.6	224.9	216.9	227.4	224.1	229.3	223.5	232.4	230.1	246.4	231.8	242.7
163 Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
164 PPA	-	-	-	20.4	16.6	26.7	14.6	27.6	16.0	30.5	20.3	28.2	22.2	37.0	21.1	34.9	23.4	43.5	29.6
165 Fuel Costs	11.4	6.9	-	23.2	26.4	25.8	27.3	26.9	28.0	28.4	36.7	36.8	37.7	37.7	39.5	39.7	42.5	41.4	44.5
166 SEPA & Other Purchases	0.4	0.7	-	14.1	101.4	114.3	105.9	118.7	107.6	121.8	116.6	126.8	123.7	135.3	131.3	147.3	133.1	151.4	145.4
167 Non-Fuel Variable Production O&M	-	-	-	6.3	6.5	6.7	6.9	7.1	7.4	7.6	7.8	8.0	8.3	8.5	8.8	9.0	9.3	9.6	9.9
168 Fixed Production O&M	6.6	7.1	-	4.3	4.3	4.3	3.4	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
169 Transmission O&M	4.7	3.8	-	20.4	21.1	21.7	22.4	23.1	23.8	24.5	25.2	26.0	26.7	27.5	28.4	29.2	30.1	31.0	31.9
170 APM, LLC, Cogen, CW & TVA Trans	13.8	13.8	-	6.7	6.9	7.1	7.8	8.5	8.8	9.1	9.3	9.6	9.9	10.2	10.5	10.8	11.1	11.5	11.8
171 A&G	2.4	2.4	-	36.6	38.8	40.2	41.4	41.7	42.0	39.8	40.6	41.0	41.2	42.0	42.5	42.6	43.5	44.0	44.2
172 Property Taxes & Insurance	32.0	33.3	-	46.7	46.0	45.3	44.6	43.9	42.9	42.0	41.1	40.2	39.1	38.1	36.9	35.8	34.5	33.1	31.5
173 Depreciation & Amortization	60.7	60.0	-	(2.6)	(2.4)	(2.5)	(2.5)	(2.5)	2.8	2.8	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)
174 Interest Expense (incl. Financing Fees)	(2.6)	(2.6)	-	(0.5)	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)
175 RUS Note & PCB Restructuring Charge	(6.0)	0.2	-	492.4	488.9	504.8	494.2	514.4	504.6	521.5	525.8	541.4	539.7	561.5	554.5	582.1	577.7	603.8	595.5
176 Net Sale-Leaseback	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
177 Other - Net	221.4	213.5	3.5	15.9	15.8	15.8	15.9	15.9	16.6	15.9	16.0	16.0	16.0	16.1	16.1	16.2	16.2	17.1	16.3
178 Total Expenses	-	-	611.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
179 Unwind Transaction (excl. Coleman)	-	-	560.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180 Net Margin	34.5	31.0	-	15.9	15.8	15.8	15.9	15.9	16.6	15.9	16.0	16.0	16.0	16.1	16.1	16.2	16.2	17.1	16.3

Unwind Transaction – Updated Economics Since 9/06

Appendix 1a: Financial Detail for No Pet-Coke Scenario

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Unwind Allocation	0.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Status Quo Allocation	1.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transaction Index	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
187 V. Balance Sheet (M\$)																		
188 Assets																		
190 Property	1,731.2	1,767.9	1,931.1	1,998.1	2,056.2	2,101.3	2,137.6	2,166.6	2,198.5	2,224.0	2,249.7	2,277.4	2,308.1	2,338.0	2,368.8	2,402.3	2,434.9	2,468.6
191 Total Utility Plant in Service	13.1	13.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
192 Construction in Progress	826.6	859.9	896.6	935.4	975.6	1,017.0	1,058.7	1,098.9	1,138.7	1,178.3	1,220.2	1,261.4	1,303.4	1,345.8	1,388.5	1,432.0	1,476.0	1,520.2
193 Depreciation & Amortization	190.7	197.3	204.6	206.1	214.8	223.8	232.5	241.8	251.7	262.2	273.6	285.6	298.6	312.4	327.1	342.9	359.8	377.9
194 Other Property	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
195 Current	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
196 Cash General Funds & Special Deposits	95.9	127.5	130.5	101.5	83.1	75.6	80.2	88.8	94.6	105.1	115.5	122.2	127.1	130.8	134.8	133.9	135.2	131.4
197 General Cash Balance	-	-	36.5	38.1	39.7	41.4	43.2	45.0	46.9	48.9	51.0	53.2	55.5	57.9	60.4	62.9	65.6	68.4
198 Sequestered Cash Balance	-	-	32.8	15.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
199 Credit/Rate Mitigation Escrows	-	50.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
200 Accounts Receivable	17.5	17.7	40.2	39.9	41.5	42.1	43.8	43.0	44.3	44.6	45.9	45.7	47.5	46.9	49.2	48.8	51.0	50.3
201 Fuel Stock & Related	-	0.8	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.1	1.1	1.1	1.2	1.2	1.2	1.3	1.3	1.3
202 Materials and Supplies Other	4.1	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
203 Other Current Assets	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7
204 Credits	4.7	4.3	3.8	3.4	3.0	2.6	2.2	1.9	1.7	1.4	1.2	1.0	0.8	0.6	0.4	0.2	0.4	(0.2)
205 AMBAC/Credit Suisse July '98	4.9	5.5	6.9	7.4	7.6	7.7	7.7	6.8	6.4	6.2	6.1	5.5	5.0	3.9	3.0	1.6	0.4	4.2
206 Deferred Tax	0.9	0.8	9.6	9.4	9.1	8.8	8.5	8.2	7.9	7.5	7.1	6.8	6.4	6.0	5.5	5.0	4.5	6.9
207 Deferred Debt Debts/PCB Relunding 10I	0.9	0.8	9.6	9.4	9.1	8.8	8.5	8.2	7.9	7.5	7.1	6.8	6.4	6.0	5.5	5.0	4.5	6.9
208 Other Deferred Assets	17.1	16.1	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
209 LEM Settlement Note/Marketing Payment	17.1	16.1	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9
210 Total Assets	1,254.3	1,295.9	1,572.2	1,556.4	1,592.1	1,559.0	1,569.5	1,575.8	1,586.0	1,593.6	1,602.6	1,608.8	1,618.4	1,623.4	1,633.6	1,638.6	1,648.5	1,653.4
211 Liabilities & Equities	(217.4)	(186.3)	374.0	389.908	421.6	437.5	453.4	470.0	485.9	501.8	517.8	533.9	549.9	566.1	582.3	598.5	615.6	631.9
212 Margins & Equities	1,053.1	1,062.1	840.813	828.5	815.5	801.8	787.3	772.0	755.8	738.6	720.6	701.5	681.3	659.9	637.4	613.6	588.5	562.0
213 Long-Term Debt	177.3	183.9	190.936	192.4	201.0	210.0	218.7	228.1	238.0	248.7	260.1	272.4	285.5	299.5	314.5	330.5	347.7	365.1
214 Existing Debt	1,230.4	1,246.0	1,031.749	1,020.9	1,016.5	1,011.8	1,006.0	1,000.0	993.8	987.4	980.7	973.8	966.7	959.4	951.9	944.1	936.2	928.1
215 Sale-Leaseback Obligation	1,230.4	1,246.0	1,031.749	1,020.9	1,016.5	1,011.8	1,006.0	1,000.0	993.8	987.4	980.7	973.8	966.7	959.4	951.9	944.1	936.2	928.1
216 Total Long-Term Debt	12.6	11.7	60.100	59.3	61.6	59.9	63.0	61.3	64.4	65.1	67.5	67.2	70.4	69.3	73.5	72.8	76.3	75.7
217 Current & Accrued Liabilities	0.2	0.2	0.201	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3
218 Accounts Payable	0.2	0.2	0.201	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3
219 Taxes Accrued	-	50.0	32.833	15.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-
220 Mitigation Escrow	7.6	7.8	0.391	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
221 General Revenue Account	6.0	6.2	6.416	6.6	6.8	7.0	7.2	7.4	7.7	7.9	8.1	8.4	8.6	8.9	9.1	9.4	9.7	10.0
222 Interest Accrued	158.1	156.6	50.559	47.8	45.0	42.2	39.3	36.5	33.6	30.7	27.8	24.9	22.0	19.1	16.1	13.2	10.2	7.2
223 WKEC Lease (Resid. Value Obligation)	56.4	53.5	50.559	47.8	45.0	42.2	39.3	36.5	33.6	30.7	27.8	24.9	22.0	19.1	16.1	13.2	10.2	7.2
224 Sale-Leaseback Gain	0.4	0.3	50.559	47.8	45.0	42.2	39.3	36.5	33.6	30.7	27.8	24.9	22.0	19.1	16.1	13.2	10.2	7.2
225 Other Deferred Credits & Century Reactiv	1,254.3	1,295.9	1,572.2	1,556.4	1,592.1	1,559.0	1,569.5	1,575.8	1,586.0	1,593.6	1,602.6	1,608.8	1,618.4	1,623.4	1,633.6	1,638.6	1,648.5	1,653.4
226 Total Liabilities & Equity	1,254.3	1,295.9	1,572.2	1,556.4	1,592.1	1,559.0	1,569.5	1,575.8	1,586.0	1,593.6	1,602.6	1,608.8	1,618.4	1,623.4	1,633.6	1,638.6	1,648.5	1,653.4

Unwind Transaction – Updated Economics Since 9/06

Appendix 1a: Financial Detail for No Pet-Coke Scenario

	2006		2007		2008		2009		2010		2011		2012		2013		2014		2015		2016		2017		2018		2019		2020		2021		2022		2023		
	Calendar Year	Transaction	Calendar Year	Transaction	Calendar Year	Transaction	Calendar Year	Transaction	Calendar Year	Transaction	Calendar Year	Transaction	Calendar Year	Transaction	Calendar Year	Transaction	Calendar Year	Transaction	Calendar Year	Transaction	Calendar Year	Transaction	Calendar Year	Transaction	Calendar Year	Transaction	Calendar Year	Transaction	Calendar Year	Transaction	Calendar Year	Transaction	Calendar Year	Transaction	Calendar Year	Transaction	
231	Unwind Allocation	0.000	0.000	0.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
232	Status Quo Allocation	1.000	1.000	1.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
233	Transaction Index	0.000	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
234	Change in Working Capital	6.7	6.6	7.3	7.3	1.5	8.6	9.0	8.7	9.3	9.9	10.6	11.3	12.1	12.9	13.8	14.8	15.8	16.9	18.1																	
235	Other Property	1.2	0.3	22.5	22.5	(0.3)	1.7	0.5	1.7	0.8	1.3	0.3	1.3	(0.2)	1.8	(0.6)	2.3	(0.4)	2.2	(0.8)																	
236	Accounts Receivable	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0																	
237	Materials, Supplies & Other	3.8	0.6	-	-	0.8	(2.2)	1.6	(3.0)	1.6	(3.1)	(0.7)	(2.4)	0.3	(3.2)	1.1	(4.2)	0.7	(3.5)	0.6																	
238	Other Current Assets	0.5	0.9	(0.4)	(0.4)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)																	
239	Accounts Payable	0.2	(0.0)	(0.0)	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)																	
240	Taxes Accrued	(0.1)	(0.2)	(0.2)	(0.2)	(1.1)	(8.3)	(8.7)	(8.3)	(8.9)	(9.5)	(10.2)	(11.0)	(11.7)	(12.6)	(13.5)	(14.4)	(15.5)	(16.6)	(17.7)																	
241	Other Accruals	(6.0)	(6.2)	(6.7)	(6.7)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)																	
242	Investment - Special Deposit (B/S)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)																	
243	Net SLB	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)																	
244	CoBank Patronage Capital	0.9	0.3	(26.0)	(26.0)	0.3	(0.7)	2.0	(1.5)	0.6	(2.0)	(0.6)	(1.3)	(0.1)	(1.7)	0.3	(2.2)	0.1	(1.5)	(0.4)																	
245	Adjustment	6.7	1.7																																		
246	Total	6.7	6.6	7.3	7.3	1.5	8.6	9.0	8.7	9.3	9.9	10.6	11.3	12.1	12.9	13.8	14.8	15.8	16.9	18.1																	
247	Cash Balance	67.3	95.9	160.0	160.0	167.0	139.5	122.8	117.0	123.3	133.8	141.5	154.0	166.5	175.4	182.6	188.6	195.2	196.8	199.9																	
248	Beginning	127.5	127.5	160.0	160.0	139.5	122.8	117.0	123.3	133.8	141.5	154.0	166.5	175.4	182.6	188.6	195.2	196.8	199.9																		
	Ending	95.9	127.5	167.0	139.5	122.8	117.0	123.3	133.8	141.5	154.0	166.5	175.4	182.6	188.6	195.2	196.8	199.9																			

Unwind Transaction – Updated Economics Since 9/06

Appendix 1a: Financial Detail for No Pet-Coke Scenario

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
249																			
250	Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
251	Unwind Allocation	0.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
252	Status Quo Allocation	1.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
253	Transaction Index	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
254	VI. Credit Measures																		
255	TIER																		
256	Earnings			15.9	15.8	15.8	15.9	15.9	16.6	15.9	16.0	16.0	16.0	16.1	16.1	16.2	16.2	17.1	16.3
257	Plus: Interest Expense, Financing Fees, and Restructuring			46.7	46.0	45.3	44.6	43.9	45.7	42.0	41.1	40.2	39.1	38.1	36.9	35.8	34.5	36.4	31.5
258	Less: Interest on Sequestered Funds			1.5	1.6	1.6	1.7	1.8	1.8	1.9	2.0	2.1	2.2	2.3	2.4	2.5	2.6	2.7	2.8
259	Total			61.1	60.3	59.6	58.8	58.0	60.4	56.0	55.0	54.1	53.0	51.9	50.7	49.5	48.2	50.8	45.0
260	Plus Sale-Leaseback Interest			13.3	13.3	13.9	14.5	15.1	15.7	16.3	17.0	17.8	18.6	19.4	20.3	21.3	22.4	23.5	24.7
261	Total			74.4	73.6	73.5	73.3	73.1	76.1	72.3	72.1	71.9	71.6	71.3	71.0	70.8	70.5	74.3	69.7
262	Divided by																		
263	Interest Expense, Financing Fees, and Restructuring			46.7	46.0	45.3	44.6	43.9	45.7	42.0	41.1	40.2	39.1	38.1	36.9	35.8	34.5	36.4	31.5
264	Plus Sale-Leaseback Interest			13.3	13.3	13.9	14.5	15.1	15.7	16.3	17.0	17.8	18.6	19.4	20.3	21.3	22.4	23.5	24.7
265	Total			60.0	59.4	59.2	59.1	59.0	61.4	58.3	58.1	57.9	57.7	57.5	57.3	57.1	56.9	59.9	56.2
266	TIER			1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24
267	DSCR - Cash Basis, Pre Capex, Incl Sale-Leaseback																		
268	Cash Available for Debt Service			103.0	78.8	83.3	97.2	100.2	97.3	97.7	95.9	96.1	95.0	96.3	95.2	96.3	94.6	95.9	93.1
269	Receipts less Disbursements			19.3	18.8	16.1	(0.1)	(0.0)	(0.4)	(0.2)	(0.2)	(0.2)	(0.7)	(0.7)	(1.5)	(1.2)	(1.8)	(1.5)	(2.7)
270	Deferred Income Account			(0.4)	(0.4)	(0.2)	(0.1)												
271	Taxes			121.9	97.2	99.1	97.0	100.2	97.3	97.3	95.6	95.9	94.3	95.6	93.7	95.0	92.8	94.3	90.4
272	Net			13.3	13.3	13.9	14.5	15.1	15.7	16.3	17.0	17.8	18.6	19.4	20.3	21.3	22.4	23.5	24.7
273	Plus Sale-Leaseback Interest			135.2	110.5	113.0	111.5	115.3	112.9	113.6	112.7	113.7	112.9	115.0	114.0	116.4	115.2	117.8	115.1
274	Total			40.4	39.4	38.3	37.2	36.0	34.7	33.4	32.0	30.5	28.9	27.2	25.5	23.6	21.6	19.6	17.4
275	Interest Expenditures			17.5	18.5	19.6	20.7	21.9	23.2	24.5	25.9	27.4	29.0	30.7	32.4	34.3	36.3	38.3	40.5
276	Scheduled Principal			13.3	13.3	13.9	14.5	15.1	15.7	16.3	17.0	17.8	18.6	19.4	20.3	21.3	22.4	23.5	24.7
277	Plus Sale-Leaseback Interest			71.2	71.2	71.8	72.4	73.0	73.6	74.2	74.9	75.7	76.5	77.3	78.3	79.2	80.3	81.3	82.6
278	Total Debt Service			1.90	1.55	1.57	1.54	1.58	1.53	1.53	1.50	1.50	1.48	1.49	1.46	1.47	1.43	1.45	1.39
279	DSCR																		
280																			

Unwind Transaction – Updated Economics Since 9/06

Appendix 1a: Financial Detail for No Pet-Coke Scenario

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Calendar Year	0.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Unwind Allocation	1.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Status Quo Allocation	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transaction Index			1.000															
281 Days Cash on Hand	95.9	111.7	163.5	153.3	131.2	119.9	129.2	128.6	137.7	147.8	160.3	170.9	179.0	185.6	191.9	196.0	198.9	200.4
282 Average Cash Balance	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
283 Line of Credit	195.9	211.7	253.5	253.3	231.2	219.9	229.2	228.6	237.7	247.8	280.3	270.9	279.0	285.6	291.9	296.0	298.9	300.4
284 Total																		
285 Divided by																		
286 Total Operating Expense	98.0	87.9	216.7	223.7	215.5	222.7	216.6	224.9	216.9	227.4	224.1	229.3	223.5	232.4	230.1	246.4	231.8	242.7
287 PPA	-	-	20.4	16.6	26.7	14.6	27.6	16.0	30.5	20.3	28.2	22.2	37.0	21.1	34.9	23.4	43.5	29.6
288 Fuel Costs	11.4	6.9	23.2	26.4	25.8	27.3	26.9	29.0	28.4	36.7	36.8	37.7	37.7	39.5	39.7	42.5	41.4	44.5
289 SEPA & Other Purchases	0.4	0.7	114.1	101.4	114.3	105.9	118.7	107.6	121.8	116.6	126.8	123.7	135.3	131.3	147.3	133.1	151.4	145.4
290 Non-Fuel Variable Production O&M	-	-	6.3	6.5	6.7	6.9	7.1	7.4	7.6	7.8	8.0	8.3	8.5	8.8	9.0	9.3	9.6	9.9
291 Fixed Production O&M	6.6	7.1	4.3	4.3	4.3	3.4	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
292 Transmission O&M	4.7	3.8	20.4	21.1	21.7	22.4	23.1	23.8	24.5	25.2	26.0	26.7	27.5	28.4	29.2	30.1	31.0	31.9
293 APM, LLC, Cogen, CW & TVA Trans	13.8	13.8	6.7	6.9	7.1	7.8	8.5	8.8	9.1	9.3	9.6	9.9	10.2	10.5	10.8	11.1	11.5	11.8
294 A&G	2.4	2.4	46.7	46.0	45.3	44.6	43.9	42.9	42.0	41.1	40.2	39.1	38.1	36.9	35.8	34.5	33.1	31.5
295 Property Taxes & Insurance	60.7	60.0	458.8	453.0	467.5	455.7	475.6	463.5	483.8	487.6	502.8	500.1	521.1	512.1	540.0	533.7	556.3	550.5
296 Interest Expense (incl. Financing Fe	198.0	182.6																
297 Total																		
298 Days Cash on Hand (including Line of C	361.2	423.3	209.6	204.1	180.5	176.2	169.0	180.0	179.3	185.5	188.9	197.8	195.4	203.6	197.3	202.5	196.1	199.1
299 Days Cash on Hand (excluding Line of C	176.9	223.4	130.1	123.5	102.4	96.1	92.3	101.3	103.9	110.6	116.3	124.8	125.4	132.3	129.7	134.1	130.5	132.8
300																		
301																		

