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BIG RIVERS ELECTRIC CORPORATION'S RESPONSE
TO THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
THIRD DATA REQUEST TO BIG RIVERS ELECTRIC CORPORATION
PSC CASE NO. 2009-00040
June 1, 2009

1 **Item 3-1)** Please provide a copy of all workpapers in electronic format with formulas
2 intact used to develop the Company's filing.

3
4 **Response)** See Big Rivers' response to KIUC 1-14 March 17, 2009 data request, Big
5 Rivers' responses to Items 1, 3, 4, 5, 6, 11, 12, 13, 19, and 20 of the Commission Staff's
6 Third Data Request submitted May 4, 2009, and Big Rivers' responses to Items 2, 3, and
7 6 of the KIUC's second data request submitted May 4, 2009.

8 The Excel file containing Exhibit 40 and Exhibit 46 (Exhibit Seelye-2
9 Schedules 1.01 through 1.13) is contained on the CD attached hereto, although much of
10 this information was previously provided in response to KIUC 1-14.

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12 **Witness)** C. William Blackburn
13 William Steven Seelye

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1 **Item 3-2)** Refer to the Company's response to KIUC 2-2. Please explain why the
2 Company did not reduce the interest expense in both the numerator and denominator of
3 both the TIER and the DSC by the amount of capitalized interest each month in
4 accordance with the definitions of both ratios provided in response to KIUC 2-1.
5

6 **Response)** The TIER and DSC ratio calculations provided in response to KIUC 2-2
7 follow the guidelines established by the definitions of both ratios provided in response to
8 KIUC 2-1. The definitions of TIER and DSC provided in response to KIUC 2-1 state
9 that interest expense is to be reduced for "capitalized interest not paid from operating
10 cash flow." Since the completion of its Wilson generation facilities, Big Rivers has paid
11 all construction costs, including capitalized interest, from its operating cash flow. The
12 TIER and DSC ratio calculations shown in the model provided in response to KIUC 2-2
13 reflect the fact that all construction costs, including capitalized interest, are paid from
14 general funds or operating cash flow (i.e. there is no "capitalized interest not paid from
15 operating cash flow" amounts to be deducted from interest expense). It should be noted
16 that in its most recent rate case, East Kentucky Power Cooperative ("EKPC") ceased to
17 accrue capitalized interest and included interest charges on construction as current
18 interest in the calculation of TIER.
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20 **Witness)** C. William Blackburn
21 William Steven Seeyle
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1 **Item 3-3)** Refer to the Company's response to KIUC 2-3 and the 18% interest rate
2 on the 2001A Series Pollution Control bonds.

3 a. Please identify the present holder(s) of this debt and to whom the
4 Company is paying this interest.

5 b. Please explain why the Company is paying 18% interest on this
6 series of debt.

7 c. Under what circumstances can the Company reduce the interest
8 rate and/or expense on this series debt? Provide a copy of all relevant source documents
9 that address this issue.

10 d. Please provide a copy of all source documents that require the
11 Company to pay 18% on this series of debt, including a copy of all source documents that
12 led to the Company paying 18% on this series of debt. Such source documents include,
13 but are not limited to, indenture agreements, studies, analyses, correspondence, and
14 claims.

15 e. Please identify all options that may be available to the Company to
16 reduce this 18% interest rate, including, but not limited to, redeeming and issuing new
17 debt, remarketing this issue, or obtaining a replacement letter of credit.

18 f. Please identify all hurdles to reducing this 18% interest rate.
19 Please provide a copy of all source documents.

20 g. Please describe all efforts by or on behalf of the Company to
21 reduce this 18% interest rate. Provide a copy of all studies, analyses, reports,
22 correspondence, notes, computations, and all other documents or writings that describe
23 such efforts and/or the results of such efforts.

24 h. Please describe the Company's plans to refinance or otherwise
25 reduce the interest cost on this debt in the event the Unwind Transaction is consummated.
26 Please provide a copy of all studies, analyses, reports, correspondence, notes,
27 computations, and all other documents or writings that describe how the company plans
28 to proceed and steps the Company already has undertaken, if any.

29 i. Please describe the Company's plans to refinance or otherwise
30 reduce the interest cost on this debt in the event the Unwind Transaction is not

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1 consummated. Please provide a copy of all studies, analyses, reports, correspondence,
2 notes, computations, and all other documents or writings that describe how the Company
3 plans to proceed and steps the Company has undertaken.

4 j. Is the reason the Company has not implemented steps to reduce the
5 interest expense associated with this debt issue the lack of resolution on the Unwind
6 Transaction? Please explain your response.

7
8 **Response)** a. The bonds are registered in the name of Cede & Co., as nominee
9 of The Depository Trust Company, New York, New York ("DTC"). Purchases of the
10 Bonds are made in book-entry form only, through brokers and dealers who are, or who
11 act through, DTC participants. The bond trustee, U. S. Bank, does not have a list of the
12 individual holders of the bonds. Goldman Sachs, the remarketing agent, will not release
13 a list of the individual holders of the bonds because they consider the list to be
14 proprietary business information. Big Rivers cannot obtain the list of individual bond
15 holders from DTC because Big Rivers is neither a DTC member nor participant, and has
16 no account relationship with DTC. Big Rivers has requested that U. S. Bank request the
17 information from DTC for Big Rivers, but does not yet have a response to that request.
18 Interest payments are made to the trustee, U.S. Bank.

19
20
21 b. The interest rate is set through an auction process. The details of
22 the auction process are set forth in the documents provided pursuant to question 3-3.d.
23 below. The Maximum Interest Rate on the bonds is defined as the lesser of eighteen
24 (18%) or the maximum rate determined by applicable law. The Auction Agent is
25 responsible for determining the "Auction Rate" on each auction date. If there is a failed
26 auction, the Auction Rate is the Maximum Interest Rate.

27
28 c. Please see the response to 3-3.d. and 3-3.e. below.

29
30 d. Please see the following documents which are provided on an
31 attached CD:

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- (i) Trust Indenture dated as of August 1, 2001 between County of Ohio, Kentucky and U.S. Bank Trust National Association including Exhibit A entitled "PARS PROVISIONS."
- (ii) Financing and Loan Agreement dated as of August 1, 2001 between County of Ohio, Kentucky and Big Rivers Electric Corporation.
- (iii) Auction Agreement dated as of August 1, 2001 between Bankers Trust Company, as Auction Agent and U.S. Bank National Association, as Trustee.
- (iv) Broker-Dealer Agreement dated as of August 1, 2001 among Bankers Trust Company, as Auction Agent and Goldman, Sachs & Co. and Big Rivers Electric Corporation.

e. The only viable option for Big Rivers to reduce the interest rate on this debt is to refund it. The refunding can take the form of a variable rate demand note, a fixed rate bond where the rate is fixed to maturity or a put bond with the rate fixed for some period short of maturity. This could be for three years, five years or ten years or almost any other period. The current bonds are being reauctioned periodically and the interest rate set at the most recent auction date of May 26, 2009 was 10.5%. The interest rate remains high because Big Rivers is not currently an investment grade rated credit. The bond insurer, Ambac Assurance Corporation, has had its ratings downgraded a number of times in the last two years resulting in loss of investor confidence in the insurance policy, and the form of these bonds (an auction rate product) is in great disfavor in the capital markets. Thus remarketing this issue or obtaining a replacement

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1 letter of credit for the current bonds are not viable options without a consent to
2 subordination from RUS. The auction period is 28 days, and the next auction date is June
3 25, 2009.

4 f. The hurdles to reducing the interest rate are that the auction rate
5 product is in disfavor and neither Big Rivers nor the bond insurer, Ambac, has an
6 acceptable rating. As long Big Rivers is not an investment grade credit, it is not likely
7 that it can obtain credit enhancement from a highly rated bank or other credit enhancer.
8 Without this type of credit enhancement, the refunding of the current bonds would be
9 extremely difficult to accomplish and would likely result in an extremely high interest
10 rate if it could be accomplished. It might be possible to bring in a highly rated new credit
11 enhancer if RUS were willing to subordinate its position to the new credit enhancer. Any
12 such arrangement would be on terms even less favorable to RUS than the current
13 transaction. RUS has said to Big Rivers that it is unwilling to discuss any further
14 subordination at this point in time.

15
16 g. Months ago, approximately June 2008, Big Rivers was advised by
17 both its bond counsel, Orrick, and its underwriter, Goldman Sachs, that it would be
18 virtually impossible to successfully write a bond offering prospectus adequately
19 describing the operations of Big Rivers both under the 1998 LG&E Transaction and the
20 soon-expected Unwind Transaction, including both the existing and post-Unwind
21 bondholder security structure, such that the rating agencies and investors would
22 understand and approve. Also, given the time constraints of staff and counsel due to the
23 on-going Unwind activities, and the always soon-expected closing thereof, Big Rivers
24 was advised to wait until a "go" or "no go" decision was made on the Unwind before
25 pursuing a refunding of these bonds. Because Big Rivers was hopeful of becoming an
26 investment grade credit in connection with the Unwind, likely to result in a significantly
27 lower interest cost, management concurred it prudent to wait. Further, in brief
28 discussions with CFC about potentially acting in multiple roles in a remarketing, they
29 advised Big Rivers to wait post-Unwind for two primary reasons. First is the current
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1 difficult interest rate environment. Second is CFC's reluctance in becoming a more
2 significant party to the current Big Rivers security structure.

3 h. There are no plans to consummate the Unwind Transaction.

4 i. The Unwind Transaction is not going to be consummated, so Big
5 Rivers cannot successfully refinance these bonds without RUS subordination to a new
6 credit enhancer. Big Rivers will continue discussing this with RUS but there can be no
7 assurance that RUS will be willing to engage in a dialogue of this nature. As pointed out
8 in Item 3.f., above, within the last 30 days RUS has said to Big Rivers that it is unwilling
9 to discuss any further subordination at this point in time. Prior to now, the time required
10 to consummate a refunding has always been longer than the anticipated time to closing of
11 the Unwind transaction.

12 j. Please see the response to Items 3-3.c through 3-3.i above.

13 **Witness)** C. William Blackburn
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1 **Item 3-4)** Refer to the Company's response to Staff 3-6(a).

2 a. Page 1 of the attachment to that response shows *pro forma* interest
3 expense of \$1.809 million on the 1983 Series PC debt – market bonds. Page 12 of the
4 attachment to that response shows *pro forma* interest expense for 6 months of \$0.734
5 million. On an annualized basis, that would be \$1.468 million. Please reconcile the
6 \$1.809 million and the \$1.468 million.

7 b. Page 12 of the attachment to that response shows an interest rate of
8 8.0% on the market bonds.

9 i. Please identify the present holder(s) of this debt and to
10 whom the Company is paying this interest.

11 ii. Please provide the source of the 8.0% interest rate and
12 explain why the Company is paying 8.0% interest on the
13 “market bonds”.

14 iii. Please provide the actual interest rate on the market bonds
15 for each month to date in 2009.

16 iv. Please describe how the actual interest rate is determined,
17 including, but not limited to, by whom and pursuant to
18 what process.

19 v. Under what circumstances can the Company reduce the
20 interest rate and/or expense on this series debt? Provide a
21 copy of all relevant source documents that address this
22 issue.

23 vi. Please provide a copy of all source documents that require
24 the Company to pay 8% on this series of debt, including a
25 copy of all source documents that led to the Company
26 paying 8% on this series of debt. Such source documents
27 include, but are not limited to, indenture agreements,
28 studies, analyses, correspondence, and claims.

29 vii. Please identify all options that may be available to the
30 Company to reduce this 8% interest rate, including, but not
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- 1 limited to, redeeming and issuing new debt, remarketing
2 this issue, or obtaining a replacement letter of credit.
- 3 viii. Please identify all hurdles to reducing this 8% interest rate.
4 Please provide a copy of all source documents.
- 5 ix. Please describe all efforts by or on behalf of the Company
6 to reduce this 8% interest rate. Provide a copy of all
7 studies, analyses, reports, correspondence, notes,
8 computations, and all other documents or writings that
9 describe such efforts and/or the results of such efforts.
- 10 x. Please describe the Company's plans to refinance or
11 otherwise reduce the interest cost on this debt in the event
12 the Unwind Transaction is consummated. Please provide a
13 copy of all studies, analyses, reports, correspondence,
14 notes, computations, and all other documents or writings
15 that describe how the Company plans to proceed and steps
16 the Company already has undertaken, if any.
- 17 xi. Please describe the Company's plans to refinance or
18 otherwise reduce the interest cost on this debt in the event
19 the Unwind Transaction is not consummated. Please
20 provide a copy of all studies, analyses, reports,
21 correspondence, notes, computations, and all other
22 documents or writings that describe how the Company
23 plans to proceed and steps the Company has undertaken.
- 24 xii. Is the reason the Company has not implemented steps to
25 reduce the interest expense associated with this debt issue
26 the lack of resolution on the Unwind Transaction? Please
27 explain your response.

28
29 **Response)** a. The total *pro forma* interest amount on the \$58.8 million variable
30 rate demand bonds (VRDBs) is \$2.466 million (\$1.809 million "Market" interest added
31 to the \$.657 million "Bank" interest). Regarding the derivation of the \$1.809 million, the

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1 actual December 1 semi-annual test year interest payment, when all bonds were in the
2 "Market", was \$1.075 million. At the time of filing the Application in this case, as only
3 \$18.350 million were in the "Market" at 8%, a \$.734 million semi-annual payment
4 thereon was assumed. The sum of \$1.075 million and \$.734 million equals the \$1.809
5 million "Market" interest referenced. The balance of the issue, \$40.450 million were
6 held by the "Bank" bearing interest at 3.25%, or \$.657 million semi-annually.

7 The VRDBs are minimum 7-day "put" bonds (an irrevocable "demand" or
8 tender feature at the option of the holder). When the Remarketing Agent, Goldman
9 Sachs, is unable to remarket tendered bonds, the bonds are put to the Liquidity Provider,
10 Dexia, resulting in Bank Bonds. Bank Bonds bear interest at the Bank Rate, currently
11 3.25%, as described in b.ii. below. Bank Bonds may again become "Market" bonds if
12 subsequently remarketed by the Remarketing Agent. The amount of bonds in the
13 "Market" category at any time have fluctuated between \$18.350 million and \$46.050
14 million during the first five months of 2009. As of May 27, 2009, \$44.050 million are in
15 the "Market" bearing 8% and \$14.750 are at the "Bank" bearing 3.25%. Therefore,
16 today's annualized interest on the VRDBs is \$4.003 million vs. the \$2.466 million pro
17 forma amount, an increase of \$1.537 million.

18 b. The actual interest rate on the market bonds for each period in
19 2009 is as follows:

| <u>Period</u> | <u>Rate</u> |
|---------------------|-------------|
| 01/01/09 – 01/13/09 | 8.00 |
| 01/14/09 – 01/20/09 | 7.95 |
| 01/21/09 – 05/31/09 | 8.00 |

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25 i. The bonds are registered in the name of Cede & Co., as
26 nominee of The Depository Trust Company, New York,
27 New York ("DTC"). Purchases of the Bonds are made in
28 book-entry form only, through brokers and dealers who are,
29 or who act through, DTC participants. The bond trustee, U.
30 S. Bank, does not have a list of the individual holders of the
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bonds. Goldman Sachs, the remarketing agent, will not release a list of the individual holders of the bonds because they consider the list to be proprietary business information. Big Rivers cannot obtain the list of individual bond holders from DTC because Big Rivers is neither a DTC member nor participant, and has no account relationship with DTC. Big Rivers has requested that U. S. Bank request the information from DTC for Big Rivers, but does not yet have a response to that request. Interest payments are made to the trustee, U.S. Bank, for Market Bonds, and to Dexia for Bank Bonds.

ii. The bonds are remarketed by the Remarketing Agent (Goldman Sachs) who solicits purchases of the Bonds and determines the rates of interest applicable to the bonds. In the event the bonds are not able to be remarketed at this rate, they then are purchased by the liquidity bank (Dexia, Credit Local), and while held by Dexia Credit Local, bear interest at a rate equal to the higher of (a) the base commercial lending rate announced from time to time by the Liquidity Provider (Dexia) or (b) the rate quoted by the Liquidity Provider, at approximately 11:00 a.m., New York City time, on such date to dealers in the New York Federal funds market for the overnight offering of dollars by the Liquidity Provider for deposit, plus one-half of one percent (0.5%) but not in excess of the lesser of (a) eighteen percent (18%) per annum, and (b) the maximum rate of interest permitted by applicable law. The Remarketing Agent continues to attempt to remarket the bonds and when

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they are remarketed they will again go to the market rate of interest.

iii. Please see the response to Item 3-b.

iv. Please see the response to Item 34.b.ii. above.

v. Big Rivers may be able to reduce the interest rate on this series of debt if it could obtain highly rated credit enhancement together with a highly rated liquidity facility. These might be provided together by a letter of credit from a highly rated bank. As discussed above in the responses to Items 3-3.f and 3-3.i, it is unlikely this can be done during the status quo.

vi. Please see the following documents which are provided on an attached CD:

(i) Standby Bond Purchase Agreement among Big Rivers Electric Corporation, U.S. Bank Trust National Association, as Trustee and Credit Suisse First Boston, acting by and through its New York Branch dated July 17, 1998.

(ii) Assignment Agreement between Credit Suisse and Dexia Credit Local.

(iii) Fifth Supplemental Indenture between County of Ohio, Kentucky and U.S. Bank Trust National Association, as Trustee, dated as of July 1, 1998.

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(iv) Second Amendment to Financing and Loan Agreement between County of Ohio, Kentucky and Big Rivers Electric Corporation, dated as of July 1, 1998.

(v) Remarketing Agreement dated as of July 17, 1998 among Goldman, Sachs & Co., Big Rivers Electric Corporation and County of Ohio, Kentucky.

(vi) Trust Indenture between County of Ohio, Kentucky and Continental Illinois National Bank and Trust Company of Chicago, as Trustee, dated as of June 1, 1983 together with the First through the Fourth Supplemental Indentures.

(vii) Financing and Loan Agreement between County of Ohio, Kentucky and Big Rivers Electric Corporation, dated as of June 1, 1983, together with the First Amendment thereto.

vii. Please see the response to Item 3-4.b.v above.

viii. See the response to Item 3-4.b.v above. In addition, note that the insurer of this debt, Ambac, is not investment grade rated.

ix. After consultation with its investment bankers, Big Rivers believes the interest rate it has been paying on this debt, taking into account the rate paid when the Bonds are held by Dexia, is much lower than it could obtain by refinancing or renegotiating this debt in the status quo. This is because

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at the time this debt was remarketed in 1998 in connection with the reorganization, the liquidity facility Big Rivers was able to negotiate was very favorable and would not be available in the current market even to a very highly rated issuer. Please refer to the Goldman Sachs presentation previously provided in response to KIUC 1-9.

- x. Please see the response to Item 3-3.h.
- xi. Please see the response to Item 3-4.b.ix. above.
- xii. Please see the response to Item 3-3.j above.

Witness) C. William Blackburn

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1 **Item 3-5)** Refer to page 5 of the attachment to the Company's response to KIUC 2-
2 11, which shows a line item for "PCB Refunding Cost (Interest – Cash Flow) and an
3 amount for April 2009 of \$5.910 million.

4 a. Please explain this cost. Provide all details of how this cost was
5 derived.

6 b. On that same page, the "Interest on 1983 Series PCBs – Budgeted
7 Amount" and "Interest on 2001A Series PCBs – Budgeted Amount" drop by \$0.158
8 million and by \$0.949 million, respectively, from March to April. Please explain why
9 these monthly interest expense amounts drop in April and describe how these reductions
10 are related to the cost described in response to part (a) of this question, if at all.

11 c. Please provide a copy of all source documents, including, but not
12 limited to, studies, analyses, correspondence, notes, indenture agreements, that the
13 company relied on for both the cost described in part (a) of this question and the interest
14 expense described in part (b) of this question.

15 d. Please identify and describe all alternatives to incurring the \$5.9
16 million that the Company has evaluated, including, but not limited to: i) rolling these costs
17 into the principal amount financed and ii) increasing the new interest rate from the rate
18 assumed.

19
20 **Response)**

21 a. The \$5.910 million was the estimated cost in Big Rivers' original
22 2009 operating budget to refund the PCBs. The derivation of this number is shown in the
23 following table. Neither this amount nor the benefits of a PCB refunding are reflected in
24 the rate case *pro forma*.

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| | | | |
|----|---|---|---------------------|
| 1 | | | |
| 2 | 1 | Principal | \$ 83,300,000 |
| 3 | 2 | Average Life (Bullet Maturity in 2031) | 23 |
| 4 | 3 | Interest Rate | 5.00% |
| 5 | 4 | Total Debt Service Line 1 + (Line 1 x Line 2 x Line 3) | \$ 179,095,000 |
| 6 | 5 | Cost of Issuance (%) | 2.00% |
| 7 | 6 | Bond Insurance (%) | 2.37% |
| 8 | 7 | Cost of Issuance Line 1 x Line 5 | \$ 1,666,000 |
| 9 | 8 | Bond Insurance Line 4 x Line 6 | \$ 4,244,552 |
| 10 | 9 | Total Restructuring Cost | <u>\$ 5,910,552</u> |
| 11 | | | |

12 b. Big Rivers' 2009 Budget assumed a refinancing of both the 1983
 13 Series PCBs and the 2001A Series PCBs on April 1, 2009. This assumption included an
 14 interest rate change on the 1983 Series PCBs from 8.0% January through March to 5.0%
 15 April through December 2009. The interest rate on the 2001A Series PCBs was assumed
 16 to change from 18.0% January through March to 5.0% April through December 2009.

17 c. Big Rivers had discussions with Goldman, Sachs & Company, its
 18 financial advisor, and Orrick, Herrington & Sutcliffe LLP, its bond counsel, in establishing
 19 the projected 5% interest rate associated with refinancing the PCBs. In the 2009 Budget,
 20 the refinancing was scheduled to be effective April 2009, resulting in the decreased interest
 21 expense. The refinancing expenses and the associated lower interest expenses are included
 22 in the rate case *pro forma*.

23 d. The costs must be incurred if the refunding is to occur. The costs of
 24 the refunding cannot be included in the tax-exempt bond offering.

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 26 **Witness)** C. William Blackburn

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BIG RIVERS ELECTRIC CORPORATION'S RESPONSE
TO THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
THIRD DATA REQUEST TO BIG RIVERS ELECTRIC CORPORATION
PSC CASE NO. 2009-00040
June 1, 2009

1 **Item 3-6)** In the event the Commission sets the Company's rates on a cash basis that
2 includes construction expenditures, does the Company: a) plan to expense its construction
3 expenditures as incurred or b) still plan to capitalize its construction expenditures to
4 CWIP, close the amounts to plant in service and then depreciate those costs over the lives
5 of the assets? If the former, please provide the Company's accounting support for this
6 treatment of these construction costs as expenses and the related journal entries, including
7 the expense accounts the Company plans to use. If the latter, then please explain why
8 including the construction cash costs in the revenue requirement will not result in double
9 recovery of the construction costs in subsequent test years if the Commission reverts to
10 accrual basis ratemaking.

11
12 **Response)** Big Rivers Electric Corporation, an RUS borrower, is required to maintain
13 accrual-based books of accounts in accordance with RUS Bulletin 1767B-1, Uniform
14 System of Accounts – Electric. Accordingly, whether the Kentucky Public Service
15 Commission approves Big Rivers' member tariff rates on a cash basis or an accrual basis,
16 Big Rivers will continue to capitalize construction expenditures. The inclusion of
17 normalized construction expenditures in cash-based rates is but one example of the
18 differences between cash and accrual rate-making methodology. In the instant case, Big
19 Rivers has proposed a cash-based post-capital expenditure DSC of only 1.0 (no margin),
20 and has committed to undertake a longer-term accrual-based cost of service study and
21 associated rate case in 2011. While TIER may appear to be robust, insolvency will result
22 just as surely from a lack of cash.

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24 **Witness)** C. William Blackburn

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BIG RIVERS ELECTRIC CORPORATION'S RESPONSE
TO THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
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1 **Item 3-7)** Refer to the Purchases and Hourly Sales tabs on the workbook KIUC Q 2-
2 6 Pro Forma Off-System Sales provided by the Company in response to KIUC 2-6.

3 a. On the Purchases tab, on peak hourly purchases in all months are
4 priced at \$150/mWh. Please provide the source of these prices. Provide a copy of all
5 source documents relied on.

6 b. Reconcile the \$150/mWh on peak hourly purchases shown on the
7 Purchases tab with the Company's on peak forward price projections used for hourly
8 sales shown on the Hourly Sales tab in the same workbook as follows:

9

| | | |
|----|-----------|-------|
| 10 | January | 43.24 |
| 11 | February | 37.05 |
| 12 | March | 36.70 |
| 13 | April | 36.47 |
| 14 | May | 34.83 |
| 15 | June | 39.74 |
| 16 | July | 50.53 |
| 17 | August | 49.99 |
| 18 | September | 39.27 |
| 19 | October | 36.02 |
| 20 | November | 34.81 |
| 21 | December | 42.78 |
| 22 | | |
| 23 | Totals | 38.13 |

24

25 c. Please explain why the Company discounted the January 22, 2009
26 Cincinnati hub forward prices by 6.5% to derive the on peak forward price projections
27 used for hourly sales listed in part (b) of this question.

28 d. Please confirm that the energy mWh used to multiply the forward
29 prices to determine the Energy Revenues on the Hourly Sales tab was reduced from the
30 available energy to reflect line losses.

BIG RIVERS ELECTRIC CORPORATION'S RESPONSE
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1 e. Please confirm that on the Hourly Sales tab, the Company reduced
2 the gross arbitrage margins for line losses twice, first through a reduction of the energy
3 mWh and then again through a reduction to gross arbitrage margins.

4
5 **Response)** a. The \$150/MWh represents the average annual price during super-
6 peak pricing hours of each peak day. It was arrived at by considering the super-peak
7 hourly prices at Big Rivers MISO LMP node for 2008. The source data is attached to the
8 response to the Commission Staff's Fourth Data Request Item 2.b. Please see the
9 introduction and explanation in the Commission Staff's Fourth Data Request Item 2.

10 b. The \$150/MWh represents Big Rivers' super-peak purchase price
11 sourced from hourly data at the Big Rivers MISO LMP node as stated above. Prices in
12 the table representing Big Rivers' hourly sales price sourced from a monthly forward
13 curve and discounted 6.5%. There can be no reconciliation between the two pricing
14 schedules because they represent different power products (5x16 monthly forward vs
15 super-peak actual hourly).

16 c. A monthly forward curve price represents the price for each of the
17 on-peak hours for the month. During super-peak hours of peak days, Big Rivers often
18 needs all of its power for native load and does not have power to sell into the market.
19 Those super-peak hours are the highest priced and because power is not available to be
20 sold, Big Rivers applies a general 6.5% discount to the forward curve monthly price to
21 arrive at a representative price for the remaining power that Big Rivers will sell. Because
22 weather is the main driver, no two months within the year yield the same load demand
23 results and neither do the same months in different years. Not being able to have perfect
24 knowledge of future power demand dynamics nor power price dynamics, 6.5% is a rule
25 of thumb that has been used over the years and it has served Big Rivers well.

26 d. Energy MWh was reduced by line losses to determine Energy
27 Revenues on the Hourly Sales tab.

28 e. The first reduction in Energy MWh reflects line losses on Big
29 Rivers' system. The second line loss is used to estimate losses Big Rivers will incur on
30 other systems when making off-system sales.

BIG RIVERS ELECTRIC CORPORATION'S RESPONSE
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PSC CASE NO. 2009-00040
June 1, 2009

1 **Witness)** C. William Blackburn

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BIG RIVERS ELECTRIC CORPORATION'S RESPONSE
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THIRD DATA REQUEST TO BIG RIVERS ELECTRIC CORPORATION
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1 **Item 3-8)** Refer to the Smelter Sales tab on the workbook KIUC Q 2-6 Pro Forma
2 Off-system Sales provided by the Company in response to KIUC 2-6.

3 a. Please explain the Company's assumption that the fixed rates per
4 kWh will remain in effect until 60 days after notice that the Unwind Transaction has
5 failed. Please provide a copy of all source documents that address this assumption and
6 the pricing terms once the fixed rates per kWh no longer are in effect.

7 b. For the fully interruptible sales, please provide the source of the
8 prices of \$44/mWh and \$30/mWh. Provide a copy of the source document relied on for
9 these prices.

10 c. For the fully interruptible sales, please explain why the Company
11 reduced the price from \$44/mWh for the months January through July to \$30/mWh for
12 the months August through December. In addition, please indicate whether this reduction
13 should be reflected in September, not August, given that all other smelter sales pricing
14 changes on this tab occur in September, not August. If not, please explain why not.

15 d. For the 7 x 8 sales, please provide the source of the \$26.01 price
16 for the months January through August.

17 e. For the 5 x 16 sales, 2 x 16 sales and the 7 x 8 sales, please explain
18 why the prices change from fixed rates per mWh to rates tied to the Cincinnati hub.
19 Please explain why the Company will not or cannot obtain fixed rates per mWh for
20 smelter sales after August. Provide a copy of all relevant source documents.

21
22 **Response)** a. The Alcan and Century Extension Agreement to Agreement For
23 Tier 3 Energy and First Amendments dated November 26, 2008, terminates sixty days
24 subsequent to termination of the Big Rivers-E O.N. Termination Agreement. These
25 documents are attached. After 60 days it was assumed the power being sold to the
26 smelters would be sold based on then current forward prices whether off-system or to the
27 smelters under new agreements. The assumed forward prices are contained in the subject
28 workbook. The forward prices were extracted from a spreadsheet on a members only
29 section of ACES Power Marketing's website, which is included as part of the response to
30 the Commission Staff's Fourth Data Request, Item 2.

BIG RIVERS ELECTRIC CORPORATION'S RESPONSE
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1 b. The price of \$44/MWh is based on the Alcan and Century
2 Extension Agreement to Agreement For Tier 3 Energy and First Amendments dated
3 November 26, 2008. These documents are attached to this response.

4 The \$30/MWh is an estimated price for fully interruptible power.
5 This estimate was generated based on telephone conversations with Big Rivers' power
6 marketer ACES Power Marketing.

7 c. See the response to KIUC 3-8.a as to why pricing changes.
8 The reduction should have been reflected in September, similar to the other smelter sales
9 pricing changes. Changing the August price from \$30/MWh to \$44/MWh impacts the
10 resulting Arbitrage Margin by less than 1%.

11 d. The price of \$26.01 is based on the Alcan and Century Extension
12 Agreement to Agreement For Tier 3 Energy and First Amendments dated November 26,
13 2008. These documents are attached to this response.