Unwind Transaction – Updated Economics Since 9/06

Appendix 1a: Financial Detail for No Pet-Coke Scenario

Calendar Year	2006	2007	Transaction	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Unwind Allocation	0.000	0.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Status Quo Allocation	1.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transaction Index	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
VII. Debt Service Detail, as of Transaction Date (MS)																			
<u>Fixed/ Insured Serial Bonds</u>																			
Beginning Principal				169.99	169.99	169.99	169.99	169.99	169.99	169.99	169.99	169.99	169.99	169.99	169.99	169.99	169.99	169.99	169.99
Principal				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest				9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59
Debt Service				9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59	9.59
Blended Interest Cost				0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
<u>Fixed/ Non-Insured Serial Bonds</u>																			
Beginning Principal				78.71	78.71	78.71	78.71	78.71	78.71	78.71	78.71	78.71	78.71	78.71	78.71	78.71	78.71	78.71	78.71
Principal				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest				4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Debt Service				4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35	4.35
Blended Interest Cost				0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06	0.06
<u>Variable Rate Bonds</u>																			
Beginning Principal				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service				-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Blended Interest Cost				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%
<u>Ongoing RUS Note</u>																			
Beginning Principal				362.0	344.5	325.9	306.3	285.6	263.7	240.5	216.0	190.0	162.6	133.6	103.0	70.5	36.3	-	-
Principal				17.5	18.5	19.6	20.7	21.9	23.2	24.5	25.9	27.4	29.0	30.7	32.4	34.3	36.3	-	-
Interest				20.8	19.8	18.7	17.6	16.4	15.2	13.8	12.4	10.9	9.4	7.7	5.9	4.1	2.1	-	-
Debt Service				38.3	38.3	38.3	38.3	38.3	38.3	38.3	38.3	38.3	38.3	38.3	38.3	38.3	38.3	-	-
Blended Interest Cost				5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	-	-

Unwind Transaction – Updated Economics Since 9/06

Appendix 1a: Financial Detail for No Pet-Coke Scenario

	2006	2007	Transaction	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Calendar Year	2006	2007	Transaction	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Unwind Allocation	0,000	0,000	0,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Status Quo Allocation	1,000	1,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
Transaction Index	0,000	0,000	1,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000
332 ARVP																			
333 Beginning Principal				99.6	105.5	111.8	118.4	125.4	132.8	140.7	149.0	157.8	167.1	177.0	187.5	198.6	210.3	222.8	235.9
334 Principal/ Reserve																			
335 Interest/ Reserve																			
336 Debt Service																			
337 Accrion Rate																			
338																			
339																			
340 PCB																			
341 Beginning Principal				142.1	142.1	142.1	142.1	142.1	142.1	142.1	142.1	142.1	142.1	142.1	142.1	142.1	142.1	142.1	142.1
342 Principal				5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
343 Interest				5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1	5.1
344 Debt Service																			
345 Blended Interest Cost				3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%
346																			
347 Total																			
348 Beginning Principal				852.4	840.8	828.5	815.5	801.8	787.3	772.0	755.8	738.6	720.6	701.5	681.3	659.9	637.4	613.6	588.5
349 Principal				17.5	18.5	19.6	20.7	21.9	23.2	24.5	25.9	27.4	29.0	30.7	32.4	34.3	36.3	38.3	40.5
350 Interest				39.9	38.9	37.8	36.7	35.5	34.2	32.9	31.5	30.0	28.4	26.7	25.0	23.1	21.1	19.1	16.9
351 Line of Credit Fee				0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
352 Debt Service				57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.8	57.9
353 Blended Interest Cost				4.74%	4.58%	4.62%	4.56%	4.49%	4.41%	4.32%	4.23%	4.13%	4.01%	3.86%	3.74%	3.58%	3.40%	3.19%	2.96%

Unwind Transaction – Updated Economics Since 9/06

Appendix 1b: Financial Detail for Pet-Coke Scenario

Calendar Year	2006	2007	Transaction	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Unwind Allocation	0.000	0.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Status Quo Allocation	1.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transaction Index	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
1 i. Sales (TWH)																			
2																			
3 <u>Rural</u>	2.23	2.40	-	2.38	2.43	2.48	2.54	2.60	2.65	2.71	2.77	2.83	2.89	2.96	3.02	3.09	3.16	3.23	3.31
4																			
5 <u>Large Industrial</u>	0.96	0.97	-	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97	0.97
6																			
7 <u>Century</u>	-	-	-	4.17	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
8																			
9 <u>Alcan</u>	-	-	-	3.15	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
10																			
11 <u>Market</u>	1.93	1.16	-	1.75	1.84	1.37	1.58	1.14	1.44	1.16	1.31	1.04	1.04	0.87	0.79	0.64	0.89	0.59	0.69
12																			
13 <u>Total Sales</u>	5.11	4.53	-	12.41	12.54	12.11	12.39	12.02	12.36	12.13	12.34	12.15	12.20	12.09	12.08	12.02	12.32	12.08	12.26

Unwind Transaction – Updated Economics Since 9/06

Appendix 1b: Financial Detail for Pet-Coke Scenario

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Unwind Allocation	0.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Status Quo Allocation	1.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transaction Index	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
14 ii. Rates (\$/ MWH Sold, unless otherwise noted)	0.00%	0.00%	0.00%	0.00%	4.270%	0.00%	4.12%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.14%	0.00%	0.28%	0.00%
15 General Rate Adjustment (%)	0.00%	0.00%	0.00%	0.00%	4.270%	0.00%	4.12%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.14%	0.00%	0.28%	0.00%
16 Power Cost Adjustment (\$/ MWH)	4.96	6.06	6.16	6.57	7.30	7.48	7.16	7.70	7.72	8.08	7.77	8.53	8.43	9.29	8.47	9.08	8.47	9.08
17 Fuel	(0.53)	(0.53)	0.26	(0.55)	0.51	(0.49)	0.73	(0.14)	0.54	0.03	1.28	(0.04)	1.12	0.11	1.81	0.63	1.81	0.63
18 Purchased Power	1.92	2.15	2.18	2.25	2.23	2.35	2.34	2.97	3.03	3.09	3.12	3.27	3.30	3.45	3.42	3.63	3.42	3.63
19 Reagent	(1.56)	(1.58)	(0.17)	(0.08)	(0.24)	(0.10)	(0.25)	0.48	0.40	0.46	0.40	0.45	0.43	0.50	0.46	0.50	0.46	0.50
20 Emissions Allowances	4.79	6.00	8.42	8.19	9.81	9.24	9.98	11.02	11.69	11.66	12.57	12.21	13.28	13.36	14.16	14.15	14.16	13.83
21 Total	(1.53)	(1.50)	(1.48)	(1.46)	(2.05)	(2.02)	(1.99)	(1.95)	(1.92)	(2.54)	(2.50)	(2.55)	(2.51)	(2.47)	(2.43)	(2.39)	(2.43)	(2.39)
22 Smeller Surcharge Rebate	3.27	4.50	6.94	6.73	7.76	7.23	8.00	9.06	9.76	9.03	9.76	9.03	9.97	9.66	10.77	10.89	11.73	11.45
23 Net to Members	3.27	4.50	6.94	6.73	7.76	7.23	8.00	9.06	9.76	9.03	9.76	9.03	9.97	9.66	10.77	10.89	11.73	11.45
24 Rural	61.6%	64.3%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%	63.6%
25 Lead Factor (%)	7.37	7.37	7.37	7.37	7.68	7.68	7.68	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.17	8.17	8.20	8.20
26 Demand (\$/ KW-mo.)	20.40	20.40	20.40	21.27	21.27	21.27	22.15	22.15	22.15	22.15	22.15	22.15	22.15	22.15	22.62	22.62	22.68	22.68
27 Energy (\$/ MWH)	(1.20)	(1.13)	(1.14)	(1.12)	(1.10)	(1.09)	(1.05)	(1.05)	(1.03)	(1.01)	(1.00)	(0.99)	(0.99)	(0.91)	(0.99)	(0.91)	(0.81)	(0.88)
28 MRDA	35.14	35.16	36.73	36.75	36.32	38.34	38.36	38.36	38.36	38.38	38.39	38.41	38.43	38.44	39.30	39.32	39.45	39.46
29 Net Rate (\$/ MWH)	3.27	4.50	6.94	6.73	7.76	7.23	8.00	9.06	9.76	9.03	9.76	9.03	9.97	9.66	10.77	10.89	11.73	11.45
30 PCA - Net	(3.48)	(4.19)	(5.85)	(2.67)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
31 Deferred Income Offset	(0.60)	(0.60)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
32 TIER Related Rebate	34.93	34.87	37.82	40.81	46.09	45.57	46.35	47.44	48.16	47.43	48.40	48.10	50.07	50.20	51.18	50.91	50.91	50.91
33 Effective Rate (\$/ MWH)	34.93	34.87	37.82	40.81	46.09	45.57	46.35	47.44	48.16	47.43	48.40	48.10	50.07	50.20	51.18	50.91	50.91	50.91
34 Large Industrial	78.1%	80.2%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
35 Load Factor (%)	10.15	10.15	10.15	10.15	10.58	10.58	10.58	11.02	11.02	11.02	11.02	11.02	11.02	11.02	11.25	11.25	11.29	11.29
36 Demand (\$/ KW-mo.)	13.72	13.72	14.30	14.30	14.89	14.89	14.89	14.89	14.89	14.89	14.89	14.89	14.89	15.21	15.21	15.25	15.25	15.25
37 Energy (\$/ MWH)	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
38 Power Factor Penalty/ Demand Cr. (Lrg)	(1.00)	(0.99)	(0.98)	(0.96)	(0.95)	(0.95)	(0.92)	(0.91)	(0.89)	(0.89)	(0.85)	(0.85)	(0.84)	(0.82)	(0.81)	(0.79)	(0.79)	(0.79)
39 MRDA	30.39	30.41	31.75	31.76	33.11	33.13	33.14	33.16	33.17	33.18	33.20	33.21	33.95	33.96	34.07	34.07	34.07	34.09
40 Net Rate (\$/ MWH)	3.27	4.50	6.94	6.73	7.76	7.23	8.00	9.06	9.76	9.03	9.76	9.03	9.97	9.66	10.77	10.89	11.73	11.45
41 PCA - Net	(3.48)	(4.19)	(5.85)	(2.67)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42 Deferred Income Offset	(0.60)	(0.60)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
43 TIER Related Rebate	30.18	30.12	32.84	35.82	40.87	40.35	41.14	42.22	42.93	42.21	43.17	42.87	44.71	44.85	45.81	45.54	45.54	45.54
44 Effective Rate (\$/ MWH)	30.18	30.12	32.84	35.82	40.87	40.35	41.14	42.22	42.93	42.21	43.17	42.87	44.71	44.85	45.81	45.54	45.54	45.54

Unwind Transaction – Updated Economics Since 9/06

Appendix 1b: Financial Detail for Pet-Coke Scenario

Transaction Index	2006		2007		2008		2009		2010		2011		2012		2013		2014		2015		2016		2017		2018		2019		2020		2021		2022		2023				
	Calendar Year	Unwind Allocation	Status Quo Allocation	Transaction	Calendar Year	Unwind Allocation	Status Quo Allocation	Transaction	Calendar Year	Unwind Allocation	Status Quo Allocation	Transaction	Calendar Year	Unwind Allocation	Status Quo Allocation	Transaction	Calendar Year	Unwind Allocation	Status Quo Allocation	Transaction	Calendar Year	Unwind Allocation	Status Quo Allocation	Transaction	Calendar Year	Unwind Allocation	Status Quo Allocation	Transaction	Calendar Year	Unwind Allocation	Status Quo Allocation	Transaction	Calendar Year	Unwind Allocation	Status Quo Allocation	Transaction			
52	Non-Smelter Member Blend																																						
53	Base	0.000	0.000	34.64	0.000	0.000	34.64	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		
54	General Rate Adjustment	1.000	1.000	-	1.000	1.000	-	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
55	PCA																																						
56	Pre-MRDA Total	(1.15)	(1.09)	34.11	(1.10)	(1.08)	33.55	(1.10)	(1.08)	(1.07)	(1.05)	(1.03)	(1.01)	(0.99)	(0.97)	(0.95)	(0.93)	(0.91)	(0.89)	(0.87)	(0.85)	(0.83)	(0.81)	(0.79)	(0.77)	(0.75)	(0.73)	(0.71)	(0.69)	(0.67)	(0.65)	(0.63)	(0.61)	(0.59)	(0.57)	(0.55)	(0.53)		
57	MRDA																																						
58	Post-MRDA Total																																						
59	Surcharge Rebate																																						
60	Deferred Income Offset																																						
61	TIER Related Rebate																																						
62	Effective Rate																																						
63	Smelters																																						
64	Base Rate																																						
65	TIER Adjustment																																						
66	Smelter Rate Subject to Price Cap																																						
67	PCA																																						
68	Surcharge																																						
69	TIER Related Rebate																																						
70	Effective Rate																																						
71	Market																																						
72	Overall Blend																																						
73																																							
74																																							
75																																							
76																																							

Unwind Transaction – Updated Economics Since 9/06

Appendix 1b: Financial Detail for Pet-Coke Scenario

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Unwind Allocation	0.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Status Quo Allocation	1.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Transaction Index	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
77	III. Cash Flows (M\$)																		
78	Receipts																		
79																			
80	Rural	79.4	83.8	83.1	84.9	94.0	103.7	119.6	120.9	125.5	131.5	136.2	137.2	143.0	145.3	154.7	158.6	165.3	168.3
81	Large Industrial	29.3	29.3	29.2	29.1	31.7	34.6	39.5	39.0	39.8	40.8	41.5	40.8	41.7	41.4	43.2	43.4	44.3	44.0
82	Smelters			243.3	244.0	289.1	280.1	318.5	294.7	312.7	313.6	331.6	327.7	347.1	338.5	350.9	339.8	371.6	354.7
83	Offsystem			88.5	90.6	65.1	68.7	44.8	60.1	50.7	55.7	46.3	48.5	43.2	43.0	36.5	50.1	36.9	42.3
84	WKEC Lease																		
85	Transmission	47.9	48.0																
86	Smelter - Tier 3 Transmission	1.7	1.8																
87	Proceeds of Unwind Transaction					301.5													
88	Gain on Sale of Allowances					(0.3)													
89	Cobank Patronage Capital & Other	0.6	0.5	19.3	19.7	2.0	1.0	2.9	1.3	3.0	(5.9)	(4.8)	(5.6)	(4.9)	(5.4)	(5.1)	(6.1)	(5.5)	(6.1)
90	Interest Earnings	3.7	6.6	0.5	0.5	5.9	5.2	5.0	5.3	5.7	6.0	6.5	7.1	7.5	7.8	8.1	8.3	8.4	8.6
91	Total Receipts	252.0	240.6	470.8	476.0	486.4	493.9	530.8	521.7	537.9	542.3	557.9	556.3	578.2	571.2	598.8	594.5	621.5	612.3
92																			
93	Disbursements																		
94	PPA	98.0	87.9																
95	Fuel Costs	11.4	6.9	194.5	210.3	204.4	214.2	216.6	224.9	216.9	227.4	224.1	229.3	223.5	232.4	230.1	246.4	231.8	242.7
96	SEPA & Other Purchases	0.4	0.7	15.5	14.4	24.7	15.2	27.6	16.0	30.5	20.3	28.2	22.2	37.0	21.1	34.9	23.4	43.5	29.6
97	Environmental			23.8	27.0	26.4	27.9	26.9	29.0	28.4	36.7	36.8	37.7	37.7	39.5	39.7	42.5	44.4	44.5
98	Fixed O&M			141.1	101.4	114.3	105.9	118.7	107.6	121.8	116.6	126.8	123.7	135.3	131.3	147.3	133.1	151.4	145.4
99	Transmission O&M	6.6	7.1	6.3	6.5	6.7	6.9	7.1	7.4	7.6	7.8	8.0	8.3	8.5	8.8	9.0	9.3	9.6	9.9
100	APM, L/C, Cogen, CW & TVA Trans	4.7	3.8	4.3	4.3	4.3	3.4	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.10	3.2
101	A&G	13.8	13.8	20.4	21.1	21.7	22.4	23.1	23.8	24.5	25.2	26.0	26.7	27.5	28.4	29.2	30.1	31.0	31.9
102	Property Taxes & Insurance	2.4	2.4	6.7	6.9	7.1	7.8	8.5	8.8	9.1	9.3	9.6	9.9	10.2	10.5	10.8	11.1	11.5	11.8
103	Working Capital	6.7	1.7	(23.7)	(0.7)	(1.6)	1.2	(1.2)	0.6	(2.0)	(0.6)	(1.3)	(0.1)	(1.7)	0.3	(2.2)	0.1	(1.5)	(0.4)
104	PCB Restructuring																		
105	Other	2.3	8.5	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.7
106	Total Disbursements	146.2	132.8	362.4	391.6	408.4	405.3	430.9	424.4	440.3	446.4	461.8	461.3	481.9	476.0	502.6	499.8	525.5	519.2
107																			
108	Receipts less Disbursements	105.8	107.8	108.3	84.3	80.0	88.6	99.9	97.3	97.7	95.9	96.1	95.0	96.3	95.2	96.3	94.6	95.9	93.1