14 e. See the response to KIUC Item 3-8.a as to why pricing changes.
15 By showing variable pricing, Big Rivers is not implying that a
16 fixed price contract would not or could not be made available to the smelters. To provide
17 clarity and transparency Big Rivers used existing monthly forward prices. Variable
18 monthly prices could be converted into a fixed price, if requested, in response to a request
19 for power from the smelters. As in the past, Big Rivers would respond to a request for
20 power from the smelters based on forward prices at the time of such a request.

21 Prices for the subject sales are not tied to the Cincinnati hub, which
22 to Big Rivers' knowledge does not exist. As noted on the worksheet "CIN HUB
23 FORWARD PRICES" cell N34 SOCO prices on 2/10/2009 were used for determining
24 pricing. The worksheet labels should read "SOCO" rather than CinHub. These forward
25 prices are included as a spreadsheet as part of the response to the Commission Staff's
26 Fourth Data Request, Item 2.

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28 **Witness)** C. William Blackburn

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BIG RIVERS ELECTRIC CORPORATION'S RESPONSE
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THIRD DATA REQUEST TO BIG RIVERS ELECTRIC CORPORATION
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June 1, 2009

1 **Item 3-9)** Refer to the Company's response to KIUC 2-9.

2 a. Please identify and describe all steps undertaken by the Company
3 to increase its existing \$15 million CFC line of credit. If none, then please explain why
4 the Company has not taken any steps to do so.

5 b. Please describe the process and each step necessary for the
6 company to seek and obtain an increase in the existing \$15 million CFC line of credit.

7 c. Please identify all hurdles to seeking and/or obtaining an increase
8 in the existing \$15 CFC line of credit.

9

10 **Response)** a - c. Big Rivers relies on the \$15 million CFC secured line of credit to
11 support its off-system sales, which are the "lifblood of Big Rivers' margins." Transcript
12 of March 26, 2009, hearing ("Transcript of Hearing") at page 98, lines 14-15. If Big
13 Rivers requested an increase in this line of credit under the present circumstances, it
14 would have to disclose that it has come to the Commission for emergency rate relief and
15 that Big Rivers projects its cash to go negative. *Id.* at page 117, lines 2-9. That
16 disclosure may bring into question whether there has been a "material adverse change" in
17 Big Rivers' financial condition, which could cause CFC to refuse to provide any
18 advances under the existing line of credit and could jeopardize Big Rivers' ability to issue
19 letters of credit thereunder. *Id.* at pages 97-98, 116-17. In such instance, Big Rivers
20 would be handicapped in its ability to transact in the market, and would suffer significant
21 financial harm. *Id.* At pages 97-99, 116.

22 For Big Rivers to increase the amount of this secured line of credit
23 would also require RUS to increase the level of its subordination. RUS has told Big
24 Rivers within the last 30 days that it will not subordinate further.

25 Big Rivers has begun a process to explore sources of unsecured
26 credit. One major bank has already stated that, based upon what it knows of Big Rivers
27 financial conditions, it would have no interest in making an unsecured loan to Big Rivers.

28 Moreover, because the line of credit must be completely repaid at
29 least once a year and because of the no material adverse change clause, the CFC line of
30 credit (even if the amount available was increased) cannot be relied upon as a source of

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BIG RIVERS ELECTRIC CORPORATION'S RESPONSE
TO THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
THIRD DATA REQUEST TO BIG RIVERS ELECTRIC CORPORATION
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1 financing in Big Rivers' current adverse circumstances. See Big Rivers' March 24, 2009,
2 response to Item 1 of the Commission Staff's Second Data Request.

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Witness) C. William Blackburn

BIG RIVERS ELECTRIC CORPORATION'S RESPONSE
TO THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
THIRD DATA REQUEST TO BIG RIVERS ELECTRIC CORPORATION
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1 **Item 3-10)** Please refer to the Company's response to Staff 2-5(b). Please provide a
2 copy of the Company's written request to the RUS and a copy of all responses from the
3 RUS to this written request as well as all other related documents, such as responses to
4 RUS requests for additional information.

5
6 **Response)** Please see the attached exhibit, which is a copy of the written request to
7 the RUS. RUS has not made a written response to this request. A copy of the
8 information provided to RUS in response to its request for additional information is
9 provided on the attached CD.

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11 **Witness)** C. William Blackburn

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Bill Blackburn

From: Mark Bailey
Sent: Monday, March 23, 2009 10:28 AM
o: jim.newby@wdc.usda.gov
Cc: victor.vu@wdc.usda.gov; bill.railey@wdc.usda.gov; Bill Blackburn
Subject: Loan Repayment Request

Dear Mr. Newby:

Thank you for taking time this morning to discuss Big Rivers' emergency rate increase request currently before the Kentucky Public Service Commission. This message follows that conversation with a written request regarding repayment of the New RUS Note dated July 15, 1998 (the "RUS Note"). Can RUS afford Big Rivers Electric Corporation any options for postponing or refinancing either or both of the debt service payments due under the RUS Note on January 4, 2010, in the approximate amount of \$15.8 million, and on April 1, 2010, in the approximate amount of \$14.8 million? We would appreciate your earliest response so that we are in position to outline RUS' views on the matter in a data request due to the PSC tomorrow and during the PSC hearing regarding Big Rivers' emergency rate increase request this Thursday.

Sincerely yours,

Mark A. Bailey
President and CEO
Big Rivers Electric Corporation

BIG RIVERS ELECTRIC CORPORATION'S RESPONSE
TO THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
THIRD DATA REQUEST TO BIG RIVERS ELECTRIC CORPORATION
PSC CASE NO. 2009-00040
June 1, 2009

1 **Item 3-11)** Refer to the Company's response to Staff 3-1 (c) and (d) to restate the
2 Company's request from a cash-basis to accrual-basis and to provide the resulting TIER
3 and DSC ratios.

4 a. Please provide a copy of all workpapers, including electronic
5 spreadsheets with formulas intact, supporting all accrual-basis *pro forma* adjustments.

6 b. Please provide Schedule D in electronic format with formulas
7 intact, including links to all supporting workpapers in electronic format with formulas
8 intact.

9 c. Please provide the definitions and computations used by the
10 Company on Schedule D for TIER, Operating TIER, DSC and Operating DSC. Provide
11 the computations in electronic format with formulas intact if not already provided in
12 response to part (b) of this question.

13
14 **Response)** a. The workpaper, an electronic Excel spreadsheet, formulas intact, is
15 provided on the CD attached hereto. The accrual-based *pro forma* adjustments are the
16 same as the cash-based *pro forma* adjustments, but for any accrual vs. cash accounting
17 differences. Also, of the original thirteen *pro forma* adjustments, two (Capital
18 Expenditures and Income Taxes), are not applicable to an accrual-based methodology.
19 Only one accrual vs. cash *pro forma* adjustment difference is not reflected on the original
20 *pro forma* adjustments: for the Leveraged Lease, where the net deferred loss on the 2008
21 buyout, \$76,001,111 at December 31, 2008, is being amortized straight-line thru 2027,
22 \$4,000,058 annually.

23 b. The Schedule D workpaper, an electronic Excel spreadsheet,
24 formulas intact, is embedded in the file provided in response to a. above.

25 c. The definitions used for purposes of TIER, Operating TIER and
26 DSC for Schedule D are stated in Big River's response to Item 1.d. of the Commission
27 Staff's Third Data Request. The detailed computations thereof are set forth in the
28 electronic Excel spreadsheet, formulas intact, provided in response to a. above. As
29 previously stated by Big Rivers, while the accrual-based TIER appears robust, insolvency
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BIG RIVERS ELECTRIC CORPORATION'S RESPONSE
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1 will result just as surely from a lack of cash. In this case Big Rivers is seeking only a
2 cash-based post-capital expenditure DSC of 1.0 (no margin).

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Witness) C. William Blackburn

BIG RIVERS ELECTRIC CORPORATION'S RESPONSE
TO THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
THIRD DATA REQUEST TO BIG RIVERS ELECTRIC CORPORATION
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June 1, 2009

1 **Item 3-13)** Refer to the Company's response to KIUC 1-9. Please update this
2 response for all subsequent months.

3

4 **Response)** There has been no additional correspondence with Big Rivers' advisers,
5 including Goldman Sachs, that relates to Big Rivers' ability to obtain financing in 2009
6 in a no Unwind scenario.

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8 **Witness)** C. William Blackburn

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BIG RIVERS ELECTRIC CORPORATION'S RESPONSE
TO THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
THIRD DATA REQUEST TO BIG RIVERS ELECTRIC CORPORATION
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1 **Item 3-14)** Refer to the Company's response to KIUC 1-12. Please update this
2 response for all subsequent months.

3

4 **Response)** Please see attached Exhibit 14. As with Big Rivers' response to KIUC 1-
5 12, the documents provided in this response are only those that are non-privileged and
6 that are relevant to, or that may lead to the discovery of information relevant to, the
7 subject matter of this proceeding. In that regard, Big Rivers has, in some instances,
8 deleted information related to the unwind transaction, which clearly has no relevance to
9 this proceeding. Big Rivers has made a good faith investigation to identify and produce
10 all information that is responsive to this data request. If Big Rivers subsequently
11 discovers additional information responsive to this data request, Big Rivers will
12 supplement this response.

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14 **Witness)** C. William Blackburn

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BIG RIVERS ELECTRIC CORPORATION
TELEPHONIC SPECIAL BOARD OF DIRECTORS MEETING
MARCH 10, 2009

A telephonic special meeting of the Board of Directors of Big Rivers Electric Corporation was held at 7 p.m., CDT, on Tuesday, March 10, 2009.

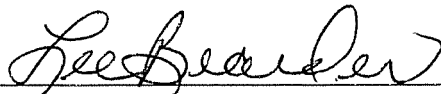
Bill Denton, Chair, presided and Lee Bearden, Secretary-Treasurer, acted as Secretary of the meeting.

Upon calling the roll, the Secretary-Treasurer reported that the following directors participated in the call: Messrs. Denton, Sills, Elder, Bearden, Butler and Elliott. Also participating in the call were Mark Bailey, president and CEO; Bill Blackburn, vice president of financial services/CFO; David Spainhoward, vice president of external relations; Jim Miller, corporate counsel; Kelly Nuckols, president, Jackson Purchase Energy Corp.; and Sandy Novick, president, Kenergy Corp.

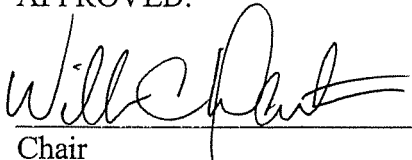
Mark Bailey reviewed with the board the Public Service Commission order received March 6, 2009, regarding the unwind transaction. After an explanation and discussion, Director Elder moved, seconded by Director Elliott, that the president be authorized, on behalf of the corporation, to notify the Public Service Commission that the corporation accepts the commitments set forth in Appendix A to the March 6, 2009 order of the Public Service Commission in the proceeding on the Unwind Transaction. The motion was unanimously adopted.

Management updated the board on other matters including issues related to the Unwind Transaction and the status quo rate case.

There being no further business, the meeting was adjourned by consensus.


Secretary Treasurer

APPROVED:


Chair

BIG RIVERS ELECTRIC CORPORATION
REGULAR BOARD OF DIRECTORS MEETING
MARCH 20, 2009

The regular meeting of the Board of Directors of Big Rivers Electric Corporation was called to order at 8 a.m., CDT, on Friday, February 20, 2009, at 201 Third Street, Henderson, Kentucky 42420.

Bill Denton, Chair, presided and Lee Bearden, Secretary-Treasurer, acted as Secretary of the meeting.

Upon calling the roll, the Secretary-Treasurer reported that the following directors were present: Messrs. Denton, Elder, Bearden, Butler, Sills and Elliott. Also present were Mark Bailey, president/CEO; Jim Miller, corporate counsel; Bill Blackburn, James Haner, Mark Hite, David Spainhoward, David Crockett, and Al Yockey, Big Rivers' senior management; Mike Core, special corporate advisor; Bob Berry, WKE Reid/Green plant manager; Sandy Novick, president, Kenergy Corp.; Kelly Nuckols, president, Jackson Purchase Energy Corp., and Burns Mercer, president, Meade County RECC.

Director Bearden gave the invocation.

Redacted -
unwind

Redacted -
unwind

The motion was unanimously adopted.

Mark Bailey reported on the status of the unwind transaction.

Director Butler moved, seconded by Director Elder, that the minutes of the February 2, 2009, telephonic special board of directors meeting, the February 20, 2009, regular board of directors meeting, and March 10, 2009 telephonic special board of directors meeting be

approved. The motion was unanimously adopted.

After Bill Blackburn presented the January 2009 Budget/Actual Variance Analysis and the February 2009 investment report, the board directed that the January 2009 financial statements and the February 2009 investment report be filed in the corporate records.

There being no unfinished business, the Chair called for new business.

At the board work session held on Thursday night, Deloitte and Touche representatives presented the Big Rivers' 2008 annual financial audit results to the Board. At the conclusion of the presentation, members of management left the meeting room to allow the Board to have further discussions with the auditors if they so desired. Director Elliott moved, seconded by Director Sills, that Big Rivers' 2008 annual audit be accepted as presented. The motion was unanimously adopted.

After a presentation by Chris Bradley, system planning and reliability compliance supervisor, Director Sills moved, seconded by Director Elder, that the Transmission System Construction Work Plan for the period 2009-2011 be approved. The motion was unanimously adopted.

After an explanation by James Haner of the changes recommended by the IRS, Director Elder moved, seconded by Director Bearden, that the 1st Amendment to the Big Rivers Salaried Employees' Retirement Savings Plan, the 1st Amendment to the Big Rivers Salaried Employees' Retirement Plan, the 2nd Amendment to the Big Rivers Bargaining Employees' Retirement Savings Plan, and the 2nd Amendment to the Big Rivers Bargaining Employees' Retirement Plan, be approved as presented. The motion was unanimously adopted.

After an explanation by David Crockett, director Elder moved, seconded by Director Elliott, that Work Order No. 945, repair of the Livingston County autotransformer 1, be approved. The motion was unanimously adopted.

After an explanation by Mr. Blackburn, Director Elder moved, seconded by Director Sills, that the Century Aluminum Tier 3 Agreement Amendment be approved. The motion was unanimously adopted.

The Chair called for management's report. Mark Hite reviewed with the board a proposed adjustment (cost-deferral/cost-containment) for the status quo 2009 budget.

The Board reviewed the proposed 2008 annual report layout and discussed printing options.

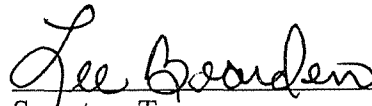
Mark Bailey and David Crockett reported on a NERC compliance inquiry relating to energy emergency alerts.

The Chair called for the legal report. Corporate counsel stated that a written legal report had been distributed to the board members for their review prior to the board meeting and reported there were no new developments since the date of the written report.

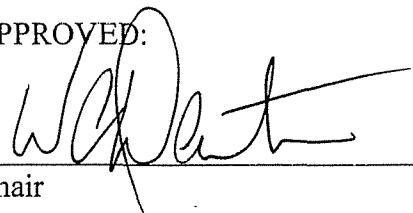
The following reports were sent to the directors for their information: Outage Report for January/February 2009, Arbitrage Summary for February 2009, Professional Services Report for January 2009, January 2009 Cash Flow Report, the 2009 Safety Incident Statistics and the Activity Reports for (1) Administrative Services, (2) Enterprise Risk Management and Strategic Planning, (3) Financial Services, Power Supply, Information Technology, Fuels, and Power Resources, (4) Special Projects, and (5) System Operations.

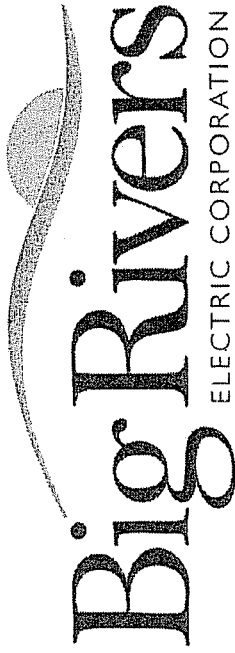
Director Bearden moved, seconded by Director Elliott, that the Board go into executive session. The motion was unanimously adopted.


After reconvening in regular session, and there being no further business, the meeting was adjourned by consensus at 11:15 a.m.


Secretary Treasurer

APPROVED:


Chair



Your Touchstone Energy® Cooperative 

Financial Report January 2009

Board Meeting Date: March 20, 2009



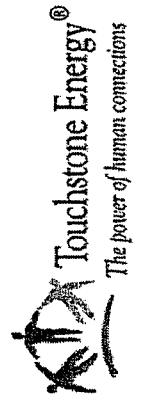
Your Touchstone Energy® Cooperative

Summary of Operations

January

(Thousands Of Dollars)

| | Actual | Budget | Actual |
|----------------------------|-------------|-------------|-------------|
| | <u>2009</u> | <u>2009</u> | <u>2008</u> |
| Revenues | 23,684 | 23,273 | 20,375 |
| Cost of Electric Service | 21,471 | 22,339 | 18,387 |
| Operating Margins | 2,213 | 934 | 1,988 |
| Non-Operating Income-Net | 16 | 37 | 1,588 |
| Net Margins - January | 2,229 | 971 | 3,576 |
| Net Margins - February | 2,013 | 909 | 3,050 |
| Net Margins – YTD February | 4,242 | 1,880 | 6,626 |





Your Touchstone Energy® Cooperative

Summary of Operations – January

(thousands of dollars)

| | Actual 2009 | Budget 2009 | Actual 2008 |
|---|----------------|----------------|----------------|
| Member MWh | 302,885 | 308,662 | 326,091 |
| Non-Member MWh | 183,203 | 171,346 | 119,711 |
| Member Margins-\$/MWh | \$16.92 | \$12.34 | \$13.08 |
| Non-Member Margins-\$/MWh | \$14.03 | \$16.79 | \$25.92 |
| Electric Energy Margins | \$7,696 | \$6,686 | \$7,370 |
| Interest Income-General Fund | \$16 | \$37 | \$498 |
| Change in cash available for investments (C); Change in interest rates (C) | | | |
| Avg Interest Rates: .83% Actual 2009; 1.50% Budget; 4.31% Actual 2008 | | | |
| Interest Income-Defeased Sale-Leaseback | \$0 | \$0 | \$1,090 |
| PMCC and Bank of America buyouts (C) | | | |
| Arbitrage Transmission-BREC Power Supply | \$624 | \$621 | \$145 |
| Power Supply transmission reservation increased due to KU Interconnection Line (A); (off-set as expense in Non-Member Margins) | | | |
| Labor | (\$1,303) | (\$1,145) | (\$1,265) |
| Increased overtime due to Ice Storm/Rate Case/Unwind (C); Annual Salary Increases (A); Timing of labor charged to construction/vacation pay/sick pay (C); Merit Increases (C) | | | |
| Transmission O & M | (\$411) | (\$664) | (\$403) |
| Brush control (B); Line/Substation Maint (B); Pole Treatment (B); Service Agreements (B); | | | |
| Professional Fees | (\$141) | (\$199) | (\$73) |
| Load Forecast (B); IRP (B); Stanley Consultants (annual review) (B); Unwind (C) | | | |

(continued)

Notes: Variances (A) Actual '09 vs Actual '08 (B) Actual '09 vs Budget (C) Actual '09 vs Budget & Actual '08



Summary of Operations - January

(thousands of dollars)

| | Actual <u>2009</u> | Budget <u>2009</u> | Actual <u>2008</u> |
|--|-----------------------|-----------------------|-----------------------|
| A & G | (\$604) | (\$379) | (\$308) |
| Microsoft Licensing (C) | | | |
| Operating Expense-Sales | \$0 | (\$53) | (\$47) |
| Energy Efficiency Advertising (C) | | | |
| General Plant Maintenance | (\$7) | (\$23) | (\$161) |
| IS Maintenance-GIS (allocation changes) (A) | | | |
| Interest on Long-Term Debt | (\$5,886) | (\$6,108) | (\$5,155) |
| New RUS Note-decreased interest on outstanding balance differences due to required payments (A) | | | |
| 1983 Series P.C. Bonds-avg interest rates of 3.53% Actual 2009; 8.00% Budget; 3.34% Actual 2008 (B) | | | |
| 2001A Series P.C. Bonds-avg interest rates of 18.00% Actual 2009; 18.00% Budget; 5.60% Actual 2008 (A) | | | |
| Interest on Defeased Sale-Leaseback | (\$88) | (\$88) | (\$1,120) |
| PMCC and Bank of America Buyouts (C) | | | |
| Amortize Gain/Loss on Defeased Sale-Leaseback | (\$333) | (\$333) | \$247 |
| Net of original transaction & PMCC and Bank of America Buyouts (A) | | | |
| All Other | \$2,666 | \$2,619 | \$2,758 |
| Net Margins | \$2,229 | \$971 | \$3,576 |

Notes: Variances (A) Actual '09 vs Actual '08 (B) Actual '09 vs Budget (C) Actual '09 vs Budget & Actual '08



Statement of Operations - January

| | Actual 2009 | Budget 2009 | Actual 2008 |
|---|-------------------|-------------------|-------------------|
| ELECTRIC ENERGY REVENUES | 19,835,464 | 19,458,556 | 17,007,386 |
| INCOME FROM LEASED PROPERTY - NET | 2,557,815 | 2,516,592 | 2,554,294 |
| OTHER OPERATING REVENUE AND INCOME | 1,290,971 | 1,297,740 | 813,906 |
| TOTAL OPERATING REVENUES & PATRONAGE CAPITAL | 23,684,250 | 23,272,888 | 20,375,586 |
| OPERATING EXPENSE-OTHER POWER SUPPLY | 12,139,064 | 12,772,511 | 9,636,631 |
| OPERATING EXPENSE-TRANSMISSION | 579,951 | 605,526 | 580,308 |
| CUSTOMER SERVICE & INFORMATIONAL EXPENSE | 49,588 | 63,448 | 52,301 |
| OPERATING EXPENSE-SALES | (353) | 53,457 | 46,825 |
| OPERATING EXPENSE-ADMINISTRATIVE & GENERAL | 1,498,186 | 1,271,372 | 1,115,204 |
| TOTAL OPERATING EXPENSE | 14,266,436 | 14,766,314 | 11,431,269 |
| MAINTENANCE EXPENSE-TRANSMISSION | 331,572 | 464,498 | 303,338 |
| MAINTENANCE EXPENSE-GENERAL PLANT | 11,696 | 26,707 | 162,536 |
| TOTAL MAINTENANCE EXPENSE | 343,268 | 491,205 | 465,874 |
| DEPRECIATION & AMORTIZATION EXPENSE | 466,891 | 471,689 | 425,196 |
| TAXES | 92,161 | 92,161 | 92,777 |
| INTEREST ON LONG-TERM DEBT | 5,973,510 | 6,196,100 | 6,274,584 |
| INTEREST CHARGED TO CONSTRUCTION-CREDIT | (13,895) | (43,990) | (63,289) |
| OTHER INTEREST EXPENSE | 137 | 600 | 1,297 |
| OTHER DEDUCTIONS | 342,263 | 364,980 | (240,300) |
| TOTAL COST OF ELECTRIC SERVICE | 21,470,771 | 22,339,059 | 18,387,408 |
| OPERATING MARGINS | 2,213,479 | 933,829 | 1,988,178 |
| INTEREST INCOME | 15,724 | 37,329 | 1,588,159 |
| OTHER NON-OPERATING INCOME - NET | 0 | 0 | 0 |
| OTHER CAPITAL CREDITS & PATRONAGE DIVIDENDS | 0 | 0 | 0 |
| NET PATRONAGE CAPITAL OR MARGINS | 2,229,203 | 971,158 | 3,576,337 |

Explanation: (a) Electric Energy Net Sales Margin, (b) 10% Line Item Variance and \$25,000 or (c) 10% Margin Variance and \$100,000.

Electric Energy Revenue "Minus" Power Cost
January

| | Actual | Budget | Actual |
|--|--------------------|--------------------|--------------------|
| | <u>2009</u> | <u>2009</u> | <u>2008</u> |
| <u>Revenue</u> | | | |
| Rural Sales - MWh | 229,833 | 228,831 | 249,800 |
| Large Industrial Sales - MWh | 73,052 | 79,831 | 76,291 |
| Arbitrage Sales - MWh | 183,203 | 171,346 | 119,711 |
| Total Sales - MWh | 486,088 | 480,008 | 445,802 |
| | | | |
| Rural Revenue - \$/MWh | 38.51 | 36.95 | 34.68 |
| Large Industrial Revenue - \$/MWh | 32.52 | 31.62 | 30.95 |
| Arbitrage Revenue - \$/MWh | 46.99 | 49.49 | 49.97 |
| Total Revenue - \$/MWh | 40.81 | 40.54 | 38.15 |
| | | | |
| Rural Revenue - Thousands of \$ | 8,850 | 8,455 | 8,664 |
| Large Industrial Revenue - Thousands of \$ | 2,376 | 2,524 | 2,361 |
| Arbitrage Revenue - Thousands of \$ | 8,609 | 8,480 | 5,982 |
| Total Revenue - Thousands of \$ | 19,835 | 19,459 | 17,007 |

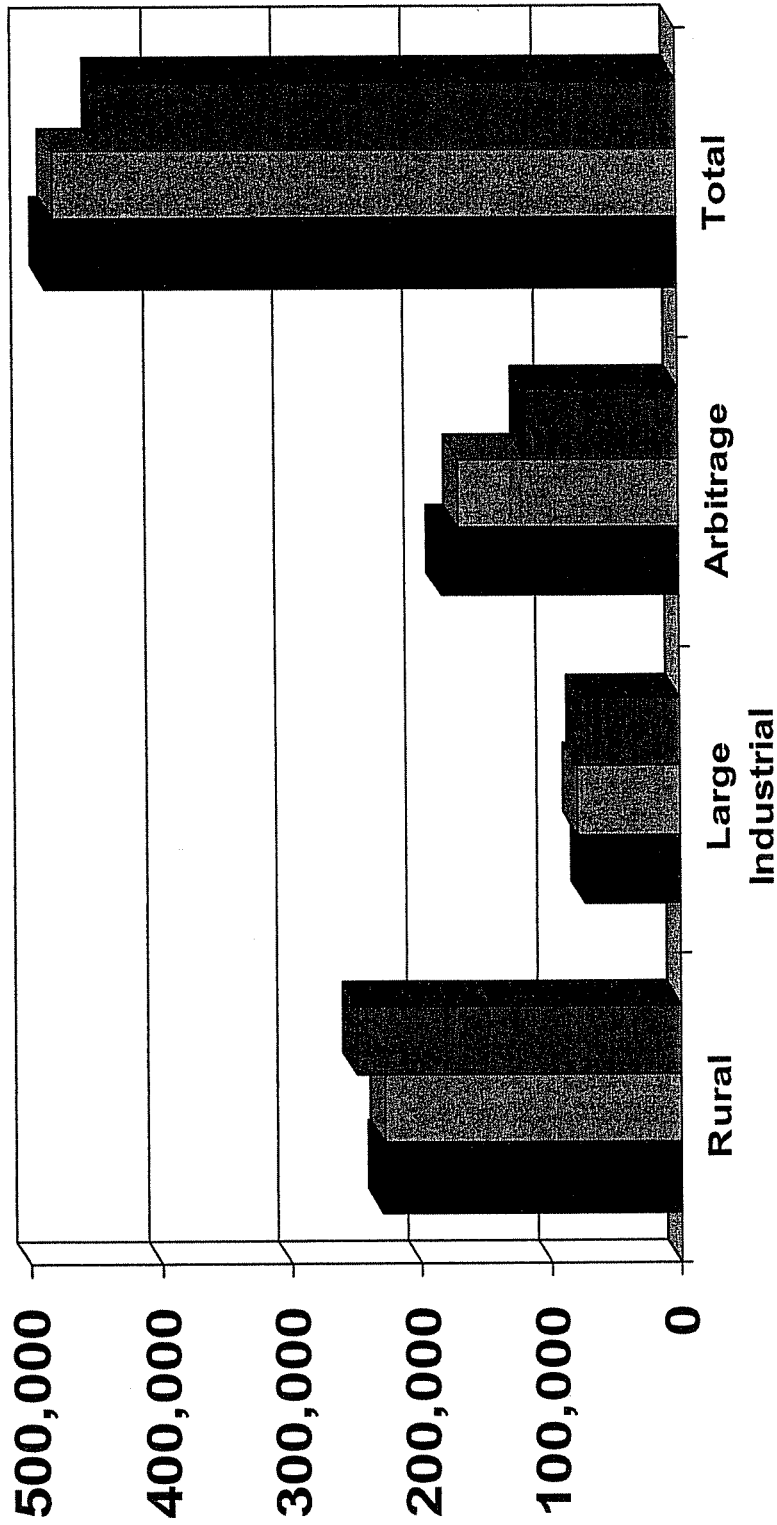
Electric Energy Revenue "Minus" Power Cost
January

| | Actual | Budget | Actual |
|---|--------------------|--------------------|--------------------|
| | <u>2009</u> | <u>2009</u> | <u>2008</u> |
| <u>Power Cost</u> | | | |
| Rural Power Cost - \$/MWh | 20.14 | 23.23 | 20.72 |
| Large Industrial Power Cost - \$/MWh | 20.14 | 23.23 | 20.72 |
| Arbitrage Power Cost - \$/MWh | 32.96 | 32.70 | 24.05 |
| Total Power Cost - \$/MWh | 24.97 | 26.61 | 21.62 |
| | | | |
| Rural Power Cost - Thousands of \$ | 4,629 | 5,315 | 5,177 |
| Large Industrial Power Cost - Thousands of \$ | 1,471 | 1,854 | 1,581 |
| Arbitrage Power Cost - Thousands of \$ | 6,039 | 5,604 | 2,879 |
| Total Power Cost - Thousands of \$ | 12,139 | 12,773 | 9,637 |