Unwind Transaction – Updated Economics Since 9/06

Appendix 1b: Financial Detail for Pet-Coke Scenario

Calendar Year	2006	2007	Transaction	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Unwind Allocation	0.000	0.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Status Quo Allocation	1.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transaction Index	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
111 Receipts less Disbursements	105.8	107.8	301.2	108.3	84.3	80.0	88.6	99.9	97.3	97.7	95.9	96.1	95.0	96.3	95.2	96.3	94.6	95.9	93.1
114 Smelter Payment (Assurances Agreement)	-	-	(4.3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
115 Lease-Equity Consent Fees/ Smelter Exit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
116 Non-Smelter Member Excess Cash Rebat	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
117 Non-Smelter Member Rate Mitigation Acc.	-	-	(50.0)	11.6	14.2	20.2	9.4	-	-	-	-	-	-	-	-	-	-	-	-
118 General Revenue Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
119 Net DSL Termination Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
120 Capital Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
122 Generation	6.4	6.6	-	11.8	18.3	19.1	16.7	17.2	17.7	18.2	18.8	19.3	19.9	20.5	21.1	21.8	22.4	23.1	23.8
123 Transmission	5.9	9.6	-	8.2	12.5	4.6	11.2	1.6	0.5	0.4	0.5	1.7	3.0	3.6	3.7	3.8	3.9	4.0	4.1
124 Transmission Upgrades	-	4.1	-	3.9	6.3	1.8	-	-	-	-	-	-	-	-	-	-	-	-	-
125 A&G	0.9	1.3	-	1.3	1.3	1.4	1.4	1.5	1.5	1.5	1.6	1.6	1.7	1.7	1.8	1.8	1.9	2.0	2.0
126 Extraordinary Generation	-	-	-	16.4	13.1	21.9	13.0	12.2	6.6	8.9	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
127 Other (HQ Building, IP)	-	4.9	-	15.3	15.2	9.1	2.6	3.6	2.6	2.7	4.4	2.9	3.0	4.7	3.1	3.2	5.1	3.4	3.5
128 Total Capital Expenditures	13.2	26.5	-	56.9	66.8	57.9	44.9	36.0	28.9	31.7	25.2	25.5	27.5	30.5	29.7	30.6	33.3	32.5	33.4
130 Income Taxes	0.6	0.6	1.0	0.5	0.5	0.2	0.2	-	0.0	0.4	0.2	0.2	0.7	0.7	1.5	1.2	1.8	1.6	2.5
132 Net Pre-Finance Cash Flow	92.0	80.7	246.0	62.5	31.3	42.1	52.8	63.9	68.4	65.6	70.4	70.4	66.8	65.1	64.0	64.4	59.6	61.8	57.1
134 Debt Reduction on Unwind Transaction D.	-	-	213.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
136 Financing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
137 Principal	26.4	12.5	-	17.5	18.5	19.6	20.7	21.9	23.2	24.5	25.9	27.4	29.0	30.7	32.4	34.3	36.3	38.3	40.5
138 Interest	36.9	36.7	-	39.9	38.9	37.8	36.7	35.5	34.2	32.9	31.5	30.0	28.4	26.7	25.0	23.1	21.1	19.1	16.9
139 Line of Credit	-	-	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
140 Aggregate Debt Service (incl. Line of C	63.4	49.2	-	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.9	57.8	57.9
142 Post-Finance Cash Flow	28.7	31.5	32.5	4.6	(26.6)	(15.8)	(5.1)	6.0	10.5	7.7	12.5	12.5	8.9	7.2	6.1	6.5	1.7	4.0	(0.8)
144 Ending Cash Balances	95.9	127.5	160.0	164.6	138.0	122.2	117.1	123.1	133.6	141.3	153.8	166.3	175.2	182.4	188.4	195.0	196.6	200.6	199.9

Unwind Transaction – Updated Economics Since 9/06

Appendix 1b: Financial Detail for Pet-Coke Scenario

Calendar Year	Transaction			2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
	2006	2007	2000																	
Unwind Allocation	0.000	0.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Status Quo Allocation	1.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Transaction Index	0.000	0.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
145																				
146	IV. Income Statement (M\$)																			
147																				
148	<u>Revenues</u>																			
149	Rural	79.4	83.8	-	83.1	84.9	94.0	103.7	119.6	120.9	125.5	131.5	136.2	137.2	143.0	145.3	154.7	158.6	165.3	168.3
150	Large Industrial	29.3	29.3	-	29.2	29.1	31.7	34.6	39.5	39.0	39.8	40.8	41.5	40.8	41.7	41.4	43.2	43.4	44.3	44.0
151	Smelters	-	-	-	243.3	244.0	289.1	280.1	318.5	294.7	312.7	313.6	331.6	327.7	347.1	338.5	360.9	339.8	371.6	354.7
152	Off-System	83.4	65.5	-	88.5	90.6	65.1	68.7	44.8	60.1	50.7	55.7	46.3	48.5	43.2	43.0	36.5	50.1	36.9	42.3
153	Transmission	6.0	5.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
154	Smelter - Tier 3 Transmission	1.8	1.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
155	Gain on Sale of Allowances	-	-	6.9	19.3	19.7	2.0	1.0	2.9	1.3	3.0	(5.9)	(4.8)	(5.6)	(4.9)	(5.4)	(5.1)	(6.1)	(5.5)	(6.1)
156	Smelter Payment	-	-	(4.3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
157	Consent Fees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
158	Non-Smelter Member Excess Cash Ret	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
159	Non-Smelter Member Deferred Income	-	-	(50.0)	11.6	14.2	20.2	9.4	-	-	-	-	-	-	-	-	-	-	-	-
160	General Revenue Account	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
161	Net DSL Termination	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
162	WKEC Lease (Net)	52.3	52.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
163	Interest Earnings	3.7	6.6	-	6.8	7.0	5.9	5.2	5.0	5.3	5.7	6.0	6.6	7.1	7.5	7.8	8.1	8.3	8.4	8.6
164	Total Revenues	255.9	244.5	(47.3)	481.9	489.7	508.1	502.7	530.3	521.2	537.4	541.8	557.4	555.8	577.6	570.6	598.3	593.9	620.9	611.8
165																				
166	<u>Expenses</u>																			
167	PPA	98.0	87.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
168	Fuel Costs	-	-	-	194.5	210.3	204.4	214.2	216.6	224.9	216.9	227.4	224.1	229.3	223.5	232.4	230.1	246.4	231.8	242.7
169	SEPA & Other Purchases	11.4	6.9	-	15.5	14.4	24.7	15.2	27.6	16.0	30.5	20.3	28.2	22.2	37.0	21.1	34.9	23.4	43.5	29.6
170	Non-Fuel Variable Production O&M	0.4	0.7	-	23.8	27.0	26.4	27.9	26.9	29.0	28.4	36.7	36.8	37.7	37.7	39.5	39.7	42.5	41.4	44.5
171	Fixed Production O&M	-	-	-	114.1	101.4	114.3	105.9	118.7	107.6	121.8	116.6	126.8	123.7	135.3	131.3	147.3	133.1	151.4	145.4
172	Transmission O&M	6.6	7.1	-	6.3	6.5	6.7	6.9	7.1	7.4	7.6	7.8	8.0	8.3	8.5	8.8	9.0	9.3	9.6	9.9
173	APM, U/C, Cogen, CW & TVA Trans	4.7	3.8	-	4.3	4.3	4.3	3.4	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
174	A&G	13.8	13.8	-	20.4	21.1	21.7	22.4	23.1	23.8	24.5	25.2	26.0	26.7	27.5	28.4	29.2	30.1	31.0	31.9
175	Property Taxes & Insurance	2.4	2.4	-	6.7	6.9	7.1	7.8	8.5	8.8	9.1	9.3	9.6	9.9	10.2	10.5	10.8	11.1	11.5	11.8
176	Depreciation & Amortization	32.0	33.3	-	36.6	38.8	40.2	41.4	41.7	40.2	39.8	40.6	41.0	41.2	42.0	42.5	42.6	43.5	44.0	44.2
177	Income Tax	-	-	-	-	-	-	-	1.0	0.7	0.4	0.3	1.2	1.2	2.6	2.1	3.2	2.9	3.3	3.3
178	Interest Expense (Incl. Financing Fees)	60.7	60.0	-	46.7	46.0	45.3	44.6	43.9	42.9	42.0	41.1	40.2	39.1	38.1	36.9	35.8	34.5	33.1	31.5
179	RUS Note & PCB Restructuring Charge	-	-	3.5	-	-	-	-	-	2.8	-	-	-	-	-	-	-	-	-	-
180	Net Sale-Leaseback	(2.6)	(2.6)	-	(2.6)	(2.4)	(2.5)	(2.5)	(2.5)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)	(2.4)
181	Other - Net	(6.0)	0.2	-	(0.5)	(0.5)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)
182	Total Expenses	221.4	213.5	3.5	466.0	473.9	492.2	486.9	514.4	504.6	521.5	525.8	541.4	539.7	561.5	554.5	582.1	577.7	603.8	595.5
183																				
184	Unwind Transaction (excl. Coleman)	-	-	611.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
185																				
186	<u>Net Margin</u>	34.5	31.0	560.3	15.9	15.8	15.8	15.9	15.9	16.6	15.9	16.0	16.0	16.0	16.1	16.1	16.2	16.2	17.1	16.3

Unwind Transaction – Updated Economics Since 9/06

Appendix 1b: Financial Detail for Pet-Coke Scenario

Transaction Index	Calendar Year										Transaction									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023		
187	1,731.2	1,767.9	1,931.1	1,998.1	2,056.2	2,101.3	2,137.6	2,166.6	2,198.5	2,224.0	2,249.7	2,277.4	2,308.1	2,338.0	2,368.8	2,402.3	2,434.9	2,468.6		
188	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
189	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000		
190	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		
191	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000		
192	13.1	13.1	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0		
193	826.6	859.9	896.6	935.4	975.6	1,017.0	1,058.7	1,098.9	1,138.7	1,179.3	1,220.2	1,261.4	1,303.4	1,345.8	1,388.5	1,432.0	1,476.0	1,520.2		
194	190.7	197.3	204.6	206.1	214.8	223.8	232.5	241.8	251.7	262.2	273.6	285.6	298.6	312.4	327.1	342.9	359.8	377.9		
195	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
196	95.9	127.5	128.1	100.0	82.5	75.7	80.0	88.6	94.4	104.9	115.2	121.9	128.9	130.5	134.6	133.7	135.0	131.4		
197	35.0	35.0	36.5	38.1	39.7	41.4	43.2	45.0	46.9	48.9	51.0	53.2	55.5	57.9	60.4	62.9	65.6	68.4		
198	50.0	50.0	40.5	28.0	9.0															
199	17.5	17.7	38.6	39.0	40.2	40.7	43.8	43.0	44.3	44.6	45.9	45.7	47.5	46.9	49.2	48.8	51.0	50.3		
200	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0		
201	0.8	0.8	0.9	0.9	0.9	0.9	1.0	1.0	1.0	1.1	1.1	1.1	1.2	1.2	1.2	1.3	1.3	1.3		
202	4.1	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7	4.7		
203	4.7	4.3	3.8	3.4	3.0	2.6	2.2	1.9	1.7	1.4	1.2	1.0	0.8	0.6	0.4	0.2	0.0	(0.2)		
204	4.9	5.5	7.1	7.5	7.8	7.9	7.9	7.0	6.6	6.4	6.3	5.8	5.2	4.1	3.2	1.8	0.6	4.2		
205	0.9	0.8	9.6	9.4	9.1	8.8	8.5	8.2	7.9	7.5	7.1	6.8	6.4	6.0	5.5	5.0	4.5	6.9		
206	0.9	0.8	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9	6.9		
207	17.1	16.1																		
208	1,254.3	1,295.9	1,576.0	1,586.8	1,559.2	1,558.0	1,569.5	1,575.8	1,586.0	1,593.6	1,602.6	1,608.8	1,618.4	1,623.4	1,633.6	1,638.6	1,648.5	1,653.4		
209																				
210																				
211																				
212																				
213																				
214	(217.4)	(186.3)	389,908	405.7	421.6	437.5	453.4	470.0	485.9	501.8	517.8	533.9	549.9	566.1	582.3	598.5	615.6	631.9		
215																				
216	1,053.1	1,082.1	840,813	828.5	815.5	801.8	787.3	772.0	755.8	738.6	720.6	701.5	681.3	658.9	637.4	613.6	588.5	562.0		
217	177.3	183.9	190,936	192.4	201.0	210.0	218.7	228.1	238.0	248.7	260.1	272.4	285.5	299.5	314.5	330.5	347.7	366.1		
218																				
219	1,230.4	1,246.0	1,031,749	1,020.9	1,016.5	1,011.8	1,006.0	1,000.0	993.8	987.4	980.7	973.8	966.7	959.4	951.9	944.1	936.2	928.1		
220																				
221	12.6	11.7	56,248	57.2	59.7	58.9	63.0	61.3	64.4	65.1	67.5	67.2	70.4	69.3	73.5	72.8	76.3	75.7		
222	0.2	0.2	0.201	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3		
223																				
224																				
225	7.6	7.8	0.391	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4		
226	6.0	6.2	6,416	6.6	6.8	7.0	7.2	7.4	7.7	7.9	8.1	8.4	8.6	8.9	9.1	9.4	9.7	10.0		
227	158.1	156.6	50,559	47.8	45.0	42.2	39.3	36.5	33.6	30.7	27.8	24.9	22.0	19.1	16.1	13.2	10.2	7.2		
228	56.4	53.5																		
229	0.4	0.3																		
230	1,254.3	1,295.9	1,576.0	1,586.8	1,559.2	1,557.9	1,569.5	1,575.8	1,586.0	1,593.6	1,602.6	1,608.8	1,618.4	1,623.4	1,633.5	1,638.6	1,648.5	1,653.4		

Unwind Transaction – Updated Economics Since 9/06

Appendix 1b: Financial Detail for Pet-Coke Scenario

	2006		2007		2008		2009		2010		2011		2012		2013		2014		2015		2016		2017		2018		2019		2020		2021		2022		2023		
Calendar Year	0.000	0.000	0.000	0.000	1.000	0.000	1.000	0.000	1.000	0.000	1.000	0.000	1.000	0.000	1.000	0.000	1.000	0.000	1.000	0.000	1.000	0.000	1.000	0.000	1.000	0.000	1.000	0.000	1.000	0.000	1.000	0.000	1.000	0.000	1.000		
Unwind Allocation	1,000	1,000	1,000	1,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000	0,000		
Status Quo Allocation	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Transaction Index																																					
231																																					
232	Change in Working Capital	6.7	6.6	7.3	1.5	8.6	9.0	8.7	9.3	9.9	10.6	11.3	12.1	12.9	13.8	14.8	15.8	16.9	18.1																		
233	Other Property	1.2	0.3	20.9	0.4	1.1	0.5	3.1	1.3	0.0	0.3	1.3	0.0	1.8	0.0	2.3	0.0	2.2	0.0																		
234	Accounts Receivable	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.0	0.7	0.0	0.6																		
235	Materials, Supplies & Other	3.8	0.6	(44.6)	(0.9)	(2.6)	(0.0)	(4.1)	(3.1)	(0.7)	(2.4)	(0.0)	(0.0)	(3.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)																		
236	Other Current Assets	0.5	0.9	(0.0)	(0.0)	(0.0)	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.2)	(0.0)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)																		
237	Accounts Payable	0.2	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)																		
238	Taxes Accrued	(0.1)	(0.2)	(6.7)	(1.1)	(8.3)	(8.7)	(8.3)	(8.9)	(9.5)	(10.2)	(11.0)	(11.7)	(12.6)	(13.5)	(14.4)	(15.5)	(16.6)	(17.7)																		
239	Other Accruals	(6.0)	(6.2)	(6.0)	(1.1)	(8.3)	(8.7)	(8.3)	(8.9)	(9.5)	(10.2)	(11.0)	(11.7)	(12.6)	(13.5)	(14.4)	(15.5)	(16.6)	(17.7)																		
240	Investment - Special Deposit (B/S)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)																		
241	Net SLB	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)																		
242	CoBank Patronage Capital	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)																		
243	Adjustment	0.9	0.3	(23.7)	(0.7)	(1.6)	1.2	(1.2)	0.6	(2.0)	(0.6)	(1.3)	(0.1)	(1.7)	0.3	(2.2)	0.1	(1.5)	(0.4)																		
244	Total	6.7	1.7	(23.7)	(0.7)	(1.6)	1.2	(1.2)	0.6	(2.0)	(0.6)	(1.3)	(0.1)	(1.7)	0.3	(2.2)	0.1	(1.5)	(0.4)																		
245	Cash Balance	67.3	95.9	160.0	164.6	138.0	122.2	117.1	123.1	133.6	141.3	153.8	166.3	175.2	182.4	188.4	195.0	196.6	200.6																		
246	Beginning	95.9	127.5	160.0	164.6	138.0	122.2	117.1	123.1	133.6	141.3	153.8	166.3	175.2	182.4	188.4	195.0	196.6	200.6																		
247	Ending	95.9	127.5	160.0	164.6	138.0	122.2	117.1	123.1	133.6	141.3	153.8	166.3	175.2	182.4	188.4	195.0	196.6	200.6																		
248																																					

Unwind Transaction – Updated Economics Since 9/06

Appendix 1b: Financial Detail for Pet-Coke Scenario

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Calendar Year	0.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Unwind Allocation	1,000	1,000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Status Quo Allocation	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Transaction Index	0.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
249 VI. Credit Measures																			
250																			
251 TIER																			
252 Earnings	15.9	46.7	15.9	15.8	15.9	15.9	15.9	16.6	15.9	16.0	16.0	16.0	16.1	16.1	16.2	16.2	17.1	16.3	
253 Plus: Interest Expense, Financing Fees, and Restructuring	1.5	1.6	1.5	1.6	1.6	1.8	1.8	1.9	1.9	2.0	2.1	2.2	2.3	2.4	2.5	2.5	2.6	2.7	
254 Less: Interest on Sequestered Funds	61.1	60.3	60.3	59.6	58.8	58.0	60.4	56.0	55.0	54.1	54.1	53.0	51.9	50.7	49.5	48.2	50.8	45.0	
255 Total	13.3	13.3	13.3	13.9	14.5	15.1	15.7	16.3	16.3	17.0	17.8	18.6	19.4	20.3	21.3	22.4	23.5	24.7	
256 Plus Sale-Leaseback Interest	74.4	73.6	74.4	73.5	73.3	73.1	76.1	72.3	72.1	71.9	71.9	71.6	71.3	71.0	70.8	70.5	74.3	69.7	
257 Total	46.7	46.0	46.7	45.3	44.6	43.9	45.7	42.0	41.1	40.2	39.1	38.1	38.1	36.9	35.8	34.5	36.4	31.5	
258 Divided by	13.3	13.3	13.3	13.9	14.5	15.1	15.7	16.3	16.3	17.0	17.8	18.6	19.4	20.3	21.3	22.4	23.5	24.7	
259 Interest Expense, Financing Fees, and Restructuring	60.0	59.4	60.0	59.2	59.1	59.0	61.4	58.3	58.1	57.9	57.9	57.7	57.5	57.3	57.1	56.9	59.9	56.2	
260 Plus Sale-Leaseback Interest	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	1.24	
261 Total																			
262 TIER																			
263																			
264																			
265 DSCR - Cash Basis, Pre Capex, Incl Sale-Leaseback																			
266 Cash Available for Debt Service	108.3	84.3	80.0	80.0	88.6	99.9	97.3	97.7	95.9	96.1	95.0	96.3	95.2	96.3	95.2	96.3	94.6	93.1	
267 Receipts less Disbursements	11.6	14.2	20.2	20.2	9.4		(0.0)	(0.4)	(0.2)	(0.2)	(0.7)	(0.7)	(1.5)	(1.5)	(1.2)	(1.8)	(1.6)	(2.5)	
268 Deferred Income Account	(0.5)	(0.5)	(0.2)	(0.2)	(0.2)														
269 Taxes	119.5	98.1	100.0	100.0	97.8	99.9	97.3	97.3	95.6	95.9	94.3	95.6	93.7	93.7	95.0	92.8	94.3	90.6	
270 Net	13.3	13.3	13.9	13.9	14.5	15.1	15.7	16.3	16.3	17.0	17.8	18.6	19.4	20.3	21.3	22.4	23.5	24.7	
271 Plus Sale-Leaseback Interest	132.7	111.4	113.9	113.9	112.3	115.0	112.9	113.6	112.7	113.7	112.9	115.0	114.0	114.0	116.4	115.2	117.8	115.3	
272 Total	40.4	39.4	38.3	38.3	37.2	36.0	34.7	33.4	32.0	30.5	28.9	27.2	25.5	25.5	23.6	21.6	19.6	17.4	
273 Divided by	17.5	18.5	19.6	19.6	20.7	21.9	23.2	24.5	25.9	27.4	29.0	30.7	32.4	32.4	34.3	36.3	38.3	40.5	
274 Interest Expenditures	13.3	13.3	13.9	13.9	14.5	15.1	15.7	16.3	16.3	17.0	17.8	18.6	19.4	20.3	21.3	22.4	23.5	24.7	
275 Scheduled Principal	71.2	71.2	71.8	71.8	72.4	73.0	73.6	74.2	74.9	75.7	76.5	77.3	78.3	79.2	80.3	81.3	82.6	82.6	
276 Plus Sale-Leaseback Interest																			
277 Total Debt Service	1.86	1.56	1.59	1.59	1.55	1.58	1.53	1.53	1.50	1.50	1.48	1.49	1.46	1.46	1.47	1.43	1.45	1.40	
278 DSCR																			
280																			