Electric Energy Revenue "Minus" Power Cost
January

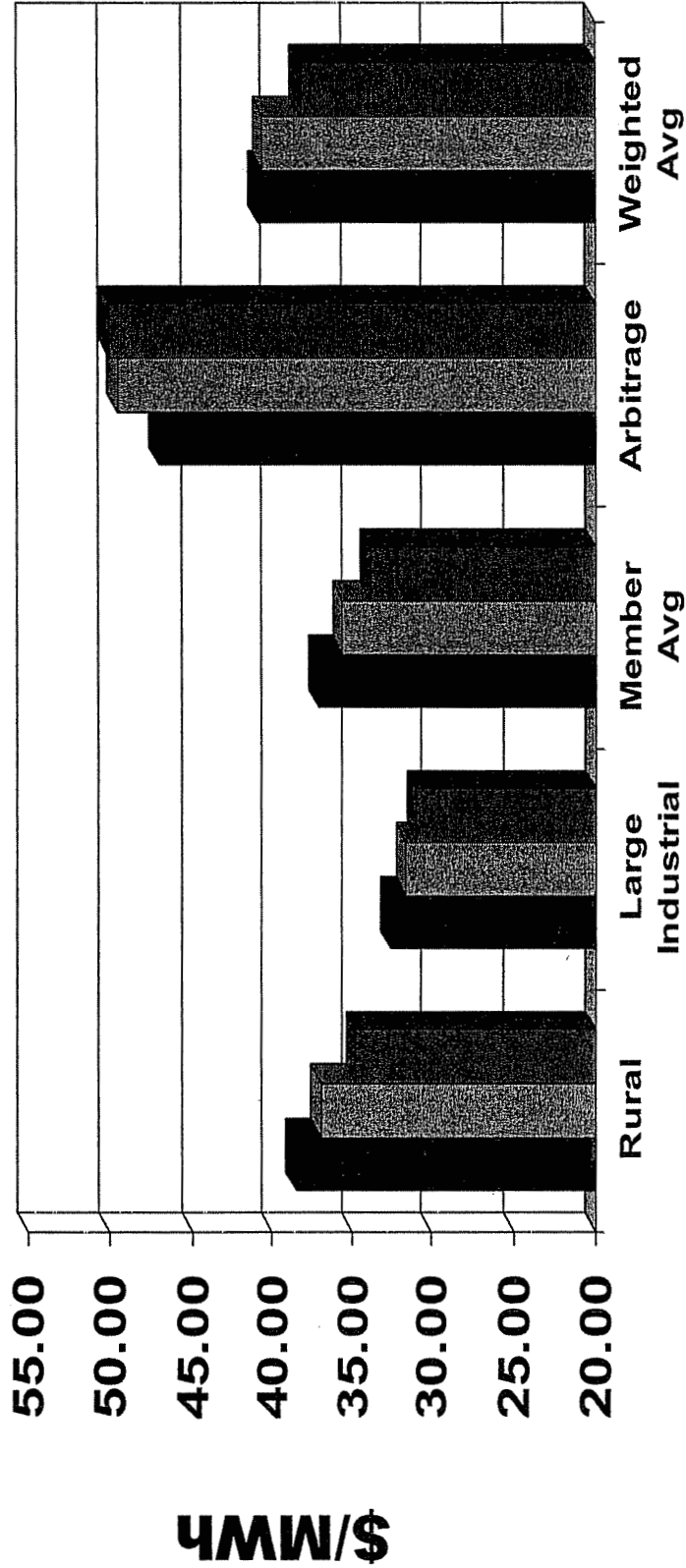
| | <u>Actual</u> <u>2009</u> | <u>Budget</u> <u>2009</u> | <u>Actual</u> <u>2008</u> |
|---|------------------------------|------------------------------|------------------------------|
| <u>Sales Margin</u> | | | |
| Rural Sales Margin - \$/MWh | 18.37 | 13.72 | 13.96 |
| Large Industrial Sales Margin - \$/MWh | 12.38 | 8.39 | 10.23 |
| Arbitrage Sales Margin - \$/MWh | 14.03 | 16.79 | 25.92 |
| Total Sales Margin - \$/MWh | 15.84 | 13.93 | 16.53 |
| | | | |
| Rural Sales Margin - Thousands of \$ | 4,221 | 3,140 | 3,487 |
| Large Industrial Sales Margin - Thousands of \$ | 905 | 670 | 780 |
| Arbitrage Sales Margin - Thousands of \$ | 2,570 | 2,876 | 3,103 |
| Total Sales Margin - Thousands of \$ | 7,696 | 6,686 | 7,370 |

MWh Sales January



MWh

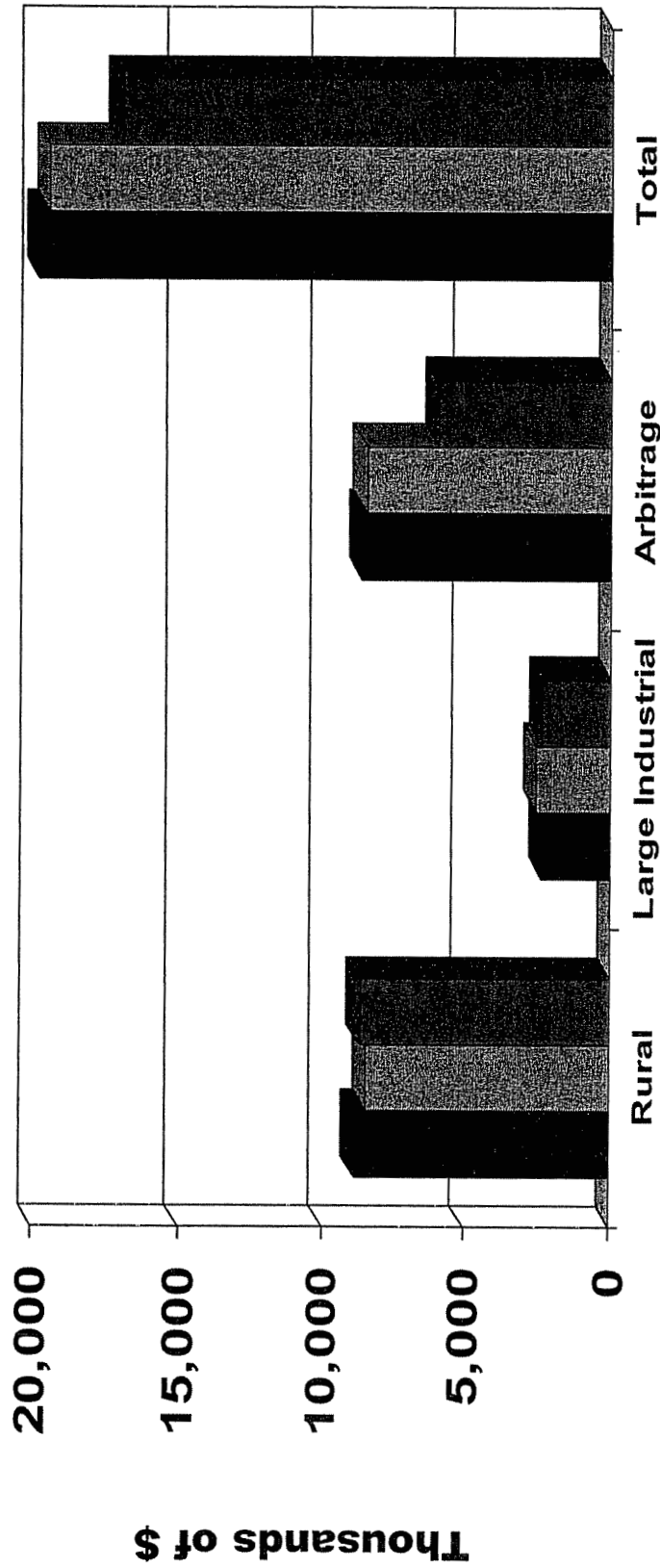
Revenue - \$/MWh Sold January



| | Rural | Large Industrial | Member Avg | Arbitrage | Weighted Avg |
|-------------|-------|------------------|------------|-----------|--------------|
| Actual 2009 | 38.51 | 32.52 | 37.06 | 46.99 | 40.81 |
| Budget | 36.95 | 31.62 | 35.57 | 49.49 | 40.54 |
| Actual 2008 | 34.68 | 30.95 | 33.81 | 49.97 | 38.15 |

Revenue January

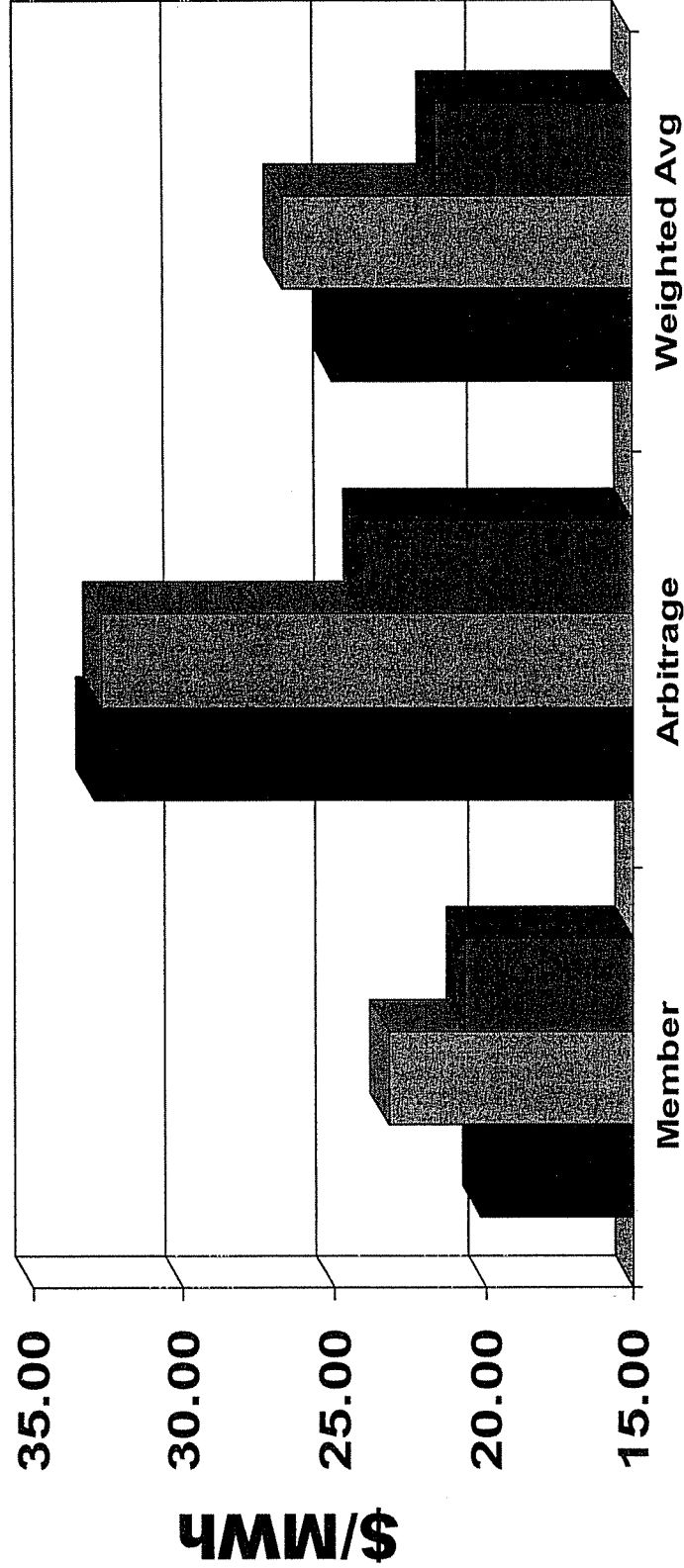
(Dollars in Thousands)



| | Rural | Large Industrial | Arbitrage | Total |
|-------------|-------|------------------|-----------|--------|
| Actual 2009 | 8,850 | 2,376 | 8,609 | 19,835 |
| Budget | 8,455 | 2,524 | 8,480 | 19,459 |
| Actual 2008 | 8,664 | 2,361 | 5,982 | 17,007 |

Power Cost - \$/MWh Sold

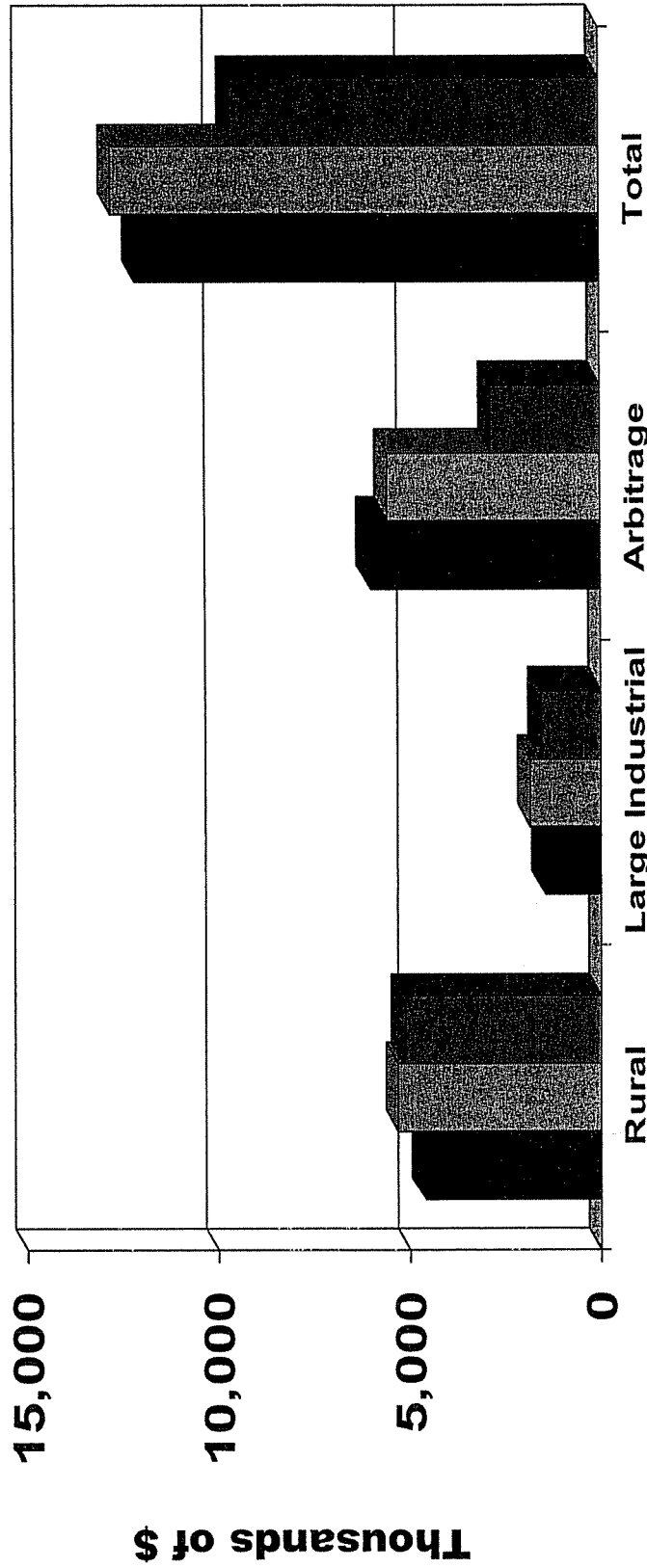
January



| | Member | Arbitrage | Weighted Avg |
|-------------|--------|-----------|--------------|
| Actual 2009 | 20.14 | 32.96 | 24.97 |
| Budget | 23.23 | 32.70 | 26.61 |
| Actual 2008 | 20.72 | 24.05 | 21.62 |

Power Cost January

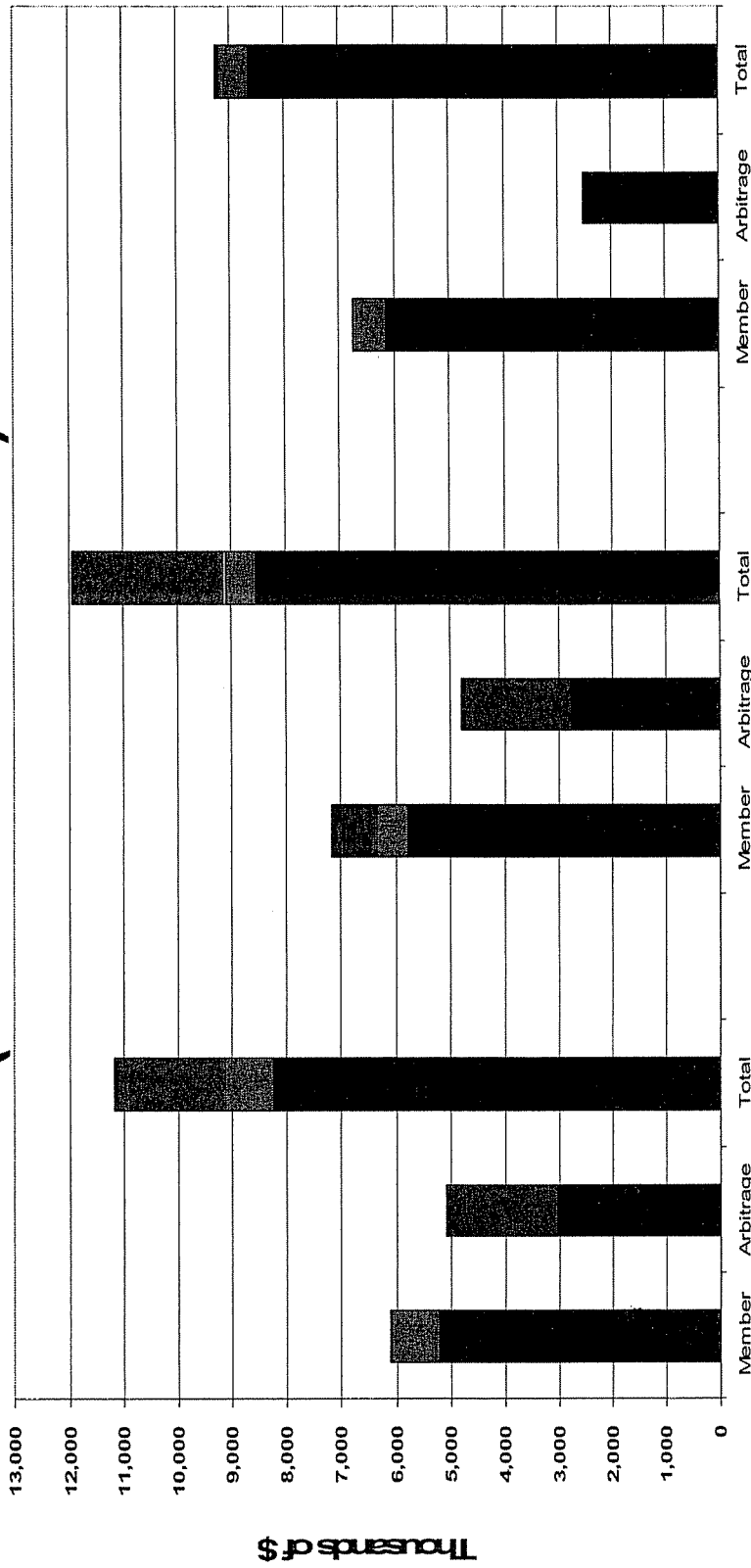
(Dollars in Thousands)



| | Rural | Large Industrial | Arbitrage | Total |
|-------------|-------|------------------|-----------|--------|
| Actual 2009 | 4,629 | 1,471 | 6,039 | 12,139 |
| Budget | 5,315 | 1,854 | 5,604 | 12,773 |
| Actual 2008 | 5,177 | 1,581 | 2,879 | 9,637 |

Sources & Distribution of Energy

January (Dollars in Thousands)



| | Actual 2009 | | | | Budget | | | | Actual 2008 | | | |
|--------|-------------|-------|--------|--------|--------|-------|--------|--------|-------------|-------|-------|-------|
| Market | 17 | 2,031 | 2,048 | 2,048 | 800 | 2,018 | 2,818 | 2,818 | 26 | 0 | 0 | 26 |
| Domtar | 0 | 0 | 0 | 0 | 41 | 0 | 41 | 41 | 41 | 0 | 0 | 41 |
| SEPA | 878 | 0 | 878 | 878 | 540 | 0 | 540 | 540 | 529 | 0 | 0 | 529 |
| LEM | 5,205 | 3,040 | 8,245 | 8,245 | 5,788 | 2,763 | 8,551 | 8,551 | 6,149 | 2,518 | 2,518 | 8,667 |
| Total | 6,100 | 5,071 | 11,171 | 11,171 | 7,169 | 4,781 | 11,950 | 11,950 | 6,745 | 2,518 | 2,518 | 9,263 |



Member - Non-Member Purchased Power Allocation

January
(Dollars in Thousands)

| | Actual 2009 | Budget 2009 | Actual 2008 |
|---|----------------|----------------|----------------|
| <u>Purchases for Members</u> | | | |
| SEPA Power | 878 | 540 | 529 |
| Domtar Cogen Green Power | 0 | 41 | 41 |
| Market Power Applied to Members | 17 | 800 | 26 |
| LEM Power Applied to Members | 5,205 | 5,788 | 6,149 |
| Member Purchased Power | 6,100 | 7,169 | 6,745 |
| Other Costs: | | | |
| LEM Ancillaries & Other | 0 | 0 | 13 |
| Total Purchased Power Applied to Members | 6,100 | 7,169 | 6,758 |
| <u>Purchases For Non-Members</u> | | | |
| Market Power Applied to Non-Members | 2,031 | 2,018 | 0 |
| LEM Power Applied to Non-Members | 3,040 | 2,763 | 2,518 |
| Non-Member Purchased Power | 5,071 | 4,781 | 2,518 |
| Other Costs: | | | |
| Domtar Reservation Fee/Energy Imbalance/Curtailment | 114 | 90 | 95 |
| ACES/ICE/PJM/CFC Letter of Credit Fees | 103 | 106 | 117 |
| MISO Charges for Smelters | 123 | 0 | 0 |
| Revenue Meter Retrieval Expenses | 4 | 6 | 4 |
| Arbitrage Transmission Revenue Offset | 624 | 621 | 145 |
| Total Purchased Power Applied to Non-Members | 6,039 | 5,604 | 2,879 |
| <u>Total Purchased Power</u> | | | |
| SEPA Power | 878 | 540 | 529 |
| Domtar Cogen Green Power | 0 | 41 | 41 |
| Arbitrage Power | 2,048 | 2,818 | 26 |
| LEM Power | 8,245 | 8,551 | 8,667 |
| Purchased Power Total | 11,171 | 11,950 | 9,263 |
| Total Other Costs | 968 | 823 | 374 |
| Total Purchased Power | 12,139 | 12,773 | 9,637 |



Your Touchstone Energy® Cooperative

Member - Non-Member Purchased Power Allocation

January
MWh

| | Actual 2009 | Budget 2009 | Actual 2008 |
|---|----------------|----------------|----------------|
| <u>MWh Purchases for Members</u> | | | |
| SEPA Power | 48,689 | 22,037 | 22,037 |
| Domtar Cogen Green Power | 0 | 744 | 744 |
| Market Power Applied to Members | 309 | 4,000 | 431 |
| LEM Power Applied to Members | 256,055 | 284,370 | 306,373 |
| Total Purchased Power MWh Applied to Members | 305,053 | 311,151 | 329,585 |

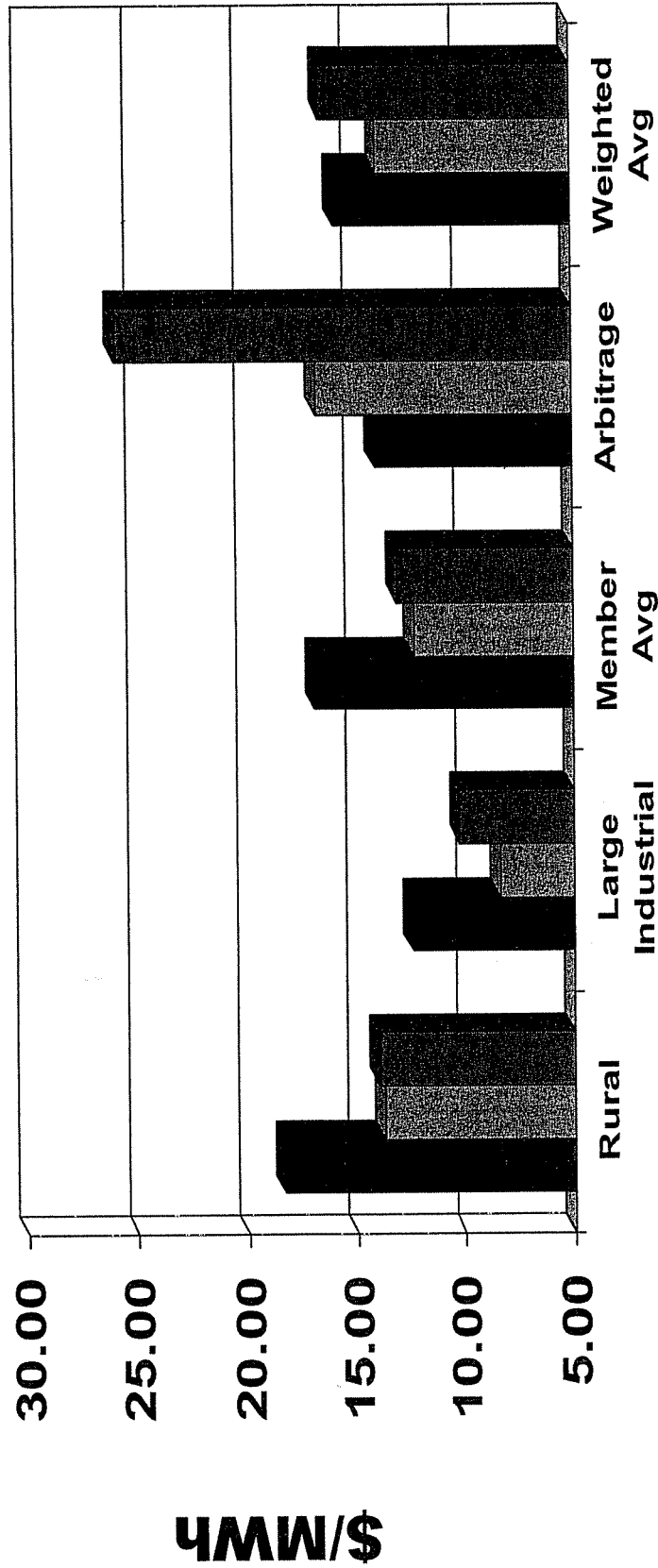
MWh Purchases for Non-Members

| | | | |
|---|----------------|----------------|----------------|
| Market Power Applied to Non-Members | 37,446 | 37,200 | 0 |
| LEM Power Applied to Non-Members | 146,802 | 135,528 | 120,993 |
| Total Purchased Power MWh Applied to Non-Members | 184,248 | 172,728 | 120,993 |

Total Purchased Power MWh

| | | | |
|----------------------------------|----------------|----------------|----------------|
| SEPA Power | 48,689 | 22,037 | 22,037 |
| Domtar Cogen Green Power | 0 | 744 | 744 |
| Market Power | 37,755 | 41,200 | 431 |
| LEM Power | 402,857 | 419,898 | 427,366 |
| Total Purchased Power MWh | 489,301 | 483,879 | 450,578 |

Sales Margin - \$/MWh Sold January



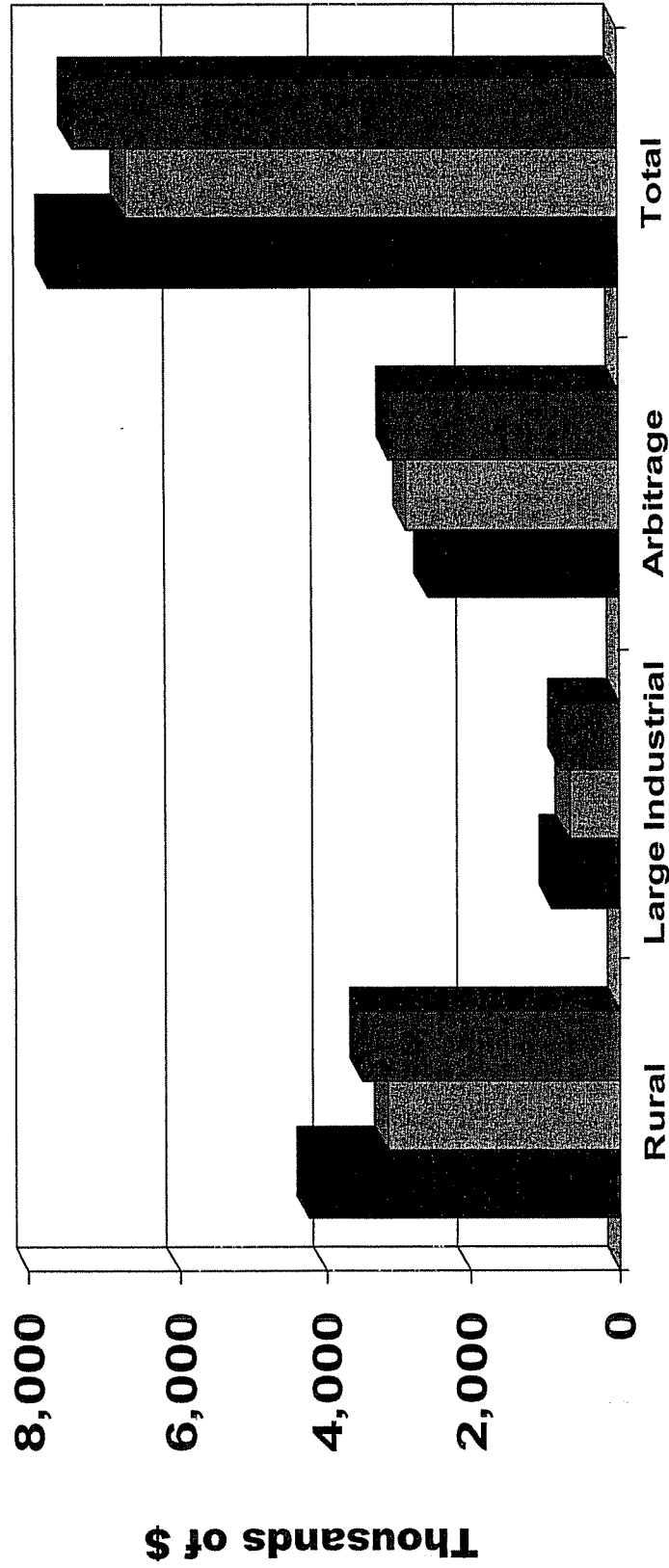
| | Rural | Large Industrial | Member Avg | Arbitrage | Weighted Avg |
|-------------|-------|------------------|------------|-----------|--------------|
| Actual 2009 | 18.37 | 12.38 | 16.92 | 14.03 | 15.84 |
| Budget | 13.72 | 8.39 | 12.34 | 16.79 | 13.93 |
| Actual 2008 | 13.96 | 10.23 | 13.08 | 25.92 | 16.53 |

\$/MWh

Sales Margin

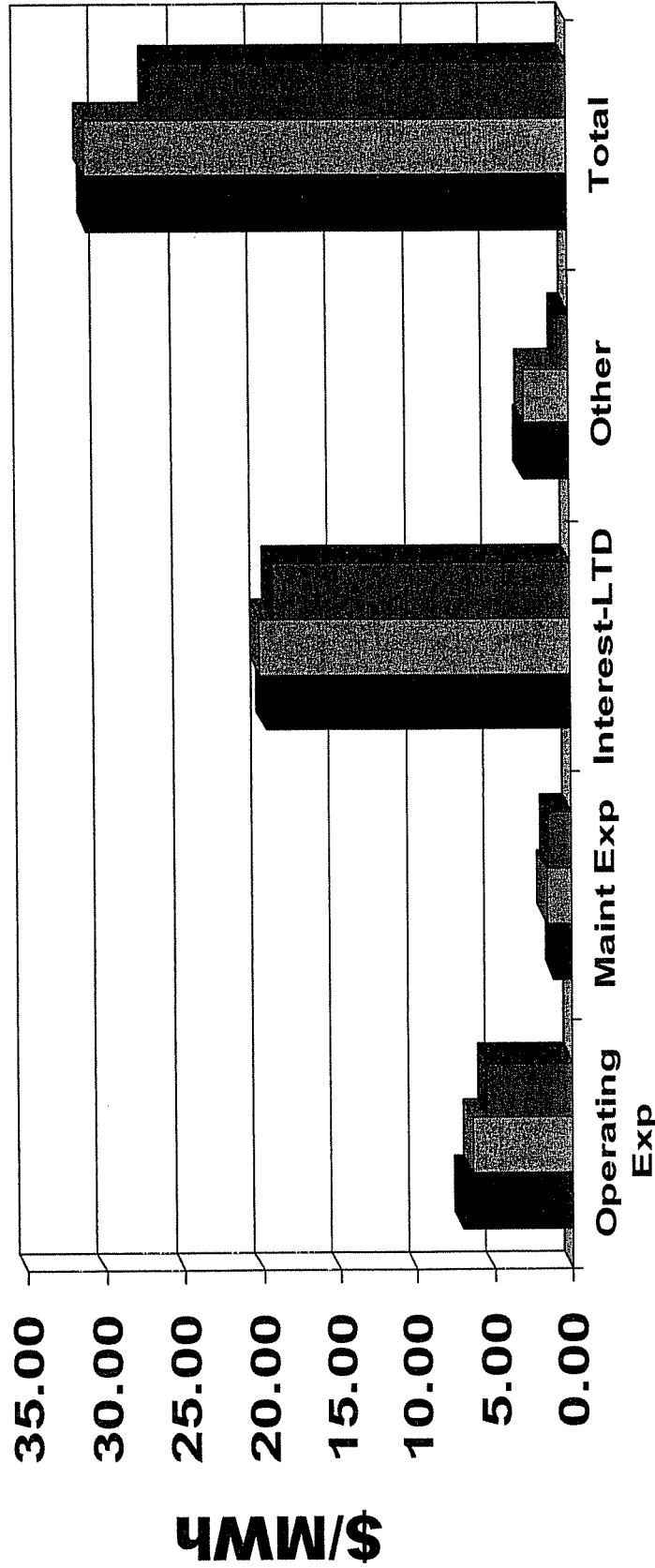
January

(Dollars in Thousands)



| | Rural | Large Industrial | Arbitrage | Total |
|-------------|-------|------------------|-----------|-------|
| Actual 2009 | 4,221 | 905 | 2,570 | 7,696 |
| Budget | 3,140 | 670 | 2,876 | 6,686 |
| Actual 2008 | 3,487 | 780 | 3,103 | 7,370 |

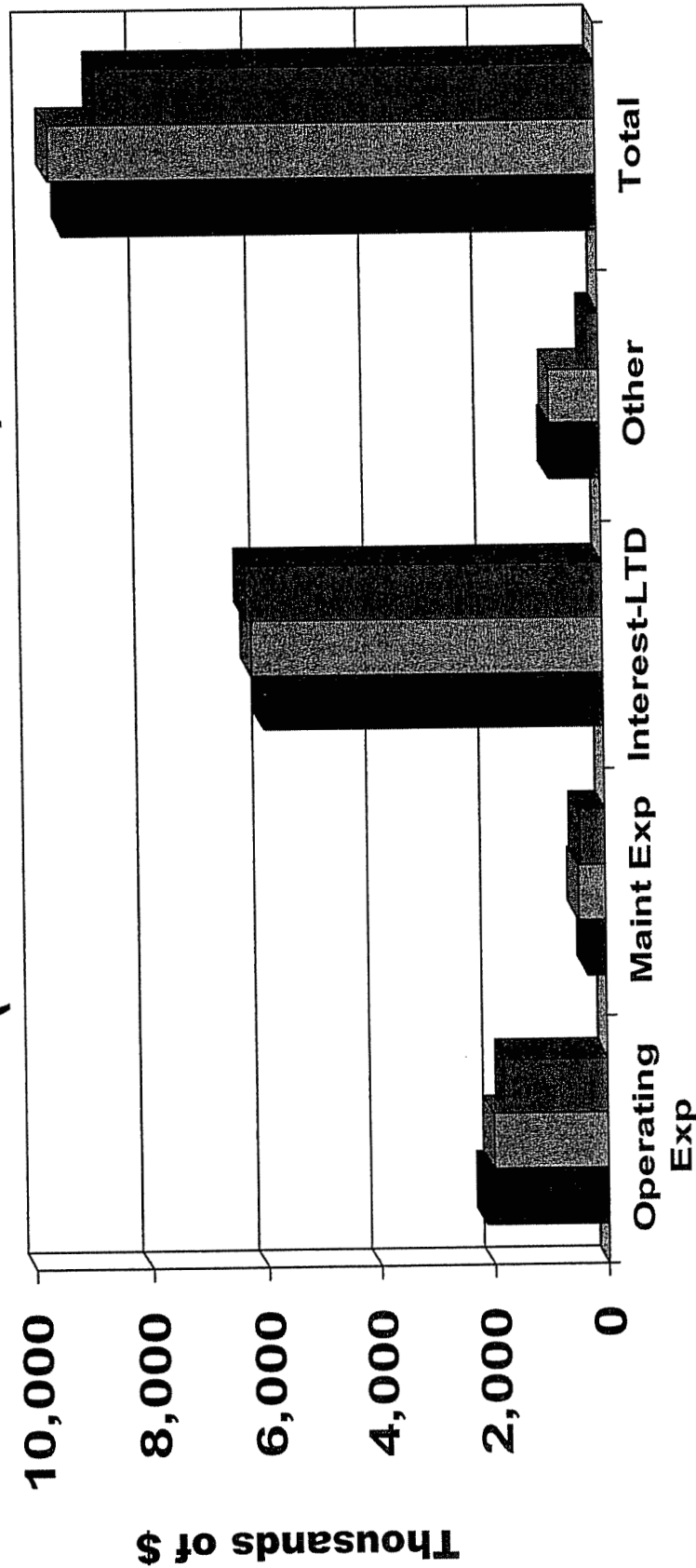
Total Cost of Electric Service (minus Power Cost) - \$/MWh Sold January



| | Operating Exp | Maint Exp | Interest-LTD | Other | Total |
|-------------|---------------|-----------|--------------|-------|-------|
| Actual 2009 | 7.02 | 1.13 | 19.72 | 2.94 | 30.81 |
| Budget | 6.46 | 1.59 | 20.07 | 2.87 | 30.99 |
| Actual 2008 | 5.50 | 1.43 | 19.24 | 0.66 | 26.83 |

Total Cost of Electric Service (minus Power Cost)

January (Dollars in Thousands)



| Category | Operating Exp | Maint Exp | Interest-LTD | Other | Total |
|-------------|---------------|-----------|--------------|-------|-------|
| Actual 2009 | 2,127 | 343 | 5,974 | 888 | 9,332 |
| Budget | 1,993 | 491 | 6,196 | 886 | 9,566 |
| Actual 2008 | 1,794 | 466 | 6,275 | 215 | 8,750 |



Your Touchstone Energy[®] Cooperative

Other Operating Revenue & Income

| | Actual | Budget | Actual |
|----------------|-------------|-------------|-------------|
| | <u>2009</u> | <u>2009</u> | <u>2008</u> |
| January | 1,291 | 1,298 | 814 |

Actual vs Actual Variance primarily due to:
BREC Power Supply Transmission (Arbitrage) - \$479 more than Actual 2008;
Reservation increase due to 345 KU Interconnection



Operating Expense - Sales

| | Actual | Budget | Actual |
|---------|-------------|-------------|-------------|
| | <u>2009</u> | <u>2009</u> | <u>2008</u> |
| January | 0 | 53 | 47 |

Actual vs Budget/Actual Variance primarily due to:

Energy Efficiency/Advertising/Promotions - A major program to increase energy efficiency was budgeted, however, the program was delayed due to the ice storm. Scheduled to begin mid-March



Operating Expense - A & G

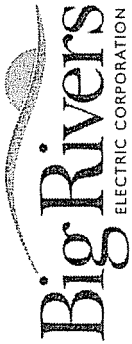
| | Actual <u>2009</u> | Budget <u>2009</u> | Actual <u>2008</u> |
|----------------|-----------------------|-----------------------|-----------------------|
| January | 1,498 | 1,271 | 1,115 |


Actual vs Budget Variance primarily due to:

Professional Services - \$58 less than Budget; Load Forecast, IRP, Stanley Consultants
 PC Software - \$278 more than Budget; Microsoft Licensing-timing, budgeted for March

Actual vs Actual Variance primarily due to:

Professional Services - \$68 more than Actual 2008; Unwind; Wage Salary/Benefit Admin
 expenses (timing)
 PC Software - \$278 more than Actual 2008; Microsoft Licensing-timing, 2008 expense paid in February
 IS Maintenance - \$145 more than Actual 2008; GIS allocation, changes offset in General Plant
 Maintenance
 Dues & Assessments - \$90 less than Actual 2008 (timing); Touchstone Energy, NERC,
 Transmission Owners & Operators Forum



Your Townsone Energy* Cooperative 

Maintenance Expense-Transmission

| | Actual <u>2009</u> | Budget <u>2009</u> | Actual <u>2008</u> |
|---------|-----------------------|-----------------------|-----------------------|
| January | 332 | 464 | 303 |

Actual vs Budget Variance primarily due to:

- Labor - \$79 more than Budget; increased overtime due to ice storm; less construction labor
- Brush Control - \$86 less than Budget; behind schedule due to weather conditions
- Pole Treatment - \$17 less than Budget; behind schedule due to weather conditions
- Line/Substation Maintenance - \$75 less than Budget; less substation maintenance than anticipated & weather conditions
- Service Agreements - \$20 less than Budget; timing of work performed (Doble, Fujitsu, Sycamore DACS)



Your Touchstone Energy® Cooperative

Maintenance Expense – General Plant

| | Actual <u>2009</u> | Budget <u>2009</u> | Actual <u>2008</u> |
|----------------|-----------------------|-----------------------|-----------------------|
| January | 12 | 27 | 163 |

Actual vs Actual Variance primarily due to:

IS Maintenance Agreements - \$144 less than Actual 2008; GIS allocation, changes off-set in A&G

Building & Grounds - \$7 less than Actual 2008; repairs to HQ parking lot



Interest on Long-Term Debt

| | Actual | Budget | Actual |
|--------------------------|--------------|--------------|--------------|
| | <u>2009</u> | <u>2009</u> | <u>2008</u> |
| Sale-Leaseback - January | 88 | 88 | 1,120 |
| Other - January | 5,886 | 6,108 | 5,155 |
| January | <u>5,974</u> | <u>6,196</u> | <u>6,275</u> |

Actual vs Budget Variance primarily due to:

P.C. Bonds - \$223 less than Budget; Average variable interest rate 12.16% Actual 2009 vs 14.01% Budget

Actual vs Actual Variance primarily due to:

P.C. Bonds - \$906 more than Actual 2008; Average variable interest rate 12.16% Actual 2009 vs 4.66% Actual 2008
 New RUS Note - \$181 less than Actual 2008; Less Outstanding Balance
 Defeased Sale/Leaseback - \$1,032 less than Actual 2008; PMCC/Bank of America Buyouts



Your Touchstone Energy® Cooperative

Interest Expense Charged to Construction-Credit

| Actual | Budget | Actual |
|-------------|-------------|-------------|
| <u>2009</u> | <u>2009</u> | <u>2008</u> |
| (14) | (44) | (63) |

January

Actual vs Budget Variance primarily due to:

Construction Projects behind schedule due to condemnation proceedings & bad weather, \$19 less than Budget

Reconductor Line 6-A - project suspended, \$11 less than Budget

Actual vs Actual Variance primarily due to:

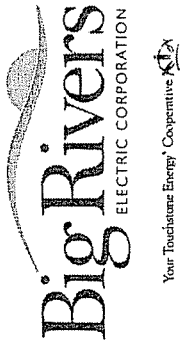
Projects completed in 2008 including KU Interconnection, Skillman-Meade County 161kV Line, Digital Microwave Radio System



Other Deductions

| | Actual | Budget | Actual |
|---------|-------------|-------------|-------------|
| | <u>2009</u> | <u>2009</u> | <u>2008</u> |
| January | 342 | 365 | (240) |

Actual vs Actual Variance primarily due to:
 Defeased Sale/Leaseback - PMCC/Bank of America Buyouts; \$580 more than
 Actual 2008



Interest Income

| | Actual <u>2009</u> | Budget <u>2009</u> | Actual <u>2008</u> |
|------------------------|-----------------------|-----------------------|-----------------------|
| General Fund-January | 16 | 37 | 498 |
| Sale-Leaseback-January | 0 | 0 | 1,090 |
| January | 16 | 37 | 1,588 |

Actual vs Actual Variance primarily due to:

General Fund - \$482 less than Actual 2008; decrease in interest rates; less cash available for investment due to PMCC/Bank of America buyouts
 .83% Actual 2009 avg vs 4.31% Actual 2008 avg

Sale-Leaseback - \$1,090 less than Actual 2008; PMCC/Bank of America buyouts

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 25 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

| | |
|---|--|
| <p>UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE</p> <p>OPERATING REPORT - FINANCIAL</p> | <p>BORROWER DESIGNATION KY0062</p> <p>PERIOD ENDED January, 2009</p> |
| <p>INSTRUCTIONS - Submit an original and two copies to RUS or file electronically. For detailed instructions, see RUS Bulletin 1717B-3</p> <p><i>This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential.</i></p> | <p>BORROWER NAME Big Rivers Electric Corporation</p> |

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

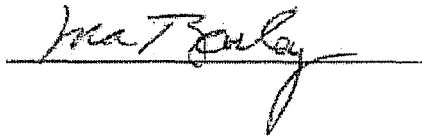
ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Form 12a Section C of this report.




DATE

| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE | | BORROWER DESIGNATION KY0062 | | |
|--|------------------|---|---------------|-------------------|
| OPERATING REPORT - FINANCIAL | | PERIOD ENDED January, 2009 | | |
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically For detailed instructions, see RUS Bulletin 1717B-3. | | This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential. | | |
| SECTION A. STATEMENT OF OPERATIONS | | | | |
| ITEM | YEAR-TO-DATE | | | THIS MONTH (d) |
| | LAST YEAR (a) | THIS YEAR (b) | BUDGET (c) | |
| 1. Electric Energy Revenues | 17,007,366 | 19,835,464 | 19,423,556 | 19,835,464 |
| 2. Income From Leased Property (Net) | 2,554,294 | 2,557,815 | 2,514,592 | 2,557,815 |
| 3. Other Operating Revenue and Income | 613,906 | 1,290,971 | 1,227,740 | 1,290,971 |
| 4. TOTAL OPER. REVENUES & PATRONAGE CAPITAL (1 thru 3) | 20,175,566 | 23,684,250 | 23,165,888 | 23,684,250 |
| 5. Operating Expense - Production - Excluding Fuel | | | | |
| 6. Operating Expense - Production - Fuel | | | | |
| 7. Operating Expense - Other Power Supply | 9,636,631 | 12,139,064 | 12,772,511 | 12,139,064 |
| 8. Operating Expense - Transmission | 580,308 | 579,951 | 605,526 | 579,951 |
| 9. Operating Expense - Distribution | | | | |
| 10. Operating Expense - Customer Accounts | | | | |
| 11. Operating Expense - Customer Service & Information | 52,301 | 49,588 | 63,448 | 49,588 |
| 12. Operating Expense - Sales | 45,825 | (352) | 53,457 | (353) |
| 13. Operating Expense - Administrative & General | 1,115,204 | 1,498,185 | 1,271,372 | 1,498,186 |
| 14. TOTAL OPERATION EXPENSE (5 thru 13) | 11,431,269 | 14,266,436 | 14,766,314 | 14,266,436 |
| 15. Maintenance Expense - Production | | | | |
| 16. Maintenance Expense - Transmission | 303,338 | 331,572 | 464,490 | 331,572 |
| 17. Maintenance Expense - Distribution | | | | |
| 18. Maintenance Expense - General Plant | 162,536 | 11,696 | 26,707 | 11,696 |
| 19. TOTAL MAINTENANCE EXPENSE (15 thru 18) | 465,874 | 343,268 | 491,205 | 343,268 |
| 20. Depreciation and Amortization Expense | 425,196 | 466,895 | 471,689 | 466,895 |
| 21. Taxes | 92,777 | 92,161 | 92,161 | 92,161 |
| 22. Interest on Long-Term Debt | 6,274,584 | 5,973,510 | 6,196,100 | 5,973,510 |
| 23. Interest Charged to Construction - Credit | (63,289) | (13,895) | (43,990) | (13,895) |
| 24. Other Interest Expense | 1,297 | 137 | 600 | 137 |
| 25. Asset Retirement Obligations | | | | |
| 26. Other Deductions | (240,300) | 342,263 | 364,980 | 342,263 |
| 27. TOTAL COST OF ELECTRIC SERVICE (14 + 19 thru 26) | 18,387,428 | 21,470,772 | 22,339,059 | 21,470,771 |
| 28. OPERATING MARGINS (4 less 27) | 1,888,178 | 2,213,479 | 926,829 | 2,213,479 |
| 29. Interest Income | 1,588,159 | 15,724 | 37,129 | 15,724 |
| 30. Allowance For Funds Used During Construction | | | | |
| 31. Income (Loss) from Equity Investments | | | | |
| 32. Other Non-operating Income (Net) | | | | |
| 33. Generation & Transmission Capital Credits | | | | |
| 34. Other Capital Credits and Patronage Dividends | | | | |
| 35. Extraordinary Items | | | | |
| 36. NET PATRONAGE CAPITAL OR MARGINS (28 thru 35) | 3,576,337 | 2,229,203 | 971,158 | 2,229,203 |

RUS Form 12a

| | | | |
|--|---------------|--|---------------|
| UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE | | BORROWER DESIGNATION RY0062 | |
| OPERATING REPORT - FINANCIAL | | PERIOD ENDED January, 2009 | |
| INSTRUCTIONS - Submit an original and two copies to RUS or file electronically For detailed instructions, see RUS Bulletin 1717B-3. | | This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et. seq.) and may be confidential. | |
| SECTION B. BALANCE SHEET | | | |
| ASSETS AND OTHER DEBITS | | LIABILITIES AND OTHER CREDITS | |
| 1. Total Utility Plant in Service | 1,783,190,902 | 32. Memberships | 75 |
| 2. Construction Work in Progress | 2,489,306 | 33. Patronage Capital | |
| 3. TOTAL UTILITY PLANT (1 + 2) | 1,792,680,208 | a Assigned and Assignable | |
| 4. Accum. Provision for Depreciation and Amort. | 881,759,374 | b Retired This year | |
| 5. NET UTILITY PLANT (3 - 4) | 910,920,834 | c Retired Prior years | |
| 6. Non-Utility Property (Net) | | d Net Patronage Capital | |
| 7. Investments in Subsidiary Companies | | 34. Operating Margins - Prior Years | (256,863,074) |
| 8. Invest. in Assoc. Org. - Patronage Capital | 2,384,731 | 35. Operating Margin - Current Year | 2,213,479 |
| 9. Invest. in Assoc. Org. - Other - General Funds | 684,993 | 36. Non-Operating Margins | 97,832,640 |
| 10. Invest. in Assoc. Org. - Other - Nongeneral Funds | | 37. Other Margins and Equities | 4,444,503 |
| 11. Investments in Economic Development Projects | 10,000 | 38. TOTAL MARGINS & EQUITIES (32 + 33d thru 37) | (152,372,378) |
| 12. Other Investments | 5,334 | 39. Long-Term Debt - RUS (Net) | 821,234,062 |
| 13. Special Funds | 510,560 | 40. Long-Term Debt - FFB - RUS Guaranteed | |
| 14. TOTAL OTHER PROPERTY AND INVESTMENTS (6 thru 13) | 4,595,618 | 41. Long-Term Debt - Other - RUS Guaranteed | |
| 15. Cash - General Funds | 4,930 | 42. Long-Term Debt - Other (Net) | 157,115,528 |
| 16. Cash - Construction Funds - Trustee | | 43. Long-Term Debt - RUS - Econ. Devel. (Net) | |
| 17. Special Deposits | 570,867 | 44. Payments - Unapplied | |
| 18. Temporary Investments | 26,010,654 | 45. TOTAL LONG-TERM DEBT (39 thru 43 - 44) | 978,349,579 |
| 19. Notes Receivable (Net) | | 46. Obligations Under Capital Leases - Noncurrent | |
| 20. Accounts Receivable - Sales of Energy (Net) | 21,514,767 | 47. Accumulated Operating Provisions and Asset Retirement Obligations | 7,307,467 |
| 21. Accounts Receivable - Other (Net) | 1,822,962 | 48. TOTAL OTHER NONCURRENT LIABILITIES (46 - 47) | 7,307,467 |
| 22. Fuel Stock | | 49. Notes Payable | |
| 23. Materials and Supplies - Other | 759,252 | 50. Accounts Payable | 15,301,766 |
| 24. Prepayments | 4,712,978 | 51. Current Maturities Long-Term Debt | 52,273,494 |
| 25. Other Current and Accrued Assets | 49,661 | 52. Current Maturities Long-Term Debt - Rural Development | |
| 26. TOTAL CURRENT AND ACCRUED ASSETS (15 thru 25) | 55,546,091 | 53. Current Maturities Capital Leases | |
| 27. Unamortized Debt Discount & Extraor. Prop. Losses | 730,707 | 54. Taxes Accrued | 635,743 |
| 28. Regulatory Assets | | 55. Interest Accrued | 4,245,272 |
| 29. Other Deferred Debits | 91,504,825 | 56. Other Current and Accrued Liabilities | 2,195,428 |
| 30. Accumulated Deferred Income Taxes | | 57. TOTAL CURRENT & ACCRUED LIABILITIES (49 thru 56) | 74,551,725 |
| 31. TOTAL ASSETS AND OTHER DEBITS (5 + 14 + 26 thru 30) | 1,063,298,075 | 58. Deferred Credits | 155,461,682 |
| | | 59. Accumulated Deferred Income Taxes | |
| | | 60. TOTAL LIABILITIES AND OTHER CREDITS (38 + 45 + 48 + 57 thru 59) | 1,063,298,075 |

RUS Form 12a

| | |
|---|--|
| <p style="text-align: center;">USDA-RUS</p> <p style="text-align: center;">FINANCIAL AND STATISTICAL REPORT</p> <p style="text-align: center;">INSTRUCTIONS - See RUS Bulletin 1717B-3</p> | <p>BORROWER DESIGNATION KY0062</p> <p>PERIOD ENDED January, 2009</p> |
| SECTION C. Notes to Financial Statements | |
| <p>Footnote to RUS Form 12b SE</p> <p>Kenergy "LF" Contract termination date is March 31, 2011.</p> | |

RUS Form 12b SE
 Operating Report
 Sales of Electricity

01/31/09
 Page 1

| Sale No. | (a) | Statistical (b) | RUS Borrower (c) | Average Monthly Billing (d) | Actual Demand Average Monthly NCP (e) | Actual Demand Average Monthly CP (f) |
|----------|------------------------------|--------------------|---------------------|-----------------------------------|--|---|
| 1 | Ultimate Consumer(s) | | | | | |
| 2 | Jackson Purchase Energy Corp | RQ | KY0020 | 153 | 165 | 146 |
| 3 | Meade County Rural ECC | RQ | KY0018 | 133 | 137 | 126 |
| 4 | Kenergy Corporation | RQ | KY0065 | 412 | 423 | 396 |
| 5 | Kenergy Corporation | IF | KY0065 | | | |
| 6 | Kenergy Corporation | LF | KY0065 | | | |
| 7 | | | | | | |
| 8 | Associated Electric Coop | OS | MO0073 | | | |
| 9 | Oglethorpe Power | OS | GA0109 | | | |
| 10 | | | | | | |
| 11 | Cargill-Alliant | OS | | | | |
| 12 | Constellation Power Source | OS | | | | |
| 13 | Eagle Energy Partners | OS | | | | |
| 14 | LG&E Energy Marketing | OS | | | | |
| 15 | Midwest Independent Trans. | OS | | | | |
| 16 | PJM Interconnection | OS | | | | |
| 17 | Southern Company Services | OS | | | | |
| 18 | Tenaska Power Services | OS | | | | |
| 19 | Tennessee Valley Authority | OS | | | | |
| 20 | The Energy Authority | OS | | | | |

| | | | | | | |
|----------------------------------|--|--|--|-----|-----|-----|
| Total for Ultimate Consumer(s) | | | | 0 | 0 | 0 |
| Total for Distribution Borrowers | | | | 698 | 725 | 668 |
| Total for G&T Borrowers | | | | 0 | 0 | 0 |
| Total for Others | | | | 0 | 0 | 0 |
| Grand Total | | | | 698 | 725 | 668 |

**RUS Form 12b SE
Operating Report
Sales of Electricity**

**01/31/09
Page 2**

| Sale No. | Electricity Sold (g) | Revenue Demand (h) | Revenue Energy (i) | Revenue Other (j) | Revenue Total (h+i+j+k) |
|----------|-------------------------|-----------------------|-----------------------|----------------------|----------------------------|
| 1 | | | | | |
| 2 | 63,483 | 1,137,135 | 1,285,706 | | 2,422,841 |
| 3 | 52,795 | 976,856 | 1,077,042 | | 2,053,898 |
| 4 | 186,607 | 3,421,666 | 3,327,821 | | 6,749,487 |
| 5 | 622 | | 29,817 | | 29,817 |
| 6 | 139,749 | | 7,062,380 | | 7,062,380 |
| 7 | | | | | |
| 8 | 115 | | 3,840 | | 3,840 |
| 9 | 330 | | 15,120 | | 15,120 |
| 10 | | | | | |
| 11 | 1,630 | | 58,860 | | 58,860 |
| 12 | 1,570 | | 64,374 | | 64,374 |
| 13 | 15,110 | | 573,807 | | 573,807 |
| 14 | 1,089 | | 42,914 | | 42,914 |
| 15 | 5,655 | | 180,486 | | 180,486 |
| 16 | 12,028 | | 403,402 | | 403,402 |
| 17 | 3,325 | | 104,635 | | 104,635 |
| 18 | 50 | | 1,700 | | 1,700 |
| 19 | 489 | | 22,434 | | 22,434 |
| 20 | 1,441 | | 45,469 | | 45,469 |

| | | | | | |
|--|---------|-----------|------------|---|------------|
| | - | - | - | - | - |
| | 443,256 | 5,535,657 | 12,782,766 | - | 18,318,423 |
| | 445 | - | 18,960 | - | 18,960 |
| | 42,387 | - | 1,498,081 | - | 1,498,081 |
| | 486,088 | 5,535,657 | 14,299,807 | - | 19,835,464 |

RUS Form 12b PP
 Operating Report
 Purchased Power

01/31/09
 Page1

| Purch. No. | (a) | Statistical (b) | RUS Borrower (c) | Average Monthly Billing (d) | Actual Demand Average Monthly NCP (e) | Actual Demand Average Monthly CP (f) |
|------------|------------------------------|--------------------|---------------------|-----------------------------------|--|---|
| 1 | Southern Illinois Power Coop | OS | IL0050 | | | |
| 2 | | | | | | |
| 3 | Eagle Energy Partners | OS | | | | |
| 4 | LG&E Energy Marketing | RQ | | | | |
| 5 | Reliant Energy Services, Inc | SF | | | | |
| 6 | Southeastern Power Admin | LF | | 178 | | |
| 7 | Southern Company Services | OS | | | | |
| 8 | The Energy Authority | OS | | | | |

| | | | | | | |
|----------------------------------|--|--|--|-----|---|---|
| Total for Distribution Borrowers | | | | 0 | 0 | 0 |
| Total for G&T Borrowers | | | | | | |
| Total for Others | | | | 178 | 0 | 0 |
| Grand Total | | | | 178 | 0 | 0 |

RUS Form 12b PP
Operating Report
Purchased Power

01/31/09
Page 2

| Purch No. | Electricity Purchased (g) | Power Exchanges Electricity Received (h) | Power Exchanges Electricity Delivered (i) | Revenue Demand (j) | Revenue Energy (k) | Revenue Other (l) | Revenue (j+k+l) | Total |
|-----------|---------------------------|--|---|--------------------|--------------------|-------------------|-----------------|-----------|
| | | | | | 2,018,100 | | 2,018,100 | |
| 1 | 37,200 | | | | | | | |
| 2 | | | | | 3,530 | | | 3,530 |
| 3 | 65 | | | | 8,268,639 | | | 8,268,639 |
| 4 | 402,857 | | | | 103,384 | | | 103,384 |
| 5 | 246 | | | 260,937 | 616,890 | | | 877,827 |
| 6 | 48,689 | | | | 7,238 | | | 7,238 |
| 7 | 119 | | | | 6,667 | | | 6,667 |
| 8 | 125 | | | | | | | |

| | | | | | | | | |
|--|---------|---|---|---------|------------|---|---|------------|
| | | | | | | | | |
| | - | - | - | - | - | - | - | - |
| | 37,200 | - | - | 260,937 | 2,018,100 | - | - | 2,018,100 |
| | 452,101 | - | - | 260,937 | 9,006,348 | - | - | 9,267,285 |
| | 489,301 | - | - | 260,937 | 11,024,448 | - | - | 11,285,385 |

RUS Form 12c
Operating Report
Sources and Distribution of Energy

01/31/09

| Sources of Energy (a) | No. of Plants (b) | Nameplate Capacity (kW) (c) | Net Energy Received by System (MWh) (d) | Cost (\$) (e) |
|---|-------------------------|--------------------------------------|--|---------------------|
| GENERATED IN OWN PLANT (Details on Form 12d, e, f and g) | | | | |
| 1 Fossil Steam | | | | |
| 2 Nuclear | | | | |
| 3 Hydro | | | | |
| 4 Combined Cycle | | | | |
| 5 Internal Combustion | | | | |
| 6 Other | | | | |
| 7 TOTAL In Own Plant (Sum of lines 1 thru 6) | | | | |
| PURCHASED POWER | | | | |
| 8 Total Purchased Power | | | 489,301 | 11,285,385 |
| INTERCHANGED POWER | | | | |
| 9 Received into System | | | | |
| 10 Delivered Out of System | | | | |
| 11 Net Interchange | | | | |
| TRANSMISSION FOR OR BY OTHERS - (WHEELING) | | | | |
| 12 Received into System | | | | |
| 13 Delivered Out of System | | | | |
| 14 Net Energy Wheeled | | | | |
| 15 TOTAL Energy Available for Sale (Sum of lines 7 + 8 + 11 + 14) | | | 489,301 | |
| DISTRIBUTION OF ENERGY | | | | |
| 16 TOTAL Sales | | | 486,088 | |
| 17 Energy Furnished to Others Without Charge | | | | |
| 18 Energy Used by Borrower | | | | |
| 19 TOTAL Energy Accounted For (Sum of lines 16 thru 18) | | | 486,088 | |
| LOSSES | | | | |
| 20 Energy Losses - MWh (Line 15 minus 19) | | | 3,213 | |
| 21 Energy Losses - Percentage ((Line 20 divided by line 15)*100) | | | 0.66 | |