Unwind Transaction – Updated Economics Since 9/06

Appendix 1b: Financial Detail for Pet-Coke Scenario

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Calendar Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Unwind Allocation	0.000	0.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Status Quo Allocation	1.000	1.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transaction Index	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
281 Days Cash on Hand	95.9	111.7	162.3	151.3	130.1	119.7	120.1	128.4	137.5	147.6	160.0	170.7	178.8	185.4	191.7	195.8	198.6	200.3
282 Average Cash Balance	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
283 Line of Credit	195.9	211.7	262.3	251.3	230.1	219.7	220.1	228.4	237.5	247.6	260.0	270.7	278.8	285.4	291.7	295.8	298.6	300.3
284 Total																		
285 Divided by																		
286 Total Operating Expense	98.0	87.9	194.5	210.3	204.4	214.2	216.6	224.9	216.9	227.4	224.1	229.3	223.5	232.4	230.1	246.4	231.8	242.7
287 PPA			15.5	14.4	24.7	15.2	27.6	16.0	30.5	20.3	28.1	22.2	37.0	21.1	34.9	23.4	43.5	29.6
288 Fuel Costs			23.8	27.0	26.4	27.9	26.9	29.0	28.4	36.7	36.8	37.7	37.7	39.5	39.7	42.5	41.4	44.5
289 SEPA & Other Purchases			114.1	101.4	114.3	105.9	118.7	107.6	121.8	116.6	126.8	123.7	135.3	131.3	147.3	133.1	151.4	145.4
290 Non-Fuel Variable Production O&M			6.3	6.5	6.7	6.9	7.1	7.4	7.6	7.8	8.0	8.3	8.5	8.8	9.0	9.3	9.6	9.9
291 Fixed Production O&M			4.3	4.3	4.3	3.4	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
292 Transmission O&M			20.4	21.1	21.7	22.4	23.1	23.8	24.5	25.2	26.0	26.7	27.5	28.4	29.2	30.1	31.0	31.9
293 ARM, LLC, Cogen, CW & TVA Trans			6.7	6.9	7.1	7.8	8.5	8.8	9.1	9.3	9.6	9.9	10.2	10.5	10.8	11.1	11.5	11.8
294 A&G			46.7	46.0	45.3	44.6	43.9	42.9	42.0	41.1	40.2	39.1	38.1	36.9	35.8	34.5	33.1	31.5
295 Property Taxes & Insurance			60.7	60.0	59.3	58.6	57.9	56.9	56.0	55.1	54.2	53.1	52.1	51.1	50.0	48.7	47.3	45.8
296 Interest Expense (incl. Financing Fe			198.0	182.6	432.4	438.0	454.9	448.3	475.6	463.5	502.8	500.1	521.1	512.1	540.0	533.7	556.3	550.5
297 Total																		
298 Days Cash on Hand (including Line of C	361.2	423.3	221.4	209.5	184.6	178.8	169.0	179.8	179.2	185.3	188.8	197.6	195.3	203.4	197.2	202.3	195.9	199.1
299 Days Cash on Hand (excluding Line of C	176.9	223.4	137.0	126.1	104.4	97.4	92.2	101.1	103.7	110.5	116.2	124.6	125.2	132.1	129.6	133.9	130.3	132.8
300																		
301																		

Summary Updated Economics for Proposed Transaction, 9/10/07

Overview:

- As indicated below, member economics have greatly improved since presentation of 8/17/07
- Average member rates drop by \$8.97/ MWh to \$43.64/ MWh, while Net Member Value increases to + \$27m
- Key member impact summarized below, with additional detail on following page
- Additional economies may be possible through optimization of the Economic Reserve

	PROPOSED TRANSACTION		EXISTING TRANSACTION		NMV
	Avg. \$/MWh	PV \$M Net *	Avg. \$/MWh	PV \$M Net **	
8/17/2007	52.61	1,873	36.55	1,324	(549)
Proposed Transaction					
Reduced Fuel, Increased Market Sales, Lower Purchases, and Higher Emissions Sales	(7.33)	(257)			257
Additional Smelter Surcharge	(2.14)	(93)			93
Correction for Member Load Factor	0.51	20			(20)
Cash Flow, New Members, Transaction and Terminal Value		(48)			48
Existing Transaction					
Reduced Arbitrage Sales for Consistency with Proposed Transaction			2.67	97	97
Smelter Sales assumed at 200MW			2.40	101	101
Total	(8.97)	(378)	5.07	198	576
9/10/2007	43.64	1,495	41.62	1,522	27

* Adjusted for Cash Flow, New Members, Transaction and Terminal Value

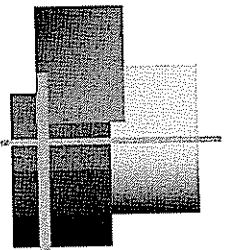
** Adjusted for Cash Flow, New Members and Terminal Value

Summary Updated Economics for Proposed Transaction, 9/10/07

Detail:

	PROPOSED TRANSACTION				EXISTING TRANSACTION		NMV		
	Members + Smelters Avg. \$/MWh	PV \$M	Smelters Avg. \$/MWh	PV \$M	Members Avg. \$/MWh	Members Avg. \$/MWh			
8/17/2007	51.91	5,893	51.51	3,786	52.61	1,873	36.55	1,324	(549)
1 Changes									
2 PCA									
3 Fuel	(4.84)	(471)	(0.78)	(87)					
4 Gain on Sale of Emissions Allowances	(0.76)	(74)							
5 SEPA & Other Purchases	0.12	13							
6 Variable O&M	(6.26)	(619)							
7 Subtotal									
8 Non-PCA									
9 Offsystem Sales	(1.01)	(115)							
10 Other Expense/ Cash	(0.00)	2							
11 Subtotal	(1.01)	(114)							
12 PCA + Non-PCA	(7.27)	(733)	(7.24)	(476)	(7.33)	(257)			257
13 Additional Smelter Surcharge			1.20	93	(2.14)	(93)			93
14 Correction for Member Load Factor			(0.29)	(20)	0.51	20			(20)
15 Cash Flow, New Members, Transaction and Terminal Value						(48)			48
16 Changes Corresponding to New Production Cost Assumptions									
17 Change for Smelter Sales assumed at 200MW	(7.27)	(733)	(6.33)	(403)	(8.97)	(378)	5.07	198	576
18 Total	44.63	5,160	45.19	3,383	43.64	1,495	41.62	1,522	27
19 9/6/2007									

* Adjusted for Cash Flow, New Members, Transaction and Terminal Value
 ** Adjusted for Cash Flow, New Members and Terminal Value



REGULATORY

MAY 18, 2007

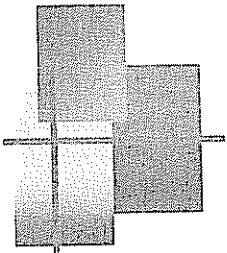
UNWIND REGULATORY PROCESS

THREE AREAS OF FILINGS

1. **TRANSMISSION**
2. **TRANSACTION**
3. **FINANCING**

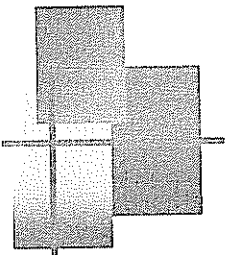
The latter two areas, transaction & financing, are intertwined.

Filings will take place on a "rolling" basis.



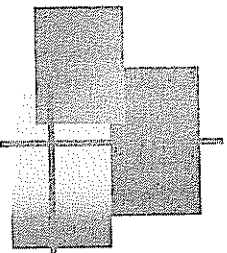
PHASE TWO TRANSMISSION

- KPSC given minimum 30 day notice of filing on May 4th
- Requesting CPCN for 13-mile interconnect from Wilson to Paradise
- Same ROW EKPC received CPCN to serve Warren
- Purchasing EKPC work products for filing – should expedite review



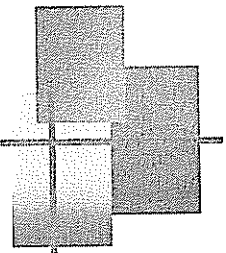
TRANSMISSION

- FERC/KPSC Open Access Transmission Tariff (OATT) Filing
 - Filing to both federal & state agencies
 - Filing in early to mid-July
 - Filing to include revised rate schedule
 - FERC Order 890 language will be inserted in BREC tariff to ensure reciprocity with FERC jurisdictional entities (i.e. “safe harbor”)



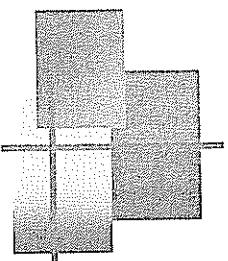
TRANSACTION/FINANCING

- Transaction
 - Nothing currently filed – expected late June to mid-July
 - Termination Agreement – complete
 - Smelter Power Supply Agreement – awaiting Smelter approval of financial model
 - HMPL Station Two Contract Amendments – being negotiated
 - Rate Adjustment (PCA, Rebate Mechanism) – pending financial model completion/approval



TRANSACTION/FINANCING

- Financing
 - Nothing currently filed, expected late June to mid-July
 - Financial Model – in process
 - Restructuring RUS debt – awaiting completion/approval of financial model
 - Restructuring private debt –awaiting completion/approval of financial model
 - KPSC issued May 2nd letter of guidance to assist BREC in preparing “unwind” filing



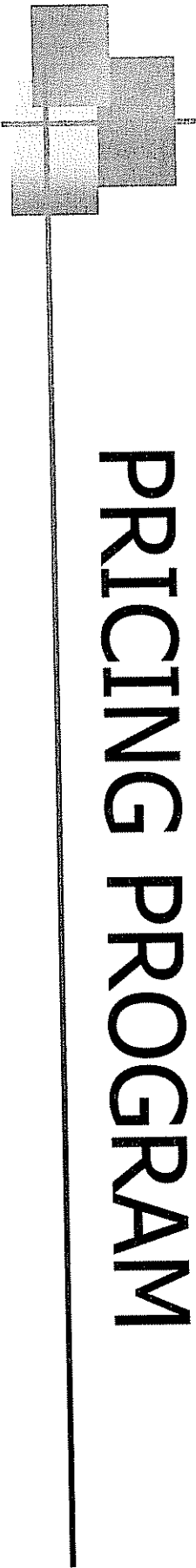
RENEWABLE ENERGY TARIFF

- Filed March 26, 2007
- AG & KPSC Data Requests answered May 14th
- Intervenor comments due May 21st



MEMBER REVENUE DISCOUNT ADJUSTMENT

- All creditor approvals received except
RUS
- KPSC – Responded to Data Requests
- Attorney General – Intervened



VOLUNTARY REAL-TIME PRICING PROGRAM

- Big Rivers filed revised tariffs with the Commission on April 20, 2007
- Implement a voluntary real-time pricing pilot program
- Kenergy joined in this application to implement the pilot program at the retail level.
- Unless the Commission suspends operation of the revised tariffs, they will become effective June 1, 2007.

Contents

1. **Overview**
2. **Base Case Assumptions**
3. **Summary Rate Effects**
 - a. 7/07 vs. Prior Models
 - b. Arbitrage Sales vs. Smelter Large Industrial Rate Scenarios
 - c. Carbon Tax
 - d. Carbon Allowances in Cap & Trade Regime (Base Year 1990)
 - e. Carbon Allowances in Cap & Trade Regime

Appendix A: Delta Analyses

Appendix B: Base Case Select Detail

1. Overview

- The Existing Transaction has been updated relative to the last model reviewed by the Board in September 2006

- The Existing Transaction is analyzed assuming two scenarios:

Base Case - Assumption of Arbitrage
Sales to Market

Alternative Case - Assumption of
Smelter Large Industrial Rate Scenario

- For each Case above, the following sensitivities relating to potential carbon legislation have been reviewed:
 - a. Carbon Allowances (Cap and Trade Base Year 1990)
 - b. Carbon Allowances (Cap and Trade)
 - c. Carbon Tax

For reference, key features of each Case are presented on the following pages

2. Base Case Assumptions

Major changes to the Existing Transaction Model since September 2006 are shown below:

Non-Member Receipts (\$M)			
Non-Member Sales	1,777	201	1,978 << Increased volume and pricing, on average
Interest Earnings	101	33	<< Earlier cash accumulations
Other *	802	(1)	801
Total	2,680	232	2,912
Disbursements (\$M)			
Power Purchases	2,178	129	2,307 << Increased purchases cover both non-member and large industrial sales
Income Tax	211	45	<< More tax generated from off-system sales
Transmission O&M	130	34	<< Escalated from 2007 Trial Balance at 3% p.a., plus labor increment
A&G	245	44	<< Escalated from 2007 Trial Balance at 3% p.a., plus labor increment
Incremental Environmental O&M	42	12	<< Consistent with production cost model
LG&E Parties RVP and Pur. of Prod. Inv.	255	136	<< \$262m in additional non-incremental capex **
Legal	21	28	<< Near term litigation/ end of term requirements
Capex	234	(22)	<< Incremental capex reduced
Other ***	1,625	(4)	1,621
Total	4,942	402	5,344
Net (\$M)	(2,261)	(171)	(2,432)
Member Revenues			
Increased Energy Purchases (TWH)	60.45	4	64.93
Average Rate	37.41	0	37.46
\$M	2,261	171	2,432

* Including WKE lease, TIER 3 and other transmission

** Assumed 100% allocated to Residual Value Payment via "CBL Addendum Request"

*** Includes Capital Repayment

2. Base Case Assumptions

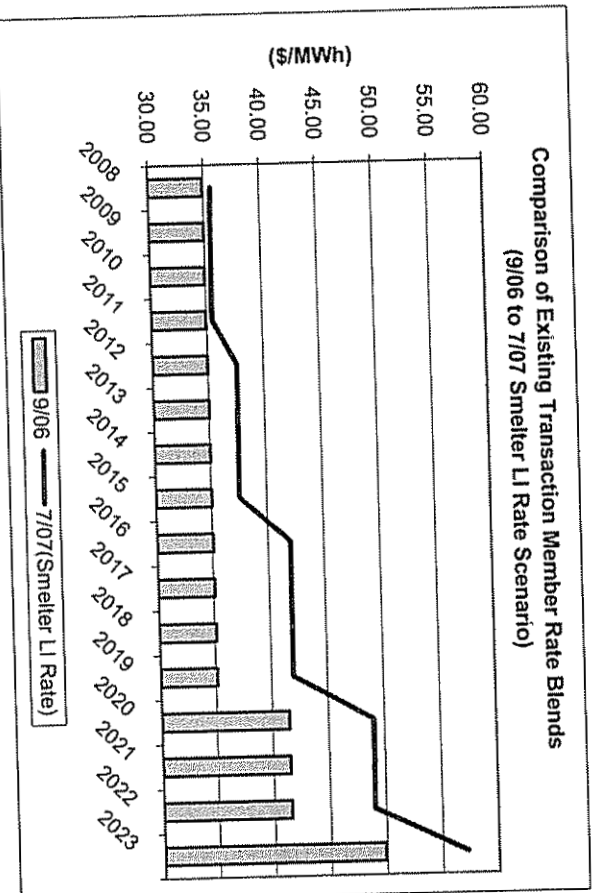
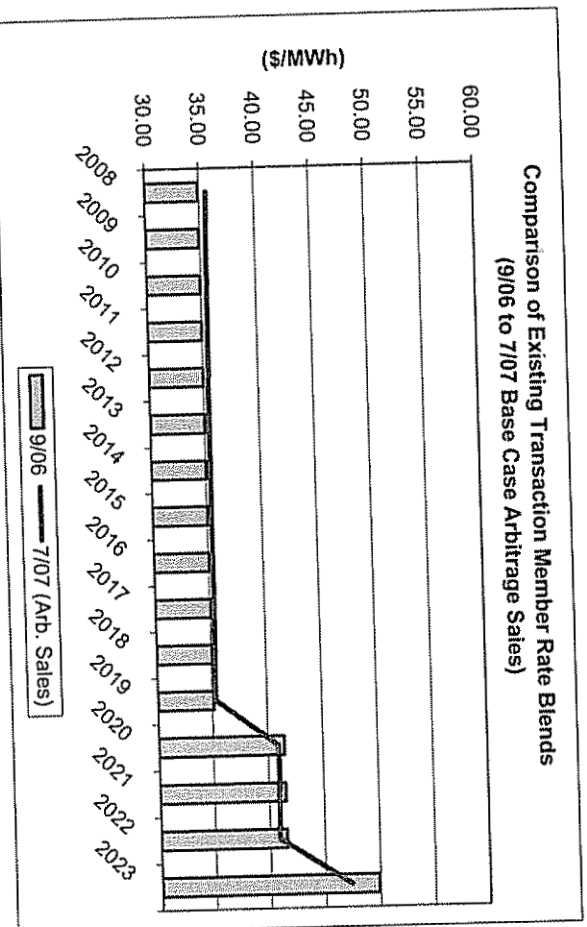
- Summary changes in member outlays are summarized below (\$M):

	Base Case	Smelter Large Industrial Rate Scenario
Total (2008 – 2023)	171	473
PV	103	262

- Changes in member outlays between 7/07 and 9/06 partly result from assumed increases in member energy purchases