RUS Form 121
OPERATING REPORT - LINES AND STATIONS

01/31/09

| SECTION A. EXPENSE AND COSTS | | | | | | | |
|---|--|----------------|---------------------|--|---------------------------------|---------|----------|
| ITEM | | Account Number | LINES (a) | STATIONS (b) | | | |
| TRANSMISSION OPERATION | | | | | | | |
| 1 | Supervision and Engineering | 560 | 35,783 | 28,915 | | | |
| 2 | Load Dispatching | 561 | 98,024 | | | | |
| 3 | Station Expenses | 562 | | 72,281 | | | |
| 4 | Overhead Line Expenses | 563 | 85,929 | | | | |
| 5 | Underground Line Expenses | 564 | | | | | |
| 6 | Miscellaneous Expenses | 565 | 23,184 | 17,711 | | | |
| 7 | SUBTOTAL (1 thru 6) | | 243,720 | 119,907 | | | |
| 8 | Transmission of Electricity by Others | 565 | 214,265 | | | | |
| 9 | Rents | 567 | | 2,058 | | | |
| 10 | TOTAL TRANSMISSION OPERATION (7 THRU 9) | | 457,985 | 121,965 | | | |
| TRANSMISSION MAINTENANCE | | | | | | | |
| 11 | Supervision and Engineering | 568 | 24,349 | 27,660 | | | |
| 12 | Structures | 569 | | 89 | | | |
| 13 | Station Equipment | 570 | | 141,837 | | | |
| 14 | Overhead Lines | 571 | 134,021 | | | | |
| 15 | Underground Lines | 572 | | | | | |
| 16 | Miscellaneous Transmission Plant | 573 | 2,251 | 1,365 | | | |
| 17 | TOTAL TRANSMISSION MAINTENANCE (11 THRU 16) | | 160,621 | 170,951 | | | |
| 18 | TOTAL TRANSMISSION EXPENSE (10 + 17) | | 618,607 | 292,916 | | | |
| 19 | Distribution Expense - Operation | 580-589 | | | | | |
| 20 | Distribution Expense - Maintenance | 590-598 | | | | | |
| 21 | TOTAL DISTRIBUTION EXPENSE (19 + 20) | | | | | | |
| 22 | TOTAL OPERATION AND MAINTENANCE (18 + 21) | | 618,607 | 292,916 | | | |
| FIXED COSTS | | | | | | | |
| 23 | Depreciation - Transmission | 403.5 | 208,661 | 235,439 | | | |
| 24 | Depreciation - Distribution | 403.6 | | | | | |
| 25 | Interest - Transmission | 427 | 365,664 | 468,833 | | | |
| 26 | Interest - Distribution | 427 | | | | | |
| 27 | TOTAL TRANSMISSION (18 + 23 + 25) | | 1,190,932 | 997,188 | | | |
| 28 | TOTAL DISTRIBUTION (21 + 24 + 26) | | | | | | |
| 29 | TOTAL LINES AND STATIONS (27 + 28) | | 1,190,932 | 997,188 | | | |
| SECTION B. FACILITIES IN SERVICE | | | | SECTION C. LABOR AND MATERIAL SUMMARY | | | |
| TRANSMISSION LINES | | | SUBSTATIONS | | 1. NUMBER OF EMPLOYEES 55 | | |
| | VOLTAGE (KV) | MILES | TYPE | CAPACITY (KVA) | ITEM | LINES | STATIONS |
| 1 | 69 KV | 826.51 | 13. Distr. Lines | | 2. Oper. Labor | 151,118 | 73,454 |
| 2 | 345 KV | 68.40 | | | 3. Maint Labor | 136,130 | 140,135 |
| 3 | 138 KV | 14.40 | 14. Total (12 + 13) | 1,261.81 | 4. Oper. Material | 305,868 | 48,511 |
| 4 | 161 KV | 352.50 | | | 5. Maint. Material | 24,491 | 30,816 |
| 5 | | | 15 Stepup at | 1,879,800 | | | |
| 6 | | | Generating Plants | | | | |
| 7 | | | 16. Transmission | 3,540,000 | | | |
| 8 | | | | | | | |
| 9 | | | 17 Distribution | | | | |
| 10 | | | | | | | |
| 11 | | | 18. Total | | | | |
| 12 | TOTAL (1 thru 11) | 1,261.81 | (15 thru 17) | 5,419,800 | | | |
| | | | | | SECTION D. OUTAGES | | |
| | | | | | 1. TOTAL | | |
| | | | | | 2. Avg. No. Dist. Cons. Served | | |
| | | | | | 3. Avg. No. Hours Out Per Cons. | | |

**Big Rivers Electric
Investment Summary
2/28/2009**

| | <u>Balance</u> | <u>Average Interest Rate</u> | <u>Ratings</u> | <u>Liquidity</u> |
|---|-----------------------------|----------------------------------|----------------|------------------|
| Fidelity MM Government Portfolio | 33,849,113.98 | 0.650% | Gov | Daily |
| Cash Investment Bal. 2/28/09 | <u><u>33,849,113.98</u></u> | | | |

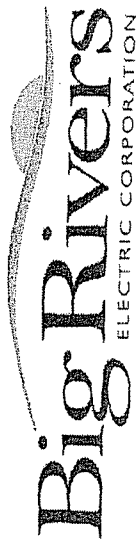


Your Touchstone Energy Cooperative

INVESTMENT REPORT FEBRUARY 2009

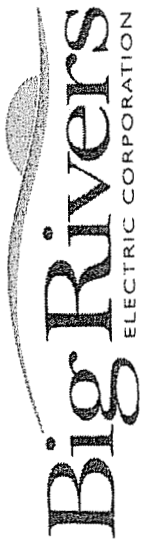
| Institutional Money Market Accounts: | Fidelity | Interest Reinvested | Purchase | Redemption | Balance | Interest Rate | Daily Interest | M-T-D Interest |
|---|-----------|------------------------|----------|---------------|---------------|------------------|-------------------|-------------------|
| | | | | | | | | |
| | 01-Feb-09 | | | | 26,010,654.30 | 0.693% | 494.18 | 494.18 |
| | 02-Feb-09 | | | 995,500.00 | 25,015,154.30 | 0.707% | 484.37 | 978.55 |
| | 03-Feb-09 | | | | 25,015,154.30 | 0.689% | 472.31 | 1,450.86 |
| | 04-Feb-09 | | | 1,467,000.00 | 23,548,154.30 | 0.692% | 446.68 | 1,897.54 |
| | 05-Feb-09 | | | | 23,548,154.30 | 0.706% | 455.59 | 2,353.13 |
| | 06-Feb-09 | | | 220,000.00 | 23,328,154.30 | 0.675% | 431.64 | 2,784.77 |
| | 07-Feb-09 | | | | 23,328,154.30 | 0.675% | 431.64 | 3,216.41 |
| | 08-Feb-09 | | | | 23,328,154.30 | 0.675% | 431.62 | 3,648.03 |
| | 09-Feb-09 | | | 678,800.00 | 22,649,354.30 | 0.673% | 417.72 | 4,065.75 |
| | 10-Feb-09 | | | 38,600.00 | 22,610,754.30 | 0.675% | 418.19 | 4,483.94 |
| | 11-Feb-09 | | | 164,000.00 | 22,446,754.30 | 0.671% | 412.55 | 4,896.49 |
| | 12-Feb-09 | | | | 22,446,754.30 | 0.669% | 411.51 | 5,308.00 |
| | 13-Feb-09 | | | 65,000.00 | 22,381,754.30 | 0.677% | 415.34 | 5,723.34 |
| | 14-Feb-09 | | | | 22,381,754.30 | 0.677% | 415.32 | 6,138.66 |
| | 15-Feb-09 | | | | 22,381,754.30 | 0.677% | 415.32 | 6,553.98 |
| | 16-Feb-09 | | | | 22,381,754.30 | 0.677% | 415.33 | 6,969.31 |
| | 17-Feb-09 | | | 474,000.00 | 21,907,754.30 | 0.681% | 408.78 | 7,378.09 |
| | 18-Feb-09 | | | 125,000.00 | 21,782,754.30 | 0.634% | 378.52 | 7,756.61 |
| | 19-Feb-09 | | | | 21,782,754.30 | 0.630% | 376.08 | 8,132.69 |
| | 20-Feb-09 | | | 1,037,000.00 | 21,595,754.30 | 0.623% | 368.62 | 8,501.31 |
| | 21-Feb-09 | | | | 21,595,754.30 | 0.623% | 368.62 | 8,869.93 |
| | 22-Feb-09 | | | | 21,595,754.30 | 0.623% | 368.59 | 9,238.52 |
| | 23-Feb-09 | | | 787,000.00 | 20,808,754.30 | 0.599% | 341.28 | 9,579.80 |
| | 24-Feb-09 | | | 141,000.00 | 20,667,754.30 | 0.594% | 336.43 | 9,916.23 |
| | 25-Feb-09 | | | 13,925,000.00 | 34,592,754.30 | 0.590% | 559.02 | 10,475.25 |
| | 26-Feb-09 | | | 1,522,000.00 | 36,114,754.30 | 0.601% | 594.67 | 11,069.92 |
| | 27-Feb-09 | | | 2,277,800.00 | 33,836,954.30 | 0.588% | 544.88 | 11,614.80 |
| | 28-Feb-09 | | | | 33,849,113.98 | 0.588% | 544.88 | 12,159.68 |
| | | | | | Average | 0.650% | | |

| | | |
|-----------|---------------|--------------|
| 12,159.68 | 16,484,000.00 | 8,657,700.00 |
|-----------|---------------|--------------|

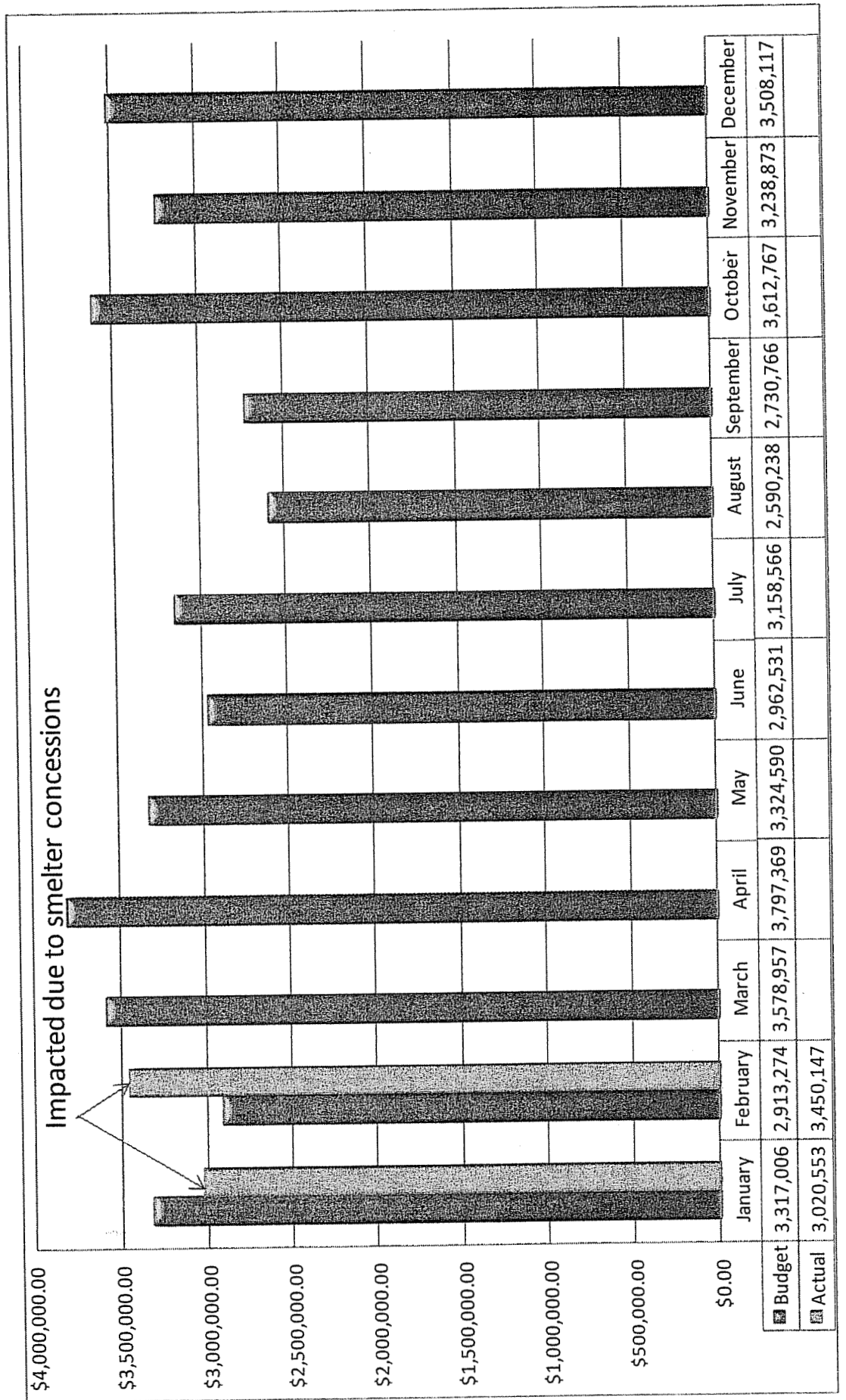


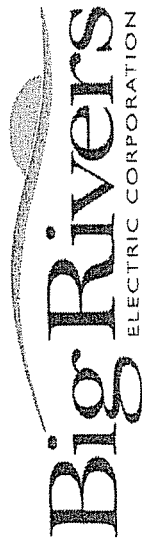
ARBITRAGE REPORT FEBRUARY, 2009





ARBITRAGE MARGINS





BUDGET VARIANCE

| MONTH | BUDGET | ACTUAL | VARIANCE |
|-----------|-----------|------------|-----------|
| January | 3,317,006 | 3,020,553* | (296,453) |
| February | 2,913,274 | 3,450,147* | 536,873 |
| March | 3,578,597 | | |
| April | 3,797,369 | | |
| May | 3,324,590 | | |
| June | 2,962,531 | | |
| July | 3,158,566 | | |
| August | 2,590,238 | | |
| September | 2,730,766 | | |
| October | 3,612,767 | | |
| November | 3,238,873 | | |
| December | 3,508,117 | | |
| Y-T-D | 6,230,280 | 6,470,700 | 240,420 |

*\$475,000 in estimated margins lost due to concessions to smelters.



BIG RIVERS' PEAK

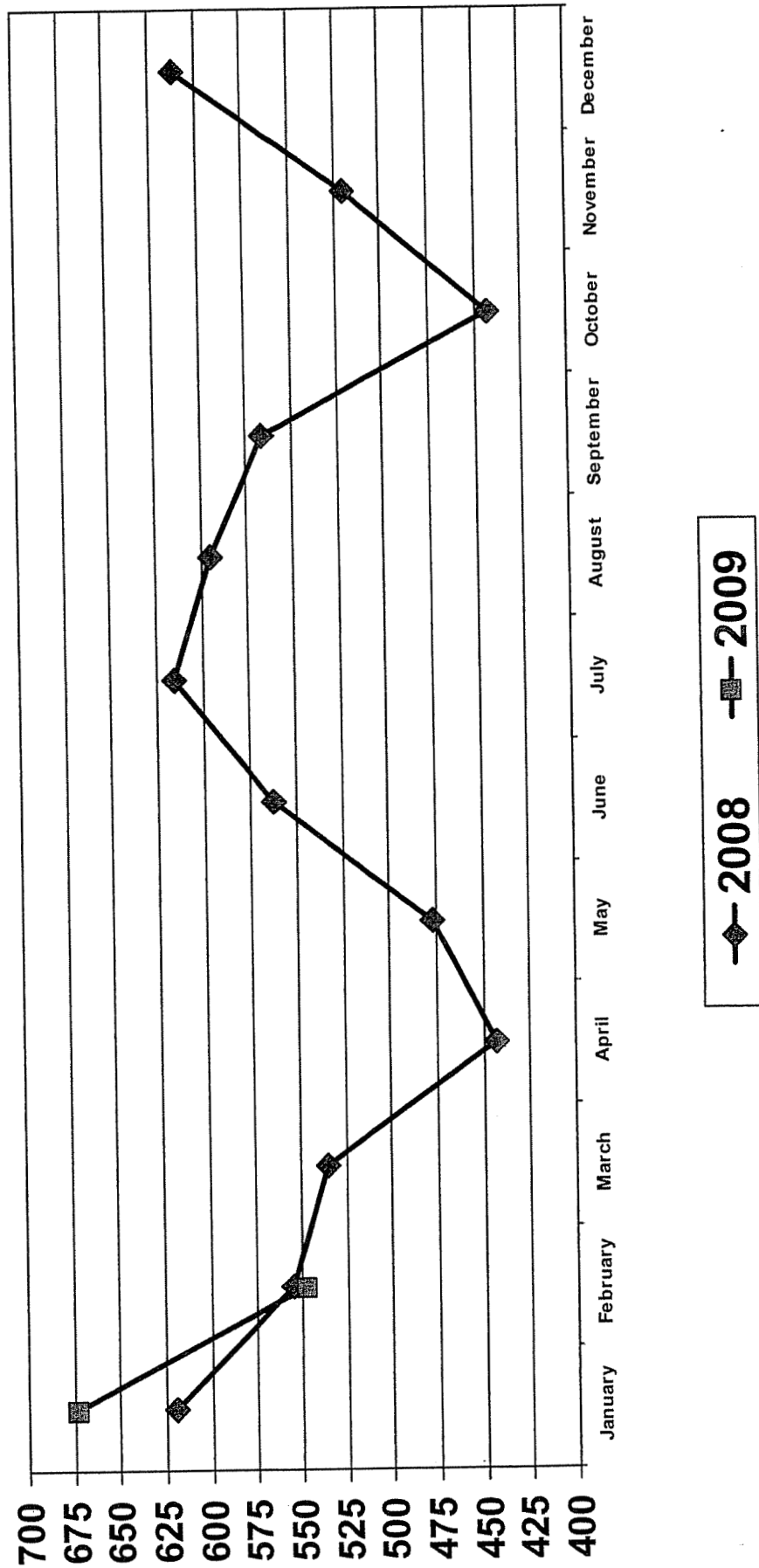
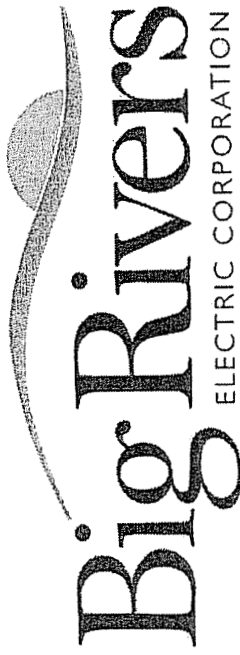



Exhibit 14
Page 51 of 258

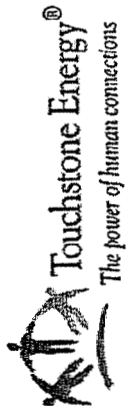


Your Touchstone Energy® Cooperative 

2009 Budget

Cost-Deferral/Cost-Containment

(Board Meeting Date: March 20, 2009)



Millions of \$

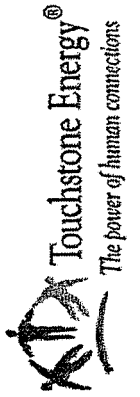
| | |
|--|---------------|
| 2009 Budget - 12/31/2009 | 0.4 |
| <u>Adjustments:</u> | |
| Proposed Rate Increase | 16.6 |
| Electric Energy Sales, Net | (7.6) |
| Interest Expense | (7.6) |
| Incremental Environmental O&M | (2.0) |
| PCB Refunding Cost | 5.9 |
| CapX | 3.4 |
| All Other | 1.8 |
| Revised | 10.9 |
| <u>1/4/2010:</u> | |
| WKEC Lease Payment | 2.6 |
| Non-Incremental Capital Cost | (0.6) |
| New RUS Note | (15.8) |
| | (13.8) |
| Shortfall | (2.9) |
| Cost Cutting/Deferral | 12.9 |
| Balance | 10.0 |
| <u>Does not reflect:</u> | |
| 25% Unwind Cost-Share | |
| Winter Storm Impact | |
| Cash Working Capital above \$10 million | |
| Other Potential Claims (E.ON, Smelter, etc.) | |

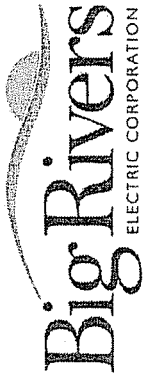


Your Touchstone Energy® Cooperative

2009 Budget - Cost-Deferral/Cost-Containment

| | |
|-----------------------------------|------------------|
| Operation and Maintenance Expense | 4,402,240 |
| Capital | 1,146,050 |
| Construction | <u>8,751,957</u> |
| Total | 14,300,247 |

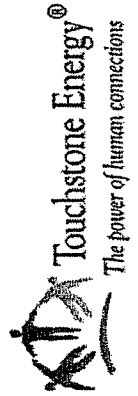




Your Touchstone Energy® Cooperative

Operations and Maintenance

| | |
|--|-----------|
| Marketing/Member Relations - Energy Incentives | 950,000 |
| Various Departments - Professional Services | 808,000 |
| Transmission - Brush Control | 760,000 |
| Energy Services - Administrative Labor | 231,610 |
| External Relations - Environmental Services | 200,000 |
| Transmission - Substation Maintenance | 200,000 |
| External Relations/Mktg/Mbr Relations - Dues & Assessments | 182,000 |
| Various Departments - Reimbursable Expenses | 178,280 |
| Various Departments - Conferences and Seminars | 95,150 |
| Marketing/Member Relations - Advertising/Promotion | 75,000 |
| Marketing/Member Relations - Incentives | 50,000 |
| Various Departments - Technical Training | 46,750 |
| Information Systems - Maintenance Contracts | 46,500 |
| Various Departments - Meals | 43,980 |
| Marketing/Member Relations - Goodwill/ Institutional Advertising | 43,400 |
| Transmission - Contractors | 40,000 |
| External Relations - Document Development and Reproduction | 40,000 |
| Information Systems - Unwind Costs | 36,000 |
| Human Resources - Recruiting Expense | 25,900 |
| Various Departments - Educational Reimbursement | 25,000 |
| All Other - Company-Wide | 324,670 |
| | <hr/> |
| | 4,402,240 |



| <u>Capital</u> | |
|---|-----------|
| Go Tract Vehicle -- Replacement | 450,000 |
| DGA Monitoring for EHV Transformers (Coleman, Wilson, Reid) | 290,000 |
| Hot Oil Spray Transformer Dryout System | 110,000 |
| Personal Computers--27 Desktops - (22 Replacements; 2 New) | 50,100 |
| 3/4 Ton, 4x4 Ext Cab Pickup Truck-Replace Veh #258 | 35,000 |
| Uninterruptible Power Supply (UPS) Replacement | 30,000 |
| 1/2 Ton, 4x4 Ext Cab Pickup Truck-Replace Veh #262 | 27,000 |
| 1/2 Ton, 4x4 Ext Cab Pickup Truck-Replace Veh #285 | 27,000 |
| Laptop Computers (6 Replacements; 1 New) | 21,500 |
| Cisco Network Equipment & Switch Upgrades | 20,000 |
| Servers, Firewalls, Switches, Computer Equipment | 20,000 |
| Autocad Upgrade | 20,000 |
| Office Furniture | 16,000 |
| All Other | 29,450 |
| | <hr/> |
| | 1,146,050 |

| <u>Construction</u> | |
|---|-----------|
| Two Way Radio System | 5,167,892 |
| White Oak Substation | 1,816,398 |
| Coleman to Newtonville 161kV Reconnector | 513,180 |
| Falls of Rough-McDaniels 69 kV Line | 465,193 |
| Hancock 69kV Capacitor Bank | 317,135 |
| Cumberland-Caldwell Springs Tap 69 kV Line | 146,520 |
| Wilson 69kV Line to Centertown | 117,716 |
| Horse Fork Tap 69kV Switch Modification | 58,114 |
| McCracken Co RTU Replacement | 38,817 |
| Reid 69kV RTU Replacement | 38,644 |
| Replace Three (3) MIOD Operators at Dover | 27,002 |
| Replace Substation Security Fence at Hardinsburg Substation | 26,676 |
| Add Gravel to Meade County Substation | 14,652 |
| Daviess Co Airport Line Reroute | 4,018 |
| | 8,751,957 |

**Big Rivers Electric Corporation
2009 Incident Statistics**

| Date | Other (Rpt. & Invest.) | Near Miss | First Aid | Recordable | Restricted Duty | Lost-Time Incident | Vehicle Incident |
|-----------------------------|---------------------------|-----------|-----------|------------|--------------------|-----------------------|---------------------|
| 01/06/09 | X | | | | | | |
| 01/22/09 | | | | | | | X |
| 01/30/09 | X | | | | | | |
| 01/30/09 | X | | | | | | |
| 02/04/09 | | | | X | | X | |
| 02/05/09 | X | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| YTD Total | 4 | 0 | 0 | 1 | 0 | 1 | 1 |
| Incident Rate as of 2/28/09 | | | | 5.02 | 0 | 5.02 | 5.25 |

- 1/06/2009 • A BREC employee was helping Jackson Purchase employees with a communication cable project at McCracken County Substation. The BREC employee was working from a 6-foot wooden step ladder when the back legs of the ladder broke, causing the employee to fall, landing on his left shoulder. The employees' shoulder was sore, but no further medical attention was needed.

- 1/22/2009 • BREC driver was dropping off a co-worker at his home following their attendance at the Owensboro Chamber of Commerce annual dinner. While backing out of the driveway, he clipped a neighbor's mailbox. The mailbox was not damaged, but vehicle 320 sustained minor damage. The passenger side taillight cover was broken and the rear fender dented. There were no injuries and no others in the vehicle.

- 1/30/09 • A BREC driver was traveling at approximately 8 mph in a subdivision when, as a result of very slick conditions, his vehicle slide through a curve, over a small curb and in to a 2-foot chunk of plowed snow/ice. There was no permanent damage to the vehicle and no injuries.

- 1/30/2009 • BREC employee in HQ parking lot entering personal vehicle after work slipped on ice, fell and caught himself on the parking lot with his left hand. [REDACTED]
[REDACTED]
[REDACTED]. At this point, this in not a OSHA Recordable Incident.

- 2/04/2009 • Two BREC employees were dispatched to remove a tree blocking access to the Duncan Ridge microwave site. The tree had fallen as a result of the recent ice storm. While opening the main entrance gate, an employee slipped on the ice and fell, landing on a rock protruding up through the ice, breaking the employees' right hip. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

- 2/05/2009 • A BREC employee was walking across the Meade County Substation Switchyard during a switching project. The employee slipped on the ice and fell, injuring the thumb on his right hand. This incident did not require further medical attention.

MEMORANDUM

TO: Mark Bailey
FROM: Travis Housley
DATE: March 18, 2009
SUBJECT: February Activity Report - Special Projects

Redacted -
Unwind

Served on Special Projects as Assigned

- Economic Development
 - o Work with economic development team on responses to prospective new loads as requested.
- Serve as a consultant to all departments as called upon.
- Interface with members on all matters as called upon, especially when department heads are out of town for unwind meetings, etc.
- Served as coordinator of efforts to determine additional services required from ACES upon completion of the unwind of our agreement with LG&E.
- Served as project manager of the headquarters and publication building remodeling effort. Architect has completed design of both, obtained state approval of both and prepared bid documents to send to prospective bidders. February activities involved incorporating additions to building design and bid documents to included the following as an alternate items:
 - o Shower facilities for employees compelled to work long hours in HQ due to events like recent ice storm restoration effort
 - o Redesign the hot water system to eliminate a large water heater to gain energy efficiencies.

- Worked with Al Yockey on tracking progress of strategic initiatives.
- Worked with Al Yockey on tracking risk management items—especially items that involve Big Rivers' generation and transmission plant.

Served as team leader of Philippine Project

The following is a status report, by category of activities, of ongoing efforts of the Philippine Project through February 2009.

- Energize far-flung villages
 - Energized village of Slide - village of 30 homes. This is village number 31 in this effort.
 - Approved energizing two villages in Asuncion area, one with 70 houses and the other with 35 homes. Funds were transferred to the Philippine co-op for these two villages. This will be villages 32 and 33 to energize since our project began. Construction on the 32th village was completed in February and will be energized during my March visit, and village 33rd village has poles in place with balance of work to follow in the next month.
 - Reviewed progress of ongoing effort to energize five villages in New Bataan area with a total of 350 houses - project 40 percent complete—rain has slowed progress in January but no report for February, will visit during my March trip.
 - Line extension to site of Muslim water system project – Project was staked and R-O-W clearing began in October, rain has slowed progress in December and January. Project was completed in February.
 - Authorized energizing an additional village near Asuncion, funds and equipment not yet extended.
- Aid to co-op infrastructure
 - Met with two Philippine electric cooperatives the first week of September to discuss the installation of two donated 69 kV OCB in existing 69 kV-13 kV substations. This work should progress after the respective BODs of both Philippine co-ops give their consent. No progress reported in February on this. Philippine coops are very slow to act on large projects.
- Livelihood projects
 - Approved additional house wiring loans - Authorized and advanced funds for an additional 40 house wiring loans in December. Philippine electric co-op administering this program continues to receive applications for this project. The collections from previous loans are so good that we are almost to the point that future loans can be made from collections of existing loans. Sustainability of this project was a goal for this very popular program. In 2008 there were 280 house wiring loans made. Through February of 2009 there has been 43 added to the total.

- Loans to ladies for “in-home” sewing enterprises - Authorized extending loans to three ladies for electric sewing machines. Machines were purchased arrived at co-op office. Machines were turned over to ladies in November. No update in February.
- Second motorized fishing boat loan - Authorized extending loan for a ten-HP fishing boat. Materials including motor have been purchased. Construction on boat slowed by rainy season. Boat was turned over to fisherman the end of November. No update in February.
- Approved eight fishing cage loans - Loans not yet extended, loans are still under review. Loans extended in January. Cages were put in service in February.
- Loans for materials for rag sewing project - Loans for two ladies approved but not yet extended, program still under development. Loans were made in January. No February report.
- Developed program to raise and provide 30 rabbits a month to mal-nourished children feeding program - Program to be developed further in coming months. Visited in October the location of the project, the village identified four men to receive training on rabbit raising at our transformer repair compound. The memorandum of understanding is being developed. Received no progress report on this effort in December. The program we developed was designed to be self sustaining after the initial investment. Using this first village as a pilot with hopes for other villages if successful for this project. If the pilot proves successful we will initiate same in other villages. Training was given to first village keepers in February.
- Goat disbursement program - Five goats each have been placed with five different farmers. Received notice that kids should be born first part of 2009 and disbursement to take place upon weaning. No report on this project in January. At least two births in February.
- Ladies shirt sewing cooperative - The seven sewing machines we made the loans for are being relocated to a larger area being provided by the host Philippine cooperative. Observed machines being set up during visit in September, no recent report of progress. Received a report in December that the ladies are not sewing again but were given no specifics. No report in February, will visit during March visit.
- Ladies undergarment sewing cooperative - Have loaned funds for fabrics for this effort, they continue to repay loan, no report in September, October or November. Made payment on loan in February.
- Aid to education
 - Received report in December that 4 additional remote schools were being examined for receiving computers (do they have a teacher, have a safe location, etc). These are very depressed areas and are greatly in need of a feeding program. Was reported that some of the kids walk 3 hours each way to school and come to school unfed. Computers were picked up and voltage regulators purchased in January.

- Caraga two-year college - Delivered computer hardware required for school to meet computer hardware repair accreditation program requirements. No February update on this effort.
 - Reviewed numerous requests from rural schools for computers - Reviewed and prioritized request, will be donating in coming months. Approved in February four additional schools to receive computers.
- Health Inputs
- Develop potable water system for four Muslim villages - During recent visit reviewed and approved water system plans including well, electric pump, and elevated tank. Well was tested and passed for adequacy of supply. Elevated tank under construction. No report in December. No report in January. This area is a little difficult at times to safely visit depending on the fluctuating political. Learned in February the well, elevated tank and power line to power water pump all have been completed. I will visit this project in March and examine for purposes of funding water line extensions to the four villages.

MEMORANDUM

TO: Mark Bailey
FROM: David Crockett
DATE: March 12, 2009
SUBJECT: February Activity Report for System Operations

Energy Transmission & Substation

Changed out seven poles during February with 69 poles remaining.

Inspected and treated 47 transmission poles.

Contractor continued Phase II cutting of trees on and off R/W on 345 kV Line 19-B Wilson EHV to Coleman EHV. This project is 40 percent complete as of end of February. Contractor still has small area of Phase II cutting of trees on 345 kV Line 19-A Wilson EHV to Reid EHV. Cut hazard trees on 69 kV line 12-B Hardinsburg to Fordsville while it was de-energized for pole maintenance and storm repair work.

Checked the western radio-controlled switches and performed routine checks at eastern transmission system stations.

Performed routine station checks of all member cooperative stations.

Installed temporary wood pole replacement structures for failed steel structures at Meade County and Barkley during the ice storm restoration.

Changed out 22 other broken wood pole structures including replacement of a damaged 69 kV line switch at JP Dover station site during the ice storm.

Changed out numerous broken crossarms and braces and repaired broken static wires and phase wires, etc. during the ice storm.

Repaired damaged 161 kV line switch at Livingston County station. Removed damaged 69 kV circuit breaker #01022 at Reid switchyard. Removed new breaker from McCracken County and installed it at Reid.

Mark Bailey
March 12, 2009
Page Two

Performed multiple tests on the Livingston County transformer #1 and after performing an internal inspection with an ABB factory specialist, began the preparation of the unit for removal and shipment to the factory for repairs.

Tested HMP&L #1 step-up and auxiliary transformers for WKE.

Prepared the spare system transformer at Daviess County for transport to Livingston County station to replace the damaged unit.

Tested the Livingston County transformer #1 differential relays and began testing of all relays at McCracken County station.

Re-installed the ethernet switch at Henderson County station and completed downloading of voltage recorder data from Henderson and Daviess County stations.

Replaced battery in Coleman #2 net meter, repaired pulse problem on the HMP&L #2 net meter and reset the screen on the HMP&L #1 gross meter for WKE.

Tested revenue meters at Cloverport, Custer, Flaharty, and Irvington stations.

Repaired or replaced meters or cell phones at Beech Grove, Steamport #2, Thruston #1, Geneva, Wolf Hills, Dotiki, Centertown, and Harned stations.

Repaired MOSCAD RTU at Bryan Road tie radio-controlled switching site.

Continued preventive maintenance work on system power line carrier equipment.

Installed decoder and cross-connects in the DACS at the Disaster Recovery Center.

Performed troubleshooting on the Reid 69 kV switchyard current imbalance and installed jumper across the A-phase of switch #01049.

Installed and wired a new MOD on the replacement switch at JP Dover station site.

Installed new AC power service to the Ceredo station site radio-controlled switches.

Checked analog signal for Alcan 161 kV line #3 at Reid switchyard.

Installed rental generators at numerous communications sites during the ice storm and spent several days making rounds to check and refuel all the generators needed to keep the communications system functional.

Held monthly safety meeting with KAEC speaker and held group meetings and reviewed safety manual with line and station crews.

Energy Control

OASIS requests for February - 128
Average transmission capacity sold - 924 MW

Engineering

Two-way radio communications - The spectrum purchase contract agreement was finalized and executed by both parties during February. The FCC applications for the partial area re-assignment of the MC/LM license to Big Rivers, the TV interference waiver, and the issuance of the individual station licenses are being prepared for submission by mid-March. FCC review and approval may take four to six months to complete. The bids on the two-way radio and electronic equipment specification and on the site preparation and civil construction work will be held for processing orders at a later date when the current spending constraints are lifted.

Digital microwave loop expansion to Meade County and Jackson Purchase HQs - Harris will provide as-built drawings and other close-out documentation to complete its contract obligations. ET&S completed solution on connectivity problem at the Hardinsburg office and all circuits are transferred to the expanded microwave network making up the east loop.

Falls of Rough to McDaniels 69 kV line - Approximately 80 percent of the easements for the line have been acquired or provided through interlocutory judgment from the court. American Tree Company has completed approximately 30 percent of the tree clearing on those properties where we have already acquired the easements from the Falls of Rough end of the line (Grayson County) up to the reservoir area. All tree clearing on these properties will be completed by the March 31 deadline for cutting trees. The contractor will resume the clearing work on October 15 when cutting can begin again and more easements are available.

Unwind Phase 2 Transmission - The tree clearing debris removal work on the Wilson plant site was completed during February. More work will be performed when the unwind is certain.

McCracken County-Olivet Church Road tap 69 kV line - Groves has framed and set approximately 25 percent of the line structures starting from the McCracken County end of the line. The construction schedule calls for completion by the end of the second quarter of 2009.

McCracken County 69 kV line terminal - Hendrix Electric assisted Big Rivers with the removal of the new 69 kV circuit breaker so that it could be moved to Reid switchyard to replace a damaged unit during the ice storm.

Mark Bailey
March 12, 2009
Page Four

Armstrong Loading Dock - Engineering still plans to arrange a meeting with E.ON and UTC to make the final decisions on design of communications system connectivity to both companies' operation centers and to define who will purchase and install each component part of the agreed upon system. The ice storm has hampered ability to arrange the meeting with E.ON personnel.

Reid-Daviess County 161 kV line re-conductor - N.G. Gilbert completed the project during February and the line was inspected by Engineering and placed back in service at that time. Ground cleanup remains to be done by the contractor. The as-built drawings and construction unit tabulations will allow the contract and work order to be closed out when the cleanup work is completed.

Hopkins County-South Hanson 69 kV re-conductor - Ground cleanup work remains to complete the contract. The as-built drawings and construction unit tabulations will allow the contract and work order to be closed out when the cleanup work is completed.

Short-term communication plan for unwind - Engineering will seek approval of work order to replace the HQ telephone switch, issue purchase order for certain AT&T leased line services currently held by WKE, and issue a purchase order for maintenance of the new HQ switch and transfer of databases and software used by WKE at its HQs when the unwind closing is certain.

Long-term communication plan for unwind - UTC and Engineering will award the order for the construction of both the fiber optic cable connection work at all three plant site locations and with the microwave system addition to the existing east loop site locations when the Unwind closing is certain. A draft work order is ready for submission to management and the board for approval.

Secondary oil spill containment - Hendrix Electric completed the tank installation at the Martin Marietta substation. Hendrix is still 50 percent complete with the work at the Hardinsburg substation and 10 percent complete with the trenching work at Meade County station. Work at both sites is slowed by the weather and further at Meade County by the sub-surface rock.

U.S. Hwy. 60 Owensboro Bypass Reroute - Real Estate is still in negotiations with one property owner for an easement needed to allow for the start of construction. KDOT is not willing to pay the amount asked by the owner. Condemnation appears likely so that construction can go forward. The construction will take approximately three months after acquisition of all easements.

Construction Work Plan (2009-2011) - Engineering will seek board approval at the March meeting. Following that, the CWP will be submitted to RUS.

Mark Bailey
March 12, 2009
Page Five

White Oak Substation - Award of the order for the substation steel structure and equipment is being held up due to the spending constraints initiated during early March. Engineering continues to work on the relay panel specification, the general construction specification, and the station drawings.

Long-range transmission plan - Engineering has started work on model development for this RUS required study to meet transmission needs for the next 15 years. The current schedule for completion of this series of studies and plan development is by mid year 2009.

Crider Microwave Tower Replacement - Engineering prepared a work order and received board approval during February to replace the failed 205-foot tall existing tower. This tower is in the west loop of the microwave system. With it out of service, we no longer have redundant paths for the communication sites in the west loop. This microwave site also supported some of Kenergy's microwave and two-way radio communications. A purchase order for a new tower has been bid and issued to Sabre and the delivery and installation is scheduled for sometime in May. A purchase order has been issued to Harris to check out the radios and determine if they sustained damage in the ice storm related tower failure.

MEMORANDUM

TO: Mark Bailey
FROM: Al Yockey
DATE: March 16, 2009
SUBJECT: February Activity Report for Enterprise Risk Management and Strategic Planning

General

Continue participating in the periodic updates of the unwind with BREC management and the Board of Directors to further understand the modification to upcoming BREC operational changes. Reviewing the strategic initiatives list based on the unwind close occurring in the mid April 2009 time frame in order to identify timing adjustments with the executive management team.

Enterprise Risk Management

Revised the Conflicts of Interest Policy and associated Questionnaire for Big Rivers salaried employees and presented it at the February 20, BOD meeting and were approved. The revised documents were sent to employees on March 11, with responses due back to Enterprise Risk Management by April 10. The Conflict of Interest Form for Providers of Services is being reviewed and the list of providers updated for issue in late April and responses to be returned by late May. The Policy and Conflicts of Interest Forms for the BOD as well as the President/CEO are expected to be issued in June with a return in August to comport with the BOD Ethics requirement that the process occur no later than one month prior to the Annual Members Meeting.

[REDACTED SECTION] unwind

Participated in several meetings to address and initiate the preparation of a rate case for Big Rivers in the event the unwind transaction does not materialize. The rate case was filed on March 2, 2009 with the Kentucky PSC requesting expedited treatment to place the rates in effect April 1, 2009 pending a ruling and/or refund. The case is necessary to provide Big Rivers sufficient cash to meet its debt service payments due in 2009 and early 2010 without the unwind.

Reviewing the list of services that APM has indicated are essential to ensure these are in place and fully functional by closing. This effort has been delayed based on the deferred unwind closing, but is being adjusted based on the expected close of the unwind in mid April. The follow-up meeting that was scheduled with ACES, LEM, and BREC on September 18, 2008 in Henderson to discuss the transfer of dispatching of the units from WKE and to discuss the delegation agreement of generation operator responsibilities under the NERC Reliability Standards is now scheduled for March 18, 2009.

In the process of quantifying the cost and risks associated with the lack of spare GSU transformers for the Green and Wilson generating stations. This is part of the spare equipment analysis effort that is underway

and will also consider the economic impact of a loss of these plants due to a failed generator rotor. An economic analysis including lost opportunity for off-system sales plus replacement costs less avoided fuel. One of the possible solutions to be considered is the availability of insurance to cover such an event presuming replacement power can be obtained and transmitted. This analysis was deferred due to higher priority activities associated with transmission facility restoration due to the massive ice storm that hit Kentucky in January and emergency rate case preparation and filing activity in February.

Participated in the January 14, meeting in Owensboro including Big Rivers and Owensboro Municipal Utilities (OMU) to discuss various items to determine possible mutual interest between OMU and Big Rivers. The topics, among other things, included: jointly owning a spare power transformer and/or a spare generating step-up transformer; establishing additional transmission interconnections; a view of dispatching arrangements, as well as possible fuel arrangements. The meeting was amicable and ended with the parties agreeing to look into and pursue these matters further as appropriate. A review of Big Rivers and OMU jointly owning a spare GSU transformer indicates that dissimilar voltages render this option unviable. The interconnection, dispatch, and fuel options will be considered going forward.

Strategic Planning

Included the strategic plan issues that were not identified as part of the unwind effort, but included these for continuity of business through the balance of 2009. These issues will be reviewed with the respective vice presidents during the weekly review sessions for follow-up monitoring and progress reporting.

Participated in the Executive Transition Team meetings to become a more integral participant in this effort and communicate with the other vice presidents to become more fully aware of their roles and obtain their perspective on presently identified and emerging strategic issues. In addition, Travis Housley and I met with David Spainhoward, John Talbert, and Mike Thompson on updating the items to close list. Mike will update the file to close list and coordinate his discussions with the weekly transition meetings Travis and I have with the VPs on transition and strategic issues.

The Governors Annual Environmental Conference in Lexington, Kentucky on October 6 and 7 clearly indicated an all options approach is necessary to accomplish the 25 X 25 initiative. A major part of this work effort is centered on the CO2 sequestration which will need to become part of BREC Strategic Planning and Enterprise Risk Management going forward. A NRECA symposium on CO2 sequestration for G&Ts is scheduled in Arlington, Virginia on April 30 and May 1, 2009. Presently reviewing the paper prepared by the Brattle Group on CO2 Price Volatility: Consequences and Cures as well as the Black and Vetch 2008 Third Annual Strategic Directions in the Electric Utility Industry Survey.

The breach of two retention ponds owned by TVA has caused a huge environmental stirring in the political, regulatory, and utility industry. These events have been characterized by some to be as significant to the coal burning utility industry as the TMI accident was to the nuclear generating utility industry. This issue will need to be factored into the BREC Strategic Planning and Enterprise Risk Management going forward. A review of the retention ponds at the generating plants operated by Western Kentucky Energy for Big Rivers indicates that there are not any ponds that are deemed to be in the hazardous category which would require the development, submittal and implementation of Emergency Action Plans.

Worked with Big Rivers and WKE IT personnel to validate generation-related templates and information required by Big Rivers before closing the unwind. This extended six-month effort has succeeded in Big Rivers being assured it will receive the required generation related plant information to create the digital dash board view and key performance indicators similar to what WKE developed for E.ON. A similar effort is underway to confirm receipt of the information and templates needed for accounting as well as the information and support documentation required for the NERC/SERC Reliability Standards.

TO: Mark Bailey
FROM: James Haner
DATE: March 19, 2009
SUBJECT: February 2009 Activity Report for Administrative Services

Unwind

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unwind

Status Quo Rate Case

Began work on responses to PSC data request.

Began review of 2009 budget in preparation for cost reduction initiative.

Pension

Reviewed with Mercer the notices and defined benefit options information required to be provided to retiring employees. Calculated optional benefit amounts for two employees.

Drafted financial report footnote language on soft freeze of the defined benefit retirement plans and addition of the base contribution account in the defined contribution retirement savings plans.

Insurance

Informed insurer of claim to be filed for damages suffered as a result of the January 2009 ice storm. Participated in conversations with system operations and accounting personnel, and began accumulation of data. Participated in early discussions regarding FEMA claim.

Updated property and casualty insurance procurement procedures.

Reviewed requirements for contractor certificates of insurance with regard to workers compensation coverage.

Prepared and distributed cafeteria plan summary sheets for participants, informing them of the reimbursement amounts remaining for 2008.

Obtained verification of student certifications for continued coverage under the health plan.

Employee and Labor Relations

Continued follow-up on actions required in connection with a conditional employment agreement.

Met with vendor regarding anticipated implementation of a random drug testing program, one of the requirements for obtaining State certification as a drug-free workplace.

Worked on calculation and accumulation of 2008 benefit costs for use in preparation of employee benefit statements.

Safety

Conducted training session at ET&S on recently completed prescription safety glasses program.

Continued work on procedures relating to work around energized circuits.

Continued work on emergency action plan.

Gathered necessary information and filed required reports with OSHA and the PSC on lost-time incident during work following and in the conditions resulting from the January ice storm.

Member systems safety and training director Greg Morgan continued his assistance of member system employees in their restoration efforts following the January ice storm, spending over half the month in that role.

Other Activity

Attended Cyber Security training conducted by IS/IT.

Responded to financial auditors' requests for information.

Worked with vendor on entry security measures at headquarters.

Participated in Henderson County High School Career and Technical Education Unit open house event sponsored by the high school along with GRADD and Northwest KY Forward.

Spoke with City of Henderson representative regarding signage for the headquarters parking lot leased by the City.

MEMORANDUM

TO: Mark Bailey

FROM: David Spainhoward

DATE: March 12, 2009

SUBJECT: February Activity Report for External Relations and Interim Production

External Relations (Legislative, Regulatory, Legal and Marketing)

General

Marty Littrel continued work with the 2009 Safety Committee on getting the one-year no lost time award jackets.

Work on the 2008 annual report continued.

Marty Littrel continued work with the Tri-Fest 5K Run Committee in February. The 5K Race will be held downtown Henderson on April 18 and all proceeds will benefit the Henderson Habitat for Humanity. In addition, Marty attended the Habitat for Humanity February Board meeting.

On February 17, Marty Littrel and David Spainhoward met with the Kentucky Association of Manufactures to discuss membership opportunities.

On February 19, Marty Littrel and Christa Gibson attended the Business Open House, which was a forum to introduce local businesses to the Henderson County High School students. The event included businesses from around the region and was produced by Northwest Kentucky Forward.

Russ attended the Touchstone Energy residential energy advisory committee. The committee sets the direction for TSE residential programs.

Member Relations

Temporarily suspended survey calls to commercial and residential member of the three distribution cooperatives until the ice storm is cleaned up or the members inform the surveyor to continue.

Staff began developing Big Rivers and its members' economic development procedures.

Mark Bailey
March 12, 2009
Page Two

The week of February 9, staff assisted Jackson Purchase with its winter storm restoration efforts.

Russ met with the leadership of Cornerstone Community Church in Paducah to discuss low-cost energy saving opportunities. A written report was provided.

Marty Littrel conducted an energy audit for the Barkley Regional Airport in Paducah on February 18, 2009.

Jackson Purchase, Meade County RECC, and Kenergy have decided to place a full page advertisement in the first edition of the Kentucky Economic Development Guide. This publication will be the premier advertising forum for the Kentucky Cabinet for Economic Development.

Began process of working with Kenergy to assist Tyson food with a power quality analysis. The initial step in the process will be to work with ET&S department to install the power monitoring equipment.

Coordinated with Meade County RECC marketing staff the initial steps in the process of selecting a house for the home tightening pilot project.

Rescheduled the Comprehensive Energy Efficiency meeting with Big Rivers and its members, which was canceled due to the ice storm.

Staff continued to work on the Winter Edition of the C&I News. It's planned to be completed in March 2009.

Internal Communications

Angela designed and produced the February and March employee newsletters.

Staff developed an article for the February newsletter about the impact of potential global warming legislation.

Angela worked with engineering to produce graphical maps showing ice storm outages.

Russ met with the engineer representing architect Tim Skinner to discuss energy saving opportunities involved in the renovation of the building.

Angela developed computer information with Big Rivers' logo for information systems to use on corporate computer desktops.

Mark Bailey
March 12, 2009
Page Three

Prepared a list of potential cost cutting measures in preparation for the status quo rate increase.

Angela developed standardized logo color options for use on employee safety jackets and other clothing.

Angela updated all the forms on the employee intranet portal.

Regulatory/Legislative

Served as Big Rivers' point of contact with the Kentucky Public Service Commission and the KAEC in providing daily updates on the ice storm recovery efforts.

Assisted Big Rivers' staff in coordinating other activities resulting from the January ice storm.

Attended the ongoing sessions of the 2009 Kentucky General Assembly, monitored bills of interest to Big Rivers and its members and met with legislators to discuss same.

Attended the first Henderson Chamber of Commerce legislative breakfast.

Participated in an NRECA conference call on the stimulus package.

Participated in a Kentucky Chamber of Commerce legislative update conference call.

Represented Big Rivers at a meeting of the Southern Growth Policy Board on energy policy.

Met with Henderson area legislators to update them on the status of the unwind.

Met, on an ongoing basis, with electric industry representatives to review anticipated and already-filed legislation for the 2009 General Assembly.

Participated in ongoing meetings between representatives of Kentucky's utilities and legislators to discuss possible 911 call center funding legislation (SB 82) that would shift fee collection onto electric utilities.

Responded to several data requests and filings with the Kentucky Public Service Commission.

Economic Development

Worked with members regarding several economic development projects.

Marty Littrel met with NWKF to discuss economic development activity in the four county region.

Mark Bailey
March 12, 2009
Page Four

Environmental

Researched and reviewed environmental regulations such as: Climate Change, PCB, RCRA, Universal Waste, TSCA, EPCRA, SPCC, UST, PM 2.5, CAIR, CAMR, CAVR, NESHAP, Spill Response, Disaster Management Preparedness, Voluntary Greenhouse Gas Program (DOE), Total Maximum Daily Load (TMDL), Opacity Regulations and Department of Homeland Security.

Organized environmental compliance related documents for internal review.

Prepared and submitted Annual TIER II Environmental Report for Kenergy.

Prepared Annual TIER II Environmental Report for Meade County RECC.

Prepared and submitted Annual TIER II Environmental Report for ET&S.

Acted as a communication liason between Kenergy, the Kentucky Division of Waste and Kenergy customers to address spills related to the ice storm.

Visited three spill sites for Kenergy to assess damages.

Visited Jackson Purchase to discuss spill response plans with Rodney Nichols and Murray Riley.

Visited a spill site with Murray Riley of Jackson Purchase to assess damages.

Visited Meade County to drop off TIER II report and discuss spill response plans related to the ice storm.

Scheduled spill response training for March.

Met with John Newland, Bill Jones and Eddie Minton of Kenergy to discuss spill response plans related to the ice storm.

Hand delivered rate case documents to AG and PSC in Frankfort for Big Rivers.

Attended a meeting at Coleman with representatives from WKE, USEPA and the Kentucky Division of Waste to discuss ash pond and plant operations related to ash ponds.

Submitted administrative order response to USEPA for the Mercury Refining Superfund Site in New York state. Big Rivers' obligation was reduced from \$889 to \$409 under the new administrative order.

Mark Bailey
March 12, 2009
Page Five

Unwind: Spent considerable time monitoring remediation work performed by Summit Environmental at Sebree, Coleman and Wilson plants.

Worked with Bob Warren and Dale Rector to determine how close WKE can come to an anchoring system at Coleman while performing spill remediation work.

Power Production

Continuing work on the overall "Unwind" project:

- Monitoring and inventory of coal pile inventories,
- Working through mock closing details,
- Receiving and cataloging existing WKE contracts, purchases orders, etc.,
- Attempting to resolve outstanding issues,
- Tracking capital and O&M projects,
- Monitoring unit performance, and daily operation, etc.

Reviewed WKE's actual capital expenditures versus budget.

Reviewed WKE's net book value report and construction work in progress report for errors, reclassifications, retirements, residual value, etc.

Reviewed and internally at Big Rivers reconciled several WKE invoices for payment (incremental capital, incremental O&M, etc.). Scheduled meetings with Big Rivers and E.ON to reconcile incremental O&M and capital.

Made "due diligence" materials available for HMP&L records review regarding "Unwind" of the Station Two Agreements.

Wilson, Green, Station Two and Reid 1 units have been capacity tested according to the terms of the Termination Agreement. Still waiting on the Reid combustion turbine capacity test.

Had several communications with the University of Kentucky Center for Applied Energy Research.

Updated the "Transmission Losses" report to WKE.

Continued discussions with WKE regarding the Coleman wastewater treatment facility and the Synmat (gypsum) contract.



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

Interoffice Memorandum

To: Mark Bailey
From: Bill Blackburn
Date: May 19, 2009
RE: February Activity Report for Financial Services,
Power Supply, Information Technology,
Fuels, and Power Resources

Accounting Department

1. The Accounting Department continued to work with Deloitte & Touche (D&T) on the 2008 financial statements audit. Accounting information requested by D&T was compiled and submitted in preparation for D&T's fieldwork which began February 2 and continued through February 27. Our Accounting staff responded to numerous questions and requests for additional information resulting from D&T's fieldwork. The completion date for the audit is targeted for March 2009.
2. Completed and submitted the December 2008 Financial Reports and Variance Analysis and the January 2009 Investment Report for presentation to the Board of Directors at the February 2009 meeting.
3. The Accounting Department assisted in the process of compiling information in support of pro forma adjustments and testimony needed for the filing of an existing transaction rate case application.
4. Began work on preparing responses to various data requests from the PSC Staff's 1st Data Request related to the existing transaction rate case filing (PSC Case No. 2009-00040).
5. Started the process of preparing the 2008 RUS Annual Supplement which is anticipated to be completed and filed in March 2009.

6. Began work on preparing the 2008 PSC Annual Report which is anticipated to be completed and filed in April 2009.
7. Prepared and submitted to RUS the fourth quarter 2008 arbitrage calculation and Cap-X adjustment. Big Rivers was required to pay \$369,141 on the RUS ARVP Note for the fourth quarter of 2008. No payment was required on the New RUS Note due to the Cap-X adjustment.
8. Met with Old National Bank representatives to discuss changes to available options for obtaining data to perform monthly bank reconciliations on Big Rivers' General Fund and Payroll accounts. Prepared and submitted an IT service request for modifications to AS400 programming in conjunction with the new data format provided by Old National Bank.

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17. Big Rivers has received all 2008 local taxing district invoices and all payments will be completed during March.
18. Non-incremental shared assets have been capitalized through December 2008. Big Rivers still has outstanding questions sent to WKEC regarding new additions and retirements that have not been answered. In addition, WKEC has provided 2002-2005 expenditure amounts that do not reconcile to the Net Book Value Report. The Net Book Value Report reflects a \$273,000 greater amount. WKEC feels the 2002-2005 expenditure amounts provided are correct and wants Big Rivers to accept these numbers so the discussions on asset reconciliations can move forward. However, the \$273,000 variance would result in a greater residual value payment to WKEC if the lease failed to run its full term. Therefore, to accept this variance will require the approval of Big Rivers' senior management. A full and partial term agreement cannot be reached until this issue is resolved. A February non-incremental budget payment of \$572,583 was made. There was no incremental capital payment made in February.
19. Payroll prepared a reconciliation of the City of Henderson's 2008 Occupational Tax filing. In addition, the City of Henderson Refund (EPR) forms were prepared and distributed to Big Rivers' employees for use in requesting refunds of overpayment of the City's Occupational Tax.
20. Continued the process of updating the Status Quo Financial Model that was last filed with the KPSC in 2005. This model will be used to assist in monitoring Big Rivers' cash position, results of operation, and the viability of its rate structure prior to completion of the "Unwind" transaction.

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22. Compiled documents required to complete section 4(c) of the FTC Form C4 and forwarded the materials to Patricia Zeigler in Orrick's Washington, DC office. Ms. Zeigler is preparing Big Rivers' Hart-Scott-Rodino filing that will be submitted to the Federal Trade Commission in conjunction with the "Unwind" transaction. The payment of the \$125,000 filing fee and submittal of the Hart-Scott-Rodino filing will be made once it is apparent that the "Unwind" can move forward to completion.
23. Continued the process of understanding the intricacies of the proposed "Unwind" smelter contracts, member tariffs, and associated riders. Procedures must still be established to ensure that revenue billings can be carried out in a timely and accurate manner.

Power Supply

1. Developed an ARS timing chart for use in the revamped Generation Dispatch procedures which now includes ACES Power.
2. Met with ACES, and LEM in Louisville to cover Day 1 requirements for Generation Dispatch.
3. Continued to work with MetrixIDR and MetrixND to learn the Metrix system.
4. Worked with the IT Department to observe a demo presented by OATI for their Web Scheduler and Congestion Management computer programs. These programs monitor transmission tags and congestion problems after the Day 1 time period.
5. Worked on the smelter contracts for the transition to post Unwind.
6. Dee McDowell performed all of her normal duties in Power Supply and attended several meetings to coordinate coal contracts, deliveries, and accounting procedures.
7. Natalie Hankins is learning the scheduling processes and developing other procedures for scheduling power.

8. Met with Wood-McKenzie who acquired Hill and Associates and will now be a coal forecasting consultant.
9. Monitored progress on the request for unit digital dashboard and PI model data, OSI generation data, and OATI marketer's transmission data to the PC screens in Power Supply.
10. Submitted a new point of source/sink in the Big Rivers' system to allow a transmission reservation point within the OATI reservation system.
11. Met with ACES Power representatives and Big Rivers' IT Department to discuss the physical and cyber security requirements by NERC for the Generation Dispatch.
12. Met with EKPC to discuss their Generation Dispatch set-up, procedures, and also their interface with ACES Power even though they do their own dispatch.

Power Resources

1. Met with EKPC's personnel at EKPC to understand how they interact with ACES from a generation dispatch standpoint. EKPC uses ACES purely as a marketer. EKPC's dispatcher gives ACES two numbers, how much power and at what price to sell.
2. Met with ACES, LEM and Big Rivers' dispatch to go over day-one operating procedures/interactions. Much was accomplished at this meeting. A follow-up meeting two weeks later was scheduled but subsequently cancelled due to ACES needing more time to prepare appropriate spreadsheets and procedures.
3. Continued weekly conference calls with SEPA's PCC group. Ballot #7 for Sub-Agreement for FY 2005 and MOA for FY 2005-06 for increased planning support was reviewed and approved. The group is currently working on a 2nd Sub-Agreement for 2008-09 that includes:

Work Item 6: Planning, Engineering, and Design of Turbine Generator #2 at Center Hill Powerhouse.

Work Item 7: Planning, Engineering and Design of Breaker Replacements, All Projects.

A draft long-term MOA has been submitted for discussion. A meeting on March 23/24 in Gatlinburg, TN is scheduled.

4. Continued to provide emergent Unwind and emergency rate case support.
5. Continued working on a spreadsheet for determining smelter invoices.

Fuels Department

1. The Fuels Department has one remaining position open to fill, that being the Contract Administrator role. The Human Resources Department has reviewed and provided appropriate paperwork so the position posting, interview, etc. can move forward.