2. Base Case Assumptions

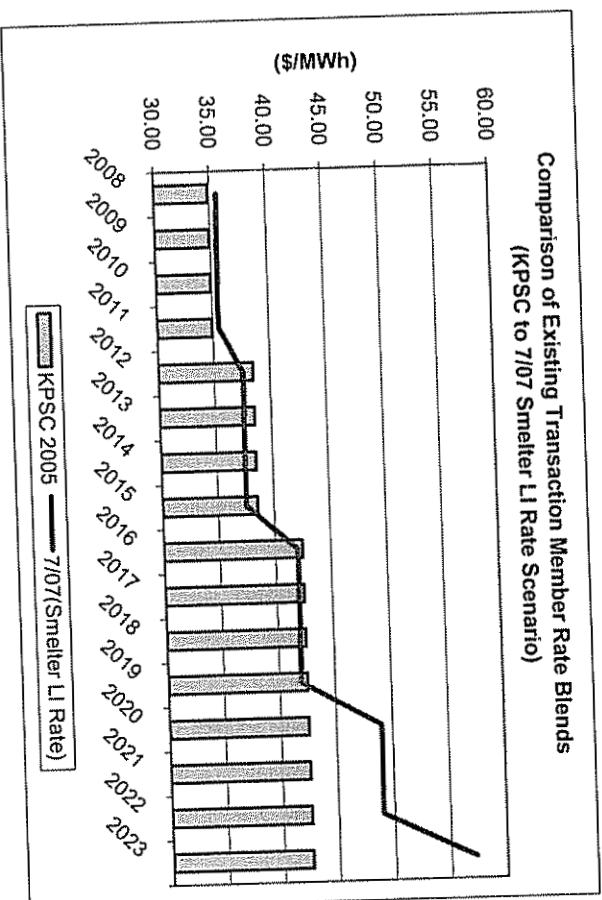
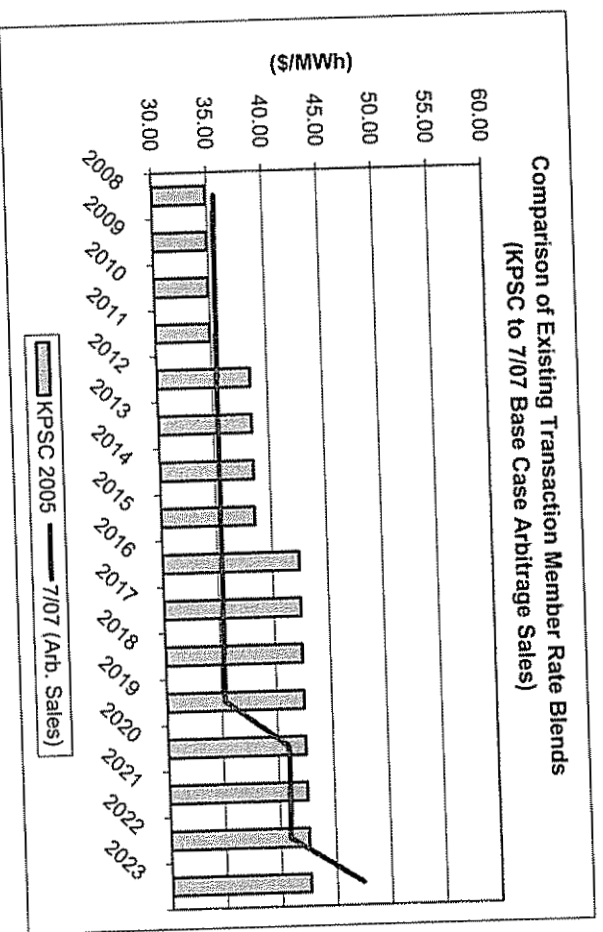
Comparison of Member Rates in Base and Alternative Cases and 9/06 Existing Transaction Models



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
9/06	34.90	34.92	34.95	34.97	34.99	35.02	35.04	35.06	35.08	35.10	35.13	35.15	41.50	41.53	41.55	49.89
Rate Increase	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	18.0%	0.0%	0.0%	20.0%
7/07 (Arb. Sales)	35.61	35.52	35.50	35.47	35.45	35.43	35.40	35.39	35.37	35.35	35.33	35.32	40.95	40.94	40.87	47.39
Rate Increase	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	16.0%	0.0%	0.0%	16.0%
7/07 (Smelter LI Rate)	35.61	35.52	35.50	35.47	37.57	37.55	37.53	37.51	41.99	41.97	41.95	41.93	49.03	49.02	48.94	57.23
Rate Increase	0.0%	0.0%	0.0%	0.0%	6.0%	0.0%	0.0%	0.0%	12.0%	0.0%	0.0%	0.0%	17.0%	0.0%	0.0%	17.0%

2. Base Case Assumptions

Comparison of Member Rates in Base and Alternative Cases and KPSC Existing Transaction Models



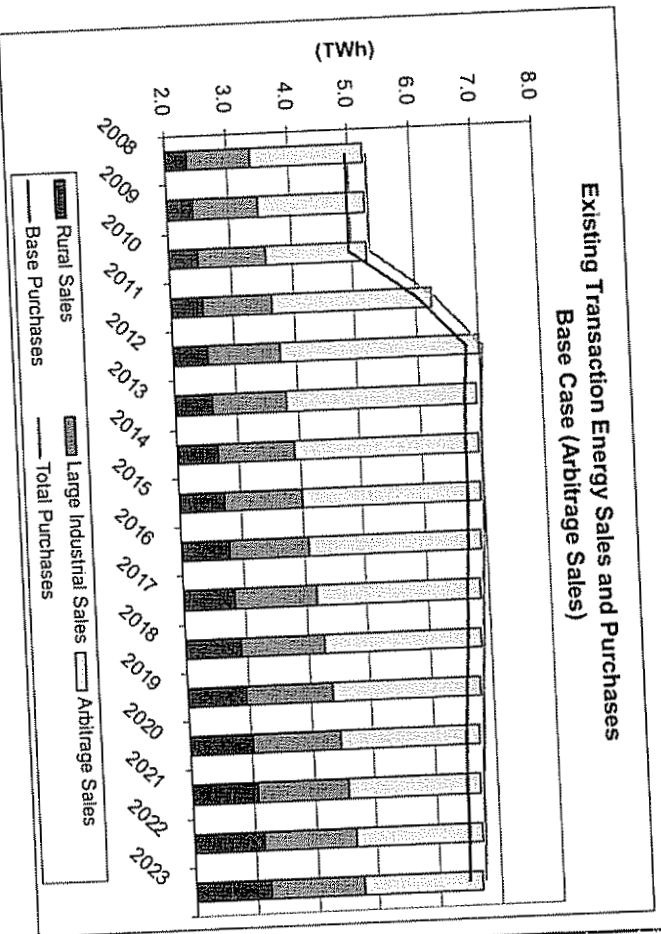
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
KPSC 2005	34.88	34.90	34.92	34.94	38.46	38.48	38.51	38.53	42.41	42.43	42.45	42.48	42.50	42.53	42.55	42.57
Rate Increase	0.0%	0.0%	0.0%	0.0%	10.0%	0.0%	0.0%	0.0%	10.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
7/07 (Arb. Sales)	35.61	35.52	35.50	35.47	35.45	35.43	35.40	35.39	35.37	35.35	35.33	35.32	40.95	40.94	40.87	47.39
Rate Increase	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	16.0%	0.0%	0.0%	16.0%
7/07 (Smelter LI Rate)	35.61	35.52	35.50	35.47	37.57	37.55	37.53	37.51	41.99	41.97	41.95	41.93	49.03	49.02	48.94	57.23
Rate Increase	0.0%	0.0%	0.0%	0.0%	6.0%	0.0%	0.0%	0.0%	12.0%	0.0%	0.0%	0.0%	17.0%	0.0%	0.0%	17.0%

2. Base Case Assumptions – Summary

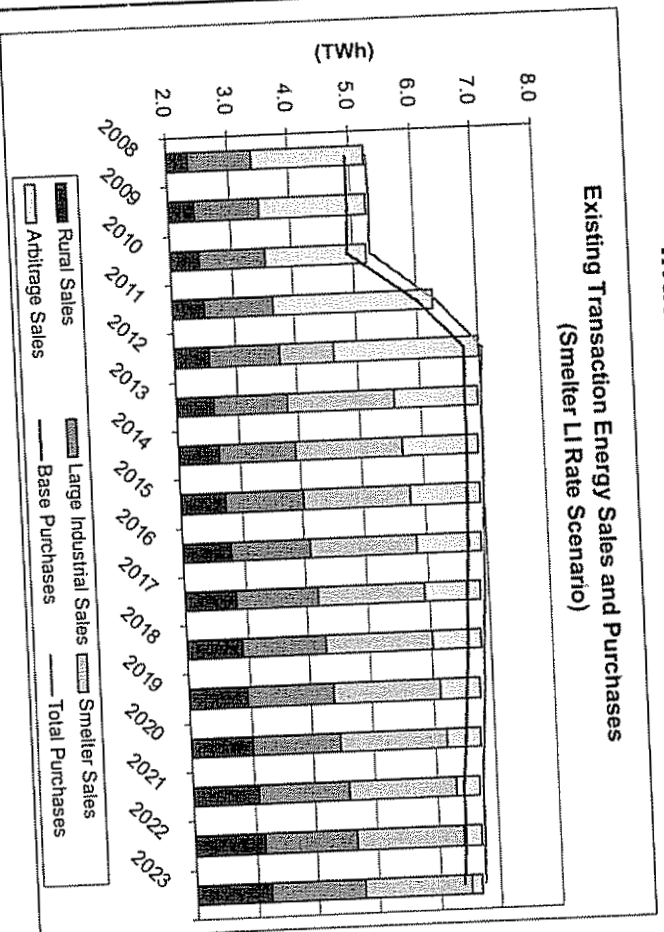
a. Energy Balance

- Assumes more arbitrage sales than Existing Transaction in 9/06
- Base purchases approximate the Maximum Annual Power Purchase Amount in the LEM PPA (7.008 TWh)
- Arbitrage sales eroded over time by assumed growth in large industrial sales, modeled at 5MW per year
- Arbitrage sales reduced in Smelter large industrial rate case, assuming 100MW to Smelters in 2012 and 200MW thereafter

Base Case - Arbitrage Sales to Market



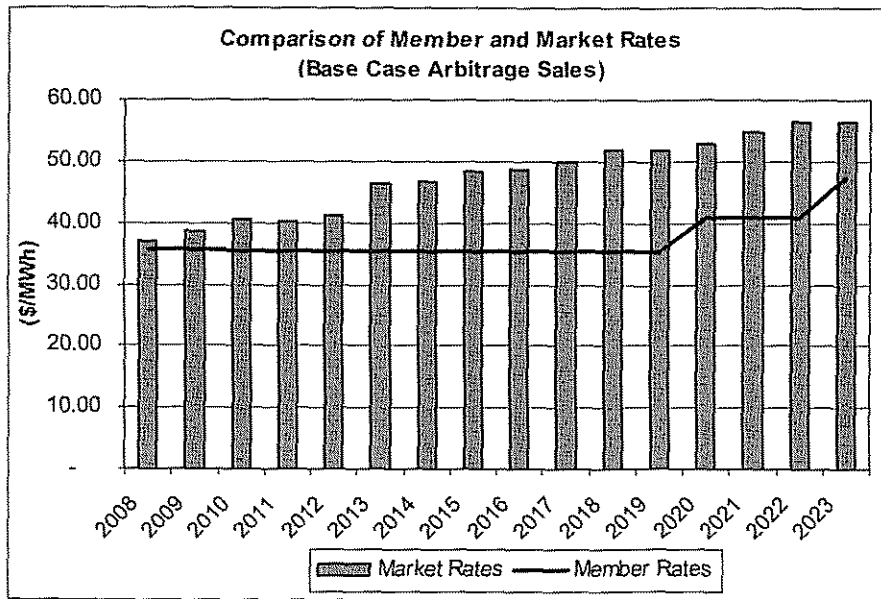
Alternative Case – Smelter Large Industrial Rate Scenario



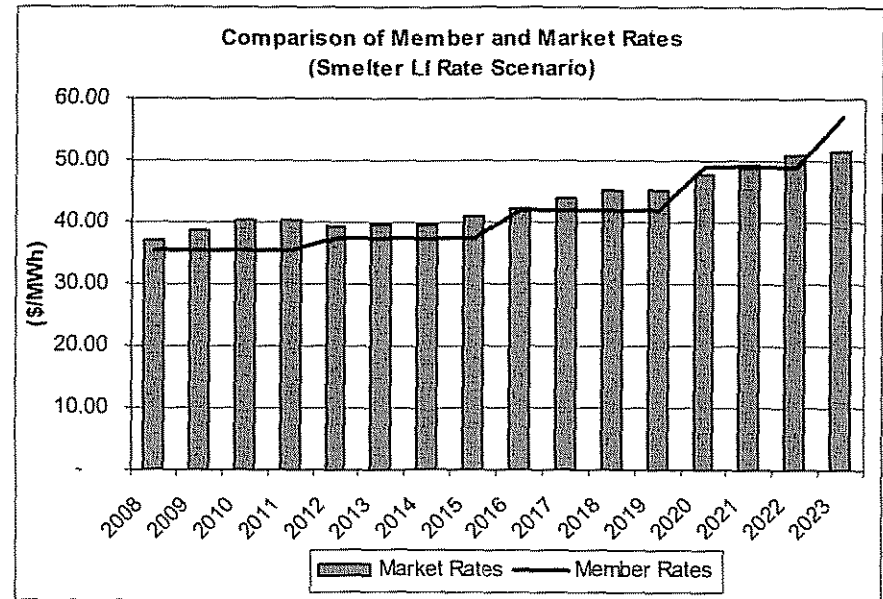
2. Base Case Assumptions – Summary

b. Rates: Arbitrage vs. Member Blend

Base Case - Arbitrage Sales to Market



Alternative Case – Smelter Large Industrial Rate Scenario

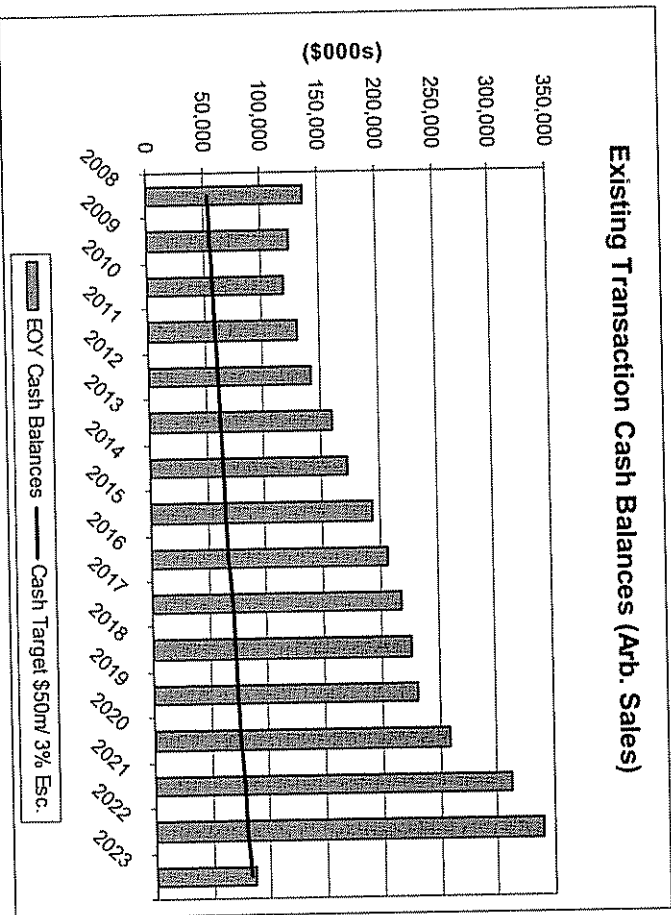


2. Base Case Assumptions – Summary

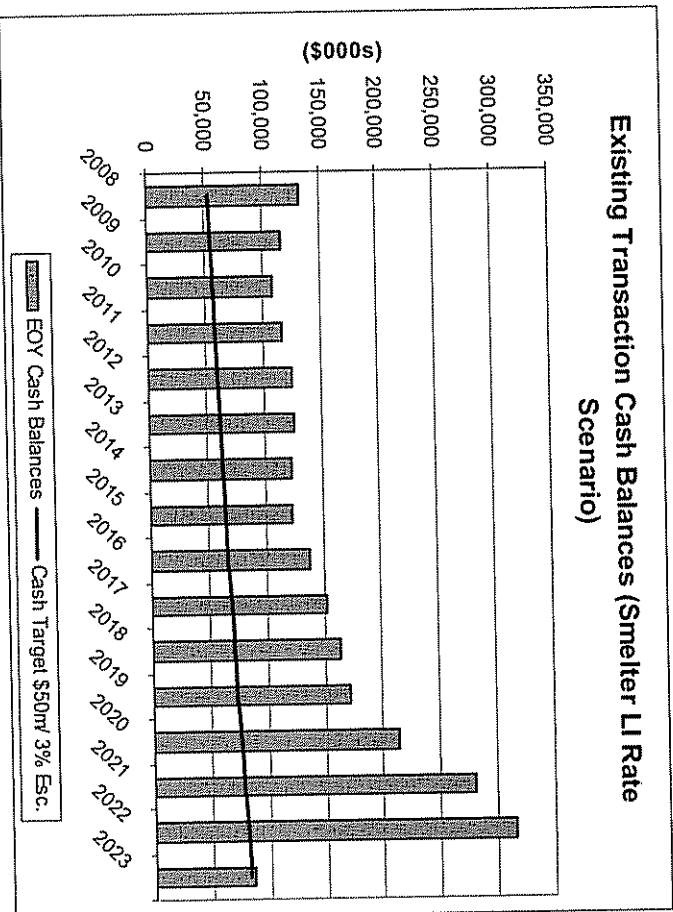
c. Cash Balances

Rates are set to achieve cash balances at or above target levels. With assumed arbitrage sales into the market, cash balances far exceed targets until EOY 2023:

Base Case - Arbitrage Sales to Market



Alternative Case – Smelter Large Industrial Rate Scenario



2. Base Case Assumptions – Summary

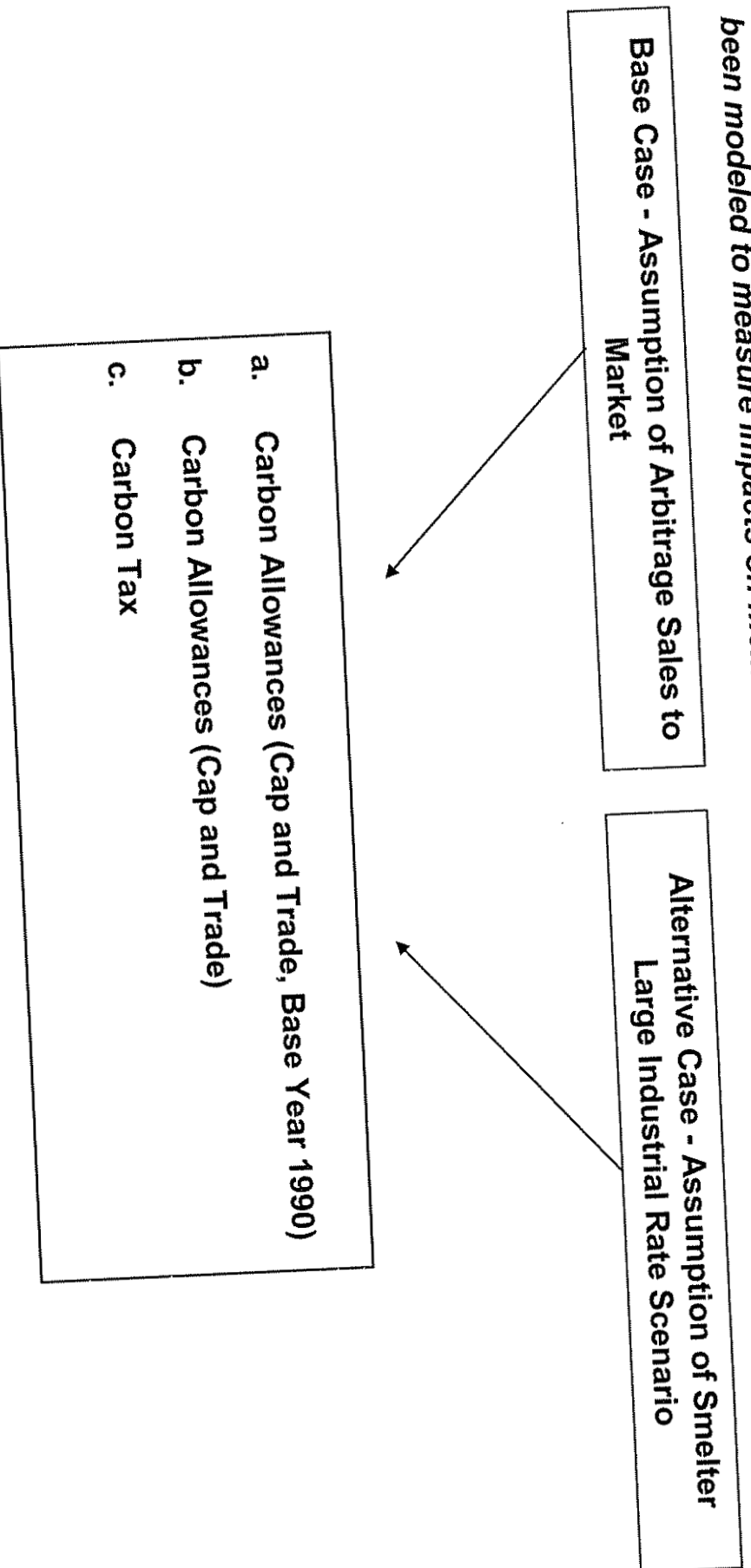
d. Balance Sheet Highlights (\$M)

Positive equity is achieved in 2013, and exceeds 44% in 2022 in both Base and Alternative Cases

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Base Case - Arbitrage Sales																
Assets																
Net Utility Plant	928	944	971	982	987	988	994	989	989	988	990	991	994	996	1,001	1,004
Sale-Leaseback Investments	200	201	210	218	227	236	245	255	266	278	291	304	319	334	351	368
Cash & Investments	136	124	120	130	142	159	173	194	206	218	226	231	259	313	339	87
Receivables, Inventories & Other	52	52	52	55	49	51	50	49	47	46	45	44	45	44	43	125
Assets	1,316	1,322	1,351	1,384	1,404	1,434	1,462	1,487	1,509	1,530	1,551	1,569	1,616	1,687	1,734	1,584
Liabilities & Equities																
Equities	(159)	(128)	(97)	(50)	0	64	136	202	271	340	413	484	583	681	784	920
Sale-Leaseback Obligation & Unamortized Gain	241	240	246	252	258	265	272	279	288	297	307	319	331	344	358	373
ARVP Note	105	112	118	125	133	141	149	158	167	177	187	198	210	223	236	-
Other Debt	923	884	843	796	730	666	598	532	459	385	305	224	143	86	1	250
Total Debt	1,029	996	961	921	863	806	747	690	626	561	493	423	353	309	237	250
RVP Balance	169	179	206	222	240	256	265	274	282	290	297	303	309	313	314	-
Payables & Other	35	35	35	40	43	43	42	42	42	41	41	41	40	40	41	42
Liabilities & Equities	1,316	1,322	1,351	1,384	1,404	1,434	1,462	1,487	1,509	1,530	1,551	1,569	1,616	1,687	1,734	1,584
Total Equity to Total Assets	-12.0%	-9.7%	-7.1%	-3.6%	0.0%	4.5%	9.3%	13.6%	18.0%	22.2%	26.6%	30.8%	36.1%	40.4%	45.2%	58.0%
Smelter Large Industrial Rate Scenario																
Assets																
Net Utility Plant	928	944	971	982	987	988	994	989	989	988	990	991	994	996	1,001	1,004
Sale-Leaseback Investments	200	201	210	218	227	236	245	255	266	278	291	304	319	334	351	368
Cash & Investments	133	117	109	116	124	126	123	123	138	153	163	171	214	280	316	87
Receivables, Inventories & Other	52	52	52	55	51	49	47	45	46	45	44	42	45	44	43	126
Assets	1,313	1,315	1,341	1,371	1,388	1,399	1,408	1,413	1,439	1,464	1,487	1,508	1,572	1,654	1,710	1,585
Liabilities & Equities																
Equities	(162)	(136)	(108)	(63)	(16)	30	83	129	202	275	350	424	540	649	760	920
Sale-Leaseback Obligation & Unamortized Gain	241	240	246	252	258	265	272	279	288	297	307	319	331	344	358	373
ARVP Note	105	112	118	125	133	141	149	158	167	177	187	198	210	223	236	-
Other Debt	923	884	843	796	730	666	598	532	459	385	305	224	143	86	1	250
Total Debt	1,029	996	961	921	863	806	747	690	626	561	493	423	353	309	237	250
RVP Balance	169	179	206	222	240	256	265	274	282	290	297	303	309	313	314	-
Payables & Other	36	36	36	40	43	42	41	41	41	40	40	40	40	40	41	42
Liabilities & Equities	1,313	1,315	1,341	1,371	1,388	1,399	1,408	1,413	1,439	1,464	1,487	1,508	1,572	1,654	1,710	1,585
Total Equity to Total Assets	-12.3%	-10.3%	-8.0%	-4.6%	-1.1%	2.2%	5.9%	9.1%	14.0%	18.8%	23.6%	28.1%	34.3%	39.2%	44.4%	58.0%

3. Summary Rate Effects

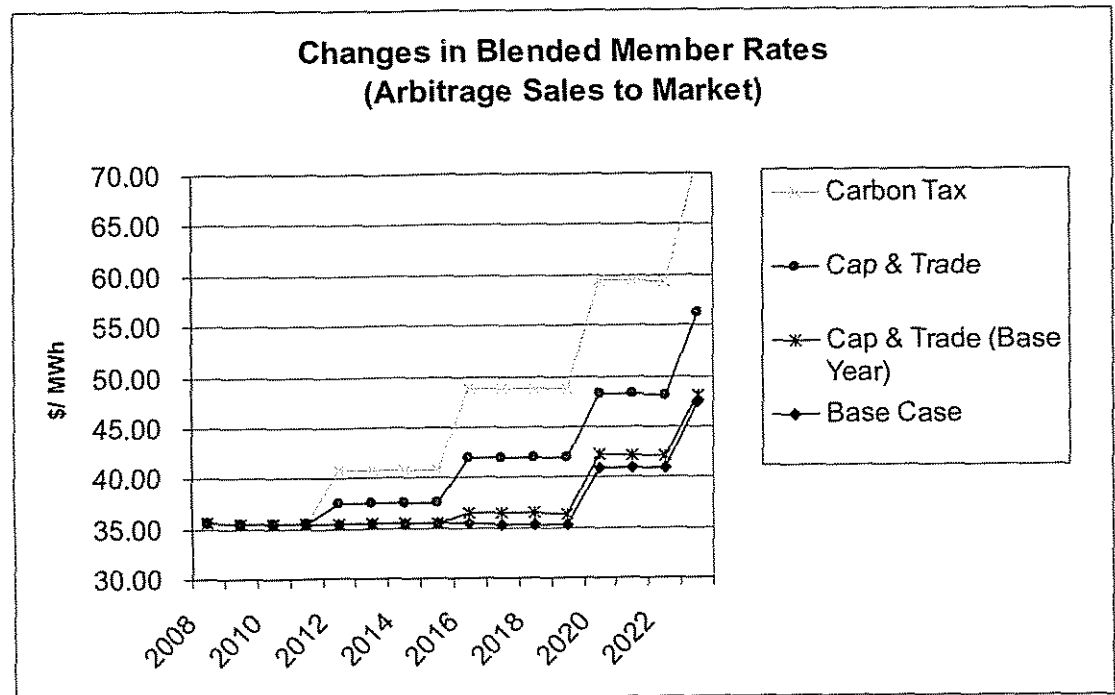
For each of the arbitrage and smelter large industrial rate scenarios, the sensitivities below have been modeled to measure impacts on member rates:



3. Summary Rate Effects

Base Case - Assumption of Arbitrage Sales to Market

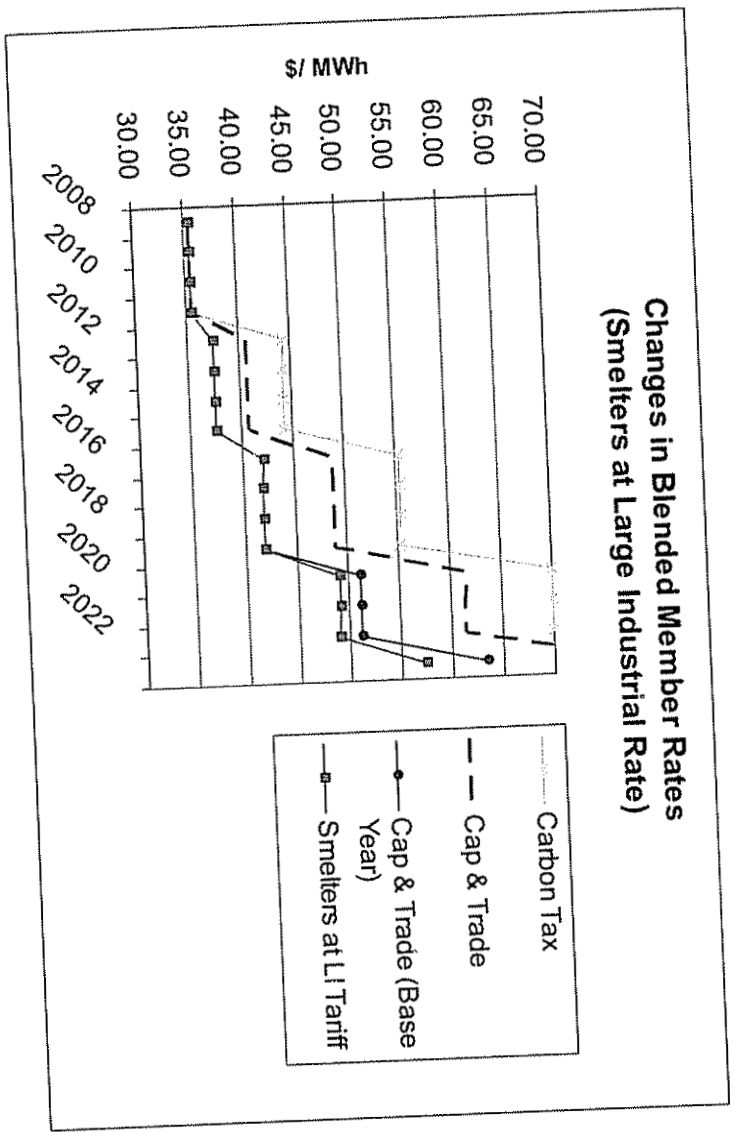
- Carbon costs offset partially by market sales
- Carbon allowances less burdensome than carbon tax under LG&E agreement
- Impact of Smelter large industrial rate scenario offset partially by patronage taxation
- Other changes fall fully on member rates



3. Summary Rate Effects

Alternative Case - Assumption of Smelter Large Industrial Rate Scenario

- Carbon costs not fully offset by market sales in Smelter Large Industrial Rate scenario
- However, carbon and other costs socialized between smelters and non-smelter members via large industrial rate



3. Summary Rate Effects

Base Case - Assumption of Arbitrage Sales to Market

Rate impacts of the sensitivities are shown below in tabular form (ordered by magnitude of impact through 2023):

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Carbon Tax	35.61	35.52	35.50	35.47	40.77	40.74	40.72	40.69	48.81	48.78	48.76	48.74	59.44	59.41	59.32	71.15
	0.00%	0.00%	0.00%	0.00%	15.00%	0.00%	0.00%	0.00%	20.00%	0.00%	0.00%	0.00%	22.00%	0.00%	0.00%	20.00%
Cap & Trade	35.61	35.52	35.50	35.47	37.57	37.55	37.53	37.51	41.99	41.97	41.95	41.93	48.20	48.18	48.10	56.25
	0.00%	0.00%	0.00%	0.00%	6.00%	0.00%	0.00%	0.00%	12.00%	0.00%	0.00%	0.00%	15.00%	0.00%	0.00%	17.00%
Changes Cap & Trade (Base Year)	35.61	35.52	35.50	35.47	35.45	35.43	35.40	35.39	36.43	36.41	36.39	36.38	42.18	42.16	42.10	47.97
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.00%	0.00%	0.00%	0.00%	16.00%	0.00%	0.00%	14.00%
Base Case Changes	35.61	35.52	35.50	35.47	35.45	35.43	35.40	35.39	35.37	35.35	35.33	35.32	40.95	40.94	40.87	47.39
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	16.00%	0.00%	0.00%	16.00%

3. Summary Rate Effects

Alternative Case - Assumption of Smelter Large Industrial Rate Scenario

Rate impacts of the sensitivities are shown below in tabular form (ordered by magnitude of impact through 2023):

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Carbon Tax	35.61	35.52	35.50	35.47	44.31	44.28	44.26	44.23	55.26	55.23	55.21	55.18	70.05	70.03	69.92	87.36
	0.00%	0.00%	0.00%	0.00%	25.00%	0.00%	0.00%	0.00%	25.00%	0.00%	0.00%	0.00%	27.00%	0.00%	0.00%	25.00%
Changes	35.61	35.52	35.50	35.47	40.77	40.74	40.72	40.69	48.81	48.78	48.76	48.74	61.38	61.36	61.27	77.16
	0.00%	0.00%	0.00%	0.00%	15.00%	0.00%	0.00%	0.00%	20.00%	0.00%	0.00%	0.00%	26.00%	0.00%	0.00%	26.00%
Cap & Trade	35.61	35.52	35.50	35.47	37.57	37.55	37.53	37.51	41.99	41.97	41.95	41.93	51.13	51.11	51.03	63.25
	0.00%	0.00%	0.00%	0.00%	6.00%	0.00%	0.00%	0.00%	12.00%	0.00%	0.00%	0.00%	22.00%	0.00%	0.00%	24.00%
Cap & Trade (Base Year)	35.61	35.52	35.50	35.47	37.57	37.55	37.53	37.51	41.99	41.97	41.95	41.93	49.03	49.02	48.94	57.23
	0.00%	0.00%	0.00%	0.00%	6.00%	0.00%	0.00%	0.00%	12.00%	0.00%	0.00%	0.00%	17.00%	0.00%	0.00%	17.00%
Smelters at LI Tariff	35.61	35.52	35.50	35.47	37.57	37.55	37.53	37.51	41.99	41.97	41.95	41.93	49.03	49.02	48.94	57.23
	0.00%	0.00%	0.00%	0.00%	6.00%	0.00%	0.00%	0.00%	12.00%	0.00%	0.00%	0.00%	17.00%	0.00%	0.00%	17.00%

Appendix A: Delta Analyses

Appendix A: Delta Analyses – Comparison to 9/06 Existing Transaction

a(i). Delta between Base Case Arbitrage Sales and 9/06 Existing Transaction Cash Flows

	Total	PV	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023		
1 (\$M)																				
2 Impact Analysis																				
3 Receipts	201	126	(5.9)	(5.8)	(2.2)	4.6	21.0	33.8	32.7	26.0	23.1	22.7	22.1	17.0	9.2	3.6	1.8	(2.8)		
4 Non-Member Sales	(1)	(1)	-	-	-	(0.0)	(0.0)	(0.0)	-	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.7)		
5 Tier 3 Smaller Trans.	(0)	(0)	(0.0)	(0.0)	(0.0)	(1.0)	(0.8)	(0.3)	0.5	1.2	2.0	2.7	3.4	4.2	5.0	5.5	5.8	(0.0)	(0.0)	
6 Transmission Services - NonArbitrage	33	15	0.2	(0.6)	(1.2)	(1.0)	(0.8)	(0.3)	0.5	1.2	2.0	2.7	3.4	4.2	5.0	5.5	5.8	6.1		
7 Interest Income																				
8 Total	232	141	(5.8)	(6.4)	(3.5)	3.6	20.2	33.5	33.2	27.2	25.0	25.3	25.5	21.2	14.0	8.9	7.4	2.5		
9 Net Disbursements																				
10 SEPA Power Purchased	5	2	(0.1)	(0.3)	(0.3)	(0.3)	0.4	0.5	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6	
11 Base Power Purchased	124	84	5.1	4.7	4.1	9.7	13.4	12.2	11.9	11.3	10.7	9.5	8.4	7.2	5.7	4.2	3.6	2.5		
12 Market Power, APM, LLC, Cogen, CW & T	(8)	1	4.5	5.3	6.1	(1.8)	(1.2)	(1.4)	(0.3)	(1.5)	(1.5)	(1.8)	(1.9)	(2.1)	(2.3)	(2.4)	(2.5)	(2.6)	(2.6)	
13 System Control & Dispatch	5	3	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	
14 Stations, Lines & Structures	29	19	1.6	1.5	1.5	1.6	1.6	1.7	1.7	1.7	1.8	1.9	1.9	2.0	2.0	2.1	2.2	2.2	2.2	
15 Administrative & General	44	28	2.4	2.2	2.3	2.4	2.4	2.5	2.5	2.7	2.8	2.8	2.9	2.9	3.0	3.1	3.2	3.3	3.4	
16 Property Insurance	(1)	(1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	
17 Income Tax	43	23	(0.5)	(0.4)	(0.3)	(8.0)	(0.2)	6.5	6.8	5.6	5.2	5.8	6.2	5.4	3.8	2.4	2.4	2.0	2.0	
18 LG&E Parties RVP and Pur. of Prod. Inv.	136	57	6.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	135.9	
19 Energy Imbalance	7	6	4.9	2.0	2.1	1.0	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	4.6	
20 LG&E Incremental Legal	28	18	0.6	1.4	0.0	0.4	(0.0)	(0.2)	(0.4)	(0.7)	(0.1)	0.1	0.7	1.3	1.9	2.5	2.5	2.5	2.5	
21 Clear Sites O&M	12	7	(1.0)	0.1	0.3	1.0	0.7	1.3	0.0	(0.4)	(0.1)	0.2	0.2	(0.2)	(0.4)	(0.2)	0.0	(0.6)		
22 Change in Working Capital	1	1	24.4	16.8	16.1	6.2	17.9	23.8	22.3	19.9	19.9	19.7	19.7	17.9	15.2	16.9	16.6	150.7		
23 Total	424	249	(8.0)	(4.3)	(19.4)	0.0	0.8	0.2	3.7	0.2	0.8	0.3	0.9	0.3	0.9	0.3	1.0	0.3		
24 Capital Expenditures	(22)	(23)	0.3	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	-		
25 Debt Payments	(1)	(1)	(7.7)	(4.4)	(19.6)	(0.1)	0.6	0.1	3.6	0.0	0.7	0.1	0.7	0.1	0.9	0.2	0.9	0.3		
26 Total	(24)	(24)	(22.2)	(18.9)	(0.1)	(2.6)	1.6	9.4	7.1	7.1	4.3	5.4	4.9	3.0	(2.2)	(8.2)	(10.2)	(148.5)		
27 Net \$M	(170)	(85)																		
28 Member Blend Rates - Incremental																				
29 TWh			3.4	3.5	3.6	3.7	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5	4.6	4.7	4.8		
30 \$/MWh			1.1	1.5	1.7	1.9	2.1	2.3	2.5	2.7	2.9	3.0	3.1	3.3	3.2	3.4	3.5	2.6		
31 Change			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-2.00%	0.00%	0.00%	-4.00%		
32 \$M			171	103																
33 Total Member Blend Rate Increases			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	16.00%	0.00%	0.00%	16.00%		