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Information Technology

1. We are continuing the efforts for the Unwind with the testing/training of the software and adding equipment required for the new Big Rivers Electric environment.
2. The acceptance testing of data from E.ON to Big Rivers was delayed because of the ice storm until February 9th.
3. Re-visited with all departments to learn of their plans and/or needs for the Unwind.
4. The Cooperative Software Development Team assisted the cooperatives with various items dealing with the ice storm. The following are some of the things we addressed:
 - Real Time Outage notification emails originally were sent only once per outage. Sally Snyder made a change to the Real Time Outage reporting software to enable it to email outages daily.
 - Tony Howard added a Real Time Outage button to the iSeries Customer Inquiry screen at Jackson Purchase and Kenergy denoting if a customer was in an outage, thus helping the CSRs communicate more effectively with members. Meade County isn't currently using the Outage Management System, so the data was not available.
 - Kenergy requested assistance in mailing letters to its members explaining the ice storm outage. Nancy Nobles created a data file of all active members and sent it to Pinnacle, the print vendor.
 - Sally Snyder changed the purchasing issues program at Kenergy to not require a Purchase Order number in order that mass entries could be made for inventory.

- Meade County's iSeries lost power the evening of the storm. Justin Emond was able to bring the system up and Nancy Utley assisted him with software issues. During a disaster recovery drill at Meade County last fall, there was discussion that the iSeries be moved to the new computer room in the basement of the Brandenburg location. The UPS system in the new facility would have alleviated this outage.
 - The cooperatives worked several weekends and ran reports that needed to be transferred to the electronic documents (laser vault) system at Big Rivers. Nancy Nobles and Sandy Gootee came in on the weekends to ensure that the reports were captured.
 - Kenergy requested assistance with FEMA reporting. Tony Howard generated general ledger and payroll reports for Kenergy.
 - Kenergy had payroll issues due to the number of overtime and double-time hours being worked. Tony Howard made changes to the payroll distribution software to accommodate the data.
5. Dave Titzer and Nancy Utley attended the NRECA TechAdvantage conference in New Orleans. Nancy Utley took a class in MultiSpeak, a data exchange interface model developed by NRECA. This standard is currently in use by hundreds of utilities. We spoke with several vendors regarding bill print services. We intend to send a request for information (RFI) to several vendors in March to prepare for the expiration of the existing contract with Pinnacle in January 2010.
 6. Sally Snyder and Kris Beckham continued to work on programming to incorporate the cooperatives "Unwind" tariff riders into the billing/accounting systems for the cooperatives. We started with Jackson Purchase's software, Meade County's, and then completed Kenergy's. Ninety five (95) % of all Jackson Purchases' programs have been changed. Eighty five (85) % have been tested including a full run of billing programs. Approximately 80% of the programs at Meade County have been changed. We will be making Kenergy program changes this week.
 7. Dave Titzer and Nancy Utley visited each of the cooperatives and discussed software, hardware, and other issues.
 8. Bert Thomas attended a Trimble Dimensions conference last week where a software issue regarding Utility Center version 2.6 upgrade and SQL was discussed.

It was mentioned by Trimble that if upgrading SQL 2000 to SQL 2005 or SQL 2008, a new licensing schema would be involved. By next month, we should have an estimated project cost for each cooperative.

9. Worked with Jackson Purchase to develop costs of GIS upgrade including Trimble professional services and cost.
10. Met with Kenergy to discuss GIS upgrade options and requirements to meet the needs of current and future technologies that will be integrated with GIS.
11. Worked with Meade County onsite to install and configure Trimble's GIS eProducts that will be used to enter outage information in the event of large outages as Meade prepares to go live with GIS/OMS.

Big Rivers Electric Corporation
Statements of Cash Flows
For Month Ended January 31, 2009

| | Current Accrual Basis | YTD Accrual Basis | Current Cash Basis | YTD Cash Basis |
|--|--------------------------|----------------------|-----------------------|----------------------|
| Cash flows from operating activities: | | | | |
| Electric Energy Revenue | 19,835,464.30 | 19,835,464.30 | 16,961,383.68 | 16,961,383.68 |
| Income From Leased Property (net) | 2,557,814.62 | 2,557,814.62 | 3,840,795.76 | 3,840,795.76 |
| Other Operating Revenues and Income | <u>1,290,970.84</u> | <u>1,290,970.84</u> | <u>1,271,084.35</u> | <u>1,271,084.35</u> |
| Total Operating Revenues | 23,684,249.76 | 23,684,249.76 | 22,073,263.79 | 22,073,263.79 |
| Other Power Supply | (12,139,063.53) | (12,139,063.53) | (10,046,837.21) | (10,046,837.21) |
| Operating Expense-Production | | | | |
| Operating Expense-Transmission | (579,951.28) | (579,951.28) | (2,855,096.33) | (2,855,096.33) * |
| Operating Expense-Customer Service | (49,234.65) | (49,234.65) | (49,234.65) | (49,234.65) |
| Operating Expense-Administrative & General | (1,498,186.39) | (1,498,186.39) | (1,498,186.39) | (1,498,186.39) |
| Maintenance Expense-Production | | | | |
| Maintenance Expense-Transmission | (331,572.02) | (331,572.02) | (331,572.02) | (331,572.02) |
| Maintenance Expense-General Plant | <u>(11,695.97)</u> | <u>(11,695.97)</u> | <u>(11,695.97)</u> | <u>(11,695.97)</u> |
| Total Operating & Maintenance Expense | (2,470,640.31) | (2,470,640.31) | (4,745,785.36) | (4,745,785.36) |
| Depreciation & Amortization | (466,890.55) | (466,890.55) | | |
| Taxes | (92,161.00) | (92,161.00) | (480,436.15) | (480,436.15) |
| Interest on Long-Term Debt | (5,973,510.11) | (5,973,510.11) | (9,811,174.03) | (9,811,174.03) |
| Interest Charged to Construction-Credit | 13,895.00 | 13,895.00 | 13,895.00 | 13,895.00 |
| Other Interest Expense | (136.89) | (136.89) | (136.89) | (136.89) |
| Other Deductions | <u>(342,263.28)</u> | <u>(342,263.28)</u> | <u>(4,385.61)</u> | <u>(4,385.61)</u> |
| Total Cost of Electric Service | (21,470,770.67) | (21,470,770.67) | (25,074,860.25) | (25,074,860.25) |
| Operating Margins | 2,213,479.09 | 2,213,479.09 | (3,001,596.46) | (3,001,596.46) |
| Interest Income | 15,723.82 | 15,723.82 | 15,877.99 | 15,877.99 |
| Other Nonoperating Income (Net) | | | | |
| Other Capital Credits & Patronage Dividends | | | | |
| Extraordinary Items | | | | |
| Net margin (loss) | <u>2,229,202.91</u> | <u>2,229,202.91</u> | (2,985,718.47) | (2,985,718.47) ** |
| Cash flows from investing activities: | | | | |
| Capital expenditures | | | (931,568.24) | (931,568.24) |
| Special Funds | | | <u>(347.27)</u> | <u>(347.27)</u> |
| Net cash provided by (used in) investing activities | | | (931,915.51) | (931,915.51) |
| Cash flows from financing activities: | | | | |
| Principal payments | | | (8,496,699.65) | (8,496,699.65) |
| Net cash provided by (used in) financing activities | | | (8,496,699.65) | (8,496,699.65) |
| Net increase (decrease) in cash and cash equivalents | | | (12,414,333.63) | (12,414,333.63) |
| Cash and cash equivalents, beginning of period | | | <u>39,000,784.46</u> | <u>39,000,784.46</u> |
| Cash and cash equivalents, end of period | | | 26,586,450.83 | 26,586,450.83 |

* O&M expense adjustments from accrual to cash basis are all shown on the transmission operations line.

** Cash From Operating Activities Direct Method

| | | |
|---|-----------------|-----------------|
| Cash Received From Customers | 18,185,207.60 | 18,185,207.60 |
| Cash Received From Leased, Rented & Sold Property | 3,888,056.19 | 3,888,056.19 |
| Cash Paid For Employees | (1,143,818.71) | (1,143,818.71) |
| Cash Paid To Suppliers | (13,648,803.86) | (13,648,803.86) |
| Property & Income Taxes Paid | (480,436.15) | (480,436.15) |
| Interest Paid | (9,797,415.92) | (9,797,415.92) |
| Donations And Miscellaneous Paid | (4,385.61) | (4,385.61) |
| Defeased Sale/Leaseback Restricted Investment | | |
| Interest Received | 15,877.99 | 15,877.99 |
| Patronage Received | | |
| Net Cash Provided By Operating Activities | (2,985,718.47) | (2,985,718.47) |

OUTAGE REPORT

Months of January & February 2009

| <u>Ref. No.</u> | <u>Date</u> | <u>Duration Hrs. Mins.</u> | <u>Facility Affected</u> | <u>Cause</u> | <u>Customers Affected</u> |
|--|---|--------------------------------|---|--------------|--|
| 1. T/S-09-05 T/S-09-11 T/S-09-27 T/S-09-82 | 1-27-09 1-27-09 1-27-09 1-30-09 | See List | Hopkins Co.-Barkley 69kV line | Ice Storm | Providence-919 Sullivan-995 Marion-1756 Caldwell Springs-637 Lyon Co.-1384 Morganfield-1893 |
| 2. T/S-09-06 T/S-09-08 T/S-09-18 T/S-09-74 T/S-09-84 | 1-27-09 1-27-09 1-27-09 1-30-09 1-31-09 | See List. | Daviess Co.-Utica 69kV line | Ice Storm | Utica-1402 Nuckols-843 Pleasant Ridge-1158 Beda-1390 Midway Mine-1 Big Run Mine-1 Centertown-595 Whitesville-1784 |
| 3. T/S-09-09 | 1-27-09 | See List | Hardinsburg-Irvington- Meade Co. 69kV line | Ice Storm | Irvington-2419 Hardinsburg#2-1084 |
| 4. T/S-09-10 T/S-09-34 | 1-27-09 1-27-09 | 135 Hrs. 21 mins. | Hopkins Co.-Barkley 161kV line | Ice Storm | Crossroads-1471 |
| 5. T/S-09-13 | 1-27-09 | See List | Hardinsburg-Cloverport 69kV line | Ice Storm | Cloverport-1215 Union Star-1017 Andyville-1152 Battletown-513 |
| 6. T/S-09-14 | 1-27-09 | See List | Reid-Henderson Co.- HMP&L #6 69kV line | Ice Storm | Race Creek-1353 Zion-1627 Accuride-1 Adams Lane-675 Niagara-1578 Niagara Portal-1 |

| | | | | | | |
|---|-------------------------------|-----------------|---------------------------------------|-----------|--|--|
| 7. T/S-09-15 T/S-09-41 T/S-09-66 | 1-27-09 1-27-09 1-30-09 | See List | Reid-Onton 69kV line | Ice Storm | Steamport-1 Onton-855 Hanson-507 South Hanson-2121 Sacramento-710 | 110 Hrs. 4 mins. 110 Hrs. 4 mins. 101 Hrs. 33 mins. 104 Hrs. 4 mins. 194 Hrs. 20 mins. |
| 8. T/S-09-16 T/S-09-28 | 1-27-09 | See List | Hancock Co.-Hawesville 69kV line | Ice Storm | Yeager-4 Hawesville-2019 Weberstown-1296 | 69 Hrs. 4 mins. 88 Hrs. 50 mins. 109 Hrs 29 mins. |
| 9. T/S-09-17 T/S-09-40 T/S-09-54 T/S-09-77 | 1-27-09 | See List | Livingston Co.-Dover 69kV line | Ice Storm | Vulcan-10 Grand Rivers-1564 Calvert City-1314 Possum Trot-838 Palma-1348 Draffenville-435 | 41 Hrs. 58 mins. 41 Hrs. 58 mins. 96 Hrs. 46 mins. 96 Hrs. 47 mins. 97 Hrs. 29 mins. 97 Hrs. 29 mins. |
| 10. T/S-09-19 | 1-27-09 | 2 Hrs. 54 mins. | Reid-Guffie 69kV line | Ice Storm | Beech Grove-664 Guffie-1205 | |
| 11. T/S-09-22 | 1-27-09 | See List | Hardinsburg-Fordsville 69kV line | Ice Storm | Falls of Rough-1484 Fordsville-1781 | 126 Hrs. 9 mins. 108 Hrs. 18 mins. |
| 12. T/S-09-24 | 1-27-09 | See List | McCracken Co.-Kevil 69kV line | Ice Storm | Kevil-1430 New York-1449 Lovelaceville-1124 Kansas-1491 | 25 Hrs. 24 mins. 94 Hrs. 3 mins. 93 Hrs. 22 mins. 96 Hrs. 15 mins. |
| 13. T/S-09-26 | 1-27-09 | See List | Livingston Co.-Smithland 69kV line | Ice Storm | Smithland-1307 Ledbetter-1350 Culp-1681 Reidland-703 Cumberland-46 Burna-934 Joy-574 | 42 Hrs. 11 mins. 92 Hrs. 54 mins. 48 Hrs. 3 mins. 48 Hrs. 3 mins. 111 Hrs. 18 mins. 111 Hrs. 18 mins. 122 Hrs. 0 mins. |
| 14. T/S-09-29 | 1-27-09 | See List | Hancock Co.-Lewisport 69kV line | Ice Storm | Lewisport-793 Maceo-1586 East Owensboro-883 South Dermont-2624 | 63 Hrs. 23 mins. 63 Hrs. 23 mins. 42 Hrs. 39 mins. 38 Hrs. 42 mins. |

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|---|---|-----------------|---|-----------|--|--|
| 15. T/S-09-30 | 1-27-09 | See List | Daviess Co.-Masonville 69kV line | Ice Storm | Masonville-811 Philpot-1629 Dermont-1533 Thruston-447 | 34 Hrs. 58 mins. 85 Hrs. 34 mins. 85 Hrs. 34 mins. 85 Hrs. 34 mins. |
| 16. T/S-09-32 T/S-09-76 T/S-09-78 | 1-27-09 1-30-09 1-30-09 | See List | Bryan Rd.-Krebs Rd. 69kV line | Ice Storm | Krebs Rd.-162 Olivet Church Rd.-913 Strawberry Hill-801 | 21 Hrs. 50 mins. 40 Hrs. 28 mins. 17 Hrs. 42 mins. |
| 17. T/S-09-36 | 1-27-09 | See List | Reid-Morganfield 69kV line | Ice Storm | Sebree-804 K.M.M.C.-1 Dixon-664 | 29 Hrs. 5 mins. 29 Hrs. 5 mins. 104 Hrs. 39 mins. |
| 18. T/S-09-37 T/S-09-86 | 1-28-09 1-31-09 | See List | Meade Co.-Doe Valley 69kV line | Ice Storm | Doe Valley-1545 Brandenburg-2695 | 57 Hrs. 30 mins. 60 Hrs. 24 mins. |
| 19. T/S-09-38 T/S-09-47 T/S-09-57 T/S-09-79 T/S-09-83 | 1-28-09 1-28-09 1-28-09 1-30-09 1-31-09 | See List | Reid-Corydon 69kV line | Ice Storm | KBI-1 Hudson-198 | 30 Hrs. 18 mins. 30 Hrs. 2 mins. |
| 20. T/S-09-42 | 1-28-09 | See List | Meade Co.-Andyville 69kV line | Ice Storm | Andyville-1152 Battletown-513 | 54 Hrs. 36 mins. 49 Hrs. 40 mins. |
| 21. T/S-09-45 | 1-28-09 | See List | Daviess Co.-W. Owensboro 69kV line | Ice Storm | W. Owensboro-1337 Bon Harbor-1281 | 79 Hrs. 41 mins. 68 Hrs. 5 mins. |
| 22. T/S-09-47 T/S-09-73 | 1-29-09 1-30-09 | See List | Corydon-HMP&L #4 69kV line | Ice Storm | Weaverton-1116 Riverport-19 Geneva-117 | 44 Hrs. 5 mins. 22 Hrs. 38 mins. 22 Hrs. 38 mins. |
| 23. T/S-09-48 | 1-28-09 | 4 Hrs. 38 mins. | Corydon-Morganfield 69kV line | Ice Storm | Little Dixie-829 | |
| 24. T/S-09-49 | 1-28-09 | 9 Hrs. 16 mins. | Daviess Co.-Hancock Co. 161kV line & Daviess Co. Substation | Ice Storm | Kimberly Clark-1 So. Owensboro-1043 Horse Fork-702 | |
| 25. T/S-09-50 | 1-28-09 | 2 mins. | Reid-St. Joe 69kV line | Ice Storm | Patriot Coal-1 St. Joe-741 Stanley-646 | |

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|----------------------------|--------------------|------------------|---------------------------------------|-----------|--|
| 26. T/S-09-52 | 1-29-09 | 6 mins | McCracken Co.-Shell 69kV line | Ice Storm | Shell Pipeline-1 Ragland-508 LaCenter-572 |
| 27. T/S-09-53 T/S-09-54 | 1-29-09 1-29-09 | 24 mins. | Bryan Rd.-Husband Rd. 69kV line | Ice Storm | Freemont-1872 Husband Rd.-1569 |
| 28. T/S-09-55 T/S-09-65 | 1-29-09 1-30-09 | See List | Reid- St. Joe 69kV line | Ice Storm | Patriot Coal-1 St. Joe-741 Stanley-646 |
| 29. T/S-09-56 | 1-29-09 | 5 Hrs. 58 mins. | Reid-Sebree 69kV line | Ice Storm | Sebree-804 |
| 30. T/S-09-58 | 1-29-09 | See List | Hardinsburg-Cloverport 69kV line | Ice Storm | Cloverport-1215 Union Star-1017 |
| 31. T/S-09-59 | 1-29-09 | 9 Hrs. 32 mins. | Davies Co.-Horse Fork 69kV line | Ice Storm | Horse Fork-702 So. Owensboro-1043 |
| 32. T/S-09-66 | 1-30-09 | 39 Hrs. 45 mins. | Hopkins Co.-Madisonville 69kV line | Ice Storm | Hopkins Co. Coal-1 Dotiki #3 Fan-1 Madisonville-5 |
| 33. T/S-09-67 | 1-30-09 | See List | Reid-Guffie 69kV line | Ice Storm | Beech Grove-664 Guffie-1205 |
| 34. T/S-09-68 | 1-30-09 | See List | Hardinsburg-Cloverport 69kV line | Ice Storm | Cloverport-1215 Union Star-1017 |
| 35. T/S-09-69 | 1-30-09 | 25 mins. | Henderson Co.-Zion 69kV line | Ice Storm | Race Creek-1353 Zion-1627 |
| 36. T/S-09-70 T/S-09-85 | 1-30-09 1-31-09 | 8 Hrs. 24 mins. | Meade Co.-Garrett 69kV line | Ice Storm | Garrett-2194 Flaharty-2514 Custer-1444 |
| 37. T/S-09-71 | 1-30-09 | See List | McCracken Co.-Shell 69kV line | Ice Storm | Shell Pipeline-1 Ragland-508 LaCenter-572 |
| | | | | | 54 Hrs. 43 mins. 52 Hrs. 49 mins. 52 Hrs. 49 mins. |
| | | | | | 2 mins. 7 Hrs. 0 mins. |
| | | | | | 53 Hrs. 33 mins 50 Hrs. 20 mins. |
| | | | | | 12 Hrs. 20 mins. 26 Hrs. 51 mins. |
| | | | | | 9 Hrs. 38 mins. 9 Hrs. 38 mins. 32 Hrs. 44 mins. |

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| 38. T/S-09-72 | 1-30-09 | See List | Reid-Sebree 69kV line | Ice Storm | Sebree-804 K.M.M.C.-1 | 45 Hrs. 24 mins. 68 Hrs. 2 mins. |
| 39. T/S-09-73 | 1-30-09 | 1 Hr. 55 mins. | Corydon-HMP&L #4 69kV line | Ice Storm | Riverport-19 Geneva-117 | |
| 40. T/S-09-77 | 1-30-09 | See List | Bryan Rd.-Husband Rd. 69kV line | Ice Storm | Freemont-1872 Husband Rd.-1569 Culp-1681 | 5 Hrs. 27 mins. 5 Hrs. 27 mins. 43 Hrs. 47 mins. |
| 41. T/S-09-78 | 1-30-09 | 2 Hrs. 32 mins. | McCracken Co.-Coleman Rd. 69kV line | Ice Storm | Highpoint-421 Little Union-2300 Coleman Rd.-499 | |
| 42. T/S-09-81 | 1-30-09 | See List | Hardinsburg-Hardinsburg #1 69kV line | Ice Storm | Hardinsburg #1-1690 Harned-1264 McDaniels-3553 | 7 Hrs. 7 mins. 7 Hrs. 7 mins. 12 Hrs. 55 mins. |
| 43. T/S-09-87 | 1-31-09 | 1 Hr. 46 mins. | Hardinsburg-Hardinsburg #1 69kV line | Ice Storm | Hardinsburg #1-1690 Harned-1264 | |
| 44. T/S-09-88 | 2-1-09 | 2 mins. | Barkley-Lyon Co. 69kV line | Ice Storm | Lyon Co.-1384 | |
| 45. T/S-09-90 | 2-5-09 | 14 mins. | Livingston Co.-Dover 69kV line | Ice Storm | Vulcan-10 Grand Rivers-1564 | |
| 46. T/S-09-92 | 2-11-09 | 57 mins. | Reid-Morganfield 69kV line | Wind Storm | Sebree-853 K.M.M.C.-1 Dixon-700 | |
| 47. T/S-09-94 | 2-11-09 | See List | Hancock Co.-Hawesville 69kV line | Wind Storm | Yeager-4 Hawesville-2019 Weberstown-1296 | 2 mins. 29 mins. 2 mins. |
| 48. T/S-09-96 | 2-11-09 | 6 mins. | Livingston Co.-Dover 69kV line | Wind Storm | Vulcan-10 Grand Rivers-1564 Calvert City-1314 Possum Trot-838 Palma-1348 Draffenville-435 | |

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|----------------|---------|----------|---|--|---|---|
| 49. T/S-09-98 | 2-11-09 | See List | Corydon-HMP&L #4 69kV line | Wind Storm | Geneva-117 Riverport-19 Weaverton-1116 | 5 mins. 5 mins. 8 mins. |
| 50. T/S-09-101 | 2-11-09 | See List | Hardinsburg-Hardinsburg #1 69kV line | Wind Storm | Hardinsburg #1-1690 Harned-1264 McDaniels-3553 | 4 mins. 23 mins. 23 mins. |
| 51. T/S-09-104 | 2-11-09 | See List | Hancock Co.-Hawesville 69kV line | Wind Storm | Yeager-4 Hawesville-1296 Weberstown-2019 | 12 mins. 2 Hrs. 45 mins. 12 mins. |
| 52. T/S-09-107 | 2-11-09 | 5 mins. | Daviess Co.-Utica 69kV line | Wind Storm | Utica-1402 Nuckols-843 Pleasant Ridge-1158 Beda-1390 Midway Mine-1 Big Run Mine-1 Centertown-595 Whitesville-1784 Fordsville-1484 | |
| 53. T/S-09-108 | 2-11-09 | 3 mins. | Hopkins Co.-Hanson 69kV line | Wind Storm | Hopkins Co. Coal-1 Dotki #3 Fan-1 Madisonville-5 South Hanson-2121 Hanson-507 Sacramento-710 | |
| 54. T/S-09-109 | 2-12-09 | 26 mins. | Daviess Co.-Utica 69kV line | Utica Jct. RC Switch arced to ground while being opened. | Utica-1402 Nuckols-843 Pleasant Ridge-1158 Beda-1390 Midway Mine-1 Big Run Mine-1 Centertown-595 Whitesville-1784 Fordsville-1484 Guffie-1226 Beech Grove-684 | |

Big River Electric Corp.
Professional Fees
Year-To-Date January 31, 2009

| Vendor | Current Month | Year-to-Date |
|--|----------------------|----------------------|
| Deloitte & Touche | \$ 35,000.00 | \$ 35,000.00 |
| Dorsey, King, Gray, Norment & Hopgood | \$ 2,341.13 | \$ 2,341.13 |
| Fidelity Investments | \$ 11,578.80 | \$ 11,578.80 |
| Hogan & Hartson | \$ 36,795.50 | \$ 36,795.50 |
| Information Management Consultants | \$ 11,225.31 | \$ 11,225.31 |
| Keller Schroeder | \$ 907.37 | \$ 907.37 |
| McBrayer, McGinnis | \$ 2,237.88 | \$ 2,237.88 |
| Mercer | \$ 40,445.25 | \$ 40,445.25 |
| Ohio Valley National | \$ 23,340.10 | \$ 23,340.10 |
| Patterson & Dewar | \$ 1,585.50 | \$ 1,585.50 |
| Preston Osborne | \$ 9,325.00 | \$ 9,325.00 |
| Stanley Consultants | \$ 7,590.08 | \$ 7,590.08 |
| Ziemer Stayman Wietzel | \$ 845.62 | \$ 845.62 |
| Total Professional Services for Year-To-Date January 31, 2009 | \$ 183,217.54 | \$ 183,217.54 |
| Less: Amount charged to the Balance Sheet | \$ 40,905.00 | \$ 40,905.00 |
| Total Professional Services Charged to the Income Statement | \$ 142,312.54 | \$ 142,312.54 |
| Less: Amount charged to Customer Service, Information & Sales | \$ - | \$ - |
| Less: Amount charged to Other Deductions | \$ 1,118.94 | \$ 1,118.94 |
| Total Professional Services Charged to Administrative & General | \$ 141,193.60 | \$ 141,193.60 |

Big Rivers

To: David Crockett

From: Bob Warren *BW*

CC: Glen Trowatt

Date: 3-13-09

Subject: 87 W.O. 945 – Livingston Autotransformer No. 1
Repair

Engineering hereby seeks management and board approval of W.O. 945 for the repair of Livingston County Substation Autotransformer No. 1. This 16 1/2/69 kV 30/40/50 MVA unit failed during the January 2009 ice storm. The cost of this project is estimated to be \$1,100,000. The FM Global property insurance policy is expected to reimburse Big Rivers for all ice storm related substation losses minus the \$300,000 deductible.

This emergency repair project was not included in the 2009 Capital Construction Budget.

Memo Board Approval W.O. 945 Livingston TL Repair.doc
Big Rivers Engineering
Bob Warren



ESTIMATE CONSTRUCTION WORK ORDER

BIG RIVERS ELECTRIC CORPORATION P.O. BOX 24, HENDERSON, KY 42419-0024 Telephone 270-627-2551
 50 Big Rivers Center

PRODUCTION TRANSMISSION GENERAL WORK ORDER: 945

PREPARED BY: Bob Warren DATE SUBMITTED: 3/11/2009 DATE TO BE STARTED: February 2009 DATE TO BE COMPLETED: September 2009
 DESCRIPTION OF WORK: Repair of the Livingston County Substation Autotransformer. This work was not included in the 2009 Capital Construction Budget.

REASON FOR WORK: This 50 MVA Autotransformer failed during January 09 ice storm.

FACILITIES TO BE RETIRED:

| COUNTY | LINE | POLES | LOCATION |
|------------|------|-------|---------------------------------|
| Livingston | | | Newbern Rd (CR-1137) off KY-866 |

ELEMENTS OF CONSTRUCTION COSTS

| | DETAILS | COST |
|--------------------------------|---------|--------------------|
| LAND & RIGHT OF WAYS | | \$0 |
| ENGINEERING | | \$10,000 |
| MATERIALS | | \$180,000 |
| LABOR | | \$680,000 |
| OVERHEADS | | \$30,000 |
| TOTAL CONSTRUCTION COST | | \$1,100,000 |
| RETIREMENT COST | | |
| LABOR TO REMOVE | | |
| OVERHEAD TO REMOVE | | |
| LESS SALVAGE VALUE | | |
| TOTAL RETIREMENT COST | | \$0 |
| TOTAL WORK ORDER COST | | \$1,100,000 |

EQUIPMENT LISTS ATTACHED (SEE RUS BULLETIN 131-2)
 OTHER ATTACHMENTS

| ACCOUNTING DEPT. USE ONLY | |
|---------------------------|-----------|
| | FINANCING |
| RUS LOAN | |
| BANK LOAN | |
| GEN FUND | |
| OTHER | |
| TOTAL | |
| BUDGET APPROVAL | |

Bob Warren PROJECT ENGINEER 3-12-09 DATE
Alan Shurt MANAGER ENGINEERING OPERATIONS 3-12-09 DATE
Alan O. Crockett VICE PRESIDENT SYSTEM OPERATIONS 3-13-09 DATE
 _____ PRESIDENT & CEO DATE
 _____ BOARD OF DIRECTORS DATE

TO: Board of Directors

FROM: James Haner

DATE: March 18, 2009

SUBJECT: Pension Plan Amendments


On January 31, 2008, Big Rivers filed applications with the IRS for determination as to whether the retirement and savings plans continue to meet the qualification requirements of the Internal Revenue Code. Favorable determination letters dated January 13 and March 6, 2009, have been received for the savings and retirement plans, respectively.

The IRS agent reviewing our applications concluded in the process that certain changes should be made to the plan documents, and the favorable determinations are subject to our adoption of those changes. We are asking the Board to approve the amendments prepared to incorporate the IRS changes – the 1st amendments to the salaried plans and the 2nd amendments to the bargaining plans.

All the changes are minor and non-substantive, and have no impact on the administration of the plans. They are summarized as follows:

1. Section 5.9 in the savings plans and section 5.10 in the retirement plans address minimum distribution requirements at age 70 ½. Current plan language states that the distributions shall be determined pursuant to Code Section 401(a)(9) and regulations thereunder. The IRS agent added the phrase “notwithstanding any other provision of the plan to the contrary,” and in parentheses following “regulations thereunder,” listed the specific regulation numbers.
2. Section 10.8 in the savings plans states that the plans shall comply with the Uniformed Services Employment and Reemployment Rights Act (USERRA), as amended and revised. The IRS agent added “and Code Section 402(k)(2)(B)(i)(v),” which reflects a USERRA amendment permitting certain reservists to take in-service distributions from 401(k) plans.
3. Section 1.49 in the salaried savings plan and section 2.50 in the salaried retirement plan address top heavy plans. In the last sentence of subsection (a) of those sections, the IRS agent changed the words “separation from service” to “separation from employment.”
4. Section 4.2 in the retirement plans addresses the qualified joint and survivor annuity (QJSA) benefit form. Current language requires that a member electing a form other than



Your Touchstone Energy® Cooperative 

Transmission System Construction Work Plan

For the period:
2009-2011

December 2008

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1. INTRODUCTION

Big Rivers Electric Corporation is a generation and transmission cooperative headquartered in Henderson, Kentucky. Big Rivers provides the electrical needs of three member cooperatives, which in turn sell electricity to approximately 111,000 consumers in twenty-two western Kentucky counties. These distribution cooperatives are:

Kenergy Corp
Jackson Purchase Energy Corporation
Meade County Rural Electric Cooperative Corporation

This construction work plan identifies transmission system improvements required to continue satisfactory and reliable service to Big Rivers' member systems. Four separate areas of study or analysis are included: (1) transmission system, (2) reliability analysis, (3) distribution cooperative additions, and (4) short circuit analysis. This plan covers the three-year period from 2009 to 2011.