Appendix A: Delta Analyses – Comparison to 9/06 Existing Transaction

a(ii). Delta between Smelter Lg. Industrial Rate Scenario and 9/06 Existing Transaction

	Total	PV	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
(SM)																		
Impact Analysis																		
Receipts																		
Non-Member Sales	(241)	(131)	(5.9)	(5.8)	(2.2)	4.6	4.9	(9.6)	(10.8)	(20.2)	(15.6)	(17.0)	(20.5)	(25.3)	(22.9)	(31.1)	(35.6)	(28.0)
Tier 3 Smelter Trans.	(62)	(34)	-	-	-	-	(1.7)	(3.9)	(4.1)	(4.2)	(4.1)	(4.4)	(4.6)	(5.0)	(6.4)	(6.9)	(7.3)	(9.4)
Transmission Services - NonArbitrage	(0)	(0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Interest Income	9	1	0.2	(0.8)	(1.5)	(1.4)	(1.3)	(1.1)	(0.9)	(0.9)	(1.1)	(0.3)	0.7	1.6	2.4	3.6	4.4	5.1
Total	(295)	(164)	(5.8)	(6.6)	(3.8)	3.2	1.9	(14.6)	(15.8)	(25.4)	(20.7)	(21.7)	(24.5)	(28.7)	(26.9)	(34.3)	(38.4)	(32.4)
Net Disbursements																		
SEPA Power Purchased	5	2	(0.1)	(0.3)	(0.3)	(0.3)	0.4	0.5	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.6
Base Power Purchased	119	81	4.7	4.3	3.7	9.5	13.2	12.2	11.9	11.3	10.7	9.5	8.4	7.2	5.4	3.4	2.4	0.8
Market Power, APM, L/C, Cogen, CW & T	(44)	(18)	8.5	9.3	10.1	0.3	(2.1)	(7.8)	(8.0)	(8.3)	(8.6)	(9.0)	(9.4)	(9.9)	(7.5)	(3.5)	(0.7)	2.3
System Control & Dispatch	5	3	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4
Stations, Lines & Structures	29	19	1.6	1.5	1.5	1.6	1.6	1.7	1.7	1.8	1.8	1.9	1.9	2.0	2.0	2.1	2.2	2.2
Administrative & General	44	28	2.4	2.2	2.3	2.4	2.4	2.5	2.6	2.7	2.8	2.8	2.9	3.0	3.1	3.2	3.3	3.4
Property Insurance	(1)	(1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Income Tax	(140)	(81)	(0.5)	(0.4)	(0.3)	(8.0)	(4.4)	(10.6)	(9.9)	(10.7)	(10.7)	(10.2)	(10.2)	(10.7)	(11.8)	(13.6)	(14.1)	(14.0)
LG&E Parties RVP and Pur. of Prod. Inv.	136	57	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	135.9
Energy Imbalance	7	6	6.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LG&E Incremental Legal	28	18	4.9	2.0	2.1	1.0	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6	4.3	4.4	4.6
Clear Skies O&M	12	7	0.6	1.4	0.0	0.4	(0.0)	(0.2)	(0.4)	(0.7)	(0.1)	0.1	0.7	1.3	1.9	2.5	2.5	2.5
Change in Working Capital	2	1	(1.5)	0.1	0.3	1.2	0.3	(0.4)	0.1	(0.6)	2.2	0.2	(0.0)	(0.1)	0.6	(0.9)	(0.5)	0.7
Total	200	122	27.5	20.4	19.6	8.2	12.1	(1.4)	(1.0)	(3.4)	(0.8)	(3.5)	(4.3)	(5.8)	(5.0)	(1.8)	0.1	139.2
Capital Expenditures	(22)	(23)	(8.0)	(4.3)	(19.4)	0.0	0.8	0.2	3.7	0.2	0.8	0.3	0.9	0.3	0.9	0.3	1.0	0.3
Debt Payments	(1)	(1)	0.3	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	-
Total	(24)	(24)	(7.7)	(4.4)	(19.6)	(0.1)	0.6	0.1	3.6	0.0	0.7	0.1	0.7	0.1	0.9	0.2	0.9	0.3
Net \$M	(473)	(263)	(25.3)	(22.6)	(4.0)	(5.0)	(10.9)	(13.5)	(18.6)	(22.2)	(20.8)	(18.5)	(21.0)	(23.1)	(22.9)	(32.9)	(39.5)	(171.9)
Member Blend Rates - Incremental																		
TWh			3.4	3.5	3.6	3.7	3.7	3.8	3.9	4.0	4.1	4.2	4.3	4.4	4.5	4.6	4.7	4.8
\$/ MWh			1.1	1.5	1.7	1.9	4.3	4.5	4.7	4.8	9.5	9.6	9.7	9.9	11.3	11.5	11.6	12.5
Change			0.00%	0.00%	0.00%	0.00%	6.00%	0.00%	0.00%	0.00%	12.00%	0.00%	0.00%	0.00%	-1.00%	0.00%	0.00%	-3.00%
SM	473	262	3.9	5.2	6.1	7.1	15.9	17.1	18.2	19.3	38.8	40.3	41.7	43.1	50.5	52.2	54.0	59.3
Total Member Blend Rate Increases			0.00%	0.00%	0.00%	0.00%	6.00%	0.00%	0.00%	0.00%	12.00%	0.00%	0.00%	0.00%	17.00%	0.00%	0.00%	17.00%

Appendix A: Delta Analyses – Smelter Large Industrial Rate Scenario

b. Smelter Large Industrial Rate Scenario - Overview

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- 2012: 100MW
- 2013 – 2023: 200MW *
- Smelters are assumed not to pay separate transmission charge
- Tier 3 Smelter transmission charge assumed to go away
- Smelter revenues under large industrial rate scenario are treated as patronage, and hence do not generate taxable income *

* Taxes have become significantly more material in arbitrage sales scenario

Appendix A: Delta Analyses – Smelter Large Industrial Rate Scenario

b. Smelter Large Industrial Rate Scenario – Impact Analysis

	Total	PV	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Capacity and Energy to Smelters under Legacy Claim																			
1 MW			100%	100%	100%	100%	100	200	200	200	200	200	200	200	200	200	200	200	200
2 Load factor							0.876	1.752	1.752	1.752	1.752	1.752	1.752	1.752	1.752	1.752	1.752	1.752	1.752
3 TVM			1.850	1.753	1.661	2.611	2.371	1.355	1.284	1.157	1.050	0.917	0.795	0.662	0.529	0.391	0.284	0.172	13.90
4 Balance to Arbitrage Sales (TWh)			11.87	13.43	15.34	14.82	14.02	19.42	19.70	21.44	18.13	19.42	21.30	21.51	16.78	18.58	20.41	13.90	4.90
5 Step-Down to Smelter Legacy Rate (\$/MWh)							1.62	6.93	7.12	7.49	6.55	6.22	6.59	6.84	5.07	5.34	5.67	4.90	
6 Step-Down to Arb. Rate in Legacy Scenario (\$/MWh)																			
7																			
8																			
9																			
10 Impact Analysis																			
11 Receipts	(442)	(256)					(16)	(43)	(44)	(46)	(39)	(40)	(43)	(42)	(32)	(35)	(37)	(25)	(9)
12 Non-Member Sales	(61)	(33)					(2)	(4)	(4)	(4)	(4)	(4)	(5)	(5)	(6)	(7)	(7)	(9)	(9)
13 Tier 3 Smelter Trans.	(502)	(291)					(18)	(47)	(48)	(50)	(43)	(44)	(47)	(47)	(38)	(41)	(45)	(34)	(34)
14 Total																			
15 Net Disbursements																			
16 Base Power Purchased	(6)	(3)	(0)	(0)	(0)	(0)	(0)	(6)	(7)	(7)	(7)	(7)	(8)	(8)	(5)	(1)	(1)	(2)	(2)
17 Market Power, APM, L/C, Cogen, CW	(36)	(19)	4	4	4	2	(1)	(17)	(17)	(16)	(16)	(16)	(16)	(16)	(15)	(16)	(17)	(16)	(16)
18 Income Tax	(183)	(104)	0	(0)	(0)	(0)	0	(1)	1	2	5	3	3	3	4	1	1	1	2
19 Int. Earnings & Working Capital	25	14	(1)	0	0	1	0	(1)	(1)	(2)	(18)	(20)	(21)	(21)	(18)	(17)	(15)	(10)	(10)
20 Total	(200)	(113)	3	4	4	2	(5)	(24)	(22)	(21)	(18)	(20)	(21)	(21)	(18)	(17)	(15)	(10)	(10)
21 Net \$M	(303)	(178)	(3)	(4)	(4)	(2)	(13)	(23)	(26)	(29)	(25)	(24)	(26)	(26)	(21)	(25)	(29)	(23)	(23)
22																			
23																			
24																			
25																			
26 Member Blend Rates - Incremental																			
27 TVM	3.384	3.485	3.566	3.654	3.738	3.828	3.913	4.004	4.091	4.185	4.274	4.369	4.459	4.556	4.662	4.757	4.84	4.98	5.17
28 \$/MWh	0.00%	0.00%	0.00%	0.00%	6.00%	0.00%	0.00%	0.00%	0.00%	12.00%	0.00%	0.00%	0.00%	1.00%	0.00%	1.00%	0.00%	1.00%	1.00%
29 Change																			
30 \$M	302	159																	
31																			
32																			
33 Total Member Blend Rate Increases			0.00%	0.00%	0.00%	0.00%	6.00%	0.00%	0.00%	0.00%	12.00%	0.00%	0.00%	0.00%	17.00%	0.00%	0.00%	17.00%	17.00%

Appendix A: Delta Analyses – Carbon Allowances (Cap & Trade with BY 1990)

c(i). Carbon Allowances (Cap & Trade with Base Year 1990) – Overview

Modeling assumptions:

- Start Year 2012
- Rate* \$7/ ton CO2
- Base Year 1990 Coal tons 5.07M
- CO2 emissions (tons) / ton of coal 2.25
- BREC cost share Partial, on a \$ basis
(Per Article 5 of Participation Agreement)
- Reflection in arbitrage sales Full, on \$/ MWh basis
- Tax impact Incremental arbitrage revenues assumed partially shielded
by BREC share of allowance costs

* Rising \$1/ ton each year through 2023

Appendix A: Delta Analyses – Carbon Allowances (Cap & Trade with BY 1990)

c(ii). Carbon Allowances (Cap & Trade with Base Year 1990) – Impact Analysis Base Case - Assumption of Arbitrage Sales to Market

	Total	PV	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Cost Assumptions																			
1 Cost per Ton of CO2			2.25	2.25	2.25	2.25	7.00	8.00	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	17.00	18.00	
2 Emissions Rate/Ton Coal			6.09	6.13	5.84	6.02	5.68	5.98	5.68	5.93	5.77	5.83	5.62	5.79	5.62	5.90	5.59	5.81	
3 Coal tons (Ms)			5.07	5.07	5.07	5.07	5.07	5.07	5.07	5.07	5.07	5.07	5.07	5.07	5.07	5.07	5.07	5.07	
4 Base Year Coal tons (Ms)			1.02	1.05	0.76	0.94	0.60	0.91	0.61	0.86	0.70	0.76	0.54	0.72	0.54	0.82	0.51	0.74	
5 Net tons Coal (Ms)			0.38	0.39	0.29	0.35	0.24	0.34	0.24	0.32	0.27	0.29	0.22	0.28	0.22	0.31	0.21	0.29	
6 Effective Emissions Rate/Ton Coal			11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	
7 Assumed Coal bltu/lb (000s)			11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	
8 Assumed Heat Rate (000s)			11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	
9 Cost Per MWh			0.84	1.37	1.09	1.62	1.49	1.75	1.42	1.96	1.63	2.50	1.76	2.57					
10 Impact Analysis																			
11 Receipts																			
12 Market			1.85	1.75	1.66	2.61	3.25	3.11	3.02	2.91	2.80	2.67	2.55	2.41	2.28	2.14	2.04	1.92	
13 TWh			50	28	28	28	3	4	3	5	4	5	4	5	4	5	4	5	
14 \$M			-	-	-	-	-	-	-	-	0	0	0	0	0	0	0	0	
15 Smelter Revenues			2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
16 Tier 3 Smelter Trans.			2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
17 Total			51	29	29	29	3	4	3	5	4	5	4	5	4	5	4	5	
18 Net Disbursements																			
19 Carbon Cost			12.05	12.21	11.57	12.00	11.36	11.98	11.37	11.89	11.52	11.70	11.21	11.60	11.23	11.85	11.18	11.64	
20 TWh			20.0%	20.0%	20.0%	40.3%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	
21 BREC Share			76	44	44	44	3	6	4	7	6	7	5	8	6	10	7	10	
22 \$M			7	4	4	4	0	1	0	1	1	0	0	1	1	1	0	1	
23 Income Tax (\$M)			(0)	(0)	(0)	(0)	(0)	(0)	0	(0)	1	0	0	(0)	0	(1)	0	(1)	
24 Int. Earnings & Working Cap. (\$M)			85	47	47	47	3	6	5	7	7	8	6	8	7	10	7	10	
25 Total			(34)	(18)	(18)	(18)	(1)	(2)	(2)	(2)	(3)	(3)	(2)	(3)	(3)	(5)	(4)	(5)	
26 Net \$M																			
27 Member Blend Rates - Incremental																			
28 TWh			3.38	3.48	3.57	3.65	3.74	3.83	3.91	4.00	4.09	4.19	4.27	4.37	4.46	4.56	4.66	4.76	
29 \$/MWh			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%	-2.00%	
30 Change			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%	3	
31 \$M			19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	
32 Total Member Blend Rate Increases			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.00%	0.00%	0.00%	0.00%	16.00%	0.00%	0.00%	14.00%	

Appendix A: Delta Analyses – Carbon Allowances (Cap & Trade with BY 1990)

c(iii). Carbon Allowances (Cap & Trade with Base Year 1990) – Impact Analysis Alternative Case - Assumption of Smelter Large Industrial Rate Scenario

	Total	PV	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Cost Assumptions																			
1 Cost per Ton of CO2			2.25	2.25	2.25	2.25	7.00	8.00	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	17.00	18.00	
2 Emissions Rate/Ton Coal			6.09	6.13	5.84	6.02	5.68	5.98	5.68	5.93	5.77	5.83	5.82	5.79	5.62	5.90	5.59	5.81	
3 Coal tons (Mts)			5.07	5.07	5.07	5.07	5.07	5.07	5.07	5.07	5.07	5.07	5.07	5.07	5.07	5.07	5.07	5.07	
4 Base Year Coal tons (Mts)			1.02	1.05	0.76	0.94	0.80	0.91	0.61	0.86	0.70	0.76	0.54	0.72	0.54	0.82	0.51	0.74	
5 Net tons Coal (Mts)			0.36	0.39	0.29	0.35	0.24	0.34	0.24	0.32	0.27	0.29	0.22	0.28	0.22	0.31	0.21	0.29	
6 Effective Emissions Rate/Ton Coal			11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	
7 Assumed Coal bid/lb (000s)			11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	
8 Assumed Heat Rate (000s)			11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	
9 Cost Per MWh			0.84	0.84	1.09	1.09	1.37	1.37	1.62	1.62	1.49	1.75	1.42	1.96	1.63	2.50	1.76	2.57	
10																			
11																			
12 Impact Analysis																			
13 Receipts																			
14 Market			1.85	1.75	1.66	2.61	2.37	1.36	1.26	1.16	1.05	0.92	0.79	0.66	0.53	0.39	0.28	0.17	
15 TWh			15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	15	
16 \$M			17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	17	
17 Smelter Revenues			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
18 Tier 3 Smelter Trans.			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
19 Total			33	33	33	33	33	33	33	33	33	33	33	33	33	33	33	33	
20																			
21 Net Disbursements																			
22 Carbon Cost			12.05	12.21	11.57	12.00	11.36	11.98	11.37	11.89	11.52	11.70	11.21	11.60	11.23	11.85	11.18	11.64	
23 TWh			20.0%	20.0%	20.0%	40.3%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	
24 BREC Share			78	78	78	78	78	78	78	78	78	78	78	78	78	78	78	78	
25 \$M			44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	44	
26 Income Tax (\$M)			1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	
27 Int. Earnings & Working Cap. (\$M)			11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	
28 Total			91	91	91	91	91	91	91	91	91	91	91	91	91	91	91	91	
29																			
30 Net \$M			(58)	(58)	(58)	(58)	(58)	(58)	(58)	(58)	(58)	(58)	(58)	(58)	(58)	(58)	(58)	(58)	
31																			
32 Member Blend Rates - Incremental																			
33 TWh			3.38	3.48	3.57	3.65	3.74	3.83	3.91	4.00	4.09	4.19	4.27	4.37	4.46	4.56	4.66	4.76	
34 \$/MWh			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.00%	0.00%	0.00%	7.00%	
35 Change			0.00%	0.00%	0.00%	0.00%	6.00%	0.00%	0.00%	0.00%	12.00%	0.00%	0.00%	0.00%	22.00%	0.00%	0.00%	24.00%	
36 \$M			57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	57	
37																			
38 Total Member Blend Rate Increases																			

Appendix A: Delta Analyses – Carbon Allowances (Cap & Trade)

d(i). Carbon Allowances (Cap & Trade) – Overview

Modeling assumptions:

- Start Year 2012
- Rate* \$7/ ton CO2
- CO2 emissions (tons) / ton of coal 2.25
- BREC cost share Partial, on a \$ basis
(Per Article 5 of Participation Agreement)
- Reflection in arbitrage sales Full, on \$/ MWh basis
- Tax impact Incremental arbitrage revenues assumed partially shielded by BREC share of allowance costs

* Rising \$1/ ton each year through 2023

Appendix A: Delta Analyses – Carbon Allowances (Cap & Trade)

d(ii). Carbon Allowances (Cap & Trade) – Impact Analysis Base Case - Assumption of Arbitrage Sales to Market

	Total	PV	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cost Assumptions																		
1 Cost per Ton of CO2							7.00	8.00	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	17.00	18.00
2 Emissions Rate/Ton Coal	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
3 Coal tons (M)	6.09	6.13	6.13	5.84	6.02	5.68	5.68	5.98	5.68	5.93	5.77	5.63	5.62	5.79	5.62	5.90	5.59	5.81
4 Base Year Coal tons (M)																		
5 Net tons Coal (M)	6.09	6.13	6.13	5.84	6.02	5.68	5.68	5.98	5.68	5.93	5.77	5.63	5.62	5.79	5.62	5.90	5.59	5.81
6 Effective Emissions Rate/Ton Coal	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
7 Assumed Coal blvl/lb (000s)	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11
8 Assumed Heat Rate (000s)	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11
9 Cost Per MWh							7.87	8.99	10.12	11.22	12.39	13.45	14.66	15.73	16.88	17.91	19.11	20.22
10																		
11																		
12 Impact Analysis																		
13 Receipts																		
14 Market	1.85	1.75	1.66	2.61	3.25	3.11	3.02	2.91	2.80	2.67	2.55	2.41	2.28	2.14	2.04	1.92		
15 TWh	417	237			26	28	31	33	35	36	37	38	39	39	39	39		
16 \$M					0	0	0	0	1	1	1	1	1	1	1	1		
17 Smelter Revenues	12	7			0	0	0	0	1	1	1	1	1	1	1	1		
18 Tier 3 Smelter Trans.																		
19 Total	429	244			26	28	31	33	36	37	39	39	40	40	40	40		
20																		
21 Net Disbursements																		
22 Carbon Cost																		
23 TWh	12.05	12.21	11.57	12.00	11.36	11.98	11.37	11.89	11.52	11.70	11.21	11.60	11.23	11.85	11.18	11.64		
24 BRCC Share	20.0%	20.0%	20.0%	40.3%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%		
25 \$M	659	364			30	37	39	45	48	53	56	62	64	72	72	80		
26 Income Tax (\$M)	61	35			4	4	5	5	5	5	6	5	6	5	6	5		
27 Intl. Earnings & Working Cap. (\$M)	(5)	(3)			(2)	(1)	(0)	(0)	2	(0)	(0)	(1)	(0)	(2)	(0)	(1)		
28 Total	714	395			33	40	44	49	55	58	61	66	70	76	78	85		
29																		
30 Net \$M	(285)	(152)			(7)	(11)	(13)	(16)	(19)	(21)	(22)	(27)	(30)	(36)	(39)	(44)		
31																		
32 Member Blend Rates - Incremental																		
33 TWh	3.38	3.48	3.57	3.65	3.74	3.83	3.91	4.00	4.09	4.19	4.27	4.37	4.46	4.56	4.66	4.76		
34 \$/MWh	0.00%	0.00%	0.00%	0.00%	6.00%	0.00%	0.00%	0.00%	12.00%	0.00%	0.00%	0.00%	-1.00%	0.00%	1.00%			
35 Change					8	8	8	9	27	28	28	29	32	33	34	42		
36 \$M	286	152			8	8	8	9	27	28	28	29	32	33	34	42		
37																		
38 Total Member Blend Rate Increases																		

Appendix A: Delta Analyses – Carbon Allowances (Cap & Trade)

d(iii). Carbon Allowances (Cap & Trade) – Impact Analysis

Alternative Case - Assumption of Smelter Large Industrial Rate Scenario

	Total	PV	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cost Assumptions																		
1 Cost per Ton of CO2																		
2 Emissions Rate/ Ton Coal			2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
3 Coal Ions (Mts)			6.09	6.13	5.84	6.02	5.68	5.98	5.68	5.93	5.77	5.83	5.62	5.79	5.62	5.90	5.59	5.81
4 Base Year Coal Ions (Mts)																		
5 Net Ions Coal (Mts)			6.09	6.13	5.84	6.02	5.68	5.98	5.68	5.93	5.77	5.83	5.62	5.79	5.62	5.90	5.59	5.81
6 Effective Emissions Rate/ Ton Coal			2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
7 Assumed Coal bln/ lb (000s)			11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11
8 Assumed Heat Rate (000s)			11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11
9 Cost Per MWh							7.87	8.99	10.12	11.22	12.39	13.45	14.66	15.73	16.88	17.91	19.11	20.22
10 Impact Analysis																		
11 Receipts																		
12 Market			1.85	1.75	1.66	2.61	2.37	1.36	1.26	1.16	1.05	0.92	0.79	0.66	0.53	0.39	0.28	0.17
13 TWth			129				19	12	13	13	13	12	12	10	9	7	5	3
14 SM			131				0	4	4	4	9	9	9	9	0	0	0	0
15 Smelter Revenues			4				0	0	0	0	0	0	0	0	0	0	0	0
16 Tier 3 Smelter Trans.			264				21	17	17	18	23	22	21	20	26	24	23	31
17 Total																		
18 Net Disbursements																		
19 Carbon Cost																		
20 TWth			12.05	12.21	11.57	12.00	11.36	11.98	11.37	11.89	11.52	11.70	11.21	11.60	11.23	11.85	11.18	11.64
21 BREC Share			20.0%	20.0%	20.0%	40.3%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%
22 SM			659				30	37	39	45	48	53	56	62	64	72	72	80
23 Income Tax (\$M)			16				3	2	2	2	2	2	1	1	1	1	1	1
24 Int. Earnings & Working Cap. (\$M)			15				(2)	(1)	(0)	(0)	3	3	1	1	5	1	2	4
25 Total			690				32	37	41	47	53	56	59	64	70	74	75	84
26 Net SM			(426)				(10)	(20)	(23)	(29)	(30)	(34)	(37)	(44)	(44)	(49)	(52)	(53)
27 Member Blend Rates - Incremental																		
28 TWth			3.38	3.48	3.57	3.65	3.74	3.83	3.91	4.00	4.09	4.19	4.27	4.37	4.46	4.56	4.66	4.76
29 S/ MWh			0.00%	0.00%	0.00%	0.00%	9.00%	0.00%	0.00%	0.00%	8.00%	0.00%	0.00%	0.00%	9.00%	0.00%	0.00%	9.00%
30 Change			428				12	12	12	13	28	29	29	30	55	56	57	95
31 Total Member Blend Rate Increases							0.00%	0.00%	0.00%	0.00%	20.00%	0.00%	0.00%	0.00%	26.00%	0.00%	0.00%	26.00%

Appendix A: Delta Analyses – Carbon Tax

e(ii). Carbon Tax – Overview

Modeling assumptions:

- Start Year 2012
- Rate* \$7/ ton CO2
- CO2 emissions (tons)/ ton of coal 2.25
- BREC cost share Full, on a \$/ MWh basis
(Per Section 8 of PPA **)
- Reflection in arbitrage sales Full, on \$/ MWh basis
- Tax impact Incremental arbitrage revenues assumed shielded by
incremental base energy charges, on a per MWh basis

* Rising \$1/ ton each year through 2023

** "...if a tax on plant emissions should be enacted, LEM may increase the Power Value Amount to reasonably reflect the increased cost associated with the power sold to Big Rivers hereunder due to the imposition of such tax."

Appendix A: Delta Analyses – Carbon Tax

e(ii). Carbon Tax – Impact Analysis Base Case - Assumption of Arbitrage Sales to Market

	Total	PV	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cost Assumptions																		
1																		
2							7.00	8.00	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	17.00	18.00
3			2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
4			6.09	6.13	5.84	6.02	5.68	5.98	5.68	5.93	5.77	5.83	5.62	5.79	5.62	5.90	5.59	5.81
5			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6			6.09	6.13	5.84	6.02	5.68	5.98	5.68	5.93	5.77	5.83	5.62	5.79	5.62	5.90	5.59	5.81
7			2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25
8			11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11
9			11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11
10							7.87	8.99	10.12	11.22	12.39	13.45	14.66	15.73	16.88	17.91	19.11	20.22
11																		
12	Impact Analysis																	
13	Receipts																	
14																		
15			1.85	1.75	1.66	2.61	3.25	3.11	3.02	2.91	2.80	2.67	2.55	2.41	2.28	2.14	2.04	1.92
16	417	237	-	-	-	-	26	28	31	33	35	36	37	38	39	38	39	39
17			-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18	27	15	-	-	-	-	1	1	1	1	3	3	3	3	3	3	3	3
19	444	252	-	-	-	-	27	29	32	34	37	38	40	41	42	41	42	42
20																		
21	Net Disbursements																	
22																		
23																		
24			4.95	4.95	4.93	6.01	6.77	6.72	6.72	6.70	6.68	6.64	6.61	6.57	6.53	6.48	6.48	6.47
25	1,110	614	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
26			-	-	-	-	53	60	68	75	83	89	97	103	110	116	124	131
27	(1)	(0)	-	-	-	-	0	0	0	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
28	9	4	-	-	-	-	(4)	(1)	(0)	0	4	1	1	1	3	1	0	2
29	1,118	617	-	-	-	-	50	60	68	76	87	90	97	104	113	117	124	133
30	(673)	(365)	-	-	-	-	(23)	(31)	(36)	(42)	(49)	(52)	(58)	(64)	(71)	(75)	(82)	(90)
31																		
32	Member Blend Rates - Incremental																	
33			3.38	3.48	3.57	3.65	3.74	3.83	3.91	4.00	4.09	4.19	4.27	4.37	4.46	4.56	4.66	4.76
34			-	-	-	-	5.32	5.31	5.31	5.31	13.44	13.43	13.43	13.42	18.49	18.48	18.45	23.76
35			0.00%	0.00%	0.00%	0.00%	15.00%	0.00%	0.00%	0.00%	20.00%	0.00%	0.00%	0.00%	6.00%	0.00%	0.00%	4.00%
36	675	355	-	-	-	-	20	20	21	21	55	56	57	59	82	84	86	113
37																		
38			0.00%	0.00%	0.00%	0.00%	15.00%	0.00%	0.00%	0.00%	20.00%	0.00%	0.00%	0.00%	22.00%	0.00%	0.00%	20.00%

Appendix A: Delta Analyses – Carbon Tax

e(iii). Carbon Tax – Impact Analysis

Alternative Case - Assumption of Smelter Large Industrial Rate Scenario

	Total	PV	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Cost Assumptions																			
1																			
2	Cost Per Ton of CO2		2.25	2.25	2.25	2.25	7.00	8.00	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	17.00	18.00	
3	Emissions Rate/ Ton Coal		6.09	6.13	5.84	6.02	5.68	5.98	5.68	5.93	5.77	5.83	5.62	5.79	5.62	5.90	5.90	5.81	
4	Coal (tons (Mts)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
5	Base Year Coal (tons (Mts)		6.09	6.13	5.84	6.02	5.68	5.98	5.68	5.93	5.77	5.83	5.62	5.79	5.62	5.90	5.90	5.81	
6	Net tons Coal (Mts)		2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	2.25	
7	Effective Emissions Rate/ Ton Coal		11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	
8	Assumed Coal btu/lb (000s)		11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	
9	Assumed Heat Rate (000s)		11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	11	
10	Cost Per MWh		-	-	-	-	7.87	8.99	10.12	11.22	12.39	13.45	14.66	15.73	16.88	17.91	19.11	20.22	
11																			
12	Impact Analysis																		
13	Receipts																		
14	Market		185	175	166	261	237	136	126	116	105	92	79	66	53	39	28	17	
15	TWh		-	-	-	-	19	12	13	13	13	12	12	10	9	7	5	3	
16	\$M		233	233	233	233	5	9	9	9	18	18	18	18	29	29	29	41	
17	Smelter Revenues		8	8	8	8	1	1	1	1	1	1	1	1	1	1	1	0	
18	Tier 3 Smelter Trans.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
19	Total		369	369	369	369	24	22	23	23	32	31	31	29	38	36	35	45	
20																			
21	Net Disbursements																		
22	Carbon Cost		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
23	TWh		-	-	-	-	53	60	68	75	83	89	(0)	(0)	(0)	(0)	(0)	(1)	
24	BREC Share		-	-	-	-	0	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(1)	
25	\$M		1,107	1,107	613	613	0	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	6	
26	Income Tax (\$M)		(3)	(3)	(2)	(2)	(4)	(1)	(0)	0	4	2	2	2	7	2	1	6	
27	Int. Earnings & Working Cap. (\$M)		21	21	9	9	50	59	67	75	87	91	98	105	116	117	124	135	
28	Total		1,124	1,124	620	620	(25)	(37)	(45)	(53)	(55)	(59)	(67)	(76)	(79)	(81)	(89)	(89)	
29																			
30	Net \$M		(754)	(754)	(413)	(413)													
31																			
32	Member Blend Rates - Incremental																		
33	TWh		3.38	3.48	3.57	3.65	3.74	3.83	3.91	4.00	4.09	4.19	4.27	4.37	4.46	4.56	4.66	4.76	
34	\$/MWh		-	-	-	-	6.74	6.73	6.73	6.72	6.72	6.73	6.72	6.72	6.72	6.72	6.72	6.72	
35	Change		0.00%	0.00%	0.00%	0.00%	19.00%	0.00%	0.00%	0.00%	13.00%	0.00%	0.00%	0.00%	10.00%	0.00%	0.00%	8.00%	
36	\$M		759	759	398	398	25	26	26	27	54	56	57	58	94	96	98	143	
37																			
38	Total Member Blend Rate Increases		0.00%	0.00%	0.00%	0.00%	25.00%	0.00%	0.00%	0.00%	25.00%	0.00%	0.00%	0.00%	27.00%	0.00%	0.00%	25.00%	

Appendix B: Base Case Select Detail

Appendix B: Base Case Select Detail

a. Other Environmental

Incremental environmental O&M currently reflected in the Existing Transaction model is summarized below

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Incremental Environmental O&M (\$M)																
Plants																
Allowances	-	-	-	-	-	-	-	1.06	0.30	0.65	-	0.16	0.02	0.18	0.02	0.12
SO2 (non-Wilson Portfolio)	0.44	4.18	3.28	2.58	1.94	2.28	1.80	4.93	4.57	4.99	5.04	5.25	5.12	5.96	5.52	6.02
Nox	1.52	3.73	3.83	3.94	4.05	4.16	4.27	4.39	4.51	4.63	4.76	4.89	5.03	5.17	5.31	5.45
VOM (net of Wilson scrubber st.in 2011)	1.23	1.64	1.85	1.73	1.95	1.83	2.06	1.93	2.17	2.03	2.29	2.15	2.41	2.27	2.55	2.39
FOM (Yr-Round Nox)	3.19	9.55	8.96	8.25	7.94	8.27	8.13	12.30	11.55	12.31	12.09	12.45	12.58	13.57	13.39	13.99
Total	20.0%	20.0%	20.0%	40.3%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%
Big Rivers' Cost Share %																
Allowances	-	-	-	-	-	-	-	0.36	0.10	0.22	-	0.05	0.01	0.06	0.01	0.04
SO2 (non-Wilson Portfolio)	0.09	0.84	0.66	1.04	0.66	0.77	0.61	1.67	1.55	1.69	1.71	1.78	1.74	2.02	1.87	2.04
Nox	0.30	0.75	0.77	1.59	1.37	1.41	1.45	1.49	1.53	1.57	1.61	1.66	1.70	1.75	1.80	1.85
VOM (net of Wilson scrubber st.in 2011)	0.25	0.33	0.37	0.70	0.66	0.62	0.70	0.65	0.74	0.69	0.78	0.73	0.82	0.77	0.86	0.81
FOM (Yr-Round Nox)	0.64	1.91	1.79	3.32	2.69	2.80	2.76	4.17	3.92	4.17	4.10	4.22	4.27	4.60	4.54	4.74

Appendix B: Base Case Select Detail

b. Other Capital Expenditures

Capex currently reflected in the Existing Transaction model is summarized below:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
A. Non-Incremental																
Capital Budget Limit																
Share	24%	27%	16%	18%	15%	15%	19%	19%	18%	18%	18%	18%	18%	18%	18%	18%
\$Millions	6.72	6.87	7.03	5.90	5.08	5.20	5.31	5.43	5.56	5.68	5.81	5.94	6.07	6.21	6.35	6.49
Esc. Net of Share Impact	112.0%	-9.4%	69.2%	-26.8%	8.6%	-2.3%	-16.4%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Plant Maintenance																
Share	24%	27%	16%	18%	15%	15%	19%	19%	18%	18%	18%	18%	18%	18%	18%	18%
\$Millions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Esc. Net of Share Impact	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Non-Incremental	6.72	6.87	7.03	5.90	5.08	5.20	5.31	5.43	5.56	5.68	5.81	5.94	6.07	6.21	6.35	6.49
B. Incremental																
Share	20%	20%	20%	40%	34%	34%	34%	34%	34%	34%	34%	34%	34%	34%	34%	34%
\$Millions	1.37	0.77	1.22	0.26	0.76	0.23	3.72	0.24	0.85	0.25	0.89	0.26	0.94	0.27	0.99	0.28
C. Transmission																
Share	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
\$Millions	8.15	12.52	4.56	11.25	1.61	0.49	0.38	0.52	1.68	2.98	3.56	3.67	3.78	3.90	4.01	4.13
D. A&G																
Share	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
\$Millions	1.75	6.85	5.51	1.41	1.45	1.49	1.54	1.59	1.63	1.68	1.73	1.78	1.84	1.89	1.95	2.01
Esc. Net of HQ Building	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Total	17.99	27.02	18.32	18.82	8.91	7.41	10.95	7.78	9.71	10.59	12.00	11.65	12.63	12.27	13.30	12.91

Appendix B: Base Case Select Detail

c. Energy Imbalance (\$M)

Currently modeled amounts are as follows:

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
7.30	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65	0.65

Possible Changes:

- Review figures for both past claims and future costs as a result of causing energy imbalance.

Appendix B: Base Case Select Detail

d. Energy Scheduling

- **The current Existing Transaction does not include energy scheduling costs.**

Possible Changes:

- **The result of an energy scheduling claim would probably be some volume reduction in arbitrage sales.**

Appendix B: Base Case Select Detail

e. Legal Costs (\$M)

The current Existing Transaction models legal costs as shown below (2008 base year):

Legal Fees	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	6.00	3.09	3.18	2.19	1.69	1.74	1.79	1.84	1.90	1.96	2.02	2.08	2.14	5.87	6.05	6.23