For study and reporting purposes, the Big Rivers system is broken down into three geographical study areas. These areas, in general, correspond to the service territories of the three member cooperatives.

2. EXECUTIVE SUMMARY (RUS PROJECT DESCRIPTION/ENVIRONMENTAL STATEMENT)

The following table lists the improvements that resulted from the studies and economic analyses. This table includes a description of the improvements, the approximate year the improvements are expected to be required, and the estimated cost of the improvements in 2009 dollars. More detailed discussions of these improvements can be found in sections 4, 6, 7, and 8 of this report.

KENERGY AREA

PROJECT NO. 904 – WILSON SUBSTATION 161/69 kV TRANSFORMER (PD): The project involves the installation of a new 161/69 kV transformer in the existing Wilson substation. The transformer is expected to be installed during 2010 at an estimated cost of \$2,800,000. Since a physical expansion of this existing substation will not be necessary to complete this project, no additional land will be acquired or disturbed. It is expected that this project description and work plan report provide adequate information to classify the project as a categorical exclusion pursuant to 7 CFR 1794.21. No further environmental documentation for this project will be submitted provided the project is constructed as described here.

PROJECT NO. 813 – 6 MILE 69 KV WILSON TO CENTERTOWN LINE (ER): The project involves 6 miles of new right-of-way. The project is required to provide the necessary voltage support to the Centertown area. The route for this circuit will be rural. The project is expected to be completed in 2010 at an estimated cost of \$1,650,000. A site-specific environmental report will be submitted and subsequently approved by RUS for this project prior to the initiation of the project construction to allow the project to be eligible for RUS financing.

MAINTENANCE – REPLACE THE EXISTING SOUTH DERMONT 69 KV SWITCH WITH A RADIO CONTROLLED MOTOR OPERATED SWITCH: The project involves upgrading the existing switch with a radio controlled switch to allow greater operational flexibility. This will allow the South Dermont load to be normally served from the Horse Fork line in order to provide improved voltage support. This maintenance item requires no additional land or right-of-way and is expected to be completed within an existing easement with minimal disturbance. As a result, no further RUS documentation will be submitted.

MAINTENANCE – REPLACE THE EXISTING TWO-WAY HORSE FORK 69 KV SWITCH WITH MULTIPLE ONE-WAY SWITCHES: The project involves upgrading the existing switch with multiple one-way switches to allow greater operational flexibility. Specifically, this upgrade schedule to be completed in 2009 will allow the South Owensboro to Horse Fork Tap line to be cleared without an outage of the Daviess County to Horse Fork 69 kV circuit. This maintenance item requires no additional land or right-of-way and is expected to be completed within an existing easement with minimal disturbance. As a result, no further RUS documentation will be submitted.

JACKSON PURCHASE AREA

MAINTENANCE – UPGRADE THE 3.2 MILE LIVINGSTON COUNTY TO DOVER 69 KV LINE (PD): The project involves upgrading the existing 3.2 mile 69 kV circuit to allow operation at 212 degrees F. This maintenance item requires no additional land or right-of-way and is expected to be completed within an existing easement with minimal disturbance. As a result, no further RUS documentation will be submitted. This project will be scheduled, estimated, and budgeted once the final CoalTek plans are known.

MAINTENANCE – UPGRADE THE 4.4 MILE PALMA JUNCTION TO CULP JUNCTION 69 KV LINE (PD): The project involves upgrading the existing 4.4 mile 69 kV circuit to allow operation at 212 degrees F. This maintenance item requires no additional land or right-of-way and is expected to be completed within an existing easement with minimal disturbance. As a result, no further RUS documentation will be submitted. This project will be scheduled, estimated, and budgeted once the final CoalTek plans are known.

PROJECT NO. 815 – 7 MILE 69 KV CUMBERLAND TO CALDWELL SPRINGS 69 KV LINE (ER): This project involves 7 miles of new right-of-way (100 foot width). The project is required to provide a back-up source to the Cumberland, Burna, and Joy substations. The route for this circuit will be rural. The project is expected to be completed in 2010 at an estimated cost of \$1,250,000. A site-specific environmental report will be submitted and subsequently approved by RUS for this project prior to the initiation of the project construction to allow the project to be eligible for RUS financing.

MEADE COUNTY AREA

PROJECT NO. 1016 – RECONDUCTOR 8 MILE MEADE COUNTY TO GARRETT 69 KV LINE (PD): The project involves replacing 8 miles of 3/0 ACSR conductor on an existing 8.5 mile 69 kV circuit with 336 MCM ACSS conductor. The improvement is expected to be completed in 2011 at an estimated cost of \$750,000. No additional land or right-of-way will be acquired as part of this project. It is expected that this project will be completed within an existing easement with minimal disturbance. As a result, this project is expected to have no significant environmental impact. It is expected that this project description and work plan report provide adequate information to classify the project as a categorical exclusion pursuant to 7 CFR 1794.21. No further environmental documentation for this project will be submitted provided the project is constructed as described here.

PROJECT NO. 812 – 3 MILE 69 KV GARRETT AREA TO FLAHERTY TAP LINE (ER): The project involves 3 miles of new right-of-way (100 foot width). The project is required to provide the necessary voltage support to the Flaherty area. The route for this circuit will be rural. The project is expected to be completed in 2011 at an estimated cost of \$700,000. A site-specific environmental report will be submitted and subsequently approved by RUS for this project prior to the initiation of the project construction to allow the project to be eligible for RUS financing.

PROJECT NO. 814 – 3 MILE 69 KV CIRCUIT TO SOURCE A NEW

PAYNEVILLE/EKRON AREA DELIVERY POINT (ER): The project involves 3 miles of new right-of-way (100 foot width). The project is required to provide a transmission source to a planned delivery point. The route for this circuit will be rural. The project is expected to be completed in 2011 at an estimated cost of \$700,000. A site-specific environmental report will be submitted and subsequently approved by RUS for this project prior to the initiation of the project construction to allow the project to be eligible for RUS financing.

BULK SYSTEM

PROJECT NO. 1018 – RE-CONDUCTOR 3.4 MILE COLEMAN TO NEWTONVILLE

161 KV LINE (PD): The upgrade of this 6.4 mile interconnection is a joint effort involving Big Rivers and Hoosier Energy. The Big Rivers portion involves replacing the 3.4 miles of 795 ACSR conductor owned by Big Rivers with 795 MCM ACSS conductor capable of higher operating temperatures. The Hoosier Energy portion was completed in 2008. The Big Rivers portion of the improvement is expected to be completed during 2009 at an estimated cost of \$640,000. No additional land or right-of-way will be acquired as part of this project. It is expected that this project will be completed within an existing easement with minimal disturbance. As a result, this project is expected to have no significant environmental impact. It is expected that this project description and work plan report provide adequate information to classify the project as a categorical exclusion pursuant to 7 CFR 1794.21. No further environmental documentation for this project will be submitted provided the project is constructed as described here.

PHASE II PROJECTS

The following projects are described in the Big Rivers Electric Corporation Bulk Transmission System Assessment dated June 28, 2007 (see Appendix 9). This study was undertaken to determine facility upgrades that are needed in the event Big Rivers regains operational control of its generating stations. If this event does not transpire, the following projects will not be pursued.

PROJECT NO. 1019 – RE-CONDUCTOR BOTH COLEMAN TO COLEMAN EHV 161

KV LINES (COMBINED CIRCUIT LENGTH OF 2.8 MILE) (PD): The project involves replacing the 795 MCM ACSR conductor on the existing 161 kV circuit with 1590 MCM ACSR conductor or 795 MCM ACSS conductor capable of operating at 1200 Amps. Additional details can be found in the previously published Bulk Transmission Assessment. The improvement is expected to be completed during 2010 at an estimated cost of \$600,000. No additional land or right-of-way will be acquired as part of this project. It is expected that this project will be completed within an existing easement with minimal disturbance. As a result, this project is expected to have no significant environmental impact. It is expected that this project description and work plan report provide adequate information to classify the project as a categorical exclusion pursuant to 7 CFR 1794.21. No further environmental documentation for this project will be submitted provided the project is constructed as described here.

PROJECT NO. 815 – 13 MILE 161 KV CIRCUIT FROM WILSON TO A NEW THREE-TERMINAL TAP POINT ON THE EXISTING HARDINBURG TO PARADISE 161 KV CIRCUIT (ER): The project involves 13 miles of new right-of-way (100 foot width). As part of the project, the existing Hardinsburg to Paradise 161 kV circuit will be modified to create a Hardinsburg/Wilson/Paradise three-terminal 161 kV circuit. The project need is described in the previously published Bulk Transmission Assessment. The route for this circuit will be rural. The project is expected to be completed in 2010 at an estimated cost of \$4,700,000. A site-specific environmental report will be submitted and subsequently approved by RUS for this project prior to the initiation of the project construction to allow the project to be eligible for RUS financing.

PROJECT NO. 1020 – RE-CONDUCTOR 8 MILE 161 KV CIRCUIT FROM THE NEW THREE-TERMINAL TAP POINT TO PARADISE (PD): The project involves replacing the 795 ACSR MCM conductor on the existing 161 kV circuit with 795 MCM ACSS conductor capable of operating at 1600 Amps. Additional details can be found in the previously published Bulk Transmission Assessment. The improvement is expected to be completed during 2010 at an estimated cost of \$1,100,000. No additional land or right-of-way will be acquired as part of this project. It is expected that this project will be completed within an existing easement with minimal disturbance. As a result, this project is expected to have no significant environmental impact. It is expected that this project description and work plan report provide adequate information to classify the project as a categorical exclusion pursuant to 7 CFR 1794.21. No further environmental documentation for this project will be submitted provided the project is constructed as described here.

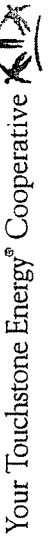
PROJECT NO. 905 – WILSON TERMINAL (PD): The project involves the addition of a 161 kV terminal at Wilson. This construction is necessary to terminate the Hardinsburg/Wilson/Paradise three-terminal 161 kV circuit described above. The project is expected to be completed in 2010 at an estimated cost of \$1,100,000. Since a physical expansion of this existing substation will not be necessary to complete this project, no additional land will be acquired or disturbed. It is expected that this project description and work plan report provide adequate information to classify the project as a categorical exclusion pursuant to 7 CFR 1794.21. No further environmental documentation for this project will be submitted provided the project is constructed as described here.

PROJECT NO. 906 – PARADISE TERMINAL UPGRADE (PD): The project involves upgrading the existing Hardinsburg to Paradise 161 kV terminal at Paradise to allow operation at 1600 Amps. The project is expected to be completed in 2010 at an estimated cost of 1,000,000. Since a physical expansion of this existing substation will not be necessary to complete this project, no additional land will be acquired or disturbed. It is expected that this project description and work plan report provide adequate information to classify the project as a categorical exclusion pursuant to 7 CFR 1794.21. No further environmental documentation for this project will be submitted provided the project is constructed as described here.



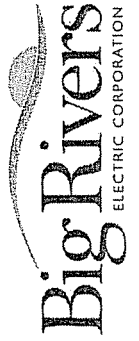
Transmission System Construction Work Plan

2009-2011 Study Summary



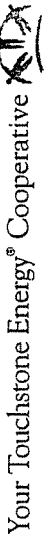
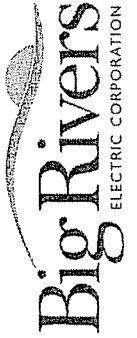
Purpose

- Support the budget process
- Meet RUS requirements



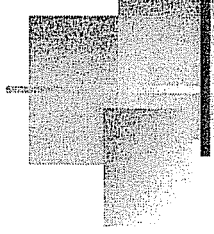
Assumptions

- **Studies performed with peak loads for:**
 - 2011 summer
 - 2011/12 winter
 - 2011 summer extreme weather
- **Individual outages studied:**
 - All transmission lines
 - All transformers
 - All generators
 - Single generating unit plus one line or transformer



Load Forecasts

| COMPANY | 2011 S | 2011/12 W | 11 S EXTREME |
|--------------------|--------------|--------------|--------------|
| JACKSON PURCHASE | 167 | 144 | 177 |
| KENERGY CORP. | 305 | 273 | 323 |
| MEADE CO. RECC | 111 | 129 | 123 |
| RURAL TOTAL | 583 | 547 | 623 |
| INDUSTRIAL | 184 | 183 | 187 |
| SUBTOTAL | 767 | 729 | 809 |
| SMELTER | 850 | 850 | 858 |
| TOTAL | 1,617 | 1,579 | 1,667 |

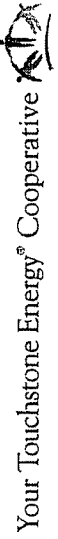


Projects – Kenergy Area

- **NEW**
- 161/69 kV Wilson transformer addition (2010) - \$2,800,000
- 6 mile Wilson to Centertown 69 kV line (2010) - \$1,650,000
- Add radio controlled motor operator to South Dermont switch
- Replace two-way Horse Fork switch with multiple one-way switches

▪ **FROM PREVIOUS WORK PLAN**

- Hancock County to Lewisport 69 kV line upgrade
- 30 MVAR 69 kV capacitor addition at Hancock County



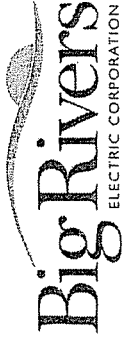
Projects – Meade County Area


- **NEW**

- Re-conductor 8 mile Meade Co. to Garrett 69 kV line (2011) - \$750,000
- 3 mile Garrett area to Flaherty Tap 69 kV line (2011) - \$700,000
- 3 mile 69 kV line for new delivery point (2011) - \$700,000

- **FROM PREVIOUS WORK PLAN**

- Falls of Rough to McDaniels 69 kV line



Your Touchstone Energy® Cooperative 

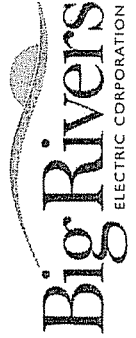
Projects – Bulk Transmission System

- **NEW**
- Re-conductor 3.4 mile Coleman to Newtonville 161 kV line (2009) - \$640,000
- **FROM PREVIOUS WORK PLAN**
- Reid to Daviess County 161 kV line re-conductor (complete)



Projects – Phase II

- Re-conductor both Coleman to Coleman EHV 161 kV lines, combined circuit length of 2.8 miles (2010) - \$600,000
- 13 mile 161 kV circuit from Wilson to a new tap point on the Hardinsburg to Paradise line (2010) - \$4,700,000
- Re-conductor 8 mile 161 kV circuit from the new tap point to Paradise (2010) - \$1,100,000
- 161 kV Wilson terminal (2010) - \$1,100,000
- 161 kV Paradise terminal upgrade (2010) - \$1,000,000



Your Touchstone Energy® Cooperative

CWP Actions

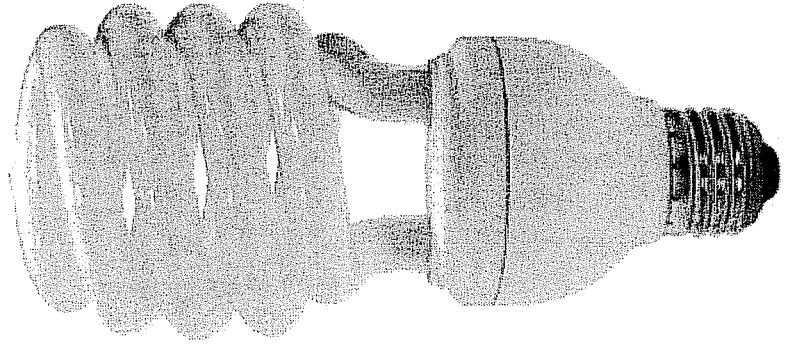
- Distribution cooperative staff review
 - Jackson Purchase – January 8, 2009
 - Kenergy – December 18, 2008
 - Meade County – January 15, 2009
- Board approval – requested March 2009
- RUS technical review – following board approval

Deloitte.

Big Rivers Electric Corporation 2008 Report to the Board of Directors

Deloitte & Touche LLP

March 19, 2009



This report is intended solely for the information and use of the board of directors, management, and others in the Company. It is not intended to be and should not be used by anyone other than these specified parties.

Audit • Tax • Consulting • Financial Advisory •

BIG RIVERS ELECTRIC CORPORATION'S RESPONSE
TO THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
THIRD DATA REQUEST TO BIG RIVERS ELECTRIC CORPORATION
PSC CASE NO. 2009-00040
June 1, 2009

1 **Item 3-15)** Refer to the Company's response to KIUC 1-15. Please update this
2 response for current NO_x allowance prices. In addition, please provide a copy of the
3 source document relied on.

4
5 **Response)** Please see attached Seelye-2, Schedule 1.01 revised as requested. The
6 current NO_x allowance prices are based on the *Coal Trader*; May 18, 2009 price of NO_x
7 allowances. The prices reflected in the attached Schedule 1.01 reflect \$1250.00 for the
8 annual NO_x allowances and \$300.00 for the seasonal NO_x allowances. It is important to
9 note that the actual price paid by Big Rivers to Western Kentucky Energy Corp.
10 ("WKEC") will be the invoice to Big Rivers reflecting the price WKEC paid to acquire
11 allowances at the time of purchase. Whatever the price, Big Rivers must have sufficient
12 cash to meet its obligation to WKEC.

13
14 **Witness)** David A. Spainhoward
15 William Steven Seelye
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**Big Rivers Electric Corporation
Proforma Adjustments**

Incremental Environmental O&M

| | | |
|---|---------------------|------------------|
| 1 | Proforma Year * | 2,562,428 |
| 2 | Historical Year | 600,155 |
| 3 | Proforma Adjustment | <u>1,962,273</u> |

4 Account 413 - Expenses of Electric Plant Leased to WKEC.

5 Income From Leased Property (Net)

* Reflects year-round CAIR, effective 1/1/2009.

Description: Big Rivers' 1998 lease and operating agreement with WKEC requires it to fund its cost-share of Incremental Environmental O&M, as defined therein. Through 2010, Big Rivers' cost-share is 20%. In 2011 it's 40.26%. Thereafter, thru 2023, it's 33.9%

"There were no reported injuries resulting from the flooding incident and evacuation," Pile said. "Obviously we're extremely happy about the outcome. We have well constructed emergency preparedness plans and experienced people to carry them out, the plan was well executed, and the result was a happy ending."

MSHA said in a statement that "the inundation flooded a swag at the bottom of the mine slope, preventing the miners from exiting the mine. No one was injured nor were they ever in any danger. The miners were in frequent telephone communications with mine personnel on the surface as well as their families. The seven men were rescued and arrived on the surface at about 6:00 a.m. Sunday morning" May 10.

The mine's management notified the MSHA Call Center at 6:03 a.m. May 9, shortly after the inundation occurred, and MSHA personnel quickly responded to the emergency, the agency said.

Several large pumps removed the water blocking the exit.

Meanwhile, the trapped miners moved to higher ground before their rescue, MSHA said, noting, "All seven men walked out of the mine, safe and unharmed."

The accident investigation is being conducted jointly by MSHA and West Virginia, Louviere said. The k-order, according to MSHA documents, "prohibits all activity from the second break inside until MSHA has determined that it is safe to resume normal mining operations." The order allows the operator, Alpha subsidiary Cobra Natural Resources, to continue to pump water out of the mine.

Mountaineer Alma A produced a little over 615,000 short tons last year and nearly 127,000 st in the first quarter of this year, according to MSHA.

— Steve Hooks, steve_hooks@platts.com

Alaska's Healy plant to lose power purchaser

Homer Electric Association's board of directors voted last week not to purchase 50% of the electricity generated from the 50-MW Healy Clean Coal Power plant beginning in 2014.

The board also directed Homer Electric General Manager Brad Janorschke to "transition the cooperative away from involvement with HCCP," the association said in a statement on May 14.

HEA entered into power sales and project development agreements with the Alaska Industrial Development and Export Authority, the current owner of the Healy plant, and is party to a more recent settlement term sheet with Golden Valley Electric Association and AIDEA. That agreement may be in flux. It specifies that the settlement will end on the earlier of February 15, if AIDEA and GVEA have not reached sales terms, or August 1, "if AIDEA, GVEA and HEA have not executed mutually acceptable definitive agreements."

In response to the board's decision, AIDEA said it was in contact with the parties, and it is "too early to determine the potential consequences of the HEA Board of Directors' action."

The Homer board also told Janorschke to cancel a request for proposals regarding a power supply study. The board said

the independent study was no longer necessary because the state was putting together an Integrated Resources Plan for the area.

The Homer directors' move comes as no surprise, given the long history among Homer Electric, AIDEA and Golden Valley.

In 1989, the US Department of Energy selected the Healy plant in Alaska as one of its clean coal demonstration projects. The \$281 million facility was funded by federal and state grants, bond sales and contributions from project participants. Work was completed on the plant in 1997. It was to be managed by AIDEA and operated by GVEA.

In 1999, after being tested for 90 days, GVEA refused to operate the plant, claiming it didn't meet efficiency and safety goals, which AIDEA disputed. The plant was to burn coal supplied by Usibelli Coal.

Since then, various discussions about restarting the plant probed possibilities, but the plant still remains idle. In January, AIDEA began talking to GVEA about purchasing the plant for \$50 million and jointly operating the facility.

GVEA could not be reached for comment.

Emissions Roundup

SO₂, NO_x markets all over the place

The sulfur dioxide market saw heavy volumes traded in both spot and forward markets last week, but was unable to retain the spot price above \$70/short ton.

The 2009 spot price of SO₂ allowances closed at \$67 on Friday, down \$9 from May 8's closing price. More than 25,000 short tons of 2009 SO₂ allowances traded in the spot market with the most activity occurring on Tuesday, when 16,000 st traded at prices ranging between \$70 and \$65.

In the forwards markets, about 22,000 st of 2009 SO₂ allowances traded at prices ranging between \$63.50/st and \$75/st. The two busiest days in the forwards market were May 11, when 10,000 st of the 2009 vintage traded for December delivery at \$75/st, and May 12, when two trades of 5,000 st each occurred at \$68/st and \$65/st, respectively.

Also trading in the forward markets on May 12 were 2010 SO₂ allowances, also for December deliveries. These transactions, totaling 23,500 st, occurred at prices ranging between \$37/st and \$38/st. The current 2010 SO₂ price is \$36/st, down \$4 from May 8's price.

In contrast to the SO₂ market, the spot price for the annual NO_x market gained ground this past week. The 2009 annual

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NOx spot price closed at \$1,250/st on Friday, up \$335 from May 8's closing price. Transactions totaled about 2,500 st.

Also gaining ground last week was the 2010 NOx vintage, which closed on Friday at \$1,050/st, up \$250 over the closing price on May 8. Transactions totaled about 1,600 st at prices ranging between \$1,050/st and \$1,100/st. On Friday alone, 200 st of the 2010 vintage traded thrice at \$1,050/st.

According to one market observer, there are more sellers in the annual NOx market than buyers because there is constant downward price pressure on the allowances.

The spot price for the 2009 seasonal NOx allowances declined for the fourth straight week, closing at \$325/st, down \$25/st from May 8. About 400 st traded during the week.

— *Amena Saiyid, amena_saiyid@platts.com*

Platts US mid-monthly average, May

| \$/allowance | Range | Average | Change |
|--------------|-------------|---------|---------|
| S02 | 60.00-73.00 | 65.26 | 3.49 |
| NOx | 325-450 | 374.04 | -114.60 |

Note: Average of Platts Daily price assessments is from the 15th of last month.

Monthly broker emissions index (May option expiry)

| | Bid | Offer | Index | Change |
|-------------------|--------------|--------------|---------------|-------------|
| S02 - Spot | 65.00 | 70.00 | 67.00* | 8.00 |
| NOx** | | | | |
| Bank | 275.00 | 350.00 | 312.00* | NA*** |
| 2009 | 275.00 | 325.00 | 325.00 | -133.00 |

Note: * Asterisk connotes bid/ask mean for index value. No asterisk connotes consensus last done trade. ** Due to insufficient participation, Platts is not assessing 2010, 2011 NOx. *** Due to lack of NOx Bank data in April, Platts is unable to assess the change in NOx Bank prices this month. These indices are done in cooperation with Cantor Fitzgerald, Evolution Markets and ICAP Energy. For full index methodology and a list of trades used in the index visit www.emissions.platts.com

Platts US daily assessments, May 15

| | Bid | Offer | \$/allowance | Change | \$/st |
|------------|--------|--------|--------------|--------|--------|
| S02 | | | | | |
| 2009 | 64.00 | 70.00 | 68.00 | 4.00 | 68.00 |
| 2010 | 35 | 45 | 40.00 | 4.00 | 80.00 |
| 2011 | 31 | 41 | 36.00 | 2.00 | 72.00 |
| NOx | | | | | |
| Bank | 250.00 | 350.00 | 300.00 | -25.00 | 300.00 |
| 2009 | 275 | 342 | 300.00 | -25.00 | 300.00 |
| 2010 | 275 | 350 | 312.00 | 0.00 | 312.00 |
| 2011 | 250 | 350 | 275.00 | 0.00 | 275.00 |

The bank NOx reflects vintages from 2008 and prior. Under the Clean Air Interstate Rule that took effect January 1, the US Environmental Protection Agency will no longer discount allowances for the NOx bank. For methodology, visit www.emissions.platts.com. Please send contributions to the Platts daily assessments of the S02 and NOx markets to emissions@platts.com

US DOE budgets \$2.4 bil for CCS work

US Energy Secretary Steven Chu on Friday said the Obama administration would use \$2.4 billion from the economic stimulus package to "expand and accelerate" commercial deployment of carbon capture and storage technologies.

Chu, who announced the funding in an address to the National Coal Council, said, "To prevent the worst effects of climate change, we must accelerate our efforts to capture and store carbon in a safe and cost-effective way. This funding will both create jobs now and help position the US to lead the world in CCS technologies, which will be in increasing demand in the years ahead."

Employing an ice hockey analogy, Chu told the council, "We should start to skate where the puck is going to be and not skate somewhere else."

The secretary said he would prefer to see plants reduce their carbon output by 70% in the next eight to 10 years and use that as a starting point, rather than wait 20 to 25 years to capture 90% to 95% of emissions.

After his speech, he said that increased research funding would lessen the cost of wide-scale carbon capture and storage deployment by verifying before installation the technologies that work.

Peabody CEO praises DOE program

The CEO of Peabody Energy, the world's largest privately owned coal producer, said he is encouraged by Chu's comments and the announcement of the funding initiatives.

"I think what was the interesting part in Chu's comments was the imperative on the carbon capture technology and the horsepower behind it from Chu and the administration," Gregory Boyce told Platts.

The sum is the biggest combination of federal research money that the industry has seen in 10 to 12 years. "Let's spend it and see how we get along and go from there," Boyce said.

The US must be a leader in developing advanced coal technology to steer other nations toward more efficient and less carbon-intensive power plants, Chu said. "China and India will not turn their back on coal and other nations of the world will not turn their back on coal."

Both pre- and post-combustion technologies ranging from gasification to oxyburn and so-called "hybrid technologies" that will produce both power and transportation fuel would all be targeted by the funding, Chu said. Also, the department remains in talks with the FutureGen Alliance over the fate of the plant in Mattoon, Illinois, nixed last year by the Bush administration.

DOE funds to range from R&D to education

DOE will post notices of intent to issue the funding and will earmark \$800 million to expand DOE's Clean Coal Power Initiative, which provides government co-financing for new coal technologies to help utilities cut sulfur, nitrogen and mercury pollutants at power plants.

BIG RIVERS ELECTRIC CORPORATION'S RESPONSE
TO THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
THIRD DATA REQUEST TO BIG RIVERS ELECTRIC CORPORATION
PSC CASE NO. 2009-00040
June 1, 2009

- 1 **Item 3-16)** Refer to the Company's response to KIUC 2-15.
2 a. Please provide the same information for December 2007.
3
4 b. Please provide the amount of employee bonuses included in the historic
5 test year and in the *pro forma* test year by RUS expense account.
6
7 c. Please provide the amount of employee bonuses included in the historic
8 test year and in the *pro forma* test year by plan or program.
9
10 d. Please provide the basis for these employee bonuses pursuant to each plan
11 program and provide a copy of any plan document and all other
12 documents that establish the basis for all such bonuses.
13

14 **Response)**

- 15 a. Big Rivers Electric Corporation paid no employee Incentive/Merit Award
16 in December 2007.
17 b. Please see attached schedule for KIUC Item 3-16.b. No *pro forma*
18 adjustment was proposed; therefore, the Incentive/Merit Award amount is
19 the same for both the historic test year and the *pro forma* year.
20 c. No *pro forma* adjustment was proposed; therefore, the Incentive/Merit
21 Award amount is the same for both historic test year and the *pro forma*
22 year as follows:
23 Lump-Sum Merit Award \$163,384
24 Incentive Program 318,418
25 \$481,802
26 d. Big Rivers Electric Corporation has two different Award programs
27 1. The Lump-Sum Merit Award Program is awarded at the
28 recommendation of the President and CEO to employees who have
29 demonstrated exceptional individual performance during the year
30 and is not to exceed 10% of W-2 earnings, and

BIG RIVERS ELECTRIC CORPORATION'S RESPONSE
TO THE KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
THIRD DATA REQUEST TO BIG RIVERS ELECTRIC CORPORATION
PSC CASE NO. 2009-00040

June 1, 2009

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2. The Incentive Program is awarded, contingent on the attainment of key corporate performance results, to all eligible salaried employees whose overall performance has been considered to be satisfactory. The amount is not to exceed 6% of W-2 earnings. The definition of W-2 earnings as defined in the Summary of New Big Rivers Salaried Employees Compensation Program dated February 18, 1998 includes merit awards however; merit awards have never been included in the calculation. Also, the performance measures have been revised from a threshold (3%), target (6%), and maximum (10%) award level to an award of between 0% and 6%. This change was approved at the Regular Meeting of the Board of Directors held on February 16, 2001, in connection with a Board-approved salary structure adjustment from 97% of market to 100%.

The following attached documents are in support of the Award programs:

1. Excerpts from the Summary of New Big Rivers Salaried Employees Compensation Program; dated February 18, 1998,
 - a. Lump-Sum Merit Awards (page 6)
 - b. Incentive Program (pages 7-13)
2. 2007 Incentive Pay Award and Excerpt from the Minutes of Regular Meeting of the Board of Directors held on January 18, 2008 approving said award, and
3. Authorization to Raise Award Percentage - Excerpt from the Minutes of Regular Meeting of the Board of Directors held on December 17, 2004 authorizing the maximum merit portion of the salary plan percentage to be increased from 5% to 10%.

Witness) Mark Bailey